

**Global Banking Education Standards Board**

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**Treasury Operations Education and Training for Professional Bankers**



**OVERVIEW**

**Introduction**

The Global Banking Education Standards Board (GBEStB) was established in 2017. A voluntary, industry-led initiative established by 25 banking institutes, the GBEStB aims to develop clear, internationally agreed standards for the education of Professional Bankers

The GBEStB’s standards will inform the development of national banking education programmes delivered by banking institutes and others, providing the foundation for high quality and consistent education of bankers. Treasury Management being one of the core areas of Banking, global standards set out in this area will contribute to financial stability and facilitate the international mobility of Professional Bankers.

The GBEStB established the Education Standards Committee to develop and publish standards for banking education. The Committee has so far developed five standard documents on topics of fundamental importance to Professional Bankers. Following a consultation exercise, the committee has now decided to develop a sixth standard for Treasury Operations as it is fundamental to any banking education.

**Definition and Scope**

Treasury functions have always assumed importance in Banks. It is no more a supporting department and banks today consider treasury as a profit centre. The functions of treasury are vital for the financial health and success of every bank.

The key goals of treasury management are planning & managing liquidity, use of resources to maximise returns and manage & mitigate the risks. The treasury also has the responsibility to align its functions to the financial objectives of the organization. In order to manage the three important pillars of treasury, i.e. liquidity, capital and risk, it is imperative that people handling various functions of the department have in-depth knowledge and should be competent.

With volatility in the market cutting across countries, managing treasury has become more complex especially with ever-changing liquidity and interest rate scenarios. Most of the Banks are now recognising the importance of treasury management for ensuring optimum liquidity, create a robust portfolio and manage & mitigate risks.

This document will dwell upon the scope of treasury, various aspects of treasury management including the three pillars. It will cover important departments within Treasury across the functions of Front Office, Mid-Office and Back Office, such as:

(1) Fixed Income Money Market,

(2) Foreign Exchange,

(3) Capital Markets/Equity Markets and

(4) Asset Liability Management,

Treasury Standards should serve as the benchmark of competency of treasury professionals.



The Standard is primarily written for GBEStB member bodies, but may also be helpful to a wide range of stakeholders involved in the education and training of banking professionals.

**Purpose**

The standard prepared for treasury professionals by GBEStB is designed to create a pool of knowledgeable and competent professionals in the areas of Treasury Management through Certification and Training, who can effectively discharge the roles and responsibilities assigned to them. The standards developed by GBEStB will ensure that the necessary concepts and theories of Treasury Management are included to develop knowledge and skill, which will lead to the success of treasury professionals. As a large part of Treasury Management constitutes anticipating and preparing for the future, the treasury professionals should acquire adequate skills to plan, organise and manage the organizational resources.

The standard created by GBEStB is meant not only for the member institutions, but others who are involved in training and education of banking professionals, such as:

1. Banks

2. Financial Institutions

3. Corporates

4. Professional Institutions/ Colleges

5. Regulators

6. Government authorities

**Format**

The standards on Treasury Management for Professional Bankers contains recommendations which it expects all GBEStB member institutions to strive to comply with, and guidance which it expects GBEStB member bodies to consider when implementing the standard.

**Translation**

GBEStB publishes its Standards in English. GBEStB member bodies may, at their expense and with written permission from the GBEStB’s Education Standards Committee, translate this Standard into other languages. GBEStB member bodies will ensure that:

* Any translation is accurate and faithful to the original Standard.
* Copyright in original and translated forms remains with GBEStB.
* No commercial use of the Standard or translation is permitted; and
* In the event of any dispute, the English version of the Standard shall prevail.
* The GBEStB logo should appear on all works.



**Effective Date**

Treasury Management for Professional Bankers is effective from------------ and GBEStB member bodies are expected to take active steps from that date to work towards compliance with this Standard.

**Review Date**

Treasury Management for Professional Bankers will be reviewed on or before--------------.

**RECOMMENDATIONS AND GUIDANCE**

**GENERAL RECOMMENDATIONS**

**1. GBEStB member bodies shall ensure that professionals working in treasury should undergo the education, training and certification, so that they are able to discharge their roles and functions more effectively.**

GBEStB member institutions should work in close coordination with the Banks, financial institutions and regulators to ensure that the professionals posted in treasury department undergo the relevant training and certification programme on Treasury Management, so that they develop a basic understanding of the various functions of treasury management.

GBEStB member bodies should ensure that the contents of the course are illustrative and cover the basics of all aspects of Treasury Management.

**2. GBEStB member bodies need to provide support to banks and financial institutions to create a pool of skilled professionals who can discharge their roles and responsibilities in an efficient manner.**

Considering the importance of Treasury Management in a Bank or financial institution or corporates, and its complexities, it is necessary that the professionals with relevant skill levels should manage these positions effectively. GBEStB should design and deliver the courseware/training programmes in consultation with the stakeholders for various levels of operating functionaries. ‘One size fits all’ approach of education and training may not be sufficient for the programmes to be designed for various levels and various functional roles.

The contents of the course and training programmes should be designed and delivered in such a way that the impact on the participants is visible.

**3. GBEStB member institutions to review the contents of the course, delivery of the programmes at periodic intervals, not later than 2 years.**



Key aspects of treasury function should be covered in detail in the course curriculum. Deeper understanding of various concepts in respect of treasury functions is a sine qua non for the success of the treasury professionals. As treasury management encompasses a wide range of activities, continuous review, updation of courseware and training programmes are highly recommended.

**4. GBEStB member institutions should endeavour to closely work with stakeholders for continuous professional development of treasury professionals.**

Treasury Professionals across the globe need to maintain high standards of professionalism. The changing economic scenarios, globalization etc. pose new threats for the treasury professionals. In order to take decisions, the professionals should be well-equipped with relevant data, information and knowledge.

So, continuous professional development of treasury professionals is not only essential for the individuals, but desirable for the institutions as well.

**KEY TREASURY OPERATIONS EDUCATION & TRAINING PRINCIPLES FOR PROFESSIONAL BANKERS**

GBEStB member bodies shall ensure that treasury operations education programmes for Professional Bankers include all relevant national and international policies, frameworks and regulation in this area.

**CONTENT OF TREASURY OPERATIONS EDUCATION & TRAINING PROGRAMMES**

**GBEStB member bodies shall ensure that Treasury Operations education and training programmes for Professional Bankers include the following key topics, are appropriate and relevant, and are periodically reviewed to ensure they remain up-to-date.**

Treasury professionals need to possess a combination of multiple skills to deliver desirable results, such as:

1. Technical Skill
2. Finance Skill
3. Social/Behavioural Skill
4. Ethics
5. Decision making skill.

As Treasury Management is an umbrella term, the Standard should place emphasis on all the key aspects of Treasury Management in the course and training programmes.



The key aspects to cover in Treasury Management will be:

**A. Liquidity Management**

**Liquidity Management is one of the most important functions of treasury. The primary task is to ensure that adequate funds are available for the bank’s operations.**

The Standards should focus on the following aspects:

* Forecast cashflow positions
* Short term/long term liquidity management
* Funds for business development/investment
* Efficient sourcing of capital

Dynamic planning is the key to the success of liquidity management.

**B. Risk Management in Treasury Operations**

**Treasury Professionals must be vigilant to safeguard the treasury portfolio and liquidity against potential risks.**

Risk profile of treasury activities consists of three broad categories, viz., Financial Risk, Operational Risk and Foreign Exchange Risk.

(a) Financial risks include: (i) market risk (interest rate risk, price risk, basis risk), (ii) credit risk and (iii) liquidity risks.

(b) Operational Risks include: (i) systemic risk, (ii) compliance risk, (iii) legal risk, (iv) IT risk and (v) fraud risk.

(c) Foreign Exchange Risk includes the volatility of currencies and consequent effects on treasury operations.

For mitigation of such risks, various prudential guidelines prescribed by the regulators and internal policies and procedures laid down by the management are to be scrupulously followed.

Most of the treasury activities, like investments in bonds, forex positions, etc., predominantly involve high degree of market risks than credit risks.

Risks can be mitigated by:

i. Managing Investment Risk by close monitoring of the portfolio and relevant market conditions, as well as monitoring the financials of corporates and rating migration at periodic intervals and re-balancing of portfolio at least once in a year.

ii. Minimising Financial Risk through continuous analysis, anticipating the future uncertainties and size of the treasury portfolio. Exposure norms to be followed diligently for avoiding concentration risk.



iii. Navigating market risk by taking cognizance of the interest rate risk and economic volatility. Managing market risk needs to be a part of ERP.

iv. Mitigating Forex risk by utilising hedging methods etc.

v. Developing and adhering to robust internal systems and procedures for mitigating operational risks.

Proactive risk management is the key to stay adequately shielded from risks anticipated in the future.

**C. Management of Yield**

**Treasury professionals should develop a successful yield strategy to optimise return on investments.**

An important aspect of Treasury Management is to manage the yield through judicious deployment of funds and continuous reviewing & rebalancing the portfolio, to ensure optimum returns from the funds deployed.

As yield management is based on supply and demand of treasury products, the treasury professionals should be fully conversant about the demand and supply of available financial instruments.

Asset allocation and timing are the key drivers of market returns which treasury professionals should understand clearly.

**D. Treasury Products and Services**

**Treasury products and services are tailor-made for customers to provide solutions for trading in domestic and international bond, equity, forex, commodity and retail markets.**

Major Commercial Banks and Financial Institutions offer a full spectrum of treasury solutions, ranging from simple foreign exchange (FX) transactions to sophisticated

derivative and structured products. Treasury Managers also design structures linked to commodities, equities, FX or interest rates, managing and hedging against risk, and enhancing yields through sophisticated financial techniques. Being an active market maker in a number of products, the different treasury desks work together to provide the clients with the best possible support and solutions in a gamut of products.

Bank’s treasury acts as an active market-maker in a number of products and treasury professionals should be fully geared to provide clients the best possible solution.

In line with the guidelines issued on sustainability or sustainable finance by the regulatory authorities, treasury products (e.g. green debt securities) are developed to ensure that ‘green’ projects are adequately monetised.

**E. Asset Liability Management (ALM)**



**Asset Liability Management (ALM) calls for determining the optimal size and growth rate of the balance sheet through optimum management of mismatches between the corresponding assets and liabilities, as also pricing the assets and liabilities in accordance with prescribed guidelines.**

The following aspects are to be discussed in detail:

* Asset and Liability Management Committee-ALCO (roles, functions, insights, framework, etc.)
* Asset and Liability Management Strategy
* Asset and Liability Management Modelling
* Asset and Liability Management Reporting

**F. Operational and Control aspects**

**Operational risks include various risks related to day-to-day activities including treasury processes, IT systems, people and compliance risks that impact the treasury operations.**

Treasury operations, by its very nature, are exposed to systemic and derived risks, especially market and operational risks. Therefore, a consistent and robust monitoring and reporting system is a fundamental requirement for successful and sustainable treasury operations. The operational Standard must put adequate emphasis on the control aspects. Front office, mid office and back office functions of treasury should be integrated seamlessly to throw early warning signals.

**G. Regulatory guidelines and compliance**

**The standard should ensure that all the activities of treasury comply with the regulatory guidelines and the Bank’s internal policies.**

Regulatory standards, compliance norms and emerging governance principles have always necessitated both banks and corporate treasurers to review their treasury systems and reporting frameworks to stay compliant.

Regulations have been crucial in changing the banking in general and treasury in particular. Regulations require greater control, monitoring and management of risks derived from treasury operations, e.g. Fx exposure strategies.

**H. Evolution and use of technology in treasury operations**

**IT plays a critical role in system & process integrations, establishing connections and ensuring availability of data.**

Technology adoption and absorption have revolutionised Treasury operations. The commercial banks have been adopting technology to increase their supervisory rigour as well as enhance operational efficiency. Recent advances in technologies including Artificial Intelligence, Machine Learning, Robotic Process Automation, and Predictive



Analytics are being leveraged for more accurate, data-driven decision making and for savings on costs.

**I. Treasury Marketing**

**Treasury marketing is a highly specialised area catering to individual and institutional customers’ investment needs.**

Promoting value to commercial customers is [essential to treasury management](https://www.deluxe.com/blog/6-essentials-to-transform-treasury-management/), for attracting, retaining and deepening customer relationships. If treasury is to drive revenue, it must effectively market its products and services to individual and institutional clients.

Customer appropriateness is essential before marketing any product or service. The professionals should also know the risks associated with different products.

**J. Treasury as a profit centre (Trading and hedging)**

**Treasury department is being treated as a separate, standalone business vertical, responsible for generating profits from treasury operations.**

Treasury department acts as a profit centre for the bank and operationalize a Transfer Pricing mechanism between Branches and Treasury, so that both operate as independent Profit Centres. Moreover, treasury department generates revenue through its trading and hedging activities on behalf of the organization. The professionals should develop thorough knowledge in investment, trading and management of risks associated with the operations.

**K. Treasury code of conduct and Ethical Culture**

**Ethical codes provide an effective framework for all the activities in treasury. It is expected that all the treasury professionals should act in accordance with the highest professional and ethical standards.**

In the dealing room and Treasury, the people are expected to maintain highest standards of honesty and integrity because of the nature of business/work and also because of the volumes of business handled.

All treasury functionaries, active in the day-to-day trading activities in the Indian markets, must acknowledge familiarity with, and provide an undertaking to adhere to the relevant code of conduct. Relevant emphasis on the code of conduct is required to be ensured in the Standards.

**L. Integrated/Centralised Treasury Management**

**Integrated treasury is a holistic approach for deployment of funds across domestic and international markets.**

The main advantage of unified treasury is that it is easy to get accurate and updated data and a clearer picture of the liquidity position of the Bank. It will result in an



increase in efficiency and improve the speed of decision making. Emerging trends in treasury involve a more interactive eco-system around corporate treasury and banks, payment hub factories and consolidation by technology players, cloud offerings and outsourcing.

The role of the treasury has evolved from being a centralized liquidity management function to that of a comprehensive payment, supply chain, liquidity and forex management function while becoming innovative in order to develop an independent identity for itself.

**GBEStB member bodies shall ensure that all Professional Bankers demonstrate AT LEAST an understanding of the key topics set out above**

*For Professional Bankers with experience in banking and financial services, GBEStB member bodies may consider seeking to ensure they demonstrate an ability to analyse and apply the key topics set out above.*

*For Professional Bankers at senior levels, GBEStB member bodies may consider seeking to ensure they demonstrate the ability to critically reflect on the key topics set out above.*

**DELIVERY OF TREASURY OPERATIONS EDUCATION AND TRAINING PROGRAMMES**

**6. GBEStB member bodies shall ensure that Treasury Operations education and training programmes use appropriate delivery methodologies that will help Professional Bankers develop and demonstrate an understanding of the key topics set out above.**

*A range of approaches and activities may be appropriate, depending on context, but may include some or all of:*

* Formal study of one or more standalone Treasury Operations modules/courseware as part of a wider programme of banking education;
* Train the Trainers programme;
* Classroom-based Treasury Operations training;
* E-learning, virtual and/or blended learning;
* Supported or unsupported distance-learning;
* Treasury Systems learning; and
* Seminars, workshops and similar events organised by GBEStB member bodies, employers, training providers and others.

*In addition, the delivery of Treasury Operations education and training to Professional Bankers may include:*

* Discussing case studies and similar materials, either in classroom/online or via employer-led study groups;



* Participating in role-plays or simulations where different Treasury Operations related decisions lead to different outcomes for organizations and individuals;
* Discussing real-life Treasury risks and operational dilemmas and conflicts of interest with professional colleagues and others;
* Using decision-making models related to Treasury Operations to analyze real-life dilemmas arising in the workplace;
* Studying and discussing Treasury risk events from other financial institutions and other industries;
* Coaching and mentoring; and
* Self-reflection on personal and professional experiences where Treasury operations-related risks and conflicts of interest have occurred.

**7. GBEStB member bodies shall establish suitable quality assurance mechanisms to ensure that Treasury Operations education and training programmes achieve the objective of helping Professional Bankers develop and demonstrate an understanding of the key topics set out above.**

*GBEStB member bodies should consider regularly obtaining and acting upon feedback from Professional Bankers undertaking Treasury Operations education programmes, their employers and from other interested parties.*

*GBEStB member bodies may want to set criteria to ensure that Treasury Operations education and training programmes are delivered by suitably qualified educators and training providers with relevant skills, expertise and experience.*

**ASSESSMENT OF TREASURY OPERATIONS****EDUCATION AND TRAINING PROGRAMMES**

**8. GBEStB member bodies shall ensure that all Professional Bankers undergoing Treasury Operations****education and training programmes are assessed, at least at an early stage in their career, in order to demonstrate an understanding of the key topics set out above.**

*GBEStB member bodies should consider and apply appropriate forms of formative and summative assessment which may include some or all of:*

* *Objective testing (although this may not be suitable for assessing all aspects of Treasury Operations education);*
* *Traditional “long-answer” examinations;*
* *Reflective essays and journals;*
* *Work-based projects and assignments;*
* *Facilitated and assessed group discussions, and other groupwork;*
* *Case studies (either completed individually, or as a group).*



*GBEStB member bodies may consider regular assessment of Treasury Operations education and training for Professional Bankers (e.g. annually) as part of CPD or other recommendations or regular training programmes*

**IMPACT MEASUREMENT**

**9. GBEStB member bodiesshall develop a set of indicators that enable the monitoring of the impact of this Standard across their operations. This measurement should validate the degree of adherence to the standard and assist the GBEStB to identify and address any gaps.**

*GBEStB member bodies should use customer or employee satisfaction surveys or other suitable mechanisms to gather feedback on whether and how this Standard is being implemented.*

**PUBLIC DECLARATION**

**10. GBEStB member bodies shall publicly endorse and, when implemented, declare their alignment with this Standard, identifying and explaining any areas where they have not been able to fully implement the Standard.**

*The GBEStB retains the right to withdraw or refute any form of endorsement or declaration by any member body who has failed to adhere to this Standard.*