**Treasury Management in Banking**

**April 2025 Examination**

**Q1. Traditionally, only Central Banks or major Commercial Banks like SBI etc. had the strength of providing Treasury products & services. Now even smaller banks duly authorized by RBI & large Corporates are providing Forex, MM and Derivative products to various market participants. Enumerate and describe the purposes for which a Banks/Corporate Treasury exists and allows online business thru CCIL’s FX Retail platform. (10 Marks)**

**Ans 1.**

**Introduction**

Treasury management is a vital function in banking and corporate finance, designed to optimize financial resources, maintain liquidity, mitigate risks, and maximize profitability. Traditionally, Central Banks and major commercial banks like the State Bank of India (SBI) were the primary providers of treasury products and services, including Forex, Money Market (MM), and Derivative products. These institutions had the financial strength, regulatory support, and infrastructure required for complex treasury operations. However, technical advances, financial market liberalisation, and RBI regulatory changes have enabled smaller banks and major

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**Q2. Explain with example, how the Clearing Corporation of India Ltd (CCIL) provides the platform for Trading and settlement of various Forex, MM & Derivative Products with the Trading members and RBI. (10 Marks)**

**Ans 2.**

**Introduction**

The Clearing Corporation of India Ltd (CCIL) is a pivotal institution in the Indian financial market, providing a secure and transparent platform for trading and settlement of Forex, Money Market (MM), and Derivative products. Established in 2001 under the guidance of the Reserve Bank of India (RBI), CCIL plays a critical role in ensuring financial stability, minimizing counterparty risk, and enhancing market efficiency. CCIL ensures transaction settlement as a central counterparty (CCP) for all trades, boosting financial system trust and liquidity. It facilitates RBI regulation and assists banks, financial institutions, and corporations. Real-time trading and settlement solutions on CCIL's FX-CLEAR and FX-Retail systems enable smooth participation in Forex, MM, and Derivative markets. Understanding CCIL's trading and settlement

**Q3. “A prudent liquidity/Cash management ensures bank’s solvency, profitability and overall stability/growth in an economy”**

**a. Discuss The impact on liquidity and inflation when CRR increases and reduces respectively. (5 Marks)**

**Ans 3a.**

**Introduction**

Cash Reserve Ratio (CRR) is a regulatory tool used by the Reserve Bank of India (RBI) to control liquidity and inflation in the economy. It is the percentage of a bank's total deposits that must be maintained as reserves with the RBI. By adjusting the CRR, the central bank influences the amount of money available for lending, thereby affecting liquidity, credit growth, and inflation. Understanding the impact of changes in CRR on liquidity and inflation is crucial for

**b. Highlight the differences between Cash Reserve Ratio and Statutory Liquidity Ratio & its impact on banks profitability. (5 Marks)**

**Ans 3b.**

**Introduction**

The RBI requires CRR and SLR to regulate liquidity and sustain financial stability. Both control money supply and inflation, but their goal, calculation, and influence on bank profitability vary. SLR is the proportion of a bank's deposits held in liquid assets like government securities,