Exam. Code : 110104
Subject Code : 3832

Bachelor of Vocation (Banking & Financial Services)
4th Semester

MARKET RISK MANAGEMENT

Paper–BVC–405

Time Allowed—3 Hours] [Maximum 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 notes on :

(1) Credit Risk

(2) Define Risk

(3) Value at Risk

(4) Volatility

(5) Stress test

(6) Monte Carlo VaR

(7) Option Risk

(8) Currency Risk

(9) Liquidity Risk

(10) CAMEL

(11) Marking to market

(12) Duration analysis.

SECTION–B

II. Define market risk. Explain different types of market risks and their impact on banks.

III. Why do the banks need risk management ? Explain the process of risk management in detail

IV. Explain in detail Basel II norms.

V. What is Value at Risk (VaR) ? How do we calculate VaR for two assets portfolio ? Illustrate with example.

SECTION–C

VI. Explain historical simulation approach to VaR in detail. What is the difference between historical simulation and Monte Carlo simulation ?

VII. Explain Variance-Covariance approach to VaR in detail.

VIII. What is stress testing ? What are the benefits of stress tests for banks ? What are the difficulties in applying stress tests ?

IX. What is scenario analysis ? How do the banks develop and select the scenario ?