**International Banking & Foreign Exchange Management**

**Jun 2025 Examination**

**PLEASE NOTE: This assignment is application based, you have to apply what you have learnt in this subject into real life scenario. You will find most of the information through internet search and the remaining from your common sense. None of the answers appear directly in the textbook chapters but are based on the content in the chapter**

**Q1. Madhav is applying for a job in an international bank. In order to prepare for his interview he has to research the workings for similar banks in the industry. Discuss how international banks like HSBC and Citigroup manage to provide both domestic and international banking services effectively? (10 Marks)**

**Ans 1.**

**Introduction**

International banks such as HSBC and Citigroup are financial giants operating across multiple countries, offering a diverse range of services that cater to both domestic and global clients. Their role in facilitating cross-border trade, managing currency risk, and supporting foreign investments has made them essential players in the global financial ecosystem. Madhav, in preparing for his interview, must understand how these banks maintain their relevance, efficiency, and compliance across diverse economic environments. The functioning of these banks involves seamless integration of domestic banking systems with international

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**Q2. Bank of Cooperative India does not have a branch in Sweden but needs to process international transactions for a client with business interests there. Given this situation, correspondent banking plays a crucial role in enabling cross-border transactions. Evaluate the role of correspondent banks in ensuring seamless foreign exchange transactions and international trade payments. (10 Marks)**

**Ans 2.**

**Introduction**

In the globalized financial environment, banks often face the challenge of servicing clients in countries where they have no physical presence. For the Bank of Cooperative India, which lacks a branch in Sweden, correspondent banking emerges as a strategic solution to facilitate international payments and foreign exchange transactions. Correspondent banks act as intermediaries, offering financial services on behalf of domestic banks in foreign markets. This relationship allows banks to provide services such as fund transfers, trade settlements, and currency conversions without direct operations in the target country. As cross-border trade and foreign exchange

**Q3A. Global Bank Ltd., an international financial institution, is expanding its operations across multiple countries. As part of its growth strategy, the bank must deal with foreign exchange transactions daily, facilitating cross-border trade, investments, and remittances. However, fluctuations in exchange rates pose both opportunities and risks for the bank. As a financial strategist for Global Bank Ltd., design a comprehensive strategy as how banks can manage exchange rate risks and highlight the key role and significance of the foreign exchange market in international banking. (5 Marks)**

**Ans 3a.**

**Introduction**

Global Bank Ltd., expanding internationally, is exposed to daily foreign exchange risks while handling trade, investments, and remittances. Exchange rate fluctuations can impact profits, asset values, and client confidence. Therefore, managing these risks is essential to maintain financial stability. As a financial strategist, it's crucial to design a robust exchange risk management plan that leverages the foreign exchange market's mechanisms while safeguarding the

**Q3B. Raman, an Indian professional working in the U.S., needs to send money to his family in India. He discovers that his bank offers remittance services but charges high fees. With the rise of digital banking, many international banks now provide cross-border remittance services, yet they face several operational and regulatory challenges. As a financial consultant for an international bank, design an innovative framework or a strategy to address the key challenges faced by the international banks in managing cross-border remittances. Also, propose framework for balancing cost-effectiveness, speed, and regulatory compliance in context to the given scenario. (5 Marks)**

**Ans 3b.**

**Introduction**

Raman, like many NRIs, faces high fees and delays when sending money home. While digital banking has made cross-border remittances more accessible, international banks still face challenges such as compliance costs, exchange rate fluctuations, and transaction delays. As a financial consultant, it is essential to design a framework that leverages technology, ensures regulatory compliance, and delivers fast, cost-effective services to individuals like Raman, enhancing the overall efficiency of