[This question paper contains 2 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : 1062 **L**

Unique Paper Code : 2922063602

Name of the Paper : Financial Institutions and Markets

Name of the Course : **DSC**

Semester : VI

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all parts** of a question together.
3. Do **any 5** questions.
4. **All** questions carry equal marks.

Q1. Case Study

The ongoing geopolitical conflict involving Iran, Israel, and the USA has had significant spillover effects on India's money market, primarily through oil prices, capital flows, exchange rates, and monetary policy expectations. The Indian money market—comprising short-term funds, treasury bills, commercial paper, and call money—is highly sensitive to global shocks due to India's integration with global finance. Geopolitical uncertainty triggers a "risk-off" sentiment, leading to capital outflows from emerging markets like India. The war has pushed crude oil prices upward, increasing inflation expectations and increasing demand for US dollar (safe-haven currency), weakens the rupee. Rupee fell sharply and even breached psychological levels amid the crisis.

Q1a. Examine the impact of geopolitical conflicts on India's short-term interest rates with recent examples. (Marks: 06)

Q1b. Explain how crude oil price shocks affect monetary policy in India. (Marks: 06)

Q1c. Assess the role of the RBI in stabilizing the money market during external shocks. (Marks:06)

Q2a. What do you mean by disintermediation of financial market? Explain with the help of an example. (9 marks)

Q2b. Reserve Bank of India has announced the issue of Rs. 1000 Cr worth of 91DTB on auction basis. Four bidders (A, B, C and D) have bided as follows:

A: Rs. 150Cr @ 98.50; Rs. 150 Cr @ 98.45; Rs. 200Cr @ 98.30; Rs. 250 Cr @ 98.15

B: Rs. 150Cr @ 98.45; Rs. 200 Cr @ 98.40; Rs. 100Cr @ 98.25; Rs. 90 Cr @ 98.20

C: Rs. 175Cr @ 98.40; Rs. 175 Cr @ 98.35; Rs. 130Cr @ 98.30; Rs. 160 Cr @ 98.25

D: Rs. 120Cr @ 98.35; Rs. 130 Cr @ 98.25; Rs. 130Cr @ 98.20; Rs. 150 Cr @ 98.15

Calculate Cut-off price of 91 DTB and its yield on that price. (9 marks)

Q3a. NBFCs play a significant role in the financial system by complementing banks, yet they cannot replace them. Describe the types of NBFCs and differentiate between banks and NBFCs to justify the statement.

Q3b. On a particular day following rates were available in the market: Call rate 5.21%, yield on 91 days treasury bills 6.65%, yield on 364 days treasury bills 6.85%, yield on 5yrs Government securities 7.19%, and yield on 10yrs Government securities 7.23%. What kind of conclusion can be drawn about the financial market? Explain. (9 marks)

Q4a. Explain the concept of listing and delisting of corporate stocks. Why is listing important for companies as well as investors? (6 marks)

Q4b. An investor buys 100 shares at ₹400 each. The closing prices over the next three days are ₹385, ₹410 and ₹390 respectively. Calculate the daily Mark-to-Market (MTM) impacts, total MTM over the three days and explain the impact on the margin account. (6 marks)

Q4c. Discuss the process of trading securities on a stock exchange. Also, explain the factors to be considered while selecting a broker. (6 marks)

Q5a. Repo and Reverse Repo are key monetary policy tools used to manage liquidity in the Indian economy. Discuss this statement and explain how these instruments help in controlling liquidity and interest rates. (6 marks)

Q5b. Modern stock exchanges ensure transparency but also increase market volatility. Discuss with suitable examples. (6 marks)

Q5c. What is the impact of moving from T+2 to T+1 on daily liquidity of the market?

(6 marks)

Q6. Write short notes on any three of the following. (6*3 = 18 marks)

a. Book Building Process
b. Core banking solution
c. NDSOM
d. Non-Performing Asset