From man to machine

The marketplace for treasury management systems (TMS) has changed rapidly over the last few years. Implementation of new rules and regulations has made it increasingly clear to TMS users that they cannot rely on spreadsheets or legacy systems for compliance issues. At the same time, system suppliers needed to address these issues, which has resulted in increased investments in software development. The recent acquisition of Trema by Wall Street Systems and XRT's Globe$ by Sungard are just two examples of the ongoing consolidation in the industry.

Figure 1 shows the systems currently in use by respondents to Deloitte's global TMS survey, which was conducted before the acquisition of Globe$ was announced.

The rate of technological advancement has been exponential for many years and this trend will continue for the foreseeable future. In a relatively short period of time, technology has radically altered the way in which treasuries operate. Many of the activities which used to form the basis of the treasurer's job are now automated with the use of sophisticated software such as a TMS.

Treasury is becoming an increasingly virtual environment. Treasurers should recognise this and decide how best to use technology to their advantage. Technology enables people and systems to work remotely, yet operate collectively. Many more treasury operations will be outsourced. The debate surrounding centralised versus decentralised models of treasury will become obsolete – the treasury of the future will be neither decentralised nor
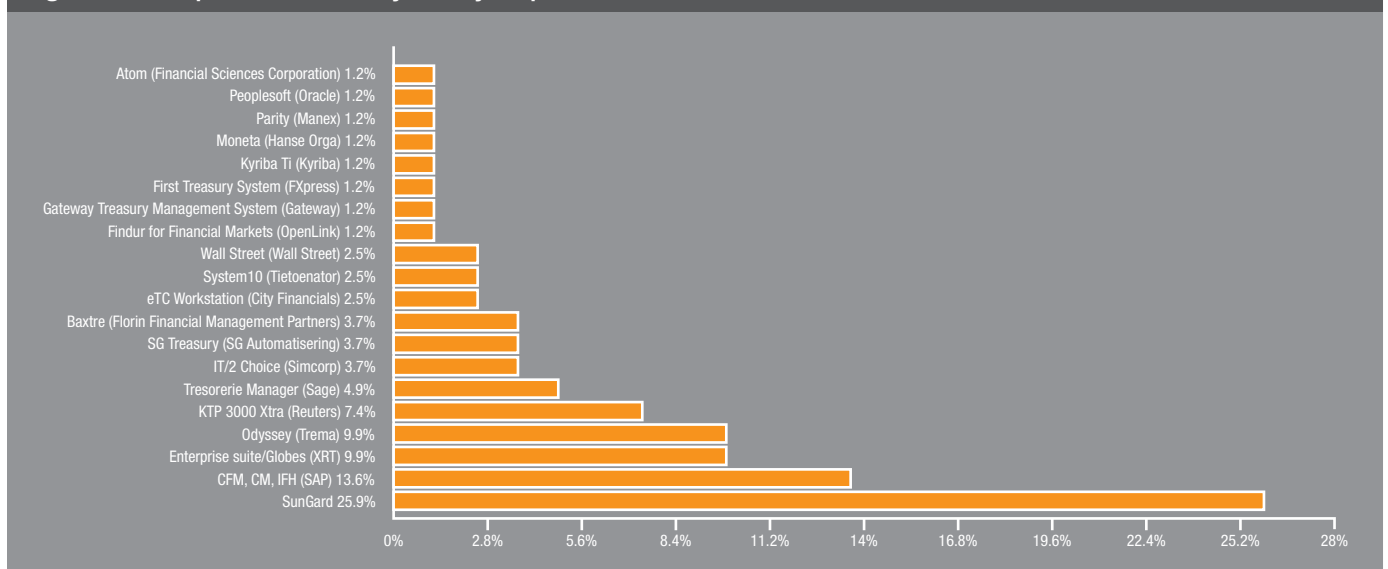
DIMOS DIMITRIADIS AND **LEO J SCHULD** ASSESS THE RESULTS OF DELOITTE'S GLOBAL TREASURY MANAGEMENT SYSTEMS SURVEY 2006.

centralised in structure. Instead, the treasurer's role is likely to become increasingly strategic and the approach more holistic.

The objective of the survey was to get a clear picture of the view treasurers have of the treasury function and the use of technology in this area.

The survey also aimed to establish the extent to which IT suppliers have succeeded in keeping up with the pace of change and whether this is in line with the expectations and needs of their clients.

Figure 1. TMS products in use by survey respondents

TMS Product	%
Atom (Financial Sciences Corporation)	1.2%
Peoplesoft (Oracle)	1.2%
Parity (Manex)	1.2%
Moneta (Hanse Orga)	1.2%
Kyriba Ti (Kyriba)	1.2%
First Treasury System (FXpress)	1.2%
Gateway Treasury Management System (Gateway)	1.2%
Findur for Financial Markets (OpenLink)	1.2%
Wall Street (Wall Street)	2.5%
System10 (Tietoenator)	2.5%
eTC Workstation (City Financials)	2.5%
Baxtre (Florin Financial Management Partners)	3.7%
SG Treasury (SG Automatisering)	3.7%
IT/2 Choice (Simcorp)	3.7%
Tresorerie Manager (Sage)	4.9%
KTP 3000 Xtra (Reuters)	7.4%
Odyssey (Trema)	9.9%
Enterprise suite/Globes (XRT)	9.9%
CFM, CM, IFH (SAP)	13.6%
SunGard	25.9%

Executive summary

- Treasury is becoming a virtual environment and the treasury function is increasingly strategic.
- Most treasurers are happy with their TMS, but current systems have shortcomings in the areas of risk management, accounting, cash management, governance and legislation.

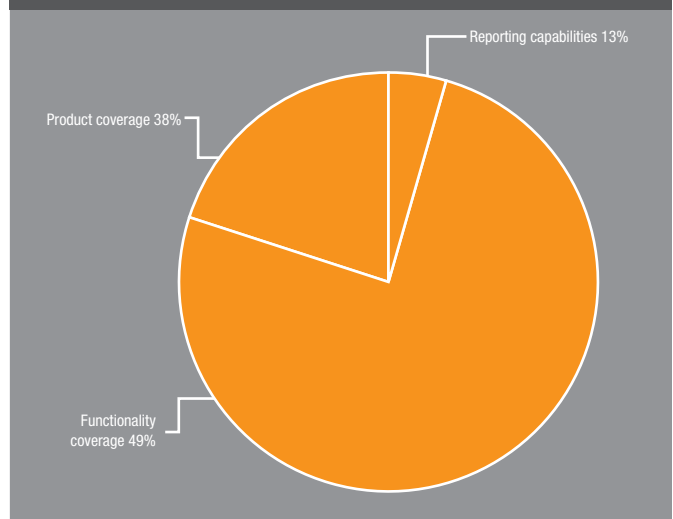**Figure 2.** System limitations of TMS

Reporting capabilities 13%
Product coverage 38%
Functionality coverage 49%

Figure 3. Accounting limitations of TMS

US GAAP 10%
IFRS 0%
IAS 32 30%
IAS 39 60%

KEY FINDINGS

General ranking Most of the respondents use an off-the-shelf system; only 16% say they use an application developed in-house. The overall ranking of the current TMS is positive – over 80% rank theirs as average or above. This is a favourable outcome for the suppliers, although there is a need for improvements in several areas. However, it is important to bear in mind that although a supplier may have upgraded its TMS (and addressed the reported shortfalls in functionality), some treasuries do not regularly upgrade or renew their version for various reasons.

Respondents claim on average that their TMS has been in use for more than five years; one respondent reports a lifetime of 20 years! It is therefore not surprising that a third of the respondents are thinking of replacing their current TMS in the next 12 months, and almost half indicate that an upgrade will take place within the next 18 months.

Gaps in functionality Of the areas the respondents say lack functionality, risk management is high on the priority list of companies that have to comply with Sarbanes-Oxley, IFRS/US GAAP and other regulation and legislation. Executive management recognises the risks involved in the business, which drive the need to introduce or enhance controls in several parts of their organisation. Mark-to-market valuation, quantification of risks, modelling of financial instruments, a more comprehensive and higher standard of reporting are some of the newly required standards, although not all of these have yet been introduced within respondents' current TMS.

Suppliers responding to the survey indicate they have already been working on the enhancement of the risk management modules in their TMS, or at least are in the process of finalising these enhancements within the next update of their TMS. In addition,
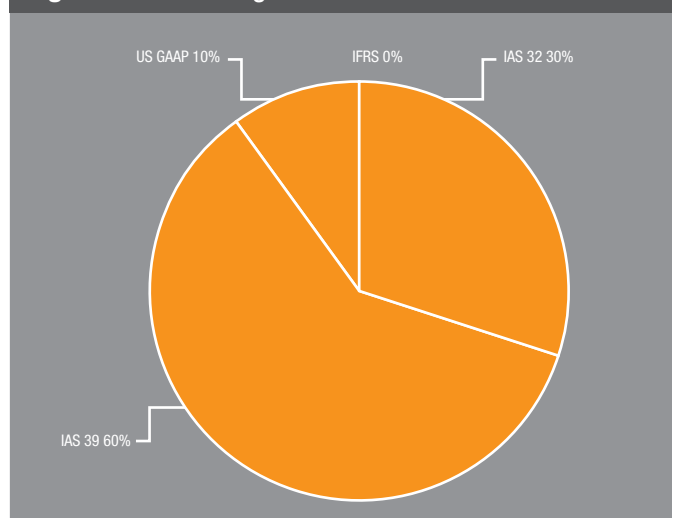
what-if scenario analysis, counterparty credit risk analysis, sensitivity analysis and value-at-risk will help the treasurer get a better understanding of the possible exposures and risks.

Encouragingly, 40% of respondents are already using this type of functionality, although, given its significance, even greater use of risk management functionality should be expected.

Accounting standards and compliance issues The introduction of accounting standards such as IAS 32, IAS 39, IFRS 7 and FAS 133 has brought the accounting function into the treasury department. Until now, treasuries have tended not to use the accounting functionality within their TMS to its full extent. An obvious reason for this is that treasurers are not used to or are unfamiliar with accounting itself. Another reason may be that treasurers do not regard themselves responsible for accounting issues; the treasury function is, in their view, positioned at the front-end of the processes and accounting function at the back-end. Alas, treasurers may no longer be able to escape their fate.

Cash management According to the responding treasurers, this is an area that will require major innovation in functionality. New

payments standards such as the Single Euro Payments Area (SEPA) determine the urge to upgrade in this respect. One important remark that pops up regularly is the question of whether or not current banking systems will be replaced by SWIFT-related multibank systems. Many treasurers believe this would considerably improve the efficiency of their European operations.

Client satisfaction Many software suppliers claim to keep in close contact with their clients on the topics mentioned so far. But in the clients' view, their communication with IT suppliers is not satisfactory. This finding does not correspond with suppliers' claim to know their clients very well. The exception here is that both clients and suppliers agree on the necessity of enhanced functionality in the field of risk reporting and compliancy, although this is hardly surprising, given the widespread publicity on these topics. Suppliers need to acknowledge the mismatch in perception on communication and service levels. On support, documentation and other after-sales services and communication, treasurers expressed a clear need for better understanding of their wishes by their IT suppliers.

Web-based applications According to most TMS suppliers, their TMS have web-based tools available for their clients. However, only 31% of the respondents report they are using the web-based functionality of their TMS. This may indicate that:

- many treasuries still use TMS versions without web functionality;
- they do not use this option through lack of knowledge and training; or
- they have no need for such functionality.

This poses the question of whether it is relevant for treasuries to 'own' a system rather than just using it. The underlying question is whether ownership guarantees continuity or whether the opposite is the case. In this respect the suppliers are leading in developments, while the clients are left pondering the wider implications, including security and data ownership issues.

Trading and dealing systems Most treasurers who are using a trading and dealing system (TDS) tend to do so within a web-based functionality. The majority tend to use these systems for money

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market and foreign exchange-related deals (see *Figure 4*). The use of a TDS as a platform for inter-company transactions may prove to be a major improvement in the way corporate treasuries are operating. It certainly proves the point that the difference between a centralised and decentralised setup is becoming more blurred.

COMMON SHORTCOMINGS The most common shortcomings for TMS are in the area of risk management, accounting, cash management, governance and legislation, user-friendliness and after-sales support. In some cases, suppliers have more up-to-date versions of their system available which partly mitigate the shortcomings, but in other cases there is still a challenge in coming up with the right solutions for users.

Deloitte's 2008 survey will tell whether software suppliers and clients have been able to bridge the gap in system functionality, and whether new regulation and legislation have created new challenges.

Deloitte would like to thank all the participants, without whom this survey would not have been possible, and we hope that they and many others will join us again next time. For a free copy of the full results of the Deloitte global TMS survey, please go to www.deloitte.nl/treasury.

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Figure 4. System limitations of TMS