

# Cash Management & Banking: Do your cash and liquidity management practices meet best practice standards

## Corporatetreasury solutions

Have you organised your cash management practices to maximise benefits from advances in banking products/services and enhanced connectivity?

How do you ensure that each of your group companies in each country is getting the best banking services at an appropriate cost?

Is the total cost of banking services over your whole corporation competitive?

How can you leverage large ERP projects to maximise control and efficiency in the treasury?

SEPA - How will it change your banking environment?

Cash management lies at the heart of treasury operations. Effective cash management is the platform on which liquidity management, funding and risk management are based. Recent advances in technology, consolidation and increased competition in banking have all contributed significantly to improving the possibilities and effectiveness of corporate cash management. This is particularly the case within old Europe but also in new Europe, with progressive reduction in regulation and development of strong legal frameworks.

There are also significant new opportunities for corporations to streamline their banking arrangements in other regions. A combination of regulatory relaxations and expanded bank coverage have begun to have an impact in Asia Pacific and Latin America.

Whereas a few years ago a typical cash management project would have involved the optimisation of treasury settlements, and some cross-border payments, the focus is now much more on large scale commercial payment transactions, often on a regional, and sometimes global, basis.

Optimising cash and liquidity management practices is a key agenda item of treasurers in most leading corporations. Prompted either by the difficult economic environment and focus on cash, the introduction of new business techniques (e.g. ERP systems) and business processes or through the restructuring of the internal financial management processes (e.g. shared service structures), this issue is at the forefront. Maximising the benefit of the expanded services now available from the banks, and the increasing range of alternatives (e.g. SwiftNet) for connecting to those services, requires organisations to consider the impact on internal processes and use of technology. The PricewaterhouseCoopers Corporate Treasury Solutions Group can assist you in maximising the benefit of these opportunities as explained below.

### **Integrating banking change within the organisation**

There are many different factors driving the corporate treasurer to review the company's cash operations. Typically, such a review will address not only the optimal internal treasury policy and structure but also the use of external service providers (your banks) and the use of information technology.

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We have seen many examples of major corporate-wide change projects, such as ERP roll-outs and the establishment of shared service structures. Often the treasury and banking component has not been fully recognised or integrated. We work with our clients to ensure that any treasury re-engineering is undertaken in the context of these broader corporate initiatives. To achieve this we deploy our multi-disciplinary team of treasurers, bankers and technology specialists.

We have provided detailed treasury and banking designs which have led to a successful integration of treasury in the 'new-state' financial management structures in many organisations.

## Bank selection – service vs. cost

The pressure on corporate treasury to demonstrate efficiency and to support the business is forcing many treasurers to re-examine their banking relationships.

Frequently asked questions include:

- Can one bank support all my requirements in a region?
- How should I connect to my bank(s) to initiate payments and receive data?
- How do I evaluate the trade off between cost and service?
- How can I reduce my total banking costs?
- Who are the best providers of a given range of services?

Our team has successfully advised many leading corporations in the selection of new banking service providers or service structures. We have extensive experience of the issues arising, for both you and your banks. We work closely with the major transaction banks to maintain knowledge of their services and we can provide an efficient interpretation of the potential solutions appropriate for your organisation. When an optimal approach has been agreed with you, we can then assist you to gather the necessary detailed information, create an effective Request for Proposal, and then assist in the bank selection process to give you a result which is both optimal and implementable.

## ERP systems – the solution or the problem?

The well-established trend among large corporates to implement ERP systems has had a key impact on many treasury functions. Specifically, it has caused a number of our clients to question whether existing banking structures will continue to remain optimal. Often these had been developed for a de-centralised, heterogeneous environment, no longer reflecting the financial management structure of the company. Our team can assist you by reviewing the options that have been developed by leading banks specifically to benefit companies such as yours.

We are aware that all clients are different, and we are skilled at developing solutions appropriate to the specific organisation. Many of the old debates have little relevance in an environment where the internet minimizes issues of geographical location of company and bank. We can help you understand the options, implications and benefits whether operational, technological or tax-based. When a solution has been identified and agreed, we work with you and your chosen bank(s) to ensure that the migration to the new solution is delivered in a timely and cost-effective way.

## Are you ready for SEPA?

On December 19th 2001, the European Parliament and Council issued a directive that introduced the concept of "Single European Payment Area" or SEPA.

While domestic payment systems are relatively advanced in most euro zone countries, cross-border payments have never been formally provided throughout Europe. Each country used its own formats and standards that are incompatible with those of other countries. This is particularly true for non-urgent (ACH) payment systems. The consequences are a lack of transparency in the cross-border payment cost structure, inefficiency for all parties and the consequential effect on value dating of transactions.

SEPA is a mixture of systems, standard formats, STP requirements and universal cross-border payment fees. The benefits for Corporates will be reduced costs, clear visibility on payment delivery, increased STP, automation and reduced complexity.

In order to achieve the greatest benefits from SEPA, Corporates need to plan how to best restructure their cash management in the Pan-European area. Notably, SEPA should influence the structure of Corporates' bank accounts.

By applying the principles of sound cash management, together with our detailed understanding of technology and banking capabilities, the PricewaterhouseCoopers team can help you to ensure you are capturing the benefits of SEPA.

## Implementation

We can work with you to clarify how the re-engineering of cash and banking should proceed, and with which bank(s). Then, there remains the question of resourcing and managing the change project. Many treasuries operate with minimal headcount, and have limited 'spare' resource to staff a significant change project. We help our clients through this challenge in two ways:

- By providing experienced consultants with change and project management experience to help you create project plans and resource plans and manage them to completion; and
- By providing consultants with treasury operational skills to assist in the day-to-day operations, thereby creating some availability of your key staff to support the change project.

## Our experience

In Europe, the PricewaterhouseCoopers Corporate Treasury Solutions Group comprises over 300 dedicated professionals, with a broad range of complementary treasury, banking, technology, taxation, accounting and program management skills. Our team has worked with many of the world's leading corporations to support change in treasury practices and has an enviable track record of successful, solutions based project work.

Over the years, our team has established an extensive knowledge base of the treasury standards of the leading corporations and by combining this knowledge with the multi-disciplinary skills of the team, we provide creative and practical solutions to meet the requirements of our clients.

## Contact details

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