Developing an Effective RFP

A Treasurer's Guide

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Introduction

Inside

Changes in technology, regulatory pressures and the heightened threat of cybercrime present multiple challenges to global companies. The array of products and services pitched by banks, technology vendors and third party processors can be overwhelming and confusing—but it is essential to select the right products and services at the right price and to approach the selection process in a deliberative manner.

Purchasing decisions can be driven by basic requests to open accounts for newly formed subsidiaries, IT-driven migration to an electronic payment platform or more far-reaching relationship criteria such as a bank's participation in the company's credit facility. Over time an ad hoc approach to selection can lead to an unwieldy network of products and services that is inefficient and costly to maintain, particularly if business is spread across the globe.

In addition to good strategic thinking and design, the Request for Proposal (RFP) process is an effective tool for acquiring new products and services. Well-designed RFPs help select the best products and services at fair prices and ensure long-term, mutually rewarding supplier relationships.

This paper outlines the RFP process, its essential elements and the project administration requirements. The objective is to provide the corporate treasury professional with a guide to successfully initiate, manage and complete an RFP. The approach outlined contains the broad concepts suitable for bank, third party processing and technology selection with some specific sections appropriate for each of these distinct segments.

Getting Started

A well-designed RFP will ensure that you have included the proper set of vendors and given them the information they require to recommend the appropriate products and services. The benefit of the RFP process goes even further by ensuring that these products and services are offered at the best price and that the relationships with all respondents are managed well.

Is an RFP Required?

No question—RFPs require work by the company issuing and the vendor responding—it can be tempting to skip the process altogether.

- Some organizations invite selected providers to discuss their requirements and recommend solutions. Be aware these sessions are usually standard, but often compelling sales pitches.
- Another approach is the Request for Information, or RFI, where the company provides a more formal description of its needs and asks selected vendors to supply general information as to how they could meet the company's needs.
- In some cases the organization adapts a pre-packaged RFP and distributes this to prospective providers. This last example often generates stock responses that do not address the unique elements of the company's requirements.

However, all of these approaches are more structured and still better than asking a few other companies what they do and going along with the majority view.

When selection involves a product or service that is essential to what you do or how you do it, the formal RFP process is worth the time and effort. A well-designed RFP will ensure that you have included the proper set of vendors, given them the information they require to recommend the appropriate products and services. The benefit of the RFP process goes even further by ensuring that these products and services and that services will be offered at the best price.

The First Step

The first step in an RFP project does not involve prospective vendors. The company needs to develop and articulate a clear understanding of what is driving its decision to update or acquire new products or services. These drivers are not mutually exclusive and fall into a number of categories:

✔ **Strategic:**

- The company may need to achieve greater vendor diversity reflecting a broadening global footprint, or other requirement.
- Acquisitions, mergers or the creation of new branches or subsidiaries in one or more countries can change the scope of a company's business.
- Structural adjustments or realignment, such as the establishment of new holding companies in response to tax or legal initiatives, may drive the need for treasury centers and special liquidity services such as pooling.

✔ **Operational:**

- The need for new accounts or upgraded services at regional or local levels can accommodate internal process improvements or new customer and vendor requirements.
- Administrative actions including consolidation of accounting services in a Shared Service Center or upgrading an ERP system can lead to process changes justifying banking platform improvements such as host-to-host payment processing, SWIFT connections or direct access to banking services via APIs or third party payment processors.
- Geographic expansion of business through acquisition, organic growth and new product lines may require banking services that are beyond the capabilities of a company's existing bank partners.
- Banks' responses to increasing KYC and compliance requirements, liquidity ratio demands from Basel and regulatory

issues may force Treasury to adjust current relationships and/or seek new partners.

- The organizational structure and/or decentralized nature of global operations may dictate that treasury should seek improved technology solutions to effectively manage liquidity and risk on a centralized basis.

✔ **Treasury:**

- The need to increase oversight and control over bank accounts globally in response to SOX, FCPA or other audit requirements is a significant driver for both bank and technology improvements.
- External pressure may demand improved liquidity management through access to internal cash and expanded bank credit facilities.
- The RFP process gives treasury the opportunity to reduce the cost of banking services by changing the mix of services purchased and leveraging the scale of the enterprise.

Understanding the specific drivers and identifying key objectives allows the company to allocate the internal resources needed in the selection process, involve the necessary stakeholders and determine the business information requirements.

Business Requirements and Project Plan

Determining a meaningful set of business requirements and a plan to meet them is essential because the entire RFP process can require dedicated internal resources and take some time to complete. The business requirements function as a set of objectives and the plan as the roadmap to achievement of the objectives.

Determining a meaningful set of business requirements and a plan to meet them is essential because the entire RFP process can require dedicated internal resources and take some time to complete. The business requirements function as a set of objectives and the plan as the roadmap to achievement of the objectives. Clarity in both will help, as it is easy to miss deadlines or stray from your objective. Further, when companies underestimate the amount of time required they frustrate themselves as the process appears to drag on and lose credibility with vendors who are unsure of how to proceed.

Business Requirements

Business requirements spell out what the organization is trying to do, i.e., acquire a system to help manage treasury operations, find a SWIFT service bureau, open accounts in different countries, and/or set up a regional or global liquidity structure. They also include the needs of the various stakeholders. In the case of a Treasury Management System, or TMS, IT might require that the system be installed on company servers. Treasury might insist that it accommodate a certain number of users globally and Legal might demand that only domestic providers be considered for security reasons.

Business requirements are sometimes categorized as must have, nice to have and neutral. Categorized or not, they provide the chance for all stakeholders to have their say—at the beginning when the project planning takes place. Requirements can change in the middle of the project, but project managers are less at the whim of stakeholders when there is a formal document in place.

Following are some representative business requirements for TMS, banking and services RFPs.

✔ TMS

- Enable visibility over company's global cash
- Provide platform for global cash forecasting
- Facilitate bank account management
- Support multiple users in multiple geographies
- Migrate to an SaaS/Cloud platform
- Serve as a payment platform for specific treasury or financial payments
- Manage FX exposures and accounting
- Track and review intercompany flows, borrowing and interest allocation
- Improve controls and reduce fraud risk.

✔ Banking

- Provide required in-country and regional transaction services
- Participate in company's credit facilities
- Offer account structure options and services that can facilitate the company's liquidity requirements and streamline the overall banking structure

✔ Third Party Services

- Integrate with current banking partners
- Offer strong security and data privacy protection
- Licensed to operate in all relevant locations
- Link with existing technology platforms
- Ensure regulatory compliance.

The RFP represents an opportunity go beyond basic requirements and implement a banking structure that introduces improved treasury management techniques.

Issues and Opportunities

This is also a good opportunity to identify areas for process improvement such as eliminating the use of checks. Most countries use predominantly electronic methods for both collections and payments—with notable exceptions being the US and Canada—and the RFP is a good time to capitalize on this trend and take advantage of new payment methods. It is important to highlight this within the RFP document itself, for example—"Checks are currently used in the UK, but we intend to switch to BACS in our future banking arrangements." Take the extra time to make sure that local operations are on board with your plans—it is cheaper and easier to make internal changes before you make external ones.

Another area to consider is leveraging the corporate ERP by centralizing payments through a global or regional hub. Host-to-host file transfer is an excellent way to take advantage of bank capabilities for straight through processing (STP).

The RFP represents an opportunity go beyond basic requirements and implement a banking structure that introduces improved treasury management techniques. Examples include:

- **Europe**—within Europe, it is possible to leverage SEPA (Single European Payment Area) and have a single pan-European bank to handle both in-country transactional banking and a liquidity management overlay, such as pooling. This is a key decision point, both from an internal perspective and in terms of bank selection. Internally, this will require tax input and evaluation and buy in from European financial management—long before the RFP is developed. You should also be prepared for compliance requirements for SEPA, which impacts details in your payment files and the data required from existing providers and will have further financial consequences as it moves towards full implementation.
- **Asia Pacific**—is wider in geography and encompasses more regulatory regimes and currencies making it more difficult to centralize than a European arrangement. It is still possible to use a global bank with a combination of local presence and strategic partnerships as the primary banking provider for the region. Having a

single bank platform for visibility is an appealing proposition for many companies for risk and relationship management purposes.

- **Latin America**—is more problematic from a regional banking perspective. Given the strength and coverage of large local banks in countries such as Argentina, Brazil and Mexico as well as the limited presence of global banks, the decision needs to be made as to the continued use of existing local banks or a switch to a global provider. Although you can include Latin American countries as part of the RFP, keep your expectations modest in comparison to Europe and Asia. Another point to take into account is that most Latin countries cannot participate in an intercompany overlay or pooling arrangement and there are significant withholding tax implications with intercompany lending.
- **North America**—most companies already have a centralized banking structure in place in the US and in Canada. So the "if it ain't broke, don't fix it" model can be a sensible approach. North America does have a number of national and regional banks with excellent capabilities in the US and Canada, but with limited reach or services elsewhere. This provides an opportunity to balance relationship management criteria—such as credit facility participation—with the RFP. Often companies decide that a separate RFP should be issued for the US and Canada. Whether this can be done in parallel with a global RFP or separately will depend on the available resources for the bank selection process and the subsequent implementation.

Plan Elements

The next step is to develop a project plan. Project plans identify the large and small tasks that make up the project and define completion dates, assigned resources and task dependencies. In some cases the plan is contained in a simple spreadsheet while in others sophisticated software is used to plan and manage the project. In determining which approach is right for your project look around the company and see how others handle projects of similar complexity. Good project management requires sensitivity to the company culture so borrowing a plan from a colleague at another company may not make sense.

The following table provides a general set of the major steps with timing appropriate to a global banking RFP, one of the more complex types of RFP.

Element	Time Required	Element	Time Required
Define objectives and develop project plan	1 week	Determine RFP format	1 week
Assemble project team	2 weeks	Develop RFP questions	1 week
Develop business requirements	2 weeks	RFP issuance and administration	4-6 weeks
Obtain relevant transaction/use data	4 weeks	Proposal review and scoring	2 weeks
Develop account/systems architecture	2 weeks	Vendor presentations	1 week
Perform vendor scan	2 weeks	Vendor selection	1 week
Create vendor longlist	1 week	Implementation	3-12 months

Keep in mind that the larger the scope of the project, the more time you will need to allow for the vendors to respond. Senior executives can be impatient with the process, but shortcuts can lead to more work and poor results. Global RFPs require that the respondents assemble teams from several regions and business functions and invest a considerable amount of time developing a thoughtful solution. Given that you will be living with the bank or vendor selected for many years it is only sensible to give them the time necessary to get it right at the front end. If the organization is not able to invest the time and manage expectations for this type of timeline, then consider employing external resources or reducing the scale of the project.

Stakeholders

Banking RFPs are often initiated by the corporate treasury, which acts as the project manager for the RFP. This may not be the case for a payroll processor, a TMS project or the selection of a SWIFT service bureau. It is important to involve all stakeholders—particularly for complex global projects—so that their expertise and buy-in can be obtained. Major stakeholders may include:

- **Business operations**—Local or regional business managers from sales, operations or finance who will be using the services being solicited have the first line contact with customers and vendors. It is up to them to assist in defining the types of receivable and payable services and account locations needed. They can also provide valuable feedback on how banks and other vendors perform and are perceived in various localities around the world.

- **Tax and Legal**—When the RFP is international and involves the movement of funds across borders and between entities, these areas are of crucial importance. They will play an essential role in the initial development of the structure and should be involved in the review of bank proposals. Documentation is a mandatory part of setting up new accounts and services and the Legal Department needs to participate in this process.
- **Accounting**—Bank accounts and business processes must be integrated with the company's ERP and all banking transactions will ultimately be reflected in the company books. So it is important that Accounting be involved with the project. Reconcilement, cash application and payment processing are some of the key areas where bank or third party service selection impacts accounting.
- **Systems**—IT professionals control the ERP and govern the types of technology within the company such as SaaS and client/server. They will be a critical player in setting up file connectivity with the treasury's partners such as SWIFT or host to host. IT is also an excellent resource in helping with an assessment of the bank's systems and technology. Since IT resources can be quite scarce, it is a good idea to get them involved with the project early so they commit the necessary resources to support treasury.
- **Supply Chain / Procurement**—This area within the organization plays a growing role in treasury projects performing due diligence on vendor stability and negotiating contracts. There is the perception that involving Supply Chain will slow the project and not add value because of the specialized nature of treasury products and services, but adopting a collaborative approach ensures that this need not be the case.

Involving the stakeholders early helps determine if the necessary resources are available within the company to handle the project internally or if outside resources in areas such as treasury, systems, legal or tax may be required.

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RFP Design

There are two basic elements in any RFP: the desired products or services covered by the RFP. The basic information required is fairly consistent among all types of RFPs and it is important to remember that the more complete and accurate the information provided to bidders, the better the options will be for the purchaser.

Components

Substance can be divided into a number of general components such as:

- **Company Description**—This general section at the beginning of the RFP is designed to give all participants a common level of background about the company's products, services and operating structure. Even if bidder organizations know the company well and much information can be obtained on the web, the background description is important, as the RFP will be distributed to many product areas and geographic regions within the bidder organization where the level of familiarity may not be as high. Further, it is important to ensure that each organization is working from the same information and background.
- **RFP Objectives**—The company's specific objectives need to be clearly spelled out. Examples include: centralize liquidity in Europe, reduce total number of bank accounts in Asia Pacific, manage intercompany lending, or provide netting services for a company's worldwide operations.
- **Activity Information**—Provide respondents with the transaction information they will need to recommend a solution and provide realistic price quotes. If your company will make 1,000 EUR payments in a given month in Italy, make this clear. Additionally, spell out any unique requirements or specific transaction types that are needed, such as LCR in France, tax payments in the Czech Republic or the ability to deposit or obtain cash at a nearby branch. For TMS vendors indicate the types of accounting interfaces required, work processes needed, number of banks to link to and expected number of users.

This allows the bank or TMS vendor to provide a good price but also to suggest the best system and connectivity model given the activity. Additional discussion of activity information specific to banking RFPs is contained in Appendix 1.

- **Banking Arrangements**—For bank RFPs the required account structure should be described and diagrammed and be consistent with the activity information provided. For example, if a global structure for USD liquidity is required, show the legal entity participants by region. For TMS RFPs provide a similar structure including the names of the banks for which connectivity will be required.

Questions should differentiate one bidder from another—do not ask it if it does not really matter. Fewer questions are better than a long list. Remember you will have to read the responses!

- **Specific Questions**—Business requirements dictate whether the RFP is divided into sections based on geography, e.g., EMEA, Asia/Pacific; function, e.g. technology, customer service; or both. Regardless of how the RFP is organized there should be a short series of questions within each section that fulfill two objectives:

    1. To help differentiate one bidder from another. Asking for a bank's view on a regulatory matter generally will not distinguish one bank from another. Asking if a solution will rely primarily on a bank's network or branches or the use of strategic banking partners will.

    2. The framing of the question requires a precise response from the respondent rather than a generic statement. For example, a request to provide specific information on technology initiatives relating to payment products is more useful than a general question on a bank's approach to technology. Similarly asking if a bank can handle unique transactions such as tax payments or direct debits in a country is preferable to asking whether they have a branch or strategic partner located in that country.

        - An expanded discussion of specific RFP questions is contained in Appendix 2.

- **Administrative Requirements**—Provide clear instructions on the required format and timing of the responses. Describe the expected decision making process and selection criteria that will be employed and offer the opportunity for respondents to ask questions regarding the RFP. If technology and the scope of the RFP permit, set up an email address for bidder questions and share all questions—and answers—with the other bidders. It is also important to establish firm guidelines surrounding the supplementary information that can be incorporated in a response. The company wants materials relating to its situation and these are not generally provided in annual reports, product brochures or videos. Ideally, this information should be limited to three to four pages of PowerPoint or Visio diagrams.

Form

How the sections and questions discussed above are presented to the bidder group is the form of the RFP. Form has importance because it determines how the RFPs will be received by the bidders and how responses will be compared by the company issuing the RFP. But without more detailed instructions, bidders may respond with multiple copies of a large, bound color proposal document. These can be quite beautiful to look at but extremely difficult to analyze and compare—essential elements in the RFP review process.

There are a number of options when it comes to form. For simple RFPs a document inviting a structured response by email may suffice. As the scale and complexity of the RFP increases the following possibilities may make more sense:

- Create the RFP as a workbook with separate spreadsheets for the instructions and various question sections. This approach can be very effective because all bidders have access to a spreadsheet program and because you can both limit the size of their response and easily compare it with another bidder. It also has the advantage of keeping most of the RFP in a single file.
- A step up in sophistication would be preparing the RFP as an Adobe Acrobat form (similar to many of the tax forms available from the US Internal Revenue Service). This provides respondents with a familiar format and an RFP document that can easily be shared with colleagues around the world. The more recent versions of Acrobat enable RFP authors to receive a string of xml as the response to facilitate comparison of bidder submissions. A similar result can be achieved using Google Applications Forms or other similar products.
- At the top end, a company can host the RFP on a secure web site maintained by the company or a third party. Respondents are directed to a specific URL where the complete RFP is housed and answer all questions relating to the RFP within forms on the site. This approach reduces the amount of paper, facilitates the ability to compare bank responses and is in some cases simpler for the RFP respondents themselves.

Whichever approach is taken the design objective should be that the RFP provides all the information in a format that is clear to the respondents and allows the issuer to effectively analyze and compare responses.

Administration

RFP administration is divided into five sections with activity occurring at various points throughout the process:

1. Development of vendor longlist
2. Issuance of the RFP
3. Evaluation of responses
4. Vendor meetings and demonstrations
5. Selection and implementation

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Vendor Longlist

Development of a vendor longlist occurs fairly early in the RFP process and is the result of what is sometimes referred to as a market scan of potential providers. The scan is a non-judgmental look at the players in the market who claim to provide the type of services required by the company, such as electronic billing or payroll. This scan is then refined according to company criteria which may exclude privately held companies or banks that do not meet certain rating requirements or do not operate in certain countries or regions. Sending an RFP for a European bank structure to a primarily US or Australian bank just because they are in your credit facility makes no sense. The resulting list, the longlist, may simply be too large for the company's requirements. The solution is to keep adding criteria—existing relationship or reputation—to refine the list to a manageable level.

When the longlist is complete it is advisable to let the companies or banks on the list know of your plans. This useful courtesy will ensure that respondents have time to assemble the right team. This is particularly important in banking RFPs as it allows the banks to plan their response and address relationship issues—such as credit availability—before the RFP is issued. Keep scheduling issues in mind; it is never a good idea to issue a European RFP in August with a two-week response window.

RFP Issuance

To this point most of the work on the RFP has been performed within the company. This changes once the RFP has been issued to the respondents. The issuer and the respondents are now on a shared timeline with a conclusion that may have significant financial consequences at the end. Further, this can be an expensive process for participants. The internal costs of responding to a global banking RFP can easily exceed $100,000—a sum that bankers expect to recoup. Respondents may begin to probe their contacts at your company to get a better sense of their competition and the company's selection criteria. They almost certainly will ask for clarification on points within the RFP.

These questions should be directed to the single point of contact specified by the company and be answered promptly and completely. The RFP is a tool to obtain the best goods and services so unless the question is inappropriate a reply is recommended. It is also recommended that all questions and answers be shared with the entire bidder pool. This ensures a level playing field for the participants and may elicit other questions that can lead to a better response.

Let all the participants know the rules and timeline you will follow in the RFP process using a high level version of your project plan. It is also a good idea to ask all respondents for a complete list of people within their organization who need to be kept informed. The following schedule provides some general guidance:

- Advise of RFP four to six weeks in advance of issuance
- Allow for a question period after the RFP is issued (usually one to two weeks) and insist that all communication be addressed to a single source within the company
- Responses can be asked for within two to six weeks following RFP issuance depending on the scope and complexity of the RFP
- Allow one to three weeks to analyze and compare the responses before permitting oral presentations
- A selection decision within two to four weeks of the oral presentations is acceptable.

The RFP is a tool to obtain the best goods and services so unless the question is inappropriate a reply is recommended. It is also recommended that all questions and answers be shared with the entire bidder pool. This ensures a level playing field for the participants and may elicit other questions that can lead to a better response. Providing vendors a "SPOC" or Single Point of Contact for all questions and issues simplifies the process and helps avoid confusion and misinformation.

Evaluation

All members of the project team, including operations, tax, legal, accounting and IT should undertake evaluation of the proposals. Best practice is to consolidate the responses into a single document or location such as a spreadsheet, shared drive or Sharepoint site—and then have them reviewed by the team. Prior to the review, the team should create a scoring and weighting methodology that will be used by all members of the evaluation team.

There are three parts to a good methodology:

1. The areas of evaluation, such as reporting times or systems architecture
2. The respondent score for that area
3. The company weighting of the importance of the area to the company.

When determining the areas of evaluation it is a good idea to follow the basic categories of the RFP with a few items within each area. Too many points of evaluation will lead to reviewer fatigue and too few will not provide sufficient differentiation between responses.

For example branch locations may be essential to a company that has a physical presence throughout a region, but less important to the company that has centralized collections and payments through a Shared Service Center. This brings the answers into perspective and favors the respondents that have positive answers in areas which are key decision drivers for the company, such as having a regional operations center, being part of the local clearing or offering specialized services in a region. Similarly, there are no formal rules on the scale that must be used for the score and the weighting. Ranges of 1-3 or 1-5 provide for a sufficient degree of differentiation without requiring too much of reviewers.

The scoring can be used to identify potential areas of strength or weakness that can be explored in the final meetings. If there are numerous respondents to the RFP, the initial scoring also can be used to select a group of finalists to make oral presentations to the entire team.

Vendor Meetings and Demonstrations

A presentation is normally part of the final selection process. This meeting is an excellent time to ask detailed questions and drill down into the proposal as well as better understand how the implementation will be handled. Assessing culture fit and personalities is an important part of these in-person meetings. Normally these presentations are held at the company's headquarters but depending on the scope of the RFP a regional office or financial center may be appropriate.

It is very easy for meetings to stray from their purpose or run longer than expected and this does not benefit the company or the respondents. Prior to the actual meeting distribute an agenda to all participants with clear limits on the amount of time that will be allowed. It is also a good idea to stress that the meetings are for the purposes of discussing the proposal. Particularly with banks there is a tendency for senior managers, not well versed in the company's requirements or their bank's solution, to devote scarce time on strategy and relationship matters that can be dealt with another time. Three hours is a realistic maximum and it can be difficult to schedule more than two such meetings in a day.

For TMS vendors, it is essential to ask for a "scripted demo" in the presentation meeting. This will insure that technical experts will attend, not just sales people. An example would be sending them in advance of the meeting 3 months work of intercompany flows by legal entity and currency or a sample of FX derivative transactions executed and ask them to simulate how this data will be handled, viewed and the appropriate accounting entries made.

Respondents should be encouraged to bring the product and implementation specialists relevant to the proposal and resist the temptation to bring a large team. Linking specialists by phone can disrupt the flow of the meeting but may be the only way to bring a specialist on Africa into a meeting in San Francisco. Many companies have sophisticated videoconferencing facilities and these can be used to very good effect.

The scoring summary prepared as part of the review process is an excellent guide for specific questions during the meetings. Simply watching how the respondent's team manages the time and addresses the questions can be quite revealing about how they would behave if awarded the business.

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Immediately following the meetings the company evaluation team should sit down and discuss impressions and observations and review—or adjust—the scoring based on what was learned. Often, the team may identify additional questions for one or more of the respondents, so it may not be possible to decide on the winner within a few days. Further delays in making a decision can be caused by balancing the amount of business awarded to any one respondent or the need for executive management to review recommendations. It is important to not to delay a decision without good cause as it is both unfair to respondents and suggests a lack of clarity on the part of the company.

Implementation

The RFP process has been completed and all participants are, with justification, tired. Allow a bit of time and then begin the real work of implementation. Much will depend on the type and scope of the services covered by the RFP. For example, with a global banking RFP it may be advisable to take a regional approach to implementation. Further, depending on the type of services being acquired, significant resources from Accounting, IT or Legal may be required.

Even with a relatively simple banking RFP opening new accounts takes time even though the bank has documentation experts on its implementation team to guide you. It is an easy—and serious—mistake to underestimate the time and resources required for a global bank implementation. That is the subject for another White Paper, but the best advice here is to follow a disciplined process similar to what was used for the RFP.

For a TMS implementation, complete implementation with all desired features, functions and reporting banks will likely take months—or longer. Often TMS vendors outsource the actual implementation work to third party IT "consultants" who may or may not understand treasury, adding considerably to the time required. It is important to understand exactly what is involved because even a SaaS implementation may require significant configuration to function as desired. Many companies who have chosen to not go the RFP route, but have just selected the vendor with the best presentation are often surprised and disappointed when a year or two down the road, the TMS is still not up and running. This can also occur when IT is the sole selector of a 'treasury' management system.

In summary, the RFP process can be time consuming and involve multiple resources. But the end result will likely be improved oversight and control over global liquidity, efficiency and reduced costs. Also, the thorough vetting of vendors can result in long lasting and rewarding partnerships.

Appendix 1—Activity Information

The RFP process addresses this in two ways; through the development of business requirements—discussed in the body of the paper—and through the relevant transaction and use data which demonstrate the scale and are the subject of this appendix.

Your company may be a household name in Europe and the US but a relative unknown in Asia Pacific or Latin America. If prospective vendors do not realize the size and scope of the potential business, they will not devote the right resources to develop a proper response to your RFP. The RFP process addresses this in two ways, through the development of business requirements—discussed in the body of the paper—and through the relevant transaction and use data which demonstrate the scale and are the subject of this appendix.

Financial Footprint

Detailed and accurate information allows the vendor to clearly assess whether they are capable of—and interested in—handling the types of transactions required. This will lead to a thorough and well thought out proposal that is a direct result of the RFP.

Develop a clear picture of your company's business footprint that may include detailed information on:

1. **Legal Entity Structure**—the legal names and ownership structure for your company on a global and/or regional basis depending on the scope of the RFP. This should be outlined in a chart showing the ownership, business/product lines covered, tax/legal status (branch, subsidiary, check-the-box), functional currency and the nature of business conducted—such as sales, manufacturing or distribution. Most companies have current legal entity diagrams and treasury can add value to these by including business details on the activities performed at each entity and how the entities relate to one another—including regional financial oversight, intercompany flows and commissionaire arrangements.
2. **Organization**—This portion of the footprint shows the hierarchy of job functions including who has responsibility for banking relationships, the management of cash at the local and regional level and investment and borrowing decisions. For internal purposes it is very helpful to know how financial management reports and

relates to business management, including performance evaluation criteria. There are more than a few companies where country general managers improve ratios by discounting or using receivables financing or increase profits by generating higher investment earnings on funds that should have been upstreamed years ago.

3. **Current Bank Account or Systems Architecture**—For a banking RFP this should show all bank accounts, country location, currency of the account and the average monthly cash balances. Where possible, the account hierarchies such as zero-balancing and sweeping should be indicated so that there is a clear picture of how the company currently manages its cash flows. For a TMS or other type of RFP it should show the systems deployed and their interconnection.

4. **Planned Bank Account or Systems Architecture**—For a banking RFP this can be descriptive or a series of diagrams of what bank structure is planned. The description should fully describe techniques such as European pooling, local currency pooling in select countries, USD pooling in Asia Pacific, entrust loan arrangements in China, cash concentration in Mexico or ZBAs in the US. For a systems project show what is desired in terms of the number of systems and how they will relate to one another. For a TMS RFP specify the key treasury functions desired such as global liquidity management, FX hedging, debt compliance, intercompany funding, intercompany netting or In-House Banking.

5. **Transaction Values, Volumes and Types**—The average monthly value of cash flows and the volume of transactions along with the type of payment instrument such as wire payments, ACH, check. This information is required by currency and it is advisable to keep all amounts in local currency. It can easily be obtained from account analyses in the US but is more difficult to obtain for accounts in other countries. It is usually necessary to create a spreadsheet or other data request to collect the required information from international sources. This can be a somewhat frustrating exercise and it can be tempting to rely on information from the company's ERP. Unfortunately, what is important for a treasurer may not be important to an accountant. There is really very little choice but to go through the detailed work to

gather the correct information. For example, specify whether electronic payments are local bulk payments (ACH) or cross border transfers and delineate which transactions are intercompany or third party and segregate payroll volumes and amounts.

6. **Banking Services**—The services used by your business in the relevant geographies. In addition to traditional services such as bank accounts, wire transfers and web-based balance reporting/ transaction initiation, most global companies require services such as payroll, rent guarantees, export guarantees, import letters of credit, VAT reimbursements, tax payments and specialized software. As with the transaction values and volumes, it is a good idea to structure a data request to all of your related operations to make sure that the inventory of services is as complete as possible. It is best to understand the full array of services needed before working with the banks.

Collecting the required information is a time consuming challenge. There are traditional sources of information such as ERP and TMS systems and account analyses for US domiciled accounts. But in many cases the information available through these sources is limited in detail and will not give the necessary picture of the transaction detail required. Although a US bank's account analysis shows the specific collection or payment service being used and the associated monthly volumes, outside the US you are dependent on local finance staff to provide the data on payment instruments used—BACS or Bloquetos to mention a few.

There is too much information to gather with just a phone call and physical visits are costly and time consuming. The data needs to be collected in a specific format that allows for efficient compilation and consolidation. The best approach is to use a treasury intranet or other customized data gathering application such as Adobe Acrobat Forms. This methodology helps to ensure consistency of responses and makes it easier to follow up with non-respondents and to clarify the data with those subsidiaries that have contributed. Because the information is in an electronic format it is easier to compile and analyze.

Appendix 2—Questions and Pricing

In preparing RFP questions you need to steer between the extremes of too much specificity and potential irrelevance and vague, general queries. You should have a mix of yes/no questions, short answer questions and a few questions permitting a longer response.

Questions

In preparing RFP questions you need to steer between the extremes of too much specificity and potential irrelevance—"How many people are employed at your branch in Kuala Lumpur"—and vague, general queries such as "What is your approach to relationship management". You should have a mix of yes/no questions, short answer questions and a few questions permitting a longer response. Good examples of each type are:

- Can your bank make tax payments in all parts of China?
- Are all electronic banking services on the same web platform available through a single logon?
- Where do you suggest the EUR concentration account be located and why?
- Describe your pooling capabilities in the recommended location including the number of current clients with global or regional pools. Include in this description the location of your operations center or shared service center that supports these capabilities.
- What is the interest rate basis that will be applied to the pool header, e.g., SOFOR or EONIA, and what will be the amount of spread taken by the bank? Will this interest be applied to the total balance?
- Does the bank offer any higher-level investment service that would allow an automated sweep of amounts beyond a target balance in the pool header to higher yielding investments?
- What is the charging basis for the recommended cash pooling structure? Include all cost points such as the number of currencies pooled, the number of subaccounts or the number of daily sweeps.

- Describe your service and support strategy including the location of our primary relationship manager, treasury management specialist and technical support team and client services manager.
- How is technical support for computer software and communications issues handled? Do the arrangements for technical support match those of regular customer service?
- What kind of implementation support will your company provide? Describe project management, training and installation processes. Is there a special team responsible for large, global clients such as us?
- What is your best estimate of the time required for implementation based on the scope of activity? Are there any elements of our requirements that may be problematic or exceptionally time consuming?
- What resources will be required from us in order to implement your solutions? How much of a time commitment will be required of these resources on a weekly basis? Divide this time between work performed by the operating companies and work performed at headquarters.

Pricing

Developing a precise comparison of pricing is a difficult exercise that can be simplified with a carefully prepared template for the bank fee input. Banks have varying approaches to bundling products and services—the charging basis can be quite different, such as per user or per location, and terminology and descriptions for services are not standardized—pooling, sweeping and concentration can be used interchangeably at one bank and refer to separate services and price points at another. Bear in mind that initial pricing is likely to change during final vendor selection and subsequent contract negotiation as requirements, services and modules may change or be added once implementation begins. As a result, proposed pricing should not be the primary selection criteria.

A well-designed template requires that prices be specified in a common currency such as USD or EUR. For example, a bank might suggest that since all services provided in Singapore are billed in SGD, that prices should be quoted in that currency. A good counter to that request is that the primary purpose of the RFP template is comparability and that final pricing will be negotiated following the award of business and at that time can be quoted in local currency.

In general, the broad categories of bank charges are:

- Implementation
- Maintenance
- Account Services
- Transaction Processing
- Information Delivery
- Technology

For a technology vendor these could include:

- Purchase price
- License fee
- Implementation
- Maintenance/support
- Transaction Fees
- Equipment

Within each category include the major items that will be required such as number of accounts/sub-accounts, deposits and payments by type (checks, drafts, ACH, wire) and whether local or cross border, web banking access by location and users. Describe each service as clearly as possible from a functional perspective because banks often have different names for identical services, for example, "domestic electronic batch payments" (ACH) or "cross border foreign currency transfers".

Ideally, the template should be in Excel. The individual bank spreadsheets can be consolidated easily into a master that allows efficient quantitative evaluation and fee comparisons. It is important that the banks populate your template with pricing data and not simply include standard price lists, terms and conditions or substitute their own spreadsheet. If a bank chooses to ignore your pricing template and instead includes their own fee form or pre-packaged pricing brochure, it is a pretty good indication that they may not be the best or most flexible banking partner in the long run.

In terms of negotiation, pricing elements that should be discussed prior to awarding the business are:

- Length of pricing commitment (2, 3, 5 years)
- Any fee waivers—banks maybe willing to waive the first year's fees
- Interest rate adjustments for both negative and positive interest
- Implementation fees—especially for TMS vendors, ask what is included
- Estimates for any types of customization that will be required for certain TMS modules.

ABOUT TREASURY ALLIANCE GROUP LLC

TREASURY ALLIANCE GROUP consults with clients globally in the areas of treasury operations, banking, payments, technology and risk. With decades of experience our consultants deliver practical, realistic solutions that meet each client's unique requirements. We welcome the opportunity to discuss how our consulting can help meet your challenges.

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