

17BB324-FOREIGN EXCHANGE AND RISK MANAGEMENT

Course Objective

The goal of this course is to engage students in active discovery of foreign exchange and risk management principles. Students will be prepared to function in a business environment, developing an awareness of the challenges, the tools, and the process of designing and implementing foreign exchange system and risk management.

Course Outcomes

At the end of the course students should be able to understand

- To identify the framework of foreign exchange and their system.
- To understand the administration of foreign exchange and their arithmetic's.
- Develop strategies and plans for lasting risk management strategies.

UNIT – I: Framework of Foreign Exchange: Foreign exchange-sources and uses - foreign trade and foreign exchange – determinants of foreign exchange rate- parties in foreign exchange

UNIT- II: Foreign Exchange Systems: Fixed and Floating Exchange Rates - Exchange Rate System Prior to IMF – Exchange Rate Systems Under IMF – European Union – External Value of Rupee – Convertibility of Rupee – South East Asian Currency Crisis

UNIT–III: Administration of Foreign Exchange: Evolution of Exchange Controls-Foreign Exchange Management Act, 1999 – Administrative structure-Organization of an Authorized Dealer-Foreign Exchange Markets

UNIT–IV: Exchange Arithmetic: Spot Exchange Rates – cross Rates – Forward Exchange rates–Forward Exchange Rates Based on cross Rates – Inter Bank Deals Swap Deals - Execution of Forward Contract – Cancellation / Extension of Forward Contract

UNIT –V: Risk Management: Exchange Dealings – Futures and options – Exchange Risk: Transaction Exposure –Translation and Economic Exposures – Interest Rate Risk – Managing interest Rate Risk.

Skill Development:

(These activities are only indicative, the Faculty member can innovate)

1. Work out on cross-currency valuations..
2. Project on foreign exchange
3. Project on risk management

References

1. David S. Kidwell, Richard L. Peterson, David W. Blackwell: Financial Institutes,
2. Market and Money, Harcourt Brace Jovanovion, 1993
3. H.P Bhardwaj: Foreign Exchange Handbook, Wheeler publishing, 1994.
4. Treasury and Risk Management in Banks – 11 BF Taxman- 2006.
5. Bibek Debroy: The Convertible Rupee & How to Profit from it, Global Business Press.
6. C. Jeevanandam: Foreign Exchange, New Delhi, Sultan Chand & Sons 1994.
7. A Guide to Forex Dealing and Operating, Published by State Bank of Hyderabad, 1993.