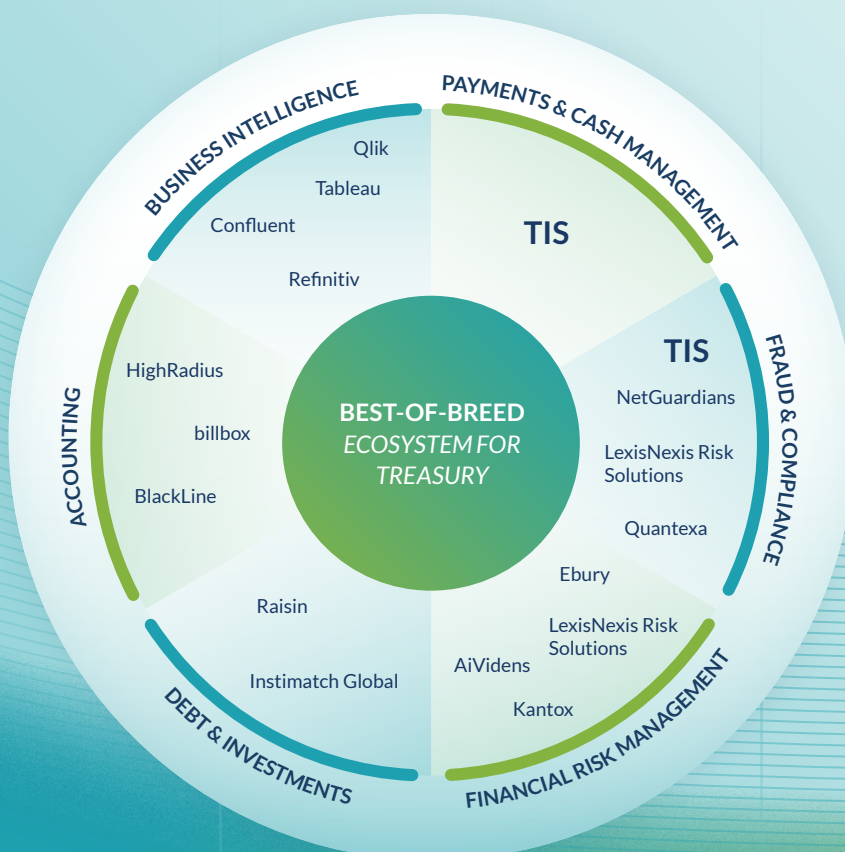




WHITEPAPER

The Next Gen Architecture for a Digital Treasury



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A BETTER SOLUTION FOR DIGITAL TREASURY

A treasury management system (TMS) has long been considered the pinnacle of treasury technology. Research suggests that over two-thirds¹ (69%) of treasury groups currently have, or are in the process of deploying, a TMS. In recent years the adoption of key treasury software has accelerated, thanks in large part to the advent of cloud computing. TMSs no longer have to be installed on-premise. They can be delivered via a Software-as-a-Service (SaaS) model or private cloud on dedicated client databases. This move towards the cloud has opened further advancement opportunities. Many treasurers see TMSs as a progressive and desirable treasury toolkit. Functionalities inevitably vary from vendor to vendor, but the core features of a TMS are fairly common. They assist with automating repetitive manual tasks across a wide array of treasury activities, reducing error rates and freeing up staff to focus on more strategic pieces of work. A TMS also provides a centralized data source to support financial decision-making.

These are all very important features, but is the delivery optimal?
Or, is there a better solution for digital treasury?

SATISFACTION LEVELS WITH SPECIALIZED PROVIDERS ARE SIGNIFICANTLY HIGHER THAN WITH TMSs:



¹<https://www.gbm.hsbc.com/insights/global-liquidity-and-cash-management/corporate-treasury-research-report>

CLOUD AND API TECHNOLOGY: REDEFINING CORPORATE APPLICATION ARCHITECTURE

We have often observed how technology and user trends in the retail world spill over into the wholesale and corporate space, even if it takes a little longer. Cloud computing and APIs (application programming interfaces) enabling real-time and secure data exchange are two of the most recent examples. People have been using a set of integrated apps in their mobile devices and are used to switching between multiple solutions without needing to even think about seamless authentication or data flow.

Additionally, providers recognized that users have different needs and preferences. Therefore, they must allow users to customize applications accordingly. For example, many rely on the native email app of their phone. However, others use specialized providers such as Outlook, Gmail or others. These programs enable data sharing with other applications on the device. A meeting invitation attached to an email can be added directly to a calendar application. A picture message received in WhatsApp can be shared via email to any contact person in the address book. More importantly, it is easy for the users to switch app providers, reduce lock-in and enjoy the latest and greatest innovation.

Now this technology is becoming an established and effective tool in the corporate world.

SMARTPHONE USERS ARE ACCUSTOMED TO SEAMLESS DATA FLOW BETWEEN THEIR APPS



**BEST-OF-BREED:
THE NEXT STEP IN THE EVOLUTION OF TREASURY TECHNOLOGY**

TMSs are largely designed for a central set of stakeholders yet are required to fulfill total treasury needs and be “all things to all people”: A one-stop-shop. While this model can have benefits, it also restricts customer choice and flexibility as well as the ability to optimize.

There is also a question regarding availability of needed functionality. This is particularly true, where corporates have specialized and changing needs in one or more areas, be it payments, reporting, fraud management, foreign exchange trading or asset valuation.

Cloud based solution providers – connected through APIs – are now enabling corporates to combine their specialist services in new ways. This enables customers to choose the best solution provider for each specific need, tailor their treasury management technology, and provide end-to-end automation without lengthy and costly IT projects. Historic challenges around integrating multiple solution providers disappear due to API technology, increasing the time-to-value for customers.

There are more benefits than just choosing the best vendors. Corporates can leverage the interconnection of data from these applications for better business decisions. For example, a specialized FX provider can leverage banking data as well as information from the cash flow forecasting vendor to tailor an FX hedging strategy. Alternatively, payment systems can work hand-in-hand with account receivables automation to provide straight-through invoice processing. Data can be provided to the company’s existing business intelligence tools (e.g. Tableau, Qlik, Power BI, etc.) and insights can be integrated into existing management reports.

Thanks to cloud technology and APIs, this information exchange is standardized, can take place in real time and works seamlessly from a user perspective. Clients have the specialist capabilities for their needs and meanwhile enjoy the flexibility to switch any of these providers when the business circumstances change. It provides companies the option to grow their technology ecosystem in-line with their needs.

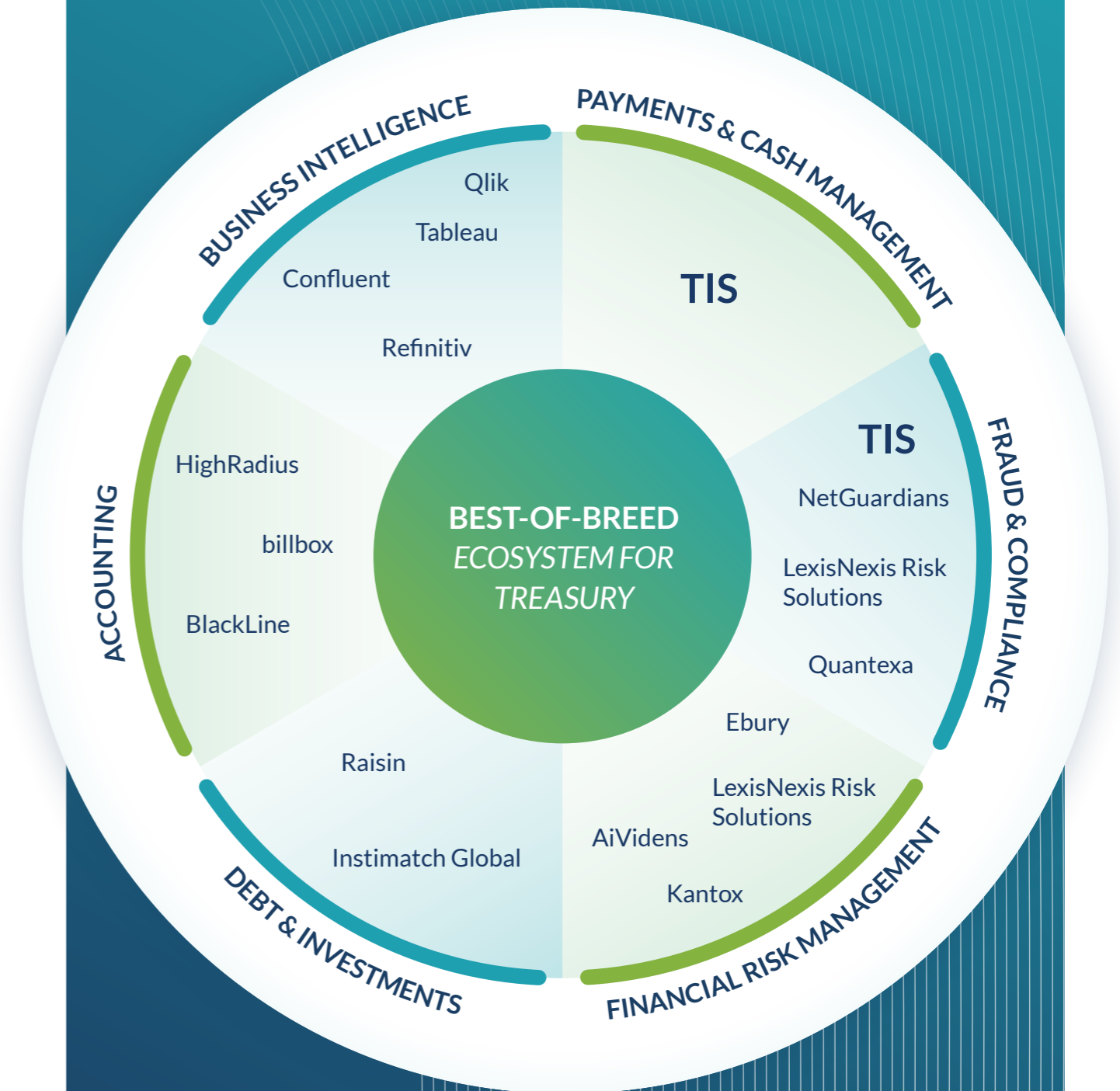
This is what strategic agility looks like, and it is enabled by a new type of treasury technology architecture:

The best-of-breed solution ecosystem.



The “generalist approach” of a TMS has limitations and comes with a strong lock-in effect for its users as the organization evolves and the stakeholder base expands. This can create sub-optimal outcomes.

THE BEST-OF-BREED ECOSYSTEM FOR TREASURY



EMBRACING THE BEST-OF-BREED SOLUTION ECOSYSTEM: IN PRACTICAL TERMS FOR CORPORATE TREASURY



Managing touchpoints

Naturally, a best-of-breed ecosystem approach may seem more complex than simply using a single, fully integrated TMS, which provides a feature for most of treasury's needs. This is sometimes true. Multiple best-of-breed providers can mean multiple contracts and multiple touch points. Companies need to weigh such added complexity against the benefits such as tailoring of the solution, parallel implementation, potential cost savings and strategic agility.

Alternatively, they can use the services of an experienced advisor, who has a broad overview of the vendor landscape and understands which vendors have the technological and business requirements in place to work successfully as partners in the interest of the client. Such advisors can help the client structure the contracts in a way that minimizes friction without risking a loss of responsibility.

With the best-of-breed approach, clients have the flexibility to choose what contractual setting fits their needs the best. Some may prefer a single contract, while others may accept individual contracts.



Contractual framework

"Master Contracts" with subordinate service providers mean that the lead system provider (which can be different from case to case) would assume the Master Contract and other best-of-breed providers align themselves to this structure.



Customer service framework

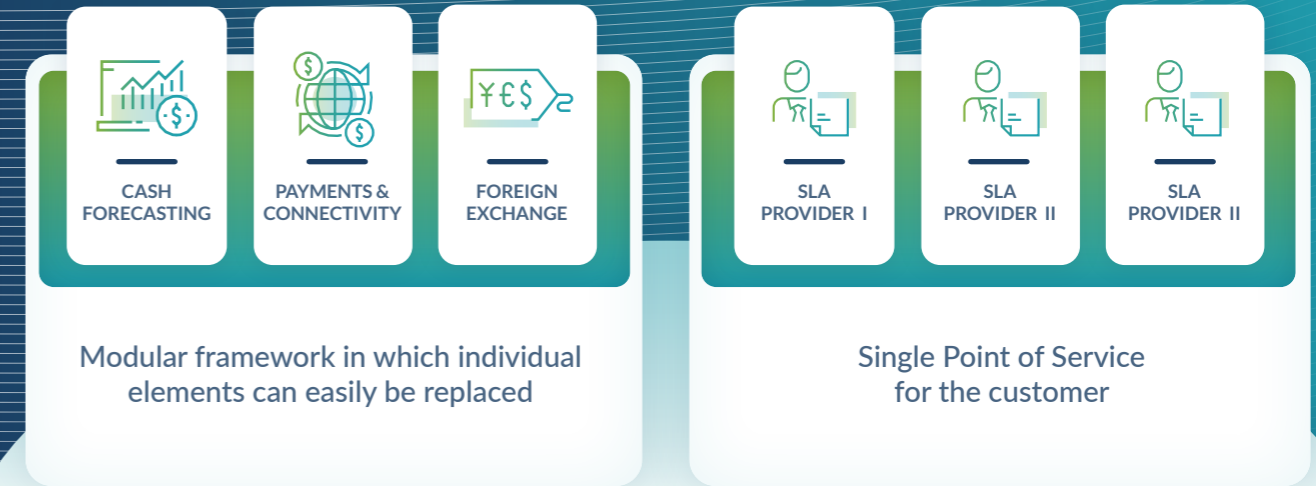
A similar structure can be set-up on the customer service side, where customers can choose to approach each best-of-breed vendor separately, or to prefer a Master Service structure, whereby the lead vendor assumes overall service responsibility and works with the other vendors to ensure seamless service quality. Here, some best-of-breed vendors are obliged to become more agile and nimble in the way they work with partners. Clear Service Level Agreements (SLAs) need to be defined and legal frameworks structured in a more flexible / modularized way that enables collaboration. But this trend is well underway.



Seamless onboarding

The onboarding of multiple cloud-based systems is reasonably straightforward and can be done in parallel with the vendors taking full responsibility of the seamless and secure connectivity between them. The benefit here is that typically no or very limited IT resources are required from the customer side to onboard and maintain such systems. This is a typical Software-as-a-Service (SaaS) value proposition.

A POSSIBLE SERVICE FRAMEWORK FOR A MULTI-VENDOR TREASURY SYSTEM



A MINDSET CHANGE: THE FUTURE IS SHAPED BY THE DECISION MAKERS TODAY

New technology enables a more open ecosystem where financial leaders can pick and choose best-of-breed vendors that serve the best interests of their strategic growth.

Cloud technology and APIs enable the technical integration of such systems, meaning stakeholders do not need to compromise. Furthermore, the need for IT support from the client side remains minimal, indicating a fast time-to-value. Experienced advisors can help companies shape the contractual and customer service side to provide a seamless end-to-end experience.

The new best-of-breed vendors are also open innovators who embrace collaboration as best practice ways of working. In turn, this enables change and grows the ecosystem to the next level. For organizations, this starts with a mindset change. It usually requires organizational readiness, technological piloting and multi-vendor partnership. But the benefits can prove transformational and lead to optimal strategic agility for the organization at large, as well as for treasury.

And, this is a future that can be shaped by decision makers today.

ABOUT TIS

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