

Directions: In this section, there is a passage with ten blanks. You are required to select one word for each blank from a list of choices given in a word bank following the passage. Read the passage through carefully before making your choices. Each choice in the bank is identified by a letter. Please mark the corresponding letter for each item on **Answer Sheet 2** with a single line through the centre. You may not use any of the words in the bank more than once.

Most financial crises have plenty in common: they tend to start in the banking sector and involve excessive borrowing, together with an asset bubble. The 26 crisis of 2008 was no different, with the asset bubble focused on US real estate. But my research suggests this crisis had another 27 cause—that some people in the banking sector were playing or "gaming" the system for their own financial gain.

The game being played had several important features. The first was the deliberate complexity of the financial products at its core. Then there are the 28 biases that permeate decision-making at all levels of the banking industry. Banking often attracts people with certain personality 29, including those who are overconfident and take excessive risks.

Such people tend to like complexity for its own sake, but they often do not fully understand the 30 of that complexity for the stability of the financial system as a whole. Often they do not care—they are primarily interested in gaming the system to 31 their bonuses.

The next element is risk. There are parts of the banking sector that will always be 32 to risk, but many bankers have come to feel immune to its potential impact, because they 33 that, however recklessly banks behave, governments will always be there to bail them out.

Gaming in the banking sector seems virtually impossible to 34. The only effective measure to end it would be to make bankers 35 liable for losses, but no government has ever passed such a law, and no single government could do so on its own, since this would immediately cause their entire national banking sector to move wholesale to another jurisdiction.

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| A) behavioural | I) presume |
| B) eliminate | J) prone |
| C) fragile | K) prototypes |
| D) global | L) reassure |
| E) implications | M) skeptically |
| F) maximise | N) traits |
| G) overlapping | O) underlying |
| H) personally | |