

# Reflections on a TMS Selection

When Pilkington's existing TMS provider announced its desire to exit the corporate treasury marketplace, the UK-based glass manufacturer had only a limited timeframe in which to select - and implement - a system that met its current and future requirements.

Pilkington's need for a new treasury management system (TMS) in 2001 stemmed from the decision of its existing supplier to quit the corporate market and return to its private banking roots. The firm gave clients, including Pilkington, notice of the termination of system support.

## First steps toward selection

When replacing a TMS, a key priority is to ensure that a new system meets existing needs. Pilkington Group Treasury acts as an in-house bank, taking loans and deposits from operating units, and transacts FX deals both with external banks and internal clients. Whilst most of the inter-company loans and deposits are straightforward money market type transactions, others involve inter-company accounts which fluctuate daily and so require regular recalculations. The central treasury manages cash directly for most of the Group's Euroland operations and does so indirectly for its other units, including the US and Australia. The treasury also undertakes some energy trading (to hedge the large quantity of gas used in Pilkington's production processes) and has a small portfolio of interest rate swaps (for which the system needed to provide valuations independent of Pilkington's banks). Although the firm is not currently a user of options, it was also

considered necessary for the new system to include this functionality to allow future use.

Pilkington collects data from operating units using spreadsheets and e-mails, and part of the implementation involved looking at ways of streamlining this. Due to the current company structure, it was not necessary for the new TMS to be able to drill down to transaction level in every operating unit as each unit retains responsibility for deciding what to hedge.

The system search started in autumn 2000 at EuroFinance Conferences' International Cash and Treasury Management event in Dublin. After demonstrations by vendors attending the conference, Pilkington came away with a shortlist of four systems which had the right functionality and 'feel' (ease of use was very important, but this is often hard to evaluate without using familiar data). Commitment to the market was also a determining factor. Having been forced into the selection process by a vendor exiting the market, Pilkington did not want to go through it again a few years down the line for the same reason.

## Narrowing the field

Further research and price considerations reduced the field from four to two, who were both existing suppliers of other



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software to the Group. The two companies were then invited to enter into more detailed discussions – including implementation plans – and to provide client demonstrations. There were hitches with one proposed supplier, who had no demo site in the UK, and the preferred demo client, based in Europe, was using software specifically developed 'hand-in-hand' with the supplier. In addition, consulting fees covering that installation project were likely to be substantial.

City Financials' flexible, 'can-do' approach had impressed during the testing and demonstrations. Combined with their confidence in meeting a tight implementation deadline, this made City Financials' eTC system the preferred choice.

### **Beating the clock**

During the selection process, Pilkington was always aware that time was short. At the final decision in June, it had to be certain that the new system would be up and running by December, when support on the old system would run out.

As soon as contract negotiations reached a conclusion (at the end of August), preparations for the changeover began. The switch to the new system started by defining the general ledger and treatment for each type of transaction, ensuring subsidiary and counterparty details were entered, and then migrating most current FX deals. This migration was achieved by transferring the data first to spreadsheets – where all obsolete data was removed – then uploading the clean data into eTC.

Two City Financials consultants spent the first two weeks on site and the Pilkington

project manager co-ordinated the involvement of front and back office staff as required. It was important that all members of the team were involved in the changeover, to ensure that they all understood their part of the system. For example, the back office checked the settlement instructions and the treasury accountant defined the general ledger and the accounting treatment of each transaction. In this two-week period, virtually all relevant data to the end of August was uploaded; the front office staff had to re-key interest rate swaps and other transactions that were too complex to upload. Finally, all outstanding data accumulated from transactions undertaken during the previous two weeks was loaded. In the third week of September, the interfaces with our FX confirmation and electronic banking software were written and tested.

By mid-October, the main priority was familiarising the team with the system in order to change over. Parallel systems were used to compile end-of-month accounts for September and October, but in the latter case eTC was being used as the primary system. By mid-November, everyone was satisfied that the two systems were producing identical sets of accounts, and the old system was switched off.

### **Driving new efficiencies**

Pilkington's previous system had enabled straight-through processing from keying the deal through confirmation to settlement. It was important that eTC was configured to enable this from the start. This level of STP had existed in the old system for most types of deal. In addition to replicating this with eTC, bank account data is now uploaded into the system and

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reconciled on screen rather than on paper.

Another major benefit is that it now takes only three or four days to complete end-of-month accounts compared with seven previously. In all, management accounts for 14 companies are completed on the system, including some not used as treasury companies. The Pilkington group treasury uses seven special purpose treasury companies to deal with specific transactions, including one which handles all transactions interest rate swaps and external funding. In the past, preparing accounts for this company relied heavily on manipulating data in spreadsheets. Whilst some cross-checking is still necessary, end-of-month accounting can be completed in 60 per cent of the previous time. Most of the companies' accounts are now prepared entirely within the system and reports simply printed off for the group consolidation system.

Communication with operating companies has been improved by the ability to e-mail loan statements, outstanding FX transaction reports etc., directly from

the TMS – which is much quicker than re-keying, faxing or emailing spreadsheets. New reports tailored to the needs of individual members of the treasury team can be set up in a matter of hours. FX dealers and settlement staff are interested in different aspects of the same transactions, so must be able to view the transaction in the way they need. And because the system tracks who performed each step of the transaction, internal auditors are comfortable with the system.

Overall, the implementation achieved the initial objectives of providing a replacement for the current system quicker and cheaper than any of the alternatives considered, with improved functionality. The improvements in working practices so far have allowed various members of the team to work smarter, and as the use of the various features of the system increases, further efficiencies can be expected.

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**City Financials** was formed during 1998 to supply corporate treasury software. The result of this initiative is our flagship product, eTC, a state-of-the-art scalable treasury application designed for and deliverable across the Internet.

Using the latest database technology together with online Internet access, eTC gives organizations the ability to efficiently control their treasury operations.

The owners of the company have been involved with corporate treasury system development and implementation throughout the nineties. This experience combined with the luxury of starting with a blank sheet of paper has allowed us to significantly improve the quality of the solutions that we deliver in terms of function, form, usability and the delivery mechanism.

In today's financial environment it is vital that a corporate treasury has the ability to access accurate detailed information at any time and from anywhere. At City Financials we have the solution and that solution is eTC, a system for the 21st century developed in the 21st century.



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