

BNK 207: Treasury Management

Credits: 3
Lecture Hours: 48

Course Objectives

To impart the theoretical and conceptual knowledge of the treasury management and potential risk involve in such transaction. It helps to understand different product and policies regarding treasury market in Nepal.

Course Description

This course consists of ten units- Introduction of Treasury Management, Treasury Organization and Structure, Sources of Fund, Uses of fund, Major Risk in Treasury Management, Pricing of the Product, Assets Liability Management, Derivative Instrument, Investment Portfolio and Liquidity management and Treasury Management Function in Nepalese Banking Sector.

Course Details

Unit 1: Introduction

LH 4

Meaning of treasury, Scope of treasury management, Role and function of treasury department, Principles of treasury management.

Unit 2: Treasury Organization and Structure

LH 5

Concept and function of front office, Back office and mid office, Meaning of dealers, Dealers room, Roles and responsibilities of dealers.

Unit 3: Sources of Fund

LH 4

Deposit: fixed and revolving, Interest bearing and Non-interest bearing, Capital or equity, Reserve and surplus, Borrowing- Short term vs. long term.

Unit 4: Uses of fund

LH 4

Loan and advances, Credit products and their features, interbank lending, maintaining reserve, Investment- Forex, Treasury bill, Govt. securities, share and debenture, maintaining liquidity.

Unit 5: Major Risk in Treasury Management

LH 3

Counterparty default risk, Sovereign risk, foreign currency risk, liquidity risk, Market risk, Equity risk, Commodity risk.

Unit 6: Pricing of the Product

LH 4

Deposit pricing-Cost plus margin deposit product, Market penetration, Conditional, Relationship, Upscale target pricing. Loan pricing, Base interest rate, Risk based pricing.

Unit 7: Assets Liability Management**LH 5**

Meaning and concept of asset liability management, maturity mismatch, interest sensitive assets and liability, interest rate risk, determination of interest rate, interest spread, Gap analysis, Assets liability management committee (ALCO), roles and responsibility of ALCO.

Unit 8: Derivative Instruments**LH 6**

Meaning and concept of derivatives product, Financial derivatives-futures, option, pull option, call option, swaps, interest swaps, Contact swaps Forward rate agreement, Credit derivatives-Securitization, credit default swaps, Risk associated with derivatives product.

Unit 9: Investment Portfolio and Liquidity Management**LH 7**

Concept investment portfolio, investment instrument, importance of portfolio, money market instrument-Treasury bills, open market operation, interbank transaction, commercial papers Capital market-share debenture and govt. bonds. Liquidity management, estimation of liquidity, managing mandatory requirement-CRR, SLR.

Unit 10: Treasury Management Function in Nepalese Banking Sector**LH 6**

Scope, Opportunities and challenges, Foreign Exchange Dealers Association of Nepal (FEDAN) Roles and responsibilities, Central bank's regulation regarding ALM and treasury.

References

Avadhani V.A. *treasury Management* in India, Himalayan Publishing house.

Edward W. Reed (1964), *Commercial bank Management*, A Harper International student. London.

Waston Alasdair, Aotringham, Ron. *Treasury Management: International Banking Operations*, London, institute of Bankers.

Peter. S. Rose (1999), *Commercial Bank management*, McGraw-Hill.

Thapa R.B and D. Rawal (2010), *Principles and practices of Nepalese Banking*, Buddha academic enterprises, Kathmandu, Nepal.