Treasury & Cash Management

TCM GUIDE 2007

GLOBAL FINANCE

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TREASURY & CASH MANAGEMENT GUIDE 2007

Welcome to *Global Finance*'s annual Treasury & Cash Management Guide, in which we explore the latest trends and issues in the world of global cash management. With record corporate earnings, companies are wanting to get the most from their cash. To some extent they have already been able to achieve greater visibility into their cash flows by centralizing treasury operations and deploying sophisticated treasury management systems and liquidity management techniques such as multi-currency pooling. Now firms are pondering the question, Can liquidity be managed globally? Do treasurers know at any given moment where they have excess liquidity globally that can be deployed to help finance acquisitions or invest for higher returns? While there are significant challenges in achieving this level of visibility, high-end treasury management systems, Internet-based reporting, harmonization and standardization across Europe and relaxation of foreign exchange controls in some countries are helping companies move closer to having a global view of their liquidity.

Meanwhile, the number of options for companies to trade FX online is increasing as companies move smaller trades online in an effort to achieve greater price transparency, with larger trades still being conducted via the phone. Companies can choose from a plethora of multi-bank and single-bank portals for trading FX, but online trading is not just about price discovery. It is also about improving back-end processes. Some concerns remain, though, about the ability of online FX platforms to handle workflow into clients' systems.

On a slightly different note, the increased incidence of identity fraud is presenting new challenges for companies globally. Regulations such as Sarbanes-Oxley are also placing pressure on companies to ensure incidences such as Enron don't recur. With that come myriad challenges for companies, weighed down by different proprietary identity-management solutions, which can number in the hundreds depending on the number of banking relationships they maintain. A few pioneering corporates are leading the way, forcing banks to abandon their proprietary solutions and embrace a single identity-management solution that can be used across multiple banks.

Anita Hawser
Europe Editor
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IDENTITY SOLUTION

As corporate treasury systems become increasingly automated, businesses and their banking partners are devising innovative techniques to ensure only authorized personnel can make payments.

By Anita Hawser

Hans-Maarten van den Nouland jokes that he is earning a reputation among cash management banks as being demanding. As director, international treasury services, Europe, for US pharmaceuticals company Merck, van den Nouland is leading a major overhaul of Merck's cash management processes. The multi-year project includes, among other things, enhancing the security of processes related to payments initiated by the company's enterprise resource planning (ERP) systems.

Van den Nouland says the current situation for securing payment transfers is less than ideal. Every account that is opened requires all information regarding the person to be resubmitted, and there is no central repository to quickly revoke signatory rights if needed. Van den Nouland adds that every bank has devised its own security tokens to gain access to proprietary banking platforms. For shared service centers and centralized treasuries, this means a myriad of forms, processes and, potentially, security tokens to manage.

Wendel: In approximately 25% of cases, account signatories are wrong

"Some companies don't know how many bank accounts they have," says Karen Wendel, CEO of IdenTrust, a global network of banks that issues digital certificates certifying someone's identity, "and in approximately 25% of cases account signatories are wrong." Adding to corporates' concerns with the current system, van den Nouland says, at present, payment files are signed at a company identification level, not at the individual level. In other words, the bank knows a payment transfer is being initiated from Merck's account in the United States, for example, but the bank cannot determine who authorized the payment and whether that person has authorization to make payments for that amount.

Gary Greenwald, global head of capabilities and information products at Citi Global Transaction Services, says the potential for security breaches in corporate payment transfers has been exacerbated by the increasing automation of payment transfer files from companies' accounts-payable systems to a bank's systems. "As payment files are pushed out automatically to the banks to execute, the risk of someone in a company's IT department, for example, going in and changing the beneficiary of the payment increases," he says.

A survey of IT and security professionals by DigitalPersona and the Business Performance Management Forum highlights the potential for information security breaches by company employees. Sixty percent of respondents in its survey said that they or someone in their company had shared a network password with a colleague. Seventeen percent had either given out or received someone else's security token or smart card.

Although banks have implemented proprietary identity-management solutions, van den Nouland says only three banks were willing to try to meet Merck's demands for a single interoperable digital identity-management solution to be implemented by the beginning of 2008.

The banks appear to have been caught napping, which is surprising given that as early as 1999, when the hype around B2B e-commerce peaked, 11 leading global banks, including Citi, Bank of America, ABN AMRO and

Deutsche Bank, formed Identrus (now called IdenTrust), the only global network of its kind whereby banks representing 50 countries agreed on a set of uniform system rules, contracts and business practices for facilitating trust and risk management in B2B e-commerce transactions.

IdenTrust uses bank-issued digital certificates to certify that people are who they say they are. The certificates bind an identity to a pair of electronic keys, otherwise known as Public Key Infrastructure (PKI), which uses a public and private key to encrypt and sign digital information. PKI-encrypted digital certificates are considered to be one of the strongest means of authenticating someone's identity. "It is the most secure, robust mechanism you can find, as the identity of a person is vouched for," Wendel explains.

Greenwald: Automation is increasing the potential for security breaches

Yet when IdenTrust was starting out, PKI "was very expensive, complicated and difficult to implement," Wendel explains, "and it was less focused on compelling business applications." Greenwald says banks also tended to build proprietary PKI and identity-management solutions, and up until recently "interoperability" was not high on corporates' wish lists.

PKI has gone through different adoption cycles, says Wendel, with its popularity plummeting to an all-time low at the turn of the millennium. It was replaced by pin and password, which authenticated a user to a website or electronic banking application. One of its shortcomings, however, was that it did not vouch for a user's actual identity, and as the incidence of identity theft has increased in recent years, Wendel says the tide of opinion has turned again in PKI's favor.

Banks are now using IdenTrust's legal, policies and rules-based framework—which ensures digital certificates are binding in more than 175 countries, and interoperable cross-border between banks—to help solve the problems faced by multinationals such as Merck. "There is now an inflection point within the industry where things like digital identity are no longer considered niche but core to the treasury and cash management process," Greenwald remarks. And one cannot forget the fallout from 9/11, Enron and Sarbanes-Oxley, which according to Wendel prompted companies to implement more robust identity-management solutions.

Authentication at the individual as opposed to the corporate level has become essential, particularly given that a number of major multinationals are now using the bank-owned and -operated SWIFT network to transmit bulk payment files to multiple banks. Last year at SWIFT's annual user conference in Sydney, Australia, Citi, BNP Paribas and IdenTrust successfully demonstrated a "double" digital signature proof of concept, which used SWIFT's PKI security protocol (it provides authentication at the corporate level) and an IdenTrust digital certificate identifying a specific corporate employee, to authenticate a payment transfer between two different banks.

Greenwald says the proof of concept also demonstrated that a single digital identity issued by one bank could be recognized by another bank. "Companies are looking for identity-management solutions that operate across their physical and financial supply chains without having to enter into bilateral agreements each time they cross the firewall," Greenwald explains. Pilots are also currently under way whereby IdenTrust digital ID credentials and legally binding digital signatures will be embedded in bank account mandate and account signatory applications.

Merck, with the support of its two leading cash management banks and using IdenTrust digital ID credentials, is implementing an identity-management solution that is more robust than ever—and not entirely dependent on internal IT controls. Every payment message generated by its ERP system triggers an authorization button, invoking a digital signature. A copy of the encrypted payment message is also sent to a secure external database, called an e-vault. The message contained in the e-vault and the one received by the bank are then compared. "If there is a change between the originally authorized payment message and the one the bank receives, the bank will not execute the message," van den Nouland explains. "If somebody manipulates a payment, it will get detected."

REALIZING THE DREAM

Corporates have long dreamt of being able to see liquidity in real time on a global basis. This dream is becoming a reality as banks and systems suppliers provide the real-time reporting and systems integration necessary to make it happen.

By Denise Bedell

Managing global liquidity is a difficult and increasingly important part of the job of any treasurer. As regulatory controls grow, having full global visibility of liquidity across an organization becomes ever more important. According to Jeannot Jonas, director of global FX and international treasury at aerospace supplier Goodrich, this is particularly important for listed companies: "Free cash flow is a hot topic in any quoted company. Analysts are now looking at cash flow very closely, and it has a direct impact on the stock price. One may have very nice sales, growth figures and so on, but with poor cash performance that may still affect the company's outlook."

Elyse Weiner, global head of liquidity at Citi, says: "Corporations have been sitting on record levels of cash driven by corporate earnings and a greater focus on control and liquidity from the point of view of shareholders. Now, companies are focusing on the next phase—how to get the most value out of excess cash balances." Corporates are going after pockets of cash that, before, they may not have been aware of or could not move because they did not have the product capabilities to do it.

Companies that may have put in an initial liquidity structure a few years ago, for example dollar pools or euro pools implemented at the inception of the euro, are re-evaluating those structures to see if they are capturing maximum value for the company. Weiner says: "Today, we see increasing functionality and capability—for example multi-currency pooling—that can provide additional opportunities to maximize cash efficiency."

Increasing focus on centralization of cash management for improved operational efficiency has really helped this process, according to Lisa Rossi, head of liquidity management, global transaction banking, at Deutsche Bank. "Treasurers want transparency into their overall cash position. While this has always been important, we are seeing an increased demand for information around the movement and control of cash positions. Additionally, they are seeking the capability to integrate into their treasury workstation and are asking their banks to provide solutions to manage liquidity as well as the tools to enhance cash forecasting capabilities."

"Recently we have been seeing customers consolidating quite a bit on the systems side as well as on the vendor side," says John Killen, who handles cash and treasury management products at Oracle. "They are consolidating in terms of ERP systems they use, treasury management technology vendors and also banking relationships." One goal of that is to simplify connections and increase ease of automation between systems.

However, Jonas says that in order to get a clear view of global liquidity, it is essential to have a fully Internet-based reporting system and a high-end treasury management system. "You really want a system that can give you a global view, where you can drill down to region, country and entity," he says. He points out that to achieve a total view of liquidity, it is important to have a view on not only bank accounts themselves but also any investments or borrowings that are outstanding and also including cash in transit or cash equivalents.

Corporates are looking for real-time reporting with information provided wherever they are. "They want the ability to see real-time information to manage positions and feed different systems," says Rossi. "Also they want the ability to integrate into their treasury workstations, and they want their banks to provide solutions to manage that liquidity."

Although global cash management has been possible for quite some time, technological developments by banks and clients—along with ongoing harmonization in Europe and relaxation of exchange controls and tax regimes in certain parts of the world—make it far easier to achieve now. Phillip Lindow, head of global treasury and investment management, transaction banking, at ABN AMRO, says that cash management banks have moved to take advantage of this greater openness by developing tools to help treasurers create greater visibility and efficiency in managing day-to-day working capital. "For example, cash management banks have developed cash control tools that provide either intra-day or end-of-day concentration of cash positions to treasury hubs," he says. "Where local circumstances require companies to make use of more than one bank, they can opt to achieve global liquidity management by means of automated multi-bank cash concentration solutions," he adds.

"Online real-time systems provide the treasurer and cash manager with the means to support the impact of the accounting and regulator requirements that arise from the centralization of funds," Lindow says. For example, where concentration occurs across different legal entities, the movement of funds between accounts can be tracked automatically in order to administer and manage the inter-company loan positions and settle the interest on loan positions.

While regulatory regimes have relaxed somewhat in terms of structures that can be used, regulators are demanding greater control and visibility of corporate financial processes. They require watertight structures, especially when it relates to inter-company lending and cross guarantees. "This requires tight control over and transparency of a company's liquidity positions," says Lindow. "Banks will have to deliver the tools and means to support the management of this on an integral basis."

Lindow (top): Regulators require watertight structures
Rossi: Corporates want the ability to see real-time information

As the tools and the regulatory environments continue to evolve, having a single global cash position is increasingly achievable. "Global banks are linking the main currencies across regions," notes Lindow. "It is now possible to globally move on a same-day basis, without loss of value days, positions across a group into a single global position."

Companies want flexible solutions to centralize and manage liquidity that is as automated as possible. They are using solutions such as multi-bank cash concentration, notional pooling of multiple FX positions and automated sweeping. One big development is the increasing use of money market portals, where treasurers can trade in multiple funds, monitor performance, subscribe and redeem all from one screen.

A greater focus on risk and investment diversification has contributed to the significant increase in usage of money market funds, as they offer treasurers a low-risk investment option while providing competitive yields and same-day liquidity, says Lindow. "The underlying mix of instruments and counterparties provides diversification for the corporate's investment portfolio," he explains.

However, the ability to take advantage of many such tools globally is still dependent on the legal and financial structure of the company and the specific regulatory regimes in which it operates. Also, it is critical to get the right mix of liquidity management tools.

The ability to see liquidity on a global basis was, until recently, solely the domain of the largest of corporations. However, more companies can and do have the systems and structures in place to manage global cash positions in near real time. And of those that don't, more and more companies are looking at how they can begin the process.

EXCHANGE CHANGE

Key players in the online foreign exchange markets are hoping that new entrants and the integration of interdealer and dealer-to-client platforms will end the stagnation that is hindering workflow development.

By Denise Bedell

Firms accessing the online FX market have more and more products and services to choose from, yet the workflow development and integration into back-end systems continues to lag. However, with players in the inter-dealer market now breaking into the dealer-to-client space, this could signal big changes on the way, not least the continuing development of multi-asset-class platforms.

Online foreign exchange trading continues to grow in terms of both volumes and numbers of firms using online platforms for FX. Elena Theodorou, head of electronic client solutions in foreign exchange for Europe and North America at JPMorgan, says: "As with electronic trading across other products, we have seen an increase in use of online FX trading across the board in all types of clients. In the middle markets we see a preference for single bank systems, while larger corporates and investment managers still tend to go for multi-bank systems."

Theodorou: Many corporations use electronic systems to trade exposures generated by their subsidiaries

Active traders are increasingly treating currencies as an asset class while asset managers and corporations are increasing their trading activity in step with the growth of cross-border investing, says Keith Hill, head of EMEA sales at online FX trading giant FXall. "These drivers of growth remain firmly in place, and as a result we anticipate further growth in both the bank-to-customer and anonymous trading models," he adds.

One market watcher notes that corporates tend to give the portals 80% of their volume but only 20% of the value. "Corporate clients are using them for smaller trades, but the big trades are still relationship-based," he says. "They get a lot of volume but not the responsibility of the big trades."

Richard Thornton, partner at PA Consulting, says that there is a change happening in terms of what is being offered. "We are seeing a shift in the marketplace. Bank platforms are becoming more multi-product to encourage customers to use their own proprietary platforms. But that does not provide the same amount of price transparency as the independent multi-bank platforms," he points out. "The multi-bank platforms are also moving to provide other products, such as money market funds," he notes.

Firms are looking for more of an overall service, and systems that offer a full range of tools rather than purely the execution piece, says Theodorou. "Unless you have a one-stop shop, then clients may need more than one system."

While better pricing and ease of use are big drivers of online trading, another big advantage of moving online is that it can help companies improve efficiency across their internal processes. "If you look at why many corporations use electronic trading systems, it is to trade exposures generated by their subsidiaries," says Theodorou. The collection of information from subsidiaries around the globe is still typically done manually. Head office will receive information by fax or email and will manipulate the information in Excel spreadsheets to collect the cashflow forecast, FX exposures and so on. "Corporates can then use an electronic trading system to execute transactions for those exposures. Over time we have begun to see more banks and third parties offering solutions that assist with the piece that comes before execution—the actual collection of information," she adds.

However, not everyone agrees that online FX platforms, particularly the multi-bank platforms, are doing a good job of handling workflow into client systems. "What customers are really looking for is a solution to the whole STP issue and integration back into their internal trading and processing systems," says Thornton.

Simon Wilson-Taylor at State Street, which in addition to owning the FX Connect platform recently bought multi-bank platform Currenex, believes that corporates still have the same needs as they did when the online FX market first began. "What they need is something that helps them manage the complexity of inflows and outflows, handle risk management, do trades and handle accounting requirements," he says. "Generally we in the market have not been very good at meeting those needs. Partly it is the economics of it."

Benjaminsen: Portals create transparency and with that the potential to take margins away

The corporate market is a very small portion of the overall FX market. And whereas in the institutional market there are a number of major players taking up much of the volume, in the corporate market there are thousands of companies, each with unique needs in terms of workflow processes. Thus the ongoing investment that would be required has simply not been seen as economical.

Bent Benjaminsen, a senior vice president at SunGard, explains: "FX portals are part of a process for corporate treasury that is ripe for workflow enhancement. The technology is there to do it, but there has to be a willingness to put the money behind it." One of the problems with online trading applications for corporations, he says, is that everyone is in a race to the bottom; they want to get applications for a very low cost. "The question is, Who is going to keep putting money into it? Portals create transparency and with that the potential to take margins away," he adds.

Melissa Stevenson, director of foreign exchange at Wall Street Systems, agrees: "Post-trade workflow is still an issue. There needs to be improvement in the integration of post-trade services."

NEW ENTRANTS

One big change that could have a profound impact on the online FX markets is the interdealer platforms breaking into the dealer-to-client space. As Celent analyst Axel Pierron notes in a recent report: "The importance of new market participants on the buy side and their ability to improve and generate liquidity is blowing the wind of change in FX markets. The segregation of the market between interdealer and dealer-to-client is already being attacked, with the two major interdealer platforms reaching the wall to attract these profitable new customers. The question to ask is not whether the FX market will adopt an exchange model, but when."

Interdealer giant Reuters now offers Reuters Trading for Foreign Exchange (RTFX), which allows banks and their clients to handle trading from their Reuters desktops. RTFX saw 500% growth in 2006. It opens the way for Reuters to attract new clients—corporate treasurers, hedge funds and so on—and creates a multi-asset offering, including equities and fixed income.

Reuters' main competitor in the interdealer market, EBS, has also taken steps to enter the dealer-to-client market with EBS Prime Professional, which opens up spot market trading to non-bank market participants.

There is also a trend toward multi-asset trading platforms. Pierron notes in the report: "During 2006, financial institutions and especially hedge funds promoted the emergence of multi-asset trading venues, which would allow them to implement sophisticated strategies across foreign exchange, fixed income, options, futures and equities." He says that e-trading platforms could soon play an important role as consolidation and expansion continue across asset classes.

"WHO'S WHO" IN TREASURY AND CASH MANAGEMENT

ANNE BODEN
Head, Transaction Banking, Europe
ABN AMRO
Anne Boden manages ABN AMRO Transaction Banking across Europe. She is also responsible for preparing it for future commercial and regulatory challenges. These will include addressing the changing business environment that will be brought on by the single euro payments area (SEPA). Boden joined ABN AMRO's transaction banking unit from Aon, where she served as chief information officer and sat on the board of directors.

ANN CAIRNS
CEO, Transaction Banking
ABN AMRO
Ann Cairns is responsible for the global product business unit, a $5.8 billion revenue generator that develops and delivers cash management, trade and card products and services to all of ABN AMRO's clients worldwide—including commercial clients, consumers, private clients, global clients and financial institutions. Before joining ABN AMRO, Cairns held senior management positions in corporate and investment banking at Citigroup, culminating in the role of chief operating officer for the bank's Global Transaction Services.
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JILL J. BRADLEY-GUERRINO
Financial Director, Cash Operations
Allianz of America
Within her position as financial director, Jill Bradley-Guerrino is in charge of all cash operations of Allianz Life and associated entities. The main functions within these departments include bank relationship management and services, cash operations and forecasting, financing strategies, strategic planning and risk management. During her 16-year tenure with Allianz, Bradley-Guerrino has held numerous positions in the finance arena.

LOREN STARR
Senior Managing Director and CFO
AMVESCAP
Loren Starr is the chief financial officer at AMVESCAP, a leading global investment manager. Starr was previously CFO of Janus Capital Group and has held positions with Putnam Investments, Lehman Brothers and Morgan Stanley. In 2006 he was elected to a two-year term as chairman of the board of directors of the Association for Financial Professionals, where he has served as a member since 2002.

JIM KAITZ
President and CEO
Association for Financial Professionals
As president and CEO of AFP, Jim Kaitz manages the operations of an association that represents more than 15,000 treasury and financial professionals throughout the US and in more than 40 countries. Kaitz is a strong advocate on key issues such as the reform and oversight of the credit rating agencies and banks' practices of tying the access to credit to bank revenues. He has testified before congressional committees and other regulators and has helped to raise awareness on key issues affecting the practice of treasury and the capital markets. His efforts on the global landscape include the launch of the China Forum and the acquisition of London-based GTnews, an online resource for the treasury and finance community used by 47,000 professionals worldwide.
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MACHADO DE OLIVEIRA RIZAELCIO
Head of Treasury and Cash Management
Banco Bradesco
Machado de Oliveira Rizaelcio has developed and manages payment solutions for cash management at Bradesco, which is the largest private bank in Brazil. His department analyzes, develops and provides customized solutions for each corporate customer and covers receipts, payments and treasury. Rizaelcio has also developed several products, services and systems that focus on the improvement of business structures.

MARCO ANTONIO SUDANO
Treasury Director
Banco Itaú
Marco Antonio Sudano manages treasury operations at Brazilian Banco Itaú. He was the former president and is a current member of the National Association of Open Market Institutions and ex-president of the Markets/Treasury Committee of the Brazilian Association of International Banks. Sudano's previous corporate finance positions have included six years with Bunge Group and nine years at JPMorgan. He has also worked at Unibanco Asset Management, Quantix Investments and BankBoston.

CATHERINE P. BESSANT

President, Global Treasury Services

Bank of America

Catherine Bessant leads a business that generated $6.7 billion in revenues and $2.2 billion in net income in 2006 and that ranks number one in market share of treasury revenue globally. Global Treasury Services serves more than 120,000 business and institutional clients worldwide and offers treasury management, trade finance, foreign exchange, short-term credit facilities and global liquidity management. Bessant, who joined the company in 1982, was most recently global marketing executive for Bank of America and, before that, president of Bank of America, Florida.

MICHAEL FOSSACECA

North America Large Corporate Treasury Executive

Bank of America

Bank of America recently appointed Michael Fossaceca to its Global Treasury Services business, where he will take care of large corporate clients in North America. Fossaceca drives revenue in North America by executing winning sales strategies, deepening client relationships and improving client satisfaction. As an 18-year veteran of JPMorgan Chase, Fossaceca served there on the Treasury Services Executive Team and Operating Committee to develop and execute global business strategy.

ERIC D. KAMBACK

Executive Vice President and Group Head for Global Payment and Trade Services

The Bank of New York Mellon

Eric Kamback's group at The Bank of New York Mellon provides trade finance and treasury services to financial service companies, corporations and governments worldwide. Kamback, who joined The Bank of New York in 1980, has established all strategies pertaining to sales, product management and product development, and his initiatives have influenced the approach to world markets throughout the banking industry. Under his direction, his group has grown sales and revenues significantly and developed major client bases in Europe, Asia and the Americas.
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ROBERT W. STASIK

Executive Vice President

The Bank of New York Mellon

Robert Stasik oversees several of the company's key strategic businesses, including treasury services, liquidity management and shareholder services. The businesses support the delivery of The Bank of New York Mellon's global portfolio of integrated products and services. These are designed to help clients optimize their cash flow, raise capital, manage liquidity, conduct international commerce and manage their accounts payable and accounts receivable functions.

MARK STOCKLEY

Managing Director, Global Head of Cash & Liquidity Sales

Barclays Global Investors

Mark Stockley is responsible for the sales and client service of BGI's cash management capabilities and money market funds, managing teams based in London, San Francisco and Hong Kong. As of June 2007 BGI managed approximately $238 billion in cash assets globally, including more than $70 billion in Europe. Stockley, who brings 17 years of experience in the cash business, joined BGI from JPMorgan Asset Management, where he was head of institutional liquidity (EMEA). Prior to JPMorgan, he was head of Asian operations for Goldman Sachs Asset Management. Stockley is the treasurer and a director of the Institutional Money Market Fund Association (IMMFA).

DAVID SWANN

Group Treasurer

British American Tobacco

In recent years BAT has been at the leading edge in looking at holistic risk management. That focus takes into account the diverse risks across its businesses in 180 countries, while managing them as a whole. Over the past six years group treasurer David Swann has led an initiative to centralize treasury operations in London, Singapore and South America. Such centralization allows the firm both to spread savings and to improve visibility for managing risks.
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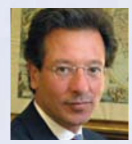
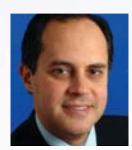


FRANCESCO VANNI D'ARCHIRAFI

Global Head of Cash Management

Citi

Francesco Vanni d'Archirafi recently was appointed global head of cash management at Citi, where he focuses on delivering best-in-class solutions for clients and driving continued innovation. Before taking on his current role, d'Archirafi was in charge of the Global Transaction Services unit's largest region, which encompasses Europe, the Middle East and Africa. In that role, he doubled business turnover and tripled net income contribution to the franchise in three years. D'Archirafi, who has been a senior banker at Citi for more than 24 years, is a member of Citi's Management Committee and chairman of Citibank Europe.



PAUL GALANT

CEO, Global Transaction Services

Citi

Paul Galant is CEO of Global Transaction Services, one of Citi's 12 publicly reported product lines. It offers cash management, trade services and finance and securities and fund services

worldwide, processing over $3 trillion in payments daily and handling more than 1 billion transactions annually. Galant was previously head of Citi's cash management business. Under his leadership the business grew significantly and improved its operating performance. In addition, it has gained recognition for innovation and excellence from many publications, including *Global Finance*.
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FREDERICK A. SCHNACKNIES
Assistant Treasurer, International
Constellation Energy Group
Fred Schnacknies joined Constellation Energy in June 2007 as assistant treasurer international. He is responsible for providing financial analysis and developing financial and capital structures to support international acquisitions and implementing international treasury policies and systems. Prior to Constellation Energy, Schnacknies worked for Lucent Technologies for eight years, most recently as director, in-house bank. At Lucent he implemented an in-house bank and global treasury system, which brought the company three Alexander Hamilton Awards in 2004 in Financial Risk Management, Cash Management and Overall Excellence.
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DINKAR JETLEY
Head of Trust & Securities Services and Cash Management for Financial Institutions, Global Transaction Banking
Deutsche Bank
Dinkar Jetley has established Deutsche Bank as a leading global provider of payments and securities services to financial institutions. Global Transaction Banking has committed to investing in its technology and accommodating the latest regulatory requirements for SEPA, Target II and Know Your Customer. As a result, it has secured significant payments clearing and private-labeling cash management mandates. Under Jetley's leadership, Trust & Securities Services has also continued to expand into new markets.

WERNER STEINMUELLER
Head of Global Transaction Banking
Deutsche Bank
Werner Steinmueller has led Deutsche Bank's Global Transaction Banking on a growth and performance-driven course throughout Europe, Asia and the Americas. GTB's strategic investment in new opportunities across developing cash markets in Asia and Europe has strengthened the bank's position. By a similar token, expansion of its custody footprint in trust and securities services businesses has enhanced its standing. By leveraging SEPA, the bank builds on its foothold in Europe while continuing to develop global solutions based on its worldwide delivery network. Steinmueller has implemented important architecture redesigns in Deutsche Bank's infrastructure, such as a single global platform for high-value payments (money transfer new architecture) and a next-generation of messaging and routing functionality.

CHRISTOPHER DEL MORAL-NILES
Treasurer
The First American Corporation
Christopher Del Moral-Niles coordinates all cash management, investment, financing and capital management activities across the First American Family of Companies. Niles also supports several initiatives related to the centralization of treasury functions, financial planning and budgeting for the company. He assumed his duties with First American in August 2006, coming from Union Bank of California, where he most recently served as senior vice president and director of liability management for the bank. Niles has also served as president and director of UnionBanCal Commercial Funding Corp., with prior stints as an investment banker with Lehman Brothers and Merrill Lynch.
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TIMOTHY BITSBERGER
Senior Vice President and Treasurer, Funding and Investor Relations
Freddie Mac
Timothy Bitsberger joined Freddie Mac as treasurer and senior vice president, funding and investor relations, in January 2006. He is responsible for the company's debt and mortgage-funding programs, as well as equity, debt and mortgage securities investor relations. Prior to working at Freddie Mac, Bitsberger served as assistant secretary for financial markets at the US Department of the Treasury for four years. He worked on such issues as federal debt management, financial market oversight and regulation, federal credit and privatization, and state and local finance.

DENNIS SWEENEY
Deputy Treasurer
General Electric
Dennis Sweeney is in charge of GE's global treasury operations, managed from a base in Stamford, Connecticut, through regional treasury centers in Delhi, Tokyo, Dublin, Mexico City and São Paolo. He and his team provide forex and derivative execution, middle-office support, cash management, acquisition integration and inter-company funding/accounting to GE's businesses worldwide. Sweeney is promoting GE's proactive efforts as a corporate user of the SWIFT network. He has also led the initiative by the International Bank Compensation Group to create a new international bank billing standard.
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CHRISTOPHER F. DONUS
Assistant Treasurer, Corporate Finance
Hertz
Christopher Donus oversees the entire debt portfolio at Hertz, which consists of both asset-backed securities and corporate debt facilities. He is also responsible for rating agency relationships and capital planning activities. Donus joined Hertz in December 2005, coming from Lucent Technologies.
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MICHAEL GALLAGHER
Executive Vice President
HSBC Bank USA
Michael Gallagher takes responsibility for HSBC's payments and cash management

and bank notes services in North America. He is also global head of the institutional payments business within Global Transaction Banking. Gallagher, who brings more than 20 years of transaction banking experience, joined HSBC in 1997 as a senior vice president, head of corporate and institutional sales. Prior to joining HSBC, he held a variety of senior positions at CoreStates Financial Corp. in Philadelphia, Tokyo and New York.

ANDREW LONG
Head of Global Transaction Banking
HSBC
Andrew Long manages Global Transaction Banking, whose products include payments and cash management, trade services, securities services and wholesale banknotes. Long joined HSBC in 1978 in the imports department in Hong Kong and subsequently worked in a number of positions throughout Asia. He continued his career in New York and the United Kingdom, eventually becoming head of operations and processing for the Asia-Pacific region in 2001 and chief operating officer for HSBC in the region in 2004.

MELISSA MOORE
President and Chief Operating Officer
JPMorgan Chase Treasury Services
Melissa Moore is responsible for the global day-to-day management of treasury services and oversees all aspects of product direction and delivery. Under her leadership, the business has earned recognition for delivering innovative treasury, cash management, liquidity, trade finance and information solutions, with annual revenue approaching $8.8 billion. Moore has garnered top industry rankings, such as first in ACH credit and debit ACH originations and number-one financial institution for US corporate liquidity for large corporate and middle market (treasury strategies). International awards include best at implementing cash management solutions in Asia and best liquidity solution provider in EMEA.

SUSAN J. WEBB
Executive Vice President and Product Executive, Treasury Services Global Core Cash Management
JPMorgan Chase
On a global basis, Susan Webb is responsible for US dollar and euro clearing, multi-currency and foreign exchange payments, global ACH services and in-country treasury services for clients in Asia, EMEA and Africa. Within the United States she oversees deposit services, including currency and vault, disbursement and wholesale, retail and government lockbox services. Webb's transformational approach is helping to reposition the bank's core payments franchise as it moves to the next generation.

PAMELA A. CARSON
Senior Vice President, Global Treasury Management
KeyBank
As leader of KeyBank's global treasury unit, Pamela Carson has seen her business unit achieve substantial growth since she took over her current responsibilities in 2005. Among recent accomplishments of her unit, she particularly cites the A+ rating by Phoenix-Hecht in automated clearinghouse, balance reporting, depository services and Internet services. Carson received a ranking by NACHA in the top 10 for ACH payments in 2005, following a volume improvement of over 20%. She has worked at KeyBank since 1992 in relationship management, product management and operations. She is actively involved in various environmental not-for-profit organizations in the Cleveland area.
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ALAN BIELER
Treasurer
Marsh & McLennan Companies
Alan Bieler is responsible for worldwide treasury activities for MMC and its subsidiaries, which provide global services in risk, strategy and human capital. Bieler started at MMC in 2001 as assistant treasurer and was appointed treasurer in October 2006. Before joining MMC he spent eight years at PepsiCo, where he served in a variety of positions, including director of corporate finance and director of international treasury. He has also worked at Cooper Industries and with GE Capital Corp.
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MARK E. MCDONOUGH
Vice President and Treasurer
Merck
Mark McDonough was appointed to his current position at Merck in February 2007. His mandate includes developing policies for the company's capital structure, treasury stock and debt, raising capital, directing investment of a $15 billion worldwide portfolio of marketable securities, and managing foreign exchange hedging activities. He is also involved in financing employees' pension and benefit plans and directing the firm's worldwide insurance programs. McDonough, who began at Merck in 1990, most recently served as assistant treasurer, Global Capital Markets, since 2004.

MALCOLM COOPER
Group Tax and Treasury Director
National Grid
Malcolm Cooper is responsible for the tax, treasury, corporate finance, business planning and insurance activities for National Grid. The group's tax charge last year was about £600 million. On the treasury side, this includes the management of its £11 billion debt portfolio and the group's funding, together with interest rate risk management, project finance and foreign exchange requirements. A major current activity has been the funding of KeySpan Corp. This transaction is expected to close shortly, after which the group debt will be around £20 billion. Cooper was appointed group treasurer for National Grid Transco (now National Grid) in 2002 at the completion of the merger between National Grid and Lattice Group. He became group tax and treasury director in 2006.
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DONALD E. BERK

Senior Vice President and Head of Product Management, Treasury Management Services

The Northern Trust Co.

Don Berk started his career at IBM, where he worked on the first PCs in 1984. After moving into banking at Wachovia, he joined The Northern Trust Company. He is now responsible for any product that the firm deploys into the global banking business, including US commercial banking, international banking and personal finance services products such as deposits, credit cards and loans. He is also in charge of all of the bank's outsourcing solutions for item processing, lockbox and residential mortgage processing. In a technology initiative, he led the development and implementation of Northern Trust Treasury Passport, a web-based client platform that offers a customizable package of information reporting, image delivery and transaction initiation services.
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CHRIS LEONE

Group Vice President, ERP Application Product Strategy

Oracle

Chris Leone leads the strategic direction at Oracle for developing the applications that treasurers use worldwide. Oracle's ERP applications range from financials, compliance and project management, to procurement, human resource management and corporate performance management. Leone drives the business requirements, the product roadmap and strategies. Prior to his role at Oracle, he developed enterprise software applications at PeopleSoft and Hyperion.

JAMES G. GRAHAM

Executive Vice President

PNC

James Graham serves a dual role at PNC, as deputy manager of corporate banking and business executive of domestic and global treasury management. Graham oversees a broad array of treasury management products and services for PNC, which is the seventh-largest treasury management provider in the United States and has a nationwide lockbox network. He is also responsible for PNC being the sole provider of CA$HLINK II to the US Treasury Department, which ties federal agencies, commercial banks, the Federal Reserve banks and the Treasury Department together through an electronic network.
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FRED COHEN

Global Advisory Leader for Energy, Utilities and Mining

PricewaterhouseCoopers

Fred Cohen is PricewaterhouseCoopers' lead on the political risk management alliance with the Eurasia Group. The alliance was formed to help multinational organizations integrate political risk management into their overall enterprise risk management framework. Cohen works with top executives and board members of large organizations to help them understand political risk and how to incorporate political risk management into their business strategy and operations. He assists them with developing tools and techniques for monitoring and managing those risks, bringing more than 30 years' consulting and management experience in financial risk management and financial reporting.
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RUSSELL PAQUETTE

Treasurer

REI Recreational Equipment

Russell Paquette is treasurer of REI, a $1.8 billion national cooperative retailer of outdoor gear and clothing. Paquette is responsible for all aspects of REI's corporate treasury, ranging from the investment portfolio, line of credit, enterprise-wide risk management and insurance, to banking structure, cash management operating platform, investment relationships and foreign exchange. Paquette is known for his determination to put REI's innovative efforts at the forefront of the retail treasury world.
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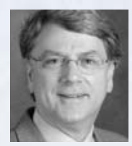
CARRIE W. TEFFNER

Chief Financial Officer

Sara Lee

Carrie Teffner is CFO at Sara Lee. She was elected an officer of the corporation in 2005. Prior to that position, Teffner served as vice president and treasurer, responsible for global treasury functions, which include cash management, pension investment, corporate finance and financial risk management. During her career at Sara Lee, she has held various positions, including assistant treasurer, chief financial officer of Champion Jogbra, vice president of administrative transformation and general manger of Sara Lee Business Services. Teffner is a member of the boards of directors of Girl Scouts of Chicago and the financial advisory board of DePaul University.



E. KEVIN MOORE

Vice President and Treasurer

Schering-Plough Corp.

Kevin Moore is responsible for managing Schering-Plough's assets, external financial relations and investments for employee benefit plans. He also oversees the company's risk management and insurance functions. Moore was elected to his present position in January 1996, after serving as staff vice president and assistant treasurer when he joined Schering-Plough in 1993. As treasurer, Moore brings to the position a broad finance background that encompasses both domestic and international experience. Over the past three years he has been responsible for raising more than $4.5 billion in the capital markets, which has been an important element in ensuring that the company had the financial strength and flexibility to support its turnaround.
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CHRISTIAN DAHLBERG

President and General Manager, New York

SEB Group

Christian Dahlberg manages the New York branch of SEB, which serves the North European banking group's core clients in the North American market. Clients include Nordic and German subsidiaries that conduct business in North America, as well as US corporations and financial institutions active in Northern Europe. Prior to his New York post, which he began in 2004, Dahlberg was client executive for client relationship management in Stockholm for SEB Merchant Banking.

ERIK ZINGMARK

Global Head of Cash Management

SEB

Erik Zingmark is responsible for SEB's cash management offering, which today covers 16 markets. He is also a member of the Global Transaction Services Management Group. Zingmark has worked with cash management from the buyer's, the intermediary's and the seller's perspectives, as cash manager and EMU coordinator at the Skanska Group and as head of cash management at ABN AMRO's Stockholm branch.

BRIAN P. BREEN

Senior Vice President and Treasurer

Simmons

Brian Breen joined Simmons in July 1996 and has served as vice president and treasurer since January 2002. As treasurer, Breen has led and directed the transformation of the treasury department into an industry leader, particularly in the area of working capital management. He has been an active member of the Simmons management team, engaged in various buy/sell enterprise transactions. The most notable transaction took place in 2003 and involved private equity firms Thomas H. Lee Partners and Fenway Partners.
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KENNETH DUMMITT

President, Corporates & Treasury

SunGard

Kenneth Dummitt's corporates and treasury segment at SunGard delivers liquidity management, transaction management and integrated risk and performance solutions to a diverse customer base of corporations and financial institutions. The segment is made up of SunGard AvantGard, SunGard BancWare and SunGard Step. Dummitt offers guidance and leadership across the entire segment, based on a strategic vision of a comprehensive approach to enterprise liquidity and risk management. That holistic view is changing how companies and financial institutions approach collaboration and connectivity, both with trading partners and between disparate functions.

ROSSINI ZUMWALT

Head of Global Treasury

Symantec

Rossini Zumwalt was appointed head of global treasury in 2005. She manages Symantec's capital market, debt, foreign exchange, banking, treasury operations, corporate insurance and e-commerce functions. Since joining Symantec in 1994, she has completed a variety of key assignments; highlights include the establishment of a $1 billion credit facility, the execution of a $4.5 billion stock buyback, a leadership role in the evaluation and integration of more than 24 target companies and repatriation of $500 million under the American Jobs Creation Act.
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MICHAEL W. CONNOLLY

Vice President, Treasurer

Tiffany

Michael Connolly has a wide range of responsibilities at Tiffany, where he has been treasurer since 1997. Connolly's bailiwick covers treasury operations, such as global cash, debt and investment management, foreign exchange, hedging and banking relationships. He also oversees risk management and insurance issues. On the taxation front, he looks after global planning, domestic compliance and international customs duties planning. In 2006 Connolly was elected to the board of the Association for Financial Professionals.
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E. JUDD HOLROYDE

Senior Vice President, Head of Global Product Management and Delivery

Wells Fargo

Judd Holroyde is responsible for Wells Fargo's global treasury management, consumer forex and trade product units. He also leads the overall global strategy of the Wholesale Services Division. His entire career at Wells Fargo, which began in 1997, has concentrated on looking at banking from the customer's viewpoint. In 2000 he developed overall strategy and design of the end-to-end customer experience on the business Internet portal, in 2004 he established a panel of customers to provide experience feedback, and he has led product development to automate customers' implementation of treasury management services.

DANIEL PELTZ

Executive Vice President, Wholesale Internet and Treasury Solutions

Wells Fargo

Danny Peltz is responsible for Wells Fargo's global treasury management services for corporate and commercial customers, overseeing a 750-member team of product, sales, technology and marketing professionals. As a 16-year veteran of Wells Fargo, Peltz has been at the forefront of the paper-to-electronic revolution. He developed and manages the Commercial Electronic Office portal, used by two-thirds of the bank's commercial customers. Under his leadership, Wells Fargo has received recognition for its use of innovative technology in treasury management.

GLOBAL DIRECT REMITTANCES: DEVELOPING LOW-VALUE PAYMENTS CAPABILITIES

By Eric Kamback

For generations, immigrants have sent money back to their homes to support their extended families. It is estimated that upward of $230 billion was remitted by more than 175 million immigrants and migrant workers worldwide in 2005, a figure projected to swell to $289 billion this year, according to the World Bank. Today, major money service businesses are the primary servicers of the remittance market. It is estimated that only 10% of remittance transactions from the US are sent through banks. Many immigrant workers are wary of established banking institutions, unfamiliar with the customs and faced with a language barrier, or have no experience with banks at all. Many are simply unaware that different remittance options exist.

Eric D. Kamback is Executive Vice President and Group Head for Global Payment and Trade Services at The Bank of New York Mellon

Financial institutions around the world have increasingly shown interest in remittances. Initially, money transfers are the primary financial need among immigrants, and remittance service offered at a competitive rate provides an entry point for banks into the immigrant market. Once established, remittances are an opportunity to create long-term client relationships, leading to increased market share, income potential, and customer loyalty as worker wealth increases and remittance clients seek credit, car loans, and mortgages.

Further, in an age of globalization, companies are more and more dependent on global networks of customers, suppliers, and investors, and dependence on a global workforce and employee mobility is growing. As a result, companies increasingly need to offer global remittance services to employees as part of their banking packages, placing greater demand on cross-border payments activity, and providing opportunities for banks that can meet that demand.

Both banks and governments have an interest in channeling this payment activity into the banking system, creating new opportunities for banks that can develop competitive solutions quickly and cost-effectively. But many banks lack a global retail payment capability. Varied payment systems; formatting standards, rules, and regulations; and a lack of global standards regarding market practice and banking laws are also barriers for banks seeking to compete in this space. The gathering and distribution of payment-related information present other, multiple levels of complexity. For example, entities initiating payments need to collect and maintain the necessary routing information to pay beneficiaries, given the differing requirements by country.

There are additional barriers to entry. Without an extensive correspondent banking network or the investment in technology to develop a global payments capability, banks lack the robust infrastructure to offer a cost-effective remittance solution, and the time and cost of establishing and maintaining a network and developing a remittance platform is prohibitive. Lacking that infrastructure, banks are confined to executing payments by wire. The cost and complexity of complying with Know Your

Customer, anti-money laundering regulations, and other control activities add further complications.

To compete, banks need low-cost payment methods that enable them to offer sustainable competitive prices to their customers. Banks that are quick to market, with an easy-to-use service that simplifies the payment flow and lowers cost, stand to benefit. The problem is how to bring this about.

THE PRIVATE LABEL SOLUTION

Private labeling can be a strategic alternative to building an in-house global remittance capability. It is a viable way to tap into the growing retail cross-border market; it can compress time-to-market and enable a bank to gain competitive advantage. Leveraging an established system eliminates the cost of development, maintenance, and ongoing investment, while providing access to the latest advances in technology.

> **"Private labeling can be a strategic alternative to building an in-house global remittance capability. It can compress time-to-market and enable a bank to gain competitive advantage. Leveraging an established system eliminates the cost of development, maintenance, and ongoing investment, while providing access to the latest advances in technology."**

EVALUATING A PROVIDER

A provider should bring considerable experience and expertise to implementing a solution. It should offer a well-established, extensive, correspondent banking network, the technology to automate the entire payment transaction, and a full spectrum of disbursement options. A solution should feature a flexible infrastructure that can scale to volume growth, new product developments, and continuously emerging market opportunities. It should integrate seamlessly with customer payment initiation points, including teller systems and online banking platforms. And it should guarantee speed of payment delivery, and allow for the ability to track payments. Payments processing should be a core business of the provider, and it must provide efficiencies of scale and rigorous payment controls.

The Bank of New York Mellon can offer banks a global direct remittance solution that meets all these criteria. Our solution is:

- Easy to use, allowing payments to be initiated through our existing banking platform;
- Comprehensive, allowing access to multiple payment delivery options in local countries; and
- Utilize The Bank of New York Mellon's extensive network of receiving correspondent banks around the world.

Currently, many providers offer service only from one into another or only a few other countries, serving only established corridors such as US to Mexico or India. Our network of correspondent banks is one of the largest and most well-maintained networks in the industry. Our global network includes 12 branches, 18 representative offices and 1,600 correspondent bank relationships.

Based on our strength in payment processing, technology, and correspondent banking, The Bank of New York Mellon can be a major facilitator of remittances by linking correspondents worldwide. Those banks that establish a global remittance structure today will be best positioned to take advantage of the rise in retail global payments and increasing customer demand for new payment services in the years ahead. The Bank of New York Mellon's global direct remittance offering can bring that about.

The BANK of NEW YORK MELLON℠

SEPA: REACHING BEYOND EUROPEAN BORDERS

By Naveed Sultan

The birth of a new currency used by more than 300 million consumers is a remarkable event. Since 1999, corporates around the world have embraced the single currency and gained from a degree of standardization. Less easy to grasp perhaps is the creation of an infrastructure that enables the euro zone to truly operate as a single market. While using one currency, European countries operate today as a patchwork of domestic payments markets. However, the opportunities for businesses to access new markets and streamline business processes—following the planned introduction of the Single Euro Payments Area (SEPA) in 2008—will have an even greater impact than the arrival of the euro. Whether you already have businesses operating in multiple European markets or are looking to expand trading partnerships in Europe, SEPA could support your business growth significantly.

Naveed Sultan is Managing Director, Head of Global Transaction Services in Europe, Middle East and Africa (EMEA)

For those not directly involved in SEPA's creation, there are two common misconceptions. Misconception 1: "Because SEPA concerns only euro payments, it is just a matter for Europeans". Misconception 2: "Because it is merely a change to formats passed between banks, only bankers need to know about it". Wrong in both cases: all firms that trade in and with Europe could be affected.

SEPA stems from the same vision of a single European marketplace that gave birth to the euro. The introduction of the euro left Europe's payment instruments and clearing infrastructures largely untouched; cross-border payments remained costly to process and acted as an ongoing barrier to a true single market in which businesses could trade as easily across Europe as within their own national boundaries. SEPA is the banking industry's response to the determination of Europe's politicians to facilitate the free flow of capital, labor, goods and services within Europe. Under SEPA, the introduction of new pan-European payment instruments will standardize the core payment products and services used across the region, remove the long-standing requirements to maintain local accounts in each country and eliminate the need to understand the myriad of differences that exist between national payment instruments today. It holds out the prospect of a single, streamlined payment and collection process to support relationships with customers and suppliers across the continent. SEPA makes Europe an easier place to do business in, as well as making it an easier place to do business with.

SEIZING THE OPPORTUNITY

To understand the impact of SEPA in more detail, let's take two types of business; the large multinational already doing business across Europe and the fast-growing company that's increasingly looking at trading abroad.

Many multinationals with extensive operations in Europe are already centralizing and standardizing their payments, collections and liquidity management processes. But firms that have sought efficiencies through adoption of a single global ERP system—or centralized structures such as payment factories, in-house banks or shared service centers—have been compromised by the persistence of local payment practices. Payment factories still have to consolidate payment files from multiple local offices and shared service centers still need to maintain expertise in local payment practices. The question all multinationals should ask is: how much more efficient could our payment processes be under SEPA? As the single market takes shape and new sources of competition emerge, low operating costs will be increasingly critical. Cross-border trade is central to the SEPA vision; a uniform payment and collection process across Europe can remove the constraints that previously accompanied management of supply chain relationships, thereby enabling firms to source from the best suppliers regardless of where in Europe they are located.

- SEPA will replace today's disparate local payment products with a new set of services based on common standards.
- SEPA will force changes to the ways corporates make and receive non-urgent euro transactions, greatly simplifying payments and collections processes for end users.
- SEPA Credit Transfers will be launched on 28th January 2008.
- SEPA Direct Debits are scheduled for launch during 2009.
- Today's local euro payment products will be phased out over the coming years—although no firm timetables are in place yet.
- Corporates should evaluate the impact of SEPA and plan for migration during 2008/9
- Corporates can exploit the standardization that SEPA will offer to make payment/collection activities more efficient and less complex.

For firms that conduct increasing volumes of business with Europe, SEPA offers a different kind of opportunity. When establishing operations in say, France, Germany and Spain, it has typically been necessary to establish banking relationships, open bank accounts and define best practice for payment and collections processes in all three countries—adding considerable cost and effort to the decision to expand into new markets. If businesses can operate out of a single account with one bank in any Member State, the costs of serving the European market are reduced considerably. While technology drove efficiencies in the physical supply chain to make it easier to reach remote markets, the development of common payment standards is now having the same impact on the financial supply chain. Automation and standardization lie at the heart of SEPA, enabling integration and interoperability with companies' existing systems, for example by taking advantage of XML-based ISO 20022 message standards.

Although SEPA is key to doing business in Europe more easily, many questions remain. For example, SEPA payment instruments include a common field for remittance data, but corporates need to agree on standard approaches to structuring this information to leverage it effectively. The timing of migration to SEPA instruments also needs careful consideration. SEPA credit transfers will be available from January 2008, but direct debits will be introduced later and existing instruments will be withdrawn according to different national migration plans. The opportunities are there; but corporates must plot their own course.

PARTNERING FOR SUCCESS

As a global bank with a pan-European cash management network that offers clients a combination of both domestic and regional capabilities, Citi has been taking a leading role in the creation of SEPA. Our active engagement in the design and implementation of the new standards puts us in an ideal position to guide our clients through the many changes that SEPA will bring. We talk to customers every day about how their European business could be more efficient and streamlined. For example, making all euro payments out of a single account sounds like a great opportunity for cost savings, but this may not be the most effective alternative for many firms. Customer preferences, industry practices, plus legal and tax considerations, must all be analyzed before restructuring your payment and banking arrangements. Citi can help you identify and pursue the real opportunities in Europe and across the world, helping us all to reap the benefits of the new payments market.

Naveed Sultan is Head of Global Transactions Services (GTS) for Europe, Middle East and Africa (EMEA) responsible for cash management, trade finance and services and securities and fund services across the region. Prior to his appointment to his current role, effective October 2007, he was Head of Cash Management and Treasury Services for GTS in EMEA

Beyond Finance: The Treasurer and Supply Chain Management

By Jonathan Heuser

Solely focusing on traditional approaches to cash management can limit a treasurer's ability to manage working capital in a holistic way. One of the keys to effectively managing working capital is to apply a strategic approach to all operational areas of a business. In other words, treasurers can better manage working capital by looking into functions beyond finance.

The supply chain is one place that treasurers can look to gain more visibility into operational working capital. Understanding a company's supply chain processes, and how decisions within the supply chain are made, can give treasurers the information they need to profoundly affect working capital.

Specific functional areas to consider include procurement, transportation, and compliance and risk management. Who better than a treasurer to help other departments within a company understand the financial impact of what may initially appear to be nonfinancial decisions? The end result could be impressive gains on the balance sheet.

"As globalization increases, technology advances and the number of suppliers and vendors available to an organization proliferate, the foresight to take a broader view of working capital management can become a competitive advantage."

PROCUREMENT

Procurement should be an area of great interest for treasurers. When selecting a vendor, organizations should ideally include trade regimes, payment terms and overall financial footing, in addition to capability, location and price.

Decisions about which supplier to use, and how and when to pay that supplier, are typically made within the procurement department. This often begins with a broad-stroke analysis that focuses on comparable product offerings and the ability to deliver. Negotiations are often focused on securing the lowest possible cost for goods or services, but may not take into account the impact of payment terms and methods on the ultimate cost of goods. Unfavorable terms could have a ripple effect on the supplier, as well as the buyer and its cash flow. Factoring in free trade agreements, quotas, duties and taxes, and transportation complexities earlier in the planning process can help to lower costs and manage risks.

Once payment terms are finalized, systematizing, streamlining and automating the payment process should be explored through joint planning between finance and the procurement team. Including suppliers in the discussion of their preferred payment methods, and establishing a process they can rely on, can help reduce costs and improve supplier relationships.

Direct knowledge of sourcing strategies, payment terms, seasonal variations, transportation and inventory will allow treasurers to plan cash requirements with greater precision and take advantage of investment opportunities.

SUPPLY CHAIN FINANCING

Treasurers should also understand an organization's cost of capital versus the supplier's cost of capital. Open account terms, for example, may bear lower fees than a letter-of-credit-based transaction, but they can also restrict a seller's access to working capital financing and increase its costs of working capital. The costs the supplier bears for accepting extended payment terms may be finding their way back into the cost of goods.

In many cases, longer payment terms place a greater financial burden on the seller, while shorter terms place a greater burden on the buyer. Treasurers and procurement staff should determine which party has the lower financing costs and greater access to capital. Payment terms should take this discrepancy into account.

Buyer discounts for early payment may be available or can be negotiated. Often when a company decides to extend payment terms in conjunction with a supply chain financing program, suppliers welcome the option of immediate payment at a discounted rate, especially if that rate is more attractive than the supplier's typical borrowing cost. Another option is for the buyer to self-finance a program of accelerated payments. This requires supplier invoices to be processed rapidly and thus places a heavy burden on the accounts payable staff, making an automated platform a necessity. A self-financed program also requires an infusion of working capital, so a thoughtful analysis of cash availability and uses is important.

Jonathan Heuser is Vice President of Trade Services at JPMorgan Chase.

A number of strategic financial considerations should be included as part of the decision-making process. For buyers, is there a better use of balance sheet cash? And for sellers, is it more important to convert receivables to cash quickly? Is a discounted early payment really beneficial to the bottom line?

CURRENCY CONCERNS

For organizations working in a global environment, currency issues can also affect working capital. Transaction fees, volatility of dollar-based invoices versus a domestic currency and fluctuating exchange rates can complicate otherwise well-thought-out plans.

There are many things for companies to consider. For example, which currency is most efficient for your organization and your vendors—the buyer's currency or the seller's? Would an international exchange medium such as dollars or euros be more advantageous? How do the payment terms affect each party's currency risk? What are the currency and tax implications of purchasing through an overseas buying entity? In which currency does your supplier finance its operations, and how do suppliers prefer to be paid?

Other currency factors that can impact working capital are restrictions on currency flows or difficult transaction reporting requirements. Treasurers must also be prepared to have the hedges they need against currency depreciation or appreciation.

RISK MANAGEMENT

Another opportunity for treasurers is in the area of compliance and risk management. Lack of awareness around risk exposure, overlooking regulatory requirements or failure to establish necessary controls and procedures can expose the enterprise to potential fines and penalties.

Another threat to efficient working-capital management is the uncertainty inherent in the supply chain. If the transportation network is unreliable, companies must carry extra inventory to create buffer stock. If the distribution network is inefficient, then inventory is delayed or mishandled, leading to shortages and an inability to replenish stock. If goods are held for inspection due to improper or missing paperwork, then the transaction is disrupted and the ultimate sale is delayed. All of these can result in lost business and hinder cash flow.

Having established processes, automated tools, and professional advisory services can create a more secure and compliant global supply chain, thus minimizing the risk of supply chain delays, penalties, rising expenses or the loss of customers.

CONCLUSION

Treasurers have the opportunity to bring a greater level of structure and financial discipline to all areas of an organization. As globalization increases, technology advances and the number of suppliers and vendors available to an organization proliferate, the foresight to take a broader view of working capital management can become a competitive advantage.

JPMorganChase