20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The treasury department connects a bank to the money market, capital market, forex market, and credit market.

TRUE

An integrated treasury links all four markets at once, which is central to its role in a bank.

Question 2

Credit-risk assessment for a bank's assets is carried out by the treasury department rather than the Credit Department.

FALSE

Credit-risk assessment stays with the Credit Department; the treasury instead monitors market risk from asset-price changes.

Question 3

Duration measures how sensitive a debt instrument's price is to changes in interest rates.

TRUE

Duration is the weighted average life of a debt instrument and is used for this price-sensitivity analysis.

Question 4

Term Money refers to interbank funds borrowed for a tenor of less than 15 days.

FALSE

Term Money actually refers to funds with a tenor above 15 days, linked to ALM practices.

Question 5

An integrated treasury is treated as a major profit centre with its own profit-and-loss measurement.

TRUE

It earns direct income through proprietary trading, arbitrage, and selling derivative products.

Question 6

Arbitrage and proprietary trading are the same activity because both aim for risk-less profit.

FALSE

Arbitrage seeks risk-less profit from price gaps across two markets, while proprietary trading takes on market risk.

Question 7

Interest Rate Swaps are one type of derivative product a bank's treasury can develop and sell.

TRUE

Treasury develops IRS and other rupee or cross-currency derivatives for hedging and for sale to customers and other banks.

Question 8

An integrated treasury handles only domestic rupee operations and never touches foreign-exchange operations.

FALSE

An integrated treasury actually combines both domestic rupee operations and foreign-exchange operations under one roof.

Question 9

Return on Assets is used as a key measure under the treasury's capital adequacy function.

TRUE

ROA shows how efficiently a bank's funds are being deployed as part of asset-quality monitoring.

Question 10

Reserve management by the treasury has no connection to CRR and SLR obligations.

FALSE

Reserve management and investment specifically involves meeting a bank's CRR and SLR obligations.

Question 11

The treasury coordinates activities across a bank's different money-market centres to avoid mismatches.

TRUE

This prevents situations such as one centre lending funds while another centre is borrowing at the same time.

Question 12

The treasury department plays no role in managing a bank's day-to-day liquidity.

FALSE

Liquidity and funds management is a core treasury function that keeps the bank solvent day to day.

Question 13

Proprietary trading means treasury deals done to profit from movements in interest or exchange rates.

TRUE

These are deals not required for general banking but support the treasury's role as a profit centre.

Question 14

Interest Rate Swaps developed by a bank's treasury can only be used internally and never sold to customers.

FALSE

Treasury-developed derivative products like IRS can also be sold to customers and other banks, not just used internally.

Question 15

Asset Liability Management determines the optimal size and growth rate of a bank's balance sheet.

TRUE

ALM also prices a bank's assets and liabilities in line with prescribed regulatory guidelines.

Question 16

Fraud protection is one of the core functions of a bank's treasury department.

TRUE

The ground-level task of guarding against trading-book fraud is undertaken at the treasury.

Question 17

Credit derivatives and disintermediation have no impact on the market risk a treasury monitors.

FALSE

Securitization, disintermediation, and the emergence of credit derivatives are all sources of market risk on treasury assets.

Question 18

Transfer pricing involves the treasury providing benchmark rates to different business groups.

TRUE

Treasury sets these benchmark rates after assuming market risk, guiding business strategy across product categories.

Question 19

Duration analysis is unrelated to how a debt instrument's price reacts to interest-rate changes.

FALSE

Duration analysis is precisely the tool used to monitor an instrument's price sensitivity to interest-rate movements.

Question 20

The Certified Treasury Professionals syllabus frames around eleven core functions of bank treasury.

TRUE

These include reserve management, liquidity management, ALM, risk management, and several others.