

Fund Transfer Pricing (FTP)

Investment and Treasury



9180-1



In-Class



16 hours



EGP 9,100

Course Description:

This course aims to provide commercial bank professionals with a clear and practical understanding of Fund Transfer Pricing (FTP) as a strategic tool for internal funds allocation, performance measurement, and risk transfer. It explains how FTP links Treasury, Finance, Risk, and Business Units to support efficient pricing, profitability analysis, and sound balance sheet management.

Target Audience:

This course is intended for employees working in all banks

- Treasury professionals (especially ALM & Balance Sheet Management)
- Finance and Financial Planning & Analysis staff
- Risk Management teams (Market and Liquidity Risk)
- Internal Audit and Compliance teams
- Branch and Business Line Managers
- Product and Pricing Teams
- ALCO members
- Any bank staff involved in internal pricing, profitability, or funding strategy

Course Objectives:

- Identify the purpose, governance, and strategic role of Funds Transfer Pricing (FTP) within commercial banks.
- Describe how a bank's balance sheet structure and internal fund flows support the application of FTP.
- Apply appropriate FTP methodologies and behavioral assumptions to different banking products.
- Construct FTP yield curves for local and foreign currencies in accordance with governance policies.
- Analyze business performance and Net Interest Margin using FTP-based profitability measures.
- Apply Risk-Adjusted Return on Capital (RAROC) concepts to evaluate and price lending decisions.

Course Outline

Module 1: Introduction to FTP and Its Purpose

- What is FTP?

- Why commercial banks use FTP
- FTP as a bridge between Treasury, Business Lines, and Risk
- Who owns FTP: Treasury, Finance, Risk, ALCO
- Overview of FTP benefits: pricing, performance, and planning

Module 2: Balance Sheet and FTP Basics

- Bank balance sheet structure: key components
- Sources and uses of funds in a bank
- How funds flow internally (assets fund liabilities and vice versa)
- Linking balance sheet items to FTP flows

Module 3: FTP Methods and Core Concepts

- Basic FTP approaches: Pool rate method, Matched maturity method, Single vs dual rate systems
- Calculating FTP rates: illustrative examples
- Behavioral assumptions for non-maturing products
- Mapping of FTP rates to different banking products

Module 4: Building FTP Curves

- FTP policies and governance principles
- Building FTP Curves for EGP Currency
- Building FTP Curves for USD Currency
- Case study: Excel simulates FTP curves for EGP & USD Curves

Module 5: FTP and Business/Product Performance

- FTP and profitability by product, branch, or business line
- Decomposing Net Interest Margin (NIM) using FTP
- Impact on pricing and product design
- FTP in internal MIS and profitability reports
- Excel Example on using FTP in Business / Product Performance

Module 6: FTP and RAROC

- What is RAROC
- Uses
- Equation and explaining each component
- Explaining the Hurdle rate
- Excel example in using RAROC in loan pricing

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Assessment Strategy:

Participants will be informally assessed on their interaction during sessions and their participation in exercises.

Course completion will grant participants:

1.3 CEUs.

Course Language:

English.

Prerequisites:

Intermediate level of English.