

# Treasury Strategies Quarterly Corporate Cash Briefing™ for 2Q 2014

## Presented by:

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17 July 2014



Treasury  
Strategies.

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# Agenda



**Corporate Cash Levels**

**The Changing Bank Landscape**

**What Treasury Strategies' Clients are Saying**

**Roundtable:**

- Federated Investors
- Fitch Ratings



# Corporate Cash Levels



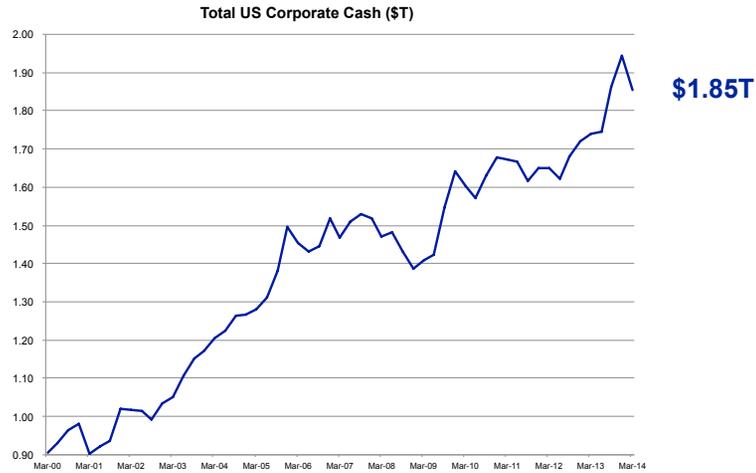
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# Corporate Cash Levels



## US corporate cash as of March 31, 2014



Source: Federal Reserve, Treasury Strategies

## UK corporate cash as of March 31, 2014



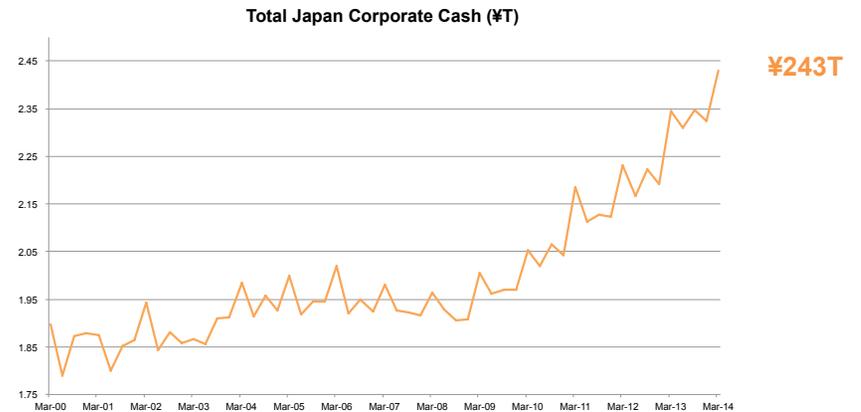
Source: Office of National Statistics, Treasury Strategies

## Eurozone corporate cash as of Dec 31, 2013



Source: European Central Bank, Treasury Strategies

## Japanese corporate cash as of March 31, 2014



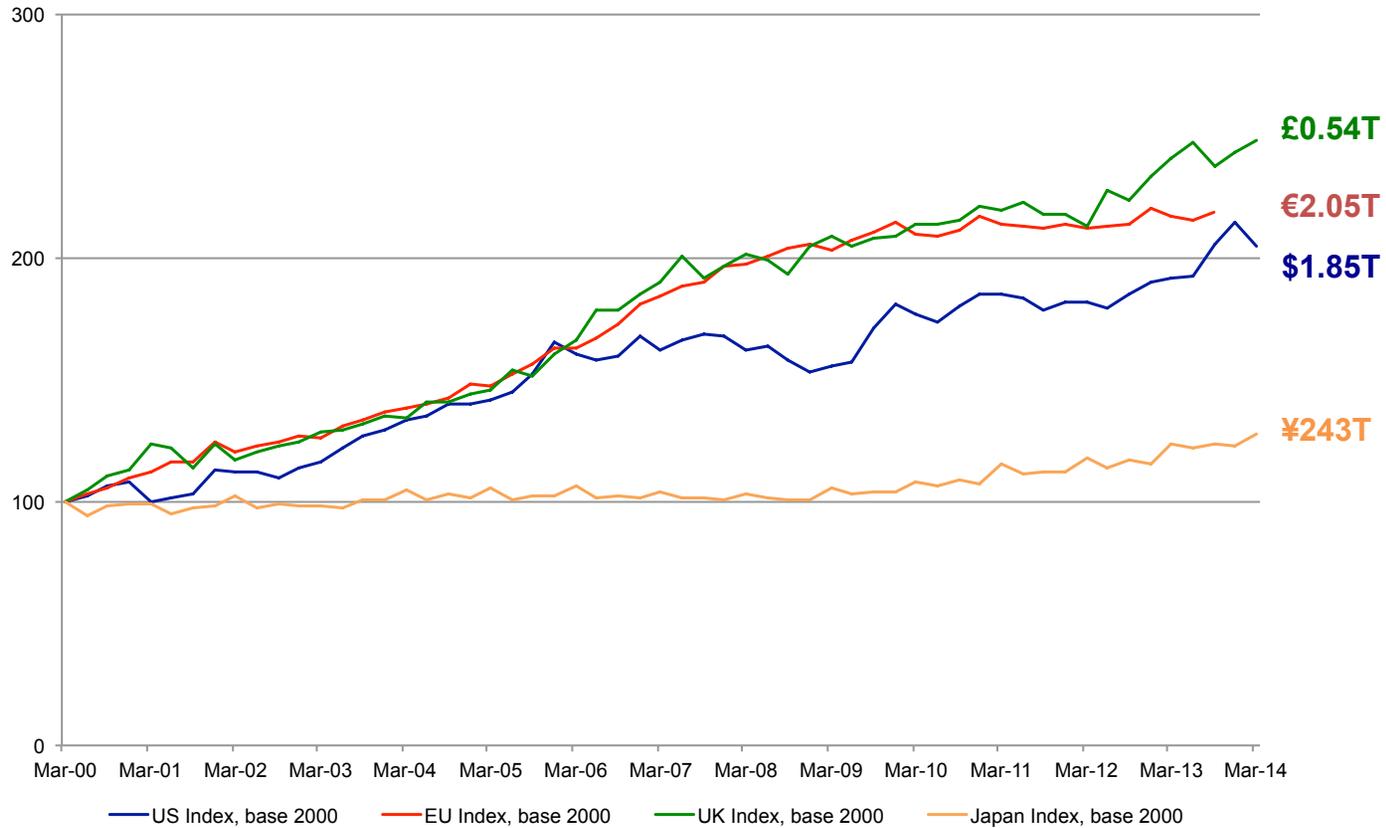
Source: Bank of Japan, Treasury Strategies



# Corporate Cash Index



### Total Corporate Cash Index



Sources: Treasury Strategies, Inc., Federal Reserve, ECB, ONS  
Note: 1Q 2000 = 100





## Corporate Cash as % GDP by Region



Country/Region	March 2000	March 2014
United States	9%	11%
Eurozone	14%	21%
United Kingdom	25%	32%
Japan	36%	49%

Source: Treasury Strategies' estimate





# Reserve Balances



**Bank Reserve Balances at the US Federal Reserve**  
March 2006 - March 2014



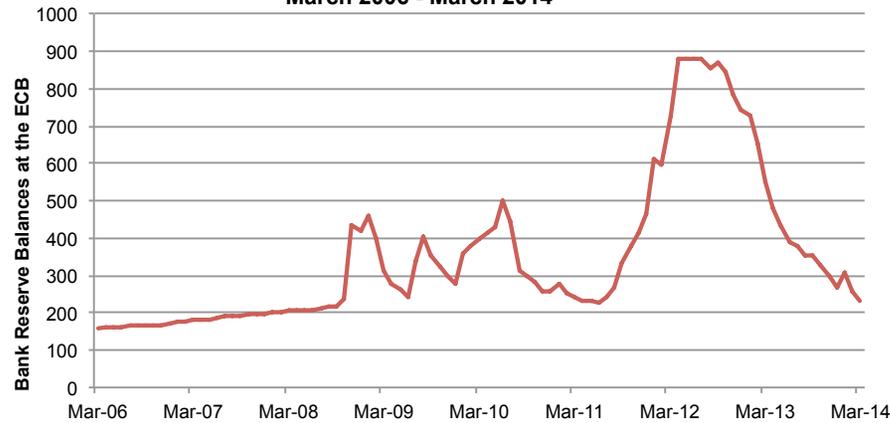
Source: Federal Reserve H3 Report, Treasury Strategies

**Bank Reserve Balances at the BOE**  
March 2006 - March 2014



Source: Bank of England, Treasury Strategies

**Bank Reserve Balances at the ECB**  
March 2006 - March 2014



Source: European Central Bank, Treasury Strategies

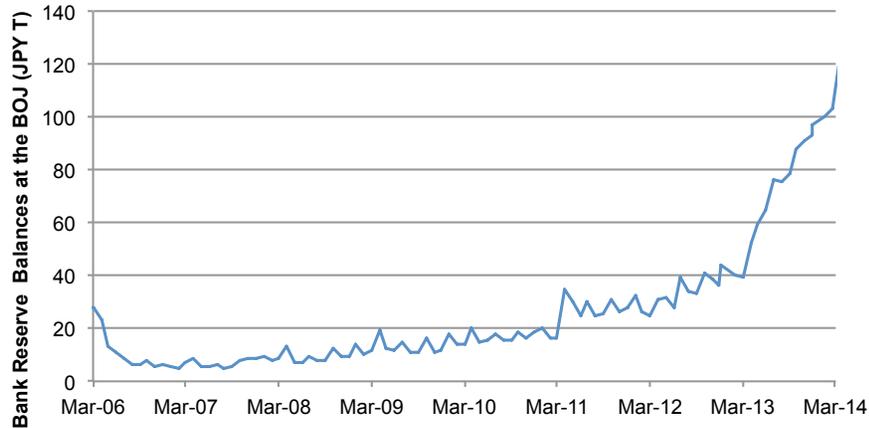




# Reserve Balances



**Bank Reserve Balances at the BOJ**  
March 2006 - March 2014



Source: Bank of Japan, Treasury Strategies

**Bank Reserve Balances at the Swiss National Bank**  
March 2006 - March 2014



Source: Swiss National Bank, Treasury Strategies



# The Changing Bank Landscape



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# The Largest Banks by Assets



Largest Banks by Assets (US \$T)				
2008		2014		
1	Royal Bank of Scotland Group	3.51	1 Industrial & Commercial Bank of China	3.18
2	Barclays	3.00	2 HSBC Holdings	2.76
3	Deutsche Bank	2.90	3 China Construction Bank Corp.	2.60
4	BNP Paribas	2.73	4 BNP Paribas	2.59
5	HSBC	2.53	5 Mitsubishi UFJ Group	2.51
6	JPMorgan Chase	2.18	6 JPMorgan Chase	2.48
7	Credit Agricole	2.17	7 Agricultural Bank of China	2.47
8	Citigroup	1.94	8 Bank of China	2.44
9	Mitsubishi UFJ Financial	1.92	9 Credit Agricole Group	2.34
10	ING Group	1.86	10 Barclays PLC	2.27
11	Bank of America	1.82	11 Deutsche Bank	2.25
12	UBS	1.74	12 Bank of America	2.15
13	Mizuho Financial	1.54	13 Japan Post Bank	1.97
14	Societe Generale	1.48	14 Citigroup Inc.	1.89
15	Banco Santander	1.46	15 Societe Generale	1.74

Source: Multiple

**New to the Largest 15 Banks by Assets**

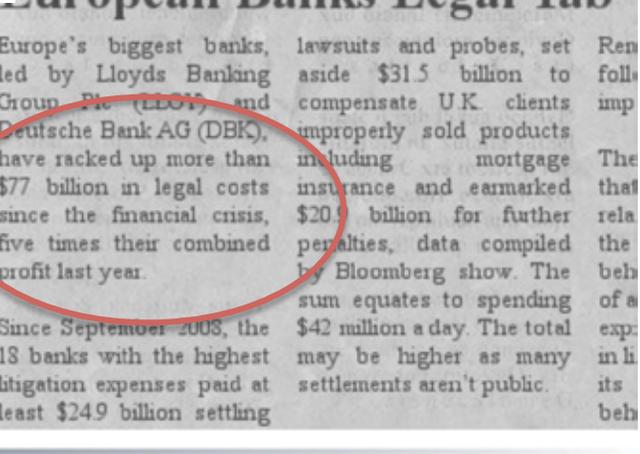
# Bank Fines: Dominating the Headlines



**“\$1.1 Billion and Counting –  
The New Era of OFAC  
Enforcement”**  
*BakerHostetler 4 March 2014*



**“ECB Officials Anxious About  
Impact of U.S. Fines on EU  
Banks. Central Bank Considers  
Adding Element to Stress Tests  
to Estimate Possible Damage.”**  
*Wall Street Journal 3 June 2014*

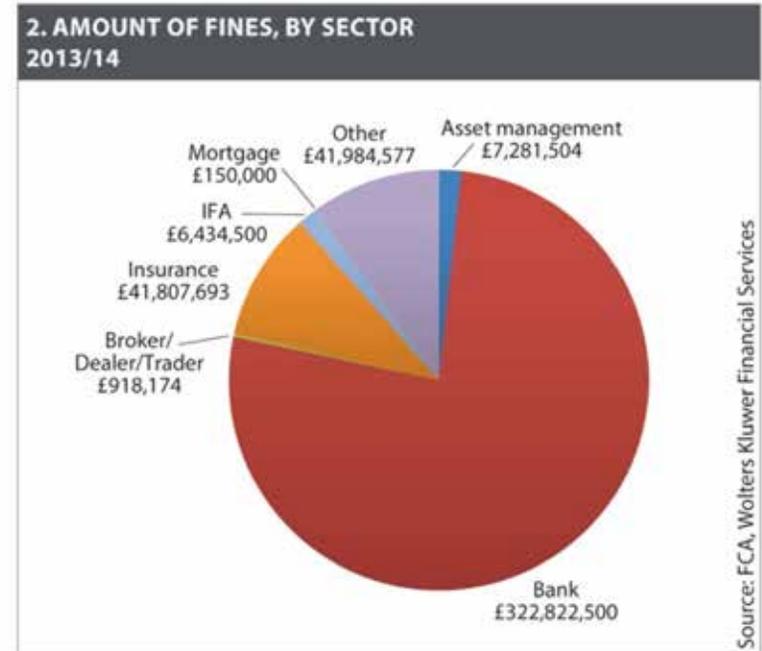
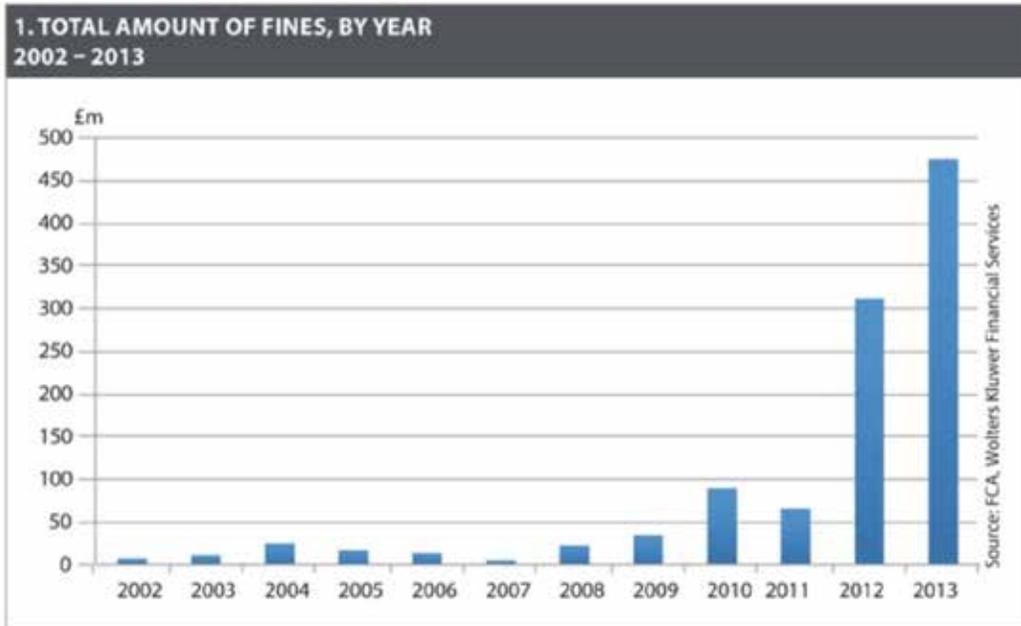




# Fines at Staggering Levels



**Financial Conduct Authority imposes £421MM in fines on financial institutions in its first full year of operations.**



Source: Operational Risk & Regulation April 2014



# What Treasury Strategies' Clients Are Thinking



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# Basel III Impact on Corporate Treasury



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## Basel III Changing the Rules of the Game for Corporate Treasurers

The full force of financial services regulation is about to come crashing down onto the desks of corporate treasurers. One of the potentially most disruptive regulations, Basel III, is right around the corner. Be prepared.

When “they” change the rules of the game, it usually changes the winners and losers. Add the three-point shot to basketball, and different players become the top NBA draft choices. Add or take away a tariff, and an import or export market suddenly prospers or dies. New rules can completely change what works.

### Basel III Changes the Rules

“They” are changing the rules of banking with Basel III, imposing a new capital “tariff,” which will impact borrowers, depositors and service users of all major banks. Many corporate treasurers regard Basel III as an obscure banking matter. Yet, Basel III could have significant corporate impact. Companies courted by bankers today could be shunned tomorrow. Banks will judge corporate clients by different standards, beginning in the near future. Depending on the nature of what you buy and the services you use, they may not place the same value on your business as they have in the past.

Properly structured and presented, your business could be more valuable to your banks. Leaving it to chance could render your business less valuable. What you learn and do now may help you influence that.

### The Details—How You Are Affected

Among other things, Basel III brings tighter regulation to the liability side of a bank’s balance sheet, putting a premium on stable deposits. Important new ratios will be applied to determine required capital. Required capital will soon be linked to the quality of a bank’s liabilities, which will certainly affect credit availability, appetite for deposits, and pricing for certain services. This is likely to change banks’ financial strategies and cause them to introduce new incentives for the relationships and deposits that help their ratios, and new disincentives for those that hurt.

Although some of the fine points of Basel III are still being worked out, the broad principles have been settled. And while there’s no global enforcement body—each country has the sovereign ability to determine how the rules apply to its banks—there will be strong pressure to make enforcement homogenous. Bank regulators certainly don’t want to see arbitrage across political jurisdictions.

One of the potentially most disruptive regulations, Basel III, is right around the corner. Be prepared.

For an electronic copy of the full paper please visit:

[http://treasurystrategies.com/sites/default/files/TSI\\_Basel\\_III\\_050714.pdf](http://treasurystrategies.com/sites/default/files/TSI_Basel_III_050714.pdf)

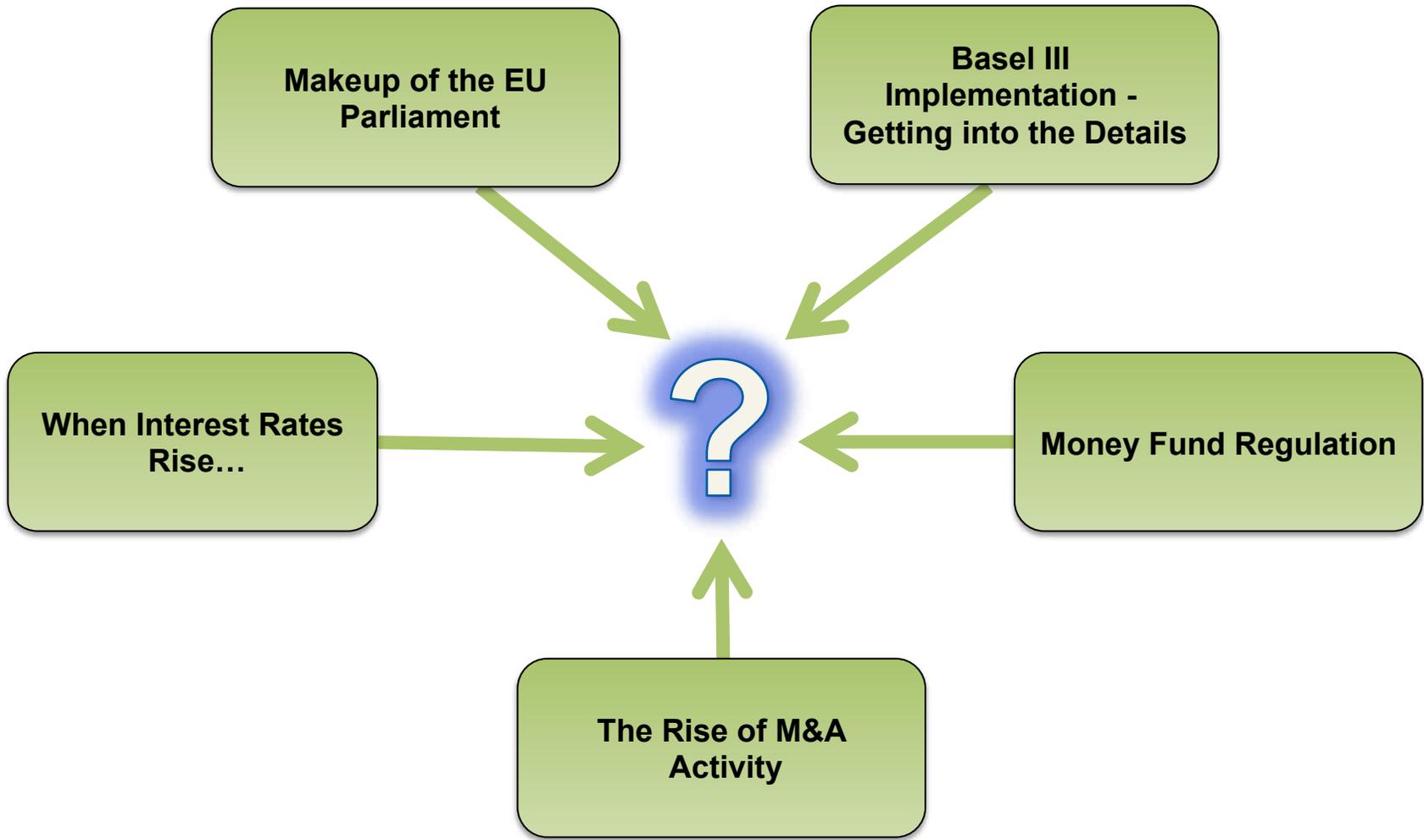
# Game Changers



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# Potential Game Changers



# Speakers



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# About Treasury Strategies, Inc.



## Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

## What We Do

### Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

### Treasury Technology

We provide guidance through every step of the technology process. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

### Financial Services

Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.

## Locations

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## Accreditations



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# About Federated Investors, Inc.



## FIRM PROFILE

**\$379.8 BILLION IN AUM**

### History of Quality and Innovation

- Founded and headquartered in Pittsburgh PA, 1955
- Offices in New York, Rochester, Boston, Dublin, Frankfurt, London and Melbourne
- 1,400+ employees worldwide including 223 investment professionals and 84 Chartered Financial Analysts
- Pioneer of money market and fixed income funds

### Publicly Traded

- NYSE listed: FII
- Employees share in approximately 20% of firm's ownership

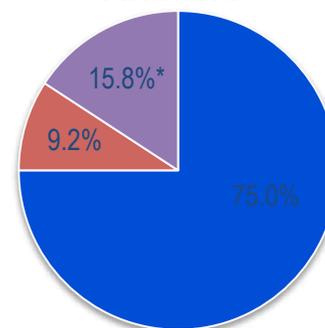
### Investment Management Singular Focus

- Committed to delivering long-term outperformance
- Strategies utilize risk-management process and maintain style consistency

### Well-Resourced Investment Teams

- Experienced specialized teams committed to delivering long-term outperformance
- Deep historical commitment to proprietary research
- Majority of investment professionals' compensation directly tied to performance

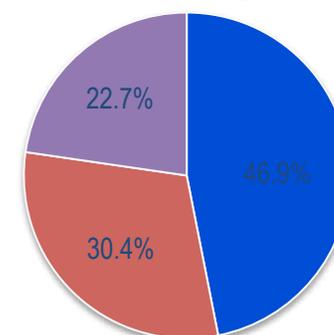
### Firm-Wide



■ Liquidity Management ■ Equity ■ Fixed Income

*\*Liquidation portfolios comprise of 12.2% of firm-wide fixed income total.*

### 4Q Revenue by Source



■ Liquidity Management ■ Equity ■ Fixed Income

*Asset breakdown as of 12/31/12*



## About Fitch Ratings



# Fitch Ratings

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