



# Putting Treasurers Back to Bed

*A White Paper by Blaise Scioli  
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An article published in *Corporate Finance* in 1999 had a provocative title: “What Keeps Treasurers Awake at Night?” Based on a survey of 1,500 corporate treasurers, it compiled a laundry list of complaints and concerns regarding the banks they interacted with, from “...not keeping up with market or technology developments” to “...proposals made to meet bank objectives, not customer needs.”

Fast-forward to February, 2007. *gtnews* and JP Morgan Chase joined forces to poll more than 500 readers, corporate treasurers and bankers on the same topic, “What Keeps Treasurers Awake at Night?,” this time ranking issues from 1 (sleep like a baby) to 5 (gives me nightmares!). The results, published in the 05 Feb 2007 issue of *gtnews.com*, make for truly compelling reading. Even more compelling, however, is contemplating solutions to this set of sleep-depriving issues. This white paper will briefly address the identified problems and some potential answers.

## **1. Optimizing global cash flow**

Predictably, the biggest worry overall amongst corporate treasurers was optimizing global cash flow – yet the cited barriers to success were not very far up the optimization “food chain.” Treasurers are not yet worried about choosing the most sophisticated liquidity management solution or the money market alternatives that best comply with policy and objectives. Instead, most respondents noted that they lack the fundamentals – visibility, control and centralization – in their global bank account networks.

- The primary issues here are *process discipline* and *information access*. This is not rocket science and the data is out there: which businesses have accounts at which banks, how many and why; who has access to which accounts; which banks are offering which rates; where are the sweeps and zero balance arrangements; and so on. But that information typically resides across hundreds or thousands of desktops, squirreled away in file folders, spreadsheets and Post-It notes. Few global entities can even boast an accurate global listing of their banks and accounts, let alone an electronic repository, and most of those who can are limited to brief windows of visibility where accuracy suffers a short half-life after each painstaking global data collection exercise. What is needed is a repository capable of storing the information relevant to bank account administration and bank relationships, a set of business processes for maintaining that information and a set of controls to ensure the accuracy of changes. If there were such a repository, with easy access to real-time information, treasurers could be counting sheep instead of counting problems.

## **2. Improving treasury productivity**

Almost half of the corporate respondents indicated that improving their treasury operations’ productivity was also of paramount concern. Business leaders clearly understand the value that treasury thinking can bring to their operations, projects and decisions, so treasurers are increasingly challenged to contribute their time and resources directly to business units. Meanwhile, back in treasury, transactions still need to be processed, controls still need to be enforced and positions still need to be managed. Very few organizations are willing to add resources to get all of this done, so efficiency and productivity gains are critical.

- Far too much of a treasury department's day-to-day activity is still dependent upon paper. Technology is clearly the solution, but even when state-of-the-art technology is present, we maintain a tendency to rely on paper. In most treasuries, the last bastion of paper-based, manual processes is bank administration. As an example, when an account signer leaves a company, it typically takes weeks or months for that change to be communicated and acknowledged across all appropriate lists and files and it can be difficult to ensure such a change is permanent. Often the banks themselves, where the greatest potential risk lies, are the last entity to be informed. If this information could be entered once into a centralized bank administration database, the efficiencies would be significant.

### **3. Keeping up with technology**

Of greater concern to respondents from North America, compared to Asia and Western Europe, was how treasury departments can keep up with – or utilize – technology that strikes a competitive advantage. It was noted that information “should flow through treasury to the bank in a fully automated way. But today many payments need manual input.”

- Once again, the ability to bring technology to bear in treasury operations requires an automated treasury operation that can be fully integrated with banking partners. The ability to route information immediately and strategically up and down the financial supply chain begins with the corporation itself, largely with its treasury department. And if treasury is hampered by paper-based processes and manual-input, then integration is unnecessarily weakened or rendered impossible. An example: to automatically integrate payment instructions with payment banks, treasury needs to ensure those payment instructions are accurate and have been properly authorized. If payment authorizations and signing authorities are tracked on paper, in local lists or in an offline system, unnecessary manual intervention is required. Open, accessible systems that bring data and decision-making together in real time will prove to be a distinct competitive edge.

### **4. Preventing fraud**

Another high-profile concern was the prevalence of fraud, either in actual occurrences or as a perceived threat. Many respondents noted that securing company data, no matter how strong the technical infrastructure might be, was always an uphill battle against fraud, which might come from within the company, the bank, or even from outside.

- One critical key to combating fraud is to automate operations in workflow-managed processes, where enforcement of internal controls like segregation can be automated. Such processes provide additional benefits during control testing: not only is the testing easier for automated controls, but the control testing itself can often be automated via audit and security reports. In addition, tight control over disbursement and signing authorities is also critical. Once again, the example of the recently departed signer is relevant: once that employee walks out the door, how long does it take to remove their name from internal signer lists and all pertinent bank accounts? Will you even know what disbursements and which accounts they could sign for to begin with? How will you track when they've been removed from each signature book and bank account? How long will that person retain signing access after their departure? Suppressing the potential for fraudulent payments is too important a function to depend on individuals entering scattered information according to their own schedules. Finally, how will you prove all of this has actually been accomplished?

### **5. Staying on top of regulatory demands**

The last major issue that the respondents discussed was the proliferation of regulatory demands. One corporate treasurer referred to the Sarbanes-Oxley Act of 2002 as “the bane of our life,” and while that may be an overstatement, there is no denying that keeping up with regulatory change consumes a great deal of the work life – and potential sleeping time! – of treasury departments. A key component of this

stress is the degree to which global corporations have to respond to increasingly strict regulations from a wide number of countries.

- Given its importance and the extraordinary effort it requires of most companies, Sarbanes-Oxley deserves its own discussion amongst regulatory requirements. The need to document, enforce and test key internal controls has put a great deal of pressure on paper-based processes. Wherever possible, treasury needs to pursue automated processes with automated controls to minimize Sarbanes-Oxley compliance pain. In addition, forward-thinking companies are beginning to look at ways to automate not just control enforcement, but control testing as well.
- But Sarbanes-Oxley is not the only important regulation with which treasuries are required to comply. Recent years have seen the introduction of several other key regulations, including the United States' Patriot Act and Know Your Customer requirements, the European Union's Directive 95/46/EU on the protection of individuals with regard to the processing of personal data and the United States Treasury's Form TDF 90-22.1 for reporting on foreign bank and investment accounts. Complying quickly with these regulations, and with those that may be next on the agenda, with maximum accuracy and minimum effort requires treasury to have a firm handle on its information and a flexible ability to report and export specific bits of it. Whether a particular regulatory need occurs regularly within the calendar year, or is more sporadic and driven by a particular situation, a corporate treasury department should have processes that collect the relevant information as part of the normal routine, then satisfy specific regulatory requirements by simply filtering data and exporting the results. Few treasuries can boast having systems that support changing regulation in this manner.

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