

# Transaction Banking Executive Roundtable

London  
16 May 2012



# Agenda



Roundtable Objectives

Introductions

The Treasury 2.0 Endgame – Maximising Short Term Profit

The Treasury 3.0<sup>SM</sup> Landscape – Emerging Opportunities

Regulatory Changes – Impacts and Opportunities

Closing Thoughts

# Roundtable Objectives



Share perspective on market challenges and opportunities

Discuss key issues facing global and regional bankers

Provide a forum for informal networking



**Monie Lindsey**  
Managing Director  
London














**Dave Robertson**  
Partner & Director  
Chicago



**Tony Carfang**  
Partner & Director  
Chicago

# Introductions Continued

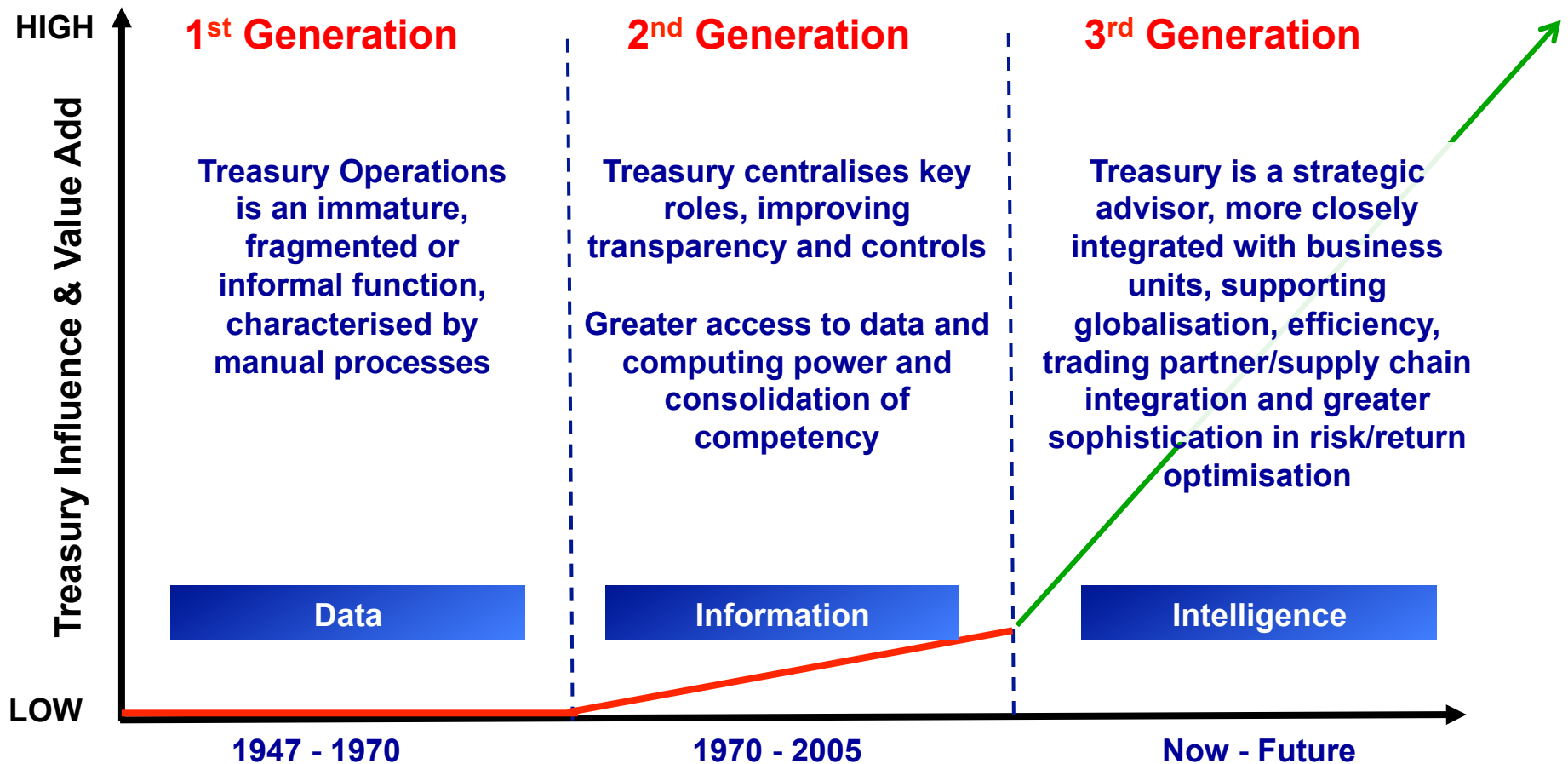
 <p>Jose Franco</p>	 <p>James Binns</p>
 <p>David Manson</p>	 <p>Andrew England</p>
 <p>Luc Caulier</p>	 <p>Steven Everett</p>
 <p>Alan Verschoyle-King</p>	 <p>Sonia Rossetti</p>
 <p>Rajesh Mehta</p>	 <p>Lars Millberg</p>
 <p>Andrew Reid Rhomaïos Ram</p>	

# **The Treasury 2.0 Endgame – Maximising Short Term Profit**

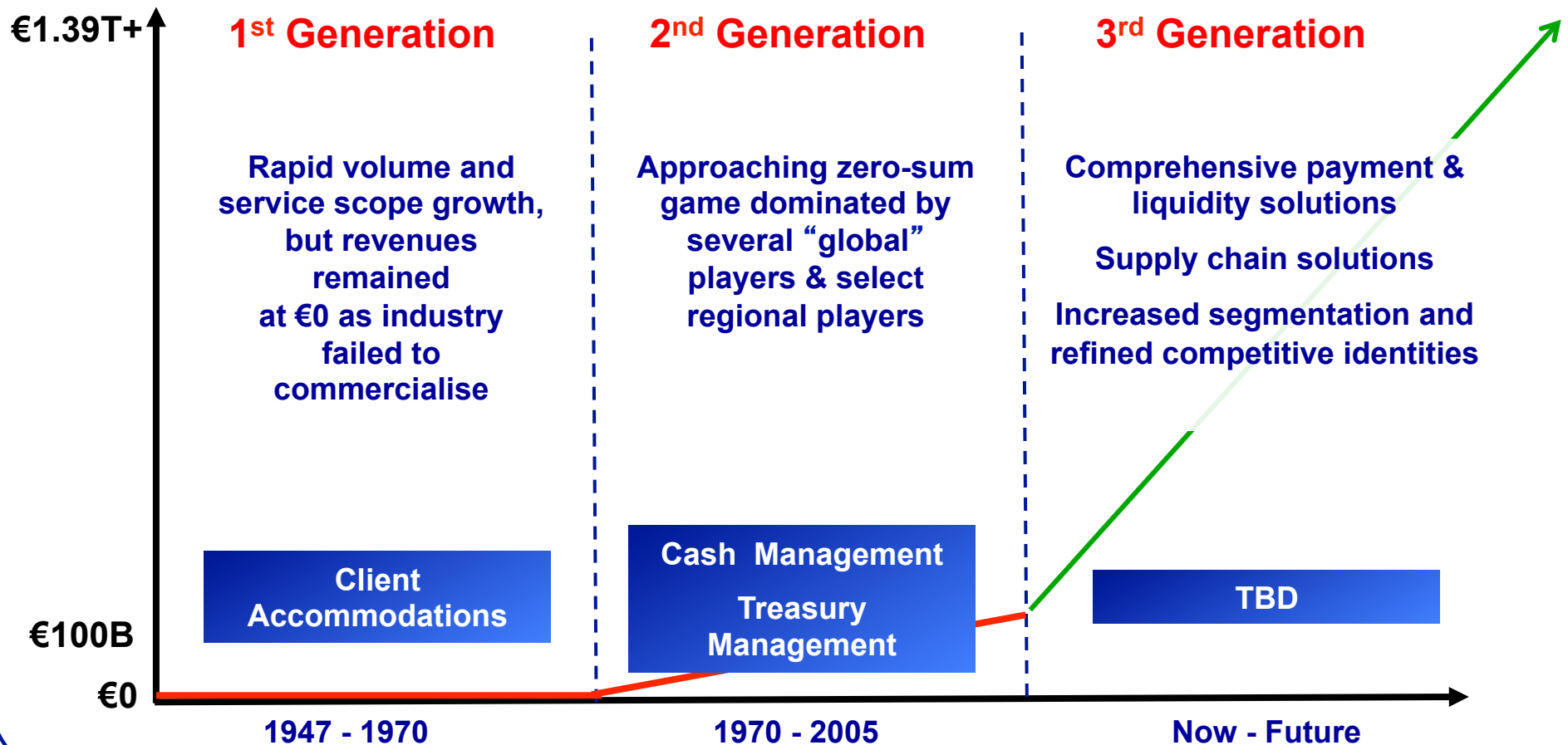


The Power of Experience\*

## Treasury Management Timeline – Corporate



## Treasury Management Timeline – Bank/Provider





# Treasury Services 2.0 End Game



Globally, the migration from Treasury Services 2.0 to 3.0 is characterised by strong profit headwinds.



- Commodity-based, scale-driven price competition
- Client migration to low-cost payment media and channels
- Client adoption of netting and pooling
- Regulatory/structural moves to lower transaction costs (SEPA, Faster Payments, Interchange Caps)

# Thriving in the End Game

There are multiple options to thrive in the face of end game headwinds.



- Emerging markets
- Most efficient provider
- 2.0 products embedded in 3.0 solutions
- 2.0 products delivered via 3.0 consultative sales
- Breakout strategies – new payment schemes/networks
- Disciplined credit monetisation
- Segment focus
- Market retrenchment



# The Treasury 3.0<sup>SM</sup> Landscape – Emerging Opportunities



# Treasury 3.0<sup>SM</sup> Market Size

The Global Treasury 3.0<sup>SM</sup> market includes the entire corporate spend on financial operations, which is approximately €1.4 trillion annually.

- Banks currently **capture slightly less than 15% of total corporate spend** on financial operations.

	Providers/Spend Type						Totals (\$B)
	Banks	Staff (FTEs)	Hardware	Software	NBFIs	Prof. Svcs.	
Risk Mgmt.	2%	34%	2%	17%	14%	31%	12%
Liquidity Mgmt.	29%	20%	1%	14%	7%	29%	14%
Billing & AR	7%	42%	1%	10%	5%	35%	19%
Procurement & AP	5%	50%	1%	11%	4%	30%	26%
Point-of-Sale	46%	-	5%	18%	6%	25%	15%
Reporting	9%	38%	1%	15%	7%	29%	13%
Totals (€T)	15%	33%	2%	13%	7%	30%	€1.4T

# Treasury 3.0<sup>SM</sup> Buying Drivers



Corporations are **attempting to reduce costs** by implementing **non-personnel-related change**.

Banks have a significant opportunity to help corporations by **using technology to reduce the need for manual intervention** in the financial value chain.

	Billing & AR	Liquidity Mgmt.	Point-of-Sale	Procurement & AP	Financial Reporting	Risk Mgmt. - Financial	Risk Mgmt. - Operational
Repurpose Full-Time Employees	0%	7%	3%	7%	5%	7%	10%
Reduce Paper	10%	7%	15%	13%	19%	0%	2%
Reduce Revenue Leakage	12%	7%	13%	2%	2%	16%	17%
Reduce Costs	14%	30%	28%	24%	17%	32%	31%
Increase STP	50%	37%	13%	42%	48%	25%	21%
Increase Usage of Outsourcing	2%	0%	8%	0%	0%	2%	2%

Degree of Preference	High	Moderate	Emerging	Low
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**Note:** The responses detailed above represent a group of 80+ corporate treasurers and assistant treasurers from middle market and large corporate companies.

## Survey Question:

With respect to each of the value chain activities, what initiatives are you looking to adopt?

# Treasury 3.0<sup>SM</sup> Buying Drivers

Corporations **prefer banks for liquidity management solutions**, but are more likely to use other types of service providers for other financial value chain activities.

	Billing & AR	Liquidity Mgmt.	Point-of-Sale	Procurement & AP	Financial Reporting	Risk Mgmt. - Financial	Risk Mgmt. - Operational
Bank	30%	47%	21%	31%	13%	30%	15%
NBFI	11%	17%	25%	16%	15%	17%	24%
Software/Solution Providers	44%	23%	31%	39%	64%	33%	37%
Other (Prof. Svcs, staff, etc.)	15%	13%	23%	14%	9%	20%	24%

Degree of Preference	High	Moderate	Low
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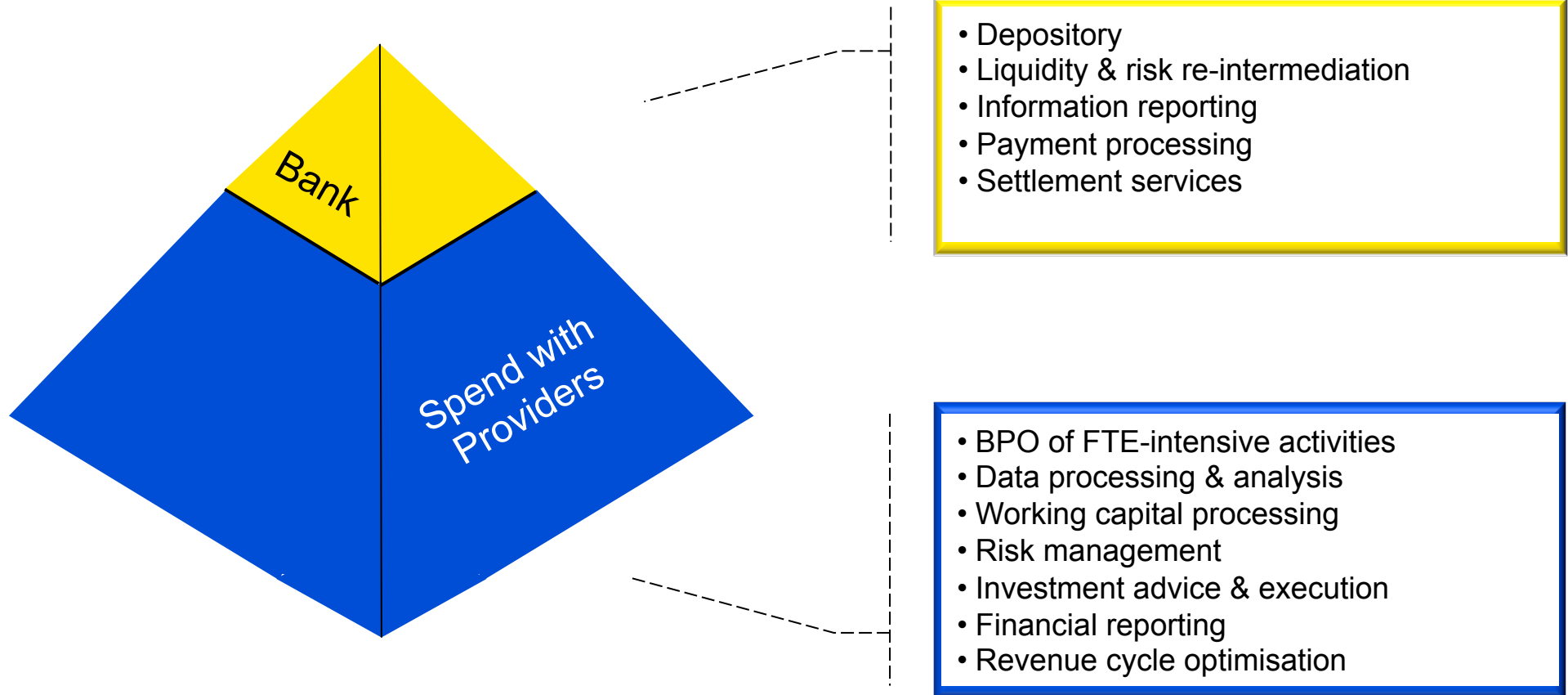
**Note:** The responses detailed above represent a group of 80+ corporate treasurers and assistant treasurers from middle market and large corporate companies.

## Survey Question:

Please indicate any preference over who delivers your financial value chain services.

# Emerging Opportunities

Bank offerings do not fully address the comprehensive needs of corporate treasury clients and this spend is currently going to other service providers.



# **Regulatory Changes – Impacts and Opportunities**





**Massive**



**Intrusive**



**Global**



## Re-Intermediation

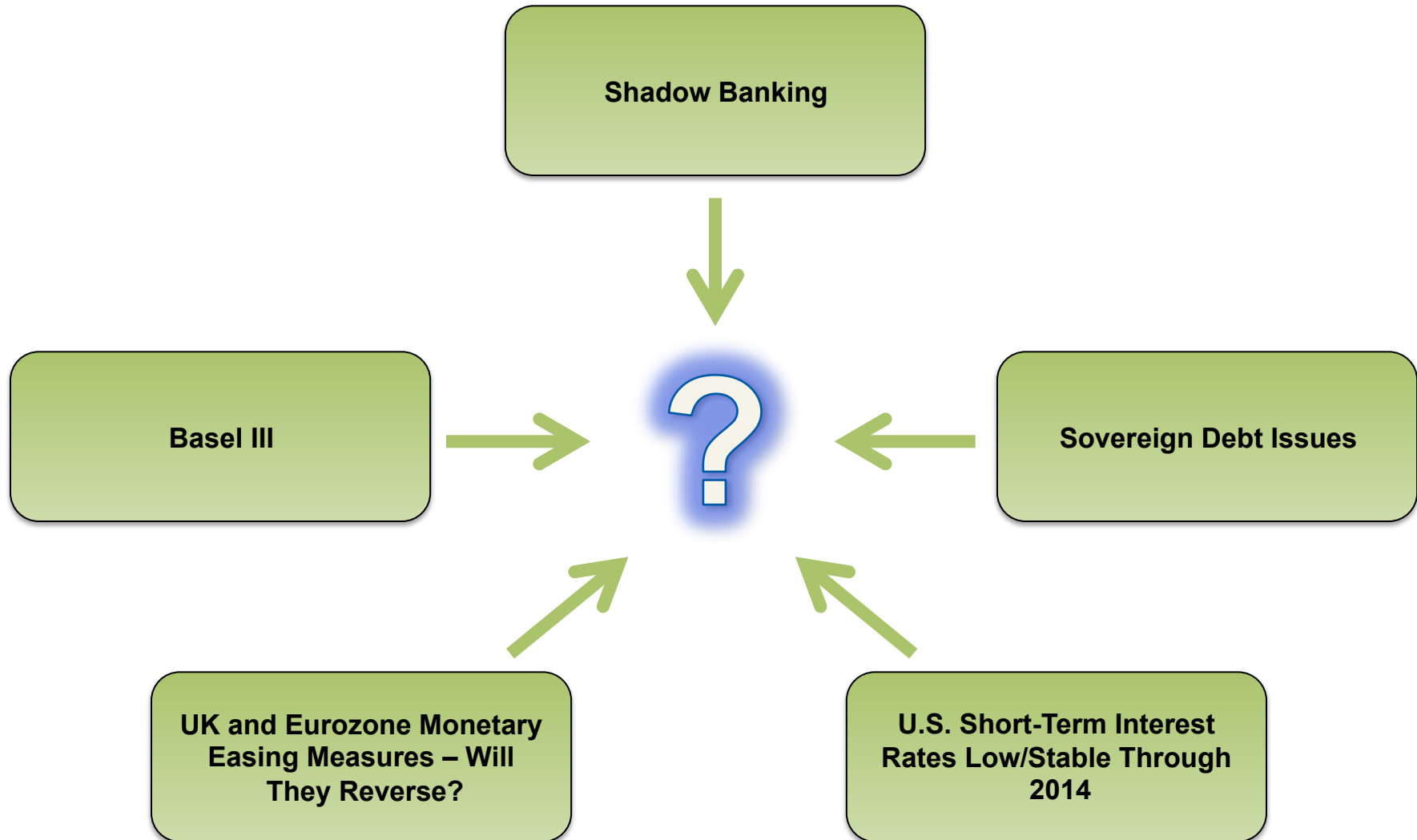
- Reform movements redirecting credit and liquidity back into the banking system
- Increased regulation of non-bank entities

## Increased Capital & Liquidity

- Higher capital requirements
- Increased focus on size and clarity of liquidity buffers and allocation of liquidity costs

## Turmoil

- Regulators not attuned to secondary/tertiary impacts
- Pace of change outstripping system's ability to adapt
- Differences by regulatory regime may create economic dislocation



## European Commission Green Paper on Shadow Banking

- Shadow banks
  - Deposit-like features
  - Maturity transformation
- Cited examples
  - ABCP conduits
  - SIVs
  - Money market funds
  - Finance companies
  - Leveraged ETFs
  - Insurance guarantee products
  - Securities Lending and Repo
- Overall question
  - How should these entities/activities be regulated?
  - Are there other similar entities/activities which need be regulated?
  - Impact on the scope of banking activities?

# Closing Thoughts



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# Contact



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## Who We Are

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