

VPM's
DR VN BRIMS, Thane
Programme: MMS (2017-19) (Finance)
Third Semester Examination October 2018

Subject	Financial Markets & Institutions		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	31.10.2018

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

ICICI Bank is in talks with the Securities and Exchange Board of India (Sebi) to settle alleged regulatory lapses involving its managing director and chief executive officer Chanda Kochhar, Videocon group and NuPower Renewables, a company run by Chanda Kochhar's husband Deepak Kochhar, through the consent mechanism, chairman of the capital market regulator Ajay Tyagi said on Tuesday.

Under the consent settlement process, an entity facing a probe by Sebi is subjected to certain fees and restrictions without admission or denial of alleged irregularities and the regulator thereafter drops its charges and investigations with a caveat that all disclosures made to it are correct.

Tyagi said the regulator has received the reply of the bank to its show-cause notice with respect to a probe into alleged lapses in disclosure norms by Kochhar under the securities law.

An ICICI Bank spokesperson said, "We have submitted our response to the show-cause notice issued by SEBI. We would like to clarify that we have not filed any application for settlement."

Sebi had issued notices to ICICI Bank and Chanda Kochhar on May 24, 2018 under Rule 4 (1) of SCR (Procedure for Holding Inquiry and Imposing Penalties by Adjudication Officer) Rules 2005 seeking responses on matter relating to alleged non-compliance with certain provisions of the erstwhile Listing Agreement and the Sebi (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Both Kochhar and the bank have maintained there has been no regulatory violation on their part and that Kochhar was not aware of specific business dealings of her husband.

As first reported by The Indian Express on March 29, Videocon group promoter Venugopal Dhoot provided crores to NuPower Renewables Pvt Ltd (NRPL), a firm he had set up with Deepak Kochhar and two relatives six months after the Videocon group got Rs 3,250 crore as loan from ICICI Bank in 2012.

He transferred proprietorship of the company to a trust owned by Deepak Kochhar for Rs 9 lakh, six months after he received the loan from ICICI Bank. Almost 86 per cent of the Rs 3,250 crore loan (Rs 2,810 crore) remains unpaid. The Videocon account was declared an NPA in 2017.

Chanda Kochhar is currently on leave after ICICI Bank decided to probe allegations of conflict of interest and quid pro quo against her while dealing with certain customers/borrowers of the bank including Videocon.

An independent investigation by a panel headed by former Supreme Court Judge Justice B N Srikrishna is looking into allegations against Kochhar.

Sebi may start personal hearings in the case as a part of its adjudication process.

Chanda Kochhar, her husband and Venugopal Dhoot-promoted Videocon Group have also come under the scanner of multiple investigating agencies such as the CBI, IT and SFIO for alleged "**quid pro quo and conflict of interest**"

Both Chanda Kochhar and ICICI bank have maintained there has been no regulatory violation on their part and that Kochhar was not aware of specific business dealings of her husband

- a) Study the case above and comment on your views about conflict of interest, and Third party disclosures

b) What is your opinion about the case and what went wrong according to the regulators

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A) You have 1year 8%coupon bond and current market rate of interest s 5.25%
This bond has duration of 5.32.years if interest rate fall by 60 basis points what will happen to bond price if Face value of Bond is Rs 1000 /-
- B) with current increase in inflation explain the role and functions of RBI in monetary policy.
- c) According to you is Book building process important ?Explain percentage share of issue size and number of equity shares available for allotment to QIB, Non Institutional bidders and Retail Investors

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A)Explain the term Structure Theory of Bond, ZCB, Bootstrapping?
- B) Face value of Bond Rs 1000/- Maturity 4years Coupon 11%
Yield 13% Change in yield 40 basis points calculate Convexity, Modified Duration and Effective duration
- C) Discuss , Price Rigging:, Artificial, Short selling, cartel ,Crowd funding with examples

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A) Differentiate the functions of jobber and Broker in terms of operations?
- B) if a trader has to place an order how it can be available to him under Market Order, Limit Order, and Stop Loss Trigger Price- Explain
- C) Examine the role of 'Clearing House' and its functions ?

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A) Discuss Spot Rate, Forward Rate, and Bond Yield Curve and Coupon in the bond market?
- B) Examine the role of Speculators, Arbitrators, and Hedgers and Market Makers In the stock market,
- C) Examine how volatility affects the operations of Bull ,Bear ,Stag ,Lame Duck.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A) Explain the basic features Forward and Future Currency?
- B) Differentiate between Money Market and Capital Market
- C) Interest rates can fluctuate differently so with respect to that how Floaters and Reverse Floaters arrangements are made

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A) Consider a bond of Blue Star Intermediaries Limited with the following features:

Par Value: Rs. 1000
Coupon Rate 8%
Years to Maturity 5 years

Find out the value of bond if the required rate of return is 9 %.AND 10%.

- B) Debenture of Rs100 face value carries an interest rate of 13% is redeemable after 5 Years at a premium of 2%.If the required rate of return is15% What is the present value of debenture?

- C) Explain different types of Stock Exchanges in the country -NSE, BSE and OTC.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A) How in the banking system A) Sharia Banking and B) Series B financing works?
- B) If banks and corporate have to use different sources of finance which are various financial instruments available in Money Markets
- C) You are considering an investment in one of the following bonds

Sr. No.	Bond	Coupon Rate	Maturity	Price (Par value Rs 1000)
1	Bond A	13%	6years	Rs 900/-
2	Bond B	11%	4 years	RS 600/-

What is YTM of each bond?

Which bond would you recommend and why?