



cutting through complexity

MANAGEMENT CONSULTING

Corporate Risk & Finance Consulting

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Public and private sector companies are increasingly exposed to volatile economic conditions, rapidly evolving market drivers, and increasingly complex regulatory and accounting environments. While many companies are committed to responding to this challenging environment, building an effective and integrated risk, finance and treasury management process requires an in-depth assessment of risk management policies, cash management strategies, analytical and system capabilities, as well as overall governance activities.

As global markets and economies rebalance and adjust to the “new normal”, companies aggressively seek methods to identify and respond to cross-border economic, political, and financial risks. Similarly, companies operating in a declining market or post-acquisition environment are developing strategies and innovative solutions to integrate and consolidate disparate operations, increase automation, reduce costs, and ultimately generate additional cash flow.

Additionally, as commodity, energy, and raw material price volatility reaches and sustains record levels, companies are pressured to evaluate and build capabilities to monitor and manage the risk for these items.

Whether your most pressing issue involves improving core risk, finance & treasury processes, developing effective structures, enhancing working capital management, or financing future growth, KPMG’s Corporate Risk & Finance Consulting practice is prepared to help.

Service Offering Overview

KPMG's Corporate Risk & Finance Service is designed to help corporate and public sector CFOs, Treasurers, Controllers, Risk Managers, and Tax Directors achieve strategic and tactical goals. The Corporate Risk & Finance Service applies to companies of all sizes and complexities, but it is best suited to organizations with significant cash, financial risk, liquidity and funding constraints, international operations, or comprehensive cost-cutting initiatives.

Each service represented below is based on KPMG's Risk & Finance methodology and industry accepted leading practices. KPMG's Corporate Risk & Finance Consulting practice recognizes each company is unique, and as such, each service is tailored to address distinct client size, complexity, development stage, and business objectives.

While each service may be delivered as a stand alone initiative, combined activities may lead to transformational endeavors.



Source: KPMG's Corporate Risk & Finance Consulting



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Core treasury services include activities associated with cash management, in-house banking, payment & collection factories, corporate finance, financial risk management, and treasury operations. In larger organizations, the definition is often expanded to include pension fund management, risk management & insurance, investor / creditor relations, transfer pricing, and risk-based performance measurement. While these services generally do not always receive the strategic attention they deserve, most companies agree, failed or insufficient treasury capabilities can significantly bear liquidity & reputational risk, constrain operations and increase business costs.

KPMG's Corporate Risk & Finance practice recognizes the need for strategic treasury advice, robust, efficient, and realistic core treasury functions as well as effective risk management. As such, KPMG created services to assist companies looking to add or enhance core treasury functions, capabilities, and systems support.

Core Treasury Services

Service Offering	Activities
Cash, liquidity, and bank account management	<ul style="list-style-type: none"> Review cash account and bank fees for cost savings opportunities Recommend cash receipt and disbursement processes to improve efficiencies, position transparency and liquidity, position management (e.g., central cash pooling), and cash and capital repatriation Recommend shared service or centralized functions (e.g., inhouse banks)
Financial modeling and hedging	<ul style="list-style-type: none"> Identify and model financial exposures including foreign exchange, interest rate, credit, commodity, and other enterprise risks Identify and model alternative risk mitigation strategies (e.g., financial hedging) and the associated risks, benefits, and costs
Investment management	<ul style="list-style-type: none"> Recommend or benchmark investment polices, procedures, and delegation of authorities against industry practices Identify strategies to drive additional value from surplus regional and consolidated cash Identify and assess risk and reward profiles associated with incremental investment activities and counterparties
Systems selection and implementation	<ul style="list-style-type: none"> Assist management to identify and select treasury and finance systems Assist management in developing business and functional requirements, establish vendor RFP, and facilitate vendor demonstrations Assist management to project manage systems implementation activities
Pension management	<ul style="list-style-type: none"> Assess pension program performance, identify alternative asset liability management methods, and model potential portfolio return/risk scenarios Model expected mortality rates to identify pension program alternatives, investment strategies, and risk mitigation protocols
Risk-based performance measurement and capital allocation	<ul style="list-style-type: none"> Identify risk-based performance measurement methods and tools addressing critical treasury, finance, business planning, and acquisition processes Recommend risk-based capital allocation and evaluation guidelines
Credit and collections	<ul style="list-style-type: none"> Identify methods to assess and measure counterparty, customer, and vendor credit risks Assist management in identifying measures to evaluate credit downgrades and the impact to borrowing costs, collateral requirements, and market liquidity Identify and evaluate alternative credit risk mitigation methods applied by industry practices (e.g., contract terms, collateral guidance, credit derivatives)

Treasury Organization and Transformation

Service Offering	Activities
Treasury centralization and outsourcing	<ul style="list-style-type: none"> Evaluate opportunities to outsource or centralize certain treasury functions Examples include: funding, operations, accounting, cash management, and risk management Review alternative geographies or vendors providing optimal economic, financial, and tax benefits
Mergers and acquisition	<ul style="list-style-type: none"> Provide pre-transaction due diligence support addressing valuations, risk estimates, and subject matter knowledge Provide integration planning, project management oversight, or tactical implementation support (e.g., systems, processes, controls, and risk management)
Funds transfer pricing	<ul style="list-style-type: none"> Identify potential transfer pricing protocols, baseline revenue and cost assumptions, and general allocation protocols Evaluate pros and cons associated with treasury as a transfer pricing profit center and recommend related business, functional, and governance requirements
Treasury infrastructure and staffing	<ul style="list-style-type: none"> Survey industry participants to determine treasury infrastructure, systems, and compensation structures Survey industry participants to determine treasury resource levels (front, middle, back office), governance protocols, transaction volumes and types, performance and cost metrics, and roles and responsibilities
Treasury value creation, improved efficiencies, or cost savings	<ul style="list-style-type: none"> Evaluate opportunities to streamline treasury functions or processes through technology automation Evaluate opportunities to segregate, streamline, or enhance treasury responsibilities including accounting, tax, and risk management



Source: KPMG's Corporate Risk & Finance Consulting

As organizations evolve treasury and finance functions typically move from a decentralized structure to a coordinated and strategic value center. This evolution is particularly relevant as organizations embrace global markets and evaluate the need for consolidated and cost efficient treasury and finance activities. When fully embraced, the Treasury transformation process broadly addresses location, resources, governance & organizational structures, systems, processes and tax.



Source: KPMG's Corporate Risk & Finance Consulting

Chief Financial & Chief Risk Officers face challenges to adapt their existing risk management strategy and governance structure to a changed environment where crisis become more frequent and potentially more severe. Furthermore, organizations need to maintain compliance with external regulation and with internal policies or keeping pace with industry practice. KPMG's Corporate Risk & Finance Consulting practice can provide tailored and a broad ranging support addressing key aspects of your risk management organization. KPMG services typically fall into three categories. The first service type assists management to evaluate risk management structures, activities, infrastructure, and controls against regulatory requirements, industry or peer practices. The second service type assists management to identify, measure, and report key risks in terms of financial, regulatory, or strategic impact. The final service type assists in transforming the risk management function to a defined target operating model. In all cases described above, KPMG's efforts are intended to help promote integrated risk management, improved risk transparency, operating performance, and governance.

Risk Management Strategy and Governance

Service Offering	Activities
Risk industry benchmark & gap analysis	<ul style="list-style-type: none"> The typical benchmarking study is performed using KPMG's corporate risk management benchmark database and diagnostic gap analysis tool comprised of Fortune 1000 corporate benchmarks and statistics While benchmarking activities may be broadly defined, general areas addressed by risk management professionals include: Risk scope / inventory & strategies, risk measurement, assessment & reporting, risk appetite & limit systems, governance & integration of risk into the business, Key Risk Indicator metrics & reporting, infrastructure & applications, critical processes & controls
Risk identification, measurement & assessment	<ul style="list-style-type: none"> Risk identification, measurement and assessment activities leverage KPMG's experience and capabilities in the area of risk type specific modeling and hedging products, as well as knowledge on geography-driven risk aspects KPMG's risk assessment broadly covers all strategic, business, operational and financial risks and may involve a qualitative or quantitative risk approach
Risk management transformation	<ul style="list-style-type: none"> Determine the vision, objectives and strategy of the risk management transformation journey Rapid current state assessment and future state design of the risk management function integrated into the business and supporting corporate strategy Development of a target operating model design and roadmap that includes a benefit – costs assessment, a change management profile and integrated components such as business, process, data, technology Implementation support, project & change management as well as benefits tracking

Commodity and Energy Risk Management

Service Offering	Activities
Risk identification and modeling	<ul style="list-style-type: none"> Identify and report existing commodity, energy, and raw material contracts, explicit and implied financial risks (e.g., optionality), credit risks, and operational exposures Identify and model commodity, energy, and raw material financial exposures using industry applied risk methods and tools
Procurement and hedging	<ul style="list-style-type: none"> Identify and evaluate opportunities to consolidate or renegotiate procurement contracts in an effort to help minimize costs and reduce risk Identify and model alternative risk mitigation strategies (e.g., financial hedging, insurance, and other) and the associated risks, benefits, and costs Identify and model financial exposures using industry applied risk methods and tools
Infrastructure and governance	<ul style="list-style-type: none"> Identify infrastructure requirements supporting a comprehensive commodity risk management program Recommend risk oversight committees, operational roles and responsibilities, and controls Assist management to identify typical Board and Audit Committee activities, responsibilities, and requirements
Systems selection and implementation	<ul style="list-style-type: none"> Assist management to identify potential commodity risk management systems, analytics, and supporting modeling assumptions Assist management to identify business and functional requirements, assist with vendor RFP, and facilitate vendor demonstrations Assist management to project manage systems implementation activities



Source: KPMG's Corporate Risk & Finance Consulting

At some firms, commodity and energy issues were historically too small to warrant management or stakeholder consideration. As raw material and energy prices rise, the impact to company cash flows and earnings may be significant or catastrophic. Treasury and finance functions increasingly assume commodity risk management responsibilities principally based on existing risk analytics and infrastructure, derivatives and external experience, and the growing desire to consolidate "enterprise" risk management activities in a single location.



Source: KPMG's Corporate Risk & Finance Consulting

Corporate and public sector treasuries generate significant cost savings and efficiencies through streamlined or improved cash and working capital management processes. Working capital management is typically defined as an organization's ability to maximize cash flow through the complete transaction life cycle – beginning with a forecast and continuing through cash settlement. The working capital management process is particularly relevant to companies with sizeable accounts receivables, payables and inventories. Other contributing factors include significant capital expenditures, real estate, and fixed asset holdings.

Working Capital Management

Service Offering	Activities
Inventory "Forecast to fulfill"	<ul style="list-style-type: none"> Analyze sales forecast processes including production schedules, product configurations, production BOM/ routing, ship orders, etc. Evaluate production and material execution plans for scheduled and executed orders Review and recommend product quality protocols, transaction inventory tracking, and general controls
Receivables "Order to cash"	<ul style="list-style-type: none"> Evaluate opportunities to manage or generate cash value from credit and collections, contracts, customer relationship management invoicing and billing Evaluate standardized and global proposal, pricing, and quotation policies to confirm consistent and timely revenue recognition and improve cash performance Evaluate reporting capabilities to deliver enterprise-wide visibility and consistency throughout the order to cash process (profitability analysis, customer segmentation, etc.)
Payables "Purchase to pay"	<ul style="list-style-type: none"> Analyze company expenditure and spending patterns Evaluate standard procurement life cycle methodologies including working cash vs. discount modeling, invoice synchronization, and vendor payments management
Benchmarking	<ul style="list-style-type: none"> Calculate and compare key working capital management metrics (e.g. DSO, ADO) against industry and peer data Develop recommendations and implementation plans to improve cash and working cash management processes

Treasury Compliance

Service Offering	Activities
New accounting pronouncement analysis and support	<ul style="list-style-type: none"> Assist management to identify and review new accounting pronouncement guidance and implications (e.g. IFRS 9) Assist management to perform impact analysis and evaluate optional implementation activities, as applicable Assist management to identify business and functional requirements, perform current state gap analysis, and prioritize implementation recommendations (e.g. IFRS 39, IFRS 7, SFAS 133, SFAS 157, SFAS 159)
Risk documentation	<ul style="list-style-type: none"> Identify and recommend documentation requirements commensurate with U.S. and international accounting guidance Assist management to document accounting procedures, assumptions, critical data, and user/department accountabilities
Risk modeling and technology support	<ul style="list-style-type: none"> Identify methods applied by industry participants to calculate and evaluate hedge effectiveness (e.g., dollar offset, regression, etc.) Support derivative accounting system selection and business and functional requirements definition
Accounting governance	<ul style="list-style-type: none"> Recommend derivative accounting controls and governance practices Recommend an internal audit program to continuously monitor derivative accounting activities and compliance with internal policies



Source: KPMG's Corporate Risk & Finance Consulting

Treasury organizations are typically active users of derivative instruments and complex financial products. This trend is expected to increase as corporations grow internationally (giving way to new risk exposures) and as markets experience increased volatility.

While derivatives serve a major and increasing role in company risk management practices, new and evolving regulations require strict adherence to local and international accounting standards. Considering these risks and growing external scrutiny, leading companies seek external assistance with accounting research and guidance, local and international accounting support, or accounting documentation and governance.



Source: KPMG's Corporate Risk & Finance Consulting

As organizations grow, corporations typically evaluate alternative funding mechanisms for cost efficiencies, liquidity, and capital flexibility. In stable economies, management may lean on traditional bond or commercial paper alternatives, while more volatile markets may drive structured or creative financing solutions. Regardless of the choice, management analysis typically involves a comprehensive cash and liquidity requirements study, funding alternative cost/benefit analysis, and a product, counterparty, and market risk assessment.

Capital Markets and Funding

Service Offering	Activities
Alternative funding analysis	<ul style="list-style-type: none"> Identify and evaluate alternative funding strategies (e.g., credit lines, commercial papers, notes, bonds, letter of credit, securitizations, intercompany lending, factoring, etc.) Evaluate funding constraints including local market liquidity, regulations, and tax Measure potential funding costs including banking, investment, and registration fees, interest exposure, tax impact, and infrastructure and resource requirements Evaluate funding alternative benefits including liquidity, flexibility, cost, and duration matching Evaluate derivatives as a mechanism to achieve desired cost of funds
Securitization	<ul style="list-style-type: none"> Assess securitization alternatives and underlying assets Define minimum business and functional requirements supporting a structured finance or securitization program
Pre-funding cash flow analysis	<ul style="list-style-type: none"> Assess local and international liquidity needs and cash availability Evaluate cash flow forecasting capabilities supporting sales and financing activities Model forecasted project or business activity cash flows
Trading	<ul style="list-style-type: none"> Assist management in developing a business case and analysis supporting new or expanded trading activities. Typical areas addressed include: a) proposed products, volumes, counterparties, and tenor; b) anticipated market, credit, and other risks; c) anticipated business activity and financial value add, and; d) proposed limits, controls, and governance structure Identify industry metrics supporting trading activities including resources, risk and valuation methods, controls, and reporting templates

Tax Efficient Treasury

Service Offering	Activities
Tax planning and analysis	<ul style="list-style-type: none"> Review international transactions for opportunities to reduce tax liabilities Assess existing or proposed cash management and funding strategies for negative tax implications, and recommend improvements as applicable Review proposed transaction for anticipated tax risks, treatment, and financial impact (GAAP and tax)
Ruling and opinion support	<ul style="list-style-type: none"> Prepare and submit tax positions to solicit a local ruling Provide a tax opinion based on KPMG analysis
Tax analysis and research	<ul style="list-style-type: none"> Research and report global tax law updates and significant rulings Analyze potential tax impact analysis and remediation strategies considering new or evolving tax legislation
Tax implementation	<ul style="list-style-type: none"> Identify local and international tax guidance, rulings, and treaties Identify programs, policies, and tools to implement management-defined tax strategies



Source: KPMG's Corporate Risk & Finance Consulting

Tax requirements associated with many treasury and finance activities are complex, unique to local and international geographies, and susceptible to change. Without sufficient up front consideration for, and deep knowledge of, relevant tax considerations, a routine or seemingly advantageous transaction can create significant financial risk and compliance costs. As part of KPMG's cross-functional advisory approach, KPMG's global Tax practice provides focused tax services to the treasury function and is fully integrated into the overall corporate risk & finance service offering.

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