Global Cash Management Survey 2008
It gives me great pleasure to introduce the tenth annual J.P. Morgan Asset Management Global Cash Management Survey. Once again we received a high number of responses, with 314 treasurers from around the world providing their feedback. While the survey began its history with a heavy UK bias, it has now become a truly global mouthpiece for the opinions of corporate treasurers. This year an impressive spread of respondents covered a wide range of regions and markets, from China to South America. This focus on international responses helps to make the J.P. Morgan Global Cash Management Survey a truly global barometer of cash management trends.

Now in its tenth year, the J.P. Morgan Asset Management Global Cash Management Survey remains a benchmark for corporate treasurers and other cash investors to evaluate their liquidity management processes and understand their market position in relation to their peers. Over the ten years of its history, the survey has highlighted changes in the attitudes and behaviour of treasurers through diverse market conditions. It has witnessed the ebb and flow of risk appetite, emergence of new trends and a growing uptake of money market funds. We hope that the trends identified by our research will again provide valuable insights into the global cash management industry.

This year’s survey was open from 1 July to 7 October 2008. However, most respondents completed the survey before the dramatic events in the banking sector in mid-September. Nonetheless, we found that responses reflected marked changes in the attitudes and expectations of treasurers, as turmoil in global credit markets and the developing banking crisis contributed to rising risk aversion. If the survey was conducted again now, we could perhaps expect these changes to be even more pronounced.

The survey has again been compiled with the valuable help of the Association of Corporate Treasurers (ACT), and we are very pleased to have received the support of the European Association of Corporate Treasurers (EACT). This year, for the first time, we also benefited from the support of the Financial & Treasury Association (FTA) of Australia and the Association of Corporate Treasurers of Southern Africa (ACTSA).

We would like to thank everyone who took part for their contribution to the survey’s continued success. A donation of £10 per completed survey has once again been made to the International Red Cross. Finally, if you require further information, please visit our website at www.jpmgloballiquidity.com where past survey results are also available for download.

Robert Deutsch
Head of Global Liquidity
J.P. Morgan Asset Management
After a tumultuous year in money markets, the overarching themes of this year’s survey were, unsurprisingly, rising risk aversion and a resultant flight to quality. Factors illustrating these themes include the following:

- **Increase in number of banking relationships**
  The majority of respondents either maintained the same number of banking relationships or increased them, perhaps reflecting the increased concern over liquidity risk.

- **Increased concern over foreign exchange risk**
  Foreign exchange risk was mentioned as an important concern by 43% of respondents this year. This may reflect the dramatic currency movements witnessed in recent months and also the extreme uncertainty over global interest rates witnessed in the summer.

- **Heightened concern over liquidity**
  Liquidity has become the biggest concern treasurers have about managing their cash positions, perhaps due to the high profile bank failures witnessed over the past year.

- **More focus on credit ratings and counterparty risk**
  Almost half of treasurers said they have significantly changed their approach to credit ratings and counterparty risk over the year, in response to the credit crisis.

- **Increase in credit rating requirements**
  Almost half of pooled fund users now only invest in funds with AAA ratings, compared to around 35% in 2007. There was also a shift up the credit rating scale for bank deposits and direct investments.

- **Increased frequency of credit rating monitoring**
  While 32% of respondents in 2007 monitored credit ratings only at the point of investment, 81% of respondents now perform regular scheduled reviews.

- **Continued decline in the use of enhanced yield funds**
  While treasurers continue to target high yields, enhanced yield fund usage, which fell in 2007 after a huge spike in 2006, continued to decline.

- **Expectation of an increase in outsourcing**
  Outsourcing was seen as the key future development in cash management. The events of the credit crisis have built a much more complex world for treasurers to navigate, and it seems that they anticipate drawing increasingly on outside assistance.
Number of respondents
The number of qualifying responses this year (314) was our second-highest ever. The survey once again attracted wide participation from both a geographic and corporate perspective, with responses received from treasurers acting for companies of different sizes in a range of industries across the globe.

Country where surplus cash is managed/location of respondent
The survey’s global focus continued to grow, with an impressive spread of respondents covering a wide range of markets around the world. This year, for the first time, the largest proportion of respondents came from the US (32%), while the UK moved into second place with 16%. This represents a major shift from last year, when 23% of respondents came from the UK and just 18% from the US – a change that has clearly had a bearing on the survey’s findings.

Response on behalf of group or subsidiary
The vast majority of respondents answered on behalf of the parent group. This was most marked in the US, where 93% of respondents answered for the parent group. Eastern Europe was the only region where respondents answering for the group were in the minority, with 55% of Eastern European respondents completing the survey on behalf of a subsidiary.
Market capitalisation
This year, there was a general shift downward in the market capitalisation of respondents. The proportion of respondents representing small-cap organisations increased significantly, with 20% of respondents representing companies with market capitalisations below USD 500 million, compared with 14% in the 2007 survey. This shift was most noticeable in the US, where 24% of respondents came from smaller capitalisation companies this year, compared with 12% in 2007.

The largest group of respondents once again came from organisations with a market cap of more than USD 5 billion. However, this group made up only 42% of respondents this year, compared with 50% in 2007.
Change in number of banking relationships

Until last year, the survey had demonstrated a gradual trend towards fewer banking relationships. However, last year’s survey showed a reversal of this trend, and this has continued in 2008, with the majority of respondents either increasing the number of banking relationships or keeping them the same.

High profile bank collapses have perhaps prompted cash managers to spread their nets wider to diversify risk. While the increase in government guarantees for cash deposits has undoubtedly provided some measure of reassurance, treasurers are unlikely to want to risk the liquidity problems that would ensue if they were forced to wait to claim their money back from regulators.

Services primary banks are used for

Once again, treasury cash management services, credit facilities and foreign exchange services were the top three banking services used by respondents.

Criteria when selecting a primary bank

This year, as in previous years, the quality of relationship management and customer service, and the provision of credit facilities were the two most important factors in the selection of a primary bank. However, the importance attached to relationship management and customer service was a little lower than in 2007, while the importance attached to a broad treasury management capability has increased slightly.
Use of online portals/platforms

We asked survey participants about their use of online portals/platforms. The largest proportion of respondents using these online tools do so for cash management purposes, with foreign exchange and investments in second and third place.

There has been a significant increase in the proportion of respondents who use online portals or platforms for general cash management – from 47% for single bank and 53% for multi bank platforms in 2007 to 73% and 59% respectively in 2008.

The proportion of respondents using online platforms for foreign exchange and investments has decreased, perhaps reflecting the preference of respondents to communicate directly with providers during periods of market volatility.

Multi bank platforms – those that are connected to more than one bank – continue to be more widely used than single bank platforms for foreign exchange and investments. However, in a change from last year, a greater proportion of respondents use single rather than multi bank platforms for general cash management.

The strong preference for multi bank platforms for investments reflects the need for multiple brokers by the majority of US corporate treasury departments who opt to participate directly in the security markets. These platforms have been more popular and prevalent in the US, compared to Europe and Asia, and more popular with self directed treasuries.
Areas of importance for the treasury department

As would be expected, cash management remains the most important area for treasury departments. The importance of this area has continued to increase this year, with 56% of respondents assigning it the top score, up from 53% in 2007 and 45% in 2006.

<table>
<thead>
<tr>
<th>Area</th>
<th>% Ranking top score</th>
<th>Mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash management</td>
<td>56%</td>
<td>1.82</td>
</tr>
<tr>
<td>Cash flow forecasting</td>
<td>17%</td>
<td>3.47</td>
</tr>
<tr>
<td>Control issues</td>
<td>9%</td>
<td>3.70</td>
</tr>
<tr>
<td>Cash investment</td>
<td>5%</td>
<td>3.93</td>
</tr>
<tr>
<td>Risk management</td>
<td>11%</td>
<td>4.25</td>
</tr>
<tr>
<td>Information management and systems</td>
<td>1%</td>
<td>5.24</td>
</tr>
<tr>
<td>Accounting and audit</td>
<td>2%</td>
<td>5.59</td>
</tr>
</tbody>
</table>

The closer the mean score is to one, the more important it is perceived.

By region, risk management was considered to be significantly more important by respondents outside the US. Respondents in Eastern Europe ranked it particularly highly, with 26% selecting it as the most important area, compared to only 2% in the US. However, this may be, at least in part, due to a difference in definition of risk management.

Structure of cash management now and in the future

The proportion of respondents using global cash management structures is unchanged at 29%, despite 47% of respondents in the 2007 survey citing the expectation that they would employ a global structure in the future. However, respondents continue to anticipate moving to a pure global structure or global oversight with regional autonomy. It is therefore possible that the pace of change is slower than respondents expect.

The proportion of respondents currently employing global oversight with regional autonomy has fallen from 41% in 2007 to 29% this year. This perhaps reflects the increased proportion of respondents from smaller cap companies.
Surplus cash allocation by region

Bank deposits remain the most commonly used investment type, although the allocation has come down from 61% in 2007 to 55%. There is, however, a high degree of regional disparity.

US treasurers are the most likely to use pooled investments, with a 51% allocation to this investment type, compared to an all-region average of 32%. This is unsurprising given that US cash investors have traditionally used money market funds for their excess cash requirements rather than bank deposits.

Direct investments are also used more widely in the US than in other regions. The overall increase in the use of pooled and direct investments – from 30% and 9% respectively in 2007 – is perhaps due to the increased proportion of US respondents this year.

As in last year’s survey, Eastern European treasurers are the highest users of bank deposits, with 75% of surplus cash allocated to this investment type. However, respondents from Western Europe have increased their allocation to deposits, from 65% in 2007 to 74% this year, perhaps as a result of the general flight to safety.

As expected, North American treasurers are most likely to use pooled investments.

Percentages calculated using the total number of respondents answering the question, and blank codes counted as ‘0’ scores - note low base sizes for Eastern Europe.
Pooled instruments used

AAA rated money market funds continue to be the most widely used pooled vehicle, with 91% of respondents who invest in pooled funds having some allocation to them. This reflects the wide acceptance of money market funds as the most efficient vehicle for providing security, liquidity and competitive yield for risk averse investors.

The use of all other pooled vehicles has declined. Enhanced yield fund usage, which fell in 2007, continued to decline, reflecting the flight to quality witnessed since the beginning of the credit crunch.

By region, Western European treasurers are the least likely to use AAA rated money market funds, with 68% using them compared to the overall average of 91%. This may be due to the fact that in the large French and German liquidity markets, domestic funds have been preferred to international AAA rated funds.

Money market funds are popular across all market capitalisations, although there is a size correlation: mega cap companies are slightly more likely than average to use money market funds (94%) while usage by smaller cap companies is slightly below average (86%).

Pooled instruments considered for use

The majority of treasurers who are considering using pooled instruments are looking at money market funds, with 61% weighing up this option.

While only 12% of respondents currently use yield enhanced funds, another 37% of respondents are considering using them. However, last year, 39% of respondents said they were considering using yield enhanced funds, but actual use has decreased rather than increased. This perhaps suggests that treasurers would like to use yield enhanced funds to target higher yields, but that in the current market conditions they are more focused on the security offered by AAA rated funds.
Criteria when selecting a pooled investment

Treasurers rated yield as most important when selecting either a money market fund or an enhanced yield fund. Notably, reputation/brand has moved into second place by mean score, from third place in 2007. This reflects the increased search for security, with treasurers perhaps looking for additional comfort beyond that offered by the AAA fund rating. Fees have become less significant, suggesting that treasurers may in some cases be willing to pay higher fees to invest with a more trusted provider.

Use of yield enhanced funds has fallen since the beginning of the crisis, but the percentage that would consider using them is almost unchanged.

<table>
<thead>
<tr>
<th>AAA rated money market funds</th>
<th>Segregated/separately managed accounts</th>
<th>Yield enhanced funds</th>
<th>Short dated fixed income funds</th>
<th>Total return funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Currently use</td>
<td>2008 Considered for use</td>
<td>2007 Currently use</td>
<td>2007 Considered for use</td>
<td></td>
</tr>
</tbody>
</table>

Criteria when selecting a pooled investment

Treasurers rated yield as most important when selecting either a money market fund or an enhanced yield fund.

Notably, reputation/brand has moved into second place by mean score, from third place in 2007. This reflects the increased search for security, with treasurers perhaps looking for additional comfort beyond that offered by the AAA fund rating. Fees have become less significant, suggesting that treasurers may in some cases be willing to pay higher fees to invest with a more trusted provider.

Reputation/brand has become more important, while fees have become less important.

<table>
<thead>
<tr>
<th>Money market funds mean score</th>
<th>Yield enhanced funds mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield</td>
<td>3.39</td>
</tr>
<tr>
<td>Reputation/brand</td>
<td>3.44</td>
</tr>
<tr>
<td>Bank relationship</td>
<td>4.06</td>
</tr>
<tr>
<td>Size of fund</td>
<td>4.72</td>
</tr>
<tr>
<td>Fees</td>
<td>5.26</td>
</tr>
<tr>
<td>Total assets under management in cash strategies</td>
<td>5.67</td>
</tr>
<tr>
<td>Depth of resources</td>
<td>5.75</td>
</tr>
<tr>
<td>Investment convenience</td>
<td>6.25</td>
</tr>
<tr>
<td>Cut off time</td>
<td>6.15</td>
</tr>
</tbody>
</table>

The closer the mean score is to one, the more important it is perceived to be.
Reasons for not using pooled funds
For treasurers who do not currently use pooled funds and who are not considering using them, the main reason continues to be a preference to manage cash directly. As last year, the second most commonly cited reason is that the organisation is a net short-term borrower.

Money market instruments used/considered for use
Commercial paper and certificates of deposits remain the two most used money market instruments, with mean allocations of 16% and 11% respectively. However, usage has decreased significantly, from 25% and 24% respectively in 2007. Large US groups in particular may have moved away from commercial paper and certificates of deposit as credit markets have frozen, preferring managed funds instead.

Mean allocation to short-dated government bonds has remained almost flat; however, a larger proportion of respondents are now using them – 39% in 2008 compared with 26% in 2007.

<table>
<thead>
<tr>
<th>Money Market Instrument</th>
<th>Currently use</th>
<th>Considered for use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper</td>
<td>46%</td>
<td>39%</td>
</tr>
<tr>
<td>Short dated corporate bonds</td>
<td>44%</td>
<td>39%</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>47%</td>
<td>42%</td>
</tr>
<tr>
<td>Short dated government bonds</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Longer dated bonds</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Medium term notes</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Tax structured / exempt investments</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Credit linked notes</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Criteria for investing surplus cash

Investments allowed by guidelines
The proportion of treasurers permitted by guidelines to use bank deposits and pooled investments has remained unchanged following an increase in 2007. Continuing the trend seen last year, there was a reduction in the proportion of treasurers permitted by their investment guidelines to invest directly in money market instruments. This reflects the very tough market environment and the desire of investors to reduce portfolio risk.

Investment period and cash balance
Most respondents invest their surplus cash for a short period of time. However, there is significant variation between currencies. Sterling investments have an average life span of three weeks, while the average for euro investments is four weeks and US dollar investments are made for an average period of eight weeks. The average cash balance is under USD 50m in all currencies; however, 22% of respondents with dollar-denominated short-term cash portfolios have an average balance of greater than USD 500m.

Minimum credit rating required
The flight to quality witnessed in the broader market over the past year is evident in the notably higher credit ratings required by treasurers. Pooled fund investors were the most security conscious, with almost half of pooled fund users saying that they only invest in funds with AAA ratings, compared to 35% in 2007, but there was a shift up the credit rating scale for all three investment types. The number of respondents able to use sub-investment grade assets has dwindled to almost zero across the board.
Ratings allowed by investment guidelines
Moody's remained the most commonly used rating agency for all three investment types, closely followed by Standard & Poor’s.

Frequency of credit rating monitoring
While there is no clear consensus over the appropriate frequency with which to review credit ratings, the survey showed an increased frequency of rating monitoring, reflecting the surge in credit rating downgrades over the year.

While 32% of respondents in 2007 monitored credit ratings only at the point of investment, 81% of respondents now perform regular scheduled reviews, with 65% reviewing ratings on at least a quarterly basis.

Respondents in Western Europe are the most likely to monitor credit ratings only at the point of investment, while those in the US are the most likely to carry out regular reviews, with monthly reviews the most popular.

In general, those who monitor credit ratings on monthly and quarterly basis increased significantly.
Small companies remained the least likely to carry out regular monitoring, but while 61% of small companies checked ratings only at the point of investment in 2007, this fell to just 26% this year.

It is, of course, important to note that if treasurers invest regularly for very short time periods, the need for periodic reviews of credit ratings may not arise.

**Target returns of short dated cash surplus**

Despite their increased concern over risk and preference for high quality investments, treasurers continue to target high yields. The proportion of respondents seeking LIBOR + returns (returns of LIBOR plus a specified percentage) from their short-dated surplus cash increased for all three investment types. Fewer treasurers this year are looking for EONIA returns, but this probably reflects the greater percentage of US respondents, as well as the fall in EONIA versus euro LIBOR over the year.
**Willingness to take risk for higher yield**

Respondents were asked to rank in order of importance the types of additional risk they would be prepared to take on, with one being the risk they are most willing to accept and four the least. A lower mean score therefore reflects a greater willingness to accept the risk type.

Respondents seeking higher yields have become increasingly willing to take on additional duration risk, with the mean score this year 1.87 compared with 2.01 in 2007. Surprisingly, willingness to take on credit risk is almost unchanged.

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>2007 Mean Score</th>
<th>2008 Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration risk</td>
<td>2.01</td>
<td>1.87</td>
</tr>
<tr>
<td>Credit risk</td>
<td>2.49</td>
<td>2.50</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>2.81</td>
<td>2.50</td>
</tr>
<tr>
<td>Different instrument risk</td>
<td>2.45</td>
<td>2.82</td>
</tr>
</tbody>
</table>

The closer the mean score is to one, the more important it is perceived to be.

**Effect of the change in global credit conditions**

We added a new question to the survey to determine how the global credit crunch has altered treasurers’ approaches. Almost half of treasurers said they have significantly changed their approach to credit ratings and counterparty risk. The change in approach to credit ratings was seen earlier, when respondents said they are now monitoring ratings much more often. The focus on counterparty risk is also seen in the move up the credit scale for permitted investments.

| % Ranking 'significantly' | 46%  
|---------------------------|------|
| Credit ratings            | 44%  
| Investment policy (counterparty risk) | 32%  
| Yield versus availability | 33%  
| Security for AAA money funds | 26%  
| Cash forecasting          |
Cut-off times by currency

Consistent with previous years, most respondents favour late morning cut-off times for sterling, euro and US dollar positions. Cut-off times for all three currencies also have a smaller peak in the early afternoon.

75% of respondents indicated that they would be willing to consider an earlier cut-off time if it would deliver a higher yield, compared to 67% in 2007. This may reflect the current difficulty of the quest for yield.
Currency of surplus cash

In 2007, the largest proportion of cash holdings (39%) was held in euros. However, this has declined substantially to just 23% this year. US dollar holdings now dominate, reflecting a rise in the proportion of respondents based in the US. Currencies included in the ‘other’ category are predominantly the Australian dollar, followed by Polish zloty, Czech koruna and Singapore dollar. Respondents tend to hold their cash in their local currency or US dollars.

Reasons for choice of cash location

Respondents were asked to rank the drivers for their choice of cash location. The highest ranked drivers continued to be tax, and clearing services and cut-off times; however, these have switched places, with tax becoming the strongest driver.

Main drivers of cash location choice

<table>
<thead>
<tr>
<th>Tax is the main driver of cash location choice.</th>
<th>Mean ranking as the main driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>3.59</td>
</tr>
<tr>
<td>Clearing services and cut-off times</td>
<td>3.67</td>
</tr>
<tr>
<td>Staff location</td>
<td>3.81</td>
</tr>
<tr>
<td>Time zone</td>
<td>3.82</td>
</tr>
<tr>
<td>Regulatory/central bank reporting</td>
<td>4.12</td>
</tr>
<tr>
<td>Customer service</td>
<td>4.21</td>
</tr>
<tr>
<td>Access to other markets (e.g. foreign exchange)</td>
<td>4.28</td>
</tr>
</tbody>
</table>

The closer the mean score is to one, the more important it is perceived to be.

Techniques used in cash concentration

Zero balance structures were the most popular vehicles among treasurers, used by 41% of respondents. This is driven primarily by US respondents, of whom 60% use the technique. Usage of notional pooling alone has fallen from 13% to 9%, while 28% used both notional pooling and zero balance structures. Respondents from the UK and Eastern Europe were the most likely to use both.
The reasons cited by respondents for their use, or non-use, of notional pooling are broadly in line with the results from 2007. The ability to retain local control/transparency for subsidiaries remains the most significant attraction of notional pooling, while tax, accounting and legal issues remain the largest deterrent.

Use of automated investment sweeps
There has been a marked increase in the usage of automated sweeps, following a small increase last year. For the first time, more than half the respondents (52%) use automated sweeps, perhaps due to the increased response from the US, where sweeps are more widely used. Of the 48% who do not use them, the perceived lack of accuracy of real-time cash projections remains the main deterrent, while insufficient parameter flexibility was also viewed as negative.

Again, we see an increase in the use of automated sweeps, from 44% in 2007. The need for improved accuracy of cash projections remains the main factor to be overcome for those who do not yet use them.

Factors to overcome for consideration of automated investment sweeps

- Improved accuracy of real-time cash projections: 67%
- More flexibility on parameters: 64%
- Investment cut-off time: 26%
- A broader choice of investment selections: 24%
- Other: 10%

Do you use an automated investment sweep for surplus cash?
- Yes, 52%
- No, 48%
After several years of stability, cash positions changed significantly this year. Only 28% of treasurers said their companies were net borrowers, compared with 40% in 2007, perhaps reflecting the broader deleveraging trend seen over the past year. However, it is possible that treasurers anticipate that conditions will normalise within a year, as 46% expect to be borrowing more in twelve months’ time.

The methods used to borrow funds have also changed, with a marked decrease in variable rate loans in favour of fixed rates. 54% of borrowers said they use fixed term bank debt.
Services outsourced to an external provider

Outsourcing of cash investment to an external provider has increased significantly, from 49% in 2007 to 65% this year. However this may be due in part to the increased proportion of responses from the US. Use of external providers for cash sweeping and foreign exchange execution has also increased, while outsourcing of cash pooling has fallen from 67% to 48%.
In the final section of the survey, treasurers were asked to comment on the key concerns they have about managing their surplus cash and in their treasury departments. Respondents were also invited to express their views on future developments.

### Concerns about managing cash positions

The concerns raised about cash management were overall similar to those expressed in previous years. However, the emphasis has changed. Cash forecasting accuracy was the most cited concern in the 2007 survey, but this year liquidity came out as the biggest concern, perhaps due to the high profile bank failures witnessed over the past year.

The desire to spread liquidity risk may be one of the factors responsible for the increase in the average number of banking relationships maintained by treasury departments (see section 2).

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td>18%</td>
</tr>
<tr>
<td>Cash forecasting accuracy/reliability</td>
<td>17%</td>
</tr>
<tr>
<td>Return on investments/cash/yield</td>
<td>12%</td>
</tr>
<tr>
<td>Timeliness of information/reporting</td>
<td>8%</td>
</tr>
<tr>
<td>Credit rating/ changing value of AAA rating</td>
<td>8%</td>
</tr>
<tr>
<td>Counterparty risk/default risk</td>
<td>6%</td>
</tr>
<tr>
<td>Credit risk</td>
<td>6%</td>
</tr>
<tr>
<td>Cash/fund availability</td>
<td>6%</td>
</tr>
<tr>
<td>Security/investment security</td>
<td>6%</td>
</tr>
</tbody>
</table>

Liquidity became the top concern in managing cash position. If credit crisis related concerns are consolidated, the percentage response becomes 20%.

### Concerns in the treasury department

Last year, respondents said they were most concerned about merger and acquisition activity, with 18% highlighting fears about the impact that M&A deals would have on their own company and working environment. Treasurers were also concerned about the changing regulatory environment. This year, both of these concerns appeared, but were pushed down the list by more immediate worries.

Foreign exchange risk, which was a key concern of 6% of respondents in the 2007 survey, topped this list this year, with 43% of respondents citing it as an important concern. This may reflect the dramatic currency movements witnessed in recent months and also the extreme uncertainty over global interest rates witnessed in the summer, when central banks were perceived to be walking a tightrope between the pressures of higher inflation on one side and slowing growth on the other.
Unsurprisingly, the credit crisis and resulting credit risk were also significant concerns for treasurers this year.

Predicted developments in cash management
Outsourcing was seen as the key future development in cash management. This may be a response to increased concern over risk. The events of the credit crisis have built a much more complex world for treasurers to navigate, and it seems that they anticipate drawing increasingly on outside assistance.

However, responses varied by region, with North American treasurers less likely than their counterparts in Western Europe and Asia Pacific to see outsourcing as a key trend for the future.

For respondents in Western Europe, the Single European Payment Area (SEPA) remained an important development for the future.
Additional needs in cash management

We asked treasurers what external providers could be doing differently to assist them in managing cash. By a significant margin, the most popular response was greater transparency. The emergence of this concern, which did not appear at all in the 2007 survey, reflects the increased risk aversion among treasurers amid the ongoing repercussions of the credit crisis.

The 2008 J.P. Morgan Asset Management Global Cash Management Survey has revealed some interesting findings, both in terms of persistent ongoing trends, as well as a rising risk aversion and resultant flight to quality after a tumultuous year in money markets. For more detail on the main themes of this year’s survey please refer to the Executive Summary on page 5 of this document. Alternatively, please contact your usual J.P. Morgan Global Liquidity representative.
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