

Shoring Up the Corporate Treasury



By Eric Kamback, CEO, The Bank of New York Mellon Treasury Services



What are treasury managers thinking about in the wee hours of the morning? According to a recent survey conducted by Treasury Strategies, Inc.*, *technology* is the number one reason that many financial professionals aren't getting the recommended eight hours of shut eye.

Perhaps the reason that so many treasury professionals spend so much time thinking about technology lies in the fact that automation supports many, if not most, of the financial processes companies perform today.

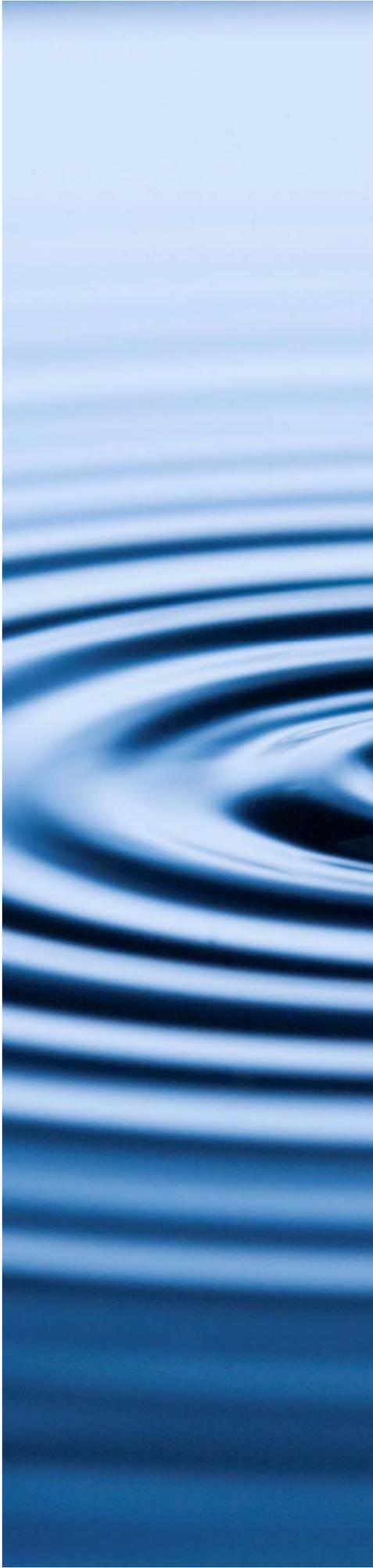
It's easy to see why choosing the "right" technology — one that is effective, affordable, enduring, reliable and supported by a responsive client service team — from a rapidly changing and ever-expanding universe of options could cause a lot of tossing and turning for decision makers.

While I can't help you zero in on specific technologies within the scope of this article, I can tell you this: If you are going to succeed in the treasury field, you will need to embrace technology.

Chances are your role in supporting your company's business strategy has been steadily increasing in recent years — and at the same time, your staffing levels have declined. Yes, you and your staff can work faster and harder. But technology will help you work smarter. Simply put, technology plays a significant role in the future of cash management.

The Top Five Things Technology Can Help You Do In Treasury

While technology can be used to support numerous facets of your treasury operation, I'd like to focus on the processes where companies seem to derive the most benefit from their investments. You should work with your cash management provider to prioritize the solutions that would deliver the most value to your organization.



1. ACCELERATE CASH FLOW

If you aren't using an **exception management** solution, chances are your receivables process may be bogged down by an excessive number (typically 20 percent!) of payments that need to be removed from the normal workflow for manual resolution.

Today, there's simply no reason that this should occur. Web-based solutions that provide intraday access to check images associated with exceptions can facilitate timely decision making and accelerate processing. Users can route images electronically, pull reports and prioritize critical items.

The use of transaction codes to categorize items according to your individual "reasons" can facilitate trends analysis, cash forecasting and other business analyses. The result: a more efficient, information rich receivables process.

Likewise, if you collect consumer payments, you may want to consider the benefits of using **Accounts Receivable Check (ARC) conversion** to transform those payments to electronic debits in your lockbox or drop box. The service provides virtually 100 percent next day availability for incoming payments — and despite apprehension about impacts on client satisfaction, consumers don't appear to be put off.

In fact, check payments are diminishing as more and more consumer payers discover the convenience and reliability of paying electronically. So, if you aren't offering your payers a variety of remittance options to encourage them to pay on time, every time, you are missing an important opportunity.

Consumers are also embracing **online, telephone and kiosk payment options** in record numbers. And many are even willing to pay you an extra "convenience fee" for processing their payments on time if they have waited until the last minute to remit. Offering a variety of payment options can be a win/win for both you and your payers too.

Finally, if you are receiving client payments outside of your lockbox — at your offices or headquarters, you are likely familiar with how these "stranded payments" can impede cash flow. An easy-to-use **remote deposit capture** solution can help you virtually eliminate desk float and trips to the bank. Using an affordable scanning device, you can simply scan the checks you receive and transmit them to your financial institution for processing and deposit.

This option moves payments more quickly through your office and eliminates the time and expense associated with physical transport of checks to the point of deposit, thereby potentially accelerating cash flow.

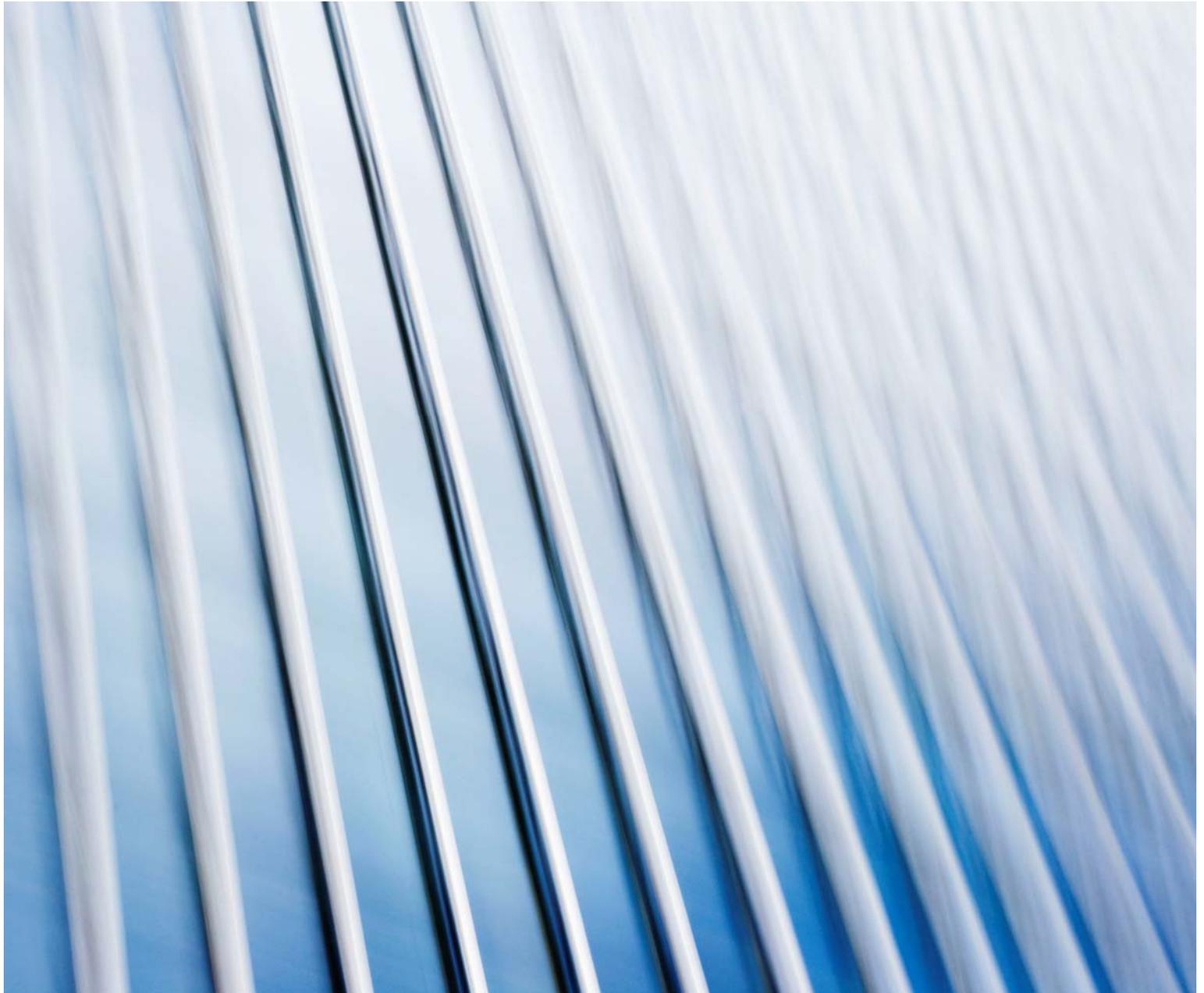
2. IMPROVE THE SECURITY OF YOUR PAYMENT PROCESS

If you still aren't using standard options like **positive pay** and **positive payee**, you might want to reconsider. Just because you haven't experienced a substantial fraud to date doesn't mean that you are immune to the problem — and it is a growing one.

BNY Mellon Working Capital Solutions has uncovered millions of dollars in potential check fraud attempts over the past several years. And, despite the dramatic rise in electronic payments, statistics from the Nilson Report project that the number of checks written annually will rise by two to four percent through the year 2020. At the same time, more than 1.2 million worthless checks enter the payment system daily. Thus, your exposure could be substantial.

Likewise, electronic transactions are fair game for criminals who are intent on misappropriating funds. In the post-Check 21 era, perpetrators are focusing on digitized information, zeroing in on ways to misuse some ACH payment types that rely on authenticating the identity of the person presenting payment information and confirming valid account numbers.

To diminish the possibility of electronic check fraud, you should talk with your provider about preventive measures such as an **ACH debit block** to deter unauthorized debits/credits and to learn more about their check retention/image capabilities. The cost of adding this option is minor compared to the losses that you could experience should a criminal zero in on your organization's electronic payments.



3. REDUCE OPERATING EXPENSES WHILE STRENGTHENING CONTROLS

Many companies are discovering that their most expensive non-revenue generating function is accounts payable. For that reason — and because auditability of the payment process is paramount in today's Sarbanes-Oxley (SOX) environment — **AP outsourcing** has become increasingly popular. Top outsourcers offer companies economies of scale, best practices, skilled AP professionals and reliable technologies that have been shown to cut up to 55 percent off of direct operating expenses.

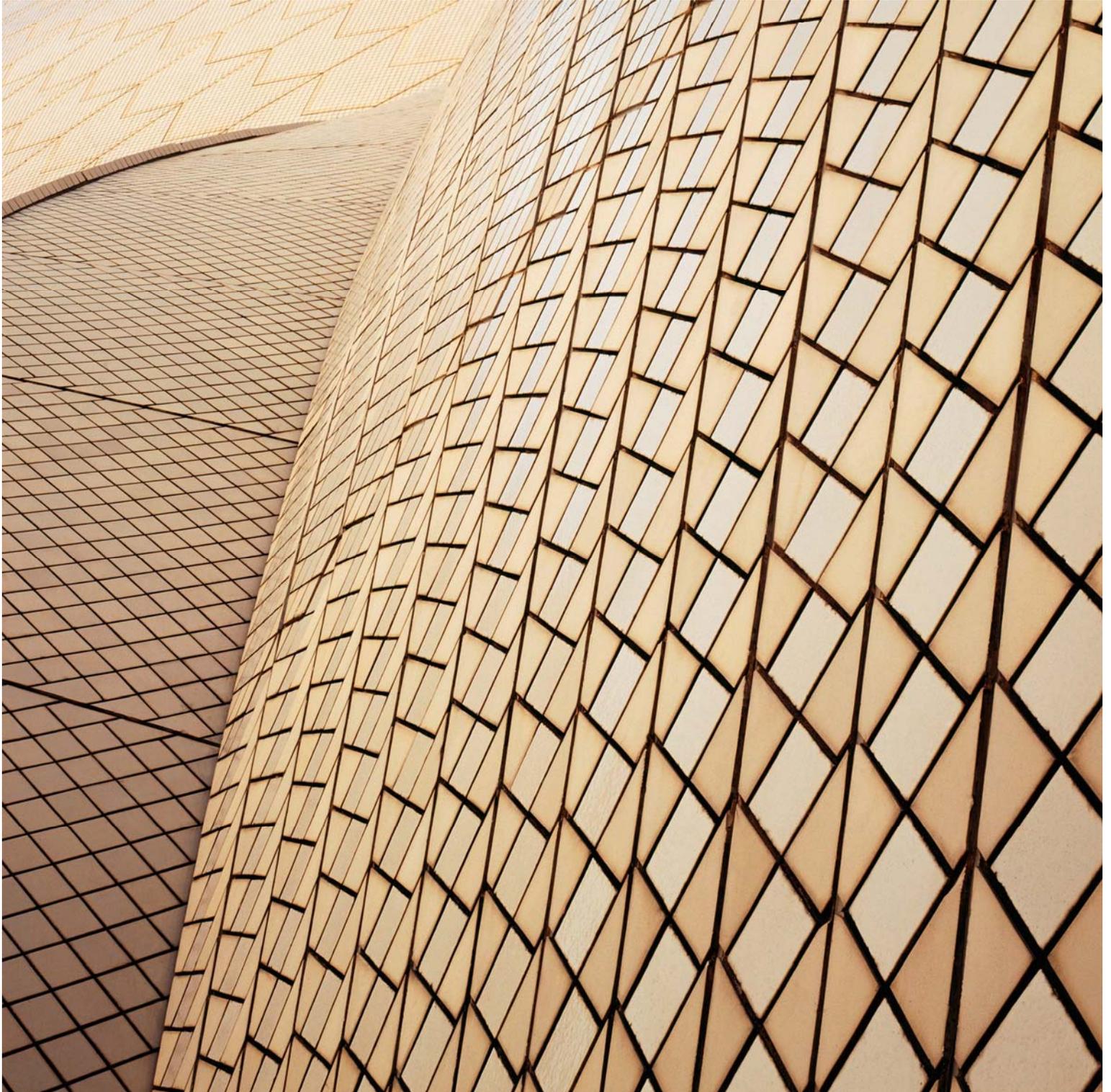
Equally important, the automated payment tracking systems now available can help you create detailed, readily accessible electronic reports to support decision making, ensure timely payments, and deliver detailed audit trails to support SOX compliance.



4. AUTOMATE INVESTMENTS

Letting cash sit idle, even briefly, is generally not desirable. But many companies are still making investments the old fashioned way by placing numerous phone calls, filling out forms and researching options. In the meantime, opportunities come and go. Today, there is an easier and potentially more profitable solution.

Leading providers have launched **online investment portals** that centralize and automate investment options, transaction capabilities and report generation. Some supplement their technologies by giving users access to guidance from seasoned investment professionals who offer insight on investment options.





5. TURN DATA INTO KNOWLEDGE THAT SUPPORTS BUSINESS DECISIONS

Gone are the days when treasury managers tracked cash and ran reports. Today, businesses rely on their treasury area for advice and guidance about a variety of strategic issues that are often contingent upon cash flow.

Many companies are revisiting the potential to use a **Treasury Workstation**. These centralized systems automate and track all treasury processes and data across an entire organization. Information for all business units, currencies and banks is consolidated. Historical data is available for reporting, analysis and control.

The resulting benefits: The same information can be viewed/shared by multiple users. Real time, dynamic data updates are provided, and an automated scheduler helps companies ensure that routine tasks and processes occur unattended.

While Treasury Workstations have been around for many years, the potential value they offer in terms of access to and the sharing of information may be worth investigating.

Last, but not least, you should consider the value of using what The Bank of New York Mellon has named its **Event Manager service**. In doing so, you can receive timely and proactive updates about important transactions 24/7/365 no matter where you are, provided you have access to a phone, fax, or wireless device from which you can access your e-mail.

Knowing when you receive an outstanding payment, when a wire transfer has been processed, or when a potentially fraudulent item has been presented for payment are just a few of the many scenarios that an Event Manager type of service can help you address quickly...without making a trip to the office.

OVERCOMING THE “FEAR FACTOR”

Even if you choose only one or two of the technologies I’ve described here as part ensuring that your treasury department is incorporating the latest tools, you will be a step ahead of where you are today in terms of freeing up your valuable staff resources to support more strategic initiatives.

Don’t let the fear of making the wrong decision send you into a state of analysis paralysis. Work with your cash management provider to identify the technologies that will deliver the most value in your current business environment and take action to pursue them. A consultative provider should be able to supply you with advice and guidance that will steer you toward the best solution for your company.

Keep in mind that you may obtain better pricing from a single provider who offers numerous treasury technologies as part of a comprehensive solution set. So, no matter what options you choose to pursue in terms of technology, work with your procurement department to determine if any service you aim to obtain or are currently using might be rolled into your current banking relationship.

As providers continually expand their services to remain competitive, you may find opportunities to compensate your banks in areas such as e-commerce, financial process outsourcing, etc. By increasing the total value of the relationship, you may achieve better overall pricing for your technology solution without sacrificing quality or expertise.

Here’s to getting a good night’s sleep for a change!





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