Treasury & Cash Management

TCM Guide 2009

GLOBAL FINANCE

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A lot of the traditional services cash management banks provided to their customers in the lead-up to the financial crisis around collections, liquidity, risk and working capital management are featuring more prominently in discussions between banks and their corporate customers in its wake. Where banks may have talked up a lot of these services in the past, customer appetite for them did not necessarily follow and it tended to be only the large, highly centralized corporate treasuries that opted for some of the more sophisticated solutions, particularly around liquidity and risk management.

Fast-forward to 2009. Banks are now finding corporates of all sizes want to know how they can preserve their cash balances and better manage their liquidity. Not only that, risk management is at the top of the treasurer's agenda; not just interest rate and FX risk management, but counterparty, credit and liquidity risk. Most transaction banks have reported substantial increases in their trade and treasury revenues as corporates seek to reduce counterparty risk using traditional letters of credit, which up until recently had been a declining business for most banks. This ties in with an increased focus by treasurers and CFOs on the financial supply chain, where unlocking capital trapped in inefficient accounts payable and accounts receivable processes is something most major corporations are not just talking about or hearing about from their banks, but are actually looking to put into practice.

Tighter credit is also prompting treasurers to review their banking relationships. The day when businesses would rely on a single European banking provider or global cash management bank is long gone it seems, as corporates look to secure relationships with more than one bank, not only for credit purposes, but also for enhanced risk management. Yet, while the banks that were relatively unscathed by the credit crunch have sought to increase their market share vis-à-vis those that sought government bailouts, market share does not seem to have shifted significantly. Government-assisted banks claim they remain committed to the business and continue to invest in it. However, they still have some convincing to do when it comes to their competitors and some corporate treasurers who are uncertain about these banks' long-term strategy and their ability to resist pressures to resort to a more domestic focus, which some predict will be a condition of receiving government assistance. On a regional level, however, and among mid- and lower-tier corporate treasurers, the game is anybody's and regional banks, particularly those in Asia, are finding that they are winning more business that historically might have gone to foreign banks.

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Strengthening **Ties**

Higher cost of credit and tighter credit conditions are prompting corporates to review all their banking interactions. **By Denise Bedell**

It has always been a priority for corporates to manage their share of wallet effectively. But in this credit environment corporates of all sizes and shapes are forced to be even more diligent about how they manage their banking relationships and spread of ancillary business across all processes and business units.

They are looking more holistically at how they share business, the credit they receive in return and what they are paying for all banking services. It is now an essential part of the job remit of any treasurer to ensure they are getting the most out of their banking relationships while also ensuring that their banking partners are happy when credit facilities come up for renewal.

Over at least the past decade, with a highly liquid credit environment and ever-increasing competition among banks to attract corporate clients, companies lived in a world of cheap, readily available credit. They expected cheap lending, and got it, often with little need to provide much in the way of ancillary business in exchange.

"In the past, there was almost unlimited liquidity available in the banking sector globally, together with high levels of confidence and risk appetite," notes Eric Mueller, head of country sales, Western Europe, for Deutsche Bank Global Transaction Banking. "People danced as long as the music played."

Now there is still liquidity available, but confidence and risk appetite are still down, although some improvement has been seen over the past couple of months. "While credit and CDS pricing increased substantially at the end of last year after a long period of very low spreads, we have seen some reductions since early 2009," says Mueller. "Nevertheless, investors still expect a much higher risk premium than in previous years."

Repricing Credit

As a result, corporate credit has become much more expensive, and many companies have seen their credit partners charge more for credit, reduce participation and in some cases remove themselves from facilities altogether. The cost of funding has completely changed as banks look to charge market rates for credit rather than making their profit through other products.

One banker notes: "Credit facilities had ridiculous spreads 12 months ago. Now it is getting to a more normal pricing. This is better for the bank because in the past there were trading issues, as traders were forced or pushed or incentivized to take risk to make money elsewhere because the

Masquelier: Bank relationship management has completely changed

corporate lending business was not making money. Now there is one less incentive to take on that kind of risk."

Clearly, banks are repricing credit to charge a market rate for it, rather than seeking to recoup credit cost with ancillary business, as another banker explains: "Banks want to get a market price for credit. It is at a premium, and they want to make sure that they are pricing in both their own liquidity costs and the credit risk of the company."

This tight and expensive credit environment has led to a sea change in the way corporates manage their bank relationships. François Masquelier, honorary chairperson of the European Association of Corporate Treasurers, explains: "Bank relationship management has completely changed. Companies are forced to revisit their relationship management policies, their approach and sometimes even their core group of banks. Some banks are completely changing, some are restructuring, some are now state-run, and some are disappearing altogether." As such, those corporates that have the critical mass and market solidity are strengthening their criteria for bank partners. Previous criteria for analyzing a bank's solidity and name are no longer enough. It used to be that name was sufficient solidity, but now there is more focus both on rating and on other analyses.

"Corporates are reviewing their global relationship banks and allocation of banking business," says Deutsche Bank's Mueller. As this review goes on, those banks that took advantage of government support programs create some fears for corporates concerned about the long-term strength and focus of their banking partners. "For those banks with government support," he notes, "corporates are worried they will focus on local business or that they may be forced by governments to focus their involvement solely in their home country."

Bank Perspective

However, it is not just corporates that are re-examining their bank-corporate relationships, says Mike Cummins, head of large corporate sales for J.P. Morgan. "Banks are now looking at their corporate relationships firm-wide to ensure they meet return requirements for the organization. It is a more rigorous process than we've seen in the past."

"They are more closely scrutinizing who their banking partners are globally," Cummins adds. "Clients want to understand their banking partners, how they use them, and what the cost is for each service utilized."

Mueller says that Deutsche Bank, for one, is not deleveraging its corporate lending portfolio but using this as an opportunity to intensify relationships with clients. "The key is providing clients with intelligent global financing and transaction banking solutions that are not generally available in the market," he says.

As bank-corporate relationship analysis changes, so do the ways that banks and corporates communicate. "We are seeing a lot more communication and transparency between banks and their corporate clients." says Cummins. "Dialogue is a lot more open, occurs more frequently and is particularly candid."

In some cases the number of bank relationships that companies maintain has also increased, as banks look to reduce lending participation. Says one treasurer, "Mainly for refinancing reasons, companies have had to increase the number of banks in the syndicate because they are facing liquidity issues so have to increase banks to reach the same amount of credit."

This treasurer adds: "It is a paradox. Where we should keep reducing the number of bank relationships, some corporates are forced to increase the number of banks they deal with for credit reasons. But when it comes to ancillary business, when you slice a cake in smaller portions, the banks will be even less satisfied. Banks are always claiming that the ancillary business they receive is not sufficient to compensate [for] pricing."

"In the past, there was almost unlimited liquidity available in the banking sector globally, together with high levels of confidence and risk appetite"

"People danced as long as the music played" — *Eric Mueller, head of country sales, Western Europe, for Deutsche Bank Global Transaction Banking*

One problem, however, is that not all banks price equally on ancillary products. This is where having good data can be invaluable. By extracting information on, for example, FX transactions and the pricing of various banks, a corporate treasurer can then collate the pricing data of one particular bank versus its competitors and use that information to negotiate with that bank.

Treasury workstations, third-party systems such as trading portals and the banks' systems themselves all provide a wealth of information that can be gathered and used in negotiations with banks. "We take any data we can out of our systems and use that to explain our share-of-wallet decisions with our banks," says one corporate treasurer. "If they are complaining that they did not get the 10% target we set, we can show them why. That is a great help in discussions."

As banks increase credit costs and demand more ancillary business for that credit, it is essential for corporates to be more sophisticated in their bank business management. Otherwise, the company will suffer with higher credit costs and constant demands for more business from its credit providers. Through proactive management, companies can not only absorb some of that increased cost of credit through lower ancillary business fees but also have happier banking partners, solidified lending relationships and hopefully lower lending fees once markets return to normal.

Says one treasurer: "There is no going back. The relationships are stronger than ever, more candid than ever, and both sides are being very upfront with issues or initiatives going on within their organization. This will continue, and whatever happens, these relationships are changed permanently." ■

Paperless Payments **Take Off**

Paperless invoicing is gaining popularity as efforts to create standardized processes gather momentum. By Anita Hawser

Electronic invoicing (e-invoicing) may have gone through peaks and troughs over the past decade or so when it comes to adoption, but Bruno Koch, founder of Billentis, an international e-billing and invoicing specialist based in Switzerland, is optimistic about the technology's future. As a pioneer in this space, having introduced e-invoicing in Switzerland a decade or so ago, it is perhaps in Koch's interests to evangelize a technology that has yet to realize its full potential in terms of completely eliminating the millions of paper invoices companies exchange every year. From a purely financial standpoint, however, e-invoicing is a no-brainer. Official estimates suggest that within Europe alone, e-invoicing in the business-to-business (B2B) space could result in annualized cost savings of more than €200 billion. So why aren't more companies sending and receiving invoices electronically?

Back in 2001, research firm TowerGroup suggested that less than 1% of the 15.3 billion invoices issued annually in the US and the 12.2 billion invoices issued in the EU were generated electronically. At the time analysts remarked that the e-invoicing market was taking off relatively slowly because of the complexity of implementing change in the business-to-business transaction environment.

In a 2009 report on e-invoicing and e-billing in Europe, Koch paints a far more optimistic picture. In 2008 approximately one million European businesses and 23 million consumers exchanged one billion e-invoices. This year, Koch predicts that every day 1,200 businesses and 11,000 consumers will become new e-invoicing users. According to Koch, current e-invoicing volumes in Europe are 1.5 billion and they are increasing at a gross annual rate of 30% to 40%. "The economic crisis has accelerated that trend," Koch points out. He estimates that e-invoices make up 6% of total invoices in Europe, which is not bad given that most EU member states only implemented the legal framework for e-invoicing in 2004. "E-invoicing has steadily increased since then," says a bullish Koch.

Adoption of e-invoicing is not uniform across the EU. Estimates suggest that penetration rates vary from 3% to more than 12%. The Nordic countries have the highest penetration rates with the top performers in B2B e-invoicing receiving 65% to 85% of all their invoices as e-invoices, says Juha Häkämies, a vice president at Basware, a global e-invoicing operator. "In the Nordic market for the past five years or so we have had significant growth in e-invoicing," says Häkämies. "This year many companies started saying that they won't accept any other form of invoice other than electronic."

Pundits believe that a number of factors are coalescing to promote more widespread adoption of e-invoicing. One of the key drivers will be public sector support, says Koch, who expects another three or four European governments to make e-invoicing mandatory this year. He is also adamant that companies need to change their roll-out model if they want more of their counterparts to adopt e-invoicing. Instead of trying to convince counterparts to support e-invoicing, which can take a long time, a much better approach, says Koch, is to bring all partners on board by default, but allow companies to opt out if they don't wish to exchange an invoice electronically. According to Koch, the opt out model results in customer adoption levels of up to 90%.

Hansjörg Nymphius, chairman of the Euro Banking Association (EBA) and director of market infrastructures at Deutsche

Bank Global Transaction Banking, says implementing e-invoicing is far more demanding in the B2B space than on the business-to-consumer side. Unlike B2C where the e-invoice is often linked to the payment, in B2B transactions the payment comes out of a separate ERP system. "The focus on the invoice makes sense," says Nymphius, "but the real benefits in the B2B space are when you optimize the whole order-to-pay processing stream."

Häkämies says adoption of e-invoicing has also been slower in Italy, Germany and Spain where local legislation requires e-invoices to be digitally signed. In Nordic countries and the UK digital signatures are not required. Koch says the debate now at the EU level is whether e-invoices should be treated equally with a paper invoice; in other words if paper invoices don't carry signatures, why should e-invoices?

As part of its ambitious Lisbon Agenda, the European Commission (EC) formed an Expert Group on e-invoicing, which aims to encourage the development of EU-wide interoperable electronic invoicing and transmission solutions, independent of any single infrastructure or technology. Koch estimates that there are approximately 350 e-invoicing service providers and an additional 150 software companies providing solutions. While consolidation seems inevitable, he says most providers still believe they could be the Microsoft of the future when it comes to setting the standard for e-invoicing globally. So far, none has accumulated the critical mass to dominate the space.

Häkämies says that e-invoicing service providers need to process approximately five million e-invoices annually to make the business feasible, but smaller players have nowhere near these volumes so they are likely to exit or consolidate the business. The key to gaining critical mass, says Häkämies, is forging interoperability with other e-invoicing networks. Basware has approximately 50 interoperability agreements globally with other networks, which contributes 30% of the 10 million true e-invoices it processes annually (2009).

Koch hopes to use an e-invoicing operators' forum in September to encourage support for cross-industry e-invoicing standards and interconnectivity as customers are demanding a single point of contact. However, getting vendors to coalesce around a single e-invoicing format will not be easy. "Within the EU, there are multiple e-invoicing formats depending on whether you are sending an invoice from an SAP ERP system or Oracle," explains Häkämies.

Companies need to change their roll-out model if they want more of their counterparts to adopt e-invoicing

"A much better approach is to bring all partners on board by default, but allow companies to opt out" — *Bruno Koch, founder of Billentis*

In practice, suppliers send their invoice data to e-invoicing providers such as OB10 in their standard data format. OB10 then enriches, verifies and translates it to the data format of their customer or buyer. So, although many different formats exist, e-invoicing networks like OB10 act as a translation engine, mapping invoices to the different formats supported by customers. However, few e-invoicing operators provide any-to-any format conversion.

The EC Working Group on e-invoicing is promoting a pan-European e-invoicing standard based on a so-called cross-industry invoice created by the United Nations' Centre for Trade Facilitation and Electronic Business (UN CEFACT). Koch says the UN CEFACT e-invoicing standard covers more than 90% of all invoices and is open enough for any industry to use. While a global e-invoicing standard is ideal, Nymphius of the EBA says there is unlikely to be one universal standard in the near future as some industries like the automotive industry, for example, have pre-existing standards that they are unlikely to abandon overnight. "What is needed is a standard that allows for conversion without having to change the information in a given field and can still support the e-invoicing requirements of a particular industry segment," he says.

Häkämies says it will be some years before the EC Working Group's recommendations are fully implemented in practice. In the meantime he says e-invoicing operators and invoicing software providers need to work together to establish interoperability alliances for the benefit of buyers and suppliers. However, one major stumbling block to pan-European e-invoicing remains: the need to harmonize legal and tax legislation across the EU. "That is the most time consuming," says Koch, adding that it could take at least three years to change. And while standardizing EU e-invoicing regulations will improve clarity and reduce concerns over tax compliance, an OB10 spokesperson asks, "Will countries such as Germany and Italy really allow less stringent rules than they have today? Will countries such as the UK have to follow the more stringent rules of these countries?" There is clearly debate to be had between the member states before a decision can be made. ■

Häkämies: Many Nordic companies are saying they will only accept electronic invoices

A **Whole New** Ball Game

Businesses need to develop a new range of tools if they want to achieve truly holistic risk management. By Denise Bedell

The world of risk management has changed drastically as a result of the economic and credit crises. Banks and businesses are changing the way they look at what risks they evaluate, and many companies are reviewing all risk-related policies—including bank selection, asset management policies and hedging policies—to ensure they are well-prepared for future risk events.

Counterparty risk has changed dramatically, as have both credit and liquidity risk. One of the biggest risks faced by companies and banks alike right now is counterparty risk. At the height of the crisis the big question was, who would survive and who would be lost in the fray, and many companies and banks were unsure from day to day who would be next to file for Chapter 11 bankruptcy protection.

"Counterparty risk is critical for corporates right now," says Mike Cummins, head of large corporate sales for J.P. Morgan. "They want to understand the risk associated with their banking partners, the investments they are making and how those investments will affect the viability and financial standing of their bank in the future." Some companies have also increased their total number of banking partners to act as a buffer should anything happen to one of them, which is still a real risk in some markets.

Credit risk is also a big concern for both corporates and their banking partners. This is a threefold risk as corporates deal with the rising cost of credit, fears that their banking partners may reduce or eliminate participation in credit facilities, and risks over the long-term strength of their banking partners. They must pay attention to the terms and conditions of credit facilities and the costs when they mature.

At the same time, liquidity risk management has become a much more important part of the job of a treasurer. "We, as corporates, now realize it is important at any time to remain liquid," says one treasurer. "This is definitely a lesson we have learned over the past year."

"Banks have always been good at measuring, evaluating and managing credit risk. Then, about 25 years back, they started improving the way they manage market risk"

"And now we come to a third risk category of liquidity risk, which arguably has been neglected in the recent past" — *Anders Kvist, head of treasury, SEB*

Companies are now using more quantitative tools to better assess the sensitivity of their portfolios to credit risk and taking more sophisticated approaches to quantifying mark-to-market value. "We measure the credit risk of each fund and also the aggregation of exposures in our portfolio to ensure we don't face too much risk," adds the treasurer.

In addition, risk management hedging policies are changing as companies deal with massive market fluctuations and the impact that has had on their derivatives products. Says the treasurer: "Also we have to think about internal controls. We had policies and procedures in place, but we must review all of them now."

Using Available Technology

There is a greater corporate focus on enterprise risk management, and many corporates are now taking a much closer look at how their ERP systems, treasury workstations (TWS) and other systems can provide data and tools to help in creating a global, enterprise-wide risk picture. Particularly with the focus that Standard & Poor's has placed on enterprise risk management in corporate ratings, companies increasingly have a focus on operational risk and how to manage it on a global basis.

Enrico Camerinelli, senior analyst for Europe at consultant Celent, says that corporate dependence on Excel spreadsheets makes holistic risk management impossible. Holistic management requires new tools and better data integration. "Treasurers are seen much more as the channel that provides information on a day-to-day basis on cash positions, FX risks and so on," says Camerinelli. "They are under pressure to provide all of this information, but they don't have the means to because often their basic underlying systems are not sufficiently integrated to pull out that data."

The ERP may have the necessary data, but moving it from the ERP into a spreadsheet is unwieldy and inefficient. Sophisticated risk assessment tools may already be available to treasurers, as treasury management systems—such as SunGard, Wall Street Systems, FXpress and Misys—all come equipped with a risk management module.

But in order for these solutions to properly work they must be fully integrated with the ERP, TWS and IT management systems so needed data can be pulled out for analysis, otherwise, that analysis cannot happen. This is a big challenge for many corporates going forward: moving beyond Excel spreadsheets to more sophisticated risk tools and analyses.

As part of that holistic operational risk approach, treasurers must also have a more in-depth understanding of the processes that make up that risk, says Camerinelli. "The treasurer should become more aware of the business processes that pertain to the physical supply chain of the company—knowing the needs of the purchasing manager, sales manager, supply chain manager, logistics manager and so on—in order to understand the different inputs and business imperatives of the working capital chain. Treasurers must make this jump from looking at the trees to looking at the forest. A company is not just made of financial transactions, and that perspective is missing right now," he says.

Cummins: Corporates want to understand the risk associated with their banking partners

Next Stage in Bank Evolution

It's not just corporations that are changing how they measure risk. Banks are also changing the way they look at risk. Anders Kvist, head of treasury at Swedish banking giant SEB, says: "The whole concept of liquidity risk has a lot more focus than ever before, and banks are managing liquidity in several dimensions: the marketability of securities held, liquidity in funding the balance sheet of the group, and accessing short- and long-term funding from different funding sources."

This is critical not just from a practical financial institution perspective but also as an agenda-topper for regulators. The question that everyone is dealing with is how to curtail liquidity risk at systemically important banking institutions. This is not a simple question.

"The way I see it is that banks have always been good at measuring, evaluating and managing credit risk," Kvist says. "Then, about 25 years back, they started improving the way they manage market risk. And now we come to a third risk category of liquidity risk, which arguably has been neglected in the recent past." He says that one interpretation is that mismanagement of liquidity risk created the crisis and that now, as banks relearn how to manage liquidity, it is the next stage in the risk management development of financial institutions.

In order to better manage liquidity risk, banks are reducing their dependence on wholesale funding by deleveraging their balance sheets so overall funding requirements go down, and they are working to improve the balance between fixed assets and their deposit base. In addition, banks are more willing to extend the duration of their wholesale funding, even though that comes at a cost.

"This increasing cost would have a devastating effect on banks' net interest income if they didn't charge a higher cost of liquidity back to their borrowing customers," Kvist notes. As such, corporates are now paying not just for their own credit risk but also the transfer pricing for the cost of liquidity and liquidity risk that the banks face.

Liquidity is being managed more carefully, but corporate credit customers are feeling the impact of that. It is a changed world for both banks and their customers, as both sides of the market work to improve their own risk management and deal with the outcomes. ■

Who's Who in Treasury and Cash Management

Robert Allen
Group Treasurer
British American Tobacco
Robert Allen was appointed group treasurer effective June 2008. Based in London, Allen works with a team of 20 professionals across the BAT group on all aspects of global treasury management. His remit encompasses capital markets and debt, financial risk management, insurance, cash management, banking and treasury execution. Allen, who joined BAT in 1997, has filled an array of roles there, including global liquidity and reporting manager, European finance manager, head of finance–UK and Ireland operations, and strategy and planning director in Korea.

Tarek F. Anwar
Global Head, Transaction Sales
Standard Chartered Bank
Based in Singapore, Tarek Anwar looks after Standard Chartered's cash management, trade finance and securities services globally. He moved in May 2006 from San Francisco to Singapore to join the bank after a 25-year career in the United States, Asia, Europe, the Middle East and Africa and leading multi-geography teams. He brings extensive experience of all aspects of cash and treasury management, including re-engineering projects, treasury centralization programs and shared service center projects. He has also taken part in an advisory capacity on change management, complex implementations and project management.

Alexandre Barraine
International Treasury Management Director, EMEA
Japan Tobacco International
Alexandre Barraine recently joined Japan Tobacco International global headquarters in Geneva, Switzerland, as a director of international treasury management. Before taking his current position, he worked at Magna Automotive as the director of treasury for EMEA and Asia, with a specific focus on risk management. Prior to Magna, Barraine served at Delphi as the regional treasurer, covering EMEA, and concentrating on debt financing, capital structure and dividend repatriation, cash pooling, treasury software implementation and cash-flow forecast.

Donald E. Berk
Senior Vice President, Corporate & Institutional Services
Northern Trust
As director of product and process management for enterprise banking services at The Northern Trust Company in Chicago, Donald Berk is in charge of banking products and services for both corporate and institutional business and personal financial services banking. The latter includes strategic planning, marketing, product management and product development. He is also responsible for the operation of Northern Trust's federal savings bank, personal financial services business continuity and vendor management. Berk led the development of the bank's online services, overseeing the business unit's growth strategies around current and prospective clients.

Catherine P. Bessant
President, Global Product Solutions
Bank of America
Bank of America's global product solutions, a division of global banking services and wealth management, serves over 140,000 business and institutional clients worldwide. Catherine Bessant's group designs, delivers and services integrated credit and treasury products for business and corporate lending, global payments and liquidity management, commercial card services, trade finance, foreign exchange, lines of credit and equipment finance solutions. Bessant, who joined the company in 1982, was formerly global marketing executive for Bank of America.

Alan Bieler
Treasurer
Marsh & McLennan Companies
Alan Bieler is responsible for worldwide

treasury activities for Marsh & McLennan Companies and its subsidiaries, which provide global services in risk, strategy and human capital. After starting at MMC in 2001 as assistant treasurer, Bieler 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.

Ira M. Birns

Executive Vice President and Chief Financial Officer

World Fuel Services Corporation

Ira Birns oversees the functions of M&A planning and analysis, tax, treasury, controllership, internal audit and investor relations at World Fuel Services Corporation. The company, headquartered in Miami, Florida, is an $18 billion global provider of marine, aviation and land fuel products and related services at more than 6,000 locations, including airports, seaports and tanker truck loading terminals worldwide. Prior to World Fuel, Birns served as vice president and treasurer at Arrow Electronics, with global responsibility there for treasury, risk management and investor relations. He is also the current chairman of the board of the Association for Finance Professionals, which comprises a global network of more than 16,000 finance and treasury professionals.

Eric Campbell

Chief Technology Officer

Bottomline Technologies

Eric Campbell is a leading industry expert on the use of web-based cash management products and services. Since helping to introduce one of the first such solutions to the market in 1996, he has played a key part in driving the development of Bottomline's WebSeries platform, which it has leveraged around the world in support of multi-regional or global cash management strategies. As a longtime advocate of Swift's expanding role in corporate cash management and in the funds and securities industries, Campbell has been actively involved with helping Swift develop Swift Alliance Lite, which employs WebSeries as its principal technology.

Pamela A. Carson

Executive Vice President, Group Executive for Global Treasury Management and International

KeyCorp

Pamela Carson's groups at KeyCorp provide cash management and trade solutions and services to the bank's commercial, corporate and consumer clients. Global treasury management comprises sales, product and support professionals. Carson began her career at Key in 1992, forming and managing credit production management, channel management and Internet strategy for the commercial bank. Previously, she was chief administrative officer for Key corporate and investment banking. Before joining Key, she had held a variety of positions at Citi, ranging from operations to international to relationship management.

Andreas Chasapis

Deputy General Manager, Group Head, Corporate Transaction Banking

Eurobank EFG

Since October 2008 Andreas Chasapis has headed corporate transaction banking, which is a part of wholesale banking. Chasapis, who is based in Athens, oversees the end-to-end performance of cash management, trade services, electronic corporate sales and factoring businesses. He joined Eurobank in 1994, and in 2003 he was promoted to head of the large corporate division in Greece, a post he held until his most recent appointment.

Michael Connolly

Treasurer

Tiffany

Michael Connolly enjoys a wide range of responsibilities at Tiffany, where he has been treasurer since 1997. His primary activities cover treasury operations, liquidity management, financial and operational risk management, global tax matters, credit and accounts receivable and insurance. He is also a member of Tiffany's pension, enterprise risk management, business recovery and continuity, security and safety committees. In 2008 Connolly was elected vice chairman of the board of the Association for Financial Professionals.

Mark Constant

Treasurer; VP, Corporate Finance & Treasury

Franklin Resources

Mark Constant manages the corporate finance department of Franklin Resources, which includes corporate treasury, investor relations and M&A evaluation. Before moving to corporate finance in 2007, Constant was an analyst and portfolio manager with Franklin Global Advisors. Prior to joining Franklin Templeton Investments in 2006, Constant worked as a senior vice president and senior equity research analyst at Lehman Brothers, where he covered brokers and asset managers. During his seven years at Lehman he became a regular member of Institutional Investor magazine's All-America Research Team and ranked among the top sell-side analysts in his sector in the Greenwich Associates survey each year. He is also a member of the Wall Street Journal's All-Star Analysts Hall of Fame.

J. David Cruikshank

Managing Director; Head of Global Sales and Relationship Management, Treasury Services

The Bank of New York Mellon

David Cruikshank brings a wealth of knowledge and experience to his role in carrying out BNY Mellon's strategic growth initiatives for global payments, cash management and trade solutions. Having been active in the cash and treasury management industry for 20 years, he has held a number of global sales management positions. They have ranged from head of European marketing, sales and service to global head of solution delivery and head of client service and implementations for North and South America. He joined the Bank of New York in 2003, was subsequently appointed to his current position in October 2008 and serves as a member of the BNY Mellon operating committee. As a featured speaker, he delivers industry updates on topics ranging from USD clearing services to regulatory compliance.

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 took up in 2004, Dahlberg was client executive for client relationship management in Stockholm for SEB Merchant Banking.

Francesco Vanni d'Archirafi

CEO Global Transaction Services

Citi

As CEO of Citi's Global Transaction Services, Francesco Vanni d'Archirafi presides over a business that processes more than $3 trillion in payment flows daily. Operating in over 100 countries, GTS handles more than one billion transactions a year. In 2008 the business delivered revenues of $9.6 billion and net income of $3 billion, which represented 34% year-on-year growth. Previously, d'Archirafi was head of Citi's Treasury and Trade Solutions business for two years. He is known as a catalyst for innovation and change, and his commitment to client-focused solutions helped make Treasury and Trade Solutions one of Citi's star performers, achieving revenues of $6.4 billion in 2008.

Robert F. Deutsch

Managing Director; Head, Global Liquidity Business

J.P. Morgan Asset Management

An employee of J.P. Morgan since 1997, Robert Deutsch currently oversees sales, service and business personnel in the United States, Europe and Asia, with responsibilities for over $500 billion in client assets. In his previous role he was the national sales manager for J.P. Morgan's US mutual fund business. Deutsch is a member of the J.P. Morgan Funds management operating committee. Before joining the firm, he worked for Goldman Sachs Asset Management as a client adviser, after starting his career at Hewlett-Packard, where he marketed HP's commercial computing solutions to Fortune 500 companies.

Christopher Donus

Assistant Treasurer

Freescale Semiconductor

In July 2008 Christopher Donus joined Freescale Semiconductor in Austin, Texas, as assistant treasurer, where he is in charge of all aspects of corporate finance, financial risk management and cash management. Before joining Freescale, Donus was the assistant treasurer, corporate finance, at Hertz Global Holdings for three years. During that tenure he oversaw all financing activities, including both asset-backed facilities and traditional corporate loans. Before joining Hertz, Donus worked in the treasury department of Lucent Technologies.

Kenneth R. Dummitt

President, AvantGard

SunGard

Kenneth Dummitt's goal, at the helm of SunGard's AvantGard, is to deliver liquidity management solutions for corporations, insurance companies and the public sector. Dummitt has helped AvantGard evolve a comprehensive financial enterprise suite to manage a company's cash inflows, outflows, banking relationships and treasury. This holistic and collaborative approach is changing how companies view the discipline of liquidity and risk management. Today's firms have developed a primary focus on optimizing liquidity, mitigating risk and fostering connectivity. AvantGard helps companies drive free cash flow and reduce inefficiencies across the ecosystem of suppliers, buyers, banks and other trading partners.

Karen Fawcett

Group Head, Transaction Banking

Standard Chartered

The global performance of all transaction banking products at Standard Chartered, including trade finance, cash management, securities services, commercial banking and electronic banking channels, rests in Karen Fawcett's hands. She leads the group's efforts to drive rapid revenue growth across transaction banking products, for all client segments, to support wholesale banking's core bank strategy. Before undertaking her current mandate, Fawcett directed the development of global wholesale banking strategy, as the bank's head of strategy, outserve and marketing, at the wholesale bank. Fawcett joined the bank in 2001 from Booz Allen Hamilton, where she was vice president and partner, with a focus on the financial services sector in Asia-Pacific.

Kenneth Frier

Chief Investment Officer

Hewlett-Packard

Kenneth Frier's team at Hewlett-Packard is responsible for the investment of $30 billion in retirement plan assets in the US and at HP's foreign subsidiaries. Under Frier's leadership, HP was one of the first companies to fully immunize its US defined benefit plan, moving entirely out of public equities and into a fixed-income asset/overlay strategy near the stock market peak in 2007. In Frier's 25-year treasury career, primarily at HP, Disney and Oracle, he has raised over $15 billion of funding in the term debt market and more than $30 billion in share repurchase spending (including three large structured transactions) and supervised over $100 billion a year of derivatives transactions.

Michael Gallagher
Executive Vice President
HSBC Bank, USA
Michael Gallagher looks after payment and cash management in North America and has management responsibility for HSBC's global bank notes business. Gallagher, who has 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 HSBC he held a variety of senior positions at CoreStates Financial in Philadelphia, Tokyo and New York.

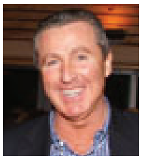
James G. Graham
Executive Vice President
PNC
James Graham, executive vice president and business executive of domestic and global treasury management, brings to this role his substantial experience at PNC and elsewhere. As business executive for national corporate and business banking and deputy head of corporate banking, he earned credit for having expanded PNC's array of products and financial services. Before joining PNC in 1992, Graham was managing director at Bank of America global payments services.

David J. Gutschenritter
Executive Vice President, Treasurer
State Street
As EVP and treasurer, David Gutschenritter reports to the CFO of State Street. He is the treasury department head, with responsibility for balance sheet, investment portfolio and interest rate risk management activities worldwide. Gutschenritter joined State Street in May 2004 as the director of capital planning and subsequently became the managing director of global liability and capital management, before being named as treasurer. Prior to State Street, he spent 22 years at FleetBoston Financial (now Bank of America) and one of its predecessor banks. His entire career has been in treasury, during which time he has held numerous positions.

Suzan F. Hamdy
General Manager and Head of Capital Markets Group
Banque Misr
At Banque Misr, where she is also a member of the executive committee, Suzan Hamdy works for the second-largest public sector bank in Egypt, with assets under management of more than EGP35 billion ($6.3 billion). Prior to her current post, she served as head of research and development at the Arab African International Bank (AAIB). Hamdy has amassed over 25 years of extensive banking experience, including work at AAIB banking divisions such as project finance, remedial management, investment banking and marketing. She is a member of the board of directors of Taba Tourism Development and a member of the Egyptian Capital Market Association.

E. Judd Holroyde
Senior Vice President, Global Product Management & Delivery, Wholesale Banking
Wells Fargo
Judd Holroyde oversees wholesale and consumer foreign exchange, global treasury management, global financial institutions, global payments services and trade. In 2000 Holroyde joined the newly formed wholesale Internet and treasury solutions team, spearheading the strategy and design of the customer experience for Wells Fargo's Commercial Electronic Office (CEO) business Internet portal. Within five years of its launch, 75% of the bank's wholesale customers became CEO portal users. In 2004 Holroyde established the first customer advisory board, in which a panel of wholesale banking customers gives feedback on firsthand experience with Wells Fargo products and services. This concept has grown to eight advisory boards, representing more than 95 customers worldwide.

Xavier Hourseau
Director, IS & Operations
Alcatel-Lucent
Xavier Hourseau, who is treasury information system and back-office director for Alcatel-Lucent, needed to connect disparate systems and worldwide offices, as well as a Swift partner. His commitment to innovation and ongoing development helped Alcatel-Lucent—which delivers voice, data and video communications to end-users in more than 130 countries—find a solution to manage its growth effectively. Under his supervision, the company implemented AvantGard Treasury and AvantGard Payments. As a result, Hourseau and his group have improved visibility to cash payments, reduced costs of payment processing and streamlined banking relationships. The system is now widely deployed throughout the world at 200 business units with more than 700 users.



Marcus Hughes
Director of Global Marketing
Bottomline Technologies
Bringing more than 20 years' experience in the software and banking industries, Marcus Hughes helps corporate treasury and financial services institutions devise and implement strategic initiatives for cash management, trade finance and supply chain automation. He has held senior positions with a variety of European banks, including Banco Santander. Today, he plays a significant role in shaping the development of Bottomline's product roadmap, expanding the company's brand and continuing its focus on customer-facing programs in North America, Europe and Asia-Pacific. Hughes has authored articles in industry trade publications on topics such as the migration to electronic payments and emerging regulatory guidelines affecting international payments.

Bart Ivens
Global Head, Sales Payments & Cash Management
ING
Bart Ivens launched his career in 1985 with Bank Brussels Lambert, which is now part of ING. His post at that time was head of global clients and area manager for the Nordic countries. He followed that role with an assignment as head of sales in financial markets. Ivens is currently global head of sales

for payments and cash management within ING wholesale banking.

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. GTS continues to invest in its technology, accommodating the latest regulatory requirements for the Single Euro Payments Area, including direct debits and the payment services directive. Under Jetley's leadership, the bank has increased its share of the institutional cash management market by securing significant payments clearing and private-labeling mandates. He has also overseen the expansion of the trust and securities services business into new markets, becoming one of the largest providers of trustee and paying agent services in the US and global capital markets.

Eric D. Kamback
Executive Vice President; Chief Executive Officer, Treasury Services
The Bank of New York Mellon
Following his appointment as chief executive officer of the treasury services group last fall, Eric Kamback sharpened the focus on strategic growth at The Bank of New York Mellon. He has put in motion a series of initiatives aimed at market segments and global geographies with attractive growth potential. The key drivers for this process are increased globalization and convergence of cash management and treasury needs at the C-suite level of financial management. As hallmarks of steps taken under his leadership, solutions and products and services have been integrated across the broad reach of BNY Mellon's capabilities. Serving an enterprise with locations in 34 countries and a network of more than 2000 correspondent financial institutions, Kamback's strategy enables clients to optimize cash flow, manage liquidity and make payments more efficiently around the world.

Chris Leone
Group Vice President, Fusion and GRC Applications Development
Oracle
Chris Leone leads the strategic direction at Oracle for developing the Fusion applications suite, including the ERP and CRM functional domains that treasurers use worldwide. In this role, Leone is responsible for driving the business requirements, functional investment priorities and broader business strategies, as well as for the strategy and development process of the emerging GRC applications suite. Prior to his role at Oracle, he developed enterprise software applications at PeopleSoft, where he headed product management activities of the company's Financial Management and Enterprise Performance Management product lines.

Andrew Long
Group General Manager and Head of Global Transaction Banking
HSBC
Andrew Long was appointed group general manager in May 2008, having headed global transaction banking since January 2007. GTB products include payments and cash management, trade finance and supply chain 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
Chief Executive Officer
J.P. Morgan Treasury Services
Despite unprecedented financial market volatility and one of the most challenging business climates in history, treasury services at J.P. Morgan achieved double-digit revenue growth in 2008. On a firm-wide basis, the group generated revenues of $6.5 billion during that period, up 15% over the prior year. Melissa Moore, who is responsible for the business globally, oversees all aspects of product and service direction and delivery. As the world's largest cash management bank and number-one US dollar clearer, J.P. Morgan averages $3.7 trillion in transfers daily. Even at the start of the economic downturn, during the tumultuous months of September and October 2008, under Moore's steady guide treasury services broke its own records by clearing values up to $5.05 trillion in a single day. Her leadership proved instrumental in maintaining access to expertise, resources and infrastructure—often on short notice during the crisis.

Erin O'Brien
Group Manager, Payables and Receivables
Randstad
Before Randstad implemented receivables technology, the Sydney, Australia-based global staffing company (formerly Vedior) was utilizing a number of tedious and time-consuming manual processes in their credit and collections department. Erin O'Brien realized the importance of locating a single, automated solution that could help streamline the firm's order-to-cash processes and would offer a consolidated view and centralized means of accessing essential customer data. O'Brien's decision to bring in a receivables automation solution has provided the company with the necessary tools to better manage its data and to establish best practices in the receivables environment.

Kevin Odiorne
Assistant Treasurer and Vice President, Finance
Simmons Bedding Company
Kevin Odiorne oversees all treasury responsibilities for the world's second-largest

bedding manufacturer. He joined Simmons in 2001 to head up the company's external and internal financial reporting and has subsequently played a key role in all of Simmons' equity and debt financings, including the 2003 sale of Simmons from Fenway Partners to Thomas H. Lee Partners for $1.1 billion. Odiorne was also a member of the US team at the 1999 World Half-Marathon Championships and a 2000 Olympic Trials qualifier in the marathon.

Russell L. Paquette
Treasurer
REI Recreational Equipment
Russell Paquette is treasurer of REI, a $1.4 billion national retail cooperative that provides quality outdoor gear and clothing. He 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. As of year-end 2008, Paquette was responsible for up to 17% of REI's total asset base. In both 2007 and 2008 he was recognized by the national AFP, which honors professionals who have reached the top of their fields of treasury and corporate finance.

Daniel Peltz
Executive Vice President, Group Head, Treasury Management
Wells Fargo
Daniel Peltz directs GTS management services for Wells Fargo's corporate and commercial clients, overseeing a team of 1,500 product, sales, delivery and marketing professionals. After Wells Fargo's recent merger with Wachovia, the combined treasury management organization, which Peltz now supervises, became the second-largest treasury management organization by market share. As a 19-year Wells Fargo veteran, Peltz was involved in developing the Commercial Electronic Office portal, the bank's patented Check 21 solution, and the CEO Mobile Service, with which Wells Fargo became the first major US bank to offer corporate mobile banking.

Gary Silha
Assistant Treasurer
Tenneco
Gary Silha is directly responsible for worldwide treasury operations at Tenneco, a $6.2 billion auto parts supplier. Prior to joining Tenneco in 2000, Silha served as director of worldwide treasury operations at American Can Company and manager of cash and banking at Ingersoll Milling Machine Company. He has a total of 25 years of treasury operations experience and has held numerous board positions during his 22-year involvement with the Treasury Management Association of Chicago, including president and co-chair of the Windy City Summit.

Paul Simpson
Global Head of Treasury and Trade Solutions, GTS
Citi
Paul Simpson was recently appointed to run Treasury and Trade Solutions, the largest division of Citi's GTS business, which offers an integrated set of cash management and trade solutions to corporate, financial institution and public sector clients worldwide. Prior to his latest appointment, Simpson led multiple global businesses with GTS, including wholesale card services, public sector business solutions and healthcare solutions. Under Simpson, the commercial cards business has grown by 20% in revenues since 2008. Citi's prepaid business has expanded globally from North America, and the bank has implemented the world's single largest public sector commercial card program.

Loren Starr
Senior Managing Director, Chief Financial Officer
Invesco
Loren Starr has served as senior managing director and chief financial officer of Invesco since October 2005. Previously he held the post of senior vice president and chief financial officer at Janus Capital Group, after working in senior corporate finance roles at Putnam Investments, Lehman Brothers and Morgan Stanley. Starr serves as director and is past chairman of the Association for Financial Professionals

Werner Steinmueller
Head of Global Transaction Banking
Deutsche Bank
Under Werner Steinmueller's leadership, Deutsche Bank has provided a stable, safe haven for its clients' assets and payment processing activities. The bank remains the premier euro clearer worldwide, with more than double the volumes of its nearest competitor (Target2), and stands out as a global clearing provider, with top positions in three major currencies: euro, dollar and pound. Taking the lead on the Single Euro Payments Area and other industry initiatives, Steinmueller oversees strategic geographic and network expansion across developing markets in Asia, Europe and Latin America.
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Dennis Sweeney
Deputy Treasurer
General Electric
Dennis Sweeney has been with GE, where he is currently in charge of global cash management, since 1992. He and his team operate from their base in Stamford, Connecticut, and through regional treasury centers in Dublin, Delhi, Shanghai, Tokyo, Mexico City and São Paulo. Earlier this decade GE and its software vendor co-developed the first web-enabled treasury workstation. Sweeney later pioneered corporate access to the Swift network and has led GE to be the largest corporate user of Swift services. He is also the driving force behind the Twist BSB standard for electronically invoicing international bank service fees. Sweeney is now looking to integrate GE's direct-to-bank solution for automating queries into the Swift enquiries and investigations message set. ■

CIB LEADS STRONG EGYPTIAN MARKET

While most countries continue to feel the effects of the global economic crisis, Egypt remains slightly affected by the downturn. Egypt's CIB bank is taking advantage of this fact and is determined to continue its strong domestic growth.

At a time when most banking markets around the world are simply trying to hold on until the crisis is over, Egyptian banks continue to grow. Egypt's growth potential is clearly on the radar of global firms, and Egyptian bank CIB is poised to reap the benefits.

CIB is the largest financial institution in Egypt by market capitalization—with a total market capitalization of more than EGP14.5 billion ($2.6 billion)—and saw net profits after taxes of EGP910 million in the first half of 2009. The bank enjoyed return on average equity of 30% for the first half this year, and return on average assets of 3.02%. The bank's net interest margin rose to 3.98%—up from 3.77% for the first half of 2008—in the face of falling interest rates.

Egypt has weathered the global economic storm exceptionally well, with plentiful liquidity and little or no exposure to the poisonous assets still clogging up the global financial markets. The regulatory environment for financial institutions in Egypt has traditionally been quite conservative—a characteristic that has well served the banking community throughout this crisis. Although no market is completely immune to the global economic malaise, the effects felt in Egypt have been reasonable, at times where developed markets reached rock bottom.

Banks in Egypt find themselves in an enviable position of operating within a growing economy with a developing customer-base. The Egyptian banking market is bolstered by solid domestic demand, underpenetrated markets and an underleveraged corporate sector. With 76 million citizens and a growing middle class, there is increasing need for personal finance and savings products. At the same time, Egyptian regulators have worked hard to make Egypt an attractive market for investment. Corporate taxes have been slashed, free trade agreements have been signed with major economies such as the EU, and the government has undertaken a comprehensive privatization programme. The World Bank has ranked Egypt among the top 10 global reformers in three of the past four years, and Egypt is now a major destination for offshoring and outsourcing.

Recognizing the growth potential and solid fundamentals of the Egyptian market—and of CIB within the Egyptian market—private equity firm Actis recently invested $244 million in CIB to acquire 50% of the stake held by the Ripplewood consortium, making Actis the largest single investor in CIB. CIB's growth is driven by strong, proactive risk management and a disciplined business model. Conservative lending practices and a concentration on deposit-gathering continue to help strengthen the liquidity position of CIB. Since the beginning of the first quarter in 2008, the bank has been proactively reducing its foreign currency exposure with customers it considers potentially vulnerable to exchange rate risk. Foreign currency loans have declined by 4.1% since December 31, 2008.

CIB's growth is driven by strong, proactive risk management and a disciplined business model

CIB has consistently grown its corporate and consumer market share for the past five years and continues to focus on both domestic growth and increasing its regional footprint. The bank is taking a relationship-driven approach to create cross-selling opportunities and to continue its solid growth trend.

As such, CIB presents a unique chance for global firms looking to invest in the Egyptian market. At a time when few markets are palatable, let alone appealing, CIB provides the chance to invest in a strong, growing institution in the solid Egyptian market, which continues to be slightly affected by global woes.

MANAGING ASIAN PAYMENTS

While making EUR and USD payments to Asian beneficiaries can present unique challenges, a new approach from Deutsche Bank aims to mitigate many of the difficulties faced by financial institutions, says Catherine Syn, Head of Cash Management FI Strategy Asia-Pacific at Deutsche Bank

For banks and other financial institutions based in Europe and the US, making payments to beneficiaries based in Asia can present a range of challenges, many of which have been exacerbated by the financial turbulence of the past 18 months. Aside from difficulties that can impact the timely transmission of funds—discrepancies in payment or beneficiary information, for example—the financial crisis of 2008 and subsequent economic downturn have highlighted the importance of maintaining adequate liquidity resources to banks that offer significant payment services.

Of course, any regional player making payments to beneficiaries outside of its home markets may encounter difficulties as a result of language, time-zones or a lack of in-country reach. However, the sheer range of different markets in Asia—especially in terms of their relative development and geographical scope—makes local expertise crucial to efficiently handling payments destined to the region. And a lack of on-the-ground coverage can also severely impair any efforts to investigate complaints from beneficiaries regarding erroneous or missing payments.

Unlike the EU and the US, from a transaction banking perspective, Asia remains an extremely fragmented region. Indeed, with many individual markets at different stages of development and a fast changing regulatory landscape, Asia presents a unique and heterogeneous set of challenges for payments and cash management professionals. As a result, many institutions may find that they can derive significant efficiency gains by addressing some aspects of their payments processing for Asian-based beneficiaries.

Deutsche Bank's Asia Gateway Initiative leverages a combination of different tools to manage EUR and USD payment flows to Asian beneficiaries

Aside from these issues of fragmentation between markets, the tightening in the credit markets seen in 2008 highlighted the importance of maintaining efficient intra-day liquidity management, especially when offering payment services to clients. And while no bank or financial institution would have fully escaped the effects of the financial crisis, Deutsche Bank's sound financial standing allowed it to maintain ample liquidity to service its clients' business needs as well as its own.

THE ASIA GATEWAY INITIATIVE

Deutsche Bank's Asia Gateway Initiative leverages a combination of different tools to manage EUR and USD payment flows to Asian beneficiaries. Aside from offering the benefits of our extensive geographic reach—which ensures on-the-ground coverage in key markets and a 24 hour follow-the-sun operating model which synchronizes with the Asian business day—the Gateway also delivers several value-added services.

With time-sensitive payment execution becoming an increasingly popular tool for efficiently managing liquidity, Deutsche Bank has developed a proprietary delivery service known as Very Early Processing (VEP). VEP begins the processing of transactions in the evening (Eastern Time) before value date, allowing MT103 payment advices to be released to overseas beneficiary banks in Asia whenever required during their business day regardless of any time-zone differences. Payments can also be made using a range of channels including CHIPS and Fedwire.

Catherine Syn, Head of Cash Management FI Strategy Asia-Pacific at Deutsche Bank

Working in conjunction with VEP, the Direct Customer Transfer (DCT) service eliminates cover payments, allowing clients to save on messaging and reconciliation costs. Upon receipt of a client instruction, Deutsche Bank immediately dispatches payment advice to the beneficiary bank. Thanks to our extensive USD and EUR account relationships, most payments can be credited to the beneficiary bank's account on our books. And due to our comprehensive correspondent banking network and database of SWIFT keys, payment orders can be sent directly to any beneficiary bank around the world.

A perfect compliment to both VEP and DCT is Future Advising, especially for clients that require the beneficiary bank to be pre-advised. With this service, Deutsche Bank will advise the payment's beneficiary up to two business days prior to value date and payments can then be made according to the client's release schedule.

A LEADING PROVIDER

Deutsche Bank's leading position in EUR and USD clearing has been affirmed by strong payments traffic over recent years. 2008 saw Asian EUR and USD volumes increase by 44% and 51% respectively, with EUR market share currently standing at around 34%. Total year-on-year EUR growth also grew by 25.4%, easily outstripping overall market growth of 15.4% in 2008. Deutsche Bank also currently has the best CHIPS straight-through-processing (STP) rates in the industry.

Despite market conditions, Deutsche Bank remains committed to developing its technology and continuing product innovation to ensure that clients can make the best of the challenging economic environment. Indeed, 2008 saw the launch of a range of initiatives that will contribute to our integrated package of solutions for clients in Asia, and those wishing to access Asian markets.

Examples of these include FX4Cash—which allows clients to effect payments in over 120 currencies through a single account, thus creating efficiencies in terms of reconciliation, liquidity management and account maintenance—and Global Cash Concentration (GCC), which provides for comprehensive intra-day investment and sweeping options to maximize clients' interest revenue.

A key product currently under development is MT 202 COV, a new industry SWIFT payment format expected to be rolled out in Q4 2009. While often considered a solely US initiative, Deutsche Bank is approaching the new format from a wider perspective and has established a global project team to ensure full coverage on a world-wide basis. While the message format currently used for cover payments, the MT 202, omits some of the information carried in the underlying MT 103, the new MT 202 COV format will provide for replication of all information contained in key fields on the MT 103.

Considering the industry impact of the MT 202 COV, we have observed a shift in the behaviour of many banks in favour of making serial payments, whereby one financial institution transmits the entire instruction—i.e. the MT 103—to the next institution in the payment chain and each member of the chain receives the same level of detail about the transaction.

Deutsche Bank is certainly sensitive to the drivers leading institutions to make such choices and is seeking to work with clients to fully understand the implications of the MT 202 COV and develop solutions to accommodate the new payment funding. However, we firmly believe that there are benefits to the traditional cover and pay settlement model for the underlying parties in a commercial transaction. And through using a partnership approach and leveraging services such as DCT and VEP, Deutsche Bank aims to support its financial institution clients' efforts to minimize investment outlay while maintaining the ability to offer market-leading payment services to their corporate and retail client base.

FAIR TRADE: WHY SUPPLY CHAIN FINANCE PAYS OFF

With cash flow now a higher priority than ever for most corporates, the world's leading banks are finding innovative ways to free up working capital for their clients. A resulting trend has been the increased convergence of cash and trade banking solutions: supply chain finance (SCF) programmes that integrate seamlessly with transaction processes—and support buyers and suppliers alike.

According to Ron Kalifa, Head of Global Products for Global Transaction Services at The Royal Bank of Scotland (RBS), the integration of cash management and trade facilities is a logical step forward for banks and their corporate customers—a progression that makes strategic and business sense.

Kalifa says: "Trade facilities, by their very nature, involve payments and give rise to cash flow and foreign exchange transactions along a company's supply chain. For corporate organizations that are supplied largely by small and medium enterprises, SCF programmes can ensure that all their suppliers are dealing with the same bank—reducing costs and helping treasuries, and ultimately suppliers too, gain visibility and control over their working capital."

SCF programmes are a rapidly growing business for RBS, which currently manages more than £3 billion in facilities of this kind across all major industry sectors. Governments and multilateral institutions, including the World Bank and the Bank of England, approve—and are backing the use of supply chain finance to help jump-start stalled global trade flows. And recently the G20 made a $250-billion commitment to support trade finance around the world.

Kalifa explains: "As demand grows for the closer integration of cash and trade solutions, we are increasingly able to link purchase invoice and payment technology platforms for straight-through processing. The ultimate goal is to deliver a seamless user interface that covers cash, trade and cards too—a truly comprehensive working capital solution."

BEST OF BOTH WORLDS: HOW SUPPLY CHAIN FINANCE WORKS

SCF programmes effectively see both sides of a fundamental commercial issue—addressing not only the goal of the buyer to pay as late as possible but also the supplier's need to receive payment as early as possible.

By signing up to a SCF facility with a bank such as RBS, buyers can negotiate extended payment terms, while suppliers get the option to receive early payment from the bank at a discounted rate. The buyer increases its days payable outstanding (DPO) with participating suppliers and, in doing so, improves its working capital position. Even better news is that suppliers can do the same, reducing their days sales outstanding (DSO) by selling their invoices to the bank.

All of which has a positive impact on the supply chain as a whole, limiting any disruption of the manufacturing line and giving the buyer the chance to support key suppliers with much-needed liquidity. Suppliers, meanwhile, get access to a reliable source of competitively priced, off-balance sheet, on-demand funding—based on their buyer's credit rating.

Another important benefit of SCF programmes is improved visibility and control of cash flow provided by electronic banking platforms. Typically, suppliers can log on to an online view of their trading account with the buyer—including invoices, debit notes, remittance advices and payment dates. This data can then be seamlessly integrated with other banking systems to enable companies to automatically manage their liquidity structures and payments processes.

As Kalifa states: “RBS recently put in place a trade finance facility for key suppliers of a global beverage company. Based on the success of this facility in improving the suppliers’ financial positions, the buyer has asked us to deliver a SCF programme for more of its core suppliers across multiple countries. Similarly, we leveraged our cash mandate for a leading confectionery manufacturer to set up a Europe-wide supply chain facility for its core suppliers. Of course, any receivables financed by a supply chain facility must be free and clear of liens and eligible to be pledged, which can restrict a supplier’s eligibility to participate in a programme. We work with buyers and suppliers to address this potential risk early in the process.”

DELIVERY CHANNELS AND CHALLENGES

As more and more corporations look to link their cash management and trade facilities to offer end-to-end payables solutions, demand for SCF programmes is clearly growing. A greater proportion of key suppliers are opting to reap the benefits of existing facilities, and buyers are up-sizing their programmes to increase the flow of funds through their supply chains.

Larger facilities and standardized processes may be high on corporate wish lists, but many companies will be funded by more than one bank—and won’t have the capacity to invest in new infrastructure.

“The demand for cost-effective, multi-bank solutions in a constrained credit environment has seen an increase in the use of bank-owned platforms, such as RBS’s MaxTrad™ or Supplier Finance solutions, as well as non-bank third-party platforms,” says Kalifa. “At RBS, our strategy is to support our clients’ funding needs regardless of the technology solution they choose. This flexibility means that companies can integrate our cash management, trade and payment processing capabilities into their existing front- and back-office systems with minimal disruption to their processes or supply chain. We are comfortable utilizing a number of platforms, whether our own proprietary solutions, third-party or client-owned systems, and believe this gives us an unparalleled capability to meet our clients’ SCF needs.”

So, end-to-end trade and cash transaction processing has moved well beyond the concept stage. But, as yet, it is only a reality in isolated and largely bespoke examples—and remains an aspirational solution for all but a few companies.

Thanks to RBS, a major European telecommunications group has been able to take advantage of this type of integrated solution. “With no negative impact on supplier relationships, our customer achieved an increase in DPO from 45 to 90-100 days with its SCF facility”, explains Kalifa. “The automated solution we put in place to manage the facility will also lead to a reduction in the company’s operational costs.”

Ron Kalifa, Head of Global Products for Global Transaction Services at The Royal Bank of Scotland

RISK REDUCTION AND NEW OPPORTUNITIES

Clearly, SCF programmes ask banks to take on the commercial risk of the buyer—and in today’s financial climate, credit insurers are less likely to provide adequate cover. But according to Kalifa, this could spell a major opportunity for government-supported export credit agencies (ECAs). He says: “To help minimise counterparty risk, RBS is in discussions with a number of ECAs regarding increased activity in the trade finance arena.”

Another way to manage counterparty risk could be for trade and supply chain assets to be widely distributed in the financial markets. Again, as a leading trade finance organisation, RBS is actively involved in this growing possibility. “At the end of the day, we support any process that helps inject additional liquidity into our customers’ supply chains,” Kalifa adds. “In fact, SCF management as a whole could lead to a range of opportunities across the sectors. SCF management platforms such as RBS’s MaxTrad™ are increasingly able to accept and integrate information from external parties such as logistics providers, which can be used to either increase levels of financing or reduce prices, based on lower risk profile. Few other banks have invested capital in developing the interfaces that make this possible.”

Ultimately of course, client needs will shape the future of transaction banking products. Right now, protecting cash is the biggest priority for most corporate treasurers and CFOs. The increasing conversion of cash and trade solutions make SCF programmes a key component in improving an organization’s working capital cycle and ultimately in freeing up trapped corporate cash.