

Impact of Basel III on Deposits

Is Your Institution Prepared?

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Presented By

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Introductions



Today's Presenters



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Agenda

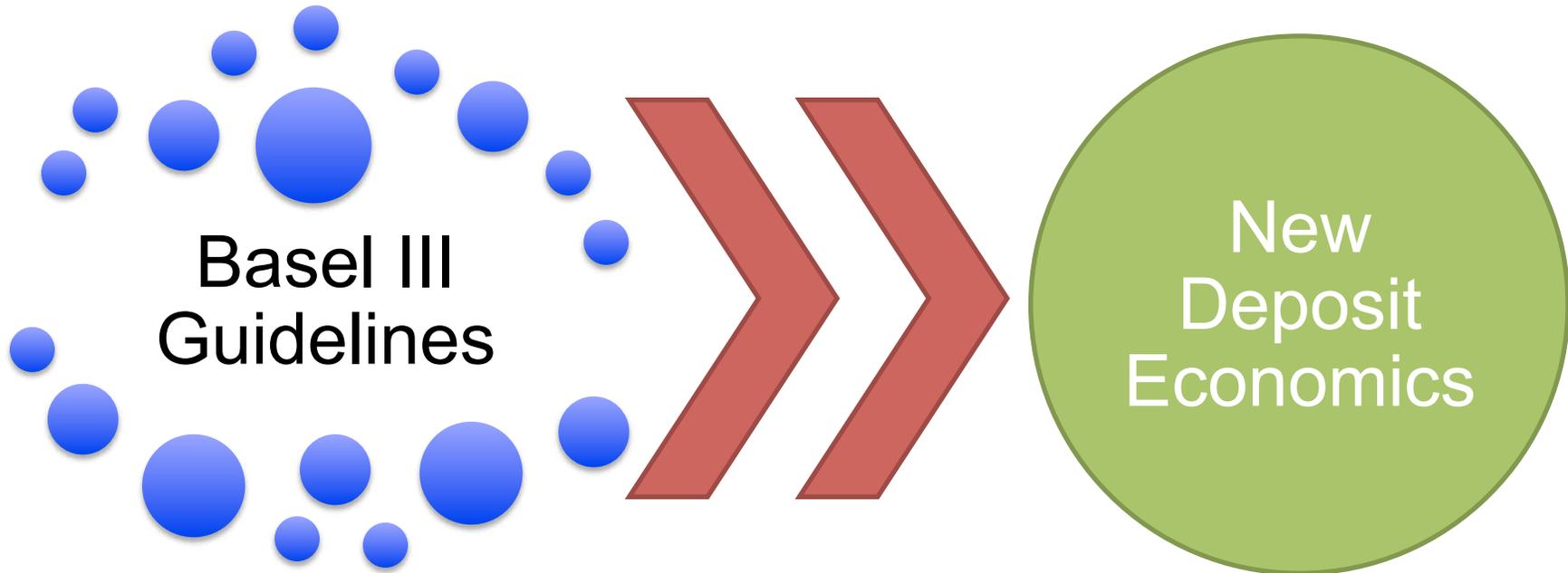


- 1 Overview
- 2 Dissecting the Regulation
- 3 Preparing for Change
- 4 Q&A





Overview



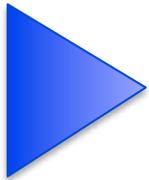
Fed Notice of Proposed Rulemaking (US)
Prudential Regulation Authority (UK)
Etc.

Competitor, Market and Regulatory Responses





Overview



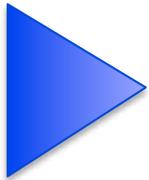
Minimum Liquidity Coverage Ratio (LCR) based on modeled runoff of both tangible and contingent assets and liabilities.



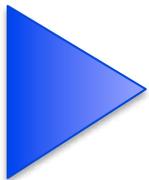
Runoff rates vary by deposit “bucket” based on type, segment, term and behavior.



LCR will produce divergent deposit valuations – some highly valuable, others destructive to shareholder value.



Assessing deposits for LCR is an unclear process that will challenge bank data systems and analytics.



Banks will introduce new products, market strategies, contracts and analytics / MIS in response.

Interpretations of Basel III vary by regulatory jurisdiction.

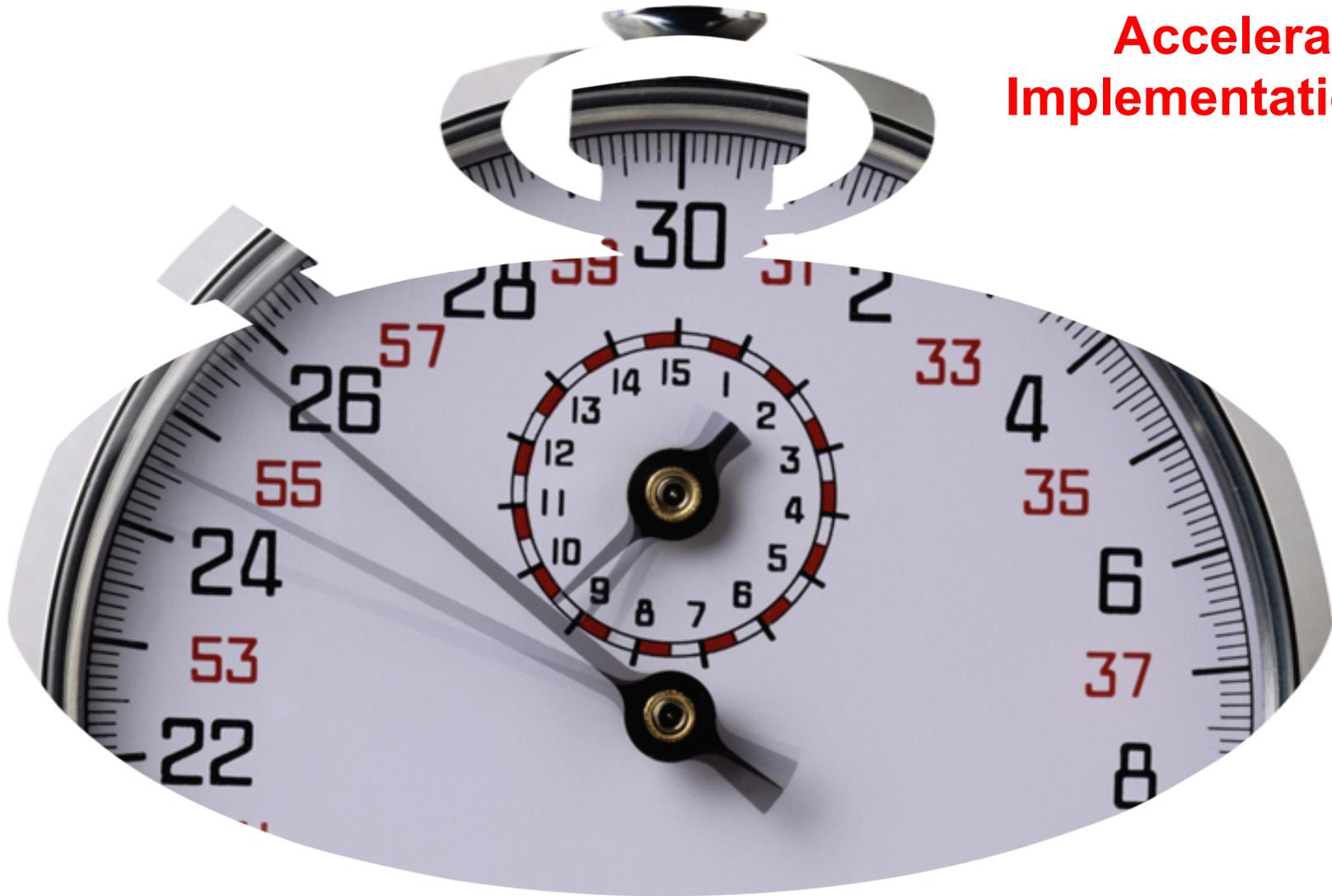




Overview



**Accelerated
Implementation!**





8 Rules – Do you Pass?

Term

Volatility

**Deposit
Type**

**Deposit
Purpose**

**Economic
Incentive**

**Excess
Funds**

**Customer
Type**

**FI
Deposits**





Many Technical Questions ...



What constitutes significant volatility? How to measure?



What constitutes excess funds? How to measure?



Do I need to change my product structure and contract language to ensure deposits are operational?



What is the threshold to define a significant penalty for early withdrawal of a term deposit?



What qualifies as an economic incentive to hold excess funds?





Many *Strategic* Questions ...



Within the bank, who does what?



What parts of my deposit portfolio are unattractive?
Attractive?



What changes do I need to make to rate strategies, target clients, product structures, positioning, etc.?



Who is going to bank investment companies, non-regulated funds and investment advisors?

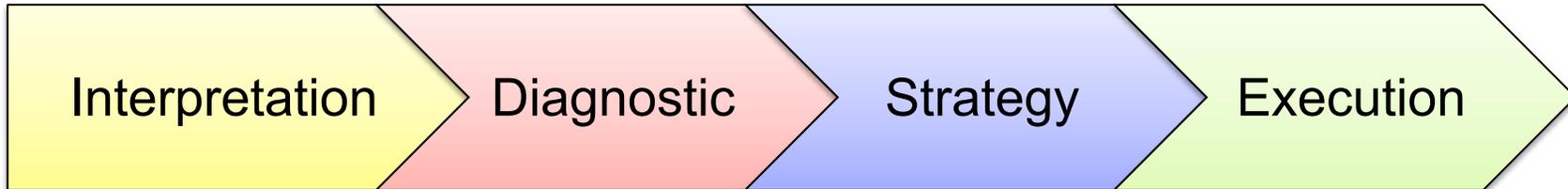


How will clients and competitors respond?





Treasury Strategies Basel III Readiness Program



- Technical interpretation
- Isolation and estimation of unknowns
- Mechanical preparation
- Regulatory advocacy
- Benchmarking

- Scenario development
- Portfolio modeling
- Analysis of results
- Second level analysis of structural drivers
- Modeling of competitor / client responses and impact

- Options for response – product, price, market, etc.
- Modeling of options
- Alignment of options to value proposition
- Base strategy
- Dynamic strategy
- Isolation and testing of outlier views

- Required infrastructure
- Accountabilities and timeline
- Coordination and change management
- Risk mitigation and quality control
- Governance
- Communication – internal and external



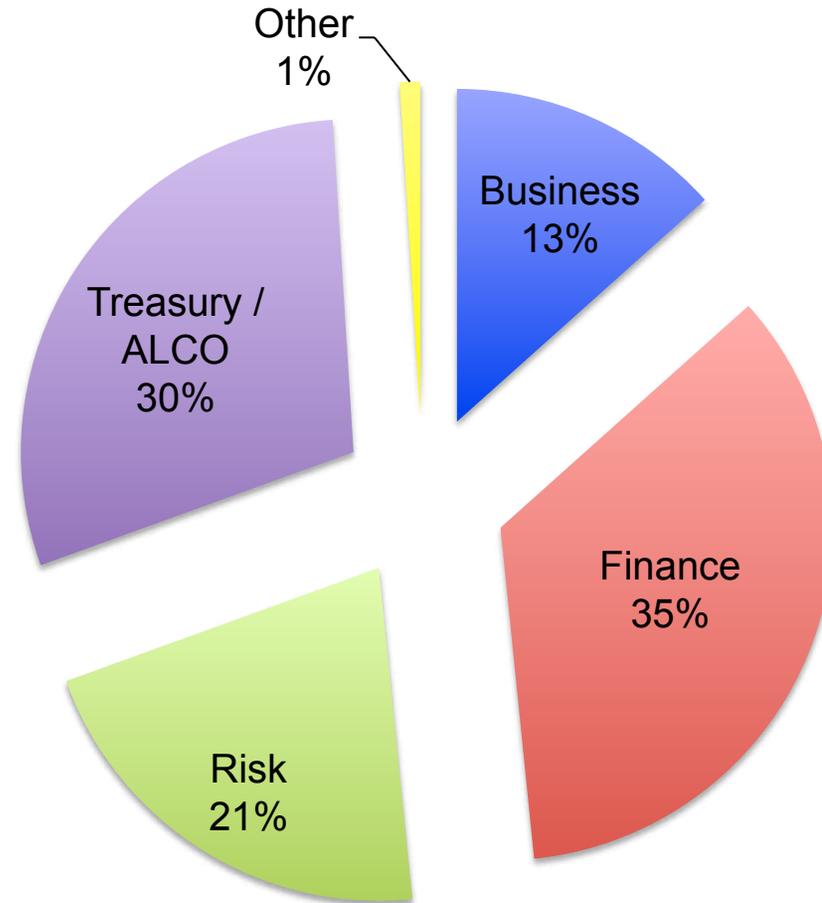


Preparing for Change



Who is taking the lead in your institution's Basel III preparedness?

Why isn't business taking the lead?



Based on Treasury Strategies Basel III Readiness Survey: 620 responses



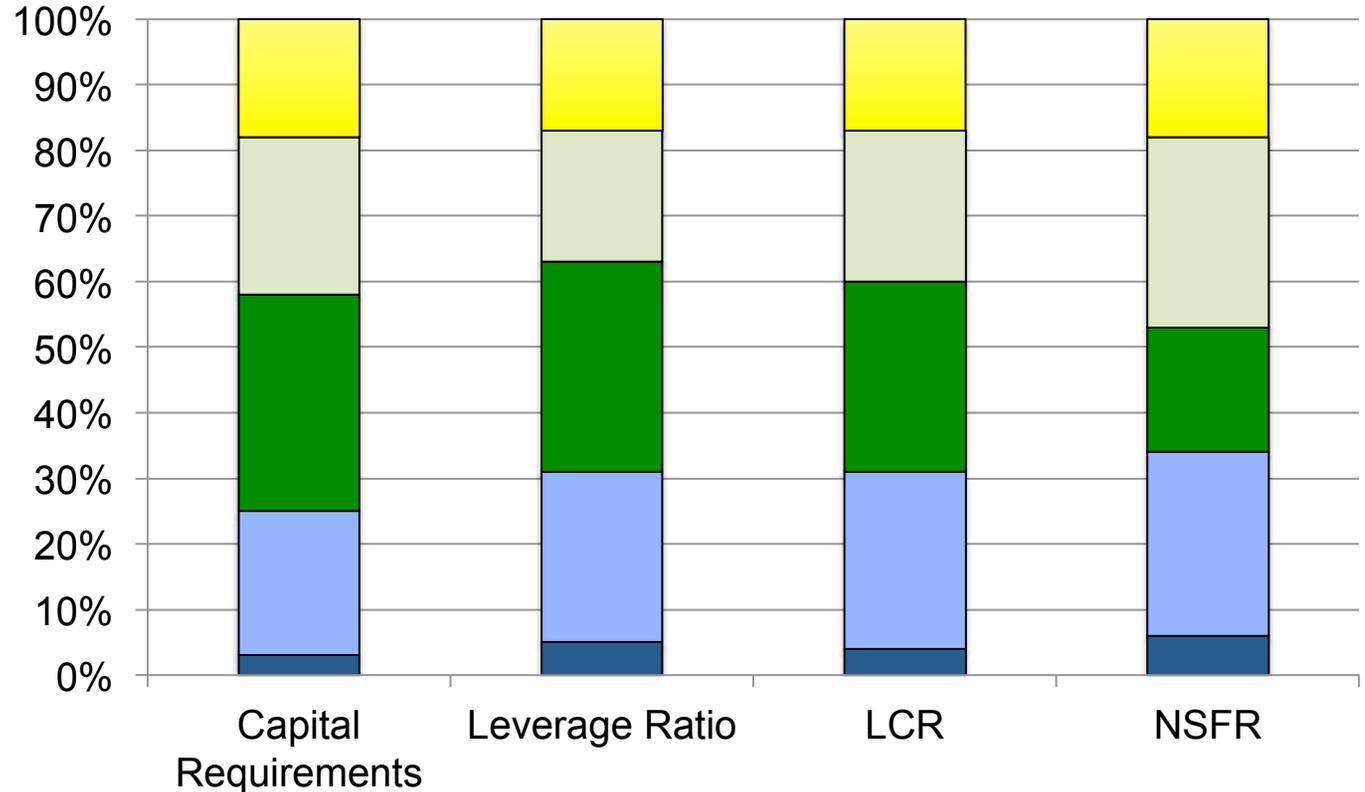


Preparing for Change



How Ready Are We?

Have you identified the impact of the following components of Basel III?



- No - Unnecessary
- No - But Plan To
- Yes - But Will Improve
- Yes - And Credible
- Unsure





Q&A





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- Global Banks
- Regional Banks
- Solution Providers
- Associations
- Regulators

Solutions

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- Revenue Enhancement
- Deposit & Sweep Pricing
- Sales Training & Effectiveness
- Product Opportunity & Gap Analysis
- Operational Efficiency
- Risk Management & Compliance
- Competitive Assessment & Positioning
- Vendor Selection & RFP Management
- Market Analysis





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