



When the going gets tough...



AS THE ECONOMIC GOING HAS GOT TOUGH, SO TREASURERS HAVE GOT GOING, EXECUTING A WIDE RANGE OF STRATEGIES TO PROTECT CORPORATE LIQUIDITY. **GRAHAM BUCK** REPORTS.

Treasurers stepped up their efforts during 2011 to steer a safe course through the financial crisis, according to a survey by software group IT2 Treasury Solutions, which ran a survey of its corporate clients to discover their funding plans.

Kevin Grant, the group's chief executive, says: "Treasurers are acutely aware of a tight funding environment as a major component of the global financial crisis. They also perceive that a trickle-down impact from regulatory incentives seems set to exacerbate already difficult funding conditions."

As a result of the pressures, initiatives to help companies

through the squeeze have accelerated in the past year. Of the treasurers from the mid- to large-sized corporates that participated in the survey, 54% are particularly concerned that the Basel III banking regime will have a negative impact, by pushing up the price of external funding from banks and squeezing credit availability.

"They will be closely watching provision for regulatory 'gold-plating' of capital requirements across local jurisdictions," says Grant.

The latest survey also shows that one of the main responses by treasurers has been to maximise their use of

Figure 1: Cash visibility levels

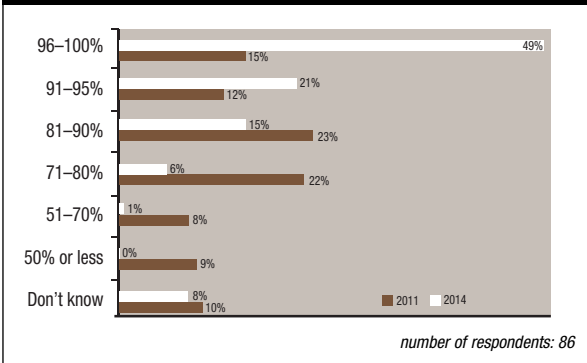
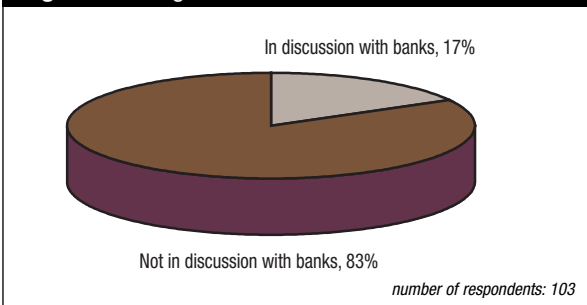
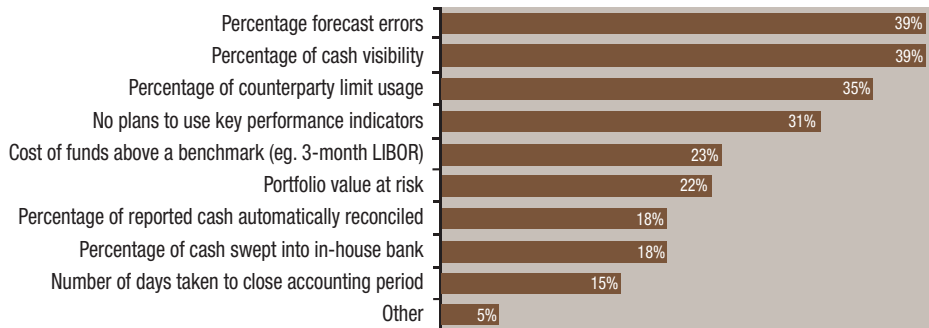


Figure 2: Progress towards eBAM



cash management SURVEY

Figure 3: Planned key performance indicators till 2014



number of respondents: 105



internal funding sources. In 2010, IT2 found that average cash visibility stood at 78%, with treasurers looking to achieve levels of just over 90% as a medium-term ambition. But over the past year, treasurers have significantly revised upwards their ambitions for achieving visibility of cash within their organisation, from a current average of 80% to more than 95% within the next three years (see Figure 1 on page 15).

Grant says that the strategic drive towards more efficient cash management and reduced reliance on external funding is a major incentive for corporates to make preparations for electronic bank account management (eBAM).

"Centralised bank account management is a contingent part of eBAM and a key enabler of comprehensive visibility

"66% OF TREASURERS IN LARGE ORGANISATIONS NOW EXPECT TO ISSUE BONDS, COMPARED WITH 36% IN 2010."

and complete, accurate forecasts," he says. "eBAM also enables instant visibility of global share of wallet, putting treasurers in a better position to keep track of an entire banking relationship and to negotiate effectively with funding providers."

Figure 2 (on page 15) shows how many survey respondents have already started discussing eBAM with their banks. Many of those not yet in eBAM discussions are likely to be at earlier stages of adoption, and increasing number of treasurers have secured eBAM-ready treasury systems, says IT2.

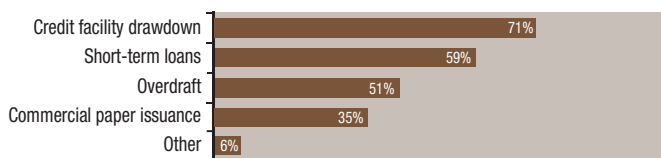
STRONGER MANAGEMENT The survey also focused on the more sophisticated management approaches that treasurers are studying and adopting in response to the increasing scrutiny by the board of their performance. They were asked which approaches they planned to adopt in safeguarding, improving and reporting on their ability to make best use of cash and funding.

As shown in Figure 3, the three most popular key performance indicators (KPIs) are monitoring cash visibility, monitoring forecast errors and managing counterparty limit usage – a costly resource if left unused.

The survey also investigated what other avenues were being explored by larger corporates in response to a more difficult funding environment (see Figure 4). The figure of 35% for those expecting to issue commercial paper over the next three years compares with 21% at the end of 2010.

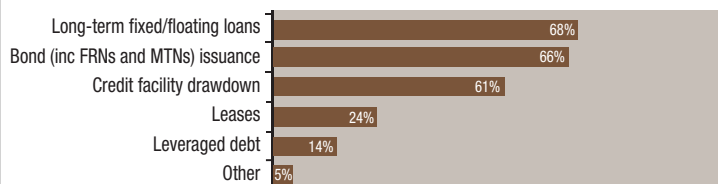
"For longer-term funding requirements the figures are stark," says Grant (see Figure 5). "66% of treasurers in large organisations now expect to issue bonds, compared with 36% in 2010. Banks still have an important part to play, but treasurers are increasingly looking to alternative funding mechanisms in addition to making best use of existing lines of credit."

Figure 4: Short-term funding mechanisms till 2014



number of respondents: 94

Figure 5: Long-term funding mechanisms till 2014



number of respondents: 93

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