

FIN3120B: Topics in Finance: Transaction Banking

This course covers the area of Transaction Banking, one of the important growth areas in the banking area. Transaction Banking is banking for corporates (as opposed to retail bank – which is banking for individuals). This course lectures are jointly delivered by Citibank Transaction Banking executives as well as the instructor. There will be two perspectives taken in this course – that of the corporate and that of the bank. The corporate perspective that will be covered by the instructor deals with the principal issues in short term financial management such as forecasting, cash policy, credit policy (for customers and suppliers) and working capital management. A second part of the course will cover the financing of trade, specifically international trade. A third part will focus on how technology is impacting the transaction banking business using topics such as mobile banking and payment systems. The link between this and the previous parts is that payment methods impact the need and type of transactions, which forms the basis of transaction banking. The Citi lecturers, as well as other guest lecturers will focus on products that can address these issues. The course has no text book. All the materials will be based on hand out and cases. The topics to be covered are as follows:

Topic 1

Course Introduction

- Overview of the banking industry (consumer and corporate) and discuss where transaction banking fits in
- Roles played by corporate treasury and transaction banking. Discuss how corporates and bank interact
- Introduction to transactional banking: TTS and Securities and Fund Services (SFS).

Lecturer for Topic 1:

Mr. Melvyn Low

Managing Director, Head Asean and Singapore, Treasury and Trade Solutions, Citibank & IBF Distinguished Fellow



Topic 2: Financial Statement Analysis

- Introduction to financial statement analysis
- Introduction to financial ratios measuring liquidity, cash and working capital.

Topic 3: Working Capital & Cash Management

- Working capital cycle
- Financing of working capital cycle
- Short term financial management
- Cash Policy

Topic 4: Financing of international trade

- Open account, documentary collection, letter of credit, prepayment
- Managing risks in international trade

Topic 4: Payment systems & Technology in transaction banking

- Examine different systems of payment around the world, especially in the B2B space
- Examine the role of technology in potentially changing the transaction banking space.

Topic 5: Practicum

Projects in the area of working capital, trade, impact of technology on transactions, cash management and other appropriate topics suggested by companies in the topics covered in this course.

Tentative list of cases

- Guna Fibres – case that deals with a cash shortage in an Indian company.
- The Export Import Bank of the United States – case dealing with the trade finance of a purchase of aircraft by the United Arab Emirates.
- Vanguard Security Corporation: International Transaction Dilemma – case that explores the interaction between exchange rate and trade financing decisions
- Trade Card: Building a global trading electronic payment system
- M-pesa and Mobile money in Kenya

Tentative Assessment weightage:

Cases and homework assignments (may be individual or group): 30%

Class participation: 10%

Mid term test (case based): 30%

Consulting practicum (group of 4-5 students): 30%