2015 AFP/gtnews

Treasury Management System Survey

REPORT OF SURVEY RESULTS

AFP® ASSOCIATION FOR FINANCIAL PROFESSIONALS

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Increasingly, Treasury departments are being asked to do more with less in today's evolving and fast-paced business environment. They must perform risk management and hedging, manage complex derivative accounting and satisfy increasingly onerous regulatory reporting regimes – all of this on top of the cash and liquidity management Treasury departments have historically been responsible for. Simply put, Treasurers must fulfill a more strategic role for their businesses.

Given this background, Bloomberg is pleased to partner with AFP to produce the 2015 AFP/gtnews Treasury Management System Survey. More than 400 organizations representing a strong cross section of size and region responded to this survey. Half reported they are using a Treasury management system (TMS), and 8 percent said they built their own. More European companies (66 percent) use a TMS compared to organizations in North America (53 percent) and the Asia-Pacific region (51 percent).

More than 70 percent of companies with a TMS said their cash visibility was good to very good, demonstrating that using a TMS automates processes, improves cash visibility, and enables the treasury department to spend more time on decisions that increase value to the firm. And more than half of the companies with a TMS said the greatest single benefit is either more efficiency or that the Treasury is able to do more with less. With a TMS, a Treasury can spend more time on analysis, increase controllership, and fulfill its mandate to be more strategic.

These benefits have been lost on smaller firms, however. The survey found that corporations with less than $1 billion in revenue aren't using a TMS because the benefits of using one aren't worth the fees, implementation burden and other costs. Instead, they continue to rely on spreadsheets for core treasury functions, such as forecasting, cash visibility and bank account management. As smaller companies get past the growing pains around establishing their treasury structure and scope, their need for technology and automation increases as they grow larger.

The research in this guide shows the tremendous opportunity for smaller Treasury departments to leverage technology to improve performance. A strong TMS system can enable Treasury departments to focus on analysis, increase controllership and add value to the firm. As Treasury departments are tasked with doing more with less, technology and automation fill the gap. Companies that future proof their treasury departments with enabling technology provide a roadmap for success, better working capital management, and are able to be more proactive in a business climate that is often volatile and ever changing. If you'd like to discuss this research or learn more about Bloomberg's TMS, please contact us at **bbg_trm@bloomberg.net** or visit us at **Bloomberg.com/TRM**.

Introduction

Organizations' treasury departments are tasked with numerous functions including account reconciliation, general ledger posting, foreign exchange (FX) risk management and balance reporting. But beyond conducting these and other daily cash management activities, today's treasury departments also perform more complex functions such as hedge accounting as well as specialized reporting in response to new and changing government regulations. They use a variety of tools to manage these processes. Among those tools are treasury management systems (TMS)—often also referred to as treasury workstations (TWS). They are usually automated systems or software packages that allow companies and their treasury departments to communicate and/or interface with banking partners, vendors and customers in real time. TMS primarily enable treasury departments to operate more effectively and efficiently.

Over the years the functionalities of treasury management systems have improved tremendously in terms of what and how what they are able to deliver. But there have also been challenges. For instance, there has been a trend toward using SaaS/ASP ("software as a service"/application service provider) solutions. Primary reasons behind this trend is the decreasing support from IT departments and the difficulties companies face when outsourcing specialized IT services. SaaS/ASP solutions offer a strong value proposition as long as customization is not necessary and a treasury department is satisfied with their offerings. At the same time, some companies are continuing to utilize home-grown solutions while others are using a combination of Excel and online bank portals.

What drives the decision to use a specific type of TMS and what functionalities are companies looking for in such systems? Complexity and size of a company are two key factors that determine the functionalities needed in a TMS. Larger organizations with more complex operations require their TMS to be equipped with greater functionalities than do smaller ones. Some companies whose IT focus is on enterprise resource planning (ERP) centralization and implementation are using an ERP cash management module.

In order to gauge trends in the use of treasury management systems, the structure of those systems and the complexity of instruments transacted within them, *gtnews* conducted a survey of its corporate practitioner subscribers in January of 2015. The results, based on the 403 responses received, are presented in this, the *2015 AFP/gtnews Treasury Management System Survey*. The survey analysis also assesses the current benefits of TMS, challenges they present and opportunities for improvement. Results were compared across defined regions (based on organization location) and revenue categories.

Key results include:

- **Installed systems** continue to dominate the TMS space; 54 percent of survey respondents report their organizations have installed systems.
- **Cash forecasting** and **cash positioning** are largely maintained outside of a TMS with the help of Excel.
- TMSs have many benefits; the two cited most often by finance professionals are **process control and compliance and improving cash visibility**.
- **eBAM enablement** and **improved cash forecasting** are two features finance professionals would most like to have in their TMS.

AFP thanks Bloomberg for its underwriting support of the *2015 AFP/gtnews Treasury Management System Survey*. The Research Department of the Association for Financial Professionals® (AFP), which owns *gtnews*, designed and implemented the survey questionnaire and analyzed the results. AFP is solely responsible for the content of this report.

KEY FINDINGS

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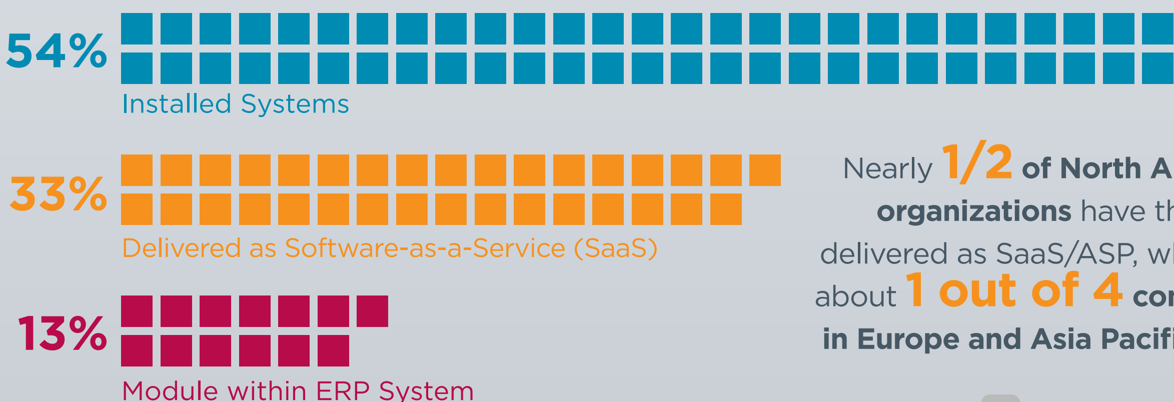


Nearly **1/2 of North American organizations** have their TMS delivered as SaaS/ASP, while only about **1 out of 4 companies in Europe and Asia Pacific** do so.

Installed systems and SaaS continue to dominate the TMS space

Finance Professionals' TMS System Checklist

The **top benefits, features and functions** professionals are looking for in their TMS

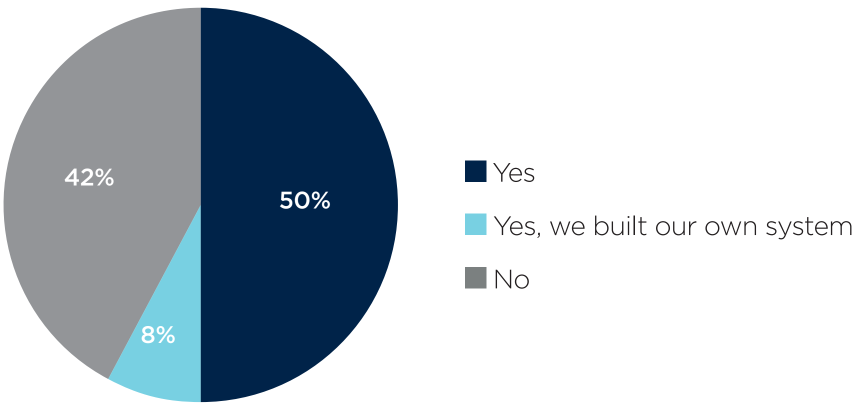
Prevalence of Treasury Management System

More than half of organizations use a treasury management system (TMS). Eight percent have built their own.

There are differences in the prevalence of TMS usage based on an organization's location. The use of TMS is more common among companies located in Europe (66 percent). Still, at least half of North American- and Asia-Pacific-based companies use a TMS (53 percent and 51 percent, respectively).

58% of organizations are using a Treasury Management System

Prevalence of Treasury Management Systems
(Percentage Distribution of Organizations)



Prevalence of Treasury Management Systems
(Percentage Distribution of Organizations)

	All	North America	Europe	Asia Pacific
Yes	50%	45%	60%	43%
Yes, we built our own system	8	8	6	8
No	42	47	35	48

There are also differences in TMS usage based on size as measured by a company's annual revenue. Larger organizations—those with annual revenue of at least $1 billion[1] —are far more likely to utilize a TMS than are smaller companies (with annual revenue of less than $1 billion). In fact, the smaller an organization is, the less likely it will have a TMS. Seventy-four percent of companies with revenues less than $250 million do not have a TMS in place, while only 16 percent of the larger organizations (with annual revenue of at least $10 billion) do not use such a system.

The more prevalent use of TMS by larger organizations should not be surprising. These companies have greater and more complex needs; consequently their treasury departments perform more functions and more complex processes. In addition, the more mature an organization, the more likely it will have a treasury workstation to assist in capturing bank information, automating process flows and employing more efficient controls.

Prevalence of Treasury Management Systems
(Percentage Distribution of Organizations)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Yes	50%	20%	43%	71%	79%
Yes, we built our own system	8	6	10	3	6
No	42	74	48	26	16

Structure of Organization's TMS

Treasury management systems come in a variety of forms. It could be an existing TMS delivered as "software-as-a-service"—or SaaS/ASP—purchased from a bank or another vendor. Many companies choose to build their own TMS in house and devote the resources necessary to support it.

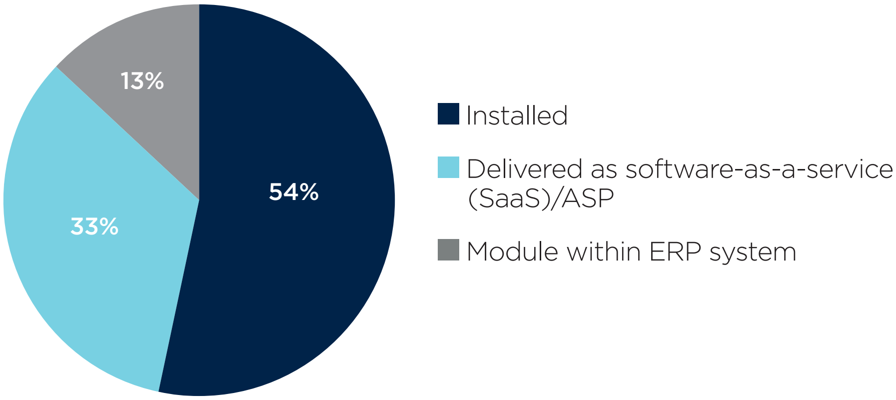
Of those organizations that have a TMS, 54 percent use an installed system. A third—33 percent—of TMS are delivered as SaaS/ASP. Thirteen percent of such systems are modules within an organization's ERP system.

There are advantages to each of these TMS structures depending on the requirements of the organization's treasury department and its tasks. Often a treasury department's needs are very specific and require a customized approach. Thus, an installed or in-house built system may be the best TMS choice. Today's SaaS/ASP solutions are more robust than they were in the past; they offer greater functionalities and have the advantage of being IT "resource-light", i.e., require limited IT support. Indeed, SaaS/ASP offerings are examples of "off-the-shelf" solutions that have worked well for many treasury departments. Other companies utilize their ERP module for Treasury. This could be the result of a corporate mandate to move to an ERP installation; Treasury receives the module as part of the process. (This approach also provides a business case to make at the corporate level when requesting any expenditures for the system). The functionality of ERP modules is not as robust, yet serves departments well in core Treasury activities.

Of those organizations that have a TMS, slightly more than half use an **installed** system

1. Throughout this report, dollars are USD.

Structure of Organization's Treasury Management System
(Percentage Distribution of Organizations Using a Treasury Management System)



Companies in Europe and in Asia Pacific are more likely to use an installed TMS than are their counterparts in North America

European-based companies (63 percent) and those in Asia Pacific (58 percent) are more likely to use an installed TMS than are their counterparts in North America (38 percent). Nearly half of North America-based organizations have their TMS delivered as SaaS/ASP while only about one out of four companies in Europe and Asia Pacific do so.

Structure of Organization's Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific	Middle East and Africa
Installed	54%	38%	63%	58%	36%
Delivered as software-as-a-service (SaaS)/ASP	33	48	28	25	18
Module within ERP system	13	15	9	17	45

The choice of a particular TMS structure also differs depending on a company's size. A larger percentage of organizations with annual revenue of at least $1 billion have their TMSs installed compared to the share of companies with revenues of less than $1 billion that have installed systems.

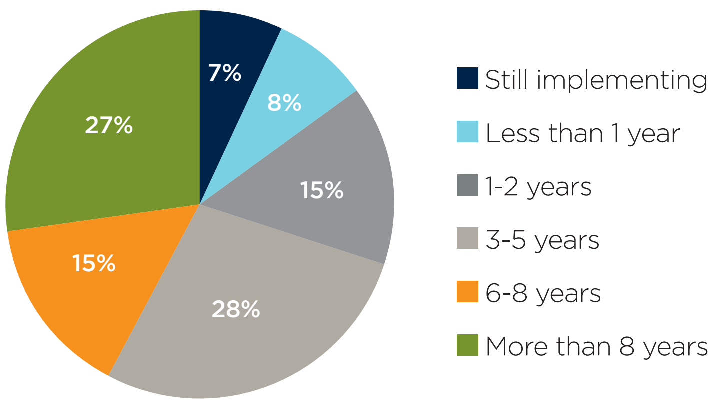
Structure of Organization's Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Installed	54%	47%	42%	57%	60%
Delivered as software-as-a-service (SaaS)/ASP	33	33	50	33	31
Module within ERP system	13	20	8	11	9

TMS Years Installed and Version in Use

Treasury management systems are more commonplace than in the past, and more treasury departments utilize them. Over 40 percent of companies that have TMS have had their current system in place for over five years; 27 percent have been using the same system for eight years. These trends are similar regardless of company location or size.

Number of Years the Current Treasury Management System Has Been in Use
(Percentage Distribution of Organizations Using a Treasury Management System)



Companies are making efforts to ensure their treasury managements systems are up to date. Fifty-seven percent of organizations currently use the most recent version of their TMS system while 32 percent use systems which are one or two iterations behind the most recent version.

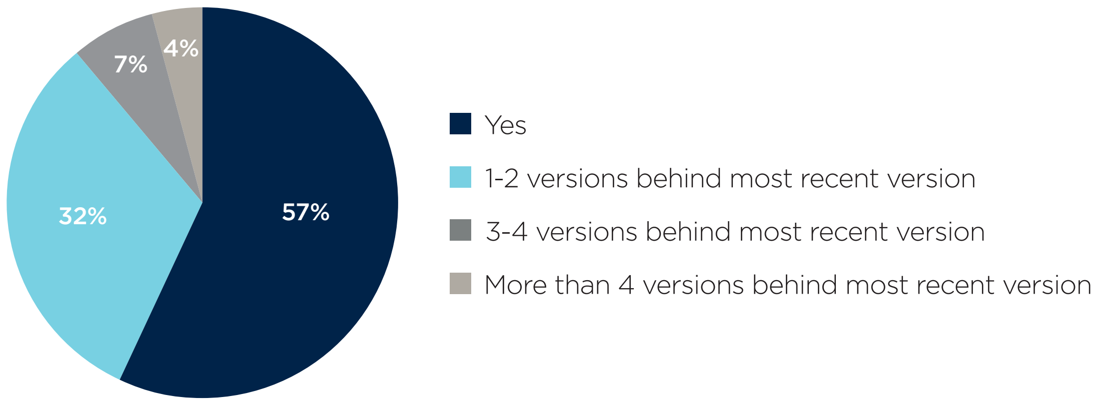
A vast majority of North American companies (80 percent) are using the most up-to-date versions of their TMS, while 50 percent of organizations based in Europe do the same. Smaller companies with annual revenue of less than $1 billion are more likely than larger companies to be using the most recent version of their TMS; this is most likely because they are larger users of SaaS/ASP solutions that are more up to date.

Installed versions of TMS workstations require frequent updates and upgrades. Treasury departments are usually responsible for determining the benefits of such upgrades; consequently they often need to justify any "upgrade" costs to company management. The expenditures likely include those for IT support and approval for those costs could hinge on where Treasury requests fall within an organization's budget cycle and if the expenditures are/were anticipated or needed.

SaaS/ASP solutions, on the other hand, usually offer upgrades more frequently as part of their "value bundle." Consequently, updating these systems is a more seamless process. A greater share of North American companies use systems with SaaS/ASP solutions. This explains why their systems are more up to date than those of their European and Asia Pacific counterparts; they are able to keep pace with recent versions of their workstations.

Nearly **3/5ths** of organizations currently use the most recent version of their TMS system

Most Recent Version of Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)



Most Recent Version of Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Yes	57%	78%	50%	62%
No, 1-2 versions behind	32	11	38	28
No, 3-4 versions behind	7	4	7	7
No, more than 4 versions behind	4	7	5	3

Most Recent Version of Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Yes	57%	70%	68%	49%	51%
No, 1-2 versions behind	32	15	26	38	39
No, 3-4 versions behind	7	10	7	7	5
No, more than 4 versions behind	4	5	–	6	5

Treasury Centers/Hubs Linked to Treasury Management Systems

Organizations have the option of linking their treasury management systems to one or more treasury centers or hubs or maintain them as stand-alone systems. Structuring Treasury and placement of treasury centers/hubs often depends on an organization's corporate mandate and structure.

A significant share of companies prefers to minimize such linkage. Two out of five (41 percent) of survey respondents report that their organizations' TMS are linked to less than five treasury centers/hubs; 38 percent indicate their TMS are standalone systems. Larger companies (those with annual revenue of at least $10 billion) are far more likely than smaller ones to link their TMS to treasury centers/hubs; 24 percent of finance professionals from this cohort report their companies' TMS operate as standalone systems.

Often the decision whether or not to link to a treasury center is based on the technology of the treasury workstation (TWS) and whether the treasury function is centralized, decentralized or operates regionally. These factors all impact how a TMS is utilized. Larger companies typically have more entities (business units; semi-independent operations), which in turn leads to more legal structures. Having a more complex *corporate* structure is often a driver in determining how best to structure technology in order to support the business. Linking treasury centers/hubs to a single treasury work station (TWS) can increase efficiency, helps in leveraging global treasury activity, and can result in a higher utilization rate in terms of the offerings of the chosen TWS. Structuring technology in a decentralized environment with 12 or more centers/hubs also helps support the business as well, but maintaining controls and uniform processes is a challenge.

Two out of five of survey respondents report that their organizations' TMS are linked to less than five treasury centers/hubs

Number of Treasury Centers/Hubs Linked to Organizations' Treasury Management Systems
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Standalone	38%	30%	37%	28%
1-4	41	42	48	52
5-8	10	12	7	8
9-11	3	2	3	4
12 or more	8	14	6	8

Number of Treasury Centers/Hubs Linked to Organizations' Treasury Management Systems
(Percentage Distribution of Organizations Using Treasury Management Systems)

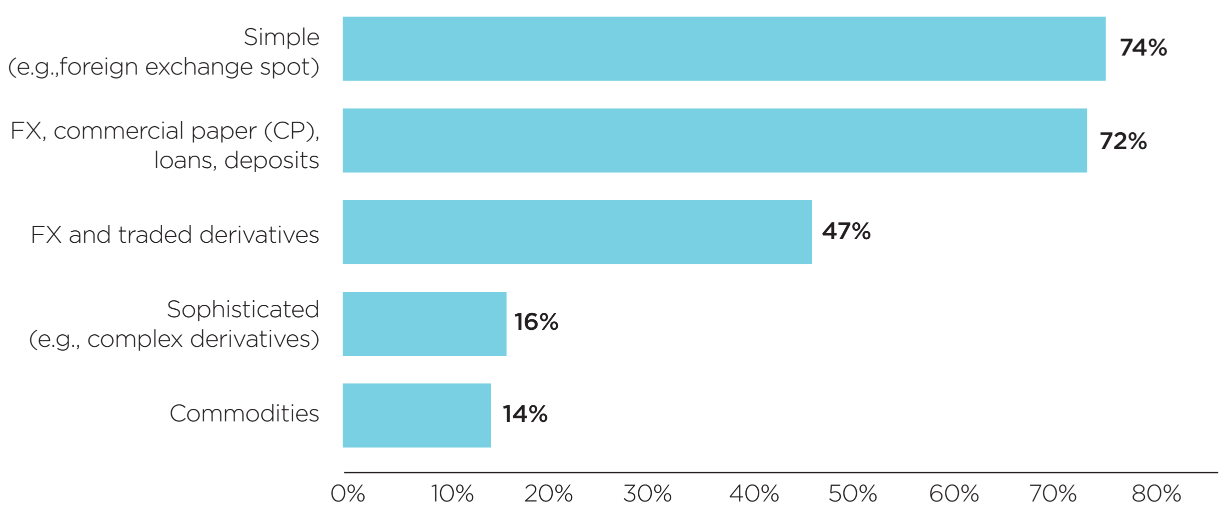
	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Standalone	38%	50%	53%	42%	24%
1-4	41	35	37	38	47
5-8	10	5	3	7	20
9-11	3	–	3	4	3
12 or more	8	10	3	8	5

Complexity of Instruments Transacted in the Organization's TMS

Companies can record a variety of financial instruments in their treasury management systems. These instruments range from the simple (e.g., Foreign Exchange Spot) to the more sophisticated (e.g., commodities).

The "simple" instruments most often being transacted via organizations' TMS are Foreign Exchange Spot (cited by 74 percent of survey respondents), followed by foreign exchange (FX), commercial paper (CP), and loans and deposits (72 percent). Nearly half of respondents (47 percent) indicate that FX and traded derivatives are being transacted via their company's TMS. Complex derivatives and commodities which are categorized as sophisticated instruments are transacted at 16 percent and 14 percent of companies' TMS, respectively.

Complexity of Instruments Transacted in Organization's Treasury Management System
(Percent of Organizations Using Treasury Management Systems)



European-based organizations are more likely to transact a larger share of simple instruments (75 percent) and FX, commercial paper, loans and deposits (81 percent) via their TMS than are companies based in North America or Asia Pacific. Perhaps not surprisingly, a greater percentage of sophisticated instruments—complex derivatives (25 percent) and commodities (25 percent)—is transacted via TMS at very large companies with an annual revenue of at least $10 billion.

The type of transactions that a treasury department processes depends on an organization's domestic/global focus and the complexity of the tasks the department oversees. Matching treasury tasks with the technology capabilities is certainly the goal, but there are limitations with technology, especially for the more complex activities. For example, complex derivative transactions are often more esoteric and occur in a smaller number of treasury departments. Commodities also are not transacted by many treasury departments, instead being typically done in companies that have exposures to those commodities as well as hedging programs associated with them. Having a TMS that can accommodate these types of transactions is important for those companies with treasury departments that need to transact commodities.

Interface to Enterprise Resource Planning (ERP) System

Many organizations' treasury management systems can interface with an enterprise resource planning system (ERP). The TMS interface with ERP can be fully automated, partly automated (with some manual intervention) or require a significant amount of manual intervention. The majority of finance professionals report their organizations' TMS do interface with an ERP system.

Larger organizations with annual revenue of at least $10 billion are far more likely than smaller ones to use a TMS which interfaces with an ERP system. One reason for this is that larger companies typically have an ERP system installed which includes many different modules that support their various business units: Human Resources, Supply Chain, Accounting, etc., are examples of such a multiple-module ERP.

Treasury departments at larger companies also need to keep pace with the growth of their company's business. This is possible assuming the company invests in technology and in some cases invests in installed ERP systems. Also, TMS at larger companies often interface to an ERP for various functions such as reporting, general ledger feeds and hedge accounting.

Treasury Management System Interfaces to Enterprise Resource Planning (ERP) System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Yes	58%	48%	35%	58%	75%
No	42	52	65	42	25

Automating to SWIFT

Companies also have the choice to interface their treasury management system to SWIFT. Nearly four out of ten (38%) do so. But nearly one-third of survey respondents (31 percent) indicate that their organizations' TMS do not automate to SWIFT.

A slighter larger share of European companies (36 percent) compared to those based in North America (28 percent) and Asia Pacific (26 percent) does not automate to SWIFT. Larger organizations with annual revenue of at least $10 billion are more likely than smaller companies to interface with a SWIFT solution.

A company's need to automate to SWIFT is determined by the underlying needs of its treasury department, the organization's structure and its geographical reach. The majority of companies in the U.S. with operations primarily in the U.S. do not feel the need to utilize SWIFT.[2] However, companies in the U.S. that do have global operations will have greater requirements in the areas of cash visibility, payments, treasury reporting, counterparty risk management and their accounting interface needs. Connecting through SWIFT will depend on the banking partner's capabilities to share SWIFT messages, the format by which SWIFT is utilized via the TMS (e.g., Service Bureau, Direct or Alliance Lite) and the capabilities of the various channels to connect to SWIFT.

One out of three survey respondents indicate that their organizations' TMS do not automate to SWIFT

Treasury Management System Interfaces to SWIFT Solution

(Percentage Distribution of Organizations Using Treasury Management Systems)

2. SWIFT operates a service for financial messages, such as letters of credit, payments, and securities transactions, between member banks worldwide. SWIFT's essential function is to deliver these financial messages quickly and securely between financial institutions and companies around the world. U.S. companies that have no foreign operations or transactions may not have the need to interface to SWIFT.

Treasury Management System Interfaces to SWIFT Solution
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
My organization's Treasury Management System does not automate to SWIFT	31%	30%	52%	36%	16%
Completely automated	25	5	10	24	46
My organization uses an electronic payment system other than SWIFT	18	25	23	19	9
Some manual intervention	16	20	3	16	20
Manual interface and re-input	7	15	10	6	4
A lot of manual intervention	3	5	3	–	5

Interfacing with SWIFT or Other Electronic Payment System Solutions

For the 38 percent of companies that interface with SWIFT and the 26 percent that use an electronic payment system solution other than SWIFT, those interfaces are completely automated. Twenty-two percent of finance professionals report that there is *some* manual intervention in such systems at their organizations, and over 10 percent indicate their systems require manual interface and re-input of some data. A very small percentage of organizations require a significant amount of manual intervention in their treasury management systems (four percent).

Nearly half of survey respondents from European-based organizations (47 percent) indicate that their systems are completely automated; a smaller proportion of systems at organizations based in North America (38 percent) and Asia Pacific (24 percent) are completely automated. Almost half of survey respondents from Asia Pacific (47 percent) report their organizations are using an electronic payment system other than SWIFT; only 17 percent of North American companies are doing the same.

The greater prevalence of SWIFT automation in Europe versus North America is likely due to the European-based companies' larger SWIFT footprint. SWIFT is still growing in the U.S.—that may explain why the automation rate is lower in North America. Overall, larger companies with more treasury technology needs tend to have higher SWIFT automation rates compared to smaller organizations.

Treasury Management System Interfaces to a SWIFT Solution
(Percentage Distribution of Organizations' Treasury Management Systems that interface to a SWIFT Solution or an electronic payment other than SWIFT)

	All	North America	Europe	Asia Pacific
Completely automated	38%	38%	47%	24%
My organization uses an electronic payment system other than SWIFT 26	17	26	47	
Some manual intervention	22	26	19	18
Manual interface and re-input	10	10	5	12
A lot of manual intervention	4	7	5	–

The majority of survey respondents from companies with annual revenue of at least $10 billion (55 percent) indicate that their systems are completely automated. Far fewer smaller companies are automated: only seven percent of those with annual revenue of less than $250 million have systems that are completely automated, as do only 20 percent of those with annual revenue ranging between $250-999 million. Larger organizations with revenues greater than $1 billion are less likely to use an electronic payment system other than SWIFT.

Treasury Management System Interfaces to a SWIFT Solution
(Percentage Distribution of Organizations' Treasury Management Systems that interface to a SWIFT Solution or an electronic payment other than SWIFT)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Completely automated	38%	7%	20%	38%	55%
My organization uses an electronic payment system other than SWIFT	26	36	47	29	11
Some manual intervention	22	29	7	24	23
Manual interface and re-input	10	21	20	9	4
A lot of manual intervention	4	7	7	–	6

Spreadsheet Usage

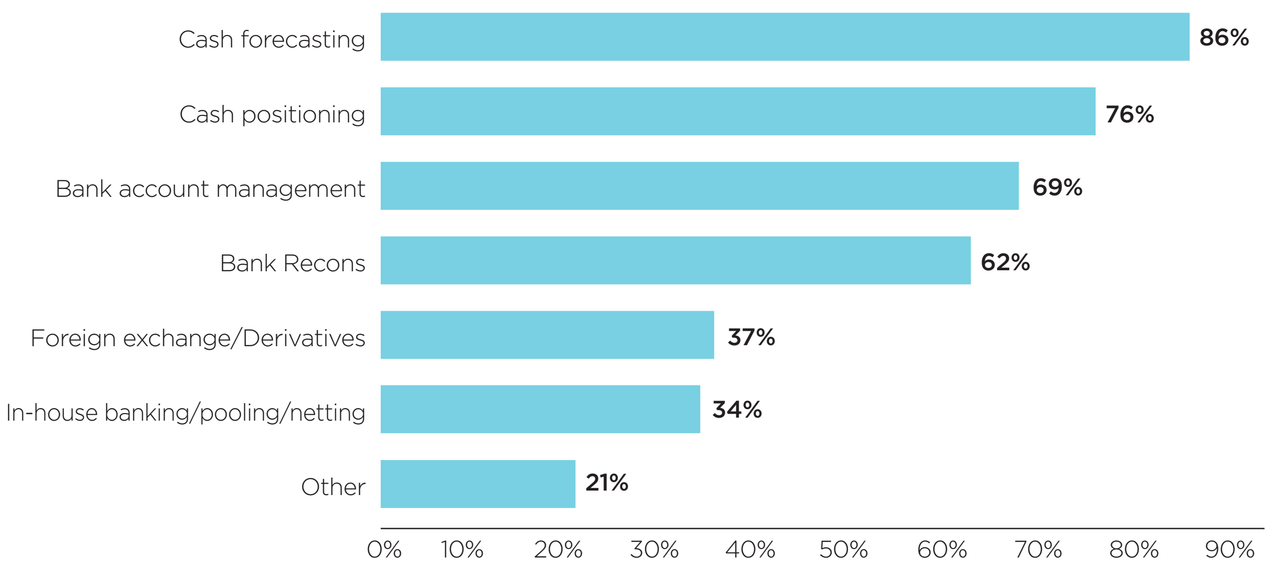
A vast majority (86 percent) of organizations that are not using a TMS use spreadsheets (usually Excel) for cash forecasting. This is the case regardless of organization location or annual revenue. A larger share of companies located in North America (92 percent) use spreadsheets for cash forecasting versus their counterparts in Europe (81 percent) and Asia Pacific (83 percent).

Other often-cited uses of spreadsheets by survey respondents include:

- Cash positioning (cited by 76 percent of survey respondents)
- Bank account management (69 percent)
- Bank Recons (62 percent)

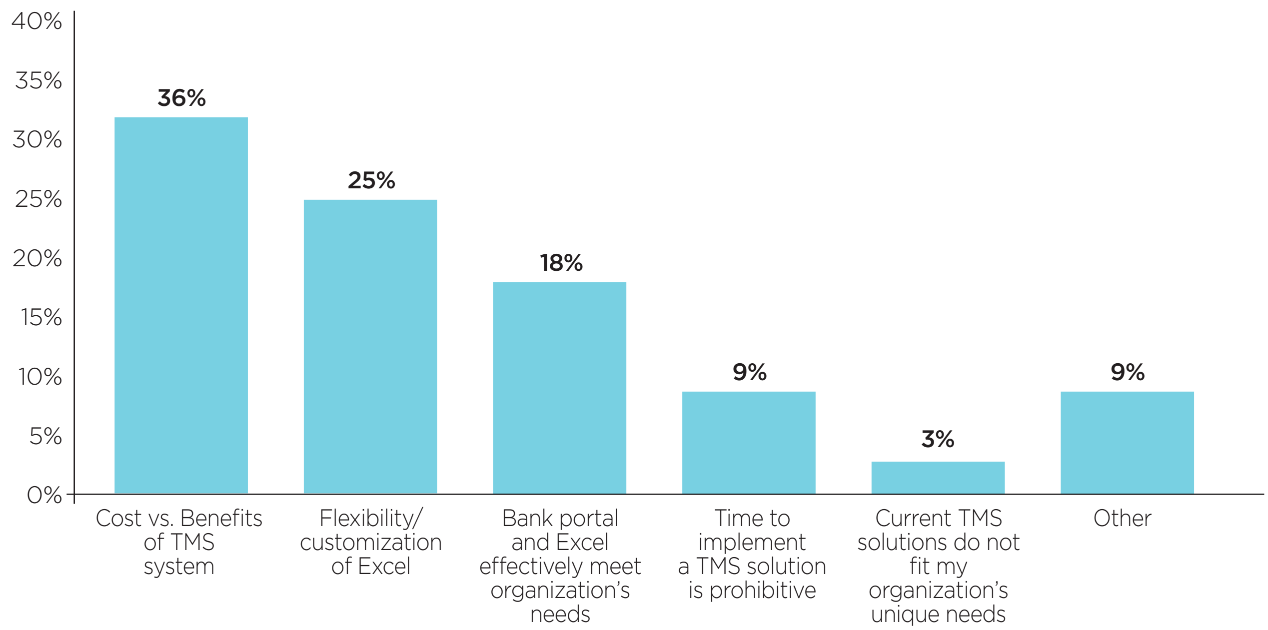
A vast majority of organizations that do not have a TMS use spreadsheets (usually Excel) for cash forecasting

Uses of Spreadsheets by Organizations without a Treasury Management System
(Percent of Organizations that Do Not Use a Treasury Management System)



Finance professionals hold disparate views as to why their organizations use Excel for critical treasury functions, although they do not cite a specific feature of Excel as the primary reason for its use. The two most-often cited reasons are the cost-benefits of a TMS (36 percent) and the flexibility/customization of Excel (25 percent). The widespread use of Excel for a variety of treasury functions as well as its affordability and flexibility make it challenging for those treasury departments to convince corporate management that they need to transition to a TMS.

Key Reasons Organizations Use Excel for Critical Treasury Functions
(Percentage Distribution that Do Not Use a Treasury Management System)



Ease of Updating Reports and Workflows

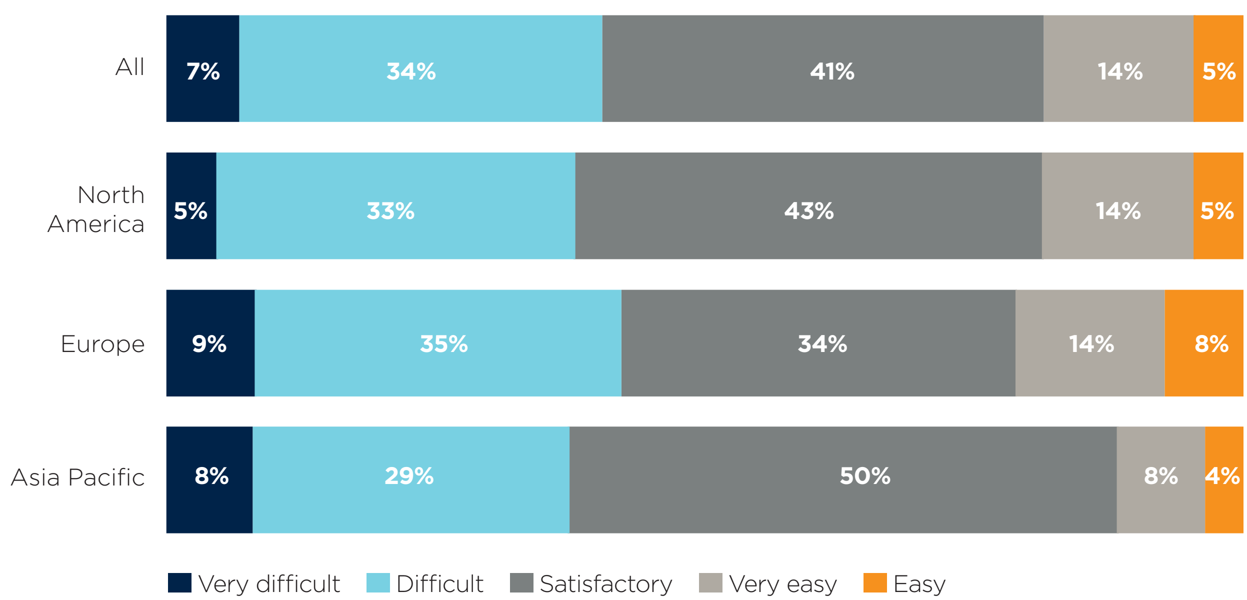
A major task for most treasury departments is generating reports for company management and financial oversight. Treasury management systems can be useful tools in this regard. But the survey results reveal different opinions about the ease with which TMS can help with this task.

Forty-one percent of survey respondents report that updating reports and workflows via their organization's TMS is difficult. Another 41 percent believe it to be a satisfactory process. Only 19 percent say it is easy to do so. This perception regarding the ease of updating reports and workflows is fairly consistent across regions. Finance professionals from larger organizations with annual revenue of at least $1 billion are more likely than their peers from smaller companies to report that updating reports and workflows via their companies' TMS is challenging.

Some of the difficulties that arise when updating reports and workflows are a consequence of the tasks involved. Straightforward simple transactions are easier to update; more complex instruments require greater customization and therefore are more time-consuming. Many treasury departments have similar needs in terms of general cash management activities, but for those dealing with more esoteric instruments the workflows are, expectedly, more complex. Treasury departments are also responsible for reporting on some regulations and the technology being used may not be up to speed to assist with these workflows.

41% of survey respondents report that updating reports and workflows via their organization's TMS is difficult

Ease of Updating Reports and Workflows in Organization's Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)



Benefits of Organization's Treasury Management System

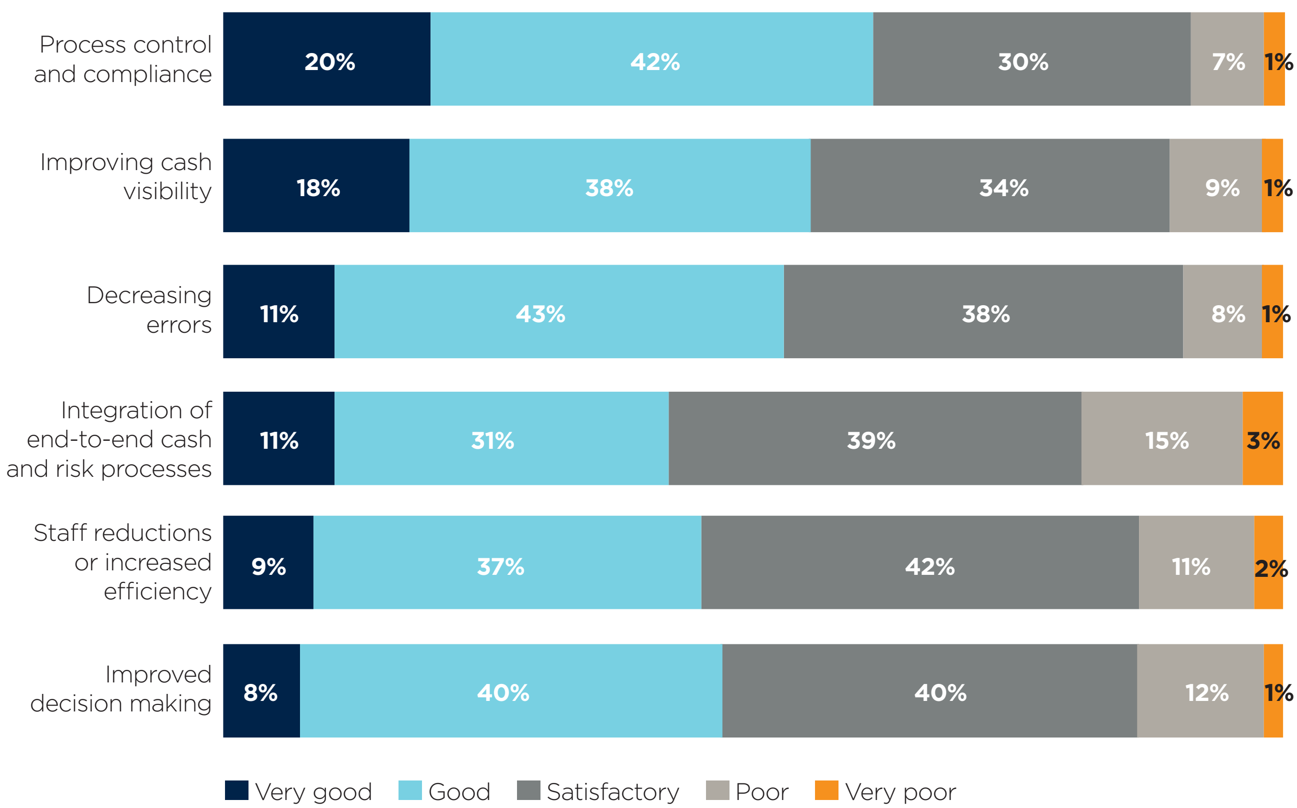
A large majority of survey respondents are satisfied with their organizations' TMS in various areas. Many cite their TMS features to be "good" or "very good" in producing desired results. Over 60 percent of finance professionals report their companies' TMS are either "very good" or "good" in delivering on process control and compliance. Other features of TMS that are considered beneficial (with more than 50 percent of survey respondents rating it either "very good" or "good") are:

- Improving cash visibility (cited by 56 percent of survey respondents)
- Decreasing errors (54 percent)
- Integration of end-to-end cash and risk processes (52 percent)

A treasury management system's ability to automate tasks and procedures is very beneficial to the treasury function. It allows for greater control in managing tasks with a stronger version control of data. These systems minimize the need to replicate information in multiple places, save time and are effective in reducing errors. Through more automation and effective controls, TMS work to enhance treasury departments that are tasked with doing more with less.

Over **60%** of finance professionals report their companies' TMS are either "very good" or "good" in delivering on process control and compliance

Benefits of Organization's Treasury Management Systems
(Percentage Distribution of Organizations Using Treasury Management Systems)



Functionality

Treasury management systems can support specific functions at an organization. Such functions can include transaction capture, business intelligence, forecasting and analytics/variance reporting. Finance professionals consider their TMS to be most effective in the following areas:

- Cash visibility (rated “very good” to “good” by 71 percent of survey respondents)
- Transaction capturing (68 percent)
- Debt management (54 percent)
- Account management (53 percent)
- Investment management (53 percent)

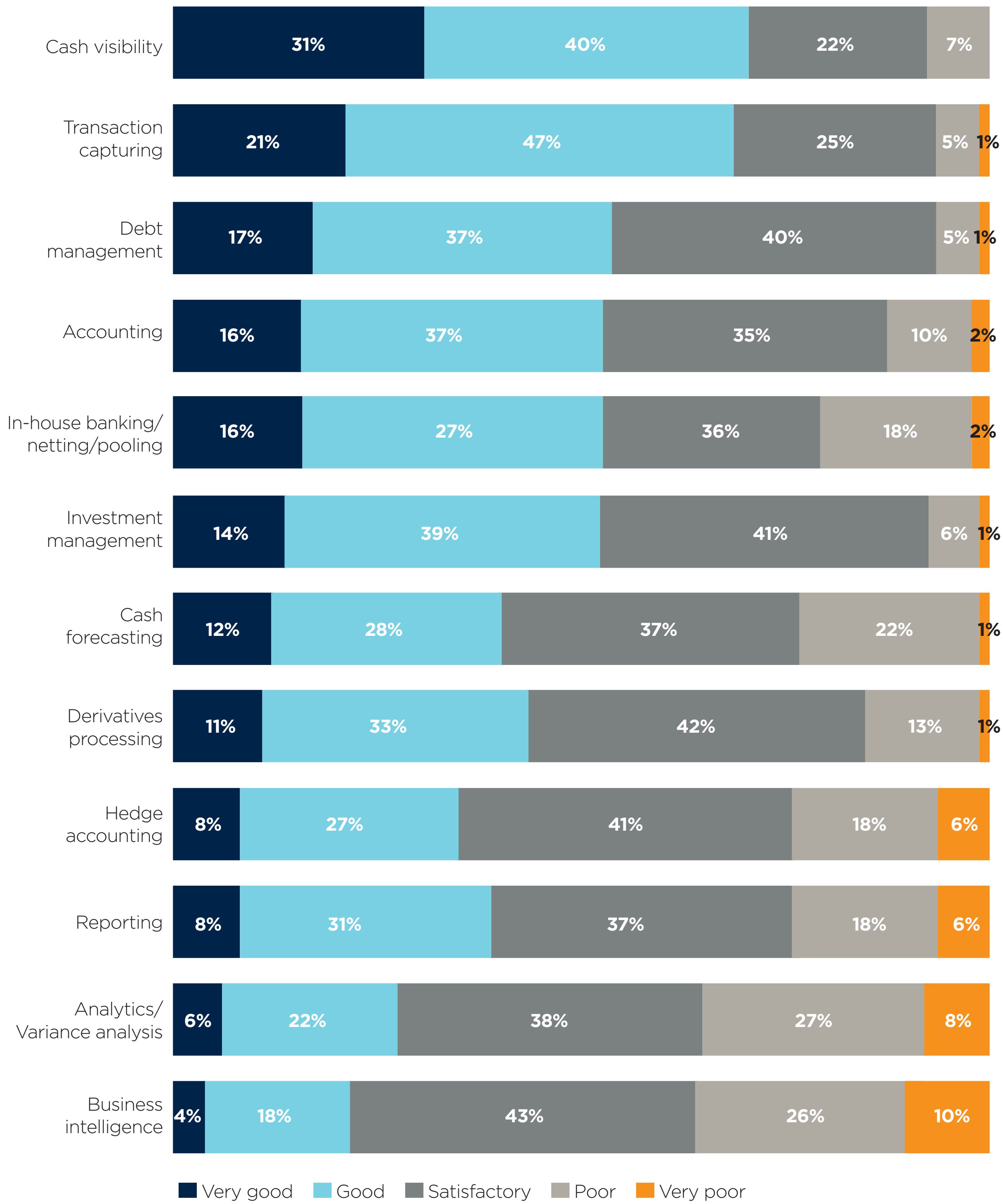
But there are functions where TMS are perceived as less effective. Over a third of finance professionals do not believe their organization’s TMS performs effectively in analytics/variance analysis (rated “very poor” to “poor” by 35 percent of survey respondents) or in business intelligence, rated poorly by 36 percent.

Typically a TMS performs better in the established areas of treasury, particularly around the core cash management functionality. When Treasury is required to deliver more, it in in turn stretches the capabilities of its TMS. Thus it is not surprising that the more complex the task is beyond cash management, satisfaction with the TMS decreases. The one-fifth of survey respondents who express dissatisfaction with their TMS’ effectiveness in cash management likely reflects the fact that many companies perform this task differently and consequently the TMS often lacks the flexibility to support any unique needs.

Another reason why finance professionals are less satisfied with how their companies’ TMS manage certain functions may be due to changing and/or new regulations impacting a treasury department’s compliance activities. Foreign Bank Account Reporting (FBAR) and the Foreign Account Tax Compliance Act (FATCA) are two such examples that have put additional compliance requirements on companies (and therefore their treasury departments).

Finance professionals consider their TMS to be most effective in cash visibility and transaction capturing

Effectiveness of Treasury Management Systems
(Percentage Distribution of Organizations Using Treasury Management Systems)



Single Greatest Benefit TMS Provides the Treasury Department

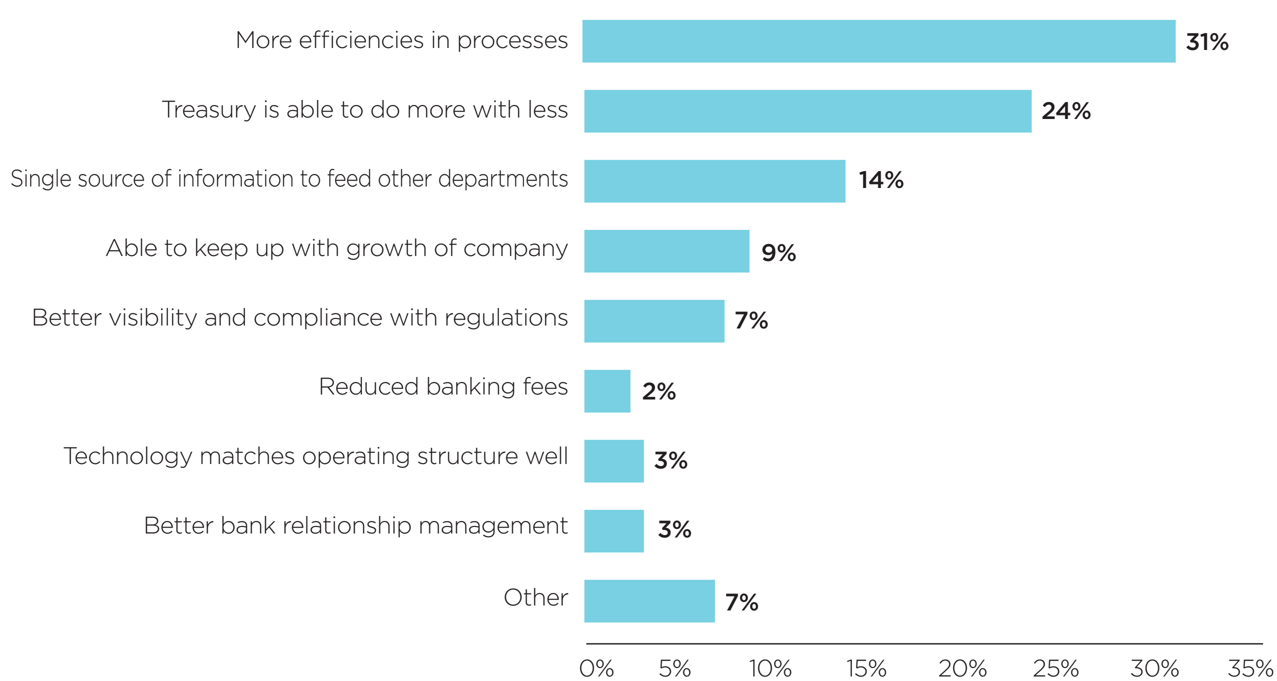
While a treasury management system can benefit an organization as a whole, it can have specific benefits just to a company's treasury department. Thirty-one percent of finance professionals report that having "greater efficiencies in processes" is the single greatest benefit that their organization's TMS brings to the treasury department. More efficiencies in processes can be a direct result of the following:

- Entering transaction information once
- Improving process flows around payments
- Quicker and smoother reconcilements
- Better and quicker visibility to cash through automated bank reporting
- Strengthening of activity tracking

Treasury management systems are stronger at automating processes since automation is easier to manage than are manual processes. For example, ordinarily it could take a couple of hours to set a cash position. Using a TMS can save time and mitigate errors as automation would allow for the data to be populated directly from a bank.

There are other benefits of a TMS that devolve directly to a company's treasury department. One-quarter of survey respondents indicate that with the help of a TMS, Treasury is able to do more with less. Fourteen percent say an additional benefit of TMS is as a single source of information to feed other departments. Other benefits include reduced banking fees, better bank relationship management and greater visibility and compliance with changing/new/existing regulations. Because of the added efficiencies generated by the use of a treasury management system, Treasury staff saves time that they would otherwise spend on manual processes, thus freeing them to work on other projects.

Single Greatest Benefit the Organization's Treasury Management Systems Provides the Treasury Department
(Percentage Distribution Using a Treasury Management System)



Additional Functionality that would Improve Organization's Treasury Management System

Almost any management tool can be improved upon. This is true of an organization's treasury management system as well. Adding other functionalities to a system can enhance a company's efficiency and financial performance.

The two additional features that a majority of finance professionals believe will improve their organizations' TMS are electronic bank account management, or eBAM (cited by 53 percent of survey respondents) and cash flow forecasting (51 percent).

Other functionalities that finance professionals feel would enhance companies' TMS are:

- Personal digital signatures (cited by 33 percent of survey respondents)
- Regulatory reporting (33 percent)
- Treasury governance/compliance (30 percent)
- Risk management (29 percent)
- SWIFT connectivity (29 percent)
- In house banking/cash pooling/netting (29 percent)
- Variance analysis (29 percent)

Smaller shares of finance professionals are confident that the following functions will augment the functioning of the TMS at their companies:

- Integration/Interoperability (23 percent)
- Account analysis management (21 percent)
- Data feed connectivity (20 percent)
- Commodity hedging (11 percent)
- Trading and/or trade statement process (11 percent)

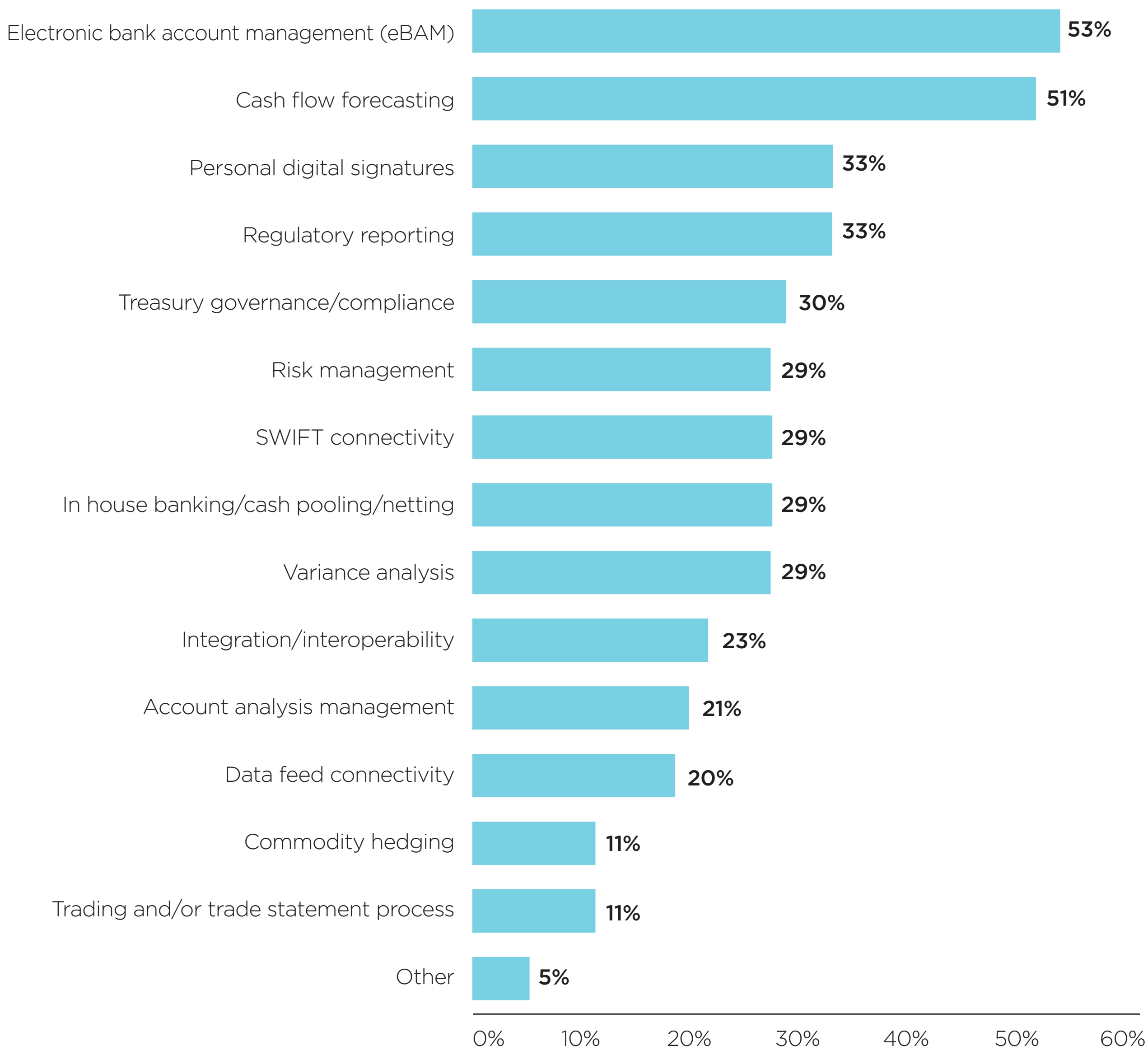
Finance professionals from North America are more likely than their peers from Europe and Asia Pacific to indicate that regulatory reporting, SWIFT connectivity and in house banking/cash pooling/netting would increase the functionality of their companies' TMS.

Companies often grow at a pace faster than that of their TMS technology capabilities, or they do not have the budget to support the add-ons or version upgrades to support any additional capabilities that are required. When acquiring technology for a treasury department, it is critical to determine the value proposition to be able to justify the spend, and also anticipate future needs so any TMS can continue to deliver in the mid-to-long term.

Keeping all in-house systems apace with each other is challenging. But often it is the lack of standards—or lack of *adoption* of standards by banking partners—which limits technology rather than any specific limitations of a company's TMS. But banks are increasingly supporting eBAM, and thus helping establish it as an industry standard; as that evolution progresses, it will, and can, result in companies realizing more value from their TMS.

The additional features that a majority of finance professionals believe will improve their organizations' TMS are **eBAM** and **cash flow**

Additional Functionality that would Greatly Improve Organization's Treasury Management System
(Percent of Organizations that Do Not Use a Treasury Management System)



Conclusion

The majority of organizations worldwide are using a treasury management system (TMS) in order to manage their internal processes and finances. While a greater share of companies in Europe use a TMS compared with their North American and Asia Pacific counterparts, at least half of companies in the latter two regions also have a TMS. The more mature an organization, the more likely it will have a workstation to assist with capturing bank information, automating process flows and employing more efficient controls. Installed TMS or a TMS delivered as a service (e.g., SaaS/ASP) dominate the TMS landscape.

As the operations of the treasury function become more involved and complex, the demands on finance professionals also become more varied, numerous and complex. They look for solutions which will help streamline processes and free them to tackle other tasks. This is particularly challenging as companies extend their reach domestically or globally, their internal functions will need to be upgraded and equipped to meet increasing demands. Treasury functions in those companies that have extensive cross-border operations will be working with more complex transactions and their regulatory requirements will also be far greater. The treasury departments in these organizations will benefit greatly from using a TMS suited specifically for their needs.

While treasury management systems contribute to efficiencies in a variety of processes, finance professionals note that their TMS is more effective in the areas of cash visibility and transaction capturing. There are also areas for improvement, including analytics/variance analysis and business intelligence. Electronic bank account management (eBAM) and cash flow forecasting are two features that the majority of finance professionals say will improve the performance of their organization's TMS.

But before organizations take the first step of acquiring a TMS, they should closely examine their specific needs and what they are looking for in a treasury workstation. Treasury departments will need buy-in from their company's senior management and should be ready to justify the extra spend required for such systems. Equipping an organization's treasury function with a TMS which is an appropriate fit helps to ensure it performs effectively and delivers as expected.

About the Survey

In January 2015, the Research Department of the Association for Financial Professionals® (AFP) conducted the *2015 AFP/gtnews Treasury Management System Survey*. The primary purpose of the survey was to examine the usage of treasury management systems (TMS) at organizations, their structure and the complexity of instruments transacted within these systems.

The survey was sent to *gtnews* corporate practitioner subscribers. A total of 403 responses were received. Due to the limited sample size obtained, regional analysis was limited to responses from the Asia Pacific, North America and Europe. The following tables provide a demographic profile of the survey respondents.

AFP thanks Bloomberg for its underwriting support of the *2015 AFP/gtnews Treasury Management System Survey*. Both questionnaire design and the final report along with its content and conclusions are the sole responsibility of *AFP*.

Annual Revenues (USD)
(Percentage Distribution of Organizations)

	All	North America	Europe	Asia Pacific
Under $50 million	16%	22%	11%	20%
$50-99.9 million	5	4	2	7
$100-249.9 million	6	3	8	2
$250-499.9 million	8	7	9	9
$500-999.9 million	12	15	13	7
$1-4.9 billion	23	23	27	15
$5-9.9 billion	8	5	6	7
$10-20 billion	8	8	8	15
Over $20 billion	15	14	17	20

Number of Full-time Employees (FTEs) Working within Organizations' Treasury Function
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Mean	33	68	10	16	48

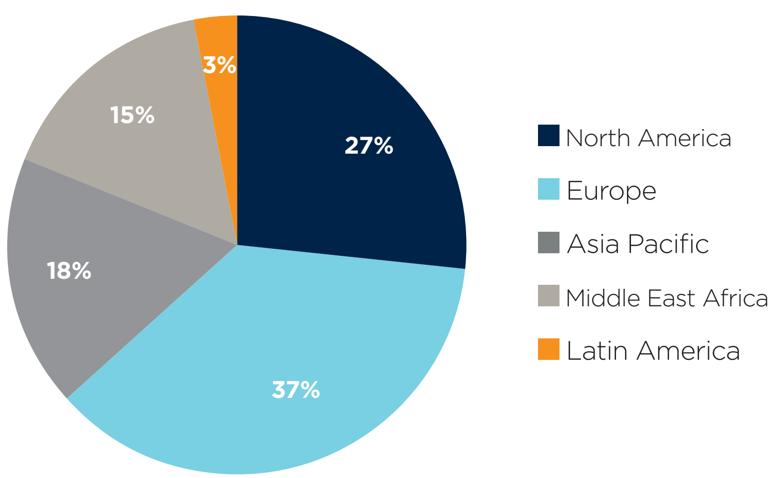
Number of Full-time Employees (FTEs) Working within Organizations' Treasury Function
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Mean	33	43	25	73

Industry
(Percentage Distribution of Organizations)

Manufacturing	28%
Financial Services	12
Banking	10
Business Services/Consulting/Legal	9
Retail/Wholesale/Distribution	8
Energy/Utility/Petroleum	4
Insurance	4
Hospitality/Travel/Transportation	3
Communications/Media/Information Provider	3
Government	3
Nonprofit	3
Information Technology	2
Health Services	2
Academic	1
Financial Technology Provider	1
Other	7

Region
(Percentage Distribution of Organizations)



Appendix: Data Tables

Uses of Spreadsheets for Organizations without a Treasury Management System
(Percent of Organizations that Do Not Use a Treasury Management System)

	All	North America	Europe	Asia Pacific
Cash forecasting	86%	92%	81%	83%
Cash positioning	76	81	68	79
Bank account management	69	64	74	67
Bank Recons	62	56	48	75
Foreign exchange/Derivatives	37	17	39	50
In-house banking/pooling/netting	34	31	32	54
Other	21	22	16	21

Uses of Spreadsheets for Organizations without a Treasury Management System
(Percent of Organizations that Do Not Use a Treasury Management System)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Cash forecasting	86%	84%	90%	79%	100%
Cash positioning	76	70	83	79	100
Bank account management	69	59	76	83	89
Bank Recons	62	62	69	50	67
Foreign exchange/Derivatives	37	30	45	50	56
In-house banking/pooling/netting	34	31	31	38	44
Other	21	21	10	25	33

Key Reasons Organizations use Excel for Critical Treasury Functions
(Percentage Distribution of Organizations that Do Not Use a Treasury Management System)

	All	North America	Europe	Asia Pacific
Cost vs. Benefits of Treasury Management Systems	36%	28%	45%	33%
Flexibility/Customization of Excel	25	17	9	33
Bank Portal and Excel effectively meets organization's needs	18	28	15	17
Time to implement a Treasury Management Systems solution is prohibitive	9	11	9	13
Current Treasury Management Systems solutions do not fit my organization's unique needs	3	3	3	4
Other	9	14	18	–

Key Reasons Organizations use Excel for Critical Treasury Functions
(Percentage Distribution of Organizations that Do Not Use a Treasury Management System)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Cost vs. Benefits of Treasury Management Systems	36%	30%	41%	52%	30%
Flexibility/Customization of Excel	25	34	10	16	20
Bank Portal and Excel effectively meets organization's needs	18	15	28	16	20
Time to implement a Treasury Management Systems solution is prohibitive	9	7	10	8	20
Current Treasury Management Systems solutions do not fit my organization's unique needs	3	5	–	4	–
Other	9	10	10	4	10

Number of Years the Current Treasury Management System Has Been Used
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Still implementing	7%	4%	11%	10%
Less than 1 year	8	9	8	14
1-2 years	15	17	15	10
3-5 years	28	26	28	21
6-8 years	15	13	16	17
More than 8 years	27	30	23	28

Number of Years the Current Treasury Management System Has Been Used
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Still implementing	7%	5%	10%	3%	5%
Less than 1 year	8	10	6	10	8
1-2 years	15	14	23	13	12
3-5 years	28	24	29	35	24
6-8 years	15	19	10	20	15
More than 8 years	27	29	23	20	36

Complexity of Instruments Transacted in Organizations' Treasury Management Systems
(Percent of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Simple (e.g., foreign exchange spot)	74%	69%	75%	71%
FX, commercial paper (CP), loans, deposits	72	62	81	63
FX and traded derivatives	47	33	54	46
Sophisticated (e.g., complex derivatives)	16	12	13	13
Commodities	14	19	12	13

Complexity of Instruments Transacted in Organizations' Treasury Management Systems
(Percent of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Simple (e.g., foreign exchange spot)	74%	70%	57%	75%	81%
FX, commercial paper (CP), loans, deposits	72	50	83	72	81
FX and traded derivatives	47	25	30	55	59
Sophisticated (e.g., complex derivatives)	16	5	7	13	25
Commodities	14	5	10	10	25

Treasury Management System Interfaces to Enterprise Resource Planning (ERP) System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Yes	58%	55%	60%	58%
No	42	45	40	42

Treasury Management System Interfaces to SWIFT Solution
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
My organizations' Treasury Management System does not automate to SWIFT	31%	28%	36%	26%
Completely automated	25	28	30	17
My organization uses an electronic payment system other than SWIFT	18	13	16	35
Some manual intervention	16	20	12	13
Manual interface and re-input	7	8	3	9
A lot of manual intervention	3	5	3	–

Ease of Updating Reports and Workflows in Organization's Treasury Management System
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	Less Than $250 Million	$250-999 Million	$1-9.9 Billion	At Least $10 Billion
Very easy	5%	5%	10%	1%	5%
Easy	14	10	19	11	14
Satisfactory	41	62	32	41	37
Difficult	34	10	39	42	32
Very difficult	7	14	–	4	12

Effectiveness of Treasury Management Systems
(Percentage Distribution of Organizations Using Treasury Management Systems)

	Very Good	Good	Satisfactory	Poor	Very Poor
Cash visibility	31%	40%	22%	7%	–
Transaction capturing	21	47	25	5	1
Debt management	17	37	40	5	1
Accounting	16	37	35	10	2
In-house banking/netting/ pooling	16	27	36	18	2
Investment management	14	39	41	6	1
Cash forecasting	12	28	37	22	1
Derivatives processing	11	33	42	13	2
Hedge accounting	8	27	41	18	6
Reporting	8	31	37	18	6
Analytics/Variance analysis	6	22	38	27	8
Business intelligence	4	18	43	26	10

Benefits of Organization's Treasury Management Systems
(Percentage Distribution of Organizations Using Treasury Management Systems)

	Very Good	Good	Satisfactory	Poor	Very Poor
Process control and compliance	20%	42%	30%	7%	1%
Improving cash visibility	18	38	34	9	1
Decreasing errors	11	43	38	8	1
Integration of end-to-end cash and risk processes	11	31	39	15	3
Staff reductions or increased efficiency	9	37	42	11	2
Improved decision making	8	40	40	12	1

Additional Functionality that would Greatly Improve Organization's Treasury Management System
(Percent of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
Electronic bank account management (eBAM)	53%	53%	52%	63%
Cash flow forecasting	51	53	47	67
Personal digital signatures	33	37	37	33
Regulatory reporting	33	21	32	54
Treasury governance/Compliance	30	34	28	58
Risk management	29	32	22	54
SWIFT connectivity	29	13	30	50
In house banking/cash pooling/netting	29	18	28	42
Variance analysis	29	34	27	42
Integration/Interoperability	23	24	18	33
Account analysis management	21	24	18	25
Data feed connectivity	20	16	23	38
Commodity hedging	11	8	8	17
Trading and/or trade statement process	11	13	3	33
Other	5	8	3	–

Additional Functionality that would Greatly Improve Organization's Treasury Management System
(Percent of Organizations Using Treasury Management Systems)

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Cash flow forecasting	51	45	57	51	50
Personal digital signatures	33	45	27	24	41
Regulatory reporting	33	30	20	40	33
Treasury governance/compliance	30	35	27	30	31
Risk management	29	35	40	25	24
SWIFT connectivity	29	35	20	34	26
In house banking/cash pooling/netting	29	25	47	25	26
Variance analysis	29	45	30	19	33
Integration/Interoperability	23	35	23	22	21
Account analysis management	21	40	30	13	19
Data feed connectivity	20	15	13	27	17
Commodity hedging	11	10	7	13	10
Trading and/or trade statement process	11	10	10	9	14
Other	5	5	7	7	2

Single Greatest Benefit the Organization's TMS Provides the Treasury Department
(Percentage Distribution of Organizations Using Treasury Management Systems)

	All	North America	Europe	Asia Pacific
More efficiencies in processes	31%	31%	26%	36%
Treasury is able to do more with less	24	25	27	20
Single source of information to feed other departments	14	9	22	11
Able to keep up with growth of company	9	5	9	11
Better visibility and compliance with regulations	7	5	7	4
Reduced banking fees	2	2	1	4
Technology matches operating structure well	3	6	1	2
Better bank relationship management	3	3	7	7
Other	7	13	7	4

Single Greatest Benefit the Organization's TMS Provides the Treasury Department
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Treasury is able to do more with less	24	22	31	19	24
Single source of information to feed other departments	14	12	15	18	12
Able to keep up with growth of company	9	7	6	13	9
Better visibility and compliance with regulations	7	7	9	3	10
Reduced banking fees	2	4	2	1	3
Technology matches operating structure well	3	5	6	0	3
Better bank relationship management	3	5	4	2	–
Other	7	9	7	8	–

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