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FPC FALL MEMBER MEETING 2026



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The Newest Addition to Your Liquidity Management Team: Artificial Intelligence



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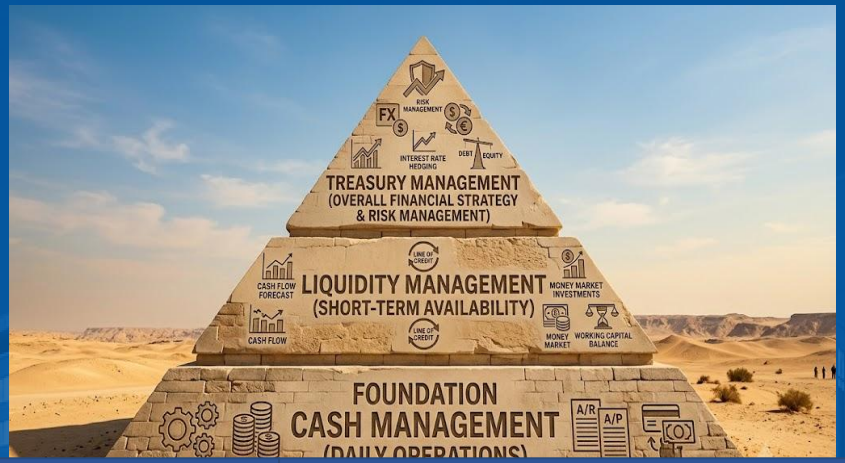
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Definitions

- **While Cash Management, Liquidity Management, and Treasury Management are often used interchangeably in everyday business conversation, they represent different layers of financial strategy.**

- **Think of them as a pyramid: Cash Management is the foundation (daily operations), Liquidity Management is the middle layer (short-term availability), and Treasury Management is the apex (overall financial strategy and risk management).**



Dimension	Cash Management	Liquidity Management	Treasury Management
Scope	Operational	Tactical	Strategic
Core Question	*"Do we have cash NOW?"*	*"Will we have cash WHEN needed?"*	*"How do we optimize our financial position?"*
Time Horizon	Intraday to 10 days	13-week rolling forecast	Annual to multi-year
Primary Focus	Payments, collections & account balancing	Forecasting, buffers & credit facility management	FX, risk management, capital structure & funding strategy
Key Output	Daily cash position report	Liquidity forecast & stress scenarios	Financial policy & risk framework

Summary: A process to ensure payments can be made when they need to be made

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Current Environment

- Funds need to be available to meet customer's payment requests
  - These funds are not available for higher income uses, e.g., loans
  - Often called "trapped liquidity pools"

- Each payment rail has its own funding mechanism
  - Federal Reserve master account
    - Held at a Federal Reserve bank
    - Supports FedWire, FedNow, ACH, Check, FedWire securities, cash, etc.

  - CHIPS (Clearing House Interbank Payment System)
    - Large dollar value domestic and international payments
    - Separate account at the New York Federal Reserve Bank
    - CHIPS maintains bank-by-bank records

  - Domestic and International Correspondent Banks
    - SWIFT provides the messaging for cross-border payments
    - One or more accounts at each correspondent
    - Typically, one or more accounts in each country where a volume of payments is made

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Current Environment Continued

- TCH's RTP (Real Time Payment system)
  - Separate account for RTP at the New York Federal Reserve Bank
  - RTP maintains the bank-by-bank records
- Credit and debit card settlement
  - Typically impacts FI's Federal Reserve master account through FedWire and ACH transactions
- Other possible accounts for transactions such as foreign exchange and securities

- All of these accounts need to be funded, some 24 x 7 x 365, to meet customer payment requests

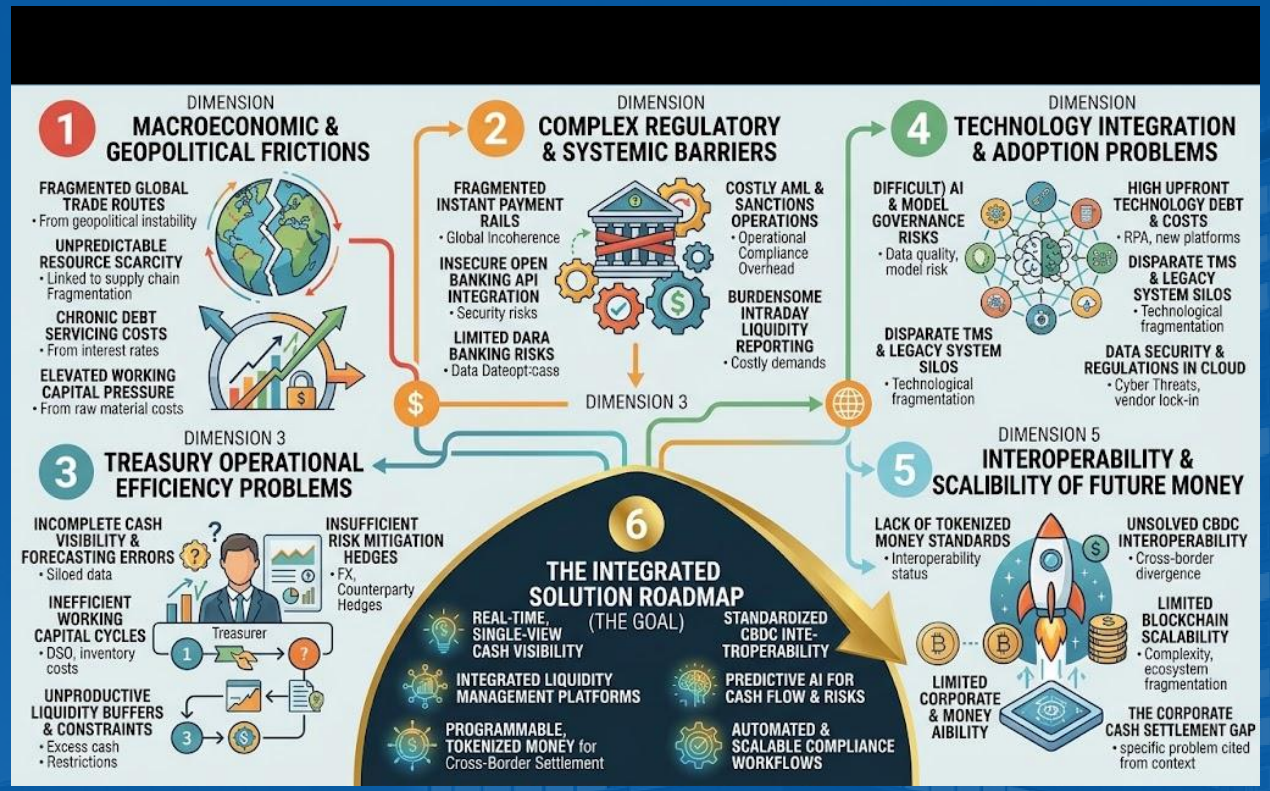
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The Problem to be Solved

- Minimizing the opportunity cost of having low or non-earning assets in many places
- Forecasting inflows and outflows from each account including large value payments, major corporate purchase payments, U.S. Treasury securities trades, debit and credit card settlements, etc.
- Forecasting foreign exchanges needs and risks
- Forecasting funds needed for weekends and holidays
- Understanding time zone and work week differences and their impact on inflows and outflows
- Impact of stablecoins and deposit tokens

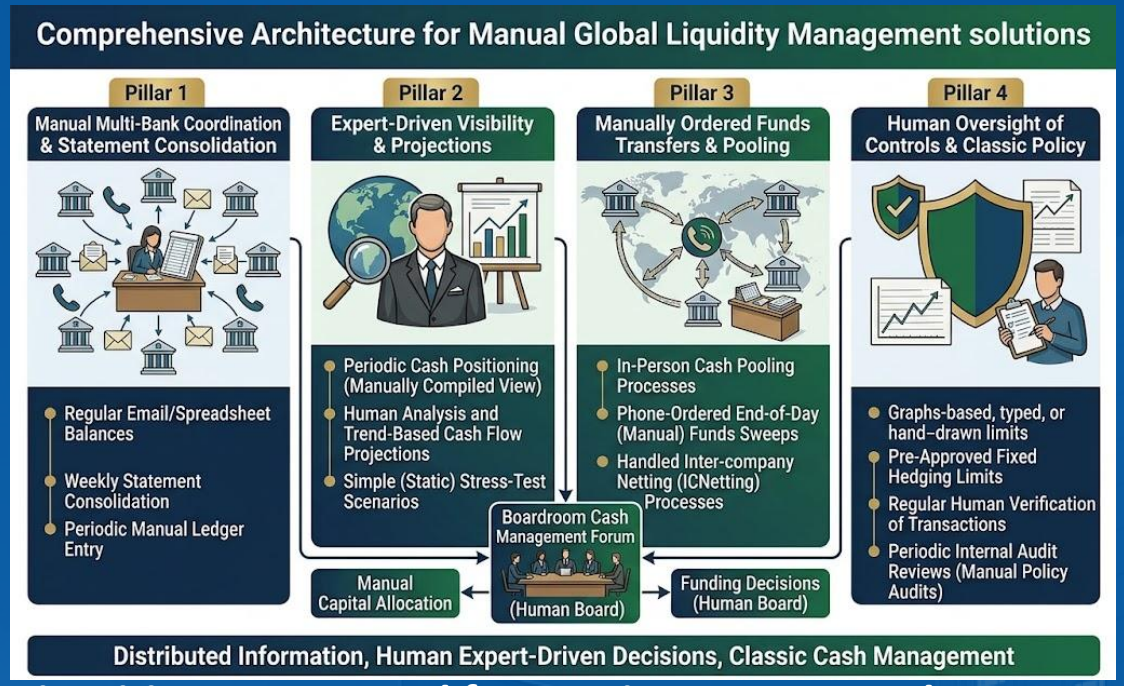
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The Problems Need to be Solved in a Complex Environment



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Current Environment



- Today, spreadsheets, human intuition, automated forecasting systems and automated payment throttling are used to match inflows and outflows with the funds needed in each account in real-time
- These numbers are in different applications and require multiple queries and manual integration
- The systems, in some cases, prioritize and hold outbound payments waiting for inbound payments to provide funds
- But the environment has become and will continue to become more complex for these techniques

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The AI Opportunity

- Automated forecasting of inbound and outbound payments
  - Considering factors such as:
    - History
    - Holidays, month-end, quarter endand year-end
    - Time zone and work week differences
    - Foreign exchange needs
    - Compliance requirements

- Automated real-time estimates of the funds needed in each account

- Potentially automatically executing funds movements
  - Using the most timely and least cost source of funds
  - Using the least costly and most timely “rails”
- Some of the functions that could be included are outlined in the following slides

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What Is AI-Driven Liquidity Management?

Predictive Analytics
Machine learning models trained on historical cash flows, market data, and macro indicators to forecast funding needs with precision.

01

Real-Time Monitoring
Continuous surveillance of intraday positions, counterparty exposures, and reserve balances with automated threshold alerts.

02

Scenario Simulation
AI-powered stress testing that runs thousands of liquidity scenarios in minutes, replacing slow manual spreadsheet models.

03

Intelligent Automation
Automated cash positioning, collateral optimization, and nostro account reconciliation reducing operational drag.

04

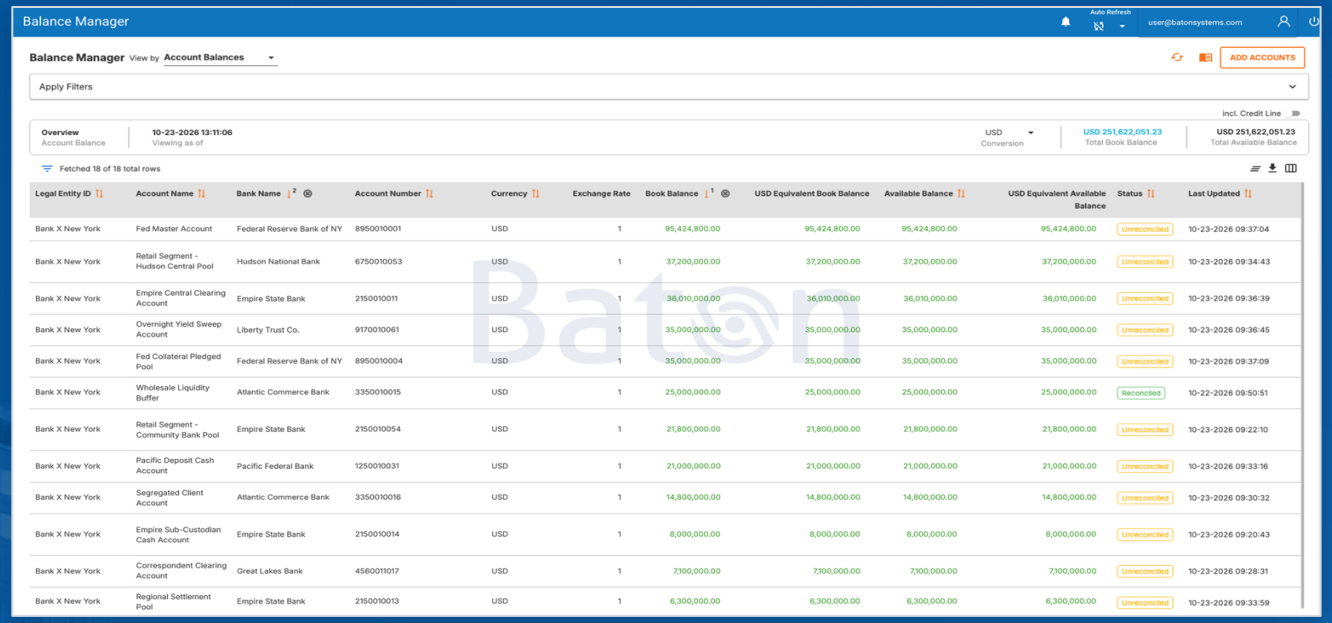
FOUR INTEGRATED CAPABILITIES DEFINING NEXT-GENERATION TREASURY OPERATIONS

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Assess: Available liquidity buffer across all accounts

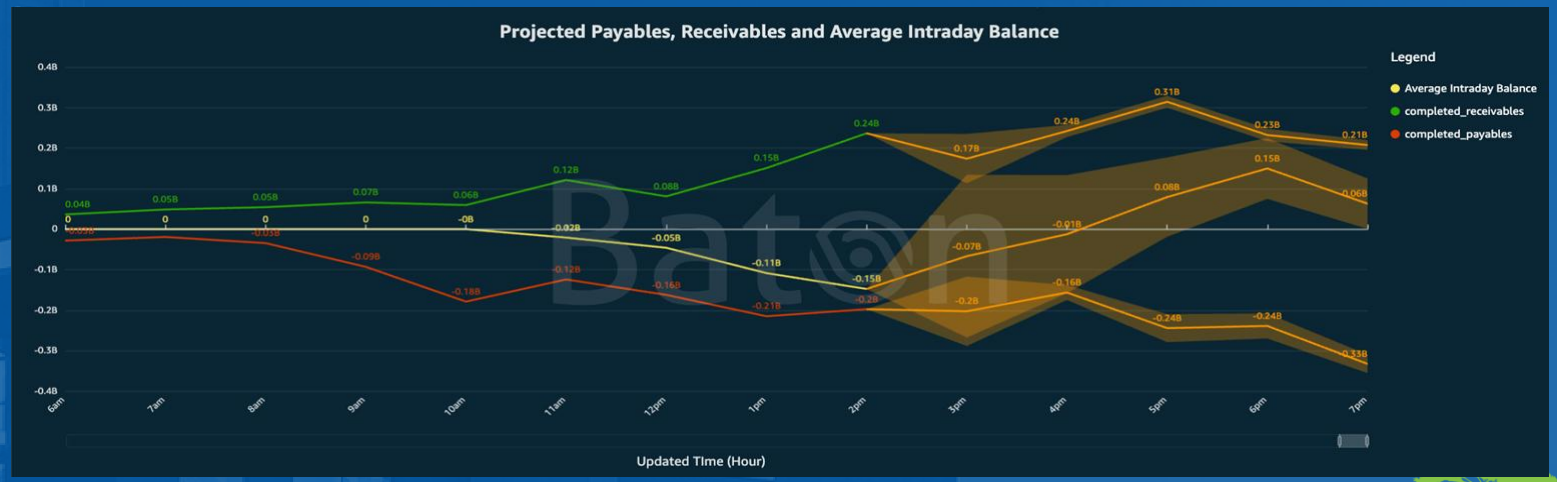
Aggregate: Every account balance in one real-time view

Assess: Actual and forecast intraday balance



Legal Entity ID	Account Name	Bank Name	Account Number	Currency	Exchange Rate	Book Balance	USD Equivalent Book Balance	Available Balance	USD Equivalent Available Balance	Status	Last Updated
Bank X New York	Fed Master Account	Federal Reserve Bank of NY	8950010001	USD	1	95,424,800.00	95,424,800.00	95,424,800.00	95,424,800.00	Unreconciled	10-23-2026 09:37:04
Bank X New York	Retail Segment - Hudson Central Pool	Hudson National Bank	6750010053	USD	1	37,200,000.00	37,200,000.00	37,200,000.00	37,200,000.00	Unreconciled	10-23-2026 09:34:43
Bank X New York	Empire Central Clearing Account	Empire State Bank	2150010011	USD	1	36,010,000.00	36,010,000.00	36,010,000.00	36,010,000.00	Unreconciled	10-23-2026 09:36:39
Bank X New York	Overnight Yield Sweep Account	Liberty Trust Co.	9170010061	USD	1	35,000,000.00	35,000,000.00	35,000,000.00	35,000,000.00	Unreconciled	10-23-2026 09:36:45
Bank X New York	Fed Collateral Pledged Pool	Federal Reserve Bank of NY	8950010004	USD	1	35,000,000.00	35,000,000.00	35,000,000.00	35,000,000.00	Unreconciled	10-23-2026 09:37:09
Bank X New York	Wholesale Liquidity Buffer	Atlantic Commerce Bank	3350010015	USD	1	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00	Reconciled	10-22-2026 09:50:51
Bank X New York	Retail Segment - Community Bank Pool	Empire State Bank	2150010054	USD	1	21,800,000.00	21,800,000.00	21,800,000.00	21,800,000.00	Unreconciled	10-23-2026 09:22:10
Bank X New York	Pacific Deposit Cash Account	Pacific Federal Bank	1250010031	USD	1	21,000,000.00	21,000,000.00	21,000,000.00	21,000,000.00	Unreconciled	10-23-2026 09:33:16
Bank X New York	Segregated Client Account	Atlantic Commerce Bank	3350010016	USD	1	14,800,000.00	14,800,000.00	14,800,000.00	14,800,000.00	Unreconciled	10-23-2026 09:30:32
Bank X New York	Empire Sub-Custodian Cash Account	Empire State Bank	2150010014	USD	1	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00	Unreconciled	10-23-2026 09:20:43
Bank X New York	Correspondent Clearing Account	Great Lakes Bank	4560011017	USD	1	7,100,000.00	7,100,000.00	7,100,000.00	7,100,000.00	Unreconciled	10-23-2026 09:28:31
Bank X New York	Regional Settlement Pool	Empire State Bank	2150010013	USD	1	6,300,000.00	6,300,000.00	6,300,000.00	6,300,000.00	Unreconciled	10-23-2026 09:33:59

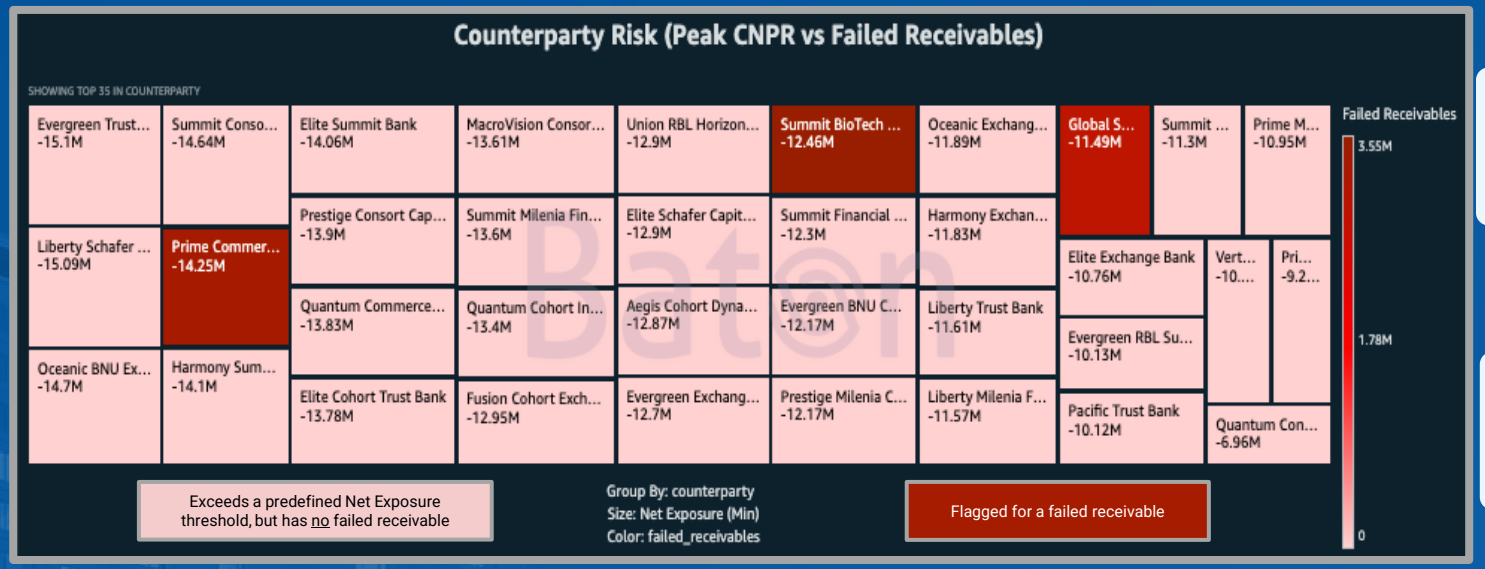




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Assess:
Which counterparties put liquidity at risk



1 How to read it

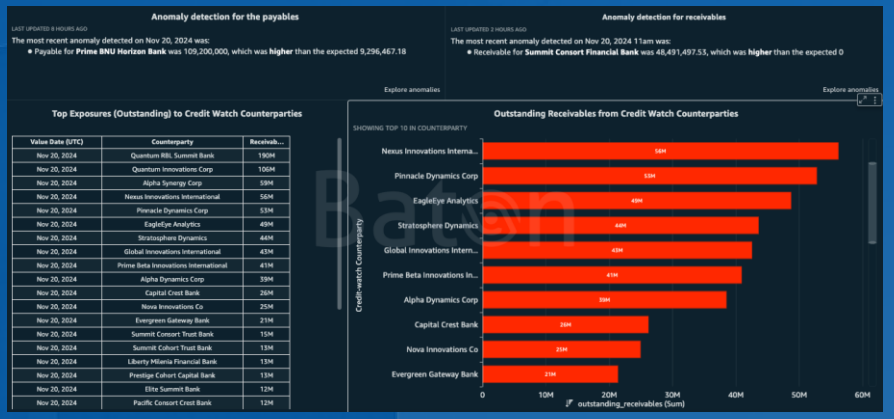
Size = net exposure to each counterparty
Color = value of failed receivables

2 Why it matters

Late or failed payers count for less in the forecast, so funding rests on real behavior



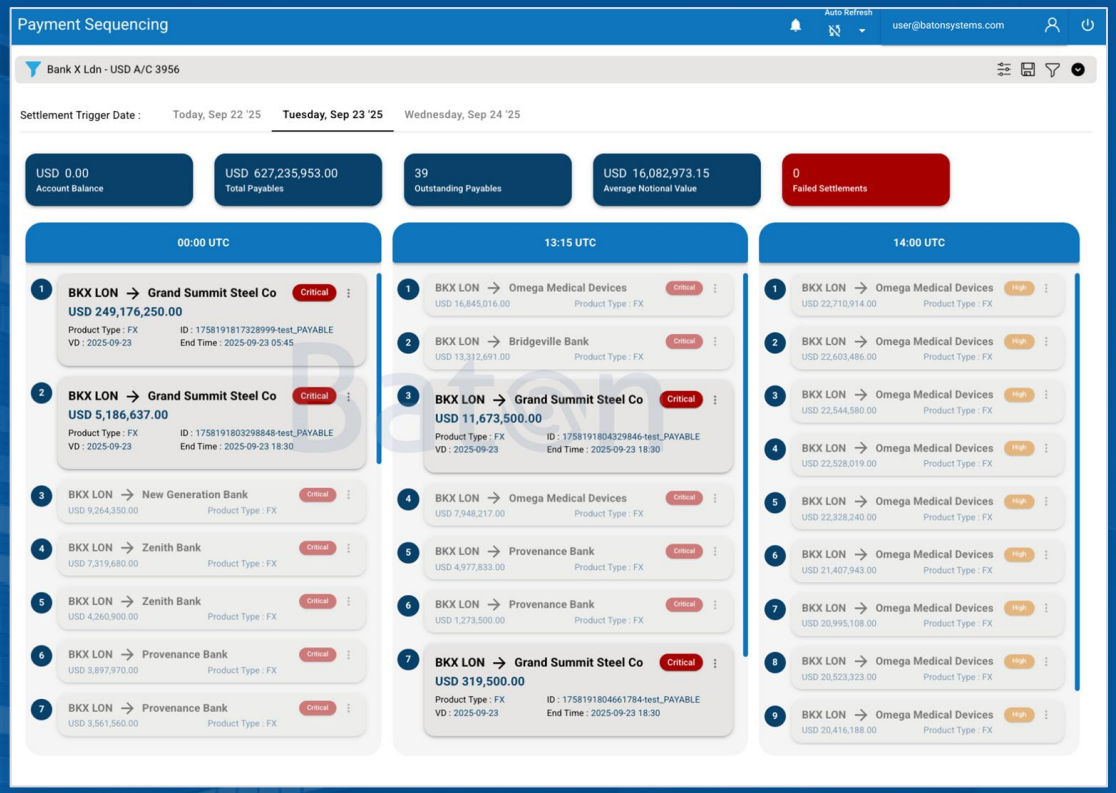
Progress for the Day
Outstanding Payments & Receivables
Current Net Principal Risk



Anomaly Detection
Top Exposures
Credit Watches

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Activate: The agent proposes, the treasurer decides



1 Release in cycles

Payments are queued into timed release windows through the day

2 Critical first

Time-critical obligations lead each cycle, lower priorities follow

3 Human override

Treasurers can override the proposed sequence before release

Want to know more:

Email the Baton team: **info@batonsystems.com**

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AI Powered Cash Forecasting

TRADITIONAL APPROACH

- Rule-based heuristics and historical averages
- Weekly or monthly forecast cycles
- High dependency on analyst judgment
- Siloed data from separate systems
- Limited scenario coverage

CONVENTIONAL METHODS

VS

AI-POWERED APPROACH

- ML models incorporating hundreds of variables
- Daily and intraday rolling forecasts
- Model-driven insights augmenting human decisions
- Unified data lake integrating all cash flow sources
- Automated multi-scenario stress coverage

AI-ENHANCED ACCURACY

FORECASTING METHODOLOGY COMPARISON

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Intraday Liquidity Monitoring

FIVE-STAGE REAL-TIME PROCESSING PIPELINE

1 — Data Ingestion

Real-time feeds from SWIFT, Fedwire, CHIPS, core banking, and FX systems aggregated into a unified platform.

SWIFT Fedwire CHIPS FX

2 — AI Position Calculation

Continuous net position calculation across nostro accounts, reserve balances, and payment queues.

Nostro Reserves Queues

3 — Anomaly Detection

ML models flag unusual payment patterns, concentration risks, or emerging shortfalls before they materialize.

ML Models Risk Signals

4 — Alert & Escalation

Configurable thresholds trigger automated alerts to treasury desks with recommended actions and escalation paths.

Thresholds Treasury

5 — Regulatory Reporting

Intraday LCR metrics and BCBS 248 monitoring tools auto-populated for supervisory submission with full audit trail.

LCR BCBS 248 Audit

CONTINUOUS CYCLE | This pipeline operates 24/7 in real time — each stage feeds the next with sub-second latency, enabling treasury teams to act on live intraday positions rather than end-of-day snapshots. | BCBS 248 COMPLIANT | <1s ALERT LATENCY

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Regulatory Compliance & AI

AI-enhanced compliance across Basel III & Fed standards

LCR
Liquidity Coverage Ratio
AI continuously models 30-day net cash outflows and HQLA buffers, delivering real-time LCR calculation and threshold alerts.

NSFR
Net Stable Funding Ratio
Predictive models project structural funding gaps 12 months forward with confidence intervals to preempt NSFR shortfalls.

BCBS 248
Intraday Liquidity Monitoring
Automated intraday reporting meets supervisory expectations with real-time position data and materially reduced manual effort.

DFAST / CCAR
Resolution Planning & Stress Testing
AI stress scenarios are parameterized to regulatory specifications in hours — not weeks — enabling rapid exam-ready submission.

EXPLAINABILITY
Audit Trail & Explainable AI (XAI)
XAI frameworks ensure every model decision is fully documented, traceable, and defensible to regulators — satisfying SR 11-7 model risk management standards and supervisory expectations for transparency in AI-driven outputs.

SR 11-7
Model Risk Governance

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AI LIQUIDITY MANAGEMENT — IMPLEMENTATION

Some Implementation **Considerations**

KEY OPPORTUNITIES

- **Significant reduction** in manual forecasting labor and operational overhead
- **Faster, more confident** funding decisions with real-time AI-driven insight
- **Earlier detection** of liquidity stress signals before they materialize
- **Enhanced regulatory exam readiness** with auto-populated, auditable outputs
- **Competitive advantage** in treasury operations efficiency and strategic agility

vs

KEY CHALLENGES

- **Data quality and integration** complexity across fragmented legacy systems
- **Model governance,** validation, and ongoing maintenance requirements
- **Talent gap** — need for quantitative and ML-skilled treasury professionals
- **Regulatory acceptance** of AI-generated outputs and model explainability scrutiny
- **Change management** and desk adoption — cultural and workflow transformation

5 Key Opportunities Identified

Balanced Assessment for StrategicPlanning

5 Key Challenges to Navigate

Final Thoughts

- Today’s AI is the worst it will ever be. It will always get better
- The models available today are indeed likely to be the least capable one's users will ever use again..
- We look forward to a continuing rich conversation on the future of AI in liquidity management



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Thank You



We look forward to a rich conversation on the future of AI in treasury and liquidity management.