

Is Your Treasury Eco-Friendly?

By Greg Long
July 2009

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Debbie: Hello, and thank you for joining us today. You're listening to a J.P.Morgan podcast featuring going green. My name is Debbie Hartley, and I'll be serving as moderator. I'm joined today by Greg Long, vice president and senior client service manager of J.P.Morgan Treasury Services go green initiative. Welcome, Greg.

Greg: Thank you, Deb.

Debbie: Greg, tell us about the go green initiative. How is J.P.Morgan Treasury Services helping clients move to more environmentally friendly image based processes?

Greg: Well, Deb, if I could take us back about 18 months, it started with wholesale receivables, and combining a go green initiative with a product — Receivables Edge — we felt could really solve clients' paperwork flows and leverage electronic tools that were state of the art. What we did was address around 3,000 wholesale clients and ask them if they would consider moving off of their paper based transactions and going to what we're calling a zero capture type of environment, where we would send the information that they needed not in a paper format but in an electronic method. And the amount of feedback that we got from clients was just amazing. I think we knew that there was a market for this, but the response that we received was certainly beyond our expectations.

By the end of this year, we will have eliminated over 24 million documents for our receivables processes.

Debbie: How does getting rid of the paper help the clients, the environment and J.P.Morgan?

Greg: You know, one of the immediate and positive benefits are some of the more obvious ones. The reliance — of the reliance on fossil fuels to move those transactions throughout the Treasury workflow. Those are some of the more obvious ones. In fact, what we're hoping J.P.Morgan is going to realize at the end of this year is a reduction of three million pounds of paper, over one million gallons of gas, and the equivalent of about seven million square feet of forest preserve, which — and here's an interesting fact — would roughly be four times — the size of the City of New York. So those things are some of the immediate benefits for the environment. It'll basically be the result of 100 million documents transactions, across that broad spectrum of Treasury products.

For the client, there is the benefit of improved workflows. I think everybody would agree that an electronic transaction certainly is much more easy to manage, store and research than a paper based transaction. Added benefit is our work has found that there's actually a cost reduction in many cases for that transaction, (T)he business continuity benefits are — are also apparent in this go green effort. Lastly, for J.P.Morgan as a citizen of this world, we certainly want to have a — a positive impact on the environment, and the reduction of, our use of natural resources like paper and fossil fuels in moving these transactions would certainly be a benefit. It also helps us — and I'm going to be very honest here — it helps us reduce the cost of our transactions, and allows us to be a much more leaner and meaner financial organization, and hopefully those benefits would obviously accrue to our client base.

Debbie: Okay, Greg. But there is a perception that going green can be more expensive. Is that true?

Greg: Okay, I was anticipating this question. I would say that if yes, you were going to add solar panels to your house or maybe purchase that fancy hybrid car, that yes, those types of incidents could be a little bit more expensive. But

when it comes to Treasury transactions, what we've found — especially in this first two years of this go green initiative — is that clients are usually getting the information multiple times: One in a paper based format — which is what we're trying to eliminate — and usually in an electronic format, and not realizing that they are paying for both in many cases. And so what we're looking to do is have the client rely more on the electronic aspects — so whether that's through payable web services or J.P.Morgan Access or Receivables Edge — and then let go of the paper. So I would basically say that we found it to be a much cheaper alternative to go green, and we're not even talking about some of the indirect costs like storage fees, staffing, that could possibly be impacted.

Debbie: Can you provide some examples of clients who experienced cost savings or other efficiencies by removing their paper?

Greg: Okay, let's see if I can keep these to a manageable few, because I have so many good examples here. One that comes to mind is a public sector name that was being confronted by a request from their management team to reduce staff, and there was a realization that their receivables workflow was just not going to work with less hands on board. We suggested Receivables Edge as an alternative to their paper and manual posting, and (T)he client was able to truncate their paperwork, allow us to data key their billing information, allow us also to leverage our long term storage application that's inherent in Receivables Edge, so that they were able to retrieve data within seconds. So confronted with a business staff reduction and then being able to leverage a go green opportunity like the one we just spoke about was — was big.

Another example is a middle market healthcare company that had a research issue that was positively impacted by our go green effort. They maintained all their documents in another building, in a very forbidding low floor that their research analysts had to walk over to pull documents anytime they had a client inquiry. Because of the cost of that type of transaction, they actually started writing off transactions of \$50 or less, and accrued about \$50,000 of write-offs or losses on an annual basis. By using Receivables Edge, they were not only able to eliminate the paper but they were also able to discontinue that write-off program, so saving themselves annually about \$50,000 in — in losses. And they were able to actually use some of that money to buy upgrades in the electronic system and purchase long term archive, which allowed that system to maintain data for ten years at a much simpler way of getting at it.

There is a large corporate insurance company that wanted their geographically dispersed divisions to cover each other in a disaster recovery type of environment. While the go green benefits of truncating all that paper and moving to electronic were apparent, this was a company that had a million documents per month. The business continuity and disaster recovery benefits also came into play, and they were able to have their divisions leverage each other. And so they've actually been up and running on that for the past six months, and have given us a major thumbs up for that particular opportunity, and positively impacting the environment as well.

Debbie: Okay. And talk about the risks of paper based processes, and how going green can help reduce some of those risks.

Greg: One of the tools that our go green effort leverages is a website that we have found very informative called payitgreen.org. One of the interesting statistics from that site that 85 percent of all identity theft cases are due to offline transactions. They are not due to the Internet, as many think. So it is the DDA statement, it is the checkbook, it is the U.S. dollar clearing advices that are compromised, and not necessarily Internet transactions.

And so what we have found is, by leveraging a go green process, risk and fraud positive impacts are also gained. What you see is many of the systems, whether it's payable web services or JPM Access or Receivables Edge, have audit trails on who's allowed to access different pieces of information. These are opportunities that you don't see in a normal paper based workflow, where the control of storage boxes are not necessarily managed as closely as these electronic tools.

Debbie: How do green or image based Treasury products help with business continuity and disaster recovery?

Greg: When we see the types of natural disasters like Hurricane Ike in Houston, which prevented much of the Houston downtown from getting into their offices for —weeks, you see how getting rid of paper and relying on electronics can help a particular company. So having a receivables process or a disbursements process that can be leveraged or accessed from a disaster recovery site — there isn't that reliance on having to get into the office. And when you talk about research or when you're talking about cash applications, (it) becomes even more critical that clients start thinking about using go green opportunities as a way to bolster their own disaster recovery and business continuity plans.

You know, J.P.Morgan had its own example, where one of our electronic solutions called Document Management Solutions, which store all different types of Treasury documents for clients, had one of its bases in Houston and was

impacted by Hurricane Ike. However, J.P.Morgan has dual custody of those types of imaging sites, and so our Belleville, Michigan site was able to pick up the slack for Houston until they were able to get on their feet, and still provide clients access to their images. So we can certainly point to ourselves as a beneficiary of electronic tools.

Debbie: And if the client wants to green their treasury, where would you recommend they begin:

Greg: I've found that the client tends to have more control over the receivables side of the business, because they issue the invoices and they're collecting the payments through a lockbox or a branch depository or a vault. They tend to have a little bit more control over the transaction, and so they can certainly leverage Treasury products like Pay Connection to do invoicing, and Receivables Edge for the — the collection of funds. Certainly on the disbursement side when you're talking about payable web services, which sends electronic messages for stop payments and paid files, that certainly is a benefit.

Debbie: How do you see the trend of replacing paper with electronic processes evolving?

Greg: What I've seen for J.P.Morgan is that we continue to invest in what is traditionally paper based product sets like wholesale and regional receivables, like controlled disbursement. But we're asking our clients to convert the output of that data — so the information, the cash application, the stop payments, the information reporting — into electronic means. So while the paper may come in to us, we're looking to convert that into the bits and bytes that our clients can use, manage better, leverage business continuity advantages, and become good global citizens and make our go green initiatives work that much better.

One of my favorite examples that I'll steal from one of my teammates is, the CD ROMs will probably in the very short future become the eight tracks of our time, where long term archive and Internet based archiving will become more the norm.

Debbie: Thanks for joining us today, Greg. We appreciate your thoughts and insights on going green. If you'd like more information, please visit J.P.Morgan's go green website at www.jpmorgan.com/info/eco. This concludes our J.P.Morgan podcast presentation.

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