

treasurytoday

Adam Smith Webinars

Honeywell

\$8.4bn cash pile – show me the money



PRESENTER

Séverine Le Blévenec

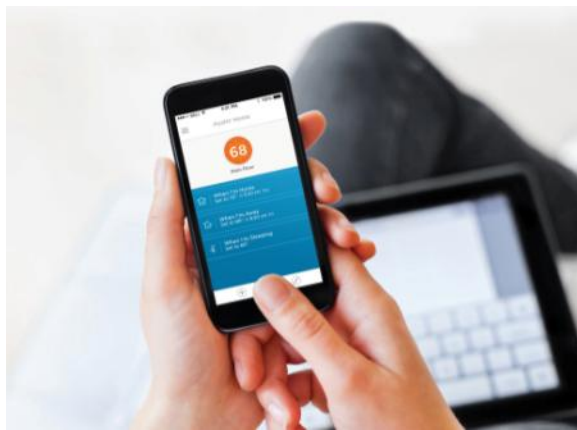
Director EMEA Treasury, Honeywell



FACILITATOR

John Nicholas

Editorial & Research Director,
Treasury Today



Severine Le Blevennec
February 2016

ADAM SMITH WEBINAR

Harnessing the Power of Technology

Honeywell

Overview

Company Profile

Treasury Organization

Treasury Liquidity Strategy

Treasury Systems Strategy

Focus on 100% Cash Visibility

Other Major TMS Implementation Steps for Counterparty Risk Management

Management Reporting

Actions to Increase Yield on Global Cash

Results

Who Is Honeywell?

Business Overview

(2014 Sales)

Aerospace



\$15.6 Billion

Automation and Control Solutions



\$14.5 Billion

Performance Materials and Technologies



\$10.2 Billion

Great Positions In Good Industries



Honeywell developed the first autopilot flight controller (1914), first commercial weather radar system (1954), first business jet turbofan engine (1975), and is still the leader in developing revolutionary technology for aerospace today.



Honeywell pioneered automotive turbocharging 60 years ago and remains the industry leader launching, on average, 100 new turbo applications globally each year.

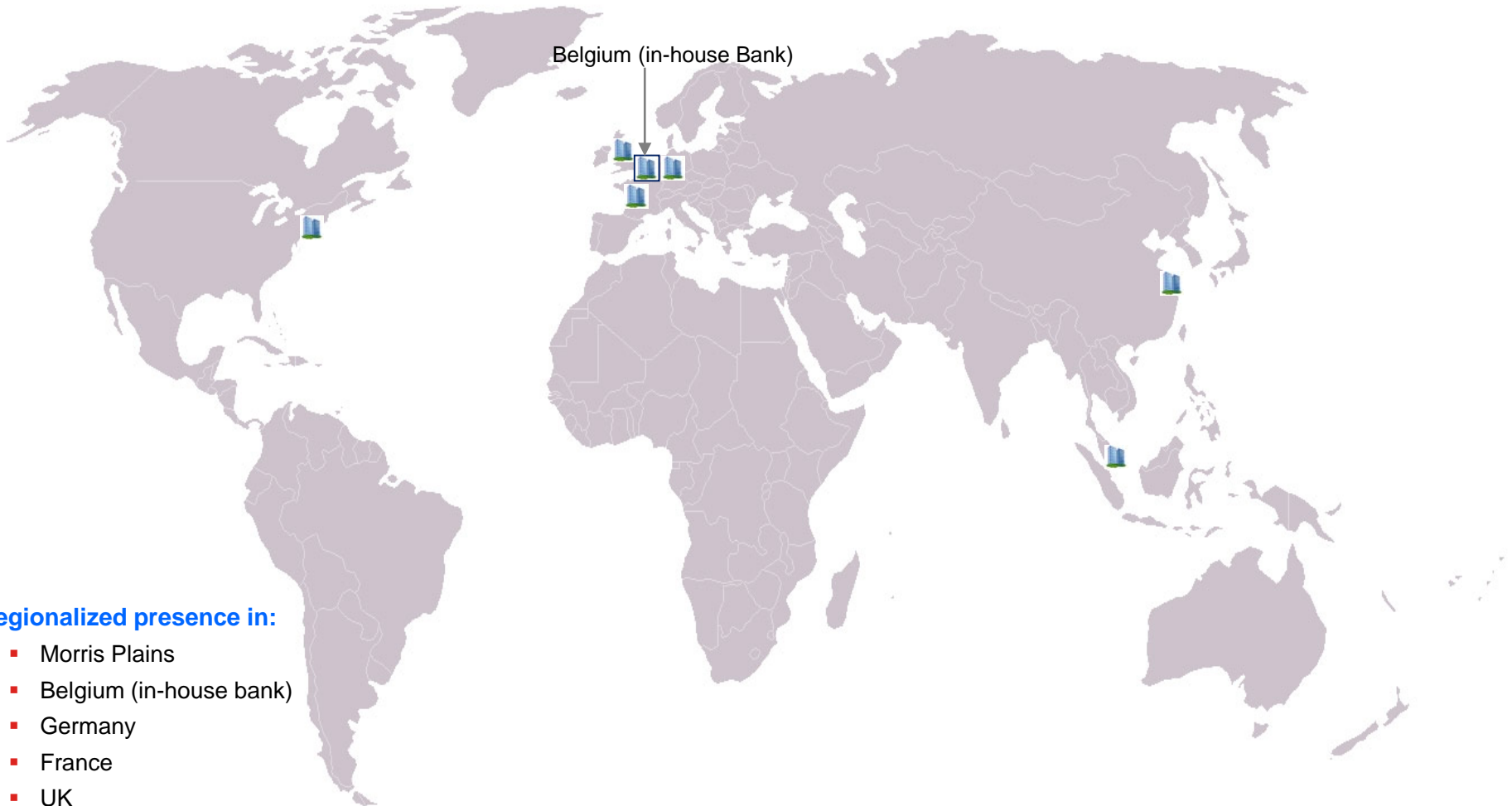


Honeywell is the leader in gas detection, fire systems, personal protective equipment, building controls, home comfort and security, and scanning and mobility.



Honeywell's technology is used to produce 40% of the world's liquefied natural gas, 60% of the world's gasoline, 70% of the world's polyester, and 90% of the world's biodegradable detergents.

Honeywell Treasury Organization



Belgium (in-house Bank)

Regionalized presence in:

- Morris Plains
- Belgium (in-house bank)
- Germany
- France
- UK
- Singapore
- Shanghai

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Global Systems and Processes Managed Regionally

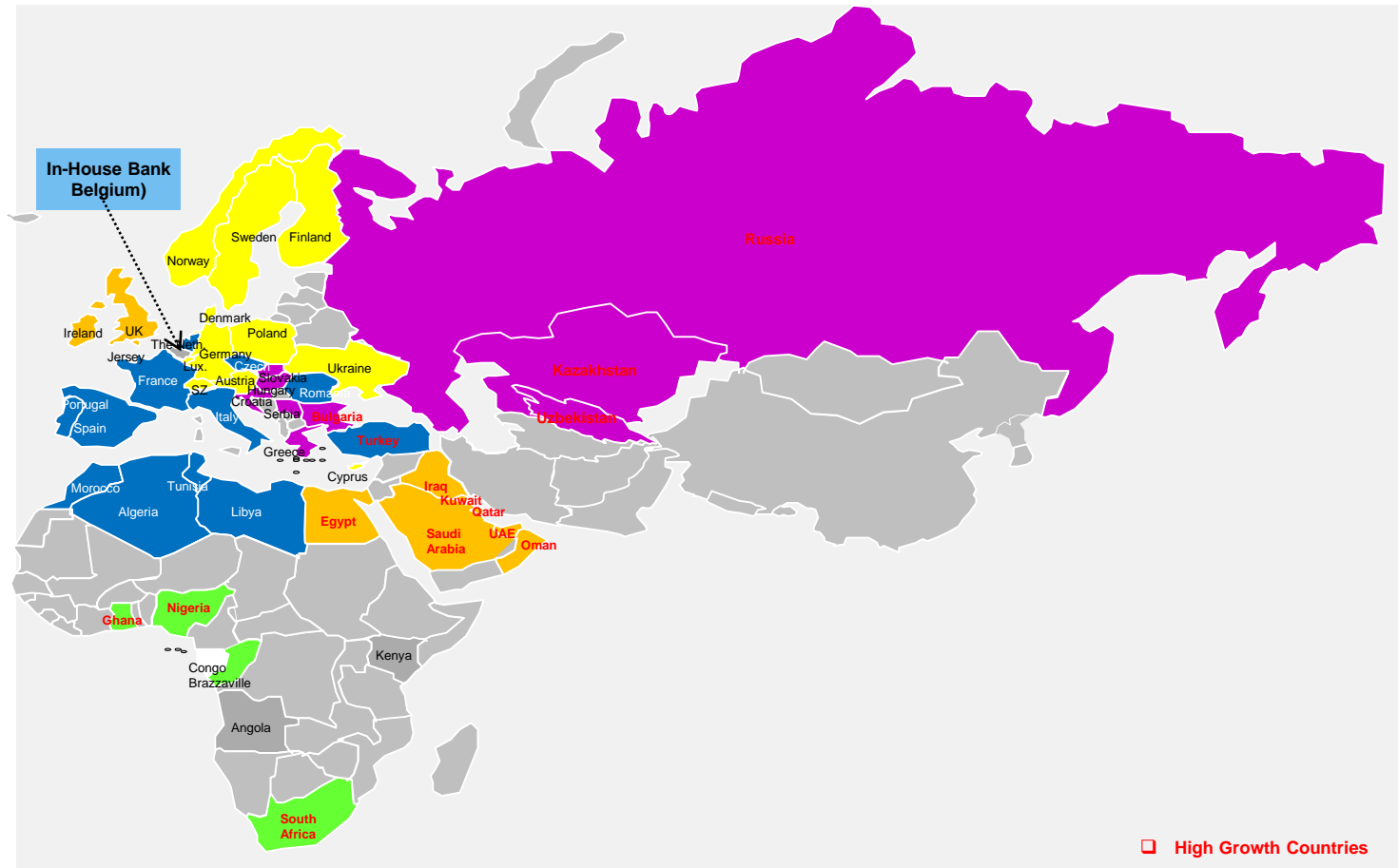
Honeywell EMEA Treasury Landscape

46
Countries

342
Subsidiaries

911
Bank Accounts

USD
4.7 Bln Cash



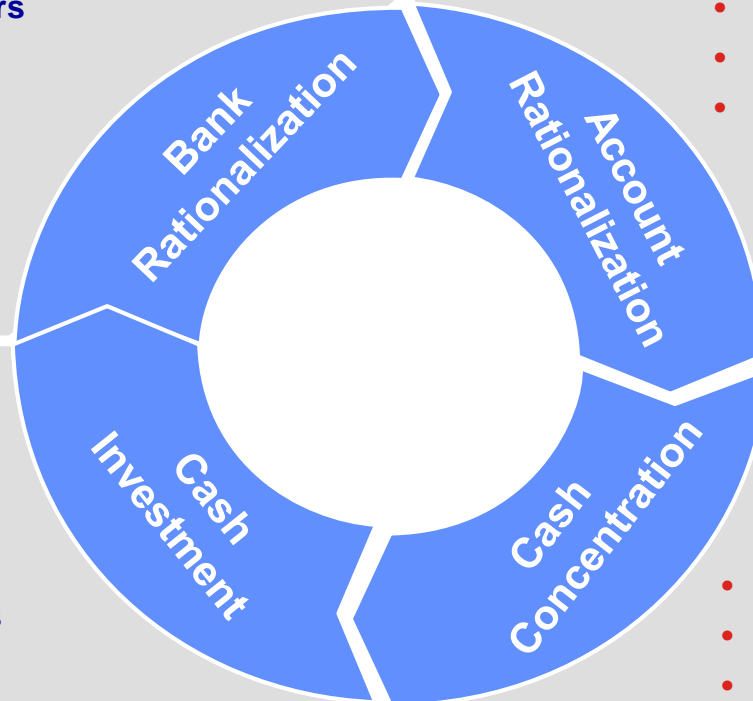
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Complexity & Diversity of EMEA Operations

Liquidity Strategy Overview

- 1 bank by country
- Preference to credit providers
- Thorough RFP Process

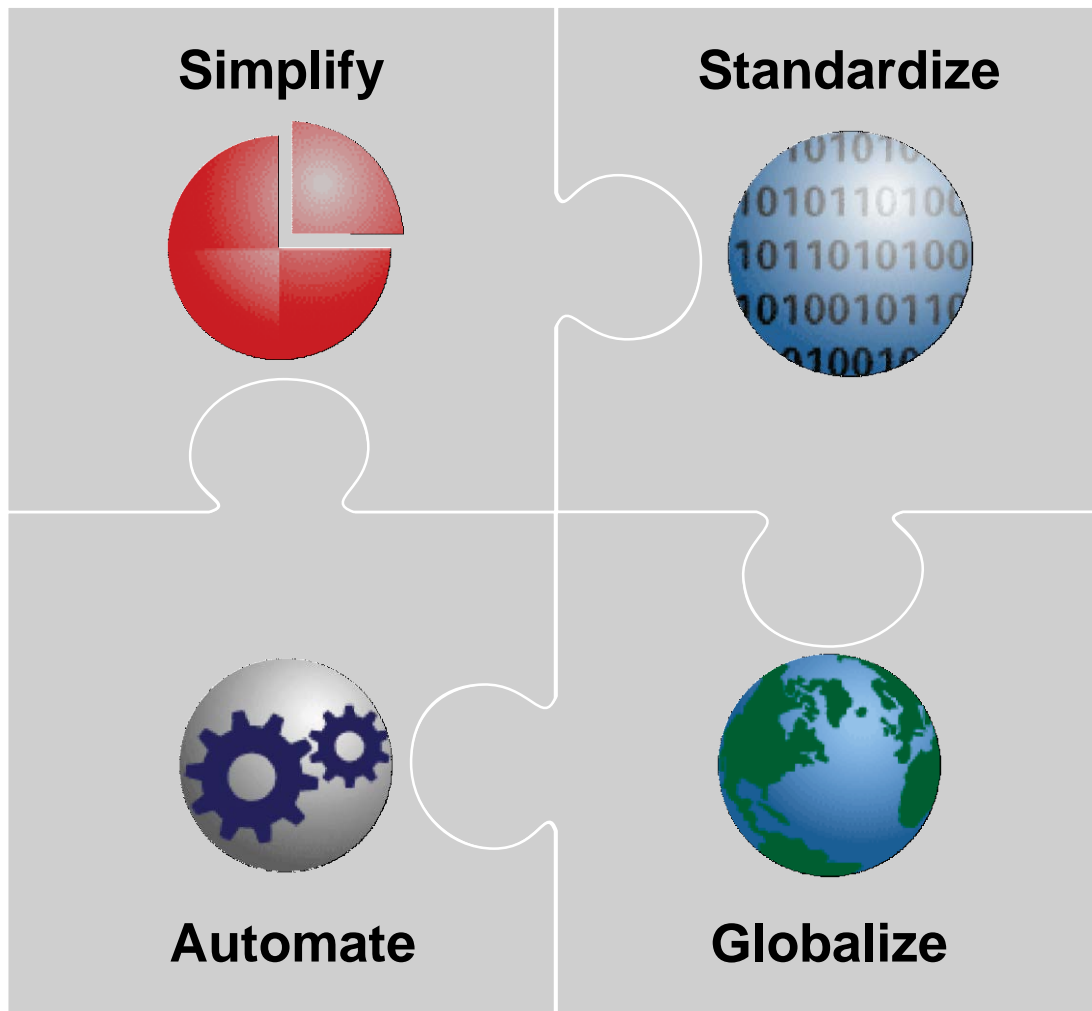
- Elimination of obsolete accounts
- 100% Daily Visibility
- Acquisitions Integration



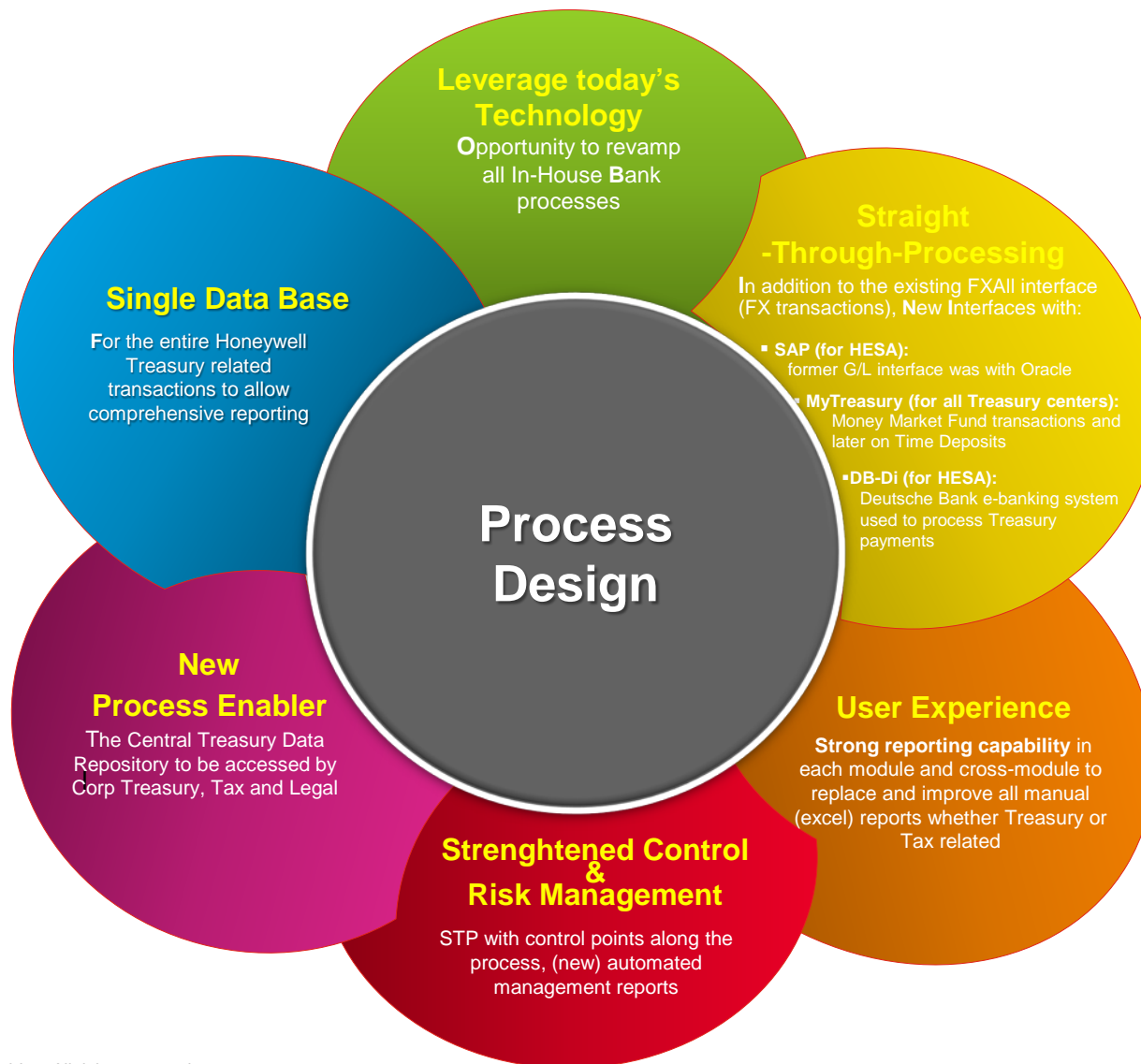
- Time deposits
- Liquidity funds
- Corporate CPs
- High-yield current accounts
- Structured Deposit
- Use of on-line trading platforms

- In-country pooling
- Cross-border pooling
- Inter-company loans (in-house bank)

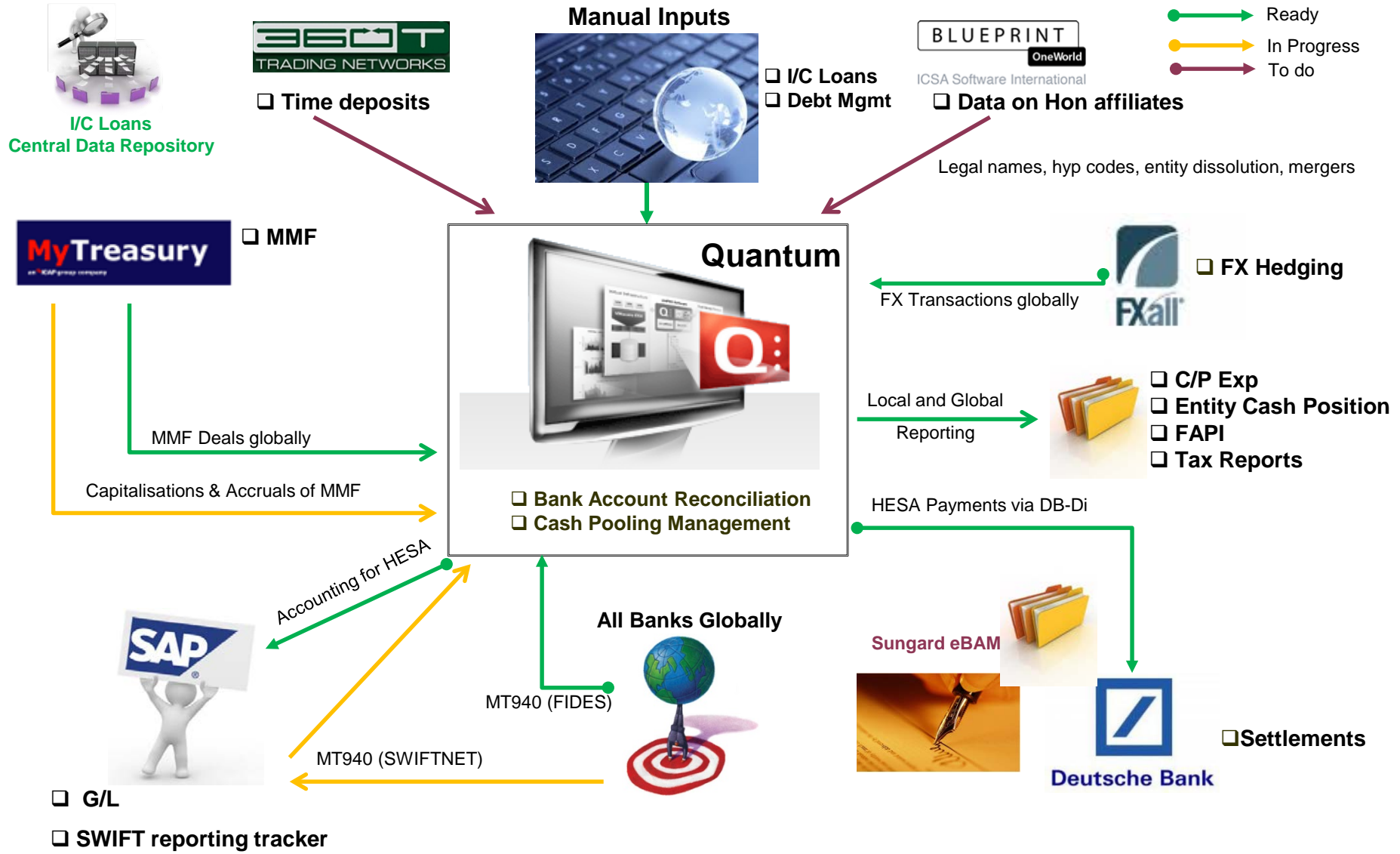
Treasury Strategic Themes



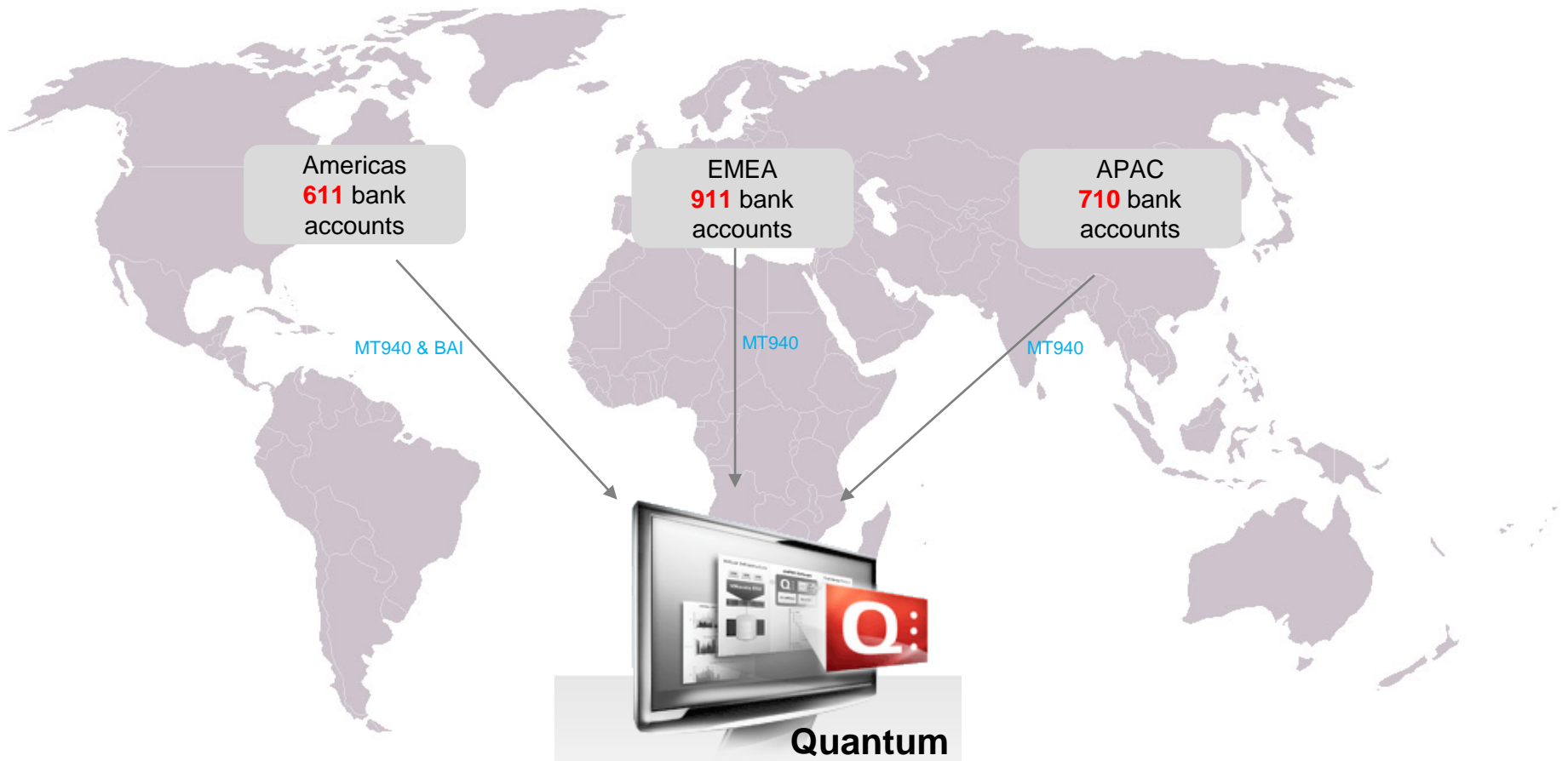
FIS Quantum Vision



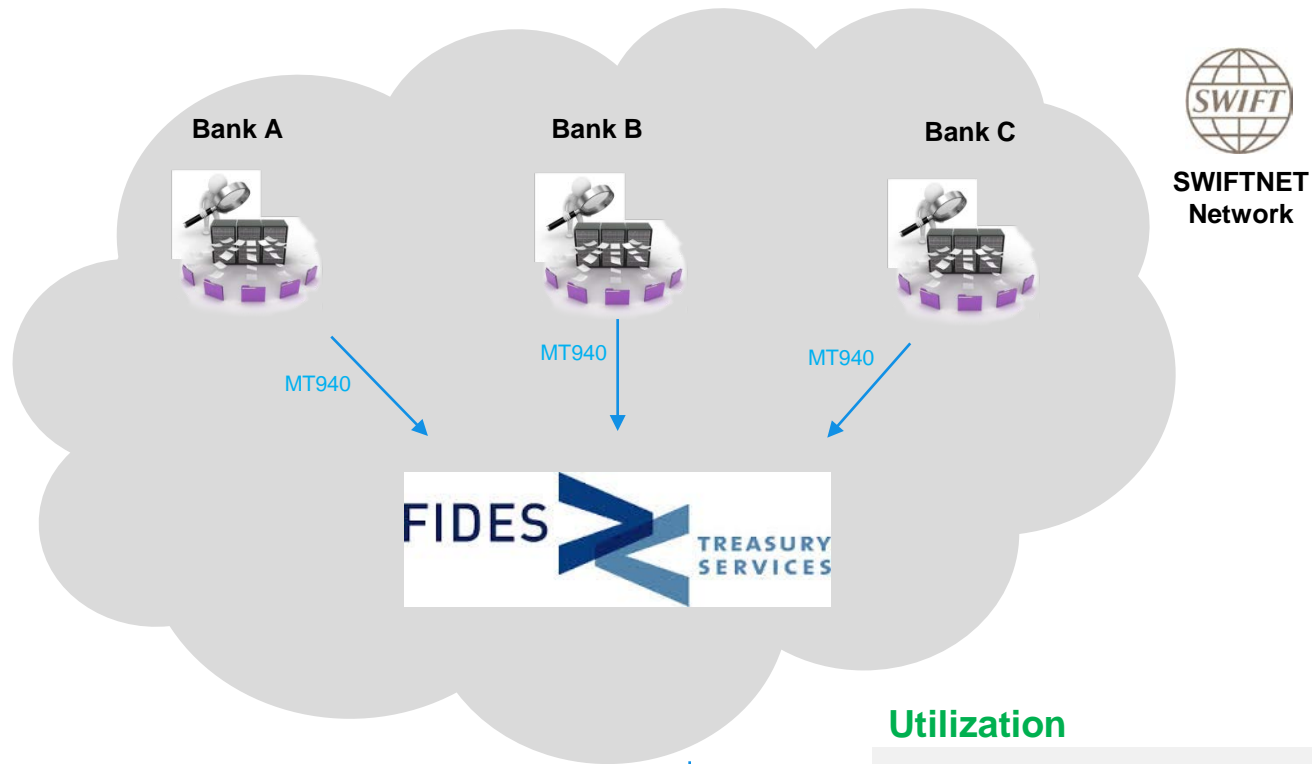
FIS Quantum as the Central STP and STR Tool



Daily Reporting of All Bank Accounts Balances Globally

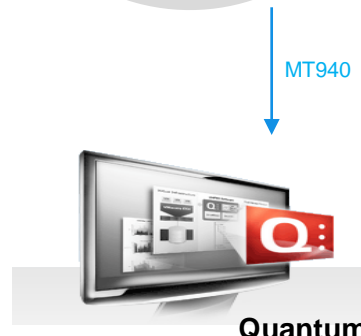


MT940 Bank Statements Reporting - BEFORE



Control in Quantum

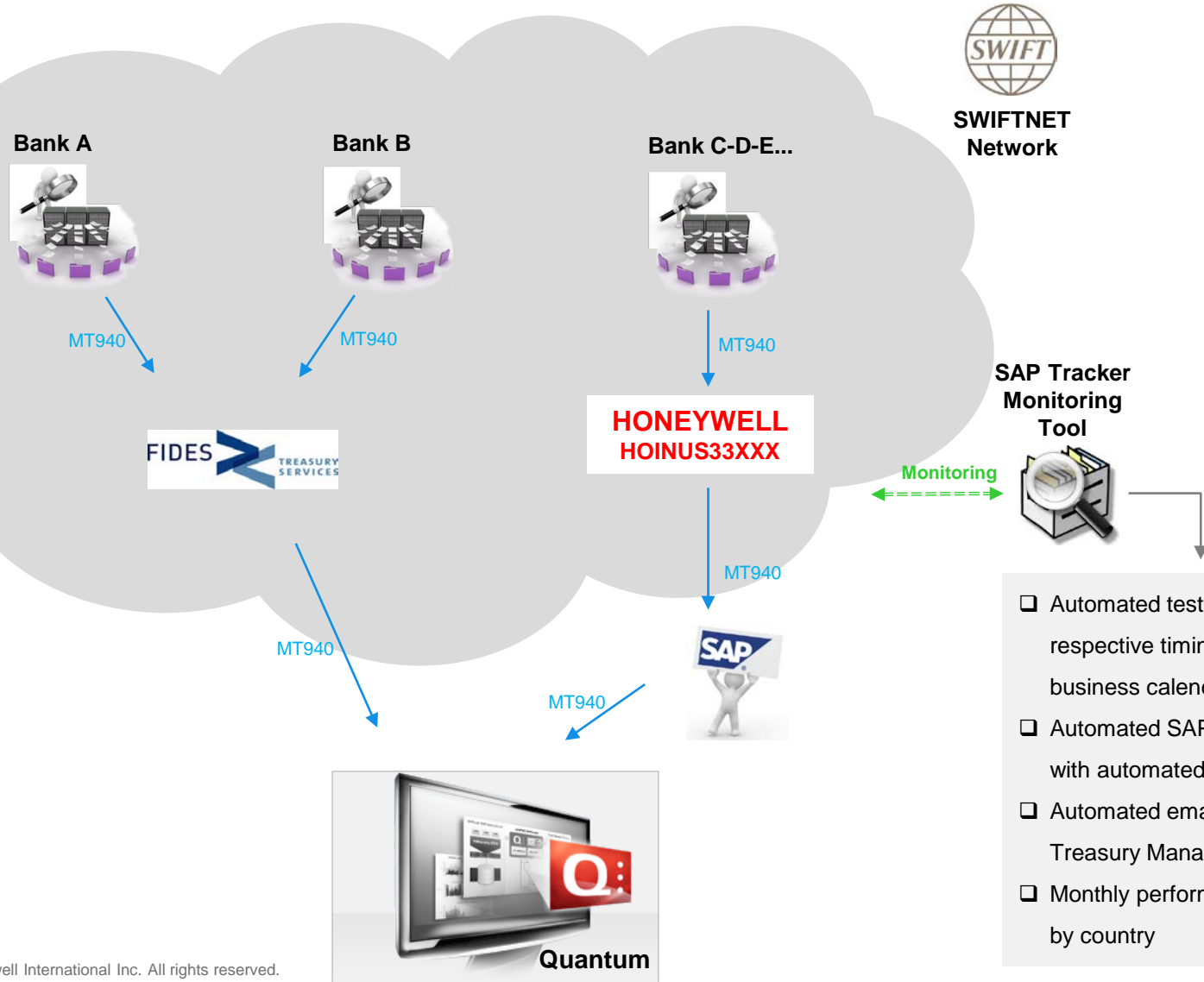
- Proper load of 3 daily Fides files



Utilization

- Automatic reconciliation of in-house bank Treasury Transactions
- Manual counterparty exposure report (downloads to provide high level summary exposure report by counterparty)

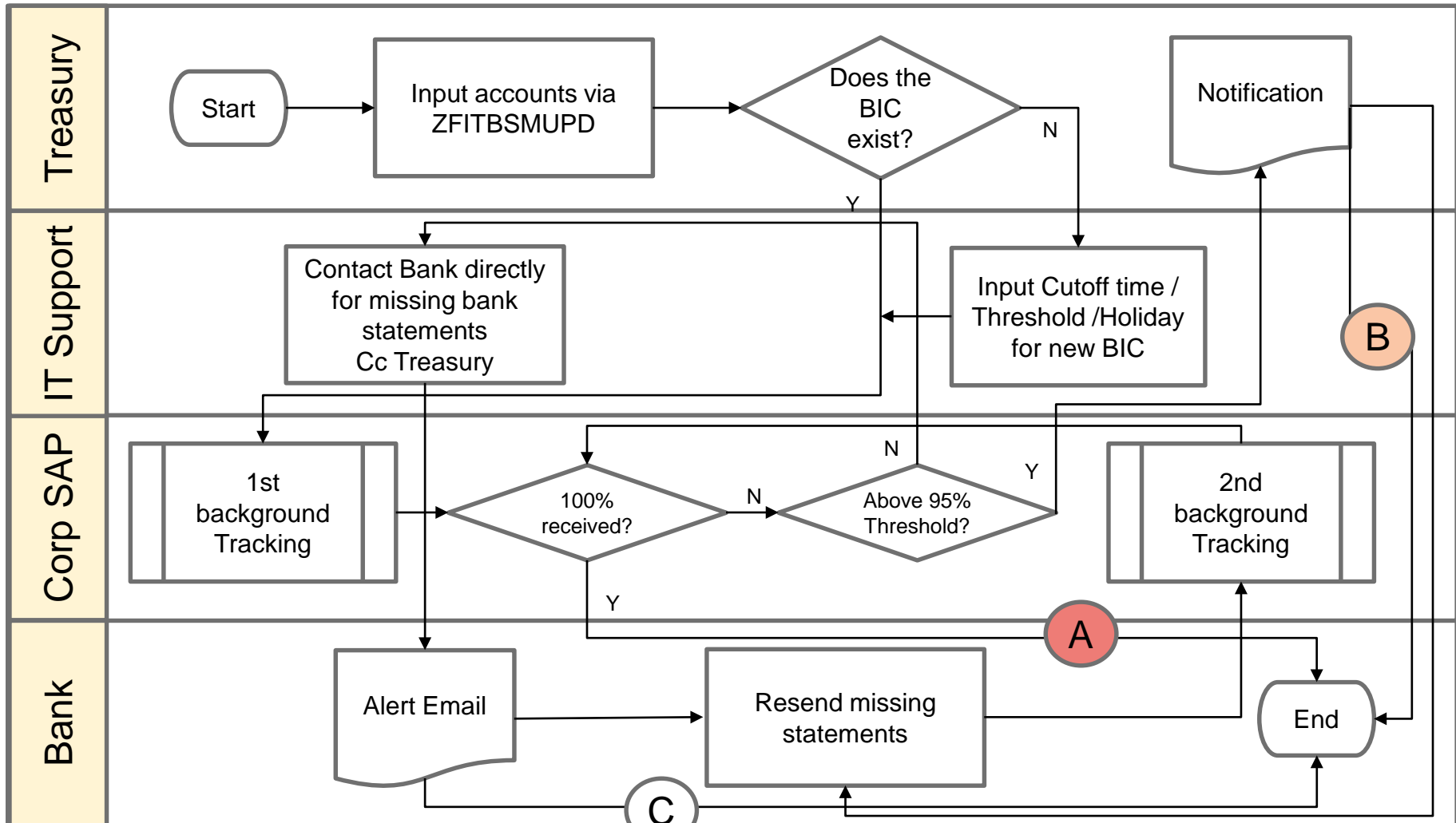
MT940 Bank Statements Reporting - NOW



SAP Tracker Fields

- Account Id
- Quantum Account Number
- SWIFT/BIC
- Global Region
- Country
- Region
- Region Name
- Empty Bank Statement Indicator
- Close Indicator
- Open Date
- Close Date
- To Recp1
- To Recp2
- Cc Recp1
- Cc Recp2

Quantum SAP Tracker Process Flow



(A) All Ok (B) Ends with received % above 95%-
Treasury to handle

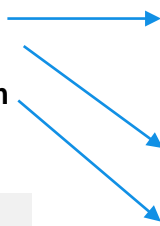
(C) Ends with received % below 95%.
Bank to handle

Treasury Benefits of SAP Tracker

- 100% reliability of bank statements reporting
- No-touch process for Treasury once proper set-up in place
- Leverages IT support
- Relevant info going to relevant treasury analyst
- Takes into account national and local holidays (no spam)
- Monthly management reporting and metrics for bank relationship purpose

MT940 Utilization in Sungard Quantum

MT940 Bank Statements Reporting



Controls in Quantum

Batched Monitoring reports

1. MT40 issues to fix
 - Unknown bank account
 - Duplicate reporting by bank
 - Reporting on closed account
2. Unreconciled treasury transactions
3. Bank reported external balance vs. Quantum calculated balance, by value date
 - With automated QID file to load adjustments
4. Last statement reporting date
 - No MT940 statement in last 3 months
5. Statement continuity check
 - Last closing balance vs. new opening balance

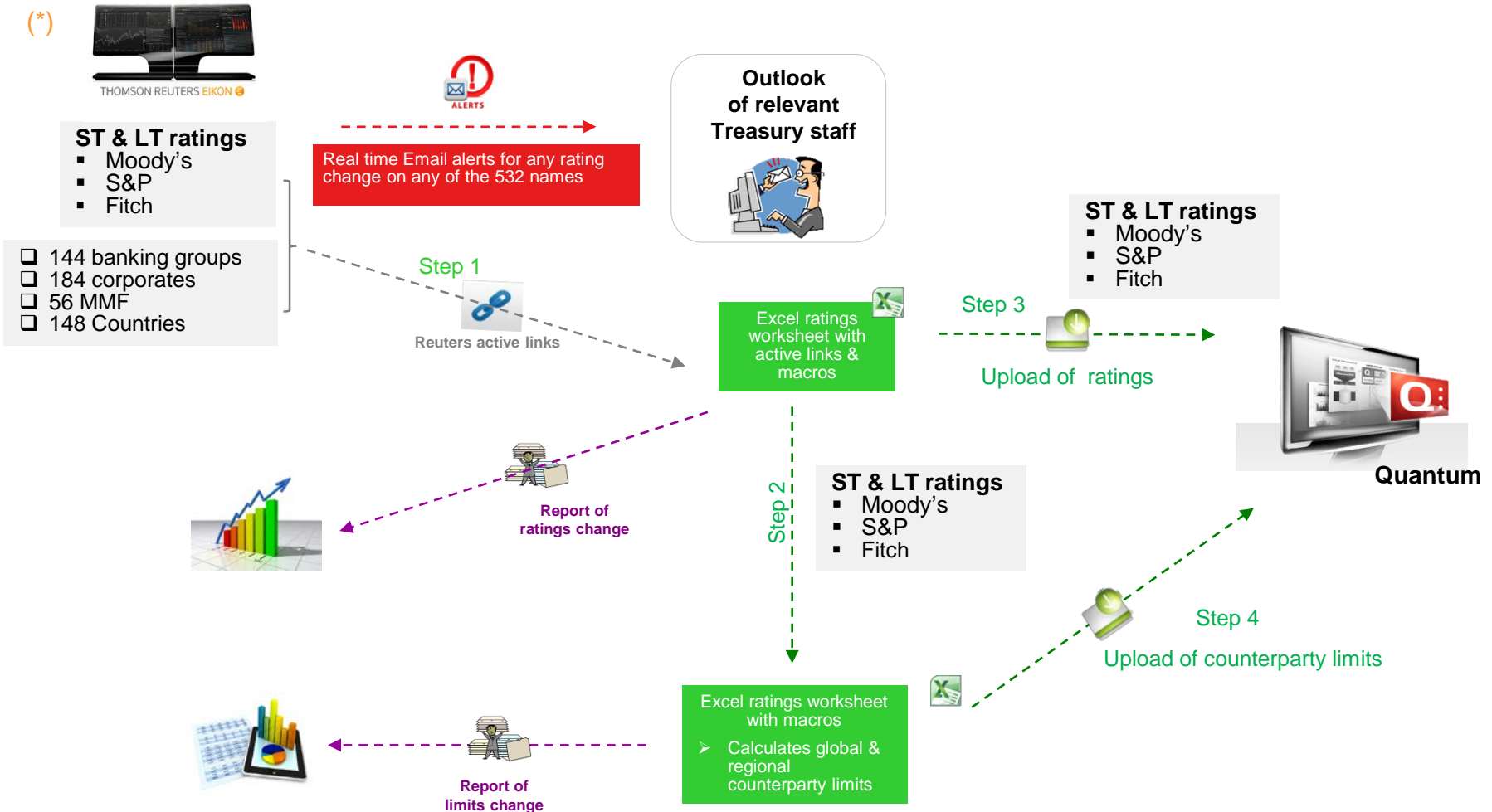
Utilization

- Automatic reconciliation of Treasury Transactions
- Calculation of accurate bank accounts balances by value date
- Update of various cash exposure reports
- Calculation of participants cash pool balance towards respective cash pool header (including ZBA Cash Pools)

Static Data Structuring

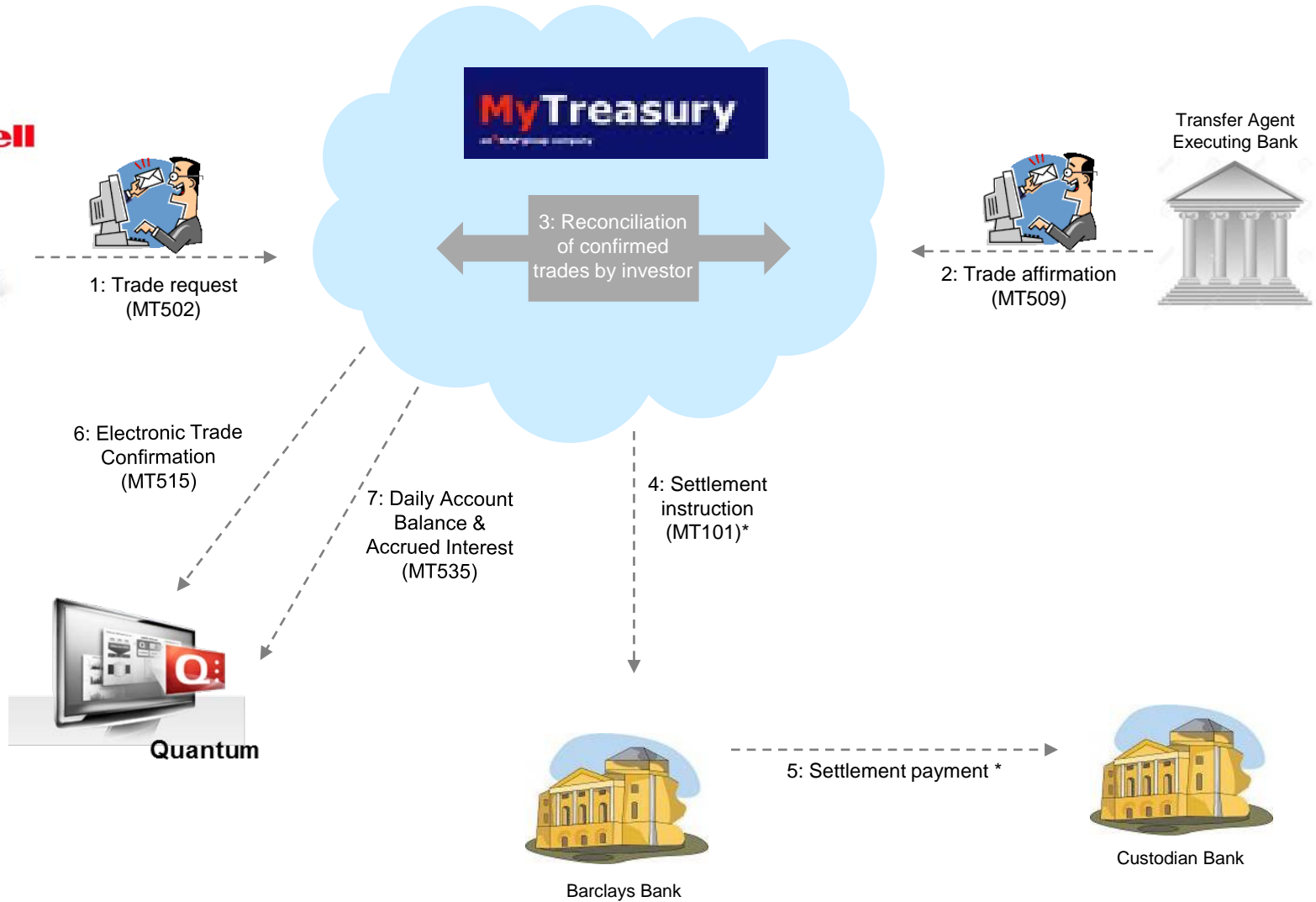
1. We set up new concepts, to be used as building blocks for sophisticated customized reports:
 - Bank Account Type
 - Counterparty Type
 - MMF Type
 - Counterparty Grouping
 - Reserved Cash
 - Required Working Capital by Country
 - Trapped Cash Countries
 - Counterparty Ratings
 - Counterparty Investment Limits
 - Notice Period for Bank Accounts
 - Yield on Bank Accounts
 - Custom Tables for Cash Pools Flows Identification (on tags 61 and 86 of MT940)
2. We established system conventions and reviewed 10-year of legacy data accordingly
3. We established processes and controls for new data entry :standard forms + 30 static data monitoring control reports

Counterparty Ratings Update Process



MyTreasury Automation for Trades, Reporting & Autosettlement

Honeywell



Customized Real-Time Cash Exposure Reports

- **Various sort orders and subtotals:** by country of the investor, by country of the investment, by counterparty, by currency, by maturity date, by product, by management team...
- **Summary level** →management reporting with aggregate metrics, and **Detail level** →down to the individual transaction or bank account
- **Flexible scope:** global, regional, limited to one or more countries, one or more counterparties, one or more currencies, one or more exposure types (bank/corporate/sovereign)
- **Includes specific focus reports:** deployable cash, country risk, funding report...
- **Specific parameters:** transactions settled/only entered into, including zero-balance accounts or not, cash and cash equivalent/only longer term transactions/all cash...
- **With graphics and analytics:** by country, investor, time-bucket, ratings combination, average tenor, average yield...
- **With key details:** investor, country, counterparty LC amount, USD equivalent, start and end date, yield

Actions to Increase Yield on Global Cash

Ongoing for many years

- Selection of Cash Management Banking Partners by subregion/currency via thorough RFP
- Elimination of obsolete Bank accounts
- Concentration of all non-trapped excess cash at the Belgian in-house bank

Made possible thanks to real-time accurate auditable reports

- Trapped cash countries and required in-country working capital: reviewed each bank account balance, each local investment, to minimize idle cash and optimize yield of local investments
- Euros: negotiated new Basel III LCR-friendly structured investment products and built a longer term TD maturity profile
- USD: built a global investment book for the USD of the in-house bank taking advantage of investment opportunities and market inefficiencies around the globe:
 - Established new relationships with highly rated Australian and Singapore banks for TD and Basle III-friendly structures
 - Diversified exposure to the corporate world with investments in corporate US CP
 - Maintained access to daily liquidity through MMF investments out of Europe and Singapore

Results



- ✓ Real-time accurate data on cash and investments for 623 affiliates in 77 countries, holding 2,232 bank accounts.
- ✓ Refocused Treasury staff on strategic or tactical activities, rather than operational and reporting.
- ✓ Better controls and compliance with our Global Investment Policy.
- ✓ Brought the Treasury Organization to the next level in terms of agility, speed of decision making, quality and speed of reporting to our most senior executives.
- ✓ Allows to respond to new opportunities as soon as they are identified. Similar to the concept of the “value of perfect information” in capital markets theory, i.e. there is a premium attached to having this level of insight.
- ✓ Boost of investment returns in 2014: 50% above interest income budget in an environment of continuous decline of central bank rates!

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Question time
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Séverine Le Blévenec

Director EMEA Treasury, Honeywell



FACILITATOR

John Nicholas

Editorial & Research Director,
Treasury Today

Next webinar...

Wednesday 2nd March
HCSC – *Does your treasury
require major surgery?*