

9th Annual State of the Treasury Profession

Carpe Diem

January 28, 2015



**Treasury
Strategies.**



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The Power of Experience®



Today's Agenda



- ✓ **Recap/Environment**
- ✓ **Accomplishments**
- ✓ **What's Left**
- ✓ **Seize the Benefits!**





Recap of the Past Few Years: Treasury Strategies Spot-On



2012: Are We There Yet?

Recovery wore us out



2013: Turning the Corner

Beginning to see a change



2014: Chart Your Destiny

Time to be proactive





What Do We Foresee for Treasury in 2015?



Carpe Diem. Seize the day.

Because much has been put in place and it's time to seize the benefits.





Things Keep Coming at Us!

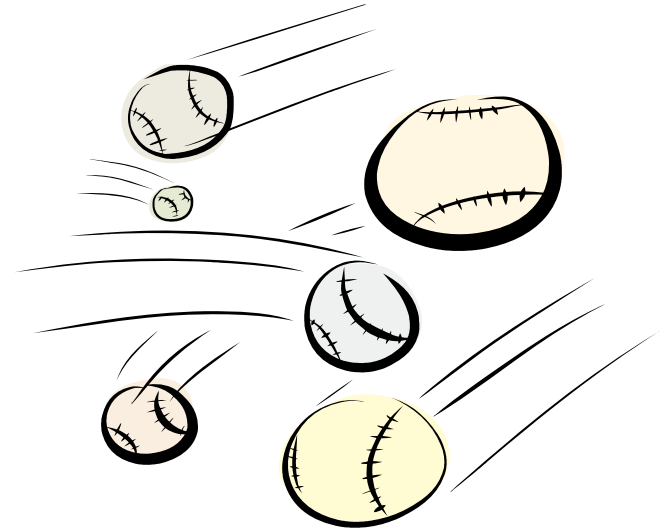


But there's still a lot we're dealing with and many situations won't resolve any time soon.

There are still things coming at us from all directions.

Economic recovery

- Patchy at best
- US and North America \approx 3%-ish growth
- Europe might be on brink of deflation
- Russia is imploding
- Then there's China: growth slowed, although who knows how much?



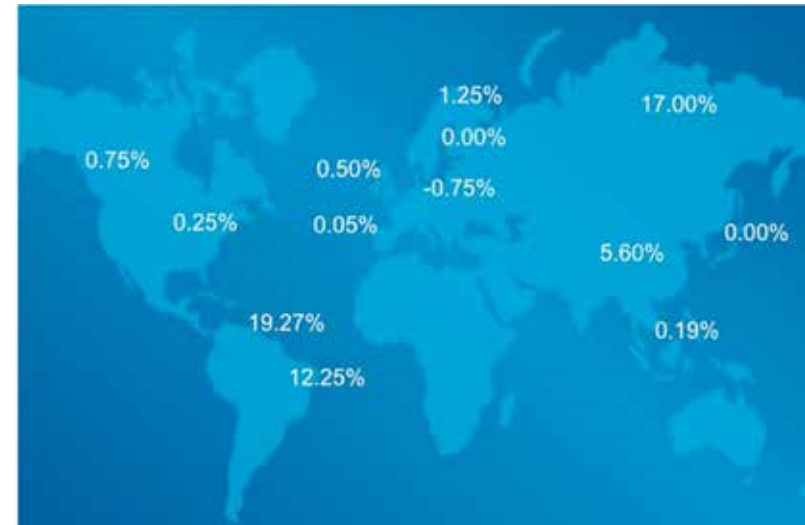


Patchwork Quilt of Rates and Regs



Hangover items related to economic recovery

- Global rate environment that looks like patchwork quilt
- Reversal of QE (Quantitative Easing) in US – what will be left behind when it recedes?
- ECB stepping back in with asset purchases to stimulate flat European growth
- Companies still sitting on a ton of cash, seeking decent returns



Regulatory rollout – post-crisis

- Also patchy
- No end in sight for more banking regulations; many ultimately flow through to treasurer's desk
- Basel III will challenge a decades-old compensating balance equation
- Dodd-Frank – firms still working on compliance reporting on counterparties and derivatives
- FBAR a struggle for so many
- Europe – MiFID2 is coming



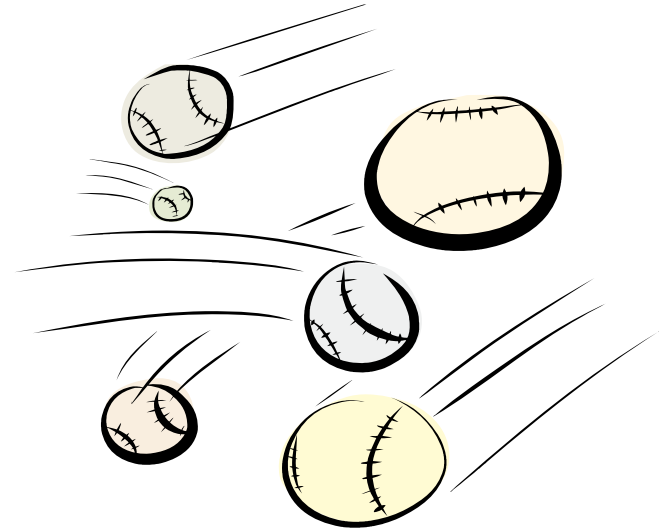


More that Keeps Coming at Us!



New risks

- Black hats – cyber issues
- Always has been concern about cyber-risk; Treasury thought to be somewhat immune
- But now we know they're after us too
- XOOM example: hacked in December 2014 – direct hit on type of payments Treasury makes daily



It's clear, we must be alert to the black hat ways, have to protect our account information, bank and payments data.





Treasury 3.0®



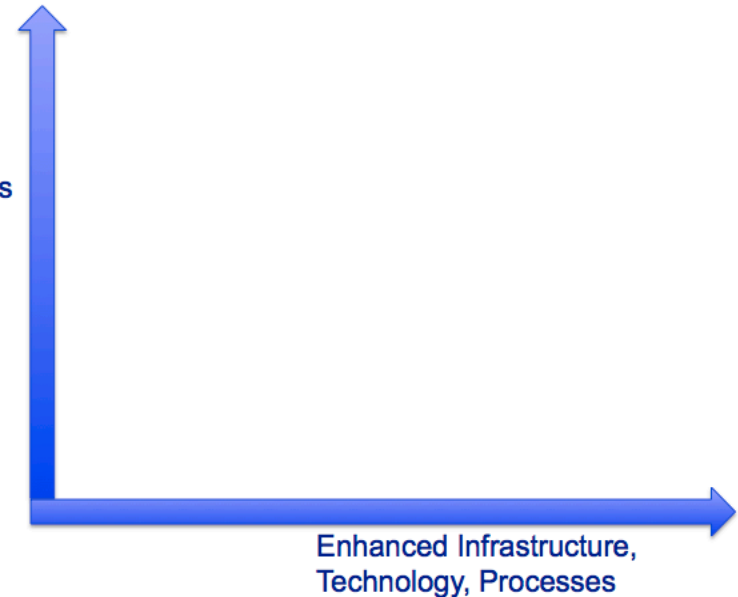
Yet Treasury has made substantial progress in the midst of all this!

The chart depicts the Treasury 3.0® evolution, illustrating Treasury's expanding responsibility and scope, and improvements to infrastructure, technology and processes.

That is what has been happening.

Look back over the last several years, and amazingly, much has been accomplished.

Expanding
Scope and
Responsibilities





Look How Far We've Come!



Treasury has been methodically at work building a Treasury 3.0® foundation.

Several years ago, Treasury Strategies introduced Treasury 3.0®, the next generation of Treasury

- Financial **nerve center**
- Not a profit or cost center, but a **value creation center**
- Expanded, more strategic **scope** of responsibility
- Stronger **infrastructure**, technology and business process



Crisis → role grew in importance. Treasurer is called by CEO daily! Treasurer got authority to get the job done. Tech budgets opened.



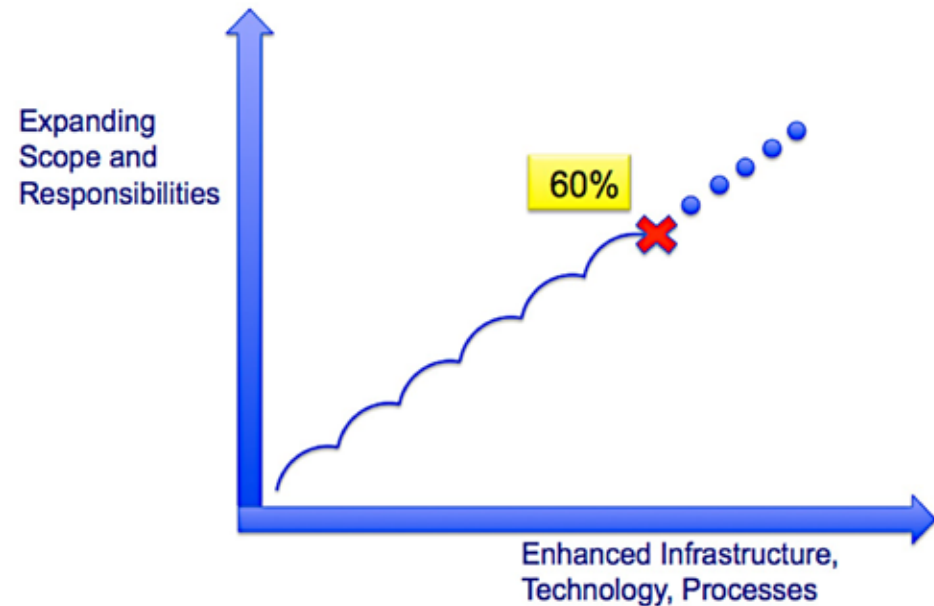


Look How Far We've Come: Treasury 3.0® Continuum



Treasury 3.0® foundation

- Expanded scope
 - Cash visibility
 - Forecasting
 - Liquidity management
 - Access to capital
 - Compliance/reporting
- Stronger infrastructure, technology and business process
 - TMS
 - Payment factories
 - ERP
 - Cross-company integration
 - New payment mechanisms – web, apps, bitcoin





What's Left to Complete?



Treasurers are perhaps 60% up the 3.0 curve.

Some firms we work with have yet to reach that.

Most common gaps still to be met

- Finish the Tech implementations
 - Get Phase 2 done; fill functional gaps
 - May have left some things for the next round – long-haul accounting, FX, debt
 - Bolt-ons that might not have been available previously, such FBAR, BAM, forecasting
- Eye on **data security**
 - First line of defense is internal: access control and phishing/social engineering defenses
 - Next is security of data while in flight
 - Third is security outside your firm: at your service bureaus, the cloud, etc.
 - We have much new thinking on this
- Policies and procedures must be nailed down and documented
- Payments and liquidity management update (in response to tax and regulatory updates) – netting/pooling/IHB, SSC and payments center full deployment





What's Left to Complete?



Completing the remaining 40%

- More sophisticated, comprehensive and timely dashboards
 - Help you focus on strategic items
 - Be better informed/up-to-date in real-time world
- More powerful analytic tools and data mining
 - In the early days, we had data
 - In the last decade, it was information
 - Now, we need intelligence
 - You once asked questions of the data; now data tells you what questions to ask
- Integration with external data: markets, rates, commodity prices, etc.
 - Imagine the power of access to macro data, micro, rates, commodity prices, raw materials, etc.
 - Correlating internal and external information for a more robust view at the 50,000-foot level
- Further integration with Business Units
 - Closer to the action of your firm's business: supply chain, inventory, raw materials
 - Earlier view of trends and opportunities
 - Again, at 50,000-foot view – which may be Treasury's uniquely valuable perspective





What's Left to Complete?



Completing the remaining 40% (cont'd.)

- More sophisticated decision rules
 - Used to be single-variable, single-action rules: if balances exceed x, sweep to MMF
 - Can now be multiple-variable, multiple-action
 - Can even be notified when something needs your attention: when cash in a region drops below a certain level; when an exchange rate moves out of a set range; when you're close to hitting an important loan covenant
- Global banking changes – Basel III fallout
 - Banks changing their view of what balances are most valuable, and the operating business that has to be present to confer that value
 - The decades-old dynamic of relationship value is changing
 - Obviously, if my relationships increase or decrease in importance to a major bank, it will ripple through to my banking decisions
- Organizational – once, we needed good spreadsheet jockeys and detail-oriented analysts. Now we need tech-savvy people who can support sophisticated analysis and strategic activities.





Treasury Strategy: Seizing the Day – Getting the Benefits



Four steps to develop your strategy

1. Understand the strategy of your company
 - Two years out, five years out
 - New geographies/jurisdictions/currencies
 - Capital-intensive or capital-light
 - Wholesale cash flows or retail
2. How Treasury can support this strategy
 - People
 - Technology
 - Governance
 - Service levels
3. Two- to five-year roadmap
4. Project plans for key elements





Treasury Strategy: Seizing the Day – Getting the Benefits



Top issues for 2015

- Cash forecasting
- Financial risk management, FX
- Treasury organization, staffing and skills
- Treasury technology
- Bank relationship management
- Short-term investments
- Operational efficiency



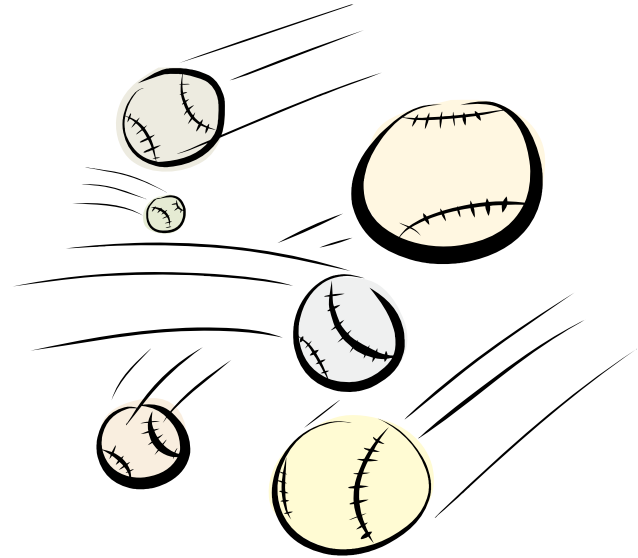


Keeps Coming at You!



Examples of seizing the day, getting the benefits

- Swiss revaluation. Assess and take action within minutes or hours, not days or weeks → Reduced risk.
- Short-term investments. Flat yield curve requires better forecasting → Increased investment income.
- Economic uncertainty. Stress test balance sheet vs. econ scenarios. Optimize capital structure → Lower cost of capital.
- Rich payment data. Data mining. Supply chain finance. Dynamic discounting → Lower cost, increased income.
- Financial risk. More robust and granular data. Better hedging and exposure management → Lower hedging cost, lower risk.
- Regulatory reporting. eBam. FBAR → Improved compliance, lower cost.



MOST IMPORTANT: you are prepared to handle whatever comes at you.





2015: Wrap-up



The building is ready for occupancy even though it's not topped out.

We're ready to see what a fully-equipped 3.0 Treasury can contribute to the firm

- How Treasury can support firm strategy
- What kind of strategy can Treasury build for itself?
- No longer bogged down in day-to-day and tactical
- Getting things done, with resources that are more automated and expansive – freeing us for that final, most strategic 40%
- Rolling with punches from the global economy





2015: Wrap-up



What we suggest

- Pull together your punch list – to reach the 60% level
- Finish off building powerful analytics, integration and decision support tools
- Build a treasury strategy
- Seize the benefits of all the advances!

The benefits

- Decreased risk
- Increased investment return
- Lower cost of capital
- Lower operating and hedging costs
- Improved compliance
- Balance sheet optimization





Give Us A Call



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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 – which includes creating a roadmap, selection, implementation and optimization. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

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