

Treasury Trends

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Automating Treasury

At a time when the treasury world is looking towards increased levels of automation and digitisation, there remains a heavy reliance on manual systems and processes to work through the basics of an operation. To get the full benefit of what technology can deliver now, there needs to be a continued push towards enhancing all links in the chain of payments and data exchange, particularly if across a number of businesses, currencies and banks. The 'one view' for exposures or where cash resides supports goals of visualisation, control and governance — and then affords swifter execution of resulting trades or transfers.

Benefits of upgrading from manual based processes include:

- Better security around sharing of information
- Instant visibility to changes in data, real-time balances, etc
- Greater robustness for forecasting and scenario testing
- Reduction in manual entry and calculation errors
- Single store of historical documents and data

There will clearly be a dollar cost to move up the technology curve, and hence the need for a business case citing the benefit/cost summary.

The easy bit is not that easy. The fact an audit report concludes with "you need to get a Treasury Management System ("TMS")" does little to calm the nerves as to how to actually achieve that. There are several key questions and steps to work through before aligning that simple statement with an agreed action plan. Not least — what is a TMS and how will it benefit me both now and as the business continues to employ more automation?

Systems and solutions

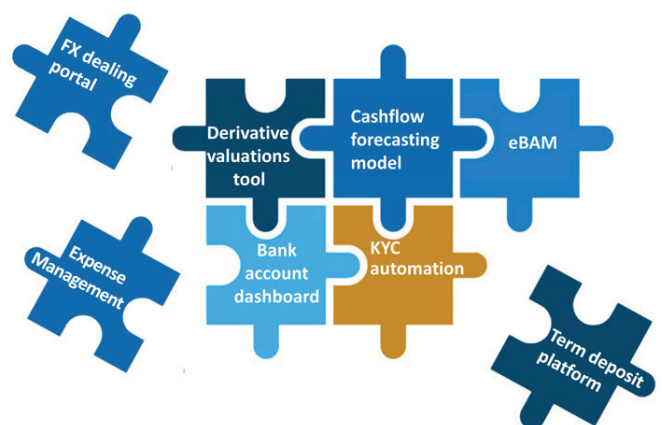
In an attempt to answer this question, we have assessed a number of systems or solutions which might fit the broad category of what a TMS might be. A TMS will provide the ability to manage all aspects of debt, cash, risk management (foreign exchange, interest rates, commodity, etc) with best in class reporting available, and an option to integrate with front and back end software (eg FX dealing portals, G/L as well as organisational ERPs). The 'right' TMS will enable treasury and finance team members to free up time from administrative activity, ease auditor review — and help aggregate treasury information and improve its accuracy and analysis capabilities.

What we are terming 'solutions' is designed to encourage those that may not justify a full TMS installation to still look for support to boost its, typically, excel based operating environment.

Key Points

- Assess the merits of automation to your business
- Understand the range of systems, solutions and other technologies available
- Follow a process
- Avoid buyer's remorse

Bruce Edhouse, CEO of ETOS which provides treasury outsourcing services, wrote recently that "spreadsheets are often an indication of key person risk, particularly when the owner is the sole guardian of information held within — but automation is not a silver bullet." To move away from the key person risk, spreadsheet error and an inefficient exchange of information framework will get a tick from most in senior management, Board and auditing ranks — in many cases, for a relatively small sum of money. But, as with any IT purchase, it is only a good idea if it enhances what you do — highlighting the importance of accurately scoping and prioritising business requirements.



Within the solutions family, we see derivative valuation and hedge testing software, term deposit portals, fx dealing platforms, cashflow forecasting tools, and so on. Depending on your business, one or more of these areas or activities might present a particular frustration or inefficiency. If so, it is likely you are not alone and hence someone may already have devised a solution.

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Other technologies

Banks are spending millions to develop their own technology capabilities, for their own efficiency advantage but also to support the broader customer experience. A key tenet of this focus is APIs which allow for instant and continuous communication between applications. Along with streamlining communication, APIs support the provision of data – which can then be directed to greater automation and efficiency.

Robotics and the use of technology can reduce the repeatable tasks of treasury – but we are not suggesting that humans have had their day in treasury. It is just that the human based judgements and decisions that will still need to be made can start post the heavy lifting, and with a more complete picture. The treasury function will then be left to better showcase its strategic role and capability in any business.

Follow the process, time upfront is key

When considering a new accounting system, ERP, funding provider, etc., people are used to working through a pre-planned list to tick off; what we do now, what gaps might exist with best practice, what options are available to us, and so on.

Strangely, when it comes to treasury, we see cases when a 'snap' purchase is made, resulting in subsequent comments around the system's or solution's unsuitability to what is needed. As a general comment, this is probably unfair to TMS vendors and other product providers/developers, as failure to execute or implement fully is more often than not the cause for frustration – i.e. not optimising what the system or solution offers. However, it can also be because the requirements were not clearly identified going into the purchase process. Some basic steps can reduce the buyer's remorse risk.

- *Do you know what you do? And why?*

With the system versus solution in play, we encourage clients to assess their needs (and wants) as a logical first step. What procedures and processes are you using? Are they working for you? Could you change what you do to better reflect changes in the business since processes were put in place. This discovery phase will help to identify the type of system or solution you need or, perhaps, by revising the way you do things, demonstrate that you don't need a new system or solution at all.

- *Document the needs list/wishlist*

Adopt a holistic view when documenting the requirements of a treasury 'solution'. Imagine the future needs or opportunities – and involve those outside of treasury. Consider the ideal world, when customers and suppliers can interact 'perfectly'. The perfect world may not exist, but it is worth exploring at this stage as it helps to underline the strategic play offered by treasury – and sets a roadmap for future development.

- *Build the business case*

This is nearly always the crunch point with competing projects likely to be within a finance or IT budget spend. Treasury is going to strengthen its case by adopting a strategic lens with any system or solution supporting efficiency, governance or customer/supplier experience goals – to the benefit of the whole organisation.

- *Adopt good process*

Only embark on the search for a solution once you are very clear as to the requirements and with a sensible budget to hand. Keep focus on the needs and wants identified and, whilst it always pays to keep an open mind as to 'other functionality', make sure your attention is not diverted to the flashing lights and fluffy stuff!

- *Implement well*

Don't undo all the good work with a sub-optimal implementation plan. Have the right people involved, identify the right project manager and keep to agreed timelines. A system or solution remaining unopened in a box is of no value to anyone. And, drive training opportunities to ensure you continue to take advantage of upgrades or improvements offered by the vendor/provider and/or as your processes are revised.

By failing to prepare, you are preparing to fail

– Benjamin Franklin

We would argue that you cannot underplay the importance of the scoping phase when beginning the search for a technology fit with your own requirements. Each vendor or provider will have particular areas of excellence and it pays to 'open the discussion' to enable each to gain an understanding of what you do, why, how, etc – and, key, allow it to demonstrate how it will deliver what you need/want. It is the buyer's responsibility to know what sits in the need/want list.

If you would like to discuss a plan of action for your business, please speak with your advisor.

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