

Should Treasury be a profit center and how should the financial result be distributed?

Marcel Burtscher

Agenda

What are the goals of Treasury?

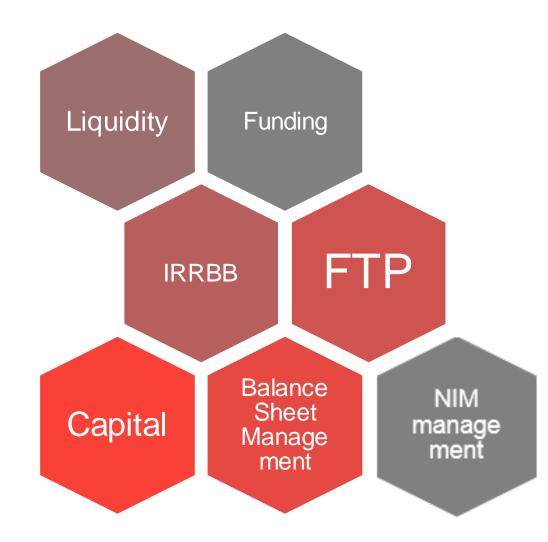
What are possible operating models?

What are the right KPIs?

Should the financial result of Treasury be allocated?

Interactive part

What are the goals of the Treasury function?





Are goals of the bank and Treasury strictly aligned?

Which conflict of interest exists?

How are they (not) reflected in the KPI system?

What are the goals of the Treasury function?



- No real liquidity risk measurement or limits
- I imited FTP

X

- No visibility of treasury position in the front-office system
- Steering focused primarily on present value

- from markets
- Day-to-day measurement and reporting
- Establishment of liquidity buffers
- Adequate quantitative modeling risk and FTP
- No interest rate and liquidity P&L transparency
- GAAP view beginning to come into focus

- truth for liquidity
- Steering of interest rate and liquidity from overnight to infinity
- Integrated steering of all key ratios
- Full transparency of positions and P&L
- Collateral value fully integrated in FTP
- Dual steering view (accounting) and economic)

- established for treasury
- Machine learning for modeling
- New platforms and fintech corporations or partnerships
- Largely automated real-time reporting
- Ad hoc on-the-fly simulation capabilities
- · New set of products for intraday liquidity

What are possible operating models?

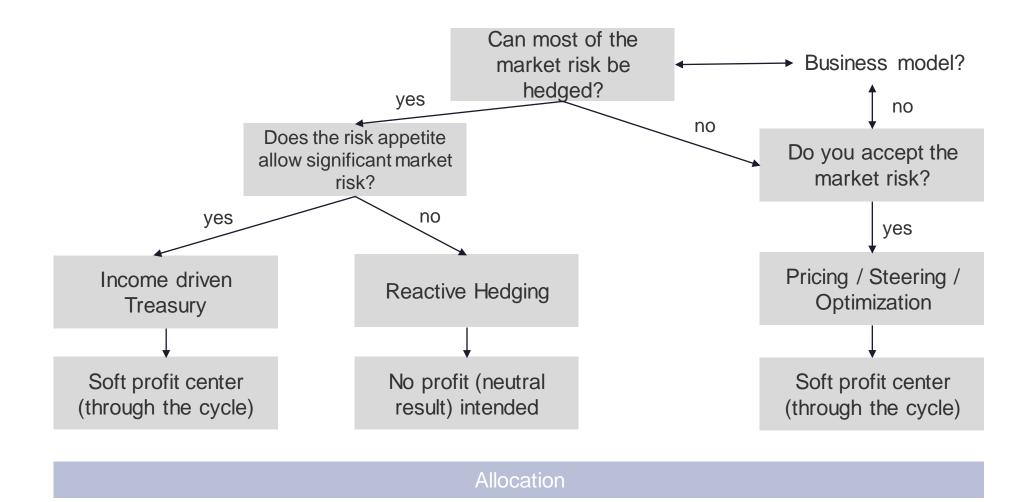
Profit center	Soft Profit center (through the cycle)	No profit intended / Advisory	Cost center
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Business model?

Steering implications? Granularity and complexity of FTP? KPI system?

Allocation?

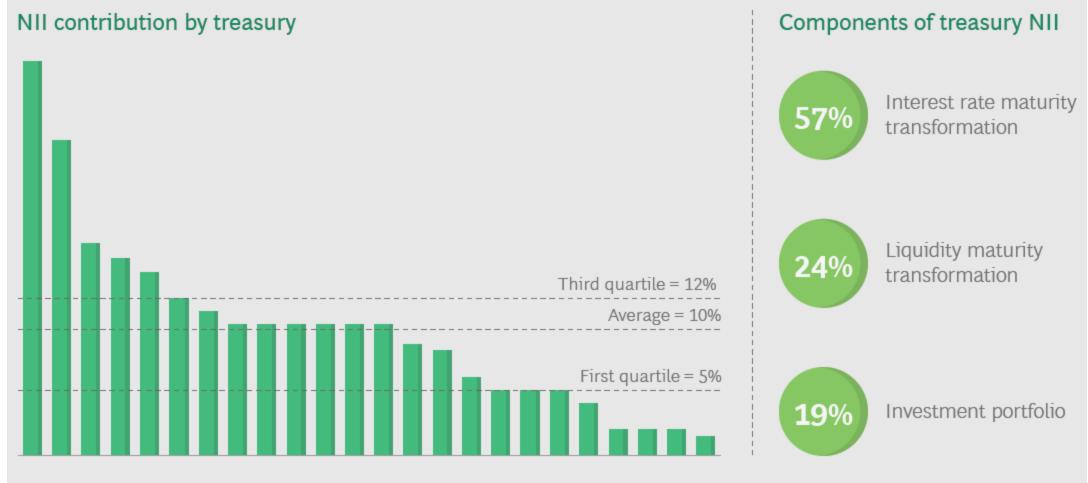
What are possible operating models?



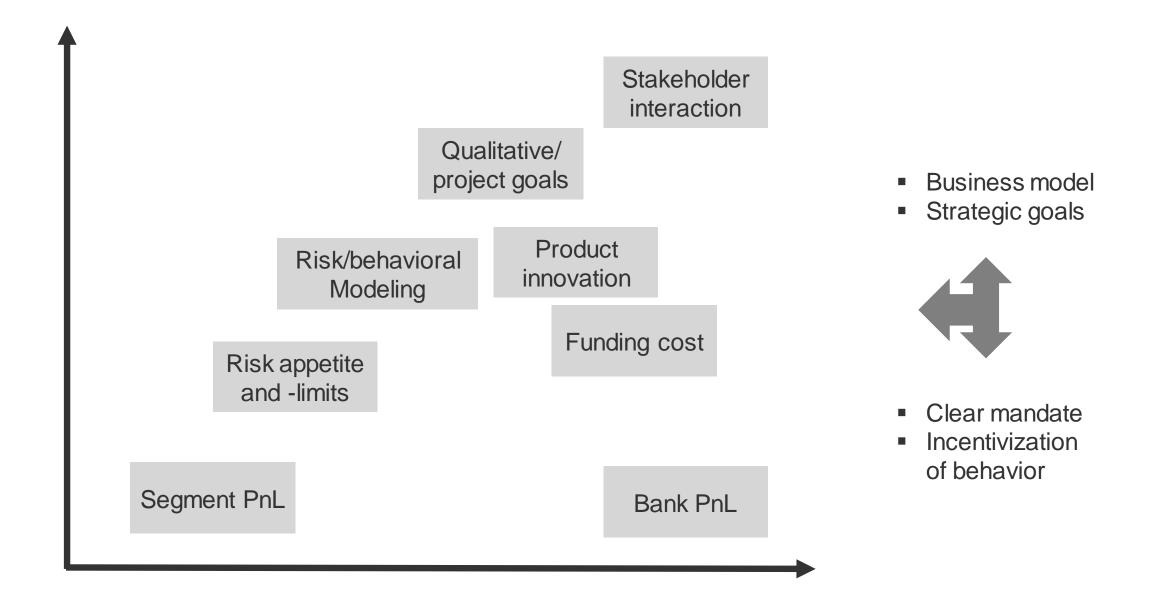
Granularity and complexity of FTP

Mandate of Treasury and KPI

The Treasury NII contribution



Source: BCG Treasury Benchmark Survey 2018.



Should the financial result of Treasury be allocated?

X

Operating model

Motivation for allocation

Allocation basis and -mechanism

Implications

Performance assessment

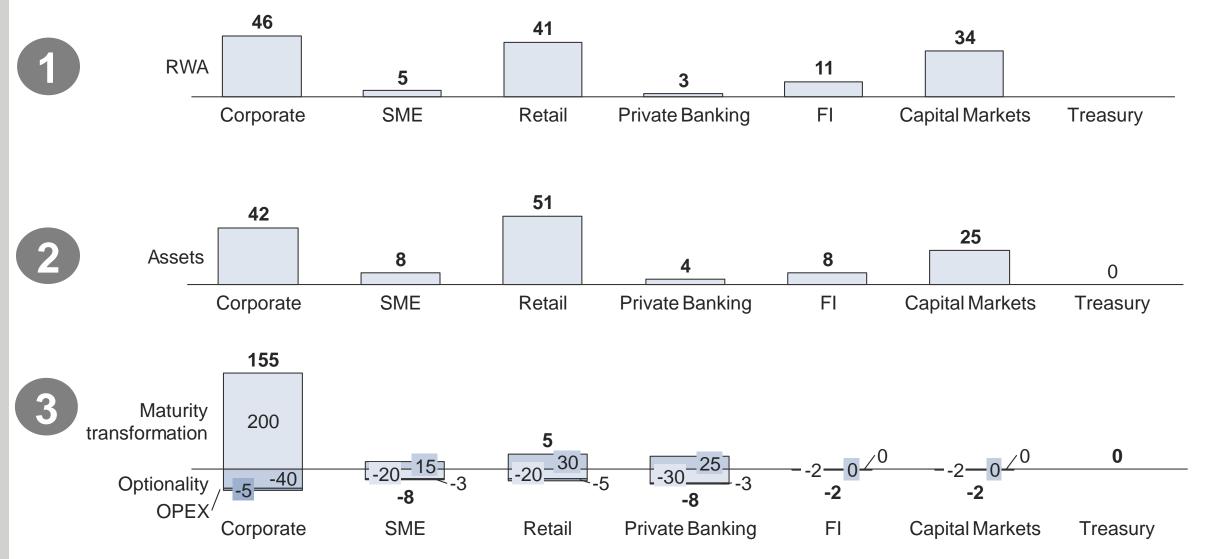
Example

Treasury segment result

YTD 2018; in monetary units

			Balance sheet		RWA	
Revenues interest		Assets	Liabities	avg. RW	RWA	
Interest rate risk gapping	100	Corporate	100	30	80%	
Liquidity risk gapping	50	SME	20	80	40%	
Optionality premiums (net of		Retail	120	150	60%	
realized effects)	30	Private Banking	10	70	50%	
Valuation result	-20	FI	20	15	100%	
Crossincomo	100	Capital Markets	60	20	100%	
Gross income	160	Treasury	50	15	15%	
OPEX Net profit before tax	-20 140		380	380		4
Equity cost	-30					
Risk adjusted profit before tax	110					

Example



Interactive part



Thank you!

Marcel Burtscher +7 985 390 62 73 marcel.burtscher@raiffesien.ru