20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **Treasury management coordinates a bank's cash flow, funding, investments and financial risk in one function.**
   It keeps the bank liquid, profitable and shielded from financial shocks at the same time.

2. **Bank treasury management rests on five pillars: liquidity, ALM, investment, forex and risk management.**
   Each pillar controls a distinct risk, and IIBF TIRM exams test all five as an interlocking system.

3. **Liquidity management ensures a bank always has cash to meet withdrawals, loan disbursals and payment obligations.**
   Without it a bank could face a cash crunch even while remaining solvent on paper.

4. **CRR (Cash Reserve Ratio) is the portion of a bank's deposits that must be kept as cash reserve with the RBI.**
   CRR is a monetary-policy tool and directly affects the liquidity available for lending.

5 **SLR (Statutory Liquidity Ratio) is the portion of deposits banks must hold in approved liquid assets like G-secs.**
Unlike CRR, SLR assets stay on the bank's own books and can earn a return.

6 **Asset-Liability Management (ALM) matches the maturity and interest-rate profile of a bank's assets and liabilities.**
ALM is considered the heart of treasury and a heavily weighted TIRM topic.

7 **A maturity mismatch happens when a bank funds long-term loans using shorter-term deposits.**
This gap can trigger a liquidity squeeze if depositors withdraw funds sooner than loans are repaid.

8 **Gap analysis and duration matching are the core ALM techniques used to control interest-rate risk.**
Both tools measure how sensitive a bank's assets and liabilities are to rate movements.

9 **Duration measures how sensitive a bond or security's price is to a change in interest rates.**
Higher duration means greater price volatility when yields move.

10 **RBI norms require banks to classify investments into Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT).**
This classification determines valuation treatment and how gains or losses are recognised.

11 **HTM securities are intended to be held until redemption and are generally not marked to market.**
This shields the bank's reported profit from short-term price swings in those holdings.

12 **AFS and HFT securities are subject to periodic mark-to-market valuation.**
Mark-to-market reflects current market price, exposing these holdings to reported gains or losses.

13 **Government securities (G-secs) are the classic SLR investment because they are low-risk and highly liquid.**
Banks favour G-secs to satisfy SLR while keeping a ready source of tradable liquidity.

14 **Corporate bonds and equities are non-SLR investments banks hold for higher yield with added risk.**
Non-SLR investments diversify treasury income beyond the mandatory SLR portfolio.

15 **Bank treasury operations are organised into front, mid and back office for segregation of duties.**
Splitting these roles prevents the same person from dealing, valuing and settling the same trade.

16 **The front office of a treasury executes deals and takes trading positions in the market.**
It is the dealing desk that interacts directly with money, forex and securities markets.

17 **The mid office independently monitors risk limits, valuations and compliance for treasury deals.**
Its independence from the front office is a key internal control against excessive risk-taking.

18 **Banks hedge market and interest-rate risk using derivatives such as forwards, futures, swaps and options.**
These instruments let a bank lock in rates or prices and reduce exposure to adverse moves.

19 **A Nostro account is a bank's foreign-currency account held with a correspondent bank abroad.**
Nostro accounts let a bank settle its own foreign-currency transactions overseas.

20 **Stress testing simulates shocks like recessions or rate spikes to check how well a bank's balance sheet would cope.**
It is a forward-looking risk tool that complements day-to-day exposure limits.

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