

Register Number:

Date:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BBA/BBASF – V SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

**(Examination conducted in January-March 2022)**

**BBA DEF 5619: Financial Services**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains two printed pages and four parts**

**Section A**

**I Answer any five of the following (5 X 2M = 10 marks)**

1. Why mutual funds investments are subject to market risk?
2. Expand (a) CRISIL (b) NASDAQ
3. Define fintech.
4. Differentiate primary and secondary market.
5. What is a depository receipt?
6. Give the meaning of credit rating.

**Section B**

**II Answer any three of the following (5 x 3M = 15 marks)**

1. Briefly explain the process of credit rating for individuals.
2. What is crypto currency? Enlist its merits and demerits.
3. Differentiate Lease and Hire purchase.
4. Give an account of players in the stock market.

**Section C**

**III Answer any two of the following** (**2 x 15M = 30 marks)**

1. Enumerate various services offered by merchant banker.
2. Critically evaluate various mutual fund schemes.
3. Examine the role and functions of depositories.

**Section D**

**IV** **Compulsory Question (1 X 15 = 15 marks)**

1. Securitization is an important feature of modern financial systems. Starting in the early 60s, securitization of mortgage loans first became common in the U.S. Securitization steadily became more widespread until the 2000s, when it reached around 50% of outstanding mortgage and consumer loans in the U.S. The years prior to the crisis of 2007-2009 were characterized by a boom in worldwide securitization markets. Between 2000 and 2006, issuance of securitization products more than tripled, from less than $700 billion to about $2,800 billion. Securitization is an important feature of modern financial systems. Starting in the early 60s, securitization of mortgage loans first became common in the U.S. Securitization steadily became more widespread until the 2000s, when it reached around 50% of outstanding mortgage and consumer loans in the U.S. The years prior to the crisis of 2007-2009 were characterized by a boom in worldwide securitization markets. Between 2000 and 2006, issuance of securitization products more than tripled, from less than $700 billion to about $2,800 billion. Amid the carnage, a discussion has emerged about the future of securitization. Several policy-makers have spoken out against, others in favor of securitization markets. Recently, the European Central Bank and the Bank of England (2013) have issued a paper stating their intention to revive securitization markets, focusing on the high-quality segment of the ABS market. Clearly, there are economic benefits and costs to securitization. First and foremost, securitization allows banks to shift risk off their balance sheet and frees up capital for new lending. Securitization is also an important risk management tool, allowing banks to achieve a more diversified pool of exposures. This should lower their cost of taking on risks, the benefit of which should, at least partially, be passed on to borrowers in the form of more favorable lending conditions and higher credit availability. Securitization also allows banks to better insulate themselves from funding shocks, potentially stabilizing credit extension. On the downside, securitization has demonstrated the potential to reduce the efficiency of financial intermediation. The main reason is the presence of informational problems. In particular, banks, which tend to securitize, become less exposed to borrower risk, which undermines their incentives to screen and monitor. This may result in lower quality lending, and erodes the benefits of intermediation -- relative to market-financing. High complexity has also been identified as a potential cost to securitization, as it reduces the ease with which outsiders can evaluate securitization products, potentially resulting in inefficient investment decisions.

1.Enlist the pros and cons of securitization [05]

2.Briefly explain the mechanism of securitization of debt [10]