



America's Most Convenient Bank®

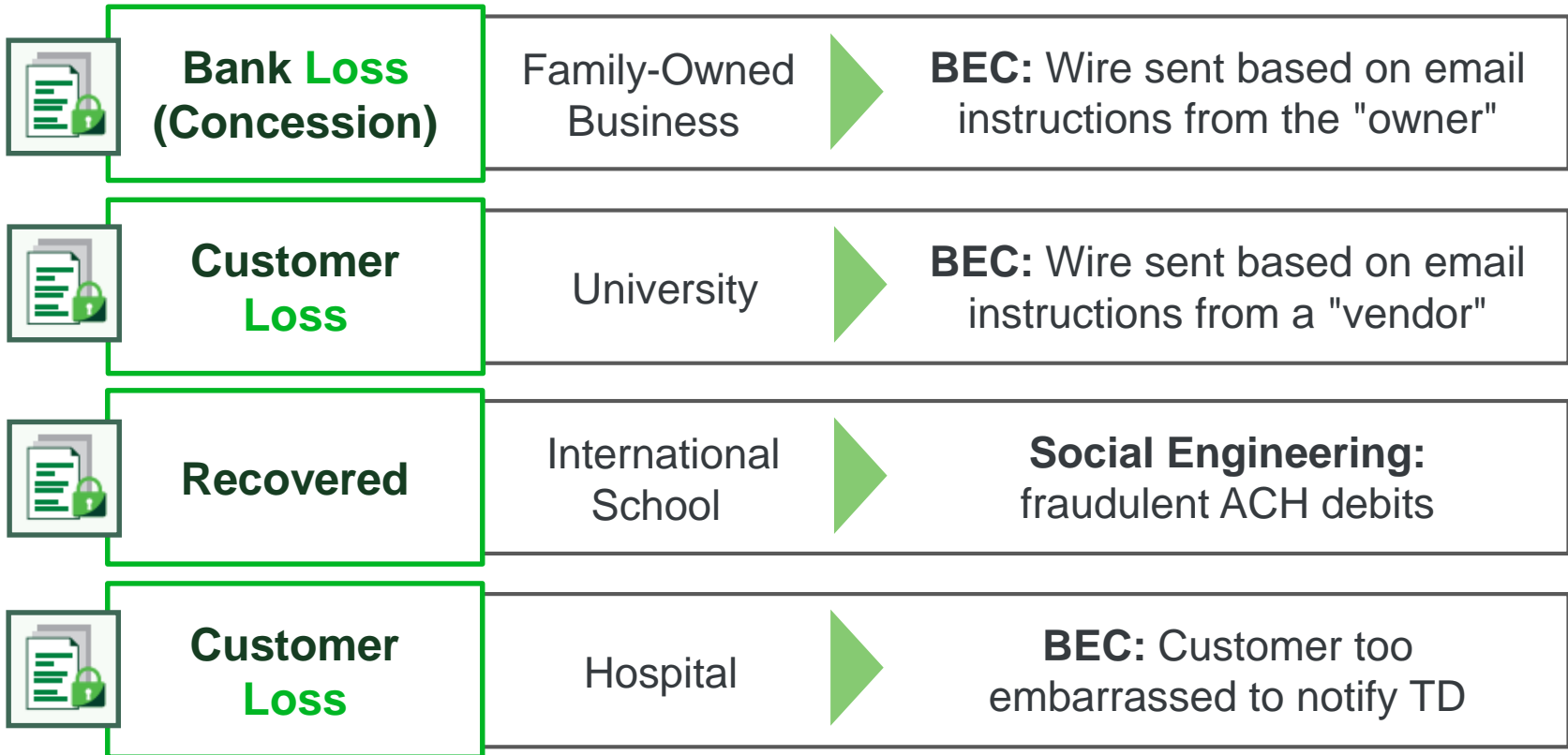
# Helping Customers Protect Their Assets & Rising Rates: Deposit Pricing Outlook

Presented By:  
TD Bank & Strategic Treasurer

02 . 16 . 2017





















# Your Customers are Under Attack!



*"There are eight million stories in the naked city"*

# Trusted Advisors in Action



<b>Customer Expectations</b> 	 <b>Bank</b> <small>America's Most Convenient Bank®</small>	<b>Competitors</b>
 Credit Products		
 Treasury Management Services		
 Price Discounts & Rate Premiums		
 Promise of Superior Relationship & Service		
 Business Advice, Ideas & Solutions		<b>Possibly</b>
 Peer Best Practice Examples		<b>Possibly</b>

Commodity

Value

# Strategic Treasurer



**Craig Jeffery, CCM, FLMI**  
*Founder & Managing Partner*



<http://strategictreasurer.com/>



# Treasury & Fraud Control: *Crime Does Pay*

TD Bank

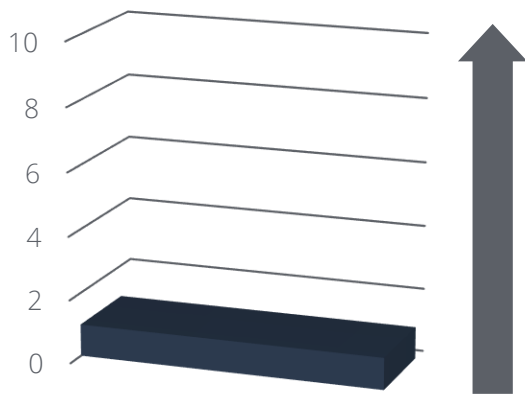
Prepared for



February 2017

**CRIME  
DOES PAY!**

## Check Fraud



### CHECK FRAUD

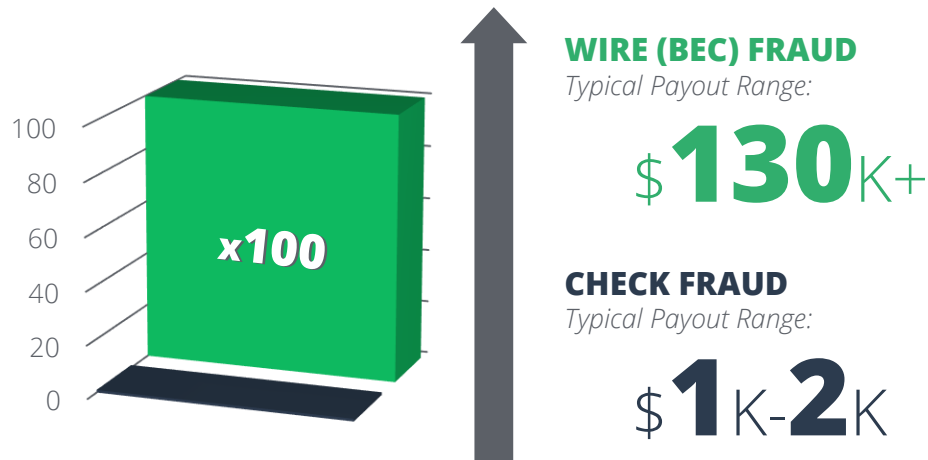
Typical Payout Range:

**\$1K-2K**

The above values are taken from calculations off of FBI, Banking Data and Strategic Treasurer estimates.

The average company losses due to check fraud (the most commonly attempted method of fraud) average between \$1,000-\$2,000 dollars.

## Wire/BEC Fraud

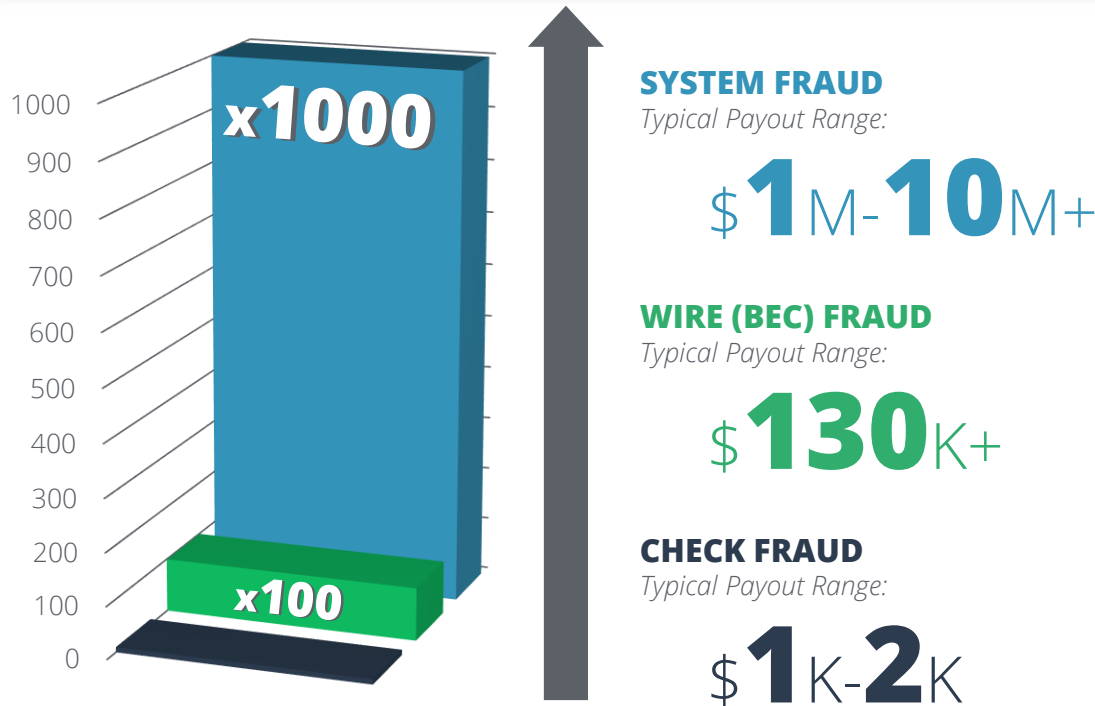


At two orders of magnitude greater than check fraud, the average payout for Wire or Business Email Compromise (BEC) Fraud is close to \$130,000 dollars.

The above values are taken from calculations off of FBI, Banking Data and Strategic Treasurer estimates.



## System Level Fraud



### SYSTEM FRAUD

Typical Payout Range:

\$1M-10M+

### WIRE (BEC) FRAUD

Typical Payout Range:

\$130K+

### CHECK FRAUD

Typical Payout Range:

\$1K-2K

System-level fraud, or the complete takeover of an organization's internal systems, have the potential to pay out \$1,000,000-\$10,000,000 depending on the size of the organization being targeted.

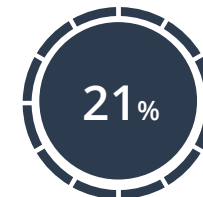
The above values are taken from calculations off of FBI, Banking Data and Strategic Treasurer estimates.

The risk/reward calculus for criminals has changed as the potential payouts are larger than ever. While many corporates are on the watch for check fraud, **the larger targets remain unplanned for and vulnerable to attack.**

## REAL **RATES** OF **LOSS**

### CHECK FORGERY

Over one in five firms that were targeted for check forgery suffered a loss in the past two years.



### WIRE FRAUD & IMPOSTER WITH WIRE

Nearly one in four firms targeted for this type of fraud experienced some loss over a 2-year period.



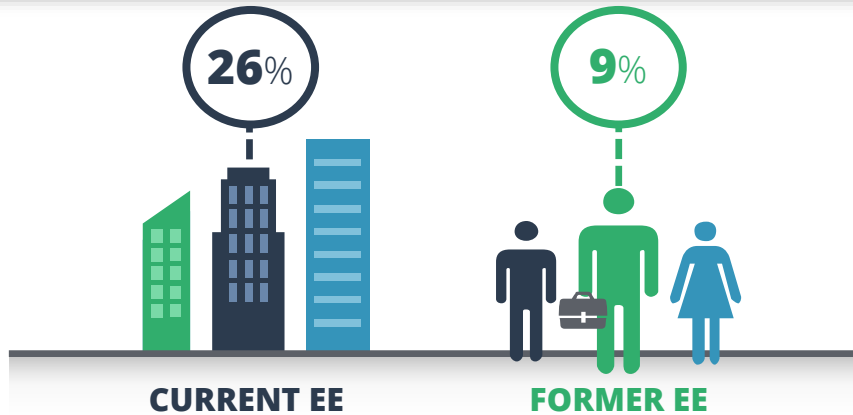
### MAN IN THE EMAIL/IMPOSTER FRAUD

These large-sum fraud attempts resulted in 8% of firms overall suffering a loss (>10% who were targeted).



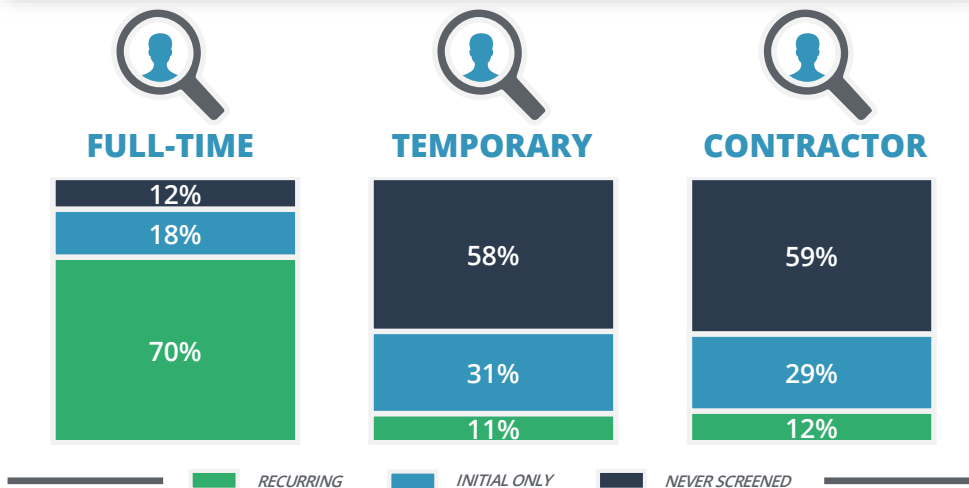
# Insider Fraud is a Big Issue

## From Whom Did You Experience Fraud?



Over 1/3 of respondents identified their corporation's employee roster (current + former) as a source of fraud for their firm. 59% of firms also claimed non-EE as a source and 11% claimed unknown and/or other sources as well.

## EE SCREENING...



Limited or no background checks, especially for temporary employees and contractors, have left many corporations vulnerable to attack. Given how much damage can be done by someone with critical, inside information, the lack of screening in this area is troubling.

# Current vs. Ideal Business Environment

## The Current Business Environment



Fraudulent activity is on the rise



The security measures used by most organizations are insufficient



Organizations make easy targets for criminals

**In today's world, crime does pay.** Given the current business environment, it is easy for criminals to get past organizational security measures and walk away with high payouts.

## The Ideal Business Environment



The security measures in place by firms would be robust



It would be easier to identify when and where fraudulent activity is occurring

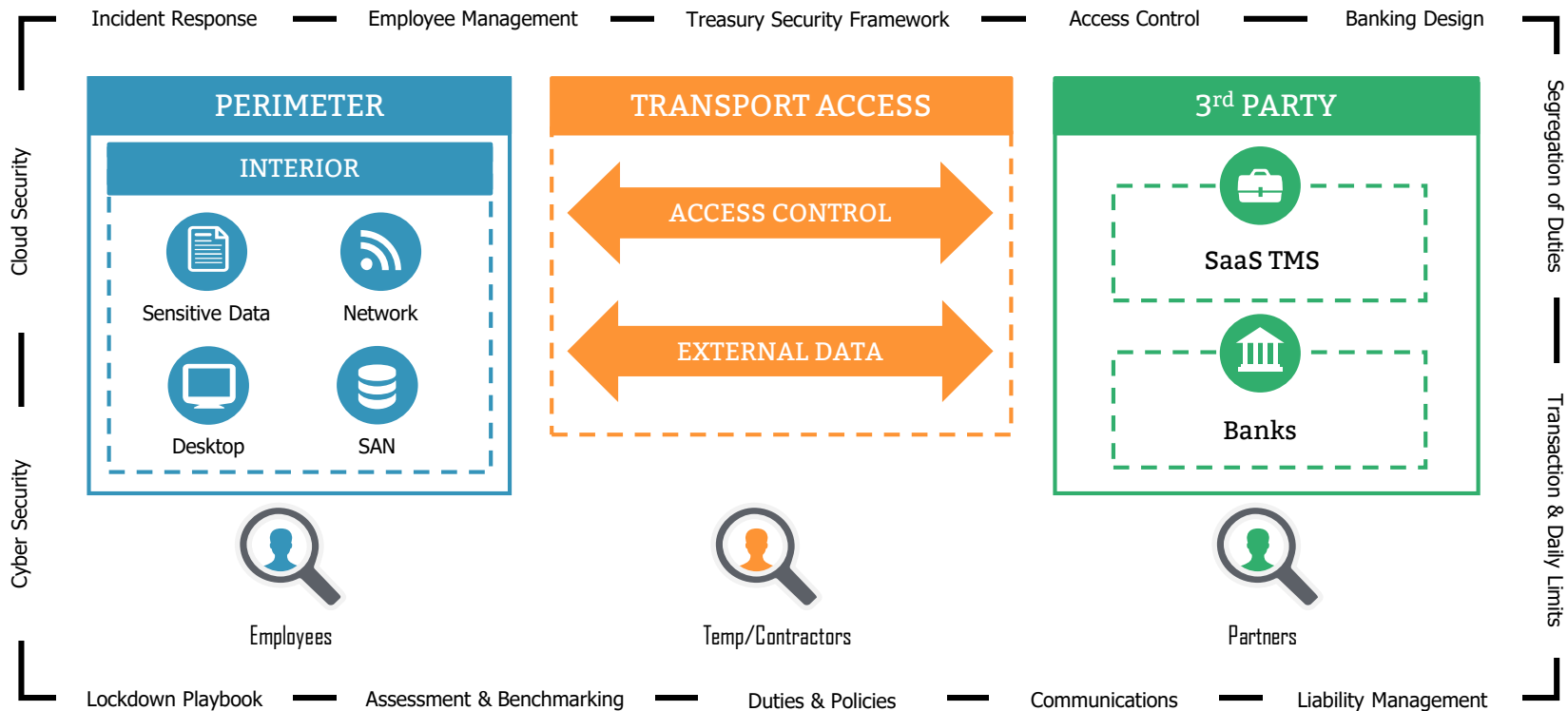


Fraudulent activity would result in fewer successes and smaller payouts.

In order to rectify this, **the calculus for criminals must be changed.** Firms must take on a more muscular security approach so that fraud becomes more difficult to pull off and is less rewarding for those that are successful.

# Areas in Need of Security

## TREASURY SECURITY: AREAS OF EXPOSURE





## FOUR PILLARS *of* TREASURY SECURITY

### 1. ASSESS & ARCHITECT

- Greater Awareness



### 2. PREPARE & PREVENT

- Stronger Defense Posture



### 3. MANAGE & MAINTAIN

- Ongoing Training
- Testing



### 4. RESPOND & RECOVER

- Reporting
- Response (Fast, Appropriate, Lockdown)
- Rework (Restore to New Operating Model)



# What can be done to help with the calculus?

15



⚙️ **Educated Relationship Managers,  
Treasury Sales Officers**

⚙️ **Engagement with EVERY Customer: Trusted  
Advice**

⚙️ **Product Offerings that Mitigate Risk**

⚙️ **Customer Seminars & Industry Events**

⚙️ **Annual Treasury Fraud & Controls Survey**

⚙️ **Treasury Control Framework Assessments**

⚙️ **Security Benchmarking**

⚙️ **Treasury Security Training**



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# The New "Face" of Financial Crime

A person wearing a blue hoodie is shown from the chest up, typing on a laptop. The background is a dark blue world map with binary code (0s and 1s) overlaid. The person's face is obscured by a dark grey rectangular box.

**We are all being watched and monitored**

**Criminals are increasingly sophisticated**



## Institutionalize Risk Management

### ■ Risk Program Framework



Continuous and ongoing



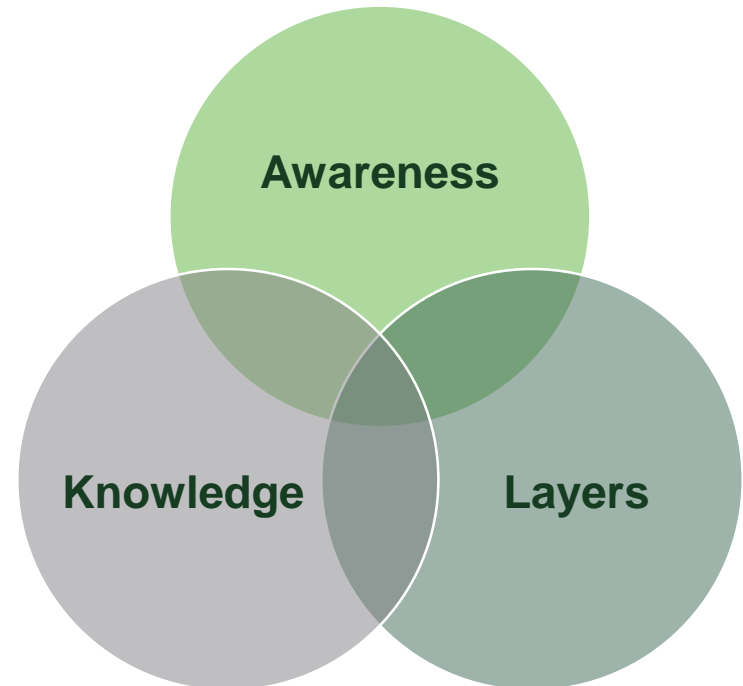
Shared responsibility of every employee



Proactively managed



Includes both protective and detective measures





## 10 Risk Mitigates Every Business Should Perform

1. **Initiate Background Checks** on **ALL** employees and contractors
2. **Leverage Bank Account Design Structure** to increase risk controls
3. **Mandate Process Controls** including dual control and segregation duties
4. **Manage Employee Access** based on necessary job functions
5. **Isolate a Computer** for banking and payment initiation
6. **Inspect Bank Accounts Daily** and reconcile "frequently"
7. **Use Fraud Prevention Services** like Positive Pay, ACH Blocks/Filters, etc.
8. **Pickup the Phone (Dag Nabbit!)** to authenticate **ALL** requests
9. **Notify the Bank & Law Enforcement** if you are under attack (see IC3.gov)
10. **Cultivate a Risk Management Culture** to further ensure controls

# Reflection



*Reflect on the journey that we, here at TD Bank have traveled since the outset of the "Road to Strong" mandate, and how once new demands and duties that were strange and intrusive then, are now normal and comfortable....at times even a source of inspiration and fulfillment.*



## Alert: Public Service Announcement



- TD Bank will **require** an additional layer of control by **ALL** Customers that use TD eTreasury. Soon, additional SecureID tokens will be mailed out to **ALL** TD eTreasury Users that currently do not use them because they do not have money movement privileges.
- In the coming months, we will provide tokens to **ALL** users that currently do not have them and announce that later in the Spring, **token-based authentication will be required at the point of signing in** to the system. (Tokens will no longer be limited to users with money movement/admin privileges.)
- **Expect some Customer objections** to the added process step and added cost. As we go through the deployment we will be encouraging Customers to "clean up" their assigned users, and remove inactive users to prevent receiving more tokens than needed and incurring the related token costs, and because it is the responsible thing to do.

# Relationship Manager (RM) Call to Action



## 5 Things Every RM Should Do

1. Visit every Customer / Prospect and open dialogue about their control environment
2. Update Relationship Action Plans (RAP) to renew your focus on customer engagement
3. Collaborate directly with TMOs, DSMs & Segment Leaders to discuss customer dynamics and develop a plan of attack
4. Enter Salesforce.com referrals for relationship depth activities
5. Be a Trusted Advisor and Build the Better Bank!



# Rising Rates: Business Deposits Update

# Business Deposits Update

February, 2017



<b>Market Response to Fed Rate Increase</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> TD Bank remains competitive in the market</li> <li><input type="checkbox"/> Overall there have been minimal increases to standard rack rates at competitor banks.</li> <li><input type="checkbox"/> Some banks are offering higher negotiated deposit rates to some of their larger Commercial customers. We have done the same where it makes sense.</li> </ul>
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<b>Average Market Price From Informa</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 10%;">TD Bank</th> <th style="width: 10%;">Market Average (best rate)</th> <th style="width: 55%;">Comments</th> </tr> </thead> <tbody> <tr> <td style="font-size: small;">Enterprise MMA (With Relationship) \$500M - \$25MM</td> <td style="text-align: center;">0.50%</td> <td style="text-align: center;">0.22%</td> <td rowspan="2" style="font-size: small;"> <ul style="list-style-type: none"> <li><i>Fifth Third increases rate 1bp, from .52% to .53% (FL).</i></li> <li>TD Bank is above WAMP, but is more reflective of actual rates offered.</li> <li>Chase leads national banks at .25%, Wells Fargo lags at .12%.</li> <li>Fifth Third leads the regional banks at .53%. PNC at .40%, Santander at .35%, Citizens at .25%, Capital One at .20%.</li> <li>Community banks HSBSC, Middlesex, Rockland Trust and People's United have rates ranged .25% to .34%.</li> </ul> </td> </tr> <tr> <td style="font-size: small;">Commercial MMA \$5MM - \$25MM</td> <td style="text-align: center;">0.20%</td> <td></td> </tr> </tbody> </table>		TD Bank	Market Average (best rate)	Comments	Enterprise MMA (With Relationship) \$500M - \$25MM	0.50%	0.22%	<ul style="list-style-type: none"> <li><i>Fifth Third increases rate 1bp, from .52% to .53% (FL).</i></li> <li>TD Bank is above WAMP, but is more reflective of actual rates offered.</li> <li>Chase leads national banks at .25%, Wells Fargo lags at .12%.</li> <li>Fifth Third leads the regional banks at .53%. PNC at .40%, Santander at .35%, Citizens at .25%, Capital One at .20%.</li> <li>Community banks HSBSC, Middlesex, Rockland Trust and People's United have rates ranged .25% to .34%.</li> </ul>	Commercial MMA \$5MM - \$25MM	0.20%	
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<p>There has also been no change in rack rate ECR (Earnings Credit Rate). Mkt Avg. for \$1MM+ tier is 0.24%.</p>												

<b>Pricing Actions Effective Jan 13th</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Increased rates for top tiers to 50 bps in relationship Small Business Money Market Plus (\$500M+) and Enterprise Money Market (\$5MM+).</li> <li><input type="checkbox"/> Proactively implemented deposit rate increases to selective rate sensitive customers. 5-10bps increase for 121 accounts with \$2.1B in Regional and 222 accounts with \$2.6B in CSB</li> </ul>
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# Business Deposits Update (Cont.)

February, 2017



## Ongoing Pricing Strategy

- ❑ Continue to offer premium price for new relationship customers. Offer promotional rate of 75 bps for balances under \$25MM for new money with an active operating relationship (business checking account with at least 10 transactions per month).
- ❑ Negotiate interest rates for attrition risk customers or to acquire new business.
- ❑ Acquire larger balances where they make sense. Wholesale threshold was raised to \$500MM per customer
- ❑ Adhere to pre-approved Betas (Amount of rate that can be passed on to customers at each Fed rate increase)
- ❑ Monitor market conditions, including the competitive landscape, to determine the timing and amount of future rate changes.

## Federal Funds Rate Forecast

We work with 2 different rate forecasts, Flat and Forward.

- ❑ Flat forecast assumes no more rate increases until 2022.
- ❑ Forward forecast assumes 1 more in '17, 2 in '18 and 1 each in '19, '20 and '21.

