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School of Business
Bachelor of Business Administration
Mid Term Examination - Mar 2024

Duration : 90 Minutes
Max Marks : 50

Sem VI - D1UE603T - Investment Banking

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) Discover the main motivations behind companies pursuing mergers, and how do investment banks assist in identifying suitable merger opportunities? K4 (4)
- 2) Discuss the importance of equity research in investment banking and how it benefits both investors and companies. K5 (5)
- 3) Discuss the process by which investment banks tailor their consultancy services to meet the unique needs and objectives of individual clients, taking into account factors such as industry trends, competitive landscape, and organizational goals? K5 (5)
- 4) Demonstrate the various methods of share offering to raise capital from public. K3 (6)
- 5) Suppose a high net worth individual (HNWI) approaches an investment bank (IB) seeking guidance on diversifying their investment portfolio to achieve long-term growth and preserve wealth. How might the IB recommend allocating funds into a diversified portfolio of high-quality stocks, bonds, and alternative investments such as real estate investment trusts (REITs) or private equity funds? Provide a hypothetical example of how the IB would assess the HNWI's risk tolerance, investment objectives, and time horizon to tailor a customized investment strategy. K4 (8)
- 6) Argus Public Ltd. is presently trading at a 52-week low – although its recent earnings announcements and the current quarter have been similar to that of the analyst projections. In order to increase their profits they wish to undertake a project. How do you think should they raise capital for the same? K5 (10)

- 7) ABC Investment Bank, a leading player in the financial services industry, is subject to stringent regulatory oversight aimed at ensuring market integrity, investor protection, and financial stability. As part of its operations, ABC Investment Bank engages in a wide range of activities, including underwriting securities, providing advisory services, and trading in financial instruments. However, to conduct these activities effectively, the bank must comply with a complex regulatory framework imposed by various regulatory authorities.

The regulatory landscape for investment banks encompasses a multitude of rules and regulations issued by regulatory bodies such as the Securities Exchange Board of India (SEBI), The Reserve bank of India, and the Companies Act 1956 . These regulations govern various aspects of the bank's operations, including capital adequacy, risk management, disclosure requirements, and market conduct.

To ensure compliance with regulatory requirements, ABC Investment Bank has established robust internal control mechanisms and compliance procedures. The bank conducts regular risk assessments and internal audits to identify and mitigate potential regulatory risks. Additionally, ABC Investment Bank invests significant resources in employee training and education to promote a culture of compliance and ethical conduct throughout the organization.

Despite these efforts, regulatory compliance remains a complex and evolving challenge for ABC Investment Bank. Regulatory requirements are subject to frequent updates and amendments, necessitating ongoing monitoring and adaptation of internal policies and procedures. Moreover, the bank must navigate regulatory scrutiny and enforcement actions, which can result in significant fines, penalties, and reputational damage if compliance lapses are identified.

Q1: What are the key regulatory bodies that oversee the operations of investment banks like ABC Investment Bank, and what are their respective roles in regulating the financial services industry?

Q2: What are the potential consequences for investment banks like ABC Investment Bank if they fail to comply with regulatory requirements, and how do these consequences impact the bank's financial performance and reputation?