**Treasury Management in Banking**

**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. Traditionaly, 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. (10 Marks)**

**Ans 1.**

**Introduction**

In today’s complex global business environment, corporate treasury plays a critical role in ensuring financial stability and strategic value creation. Multinational corporations (MNCs) operate in multiple currencies and across borders, making treasury functions like forex management, liquidity planning, investment optimization, and risk control essential for long-term sustainability. Traditionally, banks offered a wide range of treasury solutions, but as corporate needs have evolved, companies now require dedicated internal treasury departments. As a Treasury Consultant, the task is to establish a corporate treasury system that ensures

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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. (10 Marks)**

**Ans 2.**

**Introduction**

Treasury management is a core function in banking operations, responsible for maintaining financial stability, profitability, and regulatory compliance. As the Treasurer of a bank, my role would include the oversight and coordination of various treasury activities such as liquidity management, foreign exchange operations, interest rate monitoring, risk mitigation, and capital allocation. The ultimate objective is to optimize the use of funds, manage financial risks, and ensure compliance with guidelines issued by the ALCO (Asset Liability Committee), RMC (Risk Management Committee), and bank management. The integration of treasury systems with external agencies like CCIL (Clearing Corporation of India Ltd.) enables efficient

**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.. (5 Marks)**

**Ans 3a.**

**Introduction**

In modern commercial banking, treasury management has evolved beyond the conventional tools like Repo, Reverse Repo, CRR, and SLR. As financial markets grow more complex, dealers and treasury managers like Amit must strengthen their understanding of broader treasury practices. Effective treasury management now requires integrated frameworks to optimize liquidity, manage risk exposures, and maintain profitability. Given the volatility in

**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 happes when interest rates are increased or reduced by central bank on the Treasury's profitability/liquidity on maintenace 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. (5 Marks)**

**Ans 3b.**

**Introduction**

In March 2022, as central banks across the globe aggressively raised interest rates to curb inflation, several banks faced liquidity crises and capital erosion. Treasury functions within banks came under pressure, especially in terms of managing interest rate risk, funding cost, and regulatory compliance. In such a volatile economic environment, treasury plays a pivotal role in balancing liquidity, maintaining asset-liability harmony, ensuring investment prudence,