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SILVER WINNER ●●●

Standardizing Bank Reports: Microsoft

By bringing the outsourced servicing of its Consolidated State Service in house, AT&T eliminated a significant cost and improved customer service. The project reduced foreign currency (FX) transactions from thousands to a couple dozen a month, says Tom Clemens, director of financial analysis. The solution uses a single U.K. international bank account number (IBAN) to consolidate FX payments, and a pooling structure to hold the currencies. A zero-balance account seamlessly drains the notional U.S. dollar pool daily from London to New York, Clemens explains.

The CSS has long been popular with customers, who can pay for global telecommunication services with a single payment in the currency of their choice. The funds are received into the IBAN account and redirected to subaccounts denominated in 12 currencies. The subaccounts are notionally pooled, with the equivalent U.S. dollar amount swept into a

concentration account to be used by treasury to pay down commercial paper or for other corporate purposes. Once a month, AT&T uses funds from the subaccounts to pay its local subsidiaries in their respective operating currencies.

Historically, the third party hosting this service used FX transactions whenever it

Using a common standard opens up tremendous benefits for all parties involved.

—MICROSOFT'S ZINN

passed a customer payment to an AT&T sub, costs that AT&T ultimately paid. AT&T cash was also tied up in the third party's accounts. Now AT&T uses the aggregated receipts from all its customers in multiple currencies to

make a single payment every month to each of its international subsidiaries in their operating currency, significantly reducing FX transactions. In addition, funds are now accessible, Clemens says.

The project allowed AT&T to “manage and control the receipts and FX risk and reduce operating costs, while getting efficient, cost-effective movement of funds without creating an operating burden on our FX and cash management teams,” says Elaine Lou, director of financial analysis.

In taking over the service, AT&T enhanced billing flexibility by allowing a netting arrangement that applied a customer's credit balance in one country and currency against an outstanding balance in another country and currency, something the third party was unable to do. “Being in control of the process and the funds makes a real difference,” Clemens says. “We have a clarity we never had before.” **TRR**

BRONZE WINNER ●●●

Getting the Scoop on Outlying Accounts: Omnicom

To get full visibility into the cash of its businesses—1,500 ad agencies worldwide—\$12.5 billion Omnicom Group was bumping into limits. As recently as 2009, it had 3,600 accounts in 150 banks on six continents. Then treasury took steps to concentrate and mobilize more than 90% of non-restricted cash daily by using

Without knowing those balances, we could not fully optimize our allocation of liquidity or quantify all our risk.

—OMNICOM'S LEYDEN

pools and sweeps. The company also centralized much of its cash management activity in a regional in-house banking structure that provided real-time visibility into all the included accounts. But balances in accounts outside that structure were revealed only at month-end.

“Without knowing those balances, we could not fully optimize our allocation of liquidity or quantify all our risk,” says Conor Leyden, project lead and managing director in Omnicom's Dublin treasury center.

So Omnicom, based in New York, came up with its Global Cash Control System. To get the missing information, it signed up Citigroup's Global Transaction Services, which uses SWIFT MT950s to get daily balance reports from Omnicom's outlier banks. Computer SI built the database, with an online portal

and custom workflows, powered by Hyland OnBase.

The project took less than 18 months, and Omnicom now has perfect daily visibility into all cash, which means more informed cash and risk management and an annual savings of \$5.7 million, reports John Voorhis, director of treasury operations. With that visibility, Omnicom identified more than 500 accounts that could be consolidated or closed. It reduced cash in outlying banks by \$50 million and cut borrowing costs by \$5 million.

By the time the cleanup is finished, Leyden predicts the annual savings from bank account rationalization alone will hit \$1 million. “This has been a real game changer for Omnicom,” says Dennis Hewitt, Omnicom's treasurer. “We can now manage our cash as well as the best of the highly centralized companies.” **TRR**

GOLD WINNER ●●●

The ZBA Way to Concentrate Cash: Microsoft

Microsoft has 350 legal entities operating in 118 countries (and using 1,000 accounts at 100 different banks), so concentrating excess cash efficiently and funding those operations just in time is a formidable challenge that the \$70 billion company addressed with eye-catching success.

Long a leader in the use of automation, Microsoft treasury was still using a time-consuming manual process to fund and collect from 175 actively funded subsidiaries in 2010. Funding usually meant wiring funds to the subsidiaries twice a month and wiring back excess balances when local regulations permitted. Treasury knew that daily sweeps to zero balance accounts (ZBAs) was ideal, but doing it manually took time, and the time zone differences made same-day sweeps impossible for Europe and Asia. The key to better control and liquidity management would be a global ZBA structure with same-day automated sweeps and just-in-time funding.

For the accounting to work, the ZBA transfers would have to include customized texts for each transaction, something no ZBA structure was able to provide. But Microsoft found a willing partner in Citi. Together they developed a new product, called Global Concentration Engine, that can incorporate customized

texts into the ZBA transactions, explains Jim Scurlock, cash planning manager.

The old wire transfers created journal entries in Microsoft's SAP system that ZBA transfers did not create. So Microsoft's project team worked with SAP to develop a way to get the ZBA customized texts to feed SAP with the data needed to create journal entries automatically.

"We had to make key changes so that the SAP system could handle the new ZBA reporting," Scurlock says.

Because the project required considerable IT resources, the treasury team had to lay out its complete vision in a business requirement document and convince IT and senior management that it should be a top priority, says George Zinn, Microsoft's treasurer and corporate vice president. The treasury controllers group carried out six months of accounting tests to ensure that there would be no operational glitches.

And it worked. Now Microsoft has a ZBA structure that sweeps each account to zero every day and creates journal entries with no manual involvement. And the solution has no negative impact on the operations of finance staffs in the subs, Zinn says. From day one in August 2010, treasury recovered an average of \$105 million a day that formerly had languished in the subs' accounts. Now that

money is placed immediately in productive investments. Within a year, the harvest of useful cash is projected to grow to \$250 million a day.

In addition to the liquidity pickup, the project cut costs as a result of a 41% decrease in wire transfers. The ZBA solution costs about \$25 per account a month, compared with about \$200 for wires. And previously the high cost of cross-border wires made it uneconomical to move small balances. With the much less expensive ZBA arrangement, it now pays to sweep those balances.

Implementation at this point depends on Citi, which only offers the Global Concentration Engine in London and the U.S. Microsoft's first-stage rollout was limited to 120 accounts in the U.K and New York, but the company plans to expand the project as Citi expands its capabilities and expects to add 15 to 20 countries before its fiscal year ends in June 2012.

Efficiency improved as both the global cash management and accounting staffs saved many hours a week. "We learned through benchmarking that many large multinationals reconcile activity in spreadsheets and then journal entries are uploaded by accounting teams," Zinn reports. "Our ZBA solution reconciles the transactions every day and posts them to the subsidiaries' in-house cash center account, and it all happens automatically."

SILVER WINNER ●●●

Cutting Way Back on Banks: Sun Chemical

Sun Chemical, a \$3.5 billion supplier of printing ink, pigments and other specialty chemicals in Parsippany, N.J., ambitiously moved from 150 disparate systems to a single enterprise-wide application of SAP, went from 69 banking relationships to just one, and consolidated treasury activity into a single global cash operations center, all at the same time.

With all the SAP functionality available, including treasury and risk management modules, the company set some lofty goals. Consolidate business with one bank to achieve maximum efficiency and lower fees. The choice was Citigroup Global Transaction Services. Then, as advised by consultancy e5 Solutions Group, improve AP and AR automation across the enterprise. Build an efficient liquidity structure. Improve internal controls, which included bringing an outsourced shared services center in-house. To craft a global cash operations center, treasury methodically merged regional op-

erations into one center in Cincinnati. With one bank, one template and one cash operations center, huge payment files could move through

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—SUN CHEMICAL'S BERGER

host-to-host connections.

To span its global business, a core project team of Sun Chemical treasury and IT people, along with Citi and e5 representatives, traveled from country to country. They proposed a standardized treasury template and patiently, from 2006 through 2011, rolled out that solution region by region, explains Kathy Zevola, direc-

tor of treasury and finance. Deviations were allowed only when the need was clear. North America was first, followed by Western Europe, Central and Eastern Europe and then Latin America.

The result was a lot of automation. All treasury payments and 95% of vendor payments are now automated, along with a majority of receivables reconciliations and 95% of bank reconciliations. Bank fees were cut by 33%. Interest expense is down significantly now that 90% of global cash is concentrated daily in a single notional cash pool in London to improve liquidity and reduce borrowing.

“Prior to the current solution, Sun Chemical relied on manual electronic banking solutions and used many banks globally, which required enormous resources to manage,” says Jeff Berger, vice president of finance and treasurer. “Treasury recognized the need for a customized solution that would meet local requirements, yet deliver global control, visibility and efficiency.”

BRONZE WINNER ●●●

Streamlining Payments: Thomson Reuters

The 2008 merger of Thomson and Reuters created a \$13 billion global company with 1,700 accounts at 135 banks in 99 countries and a single SAP ERP system that spanned the enterprise. Three years later, the company has closed 523 accounts and cut the number of its banks to 57. It would have cut more if not for local regulations.

More significantly, at least 90% of all transactions now flow through just five core banks. Thomson Reuters is saving \$1.5 million a year in banking fees alone, a 28% reduction. Tighter, more automated cash management, including 139 additional sweep arrangements, has reduced its working capital and cut interest expense. Behind the numbers is a payments system that has moved 91% of total payments to the ISO 20022 XML standard, which is implemented and applied identically by the

company's three core disbursement banks.

The key to success was rigorous project management. Thomson Reuters engaged consultants—Treasury Strategies—to help select banks: Citigroup for Latin America and EMEA, Standard Chartered for Asia, JPMorgan Chase for U.S. disbursements, Bank of America and Harris Bank for U.S. collections.

We achieved dramatic increases in efficiency and effectiveness by reducing manual activity and enabling straight-through processing and straight-through reconciliation.

—THOMSON REUTERS' SHAW

Identical implementation of ISO 20022 formatting for disbursements was critical. “We got the banks to agree to field-by-field usage and standards, and we anticipated challenges and agreed on remediation, which sometimes required changes to a bank's infrastructure,” explains Arun Abraham, head of deployment.

The payments side of the project is largely complete. Collections deployment, delayed to dovetail with a new billing system deployment, is just beginning but will involve standardization, data enrichment, the same core bank partners and the same rigorous project management, reports Stuart Corbin, international treasurer.

“We achieved dramatic increases in efficiency and effectiveness,” says David Shaw, treasurer and senior vice president, “by reducing manual activity and enabling straight-through processing and straight-through reconciliation.”