ERP Integration in a Changing Environment

Industry Leading Practices
Introducing the Speakers

- Bobby Carney
  Bobby is the Global Product Head for Connectivity and Software-as-a-Service at Citi. Mr. Carney has global product management responsibility for Connectivity products, including CitiConnect and Citi STR, and Software-as-a-Service offerings such as CitiDirect White-Label. Previously within Citi Transaction Services, Bobby held EMEA regional product management responsibility for Channel Services. Prior to joining Citi, Bobby was a management and technology consultant with Accenture, focusing on design and delivery of transformational change programs with Banking and Insurance clients, and has further extensive experience in the international telecomms industry.

- René Schuurman
  Rene is the Global Product Manager of Connectivity Services at Citi. Mr. Schuurman has global product responsibility for all file and message based connectivity solutions for Citi Transaction Services within Citi. These include the use of EDI and messaging standards, ERP and TWS integration and the use of SWIFT product and services. In this capacity Mr. Schuurman is also a representative for Citi in EDI standard governing bodies such as the PAY SEG and the Common Global Implementation workgroup. He is also an active participant in the ISO20022 CGI Mapping Group.
Agenda

- ERP Integration – Trends & Developments
- Bank Integration – Exploring Citi Solutions
- Summary
- Questions
ERP Integration – Trends & Developments
## Treasury Trends – Execution Imperatives for 2012+

### Focus strategically and globally for treasury transformation opportunities

- Treasury challenged to do ‘more with less’
- Company-wide liquidity and risk management programs are a key characteristic of industry leading efficiency and effectiveness
- “Piggyback” treasury objectives on organization-wide technology/process initiatives to help drive the business case

### Flexibility to respond to volatile market conditions

- Continued volatile market conditions and evolving regulations require improved information and rapid execution capabilities
- Maintain financial flexibility with funding strategies across multiple options
- Leverage emerging technology/process standards to increase flexibility and choice

### Implement robust control processes to monitor operational & financial risks that may come with growth

- Close coordination with businesses, regions to identify issues and mitigants
- Implement policies, controls and ensure ability to monitor

### Reassess banking relationships with a view towards future growth strategies and plans

- Long-term view of requirements across a broader network
- Rationalize providers to improve operating and cost efficiency
Evolution of the Working Capital Model

- **Global Treasury Integration**
  - Global IHB
  - Global Treasury Centre with Regional RTC
  - Global Risk Management
  - Global Liquidity Structure

- **Regional Treasury Integration**
  - Regional Treasury Centre
  - Regional IHB
  - Regional Liquidity Structure

- **Regional Working Capital Integration**
  - Regional SSC – process centralization
  - Regional Vendor and Customer Relationship Management
  - POBO
  - Netting Centre
  - Payments Factory

- **Local Management of Treasury and Working Capital**
  - Local cash management
  - Local Payables and Receivables
  - Multiple Bank relationships
  - No centralization
  - No arbitrage of tax, FX, bid / offer spread

- **Traditional (Local) Business Model**

- **Regional Entrepreneur**

- **Global Principal Trading Company**

- **ERP**

- **Global Working Capital Management**
  - Global SSC
  - Global Vendor and Customer Relationship Management
  - Global POBO Structures
  - Global Netting Centre
  - Global Payments Factory

- **200 YEARS citi**
ERP – a timeline

1960s – Enterprise Resource Planning is born from a joint effort between J.I. Case and IBM as Material Requirements Planning

1972 – SAP founded

1977 – JD Edwards and Oracle founded

1978 – The Baan Corporation founded

1987 – PeopleSoft founded

2003 – Services Oriented Architecture and “Internet Enabled” become standard

2003-2005 – Industry consolidation occurs*:

- SAP – 45%
- Oracle – 20% (E-Business Suite, JD Edwards, PeopleSoft, and Seibel)
- Microsoft – 10% (Navision, Axapta, Great Plains, and Solomon)
- Infor – 10% (Baan, Mapics, and a slew of other products)
- Sage – 10% (Best Software is acquired)

Virtually all companies (>99.5%) with revenue of more than $5 million have an ERP

* Forrester research
Survey Question 1

For what functions do you leverage your ERP system?

(Please choose one or if it’s not listed choose “other” and fill in the blank)

a. Inventory management only
b. Payables
c. Receivables
d. Payables & Receivables
e. Payables & Receivables & Treasury
f. Other - NOTE: CAN DO MULTIPLE CHOICE ONLY. USERS CANNOT FILL IN THE BLANK.
ERP Integration - Challenges

**Challenges**

- Specialized Resources
  - Build – ERP Integration a core competency of your business
  - Buy
  - Partner
- Cost
  - On-going Maintenance fees
  - Large up-front costs
  - Unknown partner viability
- Time Consuming
  - Long implementation cycles
  - Delayed realized ROI
- Must interpret country specific rules, payment types, specifications

**Rewards**

- Automation
  - Remove human intervention
  - Increase process efficiency / STP rates
- Accuracy
  - Reduced errors by eliminating manual processes
- Reduced Risk
  - Less “hands in the pot” and potential failure touch points
- Lower TCO
  - Human factor costs
- Scalable for future growth
# State of Play

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Bank Integration – Exploring Citi Solutions
Bank Integration

Connecting to your bank can be a challenge. Even more so if you want an integrated / fully automated solution.

Business Considerations

What payment types do I need to make?
- What specific information is needed for STP?

What language should my systems speak with the bank’s systems?

How should I deliver the payment?

How do I ensure my payments are protected during delivery?

Integration Challenges

Validated Data

Format

While the banking community – including SWIFT – has delivered tools to simplify connectivity and security
Corporates want their banks to walk more than the last mile …
An example: Citi’s solution for SAP

Designed to walk more than the last mile by addressing Data and Format challenges for ERP Users.

- Provides a cost-effective and non-intrusive solution for SAP
- Leverages existing ERP / SAP capabilities to extract comprehensively populated payment files at no extra cost
- Delivers payments (and direct debits) formatted in ISO 20022 XML with all required payment details, including local clearing rules, for straight through processing by Citi
The CitiConnect ERP Integrator

Allows Corporates to generate files in ISO XML format with validated data in 3 steps:
1. Load the Citi ISO XML Template into the SAP Payment Medium Workbench and optionally customize
2. Assign the template as a payment method
3. Associate payment types to vendor  ➔ Then it’s business as usual

About SAP Payment Medium Workbench
An integrated and strategic component of each SAP ERP (version 4.7 onwards) at no additional license cost
Survey Question 2

Are you using a service bureau for your payment transaction processing?

a. No
b. We are considering/evaluating
c. Only for Treasury payments
d. For both Treasury payments and Payables/Receivables
Co-Innovation

Citi and other banks have agreed to co-innovate in SAP Financial Services Network

The objective is to create a modular and expandable ecosystem connecting corporate users and their banks

Corporate users and banks encouraged to join the Customer Engagement Initiative to review, collaborate and contribute to the SAP Financial Services Network

SAP to Work Closely With Citi and The Royal Bank of Scotland to Co-Innovate a Cloud-Based Services Platform

April 19, 2012 by SAP News

WALLDORF — SAP today announced that it will work closely with Citi and The Royal Bank of Scotland (RBS) to co-innovate a cloud-based services platform. The highly interoperable, multi-bank platform aims to seamlessly integrate banks with their corporate customers. A combination of SAP’s deep expertise in enterprise resource planning (ERP), treasury management software and new cloud services technologies is driving the solution development. Together with the industry expertise and global networks of Citi and RBS, SAP aims to deliver a new, innovative solution to the corporate banking marketplace.

“SAP has prided itself in customer-centric innovation, in this case creative innovations in banking that can increase the velocity of information flow between banks and their corporate customers,” said Sanjay Poonen, president, Global Solutions, SAP. “Integrating banks with corporate ERP and treasury systems has always been an expensive proposition for banks and corporations alike. Furthering SAP’s commitment to the cloud, the banking industry and our many thousands of corporate customers, this solution will dramatically ease corporate banking. This will allow corporate customers to seamlessly extend their ERP and treasury systems and interface with multiple banks.”

Due to size, complexity and a reliance on non-standardized legacy systems, banking architectures have historically been isolated entities unique to each bank. This has led to businesses and banks shouldering the burdens of higher connectivity costs and juggling multiple relationships with one another. SAP, Citi and RBS have tasked themselves to define a new, more flexible architectural model that reduces the cost and time-to-value of these interactions.

SAP is taking the lead in developing the solution, which is intended to more closely link banks’ transaction systems with the ERP and treasury systems at corporate businesses. This aims to help streamline financial transactions, such as payments, while enabling new, on-demand banking services to be delivered via the cloud.

“We are working toward a solution with SAP to remove integration barriers and facilitate greater connectivity to Citi’s global network of more than 90 countries and over 100 currencies,” said Naveed Sultani, global head, Treasury and Trade Solutions, Citi. “As a leading international bank, it is always Citi’s desire to bring new innovations to the forefront of the industry. Leveraging the cloud is one effort in Citi’s goal to be the world’s ‘Digital Bank.’ Through our pioneering work here, we hope to bring banks and businesses closer together and create a springboard to new innovations and value creation in the future.”

“The cloud-based corporate-to-bank initiative is an important step for corporate customers toward simplifying the complexity of connecting with their banks,” said Kevin Brown, global head, Transaction Services Product, International Banking, RBS.

For more information, visit the SAP blog Banking View and the SAP Newsroom. Follow SAP on Twitter at @sapnews and @sapforbanking.
Introducing SAP Financial Services Network

- Value-added Services:
  - Payments
  - Remittance data
  - Trade financing
  - Analytics

- Secured Connectivity

- Financial Services Network

- SAP Cloud

- Banks

- Corporates
Next Generation Corporate Connectivity

**Comprehensive Solution:**
- Single connection, multi-service network – payments, trade financing, liquidity management, etc.
- Platform for value-added applications, e.g. intelligent decision making, automation, etc.
- Cloud-based for low TCO, rapid on-boarding
Value Proposition

Cost Effective
- Leverages existing ERP/SAP capabilities to extract payment files at no extra license cost

Flexible
- All ISO 20022 XML payment types in Citi’s global footprint supported though STP
- Phased roll-outs supported
- All CitiConnect protocols supported
- All CitiConnect data security solutions supported

Fast and Simple
- Significantly shortens implementation process: days instead of months
- User configured, not programmed

Adaptable
- Easily adaptable to existing ERP customizations
- Co-exists with other bank interface solutions
Survey Question 3

How confident are you in your IT/IS/Technology department in developing an integration solution to your bank under the following conditions:

- Low cost project under $75,000
- Scalable enough to fit your entire footprint
- Fast implementation time <60 days
- Accurate interpretation of banking rules by country and payment type (possibly 100’s of combinations)

a. 100%
b. 75%
c. 50%
d. 25%, or less
e. Unknown
Conclusion

- ERP systems continue to enhance and develop their capabilities, including new developments on bank integration

- Integration with banks continues to be an area of complexity and focus

- Citi continues to develop solutions to address this functional gap, with an emphasis on collaboration with ERP vendors, to deliver against the client imperatives of:
  - Efficiency and effectiveness, doing ‘more with less’
  - Flexibility
  - Control
Thank you for your time today

Questions
Thank you

Bobby Carney
Citibank – CTS
Global Head of Connectivity and Integration
+353 (1) 622-6019
bobby.carney@citi.com

René Schuurman
Citibank - CTS
Global Product Manager, Connectivity Services
+1 312 876 3383
rene.schuurman@citi.com
In January 2007, Citigroup Inc. released a Climate Change Position Statement, the first US financial institution to do so. As a sustainability leader in the financial sector, Citigroup has taken concrete steps to address this important issue of climate change. The statement focuses on: (a) targeting $50 billion over 10 years to address global climate change; (b) increasing investment and financing of alternative energy, clean technology, and carbon-emission reduction activities; (c) committing to reduce greenhouse gas (GHG) emissions of all Citigroup properties by 10% by 2011; (d) purchasing more than 52,000 MWh of green (carbon neutral) power for our operations in 2006; (e) creating Sustainable Development Investments (SDI) to make private equity investments in renewable energy and clean technologies; (f) providing lending and investing services to clients for renewable energy development and projects; (g) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (h) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citigroup works with its clients in greenhouse gas-intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.