



# Maturity Transformation

## International Banking Perspective

**Kevin Brown**

Federal Reserve Bank of Atlanta Financial Markets Conference  
April 9-11, 2012 Stone Mountain, Georgia

---

# Outline

- The Role and Relevance of International Banking
- Importance of Maturity Transformation to a Corporate Treasurer
- Liquidity Products, as an Example
- Impact of Limiting Maturity Transformation
- Key Issues Looking Forward

# International Banking Defined

## International Banking

Prudent and sustainable banking model to meet the evolving market and regulatory backdrop

### Debt Financing

- Short-term (cash, trade) and long-term (bonds, loans) debt financing and balance sheet advisory
- Specialist fixed income products and advisory

### Transaction Services

- Comprehensive range of payables and receivables, liquidity and investment management, foreign exchange, international trade and corporate cards services
- Global clearing capabilities, partner bank arrangements and transaction processing

### Risk Management

- Comprehensive markets expertise in fixed income and FX products and in liquidity and balance sheet management
- Risk management and mitigation across financing and trading
- Relevant insight through award- winning research and analysis

### Our Network

- Expert advice, ideas and solutions drawing on our strong track record in financing and markets
- On-the-ground presence in developed and emerging markets
- Local coverage with embedded sector specialists

## Clients

**Corporates**  
**Financial Institutions**  
**Public Sector**  
**Sovereigns**

# International Banking & Maturity Transformation

1 Focus on the Treasurer and the Treasury function

2 End-to-end view of working capital

3 'Balance sheet' products and services

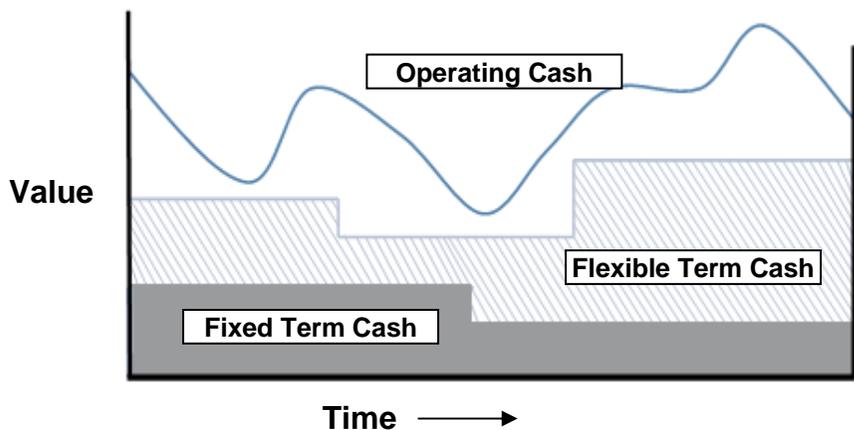
4 Tools to drive transparency and efficiency

**Banks' ability to deliver services that optimise working capital and the overall treasury function is dependent on flexible maturity transformation**

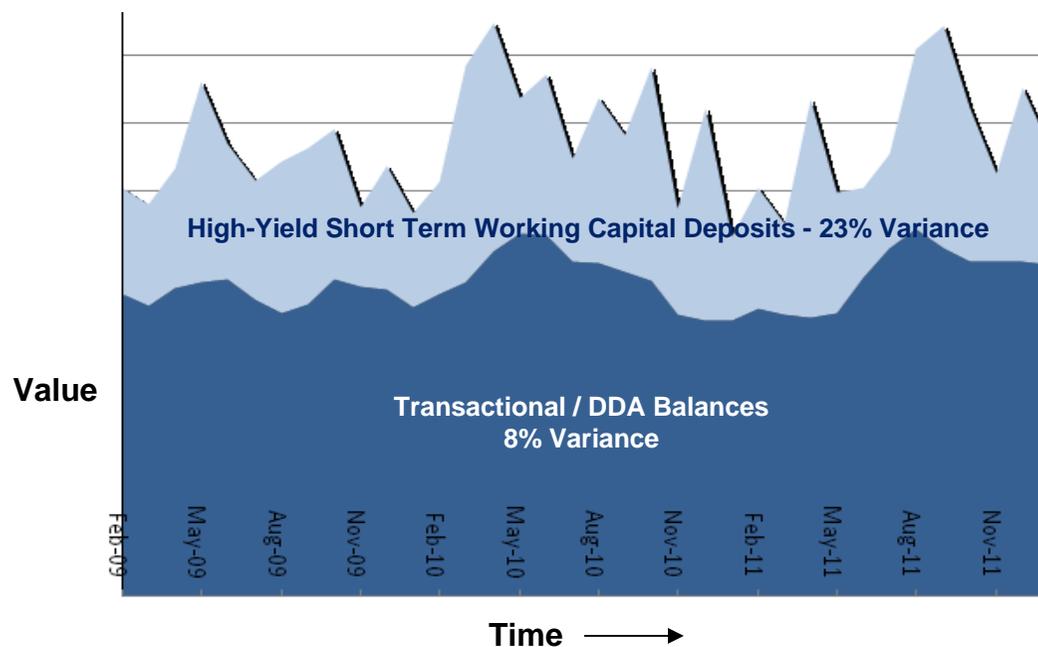
# An Example

- Banks hold client funds which exhibit diverse 'behaviours'
- In aggregate, these balances are predictable and 'sticky'

Sample Corporate Cash Profile



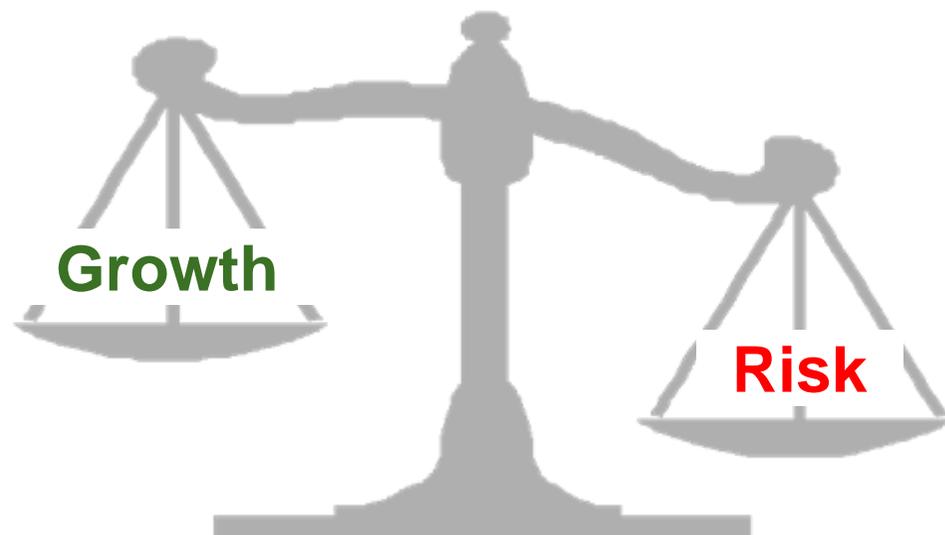
Aggregate ST Corporate Bank Balances



# The Impact of Limiting Maturity Transformation

Key for our business and our clients is balancing growth that maturity transformation provides against the risks it creates

- Redirects trapped cash
- Safeguards against negative shocks



**International consistency, both in terms of regulation and its operational interpretation, will be critical to the success of policy objectives.**

# Corporate Treasury Priorities Reflect the Risk / Reward Equation

- Treasury optimization
  - Liquidity management
  - Supply chain management
  - Trade finance
  - Data analytics
- Concentration risk

Key Areas of Focus for Treasury Through 2012 (Percent of Respondents)			
	All	Annual Revenues Under \$1 billion	Annual Revenues Over \$1 billion
Cash management and forecasting	65%	66%	63%
Financing and capital allocation	42	37	47
Treasury and payment solutions	37	39	36
Risk management	29	32	27
Serving as a more strategic resource to the organization	29	25	34
Bank relationship rationalization	26	27	23
Review investment options and policies	23	21	24
Merger & acquisition/Investment banking	15	16	14
Credit syndicate renewal	13	11	14

Source: 2011 AFP Strategic  
Role of Treasury Survey

# Looking forward

**1 Continue to drive improvements in working capital cycles through with tools that increase transparency and efficiency**

**2 Leverage our balance sheet to help companies optimise working capital, with transformation flexibility that balances risk and reward**

**3 Cooperate with banks, regulators, technology providers and international standards bodies to promote schemes that reduce bank concentration risk**