

The Changing Investment Landscape

New Trends, New Tools

A high cost of funding for some corporations and low interest rates are prompting treasurers to review investment strategies on a local, regional and even global basis in order to maximize returns on excess cash. An increased availability of quality, real-time transaction and balance information, a trend toward centralization, as well as innovations in liquidity and investment management, are providing new opportunities for treasurers to maximize returns on cash while streamlining processes and gaining more control. Online investment tools, in particular, are helping treasurers deal with increasingly stringent regulatory and reporting requirements as well as mitigate the risks associated with investing.

DIFFERENT INVESTMENT SOLUTIONS FOR DIFFERENT SEGMENTS OF CAPITAL

Treasurers and cash managers need access to a range of investment solutions of varying risk/ return profiles and tenors to ensure principal preservation, adequate liquidity, and a degree of interest maximization for both short- and medium-term funds flows. Typically treasurers allocate a band of capital to cover ongoing, day-to-day working capital needs. To reduce overdraft charges and enhance returns, they can create a liquidity structure that ties accounts together to offset long and short positions. Treasurers can also 'link' these structures to overnight investment alternatives. These solutions provide high liquidity and low administration

and ensure companies' day-to-day cash is always working for them.

For a second band of capital, to cover volatility in working capital requirements, treasurers can lock in higher returns but



retain access to cash by sweeping funds intraday to a money market fund or by actively investing in the market. A third band of capital is excess cash not needed to meet daily working capital needs. Treasurers can actively invest this excess cash longer-term for a higher return utilizing efficient online tools.

Depending on when they know their cash position, companies can take advantage of both passive and active investing options and even use them in concert to invest all of their cash and fully maximize returns.

INNOVATIONS IN INVESTMENT MANAGEMENT

For both passive and active investments, new approaches, strategies and tools are available that help treasurers realize higher returns and gain more control over their end-to-end operations. For example, the current European regulatory environment facilitates higher returns through funds consolidation utilizing target balancing and notional pooling structures to offset long and short positions across the region. The net position of these concentrated funds can be moved into high-yield accounts or offshore money market funds.

A knowledgeable bank partner can help treasurers develop appropriate liquidity management structures, ensure funds are concentrated most efficiently and place cash in optimal investment solutions. With active investments, the continued evolution of online investment tools offers treasurers important capabilities that enable them to realize higher returns, reduce processing costs and ensure compliance.

ONLINE INVESTMENT TOOLS: REDUCED RISKS, HIGHER RETURNS

Historically, active investing of excess cash was a manual process involving:

- Phone calls to multiple brokers to obtain information on investment alternatives and rates, and to place orders
- Time-consuming, paper-based confirmations, settlement activities and reporting processes
- No automatic integration of investment transaction information into treasury systems

- Ad hoc rather than regular, consistent investment of excess cash due to an inefficient and time-consuming process.

Online investment services offer a much improved, more efficient process, making it easier for companies to invest excess cash consistently every day and fully maximize returns. For example, rather than retrieve rate information for investments one at a time, clients can view constantly changing rates for a variety of investment products on one screen. This makes it possible to access current rates efficiently, to choose the most suitable investment, and to execute the trade quickly.

WHAT TO LOOK FOR IN AN ONLINE INVESTMENT TOOL

When choosing an online investment capability, treasurers should look for:

A Wide Range of Investment Options

Treasurers need access to a wide range of investment offerings, preferably from multiple providers, to ensure access to liquidity, principal preservation and interest maximization. Investment options should include treasuries, commercial paper, and money market funds as well as time deposits.

The Ability to Customize System to Ensure Compliance with Corporate Investment Policies

Treasurers should be able to customize their online investment service to include only those investments consistent with their company's risk profile and investment policy. Treasurers also need the ability to specify the tenor and value of trades by instrument, for divisions or individual users. By customizing their investment system, treasurers establish the parameters of the corporate investment policy, and by rolling the system out to local subsidiaries or across departments, they can easily ensure compliance and create audit trails, while offering employees a high degree of autonomy. As such, online investment services can be an important

risk mitigation tool for Treasury, providing them with a higher degree of control.

Robust, Flexible Reporting

Online investment tools can help treasurers mitigate risk as well as meet the industry's increasingly stringent regulatory and reporting requirements. Treasurers need robust, flexible reporting that can be centralized or decentralized, depending on their company needs. A treasury head-office might want to monitor investment activity across all geographies – to ensure compliance with their investment policy, to track investment performance, or to comply with regulatory requirements. A local subsidiary may simply need reporting for tax and performance purposes.

A Turnkey End-to-End Solution

Ideally an online investment tool is integrated into a Web-based cash management platform, offering a complete and secure end-to-end solution – access to real-time balance information through the

selection, trade, and, when necessary, settlement and safekeeping of securities in the appropriate custody account. The service should debit the account and invest the money while also performing related custody functions automatically and generating reports. Such an automated end-to-end investing process frees up treasury to focus on other critical strategic activities.

IMPLICATIONS FOR THE FUTURE

Liquidity and investment management strategies and approaches are likely to change over time due to evolving industry trends, best practices, and corporate needs. Internet-enabled cash management solutions – including online investment services – will continue to evolve as well. As such, treasurers would do well when choosing an online investment tool, to consider the long-term strategy and flexibility of the service. Clients will need the ability to customize their online service to meet their current and evolving investment needs – and their changing global view.

Citibank® Online Investment Services

With Citibank® Online Investment Services, treasurers create a personalized investment boutique that reflects their company's investment policies, from a growing number of available investment alternatives provided by both Citigroup and other institutions.

Citibank Online Investment Services is integrated into CitiDirect® Online Banking, the Bank's Web-based corporate banking platform, ensuring security, convenience, and robust reporting. Clients benefit from a streamlined end-to-end investment solution that features unique automated custody functionality.

Citibank® Online Investment Services supports a wide variety of US Dollar investments and will soon leverage the currencies and languages available in CitiDirect® Online Banking.



Arlene Husni is a Director with Citigroup Global Transaction Services and a Product Manager responsible for developing online liquidity and investment solutions for corporations and financial institutions.

For more information on Citibank Online Investment Services, contact Arlene at arlene.husni@citigroup.com or visit www.citigroup.com/transactionservices/

