



# When the spreadsheet isn't enough

*When operations get complex, it could be time to consider a treasury management system (TMS). Key treasurers and service providers share their experiences of the implementation process, teething pains and the end benefits. Dan Bland reports*

**E**dward Mundt stepped into his role as director of treasury for Asurion in mid-2010. At the time the mobile phone insurance company was expanding from its core US market and moving eastwards with a business model that had proven successful in Japan and looked well suited for the rest of Asia.

But the company's treasury was less prepared for the travel. Set up during its US-centric days, the company was operating on a valuable but limited macro spreadsheet system that tracked accounts, currencies, and payments history.

"It was pretty ingenious," Mundt says of the system. "It just wasn't scalable at all and there was the risk that the whole spreadsheet could crash. Unfortunately, there wasn't true visibility, with manual uploading we only kept track of our largest banking partners and it just wasn't feasible

for our long term growth goals."

Banks and service providers tend to look down on spreadsheets, sniffing at their manual and repetitive qualities. But treasurers find them easy to use and highly customisable.

In fact, more than two-thirds of the 900-odd treasurers (69%) polled in *The Treasury Barometer* survey, conducted by SunGard and Bank of America Merrill Lynch (BAML), said they preferred to use spreadsheets for treasury management.

When it comes to activities such as account balance management, cash flow reporting, and liquidity management, a TMS does offer the advantage of providing live cash information. According to the same survey, 60% of treasurers see improving cash visibility as their primary goal over the next 12 months. With direct connectivity to core banks and Swift, and the potential to view all your bank accounts in one place, a TMS offers a way to achieve that.

"We now have worldwide cash reporting, which is a big deal when you didn't have it before," Mundt says.

#### START POINT: KNOW WHAT YOU NEED

It's hard to know where to start in the search for a system that suits your specific needs. Treasurers in Asia-Pacific typically use a hybrid form of manual entry into spreadsheets and in-house systems that integrate with banking solutions. More than three quarters rely on eBanking platforms for connectivity, according to the SunGard/BAML survey.

For example, Qoo10, an online shopping market and joint venture between eBay and the founder of Korean company Gmarket, uses spreadsheets along with a DBS-designed automated payroll system called Quick2ePay.

According to senior finance officer Antony Doo Hyun Kang, the system takes the company's Excel worksheet for payment instructions and converts them to a format that allows them to directly upload into their eBanking system, avoiding manual entry for payroll instructions.

Asurion's treasury also had several automated systems but the team would typically take BAI files, a commonly used file format for performing electronic cash management balance reporting, and upload them into the macro spreadsheet to get a consolidated view of its cash.

Before Mundt came on board, the

#### TOP TIPS: TMS IMPLEMENTATION

Ng Wai Ling, assistant general manager, group treasury and corporate office for International SOS, gives us the skinny on implementing a TMS using Swift connectivity.

The medical provider uses SunGard Integrity Treasury Management System for its group treasury activities. To streamline the process, International SOS also enabled Swift via a service bureau model.

Below are Ng's key points to take note of during implementation:

#### SWIFT DOCUMENTATION, WHAT IT TAKES

- Master documentation signed by all banks that treasurers want to send and receive Swift messages. This requires some legwork.
- In addition, a separate mandate is required for each legal entity.
- All these result in lots of paperwork and negotiation, as well as review between banks, treasury and their respective legal teams.

#### BANK ACCOUNT STRUCTURE FOR MT100 (TRANSFERS) AND MT940 (BANK STATEMENTS)

- In addition to different banks having a different account number structure for the MT100 and MT940, there are instances within the same bank where the bank account structure for MT101 & MT940 can differ. This resulted in having to map different fields in the TMS to cater for this. As our operations spread across the globe, a lot of time and testing was spent liaising between banks and TMS vendors to map these fields, according to the requirement of the banks.
- International SOS noted the business identifier code (BIC) for the Swift messages to the same bank can differ depending on the type of Swift messages. In configuring the TMS system, the vendor will need to ensure that the correct BIC code for the same bank is tagged to the various types of messages.

#### SWIFT STANDARD MESSAGES

- In Ng's experience, the so-called standard Swift message fields are not standardised across all banks. This is even more prevalent for local payments whereby different banks within the same country use different fields for locally required fields. This required a lot of liaising and configuration work within the TMS system.

#### TESTING PLATFORMS

- Not all banks have a testing platform. Make sure to ask your core banks on the availability of such platforms, otherwise treasurers will have to send live transfers.

#### AVAILABILITY OF SWIFT FOR CORPORATES

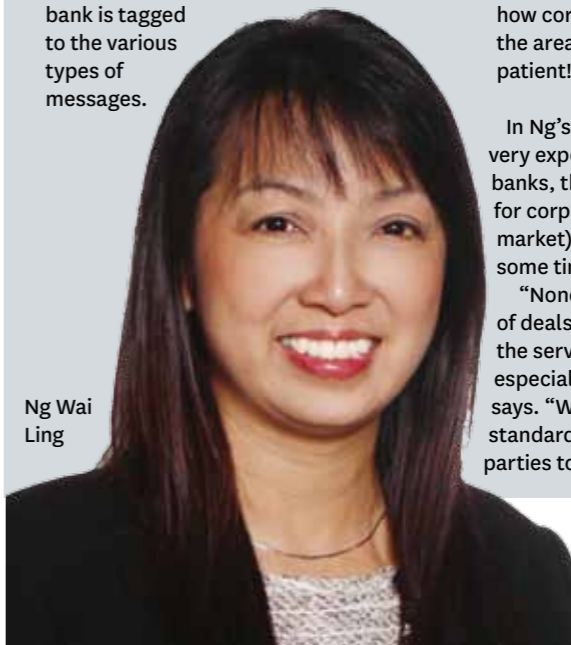
In the implementation process, International SOS noticed not all banks are able to support MT300/MT320 (FX/loans) for corporates. This hindered TMS streamlining, as it still had to transact in such processes manually with its banks that weren't ready.

#### SERVICE BUREAU SUPPORT

- Ng used an external service bureau (versus using SunGard's US-based offering) and noted the support of the service bureau for corporates is limited. "They are still understanding how corporates function, especially in the areas of approval," she says. So be patient!

In Ng's opinion, although the banks are very experienced with Swift between banks, the level of maturity of Swift for corporates (or at least in the Asia market) is still not as high. It will be some time before the market matures.

"Nonetheless, the seamless flow of deals from TMS through Swift (via the service bureau) to banks is ideal, especially for treasury centres," Ling says. "We look forward to further standardisation across the various parties to bridge the gap."



Ng Wai Ling

**HAGGLING OVER CONNECTION FEES**

Asurion's director of treasury Ed Mundt worked with TMS provider Kyriba and his core banks to set direct connections that gave him live data feeds on when his transactions were processed. For his smaller local bank relationships that relied on Swift MT940's for connectivity to the TMS system, Mundt had to negotiate individually for monthly subscription fees.



Edward Mundt says negotiation on fees is vital

Frustratingly, prices that local banks charged for using Swift's connectivity so that transmission instructions could be entered through Kyriba varied wildly.

"Some banks offered me prices of \$30 a month and some wanted to charge me \$500 per account, which when we were paying \$1,500 a month for maintenance for the whole system, was not workable," Mundt says.

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"There was definitely some negotiating [required]."

Kyriba worked with Asurion to provide comparable customer information so that Mundt was better armed for negotiations.

When it comes to these wildly differing pricings, Michael Fullmer, SunGard's senior vice president for corporate liquidity in

Asia-Pacific, says he reports the worst offenders directly to Swift.

He says, "When it comes to pricing, everything is negotiable. If the bank doesn't have standard pricing for Swift files and is instead coming up with something outrageous, it might be a good time to re-evaluate your bank."

company acknowledged treasury reform was necessary to help the company grow. Asurion needed a system that would have scalable international capabilities, local multi-bank functionality, high cash visibility, and one that cut down on the number of platforms the team had to use. He also needed a system that was accessible from multiple locations, and required minimal training.

Mundt's first priority was to undergo a request for proposals (RFP) process for a TMS vendor. He was well placed to conduct this having worked on TMS standards already for the US-based Association of Financial Professionals.

Asurion deals in the domestic currency of all the countries they operate in, and, as such, has to be switched on to all the specific rules on sweeping, notional pooling, and bank account management. The company manages its international treasury through a regional hub in Hong Kong to support those businesses.

The insurance company needed a system that could integrate core multinational banks alongside domestic banks that may have less advanced back office systems, or even without English capabilities in some cases.

For its largest banking relations, Asurion sought a direct connection for its TMS system to get real-time visibility. For its smaller local relationships, the TMS could be connected to the local banks via Swift MT940 messages, which could offer prior-day cash reports.

"Prior to putting in our TMS, we relied on local staff to update us on our balances. That can create a control issue. If you're just relying on the word of local staff that an account has a million dollars in it, that's a lot different from a direct report feed from the bank that says so," Mundt says.

**PICKING A PROVIDER**

Once you are clear on your needs, use the RFP process to select the relevant providers that can cater for you. It helps to determine in the RFP what tools are essential and what are desired. Use that time to drill the vendors on their services and cost structure and don't hesitate to conduct many meetings until you are happy.

"I decided to go with Kyriba. The company's exclusive focus on treasury management really impressed me," Mundt says, explaining that during presentations, Kyriba brought in specialists that would be working with Asurion from proposal through implementation and maintenance.

Other providers seemed to Mundt to be focused on selling him a package of other products that were more important to the provider than the software he was interested in. He even mentioned sales people who would call seeking to sell bundles of other software before he'd even decided to go with their TMS.

That said, Kyriba's narrow business focus was a concern for Mundt. Could Asurion count on the TMS provider to viable in the long term? Rather than bristle at the notion, Kyriba was happy to provide Mundt with company financial data for him to perform due diligence. It also provided a contingency plan, so in the event of a catastrophe Asurion's data would be preserved and retrieved.

Lifespan is a reasonable concern in the TMS market. It is an area that has seen aggressive consolidation in recent years.

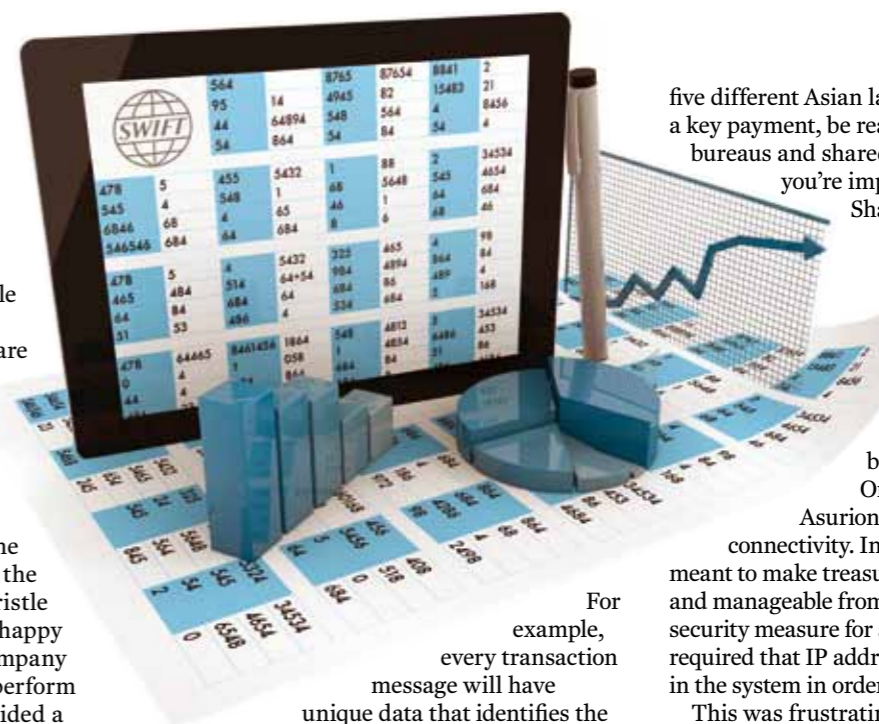
In April 2011, ION Trading acquired Wall Street Systems, which in turn acquired IT2 from CapMan in early 2013. With Wall Street Systems, ION currently provides Wall Street Treasury, cash management from Treasura, and electronic bank account management (eBAM) from Speranza.

Enterprise resource planning (ERP) providers, such as Oracle and SAP, also acquired companies allowing them to add treasury modules to their existing ERP bundles.

**TMS IMPLEMENTATION - WHAT TO EXPECT**

The major challenge with implementation of a TMS for companies is the tagging of information.

Whether via Swift's MT940 messages or BAI files from a company's core banks, during the initial implementation stage, the process requires staff to go through these files on transaction messages to establish any unique identifying information.



five different Asian languages to support a key payment, be ready with your service bureaus and shared service centres when you're implementing a TMS," Sharma adds.

**CONNECTIVITY**

Mundt advises fellow treasurers to be patient with the implementation process as there will be stumbling blocks. One of the problems

Asurion ran into was connectivity. Installing a TMS was meant to make treasury processes accessible and manageable from anywhere but security measure for access to the system required that IP addresses be pre-registered in the system in order to secure access.

This was frustrating as team members that travelled changed IP addresses and new computers had to be added to the system. "Find a friendly face in IT, because you're going to have some issues," Mundt advises.

**THE PAYOFF**

Asurion is still increasing its uses for TMS (for example, using the TMS for payment initiations instead of online banking platforms) and remains in the process of implementation. Achievements have already been made since it initiated the process in 2011. Mundt says Asurion ultimately saved on staff costs and overhead. As the insurer expanded, it would have required new hires to manage additional treasury work, but with its new TMS, this was no longer the case.

More importantly, the team didn't have to spend tedious amounts of time on manual entry.

"Forecasting entries are still done manually into Kyriba by the treasury team. But Kyriba's visibility of our cash flows has helped with that tremendously, in addition to providing a central depository in one format," Mundt says.

As Asurion redefined itself as a global company, it decided it was time for a TMS. ■

For example, every transaction message will have unique data that identifies the transaction as 'wire-in from Client A', or 'intercompany transfer from Subsidiary B'. Once that information is tagged and entered into the system, the TMS will be able to recognise and automate transaction reconciliation. The balance effects, audit trails, general ledger postings will all be executed automatically and a central repository for accounting data transferred from accounts payable, accounts receivable, cash management, fixed assets, purchasing, ERP journal entries, and forecasts will be completed.

Treasury teams will have to dedicate resources to the grunt work of implementation for the thousands of transactions and counterparties they engage with. But the end benefit is treasurers can spend their time optimising interest for their cash instead of uploading accounting entries.

When it comes to implementation, Amit Sharma, head of ecommerce and channels Asia-Pacific for BAML, advises treasurers to keep an eye on the clock. Your regional treasury centre may be in Hong Kong, but your bank accounts in Australia or India still transfer based on local bank hours. Hence, work with the sun to resolve issues.

"When it comes to Asia, you may need

**"In our experience, the so-called standard Swift message fields are not standardised across all banks"**

*Ng Wai Ling, International SOS*

**WHAT TREASURERS IN ASIA USE FOR CASH FLOW FORECASTING AND OVERALL TREASURY MANAGEMENT**

End-to-end banking solution	3%
Banking application	4%
Hosted/cloud	10%
Specialist treasury workstation	16%
In-house platform	23%
ERP (treasury module)	26%
Spreadsheet	69%

Source: SunGard/Bank of America Merrill Lynch