

Achieving Treasury Potential through Treasury System Hosting

by Bo Jørgensen, General Manager, Head of Group Treasury, FLSmidth & Co. A/S



Leading supplier of equipment and services to the global cement and minerals industries FLSmidth has been a long-standing user of its treasury management system, SunGard's AvantGard Quantum. Faced with the ongoing difficulty of securing resources from the company's internal IT company, which was preventing treasury from taking advantage

of essential new functionality. In this article, Bo Jørgensen, Head of Group Treasury describes how he and his team opted to outsource management of the solution to take advantage of a more responsive service and specific expertise. In addition, FLSmidth has been able to leverage its treasury infrastructure to streamline bank communication for both cash and trade.

Key points: Managed services for AvantGard Quantum at FLSmidth

- Reduced operational risk
- Defined service levels
- Predictable costs
- Ability to reallocate resources to value-added tasks
- Managed SWIFT connectivity
- Integration with global trade finance solution to leverage SWIFT connection

Treasury organisation

We have a centralised treasury team of five people based in Copenhagen. Treasury acts as an in-house bank for around 50 subsidiaries globally, providing a full range of cash, FX funding and investment services. To support our treasury operations, we have used AvantGard Treasury (Quantum) solution for more than a decade.

IT challenges

We recognised that in order to manage the changing demands of a dynamic organisation effectively, it was essential to ensure that our treasury solution, AvantGard Quantum was well-maintained. This included upgrading the system regularly to take advantage of new functional, technical and usability benefits. The challenge, however, was that our internal IT department, based in our shared service

centre in Chennai, India, lacked knowledge and expertise in the system so upgrades were difficult and time-consuming. Furthermore, as our treasury is a small department, it was not easy to secure the necessary resourcing ahead of system projects with a larger number of users, despite the business-critical nature of our activities.

Catalyst for change

In 2010, we were keen to upgrade to the new version of AvantGard Quantum but found it difficult to justify the project with IT. Although we had a group-wide policy of maintaining systems in-house at that time, we obtained a quote from SunGard to host the solution, and put together a business case to IT. Specifically, we were able to demonstrate SunGard's proven, long-term commitment to our business, expertise and experience in providing hosting and managed services, and the company's financial stability.

Although outsourcing IT services was not part of our policy, IT undertook a cost benefit analysis of SunGard's proposed hosting and managed services. Based on this and SunGard's reputation and reliability, the proposal was accepted. The benefits were clear for both treasury and IT. In treasury, we would gain a more responsive service from a dedicated team with specific expertise in supporting AvantGard Quantum, based on a documented service level agreement. IT would no longer need to support a specialist application with a small number of users, and could focus instead on front-line systems. There is no additional cost for us in treasury as the hosting services replace an IT responsibility, so this cost is funded by IT.

Hosting in practice

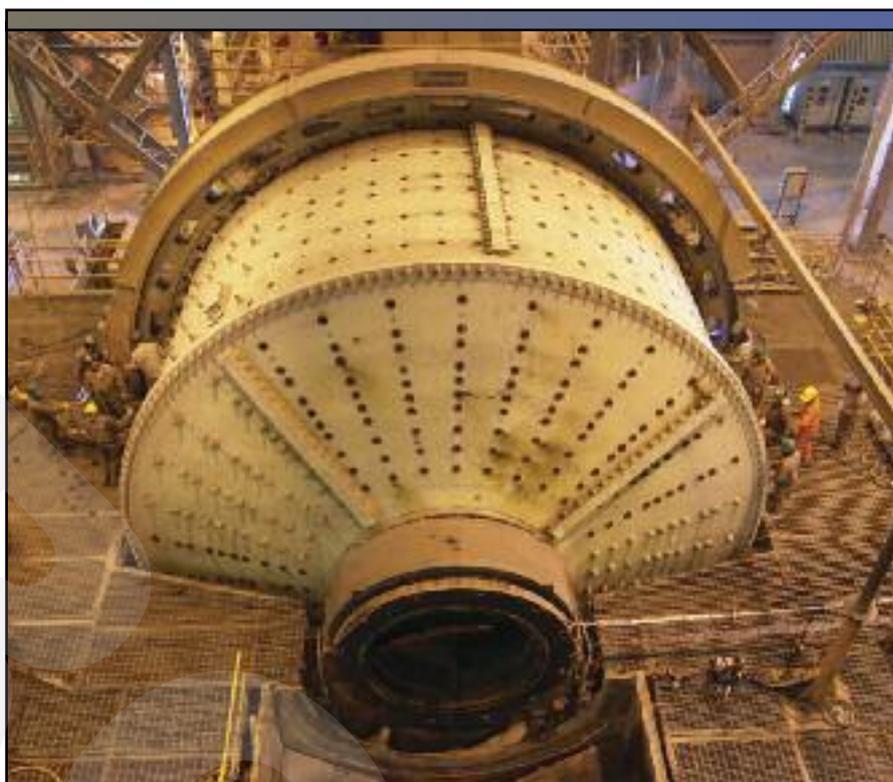
The migration to SunGard's hosting services was smooth and straightforward, and coincided with a software upgrade which was rapid and seamless due to the specialist expertise that SunGard offered. We now have a single point of contact for all aspects of the relationship with SunGard, and the system is managed by a dedicated team.

Leveraging the opportunity

As a result of migrating the hosting and management of AvantGard Quantum to SunGard, we are in a better position to develop our use of the solution to meet its changing requirements. It is important for FLSmidth that the company is at the forefront of regulatory compliance, so an upgrade is now in progress to automate our EMIR reporting as well as providing new user features. In 2015, we will be rolling out web-based access to AvantGard Quantum for direct input and retrieval of information (eTreasury) by subsidiary users which will enhance the services that we are able to offer group companies.

Enhancing connectivity

A major benefit of accessing SunGard's hosting and managed services has been connectivity and integration. For example, we are now implementing SWIFT connectivity with our four partner banks, and as this service is managed by SunGard, the implementation and management is seamless for our users. Related



FLSmidth

Founded in 1882, FLSmidth is a leading supplier of equipment and services to the global cement and minerals industries. FLSmidth is also active in the building materials industry via Cembrit, Europe's largest dedicated provider of fibre-cement products. The company employs over 15,000 people in more than 50 countries worldwide. Headquartered in Denmark, 2013 revenues exceeded €3.6bn.

to this, we have recently acquired GlobalTrade Corporation (GTC)'s global trade finance platform. This has been integrated with AvantGard Quantum so that MT798 messages (which includes messaging related to import and export documentary credits, guarantees/standby letters of credit, and settlement of charges) can be transmitted via a single, managed SWIFT connection through AvantGard Quantum.

Integrating GTC with AvantGard Quantum and leveraging a single connection to SWIFT is a unique characteristic of FLSmidth's treasury infrastructure, but brings enormous benefits in terms of integrating cash and trade more closely, and extending the advantages of secure and efficient multi-bank connectivity, managed by a single technology partner.

A strategic partnership

The relationship with SunGard is pivotal to the smooth and efficient operations of FLSmidth's treasury function and is key in enabling us to continue responding to the changing demands of the business. The integration between AvantGard Quantum and our global trade finance platform has been a game-changer for us, and allows us to use a single SWIFT connection for both cash and trade. Over the coming months, we anticipate expanding the use of AvantGard Quantum further, such as EMIR reporting and rolling out eTreasury to our business units, and we will rely on SunGard's ongoing support and advice to enable us to achieve these objectives. ■