**Treasury Management in Banking**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for 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.**

**Answer:**

**Introduction:**

A Bank's or Corporate's Treasury exists to manage the organization's financial assets and liabilities effectively while supporting its operational and strategic goals. The purpose of a Treasury can be broken down into several key areas, each crucial for ensuring financial stability, liquidity, risk management, and compliance. With the advancement of digital platforms like CCIL's FX Retail platform, Treasury services are now more accessible, enabling businesses of various sizes to participate in forex, money markets, and derivative transactions. Below are the primary purposes for which a Bank’s/Corporate Treasury exists:

**Role of CCIL’s FX Retail Platform**

**This is partially solved sample answer**

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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.**

**Answer:**

**Introduction:**

The Clearing Corporation of India Ltd (CCIL) plays a pivotal role in the Indian financial markets by facilitating the efficient and transparent trading and settlement of various financial products, including foreign exchange (forex), money market (MM), and derivatives. Through its platforms, CCIL ensures that transactions between trading members (such as banks, financial institutions, and corporate treasuries) and the Reserve Bank of India (RBI) are executed smoothly, reducing counterparty risk, ensuring settlement finality, and increasing market stability.

**How CCIL Provides the Platform for Trading and Settlement:**

**Process of Trading and Settlement Through CCIL:**

**Example of CCIL in Action:**

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**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.**

**Answer:**

**Introduction:**

Cash Reserve Ratio (CRR) is a key monetary policy tool used by central banks to control liquidity in the banking system. By adjusting CRR, the central bank influences the amount of funds banks can lend, thereby impacting overall liquidity and inflation. An increase or decrease in CRR has direct consequences on bank liquidity, inflation, and economic stability.

**Impact of CRR Increase on Liquidity and Inflation:**

**Impact of CRR Reduction on Liquidity and Inflation:**

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

**Answer:**

**Introduction:**

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are key regulatory tools used by central banks to control liquidity in the banking system. While CRR mandates a specific portion of deposits to be kept with the central bank, SLR requires banks to maintain liquid assets. Both impact a bank’s ability to lend, affecting profitability and liquidity management.

**Differences between Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR):**

**Impact on Banks' Profitability:**

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