



Treasury and Liquidity Management – the unsung hero

[Liquidity crisis hits NBFC stocks hard – The Hindu, Sept 25 2018](#)

[Here's what J.P. Morgan says could cause the next financial crisis – MarketWatch, Sept 12 2018](#)

[Turkey Financial Crisis Erupts, Stoking Concerns of Contagion – Bloomberg, Aug 10 2018](#)

Any financial institution needs a good treasury.

The importance of its role is grossly neglected and misunderstood by most.

Knowing your current and future liquidity position and future liquidity demands has always been a taxing problem for banks and financial institutions. When you are not sure then you can't invest. Efficiency in centralizing liquidity and saves significant money and generates and protects profitability.

In addition to this, regulators look at your capabilities and then apply charges accordingly. So, the better your treasury function, the more you protect your revenue and regulators look at you more favorably.

Now this all sounds logical and boring but there is something more critical about the treasury function, your institutions actual survival. Even the smallest crisis affects your capability to borrow and to transact for yourself and for your clients, price spreads widen, and liquidity reduces for all market products. But when you have a severe crisis, then having a sound treasury and a good liquidity policy can literally mean the difference between existing or not.

If you have negative news affecting your perceived credit worthiness then a good liquidity policy means you get to live to fight another day, really!!

Imagine news articles coming out overnight linking you to money laundering.

It doesn't matter if it's true, most of your relationships will suspend activities with you, until they know more.

Safety first is the name of the day. You still need to service clients and you can't say no to them as that will just escalate and have a domino effect as word spreads, making any rumor seem more certain.

For a good treasury function you need two things. One, a good system that provides you with real time and reliable information of current and future cash flows. Secondly, you need good and well-trained people, from top down in treasury who know what to do.

For **Intuition blended learning** related to this article, some of our instructor-led workshops include:

- Anatomy of Treasury Products
- Asset Management & FinTech – Just In Time or I Robot
- Accounting for Treasury Instruments and Derivatives

The **Intuition Know-How Library** consists several tutorials related to this article:

Bank Treasury Management

- Treasury - Dealing Room Organization & Practices
- Treasury Management - The Treasury Department
- Treasury Management - The Finances of a Bank
- Asset & Liability Management (ALM) - An Introduction
- Asset & Liability Management (ALM) - Interest Rate Risk
- Asset & Liability Management (ALM) - Options, FTP, & Firm Value

Basel Framework

- Basel II & Basel 2.5
- Basel III - An Introduction
- Basel III – Capital
- Basel III - Risk Coverage
- Basel III - Liquidity & Leverage
- Basel III - Pillar 2 & Pillar 3

Liquidity Risk Management

- Liquidity Risk - An Introduction
- Liquidity Risk – Measurement
- Liquidity Risk - Management

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