Sr. No. 3785

B. Voc. Banking & Financial Services - 4 th Sem.

(2517)

Paper-BVC-405: Market Risk Management

Time allowed: 3 hrs.   **Max. Marks: 50**

Note: Attempt **10** short answer questions from Section A carrying **1** mark each. The length of answer to each question should be in up to 5 lines. Attempt 2 questions each from Section B and Section C carrying **10** marks each. The length of answer to each question in Section B and Section C should be in up to 5 pages.

SECTION -A

I) Write short notes:

1. Interest Rate Risk

2. Liquidity Risk

3. Operational Risk

4. Volatility

5. Stress Test

6. Historical Scenario

7. Market Risk

8. Credit Risk

9. Define VaR

10. Factor Push analysis

11. Gap Analysis

12. Mechanical Stress Testing

SECTION B

II) What are the different types of risks faced by the banks? How do they manage the risk? Explain the process.

III) What do you understand by market risk? Explain different types of market risk. Also discuss risk management practices of Indian banks.

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IV) Explain in detail the quantitative and qualitative standards imposed by Basel norms for risk management.

V) Calculate VaR with at 99% confidence level over a one day horizon from the following data:

Value of Asset A= Rs 1,00,000

Value of Asset B= Rs. 50,000

Volatility of Asset A=1%

Volatility of Asset B=2%

Correlation Coefficient between two assets= 0.5

SECTION C

VI) Explain Extreme Value Theory (EVT) in detail. Discuss the limitations of traditional VaR methods and compare them with EVT.

VII) Explain Monte Carlo simulation approach to VaR in detail. Compare it with Historical simulation.

VIII) "Stress tests can't guarantee any black swan event in the future; but they do improve visibility and transparency". Explain.

IX) What is scenario analysis? Explain different types of scenarios. How do the banks develop and select the scenario?

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