Ten Steps to Treasury Creation

Understand Your Business → **Create Your Vision** → **Build Your Team** → **Risk Management Framework**

Create Your Policies → **Create Procedures & Controls** → **Reporting Requirements** → **Technology Requirements**

Build Good Relationships → **Audit and Launch**
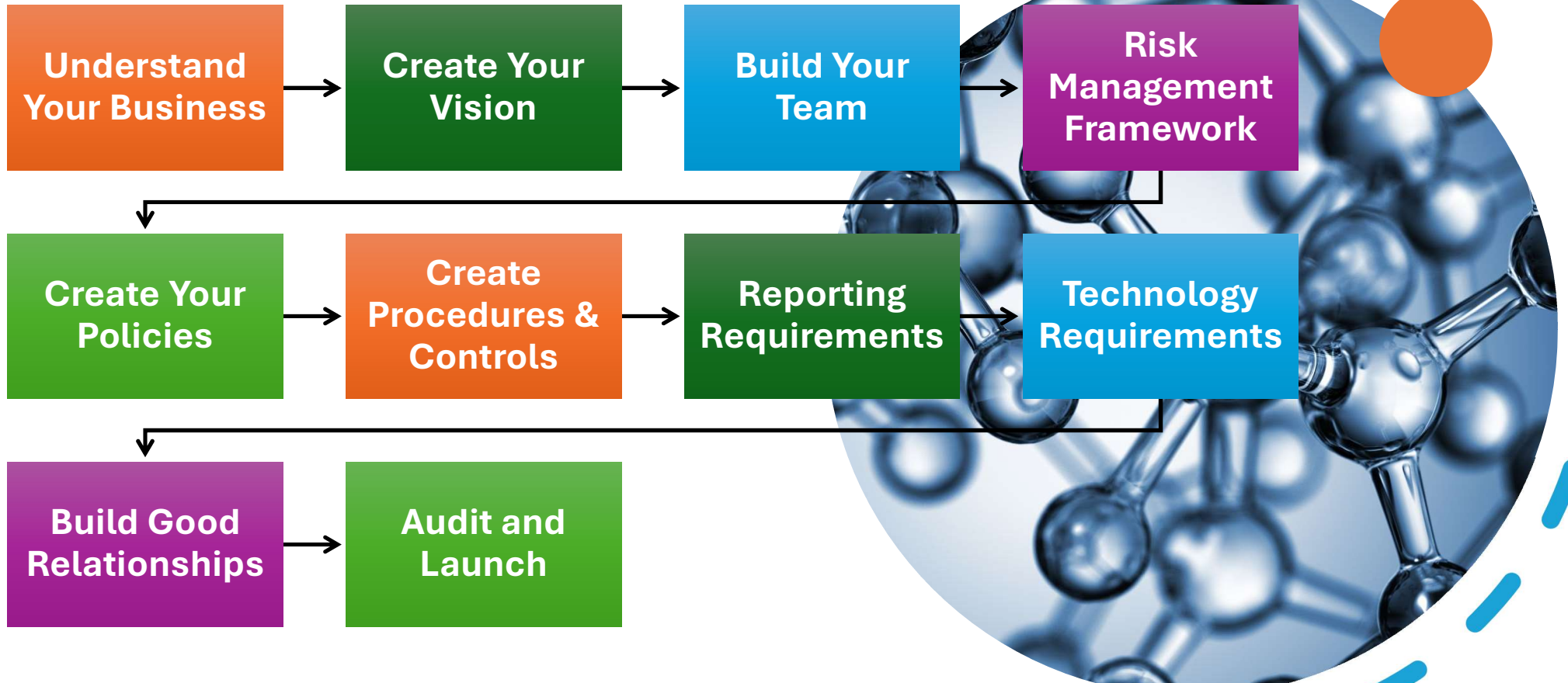
Crucial elements to success include strong leadership, effective communication, and collaboration, as well as frequently informing and enthusing your accomplices, with meticulous planning.

Understand Your Business

- Knowledge of the overall business aims and growth strategy, including KPIs
- Understand the enterprise risks inherent in the business strategy; particular focus on the financial risks.
- Level and type of funding and liquidity required to meet the business strategy, including existing bank accounts, geographic locations, and emergency headroom requirements
- Consider the behaviours and expectations of customers, suppliers and investors, especially related to cash flows

Create Your Vision

- Start with the end in mind: Using your business knowledge, create an outline of the activities that treasury are expected to take responsibility for (e.g. bank relationships, FX and IR risk, cash, funding, investments)
- Layer on any other activities treasury would *like* to take responsibility for (e.g. insurance, pensions, ESG)
- Identify and list the decisions that are expected to be made by treasury, and what is needed to make them

Build Your Team

- Draw up roles, responsibilities, team size and structure, that is optimal to deliver the vision. Writing draft job specs may help, as would communicating with other business teams that will rely to varying extents on treasury resource
- Build in some flex that allows team members to jump in and out of projects, dependent on business activity
- Decide on the culture and leadership style you would like to promote

Risk Management Framework

- Decide the framework through which risks will be managed. The ACT Risk Framework: Identify, assess, evaluate, respond, report. Incorporate a feedback loop to review the intended outcomes compared to the plan
- What is it treasury/the business would like to protect? Take a holistic approach to this
- Set risk appetites and tolerances, based on critical business metrics (e.g. KPIs, covenants, cashflow, profits)

Create Your Policies

- Draft a comprehensive and detailed treasury policy document, covering all treasury-related activities identified in the vision. Use the risk management framework to construct each policy
- Assign ownership and accountability for the management of each treasury risk and associated policy
- Incorporate performance metrics and regular checks to ensure each policy is being followed correctly

Create Procedures & Controls

- Draft a detailed procedural document, creating effective and efficient procedures to ensure policies are met
- Use decision trees and flow charts to help treasury staff make the right choices based on changing circumstances and aligned with policy
- Include robust controls, e.g. the 4 eyes principal, to minimise processing errors

Reporting Requirements

- Decide reporting requirements, communicating with the rest of the business and discovering their requirements, and to prevent duplication of effort. What real time reports will be required, if any.
- Frequency of reporting, e.g. daily cash/net debt report, weekly FX report, monthly treasury report
- Discover what macro information is required to complete these reports, e.g. FX rates, IR rates, yield curves

Technology Requirements

- Decide which treasury activities should be fully or partly automated, then conduct an RFP process
- Aim for full visibility and control of bank accounts, cash, payments, receipts, rates etc and using real time data
- Using the macro information requirements identified in previous steps, decide the data needed by the system (e.g. online trading, bank statements, macro information etc), and the reports and outputs required

Build Good Relationships

- Relationships, internal and external, can make or break any treasury. Taking the time to build good stable relationships with banks, vendors, and business teams ensuring open communication and mutual understanding of each other's goals and aims, is crucial
- Create a banking 'wallet, consisting of what services you have currently with which bank, cost, volume etc and what else you need, credit lines etc. Decide how is ancillary business should be spread

Audit and Launch

- You should now have an efficient and effective treasury. Consider conducting an audit by either internal or external specialist treasury auditors that can help evaluate the current set up and identify any potential blind spots
- Keep revisiting your vision, review policies and procedures regularly, and adjusting and improving as you go. You will never be finished when creating a world class treasury