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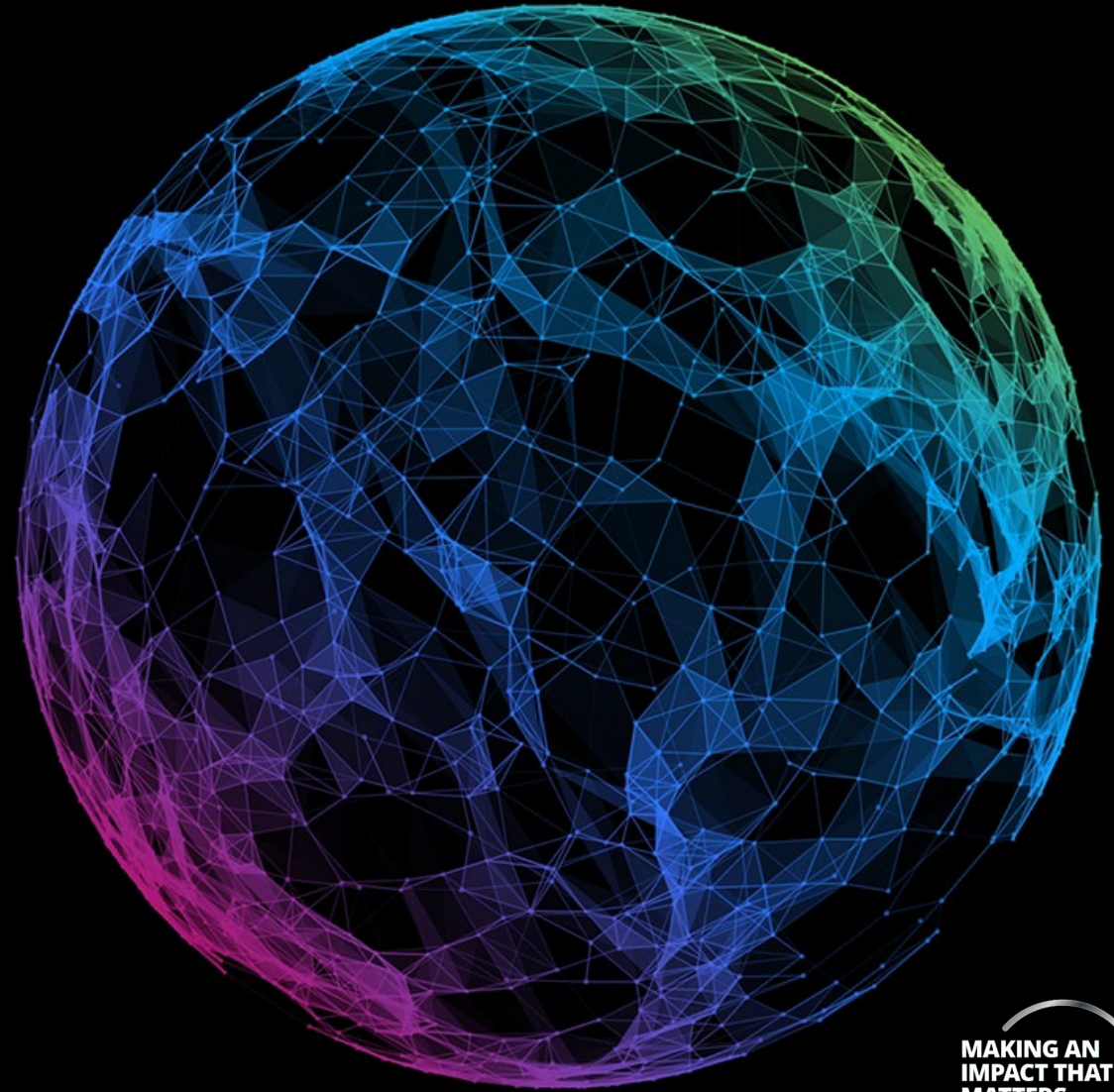
Strategic treasury: Redefining treasury's focus via operating model

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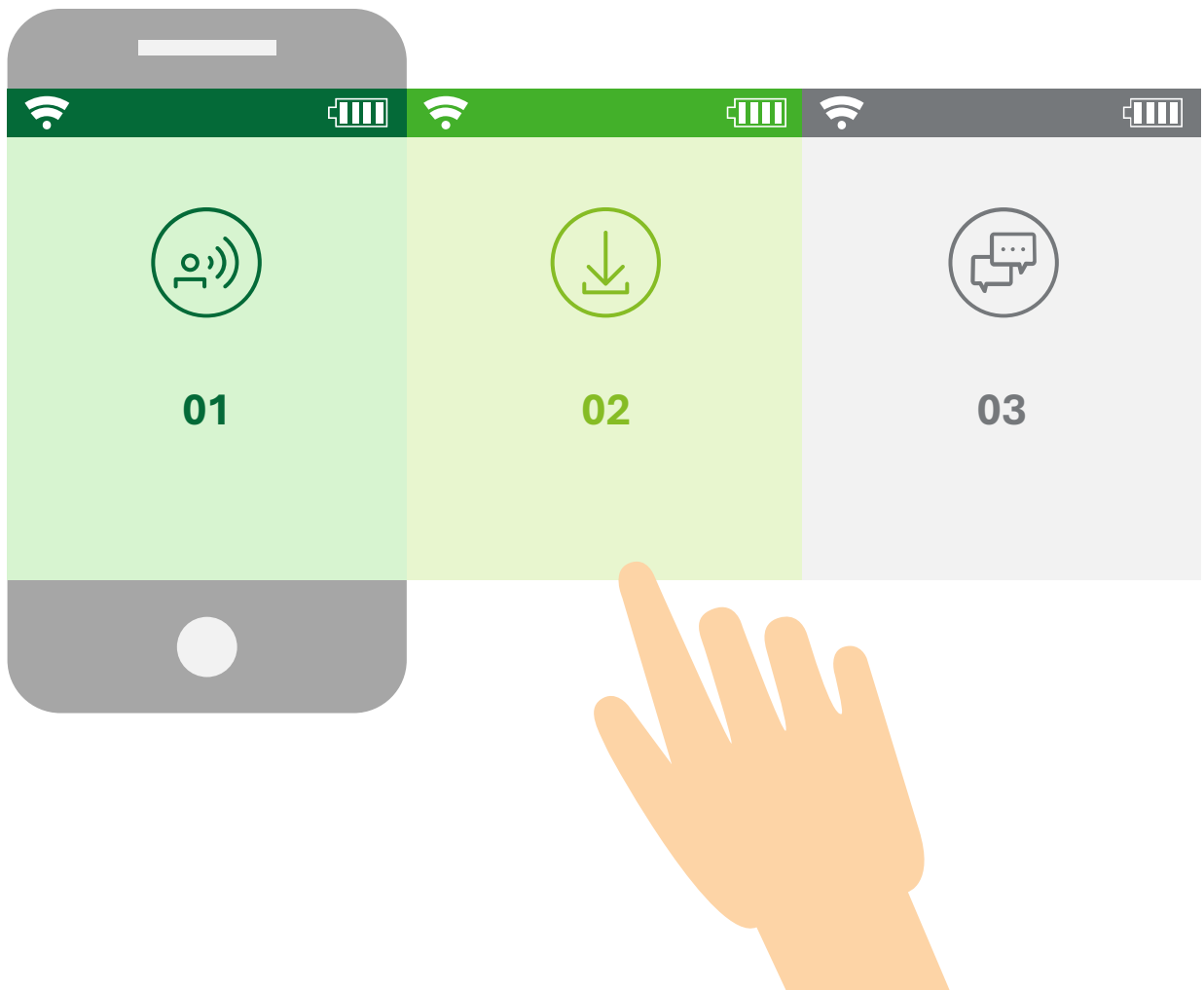
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01



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Agenda



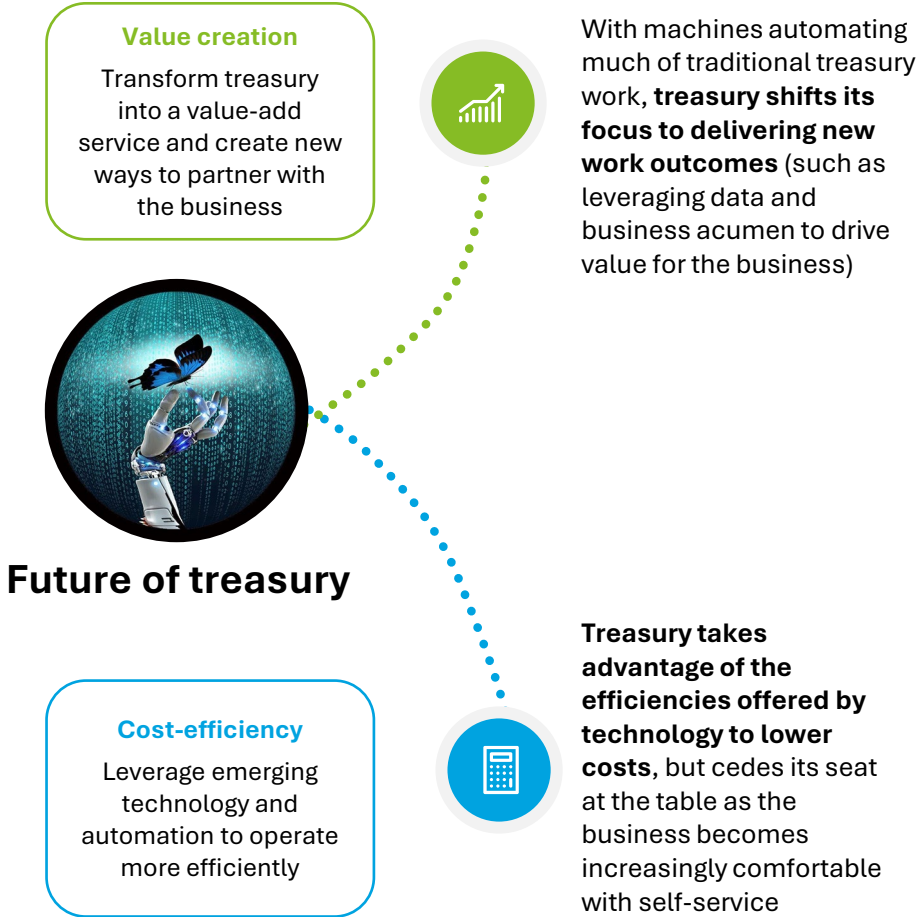
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1. Priorities and mandates for the treasurer



Today's focus for leading treasury organizations

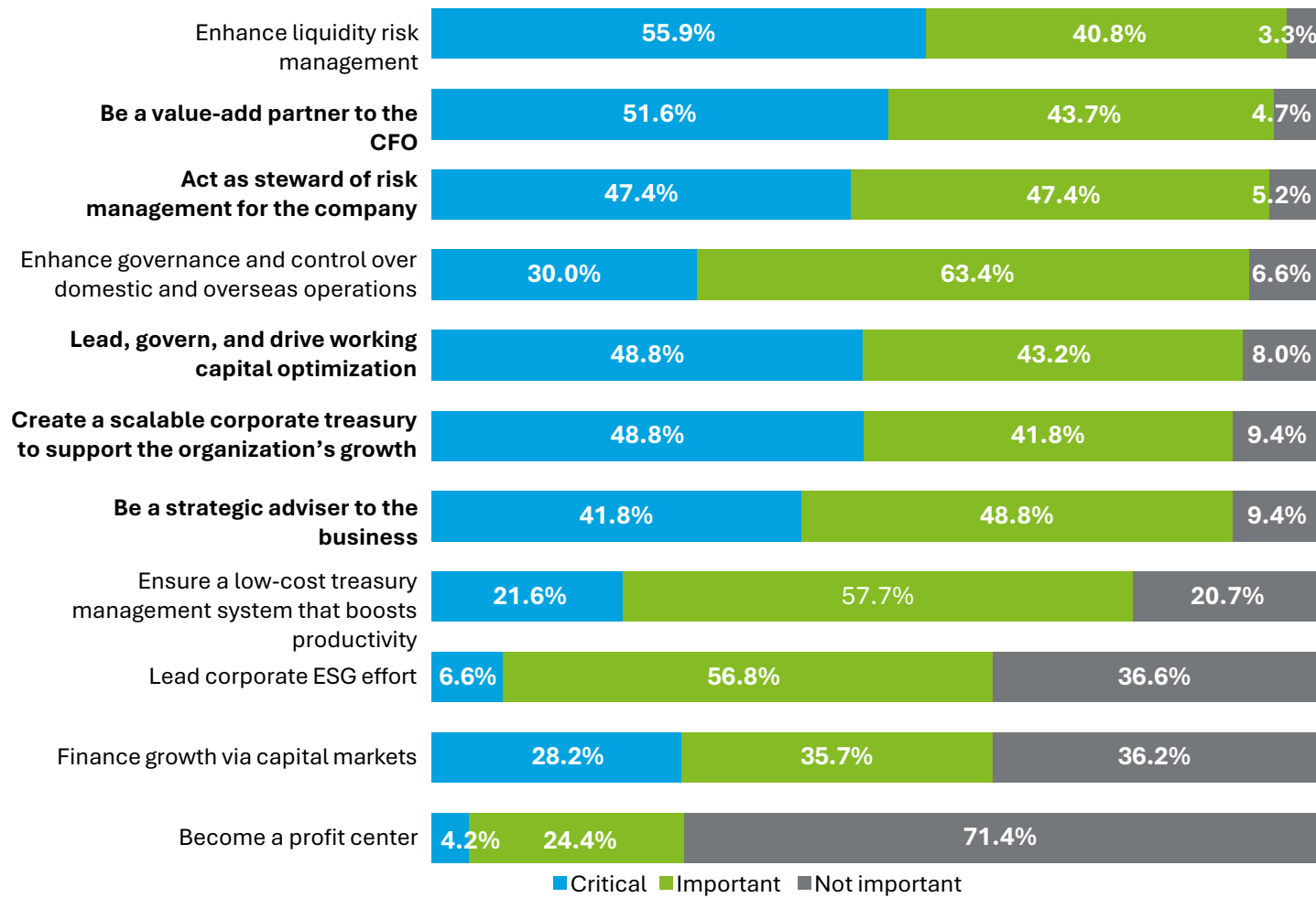
To catalyze business goals and play the traditional role of a steward and operator, treasury needs to continually drive efficiency and lower costs that may be enabled through a combination of adopting technology solutions and seeking outsourcing opportunities.



 Elevated operating model Treasury organizations are aiming to achieve a fit-for-purpose operating model Strategic activities are becoming prime responsibilities Transaction processing and operations are increasingly getting outsourced Higher levels of comfort with remote operations and activities	 Digitized treasury Increasing adoption of digital technologies (such as artificial intelligence, cognitive computing, and advanced analytics for efficiency gains and cost takeout plays Heightened demand of predictive and insightful analyses utilizing oceans of generated data from several finance and treasury systems	 Stewards of the balance sheet Complete cash visibility globally is now table stakes Treasury is increasingly leading working capital management to support core business processes Dynamic cash forecasting with longer-term horizon and better integration with tax, payroll, intercompany, AP, and AR for reliable forecasts CFOs are looking toward treasury for owning capital management decisions and activities (IPO readiness, share buyback, debt issuance, managing credit rating agency relations)	 Payments consolidation Treasury is increasingly owning payments across functions as it is taking more control of the corporation's cash Utilizing solutions like Payments Factory/ Hubs, treasury is also establishing better security (including fraud prevention) and controls protocols Increased focus on modernizing payments for reduced cost and increased customer experience
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Top mandates defined for treasury function

A key takeaway from Deloitte Global’s Corporate Treasury survey in 2024 is that treasury’s input is increasingly sought in setting the strategic direction of the business, while its effectiveness continues to be enabled by a set of repeatable processes.



New mandates by the CFO in 2024

Leading environmental, social, and governance (ESG) efforts was added to the survey this year, and 64% of the respondents indicated it as a critical or important mandate from their CFO. This is likely driven by the inclusion of ESG assessments in the methodology used by rating agencies.

Mandates prioritized by the CFO in 2024

Creating a scalable corporate treasury to support the organization's growth has moved up two positions compared to 2022 survey results and is regarded as a critical focus by nearly 49% of respondents, up from 39% in 2022.

Least important mandates

Lastly, while treasury as a profit center continues to poll last on the ranking of top mandates, the number of treasurers that indicate that this is not important at all has shrunk by 9%. The higher interest rate environment that many countries and currencies have experienced over the last two years has driven treasurers to assume their role in the reduction of idle cash and the investment of permanent or temporary cash surpluses and made the treasury community focus on the generation of a return on investment of the cash surpluses that linger on the company’s balance sheet.

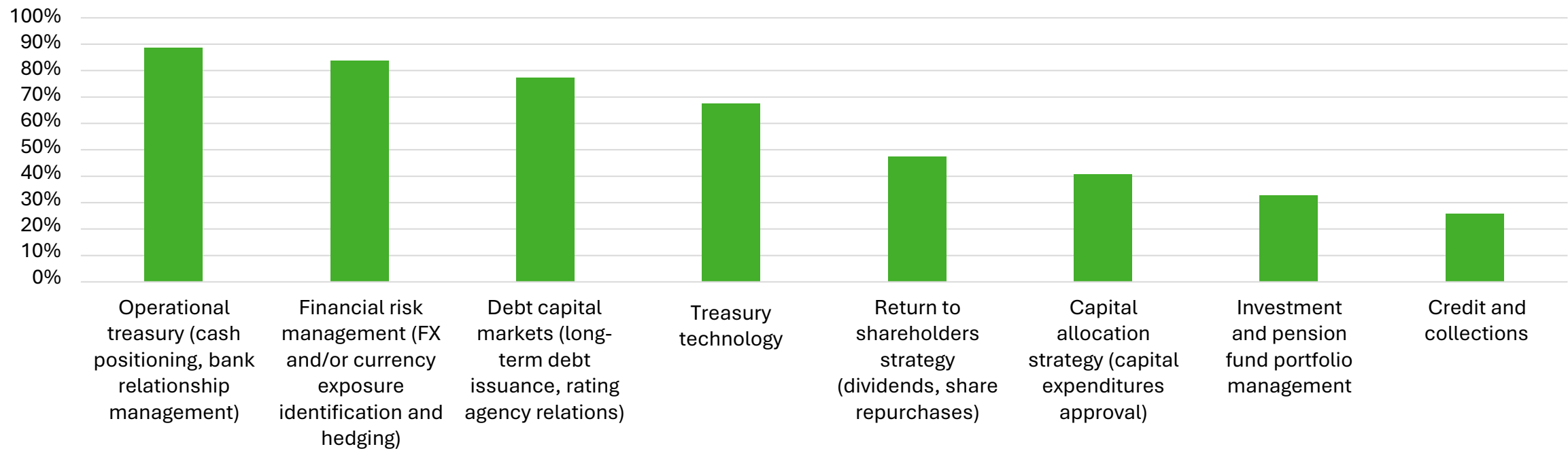
2. Survey insights: Treasurers' appetite for external support



Strategic roles for the treasury function

Deloitte Global’s 2024 Treasury Survey indicates that being a value-add partner to the CFO is part of the treasury mandate for over 95% of respondents. However, the relatively low ownership of strategic responsibilities such as return to shareholders strategy and capital allocation suggests potential for increased efficiencies and by more close alignment of capabilities of the treasury teams.

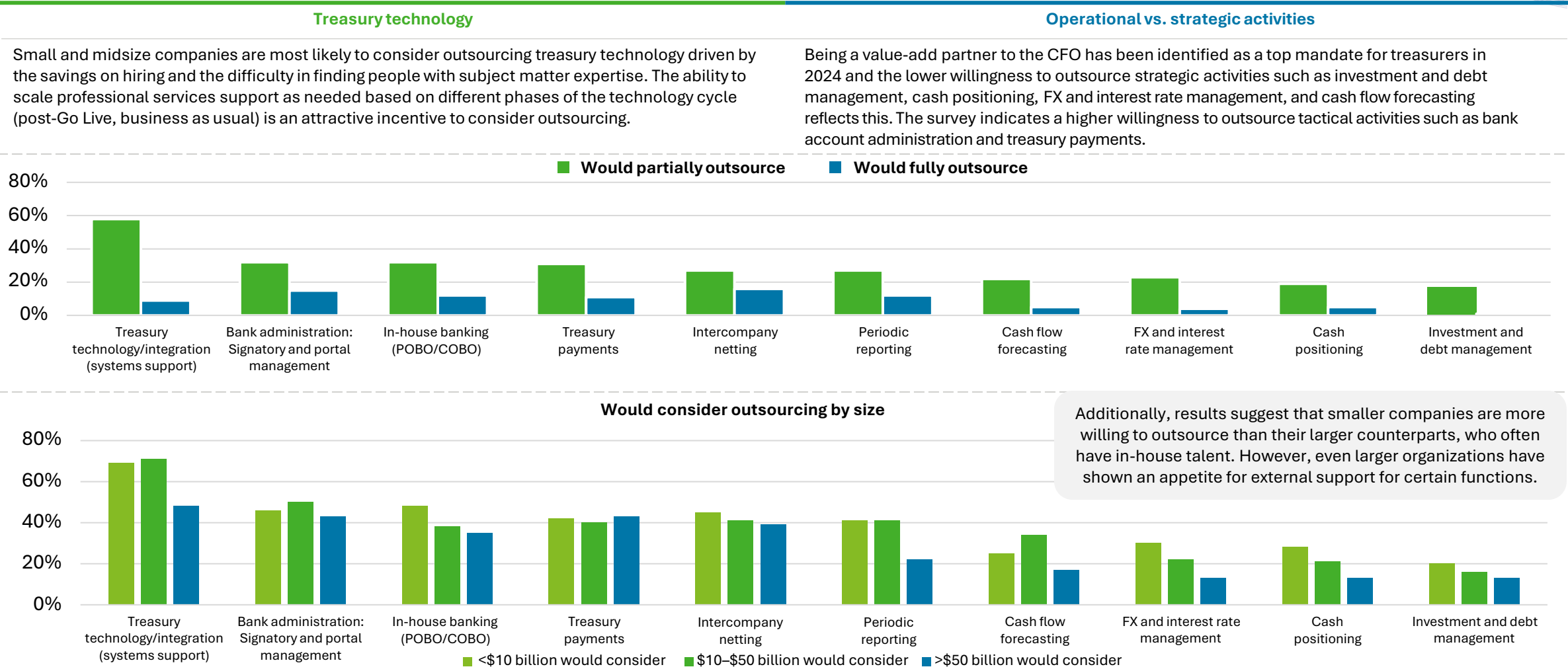
Roles performed solely by the treasury team



Treasurers are becoming the driving force of the cash culture in an organization, bringing together their traditional role of managing liquidity risk and ensuring access to financial markets with a more strategy-driven role around capital allocation within the organization and leading the return to shareholder strategies. Fewer than 50% of the respondents today are combining these two roles within the treasury function.

Treasury appetite for external support

The noteworthy trends that have emerged from recent responses regarding outsourcing indicate that 1) there is a clear divide between the willingness to seek support for operational versus strategic functions, and 2) there is a high demand for outsourcing external treasury technology support.



3. Strategic outsourcing: Reasons and function selection



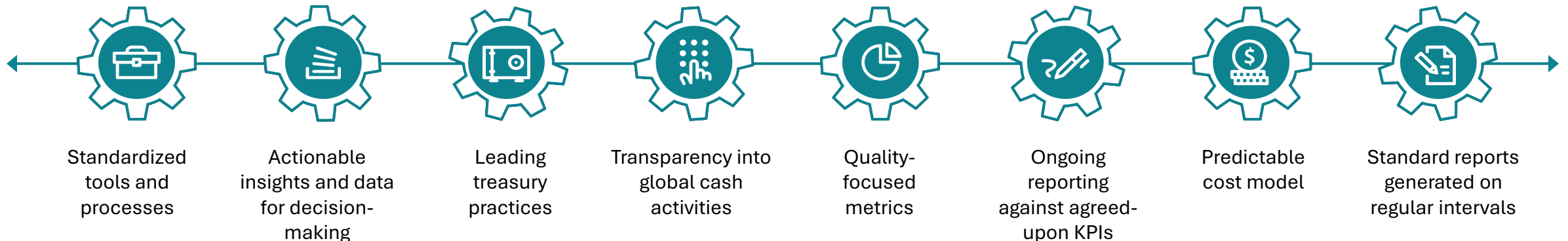
Key motivators for seeking external support in treasury areas

Access to specialized treasury talent, an ecosystem of treasury technologies, and a need for ongoing operational support are broadly the reasons that motivate treasury organizations to outsource.

Typical situations that may motivate clients to seek external support opportunities

- ❑ Short-term coverage to cover disruptions in operations from events such as mergers, acquisitions, and divestitures
- ❑ Alleviate resource constraints and unlock capacity to strategically support the business
- ❑ Gain access to leading treasury specialists and technology solutions to build and transform treasury capabilities
- ❑ Transform or set up predictable and stable treasury processes prior to insourcing back to the treasury organization
- ❑ Reduce the difficulty of hiring and retaining treasury professionals
- ❑ Moving repeatable activities from high-cost to low-cost jurisdictions for reducing overhead costs
- ❑ Accelerate time to achieve treasury transformation goals

Typical benefits expected to be realized from outsourced services



Choosing the right delivery model

Selecting an outsourcing model requires evaluating cost, scope, complexity, expertise, and scalability to fulfill treasury organization needs.

	 Loan staff “temps”	 Capability outsourcing “specialists”	 Operate services “cosourcing”
Description	- Hiring external professionals to work alongside the in-house team. - Quickest to stand up with vendors being able to adjust resources based on demand.	A capability, in part or full, is outsourced to an external vendor. The vendor is responsible for providing any necessary reporting for management review and decision-making.	Treasury outsources the delivery of specific activities or processes to an external provider. The provider takes full responsibility for the performance and delivery of these services.
Cost	Typically, the most expensive as rates are based on hourly or daily rates for augmented staff.	Costs are usually fixed- or activity-based, during the engagement and dependent upon the level of expertise necessary.	Typically, lower operational costs, once functions are transitioned to a run state with the vendor.
Control and management	Treasury maintains control of the process, with external staff integrated into the existing treasury team.	Service provider manages the delivery while treasury has no control over the service provider’s staff.	Treasury team provides necessary decisions and maintains oversight of the process via KPIs, escalation protocols, and service level agreements; lead time to implement to outline process and transition to an external vendor.
Use case	Ideal for projects requiring specific skills not available in-house or for scenarios where surge resources are required to scale quickly or cover resourcing gaps in the short term.	Suitable for organizations seeking specialized expertise and scalable solutions with less direct control over operations or well-defined capabilities with clear objectives and standardized deliverables.	Best suited for functions requiring high customization and advanced technologies.

Treasury service delivery model – Key considerations

The service delivery model considerations below will help to evaluate activities that should be retained in-house and those that may be considered for external support.

Nature of activity	Transactional activities that are low complexity, manual and repetitive in nature, and select location-agnostic, and are not knowledge intensive could transition well to a lower-cost service provider (e.g., cash reconciliation and positioning, payments support, trade confirmation, etc.)
Proximity to business	Business-critical processes and decision-intensive activities should typically be retained in-house since they would require multiple functional touchpoints (e.g., short-term investing and borrowing, capital planning)
Specialized skills	Specialized capabilities and skills that require standardized input and provide standardized output and can be expensive to build and maintain in-house but are readily available in the marketplace can be outsourced to service providers by inviting competitive bids (e.g., investment portfolio management, intercompany netting and settlements)
Consistent processes	Minimum fragmentation and consistency of procedures, inputs, and outputs can simplify the process of transition to service providers (e.g., cash reconciliation and positioning, payments support, etc.)
Single organization	To the extent possible, related treasury processes should be governed under a single integrated framework and set of policies, procedures, and controls to ensure that they operate as a single unit and are serviced by a single provider
Governance and control	As processes are transitioned to a service provider, additional efforts on control and governance are required and relevant systems, controls, and guidelines should be set up for risk mitigation
Talent development	When the intent is to bring back the externally supported processes at a future date, targeted engagement with tailored learning and development tools and opportunities should be sought to develop talent for future organization needs

Typical treasury activities that have been observed to work well in cosourcing engagements

Day-to-day activities in liquidity and risk management lend themselves well for structuring and transition to a service provider due to their repetitive, controllable, and/or transactional nature.

SERVICE	DESCRIPTION
 DAILY CASH POSITIONING	Reconcile prior day's treasury activity and provide a Global Daily <i>Cash Positioning</i> report multiple times a day
 LIQUIDITY MANAGEMENT	Perform periodic cash flow forecasting and trend analysis and report findings and analysis to the client; provide liquidity management recommendations (per borrowing and investment mandates) based on the latest daily cash positioning
 PAYMENTS PROCESSING	Support treasury payment initiation (including intercompany funding and non-standard time-sensitive payments) by setting up payment transactions and provide client with all required information to "push the button" to execute the transaction
 BANK ACCOUNT MANAGEMENT	Assist with banking activities such as documentation to open/close accounts, bank portal access, account flows/structures, and products and fee analysis
 COLLATERAL MANAGEMENT AND TRADE SETTLEMENT	Analyze counterparty risk exposures, and support compliance with counterparty exposure policies; reconcile collateral to/from third-party institutions as per agreements and confirm trades and settlements
 INTERCOMPANY NETTING	Perform intercompany netting calculations, and process payments/receivables between parent and subsidiary entities on a defined netting and settlement cycle
 FX EXPOSURE MANAGEMENT	Prepare net exposure reports by compiling data from forecasts and existing hedges, set up hedging transactions for review and execution by treasury; exchange and verify trading confirmations with counterparties; resolve discrepancies where required
 ANALYTICS AND MANAGEMENT REPORTING	Perform relevant analytics to evaluate the FX hedging program, month-end valuation reporting for all outstanding FX transactions and monthly reporting on KPIs, metrics, bank structure and access reports
 TREASURY TECHNOLOGY SUPPORT	Support for treasury management systems including monitoring, configuration support, data management, system customization, and incident management

Planning for the transition



Navigating the transition

Once the scope of services and functions to be transitioned to managed services has been defined, the transition of operations involves several key phases. Below is a structured approach an organization can follow to reach the target operating model.



VENDOR SELECTION

Evaluate vendors to ensure a best fit for long-term partnership

- **Define stakeholders across the organization**
- **Develop selection criteria for suitable outsourcing providers**
- **Define the shortlist of vendors and issue RFP including detailed requirements, objectives, and expectations**
- **Evaluate proposals against selection criteria**
- **Select vendor that best meets the organization's needs and negotiate terms**



PLANNING

Understand current operations and scope, align on the level of support required, and agree on transition plan

- **Create a detailed transition plan outlining steps, timeline, and responsibilities**
- **Define service level agreements (SLAs) with vendor to ensure clear performance expectations**
- **Define SOPs for target-state processes**
- **Develop and communicate change management plan outlining target-state model, roles, and responsibilities to stakeholders**



TRANSITION

Processes to be gradually transitioned to the vendor during the transition phase

- **Handover of process to vendor with a period of overlap to facilitate knowledge transfer**
- **Migrate vendor's systems with organization's existing data and infrastructure**
- **Provide training and support to vendor's team and establish support mechanisms to address issues during transition**
- **Establish communication and support lines between organization and the vendor with clear escalation structure defined**



RUN AND OPTIMIZE

Adopt a Kaizen approach and adapt to changes in the business environment once operations are live

- **Monitor performance against defined KPIs and SLA**
- **Collaborate with vendor to identify opportunities for process improvements and implement changes**
- **Maintain open communication between vendor and internal stakeholders**
- **Periodic evaluations of outsourcing arrangement against predefined goals and adjust to meet evolving business needs**

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Polling question #1



How does your treasury team currently allocate its time between strategic initiatives and operational issues?

A

Mostly on strategic initiatives (e.g., long-term planning, risk management)

B

Mostly on operational issues (e.g., daily cash management, transaction processing)

C

Evenly split between strategic initiatives and operational issues

D

Not sure



Polling question #2

What are your organization's plans for the treasury operating model in the next 12–24 months?

- A Maintain current model
- B Increase outsourcing
- C Decrease outsourcing
- D Restructure internal processes
- E Not sure



Polling question #3

 What are the primary drivers you would consider for outsourcing treasury functions? (Select all that apply)

- A Cost reduction
- B Access to specialized expertise
- C Focus on core business activities
- D Improved efficiency and scalability
- E Risk management and compliance
- F Other



Polling question #4



Under which of the following outsourcing models would treasury management retain direct management over resources from the external vendor?

A

Loan staff

B

Capability outsourcing

C

Operate Services



Polling question #5

 What functions, if any, would you potentially consider for external support in the next 1–2 years?

- A Daily cash positioning
- B Bank account management and fee analysis
- C Intercompany netting
- D FX exposure management
- E Treasury technology support
- F None of the above





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