



# J.P. Morgan Global Cash Management Survey 2010



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## Introduction

It gives me great pleasure to introduce the J.P. Morgan Global Cash Management Survey 2010. Now in its 12th edition the survey has provided an unbroken global benchmark for corporate treasurers every year since its launch in 1999.

The 2010 survey is the most comprehensive yet, with a record 427 treasurers from around the world providing their views by online questionnaire between July and September. As you'll see from the results, the strong response rate has helped uncover some particularly interesting cash management trends as the world continues to recover from the financial crisis and corporate balance sheets continue to strengthen.

Respondents covered a wide range of regions and markets. As would be expected given the pre-eminence of the US economy and US companies, North American respondents made up the biggest group, but the survey also attracted significant responses from treasurers in Europe and Asia as well as some participation from the Middle East and Africa.

### Supported by the Association of Corporate Treasurers

Our partnership with the Association of Corporate Treasurers (ACT) continues to play a vital role in the success of the survey. Not only does the ACT give us access to the broad global community of treasurers under its umbrella, but it also ensures the widest possible distribution of the results. I'd therefore like to extend my warm thanks to the ACT for its ongoing advice and support.


I'd also particularly like to thank everyone who took the time to answer our questionnaire. Your contributions have helped produce the most detailed and compelling results since the survey began, providing a comprehensive analysis of the global treasury function as it stands today.

As in previous years, those treasurers who completed the survey received an advance presentation containing highlights of the preliminary findings.

### A global cash management survey

With its record response rate and broad coverage, the 2010 survey represents a global analysis of the cash management industry and provides a valuable reference resource for all corporate treasurers.

If you require further information please visit our website, where past survey results are also available for download: [www.jpmgloballiquidity.com](http://www.jpmgloballiquidity.com).



Robert Deutsch  
Head of Global Liquidity  
J.P. Morgan Asset Management

## Executive summary

### **The repercussions of the financial crisis continue to be felt in treasury departments.**

Although extreme risk aversion is beginning to recede, the survey suggests that the lessons of the financial crisis will not be easily forgotten.

Amid the severe dislocation of credit markets and the high profile banking failures experienced during the financial crisis, liquidity became paramount for corporate treasurers. In the 2009 survey, when treasurers were asked about concerns in their treasury department, liquidity was the most commonly cited response, and a year on, it remains the biggest concern.

Treasurers also continue to focus on counterparty risk. Among the criteria treasurers use to select a primary bank, the bank's financial strength gained in importance for a second consecutive year, now ranking almost equally with the quality of relationship management and customer service. When selecting a pooled investment, too, the financial strength of the provider has become more important to treasurers.

However, while liquidity and security undoubtedly remain the highest priorities, treasurers' priorities are gradually evolving as corporate balance sheets recover from the crisis. The survey pointed to the beginnings of a recovery in risk appetite, and suggested that after two years of very low yields, treasurers may be starting to look for improved returns from their cash investments.

Below is a summary of the key findings:

**Liquidity remains a concern** – Liquidity is the biggest concern in treasury departments today, and was also cited as the most important factor when selecting pooled investments from an asset management firm and the largest consideration for those who segment their surplus cash.

**Cash management is in focus** – As a result of the deleveraging process many organisations have completed, treasurers have more surplus cash than they did in 2009. This is reflected in a shift in priorities. Cash management has replaced cash flow forecasting as the most important area for the treasury department, as treasurers focus on putting structures into place to manage their surplus cash.

**Banking relationships are increasing** – Treasurers increased their number of banking relationships again in 2010, continuing a trend seen since the beginnings of the credit crisis back in the summer of 2007. This continued increase suggests some treasurers may have diversified their counterparty risk, while others may have been forced to use more banks for the services they require as some providers have retreated from the marketplace in the wake of the crisis.

**Bank deposits are still favoured by treasurers in EMEA and Asia** – Despite the impact of the financial crisis on confidence in the banking system, bank deposits are the preferred cash management vehicle overall, and remain the most used vehicle among treasurers in EMEA and Asia.

**Treasurers in the US continue to favour money market funds** – Treasurers in the US are most likely to use money market funds to manage their surplus cash, and less likely to use bank deposits. This reflects the fact that money market funds have a longer history in the US and their use by treasurers is more established.

**Risk appetite is gradually beginning to return** – The minimum credit rating treasurers require for their cash investments decreased slightly this year, representing a reversal of the move up the rating scale seen in last year's survey. After a prolonged period of very low returns on cash, treasurers are also beginning to look for higher yield, although they remain largely unwilling to take on higher risk in order to achieve it.

# 1 The respondents

## Number of respondents

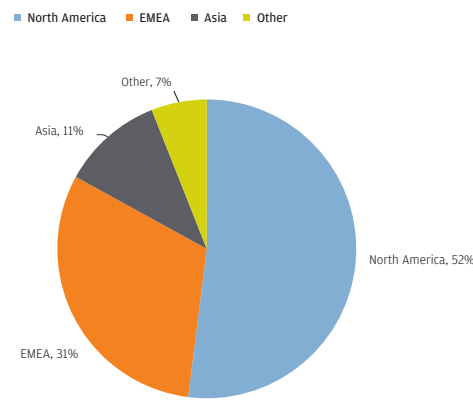
This year's survey attracted a record 427 qualifying responses from treasurers around the globe.

## Country where surplus cash is managed

The survey maintained a truly global focus, with treasurers responding on behalf of cash management offices in a wide range of regions and markets. North American respondents made up the biggest group (52%), but the survey also attracted significant responses from EMEA (31%) and Asia (11%).

Please note that regional allocations reflect the location of the main treasury centre.

### Q. Main Treasury centre:

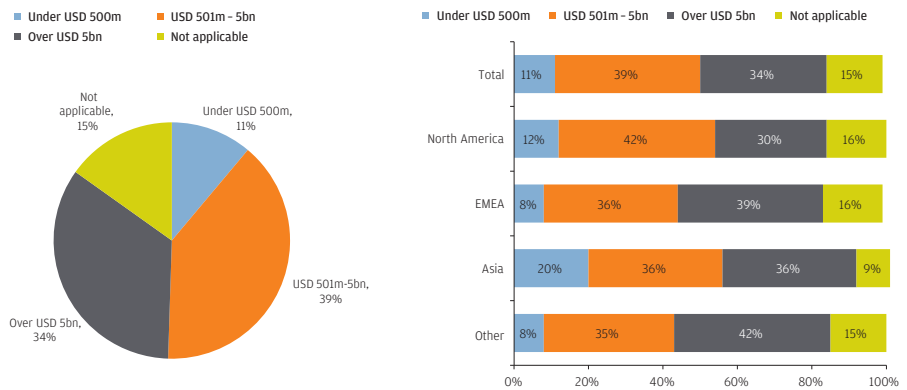


Base: 427. Other includes combinations of the above plus the UK, Europe, SE Europe, Africa, Asia Pacific, Australia, Switzerland, Germany, the Channel Islands, Japan, Fiji, Uganda, Latin America, Slovakia.

## Market capitalisation

As always, the survey sought to capture the views of treasurers from organisations of all sizes, from small caps to leading multinationals. In 2010, 11% of respondents represented companies with a market capitalisation below USD 500m, while 34% were valued at more than USD 5 billion. In comparison with the 2009 survey, the 2010 survey had less of a small cap bias, which is reflected in some of the findings.

### Q. Indicate the market capitalisation of your group.

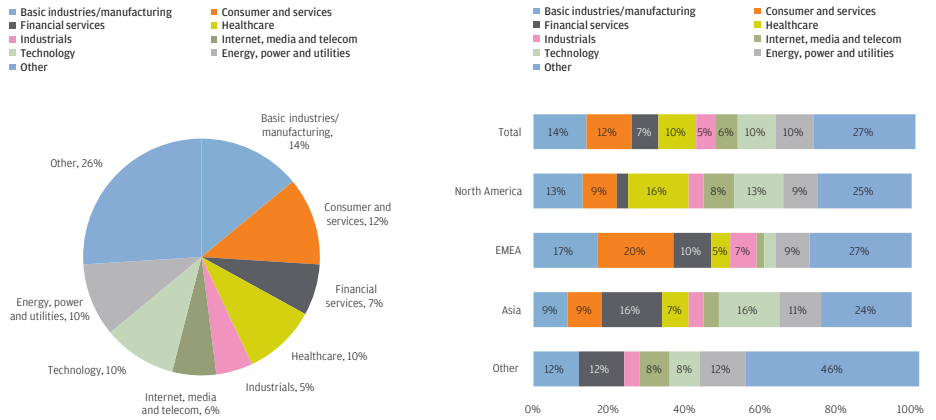


Base: 427: North America 224, EMEA 132, Asia 45, Other 26.

### Industry spread

As in previous years, respondents to the survey came from treasurers representing a broad spread of industries. The 'other' category includes respondents from government and non-profit organisations, as well as from industry groups such as real estate and transportation.

### Q. Select the appropriate industry group for your organisation.



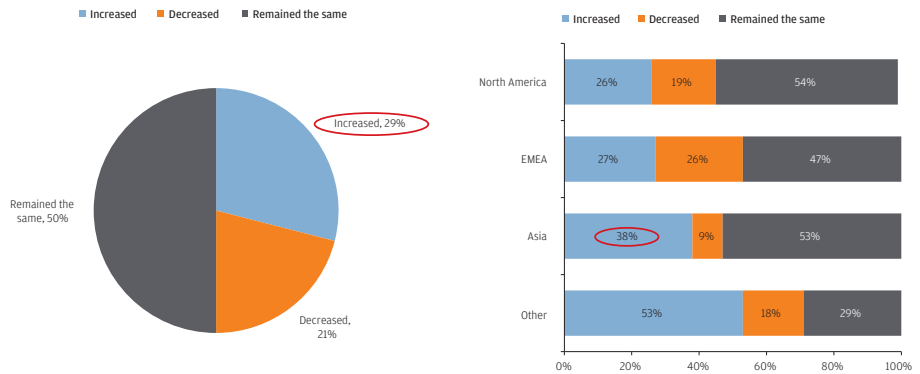
Base = 427: North America 224, EMEA 132, Asia 45, Other 26. Other includes non-profits, real estate, hospitality, commodities, transportation, government, professional services, central banks, insurance, government and diversified industries.

## 2 Banking relationships

### Number of banking relationships

For a third successive year, the trend has been towards an increase in the number of banking relationships, with 29% of treasurers reporting a rise, compared with 21% that have seen a reduction. Asian treasurers have been most likely to increase their relationships, with 38% reporting a rise compared to just 9% reporting a drop, but across all regions, more treasurers have increased than decreased their banking relationships.

**Q. Has the total number of your bank relationships increased, decreased or remained the same over the last 12 months?**



Base = 426: North America 223, EMEA 132, Asia 45, Other 26.

This continued increase may stem from the increased focus on counterparty and operational risk following the financial crisis, with treasurers looking to diversify their exposure. It could also reflect a retreat from the marketplace by some of the banks hit hardest by the financial crisis, forcing some treasurers to seek out multiple new providers for the services they require.

### Comments

#### Increased relationships

*“Some banks showed weakness in the past crisis, and we wanted to reduce risk exposure”*

*“More banks have expressed interest in providing services to the company given our credit strength”*

*“As a young, growing business we are expanding into new relationships”*

#### Decreased relationships

*“Consolidation in the banking industry”*

*“Easier to manage fewer relationships”*

*“Strategic initiative to decrease banking relationships, along with increased focus on counterparty risk”*

#### Unchanged

*“There has been no need to make a change. All of our credit banks have stuck by us.”*

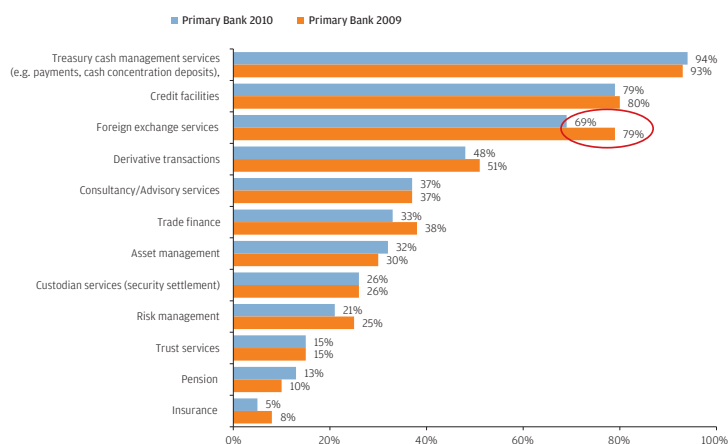
*“No need to change: current relationships and product offerings are very good.”*

*“The need to spread risk has stopped our centralisation to fewer banks.”*

### Services for which primary bank is used

Treasurers continue to use their banks for a full range of services, with treasury cash management services, credit facilities and foreign exchange services topping the list. However, the proportion of treasurers using their primary bank for foreign exchange services has dropped from 79% in 2009 to 69% in 2010, perhaps reflecting the increased use of FX portals, as well as the relative ease of using banks other than the primary bank for foreign exchange services.

### Q. For which of the following services do you use your primary and secondary bank? (Select all that apply.)



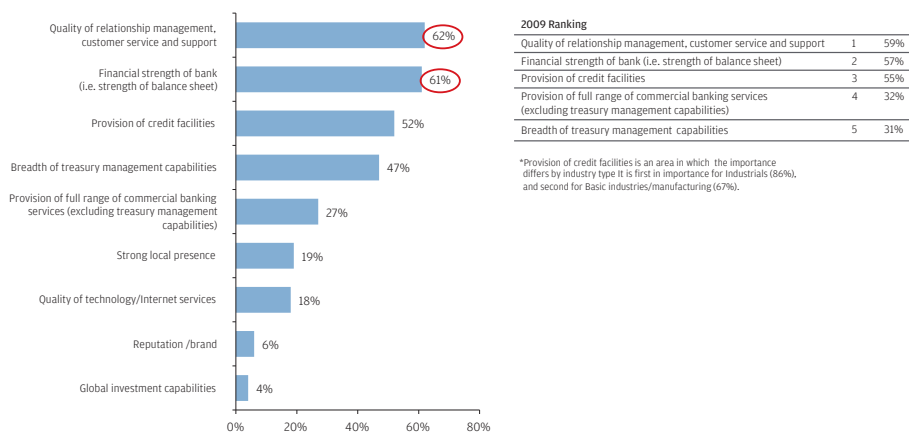
Base = 411.

### Bank selection criteria

Trust remains a key factor in the selection of banking service providers, with the quality of relationship management, customer service and support again viewed as the most important factor when choosing a primary bank.

The new focus on risk in the wake of the financial crisis is reflected in the fact that a bank's financial strength has increased in importance among the selection criteria for a second consecutive year, now ranking almost equally with the quality of relationship management.

### Q. Select your top three criteria when choosing your primary bank.



2009 Ranking	
Quality of relationship management, customer service and support	1 59%
Financial strength of bank (i.e. strength of balance sheet)	2 57%
Provision of credit facilities	3 55%
Provision of full range of commercial banking services (excluding treasury management capabilities)	4 32%
Breadth of treasury management capabilities	5 31%

\*Provision of credit facilities is an area in which the importance differs by industry type it is first in importance for Industrials (86%), and second for Basic Industries/manufacturing (67%).

Base = 427: North America 224, EMEA 132, Asia 45, Other 26.

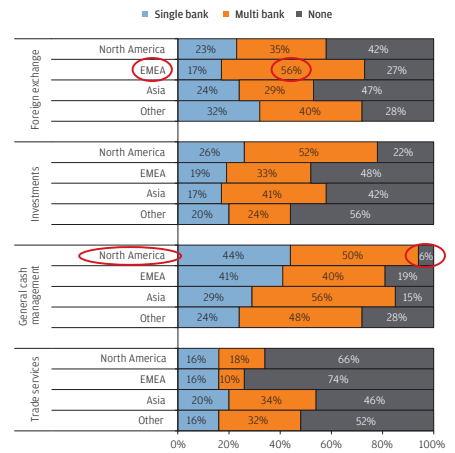
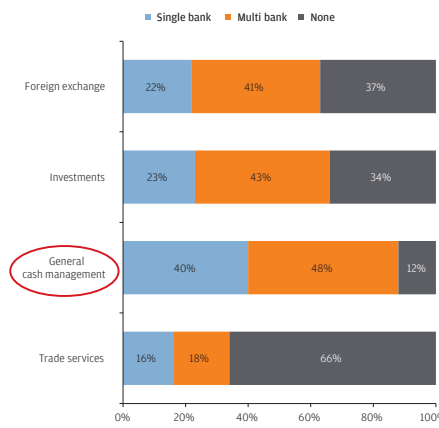
### Bank selection criteria by region

By region, treasurers in Asia were the most likely to view relationship management as important (78%), and the least likely to cite financial strength (51%), perhaps reflecting the relative health of Asia's banks. America was the region with the largest proportion citing breadth of treasury management capabilities (57%), in contrast to only 33% in EMEA. These compare to 47% in total.

### Use of online portals

General cash management portals are the most widely used online portals/platforms, with 40% of treasurers using single bank cash management portals and 48% using multi-bank portals. By region, treasurers in North America are most likely to use general cash management portals, with only 6% using neither single bank nor multi-bank versions. The greatest uptake for foreign exchange portals is in EMEA, where multi-bank platforms are used by 56% of treasurers.

### Q. Do you use the following online portals/platforms?



Base = 404: North America 212, EMEA 126, Asia 41, Other 25

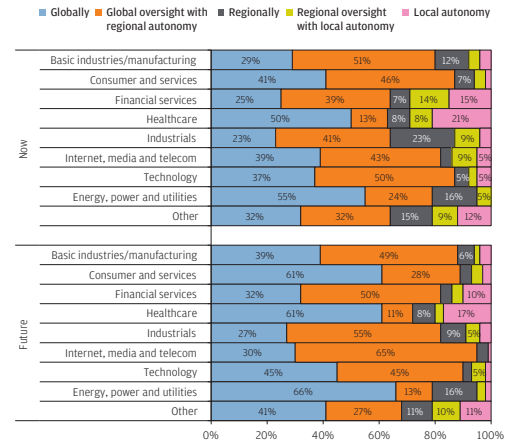
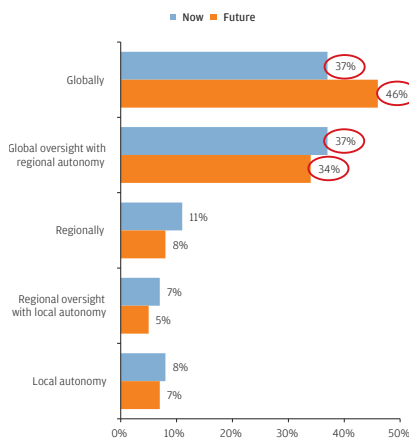
# 3 Treasury function

## Cash management structure

In recent years, the survey has reflected a gradual move towards a global cash management structure, as the events of the financial crisis have emphasised the importance for treasurers of having immediate access to information including cash balances, counterparty exposures and foreign exchange across their entire firm.

This trend continued in 2010, with 74% of treasury departments structuring their cash management either globally or with global oversight, compared with 66% in 2009. In the future, this is expected to rise to 80%, with 46% of treasury departments moving to a pure global structure.

### Q. Across the group, how does your treasury department structure its cash management now and in the future?



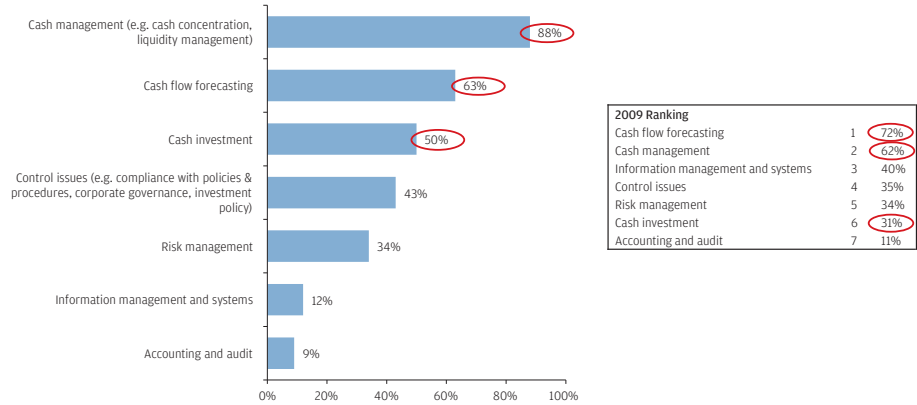
Base = 385: Basic industries/manufacturing 49, Consumer/services 46, Financial services 28, Healthcare 38, Industrials 22, Internet/media/telecom 23, Technology 38, Energy/power/utilities 38, Other 103.

## Areas of importance for the treasury department

A notable change identified in the 2010 survey is a shift in the priorities of global treasurers. Cash flow forecasting was seen as the most important area for the treasury department in 2009, as treasurers had less surplus cash, making it vital for them to be able to forecast cash flows accurately and avoid potential liquidity issues.

Cash flow forecasting remains important to treasurers, with 63% ranking it in the top three. However, the area of key importance in 2010 was cash management, which was selected by 88% of treasurers. As a result of the deleveraging process that many organisations have completed, it appears that treasury departments have now piled up surplus cash, and the priority is to put structures into place to manage it. Cash investment was ranked in the top three by 50% of treasurers in 2010, compared with just 31% in 2009.

**Q. Select the top three areas of importance in your treasury department.**



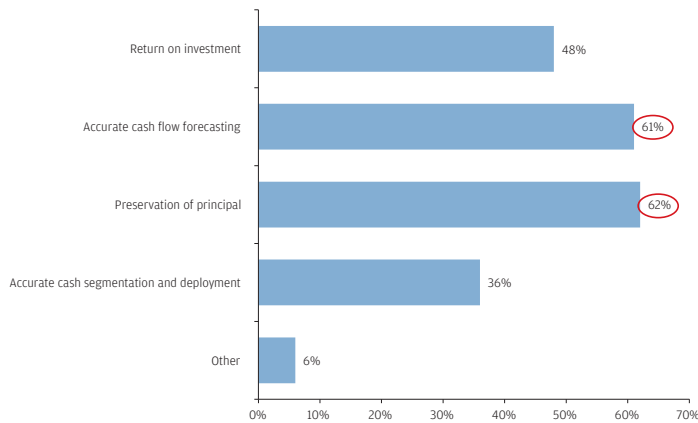
Base = 395.

**Measuring success**

In 2010, for the first time, treasurers were asked how they measure the success of their cash management policy. The responses emphasised the ongoing focus on security in the wake of the financial crisis, with 62% of treasurers viewing preservation of principal as a key metric of success.

Although cash flow forecasting is no longer the top priority in the treasury department, accurate cash flow forecasting is also seen as an important measure of success, perhaps reflecting the continued emphasis on liquidity. Being able to accurately anticipate future cash flows is vital in avoiding liquidity problems.

**Q. What key metrics do you use to measure success? (Select all that apply.)**



Base = 395.

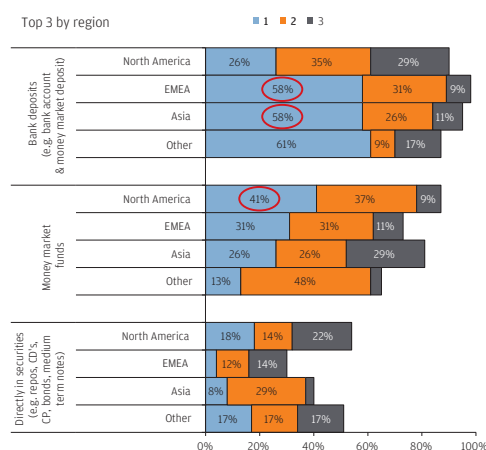
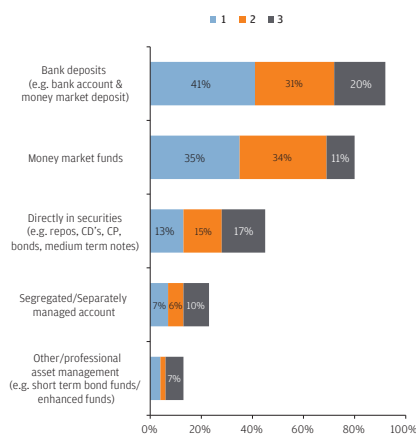
# 4 Short-term investment strategy

## Surplus cash allocation by region

There remains a high degree of regional disparity in surplus cash allocations - unsurprisingly, given the adherence among cash investors to the cash management tools traditionally used in their regions. North American treasurers continue to allocate far more of their surplus cash to money market funds, with 41% ranking them as their most used by size of asset allocation. In contrast, Asian and European treasurers favour bank deposits, which are the most used cash management vehicle by 58% of treasurers in both regions.

Bank deposits also continue to be the most used overall, despite the impact of the financial crisis on confidence in the banking system.

### Q. How is your surplus cash currently allocated? Identify your top three (by asset size), ranking them in order from 1 to 3.

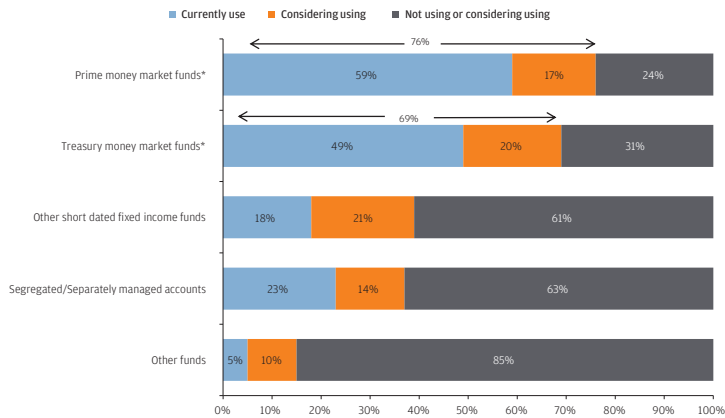


Base = 378: North America 199, EMEA 118, Asia 38, Other 23.

## Use of pooled instruments

Among treasurers who use or are considering pooled instruments for their cash management, an emphasis on liquidity and credit quality is evident. Prime money market funds (AAA-rated stable value funds) are the most popular pooled vehicle, with over three quarters of treasurers either using them or considering doing so. Almost 70% of treasurers either use or are considering using Treasury money market funds (AAA-rated stable value funds that invest only in government securities).

**Q. If you use or are considering using pooled investments for cash management, indicate the products used in the table below.**

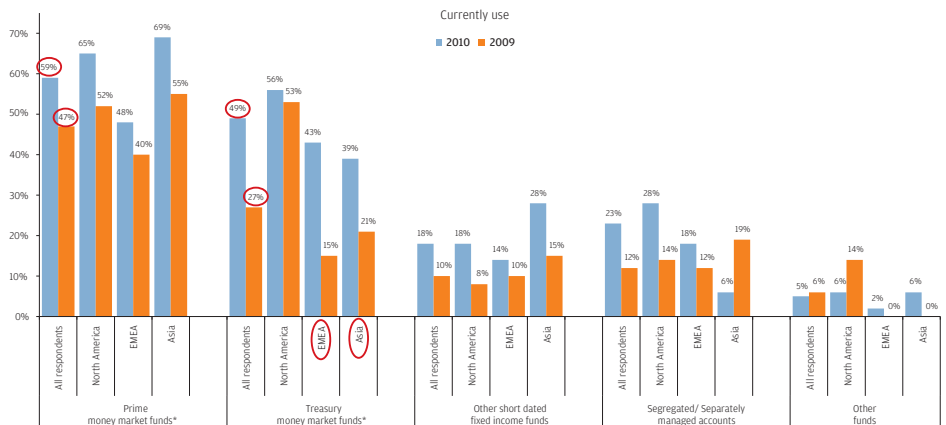


\*AAA-rated stable value funds, Base = 372. Other funds currently used include offshore MMF, RE funds, indexed funds, commercial and bank bills, trust investment, bonds, FRNs, proprietary short term investment funds, overnight sweeps and CDs. Other funds being considered include tax exempt MMF, muni bonds, corporate bonds, Libor-based funds, FDIC Insured accounts, SMA, overnight vehicles, exotics, repos, euros, alternatives, and high yield.

Prime money market funds were already the most popular in 2009’s survey, but take-up has increased significantly over the past year, with 59% now using them, compared to 47% in 2009.

Take-up of Treasury money market funds has also increased significantly. Growth has been driven by Asia (up from 21% in 2009 to 39% in 2010) and EMEA (up from 15% in 2009 to 43% in 2010).

**Q. If you use or are considering using pooled investments for cash management, indicate the products used in the table below.**

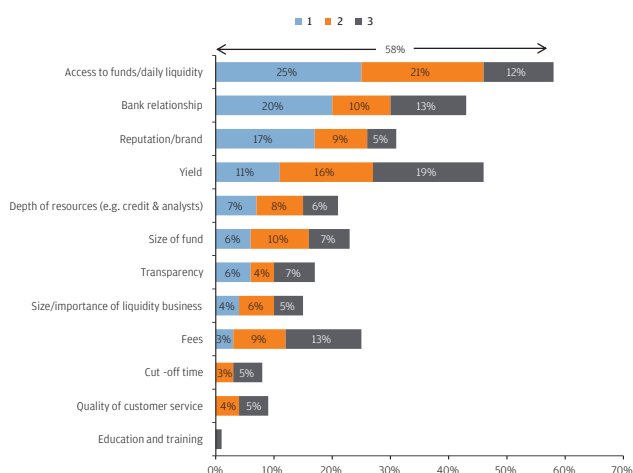


\*AAA-rated stable value funds.  
 2010 Base= 372: North America 197, EMEA 116, Asia 36, Other 23 (not shown) .  
 2009 Base= 334: North America 93, EMEA 185, Asia 32.

**Criteria when selecting a pooled instrument**

The criteria treasurers use to select a pooled instrument reflect the emphasis on liquidity and security seen throughout this year’s survey. In 2008, treasurers rated yield as the most important factor when selecting a money market fund, but in 2009 yield fell to second place, behind liquidity. In 2010, bank relationship and reputation/brand also overtook yield, moving up into second and third places, as treasury departments increased their focus on counterparty risk.

**Q. What are the three most important factors when selecting a pooled investment from an asset management company to manage your surplus cash? (Rank in order from one to three.)**



Base = 367

### Reasons for not using pooled funds

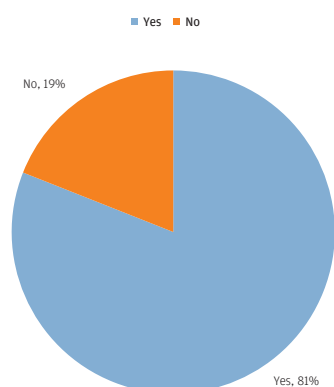
For treasurers who do not currently use pooled funds and are not planning to do so in the future, the main reason continues to be a preference to manage cash directly. This is the case for both AAA-rated stable value money market funds and other pooled vehicles. In both cases, the second most commonly cited reason is that the treasurers' investment guidelines do not allow them to invest in these vehicles.

The preference to manage cash directly has increased from 2009, perhaps reflecting the greater proportion of larger organisations responding to this survey, since larger organisations are more likely to have the resources to manage cash directly.

### Use of bank deposits

The vast majority of treasurers use or plan to use bank deposits to manage their surplus cash. Among those who do not use bank deposits, the most common reason is a preference to manage cash directly.

**Q. Do you currently use or plan to use bank deposits to manage your surplus cash?**

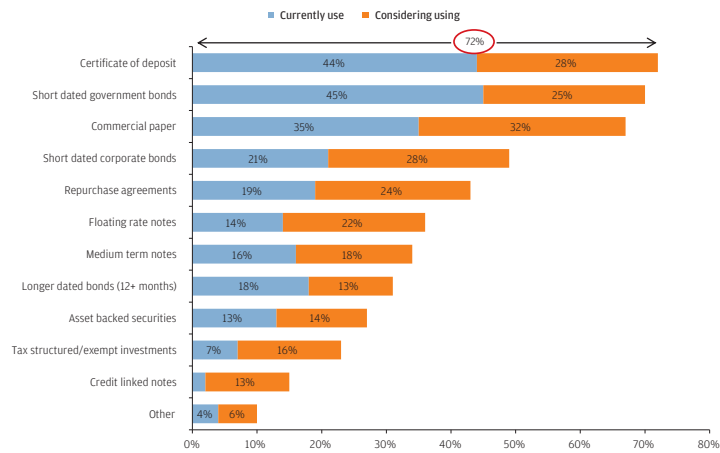


Base = 364.

**Use of money market instruments**

As in 2009, the three most commonly used instruments for managing surplus cash are certificates of deposit, short-dated government bonds and commercial paper. However, the percentage of treasurers using or considering these instruments have increased significantly in 2010. This may reflect the fact that money markets are now opening back up after the credit crunch.

**Q. If you invest directly in securities, please indicate the instruments you use or are considering using in the table below. (Select all that apply.)**



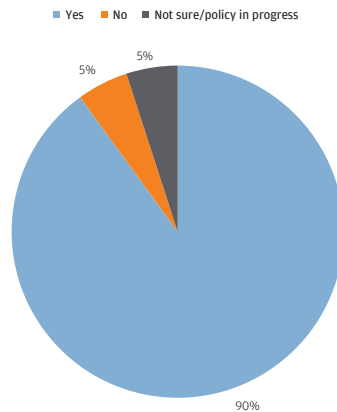
Base = 255. Other included earned credit, MF, Bankers Acceptances, T-bills, bank note structure, gold, hedge funds, high yield securities, CTDs, index linked gilts, CDARS, muni bonds, time deposits.

## 5 Investment policies

### Use of investment policies

The vast majority of treasurers have an investment policy governing their cash investments. Since 2009, the proportion has increased from 81% to 90%.

#### Q. Does your organisation currently have an investment policy governing its cash investments?



Base = 359.

### Reviews and revisions to investment policies

The majority of treasury departments (65%) now review their investment policy annually, whereas this was true of only 43% in 2009. This may reflect the larger average size of respondents to the 2010 survey, but also reflects the increased efforts of treasurers to control risk in the wake of the financial crisis.

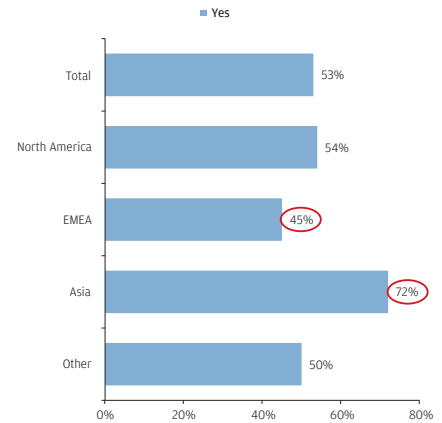
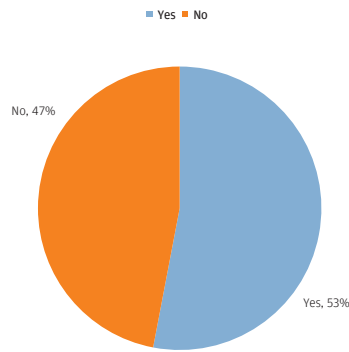
About half of treasury departments made a change to their investment policy in the last year, with 37% tightening it and only 11% loosening. Half of treasurers require changes to the investment policy to be approved by the board, while 43% require approval from the chief financial officer.

# 6 Criteria for investing surplus cash

## Segmenting surplus cash

Over half of treasurers segment their surplus cash into different categories, for example short-term/operating cash versus long-term/strategic cash.

**Q. Do you segment your surplus cash into different categories (eg operating/short-term vs. strategic/long-term)?**



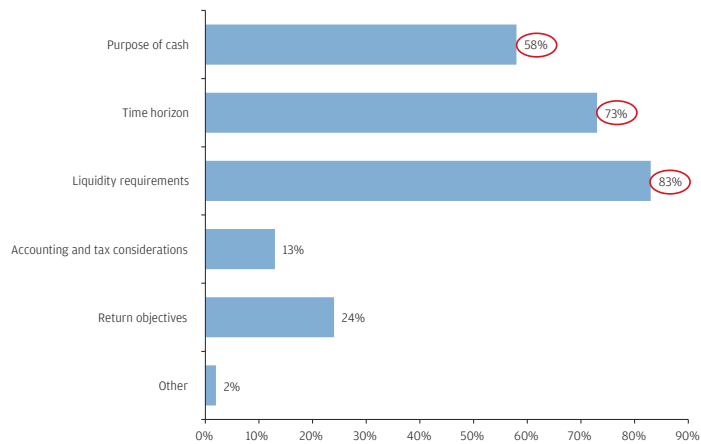
Base = 357.

There are marked regional variations, with only 45% of treasurers in EMEA segmenting their surplus cash, compared with 72% in Asia. By industry, too, there are notable differences. Financial services companies are most likely to segment their surplus cash, at 73%, while just 33% of basic industry/manufacturing companies do so.

## Considerations for segmenting surplus cash

Among those who segment their surplus cash, the primary consideration is liquidity, which was selected by 83% of treasurers. Time horizon (73%) and purpose of cash (58%) are also viewed as important considerations. Return objectives are a consideration for only 24% of respondents, suggesting most treasurers are focused on the demands on their surplus cash, rather than on using it to generate returns.

**Q. What are your segmenting considerations? (Select all that apply.)**



Base = 187 that answered yes to prior question. Other includes asset allocation targets, joint ventures and other available opportunities.

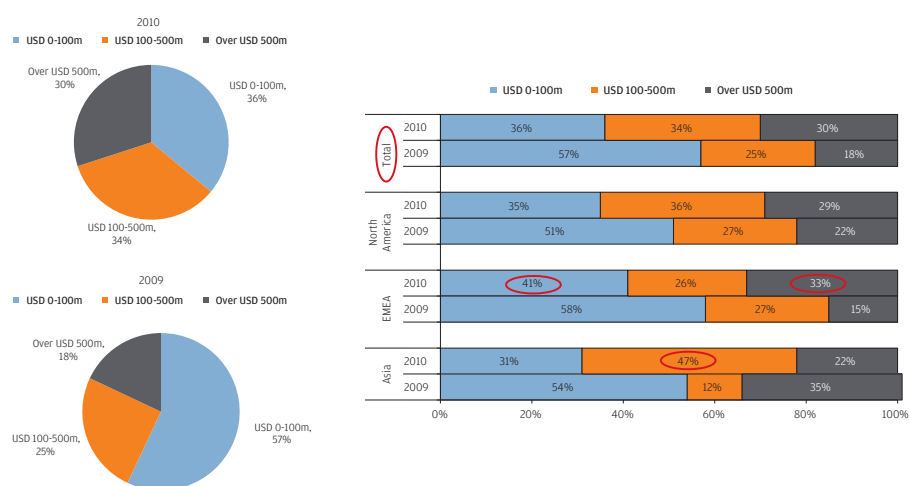
Of those segmenting their surplus cash, the majority (73%) employ different investment strategies for each of the segments. Treasurers in Asia, who are most likely to segment their surplus cash, are also the most likely to employ different strategies for each segment, at 88%.

### Cash balance of the short-term investment portfolio

The average cash balance of the short-term investment portfolio overall is evenly split, with around a third of respondents having a cash balance below USD 100m, a further third between USD 100m-500m and the remainder more than USD 500m.

This represents a marked increase in cash balances overall compared with 2009, when 57% of respondents had an average of under USD 100m in the short-term investment portfolios. The increase reflects the balance sheet rebuilding that many organisations have undergone, with many companies now having large stockpiles of cash. In EMEA, 33% of treasury departments now have average short-term cash balances in excess of USD 500m, compared with just 15% in 2009.

### Q. Over a one-year period, what is the average cash balance of your short term (less than one-year) investment portfolio?



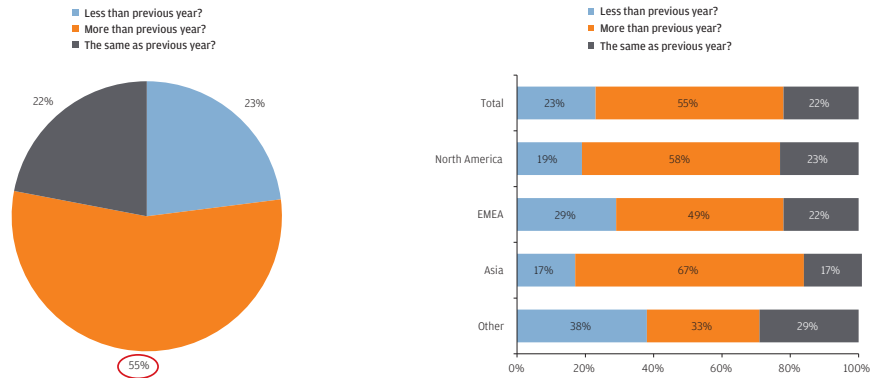
2010 Base = 353: North America 186, EMEA 110, Asia 36, Other 21.  
 2009 Base = 296.

By industry, technology companies have the highest average short-term cash balance, with 47% holding in excess of USD 500m, perhaps reflecting the strong earnings recovery in the sector in the past year.

**Surplus cash balance**

Over half of treasurers say they have more surplus cash than in 2009. This may not only reflect the stockpiling of cash since the height of the crisis, but also improved corporate profitability in the past year. In 2011, we may see cash levels fall again as companies put cash back to work through M&A and capital investment.

**Q. Over the last year, has surplus cash on your balance sheet been:**



Base = 353: North America 186, EMEA 110, Asia 36, Other 21.

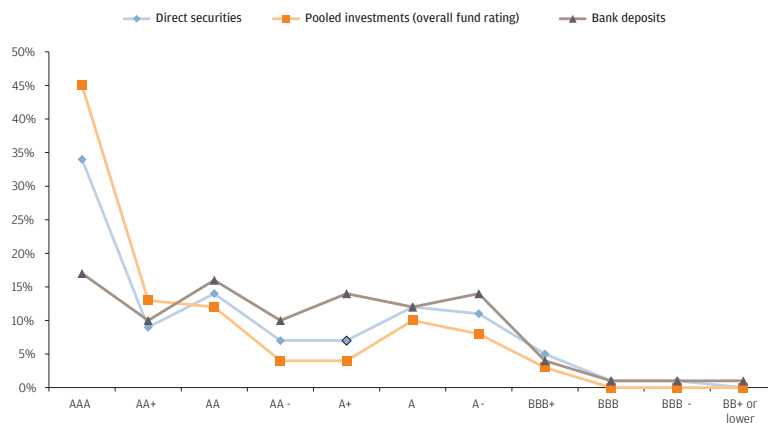
Treasurers with higher levels of surplus cash in 2010 attribute the increase to factors including business growth (16%), positive cashflow (15%) and economic improvement (9%). Among those with less surplus cash, 16% of treasurers attributed the reduction to lower revenues/poor performance, but others said they had used cash to pay down debt (19%), invested cash in the business (11%) or deliberately sought to minimise surplus cash (14%).

**Minimum credit ratings required**

When investing surplus cash, the minimum credit rating treasurers require for all three investment types - direct securities, pooled investments and bank deposits - decreased slightly in 2010, with between 5% and 10% fewer respondents requiring AAA ratings. This represents a reversal of the move up the rating scale seen in the 2009 survey.

The reduction in required ratings may suggest that risk aversion is beginning to abate. However, it may also reflect the reduced availability of AAA-rated funds and securities in the wake of the financial crisis, as well as the fact that there is only one AAA-rated bank - Rabobank.

**Q. What is the minimum credit rating you would need when investing surplus cash in:**



Base = 346.

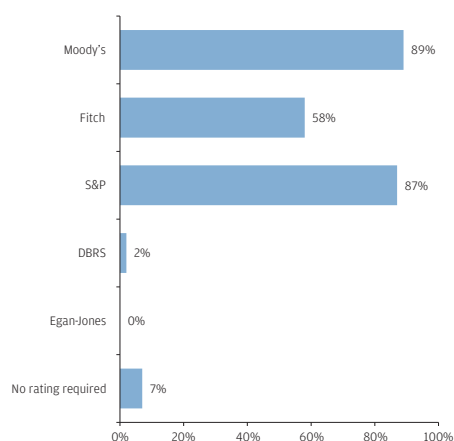
However, the ratings required remain well above pre-crisis levels. 45% of treasurers continue to require AAA ratings for their pooled investments, compared with the 35% who demanded the highest rating back in 2007.

### Ratings allowed by investment guidelines

Standard & Poor's and Moody's remain the most popular rating agencies for treasurers looking to assess the credit ratings of potential investments, and have both increased in popularity since 2009. However, Fitch has gained some ground: in 2009, 45% of treasurers said they were permitted to use Fitch ratings for bank deposits, 40% for direct securities and 41% for pooled investments. In 2010, 58% of treasurers' investment guidelines permit them to use Fitch ratings.

There continues to be little uptake among treasurers for rating agencies outside the top three.

### Q. Which rating agencies do your investment guidelines allow you to use? (Select all that apply)



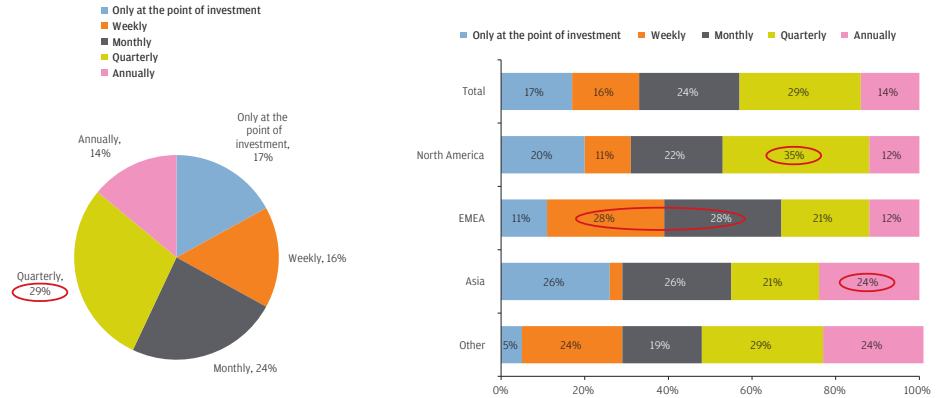
Base = 349: \*In the 2009 study the ratings were requested for Moody's/S&P respectively on direct securities (72%/72%), pooled investments (68%/69%) and bank deposits (73%/76%) individually rather than one overall question.

It will be interesting to see how this picture changes in the next year. As a result of the questions raised over the effectiveness of the rating agencies in monitoring credit risk in the lead up to the financial crisis, all three leading agencies are currently reviewing their rating models. The three agencies appear to be moving in different directions with the criteria they look for when assigning ratings, which may result in some divergence in their popularity in the coming years.

### Frequency of rating review

Overall, treasurers are most likely to review the credit ratings of their short-term investments quarterly. Treasurers in EMEA are the most likely to review more frequently, with 28% monitoring ratings weekly and a further 28% doing so monthly. In North America, the largest portion (35%) monitor quarterly. Among treasurers in Asia, 24% monitor on an annual basis and 26% only at the point of investment.

**Q. How frequently do you review credit ratings?**



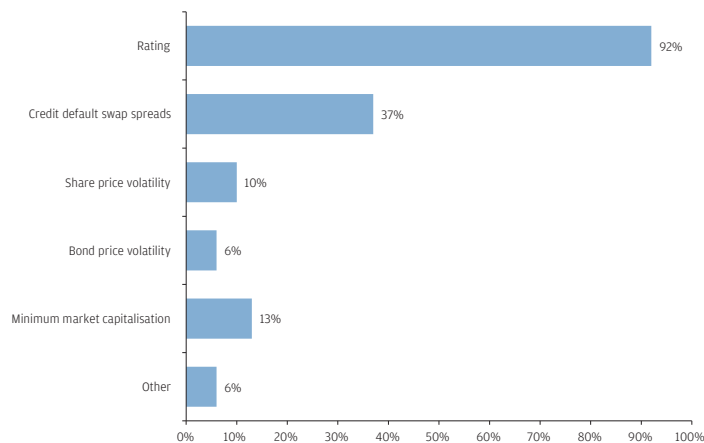
Base = 345: North America 182, EMEA 108, Asia 34, Other 21.

Given the focus on security evidenced throughout the 2010 survey, it is surprising to see that overall, 14% of treasurers review ratings only annually, and 17% only at the point of investment. Smaller companies were most likely to monitor only at the point of investment, with 30% of treasurers representing organisations with market capitalisation of under USD 500m choosing this option. This may suggest that a lack of resources prevents smaller treasury departments from monitoring ratings more frequently.

**Monitoring counterparty risk**

The vast majority of treasury departments monitor counterparty risk through credit ratings. A significant minority (37%) look at credit default swap spreads, while minimum market capitalisation and share price volatility are considered by 13% and 10% of treasurers, respectively.

**Q. What do you use to monitor counterparty risk? (Select all that apply)**

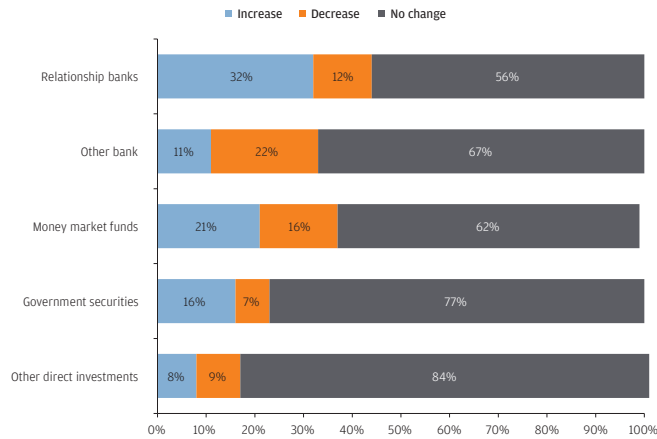


Base = 344. Other includes market news and ratings or assessments by an internal risk area.

### Changes to counterparty exposure limits

Overall, the majority of treasurers made no change to their counterparty limits in the past year. However, 32% increased their exposure limits to their relationship banks, continuing a trend seen in 2009.

#### Q. Have you increased or decreased your exposure limits to your counterparties over the last year?



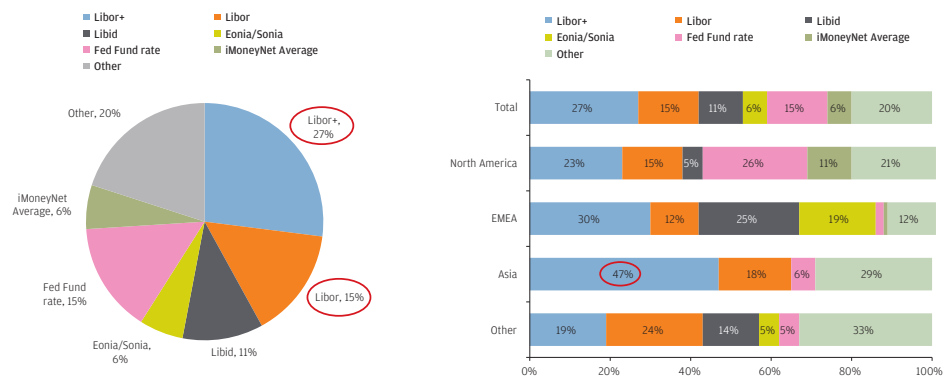
Base = 341.

The increase in bank exposure limits may appear surprising given the emphasis on managing risk expressed elsewhere in the survey. However, it may stem from the fact that companies continue to hold high levels of cash, and therefore need to increase the limits they hold with each of their counterparties. It may also reflect a change in the way treasury departments are managing counterparty risk. Given the greater focus on financial stability and reputation/brand strength, it is possible that the higher limits are allowing organisations to consolidate their holdings with the banks they perceive as being the strongest.

### Target returns for short-dated cash

Treasurers' targeted returns from their short-dated cash may suggest the beginnings of a recovery in risk appetite. In 2009, the most commonly selected return target was Libor, whereas in 2010 only 15% selected Libor, and 27% selected Libor+. By region, Asian treasurers are the most likely to be seeking higher returns, with 47% identifying Libor+ as their return target.

#### Q. Assuming your minimum credit rating, what target returns do you aim to receive from your short dated surplus cash:



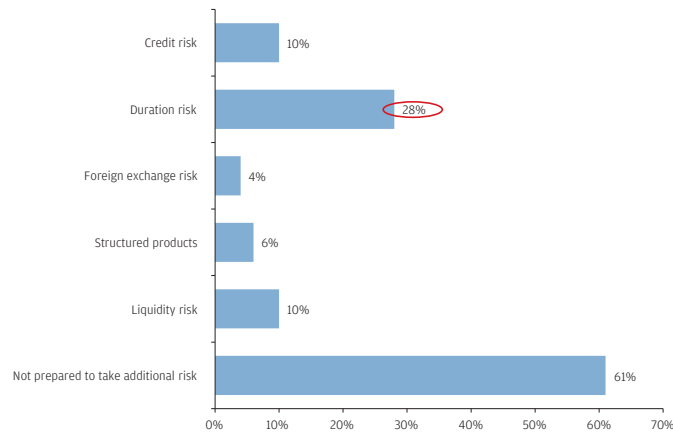
Base = 345: North America 182, EMEA 108, Asia 34, Other 21.

### Areas where treasurers are willing to take risk when seeking a higher yield

Although the appetite for higher yields may be beginning to recover after a prolonged period of very low returns on cash, treasurers largely remain unwilling to take on additional risk in search of yield.

Among those who are prepared to increase risk, the most popular way to boost yields is to take on more duration risk. Treasurers in North America are the least willing to take on additional risk, with 65% only interested in additional yield if they can achieve it at current risk levels. Treasurers in Asia have greater willingness than their peers in America and EMEA to take on credit, liquidity and structured product risk.

#### Q. If you are seeking higher yields, please indicate where you are willing to take additional risk. (Select all that apply)



Base = 344.

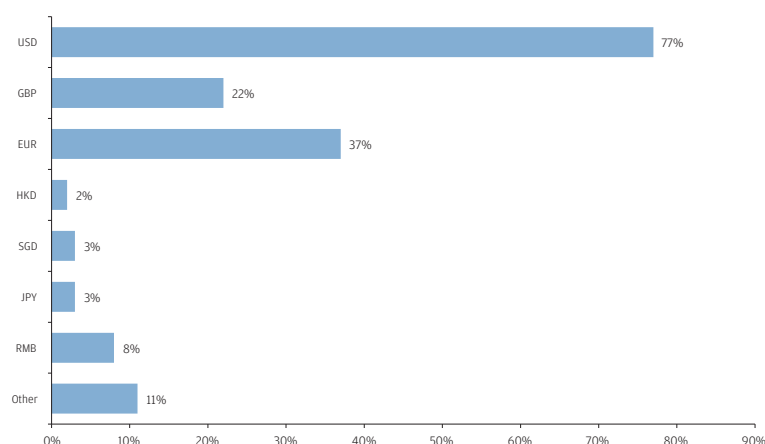
# 7 Cash and liquidity concentration

## Currency of surplus cash

US dollar holdings dominate, reflecting the high proportion of respondents from the US, as well as the tendency of treasurers in other countries to hold their cash in either their local currency or US dollars.

Only 37% hold their surplus cash in euros, compared with 60% in 2009. This perhaps reflects the reduced proportion of respondents from the eurozone, but may also reflect a loss of confidence in the euro following the sovereign debt crisis.

### Q. In which currency do you predominantly hold your surplus cash? (Select up to three answers.)



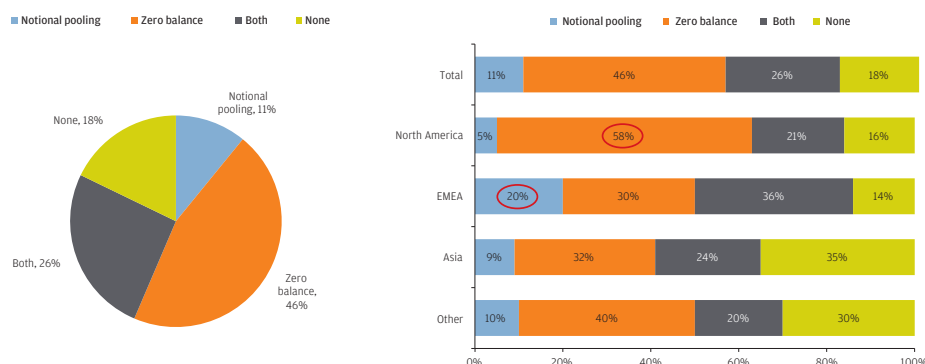
Base = 427. Other includes CAD-11, CZK-6, AUD-4, SEK-4, CHF-3, KWD-2, AED-2, ZAR-2 and 17 other currencies cited once.

## Techniques used in cash concentration

As in the previous two years, zero balance structures are the most popular among treasurers. The proportion has remained almost the same, while the proportion using notional pooling has fallen from 17% in 2009 to 11% in 2010.

Treasurers in North America are the most likely to use zero balance structures, while treasurers in EMEA are more likely to use notional pooling than their peers elsewhere in the world. By market capitalisation, the largest companies (with market cap over USD 5 billion) are more likely than other market cap segments to use both notional pooling and zero balance structures.

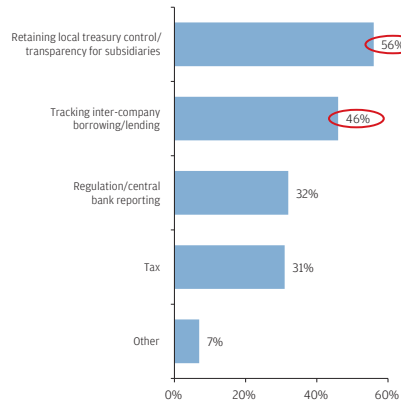
### Q. Which of the following do you use in your cash concentration structures?



Base = 340: North America 178, EMEA 108, Asia 34, Other 20.

Among those who use notional pooling or both notional pooling and zero balance structures, the main drivers are retaining local treasury control and tracking inter-company borrowing and lending.

**Q. What are your two main drivers for making this decision?**  
(Select only two answers)

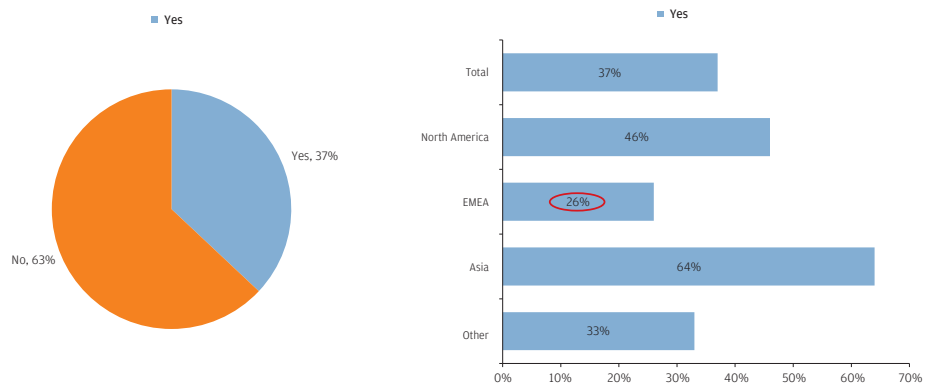


Base = 124: Includes those that answered prior question notional or both. Other includes group policy, common pooling, zero balancing cross border, to move cash to centre, ease of investing, optimisation, global cash management.

**Cash pooling across currencies**

Overall, 37% pool cash across currencies. This is down slightly, from 40% in 2009. There are notable differences by region, with treasurers in Asia most likely to pool cash across currencies and those in EMEA least likely. By industry, treasurers in industrial companies are much more likely than their peers to pool cash across currencies. Please note, however, that sample sizes are small so results should only be used directionally.

**Q. Do you pool cash across currencies?**

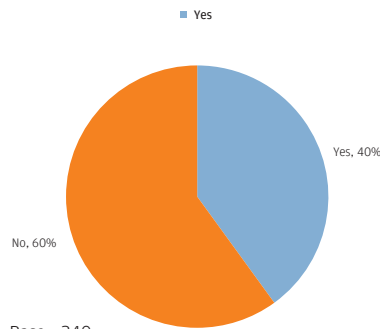


Base = 124: North America 46, EMEA 61, Asia 11, Other 6.

### Use of automated investment sweeps

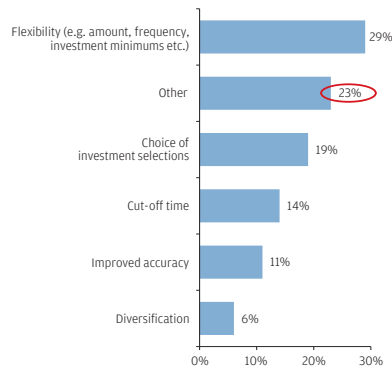
Use of automated sweeps has continued to fall, dropping to 40% in 2010 from 44% in 2009 and 52% in 2008.

**Q. Do you currently use an automated investment sweep for your surplus cash?**



Among the 60% who do not use automated sweeps, the most commonly cited reason, as in 2009, was flexibility. Reasons cited by those who chose 'other' were largely related to return versus cost.

**Q. What is the main factor that needs to be overcome for you to consider using an automated investment sweep in the future?**



Base = 200: Other includes yields, fees, cost vs. return, legal or policy issues and internal factors.

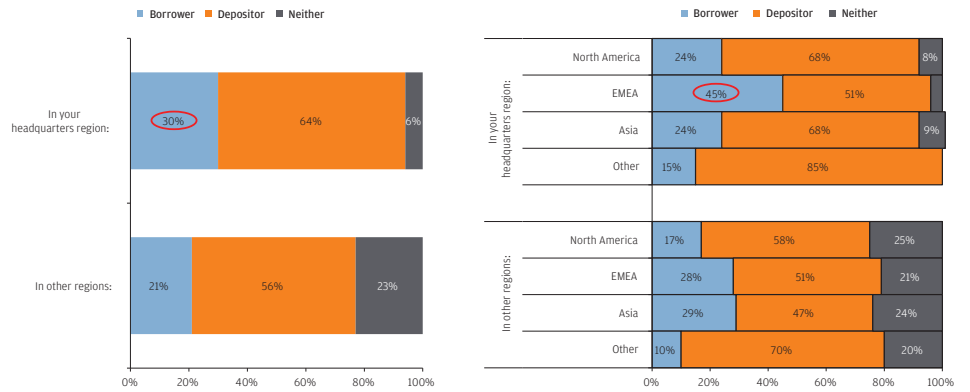
# 8 Debt position

## Net debt position

The proportion of net borrowers has declined since 2009, and net depositors have increased, reversing the change of direction seen from 2008 to 2009. This perhaps reflects the strong improvement in corporate profits seen in the last year.

EMEA has a significantly larger proportion of borrowers than other regions.

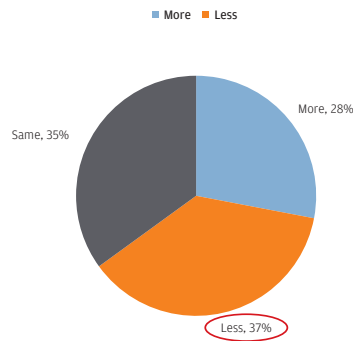
### Q. Please indicate whether you are a net borrower or net depositor of cash.



Base = 335: North America 176, EMEA 105, Asia 34, Other 20.

Only 28% of treasurers expect that they will be borrowing more in 12 months' time than they are now, perhaps reflecting an upbeat outlook for profits and economic conditions.

### Q. Do you think net borrowings will be more, less or the same in 12 months' time?

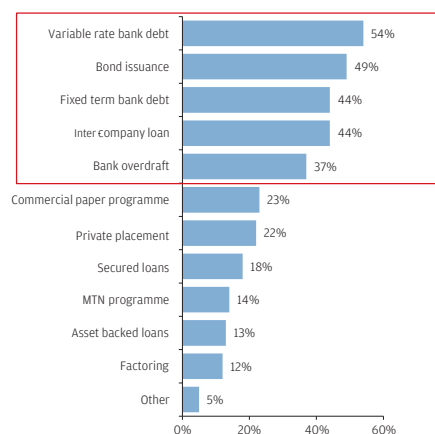


Base = 125.

### Methods of borrowing funds

Variable bank debt remains the most popular way of borrowing funds. However, bond issuance has moved into second place, replacing bank overdrafts, which have fallen to fifth. This is unsurprising - appetite for corporate debt has been very strong in the last year, making bond issuance an attractive option for companies, while the gradual recovery in bank loan issuance has perhaps reduced reliance on overdrafts.

#### Q. Which methods are used by your group to borrow funds? (Select all that apply)



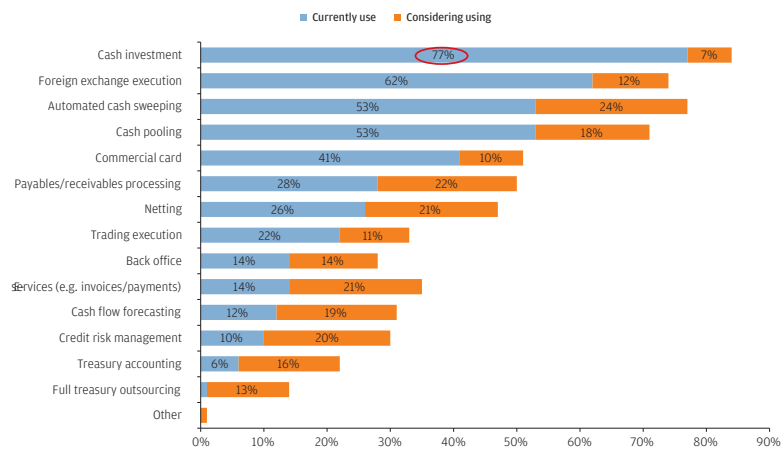
Base = 125: Other includes convertible debt, finance lease, parent funding and trade or government financing.

# 9 Use of financial services

## Concerns in the treasury department

The top four services - cash investment, foreign exchange execution, automated cash sweeping and cash pooling - remain unchanged since 2009's survey. However, the proportion using each of the four services has increased significantly, suggesting that those who said they were considering using them have now begun to do so. For example, in 2009 55% said they were currently using cash investment services from financial service providers and a further 14% said they would consider doing so. This year 77% are using cash investment and 7% considering it.

### Q. What services do you use or would you consider using from financial service providers? (Select all that apply)



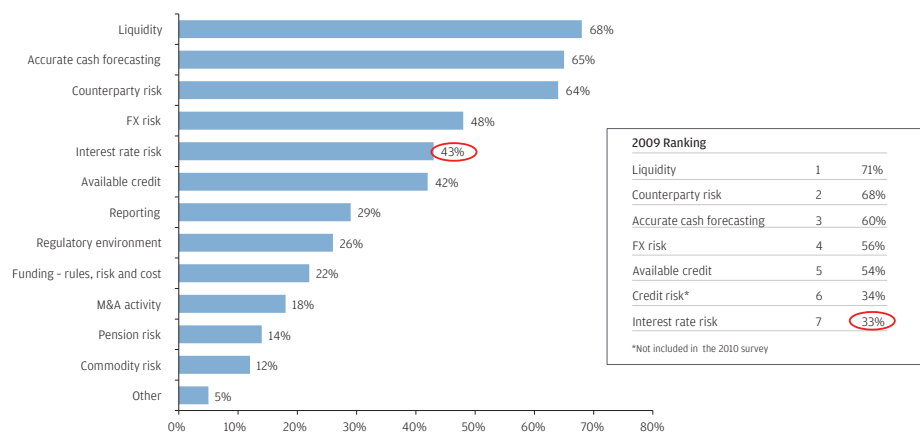
Base = 329

# 10 The future of cash and treasury management

At the end of the survey, we asked respondents to comment on the key concerns in their treasury department today. In 2009's survey, liquidity was the most commonly cited concern among treasurers, reflecting the severe dislocation of credit markets and the high profile banking failures experienced during the financial crisis. A year on, liquidity remains the biggest concern, as the repercussions of the crisis continue to be felt in global markets, although accurate cash forecasting and counterparty risk are not far behind.

Concerns about interest rate risk have increased in the last year, reflecting uncertainty about when central banks will begin to exit extraordinary monetary policy.

## Q. What are the top five concerns in your treasury department today?



Base = 329. Other included economic risk, revenue, technology, accurate accounting and people/continuity.

### Comments: other concerns

*“Efficiency of global concentration”*

*“Economic risk”*

*“Optimisation of technology”*

## Conclusion

The J.P. Morgan Global Cash Management Survey 2010 has once again taken the pulse of treasurers around the world. The 2010 findings suggest that treasurers are emerging from the financial crisis with new priorities. The appetite for yield is returning, but the lessons of the crisis will not be easily forgotten, and the emphasis remains on liquidity, credit quality and counterparty stability.

## Acknowledgements

J.P. Morgan Asset Management would like to thank all the treasurers who took the time to respond to the survey. Without their participation, this report would not have been possible. The following participating organisations generously agreed to have their names listed in this report.

AARP	Cymer, Inc
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AMEC plc	Elkay Manufacturing Company
Amgen, Inc	Etihad Airways
AOL, Inc	Evropsko-ruská banka, a.s.
APM Terminals	Expedia, Inc
Arizona Public Service Company	Facility
Arrow, Inc	Farmexpert
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Balfour Beatty plc	Ford Motor Company
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Biogen Idec	General Motors Company
Birds Eye Iglo Group Limited	Guardian Industries Corp
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Brammer plc	Hormel Foods
British Airways plc	Hyundai Motor America
CA Technologies	Idaho Power Company
CB Richard Ellis Investors	IDEXX Laboratories, Inc
CBS Corporation	IHG
CHS	IHS, Inc
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MTS Systems Corporation	University of Rochester
National Grid plc	URS Corporation
National Social Security Fund	Valassis Communications
Nationwide Health Properties, Inc	Veeco Instruments, Inc
Nordenia International AG	Vishay Intertechnology, Inc
NorthShore University HealthSystem	VMware
Northwestern University	Volt Information Sciences, Inc
OHL	Washington University
Old Republic Asset Management Corp	Zurich Insurance Group (Hong Kong)
Omneon, Inc	
Pennon Group plc	
Pharmaceutical Product Development, Inc	
Pioneer Natural Resources	
Plantronics	
Prince William County (Virginia)	
QLogic Corporation	
Regis	
Rentokil Initial plc	
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