Treasury Management Systems

Survey of Corporate Treasury departments in Western Europe

April 2014
Abstract

More than 90 companies based in EMEA from various industries have been keen to take our latest survey on TMS satisfaction.

Overall treasurers are satisfied (76%) with their TMS but there is still room for improvement. Functionalities are not the only system aspect that matters, as clients are also showing sensitivity towards the level of STP (23%) and vendor support (22%).

Recognizing clear strengths and value-adding aspects about their solutions, treasurers are still expecting functional and technical changes that will make their tool better performing. Reporting is one of the key areas where treasurers are setting big expectations for systems providers, but it’s not the only area. Built-in risk management indicators have to be improved or open up for a ‘best fit’ configuration in order to increase satisfaction in the area. As a consequence of a heavy regulatory agenda, treasurers are also expecting vendors to keep on developing solutions that allow them to easily show compliance with regulatory requirements.

Innovative technology has helped in part to reduce the integration challenge faced by many companies but this area can still be developed further. Companies are also still showing a reliance on external help due to the importance of aligning requirements with functionalities as this so closely relates to overall system satisfaction.

For vendors, the future looks bright but competitive since a higher level of dissatisfaction exists for companies which have been using their TMS for more than 3 years indicating that requirements are changing often within the TMS space and vendors must attempt to keep up. An interesting observation, which may have some bearing on results that we’ll see next year, is that SaaS will be largely considered at renewal time for many companies.
Treasury Management Survey 2014

Purpose

► More than 90 companies from across the EMEA region have taken part in EY’s latest survey on treasury management system (TMS). The survey gives an insight to how our clients perceive the treasury management systems in terms of functionality, hosting and implementation.

► This presentation aims at highlighting the main strengths and weaknesses of TMSs perceived by our clients

Scope

► The analysis exclusively covers the results gathered from the Treasury Management Survey 2014. This includes data gathered about treasury management systems and data regarding companies and their treasury department.

► The scope of the research is limited to the EMEA region. In this instance, respondents are from Europe and Israel.

► Companies vary in turnover size and the data gathered is not limited to a specific industry or company type.

Definitions

► Smaller companies – Companies with turnover under 5 B€

► Mid-size companies - Companies with turnover between 5 - 10 B€

► Larger companies – Companies with a turnover greater than 10 B€

► SaaS – Software as a service

► STP – Straight Through Processing

► TMS – Treasury Management System
The survey covers 90 respondents across the EMEA region.

EMEA respondents represent 12 countries from 21 different industries.

The survey was conducted through client interviews and e-surveys.
Turnover and treasury department size vary widely in EMEA

**EMEA turnover spread**

- < €1 billion: 36%
- €1 - 5 billion: 18%
- €5 - 10 billion: 21%
- €10 - 15 billion: 8%
- > €15 billion: 3%
- No answer: 14%

**EMEA respondents size treasury department**

- < 10 employees: 59%
- 11 - 20 employees: 19%
- 21 - 30 employees: 9%
- 31 - 40 employees: 7%
- > 41 employees: 7%

More than 50% of the respondents have a turnover of less than 5 B€

The majority of the respondents have a treasury department size of 10 employees or less
A large degree of centralization among the respondents

The respondents have a high degree of centralization as almost none of the respondents have decentralized treasury organizational setups.
Content

1. Introduction
2. General Information about Respondents
3. TMS Usage
4. TMS Vendor Selection
5. TMS Functionalities
6. Changing and Implementing TMS
7. Looking at the Future
Larger companies are more open to change in their TMS in the near future

Larger companies have not changed TMS as recently as their smaller counterparts

A higher proportion of larger companies are showing a greater desire to change their TMS within the next 2-3 years

* Data is from respondents using their TMS for three years or more
Smaller companies represent the majority of treasury departments using SaaS

The majority (75%) of companies currently using SaaS are smaller companies.

Distribution of system hosting:
- 82% Hosted by own IT department
- 18% SaaS

Turnover size of companies using SaaS:
- 75% < 5 B€
- 25% > 5 B€

Cost appears to be a significant driver in choosing SaaS since 90% of respondents stated this as their reason for choosing their TMS.
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<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
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<td>General Information about Respondents</td>
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<td>7</td>
<td>Looking at the Future</td>
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</tbody>
</table>
SAP is the most widely used vendor, but the popularity of the system varies depending on turnover size.

Most used vendor among respondents:

- SAP Treasury Applications: 23%
- WSS - IT2: 11%
- Sungard AvantGard: 8%
- Quantum: 6%
- CRM Finance: 6%
- Reval TRM: 6%
- WSS - Suite: 4%
- Bellin - TM5: 12%
- Other: 8%

SAP Treasury Applications is the most used system followed by systems offered from WallStreet Systems and Sungard.

System choice with regard to company size:

- System choice varies quite widely when looking at different sized companies.
  - It cannot be inferred that certain systems are picked by certain sized companies. But it can be seen that there are three systems, quite heavily utilized by all companies regardless of turnover size.
Content

1. Introduction
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User friendliness and integration capabilities are the most commonly perceived strengths among the respondents

Perceived strengths* among respondents when asked freely about the benefits of their TMS

- System is user friendly (39%)
- Integrated with other system (15%)
- Effectively meets functional requirements (15%)
- Effectively meets business requirements (12%)
- System is flexible (8%)
- Other (11%)

User friendliness is one of the most common strengths among respondents

- Smaller companies form the majority of respondents mentioning their TMS as user friendly. However, smaller companies also experience poor reporting functionality and are finding some of their functional requirements are not met.

Integration capabilities is a commonly mentioned strength

- Respondents mentioning integration as a strength also feel that their TMS is lacking in flexibility. Respondents stating this strength are mainly larger companies with in-house hosting.

Effectively meets functional requirements

- Larger companies again make up the majority of respondents who think their TMS effectively meets functional requirements.

Other responses include

- Other strengths respondents have mentioned include the availability and stability of their TMS as well as the degree of automation and centralization.

Respondents stating integration and effectively meeting functional requirements as strengths are often larger companies

* The analysis is based on the categorization of free text data.
Overall, treasurers are satisfied with their TMS, however there is still room for improvement.

**Overall perceived satisfaction of TMS**

- **76% are satisfied**
  - Very Satisfied: 23%
  - Rather Satisfied: 53%
  - Rather Dissatisfied: 18%
  - Very Dissatisfied: 6%

**Perceived Weaknesses with TMS**

- Poor reporting function: 24%
- System lacks flexibility: 21%
- System lacks support: 16%
- Does not meet some functional requirements: 15%
- System not user friendly: 12%
- Expensive: 7%
- Other: 5%

- The majority of respondents are quite satisfied overall with their TMS.
- The result is an increase in satisfaction among respondents since the last TMS survey, where 60% felt they were satisfied with their TMS.

- The top 3 perceived weaknesses across all systems are poor reporting functionality, a lack of flexibility for system changes and a lack of support from the supplier.
- The ‘Other’ category has a wide variety of answers including lacking functionality, poor implementation as well as instability.
Front office functionality performs well and is also highly utilized among the respondents.

<table>
<thead>
<tr>
<th>Function</th>
<th>Satisfied</th>
<th>Dissatisfied</th>
<th>Do not use this function</th>
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<tbody>
<tr>
<td><strong>Front Office</strong></td>
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<tr>
<td>Corporate Finance</td>
<td>85%</td>
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<td>Dealing Processes</td>
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<td>FX</td>
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<td>IR</td>
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<td>Energy</td>
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<td>39%</td>
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<td><strong>Risk Management and Accounting</strong></td>
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<tr>
<td>Reporting</td>
<td>66%</td>
<td>35%</td>
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<tr>
<td>Accounting valuation</td>
<td>77%</td>
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<td>Risk analysis</td>
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<td>Counterparty risk</td>
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<td><strong>Back Office</strong></td>
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<td>Payment factory</td>
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<td>74%</td>
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When assessing functionalities, respondents are generally satisfied with their functionalities, especially in the front office and back office area:

- Corporate finance, dealing processes and FX all have high utilization in the front office, as well as significant satisfaction ratings. From the back office confirmations and settlements also has comparable satisfaction.
- Level of security is an area where the systems are continuously satisfying respondents regardless of vendor, in contrast to the level of control where satisfaction varies depending on vendor.

Level of perceived satisfaction for key areas:

- **Level of Security**: 89%
- **Segregation of Duties**: 88%
- **Level of Control**: 90%
There is a dissatisfaction with reporting but respondents are also sensitive about STP and vendor support

There is a notable dissatisfaction in the risk management and accounting functionality

- Within the risk management and accounting functionalities, reporting is a function with both high utilization and perceived dissatisfaction. The perceived main problem is the difficulty in editing and configuring reports to meet changing requirements.
- Commodity and energy are also functions with high dissatisfaction, however they are not commonly used and is perceived as future functions.
- Regarding non functional areas, companies are dissatisfied with STP and support from the supplier. The most desired areas for improvement with STP are payments, settlements and FX.

Level of perceived dissatisfaction for key areas

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New TMS lead to higher satisfaction among respondents, but some key barriers limit the companies’ ability to change

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<th>Overall satisfaction categorized by time spent with current TMS</th>
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<td><strong>3 years or less</strong></td>
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<tr>
<td>Satisfied</td>
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<td>Dissatisfied</td>
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<th>Barriers to change in the next 2 – 3 years for those with an older* system</th>
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<tr>
<td><strong>Other project taking priority</strong></td>
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<tr>
<td><strong>Budget limitation</strong></td>
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<tr>
<td><strong>Lack of time</strong></td>
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<tr>
<td><strong>No management support</strong></td>
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Dissatisfaction is higher among companies who have had their TMS three years or more

- 38% of companies who have had their system for over three years stated that their requirements have changed since the system was installed

TMS systems are not viewed as a priority for change by some respondents

- Nearly a fifth of respondents with a system over 3 years old states that other projects are taking priority
- Budget limitation is the second largest barrier towards change, which is somewhat unsurprising given the ongoing economic situation

* System 3 years or older
The majority of respondents use external help for selection and implementation of a new TMS

<table>
<thead>
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<th>External help* utilization when selecting or implementing TMS</th>
<th>Reason for companies choosing their TMS</th>
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<tbody>
<tr>
<td><img src="chart.png" alt="External help utilization chart" /></td>
<td><img src="chart.png" alt="Reason for choosing TMS chart" /></td>
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Among the respondents who have changed their TMS within the last three years, the majority have used external help during the selection and implementation phase

- 60% of respondents switching TMS without external help have chosen to implement SaaS

Aligning functionalities with requirements was the most important reason for choosing TMS

- Respondents who’ve stated functionality or treasury process alignment as the reason for choosing their current TMS form the majority of people who have selected external help

* External help definition: External consultants that are non-vendor related
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Treasurers have high expectations of vendors to develop their solutions to fit changing requirements

The key areas for improvement are enhanced functionalities within risk management and accounting and regulatory compliance

► As mentioned previously, respondents are sensitive about functions in the risk management and accounting area, particularly bad reporting, which is also mentioned specifically as a desired improvement.

► Regarding additional functionality, companies would like to see more innovative, updated processes that help align system processes with treasury best practices.

► Companies are also requesting for vendors to improve systems within the regulatory compliance (EMIR/IBAN) area and system flexibility.
Satisfaction among companies using SaaS is high and many of the companies wanting to change their TMS in the near future are considering SaaS.

Among companies wanting to change TMS in the near future, nearly half are considering SaaS.

- Both large and small companies appear to find a SaaS setup a viable option in the next 2-3 years.
- As mentioned previously, cost is a significant driver in choosing TMS among SaaS users, which goes some way towards explaining the positivity regarding changing to this type of setup.
- Respondents with SaaS* appear just as satisfied with their level of security compared to the respondents with traditional TMS installations.
- However, SaaS users appear more satisfied with their level of support which is one area of dissatisfaction among the respondents in general.

Regardless of their turnover, companies seem positive towards changing to SaaS in the future, likely due to the high satisfaction among respondents currently using SaaS.

* Based on the 16 respondents using SaaS installations.
EY supports an effective Treasury Management System selection

1. Proven system evaluation & selection methodology
   The methodology has been developed by our experienced consultants, and is proven in numerous treasury system as well as ERP selections.

2. Existing, re-usable tools and templates
   Our consultants have developed many tools and templates that are re-usable from other projects, i.e. time can be spent on qualitative analysis instead of creating tools.

3. Deep understanding of the client’s requirements
   Our consultants have worked in numerous business development and system projects with world-class treasuries and gained a deep understanding of leading practices.

4. Extensive experience of available treasury systems
   EY have extensive experience of available treasury systems as regards functional support as well as implementation consequences.

5. Internal network of Treasury and Treasury systems specialists
   The international network of treasury consultants within EY collaborate on projects, and support each other as well as develops thought leadership and surveys.
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