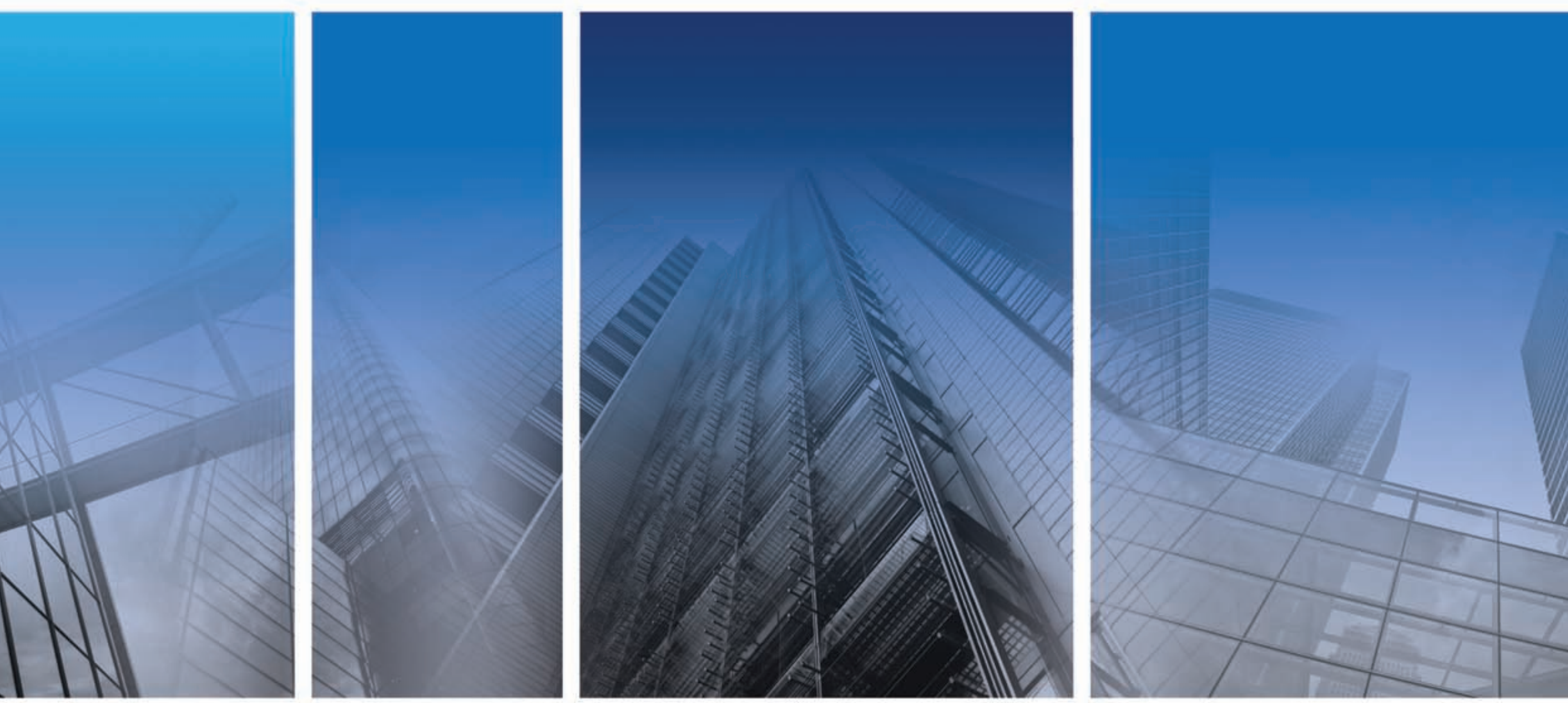
An Association for Financial Professionals® Company



Cash Management and Trade Finance Survey

RESULTS 2012

Sponsored by

Contents

gtnews

About

gtnews - Introduction

Together, *gtnews* and the AFP offer an unrivalled mix of information, education, training and member services to more than three quarters of the world's largest 1000 corporations.

gtnews, an Association for Financial Professionals®' company headquartered in London, is the leading global knowledge resource for over 50,000 treasury, finance, payments and cash management professionals. Online, *gtnews* is updated weekly and provides subscribers access to an archive of almost 8,000 global treasury articles in addition to special reports, commentaries, surveys, polls, news, ratings updates and whitepapers.

Access to gtnews.com is free of charge to those who register, and we never sell names or e-mail addresses, so our readers' privacy is assured.

The *gtnews* editors encourage industry experts to share their knowledge on key issues facing treasury and financial professionals, including best practice in cash and liquidity management, regulatory changes, trends in the financial supply chain, treasury technology and the pursuit of internal efficiencies.

Our authors come from the treasury departments of leading corporations, from banks, from technology companies, from governments and from specialist consultancies. All our content is checked and edited by our London-based team of experienced financial writers, who commission, write and publish new material every week.

About

SEB - Our sponsor

With trade finance, you can achieve safer, more efficient and more profitable international trading and cash management.

And, if your trade finance is integrated into the services that you offer to customers and suppliers, you will also be able to boost customer and supplier satisfaction, as well as achieving considerable process and liquidity savings. Effective trade finance can prove a key factor in releasing capital tied up in the trade process, providing your company with extra trading capacity.

SEB provide effective overseas payment services and examination of all relevant commercial documentation, as well as qualified advice and lasting customer care in the form of continuous improvements, cost-cutting tools and methods, and process development. A partnership with SEB enables you to develop your overseas trading in four different areas - risk management, process development, working capital and customer/supplier care. This is the trade route to free up your working capital.

Executive Summary

The results in this report are all based on corporate respondents only.

A total of 135 corporate respondents participated in the *gtnews* 2012 Cash Management and Trade Finance Survey between 13 April and 3 May 2012.

- Western Europe-based readers accounted for 42% of the total survey respondents and North American readers represented 29% of the responses. Respondents from Asia-Pacific made up 14% of the responses, while central and eastern European (CEE), Latin American and Middle Eastern/African respondents relatively equally made up the remaining 15%.
- Almost a third (32%) of respondents came from companies with annual revenues between US$1bn and US$9.9bn. Companies with revenues between US$250m-US$999.9m and also the largest companies, with annual revenues greater than US$10bn, made up 21% of the respondents each. Those companies with revenues between US$50m and US$249.9m made up 19% of respondents. Only 7% of respondents were from companies with revenue under US$50m.
- More than a third of respondents (34%) are from the manufacturing sector, while 10% each come from the IT industry and transport and logistics sector. Utilities, telcos, real estate, energy, oil and gas and business services comprised 7% each. Over a quarter (27%) of respondents from companies based in the Asia-Pacific region come from the IT industry, while the highest number of respondents in both North America (45%) and Europe (37%) were from the manufacturing industry.
- Centralisation of treasury functions will be the main driver of transformation in the next 24 months. Whereas 18% of respondents currently have a decentralised structure, only 7% plan to have that within a 24-month timeframe. The percentage of those with a global cash concentration centre rises from 28% currently to 40% in the near future.
- Both shared service centres (SSCs) and in-house banks (IHBs) are consequential to the respondents' decision to opt for centralised liquidity management structures, with SCCs coming out just ahead in terms of popularity: 41% of respondents currently have a SSC and 47% plan to have this structure within two years, compared with just over a third (34%) with an IHB.
- The trends of trade globalisation strongly influence the decisions on how interviewed companies manage trade finance strategies. Centralisation strategies take the lead in trade finance management, with over a third (34%) of the companies saying that they have global oversight with some regional autonomy.
- The ability to anticipate need for cash with appropriate cash forecasting techniques is indeed a prerequisite for an effective working capital improvement programme. Just over a quarter (26%) of respondents pick cash flow forecasting as the area with the highest potential for improving working capital. Receivables-centric programmes bear a great - and continuously growing – importance and represents one of the most important areas for improving a company's working capital.
- Cash flow forecasting and liquidity management fall predominantly under the treasury's domain, with 69% and 90% of respondents choosing these two options. Supply chain finance (SCF) programmes fall squarely under the responsibility of treasury and finance.
- In terms of cash concentration technique, zero/target balance cash concentration is most commonly used today (43%) and will likely remain so in the next 24 months (40%). However, there are indications that other techniques, such as interest-based notional pooling, may become increasingly common across the next 24 months.
- The mix of instruments organisations use to handle short-term deficits is unlikely to change much over the next 24 months, the one exception being bank overdraft; only 29% expect to use bank overdraft in the next 24 months versus 39% that rely on it today.
- Although nearly half (49%) of organisations allocate surplus cash in bank deposits, slightly fewer (42%) say they will do so in the next 24 months. The crisis that banks are currently facing compels many respondents to continue to seek safe and more resilient solutions in direct investments and money market funds (MMFs).
- A comforting 47% of respondents claim that cash and trade are integrated at least for more than 50% of applications. This positive result is however counterbalanced by a significant 36% of those who still keep the two areas separate.
- Of the proposed regulations, Basel III is the one of the highest ranking concerns. Unsurprisingly, respondents feel they will suffer from the capital allocation imposed on financial institutions. The expectation is that banks will face an increased cost of the capital deposited, which will inevitably ripple down to the pricing they will apply to their corporate clients. "Lack of clarity/interpretation" is a warning sign that confusion still looms and banks must exercise their lobbying power to simplify the lives of their clients.

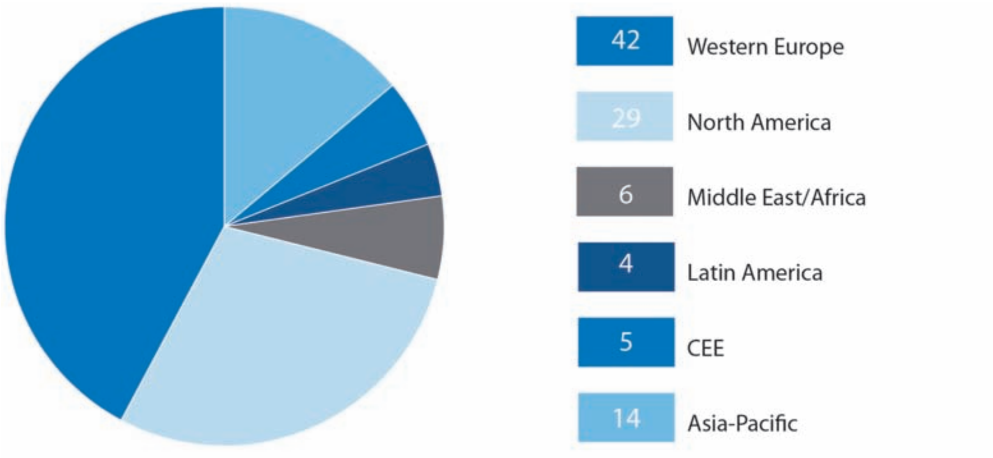
Respondent Profile

A total of 135 corporate respondents participated in the *gtnews* 2012 Cash Management and Trade Finance Survey between 13 April and 3 May 2012.

Geographical spread

Western Europe-based readers accounted for 42% of the total survey respondents and North American readers represented 29% of the responses. Respondents from Asia-Pacific made up 14% of the responses, while central and eastern European (CEE), Latin American and Middle Eastern/African respondents relatively equally made up the remaining 15%.

Figure 1: Regional Respondent Profile (%)

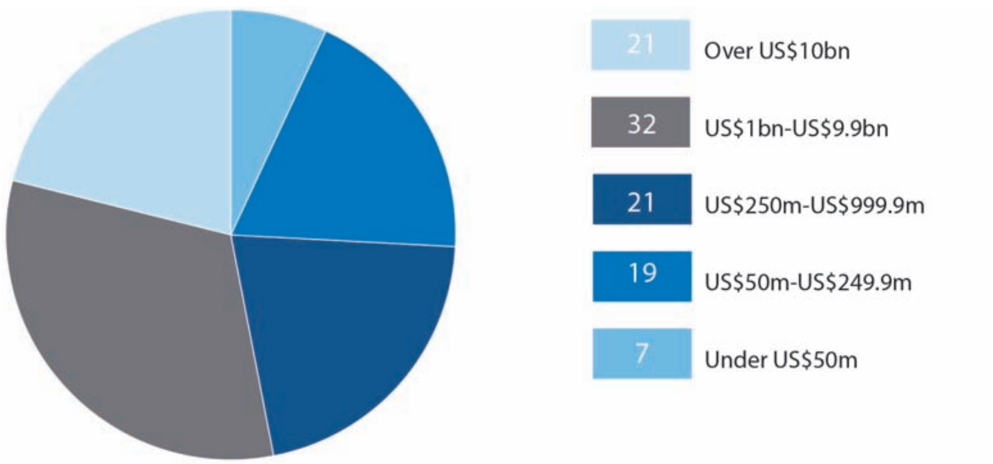


*CEE and Latin America were omitted from analysis due to low response rate.

Company size

Corporations of all sizes (as determined by annual revenue in US dollars) participated in the survey, with almost a third (32%) of respondents coming from companies with annual revenues between US$1bn and US$9.9bn. Companies with revenues between US$250m-US$999.9m and also the largest companies, with annual revenues greater than US$10bn, made up 21% of the respondents each. Those companies with revenues between US$50m and US$249.9m made up 19% of respondents. Only 7% of respondents were from companies with revenue under US$50m.

Figure 2: Respondent Profile by Company Size (US$ Revenue) (%)



gtnews

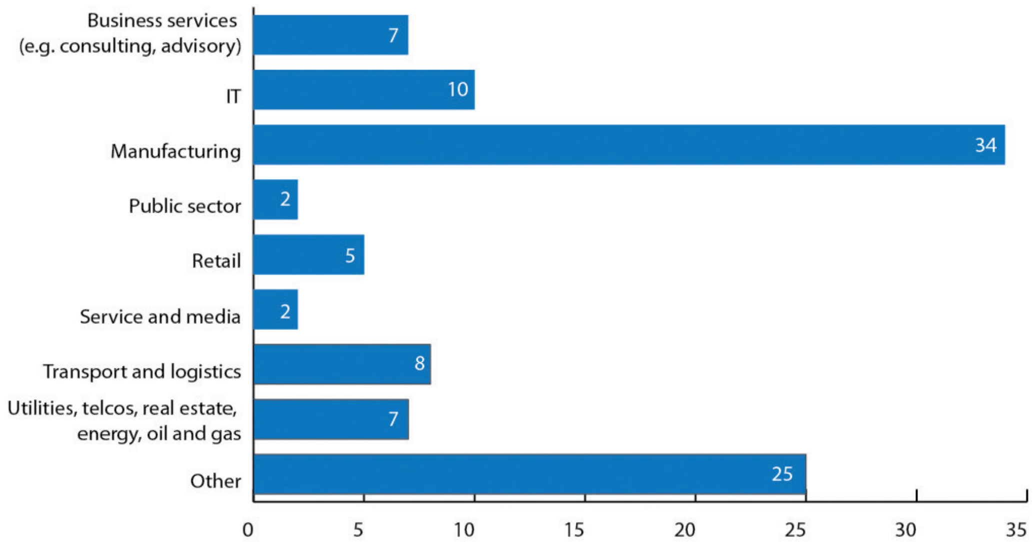
Question 1

Which industry sector does your organisation operate in?

- Business services (e.g. consulting, advisory)
- IT
- Manufacturing
- Public sector
- Retail
- Service and media
- Transport and logistics
- Utilities, telcos, real estate, energy, oil and gas
- Other

More than a third of respondents (34%) in the 2012 Cash Management and Trade Finance Survey are from the manufacturing sector, while 10% come from the IT industry. Companies from the transport and logistics sector made up 10% of the respondents, while utilities, telcos, real estate, energy, oil and gas and business services comprised 7% each. A quarter of respondents stated that they belonged to industry sectors not represented in the list of choices - see Table 33 in the appendix for a list of other sectors.

Figure 3: Industry Sector (%)



Over a quarter (27%) of respondents from companies based in the Asia-Pacific region come from the IT industry, while the highest number of respondents in both North America (45%) and Europe (37%) were from the manufacturing sector.

gtnews

Question 1

Table 1:
Industry Sector by Region (%)

	Asia-Pacific	Middle East/Africa	North America	Western Europe
Business services (e.g. consulting, advisory)	12	0	6	6
IT	27	0	6	6
Manufacturing	19	20	45	37
Public sector	4	20	0	0
Retail	0	20	3	8
Service and media	4	0	3	0
Transport and logistics	12	20	3	10
Utilities, telcos, real estate, energy, oil and gas	4	0	10	6
Other	19	20	23	29

Table 2:
Industry Sector by Revenue (%)

	Under US$50m	US$50m-US$249.9m	US$250m-US$999.9m	US$1bn-US$9.9bn	>US$10bn
Business services (e.g. consulting, advisory)	25	15	4	3	3
IT	25	15	4	9	10
Manufacturing	25	31	22	41	41
Public sector	0	4	4	0	3
Retail	0	4	7	3	7
Service and media	0	4	0	3	0
Transport and logistics	0	8	15	6	3
Utilities, telcos, real estate, energy, oil and gas	0	8	7	9	3
Other (please specify)	33	12	37	26	28

gtnews

Question 2

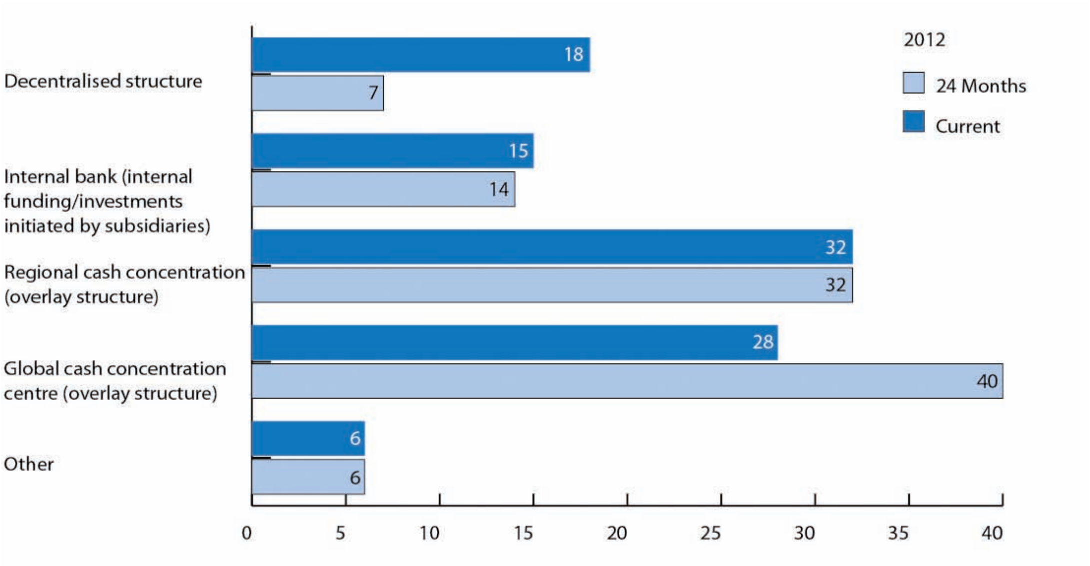
Which of the following best describes your organisation's current liquidity structure? What is it likely to be in the next 24 months?

- Decentralised structure
- Internal bank (internal funding/investments initiated by subsidiaries)
- Regional cash concentration (overlay structure)
- Global cash concentration centre (overlay structure)
- Other

Centralisation of treasury functions will be the main driver of transformation in the next 24 months. Whereas 18% of respondents currently have a decentralised structure, only 7% plan to have that within a 24-month timeframe. The percentage of those with/planning a global cash concentration centre rises from 28% currently to 40% in the near future.

Maintaining a balance between having a central authority for liquidity decisions and regional/local structures is, however, a key issue. Most treasurers realise that flexibility in liquidity management is ensured by allowing some regional/local independency. See Table 34 in the appendix for a list of 'other' current and future liquidity structures.

Figure 4: Current and Future Liquidity Structure (%)



The growing regions (e.g. Middle East/Africa) still need to remain flexible enough to capture opportunities as they arise. This is best accomplished by remaining sufficiently independent at local level. Therefore, decentralised structures apparently ensure a better degree of business agility - one in five companies from these two regions plan to have such a structure in 24-months' time. This demonstrates that decisions are taken at regional rather than central level in these countries.

Liquidity concerns in Europe have caused a steep ramping up of planned global cash concentration in the next 24 months (from 37% to 53%). Maturing markets in Asia-Pacific are steadily shaping their future liquidity structures toward concentration centres with almost half aiming for regional and global cash concentration structures within two years.

From the survey results, it is apparent that mature markets concentrate their liquidity structures to achieve optimisation, while growing emerging markets still favour regional decentralised solutions for agility and market opportunity taking.

gtnews

Question 2

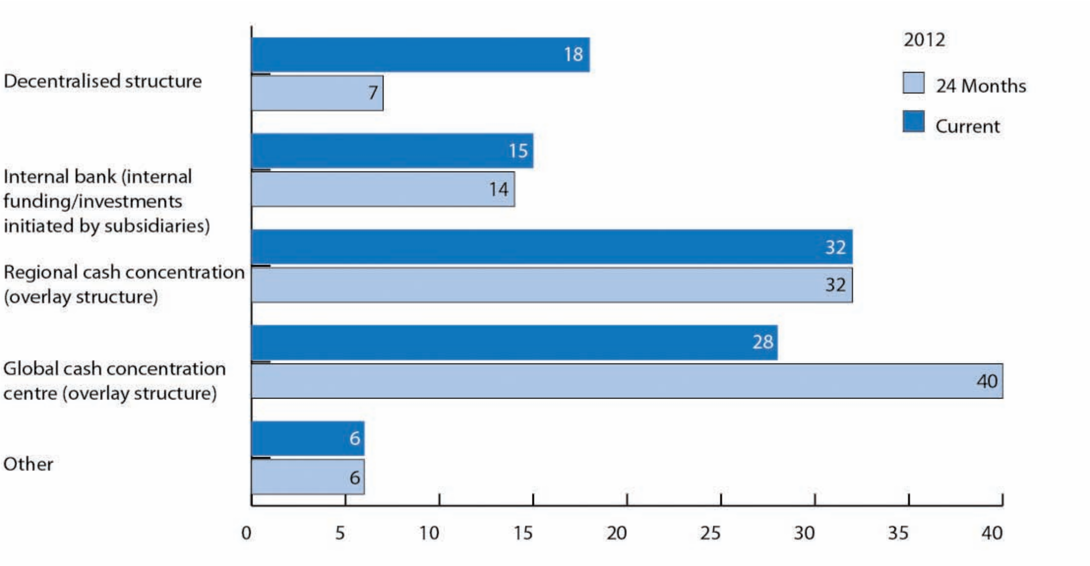
Which of the following best describes your organisation's current liquidity structure? What is it likely to be in the next 24 months?

- Decentralised structure
- Internal bank (internal funding/investments initiated by subsidiaries)
- Regional cash concentration (overlay structure)
- Global cash concentration centre (overlay structure)
- Other

Centralisation of treasury functions will be the main driver of transformation in the next 24 months. Whereas 18% of respondents currently have a decentralised structure, only 7% plan to have that within a 24-month timeframe. The percentage of those with/planning a global cash concentration centre rises from 28% currently to 40% in the near future.

Maintaining a balance between having a central authority for liquidity decisions and regional/local structures is, however, a key issue. Most treasurers realise that flexibility in liquidity management is ensured by allowing some regional/local independency. See Table 34 in the appendix for a list of 'other' current and future liquidity structures.

Figure 4: Current and Future Liquidity Structure (%)



The growing regions (e.g. Middle East/Africa) still need to remain flexible enough to capture opportunities as they arise. This is best accomplished by remaining sufficiently independent at local level. Therefore, decentralised structures apparently ensure a better degree of business agility - one in five companies from these two regions plan to have such a structure in 24-months' time. This demonstrates that decisions are taken at regional rather than central level in these countries.

Liquidity concerns in Europe have caused a steep ramping up of planned global cash concentration in the next 24 months (from 37% to 53%). Maturing markets in Asia-Pacific are steadily shaping their future liquidity structures toward concentration centres with almost half aiming for regional and global cash concentration structures within two years.

From the survey results, it is apparent that mature markets concentrate their liquidity structures to achieve optimisation, while growing emerging markets still favour regional decentralised solutions for agility and market opportunity taking.

Question 2

Table 3: Current and Future Liquidity Structure by Region (%)

	Asia-Pacific		Middle East/Africa		North America		Western Europe	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Decentralised structure	30	21	0	20	10	0	15	2
Internal bank (internal funding/ investments initiated by subsidiaries)	22	17	50	20	16	15	10	11
Regional cash concentration (overlay structure)	19	25	0	20	42	46	35	28
Global cash concentration centre (overlay structure)	15	25	50	40	26	31	37	53
Other (please specify)	15	13	0	0	6	8	4	4

The agility gained from decentralised liquidity structures is mainly sought at very small (<US$50m) companies. The very large (>US$10bn) companies are sitting on large pools of liquidity and seek to best utilise their resources through creating internal banking solutions. Regional cash concentration strategies hold a solid position regardless of corporate size, except for the very small companies due to their size and reach.

Table 4: Current and Future Liquidity Structure by Revenue (%)

	Under US$50m		US$50m - US$249.9m		US$250m - US$999.9m		US$1bn - US$9.9bn		Over US$10bn	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Decentralised structure	17	25	23	14	18	7	11	3	19	5
Internal bank (internal funding/ investments initiated by subsidiaries)	33	25	19	18	11	11	14	6	15	24
Regional cash concentration (overlay structure)	0	0	23	27	36	37	39	30	38	38
Global cash concentration centre (overlay structure)	50	50	19	27	29	37	31	55	27	33
Other	0	0	15	14	7	7	6	6	0	0

Question 3

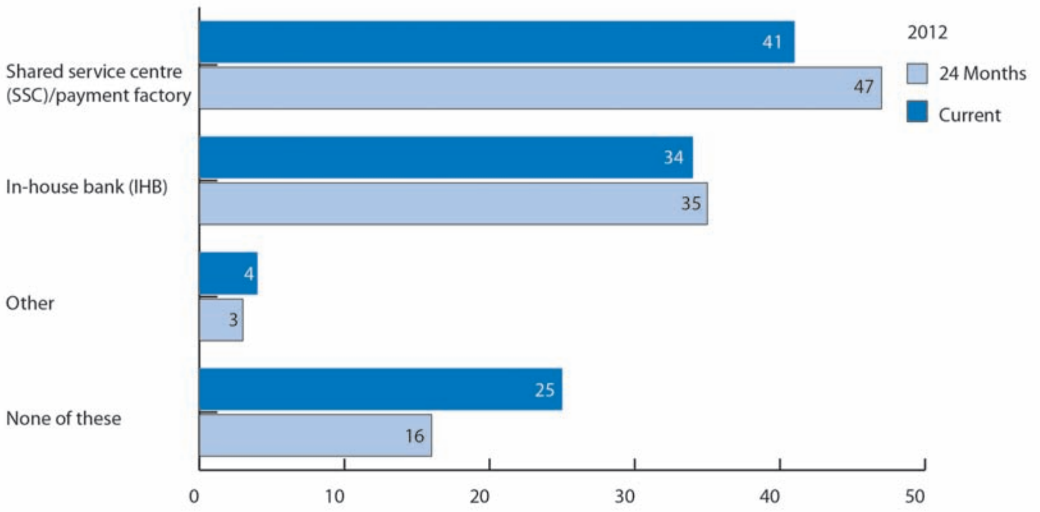
Which of the treasury or finance-related organisational structures does your organisation employ/plan to employ? What is it likely to be in the next 24 months?

- Shared service centre (SSC)/payment factory
- In-house bank (IHB)
- Other
- None of these

Both SSCs and IHBs are consequential to the respondents' decision to opt for centralised liquidity management structures, with SCCs coming out just ahead in terms of popularity: 41% of respondents currently have a SSC and 47% plan to have this structure within two years, compared with just over a third (34%) with an IHB.

The decline of the "none of these" answer from 25% to 16% suggests that the current economic crisis is making respondents stay more defensive and 'play safe' by selecting tested organisational structures (i.e. SSC and IHB). See Table 35 in the appendix for a list of 'other' current and future organisational structures.

Figure 5: Current and Future Treasury or Finance-related Organisational (%)



Asia-Pacific and western Europe represent the regions with the highest tendency to select SSCs. While the companies in the first region might seek this solution because they still lack internal skills, companies in the latter most likely choose a SSC to generate greater efficiency and cost savings.

Growing countries (Middle East/Africa regions) are benefiting from practices learned from mother company headquarters and from other companies in the region, to the point that companies in these areas are now rapidly evolving to build IHBs that ensure better management of available liquidity and reduced bank fees.

Question 3

Table 5:
Current and Future Treasury or Finance-related Organisational Structure by Region (%)

	Asia-Pacific		Middle East/Africa		North America		Western Europe	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Shared service centre (SSC)/ payment factory	41	52	17	17	37	37	42	53
In-house bank (IHB)	33	19	17	50	26	29	40	44
Other	4	0	17	17	3	3	4	4
None of these	30	22	33	17	23	20	25	12

SSCs are the most popular with mid-sized companies (US$50m-US$999.9m). In order to survive in the current turmoil this is the first step to generate efficiency and apply new liquidity strategies in the company.

Large (US$1bn-US$9.9bn) and very large (>US$10bn) corporates are shifting from the SSC structure to IHB, thanks to their accumulated liquidity pool consequent to cost reduction and efficiency programmes in response to the credit crunch.

Table 6:
Current and Future Treasury or Finance-related Organisational Structure by Revenue (%)

	Under US$50m		US$50m - US$249.9m		US$250m - US$999.9m		US$1bn - US$9.9bn		Over US$10bn	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Shared service centre (SSC)/ payment factory	20	20	38	55	46	57	42	45	41	38
In-house bank (IHB)	10	0	21	24	32	29	45	47	41	45
Other	0	0	0	0	14	11	0	0	3	3
None of these	30	20	31	21	25	14	26	16	17	14

gtnews

Question 4

Across your group/company, how are your trade finance activities currently managed? What will it likely be in the next 24 months?

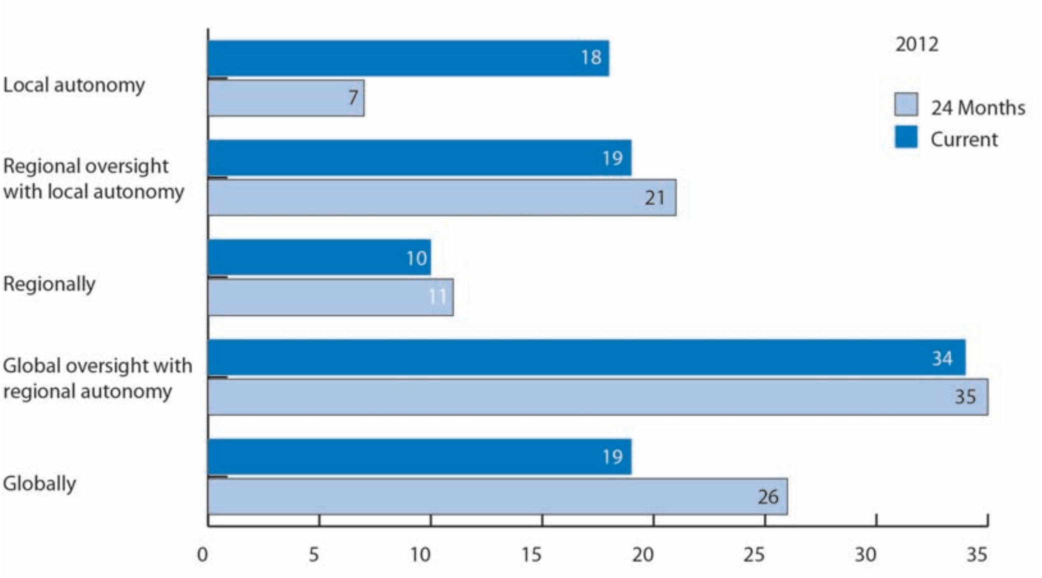
- Local autonomy
- Regional oversight with local autonomy
- Regionally
- Global oversight with regional autonomy
- Globally

The trends of trade globalisation strongly influence the decisions on how interviewed companies manage trade finance strategies. Centralisation strategies take the lead in trade finance management, with over a third (34%) of the companies reporting that they have global oversight with some regional autonomy.

Local autonomy is sacrificed to global control - whereas 18% have local autonomy today, only 7% plan to have this in 24 months' time. Global oversight with regional autonomy holds tight where already applied.

This factor is important as it confirms that central control of global operations runs in parallel with local autonomy to avoid creating too rigid a structure that fits poorly with the dynamic nature of trade.

Figure 6: Current and Future Trade Finance Activities (%)



Growing regions (Middle East/Africa) require a stronger regional oversight but not at the cost of losing the important local autonomy. The globalisation of trade business demands a tighter control at regional or global centralised level.

While growing regions (Middle East/Africa) and fast developing regions (Asia-Pacific) rely on regional control to manage their current trade finance activities, more mature regions (North America, western Europe) are more likely to opt for a purely global control.

Question 4

Table 7:
Current and Future Trade Finance Activities by Region (%)

	Asia-Pacific		Middle East/Africa		North America		Western Europe	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Local autonomy	14	6	50	20	19	11	14	5
Regional oversight with local autonomy	24	28	25	40	15	15	19	16
Regionally	19	22	0	20	4	4	9	8
Global oversight with regional autonomy	24	28	0	0	37	37	44	43
Globally	19	17	25	20	26	33	14	27

Very small (<US$50m) and small (US$50m-US$249.9m) companies shift from pure local autonomy to a more regional oversight, signifying that some form of more concentrated control is important. Among the very small (<US$50m) companies, 50% of them prefer global control. Most likely these are local subsidiaries of large multinationals that have imposed such a centralised form of control.

As company size grows, local autonomy gives way to a more regionalised and globalised form of supervision and authority.

The reason that very large (>US$10bn) companies show a significant increase in the option for a regionalised management of trade finance activities is that they are the mirror-image of what was identified in small and very small companies: that is, the existence of a network of local subsidiaries requires some form of delegation of authority under a global supervisory control.

Table 8:
Current and Future Trade Finance Activities by Revenue (%)

	Under US$50m		US$50m - US$249.9m		US$250m - US$999.9m		US$1bn - US$9.9bn		Over US$10bn	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Local autonomy	25	0	27	11	12	4	24	10	5	6
Regional oversight with local autonomy	25	50	27	44	16	24	9	7	26	17
Regionally	0	0	14	11	8	4	12	17	5	11
Global oversight with regional autonomy	0	0	18	17	36	36	45	43	37	39
Globally	50	50	14	17	28	32	9	23	26	28

gtnews

Question 5

Which of the following areas represents the highest potential for improving the working capital in your company/group?

- Cash flow forecasting
- Inventory
- General ledger reconciliation
- Liquidity management (cash concentration, short-term investment and funding)
- Purchase - accounts payable (A/P)
- Sales - accounts receivables (A/R)
- Supply chain financing/receivables sales programmes
- Other

The ability to anticipate the need for cash with appropriate cash forecasting techniques is indeed a prerequisite for an effective working capital improvement programme. Just over a quarter (26%) of respondents pick cash flow forecasting as the area with the highest potential for improving working capital.

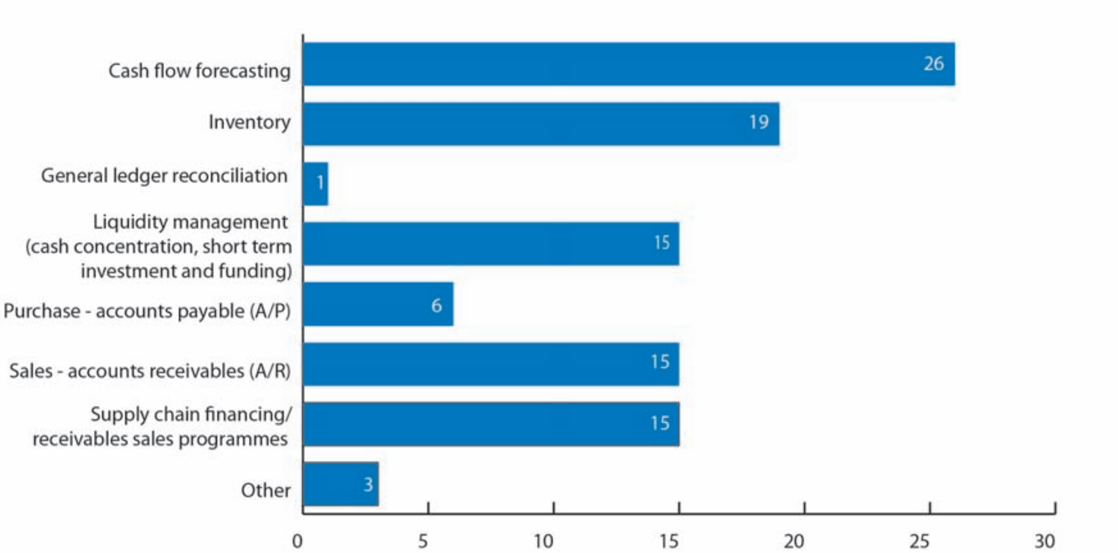
Of the three main components of working capital - A/R, A/P and inventory - it is the third that attracts the most attention from respondents. Indeed, of the three elements of working capital, inventory is the item that a company has the most control over, with 19% of respondents choosing this as an area for improvement. The decision to lower inventory levels and reduce stocks is at a company's discretion as long as, of course, it is balanced properly with the possibility to ensure customer service and reliability of deliveries.

Customer service is a key competitive factor, particularly in the current crisis. Even more important, though, is servicing customers who fulfil their payment obligations. The survival of a supplying company is predicated on a level of certainty of cash inflows from the client base.

Receivables-centric programmes bear a great - and continuously growing - importance and represents one of the most important areas for improving a company's working capital.

See Table 36 in the appendix for verbatim responses of other areas considered to have the highest potential for improving working capital.

Figure 7: Areas with Highest Potential for Improving Working Capital (%)



While cash flow forecasting holds the first place in the majority of surveyed regions, companies from growing countries (e.g. Middle East/ Africa) place a strong emphasis on sales-A/R, as companies in this region are most likely to be suppliers of large international buyers.

The data from Asia-Pacific shows that is moving from being a region comprised mainly of suppliers to one where buyers are also beginning to have significant presence, which is typical of more mature markets. This assumption is validated by the fact that percentage numbers across all categories are comparable in magnitude to a mature region such as western Europe.

Question 5

North American companies predominantly rely on their ability to improve working capital management through control of inventory levels. This is due to the fact that the majority of companies in this region are from the manufacturing sector (see Question 1), where inventory management practices are available and well implemented. These same companies also believe they can have control of their suppliers' A/P, rather than concentrating on receivables as their western European counterparties do. Once again this approach is typical of industry sectors where a large buyer holds negotiation power over its suppliers and, consequently, can impose conditions in terms of payables.

Supply chain financing (SCF) programmes appear strong in both fast developing (e.g. Asia-Pacific) and growing (e.g. Middle East/ Africa) regions.

Table 9:
Areas with Highest Potential for Improving Working Capital by Region (%)

	Asia-Pacific	Middle East/Africa	North America	Western Europe
Cash flow forecasting	32	40	14	30
Inventory	14	0	21	25
General ledger reconciliation	0	0	3	0
Liquidity management (cash concentration, short-term investment and funding)	14	0	14	18
Purchase - accounts payable (A/P)	0	0	17	2
Sales - accounts receivables (A/R)	14	40	10	11
Supply chain financing/receivables sales programmes	27	20	14	11
Other	0	0	7	2

Table 10:
Areas with Highest Potential for Improving Working Capital by Revenue (%)

	Under US$50m	US$50m-US$249.9m	US$250m-US$999.9m	US$1bn-US$9.9bn	>US$10bn
Cash flow forecasting	0	35	36	24	19
Inventory	17	9	28	18	14
General ledger reconciliation	17	0	0	0	0
Liquidity management (cash concentration, short-term investment and funding)	33	13	4	24	10
Purchase - accounts payable (A/P)	0	4	4	12	5
Sales - accounts receivables (A/R)	33	22	8	12	19
Supply chain financing/receivables sales programmes	0	17	20	9	19
Other	0	0	0	0	14

Question 6

Which department is primarily responsible for the following working capital activities?

- Cash flow forecasting
- Inventory
- General ledger reconciliation
- Liquidity management (cash concentration, short-term investment and funding)
- Purchase - accounts payable (A/P)
- Sales - accounts receivables (A/R)
- Supply chain financing/receivables sales programmes
- Other

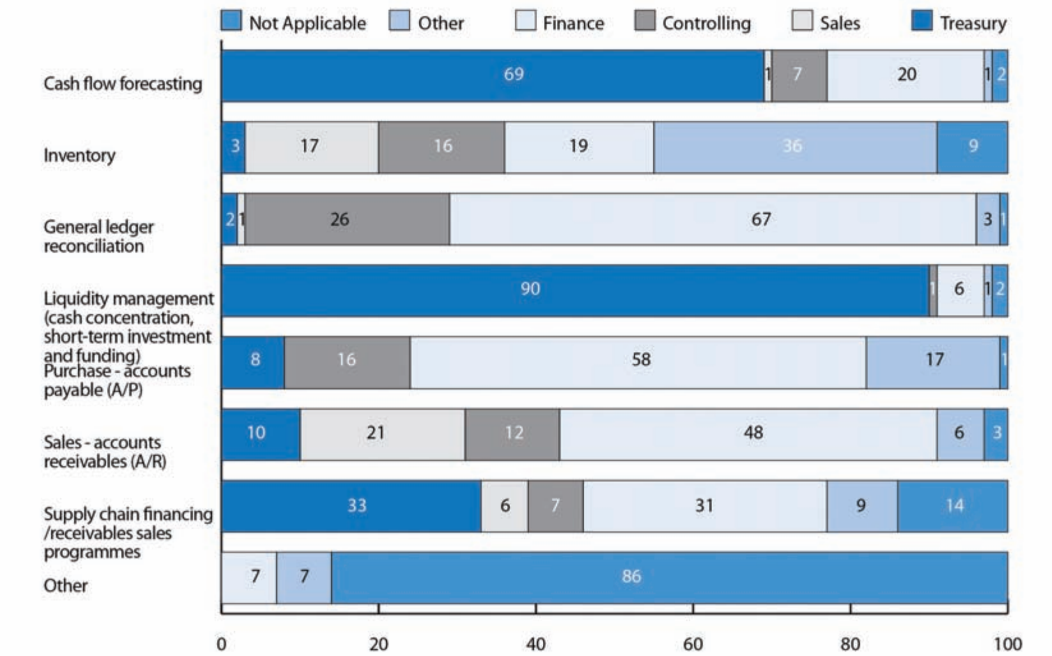
Cash flow forecasting and liquidity management fall predominately under the treasury's domain, with 69% and 90% of respondents choosing these two options.

It is interesting to see that not only finance-related activities fall under the control of treasury or finance departments. For example, purchase and sales are typical operations activities, and yet the responsibility for working capital related activities (i.e. A/P and A/R) fall under finance.

SCF programmes fall squarely under the responsibility of treasury and finance. A sizable portion (14%) of respondents, though, answered "not applicable" to classify the responsibility for this important set of activities that optimise working capital. This means that there are still some companies that do not run SCF or receivable sales programmes.

Inventory, A/P and A/R are the three components of working capital. The segmentations by region and company size might help better analyse the activities related to these components. Please see Table 37 in the appendix for a list of other departments responsible for working capital activities.

Figure 8: Department Responsible for the Following Working Capital Activities (%)



In Asia-Pacific, finance is the predominant supervisory department for A/R and A/P. Inventory control, on the other hand, is levelled across functions.

Corporates located in the Middle East/Africa region maintain that inventory falls under the supervision of controlling. This is a clear sign that

Question 6

in these countries operations are run from subsidiaries where cost savings and efficiencies are the main parameters. The same logic applies to Asia-Pacific, where cost savings and efficient sourcing are paramount activities for cost containment.

In the Middle East/Africa sales is in control of A/R, although finance holds a 40% stake which underpins the supervisory role of this function. A quarter of respondents do not run any SCF or receivable sales programme.

For North America-based corporates, inventory is definitely in the hands of departments not listed in the options - 43% of respondents chose “other”. Most likely the responsibility this component of working capital sits with logistics, manufacturing and supply chain management. A/P and A/R, on the other hand, still see a strong presence of finance in the establishment of targets and control procedures.

The crisis in the eurozone has forced western European companies to apply tight finance control on the working capital components that can significantly influence the financial performance of the company. While inventory control is left to dedicated departments, as also seen in North America, A/P and A/R face a much tighter scrutiny under finance in western European companies than their North American counterparties. Almost a quarter (23%) of western European companies responded “not applicable” to SCF and sales of receivables programmes, meaning that these initiatives are yet to be fully deployed in the region.

SCF and sales of receivables programmes display noteworthy regional differences.

In Asia-Pacific, treasury and finance have the lion’s share, but other departments are emerging as well, particularly among those not provided as an option. In the Middle East/Africa, controlling once again illustrates the nature of controlled subsidiaries that have the sole role of implementing decisions taken at headquarter level, with 50% of respondents.

In North America, the percentage of sales as mainly responsible for SCF activities shows a shift away from finance-only based control of SCF programmes toward a more organic and holistic approach, where operations departments are also involved and made accountable for this activity.

Western European companies report that treasury holds a supervisory role and confirms the importance of keeping constant control over activities that impact financial results. However, the 23% that chose “not applicable” demonstrate that SCF programmes are not applied as a means to optimise working capital. Most likely, they are adopted as ways to improve supplier relationship management.

Table 11:
Department Responsible for the Following Working Capital Activities by Region (%)

	Asia-Pacific						Middle East/Africa						North America						Western Europe					
	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable
Cash flow forecasting	62	0	5	29	0	5	50	25	0	25	0	0	68	0	7	21	4	0	82	0	2	14	0	2
Inventory	10	19	19	24	19	10	0	20	60	20	0	0	0	18	11	11	43	18	2	12	14	23	42	7
General ledger reconciliation	0	0	5	90	0	5	0	0	25	75	0	0	0	4	50	46	0	0	5	0	18	73	5	0
Liquidity management (cash concentration, short-term investment and funding)	81	0	0	10	0	10	100	0	0	0	0	0	82	0	4	14	0	0	98	0	0	0	2	0
Purchase - accounts payable (A/P)	0	0	5	81	10	5	0	0	50	50	0	0	14	0	29	39	18	0	9	0	7	64	20	0
Sales - accounts receivables (A/R)	0	10	5	76	5	5	0	60	0	40	0	0	11	29	18	36	7	0	16	18	7	48	7	5
Supply chain financing/receivables sales programmes	29	5	5	43	10	10	0	0	50	25	0	25	29	11	7	32	18	4	42	5	2	23	5	23
Other	0	0	0	50	25	25	0	0	0	0	0	100	0	0	0	0	11	89	0	0	0	0	0	100

Question 6

Table 12:
Department Responsible for the Following Working Capital Activities by Revenue (%)

	Under US$50m						US$50m-US$249.9m						US$250m-US$999.9m						US$1bn-US$9.9bn						Over US$10bn					
	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable	Treasury	Sales	Controlling	Finance	Other	Not Applicable
Cash flow forecasting	60	0	0	40	0	0	52	5	10	29	0	5	60	0	8	28	0	4	82	0	0	15	3	0	76	0	14	10	0	0
Inventory	0	0	0	20	60	20	10	24	14	10	24	19	4	24	20	12	36	4	0	6	15	27	39	12	0	20	15	25	40	0
General ledger reconciliation	0	0	20	80	0	0	5	0	14	71	5	5	0	0	20	80	0	0	3	0	30	67	0	0	0	5	38	48	10	0
Liquidity management (cash concentration, short-term investment and funding)	80	0	0	20	0	0	81	0	0	14	0	5	92	0	0	4	0	4	97	0	0	0	3	0	86	0	5	10	0	0
Purchase - accounts payable (A/P)	0	0	0	80	20	0	5	0	19	52	19	5	16	0	8	68	8	0	0	0	24	48	27	0	19	0	10	62	10	0
Sales - accounts receivables (A/R)	0	0	0	80	20	0	14	27	9	45	0	5	8	16	12	56	4	4	3	30	15	42	6	3	24	14	10	43	10	0
Supply chain financing/receivables sales programmes	20	20	20	40	0	0	20	5	10	40	10	15	24	8	4	36	8	20	39	3	6	21	15	15	48	5	0	33	5	10
Other	0	0	0	0	0	0	0	0	0	13	13	75	0	0	0	0	14	86	0	0	0	0	0	100	0	0	0	17	0	83

Question 7

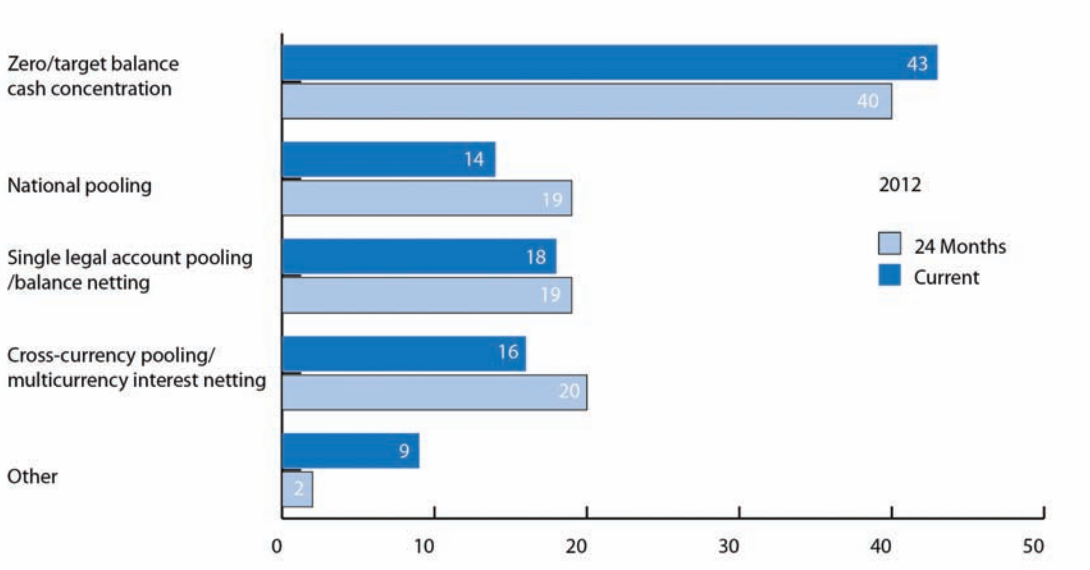
Which of the following best describes your organisation's cash concentration technique? What is it likely to be in the next 24 months?

- Zero/target balance cash concentration
- Notional pooling
- Single legal account pooling/balance netting
- Cross-currency pooling/multi-currency interest netting
- Other

Zero/target balance cash concentration is the most common technique used today (43%) and will likely remain so in the next 24 months (40%). However, there are indications that other techniques, such as interest-based notional pooling, may become increasingly common across the next 24 months.

Respondents apparently have limited their options to those listed, concentrating on more practised and familiar solutions rather than testing unknown waters (fewer respondents choose "other" as a likely option in 24 months than they do currently). Please go to Table 38 in the appendix which lists the "other" verbatim responses.

Figure 9: Cash Concentration Technique (%)



Unsurprisingly, western Europe is where more basic forms of cash concentration are paralleled with more sophisticated techniques, such as notional pooling, that promise - where permitted - significant results.

The eurozone crisis has increased the demand for any solution that improves a company's ability to manage available cash. The IT systems needed to handle a sophisticated cash concentration solution require a maturity of treasury operations that can be found more readily in developed countries such as those in western Europe.

Companies in Middle East/Africa, on the other hand, opt for more prudent and easily manageable zero/target balance cash concentration techniques. Their subsidiary nature justifies this cash concentration technique in order that central headquarters can better manage and direct.

North American treasurers are aware that the US dollar's role as the main currency for trade will diminish over time and thus are prepared to take advantage of cross-currency pooling and multi-currency interest netting techniques in favour of the euro and, most importantly, the renminbi (RMB).

Question 7

Table 13: Cash Concentration Technique by Region (%)

	Asia-Pacific		Middle East/Africa		North America		Western Europe	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Zero/target balance cash concentration	29	29	0	25	64	54	36	37
Notional pooling	18	18	60	25	8	8	15	26
Single legal account pooling/ balance netting	18	24	20	25	24	27	13	11
Cross-currency pooling/ multicurrency interest netting	24	29	0	0	4	12	21	23
Other	12	0	20	25	0	0	15	3

Table 14: Cash Concentration Technique by Revenue (%)

	Under US$50m		US$50m - US$249.9m		US$250m - US$999.9m		US$1bn - US$9.9bn		Over US$10bn	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Zero/target balance cash concentration	20	25	29	35	30	26	60	62	42	29
Notional pooling	20	25	12	29	17	17	10	7	21	29
Single legal account pooling/ balance netting	40	50	18	12	26	26	13	17	11	12
Cross-currency pooling/ multicurrency interest netting	20	0	24	24	13	22	10	14	21	29
Other	0	0	18	0	13	9	7	0	5	0

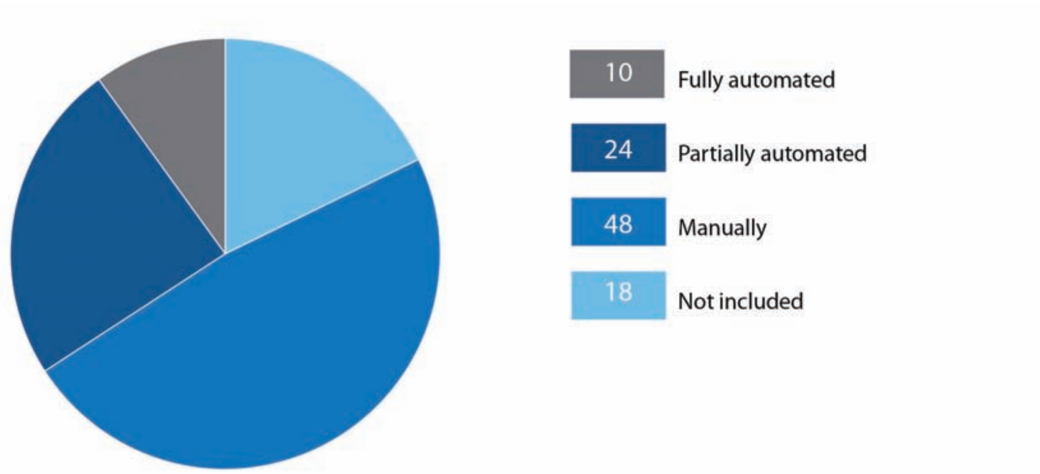
Question 8

How does you organisation import information on its trade finance transactions into its cash flow forecast?

- Not included
- Manually
- Partially automated
- Fully automated

Unsurprisingly, manual operations to import data are most popular with respondents (48%). However, the noteworthy fact is that 18% of total respondents do not use trade finance transaction data in their cash flow forecast calculations. This means that their cash flow forecasts miss an important source and destination factor of cash inflows and outflows.

Figure 10: Importing Trade Finance Information into Cash Flow Forecast (%)



Asia-Pacific is the region with the highest percentage (28%) of companies not using trade finance for their cash flow forecasts. One possible explanation is that trade finance is a separate discipline from general cash management and used more as a trade facilitation instrument in the hands of sales and distribution managers, rather than a component of liquidity management for the company, which is managed by treasury.

Companies based in the Middle East/Africa region see a separation between manual and partially automated import. The total absence of "not included" seems to confirm that respondents work in regional subsidiaries of foreign companies. Their main concern is to import data but there is no sign as to whether they have control over how (and why) that data is used.

The high percentage (62%) of manual data importing in North American companies shows that effort is still needed to streamline operations. The high number of manufacturing sector respondents in the region (see Question 1) suggests that these companies are rather slow to automate activities in the treasury department to which cash flow forecasting usually pertains.

Western European-based companies report both manual (48%) and partially automated (26%) importing activities, which is more balanced in comparison with North American companies. Nevertheless, almost one in five (19%) are not using trade finance data for cash flow forecasting. This is a signal to companies that they should review their cash forecasting policies to also include trade finance data. Such data is steadily moving away from being simple trade facilitation instruments and instead play the role of liquidity management tools.

Question 8

Table 15:
Importing Trade Finance Information into Cash Flow Forecast by Region (%)

	Asia-Pacific	Middle East/Africa	North America	Western Europe
Not included	28	0	19	19
Manually	39	60	62	48
Partially automated	22	40	8	26
Fully automated	11	0	12	7

Full automation is certainly part of very large (>US$10bn) company practices as the IT investments needed are affordable in this size of organisations. Despite this, there remains a high percentage of "not included" in large (US$1bn-US$9.9bn) and very large (>US$10bn) corporates versus smaller ones - 28% and 16% respectively. One explanation could be that the former companies still suffer from highly segregated departments where cash flow forecasting 'belongs' to treasury, while trade finance is considered part of other functions such as A/P or A/R.

Table 16:
Importing Trade Finance Information into Cash Flow Forecast by Revenue (%)

	Under US$50m	US$50m-US$249.9m	US$250m-US$999.9m	US$1bn-US$9.9bn	>US$10bn
Not included	20	11	4	28	14
Manually	40	33	70	47	48
Partially automated	40	50	22	19	10
Fully automated	0	6	4	6	29

gtnews

Question 9

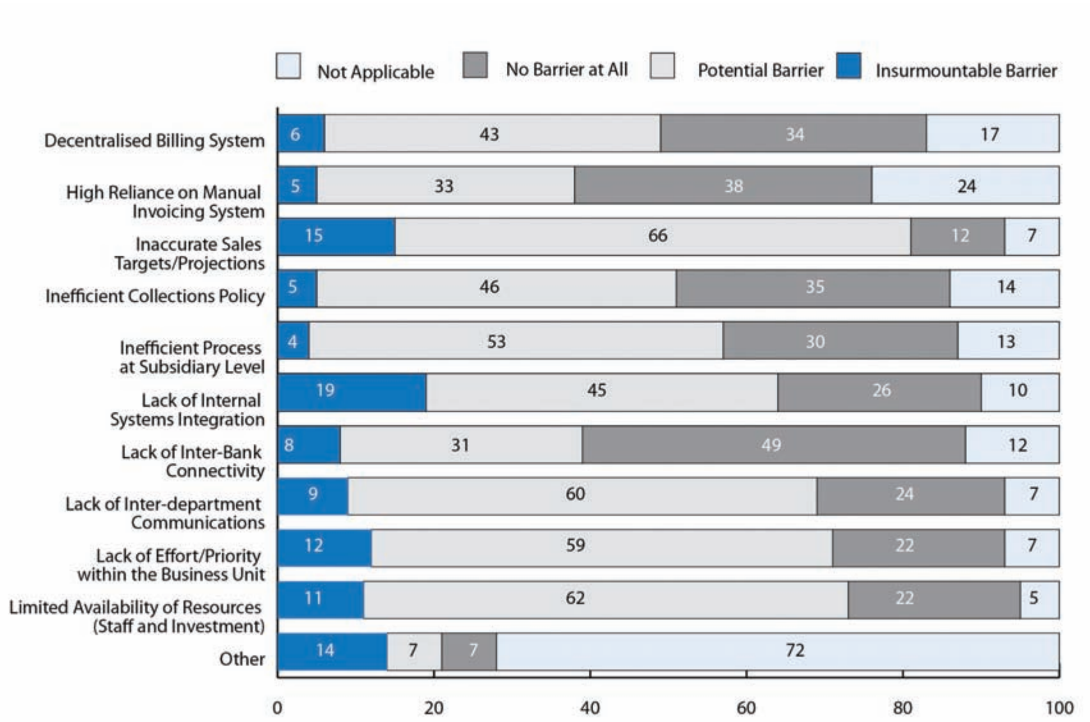
Which of the following present possible barriers to accurate cash flow forecasting by your organisation?

- Decentralised billing system
- High reliance on manual invoicing system
- Inaccurate sales targets/projections
- Inefficient collections policy
- Inefficient process at subsidiary level
- Lack of internal systems integration
- Lack of inter-bank connectivity
- Lack of inter-department communication
- Lack of effort/priority within the business unit
- Limited availability of resources (staff and investment)
- Other

Responses to this question are generally rather optimistic, in the sense that none of the proposed items was ranked as a true insurmountable barrier to accurate cash flow forecasting. Respondents seem to know the inherent intricacies of the forecasting process and are ready to face it with limited resources and inevitable inefficiencies.

The bottom line comment is that none of the respondents really wants to 'find excuses' for inefficient cash flow forecasting. Please go to Table 39 in the appendix for other barriers to accurate cash flow forecasting.

Figure 11: Barriers to Accurate Cash Flow Forecasting (%)



Objective identification of items as "potential barriers" does not prevent companies in Asia-Pacific from running cash flow forecasting. Only inefficiencies from 'external' sources (e.g. sales: for "inaccurate sales targets/projections"; or IT: for "lack of internal systems integration") have some negative repercussions.

Question 9

Middle East/Africa-based companies are constrained by the limited control they have over decisions regarding the whole process to effectively execute cash flow projections. "Inaccurate sales targets/projections" and "lack of effort/priority within the business unit" are clear signs that the local offices are subject to demotivation and scarce commitment, due to lack of accountability for the results of the process.

Instead, there are positive effects of being part of a larger organisation that 'takes care' of the local unit. These can be interpreted by reading the positive responses (i.e. "no barrier at all") to potential 'internal' roadblocks such as "reliance on manual invoicing system", "collections policy", "inter-bank connectivity", "inter-department communication", or "availability of resources (staff and investment)".

The most significant potential barriers for companies based in North America arise from organisational issues such as having a "decentralised billing system", receiving "inaccurate sales targets/projections" (most likely from external departments), suffering from "lack of inter-department communication", "lack of effort/priority within the business unit", and coping with "limited availability of resources (staff and investment)". This means that there are internal conflicts to be resolved.

Companies in western Europe remain positive in terms of their reliance on being able to perform cash forecasts despite potential barriers. They are, however, more concerned than their North American counterparts in that only a very few items are not deemed as barriers at all, such as "reliance on manual invoicing system" and "lack of inter-bank connectivity". In fact, Europe shows significant advances compared with their North American peers in the utilisation of electronic invoicing (e-invoicing) systems and interbank connectivity through the SWIFT inter-bank network.

Table 17:
Barriers to Accurate Cash Flow Forecasting by Region (%)

	Asia-Pacific				Middle East/Africa				North America				Western Europe			
	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable
Decentralised billing system	11	44	28	17	0	80	20	0	8	42	31	19	5	41	35	19
High reliance on manual invoicing system	11	39	28	22	20	20	60	0	8	35	42	15	0	32	41	27
Inaccurate sales targets/projections	22	50	11	17	40	40	20	0	4	77	15	4	14	73	8	5
Inefficient collections policy	11	44	28	17	20	20	40	20	4	38	54	4	3	58	21	18
Inefficient process at subsidiary level	12	35	35	18	0	60	20	20	4	38	46	12	3	73	14	11
Lack of internal systems integration	28	50	11	11	0	60	40	0	23	27	42	8	16	53	21	11
Lack of inter-bank connectivity	22	33	33	11	0	40	40	20	12	31	46	12	3	26	61	11
Lack of inter-department communication	6	61	28	6	20	40	40	0	8	65	19	8	11	61	21	8
Lack of effort/priority within the business unit	17	44	28	11	40	40	20	0	8	65	19	4	11	61	21	8
Limited availability of resources (staff and investment)	17	44	33	6	20	40	40	0	8	85	8	0	11	58	24	8
Other	20	20	0	60	0	0	0	100	13	0	0	88	17	8	17	58

Question 9

Table 18:
Barriers to Accurate Cash Flow Forecasting by Revenue (%)

	Under US$50m				US$50m-US$249.9m				US$250m-US$999.9m				US$1bn-US$9.9bn				Over US$10bn			
	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable	Insurmountable barrier	Potential barrier	No barrier at All	Not applicable
Decentralised billing system	0	0	50	50	0	50	39	11	5	45	27	23	7	47	30	17	14	29	43	14
High reliance on manual invoicing system	0	100	0	0	6	22	56	17	0	36	36	27	7	33	30	30	10	29	38	24
Inaccurate sales targets/ projections	0	100	0	0	6	61	22	11	14	68	14	5	13	73	7	7	24	57	10	10
Inefficient collections policy	0	50	50	0	0	56	28	17	5	32	45	18	7	53	27	13	10	48	33	10
Inefficient process at subsidiary level	0	0	100	0	0	38	38	25	5	64	23	9	3	57	27	13	10	57	24	10
Lack of internal systems integration	0	0	100	0	17	44	28	11	14	50	32	5	27	40	20	13	19	48	24	10
Lack of inter-bank connectivity	0	0	100	0	6	39	44	11	9	23	55	14	10	40	37	13	10	24	57	10
Lack of inter-department communication	0	0	100	0	11	56	22	11	14	59	23	5	0	70	23	7	14	52	24	10
Lack of effort/priority within the business unit	0	50	50	0	17	50	22	11	5	73	18	5	10	60	23	7	14	52	24	10
Limited availability of resources (staff and investment)	0	100	0	0	11	61	17	11	5	68	23	5	13	57	27	3	14	57	24	5
Other	0	0	0	100	0	17	0	83	0	0	0	100	0	0	33	67	44	11	0	44

Question 10

How does your organisation handle short-term deficits? And how are they likely to be handled in the next 24 months?

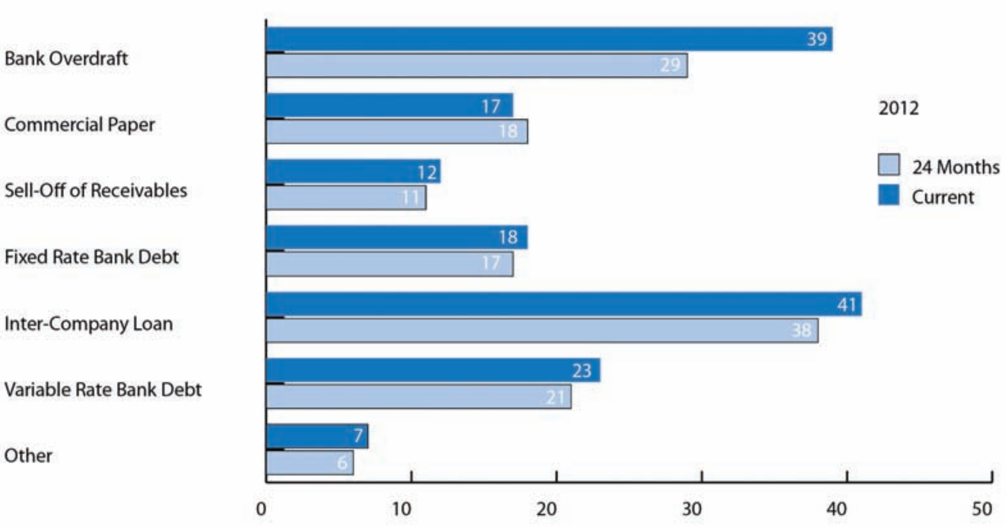
- Bank overdraft
- Commercial paper
- Sell-off of receivables
- Fixed rate bank debt
- Inter-company loan
- Variable rate bank debt
- Other

The mix of instruments organisations use to handle short-term deficits is unlikely to change much over the next 24 months, the one exception being bank overdraft; only 29% expect to use bank overdraft in the next 24 months versus 39% that rely on it today.

Today's market interest rates are highly dynamic and this is a factor companies want to leverage and take advantage of.

See Table 40 in the appendix for a list of "other" current and future ways to management short-term deficits.

Figure 12: Current and Future Short-term Deficit Management (%)



There is a general drop in all the proposed solutions according to corporates based in the Asia-Pacific region. Only commercial paper holds up. As such, there is insufficient information to anticipate how companies in this region intend to handle their short-term deficits. Companies do not seem to know it themselves, given the low and stable 7% of responses for the "other" option of alternative solutions to the ones proposed. These other options are listed in table 40 in the appendix.

Companies, predominantly subsidiaries, in the Middle East/Africa region will handle short-term needs in a very traditional way through bank-related instruments, such as fixed rate bank debt. Significant growth is expected in sell-off of receivables solutions, showing that subsidiaries believe that they will become more empowered to take decisions that help improve the short-term liquidity needs of the company.

Fixed and variable rate bank debts hold stable at companies in North America. Commercial paper is not popular, while inter-company loans are predicted to move into first place over the next 24 months in the management of short-term deficit handling. It appears that in North America banks are still seen as valid partners to manage liquidity needs on a short-term basis.

Any bank-related strategy will drop off the radar screen of western European companies in the next 24 months. Commercial paper and receivable sell-offs represent the new frontiers for short-term liquidity in the region. Financial institutions are losing their credibility today, which will end with corporate relying less on their offerings.

Given these preferences for receivables-centric solutions, it can be expected that western European companies will increase their

Question 10

attention toward the sales of receivables programmes on a much wider scale than seen in Question 6.

Table 19:
Current and Future Short-term Deficit Management by Region (%)

	Asia-Pacific		Middle East/Africa		North America		Western Europe	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Bank overdraft	41	19	50	33	23	17	42	35
Commercial paper	15	15	17	17	23	17	14	19
Sell-off of receivables	22	7	0	17	6	9	9	12
Fixed rate bank debt	19	15	17	33	26	26	14	11
Inter-company loan	41	22	67	50	37	40	42	44
Variable rate bank debt	26	11	0	17	37	37	19	19
Other	7	7	0	0	11	9	4	4

Table 20:
Current and Future Short-term Deficit Management by Revenue (%)

	Under US$50m		US$50m - US$249.9m		US$250m - US$999.9m		US$1bn - US$9.9bn		Over US$10bn	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Bank overdraft	0	0	52	34	43	36	39	29	31	28
Commercial paper	0	0	10	7	7	14	16	16	41	41
Sell-off of receivables	0	0	21	14	7	7	8	11	14	14
Fixed rate bank debt	10	10	7	14	21	21	26	21	14	10
Inter-company loan	0	0	45	34	43	43	42	37	45	45
Variable rate bank debt	0	0	14	7	32	29	29	32	21	17
Other	10	10	3	0	11	7	3	5	14	10

Question 11

How does your organisation allocate its surplus cash? And how is it likely to be allocated in the next 24 months?

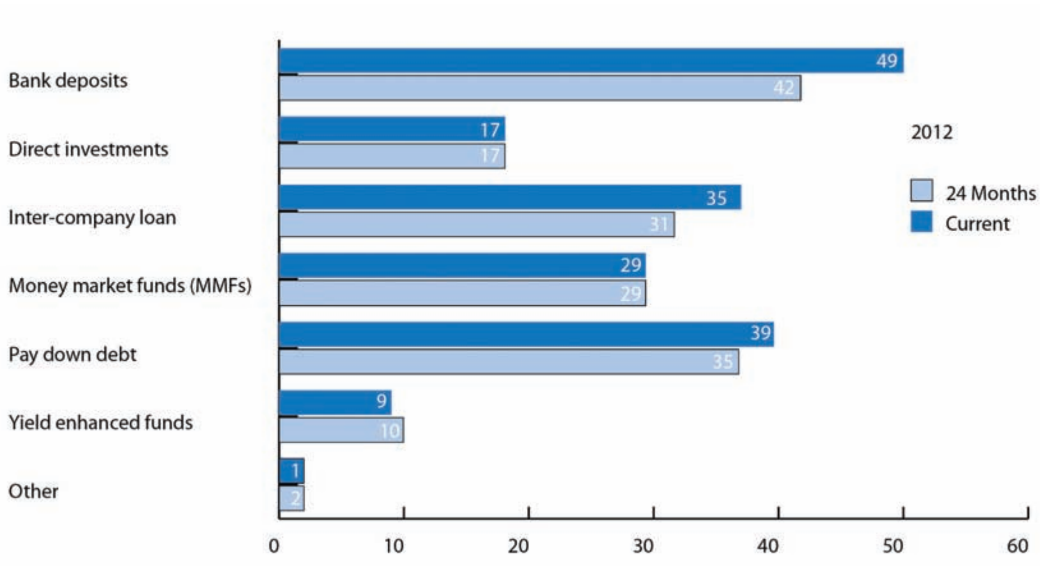
- Bank deposits
- Direct investments
- Inter-company loan
- Money market funds (MMFs)
- Pay down debt
- Yield enhanced funds
- Other

Although nearly half (49%) of organisations allocate surplus cash in bank deposits, slightly fewer (42%) say they will do so in the next 24 months.

The crisis that banks are currently facing pushes company respondents to continue seek safer and more resilient solutions in direct investments and MMFs. The latter offers more flexible alternatives and the possibility to benefit from open market trade dynamics.

In addition, it is clear that security rather than yield is still the objective of surplus cash investments. See Table 41 in the appendix for other current and future allocation of surplus cash.

Figure 13: Current and Future Allocation of Surplus Cash (%)



Rather than segmentation by geography, segmentation by company size might provide additional data for analysis.

The only relevant geographical trend is the expected jump in the use of yield enhanced funds in the Middle East/Africa region. The tight credit conditions are hitting emerging economies as well. The limited legacies of past liquidity policies allow local treasurers to take more risk and seek for increased returns from their invested cash.

In addition, North American companies seem to be ready to take extra risk on their excess cash in return for better yield.

Question 11

Table 21:
Current and Future Allocation of Surplus Cash by Region (%)

	Asia-Pacific		Middle East/Africa		North America		Western Europe	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Bank deposits	56	30	33	17	43	40	51	51
Direct investments	19	15	33	33	29	26	7	9
Inter-company loan	33	22	50	33	31	29	37	37
Money market funds (MMFs)	37	30	17	17	34	29	26	33
Pay down debt	37	26	67	17	49	46	37	39
Yield enhanced funds	15	11	0	33	3	6	9	7
Other	0	4	0	0	0	0	2	2

Very small (<US$50m) companies do not have an apparent strategy, whereas small (US$50m-US$249.9m) companies choose direct investments over paying down debt because they foresee this current market situation as highly competitive. They understand that competitive differentiation rests on capturing opportunities, which may demand immediate availability of cash as they arise.

Medium-sized companies, those with revenues between US$250m and US$999.9m, see the value in available surplus liquidity, which has begun to become significant for this size of organisation. Yield becomes an important decision factor once the direct investments for competitive advantage have been secured.

With large (US$1bn-US$9.9bn) corporates yield takes on even greater importance and MMFs are seen as the appropriate instrument to achieve the expected results. This is because high levels of surplus cash will not find proper allocation in bank deposits. As a result, banks must find new and creative ways to attract liquidity from this size of company.

Debt recovery provides better balance sheets for new initiatives for very large (US$>10bn) companies in the dynamics of the current market conditions. Yield is not as important as having available cash to promote direct investments for competitive differentiation.

Table 22:
Current and Future Allocation of Surplus Cash by Revenue (%)

	Under US$50m		US$50m - US$249.9m		US$250m - US$999.9m		US$1bn - US$9.9bn		Over US$10bn	
	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months	Current	24 Months
Bank deposits	0	0	41	28	54	50	53	47	62	55
Direct investments	20	10	10	14	18	18	18	18	21	21
Inter-company loan	0	0	28	21	39	36	32	29	55	48
Money market funds (MMFs)	10	0	24	17	21	25	24	34	52	45
Pay down debt	20	10	31	17	43	32	50	50	34	41
Yield enhanced funds	0	0	10	7	7	11	5	13	17	10
Other	0	0	0	0	4	4	0	0	0	0

Question 12

To what degree is your treasury/treasurer responsible for the following activities? And to what degree is your treasury/treasurer likely to be responsible in the next 24 months?

- Capital markets/investment
- Cash management
- Corporate finance
- Enterprise risk management (ERM)
- Financial risk management/mitigation
- Insurance
- Investor relations
- IT/systems in treasury
- Mergers and acquisitions (M&As)
- Pension management
- Tax
- Trade Finance
- Working capital management

Treasury has multiple roles in a company, such as:

1. Providing visibility and information for better liquidity management.
2. Managing and anticipating risk.
3. Acting as the information steward for the chief financial officer (CFO) and the board.

The survey data have been aggregated according to these main categories to derive the following analysis results.

Providing visibility and information for better liquidity management

Treasury is identified as having responsibility, whether as owner or monitor, for: cash management (100%); capital markets/investment (91%); working capital management (91%); and trade finance (90%). The survey data shows that for this macro category treasury reinforces its position as owner, particularly in trade finance and working capital management. This is true now and for the near future. These are in effect the areas where treasury can best exercise its role to optimise and increase the levels of liquidity in the company by identifying new sources of liquidity and extracting trapped cash.

Managing and anticipating risk

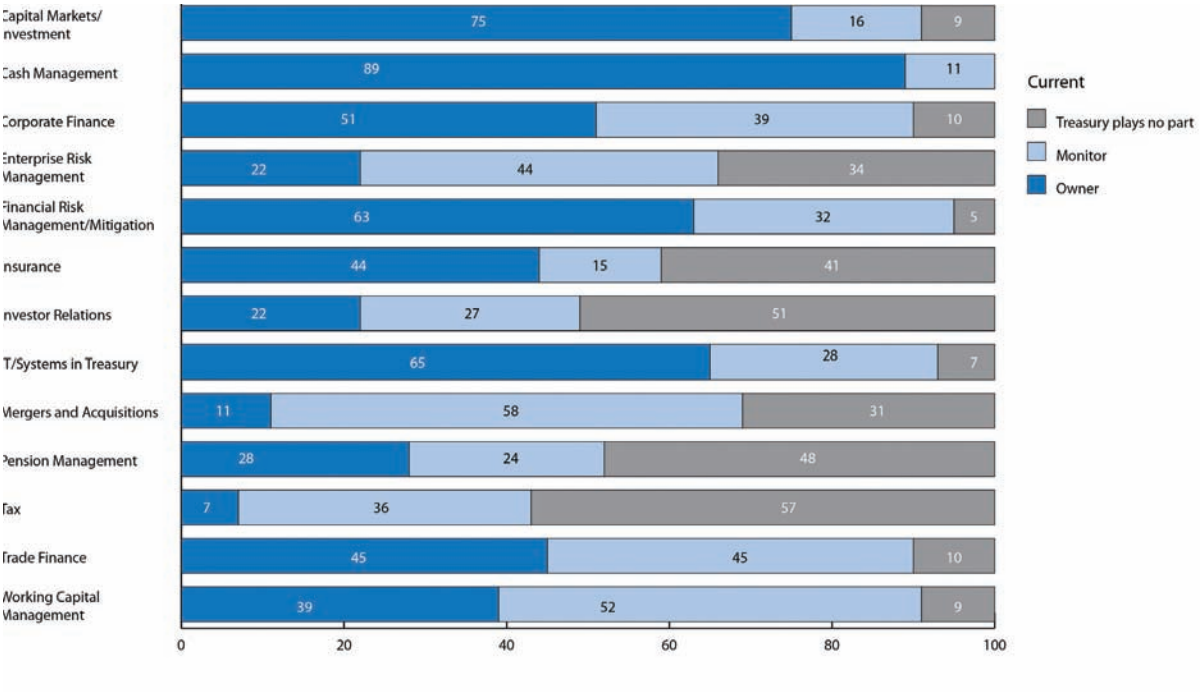
This macro area covers enterprise risk management (ERM), financial risk management/mitigation and insurance. This area of responsibility shows an amplified role of treasury as owner or monitor. The results confirm the constant trend that sees treasury increasingly accountable for decisions and actions related to mitigating and anticipating/avoiding potential sources of risk for the company.

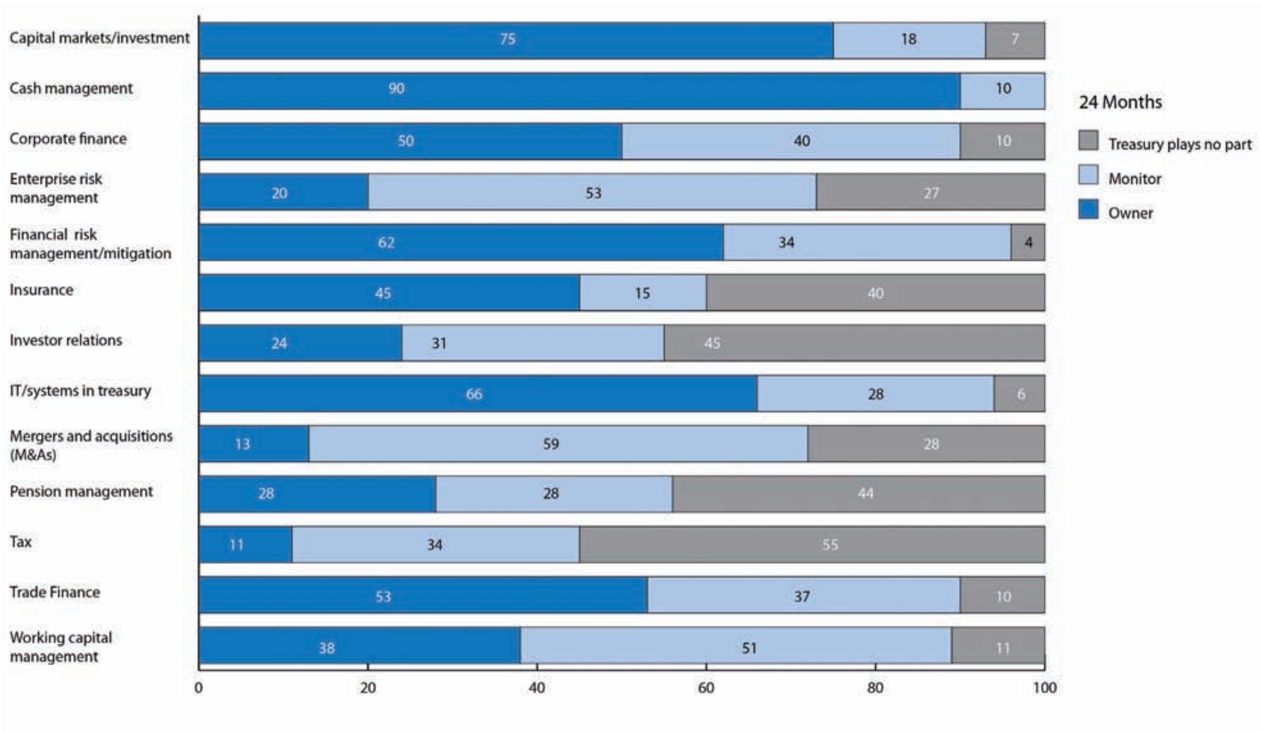
Information steward

This area covers: corporate finance; investor relations; IT/systems in treasury; M&As; pension management; and tax. Treasury in this jurisdiction either increases its ownership role, or loses it in favour of a monitor position. Treasury will particularly increase its position as key owner in activities related to investor relations, M&A and, in particular, tax management. The ability to transform transaction data into useful information for appropriate information stewardship requires constant support from IT. This, in turn, increases the ownership role of the treasury department for the selection and implementation of IT/systems in treasury.

Question 12

Figure 14: Current and Future Areas of Treasury Responsibility





Question 12

Table 23:
Current and Future Areas of Treasury Responsibility by Region (%)

	Asia-Pacific						Middle East/Africa						North America						Western Europe					
	Current			24 Months			Current			24 Months			Current			24 Months			Current			24 Months		
	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part
Capital markets/investment	60	27	13	67	33	0	0	100	0	0	100	0	80	8	12	75	13	13	89	6	6	91	3	6
Cash management	73	27	0	83	17	0	60	40	0	75	25	0	92	8	0	88	13	0	97	3	0	97	3	0
Corporate finance	47	33	20	42	33	25	40	40	20	50	25	25	56	44	0	50	50	0	54	37	9	56	34	9
Enterprise risk management	29	21	50	27	27	45	0	50	50	0	50	50	24	52	24	17	63	21	24	41	35	26	52	23
Financial risk management/mitigation	47	53	0	42	58	0	50	50	0	50	50	0	72	20	8	67	25	8	70	27	3	71	29	0
Insurance	50	14	36	55	9	36	25	0	75	25	0	75	52	24	24	54	25	21	35	9	56	35	10	55
Investor relations	29	21	50	33	42	25	25	25	50	25	25	50	12	36	52	13	42	46	24	21	55	28	19	53
IT/systems in treasury	67	27	7	58	42	0	60	40	0	75	25	0	60	32	8	58	33	8	79	18	3	84	13	3
Mergers and acquisitions (M&As)	7	60	33	8	67	25	0	50	50	0	50	50	8	68	24	13	63	25	12	56	32	16	58	26
Pension management	36	7	57	36	0	64	0	25	75	0	25	75	28	36	36	33	33	33	20	23	57	16	34	50
Tax	7	27	67	8	25	67	0	25	75	0	25	75	8	40	52	17	38	46	6	36	58	9	34	56
Trade Finance	53	40	7	58	33	8	25	75	0	25	75	0	32	52	16	38	46	17	53	39	8	67	24	9
Working capital management	33	60	7	25	67	8	40	60	0	50	50	0	44	52	4	33	63	4	38	50	12	42	42	15

Question 12

Table 24:
Current and Future Areas of Treasury Responsibility by Revenue (%)

	Under US$50m						US$50m-US$249.9m						US$250m-US$999.9m						US$1bn-US$9.9bn						> US$10bn					
	Current			24 Months			Current			24 Months			Current			24 Months			Current			24 Months			Current			24 Months		
	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part	Owner	Monitor	Treasury plays no part	Owner	Monitor	Treasury Plays no Part
Capital markets/investment	100	0	0	100	0	0	33	40	27	38	38	23	67	22	11	71	18	12	82	11	7	80	16	4	95	5	0	90	10	0
Cash management	50	50	0	50	50	0	63	38	0	77	23	0	95	5	0	95	5	0	100	0	0	100	0	0	90	10	0	85	15	0
Corporate finance	100	0	0	100	0	0	44	44	13	46	38	15	42	53	5	44	50	6	61	32	7	56	36	8	43	38	19	40	45	15
Enterprise risk management	50	50	0	50	50	0	36	50	14	33	50	17	11	61	28	12	59	29	14	32	54	8	52	40	29	38	33	30	50	20
Financial risk management/mitigation	50	50	0	50	50	0	71	29	0	75	25	0	58	32	11	56	33	11	63	33	4	60	36	4	71	24	5	70	30	0
Insurance	0	100	0	0	100	0	57	7	36	67	0	33	33	22	44	47	12	41	32	11	57	24	16	60	57	14	29	55	20	25
Investor relations	0	50	50	0	50	50	23	15	70	25	25	50	16	32	53	17	33	50	26	15	59	23	27	50	24	38	38	35	30	35
IT/systems in treasury	0	50	50	0	50	50	47	33	20	50	33	17	68	32	0	78	22	0	75	25	0	76	24	0	67	24	10	60	30	10
Mergers and acquisitions (M&As)	50	50	0	50	50	0	7	29	64	8	33	58	5	79	16	11	72	17	11	54	36	12	56	32	14	62	24	15	65	20
Pension management	0	100	0	0	100	0	20	40	40	23	38	38	6	22	72	18	18	65	29	18	54	20	28	52	52	14	33	50	20	30
Tax	50	50	0	50	50	0	14	36	50	25	25	50	0	32	68	0	33	67	4	26	70	8	27	65	10	52	38	15	45	40
Trade Finance	50	50	0	50	50	0	47	47	7	46	46	8	60	35	5	63	32	5	39	46	14	52	32	16	38	52	10	50	40	10
Working capital management	0	100	0	0	100	0	44	44	13	54	31	15	26	63	11	28	61	11	48	44	7	38	50	12	43	52	5	45	50	5

Question 13

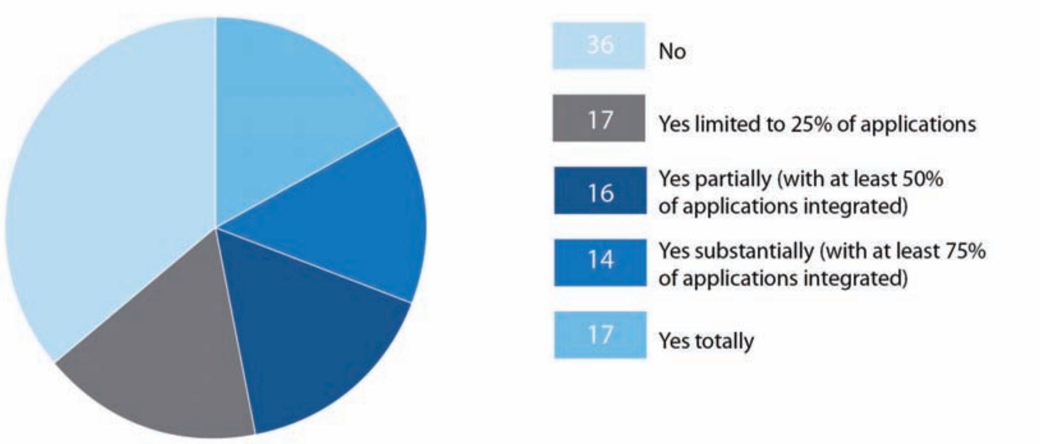
Are your organisation's trade finance (TF) activities integrated with its cash management (CM) activities?

- Yes, totally
- Yes, substantially (with at least 75% of applications integrated)
- Yes, partially (with at least 50% of applications integrated)
- Yes, limited to 25% of applications
- No

A comforting 47% of respondents claim that cash and trade are integrated for more than 50% of applications. This positive result is, however, counterbalanced by a significant 36% of those who still keep the two areas separate.

It is foreseeable that the trend towards a centralised structure for liquidity management (see Question 2) will force more robust integration of trade and cash.

Figure 15: Integration of Trade Finance and Cash Management (%)



Corporates located in Asia-Pacific exhibit the highest percentage value score for both extremes of total integration (21%) and complete separation (43%). This is a clear sign of a highly dynamic market where the subsidiaries of multinationals enjoy the benefits of an existing integration, while others run separate activities due to the fast pace of the market that does not allow time to close the gap.

Around 80% of those companies located in the Middle East/Africa region score an integration level of trade finance and cash management applications below 50%. This is evidence of a market where companies operate as separate regional units of large multinationals that privilege tactical results over integration of cash and trade activities. Since control is highly centralised there is no need to integrate functions that are dealt with at headquarter level.

North America is a region characterised by an equal balance (36%) of companies that have either more than 75% of applications integrated or are completely separated. This is not surprising in a mature market where treasury is shifting its role from being the owner toward simply monitoring working capital and cash management activities (see Question 12). Cash and trade require tight integration only if run under close scrutiny and ownership - i.e. a loosened control over these activities justifies the lack of integration.

The export-oriented nature of western European companies is reflected in the 50% of responses that are either "yes, totally", "yes, substantially", or "yes, partially". This means that at least half of trade finance and cash management applications are integrated. The percentage of totally integrated cash and trade (11%) is, however, the lowest among all regions. This calls for an extra effort from western European companies to improve integration.

Question 13

Table 25:
Integration of Trade Finance and Cash Management by Region (%)

	Asia-Pacific	Middle East/Africa	North America	Western Europe
Yes, totally	21	20	20	11
Yes, substantially (with at least 75% of applications integrated)	7	0	16	17
Yes, partially (with at least 50% of applications integrated)	0	40	8	22
Yes, limited to 25% of applications	29	20	20	14
No	43	20	36	36

Table 26:
Integration of Trade Finance and Cash Management by Revenue (%)

	Under US$50m	US$50m-US$249.9m	US$250m-US$999.9m	US$1bn-US$9.9bn	>US$10bn
Yes, totally	50	13	20	4	35
Yes, substantially (with at least 75% of applications integrated)	0	19	20	7	10
Yes, partially (with at least 50% of applications integrated)	0	19	5	18	25
Yes, limited to 25% of applications	0	13	15	25	10
No	50	38	40	46	20

Question 14

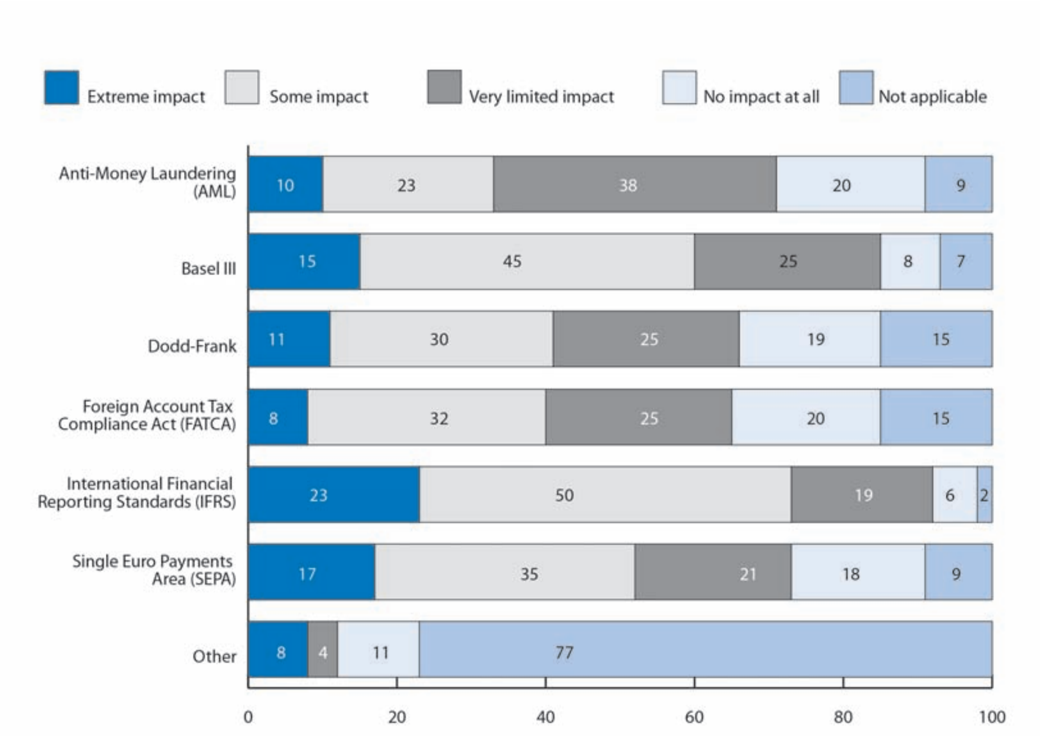
Which regulation/directive will have the greatest impact on your organisation's business in the next year?

- Anti-money Laundering (AML)
- Basel III
- Dodd-Frank
- Foreign Account Tax Compliance Act (FATCA)
- International Financial Reporting Standards (IFRS)
- Single euro payments area (SEPA)
- Other

The question does not specify whether the impact on the business will be positive or negative, so the analysis of the results is left to interpretation. If we are to read that the impact has a negative connotation (i.e. the higher the impact, the more negative to the organisation), then regulatory constraints and directives do not seem to be particularly concerning to respondent corporate representatives.

Of the regulations that will have "some impact - i.e. negative", SEPA will hit companies operating in Europe while Basel III and IFRS have a wider audience. IFRS appears to be, among all those listed, the directive that will have the highest effect (23% responding it will have "extreme impact"). As with SEPA, however, this time the impact might not be negative after all. In fact, IFRS and SEPA are intended to help corporations in their daily operations. Hence, while the initial reaction to newly imposed rules happens to always be opposing (i.e. negative) in the medium to long term, it is foreseeable that IFRS and SEPA will be welcomed by those same corporate treasurers who are now reluctant to embark in new transformation programmes to accommodate the entrant regulations.

Figure 16: Regulation/directive with the Most Impact on Business (%)



Question 14

Asia-Pacific companies are the most sensitive to any regulatory changes. One explanation can lie in the fact that until very recently companies in this region have benefited from a relatively loose regulatory regime besides a few overly ruled countries (e.g. China).

Middle East/Africa, on the other hand, somewhat enjoy their nature of controlled subsidiaries which have no responsibilities on these kind of changes and therefore are not able to appreciate the consequence until after the regulatory guidelines have been implemented. IFRS, with its global reach, is the only regulation perceived as a game-changer - chosen by 40% of respondents as having an "extreme impact".

North America and western Europe are mature markets for which regulatory impositions do not generate excessive reaction.

A great majority of the "not applicable" fall in the "other" category, which effectively means that there are no other regulations or directives that attract the attention of respondents beyond the listed options.

Table 27:
Regulation/directive with the Most Impact on Business by Region (%)

	Asia Pacific					Middle East/Africa					North America					Western Europe				
	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable
Anti-money Laundering (AML)	21	29	29	14	7	0	20	40	0	40	4	22	39	17	17	6	24	47	21	3
Basel III	21	50	21	7	0	20	20	20	0	40	9	30	35	17	9	12	62	24	0	3
Dodd-Frank	7	36	21	21	14	20	20	0	0	60	21	42	21	8	8	3	26	32	26	12
Foreign Account Tax Compliance Act (FATCA)	23	46	8	15	8	20	0	20	0	60	4	43	22	22	9	3	27	33	21	15
International Financial Reporting Standards (IFRS)	31	46	15	8	0	40	20	20	0	20	13	43	26	13	4	24	56	18	3	0
Single euro payments area (SEPA)	13	40	7	20	20	0	20	20	20	40	13	17	22	39	9	21	47	26	6	0
Other	33	0	0	0	67	0	0	0	0	100	11	0	0	22	67	0	0	0	9	91

gtnews

Question 14

Table 28:
Regulation/directive with the Most Impact on Business by Revenue (%)

	Under US$50m					US$50m-US$249.9m					US$250m-US$999.9m					US$1bn-US$9.9bn					Over US$10bn				
	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable
Anti-money Laundering (AML)	0	50	50	0	0	13	19	19	31	19	0	20	55	15	10	8	27	42	12	12	22	22	33	22	0
Basel III	0	50	0	50	0	13	27	13	20	27	15	35	45	5	0	15	50	19	8	8	17	67	17	0	0
Dodd-Frank	50	50	0	0	0	7	13	20	27	33	5	40	30	20	5	11	33	15	22	19	17	28	33	11	11
Foreign Account Tax Compliance Act (FATCA)	0	50	0	50	0	13	13	20	27	27	5	37	37	16	5	8	27	19	23	23	12	41	29	12	6
International Financial Reporting Standards (IFRS)	50	0	0	50	0	50	31	13	0	6	5	65	30	0	0	20	48	16	12	4	22	56	17	6	0
Single euro payments area (SEPA)	50	0	0	50	0	40	13	13	13	20	10	15	45	25	5	7	48	15	15	15	17	50	17	17	0
Other	0	0	0	0	100	17	0	0	17	67	0	0	17	0	83	0	0	0	33	67	17	0	0	0	83

Question 15

What is your organisation's main concern regarding Basel III, as the regulation stands today?

- Availability of funding
- Cost of capital
- Cost of hedging
- Impact of notional pooling
- Impact on short-term investments
- Lack of clarity/interpretation of regulation

Of the proposed regulations, Basel III is one of the highest ranking concerns (see Question 14 - 60% of respondents chose "extreme" or "some" impact). Hence, it is worth analysing it in some detail. Unsurprisingly, respondents feel they will suffer from the capital allocation imposed on financial institutions. The expectation is that banks will face an increased cost of the capital deposited, which will inevitably ripple down to the pricing they will apply to their corporate clients. "Lack of clarity/interpretation" is a warning sign that confusion still looms and banks must exercise their lobbying power to simplify the lives of their clients.

Figure 17: Main Concern of Basel III (%)

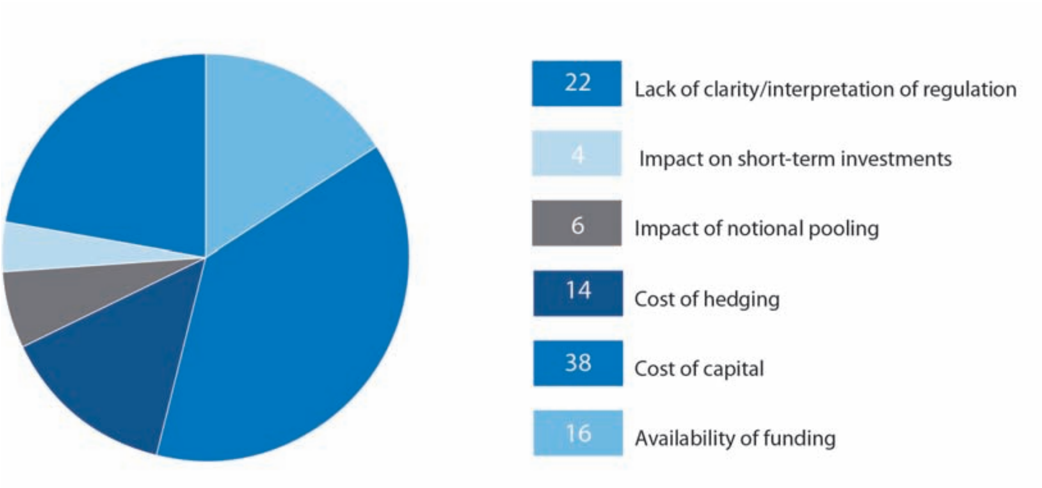


Table 29:
Main Concern of Basel III by Region (%)

	Asia-Pacific	Middle East/Africa	North America	Western Europe
Availability of funding	7	40	14	21
Cost of capital	29	40	24	50
Cost of hedging	29	20	10	9
Impact of notional pooling	0	0	10	3
Impact on short-term investments	0	0	10	0
Lack of clarity/interpretation of regulation	36	0	33	18

Question 15

Mid-sized to very large organisations (i.e. revenue >US$250m) are mainly concerned by the consequences of Basel III on the cost of capital. Indeed their need for liquidity to run daily operations may receive a severe impact once banks transfer to their pricing schemes the cost of additional capital allocation.

This concern might be the explanation of why organisations of this size range tend to reduce their reliance on bank deposits (see Question 11).

Table 30:
Main Concern of Basel III by Revenue (%)

	Under US$50m	US$50m-US$249.9m	US$250m-US$999.9m	US$1bn-US$9.9bn	>US$10bn
Availability of funding	0	29	6	11	24
Cost of capital	33	7	44	41	53
Cost of hedging	33	14	17	19	0
Impact of notional pooling	0	21	0	4	6
Impact on short-term investments	0	14	0	4	0
Lack of clarity/interpretation of regulation	33	14	33	22	18

Question 16

What impact is the eurozone crisis having on the following business decisions?

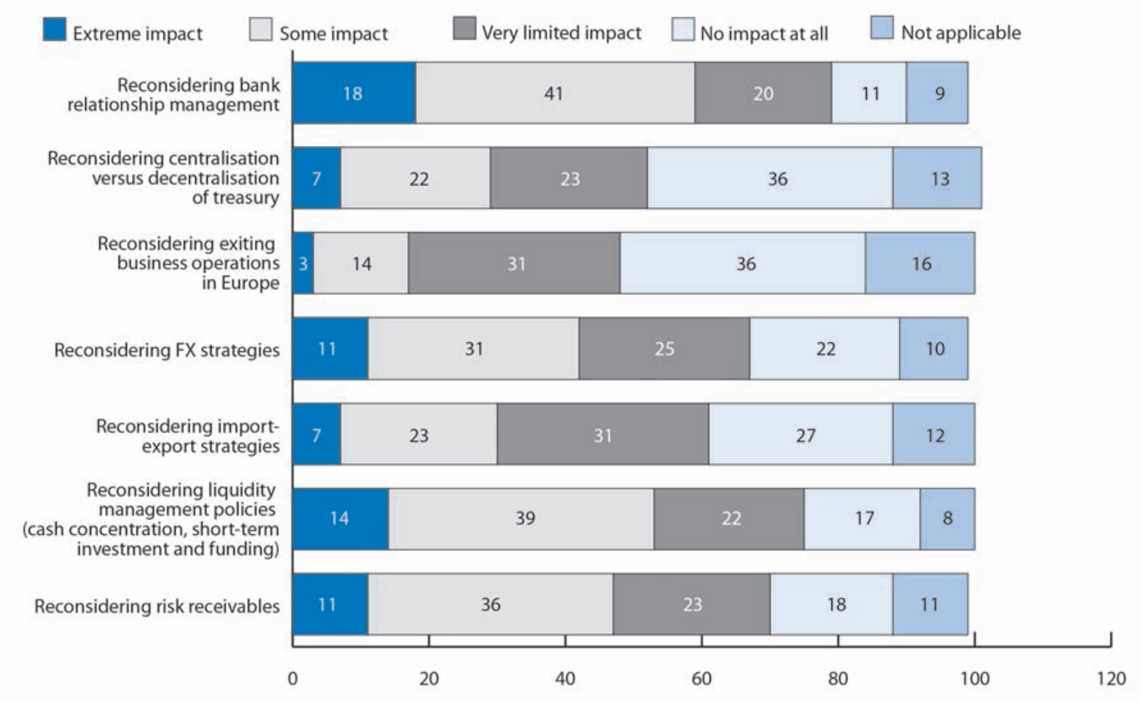
- Reconsidering bank relationship management
- Reconsidering centralisation versus decentralisation of treasury
- Reconsidering exiting business operations in Europe
- Reconsidering FX strategies
- Reconsidering import-export strategies
- Reconsidering liquidity management policies (cash concentration, short-term investment and funding)
- Reconsidering risk receivables

The interpretation of the impact in this case is intended to be "negative" to the company's business.

The consequences of the eurozone crisis seem to primarily hit the relationship that corporate executives intend to establish with their banks, for example 41% of respondents said that "reconsidering bank relationship management" will have some impact on their business. Banks are also hit by redesigned liquidity strategies because they are showing their inability to overcome the crisis and are, instead, considered to be part of the problem.

Foreign exchange (FX) strategies are inevitably suffering the dynamics of an unpredictable and highly irregular currency market. Respondents are, however, not as negative in their judgment as there are no rankings in the "extreme impact" as expected.

Figure 18: Impact of Eurozone Crisis on Business Decisions (%)



Asia-Pacific respondents seem to be the most concerned over the eurozone crisis. This can be explained by the fact that Europe is one of the most significant trading partners of Asia-Pacific vendors and any problems affecting the eurozone will negatively reflect on this region's business.

Middle East/Africa- based companies once again do not provide additional information other than confirming their profile of controlled subsidiaries. The decisions and opinions are delegated elsewhere.

Question 16

North American respondents are very critical of their banks in their ability to help in coping with the eurozone crisis and demonstrate their intention to put their financial partners under tight scrutiny. Apparently financial institutions are lacking the ability to provide the counselling and advisory service that is needed by corporate decision-makers in periods of financial extreme volatility and uncertainty.

Western European companies are, of course, concerned with the situation and are looking at how they can shape their relationship strategies with banking partners who are not showing encouraging skills in proposing appropriate strategies to emerge from the crisis.

Table 31:
Impact of Eurozone Crisis on Business Decisions by Region (%)

	Asia-Pacific					Middle East /Africa					North America					Western Europe				
	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable
Reconsidering bank relationship management	33	20	33	7	7	0	20	0	20	60	21	33	4	29	13	8	58	31	3	0
Reconsidering centralisation versus decentralisation of treasury	7	20	27	33	13	20	0	0	20	60	13	21	13	38	17	3	25	28	42	3
Reconsidering exiting business operations in Europe	7	27	27	27	13	0	20	0	20	60	4	4	13	58	21	3	11	47	31	8
Reconsidering FX strategies	20	40	20	13	7	20	20	40	0	20	9	17	22	30	22	3	42	31	22	3
Reconsidering import-export strategies	13	27	27	27	7	20	20	20	0	40	4	13	35	35	13	0	31	34	26	9
Reconsidering liquidity management policies (cash concentration, short-term investment and funding)	27	33	13	20	7	0	40	20	0	40	17	29	21	21	13	9	46	26	20	0
Reconsidering risk receivables	20	33	13	27	7	0	20	40	20	20	8	21	33	21	17	6	50	22	14	8

Question 16

Table 32:
Impact of Eurozone Crisis on Business Decisions by Revenue (%)

	Under US$50m					US$50m-249.9m					US$250m-US$999.9m					US$1bn-US$9.9bn					Over US$10bn				
	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable	Extreme impact	Some impact	Very limited impact	No impact at all	Not applicable
Reconsidering bank relationship management	0	67	0	33	0	25	25	19	13	19	5	40	30	20	5	14	39	25	7	14	32	53	11	5	0
Reconsidering centralisation versus decentralisation of treasury	0	33	0	67	0	0	38	13	31	19	0	25	20	50	5	11	11	21	32	25	16	16	37	32	0
Reconsidering exiting business operations in Europe	0	33	0	67	0	0	19	31	31	19	0	10	30	50	10	0	11	36	29	25	16	16	26	32	11
Reconsidering FX strategies	0	33	33	33	0	13	19	38	19	13	0	37	37	26	0	14	29	14	21	21	16	37	21	21	5
Reconsidering import-export strategies	0	67	0	33	0	7	33	27	20	13	0	10	45	40	5	7	19	22	30	22	16	32	32	16	5
Reconsidering liquidity management policies (cash concentration, short-term investment and funding)	0	67	0	33	0	0	50	25	6	19	0	47	26	26	0	14	32	18	21	14	32	32	26	11	0
Reconsidering risk receivables	0	67	0	33	0	6	50	13	19	13	10	25	35	30	0	11	36	18	14	21	21	32	26	11	11

Appendix

Table 33:
Other Industry Sector (Verbatim)

Hospitality
Import/export and investment
Mining
Pharma
Shared service centre
Consumer package goods/health care
Asset management
Wholesale private label products
Gaming/leisure
Liquid packaging
Equipment and machinery rental
Agriculture
Entertainment
Oil and gas
Sales and distribution
Financial services
Transportation
Financial/travels/consultancy
Chemical
Plant and equipment in food processing
Wholesale
Betting and gaming
Engineering and construction
Pharmaceuticals
Consumer Products
Cement
Technology research
Holding company of food, medical, consumer electronic and IT consultancy
Agricultural
Biopharmacy
Science company. DuPont offers a wide range of innovative products and services for markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel

Appendix

Table 34
Other Current and Future Liquidity Structure (Verbatim)

Centralised in-house bank
US-only entity with centralised treasury operations
Consolidated central operations nationally: no foreign
Hybrid structure whereby international offices are decentralised
Not known

Table 35
Other Current and Future Treasury or Finance-related Organisational Structure (Verbatim)

Very basic structure
Central treasury centre
Centralised treasury
We are centralising business units in phases
In-house bank is outsourced
Central payment system based on SWIFT
Partly SSC, party payments made locally by subs

Table 36:
Other Areas with Highest Potential for Improving Working Capital (Verbatim)

Common system for all subsidiaries
18-month rolling forecast by business element
Global centralisation of payments, cross-business netting within the conglomerate

Table 37:
Other Department Responsible for the Following Working Capital Activities (Verbatim)

Not sure where the accounting department is meant to be here but I suppose it is equal to the controlling dept
Shared services centre
Risk management for long- and short-term debt ratios and floating/fixed ratios.
Manufacturing

Appendix

Table 38:
Other Cash Concentration Technique (Verbatim)

No cash concentration technique
Sweep to centralised accounts at head office
Not known
Currently nothing
Small number of cash pools, physical cash movement
Combination of pools (zero balance account, notional, multi-currency)

Table 39:
Other Barriers to Accurate Cash Flow Forecasting (Verbatim)

In the export business, you cannot control when customers choose to pay
Potential overestimation due to aggressive targets
Purchase forecasting
Poor understanding of own cash flow at subsidiary and business unit level, more accounting oriented staff. Due to the global cash centralisation - lack of ownership at subs
We have good cash flow, but not predictable because collections is with advance payments

Table 40:
Other Current and Future Short-term Deficit Management (Verbatim)

Multi-currency notional pooling
Syndicated and bilaterals loans
Principals fund short-term cash deficits
Not applicable
Short-term (11am) money market line
Revolving credits later via drawing on cash pool from group treasury
Overnight bank borrowing
No debts
Repo
Bank lines of credit
Combination of pools (zero balance account, notional, multi-currency)

Appendix

Table 41:
Other Current and Future Allocation of Surplus Cash (Verbatim)

Repo
Dividend distribution
Stocks, bonds and structured products
Development of in-house bank may change fundamental principles

gtnews

Notes

SEB

gtnews | An Association for Financial Professionals® Company

gtnews
CStream
3rd Floor Northumberland House
155-157 Great Portland Street
London
W1W 6QP
United Kingdom
Tel: +44 20 7436 4306
www.gtnews.com

gtnews

Question 3

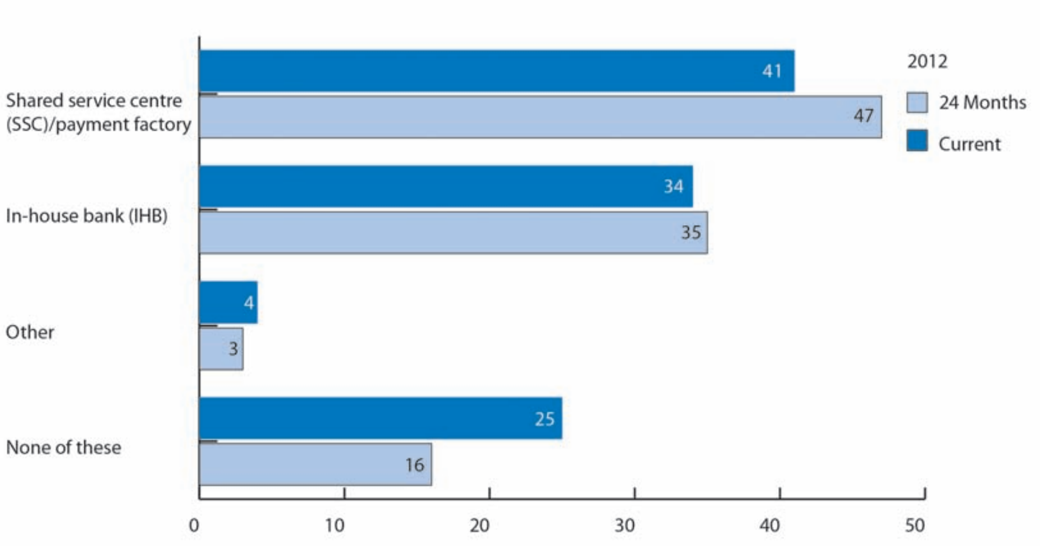
Which of the treasury or finance-related organisational structures does your organisation employ/plan to employ? What is it likely to be in the next 24 months?

- Shared service centre (SSC)/payment factory
- In-house bank (IHB)
- Other
- None of these

Both SSCs and IHBs are consequential to the respondents' decision to opt for centralised liquidity management structures, with SCCs coming out just ahead in terms of popularity: 41% of respondents currently have a SSC and 47% plan to have this structure within two years, compared with just over a third (34%) with an IHB.

The decline of the "none of these" answer from 25% to 16% suggests that the current economic crisis is making respondents stay more defensive and 'play safe' by selecting tested organisational structures (i.e. SSC and IHB). See Table 35 in the appendix for a list of 'other' current and future organisational structures.

Figure 5: Current and Future Treasury or Finance-related Organisational (%)



Asia-Pacific and western Europe represent the regions with the highest tendency to select SSCs. While the companies in the first region might seek this solution because they still lack internal skills, companies in the latter most likely choose a SSC to generate greater efficiency and cost savings.

Growing countries (Middle East/Africa regions) are benefiting from practices learned from mother company headquarters and from other companies in the region, to the point that companies in these areas are now rapidly evolving to build IHBs that ensure better management of available liquidity and reduced bank fees.

Question 4

Across your group/company, how are your trade finance activities currently managed? What will it likely be in the next 24 months?

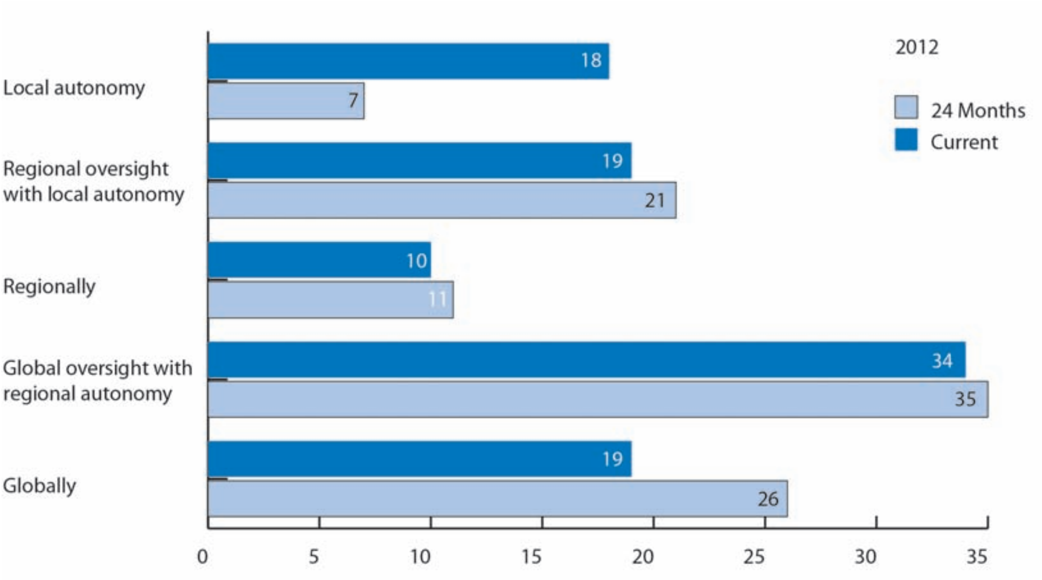
- Local autonomy
- Regional oversight with local autonomy
- Regionally
- Global oversight with regional autonomy
- Globally

The trends of trade globalisation strongly influence the decisions on how interviewed companies manage trade finance strategies. Centralisation strategies take the lead in trade finance management, with over a third (34%) of the companies reporting that they have global oversight with some regional autonomy.

Local autonomy is sacrificed to global control - whereas 18% have local autonomy today, only 7% plan to have this in 24 months' time. Global oversight with regional autonomy holds tight where already applied.

This factor is important as it confirms that central control of global operations runs in parallel with local autonomy to avoid creating too rigid a structure that fits poorly with the dynamic nature of trade.

Figure 6: Current and Future Trade Finance Activities (%)



Growing regions (Middle East/Africa) require a stronger regional oversight but not at the cost of losing the important local autonomy. The globalisation of trade business demands a tighter control at regional or global centralised level.

While growing regions (Middle East/Africa) and fast developing regions (Asia-Pacific) rely on regional control to manage their current trade finance activities, more mature regions (North America, western Europe) are more likely to opt for a purely global control.

Question 5

Which of the following areas represents the highest potential for improving the working capital in your company/group?

- Cash flow forecasting
- Inventory
- General ledger reconciliation
- Liquidity management (cash concentration, short-term investment and funding)
- Purchase - accounts payable (A/P)
- Sales - accounts receivables (A/R)
- Supply chain financing/receivables sales programmes
- Other

The ability to anticipate the need for cash with appropriate cash forecasting techniques is indeed a prerequisite for an effective working capital improvement programme. Just over a quarter (26%) of respondents pick cash flow forecasting as the area with the highest potential for improving working capital.

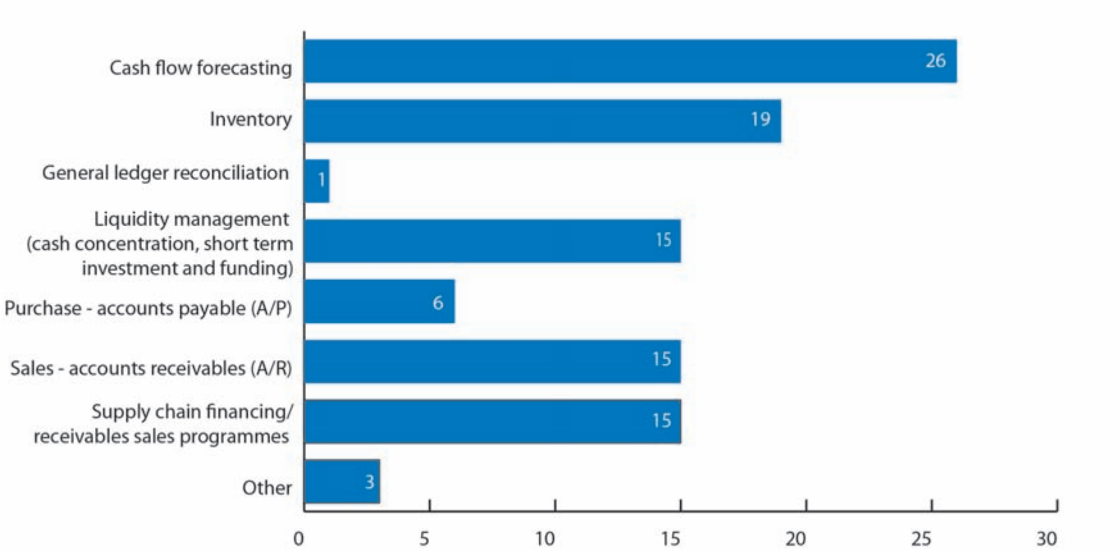
Of the three main components of working capital - A/R, A/P and inventory - it is the third that attracts the most attention from respondents. Indeed, of the three elements of working capital, inventory is the item that a company has the most control over, with 19% of respondents choosing this as an area for improvement. The decision to lower inventory levels and reduce stocks is at a company's discretion as long as, of course, it is balanced properly with the possibility to ensure customer service and reliability of deliveries.

Customer service is a key competitive factor, particularly in the current crisis. Even more important, though, is servicing customers who fulfil their payment obligations. The survival of a supplying company is predicated on a level of certainty of cash inflows from the client base.

Receivables-centric programmes bear a great - and continuously growing - importance and represents one of the most important areas for improving a company's working capital.

See Table 36 in the appendix for verbatim responses of other areas considered to have the highest potential for improving working capital.

Figure 7: Areas with Highest Potential for Improving Working Capital (%)



While cash flow forecasting holds the first place in the majority of surveyed regions, companies from growing countries (e.g. Middle East/ Africa) place a strong emphasis on sales-A/R, as companies in this region are most likely to be suppliers of large international buyers.

The data from Asia-Pacific shows that is moving from being a region comprised mainly of suppliers to one where buyers are also beginning to have significant presence, which is typical of more mature markets. This assumption is validated by the fact that percentage numbers across all categories are comparable in magnitude to a mature region such as western Europe.

Question 6

Which department is primarily responsible for the following working capital activities?

- Cash flow forecasting
- Inventory
- General ledger reconciliation
- Liquidity management (cash concentration, short-term investment and funding)
- Purchase - accounts payable (A/P)
- Sales - accounts receivables (A/R)
- Supply chain financing/receivables sales programmes
- Other

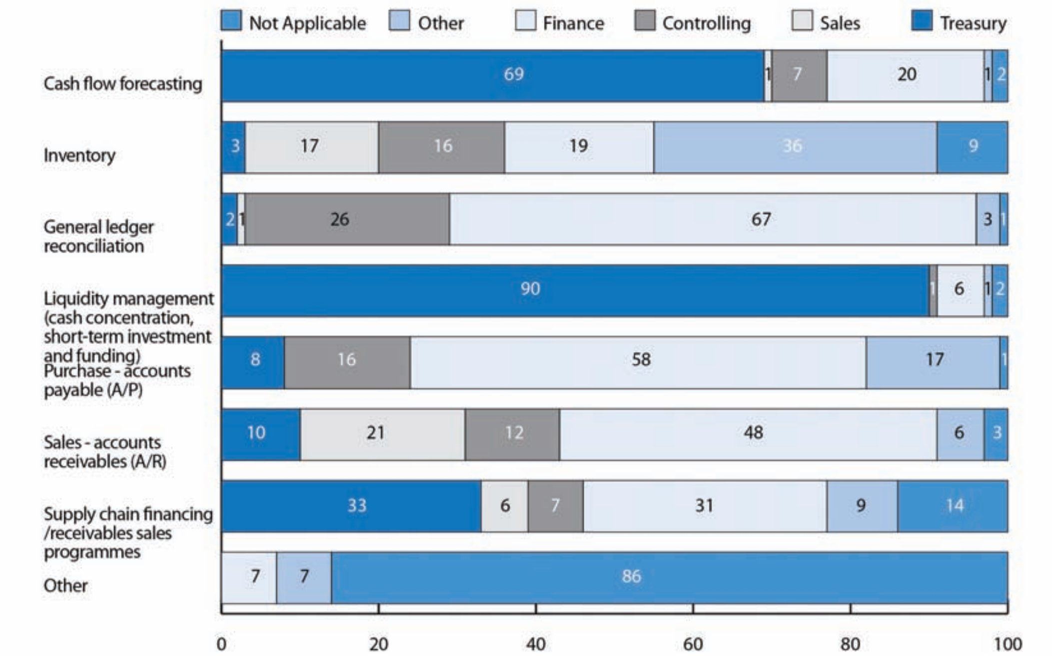
Cash flow forecasting and liquidity management fall predominately under the treasury's domain, with 69% and 90% of respondents choosing these two options.

It is interesting to see that not only finance-related activities fall under the control of treasury or finance departments. For example, purchase and sales are typical operations activities, and yet the responsibility for working capital related activities (i.e. A/P and A/R) fall under finance.

SCF programmes fall squarely under the responsibility of treasury and finance. A sizable portion (14%) of respondents, though, answered "not applicable" to classify the responsibility for this important set of activities that optimise working capital. This means that there are still some companies that do not run SCF or receivable sales programmes.

Inventory, A/P and A/R are the three components of working capital. The segmentations by region and company size might help better analyse the activities related to these components. Please see Table 37 in the appendix for a list of other departments responsible for working capital activities.

Figure 8: Department Responsible for the Following Working Capital Activities (%)



In Asia-Pacific, finance is the predominant supervisory department for A/R and A/P. Inventory control, on the other hand, is levelled across functions.

Corporates located in the Middle East/Africa region maintain that inventory falls under the supervision of controlling. This is a clear sign that

Question 7

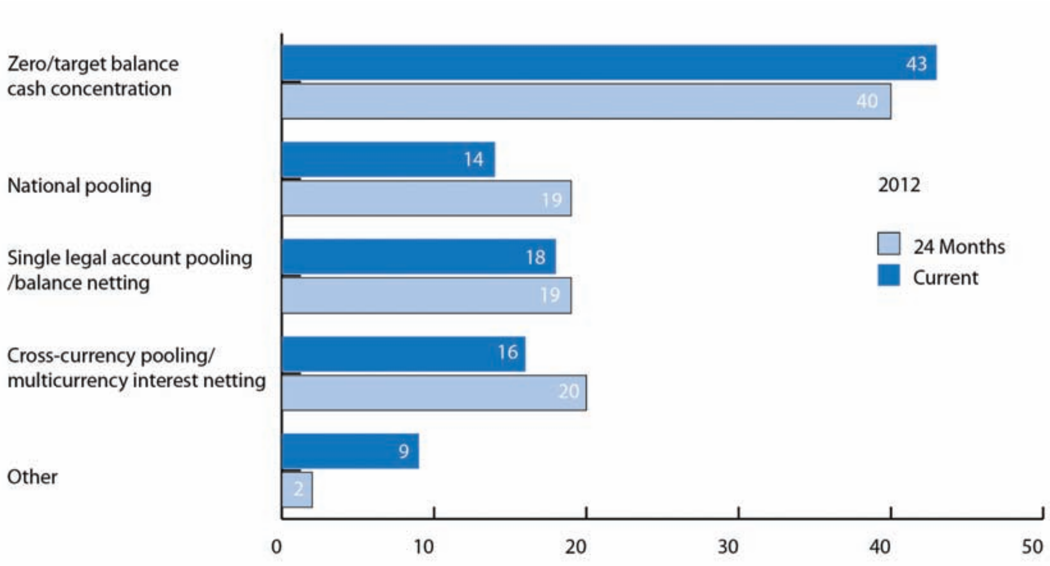
Which of the following best describes your organisation's cash concentration technique? What is it likely to be in the next 24 months?

- Zero/target balance cash concentration
- Notional pooling
- Single legal account pooling/balance netting
- Cross-currency pooling/multi-currency interest netting
- Other

Zero/target balance cash concentration is the most common technique used today (43%) and will likely remain so in the next 24 months (40%). However, there are indications that other techniques, such as interest-based notional pooling, may become increasingly common across the next 24 months.

Respondents apparently have limited their options to those listed, concentrating on more practised and familiar solutions rather than testing unknown waters (fewer respondents choose "other" as a likely option in 24 months than they do currently). Please go to Table 38 in the appendix which lists the "other" verbatim responses.

Figure 9: Cash Concentration Technique (%)



Unsurprisingly, western Europe is where more basic forms of cash concentration are paralleled with more sophisticated techniques, such as notional pooling, that promise - where permitted - significant results.

The eurozone crisis has increased the demand for any solution that improves a company's ability to manage available cash. The IT systems needed to handle a sophisticated cash concentration solution require a maturity of treasury operations that can be found more readily in developed countries such as those in western Europe.

Companies in Middle East/Africa, on the other hand, opt for more prudent and easily manageable zero/target balance cash concentration techniques. Their subsidiary nature justifies this cash concentration technique in order that central headquarters can better manage and direct.

North American treasurers are aware that the US dollar's role as the main currency for trade will diminish over time and thus are prepared to take advantage of cross-currency pooling and multi-currency interest netting techniques in favour of the euro and, most importantly, the renminbi (RMB).

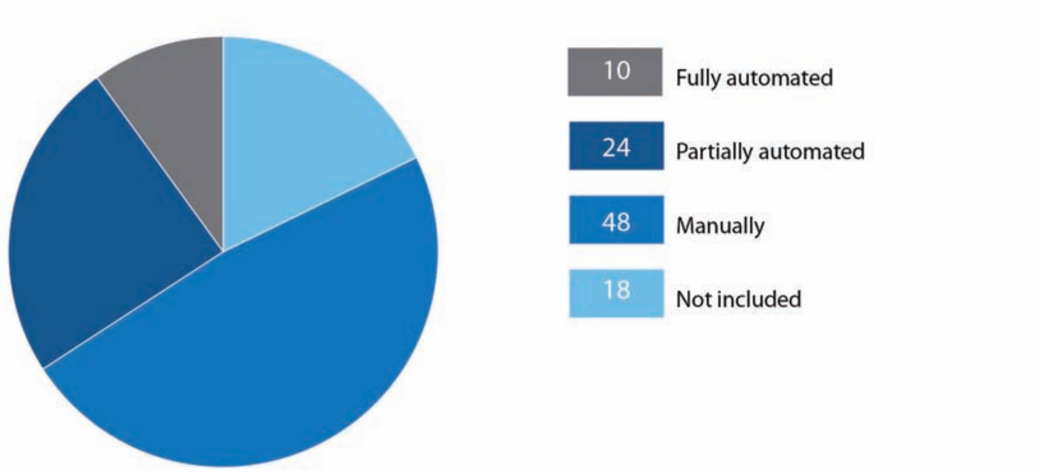
Question 8

How does you organisation import information on its trade finance transactions into its cash flow forecast?

- Not included
- Manually
- Partially automated
- Fully automated

Unsurprisingly, manual operations to import data are most popular with respondents (48%). However, the noteworthy fact is that 18% of total respondents do not use trade finance transaction data in their cash flow forecast calculations. This means that their cash flow forecasts miss an important source and destination factor of cash inflows and outflows.

Figure 10: Importing Trade Finance Information into Cash Flow Forecast (%)



Asia-Pacific is the region with the highest percentage (28%) of companies not using trade finance for their cash flow forecasts. One possible explanation is that trade finance is a separate discipline from general cash management and used more as a trade facilitation instrument in the hands of sales and distribution managers, rather than a component of liquidity management for the company, which is managed by treasury.

Companies based in the Middle East/Africa region see a separation between manual and partially automated import. The total absence of “not included” seems to confirm that respondents work in regional subsidiaries of foreign companies. Their main concern is to import data but there is no sign as to whether they have control over how (and why) that data is used.

The high percentage (62%) of manual data importing in North American companies shows that effort is still needed to streamline operations. The high number of manufacturing sector respondents in the region (see Question 1) suggests that these companies are rather slow to automate activities in the treasury department to which cash flow forecasting usually pertains.

Western European-based companies report both manual (48%) and partially automated (26%) importing activities, which is more balanced in comparison with North American companies. Nevertheless, almost one in five (19%) are not using trade finance data for cash flow forecasting. This is a signal to companies that they should review their cash forecasting policies to also include trade finance data. Such data is steadily moving away from being simple trade facilitation instruments and instead play the role of liquidity management tools.

Question 9

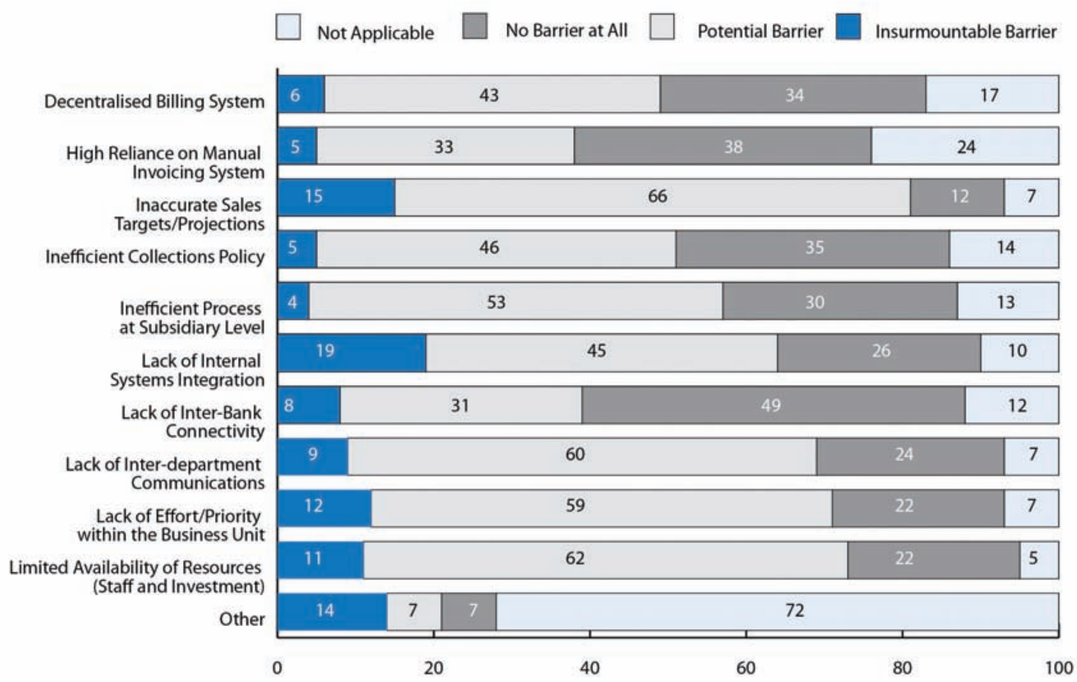
Which of the following present possible barriers to accurate cash flow forecasting by your organisation?

- Decentralised billing system
- High reliance on manual invoicing system
- Inaccurate sales targets/projections
- Inefficient collections policy
- Inefficient process at subsidiary level
- Lack of internal systems integration
- Lack of inter-bank connectivity
- Lack of inter-department communication
- Lack of effort/priority within the business unit
- Limited availability of resources (staff and investment)
- Other

Responses to this question are generally rather optimistic, in the sense that none of the proposed items was ranked as a true insurmountable barrier to accurate cash flow forecasting. Respondents seem to know the inherent intricacies of the forecasting process and are ready to face it with limited resources and inevitable inefficiencies.

The bottom line comment is that none of the respondents really wants to 'find excuses' for inefficient cash flow forecasting. Please go to Table 39 in the appendix for other barriers to accurate cash flow forecasting.

Figure 11: Barriers to Accurate Cash Flow Forecasting (%)



Objective identification of items as "potential barriers" does not prevent companies in Asia-Pacific from running cash flow forecasting. Only inefficiencies from 'external' sources (e.g. sales: for "inaccurate sales targets/projections"; or IT: for "lack of internal systems integration") have some negative repercussions.

Question 10

How does your organisation handle short-term deficits? And how are they likely to be handled in the next 24 months?

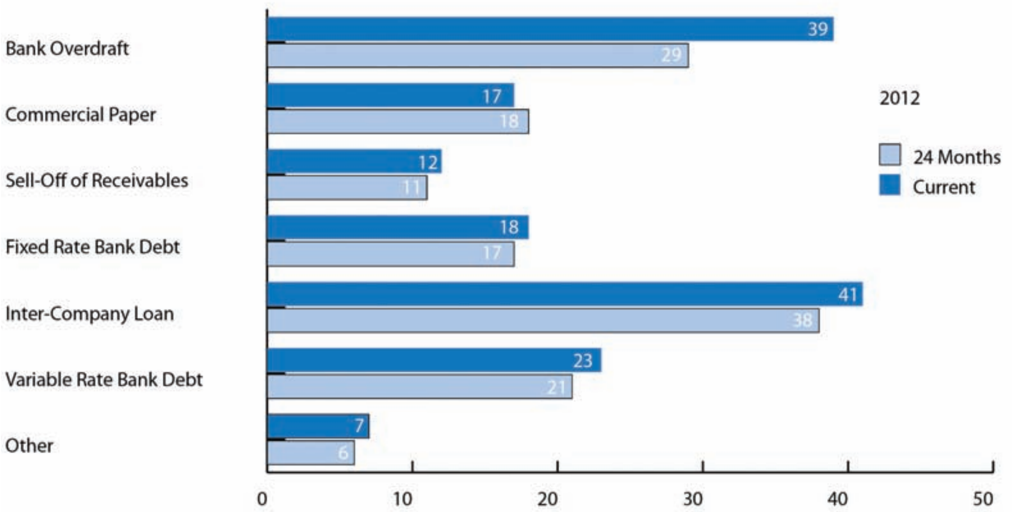
- Bank overdraft
- Commercial paper
- Sell-off of receivables
- Fixed rate bank debt
- Inter-company loan
- Variable rate bank debt
- Other

The mix of instruments organisations use to handle short-term deficits is unlikely to change much over the next 24 months, the one exception being bank overdraft; only 29% expect to use bank overdraft in the next 24 months versus 39% that rely on it today.

Today's market interest rates are highly dynamic and this is a factor companies want to leverage and take advantage of.

See Table 40 in the appendix for a list of "other" current and future ways to management short-term deficits.

Figure 12: Current and Future Short-term Deficit Management (%)



There is a general drop in all the proposed solutions according to corporates based in the Asia-Pacific region. Only commercial paper holds up. As such, there is insufficient information to anticipate how companies in this region intend to handle their short-term deficits. Companies do not seem to know it themselves, given the low and stable 7% of responses for the "other" option of alternative solutions to the ones proposed. These other options are listed in table 40 in the appendix.

Companies, predominantly subsidiaries, in the Middle East/Africa region will handle short-term needs in a very traditional way through bank-related instruments, such as fixed rate bank debt. Significant growth is expected in sell-off of receivables solutions, showing that subsidiaries believe that they will become more empowered to take decisions that help improve the short-term liquidity needs of the company.

Fixed and variable rate bank debts hold stable at companies in North America. Commercial paper is not popular, while inter-company loans are predicted to move into first place over the next 24 months in the management of short-term deficit handling. It appears that in North America banks are still seen as valid partners to manage liquidity needs on a short-term basis.

Any bank-related strategy will drop off the radar screen of western European companies in the next 24 months. Commercial paper and receivable sell-offs represent the new frontiers for short-term liquidity in the region. Financial institutions are losing their credibility today, which will end with corporate relying less on their offerings.

Given these preferences for receivables-centric solutions, it can be expected that western European companies will increase their

Question 11

How does your organisation allocate its surplus cash? And how is it likely to be allocated in the next 24 months?

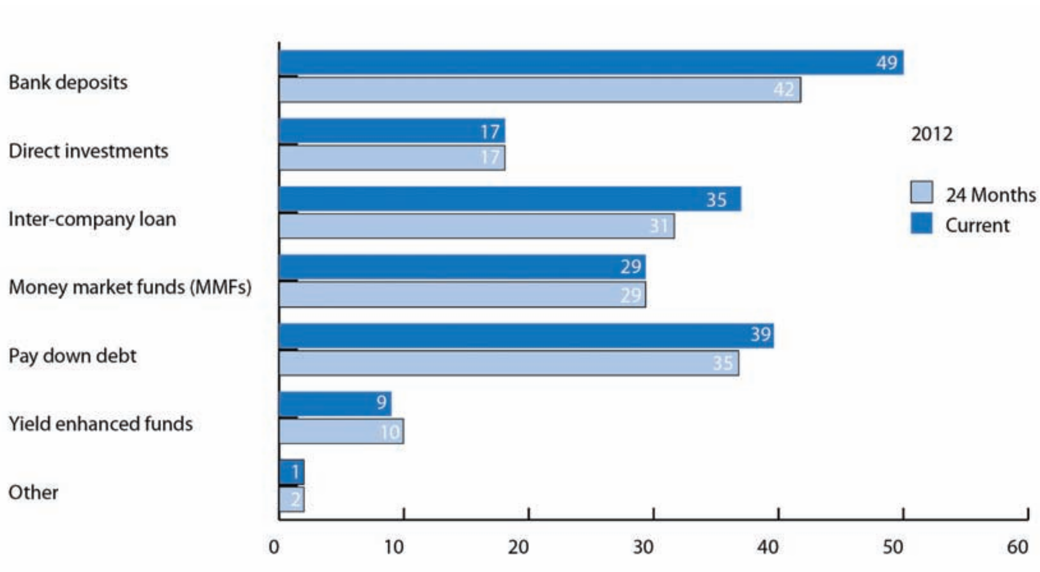
- Bank deposits
- Direct investments
- Inter-company loan
- Money market funds (MMFs)
- Pay down debt
- Yield enhanced funds
- Other

Although nearly half (49%) of organisations allocate surplus cash in bank deposits, slightly fewer (42%) say they will do so in the next 24 months.

The crisis that banks are currently facing pushes company respondents to continue seek safer and more resilient solutions in direct investments and MMFs. The latter offers more flexible alternatives and the possibility to benefit from open market trade dynamics.

In addition, it is clear that security rather than yield is still the objective of surplus cash investments. See Table 41 in the appendix for other current and future allocation of surplus cash.

Figure 13: Current and Future Allocation of Surplus Cash (%)



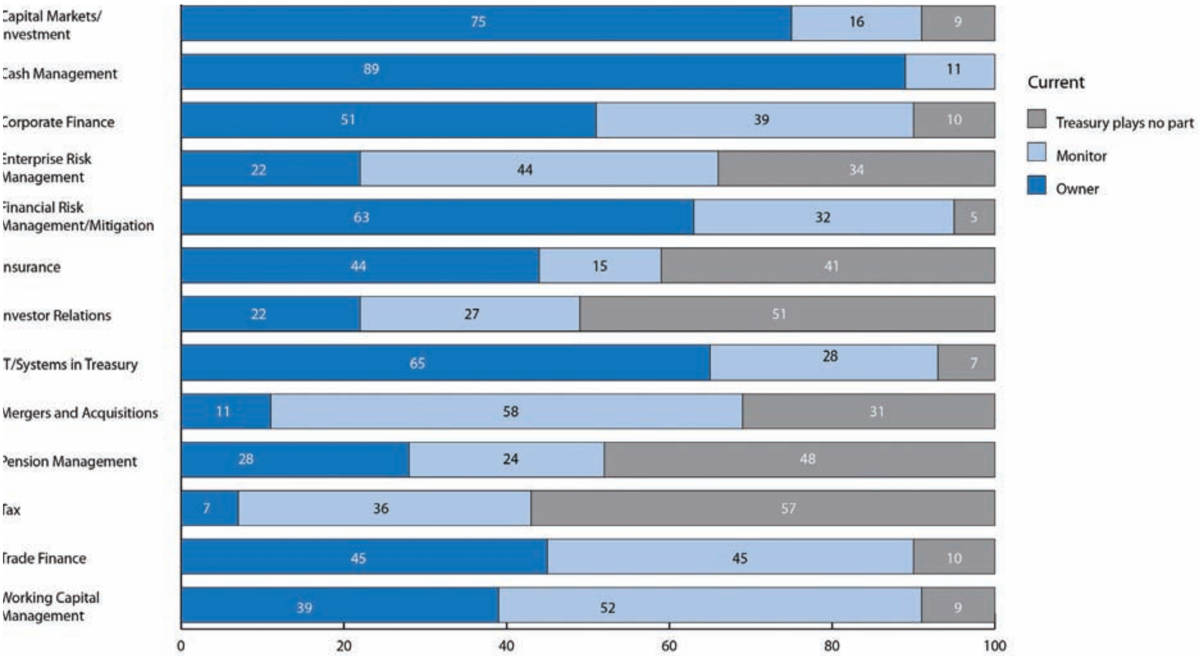
Rather than segmentation by geography, segmentation by company size might provide additional data for analysis.

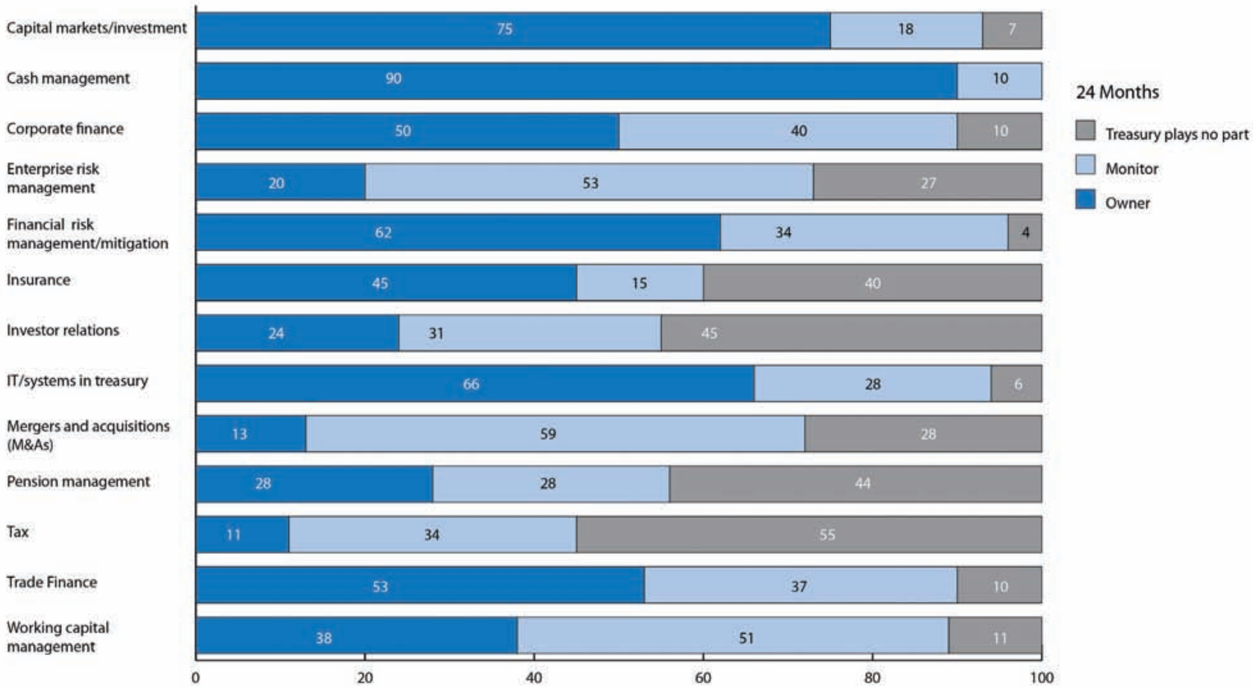
The only relevant geographical trend is the expected jump in the use of yield enhanced funds in the Middle East/Africa region. The tight credit conditions are hitting emerging economies as well. The limited legacies of past liquidity policies allow local treasurers to take more risk and seek for increased returns from their invested cash.

In addition, North American companies seem to be ready to take extra risk on their excess cash in return for better yield.

Question 12

Figure 14: Current and Future Areas of Treasury Responsibility





Question 13

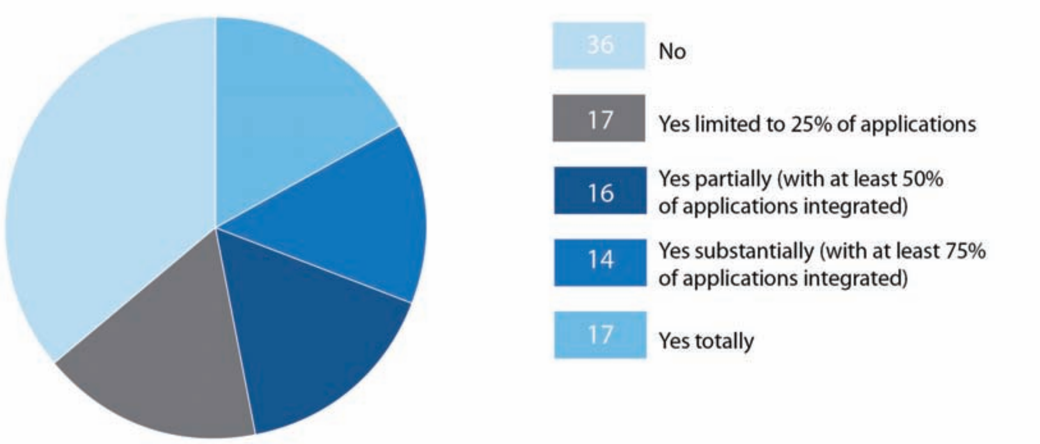
Are your organisation's trade finance (TF) activities integrated with its cash management (CM) activities?

- Yes, totally
- Yes, substantially (with at least 75% of applications integrated)
- Yes, partially (with at least 50% of applications integrated)
- Yes, limited to 25% of applications
- No

A comforting 47% of respondents claim that cash and trade are integrated for more than 50% of applications. This positive result is, however, counterbalanced by a significant 36% of those who still keep the two areas separate.

It is foreseeable that the trend towards a centralised structure for liquidity management (see Question 2) will force more robust integration of trade and cash.

Figure 15: Integration of Trade Finance and Cash Management (%)



Corporates located in Asia-Pacific exhibit the highest percentage value score for both extremes of total integration (21%) and complete separation (43%). This is a clear sign of a highly dynamic market where the subsidiaries of multinationals enjoy the benefits of an existing integration, while others run separate activities due to the fast pace of the market that does not allow time to close the gap.

Around 80% of those companies located in the Middle East/Africa region score an integration level of trade finance and cash management applications below 50%. This is evidence of a market where companies operate as separate regional units of large multinationals that privilege tactical results over integration of cash and trade activities. Since control is highly centralised there is no need to integrate functions that are dealt with at headquarter level.

North America is a region characterised by an equal balance (36%) of companies that have either more than 75% of applications integrated or are completely separated. This is not surprising in a mature market where treasury is shifting its role from being the owner toward simply monitoring working capital and cash management activities (see Question 12). Cash and trade require tight integration only if run under close scrutiny and ownership - i.e. a loosened control over these activities justifies the lack of integration.

The export-oriented nature of western European companies is reflected in the 50% of responses that are either "yes, totally", "yes, substantially", or "yes, partially". This means that at least half of trade finance and cash management applications are integrated. The percentage of totally integrated cash and trade (11%) is, however, the lowest among all regions. This calls for an extra effort from western European companies to improve integration.

Question 14

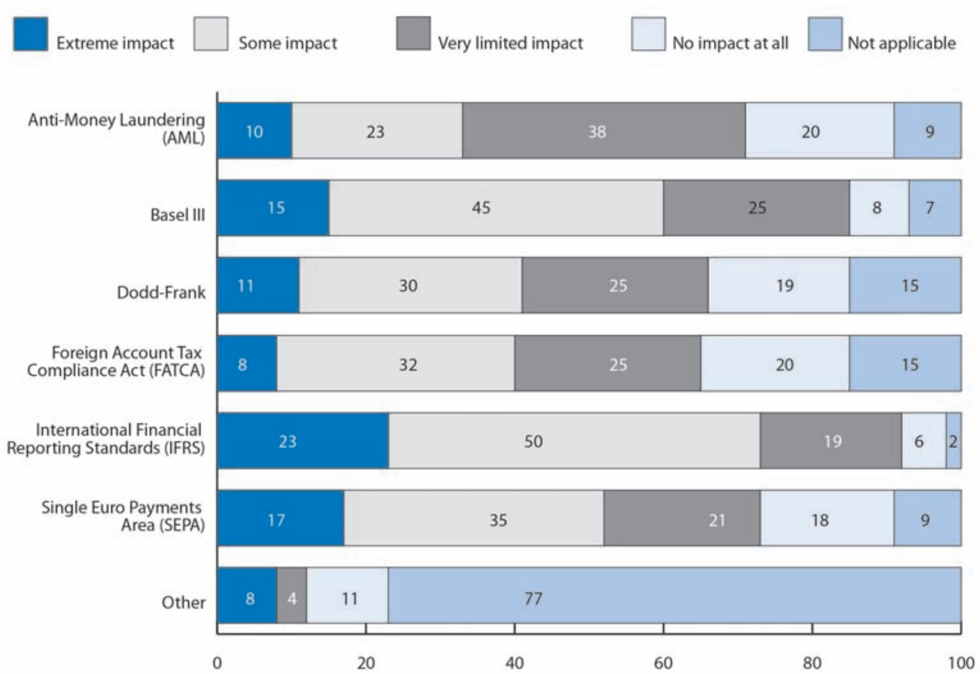
Which regulation/directive will have the greatest impact on your organisation's business in the next year?

- Anti-money Laundering (AML)
- Basel III
- Dodd-Frank
- Foreign Account Tax Compliance Act (FATCA)
- International Financial Reporting Standards (IFRS)
- Single euro payments area (SEPA)
- Other

The question does not specify whether the impact on the business will be positive or negative, so the analysis of the results is left to interpretation. If we are to read that the impact has a negative connotation (i.e. the higher the impact, the more negative to the organisation), then regulatory constraints and directives do not seem to be particularly concerning to respondent corporate representatives.

Of the regulations that will have "some impact - i.e. negative", SEPA will hit companies operating in Europe while Basel III and IFRS have a wider audience. IFRS appears to be, among all those listed, the directive that will have the highest effect (23% responding it will have "extreme impact"). As with SEPA, however, this time the impact might not be negative after all. In fact, IFRS and SEPA are intended to help corporations in their daily operations. Hence, while the initial reaction to newly imposed rules happens to always be opposing (i.e. negative) in the medium to long term, it is foreseeable that IFRS and SEPA will be welcomed by those same corporate treasurers who are now reluctant to embark in new transformation programmes to accommodate the entrant regulations.

Figure 16: Regulation/directive with the Most Impact on Business (%)



Question 15

What is your organisation's main concern regarding Basel III, as the regulation stands today?

- Availability of funding
- Cost of capital
- Cost of hedging
- Impact of notional pooling
- Impact on short-term investments
- Lack of clarity/interpretation of regulation

Of the proposed regulations, Basel III is one of the highest ranking concerns (see Question 14 - 60% of respondents chose "extreme" or "some" impact). Hence, it is worth analysing it in some detail. Unsurprisingly, respondents feel they will suffer from the capital allocation imposed on financial institutions. The expectation is that banks will face an increased cost of the capital deposited, which will inevitably ripple down to the pricing they will apply to their corporate clients. "Lack of clarity/interpretation" is a warning sign that confusion still looms and banks must exercise their lobbying power to simplify the lives of their clients.

Figure 17: Main Concern of Basel III (%)

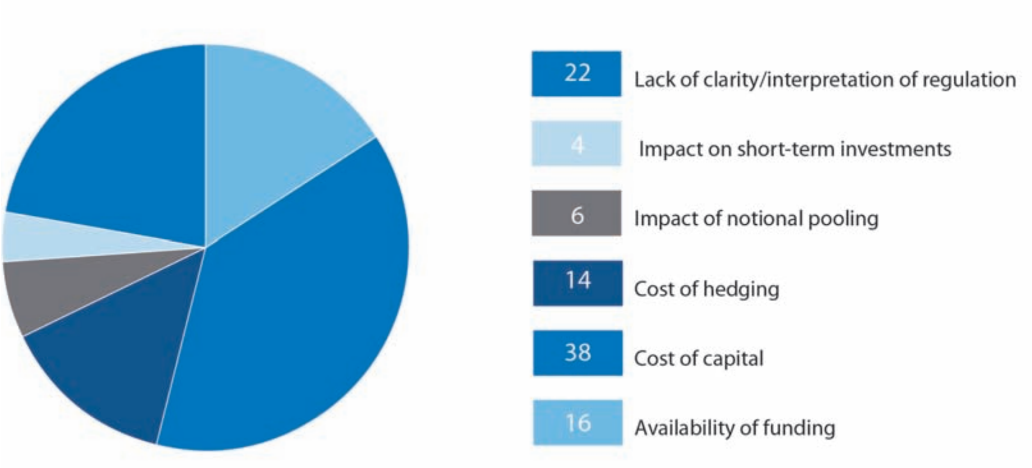


Table 29:
Main Concern of Basel III by Region (%)

	Asia-Pacific	Middle East/Africa	North America	Western Europe
Availability of funding	7	40	14	21
Cost of capital	29	40	24	50
Cost of hedging	29	20	10	9
Impact of notional pooling	0	0	10	3
Impact on short-term investments	0	0	10	0
Lack of clarity/interpretation of regulation	36	0	33	18

Question 16

What impact is the eurozone crisis having on the following business decisions?

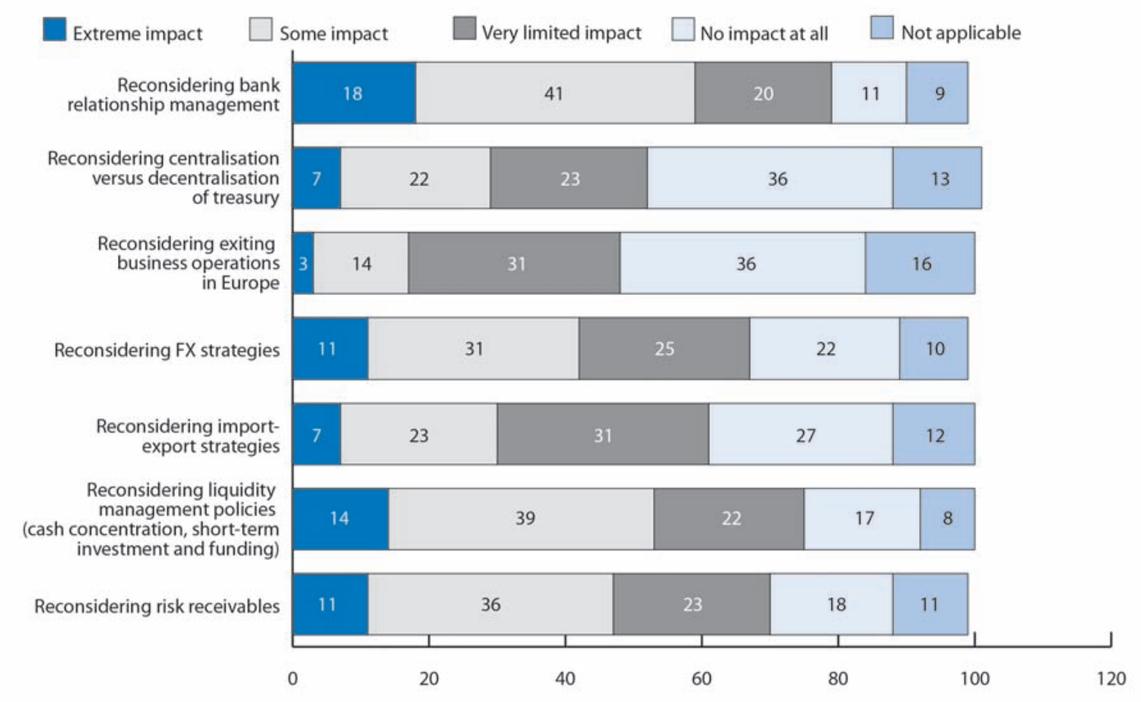
- Reconsidering bank relationship management
- Reconsidering centralisation versus decentralisation of treasury
- Reconsidering exiting business operations in Europe
- Reconsidering FX strategies
- Reconsidering import-export strategies
- Reconsidering liquidity management policies (cash concentration, short-term investment and funding)
- Reconsidering risk receivables

The interpretation of the impact in this case is intended to be "negative" to the company's business.

The consequences of the eurozone crisis seem to primarily hit the relationship that corporate executives intend to establish with their banks, for example 41% of respondents said that "reconsidering bank relationship management" will have some impact on their business. Banks are also hit by redesigned liquidity strategies because they are showing their inability to overcome the crisis and are, instead, considered to be part of the problem.

Foreign exchange (FX) strategies are inevitably suffering the dynamics of an unpredictable and highly irregular currency market. Respondents are, however, not as negative in their judgment as there are no rankings in the "extreme impact" as expected.

Figure 18: Impact of Eurozone Crisis on Business Decisions (%)



Asia-Pacific respondents seem to be the most concerned over the eurozone crisis. This can be explained by the fact that Europe is one of the most significant trading partners of Asia-Pacific vendors and any problems affecting the eurozone will negatively reflect on this region's business.

Middle East/Africa- based companies once again do not provide additional information other than confirming their profile of controlled subsidiaries. The decisions and opinions are delegated elsewhere.