

# Treasury Strategies' Quarterly Corporate Cash Briefing™

27 June 2013

## Presented by:

Monie Lindsey, Managing Director  
Tony Carfang, Partner

## Sponsors:



**Federated**®



© 2013 Treasury Strategies, Inc. All rights reserved.

The Power of Experience®



# Agenda



## Corporate Cash Levels

## What Treasury Strategies' Clients are Saying

### Roundtable:

- Association of Corporate Treasurers (ACT)
- Federated Investors
- PNC Bank

## Treasury Strategies' Advice to Clients





# Corporate Cash Levels



The Power of Experience®

# Corporate Cash Levels

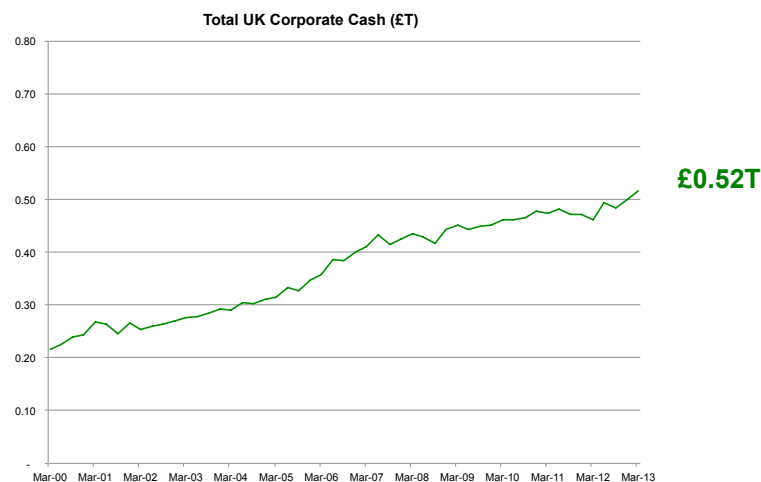


## US corporate cash as of March 31, 2013



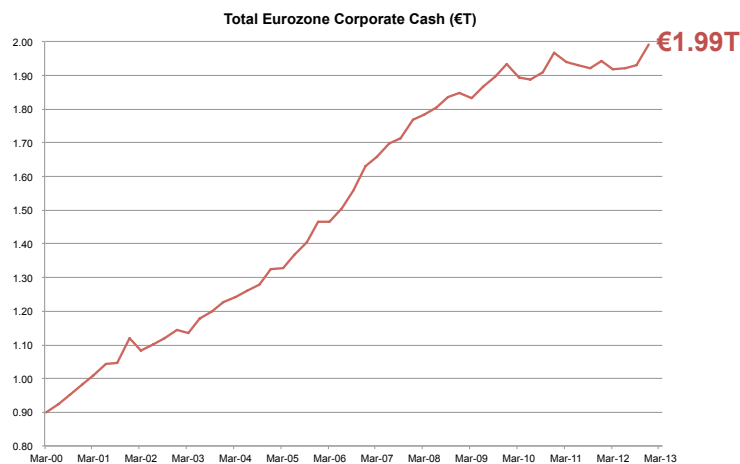
Source: Federal Reserve, Treasury Strategies

## UK corporate cash as of March 31, 2013



Source: Office of National Statistics, Treasury Strategies

## Eurozone cash as of December 31, 2012

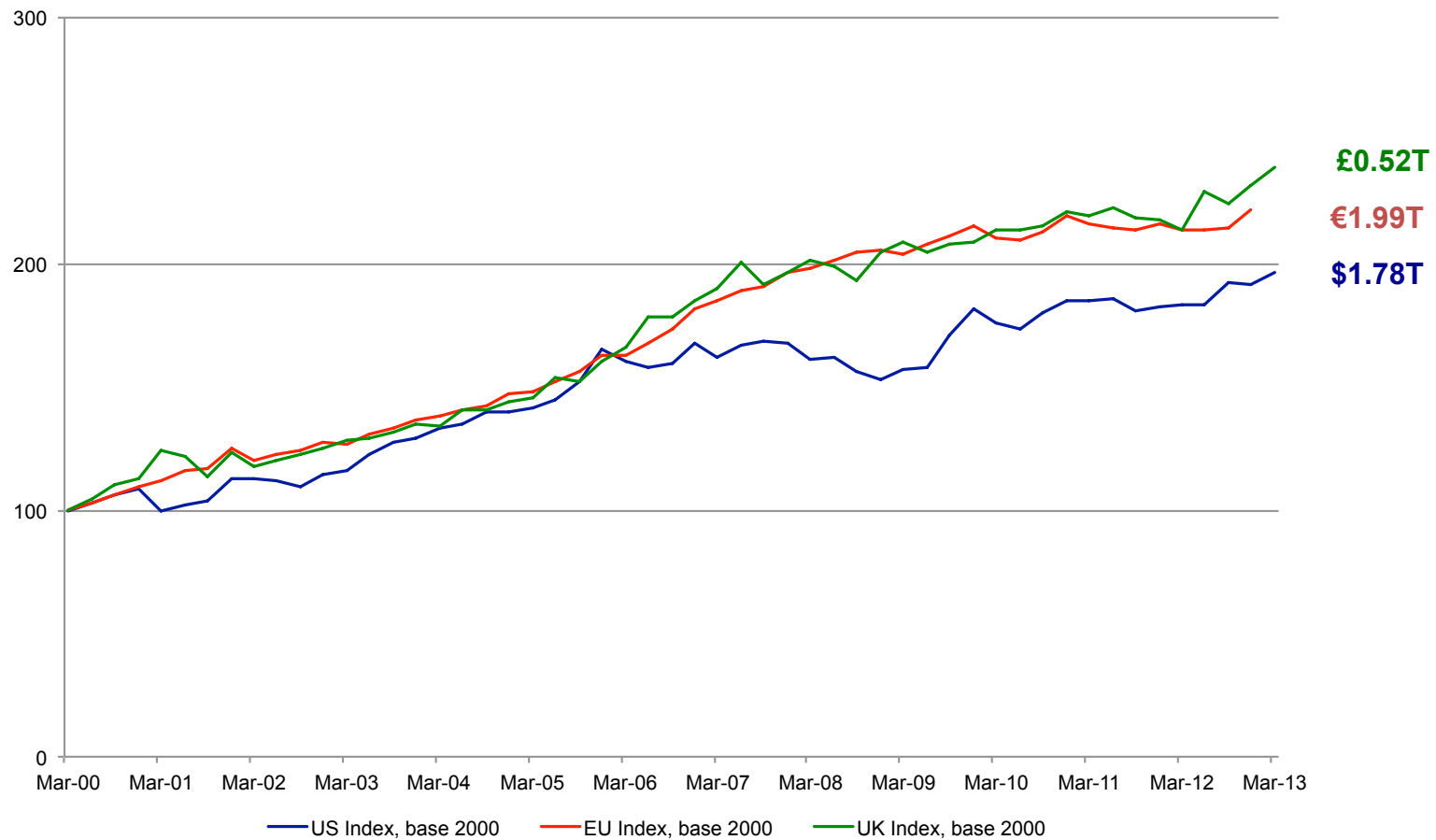


Source: European Central Bank, Treasury Strategies

# Corporate Cash Index

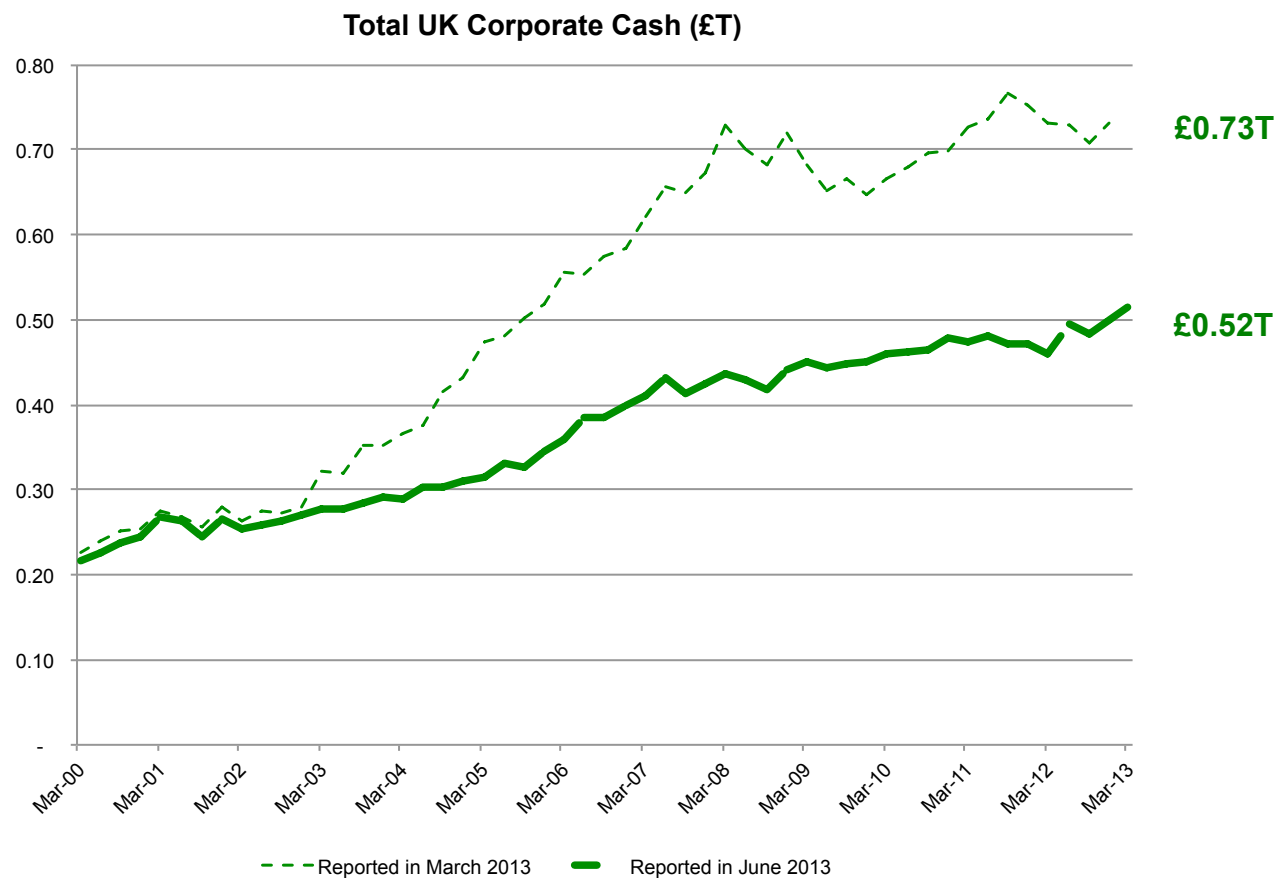


Total Corporate Cash Index



Sources: Treasury Strategies, Federal Reserve, European Central Bank, Office of National Statistics  
Note: 1Q 2000 = 100

# UK Corporate Cash Revision



Source: Office of National Statistics, Treasury Strategies

## Corporate Cash as % GDP by Region



Country/Region	March 2000	March 2013
United States	10%	11%
Eurozone	14%	21%
United Kingdom	25%	33%

Source: Treasury Strategies' estimate

# Reserve Balances



**Bank Balances at the US Federal Reserve  
March 2006 - March 2013**



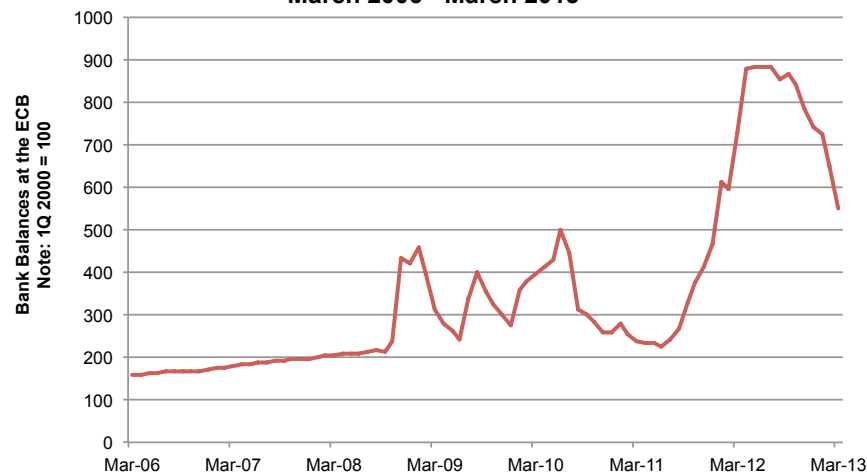
Source: Federal Reserve H3 Report, Treasury Strategies

**Bank Reserve Balances at the BoE  
March 2006 - March 2013**



Source: Bank of England, Treasury Strategies

**Bank Reserve Balances at the ECB  
March 2006 - March 2013**



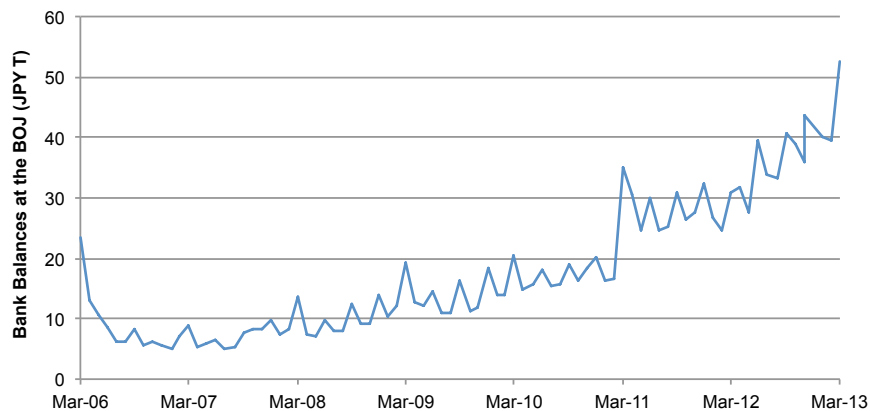
Source: European Central Bank, Treasury Strategies



# Reserve Balances



**Bank of Japan Reserves:  
March 2006 - March 2013**



Source: Bank of Japan, Treasury Strategies

**Swiss National Bank Reserves:  
March 2006 - March 2013**



Source: Swiss National Bank, Treasury Strategies

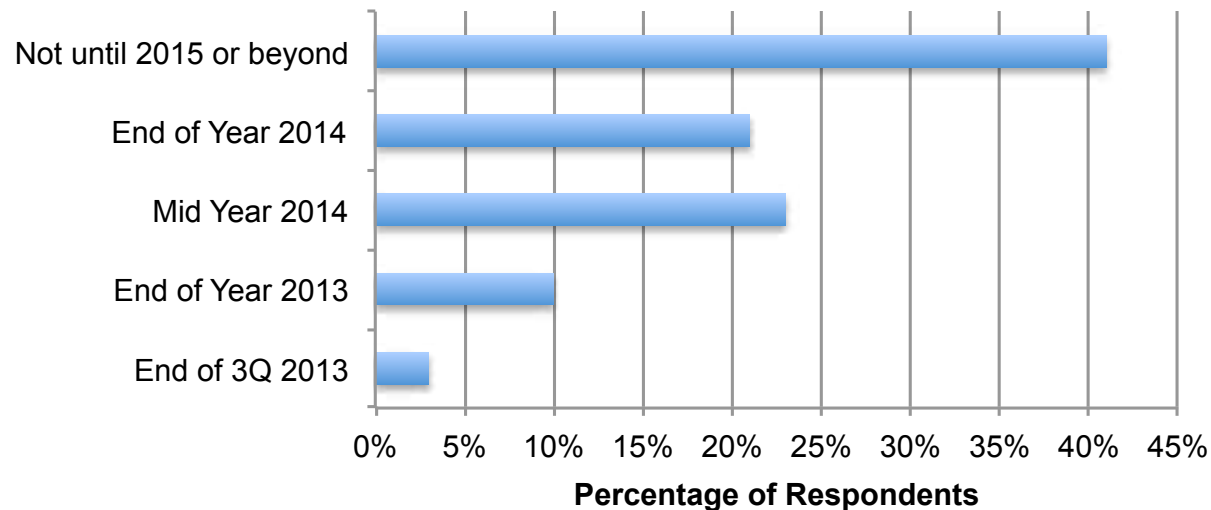


## **What Treasury Strategies' Clients Are Saying**



The Power of Experience®

### When will interest rates begin to rise significantly?



## What Treasury Strategies' Clients Are Saying: When Will Interest Rates Begin to Rise Significantly?



"Maybe it is already starting. Perhaps a good follow up question would be, how confident are you in the Fed's ability to control and manage the rise once it begins?"

"At least in Europe, they should not rise until 2015 or beyond in order to support the reactivation of the Southern European Countries' economies.

There is still a lot of to do ...which will not be completed either in 2013 or in 2014."

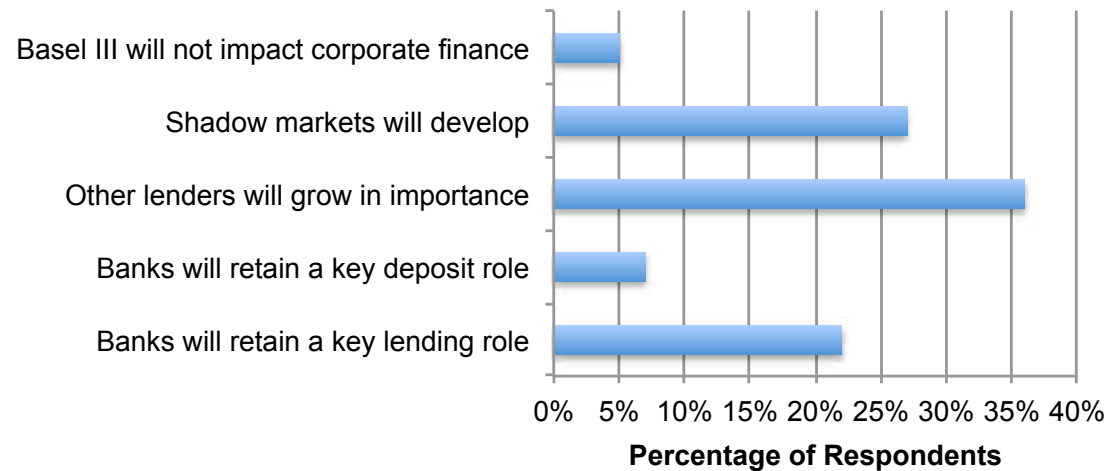
"Given the continued depression, I think it unlikely that interest rates will increase significantly before 2017...

Previously, significant inflation has been tolerated / encouraged to erode debts and allow "normality" to prevail within 5 years of the crash...

Not this time, as central bankers believe they are managing the "situation" through coordinated global actions. I would contend that they are simply dragging it out to no ones benefit."

"UK Recovery is very slow and fragile. Fuels, food and other consumable prices are set to rise well above inflation and pay and earned income nationally are static. Banks still set in 'modest' mode until they can all demonstrate some consistent progress with requirements of Basel III and reduce their provisions."

### What impact will Basel III have on corporate finance?



## What Treasury Strategies' Clients Are Saying: What Impact Will Basel III Have on Corporate Finance?



"European banks are weak, cannot use their balance sheet like before and other means of funding will replace the banks in Europe. Banks will remain important but merely on facilitating access to the capital markets rather than taking things on balance sheet."

"Non-bank entities will emerge more so and even though they may be regulated, unnecessary and onerous regulations can be avoided which both Basel II and Dodd-Frank impose now."

"Banks will retain a key lending role. The other sources of finance base their lending rates on what banks charge which would be obviously higher than that of banks. Unless they are able to undercut banks (which they would be able to do only if they can source funds cheaper than banks - a situation which is unlikely), no significant shift from banks seems likely."

"More regulation and overburden upon banks isn't the answer to our woes...Diversity in banking is becoming less and less a concern. Concentration of assets among large financial institutions "too big to fail" seems the solution and the problem at the same time for our federal policy.

Speaking for community bankers, the idea that Basel III standards won't effect smaller institutions is a farce. If you are looking for a shadow banking system, operating outside of federal control, this seems a good way to create one."

## Speakers



### **Tony Carfang**

Partner

312.628.6921

Tony\_Carfang@TreasuryStrategies.com



### **Monie Lindsey**

Managing Director

+44 (0) 207 872 5551

Monie\_Lindsey@TreasuryStrategies.com



Please feel free to join our Treasury Management Group on LinkedIn <http://www.linkedin.com/e/vgh/50323>

Please feel free to join our Financial Services Regulation Group on LinkedIn <http://www.linkedin.com/e/vgh/1799642>



LEADING TREASURY  
PROFESSIONALS

### **Martin O'Donovan**

Deputy Policy & Technical Director

+44 (0) 207 847 2577

modonovan@treasurers.org



### **Deborah Cunningham**

Chief Investment Officer

412.288.8481

dcunningham@federatedinv.com



### **Scott Horan**

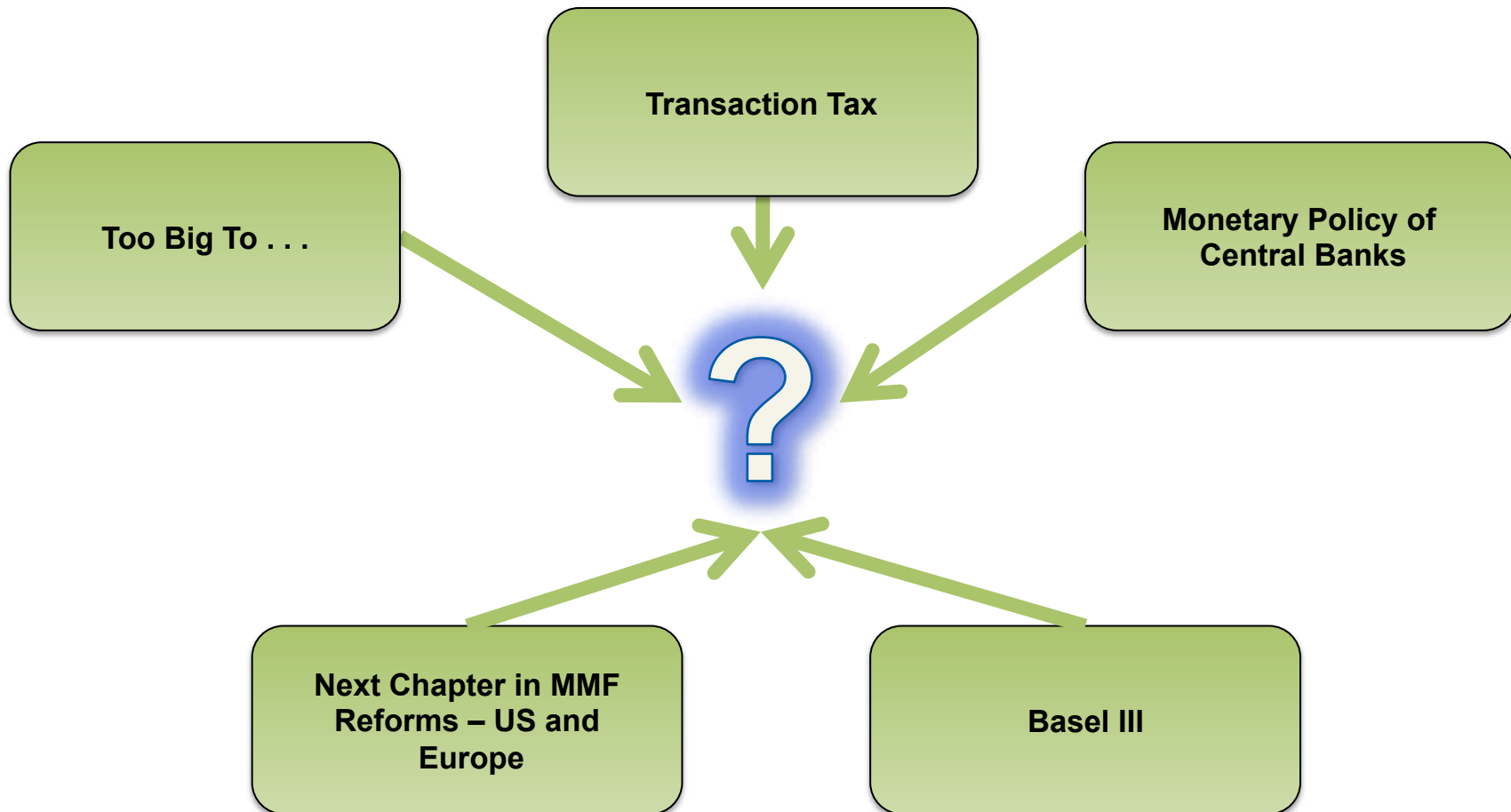
SVP, Treasury Management

412.758.9910

scott.horan@pnc.com



## Potential Game Changers





## Speakers



### **Tony Carfang**

Partner

312.628.6921

Tony\_Carfang@TreasuryStrategies.com



### **Monie Lindsey**

Managing Director

+44 (0) 207 872 5551

Monie\_Lindsey@TreasuryStrategies.com



Please feel free to join our Treasury Management Group on LinkedIn <http://www.linkedin.com/e/vgh/50323>

Please feel free to join our Financial Services Regulation Group on LinkedIn <http://www.linkedin.com/e/vgh/1799642>



LEADING TREASURY  
PROFESSIONALS

### **Martin O'Donovan**

Deputy Policy & Technical Director

+44 (0) 207 847 2577

modonovan@treasurers.org



### **Deborah Cunningham**

Chief Investment Officer

412.288.8481

dcunningham@federatedinv.com



### **Scott Horan**

SVP, Treasury Management

412.758.9910

scott.horan@pnc.com



### Key themes emerging from our work with Corporate Treasurers:

- NOW IS THE TIME TO SPEAK OUT ON REGULATION.
- Monitor global markets and central bank activities.
- Move cautiously when pursuing yield.
- Improve information flows – ensure global visibility of cash and risk.
- Strengthen treasury organization and processes.
- Strengthen balance sheet.
- Create a roadmap to a Treasury 3.0® environment.

**Disclaimer:**

***Treasury Strategies' recommendations are situation-specific and based upon careful, individual analysis. The advice cited above may or may not be appropriate for your specific situation.***

# 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

Chicago • London • New York

## Accreditations



## Connect with Us



[www.TreasuryStrategies.com/  
content/networking-communities](http://www.TreasuryStrategies.com/content/networking-communities)



@TreasuryStrat

# About the ACT



## Who we are

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the Chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, define standards and support continuing professional development. We are the voice of corporate treasury representing the interests of our members.

## What we do

ACT supports the growth and professional development of treasurers and finance professionals. We are an active global network of treasury, risk and finance professionals with members and students in 98 countries.

- We promote treasury as a discipline, as a profession and as a career
- We provide informed and unbiased technical advice
- We teach, examine and qualify treasury professionals and offer ongoing CPD
- We stimulate debate and facilitate the exchange of ideas and information through our events, conferences, webinars and forums
- We represent the real economy and influence relevant regulation and market practice.



[www.treasurers.org](http://www.treasurers.org)



[www.treasurers.org/linkedin](http://www.treasurers.org/linkedin)



[twitter.com/actupdate](https://twitter.com/actupdate)



[facebook.com/actupdate](https://facebook.com/actupdate)



[youtube.com/treasurersorg](https://youtube.com/treasurersorg)

# 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

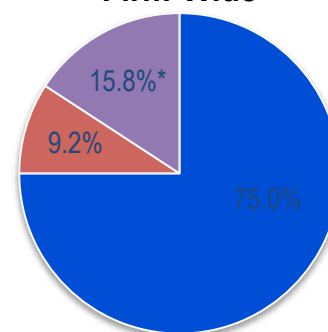
### Investment Management Singular Focus

- 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

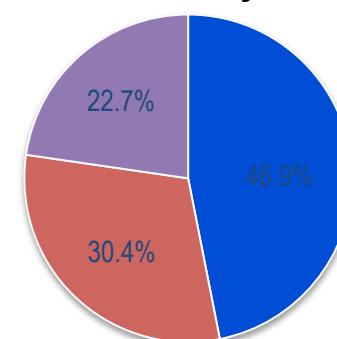
### Firm-Wide



■ 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 PNC



## EMPLOYEES:

More than 56,000 in the U.S. and abroad

## SIZE BY BRANCHES:

5<sup>th</sup> largest U.S. bank by branches

## CUSTOMERS:

Approximately 6.5 million checking account customers

## LOCATIONS:

Branches – Approximately 2,900 in 19 states and the District of Columbia

## ATMS:

Approximately 7,300 machines

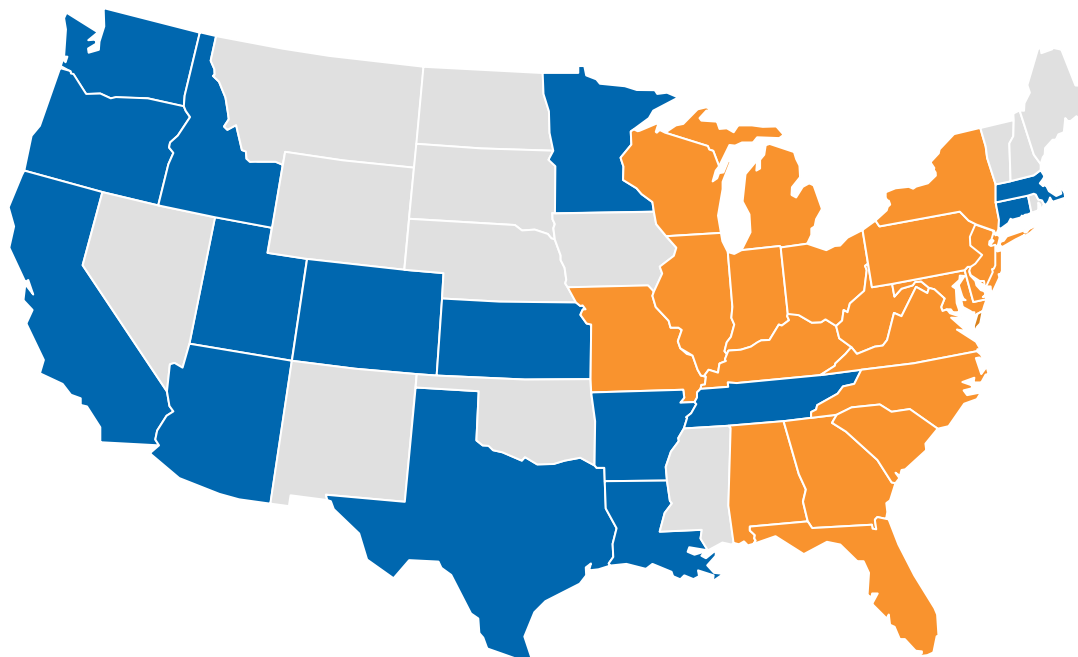
## INTERNET ADDRESS:

[www.pnc.com](http://www.pnc.com)

*As of December 31, 2012*

## PNC US FOOTPRINT (as of 12/31/2012)

- Retail footprint
- Additional C&IB offices – plus locations in Canada and the UK



## FINANCIAL PERFORMANCE (as of FYE 12/31/2012)

- \$3 billion in Net Income
- \$305 billion in Assets
- \$112 billion Assets Under Management
- \$213 billion in Deposits
- \$39 billion Shareholder Equity