

FSC204 Treasury and Forex Management [4 Credits]

Learning Objective: *This course aims at enabling the students to acquire skills for treasury management and understand the intellectual foundations of global financial markets, instruments and products, as also their use in managing financial risks.*

UNIT 1: Treasury Management – Overview (12 Hours)

Scope and Functions of Treasury Management: Treasury Management - Structure and Organization of Treasury Management - Role of CFO - Functions of a Controller - Functions of a Treasurer Responsibilities of a Treasurer. Treasury Operations: Integrated Treasury - Structure of Treasury - Operations of Treasury - Dealing and Settlement Procedures

UNIT 2: Money Market (12 Hours)

The role of Money Market in the financial System - The Money Market Instruments - Segments of Money Market Call Money Segment– Repo Segment – CBLO Segment – LAF Segment Various Intermediaries and their Role - Influence of Monetary policy on Money Markets - Regulatory Framework in the Indian Money Market - Recent Developments in the Monetary and Credit Policy. Call Money - Treasury Bills: Certificate of Deposits (CDs): Bill Financing: Repurchase Agreements (REPO's Gilt-Edged)

UNIT 3: Asset and Liability Management of Banks (12 Hours)

Cash and Liquidity Management - Reserves Management - Investment Portfolio Management - Transfer Pricing - Asset and Liability Management; Forex Management - Investment Portfolio of Banks: - Investment portfolio of Banks - Investment Management - Components of Bank's Investment Policy - Valuation of Investment Portfolio - Asset – Liability Management: ALM Information Systems; ALM Organization; Liquidity Risk Management; Currency Risk Management; Interest rate Risk (IRR) Management – Implications of BASEL Norms.

UNIT 4: Foreign Exchange Market and Exchange Mechanism (12 Hours)

Foreign Exchange Market: Features – Participants – Spot – Futures – Forwards – Options – Types of Transactions – Hedging – Speculations – Arbitrage – Covered Interest Rate Arbitrage – Borrowings and Investing Markets – Tax Implications - Indian Foreign Exchange Markets – Evolution - Developments and Forex Regulations - Exchange Rate Mechanism : Quotations – Types of Quotations – Exchange Rate Determinations in Spot and Forward Markets – Factors Influencing Exchange Rate - Theories of Exchange Rates – Law of One Price - Purchasing Power Parity – Interest Rate Parity – Fishers Effect - International Fisher's Effect.

UNIT 5: Foreign Exchange Exposure Management (12 Hours)

Meaning – Types of Foreign Exchange Exposure – Transaction Exposure – Operating Exposure – Accounting Exposure (Including Problems) - Management of Foreign Exchange Exposure - Need – Hedging of Transaction Exposure – Hedging of Operating Exposure – Management of Accounting Exposure (Including problems) - Internal Treasury Control: Structure and Organization of Treasury; Accounting and control; Various Measures of Controls; Insight into Information systems and Reporting Standards; Measuring Treasury Performance

Suggested Readings:

1. Srivastava, Divya Nigam, Management of Indian Financial Institutions, Himalaya Publishing House.
2. M. Y. Khan, Indian Financial System, Tata McGraw Hill.
3. Bharati Pathak, Indian Financial System,
4. Gerald Hatler, Bank Investments and Funds Management, Macmillan
5. Stigum, Managing Bank Assets and Liabilities, Dow-Jones Irwin.
6. Dudley Lockett, Money and Banking, McGraw Hill.
7. Vasant Joshi, Vinay Joshi, Managing Indian Banks- Challenges Ahead”, Response Books.
8. Vasant Desai, Banks and institutional management, Himalaya Publishing House.
9. Principles of Banking, Indian Institute of Banking and Finance, Macmillan.
10. Dr. P. K. Srivastava, Banking theory and Practice, Himalaya Publishing House.