



Add real-time intraday liquidity insight to your treasury arsenal

by **Pete McIntyre**, Financial Services Director, Planixs

Matthew Hargreaves, Global Industry Lead, Capital Markets Solutions, Luxoft

The treasury and operational functions of financial services organizations need to have the right infrastructure in place to make sure money moves around as efficiently as possible, to support their various business activities.

This infrastructure could include accounts for large-value payment schemes in key currencies, correspondent bank nostro accounts for other currencies, accounts for securities clearing houses and so on.

And to create the right kind of infrastructure, banks and other financial institutions need to adopt the right technology and operational processes. Plus, of course, they need sufficient liquidity to support timely payment.

Life after the **end-of-days**

This is nothing new. Over the centuries, banks have evolved ways of working to match the technology available at the time. But prior to the past decade or so, most firms regarded their infrastructure and account deadlines as “end-of-day”.

No one felt too concerned about tracking details during the day. As long as everything they expected to happen, happened by end of day, it was all good. Intraday liquidity positions were never given a second thought.

So, what happened?

The rise of **intraday liquidity**

The global financial crisis of 2007-2008 showed us that intraday liquidity does matter after all. If you don't have enough liquidity during the day, counterparties won't pay you until you've paid them, and no one in the market wants to give you credit lines because they think you're a bad risk, then you're not likely to last too long. The collapse of Lehman Brothers is a real-world lesson in how the inability to access credit during the day can rapidly take you down.

Not surprisingly, regulators are now pressing banks to understand, report and manage intraday liquidity, and to make sure they've set aside a realistic financial buffer to cope with unforeseen issues.

Outside the world of banks' treasuries and operations, things are also changing. Now, customers and businesses are used to real-time transactions like instant payments. In some countries, they're already an integral part of conducting business. In North America, there's the U.S. central bank's instant payment service, FedNow, and in Canada, the Real-Time Rail payment system — both set to launch soon — in addition to cryptocurrencies, which allow value to be transferred almost instantaneously.

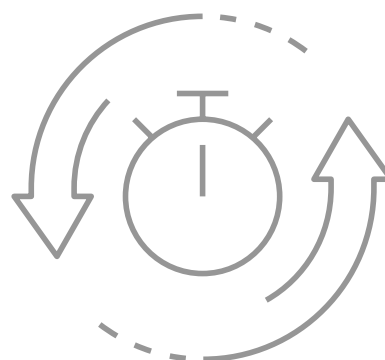
This combination of regulatory pressure and having to move liquidity much faster means that banks need to examine how they actually manage intraday liquidity.

What does **real-time intraday liquidity** look like?

It's about understanding what's happening this instant (in all the accounts the bank is active in) with a single dashboard providing total visibility and supporting analytics. It enables the firm to compare predictions with what's actually happening. If expectation and reality are at odds, experts can manage the risk as it occurs — all in real time, every minute of every day.

To achieve this, you need the right technology and an operations infrastructure that's able to bring together views of all your account activity in real time.

Then you can move your cash liquidity and securities collateral around as necessary to support your business. If you don't like the look of what's driving your intraday liquidity usage, you can apply incentives to change the pattern.



The benefits of **real-time insight**

You can use this real-time information to make better decisions; to spot which counterparties aren't paying and creating shortfalls on your accounts or, perhaps, which trades might be failing, enabling you to act so you're not left with an expensive headache.

It could improve relations with the regulator and reduce the cost of funding, because your heightened insight

ought to mean that you and colleagues make fewer mistakes. You might only need smaller, less expensive buffers, because you're not using as much liquidity during the day and your short positions are smaller. You can recycle liquidity around your various accounts of interest, and you'll have happier colleagues and customers because payments are happening when they should, with less effort wasted on chasing a paper trail.



See treasury liquidity **from new angles**

That said, liquidity problems aren't always about the lack of ready cash — it can work the other way. For example, in March 2020, one particular clearing bank faced an unusual challenge when the COVID crisis escalated. Instead of money leaving accounts, customers began depositing much more cash. The organization found that its central bank balance was unexpectedly very long and they were being taxed for holding large deposits (some central banks have negative interest rates or even banking taxes on excess deposits). As the cash flooded in it was, in fact, actually costing them money to hold.

With intraday insight you can spot that kind of thing and act quickly. There's an optimal balance of interest rates and liquidity flow, and intraday insight enables you to make appropriate and timely adjustments.

The potential payback from attaining real-time intraday liquidity is massive. Often these programs are initiated by regulatory pressure. But as you solve problems you could easily find that, by significantly reducing your cost base and enabling new capabilities, the project pays for itself within months.

Make intraday liquidity **a reality**

Achieving real-time intraday liquidity is complicated; it involves managing and rapidly analyzing mountains of data at a very granular level. Which begs the question, can you get the right data? Can you put it where you need it? Is your technology precise and powerful enough to turn data into real-time insight?

Making it happen requires a cross-organizational change program, involving treasury and operational

functions, as well as the business teams who manage your customers. And you need buy-in from the technology, governance and regulatory teams, too.

Complex change projects are always difficult to get started and drive to completion in the face of competing agendas. However, firms that find the right leaders and C-suite sponsors to act on behalf of the whole organization — in short, those that get it right — are very quickly enjoying extra business value.

Keep your feet **on the ground**

But you need to be pragmatic — many different parts of the organization will be involved and you'll want cooperation from all of them. I mean, you might know the data you need is in your system, but extraction might have to wait 6 months until there's a suitable slot in your internal tech team's book of work.

One way around this is to roll things out in phases. You don't have to wait until everything's ready to get incremental improvements. Simply choose which parts of your infrastructure to move into the new world first.

If you're thinking you can't afford to implement the right technology solution, think again. Today, you can harness technology that's already available in the cloud — scalable compute power and the ability to ingest and process huge data volumes.

The thing is, you don't have to build your own intraday liquidity solution from scratch. The industry-proven software platform to do all this is available off-the-shelf from Planix and implemented to your specific requirements by Luxoft.

Take the next step

To find out more about real-time intraday liquidity solutions, **get in touch** and we'll continue the discussion.



About **the authors**



Pete McIntyre

Financial Services Director
Planixs

Pete is the founding director of the Planixs Financial Services business. He developed the Planixs approach to solving intraday liquidity and is responsible for taking the Realiti product suite to leaders in treasury, liquidity risk and operations. Pete has a background in blue-chip management consultancies including Accenture, Deloitte and most recently PwC where he was a partner in the consulting business.



Matthew Hargreaves,

Global Industry Lead, Capital Markets Solutions
Luxoft

Matthew has more than 20 years' combined expertise and international leadership experience as a CIO and COO in the Financial and Capital Markets industry. His career spans Credit Suisse, Deutsche Bank, Credit Agricole, Daiwa Capital Markets and Lloyds Banking Group. He joined Luxoft in March 2020 to lead Capital Markets Solutions globally.

If you'd like to find out more visit
luxoft.com or consult one of our experts
at **financialservices@luxoft.com**

About Luxoft

Luxoft, a DXC Technology Company, empowers many of the world's leading organizations to drive sustainable, measurable business change through digitization, bespoke technology solutions and business process reengineering. With deep expertise in financial services on a global scale, proven rigor, a highly skilled technical team and unmatched expertise in Planixs solution implementation, Luxoft is the leading choice to upgrade your organization to Planixs digital treasury management and intraday liquidity.

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