

Wallstreet Suite

Comprehensive, cross-asset investment and debt management solutions for financial institutions

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WALLSTREET
SYSTEMS

Case Study: A direct line to success

RWE BENEFITS FROM STRAIGHT-THROUGH PROCESSING WITH WALLSTREET SUITE



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Christoph Waldvogel, Project Manager and a member of RWE'S Financial Risk Management team.

RWE is a leading international utility company focussing on the electricity and gas markets in Germany, the UK, Central and Eastern Europe.

Liberalisation, internationalisation and new technologies are the central challenges for energy service suppliers – and this group, based in Essen, has so far managed to overcome them all: in Germany, the company is considered the leading electricity provider and number two gas provider – in the UK it comes in third in both areas. And RWE is growing, both organically and through mergers and acquisitions. After merging with the energy group VEW in 2000, RWE decided to centralise financial management of ten business units under the aegis of a holding company – RWE AG – in order to fully exploit potential synergistic effects.



WALL STREET SYSTEMS ALLOWS FOR REAL-TIME PRICING AND EVALUATION OF ALL FINANCIAL TRANSACTIONS AND SUPPORTS THE ENTIRE BACK OFFICE WORKFLOW

RWE AG functions as an in-house bank, which performs all external financial transactions that do not affect payment transactions – such as foreign exchange dealings, equity rate transactions, asset management and all financing activities. In view of the ensuing increase in transaction volumes for the RWE AG Treasury Department, new and efficient processes were required and an integrated treasury management system to replace the existing isolated solutions in the departments.

ONE INTEGRATED SOLUTION FOR MORE TRANSPARENCY

“A larger volume of transactions means increased risks that we must be able to control,” says Thomas Seibel, Head of Financial Risk Management at RWE AG, neatly summarising the initial concerns of RWE AG in relation to centralised treasury management. Traditionally, companies have used SAP for cash management and for recording commercial paper issues, X-map for asset management and Excel – partly refined with Visual Basic – for documenting all other financial transactions. Manual processes and numerous media gaps when processing transactions were two possible sources of error, and limited the number of financial transactions that could be completed with existing personnel resources. Additionally, a lack of integration made it more difficult to estimate risks, clearly define currency exposures and prepare definitive information for management.

SELECTION WITH PROFESSIONAL HELP

RWE AG decided to introduce an integrated treasury management system, covering all supporting functions of cash flow planning and cash management, through risk and asset management, right up to the interfaces for financial accounting. Together with well-known treasury consultants Schwabe, Ley and Greiner, RWE defined the functions required based on the processes it wanted. The requirement profile was sent to twelve providers, of which six were invited to a workshop – including Wall Street Systems. “Our fundamental requirements included mapping various financial transactions and positions in a single, integrated system, enabling risk and performance measurement without any further data transfer,” says Christoph Waldvogel, the project manager and a member of RWE'S Financial Risk Management team. “Also, a close link to SAP was absolutely necessary, as was support for fulfilling requirements for hedge accounting as per IAS. And finally, a system with multi-client capability was extremely important to us.”

WALL STREET SYSTEMS: ONE-STOP FUNCTIONALITY

During the on-site workshop presentation, providers were asked to present their solutions' range of functions in the form of case studies – such as for internal and external foreign exchange transactions, for hedging of a US dollar short position with a currency option, or for issuing a foreign currency bond with a hedge using a cross-currency swap. While all the providers managed to fulfil most of the standard requirements, the treasury management expert Wall Street Systems stood out with its wide-ranging product: “We were impressed by the range of real-time data processing covered by the Wall Street Systems solution – from risk management to asset management, from cash management to accounting. A system that provides all these functions for all possible and probable financial instruments from one source, that's a rare thing to come across in this form,” says Waldvogel.

In the end, the decision in favour of the Wallstreet Suite was influenced by countless positive references: "It impressed us that so many reputable companies, such as the Bundesbank, Deutsche Post, BMW and Henkel, already used this system – it assures us that development of this solution will continue".

PROJECT MORE EXTENSIVE THAN EXPECTED

At the beginning of the project, each department was represented by a member of staff – from Treasury, Corporate Finance and the Back Office, Asset Management, Fiscal Risk Management and Accounting – to ensure that existing know-how was incorporated into the new processes, and that the relevant changes would continue to be made to the system in order to fulfil changing requirements.

"In principle, we have gone from zero to a supersystem," says Waldvogel. This did result in a few initial problems during the system's introduction: for example, Wallstreet Suite is particularly focused on portfolio assignment – a grouping that has not existed in this depth before, even in the isolated solutions. As a result, the project team had to create sort criteria in the run up to the project, and define a reasonable structure for subsequent operation of the system. They then discovered that although the excel tables could be taken over automatically, there were small issues in many documents that needed to be checked and resolved. Entering counter-parties, their addresses and bank details took up valuable time. "During our project we found that treasury management systems are extremely complex," says Thomas Seibel. "As a consequence we would advise companies to specify their requirements in depth in advance, and assign internal resources early so that the project can proceed rapidly".

A FUNCTION FOR EVERY PROCESS

Wallstreet Suite implementation includes the following modules: Transaction and Risk Management, Accounting, Performance Management, and the Wall Street Systems Web Tool for web-based communication with the companies. This allows RWE to deal with processing and administration of monetary and currency transactions, commercial paper programs and capital market issues, and any connected financial instruments. Wallstreet Suite also automates and supports the processes for balancing internal liquidity, including current account information and short-term liquidity planning.

Foreign currency transactions are processed and managed by the 360T electronic trading platform. Group-internal financial transactions, such as group financing, are shown from the transaction entry right through to posting and payment. Wall Street Systems allows for real-time pricing and evaluation of all financial transactions and supports the entire Back Office work-flow. This includes transaction approval, confirmation, payment, and account reconciliation. Finally, the Accounting module allows for automatic creation of posting records for SAP.

FOREIGN CURRENCY MANAGEMENT WITH WALL STREET SYSTEMS

Particularly in currency management, the effects of centralised treasury management become more visible when using Wall Street Systems: where previously around 100 transactions per month were performed, this number has now increased to around 1,000 – an inconceivable feat without Straight-Through Processing. Most of the manual posting and approval processes are now automated: when a company recognises an operative currency risk, they ask RWE AG for a financial hedging transaction. Deals previously made via telephone or fax now run using the 360T internet trading platform, which is connected via an interface to Wall Street Systems. Where necessary, 360T creates the connection between the Group company on the one hand, and the bank with the best offer for RWE AG on the other.

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Christoph Waldvogel, Project Manager and a member of RWE'S Financial Risk Management team.



KEY FACTS

RWE requirements included:-

- **Mapping various financial transactions and positions in a single, integrated system.**
- **Enabling risk and performance measurement without any further data transfer.**
- **A close link to SAP.**

The trade information is transmitted as a file to the Wall Street Systems servers. The trader at RWE AG receives the deal on his screen for checking, although 80 per cent of transactions can be forwarded without any further action being necessary – and an automatic transfer of the trade information avoids any data entry errors that may have occurred previously. After confirmation by the trader, the deal goes to the Back Office from where an external confirmation is forwarded to the Misys matching platform, which also receives details of the counterparty. If the deal data match, the transaction is automatically transmitted in the treasury system to the final status. For internal transactions, Wall Street Systems sends a confirmation by e-mail to the RWE subsidiary. When treasury transactions are due to be paid, Wall Street Systems creates files for both domestic and foreign payments. These files are imported into the bank communication software, and after the addition of two electronic signatures are then sent to the banks. All cashflows from Wallstreet Suite are prepared in the Accounting module for posting in SAP. The subsequently created file, including the necessary posting information, is then further processed in SAP.

Christoph Waldvogel can clearly put into figures the advantages from automating FX transactions: the number of transactions has increased by 783 per cent within three years – and at the same time the error rate decreased by 76 per cent. The company has been able to reduce the number of settlement errors by a massive 92 per cent – despite the fact that recruitment only added a single employee during the same period.

POSITIVE BALANCE

“We are very happy with Wall Street Systems. The biggest advantage is that we are all accessing the same databases. This means we have less need for discussions and agreements with all other parties. Reports are standardised and provide a reliable basis for decisions,” says Waldvogel. “Continuous automation of many processes allows us to process a much larger volume of transactions. Even the increased trading volumes are having a positive effect on conditions with service providers and banks.”

Future plans at RWE AG include increased support for liquidity planning using Wallstreet Suite and to switch to the latest version of Wallstreet Suite to fully exploit the functions of the new Cash Management module. Thomas Seibel: “Complex systems like the Wallstreet Suite are living organisms and need to be constantly improved and enhanced to keep up with developments on the market. Our expectations have been fulfilled: we now have a modern risk management, and it supports our treasury activities in the financial markets.”

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