DEUTSCHE BÖRSE GROUP

Using Technology to Target Treasury Pain Points

360T's Execution Management System

How Technology Can Ease Treasury Pain Points

A big question for corporate treasurers today is: how can they expand and enhance their operations without having to increase headcount or add a variety of different, and therefore potentially cumbersome, solutions into their existing technology stack?

As modern treasuries continue to grow in terms of the scale and complexity of their day-to-day activities they increasingly need to look for more ways to drive efficiencies and, in effect, do more with less. One way of achieving this goal which is garnering a lot of attention right now is through automating as many manual processes as possible.

The automation of such processes delivers many different benefits, not least of which are reducing operational risk and freeing up treasury staff time that can subsequently be devoted to more complex or important elements of their jobs.

This desire to remove manual processes is particularly acute when it comes to managing FX because it is largely viewed as an operational function that is essential to the functioning of the overall business rather than something that directly adds value to it.

However, just as technology should not be introduced just for the sake of it, so too automation needs to be introduced in a considered and targeted manner that directly addresses the key pain points within treasury FX operations. With that in mind, it's worth taking a look at some of the most common of these challenges and detailing exactly how automation can help alleviate them.

Streamlining processes

Often the first issue that gets raised in conversations on this subject with corporate treasurers is the challenge they face in simply collecting all of the different FX requirements from their various sub-entities together in one place in a consistent manner. Sometimes we see sub-entities submitting the hedging transactions that need to be run in a variety of different formats – such as excel, over the phone or via email – and often as a result they get executed individually. Moreover, incoming requests can often occur at different times of day, causing companies to do two opposite deals instead of simply netting those transactions.

Thus, if a firm has two sub-entities that need to do a one million EUR/USD Spot FX trade they might go out to the market and conduct two separate trades. Or alternatively, if they have two trades of the same currency pair for the same value date but in opposite directions they will execute both instead of netting them out.

But now we see treasurers increasingly looking to optimize this process by using electronic tools that enable them to effectively collect, aggregate and net out all these different hedging requirements from across the business. For example, these tools can be used to collect different trade requirements coming in across the day until a critical mass develops so that the trades can be netted off against one another.

The benefit of this for treasurers is twofold. Firstly, it means that less FX transactions need to be booked, which decreases the amount of manual processing required and therefore also the operational risks associated with this activity. And secondly, it eliminates the costs that are inevitably incurred through additional trading and settlement activity.

It's worth point out here that there's also an opportunity to introduce additional efficiencies at the approval level. By utilizing technology that deploys a "4-eye" approval system which enables all of the necessary approvals to occur in a more efficient manner firms can eliminate the need for a manual pre-trade approval process, which today in some cases require multiple layers of approval. An additional advantage of this is that it provides a clear, transparent and complete audit log of exactly who approved each trade head of its execution.

Managing risk

Having this information collected in one place certainly makes life easier for treasurers, but they still need to decide how to manage all this risk, and once again we see firms increasingly turning towards automation tools to assist them with this.

For example, if a treasurer doesn't want to carry any risk at all there are solutions that enable them to send their trades directly to a group of banks, execute at the best price and then automatically produce the internal tickets. However, it is equally possible to have internal deals booked against a rate source by producing only internal tickets and having head office absorbing the risk to their position which is then managed further.

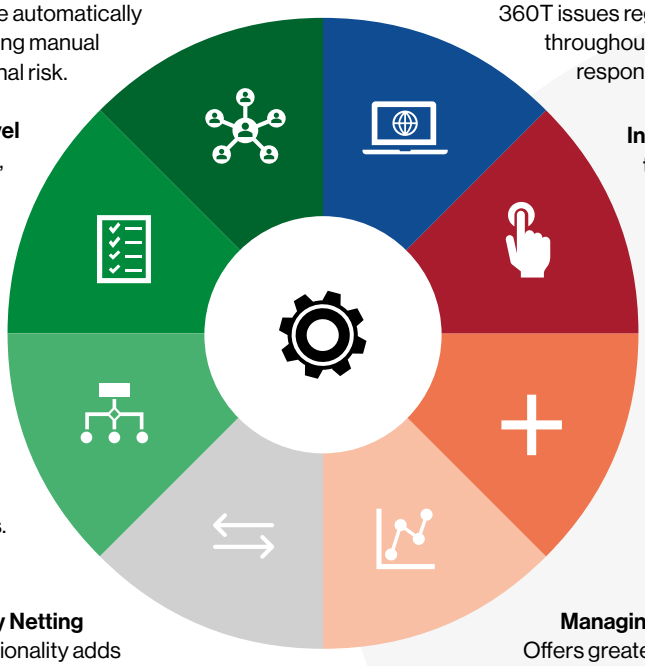
As well as providing more options for managing risk, this technology can be deployed as a rules-based system allowing treasurers to streamline their trading activity, and even auto-execute trades should they wish. Crucially,

this rules-based system can be highly bespoke, enabling treasurers to define different execution parameters for different types of transactions based on a wide array of factors such as notional amount, product, tenor, currency pair, the entity submitting the order, etc. Not only does this create significant workflow efficiencies but once again it also reduces operational risk by decreasing the opportunities for human error when executing trades.

The essential takeaway here is that treasurers are looking for flexible technology solutions that empower them to manage risk in different ways.

We even see some firms leveraging automated trading tools for their intragroup activity too. One such use case for this might be the head office of a firm in Europe setting up their systems so that when the Singapore office comes in before European hours they are just auto-quoted from the markets and the risk is basically hedged directly with the transaction occurring in the local time zone.

Easing Treasury FX Pain Points



Collecting Internal Requirements
Requirements from sub-entities are automatically captured and centralised, reducing manual processes and operational risk.

Technological Flexibility
360T issues regular techology releases throughout the year designed in direct response to client workflow challenges.

Approval Process at Notional Level
Needed on a single deal and netted, our EMS replaces cumbersome, manual processes with a transparent audit log and 4-eye approval system.

Inputting Internal Tickets to the TMS
This can be automated, eliminating a process which in many cases is currently manual and highly time-consuming.

Aggregating Internal Requests
Netting/Blocking functionality can be used to reduce the number of external deals with banks, minimising transaction and settlement costs.

Margining of Internal Tickets
Enables head office to collect margin for providing a service to sub-entities.

Cross-Currency Netting
Our cross-currency netting functionality adds automation as well as speed to the process, reducing the risk of market moves causing losses.

Managing Risk
Offers greater flexibility on how to handle risk, with automated rules in place at a notional or product level for hedging risk back-to-back.

A single technology solution

Linked to all of the challenges previously outlined is the problem that once corporate treasurers have booked their internal trades manually they then need to input these into their Treasury Management System (TMS).

This can be an incredibly labor and time intensive activity – the sheer number of trades that need to be entered into the TMS can mean that treasury staff are forced to spend several hours of their valuable time booking internal deals whilst doing their netting runs. That's why this is yet another area where we see firms implementing technology designed to automate the process.

One important point worth emphasizing here though is that while there are multiple different technology solutions available today to help treasurers with each of these individual pain points such a piece-by-piece approach can have downsides. Adding multiple layers of technology from different sources leads to more workflow complexity, installation and maintenance requirements and – ultimately – higher costs.

By contrast, a single technology solution which can effectively address all of these various pain points by automating elements of their FX workflows can deliver significant benefits to treasury departments, allowing them to increase productivity without putting pressure on their budgets or staffing levels.

For more information on 360T's EMS, the solution that allows a Corporate Treasury operation to completely automate their trading processes, please refer to **http://www.360t.com/products/ems/**

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