**Treasury Management in Banking**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for June 2025 Examination**

**Q1. Traditionally, Banks had the strength of providing Treasury products & services. You have been appointed as Treasury Consultant by an MNC Corporates to set- up Treasury for Treasury activities like Forex, Liquidity Management, Risk Management & Investments of the Organisation. Enumerate and describe at least 5 Objectives for which Corporate Treasury will take care in addition to maintaining relations with the Bank's Treasury Relationship Manager/Treasurer, Comply with Risk Management Policy of the company & use of Treasury products approved by Bank.**

**Answer:**

**Introduction:**

In today’s complex global business environment, multinational corporations (MNCs) face multiple financial risks and challenges, especially when operating across various currencies, interest rate regimes, and regulatory environments. To navigate these complexities, the role of a Corporate Treasury becomes critically important. Traditionally, banks were the primary providers of treasury services such as foreign exchange (forex) solutions, liquidity management, and investment options. However, with evolving corporate needs, many large organizations now prefer to build their in-house treasury departments to have better control, reduce costs, and enhance financial efficiency.

As a Treasury Consultant appointed by an MNC, the responsibility is to design and establish a well-structured corporate treasury that not only manages daily financial operations but also focuses on optimizing financial resources and minimizing risks. Apart from maintaining good relationships with banks and ensuring compliance with the company’s risk management policies, the corporate treasury must utilize a range of bank-approved treasury products to manage its operations effectively. The setup will be guided by clear objectives such as cash and liquidity management, forex risk management, investment optimization, funding and capital management, and regulatory compliance. These objectives will ensure that the company’s treasury function becomes a value-adding strategic partner within the organization.

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**Q2. You are appointed as a Treasurer of the Bank. Explain how you will manage the Treasury of the Bank with regard to Liquidity Management, Interest Rates, cost of funds, Proprietary or Merchant Forex position, ALM approved by Alco Committee, Risk Management approved by RMC, Capital of the bank, as approved by Management. Explain with examples as to how CCIL help in management of Integrated Treasury Management products like Trade Finance, Forex - Spot/Forwards, and Treasury Management is a used by Banks, Fx Retail by Corporates, Trep by Mutual Funds and Financial Institutions in India. Explain Integrated Treasury Management with example of Trading and Settlement thru CCIL.**

**Answer:**

**Introduction:**

As the appointed Treasurer of a bank, managing the Treasury involves handling several critical functions that ensure financial stability, optimize profitability, and minimize risk. The key areas of focus include liquidity management, interest rate management, managing the cost of funds, proprietary and merchant Forex positions, and ensuring the bank’s capital is used effectively. To achieve this, a robust framework consisting of liquidity management tools, risk management strategies, and clear guidelines set by internal committees like the Asset and Liability Management Committee (ALCO) and Risk Management Committee (RMC) is essential.

The Integrated Treasury Management process ensures seamless handling of various treasury operations, including trading, settlement, and risk management. The Clearing Corporation of India Limited (CCIL) plays a pivotal role in this integrated process by providing a platform for seamless trade and settlement in Forex and other treasury products. With a focus on examples such as Trade Finance, Forex spot/forwards, and Treasury Management, it’s clear that a bank's treasury function depends on a well-coordinated system where risk, liquidity, and profitability are managed simultaneously. This process not only involves managing bank positions but also handling external demands, such as those from corporates or financial institutions like mutual funds, which rely on these services for effective capital management.

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**Q3A. Amit, a treasury manager at a commercial bank, is responsible for managing the bank’s liquidity, investments, and risk exposures. While he is well-versed in Repo and Reverse Repo operations, he wants to gain a deeper understanding of the key pillars of treasury management beyond these instruments. With increasing financial market complexities and regulatory changes, Amit needs to explore how modern treasury management helps optimize cash flow, manage risks, and ensure profitability for the bank. Considering, the various Risks faced by the Dealers and Dealing room of a bank, As a banking consultant, Describe the pillars of treasury management in Commercial Banking over and above Repo /Reverse Repo, CRR/SLR, Liquidity to be practiced by the Dealers in the Bank?**

**What's your suggestion for the Central Bank, Semi-Regulators like FEDAI, FIMMDA, FBIL etc to issue guidelines from time to time on Integrated Treasury business of the bank with regard to the Risk in products offered by the Bank.**

**Answer:**

**Introduction:**

Treasury management in commercial banks is a vital function that ensures the bank maintains liquidity, profitability, and risk management in its financial operations. While Repo/Reverse Repo, CRR/SLR, and liquidity management are well-established pillars, modern treasury management involves a broader approach. The evolution of financial markets, regulatory changes, and product complexity have pushed treasury functions to incorporate more sophisticated risk management techniques. Dealers and dealing rooms, tasked with managing these risks, must go beyond traditional instruments and embrace a holistic approach to ensure sound financial practices, optimize cash flow, and safeguard profitability.

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**Q3B. In March 2022, Major Central banks world-wide increased the interest rates to control the double-digit inflation in their country. This resulted in failure of few banks in US and merger of major banks in Switzerland. Cosidering this aspect, discuss the role of Treasury in management of liquidity, inflation, interest rates and cost of funds. What happens when interest rates are increased or reduced by central bank on the Treasury's profitability/liquidity on maintenance of CRR/SLR with the Central Bank. In given context, explain the key functions of treasury management, such as liquidity management, asset-liability management (ALM), and investment strategies and evaluate how risk management, regulatory compliance, and capital adequacy play a crucial role in a bank’s treasury operations.**

**Answer:**

**Introduction:**

In March 2022, as inflation surged to double-digit levels globally, central banks across major economies responded by sharply increasing interest rates. This aggressive monetary tightening impacted financial markets and led to the collapse of a few U.S. banks and the merger of large Swiss banks. In this environment, a bank’s treasury function becomes critical. Treasury teams are responsible for managing liquidity, interest rate risks, inflation exposure, and the cost of funds. Their role ensures the bank remains financially sound while complying with regulatory requirements. Treasury management becomes even more vital during such periods of economic volatility and market uncertainty.

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