

**POST GRADUATE DIPLOMA IN FINANCIAL
MARKET PRACTICE**

Term-End Examination

December, 2014

00156

MFP-4 : CURRENCY AND DEBT MARKETS

Time : 3 hours

Maximum Marks : 100

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

1. Which are the major intermediaries that participate in the currency markets in India ? Explain the meaning of derivatives and discuss the major currency derivative products that are traded.
2. Discuss the various theories of Exchange Rate Determination and elaborate on the major factors that influence currency volatility.
3. What are Forward Rate Agreements (FRAs) ? Explain how can FRAs be used to hedge currency risk.
4. Explain the following :
 - (a) Black Scholes Model
 - (b) Option Greeks
5. What are Government Securities ? Discuss the different types of government securities and explain their distinguishing features.

6. Write short notes on the following :
 - (a) Collateralised Borrowing and Lending Obligation (CBLO)
 - (b) Commercial Paper
 7. What is 'Convexity' ? Explain the method of valuation of Zero Coupon and Premium, Par and Discount bonds.
 8. What is interest rate risk ? Discuss the sources of interest rate risk and also explain the effects of such risk.
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