



The Power of Experience®

Understanding Current Market Turmoil From the Corporate Treasurer's Point of View

What follows are highlights from a panel discussion on the unprecedented changes taking place in the banking industry. Understanding how those changes will affect corporate treasury was the focus of this session, which was a standing room only event during the recent AFP Annual Conference in Los Angeles.

Moderator: Anthony J. Carfang, Treasury Strategies

Panelists: Doug Davis, FedEx
Ed Barrie, Microsoft
Chuck Walls, Exelon

1. How has your life changed as a result of the turmoil?
It's basically a 24/7 job. Treasurers are receiving five calls a day from the CEO who never used to call. There is a tremendous need to be constantly gathering news and information from as many sources as possible. Treasurers want to have lots of communication and dialog with their banks.
2. What initiatives have moved to your front burner?
 - Making sure credit agreements are buttoned up
 - Ensuring compliance with all covenants
 - Cash forecasting
 - Upgrading technology/communications to give global visibility and transparency of information
3. How have you changed your investment practices?
Treasurers are now more focused on shorter-term maturities as well as more secure investments. They have lost some confidence in the ability of rating agencies to rate investments, and have developed an appreciation for government securities as a result. They want to "look under the hood" of Money Market Mutual Funds to see the underlying instruments and understand what the funds are invested in.
4. How have you changed your risk management practices?
While they've always been interested in risk, today treasurers are looking at risk with a new perspective and several kinds of risk are of particular interest.
 - Counter-party risk
 - Receivables Management – credit quality of customers who owe money
 - Commodity risk – the fluctuating prices of raw materials and credit quality of suppliers (Will my suppliers stay in business?)
 - More carefully timing investment maturities with cash flow needs

Treasury Strategies, Inc.

309 W. Washington Street
13th Floor
Chicago, Illinois 60606

† 312.443.0840
f 312.443.0847

61 Broadway
Suite 905
New York, New York 10006

† 212.292.0856
f 212.292.0863

1 Northumberland Avenue
Trafalgar Square
London
WC2 N5BW
Great Britain

† +44 207 872 5551
f +44 207 872 5611

www.TreasuryStrategies.com

5. How have you changed your use of technology?
Technology has become more important for global visibility, transactions execution, and instant reporting to management. Investment portals are one example of a technology tool that is facilitating these needs. Additionally, SWIFT has become critical for bank communication.
6. How have you changed bank relationship management?
Relationship management is more important than ever. Treasurers want to hear from their bankers every day and speak with the most senior level person as possible. If bankers don't call back quickly, Treasurers start getting worried.
 - Treasurers are looking for red flags about their bank's solvency
 - They find themselves being pressured by bankers to give the bank more business
 - Treasurers also anticipate an increase in bank fees
 - Corporates used to keep more money with a single bank but are now spreading balances in order to distribute risk
7. What unknown factors are your biggest concerns?
 - Will the bank be forced into a merger?
 - What businesses at the bank will survive?
 - How will bailouts in other countries impact the banks in those countries with which the corporates do business?
8. What are the top 3 questions you are asking your bankers?
 - How's my credit? How's my credit? How's my credit?
 - How will the decisions made today in order to get through the current crises impact the bank's ability to serve corporates long term – absolutely a back of the mind thought.
9. What top 3 banker behaviors raise red flags and are a reason for concern?
 - Not returning calls - silence speaks volumes
 - Being in lots of meetings
 - Treasurers want clarity and specifics - avoid sweeping generalizations and be upfront about the situation, relationship, and credit
10. What changes have you made to safeguard access to capital?
 - Secure lending agreements
 - Comply with covenants
 - Re-confirm agreements with bankers

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