

End-To-End Treasury: Gaining Enterprise-wide Cash and Funding Efficiency

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By integrating operational transaction management with enterprise liquidity management and real-time analytics, Treasurers can generate enormous enterprise value through global, single-stream cash and funding efficiency.

Treasurers face heightened expectations to deliver value to operating businesses while dealing with the dual challenges of global business expansion, where the fastest growth is often in the emerging markets, and an elevated focus on risk management in the face of stringent regulatory requirements and investor scrutiny.

As a result, as Citigroup's proprietary research and other surveys indicate, treasury departments are taking on more strategic roles within firms. Treasurers are becoming internal "trusted advisors" to CFOs and operating business management, with a broader mandate over:

- Assessment of operating business unit cash flow and balance sheet working capital trends to address the implications for enterprise performance;
- Optimal deployment of cash and funding globally across the enterprise to minimize funding costs; and,
- Identifying and advising on the mitigation of broader business and economic risks, rather than focusing solely on short-term financial risk management.

Challenges

Treasury departments have certainly been making incremental changes in the natural order of things. Treasury departments have "gone global" and worked with regional finance colleagues to complete straightforward rationalization of local treasury operations and banking arrangements. Many companies have consolidated international structures as major changes occurred in the market, for example, in Europe after the introduction of the euro. Additionally, most public companies have implemented centrally established Treasury policies, procedures, and reporting of key metrics across operating businesses.

However, while technology has delivered

immense gains in automation, the promise of integrated ERP and treasury workstation technology providing a "single view" across the global financial supply chain remains distant for most companies. Organizational structure and culture has, in the past, constrained global Treasury's influence over operating units' financial processes at many companies. Resourcing constraints mean that the expansion in Treasury scope is not supported with added staffing.

What really hinders further progress is the absence of tools to integrate local and global processes within treasury departments, as well as between treasury departments and regional controllers/finance functions internationally. The resulting process is split across the financial value chain—between payables and receivables processes, liquidity management, and working capital management—creating gaps and breakages in financial flow visibility and control. Without a unified view and integrated operational processing, there is substantial cash leakage across the firm globally. Byproducts of this include sub-optimal use of cash and debt across businesses, significant process inefficiencies and external costs, delays in access to good value funds, and hidden risks.

End-to-End Treasury: New Approaches, New Opportunities

Citigroup is now enabling many clients to address these challenges through an End-to-End Treasury approach. The approach entails integrating enterprise-wide operational cash management processes with liquidity management, and the real-time delivery of consolidated information and analytics to support decision-making and execution. What makes this approach practicable is the advent of strategic treasury, with treasury departments receiving a wider mandate to mitigate cash leakage across the enterprise—making global financial flow management a *joint* effort between Treasury and other Finance functions.

At the outset, End-to-End Treasury incorporates:

- Visibility over global financial flows and positions;

- Control over treasury and financial transaction workflows, with enhanced ability to monitor and actively mitigate risk;
- Actionable Analytics to support better decision-making; and,
- Optimization of cash and funding across the enterprise through cash forecasting, cash optimization, and investment/funding tools.

Using a cross-border liquidity structure, a company could efficiently optimize cash across the globe with (for example) cash generated by their Australian operation being used to meet overnight funding needs for their business in Mexico. This inter-entity cash optimization occurs automatically through application of a range of tools including Citigroup's Global Target Balance sweeping, Multicurrency Notional Pooling, and global overlay accounts supporting sophisticated in-house banking structures.

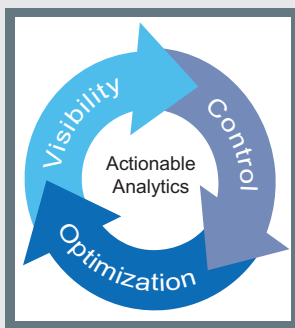
This, however, is just part of the picture. End-to-End Treasury allows consolidated visibility over financial transactions, liquidity positions and workflows across worldwide entities and disparate ERP, treasury and accounting systems. It is the consolidated *information* that allows Treasurers to quantify and extract the enormous liquidity and funding inefficiencies embedded in the global financial value chains of most companies. Finally, the *process integration* of operational financial transactions allows single-stream cash processing. This enables companies to squeeze liquidity out of the system, as well as realize cost savings through the rationalization and automation of transactional processes, even where the company is using disparate ERP and accounting systems across the globe.

Architecture

Citigroup has built End-to-End Treasury around a highly modular architecture that allows clients to implement the components most relevant to their needs. It is scalable, providing capacity for future growth in business and funding volumes, and across the over 100 countries where Citigroup operates. The architecture is also highly extensible. Supply chain financing tools can be linked in to gain balance sheet and procurement cost efficiencies through, for example, receivables financing and supplier financing tools. Where resourcing is an issue, selected treasury and financial processes can be outsourced.

A key component of the End-to-End Treasury architecture is Citigroup's TreasuryVision®, an award-winning, state-of-the-art system for information and analytics that can be delivered as a scalable and secure web-based portal or integrated with corporate treasury technology.

TreasuryVision leverages client data flowing within Citigroup's global information warehouse and transaction engines to provide consolidated visibility over financial information on a real-time basis. It provides analytics incorporating



financial market information, and includes embedded cash forecasting tools enabling treasury departments to model the impacts of financing and investment decisions and initiate investment and funding transactions. Currently, Citigroup is also piloting digital account management. This eliminates paper-based signatures from the standard bank account opening and change

process, allowing clients to electronically track and maintain bank accounts, change user limits and authorizations, all on an electronic basis.

Generating Enterprise Value

For organizations that are ready, End-to-End Treasury helps Treasurers generate enterprise-wide value through the integration of liquidity management, cash management and working capital management processes. To illustrate the point, for a company with a weighted average cost of capital (WACC) of 9.5%, an End-to-End Treasury approach that yields a \$250 million permanent reduction in working capital through greater cash and funding efficiency would generate capital cost savings of almost \$24 million.

Ultimately, flexibility is essential. Best practice is an overused term: what's best is specific to each company. In helping clients implement End-to-End Treasury approaches, Citigroup brings together its products, geographic footprint, and the experience of its people in creating liquidity, cash management, trade finance, and working capital solutions for thousands of clients in over 100 countries.

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