



SHIFTING TREASURY FROM OPERATIONAL TO STRATEGIC RELEVANCE

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Today's Presenter



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Julie is a Vice President on the Corporate Treasury Consulting team J.P. Morgan's Commercial Bank covering the South and Southeast. She serves a broad range of clients across multiple industries and treasury functions working to identify, strategize and drive change for corporate treasury's challenges through strategic dialogues, analysis and process improvements in order to create positive and lasting impact.

Julie joined J.P. Morgan in 2018 as a Treasury Management Sales Officer, focusing on solving clients' working capital needs with product and service offerings. She also previously served in a similar capacity at other financial institutions.

Prior to her banking career, Julie held multiple roles within Corporate Treasury at Exelon Corporation, managing cash operations & forecasting, banking relationships, and M&A integration.

Julie is a Certified Treasury Professional and received her Bachelor of Science in Finance from the University of Florida. She is based in South Florida.

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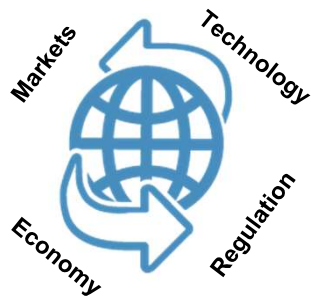
Treasury's objectives

The treasury eco-system is experiencing significant change brought about by new emerging technologies, regulatory developments, economic events and market changes yet the key objectives of the Treasurer remain the same

The Treasury universe is constantly changing...

Global trade growth
EM capital flows
FX & Interest rate volatility
Cybersecurity threats

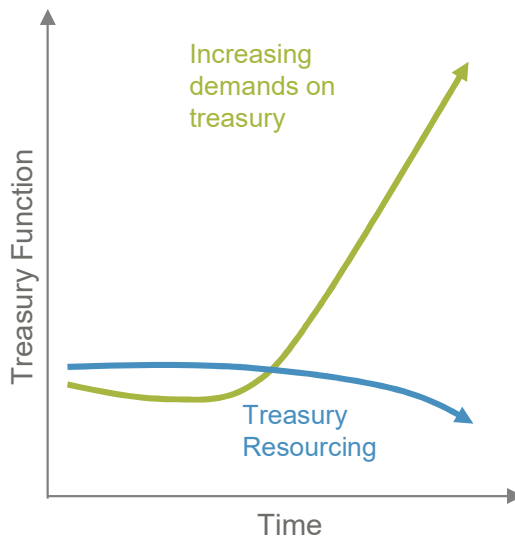
Blockchain
Analytics
Machine learning
Robotics
Real time payments



Brexit
U.S. tax reform
Election
North Korea
SEPA

KYC
BEPS
FX regulations
Basel III
Window guidance

... And more is expected from treasurers with limited resources...



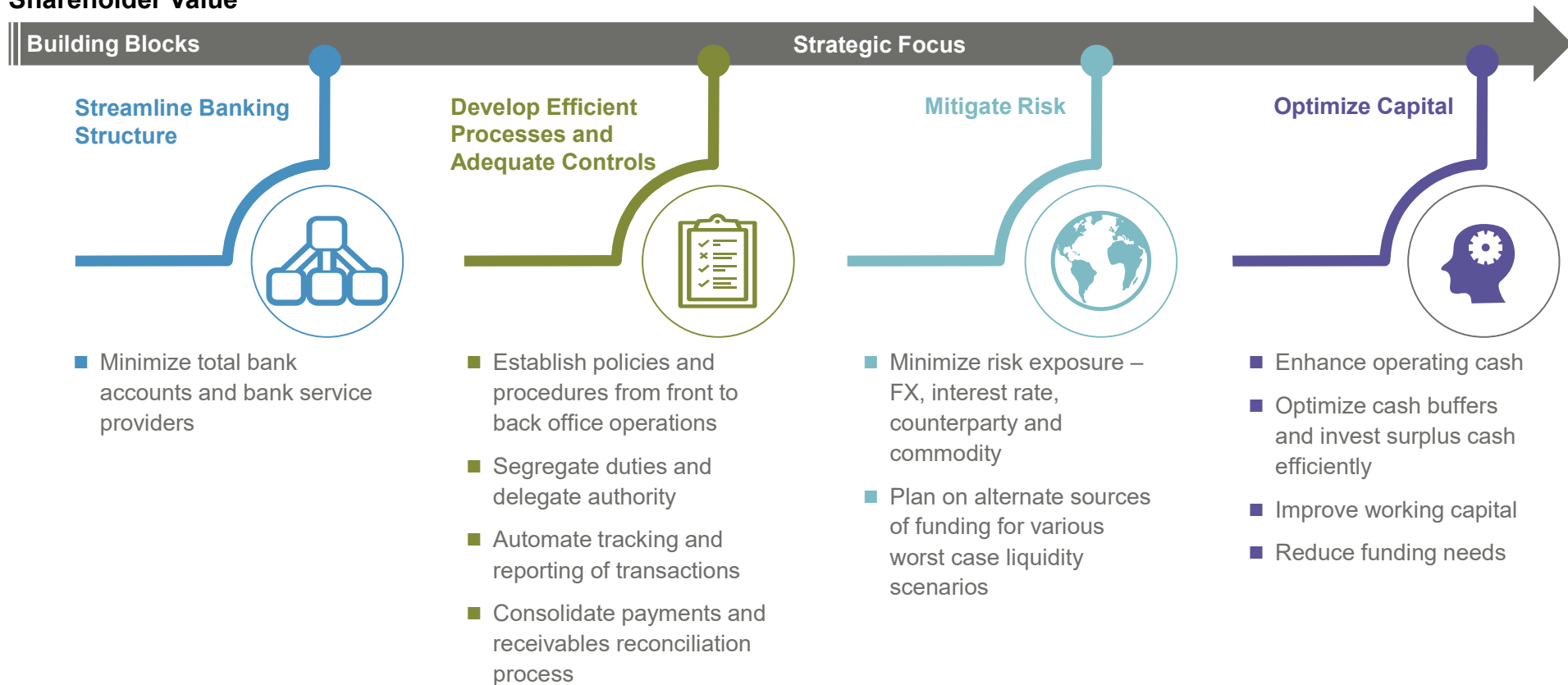
...Yet the treasurer's objectives remain the same.



Effective treasury objectives create strategic value across the entire organization

The ultimate goal of Corporate Treasury is to create shareholder value by optimizing capital and mitigating risks to the business flows from external factors

Shareholder Value

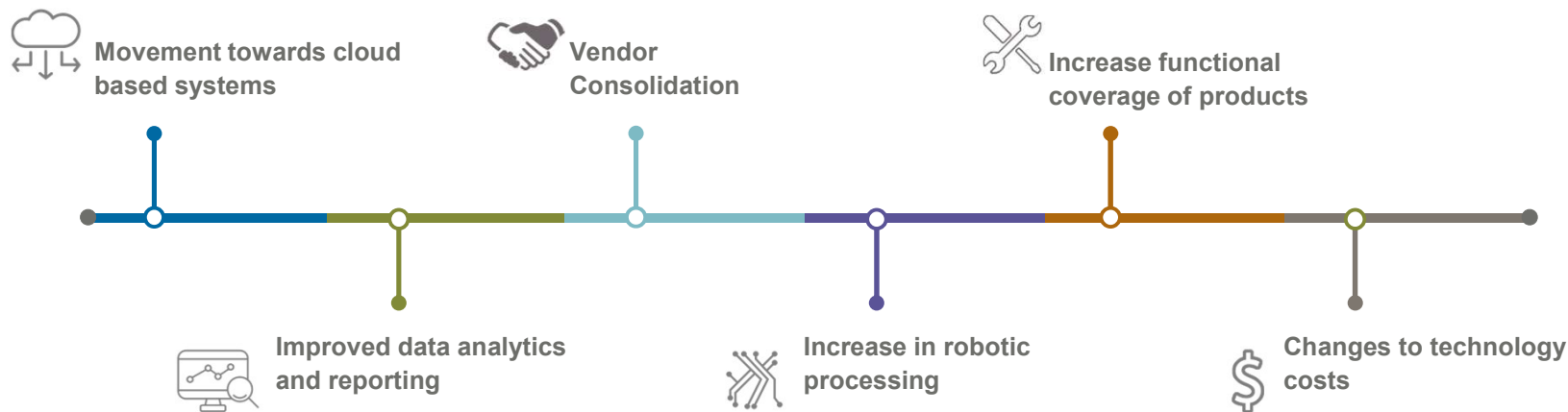


Polling Question #1

Transitioning from Operational to Strategic Treasury Management



Key trends driving strategic change



Common responsibilities of the Treasury team

Cash Management	Foreign Exchange Management	Funding Management	Investment Management	Bank Management	Risk Management
Operational responsibilities					
<ul style="list-style-type: none"> Bank account funding Account reconciliation Payment management Cash forecasting reporting 	<ul style="list-style-type: none"> Identify and monitor exposure FX trading Confirmation Settlements Accounting 	<ul style="list-style-type: none"> Borrowing execution and reporting Accounting 	<ul style="list-style-type: none"> Investment execution and reporting Accounting 	<ul style="list-style-type: none"> Opening / closing bank accounts KYC documentation User maintenance 	<ul style="list-style-type: none"> Setting risk management policies and mitigating risk
Strategic responsibilities					
<ul style="list-style-type: none"> Guarantee visibility and access to cash Ensuring accurate cash forecast with scenario testing and cross-functional inputs 	<ul style="list-style-type: none"> Setting hedging policies Working with providers to analyze exposures 	<ul style="list-style-type: none"> Negotiating borrowing facilities Optimizing capital structure 	<ul style="list-style-type: none"> Management of short-term and long-term investments at the best rates and in line with policy Actively monitoring cash forecast for opportunities for termed investment 	<ul style="list-style-type: none"> Defining an optimal mix of banking partners and maintaining those relationships Managing banking regulation (e.g. BASEL) 	<ul style="list-style-type: none"> Building financial models Simulating scenarios Actively monitoring existing exposures and analyzing where there's necessary action

Benefits of focusing on strategy

When a company invests in moving towards a strategic Treasury function it will achieve:

**Increased Rate of Return
on Cash**

Improved Cash Flows

Increased Controls

Reduced Risk

**Increased Shareholder
Value**

Improved Forecasting

Polling Question #2

Define and execute your plan based on Treasury best practices

Lean on your banking partner's resources and expertise to help support you in defining your Treasury vision and executing the path to transformation



World Class Treasury Management



RATIONALIZE BANKS AND ACCOUNTS

- Fewer accounts, consolidated with key banks
 - Optimized exposure with strong counterparties
 - Less complexity for regulatory reporting
 - Limit accounts to one per legal entity, per currency
 - Volume scale
 - Transparent pricing across countries
- Further savings and efficiency gains with Virtual Account Management



IMPROVE CASH USAGE AND VISIBILITY

- Use network and capabilities of main cash management bank as single point of access for all balances
- Automate cash concentration
 - Reduce borrowing costs by self-funding
 - Free up cash for investment and optimize liquidity
- Automate cash reporting
- Build out enterprise-wide cash forecasting process



LEVERAGE BANK TECHNOLOGY

- Use bank provider integrations, e.g. by Host-2-Host, API
 - Payment initiation, acknowledgement
 - Reporting
- Reduce time spent on account reconciliation and cash application through automation with technology support by your banking partner
 - Automate data and information flow between HQ and subsidiaries



CONSOLIDATE TREASURY ACTIVITY

- Centralize core functions to head or regional office
 - Accounts Payable and Receivable
 - FX management
- Optimize collaboration between different organizational levels
- Facilitate adoption of advanced treasury structures (e.g. in-house bank, on-behalf-setup)
- Establish scalable infrastructure for future acquisitions and/or growth



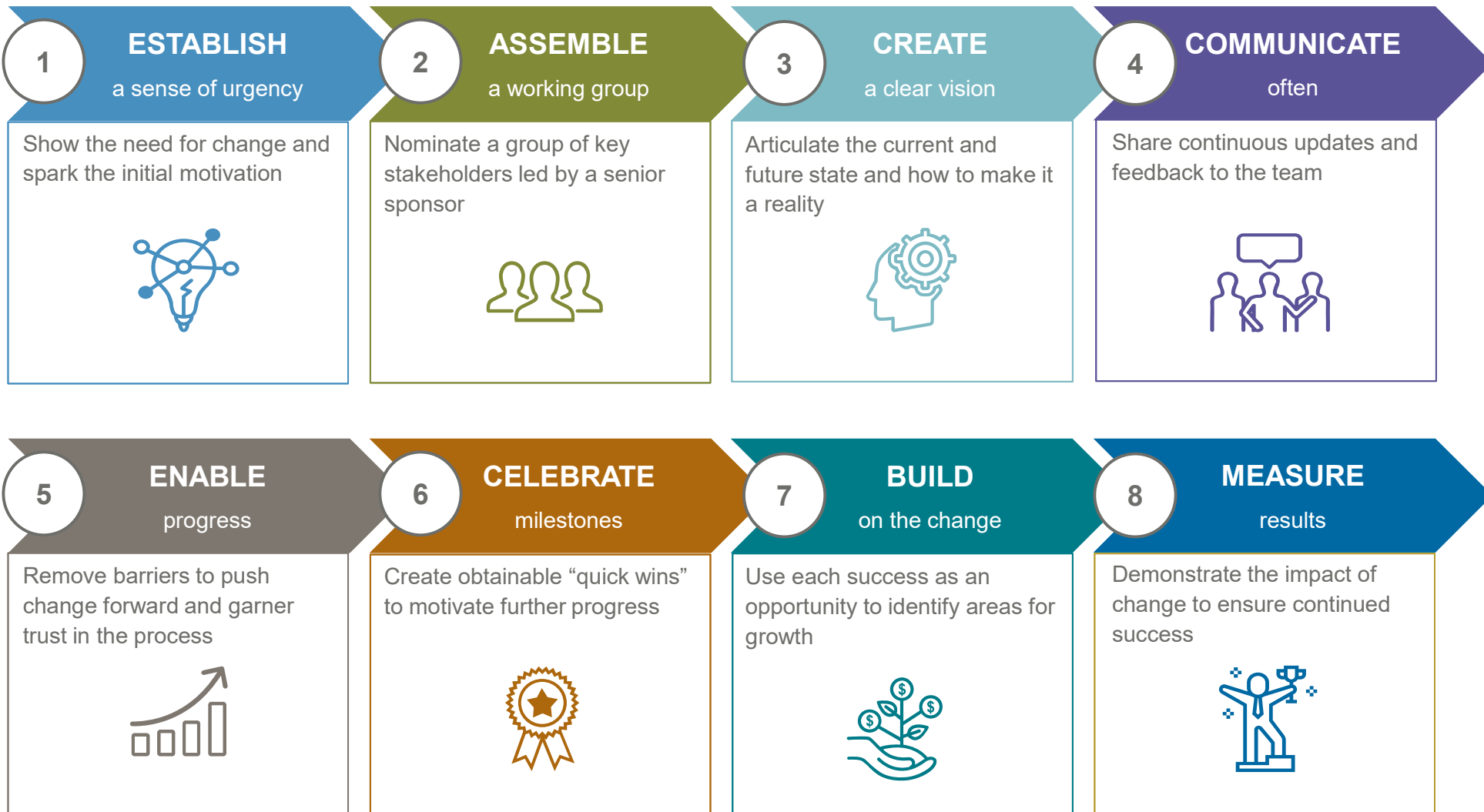
OPTIMIZE INTERNAL GOVERNANCE

- Ensure adequate oversight while not inhibiting business activities
 - Align HQ, region and subsidiaries and distribute work and responsibilities
 - Establish secure and audit-proof processes and documentation
- Define, measure and manage risks (e.g. financial, counterparty)
- Develop, track and monitor global Key Performance Indicators to ensure alignment with priorities

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Keys to driving transparent and unified organizational change



Key participants for the assembled working group

Establish an ongoing enterprise-wide, Executive-sponsored working group to encourage collaboration

Senior Sponsor



- Creates a **clear, well-defined vision and strategy** to help direct the change effort
- **Empowers the key stakeholders** to act on the vision in an inclusive, cross-functional environment
- Provides support in **clearing any project obstacles** or barriers

Project Manager



- Develops a project plan and works with the key stakeholders to **set timelines, including both short term and long term goals**
- Frequently **checks in with key stakeholders** on their progress and **communicates results** to the Senior Sponsor
- **Enhances relations** by building cohesion with key stakeholders to boost morale and improve outcome
- **Understands the key stakeholders needs and concerns**, sets related goals, and leads accordingly

Key Stakeholders



- Highly-motivated key individuals with the **ability to influence, motivate, and create change** within their organization
- **Knowledgeable** of processes and maintain strong relations with personnel throughout the organization
- Support **transparency and accountability** that will ensure project deliverable deadlines are met
- **Ability to mitigate risk** and utilize resources to **overcome obstacles**

Best practices for collaborative change



Communication and collaboration

- Connect key stakeholders via round table discussion on a regular basis
 - Discuss current projects/initiatives
 - Encourage open forum discussion
-



Problem solving

- Internally identify process and technology gaps
 - Pull in members from outside of the Finance/Treasury teams to assist with root cause analysis
 - Develop projects to address identified gaps
-



Technology planning

- Dedicated discussions on technology enhancements
 - Current technology projects
 - Identify what enhancements can be leveraged more broadly across functions
 - ERP specific fixes
 - IT resource and budgeting
-



Progress and performance reporting

- Document project plans, goals and ownership
- Incorporate KPIs and metrics to enable transparency to executive team
 - Track project progress, including SLAs, remediation plan and go live date to roll-out the solution
- Report aging issues, including risk factors and economic impact

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Polling Question #3

What Key Performance Indicators (KPIs) should corporate Treasury track and measure?

Establishing and measuring KPIs is an important part of tracking performance during a change initiative, in addition to the normal course of business

Types of KPIs

Quantitative



Measured objectively, mostly expressed in numeric values

Qualitative



Decision on whether achieved or not is based on interpretation

Event-driven



Depends on whether a pre-defined event occurred during a certain period or not

Best practice for establishing KPIs

- Use **SMART** concept for target values and KPIs itself: **S**pecific, **M**easurable, **A**chievable, **R**elevant, **T**imely (within a predefined period)
- Avoid competing KPIs of different departments as they might pit them against each other and negatively impact the organization's overall performance
- Ensure measurement is feasible and does not exceed defined cost (if applicable)
- Implement a process to regularly review target values and adjust as needed
- Examine all incentives of KPIs to ensure undesired behavior is not encouraged as a side effect
- Define and enforce consequences internally for missing KPIs (i.e. on levels of year-end target or budget achievements)

Examples of Treasury KPIs

Objective for KPIs

■ Cash and liquidity management KPIs

- Ensures that the business has the cash it needs at the right place and time



■ Funding and investment management KPIs

- Ensures that funding is available and the use of financial assets is optimized



■ Accountability management KPIs

- Ensures that the accuracy of forecast vs actuals is reported to the individuals who provided the inputs, as well as senior management



■ Expense Control KPIs

- Ensures current expenses are controlled, appropriate expense policies are in place and provides oversight on why certain expenses have increased



■ Organizational KPIs

- Requires fundamental change in organizational culture, process and talent



Examples of KPIs to track

- Percentage of account balances reported
- Utilization of automated cash positioning and funds movement
- Percentage forecast error

- Funding buffer
- Cost of funds
- Return on investment

- Opportunity cost (free cash flow)
- Impact of difference reported

- YoY savings
- Cost reduction
- Comparison against budgeted expectations

- Annual leadership and culture audit
- Employee productivity rate
- Operating margins

Q&A