Straight-Through Processing (STP) with Software-as-a-Service
Treasury Technology to Support Global Growth Strategies
by Nicolas Adjemian, Reval Senior Solutions Consultant, Asia
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Boon and Bane of Globalization

Expansion to new markets as well as mergers and acquisitions results in ongoing change in the workflows within treasury. Left as is, global financial processes become increasingly difficult for finance professionals to manage. For example, daily account balances from multiple banks, liquidity forecasts, trades and hedges need to be collected from different entities around the world in a timely manner. Along with an organization’s expanding geographic footprint into new countries, regions or even new continents, new currencies and interest rates have to be considered in cash, liquidity and risk management, challenging treasurers to capture accurate and up-to-date market data for valuations and revaluations.

In these scenarios, most finance experts spend too much time working on recurring and administrative activities, such as manual input of bank balances, transaction data or market curves into their liquidity plans. Quite often treasury is using a mixture of spreadsheet and disparate systems, requiring a huge amount of manual intervention, which leads to operational risk. In one recent
Reval poll, 82% of financial professionals described their FX workflow as manual or only partly automated, showing the significant potential for improvement.¹

Additionally, a scattered software infrastructure prevents collaboration on a global basis and introduces inefficiencies in exchanging information with different entities around the world. Aside from obstacles in daily operations, a complex IT environment also makes it difficult to extract meaningful information, as there is no single financial database. Such lack of workflow integration and visibility in financial data causes process inefficiencies as well as high operational and strategic risk, all potentially leading to real financial losses.

How STP Helps Treasury

Broken processes and manual operations prevent treasurers from developing global growth strategies as they simply do not have the time for strategic, value-added analysis. A Reval poll showed that 50% of finance executives feel that access to data and data integration are the biggest impediments to gaining global visibility and becoming more strategic.² Thus, leading companies are beginning to centralize financial data and optimize processes.

In addition, companies are looking to technology solutions to enable integrated workflows and straight-through processing with the aim of reducing the complexities globalization is bringing upon them.

STP enables the entire trade process for capital markets and payment transactions to be conducted electronically without the need for re-keying or manual intervention. Its main characteristics are automation and integration of workflows.³

- A high level of automation is attractive because it helps to:
- Reduce operational risk by minimizing manual intervention,
- Shorten processing cycles,
- Improve data availability, reliability and accuracy,

¹ Reval fit for treasury event, Berlin, March 2012
² Reval TRM Day London, May 2012
³ http://en.wikipedia.org/wiki/Straight-through_processing
• Increase efficiency by streamlining and standardizing processes,
• Increase productivity by controlling and documenting all activities.

Aside from automation, integration is key to assure operational excellence. Achieving STP using Software-as-a-Service can help companies to reduce the number of applications, avoiding overlap in capabilities, while facilitating enterprise-wide cooperation and easy integration with third party systems.

Today, it is best-practice to leverage technology to automate and integrate financial processes in global organizations. All-in-one solutions that combine capabilities for cash, liquidity and risk management as well as hedge accounting and compliance, called Treasury and Risk Management (TRM) solutions leverage SaaS technology to connect to banks, ERP systems and financial service providers, helping treasury teams implement STP on a global level.

Technology Enabling Automation and Integration

As treasuries work to optimize their global business processes, they are asking for technology that enables them to streamline the entire trade life cycle from initiation to settlement and to collaborate on a global level, providing them with a holistic view on cash flows and risk.

SaaS TRM solutions combine treasury and risk management in a single platform and can be easily rolled out, updated and connected to third party solutions enriching the financial workflow with value-added shared services.

Below are some key integration points for achieving STP through a SaaS TRM:

Market data
SaaS TRM solutions that provide market data across different asset classes such as FX, interest and commodity rates as well as credit ratings allow automated valuations and back valuation of financial instruments for regression and advanced risk analysis such as stress testing, Value-at-Risk or Cash-Flow-at-Risk. In addition, accurate market data makes possible automated reset of floating cash flows for settlement as well as better management of the bank portfolio.

Trading and confirmation matching platforms
Gaining access to execution platforms for FX trades and money market instruments through a SaaS TRM solution allows real time trade upload within the software. Electronic connectivity reduces trade execution
errors, provides better transparency of bank margins and reduces fraud risk significantly. Having the ability to automatically sweep excess cash to money market instruments reduces idle cash balance and increases interest income.

Using a SaaS TRM solution, treasury transactions are electronically transmitted to banks and automatically confirmed if trade tickets match making fax confirmation and manual reconciliation obsolete.

**Bank connectivity and electronic payments**

SaaS TRM solutions can be easily connected to multiple banks across the world. Besides automated import of bank statements and payment generation, treasurers are able to create auto-reconciliation rules based on the information provided in the electronic bank statement. Having all bank statements available in a single screen allows treasurers to minimize hidden and idle cash and gain visibility into liquidity and risk.

**ERP and general ledger interfaces**

With seamless integration to ERP and general ledger software, the back office accounting function can be highly automated by importing operational cash flows for forecasting and exposure management into the SaaS TRM solution as well as exporting dealing cash flows to the ERP and general ledger system.

Seeing the possibilities and benefits modern technology provides for STP, leading finance executives have started evaluating and implementing financial software. 24% of treasurers are currently implementing new solutions and another 35% are planning to do so within the next 12 month, a recent poll shows.⁴

**The Big Picture**

Modern technology is transforming treasury. In order to assure a successful change process, having a plan and a clear vision are most important, say 65% of finance professionals participating in a Reval poll.⁵ Thus, implementing STP with a SaaS TRM, treasurers should have the following picture in mind:

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⁴ Reval webinar „National Grid: Implementing a Next Generation Treasury & Risk Management (TRM) Solution”, June 2013
⁵ Reval webinar „National Grid: Implementing a Next Generation Treasury & Risk Management (TRM) Solution”, June 2013
The SaaS TRM solution forms the core of treasury’s function as a financial nerve center: All cash flows arising in treasury and risk management are once, electronically captured in a single data base and available for further processing and analysis in real-time within the platform. Additionally, workflows can be streamlined with third party systems seamlessly integrating banks, market data and credit rating services, trading and confirmation platforms as well as ERP and general ledger software.

In this respect, it is the SaaS TRM solution that enables STP. With modern technology and the goal of straight-through processing, treasurers can reduce complexity in daily operations, provide visibility into cash and risk, and have the structure necessary to successfully compete in today’s global economy.