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| **SESSION** | **July 2023** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **IV** |
| **course CODE & NAME** | **DBFI402 – Basel and Risk MANAGEMENT in Banking** |
| **CREDITS** | **04** |
| **nUMBER OF ASSIGNMENTS & Marks** | **02****30 MARKS EACH** |

**Assignment Set – 1**

**1. Briefly explain different types of Risk.**

**Ans 1.**

The banking industry, being at the heart of the financial system, is exposed to a multitude of risks. To ensure stability, security, and continuity, it is vital to identify, measure, and manage these risks. The Basel Accords, which have been adopted worldwide, provide guidelines on risk management in the Its Half solved only

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**2. Explain major tools and techniques used to strengthen ALM system.**

**Ans 2.**

Asset Liability Management (ALM) is a crucial function that assists financial institutions in balancing their assets and liabilities in a manner that limits risks related to liquidity gaps and interest rate mismatches. Implementing effective ALM can be achieved using a mix of both qualitative and

**3a) What are the Components of Capital Funds of a Bank as Regulatory Capital under Basel Accord?**

**Ans 3a.**

The Basel Accords are a set of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (BCBS). The Accords aim to ensure that financial institutions have enough capital to meet unexpected losses, thereby reducing the risk of financial crises.

Components of

**3b) As percentage of Risk Weighted Assets classify Regulatory Capital Requirement for a Bank.**

**Ans 3b.**

Regulatory Capital Requirement for a Bank as a percentage of Risk Weighted Assets:

Under Basel III, the minimum capital requirements set as a percentage of Risk Weighted Assets (RWA) are as follows:

1. **Common Equity**

**Assignment Set – 2**

**4. What are the requirements for an effective internal control system for operational risk? 6+4**

**Ans 4.**

Internal control systems are crucial in managing and mitigating operational risks within an organization. An effective internal control system for operational risk ensures that business processes run

**5a. Explain Value at Risk approach as a tool to measure the level of financial risk.**

**Ans 5a.**

**Value at Risk (VaR) Approach**

Value at Risk (VaR) is a statistical measure that quantifies the level of financial risk within a firm, portfolio, or position over a specific time frame. It is one of the most widely used risk management tools in the finance industry and offers a consistent way to measure risk across various types of assets

**5b) Bank X has investment of Rs.50 crores in shares of a company. The daily volatility is 2%. At 99 % confidence levels calculate:**

**1.Daily VAR**

**2.Weekly var (7 days)**

**Z value is 2.33 at confidence level of 99%.**

**Ans 5b.**

To calculate the Value at Risk (VaR) for a bank's investment in shares at a 99% confidence level, you can use the following formula:

**Daily VaR (1 day) = Z \***

**6. Write short Notes on:**

**i) Capital Conservation Buffer**

**ii) Counter Cyclical Capital Buffer**

**Ans 6.**

**i) Capital Conservation Buffer:**

The Capital Conservation Buffer is a regulatory requirement introduced under the Basel III framework for banking institutions. It serves as a key component of the Basel III capital adequacy standards, which were developed in response to the global financial crisis of 2008. The primary purpose of the Capital Conservation Buffer is to ensure that banks maintain an extra layer of capital during periods