



The Power of Experience®

Treasury Technology: Stress Reduction Kit

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Three Key Takeaways

1. The role of Treasury has and will continue to expand within most organizations.
2. Automation is key to strategic treasury.
3. Review current treasury processes and identify areas of weakness. Explore where technology can improve upon weak treasury practices.

Treasury Industry:
Current Environment

Industry Issues

Recent market disruptions have increased the visibility of and demands on corporate Treasury departments.

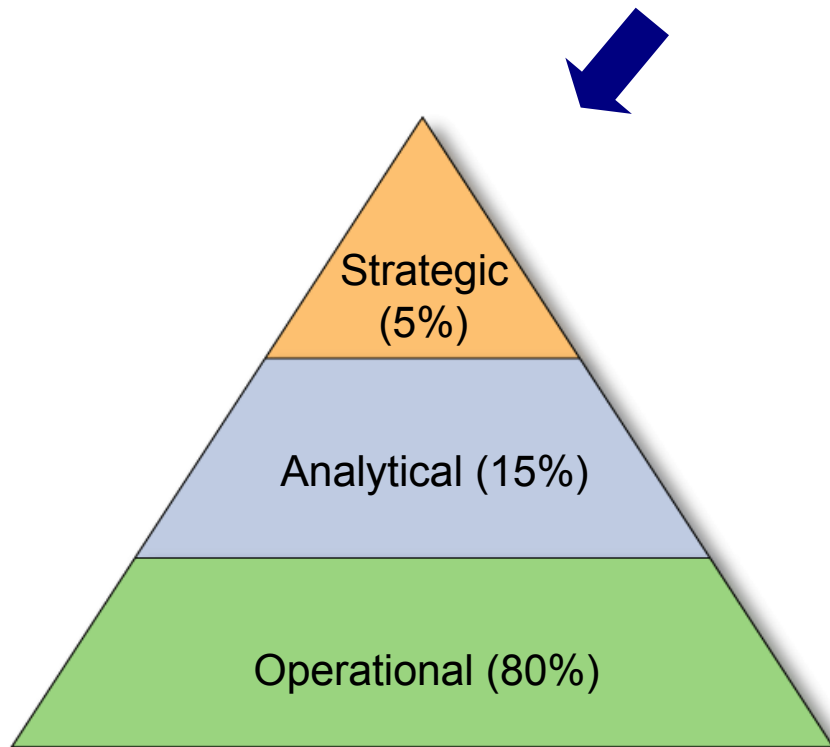
Key challenges include:

- Changing role of Treasury
- Globalization
- Liquidity management
- Risk control
- Technology
- Industry competition

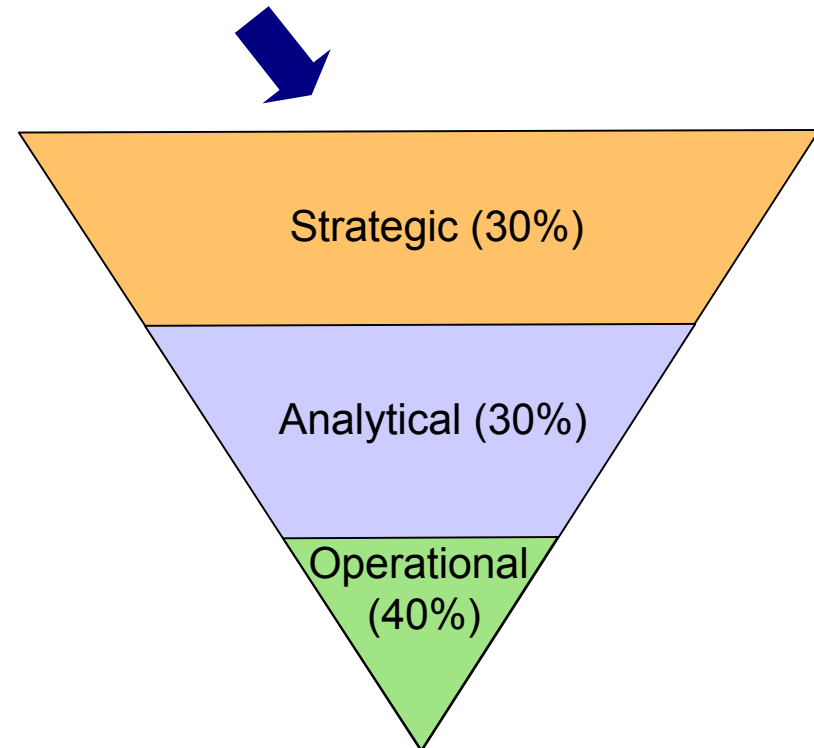


Changing Role of Treasury

How do we get from here.... to there?



Distribution of time spent on tasks in a “typical” Treasury department



Distribution of time spent on tasks in a “best-practices” Treasury department

Think About the Treasury Vision



Summary

Challenges

- Volatile economic environment
- Increasing Risk -- Counterparty, interest, currency
- Budget constraints -- staff shortages, limited IT investment dollars

Solutions

- Treasury Technology -- TMS, FX and investment portals, risk analysis and management
- Connectivity with other internal systems
- Connectivity with external counterparties, via SWIFT for Corporates

Treasury Technology Overview

Treasury Technology Solutions: Treasury Management System

A Treasury Management System (TMS) or Treasury WorkStation (TWS) is a multifunctional treasury system to accomplish the following:

- View bank balances and transactions in centralized application
- Create cash positions and forecasts
- Reconcile bank transactions with internal activity
- Execute payments (wire, ACH)
- Track financial transactions
 - Debt
 - Investments
 - Foreign Exchange
 - Derivatives (interest rate swaps, commodity hedges, etc.)
- Calculate mark-to-market values for financial transactions and underlying exposures
- Monitor and manage financial risk through scenario analysis
- Create general ledger journal entries for treasury transactions
- Report on all treasury activity



Deployment Options

In-house installed system

- Licensed system
- Annual support and maintenance fee
- System is installed on internal company servers and is supported by internal IT



Hosted

- Licensed system
- Annual support and maintenance fee
- System is installed at a vendor site and is managed by the vendor

ASP

- Monthly subscription fee (i.e., “rented” software)
- Software (including interfaces and upgrades) is fully managed by the vendor

Treasury Technology Solutions: Specialized Treasury Systems

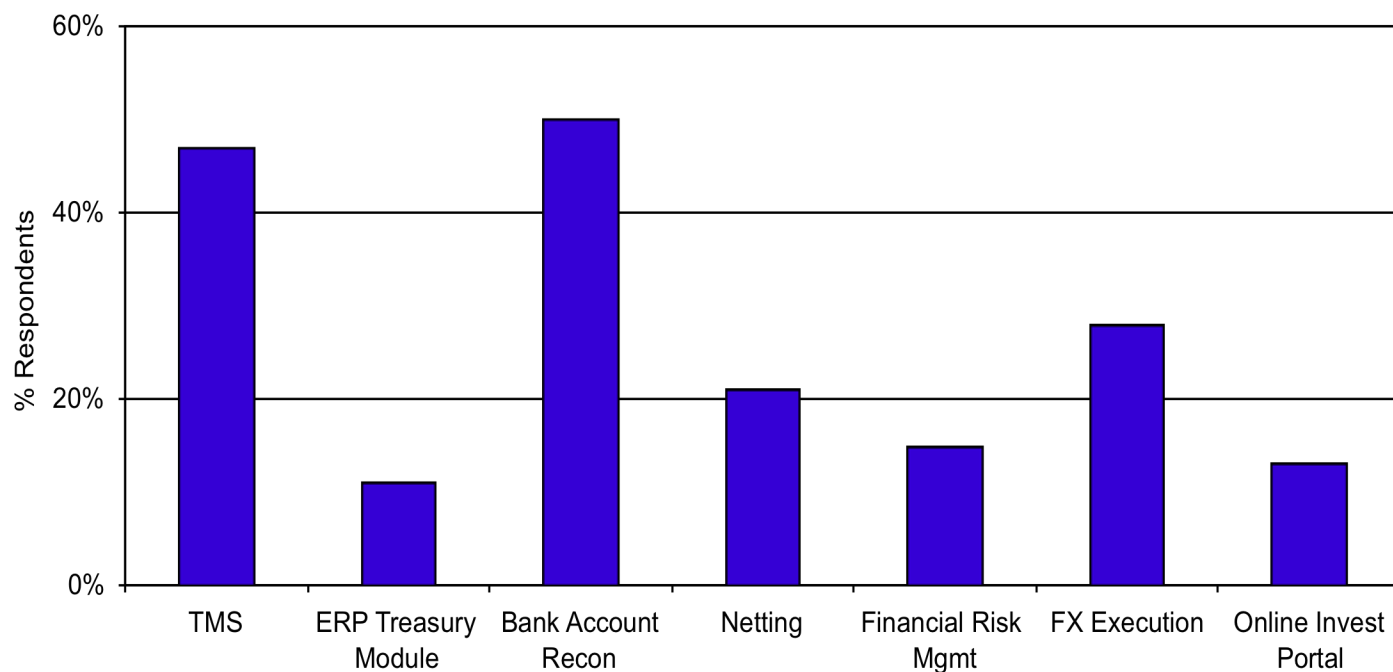


A specialized, or single purpose treasury system is designed to manage only one functional are of treasury:

- Bank to book reconciliation
- FX exposure management
- Risk analytics
- Multilateral netting
- Bank account administration
- Bank fee analysis
- Transaction matching and confirmation
- Bank online systems
- Online trading portals

Current Usage of Treasury Technology

Types of Treasury Systems Used % North America Respondents



Source: Treasury Strategies Market Research

Market “Report Card”

Relatively large percentage of companies across all market sizes still do not use a TMS.

Where implemented, deployment of technology is often sub-optimal.

- Available functionality is underutilized.
- System is not deployed across all functions and/or geographic areas.
- Users (or legal entities) are permitted to hold on to exception, proprietary, customized spreadsheets and tools.
- Systems are not fully integrated.
- Old technology is not updated or revised to reflect new business needs.



Many organizations are not taking advantage of new, specialized applications and functionality.

Treasury Technology Solutions

Treasury Stress Reduction Kit

Global Visibility to Cash

Effective Risk Management

Counterparty Risk

Financial Risk

Streamline Treasury Operations

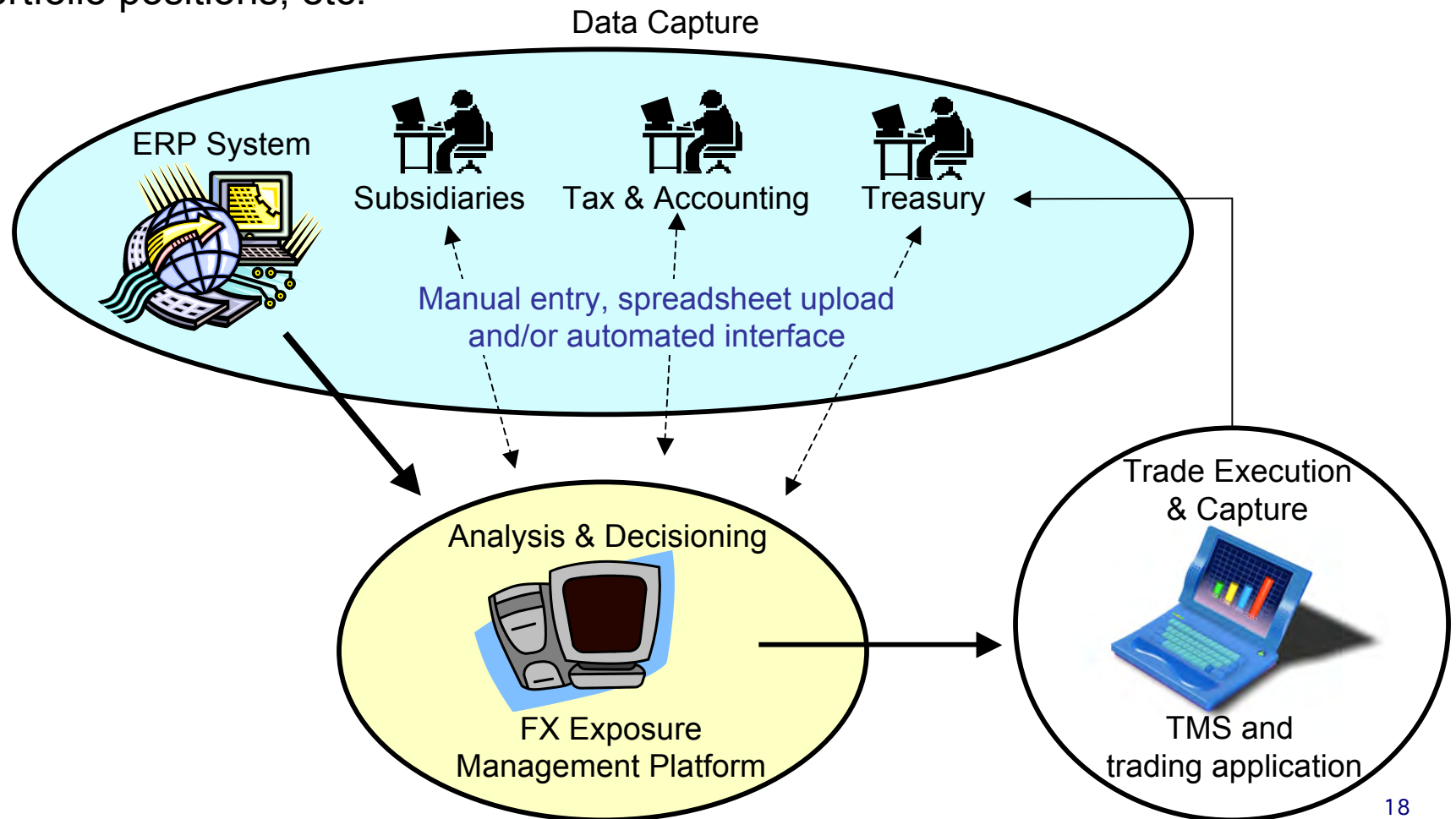
Global Visibility to Cash

- Gain access to balances and transactions on worldwide basis
- Utilize multibank reporting via banks, service bureaus, or SWIFT
- Establish pooling structures where allowed
- Include bank account visibility in initiatives
- Reduce cost of debt, FX; improve return on investment
- Complete and accurate reporting information



Effective Risk Management FX Exposure

Objective: Obtain visibility of inter-company currency exposures and recommend trading positions based on net exposures, policies, risk appetite, portfolio positions, etc.

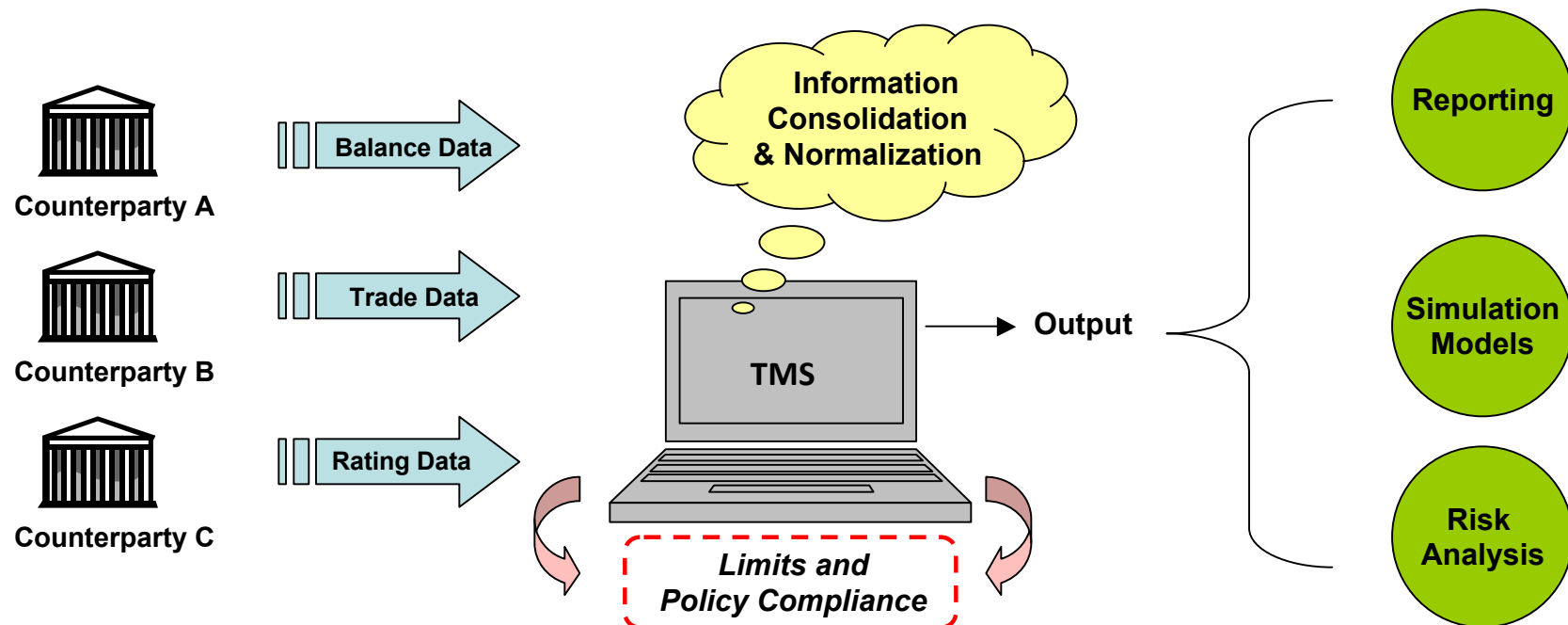


Effective Risk Management Counterparty Risk

Objective: Counterparty risk is monitored within TMS:

- Limits established
- Bank balance, investments, FX positions, investments
- Credit lines, letters of credit, other contingent liabilities
- Total mark-to-market value on derivatives (FX, interest rate swaps)

Counterparty Risk Analysis Automated Workflow

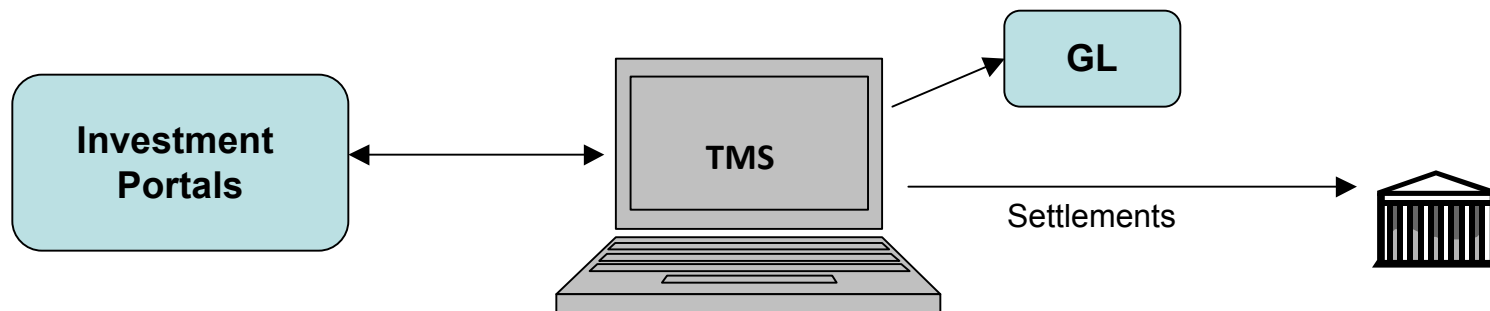


Investment Risk

Objective:

Automate the initiation, tracking, and reporting of all investments

- Ensure all investments are made in compliance with corporate policy by configuring policy parameters within TMS
- Control creation of wires to initiate movements of funds within system
- Create accounting entries related to investments
- Calculate expected interest from investments
- Benchmark investment returns



Streamline Treasury Operations

Objective:

Enhance all cash management functions by implementing stronger controls and automated processes

- Reduce manual rekeying through automation of cash positioning
- Integration of cash position worksheet with debt and investment processes
- Minimize effort required to reconcile transactions on a daily basis
- Automate the booking of all journal entries within TMS
- Use TMS as repository for all static data including bank account information
- Consolidate online bank platform functions within TMS

Connectivity

Internal

- Accounting GL
- Accounts Receivable
- Accounts Payable

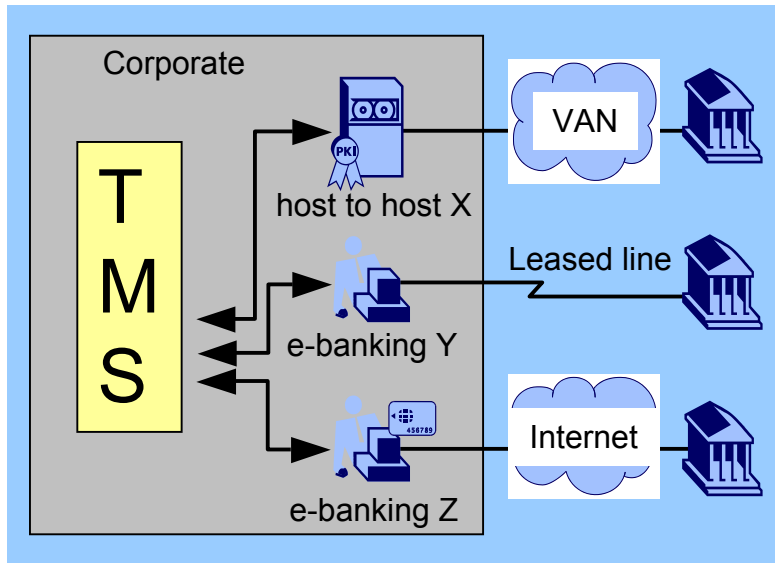
External

- Banks
- FX and Investment Portals
- SWIFT for Corporates



Traditional Bank Communication

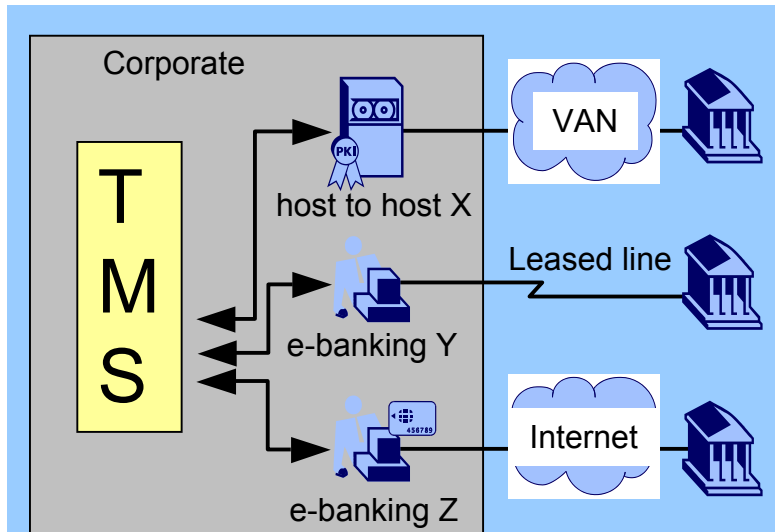
Multiple Channels



1. Multiple transfer systems, platforms, interfaces, solutions and channels
2. Bank-driven solution
3. Inflexible design
4. Potentially unreliable channels
5. High internal and external cost

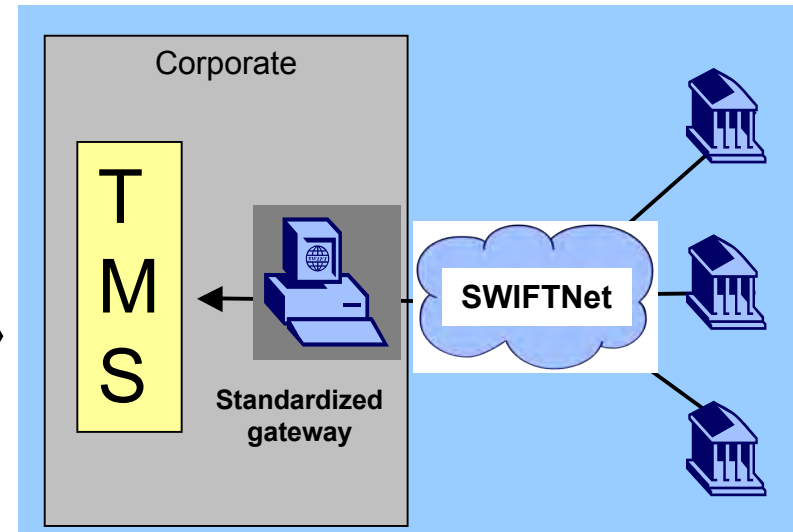
Today's Solution

Multiple Channels



1. Multiple transfer systems, platforms, interfaces, solutions and channels
2. Bank-driven solution
3. Inflexible design
4. Potentially unreliable channels
5. High internal and external cost

One Channel



1. One: transfer system, platform, interface, solution and channel
2. Connectivity neutral
3. Highest level of security, reliability and resilience
4. Platform for growth
5. Cost effective

Summary

Future State of Technology

TMS system development

- Workflow applications
- “Light” internet deployment for business units
- Document attachments
- History and audit trails
- What-if and scenario planning
- Management dashboards

Specialized applications

- Bank account administration
- FX exposure tracking

Online trading platform integration with internal systems

SWIFT corporate connectivity



Effective Technology – Manage Stress



1. Review current treasury processes and identify areas of weaknesses
 - Where are best practices **not** being employed?
2. Explore where technology can improve upon weak treasury practices
3. Determine how technology needs can be supported within the organization
4. Evaluate vendors for best possible solutions
5. Implement selected technology

About Treasury Strategies, Inc.

Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

What We Do

Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

Treasury Technology

We provide guidance through every step of the technology process. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

Financial Services

Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.

Accreditations



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