

**Treasury Management**  
**M.Sc. in Finance and Banking**  
**Athens University of Economics & Business**  
**Instructor: Dimitris Psychogios**

Aims and objectives :

The course aims to expose students to key concepts and practices in Treasury (& Asset-Liability) Management. An introduction to core Treasury functions and activities in financial markets, and its interaction with other business areas of the financial firm, provides the institutional context. Students are introduced to practical and theoretical concepts - within an overall institutional risk management framework - relating to *liquidity*, *liquidity cost* and its internal *cost allocation* (“*funds-transfer-pricing*”), *liquidity risk* (static/dynamic liquidity risk models) and *liquidity risk management*; sources of *interest rate risk* and *currency risk* in the balance sheet and their *modelling* and *management*, *capital* and *capital adequacy*.

At the end of the course students should be in a position to understand in depth these fundamental concepts and, with the knowledge of practical risk management tools and methods that they have acquired in the course, be able to integrate them into a working practical framework to manage the inherent risks discussed above as they result from the balance sheet’s assets & liabilities. At the same time, through this process they gain an understanding of how a financial institution can better achieve its business objectives (tactical & strategic) as they relate to the management of the balance sheet, especially in the context of today’s continuously evolving and highly demanding regulatory/supervisory framework.

**Course outline and reading list**

1. **Overview of balance sheet assets and liabilities**  
(short term assets, loans, securities/investment assets, deposits, interbank market products, securitizations, senior/junior liabilities, securitizations, capital)
2. **Liquidity**  
(liquidity sources and uses, types/characteristics, process of financial intermediation/”transformation”)
3. **Liquidity risk and risk management**  
(optionality/contingency, dynamic/static/hybrid liquidity models, liquidity gap, liquidity ratios/indicators, liquidity buffer, regulatory framework)
4. **Interest rate risk and risk management**  
(duration/dv01, duration gap analysis, duration equivalents, repricing horizon/maturity, statistical distributions of returns, Value at Risk, Monte-Carlo & historical simulation, interest rate derivatives)
5. **Currency risk and risk management**  
(foreign currency assets/liabilities, foreign currency exposure/translation/ mismatch, net investment hedging, FX derivatives)

6. **Internal pricing of cost of liquidity**  
(direct/indirect liquidity costs, contingent liquidity, liquidity cost allocation, funds-transfer pricing, performance measures/margins)
  
7. **Capital**  
(leverage, risk capital, ROE/RORC, capital securities, capital adequacy, regulatory framework)

**Standard Text Book references:**

- Marcia Stigum, “Money Market”, McGraw-Hill
- Moorhad Choudhry, “Bank Asset and Liability Management. Strategy, Trading, Analysis”, Wiley Finance.
- Matz & Neu , “Liquidity Risk measurement and Management: A practitioner’s guide to global best practices” , Wiley Finance.
- Frank Fabozzi, “The global money markets”, Wiley Finance

**Relevant Articles :**

- “*Liquidity Risk: Management and Supervisory Challenges*”, Basle Committee on Banking Supervision (BCBS), Feb 2008
- “*The management of liquidity risk in financial groups*”, BCBS, May 2006
- “*Guidelines on liquidity buffers and survival periods*” , Committee of European Banking Supervisors (CEBS), 2009
- “*Guidelines on Liquidity Cost Benefit Allocation*”, CEBS 2010
- “*Bank Liquidity Risk Management & Supervision: Which lessons from recent market turmoil*”, G. Vento & P. la Ganga, Journal of Money, Investment & banking, 2009
- “*Revisiting Funds-transfer-Pricing*”, Hovic Tumasyan, PWC LLP, 2012
- “*Liquidity transfer pricing: a guide to better practice*”, Joel Grant, BIS, 2011
- “*Measuring and managing interest rate risk: A primer*”, G. Kaufman, Economic Perspectives
- “*RAPM, funds transfer pricing and risk capital*”, H. Tumasyan, Intl. J. Services Sciences, Vol 2, No 1, 2009