

IMPORTANCE OF TREASURY POLICY AND ONGOING REVIEW

A review of treasury policy should use and incorporate best practices and include the following:

- update and review to ensure current market conditions are taken into account;
- regularly monitor counterparty ratings and their risk positions in accordance with current treasury policy;
- understand the basis for credit ratings and what they mean;
- monitor exposures in a consistent manner;
- dedicate time and resources to monitor counterparties proactively – identifying potential problems before they reach the critical stage;
- invest in financial instruments that will help identify exposures as visibility of cash is critical;

- set the policy relating to deposits invested by subsidiaries; and
- review the return profile to take advantage of arbitrage opportunities for market instruments.

Treasurers should re-affirm within their business the attitude towards yield versus credit risk. Businesses should question why some institutions pay relatively high returns for funding, especially when the regulatory regime penalises banks for relying on short-term funding. Efficient cash management is even more critical in a low-interest rate environment, and treasurers should ask their banks to explain what products they can offer to improve cash management capabilities.

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Primary objectives

HARCUS COPPER LOOKS IN DETAIL AT HOW TO IMPLEMENT A SWIFT SOLUTION.

The treasurer's role in positioning the business for growth and improved profitability is neither easy nor clear-cut. The treasurer needs to ensure the treasury management model brings together all the latest technologies, systems and services available, along with best practices adopted by successful companies, so that the highest possible levels of effectiveness and efficiency can be achieved in cash and treasury management.

The development of the SWIFT (Society for Worldwide Interbank Financial Telecommunication) corporate connectivity solution means that SWIFT can provide interoperability between a company's core enterprise resource planning (ERP) and treasury management systems (TMS) and the bank, helping treasurers to meet their key objectives.

In this context, the primary objectives of the corporate treasurer are typically:

- to maximise control of cash and minimise financial risk by ensuring that adequate policy standards and controls are present in every business process and business structure generating cash or creating financial risk;
- to be the strategic business partner of operating units and subsidiaries;

- to operate an efficient treasury department; and
- to ensure regulatory compliance with all accounting and operational standards.

Every company will have different requirements when it comes to their treasury management model. The financial flows of the business, the financial position, the level of centralisation, the technology and systems infrastructure and data availability, the company culture and attitude to risk, and whether the corporate treasury department is a profit or cost centre will all have an effect.

Leading banks, including Barclays Corporate, provide support in developing overall corporate treasury policies and strategies, as well as offering some of the most advanced and effective cash management systems and services currently available. Driving efficiencies through payment processing is an integral component of a successful treasury management model, and treasurers are striving to achieve straight-through processing (STP) across all the systems and services they use.

STP remains high on the list of key objectives for treasurers. Automation of processes easily outweighs the legacy of manual processes in terms of efficiency and overall

cost-effectiveness. This enables the treasurer to spend time on more productive tasks that have a positive impact on the company's overall working capital and liquidity position. SWIFT connectivity is just one of the solutions that Barclays Corporate offers its clients to help them maximise their treasury management model.

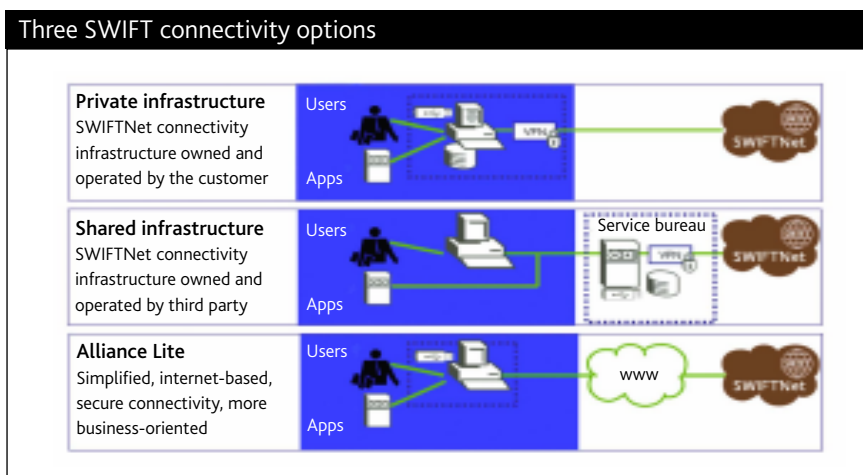
There are, of course, a number of channel solutions that a corporate can utilise to achieve its liquidity objectives. Primarily, these are proprietary bank solutions whereas SWIFT can offer a bank-agnostic solution.

THE BENEFITS OF SWIFT CONNECTIVITY

- improved efficiency and control over payment initiation and liquidity management;
- ability to transfer money and make payments from your accounts at each of your supporting banks, and forward payment instructions to other banks;
- notification of CHAPS, international payments and SEPA credit transfers when debited and credited from your corporate accounts;
- helps leverage investment in ERP/TMS;
- provides visibility of accounts across all business operations;
- allows corporates to receive electronic intraday statements from their banks;
- immediate acceptance/rejection of payments, and automated query management;
- drives increased STP and improves cashflow forecasting;
- reduces the number of electronic banking platforms needed;
- drives improved internal controls; and
- offers a fast, secure and reliable interface between the corporate and the bank.

Connecting to SWIFT has to make sense for any corporate that is considering making use of an electronic delivery channel to its banks. For some corporates, SWIFT connectivity will not be a viable option but for others the case will be highly compelling.

Companies can invest many thousands, if not millions of pounds in their ERP/TMS systems. Barclays Corporate clients



using SWIFT as their main connectivity channel from their TMS have told us that they have seen how they have started to realise the benefits of SWIFT immediately after implementation, and the subsequent positive impact that this has on their treasury

management model. SWIFT is fast, efficient and secure, it can provide a single channel to all principal banks, and it can automate payment processes, including money market and foreign exchange settlement payments and confirmations, all of which have a commensurate benefit for STP rates and overall efficiency.

SWIFT can also offer improvements to current cash management processes. To operate an efficient treasury management model a treasurer must have visibility of the company's cash balances. Knowing where the cash lies means that the treasurer can control cashflow forecasting, leading to improvements in working capital and liquidity management across the business.

CONNECTING TO SWIFT

There are three connectivity options available. When a treasurer is considering SWIFT, they must decide which option is most suitable to their individual needs. A specialist SWIFT connectivity vendor is an invaluable resource in helping a corporate to decide which solution best fits their desired model. The options available to the corporate (illustrated in the box on this page) are:

■ Private infrastructure (or direct connection)

This solution sees the corporate build and maintain in-house the infrastructure that is required to connect to SWIFT. It is likely to be the most expensive option but is suited to organisations that are averse to outsourced solutions.

■ Shared infrastructure (or service bureau)

With this solution the corporate uses the existing SWIFT connectivity infrastructure of a specialist vendor known as a bureau, which can also help with the integration into ERP and TMS systems. A SWIFT service bureau or shared infrastructure is an ideal solution for corporates that are open to outsourcing.



■ Alliance Lite

This is an internet-based product supplied by SWIFT, which offers connectivity for low-volume users. It supports the manual entry and display of commonly used SWIFT messages through a standard internet browser, and is a good low-cost option where the volume of messages sent and received by the corporate is low.

Each SWIFT connectivity project takes time to implement to ensure that maximum benefit is achieved from the initial investment of both funds and effort. The driver should be to select the option that provides the treasurer with the optimal solution so they can achieve the projected benefits and a positive return on investment.

Barclays Corporate has offered a SWIFT connectivity service since 2002 – initially via the Member Administered Closed User Group (MACUG) model – and we were the first UK bank and one of the first in the world to offer corporate connectivity via SWIFT. We have a significant number of clients using this service and it continues to grow based on the solution we provide and our knowledge and experience of SWIFT solutions.

What is vital in any SWIFT connectivity project is the implementation process. Barclays Corporate recognised this at an early stage, which is why we established a dedicated team of qualified project managers who work hand in hand with our clients through their implementation of SWIFT in order to achieve business as usual in a timely manner.

Our support does not stop there. Once the implementation of SWIFT is complete, our dedicated helpdesk provides ongoing support for any day-to-day queries. Our aim is to ensure that our clients can continue to maximise the benefits of SWIFT. As the business grows and expands, SWIFT grows and expands with it.

SWIFT connectivity is a global solution. Barclays Corporate continues with our own expansion of SWIFT connectivity to include our operations outside the UK. Already we have rolled out this offering across Ireland, France, Italy, Portugal and Spain. Our goal is to offer SWIFT connectivity to our clients across all of the operations that we have around the globe. We are, for example, currently looking at how to roll out the service in countries such as Botswana and Mauritius.

By way of a summary, it is perhaps best to quote SWIFT directly from its website at www.swift.com/corporates: “SWIFT enables corporates to obtain financial services (payments, treasury and securities orders, reporting) with all their financial institutions through one single, highly secure, standardised communication platform, as opposed to multiple connections. SWIFT’s internationally recognised standards help corporates to reduce costs and risk, increase funds visibility and improve automation. This leads to easier regulatory compliance. By joining SWIFT, corporates have access to over 8,500 financial institutions in more than 200 countries.”

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