



The Power of Experience®

Moving from Executional to Strategic: Maintaining Best Practices as Treasury Transforms

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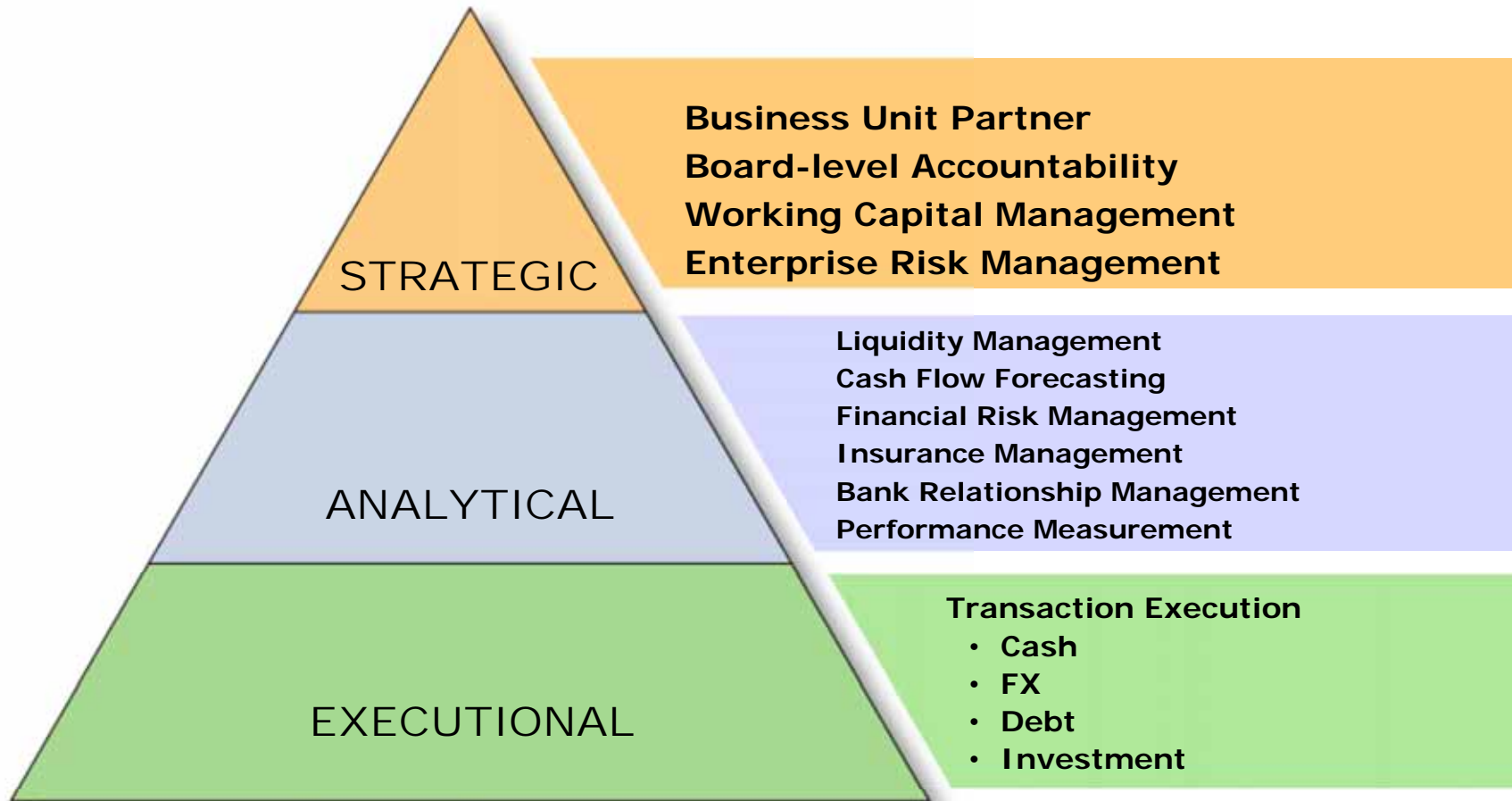


Best Practices in Treasury Management

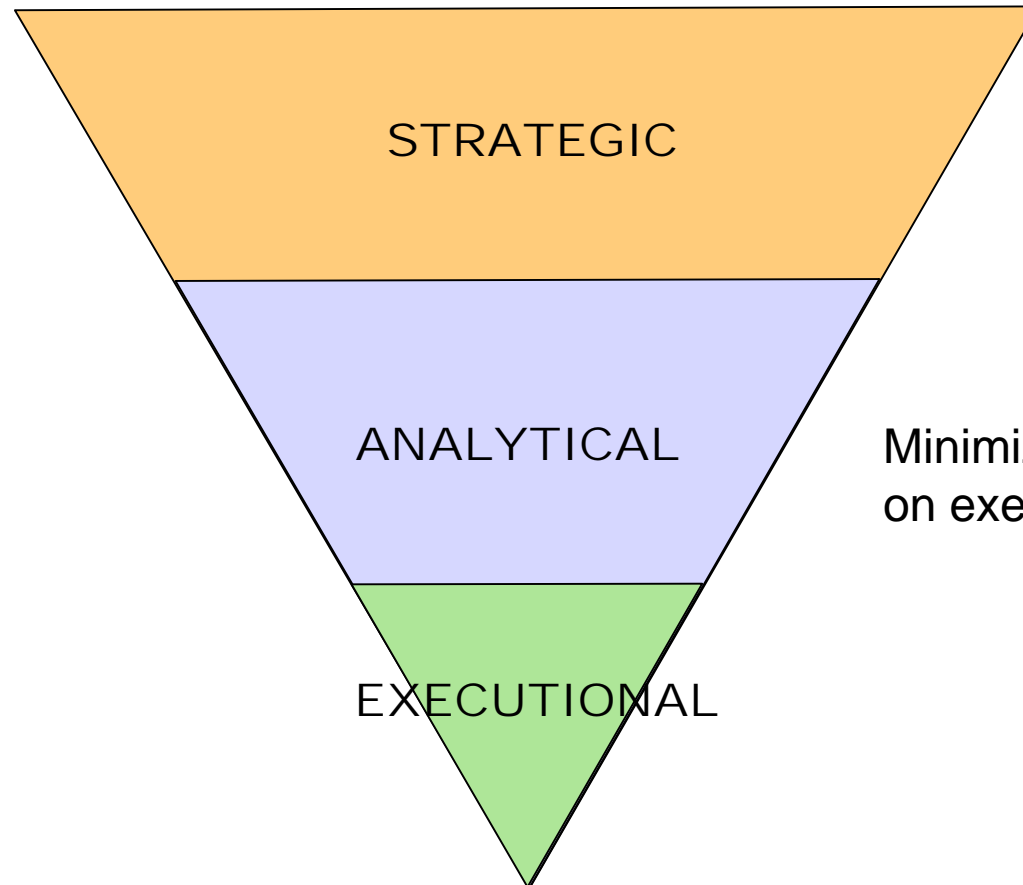
- The Strategic Role of the Treasurer
- Current Trends in Cash and Treasury Management
- Cash Management as a Critical Treasury Function
- Treasury Best Practices
 - Treasury organization
 - Banking
 - Collection/concentration
 - Disbursement
 - Technology
 - Controls
- Conclusions
- Questions & Answers

The Strategic Role of the Treasurer

The Strategic Role of the Treasurer



Turning the Pyramid Over



Minimize time spent
on executional matters

The Strategic Role of the Treasurer

Traditional Treasury Management

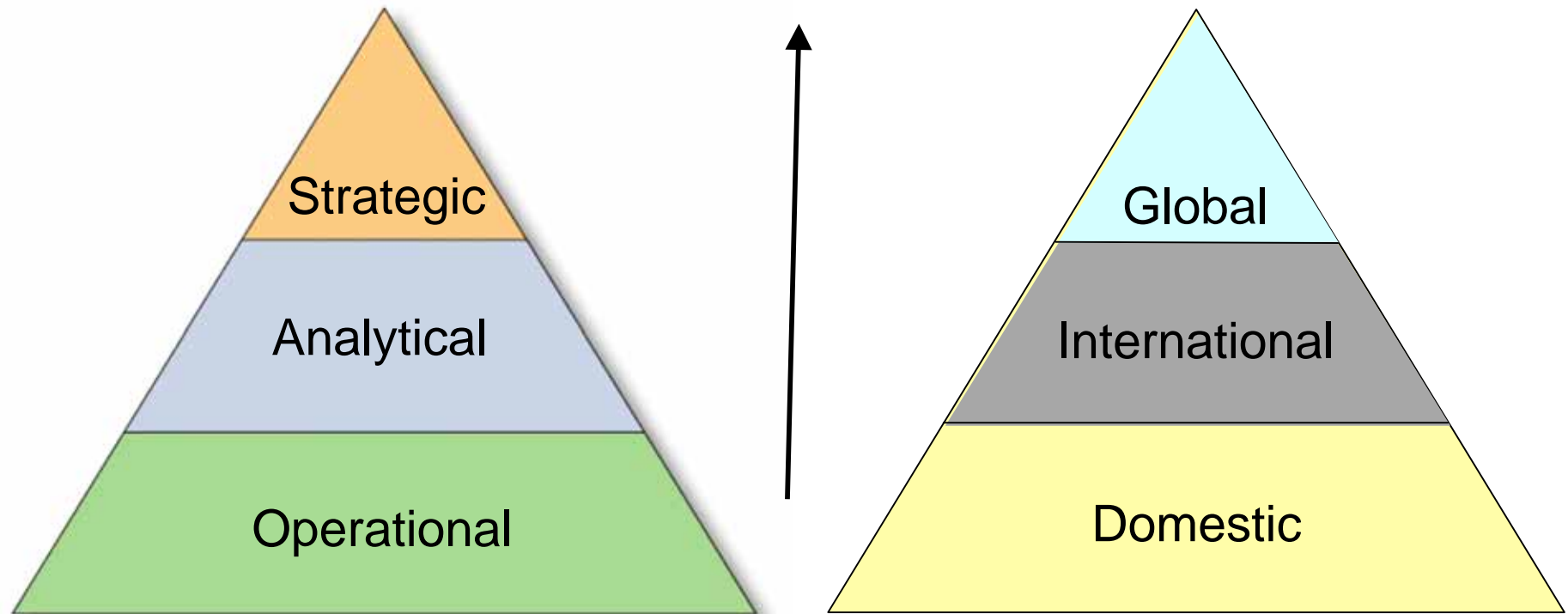
- Cash management is a back office activity.
- Performance is driven by new system implementations.
- Cash management is a zero-sum game.
- Working capital is a balance sheet issue.
- Cash management improvements generate marginal benefits.
- The job of treasury is to guard resources.
- Treasury is essentially administrative.

Strategic Treasury Management

- Cash management is a business activity.
- Performance is driven by policies, processes, and metrics.
- Cash management drives improvements in customer and vendor relationships.
- Working capital management is a cash flow issue.
- Cash management improvements are an effective way to create shareholder value.
- The job of treasury is to generate resources for the business.
- Treasury is strategically aligned with the business .

The Increasing Value of Treasury

Moving Up the Organizational Pyramid



Current Trends in Cash and Treasury Management

Current Trends in Cash & Treasury Management

Trends

Increased regulatory requirements and accountability.

More intense investor scrutiny.

Need for greater transparency and control over cash globally.

Increased development of technology solutions and corporate IT acceptance.

Limited treasury resources.

Chief Financial Officers are more challenged than ever.



Outcomes

Greater focus on process documentation, controls and risk management.

Greater focus on accuracy of financial information.

Renewed focus on cash forecasting and global cash management.

Better choices regarding features, functionality and pricing structure.

Search for ways to do more with less.

Opportunity for treasurers to play a more strategic role.

Evolving Best Practices

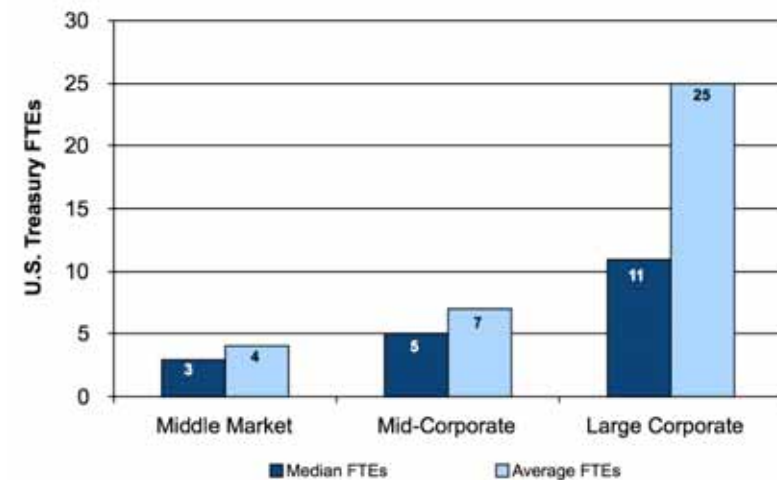
Treasury Best Practices are constantly evolving with

- New regulatory requirements with emphasis on controls and reporting
 - Sarbanes-Oxley
 - FAS 133
 - PCI Data Security Standards
- New/evolving technologies
 - Image
 - Internet/ASP
 - Corporate Access to SWIFT
- Changing political and economic environment
 - European Union
 - Latin America
 - Asia Pacific
- Changing payment systems
 - ARC
 - Check 21
 - SEPA

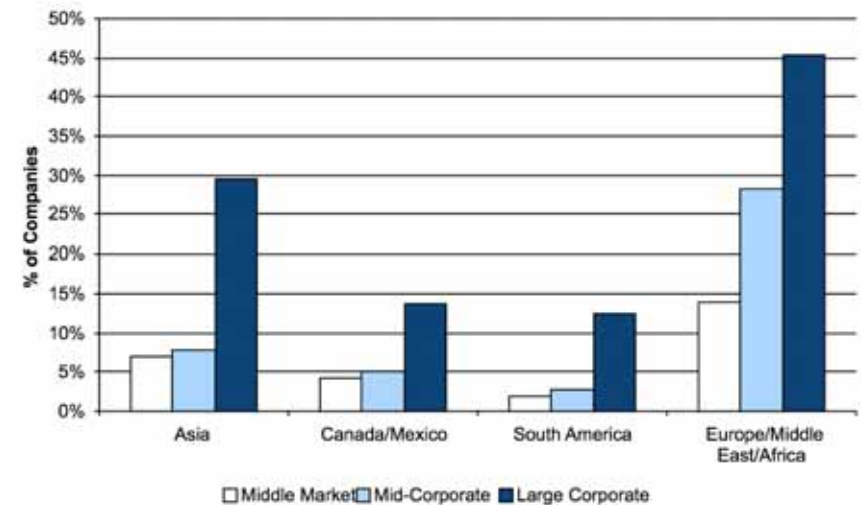
Treasury Staffing

- Even among the largest corporations, treasury staffs are typically modest in size.
- A select group of global corporations have large treasury staffs serving highly specialized functions.
- Presence of treasury staff outside of the U.S. is more common at large companies.
- Staffing in Asia is on the rise.
 - Approximately 30% of the large corporate segment has staff in Asia, compared to approximately 18% in 2005.

Median and Average U.S. Treasury FTEs



% Companies with Treasury Staff Outside U.S.



Treasury Department Functions

- Functions included in treasury departments vary considerably by company
- Surveys over the past five years have indicated increasing treasury scope of responsibility.

All Companies

<ul style="list-style-type: none"> U.S. Cash Management Banking Relations Investing Operating Cash Borrowing / Financing Cash Forecasting Treasury Systems 	<p>Over 80% of Companies Include These Functions In Treasury</p>
<ul style="list-style-type: none"> Interest Rate Risk Management Foreign Exchange / Risk Management International Cash Management 	<p>50% - 80% of Companies Include These Functions</p>
<ul style="list-style-type: none"> Corporate Finance Insurance / Operating Risk Management Capital Markets / Trading Pension / Benefits Bank Reconciliation Balance Sheet Planning / Management 	<p>20% - 50% of Companies Include These Functions</p>
<ul style="list-style-type: none"> Commodity Risk Management Investor Relations Tax Real Estate Mergers & Acquisitions 	<p>Fewer Than 20% of Companies Include These Functions</p>

(Functions listed in descending order by frequency of inclusion in Treasury)

The Sleepless Index



Top Treasury Issues

U.S.

1. Technology
2. Cash Forecasting
3. Bank Relations
4. Credit & Funding
5. Staffing

Europe

1. Liquidity Management
2. Risk
3. FX Risk Management
4. Credit & Funding
5. Cash Management

Source: Treasury Strategies 2007 Corporate Treasury Surveys

Role of Technology in a Strategic Treasury

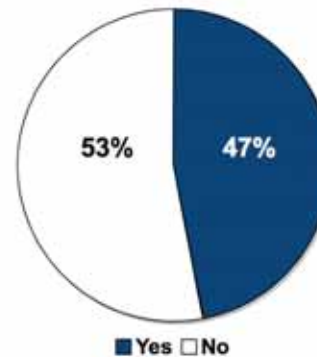


- Enables efficiency and creates the opportunity to do more with less.
- Enables excellent execution.
- Increases visibility and control.
- Enables information sharing for better decision-making.
- Ensures easier, smoother audits.
- Enables more complex analytics.
- Provides tools to support business units objectives.

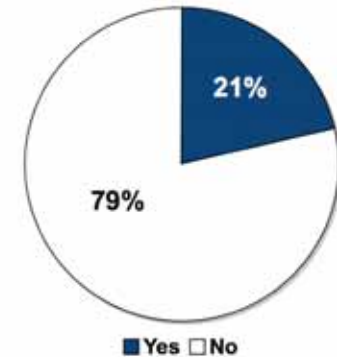
Most U.S. Companies Use or Plan to Use Workstations

- Almost 80% of companies not currently using a treasury management system have plans to implement one.

Does Your Company Use a Treasury System?

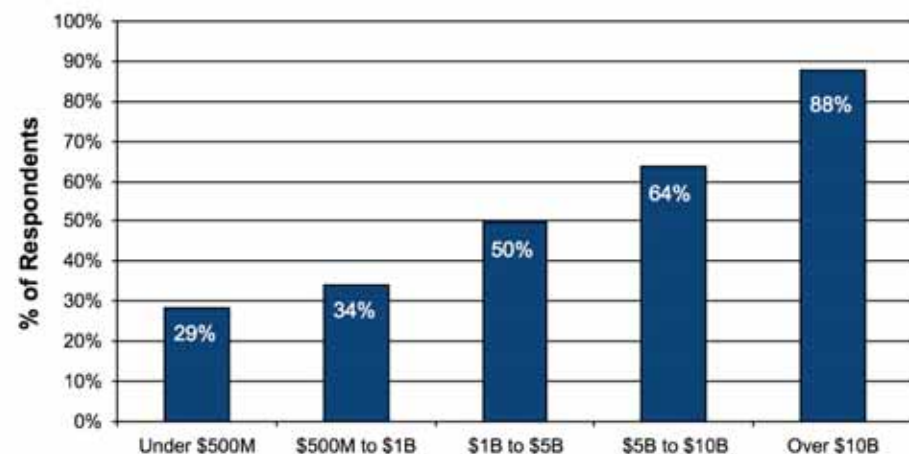


If You Don't Use a Treasury System, Are There Plans to Implement?



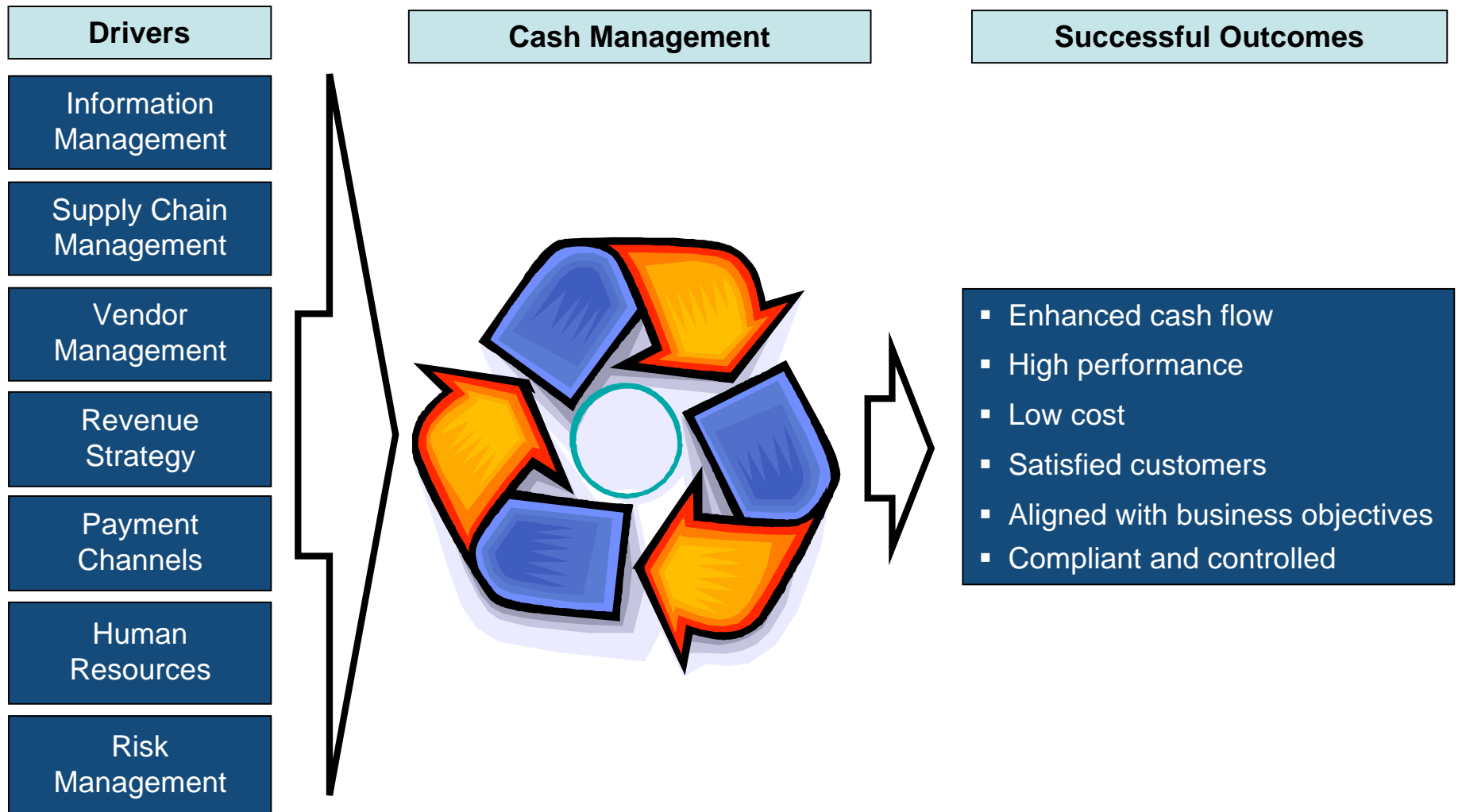
- Treasury workstation usage is directly correlated to company size. While only 29% of companies under \$500 million use them, 88% of companies over \$10 billion do

Treasury System Usage by Company Size



Cash Management as a Critical Treasury Function

Cash Management: A Strategic Perspective



Cash is King



Capital expenditures

Acquisitions

Research & development

New product launch

Debt paydown

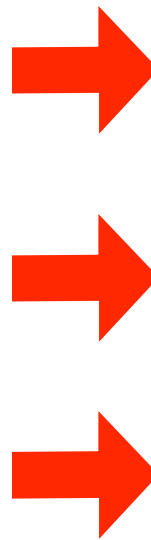
Share repurchases

Distributions and dividends

Outdated Cash Management Slowing You Down?

Common Inefficiencies

Too many bank accounts
Too many bank relationships
Too many operating accounts
Decentralized disbursements
Decentralized collections
Inefficient cash concentration
Inefficient liquidity management



Resulting Problems

Slow mobilization of funds
Excessive processing costs
Bank fees not optimized
Idle cash balances
Weak controls
Accounting/reconciliation hassles
Inaccurate forecasting

Payment Fraud

- Unauthorized checks
- Check washing
- Unauthorized ACH debits
- Identify theft
- Internet fraud
- Phony vendor scams
- Credit card fraud
- Phony customer scams
- Fictitious digital checks



Treasury Best Practices

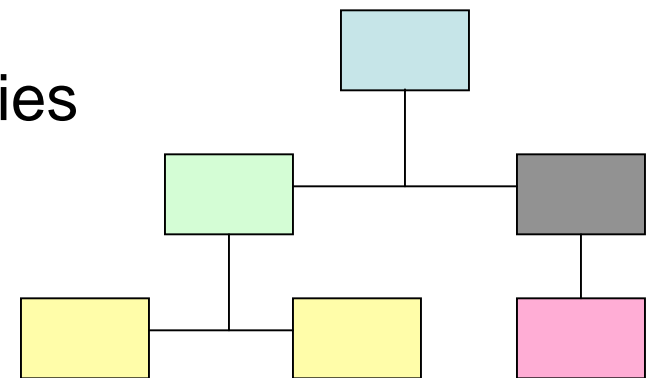
Treasury Best Practices

- The categories we will examine include:
 - Treasury organization
 - Banking
 - Collection/concentration
 - Disbursement
 - Technology
 - Controls



Best Practices - Treasury Organization

- Centralized treasury
- Seasoned, experienced personnel
- Effective training/cross-training
- Clear channels of communication
- Solid reporting
- Current and well documented policies and procedures



Best Practices - Banking

Structure

- Optimal number of providers
- Optimal number of accounts
- Effective services and technology
- Competitive pricing



Relationship Management

- Good balance of credit and services maintained
- Effective communications
- Quality and fees are monitored
- Services are re-bid periodically

Best Practices - Collection/concentration

- High percentage of electronic versus paper payments
- Effective use of lockbox and technology to accelerate cash collection
- Automatic, daily consolidation of funds to one, or few accounts (with minimal manual intervention)
- Utilize check conversion and RCK
 - ARC vs. Check 21



Best Practices - Disbursement

- Controlled disbursement accounts
- Full reconciliation services
- Positive pay services
 - Traditional
 - Payee match
 - Imaging
- Comprehensive payables services
- Few (or no) manual checks



Best Practices - Technology

- Well integrated treasury technology
 - Treasury workstation (TWS)
 - Bank-to-book reconciliation packages
 - Unique debt, investment and risk management systems
 - Cash forecasting tools
- Web-based applications
 - ASP solutions
 - Web banking tools
 - Use of distributive services/applications



Best Practices - Controls

- COSO/Sarbanes-Oxley standards
- Segregation of duties
- System constraints/automation
- Frequent audit
- Effective use of bank services
- Solid reporting



Conclusions

Looking Ahead in 2007

Corporate treasury is in a state of transition. In 2007, treasury departments will:

- Expand scope and act as a partner/consultant to business units on special projects.
- Leverage technology to increase efficiency, manage risk and provide enhanced business intelligence.
- Continue to focus on risk and compliance.
- Develop and execute payment strategies.
- Increase strategic visibility in the firm.
- Rationalize bank relationships, in particular, on a global level.



A Strategic Agenda for Treasury

Be Prepared:

Perform all core treasury functions well.

Be Productive:

Centralize, automate and do more with less.

Position Treasury to Add Value:

Communicate outside of treasury and take on key strategic activities.

Partner with the Business:

Understand what's important to the business units and strive to meet their needs.

Conclusions

- Unique circumstances must always be considered as you decide whether to adopt best practices.
- Best practices lead to more effective and efficient treasury operations.
- Even the strongest entities benefit from periodic best practice assessments.



About Treasury Strategies, Inc.

Who We Are

Founded in 1982, Treasury Strategies, Inc. is a client-focused management consulting firm serving corporations and financial institutions. As a thought leader in treasury, liquidity, payments and working capital management, we develop customized and actionable solutions unparalleled in the marketplace.

What We Do

Our two practice areas allow us to provide our clients with a unique perspective on the marketplace.

Financial Institutions Practice

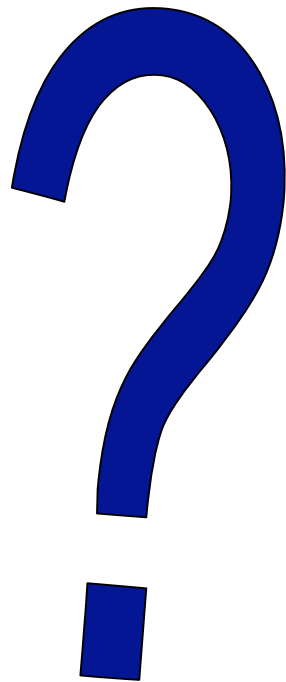
- Business Strategy
- Revenue Enhancement
- Competitive Positioning
- Market Analysis
- Decision Support Analytics

Corporate Practice

- Liquidity Management
- Working Capital
- Treasury Organization
- Risk Management
- Treasury Technology
- Treasury Merger Integration



Questions & Answers



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