

This is the edit of an case study for a foreign currency risk management solution provider. The “After” section of the intro is longer than the “Before” section because I pulled into the intro summary information that previously had been scattered in other areas of the paper. Although being concise is an important goal in editing, clarity is even more so!

Before Editing	After Editing
<p>Vision: Efficient FX Management</p> <p>X spun-off from Y in 1999 and, like Y, created an in-house FX Management process and system, initially built around Wall Street Systems’ TMS. In early 2009, seeking to become a more strategic partner to the business, Treasury embarked on a treasury automation project that ultimately replaced Wall Street. Acknowledging that a single vendor solution covering the entire process did not exist, X instead chose a number of “best-of-breed” solutions in each category. With operational efficiency from automation driving them, these many systems had to interact at multiple points to mimic the previous success in mimizing foreign currency risk through maximum hedging efficiency.</p> <p>Company serves as a central automation point in the solution and developed a number of custom solutions to deliver results tailored to X’s very complex parametric-driven balance sheet and cash flow exposure forecasting environment.</p>	<p>X’s Vision: Straight-Through Processing for Efficient FX Management</p> <p>In 2009, X’s Treasury—already successfully minimizing foreign currency risk by maximizing hedge efficiency—set out to increase its muscle as a strategic partner within the business. Doing so would require 1) shedding IT costs, preferably with an ASP-driven solution, 2) increasing operational efficiency by eliminating the need for significant manual data entry, and 3) instituting a level of automation not possible with Treasury’s existing Wallstreet TMS, a remnant of X’s spin off from Y. Because a single-vendor, end-to-end solution does not exist, the team sought several “best of breed” solutions in each category, each of which must interact at multiple points to mimic Treasury’s existing success. The team also wanted more than a “software provider”; they wanted a partner with deep FX expertise to help with X’s unquie demands.</p> <p>Today, Company serves as Treasury’s central FX automation point, integrating and pulling all solutions together. The Company team, as Treasury’s go-to FX expert, also developed several custom solutions that provide guidance tailored to X’s complex, parametric-driven balance sheet and cash flow forecasting environment.</p>

X Results: Automated Closed-loop Process from Forecasted B/S and P&L Exposure Derivation to Trading to Hedge Accounting

X had a pretty good handle on the various drivers to both hedging programs but lacked a cohesive process that was reliable and didn't depend on a great deal of manual data entry. Additionally, X was looking to lower IT costs and preferred an ASP-driven system solution to facilitate shedding those costs. X then focused on vendors with FX expertise who could provide assistance with its unique demands.

- **Increased flexibility** in processes and agile environment that can easily respond to a constantly changing and restructuring business environment
- **Operational Efficiency** from the elimination of the multitude of worksheets, manual data upload and manipulation, and errors
- **Transparency** back to the detail so that they can assess the hedging impact with the depth desired, and report accurate and detailed results on the income statement and to management. Departmental partners have easy access and same visibility to the exposure data
- **Timeliness** for quicker turnaround at the front end forecasts and hedge recommendations, as well as time gained for value-added activities such as analysis and decision making
- **Key partners** in fulfillment of the Treasurer and CFO's financial goals and partnership with a vendor with expertise in FX
- **Lower IT costs** from a SaaS solution with low total cost of ownership

X Results: An Integrated, Closed-Loop FX Management Process

X's Treasury moved from using an unreliable, staggered manual-entry-heavy process to an automated, closed-loop process that incorporates the forecasted Balance Sheet and P&L exposure derivation, trading, and hedge accounting. Treasury also realized:

- **Increased flexibility:** Flexible processes and an agile environment mean Treasury is poised to respond to X's constantly changing business environment.
- **Operational efficiency:** By eliminating a multitude of worksheets and the need for manual data upload and manipulation, efficiency is up and the potential for errors is down.
- **Transparency:** Treasury views exposure data and assesses hedging impact at the level of detail and depth desired, and reports accurate and detailed results on the income statement and to management. Departmental partners also enjoy the same easy access and visibility to exposure data.
- **Timeliness:** With a faster turnaround of the front-end forecasts and hedge recommendations, the team gains time for value-add activities such as analysis and decision making.
- **Partnership with FX experts:** The FX experts at Company, providing more than just software, collaborate with X to fulfill the Treasurer and CFO's financial goals.
- **Lower IT costs:** Company's SaaS solution means a low total cost of ownership for X.
- **Expanded exposure views and increased analytics:** Armed with enhanced data, the team is pursuing other strategic projects—

- **Expanded Exposure Views and Increased Analytics** leave time for strategic projects such as evaluation of other hedging instruments and other means of contributing to X's bottom line.

How It Works

Monthly Balance Sheet forecasts are developed either from 3 month trended historical actual data, pulled automatically from Oracle, or from input of forecasting parameters applied to the actual data, and are systematically derived in Company. Hedge recommendations are reviewed and approved in Company.

Trade Management Utility - Upon the final manager review and approval, a utility provides the interface to push out the corresponding trades to the 360T trading platform. An interface sends completed deals through Misys to SunGard Integrity which in turn is pushed back into Company for monthly reporting and future hedging decision purposes. It's an integrated, full circle, Straight-Through-Process across multiple data sources and interfaces.

Quarterly P&L incorporates multiple data sources – queries from the Oracle database on revenue, cost of goods sold, and operating expense actuals for the latest quarter as well as input from the business groups allocating those same P&L components into their currency mix forecast. These data points are integrated into Company which makes a hedge recommendation across currencies. X layers in 25% of forecasted exposure over a 1 year time horizon and Company calculates the hedge already in place and then makes that allocation split. Final trade recommendations are pushed out to 360T, Misys and Integrity and are ultimately imported into Company for the next hedge round to calculate the next 25% layering.

such as the evaluation of alternate hedging instruments—that will boost X's bottom line.

How X's Straight-Through FX Management Process Works

X's integrated, full-circle, straight-through process leverages multiple data sources and interfaces. First, Company systematically derives **Monthly Balance Sheet** forecasts, which, depending on the account and entity type, are based on either three-month trended data pulled automatically from Oracle or inputted forecasting parameters applied to the actual data. After Treasury reviews, modifies if necessary, and approves Company-generated hedge recommendations, an interface within the **Trade Management Utility** pushes corresponding trades to the 360T trading platform. Another interface sends completed deals through Misys to SunGard Integrity, which in turn pushes data back into Company for monthly reporting and future hedging decisions.

Quarterly P&L forecasts incorporate multiple data sources—queries from Oracle on revenue, cost of goods sold, and operating expense actuals for the latest quarter, as well as input from the business groups allocating those same P&L components into their currency mix forecast. Company, in turn, integrates these data points and recommends hedges across currencies. After X layers in 25 percent of forecasted exposure over a one-year horizon, Company calculates the hedges already in place and makes the currency by income- statement-component allocation split. The Trade Management Utility, in turn, pushes trade recommendations out to 360T, Misys and Integrity, and then brings the hedges back into Company for the next 25-percent layering calculation.