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