**Treasury Management in Banking**

**April 2024 Examination**

**1. In view of Geo-political situation in Russia, Sri-Lanka etc and sanctions by US, Europe on Russia and other OFAC countries impacting trade and international settlement. How the functions of treasury operations in a large multinational Bank are impacted by Sanctions? (10 Marks)**

**Ans 1.**

**Introduction**

The global banking landscape is profoundly influenced by geopolitical events and the imposition of sanctions by major entities like the United States and Europe. In particular, recent developments in Russia, Sri Lanka, and other OFAC-listed countries have led to significant shifts in international trade and settlement processes. These shifts have a cascading impact on treasury operations within large multinational banks. Treasury management, a crucial aspect of banking, involves the oversight of a financial institution's holdings to ensure optimal liquidity, risk management, and investment strategies. The imposition of sanctions introduces complex challenges in these areas, necessitating

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**2. How Treasurer in a Bank manages the Risk on Forex and Money Market activities thru Treasury Policies. Explain Treasury Policies and process with examples. (10 Marks)**

**Ans 2.**

**Introduction**

Treasury management within the banking sector plays a pivotal role in stabilizing and enhancing the financial standing of a bank. Specifically, the role of a Treasurer in managing risks associated with Forex (Foreign Exchange) and Money Market activities is crucial. These risks, stemming from fluctuations in currency values and interest rates, can significantly impact a bank's profitability and liquidity. To mitigate such risks, Treasurers implement comprehensive treasury policies, which act as guiding frameworks for decision-making and risk management. These policies encompass various strategies, tools, and procedures designed to minimize potential losses while optimizing financial performance. The

**3. There are many semi-regulators in India along-with RBI and its MPC with PDAI and FBI impacting Bank’s profitability and operations. Explain the role of:**

**a. Role of FEDAI & FBIL for Forex products and Revaluation process/method. (5 Marks)**

**Ans 3a.**

**Introduction**

In the Indian financial landscape, alongside the Reserve Bank of India (RBI) and its Monetary Policy Committee (MPC), there are several semi-regulatory bodies that play a significant role in shaping the banking sector's operations and profitability. Among these, the Foreign Exchange Dealers' Association of India (FEDAI) and the Financial Benchmarks India Pvt Ltd (FBIL) are pivotal in the realm of Forex products and the revaluation process.

**b. Role of FIMMDA & PDAI for MM products and Revaluation process/method (5 Marks)**

**Ans 3b.**

**Introduction**

The Fixed Income Money Market and Derivatives Association of India (FIMMDA) and the Primary Dealers Association of India (PDAI) are key semi-regulatory bodies that significantly influence the Money Market (MM) products and revaluation processes in India. While not formal regulatory authorities, these organizations establish essential guidelines and best practices that shape the dynamics of debt and derivative markets. Their role is crucial in ensuring transparency, efficiency, and stability in the financial markets. This overview will