



Optimizing your global liquidity in today's economic environment

Presented by

James Campion

Vice President, Liquidity Advisory, RBS

Agenda

- Today's Environment
- Drivers for Change
- The Myths?
- The Myths De-mystified
- What is Right for Me?
- The Future

Today's Environment Market Trends and Drivers

TREND

- Globalisation

- Global Banking Technology

- Single Euro Payments Area (SEPA)

- Tightened credit environment



IMPACT

- Treasury Operating Model is changing from Regional to Global

- Automation, outsourcing and centralisation of cash and liquidity management

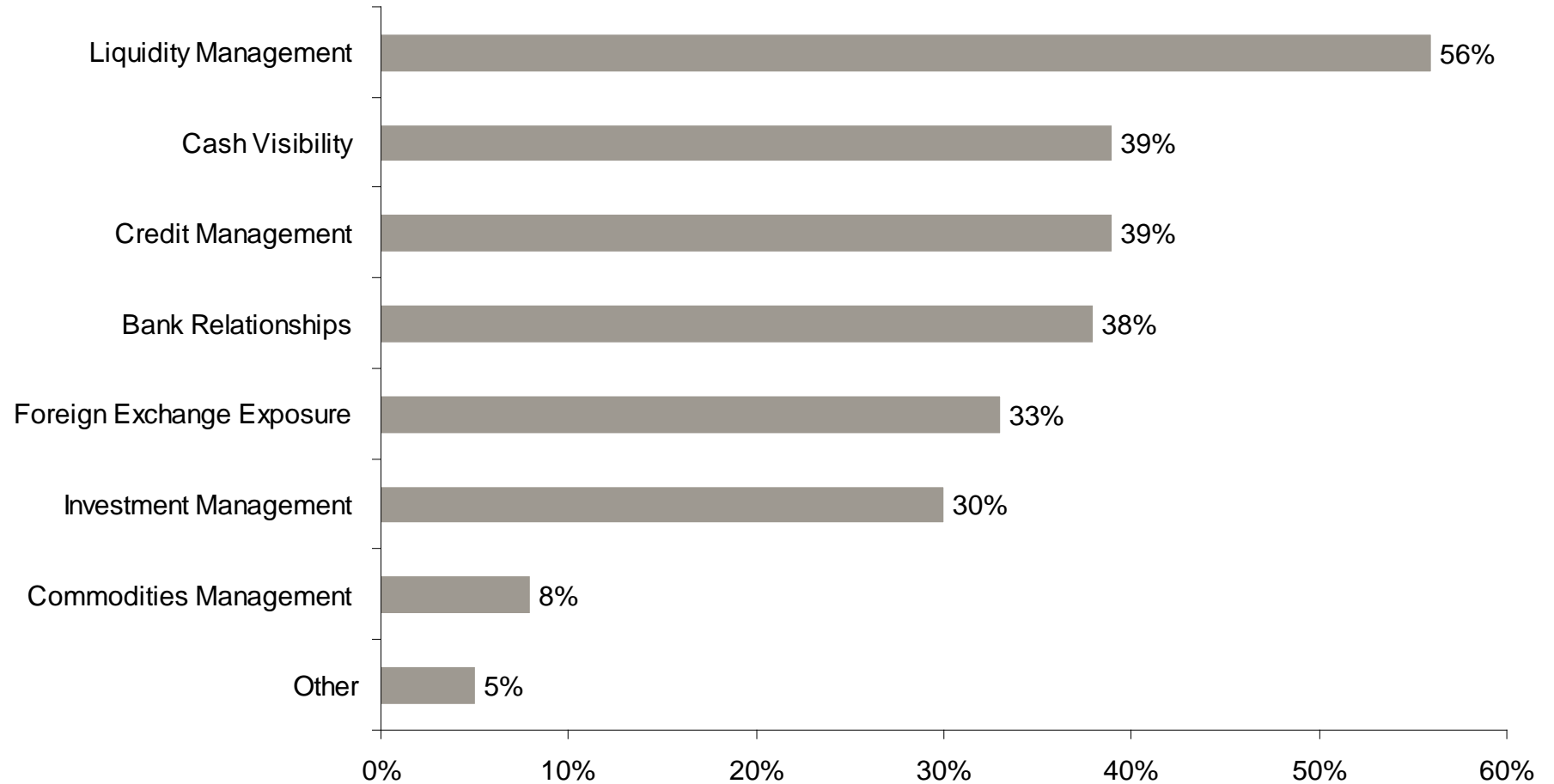
- Centralisation of transaction processes into Shared Service Centres (SSCs)

- Increased need to control and mobilize internal liquidity, decrease dependency on external funding

**Corporate Treasury operations are rapidly evolving –
using centralisation and automation to control and mobilize global cash positions**

Today's Environment

Key Treasury Responsibilities

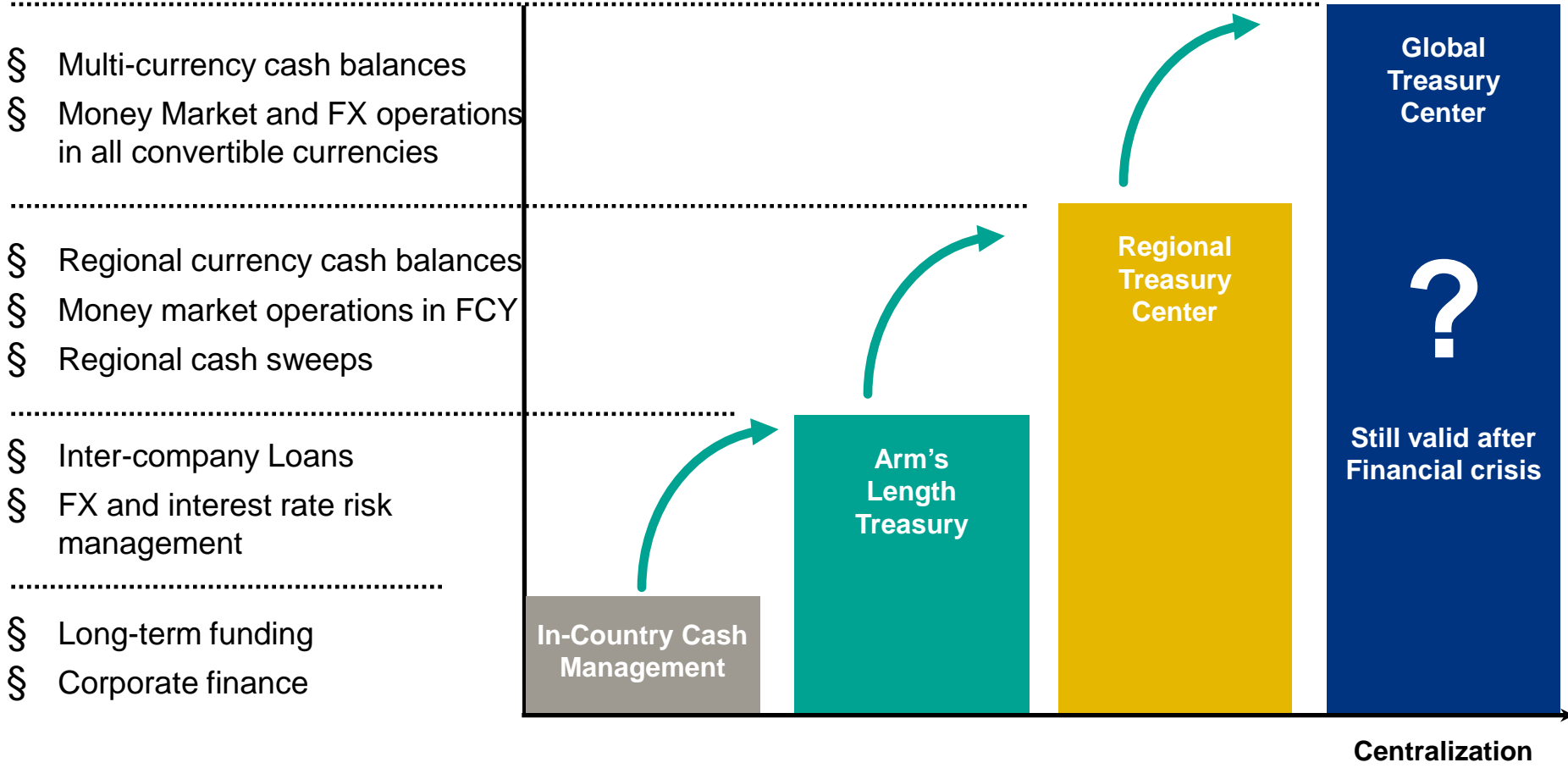


Source: EuroFinance Business Confidence Survey, September 2009

Today's Environment

Trend Towards Centralization

Centralized Finance Functions



Drivers for Change

Helping Clients Adapt to a Changing Liquidity Environment

Challenges

- Post-slowdown recovery
- Compressed interest rate environment
- Reduced appetite for utilization of credit facilities
- Tighter credit restrictions affect intra-day funding and overdraft limits

Solutions

- **Innovative liquidity structures** use internal cash to cover reduced intra-day lines and overdrafts, enabling subsidiaries to maintain access to liquidity
- Automated end-of-day **sweeps adjusted to allow early** morning automated funding
- **Short-term debt minimized** by sweeping balances to home country rather than leaving in-country
- **Helping to enhance client's internal processes** and cash flow control
- **Innovative and diverse** investment solutions

Corporates and banks, like RBS, are working together to identify 'pain points' in the cash pools and adapting liquidity solutions as needed

Drivers for Change

Project Objectives

- Streamline the number of banking relationships
- Achieve visibility of overall cash position
- Manage excess cash as a corporate asset
- Create a single access-point for managing cash flows
- Leverage cash surpluses for internal funding
- Achieve pricing efficiencies by utilizing a single provider

The Myths

Reasons to be cautious?

- **“Cash Pooling” is expensive to set-up and maintain**
- **Won't we need credit lines?**
- **We're not big enough**
- **Isn't the tracking really complicated?**
- **There are lots of tax and audit issues**

The Myths De-mystified

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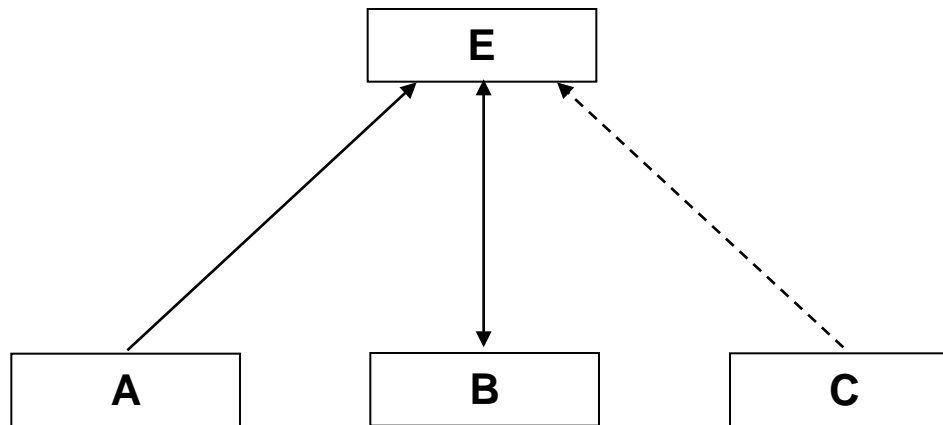
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No, its not
- **There are lots of tax and audit issues**
There are some tax / audit / regulatory issues to consider, which your provider will be able to flag at a high level

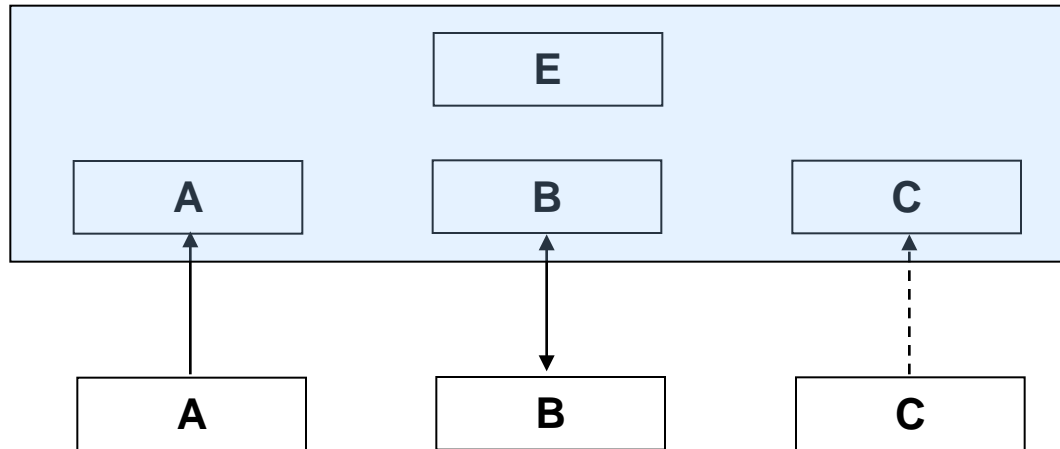
Which Solution is Right for Me?

Physical



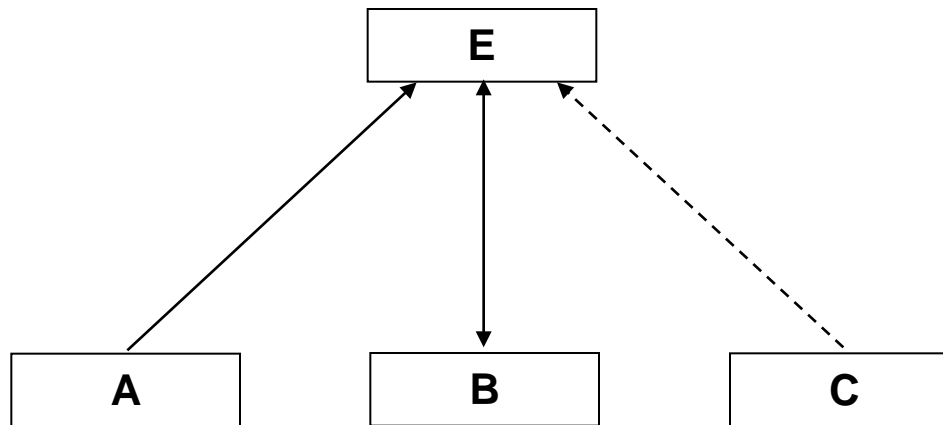
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Notional



Which Solution is Right for Me?

Interest Optimization



Which Solution is Right for Me?

The Answer.....

It depends!

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The Answer.....

It depends!

- **Multiple currencies**
- **Multiple jurisdictions**
- **Multiple legal entities**
- **Debit and credit positions**
- **Level of activity and balance levels**

Physical vs Notional

- Operating companies “lose” control of their cash
- Sweep creates inter-company loans which need to be managed
- No balance sheet lengthening
- No limitations on jurisdictions that may participate

Maybes....

- Inter-company loan administration required (interest re-allocated)
- Withholding tax on inter-company interest
- Withholding tax on bank interest
- Thin capitalisation
- Inter-company interest rates at arms length rates
- Overdraft and intra-day credit limits required

- Operating companies retain control (ownership) of their cash
- Inter-company lending can be eliminated
- Overdraft, intra-day and sub credit limits required to ensure efficient operation
- Security is required (pledges/joint & several)
- Balance sheet lengthening effect (IFRS)

▪ Restriction on entities incorporated in certain jurisdictions

▪ Re-allocate interest at rates set by Treasury (to master account only or to all participating accounts)

▪ Physical concentration required to concentrate cash into one jurisdiction

Maybes....

- Withholding tax on bank interest payments

Summary

Solution	Key Benefits	Considerations
Interest Optimization	<ul style="list-style-type: none">•Very simple to implement•Enhanced yield for growing balances•Multi-currency	<ul style="list-style-type: none">•Only includes credit balances**•No actual concentration
Zero-balancing	<ul style="list-style-type: none">•Creates single liquidity position•Automated•True end-of-day (within RBS)•Can include 3rd party accounts	<ul style="list-style-type: none">•Co-mingling of funds•Single currency
Notional Pooling	<ul style="list-style-type: none">•Single or cross-currency•Set-off of debit and credit positions•Automated•Can include RBS and 3rd party accounts•Reduces FX risk	<ul style="list-style-type: none">•Pooled accounts must be in single location•Cross-guarantee agreement required between all participants

Which Solution is Right for Me?

The Answer.....

Typically, a combination of some or all of the foregoing will deliver best results.

The Future of Liquidity Solutions

The Realities

- Requires a global bank with broad network and extensive liquidity expertise
- Requires an appropriate level of daylight/overnight overdraft availability

2009 Proved the Tremendous Value of Liquidity Solutions

- Lowest-cost source of financing via internal funding
- Global / Cross-Regional solution
- Reduction of FX transactions associated with liquidity management
- Visibility and mobilization of worldwide cash

Automated Solutions Further Optimize Liquidity Management

- Integrated liquidity platform with consolidated view of investable cash with automated solutions
- Online account management reduces commercial risk and increases the speed of opening bank accounts

Final thought...

During the recent credit crisis, companies that were able to mobilize cash across their network were able to reduce their dependence on external (even intra-day) funding.

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