

# WE'VE NEVER HAD IT SO GOOD



WITH SO MANY PROVIDERS TO CHOOSE FROM, THERE HAS NEVER BEEN A BETTER TIME TO BUY CORPORATE TREASURY OUTSOURCING SERVICES, SAYS **JACK LARGE** OF J&W ASSOCIATES.

The range and extent of corporate treasury outsourcing services is growing fast for two reasons. One, the internet has opened up new ways of delivering outsourcing services and, two, many finance directors and treasurers around the world now understand and accept the benefits of outsourcing. One experienced treasurer confided that he could not see himself ever installing a completely new corporate treasury management system (TMS) or carrying out all corporate treasury operations in-house again.

Outsourcing is typically a long-term contracting of non-core business processes to a third party. The choice of which functions and activities to outsource and which to retain is critical. The day-to-day administrative operations of the treasury department are the ones most likely to be outsourced, and managing outsourcing is beginning to be an essential skill for finance directors and treasurers.

There are two main types of outsourcing: application service provider (ASP) services; and business solution provider (BSP) services (see *Figure 1*).

TMS suppliers offer ASP services by making their systems available to customers over the Internet. Business solution providers offer more services, covering real-time updates of positions, report writing and updates from branch offices and the like, combined with support from experienced cash and treasury management professionals. The most important example of BSP services is the agency treasury services provided by banks and other suppliers. Almost inevitably the two overlap and many BSP services include ASP services.

In this article, we review the ASP and the agency treasury services currently available. The leading suppliers were sent questionnaires covering the main areas of their services.

**ASP SERVICES.** Corporate treasury system suppliers are the main suppliers of ASP services. The survey reviews the services on offer from a number of suppliers. The features reviewed include:

- when the system went live;
- service structure;
- functionality;
- system infrastructure and security; and
- charges.

**FIGURE 1**  
TYPES OF PROVIDERS OF CORPORATE TREASURY  
OUTSOURCING SERVICES.



The ASP market is relatively new, with all but one of the existing services being launched in the past two years. All the new entrants are still establishing and expanding their services, for example, in the last year SunGard has added a debt and investment management services module in response to subscriber requests and market demand, and has also upgraded its reporting capabilities and range of treasury data export formats. The survey in *Table 1* shows that considerable functionality is now available from all suppliers, with much of the development work over the past few months focusing on improving backup and security.

One of the after effects of 11 September has been the realisation of how vulnerable corporate treasury department systems are to physical attack, as well as to hackers and viruses. [Cont'd on p.56]

**TABLE 1**  
CORPORATE TREASURY ASP SERVICES, MARCH 2002.

SUPPLIER		ALTERNA TECHNOLOGIES GROUP INC	FINANCIAL SCIENCES CORPORATION	TREASURYPORTAL LIMITED, RICHMOND
SERVICE NAME		alternaSSC	ATOM	TreasuryPortal
	Date operational	March 2000	February 1991	June 2001
SERVICE STRUCTURE	Modular	Yes	Yes	Yes
	Modules available/structure	Different configs of auros	Debt, investmts, FX, derivatives, CM	CM, RM, deal capture and accounting
	No. of users allowed	Unlimited	Unlimited	No limit
ASP FUNCTIONALITY	Cash management	STP-bank connectivity (B/S, A/P), IHB, TXN routing	Disbursements and receipts by affiliates; concentration	BBR, reconciliation, liquidity, netting and forecasting
	Debt management	All major instruments types	All short-term, long-term and structured debt	Facilities, inter-co and external
	Investment management	All major instruments types	All types of fixed-income securities	Cash and paper
	FX management	All major instruments types	Spot/forward and swaps	Yes
	Risk management	Integration with third party	M2M of all securities and derivatives	VaR, Greeks, Portfolio and What-If
	Accounting	Multi-entity, multi-currency, reconciliation	GL entries created for all transactions	Multiple currency, entity and format
SYSTEM INFRASTRUCTURE	Delivery system	Internet, extranet	Internet ASP or in-house	Internet
	Hardware/software required	Standard browsers only	PCs for users; UNIX bo	Minimum
	User security	Username, password	Application and Db security	Yes
	Backup & disaster recovery	Fully tested	2 data centres; global network	Yes
	ASP operated by:	Alterna Technologies Group Inc	In-house	NuNet/RSL
CHARGES	Set up fees	Yes	Yes	Yes
	Level	Contact vendor	Start at \$100k	
	Overall service charge	Yes	Yes	Yes
	Level	Contact vendor	Based on users	
	Module charges	No	No	Yes
	Level	Contact vendor		
	Transaction charges	Yes	No	Yes
	Level	Contact vendor		
	User charges	Yes	Yes	Yes
	Level	Contact vendor	Fee per user	
	File uploading charges	No	No	Yes
Other charges	Interface maintenance			
CONTACT		<i>JR Clemons, Calgary, Canada, +1-403-253-5531, jrclemons@alterna.com</i>	<i>Alf Newlin, USA, +1-201-451-6999 x602, info@fisci.com</i>	<i>sales@treasuryportal.com</i>

Abbreviations for Tables 1 and 2: BPs = basis points; CD = certificates of deposit; CM = cash management; EFT = electronic funds transfer; GL = general ledger;

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	SAP & SAP PARTNERS	SELKIRK FINANCIAL TECHNOLOGIES	SUNGARD TREASURY SYSTEMS	TIETOENATOR	TREMA
	SAP Corporate Finance Mgmt	TreasuryAnywhere	eTreasury.com™	SYSTEM10 ASP	TSP
	March 1999	February 2002	July 2000	October 2001	March 2001
	Yes	Yes	Yes	Yes	Yes
	Liquidity/transaction/RM	CM & forecasting, e-paymts, investmt and debt, GL	Cash, GL interface, debt and investment management		Treasury/RM, CM, fin'l a/c'g, reporting + 24 modules
	As necessary	Unlimited	Unlimited	Unlimited	Unlimited
	Liquidity planner, In-house cash, CM	Polling, reconciliation, cash positioning & forecasting, GL	Bank poll/parse, cash worksheet, reconciliation, EFT, inq/reports	Settl, netting, call a/cs, cash pools, f'casts, reconciliation	F'cast, a/c reconcil'n, multi-bank, in-house bank etc
	in-transaction management	CP, BAs, term loans, MTNs, bonds	Positions, f'casts, int. expense/amort. calcs, inq/reports	All instruments, admin online, RM & CM	Analysis, dealing, monitoring, processing, reporting
	in-transaction management	CP, CDs, BAs, T Bills, MTNs, T Bonds, corporate bonds	Positions, f'casts, int. earned/amort. calcs, inq/reports	All instruments, admin, online, RM & CM	Analysis, dealing, monitoring, processing, reporting
	in-transaction management	Available in Version 2.0	Avail. in other hosted/installed SunGard Treasury Solutions	All instruments, admin, online, RM & CM	Analysis, dealing, monitoring, processing, reporting
	Risk analyser	Comprehensive trading rules, limit management and reporting	Avail. in other hosted/installed SunGard Treasury Solutions	M2M for all instr, What-If & sensitivity analysis, VaR	Real-time, market and credit limits, all types of risks, VaR
	Financial accounting	Accounting provided for bank transactions.	Rules-based ledger assignment with GL export	Multicurrency, GL interface, FAS133, 138, IAS39, GL	Hedge accounting full GL functionality
	Intranet, internet	Internet	Internet	Remote control s/w; intranet	Internet or private
	Depends on requirements	Internet Explorer 5.0+ internet access	Internet connection/browser	MS Windows NT or Windows 2000, any LAN	Browser
	Standard SAP logic	Comprehensive	Encryption, multi-level	BS7799:1999, BS627799, VPN	Internet, third party, SSL, etc
	Standard SAP logic	Comprehensive	SunGard's extensive network	See above	H/A installations
	SAP Partners	Selkirk Financial Technologies Inc	SunGard Treasury Systems	Tietoenator Group, Network and processing	Customers' own/third party data centres
	Yes	No	Yes	Yes	Ask vendor
	Per company		\$4,500 and up	€15,000	
	Yes	Yes	No	Yes	Ask vendor
	Percentage		NDA		
	Yes	No	Yes	Yes	Ask vendor
	Per user		\$1,500 and up		
	Dep. on provider	No	No	No	Ask vendor
			NDA		
	Depends on provider	No	Yes	Yes	Ask vendor
			Beyond 3 users	€15,000	
	Depends on provider	No	No	No	Ask vendor
	Depends on provider			Communication cost	Ask vendor
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CP = commercial paper; M2M = mark-to-market; MM = money markets; MTN = medium term note; RM = risk management; ZBA = zero-balance analysis.

**TABLE 2**  
AGENCY TREASURY SERVICES, MARCH 2002.

SERVICES		BANK AGENCY TREASURY SERVICES		
		ABN AMRO BANK	AIB INTERNATIONAL FINANCIAL SERVICES	CITIBANK E-BUSINESS
GENERAL	Single or multi-regional operations	Single	Single	Single
	Location(s)	Dublin (1987)	Dublin (1987); Budapest (2000); Zurich (2001)	Dublin (1991)
	Types of corporate user (head office:regional)	50:50	5:95	10:90
	Treasury and other systems used	Finance Kit/e-Kit; BankStation International, Global Netting	Globus system with web-based reporting and data analysis	Quantum main system. Trema, WSS, CMS, Sun, Diameter & EB.
LIQUIDITY & BALANCE MANAGEMENT	Single or multi-bank	Multi-bank	Multi-bank	Multi-bank
	Accept data file of cashflow forecasts	Yes	Yes	Yes
	Bank account monitoring and management	Data collection, reporting, reconciliation, investigations	Active monitoring, reconciliation and error tracking	Transaction and balance collection, reporting, reconciliation
CASH MANAGEMENT	Investment services	MM/CDs/CP/bonds/liquidity funds	Set policy as to risk, counterparties, instruments etc	CP, MM, liquidity funds
	Securitisation services	No	Yes	No
	Cash pool monitoring and management	Cash concentration/ZBA/notional pooling	Active management of pool balances and interest calculations	Cash concentration/ZBA & notional pooling (multi-currency)
PAYMENT & TRANSACTION	Preparation and delivery of payment instructions to bank(s)	Yes	Yes	Yes
	Payment confirmation and reconciliation	Yes	Yes	Yes
	Domestic and international payment and receivables	Yes	No	Yes
	Other payment services		Management of securities settlements and custodial services	
FX EXPOSURE MANAGEMENT	Single or multi-bank	Multi-bank	Multi-bank	Multi-bank
	FX deal execution, confirmation & settlement	Yes	Yes	Yes
	Evaluation of exposures and performance	Yes	Yes	Yes
IN-HOUSE BANK SERVICES	Intra-company payments	Netting/invoice clearing	Netting and bulk payments through CM bank	Netting
	Inter-company loan services	Portfolio management, doc, rollovers, report, reconcile	Full transaction and documentation management	Admin, management of VaR% charges, rollovers, docs, loan accounts
RISK MANAGEMENT	Remote access of risk management system(s)	Yes	Yes	Yes
	Services provided	M2M, VaR, sensitivity analyses	Web-based IAS39/FAS133 compliance testing, VaR etc	M2M analysis, VaR, sensitivity analysis, benchmarking
TREASURY REPORTING AND ADMINISTRATION	Bank account opening	Yes	Yes	Yes
	Corporate balance sheet	Yes	Yes	Yes
	Other services	Audit reporting, transaction reporting	Tailored financial and management reporting	Audit reporting, transaction reporting
CUSTOMER SERVICE	Single service level agreement	Yes	Yes	Yes
	Hours service available	08:00-18:00 GMT	Normal hours for location	10 x 5
CHARGE STRUCTURE AND LEVEL	Set-up fee	Yes	Dependant on tailoring	Yes, tailored to clients' needs
	Monthly fee	Yes	Yes	Yes
	Transaction fees	Yes	Ratchet on monthly fee	No
	BPs on value of portfolio managed	No	No	No
CONTACT		Con Tiernan, Dublin, +353-1-609-3893, con.tiernan@ie.abnamro.com	Brian Feighan, Dublin, +353-1-874-0777, brian.j.feighan@aib.ie	Ineke Bussemaker, London, +44-20-7500-1449, Ineke.Bussemaker@Citi.com

		INDEPENDENT AGENCY TREASURY SERVICES			
	JP MORGAN	ROYAL BANK OF SCOTLAND	FTI/TREASURY STRATEGIES	GLOBAL TREASURY SERVICE LTD	JMH TREASURY
	Multi	Single	Multi	Single	Multi
	Dublin (1987), Hong Kong (1997), Tampa (2001)	London, Edinburgh (1999)	FTI, Dublin (1991) Treasury Strategies, Chicago (2000)	London (1999)	Dublin (2000), Atlanta (2000)
	Full mix: head office, regional and local	Corporate and financial institutions	80:20	Entire spectrum	60:30:10 other
	Multiple systems used to provide fully integrated services	SunGard Quantum and in-house developed systems	Twin, Sun, Vision, EBs, Reuters, SunGard	SunGard eTreasury and other SunGard specialist products	Selkirk - Treasury Manager, Demica-Citadel
	Multi-bank	Multi-bank	Multi-bank	Multi-bank	Multi-bank
	Yes	Yes	Yes	Yes	Yes
	Full admin of any treasury related bank facilities	RBS ATS provide and active a/c monitoring and reconcil'n service	Balance & account analysis review, metrics, reporting.	Yes	Manage multi-bank reporting, create consolidated position
	Comprehensive investment capabilities available	Wide spectrum, in accordance with client chosen parameters	Yes: in Europe; limited in US	All of these and more	Full service with client selected banks
	Yes	Yes	No	All of these and more	Yes
	End-to-end service provided	Yes	Yes: in Europe; through standard bank products in US.	All of these and more	Full service in line with clients invmt policy
	Yes	Yes	Yes	Yes	Yes
	Yes	Yes	Yes	Yes	Yes
	Yes	No	No	Yes	Yes
	Full admin of any treasury related paymt activity		Yes	Yes	
	Multi-bank	Multi-bank	Multi-bank	Multi-bank	Multi-bank
	Yes	Yes	Yes	Yes	Yes
	Yes	Yes	Yes: not in US	Yes	Yes
	End-to-end service provided	Yes, provided in accordance to client parameters	Yes: not in US	Yes	Yes: invoice clearing & netting
	End-to-end service provided	Yes, provided in accordance to client parameters	Yes: not in US	Yes	Yes: full service including set up, admin & accounting
	Yes	Yes	Yes: not in US	Yes	Yes
	Services available provided on demand	Sensitivity analysis and IRD modelling of exposures	Interest & FX rate RM, credit risk (only in Ireland)	From basic to very advanced RM analytics	Portfolio M2M analysis
	Yes	Yes	Yes	Yes	Yes
	Yes	Yes	Yes	Yes	Yes
	Full reporting for any typical corporate treasury function		Customised treasury rptg; account analysis, best practice reviews	All, including strategic Board level presentations	
	Yes	Yes	Yes	Yes	Yes
	24*5 through global hubs	12 hrs a day, 5 days a week	07:00-18:00 x 5, Ireland & US	24/7	08:00:18:00 GMT & EST (US)
	Yes, tailored	Yes, tailored	Sometimes; varies by client	Fixed price covers everything	Yes, dependant on scope
	Yes, tailored	Yes, tailored	Yes; varies by client		Yes, dependant on scope
	Yes, tailored	Yes, tailored	No		Yes, dependant on scope
	Yes, tailored	Yes, tailored	No		No
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[Cont'd from p.51] Backup has become a key concern. Many treasurers have realised that they do not have adequate backup procedures and infrastructure and are looking at using the ASP services that do.

Demand for ASP corporate treasury services is growing worldwide and is coming from all types and size of organisation. Mid-market companies and large multinational companies are now using ASP services instead of installing their own TMS, as are smaller high-growth firms that simply have been unable to justify the upfront costs associated with installed treasury solutions.

Some suppliers such as Alterna are finding that their ASP offering (alternaSSC) is more popular than installing a full system. However, some corporate TMS suppliers such as Integra-T have decided not to offer ASP services themselves as they do not believe software companies are necessarily good at providing operational services. They are focusing instead on supplying their system to agency service providers. The full results from the questionnaires are given in *Figure 2*. The main findings of the ASP services survey not already covered above are:

- all offer a similar range of cash, debt and investment management functionality;
- main differences in functionality occur in the foreign exchange, risk management and accounting areas;
- all use the internet and have considerable disaster recovery facilities;
- charges vary considerably, with most having some level of set-up fee and annual service charge, almost all a per user fee, some a per module used, and a few per transaction; and
- the demand for ASP services is set to grow, and over the next 12 months at least two new players are expected to join the market.

**AGENCY TREASURY SERVICES.** Banks first started providing agency treasury services in the mid-1980s in regions such as Dublin where there were tax advantages. Over the past five years it has become a full cash and treasury management services business expanding way beyond the limited tax accounting and company secretarial support it once was. Most suppliers are claiming a record number of new users over the past 12 months, the level of usage growing with the increasing confidence and acceptance of treasurers. In fact, the agency treasury services market is now growing much faster than the ASP services market.

David Guest, Managing Director of agency treasury services operation at ABN Amro, says: "Established suppliers of agency treasury services have found that over the past 18 months there has been a significant increase in the take-up of treasury outsourcing services among medium-sized and large European companies. European companies are following the lead of North American multinationals, which have been outsourcing regional treasury operations for several years. The scope of outsourcing ranges from *à la carte* (outsourcing of specific treasury functions such as netting) to the outsourcing of a full head office treasury/front and back office. The ability to access state of the art treasury management systems without the pain of a systems implementation has been a strong selling point for outsourcing."

New suppliers are entering the market all over the world, in Europe, the Americas and Australia. Ritro, the new agency treasury service in Switzerland, provides a complete treasury department function based on the Trema Finance Kit system and a team of experienced treasury professionals.

As the market expands and becomes a global, or at least multi-regional, business some of the smaller independent suppliers have been taken over or have sought backing from larger institutions. Global Treasury Services, for example, has successfully sought strategic relationships with financial institutions. JMH Treasury (JMH T), with its takeover of Vtreasurer in Dublin, and Wachovia Bank's assistant Treasurer operation in Atlanta, US, and the setting up of operations in San Francisco to service US companies with operations in Asia Pacific, has rapidly become one of the largest independent agency treasury services providers.

Both banks and independent third-party suppliers provide agency treasury services. The survey reviews the services from five banks and from three independents. The features reviewed include: the supplier's type of operations, users and treasury systems used; liquidity and balance management services; cash management services; payment and transaction services; FX management services; in-house bank services; risk management services; treasury reporting and administration; customer service; and charging structures and levels.

The full results from the questionnaires are given in *Table 2*. The main findings of the survey are:

- regional corporate treasury departments are by far the biggest users of agency treasury services;
- most suppliers have operational centres in only one region, FTI/Treasury Strategies and JMH Treasury have operations in both Europe and the US, only JPMorgan has full global coverage with operations in three;
- a wide range of corporate TMS used are all web-enabled to some extent;
- multi-bank liquidity and balance management services are available from all suppliers;
- the main difference in the cash management services is whether securitisation services are available;
- all offer support for treasury payments and transactions, although not all offer support for domestic and international mass payments and receivables;
- in-house bank services are available from all suppliers, ranging from limited services to a full range of functionality;
- remote access to risk management systems is now available from all suppliers, although the depth of functionality varies considerably; and
- all suppliers have some form of set-up charge and monthly fees, but few have transaction fees and basis points charges.

The overall demand for agency treasury services is growing fast as an increasing range of services become accessible through the internet and prices begin to drop as the market becomes more competitive.

Outsourcing of corporate treasury services is now well established, with an impressive range of suppliers providing ASP and agency treasury services and the growing understanding and acceptance of finance directors and corporate treasurers. No wonder many suppliers are predicting a massive increase in demand – there has never been a better time to buy corporate treasury outsourcing services.

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