

RISK MANAGEMENT IN THE MANAGEMENT OF TREASURIES

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Introduction



Risk and Risk Management



Risk Management Process



RISK IDENTIFICATION



RISK ANALYSIS

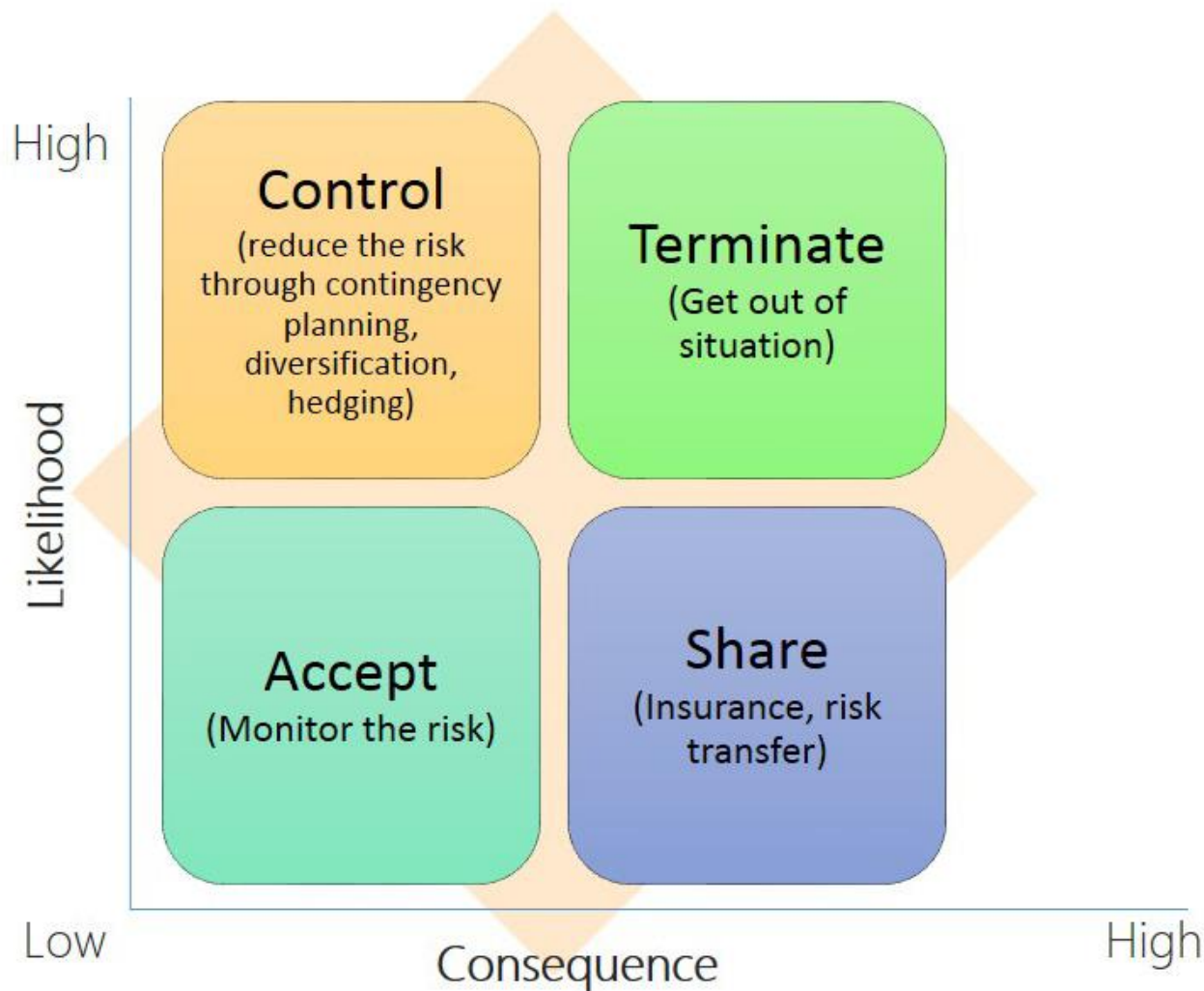


RISK EVALUATION



RISK TREATMENT

Risk Management Strategies



Risks In Treasury Management



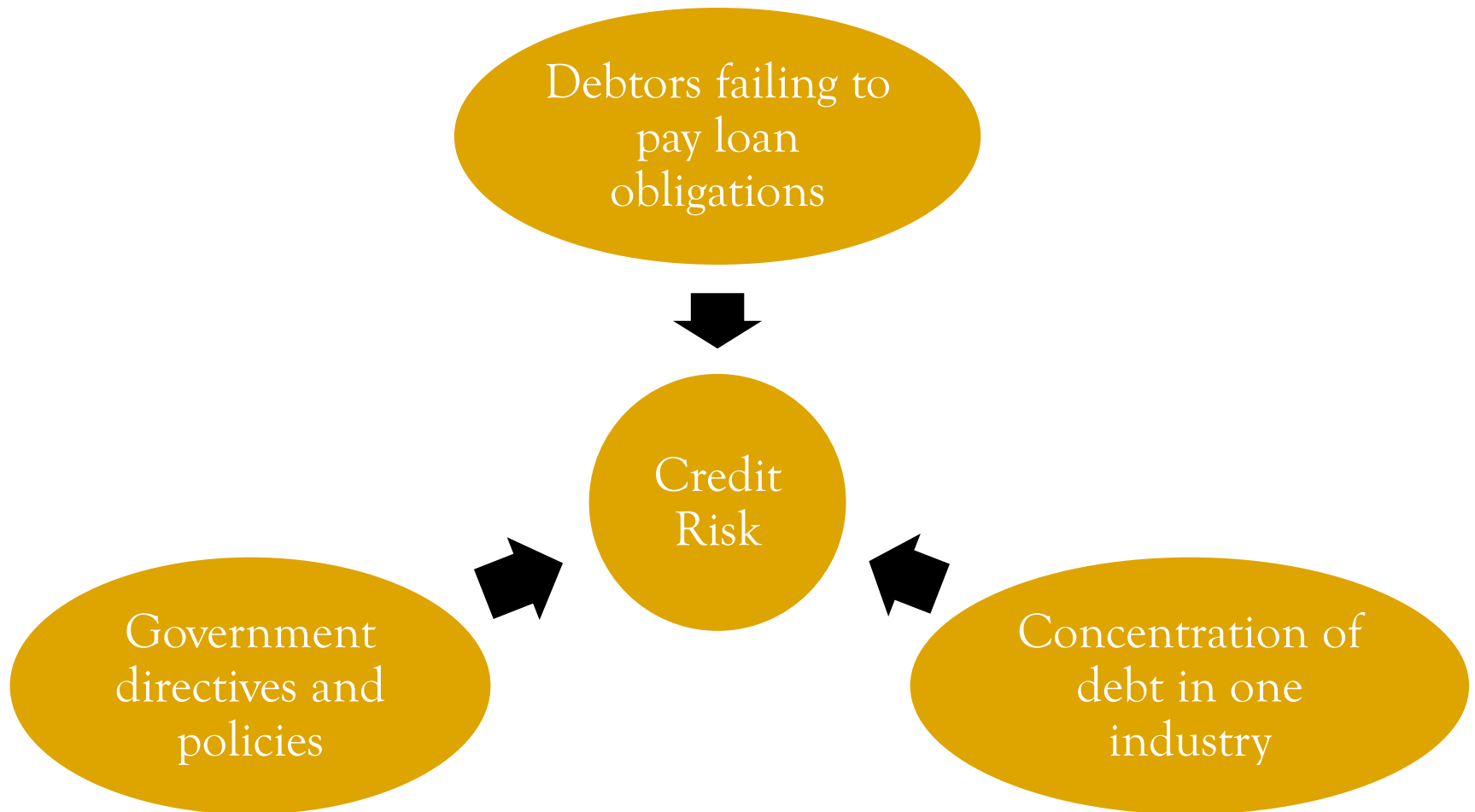
- Some of the major risks faced in Treasury Management include:
 - ❖ Credit Risk
 - ❖ Liquidity Risk
 - ❖ Operational Risk
 - ❖ Foreign Exchange Risk
 - ❖ Market Risk

Credit Risk



- Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations.

Credit Risk



Credit Risk



MITIGATION STRATEGY

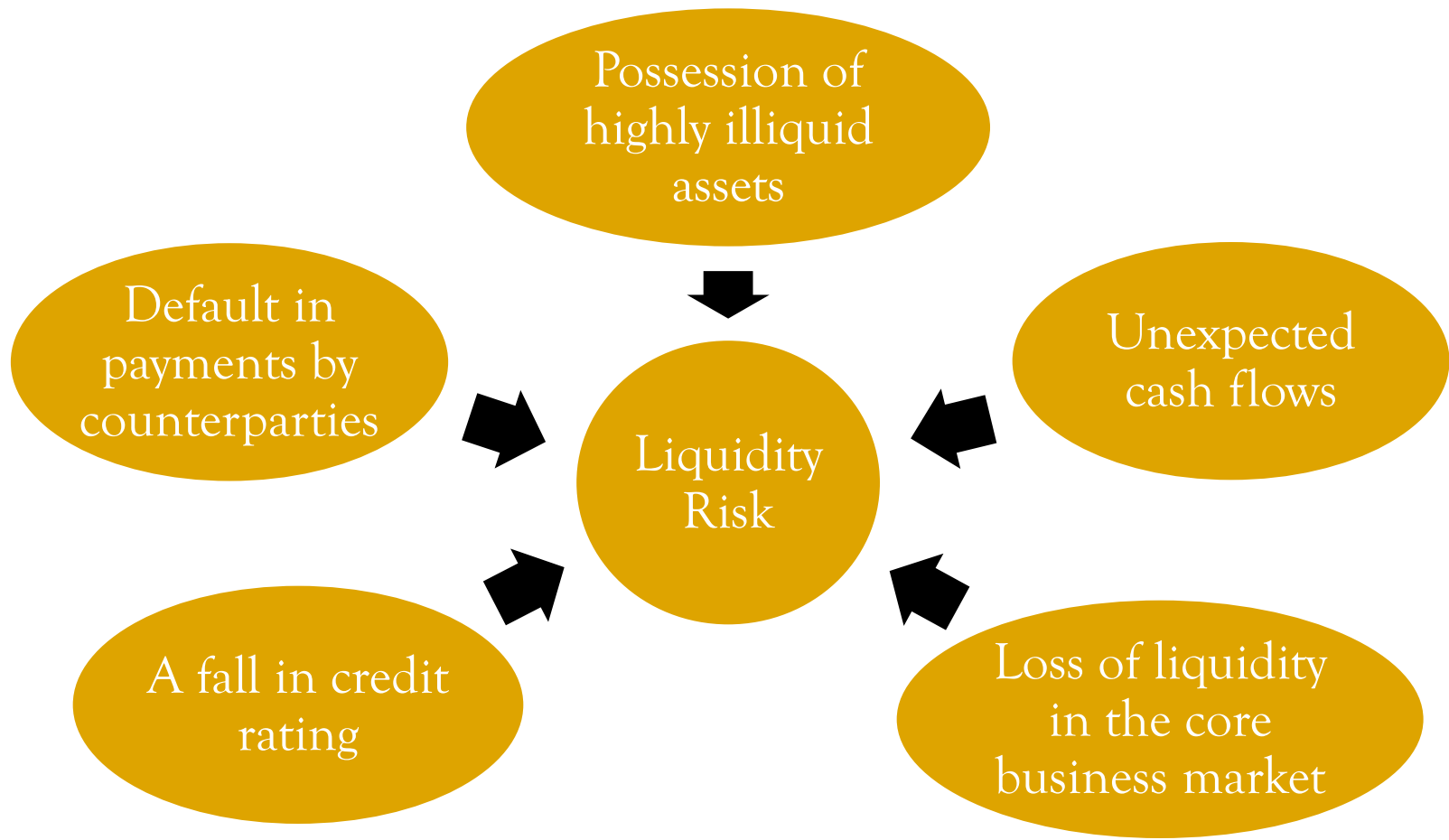
- Identifying and working within an institution's credit risk appetite
- Continuous monitoring of an institution's credit levels
- Insuring loans
- Creating a bad debt reserve
- Getting letters of credit from potential debtors
- Diversification of debtors

Liquidity Risk



- Liquidity risk is the risk that an institution may be unable to meet short term financial needs/demands.

Liquidity Risk



Liquidity Risk



MITIGATION STRATEGY

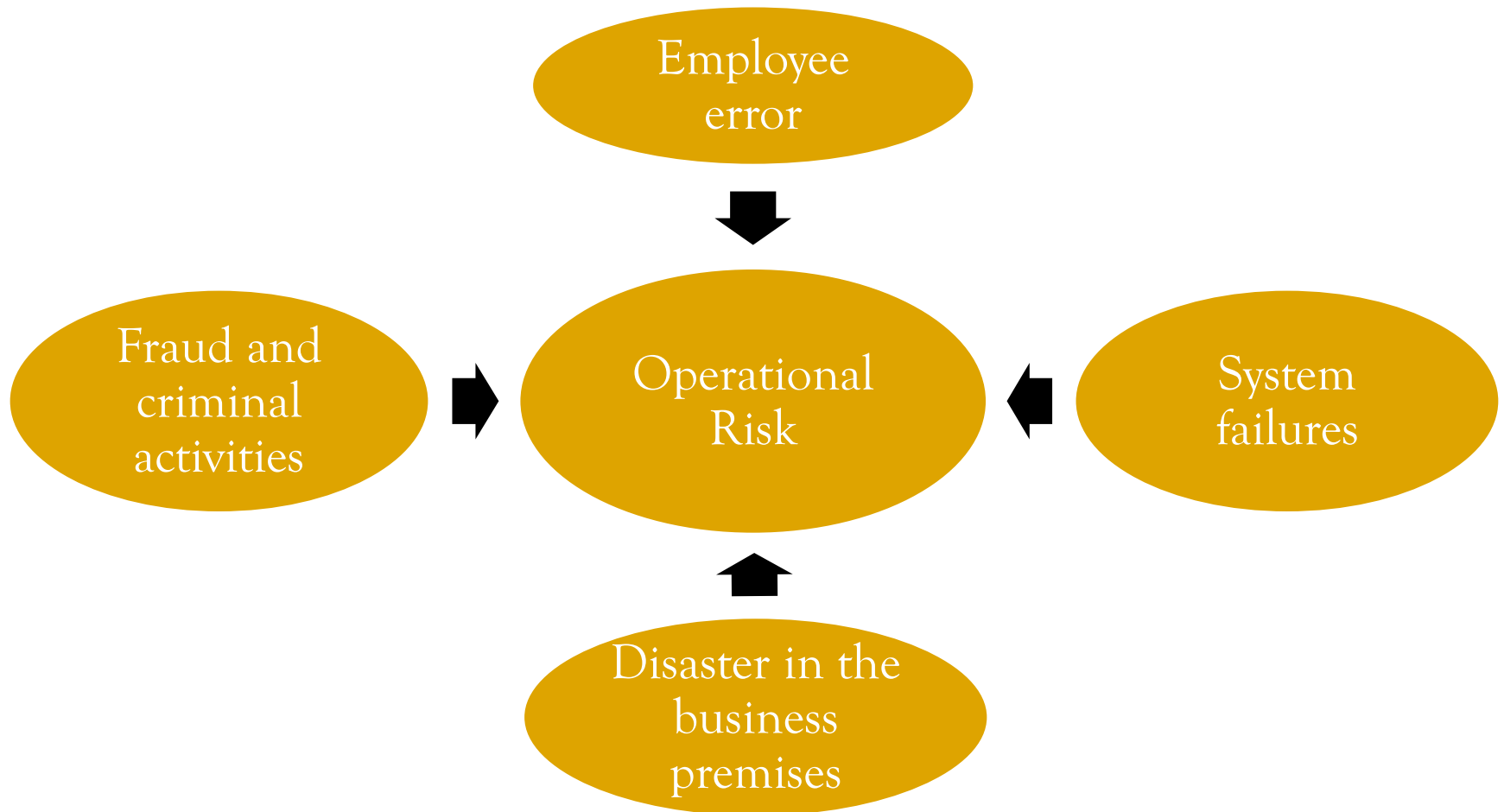
- Identifying and working within an institution's liquidity risk appetite
- Diversifying an institution's business model
- Investing in liquid assets/ having cash reserves
- Monitoring expected cash flows and applying corrective action to fix any variation
- Setting up contingency plans

Operational Risk



- Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies.

Operational Risk



Operational Risk



MITIGATION STRATEGY

- Identifying and working within an institution's operational risk appetite
- Putting in place strong internal controls to monitor and control fraud
- Implementing policies and procedures
- Having a tested disaster recovery and business continuity plan in place

Operational Risk



MITIGATION STRATEGY

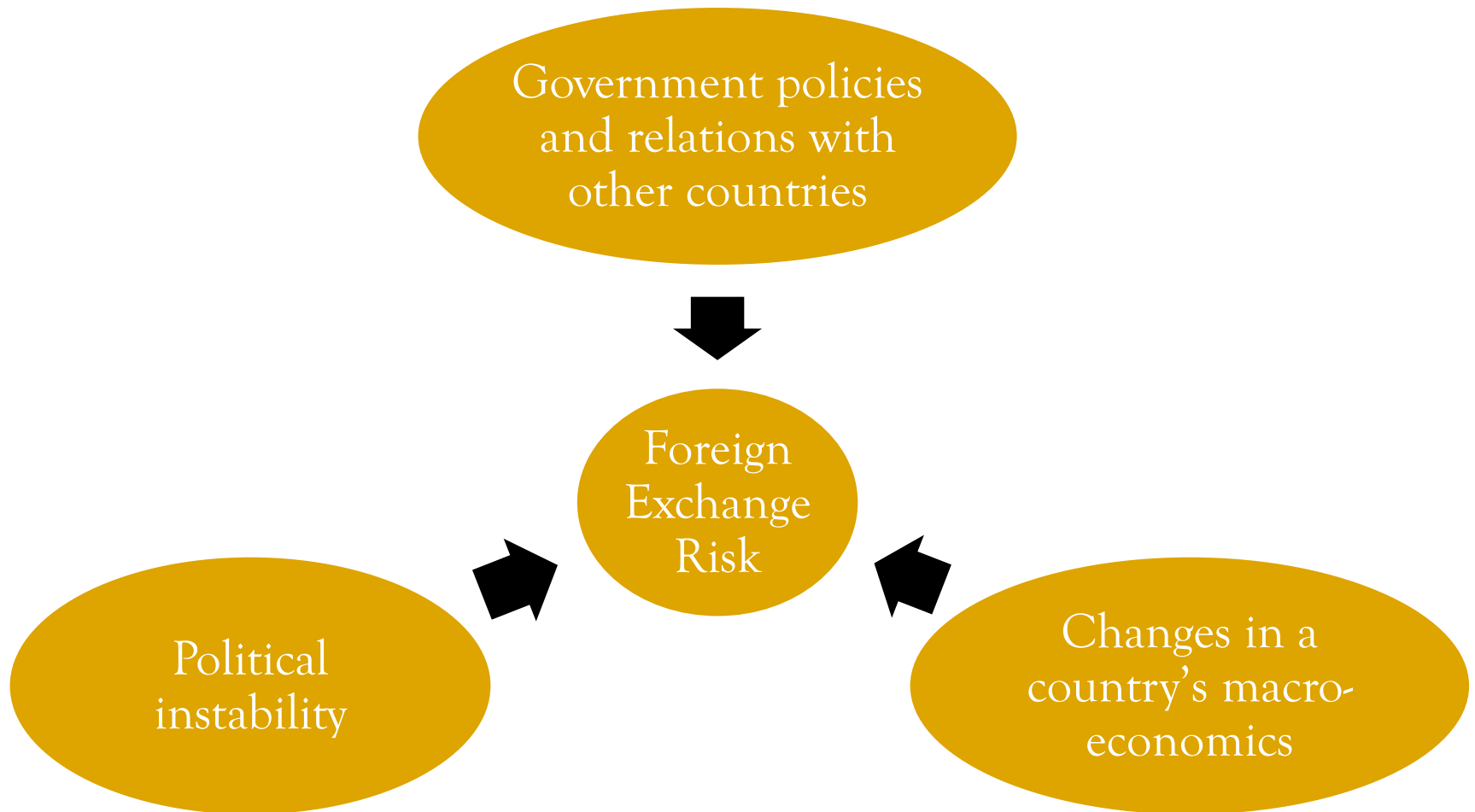
- Insurance cover for an institution's assets
- Hiring the right personnel
- Conducting periodic risk assessments including independent reviews
- Risk transfer i.e. outsourcing services

Foreign Exchange Risk



- Foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than the domestic currency of the institution.

Foreign Exchange Risk



Foreign Exchange Risk



MITIGATION STRATEGY

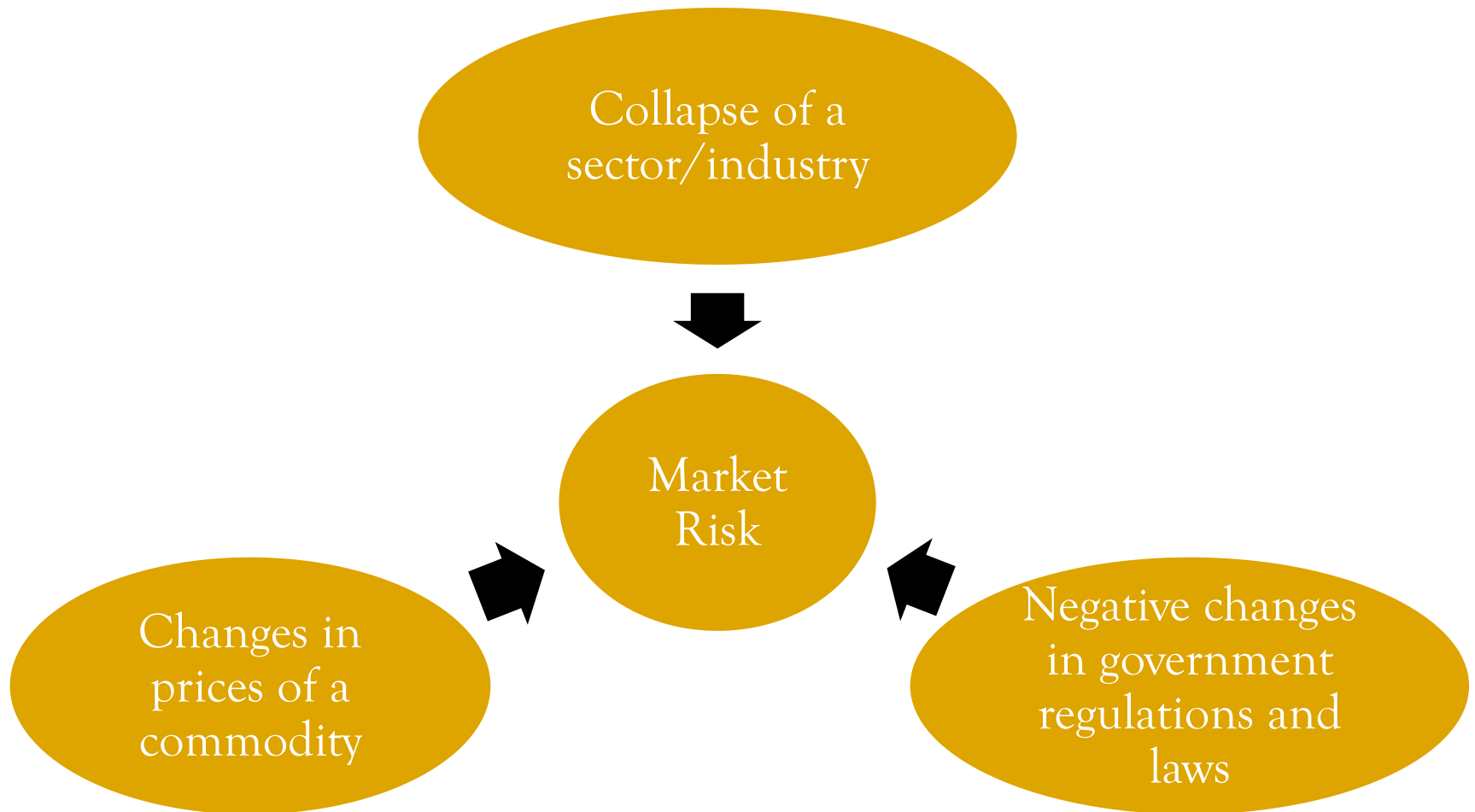
- Identifying and working within an institution's foreign exchange risk appetite
- Conducting business in stable currencies
- Reducing business in politically unstable countries
- Investing in hedged assets

Market Risk



- Market risk is the possibility of an institution experiencing losses due to factors that affect the overall performance of the financial markets in which it is involved.

Market Risk



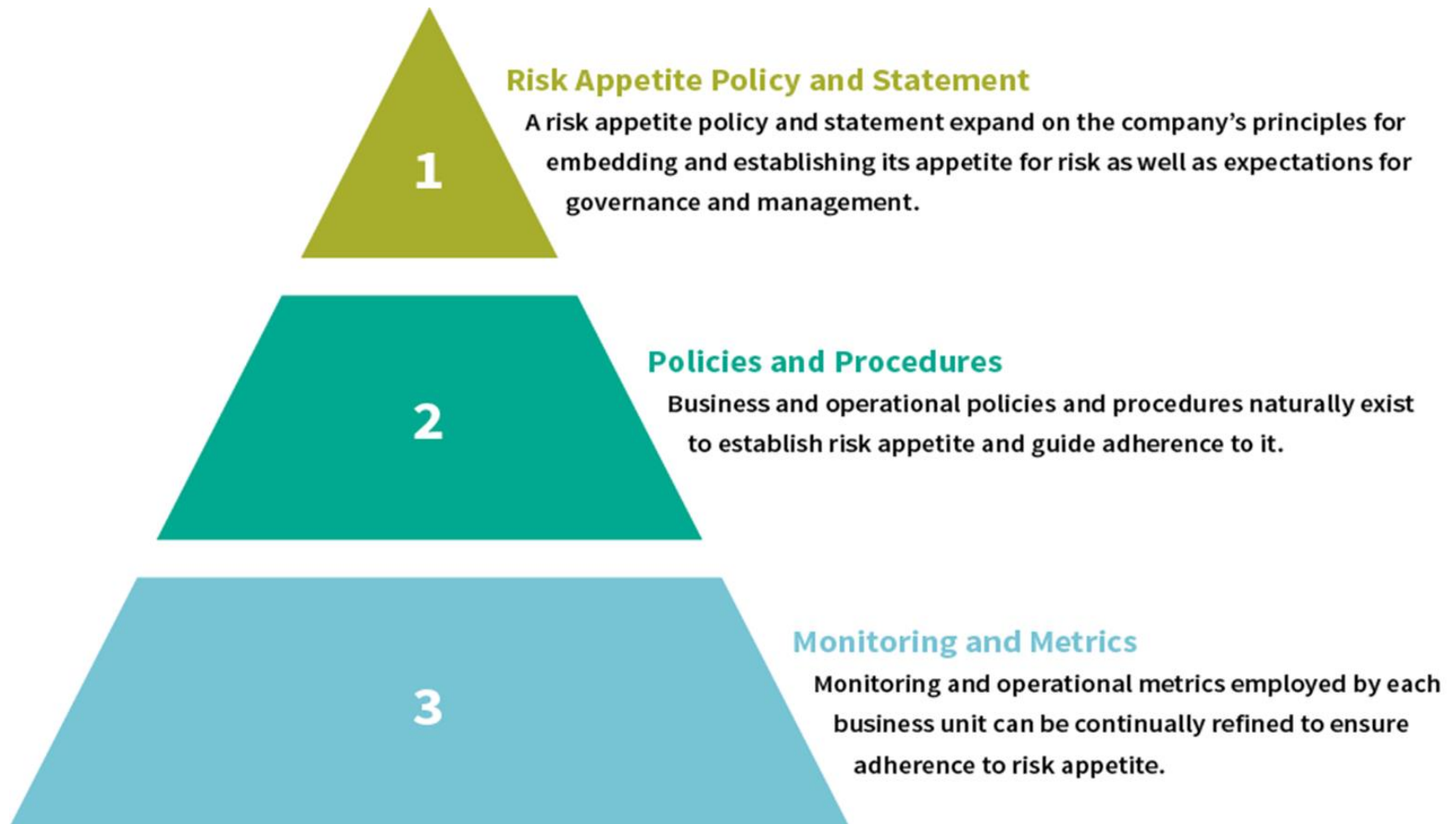
Market Risk



MITIGATION STRATEGY

- Identifying and working within an institution's market risk appetite
- Diversifying an institution's investments

Conclusion



Questions?

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