



LEADING TREASURY
PROFESSIONALS

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**ACT webinar: optimising the goals of
security, liquidity and yield in today's
liquidity landscape**

22 January 2015 | 12.30-13.15 GMT

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Introduction

Will Spinney

Associate Director of Education

ACT





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COMMERCIAL BANKING

OPTIMISING THE GOALS OF SECURITY, LIQUIDITY & YIELD IN TODAY'S LIQUIDITY LANDSCAPE

Nick Burge

Managing Director, Head of Strategic Liquidity

22nd January 2015



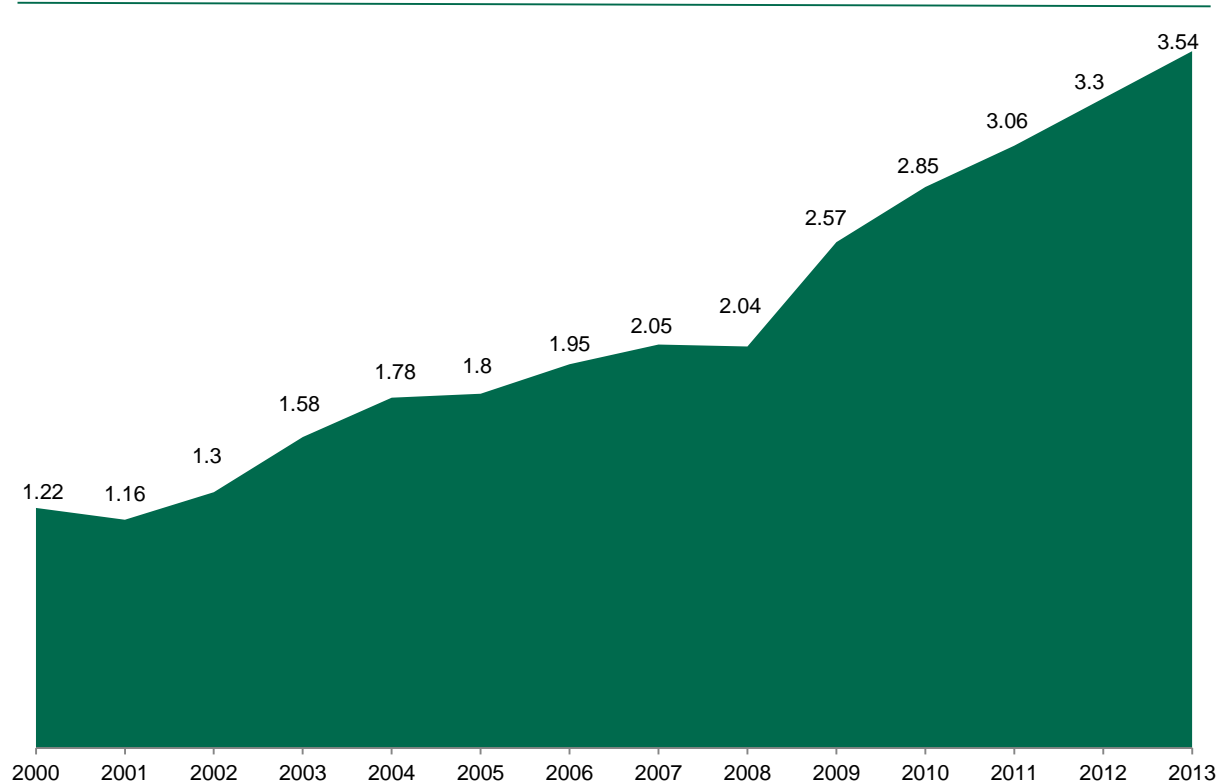
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LIQUIDITY LANDSCAPE



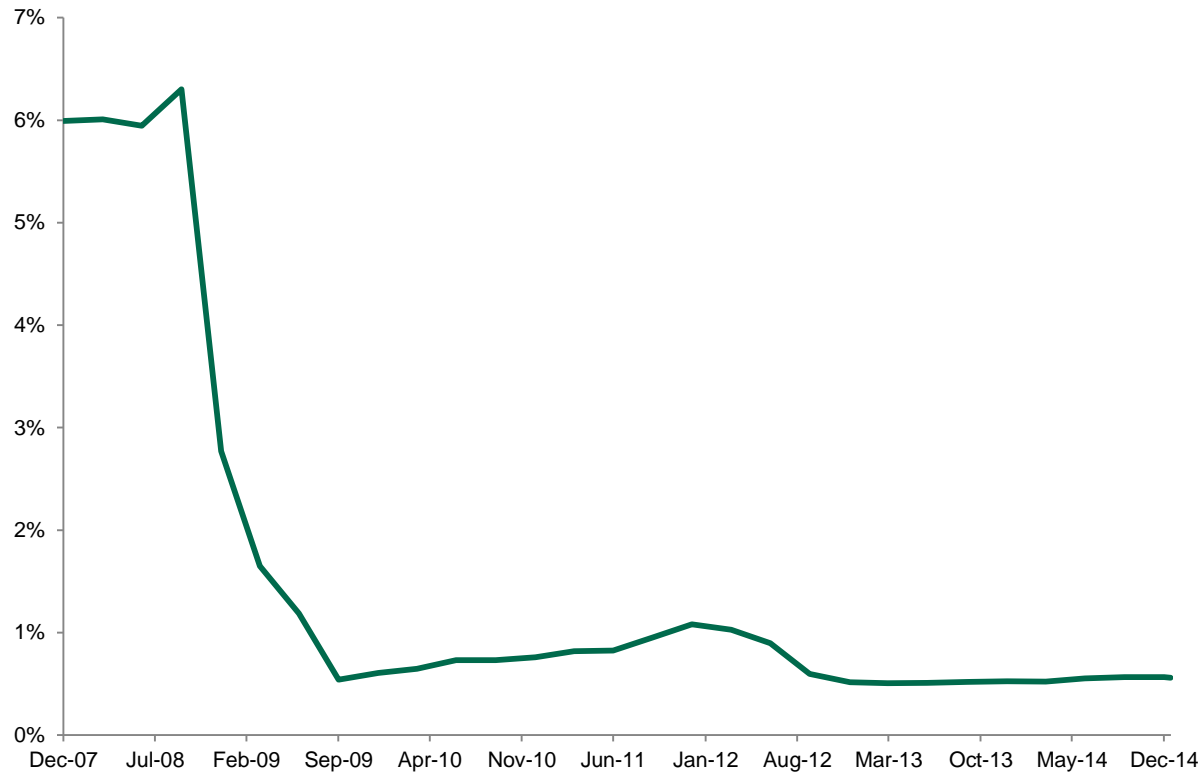


1. Corporate Cash S&P 1200¹ (\$trn)



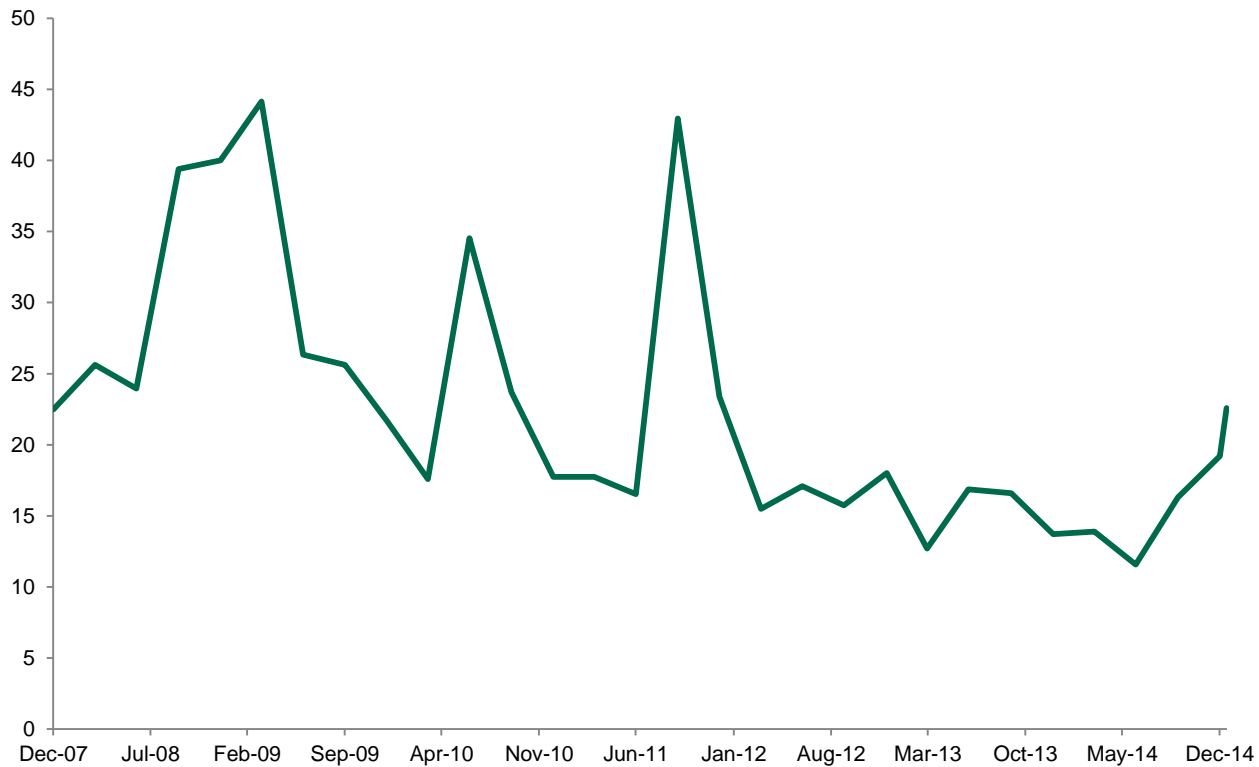


2. Low Interest Rates



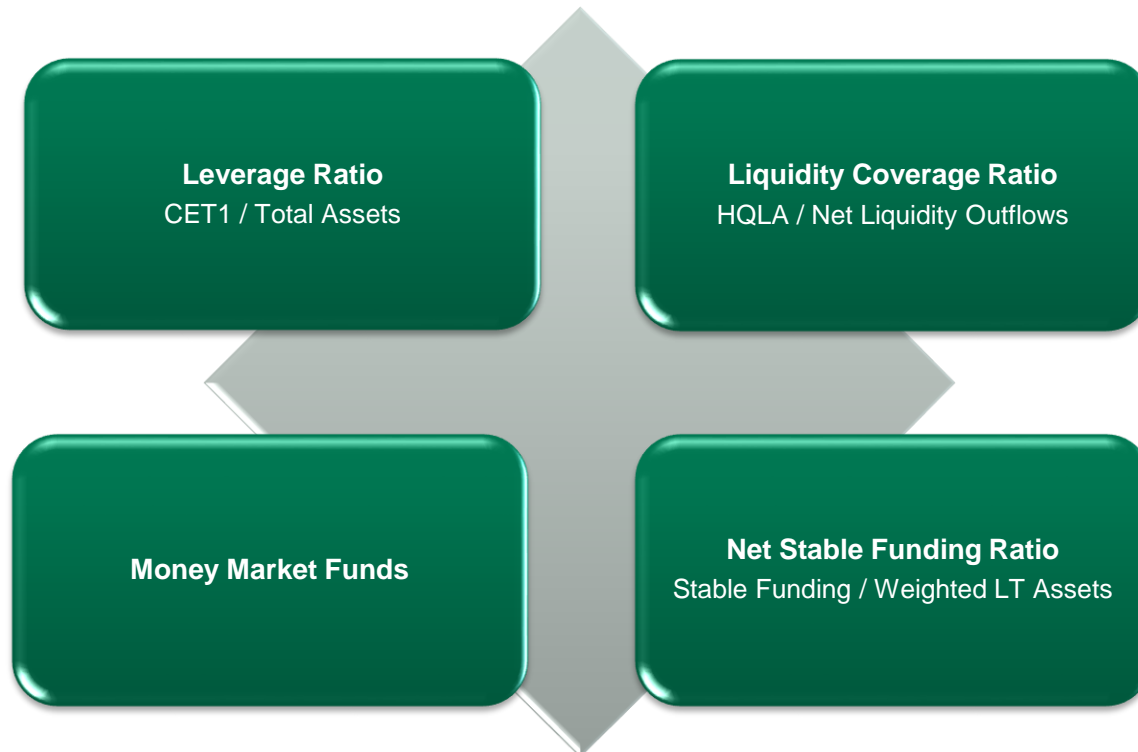


3. Risk Aversion: VIX Index





4. Changing Regulations



LIQUIDITY COVERAGE RATIO - LIQUIDITY OUTFLOWS



LIQUIDITY OUTFLOW RATES				
	Deposits & unsecured wholesale funding	Operational deposits	Committed credit & liquidity facilities	Secured wholesale funding
Individuals	Stable 5% Less Stable 10%	N/A	5%	Various rates dependant on quality of underlying collateral
SMEs	Stable 5% Less Stable 10%	25%	5%	
Corporates	40%	25%	Credit: 10% Liquidity: 30%	
Financial Institutions	100%	25%	Credit: 40% Liquidity: 100%	

REGULATORY REFORM – CORPORATE IMPACT



1

Bank Capital & Liquidity

- Reduction in credit creation capacity
- Overall higher relative cost of credit
- Steepening of credit term structure
- Banks manage across multiple return metrics

2

Bank Structures

- Greater complexity of market mechanics
- Possible reduction in netting / pooling
- Change in relative value of different product sets
- Possible changes in credit waterfall

3

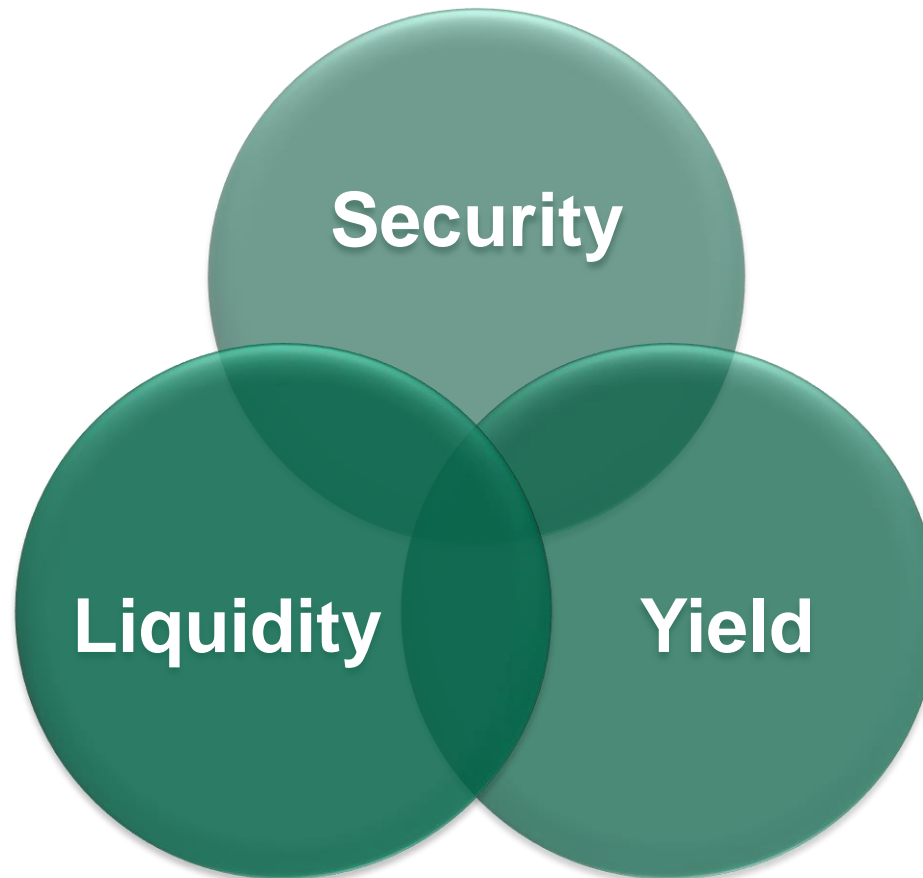
Markets

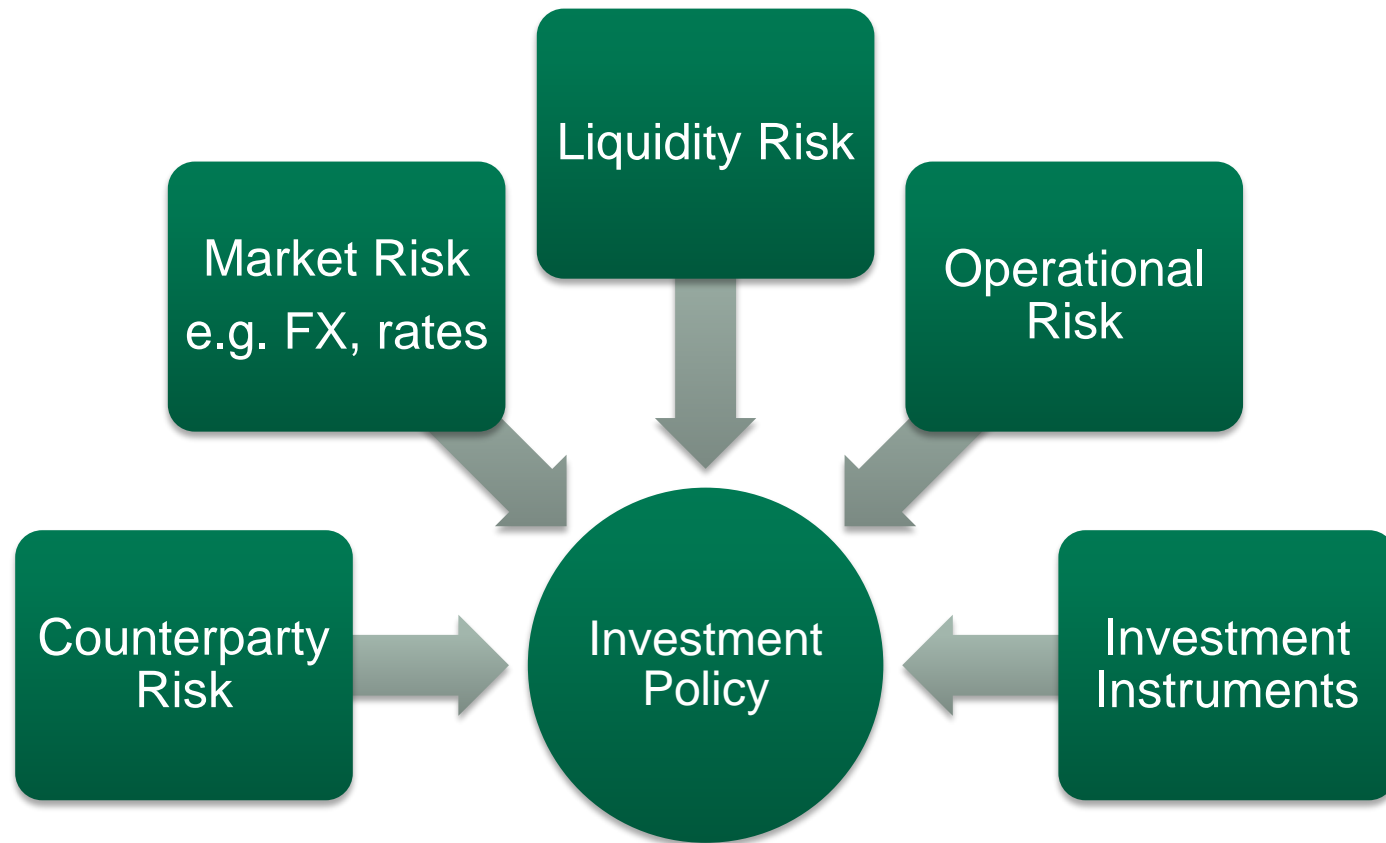
- Simplification of derivative product structures
- Increase in market infra complexity
- Fragmentation of trading liquidity pools
- Reduction in traded markets' liquidity

4

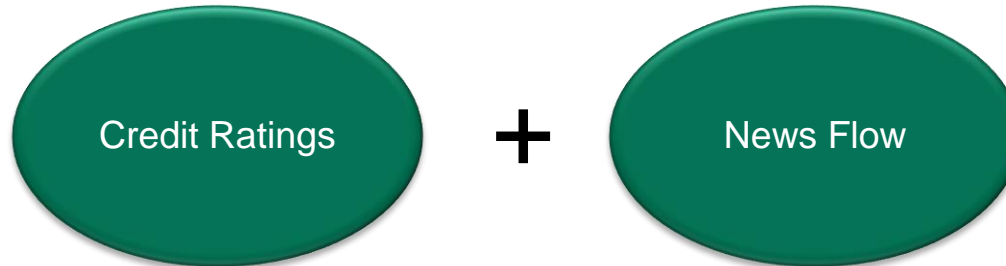
Other Regulations

- Reduced attractiveness of MMF funds
- Different US and EU regimes
- Risk of Financial Transaction Tax

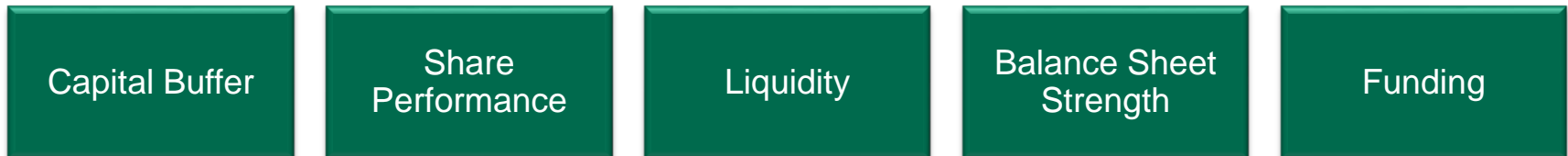




COUNTERPARTY CREDIT RISK FACTORS



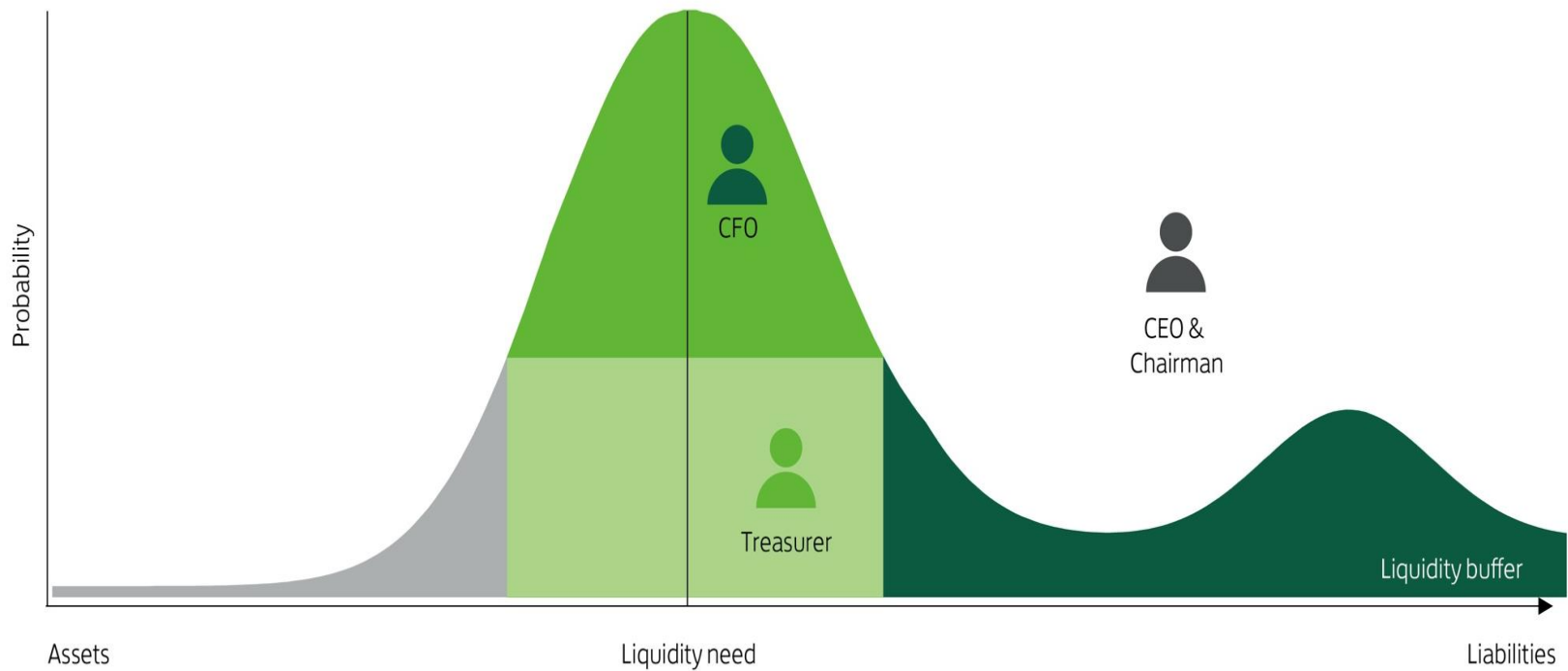
Quantitative Factors



Qualitative Factors



LIQUIDITY BUFFER ANALYSIS



STRATEGIC PLANNING



1

Historic Cash Flow Volatility

2

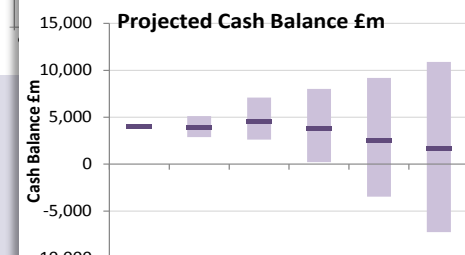
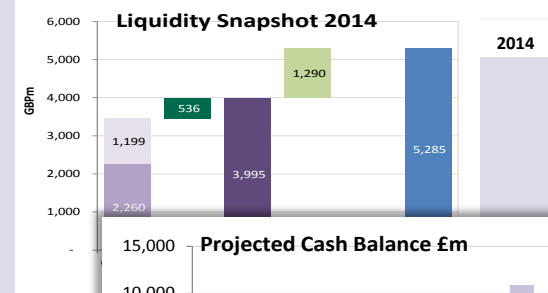
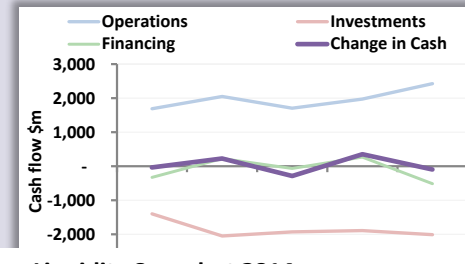
Available Liquidity Resources

3

Modelling Future Cash flow and Liquidity Shocks

4

Flexibility and Business Levers



FLEXIBILITY AND BUSINESS LEVERS (EXAMPLE)



2018

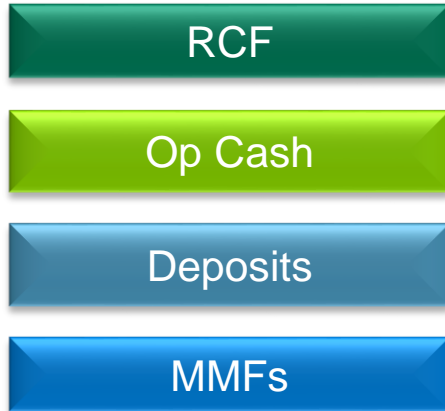
Category	Item	2017	2018
Sources	Net Total	10,419	10,419
	Interest income	100	100
	Dividends	450	450
	Other income	100	100
	Net Total	10,419	10,419
Uses	Capital expenditure	400	400
	Capital expenditure	400	400
	Interest expense	100	100
	Tax	100	100
	Dividend	1,540	1,540
	Dividend	1,540	1,540
	Dividend	1,540	1,540
	Dividend	1,540	1,540
	Dividend	1,540	1,540
	Dividend	1,540	1,540
Total	Change in Cash	479	479
	Cash + Depo	2,000	2,479

Not positive non-flow items

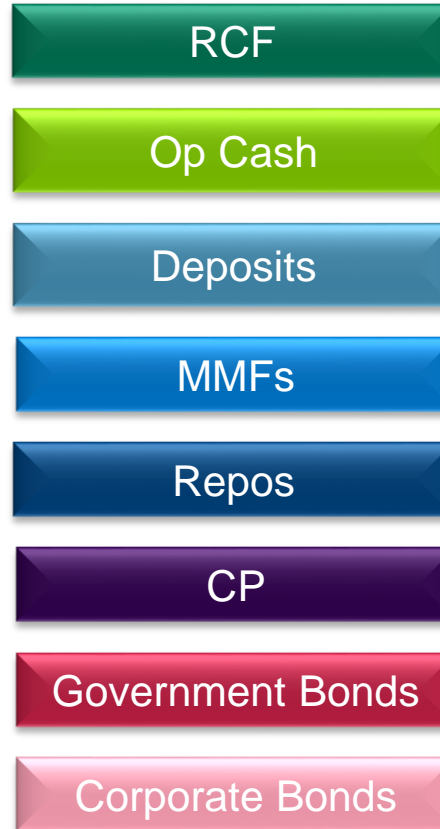
LIQUIDITY MANAGEMENT BECOMING MORE COMPLEX



Company A



Company B



Simple

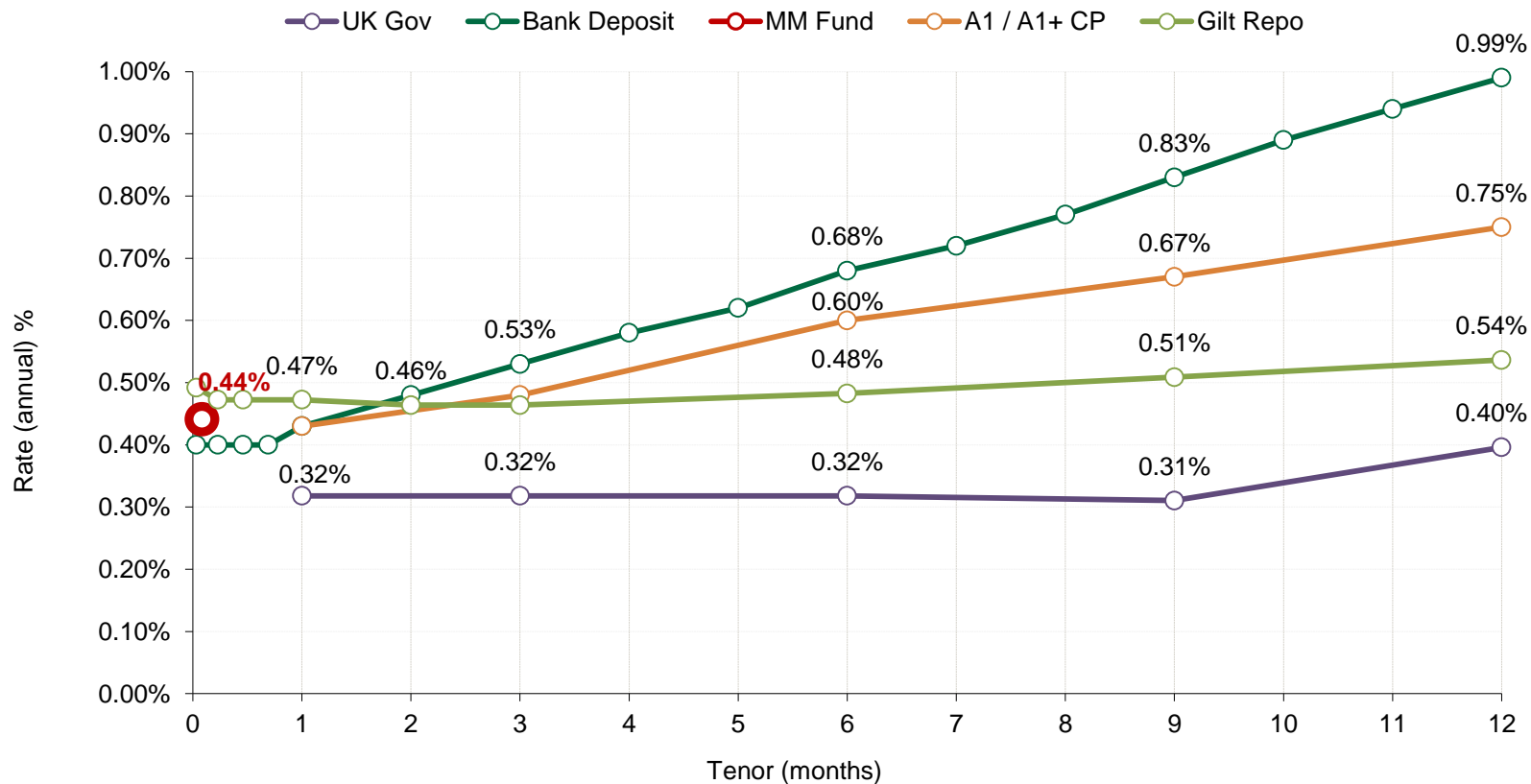


Complex

EXAMPLE COMPARATIVE YIELDS



GBP Yield Curves



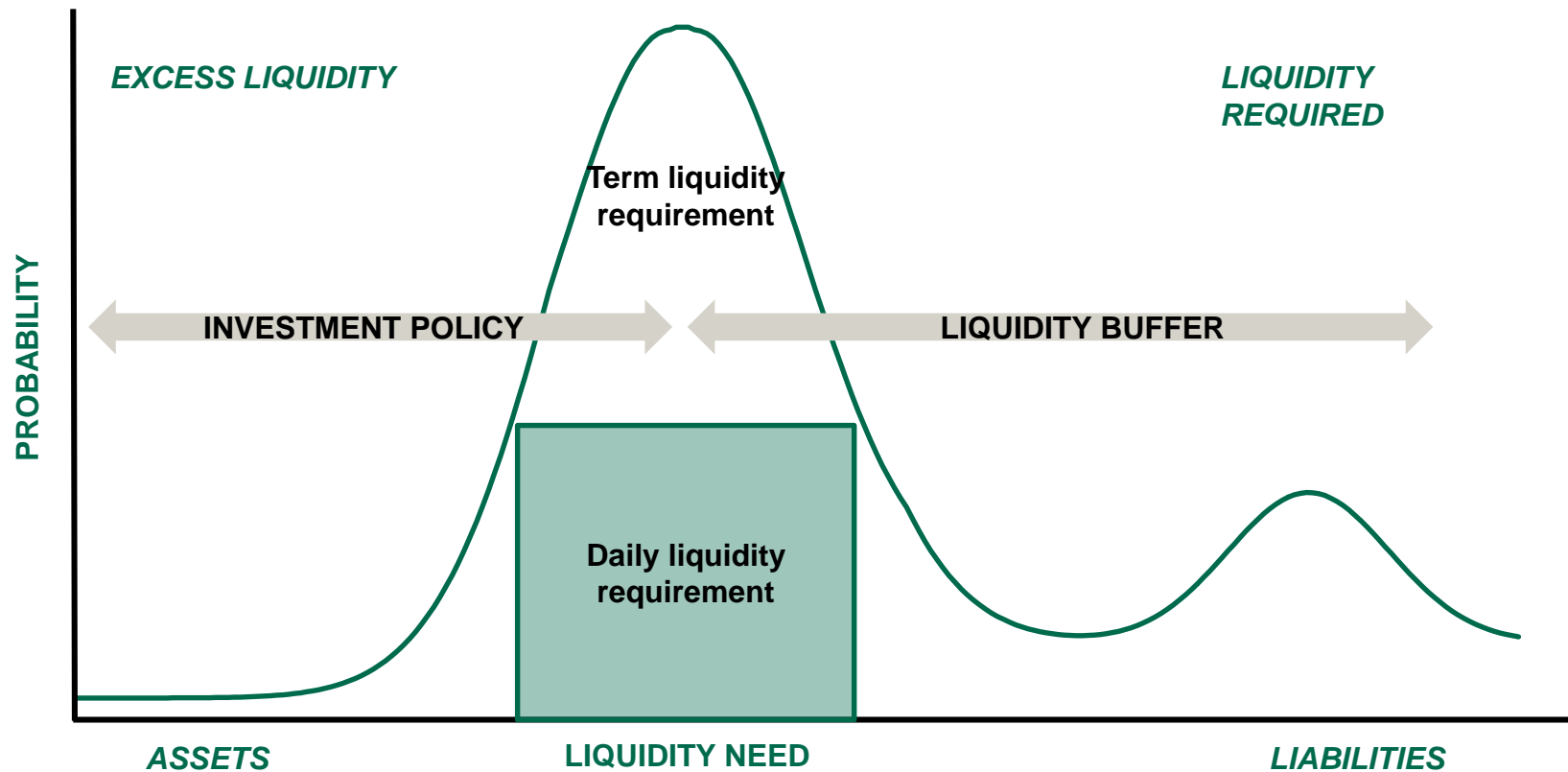
SUMMARY



Regulatory Impact

Investment Policy

Liquidity Strategy



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Chair's closing remarks

Will Spinney

Associate Director of Education

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11-12 February 2015 | London


ACT Europe Conference
5 March 2015 | Dusseldorf

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20-22 May 2015 | Manchester



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