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MFP-004

**MANAGEMENT PROGRAMME / POST
GRADUATE DIPLOMA IN FINANCIAL
MARKET PRACTICE (MP/PGDFMP)**

Term-End Examination

June, 2023

MFP-004 : CURRENCY AND DEBT MARKETS

Time : 3 Hours

Maximum Marks : 100

Weightage : 70%

Note : *Attempt any five questions. All questions carry equal marks.*

1. Briefly explain the structure of the Global Forex Markets. Discuss the features of 'Foreign Exchange Markets'. Compare and contrast the forex markets vis-a-vis other segments of financial markets.
2. Explain the various theories of exchange rate determination. What do you understand by Real Effective Exchange Rate (REER).

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3. What are the functions of Debt Market in resource allocation ? Explain the structure of Indian Debt Market. Briefly explain the various participants of the debt market in India.
4. Explain the various methods through which the government securities are issued to the various market participants. How are these securities held and traded ?
5. Explain the following :
 - (i) Currency Swaps
 - (ii) Forward Rate Agreements (FAR).
6. What is Currency Futures ? Explain the types of Orders which can be placed by the exchange members for trading currency futures. Discuss the various risk management measures adopted by the exchanges to manage risk of default by members.

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7. What is interest rate risk ? Describe the sources of interest rate risk and discuss the effects of interest rate risk.
8. What do you understand by interest rate caps, floors and collars ? Discuss the various types of interest rate swaps and describe the pricing mechanism for an interest rate swap.