

# NOW IT'S REMOTELY POSSIBLE



MANAGEMENT SYSTEMS THAT ALLOW ACCESS FROM REMOTE LOCATIONS ARE TRANSFORMING THE WAY COMPANIES MANAGE THEIR TREASURY FUNCTION, SAYS **DANIEL ANDRES** OF SIMCORP.

For many large companies, globalisation is supported by subsidiaries in several countries but with just one treasury management system at head office. Or there may be several, independently-run treasury management systems in a number of different countries to support a central system. Cash positions are telephoned in to the group treasury department, or the department is fed information from each subsidiary's independent system, for transfer onto the database of the central system. But, all too often, by the time the information is reviewed, it is out of date and subject to error.

It is quite remarkable that in the 21st century subsidiaries are still relying on downloading information from their local banks and then faxing it on to their head office for input in to a central treasury system. Not only does this take significant amounts of time but it also means that any decisions taken are based on a position that could be anything up to a week old.

Remote access treasury management systems put an end to those delays. They are particularly well-suited to organisations which work in different time zones and to companies that have been the subject of mergers or acquisitions. It simply means that all treasury departments within a group have access to, and can work from, a single system with a single database. Wherever in the world a subsidiary may be based, all those working in corporate treasury can have access to the central treasury management system, provided that they have authority within the treasury system to do so.

An example might be a company operating in both Europe and South America. Once a subsidiary in Argentina has downloaded its statement from its local bank, both the subsidiary and the treasurer in a head office in, say, Germany are immediately able to review the cash position of the Argentine subsidiary and incorporate the balances to their forecasts and cash management. This is possible as the subsidiary has direct access to the head office system via the internet or a wide area network (WAN). Companies operating several subsidiaries can accept data from each of them in the same way.

As a result, the company's treasury staff can take a truly global view and are able to manage cashflow and make cash management decisions much more efficiently.

## CASE STUDY

### LOGISTICAL TREASURY MANAGEMENT

One company that makes the most of a remote access treasury management system is Exel. Formed out of the merger of Ocean Group and NFC last year, Exel is now the UK's largest provider of logistics and other transport services, as well as being a leading global player. Exel opted for SimCorp's IT/2 version 4.0 corporate treasury management system, a comprehensive and integrated system that facilitates the effective management of deals, cash, and the firm has two remote locations linked to its group treasury department in Bracknell.

Andrew McMichael, group treasurer of Exel, says deciding which system to operate after the merger was not difficult. "I came from the Ocean Group side of the business, which had installed IT/2 two-and-a-half years ago. NFC was still using the DOS-based IT system, so the decision on which treasury system to use was one of the easier merger issues to resolve," he explains. Exel has remote links to a site in Bedford and another to its US offices in Columbus, Ohio, using IT/2's Citrix system. The combined business operates in more than 120 countries, although treasury is centralised at Exel's treasury department in Bracknell.

"The IT/2 system has all the functionality we need and also looks after our global cash management needs. Our operation may differ from other similar organisations. We use Bank of America (BoA) as our global cash management partner, which operates as our bank of choice in each of the countries we both operate in. Where the bank is unable to offer full banking facilities in a certain country we use BoA as an overlay bank. Where it has no presence, we will use one of our

## 'THERE'S NO DOUBT THAT THOSE COMPANIES OPERATING INTERNATIONALLY GAIN THE MOST FROM REMOTE ACCESS TREASURY MANAGEMENT SYSTEMS'

For this to be suitable for a large corporate, one of the most fundamental essentials is tight internal systems security. It may be inappropriate for one subsidiary to see what another is contributing or not relevant for certain aspects of the system to be seen by certain employees. As a result, it is essential that the software can be configured to segregate data so that users are able to access only the information they have the authority to view or work with.

**WHICH ORGANISATIONS ARE THEY BEST SUITED TO?** There's no doubt that those companies operating internationally gain the most from remote access treasury management systems. Data entered at the end of a day of trading in Asia, say, is ready to be viewed by staff in Europe as their market opens just a few hours later. Such firms are able to make the most of the speed of data delivery — although to get the best out of it an organisation may need to run a 24-hour operation. Firms operating in a single country can still reap the benefits of a remote access system. It is particularly applicable where two companies merge or one acquires another. Often with such corporate changes there can be two distinct businesses in separate parts of the country and it is not appropriate to merge them into a single entity. By utilising the remote access, the two treasury departments can continue to operate at their original sites, but with the satellite operation accessing and working with the group treasury system.

**WHAT ARE THE BENEFITS?** Although improved cash management is the most obvious benefit of employing a remote system, deal and risk management are also greatly enhanced, as fewer errors creep into the system. A single database requires fewer human interventions, resulting in fewer mistakes. Tighter controls and global cash management allows faster and more transparent internal lending and borrowing. For example, if an Italian subsidiary requires a short-term cash loan, it can be cheaper to do it internally than let the Italian division enter into a commercial arrangement with an outside bank. Another benefit of running one system remotely is the cost saving in IT expenditure. One system is inevitably cheaper to own and operate than several locally-run models.

As cash management is considered to be quintessential for effective corporate treasury management, the merits of remote access become obvious. The ability to look at accurate cash positions daily means full knowledge of reserves levels and the ability to invest faster. Overall, this will reduce margin costs and generate greater revenue — usually a principal objective of a corporate treasury department.

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other relationship banks, but feed data through BoA's reporting system."

At the end of each day most subsidiary's bank balance information from its local bank is fed back to Bracknell through the BoA using Swift MT 940 or 950 messages. Every day McMichael's staff download that information from the bank and upload it into the IT/2 system for instant access and management.

"For us, the main benefits of the remote function is that it has allowed us to have our back office located away from the front offices. Following the merger we decided we wanted our back office to be located with the group finance department in Bedford, so the remote functionality has enabled that to happen. We have moved from paper-based controls and processing over to primarily system-based controls.

"We are operating as an in-house bank and the IT/2 Citrix solution allows us to manage bank account information received by the company which would otherwise be impossible because of the sheer amount of time it would take. Every day we download information from 260-300 bank accounts from some 45 banks, which would be impossible to process manually without a significant increase in staff. This enables us to manage our cash position better, and the fact that we operate zero balancing allows us to offset, for example, an overdraft in Germany with cash reserves in the UK."

McMichael says the IT/2 system has also dramatically improved the firm's net debt reporting. "It used to be that all our subsidiaries would report by email or fax on a weekly basis, which would then be collated over two or three days. By the time we had chased those who had not sent in their figures, the position was perhaps a week old," he says.

"We are currently bringing online automated net debt positions, which will give us our net debt with 24-36 hours — which in turn will allow improved managerial action.

"That we now operate system-based controls, rather than the old paper ones means we have reduced the burden on senior managers. In the past, some transactions required up to seven signatures — by moving to electronic-based controls we reduced this to three signatures, which is something we feel comfortable with. We are saving management time, while improving the treasury process," he explains.

So what of the future? McMichael says the firm is currently looking at using the system to manage a dollar cash pool in the UK that would allow it to move cash backwards and forwards from the US as trading occurs in the different time zones.

"Cash would potentially be moved at the end of the day's trading from London to the East Coast of America and on to San Francisco, and finally back to London as the time changes. The advantage would be that someone could manage cash reserves in the US locally. Although we have yet to decide whether to go down this route, it is technically feasible. I've sat in our office in Columbus and using the system is almost as quick as using my computer in my office back in Bracknell — which is very impressive. Our next move may be to push a remote link into the Asia-Pacific area to take advantage of time differences there." □