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November 7-10, 2010 | San Antonio



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SWIFT – Benefits and Considerations for Corporates

John Cowart, CTP

Corporate Cash Management
Deutsche Bank New York

Deutsche Bank



Peter Schmitz

Global Treasury Product Management
Dell



Stephen Gehring

Regional Manager
SWIFT Pan - Americas



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Corporate Treasury Globalization

John Cowart, CTP
Global Transaction Banking

Introduction: Deutsche Bank

Founded	1870
Employees 2009	81,929
Branches Globally	1,995
Countries with DB Presence	72
Clearing	#1 Euro, #5 USD, #6 Sterling
Annual Payments Processed	HVP: 74M; ACH: 1.34B
Total Assets	Eur 1,926 billion
Shareholder Equity	Eur 41.5 billion
Net Revenues	Eur 7.2 billion
Net Income	Eur 1.2 billion
Rating	S&P: A+; Moody's: Aa3; Fitch IBCA, London: AA-



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Globalization – Regional Trends

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Challenges – Corporations and Banks

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Global Structural Trends

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Centralized Treasury - Pain Points & Remedy

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Regional Payments Dynamics

North America

- US – 109.6 Billion non-cash transactions in 2008*
- Electronic payments now outnumber checks in terms of volume
 - 2008 Payment Usage – by type**
 - Check: 25.5%; Debit Cards: 37.4%; Credit Card: 23.7%; ACH: 23.6%; Wire: 1.4%
- Growth rates in electronic payments likely to continue considering the advancements made in ERP systems
 - 2000 to 2008 Growth Rates - ACH: +280%; Wire: +180%; Check: (39%)
- Over 23 billion ACH transactions in 2008 within the US
- International ACH Developments
 - Cross-Regional ACH expansion



•BCG – Global Payments 2009

** Federal Reserve Payments Study

Regional Payments Dynamics

Asia

- 45.6 Billion non-cash transactions in 2008*
- Old Tigers (Hong Kong, South Korea, and Singapore)
 - 14.8 Billion non-cash transactions in 2008
- New Tigers (Indonesia, Malaysia, Philippines, Thailand)
 - 7.3 Billion non-cash transactions in 2008
- China and India - 11 Billion non-cash transactions in 2008
 - 2008 to 2009 Volume Growth Rates *
 - China: +11% CAGR; India: +17% CAGR
- Paper-based countries (China, India, Sri Lanka, Indonesia) are transforming clearing processes to electronic
- Increasing usage of ACH based transactions (including direct debits)

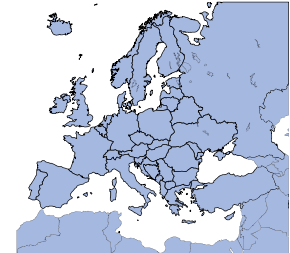


•BCG – Global Payments 2009

Regional Payments Dynamics

Europe

- EU 15 – 88.1 Billion non-cash transactions in 2008*
 - Projected to grow to 161.1 by 2016
 - 8% CAGR from 2008 to 2016
- Electronic payments dominate EU 15 (2003 cashless volume)
 - 32.8% cards, 28.1% credit transfers, 25.8% direct debits, 13% checks
- SEPA Payments live in 2008 – cross boarder payments
- SEPA Direct Debits live in Q4 '09 – cross boarder direct debits
- PSD Live in Q4 '09 – harmonization of electronic payments



•BCG – Global Payments 2009

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Globalization – Corporate Client Challenges

- Globalization is creating opportunities and squeezing margins
 - Driving need for low cost non-cash payment and collection products
- Payment options provide competitive advantage
 - Increase speed, convenience, and security
- Cost reduction and regulatory pressure (e.g., SOX) driving need to automate and increase global visibility of cash flows
 - Need for real-time information and reporting (ERP and Treasury systems)
- Expedited availability of incoming funds - globally
- Improved fraud control of payments
- Standard handling of remittance information (auto-reconciliation)
- Remittance/Reference data survivability
- Payment tracking (visibility into clearing and bank-to-bank systems)

Globalization – The Bank View / Challenges

- Mandatory investment spend is growing for both ACH and HVP clearing businesses
 - Credit and compliance (KYC, embargo filtering/reporting, and AML)
 - Market Demand (Extended Remittance / IAT / Same Day ACH)
 - Implementation of new clients and existing client development
- Capability / Value driven investment spend requirements are growing as well
- Transaction volume growth and pricing pressure (reduced margins)
 - Pricing increasingly regulated or commoditized
- Convergence of payment instruments, however pricing discipline remains
 - Migration from HVP to ACH yet ongoing regulation changes requiring investments
 - Value in real-time settlement, conversion/transliteration, and service levels
- Competitive nature of the business requires scale and low cost operation
 - Continued focus on standardization and interoperability
- High fixed costs for service delivery as volumes shift from one platform to another
- European harmonization driving consolidation and rationalization decisions

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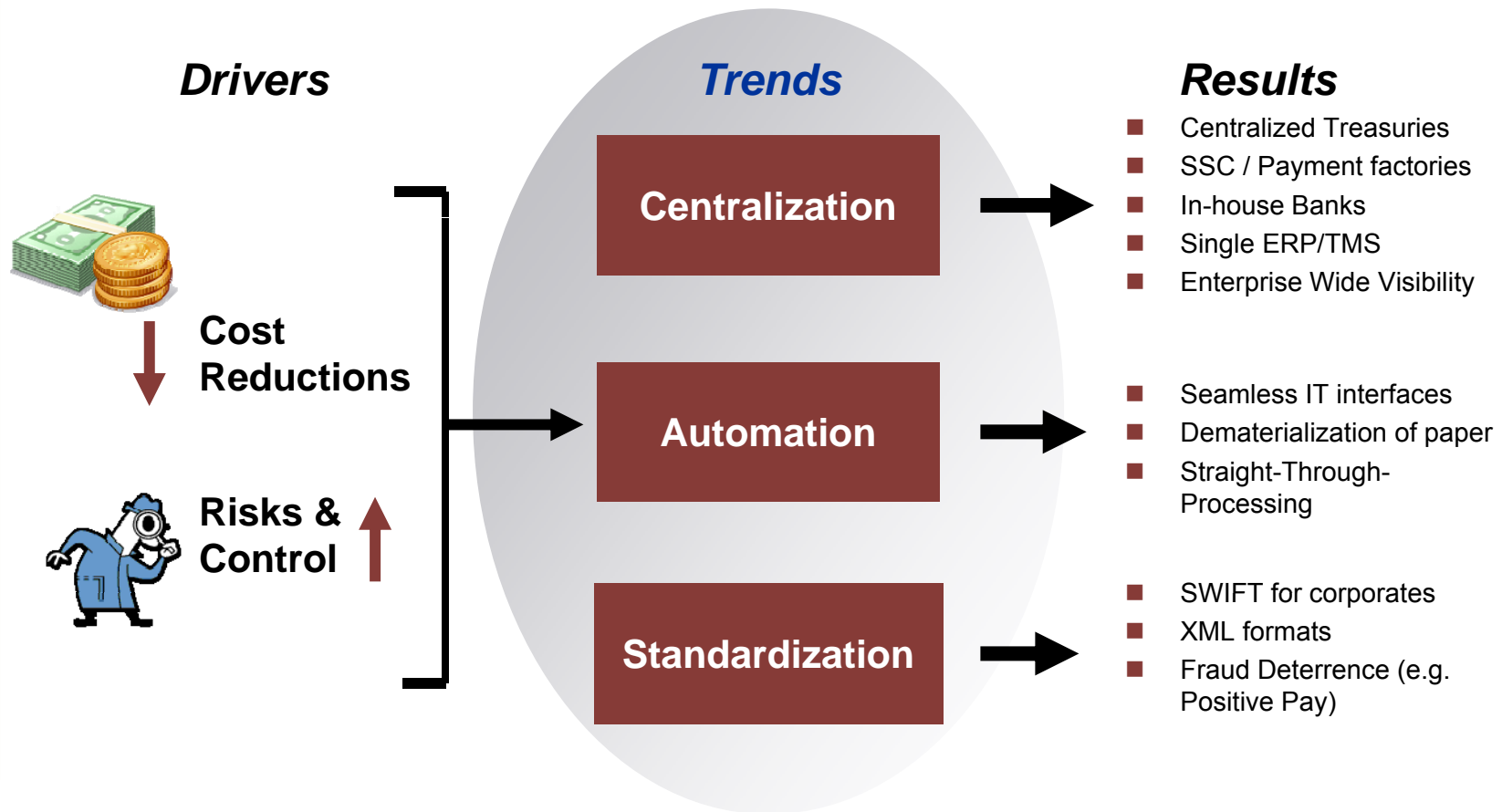
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Global Structural Trends

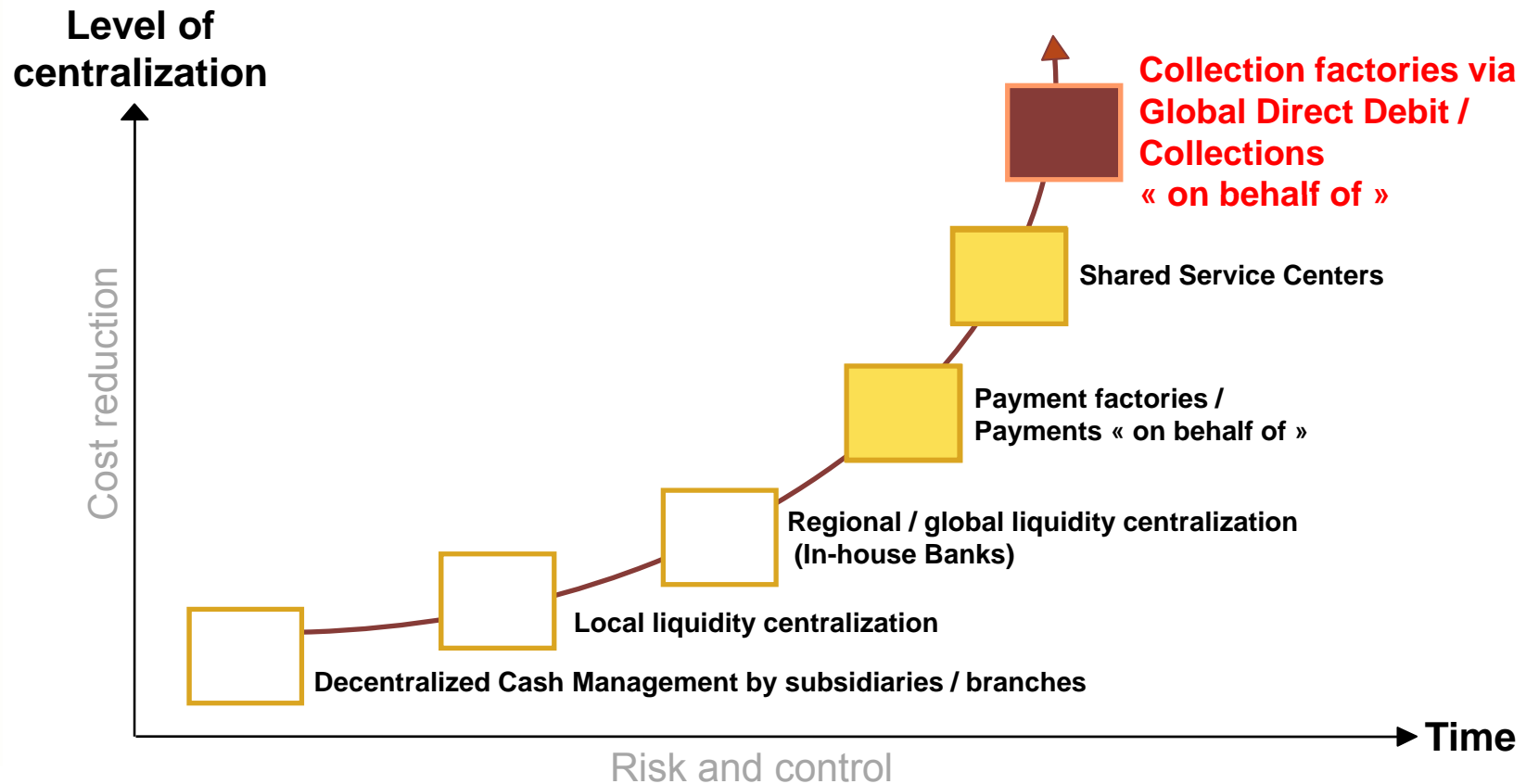
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Centralized Treasury - Pain Points & Remedy

Strategic Opportunity – Current Corporate Market Trends

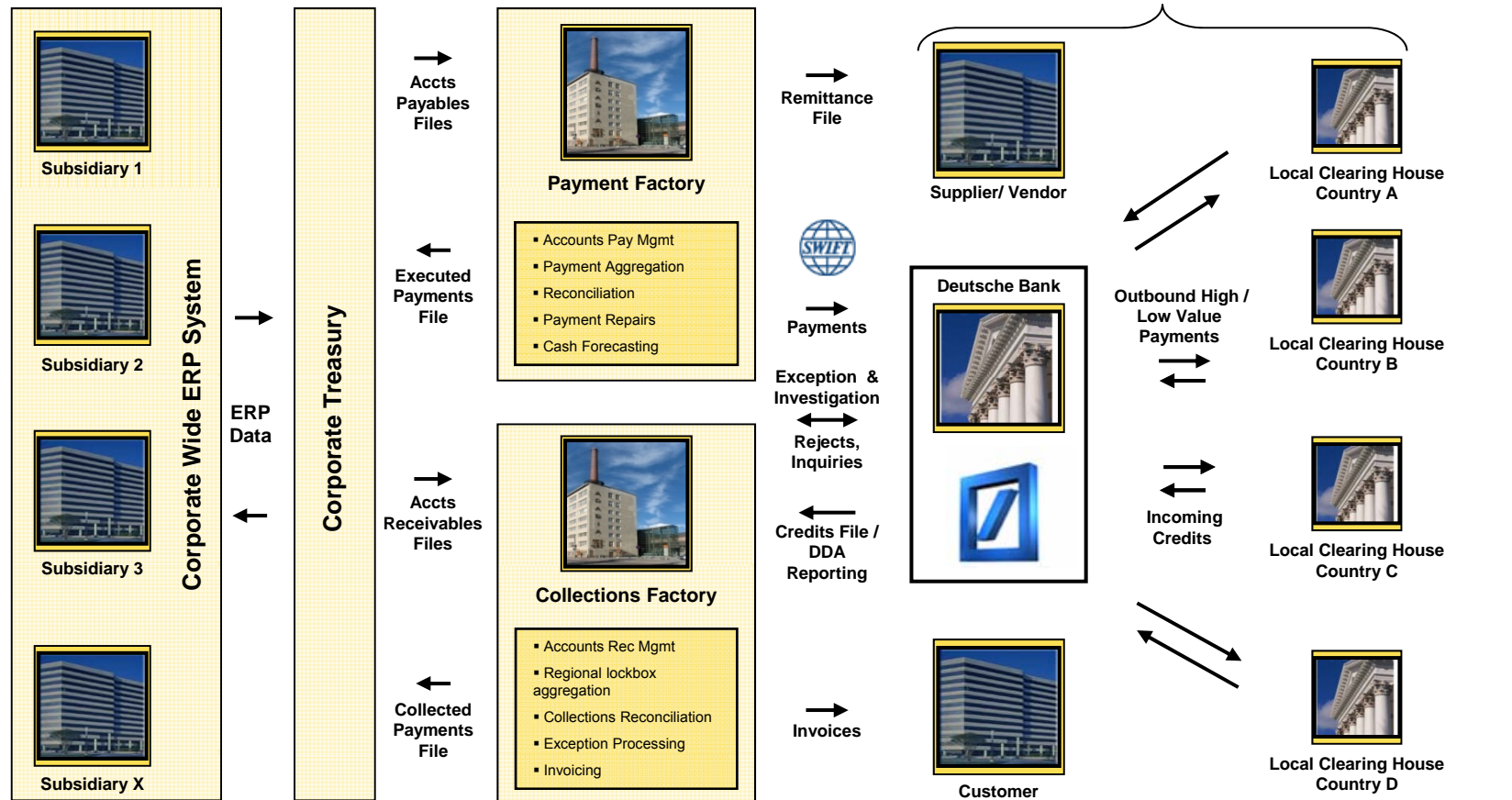


Cash Management Structures



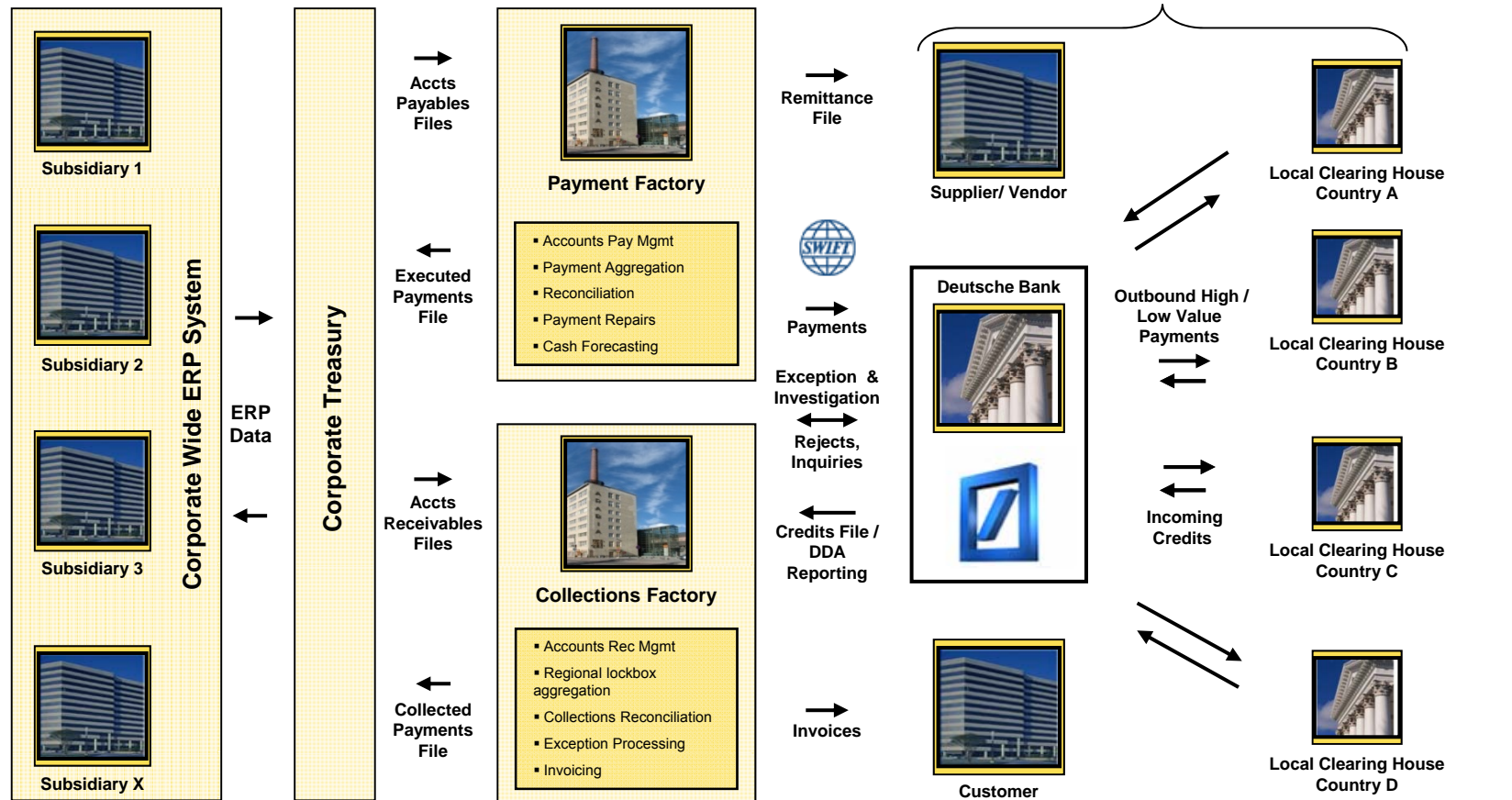
Typical Centralized Treasury Structure

Incorporating Automation and Standardization



Typical Centralized Treasury Structure

Incorporating Automation and Standardization



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Centralized Treasury - Pain Points & Remedy

Globalization – Centralized Treasury Structure

Identifying the Pain Points

Pain Point

- Cash Forecasting and Liquidity Management
- Minimizing Working Capital Expenditures
- Issues with Financial Reporting
- Transparency Issues with Financial Risk and Compliance
- Inconsistent Internal Policies and Procedures
- Internal Lending

Centralization Remedy

- Provides a consolidated view of all cash positions on a global basis – cash pooling
- Provides increased efficiency around order-to-cash and purchase-to-pay cycle processes
- Empowers the treasury department with full transparency in terms of reporting capabilities
- FX Hedging simplification and improved interest rate arbitrage capabilities
- Standardization of internal policies afford consistent treatment of vendors and introduces scalability to the treasury operations function
- Allows subsidiaries to manage short term lending needs

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Global Treasury Banking

Peter Schmitz
Project Overview
Dell Inc.

Changing Role of Treasury Systems

There are numerous drivers contributing to this evolution of the corporate treasury function...

Key Drivers

- Increased globalization and competition
- Need for greater transparency and control over global cash
- Resource constraints
- Increased regulatory requirements and accountability (e.g. Sarbanes-Oxley, FAS 133) and more intense investor scrutiny
- Corporate systems integration
- Centralization

Outcome

- Treasury processes are becoming increasingly complex
- The ability to optimize cash flows and liquidity while simultaneously managing risk is becoming a vital competitive differentiator
- Corporations are increasingly looking for more accurate, real-time visibility into cash balances worldwide
- Treasurers are seeking to do more with less by automating non-value added tasks
- Greater focus on accuracy of financial information, process documentation, controls and risk management
- Treasurers are increasingly looking for the ability to proactively ensure compliance
- Corporations are adopting ERP systems for their general ledger and best practice is for treasury to integrate directly
- Corporations are looking to consolidate their banking relationships and to centralize their treasury operations – therefore reducing costs, complexity and improving controls

Changing Role of Treasury Systems

... however, there are barriers that Corporate Treasury is facing in its journey to value added business partner.

Key Challenges	Consequence	Impact
Treasury is decentralized and in multiple locations	<ul style="list-style-type: none"> Multiple banks and bank accounts used in different locations No systematic approach to data collection and co-ordination 	<ul style="list-style-type: none"> High bank fees Increased time spent on bank relationships
Non-Standardized Processes	<ul style="list-style-type: none"> Organizations are still reliant on spreadsheet solutions for data capturing and manipulation (e.g. Daily activities such as bank reconciliation and exception processing) Processes are not standardized across business units which use their own "tools" to handle data 	<ul style="list-style-type: none"> Lack of group cash transparency Efforts are duplicated Weak controls
Poor Systems Integration	<ul style="list-style-type: none"> Financial data is held in multiple systems, or is not available in a timely fashion – processes such as cash forecasting become difficult and inaccurate Financial risk is not properly understood, group wide liquidity is not controlled or accessible 	<ul style="list-style-type: none"> No overall picture & ineffective position management Lack of timely and accurate forecasting Ineffective risk management
Under Utilization of Technology	<ul style="list-style-type: none"> Real-time cash throughout the organizations' multiple business units is not available Inaccurate tracking and flagging of maturities and payment schedules; penalty and missed maturity costs are not eliminated Real-time performance measurement and risk management throughout multiple business units (e.g. "what if" , Value at Risk) is not available. Costs are higher and hedging is not as effective 	<ul style="list-style-type: none"> Idle cash, unnecessary borrowings, inefficient transaction flows Missed opportunities (e.g. FX and borrowing spreads)

Treasury Management System

Global, scalable, integrated, controls

Objective

Globally implement a total front, middle, and back office Treasury management system enabling real-time information and straight through processing from point of deal capture to settlements, confirmations and accounting

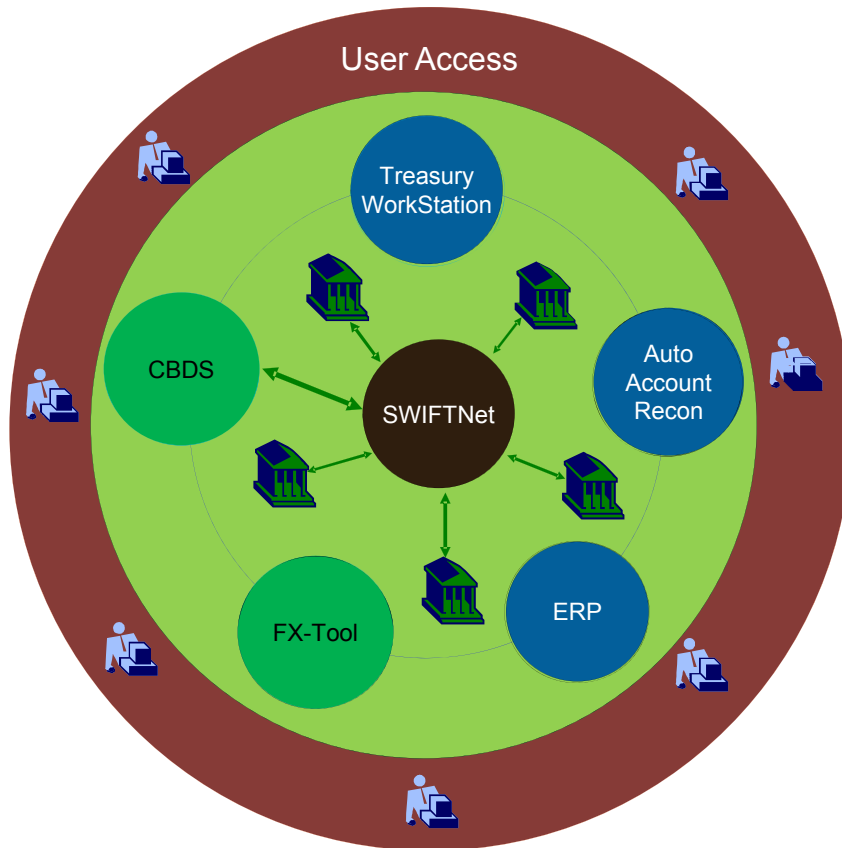
Value Analysis:

- Scalable global coordination of cash and risk management transactions
- Better internal controls and communication
- Faster accounting close; Smoother intercompany and FX settlement process
- Interface to global banking systems
- More efficient cash positioning translating to better predictability of cash flows
- Standardization and automation of global processes
- Scalable to support global business growth both in terms of volume & scope

Treasury Management Systems Best Practices

	Basic	Common	Advanced
Degree of automation	<ul style="list-style-type: none"> Treasuries rely heavily on spreadsheets Problems exist in the areas of efficiency and control related to data integrity, system reliability and system access 	<ul style="list-style-type: none"> Treasury has a structured system Treasury is partially automated 	<ul style="list-style-type: none"> A fully integrated treasury management information system exists Straight Through Processing (STP). Treasury systems are fully automated, reducing time spent on repetitive processes
Integration of risk systems	<ul style="list-style-type: none"> Stand alone risk management function Risk management is manually based and spreadsheet reliant 	<ul style="list-style-type: none"> Risk management systems are partially integrated with other systems for data gathering 	<ul style="list-style-type: none"> Risk management systems fully integrated with other systems Full audit trail for risk management
Deal capture & settlement	<ul style="list-style-type: none"> Fragmented deal management system Inefficient market information 	<ul style="list-style-type: none"> End-to-End deal management system (from trade capture to settlement) 	<ul style="list-style-type: none"> End-to-End deal management system Real-time prices and market information Use of 'what-if' scenario tools

High Level Overview of Treasury Banking

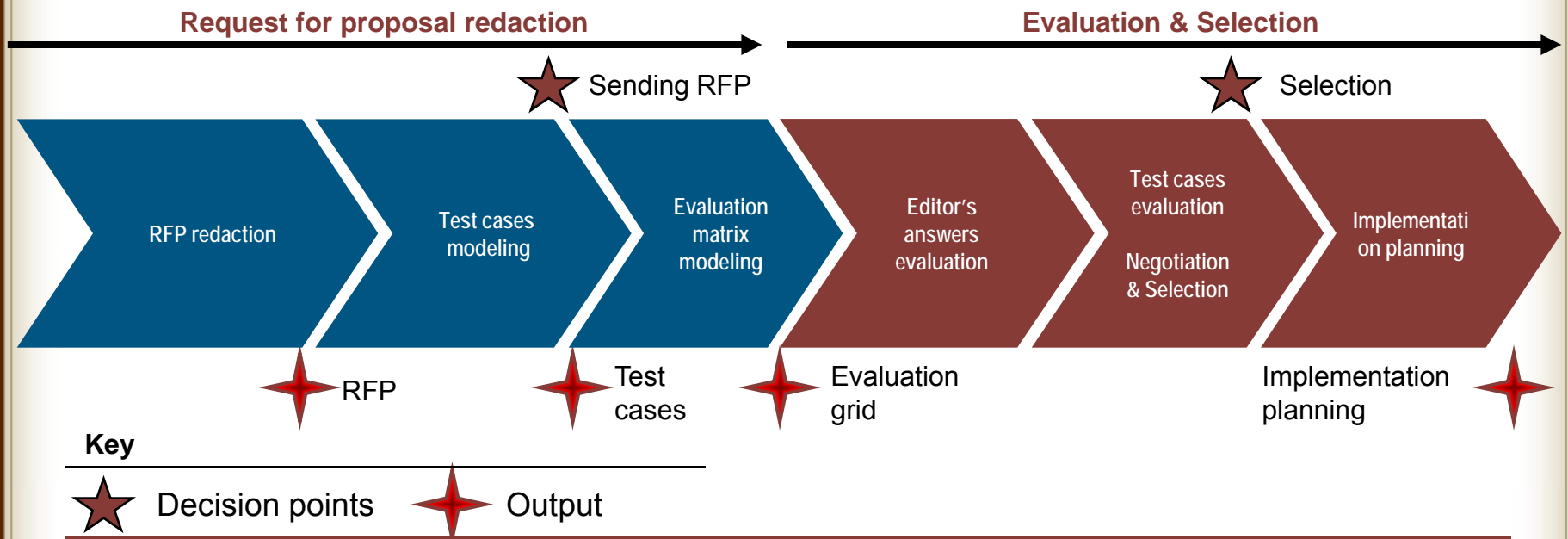


- Treasury WorkStation
 - Treasury Sub-ledger and Cash Management
 - Auto Account Reconciliations
 - Rules-based auto-matching
 - ERP
 - Dell Ledger
 - FX-Tool
 - FX Analytics
 - CBDS
 - Single point of connectivity for Dell Bank data
 - SWIFTNet
 - Highly secure financial messaging
- *Blue represents Accounting \$s and Green represents Actual \$s

Treasury Management System

Approach & Planning

The goal is to select a treasury management system via a request for proposal that is based on critical functionality and technical needs.



Treasury Management System

Activity details for RFP Preparation Themes

Financial Operations

- Transactions:
 - Dealt financial operations
 - Settlements, calculation rules...
 - Accounting (IFRS, GAAP)
 - Efficiency tests
 - Workflows
 - Interfaces
- Risk Management
 - Reporting (Valuation / IAS...)
 - Simulation (VAR, VAN, Pricing)
 - Risk Analysis (scenarios, Montecarlo, historic...)
 - Credit risk limit

Cash Management

- Affiliates' Cash Management
 - Daily cash flow
 - Bank reconciliation
 - Workflows (FX request...)
 - Conditions
- Central Cash Management
 - Daily cash position
 - Current account management
 - Bank reconciliation
 - Operations management
 - Workflows (payments on behalf of...)
 - Reporting

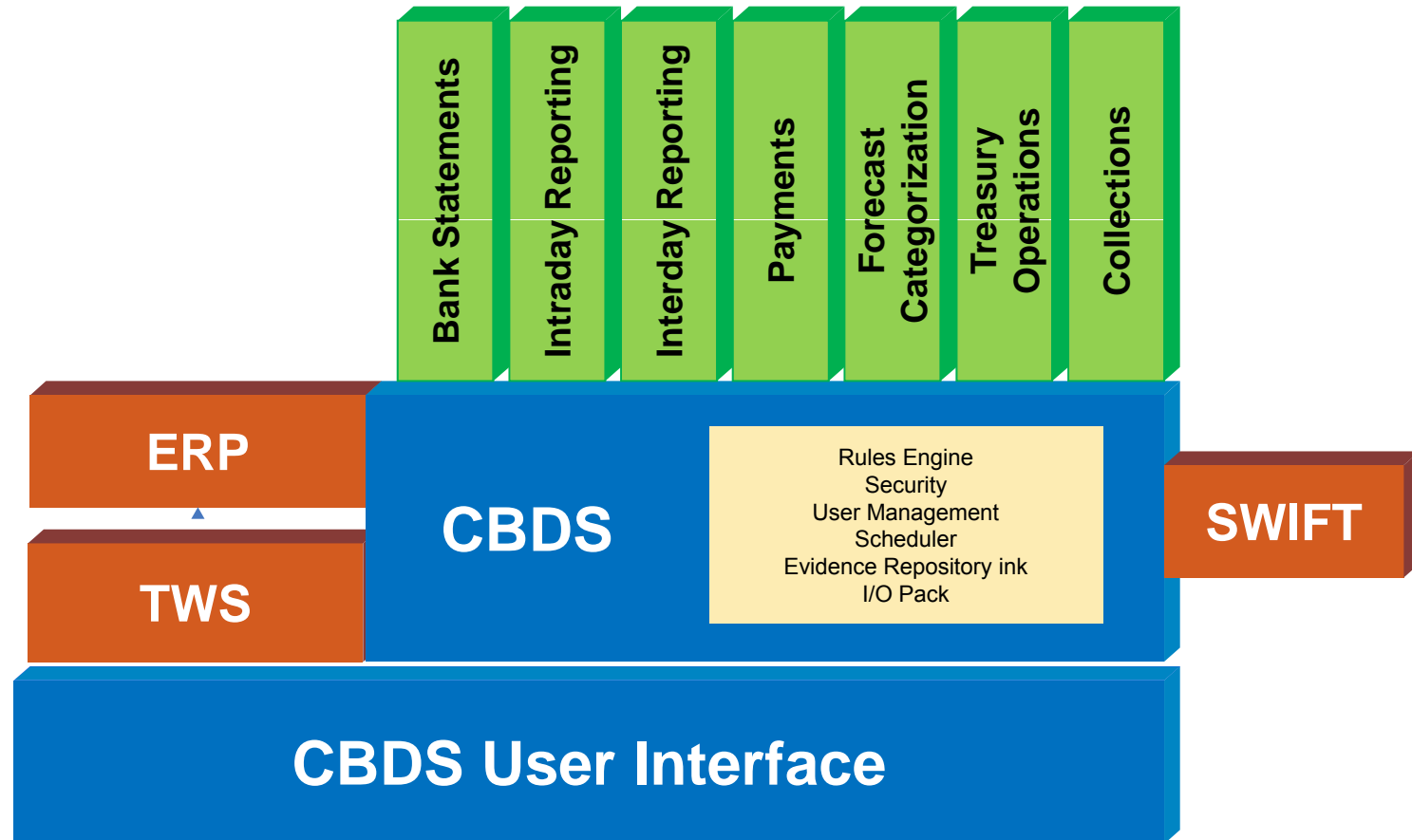
Bank Interfaces

- Flows management (from affiliates to the banks)
- Validation workflows
- Data exchanged with the banks (reporting, notifications, alerts...)
- Static data management

Benefits / Drivers of Centralization

- Eliminate Redundant Processes / Operations
 - Reduction in Bank Fees
 - Simplified Uniform Controls
 - Improved Straight Through Processing
 - “Single Source of Truth” for All Statements and Payments
 - Research Repository Historical Activity
 - Simplification of SOX controls
 - Simplify IT processes
 - Data Stewardship
-

Treasury Management System Components



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SWIFT for Corporates

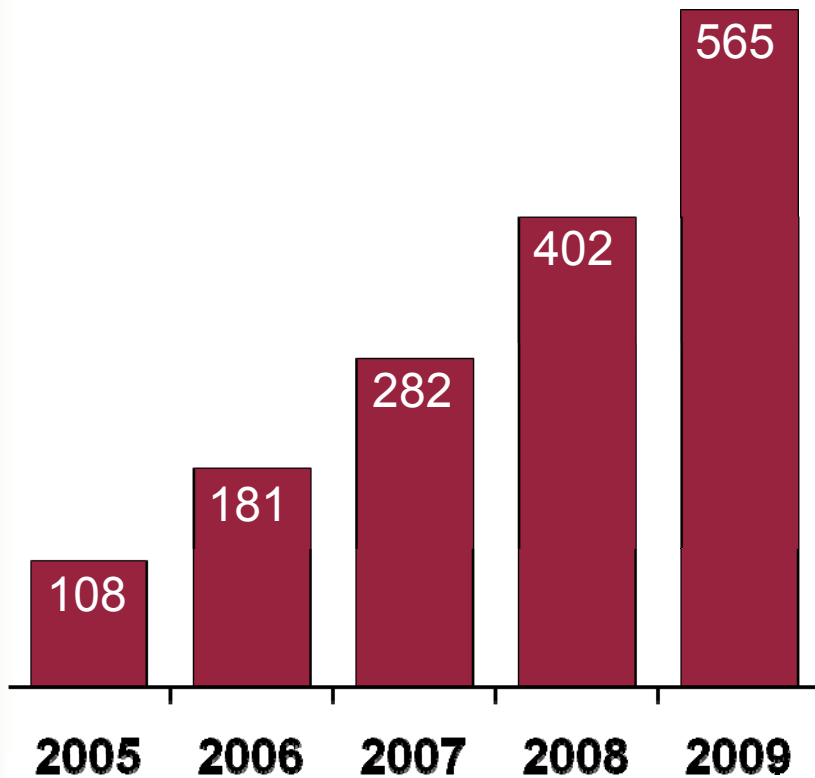
Stephen Gehring
Regional Manager
November 2010

Agenda

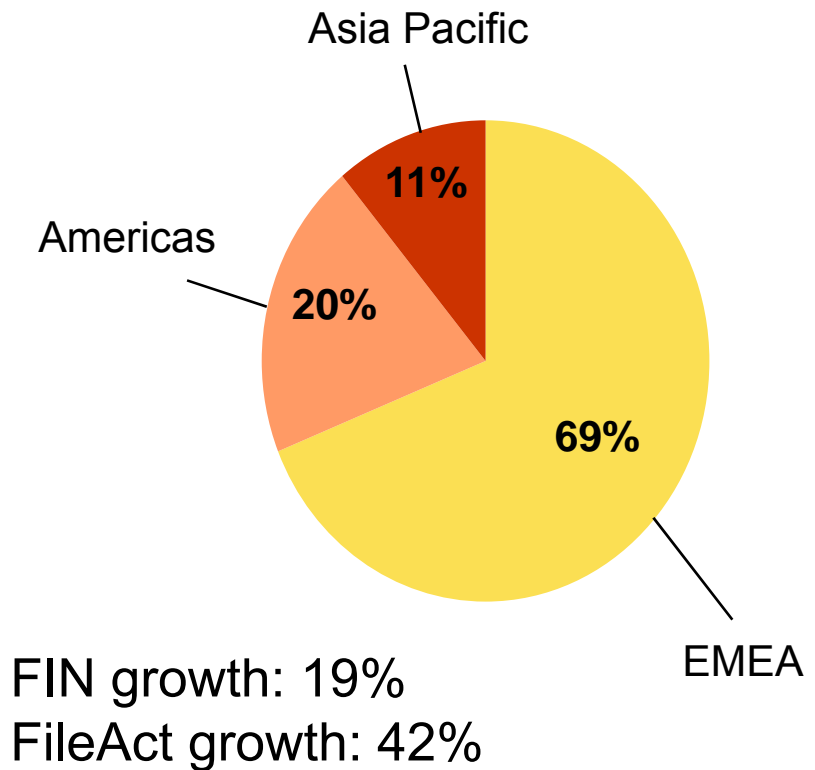
- Corporates on SWIFT – Adoption
- Breakdown by industry sector
- The SWIFT ecosystem for corporates
- Project Plan: Definition and Planning
- Customer feedback
- What's new? Extending the value proposition
- Q&A

Corporates on SWIFT: Adoption

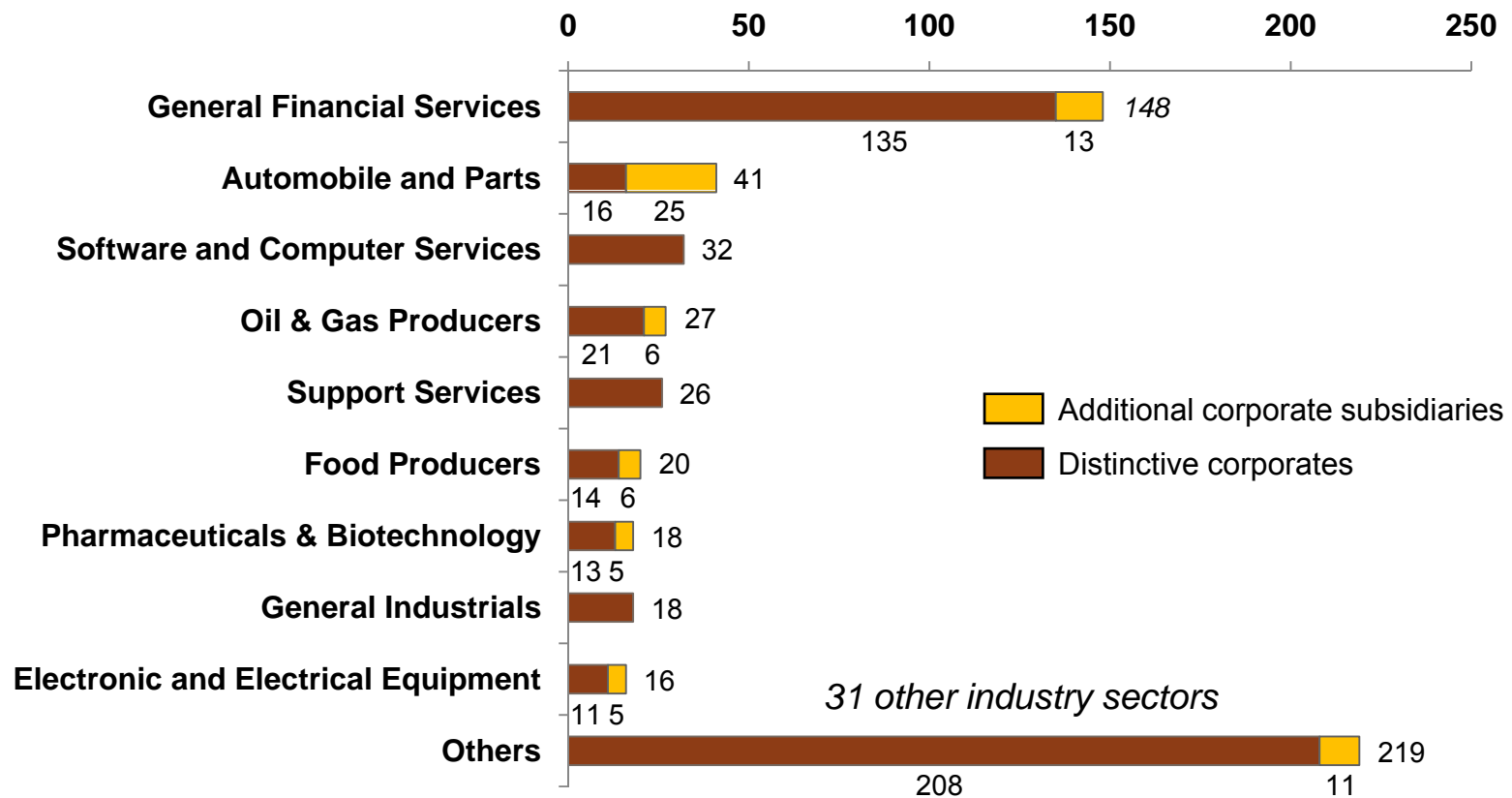
registered corporate entities



Geographical split

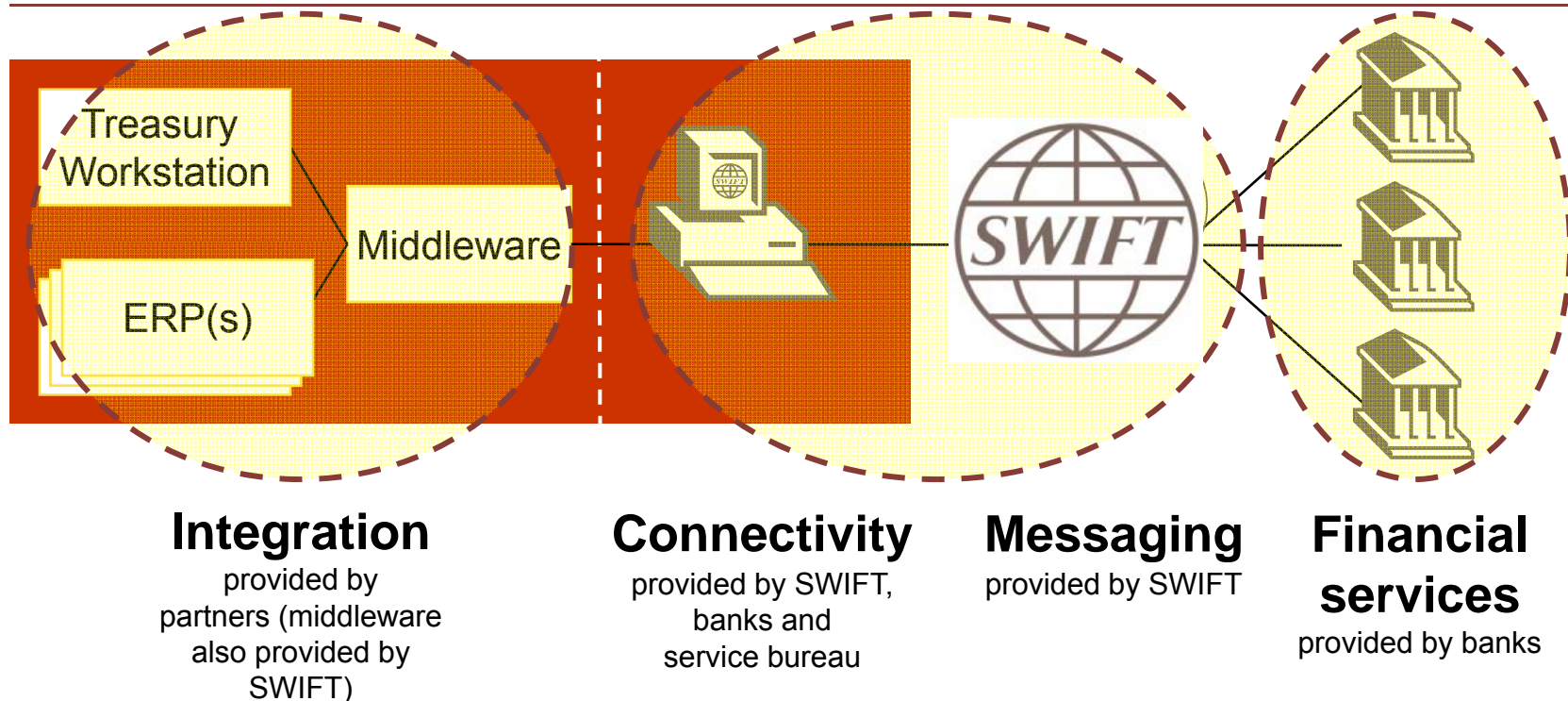


Corporates on SWIFT: By industry sector*



(*) Using the Industry Classification Benchmark (ICB)

The SWIFT ecosystem for corporates



Business standards

SWIFT and standards bodies

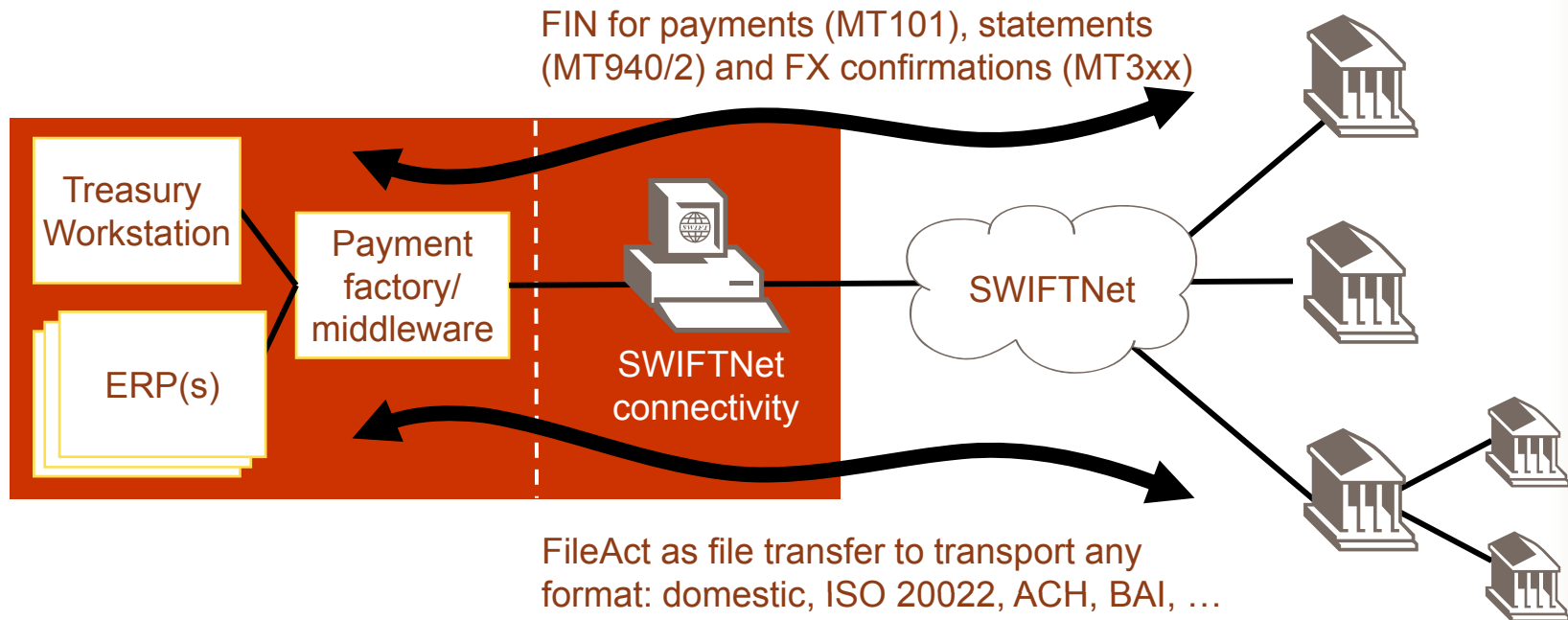
Define project scope

Which applications to connect to SWIFT?

How to connect?

What formats & messaging to use?

Which banks to connect to?



Customer feedback

“... the only way to make our vision – reach all our banks via one connection – a reality”

Group Treasury, DuPont

“... run a central platform with a single standard for every country and every bank”

VP Finance & Treasury, T-Mobile International

“We implemented SWIFT to ...”

“... reach all our banks directly, with the highest security”

Head of Treasury Control and Reporting,
Novartis

“... build one central ‘source of truth’ for banking data”

Group Manager, Treasury, Microsoft

What's new?

Extending the value proposition

Trade for
Corporates

Electronic
bank account
management

B2C Account
reporting

Thank you

For more information please contact:

Stephen Gehring

SWIFT Pan Americas, Inc.

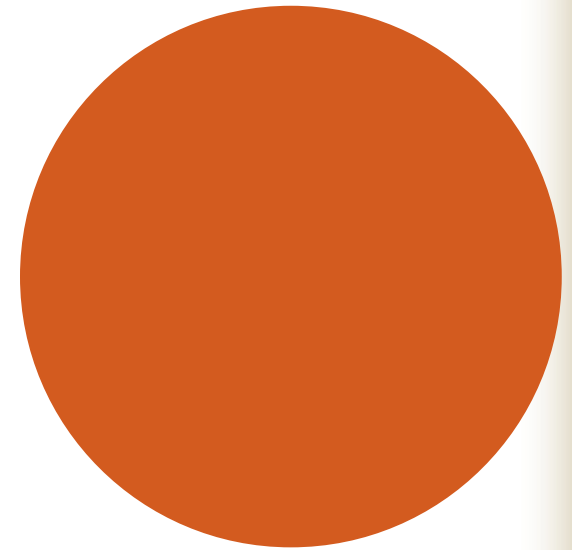
Regional Manager

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Questions?



Planning the project



- Financial services
- Banks
- Applications
- Formats and messaging
- Type of connection

- Contact relationship manager or see swift.com
- Agree service modalities. Contract template available

- Contact SWIFT
- See SWIFT ready partners on swift.com

- Join SWIFT
- Install software, connect to SWIFT
- Run test pilot

- Per bank
- Kick-off meeting
 - Setup and test live environment
 - Go live

Contact Information

Thank You!

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