How to Manage Treasury in an Era of Disruption

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Luu Tran
Finance Manager, Lutron Electronics Co., Inc.

Adam Glasser
Assistant Treasurer, Agrofresh Solutions Inc.
Bio

Maria is an International Treasury Sales Officer in the Global Treasury Solutions (GTS) Team for the North East US Region. She specializes in working with Commercial global clients to optimize their cash management structure worldwide. Prior to joining the US team Maria was a Director in the Global Treasury Solutions (GTS) Officers Team in EMEA and was responsible for more than 30 UK headquartered clients with Global GTS relationships. Industries include consumer products, technology and telecoms.

Maria joined Bank of America Merrill Lynch in October, 2010 after four years with ABN AMRO and subsequently Royal Bank of Scotland in London where she performed a similar GTS relationship role. Prior to that, she spent eighteen years at Citi in Athens, Greece, specializing in Cash Management and Trade Products. She is a graduate in Statistics and Computer Science, from the University of Athens, (Athens Business School). She has also studied History of French Arts at the University of Paris -Sorbonne.
Randy Rasmussen
CFO, Cross Border Solutions

Bio

Randy Rasmussen is the Chief Financial Officer for Cross Border Solutions, a global professional services company offering transfer pricing services to its multi-national customers. His background encompasses accounting, finance and operations for entrepreneurial ventures of all stages. Randy has an MBA from the University of Pittsburgh’s Katz Graduate School of Business and a BSBA in accounting and finance from Creighton University.
Luu Tran
Finance Manager, Lutron Electronics Co., Inc.

Bio

Luu Tran is the Finance Manager for Lutron Electronics Co., Inc. Luu is responsible for overseeing Lutron’s Treasury, Corporate/Board Relations and Corporate Secretarial Compliance teams. Prior her current role, she held a variety of Analyst positions at Lutron where she was responsible for managing the global manufacturing accounting teams as well as building the Internal Audit and Compliance teams. Luu has a Bachelor’s Degree in Finance and Marketing and a MBA in Supply Chain Management from Lehigh University.
Speaker biographies

Adam Glasser
Assistant Treasurer, Agrofresh Solutions Inc.

Bio

Adam Glasser is the Assistant Treasurer for Agrofresh Solutions. Adam manages all banking relationships, as well as the company’s forecast cash flow and borrowing needs. He manages the corporate financial risk including all global insurance lines, customer credit for 3,000+ customers and financial risk across 20+ currencies. Adam joined Agrofresh from Dow where he held a lead Treasury Manager Role.
DEMOGRAPHIC SHIFTS
The rise of millennials is shaping the future of financial services.

GLOBALIZATION
Global population growth will offer new business opportunities.

GLOBAL COMMERCE
Increasing simplicity of doing business between buyer and seller is driving cross-border growth.

Innovation is being driven by three global megatrends...

...and is resulting in a changing payments landscape

<table>
<thead>
<tr>
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<th>Current Payments Landscape</th>
<th>Next Generation Payments</th>
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<tbody>
<tr>
<td>Reach</td>
<td>Rigid payment types, using existing banking infrastructure</td>
<td>Interoperability across payment types (incl. e-wallets)</td>
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<tr>
<td>Speed</td>
<td>Operates on a two +-day basis (clearing and settlement)</td>
<td>Instant or near-real time payments</td>
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<tr>
<td>Cost</td>
<td>Multiple layers of fees (transaction fee, FX fee, etc.)</td>
<td>Lower costs due to higher volume, lower value payments</td>
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<tr>
<td>Information</td>
<td>Inconsistent levels of data passed in payment instruction</td>
<td>Ability to incorporate information so recipient can reconcile</td>
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<tr>
<td>Traceability</td>
<td>Doesn’t provide payment status updates or confirmations</td>
<td>Transparency, predictability, and real-time traceability</td>
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What Treasurers have in mind

- Driving value for the enterprise while improving efficiency (across working capital)
- Detailed documentation and thoroughly understanding current state end-to-end processes with understanding of existing challenges to changing and streamlining
- Technology...ERP/TMS or both. RFP/RFI. APIs, Fintechs
- Gaining a “seat a the table” How? Value proposition. Business case. WIIFM?
- Straight through processing & reconciliation (payables out, receivables in, G/L entries)
- Communication protocols
- Regulatory & political changes and how they affect me. (Basel III, Reg 385, Brexit)
- Lack of IT resources
- Account opening /closing requirements
- Signatory & entitlement management
- Bank account structure/liquidity
- A robust change management and communication program
- Fraud
- Tax/Legal
What strategic priorities are you pursuing?

- Process design & reengineering
- Technology integration
- Change management
- Working capital optimization
- Mergers, acquisitions & divestitures
- Global strategy & operating model
The foundation

1. Document current state processes
2. Identify inefficiencies and non-value adds
3. Rationalize, optimize bank and account structures
4. Define future state processes (post-TMS)
5. Understand future state finance technology vision
Sample business requirement elements

✓ **Goal/business problem statement**
  Define the question to answer/problem to solve?

✓ **Current business process**
  Describe current state with assumption that improvements will be made.

✓ **Scope/boundary statement(s)**
  What elements of the process will be impacted? Keep scope manageable.

✓ **Key business objectives**
  What is the goal? Make it measurable.

✓ **Project completion criteria**
  Key work streams needed to execute to requirements.

✓ **Constraints**
  Things you must “work within and around” (e.g., legacy IT system, compliance).

✓ **Risks**
  Operational, reputational, financial, time-oriented.

✓ **Assumptions**
  Things that might be questioned by others.

✓ **Functional requirements**
  Specific behavior of system/process functions.

✓ **Non-functional requirements**
  Measures the operation of a system.
Sample business requirement elements

✓ Reporting requirements
   How will requirements be reported, or how will status be determined?

✓ Delivery method
   How do requirements integrate with the larger process or system?

✓ New/modified business process
   The “after state” process, which helps people visualize the future.

✓ Data retention/archiving
   Optional; outline how requirements are documented/version controlled.

✓ Training
   Who needs to understand and act upon the new business requirements?

✓ Stakeholder list
   Who directly will be impacted by the business requirements?

✓ Quality measures
   Qualitative and quantitative; key metrics become key performance indicators (KPIs).

✓ Checklists (process and requirements)
   Any documents or addendums that are applicable to the requirements or process.
Strategic planning

Anticipated benefits

- Provides clearly articulated direction of strategies
- Shows alignment between vision, performance measures and tactical execution plan
- Enables alignment across the organization
- Assigns clear responsibility
- Provides clear and consistent communication
Building a strategic plan

Strategic plan development process

1. Obtain executive sponsorship
2. Assign dedicated resources
3. Document current state
4. Evaluate external environment
5. Analyze needs and capabilities
6. Document SWOT
7. Define target state
8. Document critical few key strategies
9. Define metrics to measure success
10. Build tactical plan
11. Identify routines to drive results
Key components

Components to be considered in a strategic plan:

- Clearly articulated vision and initiatives; defined goals and business routines established to drive execution
- Consistent integrated systems throughout the entire working capital processes
- A clear finance technology vision
- Standardized, holistic set of processes, policies and procedures
- Simplified, automated processes that fully leverage system and bank capabilities for straight-through processing
Best practices for building a strategic treasury

- Control of or strong influence over all aspects of working capital
- Increased responsibilities for risk (including financial risk), trade finance, capital markets/investments and M&A
- Conversion from cost center to value-added organization

- Globalization and centralization of treasury and finance activities
- Visibility and accountability for global accounts and bank relationships
- Major stakeholder in key corporate strategic decisions; “a seat at the table”

- Broader set of risks than ever before
- Technology and standardized processes to strengthen controls and exposure management
- Approaches to identify, measure, manage and mitigate physical and financial risks

- Pooling (physical and notional) to leverage cash and optimize returns
- In-house banks, global treasury centers, payment factories and shared service centers
- Outsourced investment management and other treasury functions
- Intercompany netting and loan administration
Best practices for building a strategic treasury

**People**
- Movement away from clerical activities
- Project management acumen
- International knowledge critical for global success
- Comfortable in a fast-paced, rapidly changing environment

**Process and efficiency**
- Process improvement to enable straight-through processing
- Incorporate information reporting, employee activities and physical cash movement
- Long-term strategic plan aligned to corporate strategies, including technologies
- Migration from paper to electronic
- Performance measures to drive accountability

**Technology**
- Technology to improve straight-through processing
- Increased integration with banks to automate payments and receipts
- Greater reliance on ERP systems and treasury workstations

**Visibility and control**
- Automated treasury reporting and analytics with global and local views
- Multibank reporting
- Optimized global bank structure to improve visibility and liquidity
- Documented and standardized global policies and procedures
It may go beyond an “I don’t want to do it” attitude.

- **Upsetting the apple cart**
  “I fear the unknown.”

- **Fear of personal loss**
  “What if I lose my job?”

- **Organizational discomfort**
  “Will I like my new manager?”

- **Organizational loss**
  “I don’t want to work with a new team.”

- **Loss of organizational prestige**
  “Will I get demoted?”

- **Expenditure of effort & limited energy**
  “When do I find the time to learn new things?”

- **Fear of discovery**
  “What if this uncovers that I’ve been leaving early?”
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