

MBAS 563: TREASURY AND RISK MANAGEMENT

Workload	: 04 hours per week
Examination	: 03 hours - 70 marks
Objectives	: <ol style="list-style-type: none">1. Describe the functions and objectives of treasury management2. Identify various capital market instruments and the instruments used for risk management3. Identify the tools used for risk analysis and the derivative instruments used for managing risk4. Comprehend the operational risk and its management.
Course Outcome	<ol style="list-style-type: none">1. Understand the need for Treasury and Risk Management2. Able to handle Treasury products of a business.3. Able to manage the risk associated with the Treasury Management
Pedagogy	: Lectures, assignments, practical exercises, discussions, seminars

Module 1: Introduction to Treasury Management : Objectives – Concept – Functions of integrated treasury; Process of Globalization – Evolving role of Treasury as profit centre – Organization of treasury.

Module 2: Treasury Products : Short term funds and investment management – Financial Marketing – Money Market – Capital Market - Call money – Government Securities – REPOs Repo Rate – Repo Pricing Types of Repos – certificate of deposits – rediscounting bills- commercial papers – Inter – Bank Participation certificate – Collateralised Borrowing and Lending Obligations (CBLO) ; Foreign Exchange Markets and treasury – Linkage of domestic operations with foreign operations.

Module 3: Asset Liability Management 1 : Risk Management Process – Risk Organization – Asset Liability Management (ALM) – Objectives – Organization – Functions of ALCO – Risks – Interest Rate Risk Liquidity Risk – Assessment of Liquidity – Maturity Profile and Interest rate Ladder Credit Risk – Currency Risk – Capital Risk – contingent Risk – Basel Norms I, II, and III.

Module 4: Asset Liability Management 2 : Interest Rate risk and management (IRRM) Interest rate risk – GAP analysis – Rate sensitive Gap Report – Duration and Immunization – Managing IRRM with Derivatives – Simulation technique- Asset Securitization.

Module 5: Asset Liability Management – 3 : Risk Exposure analysis - Stress Testing – exposure Document – open position – stop-loss limit – Modified Duration – Convexity- Risk Adjusted Return on capital (RAROC) – Audit Risk Management

Module 6: Financial futures – forwards – FRA and interest rate swaps – Cross currency swaps – options – Caps – Floors and complex swaps for managing interest rate risk – Foreign Exchange risk management using Derivatives.

Module 7: Sound practices for management and supervision of operational risk (SPOR); Three approaches to SPOR; Operational risks – Identification – effects and Causes – Assessment – Measurement – Scenario Analysis

Market Risk - types – Market risk identification – Model Risk – Risk identification in practice

Module 8:: Risk Measurement – Nominal Amount approach – Sensitivity Based approach – Basis point value – Value at Risk (VaR) – Computation of VaR – VaR and absolute VaR – Usefulness and Limitations of VaR – Back Testing – Stress Testing.

Reference Books:

1. Treasury Management- IIBF, Mcmilan, New Delhi, 2011.
2. Kotreshwar G -Risk Management: Insurance & Derivatives- 2/e, Himalaya Publishing, Mumbai.
3. Chance -Introduction to Derivatives & Risk Management-, Cengage Learning, New Delhi.
- 4.Saita.F- Value at Risk and Bank Capital Management,1/e- Elsevier Inc., U.K.
5. Rejda, George E.-Principles of Risk Management and Insurance- Addison Wesley Longman.
6. McNamara- Principles of Risk Management and Insurance-Addison-Wesley
7. Dorfman- Introduction to Risk Management and Insurance- Prentice Hall.
8. Williams &Heins - Risk Management and Insurance-McGraw Hill.
9. James S. Treischmann, Sandra G. Gustavson - Risk Management and Insurance- South Western Thomson Learning.

