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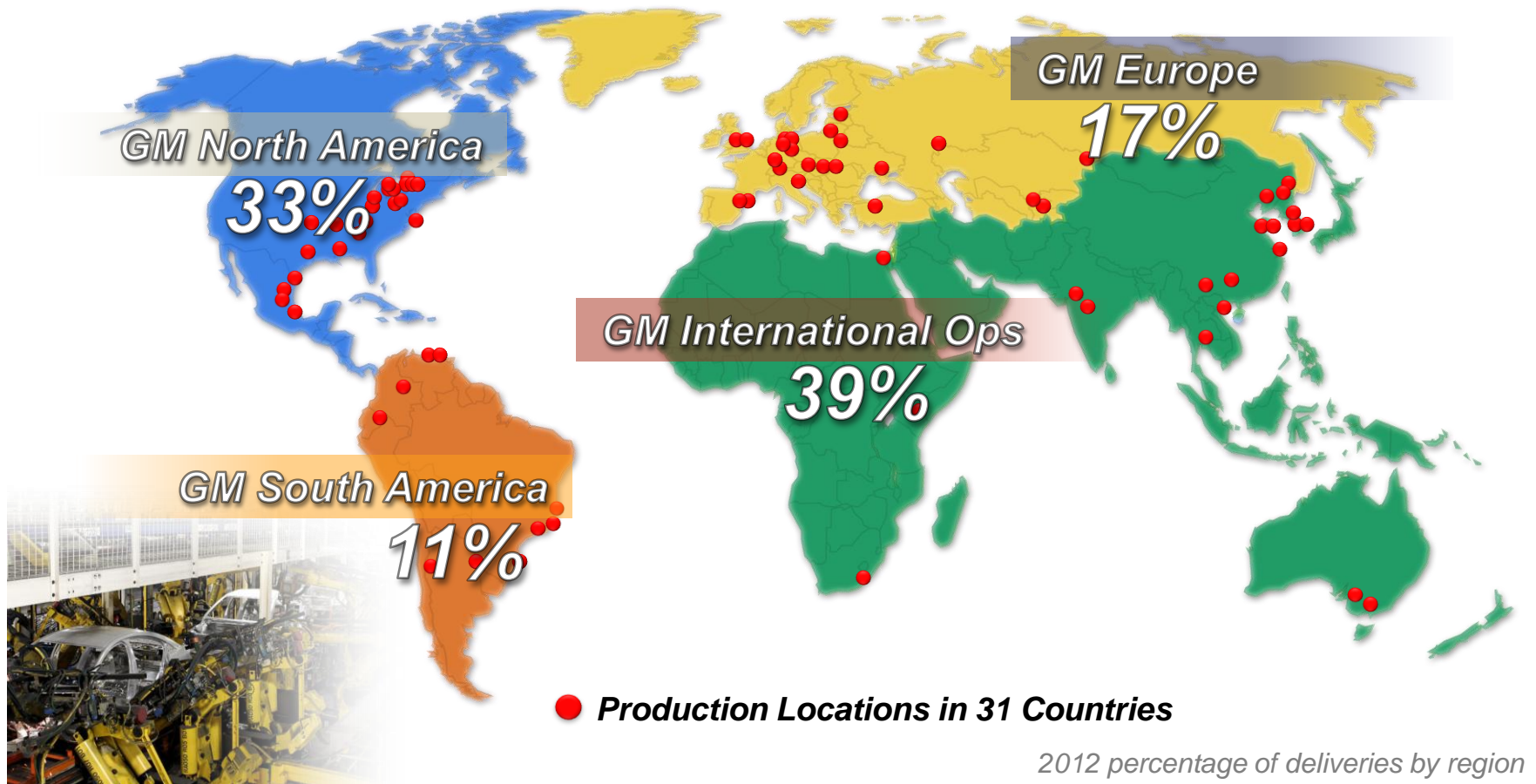
Treasury Transformation
Building and Sustaining a World Class Treasury

The New General Motors

- ## 2010 – A Fresh Start
  - *$23 Billion* Initial Public Offering

- ## Top Global Automaker
  - Sales of over *9 million* vehicles in over *100 countries*
  - *#1* in China, *#1* in U.S. in 2012
  - *Fortune 10* company

- ## Production in *31 Countries*

- ## *213,000* Employees Globally

GM – Top Global Automaker

GM Europe
17%

GM North America
33%

GM International Ops
39%

GM South America
11%

● Production Locations in 31 Countries

2012 percentage of deliveries by region

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Treasury Centers Coverage

Detroit*

Russelsheim

Shanghai

Sao Paulo

◎ Central Treasury Office

◯ Regional Treasury Centers

* Currently, Central Treasury Office is located in New York, but office will move to Detroit in mid-2014

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Treasury Transformation Scope

Activities	Description
Bank Account Administration	• Maintenance of bank accounts • Bank relationships and fee analysis
Cash Positioning	• Short-term forecasting • Daily cash positioning • Cash reconciliation and accounting
Cash Investments	• Investment processing and accounting
Treasury Wires & Settlements	• Wire processing and accounting
Debt & Equity Management	• Managing long-term and short-term debt • Debt valuation and accounting
FX Spot Trading	• Spot trade processing and accounting
FX & Commodities Hedging	• FX and commodity derivative processing and accounting
Intercompany Netting	• Netting function for intercompany commercial cash flows
Cash Pooling	• Cash pooling and inter-company loans • Inter-company loan accounting

Drivers of Transformation

Reducing Operational Risk

- Adoption of new technologies
- Use of a single treasury management system
- Greater integration between systems and reduction of manual touchpoints

Improving Process Controls

- Automation of end-to-end processes
- Alignment of data ownership with processes
- Integration of treasury accounting with treasury processes
- Standardization of bank account structures globally

Increasing Efficiencies

- Standardization of global treasury processes
- Centralization of treasury functions

Prerequisites for Transformation

Developing Target Operating Model (TOM)

- Define level of centralization for each treasury function: e.g. should FX spot trading be done at the Business Units (BUs), Regional Treasury Centers (RTCs) or Central Treasury Office (CTO)?
- Define process scope for each treasury function: e.g. what tenor of investments should the BUs be allowed to enter in?
- Revise treasury policies to reflect target operating model

Process Mapping

- Develop end-to-end process design for every treasury function
- Incorporate internal control points for each process
- Identify manual and automated linkages between processes

System Selection

- Shortlist TMS vendors depending on size and capabilities
- Evaluate vendors based on predefined criteria:
  - Functional and technical depth
  - Customer service references
  - Ease of implementation and sustainability

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Target Operating Model – Centralization
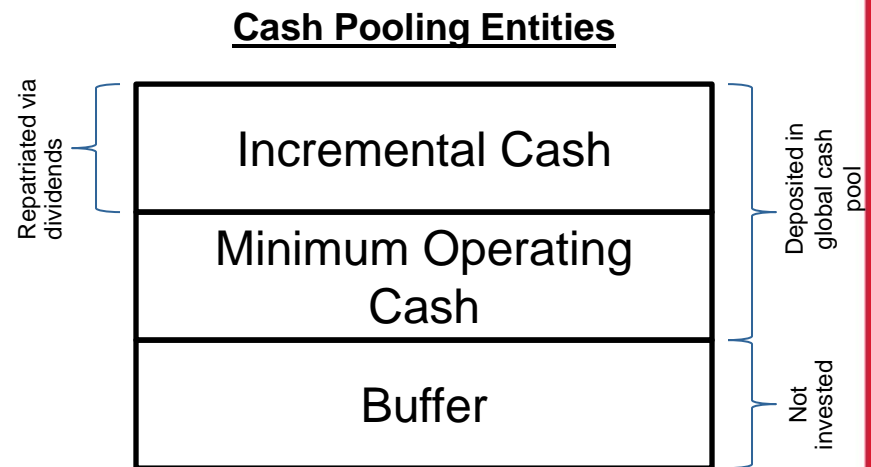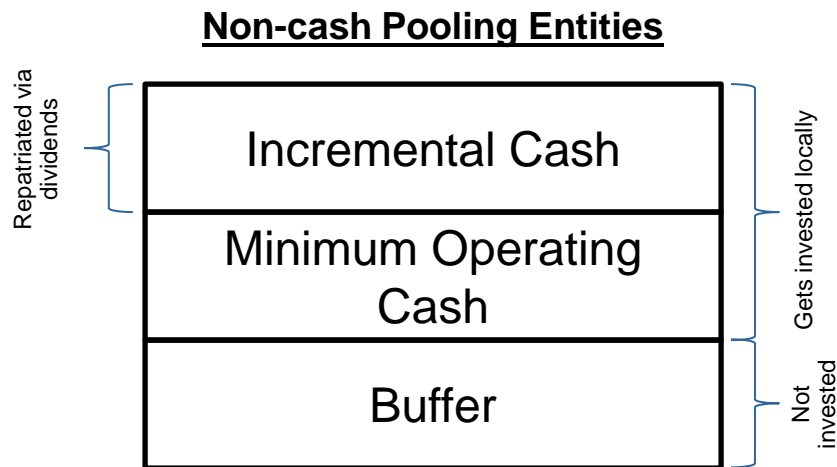
- TOM targets moving majority of treasury processes from BUs to RTCs and/or CTO

Treasury Activities	BU	RTC	CTO
Bank Account Administration	O	X	X
Cash Positioning	O	X	X
Cash Investments	O	X	X
Treasury Wires & Settlements	O	X	X
Debt & Equity Management	O	X	X
FX Spots	O	X	X
FX & Commodities Hedging			X *
Intercompany Netting			X *
Cash Pooling			X *

No change in process

- Due to regulatory/local language dependencies, some treasury activities may remain at BUs (determined on a case-by-case basis)

- Implementation of a single treasury management system globally is critical to centralization and standardization
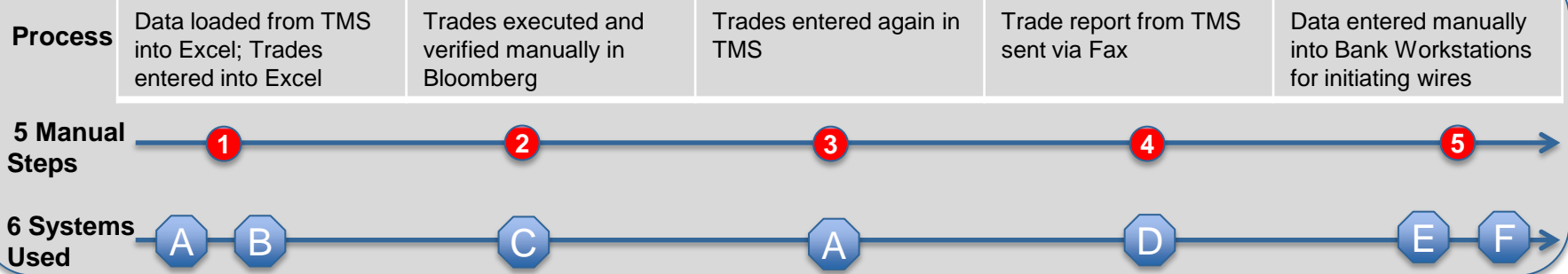
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Target Operating Model – Investment Policy Example

Non-cash Pooling Entities

Repatriated via dividends

Incremental Cash
Minimum Operating Cash
Buffer

Gets invested locally

Not invested

Cash Pooling Entities

Repatriated via dividends

Incremental Cash
Minimum Operating Cash
Buffer

Deposited in global cash pool

Not invested

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Process Mapping – Investment Process

Pre-trade Compliance	Trade Execution & Matching	Trade Entry into TMS	Settlement via Custodian	Wire Transfer to Custodian

Before

Process	Data loaded from TMS into Excel; Trades entered into Excel	Trades executed and verified manually in Bloomberg	Trades entered again in TMS	Trade report from TMS sent via Fax	Data entered manually into Bank Workstations for initiating wires
5 Manual Steps	1	2	3	4	5
6 Systems Used	A B	C	A	D	E F

After

Process	Trade entered on Bloomberg AIM. Pre-trade compliance and trade matching **automated**	**Automated** using interface	**Automated** via SWIFT using TMS (Controls potentially could be automated)
1 manual step	1		Control points
Integrated System	G		H

Benefit

Straight-through processing via an integrated system reduces resources and improves controls

System Implementation Principles

Bank Connectivity

- SWIFT used for all data exchanges with financial institutions
  - Enables efficient connectivity with large number of banking partners globally
  - Allows quick onboarding and enablement of MT940 files to achieve cash visibility
  - Achieves payment method standardization through MT101 for all treasury wires

Interface Strategy

- Interfaces built only with systems not scheduled to be terminated
- Single file format for all ledger interfaces
- Off-the-shelf functionality leveraged to minimize new code development

Treasury Systems

- No customization of standard functionality
- Manual workarounds employed to resolve functionality gaps

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Benefits of Transformation

Reducing Operational Risk

- Replaces multiple legacy systems with a single treasury management system
- Minimizes dependence on external vendors via reliable in-house sustain model
- Centralizes hedging process globally

Improving Process Controls

- Real-time visibility of global cash
- Automated accounting integration with the ledger system
- Faster accounting close with daily end-to-end accounting process
- Automated segregation of duties and approvals for trade confirmations and wires
- Single system of record for global debt, LCs, fixed income, in-house financing, FX, and commodities
- Ability to track counterparty exposure on a peak balance basis

Increasing Efficiencies

- Automation and centralization of cash positioning, cash investment, and FX trading processes
- Rationalization of bank account structures and relationships

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Incremental Approach to Transformation

- Global implementation of TOM
- Expand global footprint of systems and processes

- Continue process and system enhancements at CTO

- Implement single treasury management system in central office
- Develop working prototype for the target operating model at CTO

- Define TOM for global treasury
- Establish SWIFT connectivity globally
- Select treasury management system

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6+ |

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North America Deployment Sequence

- The treasury management system was deployed at the central office in 3 major releases:
    - R1 – Bank account management and bank balance reporting
    - R2 – Cash management for the U.S.
    - R3 – Trade and investment management and all remaining treasury functions
- Canada and Mexico deployments include all treasury functions in a single release

RELEASES	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13
R1 – Bank Account Management & Bank Balance Reporting										
R2 - U.S. Cash Positioning										
R3 - U.S. Cash Inv/Cash Pool/Netting/FX/Debt & Equity/Settlements										
Canada/Mexico Deployment										

Design | Build/Test | Deploy | ◆ Milestone

In-House Financing – Activities and Benefits to GM

Activities

- Accepts cash pools from GM subsidiaries and affiliate companies

- Makes loans to GM subsidiaries and affiliate companies

- Sources FX currencies for GM subsidiaries and affiliate companies

- Invests incremental liquidity in the financial markets

Benefits

- Lowers minimum operating cash requirements by eliminating idle and trapped cash

- Minimizes cost of funds by funding internally through incremental liquidity

- Centralizes cash management through better controls and reporting

- Enables efficient investment of incremental liquidity in the capital markets

Benefits to GM Units

IHB (CASH POOLS)	③ ←→	EXTERNAL PARTIES
	④ ←→	INTERNATIONAL CURRENCY MARKETS
	⑤ ←→	INTERNATIONAL INVESTMENT MARKETS

① GM UNIT A → IHB
② IHB → GM UNIT B
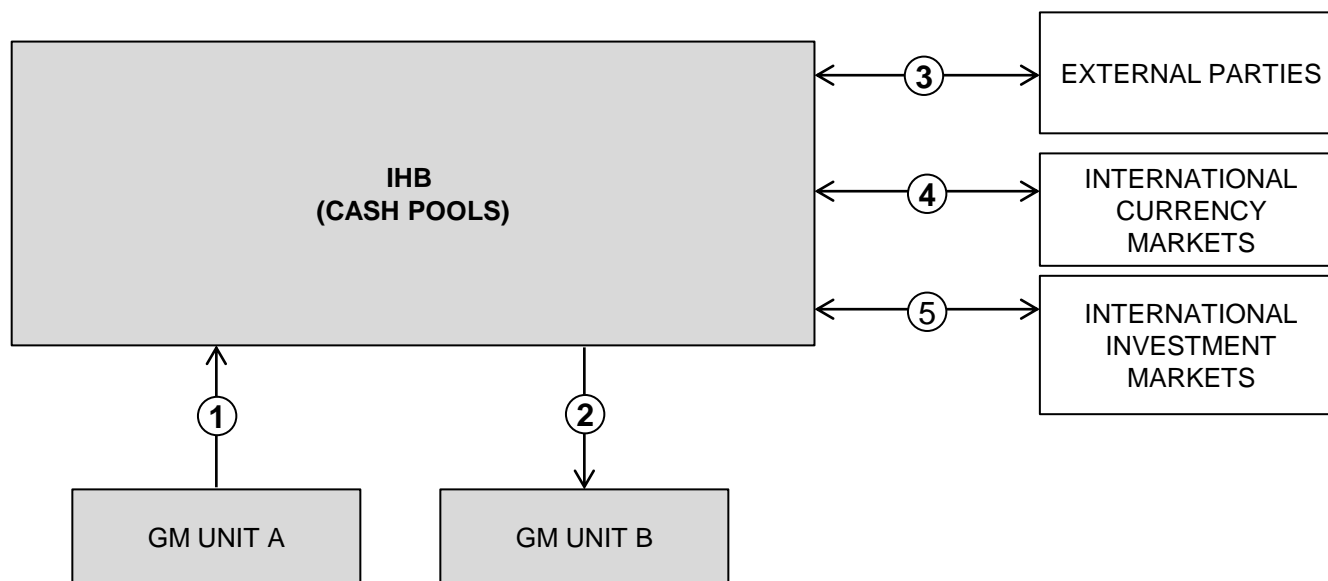
①   Units can open a cash pool account to invest any incremental liquidity on a periodic basis

②   Units can open a revolving credit line to be used for any liquidity needs

③   Units can flow funds to/from external parties in any currency through their accounts

④   Units have access to the international currency markets in an effective and low-cost manner

⑤   Units have access to the international investment markets in an effective and low-cost manner

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GM Standard Payment Process

- **Each week, tens of GM Units use the multi-lateral netting system for foreign supplier payments and allied operating payments**
  - Local supplier payments are done through entities' local bank accounts
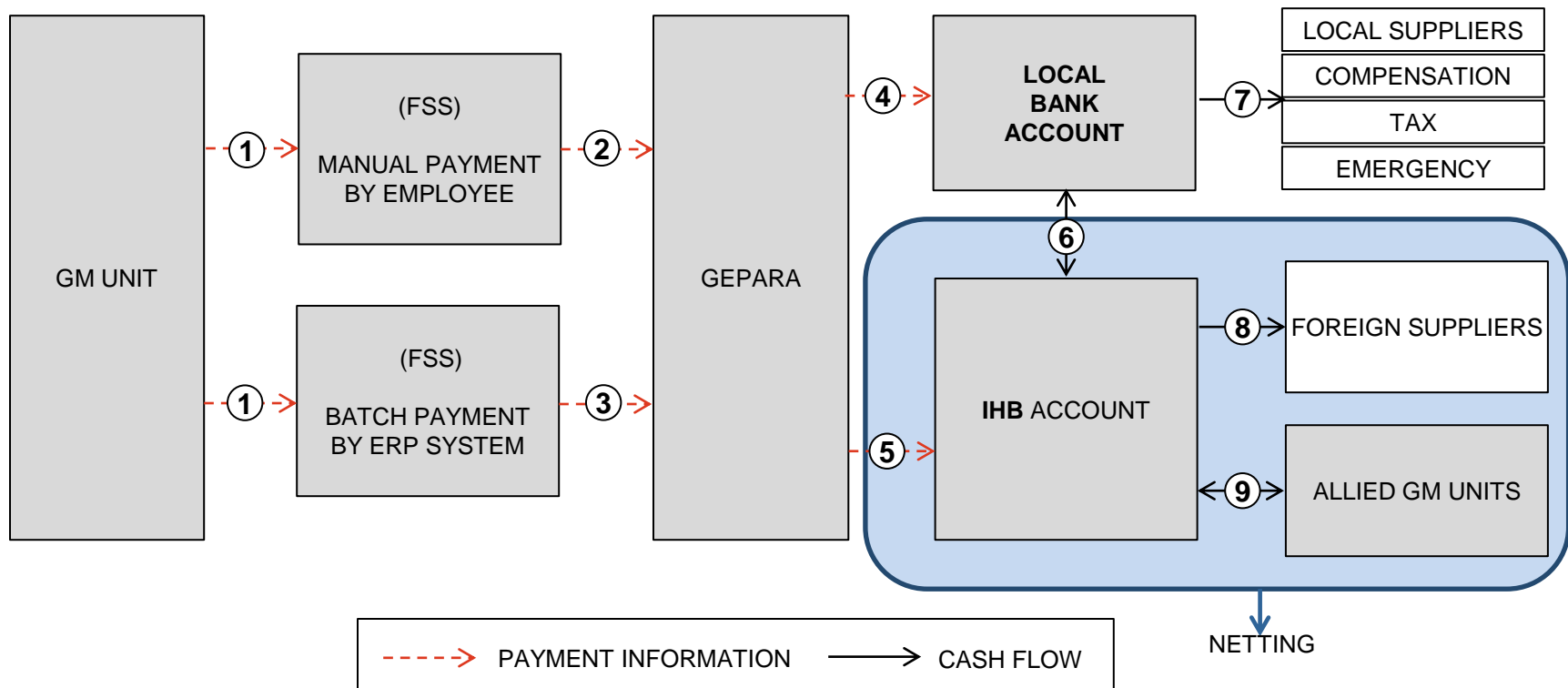
# Netting Benefits

- **Optimize sourcing of currencies and bank transfers:**
  - Obtain better rates with a larger FX trade ticket
  - Reduce FX trade volume by utilizing internal FX
  - Reduce number of wire transfers for intercompany payments
  - Lower bank transfer fees
  - Improve controls and reduce operational errors through a standardized process

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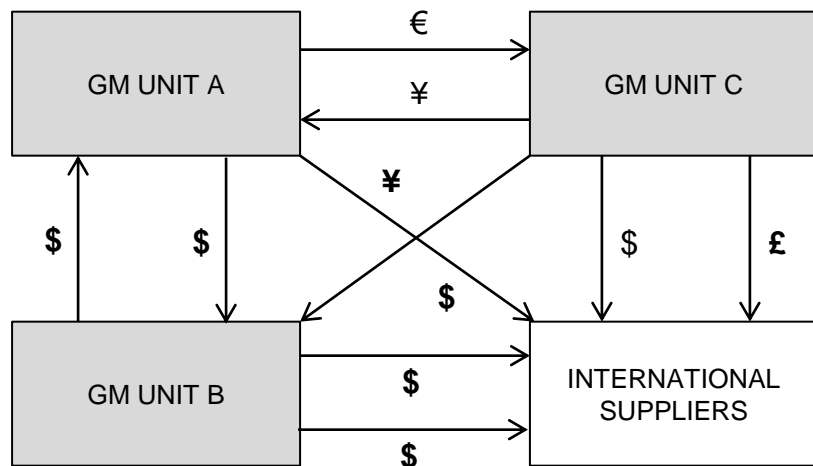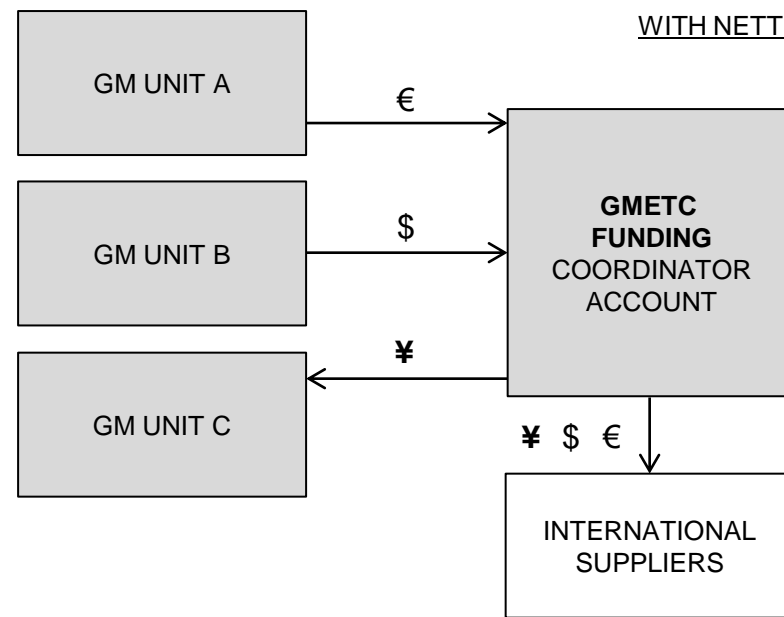
Challenges in Cash Pooling

Management of Cash Pool and Loan Agreement (DLA) Terms

- Avoid disparate terms by standardizing DLAs and ensuring that standard terms work for all BUs
    - Allows for quick onboarding of cash pool participants
- Standardize interest rates curves per currency to ensure "arms length" rate

Cash Pool Location

- Consider tax landscape (income/withholding tax) when determining cash pool's country of domicile

Operational Complexity

- Pick a creditworthy bank with global capabilities to minimize counterparty and operational risk
    - In case of multiple cash pools, diversify by using a different bank for each cash pool
- Integrate intercompany loan management, settlements and accounting under one TMS

FX Management

- Make loans in BUs' functional currencies so that BUs are not exposed to P&L impact from FX risk
    - In addition, centralization of FX risk at cash pool minimizes FX exposures due to offsets and correlations, and also allows for better oversight
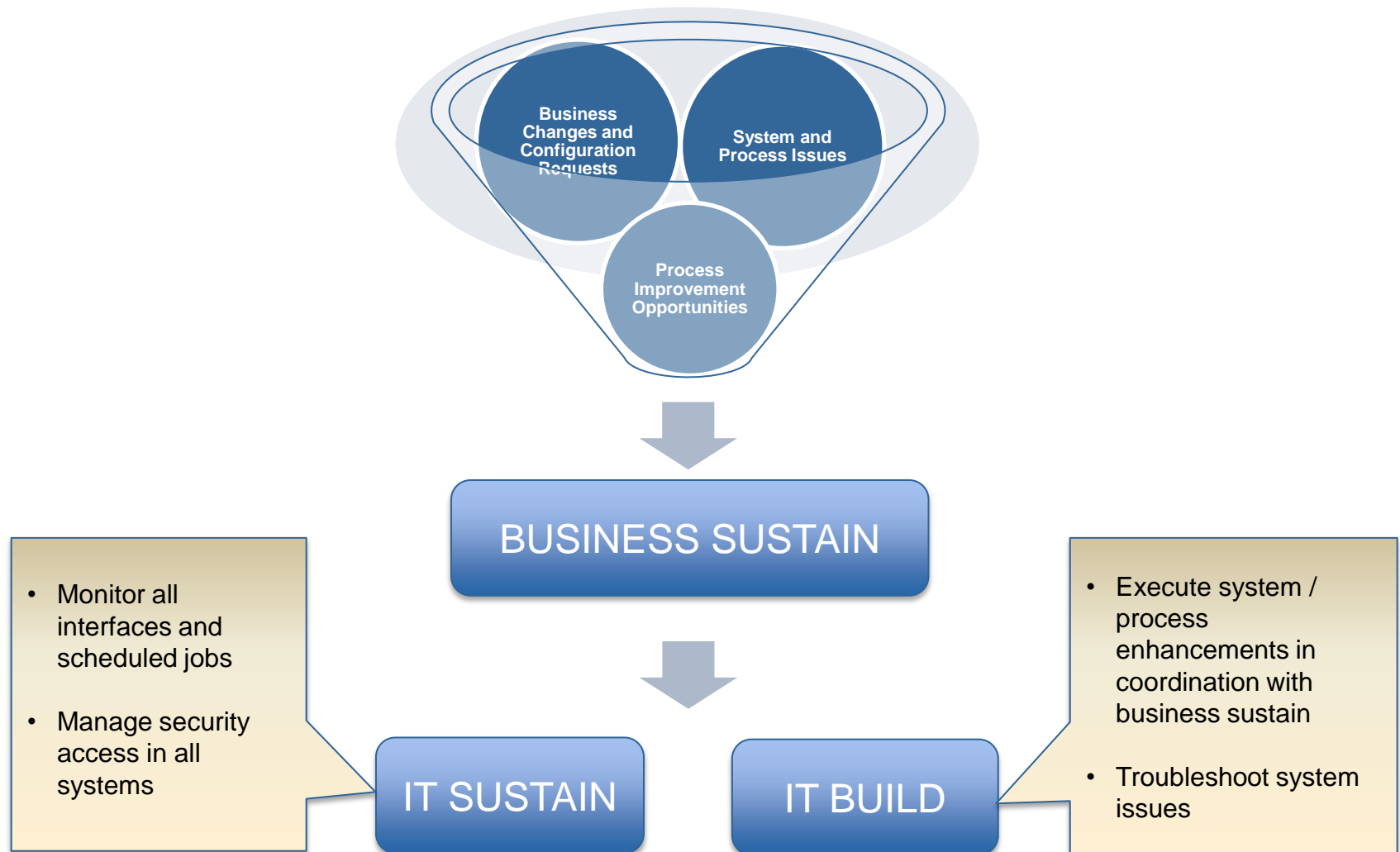
Resources

- Automate as many manual processes as possible
    - Automate cash pooling by setting up ZBAs and sweeps, where possible
- Build sufficient controls for manual processes
- Ensure adequate business continuity planning for daily tasks

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Sustain Principles

Issue Resolution	• Separate business and IT roles in sustain organization • Employ consistent methodology for issue resolution worldwide • Designate a single point of contact for business personnel
System Configuration	• Ensure consistency of configuration globally • Prevent static data duplication • Designate a single point of responsibility for all system configuration
Continuous Improvement	• Build exhaustive knowledge and expertise in business processes and system features • Focus on identifying opportunities to improve existing processes

Sustain Structure

Business Changes and Configuration Requests

System and Process Issues

Process Improvement Opportunities

BUSINESS SUSTAIN

- Monitor all interfaces and scheduled jobs

- Manage security access in all systems

IT SUSTAIN

IT BUILD

- Execute system / process enhancements in coordination with business sustain

- Troubleshoot system issues

Learnings from Implementation

- Don't compromise standardized solutions based on in-country need for customized solutions

- Sacrifice optimization (at times) in order to reduce complexity

- Secure and maintain executive buy-in before and during the transformation

- Align cross-functional teams: key stakeholders include Controllers, CFOs, Shared Service Center, and IT

- Finalize sustain strategy early in project lifecycle

    - Ensure sustain team includes employees with treasury operations experience – ideally source the sustain team from the project team

- Engage full-time business resources in the project team

- Build in ample time for parallel testing

    - Be prepared to backfill staff to ensure smooth operations during parallel testing

- Work on bank structure changes and SWIFT connectivity documentation early in the project

- Establish and track short-term milestones

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Global Deployment Approach – Looking Forward

- Obtain buy-in for global treasury model

  - Secure buy-in from regions before start of global implementation

  - Identify business dependencies and tasks that need to be completed prior to deployment (e.g. bank account structure changes)

- Global deployment (outside North America) of unified treasury processes and systems will be done in 3 phases:

  1. Implement TOM in the home country of each region (South America, Europe, Asia Pacific)

  2. Implement TOM in tier 2 countries of the region

  3. Implement TOM in tier 3 countries

- Engage regional teams in global implementation

  - Regional team participation and responsibility increases with each phase of the project

- Create standardized template for implementation at BUs

  - Use the model implemented in central office for global deployments

Q & A

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