

Search for sophistication

TREASURIES IN THE MIDDLE EAST ARE MOVING AWAY FROM MANUAL PROCESSES AND THEIR OWN INTERNAL SYSTEMS IN FAVOUR OF AN IN-HOUSE TMS, FINDS WISSAM KHOURY

SunGard recently conducted a survey of treasurers working in the Middle East in association with research company Aite Group and The Association of Corporate Treasurers Middle East. Our aim was to better understand the main issues facing treasurers in the region. We found that companies in the Middle East are moving away from manual processes and bespoke software, towards increasingly sophisticated methods of treasury management. The study also identified some key challenges and strategies for the future.

At the centre

Most of the treasurers who responded to our survey work in a centralised treasury function. Three-fifths (60%) are based in a single global treasury centre, while a fifth (20%) support companies that have multiple regional centres, and just 5% are employed by organisations where the treasury function is fully decentralised.

Most participants said that their treasury maintains full control over FX risk, interest rate risk, cash management, trading and settlements. But, worryingly, more than a third have no control at all over important functional areas such as payments processing, supply chain finance and collections management.

The study also found that corporate treasurers are seeking to move from



fulfilling purely operational roles related to cash management and reporting, towards decision-making roles where they can help to support business strategy. As a result, they realise they must address some perception issues, especially in relation to value generation and risk management.

Challenges

Increasing productivity and reducing manual processing

are the most pressing challenges that treasurers in the Middle East face, cited by 54% of respondents. Just under half (46%) identified the importance of demonstrating that treasury is a value generator, not just a cost centre. This was followed by a need for improved risk analytics.

Probing further into risk, treasurers in the region are most preoccupied with interest rate and commodity

risk and less focused on credit risk. This is to be expected in a region where the oil industry is a major producer. More than a third (34%) revealed that their company had high to very high exposure to interest rate risk, with 31% saying the same about commodity risk. Nearly a quarter (24%) of treasurers said their company had high to very high exposure to FX risk.

Manual processing

Despite the state-of-the-art treasury management systems (TMSs) that exist, corporate treasuries all around the world are still making use of electronic spreadsheets and companies in the Middle East are no exception to this.

More than half (52%) of respondents rely on spreadsheets or manual processing for the majority of the time they devote to cash management activities. Over a third (36%) say the same for settlement activities.

It appears that Middle Eastern corporates are investing in technology for their treasury teams, since most treasurers expect to spend significantly less time using manual processing for cash management purposes over the next two years. Interestingly, we noted that companies in the Middle East have been slow to take up SWIFT, however. Just 18% of respondents are using SWIFT's basic payments

model at present – although nearly a quarter intend to use one or more SWIFT services within the next two years.

Overall, accounts payable is the most automated function as measured by the lowest spreadsheet usage, with just 11% of participants reporting that their companies use a spreadsheet more than 75% of the time.

ERP systems

Enterprise resource planning (ERP) systems are likely to provide the functional applications that corporate treasurers in the Middle East use to manage their business processes in the near term. Just under a quarter (22%) expect to use an ERP system for cash management purposes over the coming year. Nevertheless, ERPs are likely to be used in parallel with dedicated TMSs. The impact of a TMS on existing technology assets cannot be underestimated and treasurers willing to adopt a TMS must be ready and accountable to ensure swift and possibly non-intrusive

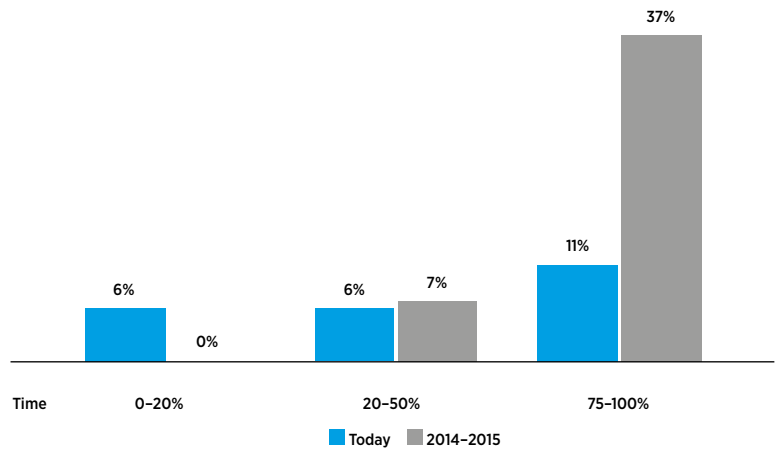
introduction of such systems in the current IT infrastructure of their own companies.

TMS take-up

Dedicated TMSs are being more widely adopted in the Middle East, our research found. Some 11% of treasurers spend at least 75% of their time using a specialised TMS for cash management purposes at present, but 37% expect to manage their company's cash using a TMS for the majority of time over the coming year. Meanwhile, more than a third of respondents (37%) plan to use a TMS for the vast majority of their settlement activities and 19% intend to use one for most of their forecasting activities, with the figure falling to 15% for trading and capital market activities.

This trend confirms that corporate treasuries in the region are reaching a higher level of maturity and sophistication. Indeed, many treasurers indicate that they expect to increase their usage of their TMS across many

PERCENTAGE OF TIME THAT A SPECIALISED TMS IS USED FOR CASH MANAGEMENT FUNCTIONS



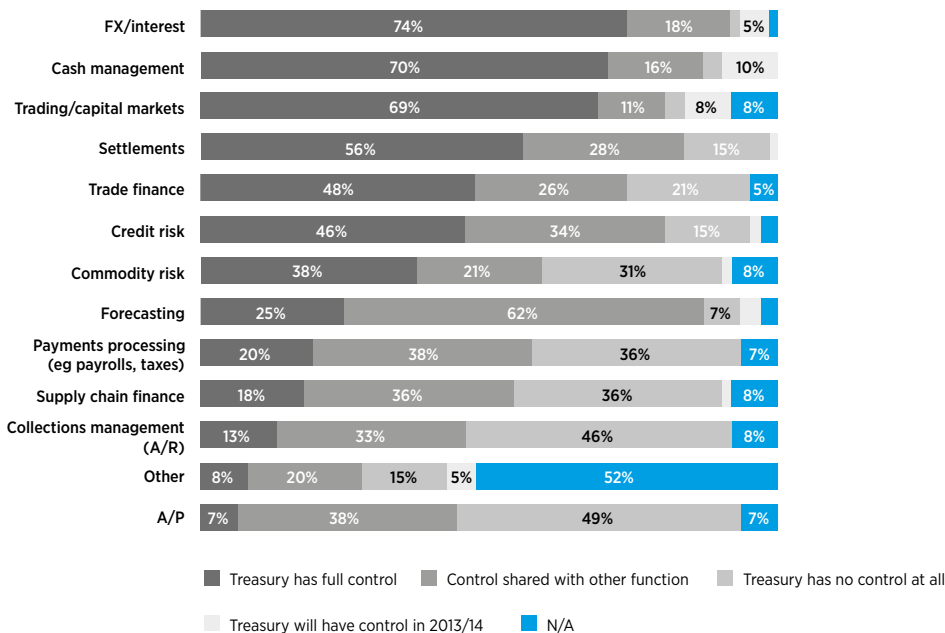
treasury functions, from cash management through to settlements, forecasting and FX.

Take-up of TMSs means that companies in the Middle East are steadily moving away from building their own treasury systems internally. As the treasurer's role evolves from cost cutter to decision maker, it demands strong alignment with global market

dynamics, industry standards and continuous developments in information technology. Under these circumstances, the presumable benefits of having an in-house TMS are dramatically and overwhelmingly offset by the costs of updating custom-made software applications that are perennially outside standards subject to outdated technology, and expensive to maintain.

FUNCTIONAL AREAS UNDER TREASURY'S CONTROL

Which functional areas are covered, and what is the level of treasury's control? (n=61)



Conclusion

As Middle Eastern treasuries grow in sophistication, many of the challenges they face will need to be addressed through more advanced treasury technology. As a result, organisations should review the best ways for them to deploy and manage that technology. For some, that may be on premise, while others would prefer a private-cloud or managed-services environment.



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