



treasurytoday

Exclusive Adam Smith Webinar

WOLSELEY



Royston Da Costa

Group Assistant Treasurer,
Treasury Systems and
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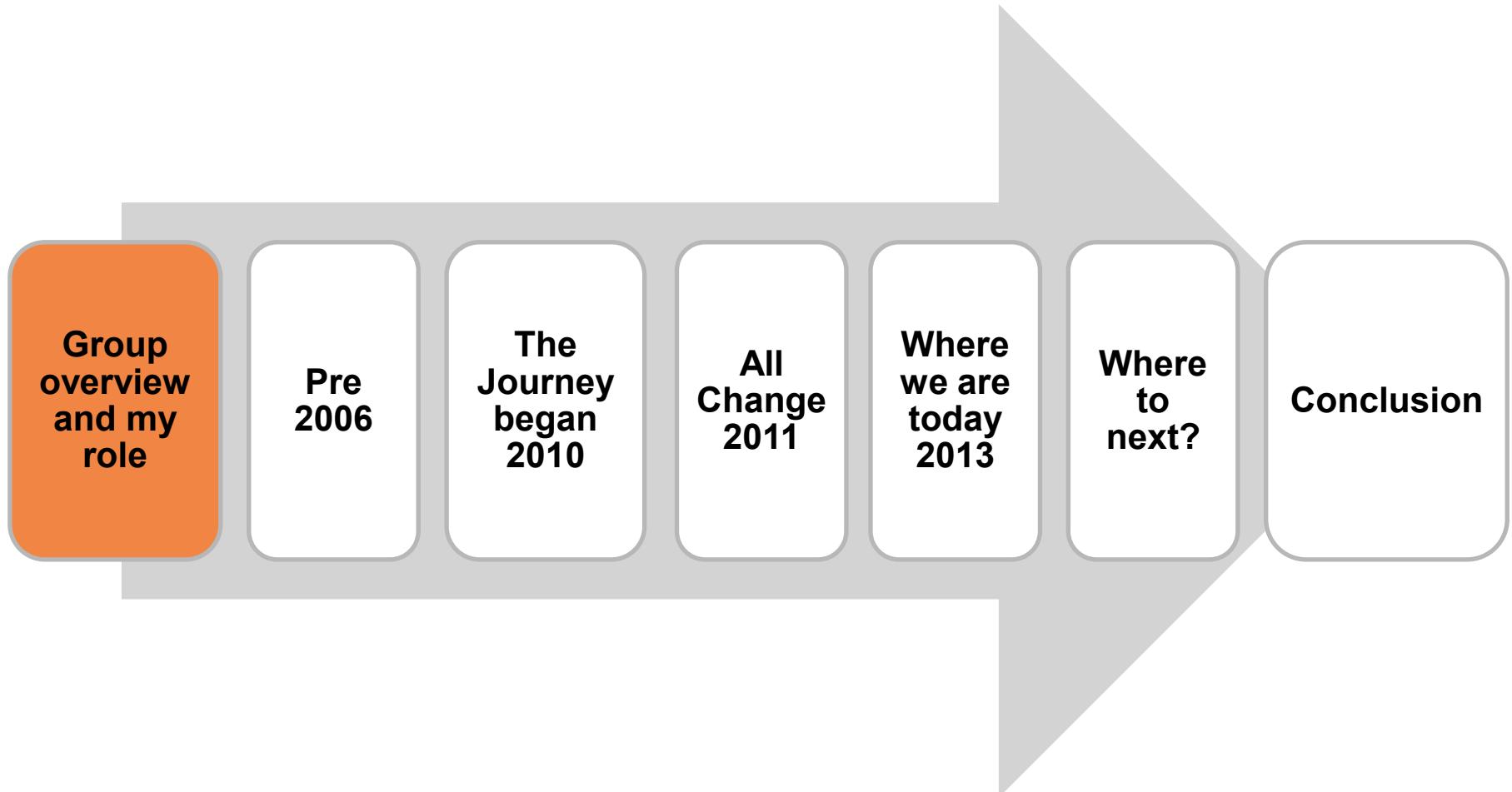
WOLSELEY

The journey to automation

Royston Da Costa
Group Assistant Treasurer,
Treasury Systems and
Development



Agenda



Group overview and my role

- Wolseley is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials
- At 31 July 2013 the Group had approximately 39,000 employees and operated 2,917 branches in 11 countries
- Sales for the year ending 31 July 2013 were £12.8bn (+4.1%)
- Trading profit for the year ending 31 July 2013 of £725m (+10.7%)

Group overview



- Responsible for developing the Group's Treasury Systems strategy
- Around 20 years experience in Treasury and managing Treasury Operations

My role and experience

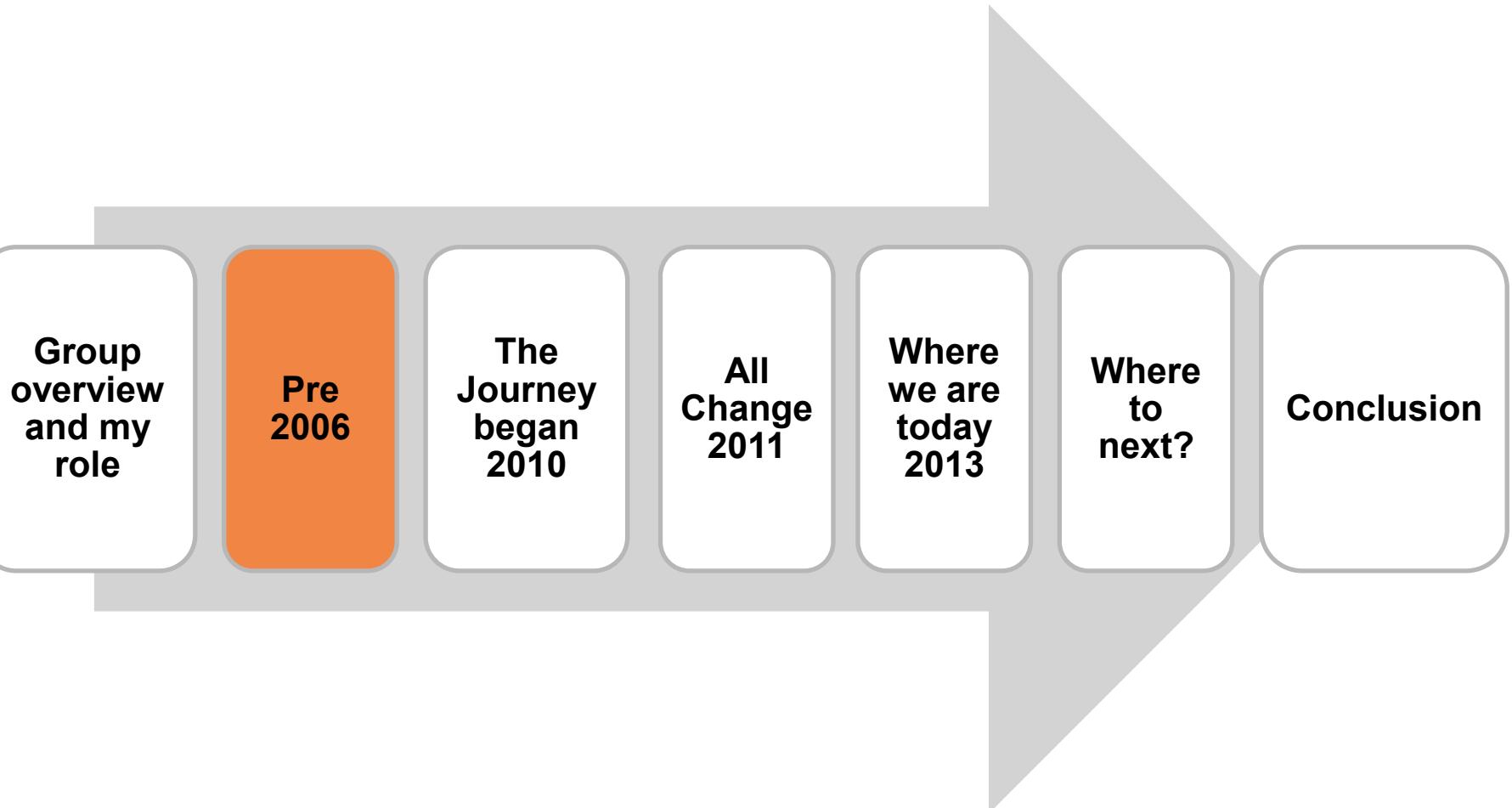


WOLSELEY

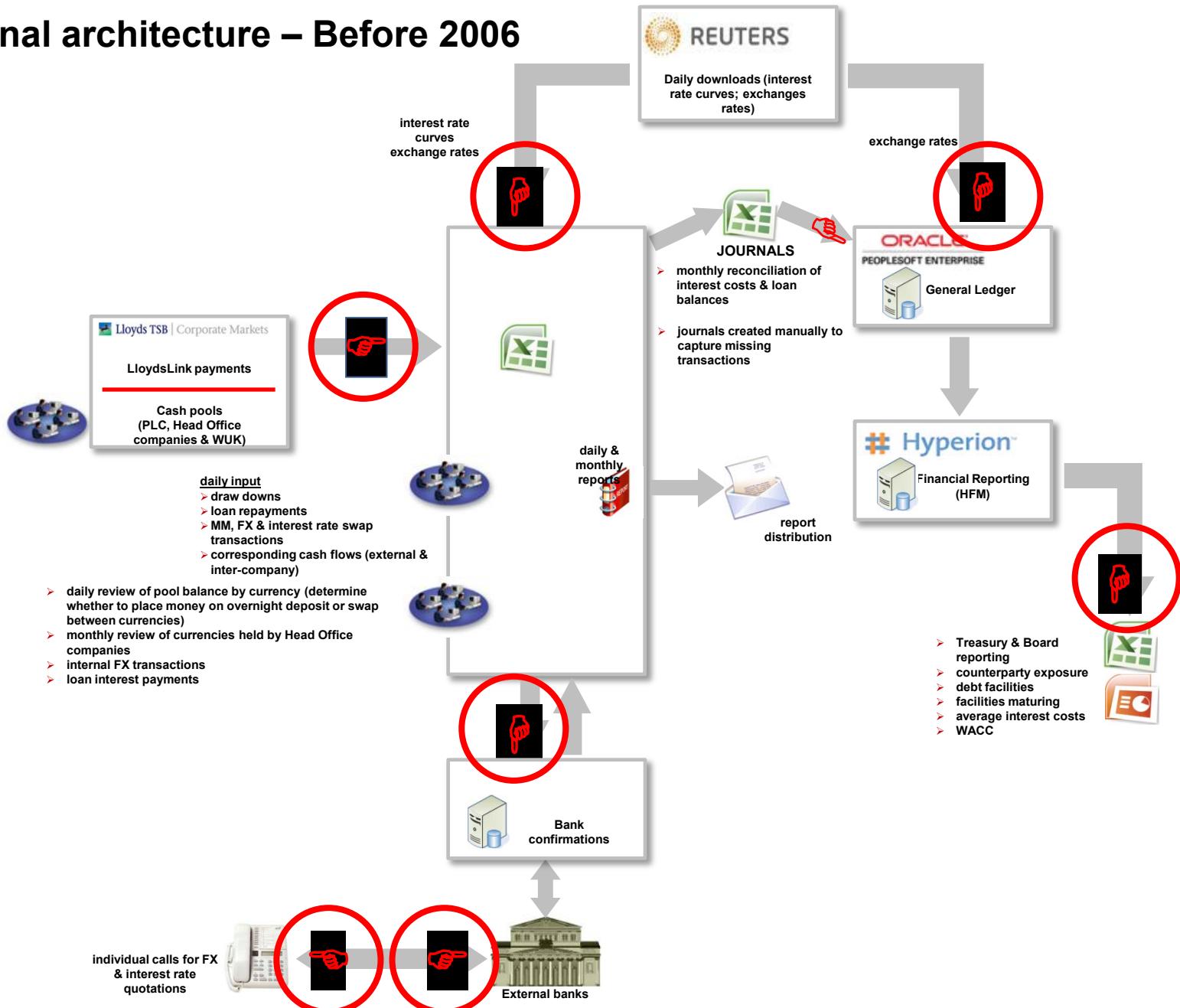
Our key brands



Agenda



Operational architecture – Before 2006



How the journey began

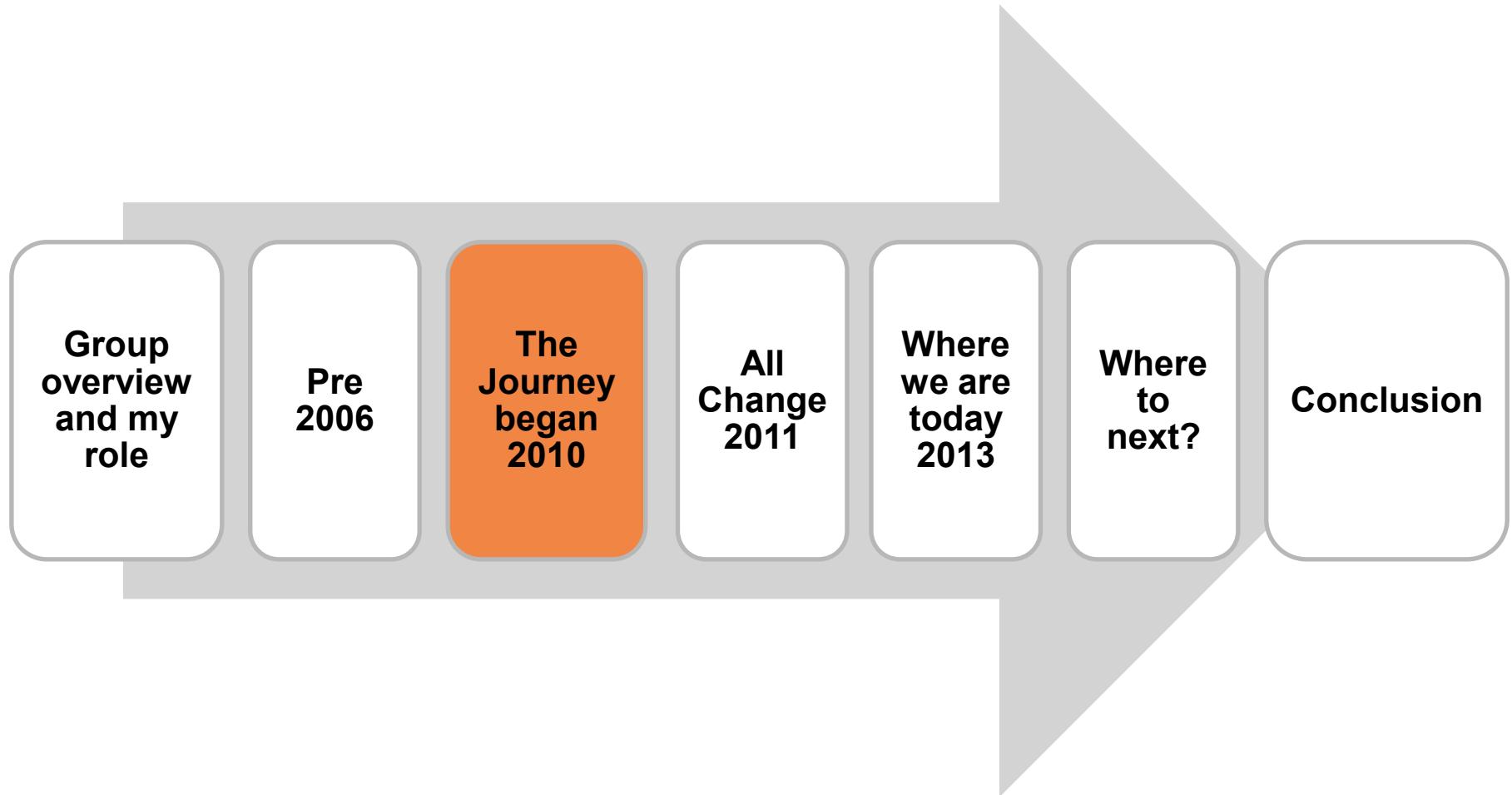
Treasury
management
system
(TMS)
2006

Global cash
pooling
2010

Electronic
bank
confirmations
2008



Agenda



Global cash pooling

Why

- Improve group liquidity
- Pay down external debt
- Reduced bank charges
- Improved cash visibility



Challenges

- Collating data
- Which bank solution?
- Tax issues i.e. transfer pricing
- Legal advice
- Communication to banks

Global cash pooling

Solutions

- Senior management sponsorship
- Appointed external consultants
- Transparent pricing/arms length rates
- Used in-house legal expertise
- Re-check with banks until satisfied

Lessons learned

- Involve key stakeholders i.e. Legal and Tax as early as possible
- Sell cash pooling to the subsidiaries
- De-brief unsuccessful relationship banks
- Sponsorship from senior management

Global cash pooling

Results

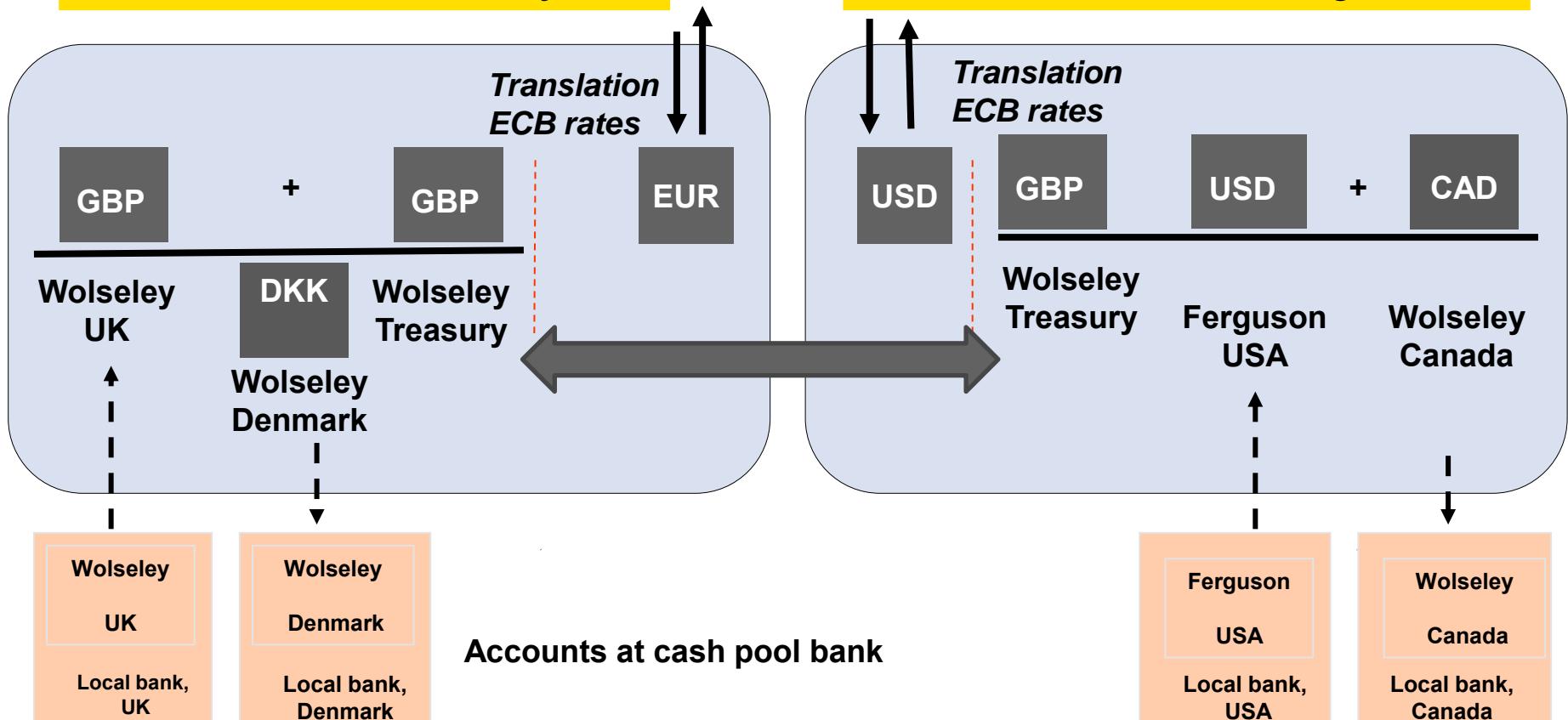
- Improved group liquidity - €700m
- 2 pools set up – European and North American
- Use one entity to balance both pools
- Improved cash visibility
- Improved central controls

Two pool structure

Wolseley plc

EUROPEAN POOL - Wolseley Ltd

NORTH AMERICAN POOL - Ferguson, USA



WOLSELEY

Global cash pooling - costs

Implementation costs (one-off)

TMS interface

Legal advice

External consultants-RFP process

Ongoing costs per month

Account maintenance fee

Interest

Payments

Global cash pooling - benefits

Interest savings

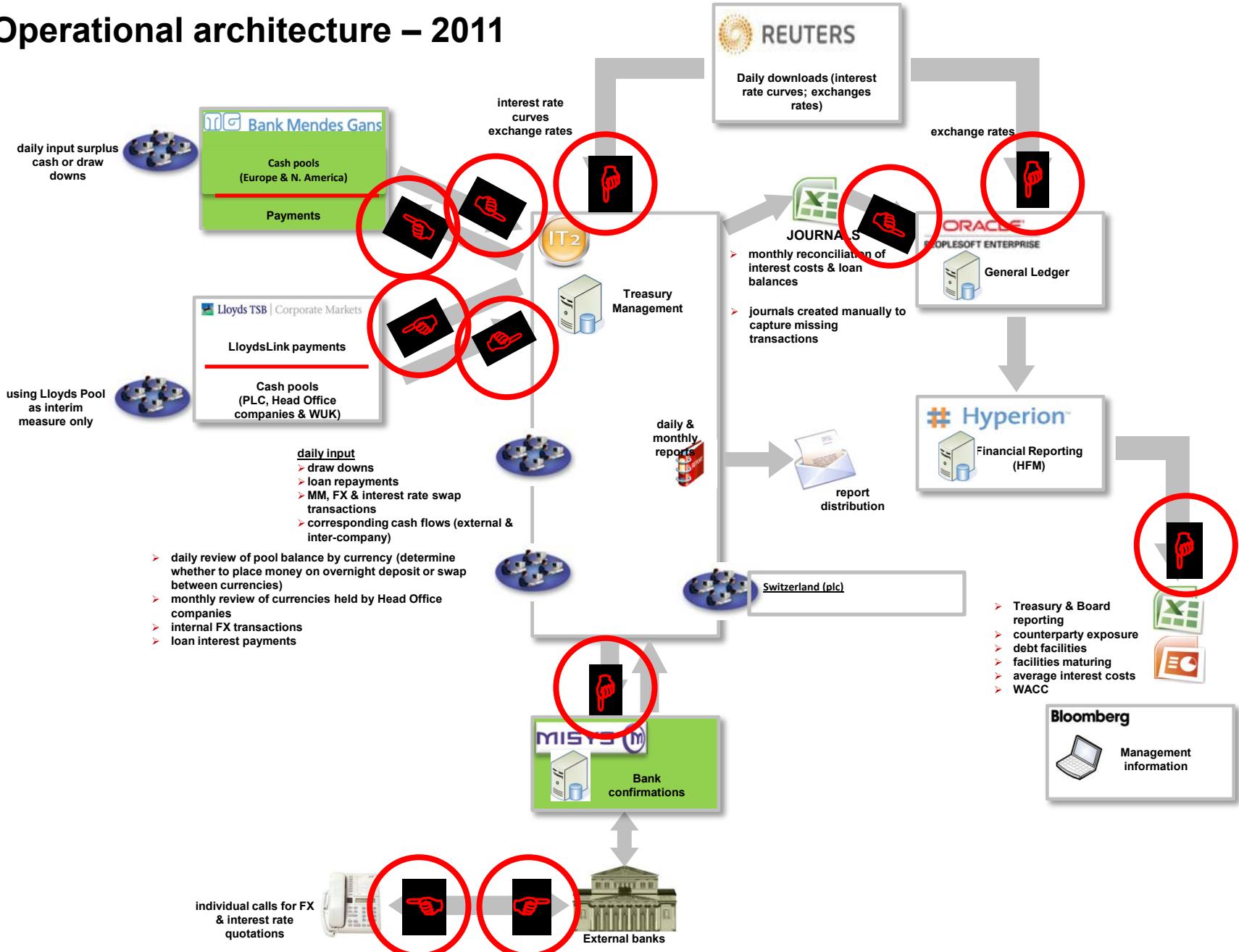
Reduced bank charges

Intra account back valuations

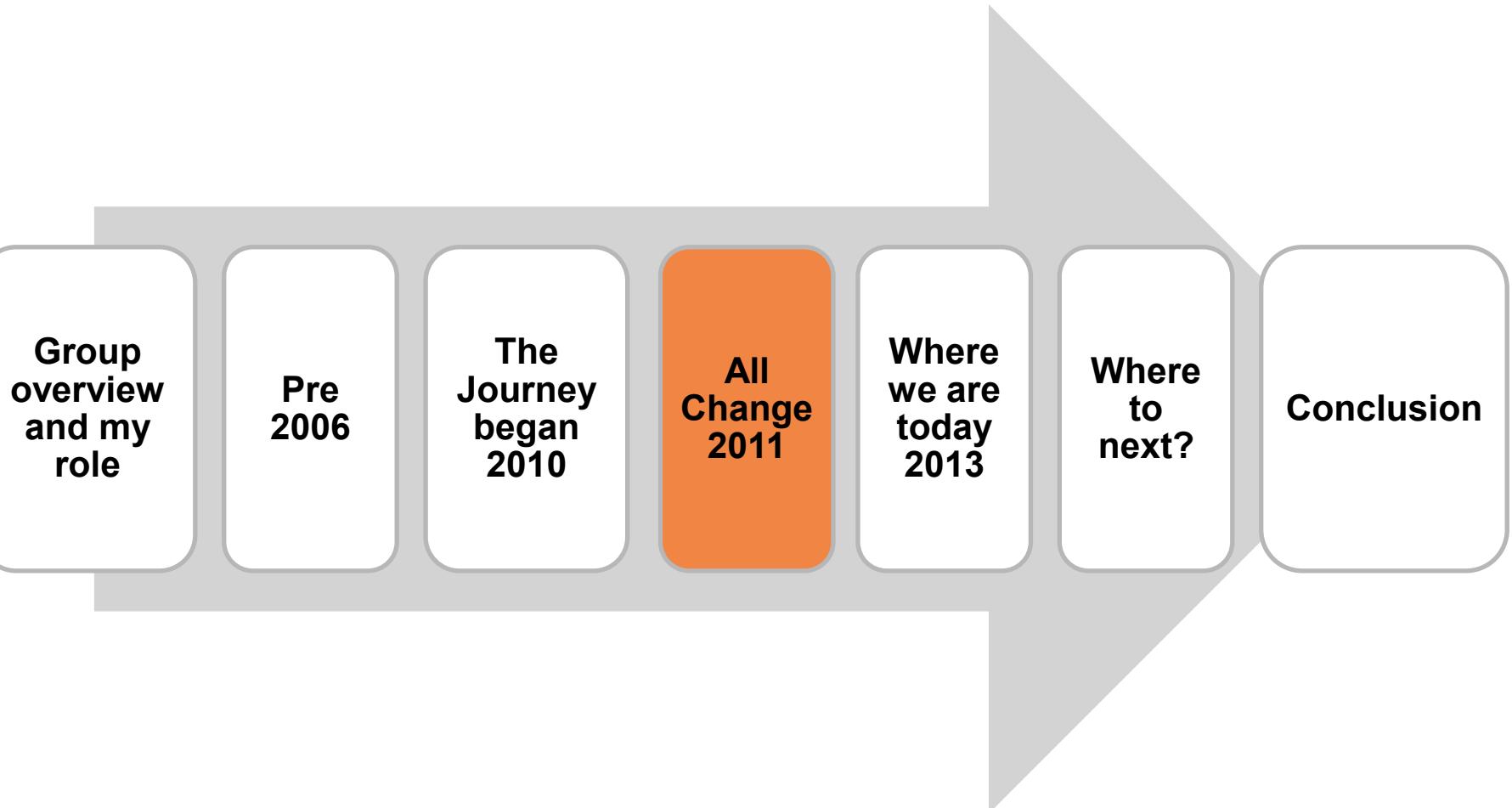
Online static data management

Process for opening bank accounts

Operational architecture – 2011



Agenda



All change

New senior management on board

Major restructuring of the group undertaken

CFO sponsored development of treasury systems

My current role was created

Required:

Improve efficiencies

Improve cash visibility

Improve straight through processing

Project charter – key objectives agreed with TMS

Phase 1 – improve efficiency and effectiveness of current treasury operations which are not currently operating most efficiently.

Phase 2 – add additional functionality to improve efficiency, control and automation at Group Treasury.

Phase 3 – upgrade. Utilizing new functionality and enhancements to existing functionality by upgrading to version 7.1.

Phase 4 – group visibility of cash and investments for all business segments.

Onto the next stage.....

Online dealing

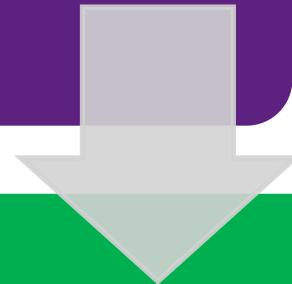
April 2011



Online dealing

Why

- To automate manual processes
- Improve straight through processing
- Improve controls
- Improve transparency of pricing on deals
- Increase number of banks we offer deals to
- Ability to use the system to trade internally



Challenges

- Trade importer
- Not all banks are online

Online dealing

Solutions

- Installed trade importer on the main server
- Only dealt with banks that were online



Lessons learned

- Pay more attention to all your reporting requirements from the system

Online dealing

Results

- Fully automated online dealing (external and internal)
- Straight through processing-no manual intervention
- Improved transparency of pricing
- Full analysis of bank business distributed
- Fair distribution of deals to relationship banks
- Data captured in TMS

Online dealing - costs

Implementation costs (one-off)

Set up fee

TMS interface

Internal dealing platform set up costs

Ongoing costs per month

Trade importer annual maintenance fee

Internal dealing entity monthly fee

Online Dealing - benefits

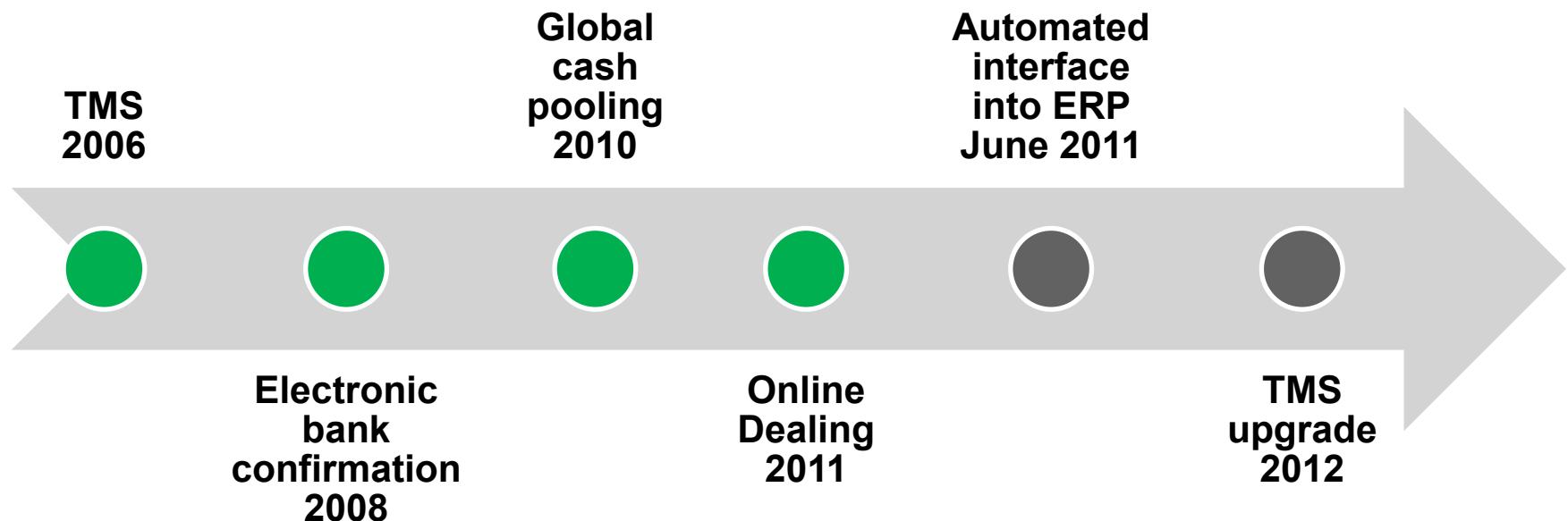
Time savings

Improved controls

Improved transparent pricing on deals

Straight through processing

Where are we now?



Onto the next stage.....

**Automated interface
into ERP June 2011**

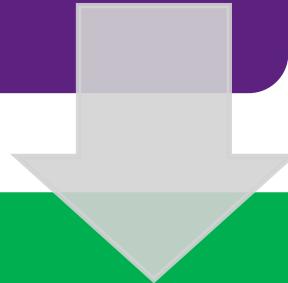


**TMS upgrade
February 2012**

TMS upgrade

Why

- Current version was outdated
- Take advantage of enhanced functionality



Challenges

- Upgrading hardware and software
- Multiple projects to manage
- Multiple stakeholders involved
- Data cleansing
- Overrun

TMS upgrade

Solutions

- Good project manager
- Regular fortnightly conference calls
- Analyse data and agree what can be improved
- Purge reports no longer used

Lessons learned

Detailed documentation on upgrade

Involve internal IT earlier

Remote install of the application

TMS tick list for go live

TMS resource on site for go live

Avoid busy reporting periods for go live

Process/documents used (refer to Appendices)

Test plan

- Internal project timetable

Data structure

- Setting up coding structure

TMS test checklist

- Checklist for areas in scope

Schematic for parallel environment

- Design for test environment

Parallel run checklist

- List of checks for parallel run

TMS upgrade

Results

- **More robust IT infrastructure**
- **Improved TMS functionality**
- **Improved straight through processing**
- **IT service level agreement**

TMS upgrade - costs

Implementation costs (one-off)

Upgrade of hardware

TMS consultancy

Ongoing costs per month

TMS development

TMS upgrade - benefits

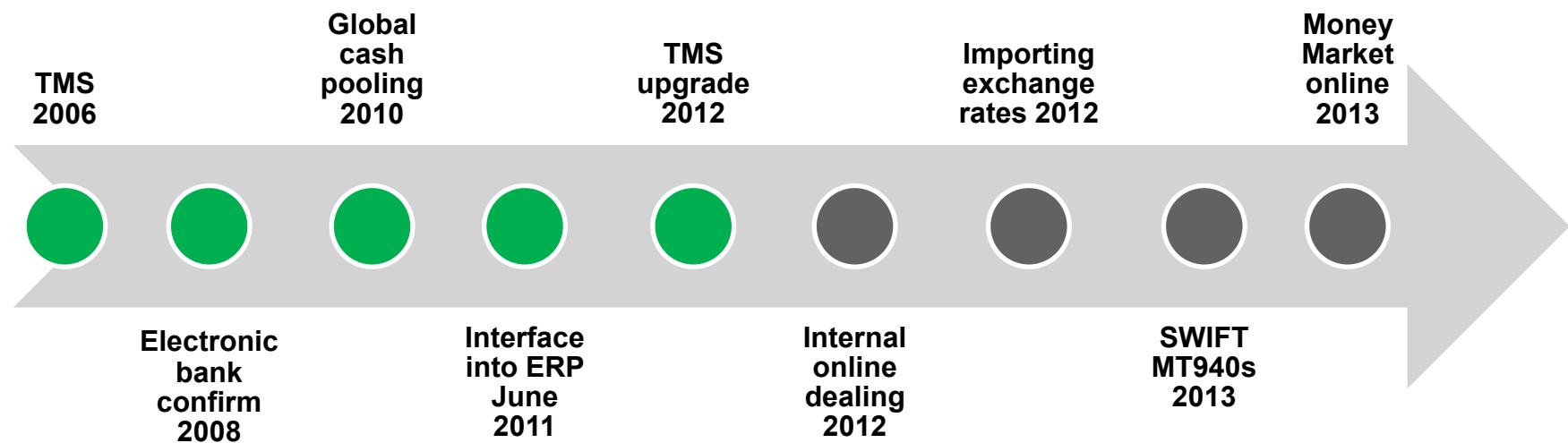
More efficient processes

Further development possible now

Time savings from straight through processing

Improved in-house understanding of system infrastructure

Where are we now?



Onto the next stage.....

**Internal
online dealing
July 2012**



**Importing
exchange
rates July
2012**

**SWIFT
MT940s
July 2013**



**Money Market
online dealing
July 2013**

Online dealing – internal platform

- ─ Move dealing away from local subsidiary
- ─ Began with the most active user
- ─ Once the first entity went live, the others followed
- ─ Automated emails whenever deal was executed
- ─ Deals consolidated internally before traded externally
- ─ Internal limits imposed

Exchange rates import

Compliance and requirement for further data

Reviewed internal policy – streamlined information used

Automated import of rates into ERP and TMS

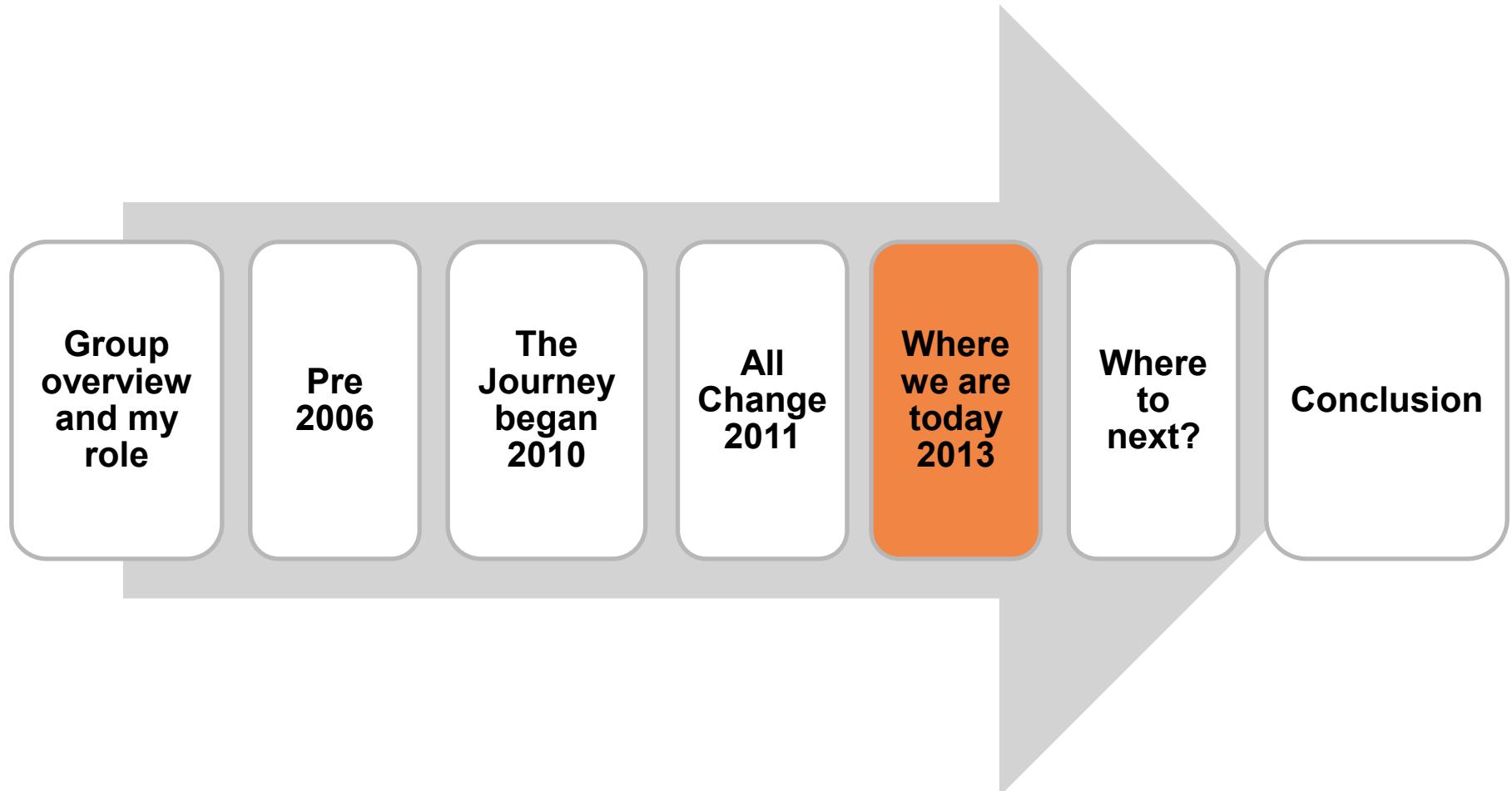
Download of daily bank statements (SWIFT MT940s)

- Improved visibility of cash
- Improved reporting for senior management
- Selected cash pool bank to route MT940s from around the Wolseley Group
- Cheapest option and immediate
- Relatively painless
- Not all Banks on SWIFT
- Automated manual submissions

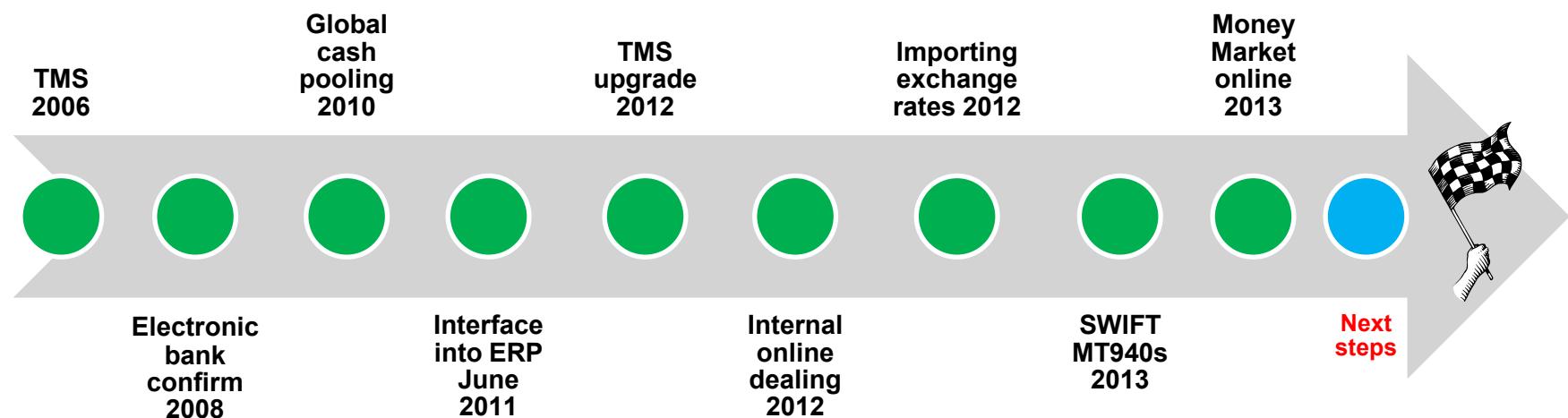
Money Market Portal

- Diversified from bank deposits
- Potentially more secure (AAA rated)
- Selected Money Market Portal based on look and feel
- Higher level of straight through processing (one portal required delegated authority)
- Reporting

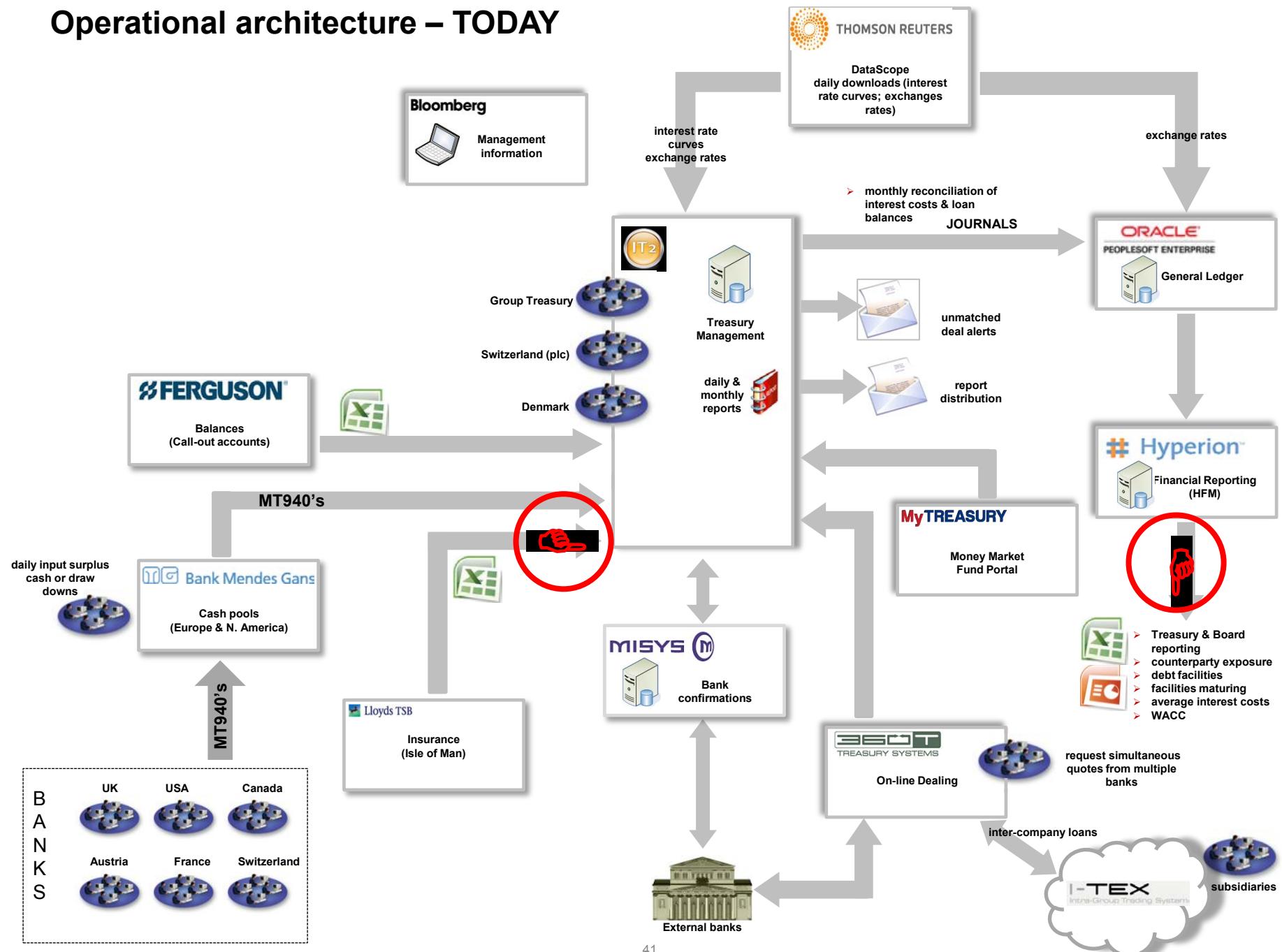
Agenda



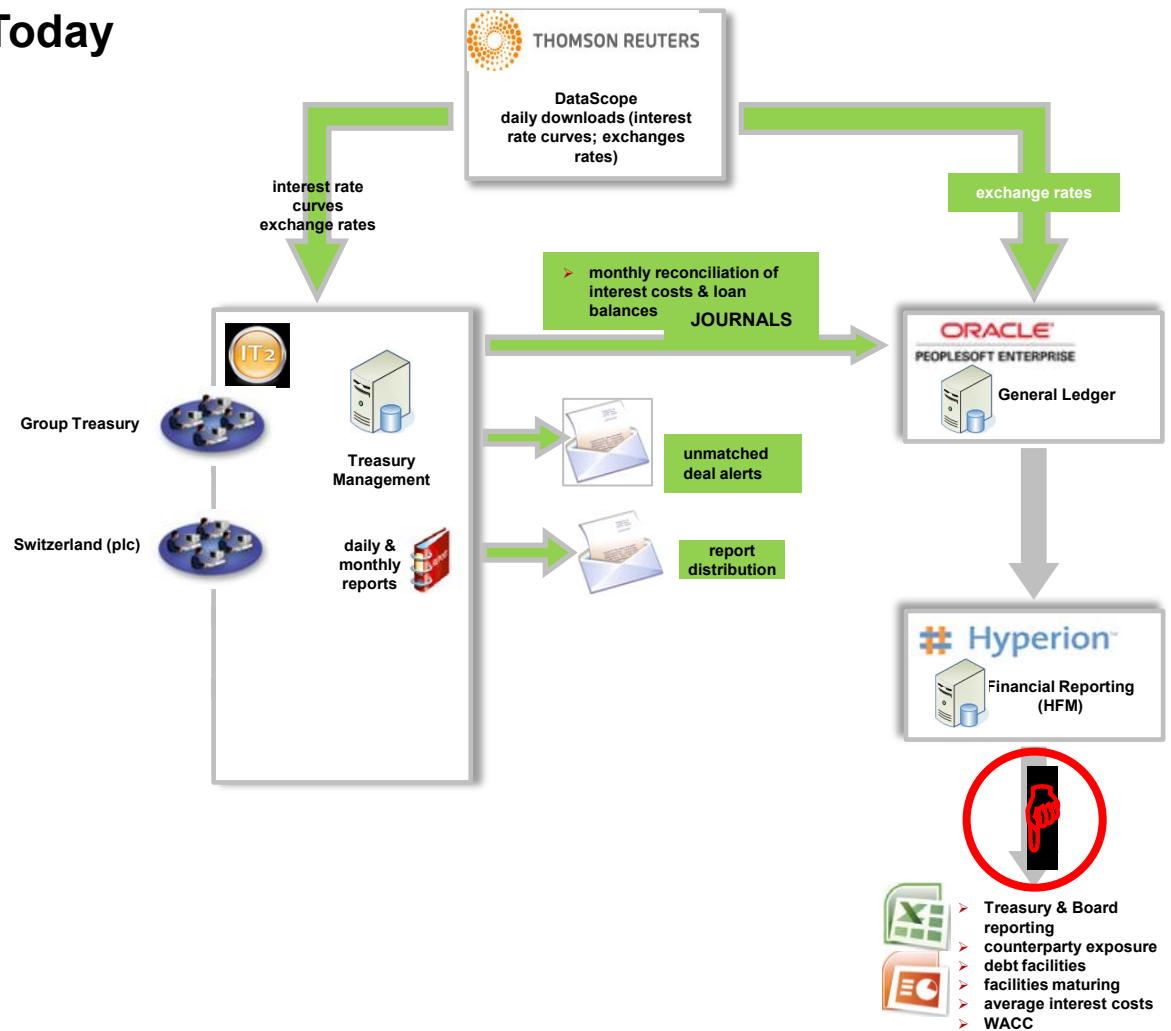
Where we are today



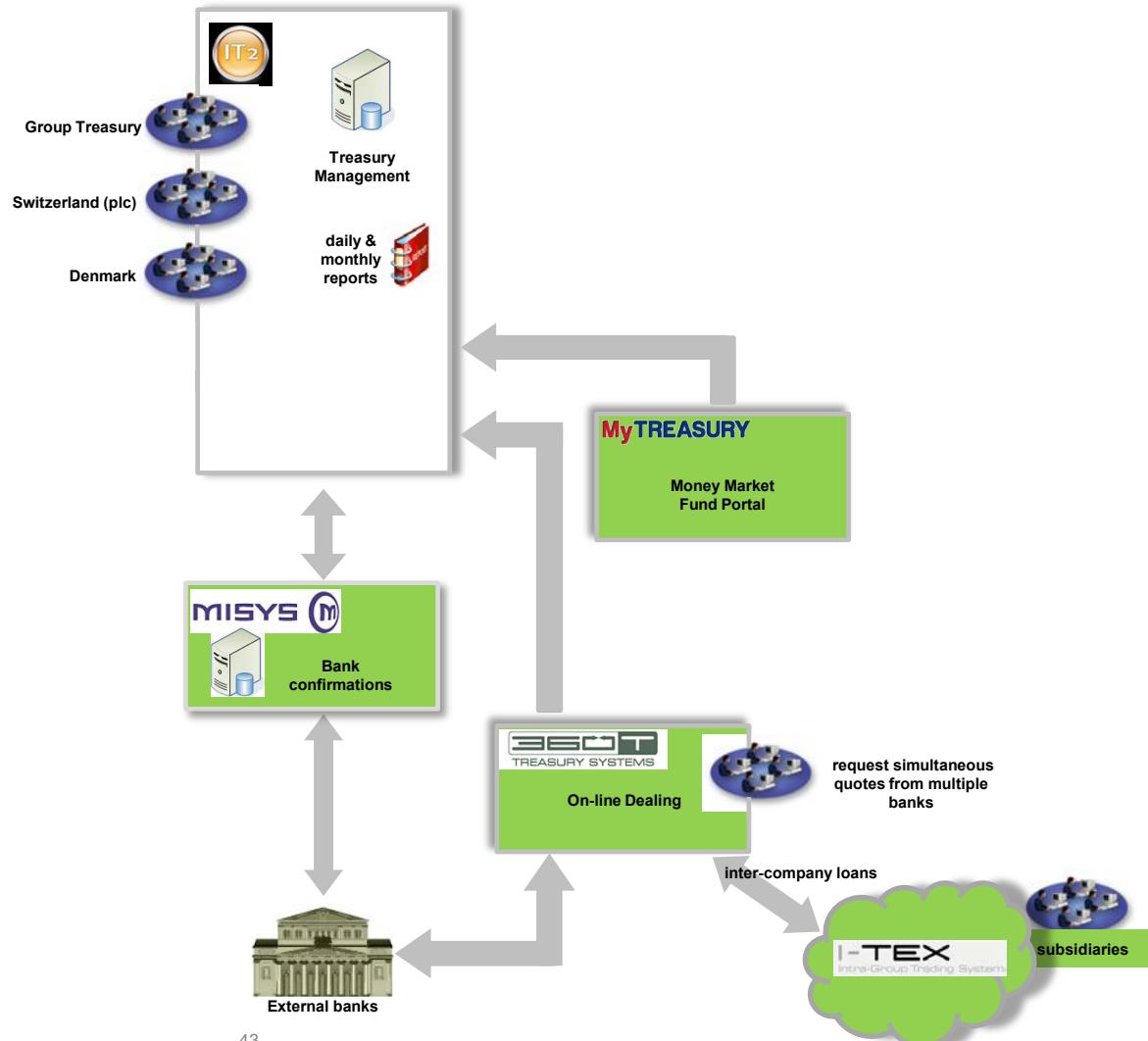
Operational architecture – TODAY



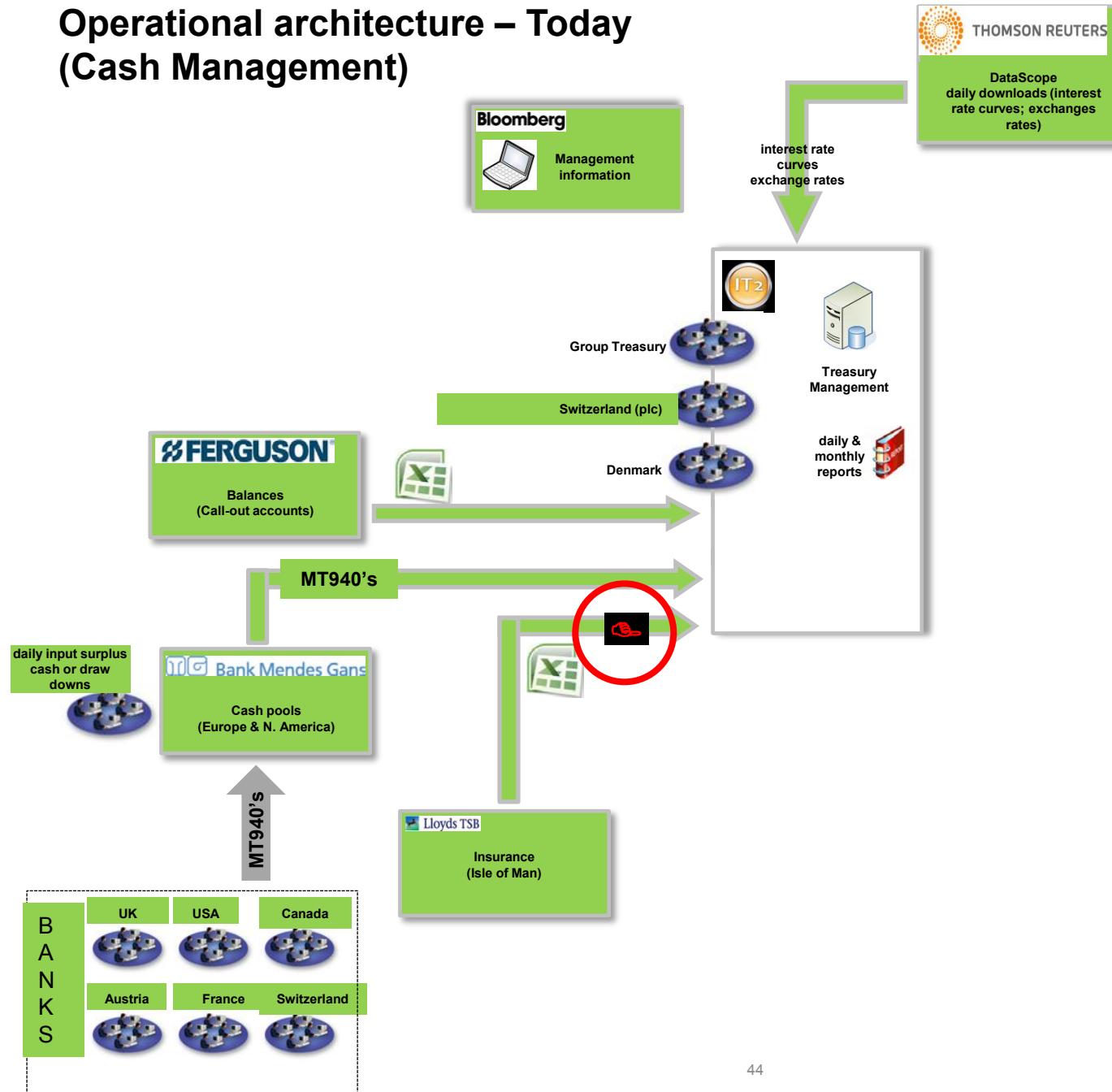
Operational architecture – Today (ERP System)



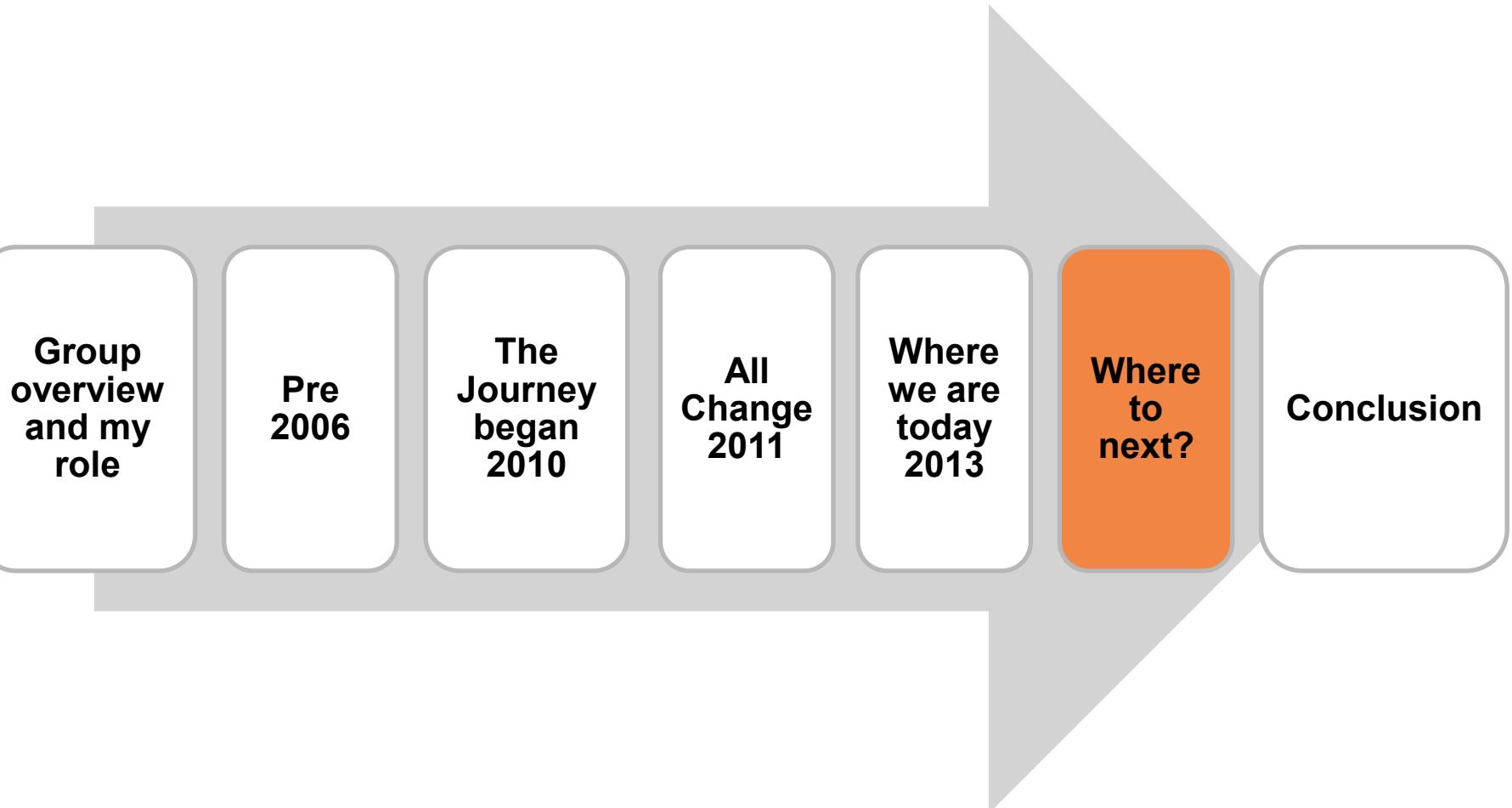
Operational architecture – Today (Dealing and Confirmation Systems)



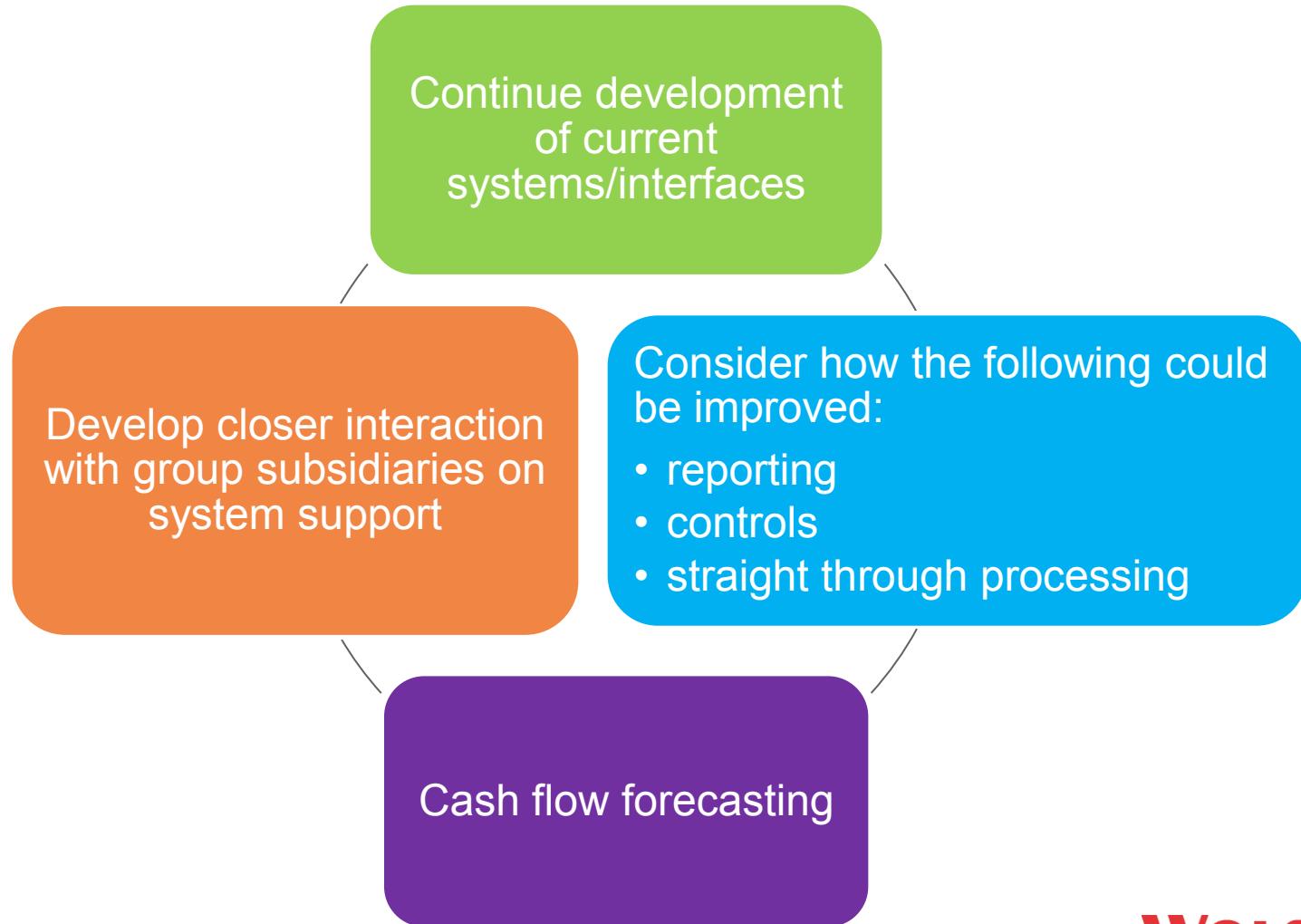
Operational architecture – Today (Cash Management)



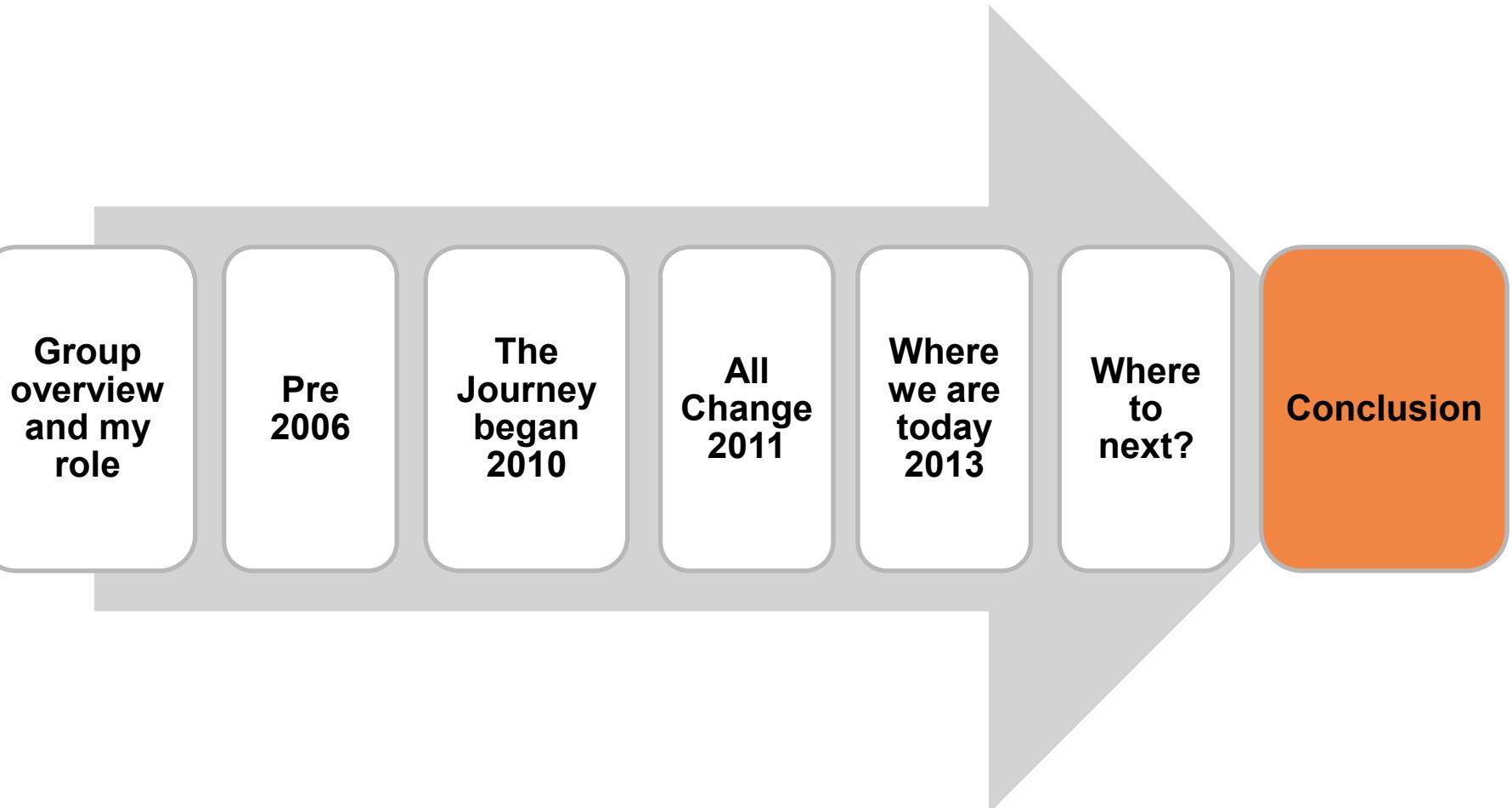
Agenda



Where to next?



Agenda



Conclusion

Improved group liquidity in excess of £0.5 billion

Cash visibility – savings of £0.5 million per annum

Improved reporting – automation of internal treasury reporting

**Improved straight through processing
– time savings and improved accuracy**

No silver bullet – had to accomplish alongside the day job

Take away points

Obtain sponsorship from senior management

Appoint internal project manager

Engage all main stakeholders (don't forget IT, Group Finance, Tax, Legal, and Audit)

Check and check again-communication with banks

Offer a de-brief to un-successful bidders

Secure a solid Service Level Agreement (SLA) with IT

Beware of scope explosion!

Questions



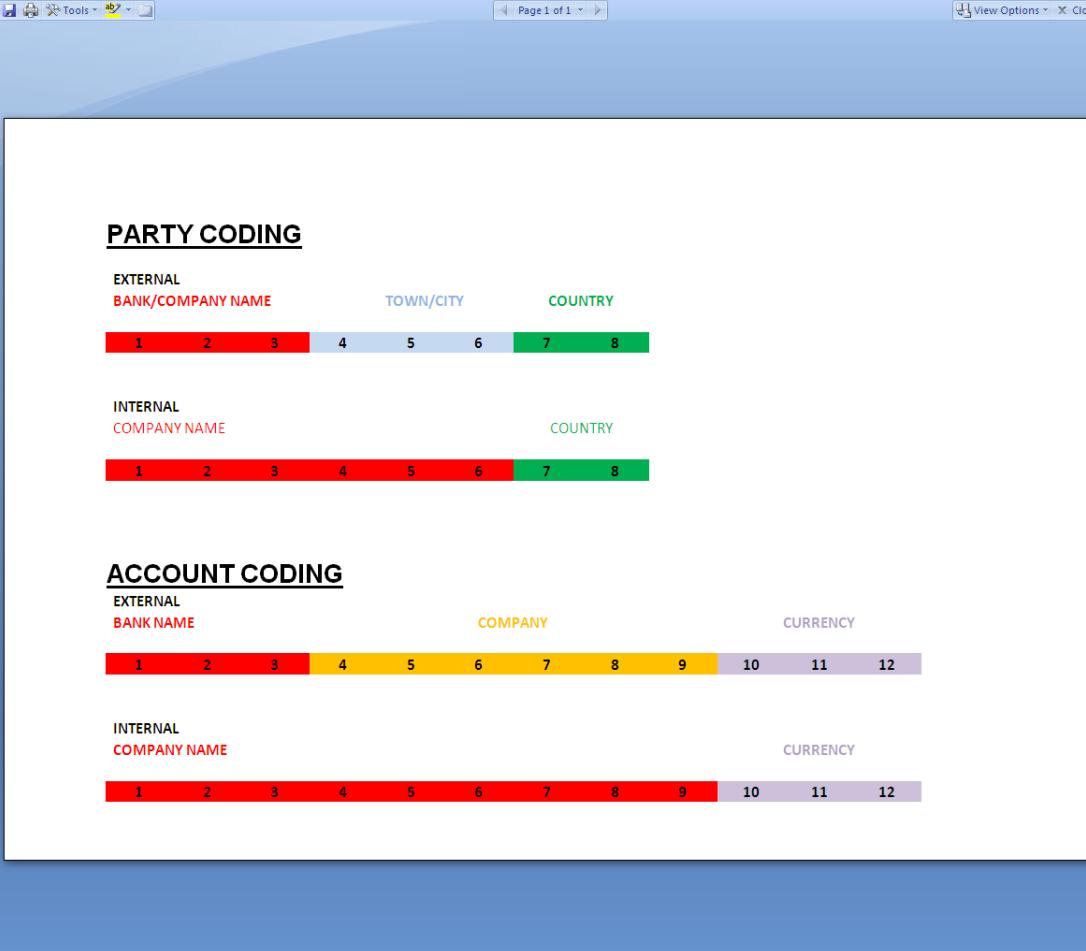
APPENDICES

1. Test plan
2. Data structure
3. TMS test checklist
4. Schematic for parallel environment
5. Parallel run checklist
6. Extract from internal service level agreement with IT

1. Test Plan

| Index | Status | Task ID | Workstream | Proposed start date | Scheduled end date | Revised start date | Revised end date | Assignment | Predecessors | Notes |
|-------|-----------------|-----------|---|---------------------|--------------------|--------------------|------------------|-------------|---------------|--------------|
| | | 100 7 | Testing | | | | | | | |
| | ✓ | 101 7.1 | Test plan | | | | | | | |
| | ✓ | 102 7.1.1 | Define test plan for validating IT2 v7.1 functionality | 01-Jul-2011 | 29-Jul-2011 | | | R.DaCosta | | |
| | ✓ | 103 7.1.2 | Define test scripts | 15-Aug-2011 | 16-Sep-2011 | | | All testers | 102FS+10 days | |
| | ✓ | 104 7.1.3 | Define expected results | 15-Aug-2011 | 16-Sep-2011 | | | All testers | 102FS+10 days | |
| | ✓ | 105 7.2 | Testing | | | | | | | |
| | ✓ | 106 7.2.1 | Execute test plan (cycle #1) | 19-Sep-2011 | 30-Sep-2011 | | 31-Oct-2011 | All testers | 103 | |
| | ✓ | 107 7.2.2 | Review results | 19-Sep-2011 | 30-Sep-2011 | | 31-Oct-2011 | All testers | 103 | |
| | ✓ | 108 7.2.3 | Report exceptions to IT2 | 19-Sep-2011 | 30-Sep-2011 | | 31-Oct-2011 | R.DaCosta | 103 | no s |
| | ✓ | 109 7.2.4 | Validate errors addressed by service pack (test environment) | 11-Nov-2011 | 17-Nov-2011 | | | R.DaCosta | 70 | not .. |
| | ✓ | 110 7.3 | Service Pack preparation | | | | | | | no i |
| | ✓ | 111 7.3.1 | <i>Cut-off for next service pack</i> | 28-Sep-2011 | 28-Sep-2011 | | | IT2 | | |
| | ✓ | 112 7.3.2 | Service pack development | 28-Sep-2011 | 05-Oct-2011 | | | IT2 | 111 | |
| | ✓ | 113 7.3.3 | <i>Service pack available</i> | 05-Oct-2011 | 05-Oct-2011 | | | IT2 | 112 | |
| | ✓ | 114 7.4 | Parallel running plan | | | | | | | |
| | ✓ | 115 7.4.1 | Define logistics for operating parallel run testing | 01-Aug-2011 | 28-Aug-2011 | 01-Sep-2011 | 30-Sep-2011 | R.DaCosta | 102FS+22 days | |
| | ✓ | 116 7.5 | ACE documentation | | | | | | | |
| | ✓ | 117 7.5.1 | Review & revise Treasury ACE documentation | 17-Oct-2011 | 28-Nov-2011 | | | N.Tall | 122SF | no s |
| | ✓ | 118 7.6 | "Go live" assessment criteria | | | | | | | |
| | ✓ | 119 7.6.1 | Define "Go live" assessment criteria | 28-Nov-2011 | 16-Dec-2011 | 01-Nov-2011 | 17-Nov-2011 | R.DaCosta | 121SF+1 day | |
| | | 120 7.7 | Parallel run | | | | | | | para |
| | ✓ | 121 7.7.1 | Apply "Go live" assessment criteria to sanction parallel run | 18-Nov-2011 | 21-Nov-2011 | | | R.DaCosta | 122SF-5 days | |
| | ✓ | 122 7.7.2 | <i>Initiate parallel run</i> | 28-Nov-2011 | 28-Nov-2011 | | | | | |
| | Not started | 123 7.7.3 | <i>Parallel run restart</i> | 08-Dec-2011 | 08-Dec-2011 | | | | | 122FS+9 days |
| | Behind schedule | 124 7.7.4 | Parallel running (all transactions entered into production & parallel environments) | 28-Nov-2011 | 09-Dec-2011 | | 12-Jan-2012 | All testers | 122 | para Dec |
| | Not started | 125 7.7.5 | Assess success of parallel run | 09-Dec-2011 | 09-Dec-2011 | 12-Jan-2012 | 12-Jan-2012 | R.DaCosta | 124FS-1 day | |
| | Not started | 126 7.7.6 | Apply "Go live" assessment criteria to sanction launch | 09-Dec-2011 | 09-Dec-2011 | 12-Jan-2012 | 12-Jan-2012 | R.DaCosta | 124FS-1 day | |
| | Not started | 127 7.7.7 | <i>Launch parallel environment as production service</i> | 12-Dec-2011 | 12-Dec-2011 | 16-Jan-2012 | 16-Jan-2012 | | | 125FS+2 days |
| | | 128 8 | Service Level Agreement | | | | | | | |

2. Data structure



The screenshot shows a software interface with a blue header bar containing standard window controls and a toolbar with icons for 'Tools', 'View Options', and 'Close'. The main content area is titled 'PARTY CODING' in bold black text. It is divided into two sections: 'EXTERNAL' and 'INTERNAL'. The 'EXTERNAL' section includes fields for 'BANK/COMPANY NAME' (red), 'TOWN/CITY' (light blue), and 'COUNTRY' (green). Below these are two horizontal row labels: '1 2 3' (red), '4 5 6' (light blue), '7 8' (green). The 'INTERNAL' section includes fields for 'COMPANY NAME' (red) and 'COUNTRY' (green). Below these are two horizontal row labels: '1 2 3 4' (red), '5 6' (light blue), '7 8' (green). The interface then transitions to a new section titled 'ACCOUNT CODING' in bold black text. This section is also divided into 'EXTERNAL' and 'INTERNAL' sections. The 'EXTERNAL' section includes fields for 'BANK NAME' (red), 'COMPANY' (yellow), and 'CURRENCY' (purple). Below these are two horizontal row labels: '1 2 3' (red), '4 5 6 7 8 9' (yellow), '10 11 12' (purple). The 'INTERNAL' section includes fields for 'COMPANY NAME' (red) and 'CURRENCY' (purple). Below these are two horizontal row labels: '1 2 3 4 5 6 7 8 9' (red), '10 11 12' (purple).

3. TMS Checklist

IT2 System Upgrade Functionality Testing Checklist 220711-updated.xlsx - Microsoft Excel

System Upgrade Functional Testing Checklist

The following table is a checklist of functional areas of IT2 which is used as part of the Upgrade process. Please mark the areas of the system that you plan to test with either Yes or No and the areas that you have tested as either Pass or Fail.



| Treasury Process | Critical Function | Plan to Test | Tester | Week | Pass. |
|-----------------------------------|------------------------------|--------------|--------|------|-------|
| Control & Automation | | | | | |
| 01. Segregation of Duties | Enter User Group | Yes | RDC | | |
| | Change User Group | Yes | RDC | | |
| | Approve User Group | Yes | PF/JA | | |
| | Enter User | Yes | RDC | | |
| | Change User | Yes | RDC | | |
| | Approve User | Yes | PF/JA | | |
| 03. Security & Key Controls | Validate Password Settings | Yes | PF/JA | | |
| 04. Regional & Market Data | Import FX Rates | Yes | RDC | | |
| | Import Interest Rates | Yes | RDC | | |
| 05. Group Structure | Input Party Data | Yes | KW/GB | | |
| | Input Internal Company | Yes | KW/GB | | |
| | Change Internal Company | Yes | KW/GB | | |
| | Verify Internal Company | Yes | RDC/JW | | |
| 06. Bank Relationships & Accounts | Input Bank | Yes | KW/GB | | |
| | Change Bank | Yes | KW/GB | | |
| | Verify Bank | Yes | RDC/JW | | |
| | Input Bank Account | Yes | KW/GB | | |
| | Change Bank Account | Yes | KW/GB | | |
| | Verify Bank Account | Yes | RDC/JW | | |
| 07. Beneficiaries & Repetitives | Input External Party | Yes | KW/GB | | |
| | Change External Party | Yes | KW/GB | | |
| | Verify External Party | Yes | RDC/JW | | |
| | Input Repetitive | Yes | KW/GB | | |
| | Change Repetitive | Yes | KW/GB | | |
| | Verify Repetitive | Yes | KW/GB | | |
| 08. Integration & Automation | Automated Run of Each Job | Yes | RDC/JW | | |
| | Manual Run of Jobs | Yes | RDC/JW | | |
| | Validate Audit Trail Entries | Yes | ACE | | |
| 09. System Activity & Audit | | | | | |

4. IT2 V7.1 Parallel environment

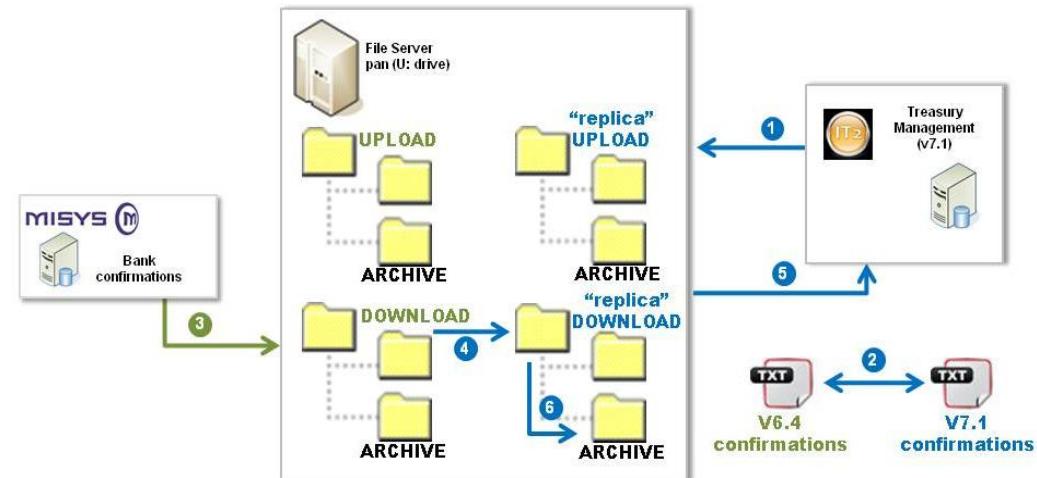
IT2 automated job posts confirmations data file to replica IT2UPLOAD directory on pan file server (U: drive)(①)
(pan\plc_files\Finance\Treasury\Myisis FTS)

both production & parallel environment confirmations files retrieved from UPLOAD directories & reconciled; any exceptions investigated (②)

MISYS posts matched deal transactions data file to "IT2DOWNLOAD" directory on pan file server (U: drive) as normal (③)

deal matching data file copied automatically to replica IT2DOWNLOAD folders on delivery (④)
(pan\plc_files\Finance\Treasury\Myisis FTS)

IT2 automated job monitors for matched deal transactions data files, retrieves file from replica IT2DOWNLOAD directory when available (⑤) and moves .RTN file to archive (⑥)
(pan\plc_files\Finance\Treasury\Myisis FTS\Archive)



5. Parallel Run Checklist

| No. | Activity | Pre-parallel run | Pre-launch |
|-----|---|------------------|---|
| 1. | Install copy software to automated file retrieval | ✓ | n/a |
| 2. | Obtain instructions from IT2 re. copying database | | n/a |
| 3. | IT2 v6.4 database copied to IT2 v7.1 (after close of business on Friday prior to test or launch) | | |
| 4. | Obtain instructions re.: journal automation from IT2 | | n/a |
| 5. | BMG upload job that locates file from U: drive (pan\E:\plc_files\Finance\Treasury\TMS-SimCorp-IT2\BMG_IN) (pan\E:\plc_files\Finance\Treasury\TMS-SimCorp-IT2\BMG_IN\Archive) | | n/a; database copy will reset automated job |
| 6. | Lloyds upload job that locates file from U: drive (pan\ D:\plc_applications\Llink) (pan\ D:\plc_applications\Llink\Archive) | | n/a; database copy will reset automated job |
| 7. | Create 360TTest directory structure on U: drive | ✓ | n/a |
| 8. | Activate auto-copy of 360T file on delivery | ✓ | n/a |
| 9. | Disable autocopy of 360T files | n/a | |
| 10. | IT2 upload job locates 360T files from "360TTest" directory structure on U: drive (pan\E:\plc_files\Finance\Treasury\360TTest) (pan\E:\plc_files\Finance\Treasury\360TTest\Archive) | | n/a; database copy will reset automated job |
| 11. | Replicate Misys IT2UPLOAD & IT2DOWNLOAD directory structure on U: drive | ✓ | n/a |
| 12. | Activate auto-copy of Misys IT2 DOWNLOAD file on delivery | ✓ | n/a |

6. Extract from internal IT SLA

“Access to treasury systems is time critical for:

- Day to day dealing which can total as much as £x bn.
- Reporting, particularly around each calendar month end when preparations of management reports have to be prepared with a very short time frame.
- Decision making for Treasury, Tax & Group Finance.

Impact of unplanned disruption to service:

- Potential loss of daily interest on up to £x bn if cash is not correctly managed.
- Substantial reputational damage to Wolseley if loan payment is not made on time.
- Substantial penalty costs if Wolseley breach loan covenants or become overdrawn.”



treasurytoday Question Time

WOLSELEY



Royston Da Costa

Group Assistant Treasurer,
Treasury Systems and
Development

Facilitator:



Eleanor Hill

Editorial Director