How to prepare for a Treasury Interview

As you all know, a good preparation before the interview will increase your chances of cracking that dream job. Post an MBA/ CA/ or a recognized certification in Treasury - you can actually start a fast paced career in Treasury division for a Bank.

But first, you need to have a broad understanding of the roles and the outlook of this industry with some key data, to crack that interview. Remember, there are thousands of people like you, and there are just a few jobs available.

Roles available in Treasury division of a Bank:

Treasury division of a bank acts as a profit center as well as a support function for other divisions of the bank.

As a profit center, treasury division is divided into various teams. These teams specialize in different products. For example:

- Fixed Income/Foreign Exchange/Equities/Derivatives desk

All these desks trade on their own (Proprietary), and on behalf of customers.

We’ll first look at roles available in the foreign exchange desk.

Forex sales team:

The largest team in treasury (comprising almost 70% of treasury workforce) is the Forex sales team.

Unlike the popular notion of a regular sales force, this team comprises of very skilled people. They typically interact with CFOs and selected executives from finance departments of various companies.

The sales team looks at a customer's balance sheet and analyzes the forex risks a customer faces. They specifically look at quantum of imports, exports, foreign currency borrowings etc.

Your job is to assess the risk on a customer's balance sheet and structure the solutions for him. Remember your customer here could be a big corporate like Bharti Airtel or Reliance Industries.

The challenge here is to manage the relationship well, as you’ll face a lot of competition from other banks.

Forex sales team brings customer business to the bank which has a built-in profit margin in it, making the treasury division a profit center.

Please note that this team is geographically spread between Tier-I and Tier-II cities. The idea is to be close to the customer.

Note: Most MBAs get recruited in the sales team for the treasury division.
Career Progression:

One starts as in-charge of customer service where one gives quotes and follows up with customers for their requirements. You usually start with small corporate accounts.

As your experience and expertise grow, you start handling bigger accounts.

You can also grow region wise. For example you can become the Sales Head (Delhi region) and move up to Country Head.

Skill-sets required:

To join forex sales team one should be:

- An extrovert and...
- Very comfortable talking to people.
- Strong product knowledge.

Trading Team-Forex:

Then there is a trading unit that manages risk. Let’s say the sales team sells USD 1 million at 52 Rs. to a customer, they would immediately send this position to the trading desk. The trading desk would then cover this position in the market, at a profit or loss to the bank.

This team also takes proprietary positions. For example if on the start of the day, they feel that the U.S dollar will go down, they short sell dollars, and then by it back at a lower rate to make profits.

The Trading team will be about 7-10% of treasury.

Typically banks look for lateral recruitment here. Very few freshers are recruited here, unless you show some exemplary trading skill sets.

Skill-set required:

- Ability to take risk, you need nerves of steel.
- Ability to react quickly to news.
- Ability to bear loss.

Career Progression:

One begins as a junior dealer taking small trading positions. You can then move to a senior dealer and then a chief dealer taking big trading positions.

Also you may move across different currencies, and then you might move to trading other products such as forwards, derivatives etc.

Note: This job is typically based out of Mumbai, as most banks have centralized their treasury operations in Mumbai.

Derivative structuring team:

This team contributes to about 2% of workforce in Treasury.
They structure solutions for corporates, and requires a strong understanding of complex derivative products, global markets and even cross border regulations in some cases. Hence, this team will consist of experienced people, some from the trading desk, and some from the sales desk.

**Career Progression:**

People will move into the forex sales teams as Regional or Country Head after a time.

**Skill-set required:**

- Strong Analytical skills
- Comfort with numbers
- Comfort with spreadsheets etc.
- Strong Product knowledge and cross border regulations.

**Other Roles:**

**Fixed Income Traders:**

Fixed income traders contribute to 5-6% of treasury workforce. They trade in government securities and corporate bonds.

Career progression and skill-set required is similar to that of a forex trader.

**Derivative Traders:**

1-2% of treasury workforce works as derivative trader.

They trade in currency options, Overnight Index Swaps (OIS) etc. These could be part of the forex or fixed income desk, basis the underlying product. E.g. Currency options would be traded under the Forex desk, while the interest rate swaps like the OIS, would be traded by the Fixed Income desk.

Career progression and skill-set required is again similar to that of a forex trader.

Some banks also have an origination or sales team on the fixed income side. It deals with companies who want to raise funds by issuing bonds. This technically comes under the umbrella of Investment Banking, but may be a part of Treasury or Global Markets, especially in foreign banks. This is called the Debt Capital Markets (DCM) or the Corporate Finance division in other banks.

Their role entails managing the entire bond issuance process.

As mentioned earlier, treasury also acts as a support function to the Banking operations in the form of Asset-Liability Management.

**Asset Liability Management**

This team manages the Bank's balance sheet including the CRR and SLR requirements. Though not so glamorous, it's one of the most interesting parts of Treasury. One gets to learn the most here.

They also manage liquidity and interest rate risk on the balance sheet of the bank.

Remember a bank's balance sheet is a big responsibility, they need to analyze:
• Market data
• Government fiscal policy
• RBI monetary policy

Post analysis, they provide their inputs to ALCO (Asset Liability Committee).

All banks have an Asset Liability Committee, it comprises of Chairman, MD, all heads of different business units.

This committee decides upon the key financial decisions taken by a bank such as:

• Product Mix (CASA ratio, How many deposits, How many loans etc)
• Product Price (Interest rates on various loans and deposit products)
• Capital Structure (Raising capital, Debt-Equity mix etc)

Career Progression:

Junior Person (ALM Desk) > Senior Person (ALM Desk) > Head (ALM Desk)

Hiring Outlook:

Established banks are not hiring much for the treasury division currently, hiring is typically happening in some new generation banks and some small private sector banks.

As discussed earlier, most of the vacancies are in the forex sales team.

What does the interviewer look for:

Typically interviewer tests:

• Product Knowledge
• Business Awareness
• Analytical Ability
• Communication Skills (Especially for a Forex sales role)
• Clarity in thought process (Be sure you want to be a trader or you want to join forex sales team, both need completely different personality profiles).

Common interview questions:

For a treasury interview, you need to be well versed with financial concepts as well as developments happening around the BFS world. Some common questions asked are:

• Why do you want to join treasury?
  
  You may have your own reason. One of the reasons could be ‘I like the pace of the market’.

• How is an FX forward rate determined?
  
  FX forward rate is determined on the basis of interest rate differential existing between two currencies.

• Which bond carries higher credit risk-zero coupon bond or a coupon bearing bond?
Zero Coupon Bond carries high credit risk, since a bondholder receives cash inflows only at the time of maturity.

- How a forward does differ from an option?

The main difference is that in an option the buyer has the right to choose to exercise it or not, i.e. the transaction may or may not take place, whereas in a forward contract the transaction has to take place on the agreed date at an agreed price.

Additionally you might be asked various questions on global financial happenings. Some indicative questions can be:

- Explain the Greek financial crisis:
- Tell us about Quantitative easing and its implications?
- What was the Sub-Prime crisis?
- If liquidity increases globally, how will Indian stock markets react?

Note that giving definitions will not work; one must understand the cause and effect of any event and should be able to analyze its implications on various markets.

Please note that interviewer would lay special emphasis on your business awareness, thus you:

Must read newspapers daily and follow a financial website like Reuters.com or Bloomberg.com

Additionally we strongly recommend you research the organization before going for the interview - key financials, awards, products etc. It’s a must!

Good luck and I hope this helps.