Impact of Crisis on Internal Organisation / Policies
Collateral Management/ Access to Secured Markets / Position management

- Lower quality assets
  - Lack of liquidity for many asset classes in commercial markets
  - Increase reliance on Central Bank facilities or unsecured funding when available
  - Change in framework
  - Mobilise collateral as standing or contingent source of funding
  - Trader focus on asset valuation more than on funding issues
  - Focus on financing of more asset classes (Equity Repo)

- High quality assets
  - Change in the balance sheet: Asset reduction / Increase in deposits
  - Excess short term liquidity positions to be managed at the Treasury level
  - As much an asset manager that a liability manager - Create expertise
  - Limited capital available and low appetite to maintain/increase unsecured credit exposure
  - Extensive use of short term bond and repo markets
  - Focus on Central Bank eligible 0% RWA assets
  - Maximise use of CCP in EUR
  - Multicurrency Triparty agreements
  - Work with IB to put in place Capital Efficient short term secured funding structures on lower quality assets
  - Search for “yield” - FX Basis impacts - ability to deliver return to depositors in all currencies.
  - Use of the JPM Broker dealer for execution - Market share, infrastructure, staff.
  - Expansion of Treasury Balance sheet

⇒ Corporate focus on increasing Treasury in the funding/reinvestment process / Control of the “box” (Contingent/Alternative funding sources/ optimise Central Bank access).
Increase cost of liquidity
- Spread widening - LIBOR Spreads - OIS/LIBOR Basis
- Very steep short term credit curve
- Difficulty to access capital markets
- Cost of guarantee programs
- USD premium
- Increased secured cost of funding for Credit and Equity assets
- Reduced securitisation capacity

Instable FX basis - impact on currency funding / internal arbitrage opportunities

Change Internal FTP rules to reflect change in firm profile
- More focus on liquidity value of assets and liabilities
- Liquidity premium based of LT COF of the firm - frequent review
- Short term funding cost based of O/N rates + Cash capital charge/Haircut
- Creation of an Investment Bank Treasury. Focus on cost of funding allocation at the IB level

Review of liquidity risk framework

More sophisticated CFP plan / stressed liquidity analysis

Understand impact of higher liquidity constraints that might be driven by regulatory changes.