

Case Study: How GFI Chose a Global Treasury Solution

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The director of global cash management at GFI discusses the company's steps in choosing a global treasury solution and offers advice to other companies making the same significant decision.

With increasing demands in a challenging financial environment, organizations are at the forefront of globalization where they must meet the challenges of managing global operations. This has increased the importance of corporate treasurers and the systems they select to help them manage their companies' cash flows.

As director of global cash management for GFI Group, my responsibilities revolve around total liquidity management: overall daily cash, debt, investment portfolio, and bank account and relationship management. I joined GFI in 2004 with the objective of optimizing cash resources through the development of effective and efficient global cash management processes. With previous project management experience in system implementations and bank account structures, such as pooling and netting, I understand the necessity for a global view of our cash positions and over all bank account management on a real-time basis.

Following our successful IPO in January 2005, we are now in a new world of Sarbanes-Oxley (SOX) compliance and my role has become one of execution, analytics and strategy. GFI's growth between 2000 and 2005, combined with the additional capital raised through the IPO, warranted tighter controls and improved strategies for cash management. With the company's increasing revenues across all regions, I recognized the importance and value of translating regional liquidity management practices to global best practices to maintain efficiency and ensure compliance.

There are four distinct areas to develop best practice for a global treasury operation: automation, standardization, communication and visibility. Determining the best way to tackle each of these is a key challenge for many treasurers.

Changing Role of the Treasurer

The role of the treasurer has expanded beyond traditional treasury functions. In today's environment of increased regulatory requirements and accountability, intensified investor scrutiny, increasing interest rates, volatile currency markets and limited treasury resources - there is a strong need for greater transparency and control over global cash practices. These business drivers affect treasury by placing greater focus on process documentation, controls and risk management, and the accuracy of financial information under SOX requirements.

As a result, treasurers have a renewed focus on cash forecasting and global cash management, interest rate and foreign currency risk management practices, and overall working capital management processes. But with limited treasury resources, treasurers are left to 'do more with less'.

Utilising Technology

Utilising technology within treasury practices can result in efficient processes within the four areas of automation, standardization, communication and visibility. Through a treasury management system (or treasury workstation), a treasurer is able to create a centralized environment without compromising regional structures and/or practices.

After our IPO, my job was to manage global cash flows and comply with SOX. I saw that the best way to do this was via a centralized environment with standardized processes.

A centralized treasury environment is not necessarily the same as a centralized treasury function. It simply means a core environment where all treasury processes are performed and monitored. Although daily practices remain at the regional level, or remain decentralized, the use of the 'centralized environment' enforces standardized processes, automation, visibility and communication worldwide, while improving internal controls and, ultimately, optimizing cash processes.

I developed six rules to help me find the best solution to meet GFI's requirements. These also proved to be a strong factor in achieving senior management buy-in for the project:

Rule 1: Determine the right fit for your company - In-house vs ASP

Treasury management solutions come in two forms: an in-house solution or through an application service provider (ASP). The in-house solution, where implementation and ongoing maintenance is provided and managed internally and the company-owned server stores all relevant data, can either be the relevant module of an ERP system (if the company has one), or a 'best of breed' treasury solution from a specialist technology provider. The ASP option is an outsourced, web-based treasury solution where the application and servers that run it are owned, operated and maintained by the ASP, and the ASP employs the resources needed to maintain it. In GFI's case, the decision was whether to use the relevant module of the company's existing ERP system or an ASP.

To determine the right fit for your company, consider the following:

- Growth stage of your company - does the application offer room for growth (if needed) without the hardships of continued upgrades or the need for additional resources, etc?
- Resources - establish your project team and the decision makers.
- Total cost of ownership, including resources for ongoing maintenance.
- Availability.
- Functionality.
- Configurability.
- Security - determine internal security requirements and external security protocols. In the world of SOX, it is important to determine if the solution is SAS 70 type II compliant. Request a copy of the documentation to maintain on file.
- Time sensitivity - how soon do you need the solution?

Rule 2: Set your vision

Compare where you are now with where you would like to be. At GFI, I was faced with a decentralized treasury structure with numerous bank accounts worldwide. This meant minimal global visibility, non-standardized reporting, policies or procedures, and manual processing. In contrast, I knew that I wanted a centralized environment; fewer bank accounts; global visibility; optimized cash processes (automated/streamlined global processes with standardized policies and procedures); an effective global cash position reporting and forecasting; and an improved overall global bank account structure to use future pooling and netting opportunities, where possible. However, I also had to consider the growth stage the company is currently in, combined with minimal internal resources available to dedicate to achieving such initiatives.

Rule 3: Write your wish list - a 'perfect world' scenario

This could be a single system/application providing global visibility, global reporting structures, and automation/interface with internal and external sources, to include:

- Elimination of multiple banking workstations.
- Secured remote access.
- Consolidated real-time information.
- Transactions (payment processing).
- Balance reporting.
- Cash positioning.
- Forecasting.
- Foreign exchange.
- Investments.
- Fraud detection.
- Bank fee analysis.
- Market updates.
- Improved analytic.
- Interface with other systems, such as A/R (automated cash application), G/L (automated postings to general ledger), A/P (reconciliation service and automated interface with A/P system) or external

banking and/or trading platforms.

- Intracompany management.
- FAS 133 compliance.
- SOX compliance.

Rule 4: Narrow your search: research vendors and determine the top three contenders

Don't forget to include your banks because they might have the most cost-effective solution. If not, they will be fully aware of what you are trying to accomplish and will be prepared to work efficiently with you through the project implementation once a vendor is selected. They may also be a valuable source of objective advice. Request references and check them or these could involve site visits, if preferred.

Rule 5: Create a scorecard

Include categories such as platform, information reporting, operational, administrative, security and pricing (see sample scorecard at end of article).

- Weighted points - on a total score of 100, base your points per subject line on what are you trying to achieve. What is most important to you?
- Use the scorecard as a questionnaire when meeting vendors. You will be surprised at just how effective this is.
- Compare the scores across all vendors.
- Don't hesitate to share your scorecard with your vendor: this will help them understand your objectives and highlight your priorities.

Rule 6: Perform a cost benefit analysis

When performing a cost benefit analysis, do remember that costs and benefits are not measured solely in dollars. Ensure you include non-dollar benefits in the overall project benefits as well. For example, improved reporting and global visibility is a benefit that cannot easily be measured in dollar terms. This is despite it leading to the optimal use of cash, which does ultimately create additional earnings or cost savings.

Other costs and benefits to consider include:

- All implementation costs.
- Additional bank fees due to connectivity and data transmissions, which could be offset by reduction in bank fees because of fewer bank accounts and reduced banking relationships or lower information reporting, overdraft and market data and analytics fees.
- Improved reporting functionality, including forecasting, variance analysis and automated bank fee analysis.

Next Steps: Keep Track of the Project

Once all six rules have been applied and a vendor selected, establish a project plan with the vendor. This will outline phases of the project, estimated completion dates and action points listing the individual responsible.

Your project team should be established prior to committing to a vendor and should be involved with the vendor selection process. A project 'kick-off' meeting with each of your banks is essential to ensure the most efficient and effective implementation process. Continued project calls are vital to drive the project forward. Distributing a weekly/bi-weekly project memo helps to keep the team on schedule and it is an information source for members of senior management on project status.

A global treasury management solution can provide a wide range of benefits, whether it is an in-house solution or ASP implementation. Follow the six simple rules in this article and you should enjoy a successful project.

Treasury Score Card

Treasury Solutions Score Card					
	VENDORS				
PLATFORM	POINTS	A	B	C	D

ASP (internet)	3				
PC Based (hardware)	0				
Secured Remote Access	3				
Direct Connectivity with Financial Institution	3				
Elimination of Financial Institutions Workstations	3				
Global Solution	3				
Interface: Internal Sources					
A/R (automated cash application)	3				
A/P (reconciliation)	3				
G/L (automated journal entries)	3				
Interface: External Sources					
Investment Providers	3				
Foreign Exchange Trading Platforms	3				
File Format					
EDI	2				
BAI	2				
PLATFORM SCORE:	34				

INFORMATION REPORTING	POINTS	A	B	C	D
Consolidated	3				
Real-Time	3				
Transactional Reporting	3				
Balance Reporting	3				
Cash Positioning	3				
Forecasting	2				
Variance Analyses (forecast to actual)	1				
Bank Fee Management & Analyses	3				
Market Updates (real-time data feed)	1				
Historical Data Retention					
< 1 year	0				
>1 year < 5 years	1				
> 5 years < 10 years	2				
Unlimited	3				
REPORTING SCORE:	28				

OPERATIONAL	POINTS	A	B	C	D
Foreign Exchange	3				
Investment Activity	2				
Intercompany Management	1				
Positive Pay	3				
Payment Transactions					
ACH	3				
WIRES	3				
CHECKS	2				
OPERATIONAL SCORE:	17				
ADMINISTRATIVE					
ADMINISTRATIVE	POINTS	A	B	C	D
Bank Account Openings	1				
Documentation Archive	1				
FAS 133 Compliant	2				
Customer Service (24 Hours)	2				
ADMINISTRATIVE SCORE:	6				
SECURITY					
SECURITY	POINTS	A	B	C	D
SAS 70	3				
SOX Compliant	3				
Disaster Recover Policy	3				
SECURITY SCORE:	9				
OTHER					
OTHER	POINTS	A	B	C	D
Net Capital Models	1				
Consultancy Provided	2				
Bank Relationship/Knowledge	2				
Allow Reference Checks	2				
OTHER SCORE:	7				
PRICING					
PRICING	POINTS	A	B	C	D
System Maintenance Fee	-3				
Monthly Account Maintenance Fee	0				
Per User Fee	1				
Flat Fee	1				
Licensing Fee	-3				
Contractual (< 3 years)	3				

PRICING SCORE:	-1				
TOTAL SCORE:					
	100				