



TREASURY RESOURCES

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This presentation was originally given by:

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Knowledge Management Applications

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Shared Service Executive Forum
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Enhancing Shared Service ROA

With Financial Centralization

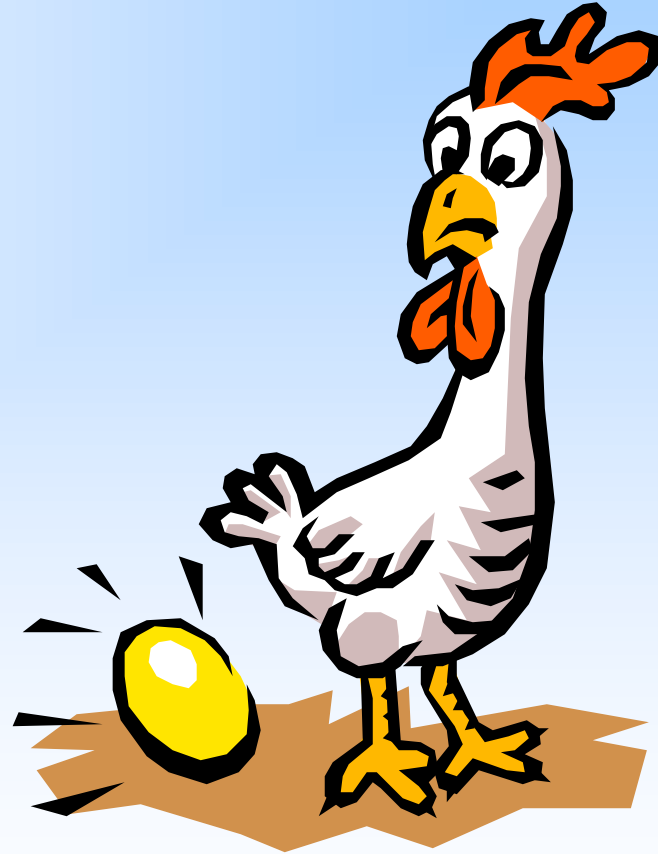
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Typical Shared Service Issues

- ❖ **Build business case OR select processes for consolidation**
- ❖ **Criteria include:**
 - ❖ Quantitative - Transaction volumes, financial control, and performance metrics
 - ❖ Qualitative – Change readiness, regulatory considerations, and market area complexity
- ❖ **Common issue: ROA**



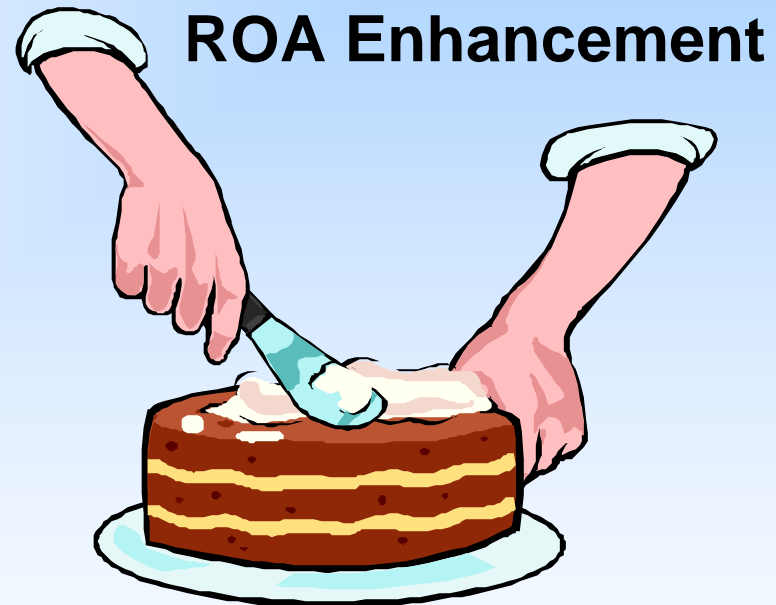
Corporate Assets



	Property, Plant, and Equipment	People	Knowledge	Money
Opportunity Cost	Yes	Yes	Yes	Yes
Easily Moved	No	Somewhat	Yes	Yes
Easily Exchanged	No	Somewhat	Yes	Yes
Needs Maintenance	Yes	Yes	Yes	No

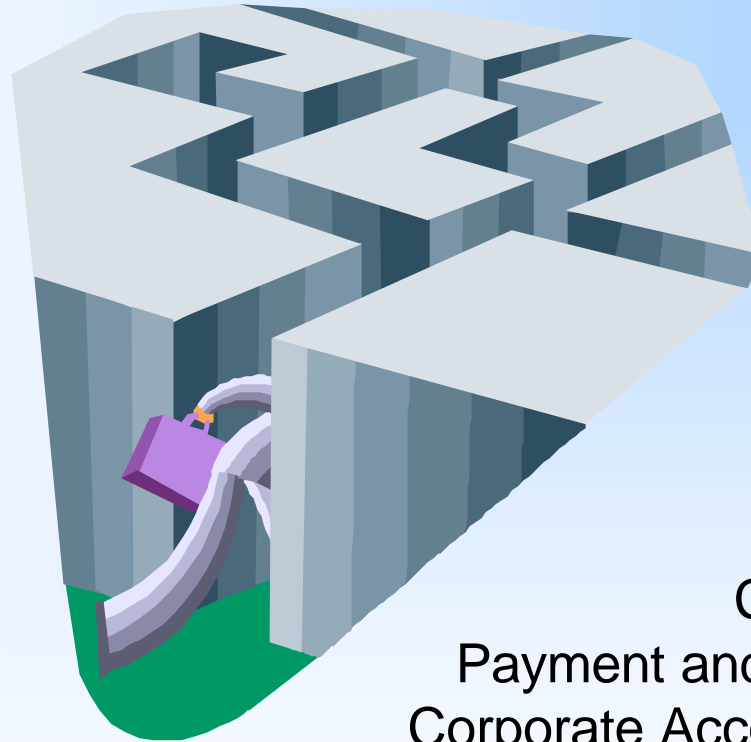
Financial Centralization

- ❖ **Regional Treasury Center**
 - ❖ IFSC
 - ❖ Belgian CC
 - ❖ Singaporean RHQ
- ❖ **Functional Centralization**
 - ❖ Multilateral netting
 - ❖ Notional pooling
 - ❖ Foreign exchange
- ❖ **Both improve ROA by eliminating financial intermediaries and improving resource alignment**



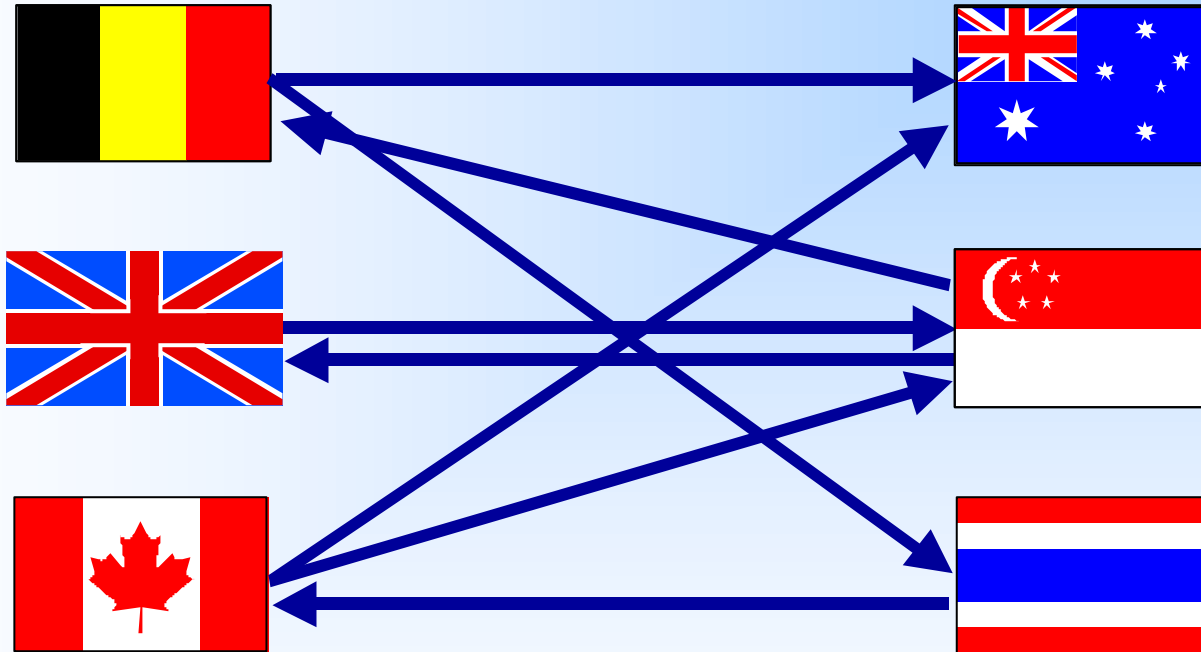
The Global Treasury Maze

Fund
Invest
Pay
Receive
Report



Taxation
Treasury Goals
Foreign Exchange
Corporate Structure
Payment and Clearing Systems
Corporate Accounts and Systems
Account Structures and Techniques
Bank Access and Processing Systems

Intercompany Trade



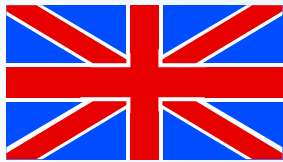
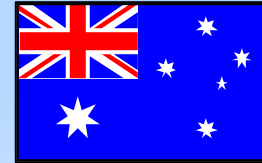
8 Shipments
8 FX Transactions
16 Bank Charges

Multilateral Netting



2 Sales
1 Purchase
1 Settlement

0 Sales
2 Purchases
1 Settlement



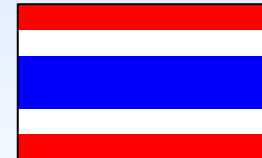
1 Sale
1 Purchase
1 Settlement

2 Sales
2 Purchases
1 Settlement



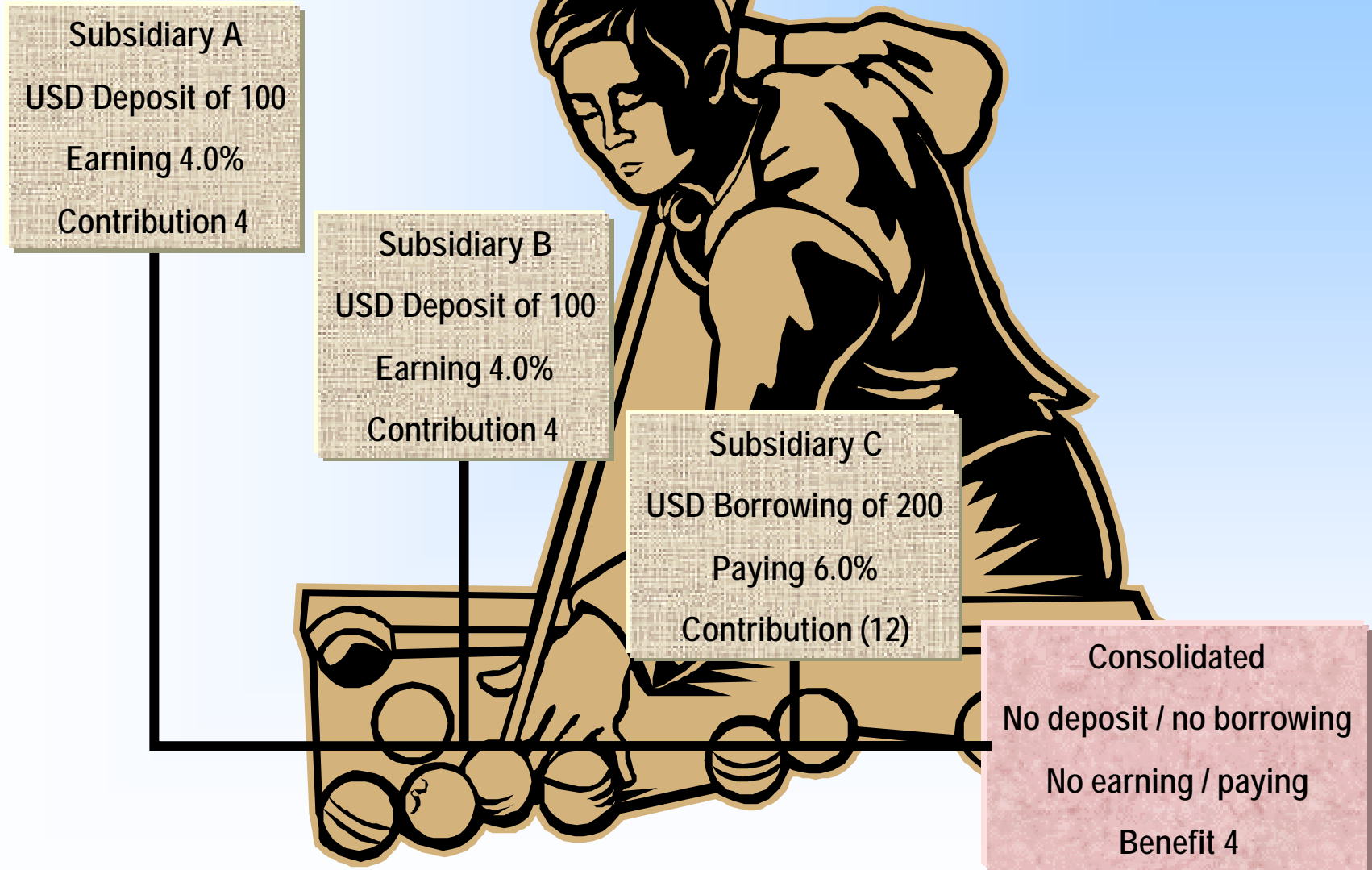
2 Sales
1 Purchase
1 Settlement

1 Sale
1 Purchase
1 Settlement



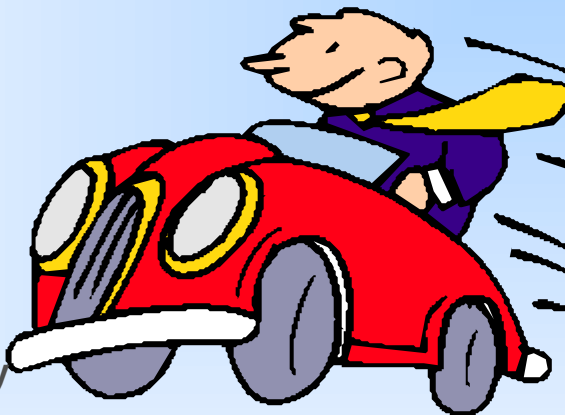
8 Shipments
6 Transactions
12 Bank Charges

Intercompany Finance



Taxation

- ❖ Isle of Man
- ❖ Liechtenstein
- ❖ Belgian Coordination Center
- ❖ French “Agreement” Vehicle
- ❖ Singapore FTC/OHQ/BHQ/ETC
- ❖ Gibraltar
- ❖ Netherlands Finance Company
- ❖ Jersey Limited Liability Company
- ❖ Irish Financial Service Center
- ❖ Netherlands/Swiss Branch



- ❖ Luxembourg
- ❖ Madeira
- ❖ Malta
- ❖ Cyprus
- ❖ Labuan
- ❖ Mauritius
- ❖ Hong Kong
- ❖ Switzerland
- ❖ Uruguay
- ❖ Thailand OBC

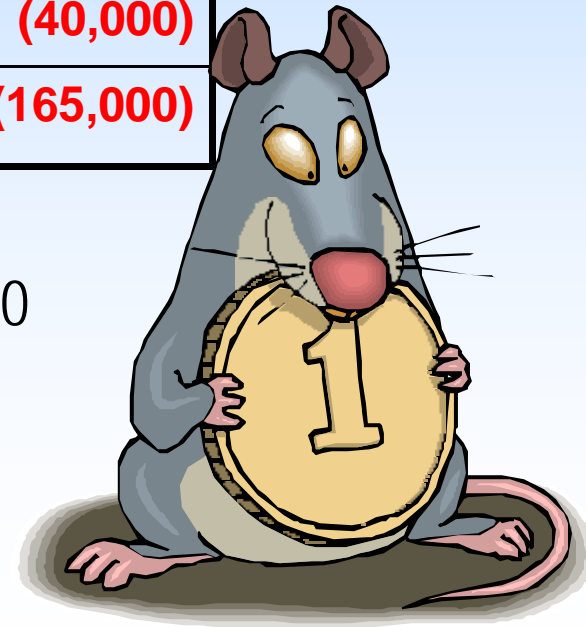
Cost Efficiency Example

Currency	Gross Flows		Net Flows	
USD	300,000	(100,000)	200,000	0
Other	100,000	(10,000)	90,000	0
GBP	150,000	(250,000)	0	(100,000)
SGD	125,000	(150,000)	0	(25,000)
CHF	40,000	(10,000)	30,000	0
EUR	20,000	(60,000)	0	(40,000)
Total	735,000	(580,000)	320,000	(165,000)

Total gross flows in and out = 1,315,000

Total net flows in and out = 485,000

Flows removed = 830,000



Treasury Assets

Transactions

Foreign Exchange

Balances

Information

Working Capital

- ❖ **Multilateral netting:**
 - ❖ Number of transactions eliminated x USD 5.00
 - ❖ 5 pips on total value of fx netted
- ❖ **Notional pooling:**
 - ❖ gross spread between non pooling bid rate and the market midpoint
- ❖ **Cash forecasting:**
 - ❖ 0.5 day acceleration of turnover at average deposit rate
- ❖ **Export sales:**
 - ❖ Expedited collections of export sales through information management equal to 2 days at average deposit rate

Diagnostic Questions



Transactions

Foreign Exchange

Balances

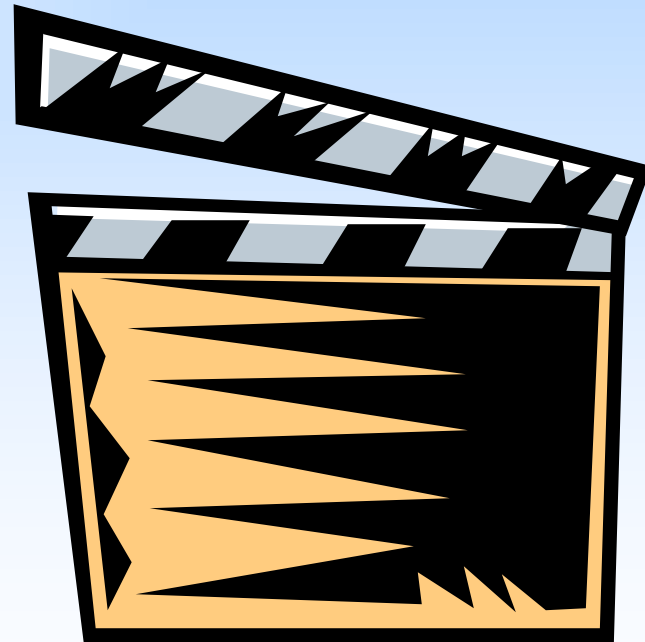
Information

Working Capital

- ❖ **Cross border activity: foreign exchange transactions**
- ❖ **Market life-cycle: using or generating cash**
- ❖ **Technology environment**
- ❖ **Regulatory regimes**
- ❖ **Integration: within company or supply/customer chain**

How to Do it

- ❖ Know the ground rules and options
- ❖ Determine strategy and structure
- ❖ Involve your people
- ❖ Build the business case
- ❖ Adjust to realities
- ❖ Choose your partners



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Blumen has more than 20 years of domestic and international treasury management in industry sectors ranging from financial services to computer manufacturing.

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Representative Accomplishments

Created divisional intranet for one of the ten largest treasury management banks in the world. Improved collaboration between divisions in Asia, Europe, and Latin America increasing sales and reducing cost of sales.

Designed online proposal development system for an association of the world's largest banks which enabled faster response to well qualified prospects for association members.

Authored and published the Treasury Profiles guides to cash management in 28 countries. The guides are distributed through public and private websites and have been downloaded more than 20,000 times.

Established first notional cash pooling system in Singapore. Implemented this technique for one of the world's largest pharmaceutical companies.

Professional Activities

Executive Program Faculty Member for cash management programs at the University of California (Berkeley) and the University of North Carolina (Chapel Hill).

Presenter – Association for Financial Professionals, EuroFinance, and other regional and international meetings.

Online Contributor – Association for Financial Professionals, Phoenix-Hecht, and International Treasurer websites.

Author – Treasury Management International, Cash Management Handbook, and CashFlow Magazine.