



The Institute of
Bankers Pakistan

Time Allowed: 3 Hours

Maximum Marks: 100

Date: June 21, 2023

**Financial Derivatives
AIBP (Specialization)**

Roll No:

Instructions:

- i. Attempt ALL questions;
- ii. Answers must be neat, relevant and brief;
- iii. In checking the question paper, the examiners take into account clarity of exposition, logic of arguments, presentation and language;
- iv. Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper;
- v. DO NOT write your Name, Access No. or Roll No. etc. anywhere inside the answer script(s);
- vi. Candidates are advised not to mark any of the objective answer on the Question Paper, otherwise their paper will be cancelled;
- vii. Question Paper must be returned to invigilator before leaving the examination hall;
- viii. Ensure that you shade your choice on the Optical Mark Reader sheet correctly. Only **ONE** letter must be shaded as shown below:

Correct way A B C D (Choice B is selected)

Incorrect ways A B C D

SECTION B: SUBJECTIVE

Attempt ALL Questions. (40 Marks)

Q2. Differentiate between:

A. Credit Risk and Interest Rate Risk. **(6 Marks)**

B. Options and Futures Contract **(6 Marks)**

Q3. A call option with an exercise price of Rs. 400 is bought for Rs. 12. On expiry date the underlying value of option is Rs. 410. Should the call option be exercised? Justify your answer with reasoning. **(5 Marks)**

Q4.

A. Define a swap contract. **(2 Marks)**

B. List any THREE common purposes of derivative contracts. **(3 Marks)**

Q5.

A. List the THREE types of derivative transactions which are currently permitted under the Financial Derivatives Business Regulations. **(3 Marks)**

B. Specify the types of the entities which are eligible to undertake derivative transactions in Pakistan. **(3 Marks)**

Q6. State the advantages and disadvantages of Currency Futures. (TWO each) **(6 Marks)**

Q7. Discuss the various internal hedging techniques for an organization to hedge against foreign exchange risk. **(6 Marks)**

X ----- END OF SECTION ----- X