



# LIQUIDITY RISK

## SURVEY RESULTS ANALYSIS



### **CRAIG JEFFERY**

Managing Partner, Strategic Treasurer

### **BEN CAMPBELL**

CEO, Capital Advisors Group



### **WHAT.**

Liquidity Risk Survey Results  
Analysis, Discussion, & Takeaways



### **WHEN.**

Tuesday, January 21, 2020  
2:00 PM – 3:00 PM EST



### **WHERE.**

Live Online Presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)



**FP&A**

Certified Corporate  
**Financial Planning &  
Analysis** Professional



This presentation is provided by Strategic Treasurer & Capital Advisors Group

# ABOUT THE SPEAKERS

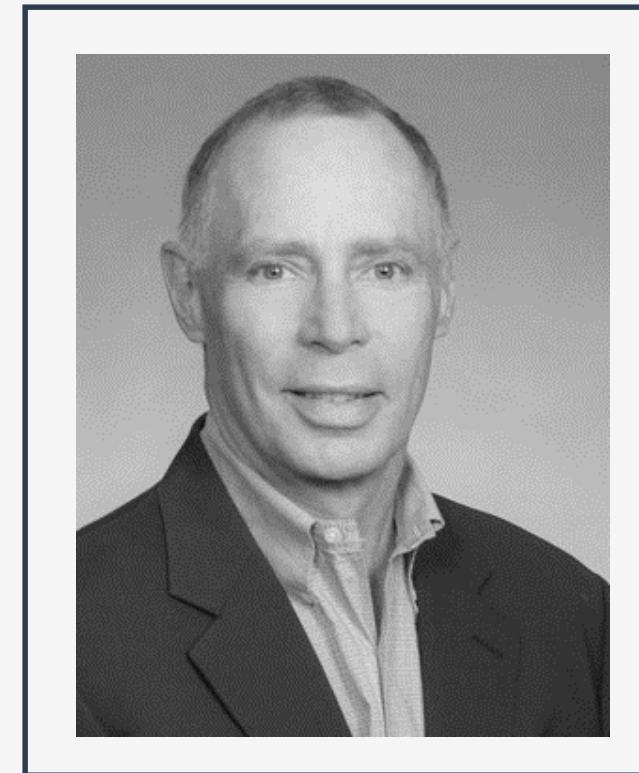
GET TO KNOW TODAY'S  
SUBJECT MATTER EXPERTS



## **CRAIG JEFFERY, CCM, FLMI**

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



## **BEN CAMPBELL**

Ben Campbell has more than 30 years of experience in the securities and banking industries, where he has established an outstanding track record in building trading operations and creating short-term investment strategies. As CEO and Founder of Capital Advisors Group, Ben plays an active role in both the Company's overall business strategy and in overseeing its investment portfolios, as well as the development of the firm's counterpart risk management platform, CounterpartyIQ.

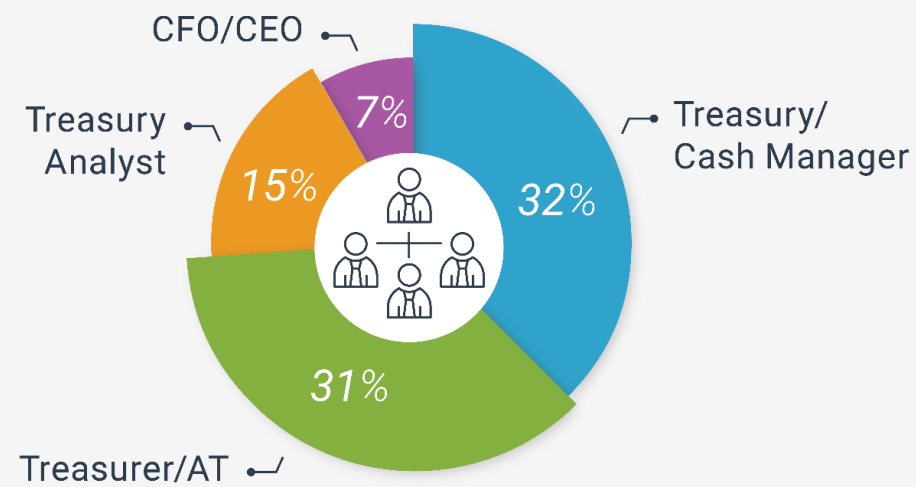
Prior to founding Capital Advisors Group, Ben was a Vice President in the money market center at The Boston Company and held various positions at Fidelity Investments. Ben earned a B.S. degree in business management from Ithaca College.

# ABOUT THE SURVEY

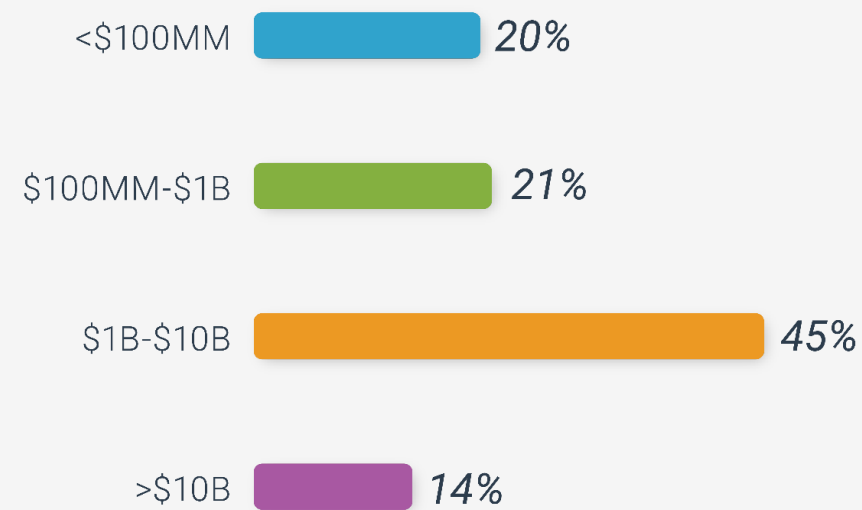
## RESPONDENT DEMOGRAPHICS, KEY FACTS & FIGURES



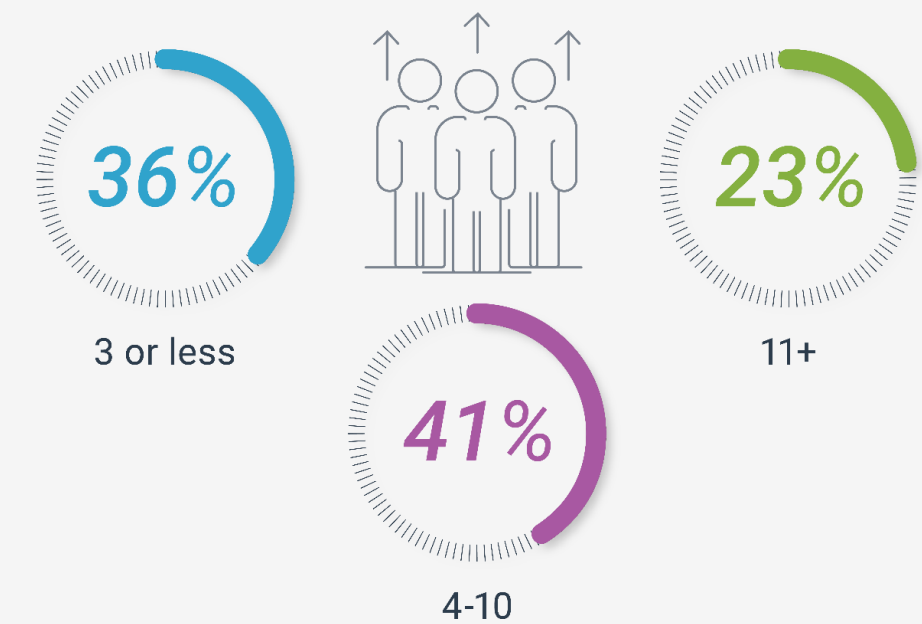
### TOP CORPORATE ROLES



### COMPANY SIZE BY REVENUE



### TREASURY STAFF SIZE





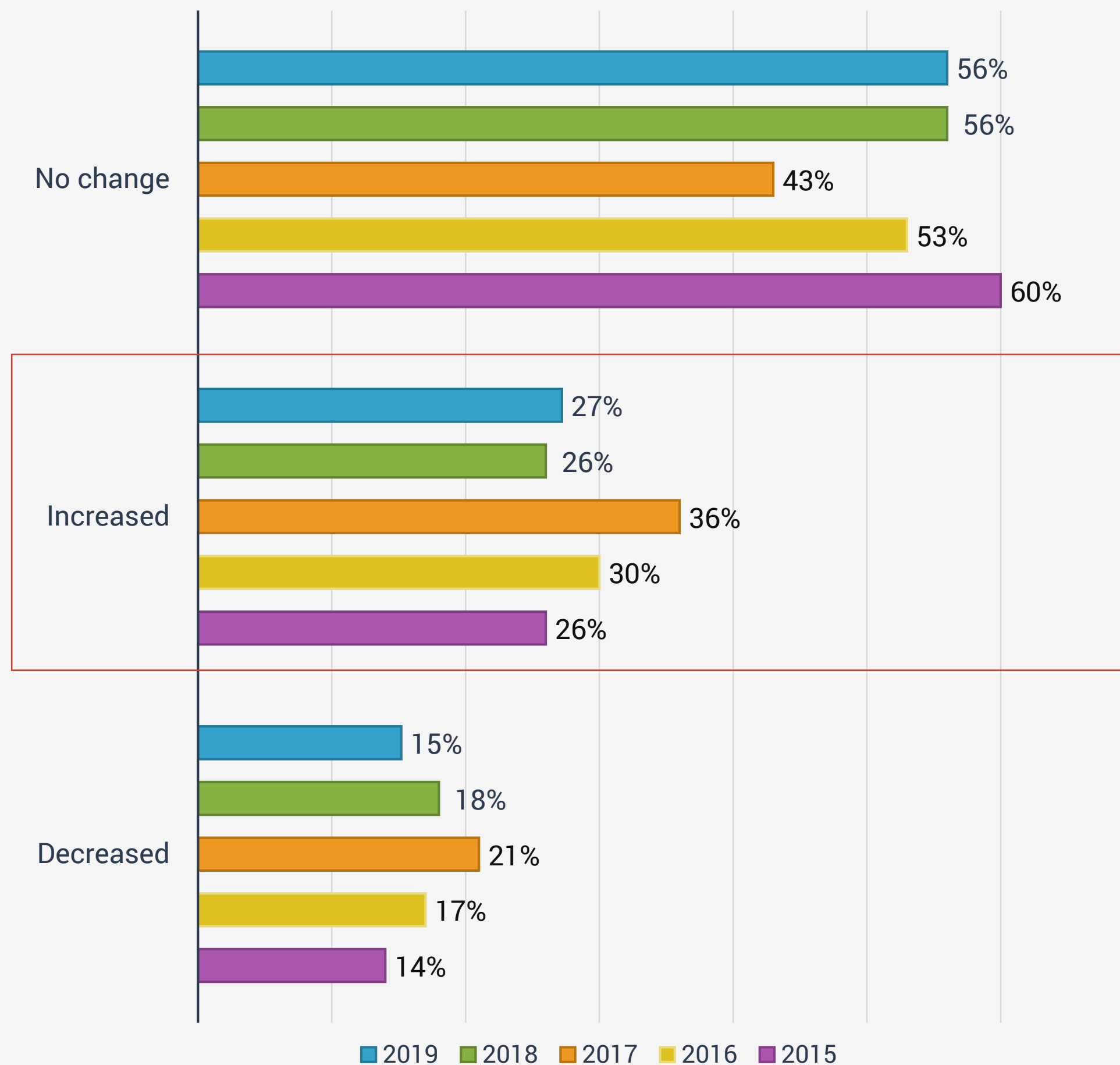
*SECTION 1*  
**Current State**

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# ADDITIONAL STAFF

## Treasury Staffing Continuing To Grow

» How has the staffing in your treasury department changed in the past two years?



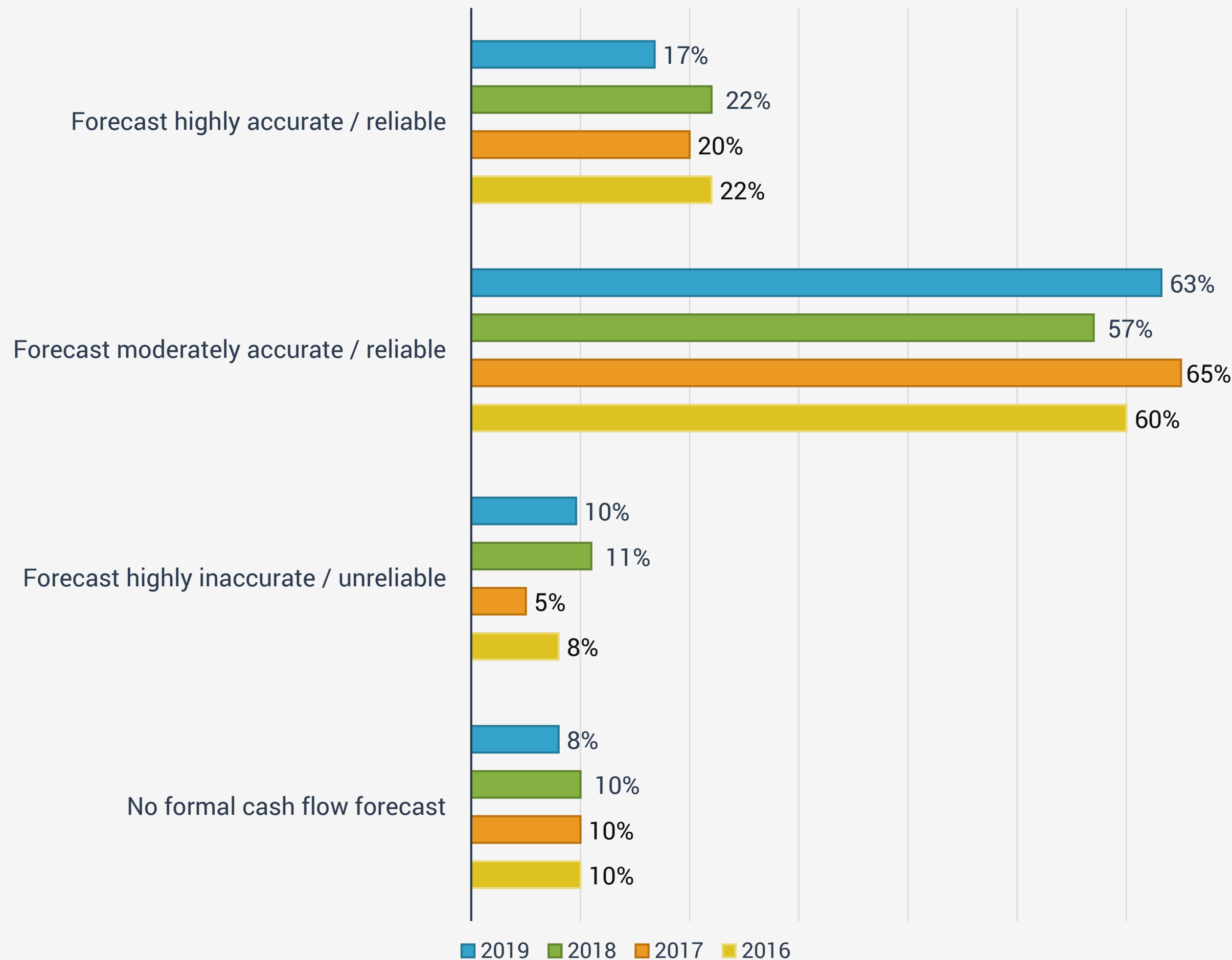
For more than five years running, treasury staffing continues its systematic and slow expansion. With a net 8% to 15% of firms adding (increased less decreased) the thoughtful addition of treasury staff provides a marker to compare other disciplines.


\*Unsure was added as a response in 2019. 2% of 2019 respondents indicated unsure.

# ACCURATE FORECASTS

## Short-Term Forecasting Is Viewed As Reliable

» Which answer best describes your organization's ability to forecast short-term cash?



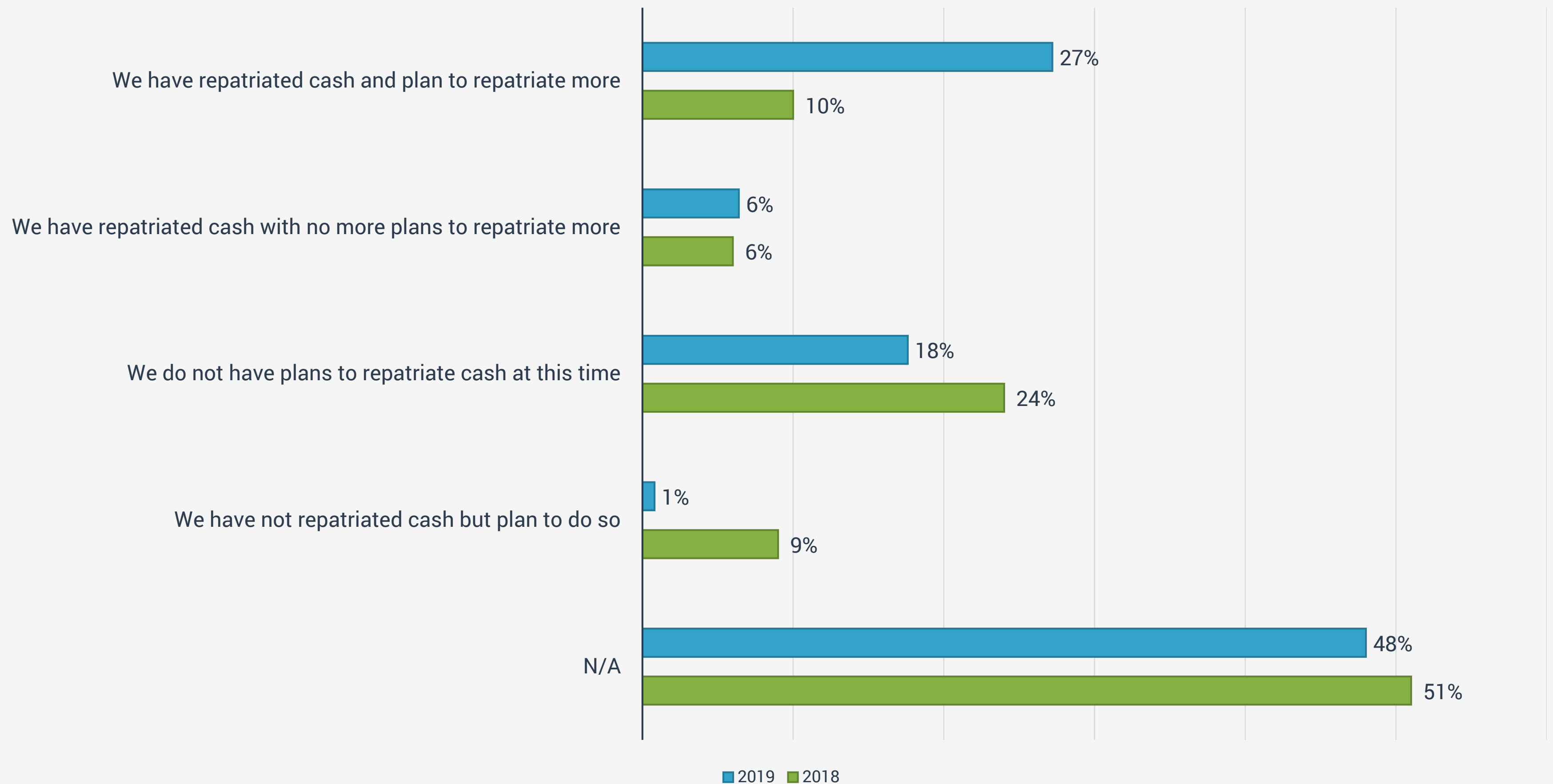
 Fewer than 1 in 5 either don't forecast or their forecast is very inaccurate.

\*Unsure was added as a response in 2019. 2% of 2019 respondents indicated unsure.

# CASH REPATRIATION

Happening Repeatedly and Planning for More

» Due to the US Tax Reform Act, our actions and plans with regard to repatriating cash to US:



\*This question was first asked in 2018 to reflect US Tax Code changes.



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***SECTION 2***

**Investment Policy**

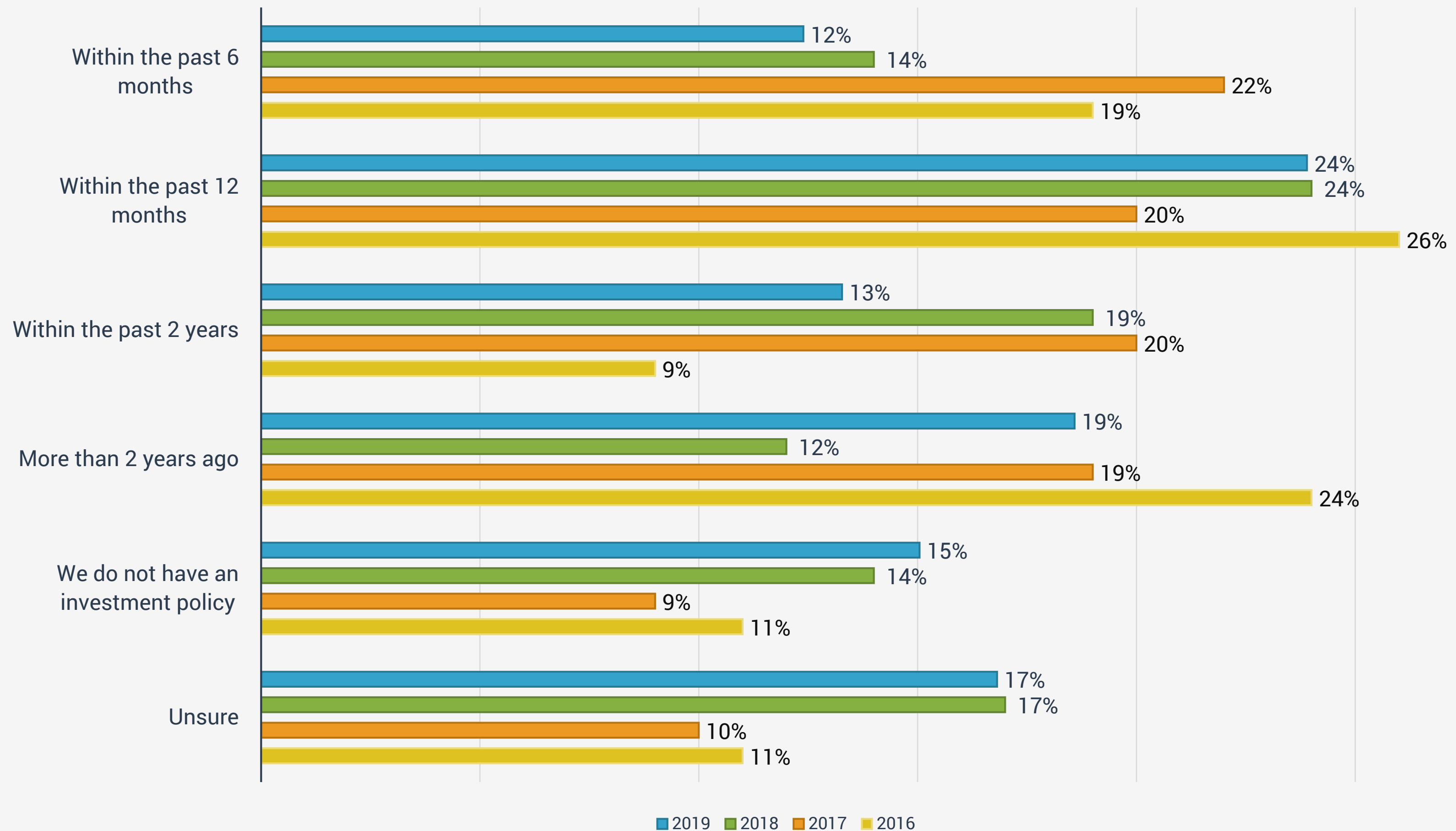
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# AGING POLICIES

## Updates to Investment Policy Happening Less Frequently

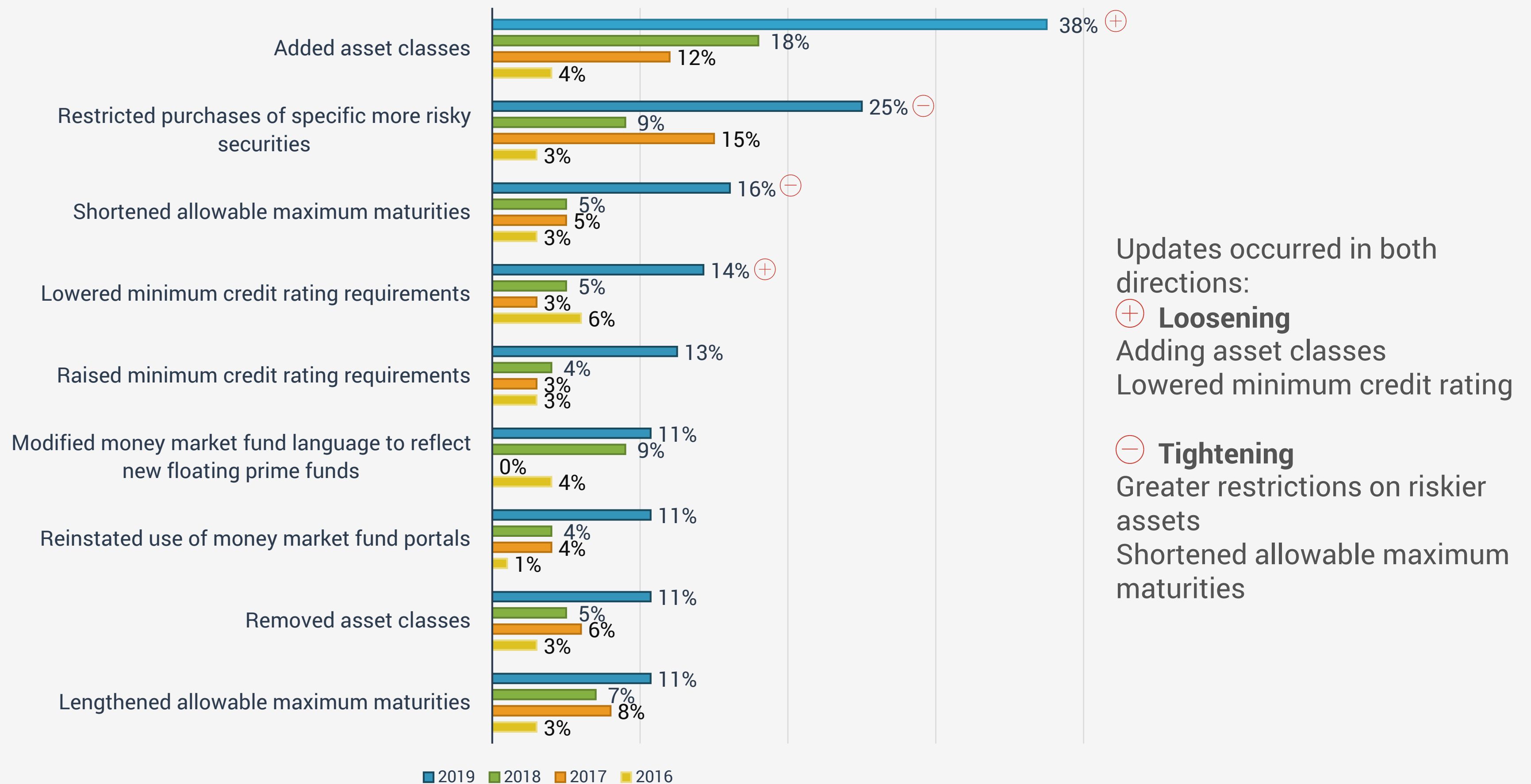
» When did you last update your corporate investment policy?



# SIGNIFICANT POLICIES UPDATES

Those Who Are Updating Are Making More Changes than in the Past

» What revisions did you make to your corporate investment policy in the latest update? (Select all that apply)

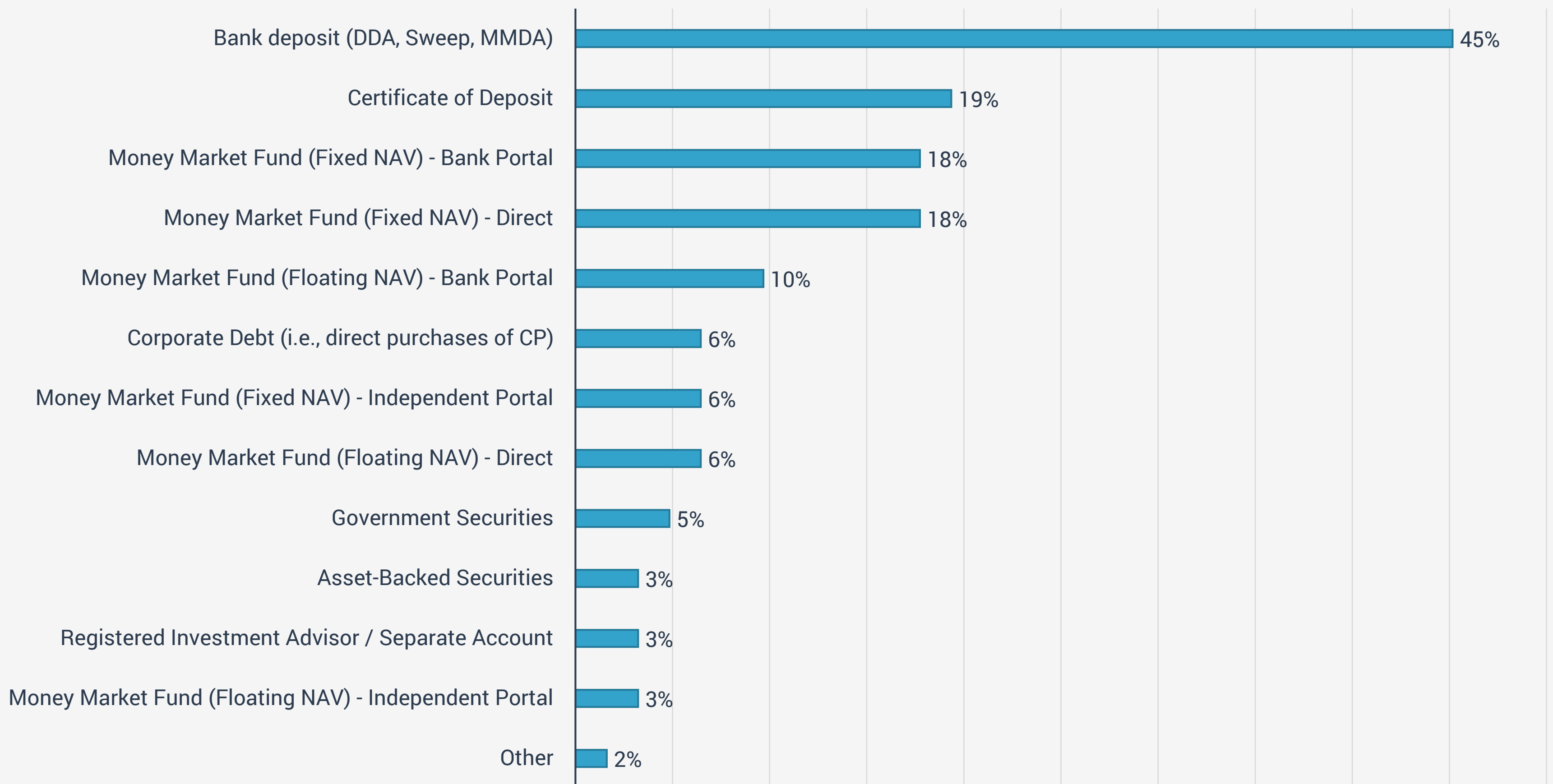


\*Other and N/A also survey options and not reflected in this graph.

# BANK DEPOSITS BACK ON THE MENU

Various Channels for Using MMF Came Back for Many Companies

» In the past year, what US (domestic) investment channels did you use for short-term funds? (Select all that apply)

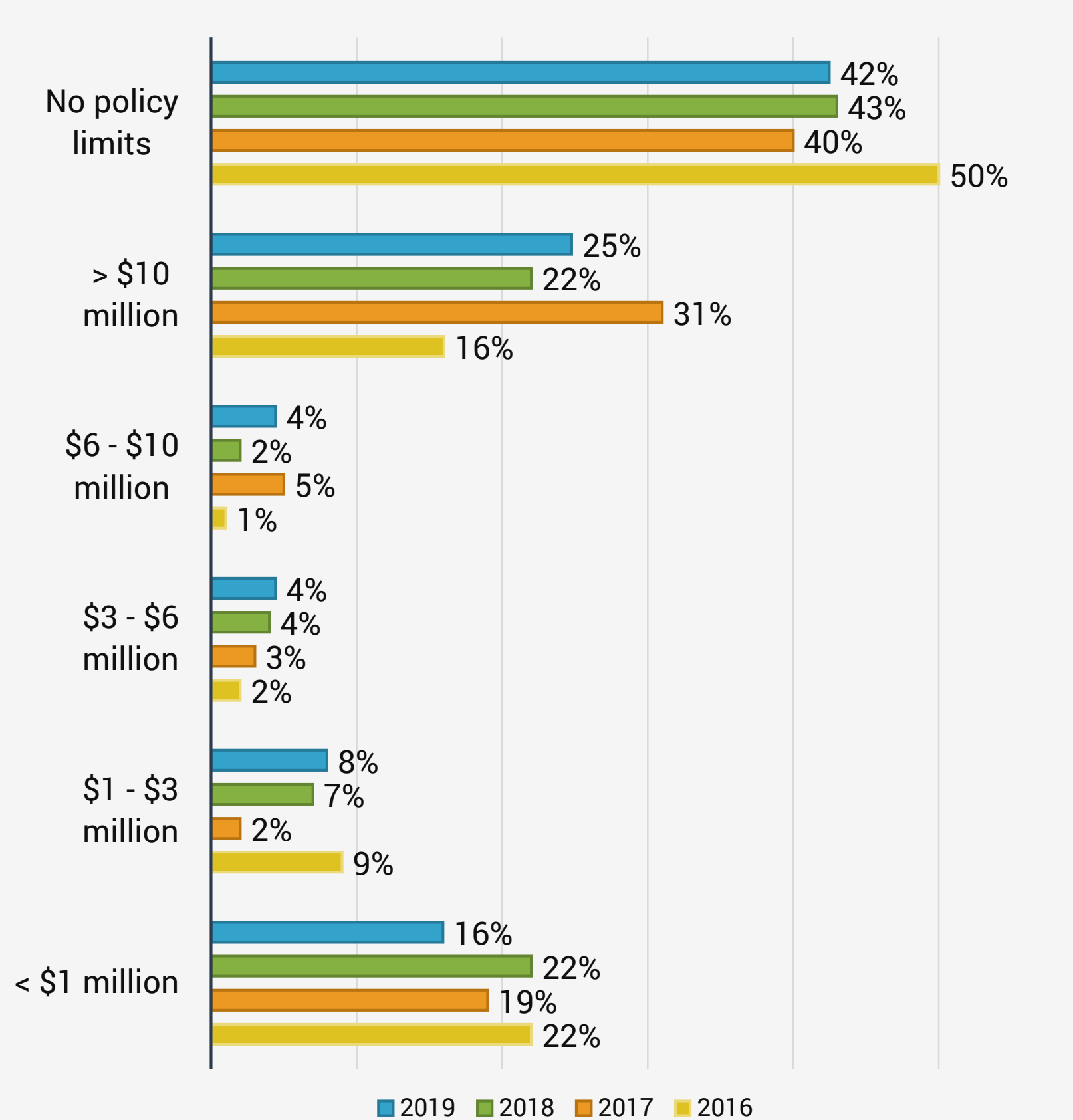


\*Non-Selected response options not included in above results.

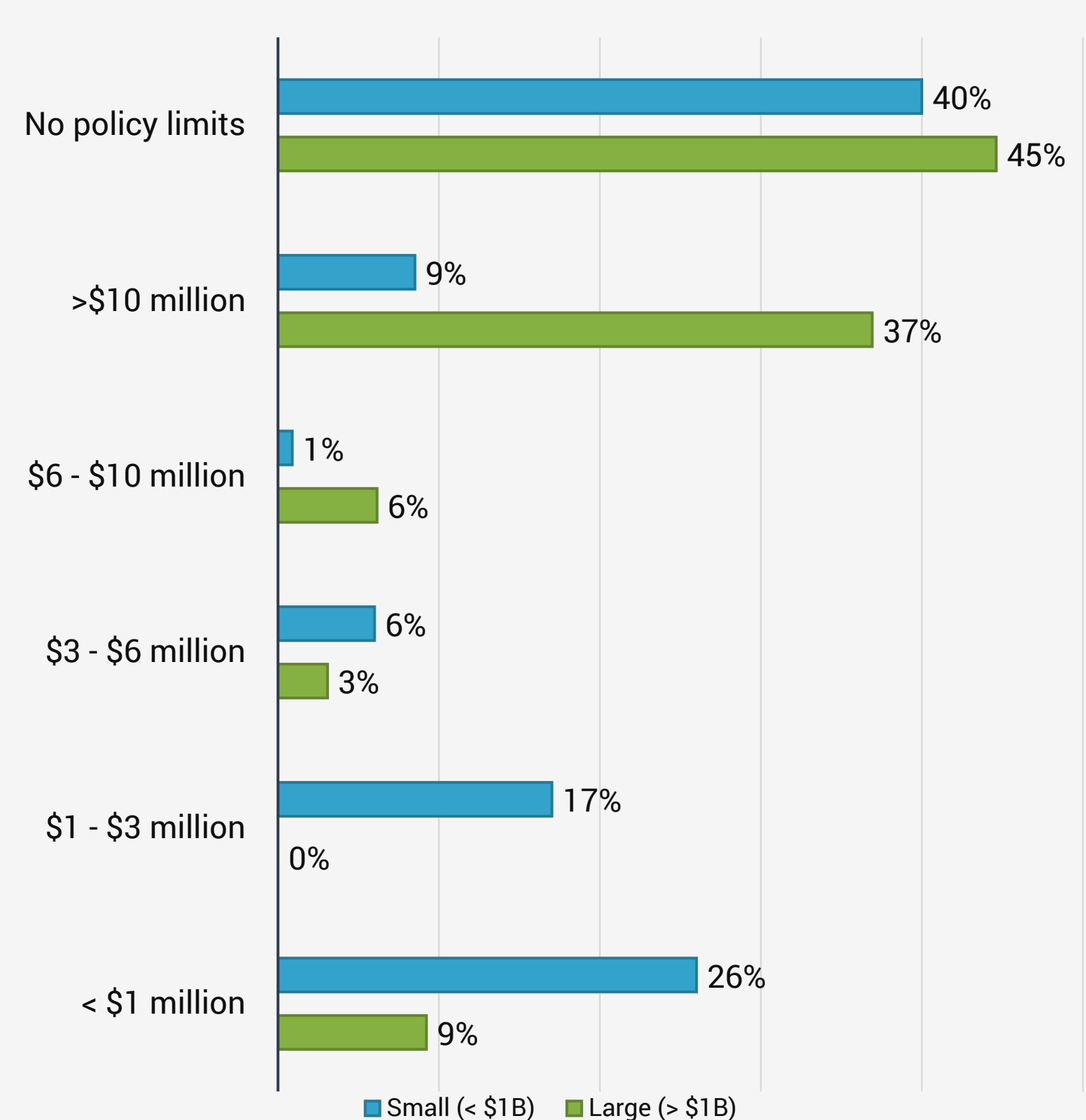
# HOLDING STEADY

## Non-Rigorous View of Bank Deposit Exposure Continues

» What is the maximum dollar value exposure to uninsured bank deposits allowed by your investment policy?



After 10 strong years, less than 1/3 have tight limits. Over 40% continue to have no formal policy limit.

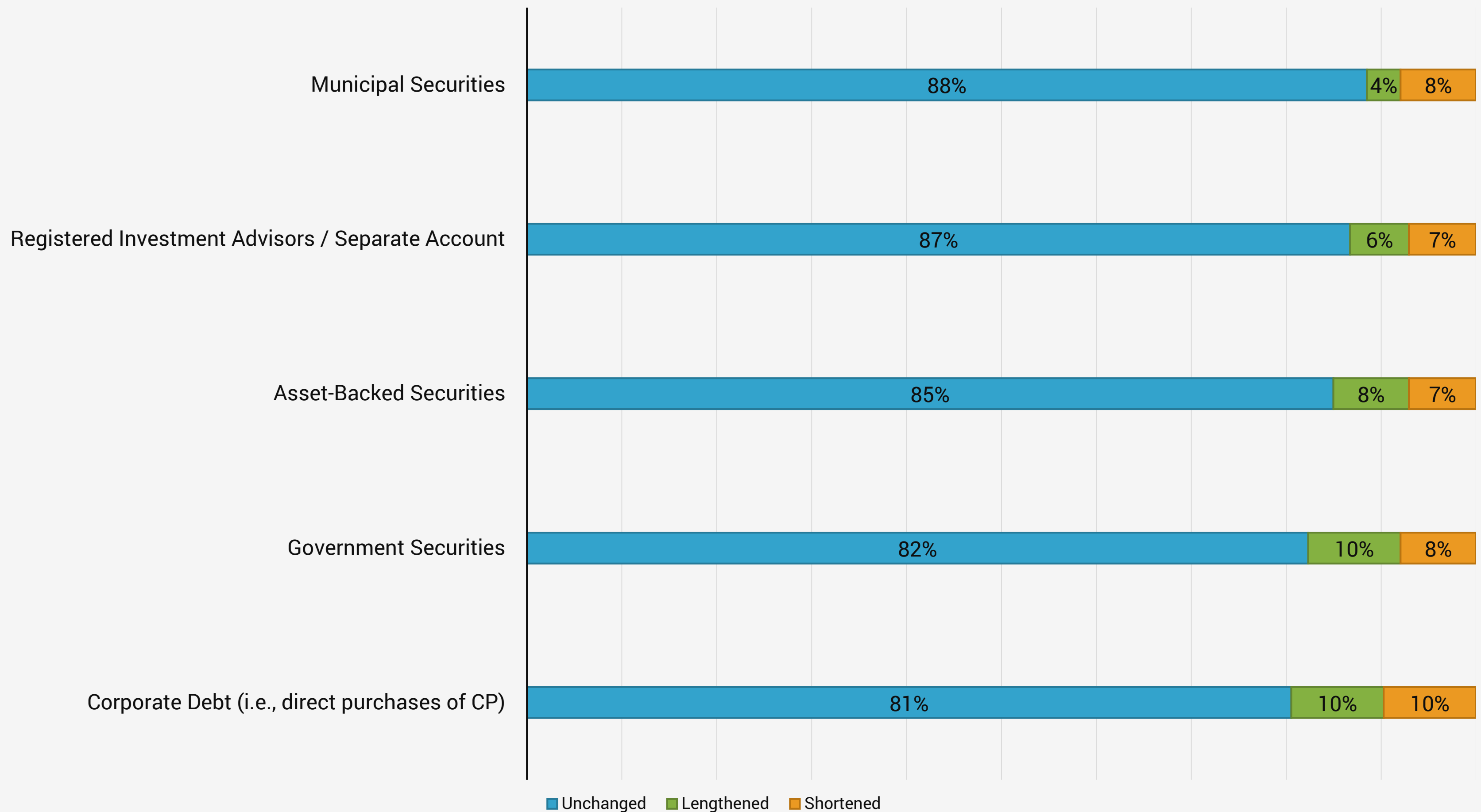


50% of small firms limit bank deposit levels to \$10mm or less, while only 18% of large do so.

# ALL IS CALM

## Length of Maturity Is Staying Consistent

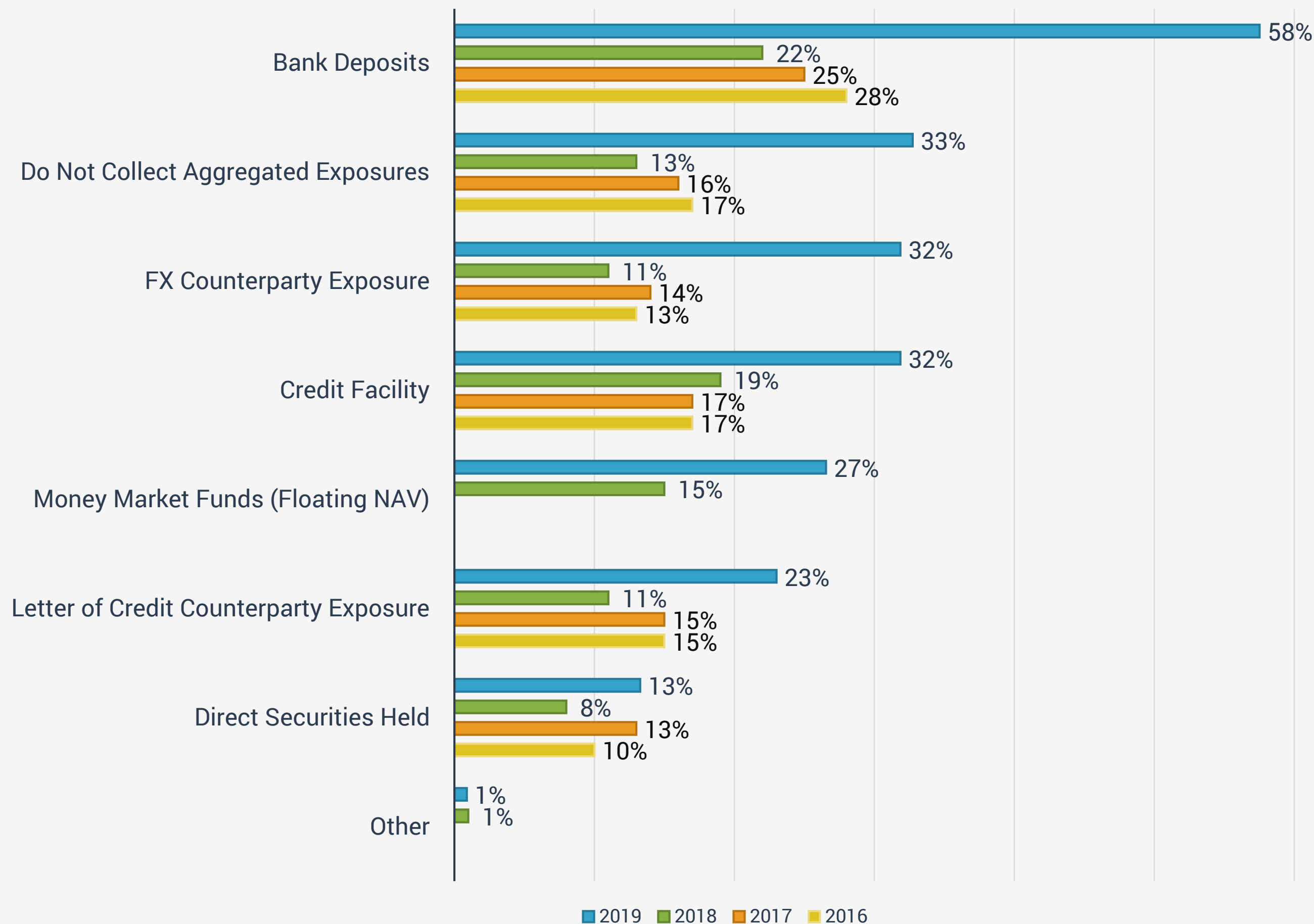
» For each of the following investment channels, please indicate whether the average maturity has lengthened, shortened or remained unchanged.




# IT'S ABOUT TIME

## Firms Became More Diligent in 2019

» From which of the following investment channels does your company collect and review total counterparty exposures in aggregate? (Select all that apply)



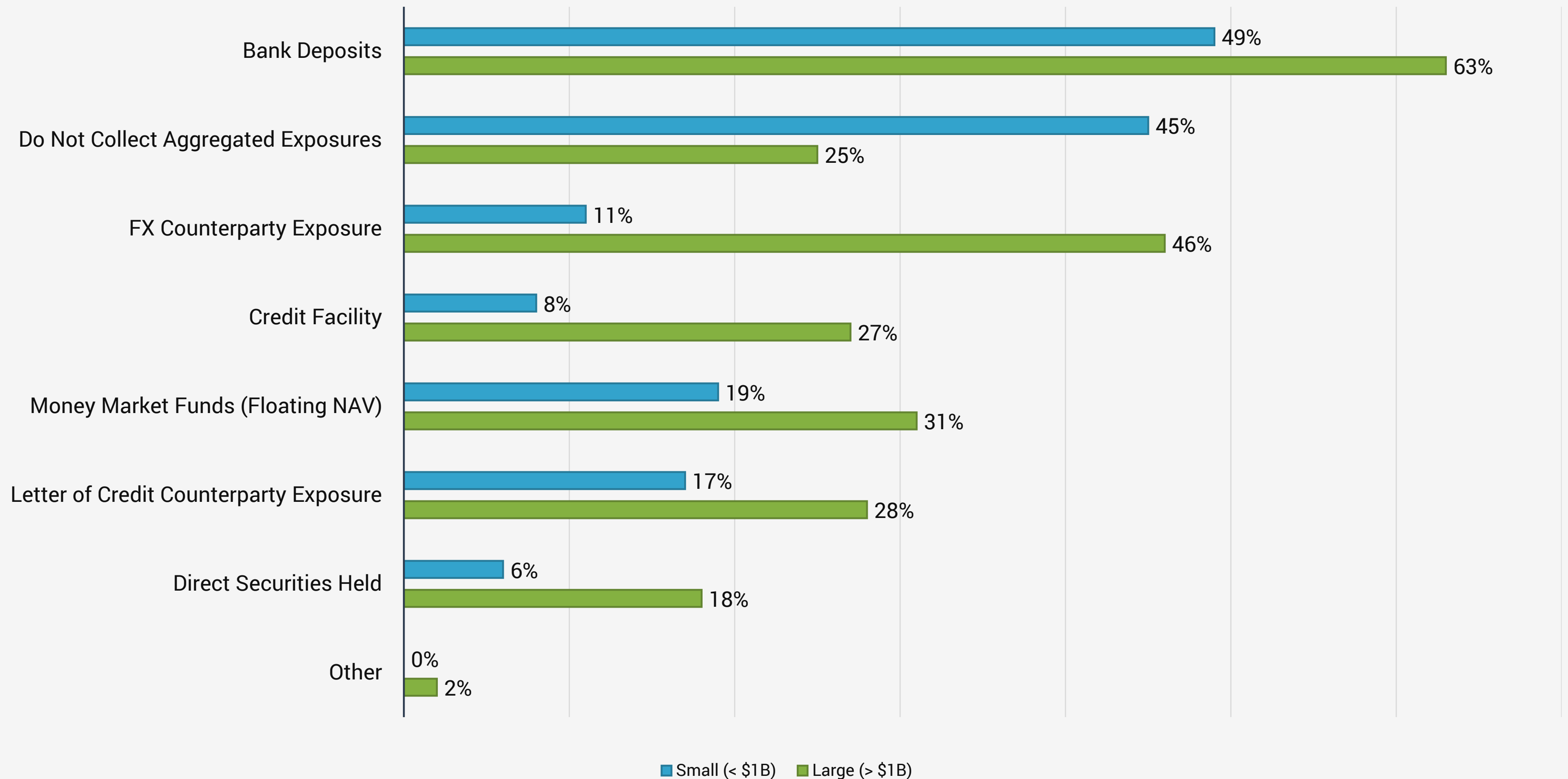
 After a decade of calmer waters and little attention paid to monitoring and managing counterparty risks, a significant number of firms are starting to exercise more discipline here.

\*Money Market Fund and Other were not options in 2017 & 2016.

# SMALL FIRMS ARE TRAILING

## Larger Firms Stepped up Their Efforts With Counterparty Exposure

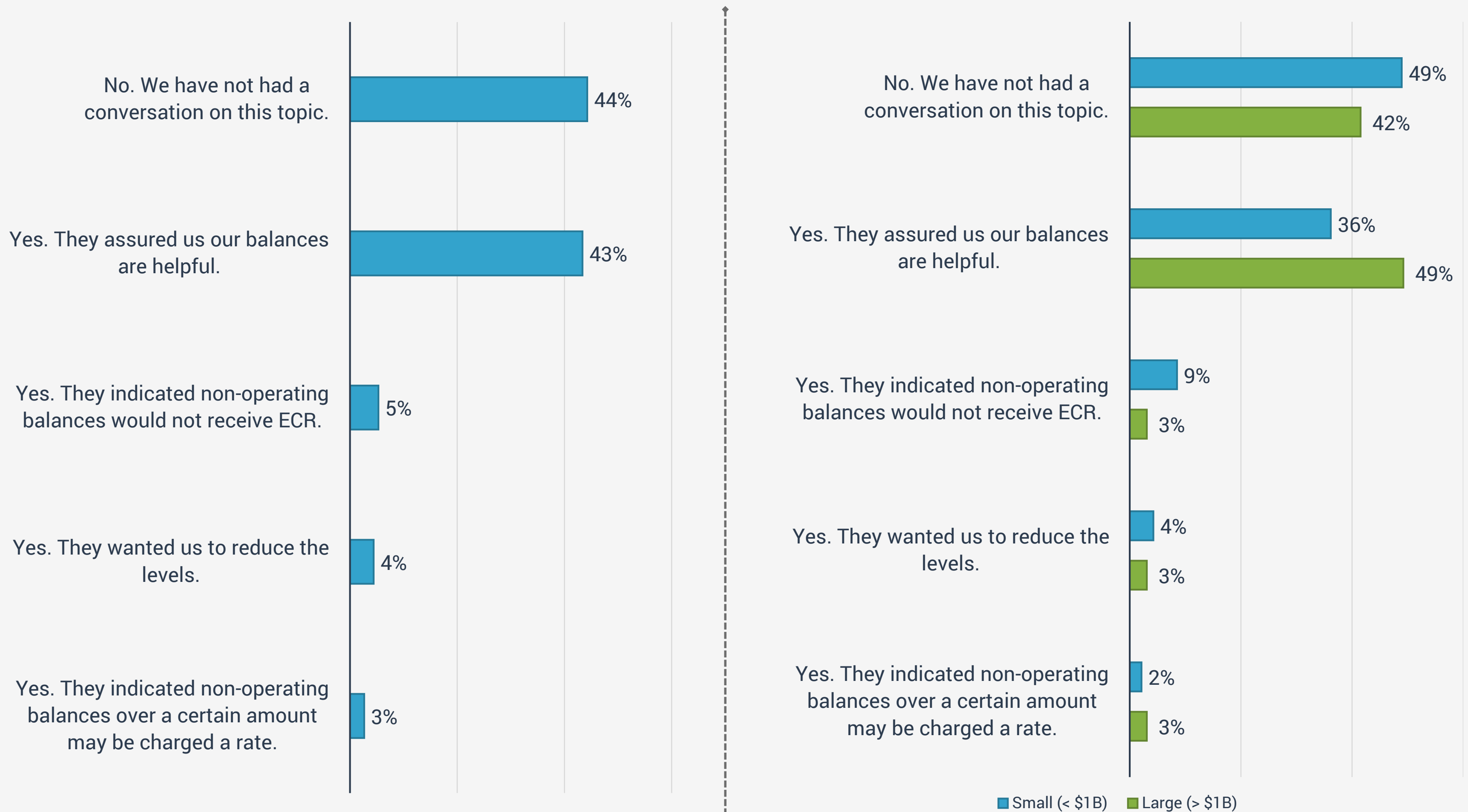
» From which of the following investment channels does your company collect and review total counterparty exposures in aggregate? (Select all that apply)



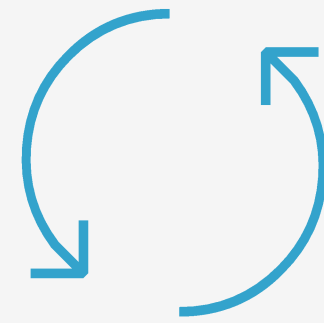
# LET'S TALK ABOUT DEPOSIT VALUE

## Banks Are Talking to Firms About Balances

» Investment Policy: Has your bank(s) talked to you about your deposit balances?







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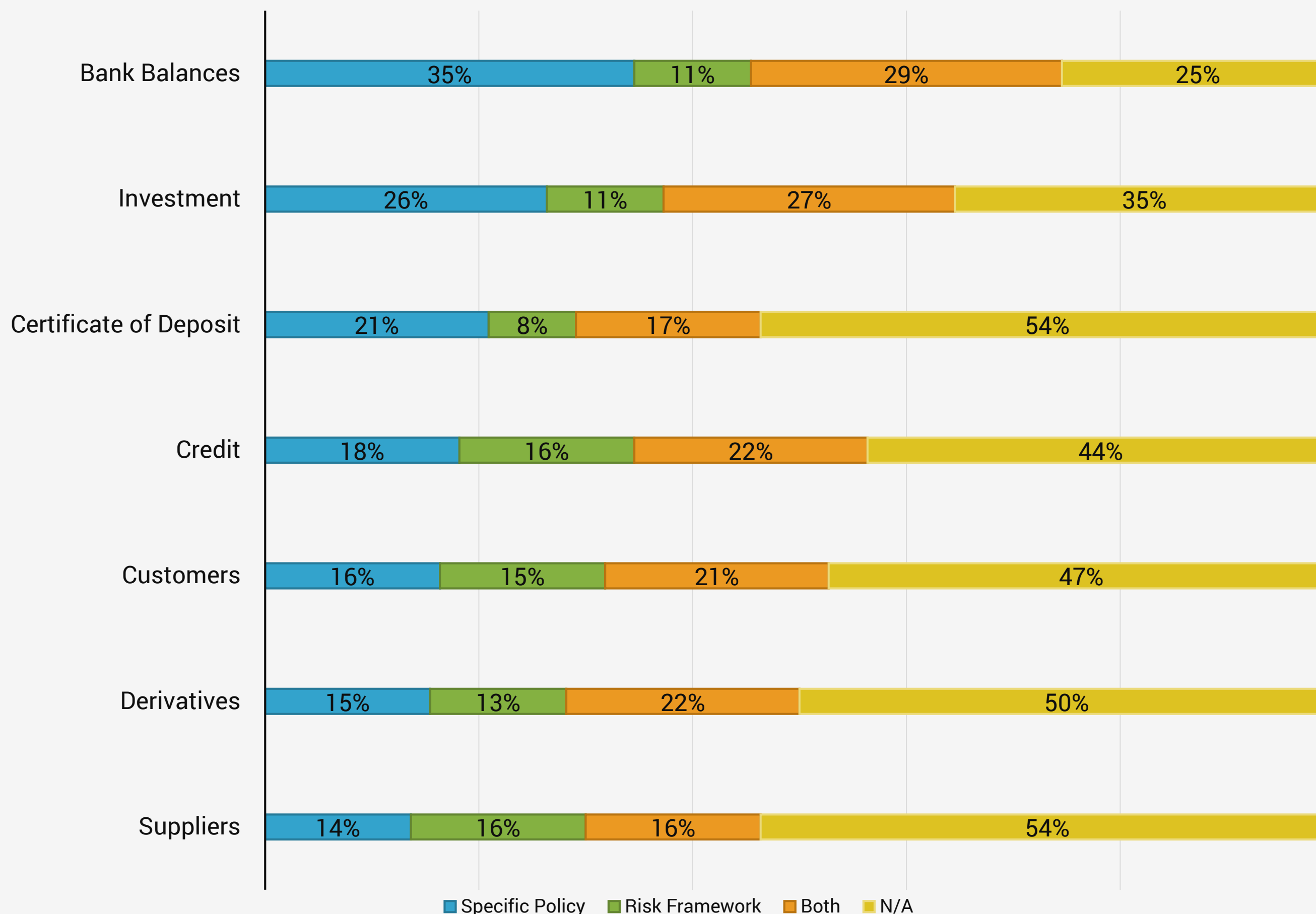
***SECTION 3***  
**Counterparties**


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# RISK VS. HOPE

## Two Very Different Approaches

» Which counterparty exposures are governed by a specific exposure policy and/or risk framework?



 Roughly 2 or 3 out of 10 firms have the most mature risk structure in place by having both an overall framework and specific policies to address different exposure types. A significant percentage, sometimes over half, maintain no policy or framework – a strategy of hope.

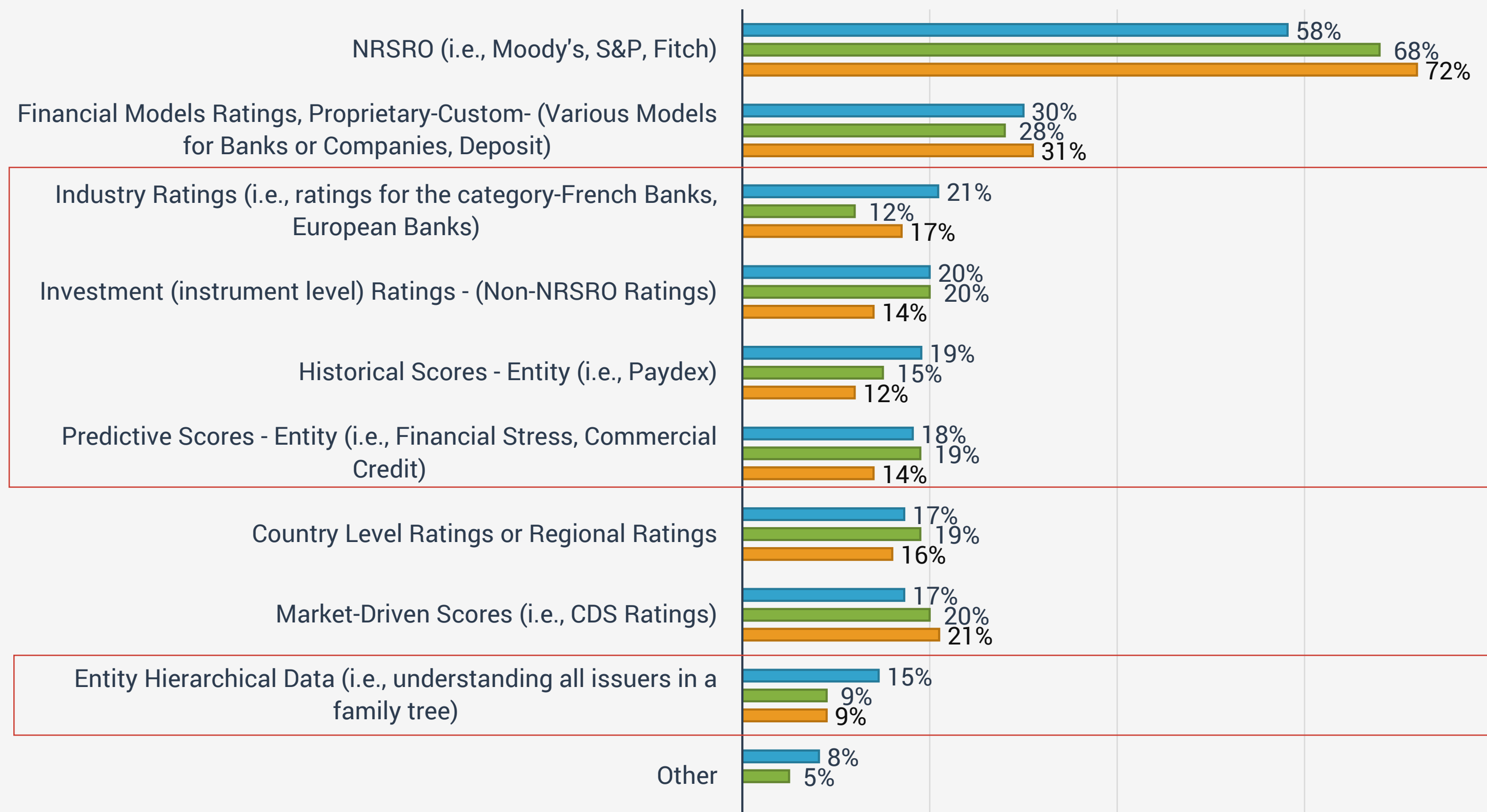
# DATA IS GETTING USED

## Firms Are Looking to Data for Calibrating Exposures

» What types of data are you using to manage your risk exposures to various counterparties? (Select all that apply)

Historical favorite NRSRO continues to lead the race for most used data-type for counterparty risk management.

**?** *Does the increase in the use of other data sets signal a better use of standard technology offerings (TMS), increased use of data management and BI tools, or something else?*



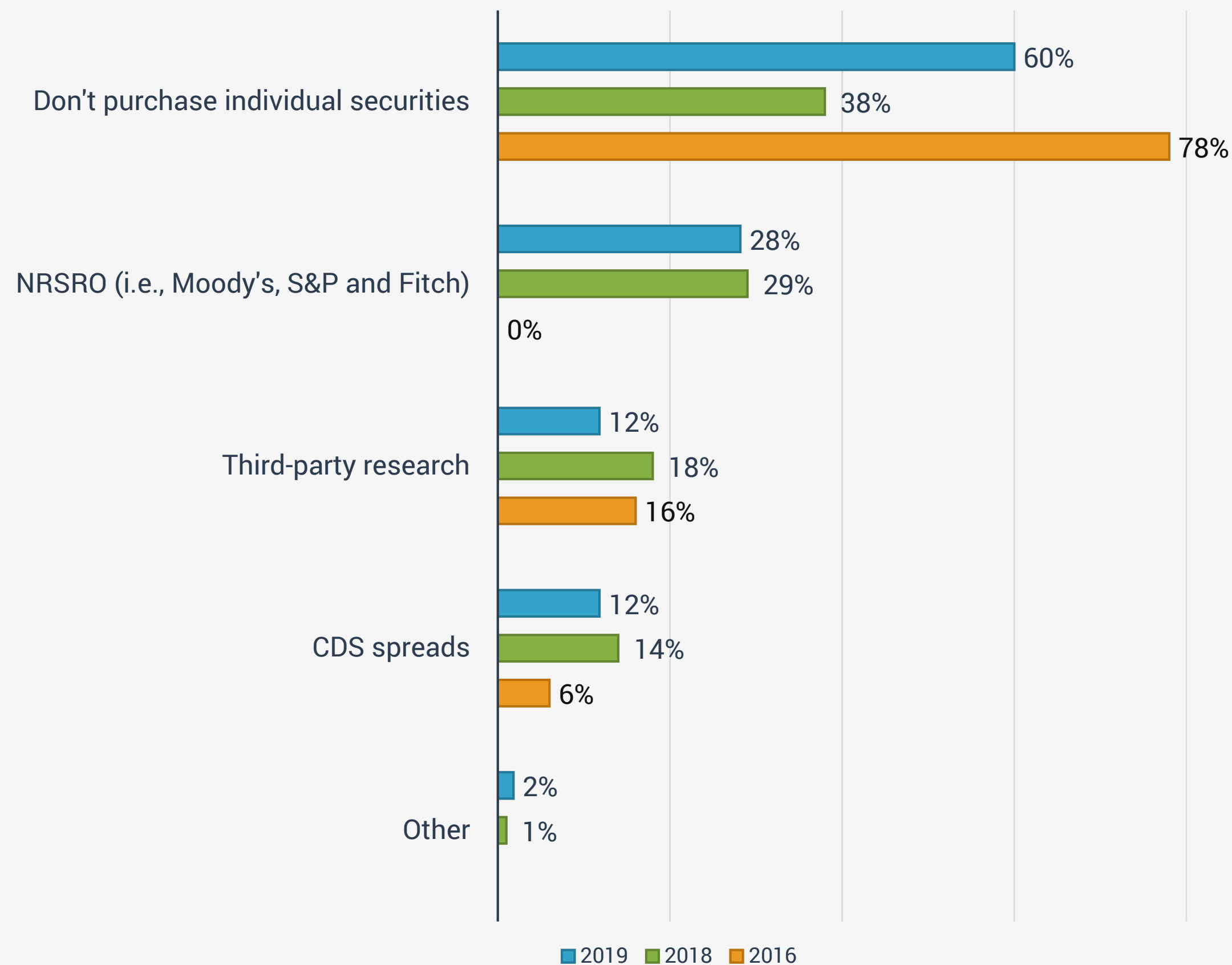
■ 2019 ■ 2018 ■ 2016


\*Question was off the survey cycle in 2017. Other was not an option in 2016.

# FINDING STABILITY

## The Purchase of Individual Securities Remain Consistent

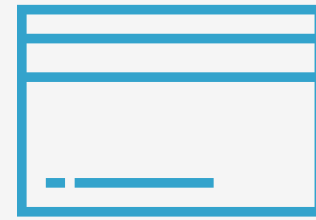
» If you purchase individual securities for your portfolio, what data do you use to track and manage the risk of those securities? (Select all that apply)



 Some survey data shows significant shifts; other data shows year over year changes in a similar direction. For tracking the risk of individual securities, the practices have varied little over time.

Ongoing maturity and discipline is demonstrated by those organizations that buy individual securities (about 40% of all respondents). Almost half of those use ratings besides NRSRO to track or manage the risk.

\*Question was off the survey cycle in 2017. Other was not an option in 2016.



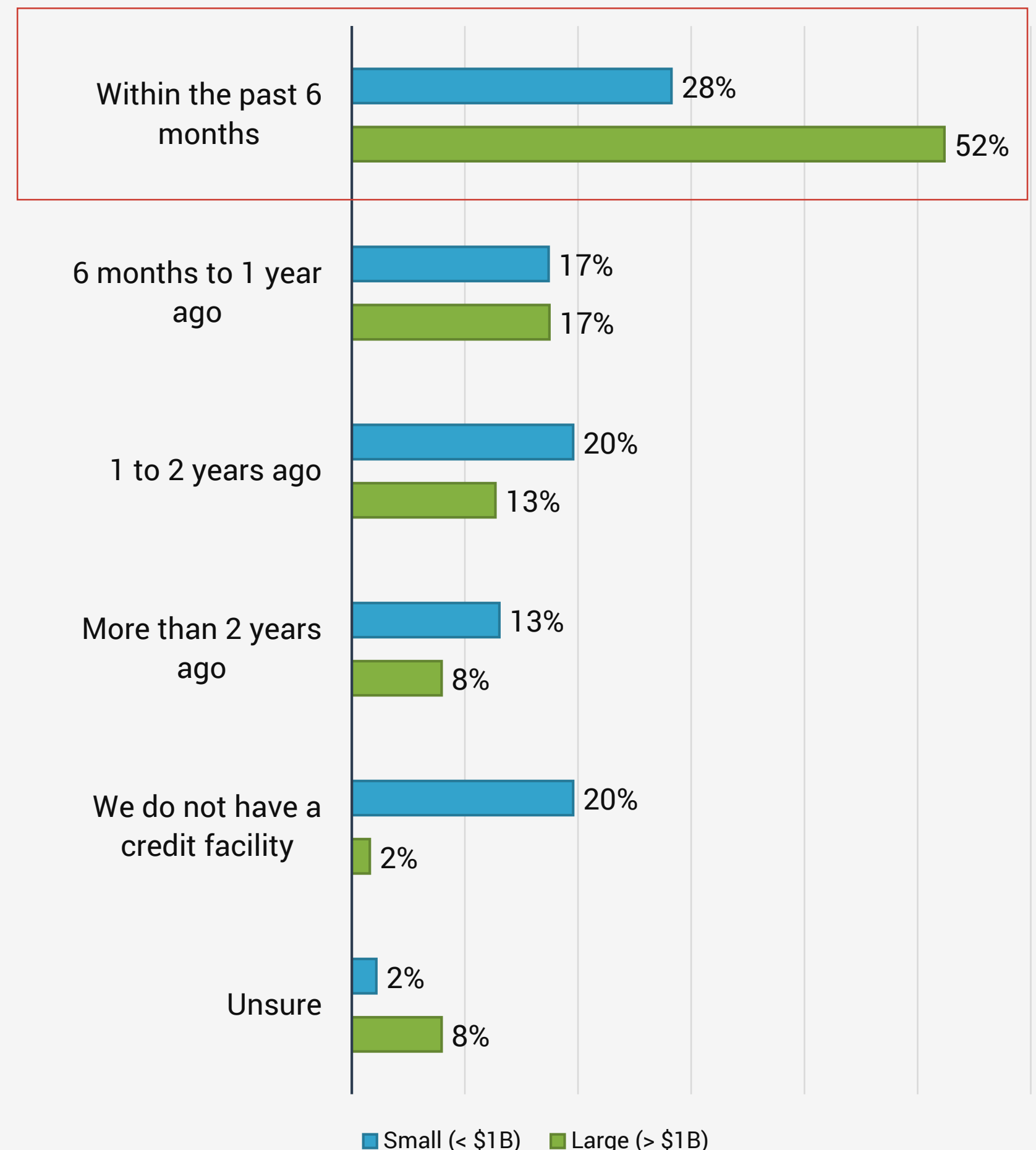
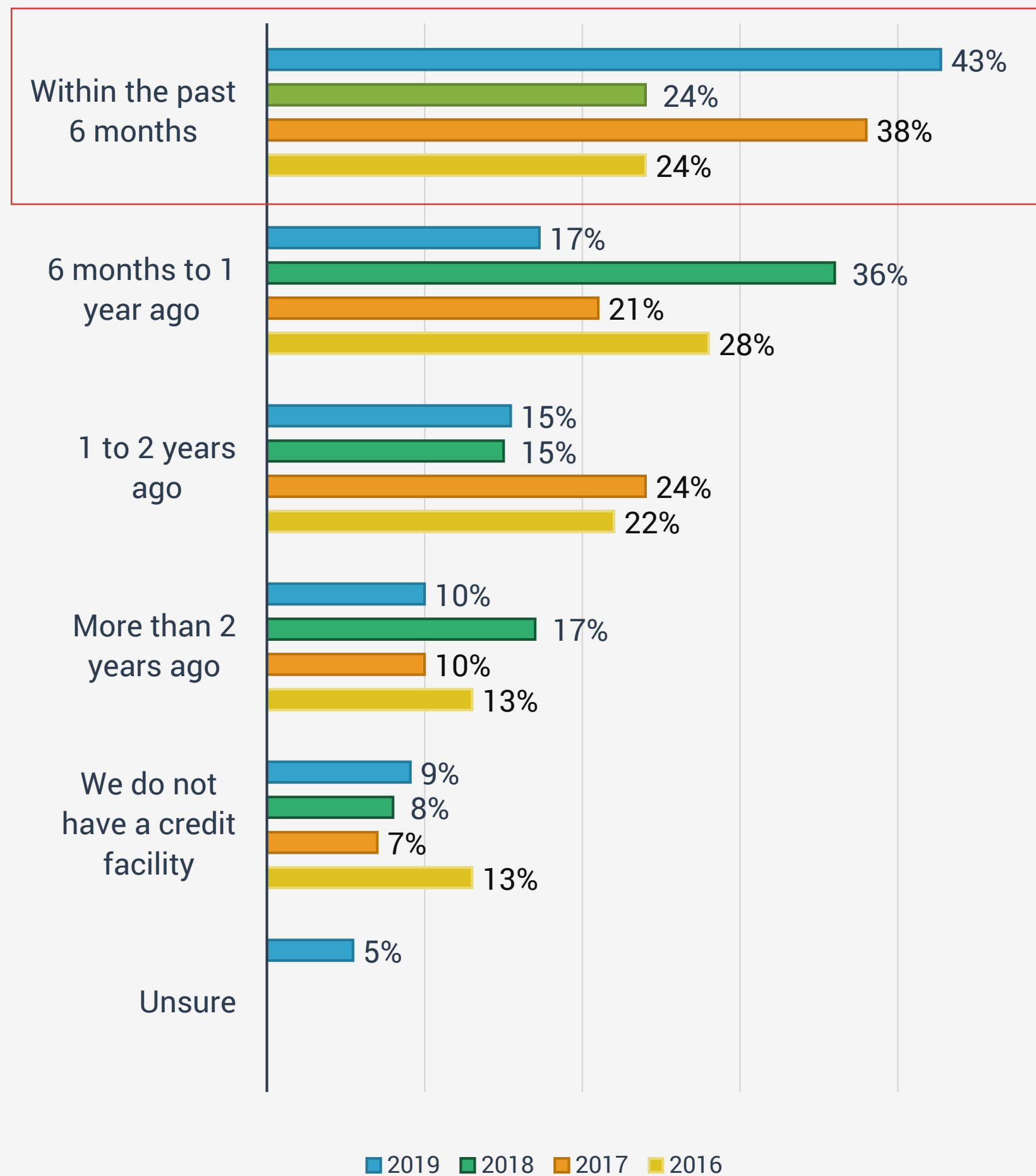
***SECTION 4***  
**Credit**

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# CREDIT FACILITY NEGOTIATIONS

Continue on a Historical Pace

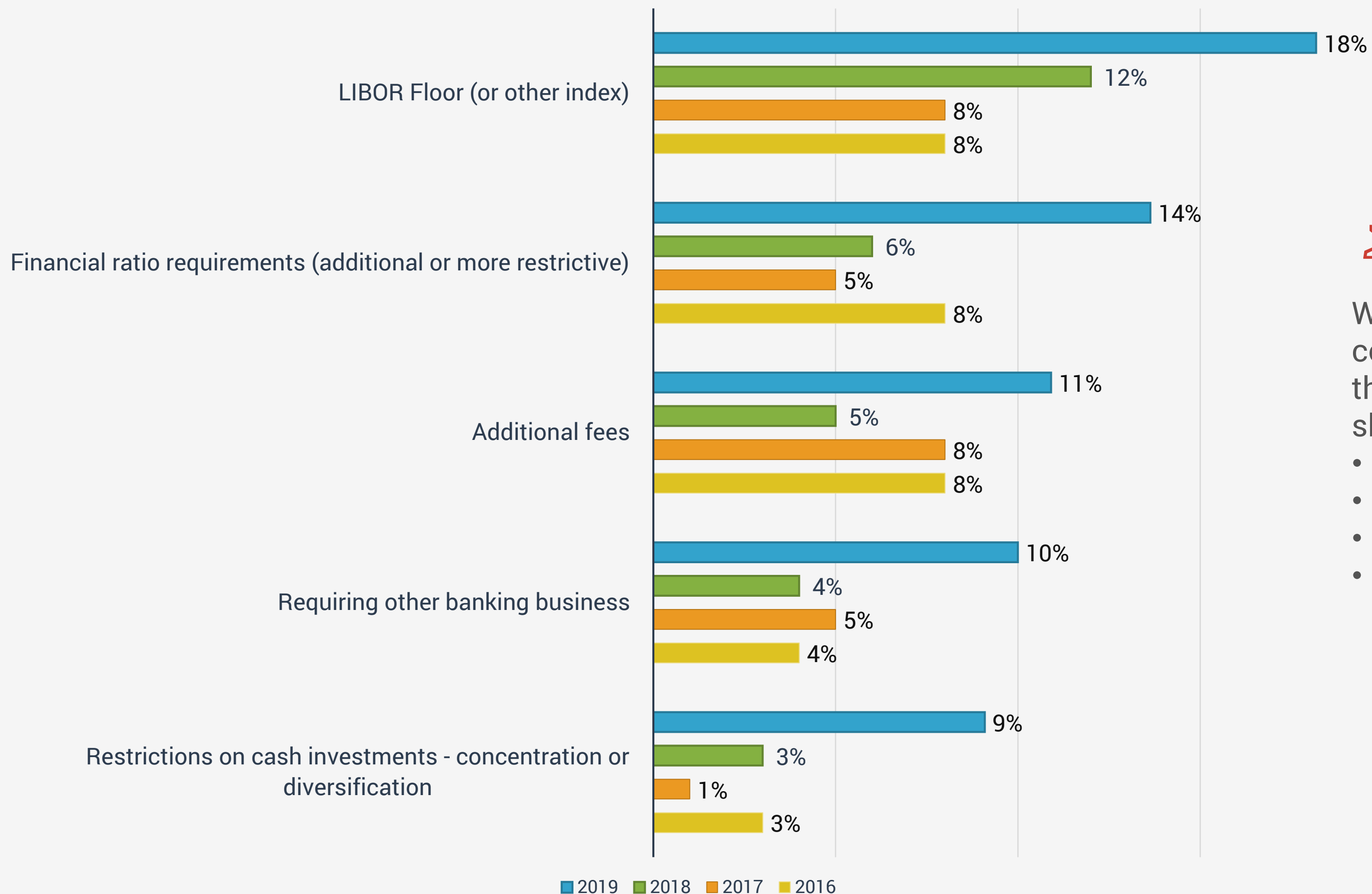
» When was your most recent negotiation or renegotiation on your credit facility/facilities?



# TIGHTER COVENANTS

## Top 5 Responses From the Past 4 Years

» What types of additional loan covenants or components were added or changed on your most recent debt/credit facility? (Select all that apply)



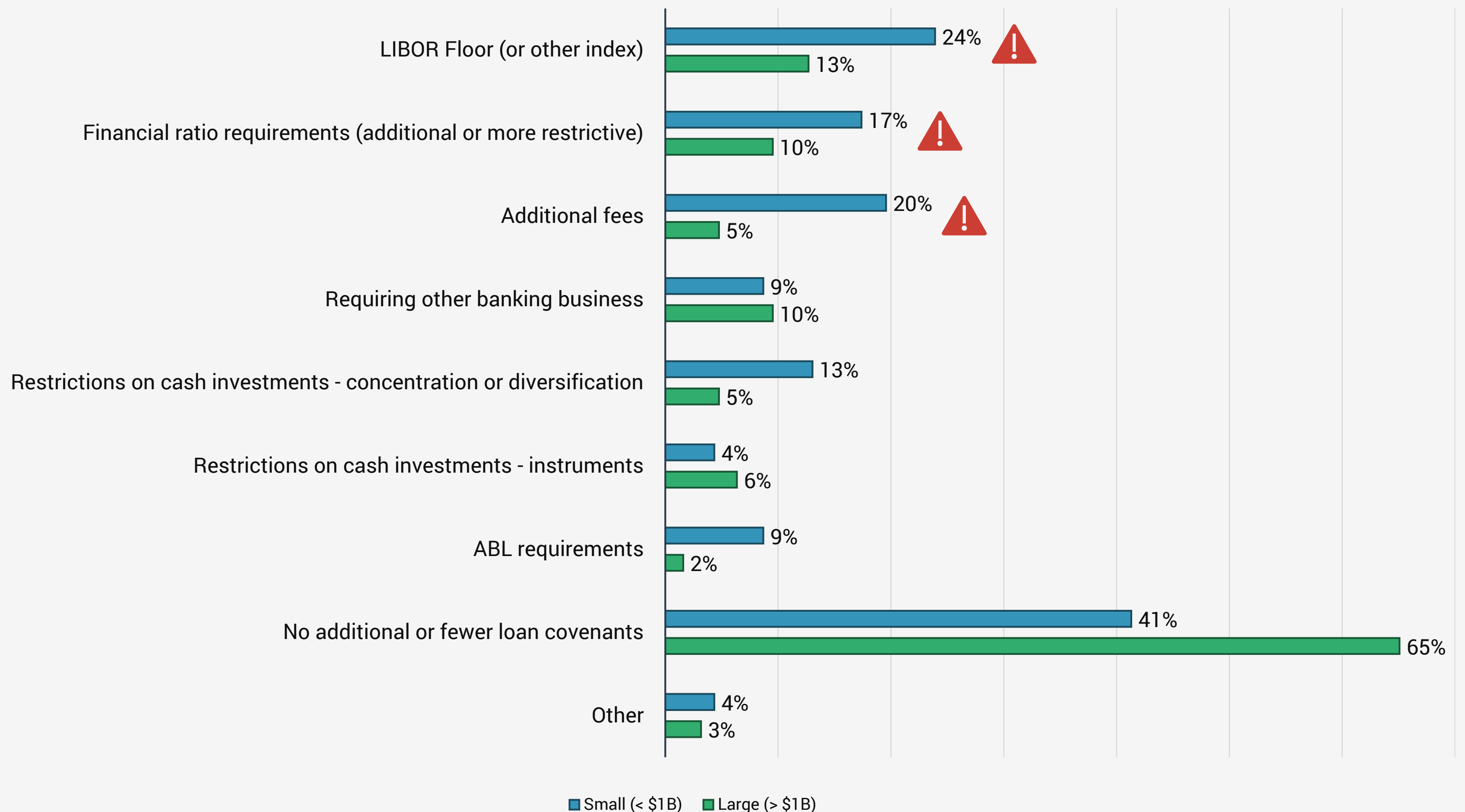
While there were fewer covenants, the covenants that were put in place show a focus on:

- Floors (index-based)
- Financial Ratios
- Restrictions
- Emphasis on fees

# SIZE = BORROWER POWER

Smaller Firms Don't Have the Clout, Especially With Fees, Floors & Financial Ratios

» What types of additional loan covenants or components were added or changed on your most recent debt/credit facility? (Select all that apply)

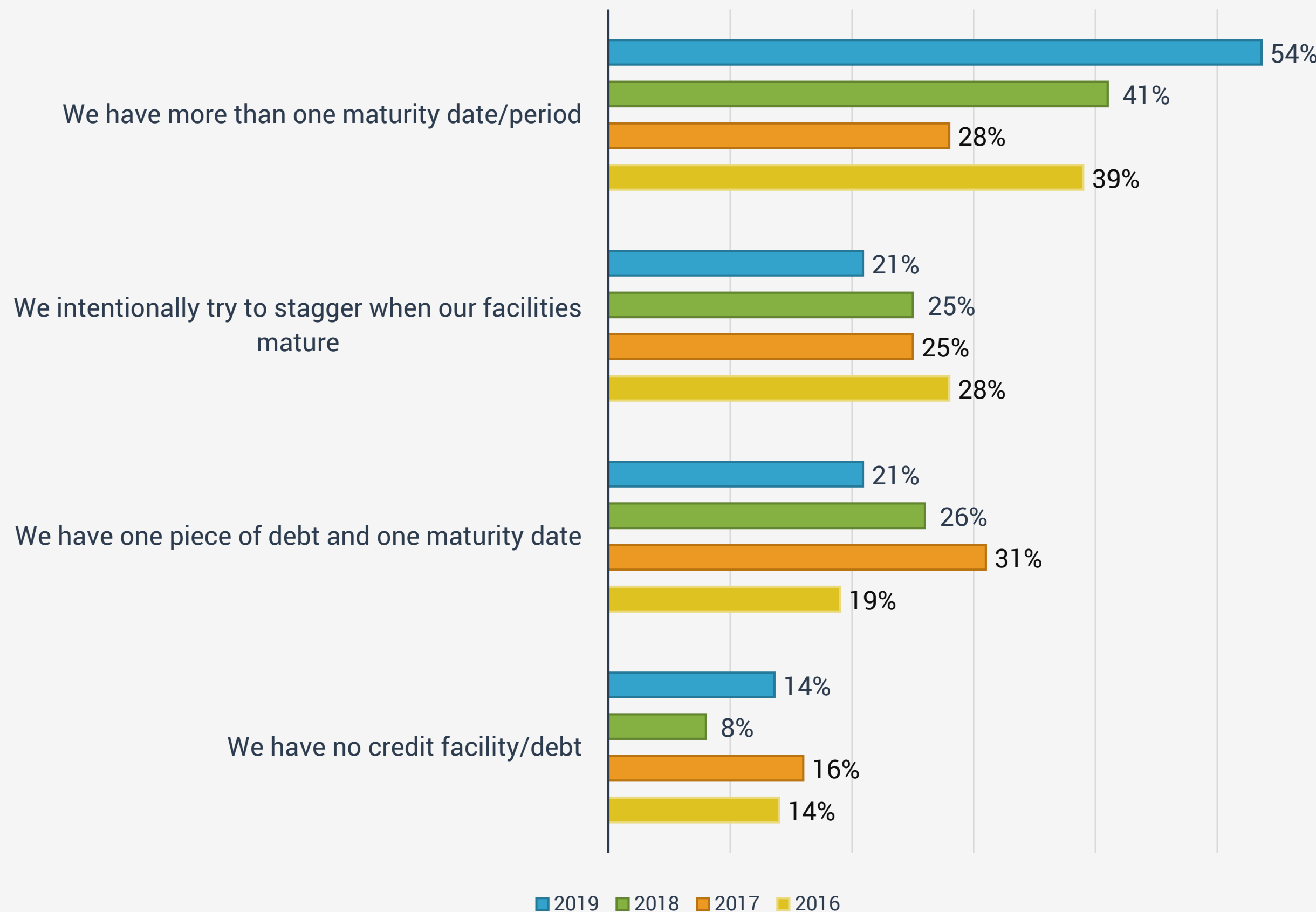





# LESS DIVERSIFICATION

## Maturity Dates Remain Consistent

» Which answer best describes the maturity dates of your credit facilities and other types of debt? (Select all that apply)



 Survey respondents showed the lowest level of intentional diversification of credit facilities (only 1 in 5 do so now). Yet, the highest level of actual date diversification (54% vs. 41%) was reached.



***SECTION 5***

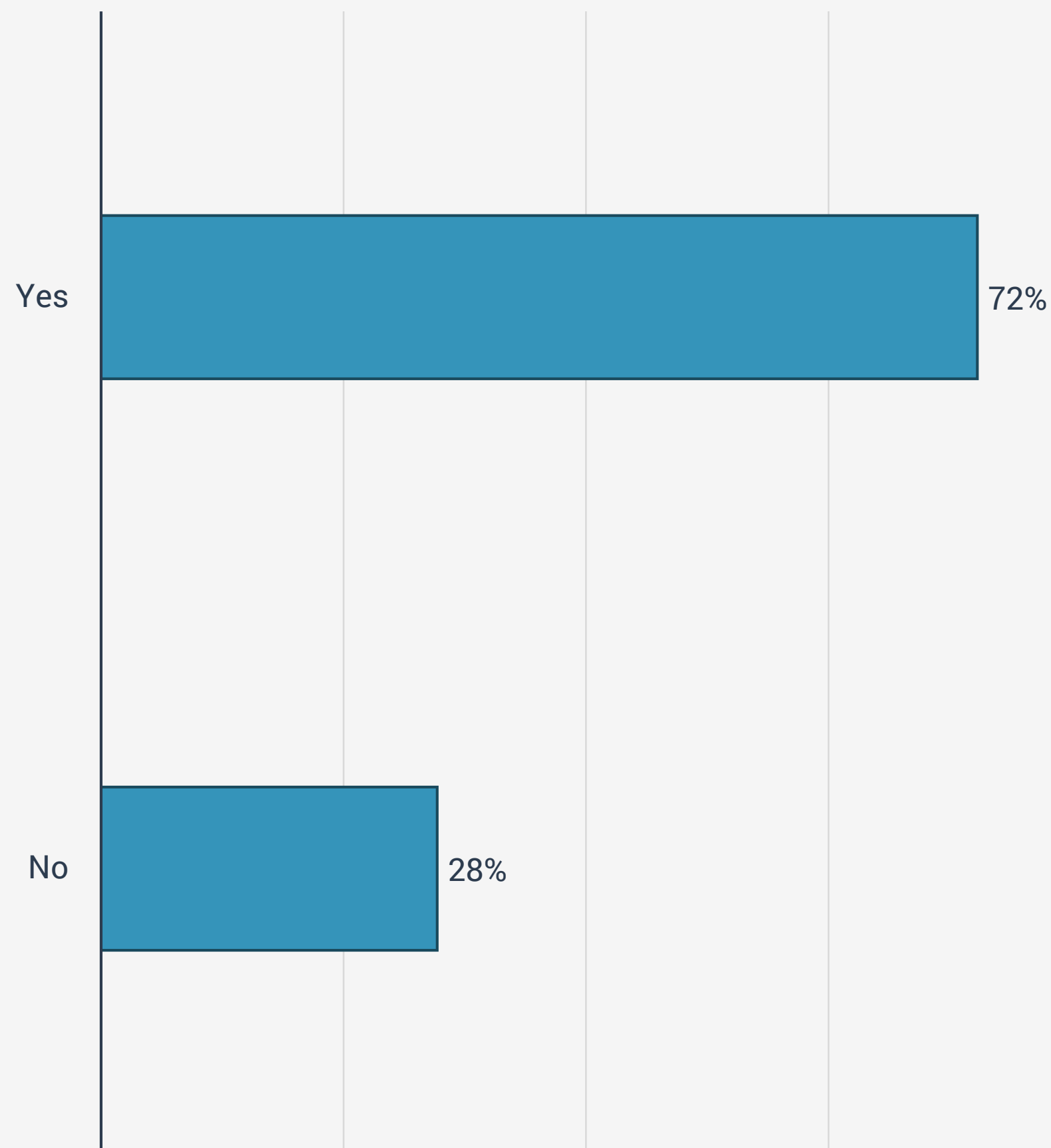
**Banking Relationships**

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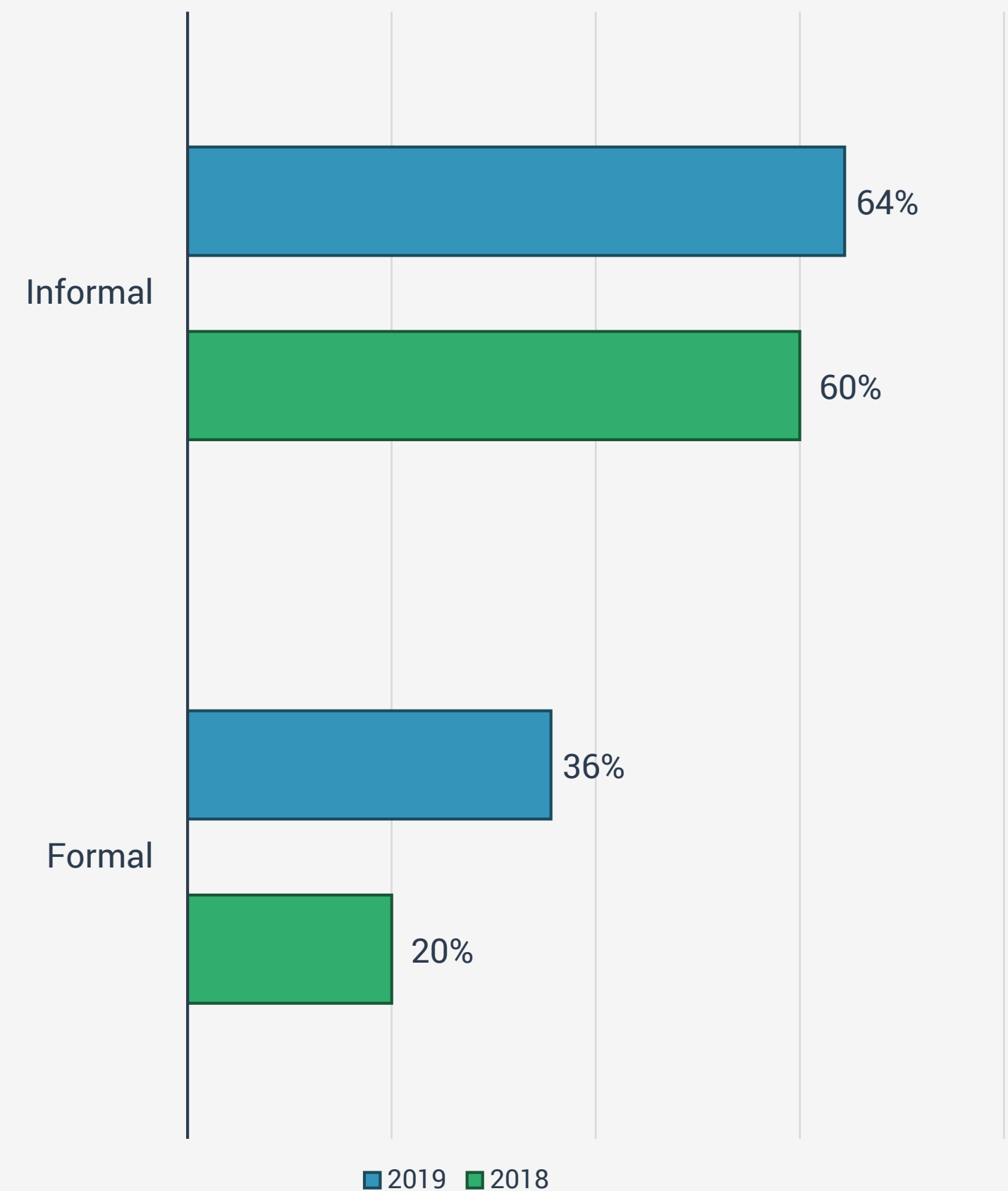
# RELATIONSHIPS MATTER

And Formality Is Increasing

» Do you perform a bank relationship management review?



» How formal is your bank relationship management review?\*

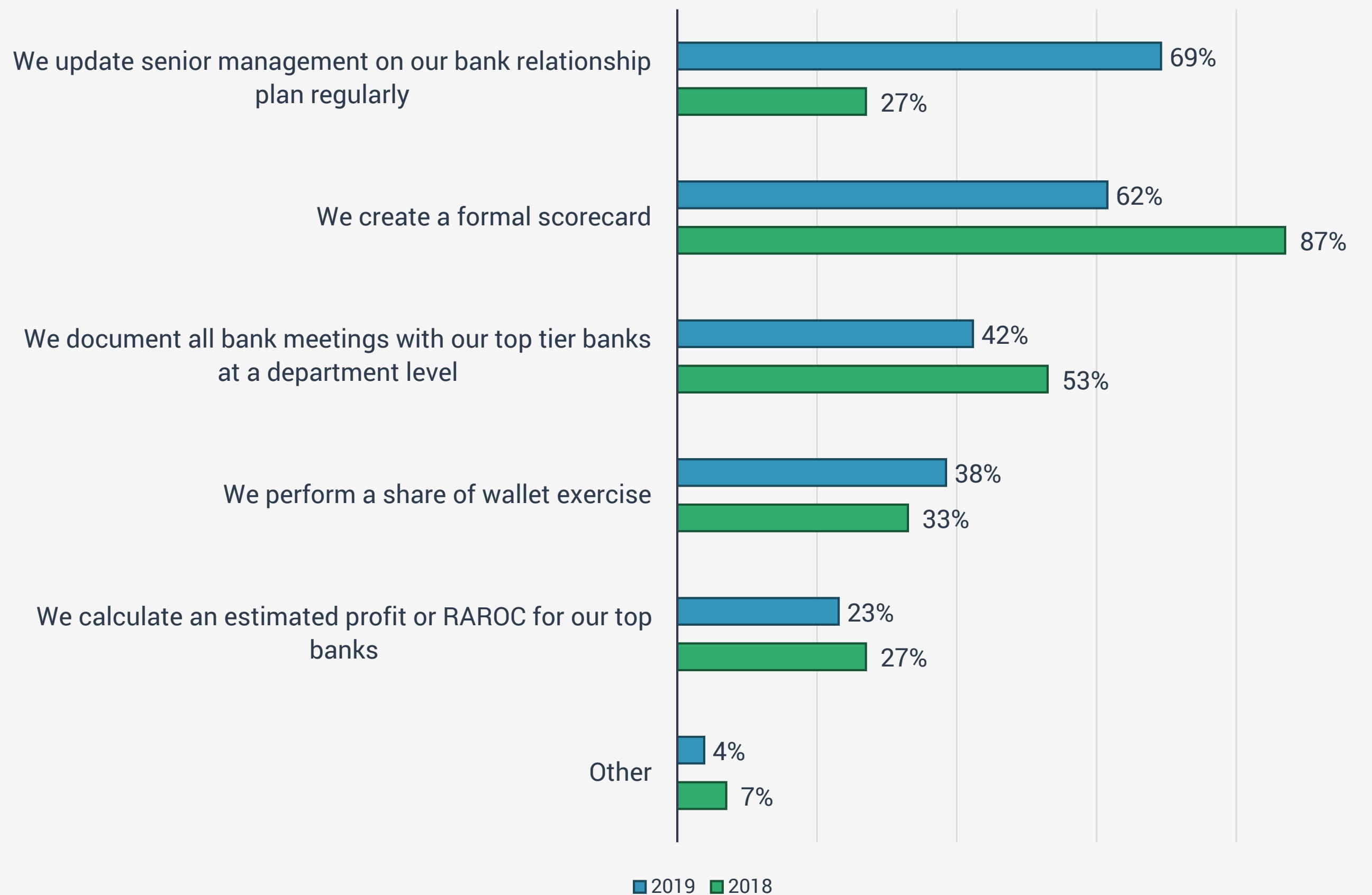



\* Note: this question was only asked in 2019 to those who indicated they have a review process. It was asked to everyone in 2018. N/A has been removed from chart.

# FORMALITY LEADS THE WAY

Relaying the Plan to Senior Management Is Significant

» **SUB QUESTION:** What makes your bank relationship formal? (Select all that apply)



 For those forms that are formal, they stepped up the pace. Communication with executive management and share of wallet exercises saw large increases. Formal documentation of bank meetings is also catching on (42%) with more companies.

# FINAL THOUGHTS

WHAT ARE THE IMPLICATIONS OF THIS DATA FOR TREASURY IN 2020 & BEYOND?



## THE GOOD

- Treasury staff size is systematically growing
- Short-term cash forecasting is considered accurate
- Banks are talking to clients about deposit value



## THE BAD

- Investment policies are aging
- Ongoing lack of concern regarding bank deposit exposure
- A significant number of companies have no risk policy framework



## THE EXCITING

- Uptick in data used for calibrating exposures
- Formal documentation of bank meetings are catching on
- Firms are becoming more diligent in monitoring and managing counterparty risks

# LET'S CONNECT

DON'T LET THE LEARNING END HERE...  
CONTACT US WITH ANY QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



## STRATEGIC TREASURER

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## WANT MORE INFORMATION?

Reserve your copy of the 2019 Liquidity Risk Survey Report today! The survey report will offer in-depth commentary on several key findings drawn out of this industry-wide survey.



[Request Survey Report](#)