



Changes to treasuries' internal organization after the financial market turmoil

Preliminary evaluation on the impact on money market and ECP/ECD desks

Banks' organisation of money market activities (ref. Satta)

A recap on the outcomes of the 2005/2006 survey in light of the current turmoil

■ Organizational proximity to the “tender desk”:

■ Money Market Desks:

- Anecdotally reduced as a consequence of the poor liquidity of unsecured money market instruments and the spread widening between Eonia swap/tender rates and cash;
- lower e-Mid volumes and an uneven intraday distribution of very short-term liquidity (overnight+tom/next) confirms previous assumption

■ CPsCDs desk:

- certainly increased in light of the measures taken worldwide by central banks (purchase of CP via Fed vehicles, see CPFF; ECB expansion of eligible assets traded in some non-regulated markets, see STEP)
- a return to normal market conditions still a long way forward; volumes are back but to subnormal levels; durations shortened

Banks' organisation of money market activities

Preliminary considerations on impact (1)

- **From a “quantitative” money market dealer to a “qualitative” credit analyst at the desk level:**
 - Absolute interest rate levels regardless of the counterparty in lending activity no longer an issue
 - Maximum sensitiveness to qualitative information: news flows on names, on their CDS levels (absolute and relatives), on market behaviour of counterparties, on rating levels and rating news; all these factors are closely scrutinised on a continuous basis;

- **From a traditional intraday money market dealer to an “active” overseer of flows dynamics (specifically in retail banks):**
 - Constant analysis of macro aggregates and trends concerning retail liabilities and assets, evolution of sight accounts and behavioural analysis of liquidity profiles after shock events (ex. big equity drops)
 - High sensitiveness to committed lines usage and corporates behaviour

Banks' organisation of money market activities

Preliminary considerations on impact (2)

- More in general the following is observed:
 - We are back to a world where “**liquidity and counterparty risk**” are at the center of strategic ALM and drive “**Internal Transfer Pricing**”
 - **We observe an improved interconnection between Repo desks and ECP/ECD desks** in light of the widening of the pool of assets eligible for refinancing purposes to include also short-term debt instruments
 - A **global funding coordinator**, where not already present, is becoming more and more indispensable with the fundamental goal of ensuring diversification by currency, instrument, region, duration.
It should also ensure that the bank maintains an active presence in all funding markets (retail and wholesale) and should regularly gauge the capacity to raise funds in both secured and unsecured markets. He has the “final word” in setting liquidity limits and pricing for any new line of business.