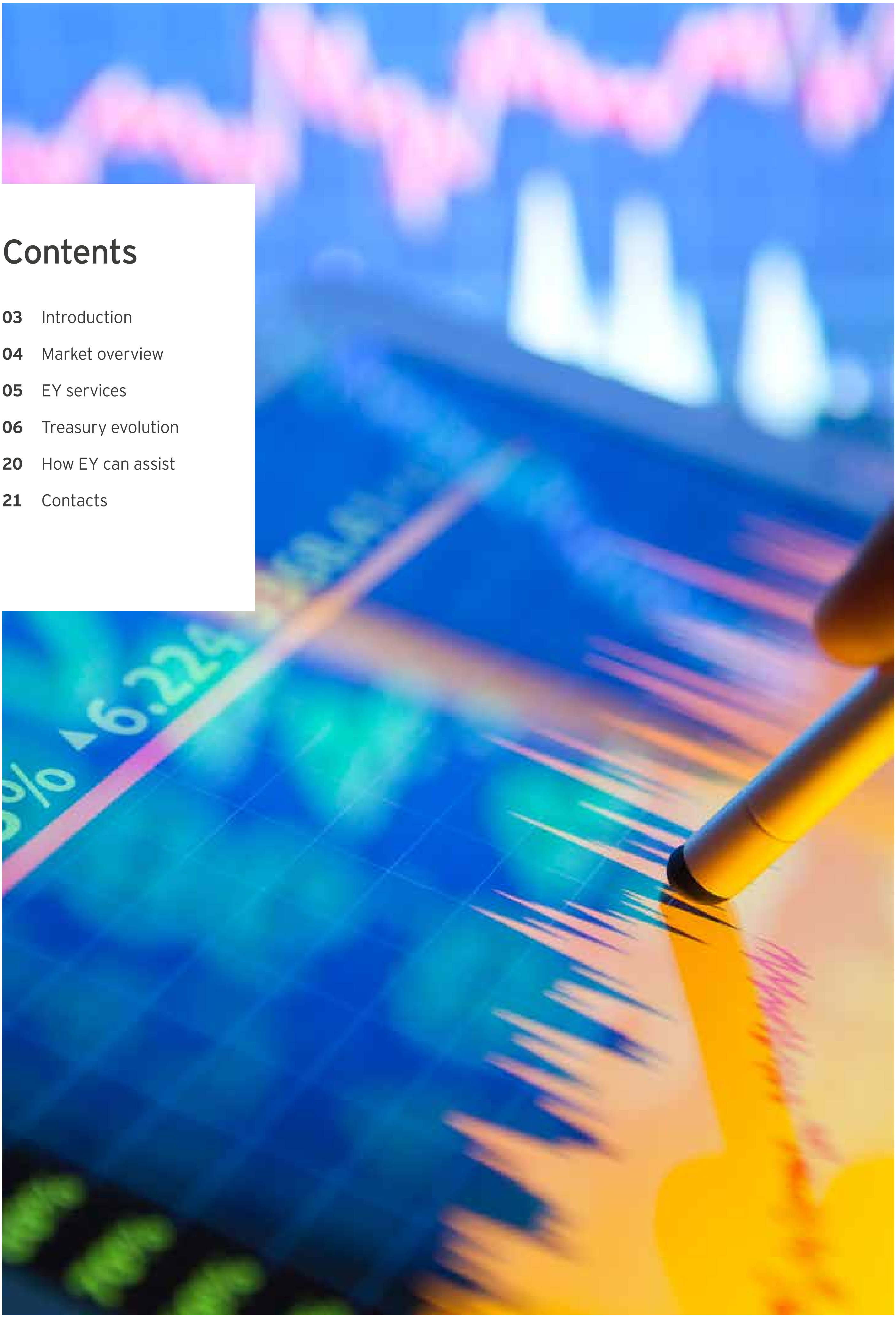
# Is your treasury function fit for the future or fashioned in the past?

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

# Contents





# Introduction

## Sustainability of global economic growth

Global corporate sector growth has experienced a period of sustained expansion coming out of the global financial crisis. However, the economic outlook has recently softened due to local policy responses to global market conditions.

The questions for business leaders are: how long will global economic conditions continue to improve, and what are the greatest risks to the growth of your core business?

Business leaders continue to evaluate the impact of potentially disruptive forces, including: global political uncertainty, geopolitical tensions, increases in trade policy and protectionism, currency movements, rising debt and interest rates, tax reform initiatives, workforce migration, market consolidation, and new ways of conducting business enabled by technology and virtual currencies. For an organization's treasury function, managing these risks and protecting value in this era of ongoing volatility requires new ideas and structures. Finding the right response can make the difference between a thriving company with solid credit ratings and an organization struggling with illiquidity and credit downgrades.

At the same time, companies have come under increased pressure from shareholders and regulators to increase transparency and improve financial performance. These expectations are leading to a significant change in the treasury function as activities become centralized. Many companies are just at the start of this transformation, and are searching for guidance on the operating model of the future.

EY Corporate Treasury teams have more than 250 professionals serving companies across the world in various industries. We provide EY clients with a broad array of end-to-end treasury services, including support with financial risk management, global cash and liquidity management, bank relationship management, treasury organizational structure, technology selection and implementation, treasury integration and carve-out support, debt and investment management, regulatory matters and related functions. We have a network of professionals in tax, law, assurance, advisory and transaction advisory services across the globe. We have the know-how and skills to provide your company with practical but leading-edge services for the treasury function of tomorrow — whatever the future may bring.

# Market overview

## Global treasury trends

As the world shifts, treasury should continue to adapt in order to support the changing needs of the organization. We expect the following global market developments to influence how treasury operates in the future:

**1. The future workplace – improving enterprise integration**

Automation offers tremendous potential for leaders looking to drive transformation in their organization: from cost savings and increased delivery speed, to new operating models, and higher value activities for employees. The objective is to position treasury as a custodian for fully integrating the finance function with the core business, which is enabled by more advanced human and machine collaboration. There is still no shortage of work that only humans can do. However, with "business as usual" no longer possible, leaders must navigate risks unrelated to algorithms, such as maintaining employee morale, building support for change and helping teams adapt to new ways of working throughout the reshaped organization. Getting automation right requires a strong focus on people strategies in order to maintain an engaged, motivated and appropriately skilled workforce.

**2. Technology and digital**

Businesses are certainly feeling the pressure to adapt to digital and be seen utilizing the latest innovations. With all of the hype surrounding new and emerging technologies, such as blockchain, artificial intelligence, and robotic process automation (RPA), treasurers and CFOs are taking a practical perspective on short- and long-term innovation opportunities. EY clients are taking action through enhanced digital education, blockchain proof-of-concept pilot programs, and enterprise-wide RPA initiatives. These emerging technologies offer exponential opportunities to augment treasury management systems (TMS) implementations, which still remain at the core of a sound treasury technology strategy.

**3. Transaction risk**

Every day, approximately 1.2 billion transactions take place in the global financial system.[1] Spotting which of these transactions are connected to financial crime is incredibly difficult, especially when these transactions happen within a tiny fraction of a second and are followed up almost instantaneously with new related transactions. Banking regulators are looking at how financial technology and process innovation can change the way they think about know-your-customer (KYC) protocols and tackling money laundering. They are talking about what they can do as a group to facilitate different ways of working, to make the whole regime more effective. We expect banks to leverage technology, data and new ways of thinking to shift their focus away from compliance toward proactively preventing and disrupting fraudulent activities. However, there are new entrants to the market (such as financial technology (FinTech) companies) that are facilitating payments and other transactions in a less regulated environment.

**4. Tax reform**

International corporate tax regimes are being reshaped by several major initiatives, such as Base Erosion and Profit Shifting (BEPS) and the US Tax Cuts and Jobs Act (TCJA).

With the Tax Cuts and Jobs Act, the US moved from a worldwide taxation system for businesses to a territorial system – a policy that the other G7 member countries already have in place. The shift in US policy could have sweeping implications for an organization's business and operating models. The US won't be the last jurisdiction to modify corporate tax structure as regimes are trending towards policies that favor a domestic tax base while eliminating tax shelters and loopholes for foreign investment (base erosion).[2] Tax reform in one more large economy could be a game changer, forcing businesses once again to rethink their strategy.

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1. *Banker or crime fighter? The role of banks in disrupting crime in the 21st century,* EYGM Limited, 2018
2. *The outlook for global tax policy in 2018*, EYGN Limited, 2018

**5. LIBOR change**

By 2021, interbank rates, such as the London Interbank Offered Rate (LIBOR) are expected to be replaced by an Alternative Reference Rate (ARR) as the global interest rate benchmark. In April 2018, the Federal Reserve Bank of New York launched a benchmark US rate to potentially replace LIBOR. The Secured Overnight Financing Rate (SOFR) is part of a plan to transition away from the LIBOR. LIBOR change is going to affect virtually every corporate treasury dealing with many different dimensions linked to these rates. The effects are significant and will likely influence broad parts of an organization as these rates are pertinent to the business of a corporate treasury, ranging from facing market value exposure to Investment Book of Records (IBOR) in its normal day-to-day job.

**6. Corporate M&A outlook**

The outlook for corporate earnings and credit availability remains strong. These are two key ingredients for a robust M&A market. According to the EY 2018 Global Capital Confidence Barometer,[3] 86% of surveyed finance leaders expect the global M&A market to improve in the next 12 months. Based on this level of optimism, it is conceivable that M&A activity will remain high for the next several years. As a result, corporate treasurers may be challenged to manage the funding and liquidity needs of a more complex organization and establish integrated operations.

3. *Is your portfolio fit for the future or fashioned on the past: Global Capital Confidence Barometer 2018*, EYGM Limited, 2018.

# EY services

## The dedicated treasury resources focus on developing and delivering actionable and practical services that can help unlock your treasury department's value to the overall organization.

We can complement your deep knowledge of business with our hands-on understanding about the dynamics between treasury and corporate strategy based on the experience working with clients. With teams of treasury resources, we can support you when and where you need us the most. Our proven tools and methodologies allow us to develop rich insights, design actionable recommendations, and help you implement these quickly to meet your company's rapidly changing needs.

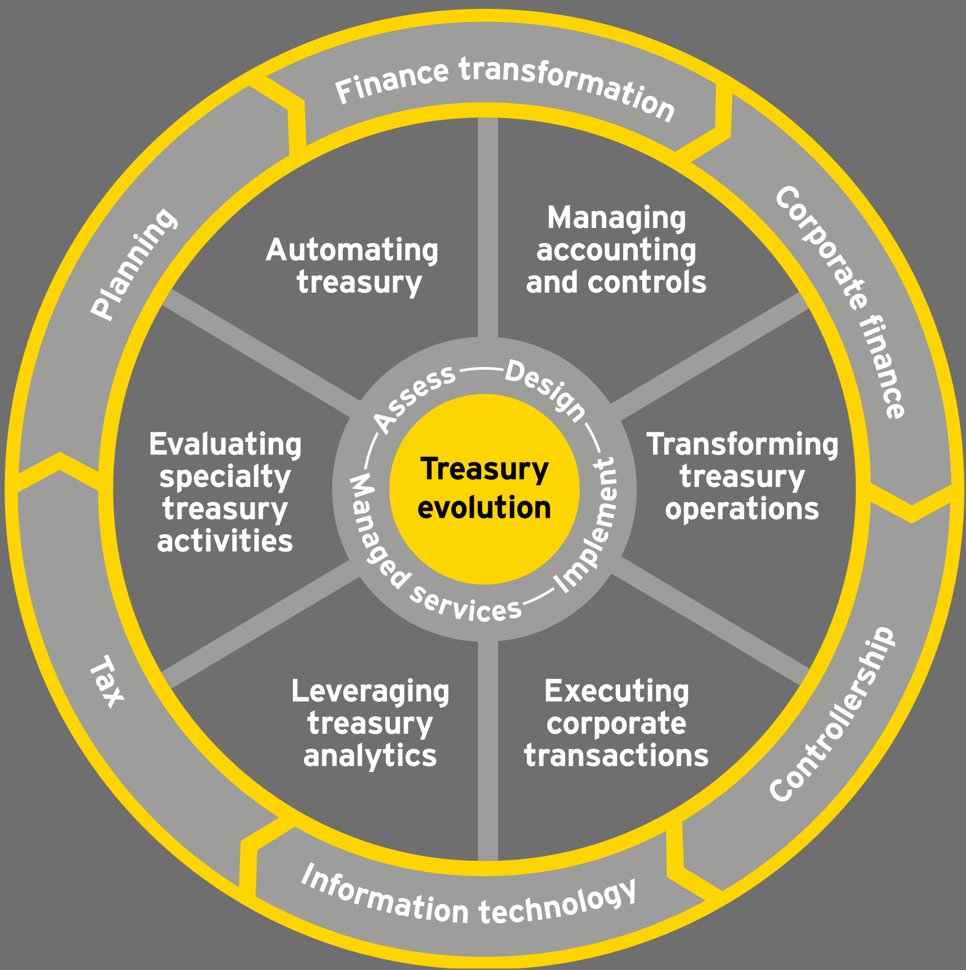
When making decisions about your treasury department's objectives, it's important to consider each decision's impact on both the treasury function and the company as a whole. We can help you address the impacts and interdependencies of treasury decisions by factoring in the broader areas of audit, corporate finance, tax, technology, and finance transformation. Together, we can create a customized program of integrated treasury services to meet your particular needs.

# Treasury evolution

## Is your treasury function evolving fast enough to keep up?

As companies address the challenges of today's fast-changing world, treasury is increasingly asked to support execution of the broader business strategy through a variety of initiatives:

- Automating treasury
- Managing accounting and controls
- Transforming treasury operations
- Executing corporate transactions
- Leveraging treasury analytics
- Evaluating specialty treasury activities



## Automating treasury

| Questions you might ask yourself | Services where EY may be able to help |
|---|---|
| 1. Does your treasury technology support your company's evolving needs?<br>2. Is your existing treasury technology sufficient to support your company's future growth?<br>3. Are you getting the most out of your existing treasury systems?<br>4. Does your company have a strategic plan for treasury technology? | • System selection<br>• System diagnostic<br>• Point solution<br>• SAP treasury<br>• Third-party treasury management system |

## Managing accounting and controls

| Questions you might ask yourself | Services where EY may be able to help |
|---|---|
| 1. Does your treasury function provide an adequate control environment to address emerging risks and demands of the changing regulatory landscape? | • Processes and controls<br>• SOX readiness<br>• Internal audit<br>• External audit |

## Transforming treasury operations

| Questions you might ask yourself | Services where EY may be able to help |
|---|---|
| 1. Does your treasury function effectively and cost-efficiently support the needs of the evolving business?<br>2. Are you efficiently using cash pooling, treasury and shared services centers, in-house banks, payment factories, re-invoicing, and netting to drive standardization, centralization, and scalability of your treasury capabilities? | • Cash pooling and netting<br>• Treasury center<br>• Treasury shared services<br>• Banking relationship structure and management<br>• Payment factory<br>• In-house bank<br>• Re-invoicing<br>• Trading and risk centers |

## Executing corporate transactions

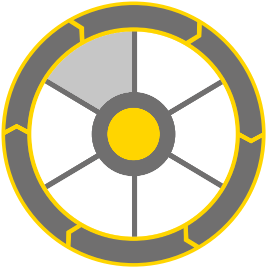
| Questions you might ask yourself | Services where EY may be able to help |
|---|---|
| 1. Is your treasury function ready to support your company through evaluation, planning and successful execution of a strategic transaction – whether it's a merger, acquisition, divestiture, spin or IPO? | • Treasury due diligence<br>• Treasury IPO<br>• Treasury separation<br>• Treasury integration<br>• Restructuring |

## Leveraging treasury analytics

| Questions you might ask yourself | Services where EY may be able to help |
|---|---|
| 1. How well does your treasury function leverage analytical tools to evaluate potential future outcomes and risks, protect the company's assets, support business decisions, unlock cash from the business, finance the company and invest excess cash? | • Credit<br>• Balance sheet management<br>• Financial risks<br>• Working capital<br>• Cash forecast<br>• Treasury investments<br>• Funding and capital markets |

## Evaluating specialty treasury activities

| Questions you might ask yourself | Services where EY may be able to help |
|---|---|
| 1. Has your treasury function been tasked with supporting new activities – whether it's establishing a payment entity, factoring receivables, managing benefit plans and real estate, enhancing payment security, or managing insurance?<br>2. If not, are you truly leveraging the value treasury can create for your company? | • Payment entity<br>• Payment security<br>• Receivables factoring and supply chain finance<br>• Benefit plan<br>• Real estate<br>• Insurance |



# Automating treasury

Technological change is opening up opportunities for the treasury function. By leveraging technology, treasury can help organizations streamline processes and reduce manual efforts to gain efficiency, lower costs and enhance control levels.

## 1. A changing landscape

- Complex organizational structures involving payment and collection factories and in-house banks require the support of efficiently configured systems to cope with volume.
- Organizations increasingly move toward paperless offices and straight-through processing.
- The availability of real-time information and increased transparency requirements demand strong technology approaches fed by complex interfaces.
- Potential drivers for technological change in treasury include bank account management, bank service billing, business continuity, cybercrime, cloud computing, mobile payments, connectivity, business intelligence and the potential for increased automation.
- New systems and processes are needed to respond to the ongoing wave of global standardization (e.g., SWIFT ISO 20022, IBOR transition, hedge accounting change).
- Developments and technological innovations are leading to a rethinking of treasury technology, including how to leverage RPA to enhance automation and control.

## 2. The impact

- Keeping up with new developments driven by FinTech companies and the standardization, harmonization and simplification of daily business processes in the treasury department is crucial to support the organization's daily business.
- Treasury can add value by using newer technologies and ensuring that systems are up-to-date and fully leveraged.
- Paperless offices and straight-through processing can increase treasury's efficiency and cost effectiveness.
- New capabilities exist for connecting to banks, trading platforms and other financial services, customers and suppliers.
- Interconnectivity and reliance on systems and networks potentially increase the risk of cyberattacks, creating a need for treasury to be more aware of risk and mitigation.

## 3. Addressing functional requirements

Keeping up with new technological developments is a challenge. The treasury function should be aware and determine a risk and reward profile. Areas of improvement may include:

- Developing a clear and forward-looking treasury IT roadmap as a key step to designing and building of the treasury's IT infrastructure and architecture
- Establishing a treasury technology architecture that is integrated with enterprise-wide approaches. This requires properly aligning functional and technical capabilities of systems within the architecture to achieve process integrity and operational efficiency.
- Confirming that all the system interfaces work seamlessly when new or different systems are added
- Using published application programming interfaces (API) offered by system providers and banks to interface with ERP, TMS and peripheral systems
- Implementing multibank connectivity with direct interface into TMS through SWIFT/P2P or robotics
- Creating comprehensive documentation around the systems used, format and creation of interfaces and key decisions and assumptions in the use of systems
- Creating a maturity review of existing landscape to assess leverage of all currently employed tools

## EY can help you:

- Develop a treasury IT strategy, taking into account industry comparisons and leading-practice observations
- Provide assistance on vendor selection and systems to be considered in a structured selection or replacement process of a TMS, trading platform, deal-confirmation matching system or other treasury-related tools
- Implement treasury management and related systems and configure required interfaces
- Perform a treasury technology review and compare leading-practice observations
- Identify process improvement possibilities
- Assess cyber risks and other vulnerabilities
- Create reports and dashboards graphically representing all treasury and peripheral data

## Sample project

EY assisted a privately owned company in the construction machinery industry to unify its highly fragmented treasury-IT infrastructure and implement straight-through processing wherever possible.

# Managing accounting and controls

As the risk profile of organizations continues to change, there is a growing need to assess, design and implement an effective treasury governance and controls framework that meets specific needs and addresses the evolving regulatory landscape. Organizations must understand and apply the appropriate accounting methods to manage businesses globally as well as domestically.

## 1. A changing landscape

- Ongoing changes in the accounting and reporting standards with an immediate impact on treasury departments (e.g., IFRS 9, GAAP).
- The assessment and valuation of financial instruments is challenging but critical due to financial market volatility.
- Identifying the Debit Value Adjustments (DVA) and Credit Value Adjustments (CVA) within derivative valuations is becoming crucial for both economic and accounting purposes.

## 2. The impact

- Counterparty (e.g., CVA) and liquidity risks should be quantifiable components of risk assessments and valuations.
- With the increasing use of derivative instruments for hedging, it is important to keep relevant accounting rules in mind to ensure that accounting results are in line with the hedging strategy's economic rationale.
- The treasury function should have an adequate understanding with regard to the valuation of financial instruments and the correct presentation of these valuations.
- Treasury systems should be able to value financial instruments and provide the necessary booking entries.
- A clear definition of a policy framework, including roles and responsibilities at all levels, is necessary to set the boundaries of core treasury operations and accounting.

## 3. Addressing functional requirements

Treasury accounting is one way to hedge company risks with little impact from market movements. Depending on the type of instrument, treasury accounting can have a significant impact on an organization's income statement. Key areas for improvement can include:

- Evaluating the implications of new or changing accounting standards for an organization's hedging strategy
- Evaluating the implications of accounting standards on funding, investment, hedging, and tax strategies
- Identifying and implementing the new disclosure requirements
- Measuring unintended dislocations between cash and accounting flows (e.g., ineffectiveness)
- Designing the related policy framework for the treasury within the target operation model (TOM), and ensuring that reporting lines, committees, key performance indicators (KPIs), limits and authorities are clearly defined
- Developing appropriate structures (including governance) and identifying the right approach so that the treasury function can take on a key role as a strategic partner for management
- Determining further improvement potential in terms of governance structures, organization, technology and processes based on the outcome of the above

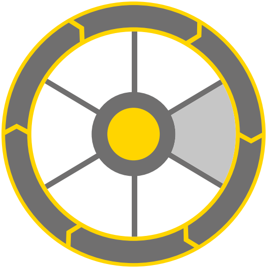
## EY can assist as you:

- Identify the main sources of financial risk exposure and measure your "natural" hedging effectiveness
- Develop and validate models to quantify and monitor financial risks, including value at risk (VaR), general accounting rules and scenario analysis
- Implement appropriate hedge accounting processes to reflect adequately on economic exposures, including hedge effectiveness testing
- Develop reporting to enable effective monitoring and mitigating of financial risks by management
- Design a hedge accounting strategy to reduce economic risk by forecasting how it will impact the financial statements
- Develop and implement internal control structures and documentation within the treasury department
- Design your entire governance structure process, from the definition of objectives to the implementation of a new or revised structure and underlying processes, including definition of roles and responsibilities
- Establish a treasury policy framework, including guidelines and process descriptions

## Sample project

EY assisted a food company in their process to update their foreign exchange (FX) policy, including:

- Redesigning the TOM and associated FX strategy
- Improving the overall FX exposure recognition through automated cash flow forecasting
- Implementing IAS 39 hedge accounting – from documentation to effectiveness testing



# Transforming treasury operations

The importance of treasury has steadily increased over the years as it reflects the underlying business strategy of the enterprise. Therefore, it is crucial to have a robust organizational structure with a clearly defined and forward-looking governance supporting the TOM and its treasury vision. This approach can help the treasury function to meet current and future economic and regulatory requirements, streamline processes, and increase efficiencies.

## 1. A changing landscape

- The trend toward digitization and a greater focus on transparency, control and performance is driving the centralization of treasury activities, including cash and liquidity management.
- As the responsibilities of the treasurer expand to include areas such as tax, working capital, regulatory and macroeconomic issues such as the Eurozone crisis, there is a growing emphasis on a strong relationship between the treasurer and the Chief Financial Officer, who must work in parallel to meet targets.
- New offerings from banks and FinTech companies, such as collection factories, new payment means or cash flow forecasting on the basis of predictive analytics, are accessible to treasury departments of all sizes and maturity levels.
- Today's interest rate environment of low and even negative interest rates is influencing cash management and its strategies, including investments or cash pooling.
- Macroeconomic considerations (e.g., depegging of currencies, change in interest rate environments) and the impact of business decisions, such as expansion into emerging markets, with the potential threat of trapped cash or need to deal with new currencies, must be taken into account.
- Markets and financial institutions are paying ever-closer attention to businesses' abilities to manage liquidity.
- Organizations are increasingly looking for independence from banks, and turning to new, alternative sources of funding such as peer-to-peer platforms and online liquidity providers.
- The use of new technologies and the implementation of international banking standards increase the efficiency of cross-border transactions and support the implementation of centralized functions such as payment factories, in-house banks and even collection factories.

## 2. The impact

- The treasury function should have a seat at the table when it comes to strategic discussions and decisions involving currency, political and macroeconomic scenarios.
- The treasury function should have a clear mandate from the organization with regard to its mission, vision and TOM.
- The centralization of cash management processes frees up the treasury function to focus on value-added activities such as working capital management and the improvement of supply chain financing.
- Implementation of centralized functions demand leaner and more automated processes and the management of related change processes from a people perspective.
- Cash availability and efficient, sustainable liquidity management gives a positive impression to rating agencies and therefore can stabilize the organization's rating.
- The use of monitoring and liquidity risk methodologies such as stress testing is spilling over from the financial services industry to become a leading practice for companies.
- Alternative liquidity providers may improve short-term borrowing.

## 3. Addressing functional requirements

As companies seek more efficient, agile and scalable operating model, the treasury department could take up several strategic functions. This can include:

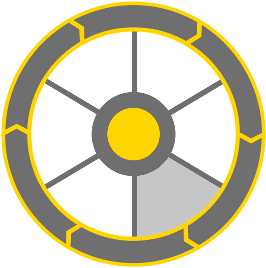
- Developing a vision and clear strategy for the treasury function's future TOM and where it will stand in five to seven years, and evaluating the appropriate level of centralization
- Moving away from acting as a cost center and becoming a value-adding service center
- Improving cash visibility throughout the company, including the ability to track cash flows on a daily basis by improving cash flow forecasting (e.g., predictive analytics)
- Creating intercompany netting, such as accounts receivable and payable, and settlement to enhance cash allocation
- Improving working capital management
- Implementing automation to make the transactions process more efficient

## EY can assist as you:

- Conduct a treasury maturity assessment covering all functions within treasury and determine gaps between the current state and target state or leading practices
- Facilitate future state development by defining TOMs, organizational setup and key performance indicators
- Perform a current state analysis of the organization, processes, systems, methodologies and control environment
- Conduct preliminary studies and develop business cases for the implementation of new operating models, such as in-house bank, payment factory, netting solutions, including roles and responsibilities, governance structure
- Set up cash centralization structures, with overlay structures such as cash pooling, and assist with the selection of banking partners
- Design and implement payment factories, collection factories and in-house banks, including technical support (ERP, TMS)
- Implement cash flow forecasting and evaluate the potential use of predictive analytics
- Develop liquidity stress testing frameworks

## Sample project

EY supported one of the world's largest food and beverage companies in running an assessment of their treasury function and providing leading practice inputs for the definition of their future way of working, including digitization of treasury and finance functions.



# Executing corporate transactions

Organizations continue to pursue strategic transactions to enter new markets, expand their product lines, rebalance their portfolio of businesses, sell non-core assets, execute the change in their strategic direction, and improve their operating model. As it relates to each strategic transaction, companies value sound decision-making, seamless execution, timely achievement of the financial targets, and reducing the risk of business disruption.

## 1. A changing landscape

- In this environment, treasury functions are increasingly involved in identifying, planning and executing strategic transactions.
- Doing this well requires a combination of deep treasury technical knowledge, experience executing strategic transactions, availability of already scarce treasury resources to support each transaction, integration with other functions outside of treasury, and effective project management approach.
- Inability to meet these requirements can result in missed opportunities to increase the value of the company, if not significant financial losses.
- A comprehensive integration plan is critical to mitigate the risk of a cultural and operational divide.

## 2. The impact

- There may be tight overall deal timelines.
- Treasury being an "after-thought" limits the time to address treasury issues.
- There are limited treasury resources available to support the deal execution.
- Treasury issues that can delay the deal closing.
- There may be a lack of proper treasury coverage that can result in business disruptions and financial losses.
- There is a risk of failing to meet the deal's financial targets because of treasury costs.

## 3. Addressing functional requirements

- Well-defined planning for treasury activities before, during, and after the deal closing
- Timely execution of the deal
- Reduced risk of business disruptions due to treasury issues
- Treasury contributing to the financial success of each deal
- Highly trained, technical treasury resources available when and where they are needed most
- Balance of short-term needs of each deal and long-term treasury goals
- Design a dynamic operating infrastructure that has scale and can adapt to the organizational needs as the business evolves beyond day 1 go live
- Effective organizational design that is integrated with the broader finance and business processes and functions
- For carve-outs, it is essential to evaluate the proper design options and not accept clone-and-go as the only option. Also the urgency to move off of a TSA to achieve operational independence and internal functional expertise to strategically support the growth objectives of the new organization (SpinCo)

## EY can assist as you:

No matter what the transaction type is, our experienced treasury professionals can support your due diligence, pre-close, deal closing, and post-close efforts by providing strategic, tactical and hands-on assistance:

- **Treasury carve-out:** a broad service focusing on addressing treasury aspects of a divestiture or spin-off to support successful close of the transaction without business disruptions to meet the deal objectives of all parties – whether it's the seller, the buyer, or the divested business itself.
- **Treasury integration:** a broad service focusing on aspects of treasury integration – from due diligence to post-close – to help you successfully close an M&A transaction, achieve planned synergies, and provide high-quality treasury services to the combined organization in a cost-effective manner.
- **Treasury IPO readiness:** a comprehensive service focusing on serving as a journey team for private companies seeking to go public by assisting them establish the necessary treasury capabilities to meet the needs of a public company.

## Sample project

EY assisted a global diversified manufacturing company with addressing treasury considerations related to the integration of several businesses and subsequent spin of stand-alone companies.

# Leveraging treasury analytics

In our rapidly changing world, the challenges your organization is facing evolve every day. In this environment, treasury is uniquely positioned to address these challenges in support of your business strategy by leveraging analytical tools to protect assets, inform business decisions, unlock cash, finance the business and invest cash.

## 1. A changing landscape

- Companies face multiple market price risks, including strong market volatility, especially with regard to FX, interest rate credit, and commodities.
- As companies expand globally, they have to deal with new currencies and related financial risks.
- As companies' margins shrink due to greater competition and changing compliance regulations, better hedging and risk management strategies may be needed.
- Risk management methodologies, such as stress testing, are spilling over from financial institutions to corporations.
- Credit and settlement risk require increased focus and monitoring.
- Recent macroeconomic developments, such as the Eurozone crisis and volatility in emerging markets, have increased financial and credit risks.

## 2. The impact

- Insufficient identification, monitoring and management of growing risks can result in volatility in financial results, financial loss and reputational damage.
- Treasurers are increasingly being asked by the CFO and others in the C-suite about their views on macroeconomic developments.
- Companies should identify and define their risk capacity and appetite amid greater market volatility, setting the boundaries for risk management.
- The risk universe for corporate treasurers has increased in terms of commodity, credit and settlements risks.
- Commodity hedging is increasingly on the agenda of companies.

## 3. Addressing functional requirements

In an ongoing environment of risk and uncertainty, the treasury function is increasingly charged with managing risk in order to improve the organization's financial performance. Key areas of improvement include:

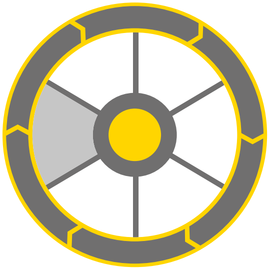
- Developing an effective cash flow forecast that incorporates early warning indicators and variance analysis to enhance forecast accuracy
- Involving the treasury function early in supply chain financial risk management, especially for commodity-intensive corporates (CIC)
- Clearly defining a risk management framework, including risk appetite, policy limits, communication and reporting lines
- Identifying, quantifying, managing and monitoring key financial risks, including liquidity, FX, interest rate and counterparty risks
- Establishing processes and implementing systems that support early identification of risk drivers and exposures and mitigating actions
- Aligning hedging strategies with the company's overall objectives while confirming that valuation methods for derivatives do not lead to profit volatility
- Establishing company-wide transparency to improve natural hedging
- Promoting consistent separation of functions in risk management and the need for appropriate monitoring and reporting of systems
- Increasing risk monitoring, reporting and assessing the related impacts (e.g., through stress testing)

## EY can assist as you:

- Develop leading practice cash flow forecasting process linked to integrated business planning
- Implement new or enhance existing programs to effectively manage balance sheet, financial risks, debt and investments, cash flow, working capital and credit
- Develop a strategy for financial risk management within your financial supply chain
- Develop and validate models to quantify and monitor financial risks, including value at risk (VaR), earnings at risk (EaR), market value of equity (MVE), market value of invested capital (MVIC), apply general acounting rules and perform scenario analysis
- Integrate financial products into the information system for valuation purposes
- Implement appropriate hedge accounting processes to adequately reflect economic exposures, including hedge effectiveness testing
- Develop appropriate reporting to support management to effectively monitor and control financial risks
- Develop a forward-looking plan for evaluating corporate debt ratings and conversations with the rating agencies

### Sample project

EY performed an analysis of the FX risk management practice for a company in the retail industry that experienced huge losses due to FX swings, and devised a strategic realignment of the company's overall FX practice.



# Evaluating specialty treasury activities

As companies define their business strategies, treasury functions may be asked to take on new responsibilities, such as establishing a payment entity, factoring receivables, managing benefit plans and real estate portfolio, strengthening payment security defenses, or managing insurance programs. It is critical to identify opportunities to improve the value treasury can create, and work toward establishing the necessary capabilities that will help capitalize on these unique opportunities.

## 1. A changing landscape

- Supporting the financial well-being is further elevating the importance of managing pension and retirement assets to increase investment and benefit outcomes.
- Profound regulatory change, unprecedented opportunity in emerging markets, lingering economic uncertainty, and technology-driven disruptions are creating significant risks for companies that need to be controlled or transferred to an insurance provider.
- The world is recognizing that the existing payment infrastructure in the banking network is outdated. As a result, modernization initiatives are being launched at both global and local levels.
- Payment technologies offer many new ways to transfer funds (e.g., mobile payments, e-billing, peer-to-peer) and global developments are moving organizations toward the standardization of payments and reporting formats.

## 2. The impact

- Companies increasingly seek to streamline processes to improve the cash cycle including the procure-to-pay process.
- Innovative FinTech companies are offering interesting new approaches to process payments and collections.
- Connectivity with banks and other financial service providers is increasingly important.
- Companies are seeking to improve investment program governance and accountability while reducing compliance and fiduciary risk.
- Greater emphasis on evaluating insurance management structure and operational framework for deciding when to insure, what risks to insure, where to insure and what terms and conditions to agree to.

## 3. Addressing functional requirements

- Centralizing the organization's payment infrastructure and collection process, including implementing a payment or collection factory
- Defining a strategy for payment offerings, including possibly partnering with FinTech companies, in order to be able to offer clients and customers new payment methods
- Implementing controls to ensure compliance with Anti Money Laundering (AML) laws by screening for sanctioned countries and individuals or groups subject to financial sanctions before the release of payments
- Understanding KYC banking regulations
- Considering and formulating a response to cyber and fraud risks that accompany digitalization and new technologies
- Managing investment portfolios with asset liability positioning, asset allocation targets, performance evaluation, as well as delegations of investment authority
- Applying the total cost of risk concept (TCOR) combining insurance, loss avoidance and alternative risk transfer

### EY can assist as you:

- Apply leading-practice insights and know-how in developing a strategic orientation for payments
- Implement payments and collection applications, such as mobile payments, e-billing and direct debit
- Assess cyber risks arising from digitalization and new technologies
- Assess investment governance structures, operational frameworks, and relative performance of defined benefit pension plans, 401(k) defined contribution plans, endowments, foundations, and other investment vehicles
- Evaluate the selection of insurance providers, coverage and liability limits as well as the trade-off between premium and deductible and determination of criteria for risk retention and risk transfer

### Sample project

EY supported an insurance company in the implementation of new mandatory payment formats, on the basis of ISO 20022, including the deployment of new cash management reporting formats.

# How EY can assist

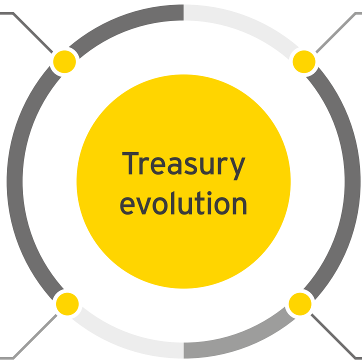
EY has developed a multi-tiered approach to provide treasury advisory services across the functional areas covered by the EY global treasury platform:

**Assess**

- We can help you define the project scope and timeline and review your organizational treasury structure, processes and related technology.
- We can help you measure various aspects of treasury across functional activities and can apply an industry-based maturity spectrum to provide you with a high-level view of your current state.
- We can work with you to define the high-level future state vision and identify the steps required to achieve the desired level of treasury maturity.

**Design**

- We can help you design future state treasury processes across functional areas in scope.
- We can provide leading practice examples and address interdependencies with other processes.
- We can support you to create a future state road map, goals and objectives and a detailed project plan.




**Implement**

- We can help you develop an implementation project plan for various work streams and document objectives and key milestones.
- We can leverage our proprietary tools, enablers and accelerators to reduce project timeline, eliminate potential rework and limit project fatigue often observed during larger-scale transformational projects.
- We can continuously do pulse checks and communicate with you.

**Managed services**

EY Corporate Treasury is also piloting a managed treasury services platform to give you the opportunity to re-deploy your resources so you can focus on strategic activities and business partnering. Whether you're interested in greater comfort, improved performance or enhanced insight, EY Managed Treasury Services can help you do more, with fewer resources, in a short period of time. We have invested in talent and technology which consistently provides high quality in a challenging and ever-changing landscape.

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EY | Assurance | Tax | Transactions | Advisory

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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