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| **SESSION** | **AUG/SEP 2023** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **IV** |
| **COURSE CODE & NAME** | **DBFI402 BASEL AND TREASURY MANAGEMENT IN****BANKING** |
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**1. Discuss Tools and Techniques of asset liability management to minimize financial risks.**

**Ans 1.**

Asset liability management (ALM) is a critical practice in financial risk management, particularly for banks, insurance companies, and other financial institutions. It involves the careful handling of assets and liabilities to manage risks related to interest rate changes, liquidity, and funding. In this discussion, we will explore various tools and techniques employed Its Half solved only

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**2. Appraise three Line of Defense model for managing operational risk.**

Operational risk, a fundamental aspect of business management, pertains to the risks and uncertainties stemming from internal processes, people, systems, or external events. The Line of Defense (LOD) model is a widely recognized framework in risk management. This model, typically consisting of three lines, enables organizations to structure their risk management strategies

**3. Using standardized approach under Basel II, based on Position Statement as on 31.03.2023 of Alpha Bank answer questions given below:**

|  |  |
| --- | --- |
| **Alpha Bank:Position as on 31.03.2023** | **(Rs. Crores)** |
| **Investment in Central Government Securities** | **30000** |
| **Investment in Shares** | **3000** |
| **Small Enterprises (Unrated)****CGTMSE Guaranteed** | **15000** |
| **Working Capital to Corporates (Rating A)** | **50000** |
| **Other Retail Loans (Unrated)** | **3000** |
| **Cash Balance** | **5000** |
| **Balance with Banks** | **1000** |
| **Other Assets** | **6000** |

**Using above information, please answer following questions:**

**1. What is the value of Risk Weighted Assets as on 31.03.2023?**

**2. What is the amount of Regulatory Capital requirement of your Bank?**

**3. What is amount of CET1 requirement for your Bank as on 31.03.2023?**

**4. If Bank’s capital is Rs.5000 crores, what is Capital to Risk weighted Assets Ratio?**

To answer these questions, we'll need to apply the Basel II framework for calculating the risk-weighted assets (RWAs) and regulatory capital requirements for Alpha Bank. Let's go through each question step by step:

**1. Value of Risk-Weighted Assets as on 31.03.2023**

Under Basel II, different

**Assignment Set – 2**

**1. Elaborate on VaR (Value at Risk) for measuring risk.**

**a. Briefly Explain Historical Simulation method.**

**b. Position of percentage of return in ascending order of a portfolio (Rs.100 cr) taken from the data for last 100 days is shown below:**

**-0.69, -0.60, -0.53, -0.82, -0.6**

Please identify VAR amount at 97% confidence level for the portfolio. 5+2+3

Value at Risk (VaR) is a widely used risk management tool in finance that quantifies the level of financial risk within a firm, portfolio, or position over a specific time frame. This metric is most commonly used by investment and commercial banks to determine the extent and occurrence probability of potential losses in their institutional portfolios. Essentially, VaR provides a

**5. Discuss Securitisation Process as applicable in India. What are the advantages of this process to the investor? 6+4**

Securitization is a financial process that involves pooling various types of contractual debts such as residential mortgages, commercial mortgages, auto loans, or credit card debt obligations and selling their related cash flows to third-party investors as securities, which may be described

**6. Examine the usefulness of Capital Conservation Buffer introduced under Basel III accord. Differentiate Capital Conservation Buffer from Counter Cyclical Capital Buffer. 5+5**

The introduction of the Capital Conservation Buffer (CCB) under the Basel III accord represents a significant step in strengthening the global banking system's resilience to economic shocks. This essay examines the usefulness of the CCB, highlighting its objectives, mechanisms, and impacts on the banking sector. Furthermore, it differentiates the CCB from the Counter Cyclical Capital Buffer (