20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **A bank's treasury department manages funds, liquidity, market risk, and investments in one integrated unit.**
   This lets a bank connect to the money market, capital market, forex market, and credit market together.

2. **An integrated treasury brings domestic rupee operations and foreign-exchange operations under one roof.**
   This integration helps a bank optimise yield, control risk, and react quickly to global market events.

3. **Reserve management and investment is a core treasury function.**
   It covers meeting CRR and SLR obligations and holding an investment portfolio mix that optimises yield.

4. **Duration is the weighted average life of a debt instrument until the investment is recouped.**
   Duration analysis monitors how sensitive an investment's price is to interest-rate changes.

5. **Liquidity and funds management keeps a bank solvent on a day-to-day basis.**
   It analyses cash flows from asset-liability transactions and maintains a diversified liability base.

6 **Asset Liability Management, or ALM, determines the optimal size and growth rate of a bank's balance sheet.**
ALM also prices assets and liabilities in line with prescribed regulatory guidelines.

7 **Term Money refers to interbank funds with a tenor above 15 days.**
Rising Term Money demand under ALM practices helps banks better match the duration of assets and liabilities.

8 **Treasury's risk management function covers market risk on a bank's assets and liabilities.**
Credit-risk assessment continues to rest separately with the bank's Credit Department.

9 **Market risk on treasury assets can arise from interest-rate changes, disintermediation, and securitization.**
The emergence of credit derivatives is another source of market risk the treasury must monitor.

10 **Transfer pricing is the treasury function of deploying a bank's funds optimally without sacrificing yield.**
Treasury provides benchmark rates to business groups after assuming and pricing market risk.

11 **The treasury develops derivative products such as Interest Rate Swaps for hedging exposures.**
These rupee-based or cross-currency derivatives can also be sold to customers and other banks.

12 **Arbitrage means simultaneously buying and selling the same asset type in two different markets.**
The goal of treasury arbitrage is to capture risk-less profit from temporary price differences.

13 **The capital adequacy function focuses on the quality of a bank's assets.**
Return on Assets, or ROA, is a key criterion for measuring how efficiently treasury deploys funds.

14 **An integrated treasury functions as a major profit centre with its own profit-and-loss measurement.**
It earns income through proprietary trading, arbitrage, and selling derivative products.

15 **Treasury coordination prevents aberrations across a bank's multiple money-market centres.**
This avoids situations where one centre is lending funds while another is borrowing at the same time.

16 **Control and development makes treasury the focal point for all dealing operations.**
This includes cash and spot deals, forwards, futures, options, swaps, and forward rate agreements.

17 **Fraud protection is a treasury function guarding against embezzlement in trading operations.**
The 1990s saw more frauds occur in trading books than in general banking books.

18 **The IIBF Certified Treasury Professionals syllabus lists eleven core functions of a bank treasury.**
They range from reserve management and ALM to derivatives, arbitrage, and fraud protection.

19 **Proprietary trading refers to treasury deals done to profit from interest-rate or exchange-rate movements.**
These deals are not required for general banking but drive the treasury's profit-centre role.

20 **For exam prep, students should learn every treasury function as a one-line definition first.**
Adding the detail underneath each label later makes treasury an easier scoring area in the exam.