COMMERCIAL BANKING

IS THE FUTURE LIQUID?

Nick Burge

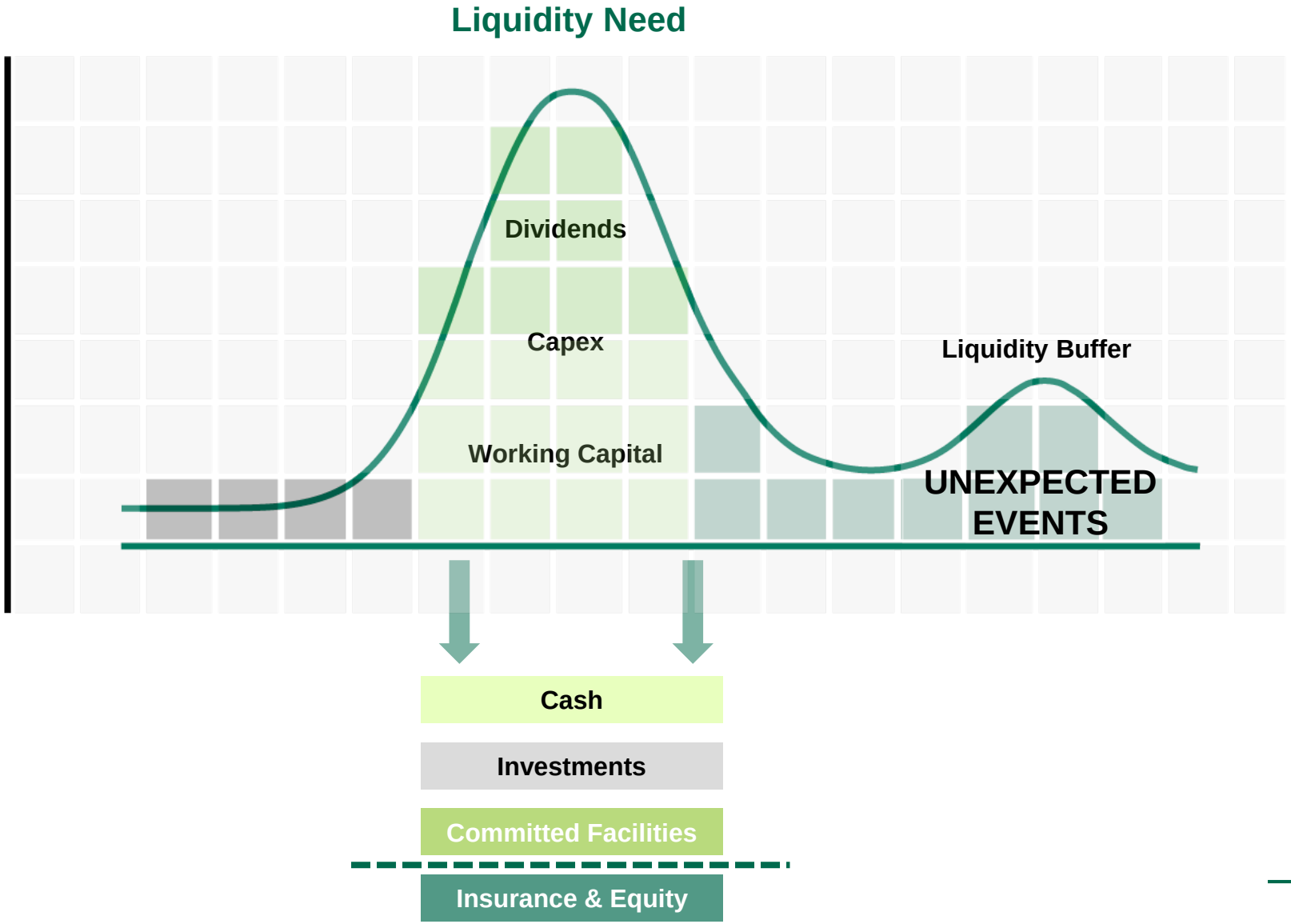
Managing Director

Head of Strategic Liquidity

7 October 2015

LLOYDS BANK

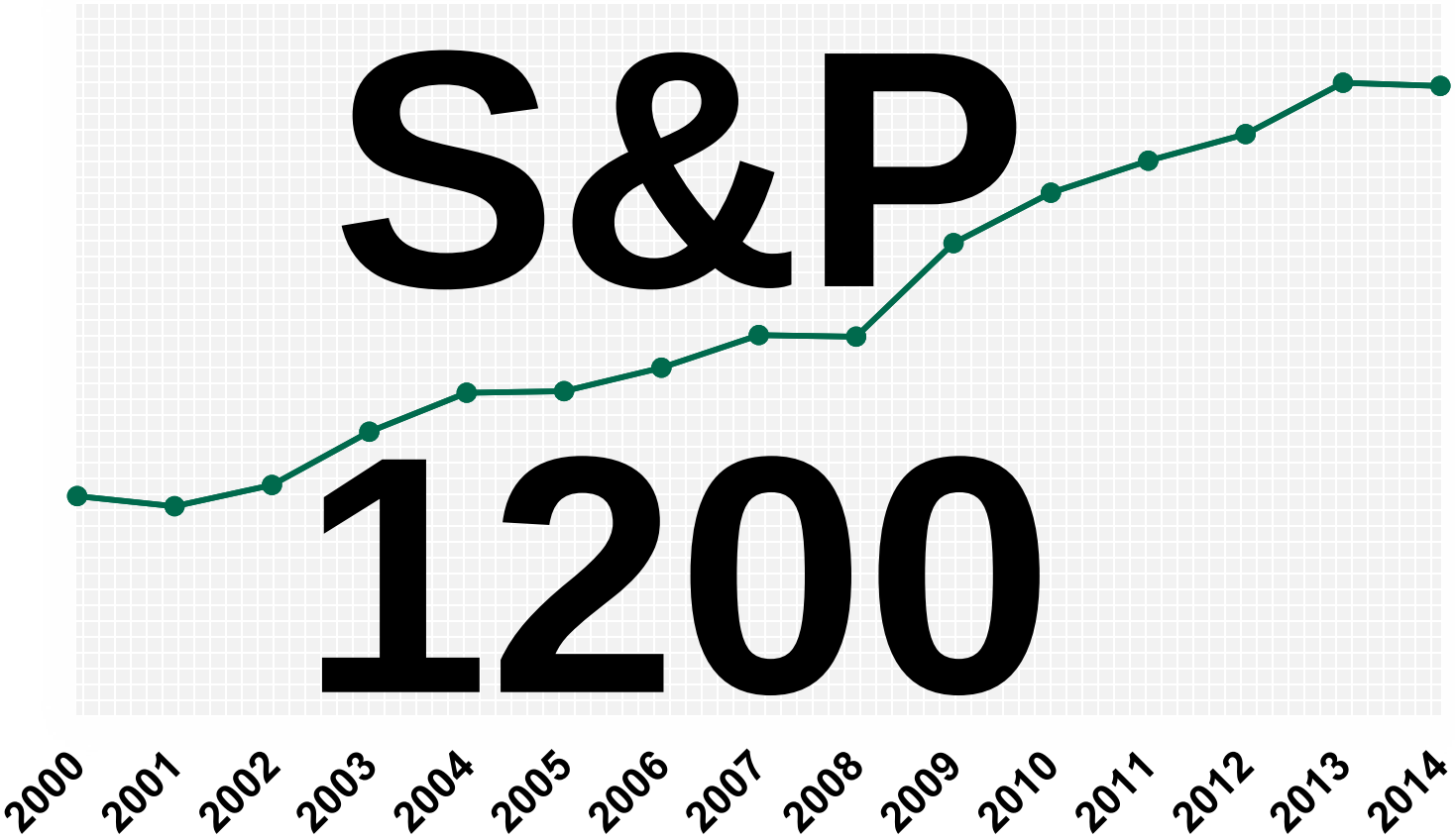
THE CORPORATE LIQUIDITY CHALLENGE



THE WORLD WE THOUGHT WE LIVED IN…?

…THE WORLD WE LIVE IN NOW?

RECORD CASH ON BALANCE SHEET



$3.5 TN

Corporate cash and equivalents growth from $1.22 TN in 2000

Cash on balance sheet for S&P 1200 companies (ex-financials)

LIQUIDITY REGULATIONS

Basel III

CRD IV
2014

LCR
2015

NSFR
2018

CAPITAL REGULATIONS

Basel III

CRD IV
2014

RCR

LR

MARKET & STRUCTURAL REFORMS

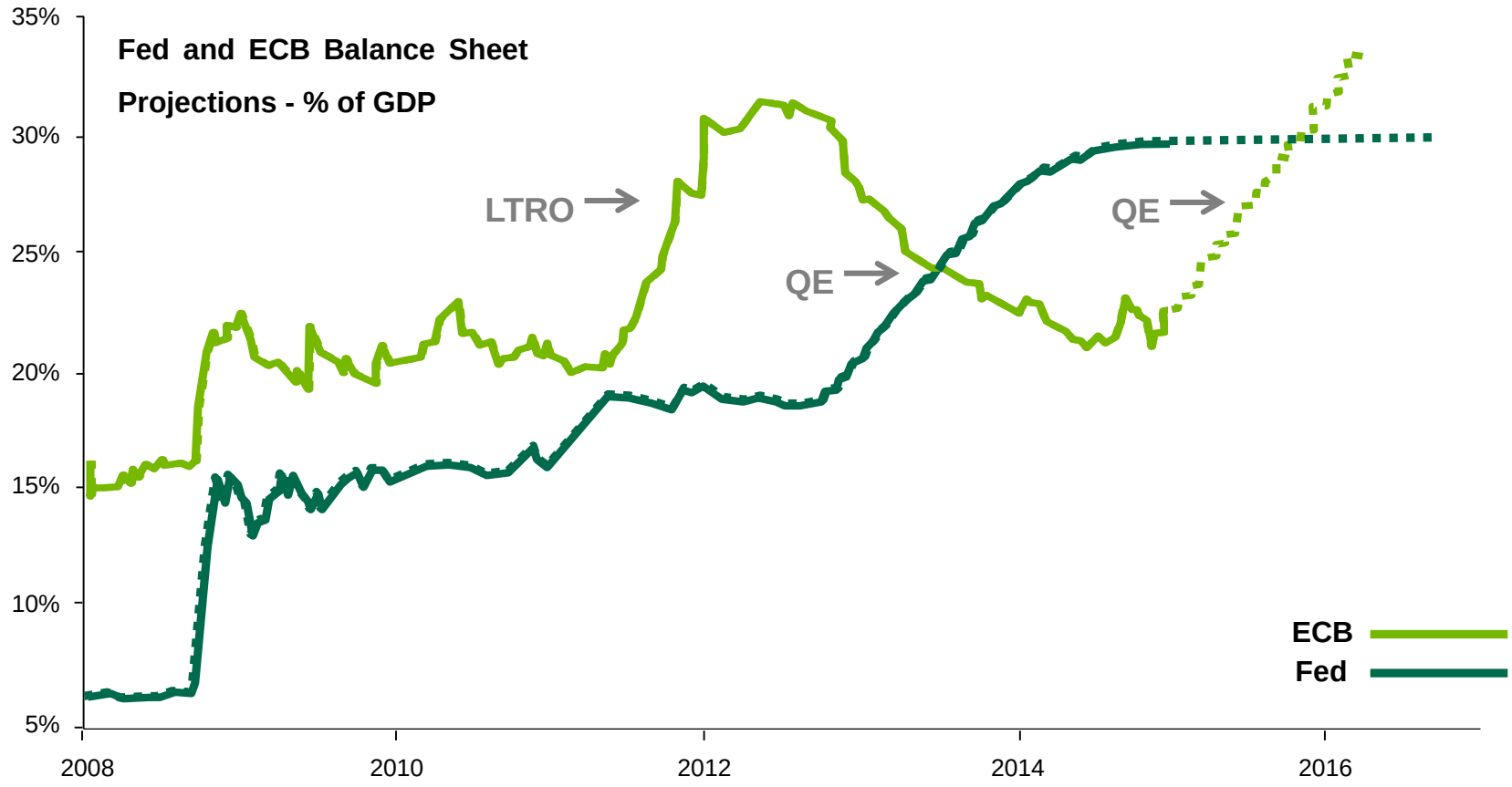
MULTIPLE IMPACTS…

	BANKS	CORPORATES
LIQUIDITY	✓	✓
CAPITAL	✓	✓
MARKETS	✓	✓
STRUCTURAL	✓	✓

COST OF CAPITAL AT AN ALL TIME LOW

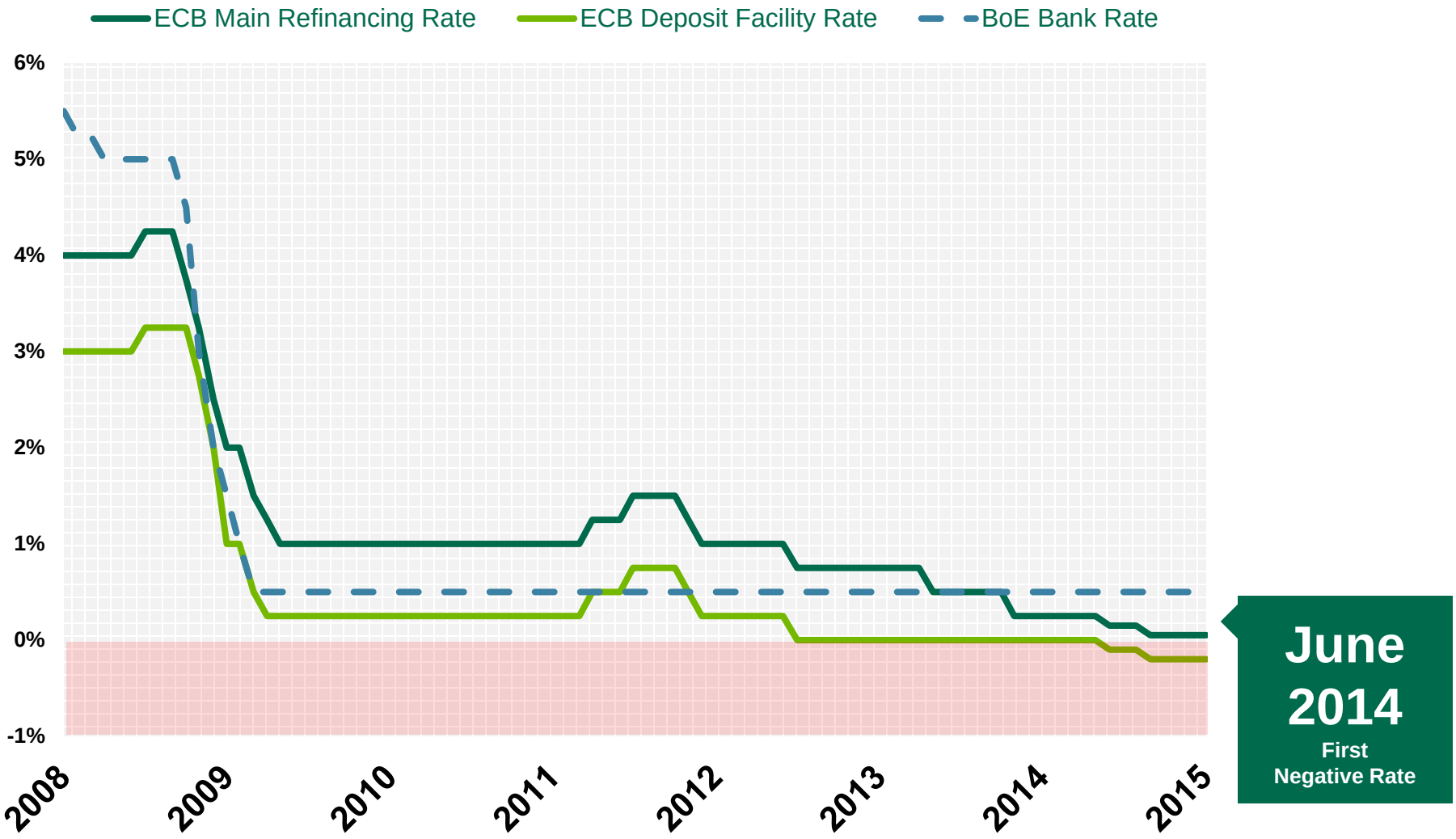
Source: UK DMO

FINANCIAL MARKETS ARE AWASH WITH LIQUIDITY…



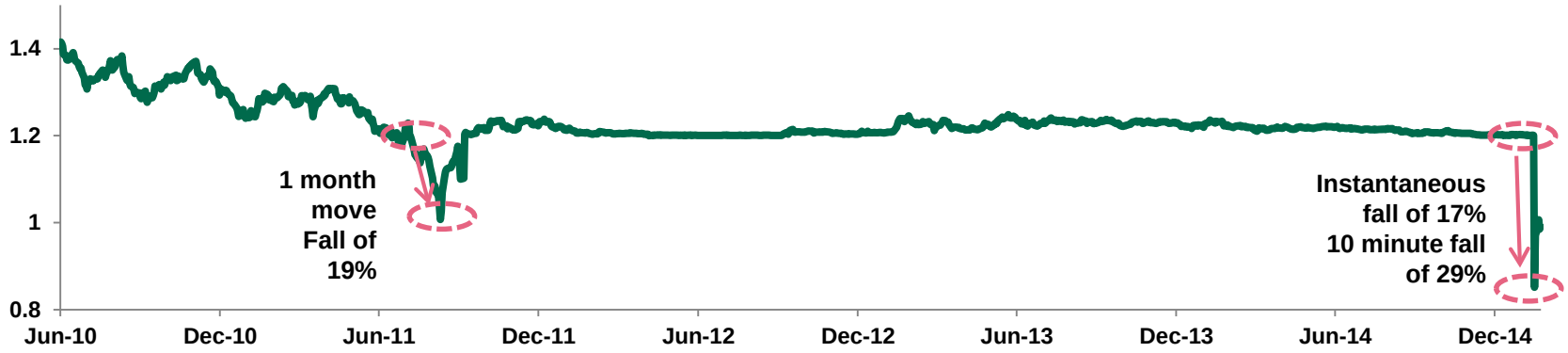
Source: Institute of International Finance

… BUT LIQUIDITY BUFFERS EXPENSIVE

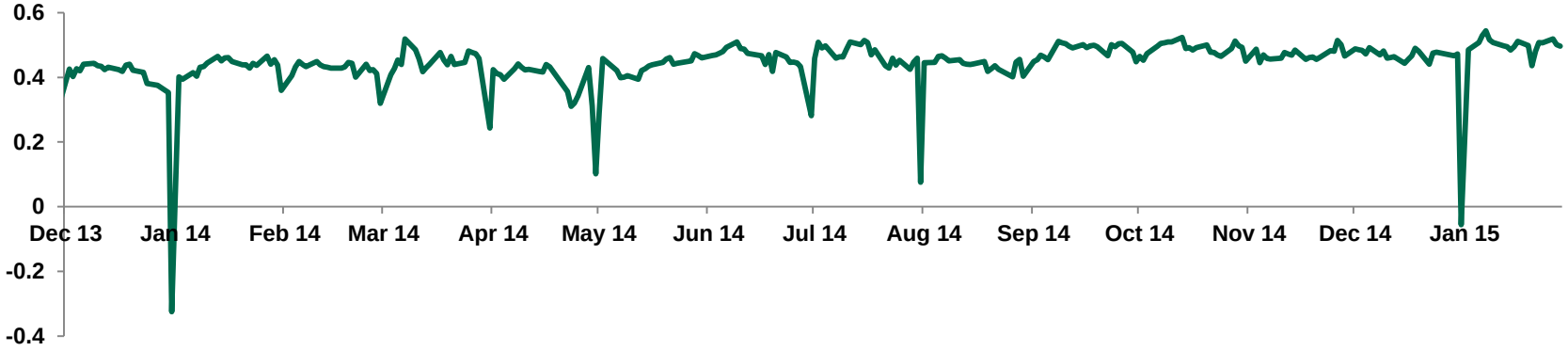


RECENT EXAMPLES OF MARKET DISLOCATION

EURCHF Spot

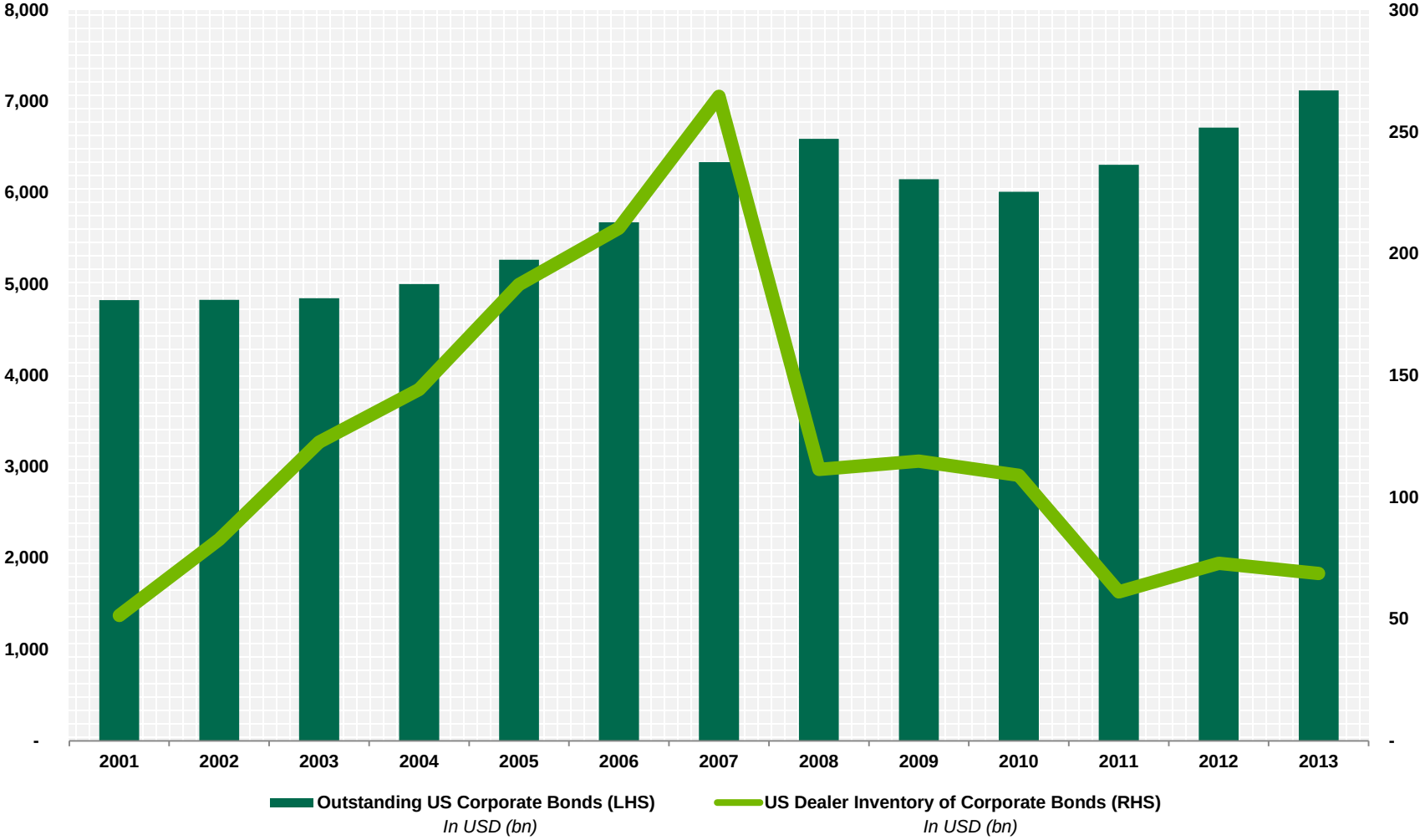


GBP Repo Overnight Index



Source: Bloomberg

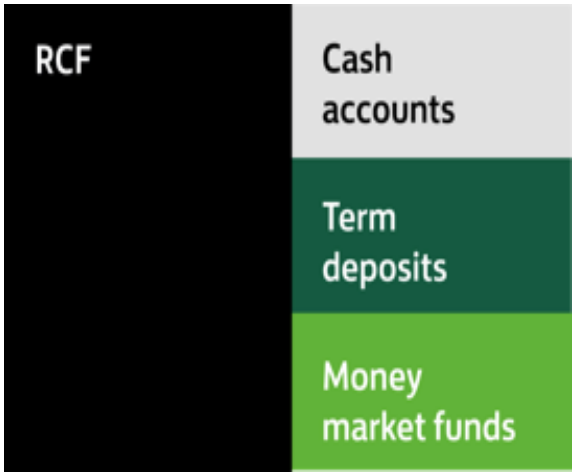
A LIQUIDITY MIRAGE?

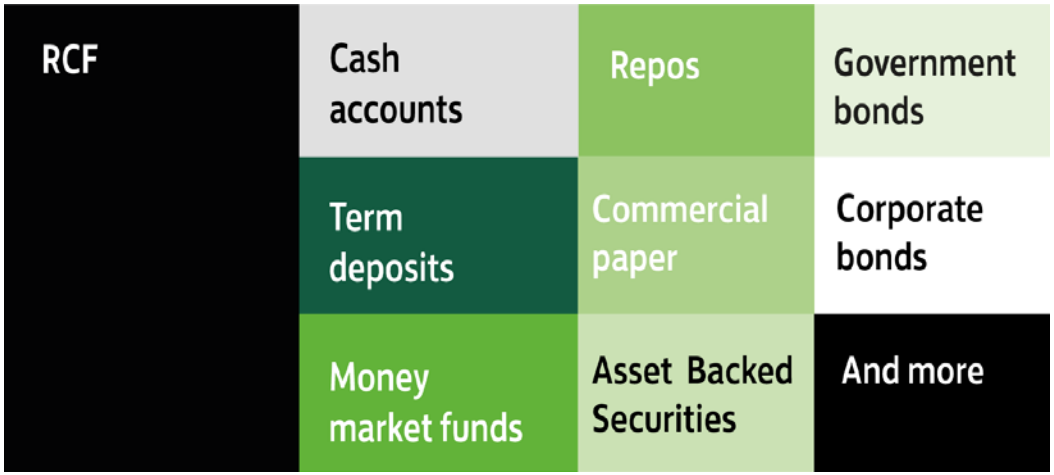


Reduction in Secondary Market Liquidity Capacity

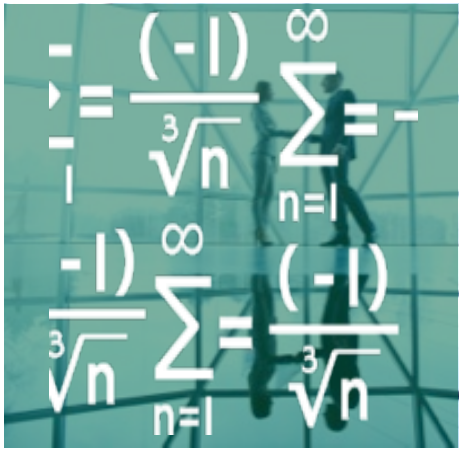
Source: Bloomberg

CORPORATES THE NEW ASSET MANAGERS?





IN CONCLUSION…



Optimise your liquidity structure

Mind the buffer

Develop as asset managers

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250

1765 – 2015