

# Evolving Corporate Treasury Priorities Tackle New Market Realities

September 21, 2017

**Presented To**



**Presented By**

Paul LaRock, Director



© 2017 Treasury Strategies, A Division of Novantas, Inc.

The Power of Experience®

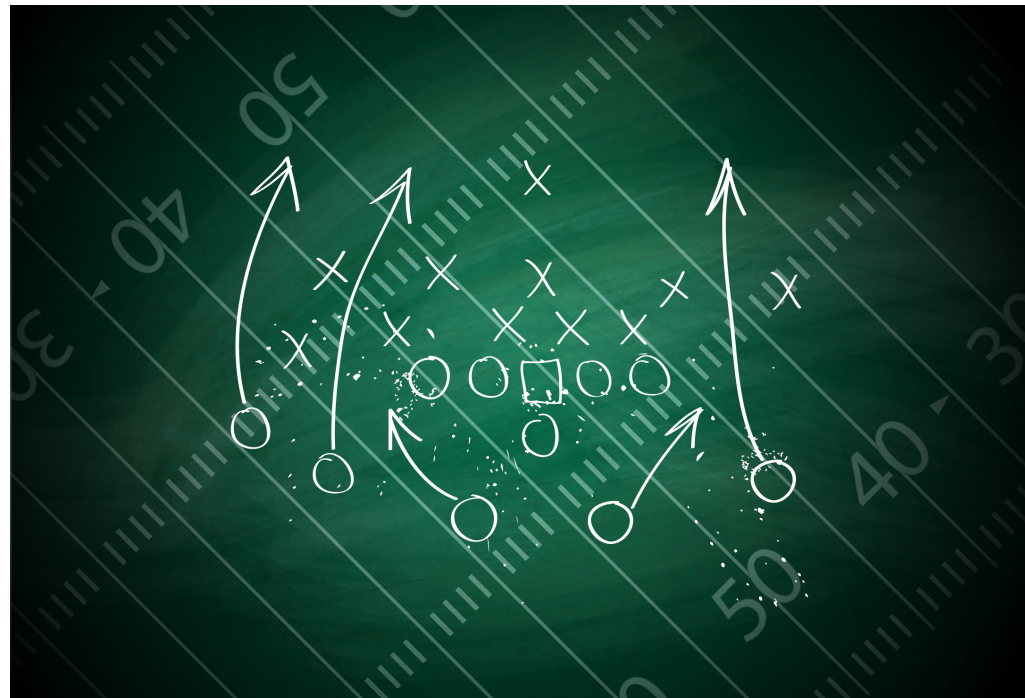
## New geopolitical order

- Bilateral vs. multilateral approaches
  - Brexit
  - US elections
- Role of multilateral organizations?
  - G20
  - BCBS
  - FSB



## Global implications

- Market structure
- Interest rates
- Foreign exchange
- Trade policy
- Role of central banks
- Taxation
- Regulation



## Regulatory

- Basel III
- Money fund regulations
- Rule 385 / overseas corporate cash
- Dodd-Frank
  - Volcker Rule
- EMIR
- MiFID





## Implications for corporate treasury

- Increased complexity
- Interest rate movements
- Availability of credit
- Investment options
- Cost of bank services
- Global cash flows
- FX volatility



- Annual priorities survey prior to SOTP
- Treasury priorities
- Benchmark desires



# 2017 Top Treasury Priorities

	Rank 2017	Rank 2016	Rank 2015
Cash forecasting	1	1	1
Financial risk management, FX	2	2	2
Treasury staffing levels and skill sets	3	8	3
Treasury functional organization	4	3	5
Treasury management systems	5	6	7
Bank relationship management	6	4	6
Best practices	7	5	4
Operational efficiency	8	10	9
Balance sheet optimization	9	9	11
Bank service fees	10	-	-

Source: Treasury Strategies 2017 State of the Treasury Profession Survey

# 2017 Top Benchmark Desires

	Rank 2017	Rank 2016	Rank 2015
Bank service fees	1	-	-
Financial risk management, FX	2	3	6
Cash forecasting	3	4	4
Centralizing or decentralizing treasury functions	4	10	10
Best practices	5	1	2
Treasury management systems	6	7	9
Treasury functional organization	7	8	7
Short-term investments	8	5	3
Treasury staffing levels and skill sets	9	2	1
Banking relationship management	10	6	5

Source: Treasury Strategies 2017 State of the Treasury Profession Survey



# Build Your “A” Team – Internal People

## A new race has begun

### Re-equip treasury to deal with new market dynamics and complexities

- Quality vs. getting by
- The right internal teams
- The right external partners
- The right tools



## Cash forecasting

- New playing field → cash flow impacts?
- Real interest rates
- May need outside help for a workable, valuable forecast



## Treasury technology

- Technology largely in place, although more needed
- Under-leveraged
- Optimization preferred to rip and replace



## Functional treasury organization

- Restructuring – restacking?
- New Treasurers – First 100 Days

## Help your boss succeed

- What kind of treasurer?
  - Balance sheet treasurer: capital structure, investments, interest rates, etc.
  - Income statement treasurer: payments, financial operations, efficiency
- Become an expert in something important to them





## Bank service fee management

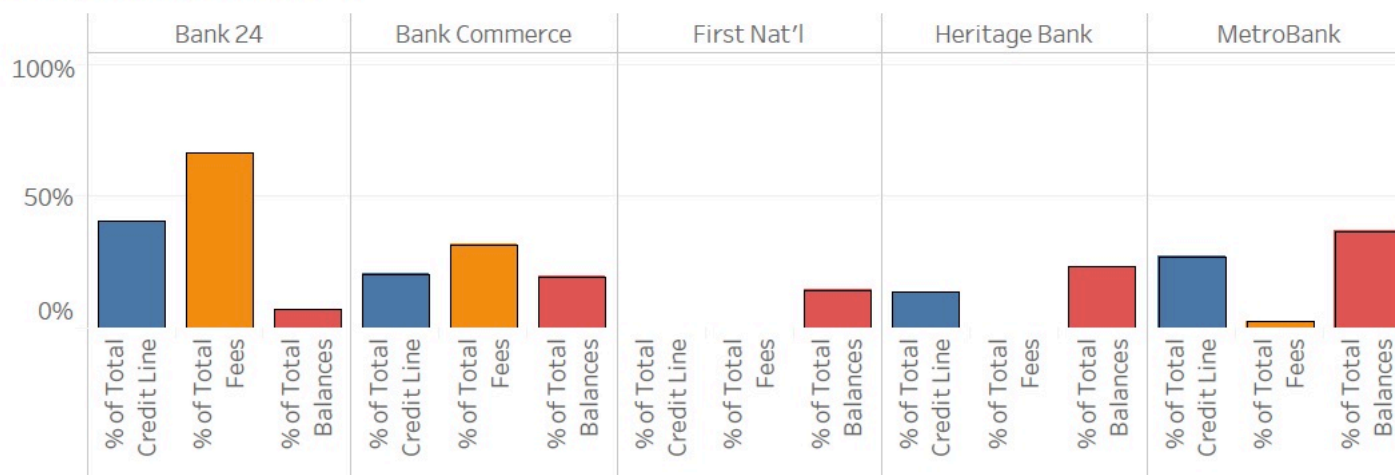
- Ripe for price increases
- Get your hands around wallet allocation and account services
- Put in good dashboards – balances, rates, fees, credit, ECR's
- Understand product spend and variances
- Market benchmarks



## Wallet allocation

- Concept of wallet – balances, services, credit
  - What it means to you, to your banks
  - Role of ECR and BAF on balance allocation
- Wallet allocation goals and discussions
- Tracking your wallet
  - Difficult parts of the wallet – merchant card, p card, etc.

Fees/Credit/Bal - March

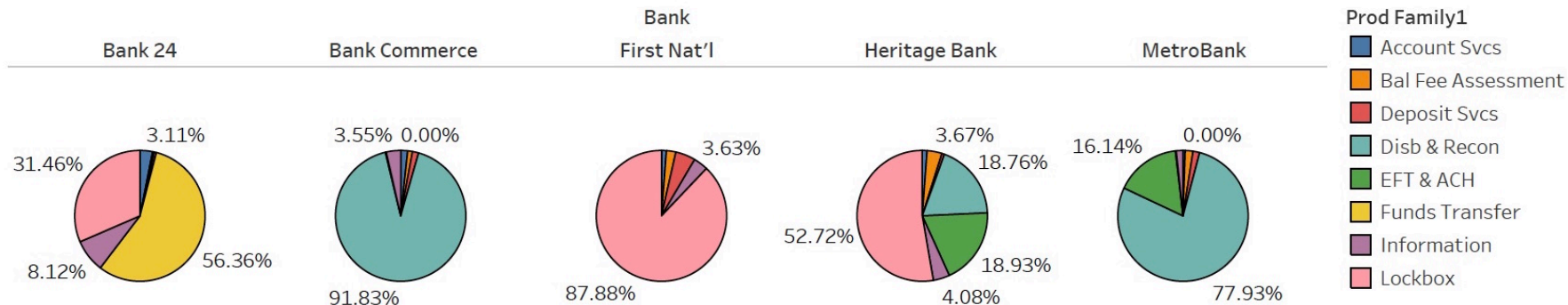


# Bank service fee management

## Account services

- Good vs. bad architecture
- Individual account analysis vs. consolidate account analysis
- Understand your business needs
  - Examine account structure & services used
  - Collaborate with business units on service needs

## Services by bank - June



# Bank service fee management

## Untangling ECRs

- Balance categories – the four types of corporate cash
- Compensating balances and ECRs
- Is an ECR really an investment rate?
- Balance assessment fees
- Nominal vs. effective ECRs
- Rising rate environment – what to expect

	Bank 24	Bank Commerce	First Natl	MetraBank	Grand Total
Ledger Balance	70,255,997	131,624,741	53,178,400	265,993,561	521,052,698
Collected Balances	69,358,780	131,284,434	53,030,918	265,644,266	519,318,398
Earnings Credit	25,657	56,905	26,152	130,411	239,125
- Balance Assessment Fee	10,265	14,067	7,747	33,914	65,993
= Effective Earnings Credit	15,391	42,839	18,405	96,497	173,132
Calculated ECR	0.44%	0.52%	0.59%	0.59%	0.55%
- Balance Assessment Rate	0.18%	0.13%	0.17%	0.15%	0.15%
= Net Effective Rate	0.27%	0.39%	0.42%	0.44%	0.40%



# Bank service fee management

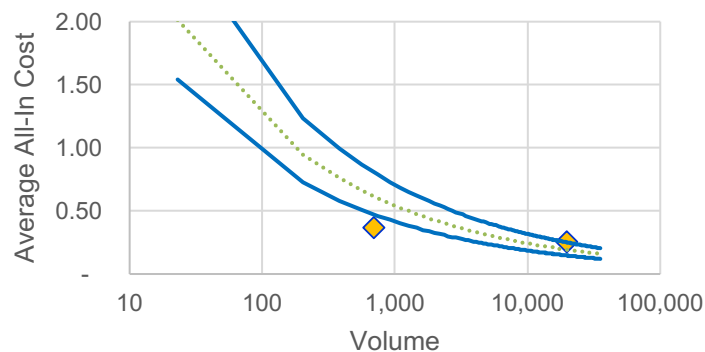
## Managing product families

- Measuring volume correctly
- The all-in unit cost
- Month to month variances – what they may mean
- Comparing to contract prices (and volumes)
- The value of market price comps

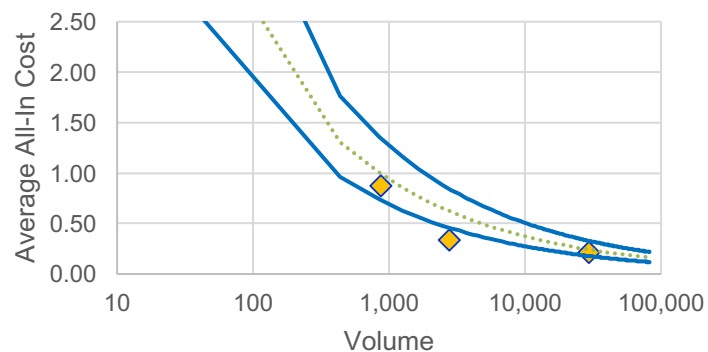
			Monthly Variance Report								
			Heritage Bank								
		Current Period				Prior Period			Variance		
Service		Actual Avg				Actual Avg			Actual Avg		
	<u>Volume</u>	<u>Price</u>	<u>Total Charge</u>		<u>Volume</u>	<u>Price</u>	<u>Total Charge</u>		<u>Volume</u>	<u>Price</u>	<u>Total Charge</u>
Depository Services											
010 000 Account Maintenance	6	20.0000	120.00		16	20.0000	320.00		(10)	-	(200.00)
010 101 Electronic Credits	1,641	0.2000	328.20		1,500	0.2000	300.00		141	-	28.20
010 100 Paper Debits	2,167	0.1800	390.06		2,100	0.2200	462.00		67	(0.0400)	(71.94)
010 100 Electronic Debits	1,670	0.2000	334.00		1,700	0.2000	340.00		(30)	-	(6.00)
000 230 Deposit Coverage	68,796	0.1207	8,307.10		69,132	0.1204	8,323.49		(336)	0.0003	(16.39)
Account Reconcilement Services											
150 030 Full/Positive Pay Maint	8	31.2500	250.00		8	31.2500	250.00		-	-	-
150 120 Full/Positive Pay-per Item	7,524	0.0800	601.92		1,200	0.1000	120.00		6,324	(0.0200)	481.92
150 322 SP Checks Returned	47	25.0000	1,175.00		4	25.0000	100.00		43	-	1,075.00
200 301 ARP Transmission Output	44	15.0000	660.00		50	15.0000	750.00		(6)	-	(90.00)
150 100 Daily Paid List Items	7,524	0.0250	188.10		8,204	0.0250	205.10		(680)	-	(17.00)
151 022 Payee Positive Pay-per Item	7,524	0.0300	225.72		8,204	0.0300	246.12		(680)	-	(20.40)
400 272 SP Current Day per Item Det	4,106	0.0700	287.42		1,325	0.0750	99.38		2,781	(0.0050)	188.05
400 272 SP Previous Day per Item Det	11,228	0.0700	785.96		14,000	0.0700	980.00		(2,772)	-	(194.04)
400 272 SP Previous Day per Item Sum	1,584	0.0700	110.88		1,584	0.0700	110.88		-	-	-
150 410 SP Stop Payments-per Stop	62	9.2903	576.00		55	9.2903	510.97		7	-	65.03

## Market Benchmarks

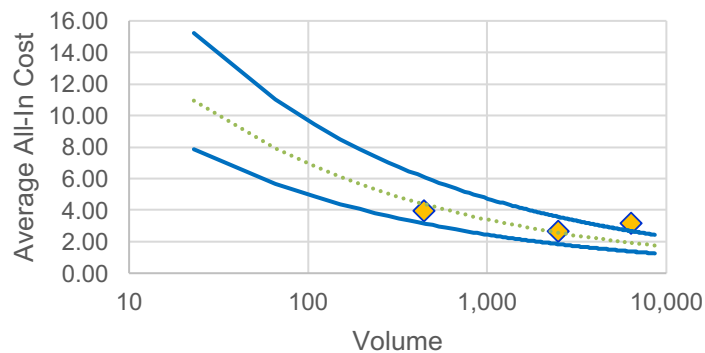
### Deposit Services



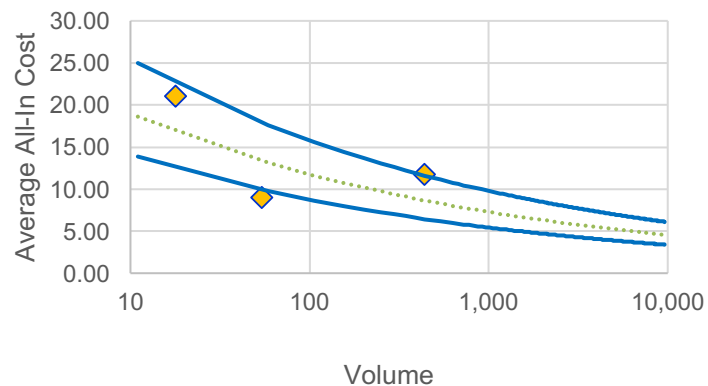
### Disbursements and Reconciliation



### Lockbox



### Funds Transfer



Note: For sample purposes only. Data are hypothetical.

## Today's Speaker



**Paul LaRock**

Director

Treasury Strategies

+1 312-628-6955

[Paul\\_LaRock@treasurystrategies.com](mailto:Paul_LaRock@treasurystrategies.com)

# About Treasury Strategies

Treasury Strategies, a Division of Novantas, Inc., is the leading treasury consulting firm. Armed with decades of experience, we've developed solutions and delivered insights on leading practices, treasury operations, technology, and risk management for hundreds of companies around the globe.

We serve corporate treasurers, their financial services providers and technology providers for the complete 360° view of treasury.

## Solutions

- Global Cash and Liquidity Management
- Cash Forecasting
- Financial Risk Management
- Treasury Organization
- Leading Practices Review and Benchmarking
- Payments Strategy
- RFP Support for Banking Services
- Technology Business Requirements and Gap Analysis
- Technology Selection, Implementation and Optimization
- Treasury Change Management and Resource Support

## Contact Us

**Tony Carfang**

Managing Director

[Tony\\_Carfang@TreasuryStrategies.com](mailto:Tony_Carfang@TreasuryStrategies.com)

+1 312.628.6921

## Connect With Us



<http://www.treasurystrategies.com/networking-communities>



[www.Treasurystrategies.com](http://www.Treasurystrategies.com) +1 312.443.0840



[www.youtube.com/c/treasurystrategiesinconsulting](http://www.youtube.com/c/treasurystrategiesinconsulting)



# NOVANTAS

Novantas is the industry leader in analytic advisory services and technology solutions for retail and commercial banks. We create superior value for our clients through deep and insightful analysis of the information that drives the financial services industry — across pricing, product development, treasury and risk management, distribution, marketing, and sales management.

With more than 200 professionals, Novantas and Treasury Strategies make a formidable team in both bank and corporate treasury markets.

For additional information, please visit [Novantas.com](http://Novantas.com)