

**MANAGEMENT PROGRAMME
(Banking and Finance)**

Term-End Examination

December, 2013

MS-494 : RISK MANAGEMENT IN BANKS

Time : 3 hours

Maximum Marks : 100

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

1. What is 'Interest Rate Risk' ? What is its significant for banks ? Discuss the different types of interest rate risks that the banks are exposed to.
2. Write notes on the following :
 - (a) KMV's Expected Default Frequency Model.
 - (b) Value at risk Models.
3. What do you understand by credit risk ? Discuss its significance in project finance. Explain the factors which cause credit risk in project finance and the measures that are adopted to mitigate it.
4. What is 'Liquidity Risk' ? How is it measured and managed ? Explain.
5. What is 'Currency Risk' ? Discuss the factors that affect the exchange rate. Explain the importance of currency risk management.

6. Explain the Standardised Approach (SA) and the Alternative Standardised Approach (ASA) for operational risk analysis and measurement. Discuss their quantifying criteria, advantages and disadvantages.
 7. "Risk governance is a key component in the design of a good risk management architecture". Discuss this statement and briefly bring out the role played by different committees formed in a bank for risk management.
 8. Discuss the need for risk sensitive Incentive systems in banks and explain the principles of sound compensation for prudent risk-taking.
-