

SUNGARD

AMBIT
TREASURY MANAGEMENT

THE NEW MARKETS
FOR BANK
SPONSORED
TREASURY
OFFERINGS

TABLE OF CONTENTS

- 1 Introduction
- 2 Market Background
 - Treasury Became Non-core
 - Fast Forward to Today
 - The Traditional Market
- 3 New Markets
 - Reinvent Agency Treasury
 - Enhance Cash Management Capability
 - The Wide Open Middle Market
- 4 The Challenge of Scale and Scope
 - Conclusion
- 5 About Ambit Treasury Management
 - About Ambit

INTRODUCTION

Agency Treasury is only one model of service applicable to the corporate treasury outsourcing market. With new market dynamics emerging Banks should investigate if new service models are appropriate and select a vendor that can deliver the scale and scope.

Many observers in the treasury markets have discounted the traditional Agency Treasury market and concluded there is only room for a limited number of banks offering outsourced treasury services to corporations. While this traditional market has seen significant consolidation in recent years, new dynamics are now in play.

Banks should now evaluate their overall market strategy and system capabilities to ensure they can take advantage of new opportunities and gain market share as these new markets develop. Key to this is selecting a vendor capable of delivering solutions across the market spectrum.

MARKET BACKGROUND

Agency Treasury is not a new concept and has been evolving for over 20 year. Initially tax driven many Banks were in a position to offer corporate clients better service by handling a corporations treasury operations in tax favourable environment such as the IFSC in Dublin and other international centres. The advent of bank cash management systems in the 1990's and expanding global banking capabilities meant that larger banks could offer better service and gain a larger share of the clients business. Outsourcing Treasury was a key theme throughout the 90's and enjoyed continued popularity at the larger end of the market though the early part of this decade. Banks and specialist treasury service providers entered the market and competed for business

TREASURY BECAME NON-CORE

In the late 80's and early 90's corporate treasuries went through a brief spell of being considered a profit centre in some large corporations. In some cases the trading activities of treasury were responsible for more profit than main business activities. This role radically changed after a number of high profile losses and the economic downturn forced companies to adjust priorities. In response, companies adopted a more risk averse approach to their back office operations and increased their focus on core activities resulting in treasury being classed as non-core.

At the same time as companies were adjusting strategic priorities the outsourcing market was gaining favour among corporate decision makers creating a market for services. With large consulting companies handling IT and logistics the importance of the treasury operations meant that a trusted party was needed and a number of banks saw the market opportunity. The Agency Treasury model has been evolving but remains mostly suitable to larger companies.

FAST FORWARD TO TODAY

Banks services are becoming commoditised. Technology is decreasing service differentiation based on technology such as the traditional bank workstation. Agency Treasury services are still somewhat bespoke and labour intensive and cannot scale. In this environment there new technology can create a new defendable service differentiation.

THE TRADITIONAL MARKET

The traditional Agency Treasury market is characterised by the wholesale outsourcing of people and processed to a trusted partner who would operate all aspects of treasury on behalf of the company. This market was suitable to the larger companies with a significant treasury operation and did not lend itself to smaller and medium size companies.

As a consequence of outsourcing of the treasury function there is a commensurate reduction in the process capabilities and treasury knowledge within the corporations. As with many outsourcing arrangements the process is not without its problems. With the lack of detailed process and treasury knowledge in the corporate client and imperfect

knowledge of the corporate business problems can develop in even the closest of Agency Treasury relationships due to remaining organisation boundaries.

The problems can be magnified further by the lack of integration between the banks systems and the corporate core systems. With the increasing speed of information a traditional Agency Treasury arrangement can mean that each party is working with information with a high degree of latency. Agency Treasury providers need to employ new technology to further reduce the organisational barriers to keep the traditional service competitive.

NEW MARKETS

While traditional Agency Treasury offerings have matured and plateaued new technology and system capabilities are making new business models possible across a wider range of company sizes. Within a few years the market landscape will have changed. Only the banks offering the best services across the corporate markets will survive.

REINVENT AGENCY TREASURY

The idea of outsourcing the entire treasury department is no longer as current or economically beneficial for all companies. There will always be a place for full service Agency Treasury and perhaps growth in specialist services (e.g. demergers, rapid expansion, etc) many large corporations are looking to in-source the domain knowledge but not necessarily the technology. New bank sponsored services offering that provide a corporate customer with a white labelled treasury system capable of handling all the functionality of treasury management system without the technology are gaining favour. New technologies mean traditional organisational barriers are reduced and the corporate retains process and treasury knowledge while maintaining the deep client relationship.

ENHANCE CASH MANAGEMENT CAPABILITY

Current banks sponsored offerings are falling short on cash management capabilities. Competitive pressures and increasing client complexity means that enhanced cash management capabilities and additional basic services that can be managed by the client will become standard. Again, incumbent services are constrained by the technology deployed. Re-inventing existing offerings is a costly and expensive proposition. The market is ready for enhanced services with new technology.

THE WIDE OPEN MIDDLE MARKET

The middle market corporate has more complex operations and needs an more capability than the traditional cash management services. Middle market companies are looking to improve processes and reduce the proliferation of spreadsheet is a cost effective way. They require the capability to handle investments, debt structures, managing multiple accounts from and increasing number of banks, booking FX and arrange some more

complex cash management structures and the resulting accounting. Whilst the need for capability increases the desire for complex technology does not. Constrained by cost or low volumes the middle market is currently not served by providers. Having out grown existing services and not economically viable for traditional Agency Treasury offering the potential of the middle market is untapped and currently a very attractive prospect for the right match of trusted partner and the right technology.

The three markets all have distinct requirements. The Agency Treasury market needs to decrease the information latency and overcome organisational barriers. The middle market needs advanced functionality in a cost effective deployment and the cash management market needs additional capabilities to remain competitive. Banks cannot address these markets without the right technology provider to handle the scale and scope.

THE CHALLENGE OF SCALE AND SCOPE

The challenge for banks in this market is to handle the scale and scope in the services required by the various market segments. The volume of the basic services cannot be met by systems that can serve the complexity and richness of functionality and potential customisation required at the higher end of the market. This gap in a banks capability to address the growing market cannot be filled by building out internal system. With the increasing need to provide value added banking services to the corporate market selecting the right technology to enhance current capabilities is critical.

Current bank systems have been focused at the basic cash management markets with some additional capabilities being deployed as they become market standard. The current limitation of systems is the in-house development capacity and capabilities of banks in the market. Incumbent market players are not well positioned to expand current offering as the scope of services required is significantly different that the current offering. Traditional Agency Treasury offering cannot be scaled down to serve the markets effectively. This opens the market for new players to address all segments of the market with new offerings.

Selecting an external vendor is critical to addressing the new markets. A vendor needs to solve the problem of scale and scope and have the technological capabilities to address each market economically. SunGard is the only solution vendor capable of delivering the enhanced cash management capabilities, web base treasury systems for the middle market and advanced complex treasury and risk management systems on a white labelled basis.

CONCLUSION

The current Agency Treasury model is only one model of bank sponsored treasury offerings that is viable in today's market. In the coming years banks will be offering additional value added services to a wider corporate audience to grab market share and enhance relationships. To serve these markets banks will need to deploy appropriate systems and technology and meet the challenge of scale and scope. Key to this is selecting a vendor with capabilities that can address the scale and scope required in the treasury domain. Key to this is selecting a vendor with capabilities that can address the scale and scope required in the treasury domain. SunGard is the only vendor that can address the scale and scope required to meet these challenges.

About SunGard

With annual revenue of \$5 billion, SunGard is a global leader in software and processing solutions for financial services, higher education and the public sector. SunGard also helps information-dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. Visit SunGard at www.sungard.com.

About Ambit

SunGard's Ambit is a banking solution suite for retail, commercial and private banks. It provides banking professionals with solutions that support front-, middle- and back-office operations, as well as solutions for financial management, risk and compliance. Ambit helps banks improve customer service management, streamline business processes, comply with regulations and capture growth opportunities. For more information, visit www.sungard.com/ambit.

www.sungard.com/ambit ■ email: ambitinfo@sungard.com

SunGard's solutions for banking are used by more than 800 banks in 70 countries including 41 of the world's top 50 banks. SunGard provides a comprehensive core banking solution and best-of-breed point solutions for retail, commercial and private banking, straight through enterprise processing, treasury management, finance, risk and compliance, including Apsys, BancWare, STeP and System Access.

© 2008 SunGard

Trademark Information: SunGard, the SunGard logo and Ambit, Apsys, BancWare, STeP and System Access are trademarks or registered trademarks of SunGard Data Systems Inc. or its subsidiaries in the U.S. and other countries. All other trade names are trademarks or registered trademarks of their respective holders.