

Global Cash Management

→ Corporate cash control with SAP Treasury



In today's challenging environment Corporate Treasurers are faced with **unstable financial markets** and a genuine **liquidity crunch** making it difficult to fund ongoing business needs. Next to that Treasurers need to deal with constantly **changing financial business plans** often as a result of current US recession threats and the economic shift from the western economies towards the BRIC (Brazil, Russia, India and China) area.

In order to face these difficult times, a Corporate Treasury Center (TC) should be able to understand their business needs and deliver true **Global Cash Management** services based on an integrated 4 key-elements Treasury approach

- Streamlining the communication with the local entities
- Developing an internal bank structure
- Straight Through Processing of disbursements
- Treasury & financial supply chain reporting

Streamlining the communication with the local entities

As the local entities are the primary source of information to understand the business needs but are also an important customer of the Treasury Center, a maximum of value-added services should be offered to them - preferably via a secure and single point of access comparable to a custom-made web based banking solution.

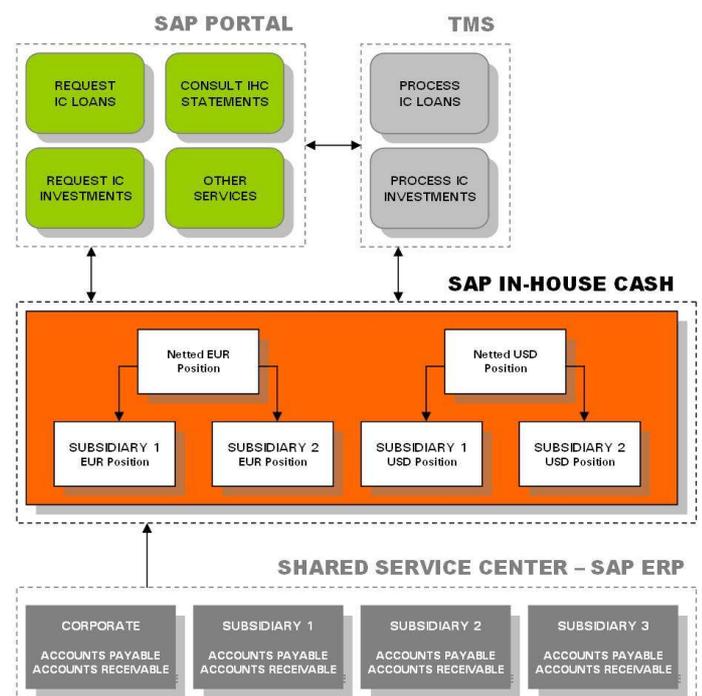
Based on the SAP NetWeaver platform, Treasury departments can offer **web based applications and services**, fully integrated with both the TMS and ERP system. Overall, a web portal should create a win-win situation for both parties where not only the TC provides real-time treasury services to the operating companies but also gathers timely information in order to better understand the business processes and affiliate needs within the financial chain.

Developing an internal bank structure

Once the local affiliates are able to communicate via a secure web portal and Corporate Treasury has a correct and **real-time overview** on the local cash & cash needs it should take full advantage of the data provided.

As opposed to a situation where excess cash is managed locally and affiliates fund themselves externally via fixed loan agreements with local banks, Treasury should be able to provide daily flexible liquidity to the subsidiaries and manage net debt and capital on a group level. In essence Treasury should become the **number one banking partner** for all affiliates using an IHB (In House Bank) solution.

The main component of the SAP IHB solution called **In-House Cash** is the in-house cash center in which all inter-company agreements between the affiliate and the TC are processed, such as internal FX transactions, intercompany loans and intercompany investments. Furthermore all net intercompany disbursements and collections between various subsidiaries can be settled on SAP In-House Cash current accounts.



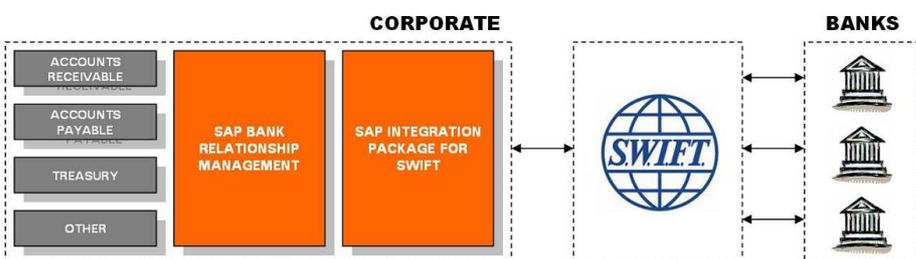
Straight through processing of disbursements

After the affiliate has locally processed their disbursement authorizations and sent the necessary payment information to a single point of access such as a web portal, the payment orders can be debited on the affiliates IHB current account, processed and sent to one or a limited number of banks under a single payment protocol.

The key concept is the set up of a **payment factory** in which case all external bank transaction processes are centralized and automated in order to reduce the number of bank interfaces as much as possible.

The concept of a payment factory can be applied for all Treasury payments and pre-advices but the real added-value lies in the fact that the Treasury Centers will be able to shift their payment processing from the settlement of only inter-company and financial transactions to performing all **commercial and financial disbursements on behalf of subsidiaries worldwide**.

If a company has a centralized payment factory and is settling payments in different currencies with a range of banks (and electronic banking platforms) it is worthwhile to investigate a connection to the SWIFT network.



A new SAP solution is the **SAP Integration package for SWIFT**. This solution offers **real-time exchange of payment and settlement messages** using SWIFT's secure IP network. It covers the entire business process from payment to reconciliation and includes standard mappings within the SAP NetWeaver Exchange Infrastructure (SAP NetWeaver XI) component for FIN (MT- and MX-based message types), FileAct and the new UNIFI message schemes.

Treasury & financial supply chain reporting

A centralized Treasury Management System (TMS) like SAP Treasury enables **uniform and standardized reporting** in all levels of the organization, including the difficult task to formalize the performance measures and to become an internal **"Trusted Advisor"** to the CFO, operating entities and shareholders.

Business Intelligence is the data warehouse from SAP and sits on top of the SAP TMS and ERP system. It covers all these reporting needs and allows one to easily adopt the reports to their specific needs.

Global Cash Management approach

By implementing a SAP IHC supported by a **single point of access** such as a web portal, a Corporate Treasury Center is able to better understand their business financial (supply) chain and to make sure - if legally possible - that all available cash is under direct control and management of Treasury.

Once the cash is under corporate control, the next level is to reduce the number of bank dependent connectivity's by means of a payment factory, thus reducing costs while leveraging the STP ratio and allowing better **control & audit mechanisms** in order to be armored against today's challenging financial circumstances.

FINANCE

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