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Software & Systems

## A New Drive for Connectivity

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By Joseph Neu

Systems vendors, and other treasury service providers, seem to understand that they not only need to be offering a wider range of better functionality, but also greater integration ([see IT, August 2006](#)). Past a certain level of functionality, the value proposition in systems (and related services) is found more in the integration capabilities than the incremental functionality.

The value of integration increases: 1) the more technology enables connectivity beyond the treasury function; and 2) when connectivity leads to more efficient processing and more meaningful analysis of a wider variety of transactions and related data.

Accordingly, there is increasing evidence that vendors are moving swiftly to create better and more extensive connectivity.

### External connectivity a challenge

The immediate challenge is overcoming the challenges in dealing with external transactions. According to David Dunmire, an enterprise integration product specialist with Citigroup's Global Transaction Services, "Outside the corporate walls, transactions go through too many systems and touch too many hands before they reach treasury. Unfortunately," he said, "there has been only slow progress in the area of streamlined information transfer in common-standard formats through consistent interfaces in integrated process flows."

Little wonder then that banks like Citi, as principal treasury counterparties, have sought to step into the breach (see [IT, March 2006](#) and [November 2005](#)). Several banks are offering aggregation tools (e.g., TreasuryVision) to help customers gain visibility and control over transactions across their multiple bank counterparties.

They are not alone. SunGard, for example, developed what has become AvantGard ETX years ago to help integrate the third-



party systems it kept acquiring, and allow seamless connectivity between these systems and others. This has enabled SunGard to market straight-through processing (STP) of transactions with a growing range of counterparties that connect with its systems.

In seeking to tie up with banks, broker/dealers and information providers to form a larger connectivity network, vendors like SunGard have prompted others to consider creating networks of their own (e.g., MySAP.)

No one provider, however, can gain traction without others playing along. Thus, absent common standards, there is significant opportunity for service providers with a substantial customer base to scale up networks seeking to capture greater value from integration with their customers.

### **The competitive advantage**

Notably, this appears to be the chief public rationale for the recent acquisition of Trema by Warbug Pincus/Wall Street Systems: "Warbug Pincus Backs Management Team to Build Transaction Processing Powerhouse in Treasury and Capital markets."

"Our vision," noted Joel Mandelbaum, President and CEO of Wall Street Systems is to deliver flexible, functionally rich, seamless and scalable transaction processing solutions to help clients improve their workflow and greatly reduce their transaction costs. "

Other treasury systems vendors share a similar vision: for example, XRT with its *Think Financial Value Chain* slogan and Thomson with its acquisition of Selkirk to shore up its Thomson One product.

The growing emphasis on connectivity also benefits the ERPs as they close remaining treasury functionality gaps.

To stay in the game, now, every treasury system provider must respond. FXpress, for example, announced this month a strategic partnership with BancBridge, which provides functionality for connectivity to bank and financial institution web sites offering cash management services. This builds on its existing links—e.g., to trading portal FXall.

Trading portals meanwhile risk losing their connectivity advantage. As treasury systems seek to arrange better connectivity across markets for different asset classes, platforms like FXall can no longer expect to entice customers with STP for FX alone. This probably explains why FXall is trumpeting the launch of its long-promised money market platform this month. If it didn't, it may have seen rivals that already offer non-FX capabilities (e.g., Currenex, 360T) gain

share—or offer another reason for customers to consider direct connectivity from their (often web-based) treasury systems.

### **The end game?**

As more providers emphasize broader external connectivity, dominant players will likely finally agree on long-awaited standards. The good news: standards will improve process automation; the risk is that treasury will have fewer options, as dominant players consolidate their positions.

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