



IBM PERFORMANCE EVENTS

Smarter Decisions. Better Results.

Financial Planning & Forecasting



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1 Introduction to Euroclear

Core Activities



Euroclear is a leading settlement company for securities transactions, covering both bonds and equities. It is handling transactions for around 1500 financial institutions with an average value of € 1,7 trillion per day. The services are provided by various Euroclear entities; mainly located in Belgium, France, Netherlands, UK and Ireland. Today, the Euroclear group has more than 3,500 employees.

Euroclear's activities can be categorized under three families:

- Settlement
- Asset servicing
- Asset optimization

1 Introduction to Euroclear

Geographical Presence

Euroclear serves its clients in their own language across time zones



■ Americas

- USA
- Brazil

■ Europe

- Belgium
- Finland
- France
- Germany
- Sweden
- The Netherlands
- United Kingdom

■ Asia

- China
- Hong-Kong
- Singapore
- Tokyo

2 Financial Challenges

Finance Action Plan

Finance decided to redesign the Planning, Budgeting and Forecasting process as part of a more general action plan to strengthen the Finance Division.

- The need was there to strengthen Euroclear's Finance Division, in order to extend the influence of Finance across the Group – and grow the Finance Function into a “Business Partner” / “Informed Challenger” of operating units/divisions.
- This action plan consists in 6 areas of improvement of the Finance functions and extends beyond the boundaries of the Financial Division itself:
 - Finance Target Operating model: Client Centric Performance Management
 - Finance Target Operating model: Shared Service Centre (SSC)
 - Financial Reporting
 - Use ABC as a cost and performance management tool
 - Change management
 - **Planning, Budgeting and Forecasting (PBF)**



3 Approach

Planning, Budgeting and Forecasting Project

Our approach consisted in: the enforcement from top management levels, a phased approach, a skilled project team and a quick and accurate delivery by developing early prototypes.

- Empowerment by Euroclear Management Committee
- Empowerment of finance for managing and executing the project (limited IT involvement)
- PBF maturity assessment ('analyze before running') and phased approach
- Mixed Project Team and Expertise (Euroclear FMR users, Deloitte Consulting and IBM)
- Development by prototyping

3 Approach

Phase 1 – Model

Phase 1 has improved the maturity of the financial department through a reviewed and better enabled Planning, Budgeting and Forecasting process.

Scope of phase 1:

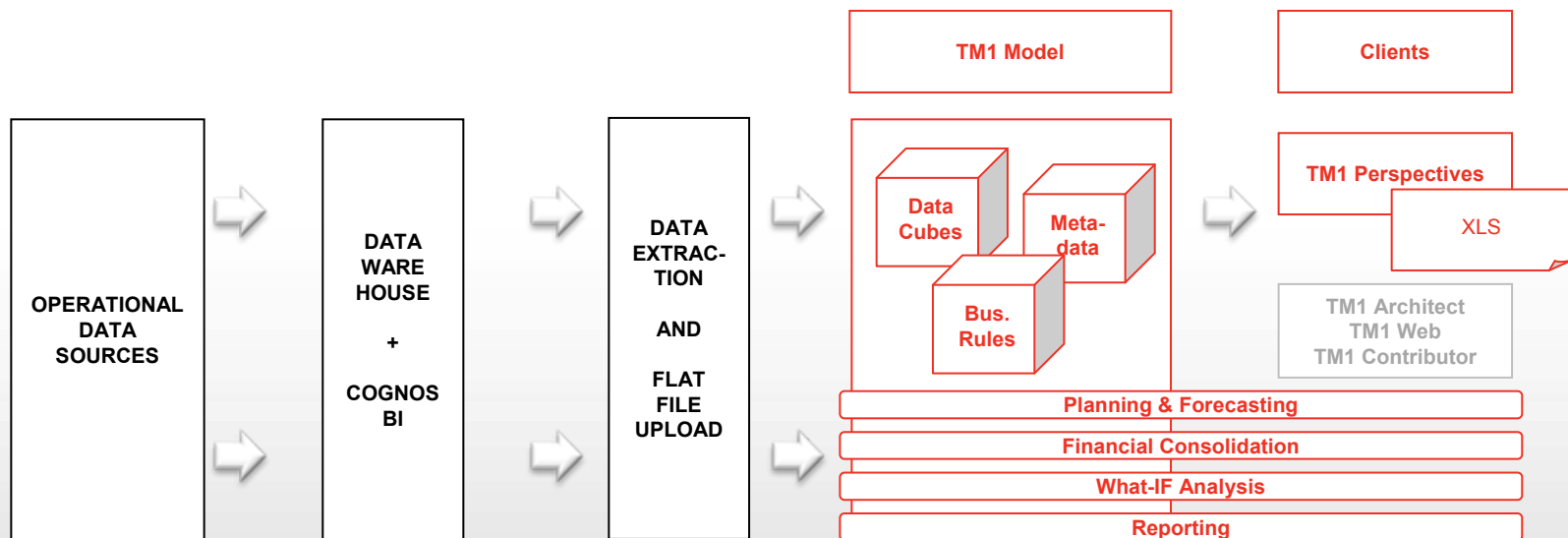
- Creation of a **full P&L** per legal entity and consolidation group with:
 - Automatic calculation of service income and royalties paid between entities
 - Automatic calculation of corporate and deferred tax
 - Extrapolation of expenses based on predefined growth factors
 - Deduction of KPI's
- Creation of a **Payroll model**
- Creation of a **Net Interest Revenue (NIE) model** for Euroclear Bank
- Creation of **one source of the truth** for PBF parameters (e.g. Foreign Exchange rates, inflation rates, interest rates, ...)
- Centralization of **version management** and use of a **detailed audit trail** to track all changes to figures

3 Approach

Phase 1 - Architecture

TM1 has been linked to the already available data sources (Cognos BI) and has ensured that users, in a very short timeframe, have access to the model in the most user-friendly way.

- TM1 on top of existing operational data sources, utilizing available information from the reporting environment as much as possible
- One set of data cubes, all linked to a consolidated P&L Cube, enforcing only one version of the truth
- User access available through the Perspectives Excel plug-in, allowing browsing data directly in the cubes but also integration of TM1 data with existing analyses and Excel files



3 Approach

Phase 2 - Next steps

Phase 2 will extend the model to incorporate other financial business units.

Scope of phase 2:

- PBF Process / Cycle:
 - Define a strategic planning process
 - Define a MYP as an independent exercise from the current forecast and budget exercise

- Functional scope:
 - Extend the driver based approach and the simulation capabilities (by developing additional models, such as revenue models, cash flow planning, ...)
 - Implement workflow management
 - Further optimize the current model (fine-tuning)

- Technical scope:
 - Grant access of the tool for the different units/divisions
 - Automate interfaces towards TM1

4 Results

Key benefits

The implementation of TM1 PBF tool enables Finance to increase transparency, quality of budget figures and speed of the PBF process. Finance will also benefit from simulation and audit capabilities.

Increase
transparency and
quality of figures

- Clear understanding between drivers and figures
- Better view on the different sources of data needed to create the plan/budget/forecast
- Less errors thanks to automatic calculations

Increase speed of the
PBF process

- Automatic consolidation of all divisional and entity budgets
- Automatic generated reporting
- Automatic calculations

Increase the quality
of decision making

- Possibility for quick simulation and impact analysis (sandboxing)
- More time for in-depth analysis, less time-consuming , low added-value work in xls

4 Results

Key benefits

Stimulate **plan/budget commitment** of the stakeholders

- Clear and standardised reporting
- Payroll calculations transparent for all stakeholders
- One single truth with respect to the use of parameters

Preserve a clear **audit trail** for all changes

- Centralised version management
- Audit trail functionality in TM1
- Clear documentation of functionalities and calculations implemented in TM1

“ *With TM1, we now only need three hours instead of three weeks to consolidate and report a budgeted group P&L.*

(Quote: Catherine Henrijean, Head of Performance Management) **”**

5 Summary and conclusions

PBF project phase 1 has been a success, thanks to:

- **A clear and well defined Financial Transformation Strategy**, supported by Euroclear's top level management and key stakeholders
- **A project managed and executed by finance**, with limited IT involvement
- **A phased approach**, focusing first on the core elements and linking other PBF building blocks in a structured way
- **A balanced and mixed team**, with functional expertise from inside the company and business / technological expertise from Deloitte Consulting and IBM