

## Overcoming the Barriers to Treasury Process Improvement

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### The Background

Corporate treasurers today are under more pressure than ever to demonstrate that their operations are not only efficient but also well-controlled, clearly and currently documented, and compliant with all applicable company policy, laws and regulations.

Technology now offers cost-effective solutions which combine treasury process productivity, accuracy and control improvements with the provision of dynamic, up to date process documentation. Additionally these elements may be integrated with treasury policy documentation, to offer a much more complete solution for the diverse and demanding requirements of a treasury department. The end result is an intuitive, easy to use and easy to audit solution, which provides senior management with significantly enhanced levels of assurance that treasury operations comply with industry best practice – and, significantly, are clearly seen to do so.

### One Tool for the Job

Business analysts and consultants have long used flowcharting techniques to describe and document existing business workflows. The technique is additionally used to design modified and new workflows. Flowcharts provide a concise and intuitive representation of a process. Today's flowcharting technology offers powerful and flexible tools such as MS Visio that facilitate the performance of efficient business process re-engineering exercises, through the definition, design and documentation of modified and new processes. In the corporate treasury field, technology also provides a ready means for relevant documentation, such as treasury policy and procedures manuals, to be conveniently integrated within the treasury management system package, so that the operators, auditors and overseers of the workflow are presented with all the information they need in one place.

The benefits extend throughout and beyond the organisation. All stakeholders can proceed with confidence that they are working with complete and up to date data sets, allowing them to focus on their professional tasks, not on assembling, verifying and interpreting information that may originate from disparate sources, and be housed in incompatible media. Given that the technology is suitably robust and has been accurately implemented, users can focus on their core duties, as they do not need to expend thought and energy on data processing.

### The New Requirements Drive Treasury Transformation

In the corporate treasury industry, there have been several catalysts which have stimulated investment in treasury process automation. The impetus was started by the passage through the US Congress of the Sarbanes-Oxley Act in 2002. SOX compliance requires that the financial processes and policies of US listed companies should be comprehensively and clearly documented, which generated substantial workflow

documentation exercises in treasury departments. The manual response to this was time consuming and error prone.

In the early stages, non-US treasurers probably felt that they were fortunate to escape the stringencies of SOX compliance. However, the international auditing community soon adopted many of those SOX compliance features – such as process transparency and high quality documentation – that were seen to be objectively valuable and could be applied generally. In time they became accepted as industry best practice. Accordingly, the effects of SOX were felt on a global basis through more and more demanding treasury audits.

The global financial crisis has also provided a stimulus for treasury process improvement. As the crisis unfolded, treasury’s importance and value became increasingly clear at Senior Management and Board level. This new focus stemmed from two key issues: the importance of organisation wide cash visibility from internal sources, as external sources were squeezed or dried up; and the importance of quantifying and evaluating counterparty exposure positions and risks, so that swiftly changing credit conditions could be managed as effectively as was reasonably practical. In both cases, effective action requires the availability of complete and up to date information, and the latter case especially is best served if credit information is available in real time. This needs robust, fully documented and transparent treasury operations for a best practice solution, and so provided justification for technology investment to achieve the benefits delivered by treasury process improvement.

Figure 1 is an example of a Treasury Process Map.

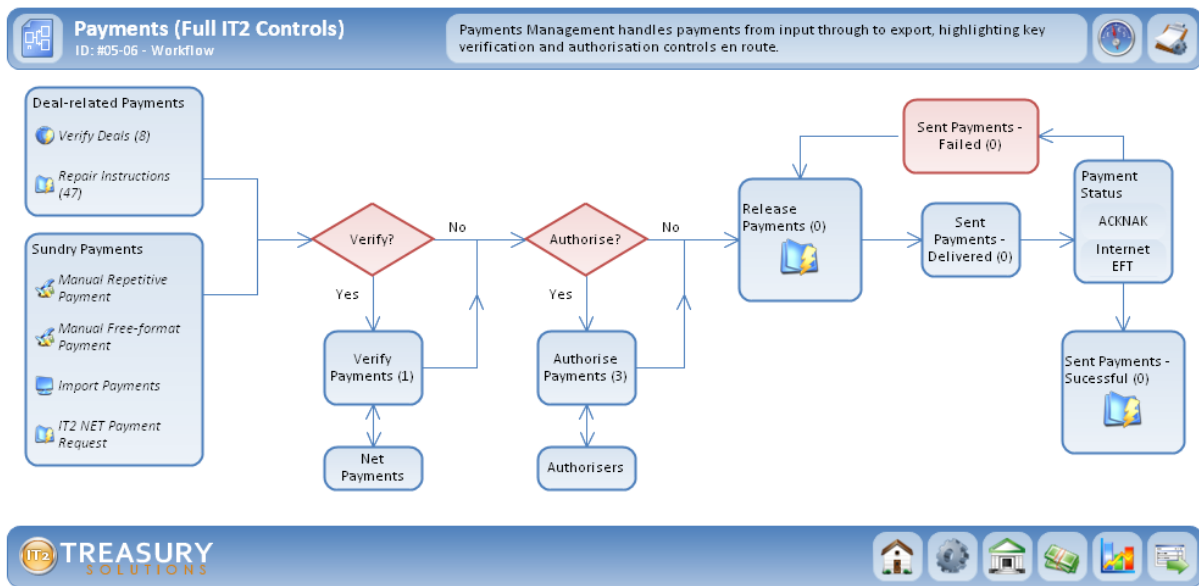


Figure 1 – Payment Control Process Map

In a practical example, a multinational client has achieved significant efficiency gains in treasury auditing and in training new staff because of the added visual dimension provided by process mapping. Another substantial benefit is that the visual representation of processes makes them significantly easier to roll-out to non-English speaking operations.

## Treasury Project Priorities

The crises described here provided many treasuries with urgent twin needs. Firstly, the need to re-engineer and document treasury processes to satisfy requirements that have changed dramatically through the irreversible seismic shifts of the financial crisis, and secondly, the closely related need to deploy modern technology to provide powerful, transparent and efficient operating solutions. The requirement may have become urgent, but assembling the resources – and budget – to fund and execute two major projects can be daunting. Contemporary technology now offers integrated solutions, in which treasury workflow improvement, definition and documentation are closely integrated with the traditional functions of a treasury productivity system: process automation, accuracy and control.

This new possibility offers the substantial benefit that treasury re-engineering and process automation projects are effectively combined into one project, which typically presents a much more cost effective and efficient solution for the hard-pressed corporate treasurer.

Paul Higdon is Chief Technology Officer at IT2 Treasury Solutions. Paul has overall responsibility for the technical development and delivery of the IT2 product, including Product Management, Product Development, Second Line Support, Quality Assurance and Technical Services. In a career spanning over 10 years with IT2, Paul's achievements include the conception and development of IT2's ground breaking process oriented treasury technology. Paul has managed and contributed to many client projects, including specialist work on best practice solutions for cash management, financial risk management, back office efficiencies and security, treasury accounting and hedge accounting. Paul recently held the position of SVP for North America, prior to his appointment as IT2's CTO. Paul's academic credentials include an MA in Physics and a D.Phil. (Doctorate) in Engineering, both from the University of Oxford.

