



Report on

Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited

Submitted to

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Letter of Transmittal

22nd December 2015

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Subject: Submission of Internship Report on Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited.

Dear Sir,

It is an absolute pleasure for me to submit the Internship Report titled “**Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited.**” as a significant part of the MBA program.

While making this report, I experienced a fair knowledge about Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited. I have tried my best to follow your guidelines in every aspect of preparing this report. I have collected what I believed to be the most relevant information to make my report as coherent as possible.

I thank you for providing me with the opportunity to work on this report.

Sincerely,

.....

Md. Abdur Rahim
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Acknowledgement

All thanks to Almighty Allah by whose boundless grace I have been able to complete this report successfully.

With pleasure, admiration & respect, I express my profound gratitude to my respected teacher, Supervisor of my internship report. It was his initiative enthusiasm and sympathy that was my guideline in the course of completing this report.

I would like to express my heartfelt gratitude to all employees of Treasury & FI Ops Department of BRAC Bank. Who have helped me to gather necessary information to prepare internship report. Their overwhelming support gave me the inspiration to do a better report.

During my preparation of the project work I have come to very supportive touch of different individuals & friends who lend their time, caring, guidance and ideas to amplify the report's contents. I would like to convey my heartiest gratitude to them for their valuable responses.

And in conclusion, I express my gratitude to all other who have directly and indirectly cooperated with me in the preparation & completion of the report.

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Executive Summary

BRAC Bank Limited is one of the latest generations of scheduled commercial banks in Bangladesh. It was founded in Bangladesh under the Banking Companies Act, 1991 and incorporated as private limited company on 20 May 1999 under the Companies Act, 1994. BRAC Bank Limited started its Journey on the 4th of July 2001 with a vision to be the absolute market leader through providing the entire range of banking services suitable to the needs of modern and dynamic banking business as well as to promote broad based participation in the Bangladesh economy through the provision of high quality banking services.

BRAC Bank Limited, with institutional share holdings by BRAC and International Finance Corporation (IFC) has been the fastest growing Bank in 2004 and 2005. BRAC Bank is extending full range of banking facilities as per the directives of Bangladesh Bank. It intends to set standards as the absolute market leader in Bangladesh by providing efficient, friendly and modern fully automated on-line service on a profitable basis.

As a leading SME based bank BRAC Bank is to maintain large portfolio. It also follows & maintains Bangladesh Bank's regulation and instruction to continue its daily operations. Treasury & FI Operations plays a vital role in this context.

SLR stands for Statutory Liquidity Reserve, which is maintaining 19% of bank's Average Total Demand and Time Liability with Central Bank. It means of each 100 Taka deposit from customers we have to keep 19 Taka as SLR and we have to maintain it by mixing different portfolio instruments following Central bank directives. Of 19% SLR requirement, 5.5% is CRR or Cash Reserve Ratio for daily requirement & 6% average for fortnightly mandatory requirement. SLR can be maintained with Treasury Bills, Treasury Bonds, Foreign Currency Balance with Central Bank, Cash balance in hand, Cash balance with Sonali Bank - agent of Central Bank and CRR is maintained with cash balance with Central Bank.

SLR has direct correlation with Asset Liability Management (ALM) of Bank. ALM monitors, measures and manages the risks associated with balance sheet and guard the bank against any unforeseen loss or threat of survival. Now, the question should come

how SLR & ALM has the linked up. It is nothing but the tools of Central Bank by fix the standard AD Ratio.

AD ratio means advance to deposit ratio. It helps to judge bank's liquidity position. In ideal scenario, AD ratio should be around 81%, as 19% of deposit is maintained as SLR. AD ratio might also go above 81% considering bank's capital, deposit base, contingency liquidity support window and overall depth of money market etc. At present, Standard AD Ratio is 85% for Bank set by Central Bank.

Treasury, to comply all the above regulatory factors, is performing their day to day task which is nothing but the goal of every organization - making money by minimizing risks. That's why; they are called the heart of every bank like Bank is treated as the life-blood of the modern economy. Treasury is the bank's fund manager and they are the prime profit center of every bank. The dimension of the department is they are dealing simultaneously in the Money Market, Capital Market, Securities market as well as Foreign Exchange Market. And, most importantly, the Head of Treasury of every bank is the Chairman of ALCO (Asset Liability Committee).

The focus of the study is to analyze the Portfolio Mix of SLR (Statutory Liquidity Requirement) of Treasury & FI Operations of BRAC Bank Limited.

Introduction:

BRAC Bank Limited is a full service scheduled commercial bank. It has both local and International Institutional shareholder. The bank is primarily driven with a view of creating opportunities and pursuing market niches not traditionally meet by conventional banks. BRAC Bank has been motivated to provide “best-in-the-class” services to its diverse assortment of customers spread across the country under an on-line banking dais. At present, BRAC Bank is one of the fastest growing banks in the country. In order to support the planned growth of its distribution, network and its various business segments, BRAC Bank is currently looking for impressive goal oriented, enthusiastic, individuals for various business operations. The bank wants to build a profitable and socially responsible financial institution. It carefully listens to the market and business potentials, It is also assisting BRAC and stakeholders to build a progressive, healthy, democratic and poverty free Bangladesh. It helps making communities and economy of the country stronger and to help people achieve their financial goals. The bank maintains a high level of standards in everything for our customers, our shareholders, our acquaintances and our communities upon, which the future affluence of our company rests.

History:

BRAC Bank Limited started its journey on 4 July 2001 originating from its source BRAC – **Bangladesh Rural Advancement Committee**. BRAC is known as the one of the most successful NGO in the world.

BRAC Bank originated due to successful story of BRAC microfinance. The Chairman, Sir. Fazle Hasan Abed believed that until modern, competitive financial services are readily available – including credit in amounts, terms and conditions that small can access, Bangladesh will not be able to create the large middle class that is a prerequisite to social stability. So, the **BRAC Bank Limited** came into existence due to the need of mass financing, which wouldn't have been possible with BRAC microfinance itself.

BRAC Bank has been the fastest growing local bank in the year 2004 & 2005 with a double bottom line of vision. This organization wants to mix profit and social responsibility together and as such serve the people of the nation. The parent organization that is Bangladesh Rural Advancement Committee (BRAC) has been working since the independence of the country for the development of the deprived people. The concept of BRAC Bank is also based on helping those deprived people and at the same time making profit by providing top class financial services. For this reason 50% of the total loan portfolio of this bank is dedicated towards small and medium enterprises. It has been found that there exists a segment of people who do not have access to capital but if fund is given to them, they can excel in their own small and medium businesses and as such contribute in the development of the economy.

Today BRAC Bank is considered as third generation bank extending full range of banking facilities by providing efficient, friendly and modern fully automated on-line service on a profitable basis. Since its inception, it has introduced fully integrated online banking service to provide all kinds of banking facilities from any of its conveniently located branches.

For significant performance, The Bank has earned national & international recognition. BRAC Bank Limited has won prestigious 'Global Brand Excellence Award' for "Sustainable Marketing Excellence" at World Brand Congress in 2014. It was awarded 'Best Bank in Bangladesh Award' from Finance Asia as part of Country Awards for

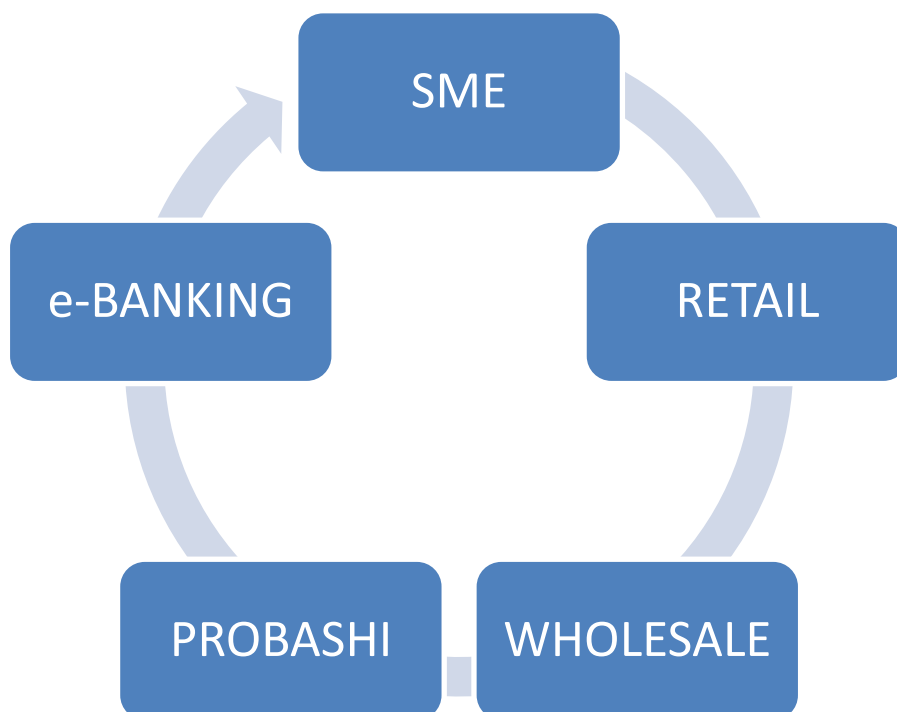
Achievement 2013. Prior to that, BRAC Bank also won prestigious “The Best Managed Bank Award” and its Managing Director & CEO Mr. Syed Mahbubur Rahman had been accorded with “The Asian Banker Leadership Achievement Award” for Bangladesh for achievement in the period 2011-2013.

BRAC Bank has been named the sole winner for Best Retail Bank in Bangladesh at the 10th International Excellence in Retail Financial Services Awards Program held on 2011. And, BRAC Bank has been awarded as the Sustainable Bank of the Year 2010 at the FT Sustainable Banking Awards 2010. The award was jointly announced by Financial Times newspaper and IFC at the award ceremony on 3rd June 2010 in London.

The current senior management leaders of the bank consist of mostly people from the multinational banks with superior management skills and knowledge in their respective "specialized" areas. In 2011 the bank celebrated its 10th year of journey with the clear ambition of maintaining the pioneer position of SME industry as “**think SME, think BBL**” and sustaining Strong Retail customer based through relentless delightful Guest experience and also focused to corporate banking more to become Top Bank in the industry.

Products and Services

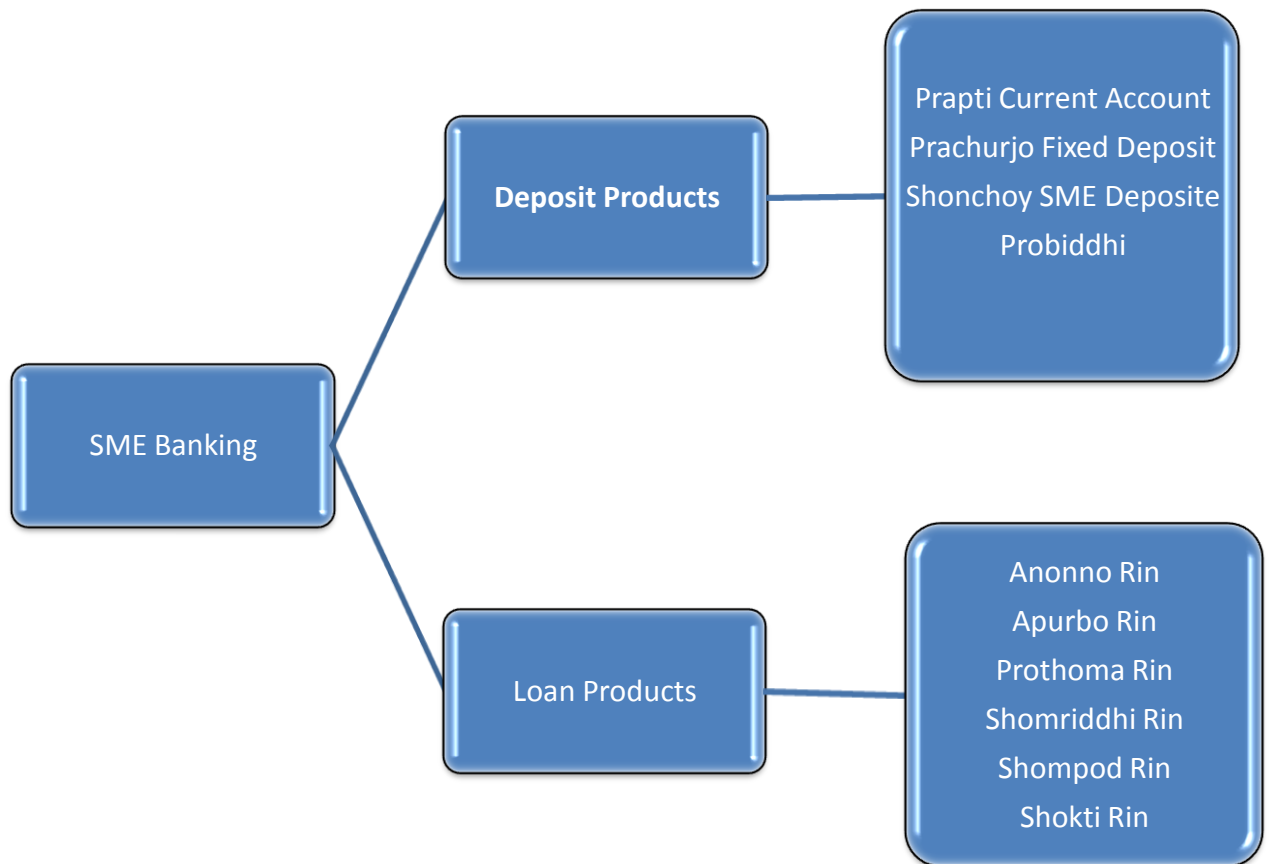
The bank has wide range of Product line to suit the need of the people of all strata. BRAC Bank has offered their product & service varieties through their different dimensional wings.



BBL Product & Service Wings

SME Banking

As, they are the market leader of SME from the very beginning & maintaining the same consistency by fulfilling the market demand through offering below unique products –



RETAIL BANKING

At the beginning of the year of 2012, BBL has launched Customer Centric Model to provide the delightful guest experience to the retail customers. Focus on that model, they have segmented the total market base into 3(three) prime categories -

- Premium Banking
- Supreme Banking
- Excel Banking

BBL is the key market player of Retail arena & according to product dimensional they are in top marketer among local bank.

Retail Banking » Deposit Products

- Savings Accounts
- Triple Benefit Savings Account
- Savings Classic Account
- Aporajita Account
- Future Star Account
- Current Accounts
- Current Classic Account
- Current Plus
- EZee Account
- Salary Account
- Campus Account
- Term Deposits
- DPS
- Fixed Deposit General
- Flexi DPS
- InterestFirst Fixed Deposit
- Freedom Fixed Deposit (FFD)
- Abiram Fixed Deposit
- Schedule of Charges for Retail Banking

Retail Banking » Loan Products

- Loan Products
- Personal Loan
- Lifestyle Plus Loan
- Auto Loan
- Home Loan
- Secured Loan/Overdraft
- Schedule of Charges for Retail Lending
- Foreign Exchange & Related Services

Wholesale Banking/ Corporate Banking

BRAC Bank offers a full array of Financial Services to Corporations and Institutions. Having access to the deepest end of the country, BRAC Bank is there to assist businesses in Bangladesh. With us on your side, you have the power of local knowledge with the capabilities of global standard.

Corporate Loan Products

- Overdraft
- Short Term Loan
- Lease Finance
- Loan Against Trust Receipt (LATR)
- Work Order Finance
- Emerging Business
- Syndication
- Term Loan
- Project Finance
- Bill Purchase
- Bank Guarantees

Trade Finance

- Letter of Credit (LC)
- Letter of Guarantee (LG)

Corporate Cash Management

- Cash & Trade Overview
- Liability Products
- Securities Services

PROBASHI BANKING

Probashi Banking division of the Bank caters the NRBs (Non- Resident Bangladeshi) not only by disbursing remittance but also offering 'One Stop Banking Solution' by creating a

favorable environment and opportunity for the NRBs to make long-term financial contributions in the socio-economic progress of the nation. To facilitate the NRBs (Non-Resident Bangladeshi) a bunch of probashi banking products and services are designed to secure expatriate Bangladeshi(s) future saving(s) and investment(s) need as well as providing a structured financial planning for future.

Accounts & Deposits

- Probashi Current Account
- Probashi Savings Account
- Probashi Fixed Deposit
- Probashi Abiram
- Probashi DPS

Investments

- Wage Earner's Development Bond (WEDB)
- US Dollar Investment Bond
- US Dollar Premium Bond
- Process Flow
- Probashi Biniyog

Remittance Info

- Western Union Money Transfer
- MoneyGram
- remit2home
- International Remittance through bKash
- Exchange Houses
-

e-Banking

Today, People are demanding to do their daily activities e.g. shopping, bill payment formalities, buying travel tickets, necessary banking at their electronic device like mole, i-pad through internet. So, to fulfilling this rapid demand, BBL has always take the privilege of modern banking through modern technologies to make the life easier by giving smooth hassle-free secured banking services. E-Banking dimensions are –

- E-commerce
- Internet Banking
- 24 Hour Call Center
- SMS Banking

Divisions of BRAC Bank Limited

If the jobs are not organized according to their interrelationship and are not allocated in a particular department it would be very difficult to control the system effectively. If the departmentalization is not fitted for the particular works there would be haphazard situation and the efficiency of particular department will decline. BRAC Bank Ltd. has does this work properly.

Functional Unit

The BRAC Bank Limited has 26 departments in 3 different criteria. The Departments are-

- Business
- Support
- Operations
- Risk Management
- Research & Development

Business:

1. SME Banking
 - a. Small Banking
 - b. Medium Banking
 - c. Emerging & New Business

2. Retail Banking
 - a. Premium Banking
 - b. Branch Banking
 - c. Cards
 - d. Alternate Banking

e. Liability & Wealth Management

f. Collections

g. Cross Selling

3. Wholesale Banking

a. Corporate Banking

i. Large Corporate

ii. Structured Finance & Securitization

b. Cash Management

c. Treasury & FI

4. Probashi Banking

5. E-Banking

a. E-commerce

b. Internet Banking

c. SMS Banking

Support

6. Company Secretariat & Regulatory & Internal Control

7. Credit

8. Human Resource Division

9. Financial & General Administration

10. Information Technology

11. Communication & Service Quality

Operations

12. Asset Operations

13. Liability Operations

14. Trade & Remittance Operations

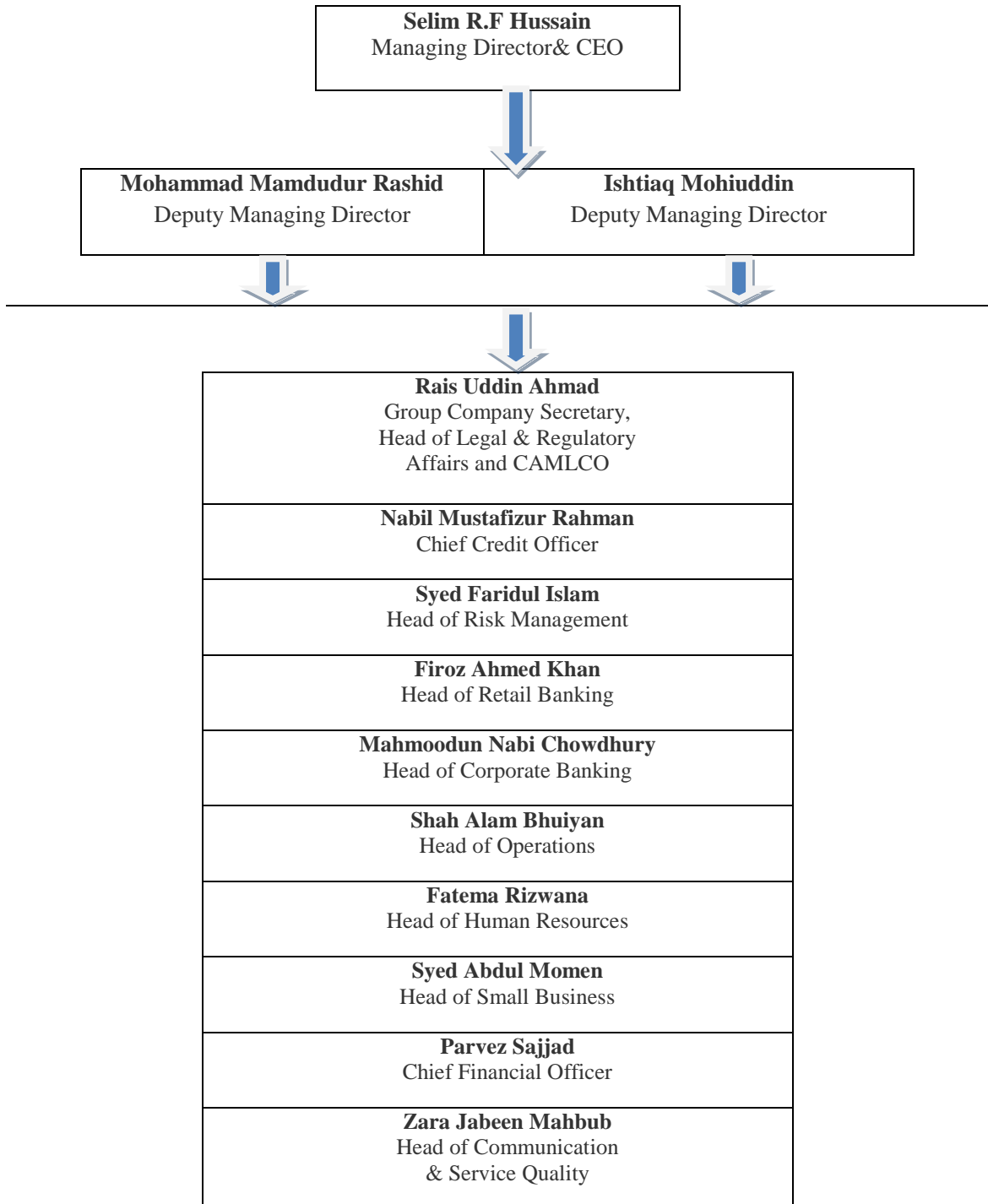
15. Central Support & ROC Operations

16. Treasury & FI Operations

17. Operations Risk

18. Special Asset Management

Operational Network Organogram



Corporate Vision

Initially, the main objective of BRAC Bank was to reach the large number of unbanked people which were not covered by traditional banks. BRAC Bank's operation now cuts across all segment and services in financial industry and continues to broaden it's horizon in retail, corporate, foreign remittance and other arenas. BRAC Bank intends to set standards as the market leader in Bangladesh. It will prove that a locally owned institution can provide efficient, friendly and modern full-service banking on a profitable basis. It will produce earnings and pay out dividends that can support the activities of BRAC & the Bank's major shareholder. Development and poverty alleviation on a countrywide basis needs mass production, mass consumption and mass financing. BRAC Bank's goal is to provide mass financing to enable mass production and mass consumption and thereby contribute to the development of Bangladesh. The Bank's goals are thus aligned with those of mother BRAC. BRAC Bank's vision statement is "Building a profitable and a socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a "just, enlightened, healthy, democratic and poverty free Bangladesh.

Job Description

As a part of Masters of Business Administration (MBA) Program, three months Internship, I have worked in Operation Division of Treasury & FI Department of BRAC Bank. I worked there as like an employee and the Internship period was from **August 11, 2015 to November 11, 2015**. I worked under the supervision of **Biswas AShraful Islam**, Aassociate Manager, FI Department. As I was an intern, my tasks were mostly related to interbank transaction specially with correspondent Banks Child account and also with the colleges of BBL. I got to learn a lot of things about branch banking during this time. I got familiar with the work environment, I got to know how all the branches are centralized and about the process flow. I mainly had to report to my supervisor.

Duties and Responsibilities:

I was an intern of BRAC bank ltd. in Treasury & FI Department which is a department of operation division .and treasury & FI have four wings they are shown below –

Operation division

Treasury & FI department

FI(Financial Institutions) MM(Money Market) CM(Capital Market) FX(Foreign Exchange)

I had an opportunity to work in four wings of treasury & FI where I was involved directly to assist in their works they are:

Responsibility to the FI:

- Monitoring and collection of bank statements & cheque books.
- Coordinate with CRO and Correspondent Bank official to resolve any correspondent Bank related issues.
- Prepare all closing balance of child & mother account
- Resolve Balance differ problem
- Monitoring the cheque book received from UI
- Monitoring the fund management
- Proper fund utilization in correspondent bank
- Collection of loan repayment amounts through correspondent bank.
- Follow up the records and communicate with the corresponding banks manager
- Update information and delivered to the AM of

Responsibility to the Money market:

- Assisting transaction processing
- Documentation processing and maintain
- Signature verification to the BRAC Bank(CMR/FDR) ,

Responsibility to the FX:

- Signature verification
- Attaching Bangladesh Bank clearing House Seal to the FX deals.
-

Responsibility to the CM:

- IPO related FDD processing

Critical Observation and Recommendation:

Friendly relationship between Boss and fellow: I observed that the relationship between boss and fellow members is very friendly. Department Head guides and motivates his fellows in friendly manner.

Organizational culture and behavior: In any organization ethical culture and behavior should be followed than paper rules and regulation. In BRAC bank I saw that it is maintained. Every employee has positive attitude about their office culture and behavior.

Employees reward and orientation: BRAC bank has structure employees' reward and orientation facilities. They strictly judge every employees performances which called performance measurement (PM) and give them reward, increment and promotions. Employees also use their pin to any Aarong shop with 10% discount. **Medical and Day care facilities:** BRAC bank head office has medical and day care facilities but others office don't have. So authority should focus others offices.

Centralized structure: BRAC bank follows centralized official structure. In every important decisions is taken in top level management. In my opinion, if the bank really wants to increase its workforce effective and efficient than other banks then it should decentralize the structure.

Transport facility: BRAC bank does not transport facility for inside officials. They just only provide bike to the CRO for customer visit. BRAC bank should introduce this facility for better security of its employees.

Project
Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC
Bank Limited

Summary:

Statutory Liquidity Reserve (SLR) is the banking term for reserve requirement that the commercial banks require to maintain in the form of government approved assets instrument before providing credit to the customers. SLR is determined by Bangladesh Bank and maintained by banks in order to control the expansion of bank credit. At present, the SLR in Bangladesh is 19% which is determined by central bank. Here, SLR which is maintaining 19% of bank's Average Total Demand and Time Liability with Central Bank. It means of each 100 Taka deposit from customers Banks have to keep 19 Taka as SLR and they have to maintain it by mixing different portfolio instruments following Central bank directives. Of 19% SLR requirement, 5.5% is CRR or Cash Reserve Ratio for daily requirement & 6% average for fortnightly mandatory requirement. SLR can be maintained with Treasury Bills, Treasury Bonds, Foreign Currency Balance with Central Bank, Cash balance in hand, Cash balance with Sonali Bank - agent of Central Bank and CRR is maintained with cash balance with Central Bank.

SLR has direct correlation with Asset Liability Management (ALM) of Bank. ALM monitors, measures and manages the risks associated with balance sheet and guard the bank against any unforeseen loss or threat of survival. Now, the question should come how SLR & ALM has the linked up. It is nothing but the tools of Central Bank by fix the standard AD Ratio.

AD ratio means advance to deposit ratio. It helps to judge bank's liquidity position. In ideal scenario, AD ratio should be around 81%, as 19% of deposit is maintained as SLR. AD ratio might also go above 81% considering bank's capital, deposit base, contingency liquidity support window and overall depth of money market etc. At present, Standard AD Ratio is 85% for Bank set by Central Bank.

Treasury, to comply all the above regulatory factors, is performing their day to day task which is nothing but the goal of every organization - making money by minimizing risks.

That's why; they are called the heart of every bank like Bank is treated as the life-blood of the modern economy. Treasury is the bank's fund manager and they are the prime profit center of every bank. The dimension of the department is they are dealing simultaneously in the Money Market, Capital Market, Securities market as well as Foreign Exchange Market. And, most importantly, the Head of Treasury of every bank is the Chairman of ALCO (Asset Liability Committee).

The focus of the study is to analyze the Portfolio Mix of SLR (Statutory Liquidity Ratio) of Treasury & FI Operations of BRAC Bank Limited.

Description of Project

SLR stands for Statutory Liquidity Reserve, which is maintaining 19% of bank's Average Total Demand and Time Liability with Central Bank. It means of each 100 Taka deposit from customers we have to keep 19 Taka as SLR and we have to maintain it by mixing different portfolio instruments following Central bank directives. Of 19% SLR requirement, 5.5% is CRR or Cash Reserve Ratio for daily requirement & 6% average for fortnightly mandatory requirement. SLR can be maintained with Treasury Bills, Treasury Bonds, Foreign Currency Balance with Central Bank, Cash balance in hand, Cash balance with Sonali Bank - agent of Central Bank and CRR is maintained with cash balance with Central Bank.

The main objectives for maintaining the SLR ratio are the following:

- to ensure the solvency of commercial banks which actually secure the fund of depositors
- to control the money supply in the economy resulting control in credit expansion of a bank
- to compel the commercial banks to invest in government securities like government bonds.

SLR has direct correlation with Asset Liability Management (ALM) of Bank. ALM monitors, measures and manages the risks associated with balance sheet and guard the bank against any unforeseen loss or threat of survival. Now, the question should come how SLR & ALM has the linked up. It is nothing but the tools of Central Bank by fix the standard AD Ratio.

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Objective of the study

Internship gives us the chance to co-ordinate with the theoretical knowledge and the practical experience. It also gives the opportunity to apply theoretical knowledge in the practical field. I can state my objective in below way –

Broad Objective

- To know about Portfolio Mix of SLR of BBL
- To understand the Regulatory Guideline of SLR
- To get the practical experience about Treasury & FI Operation functionalities
-

Specific Objective

- To find out the Central Bank Guideline for maintaining CRR & SLR and the components of CRR & SLR.
- To find out the Strategies of Treasury of BRAC Bank Limited in Portfolio Mix for maintaining SLR.
- To find out Relationship among SLR, ALM & Treasury Profitability.

Methodology of the study

Primary Data

I have collected the data by –

- taking basic knowledge first from the BBL officials

- do the practical job as per their guidance

- prepare my queries

- collect the information

Secondary Data

- BBL Financial Statement

- Treasury Journals

- Bangladesh Bank Website

Limitations

There were certain limitations while conducting the study. These are summarized below-

- The main obstacle while preparing this report was time. As the tenure of the internship program was very short, it was not possible to highlight everything deeply.

- Work pressure in the office was another limitation restricting this report from being more detailed or analytical.

- Confidentiality of information was another barrier that hindered the study. Every organization has its own secrecy that is not revealed to someone outside the organization. While collecting data at BRAC Bank Limited, personnel did not disclose enough information for the sake of confidentiality rule of the organization.

- I carried out such a report for the first time, so inexperience is another constraint of the report.

Chapter 1

Theoretical aspects of Treasury & FI Operations

OVERVIEW OF OPERATIONS:

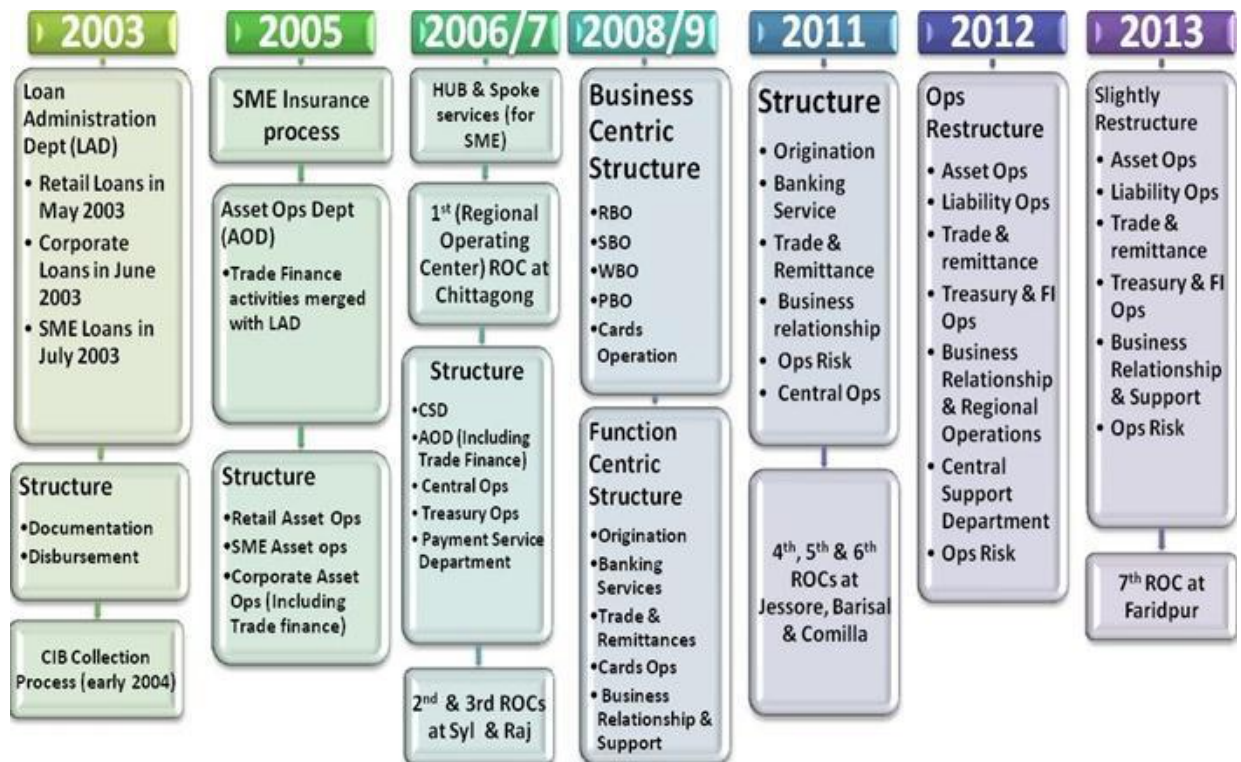
Operations provide centralized services to all business/income generating units (SME, Retail, Corporate & Probashi and Treasury) through well aligned strategies since May 2003. Management of BRAC Bank Ltd (BBL) centralized Operations to align with Basel requirements of improving credit portfolio. Operations has always gone through continuous restructuring to help meet business targets and to perform in a focused way ensuring accuracy in service deliveries vise-a-vise time and cost savings and risk mitigation.

OBJECTIVES

- Protect bank's interest and act as the last line of defense
- Increase operational efficiency and maintain service standard
- Ensure proactive services with adequate control to meet business targets
- Focus on process compliance and monitoring for Operational risk mitigation

BACKGROUND HISTORY OF OPERATIONS:

BBL management always strives for improvements and changes that will entail not only quality services and best in class customer satisfaction but also increase profitability to enrich shareholders stake. Operations started its journey in 2003 as Loan Administration and it was function based initially. It was renamed as Asset Operations in 2005 and comprised of 3 (three) business centric units (SME Banking Operations, Retail Banking Operations, and Wholesale Banking Operations). After few more restructuring till date, Operations currently have 6 (six) units comprising of both function and business centric



Benefits of Centralized Operations

- Create an expert team
- Provide specialized services (Quality Service)
- Ensure risk minimization
- Cost and time effectiveness
- Ensure least audit objections
- Better control and follow-up
- Smooth query handling from single point
- Ensure error-free service deliveries
- Set a uniform service standard

Major Operations Departments

- Asset Operations
- Treasury & FI Operations
- Liability Operations
- Business Relationship & Support
- Trade & Remittances
- Operations Risk

TREASURY & FI OPERATIONS

Management has restructured operations Division in 1st March, 2012 with a view to increase operational efficiency and services standard. A new function centric department called “treasury & FI operations” has been created by taking out the Treasury and financial institution (FI) related activities from earlier Banking Services departments. Its main objective is to provide back end support to bank’s Treasury division and as the very name suggests, it comprises of two main units:

1. Treasury Operations, and
2. Financial Institution (FI) Operations

Treasury Operations

In simple words, Treasury operations may be defined as the center of monitoring and mitigating the risk involve in financial activities done by Treasury. It is divided in to two broad categories, namely the 1) Mid office and 2) Back Office.

Mid Office

Mid Office functions of Treasury Operations are related to monitoring of Money Market Deals, FOREX Deals after deals after deal entered by Treasury.

Mid office monitors the following procedures:

- Counter party Credit Limits in FX deals- Forward & Settlement
- Checking of Dealer Limit
- Total Stop Loss Limit of Individual Dealer
- Overnight FC Open position maintenance
- NOP monitoring
- Ensure maintenance of 50% holding of FC balance with Central Bank against Bank’s Total FC assets
- 5.5% Daily and 6% Fortnightly CRR Maintenance
- 19% SLR maintenance on Daily basis

- Monitoring of purchase and sale procedure of securities in the secondary market
- Balance of LCY and FCY accounts maintained with Central Bank
- Daily Nostro Reconciliation
- Nostro/Local account Fund Movement
- Capital Market Exposure & Single Company Limit
- Reporting Timely submission monitoring
- Transactional Process laps monitoring

Back Office

Back Office functions of treasury Operations are related to processing of Money Market, FX & Capital Market Deals after Mid Office validate the deal. All kinds of regulatory reporting and calculation of Transfer Pricing lies in Treasury Back Office functions.

Treasury Back Office mainly performs its operations through 3(three) wings –

- Money Market Operations
- FX Market Operations
- Capital Market Operations

MM Operations

By definition, Money Market is processing the transactions which tenor with the one year. In practical, MM mainly deals with the local currency transactions & transactions through BGTB securities. It mainly deals with liquidity management that is to maintain CRR & also ALM to maintain SLR as well which is the regulatory binding.

Transaction Processing

- Call Money Transactions with Banks & NBFIs – Placement & Borrowing
- Term Money Transactions with Banks & NBFIs – Placement & Borrowing
- Repo with Bangladesh Bank & Inter Bank
- Assured Liquidity Support from Bangladesh Bank
- Reverse Repo with Bangladesh Bank & Inter Bank

- Primary Market bidding for BGTB Investments
- BGTB Secondary Trading with Interbank & others

Reporting

- CRR & SLR Reporting
- FRTMD Statement
- Security Purchase Report
- Repo & Reverse Repo Transactions Report
- Securities Portfolio Report
- BAFEDA Reporting
- BASEL II Reporting
- Stress Testing Reporting
- CAMELS Reporting
- DBI Reporting
- Financial Stability Reporting
- MANCOM Report
- Unit Performance Report

FX Market Operations

Foreign Exchange market is mainly deals with foreign currency transactions. It is directly linked with all the foreign inflow of a Bank to utilizing those funds to maximize profit. Though BBL is one of highest remittance channeling bank of the BD, so its FX market is operation is also high in the market. OBU (On Shore banking Unit) transaction is also handled by this wing.

Transaction Processing

- Merchant Cover Deals – Cash, Tom, Spot & Forward
- FX Trading Deals – Cash, Tom, Spot & Forward
- SWAP Transactions
- Corporate FX Deals
- FCY Call & Term Deals

- OBU Transactions
- Fund Transfer

Reporting

- Daily Exchange Position Report
- Daily Nostro Balance Report
- Two way quotation Report
- BAFEDA Report.
- Statement of Daily Interbank Transactions Report
- BASEL II Reporting
- Stress Testing Reporting
- CAMELS Reporting
- DBI Reporting
- Financial Stability Reporting
- MANCOM Report
- Unit Performance Report

Capital Market Operations

Capital Market Operation is mainly handled the secondary market buy sell operations of BBL. It is also maintained the Mutual fund units, Subordinate debt products which tenure is normally more than a year or which have no maturity period.

Transaction Processing

- Secondary Market Share Trading – buy & Sell
- IPO processing
- Pre IPO Private Placement
- Unquoted Private Placement
- Preferred Share Investment
- Subordinate Debt Investment
- Corporate Bond Investment

- Right Share Processing
- Cash Dividend Realization

Reporting

- Daily Capital Market Total Exposure & Single Company Exposure Limit
- Monthly Share Portfolio Report
- BASEL II Reporting
- Stress Testing Reporting
- CAMELS Reporting
- DBI Reporting
- MANCOM Report
- Unit Performance Report

FI Operations:

FI Operation provides support to SME, Probashi Banking, Corporate, and Retail with network of Correspondent banks and thus ensures smooth funding relationships, ensuring disbursement, payments & proper fund utilization in Corresponding Bank.

Main functions of FI Operations are given below:

- **Fund Monitoring:** FI Operations Monitors daily requirement of fund in Main Corresponding Bank. As per fund requisition from different department, FIS obtain approval from Treasury and FI for different payments, SME Loans Disbursement, Probashi Banking services, Cash Management in Correspondent banks.
- **Support of excess Fund:** FI Operations has a strong monitoring team that is involved in collection of Loan repayment amounts through Correspondent Banks. This collection of repayment amount in Correspondent banks also ensures a support for SME Loan Disbursement, Probashi Banking payments, transferring of Fund to Bangladesh Bank etc.
- **Retail & Corporate Support:** FIS helps out Retail and Corporate division through Correspondent Banks network.

- **Direct TT:** FI Operations provide necessary network facilitates for transferring fund for direct TT in Correspondent Banks.
- **Processing Daily transaction in Correspondent Banks:** FI Operations process all related transactions in Correspondent Banks by passing accounting on daily basis. So all daily and monthly entries like – fund transfer between two Correspondent Banks accounts, related charges , interest , Tax, Excise duty are processed and monitored by FIS.
- **Functions in ROC:** FI Operations has developed ROC operations and through this operation all related function is replicating with the Head Office Operations at ROC end. At present FIS has two ROC- CHITTAGONG and BOGRA, those are involved with related transactions in Correspondent Banks accounts.

Key Terms & Products Details of Treasury & FI Operations

SLR & CRR

SLR – Statutory Liquidity Requirement

- ✓ 19% mandatory requirement on Average Liability of every Thursday position of each month.

Components are –

1. Balance with BB – LCY
2. Un-encumbered Securities – HTM & HFT
3. Balance with Agent SBL
4. Cash in hand – LCY & FCY –converted to LCY
5. Reverse Repo with BB
6. TT in Transit – currently obsolete
7. Balance with BB – FCY – if required

- BBL average SLR requirement is 2500cr

CRR – Cash Reserve Requirement

> 5.5% daily & 6% bi-weekly mandatory requirement

> Part of SLR maintained with BB – LCY balance > TT in Transit considered for maintaining

CRR

- > Treasury daily fund management is highly depends on CRR
- > BBL average CRR is 725 & 790cr (5.5 & 6%)

HTM & HFT

HTM (Held to Maturity)

- Primary investment objective is for maintaining SLR
- Amortize yearly based on BB Circular & amortize income of HTM is unrealized
- Amortization reserve needs to be maintained and can be shown in supplementary capital i.e. in Tier II as per BASEL II guideline
- Can be used in ALS & Repo transaction but trading can't be done by & large
- Maximum Portfolio limit – 75% of total SLR requirement for Non-PDs
- Re-classification & trading can be done at any point of time & by first two month respectively in every year with prior approval of Board of directors
- Currently 5-20 years bonds are in this category

HFT (Held for Trading)

- Primary investment objective is for trading
- Revalue weekly for marking to market both Bill & Bond. But, for Bill, amortize also require prior of revaluation
- Revaluation loss needs to realize but gain need to transfer in reserve account maintained accordingly. Like amortization reserve, it can also be shown in Tier II capital
- Market rate is directly impacted to its value, so it has significant effect on both Balance sheet & PL
- By nature, it is tradable and can also be used in ALS & Repo
- HFT portfolio has no boundary
- All Bills & 2years bonds are now in this portfolio

Coupon & Yield

- Coupon – fixed rate of return on Securities
- Yield – actual rate of return on investment
- Coupon & Yield may be same based on securities cost price
- If $CP=FV$ at Primary Market, Coupon & Yield are same
- When $CP>FV$ at PM, $Yield < Coupon$ and vice versa
- YTM – Yield to Maturity is currently the most acceptable term in financial market calculating rate of return on an investment

Primary Auction

- Auction Calendar circulates by BB for T-bill & bond with Security Type, Date and Amt
- For T-bill, *Price* based auction & for T-bond, *Yield* based is used in bid process
- On auction date, participants need to bid online through MI system currently maintained BB stipulated time
- As a Non-PD bank, we need to use one PD as a link bank
- BB publishes BID result through mail or in MI
- The cut-off yield of Auction represents as a Market reference rate
- Bank/NBFIs need to submit competitive bid but others i.e. individual or corporate house, trustee etc. can submit noncompetitive bid

T-bill

- Money market instrument based on tenor
- Issued at a discounted price, FV is paid off at maturity
- $Return = Face\ Value - Cost\ Price$
- Current issuance volume is high due to increase of Govt. borrowing from market
- Demand is currently high due to sluggish loan disbursement
- Current yield trend in downward slopping, BBL T-bill portfolio Yield-
- BBL investment : BDT 1000cr, almost thousand times raise comparing to prior year
- Currently Traded T-bills – 91, 182 & 364days

T-bond

- Capital market instrument based on tenor
- Issued in multiple ways – at Par, at Premium, at Discount
- Coupon is paid off semi-annually & FV is at maturity
- Current issuance volume is high due to increase of Govt. borrowing from market
- Current yield is at moderate level, BBL T-bond Portfolio Yield-
- BBL investment : BDT 1000cr, subtle increment comparing to preceding year

ALS Transaction

- Assured Liquidity Support is provided by BB against awarded & devolved securities up to 60 days from issue/re-issue date.
- Collateralize based borrowing transaction
- No gain/loss impact
- Securities used in transactions become encumbered and ineligible for SLR, but kept in investment part
- Transaction amount fixed on FV of securities - 85% @T-bill & 95% @T-bond
- No Market Valuation is required & rate is fixed by BB through Monetary Policy
- At maturity, securities come with their previous book value
- Counter Party – BB

REPO

- Repurchase agreement is a borrowing transaction in nature with outright sale of securities transacted with both BB & IB
- Outright sale based borrowing transaction
- Realized gain/loss impact
- Securities need to out from portfolio and become ineligible for SLR during REPO period
- Market value of securities decides the transaction amount - Clean Market value for T-bill & Dirty Value for T-bond. Maturity settlement amount also need to Fix up before execution
- Transaction is executed based on market yield & value. No scope of manipulation in yield & value. REPO rate is fixed on negation

- At maturity, securities come with fresh value and all the history become obsolete
- Counter Party - BB/IB

Reverse Repo

- Resale agreement is a placement transaction in nature with outright purchase of securities transacted with both BB & IB
- It is just the opposite of REPO; RR is the placement transaction where Repo is borrowing.
- Securities received against RR need to book in HFT
- SLR Eligible
- Market value of securities decides the transaction amount - Clean Market value for T-bill & Dirty Value for T-bond. Maturity settlement amount also need to Fix up before execution
- Transaction is executed based on market yield & value. No scope of manipulation in yield & value. Reverse REPO rate is fixed on negotiation
- At maturity, securities out from portfolio at clean purchase price if revaluation do not take place within the repo period
- Need to maintain in HFT portfolio but weekly M2M is required for purchased T-bond only
- Counter Party - BB/IB

TRADING-SALE

- Sale of securities is an outright transaction in a view to earn profit with IB or corporate house or individuals
- Outright sale of securities to maximize profit
- Gain is the target but loss may occur
- Securities completely out from portfolio
- Traded value of securities decides the transaction amount - Clean Traded value for T-bill & Dirty Value for T-bond. One way transaction, so no question about Maturity settlement
- It's a win-win transaction executed on negotiated yield. Details calculation is done based on that traded yield. Scope of manipulation if both parties agree
- One way transaction. No question about maturity settlement. Can be an underlining buy back deal
- Counter Party may be IB, Corporate House, Trustee, Individuals, NRB, Foreign Investors - individuals or institutions

Amortization & Revaluation

Amortization

- For securities, going towards at its FV over a period of time. For premium bond, asset value will be decreased & for discounted bill & bond, asset value will be increased at every transaction time
- Yearly amortization is required for all HTM securities & resulted income is unrealized & maintained as reserve
- Weekly amortization is needed for HFT Bill only & income is charged on PnL
- Amortize value should be calculated before trading of T-bill to get the actual trade income

Revaluation

- Marking to market of securities applying current auction rate
- Weekly revaluation is required only for HFT securities
- To calculate Market Yield, extrapolation & interpolation method is applied based on securities type
- Revaluation is done based on security type or tenor based. Majority bank is following type based, but standard procedure should be tenor based
- To calculate M2M gain/loss – for bill, amortization need to be done before revaluation & current amortize value is used to compare with Market value; but for t-bond previous market value is compare with present value if nothing is happened during the period of last revaluation to current with the script
- Revaluation loss is charged on PnL, but gain need to transfer in reserve account & maintain accordingly
- Revaluation reserve & amortization reserve can be shown as a supplementary capital i.e. Tier II as per BASEL II guideline
- Revaluation is performed for almost every transaction of securities like Trading, REPO & Re-issue transactions. It should be done before trading to compare actual with market

Correspondent Banks

Correspondent Banks are those banks, which have a relationship with our bank to obtain different service from them. Through this relationship we are using Correspondent Bank's network for distributing our products at mass level. At present, BBL Correspondent Bank's serve and ensuring different payments like SME loan disbursement, Salary of Units office employees, Cash management and local remittance disbursement etc.

Types of Correspondent Banks:

- **Mother Bank Account:** Mother Bank account is the main hub from where all the payments (SME Loans, payments) are channeled directly to respective customer accounts & EMI collection from child a/c all over the country within this Correspondent Bank's network. Example : Pubali Bank-Mohakhali Branch
- **Child Bank Account:** Child Bank accounts are the local nostro accounts, BRAC Bank maintains with correspondent bank's branches apart from Mother Bank Account. Through this account BBL collects SME Loan repayments (EMI) and remits fund to mother bank accounts on weekly basis. Moreover, CRO's salary and expenditures and SME Unit Office rent are paid by Finance Division through Child Bank Account. Example : Pubali Bank- Barguna Branch

BBL has 497 local nostro correspondent bank accounts where 34 Mother accounts and 464 Child accounts.

a) SME Dedicated 382 child accounts:

Pubali Bank : 105	Rupali Bank : 41
Janata Bank : 102	The City Bank : 4
Krishi Bank : 40	National Bank : 5
Agrani Bank : 84	Sonali Bank : 1

- b) Cash Management Dedicated 17 accounts where IBBL's child accounts 13 & UCBL's child accounts 4
- c) SLR (Retail) Dedicated 41 accounts with Sonali Bank.
- d) Remittance Dedicated 24 accounts

Merchant Cover Deal

- Requirement based transactions
- Deal has to be done ignoring PL analysis
- Can be – Cash, Tom, Spot & Forward Settlement
- Daily BAU of FX desks for fund management purpose
- High Priority Deal

FX Trading Deal

- Speculative deal to making money
- Profit Loss analysis is must before execution
- Combination of multiple deal can be a pair of Trading
- Can be – Cash, Tom, Spot & Forward Settlement
- REUTERS trading Platform is used by the BBL

Cash, TOM, SPOT & Forward Deals

Based on the tenor, FX deals are classified into 4(four) categories –

- Cash : T+0 settlement cycle
- Tom : T+1 settlement cycle
- Spot : T+2 settlement cycle
- Forward : more than T+2 settlement cycle

Normally, Cash & Tom settlement can be used for transaction within the same boundary.

SWAP

- Simultaneous purchase and sale of a fixed amount of one currency against another on different value dates at two agreed exchange rates
- Transaction Date Rate is called Spot Rate and Maturity Date rate is called Forward Rate
- Transaction Date Amount is called 1st Leg Amount and Maturity Date Amount is called Second Leg Amount
- Most common used SWAPs in Market are - Interest Rate SWAP and Currency SWAP. In our market, Currency SWAP is widely used to manage liquidity
- Also called Money Market secured transactions
- Rate is lower than Call Money rate at normal market

Secondary Share Trading

- Primary Objective is to maximize trading profit
- BBL primarily invest on A-category Share
- Maintained diversified portfolio of Share & Mutual Fund units
- Bonus Share, Right Share & Cash Dividend Opportunities
- Have to Maintain Total exposure limit & Single company limit of BB

Preferred Stock & Subordinate Debt Investment

- Preferred stock investment return is higher than bond
- Subordinate debt is issued in the market for fulfilling Capital requirement of BASEL II guideline
- Subordinate Debt is considered as Supplementary Capital
- Fixed Rate & Floating Rate in Nature
- Convertibility & Non-convertibility features

Chapter 2

SLR & CRR:

The Statutory Liquidity Requirement (SLR) is one of the quantitative and powerful tools of monetary control of the central banks. Changes in SLR can have a marked effect on money and credit situation of a country. If the central bank raises average reserve requirement of the commercial banks, this would create a reserve deficiency or decrease in available reserve of depository institutions. If the banks are unable to secure new reserves, they would be forced to contract both earnings and deposits which would result in a decline in the availability of credit and increase the market interest rates. The reverse would happen if the central bank lowers its reserve requirements.

Currently, for scheduled commercial bank SLR is 19% on Average Time & Demand Liability of every Thursday position of each month. It was last revised on Dec 2010 and in Bangladesh it is very irregular in SLR change. ATDL components are given in below table –

<p style="text-align: center;">A. Demand Liabilities</p> <ol style="list-style-type: none">1. Customer deposit2. Deposit from Banks3. Borrowing from Banks4. Deposit from Financial Institutions5. Borrowing from Financial Institutions6. Other Demand Liabilities <p>I. Sub-total countable demand liabilities(1+4+5+6)</p> <p style="text-align: center;">B. Time Liabilities:</p> <ol style="list-style-type: none">1. Customer deposit2. Deposit from Banks3. Borrowing from Banks4. Deposit from Financial Institutions5. Borrowing from Financial Institutions6. Other Demand Liabilities <p>II. Sub-total countable time liabilities(1+4+5+6)</p> <p style="text-align: center;">Total countable demand & time Liabilities</p>

The CRR components are –

- ✓ LCY balance with Bangladesh Bank
- ✓ TT in Transit

The SLR components are –

- ✓ CRR
- ✓ Un-encumbered Securities – HTM & HFT
- ✓ Balance with Agent SBL
- ✓ Cash in hand – Vault & ATM both LCY & FCY
- ✓ Other Eligible Securities
- ✓ Reverse Repo with BB
- ✓ Balance with BB – FCY

Asset Liability Management (ALM):

Asset Liability Management (ALM) of Bank monitors measures and manages the risks associated with balance sheet and guard the bank against any unforeseen loss or threat of survival. ALM deals with two major risks associated with balance sheet (i) Liquidity Risk (ii) Interest Rate risk. ALM also looks after the capital adequacy of the bank.

Liquidity is the ability of bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Risk of not having sufficient liquidity to support customer demand or commitment may lead unacceptable losses or in extreme cases treat the survival of the organization.

Interest rate risk is the exposure of a bank's assets and liabilities to movements in market interest rates. Interest rate risk is the risk to the Bank's capital or earnings derived from adverse movements in interest rates. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest sensitive income.

Some of the key measures to monitor liquidity and interest rate risk are mentioned here-under:

- a) Advance Deposit (AD) Ratio & b) Liquidity Ratio

a) Advance Deposit (AD) Ratio

AD ratio means advance to deposit ratio. It helps to judge bank's liquidity position. In ideal scenario, AD ratio should be around 81%, as 19% of deposit is maintained as SLR. AD ratio might also go above 81% considering bank's capital, deposit base, contingency liquidity support window and overall depth of money market etc. At present, Standard AD Ratio is 85% for Bank set by Central Bank.

b) Liquidity Ratio

Liquidity ratio (Liquid Assets to Total Assets) is the proportion of a financial institution's assets held in easily cashable form. This ratio measures bank's ability to meet commitments or obligations to counterparties when due. ALCO set minimum liquidity ratio 19%. Cash & Bank Balances, Call Placing, Treasury Bills/Bonds, Govt. Bonds, Foreign Currency and Shares (Publicly Traded) would be considered as Liquid assets. Total asset is the balance sheet total asset.

c) Gap Analysis

The structural liquidity gap report calculates the gap of inflows and outflows assets and liabilities in various time buckets based on the residual maturity. The gap is also derived considering forecasted inflow & outflow and renewal & prepayments options.

The interest rate gap analysis is done by deriving gap of inflows (rate sensitive assets, RSA) and outflows (rate sensitive liabilities, RSL) in various time buckets based on interest rate re-pricing period. It shows the mismatches in each defined time buckets as well as at the overall level. On the basis of gap, interest rate risk for different interest rate movement is calculated.

d) Liquidity Contingency Plan

Liquidity contingency action plan (CFP) is the action plans for responding to disruptions to the bank's ability to fund some or all of its activities in a timely manner and at a reasonable cost. CFP clearly specify the roles and responsibilities, contact details including the authority to invoke CFP.

Relationship between CRR & SLR:

Both CRR and SLR are instruments in the hands of Central Bank to regulate money supply in the hands of banks that they can pump in economy. SLR restricts the bank's leverage in pumping more money into the economy. On the other hand, CRR, or cash reserve ratio, is the portion of deposits that the banks have to maintain with the Central Bank to reduce liquidity in banking system. Thus CRR controls liquidity in banking system while SLR regulates credit growth in the country.

The other thing is that to meet SLR, banks can use cash, BB agent Balance or approved securities whereas with CRR it has to be only cash. CRR is maintained in cash form with central bank, whereas SLR is money deposited in govt. securities. CRR is used to control inflation.

Now, how Bank can link CRR with SLR & vice versa. By using securities they can make cash maintained CRR and also by using IBCM, they can put their balance to BB or withdraw from it. And, most importantly CRR is the one main component of SLR.

Relationship between CRR & Liquidity Management

Liquidity Management is the process of ALM by which bank is fulfilling day to day obligations or deposit withdrawals. On the other hand, CRR is basically the daily Balance with BB in LCY. So, those transactions which need to settle through using BB Current AC in Liquidity Management part is directly impacted the CRR. That's why, Treasury is performing the role of Fund Manger of a Bank so that they can comply all the regulatory issue as well as managing the Liquidity.

Relationship between SLR & ALM

Central Bank is performing one of the major roles of ALM for overall economy & Banking industry by using Monetary Policy. At their strategic level to focus the entire economic indicator like Inflation, Currency Exchange Rate, GDP, FC reserve & economic development etc., they set the monetary policy half-yearly. And, at every Monetary policy circulation, there is a broad level indication to total industry for this particular period they actually want to follow Expansionary or Conservative or Moderate MP.

To control this money supply, one of the tools is changing the SLR rate. Currently, SLR rate is 19% that restricts the bank is to minimize their exposure in credit means bank loose the scope of making more Assets against their Liabilities. By doing this Central bank is narrowing their

Assets up to 81% but they have also set a standard on AD Ratio which is 85%. Bank can cross the limit of 81% to 85% considering their capital, deposit base, contingency liquidity support window and overall depth of money market etc.

Now, to maintain the SLR 19% part, every bank is using their Treasury to make their Portfolio more & more dynamic to make profit by minimizing risks.

Relationship among SLR, ALM & Treasury Profitability

Treasury is working with day to day market so that they have to calculate the market risks for every transaction. ALM is working on the Asset Liability of the Bank, and to do this they prepare the Deposit Rate & Lending Rate of a Bank and the spread between two rates are actually the indicator of targeted money making rate.

ALM or a Bank has not the full authority or flexibility to fix a rate. They have to follow the market and time to time Central Bank may give a bar on some specific rate quotation.

Because the chairman of the ALCO is the Head of Treasury, so they need to make the plan about the total package to making money. They set the strategy about portfolio mix analyzing the current and future market trend, they coordinate with the Credit risk team to plan for the Counter Party exposure, and they also analyze the current AD ratio and its trend.

Now, the question should come how they correlate to each other. Like, in recent current market trend, AD ratio is 76% against the standard of 85%. It is happened due to political turmoil, corporate & individual loan taking tendency is down trending. In this situation, the Gap fund is going to the Treasury to utilizing in the Money & Securities Market through which they are squaring SLR position in day to day operation. Because of that, the last year Treasury Profit is maximized; T-bill, the short term investment, trading opportunity & demand is increased and profitability is also increased accordingly.

Comparative Analysis – 3yrs (2011-2013)

To analyze the performance of maintaining SLR of BBL from 2011 to 2013, data analysis tools - Column Chart, Pie Chart & Scatter Chart Tools have been used. I have tried to figure out the CRR & SLR requirement of Central Bank, BBL requirement, maintenance, and strategies.

Combination of CRR & SLR (daily & fortnightly)

Particulars	Daily	Bi-weekly
CRR	5.50%	6.00%
SLR	13.50%	13.00%
Total SLR	19.00%	19.00%

Table: Combination of CRR & SLR

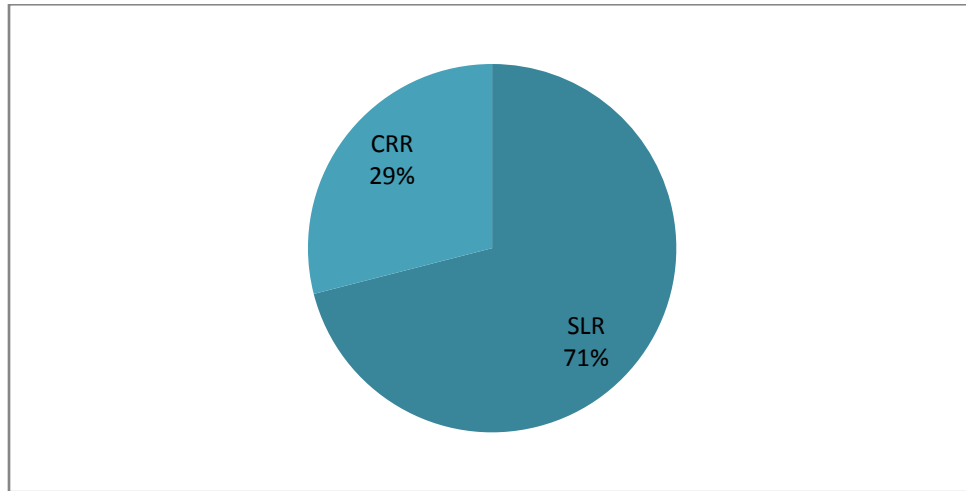


Fig: Daily Combination of Total 19% SLR

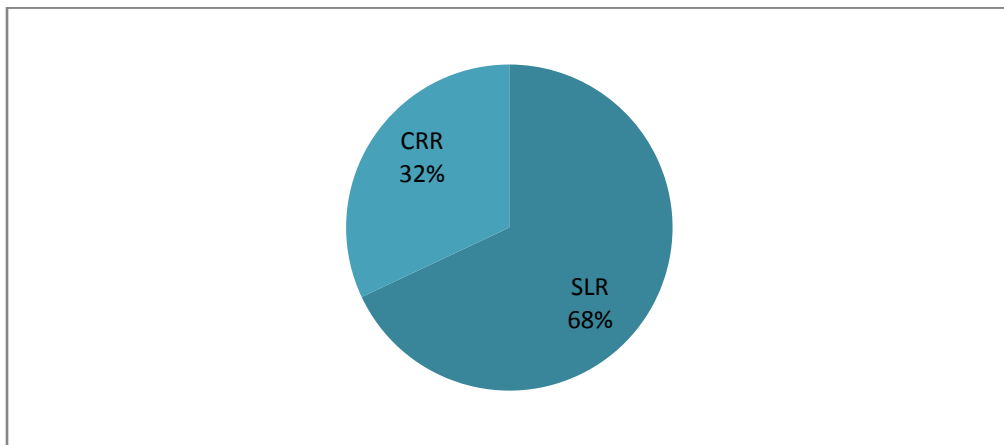


Fig: Bi-weekly Combination of Total 19% SLR

The Table above shows the Daily & Bi-weekly CRR & SLR regulatory combination for maintaining Total SLR. In Daily combination, CRR is contributing 29% where in Fortnightly position, it is contributing 32%. On the other hand, SLR part is contributing 71% & 68% respectively for maintaining Daily & Bi-weekly combination.

CRR & SLR Requirement of BBL

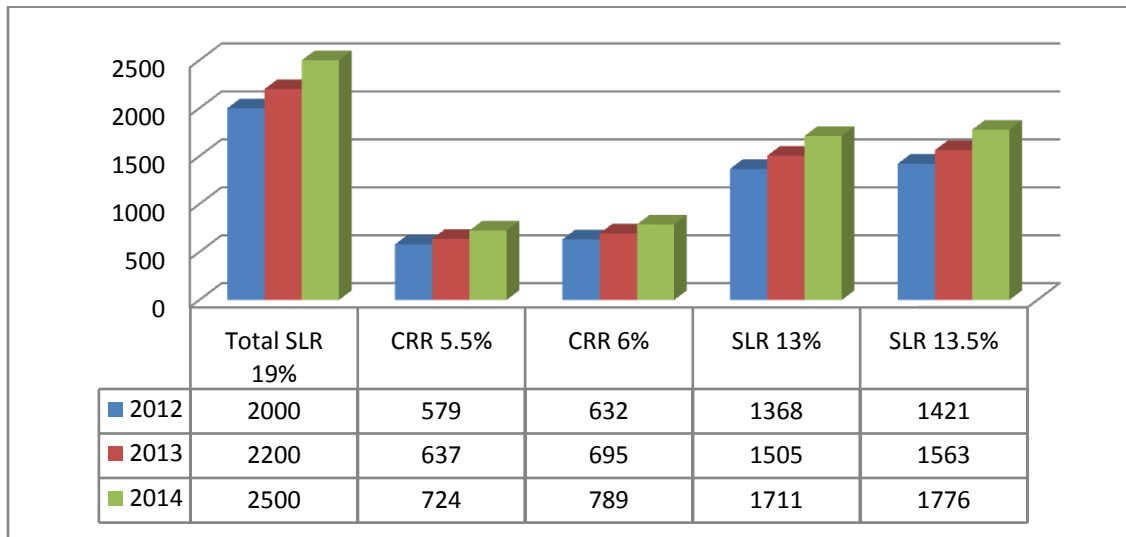


Fig: SLR & CRR Required Amount of BBL 2012-14

The table above represents the 3(three) years CRR & SLR required amount of BBL from 2012 to 2014. Here, we see that, there is a subtle incremental growth in SLR requirement over the time. The movement from 2012 to 2013 and 2013 to 2014 is 9% and 12% respectively. It indicates BBL deposit base growth is increasing consistently.

SLR Portfolio Mix of BBL

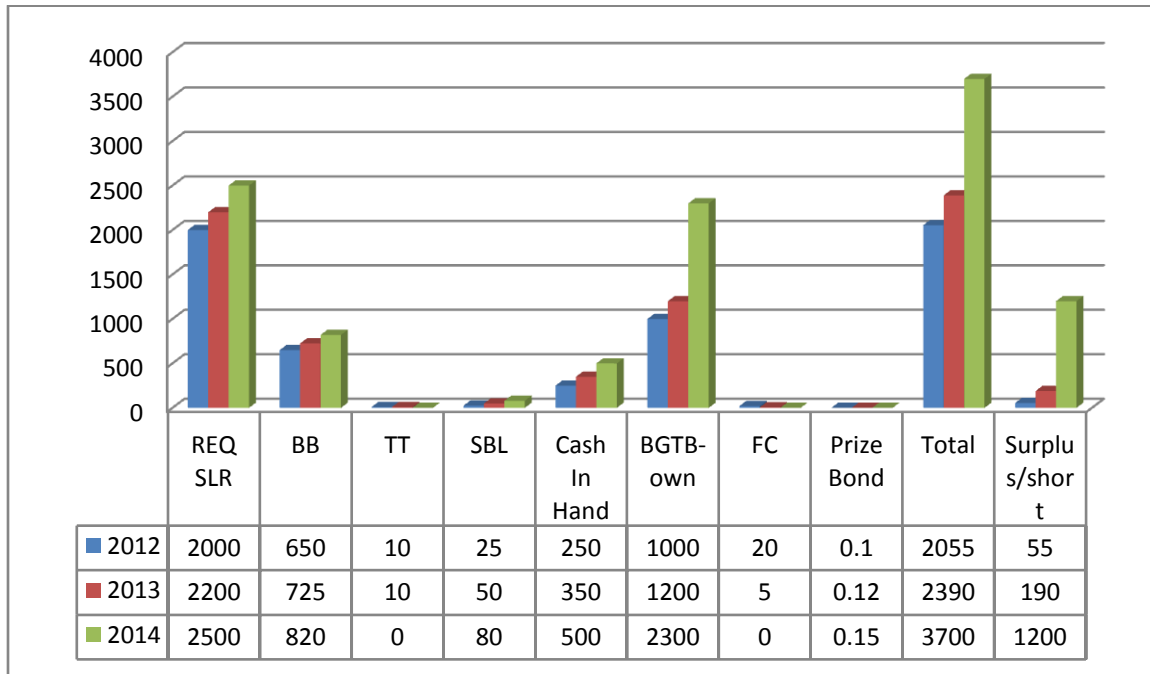


Fig: SLR Portfolio Mix of BBL

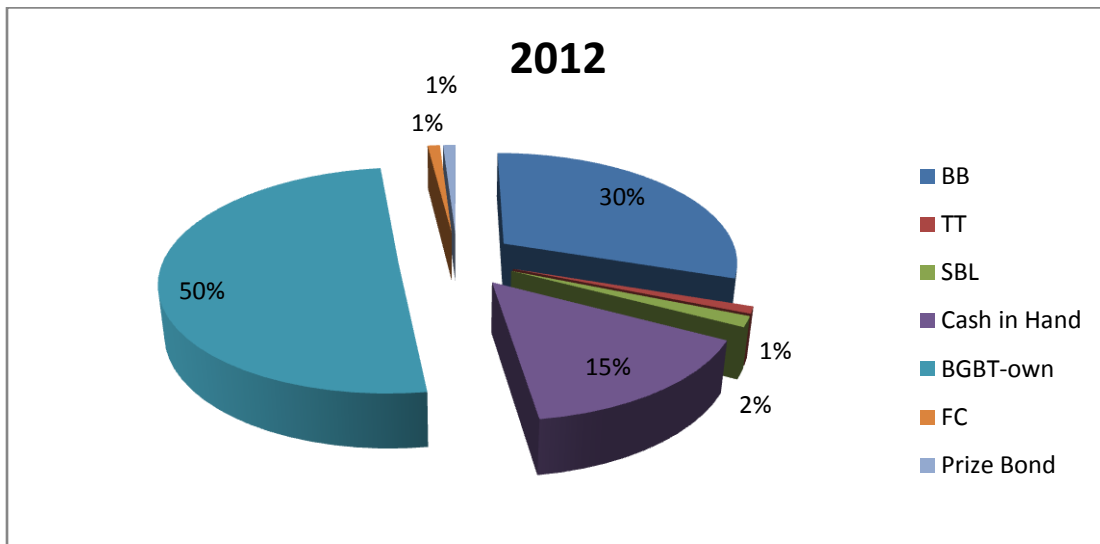


Fig: Portfolio Mix 2012

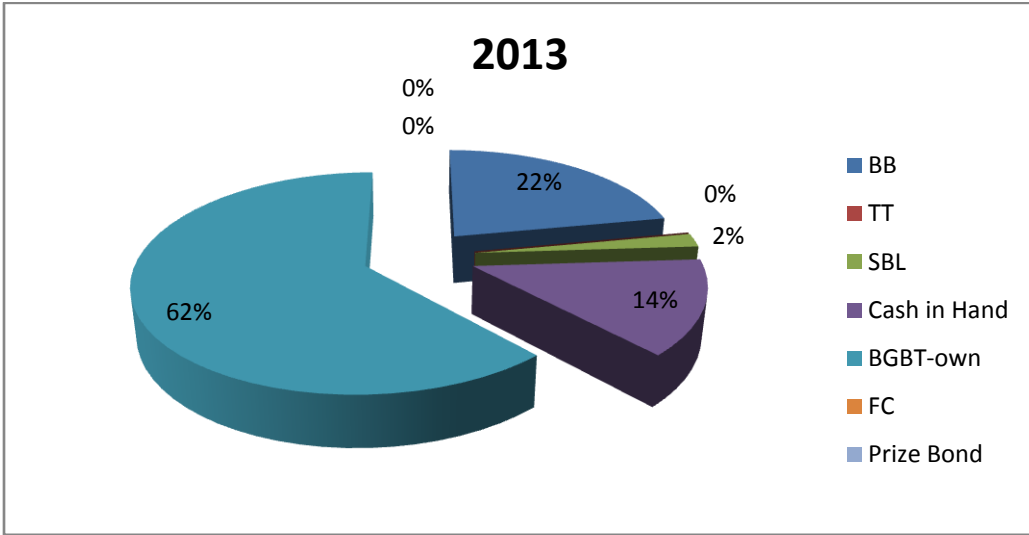


Fig: Portfolio Mix 2013

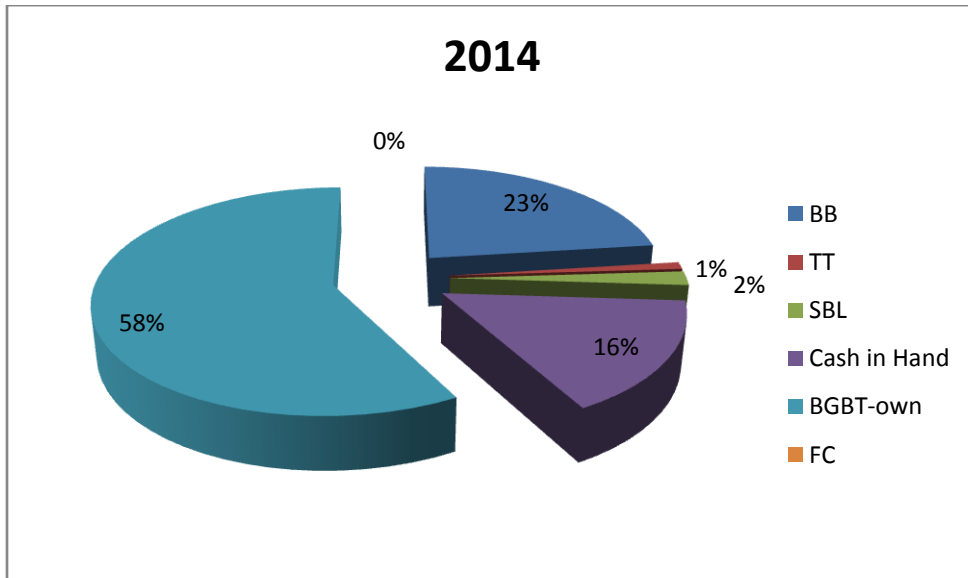


Fig: Portfolio Mix 2014

The Table above represents the Portfolio Mix of BBL in last 3(three) from 2012 to 2014 in percentage. We can find that, there is a huge growth in BGTB securities in 2013 is 62% from 50%. It is mainly due to sluggish trend in loan disbursement in 2013 for political turmoil. That's why the overall bank industry AD ratio is come at 76% against standard 85%. The bank has no other better option to invest in T-bill (Short Term Securities).

T-Bill Auction (Jul-Dec 2014)

Month	91 days	182 days	364 days	Total Amount	Change in Amount
Jul	3000	1400	1200	5600	-
Aug	3000	1400	1200	5600	0%
Sep	3500	1800	800	6100	9%
Oct	3000	1400	1200	5600	-8%
Nov	4400	2200	2600	9200	64
Dec	4000	1600	2250	7850	-15%
Total	20900	9800	9250	72050	

Table: T-Bill Auction (Jul-Dec 2014)

The Table above represents the T-bill Auction amount movement from Jul-Dec 2014. Here, we can find a huge amount of T-bill has issued in the market during Jul-Dec 2014 period. Bank was the main investor and demand for that short term securities was high during that period. We can find there is a significant 64% growth in Nov 2014.

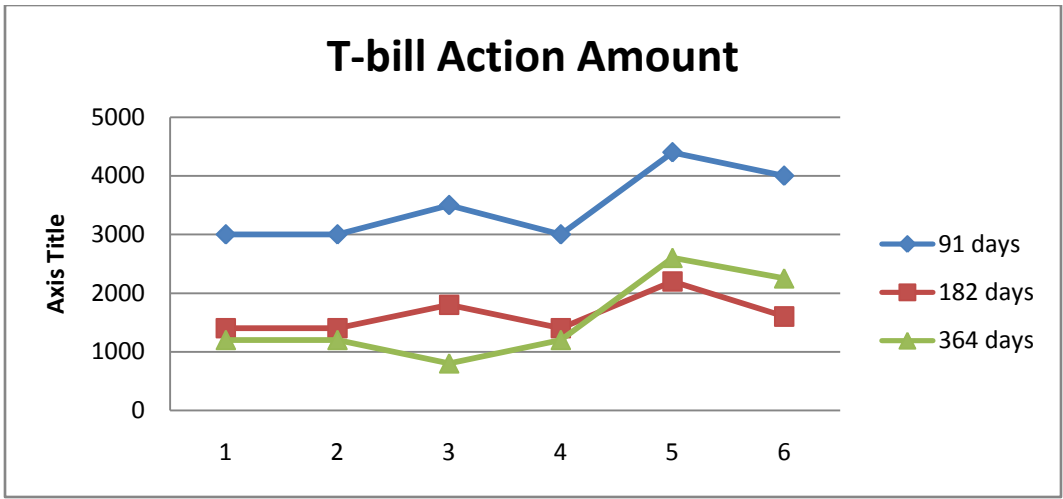


Fig: T-bill Auction Movement (Jul-Dec 2014)

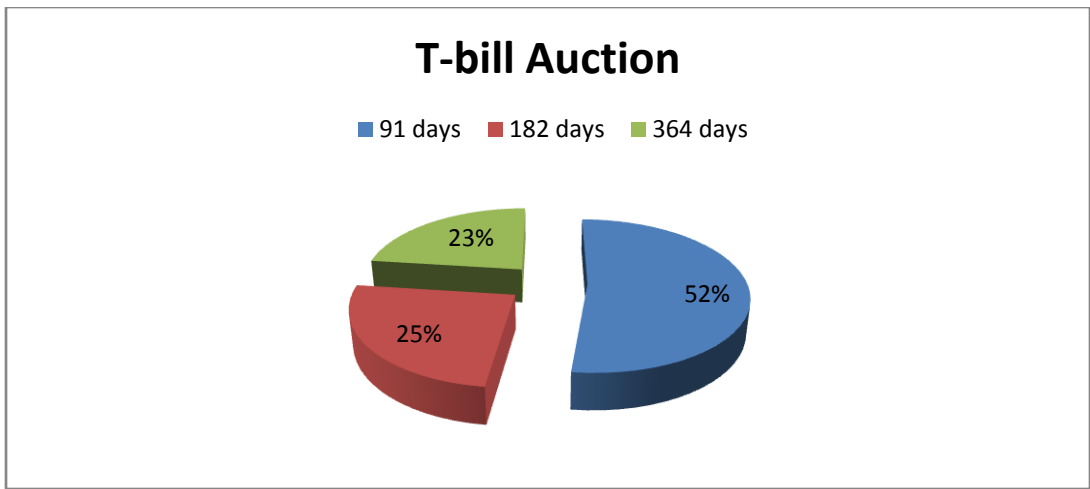


Fig: T-bill Auction Amount in Percentage (Jul-Dec 2014)

The Table above represents the T-bill Auction amount movement from Jul-Dec 2014. Here, we can find 52% T-bill was 91 days indicates the short term liability of Government responding the demand of market & fulfilling the target of Deficit Budget financing.

Findings

1. Central Bank guideline for maintaining Total SLR is 19% where for daily CRR is 5.5% & 6.0% for biweekly and SLR is 13% & 13.5% accordingly.
2. Total SLR requirement is fixed on ATDL of two months prior value. Suppose for January 2014 SLR, ATDL of Nov 2013 value is used.
3. CRR is maintained with the Current Account Balance of BB and CRR is one of the components of total SLR. Other components are - Treasury Bills, Treasury Bonds, Foreign Currency Balance with Central Bank, Cash balance in hand, Cash balance with Sonali Bank - agent of Central Bank.
4. The movement of SLR requirement of BBL from 2012 to 2013 and 2013 to 2014 is 9% and 12% respectively. It indicates BBL deposit base growth is increasing consistently.
5. Major contribution part of SLR of BBL portfolio is BGTB securities i.e. Treasury Bill & Treasury Bond because it gives two way benefit – one is maintain SLR & other is getting fixed rate coupon & income from discounted bills.
6. The massive holding of BGTB securities in 2014 of BBL is found in Portfolio mix of BBL indicates Treasury is given the priority to invest in T-bill (91, 182 & 364Days tenor).
7. The overall bank industry AD ratio is come at 76% against standard 85%. The bank has no other better option to invest in T-bill (Short Term Securities).
8. Total Auction amount during the Jul-Dec 2014 period was BDT 72050cr where 91, 182 & 364 days T-bill was 20900cr, 9800 & 9250cr respectively.
9. There is a significant 64% growth of T-bill Auction amount in Nov 2014.
10. 52% T-bill was 91 days issued on Jul-Dec 2013 period indicates the short term liability of Government responding the demand of market & fulfilling the target of Deficit Budget financing.

Recommendation

After analysis the findings, we will easily get Treasury is always deal with money and specially when the market is not performing normally, Treasury need to perform with the bigger chunk of the Bank. So, risk is there, they need to convert the threat into opportunity to making money. If it goes in negative direction they lose may be massive also. Focusing on that point, Risk taking approach should be at moderate level.

No Secondary market for Bond & Bill though last year in Interbank Market it is the most appropriate product. Regulatory Body should work on this like International Market practice.

Balance Sheet size of BRAC Bank is higher; opportunity is there to make more money even in normal market scenario.

Cash & SBL balance is in upward trend, so Treasury should more focus on that money to utilize up to utmost level.

BRAC Bank Treasury is not working effectively. It would be better if it working properly as we all know Treasury is dealing with the complex transactions.

Conclusion

BRAC Bank is one of the active market leaders in the Treasury in Money Market, Securities Market & FX Market as well. They are at smart level to mix up their SLR portfolio to making money. They are performing well both in normal & worst market situation. BBL Treasury has matured that level to treat them one of the prime center of making profit.

We can conclude in that fashion, regulation is not binding or restrictions or it is not narrowing your scope, what we need to do convert this threat into opportunities in smarter like Treasury of BBL do, then we can achieve both short term & long term goal.

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List of Acronyms

BBL	BRAC Bank Limited
TFO	Treasury front Office
TMO	Treasury Mid Office
TBO	Treasury Back Office
BM	Branch Manager
GDP	Gross Domestic Product
L/C	Letter of credit
ROA&ROE	Return on asset & return on equity
SME	Small and Medium Enterprise
EPS	Earnings Per Share
AD	Authorized Dealer
CRR	Cash Reserve Requirement
SLR	Statutory Liquidity Ratio
TT	Telegraphic Transfer
SWIFT	Society for Worldwide Interbank Financial Telecommunication
AOF	Account Opening Form
ATM	Automated Teller Machine
MM Operations	Money market Operations
FX Market Operations	Foreign exchange Market Operations
FI Operations	Financial Institution Operations
HTM & HFT	HTM (Held to Maturity) & HFT (Held for Trading)
IPO	Initial Public Offering
FDD	Foreign Demand Draft