Q.P. Code :09497

[Time: Three Hours] **[Marks : 60]**

Please check whether you have got the right question paper.

N.B:
1. **Question Paper for 60 marks.**
2. **Question No. 1 is Compulsory and carries 20 marks.**
3. **From Question No. 2 to 8, answer any FOUR questions. All questions carry 10 marks.**
4. **Candidates are permitted to use simple calculators.**

1. A Government Bond is issued with a face value of Rs. 5,000 for one year with a coupon of 6% and interest is paid every quarter. Assume the market interest rate for one year is also 6%. For all the workings, go upto 2 digits.
   - From the above input, arrive at the Duration of the Bond (5 marks)
   - Arrive at the Modified Duration of the Bond (5 marks)
   - If the interest changes from 6% to 7.50%, what will be revised of the bond using only Modified Duration? (5 marks)
   - If the interest changes from 6% to 7.50%, what will be revised of the bond using Modified Duration plus Convexity Factor? (5 marks)

From Question No. 2 to 8, answer any four questions

2. An export customer approaches your AD Bank on 1st January 2016 for sale to him US $ 6,00,000 delivery full month March 2016. The inter-bank market quotes are given below:
   - Spot Rate: 1$ = 66.24/26
   - Forward Premium:
     - 31st January 0.12/13
     - 28th Feb 0.29/30
     - 31st March 0.54/55
     - 30th April 0.75/77
   - Exchange Margin to be loaded is 0.125% (to be loaded on Spot Rate).
   - The final rate to be quoted to the customer should be in customer in two decimals.
   - Calculate the amount that would be credited to the account of the exporter when he delivers the export bill during the month of March, 2016.

3. An import customer approaches your AD Bank for clearing his import documents denominated in Singapore Dollar (SGD) for SGD 5,00,000. Today's Inter-Bank rates are given below:
   - Spot Rate: 1 $ = 64.61/62 INR
   - Spot Rate: 1 $ = 1.3965/68 SGD
   - Load an exchange margin of 0.5% for the transaction.
   - The final rate to be quoted to the customer should be in two decimals.
   - Calculate the amount that would be debited to the account of the importer for clearing his import bill.

4. a. Define VaR.
   b. Explain about Variance – Covariance Approach of calculation of VaR.
   c. You as a dealer in Dealing Room, purchase 4000 shares of a Company at Rs. 500 per share. The Historical Volatility of this scrip is 3% and the expected volatility is 4%. You are required to work under a confidence level of 99.99%. The defeasance period is One day. Calculate the VaR amount with the given inputs.

5. a. Explain in detail about Integrated Treasury Management.
   b. A dealer in a Bank's Treasury sees an opportunity in $/rupee trade by going long on $. He bought the $ 600,000 @ Rs. 64.60, hold the position for 2 days and finally sold the $ at a price of Rs. 64.65. However, to fund the $ purchase, the Rupee Desk of the Bank has to borrow rupee funds from the market at an interest rate of 15%. Calculate the profit made by the Dealer as well the overall impact of this transaction on the Bank's P&L.

6. a. Write characteristics of money market instruments?
   b. Write in detail about Treasury Bills issued by RBI.

7. Explain in detail about the role of Mid Office in Bank's Treasury.

8. Write Short Notes any two of the following:
   i. Nostro Account with an example.
   ii. Vostro Account with an example.
   iii. Loro Account with an example.

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