



**David Peebles** cuts through the mystique of the bank Treasury division to explain what it's all about

# More than just managing the money

**T**he Treasury division's key responsibilities are to manage the bank's liquidity and risk exposure to the various markets in which it is active. Normally, all the money from the bank's retail branch network, and various business units within the bank, will be managed by Treasury. They are also active in the foreign currency and interest rate markets, buying and selling foreign currency and interest rate products, to generate and maximise profit for the organisation.

Treasury gets involved in facilitating product development for various other divisions of the bank, including retail, business, and corporate banking products such as mortgages, investments, deposit and structured loan products.

A key part of Treasury's business is the treasury management service that it provides to corporate, business and institutional customers. These generally require either large volumes of foreign currency to be bought or sold on their behalf or large amounts of cash (in a multitude of currencies) to be invested in the money markets.

In addition, Treasury also works closely with the bank's retail network, quoting foreign exchange rates and money market rates to meet customer needs.

## The Treasury structure

Although structures vary from bank to bank the key business areas are:

- Customer team – these are the dealing teams which manage the bank's customer relationships, including Business Banking, Corporate and Institutional Banking. They also support the branch network with foreign exchange and money market rates.
- Trading team – this team acts as the “bank's banker” by managing risk, prudential and regulatory liquidity, and deals with the bank's wholesale funding and debt issuance requirements. This team also trades on the money, foreign exchange and derivative markets for profit and to service the customer team.

## Treasury's customers

It is normally the role of Treasury to enhance a customer's business by advising and providing effective treasury and cash management strategies. The key services normally provided would be as follows:

- Risk management – advice on the management of currency and interest rate risk exposure.
- Treasury money markets – cash management services, deposits and investment on the international money and bond markets.
- Foreign currency – buying and selling of foreign currency and derivatives.
- Economic research – helping corporate treasurers and other customers make more informed decisions, through interpretation of the market's movements and events.

Although Treasury staff may appear highly specialised and remote to outsiders, they are normally keen to support other customer-facing areas of the bank in developing solutions that meet customer needs. The Treasury customer team, therefore, is normally represented in the bank's relationship team, integrating with business or corporate banking personnel ensuring that a customer's risks to the movement in foreign exchange and interest rate markets are mitigated or eliminated.

This article is just an introduction to the subject of Treasury. There is a wealth of research material available in books and on the web – a good starting point is the Publications and Merchandise link on CIOBS website: [www.ciobs.org.uk](http://www.ciobs.org.uk)

For information on how banks' customers manage their Treasury operations see the Association of Corporate Treasurers' website, [www.treasurers.org](http://www.treasurers.org)

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