



treasurytoday

Exclusive Adam Smith Webinar

The Roche logo, consisting of the word "Roche" in a blue, sans-serif font, enclosed within a blue hexagonal border.

Roche



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Roche - A new level of banking



Basic facts at a glance



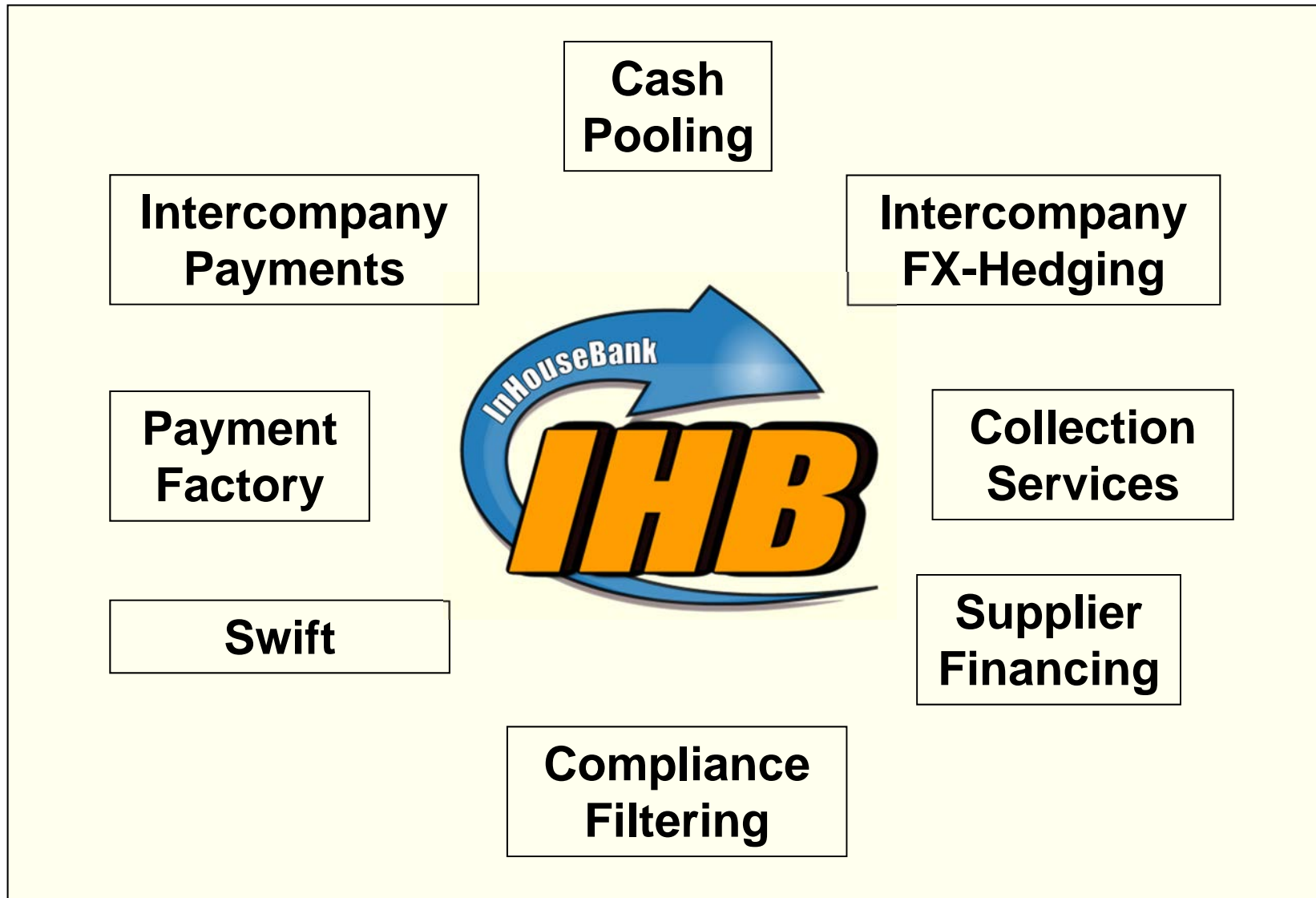
- Founded 1896 in Basel, Switzerland
- Founding families still hold majority stake
- Employing 85,000 people
- Currently active in 150 countries on all continents
- Sales 2013: 46.8 billion Swiss Francs
- Clear focus on healthcare
- Leadership in pharmaceuticals (#4)*
- World's largest biotech company (position #1)* with truly differentiated medicines in oncology, virology, inflammation, metabolism and CNS
- Leadership in *in vitro* diagnostics (#1) and pioneer in diabetes management
- Unique innovation model

Roche's Treasury organization



- 1 central team in HQ CH-Basel (no regional treasuries)
- Service Center with global in-house bank
 - no decentral treasury activities
 - highly automated treasury processes
 - => avoid necessity of local treasury expertise
- Treasury-system = ERP-system (stand alone)
 - linked to all group ERP-systems
 - dedicated in-house IT-support
 - => center of excellence in regard to EBS, A/P & A/R

Roche's InHouse Bank



What remains on local bank accounts

- Collections in local currency
- Salary payments
- Tax payments
- Manual payments
- Bank guarantees
- Credit Cards

Bank change required in 4 countries

Feb 13

- 2 countries: 3 months until closure of bank
- 1 country: 6 months until closure of bank
- 1 country: urgent change needed due to rating downgrade

→ **implement new bank locally ?**

→ **or go for «100% IHB» ?**

What remains on local bank accounts

Can we shift all transactions to IHB?

- Collections in local currency

Virtual bank accounts needed !

- Salary payments

Do regulations allow ?

- Tax payments

Do regulations allow ?

- Manual payments

IHB eBanking needed !

- Bank guarantees

Can we provide this cross-border ?

- Credit Cards

Shift to global credit card programm?

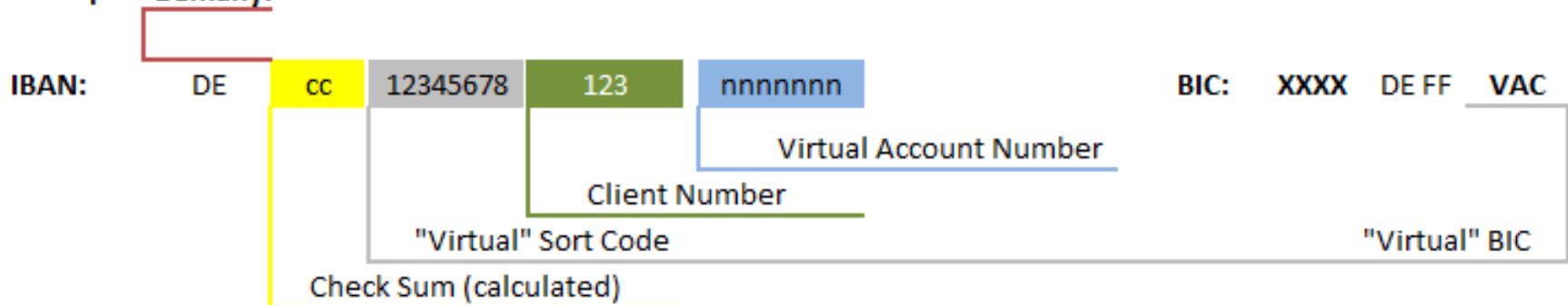
100% InHouse Bank

Virtual bank account solution

How does the virtual IBAN work?

- Affiliate assigns a unique (virtual) account number to each customer
- Customer uses this account number to pay invoices
- Upon payment receipt, the bank identifies the associated bank account
- Incoming credits are booked to the main bank account (of external Bank)
- Payment to virtual account is transferred to local affiliate (IHB statement)

Example Gemany:



Status today

Mar 14

- Finland: live
 - one restriction: Finish barcode systems only supports Finish IBANs
- Estland: live without any restriction
- Latvia: live
 - one restriction: Latvia entities need to hold a bank account (but we are convinced it is not necessary to use it ...)
- Lithuania: live without any restriction
- *Ireland & Slovenia: analysis started*

100% InHouse Bank

Lessons learned

- Thoroughly review local regulations in order to avoid surprises (Salary payments on behalf, Tax payment on behalf, etc)
- Carefully review all local requirements & flavors (eg Barcodes in Finland)
- Review all correspondence generated in SAP to adapt bank details (invoices, payment advices)
- Test all possible payment and collections scenarios thoroughly

& be prepared to repeat yourself: it takes time for local organisations to realize they will loose their own bank account

Doing now what patients need next

Intercompany payments

- Internalized via Cash Pool accounts
- 2013: CHF 103.2 Bln
- 45 currencies
- Invoices paid: 2'501'100
- Automation of reconciliation for both A/P & A/R

Intercompany FX-Hedging

- Affiliates hedge transaction exposures on a daily basis
- IHB guarantees FX Accounting-rates for 24 hours
- Exposures are automatically retrieved overnight
- FX-transactions are automatically created overnight
- 2013: 92'779 internal FX-transactions
- Counter value: CHF 40 Bln

Compliance Filtering

- All outgoing payments are screened vs. various embargo lists
- “Forces” subsidiaries into usage of Payment Factory

Payment Factory

- IHB routes all 3rd party payments via Swift to banks
- IHB turns 50'689 cross-border payments into domestic payments
- Payroll included for Roche's main 3 countries
- Automated information flow in case of rejections
 - Banks > IHB > Local Affiliates

Cash Pooling

- 172 Affiliates linked
- 50 countries
- 45 currencies
- 3 global Cash Management banks
- 2013: 236'331 Cash Pool postings
- Automation rate: 97.6%
- Pilot for 1st cross-border Cash Pool in CNY

Return

Collection Services

- IHB collects on behalf of local Affiliates in case of foreign currency payments
- Affiliates receive credits on their IHB bank accounts same day
- Volume 2013: EUR 117 Mio.

Supplier Financing

- Global program with 3 Cash Management banks
- Globally harmonized information flow via Payment Factory
- Globally harmonized documentation
- 2014: 20+ Affiliates apply Supplier Financing



Doing now what patients need next



treasurytoday Question Time



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