



Case Study: Treasury Cash Management Automation

The global financial crisis was a time of drastic change and extreme volatility. The meltdown of the financial markets greatly jarred the industry and left a troubling echo of uncertainty and insecurity. Those left standing in the wake of the crisis knew that the recent events had undoubtedly redefined the industry going forward. As firms began to look into their own business practices and operations, one area that stood out was the technology underpinning the industry its capabilities, efficiency, reliability, and its ability to mitigate risk.

In this case, the client — a global clearing bank with nearly \$400 billion in assets & international presence in 28 countries & territories — was assessing the outlook & the risk the bank's cash management technology was yielding & realized it was a prudent & necessary time to significantly upgrade the company's cash management capabilities for the future.

The bank turned to Broadridge FX & Liquidity Solutions (FXL) to help accomplish this goal.

Business challenge:

Finding and quickly implementing an intraday treasury cash management solution

Faced with rapid expansion, growing cash activity volumes and mounting issues resulting from manual cash management processing, the bank recognized just how important its ability to accurately understand its up-to-date cash positions had become. Without a current, aggregated, and accurate view of the bank's enterprise-wide cash positions, management recognized it was at risk of missing opportunities to leverage capital and was enduring unnecessary fees and managing cash with yesterday's information. A streamlined, efficient and scalable treasury cash management solution capable of providing real-time intraday data was required to scale and to effectively manage the bank's growing cash activity and growing cash management-related costs. As the number of the bank's portfolios under management grew, manual processing practices was causing the frequency and accuracy of its cash reporting to significantly decline. Growth was hindered and risks were emergent.

Without a better system to support cash flow management and to capture cash movements in real-time, the bank was relying on spreadsheets and manual processing. Although not an uncommon industry practice, a sharp turn away from this method is afoot. The bank was determined to avoid the performance limitations and operational risk issues associated with their current solutions, and began defining requirements for a solution that could support increasing volumes and provide real-time intraday data while additionally

Key business issues to be resolved:

- Lack of intraday, real-time cash position data & reporting
 - No consolidated view of true cash balances
 - Disjointed accounts
 - Insufficient risk management
 - Transaction & overdraft fees due to system inefficiencies
 - Poor visibility for borrowing to cover short
 - Missed investment opportunities due to lack of real-time position data
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supporting a multitude of asset classes and products. Flexibility and ease of integration with other systems in the bank's existing technical environment was also vital to help support a quick and aggressive implementation. As time-to-market was vital to support growth, leveraging a vendor solution was identified as the only approach.

A key driver for the bank's desired solution was the ability to accurately consolidate cash from disparate systems across the enterprise. The bank maintained hundreds of accounts around the globe. With a disjointed view of these accounts, the bank required a way to ascertain their real-time cash positions in order to decrease overdraft penalties and fees - a costly, unnecessary and avoidable risk that is too often seen as a necessary evil when dealing with an inability to view global cash positions. Yet another challenge was finding a solution that could satisfy two distinct selection criteria- loans to the street and borrowing to cover short. The bank needed a vendor that could provide these two 'must have' requirements to make their solution overhaul complete.

Identifying the solution – FXL:

Having documented their requirements, the bank executed a formal system selection process including a Request for Proposal, in-depth functional workshops, and two distinct proof-of-concept projects.

Following this intensive process, the bank selected FXL, Broadridge's Treasury Cash Management software, for its ability to quickly integrate into their existing technical infrastructure and interface with numerous data sources, its user-friendliness, its ability to scale globally over time as needed, and its rich and highly configurable cash management functionality. Apart from Broadridge's software solution, the bank was additionally excited to partner with Broadridge for its structured project governance and collaborative approach to product implementation and ongoing product support.

Partnered to provide custom functionality:

- Collateral functional enhancement
 - Payment proposal automation
 - Sharing Nostro accounts across entities
 - Sweeping pool functional improvements
 - AML interface functional modification
 - Target2 messaging interface
 - SWIFT – MT5xx interfaces
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The bank also cited Broadridge's approach to product development, product design concepts, its philosophy for ongoing product improvement, and its ability to partner with the bank to deliver customized functionality that conform to the firm's requirements. Management recognized they could quickly leverage FXL to operate in accordance with their planned workflows and requirements instead of having to conform their needs to fit into a less flexible solution.

Ultimately, FXL was able to effectively address the bank's key business issues and deliver a solution specifically designed to support current and potential future needs.

Proof-of-concepts

Before finalizing its selection of FXL for its intraday cash management needs, the bank asked Broadridge to exercise FXL in their environment to ensure it met two central requirements that were vital to the bank. This was completed through the execution of two distinct proof-of-concepts. The first proof-of-concept was designed to demonstrate FXL's ability to operate in the bank's active virtual application environment. The second proof-of-concept was designed to demonstrate FXL's ability to accept and process 400 cash flows per second.

The first proof-of-concept required FXL to be accessible via the bank's virtual desktop software environment. For local offices, FXL was distributed to the desktop using Microsoft Application Virtualization. For remote offices, Broadridge FXL was distributed using Citrix clients in a Windows environment. Collaborating with the bank's personnel, Broadridge successfully demonstrated the required enduser experience and proved that the application operated and functioned in the same fashion as when installed locally.

For the second proof-of-concept, and to prove its volume scalability, Broadridge conducted a series of benchmarking tests in the bank's environment, using its infrastructure to confirm that its requirement of 400 transactions per second could be met. The tests were designed to validate FXL's cash management processing capacity and to identify peak performance metrics. The end-to-end performance tests included initial cash flows input from a message queue interface on the application server through to the update of cash management blotters showing real time balances and projections running on multiple client workstations.

Proof-of-concept successes:

- Proven to operate the same on different Virtual Desktop Software
 - Proven to meet and exceed the processing of 400 transactions per second
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The bank implemented FXL for its Amsterdam-based global treasury department. The implementation took approximately 9 months, with the first two months devoted entirely to the proof of concept phase.

FXL: A formula for success

FXL was configured and implemented to provide global cash management functionality complete with custom enhancements. Basic functionality benefits inherent to all FXL solutions include global 24x7 operations, increased STP, customizable workflow-based processing, and customizable entry screens and blotters. Additional overall feature functionality includes money market record keeping, performing a daily MT940 auto-match and reconciliation, generation of automatic account transfers, trade settlement processing, cash flow management and end-of-day reporting, and interfacing to bank accounts, accounting sub-ledgers, and intraday payments systems.

Benefits achieved:

- Global 24x7 operations
 - Intraday, real-time cash position management & reporting
 - Consolidated views of balances & aggregated account data
 - Customizable entry screens, blotters, & workflows
 - Improved risk management practices
 - High volume transaction support
 - Multi-entity, multi-organization support
 - Significantly reduced transaction & overdraft fees
 - Workflow-based processing
 - Unattended end-of-day processing
 - Seamless technical integration
 - Enterprise-wide visibility for borrowing to cover short
 - Increased investment opportunities
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FXL provides capabilities to seamlessly integrate with the existing environment and to capture data from the bank's various data sources. The bank now easily leverages a workflow-based solution to support evolving operational practices. Users view consolidated information across all products according to personal preferences and requirements.

FXL provides the ability to automate processes, leverage real-time cash position data, achieve intraday cash reporting, and easily manage increasing cash activity volumes. Such close management of capital requirements allows for the avoidance of fees, improved returns and an increase in revenue by facilitating overnight loans to the street. By effectively and actively managing the entire transaction lifecycle, all positions are received in real-time, allowing the bank to proactively leverage available cash.

“We selected FXL as part of our strategy to offer our clients the best possible service and to further increase efficiency in our cash management processes. The combination of Broadridge’s partnership approach, robust functionality, and front-to-back capabilities made the company and its software application the best choice to support our treasury needs and evolving business.”

–Spokesperson from the bank’s treasury department

A bright partnership for the future

The bank is now one of Broadridge’s largest European clients and both organizations continue to work together to increase use of FXL and to leverage Broadridge’s additional solutions to introduce scalability and efficiencies into the bank’s broader operations.

The bank cites Broadridge’s state-of-the-art technology, top quality service and the bank’s ability to quickly effect changes to a flexible solution as a unique differentiator from other providers they have dealt with and a primary driver to expanded product usage.

**For more information on this case study, please contact us at Broadridge FX & Liquidity Solutions
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About Broadridge

Broadridge Financial Solutions, Inc. (NYSE:BR) is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and corporate issuers globally.

