

Enrollment No.....



Faculty of Management  
End Sem (Odd) Examination Dec-2017  
MS5EF04 Risk Management in Banks  
Programme: MBA Branch/Specialisation: Management / Finance

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1
- i. A bank suffers loss due to adverse market movement of a security. The security was however held beyond the defeasance period. What is the type of the risk that the bank has suffered? **1**  
(a) Market Risk (b) Operational Risk  
(c) Market Liquidation Risk (d) Credit Risk
  - ii. Interest rate risk is a type of **1**  
(a) Credit risk (b) Market risk  
(c) Operational risk (d) All of these
  - iii. A transaction where financial securities are issued against the cash flow generated from a pool of assets is called **1**  
(a) Securitization (b) Credit Default Swaps  
(c) Credit Linked Notes (d) Total Return Swaps
  - iv. Banks need liquidity to: **1**  
(a) Meet deposit withdrawal (b) Fund loan demands  
(c) Both of them (d) None of these
  - v. Suppose a bank is holding a portfolio of long maturity assets and has financed it with short maturity liability. Which of the risk is most obvious: **1**  
(a) Default risk (b) Operational risk  
(c) Liquidity risk (d) None of these
  - vi. Full form of SPOR **1**  
(a) Sound Principles of Operational Risk  
(b) Systematic Practice of Operational Risk  
(c) Sound Practice of Operational Risk  
(d) None of these

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vii.	VaR is	<b>1</b>
	(a) Potential worst case loss at a specific confidence level over a certain period of time.	
	(b) Potential worst case loss over indefinite period of time.	
	(c) Potential for gain over a selected period.	
	(d) None of these	
viii.	Interest rate risk is not faced by:	<b>1</b>
	(a) Borrowers	
	(b) Ordinary Shareholders	
	(c) Lenders	
	(d) Debenture holders	
ix.	Fall in interest rate cause the rate causes the bond prices also to fall.	<b>1</b>
	(a) False	
	(b) True	
	(c) Difficult to say	
	(d) None of them	
x.	Under Basel II, Capital requirement under the accord is	<b>1</b>
	(a) The maximum Capital that is required to be maintained	
	(b) The minimum Capital that is required to be maintained	
	(c) The capital as specified by the regulatory authority is required to be maintained	
	(d) None of the above	
Q.2	i. What do you mean by risk?	<b>2</b>
	ii. What do you mean by risk control?	<b>3</b>
	iii. What is risk management? Whether risk management process is meant for presentation of future risk for reducing the risk already happened? Explain	<b>5</b>
OR	iv. Explain the need for assets liability management (ALM) in a bank and discuss the pillars on which the ALM process rests.	<b>5</b>
Q.3	i. Explain Team credit derivatives.	<b>2</b>
	ii. What is capital adequacy ratio (CAR) for bank as prescribed by reserve bank of India? Discuss the statutory requirement in relation to the capital adequacy as required by banking regulation act.	<b>8</b>
OR	iii. What is the role of “credit” risk management committee in a bank? Identity the Departments that are working under the supervision of this committee and discuss their functions.	<b>8</b>

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Q.4	i. Explain Sound principles of operational risk management (SPOR) measurement.	<b>3</b>
	ii. What is operational risk management? Why is it important for a bank?	<b>7</b>
OR	iii. Discuss the forms of operational risk and also explain the causes for significant increase in operational risk.	<b>7</b>
Q.5	i. Explain “value at risk” model.	<b>4</b>
	ii. What is liquidity risk and how is it different from other risk? Explain two different measures of finding out the liquidity risk.	<b>6</b>
OR	iii. What is “market risk”? Discuss the components of market risk & Explain the models used to festinate market risk.	<b>6</b>
Q.6	Attempt any two:	
	i. Explain methods of managing risk.	<b>5</b>
	ii. What is risk Exposure analysis?	<b>5</b>
	iii. Explain capital adequacy norms, prudential norms exposure norms.	<b>5</b>

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