



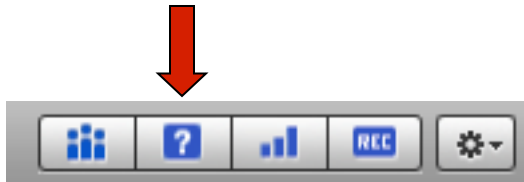
# Treasury Technology for Turbulent Times

August 24, 2011

Presented by:  
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## Questions



## Recording & PowerPoint

- A link to the recording and a copy of this presentation will be available next week.

## CTP Credits

- CTP recertification credits are available for any treasury or finance events lasting at least 50 minutes.
- Contact the AFP for more information.

# Speakers



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# Agenda

Treasury demands in this market

What's the right technology?

Putting it all together

- Considerations for selection
- Considerations for implementation

How you'll benefit

Next steps

Treasury Demands in this Market

# More Fire Drills?



# Sovereign Debt = Counterparty Risk

## FINANCIAL TIMES

Week of turmoil

From **MARKETS** Aug 19, 2011

### Yen and gold soar on recession fears

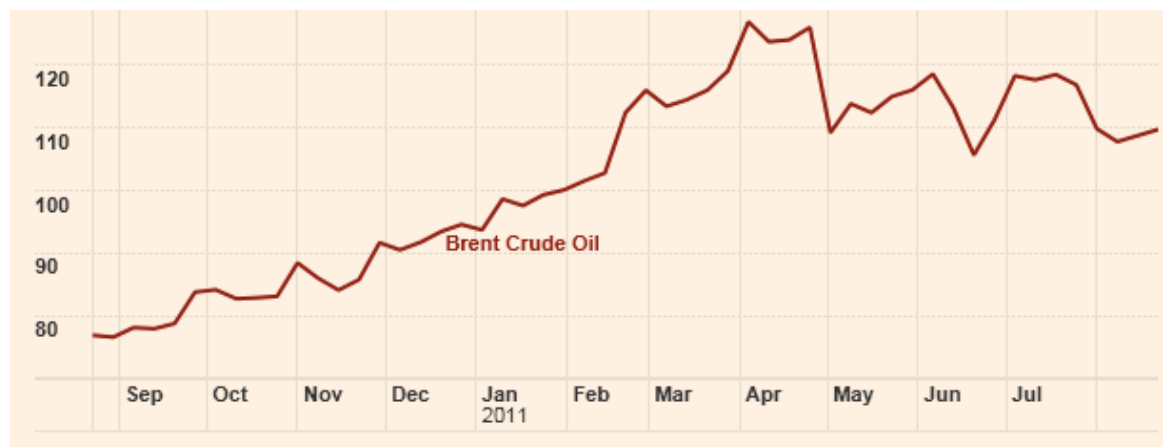


#### Demand for the safest assets grows stronger

- Global Market Overview Treasuries rally late as stocks tumble
- Tokyo struggles to keep pace with gold rush
- Flight to safety sparks dramatic slide • Gold price nears \$1,900
- Funding fears hit European bank stocks

# Increased Volatility = Portfolio Risk

## Oil



## USD/JPY





# Weak Economy = Drive for Efficiency



Improve timing  
and speed of  
information  
delivery



Flexible & scalable  
architecture



Automate manual  
processes – eliminate  
data rekeying



Lower costs

# Spinoffs = Opportunities



## Organization

- ✓ Centralized?
- ✓ Shared Service Center activities?
- ✓ Functional specialization?
- ✓ Hire



## Technology

- ✓ Services agreement with former parent?
- ✓ Select technology
- ✓ Prioritize implementation



## Policies & Processes

- ✓ Draft policies
- ✓ Assign functional roles
- ✓ Ensure appropriate controls



## Bank Architecture

- ✓ Evaluate optimal bank structure and relationships
- ✓ Assess bank connectivity opportunities

# Mergers & Acquisitions = Opportunities



## Organization

- ✓ Centralized?
- ✓ Shared Service Center activities?
- ✓ Functional specialization?
- ✓ Rightsize



## Bank Architecture

- ✓ Evaluate optimal bank structure and relationships
- ✓ Assess bank connectivity opportunities



## Policies & Processes

- ✓ Align & update policies
- ✓ Assign functional roles
- ✓ Ensure appropriate controls



## Technology

- ✓ Review technology contracts and options
- ✓ Select technology
- ✓ Prioritize implementation

# Audience Polling Question

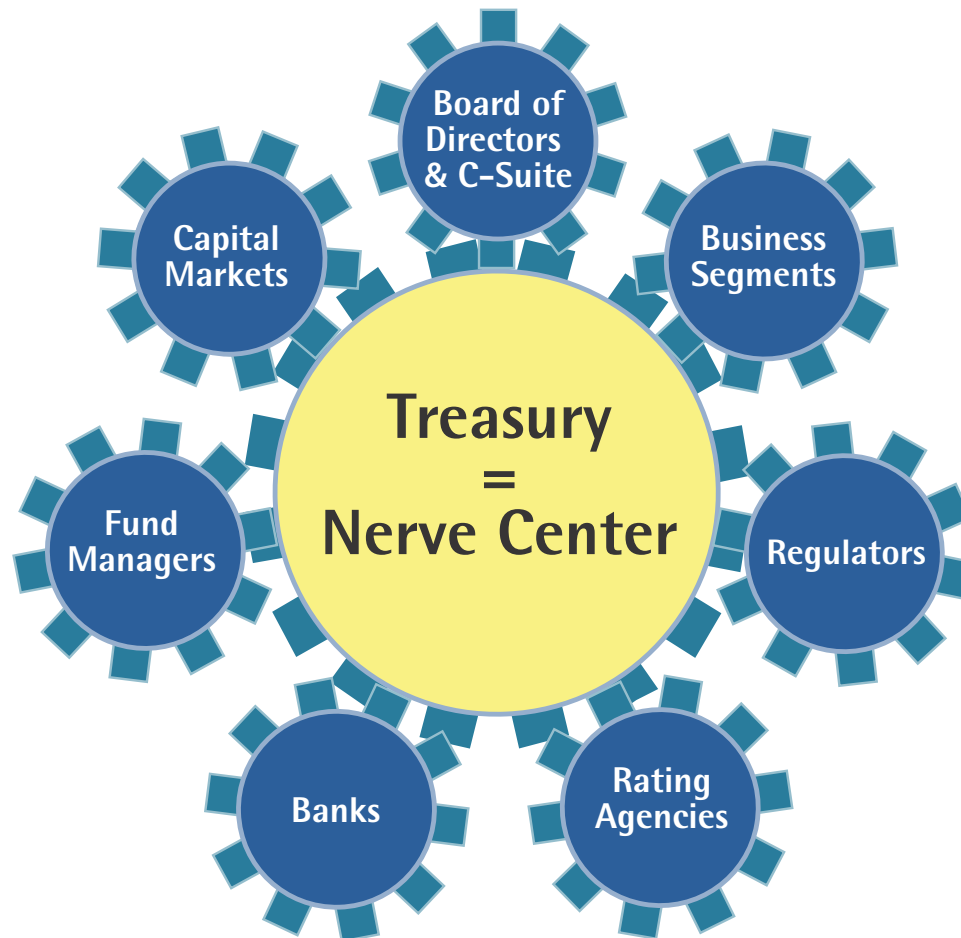
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What's the biggest concern for your treasury right now?

1. FX risk
2. Interest rate risk
3. Counterparty risk
4. Visibility to global cash
5. Spinoff/merger situation
6. Efficiency
7. Trapped cash
8. Investment opportunities

# Technology for the Enterprise

# Intelligence vs. Data



Download Treasury Strategies' white paper on the evolution of the treasury services business <http://tinyurl.com/3cyj4p3>

# Technology Requirements

## Cash Visibility

| Requirement                                | Technology Enabler  |
|--|---|
| Near-real-time cash reporting              | <ul style="list-style-type: none"> <li>• Automated bank balances from all business units</li> <li>• Access for all stakeholders (AR, AP, Accounting)</li> <li>• Include in counterparty risk reports</li> </ul> |
| Full details on cash receipts and payments | <ul style="list-style-type: none"> <li>• Integrate ERP reference numbers on file transmissions and bank acknowledgements</li> <li>• Leverage XML formats for more information</li> </ul>                        |
| Regular Treasury-driven forecast           | <ul style="list-style-type: none"> <li>• Integrated AP &amp; AR flows</li> <li>• Recurring items automated</li> <li>• Automated variance analysis</li> </ul>  |

Download Treasury Strategies' Quarterly Corporate Cash Report™ <http://tinyurl.com/3hvdjqm>

# Technology Requirements Foreign Exchange Management



| Requirement   | Technology Enabler   |
|---|--|
| Visibility to exposures                             | <ul style="list-style-type: none"> <li>• Business units submit operational exposures via centralized TMS</li> <li>• Import extracted balance sheet exposures from ERP</li> <li>• Automated consolidation and analysis against policy if hedge ratios dictated</li> </ul> |
| Efficient execution with flexible hedge instruments | <ul style="list-style-type: none"> <li>• Add options – execute, track and analyze in technology systems</li> <li>• Execute on multi-bank portal</li> <li>• Use in-house entity to net external trades</li> </ul>   |
| Valuation of positions                              | <ul style="list-style-type: none"> <li>• Mark-to-market with proprietary technology</li> <li>• Compare to bank valuations if ISDAs dictate bank is valuation agent</li> </ul>  |

Download Treasury Strategies' Quarterly Corporate Cash Report™ <http://tinyurl.com/3hvdjqm>



# Technology Requirements Counterparty Risk Management

Broad, frequent counterparty risk reporting is crucial in this environment.

| Cash at risk  |  | Potential risk  |                                      |   |
|---|--|---|--------------------------------------|---|
| <b>Cash in global bank accounts—</b><br>visibility to all global accounts; converted to common reporting currency | <b>Investments—</b><br>time deposits, direct CP, repos, money market funds | <b>Derivatives—</b> FX, interest rate and commodities contracts—<br>notional and mark-to-market values (adjusted for FAS 157/ASC 820) | <b>Credit facilities—un-utilized</b> | <b>Credit facilities drawn</b> (revolvers, letters of credit, etc.) |

# Technology Requirements Policy Compliance



Treasury technology vendors are enhancing functionality to integrate policy limits and key metrics directly into their platforms. At the same time, more portals are incorporating greater integration with TMS systems in their development roadmap.

| Limits   | Metrics  | Integration  |
|--|--|--|
| <ul style="list-style-type: none"><li>• Money market fund limits<ul style="list-style-type: none"><li>– By fund</li><li>– By portfolio</li><li>– Asset concentration</li><li>– Country exposure</li></ul></li><li>• FX portal limits<ul style="list-style-type: none"><li>– By trader</li><li>– By currency</li></ul></li><li>• TMS system limits<ul style="list-style-type: none"><li>– By instrument type</li><li>– By user</li><li>– Payment limits</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Limit compliance</li><li>• Benchmark performance</li><li>• Counterparty risk</li><li>• Mark-to-market valuations</li><li>• Hedge accounting compliance/effectiveness</li></ul> | <ul style="list-style-type: none"><li>• Portal integration<ul style="list-style-type: none"><li>– Investments</li><li>– FX</li></ul></li><li>• ERP integration<ul style="list-style-type: none"><li>– Reference numbers</li><li>– Acknowledgments</li></ul></li><li>• Bank integration<ul style="list-style-type: none"><li>– SWIFT</li><li>– Hybrid approach with SWIFT and individual bank links</li></ul></li></ul> |

Download Treasury Strategies' Whitepaper on Investment Policy Compliance <http://tinyurl.com/3so3e8j>

# Technology Requirements Efficiency



## SWIFT for bank connectivity

- Flexible – no proprietary bank interfaces for IT to maintain
- Lower cost
- Scalable
  - Can start in Treasury and leverage across organization
  - Global standardization of messages



## Middle and back office processes

- Reduce paper
  - Use technology for internal payment requests
  - Avoid paper deal confirmations
- Add compliance activities
  - Mark-to-market valuations generated independently and frequently



# Technology Requirements Efficiency – Mobile



Anytime, anywhere access

- Trade verification
- Payment approval
- Dashboard reporting



Improved response time



Increased convenience

Download Treasury Strategies' North American Mobile Banking Report <http://tinyurl.com/3s4xljo>  
Download Treasury Strategies' European Mobile Banking Report <http://tinyurl.com/3puhrq3>

# Technology Requirements Efficiency

## Reporting Requirements Now



- Dashboard
  - Customize by user
  - Align to key metrics
- Ad-hoc reports
  - Should be easy to produce quickly
  - Helps if data is resident in one database
- Standard reports
  - Should be easy to change and retain format
- Policy compliance & key metrics reports

# Technology Requirements Merger & Spinoff Situations

## Uncertain requirements coupled with pressing deadlines!



- **Merger/Acquisition – key considerations**
  - Integrate into acquiring company's existing system?
  - Migrate to superior system in place at acquired company?
  - Best-of-breed solution (some from both)?



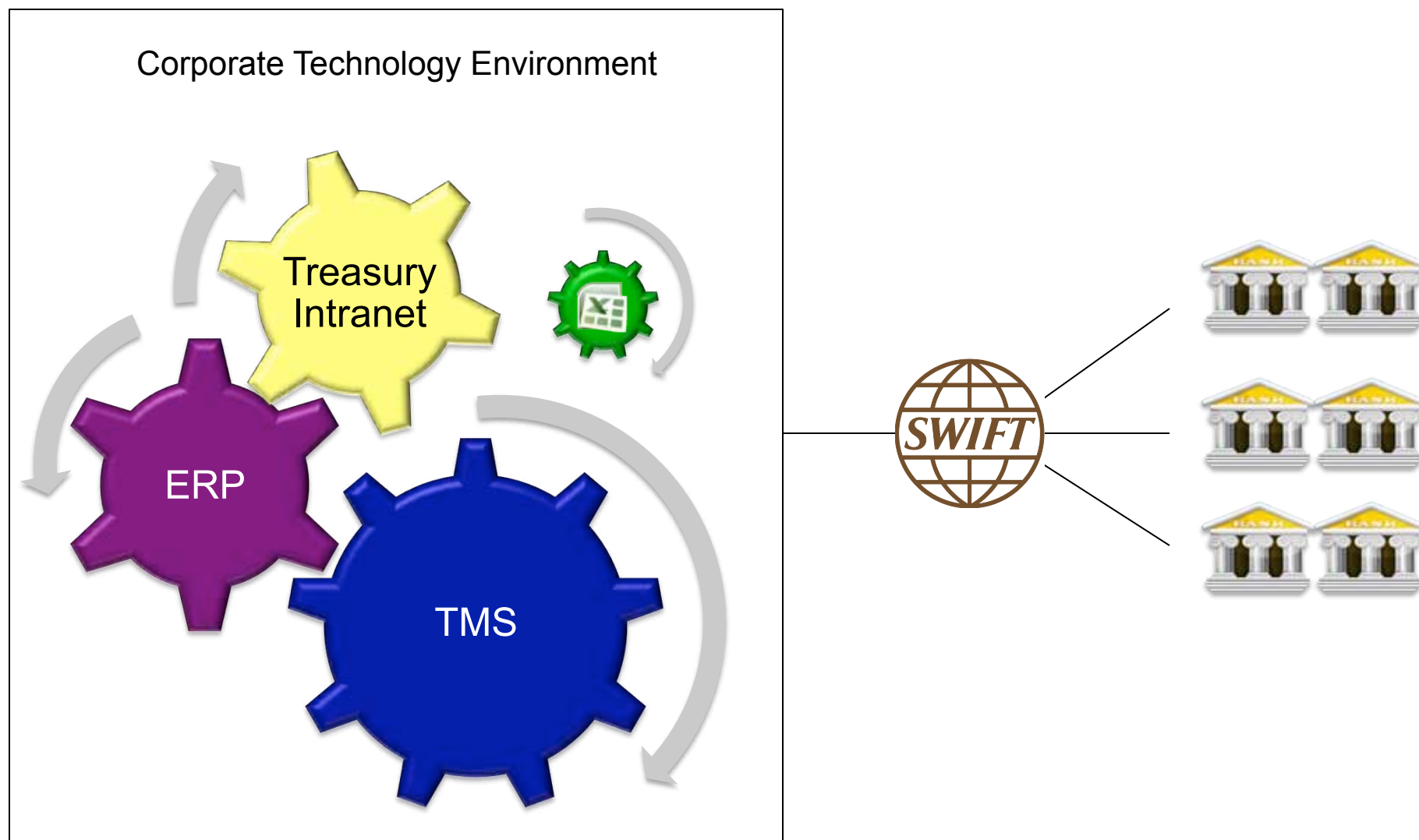
- **Spinoffs – key considerations**
  - Replicate existing system for spun company?
  - Clean slate – spun company implements new TMS that best fits their unique requirements?



- **Other considerations**
  - Are existing systems being 'sunset' by vendors?
  - Do existing systems provide the best-in-class features to meet critical requirements, or are they not keeping up with the market?
  - What process changes will be required within Treasury as a result of the path chosen?
  - How will change be managed and rolled out?

Putting It All Together

# Technology Tools: Internal





# Technology Tools: External



Bank websites



Trading & specialized portals



Market rate providers  
(Bloomberg/Reuters)

# Selecting for Now...and the Future

## Solutions that grow with your organization



### Evaluate technology against future state vision

- Define concise requirements
- Include current, relevant functionality to provide timely intelligence
- Eliminate outdated, inefficient processes
- Update (or select new) systems that enable best-in-class processes and performance measurement
- Don't delay!

### Determine most suitable technology partners

- Evaluate vendor's capability at an in-depth level
- Can they meet more advanced demands?
- Have they kept up to date? Are they market leaders?
- Do they provide flexible hardware alternatives (Installed, hosted, ASP/SaaS)?
- Confirm they are investing in their product and executing against defined product roadmap

# Implementing for Success

## Time is of the Essence – Get it right the first time!



### Don't underestimate time and effort for key project phases

- Vendor evaluation and selection
- Project initiation
- Design
- Configuration
- Acceptance Testing



### Anticipate Project Challenges

- Functional complexity
- Alternate agendas
- Vanishing resources (team members, budgets)
- Additional fire drills...

Start now, but don't go it alone...

How Your Treasury Will Benefit

# Financial Nerve Center – Not Nervous Breakdown

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- Broaden Treasury focus beyond execution to strategic assessment
- Respond to Senior Management rapidly, comprehensively
- Assess impacts of major events
- Access the power of integrated data
- Get it right the first time

# Next Steps

- Evaluate what internal and external stakeholders need in this environment
- Examine technology architecture to see if it can support what you need right now
- Prioritize roadmap of improvements and technology for 2012 and beyond



# Exit Poll



Your feedback is essential for us to provide valuable content. Please let us know what you think.

1. On a scale of 1 to 5 (1 is low, and 5 is high), how useful did you find this session?
2. Did this presentation meet your expectations?
  - Yes
  - No
3. Do you plan to make changes to your treasury technology in the next 6 months?
  - Yes
  - No
4. What other topics are of interest to you for future Treasury Strategies' webinars?

# Questions?

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# Upcoming Treasury Strategies Events

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## Treasury Strategies at Industry Conferences

|                   |                        |         |
|-------------------|------------------------|---------|
| September 19 – 23 | SIBOS Conference       | Toronto |
| October 12 – 14   | EuroFinance Conference | Rome    |
| November 6 – 9    | AFP Annual Conference  | Boston  |

## Treasury Operations: A Formula for Post-Crisis Success

- Joint Webinar Series with Treasury & Risk Magazine
  - Starts on Thursday, September 15<sup>th</sup>
- Quarterly Corporate Cash Briefing™
  - Friday, September 16<sup>th</sup>

For more information, contact us at [info@TreasuryStrategies.com](mailto:info@TreasuryStrategies.com)

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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.



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