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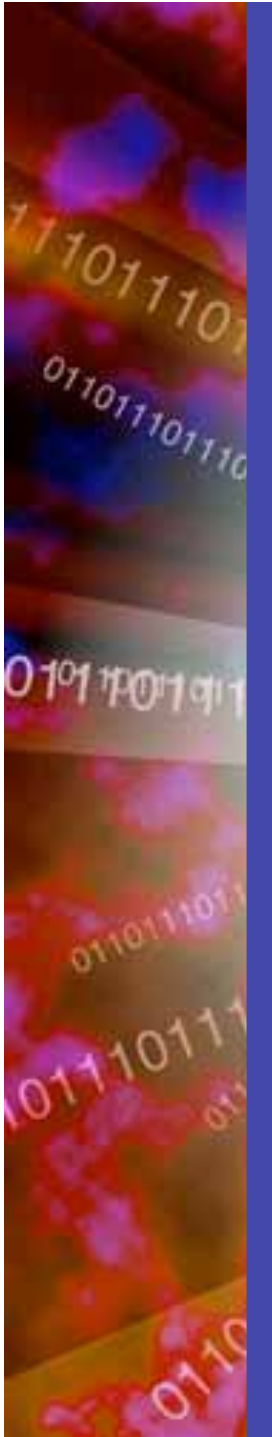
A Call to Action: Transformation Through Automation

May 7, 2008

PRESENTED BY:

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Agenda

- Why a Treasury System
- Three Steps to Effective Treasury Technology Utilization
 - Selection Process
 - Implementation Process
 - System Optimization Process
 - Do's & Don'ts
- Client Examples
- Technological Developments & Trends

Why a Treasury System

Business Drivers

Business Drivers

Enhanced regulatory requirements and accountability

Increased speed of business and greater competition

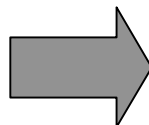
Requirement for greater transparency and control over global cash

Uncertainty over direction of interest rates

Limited personnel resources

Increased responsibility of Treasury outside traditional treasury areas

Recent turmoil in financial markets



Impact on Treasury

Greater focus on process documentation, controls, and risk management

Need for “just in time” treasury and increased role as an internal consultant

Effort to centralize fragmented banking structures and working capital practices

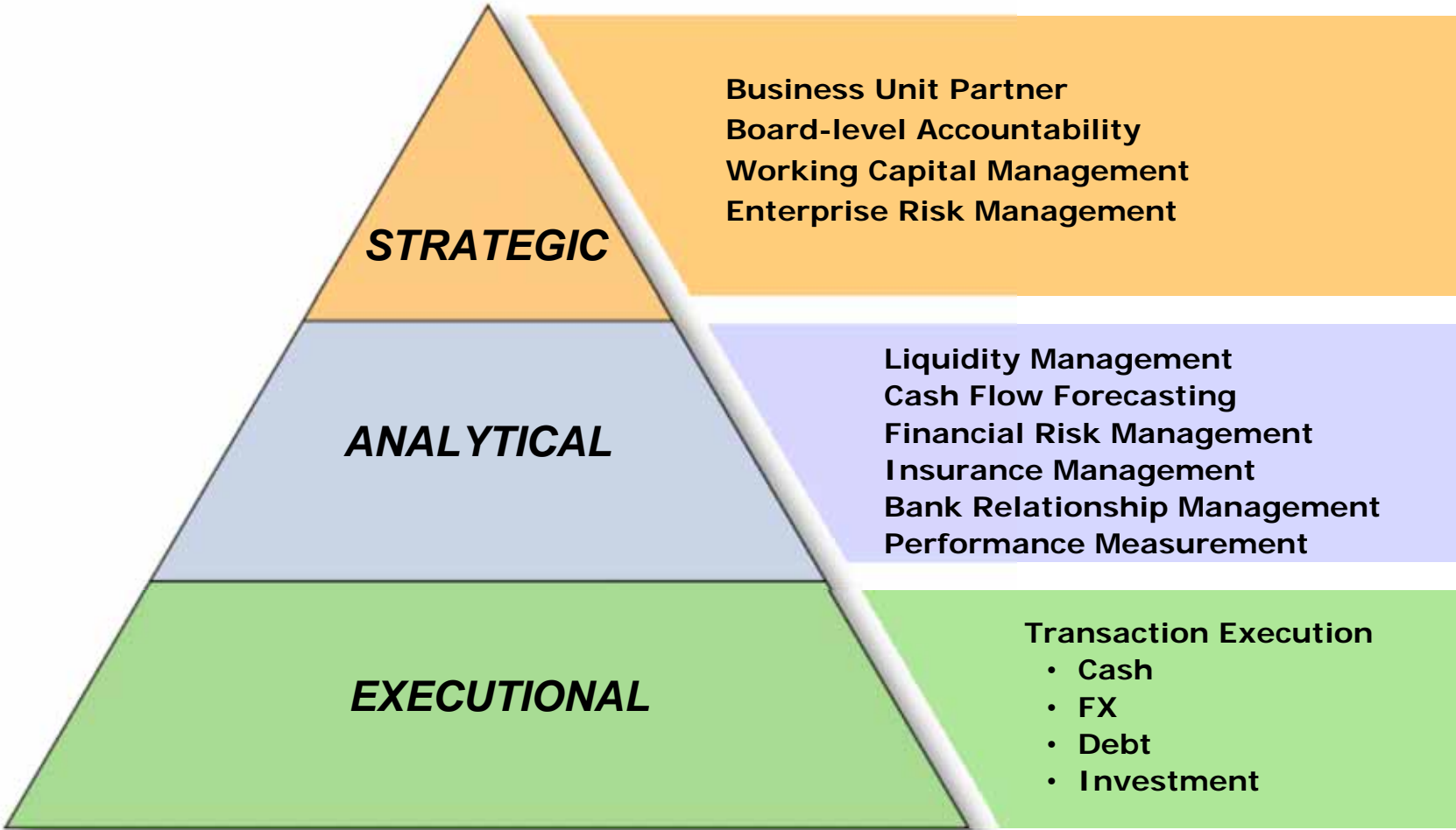
Increased focus on maximizing return on investments/minimizing interest expense

Search for ways to do more with less and focus on automation opportunities

Treasury needs to develop skills relating to tax, corporate finance, investor relations, enterprise risk management (ERM), insurance, etc.

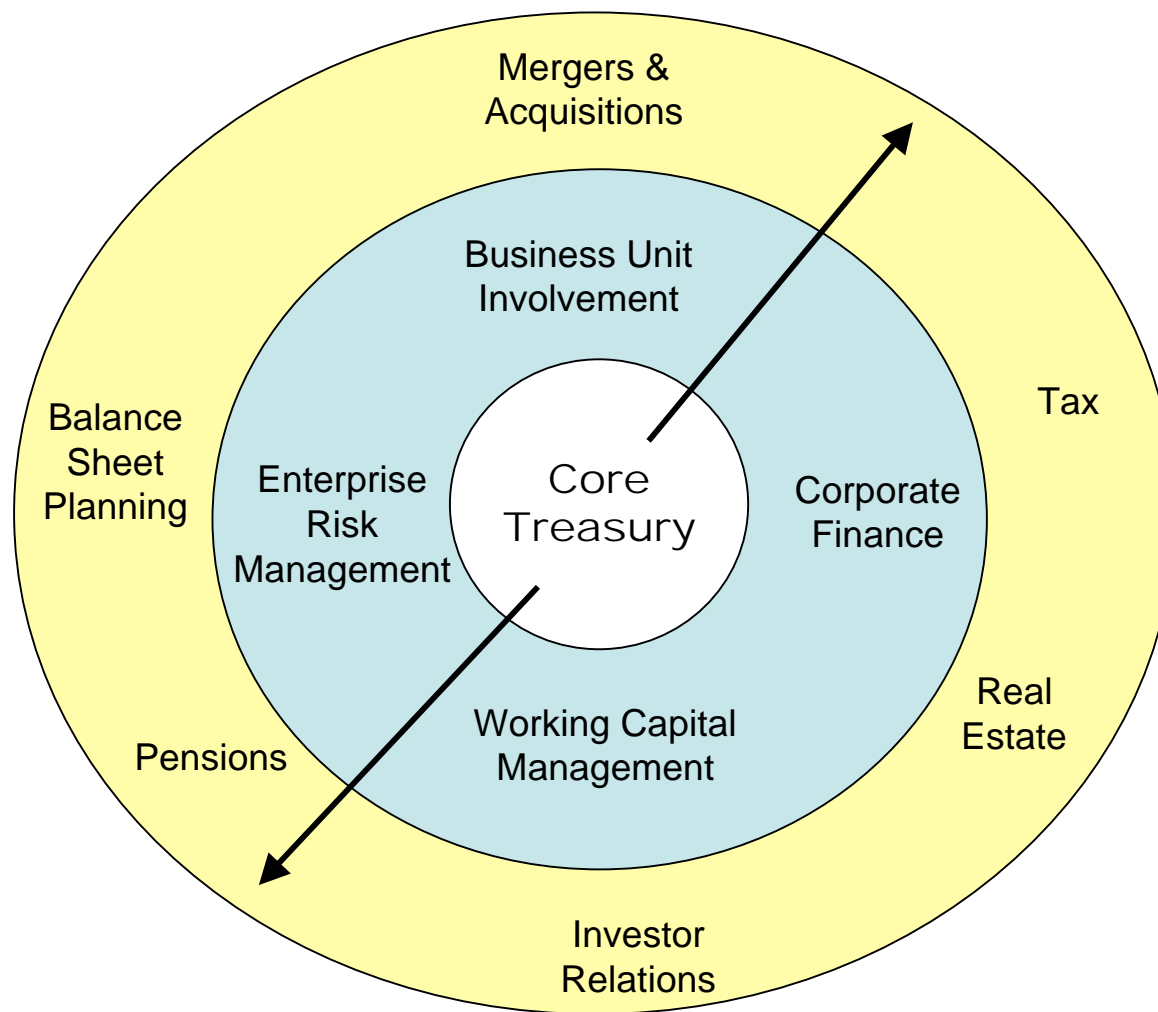
Need for alternative sources of cash

Optimizing Distribution of Time

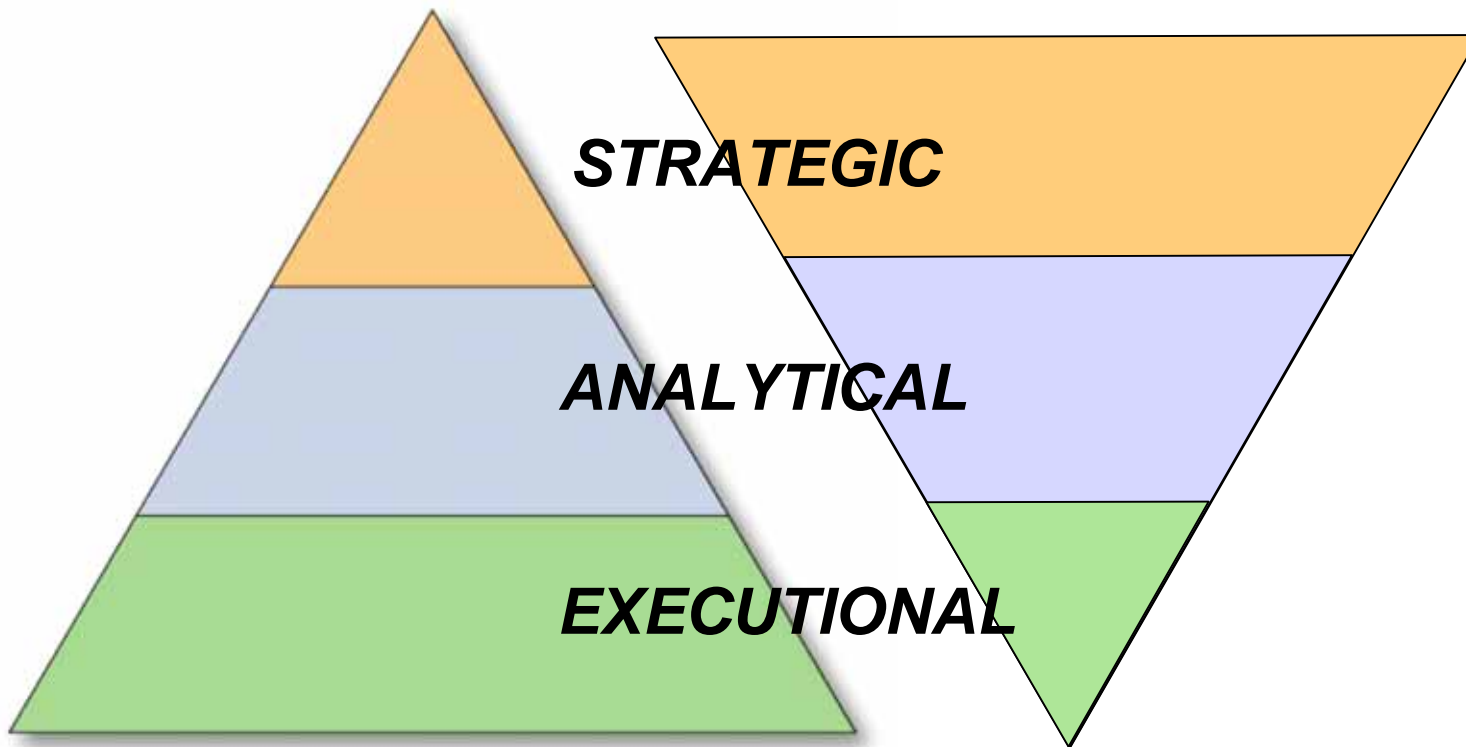


Expanding role of Treasurer

Moving beyond core responsibilities



Optimizing Distribution of Time



Types of Treasury Systems

Bank on-line systems

Bank-offered treasury systems

Fully integrated best-of-breed treasury workstations (TWS or TMS)

Enterprise Resource Planning (ERP) treasury modules

Specialized systems

- FX
- Bank-to-Book Reconciliation
- Risk Management
- Multi-Lateral Netting
- Bank Account Administration

On-line trading portals

Working capital management systems

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

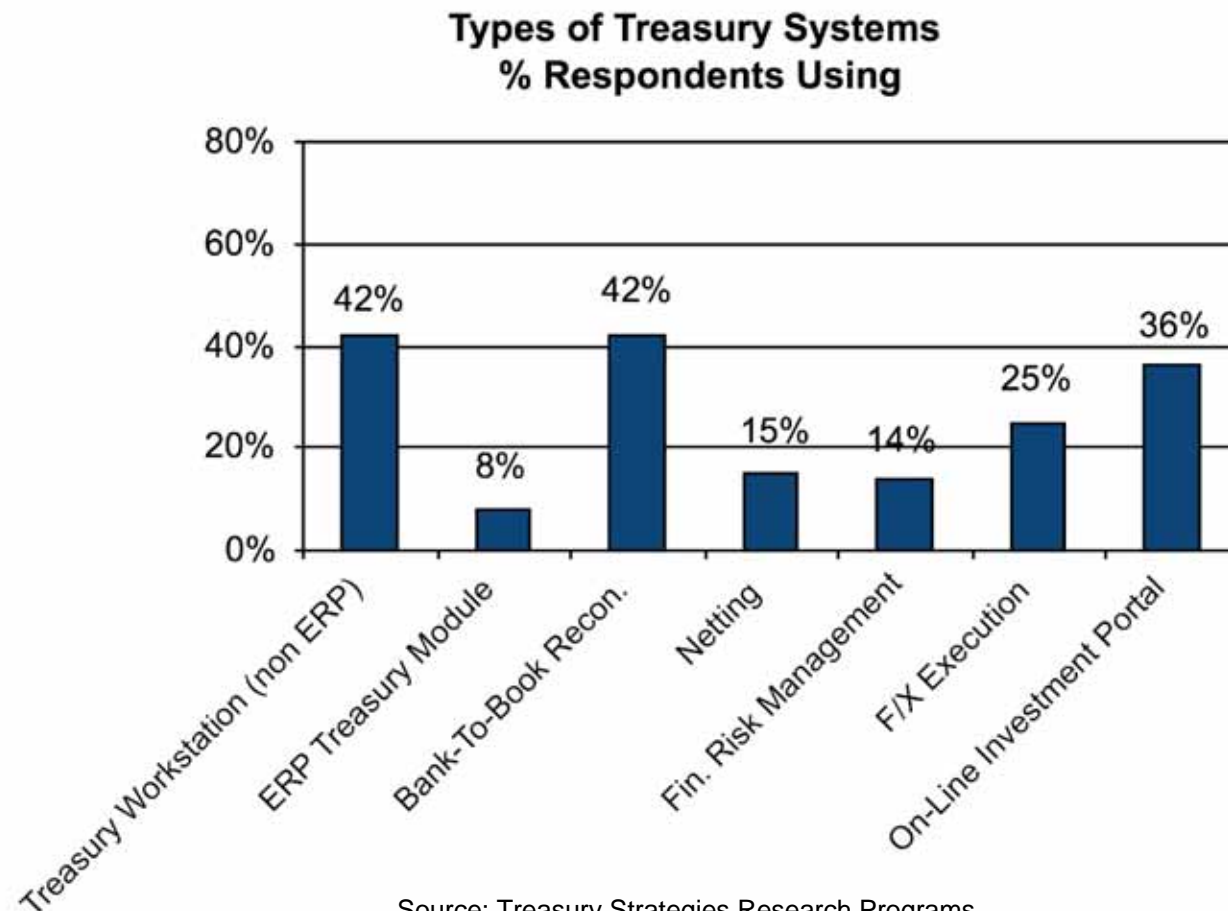
- Licensed system
- Annual support and maintenance fee
- System is installed at a vendor site and is managed by the vendor

Application Service Provider (ASP)

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

Current Use of Treasury Systems

Use of types of treasury technology varies significantly

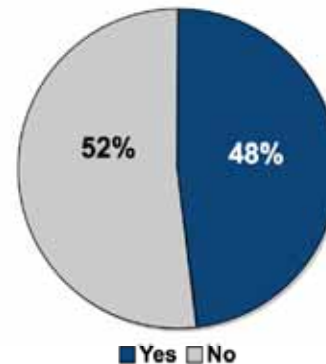


Source: Treasury Strategies Research Programs

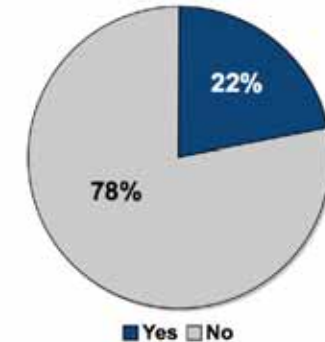
Current Use of TWS Systems

- Two-thirds of companies either use a treasury workstation or have plans to implement one.
- Treasury workstation use directly correlates to company size.
 - Whereas only 28% of companies under \$500 million use a workstation,
 - 84% of companies over \$25 billion do.

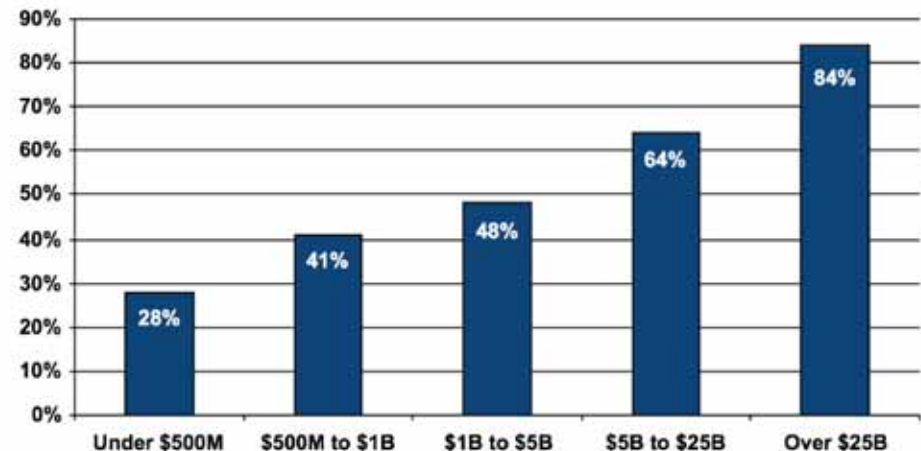
Does Your Company Use a Treasury Workstation?



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



Treasury Workstation Usage by Company Size

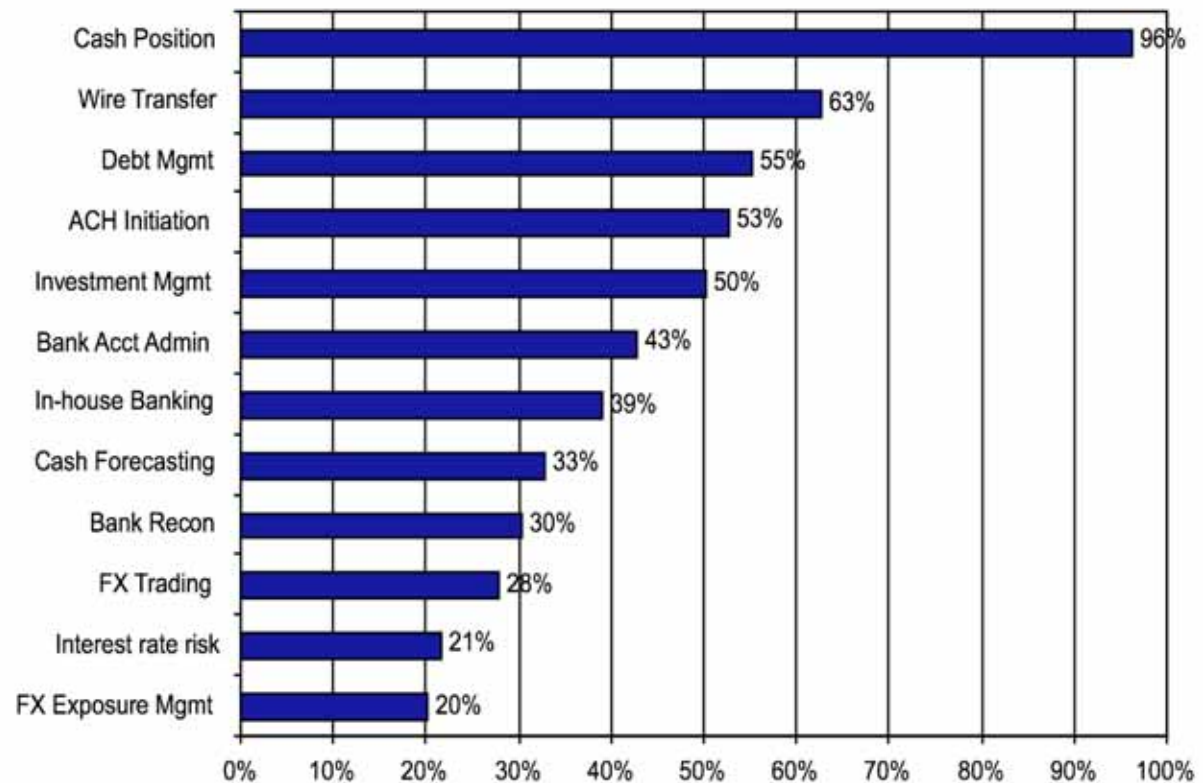


Source: Treasury Strategies Research Programs

Treasury Technology Usage by Functionality

Treasury workstations have been deployed, but few organizations are using the full range of functionality

Functions Performed in Workstations



Source: Treasury Strategies Research Programs

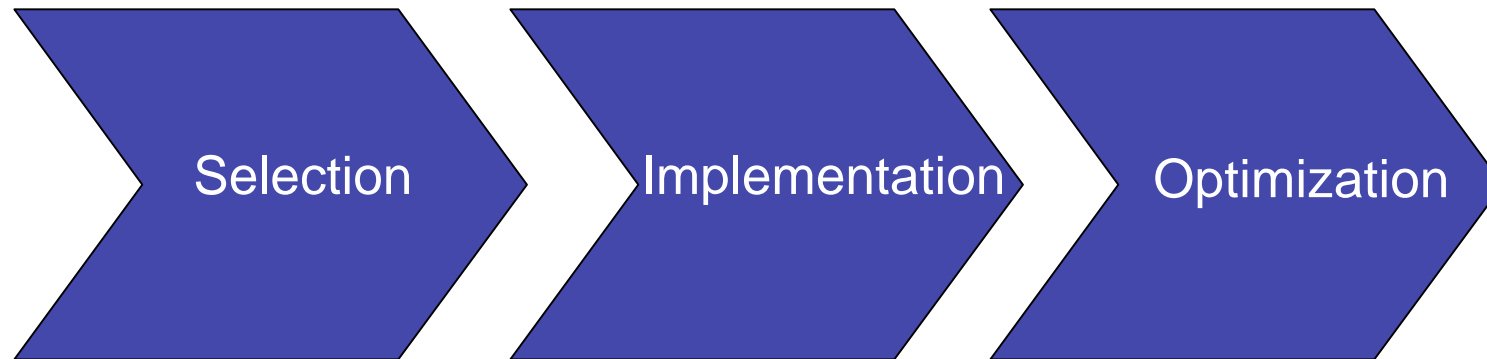
Lack of Full Technology Utilization

Reasons why organizations achieve only a partial functional or partial geographic implementation of their treasury technology:

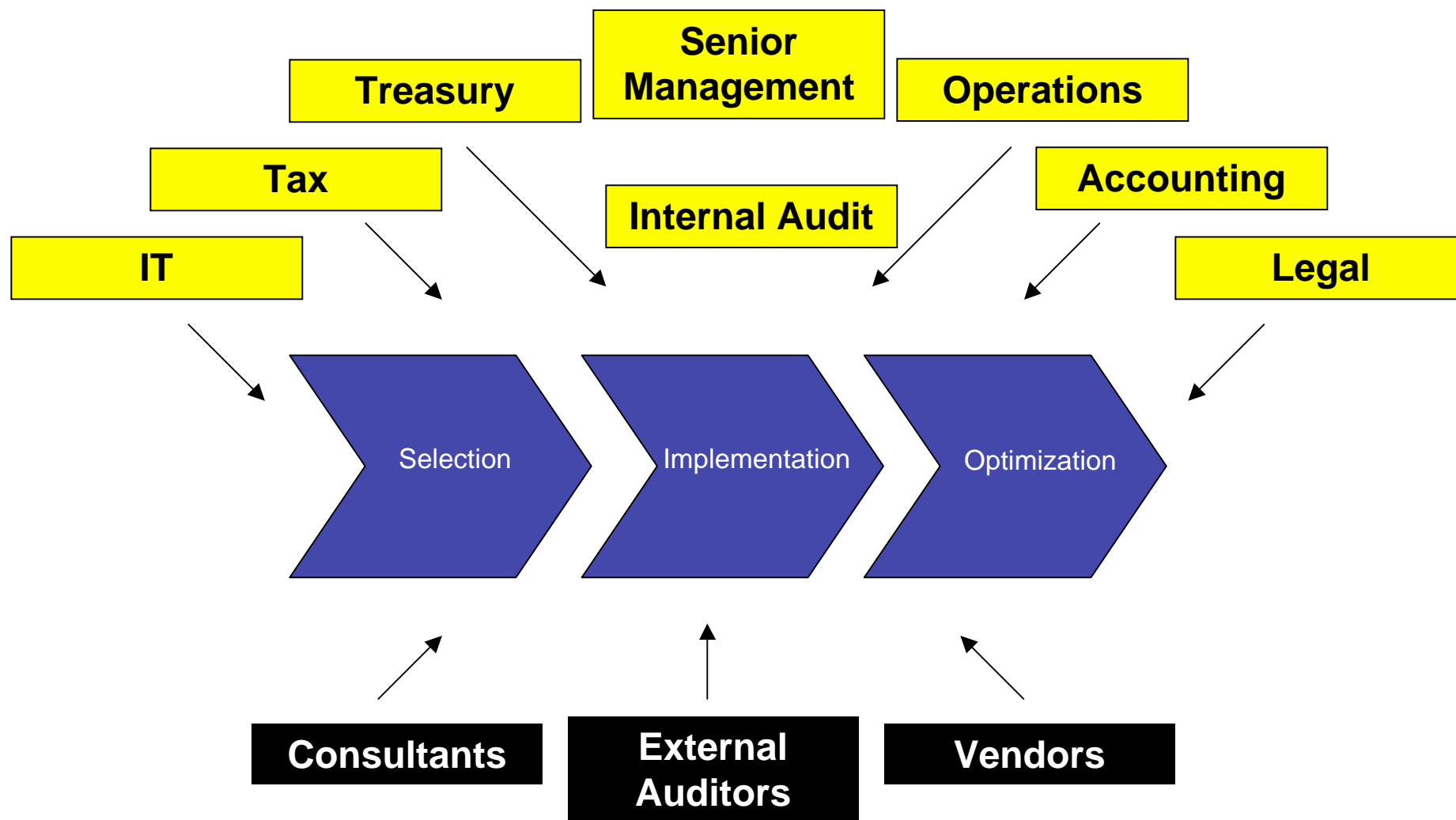
- Lack of treasury resources
- Competing projects and lack of focus
- Lack of senior management involvement
- Challenging implementation
- International resistance
- Different functional requirements in regions
- Lack of communication with vendor
- Changing business drivers
- Changing environment

Three Steps to Effective Treasury Technology Utilization

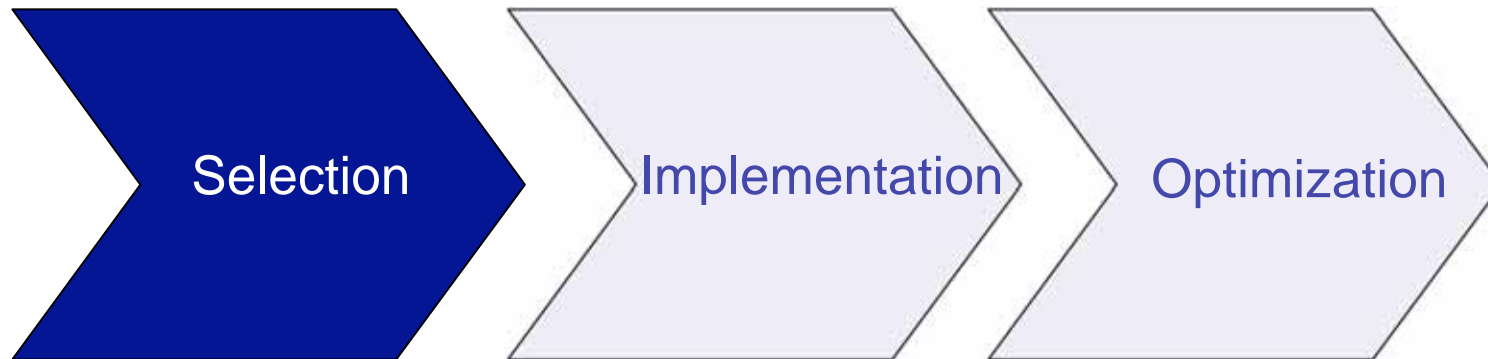
Three Steps to Effective Treasury Technology Utilization



Required Resources



Step One: Selection



Step One: Selection



(1) **Assess** →

- Existing Processes
- Definition of Roles
- Needs & Requirements

(2) **Identify** →

- Identify Vendors
- Develop RFP
- Analyze Proposals

(3) **Short List** →

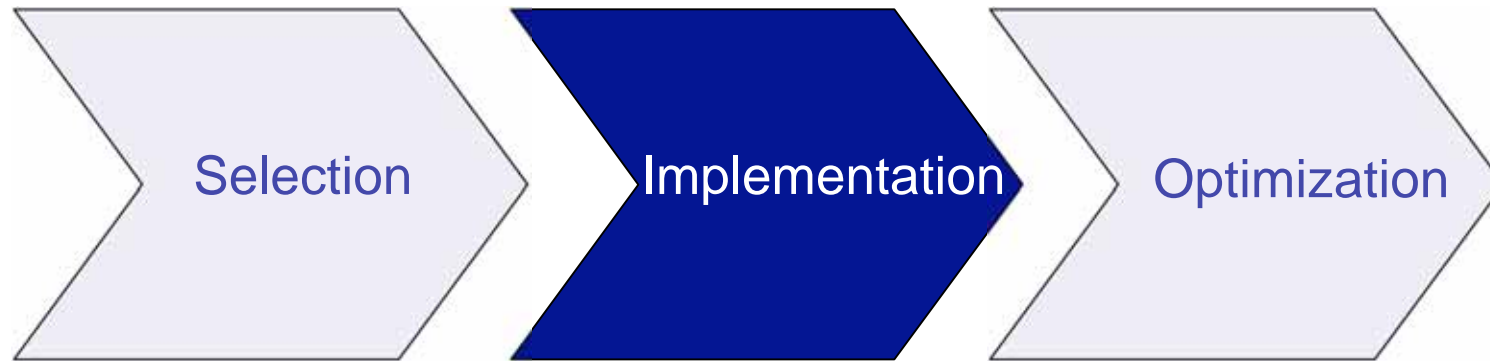
- Finalists
- Demonstrations
- References



(4) **Select** →

- Proof of concept
- Contract negotiations
- Business case development

Step Two: Implementation



Step Two: Implementation



(1) **Review** →

- Objectives
- Expectations

(2) **Plan** →

- Statement of Work (SOW)
- Resources & responsibilities
- Formal project plan

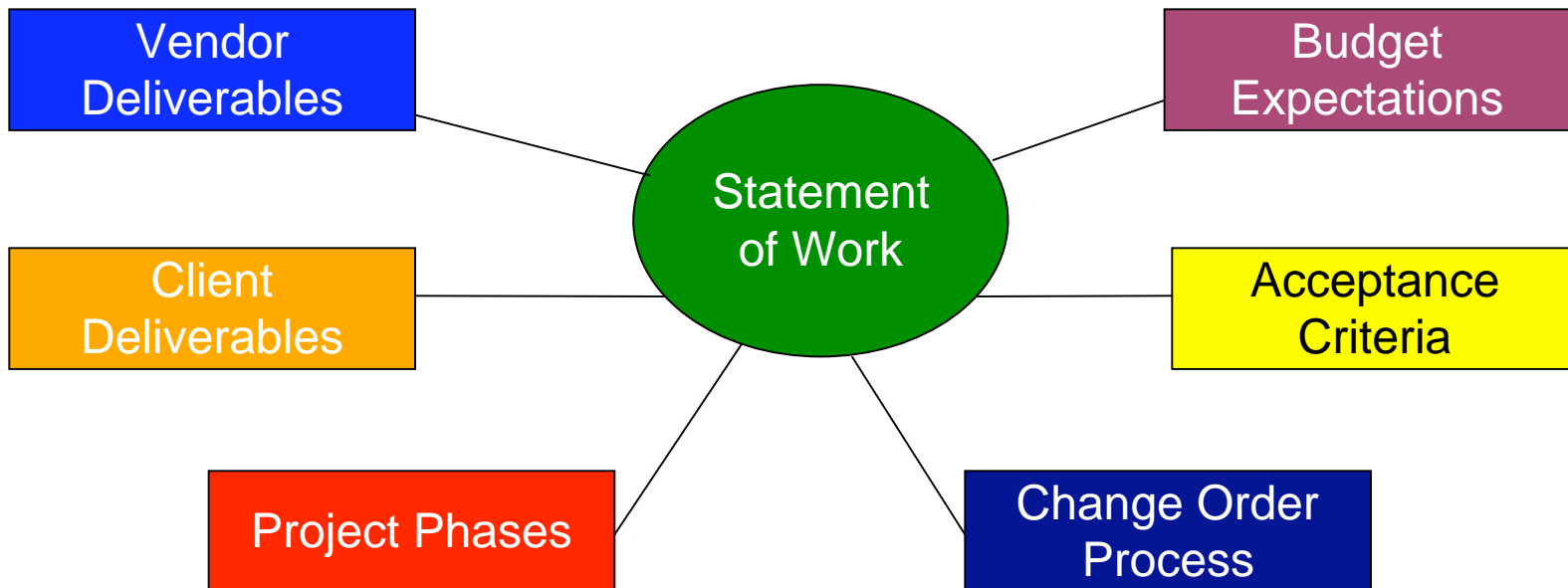


(3) **Document** →

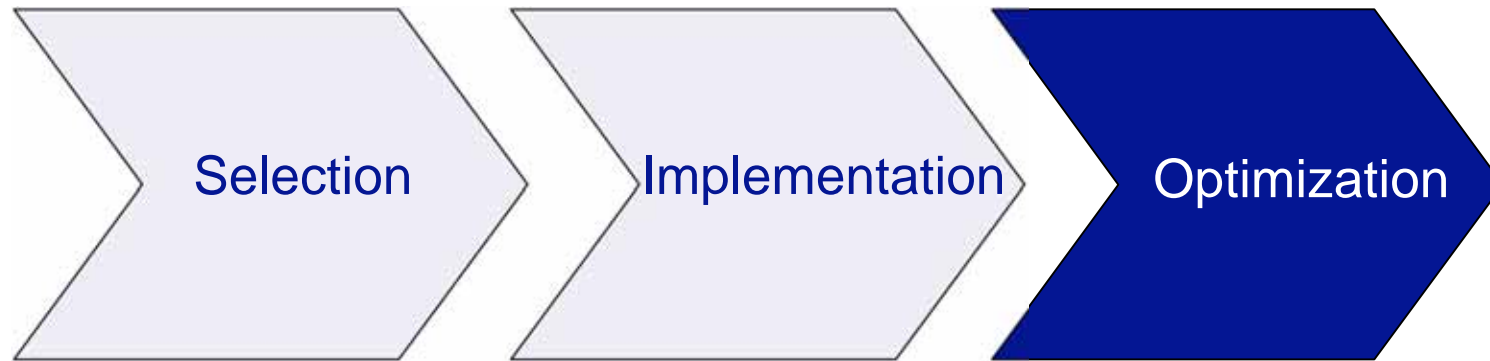
- Vendor expectations
- System & workflow procedures

Statement of Work

- A Statement of Work serves as an important roadmap and reference point throughout the project.



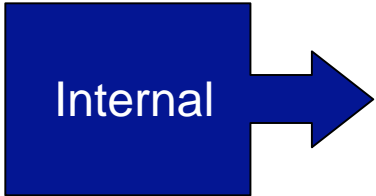
Step Three: System Optimization



Step Three: System Optimization



(1)



- Review internal functions
- Map functions with system

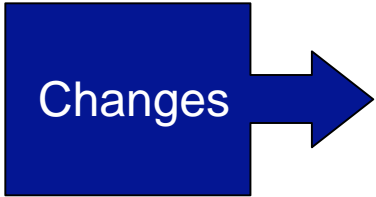
(2)



- User conferences
- Upgrades and new releases



(3)



- IT changes
- Vendor changes
- Acquisitions/divestitures

Do's & Don'ts

Do's & Don'ts



DO:

- Assign treasury staff members to the project on a full time basis
- Prioritize system module implementation based on needs
- Request the vendor's user group list at the beginning of the project
- Use this project as an opportunity to improve operations and implement best practices

DON'T:

- Proceed without a statement of work
- Proceed without your company's IT involvement
- Restrict yourself to one server - you'll need a test server
- Let potential lack of enthusiasm on the part of some users or stakeholders derail the project

Client Examples

Client Example: Redefinition of Treasury



Company: Middle market health-care system, with multiple entities, hundreds of bank accounts, centrally-managed investment pool, including interest re-allocation to individual entities

Technology: Implemented ASP-based treasury system with in-house banking functionality

Transformation: Corporate Treasury changed from central repository of manually-intensive information to central service-center, with all company departments and entities afforded independent access to bank account and investment information, as well as ability to request payments executed by Corporate Treasury

Client Example: Single Pipeline to Banks



- Company: Large software company, with multiple entities and hundreds of global bank accounts, some of which are centrally managed and others managed by subsidiaries
- Technology: Implemented SCORE (SWIFT Standardized Corporate Environment) - one pipeline to all banks in SWIFT network for information reporting
- Transformation: Corporate Treasury moved from model of point-to-point connectivity with all banks in which visibility of global cash was limited, to a model in which a single secure channel for bank communication affords near real-time view of all global cash

Client Example: Online Trading Portal



- Company:** Manufacturing company, with multiple global entities and staff trading foreign exchange using telephone execution.
- Technology:** Implemented online trading portal, with functionality to entitle only authorized users, conduct simultaneous competitive bidding of bank group participants and straight-through processing.
- Transformation:** Company saved thousands per year on trading volume, eliminated need for fax confirmations, and met control requirements for competitive bidding and authorization of trading activity. Trading portal system further interfaced with TWS for transaction entry and reporting.

Client Example: Payment Factory



Company: Large electronics company, with multiple global entities executing payments from hundreds of disbursement accounts, using paper and electronic instruments.

Technology: Implemented payment factory in two regions, with subs using ERP system to input payments, single file generation for delivery to bank partner, which selects most efficient payment method in country/region and charges central disbursement accounts.

Transformation: Company transitioned from one where disbursements required manual effort by staff to issue checks and reconcile disbursement accounts to a model that supports supply chain centralization with more efficient payment process.

Technological Developments & Trends

Technological Developments & Trends

SWIFT



Bank-to-Bank

Corporate-to-Bank

- Direct Member
- Indirect Member
- Member Closed User Groups ==> SCORE

Corporate-to-Corporate

SWIFT

SWIFTNet

Future?

Security



On-line fraud

Internal fraud

Identity Theft

Error detection

Technological Developments & Trends

Regulatory



Sarbanes-Oxley (SOX)

Anti-Money Laundering (AML)

Accounting standards

BASEL II

Markets in Financial Instrument Derivatives (MiFID)

Standardization



Extensible Markup Language (XML)

ISO20022

Single Euro Payments Area (SEPA)

Treasury Workstation Innovation Standards Team (TWIST)

Electronic Data Interchange For Administration, Commerce and Transport (EDIFACT)

Technological Developments & Trends

Technology



Mobile payments

Java 2 Platform Enterprise Edition (J2EE)

Service Oriented Architecture (SOA)

AR and AP



Electronic Invoice Presentment and Payment (EIPP)

Trade payables financing

Remote deposits

Refund check outsourcing

Back Office Conversion (BOC)

Consolidation

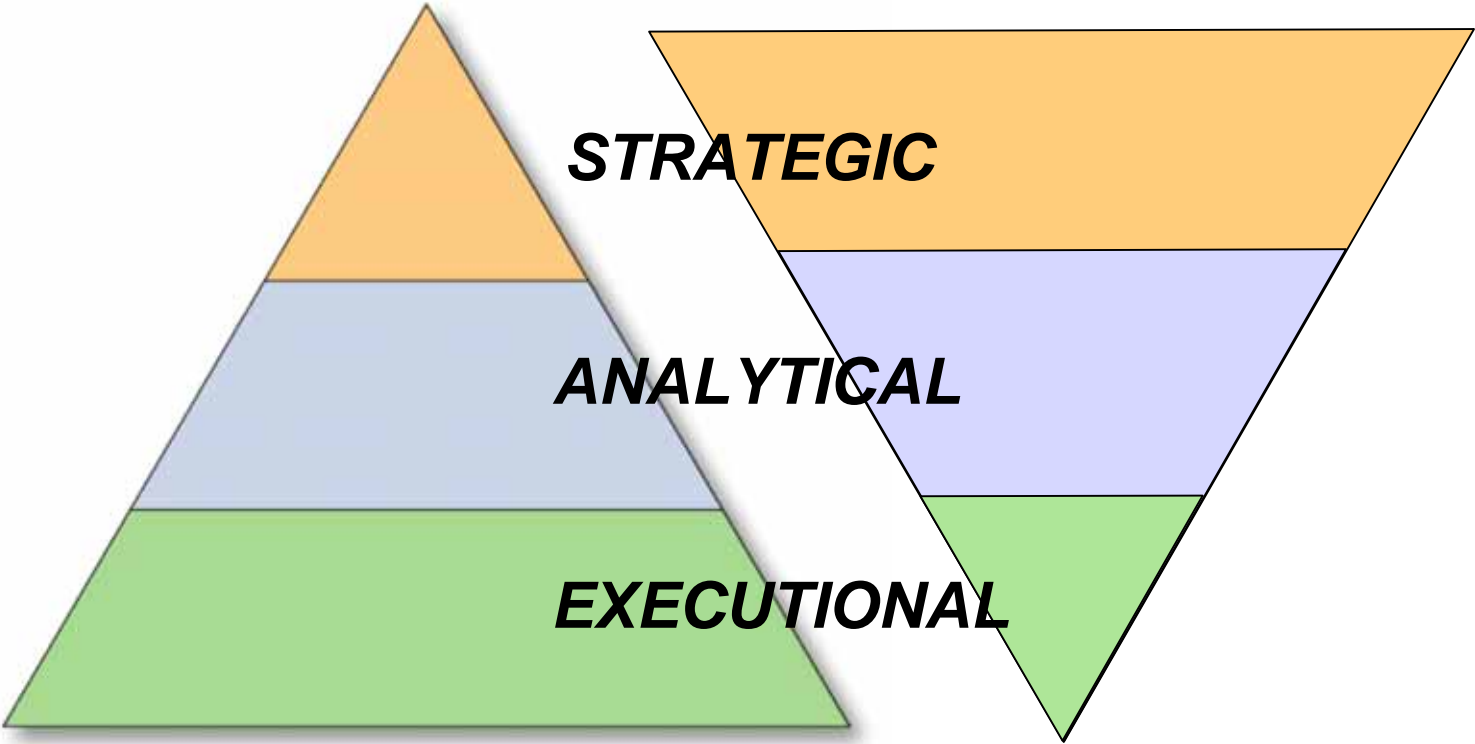


Banks

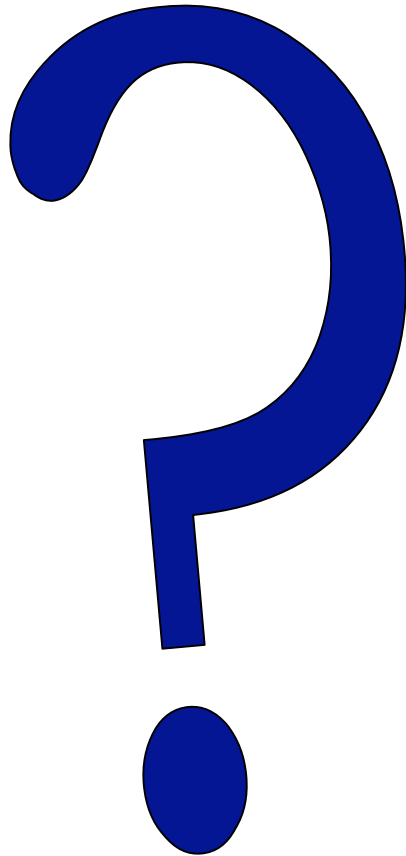
Vendors

White Label

Conclusion



Questions?



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About Treasury Strategies, Inc.

Who We Are

Treasury Strategies, Inc. is the leading Treasury consulting firm working with corporations and financial institutions. 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.

Financial Institutions

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

Market Intelligence

We deliver the keys to informed decision making through customized research that gets to the heart of what's happening in the marketplace.