

# ALL SYSTEMS ARE GO FOR 2003



THERE IS PLENTY TO LOOK FORWARD TO THIS YEAR ON THE CORPORATE TREASURY SYSTEMS AND SERVICES FRONT. **JACK LARGE** OF J&W ASSOCIATES LOOKS AT WHAT SUPPLIERS HAVE GOT TO OFFER.

In 2003, a wide range of new systems and services or upgrades will open up opportunities for treasurers to improve efficiency, cut costs, accept more responsibilities and focus on the more strategic aspects of their work. Banks and other suppliers are investing heavily to ensure they retain or gain companies' cash and treasury business, extending the range and depth of the services they offer.

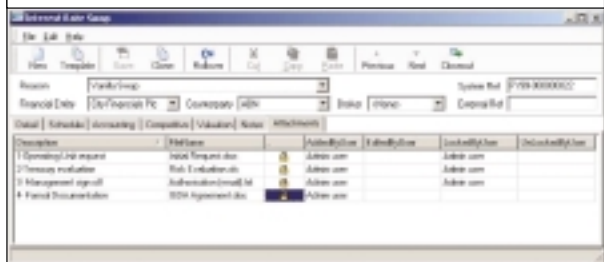
**TREASURY MANAGEMENT SYSTEMS.** The scope and scale of corporate treasury systems has been growing for years. Two major suppliers, XRT and SunGard, have now reached their goal, enterprise-wide cash and treasury management, with the treasury system at the core. XRT's new Enterprise Suite offers companies the ability to manage a global network of customers and trading partners, transact business in multiple languages and currencies, and empower business users to make smarter business decisions with enhanced management and reporting capabilities, all within a single, global system.

SunGard's AvantGard Enterprise Treasury Solutions offers senior financial executives one-key access to a real-time 'snapshot' of a company's financial position, an accurate and up-to-the-minute consolidated picture of cash positions and financial risks, all made possible by SunGard's eTreasury eXchange (eTX), which provides an instant exchange and reconciliation of financial data between companies and their financial institutions.

For example, AvantGard Solutions includes Liquidity eXpress (LeX), which extracts real-time cash and forecast data from companies' existing enterprise solutions, combines them with bank data through eTX, and then provides high-performance evaluation tools based on Microsoft's .NET framework.

Other suppliers continue to add functionality to their systems. City Financials' new Attachments service brings the prospect of the paperless corporate treasury department ever closer by enabling users to add any number of attachments to a transaction throughout its life. Attachments can be anything from the initial request document, to spreadsheets, emails and the formal documentation of a deal. Attachments can be locked (made 'read only'), edited, viewed and unlocked under full user access control.

**FIGURE 1**  
CITY FINANCIALS' NEW ATTACHMENTS SERVICE.



An example of the attachments for an interest rate swap is shown in Figure 1.

**PAYMENT SYSTEMS.** The emphasis on the efficiency of the whole business transaction, not just the payment, continues. Many banks plan to offer new receipt advice and pre-/post-payment services to support their basic payment products and improve their clients' straight-through processing (STP) rates. The increased competition between the different types of payment systems – national, international, payment card, batch and high value systems – will provide treasurers with new and important options.

The European Bankers Association has announced that it is proceeding with the development of a new euro currency pan-European automated clearing house (ACH) for inter-bank payments, STEP2, scheduled to go live in pilot phase in the first quarter of 2003 with a credit transfer service. This will be the world's first truly cross-border ACH. The charges and operating costs have not yet been announced, but national ACHs can be sure that they will be competitive – this is just what the European Commission has been demanding.

Visa International has developed a new business-to-business (B2B) payment system for the internet, Visa Commerce, which is to be implemented in the US in 2003 before being rolled out to the rest of the world. The new service will provide a range of payment and data

management functionality using the Visanet network. Visa Commerce will integrate seamlessly with other procurement and enterprise resource planning (ERP) systems. Buyers will be able to receive electronic payment requests from suppliers and route the payments for internal approval and payment scheduling. Suppliers will be able to present payment requests to buyers, view the status of payments online, and receive payments and facilitate reconciliation electronically.

**WORKING CAPITAL MANAGEMENT.** The focus of most banks' cash and liquidity management services is changing as they begin to provide working capital management (WCM) solutions. Several of the major banks in Europe are repositioning their cash management services to cover all payment transactions, liquidity management, asset management, liabilities management and foreign exchange activities. Some are planning to offer total WCM, which covers the traditional cash management functions of liquidity and cashflow management, as well as other areas such as production and operation management, supply chain management, customer relationship management and enterprise-wide risk management (ERM). This represents a major extension of the services banks currently provide and will necessitate them working with a wide range of partners to put into practice.

**ONLINE TRADING.** Online trading of FX is now well-established, accounting for about \$30bn a day, or some 15% of the overall market, according to research by ClientKnowledge in the US. The research also shows that single bank sites take 30% more than the three multi-bank portals – State Street's Global Link platform (FX Connect), which averages \$7bn daily; Currenex, \$3.5bn; and FXall, the bank-owned consortium, \$3bn a day. The competition between the multi-bank platforms is intense as they fight for enough custom and volume to become viable.

Mostly they compete on functionality, which can only make their services easier to use, as will the important standardisation work carried out by a multi-company working group – Treasury Workstation Integration Standards Team (TWIST). This has laid the groundwork for standardised and automated communications for the FX market and for loans and deposits, and could improve the overall levels of STP in corporate treasury departments considerably.

**RISK MANAGEMENT AND CUSTOMER SERVICE.** The treasurer's increasing responsibility for enterprise-wide management and optimisation of risk is generating a range of new tools and services. The aftermath of 11 September 2001 underlined the first task in risk management as business continuity or disaster recovery. Some banks such as JPMorgan have made their internal operational risk management (ORM) services available to financial institution and large corporate clients. JPMorgan's ORM internet-based platform, Horizon, enables companies to assess and manage their risks and to demonstrate this to regulators and clients alike.

ERM, the systematic and continuous assessment process designed to identify, measure and mitigate the risk exposures facing an organisation, goes further. Although most of the processes involved are internal there is a growing range of ERM tools and services to help treasurers, for example, the new systems from SunGard and XRT mentioned above.

Every corporate treasury department knows from bitter experience how vital customer service support is. In 2002, the banks and other cash and treasury management suppliers invested heavily in this area, leading to improved levels of customer service integrating

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traditional support with all the latest technologies. BNP Paribas has provided pre-emptive customer service solving errors and omissions before customers even realise there has been a problem for some time now. JPMorgan's eCare Program blends electronic self-service facilities, for example, a notification request service to alert email-enabled devices, such as mobile phones and PDAs, with the usual person-to-person customer service, while ABN AMRO's high-volume clients now have direct web-based access to its Client Services systems.

In 2003, there is likely to be more differentiation in the levels of service on offer. ABN AMRO already provides different levels of customer service for its clients but access to the top levels of proactive global service is only freely available to their highest volume clients. Others must be willing to pay, and early indications are that many smaller companies are willing to do so.

**OUTSOURCING.** Treasury system outsourcing is growing as companies increasingly understand and accept the advantages of outsourcing and as the range of services improves. In 2003, there will be increased focus on treasury system outsourcing, also known as application services provider (ASP) services. Citibank will be the first bank to provide treasury system outsourcing when it launches its new ASP service later in the year.

The major development in general corporate treasury or agency treasury outsourcing services this year will be the introduction of JPMorgan's Financial Outsourcing Service. A range of information, integration, connectivity and execution technologies and capabilities will be used to integrate services and applications from JPMorgan and other banks and third-party suppliers and also, critically, information from the client's own internal systems.

An unprecedented range of facilities will be provided, including traditional treasury and cash management processes, in-house banking services, forecasting analysis, quote-to-cash services, procure-to-pay services, trade services and risk analysis and management. JPMorgan services will be combined with those offered by other suppliers to ensure that the best practice end-to-end solution is provided in each facility.

There are interesting prospects in all areas of cash and treasury management for 2003 as new combinations of technologies and services make life easier for the corporate treasury department. But in some ways these new systems and services will make the corporate treasurer's job harder as they will have to choose from an ever-increasing number of solutions and manage a much wider range of different systems and services to make their department fully effective and efficient.

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