

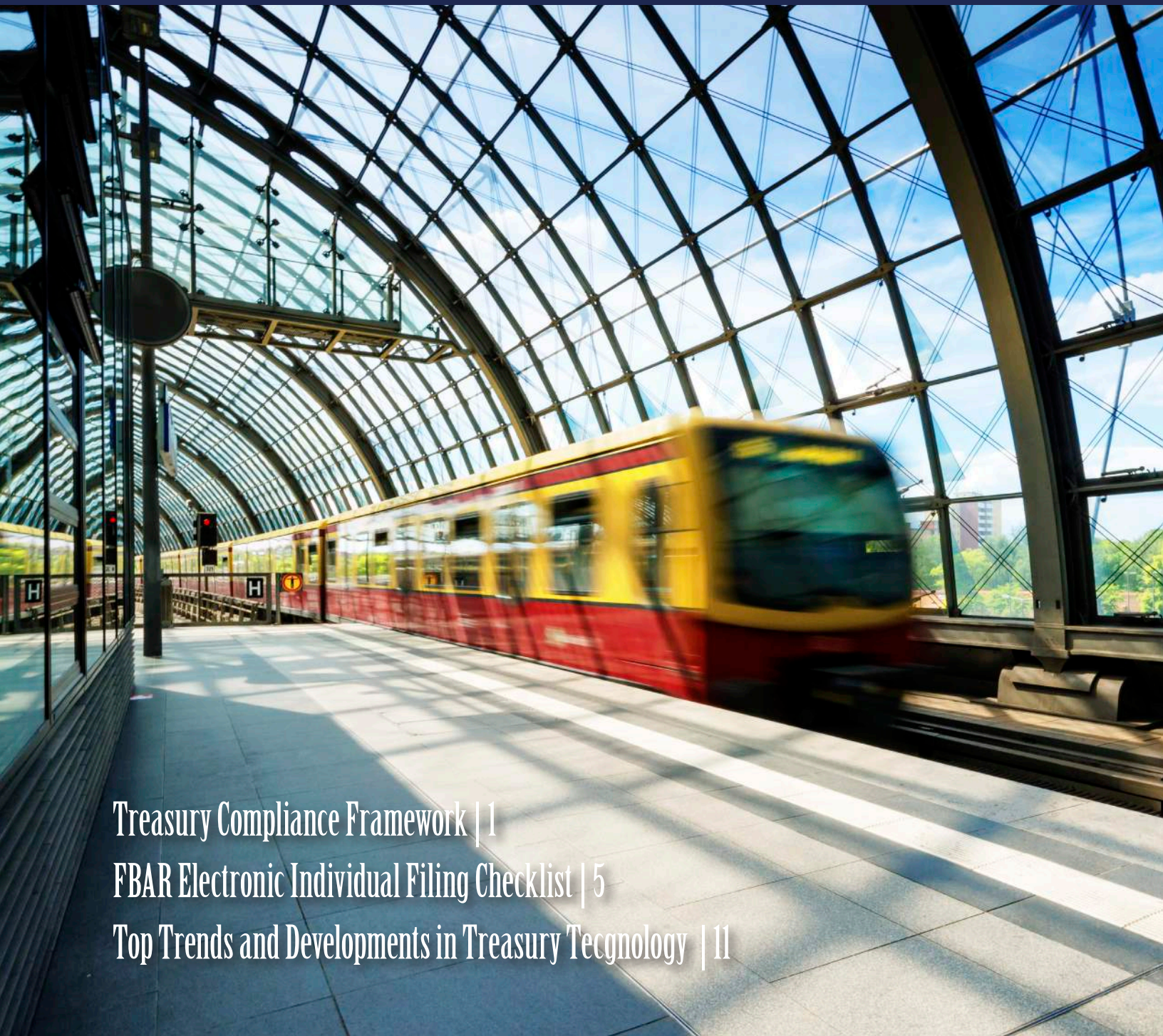
WINTER 2015 - 2016

Treasury Update

Newsletter



Treasury Compliance Framework



Treasury Compliance Framework | 1

FBAR Electronic Individual Filing Checklist | 5

Top Trends and Developments in Treasury Technology | 11

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Contents

TREASURY COMPLIANCE FRAMEWORK

1



FBAR

Electronic Individual Filing Checklist

5



HAVING THE RIGHT PEOPLE

Is Key To A More Proactive Treasury

9



TOP TRENDS AND DEVELOPMENTS IN TREASURY TECHNOLOGY

11



KEY AREAS OF TREASURY'S FOCUS

Strategies to Improve the Value of SCF

15



HOW NCR'S TREASURY TEAM GREW ITS BANKING NETWORK

17



TREASURY TECHNOLOGY

19



Treasury Update

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Mission Statement:

Treasury Update, a resource for Treasury professionals, is published bi-annually to raise awareness of key Treasury items, issues, and events; assist with tactics and strategies; and enable Treasurers and their organizations to be more resilient, effective, thoughtful and efficient.

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TREASURY COMPLIANCE FRAMEWORK

INTRODUCTION

Corporate treasury groups have become increasingly familiar with the recent onslaught of new regulations coming at them from many different jurisdictions. These new regulations have been added to a range of existing requirements coming from assorted entities ranging from creditors, card companies and payment associations. The sheer number (FBAR, FATCA, EMIR, Dodd-Frank) and increased rate of new compliance items coming into play represents a new level that significantly exceeds anything experienced in typical corporate treasuries in at least several generations. At the same time, the expectation that treasury will keep their organization protected against a range of risks and exposures and in compliance is also at a new high-water mark.

SITUATION IN DETAIL

There are three key premises vital to the overall arguments we are making in this article. They include the following items, initially identified separately, and then embedded in the discussion that follows:

- Calibration of standards or practices should be assumed. That is, different standards are required based on an organization's size, industry characteristics and operational needs. An organization with specific regulatory oversight of their industry will need a different level of compliance attention than another in a less regulated industry in those areas.
- **Range of Standards** | For any company there are a range of practices from excellence to the minimum to those below a level of care that

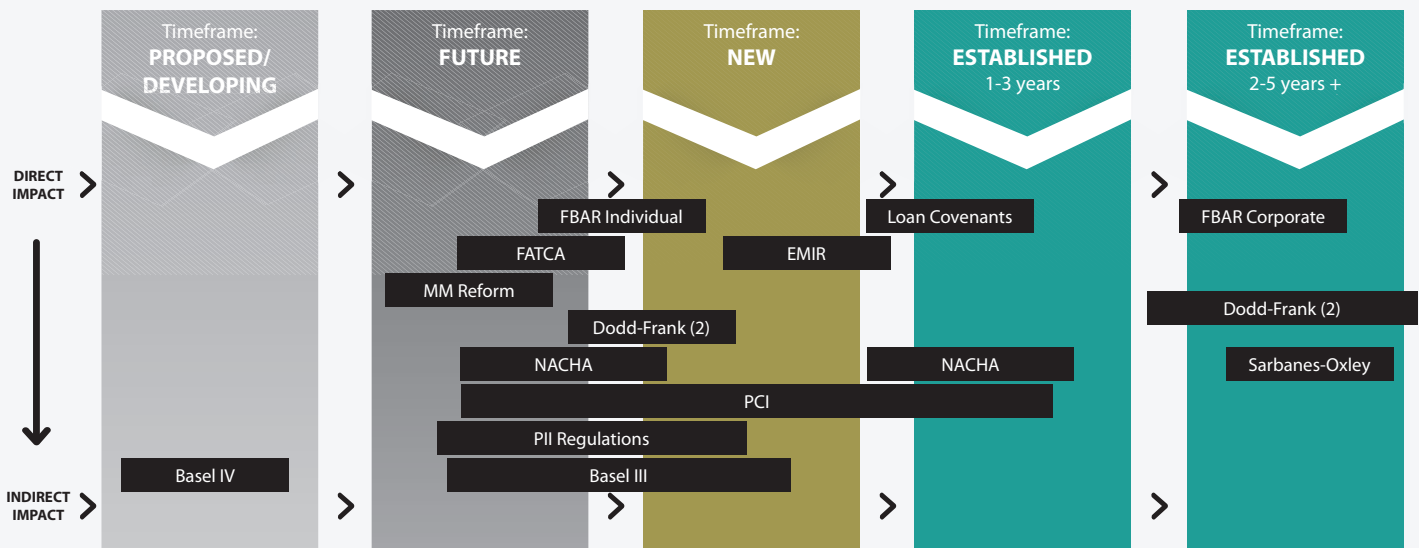
should be tolerated. We refer to the minimum level as the Standard of Good Corporate Conduct.

- **Ongoing Change** | Standards will need to change over time to reflect new expectations, a more volatile operating environment or other external and internal demands. Adaptations are required at different times. Think of the changed compliance requirements around the security of card data due to the series of major cyber-breaches at several retailers.

COMPLIANCE TRIAGE

In order to avoid creating undue stress or depression by showing a full list of compliance related requirements that are established, new or soon to come, we offer the following simplified chart. Here are a few points to help the reader interpret the chart:

FIGURE ONE



- Impact Type (y-axis)** | The vertical axis offers a range of impacts from direct to indirect. Direct might include a rule that applies to your particular industry or is a requirement placed upon your company by a competitor. Indirect could include a regulation on another industry that could have a secondary impact on your company. An example of this could be Basel III that impacts their banking partners directly. The indirect impact could come from a devaluation of non-operating balances held at that bank which provided economic support to the relationship in the past. The new calculus may move the bank's view of the relationship from a positive, income producing one to one that is now negative.
- Timeframe (x-axis)** | The horizontal axis is a relative timeline to a compliance activity. On the left we will find proposed or developing regulations or standards. These are items that may be open to influence. As you move right, regulations will be found that have a future implementation date. Finally, you will see the categories of new and established which represent items that are recently in force for

multiple years. Near future and new items represent those areas where the greatest level of risk exists. A compliance process and the attendant knowledge, processes and reporting elements are typically being formed and adjusted. (figure one)

DEFINITION OF TERMS

We indicated that the level of care required to ensure compliance could vary by industry, location, level of globalization or other dimensionally complex areas of treasury intensity. It will help make this conversation efficient if we define three primary terms.

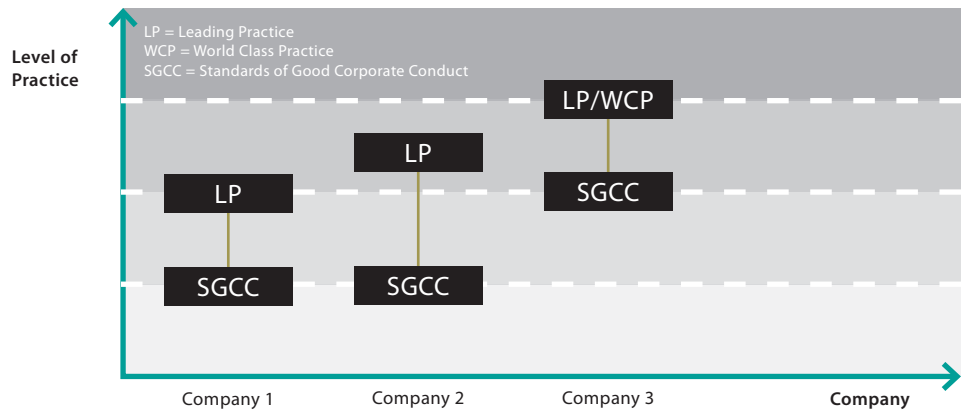
- Standard of Good Corporate Conduct** | If we consider conduct and practices across a continuum from the minimum level of conduct to the highest level of care or attention, we can both note and name some important points on this continuum. The Standard of Good Corporate Conduct (SGCC) represents the minimum level of care or conduct that most organizations (from small to mid-size organizations up) should maintain. This level of care is generally constant across most industries with some exceptions. Certain treasury

intensive organizations may have higher minimum standards for particular areas or practices than others (i.e. a bank would have a higher SGCC level of cyber security than a distributor of plumbing equipment).

- Leading Practice** | This is a term that can calibrate. It answers the question "What should we be doing to be a leader." It necessarily has a realistic bent and adapts based upon the organizational size, level of demand and risk tolerance. It takes into account these differences. This term replaces the oft-overused and misused term 'best-practice' which is typically used to apply to every organization as if they had the same regulators and level of complexity.
- World Class** | This term is most frequently applied to the largest or most treasury-intensive organizations. It refers to taking a leadership position among those with the highest level of standards and the most pressing of demands. World Class would be a leading practice for large and/or treasury intensive organizations.

FIGURE TWO

Standards Of Good Corporate Conduct, Leading Practices



The graphic shows three separate companies. The first two companies have the same minimum level (Standard of Good Corporate Conduct) which is relevant to the general business population. Also, you will note that they have a different level for a higher standard that would represent a leading practice. These differences reflect their varying complexity, industry, size and scale.

The same graphic shows a third company that has a different minimum and level of practice. The minimum level is higher as this company is in a highly specialized and perhaps more highly regulated industry creating an elevated standard that would reflect good corporate conduct. For the leading practice level in this industry, it is also noticeably higher than for other firms. This categorisation is also paired with the World-Class Practice moniker as it represents the highest standard across all industry categories.

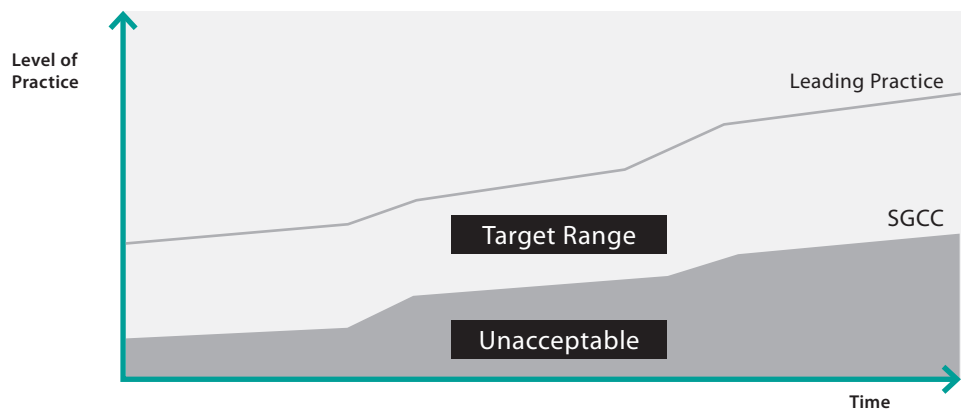
(figure two)

The next graphic shows a progression of leading practices and the standards of good corporate conduct. This is meant to help demonstrate that standards shift over time. And, the changes in expectations or level of care is almost always upwards. A company will typically seek to target their performance within the band between SGCC and Leading Practice. Falling below the SGCC represents an unacceptable level of performance. This might be a lack of adequate care, improper controls or an inefficient process or workflow. Achieving above the leading practice mark, unintentionally, may represent excessive or burdensome costs.

(figure three)

FIGURE THREE

The Changing Level of Practice

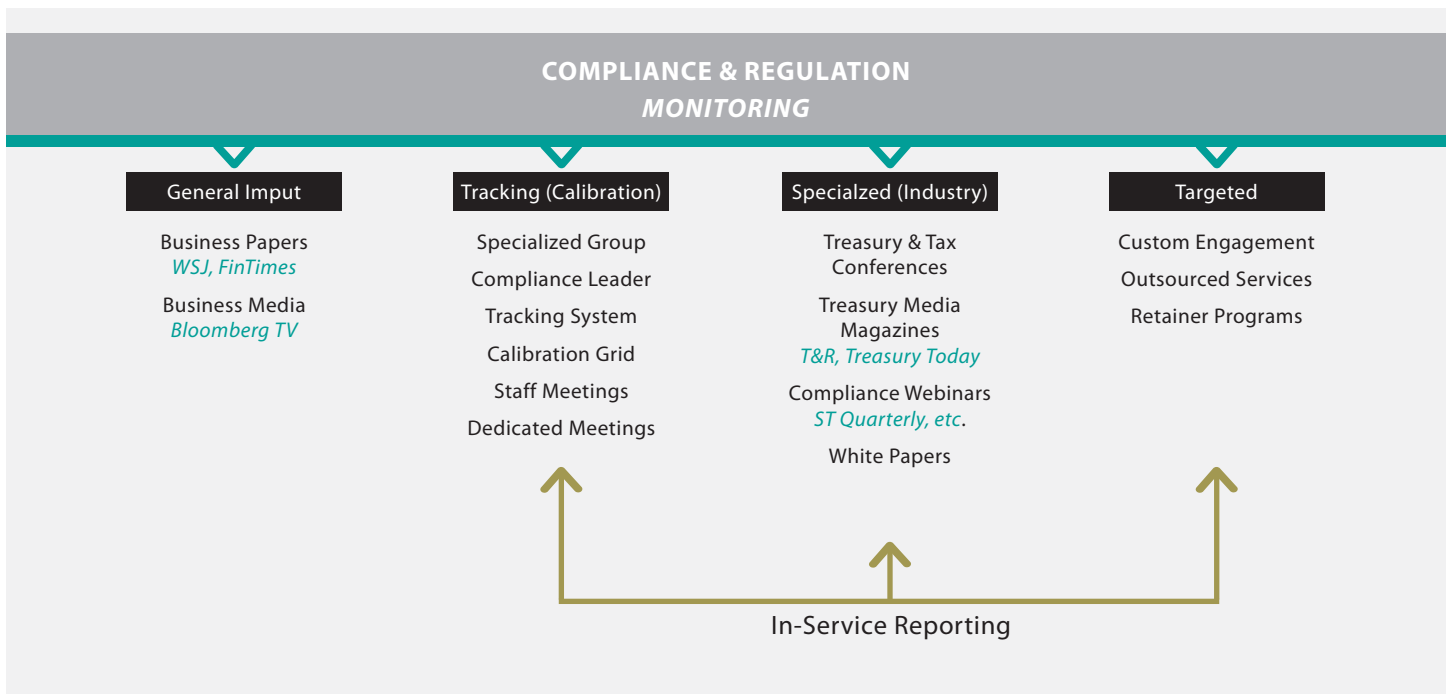


CHANNELS FOR SYSTEMATIC COMPLIANCE

Given the number and range of emerging and new compliance activities that impact treasury organizations must be more deliberate and formal about monitoring these items than in the past. There are too many balls in the air. There are three primary methods of gathering information on compliance related items which should be coupled with a more formal tracking method.

- **General Input** | General business media provides a scan of various regulations and it is quite simple to listen for compliance-related items as part of the normal part of staying current
- **Specialized** | Specialized reporting and information by your industry or with a treasury-focus, will often be the first indication of a direct application of a compliance related item.

FIGURE FOUR



- **Targeted** | Engaging your consulting, legal or other partners in a custom engagement or as part of a retainer program provides a dedicated set of resources at your disposal for a part-time fee.
- **Monitoring** | Assignment of active, pending and developing items that could impact your organization will now be formalized. Reporting may take different forms. But, characteristics will include

systematic and calibrated updates among the treasury leadership team. (figure four)

CONCLUSION

Given the increase in compliance related activities that treasury faces, it is important that treasurers establish a more formal process in monitoring pending and emerging compliance issues. This process must be appro-

priately calibrated to ensure that the limited time is properly calibrated to the most urgent and emerging issues in this domain. ■

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs. His twenty-plus years of financial and treasury experience as a practitioner and as a consultant with various financial institutions have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly. He is primarily responsible for relationship management and ensuring total client satisfaction on all projects. Additionally, he oversees the development of all practice areas and staff.





FBAR

ELECTRONIC INDIVIDUAL FILING CHECKLIST:

Individuals with signature authority over foreign accounts will now have until April 15, 2017, to file with the Treasury Department's Financial Crimes Enforcement Network (FinCEN). Such individuals have to file even if they don't have a financial interest in the account. The time was recently extended from June 30, 2016, but this extension is NOT an elimination of the years that must be filed. If filing for prior years has not already been completed, companies must file for years

2010, 2011, 2012, 2013, 2014, 2015 and 2016 by April 15, 2017. Individuals or companies filing on behalf of individuals should act as soon as possible to collect data and submit their FBARs. Below is a list of steps and tips to help you and your company determine the best course of action in completing the FBAR filing requirements.

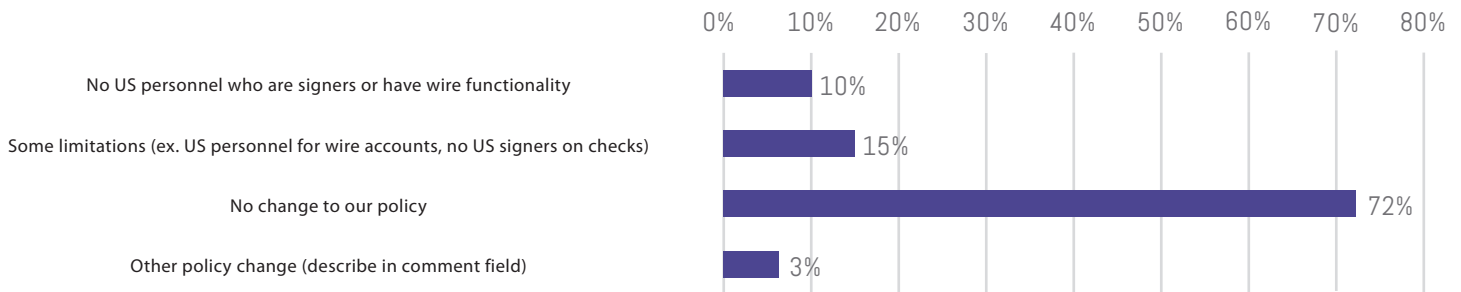
FBAR ELECTRONIC INDIVIDUAL FILING CHECKLIST:

- Gather signers from the company from 2010-2015 (as well as 2016) who have:
 - Signatory authority over foreign accounts and are US citizens or resident aliens.
 - Aggregate value of those accounts is greater than \$10,000.
 - Authority to initiate, approve, or release wire transfers.



Figure One

Have you or do you intend to set a policy regarding US signers and wire initiators/approvers/releasers on foreign subsidiary accounts? If so, what is your policy?



Strategic Treasurer 2015 Compliance Survey - FBAR & BAM

SIGNATORY MANAGEMENT

Some organizations try to eliminate US signers from foreign accounts to obviate the filing need. This is not practical or appropriate for many organizations. Our survey last year indicated a small percentage had made changes to intentionally eliminate US signatories. In 2015, 10% of companies have no US signers on foreign accounts or have wire functionality. (figure one)

PAPER FILINGS

According to the BSA Electronic Filing Requirements released June 2014, any paper filings made after September 30, 2013, will need to be filed electronically as they fall under electronic requirement. Filers must use either a third party preparer or the BSA E-filing website (bsae filing.fincen.treas.gov) to file an FBAR. At this point, electronic filing for submissions is required for all filings regardless of the period of time

covered as we have passed September 30, 2013. If you filed paper copies for 2010-2013 you do not have to refile electronically unless you submitted the filings after Sept 30, 2013. ■

THE CHECKLISTS ON THE FOLLOWING PAGE, WILL HELP COMPANIES WITH THEIR SIGNER MANAGEMENT AND WITH INDIVIDUAL FBAR FILING.

SIGNER MANAGEMENT CHECKLIST:

- ✓ **Controlled BAM System** | It is a leading practice to manage all signatories (including those designated as signatories) via a controlled bank account management system (BAM).
- ✓ **Centralized Signer Management** | Signer management is best done centrally and with a single system (for organizations with 100+ bank accounts, seven or more banks).
- ✓ **Removal Process** | A follow up process is in place to confirm signers are removed from the bank records after the request has been sent.
- ✓ **Audit of Accounts & Signers** | Conduct an annual audit of accounts and signers with your banks to ensure your signatories match the signers they have listed.
- ✓ **Self-Audit of Bank Accounts** | An annual self-audit of bank accounts is performed on all acquired entities. Keep to a minimum the number of US signatories on foreign accounts.
 - This is done by formulating a policy on bank account management and signers rather than addressing requests on an ad hoc basis. Eliminate signers IMMEDIATELY as they leave employment.
- ✓ **Emerging Digital Signature Functionality** | The use of digital signatures on transactions allows for optimal fraud control and auditability. While impractical for many organizations at the moment, the availability and efficacy of this method will improve over time and become a leading practice.

INDIVIDUAL FBAR FILING CHECKLIST:

- ✓ **Decide & Inform** | Determine if the company will file on behalf of individuals OR if the company will provide information to individuals for them to file independently. Individuals should be made aware that if they fail to file an FBAR report, the penalties are significant. They could be fined \$100,000 OR more for EACH account they fail to report. Criminal penalties may also be enacted.
- ✓ **Method** | Determine batch file or online PDF discrete filing per individual. A batch file is submitted electronically through the BSA E-Filing website in both a test and production environment. Formatting for batch files can be extensive and must be exact for the files to be accepted and acknowledged. Online PDF files are time consuming as they must be filled out per account per individual and submitted in the proper production environment.
- ✓ **Gather Info** | Collect needed information for HR/Tax from years 2010-2016. The following items are included in the FBAR filing for individuals:
 - **Account Highest Balance:** (not year-end balance and not ledger balance) per year of filing.
 - **Currency Conversion Rates:** FinCEN requires the use of their published foreign currency conversion rates. Download rates for the applicable years and these will be used to convert the local currency to a USD value.
- **Account Details:** Report bank address, account owner address and owner tax ID number.
- **Individual Data:** Individual person information including:
 1. Home address
 2. Date of birth
 3. SSN
 4. Number of accounts per signer for each year (may vary)
- If the company files on behalf of the individuals, obtain the following:
 1. Appointment of Agent. An appointment of agent form, appointing the company to act as the individual's agent to execute a filing on their behalf, which can be drafted by in-house counsel.
 2. 114a. Form 114a with the individual's signature, which can be obtained on the FinCEN website.
- ✓ **Submission** | Submit batch or discrete files per individual until accepted and acknowledged.
- ✓ **Retention of Records** | Retain all FBAR filing documents for five years in compliance with FinCEN regulations.

*This article is to be used for information purposes only and does not constitute legal advice.

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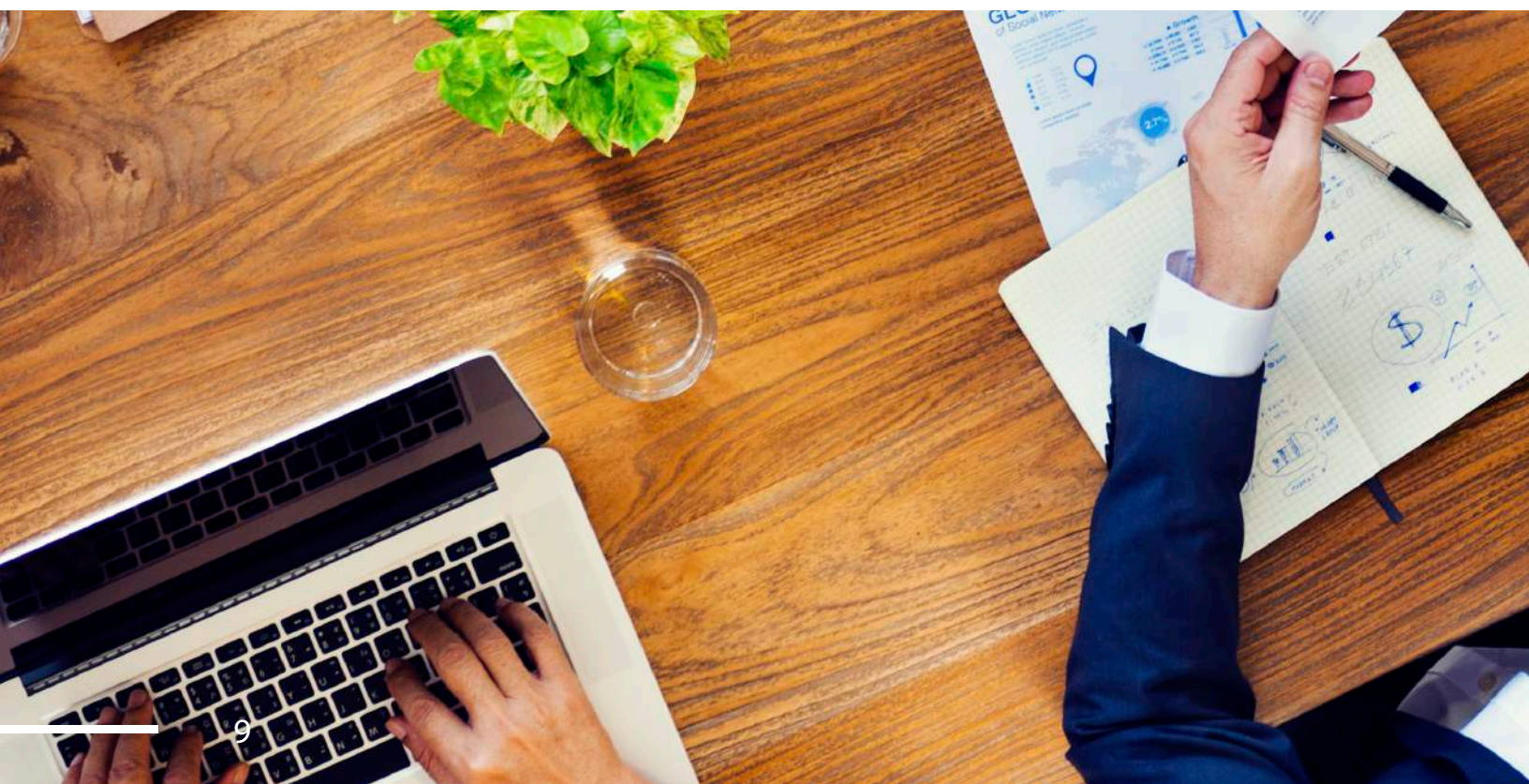
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Having the *Right* People is Key to a More Proactive Treasury



A proactive treasury depends on the treasury organization having three key elements:

- The right mix of people and skill sets.
- Architecting a modern technology stack that enables treasury personnel to do what is asked of them.
- Establishing and maintaining an awareness within the business of treasury's importance to business operations.

THE FIRST ELEMENT

First, it's important to have people who are flexible in their ability to handle rapid changes that no one anticipated. A modern treasury should have people who are creative at problem solving. Accomplishing this depends in part on the mix of experiences team members bring to the organization. It is often better to have people with different backgrounds and experiences rather than people who all have similar skills and the same perspective. Another key characteristic for people in a proactive treasury organization is being social. Treasury personnel need to intentionally find out what's going on in the business and establish relationships with key people in the business units. A proactive treasury cannot just operate as a vendor providing services: it has to operate as a strategic partner, which requires social skills and engagement within the organization.

"A proactive treasury cannot just operate as a vendor providing services: it has to operate as a strategic partner, which requires social skills and engagement within the organization."

KEY LESSONS

1) Treasury personnel need to proactively find out what's going on in the business and establish relationships with key people in the business units.

2) When we talk about being proactive, part of that is helping others visualize what Treasury is talking about.

THE SECOND ELEMENT

The second element of a proactive treasury involves architecting and building out a modern technology stack. Many businesses are saddled with older technologies that make it difficult to change operations. For instance, in some systems, doing something as simple as changing a report can be a nightmare. The demands placed on the proactive treasury require more real-time access to information, such as snapshots of assets, risks, and exposures, and the ability to adjust reports quickly to answer strategic questions. In addition to responding quickly, treasury needs to anticipate risks and be prepared to respond. You need to structure a technology stack that enables you to analyze and respond to questions that you may not know how to ask until business circumstances bring them to the surface. It is also important to recognize that building a modern technology stack, which includes data, connectivity, systems, reporting, and analytics, means building for continuous change. Building the stack is not a one-year event: it's continuous.

THE THIRD ELEMENT

The third element of a proactive treasury involves establishing and maintaining awareness of treasury's importance in the larger business organization. This is an extension of the idea stated earlier that people in a proactive treasury must be social, because a key part of establishing the importance of treasury is educating others in the business about what treasury is talking about. This is not a single event but an engagement process. Whether it's about understanding banking, capital markets, bank relationships, risk, or mitigating risk, people in the business for whom elements of treasury are not their core expertise, need regular explanations of the relevance of these concepts to their business operations. This means socializing within the business, gaining a better understanding of business operations, and explaining to business unit managers how treasury can help the way they operate, help with cash management, help with risk assessment—help prepare so that when situations arise, the business units can better manage them. ■

"It is often better to have people who have different backgrounds and experiences rather than people who all have similar skills and the same perspective."



TOP TRENDS & DEVELOPMENTS IN TREASURY TECHNOLOGY

INTRO

Treasury departments have significantly increased their spending on treasury technology in the past few years, and this trend continues to move in an upward direction. This spending increase is driven by factors originating inside and outside of the treasury department. As treasury staff face rising expectations and demands from executive management and the board, they must continue to leverage lean resources to meet these expectations, while maintaining their daily responsibilities. Treasury technology is almost always part of the optimal solution to a seemingly unsolvable challenge. While an assessment, selection, and implementation of a new system may take a significant amount of time, money,

and hair, treasury departments find the easing of significant tension once the system is successfully implemented and running smoothly. Their daily tasks become easier to accomplish and performing a new one-off analysis or modeling different scenarios, becomes significantly easier. This article looks at 10 of the top 20 trends and developments in treasury technology.

SIGNIFICANT TREASURY TECHNOLOGY SPEND

Strategic Treasurer's Treasury Technology Survey results demonstrate that corporates intended to spend even more this calendar year (2015) than in the past. As you can see in the accompanying graphic, the intention of the survey respondents to spend signifi-

cantly more increased in all four areas queried: Treasury, Payments, Cash Reporting and Invoicing. While the spend survey question from prior years used a different phrasing and can't be directly compared, it is our interpretation that we are looking at multiple years of increasing intentions by treasurers to spend significant amounts on treasury technology.

(figure one)

SAAS AND FULLY-HOSTED OPTIONS REACH NEAR-TOTAL DOMINATION

Examining the TMS/TRMS space more carefully, it is clear that SaaS providers have had enormous growth and continue to run red hot. The largest publicly disclosed investments and major pushes into new markets have

all occurred within companies experiencing some of the highest growth rates and deploying their solutions via a SaaS or fully-hosted model. As more companies become accustomed to the SaaS models in other areas of their business, treasury has increasingly selected these delivery methods due to the virtual flexibility and ease of maintaining important systems. Most treasury groups that already struggle to find adequate IT support, find the amount of care and feeding installed solutions require increasingly less palatable.

RISING TIDE AND SOME THRASHING IN THE WATER

As treasury departments rapidly turn to treasury technology, a number of treasury technology providers become strained as their resources are sapped and they are unable to complete implementations as efficiently and quickly as they would like, given the stress from sheer volume. This rising tide is lifting many boats or technology vendors. While some are experiencing growth that makes their sales groups delighted, their professional services teams find themselves thrashing about in the water due to the escalating demands.

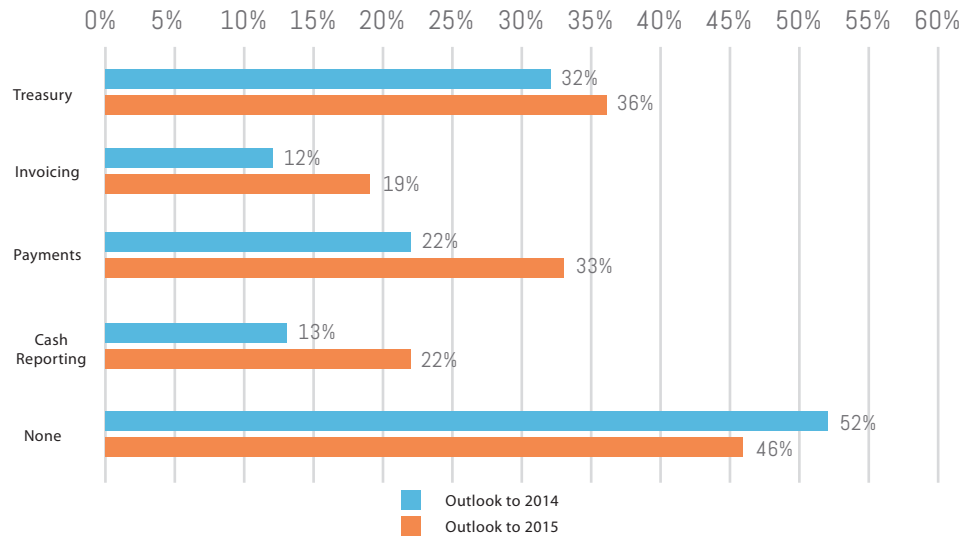
(figure two)

HIGH-TOUCH SPECIALISTS

Many corporates, hoping to side-step the possibility of delayed implementations, are turning to some high-touch specialists—vendors who have a slower growth model as they focus on adapting their solution to a client's core needs and providing an extra measure of care. Some of these vendors are experiencing relatively strong growth as clients are seeking to acquire a more 'custom' system. Examples of some of these firms with this type of strategy or focus include: Chesapeake, Financial Sciences and Orbit TMS.

FIGURE ONE

We intend to make significant information technology investments in the next year in the following areas.

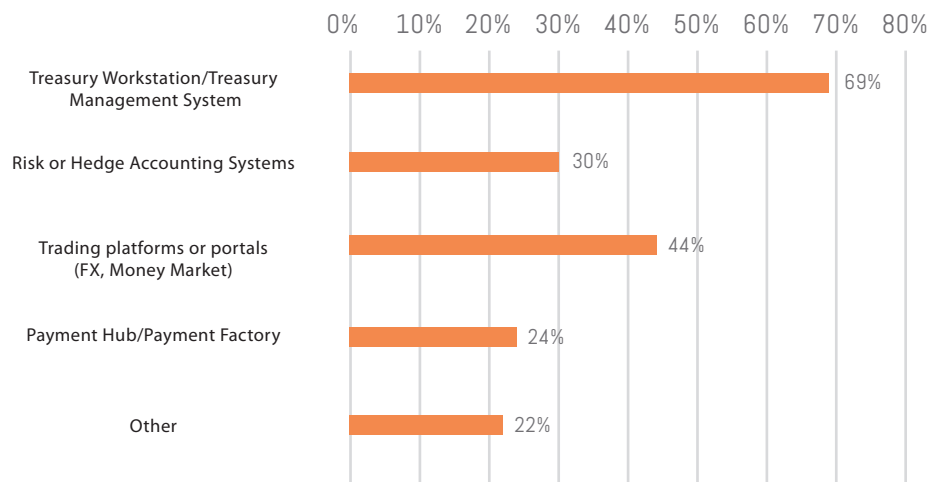


Strategic Treasurer & Bottomline Technologies 2013 & 2014 Cash Forecasting Survey

FIGURE TWO

What treasury systems do you currently use?

*Select all that apply to the question. Percentages will not add to 100.



Strategic Treasurer 2014 Rapid Research: Technology Use Survey

FROM CONSOLIDATION TO NEW PROVIDERS

In the not too distant past, the TMS/TRMS space seemed marked by consolidation. Firms acquired other firms in this space, which led to very few new vendors entering the market. That has changed significantly. Some new providers are bringing additional functionality and service models to the ever-changing TMS/TRMS space. These new providers are already starting to impact the market. We expect this impact to increase over the next few years as they leverage modern technology and services to provide new solutions. Some of the new players who are most notable in the North American Market include: Axletree's TreasurYtree, Bloomberg and TreasuryXpress.

RISK ANALYTICS AND RISK VISUALIZATION

Because of today's ever-shifting economic climate and financial volatility arising from currency, commodity, or country level risks, treasury is pursuing great risk capabilities from their technology providers. As a result, significantly more development funds are being deployed to support flexible self-service reporting and analysis in various treasury systems. Most of the development has been spent beefing up analytical capabilities, improving dashboards, and providing better graphics and other visualization tools. Systems can now deliver not just a PDF, but 'smart'-reports, dashboards to actionable cockpits, often leveraging business intelligence tools or technology. This adds to the self-discovery and self-service capabilities of these systems, which increases the appeal and efficacy. This democratization of data is important as more team members are able access information on their own, which itself layers in another type of visibility.

FIGURE THREE

Do you feel your tracking system for bank account administration is:

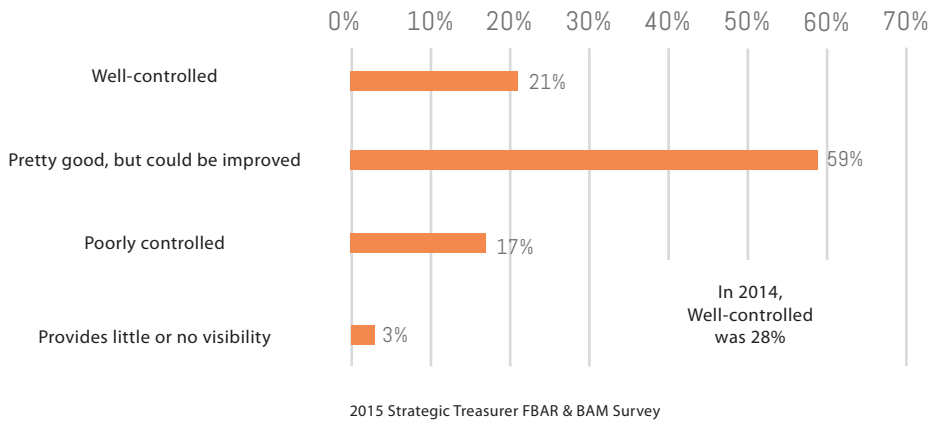
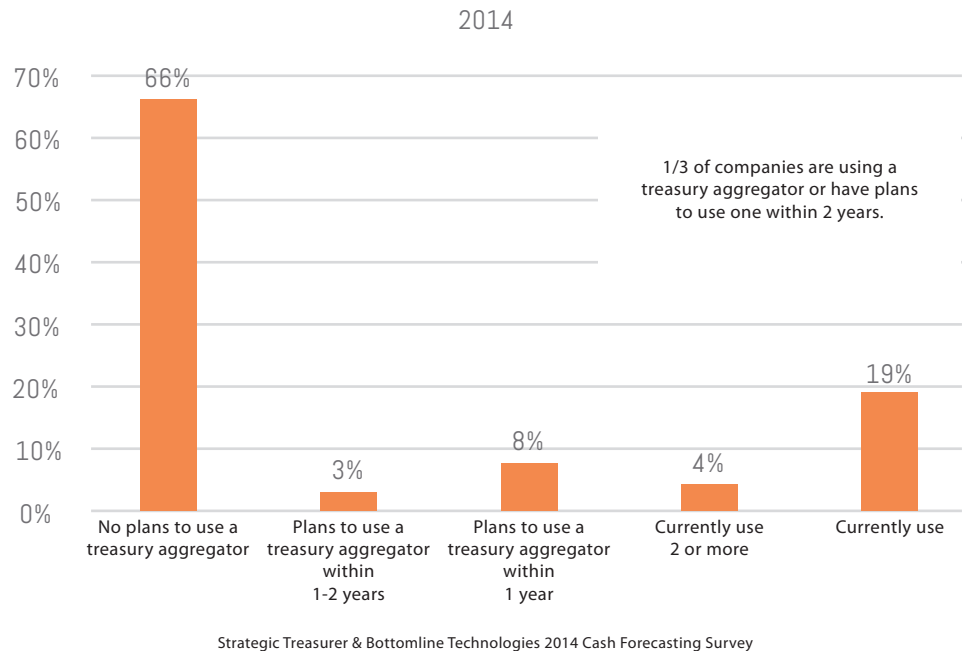


FIGURE FOUR

Do you use or plan to use a treasury aggregator for information reporting or payments?



IMPROVED INTEGRATION

TMS core systems are offering better integration capabilities with various best of breed providers across the treasury technology landscape. The type of integration can take on different forms with a qualitative difference from the treasurer's perspective. This includes standard file feeds, improved APIs and a more or less transparent vendor supported integrated process. These elements are significant for the consideration of connectivity and visibility, specifically in relation to cash and counterparties. Cash modules, which consume significant amounts of banking data, moved past the inflection point of adoption several years ago. The use of treasury aggregators and straight up payment hubs is on the rise, and the service that is offered continues to expand and become more enriched with capabilities such as the file/transaction validation and repair and OFAC sanction filtering. With the continued emphasis on SEPA, OFAC, and low-cost payments, these providers are able to bring their customers on board more efficiently, without the labor of building and supporting numerous individual connections over and over.

FORMATS MATTER

The view that formats play a very important role is increasing. The newer, more flexible and able-to-be-enriched formats offer better current and future value to a treasury department's systems and processes. Vendors who can leverage the ISO20022 format offer an improved level of flexibility and better position organizations for forward-thinking developments and process improvements.

INCREASED EMPHASIS ON BANK ACCOUNT MANAGEMENT

As regulations, such as FBAR, continue to cause headaches for treasury departments as well as the continued globalization of companies (adding more US signers on foreign bank accounts), there is an increased corporate interest in BAM tools. The technology behind these tools continues to be developed to keep pace with the current demand, as vendors seek to provide helpful and functional BAM tools to their customers. These regulations force companies to use their bank account data more thoroughly, which exposes weaknesses in the BAM process. More firms are recognizing that perhaps their BAM process is not in the excellent category.

(figure three)

This more realistic view is healthier and treasury executives continue to look to both TMS and specialist providers to offer solutions to these critical requirements.

CALIBRATED NEEDS

Treasury departments continue to recognize that their needs may differ from other organizations. The level of treasury intensity across a range of dimensions may require a more calibrated approach, which in turn, may require the use of best-of-breed systems for certain functions. This is noticeable in several areas as companies turn to payment hubs for the aggregation and management of their payments globally, demand deeper capabilities, and require additional risk management functionality across a range of technology categories, all to better meet the demands they are facing. ■

(figure four)





Key Areas of **TREASURY'S FOCUS**

Strategies to Improve the Value of SCF

Managing liquidity and ensuring the balance sheet's ability to support the company's current and future plans have long been a core treasury responsibility. Protecting the organizational assets is a companion responsibility which begins with direct financial risks owned by treasury and extends into the customer and vendor domains. With the volatility seen during the throes of financial crisis, treasury has yet to address a range of issues in an environment that remains challenging. Simultaneously, the expectations have increased for treasury while supply chain finance (SCF) plays an important role in many organizations as they strive to address complex needs in a modern manner.

TREASURY'S CORE FOCUS

- **Visibility** | In 2010, the majority of global organizations achieved visibility to their cash held in banks. Additional efforts to achieve visibility into cash flows via better

forecasts and the use of electronics has resulted in progress.

- **Risk Mitigation** | Bringing exposure in line with the organization's risk appetite is a constant battle. Volatility of cash flows caused by the typical supply chain variations create inefficiencies and extra costs.
- **Business Support** | Treasury is not merely a vendor that secures financing for the company. Rather, they are a business partner that supports the business goals through various channels. This includes paying attention to suppliers and customers.
- **Process** | Treasury looks to make financial and business changes that improve the entire process rather than focusing on one element to the detriment of the other parts.

DIFFERENCES IN TREASURY PREFERENCES

- **Provider Or Receiver Of Liquidity** | One challenge many companies

have is that, at different times of the year, they can either be a provider or a receiver of liquidity throughout their supply chain. While 53% of large companies indicated they were always a provider of liquidity, 31% indicated they were both at different times.

- This can challenge the efficacy of certain SCF programs for organizations (approximately 1/3) whose varying needs may not align with their counterparty's needs.

(figure one)

RECEIVABLES

- **Faster Funding Or Better Rates?** | When dissecting the priority related to managing receivables, 72% of respondents indicated that faster funding was more important than receiving better rates. This is nearly a 3 to 1 ratio. This overall 3 to 1 ratio shifts to 4 to 1 when looking at smaller firms (under \$1B). Access to liquidity quickly trumps rates.

- **Broader Opportunity For Discounts Or Better Rates?** | Larger firms selected the broader opportunity for discounts over better rates by nearly a 3 to 2 ratio. Smaller firms held the same priority but by a nearly 4 to 1 ratio.

(figure two)

STRATEGIES TO IMPROVE THE VALUE OF SCF

- **Don't Focus On A Single Aspect** | As organizations seek to achieve better liquidity and a higher return or a cleaner process with their supply chain, it is clear that some of their client's needs can vary throughout the year. Also, different clients and client types prioritize liquidity access and rates differently depending on whether they are a provider or user of liquidity.
- **Optimize The Various Financial Benefits And Drivers Of Both Sides** | It is important to recognize that any program needs to support your organizational needs and the varying requirements of your partners. A program that can address more of your counterparty's needs in a broader, flexible manner will achieve better adoption.
- **Understand The Options And Combinations** | Too many SCF programs are narrowly focused and reflect an either/or model. Binary is usually limiting. As organizations look to put their SCF program together, they will want to evaluate the range of options and may land on a simple combination that offers more to them and their partners. This could include the following considerations:

1. Do we secure additional credit from banks to supplement credit between our existing trading partners?
2. Can we expand the availability of discounts by looking beyond direct relationships?
3. What value could we find if we identify newer SCF models that offer a greater diversity and breadth of availability of liquidity with suppliers and their suppliers as well as with our customer's customers?

Treasury finds itself in a dynamic environment of change and volatility. By understanding the various drivers and differences between counterparties, treasury can reconstruct their SCF model to address a broader array of needs far more effectively. ■

Figure One

Small vs. Large Companies

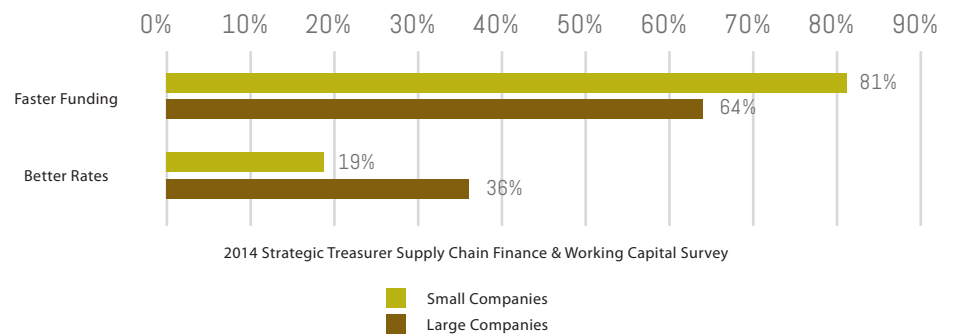
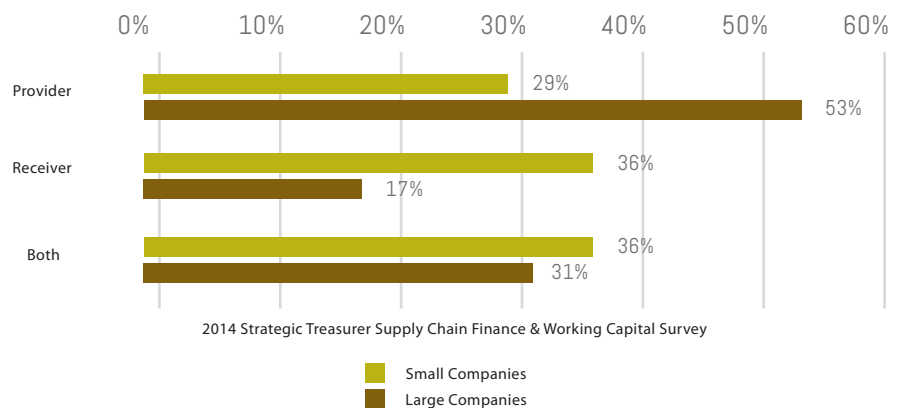


Figure two

Small vs. Large Companies





HOW NCR'S TREASURY TEAM

GREW

IT'S BANKING NETWORK

NCR Corporation, a global leader in consumer transaction technologies, has been working for the last two years to transform its treasury operations into a scalable structure to accommodate its growth and acquisition strategy, explains John Boudreau, Treasurer for NCR, and Andreas Lutz, Chief Marketing Officer for Fides Treasury Services. NCR's treasury team wanted to align with its key value chain imperative of delivering operational excellence by making every day easier for NCR's treasury customers.

Managing corporate banking relationships is extremely complex and demanding. It is riddled with challenges, such as overseeing connectivity with multiple banks, handling payment types and formats, keeping up with changing and varied communications requirements, and dealing with increasing security standards.

For a treasurer, managing corporate banking relations gets even more complicated, the more banks they work with. Accessing multiple systems with their own logins and navigation quirks is one issue, but switching or adding new banks if circumstances change, can be a massive challenge. As a result, it was increasingly challenging for NCR to manage payments, liquidity, regulatory compliance, and security aspects – not to mention meeting the needs for improved productivity and efficiency.

A NEW MODEL

NCR's treasury department worked closely with consultants from Strategic Treasurer to help design a new model that involved reimagining not only its treasury system, but its processes as well. As all treasurers who operate without a treasury management system (TMS) will understand, NCR's processes were very manual, relying on electronic banking terminals from a multitude of banks, manual accounting processes, sporadic global reporting, and low central visibility into daily liquidity around the world.

NCR's requirements were global in nature. It needed its system to be available anywhere in the world, and needed support for its regional treasury centers. The treasury department selected Kyriba for several reasons, including how it most closely matched its global needs and their commitment and track record of enhancing and developing the product.

NCR selected Fides Treasury Services AG as its primary treasury aggregator for consolidating statement information and delivering payment files to the proper bank. Fides, a corporate service bureau, acts as the overall connectivity center with banks. Its hybrid model, combined with a wide range of conversion, validation and security services, provide a one-stop shop for NCR.

NCR was able to consolidate the many steps and processes associated with financial messaging for both inbound activities, such as bank balance and transaction reporting, and outbound activities, including payments. Fides enabled NCR to streamline processes and connectivity, as well as normalize formats to create a more efficient payment and cash management environment.

NCR chose Fides due to its specialization in establishing and maintaining global connections for both bank information reporting and funds transfers. Fides brought value not only by bringing banks up quickly but also through its ongoing ability to manage, control and monitor these connections, as well as using its SWIFT connectivity to enhance NCR's process.

Fides' error detection and validation program allows NCR to be sure of complete and high-quality bank data coming into the TMS. Its filtering of outbound payments helps NCR to fully meet the growing compliance needs in the current regulatory landscape. In NCR's specific case, Fides connects to many banks directly, and many more through SWIFT. Fides also manages connections to two of NCR's larger relationship banks and brings in files from those banks that contain aggregated data from many other banks in a range of mostly smaller countries.

To sum up, NCR sees Fides' unique service bureau model as an ideal approach for companies of its size and complexity, as the cost is low and treasury can feel comfortable about bringing on new banks quickly. In addition, the treasury team is collaboratively developing new reports with Fides that will help it to identify other bank reporting issues by region, as quickly as possible. ■

Originally published in AFP Online.

ANDREAS LUTZ

CHIEF MARKETING OFFICER

Andreas Lutz has been with Fides Treasury Services since March 2014. He is a member of Fides' executive board and is heading all client related departments, including global sales and client relations, client services, project management, product management, and marketing. Andreas Lutz provides Fides with his more than 20 years of expertise in sales, risk management, and project management. He has an Executive MBA degree from the University of Bern and a Master in Business Administration from the University of Rochester, NY.

JOHN BOUDREAU

TREASURER AND VICE PRESIDENT OF FINANCE

John Boudreau has been treasurer of NCR since 2011, reporting to the CFO. He is responsible for pensions (Defined Benefit and Defined Contribution), risk management, debt capital markets, debt investor relations, cash management, and foreign exchange management for the global operations of NCR. Prior to this role in NCR, he had been Treasurer of SABIC Capital in Amsterdam, Netherlands, Treasurer of GE Plastics, Assistant Treasurer of Reuters and a series of Treasury roles in Motorola. John is a graduate of the University of Illinois with a BS and MS in finance.

DEVELOPMENTS IN TREASURY TECHNOLOGY

SWIFT GROWTH

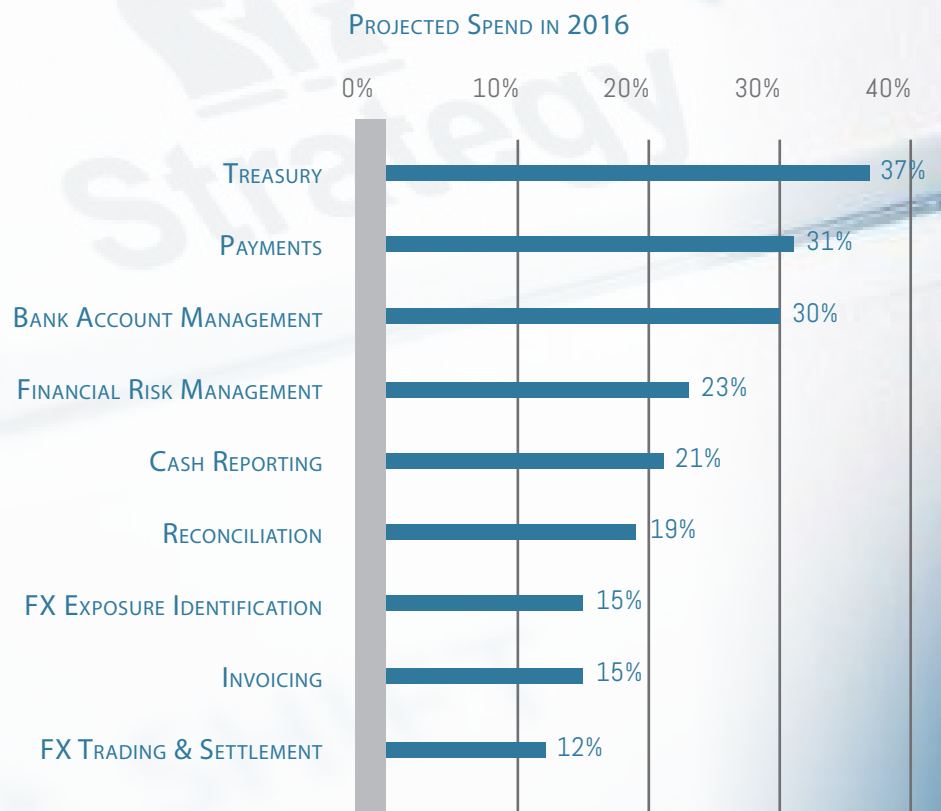
The Treasury Technology Column has been a consistent presence in the Treasury Update Newsletter for many years now. It provides an opportunity to highlight select items which we believe will be of interest to most treasury professionals. While some elements in this column are consistent from issue to issue, we enjoy the flexibility offered by this type of forum. Sometimes it is the little things in life. We are always open to feedback on the topics you would like us to cover.

STRONG TREASURY TECHNOLOGY SPEND AHEAD FOR 2016

In one of our annual surveys, the Strategic Treasurer & Bottomline Technologies Cash Forecasting & Visibility Survey, we ask the respondents about projected spend in different areas. Specifically, we ask which areas they plan to spend significantly. The survey looking to 2016 was completed mid-November, and it covered a larger

number of technology areas. Great news for vendors: technology spend looks to be exceptionally strong. The

percentage of firms taking this survey indicating plans to spend significantly include:





We interpret any category with 1 in 5 or more (20%+) as representative of an elevated demand level of buying. From 25% and up we view to be at the strongly elevated demand level. 30% and above is categorized as extremely elevated demand. The results from Treasury (TMS/TRMS) indicate an ongoing strength in this category that has even increased slightly over last year's results. Payments (payment hubs, payment factories) represents a category that has been elevated in recent years, and we expect this to continue for multiple years due to the numerous demands (increased globalization of firms, changing payment standards, compliance requirements). Bank account management (either in a standalone system or TMS) has also broken into the significant category.

If the intention to spend translates to actual spend, there are several implications:

- **Treasury** | Leading treasury technology firms will continue to invest in their products, sales and support staff. And, implementation teams will continue to be challenged as they meet ongoing strong demand. This represents a comparable level to the prior survey. TMS vendors have adapted in the past year to the increased level of demand. These two elements combine to demonstrate that the level of challenge has been reduced. Many vendors have been playing the difficult game of catch-up on the professional services

side but have made good progress.

- **Payments** | For payments' vendors, the new formats and range of regulations already represent significant work on development. With the strong demand in firms seeking to implement or expand their payment offerings or systems, this could certainly add to project timelines based upon limited resources. We expect limited delays earlier in 2016 and anticipate delays growing during the second half.
- **Bank Account Management** | Vendors offering bank account management and FBAR support are probably writing letters thanking Congress and the regulators for the increased requirements for foreign bank account reporting. These regulations have helped many organizations realize the true status of their bank account management process, which has often been found wanting. This has led to an increased number of firms looking to fix this on a systematic basis. Specialized vendors and TMS providers with these capabilities will both benefit from this demand over the next few years.

We commented in our previous issue that the growth in spend expectations represents a rising tide environment. Given the clear indications from our latest market research, we are looking at high-tide for an extended period.

SWIFT: GROWTH OF THE NETWORK

Visibility, resiliency and efficiency remain extremely important items for corporate treasury groups. Evidenced over multiple years, the ability to secure information and send messages that support the execution of transactions through a network continues to gain traction. SWIFT is a major recipient of this traffic. Here are some growth statistics:

Membership and Certification

- **Corporate:** 114 joined SWIFT in H1 2015: 40% growth over 2013 (highest percentage)
- **Banks that support Corporate Connectivity (SCORE Certified):** 28 of top 30 banks.

Messaging Growth

- **Prior-Day Information Reporting (MT 940):** 26% growth (traditional message).
- **FileAct growth:** Sending 20.7% (sending messages in any format, non-FIN). This could include: ACH formatted files, newer payment and information formats in XML, etc.
- **FileAct growth:** Receiving 16.9%

Use of New Formats (XML). ISO 20022

- **585 Corporates using this standard:** 21% growth
- **PAIN.001 and PAIN.002** are the high volume leaders of messages sent and received respectively.

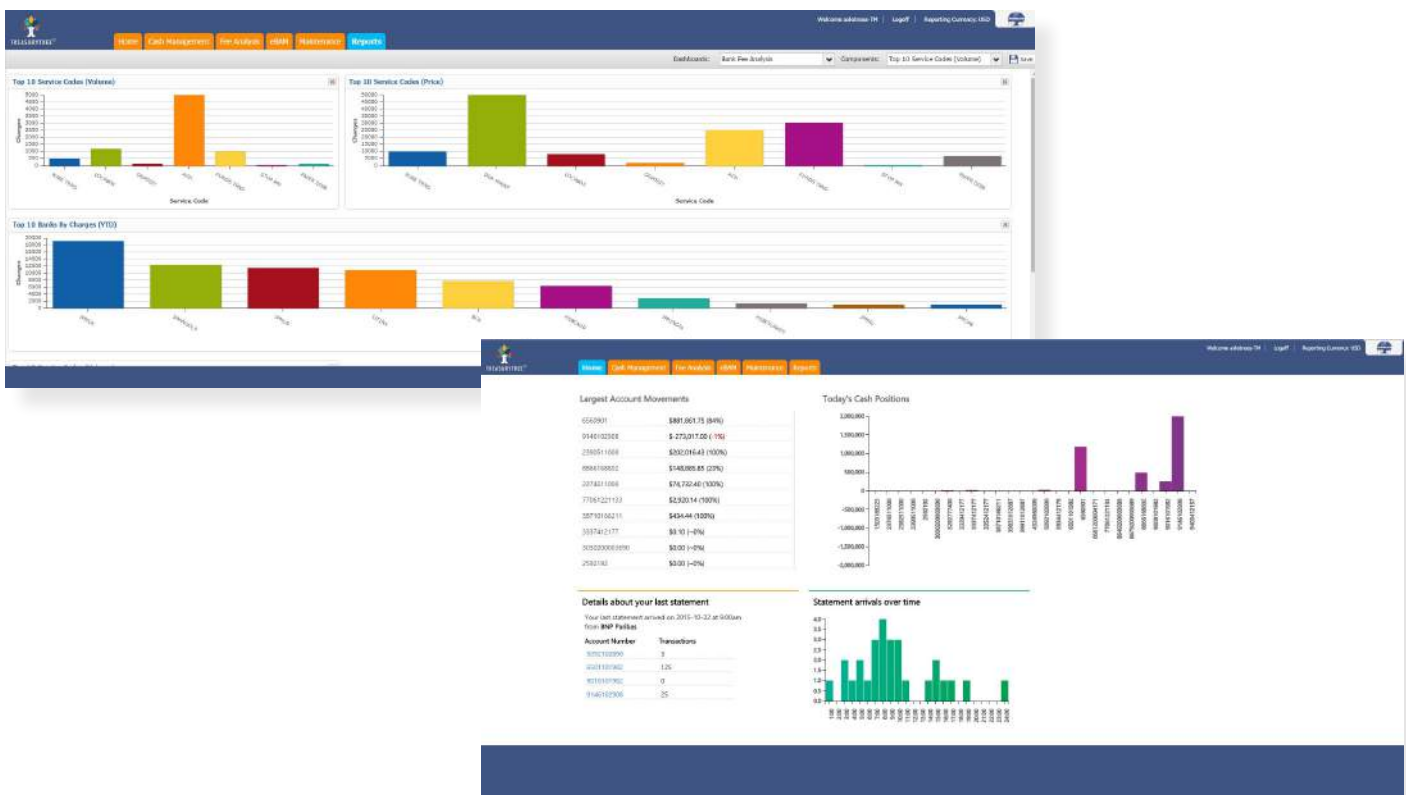
COMPANY OVERVIEW

This next section of the technology column provides the reader with a very brief overview of the company and a key product they offer. The description is accompanied by a screenshot with the intent to provide an introduction of the firm with a glimpse of the system from at least one angle. Strategic Treasurer also provides analyst reports with more details.

To request a copy, please contact: TUanalyst@strategictreasurer.com

AXLETREE

Axletree Solutions provides end-to-end solutions to banks and Fortune 500 companies worldwide. Their team has dedicated specialists and fully managed data centers which deliver a wide range of financial solutions. These services include SaaS SWIFT Connectivity and Treasury Automation Solutions (Treasurytree) along with Format Translation & Integration (Symtree) and Compliance & Reporting. Axletree helps corporates and banks automate processes and efficiently manage, optimize and improve their global messaging and treasury operations.



CHESAPEAKE SYSTEM SOLUTIONS

Incorporated in 1993, Chesapeake System Solutions, Inc. is headquartered in Birmingham, with offices in Baltimore, Chicago, Dallas, Charleston, Seattle, San Jose, Costa Rica, and London. Chesapeake provides integrated financial governance, financial liquidity, and compliance solutions to the world's foremost enterprises. Chesapeake offers a unique solution for each financial process you perform, whether it be treasury management, account reconciliation, bank fee analysis or compliance. Each of Chesapeake's products brings unparalleled visibility and control to the process. Moreover, intuitive design features simplify financial data reporting, promote workflow management, improve financial oversight and expedite financial close.

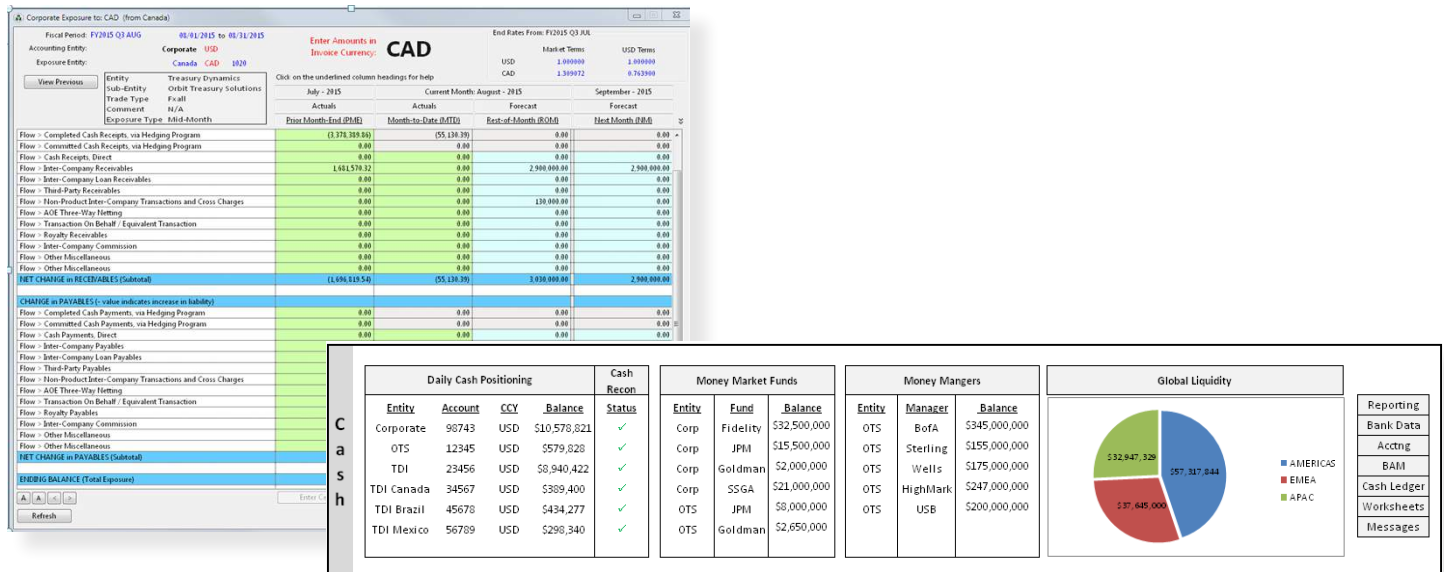
FINANCIAL SCIENCES

Financial Sciences develops and delivers ATOM, their enterprise treasury and risk management software solution. ATOM automates core treasury processes helping clients to achieve control of cash and risk, reduce complexity and costs, ensure compliance and promote best practices throughout their treasury operations. They provide clients a comprehensive solution to manage all of their treasury needs in a cost-effective, web-based platform for both SaaS and on-premises deployment.



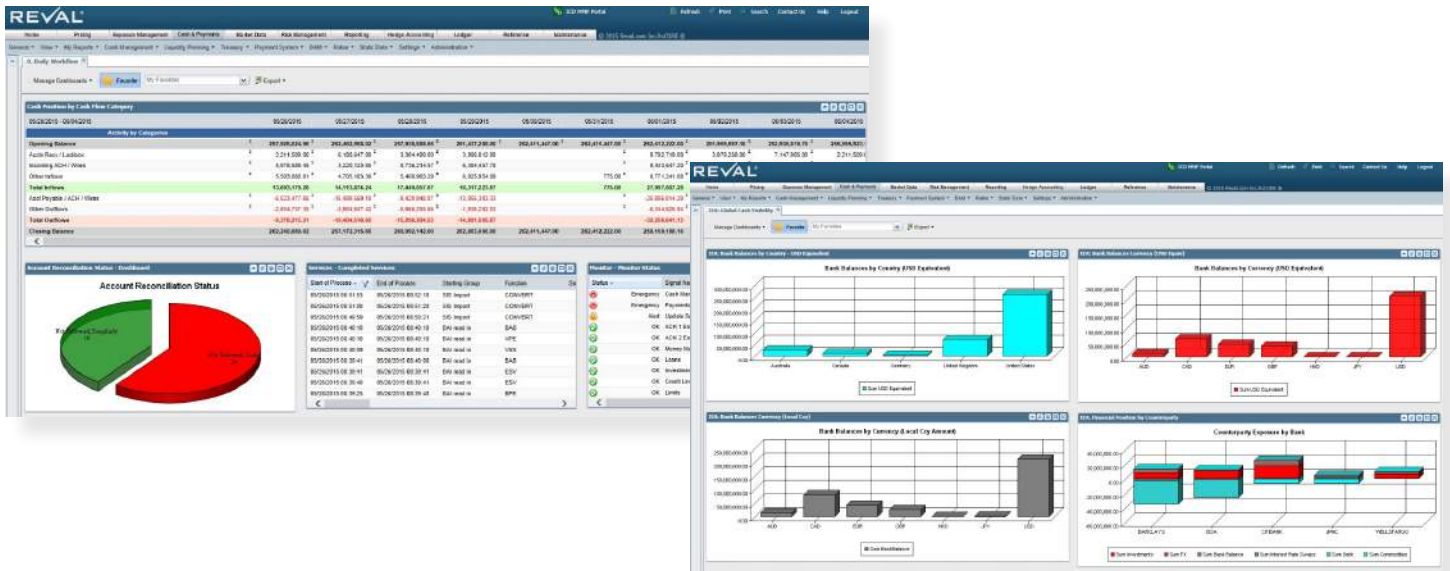
ORBIT

Since 1999 select Fortune 600 corporations have used Orbit to automate their treasury operations. The latest release of this solution is now available to the broader market. Developed and supported by corporate treasury professionals, Orbit's user-friendly interface streamlines cash and liquidity management, FX hedging, payments, bank fee analysis, bank account management, accounting, management and statutory reporting (FBAR), forecasting and more. Detailed audit trails strengthen controls and simplify compliance. Straight-through-processing is enhanced through integrations with ERP's, FX trading and confirmation platforms, SWIFT and various other systems and portals.



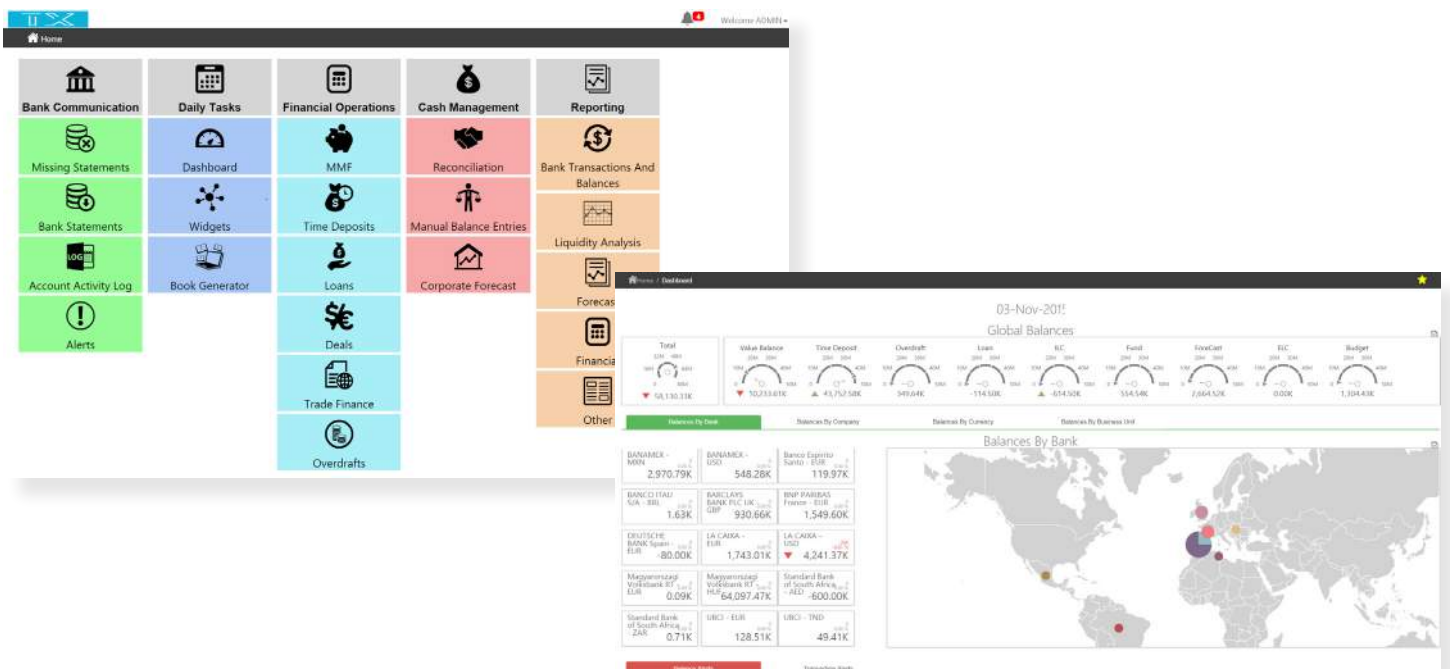
REVAL

The Reval Cloud Platform was designed at inception as a multi-tenant SaaS for the corporate treasury market. With over 15 years of built-in best practices from corporate treasury organizations around the world, the Reval Cloud Platform is a foundation of treasury and risk management (TRM) functionality. Focused on the user experience, Reval is leveraging its cloud platform to design packages in the ways various market segments consume treasury technology.



TREASURYXPRESS

TreasuryXpress is a fully SaaS cloud-based Treasury Management System (TMS) that is easily adopted and set up by the user. It offers functionality across cash & liquidity management, forecasting and reporting. TreasuryXpress's notable features include go live in one click, an easy-to-navigate interface, and the ability to customize reporting and functions across all features. TX is an ever evolving TMS with updates included in the subscription and automatically available to all users.



TMS | TRMS RE

The Release Watch has been a staple of the Treasury Technology Newsletter for a number of years. It shows various upgrades and enhancements by various treasury technology vendors. In this issue, the Release Watch section focuses on treasury management systems and treasury risk management systems (TMS/TRMS). Future issues will include other sectors of the treasury technology landscape. The information provided details some of the high points of these recently issued releases or provides the reader with a sneak peek at a soon to be released functionality on a vendor and product basis.

AXLETREE

- AXLETREE – TREASURYTREE - RELEASE 4.1.1.0
- Q3 2015 | Market Data – Improvements to market data service. Cash Reconciliation – Improved handling and tools. eBAM – Improved message handling. Approval Workflow – Enhancement to approval workflow. Auditing and Security – Enhancements to security internal audit features. Exception Handling – Improvements to exception handling.
- Q4 2015 | Messaging – CAMT 086 Support. Calendar Service – Enhanced calendar service and reporting. Dashboard – Interactive Dashboards and Reporting. Alerts and Notifications – Enhanced alerts and notifications service.
- AXLETREE – TREASURYTREE - RELEASE 4.1.1.1
- Q1 2016 | Forecasting – Enhanced Dashboards and workflow. Funds Processing – New set of features and enhancement to funds processing. Language – Improvements to language support. Statement Processing – Improvements to CAMT statement processing.
- Q2 2016 | Mobile – Improvements to cash reporting and approvals processes. Sub-ledger – Improvements to accounting support.

CHESAPEAKE

- SMARTTREASURY – TREASURY MANAGEMENT SYSTEM | Release 2015r1. Additional flexibility in funds transfer user security. Additional transaction export options. Support for additional payment format imports. Straight through processing for check printing. Increased GL setup flexibility.
- SMARTANALYSIS– BANK FEE ANALYSIS | Release 7.0.1. Improved TWIST file import and reporting. CSV format import enhancements. Reports added – additional comparison reports and new views of bank account structures.

FINANCIAL SCIENCES

- ATOM PRESENTATION | Introduction of ATOM Cockpits, which integrate business intelligence, functionality and navigation for each functional area. Improved graphical and presentation capabilities within ATOM's business intelligence dashboards.
- ATOM FUNCTIONALITY | Support for Exchange Traded and OTC Commodity Futures and Options on Futures; includes full hedge accounting support. Comprehensive, real-time liquidity management monitoring.
- ATOM COMPLIANCE | Real-time ATOM compliance monitors for commodities, credit, interest rate and foreign exchange risk management.

RELEASE WATCH

ORBIT

- **USER INTERFACE** | Upgraded, customizable, and user-friendly interface with dashboards.
- **FUNCTIONALITY** | Enhanced FX Exposure capture and inter-company funding, streamlined payments (including attachments), straight-through-processing and approval functionalities, new lockbox image capture and bank fee analysis capabilities, strengthened controls and improved compliance and segregation of duties.
- **INTEGRATIONS** | Deeper integration with SWIFT Alliance Lite2, ERP systems, FX trading and confirmation platforms and various other financial systems.

REVAL

- **REVAL 15.1** | Reval released version 15.1 of its product in October 2015. Version 15.1 introduces new and enhanced functionality to help global companies operate more easily in local markets. These new capabilities address challenges in payments, banking, trading, and compliance, and are especially helpful to companies operating across various jurisdictions.
- **REVAL INSIDE** | Reval INSIDE was launched in October 2015, and is an offering developed for banks to enrich their existing web-based corporate banking services. Reval INSIDE follows on the packages introduced in April 2015: Reval CORE and Reval CHOICE.
- **JAPAN** | Reval is the only provider that connects to NTT DATA's new gateway service. The gateway enables Reval clients to access Japan's domestic banks through NTT DATA's eAgent® service and over the ANSER and ZENGIN payment networks. With this access and the Reval Cloud Platform's new support for double-byte characters in the FIDES multi-banking service bureau, Reval clients can experience a unique and unified connectivity solution for global banking.
- **IFRS 9** | Companies in jurisdictions that can early adopt the IFRS 9 standard for hedge accounting are able to mitigate P&L volatility using Reval's new IFRS 9 module. Reval is the first global software-as-a-service TRM provider to introduce a module for the new standard.
- **CVA** | Reval has also added a Monte Carlo-based Expected Exposure (EE) methodology to its Credit Value Adjustments (CVA) module in response to clients in EMEA and APAC facing increasing auditor pressure in accounting for the hedging of non-domestic issuances. Companies can also easily see their total cost of debt issuances or their returns on investments with Reval's enhanced accrual reports.
- **BRAZIL** | Reval also satisfies the nuanced market conventions for rounding for both Japan and Brazil, and adds the Brazilian Taxa Referencial rate (BRLTR, TR) index applied to loan repayments to account for inflation, which reached a 12-year high in Brazil of 9.56 percent in July.

TREASURYXPRESS

- **TREASURYXPRESS NOW LIVE** | TreasuryXpress is now live after launching at the AFP event. One month free trial is available for customers to try out the system and see its functionality. TreasuryXpress has also launched a new cash forecasting module based around a "smart" excel format. This forecast allows you to tag transactions from the TMS, create audit trails of amendments to forecast and customize forecasting formats and codes.



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