

# 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

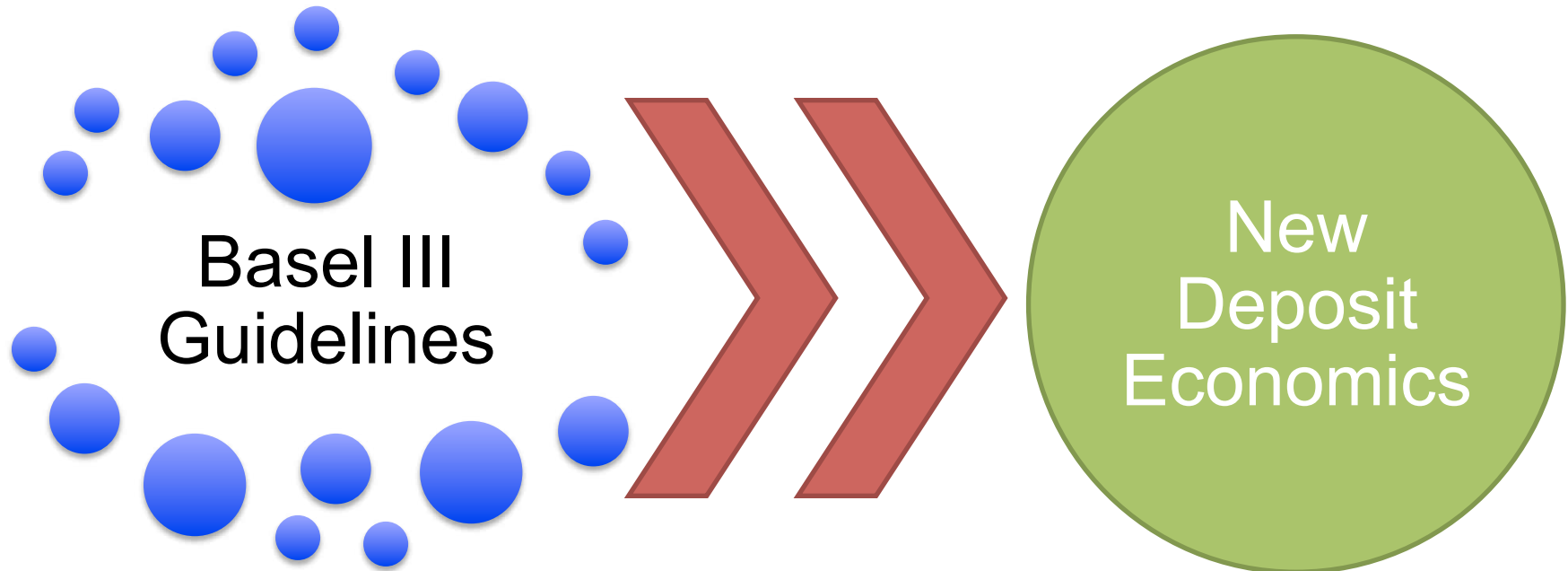
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Q&A





## 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.



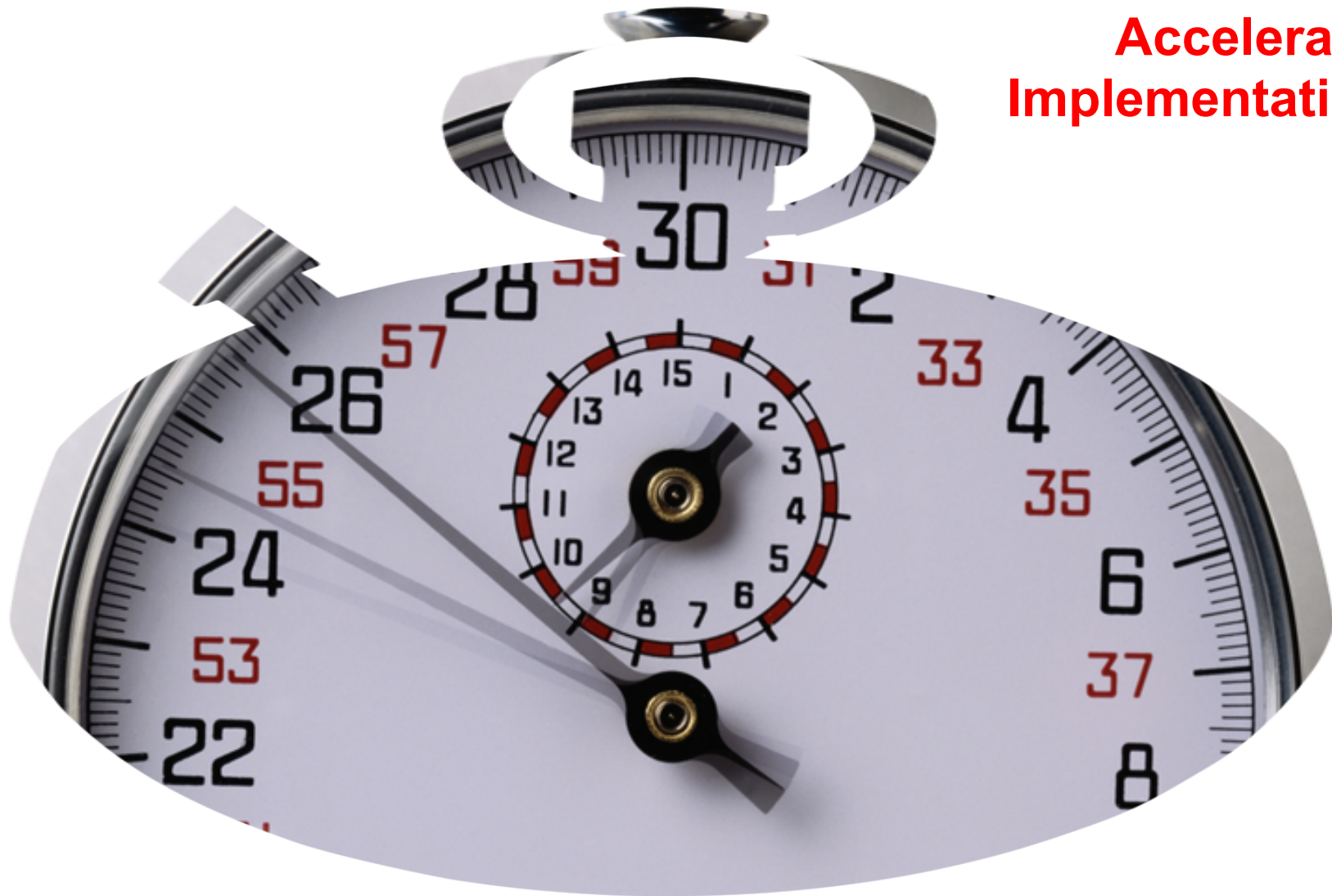
Banks will introduce new products, market strategies, contracts and analytics / MIS in response.

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**





# Dissecting the Regulation



## 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?







# Dissecting the Regulation



## 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?

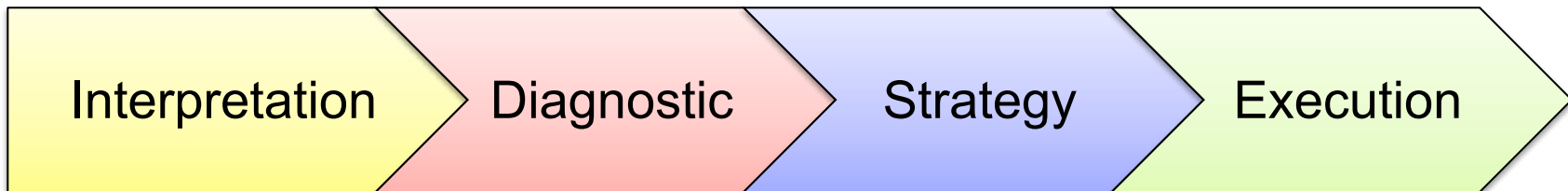
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How will clients and competitors respond?





## 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

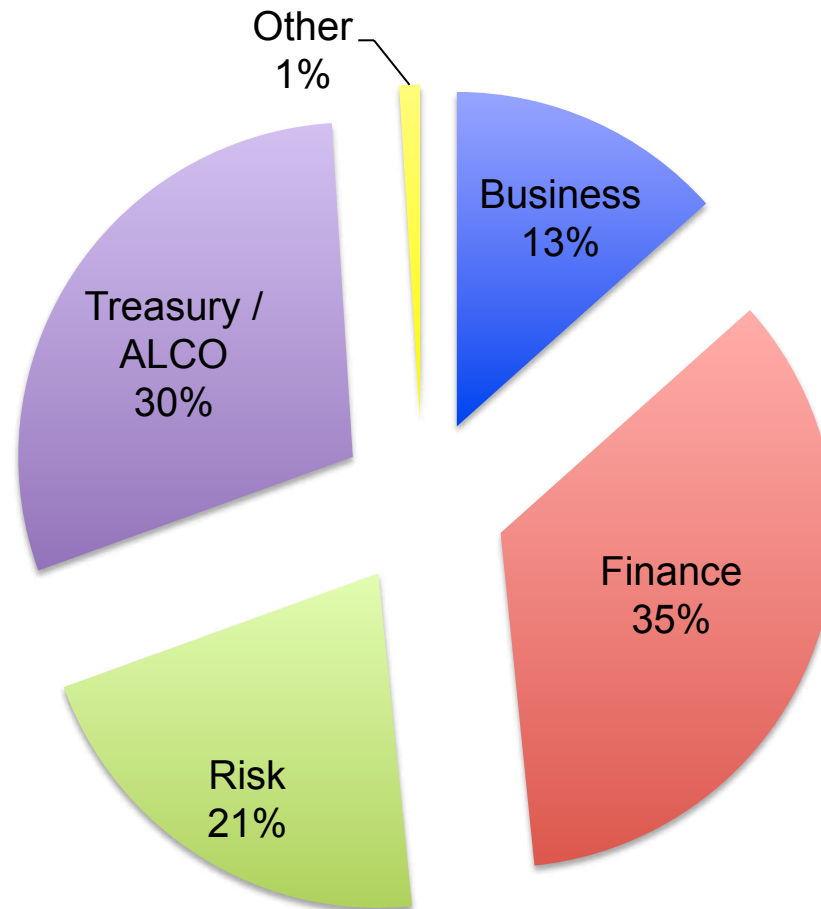


## Preparing for Change



**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



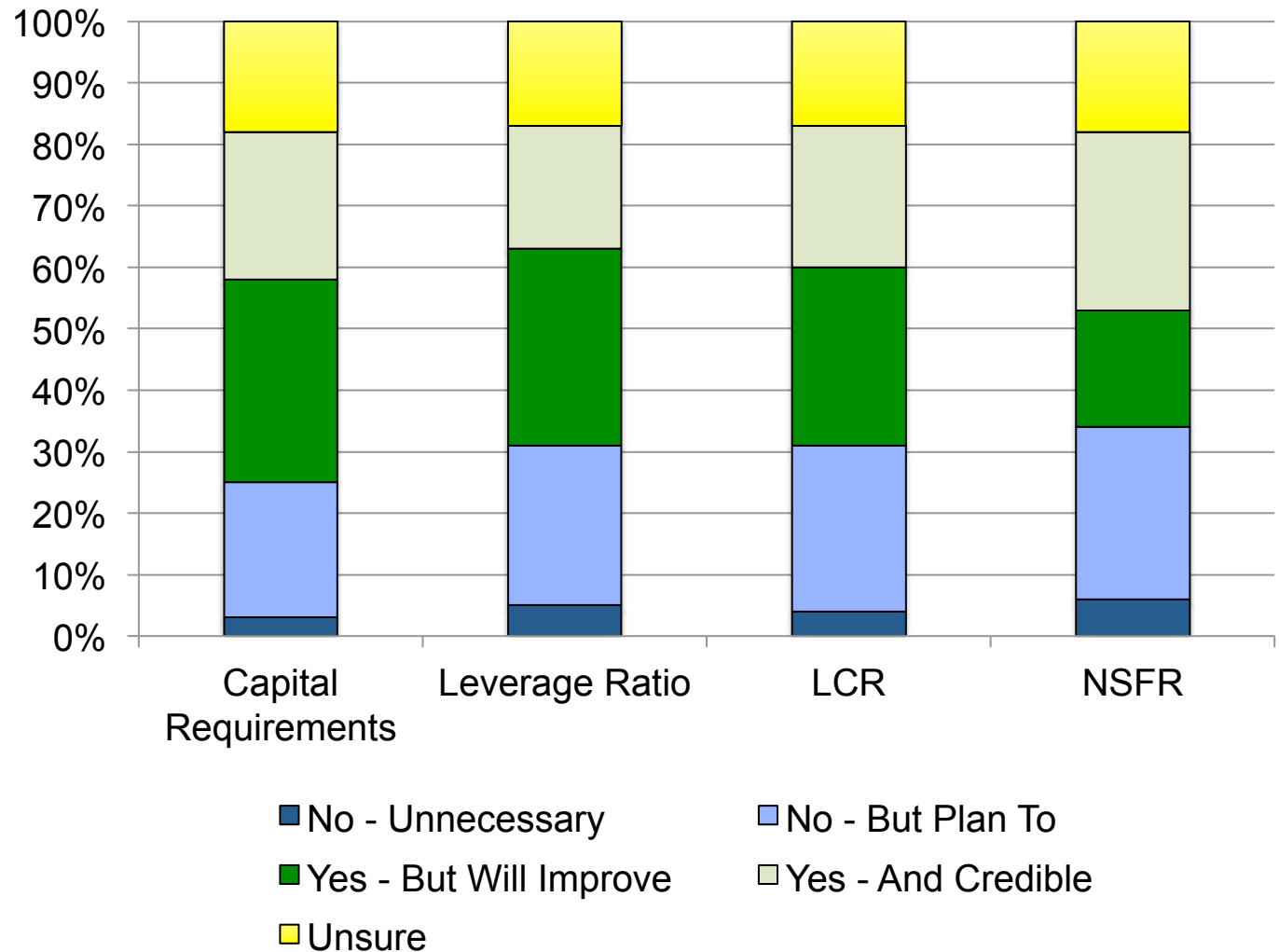


# Preparing for Change



## How Ready Are We?

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







## Q&A







# Treasury Strategies

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

### Solutions

- Business Strategy
- 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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