11th Edition

Liquidity Risk

Survey Report

SUMMARY
REPORT

Underwritten by

Allspring

Powered by

Strategic Treasurer

Contents

Survey Contacts

CRAIG JEFFERY, FLMI, CCM
Founder & Managing Partner
craig@strategictreasurer.com

KYLENE CASANOVA
Director of Event & Content Marketing
ky@strategictreasurer.com

JILL SELGRAD
Assistant Director of Business Development
jill@strategictreasurer.com

About the Survey

2023 Liquidity Risk

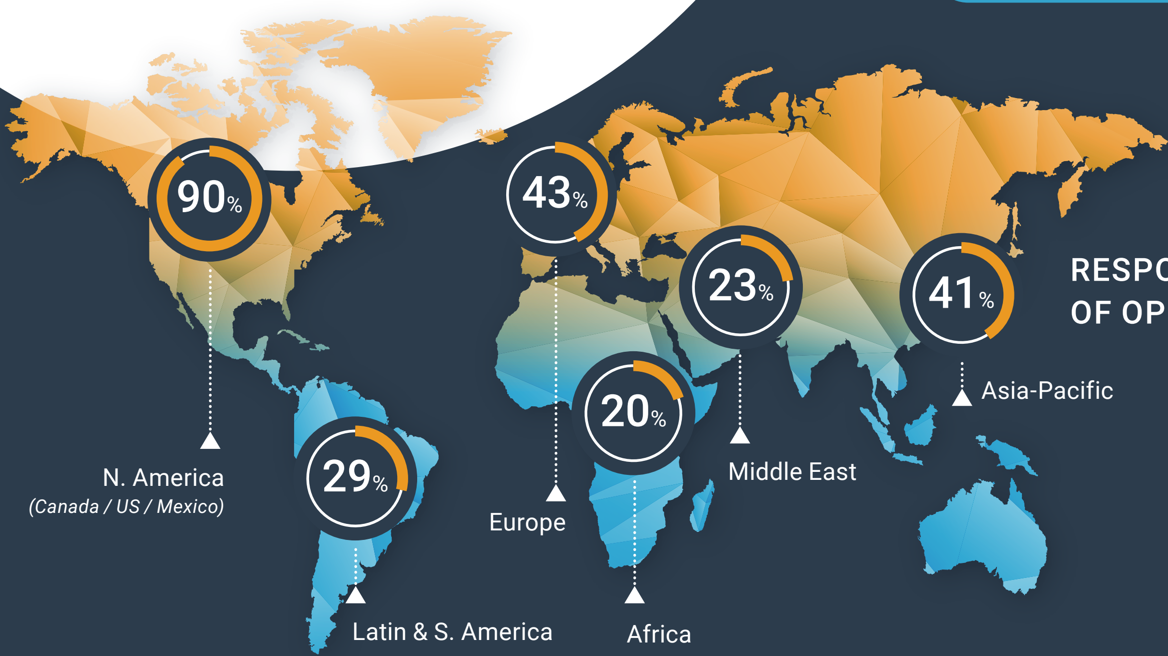
160+ respondents

50+ questions

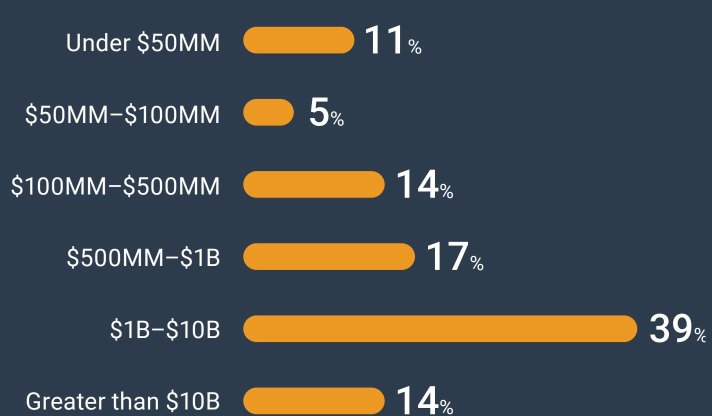
4-week survey runtime

11th year of research

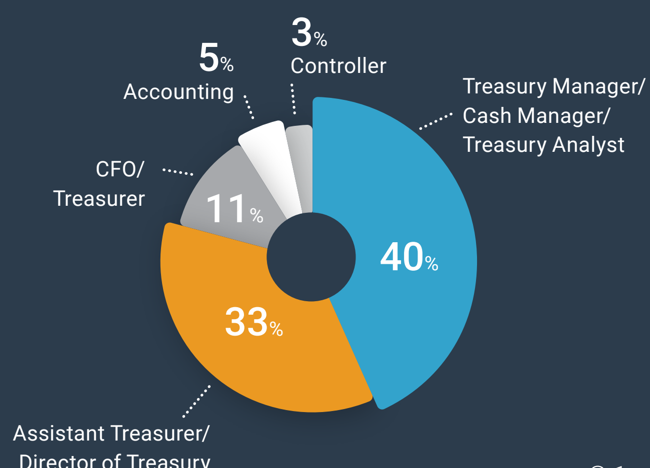
RESPONDENT REGIONS OF OPERATIONS



CORPORATE ANNUAL REVENUE



TOP FIVE RESPONDENT ROLES



Executive Summary

JEFF WEAVER
Senior Portfolio Manager &
Head of Global Liquidity Solution
Allspring Global Investments

CRAIG JEFFERY
Founder & Managing Partner
Strategic Treasurer

Welcome to the 11th Liquidity Risk Survey Report. This research was conducted with over 160 senior treasury professionals around the globe. We started our research on this topic in 2011, and we are encouraged by the continued enthusiasm and interest surrounding this critical area over the years. We are pleased to welcome Allspring Global as the underwriters of this research.

Managing liquidity has been a critical responsibility for treasurers and investment managers for many decades. The increasing concerns about counterparty risks for deposits and investments are starting to drive more actions on the asset side of the house. On the borrowing side, companies have experienced significant increases in costs over the past few years. This has been coupled with an overall tightening of the debt markets, making borrowing more challenging for many organizations. This leads to increased concerns about liquidity.

Many treasury leaders want to better understand key aspects of managing their risks around liquidity. What are others doing? What are they focusing on now? Has this been changing over time? What are the drivers of these changes? How are companies improving their monitoring activities or reducing their risks? This research is focused on these topics.
We are sharing different aspects of this information via this report, a podcast episode, and a joint webinar. There is a wealth of good information to unpack. Here are a few headlines to get you started, but as you scroll through a few pages, you will find ten key findings and significant additional details.

Companies Started Using Bank Deposit (DDA, Sweep, MMDA) and Government MMFs in the Past Year for Stashing Short-Term Cash:

With interest rates rising over the past year, the investment vehicles with the greatest uptick in use were:

- **Bank Sweeps: 52%**
- **Government MMFs: 35%**
- **Certificates of Deposits (CDs): 13% of companies overall, 19% of smaller companies**

Safety the Top Priority Overall, but Small Companies Prioritize Liquidity in This Market

The priority for most companies overall is safety, liquidity, and yield, in that order (SLY). More than twice as many companies selected safety compared to liquidity. This skew is even more pronounced in larger companies, with three-quarters selecting safety compared to just 19% and 7% respectively placing liquidity and yield first. For smaller companies, on the other hand, liquidity narrowly edged safety out (50% to 47%) for the top category.

Decade-Long Trend of Declining Actions in Monitoring Counterparty Exposures for Bank Deposits

In 2013, 60% of companies were reviewing counterparty exposure for bank deposits and CDs. In the intervening years, however, this gradually trended downward. Just 52% track either informally or formally in 2023, and for larger firms, the trend has moved from 76% monitoring in 2013 to 59% in 2023.

ESG Increases in Importance for 49% of All Respondents, with EMEA and Large Companies Most Heavily Vested

Forty-five percent have an ESG program in place, and 18% are working to implement one. For EMEA and ROW, 75% indicated an increase in importance over the past year.

We invite you to continue examining the results of this survey by reading through the key findings and the additional results that are contained in this survey report.

Thank you to all who took the survey. Those who take these surveys receive a more comprehensive report as a token of appreciation for the investment of time. As always, your survey responses remain confidential. Our thanks to the team at Allspring for underwriting this research and their invaluable contribution to the processes of updating the research questions and sharing these findings. We appreciate Allspring's commitment to the industry and their collaboration on this market research.

Enjoy the read.

Additional resources related to this survey:

WEBINAR REPLAY

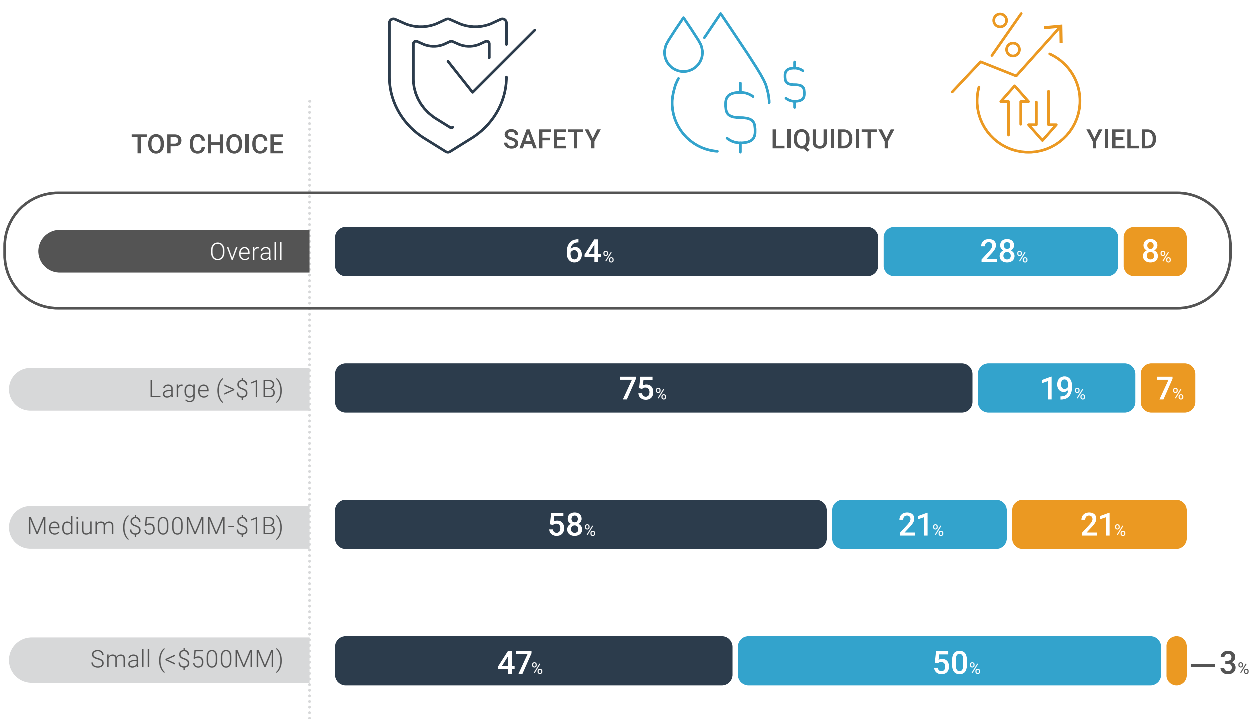
Key Finding Analysis

1) Safety Is the Top Priority Overall, but Small Companies Prioritize Liquidity in The Current Market.

The priority for most companies is safety, liquidity, and yield, in that order (SLY). This priority is substantial, with more than twice as many companies selecting safety over liquidity for the top slot. The most pronounced skew is with large companies: 75% selected safety first, 19% chose liquidity as their top choice, and only 7% listed yield as their number one. For small companies, however, liquidity barely edges out safety (50% to 47%) for the top category. When including both the top and second choice, the difference is larger, with 93% for liquidity and 73% safety.

Companies operating in 11–100 countries were balanced between safety and liquidity, with 45% selecting safety first and another 45% selecting liquidity.

Please rank the following in terms of priorities for your short-term investment, with one (1) being the most important, and three (3) being the least important.



CORPORATE

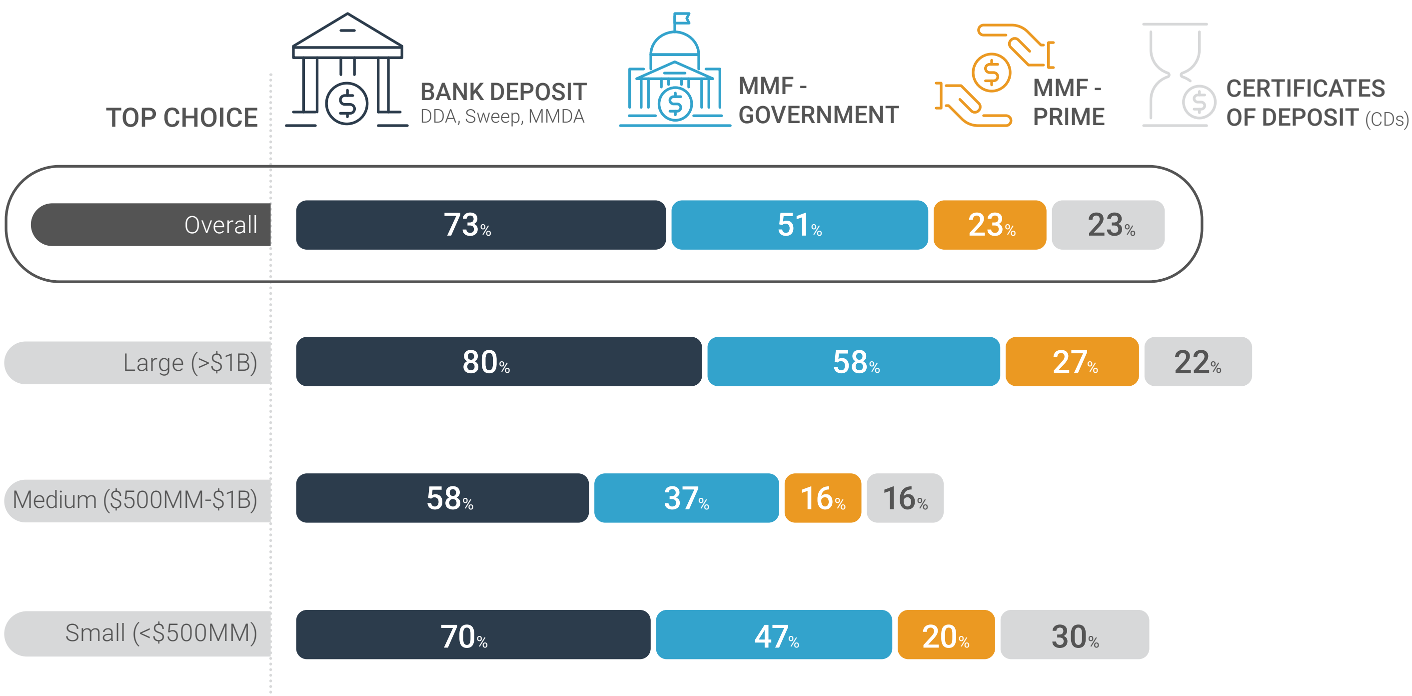
BANKS

Within the following pages, these icons indicate whether the questions were asked of corporate respondents, bank respondents, or both within the survey's branching logic.

2) Companies Most Frequently Stashed Cash in Banks and Government MMFs for Balances in the US.

Banks and government MMFs were followed by prime MMFs and even CDs in the past year. Smaller companies list CDs as their 3rd most frequently used location for short-term funds, while prime MMFs were more popular than CDs for the investment managers of large firms by a five-point spread.

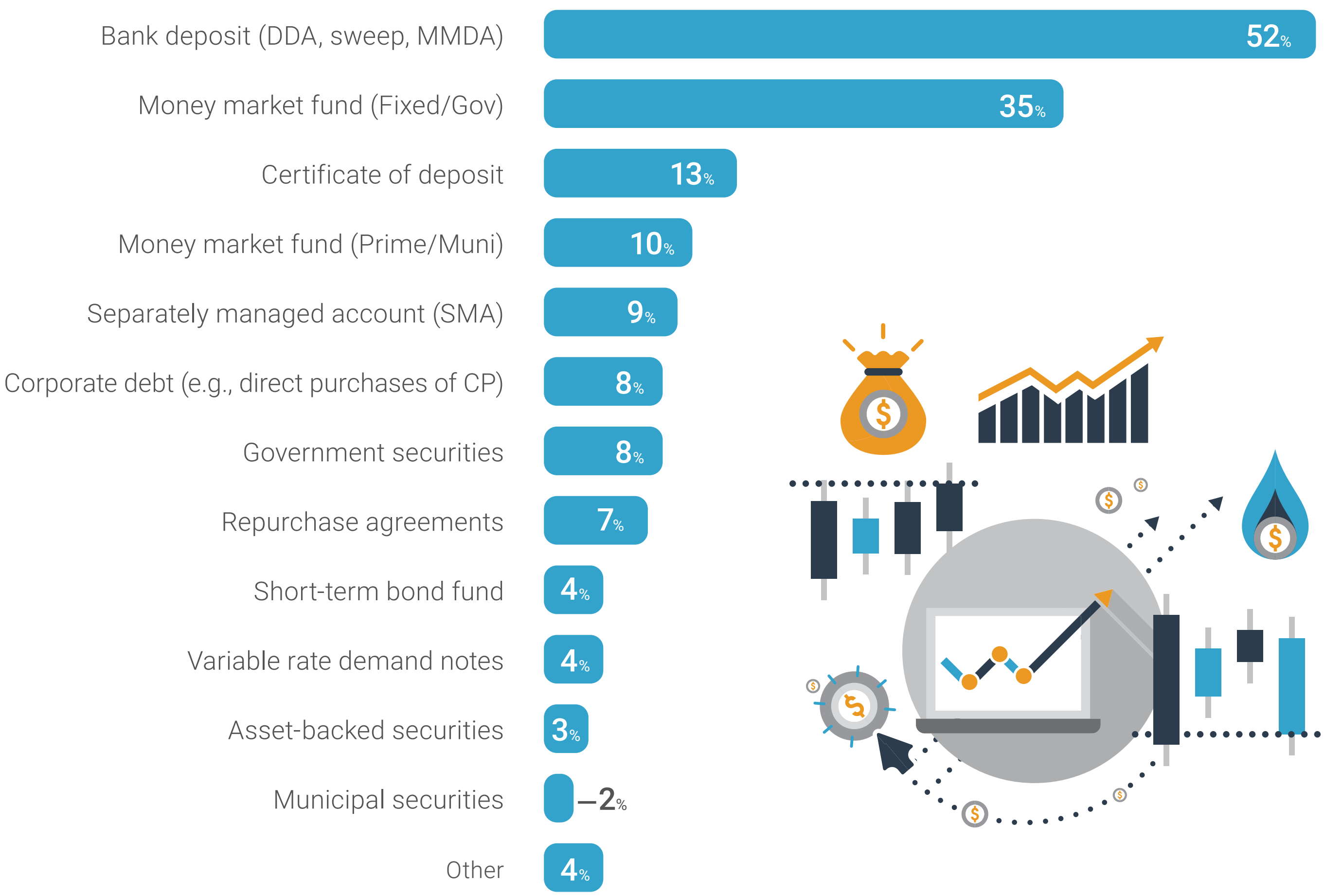
In the past year, what US (domestic) investment vehicles did you use for short-term funds?



3) Companies Started Using Bank Deposit (DDA, Sweep, MMDA) and Government MMFs in the Past Year for Stashing Short-Term Cash.

With interest rates rising over the past year, the investment vehicles with the greatest upticks in use were 1) bank sweeps (52%) and 2) government MMFs (35%). Overall, 13% of firms started using certificates of deposit. However, 1 in 5 small companies (19%) started using CDs.

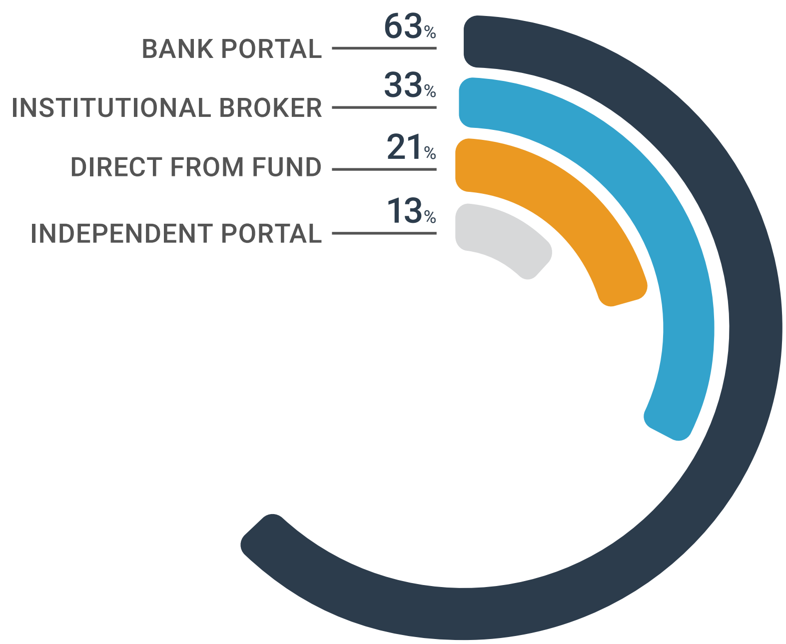
Of the investment vehicles you use for short-term funds, which ones did you start using in the last 12 months? (Select all that apply) (Not all answer choices displayed.)



4) Bank Portals the Most Common Way to Invest in MMFs (63%), Followed by the Use of an Institutional Broker (33%).

The third most common way of investing in MMFs was directly through the fund (21%), and the independent portals are used by 13% of respondents. When combining small and medium-sized firms, the independent portals move up a position to third, but the use increases to one in four companies (25%).

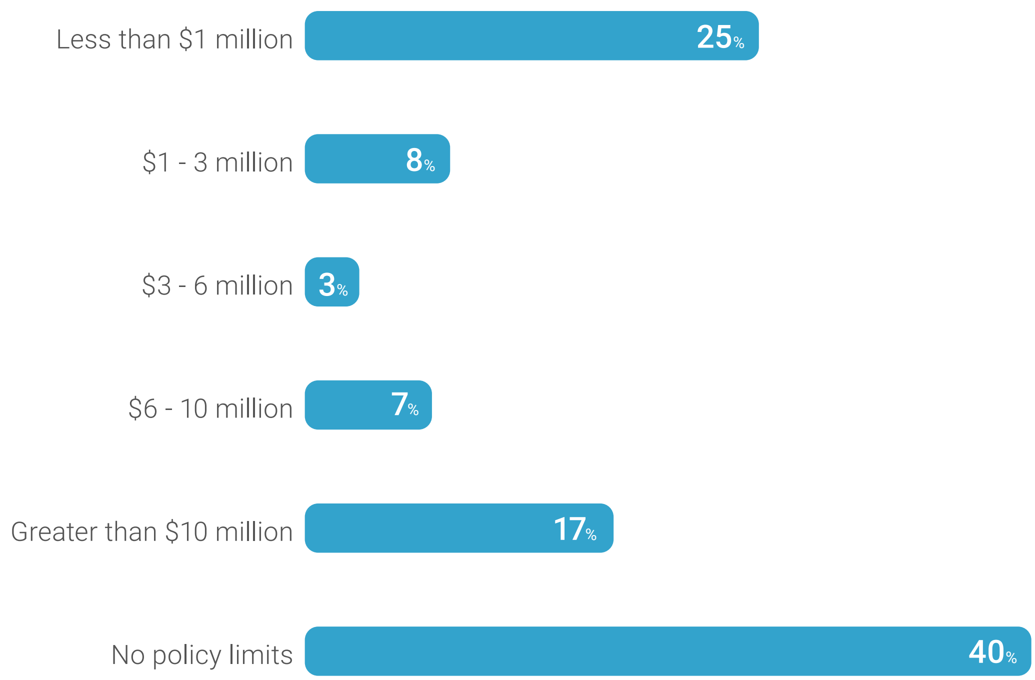
How do you invest in money market funds? (Select all that apply)



5) Forty Percent of Companies Have No Policy on Investment Limits for Uninsured Bank Deposits.

The difference in policy limits by company size is negligible, as 47% of small companies have no formal limit, and 38% of medium and large are also without limits. Thirty-six percent have limits of six million dollars or less.

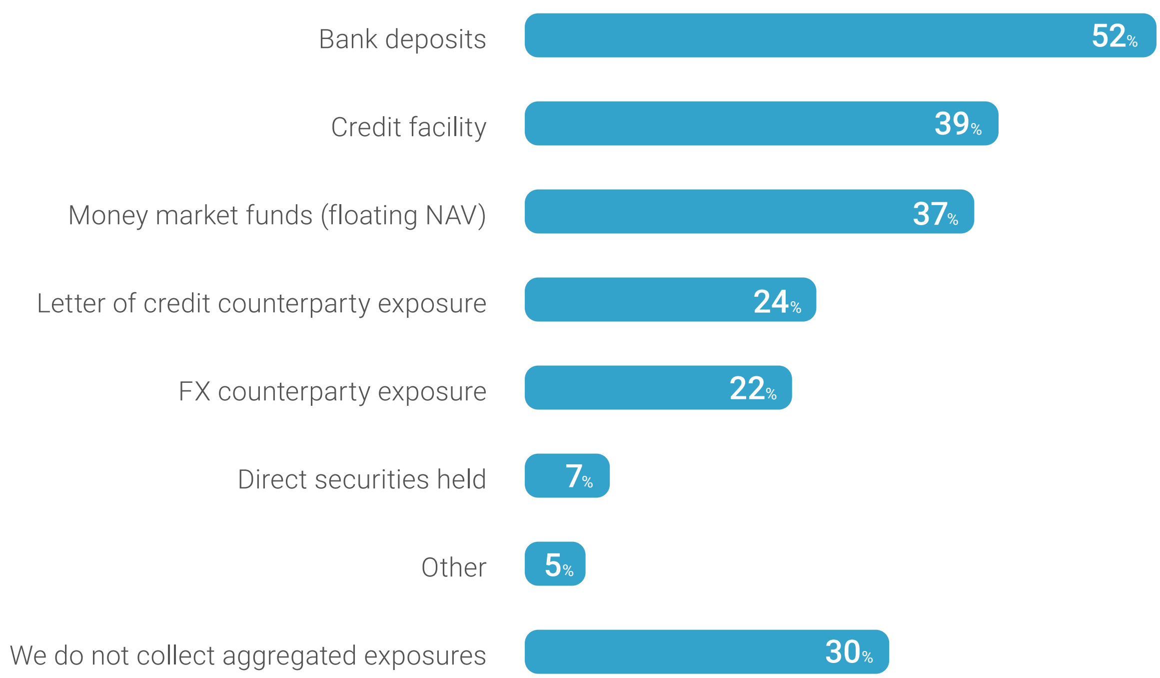
What is the maximum dollar value exposure to uninsured bank deposits allowed by your investment policy?



6) Decade-Long Trend of Declining Actions in Monitoring Counterparty Exposures for Bank Deposits.

In 2013, 60% of companies were reviewing counterparty exposure for bank deposits and CDs. In the intervening years, this has gradually trended downward, with just 52% overall tracking either informally or formally in 2023. For large firms, the trend has moved from 76% monitoring in 2013 to 59% in 2023.

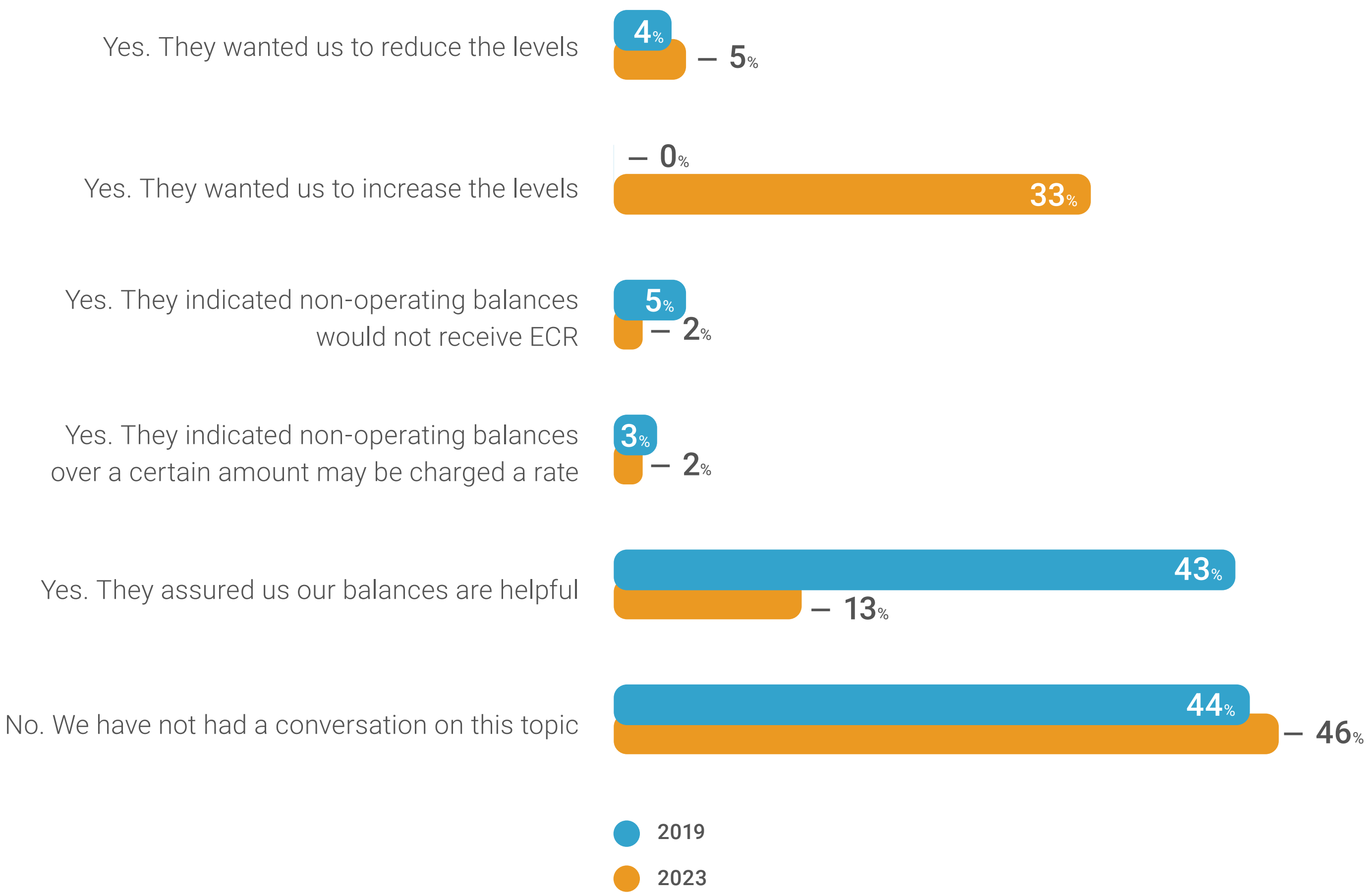
From which of the following investment vehicles does your company collect and review total counterparty exposures in aggregate? (Select all that apply)



7) More Banks Are Asking Their Clients to Increase Their Balance Levels.

In 2019, no respondents (0%) reported being asked by their banks to increase their balances. In the same year, 43% stated that their banks assured them their balance levels were helpful. Four years later, however, almost a third of respondents shifted from the "helpful balance" category to the previously empty "increase levels" category: 33% (a 33-point jump) were asked to raise their balance levels in 2023, while only 13% (a 30-point drop) reported that their banks assured them their balance levels were helpful. Other answer choices remained mostly steady between 2019 and 2023, with 44-46% stating that their banks had not discussed their balances with them, and 2-5% reporting requests to reduce levels or indications that non-operating balances might be charged or not receive ECR.

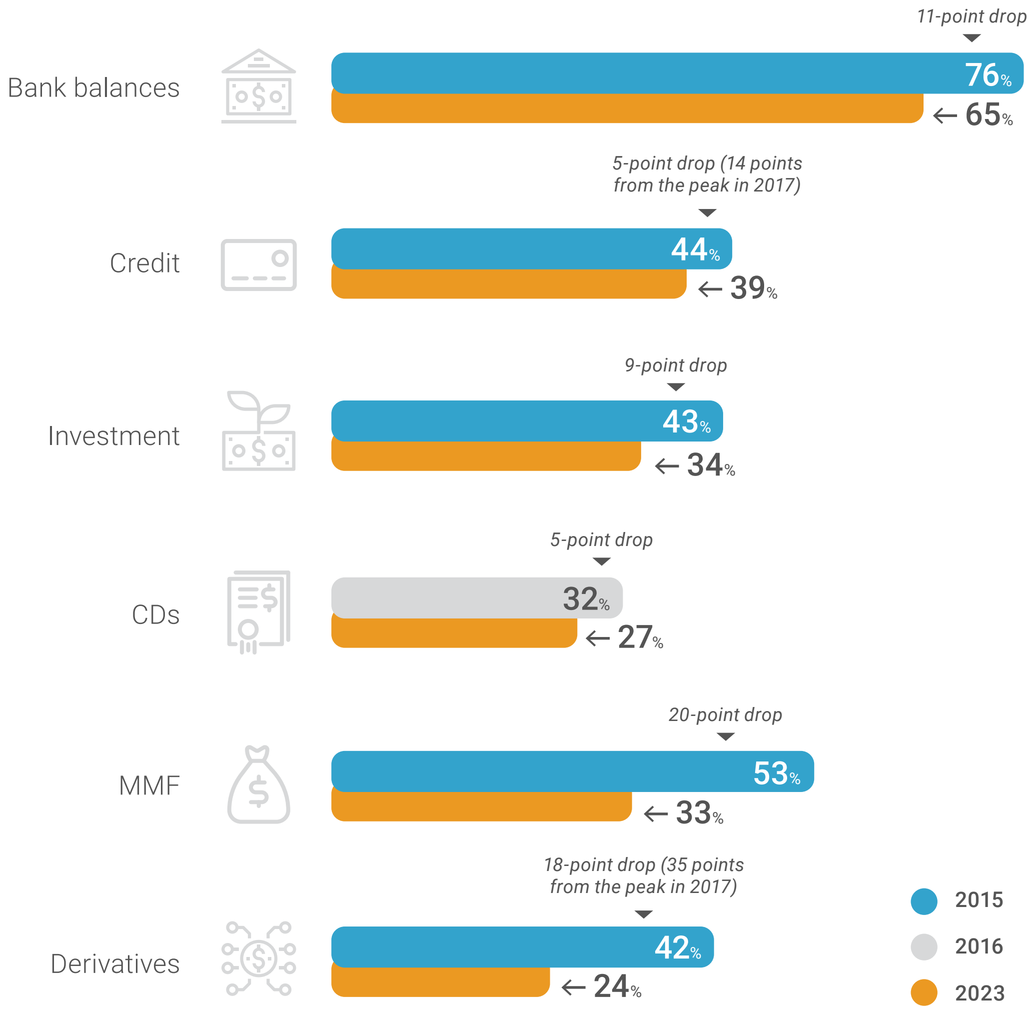
Has your bank(s) talked to you about your deposit balances?



8) An Ongoing Multi-Year Decline in Monitoring Counterparty Risk.

Monitoring counterparty risk has been on the decline in every measured category in this survey series since at least 2017. Money market funds and derivatives counterparties experienced the greatest decline, falling 20 points and 18 points respectively since 2015. For derivatives, a 35-point decline from the peak in 2017 represented the largest decline during this survey question's history.

For which of the following do you monitor counterparty exposure? (Select all that apply)



9) ESG Grows in Importance, and 45% Now Have a Program in Place.

ESG increased in importance to 49% of respondents overall, with EMEA and large companies seeing the strongest growth in emphasis.

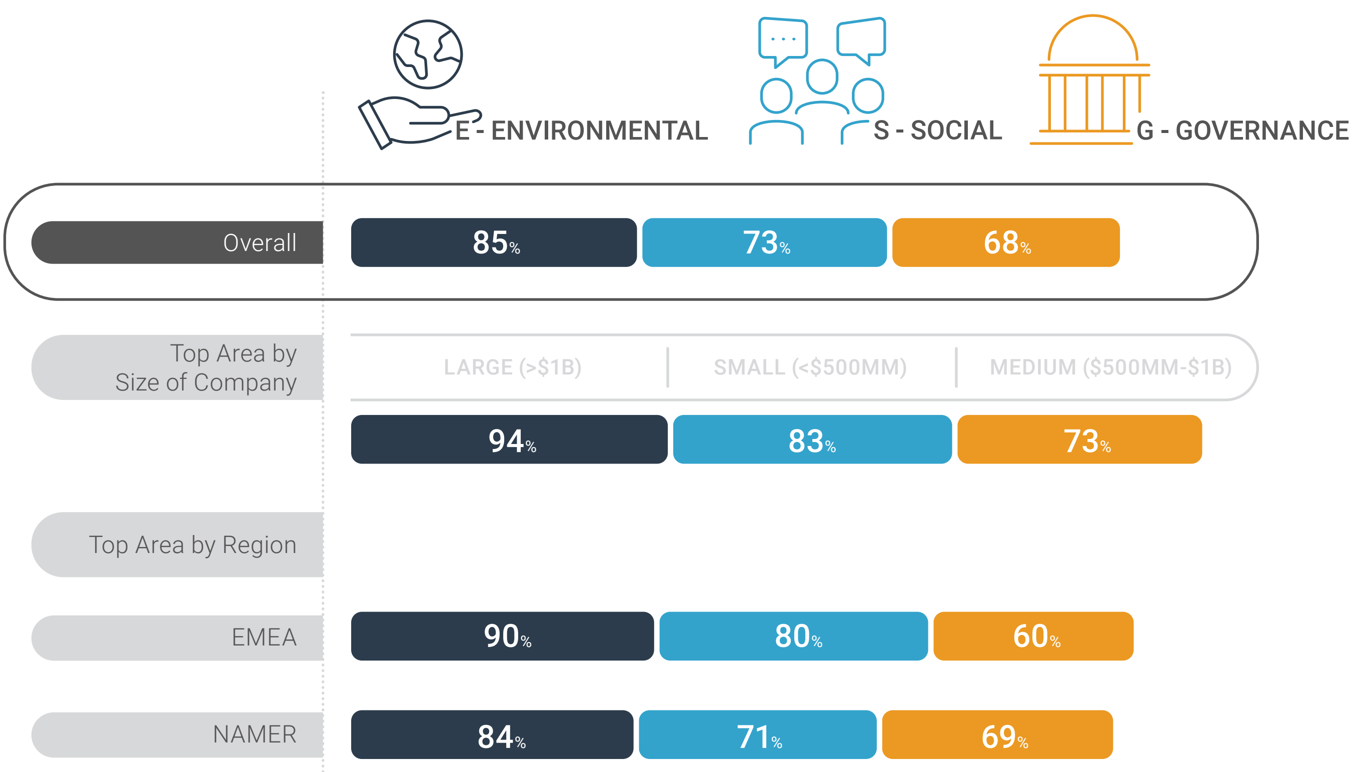
- **Overall** 49%
- **NAMER** 46%
- **EMEA & ROW** 75%
- **EMEA & ROW, large** 86%

- **Small** 33%
- **Med** 53%
- **Large** 57%

As of 2023, 45% have an ESG program in place, and another 18% are working on implementing a program. For North American companies, 43% have a program, while 17% are implementing. For EMEA/ROW, the count is 58% and 25%. For large EMEA/ROW companies, the responses are 71% and 14%. For small North American firms, the numbers are 16% and 28%, representing the lowest ESG participation rate. Thirty-two percent of all firms have specific ESG standards or measurements in their investment policy.

While the E in ESG is most emphasized overall, the size of a company correlates with a different letter on top. Small companies are more focused on social, while medium-sized firms lean into governance most heavily.

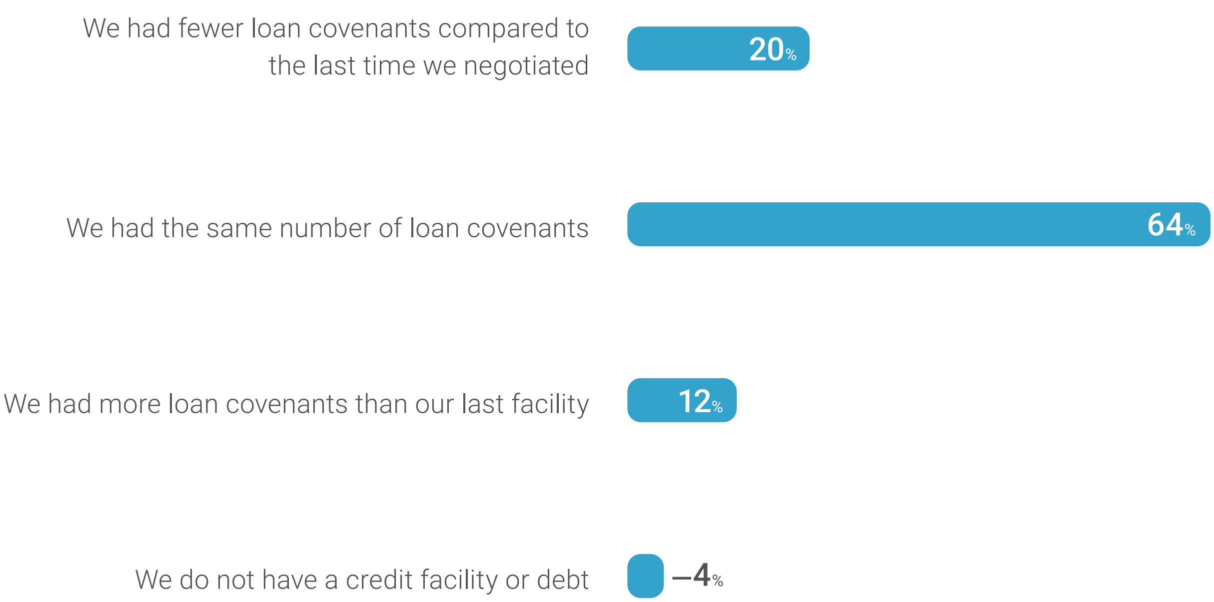
The following are significant components of our program/planned program: (Select all that apply)



10) Eight Percent Net Companies Indicate Fewer Loan Covenants.

One in five (20%) indicated fewer loan covenants on the most recent loan compared to the last time. Another 12% indicated more loan covenants that required compliance. This leaves a net of 8% of companies with fewer loan covenants.

With regard to loan covenants, which of the following is the most accurate of your organization?

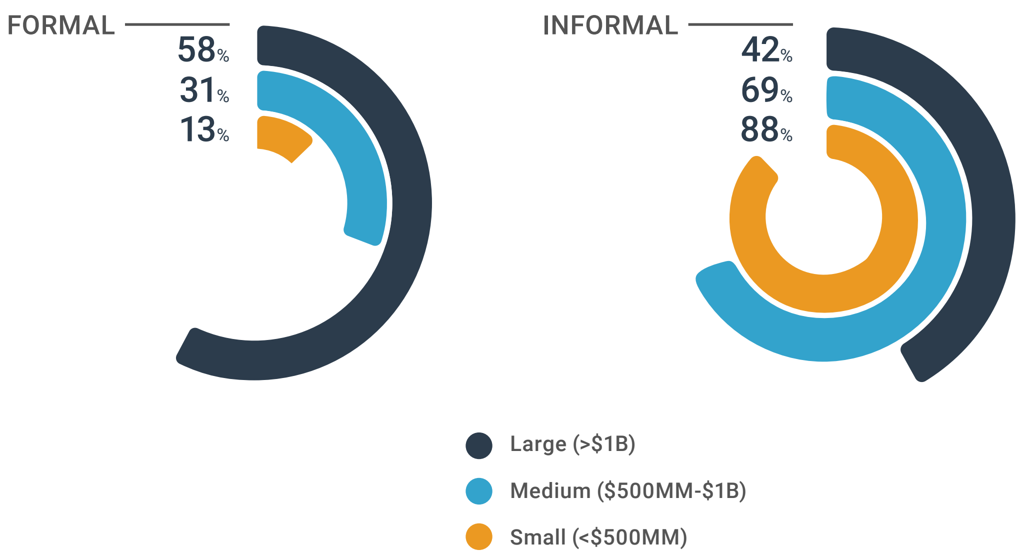


11) Less Than Half of Companies Indicated They Manage Bank Relationship Reviews Formally.

Forty-two percent of all companies are formal in their bank relationship review process. For large companies, that percentage bumps up to 58%. For small companies, just 13% are formal in this process. Several factors play into considering their processes formal, including the following:

Update senior management	59%
Create a formal scorecard	56%
Share-of-wallet exercise	37%
Document all bank meetings	26%

How formal is your bank relationship management review?



Survey Methodology

Strategic Treasurer is committed to meeting or exceeding industry standards for survey management and providing honest representation of high-quality, thorough research data. With experience researching the treasury and finance industries since 2004, we have developed a strict methodology to ensure that our readers and partners can rely on the data we offer.

This methodology includes using professional survey tools, requiring significant sample sizes before publishing or stratifying data, and cautious wording of the reports we write to ensure that correlation is stated only as correlation and that data is represented with accuracy and clarity, never twisted to support a specific agenda. For longitudinal data, we require that the questions used remain unchanged from year to year to ensure that the comparison is reasonable. We cull bot (robotic or programmed) responses by analyzing factors such as email address, completion speed, IP address repetition, and normal response ranges. Only real responses are counted for determining whether a significant sample size has been reached.

We prize respondent confidentiality and anonymity and will always protect personal and company information. Personally identifiable information collected may be combined with existing data in our databases for further analysis, but we will never report any personally identifiable information in any way to outside recipients or to underwriters. Additionally, Strategic Treasurer does not use company or respondent specific survey data or responses for any sales purposes. Translation: This further means that the business development/sales team is not given access to this data.

To learn more about the importance of robust survey methodologies, listen to our founder and managing partner, Craig Jeffery, discuss research and data quality on *episode 149* of the Treasury Update Podcast, or feel free to contact us with any questions by emailing *info@strategictreasurer.com* or calling +1 678.466.2222.

About the Firms

Allspring Global Investments™ is a leading independent asset management firm that offers a broad range of investment products and solutions designed to help meet clients' goals. At Allspring, our vision is to inspire a new era of investing that pursues both financial returns and positive outcomes. With decades of trusted experience propelling us forward, we strive to build portfolios aimed at generating successful outcomes for our clients. We do this through the independence of thought that powers our investment strategies and by bringing a renewed approach to look around the corner to unlock what's possible. With more than $551 billion in assets under advisement*, over 20 offices globally, and investment teams supported by more than 450 investment professionals, Allspring is a company committed to thoughtful investing, purposeful planning, and the desire to deliver outcomes that expand above and beyond financial gains. For more information, please visit www.allspringglobal.com.

**As of September 30, 2023. Figures include discretionary and non-discretionary assets.*

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Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span North America and Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking operations, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.

+1 678.466.2220 › strategictreasurer.com › info@strategictreasurer.com allspringglobal.com

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