



2017 Liquidity Risk Survey

Analysis of Results & Key Findings

June 2017

Co-Presented By:



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About the Presenters



Craig Jeffery, CCM, FLMI
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Strategic Treasurer is a consulting firm advising on treasury, financial risk and risk technology issues. Their seasoned treasury consultants efficiently work alongside financial executives in treasury, finance, and other related areas within corporate, government, education, and not-for-profit entities.







Ben Campbell
Chief Executive Officer
Capital Advisors Group

Capital Advisors Group, Inc. is an independent SEC-registered investment advisor specializing in institutional cash investments, risk management, and debt finance consulting. Since 2003, Capital Advisors Group's debt placement consultants have advised more than 428 companies with debt needs of approximately \$2 billion.



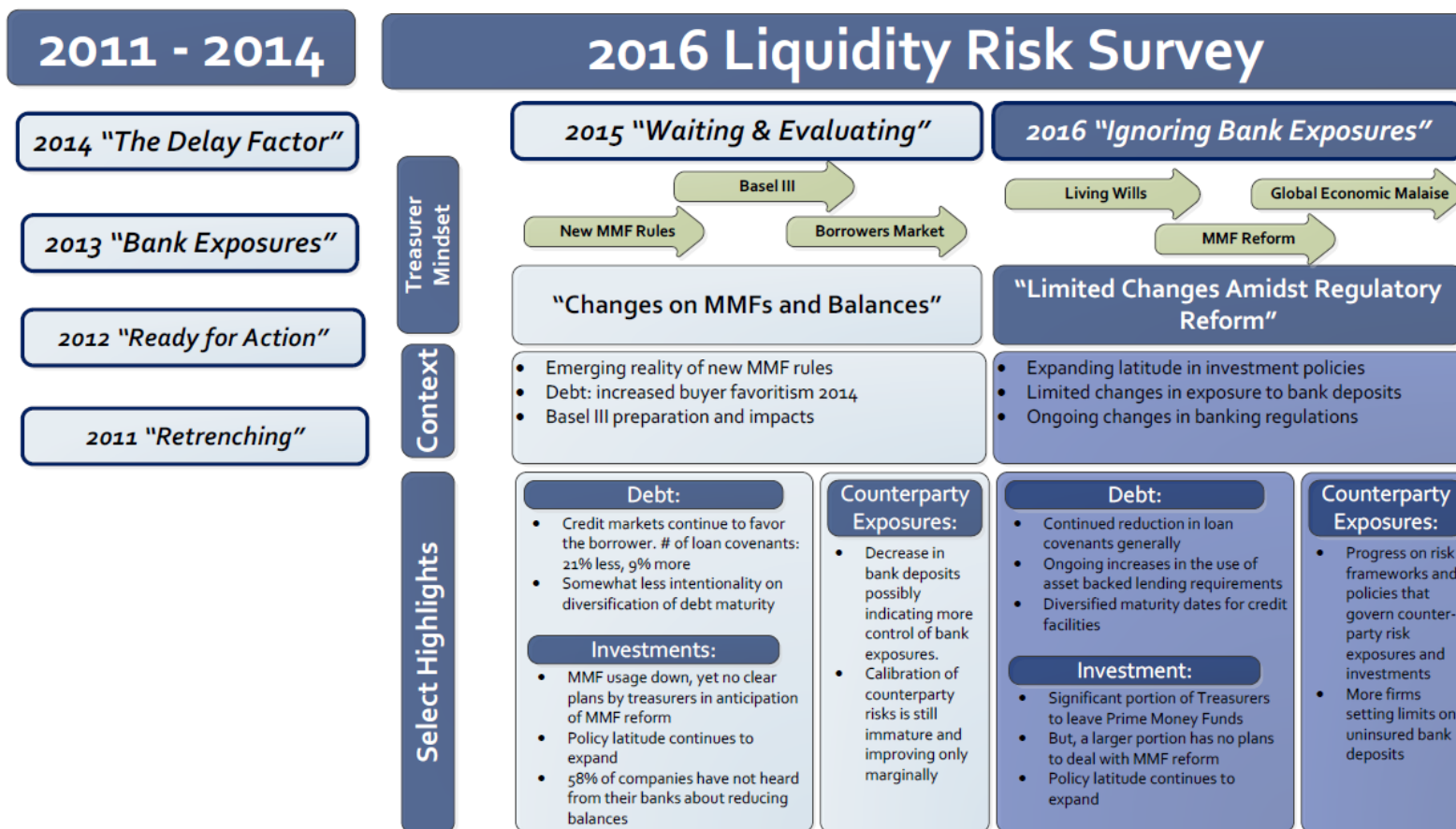
Topics of Discussion

-  Survey Demographics
-  Key Survey Takeaways
-  Analysis of Key Findings
-  Final Thoughts, Q&A

Survey Objective

To shed light on treasury departments' efforts to mitigate liquidity risk in short-term cash investment, debt, and forecasting practices and changes over time.

Survey in Context: Prior Years



Survey Demographics



The survey ran for approximately 1.5 months from March into May.



The survey captured responses from approximately 130 corporate practitioners.



The 2017 edition is the 8th annual Liquidity Risk Survey hosted by Strategic Treasurer and Capital Advisors Group.

Respondent Breakdown:



31% were Treasury/Cash Managers
19% were Treasurers, 18% Analysts



65% had revenues over \$1 Billion
22% revenues exceeding \$10 Billion



70% operating in more than 1 country
43% operating in 11+ countries



76% had 4+ treasury staff globally
31% had 11+ treasury staff

Key Survey Takeaways



Corporate Investment Policies are a Low Priority

- 41% have not made any changes to their corporate investment policy in the past 2 years.
- Only 23% have updated their investment policy in the past 6 months.

Firms Continue to be Overexposed & Uninsured with their Bank Deposits

- 68% of respondents used bank deposits as short-term investment channels.
- 72% had either no policy limits on uninsured bank deposits, or the limit was over \$10 million.
- 39% had a minimum credit rating of BBB+ or lower for uninsured deposits.

Counterparty Exposure is Under Greater Scrutiny

- 78% of respondents collected and reviewed total counterparty exposure in aggregate.
- Bank Deposits & Lines of Credit were the areas most frequently monitored.

Credit Facilities Take Front & Center

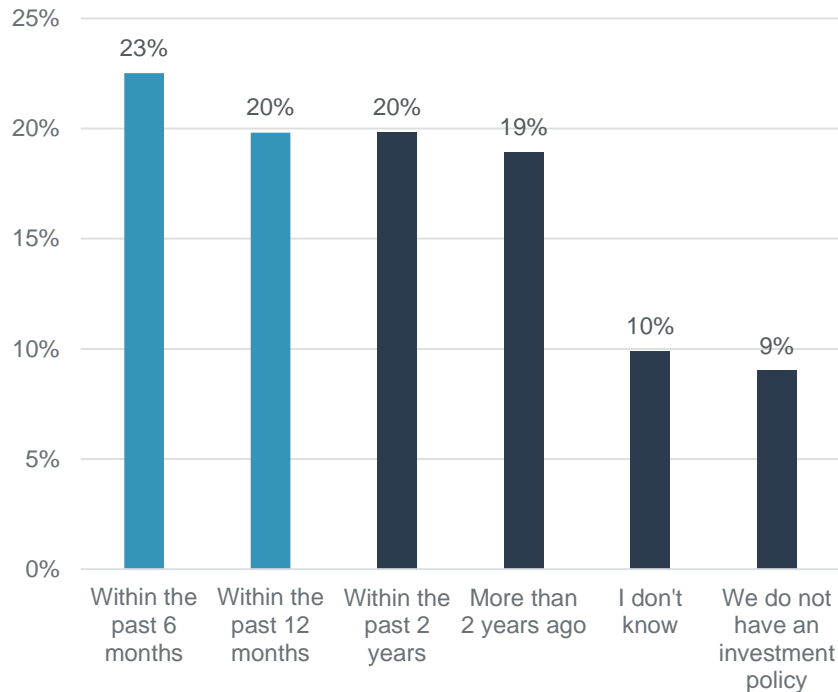
- 59% of respondents renegotiated their credit facilities within the last year.
- 50% had more than one maturity date, with 34% intentionally staggering maturity dates.



Corporate Investment Policies are Infrequently Updated



When did you last update your corporate investment policy?



Most corporates have not updated their investment policies within the past year.

Nearly 1 in 5 did not have an investment policy or were unaware of the last time it was updated.

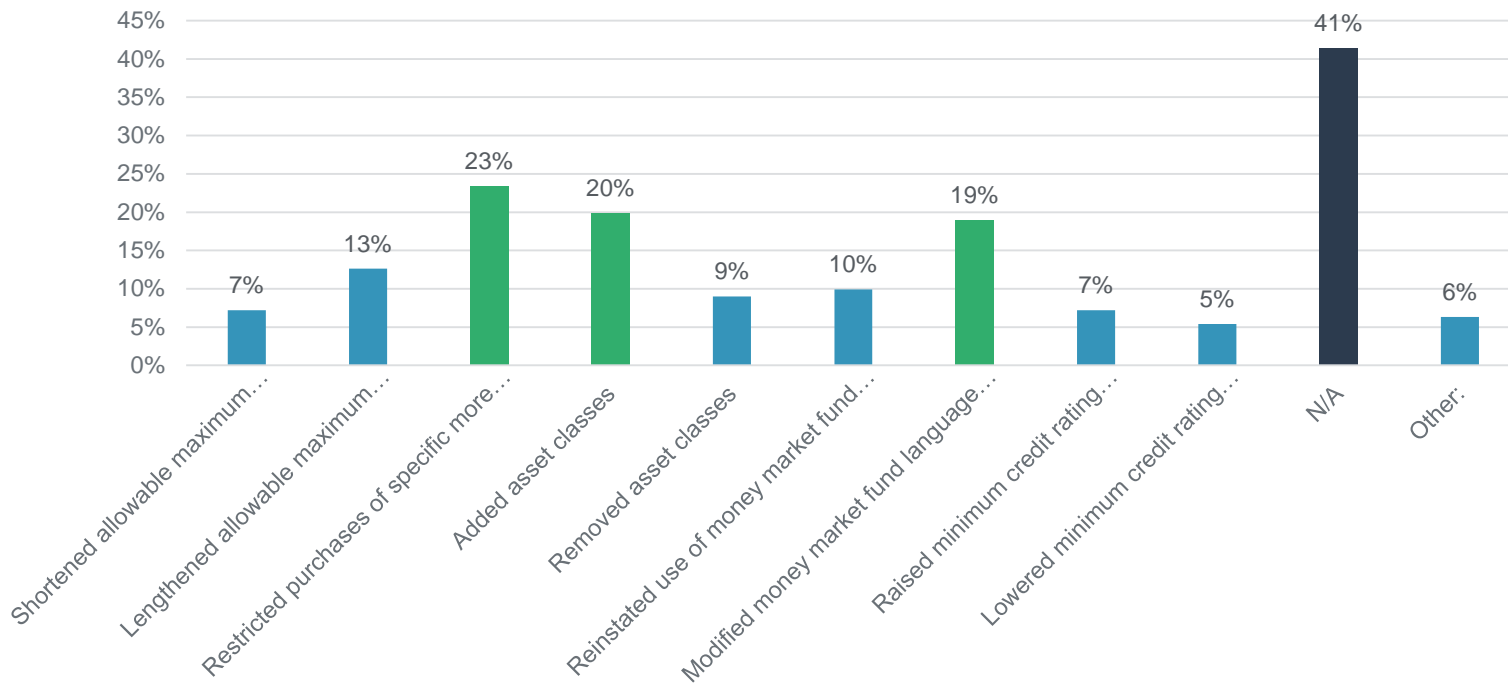
These figures have stayed roughly even over the years.



Corporate Investment Policies – Changes Made



What revisions have you made to your corporate investment policy in the past 2 years? (Select all that apply)

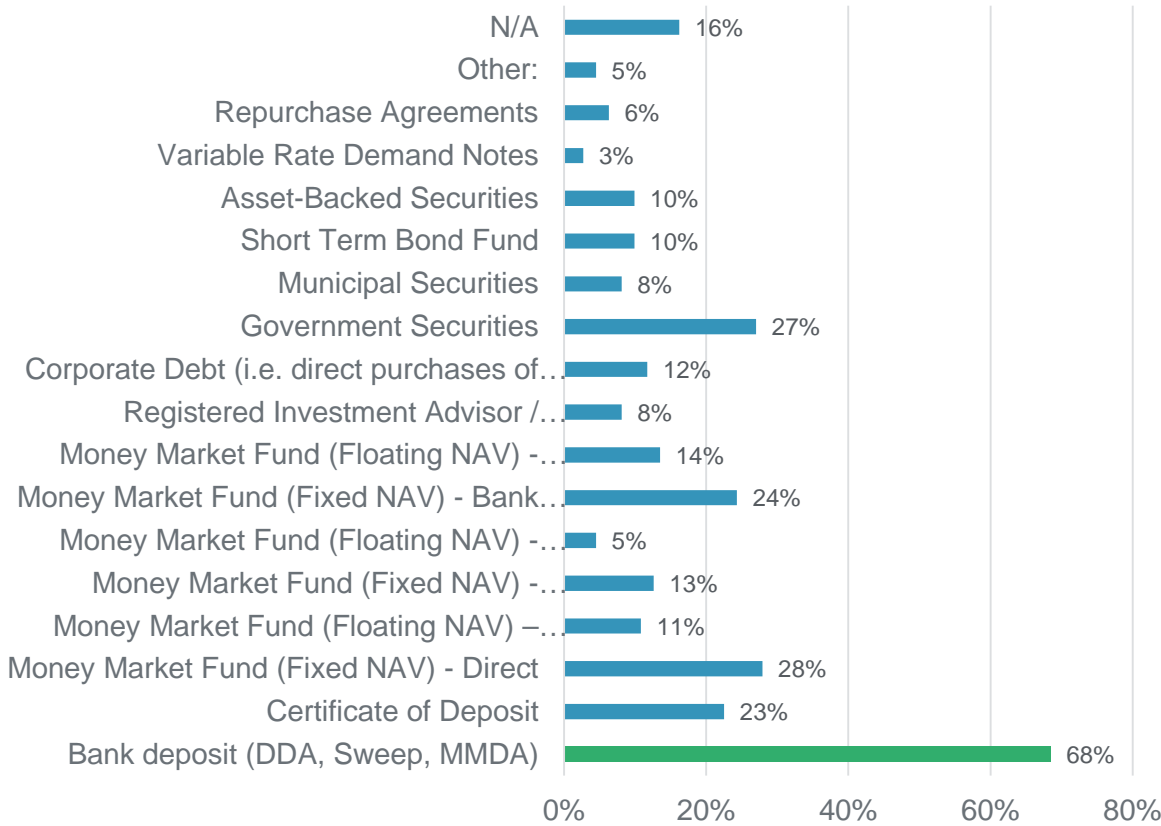




Bank Deposits: Overexposed & Uninsured



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



Bank Deposits continued to make up the vast majority of all short-term investment channels used by respondents.

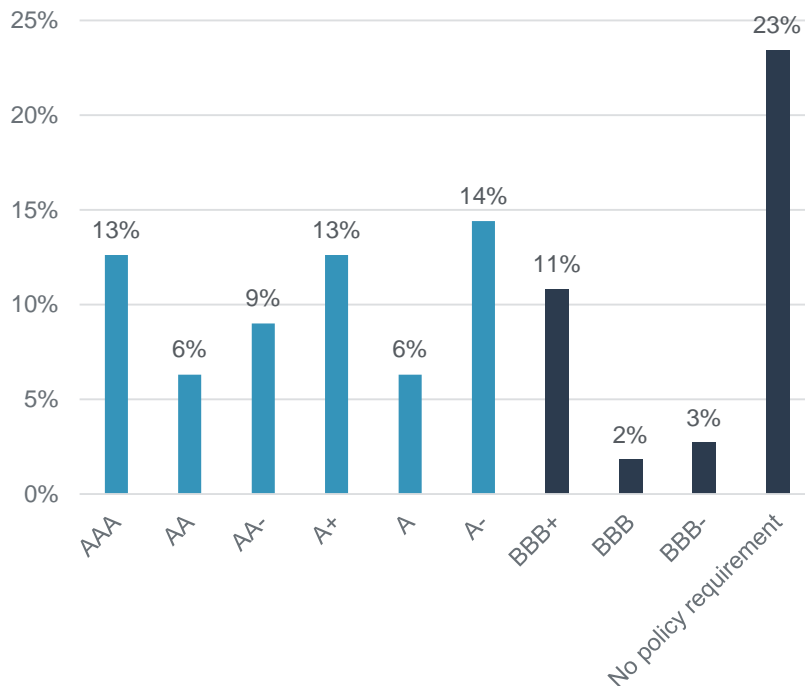
However, the use of bank deposits fell by 9% compared to 2016.



Bank Deposits: Overexposed & Uninsured



What is the minimum credit rating for uninsured bank deposits allowed by your company's investment policy?



While 16% of respondents had a minimum credit rating of BBB+ or lower for uninsured deposits, almost 1 in 4 had no policy requirement at all.

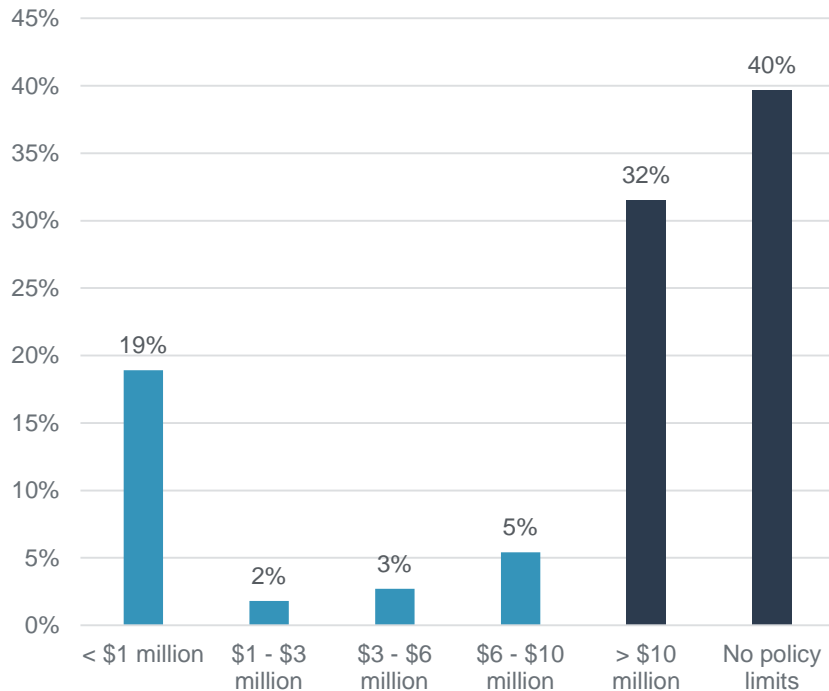
These figures have remained in-line with 2016 data.



Bank Deposits: Overexposed & Uninsured



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



72% of respondents either had a maximum dollar value exposure of greater than \$10 million, or had no policy limits for uninsured bank deposits.

While the number of respondents with no policy limits dropped by 12% from 2016, the number with policy limits in excess of \$10 million increased by 17%.

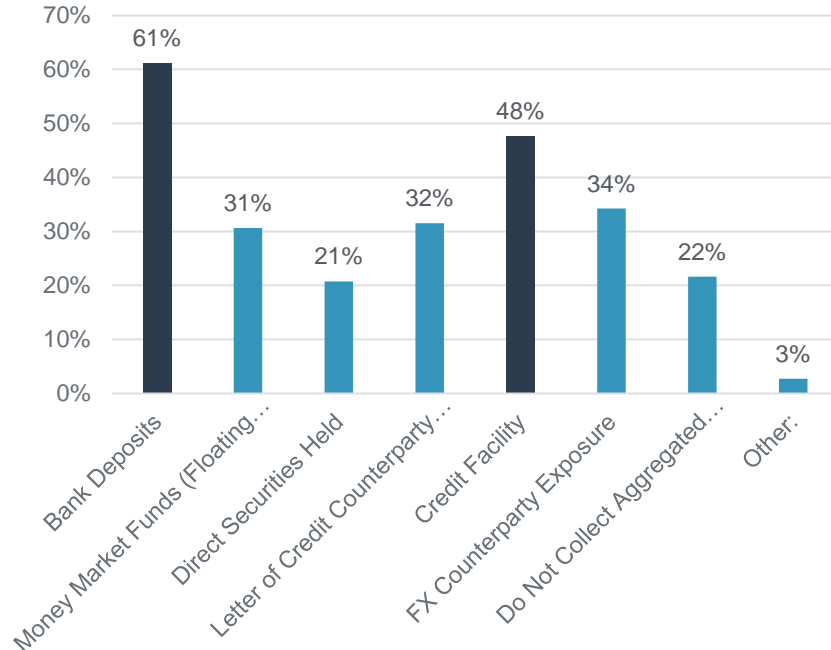
Given there is no FDIC coverage for uninsured deposits, all funds stand to be lost in the event of a bank failure.



Counterparty Exposure – Aggregate Views



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



In total, 78% of firms were collecting and reviewing their counterparty exposures in aggregate.

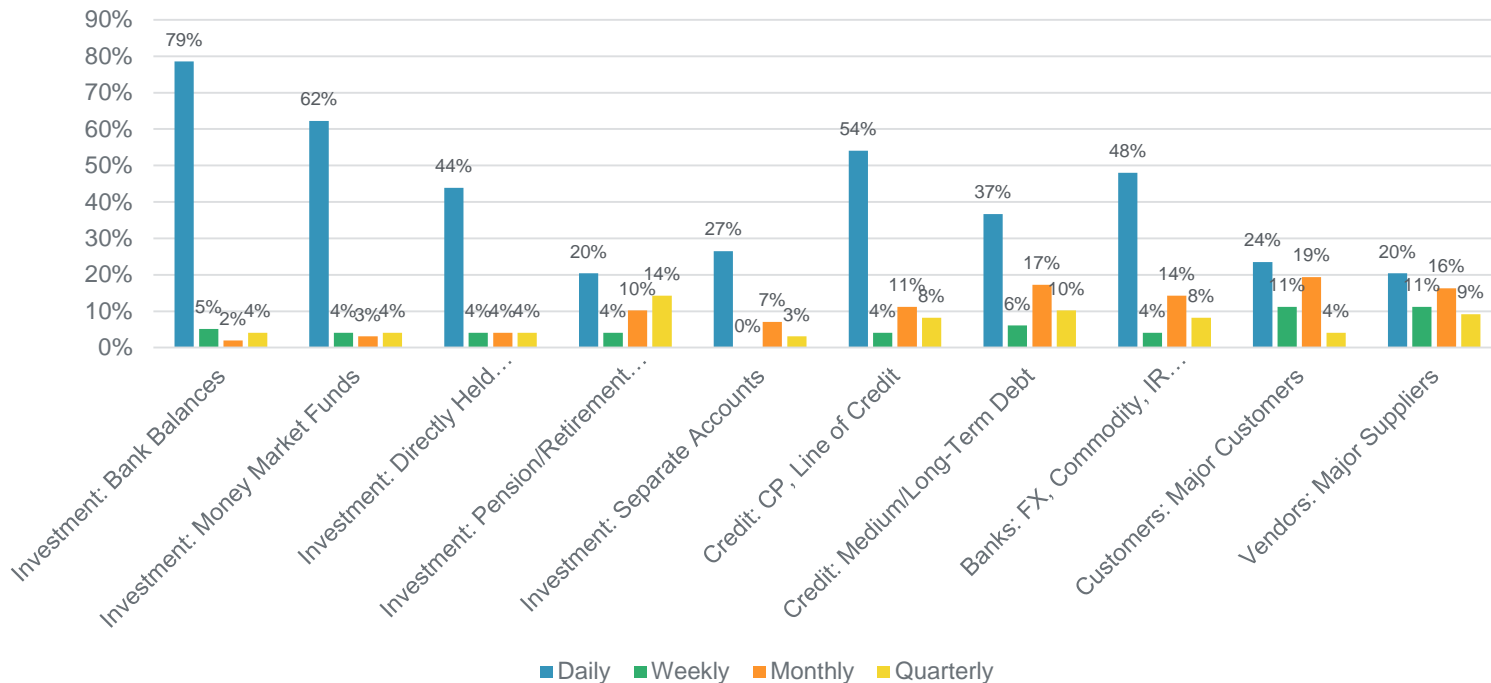
With regards to specific areas, Bank Deposits and Credit Facilities were the areas of highest scrutiny for respondents.

Bank Deposits are the most frequently used short-term investment channel for respondents, while credit facilities have come under greater scrutiny in recent years.

Counterparty Exposure – Visibility Levels



Please indicate the level of frequency at which you have visibility (systematically) to various counterparties.

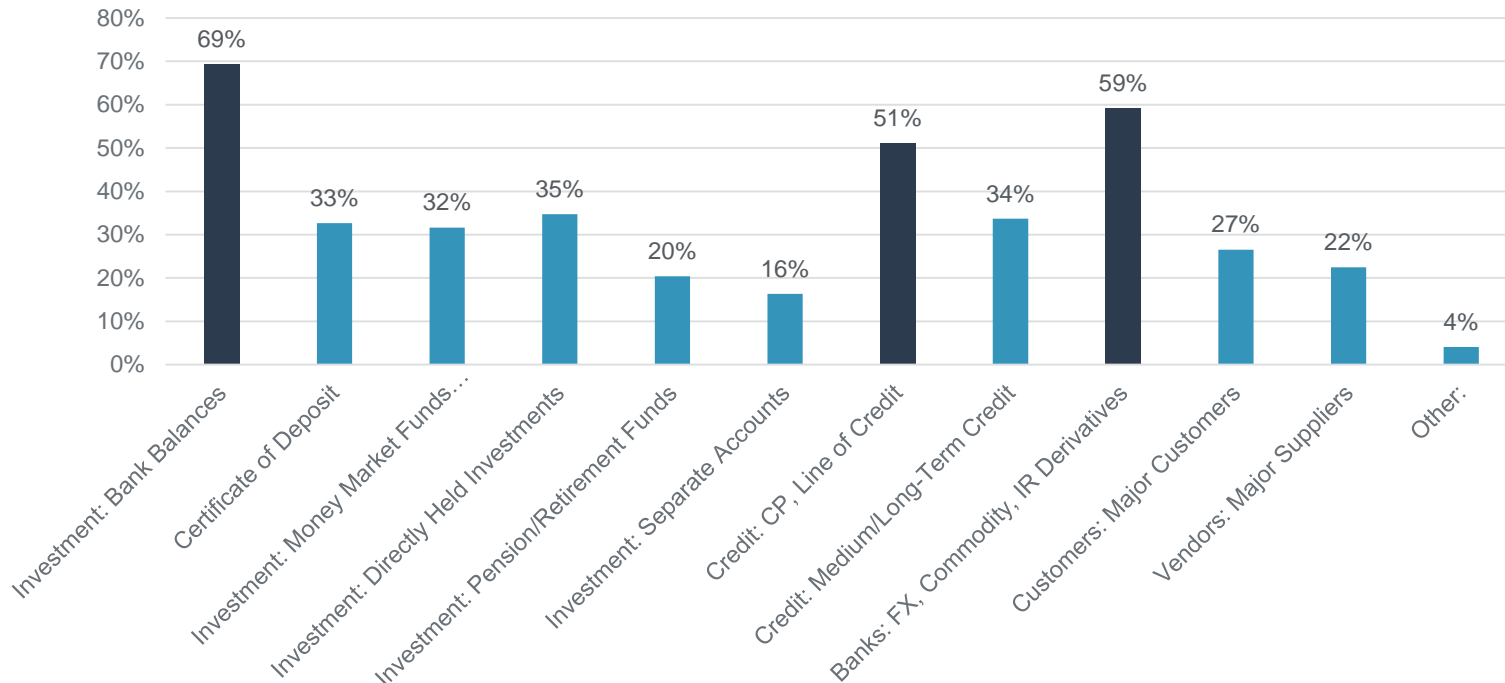




Counterparty Exposure – Banks & Lines of Credit



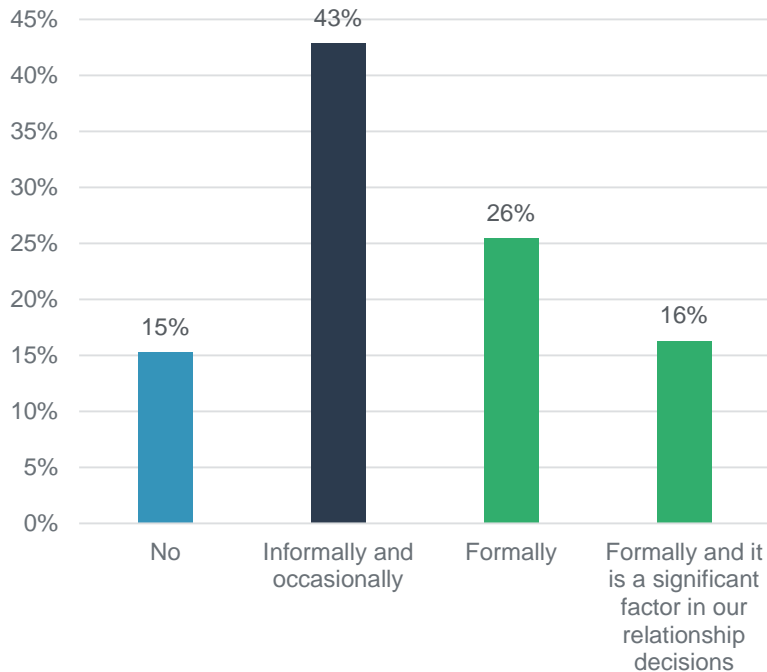
For which of the following do you monitor counterparty exposure?
(Select all that apply)





Firms Ramp up Monitoring of Credit Counterparties

Do you actively monitor your credit counterparties (debt, consolidations)?



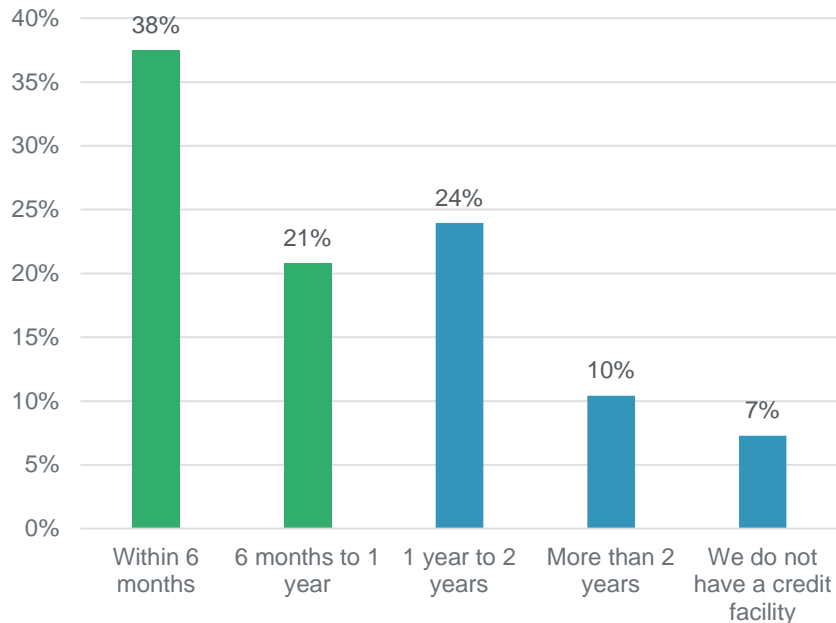
85% of respondents actively monitored their credit counterparties; **7% more than in 2016.**

10% more respondents were **formally monitoring** their credit counterparties in 2017 compared to 2016.



Credit Facilities: Frequent Renegotiation

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



While most respondents had not touched their investment policies in over a year, nearly two-thirds had renegotiated their credit facilities within the past 12 months.

Credit Facilities: Multiple Maturity Dates


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



Exactly half of respondents had more than one maturity date or period for their credit facilities; **11% more than in 2016.**

34% of respondents intentionally staggered when their facilities mature, **5% more than in 2016.**

Final Thoughts, Q&A

-  Corporates need to take a serious look at their investment policies.
-  Uninsured Bank Deposits still represent an area of exposure for many firms.
-  Counterparty exposure is on everyone's mind.
-  Credit facilities face intense scrutiny from firms.



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