



Name:

Enrolment No:

**UPES**  
**End Semester Examination, Dec 2024**

**Course: Financial Institutions and Markets**

**Semester: V**

**Program: INT BBA-MBA (FINANCE)**

**Course Code: FINC3024P**

**Time: 03 hrs.**

**Max. Marks: 100**

**Instructions:** Brief answers will be appreciated. Use ordinary calculators.

**SECTION A**  
**10Qx2M=20Marks**

S. No.		Marks	CO
Q.1	Basel-III norms were made by RBI; Yes or, No?	2	CO1
Q.2	As per Basel-II norms, in addition to CAR, a capital conversion buffer of 3% is to be maintained by banks; Yes or, No?	2	CO1
Q.3	All deposits from bank customers are rate-sensitive liabilities; Yes or, No?	2	CO1
Q.4	Tier-2 capital of a bank consists of equity capital; Yes or, No?	2	CO1
Q.5	If CASA to Loan ratio is low, a bank will not have lower liquidity problem; Yes or, No?	2	CO1
Q.6	Securitization is a process for bank lending; Yes or, No?	2	CO1
Q.7	In ALM_GAP analysis of a bank, creditors for supply of office equipment is also a component; Yes or, No?	2	CO1
Q.8	As per Basel norms, the risk weight for cash is 10%; Yes or, No?	2	CO1
Q.9	Only non-performing assets are securised; Yes or, No?	2	CO1
Q.10	Banks give interest, do not create money; Yes or, No?	2	CO1

**SECTION B**  
**4Qx5M= 20 Marks**

Q.11	Give an example of uninsurable risk and why is it so?	5	CO2
Q.12	What could be the potential regulatory issues affecting blockchain adoption in different countries?	5	CO2
Q.13	What strategies can be adopted by an insurance company to make health insurance products profitable and affordable as well?	5	CO2
Q.14	How a bank can improve the A-L GAP to increase NIM?	5	CO2

**SECTION-C**  
**3Qx10M=30 Marks**

Q.15	Explain the steps in the Securitisation process for auto loan	10	CO3
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Q.16	<p>ABC Bank implemented a new risk management system to comply with stricter government regulations. The system was designed to monitor and manage credit risk, market risk, and operational risk across all its branches. However, after the system was launched, the bank faced challenges with data integration and reporting, especially in identifying high-risk customers.</p> <p>What additional measures could the bank take to enhance the effectiveness of its risk management system?</p>	<b>10</b>	<b>CO3</b>																																
Q.17	<p>XYZ Auto Insurance recently implemented a telematics-based program that allows drivers to install tracking devices in their vehicles. These devices monitor driving behavior, such as speed, braking, and time of driving. Drivers with safer driving habits receive discounts on their premiums, while risky drivers face higher costs. However, the program has met resistance, with customers citing privacy concerns and claims of unfair treatment.</p> <p>What alternatives could XYZ consider if many customers opt out of the telematics program?</p>	<b>10</b>	<b>CO3</b>																																
<b>SECTION-D</b> <b>2Qx15M= 30 Marks</b>																																			
Q.18	<p>Suppose, in a locality, there are 10,000 houses and each house has a value of Rs.80,000 on average. Each house owner is willing to purchase a fire insurance contract/policy to cover the house from damage. The insurance company estimates that the probability of catching fire is 5% and the average loss per house can be 30% of the value. The administrative cost of the insurance company is Re.0.45 per 100 rupees, while it wants to keep a reserve of Re.0.10 per 100 rupees for unexpected loss. The insurance company's investment income is Re.0.07 per 100 rupees. What should be the ideal premium per 100 rupees of policy value?</p>	<b>15</b>	<b>CO4</b>																																
Q.19	<p>The balance sheet of a bank is given below:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Liabilities</th> <th style="text-align: right; border-bottom: 1px solid black;">(Rs. Crore)</th> <th style="text-align: left; border-bottom: 1px solid black;">Assets</th> <th style="text-align: right; border-bottom: 1px solid black;">(Rs. Crore)</th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td style="text-align: right;">500</td> <td>Building, Furniture, others</td> <td style="text-align: right;">200</td> </tr> <tr> <td>Preference Share Capital</td> <td style="text-align: right;">1000</td> <td>Floating Rate Loan</td> <td style="text-align: right;">300</td> </tr> <tr> <td>Borrowings from RBI</td> <td style="text-align: right;">500</td> <td>Short-term Loan (corporate)</td> <td style="text-align: right;">1000</td> </tr> <tr> <td>Short-term Savings</td> <td style="text-align: right;">500</td> <td>Long-term Loan (housing)</td> <td style="text-align: right;">1000</td> </tr> <tr> <td>Long-term Savings</td> <td style="text-align: right;">1000</td> <td>Vault Cash</td> <td style="text-align: right;">500</td> </tr> <tr> <td></td> <td></td> <td>Deposit with RBI</td> <td style="text-align: right;">500</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">3500</td> <td style="text-align: right;">Total</td> <td style="text-align: right;">3500</td> </tr> </tbody> </table> <p>(a) Find out the asset-liability gap of the bank.  (b) Is the bank Bassel-Norms compliant?</p>	Liabilities	(Rs. Crore)	Assets	(Rs. Crore)	Equity	500	Building, Furniture, others	200	Preference Share Capital	1000	Floating Rate Loan	300	Borrowings from RBI	500	Short-term Loan (corporate)	1000	Short-term Savings	500	Long-term Loan (housing)	1000	Long-term Savings	1000	Vault Cash	500			Deposit with RBI	500	Total	3500	Total	3500	<b>15</b>	<b>CO4</b>
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