



Cash Management for Asset Managers

Making the most from your cash

Prepared January 2004

Introduction

- Efficient management of cash is essential to successful fund management
- Mistakes are costly and can have both regulatory and reputational implications
- Managing multiple cash balances is complex
- Balances are spread over multiple internal and external service providers, including:
 - Banks
 - Brokers
 - other asset managers
- Cash can also be in transit (payment systems) giving rise to timing differences
- There are a number of key processes that must also be facilitated:
 - Payments must be authorised
 - End of day balanced books
 - Start and end of day balances reconciled
 - Errors identified and investigated intra day
 - Documented audit trail

Common Problems

The following represent many of the common problems that exist. We have identified how they manifest themselves and impact negatively on a fund management business.

Current Situation

Independent pockets of processing, reliant on spreadsheets, paper and standalone systems

Data keyed in manually, often into several different systems (risk of keying errors and inefficient use of resources)

Many manual reconciliations:

- Data re-keyed manually
- line by line tick backs
- labour intensive investigations

Much data stored on paper (e.g. bank statements) which is inaccessible electronically

Spreadsheet based – no audit trail, manual entry of figures, cutting and pasting columns

Separate inter-departmental processes

No consolidated view of balances



Impacts

High volume of manual processes

Deadlines not met

Risk of errors

Expensive to run

Increased bank charges

Risk of fraud, poor audit trail

Infrequent cash balancing

Cash not being used effectively (e.g. credits not set-off against overdrafts)

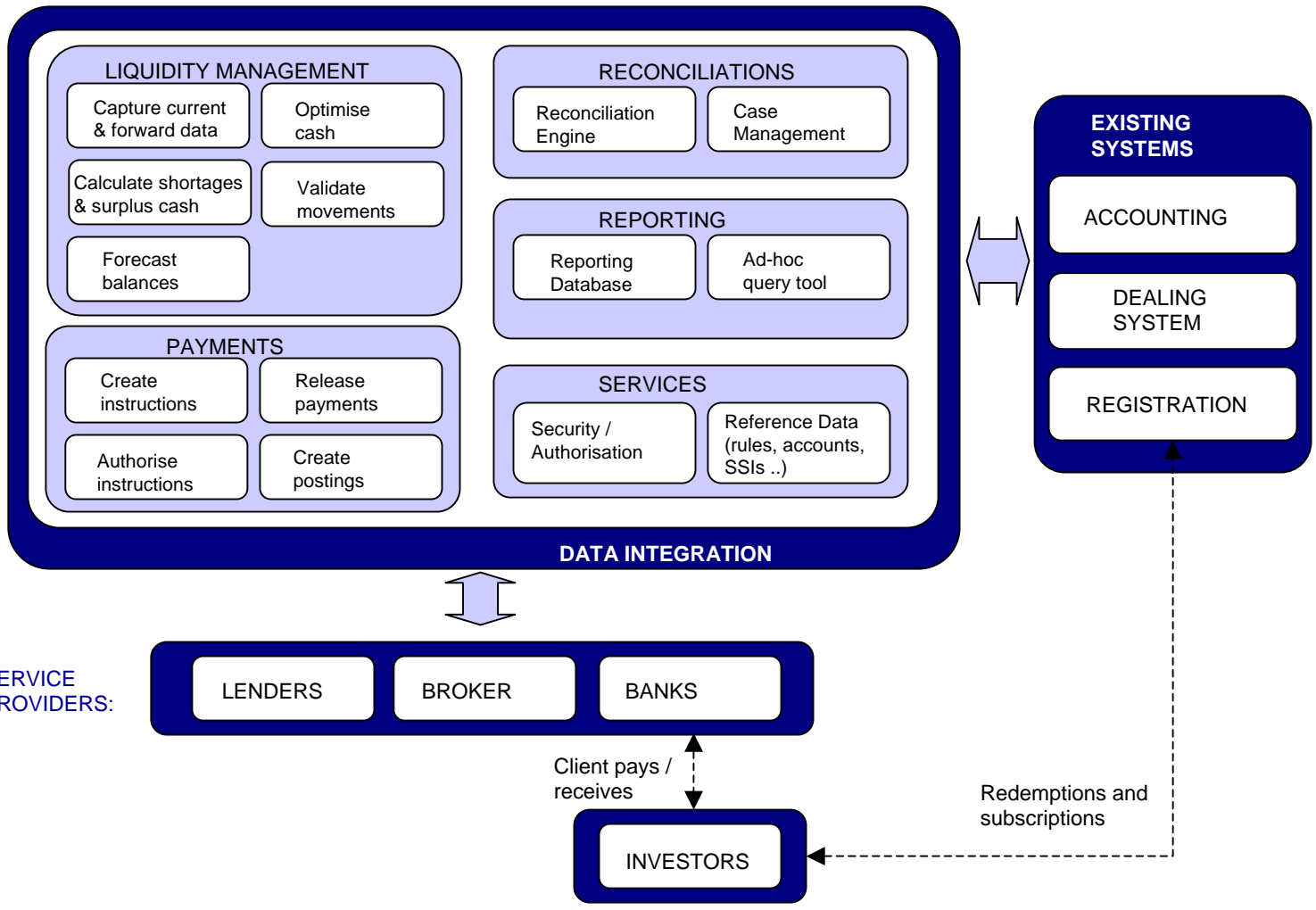
Only basic cash reporting

Rising volumes (expansion) will exacerbate problems

Business Requirements

The diagram below outlines the key requirements of a consolidated cash management system. The key functional areas are grouped. The interfaces to various parties and the users is also key to the efficient operation of the system.

CASH MANAGEMENT & PAYMENTS SYSTEM



Why change now?

There are two key reasons why the time is now right to change. These are highlighted below.

SWIFT Membership

SWIFT are keen to expand their list of members. This includes corporates and in particular investment managers.

What have they done:

1. Allowed corporates to link into SWIFT via a sponsored membership (Member Administered Closed User Groups)
2. Allowed FSA regulated investment managers to become members in their own right
3. Reduced charges for membership

Why does this make a difference?

Previously, asset managers have accessed bank information via paper statements and / or each of their bank's electronic banking system. However, using SWIFT, information can be exchanged using a single interface to all banks. This reduces costs and complexity of operation and can allow expansion to other service providers quickly and cheaply.

Maturity of Technology

Software vendors have got wise to providing cash management solutions for non-bank organisations. These solutions now offer corporates the ability to manage their bank accounts themselves including the initiation of international payment messages such as SWIFT MT103 payments.

SWIFT statements can also be read in to the software applications which allow automatic bank reconciliation.

The cash management solutions also allow complex liquidity rules to be set up to ensure that cash surpluses and deficits are managed effectively while minimising costs of making unnecessary payments.

Below are a list of challenges to be addressed with regards to selecting and implementing a cash management solution.

Business Case

Ensure there is a solid business case and sponsorship right at the start. The business case may also involve assessment of fraud risk as current cash management practices are manual and paper based.

Needs Analysis

Should be positioned as a strategic solution
Will need to conduct workshops to determine what business problems need to be resolved now and in the future (e.g. need to capture future requirements arising from business including expansions plans and business direction)

Solution Selection

What are the options and which option should be progressed. Consider use of current applications, in-house development, outsourced development, package system.
Document detailed business requirements and select and cost out preferred solution option

System Selection

Fast track the selection process
The process should be focused and requires significant involvement of business users. Can be completed within 3 months

SWIFT

Full SWIFT membership or join a closed user group (CUG)?
In house SWIFT support or outsourced?
Which SWIFT implementation partner?
Hardware configuration?
How will this integrate with subsidiaries?



Why use us?

- **Credentials.** We understand the cash management business and the underlying technologies. We have in-depth knowledge of both corporate treasury and finance departments
- **Vendor Knowledge.** We are aware of the vendors in the market place and have recently undertaken vendor research on cash management solution providers. We are also in touch with the key cash management vendors appropriate to the asset management business. This will reduce time spent in understanding which vendors to short list.
- **Experience.** We have experience of cash management in an asset management environment. Our involvement in similar projects for other clients that address similar business architecture requirements will reduce risk and save time.
- **Fast Track Methodology.** We have a tried and tested “fast track” methodology and established track record in solution analysis / and system selection work. For example, we can use pre-defined templates for business requirements.
- **Road Map.** We can provide and end to end solution from initial study to final implementation.
- **Delivery.** We will ensure that we deliver to your requirements

Quality and Control

- **Methodology.** Our project management approach is based on PRINCE 2, a UK government methodology
- **Partnership.** We always develop a partnership with our clients ensuring an open and honest appraisal of progress is made through regular progress reports and update meetings
- **Proven abilities.** Our success is based on a set of proven abilities enabling us to:
 - Accurately define scope and manage change
 - Meet business objectives and realise measurable benefits
 - Manage risks and issues
 - Identify key deliverables and milestones
 - Manage all project participants including business, IT and suppliers
 - Manage communication of progress at steering group and project team levels
 - Coach and mentor client operational and support staff
 - Quality is controlled by systematic review and sign off of stage deliverables



Our Background

- **Square Mile Consulting** delivers innovative business and information technology solutions
- The focus of our work is always to achieve measurable business benefits in a cost efficient way
- Our expertise is primarily aimed at IT and Operations in Financial Services including Asset Management, Investment and Retail Banking, Insurance and Corporate Treasury.
- Consultancy:
 - Project and programme management
 - Business and IT strategy
 - Systems and service selection
 - IT Systems implementation.
 - Business Process review and re-engineering
 - Outsourcing
 - Disaster Recovery
- Training
 - High value management training (tailored to individual client needs)
 - Based on our expertise in project management, programme management and user acceptance testing

If you require any further information please contact:

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