

CAIIB BFM Syllabus

Bank Financial Management is one of the important compulsory papers of the CAIIB 2023. Candidates who will be appearing for the BFM Paper must be aware of the detailed topic-wise syllabus to understand the questions properly. We have mentioned below the topic-wise detailed syllabus of the CAIIB BFM Paper.

Module A: International Banking

Units	Topics
Exchange Rates and Forex Business	Foreign Exchange – Definition and Markets Factors Determining Exchange Rates Exchange Rate Mechanism Foreign Exchange Dealing Room Operations Derivative Products RBI / FEDAI Guidelines Foreign Exchange Arithmetic – Concepts and Examples
Liberalised Remittance Scheme (LRS) and other Remittance Facilities for Residents	Capital Account Transactions and Current Account Transactions Key Sections under FEMA vis-à-vis Liberalized Remittance Scheme Permissible/Non-permissible Remittances under LRS Operational Guidelines Remittances under LRS for Current Account Transactions Tax Collected at Source (TCS) LRS vis-à-vis Capital Account Transactions Reporting Requirements under LRS

Correspondent
Banking and NRI
Accounts

Correspondent Banking – Accounts and other
Service
Nostro, Vostro and Loro Accounts
Electronic Modes of Transmission/Payment
Gateways – SWIFT, CHIPS, CHAPS, RTGS, etc.;
NRI Banking; NRI accounts – Rupee and Foreign
Currency Accounts
Facilities to NRIs
Advances to Non-Residents against Non-Resident
Deposits
Housing Loans to Non-Resident Indians

Documentary
Letters of Credit

Definition of Letter of Credit
Types of Letters of Credit
Operations of Letter of Credit
UCP 600 and Important Articles
Liabilities
Responsibilities and Rights of the Parties
Documents under LC – Scrutiny
Crystallization
Follow-up for Bills under LC and Safeguards for
Banks
Risks Relating to LC Transactions; Standby Letter
of Credit (Similar to Guarantees)
Uniform Rules for Bank-to-Bank Reimbursements
(URR–725)
International Standard Banking Practice – 745
(ISBP 745)
Incoterms
Case Studies

Facilities for Exporters and Importers

Exchange and Trade Control Guidelines for Exporters
Facilities for Exporters
Export Finance; Gold Card Scheme for Exporters
Export Data Processing and Monitoring System (EDPMS)
Factoring and Forfaiting; Exchange and Trade Control Guidelines for Importers
Import Finance; Import Data Processing and Monitoring System (IDPMS)
Trade Credit – Supplier’s Credit and Buyer’s Credit
Case Study on Export Finance

External Commercial Borrowings and Foreign Investments in India

External Commercial Borrowings – Concepts; ECBs – Other Operational Concepts
Reporting Requirements
Conversion of ECB into Equity
Foreign Investments
Key Concepts
Eligible Foreign Investors
Eligible Investee Entities
Eligible Investment Instruments
Prohibited Sectors
Rules Governing Pledge of Shares
Operational Guidelines
Snap Shot of Non-Debt Instruments (NDI) Rules
List of Documents for Obtention of Foreign Investments
List of Documents for Refund of Foreign Investments
Risks in Foreign Trade – Role of ECGC
Definition of Risk and Risks in International Trade
Country Risk
Export Credit Insurance in International Trade
ECGC Role and Products
ECGC Policies
ECGC’s Products for Banks
Other Aspects Relating to ECGC Policies and Guarantees

Some of the Common “To Do Points” under ECGC Policies; Claims

Role of EXIM Bank, Reserve Bank of India, Exchange Control in India – FEMA, FEDAI and Others	EXIM Bank – Role Functions and Facilities Reserve Bank of India – Role and Exchange Control Regulations in India Foreign Exchange Management Act (FEMA) 1999 Role of FEDAI and FEDAI Rules Short Notes on Other Topics ECB and ADR/GDRs and FCCB;
International Financial Service Centres (IFSC), GIFTCity	Scope of IFSC in India Opportunities at Gift City Guidelines relating to setting up of IFSC Banking Units (IBUs) Role of IFSCA Regulatory Framework Permissible Activities at IBUs Relaxations for the FPI (Foreign Portfolio Investors) Entities at GIFT City
Technology in International Banking	Introduction to Digitization in International Banking – An Overview, Evolution of Technology in International Banking; Benefits and Limitations of Technology in International Banking; Digital Platforms in International Banking; FINTECH and evolution of FINTECH in International Banking; Delivery channels under FINTECH in International Banking; Sample process of International Trade Using Blockchain Technology; Challenges in FINTECH

Module B - Risk Management

Units	Topics
Risk and Basic Risk Management Framework	What is Risk? Linkages among Risk Capital and Return Why Risk Management?

	Basic Risk Management Framework
Risks in Banking Business	Risk Identification in Banking Business The Banking Book The Trading Book Off-Balance Sheet Exposures Banking Risks – Definitions
Risk Regulations in Banking Industry	Regulation of Banking Industries – Necessities and Goals The Need for Risk-based Regulation in a Changed World Environment Basel I: The Basel Capital Accord; 1996 Amendment to Include Market Risk Basel II Accord – Need and Goals Basel II Accord; Towards Basel III; Capital Charge for Credit Risk Credit Risk Mitigation Capital Charge for Market Risk Capital Charge for Operational Risk Pillar 2 – Supervisory Review Process Pillar 3 – Market Discipline Capital Conservation Buffer Leverage Ratio Countercyclical Capital Buffer Systemically Important Financial Institutions (SIFIs) Risk Based Supervision (RBS)
Market Risk	Market Risk – Concept Market Risk in Banks Market Risk Management Framework Organization Structure Risk Identification Risk Measurement Risk Monitoring and Control Risk Reporting Managing Trading Liquidity Risk Mitigation

Credit Risk

General

Credit Risk Management Framework

Organisation Structure

Risk Identification

Risk Measurement

Credit Risk Control and Monitoring

Credit Risk Policies and Guidelines at Transaction Level

Credit Control and Monitoring at Portfolio Level

Active Credit Portfolio Management

Controlling Credit Risk through Loan Review Mechanism (LRM)

Credit Risk Mitigation

Securitisation

Credit Derivatives (CDs)

Operational Risk and Integrated Risk Management

Operational Risk – General

Operational Risk – Classification

Operational Risk Classification by Event Type – Definitions

Operational Risk Management Practices

Management Overview and Organisational Structure

Processes and Framework

Risk Monitoring and Control Practices

Operational Risk Qualification

Operational Risk Mitigation

Scenario Analysis

Integrated Risk Management

The Necessity of Integrated Risk Management

Integrated Risk Management – Challenges

Integrated Risk Management – Approach

Liquidity Risk Management

Liquidity Risk Management – Need & Importance
Potential Liquidity Risk Drivers
Types of Liquidity Risk
Principles for Sound Liquidity Risk Management
Governance of Liquidity Risk Management
Liquidity Risk Management Policy, Strategies and Practices
Management of Liquidity Risk
Ratios in respect of Liquidity Risk Management
Stress Testing; Contingency Funding Plan
Overseas Operations of the Indian Banks' Branches and Subsidiaries and Branches of Foreign Banks in India
Broad Norms in Respect Of Liquidity Management
Liquidity Across Currencies
Management Information System
Reporting to the Reserve Bank of India;
Internal Controls

Basel III Framework on Liquidity Standards

Liquidity Coverage Ratio
Liquidity Risk Monitoring Tools
Net Stable Funding Ratio

Module C - Treasury Management

Units

Topics

Introduction to Treasury Management

The Concept
Functions of Integrated Treasury
The Process of Globalisation
Evolving Role of Treasury as Profit Centre
Organisation of Treasury

Treasury Products

Products of Foreign Exchange Markets
Money Market Products
Securities Market Products
Domestic and Global Markets

International Equity and Debt Products	Regulatory Environment Global Depository Receipts Indian Depository Receipts External Commercial Borrowings Trade Credits Rupee Denominated Bonds
Funding and Regulatory Aspects	Reserve Assets: CRR and SLR The Liquidity Adjustment Facility (LAF) Payment and Settlement Systems
Treasury Risk Management	Supervision and Control of Treasury Market Risk and Credit Risk Risk Measures VaR and Duration Use of Derivatives in Risk Management
Derivative Products	Derivatives and the Treasury OTC and Exchange Traded Products Forwards, Options, Futures and Swaps Interest Rate and Currency Swaps Developments in Indian Markets and RBI Guidelines on Risk Exposure
Treasury and Asset-Liability Management	Meaning of Asset-Liability Management (ALM) Liquidity Risk and Interest Rate Risk Role of treasury in ALM Use of derivatives in ALM Credit risks and Credit Derivatives Transfer pricing, Policy Environment

Module D - Balance Sheet Management

Units

Topics

Components of Assets and Liabilities in Bank's Balance Sheet and their Management

Components of a Bank's Balance Sheet
What is Asset Liability Management?
Significance of Asset Liability Management
Purpose and Objectives of Asset Liability Management
ALM as Co-ordinated Balance Sheet Management

Capital Adequacy – Basel Norms

Scope of Application
Pillar-1 – Minimum Capital Requirements
Pillar 2- Supervisory Review Process
Pillar 3 – Market Discipline;

Asset Classification and Provisioning Norms

Asset Classification
Provisioning Norms

Liquidity Management

Definition
Dimensions and Role of Liquidity Risk Management
Measuring and Managing Liquidity Risk

Interest Rate Risk Management

Essentials of Interest Rate Risk
Sources of Interest Rate Risk
Effects of Interest Rate Risk
Measurement of Interest Rate Risk
Interest Rate Risk
Measurement Techniques
Strategies for Controlling Interest Rate Risk
Controls and Supervision of Interest Rate Risk
Management
Sound Interest Rate Risk Management Practices

RBI's Draft Guidelines on
Interest Rate Risk in Banking
Book

RAROC and Profit Planning

Profit Planning
Risk Aggregation and Capital
Allocation
Economic Capital and RAROC