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# Annual Conference

OCTOBER 27-30, 2013 | LAS VEGAS

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## Transforming a Domestic Treasury Operation Into A Global Treasury Center

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# About Blackstone

**Blackstone® is one of the world's leading investment and advisory firms. We seek to create positive economic impact and long-term value for our investors, the companies we invest in, the companies we advise and the broader global economy.**

- **We are a firm of over 1,900 employees in 24 offices worldwide. But we are more than that. Our portfolio companies employ over 637,000 people across the globe, making us a major factor in economies around the world.**
- **As a leader in alternative asset management, we are a trusted partner to many of the world's top institutional investors. Through our various investment vehicles we preserve and protect \$230 billion in assets for public and corporate pension funds, academic, cultural and charitable organizations, among others. Our asset management businesses include investment vehicles focused on private equity, real estate, hedge fund solutions, non-investment grade credit, secondary funds, and multi asset class exposures falling outside of other funds' mandates. Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Further information is available at [www.blackstone.com](http://www.blackstone.com). Follow Blackstone on Twitter @Blackstone.**

# Executive Summary

- **Blackstone implemented a state of the art Treasury Platform for domestic operating activity in 2010**
- **Expanding global business operations have increased demand for greater Treasury capabilities globally**
- **Decided to develop regional Treasury centers in Europe and Asia in 2012**
- **Discuss decision points on how we decided to structure the global platform, and the challenges faced in implementing the platform**

# Building the foundation

## US domestic platform and capabilities:

- **Implemented a Treasury Management System that significantly enhanced the firm's capability to services the businesses on a highly scalable platform across multiple banking partners**
- **Enrolled as a direct SWIFT member, providing a hub and one standard messaging protocol for all banking relationships**
- **Straight-through processing with upstream and downstream integration to general ledger, business sub-ledgers, FX trading platform, and Money Market investment platforms**
- **Real-time visibility of cash positioning and forecasting through one centralized platform has improved planning for funding needs and hedging strategies**
- **Created in-house bank capabilities for physical cash pooling and efficient investment of firm-wide cash balances**
- **4 primary banking partners with 23 regional connections servicing 2,350 bank accounts averaging ~70,000 yearly payments**

# Why go global?

- **Expansion of global offices and footprint**
- **Increasing global business activity through both organic growth and acquisitions**
- **Improve management of capital in local jurisdictions**
- **Decrease finance personnel bandwidth required to handle Treasury needs**
- **Global consistency of process and controls for Treasury processing functions**
- **Follow the sun operational coverage and support for same day issue resolution for in-country business**
- **Facilitate deal execution for local deals, including FX hedging and operational settlements**

# Blackstone's Global Treasury Footprint



**Blackstone**

# Why Singapore and London

## London

- **Brick and mortar already established with minimal additional staffing requirements**
- **May explore more common RTC jurisdictions such as Ireland or Luxembourg as the function continues to develop**

## Singapore

- **Centrally located for Asia business activities**
- **Serves as the firm's investment hub for Southeast Asia opportunities**
- **Finance and Treasury Center ("FTC") status offers advantageous tax incentives for FTCs that meet certain investment and headcount requirements**
- **Extensive tax treaty network for certain international investment opportunities**

# Global Treasury Platform

## Leverage domestic platform capabilities to provide a global treasury solution

- “One platform, one process” globally
- Follow the sun operational coverage and support for same day problem resolution for in-country business
- **Add regional banks to enhance in-country service**
  - London service area: London, Jersey, Germany, France, Dubai, Turkey
  - Singapore service area: Singapore, Hong Kong, Australia
  - Regions to be added in Phase II: India, China, Japan
- **Created additional payment types for regional payments**
  - FIN MT101, FileAct (ISO:20022) – BACS GBP payments and Asia ACH
- **Created additional in-house bank capabilities for centralized physical cash pooling, bill payment, and cash investments.**
- **Add FX trading capabilities in Singapore for FX hedging**

# Tax and Regulatory Challenges

- **Regulatory requirements from the Monetary Authority of Singapore (“MAS”) and the Economic Development Board (“EDB”) require our Finance and Treasury Center (“FTC”) to establish robust information walls between Treasury and our operating businesses**
- **Designation between regulated and non-regulated entities increases operational burden for activities between these types of entities**
- **Investment and local headcount requirements to maintain 5 year FTC status**
  - Employing 3 full-time qualified Treasury professionals
  - Maintain minimum business spending
  - Perform qualifying services for at least three affiliates
    - **Providing fund management services, general management and administration, and business planning and coordination**
  - Perform qualifying activities on its own
    - **Transacting or investing in securities, certificates of deposit, notes, bonds, foreign exchange, and derivatives**
  - Submit annual figures and acknowledgement of services provided and activities performed

# Technical implementation challenges

- **International implementation and bank selection**
  - Ensure full SWIFT message functionality across regions in scope
  - Variances between the RFP and “proof of concept” tests, and actual capabilities of banking partners
  - Coordinating local resources for user acceptance testing and training
  - Managing time zone differences and resource availability
  - Communication, cultural, and terminology differences between the regions
  - Instilling urgency and minimizing response times

# Lessons Learned

- **Tax and Regulatory**

- Expect a highly collaborative process involving several teams including but not limited to; Legal, Tax, Finance, and external counsel
- Obtaining the FTC status was a lengthy application process
  - Overall application, business structure analysis, and acceptance process took 24 months to complete
  - Understanding tax and regulatory implications and their potential impacts on day-to-day operations
  - Understanding regional forecasts for minimum business spending

- **Bank Selection and Implementation**

- Ensure full SWIFT message functionality across regions in scope
- Extensively test RFP responses prior to awarding business
- Over communicate and document all communication with the implementation team
- Provide a detailed list of requirements with priority to core functionality

- **International Implementation**

- Combination of relocating a Subject Matter Expert on our process from the U.S. and hiring strong local talent created a very strong local team
- Managing time zone differences was vital to keeping the project on time and on budget