FRAMEWORK DEEP-DIVE

#19 of 50

The Treasury Operations Framework

From Executive Operating Guide #19: Treasury & Liquidity Management

EfuturesCFO Proprietary Framework

A comprehensive analysis of framework structure, common themes, operating mechanisms, failure modes, maturity progression, and implementation guidance for the modern CFO.

The Framework

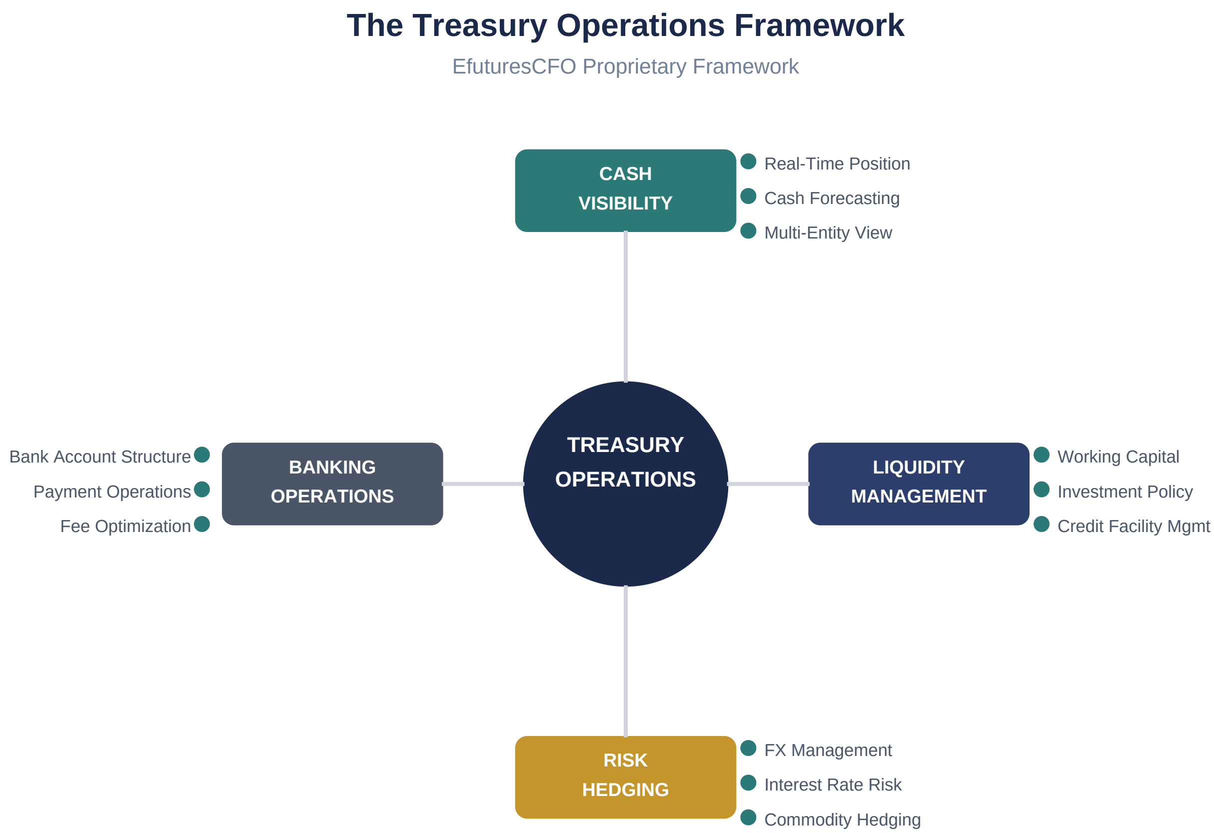

Figure 1 — The Treasury Operations Framework | EfuturesCFO Proprietary Framework

Executive Description

The Treasury Operations Framework is the EfuturesCFO model for ensuring the company has adequate cash to meet its obligations while optimizing the return on excess liquidity and managing the financial risks inherent in business operations. Treasury is the financial plumbing of the enterprise: invisible when functioning well and catastrophic when it fails.

The four pillars create a complete treasury capability. Cash Visibility provides real-time knowledge of the company's cash position across all entities and accounts. Liquidity Management ensures adequate cash is available for operations, investment, and contingencies. Risk Hedging manages the financial exposures (foreign exchange, interest rate, commodity) that can erode profitability. Banking Operations optimizes the operational infrastructure of accounts, payments, and banking relationships.

Pillar 1: Cash Visibility

Cash visibility provides the CFO with real-time knowledge of where cash is, where it is going, and when it will arrive. This pillar covers real-time cash positioning across all bank accounts and entities, short-term cash forecasting (13-week rolling), and multi-entity cash consolidation that provides the enterprise view needed for strategic cash management decisions.

Pillar 2: Liquidity Management

Liquidity management ensures the company maintains adequate liquid resources to fund operations, invest in growth, and withstand unexpected disruptions. This pillar covers working capital optimization (accelerating collections, managing payments), investment policy (governing how excess cash is invested for safety and yield), and credit facility management (maintaining committed and available credit as a liquidity backstop).

Pillar 3: Risk Hedging

Risk hedging protects the company's financial performance from market movements the company cannot control. This pillar covers foreign exchange management (hedging currency exposures from international operations or procurement), interest rate risk (managing the exposure to floating rate debt), and commodity hedging (protecting margins from input cost volatility for companies with significant commodity exposure).

Pillar 4: Banking Operations

Banking operations manages the operational infrastructure through which cash flows. This pillar covers bank account structure (optimizing the number and configuration of accounts across entities and geographies), payment operations (managing the efficiency, security, and cost of outbound payments), and fee optimization (ensuring banking services are competitively priced and appropriate for the company's needs).

Common Themes & Cross-Framework Dependencies

Theme 1: Cash Is King, Visibility Is Queen

You cannot manage what you cannot see. Real-time cash visibility is the prerequisite for every other treasury capability. The CFO who knows the company’s exact cash position at all times manages from strength.

Theme 2: Liquidity Buffers Are Insurance

Maintaining committed credit facilities and cash reserves above minimum operating needs is insurance against disruption. The cost of maintaining this insurance is a fraction of the cost of a liquidity crisis.

Theme 3: Treasury Risk Is Operational Risk

Foreign exchange, interest rate, and commodity exposures can materially affect financial results. Managing these exposures is not speculative activity; it is operational risk management that protects the margins the business has earned.

Cross-Framework Dependencies

- **Prerequisite:** Cash Flow Management (#24) provides the cash flow analysis that treasury operations depend on.
- **Enabling:** Banking & Partner Management (#50) provides the banking relationship infrastructure treasury operates within.
- **Amplifying:** Capital Structure (#18) determines the debt and equity mix that treasury manages operationally.
- **Downstream:** Working Capital (#20) depends on treasury for the cash management infrastructure that optimizes the cash conversion cycle.

Operating Mechanisms

Operating mechanisms are the specific processes, cadences, governance structures, roles, and measurement systems needed to activate each pillar. The mechanisms below convert this framework from a conceptual model into an operational reality.

Mechanism 1: The Daily Cash Position Report

A daily report showing the consolidated cash position across all bank accounts and entities, including: opening balances, expected receipts, expected disbursements, and projected closing balances. The report provides the real-time visibility needed for same-day cash management decisions.

Mechanism 2: The 13-Week Cash Forecast

A rolling 13-week forecast projecting weekly cash receipts, disbursements, and net cash position. Updated weekly with actual data replacing forecasts, the 13-week forecast provides the short-term liquidity visibility needed to manage working capital, time investments, and anticipate borrowing needs.

Mechanism 3: The Treasury Risk Dashboard

A monthly dashboard monitoring all financial risk exposures: FX exposure by currency, interest rate exposure by instrument, commodity exposure by input, and the hedge positions that offset each exposure. The dashboard provides the CFO with a single view of the company's financial risk profile.

Decision	Decision Maker	Cadence	CFO Role
Investment policy parameters	CFO + Board	Annual	Owner: proposes policy within board risk appetite
Hedging strategy and execution	CFO + Treasury	Quarterly	Owner: sets strategy; Treasury executes
Bank account structure changes	CFO + Treasury	As needed	Approver: validates operational need
Credit facility draw/repay	CFO	As needed	Owner: decides within facility terms
Cash repatriation decisions	CFO + Tax	Quarterly	Owner: balances liquidity need with tax efficiency

Figure 2 — Decision Rights Matrix

Period	Activity	Owner	Output
Daily	Cash position report	Treasury	Daily cash position
Weekly	13-week cash forecast update	Treasury + FP&A;	Rolling forecast
Monthly	Treasury risk dashboard	Treasury	Risk exposure report

Period	Activity	Owner	Output
Quarterly	Hedging strategy review	CFO + Treasury	Updated hedge positions
Annual	Investment policy and bank relationship review	CFO	Policy and relationship assessment

Figure 3 — Governance Calendar

CFO Personal vs. Delegation Actions

Activity	CFO Personal	Delegate To
Investment policy design	✓ CFO designs	—
Hedging strategy decisions	✓ CFO sets strategy	Treasury executes trades
Daily cash management	—	Treasury manages; CFO reviews exceptions
13-week forecast oversight	—	Treasury produces; CFO reviews weekly
Bank relationship management (senior)	✓ CFO manages	Treasury handles operational contacts
Payment operations and fraud prevention	—	Treasury and Controller manage

Figure 4 — CFO vs. Delegation Matrix

Failure Modes & Warning Signs

The The Treasury Operations Framework fails in predictable ways. Each failure mode produces specific symptoms the CFO should monitor. The hub-and-spoke design implies balance across all four pillars; imbalance is the primary failure pattern.

Failure Mode 1: Cash Blind Spots

The CFO cannot determine the company's consolidated cash position on demand. Symptoms: cash trapped in subsidiary accounts without visibility, daily cash position known only after bank statement reconciliation, and surprise liquidity shortfalls caused by information gaps.

Failure Mode 2: Unhedged Exposure

Material FX, interest rate, or commodity exposures left unhedged, creating earnings volatility. Symptoms: quarterly results materially affected by market movements the company could have hedged, management time consumed by explaining non-operational variances, and inability to predict financial results due to market exposure.

Failure Mode 3: Excess Idle Cash

Significant cash sitting in non-interest-bearing or low-yield accounts. Symptoms: cash balances well above operational needs earning negligible returns, no investment policy governing excess cash deployment, and opportunity cost measured in hundreds of thousands of dollars annually.

Framework Imbalance Diagnostic

Symptom	Likely Imbalance	Corrective Action
Cannot state cash position on demand	No visibility infrastructure	Implement daily cash position reporting immediately
Quarterly results swung by FX movements	Unhedged exposure	Quantify FX exposure and implement hedging program
$10M+ sitting in zero-interest accounts	No investment policy	Develop investment policy and deploy excess cash
Cash trapped in subsidiary accounts	No cash pooling	Implement cash concentration or notional pooling structure

Figure 5 — Framework Imbalance Diagnostic

Maturity Progression: Stage-Specific Actions

Most organizations operate at Level 2 or Level 3 on this framework. The progression below provides the concrete steps needed to advance.

From → To	What Changes	Specific Actions	Timeline
Level 1→2	From manual to visible	1. Implement daily cash position report 2. Build 13-week cash forecast 3. Map all bank accounts and balances	3–6 months
Level 2→3	From visible to managed	1. Develop investment policy for excess cash 2. Quantify and begin hedging FX/rate exposures 3. Optimize bank account structure	6–12 months
Level 3→4	From managed to optimized	1. Implement treasury management system 2. Automate cash positioning and forecasting 3. Real-time risk dashboard with alerts	12–18 months
Level 4→5	From optimized to strategic	1. Treasury as profit center (yield optimization) 2. Predictive cash flow modeling with ML 3. Dynamic hedging strategy with automated execution	18–24 months

Figure 6 — Maturity Progression Roadmap

Industry Calibration

The four pillars apply universally, but their relative emphasis shifts by industry. The CFO should calibrate the framework to match industry realities.

Industry	Dominant Pillar	Calibration Notes
SaaS	Cash Visibility	Subscription cash flows are predictable but collection timing varies. Deferred revenue creates cash vs. revenue timing differences.
Manufacturing	Risk Hedging	Commodity and FX exposures from international supply chains require active hedging programs.
Financial Services	Liquidity Management	Regulatory liquidity requirements (LCR, NSFR) mandate specific liquidity buffers and reporting.
PE-Backed	Cash Visibility	Cash management across portfolio companies requires real-time visibility for sponsor reporting.
Healthcare	Banking Operations	Complex payer reimbursement creates receivable timing challenges. Lockbox and electronic payment optimization are priorities.

Figure 7 — Industry Calibration Matrix

Quantification Anchors

These metrics indicate whether the framework is actively operating or merely documented.

Pillar	Active Indicator	Target	Red Flag
Cash Visibility	Time to produce consolidated cash position	<1 hour	>1 day: visibility infrastructure is inadequate
Liquidity	Months of operating cash + committed credit	>6 months	<3 months: liquidity risk
Risk Hedging	% of material FX exposure hedged	>70%	<30%: earnings exposed to currency movements
Banking	Last bank fee benchmarking analysis	Within 12 months	Over 24 months: likely overpaying

Figure 8 — Quantification Anchors

Implementation Quick-Start

First Three Moves

If you do nothing else, do these three things within the next 30 days.

- **Move 1: Build the daily cash position report.** Consolidate balances across all bank accounts into a single daily view. This is the foundation for every other treasury capability.
- **Move 2: Build the 13-week cash forecast.** Project weekly receipts and disbursements for the next 13 weeks. Update weekly with actuals. This forecast prevents liquidity surprises.
- **Move 3: Quantify your FX and interest rate exposure.** List every material currency and rate exposure with its notional amount. This inventory is the prerequisite for any hedging decision.

90-Day Activation Checklist

Week	Action	Output
1–2	Map all bank accounts and current balances	Bank account inventory
2–4	Build daily cash position report	Daily cash report live
4–6	Build 13-week rolling cash forecast	13-week forecast operational
6–8	Quantify FX and interest rate exposures	Risk exposure inventory
8–10	Develop investment policy for excess cash	Investment policy
10–12	Evaluate treasury management system options	TMS evaluation
12–13	Present treasury framework to CFO/Board	Framework endorsed

Figure 9 — 90-Day Activation Checklist

The Single Most Important Action

Build the 13-week rolling cash forecast. Updated weekly with actual receipts and disbursements replacing forecasts, this tool provides the short-term liquidity visibility that prevents cash surprises, enables proactive borrowing and investment decisions, and gives the CFO confidence to commit resources knowing the cash position for the next quarter.