

SET I
FACULTY OF MANAGEMENT
END TERM EXAM
2022 February
CENTRAL DEPARTMENT OF MANAGEMENT
MBA F Program

Semester: First

Full Marks: 100

Course: Global Financial Markets

Pass Marks: 50

Section I: Case Study

(10X3=30)

1. Demand of fund is increasing specially in emerging economies as large number of development projects and industries requiring huge investment. Again, the demand for fund raising through financial markets is growing exponentially as traditional funding sources dry up. Considering this prospect, Moody's Investors Service, one of the three dominant global credit rating agencies, entered into African financial markets by acquiring a majority shareholding in Global Credit Rating (GCR), a leading credit rating agency in Africa. The move was based on Moody's anticipation that there would be a robust increase in demand for credit rating services in Africa. GCR is the largest rating agency headquartered in Africa. It accounts for most of the ratings issued on the continent. It was established in 1996 and is based in Mauritius, with offices in South Africa, Nigeria, Kenya and Senegal. It mainly assigns ratings for domestic issuances. Moody's only one office in South Africa is supposed to cover all the 28 African countries that it assigns ratings along with international issues. However, it does not have adequate understanding of the local context.

On the basis of above information and your understanding to the credit rating system, answer the following questions:

- a) How does monopolization in credit rating markets affect the financial system at domestic and global context? Explain.
- b) How Moody's entry into African financial market affect the development of financial markets of Africa? Discuss.
- c) How does international credit rating agency (Like Moody or Standard and Poor or Fitch) entering in Nepal's financial markets affect the growth, stability and development of financial markets of Nepal?

Section Two: Analytical Answer Questions

(10X 3=30)

Attempt Any Three Questions

2. Countries and their equity markets are typically divided into three categories: developed, emerging (developing), and frontier (pre-emerging).
 - a. What are the characteristics of developed markets?

- b. Distinguish between Emerging and frontier markets.
3. Some policymakers argue that financial institutions or markets may be “too big to fail”.
 - a. What does “too big to fail” mean for the central bank? Explain this concept in the light with Global Financial Crisis 2008.
 - b. How is financial system connected with real economy? Explain.
4. The following quote is from Donald Rumsfeld, Secretary of Defense under President George W. Bush from 2001 to 2006:

“Reports that say that something hasn’t happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known un- knowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don’t know we don’t know.”

Discuss this statement in the context of risk and uncertainty.
5. The two key issues in structuring a primary markets of Government Securities are: the type of distribution method and whether primary dealers necessary.
 - a. Explain the distribution models used in primary markets if Government Securities.
 - b. Describe key features of primary dealers.

Section Three: Short Answer Questions

(5X8 = 40)

Attempt Any Eight Questions

6. What is meant by a “bought deal”? Why do corporations seeking to raise funds of seasoned common stock prefer to use a bought deal?
7. Why are the characteristics of an issuer important in determining the price of a financial asset?
8. Explain why liquidity may depend not only on the type of financial asset but also on the quantity one wishes to sell or buy.
9. A 10-year, 10% annual coupon debenture of XYZ Bank with a par value of Rs.1,000 is trading at Rs.1050 in NEPSE market. What YTM do you expect from investing in this debenture?
10. Explain the concept of Special Purpose Enterprises (SPEs) with example?
11. What do you mean by macro-prudential policy? How does a government’s macro-prudential policy seek to reduce systemic risk?
12. Suppose the Japanese Yen is quoted at 150 Yen per dollar and the South Korean Won is quoted at 700 Won per dollar. What is the cross rate?
13. What does “Black Swan Event” indicate in the history of financial market? Can we take ongoing war of Russia-Ukraine as “Black Swan Event”?
14. What do you mean by Bootstrapping? Which method of seed stage financing of new venture is appropriate: Bootstrapping or Angel Investors?