



White Paper

Developing A Leading Edge Treasury System

Belinda Davis, Treasury Systems Business Manager, TUI Travel PLC

TUI Travel PLC is a diversified international travel group that operates in around 180 countries and serves more than 30 million customers, drawn from over 27 countries. Our group encompasses a variety of business lines including travel agencies, tour operators, cruise ships and even a pan-European airline consisting of 146 aircraft.

As such, our everyday business activities create major operational complexities associated with cash management, not to mention significant currency and commodity (jet-fuel) exposures. Therefore, one of the key responsibilities for Treasury is to manage these risks effectively—in order to safeguard TUI Travel’s financial performance.

Merger Creates Business Opportunities, Treasury Challenges

In 2007, TUI Travel was born from the merger of TUI Tourism and First Choice Holidays PLC. Post-merger, our initial review of systems confirmed that the combined entity included a variety of treasury system business tools and interfaces with no straightforward way to achieve a holistic view of our overall treasury operations. A fundamental problem that we faced was a lack of linkage between each of the legacy treasury management systems (TMSs).

With no communication between the two legacy TMSs, the management reporting process became a relatively manual process based on outputs from both systems. Position reports, exposure calculations and transactions management were more cumbersome than they needed to be. Meanwhile, the merger meant that our treasury group was now managing much larger and more complex currency and jet fuel exposures.

Identifying the Right System, For Us

In 2008, we began the request for proposal (RFP) process. Our goal was to identify and then implement a fully integrated TMS. In addition to solving our problem of having two separate legacy systems, we realised that with a leading-edge system in place, we could streamline our processes, improve efficiency and transform the treasury function into an enabler for business integration and growth for the newly formed company.

Once we had produced a thorough RFP, we sent it to a Vendor shortlist that included the traditional corporate treasury system vendors as well as vendors with a recognized strength in financial and commodity risk management.

OpenLink was able to offer a truly integrated system that could include all of the required functionality and asset classes we needed—thus meeting one of our key objectives.

OpenLink was also able to demonstrate that their cash management and other core treasury functionality were strong in comparison to the rival products considered.

The final step in our selection process involved visiting reference sites with OpenLink to further validate our assessment of the Findur product and to highlight any unforeseen product/vendor risks or issues. Ultimately, we decided that OpenLink was the right partner for us. Their Findur product satisfied our key criteria, namely:

- Single database with multi-site access
- Cash position (including cash pools) management functionality
- Intuitive deal processing and exposure monitoring with flexible reporting
- Full SWIFT message processing capability
- Standard interfacing to other internal TMS tools

Initial Phase of Implementation: Core Treasury Functionality

With OpenLink's assistance a detailed project plan was devised and agreed. In our case, careful preparation was especially important given the large number of business units and bank accounts that we needed to set up within the system. The implementation process was managed as a true partnership and the first phase was completed in a little over six months—on time and within budget. Completed in March 2009, this first phase focused on SWIFT processing, deal capture, reporting, cash management and accounting.

As mentioned, prior to going live with Findur, we had two separate TMSs, alongside a number of other Treasury tools and banking systems. The efficiencies that OpenLink's Findur has brought to our operations are tremendous. For example, now that we are SWIFT-enabled, the majority of Treasury payments, statements and confirmations are routed via a single system. And what's more, we are not tied to using a particular banking system. This is significant because it gives us flexibility in our banking relationships, without creating the technological and data headaches associated with incorporating a proprietary system into the TMS.

Thanks to the completion of the first phase of our Findur implementation, we have transitioned a very significant part of our treasury operations from a relatively manual process, to a straight-through processing environment.

Next Phase of Implementation: All Eyes on Risk

We are currently discussing the next phase of our Findur implementation with OpenLink. The second phase will focus on rolling out the sophisticated risk functionality that the vendor is most recognized for in the financial and energy sectors.

Obviously, given the extreme currency and commodities volatility witnessed over recent years we're keen to do all we can to manage these risks effectively so as to safeguard our bottom line. In addition to market risk, we (like a lot of other non-financial companies) have become increasingly aware of the need to pay closer attention to our various credit risk exposures arising from treasury and business activities. Findur will offer us additional real-time insight into credit risk through a variety of credit metrics.

During the selection process OpenLink demonstrated the sophistication of the analytics and architecture underpinning Findur's risk functionality, for instance the ability to model and report value at risk across a set of exposures/trades spanning different asset classes. What also impressed us was the way that OpenLink is able to configure the system to an individual client's needs—for example, the ease with which we could design customized intuitive trading blotters to ease repetitive deal input. Similarly, Findur's active position management (APM) page incorporates a drag-and-drop feature that allows the user to customize real-time risk reports. This should be invaluable when it comes to monitoring the effectiveness of our hedges amid changing market conditions and making more informed strategic decisions about our hedging policies.

Findur can also serve as a powerful tool to uphold risk governance. Its business process management engine has the ability to enforce particular processes, for instance to automatically send emails when a particular set of conditions are met, or to enforce a bespoke process for setting up bank accounts and instructions should senior management wish.

Final Thoughts: The Power of a True Integration

We are pleased with the way that our implementation of Findur is progressing. The obvious benefit of implementing a truly integrated treasury management system is that it affords you tremendous flexibility to respond to changing business needs and priorities. It has also brought increased efficiency, consistency, transparency and control to our treasury operations. And by removing the need for extensive manual reconciliation of individual legacy system outputs we believe that we have dramatically reduced the operational risk arising from our cash management and other core treasury activities.

Belinda Davis

Business Treasury Systems Manager, TUI Travel plc

Belinda Davis has been Treasury Systems Manager for TUI Travel plc since 2009. Prior to joining TUI Travel she was Principal Consultant and Client Relationship Manager, Europe at City Financials for three years. Belinda has over 15 years experience working either within or consulting for Corporate Treasuries.