

CONNECT WITH YOUR CASH

Making optimal use of the available technology is the secret to effective treasury management, argues David Lecuyer

Companies have become more demanding in the wake of the technological revolution that has taken the world by storm. The challenges presented by globalisation, as well as the present economic difficulties and market volatility, mean treasury management has become a priority. Treasurers and

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FDs must have all the information they need in real time, along with a global vision of the cash on hand. It is only then that treasurers can really focus on optimising cash management, and identifying the risks, thus protecting and increasing the company's main asset – cash.

Cash visibility begins with the integration of bank statements for all the company's accounts – the first building blocks for treasury reporting. At this stage, treasurers face obstacles. They must open and maintain multiple predetermined communication channels with banks, while manual interventions must be kept to a minimum. Ideally, treasurers would like to receive real-time account balances from any bank in the world. This is when a SWIFT connection is useful. Companies can receive their own account statements and balances for their subsidiaries at home and abroad using the SWIFT (MT940) message format via the SWIFT network

or via any other communication protocol. But they must ensure that their treasury application is integrating them correctly, since banks can often generate statements with some minor modifications. Most enterprise resource planning (ERP) and other treasury systems are unable to cope with these changes, causing the integration to fail. As a result, some treasury software providers have taken this issue into their own hands and made it their business to deal with those problems, providing 'plug and play' connectivity to SWIFT. (See box, below left.)

Considerations for treasurers

The secret to effective treasury management is being able to regularly anticipate account balances in order to manage excess cash, or borrow it when necessary. A treasury management system (TMS) must therefore include a cash forecast module. This functionality helps to steer treasury cash provisions, along with the accounting and budgeting data, in order to meet the internal and external financial needs of the company.

Treasurers also need to be aware of the financial risks in the different banks and countries where their company has accounts. Nowadays, treasurers often spend a lot of time on repetitive tasks that have no conceivable added value. They evaluate risk by carefully analysing it, then they have to explain the rationale for their actions to senior management. A TMS must help them in their work by automating as much pertinent information as possible, as well as being a means to audit and control accounts that bear too much

'PLUG AND PLAY' SOLUTIONS

'Plug and play' connectivity to SWIFT allows treasurers to analyse international bank group transfers, as well as manage forecasts and systematise ERP reconciliations. 'Plug and play' solutions automate the management chain of all bank statements, regardless of any format. And the end result is quite impressive. What started out as basic SWIFT files ends up as bespoke reporting, sent periodically by email and customised at the recipient's request. These solutions allow companies to manage their treasury automatically, while avoiding the potential for human error (such as manual Excel reports), and are financially viable. As such, they are the pioneers of treasury management and cash analysis tools.



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providing the functionality that will help them to conform to group policy. Thanks to a meticulous tracking of cash positions and the issuing of account caps, treasurers can successfully manage their exposure to risks and reassure senior management, as well as other company departments.

Naturally, software companies will keep developing new solutions for treasurers, to assist them in taking better control of their cash and helping them to overcome the stress and hurdles involved. A TMS must satisfy these constant demands and evolve regularly to meet changing treasury needs. No matter how big or small, a company must have control over its cash and reliable information and data to hand that isn't just divided into the separate online accounts of different banks. The financial crisis, and subsequent focus on financial control, has served to intensify those needs.

risk. In order to accomplish that, it is essential to import all of the account and banking information files. This step is called native integration. By taking this approach, the treasurer can ensure a total restitution of banking information, while providing audit tracks. Only when all this information is available for proper use can it be used for complete reporting and alerts put in place.

Treasurers need to adapt their TMS to organise the functional side of treasury – to control, measure and generate reports on risk – while relying on it for efficient financial decision-making. They must

be able to identify uncertainties and risks associated with bank positions and have at their disposal a risk management module that allows them to constantly access their exposure to banking risks. Their TMS must also enable them to conform to their company's own management and security rules. So, a TMS allows treasurers to obtain global visibility and a complete analysis of their provisional cash management.

FX is another important consideration for treasurers. So treasury management solutions must give them a clear vision of their exposure to currency rate changes,



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