

Roll No																			
---------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



**PRESIDENCY UNIVERSITY
BENGALURU**

SET B

**SCHOOL OF MANAGEMENT
MID TERM EXAMINATION - NOV 2023**

Semester : Semester III - 2022

Course Code : MBA3006

Course Name : Sem III - MBA3006 - Financial Markets and Services

Program : MBA

Date : 3-NOV-2023

Time : 2:00PM - 3:30PM

Max Marks : 50

Weightage : 25%

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

PART A

ANSWER ALL THE QUESTIONS

(5 X 2 = 10M)

1. Economic development needs balanced growth which can be attained by propelling growth in all sectors, simultaneously. The financial system **helps allocate savings into investment channels**. It helps in mobilizing savings and make better use of these funds by allowing investments in various sectors of the economy. Recall the role of financial system in Indian economy.
(CO1) [Knowledge]
2. The RBI formulates and implements the Monetary Policy of India to keep the economy on growth path. Provide any two tools of monetary policy.
(CO1) [Knowledge]
3. A mutual fund is a company that pools money from many investors and invests the money in securities. Recall any four types of mutual funds in India.
(CO1) [Knowledge]
4. There are two major indices in the stock exchange of India. Classify and explain.
(CO2) [Knowledge]
5. Recognize the significance of gilt edged securities.
(CO2) [Knowledge]

PART B

ANSWER ALL THE QUESTIONS

(3 X 6 = 18M)

6. The financial regulators in India not only protect the rights of investors but also prevent market failures. Different regulatory bodies have different structures and frameworks with their codes of conduct to ensure the integrity and smooth functioning of the financial system. Discuss the role of Central Bank in India
(CO1) [Comprehension]
7. Derivatives are one of the three main categories of financial instruments, the other two being equity and debt. Discuss any three types of derivative contracts?
(CO2) [Comprehension]

8. Write short notes on the following in a foreign exchange market:

- a. Hedging
- b. Scalping and swing trade
- c. Spread and margin
- d. Pip and pipette
- e. Market sentiment

(CO2) [Comprehension]

PART C

ANSWER THE FOLLOWING QUESTION

(2 X 11 = 22M)

9. The Reserve Bank of India (RBI) has initiated a pilot program for a wholesale digital rupee within the call money market. The weighted average call rate has largely remained above the repo rate since August 10, after the announcement of the incremental cash reserve ratio (I-CRR). The weighted average call rate on Thursday was at the same level as Wednesday - 6.72 per cent. The repo rate is at 6.5%. RBI Executive Director Ajay Kumar Choudhary, who is in-charge of the fintech department, had previously stated that the central bank might launch the wholesale digital rupee pilot for the interbank call market by October. The pilot of wholesale CBDC, also known as Digital Rupee-Wholesale (e-W), was started for the government securities market in November last year. It was restricted to facilitating the settlement of secondary market transactions in government securities. Subsequently, the pilot for the retail CBDC commenced on December 1.

According to dealers, most participating banks remain the same from the wholesale e-rupee pilot for the government securities market with Federal Bank replacing HSBC in the call money pilot. State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank and HSBC were part of the wholesale CBDC in government securities pilot program. This move represents an effort to explore and test a central bank digital currency (CBDC) in the form of the digital rupee for facilitating transactions in the wholesale financial sector. The pilot program aims to assess the feasibility and effectiveness of a digital rupee in improving the efficiency and safety of financial transactions in India.

Answer the following question.

1. What is the call money market in India? What are the broader implications of a wholesale digital rupee for India's financial system?
2. How does a digital rupee differ from traditional cryptocurrencies like Bitcoin? (CO1) [Application]

10. Russian President Vladimir Putin's statement about the potential collapse of the USD-based global financial system signifies a notable transformation in the international financial landscape. This assertion is underpinned by several factors influencing the world of finance. First, there is a noticeable shift toward multipolarity, with emerging economies like Russia, China, and others challenging the traditional dominance of the U.S. dollar. These nations are advocating for a more diversified global financial structure.

Geopolitical tensions and economic sanctions have driven some countries to explore substitutes to the U.S. dollar in international trade. The use of alternative currencies and payment systems can reduce vulnerability to U.S. sanctions and protect national interests. The emergence of digital currencies, particularly central bank digital currencies (CBDCs) and cryptocurrencies, is challenging conventional financial systems. Countries are exploring digital currencies as potential alternatives, further diversifying the global financial landscape. The uncertainty caused by economic upheaval, especially due to the COVID-19 pandemic, has prompted countries to rethink their financial strategies. Diversification away from reliance on a single currency can provide stability and resilience against economic shocks. Furthermore, financial innovation and technological advances are creating new pathways for cross-border transactions and trade financing, potentially reducing the need for traditional financial intermediaries and systems.

Putin's statement is part of a broader global dialogue about the future of the international financial system. While it may be premature to predict the immediate collapse of the USD-based system, it is undeniable that changes are afoot. Countries are exploring alternatives and adaptations to enhance financial stability and resilience, given economic uncertainties and geopolitical pressures. The future of the international financial system remains the subject of ongoing discussion and negotiation on the world stage.

Answer the following question.

1. Explain the global financial system, and its primary function?
2. How do exchange rates and currency markets influence the global financial system?