



INTERNSHIP REPORT

ON

“A Comparative analysis of Liquid assets management performances of Listed Banks of Bangladesh: study on City Bank Ltd”

UNITED INTERNATIONAL UNIVERSITY



United International University

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Submitted To

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Letter of Transmittal

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Rana Mazumder

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Dear Sir,

I would like to thank you for giving me the opportunity of doing this internship report on a very interesting topic that is “A Comparative analysis of Liquid assets management performances of Listed Banks of Bangladesh: study on City Bank Ltd “.Because of this opportunity I got one of the most important aspect of The City Bank Ltd which is known as Liquid assets management.

For preparing this report with appropriate information I have given my best effort in collecting data from The City Bank Ltd (Principal office Branch), with some other applicable sources throughout my internship period, I have given wholly my best effort to consume the best preference of study of the Liquid assets management activities of CBL. The data that I have collected in this internship would drive apparently in helping me to the real-world of careers.

Despite several insufficiencies, I tried my best to cover the over-all pertinent affairs. Besides this obviously it is quite well-intentioned to remark that deprived of your kind-hearted cooperation and guidance it could not be possible to complete this paper. For any sort of quarry that is essential for this report please ask me, I would be grateful and pleased to answer.

Sincerely yours,

ID: 111 143 142

Acknowledgement

Throughout my internship period I learn a lot of things and gather a wonderful experience from the last three months while preparing for this report. First of all, I would like to thank the almighty Allah for making me capable to work hard. The report titled, as “A Comparative analysis of Liquid assets management performances of Listed Banks of Bangladesh: study on City Bank Ltd “.This report is prepared to fulfill the requirements of BBA program. I am pretty much fortunate that I have received almost and sincere guidance, supervision and co-operation from various persons while compiling this report. Many people helped me unconditionally when I prepared this report.

And also, I would like to thank my Supervisor of the of the internship report Rana Mazumder, Assistant Professor –A & AIS, SOBE of United international university, for giving me the opportunity to prepare this report & supervision. He also provided me some important advice and guidance for preparing this report. Without his help this report could not turns like a comprehensive one.

I also indebted to thanks all the employees of “The City Bank Limited. Specially the branch manager of principal office Md. Rzaul Karim and the Branch Operation Manager mr Abdullah Al Mamun who helped me and given me their precious time to find out the information and sources of that information of this report.

I am also thankful to all those people who helped me and given me at least minimum effort and Contribution to complete report. I feel too much lucky to get their wonderful co-operation and kindness.

Executive summary

Banking is a financial institution, which runs their business by accepting deposits from the people and provides loans and by these process they got the confidence and trust of people. This makes the bank more confidence to generate funds from various sources. The main function of the bank divided into two categories. Firstly, borrowing money from people by accepting deposits and secondly, provide loan to those people who need money for the development of their business, agriculture, commerce and industry. The profitability of a bank depends on the management of fund and exploring the original avenues in which its resources are invested to produce the maximum profit. To ensure, that these activities will run the bank properly and bank must effectively manage their liquid assets & liabilities. .

In this report I am going to describe particularly the liquid asset management process of The City Bank Ltd. Throughout this report I concentrated on the liquid asset management & also analyses some issues. I categorize my report in several chapters according to the guideline of my report which is provided by the supervisor.

To understand the liquid asset management process of a bank, it is required to have a basic idea about that particular issue basically I tried to described the background & necessity of preparing this report, all the methods that I used to prepare it & the scope & limitation I faced when I preparing this report. other then these, I also stated some introductory speech to introduce my bank & the topic that my course instructor given me.

It contains the important description and analysis of different activities of CBL along with some other banks. I tried my best to highlight each & everything's. I Compare total cash balance, WC. Total deposit, interest they are earning or their balance from CFIA, CFFA with the average of this items of some other banks.

I have collected all information to thoroughly discusses about the liquid asset management of CBL. Also I analyzed different financial ratios. I've done lots of financial calculations, observed their financial reports & from my working experience I also gathered knowledge about their management process of managing different issues. After finishing the entire report, I find out something's regarding the liquid asset management & some other issues of the banks activities.

As I am an inexperienced person I may made so many mistakes in those findings, but whatever I feel from my prospective, I tried to show those things. Based on those findings, I recommended some points which may help the bank to remove their many shortcomings and finally I give a short conclusion.

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CHAPTER-1

(Introduction of the study)

1.Introduction

1.1Origin of the Report

1.2 Objective of the report

1.3Methodology

1.4Limitation

1.5Scope

1. Introduction

Banks are the financial institutions. A customer invests money as deposited, banks pay it out when they are required that, provide loans at interest, and exchange currency. Banks are the institutions that provide different types of financial services. Banks are the foundations that give various sorts of monetary administrations. The most essential and introductory administration is banks hold cash in the interest of the clients which is payable to them on their interest showing up when they need to pull back or by composing a check to an outsider. Banks use them and hold it to give advances. They give advances to business purposes and people to pay for tasks, contracts, training costs, and some other things. Many banks additionally perform different administrations for a charge; for example they offer insured checks to clients ensuring installment to outsiders.

As a money related organization, Banks are basically secure when all is said and done. In our day by day schedule I completed a great deal of banking exercises and organizations are very dedicated to give each sort of security and administrations from representative to consumer loyalty. There are heaps of security principles and guidelines from Bangladesh Bank under the demonstration of money related organization and general financial framework. In every one of the exercises of business Banks Bangladesh Bank has force different rule and furthermore the review council screen and checked those consistence in a precise manner.

Presently multi day's financial business is much focused business. To adapt up to this focused business world, brokers should know a profound hypothetical learning and expert ability just as specialized premise. As a BBA understudy, I feel that banking is a great territory to assemble some useful information and to create talented expert in banking zone. Joined worldwide University has embraced the temporary position preparing program for its BBA understudies. As a fractional and significant prerequisite of the BBA program, on power's guidance I have chosen the Banking territory to finish my temporary job and furthermore give a meeting in the city bank ltd and by the grace of god-like I got chose in the city bank LTD, this bank is one of the conspicuous financial establishments of Bangladesh to obtain some down to earth involvement in this financial segment, particularly in the reporter banking program.

During my temporary job program I worked in various division of this association. Before setting off to the primary report I might want to make reference to that it was unrealistic for me to cover all the action of the 25 years of age banking association in the given restricted time.

1.1 Origin of the Report:

This internship report is prepared as an essential requirement for the completion of the BBA program. The main objective of the internship was to provide an „on the job“ exposure to the student and a great opportunity to apply all the theoretical conceptions in real life situation.

As part deed for the prerequisite of the Bachelor of Business Administration (BBA) program this report is made. And my respectful supervisor has directed myself toward prepare this report about all the Liquid assets management activities of The City Bank Ltd. Therefore, I take part in “City Bank Ltd.” On principal office branch & functioned through a better grade of qualification. And finally, appropriately give in to this report inside outstanding time.

1.2 Objective of the report

The main objective of the study is to learn about the relationship between theoretical and practical learning and also learn how to deal the real life situation in a banking sector. The different concepts, that I have learnt from different courses during my BBA program, influencing an organization in different aspects, are considered chiefly here.

General Objectives

The general objective of this report is to gather knowledge about the bank and its Liquid assets management activities.

Specific Objective

- To give a short idea about CITY Bank and its services.
- To provide an idea about the liquid assets of CBL and its management System.
- To evaluate the Liquid assets and find out the Comparative analysis of Liquid assets management performances.
- Finding out the shortcomings of the Bank in its Collection operations and providing some Recommendation.

1.3 Methodology:

This full internship report arranged depending understanding gathered throughout internship period. For collecting data of this report, I have collected data from various sources and various divisions of the city bank and other banks. I have presented my data collection through various chart and graphs. For preparing a genuine & reliable report I personally have studied entirely the available corporation's data from firm's website, past records and another applicable thing. Most importantly I have collected data through conversation with the banks' staff and governing bodies.

1.3.1 Primary Sources:

- The information was gained from the officers who are working in this bank especially the Branch manager of principal office branch- Md. Rzaul Karim and Abdullah Al Mamun (Branch Operation Manager by discussing with practice).
- The suggestions and instruction of the officers and employee in the method of interview, observation and work experience were the other primary sources.

1.3.2 Secondary Source:

- The City Bank Ltd. Annual report
- Balance sheet and important documents of this bank
- Bank related materials and different textbooks
- Website of City Bank Ltd
- Different internship report submitted by several students
- Newspaper, magazines are related to banking issues
- Brochures of different banks.

1.4 Limitations of the Study:

Though many problems had been faced in the path of conducting the report, I tried to prepare the report more realistic and accurately accepted by the authority. However, the limitations has been appeared are mentioned below.

- The policy of bank not disclosing the confidential data and information was one of the main limitations.
- Need more time for preparing this report.
- For internship program administration restricted on some issues.
- Due to some security and other corporate obligations some information cannot be provided.
- in most cases, we can see the information are not in organized way
- Many of the issues could not be discussed in this report, Due to time limitations.
- Since the entire employees were too much busy in principal branch, they could not pay enough time.
- There is Lack of opportunity to access and see internal data.
- Lack of secondary data for preparing this report.
- Lack of news or relative publications.
- Inability of analyzing capability does not make the report perfectly.

1.5 Scope of Study:

The report portrays the Liquid assets management activities and procedures of City Bank Limited. This report firstly defines the market situation Of City Bank Limited that will give us an actual scenario of City Bank Limited. This report will also outline the banking sector of Bangladesh.

This report will give the opportunity to explore my excellence and can measure my skilled that I learnt as an intern from my internship.

CHAPTER-2

2. Organizational Overview

2.1 City Banks Vision, Mission and Values

2.2 Corporate profile of The City Bank Ltd

2.3 Operational Process & Products of City Bank Limited

2.4 Divisions of the City Bank Ltd

2.5 Product and Services As it is a Bank the products are embedded with all the services

2.6 City Bank (City Touch)

2.7 Strategies of CBL

2. Organizational Overview

The City Bank Limited (CBL) is the initial and oldest private sector Bank in Bangladesh. The Bank started its journey in 1983 underneath the entrepreneurship of 12 prominent & foremost businessman of the country along with an authorized capital of Tk. 1.75 Billion. The moral and virtuous intention of the bank behind this starting was to ensure qualitative fluctuations in the range of financial management and Banking activities. And right now, The City Bank Ltd is serving its clients at home & overseas with 120 branches spread all over the country which contain 99 online branches, one developed Islamic banking branch, one SME facility focus and 11 SME/Agri branches serving across the country & nearby three hundred oversea correspondences casing the complete major towns and business center of the world. Other than these conventional conveyance focuses, the bank is likewise dynamic in the elective conveyance region. At present it has 311 ATM of its own; and ATM imparting game plan to accomplice banks that has in excess of 1150 ATMs set up; SMS Banking; Internet Banking, etc. It previously began its Customer Call Center task.

City Bank is among those couple of neighborhood banks which isn't pursuing the conventional, topographically oversaw, branch-based business or benefit model. Or maybe the bank deals with its business and task vertically from the head office through 5 particular Units specifically

I. Business Unit

II. Branch Banking

III. Risk Unit

IV. Operations Unit

V. Support Unit

The administrations include wide broadened regions of exchange, trade and industry which custom-made to the particular needs of the clients and are recognized by an extraordinary degree of brief and individual consideration. Throughout the years the Bank has extended the ranges of Its Services. The broad and consistently developing household system gives and conveys different items and administrations to the doorsteps of millions. The City Bank Limited has just presented some new Banking items like duel cash Credit Cards, holding a principal membership of VISA and Master Card franchises. The bank is filling in as the main individual from VISA universal and they have the office to issue both nearby cash (Taka) and outside money (US Dollar) card constrains in a solitary plastic. City bank is giving VISA Debit Card to back out the checks and it is another popular product of City bank. The

branches of City bank are created by its astounding base of 400,000 retail customers and providing their best services. The VISA Prepaid Card for the travel sector is currently underway to launch.

As of now diverse administrations have been given by CBL. Scopes of their administrations have been changed over the time. Dual Credit Cards, ATM and Online administrations these new financial items are now settled by CBL. As of late it presents a total web based administration "City Touch" with which one can profit parity check administration, cash move, buy motion picture tickets buy, top up administration and so forth. It additionally accomplished national and global honors for some incredible execution.

For noteworthy execution, The Bank has earned national and global acknowledgment. The City Bank Limited was one of the 12 Banks of Bangladesh among the 500 Banks in Asia for its benefit, store and benefit as assessed by "ASIA WEEK" In the Year 2000. Other than that, The City Bank Limited got the "Best Ten Company" grant from the Prime Minister of the People's Republic of Bangladesh. They have a recognized Board of Directors which comprises of thirteen effective and presumed specialists. The Bank's whole exercises have accomplished enormous force. From that point forward, the general situation of the Bank has been changed definitely and begun gaining relentless ground.

As of late CBL has been named as 'Best Bank in Bangladesh for 2012' by Finance Asia for embracing worldwide accepted procedures by getting rid of age-old conventional decentralized financial model and culture. This is the main year of Finance Asia's expanding the honor into neighborhood bank class in Bangladesh.

Leading group of Director Committee is comprises thirteen blessed and famous businesspeople. Mr. Shoeb Mohammad, an outstanding industrialist is the Chairman of the Bank. Mr. Sohail R K Hussain a dynamic financier is the Managing Director of the Bank. After his joining as a CEO in the year 2014, the Bank's entire tasks have acquired graet achievement. After that general plot of bank has changed very and causing consistent to improve. As of late in 2018 January, new Mananging Director Mr. Mashroor Arefin has taken obligations of the bank

2.1 City Banks Vision, Mission and Values:

2.1.1 Vision:

Want to be the top leading bank in our country with best offer and enjoyable work environment practices and highest social commitment.

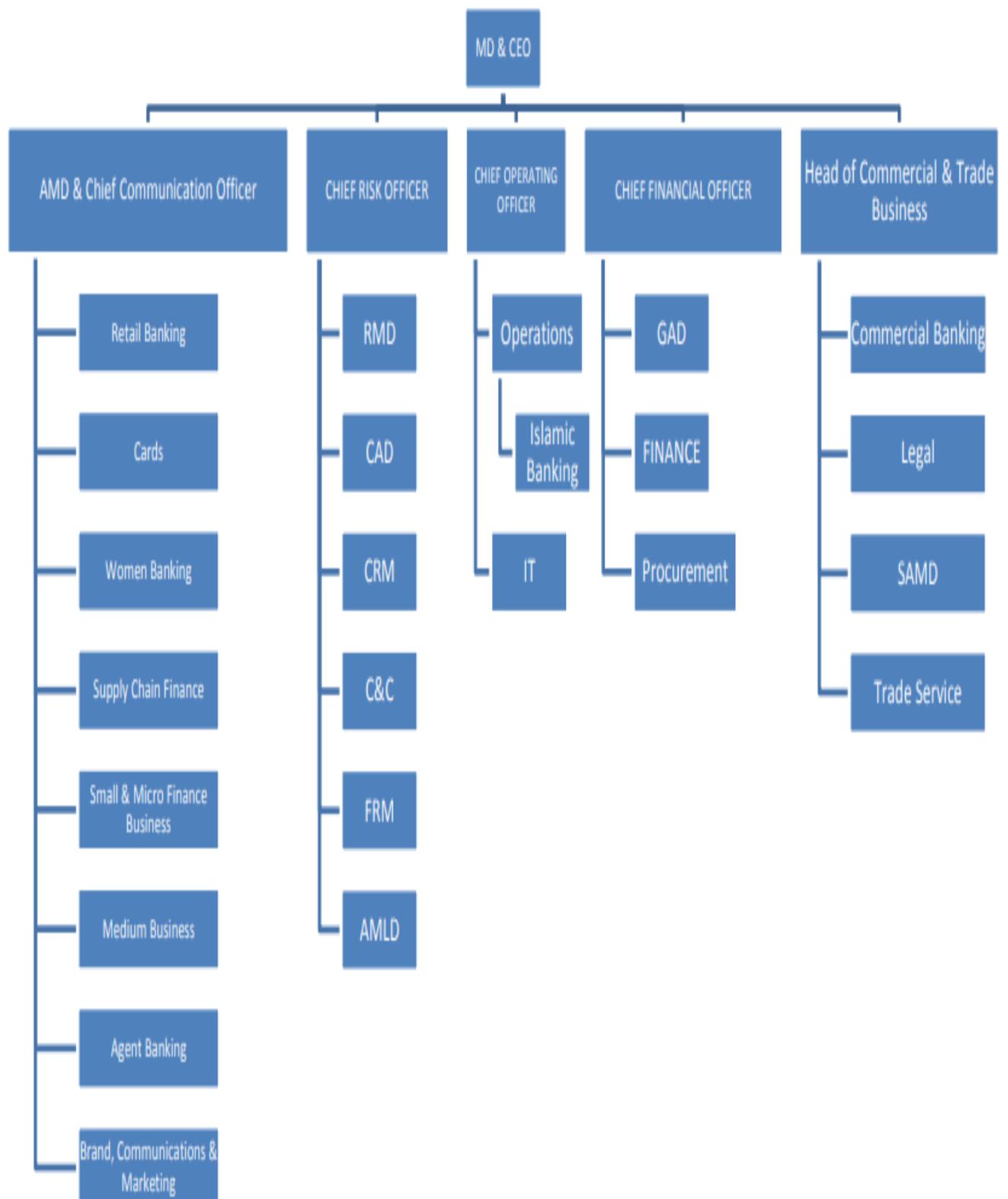
2.1.2 Mission:

- Offer a wide cluster of items and administrations that separate and energize all client portions
- Be the "Business of decision" by offering a domain where individuals exceed expectations and pioneers are made
- Continuously challenge procedures and stages to upgrade adequacy and proficiency
- Promote development and automation with the end goal of ensuring and upgrading greatness in administration
- Ensure the regard for network, great administration and consistence in all that we do

2.1.3 Values:

- * Result Driven
- * Accountable & Transparent
- * Courageous & Respectful
- * Engaged & Inspired
- * Focused on Customer Delight

2.2 Corporate profile of The City Bank Ltd:



2.3 General Activities of the City Bank Ltd.:

There are several items which included in General Banking Service like Controlling of deposit, clearing cheques, bills, account opening, security instrument handling, customer service, locker facilities and other services. City Bank is dealing with its all exercises vertically from the head office through four particular business divisions. They are,

- ❖ Corporate & investment banking
- ❖ Retail Banking
- ❖ SME Banking
- ❖ Treasury & Market risks

Corporate & Investment Banking

In CBL following activities are performed in this division-

Financing-

- ❖ Working capital finance
- ❖ Schedule of charges
- ❖ Interested rate on lending
- ❖ Project Finance
- ❖ Islamic Finance
- ❖ Trade finance
- ❖ Short/Mid-term Finance
- ❖ Structured Finance
- ❖ Cash managements
- ❖ Invest banking

Retail Banking (including cards)

- ❖ Deposits
- ❖ Loans Schedule of charges
- ❖ Interest rate on Lending
- ❖ Cards-debit card, credit card etc
- ❖ NRB-foreign remittance

SME Banking

CBL's SME banking is generate following services-

- ❖ City Muldhan
- ❖ City Monaca
- ❖ City Shula
- ❖ City Nosh
- ❖ City Sheba

Treasury & Market risks

There are four specializations in the treasury.

- ❖ Foreign Exchange
- ❖ Money Market
- ❖ Corporate sales
- ❖ Market research

2.4 Divisions of the City Bank Ltd:

It would be very problematic to control the organization effectively if the works are not planned considering their interrelationship & are not allocated in a department. If the divisions are not tailored for the works, there would be the hit-or-miss situation and the performance of a division would not be measured. The City Bank Limited organizes this work very well.

There are:

- Human resources Department
- Audit & Inspection Department
- Corporate Banking Division
- Finance Department
- Marketing Department
- Retail Banking & Consumer Banking Division
- Treasury Division
- Trade Service & Correspondents Banking Division
- Loans and advance Division
- Card Division
- SME Banking Division
- Information & Technology Division.

2.5 Product and Services

A. Credit Cards

- **American Express:** In 2010 city bank ltd first introduce the AMEX into the Bangladesh franchise .through it has 3 types of AMEX card and we can use it in dual currency mode.

I. Silver

II. Gold

III. Platinum

- **VISA:** it's an international card and it issues in both Local Currency (Taka) & Foreign Currency (US Dollar) .it has 2 categories card and it is also available in dual currency mode,

I. Silver

II. Gold

B. Debit Cards or ATM Cards:

- **Master Card:** CBL issued the master card and it don't have any specific categories as compare to credit cards as default card for any account holder

.

- **VISA Electron:** CBL issued another debit card with some special privileges. Recently this VISA electron restricted by CBL.

C. Special Cards

City Max American Express Card: It's a totally a specialized card which can be use as American Express but as debit card system.

D. Retail Banking Service

All the general banking services, like Bank Accounts, Student Accounts etc. Various types of Schemes is also offered by retail baking, like Deposits, Savings, RMG Accounts etc. Various type of Loans, like Consumer loan, Education loan, Heath Loan etc.

E. SME Banking Service CBL have a wide range of SME banking services through 3 individual wings

- Medium Segment SME Service.
- Small Segment SME Service.
- Agro SME Service.

F. Wholesale Banking Service CBL also offered wide range of services under the wholesale banking service, those are define as,

- Lon term Finance
- Midterm Finance
- Structured Finance
- Cash Management
- Project Management Despite

All those services CBL offer a lot of services which can be listed as below

- Priority Banking Service
- Shephire service
- Corporate Banking Servicer
- Trade Services (Foreign and Local)

City Bank limited have subsidies two different individual business organizations, those are

1. City Capital Resource
2. City Brokerage

2.6 City Bank (City Touch)

City Bank is one of the top banks among most well kwon business banks in Bangladesh and it is likewise one of the most seasoned private business banks of Bangladesh. To make the banking simpler, quicker, progressively secure and helpful to the client, City Bank imagined and presented the City Touch advanced banking application to their clients. This banking application makes shoppers progressively joined to City Banks banking framework, and the application of CBL that is comfort and is awesome in execution that is the reason it pull in such a large number of new clients relocate their records to City Bank.

Highlights that City Touch application contains:

We can move store and record subtleties with condensed form Deposits, credits and card the executives. Through Customer administration demand a client can get the chance to personalization, customization the application and clients can check exchange security. Moment charges installment, for example, education costs, cell phone charges, protection premium, club installments, web charge installments and so on can be paid through the application. Web shopping is making open doors for more than several driving retailers crosswise over Bangladesh.

2.7 Strategies of CBL:

CBL pursues Market Oriented Strategic Planning. The reason for this methodology is to arrange the bank's organizations and administrations with the goal that they satisfy target benefits and development. CBL's Market Oriented Strategic Planning comprises of two levels. They are-

- Location Based Strategy
- Business Level Strategy

Local Based Strategy:

Where different business divisions are accessible in that sort of spot Branch Banking is fruitful. One of the fundamental reasons of CBL's prosperity is that they spread their business everywhere throughout the nation through various branches. The 112 branches of CBL are isolated into six unique districts, which are - Dhaka Division comprises 52 branches, Chittagong Division comprises 17 branches, Comilla Division comprises 11 branches, Sylhet Division comprises 12 branches, Bogra Division comprises 12 branches, Khulna Division comprises 08 branches. Clearly focal point of exchange and lifestyle of the general population are not the equivalent in these six districts. So bank change its area based system as per the example of that specific district. CBL's Head office perseveringly screens the development of all the six zones.

Business Level Strategy:

CHAPTER-3

3. Literature Review on Liquidity Management

Bank utilizes this technique to reinforce its retail business, following a moderate loaning approach as bank's real bit of the benefit creates from its Retail Banking and SME Banking.

3. Literature Review on Liquidity Management

Liquidity means an immediate capacity to meet one's financial commitments. The degree of liquidity depends upon the relationship between a company's cash assets plus those assets which can be quickly turned into cash, and the liabilities awaiting payments could be met immediately. Banks liquidity concept, the need for liquidity, theories of liquidity management, banks profitability and its measures, as follows. Liquidity in Commercial Bank means the bank's ability to finance all its contractual obligations when due. Liability Management Theory Banks can satisfy liquidity needs by borrowing in the money and capital markets. The ability of a bank to generate revenue in excess of cost, in relation to the bank's capital base is called Bank profitability. Liquidity measures the ability that how assets can converted into cash. The main measures of liquidity current ratio, capital ratio, cash ratio, quick ratio, investment ratio. Return on Assets (ROA): Measures the efficiency of a firm at generating profits from each unit of shareholder equity. Return on Equity (ROE): Measures the efficiency of a firm at generating profits from each unit of shareholder equity.

It is an on-going process to ensure that cash needs can be met at reasonable cost in order for a bank to maintain the required level of reserves with RBI (CRR) and to meet expected and contingent cash needs. Required CRR/SLR with the RBI should not be considered to be a routine source of liquidity.

3.1 Liquidity:

Liquidity shows that how quickly and cheaply an asset can be converted into cash. Money (in the form of cash) is the most liquid asset. Assets that generally can only be sold after a long exhaustive search for a buyer are known as illiquid. The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold, are known as liquid assets. The ability to convert an asset to cash quickly Also known as "marketability". The ability of an asset to be converted into cash quickly and without any price discount. There is no specific liquidity formula; however liquidity is often calculated by using liquidity ratios. It is safer to invest in liquid assets than illiquid ones because it is easier for an investor to get his/her money out of the investment.

High liquidity means there is a lot of money because interest rates are low, and so capital is easily available. However, a liquidity glut can develop if there is really too much money looking for too few investments. This is usually a precursor to a recession, as more of this capital becomes invested in bad ventures. As the ventures go defunct and don't pay out their promised return, investors are left holding worthless assets. Often a panic can ensue, resulting

in a withdrawal of investment money. This is what happened during the 2007 Banking Liquidity Crisis.

Liquidity for a bank means the ability to meet its financial obligations as they come due. Bank lending finances investments in relatively illiquid assets, but it funds its loans with mostly short term liabilities. Thus one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions.

3.2 Liquid Assets:

An advantage that can be changed over into money rapidly and with negligible effect to the cost got. Fluid resources are for the most part viewed in a similar light as money on the grounds that their costs are generally steady when they are sold on the open market. For an advantage for be fluid it needs a built up market with enough members to retain the selling without tangibly affecting the cost of the benefit. There likewise should be a relative straightforwardness in the exchange of possession and the development of the benefit. Fluid resources incorporate most stocks, currency market instruments and government securities. The remote trade market is regarded to be the most fluid market on the planet since trillions of dollars trade hands every day, making it outlandish for any one individual to impact the swapping scale. Money and other budgetary resources that banks have that can without much of a stretch be sold and paid out as a major aspect of operational money streams. Instances of center liquidity resources would be money, government securities and currency market reserves. Banks ordinarily use conjectures to envision the measure of money that record holders should pull back, however it is significant that banks don't over-gauge the measure of money and money reciprocals required for center liquidity in light of the fact that unused money left in center liquidity can't be utilized by the bank to win expanded returns.

- ❖ Cash close by: Amount of cash of a bank, which remain close by of that bank to address late issues. For the most part, bank keeps enough cash close by. Therefore liquidity hazard is limited.

- ❖ Items during the time spent accumulation: Some measure of cash which keeps during the time spent making money.

- ❖ Reserve in Bangladesh Bank: Every timetable bank has save necessity where each bank keeps 5% cash on his absolute money to the Bangladesh Bank. In the event that a bank needs of cash, he can pull back cash from BB's save sum

- ❖ Balance with other banks: Every commercial bank has an account in other commercial banks such as customer. If a bank needs of money, he can withdraw money from his account. As a result liquidity risk is minimized.

3.2.1 Characteristics of Liquid Assets:

There are three characteristics involved in liquid assets, which are ready market, stable price and reversible.

- a) Ready Market: A liquid asset must have a ready market so that it can be converted into cash without delay.
- b) Stable Market: Liquid asset must have a reasonable stable price so that no matter how quickly the asset must be sold or how large the sale is the market is deep enough to absorb the sale without a significant decline in price.
- c) Reversible: The seller can recover his or her original investment with little risk of loss.

3.2.2 Asset Management Banking

Commercial banks differ widely in how they manage liquidity. A small bank derives its funds primarily from customer deposits, normally a fairly stable source in the aggregate. Its assets are mostly loans to small firms and households, and it usually has more deposits than it can find creditworthy borrowers for. Excess funds are typically invested in assets that will provide it with liquidity. The holding of assets that can readily be turned into cash when needed, is known as asset management banking

3.3 Liability Management Banking

In contrast, large banks generally lack sufficient deposits to fund their main business -- dealing with large companies, governments, other financial institutions, and wealthy individuals. Most borrow the funds they need from other major lenders in the form of short term liabilities which must be continually rolled over. This is known as liability management, a much riskier method than asset management. A small bank will lose potential income if gets its asset management wrong. A large bank that gets its liability management wrong may fail.

3.3.1 Key to Liability Management

The key to liability management is always being able to borrow. Therefore a bank's most vital asset is its creditworthiness. If there is any doubt about its credit, lenders can easily switch to another bank. The rate a bank must pay to borrow will go up rapidly with the slightest suspicion of trouble. If there is serious doubt, it will be unable to borrow at any rate, and will go under. In recent years, large banks have been making increasing use of asset

management in order to enhance liquidity, holding a larger part of their assets as securities as well as securitizing their loans to recycle borrowed funds.

3.4 Open market operations and liquidity management:

Commercial banks are required to hold a sufficient proportion of their assets in the form of relatively riskless instruments for monetary control purposes. Historically, Central Banks“ changed the level of minimum reserve requirements to directly affect levels of liquidity and the price of short-term funds. But such legislative intervention has largely been replaced by open market operations - a process of manipulating the level of liquidity available to commercial banks by buying and selling short-term instruments.

By selling Treasury Bills the Central Bank stimulates the reverse price effect. The increased supply of bills in the market will cause bill yields to rise. This rise in bill yields makes other instruments relatively less attractive and leads to substitution out of these instruments and into bills, thus causing a general rise in money market yields. This in turn curtails loans and reduces demand for other instruments thus accentuating the general rise in yields in the money market. The process of substitution stimulated by Central Bank open market operations spreads to capital markets as borrowers and lenders reevaluate the relative attractiveness of longer term instruments. This is a fundamental mechanism through which the fine tuning of domestic interest rates - which affects all borrowing and investment decisions - is achieved in domestic money markets.

Types of Liquidity:

There are several types of liquidity in banking sectors in our country which are

- immediate liquidity,
- short-term liquidity,
- long-term liquidity,
- contingent liquidity,
- Economic cyclical liquidity.

3.5 Liquidity Risk:

Liquidity risk is the current and prospective risk to earnings or capital arising from a bank’s powerlessness to meet its commitments when they come due without bringing about inadmissible misfortunes. Liquidity hazard incorporates the failure to oversee spontaneous reductions or changes in financing sources. Liquidity chance likewise emerges from the inability to perceive or address changes in economic situations that influence the capacity to exchange resources rapidly and with insignificant misfortune in worth.

3.6 Quality of Liquidity Risk Management:

The following indicators, as appropriate, should be used when assessing the quality of liquidity risk management.

Strong:

Board endorsed arrangements viably convey rules for liquidity chance administration and assign obligation. The liquidity hazard the board procedure is powerful in distinguishing, estimating, observing, and controlling liquidity chance. Mirrors a sound culture that has demonstrated successful after some time. The board completely sees all parts of liquidity hazard. The executives envisions and reacts well to changing economic situations.

The possibility financing plan is well-created, successful and helpful. The arrangement joins sensible presumptions, situations, and emergency the executives arranging, and is custom fitted to the requirements of the establishment. The executives data frameworks center around critical issues and produce auspicious, exact, total, and significant data to empower powerful administration of liquidity. Inside review inclusion is far reaching and powerful. The extension and recurrence are sensible.

Satisfactory:

Board endorsed arrangements enough convey direction for liquidity chance administration and appoint obligation. Minor shortcomings might be available. The liquidity hazard the board procedure is commonly successful in distinguishing, estimating, observing, and controlling liquidity. There might be minor shortcomings given the unpredictability of the dangers attempted, however these are effectively remedied. The executive sensibly comprehends the key parts of liquidity chance. The board sufficiently reacts to changes in economic situations. The possibility financing plan is satisfactory.

The arrangement is current, sensibly addresses most significant issues, and contains a satisfactory degree of detail including numerous situation examination. The arrangement may require minor refinement. The board data frameworks satisfactorily catch fixations and rollover chance, and are convenient, exact, and complete. Suggestions are minor and don't affect viability. Interior review is attractive. Any shortcomings are minor and don't hinder viability or dependence on review discoveries.

Weak:

Board affirmed arrangements are lacking or inadequate. Arrangement is lacking in at least one material regards. The liquidity hazard the executives procedure is inadequate in recognizing, estimating, observing, and controlling liquidity chance. This might be valid in at least one material regards, given the multifaceted nature of the dangers attempted. The

executive does not completely comprehend, or overlooks, key parts of liquidity chance. The board does not foresee or take opportune or fitting activities in light of changes in economic situations. The possibility financing plan is deficient or nonexistent. Plan may exist, however isn't custom fitted to the organization, isn't reasonable, or isn't appropriately actualized. The arrangement may not consider cost viability or accessibility of assets in a non-speculation evaluation or CAMEL "3" condition. The board data frameworks are lacking. Material data might need or mistaken, and reports are not important. Inner review inclusion is nonexistent or inadequate because of at least one material lacks

3.6.1 Sources of liquidity risk:

- Incorrect judgment and complacency.
- Unanticipated change in cost of capital.
- Abnormal behavior of financial markets.
- Range of assumptions used.
- Risk activation by secondary sources.
- Break down of payments system.
- Macroeconomic imbalances

3.7 Liquidity Management of CBL

3.7.1 Current Assets of CBL:

Current assets are for the most important part that an individual can change over promptly to money to pay exceptional obligations and spread liabilities without selling fixed asset. It incorporate money close by, financial balances, and attractive protections that are not tied up in long haul ventures. Current resources are essential to organizations since they are the advantages that are utilized to subsidize everyday tasks and pay continuous costs.

The current assts of CBL are:

- i. Cash in hand
- ii. Balance with other banks and financial institutions
- iii. Money at call and short notice
- iv. Investments
- v. Loans and advances

3.7.2 Current liabilities of CBL:

Current liabilities are a bank's debts or obligations payable within one year. Current liabilities appear on the bank's balance sheet and include short-term debt, accounts payable, accrued liabilities, and other debts. Essentially, these are bills that are due to creditors and suppliers within a short time. Normally, banks withdraw cash or liquidate current assets to pay their current liabilities.

The current liabilities of CBL are:

- i. Borrowing from other banks, financial institutions and agents

- ii. Deposits
- iii. Other accounts
- iv. Provision and other liabilities

3.7.3 CBL's liquidity Risk Management Framework:

Our Treasury capacity is in charge of the administration of liquidity hazard. Our liquidity chance administration system is intended to recognize measure and deal with the liquidity hazard position of the Group. The hidden approach, including the bank's hazard resistance, is inspected and endorsed consistently by the Management Board. The strategy characterizes the liquidity hazard limits which are connected to the Group. Our liquidity hazard the executives approach begins at the intraday level (operational liquidity) dealing with the day by day installments line, estimating money streams and considering in our entrance to Central Banks. It at that point covers strategic liquidity hazard the board managing the entrance to verify and unbound subsidizing sources. At long last, the vital viewpoint involves the development profile all things considered and liabilities (Funding Matrix) on our accounting report and our issuance system. Our income based announcing framework gives every day liquidity chance data to worldwide and territorial administration. Stress testing and situation investigation assumes a focal job in our liquidity chance administration structure. This additionally joins an appraisal of advantage liquidity, for example the attributes of our advantage stock,

3.7.4 Estimating CBL's liquidity needs:

Varies kinds of experiments were made in estimating the quantum of liquidity for a particular period. For that reason, bank fund managers estimate liquidity demand based on their past experiences and knowledge.

Among all these methods, the following two methods are mostly used

- a) The sources and uses of fund approach.
- b) Liquidity indicator approach

3.7.5 Ratio Analysis (Liquidity Ratios):

In balance sheet measures, we can express proportion between specific resources and liabilities; can have numerous helpful applications for a bank. Numerous banks use proportions notwithstanding nutty gritty income projections as an apparatus for abnormal state arranging and for figuring straightforward working guidelines. Outer examiners, administrative offices and financial specialists discover them functional, in light of the fact that a proportion can give a speedy sign of the general liquidity position. Proportions make it simple to contrast liquidity between various foundations or with ascertain normal liquidity for a whole division of the money related industry.

Proportions are likewise prominent on account of their restricted information pre-necessities. It takes deliberate arranging and contributions from all pieces of the financial association to draw up a trustworthy income outline, yet all you have to ascertain a proportion is the last monetary record. Notwithstanding, the genuine data estimation of a proportion lies not in its total number at a specific asset report date. As opposed to taking a gander at such a solitary

depiction, the board ought to be worried about the patterns of the proportions after some time. While proportions would seldom be able to give answers about changes in the bank's liquidity or operational productivity, checked patterns in their improvement can point to questions that legitimacy further examination.

3.7.6 Handling CBL's liquidity crisis:

Liquidity management is an important problem of commercial banks. There are many possible reasons which may cause such problem. Some of the reasons of liquidity crisis are:

- Arrangements can be made to make repayments of liabilities not in bulk but in installments. It lowers the bank's risk in liability repayment and need to make a large single repayment will not arise at a time.
- Indifference and or lack of cautious and close observation to deposits and loan behavior of the large prime customers.
- If counter service is efficient, skilled and well-behaved persons, then the clients mainly depositors and installment takers of borrowers, will patiently wait without any objection and do not complain to the higher authority about the unavailability of money. Thus, no bad impression about the service of the bank spreads among the public.
- If bank maintains regular linkage building rapport with these institutions, they may get regular and complete data and information from the bank with detail clarifications regarding liquidity and other operational trends of banks. With the help of such information and advice, understanding and reporting about bank's liquidity will be easier with clarifications.
- To overcome crisis, banks should take develop connections and accessibility to the money market players and can take advance steps to manage interbank loans or sell short term securities in the money market, whenever required. Thus, if liquidity crisis arises, bank can overcome the situation by collecting necessary funds. The bank, which sells securities with more reliability, credibility and stability, has the ability to avoid liquidity crisis timely or even can avoid the same in more efficient way.
- Management of bank by professionally skilled and experienced personnel of both deposits and loan if done it can avoid many problems not to speak the liquidity. Liquidity crisis must occur if loan cannot be recovered in the right time and right amount. On the other hand, the loan portion can be converted into debenture it can sell in market for cash and thereby liquidity is managed by managerial maneuvering. By efficient and planned loan recovery and by ensuring loan conversion opportunity, liquidity crisis can be avoided and or minimized by the experienced and professionally trained bank personnel

CHAPTER-4

4. Analysis & Findings

4. Analysis & Findings

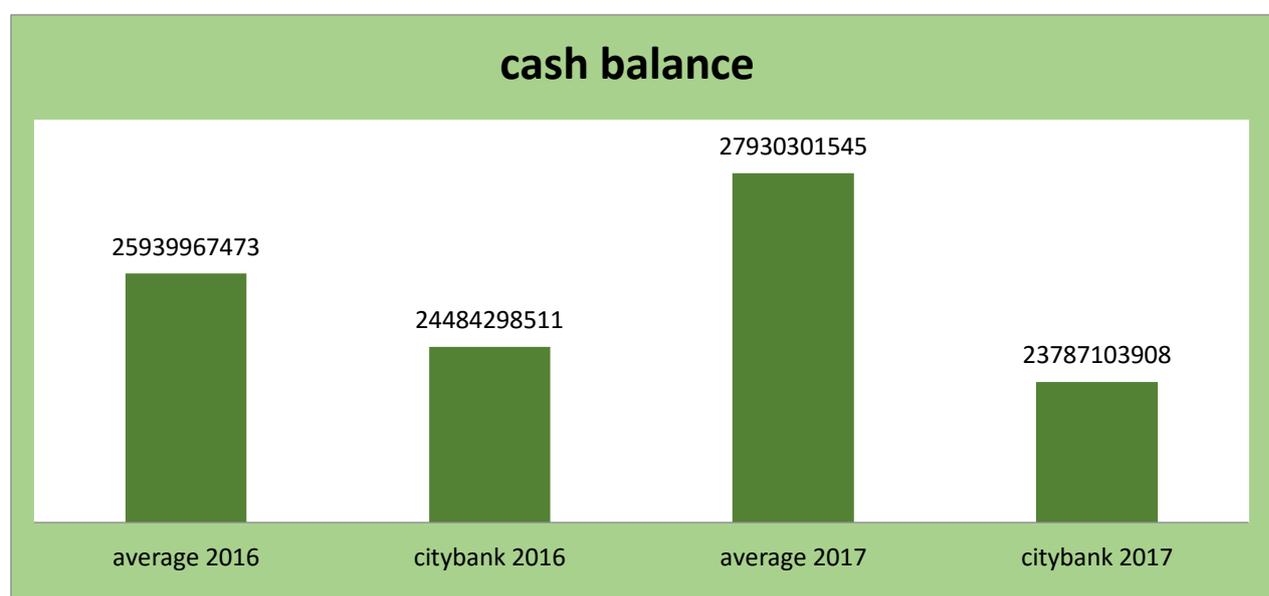
In this analysis and findings part I'm going to analyse different sort of things about city bank. Like total cash balance, WC. Also how much deposit they are gathering, interest they are earning or their balance from CFIA, CFFA. To complete this analysis and to make this more fruitful I'll go for comparative analysis. To finish this I was assigned with 9 other banks also. They are-

- Eastern Bank Ltd
- Export Import Bank of Bangladesh Limited
- First Security Islami Bank Limited
- Islami Bank Limited
- Jamuna Bank Limited
- National Bank Limited
- National Credit and Commerce Bank Limited
- Rupali Bank Limited
- Pubali Bank limited &

To complete the analysis, I make average of various data of these banks and compare it with CBLs' data to draw the conclusion.

4.1 Average Cash balance of all these banks VS Cash balance of CITY bank

Year	Average Cash balance	Cash balance of CITY bank
2016	25939967473	24484298511
2017	27930301545	23787103908



Graph- 4.1 Average Cash balance of all these banks VS Cash balance of CITY bank

Interpretation:

Cash is the most liquid asset of any organization and most important part of a organization. So, when the question arises on liquidity, at first the cash should be considered. Higher cash balance is really positive side for an organization.

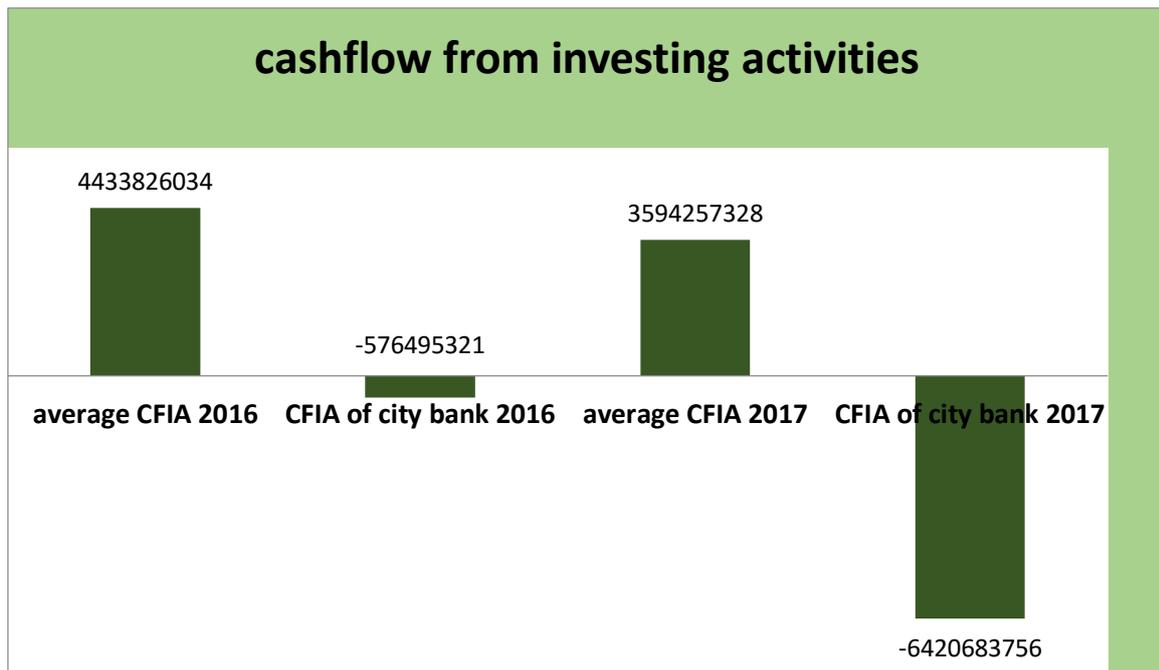
When we compare cash balance of city bank with some other banks we can see that in both years 2016 and 2017 average cash balance is higher than the city bank ltd which is not so good .city bank should control their cash balance.

In 2017 we can see that the difference is higher than the previous year city bank should immediately increase their cash balance otherwise they will suffer a lot. if they can increase

their cash balance than they can easily do their daily work properly and also they can efficiently run their business.

4.2 Average Cash flow from investing activities of all these banks VS Cash flow from investing activities of city bank

year	Average Cash from investing activities	CFIA of city bank
2016	4433826034	-576495321
2017	3594257328	-6420683756



Graph- 4.2 Average CFIA of all these banks VS CFIA of city bank

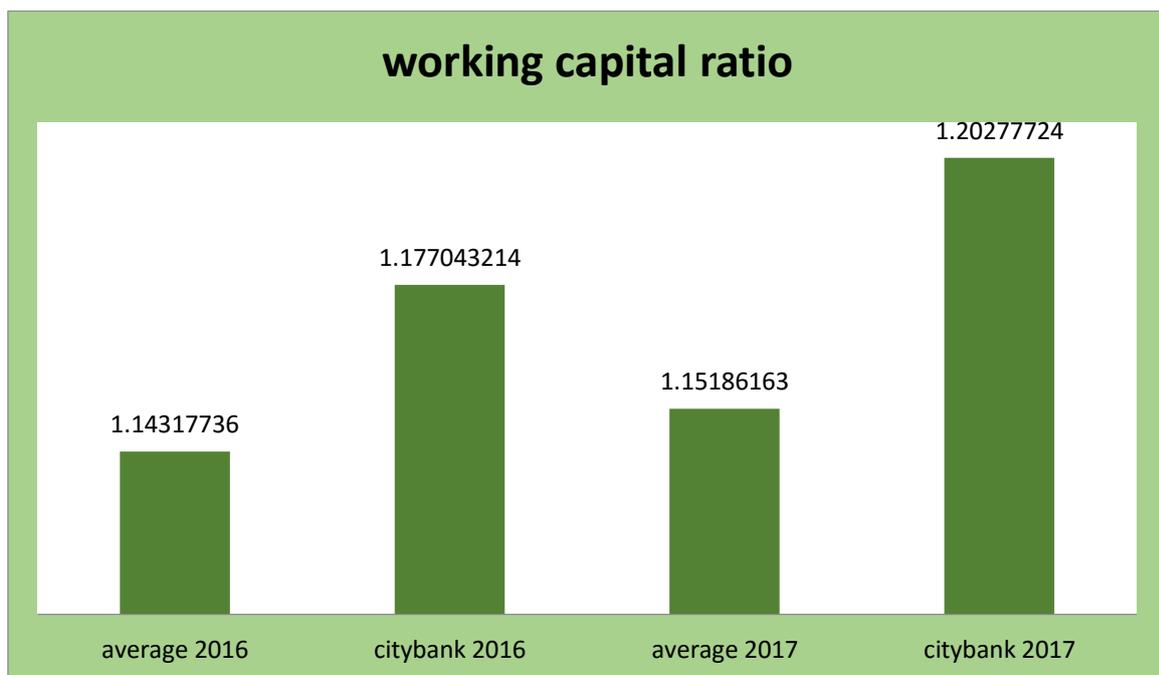
Interpretation:

Cash flow from investing activities records all the cash flow from purchase and sale of long-term investments like fixed assets that include plant, property and equipment. All the investing transactions shows cash outflows, such as capital expenditures for plant, property and equipment, business acquisitions and the purchase of investment securities. Cash inflows come from selling different types of assets, businesses, and securities. To support the company's operation and competitiveness Investors monitor capital expenditures used for the maintenance of, and additions to, a company's physical assets . By using this, investors can see how a company is investing. CFIA is positively affected when there are proceeds from the sale of estate and apparatus or proceeds from the sale of stocks or bonds. On the other hand, it is also possible that the negative cash flow from investing activities might be a warning because it's made poor asset-purchasing decisions.

In the graph we can see that in both years 2016 and 2017 City bank CFIA is negative but others banks average CFIA is positive which not a positive site for city bank. In both years they invested more in property, plants and securities which is for the growth of the bank. On the other hand inflows are very little because they sale plenty of securities and so their CFIA is negative. They should increase their inflows so that they can recover their condition.

4.3. Average WC ratio of all these banks VS WC ratio of CITY bank

year	Average WC ratio	WC ratio of city bank
2016	1.14317736	1.177043214
2017	1.15186163	1.202777246



Graph- 4.3 Average WC Ratio Vs WC Ratio of CB

Interpretation:

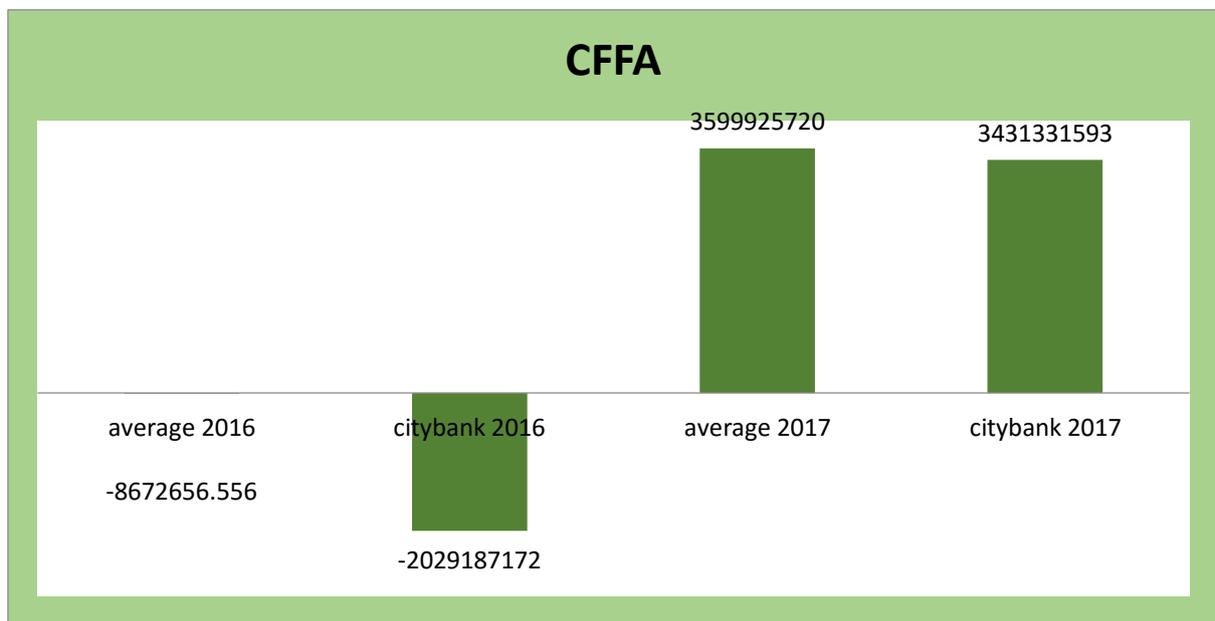
Working capital is determined by disposing of current liabilities from current resources. The administration of working capital is the arrangement of activities that are required to run ordinary exercises of the business to guarantee that enough money is there to meet momentary obligation and everyday costs. Working Capital is otherwise called turning capital. It measure how well association handle its customary movement, how effectively they can restore their moneylenders if there should be an occurrence of crisis and momentary dissolvability.

Net Working Capital is a measure of liquidity of a firm. It measures a minimum level of net working capital that the firm should maintain. The capital of a business which is used in its day-to-day trading operations, when we calculate the current assets minus the current liabilities we can get working capital. It also kwon as net current assets. If current liabilities are more than current assets, then it shows a working capital deficiency, also called a working capital deficit. To ensure that a firm is able to generate its operations and that it has enough funds to fulfill maturing short-term debt and upcoming operational expenses then its need Positive working capital. The working capital ratio, also called the current ratio, is a liquidity ratio that measures a firm's ability to pay off its current liabilities with current assets.

The net working capital ratio of the city bank and others bank in both the years 2016 and 2017 are positive. And also we can see that WC ratio of CBL is higher than the market standard or banks average. This indicates they are quite efficiently managing their working capital. By comparing the city bank and others bank we can say that city bank maintain a balance working capital ratio.

4.4 Average Cash flow from financing activities of all these banks VS Cash flow from investing activities of CITY bank:

year	Average CFFA	CFFA of city bank
2016	-8672656.556	-2029187172
2017	3599925720	3431331593



Graph- 4.4 Average CFFA of all these banks VS Cash flow from investing activities of CITY bank

Interpretation:

All the transactions of Debt and equity are reported in this section. Any cash flows that include the repurchase or sale of stocks, payment of dividends, and bonds would be considered as cash flow for financing activities. Cash received from cash used to pay down long-term debt or taking out a loan would be recorded in this section.

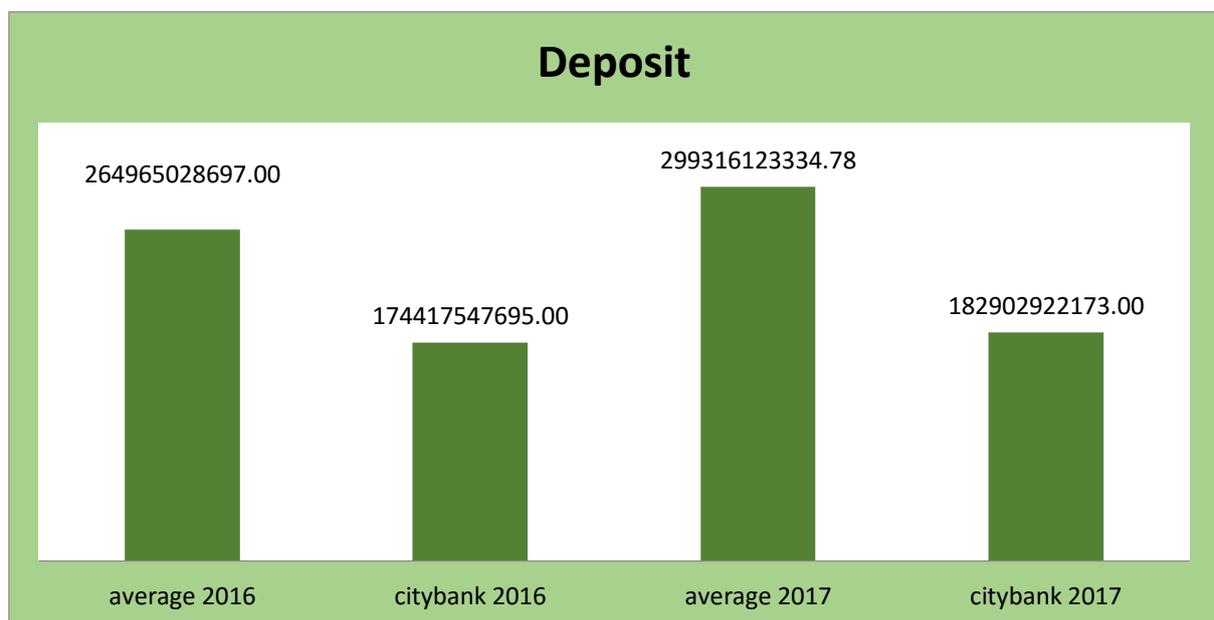
This section is important because it present cash dividends paid since cash, not net income is used to pay dividends to shareholders. The cash flows from financing activities line item is one of the most important items on the statement of cash flows, it can represent a substantial source or use of cash that significantly offsets any positive or negative amounts of cash flow generated from operations. On the other hand, a smaller organization that has no debt and pays no dividends may find that it has no financing activities in a reporting period, and so does not need to include this line item in its statement of cash flows.

A positive number indicates that cash has come into the company, which boosts its asset levels. A negative figure indicates when the company has paid out capital, such as retiring or paying off long-term debt or making a dividend payment to shareholders.

In the graph in 2016 we can see that CFFI is negative in both cases but during 2017 its became positive. Which indicate they recovered their situation very quickly. This means its boots its assets level .but they need to improve more to cope up with others banks.

4.5. Average deposit of all these banks VS deposit of CITY bank

year	Average Deposit	Deposit of city bank
2016	264965028697.00	174417547695.00
2017	299316123334.78	182902922173.00



Graph- 4.5 Average deposit of all these banks VS deposit of CITY bank

Interpretation:

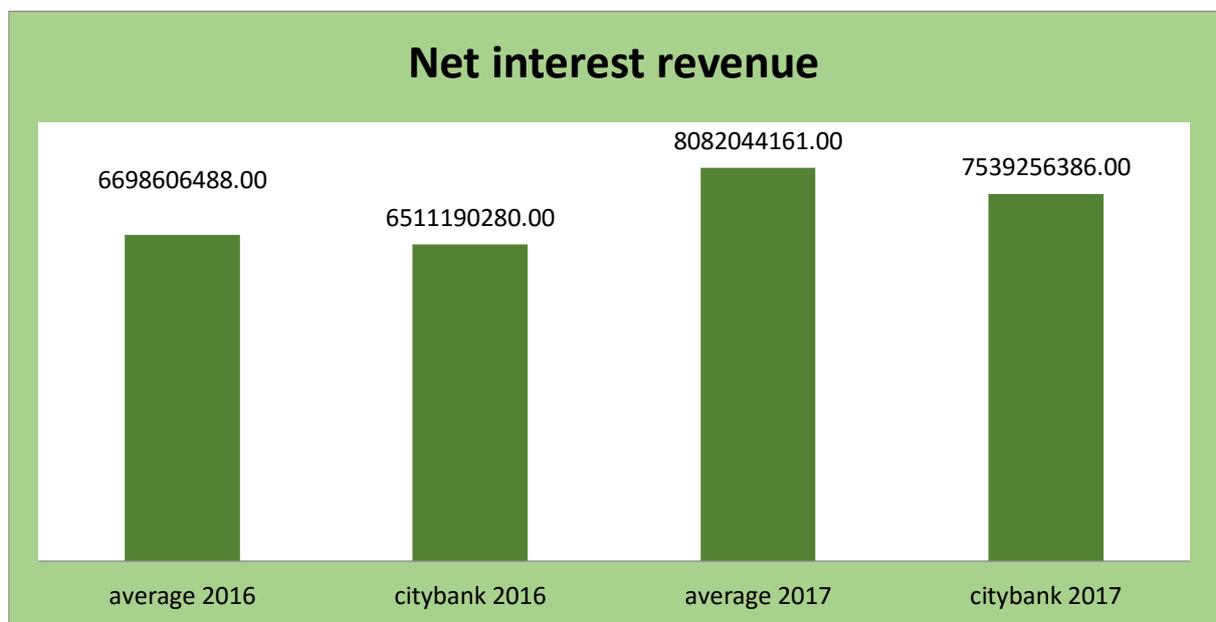
Deposit is one of the most important sources of income for any bank. Also it is the source of liquid asset of a bank. So, higher the deposit rate of a bank, better it can manage its liquidity. These deposits are made to deposit accounts such as savings accounts, checking accounts and money market accounts. As set forth in the terms and conditions governing the account agreement the account holder has the right to withdraw deposited funds.

This deposit is a liability which is owed by the bank to the depositor. When someone deposits cash to bank, they give up legal authority of the money. The money becomes bank's asset. On the other hand, the account is a liability to the bank. Banks pay interest to depositor monthly, semi annually or annually. Banks use these deposit to lend to the deficit unit and earns interest from for lending the money.

Here, from the graph, we can observe that, CBL has less deposit than other banks. So it is expected that it would be quite difficult to manage its liquidity more effectively than other banks. But many banks have a significant deposit which is their positive sites. maybe the reason is lower interest rate is paid than before to the depositors. so city bank need to improve their conditions to grape the position .

4.6. Average net interest revenue of all these banks VS net interest revenue of CITY bank

year	Average net interest revenue	net interest revenue of city bank
2016	6698606488	6511190280
2017	8082044161	7539256386



Graph- 4.6 Average net interest revenue of all these banks VS net interest revenue of CITY bank

Interpretation:

For a bank, the assets include commercial and personal loans, mortgages, construction loans and investment securities. NIR is the difference between interest payments the bank receives on loans outstanding and interest payments the bank makes to customers on their deposits. The liabilities consist primarily of customers' deposits. The difference between revenues generated by interest-bearing assets and the cost of servicing liabilities.

$$\text{NIR} = (\text{interest payments on assets}) - (\text{interest payments on liabilities})$$

NIR may be more or less sensitive to changes in interest rates and it depends on a bank's specific assets and liabilities (e.g., fixed or floating rate). If the bank's liabilities reprice faster than its assets, then it is said to be "liability-sensitive." Further, the bank is asset-sensitive if its liabilities reprice more slowly than its assets in a changing interest-rate environment.

Bank is not profitable only because it earns more interest from its assets than it pays out on its liabilities. Sometimes bank's profit can be negative after shirk bank's expenses from interest income. Space rent, employee salaries, utility bills these are some extra expenses of bank. Also like expenses it earns additional revenue like investment advisory services are one of them.

We can see in the graph both 2016 and 2017 net interest revenue is in a good position but when we compare it with some other banks then we can see that city bank has less NIR than other bank. It's not effect significantly but still it needs to improve this.

CHAPTER-5

5.1 Conclusions

5.2 Recommendations

5.1 Conclusions

From the above analysis of The City Bank Limited's liquidity asset management, it is easily imagined or predicted that the liquidity position will be stronger than now because liquidity position is increasing day by day to support profitable loans and investments., it was accelerated and brought to a head by unanticipated cash demands that caused bankruptcies, fund dissolutions, bank reorganizations (too many to list), forced sales, distress aversion, asset sales, and equity infusions.

This report is about "liquidity asset Management" but I also tried to analyse other factors of the bank. They have some positivity and some drawback also. In this competitive market to sustain they have to attract new clients that can increase their deposits, and also increase the CFIA and also I try to solve some problem so that overall situation can be in a better position

To end up this report I can say that during my internship I have learn a lots of thing which is enrich my knowledge level and also give me a wonderful job experience that would be beneficial to develop my carrier positively Though out the period I tried to work in all departments & sections but it is not possible to go to the depth or each activity due to confidentiality issues and time limitation's I can say that city bank have a highly capability to grow more can grab more opportunity to achieve their goal.

5.2 Recommendations

From the findings and analysis part we can see same problem and limitation .For the more betterment in liquidity position or liquid assets and sound liquidity management and supervision, the city bank can take some perfect principles for which we are discussing some recommendations below:

- ❖ So the city bank should set a full-bodied liquidity the executive's structure that guarantees it keeps up adequate liquidity, including fantastic fluid resources, to endure a scope of stress occasions, including those including the misfortune or disability of both unbound and verified financing sources. furthermore, the Supervisors ought to evaluate the ampleness of both a bank's liquidity hazard the board structure and its liquidity position and should make brief move if a bank is lacking in either territory so as to ensure investors and to restrain potential harm to the budgetary framework.
- ❖ Bank ought to obviously be intelligible a liquidity limit that is precise for its business procedure and its set a job in the monetary framework.
- ❖ Management ought to build up a procedure, approaches and practices to oversee liquidity and to guarantee that the bank keeps up at any rate adequate liquidity. Senior administration ought to consistently survey data on the bank's liquidity advancements and report to the top managerial staff all the time. A bank's governing body should survey and favor the procedure; strategies and practices identified with the administration of liquidity in any event every year and guarantee that senior administration oversees liquidity adequately.
- ❖ Bank ought to decrease liquidity costs, hazards in the inner estimating, execution condition and new item entry process for all business exercises.
- ❖ Bank ought to have a sound procedure for recognizing, estimating, checking and controlling liquidity management.
- ❖ Bank ought to effectively screen and control liquidity, exposures and requirements discoveries inside and crosswise over lawful substances, business lines and monetary standards, considering legitimate, administrative and operational constraints to the transferability of liquidity.

- ❖ Bank should introduce a new strategy that provides effective diversification in the sources Bank should regularly measure its capacity to raise funds quickly from each source. It should identify the main factors that affect its ability to raise funds and monitor those factors closely to ensure that estimates of fund raising capacity remain valid.
- ❖ CBL should wisely utilize its liquid cash in hand, that may increase its profitability in future.
- ❖ Bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.
- ❖ Bank needs to monitor and maintain the legal entity and physical location where collateral is held and how it generate its activity in a timely manner. So it should actively manage its collateral positions
- ❖ Bank should protracted institution-specific and market-wide stress scenarios (individually and in combination) to identify sources of potential liquidity damage and to ensure that current exposures remain in accordance with a bank's Established liquidity risk tolerance. A bank should use stress test outcomes to adjust its liquidity risk management strategies, policies, and positions and to develop effective contingency plans.
- ❖ Bank should maintain a free of debt or other financial liability, high quality liquid assets to be held as insurance against a range of liquidity stress scenarios, including those that involve the loss or impairment of unsecured and typically available secured funding sources. There should be no legal, regulatory or operational impediment to using these assets to obtain funding.
- ❖ Bank need to disclose more information on a regular basis that help market participants to make an informed judgment about the soundness of current position and liquidity position.
- ❖ Supervisors need to do regularly a comprehensive assessment of a bank's overall liquidity risk management framework and liquidity position to determine whether they deliver an adequate level of flexibility to liquidity stress given the bank's role in the financial system.
- ❖ By monitoring a combination of internal reports, prudential reports and market information .Supervisors should provide the supplement for regular assessments of a bank's liquidity risk management framework and the liquidity position.

- ❖ A bank to should address deficiencies in its liquidity risk management processes or liquidity position. And Supervisor should take effective and timely corrective action.

- ❖ Supervisors should communicate with their co-workers and the customer, such as central banks, both within and across national borders, to facilitate effective cooperation regarding the supervision and oversight of liquidity risk management. Communication should occur regularly during normal times, with the nature and frequency of the information sharing increasing as appropriate during times of stress.

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Practical participation with The City Bank Ltd.

Informal face to face conversation with the employee of CBL.