

**BOOK REVIEW: AN INTRODUCTION TO BANKING PRINCIPLES,  
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Banks are legal financial bodies which accept deposits and lend it to general public. A banks' main role is intermediation between surplus and deficit units. Banks support the community and also it renders investment opportunities, jobs and capital for each and every sector in an economy. In essence a country's wealthy society and steady economy highly rely on the efficient banking system. Banks should strictly obey the regulations and maintain their feasibility, because banks are confronted with many financial and non-financial risks. The banking system encountered many systemic financial crisis in the last few decades. The worst scenario faced in 2008, was the Subprime debt crisis in the United States which weakened the stability of global financial sector. The global banking industry learnt that banks ought to measure the risk exposures to avoid systemic risk, maintain proper reserve requirements, liquidity management, maintain robust internal governance and treasury and risk management to survive in the current turbulent market.

Professor Moorad Choudhry's "An Introduction to banking" encapsulates the basic understanding of a bank to a beginner and it explains on how to run a successful banking business by balancing banks' operation, utilizing the capital and liquidity funds to uplift the shareholders wealth and ensure the banks' viability. The first edition of this book published in 2011 was one of the important textbooks that introduced the art of banking by covering asset and liability management and liquidity management. The second edition provides emerging practical areas with real world case studies on problem solving, balance sheet optimization, and operational risk management. The author succeeded by covering key concepts and areas in banking in an understandable way with practical calculations and real world examples, which support the reader to grab the correct concept and solve real world problems. The second edition of this 569 page book consists of 3 parts with 17 chapters. The split of the parts have a logic and reason: Part I discuss on the basics of financial market concepts Part II explains about banks and bank operations meanwhile Part III focus on regulations and bank risks. The structure of the parts maintains the flow of each chapter.

Part I is focused more on introducing banking and financial markets. The first part consists of 6 chapters. The first chapter discusses the nature of banking, financial markets, the basic banking business model and elements of a bank capital which stimulate the reader to follow upcoming chapters. The second chapter focuses on various bank products such as retail banking products, corporate banking products, wholesale banking products and customer services. Third chapter focuses defining the

bank core lending function, managing risk and return of the lending activity. This chapter provides a wide picture in identifying the credit risk, assessing and mitigating credit risk in a bank. Rest of the three chapters explain the cash and derivative instruments with interest rate of future and forward agreements in a financial market, yield curve and the numerical calculations, trading and hedging at banks money market desk. The techniques and financial instruments usage in the money market trading platform take a significant role of building and managing bank asset and liability.

Part II comprises from chapter 7 to chapter 13. Part II goes in depth to analyse on asset and liability management in a bank and liquidity risk management. The 7th chapter introduces on asset and liability management and its basic concepts with examples. Moreover it focuses on bank risks such as liquidity risk, interest rate risk liquidity risk management, runoff risk, gap risk in a bank, individual liquidity adequacy assessment process and also gap management. The bank gap profile, gap maturity and gap maturity profile are illustrated through real world examples and in a graphical form. Chapter 8 explains nature and features of asset and liability management and asset and liability committee. Chapter 9 and 10 focuses on liquidity risk management in a bank and the Basel requirements on the bank liquidity. Chapter 11, 12, 13 concerns on funds transfer pricing, analysis on net interest margin and using securitisation mechanism on bank balance sheet.

Part III covers Strategy setting, Regulatory Capital and Case Studies. The 14th chapter provides a clear view on bank strategy planning, identifying key determinants to be focused on the banks' future to set a strategic plan for a bank. Chapter 15 indicates bank regulatory capital and Basel rules. This chapter emphasize on best practices to manage bank capital concerning internal processes and regulatory compliance. The basic idea on capital management is described in chapter 8, 9, 10 and this chapter focuses more on managing capital with least cost and overcome stress testing events. In Chapter 16 the author critically discusses on operational risk management in banking. Earlier operational risk was categorized under the credit risk but modern banking operational risk is extremely complex with the turbulent market which is driven by international banking, regulation and digital transformation. Hence the author has taken a good approach to explain the measurement of operational risk, reserves requirement and allocation for operational risk. Chapter 17 is the most interesting part of the book for the readers because academic or practitioners can apply their absorbed knowledge into a real world problem. The author demonstrates how to apply and solve real world problems using principles. Following to the last chapter, author annexed financial market arithmetic in Appendix A at the back of the book. All chapters are excellently organized in order to make the reader understand basic to complex concepts. Each part clearly states the specific objectives and those objectives are remarkably presented and achieved. In presenting this book, the author ensures best practices to have an effective banking system to absorb systemic crisis and viable in tough environment. An introduction to banking written by Professor Moorad Choudhry is a masterwork for the readers, particularly for the academics and practitioners in the banking industry.