

TREASURY TRENDS

November 2018 | www.bancorptreasury.com | www.barringtontreasury.com

Issue 420

The technology takeover

Probably the most exciting theme in treasury is the growing range of technology available to corporate treasurers. This is providing an increasing opportunity to 'do more, with less', and for treasurers to take on a more proactive and strategic focus without jeopardising the control and governance prerequisites inherent when dealing with large amounts and flows of cash.

Despite well documented shortcomings in security, auditability and workflow management, the humble spreadsheet still features heavily in most treasury functions. However, Australasian corporates are increasingly switching to the benefits of utilising technology in the treasury function, a trend encouraged by technological advancement, falling costs, a broader product choice and increasingly complex treasury demands.

Despite some recent consolidation within the local treasury technology market (with SunGard now part of FIS, Reval acquired by ION Investment Group and Visual Risk merging with GTreasury), there is an assortment of technology options to consider. These range from electronic foreign exchange dealing platforms and forward point calculators, niche forecast consolidation and reporting tools, specific derivative valuation or lease management tools, through to fully integrated Treasury Management Systems ("TMS").

Whatever your treasury needs, budget or pain-points, there is undoubtedly a technology solution to fit.

Sometimes smaller is better

Changes in regulation have forced treasurers to explore new tools; case in point being the pending changes to the lease accounting standard, which has prompted a proliferation of software solutions looking to specifically address the challenges of the new reporting and disclosure requirements for leases. For those with a small and vanilla hedging portfolio, basic derivative valuation tools are a godsend given the increasingly onerous reporting requirements. Similarly, for those with significant foreign exchange dealing requirements, a dealing platform such as '360T' or 'FXGO' can bring transparency to pricing, while streamlining the deal execution and related back office and reporting processes.

By focusing on a specific activity, these specialist solutions are typically nimble, easy to 'bolt-on' and often help fill the gaps not covered by a broader-based TMS offering.

Key points

- The increasing use of technology is assisting treasurers to take on a more strategic focus, while allowing them to 'do more, with less'.
- There is an increasing assortment of small 'bolt-on' treasury tools available, offering low cost solutions for specific treasury tasks.
- Traditional Treasury Management Systems are becoming cheaper and offer an increasing range of functionality.
- A regular review of internal processes and technology offerings can ensure that technology continues to add maximum value to the treasury function.

General purpose treasury management system

Your traditional TMS is no longer the domain of very large corporates and can now be purchased and implemented far more cheaply than when they first appeared in the early 1990s. Increasingly designed with the small to medium enterprises in mind, today's TMS offer greater integration with existing banking platforms and Enterprise Resource Planning software and a broader range of functionality. No longer a glorified derivative valuation tool, your modern TMS will typically provide integrated capabilities across cash management, reporting tools and analytics, hedge accounting, bank account management and straight-through processing; and all delivered via the cloud.

TMS offerings have evolved over time but, of late, have moved to recognise that the paramount needs of the modern treasurer are around accurate cashflow forecasting and real-time access to cash and cashflow information. This core functionality is made even more important by the increased complexity, speed and volatility of modern businesses. Typically modular in design, a TMS can usually be scaled to accommodate a growing business or escalating user requirements.

The procurement process

Well before approaching any system vendors, a thorough needs analysis exercise should be undertaken. This will help

(Continued on page 2)



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

map current workflows and identify the key pain points that you are looking to remedy. Some key questions to consider from the outset include:

- What is a prerequisite and what is a ‘nice to have’?
- What are the systems with which it must integrate?
- What types of transactions and reporting needs to be covered (both now and realistically likely in the future)?
- What is the budget?
- Is there sufficient internal resource to implement the solution?
- How stringent are your security requirements?
- What is the preferred deployment methodology?

Having answers to these questions will help to narrow the choice of possible solutions and will keep the procurement process on track.

Often, a request for proposal (“RFP”) will be prepared and issued to vendors in order to gain a better understanding of how the vendor’s offering may align with your specific business requirements. While this exercise may be useful in helping to define key requirements and in narrowing down to a short list, it is important to note that most vendors’ answers to an RFP will typically be “yes”.

After establishing an understanding of the capabilities of the different vendors, demonstrations will help you get an insight into the look and feel of the system. Vendor demonstrations should be detailed and based on your actual data and processes. It is easy to be swayed by well-scripted sales talk and pretty dashboards but the demonstration should focus on your key requirements. If you have specific reporting requirements or policy parameters, ask the vendor to produce them.

Once a system is selected, the implementation phase needs to be supported by a detailed understanding of your processes and requirements. This is often the time when workflows can be reviewed to make them more efficient. Changing internal

processes, where needed, is often preferable to customising any particular software, a lesson many continue to learn the hard way. The timeframe for implementation will depend on the scope, complexity and resources available, but even entry level TMS system for example may take around six months to progress through the planning, configuration, testing and deployment phases.

If going down the TMS path, an ongoing maintenance plan will help ensure that your investment is maximised and the usability of your TMS does not degrade over time. Addressing issues in a timely way, logging bugs, engaging in vendor working groups and following a regular upgrade schedule can all support user engagement and continued buy-in from users.

Where to from here?

With treasurers facing a future of ever more responsibilities and an environment of accelerating change, there is a growing need to understand where technology can sit within the operations and how it can be used to improve the efficiency and effectiveness of the treasury function. Deploying technology can be a catalyst for change - automating workflow to allow resources to be reallocated to more value-added tasks, providing access to better and more timely information for decision making, or alleviating the stresses associated with rapid business growth and/or regulatory change.

Whatever the driver, technology is ultimately allowing the treasurer to manage cash and risk more effectively, something that every organisation should be striving for.

This document has been prepared by Bancorp Treasury Services Limited (“BTSL”) and Barrington Treasury Services Pty Limited (“Barrington”). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL, Barrington, nor any of their directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL or Barrington, their directors, officers or employees for action taken or not taken on the basis of this document. ACN 46 050 931 541 Operating under AFSL Licence No. 244594.

WHERE WE AND OUR PARTNERS OPERATE



BANCORP TREASURY

Phone +64 9 912 7600
AUCKLAND
WELLINGTON
CHRISTCHURCH

BARRINGTON TREASURY

Phone 1800 425 079
SYDNEY
MELBOURNE
BRISBANE
PERTH

BARRINGTON ASSET CONSULTING

Phone 1800 425 079
SYDNEY

PMC TREASURY

Phone +64 9 912 7600
LONDON
NEW YORK
SINGAPORE



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES