

technology

TMS

Where do you want to be?

Far too often, companies that have invested in a treasury management system (TMS) miss the opportunities to maximise the value they receive. Many treat their TMS as a deals database, using it to register, confirm and report money market and foreign exchange (FX) deals. The system may run partly or totally on a standalone basis, without integration into other internal systems such as enterprise resource planning and accounting or external platforms such as banks' systems; as a result, rekeying may be necessary to transfer the information from the TMS to other systems. And as new management reporting requirements arise, companies sometimes take a quick-fix approach, and set up spreadsheets to generate this reporting.

The result is a treasury department that fails to get the best value from its TMS investment, and which may be incurring unnecessary expense and risk as a consequence.

INTEGRATED OPERATIONS Based on user-defined rules, a TMS can form a single deal entry-point, with the following automated workflow:

- generation of confirmation letters, in the required formats and exported to the required media;
- generation of trade tickets;
- generation of cashflows; and
- generation of accounting journals.

All operations take place in a controlled environment and are integrated into all treasury reporting.

This is standard contemporary TMS usage; it eliminates the unproductive work effort and risk of error resulting from rekeying deals into spreadsheets, or into systems in multiple departments. Furthermore, asset, cashflow, forecast and exposure information can be recorded and linked in the same controlled environment and made immediately available to all people and departments involved in treasury.

OPERATIONAL AND MANAGEMENT REPORTING The key daily operational reports from which treasurers make daily funding, investment and hedging decisions can all be automatically generated from a TMS. Such reports can include:

- account balance information reported by banks;
- forecasts, exposures and deal requests from business units;
- maturing deals and cashflows from treasury activity; and
- strategic planning information.

Executive summary

- A treasury management system can be far more than a deals database. Managed well, it can deliver comprehensive operational, management, regulatory and treasury policy compliance reporting. A TMS can also manage and document treasury processes.

Frustrating hours consolidating spreadsheets can be avoided through the automation of all these reports.

As in all businesses, at month-end many treasurers will have to present a package of reports, summarising the performance of treasury, to their finance director or CFO. Most treasurers spend at least the first week of each month preparing these reports in spreadsheets, Word documents and so on. But a good TMS can provide a suite of best practice management reports that are run and completed on the first business day after month-end. Such reports can include:

- corporate cash position;
- future funding requirements;
- debt and investment portfolio summary;
- FX transaction portfolio;
- FX profit translation exposure; and
- FX investment translation exposure.

PROCESS MANAGEMENT AND DOCUMENTATION The Sarbanes-Oxley Act and other legal and regulatory compliance require treasurers to have documented treasury processes for operations and reporting. In recent years many companies have had consultants create this documentation; it typically now sits in a file providing little assistance to operations. In many cases, it does not reflect how treasury operations have changed since the documentation was created. It is now possible to implement a TMS that has integrated

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PATRICK COLEMAN EXPLAINS HOW TO GET THE BEST FROM YOUR TREASURY TECHNOLOGY.

business process management facilities. The TMS-based processes provide the daily activity diary for treasury to follow, plus a user-friendly workflow-based user interface, which is auditable and reportable as formal treasury procedural documentation.

MAKE A PLAN It is not the number of good ideas you have but the number you implement. Getting the best from your TMS requires a strategic plan. Decide where you want to be. Review what is possible with your existing TMS and make a plan to move it forward to implement some of those good ideas.

A good plan should cover two/three-year objectives; and it should be shared with your TMS supplier (unless you need a new one). It should include:

- a description of your treasury business;
- a description of your current TMS situation;
- a statement of what you wish to accomplish, organised into priorities;
- a summary of the expected investment required to achieve your objectives; and
- common understanding between treasury, your supplier and other stakeholders to invest the resources required to execute at least the first steps in the plan.

THE BENEFITS This article has given a flavour of what is possible, and has suggested an approach that can help optimise your usage of treasury technology. As you achieve this, your team will be able to focus on their professional duties rather than struggling with IT. This can lead directly to:

- more effective cash, treasury and risk management;
- more complete and dependable management reporting;
- more resources, focused on treasury analytics and communication with business units; and
- enhanced transparency, auditability and control.

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