Five Steps Bank Treasurers Can Take to Act as a Steward of The Balance Sheet
Introduction

Bank treasury takes on different roles in different organizations. The core activities of stewarding the balance sheet, managing liquidity and assuring solvency generally extend into the provision of services and supply of investment products to the banks corporate and High Net Worth (HNW) individual customers, i.e. facilitation of the customer flow. The customer flow is subsequently linked up with the treasury trading activities, aiming to either immediately lay off the market risk arising from facilitating the customer flow or – alternatively - actively taking on the exposure depending on the bank’s business strategy for its treasury and capital markets activity. Banks that leverage treasury technology on-premise or in a private, secure cloud environment can empower bank treasury to act as stewards of the balance sheet.
1. Assure Liquidity

Ensure the bank always meets its obligations.

Ensure the bank always meets its ability to forecast obligations by having access to complete and up-to-date data on the availability of cash and funding. Additionally, advanced analytical tools such as scenario analysis and stress testing help treasurers to easily identify liquidity threats and take appropriate action.

Steps to take:

• **Develop a strong liquidity strategy** – supporting decisions with rich analysis tools

• **Closely track liquidity positions and market movements** – controlling risk through constant data analysis

• **Strengthen, integrate and automate payment processes** – enabling the efficient execution of transactions, reconciliations and reporting
2. Assure Solvency

Protect the nest egg through robust reporting, planning and decision-making.

Protect the nest egg – a centralized source of information and control enables the rapid and easy identification of situations potentially impacting the continued operations of the bank, either through counterparty failure, or excessive calls on capital.

Steps to take:

• Formulate a robust credit and market risk management strategy – supporting decisions about deals with constant analysis of the capital at risk

• Monitor the bank’s day-to-day and projected capital positions – controlling risk by analyzing real-time data and modeling potential market movements

• Ensure compliance with external regulation and internal policies – tightening operational processes for efficient capital management and timely, accurate reporting
3. Protect Revenues

Reduce noise in financial results.

Reducing the noise in financial results – an accurate view of the bank’s asset/liability position, the hedging overlay through net interest income (NII) simulations and performance attribution by way of funds transfer pricing enable treasurers to manage tenor mismatch. A single integrated platform helps minimize operational friction in the generation of net interest margin.

Steps to take:

• **Minimize operational and environmental friction** – streamlining processes across the bank to reduce

• **Manage market behavior** – using advanced trading and hedging techniques to help stabilize earnings

• **Create price tension and awareness** - thereby protecting NII and delivering an effective hedging profile
4. Manager
Customer Flows

Improve visibility and control beyond the treasury.

Managing impact of customer flow on liquidity – greater visibility and control over customer flow activity that may affect the bank’s liquidity provision as well as potential risk-taking enables treasurers to ensure proper hedging against market movements.

Steps to take:

• Gain a detailed view of all customer transactions and trading activities – capturing trade flows outside the treasury to help manage associated risks

• Closely monitor the bank’s customer position – minimizing the impact of margin requirements and market movements

• Improve efficiency and profitability across all customer transaction processes – supporting payment investigation and the prediction of end-of-day positions
5. Leverage Treasury Technology in the Cloud

Act as the stewards of the balance sheet while the technology vendor manages the rest.

Treasury technology is key to helping banks act as stewards of the balance sheet. While treasurers might recognize the value that sophisticated treasury technology can offer, they should not only seek technology solutions, but also a vendor implementation methodology and support structure, which can help to achieve the goal of simplification and standardization. By leveraging treasury technology in a secure, private cloud model with managed services wrapped around it, banks can focus on acting as the stewards of the balance sheet while the technology vendor manages the rest.

Steps to take:

• **Reduce total cost of ownership** – by decreasing and securing direct and indirect IT and application administration costs under a long term, predictable pricing agreement

• **Manage treasury** – in a turnkey, fully managed deployment in an environment that combines extensive data segregation with high levels of control over the environment

• **Keep pace** – with innovation in technology, process and operations
Are You Ready to Act as a Steward of the Balance Sheet?

CONTACT US TODAY.

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