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Treasury Technology: Baby Steps

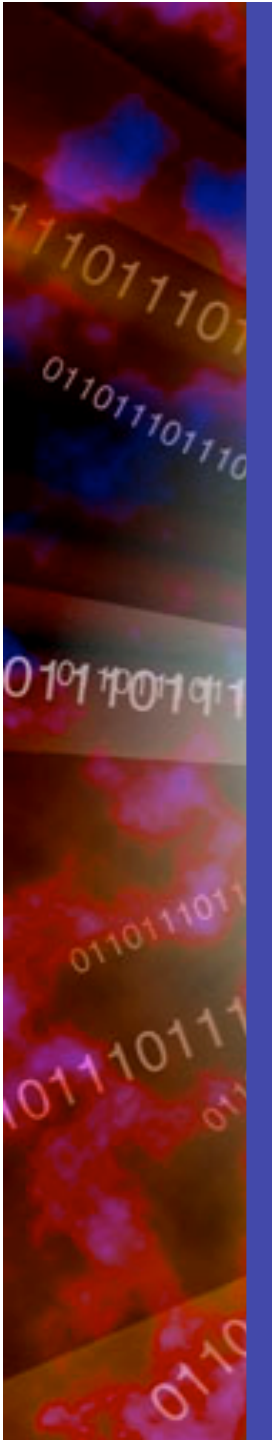
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Agenda



- Treasury Technology: Current Environment
- Treasury Technology Selection
- Treasury Technology Implementation
 - Common Implementation Challenges

Three Key Takeaways



- Treasury now requires a high degree of automation in order to remain both strategic and efficient.



- The most critical phase of a selection process is the vendor demonstration phase.

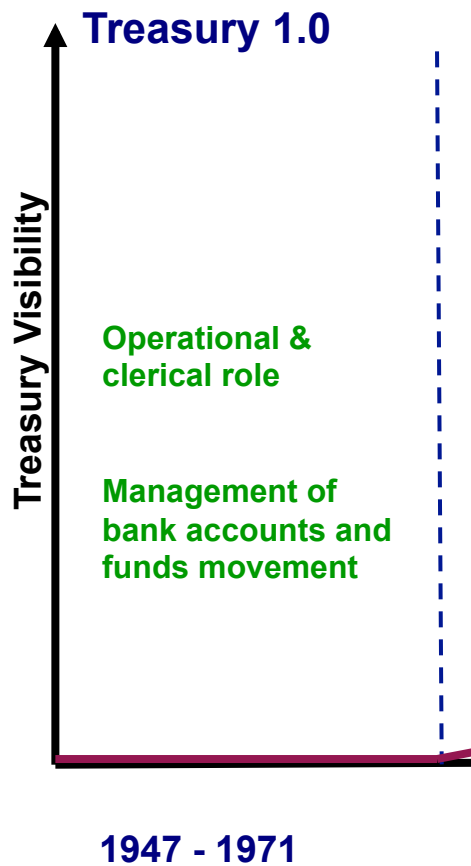


- The define and design phase are critical steps in the implementation process - there are no short cuts.

Treasury Technology: Current Environment

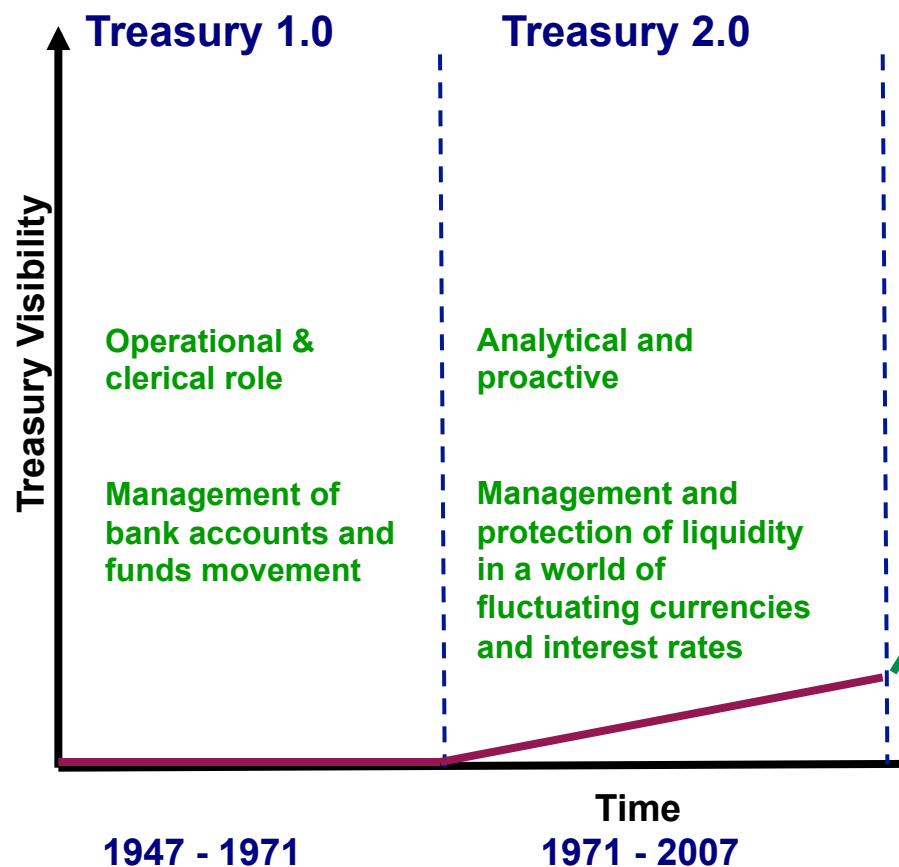
Treasury's Changing Role

Treasury Management Timeline



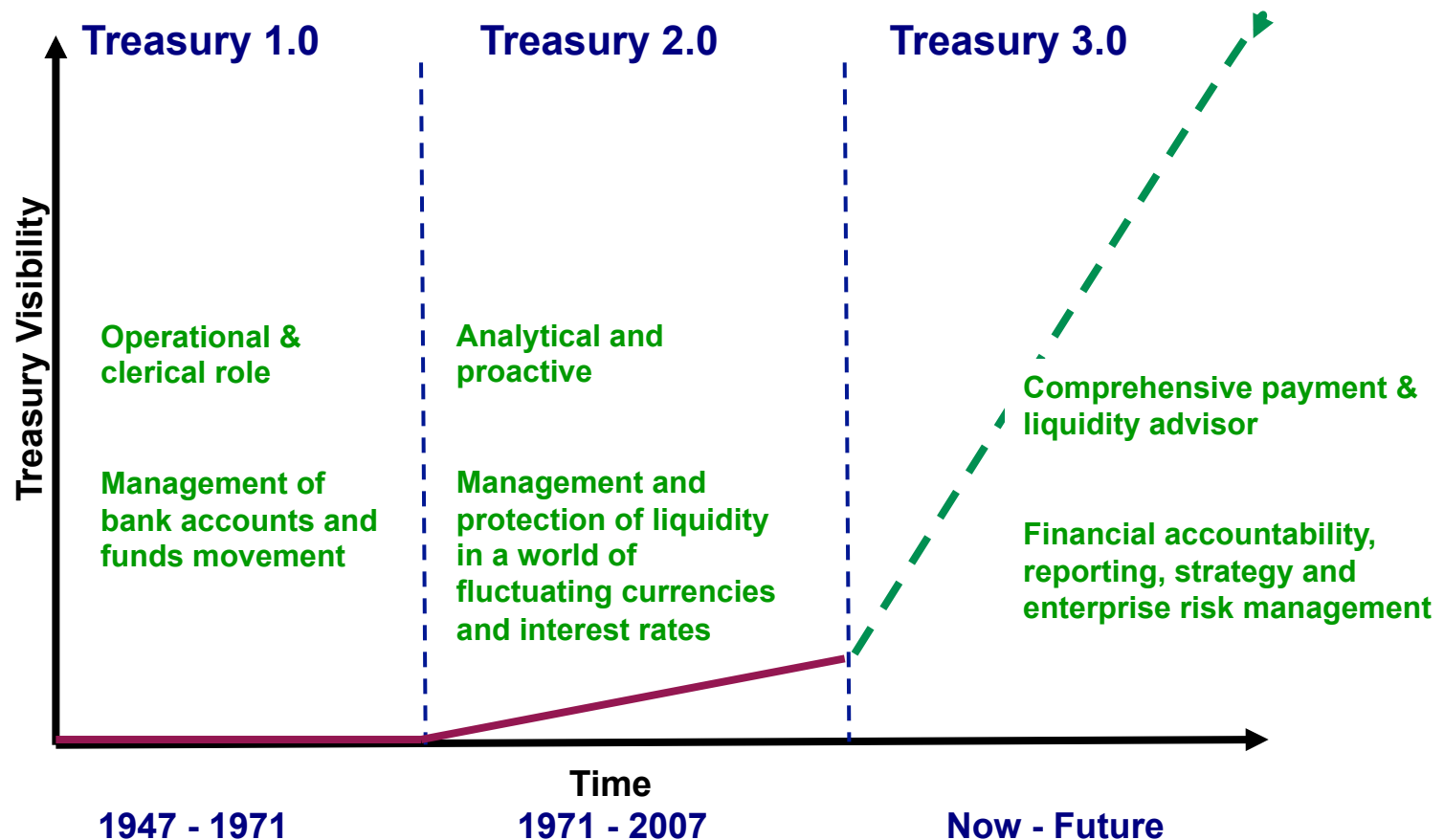
Treasury's Changing Role

Treasury Management Timeline



Treasury's Changing Role

Treasury Management Timeline



Types of Treasury Technology Solutions

Fully Integrated Treasury Management Systems		
Third-party (best-of-breed) treasury management systems	Enterprise Resource Planning (ERP) treasury module	Bank-offered treasury management systems

Specialized (single purpose) Treasury Systems		
Bank-to-book reconciliation	Risk analytics	Bank account administration
FX exposure management	Multilateral netting	Bank fee analysis

Other		
Bank online systems (reporting & payments)	SWIFT Corporate Connectivity	Online trading portals (FX and investments)
Transaction matching & confirmation systems	Working capital management (payments and receipts)	Management dashboards

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



Market Report Card

1. Relatively large percentage of companies across all market sizes still do not use a TMS.
2. Where implemented, deployment of technology is often sub-optimal.
 - Functionality available 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.
3. Many organizations are not taking advantage of new, specialized applications and functionality.

SWIFT Overview

Leveraging a single, standardized pipeline for bank communication

Information Reporting



Date	Amount
10/20	\$ 738.97
10/21	526.82
10/22	590.53
10/23	524.21
10/26	382.24
10/27	308.42

Payments



Transaction Matching
& Confirmations



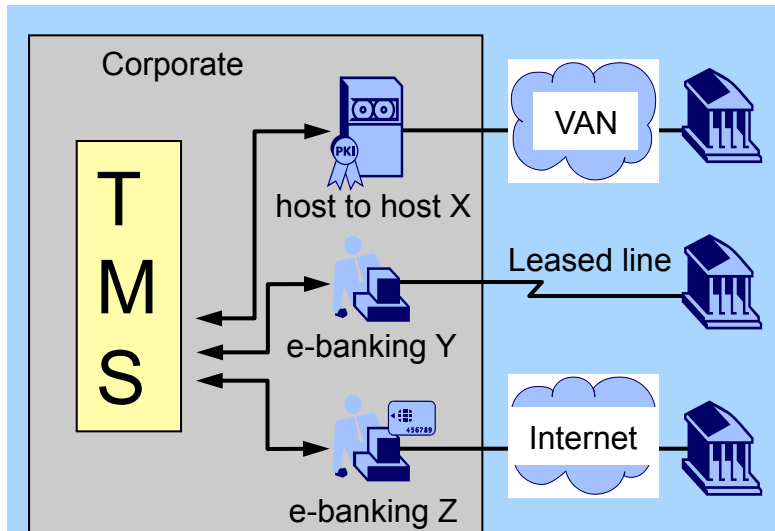
Trade (LC)
Processing



SWIFT

Traditional Bank Communication

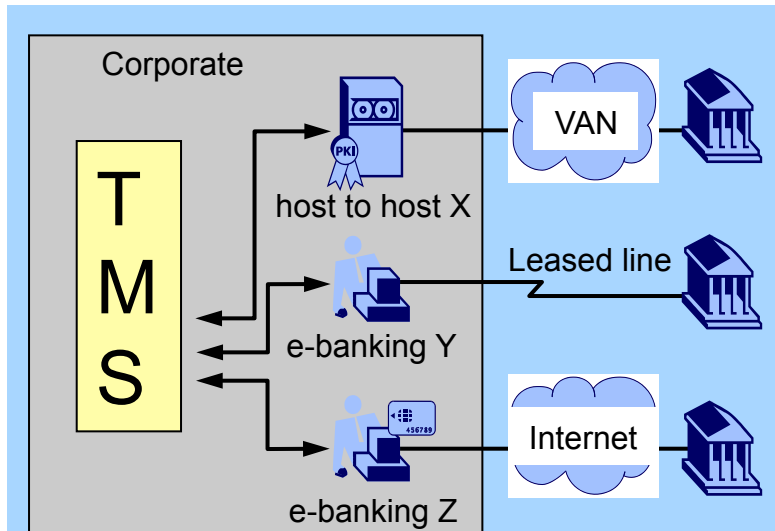
Multiple Channels



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

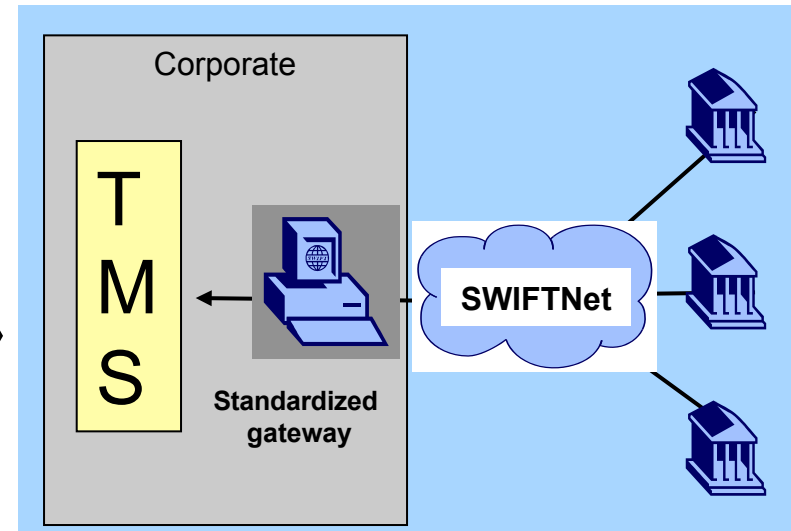
Today's Solution

Multiple Channels



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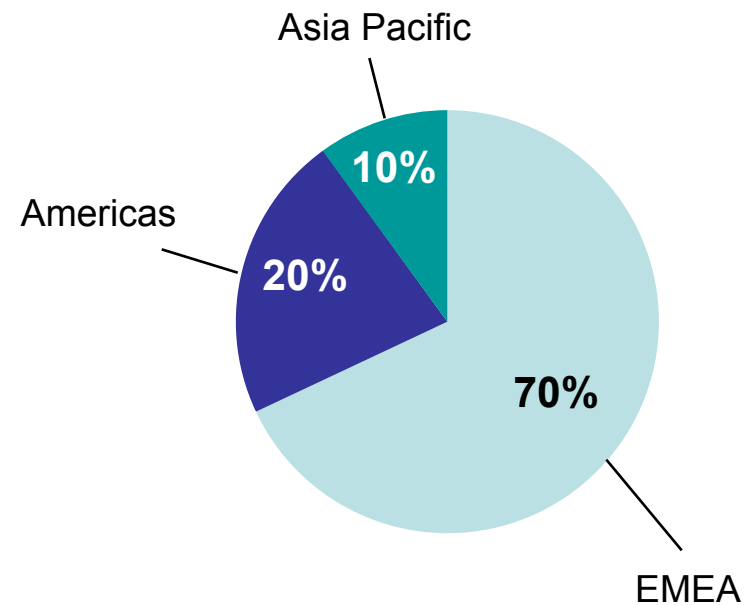
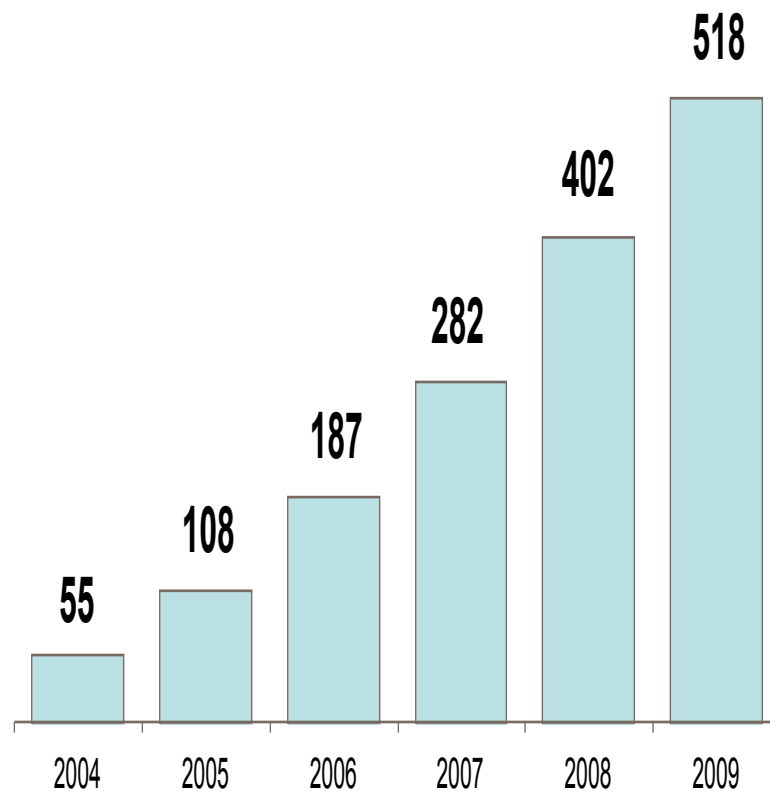
One Channel



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

SWIFT for Corporates Growth

Number of corporates registered



More than 1,200 banks in 100+ countries offer direct access for corporates

Treasury Technology Selection

Technology Selection Steps



Identify Types of Systems & Vendors

- Bank online systems
- Bank-offered treasury systems
- Fully integrated best-in-class Treasury Management Systems
- ERP treasury modules
- Specialized systems
 - FX
 - Bank-to-Book Reconciliation
 - Risk Management
 - Multilateral Netting
 - Bank Account Administration
- Online trading portals



Develop Request For Proposal (RFP)

- Give vendors enough background on your organization
- Include critical requirements document
- Allow sufficient time for responses
- Develop scorecard for evaluation

Company Information: You Supply



Vendor Information: Vendor Supplies



Conduct Scripted Vendor Demos

- Schedule on-site visits
- Allow sufficient time for the demos
- Create customized scripts including your specific data and processes
 - For an apples to apples comparison, use one script for all vendors
- Invite stakeholders to attend, including business unit users



Evaluate Vendors

Score vendor offerings based on RFP and demos

Check references

- Ask variety of questions regarding functionality, implementation and customer service



Opportunity to perform limited test of functionality

Select Vendor

Measure twice, cut once!



Finalize Budget / Business Case

Quantitative factors

- Decreased financial transaction fees
- Reduction of idle balances
- Lower cost of debt or increased yield on investments
- Staff efficiency in terms of fractional time spent in manual tasks

Qualitative factors

- Decreased risk
- Implementation of best practices
- Enhanced treasury visibility in organization
- Expiring existing system license
- Greater controls around treasury processes and transactions

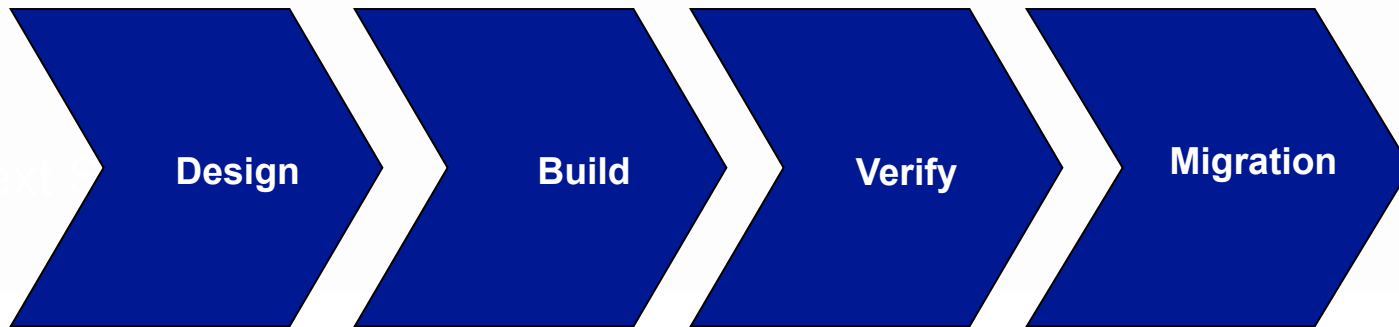


Costs

- Licensing
- Maintenance
- Hardware
- Software
- Implementation

Treasury Technology Implementation

Implementation Steps



Design

What do you want your technology to do and how will workflows look?

- Technical environment
 - Deployment options
- Functional components of system
 - In what order will modules, systems or functionality be implemented?
- Business Design Documents (system configuration and design of “to-be” process) – to include design decisions and rationale for decisions
- Initial scoping of reports needed
 - List all current reports used
- Establish criteria for moving from one phase to the next

Scope of design work

Cash & Liquidity Management

- Cash positioning
- Bank relationship management & communication
- In-house banking & pooling
- Investment management
- Controls

Payments

- File processing
- STP opportunities
- Request & approval workflow
- SWIFT
- Controls

Cash Forecasting

- Policy and approach
- Consolidation and gathering from subsidiaries
- Efficiency and standardization
- Performance analysis
- Reporting

Risk Management

- Policy and approach
- Exposure tracking
- Hedging procedures
- FAS 133
- FAS 157

Capital Markets

- FX
- Debt
- Investments
- Commodities

Reporting

- Dashboards
- General reports
- Regulatory reports
- Hedge/MTM reports

Build

- Installation
- Connectivity
 - SWIFT
 - Bank link(s) setup for information reporting and payments
- Initial Setup
- Configuration
- Static Data
- Interfaces
 - Bloomberg, FX portals, MMF portals
 - GL
 - AR & AP
- Reports



Verify

- Develop test plans
 - Use a common platform to register corrections needed and give vendor access to this platform in order to respond
- Unit testing
 - Do bank balances and transactions populate correctly?
- User acceptance
 - Get sign-off from stakeholders (front office, back office, accounting, capital markets, etc.) that the setup of cash position, instruments and accounting is correct

Migrate

- Data migration / portfolio take-on
- Test month-end processes (close)
- Document new processes (Sarbanes Oxley)
- Parallel testing
- Reporting
- Production / Go-Live



Implementation Risks

- The primary challenge will be for the implementation team to minimize any negative impact the system change may have on the way business units and treasury process transactions
 - Interruption or delay in transaction processing
- Allocation of treasury resources to the project as these resources have very limited capacity right now
- High level of configuration will be required to achieve current STP rates, and may not be achieved at go-live
- Difficulty of maintaining enthusiasm & curbing loss of interest in such a long project
- Unrealistic expectations on the part of the users and management (both timelines and budget)
- Impact of possible loss of key staff or vendor resources over the course of the implementation



Strategies to Face Challenges

Create a project risk management matrix - review with management, project team members, stakeholders and vendors

Sample Risk Matrix:

Risk	Impact	Mitigation Strategy
Lack of internal commitment	Lack of traction in moving forward, maintain status quo, and a weakened competitive positioning	Clearly convey all of the quantitative and qualitative benefits to all business units. Ensure senior management support
Inaccurate estimate of costs and timeline	Exceed project budget and deadline	Comprehensive financial and time analysis as a part of the RFP process and rigorous project management through implementation project
Incomplete or incorrect implementation	Lack of access to purchased functionality, maintaining broken processes, and failure to realize the benefits of technology	Clearly identify and understand needs, goals and objectives. Focus on planning and design at start of implementation project. Rigorous project management to ensure complete implementation
Inaccurate or incomplete assessment of needs and solutions	Purchase of inadequate technology	Perform comprehensive needs assessment and vendor gap analysis as a part of the system selection

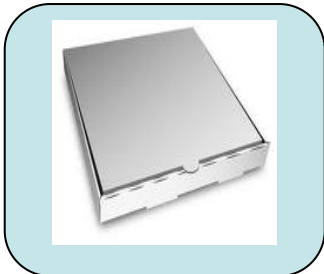
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About Treasury Strategies, Inc.

Who We Are

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