

Sr.No. 3785

Exam Code : 110104

Subject Code : 2776

Bachelor of Vocation (Banking & Financial Services) - 4th Sem.

(2519)

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. Value at Risk Method
2. Marking to Market
3. Volatility
4. Simulation
5. Stress Test
6. Scenario Analysis
7. Market Risk
8. Repricing Risk
9. Factor Push Analysis
10. Capital Adequacy Ratio
11. Three Pillars of Basel II
12. Gap Analysis

SECTION B

- II Define risk. Discuss various types of risks and risk management process in detail.
- III Explain different types of market risks and their impact on banks.
- IV Explain the need and role of Basel norms in managing risk.
- V Calculate VaR at 95% confidence level over a one day horizon from the following data:

PTO

(2)

Value of Portfolio= Rs 10 million

Proportion of Asset X= 60%

Proportion of Asset Y=40%

Volatility of Asset X=3%

Volatility of Asset Y=5%

Correlation Coefficient between two assets=0.4

SECTION C

VI Explain historical simulation approach to VaR and compare it with Monte Carlo simulation approach.

VII Discuss the following in detail:

- a) Extreme Value Theory b) Traditional VaR method

VIII What is stress testing? What are the benefits of stress tests for banks? Do they provide foolproof mechanism for risk management?

IX What is scenario analysis? How do the banks develop and evaluate the effects of different scenarios?

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