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Treasury Technology for the Mid-Tier: The New Web-Delivered Opportunity

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TABLE OF CONTENTS

IMPACT POINTS	3
INTRODUCTION.....	4
SCOPE AND METHODOLOGY	5
MARKET OVERVIEW	7
OBSTACLES TO ADOPTION.....	10
COST OBSTACLES.....	10
CONTROL OBSTACLES	12
CAREER OBSTACLES.....	15
THE WEB-DELIVERED OPPORTUNITY	17
COST REALITIES.....	17
CONTROL REALITIES	20
CAREER REALITIES.....	23
SUMMARY OF WEB-DELIVERED OPPORTUNITY	26
CONCLUSION	28
RELATED AITE GROUP RESEARCH.....	29

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IMPACT POINTS

- Mid-tier corporate treasury groups — those with annual revenues between US\$1 billion to US\$10 billion — are increasingly tasked with new duties and increased responsibilities, while being forced to maintain lean staffing levels.
- Mid-tier treasury groups have been very effective at making efficient use of bank tools, spreadsheets, and basic cash management systems to perform their myriad responsibilities. For many, however, these practices are no longer sufficient.
- Selecting a solution to satisfy today's challenges is not enough for mid-tier treasury groups. At the rate its responsibilities are increasing — not to mention ever-changing market factors — mid-tier treasury requires solutions that can grow with them.
- Advances in Web-delivered treasury management systems provide mid-tier treasury groups with this opportunity. Unlike earlier, vendor-hosted solutions, these solutions empower the mid-tier to adopt a single solution with a depth of functionality to satisfy their current and future needs in a cost-effective manner.
- Despite these advances, Aite Group estimates that more than 50% of mid-tier treasury groups are not benefitting from outsourced treasury solutions due to misperceptions about the costs, controls and career risk associated with their implementation.
- This report details the recent advances vendor-hosted treasury technology has made, revealing the significant differences between mid-tier perceptions and market reality.
- Aite Group recommends that all mid-tier treasury groups take a new look at today's Web-delivered solutions to identify opportunities for leveraging a vendor-hosted treasury solution in the ever-changing role of mid-tier treasury management.

INTRODUCTION

Mid-tier corporate treasury groups (those with annual revenues between US\$1 billion and US\$10 billion) are often tasked with performing a large number of responsibilities with limited resources. Using multiple systems and manual tools is the norm, addressing needs with technology only as permitted by budgetary, time and resource constraints. Despite this, many have done incredibly well, piecing together a combination of spreadsheets, bank solutions, cash management systems and other tools to fulfill treasury's duties.

For many in the mid-tier, however, the expanding role of treasury is finding existing methods stretched, and even falling short at times. Since treasury is involved in complex scenarios stemming from global operations, there is an increased need for visibility, optimizing global cash and liquidity balances, managing multicurrency transactions, and mitigating interest-rate exposures and other risks that come with international responsibilities. Isn't there a better option?

Fortunately, a significantly better option does exist. Recent advances in Web-delivered treasury technology (i.e. Outsourced, vendor-hosted, Application Service Providers, ASP, Software as a Service, SaaS) are designed to empower mid-tier treasury groups as they continue evolving into the strategic financial center within their organization. Outsourced solutions can consolidate multiple functions within a single solution, are less costly, enable faster up-time, and are functionally far superior to the early Web-delivered cash management systems that emerged roughly a decade ago. Despite these advances, however, discussions with market participants reveal that many mid-tier treasury groups have misperceptions and reservations about vendor-hosted technology solutions.

This report examines the opportunities that Web-delivered treasury solutions (i.e. TWS, TMS) offer rapidly evolving mid-tier treasury groups. The report begins by identifying the most commonly cited concerns voiced by market participants surrounding outsourced treasury technology. These concerns are then evaluated in light of recent advances in technology, exposing how many mid-tier treasury perspectives about Web-delivered solutions differ significantly from reality. The report concludes by recommending that mid-tier treasury groups of all shapes and sizes take a new look at outsourced treasury technology.

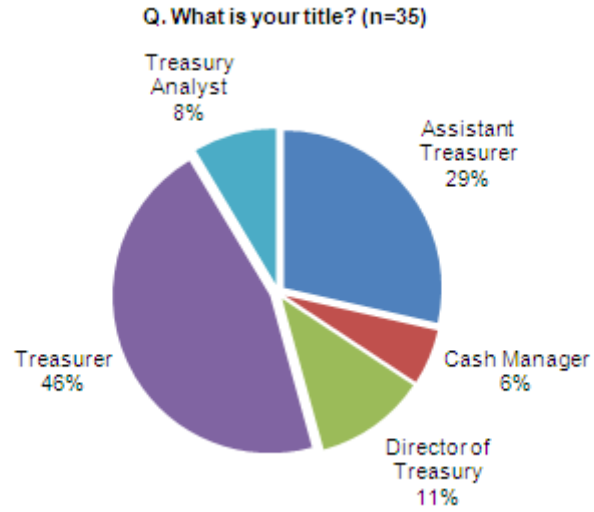
SCOPE AND METHODOLOGY

The information in this report is based on a series of detailed phone interviews with mid-tier corporate treasury professionals, as well as the results of a recent Aite Group survey of treasury professionals. The detailed phone interviews included discussions with a mix of treasury personnel from the United States and Europe for the purpose of identifying trends, needs and behaviors of U.S. and European mid-tier treasury groups.

The Aite Group survey referenced in this report included 35 corporate treasury groups with annual sales in excess of US\$1 billion. Of these, 20 participants were from mid-tier organizations, defined as firms having annual sales between US\$1 billion and \$US10 billion. Aite Group estimates there are roughly 1,250 such companies in the United States. The vast majority of respondents were directors of treasury or more senior personnel (Figure 1 on page 6). All other respondents indicated they either managed, or had influence or knowledge of global banking relationships and the organization's treasury workstation usage. Given the number of interviews on which this research is based, the data provides a strong directional indication of market conditions.

Additional interviews were conducted with influential individuals and organizations within the industry to gain additional insight into the overall trends and challenges, as well as the direction in which the treasury technology industry is moving. These interviews included personnel at banks, corporate treasury groups and technology firms. This report also reflects information gathered by Aite Group analysts during numerous interviews with key industry sources conducted over the last few years as part of its coverage of the global treasury management industry.

FIGURE 1: 86% OF RESPONDENTS WERE DIRECTORS OF TREASURY OR MORE SENIOR



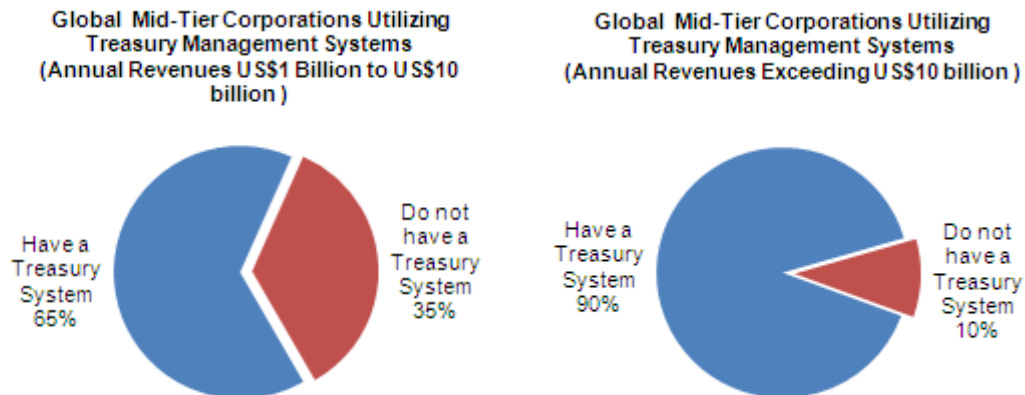
Source: 2008 Aite Group Large Corporate Survey (June-September)

MARKET OVERVIEW

Treasury management systems have evolved significantly in the two-plus decades they have been in existence. From basic transaction monitoring solutions offered by some of the largest financial institutions to the robust treasury solutions of today, one thing is clear: Treasury systems have solidified a place in the world of corporate treasury.

In fact, Aite Group estimates that roughly three of every four treasury groups globally, with annual revenues in excess of US\$1 billion, have adopted some type of treasury management system. While the majority of this market has implemented these treasury solutions, penetration among mid-tier companies (those with annual revenues from US\$1 billion to US\$10 billion) is much lower than with the upper end of the market (Figure 2). Further, research suggests many of those in the mid-tier using treasury systems are utilizing older versions or antiquated technology.

FIGURE 2: MORE THAN ONE-THIRD OF MID-TIER TREASURY GROUPS DO NOT USE A TREASURY MANAGEMENT SYSTEM



Source: Aite Group Estimates

VENDOR-HOSTED SOLUTIONS

While a variety of options have existed for many years at the upper end of the market, treasury systems have only recently become readily accessible to mid-tier

treasury groups. Accounting for much of this access are advances in vendor-hosted solutions.

Although Web-delivered treasury solutions have existed for a number of years, today's solutions have evolved significantly from those that were broadly introduced five or six years ago. Far more robust and affordable than their predecessors, these solutions provide the mid-tier with a high degree functionality and security.

Driving this progress is an increased focus and significant investment in these solutions by the vendor community (Table A), the fruits of which result in better controls, new security standards, greater efficiencies in delivery, and more user flexibility and customization than ever before.

TABLE A: LEADING TREASURY MANAGEMENT SYSTEM VENDORS

Chesapeake Systems	SAP
IT2	SunGard
Kyriba	Thomson
Oracle (PeopleSoft)	Wall Street Systems

Source: Aite Group

As a result, Web-delivered treasury solutions have recently experienced rapid growth. A recent Aite Group survey of mid-tier treasury groups with treasury systems reveals that nearly 45% are using ASP solutions (Figure 3 on page 9). Further, users are from firms of all sizes and industries, and include Intercontinental Hotels, PSA Peugeot Citroen, FiberWeb, Superior Energy Services, Omnicom Group and Liz Claiborne.

Despite the benefits of Web-delivered solutions, more than one-third of mid-tier organizations do not own treasury solutions (Figure 2 on page 7). Further, conversations with several groups indicated that some own licensed solutions that are not up-to-date with the latest versions or, in one case, are not even being used. Because of this, Aite Group believes that 50% or more of mid-tier treasury groups would benefit from implementing a Web-delivered solution.

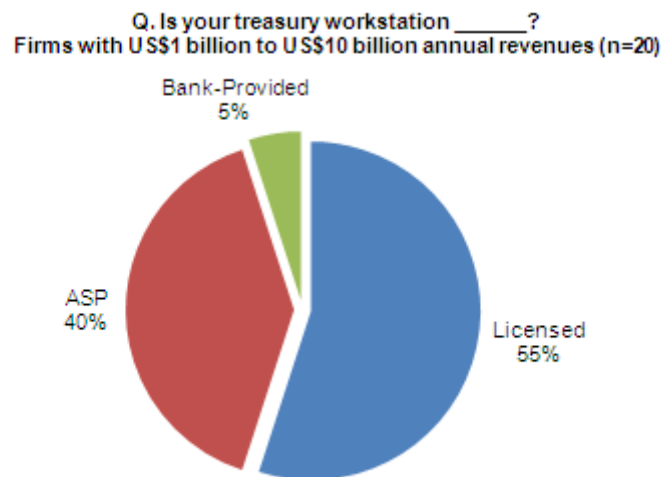
NOT ALL OUTSOURCED SOLUTIONS ARE EQUAL

While the outsourced treasury solution market is experiencing rapid growth, it is important to note that not all Web-delivered systems are created equal. Some exist primarily as cash and liquidity management tools, assisting in providing treasury with better visibility into global positions. Bank-offered solutions are a prime example of these tools, meeting several important needs for many treasury groups, though falling short of the greater functional requirements of the increasingly complex needs of many mid-tier treasury groups.

Other vendor-hosted solutions are much more functionally advanced, offering support ranging from managing interest rate exposures to derivatives and even hedge accounting. These solutions are designed to support more mature mid-tier treasury groups in performing tasks requiring more complexity than a cash management system can provide, but are not so unique or complex as to justify the six or seven-figure purchase of a highly customizable, IT-intensive, licensed solution.

With the varying capabilities of ASP solutions, mid-tier treasury groups should identify both current and future treasury needs, and evaluate multiple solutions to determine the best fit.

FIGURE 3: VENDOR-HOSTED TREASURY SYSTEMS ACCOUNT FOR NEARLY HALF OF MID-TIER TREASURY SYSTEMS



Source: 2008 Aite Group Large Corporate Survey (June-September)

OBSTACLES TO ADOPTION

At the highest level, three primary factors drive mid-tier treasury technology decisions: cost, control and career. Perceptions about how technology impacts each of these factors play a significant role in whether or not a treasury group turns to technology for assistance in performing their daily functions. This section explores these perceptions in detail, and explains why they serve as obstacles to adoption.

COST

As with any technology decision, cost is a major factor. In many mid-tier organizations, treasury, considered a cost center, is allocated a slim budget for spending. Because of this, prior to even building internal support or reaching out to solution providers, treasury evaluates whether the return on investment (ROI) for the technology offsets the time, money and energy spent on its adoption.

HOW MUCH DOES A TREASURY SOLUTION COST?

For many groups, the decision to explore treasury solutions begins with a cost-benefit analysis to determine the incremental value a solution may provide compared with existing processes. Unfortunately, due to limited sources of cost information, mid-tier treasury groups are often left wondering how much it will cost.

Whether it is biased information, loose dollar amounts, or outdated information, plenty of cost factors exist that create uncertainty in the mind of corporate treasury. While this uncertainty about costs may not be an issue for larger treasury groups with big budgets, it can establish a belief in mid-tier treasury groups that technology is entirely unattainable or should be dealt with at a future point in time.

[To learn more about how treasury technology has evolved to reduce costs, see "Reduced Costs and Accessible Pricing" on page 17.](#)

WHAT TO ADDRESS?

Beyond uncertainty about costs lies another challenge of having constrained financial resources: What functions should be addressed with technology? Given limited budgets, all treasury spending must be carefully planned. If treasury implements one technology solution, it is likely at the expense of another. For

instance, if a cash and liquidity management system is adopted, it may be instead of a reconciliation, hedging, risk management or bank fee analysis solution.

Because of this, treasury must be sure about what solutions are necessary versus those that are nice-to-have. Further, treasury needs solutions that offer broad functionality, and a design that treasury can “grow” into as its responsibilities increase.

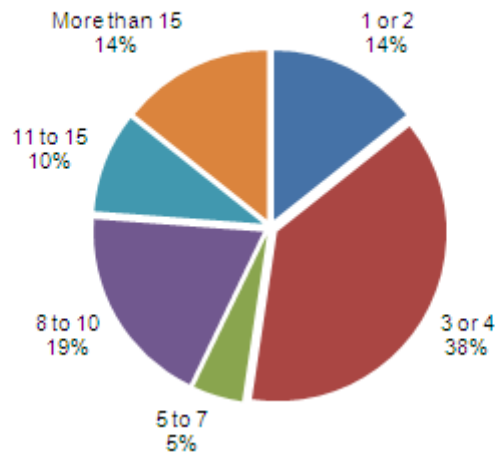
To read about how ASP treasury solutions have adapted to increase access to best-in-breed solutions, see “Access to Best-in-Breed Solutions” on page 18.

HOW MUCH TIME WILL IT REQUIRE?

Another cost element playing a factor in every treasury group is that of time. As the old saying goes, time is money. This is especially true in mid-tier treasury groups, where staffing levels are relatively small. More than 50% of treasury groups in organizations with revenues between US\$1 billion and US\$10 billion have fewer than five treasury staff members (Figure 4).

FIGURE 4: MID-TIER TREASURY GROUPS ARE LIGHTLY STAFFED

Q. How many personnel are in your treasury group? Firms with US\$1 billion to US\$10 billion in annual revenues (n=21)



Source: 2008 Aite Group Large Corporate Survey (June-September)

Beyond the impact lean staffing levels place on treasury’s ability to research technology, the amount of time spent selecting and implementing a treasury technology project has hard-dollar costs associated as well. Both the time it takes to select a solution and the time it takes to get the solution up and running impact the ability of treasury to accomplish its many other responsibilities and projects.

One of treasury's primary duties, for example, is managing cash and short-term liquidity. Effective management of these assets means greater investment returns or lower interest expenses. The information-gathering process, and selecting and implementing a treasury solution takes a significant amount of time, often without any immediate benefit. Spending time on tasks that take away from optimizing the daily management of cash and liquidity is likely to cost something as well, even if there will be future benefit.

To see how Web-delivered treasury solutions can be up and running more quickly than client-hosted solutions, see "Minimized Time Requirements" on page 19.

CONTROL

One core treasury responsibility is safeguarding the financial assets of an organization. Being guardian to some of the most sensitive data within a company, control is an essential element of treasury responsibilities. With the amount of sensitive financial information flowing through treasury, this is no small task.

PROTECT THE COMPANY'S ASSETS

Treasury holds the keys to bank accounts, funds transfers, customer information, and many other sensitive and confidential elements of a company's financial portfolio. At a bare minimum, any new treasury technology must be capable of providing the same levels of control that treasury had prior to its implementation.

Unfortunately, well-publicized security breaches in Web-technology, resulting in large amounts of vulnerable data, have fostered an apprehension toward Web-delivered technology among mid-tier treasury personnel. Although these incidents have primarily been related to retail credit card information, far outside the reach of treasury, these breaches have driven skepticism about the security of any Web-delivered technology.

Another concern is related to the hosting of a solution by a technology vendor. So long as all treasury information is located within treasury's control, the risk of someone outside gaining access to sensitive data is limited. Further, treasury has concerns as to what would happen to its information were the vendor to go bankrupt or stop supporting the product. Once the data is stored outside of the company, treasury feels it is giving up an element of control: How can another organization possibly value the security of treasury's data as much as treasury does?

For information about the security of Web-delivered technology and third-party treasury providers, see "Securing the Company's Assets with Technology" on page 20.

A LOW-PRIORITY DEPARTMENT

Many mid-tier treasury groups have to deal with being a small blip on the radar of many departments outside of the finance function. When much of the company doesn't know the department exists, it isn't a big surprise to hear many treasury groups report they are a low priority on the IT totem pole. As one mid-tier treasurer describes it, there are several challenges with this:

"Getting IT to pay attention to our needs takes several months or more. They tend to be interested in enterprise-wide technology, and the needs of our small, though critical, department tend to fall by the wayside. Even when we do receive their support, we are often provided with a resource responsible for many other tasks, each competing for their time. The end result is that things don't get done very quickly when we have to go through IT."

For opportunities Web-delivered treasury technology presents to reduce treasury's dependency on IT, see "Using Technology to Reduce IT Involvement and Regain Treasury Control" on page 22.

COMPETING PRIORITIES

When the finance background of the treasury staff meets the needs, wants and desires of IT, treasury can find itself in a bind. Treasury's technology decisions are based on fit and functionality and how a solution or vendor satisfies the specific needs and demands of the group. IT may recognize treasury's desires, however, IT often focuses on the ability of a solution to make life easier on IT, not treasury.

IT has its own controls to take care of, and may place minimal priority on treasury due to its small size and relative obscurity. This can result in treasury having to either satisfy IT's requirements in a solution, or acquiesce to a solution preferred by IT. As one treasury group said, and several echoed, "Without IT's support for our decision, we might as well just leave the solution on the shelf indefinitely."

Figure 5 on page 14 lends directional support to the importance and influence of IT on mid-tier treasury technology projects. The chart reveals that 55% of mid-tier companies with annual revenues between US\$1 billion and US\$10 billion use a treasury management solution offered by an Enterprise Resource Planning (ERP) provider or bank, while 45% use a treasury workstation vendor.

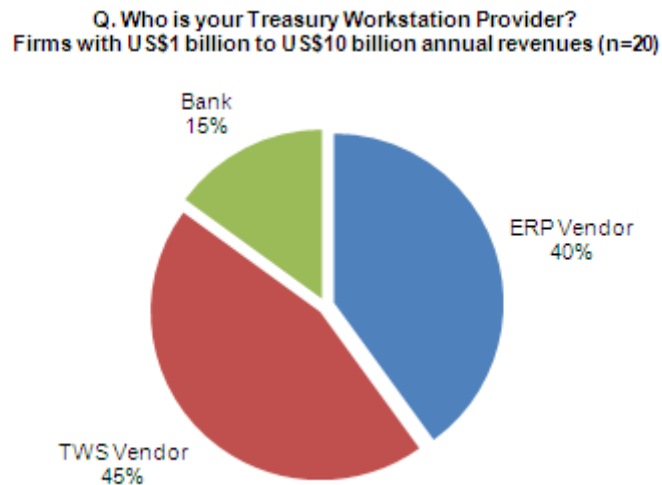
ERP treasury modules are fully integrated with the ERP system of which IT is very involved with both selection and ongoing maintenance. From an IT perspective, adding an ERP's treasury module is both a known entity and convenient.

While significant advances have been made in the capabilities of ERP treasury modules, responses to the same survey for companies with annual revenues greater than US\$25 billion — likely to have more complex treasury requirements

— reported unanimous use of third-party workstation vendors. These findings come from a relatively small sample size, but they provide directional evidence of the strong influence IT can have over mid-tier treasury technology decisions.

For opportunities Web-delivered treasury technology presents to reduce treasury's dependency on IT, see "Using Technology to Reduce IT Involvement and Regain Treasury Control" on page 22.

FIGURE 5: NEARLY HALF OF MID-TIER TREASURY GROUPS WITH TREASURY SYSTEMS UTILIZE AN ERP OFFERING



Source: 2008 Aite Group Large Corporate Survey (June-September)

IT DELAYS

Requiring IT support is not limited to delaying the selection process of treasury technology — more than a few treasury groups contributing to this report indicated that IT is just as critical for conducting upgrades and the ongoing maintenance of technology. This can be especially common in ERP-offered treasury solutions, as IT is often the driver of these decisions.

With IT, rather than treasury, maintaining control over the ERP system, one participating treasury group indicated they had nearly three years of upgrades that had not been implemented due to IT delays supporting other modules of the ERP. Two other treasury groups had purchased ERP treasury modules more than a year before that had yet to be turned on. As long as treasury requires IT to support an ERP-offered solution, treasury gives up significant control over the technology it depends on, submitting itself to potential delays, or to IT's schedule for upgrading the ERP.

For opportunities Web-delivered treasury technology can reduce treasury's dependency on IT, see "Using Technology to Reduce IT Involvement and Regain Treasury Control" on page 22.

CAREER

Any technology decision is a weighty one for many reasons, but for some, the personal career risk associated with such a decision is paralyzing. While career risk influences every decision treasury makes, both consciously and sub-consciously, the greater the decision, the greater the risk. Given the costs and many ramifications of a treasury management system, few decisions in a treasury professional's career are as substantial.

A WEIGHTY DECISION

Surprisingly, doing nothing with technology can be viewed as a relatively safe bet — one with little risk for treasury. For years, spreadsheets and bank-provided solutions have helped treasury ensure sufficient cash and short-term liquidity is available to meet the needs of the organization. Further, some groups indicate that executive attitudes regarding treasury are as simple as, "no news is good news." If business-as-usual works from a career perspective, why should treasury increase its visibility?

Choosing to adopt a solution is perceived to open the treasury group to a degree of career risk. Gathering support requires treasury to bring senior attention to both the group and the project. In the mid-tier treasury space, it is not uncommon for projects of this nature to get exposure all the way up to the Chief Financial Officer (CFO). With the attention of such high-level executives, it is imperative that the project be a success. As one director of treasury said, "With the executive-level attention given to our treasury workstation selection process, whatever solution we ended up with, we had to make it work. No matter what."

Further, when seeking executive-level support, among the first questions commonly asked of treasury will be related to cost. Regardless of how treasury answers these questions, one thing is relatively certain: The first numbers treasury provides senior management will be the numbers management remembers. If the project goes over budget or the benefits are not fully realized, treasury will be held accountable. When doing nothing is considered safe from a career perspective, choosing to pursue a treasury management solution can seem risky.

To learn about how adopting treasury technology is a safer career decision than doing nothing, see "Flexible Benefits" on page 23.

HOW MUCH CAN IT REALLY OFFER?

Having accomplished so much with so little, mid-tier treasury groups are often skeptical about claims that technology can really provide enough additional value to justify its cost. In fact, it is almost as if some believe that a lot of technology is adopted because it can be, and not because it needs to be. As one senior treasury professional recently said,

“We don’t need a lot of technology assistance. For example, we were recently approached about adopting a bank fee analysis system. We turned it down as we believe a little savvy in negotiating with banks, reaching out to peers for price benchmarks, and better use of Excel ensures our fees remain competitive. Why pay a sizable sum for technology assistance when doing it ourselves works well? Why fix what isn’t broken?”

These treasury groups have concerns that implementing a treasury system will not offer enough incremental benefit beyond their current practices. If they are unable to make up enough incremental benefit over current processes, treasury will not be able to achieve the benefits from the solution that were promised to senior management in order to get approval in the first place. Since selecting a solution is can significantly impact their career, many treasury groups want assurances the solution will live up to their expectations.

To read about the many benefits Web-delivered treasury systems offer over spreadsheets and other manually intensive treasury tools, see “Reduce Risk and Better Position Treasury” on page 24.

WHAT IS BEING PURCHASED?

Further fueling the career risk is the relative uncertainty about what treasury is actually buying. The purchasing process for a treasury management system can conclude with the treasury group feeling, at best, cautiously optimistic. This is because most of what the decision has been based upon are answers to a questionnaire and a vendor-conducted demonstration. Mid-tier treasury groups indicate significant concern about being oversold.

To hear how Web-delivered treasury solutions are able to minimize uncertainty about the quality of the solution being purchased, see “Try Before You Buy” on page 25.

THE WEB-DELIVERED OPPORTUNITY

Many of the perceptions standing between mid-tier treasury groups and the benefits of robust treasury systems are either outdated or inaccurate. Many assume the costs, controls and career risk are too great to make a decision and do not even begin the process. With the developments occurring in Web-delivered solutions over the last few years, treasury groups with apprehensions about treasury systems should be pleased to see how the majority of their concerns are being addressed.

COST REALITIES

REDUCED COSTS AND ACCESSIBLE PRICING

Identifying the specific costs of any technology solution will always prove a difficult task, as each solution and its implementation has a unique set of costs, varying by company. Factors such as the type of solution a treasury group selects, which modules are implemented and the number of users create a difficult scenario for an apples-to-apples comparison. Despite this, looking at recent changes in the treasury technology market provides insight into a general trend among treasury solutions: increased price accessibility to mid-tier treasury groups.

Primary indicators of this accessibility are the growth of and advances in the technology offered by vendor-hosted solutions. Nearly every treasury management solution vendor offers a hosted solution, especially for those solutions targeting the small to mid-tier treasury market. Historically, however, vendor-hosted solutions for the mid-tier have emphasized primarily cash and liquidity management rather than the full scope of treasury's increasing responsibility. Several of today's solutions are different, expanding much deeper into the growing needs of mid-tier treasury.

The reason these solutions have become the primary offering to mid-tier treasury groups is that vendors are able to achieve robust economies of scale by spreading the costs among multiple clients. Instead of a user-licensed model, in which the customer purchases a dedicated server and owns the software, a Web-based offering allows multiple clients to share the same server and the same software, much like a financial institution's online banking platform. Because of this, solutions can be quite affordable for the mid-tier.

Further, these treasury systems offer robust functionality. Whether it be international cash management services, advanced cash forecasting capabilities or

even managing interest rates, foreign exchange and hedges, vendor-hosted treasury technology offers significant value.

Further, unlike some previous versions, solutions even offer a degree of customization. In areas such as reporting, for example, users are now able to automate the same management reports they are currently producing manually. In previous outsourced solutions, reports were often limited to the reports the vendor built into the system, or required treasury to pay for customization. Today, several outsourced systems empower treasury to develop and customize their own reports within the system using easy-to-use report writers, providing freedom in report creation.

Another huge benefit Web-based solutions offer is in lower up-front and implementation costs. Because a company adopting an ASP solution is not buying the solution, but rather licensing it, the standard method of pricing for an outsourced solution is done in a subscription format. The subscription may be monthly, quarterly or annually, but the objective is to spread costs out over a period of time to reduce the up-front burden.

Up-front implementation costs are also reduced, as vendors have designed these solutions to minimize start-up time. Instead of the many months and even years of implementation fees experienced by users of client-hosted solutions, Web systems can be implemented in weeks and months, greatly reducing costs. Additionally, implementation fees may sometimes be incorporated into the subscriptions, minimizing the up-front costs to the client by spreading them out over a period of time.

In previous versions of treasury systems, in which the solutions were owned by the client, the client needed to pay for each link to its sources of treasury information, as well as the ongoing maintenance of the solution. In an ASP model, many of the links to banks and other information sources are already established by the vendor hosting the solution. With the vendor hosting the solution, the link only needs to be made once — between the vendor and the information source. Further, the costs of these links and the ongoing maintenance of the system are shared by the vendor's many clients, reducing costs again.

ACCESS TO BEST-IN-BREED SOLUTIONS

Web-delivered solutions offer top-tier functionality at a reduced cost, opening access to the many benefits of treasury technology to mid-tier treasury groups. To maintain these price points, vendors have to identify and develop only the functionality required by the majority of mid-tier treasury groups. Because of this, no single solution will meet all the needs of every client.

Recent developments to address these functionality gaps are receiving significant interest from market participants. By capitalizing on the Web-delivery model,

vendor-hosted treasury systems are able to serve as distribution centers for multiple best-in-breed solutions offered by niche technology providers (i.e., risk management solution, FX platform, etc.). This allows the treasury system vendor to focus efforts on offering a comprehensive treasury solution for its customers, while also satisfying the unique needs of those select customers that require best-in-breed niche solutions, and desire full integration with their treasury system.

Beyond access to best-in-breed solutions, the Web-solution delivery channel provides reduced costs and increased convenience for users. Costs are minimized as vendors bear the burden of establishing linkages between the various solutions. Additionally, treasury groups receive the benefit of having the solutions be fully integrated and delivered through a single platform.

Selecting a solution to satisfy today's challenges is not enough for mid-tier treasury groups. Given increasing responsibilities and ever-changing market factors, mid-tier treasury requires solutions that can grow with them. Today's systems continue to support treasury's cash and liquidity management, while empowering treasury with a depth of functionality treasury can evolve with, as additional support is required.

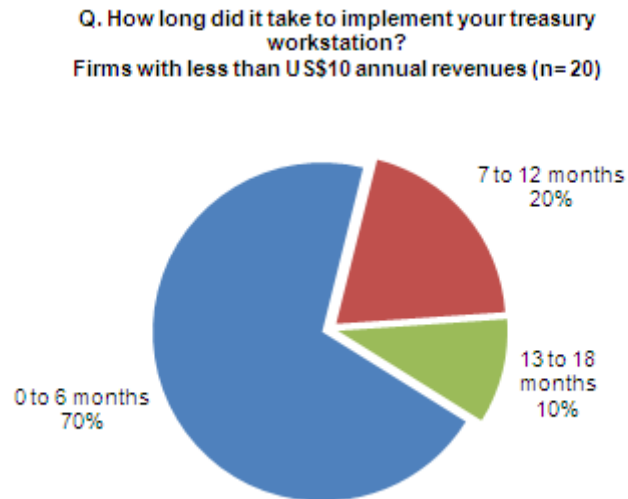
MINIMIZED TIME REQUIREMENTS

For lightly staffed treasury groups, spending time on anything other than daily responsibilities requires longer hours and the sacrificing of other value-add treasury projects. Similar to the financial cost, the implementation time required for each solution is often unknown.

Technology, however, has evolved significantly in recent years, and implementation times have decreased dramatically. Whether it be through more efficient ways of establishing bank linkages or allowing the vendor to do more before even working directly with its clients, less time is required from treasury groups than ever before.

This is evidenced in responses from a recent Aite Group corporate treasurer survey. Of treasury groups from companies with annual revenues of US\$1 billion to \$US10 billion, 70% indicated the implementation of their treasury workstation took less than six months (Figure 6 on page 20). Although the results include both Web-delivered and client-hosted solutions, it is clear that the longer-duration treasury implementations appear to be a thing of the past for mid-tier treasury groups.

FIGURE 6: THE VAST MAJORITY OF TREASURY WORKSTATION IMPLEMENTATIONS TAKE FEWER THAN SIX MONTHS



Source: 2008 Aite Group Large Corporate Survey (June-September)

CONTROL REALITIES

Control is one of treasury's primary responsibilities and, as such, the focus of a great deal of emphasis. Contrary to some perspectives, Web-delivered treasury solutions not only provide increased control over critical treasury information, but also provide treasury with an opportunity to regain control over IT as it relates to treasury technology.

SECURING THE COMPANY'S ASSETS WITH TECHNOLOGY

One of treasury's most critical responsibilities in every task is to protect financial information. Because of this, some mid-tier treasury groups find it hard to believe that an outside provider could do a better job or place as high a value on protecting their information as they can. With the push toward outsourced solutions, however, treasury technology vendors have taken considerable steps to mitigate these fears.

Among one of the most basic ways to look at the importance of client data security to vendors is that the very existence of both Web-delivered solutions and the vendors offering them depend on protecting this information. Were there to be a single breach resulting in an exposure for a single client, it could drive the market to lose significant levels of confidence in the vendor, as well as the technology as a

whole. Because of this, there is little the vendor community emphasizes more than the security of its client data.

Self-preservation alone, however, does little to instill confidence among mid-tier treasury groups, so it is essential to look at what the actual exposures are and how vendors have responded.

Somewhat surprisingly, the type of information contained in a corporate treasury system does not offer the criminal market as much value as some might think. It is important to protect bank account numbers, cash balances and other elements of financial information. Even so, this information is not nearly as simple for a crook to use as personal information such as a name, address and credit card number.

Corporate financial transactions have numerous safeguards that are not as common in the retail space. Policies requiring dual authorization for payment transactions, bank products such as positive pay and technology safeguards like random-number generation cards all serve to protect an organization's assets. Because of this, having financial and bank account information does not enable an outsider to translate this into a big payday.

Further, with all these safeguards, converting the information contained within a treasury system into currency requires not only significant effort, but often requires inside cooperation. This is evidenced in a 2006 FBI financial crimes report finding more than 80% of corporate fraud is conducted with the collusion of an employee. With such a staggering amount of corporate fraud being conducted in cooperation with a company's own employees, it appears outsourcing treasury data isn't as risky as it may seem.

Recognizing the internal fraud risk, recent developments over the last few years make a strong case that it is actually safer to outsource data with a vendor than it is to maintain security internally. Two primary advances drive this argument: the security supporting outsourced solutions, and recently developed industry standards.

Each vendor protects information in a different way. Some have built their own infrastructure and host the solution themselves, while others partner with well-established hosting providers whose primary focus is to secure hosted solutions. In either case, data is extremely well protected, with only a handful of individuals even having access to the rooms where the servers containing the data are located. Further, these rooms often utilize advanced security features — such as biometric scanners — to gain access, recording each entrance and exit to the room. It is hard to imagine any company placing more security around protecting its financial information than these vendors do.

Technologically advanced security is helpful, however, as much of the information is shared during a sales process, some concern as to its validity exists. Because of

this, SAS 70 type II audit can provide an industry standard. These audits provide industry standards and evaluate controls that have been in place over a specified period of time. Included is both the design and operation of the controls, but also the effectiveness of the controls over the defined period. Audits are performed annually. For corporations, because these audits evaluate controls over a period of time, they are able to be assured that the vendor is consistent in maintaining its security.

USING TECHNOLOGY TO REDUCE IT INVOLVEMENT AND REGAIN TREASURY CONTROL

Conversations with mid-tier treasury groups reveal a perception that IT maintains much control over treasury technology. While this may have been true historically, Web-delivered solutions provide a win-win opportunity for each department. Treasury is able to regain control of the technology it uses, while IT can spend less time supporting the technology needs of a small department.

Outsourced treasury solutions have several characteristics creating a win-win for treasury and IT. First, the vendor is responsible for setting up the solution. The vendor builds the solution and takes care of the implementation. Instead of having to wait on the IT calendar for IT resources to become available, treasury is able to begin working with the vendor immediately. This allows the solution to be up and running much more quickly, benefiting treasury, and doesn't further add to the IT pipeline.

Not only does IT spend less time on implementation, but IT is also removed from the ongoing maintenance and upgrades for the solution. When upgrades are available, vendors notify treasury clients, and treasury is able to decide when it would like to be upgraded. For treasury, gone are the days of several upgrades sitting on the shelf, awaiting installation by IT.

Another benefit of Web-delivered solutions for IT is that they place the burden of security on a third party instead of the IT department. Surprisingly to some treasury groups, IT is often more comfortable with outsourced solutions than is treasury. As discussed previously, treasury technology vendors place a great deal of emphasis on the security features of their system.

IT groups specialize in technology and its security. Because of this, they are aware of and understand many of the security features that outsourced solutions can offer. Further, they recognize their own limitation and challenges in securing every system. With the added standards and validation SAS 70 type II audits provide, IT groups are not only comfortable with outsourced solutions, but some prefer them for non-enterprise wide technology.

A final way that outsourced solutions return control to treasury is the more recent model of serving as a distribution channel for multiple treasury solutions. For

treasury, instead of needing IT to implement and integrate multiple solutions, the treasury system provider establishes these relationships, and takes care of integrating the solutions with its own. When treasury identifies a need for functionality offered by one of the treasury system's partner solutions, treasury is able to add this functionality as easily as if it were another module in the solution. This returns control to treasury by enabling it to select from multiple solutions what it needs and when it needs it, instead of going to IT multiple times for multiple Requests For Proposals (RFPs) and technology implementations.

CAREER RISK REALITIES

Career risk is something that treasury professionals are always concerned about. This is only exaggerated in an current economic environment with the highest unemployment figures in decades, many of them coming from white-collar jobs. Further, with all the challenges surrounding liquidity and risk management, treasury is experiencing much more attention than it is used to.

Fortunately, recent advances in the treasury technology landscape help to mitigate potential career risk. Further, in light of current market challenges, adopting treasury technology today can better-position treasury as a strategic center helping the organization navigate these challenging times.

FLEXIBLE BENEFITS

Traditionally, treasury system quick-hit benefits are found in opportunities such as bank polling, automating the cash positioning process, and basic cash forecasting functionality (see Table C on page 27 for additional treasury management system functionality). For many mid-tier treasury groups, these are the areas where the most time has been spent creating process efficiencies and learning to achieve strong results with limited effort.

Because of this, some treasury groups, approached by a vendor citing these major benefits, wonder why they should put their neck on the line and spend the money on technology that primarily offers them benefits in areas in which they already excel. Further, they may hear about additional benefits of the solutions that are presented as minor, but they learn they need to implement the bulk of the solution to access that functionality. Once again, the incremental value is not enough to outweigh the additional costs of the solution.

Thanks, however, to advances with outsourced treasury systems over the last few years, treasury groups are able to overcome these concerns. Although there have always been various modules within treasury systems, outsourced solutions reduce up-time and implementation costs, and are designed to better align with the differing needs from one organization to another. This allows users to select and pay for only the functionality to address specific needs as needed.

One Assistant Treasurer contributing to this report indicated tremendous satisfaction in the flexibility of their ASP system. The organization was driven to selecting treasury technology to support management of derivatives transactions, including interest rates, foreign exchange and hedging assistance. Driving the decision to explore technology was the need for a tool to help minimize the risk associated with the increasing number of derivatives transactions.

When looking at solutions, however, the group had basic cash needs, and did not believe it would benefit much from a solution on the cash management side because it already did a good job managing its very basic, domestic cash needs. They surveyed the market and, to their surprise, found an ASP solution able to accommodate their need for managing derivatives transactions, but that did not require them to purchase a full and comprehensive solution or even the cash management module.

Beyond their ability to utilize the solution for derivatives support, the organization found other benefits from the solution. These included its simplicity and ease-of-use, the minimal layers of administration — increasing treasury’s control — and the ability of the vendor to adapt to the organization’s specific requirements. Additionally, due to limited IT resources that were needed to support and assist in the administration of the system, the outsourced solution has been a tremendous success.

TABLE B: COMMON TREASURY WORKSTATION FUNCTIONALITY

Bank Account Administration	Management Reporting
Cash Positioning	Payment Initiation
Cash Forecasting	Reconciliation
Contact Management	Risk Management
Debt Management	Treasury Administration
Derivatives Management	Treasury Dashboards
General Ledger Posting	Treasury Policy Enforcement
Investment Management	Treasury Policy Tracking

Source: Aite Group

REDUCE RISK AND BETTER POSITION TREASURY

Web-delivered treasury solutions also present an opportunity for treasury to minimize risk, and better-position the group in the eyes of senior management during difficult economic times. Treasury groups of all sizes are facing challenges that require them to not only better manage information, but also to be able to access that information quickly and on-demand in the event it is needed. With the

recent liquidity crisis many organizations find themselves in, more than a few treasurers have found themselves on CEO and CFO speed-dial lists.

Treasury solutions can help reduce career risk simply by automating and centralizing processes. By automating processes and doing the calculations within the system, the risks of miscalculations in spreadsheets or other manual processes are greatly reduced. Spreadsheet errors and miscalculations can be very costly, as a very large global financial institution found recently during its acquisition of a struggling financial institution. Because of a simple Excel reformatting error, the acquiring institution accidentally included a number of assets in the purchase that it had meant to omit. The acquiring organization was forced to file a legal motion for relief in order to remedy the situation.

Although the above story comes from a bank, and is far removed from treasury, it reveals how significant the consequences of a spreadsheet error can be. Were a similar error to be made in a calculation about how much was needed to make payroll, treasury could find itself in hot water. By automating these calculations within a treasury system, treasury can help mitigate some of the career-threatening risks manual errors can pose.

Additionally, by automating and consolidating the gathering of information, treasury gains immediate visibility into cash and liquidity, debt, investment and credit positions around the globe. This empowers treasury to quickly identify idle funds and exposures, and optimize the use of liquidity. Not only does this reduce interest costs, but it also can also reduce borrowing needs. In the current market environment where credit is tight, clarity and control of global liquidity positions is critical.

By automating the information and storing it in a central location, treasury is able quickly locate and determine key information in a timely manner. Through the use of customized reporting and user-specific dashboards, treasury groups are able to develop and quickly access critical information on a moments notice. For treasurer's that are now on the speed dial of C-level officers, being able to provide the requested information during the same phone call — rather than a few hours later — can greatly increase the group's status in the eyes of those making the strategic decisions for the organization.

TRY BEFORE YOU BUY

A final, and very recently developed, benefit of these advances is the ability of outsourced solution providers to greatly calm fears of being oversold in a relatively blind selection process. Recognizing the significance of a technology decision to a mid-tier treasury group, vendors are able to capitalize on this importance, offering robust "live" demos and even the ability to allow potential customers to "try before they buy." This helps treasury groups become much more comfortable with the

solutions they evaluate and, in turn, greatly reduces career risk by allowing for well-informed decisions.

SUMMARY OF THE WEB-DELIVERED OPPORTUNITY

The hard and soft-dollar costs associated with a treasury system and its implementation are a significant concern for mid-tier treasury groups. The reality is that recent advances in technology allow fixed costs to be spread out and minimize implementation time, resulting in lower costs across the board. These costs empower treasury groups of all sizes to access robust solutions.

Control is also constantly on the minds of mid-tier treasury groups. Treasury groups focus on controls that help secure the financial information of the organization, but also look for opportunities to regain control operate independently of other departments — especially IT. Treasury groups have historically been dependent on IT for everything from implementation to upgrades, and even report customization. Web-delivered treasury technology frees them from this, offering opportunities for treasury to not only better safeguard sensitive financial information, but also to re-establish control of its technology decisions.

Although selecting a treasury management system is a significant decision, it does not come with as much career risk as some believe. Advances in outsourced solutions — including flexibility, risk prevention and increased ability of treasury to make a highly educated selection decision — all seek to minimize risk to mid-tier treasury groups. In fact, not only do these solutions reduce career risk, treasury groups can actually capitalize on these advances to promote their career by strategically utilizing treasury technology.

TABLE C: SUMMARY OF MID-TIER TREASURY TECHNOLOGY CONCERNS AND THE OPPORTUNITY PROVIDED BY WEB-DELIVERED SOLUTIONS

Obstacle to Adoption	Mid-Tier Treasury Technology Concerns	Web-Delivered Treasury Realities
Cost	Too expensive What functions to address? Time intensive	Web-delivered solutions are affordable: - Vendor efficiencies drive lower costs - 70% mid-tier implementations take less than six months
Control	Vendor will not protect data as well as treasury Treasury is a low-priority department for IT support Treasury and IT priorities often differ, with IT winning	Web-delivered solutions are as secure as treasury: - 80% of corporate financial fraud is done with the assistance of an employee - Vendor data security can include biometric scanning and SAS 70 Type II certification Web-delivered solutions minimize IT time: - Vendor responsible for the majority of implementation, maintenance, upgrades and security - Treasury system as a distribution channel minimizes number of vendor and IT relationships
Career	Safest decision is business-as-usual with no treasury system Never can be sure of what is being bought	Web-delivered solutions are a great career decision: - Automating processes reduces risks of manual error, "hit-by-a-bus" exposure, employee fraud - Empowers a more strategically focused treasury - Robust demos and try-before-you-buy offerings enable treasury to make educated decisions about each system

Source: Aite Group

CONCLUSION

The intention of this report is to examine why more than one-third of mid-tier treasury groups do not yet use a treasury system. Treasury systems provide significant value and efficiencies, enabling treasury to increase time spent driving strategic efforts while reducing the time spent and risk associated with performing critical tasks manually.

As was discovered through detailed interviews and survey data, much of this hesitation to adopt is driven by perceptions about treasury technology and the costs, controls and career risk associated with its adoption. Unfortunately, many of these perceptions do not account for the more recent advances in Web-based solutions that increase access to these solutions for organizations of all sizes. Because of this, Aite Group recommends:

- All treasury groups should consider these developments and explore how outsourced treasury technology can benefit them. Web-delivered solutions open up access to organizations of all sizes and it is simply too risky not to adopt or utilize the assistance of technology in treasury.
- Those treasury groups that read this report and remain skeptical or have additional concerns about Web-delivered technology, should reach out to the vendor community and take advantage of the ability to perform robust demos and try-before-you buy options. Experiencing this technology first-hand is far more powerful than anything that can be written in a report.

Treasury technology has for years empowered treasury groups to be more strategic by freeing-up time spent on manual processes, centralizing information, and increasing controls among other benefits. Unfortunately, for many organizations, these benefits were out of reach due to cost, control and career related concerns. Today, with the robust functional capabilities and the significant flexibility available, Web-delivered treasury solutions create an opportunity for all treasury groups to access these and the many other benefits of treasury technology.

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