

## TMS: Burden of choice or embarrassment of riches?

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*The area of treasury management for global corporations has long been undergoing major growing pains: regulations have shaped the way treasury management must be done, instruments constantly evolve and the very area of a treasury manager's responsibility multiplies. On the one hand, the scope of coverage in the domain of treasury management is vast, on the other – each individual firm's treasury has a specific and unique combination of requirements. The question of finding technology that adequately addresses the firm's particular needs is no small feat these days. The software providers are many and their products are seemingly copious. Yet a single solution that effectively includes support for the desired financial transactions, their accounting, risk monitoring, transmission, cash flow management, market data, as well as the required budgetary and reporting tools is elusive.*

*It often comes down to a choice between the two options: a solution consisting of multiple complementary applications, necessitating the application interface management as well as administration of each individual database, or an integrated system affording full traceability of transactions. The preference between the two is in each case a function of business (functional areas covered, instruments handled, etc) as well as technology requirements (redundancy management, hosted/ASP/SaaS choice, etc).*

### A benchmark of TMS<sup>1</sup>

We have undertaken a broad study of software systems employed by treasury departments of today's global corporations. The goal was to obtain an up-to-date benchmark of the offerings on the market of treasury management software systems, verify their scope and study their positioning within the TMS domain.

The study involved over two dozen software systems and was built upon specifics provided by the vendors by responding to an OTC Conseil-built questionnaire as well as information made publicly available by the vendors themselves. The system types ranged from traditional cash flow management solutions, to business exchange, forecasting, online trading and market data solutions. In terms of geography, we attempted to focus on global providers, and especially on those present and prominent in Europe and North America. By and large, four broad groups of TMS have been identified:

- Front-to-Back
- Specialized on the Front Office
- Specialized in the cash flow management
- ERP<sup>2</sup> containing a treasury management module

<sup>1</sup> TMS: Treasury Management System

<sup>2</sup> ERP: Enterprise Resource Planning

Within each group the functionality offered is mostly homogenous, even if there are some particulars differentiating one application program from another.

Of course, numerous technical elements must be considered, but we will not get into them at this time.

### ***Front-to-Back solutions***

These systems offer the advantage of covering almost all functional needs. From front office tools to classic cash flow management, from risk management to reporting, from accounting to compliance, these solutions cover all assets and all types of banking instruments. The sector is populated by such behemoths of the industry as Reuters' KTP, Sungard's Avantgard and WallStreet Suite by WallStreet Systems, supplemented by younger competitors such as Vermeg's Megara, Findur by Open Link and Pyramid by Ferial Systems. The details that differentiate the products are minor compared to the functional scope offered yet may prove vital depending on the needs of the corporation. Not all solutions handle carbon emissions trading or commodities (WallStreet Suite and Avantgard do). Not all systems support automation of forecasting. Another salient shift since our last study is the deliberate move toward modular offers – where a program is comprised of multiple modules which can be taken as stand-alone applications or as a whole integrated system. Middle Office functionality is quite homogenous, but valuation and calculation of risk/return on financial transactions are not always available, and budgetary aspects are seldom developed. Lastly, they all provide a broad range of reporting, built-in or extractable, whether with the help of Crystal Report or Business Objects.

### ***Front Office applications***

Front Office software packages (Titan Treasury, Arpson, Derivative by FinEvalia, Reuter's Kondor+, Imagine/Derivatives.com) all homogeneously cover present day financial transactions. The distinctive element concerns commodities transactions, where the functionality is in the process of being created or non-existent. Arpson and Titan handle such transactions.

Their scope of Middle Office tasks is quite advanced, to the point that Titan and Arpson offer calculations of VaR. These applications usually do not handle cash flow management.

### ***Cash flow management software***

Cash flow management is fully covered by the packages provided by Kyriba, Sage, IT2, ATOM and JP Morgan's Insight among others. They even manage certain financial transactions: financial instruments, and currencies, investments and foreign exchange operations (spot, forwards, etc). As a flip side, not all of them offer accounting integration or management of clearing and settlement, or of amounts outstanding or their risks. Banking communication is usually integrated or is easy to integrate. Communication modules also cover authorization management and secure payments. In addition these applications offer flexibility in terms of customization or creation of reports.

## ***ERPs integrating treasury management***

Applications most completely integrated are often the result of addition of a treasury management module to an accounting software package, thus providing an excellent audit route. The module is effectively built with accounting goals in mind. Such design can be at the expense of the specifics of treasury management. In the case of SAP, aside from the complexity of required configuration, financial transactions can be entered, managed and

posted, but overall treasury management is not satisfactory (inadequate dated date management and access to balances of general ledger accounts). Oracle has two products on the market: Oracle Treasury Solutions and PeopleSoft Financials (treasury module of the PeopleSoft ERP system).

## **The providers – developments**

The fast evolving daily reality of financial markets raises not only adds to the range of tasks handled by the corporate treasuries, but it also raises the latter's expectations in terms of support provided by the systems they choose. Rapidly increasing regulatory and accounting demands, ever expanding global connections, universal cost-cutting initiatives and many other factors drive the treasury management systems market to consolidate in search of more efficient and effective solutions. From Thomson and Reuters to XRT and Sage, Triple Point and INSSINC – many a player joined forced to boost their offerings. In addition to outright mergers, many participants forge enriching partnerships and develop collaborative interfaces.

In terms of functionality and service architecture, the leading directions are: the move to ASP and SaaS, availability of modular offerings, ease of integration with external applications and SWIFT compliance. A winning solution follows them all.

Note that the NY Cash Exchange conference, organized by the Treasury Management Association of NY, will be held on May 27<sup>th</sup>-29<sup>th</sup> in New York.