

Contents

Foreword xiii

Preface xv

Acknowledgments xix

PART ONE: THE WORLD OF CORPORATE TREASURY 1

Chapter 1: Role of Treasury in a Global Corporation 3

Introducing Treasury Leadership	4
Organisation Structure and Responsibilities	6
Treasury Functions and Responsibilities	10
KPIs and Deliverables	15
A Day at the Office—What Does the Treasurer Do?	17
Summary	19

Chapter 2: Treasury Design 21

Key Elements of Treasury Design	22
Introducing Centralisation	24
Evolution of Treasury Models	25
Summary	36

Chapter 3: Treasury Culture 37

Qualities	38
General Skills	40
Technical and Work-Related Skills	41
The Many Hats of the Treasurer	43
Summary	44

Chapter 4: Importance of Operations and Control Efficiency 45

Tools	45
Different Offices: Front, Middle, and Back	48
Summary	54

PART TWO: TRANSACTIONS AND CASH MANAGEMENT	55
Chapter 5: Account Management and Structure	57
Putting an Account Structure in Place	58
Account Operation and Approaches	62
Rationalising Account Structures	65
Examples of Account Structures Across Sectors	68
Summary	69
Chapter 6: The Movement of Money	71
Money Transfer Mechanisms	71
Domestic Clearing and Settlement Systems	75
Cross-Border Payments and Collections	83
Summary	94
Chapter 7: Netting	95
Introduction and Concepts	95
Netting Implementation	101
Benefits and Caveats of a Good Netting Solution	106
Summary	107
Chapter 8: Liquidity Management Introduction and Float	109
Introducing Liquidity Management	109
Pooling as a Concept	111
Float and Its Causes	111
Summary	121
Chapter 9: Cash Pooling and Efficiency	123
Cash Concentration Structures	123
Pooling Structures	127
Implementation Aspects of Concentration Structures	130
Summary	134
Chapter 10: Cash Flow Forecasting	135
Forecasting in the Context of Liquidity Management	135
Forecasting Methods	139
Summary	143
PART THREE: BALANCE SHEET AND LIQUIDITY MANAGEMENT	145
Chapter 11: Liquidity and Working Capital	147
Working Capital in the Operating Cycle	148
Cash Conversion Cycle	149
Financial Supply Chain and Its Potential Pain Points	158
Summary	168

Chapter 12: Financial Strength and Linkages with Liquidity	169
Importance of Company Financials	169
Key Financial Ratios	171
Summary	194
Chapter 13: Sources of Capital	195
Capital Markets	195
Capital Structure	197
Factors in the Capital Decision	199
Debt Capital Markets	203
Equity Capital Markets	205
Summary	211
Chapter 14: Financing the Supply Chain	213
Physical and Financial Supply Chains	213
Different Financing Solutions	215
Summary	225
Chapter 15: Managing Operating Cash and Investments	227
Different Elements of Cash	227
Managing Operating Cash	228
Surplus Cash and Investments	230
Considerations and Aspects of Investment Decisions	230
Investment Process	237
Summary	237
Chapter 16: Credit Ratings and Bank Credit Assessment	239
Credit Ratings	239
Credit Rating Methodology	243
Bank Credit Assessment Process	247
Important Focus Areas and Discussion Points with Banks During Credit Reviews	252
Summary	253
PART FOUR: MARKETS AND RISK MANAGEMENT	255
Chapter 17: Art and Science of Risk Management	257
Kinds of Risk	257
Classical Definitions	258
Why Manage Financial Risk?	266
Styles of Risk Management	269
Factors Impacting Risk	270
What Does Risk Management Do?	273
Objective of Risk Management	276
Summary	278

Chapter 18: Markets and Risk Aspects of Each Market	279
World of Markets	279
Movement of Markets	287
Summary	289
Chapter 19: Risk Management in Practice: Ensuring the Right IMAGE[®]	291
IMAGE [®] Methodology	291
Risk Identification	292
Risk Measurement	293
Risk Accounting and Reporting	314
Risk Governance	315
Risk Management Evaluation	320
Summary	321
Chapter 20: Products for Managing Risk	323
Forwards Family	324
Options Family	333
Swaps Family	346
Credit Family	351
Summary	353
Chapter 21: Combining the Products to Manage Risk: Risk Governance	355
Devising Risk Strategy Using Products	356
Using Products to Manage Risk	358
Credit Risk	362
Liquidity Risk: Balance Sheet and Asset-Liability Management	363
Use of Analysis	364
Operations and Technology Risk	367
Legal and Compliance Risk	367
Summary	374
Chapter 22: Risk Management Governance Strategies	375
Key Elements of the Governance Strategy	375
Sample Strategy A	377
Sample Strategy B	378
Sample Strategy C	381
Summary	386
Chapter 23: Operational Aspects: Documentation and Execution	387
Documentation	387
ISDA Framework of Documents	388
Execution	392
Summary	394

PART FIVE: THE TOOLKIT	395
Chapter 24: Treasury Policy	397
Framework	397
Aspects of Policy Implementation That Need Closer Scrutiny	398
Review	399
Implementational Aspects	400
Summary	401
Chapter 25: Treasury Systems	403
Treasury Management System Background	403
Some System-Related Questions	410
TMS Establishment Process	411
Developments and Standards	417
Summary	423
Chapter 26: Centralisation	425
Rationale for Centralisation	425
Basic Model Design	427
Post-Model Design Stage	429
Barriers to Centralisation	429
Summary	430
Chapter 27: Key Performance Metrics for a Treasury	431
Introducing Performance Metrics	431
Some Criteria for Deciding Performance Metrics	432
Performance Metrics	434
Some Caveats on Metrics and Evaluation	437
Sample Treasury Performance Metrics	438
Treasury Fitness	441
Summary	441
Chapter 28: Banks and Service Relationships	443
Sample Bank Organisation Structure	443
Banking Services and Products for a Corporate Treasury	446
Bank Selection and RFP Process	449
Review Process	449
Service and Relationship Management	454
Summary	456
Chapter 29: Operations and Control Checklist	457
List of Processes	457
Right Control at Treasury	458
Control Checks and Reviews	459
Some Common Causes for Error and Control Lapses	461
Summary	468

Chapter 30: Outsourcing	469
Selection Stage	469
Pre-Implementation	471
Implementation	471
Post-Implementation	473
Summary	478
Chapter 31: Building and Sustaining a Treasury Culture	479
Evaluation	484
Summary	485
Chapter 32: Managing Treasury in Uncertain Times	487
Uncertainty and Its Impact on Treasury Management	487
Triggers and Events	490
Simple Method to Manage Treasury During Times of Uncertainty	491
Summary	493
Glossary	495
Further Reading	505
About the Author	507
About the Website	509
Index	511