Changes to treasuries' internal organization after the financial market turmoil

- 1. Link with other business lines
- 2. Internal organization and access to market
- 3. Centralized versus decentralized liquidity management

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1- Link with other business lines (public sector, retail, etc)

- All decisions regarding liquidity related business will be taken within the ALCO perimeter (e.g. liquidity facilities)
- Operational issues concerning liquidity management (e.g. pledge of collateral) will fall under the responsibility of the Cash and Liquidity Activity Line
- Internal Transfer Pricing needs to reflect the real liquidity cost also for liquid assets (e.g. internal pricing for EUR/GBP/USD at Dexia was Libor – 3 b.p.p.a.)
- Domestic funding (short term and long term) needs to be available before developing new business
 - FX swap market is not longer an alternative (e.g. MXN)
 - A fully-fledged local treasury has to be installed
- Only central bank eligible assets can be held by the different portfolios and access to the central bank needs to be in place.

2- Internal organization & access to the market

- Repo activity, CP/CD issuing, short term Primary Dealing, etc remain 100% integrated within the Cash & Liquidity activity line (not separate profit centers)
- More integrated treasury Sales (deposit collectors)
- Strong reduction of number of Dexia entities with direct access to the external market
- Limited treasury activity in a lot of entities :
 - Dedicated deposit collectors in specific segments;
 - Specific central bank financing channel;
 - No longer own liquidity positions (virtual account concept)
- Centralizing of Treasury & Financial Markets activities together with downsizing of dealing rooms
- ALM will not any more be a Treasury & Financial Markets activity

3- Centralized versus decentralized liquidity management model

- Current centralized model under pressure due to today's organizational structure with 3 legal main entities
 - Local regulatory constraints (additional measures have been taken since the start of the crisis);
 - Risk weighted assets issues;
 - Depending too much on specific competence centers
- However ... the only alternative in the long run :
 - Quid "National reactions" (e.g. Japan)
 - Optimization of resources (Front Office, Back Office, Risk)
 - Reducing liquidity costs (arbitrages)
 - Efficient and quick problem solving (e.g. Lehman debacle)
 - To manage stress scenarios (systemic & downgrade scenarios)
 - To have alternatives if local markets dry up (SEK)
 - To keep a global view of all liquidity positions/risks