

Treasury Case Study  
**CAGAMAS**

## Cagamas Takes Treasury to the Next Level

As an integral part of the financial services supply chain and playing a key part in Malaysia's economic and social development, Cagamas has become increasingly aware of its place in the market as a role model; optimising internal efficiencies and setting the standards for best practice has become of notable importance as it continues to drive forward sovereign growth. Leading by example is Cagamas, which initiated IT developments back in 2006. "The treasury function itself originally limited to interbank and bond issuances activities with basic technology. The combination of use of spreadsheets and a small in-house treasury solution was hindering the efficiency of the team and curbing our ability to efficiently view cash and risk, which as we know is key to securing and enhancing shareholder value," explains Mr Chung Chee Leong, President/CEO of Cagamas Berhad.

### CAGAMAS AT A GLANCE

**Annual Revenue:** MYR 900 million  
**Industry:** Financial Services  
**Headquarters:** Kuala Lumpur,  
**Treasury:** Centralized

Cagamas Berhad (Cagamas), is the National Mortgage Corporation of Malaysia, established in 1986 by the government to promote house ownership and the growth of the secondary mortgage market. It is the country's leading issuer of AAA debt securities to help finance the purchase of housing loans from financial and non-financial institutions at a reasonable cost to the primary lenders, thus encouraging further expansion of affordable mortgage provision. Through purchasing housing loans, hire purchase, leading debts, industry property loans and credit card receivables, it raises funds by issuing debt securities such as bonds and sukuk\*. Cagamas is highly regarded as being instrumental in facilitating mortgage liquidity and one of the world's leading issuers of sukuk.

For more information visit [www.cagamas.com.my](http://www.cagamas.com.my)

## Treasury transformation

Back in 2006, it was observed that some of our practices were not in line with standards and Cagamas was keen to make improvements. It was recognized that the company needed, and required a treasury management system (TMS) to help align Cagamas with industry practices and support new functionalities. Serving Cagamas' rapidly growing business, the treasury function quickly evolved into a fully-fledged operation which became typically structured with a front office for dealing, middle office for risk management and back office for payments and settlements. In 2007 Cagamas, embarked on a treasury transformation initiative which involved going to market to seek a newly automated and centralized platform for improved efficiency and visibility of cash and risk across the organization. "We were really looking for a solution to provide automation, accuracy and efficient data capture. As a market leader and a regular issuer of sukuk which requires a particular treatment, it was also critical for us that the chosen solution was able to effectively handle this type of bond," explains Mr Chung Chee Leong, who firmly believes that Malaysia is fast becoming the world's centre for Islamic finance. "Practices in the Middle East are very conventional and seen as more firmly Sharia compliant, whereas Malaysia is perhaps more innovative. Technology is a key component in driving innovation and FIS' Quantum is well equipped to accommodate Islamic instruments."

As a purely domestic business there are no foreign exchange (FX) transactions and our risk exposure is probably limited compared with many other corporates, but the point is that being able to exhibit an advanced degree of control has been paramount in enabling us not only to keep pace with market standards but to drive them forward.

MR CHUNG CHEE LEONG,  
PRESIDENT/CEO, CAGAMAS



While Islamic finance is integral to Cagamas' business, the company's treasury requirements are otherwise relatively straight forward with the solution meeting deal capture requirements of multi-currency medium term notes and cross currency swaps – cash management, cash flow forecasting and settlements. Executing an average of only 10 inter-bank transactions per day, FIS' Quantum was selected predominantly on its ability to provide standard treasury support while challenging and initiating change in the way that Cagamas historically operated. Today the department benefits from a fully transparent, centralized and real-time view of its daily cash positions. From an auditing perspective it can demonstrate full visibility and optimized efficiency which leads to increased time in the day to focus on core business objectives.

## Treasury helps drive economic growth

In September 2014 Cagamas began issuing new Islamic instruments which, with Quantum's flexible enhancement capabilities, FIS is well equipped to support. Moving forward, it also plans to start issuing multicurrency bonds in foreign currencies such as renminbi as part of a government initiative to attract foreign investors to Malaysia. There is currently no fixed timeline for the issuance of these bonds but management and control of which, along with the further development of Islamic finance, will no doubt form part of Mr Chung Chee Leong's future aspirations to continue driving Cagamas' operations forward and in turn driving economic growth in Malaysia.

Cagamas also uses FIS' Ambit Risk solution for Asset Liability Management. For more information visit [www.fisglobal.com](http://www.fisglobal.com)

\*SUKUK IS THE ARABIC NAME FOR FINANCIAL CERTIFICATES, BUT COMMONLY REFERS TO THE ISLAMIC EQUIVALENT OF BONDS. SINCE FIXED INCOME, INTEREST BEARING BONDS ARE NOT PERMISSIBLE IN ISLAM, SUKUK SECURITIES ARE STRUCTURED TO COMPLY WITH THE ISLAMIC LAW AND ITS INVESTMENT PRINCIPLES, WHICH PROHIBITS THE CHARGING, OR PAYING OF INTEREST. THIS IS GENERALLY DONE BY INVOLVING A TANGIBLE ASSET IN THE INVESTMENT, SUCH AS BY GIVING PARTIAL OWNERSHIP OF A PROPERTY BUILT BY THE INVESTMENT COMPANY TO THE BOND OWNER. THE BOND OWNER IS THEN ABLE TO COLLECT HIS PROFIT AS A RENT, WHICH IS ALLOWED UNDER ISLAMIC LAW. (SOURCE: WWW.WIKIPEDIA.COM)

### About FIS' Corporate Solutions

FIS offers a leading liquidity and risk management solution for corporations, insurance companies and the public sector. The solution suite includes credit risk modeling, collections management, treasury risk analysis, cash management, payments system integration, and payments execution delivered directly to corporations or via banking partners. The solutions help consolidate data from multiple in-house systems, drive workflow and provide connectivity to a broad range of trading partners including banks, SWIFT, credit data providers, FX platforms, money markets, and market data. The technology is supported by a full range of services delivered by domain experts, including managed cloud services, treasury operations management, SWIFT administration, managed bank connectivity, bank onboarding, and vendor enrollment. For more information, visit [www.fisglobal.com](http://www.fisglobal.com)

### About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit [www.fisglobal.com](http://www.fisglobal.com)

