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Cashfac Asia Pacific Operational Cash Index Whitepaper

March 2015



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East Haymarket Pte Ltd

21 Media Circle, #05-05 Infinite Studios, Singapore 138 562

phone: +65 6579 0533 fax: +65 6224 6102

www.eastandpartners.asia

Company Registration No: 201 400 324 K

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About Cashfac Technologies

Cashfac Technologies is a global leader in Cash Management solutions for financial institutions, corporates and public sector organisations.

Cashfac delivers transparency, control and compliance to the cash management lifecycle, enabling clients to strengthen the management and processing of their own money or their clients' money. Cashfac's solutions are available direct from Cashfac and through Banks who place Cashfac's technology at the heart of their corporate cash management services.

CASHFAC
— TECHNOLOGIES —

About the Operational Cash Index

There are benefits to be gained from improving transparency of Cash across multi-bank relationships and having access to flexible tools and processes which allow corporates to maximise the value of the cash in their business.

For innovative Banks in the region there's a major opportunity to steal a lead and offer a next generation of multi-bank, cash management services to their corporate clients.

Introduction

The ability to harmonise investment, risk management and cash forecasting strategies have changed the game for treasuries. With greater capabilities have come greater responsibility and expectation, and treasurers are now required to make a greater strategic contribution to the organisation, while facing ever increasing pressures to manage cash more efficiently.

Treasury management systems have evolved into systems to support decision making, and to achieve this they must have 360 degree connections with internal and external systems to deliver full visibility. But while these innovations have delivered – in theory – more efficiencies for the treasury, poor implementation of solutions can create confusion, frustration, and fail to maximise the technology investment which organisations have made.

Many treasurers have found that the interface between their Enterprise Resource Planning (ERP) systems and their banks have failed to deliver the 360 view they seek.

The corporate treasury management systems market is characterized by fierce price competition on well-established functionalities for basic bank accounting, cash and liquidity management, reporting, and risk management.

This competition is further intensified by the presence of providers offering free accounting, tax, payments, banking, and other services. Many organisations are operating a multi-solution environment in which disparate systems are integrated to deliver, or attempt to deliver, the holistic visibility which is so critical to performance.

In this context, the Cashfac Operational Cash Index, executed by East & Partners, explores the reality of managing multi-banking systems and cash issues faced by large corporate treasuries face.

The inaugural index delivers a unique snapshot of the true state of play for the treasuries of major organisations in the Asia Pacific, and sets a benchmark in time which can be revisited for future iterations of the research

Methodology

Cashfac sponsored the Operational Cash Index to understand the strengths and weaknesses of Cash Management services which are currently available to Corporates across the region.

The results highlight significant opportunities for both Corporates and Banks across the Asia Pacific region.

A total of 364 corporates were interviewed, resulting in a pleasing participation rate of 91 percent.

The fieldwork for the inaugural round of the Cashfac Operational Cash Index took place between December 2014 and January 2015, with a near census of the top 100 revenue ranked corporates being interviewed in the four regions of Singapore, Hong Kong, Malaysia and Australia.

All interviews were conducted on a direct basis either in person or over a telephone with the key personnel holding primary responsibility for the organisations finances, using a structured interview questionnaire.

Demographics

Geographical Distribution

% of Total

	Feb 2015 (N: 364)
Hong Kong	25.3
Singapore	25.0
Malaysia	24.5
Australia	25.3
TOTAL	100.0

Interviewee Distribution

% of Total

	Feb 2015 (N: 364)
CFO	49.2
Corporate Treasurer	48.4
Finance Director	1.9
Other	0.5
TOTAL	100.0

Average Turnover of Index Sample

US\$ Billion

	Feb 2015 (N: 364)
Hong Kong	1.69
Singapore	1.52
Malaysia	1.09
Australia	1.41
TOTAL	1.43

Industry Sector Distribution

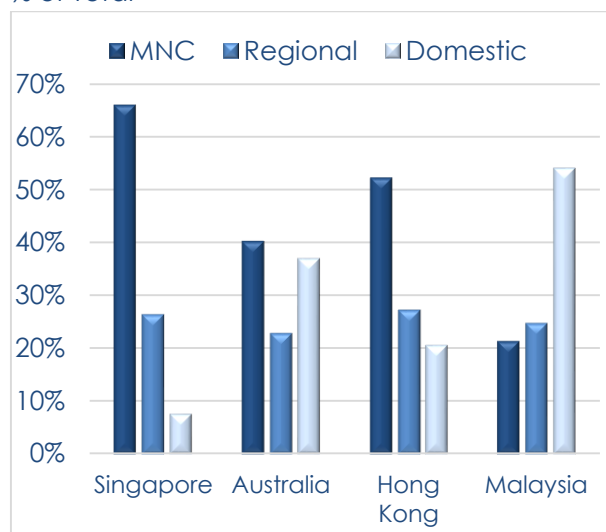
% of Total

	Feb 2015 (N: 364)
Agriculture, Forestry, Fishing	5.5
Mining & Resources	8.5
Manufacturing	19.0
Electricity, Gas & Water	1.1
Construction	8.5
Wholesale	8.2
Retail	11.8
Accommodation, Cafes & Restn.	1.9
Transport & Storage	7.7
Media & Telco	1.4
Finance & Insurance (non-banks)	4.9
Property & Business Services	12.4
Personal & Other Services	9.1
TOTAL	100.0

Note: banks specifically excluded from the Finance & Insurance sector coverage

Structure of Index Sample

% of Total



View from the Treasury

Corporates in the research sample across the four regions of Singapore, Hong Kong, Malaysia and Australia have an average annual turnover of \$US1.43 billion, and maintain an average of 4.7 bank relationships.

There was some correlation between turnover and the number of bank relationships. Hong Kong corporates, for example, have a higher average of 5.6 bank relationships with turnover of \$US1.69 billion, while Malaysian corporates have a lower average of 3 bank relationships on turnover of \$US1.09 billion.



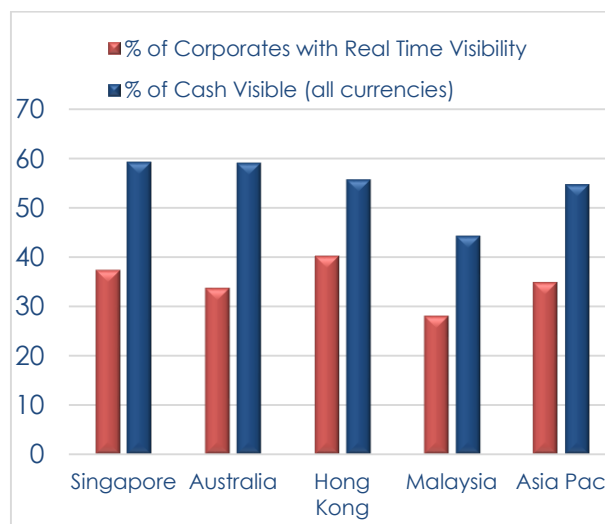
Real Time Visibility

Achieving a real-time consolidated view of transactions and balances remains elusive among Asian corporates.

Almost two-thirds of corporates in the four countries surveyed did not have access to a consolidated real time view of their transactions and balances.

Only 40 percent of Hong Kong corporates had a real-time consolidated view of their cash,

while as few as 25 percent of Malaysian corporates were able to do so, despite having fewer bank relationships.



A real-time view of cash is imperfect despite being available in real time. Pockets of cash remained in the shadow despite corporates owning systems that enabled real time visibility.

Among the corporates with a real time view, only an average of 54.8 percent of their total cash and on-going transactions is visible in real-time. This leaves the remaining balance being consolidated manually in order to achieve a complete view of their positions. In Malaysia, only 44 percent of the cash can be seen in real-time,

Attaining perfect clarity essentially hinges on the corporates ability to integrate all of their platforms and banks account together in a seamless and synchronised manner which can be view on a single dashboard.

Cash & Transaction Control

Managing cash centrally with any single pooling structures is inherently difficult in Asia due to the variances in local regulatory requirements.

Asia, unlike Europe with a single currency, Asian corporates are forced to wrestle with a composite of regulated currencies under their Asian operations.

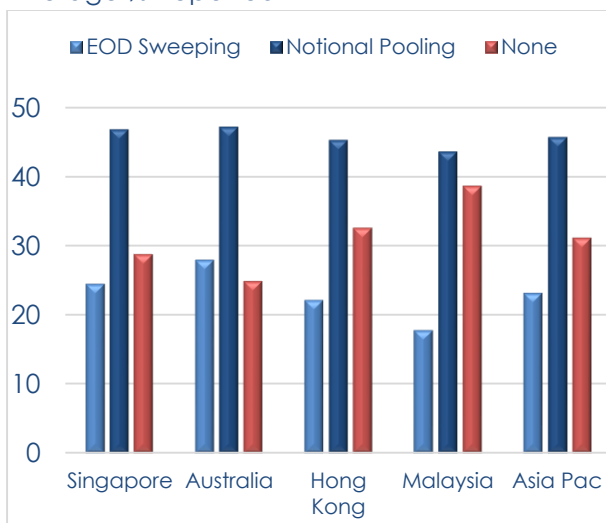
Essentially, approximately 70 percent of cash balances are managed under a form of pooling structure, either by sweeping or notionally.

Notional pooling is the more prevalent structure than physical pooling in the region, given the various regulatory restrictions that persist in Asia.

On average, 45.6 percent cash is managed via notional pooling, while 23.1 percent of cash is physically pooled together. This proportion is similar across the four markets.

Cash Management – Liquidity Structures

Average % Reported



In Malaysia however, as much as 38.7 percent of cash is not optimised under any pooling

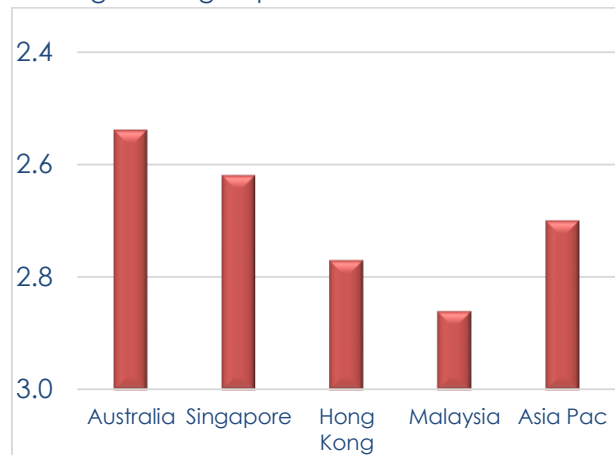
structure. This is not surprising, given that 54 percent of the Malaysian corporates are domestically focused.

Transaction Control Confidence

Despite residing in the same time-zone, corporates in Singapore, Hong Kong and Malaysia express different levels of confidence in controlling and managing their transactions between time zones and banks.

Transactions Control Ratings

Average Rating Reported



Note:

1 = high degree of control

5 = low degree of control

The average rating of 2.70 across the four regions showed a low level of confidence over control. Australian corporates had the highest confidence rating of 2.54.

Despite the fact that they operate in the same time-zone, the variance in confidence sentiments highlights the difference levels of system functionality or capability employed by corporates in managing transactions over different time-zones.

Multi-Banking Solutions

Corporates feedback is that the major shortcoming in multi-banking arrangements lie in the linking of accounts between banks.

23 percent of corporates cited patchy work-around solutions as their biggest problem.

Work-around solutions which required intervention with any intermediaries often undermined the accuracy and confidence in their data. This was the biggest concern among Malaysian corporates.

The second biggest shortcoming identified was the area of low self-serve functionality, cited by 22 percent of all corporates interviewed. This was the biggest concern in Singapore.

Reliance on banks for customised changes is often slow and incurs additional effort in follow-ups and verification.

Further, Singapore corporates were the most critical about the lack consistent functionality among the four regions, cited by 24 percent of them.

Inadequate network span was highlighted by 17 percent of all corporates, making it the third largest identified shortcoming. Australian corporates were most critical of this, with 22 percent identifying this issue.

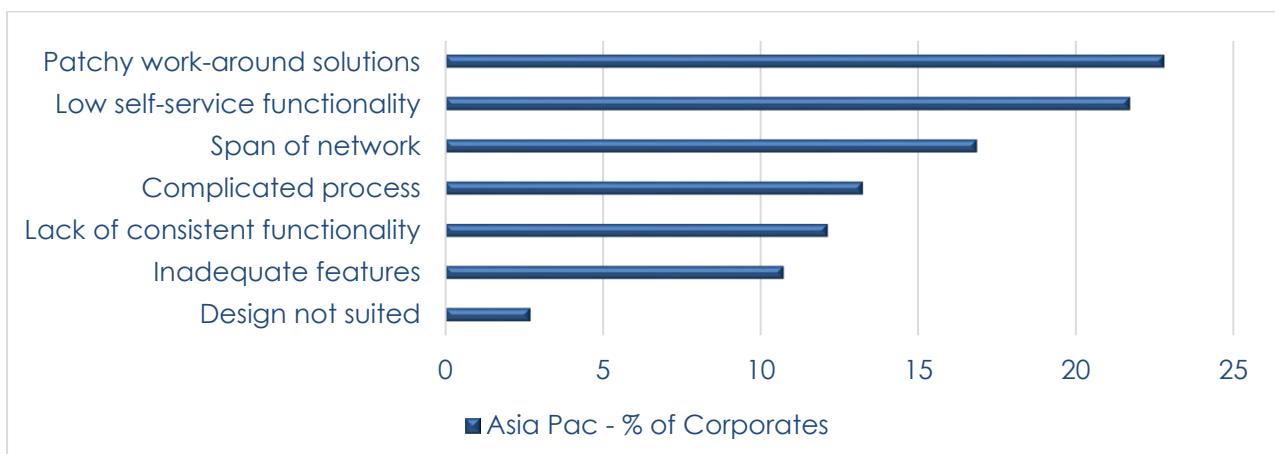
Multi-banking solutions have been well designed to cater for the corporate's specific industry needs, as less than 5 percent of corporates highlighted this area as a shortcoming.

East Commentary:

"Corporates find that most solutions in the market are well designed for a specific purpose. However, integrating it into their own ecosystem of systems based on their unique needs becomes nightmare for corporates when the patchwork of work-around solutions are inflexible to adapt to future changes."

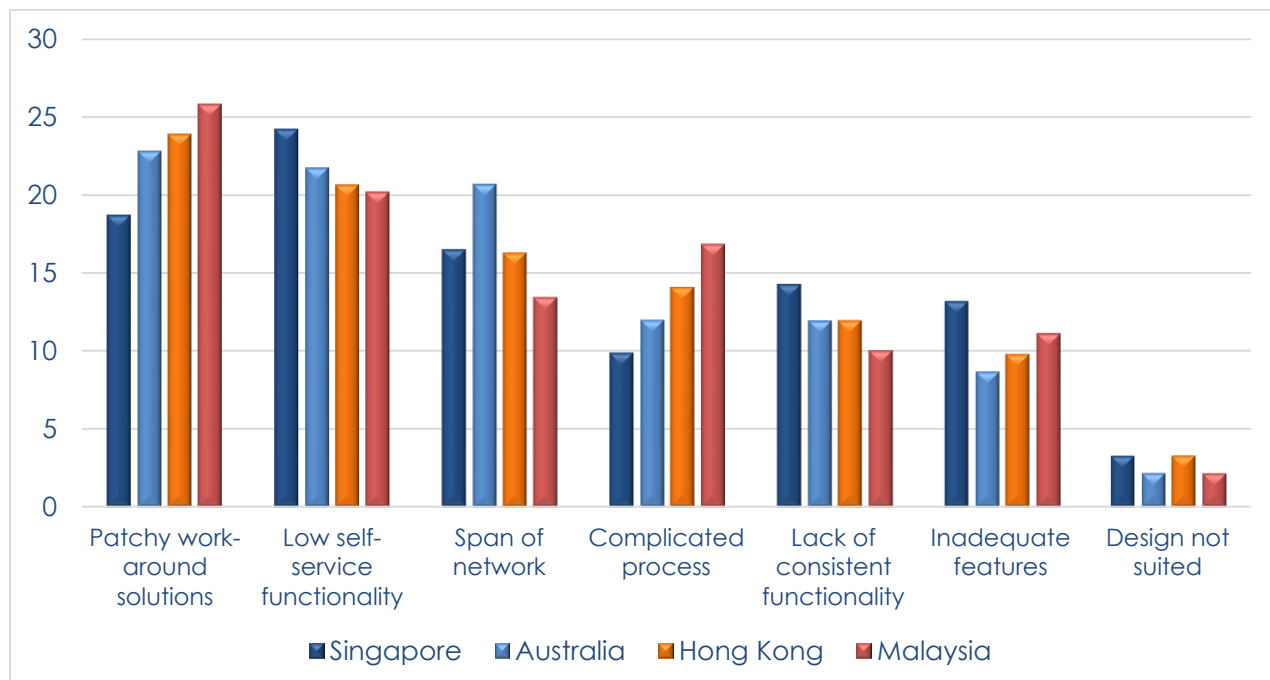
Darryl Ye, Senior Analyst East and Partners Asia

What is currently the biggest shortcoming in the Company's multi-banking arrangements with your current banks?



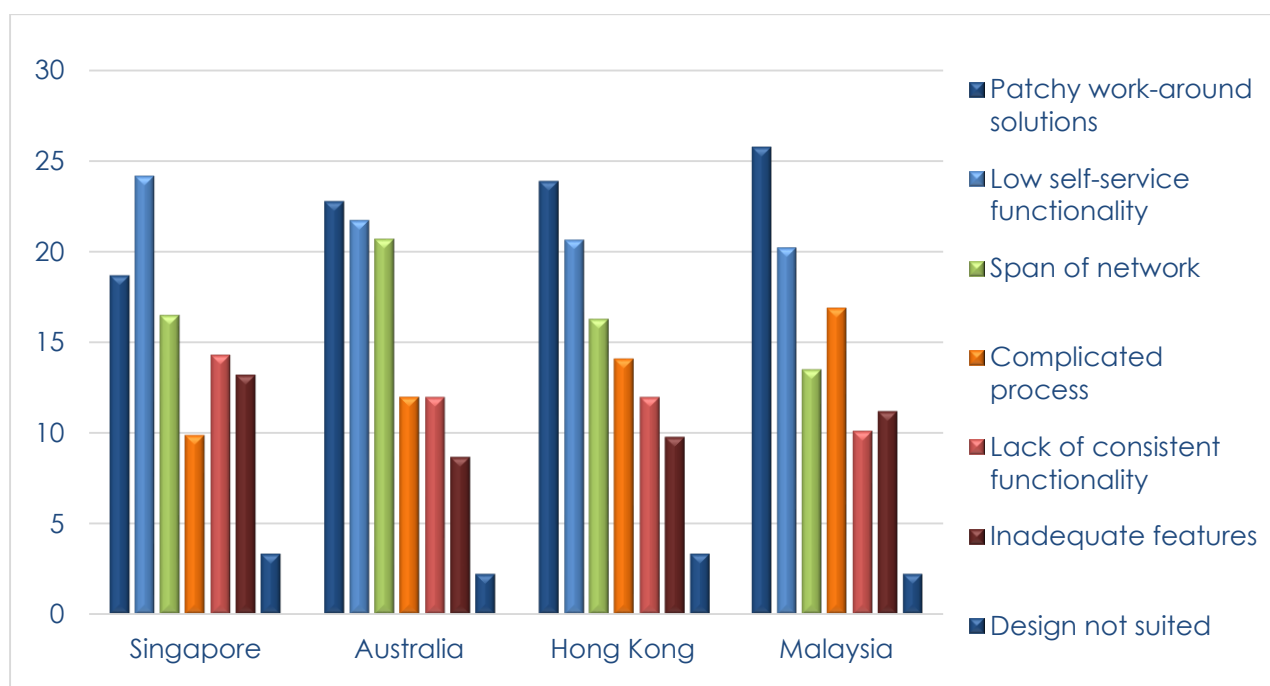
Multi Banking Arrangement Shortcomings

% of Total



Multi Banking Arrangement Shortcomings

% of Total



Obstacles Hindering Visibility

Corporates were in unison in singling out product solutions by banks and the high upgrade costs as the two major obstacles to them achieving real-time cash visibility.

These two areas were rated negatively at 1.92 and 1.98 respectively (on a 1 to 5 scale where 1 = high resistance/impact).

The results highlighted that solutions from banks were inadequate, and where available, corporates deemed them to be too expensive.

Factors internal within the corporate such as decentralised ERP systems, decentralised organisation structures had a less negative impact on the corporate's visibility.

Singapore corporates were most comfortable with a decentralised organisational structure, rating its impact indifferently at 2.88.

In addition, Singapore corporates felt that adhering to compliance regulations was an even greater obstacle to visibility than having a decentralised organisation structure.

Generally corporates feel that decentralised systems working in silos that did not communicate with each other was a more difficult issue to overcome versus managing teams that were operating with local autonomy.

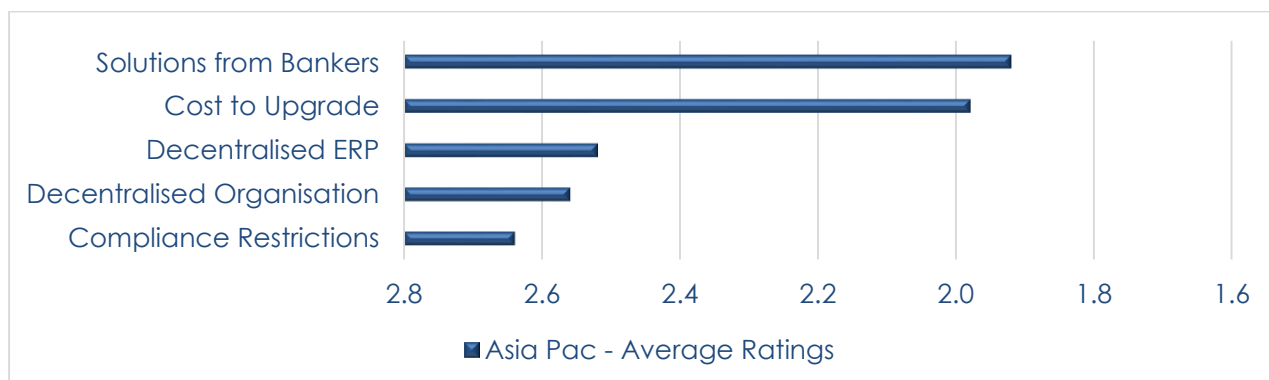
In Hong Kong, a larger proportion of corporates feedback that a decentralised ERP structure was hindering the visibility of their cash positions.

East Commentary:

There are barriers, both regulatory and operational that firms need to wrestle with, but the survey showed that in every region there's still room for firms to benefit from greater control of operational cash"

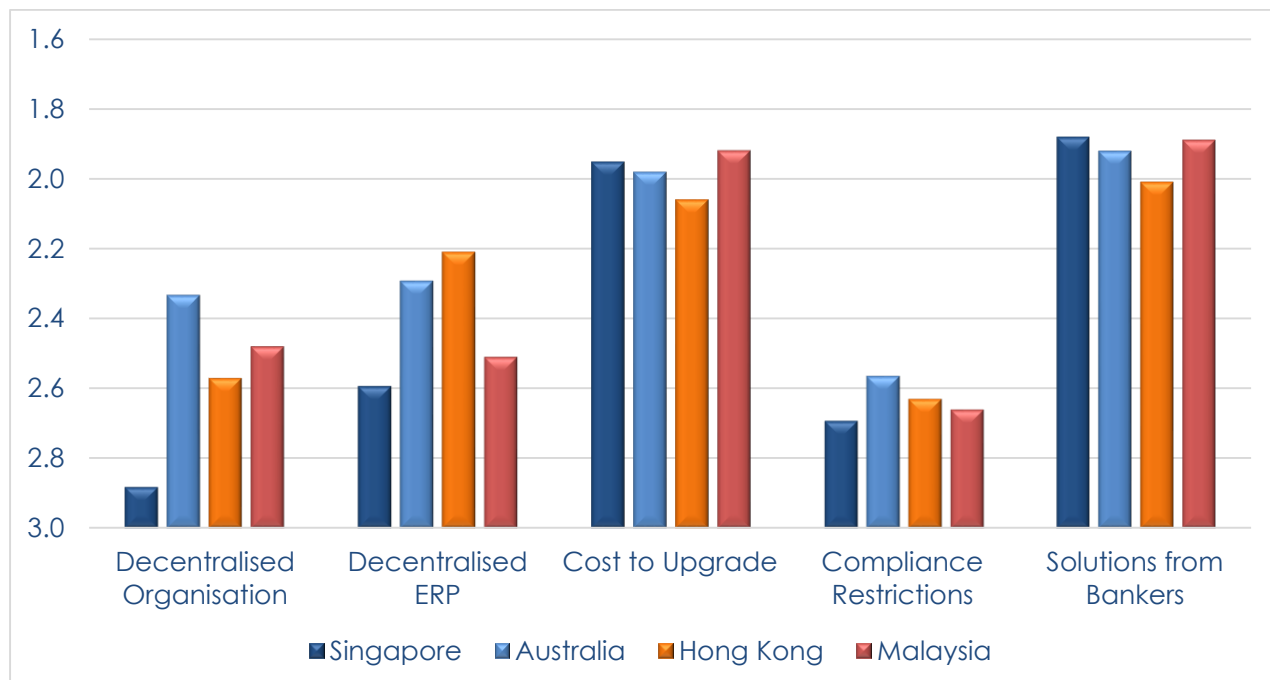
Lachlan Colquhoun, CEO East & Partners Asia

Please rate on a scale of 1-5, where 1 = high resistance/high impact and 5 = low resistance/low impact, the following factors hindering visibility of your cash?



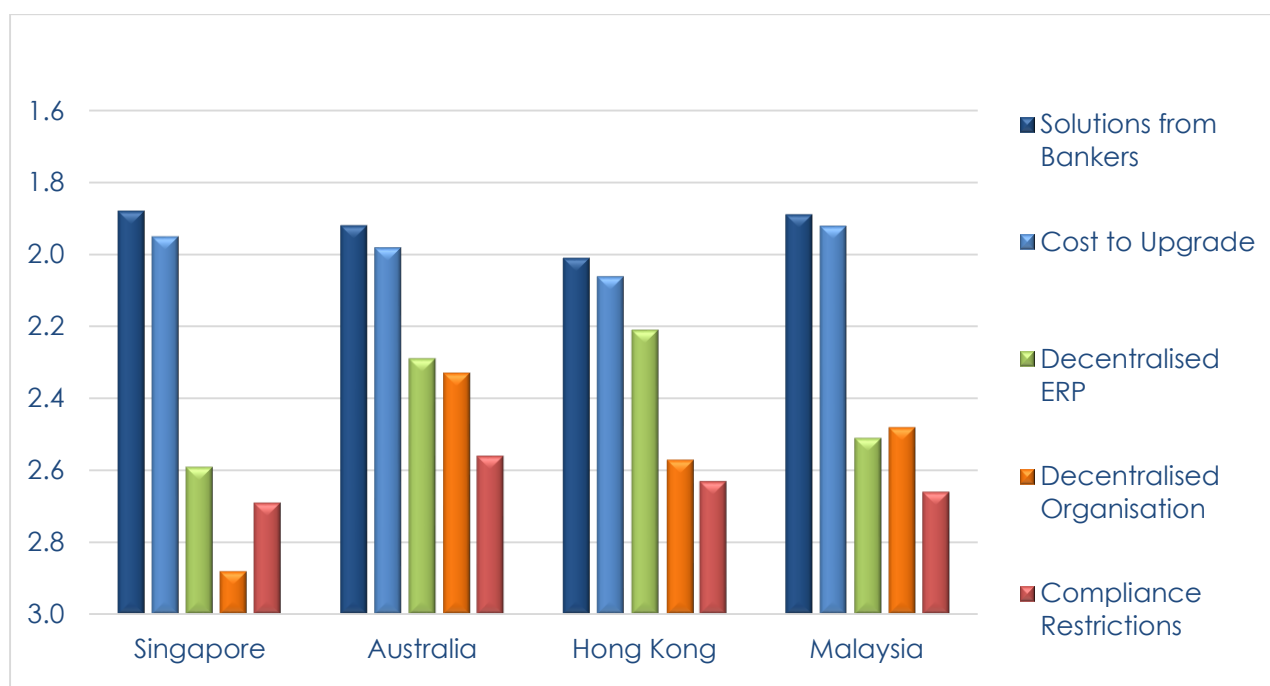
Factor Hindering Cash Visibility Ratings

Average Rating Reported



Factor Hindering Cash Visibility Ratings

Average Rating Reported



Multi-Banking Solution Satisfaction

Corporates cited an average satisfaction rating of 2.61 for the six categories relating to multi-banking solutions.

This implied that multi-banking solutions have had moderate success in fulfilling base expectations. An overall score of 2.61 is on the low end of a 1 to 5 scale, where 1 = very satisfied, and 5 = very dissatisfied.

Satisfaction ratings show that although corporates feel that multibank solutions have been designed to meet their needs, they find that the ease of implementation and usability of these solutions to be rather poor.

Corporates are most dissatisfied with the 'Level of integration', giving it the lowest rating at 2.88. This is rated the lowest at 2.90 by Malaysian corporates.

In addition, 'Ease in scaling up' and 'Set-up processes" were rated lowly, with satisfaction scores of 2.72 and 2.83 respectively.

Corporates are moderately satisfied with product areas such as 'Suitability of Solutions' and 'Catering to their existing work-flow', giving them more positive ratings of 2.27 and 2.49 respectively.

Thus, corporates felt that the critical area of pain with multi-bank solutions lie mainly with the process and not the product.

Low satisfaction levels with the 'Ease in scaling up' against relatively high satisfaction rating on 'Suitability of solution' and 'Catering for existing workflow' highlighted the fact the corporates find implementing the solution be the main headache.

Hong Kong corporates were most dis-satisfied with the setup / on-boarding process among corporates in Asia.

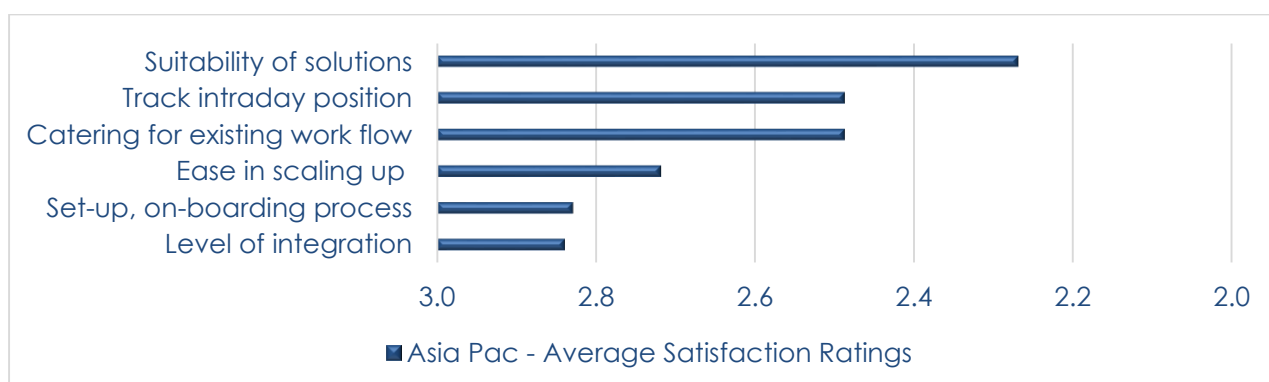
Surprisingly, Australian corporates were the most satisfied with the ability to track their intraday position, despite operating in a different time-zone from the rest of Asia.

East Commentary:

"Most people remember the pains experienced during implementation, and post-implementation at on-boarding stage far longer than they should, making them more resistant to system upgrades in the future."

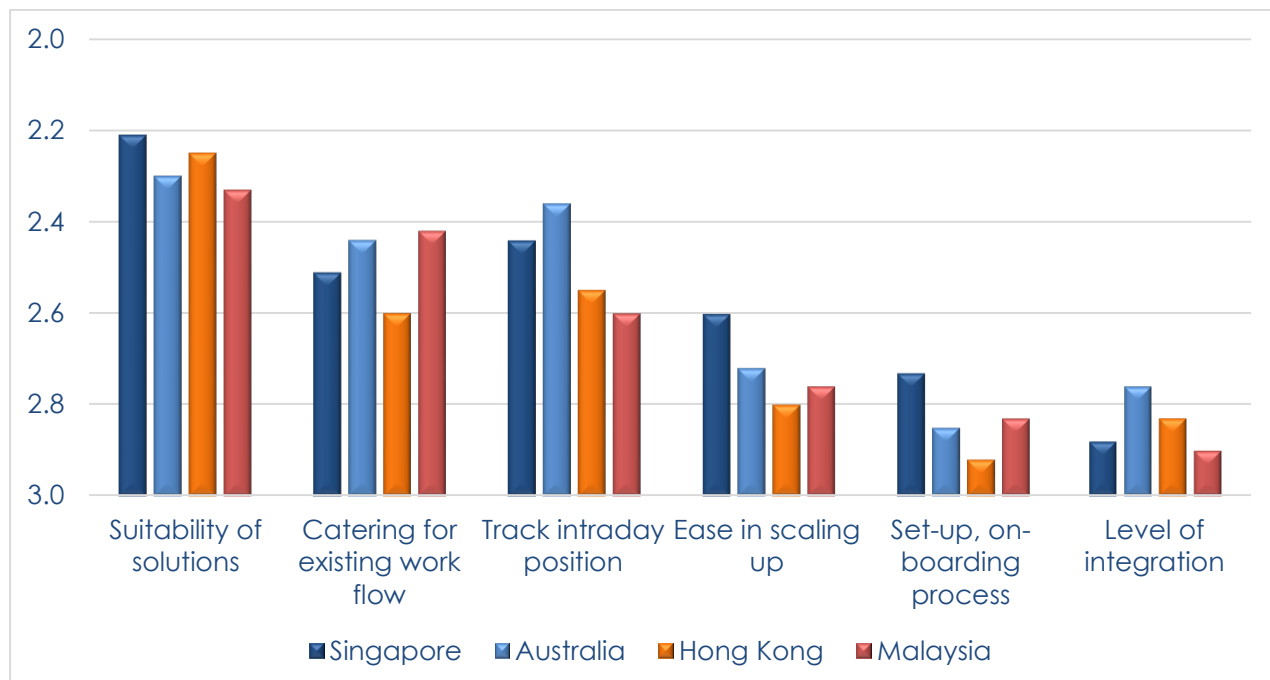
Darryl Ye, Senior Analyst East & Partners Asia

With regards to multi-banking solutions offered by your primary transaction bank, please rate your satisfaction with the following factors on a 1-5 scale, where 1 = satisfied and 5 = dissatisfied?



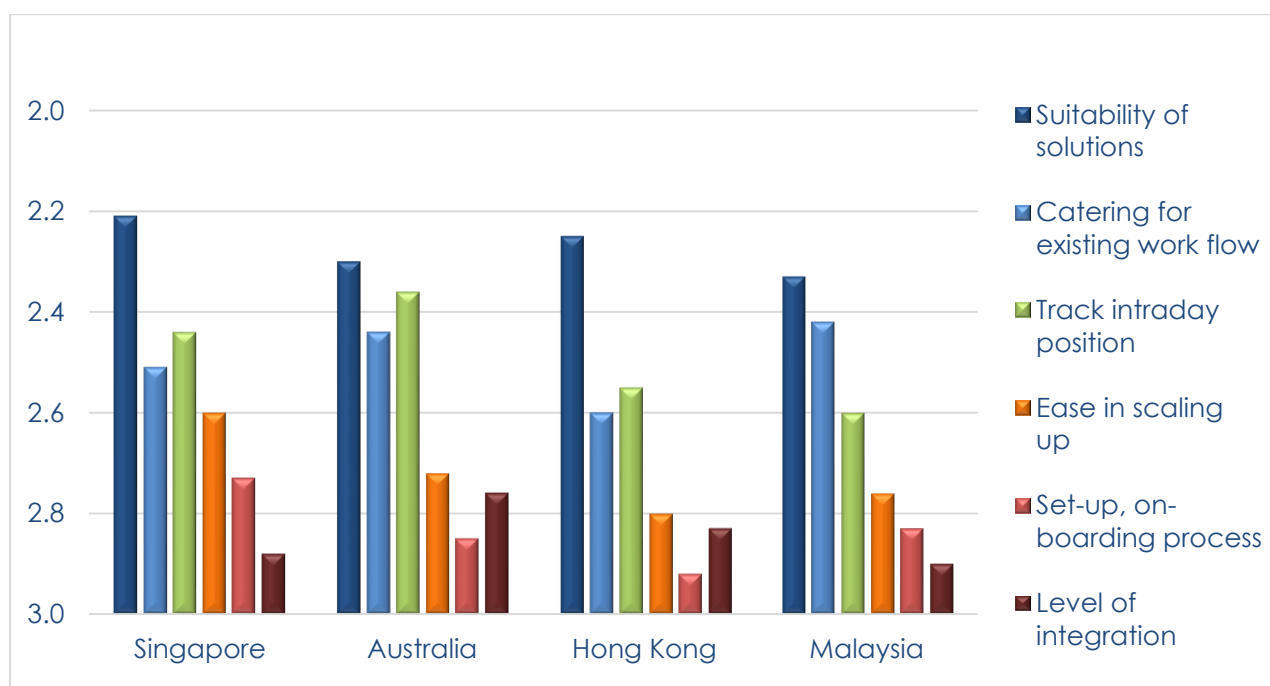
Customer Satisfaction – Multi-Banking Solutions

Average Rating Reported



Customer Satisfaction – Multi-Banking Solutions

Average Rating Reported





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21 Media Circle, #05-05 Infinite Studios, Singapore 138 562
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