

MANGALORE UNIVERSITY
DEPARTMENT OF BUSINESS ADMINISTRATION
MASTER OF BUSINESS ADMINISTRATION (MBA)

MBAS 563: TREASURY AND RISK MANAGEMENT

Workload	: 04 hours per week
Examination	: 03 hours - 70 marks
Objectives	: This course aims at introducing the concept of banking risk and its managing strategies.
Pedagogy	: Lectures, assignments, practical exercises, discussions, seminars

Chapter 1: Introduction to Treasury Management : Objectives – Concept – Functions of integrated treasury; Process of Globalization – Evolving role of Treasury as profit centre – Organization of treasury.

Chapter 2: Treasury Products : Short term funds and investment management – Financial Marketing – Money Market – Capital Market - Call money – Government Securities – REPOs Repo Rate – Repo Pricing Types of Repos – certificate of deposits – rediscounting bills- commercial papers – Inter – Bank Participation certificate – Collateralised Borrowing and Lending Obligations (CBLO) ;Foreign Exchange Markets and treasury – Linkage of domestic operations with foreign operations.

Chapter 3: Asset Liability Management 1 : Risk Management Process – Risk Organization – Asset Liability Management (ALM) – Objectives – Organization - Functions of ALCO – Risks – Interest Rate Risk Liquidity Risk – Assessment of Liquidity – Maturity Profile and Interest rate Ladder Credit Risk – Currency Risk – Capital Risk – contingent Risk – Basel Norms I, II, and III.

Chapter 4: Asset Liability Management 2 : Interest Rate risk and management (IRRM) Interest rate risk – GAP analysis – Rate sensitive Gap Report – Duration and Immunization – Managing IRRM with Derivatives – Simulation technique- Asset Securitization.

Chapter 5: Asset Liability Management – 3 : Risk Exposure analysis - Stress Testing – exposure Document – open position – stop-loss limit – Modified Duration – Convexity- Risk Adjusted Return on capital (RAROC) – Audit Risk Management

Chapter 6: Financial futures – forwards – FRA and interest rate swaps – Cross currency swaps – options – Caps – Floors and complex swaps for managing interest rate risk – Foreign Exchange risk management using Derivatives.

Chapter 7. Sound practices for management and supervision of operational risk (SPOR); Three approaches to SPOR; Operational risks – Identification – effects and

Causes – Assessment – Measurement – Scenario Analysis. Market Risk - types – Market risk identification – Model Risk – Risk identification in practice

Chapter 8: Risk Measurement – Nominal Amount approach – Sensitivity Based approach – Basis point value – Value at Risk (VaR) – Computation of VaR – VaR and absolute VaR – Usefulness and Limitations of VaR – Back Testing – Stress Testing.

References:

1. Treasury Management- IIBF, Mcmilan, New Delhi, 2011.
2. Kotreshwar G -Risk Management: Insurance & Derivatives- 2/e, Himalaya Publishing, Mumbai.
3. Chance -Introduction to Derivatives & Risk Management-, Cengage Learning, New Delhi.
- 4.Saita.F- Value at Risk and Bank Capital Management,1/e- Elsevier Inc., U.K.
5. Rejda, George E.-Principles of Risk Management and Insurance- Addison Wesley Longman.
6. McNamara- Principles of Risk Management and Insurance-Addison-Wesley
7. Dorfman- Introduction to Risk Management and Insurance- Prentice Hall.
8. Williams &Heins - Risk Management and Insurance-McGraw Hill.
9. James S. Treischmann, Sandra G. Gustavson - Risk Management and Insurance- South Western Thomson Learning.

