



Europe in 2022:

Is Your Treasury Fit for Purpose?



European Treasury
Survey 2021

In partnership with
 **BARCLAYS**

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Adapting for Success in a Data-Driven World



Helen Kelly
Head of Europe, Barclays
Corporate Banking

Since we conducted our inaugural European Treasury Survey last year, in partnership with TMI, so much has changed. The UK is no longer part of the EU. Countries across the globe have entered, and exited, various lockdowns as a result of the Covid-19 pandemic. Companies have pivoted their business models to adapt to new ways of selling goods and services, with direct-to-consumer sales rising in popularity and environmental, social and governance (ESG) values becoming increasingly important.

Digital transformation has also accelerated across all areas of business and banking. Electronic signatures have become commonplace. Cloud computing and application programming interfaces (APIs) have come into their own. Real-time payments have gained traction. And as the velocity of cash has increased, so too has the volume of treasury data. Tools such as robotic process automation (RPA) and artificial intelligence (AI) have therefore become more important in helping to relieve treasurers from manual work and analysis.

These themes, and more, are clearly highlighted in the findings of this 2021 European Treasury Survey. Bringing together peer insights from 225 treasury professionals, the results of this survey aim to help treasurers identify opportunities for change in the evolving European landscape. This report also pinpoints challenges to prepare for and provides a benchmark for future-proofing, since treasurers and CFOs across the region must adapt and innovate in order to succeed.

While the challenges facing the treasury profession, and the world at large, are very real, there are also exciting opportunities for treasurers and banks to improve efficiency and prepare for future growth. We hope you find this report thought-provoking and we look forward to discussing the findings with you in more detail. Please don't hesitate to get in touch with your Barclays representative to find out more about any of the themes raised in this report.

Thank you to everyone who participated in the survey. Your efforts have provided invaluable community insights to help move the treasury profession forward. With a charity donation for each completed survey, you have also helped to raise funds for Unicef's Covid-19 appeal.

Highlights from the survey:

BREXIT IS STILL MAKING WAVES

Although the Brexit process has now taken place, ongoing negotiations and the reality of the new European landscape are leading to treasury impacts:

- Eight percent of respondents are still considering setting up an additional European treasury hub.
- Trade is also being impacted by factors including Brexit, leading to new foreign exchange (FX) challenges. Twenty-eight percent of survey participants anticipate an increase in their use of the euro in trade transactions in the year ahead.

NEGATIVE RATES AND DIVERSIFYING INVESTMENTS

Macroeconomic concerns have largely shifted away from the pandemic, which dominated the 2020 survey results, towards negative interest rates:

- Thirty-six percent of treasurers rank negative rates as their number one concern, compared with 14% in 2020.
- The challenging rate environment goes some way to explaining why investments in commercial paper have increased by 12% and why 7% of respondents are considering exchange traded funds (ETFs).

ESG ENTERS THE TREASURY MAINSTREAM

Although ESG was an emerging theme in 2020, it has moved centre stage in 2021:

- The percentage of survey respondents considering ESG-compliant short-term investments has risen to 72%, up from 50% in 2020.
- While one quarter of treasury functions currently include ESG measures in their departmental objectives, 33% intend to in the near future.

REAL-TIME TREASURY IN THE DIGITAL AGE

It is little surprise that digital treasury emerged as a strong theme in 2021. Many technologies and real-time solutions are being rolled out as treasury functions continue to do more with less:

- Data analytics technologies are sought after, with 33% currently using them and 36% planning to do so.
- Robotics is also on the rise, with 27% planning to implement treasury bots during the coming 12 months.
- In terms of areas ripe for automation, respondents identified both hedging activities (55%) and transactional FX (58%).
- Sixty-four percent of survey participants intend to make more use of instant payments in the year ahead.
- Forty percent of respondents are hoping for electronic trade documents to become commonplace, together with 38% looking to use online trade platforms.

- Nevertheless, a lack of technology budget was identified as the top obstacle preventing treasury teams from reaching their goals by 34% of survey participants.
- Treasurers are also reluctant to use certain evolving technologies for communicating with their banks, with 53% saying 'no' to online chatbots.

REGULATORY THREATS AND OPPORTUNITIES

In the increasingly digital environment, data and cybersecurity policies are the top regulatory concern for 32% of corporate treasurers in 2021.

- Despite the looming deadline, LIBOR transition/benchmark reform was still the number one concern for one quarter (25%) of respondents.
- Interestingly, AML/KYC and Corporate Sustainability reporting both garnered 14% of the 'number one concern' vote.
- The regulation of least concern for respondents was the EMIR Refit.
- The biggest opportunities treasurers see in 2021 as a by-product of regulatory change are: the chance to rethink treasury processes (58%) and the ability to leverage open banking (47%).

BANKING PARTNERS AND INNOVATION

By and large, European banking partners have delivered for their corporate clients throughout the pandemic. But there are areas where additional innovation would be appreciated:

- The involvement of banks in the creation of a collaborative KYC utility is on the wish list of 51% of corporates.
- Co-creation also remains a common wish (48%), as treasurers look for more bespoke solutions.
- Integrating a cash flow forecasting tool into a bank's online platform is another popular desire, with 40% voting for this to happen.
- It appears that certain banks could do more in the ESG space too, with 12% saying that their bank is not meeting their ESG needs, and 41% unsure.

TOMORROW'S TREASURY TALENT

Treasury headcount is a significant challenge in 2021. In fact, 17% cite it as the main hurdle preventing them from reaching their treasury goals. This is leading treasurers to look for additional skills in any new recruits:

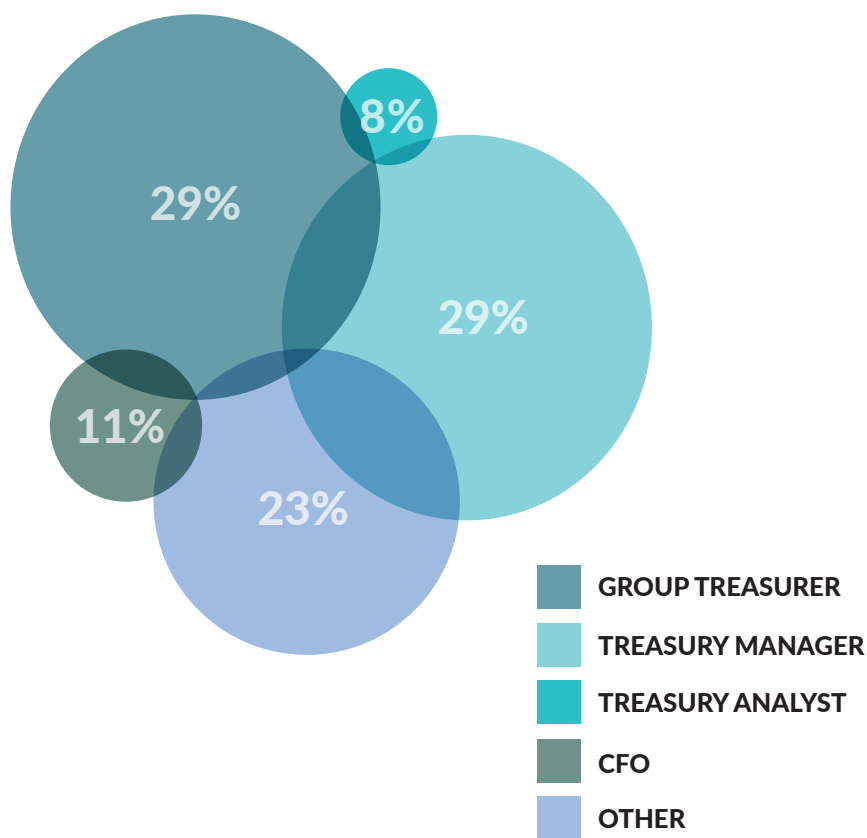
- Seventy-eight percent of treasury leaders would like new joiners to be versed in data analytics.
- Soft skills remain the second most sought after capability, among 47%, closely followed by AI expertise (40%).

Survey methodology

Responses were gathered via an online survey, conducted in May and June 2021. There were 225 respondents in total. Some questions were optional.

Respondents by job title

As we would expect, Group Treasurers and Treasury Managers accounted for the largest number of respondents, both coming in at 29%. CFOs represented just 11% of the total.



Annual company turnover

All respondents answered the (optional) question about the size of their annual turnover, of which 20% fell into the €1bn to €5bn range.

The same amount (20%) had a turnover of €100m - €500m. Eleven percent of respondents had an annual turnover of over £25bn.

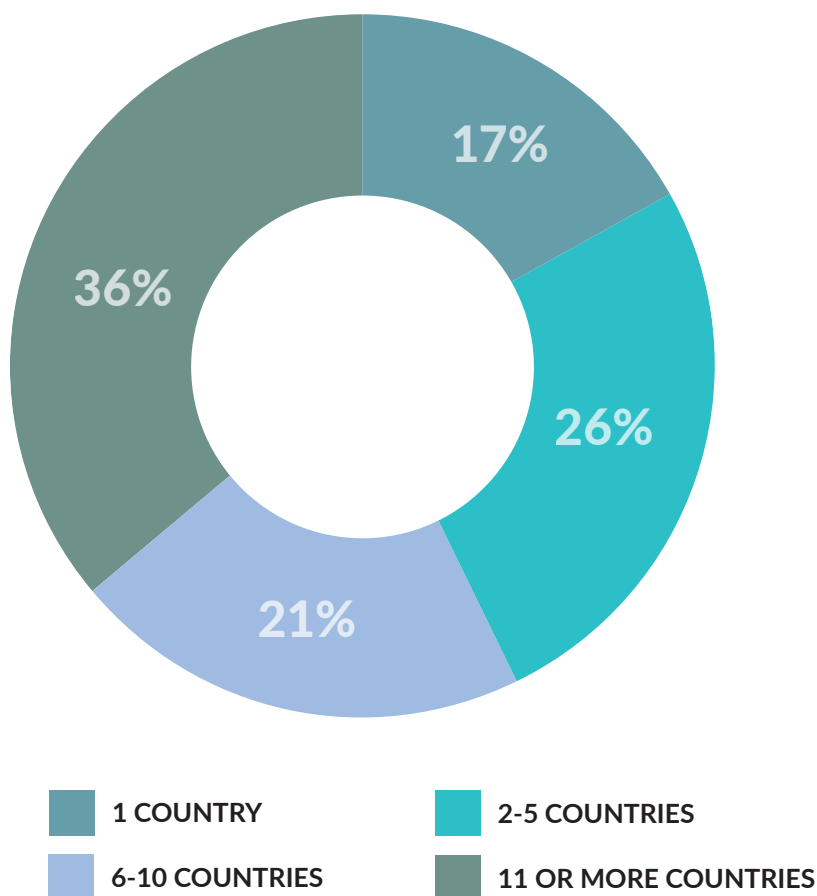
Location of treasury function/ European treasury hub

There was a good geographical spread of respondents to the survey, with 15% coming from Italy. Austria was among the most popular 'other' locations for respondents. Meanwhile, Luxembourg garnered 9% of responses. Just 1% use Spain as their European treasury hub. Other locations cited by respondents included Croatia, Hungary, Slovenia and Greece. A few respondents explained that they run their European treasury operations from the US, while others are doing the same from the Middle East.



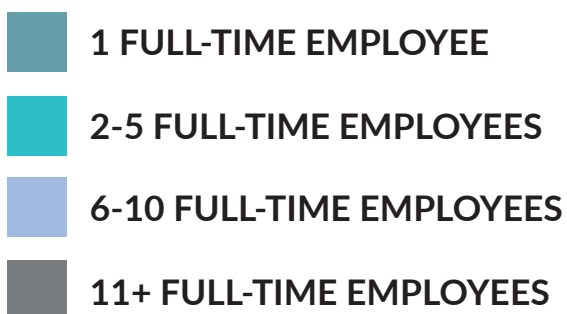
Countries of operation in Europe

Over one-third of respondents (36%) operate in 11 or more European countries. One in four companies (25%) are active in two to five European countries. According to the results, those companies with larger annual turnover tend to have a wider footprint, although there are a few exceptions to the rule.



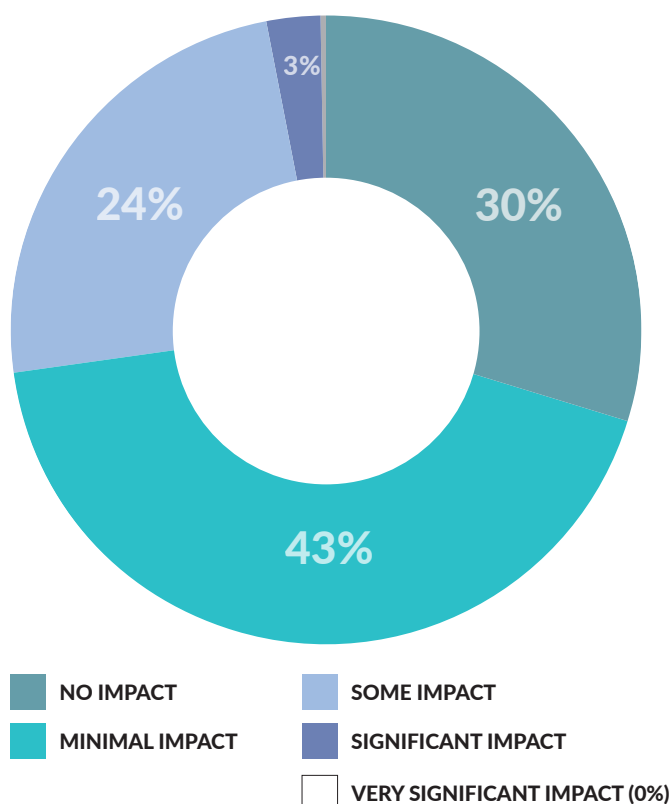
Size of treasury function

As per the results of the 2020 survey, the majority of companies (40%) have between two and five full-time treasury employees. Twenty-seven percent of corporates employ 11 or more FTEs in treasury and 16% have just one employee working full-time.



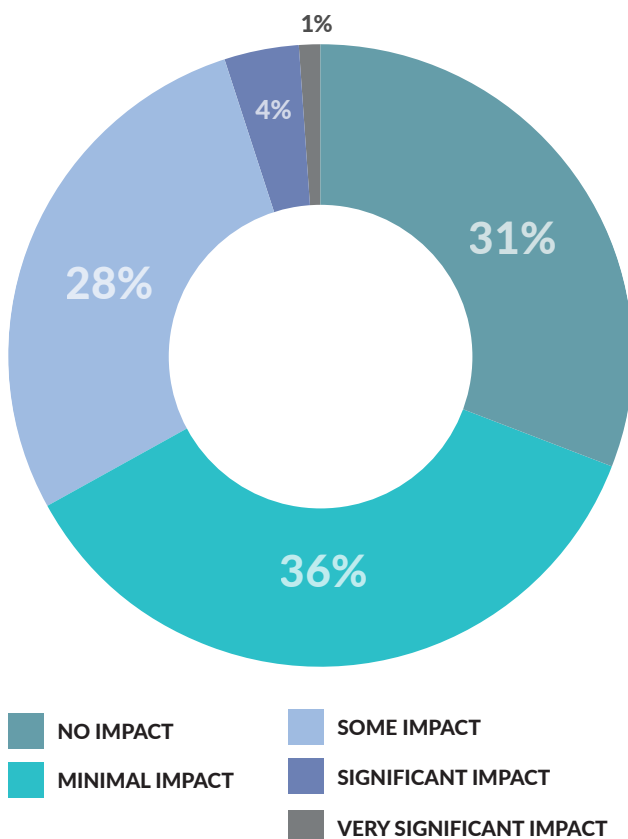
How would you rate the impact of Brexit on your treasury operations?

Now that Brexit has formally taken place, it was heartening to see that minimal impact from this change had been experienced by 43% of respondents. Interestingly, the number of treasuries experiencing 'no impact' from Brexit increased to 30% in 2021, up from 24% the previous year. As per last year, no treasury function was experiencing a very significant impact from Brexit.



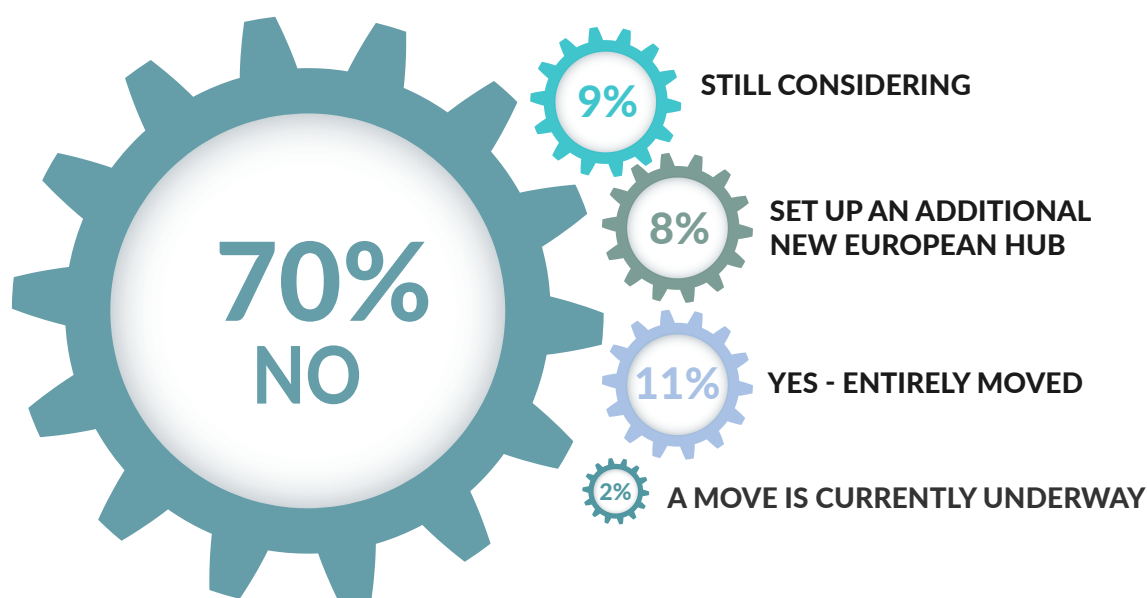
How would you rate the impact of Brexit on your trade flows?

This was a new question for 2021. Although the majority of respondents are experiencing either minimal (36%) or no impact (31%) on their trade flows post-Brexit, over one in four (28%) are feeling some impact. And 1% of respondents noted a 'very significant' effect.



If you had/have treasury operations in the UK, did you/will you move them to Europe?

As was the case in 2020, 'no' was the leading response from participants (70%) when asked about their plans to relocate UK-based treasury operations to continental Europe. Interestingly, 9% were still undecided, representing a 3% increase from 2020. Eight-percent were looking to set up an additional European hub treasury hub.



With the challenging environment for global trade, do you see an increased need for trade and working capital facilities in the year ahead?

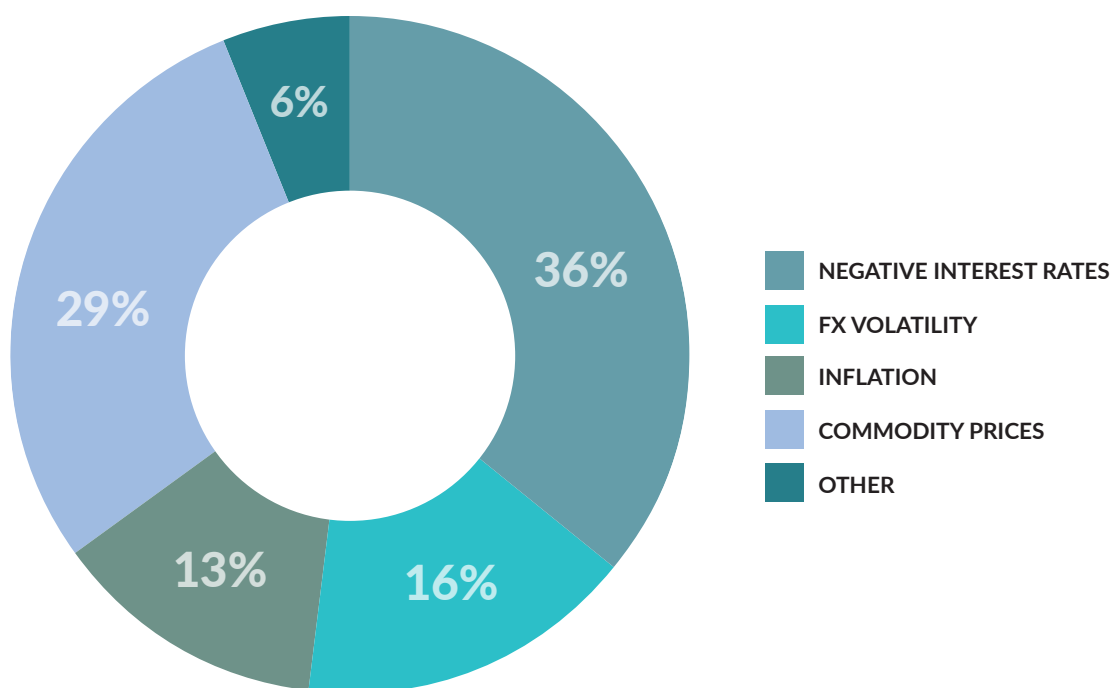
There was some uncertainty among respondents as to their requirements for trade and working capital facilities in the next 12 months. Only 13% felt sure that they



would require additional support – down from 27% in 2020. Nevertheless, among those who replied 'yes', supply chain finance (SCF) was the most popular form of support, whereas in 2020, revolving credit facilities (RCFs) were top of the list.

What is your TOP macroeconomic concern for 2021?

In terms of macroeconomic risks, survey respondents are most concerned with negative interest rates – with 36% citing this as a concern, compared with 14% in 2020. The level of concern around FX volatility has decreased significantly since last year, falling from 42% in 2020 to just 16% in 2021. Interestingly, commodity prices have risen up the agenda with 29% stating it to be their number one macroeconomic concern at this point in time. Of the 6% of respondents who opted for 'other' macroeconomic issues, two highlighted the global semiconductor shortage as their primary concern.



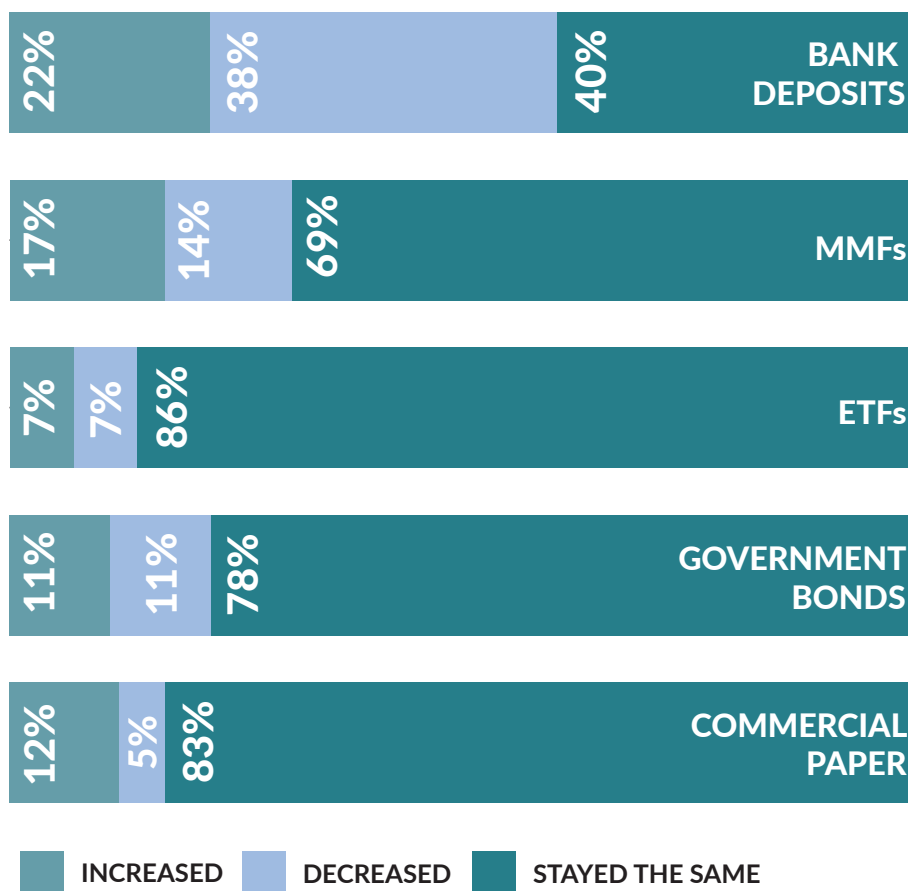
With the current level of volatility in the FX market do you think you will hedge more in the year ahead?

The percentage of survey participants looking to increase their hedging activities has dropped from 43% in 2020 to 29% in 2021. This reflects the fact that FX volatility, as per the previous question, is no longer such a significant concern. Just over one quarter (27%) were unsure about their future hedging arrangements, while 44% believed they would not need to increase their hedging activities in the year ahead.



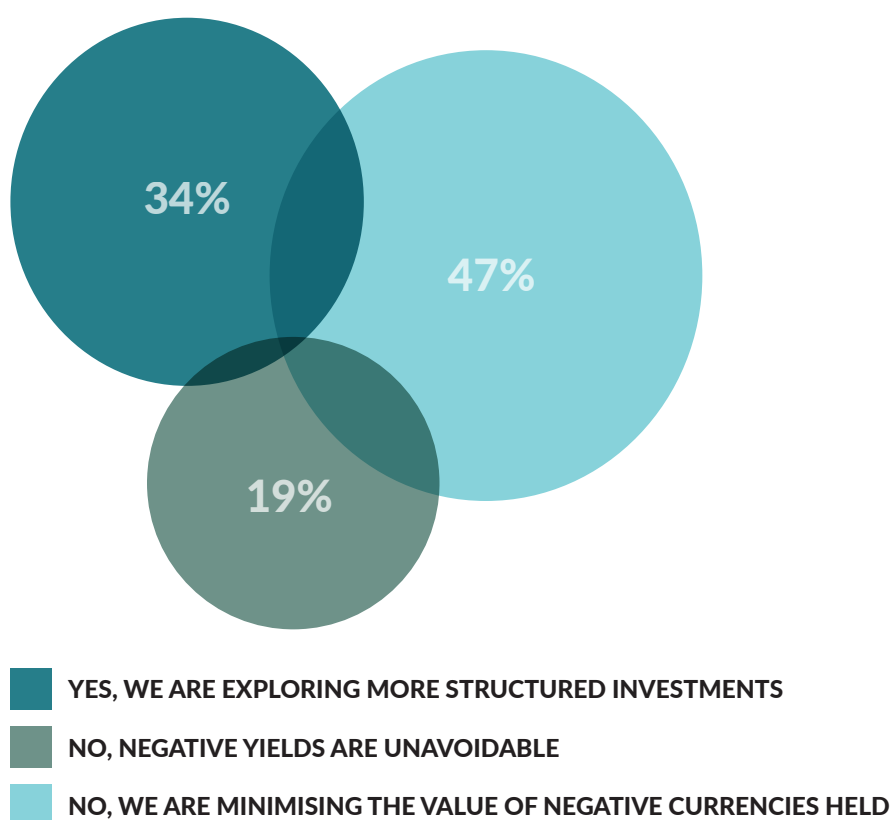
How has the zero and negative interest rate environment impacted your usage of short-term investment instruments?

Similar to 2020, respondents have not made significant changes to their short-term investments. This may reflect a lack of viable options in the current investment environment, or a lack of flexibility in investment policies. Indeed, one respondent commented that it was not possible to find optimal short-term investment solutions at present. Nevertheless, investment in commercial paper has increased by 12%. And 38% have reduced their usage of bank deposits, compared to 29% last year. As per 2020, MMFs are showing relatively balanced inflows and outflows at 17% and 14% respectively.



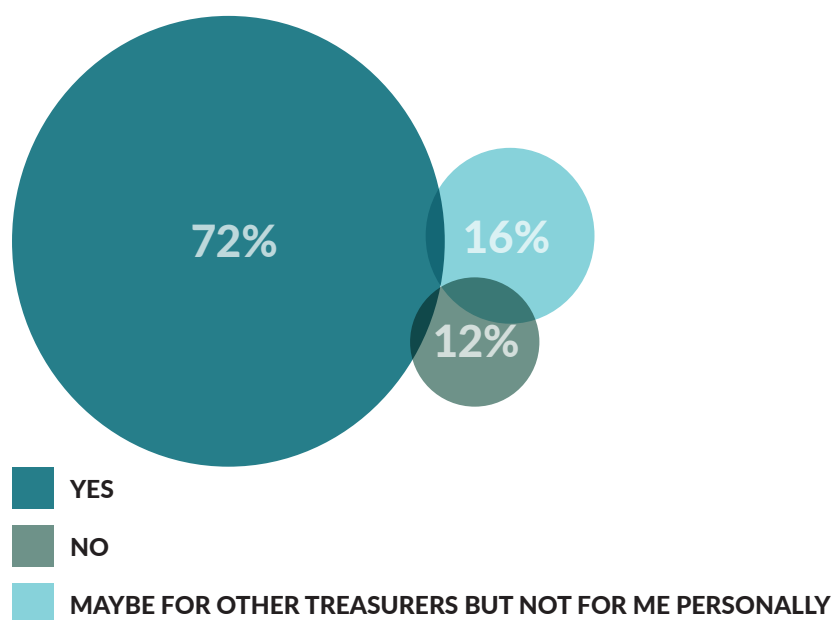
Considering the zero and negative interest rate environment, are you thinking about more longer term investments?

Given the challenging investment landscape, respondents were asked about their willingness to invest for longer periods of time. While one in three (34%) respondents was open to using more structured investments, the majority (47%) were looking to mitigate the impact of negative yields by reducing the balances held in those currencies.



Over the next 12 months, do you believe that ESG criteria will become more important when choosing short-term investments?

There has been a significant uptick in the percentage of survey respondents considering ESG-compliant short-term investments – standing at 72% in 2021, up from 50% last year. Not everyone is yet convinced, however. Perhaps because their industry sector is not an ESG leader, or because the range of available investments remains relatively small.



Is ESG/Sustainability a board-level priority in your organisation?

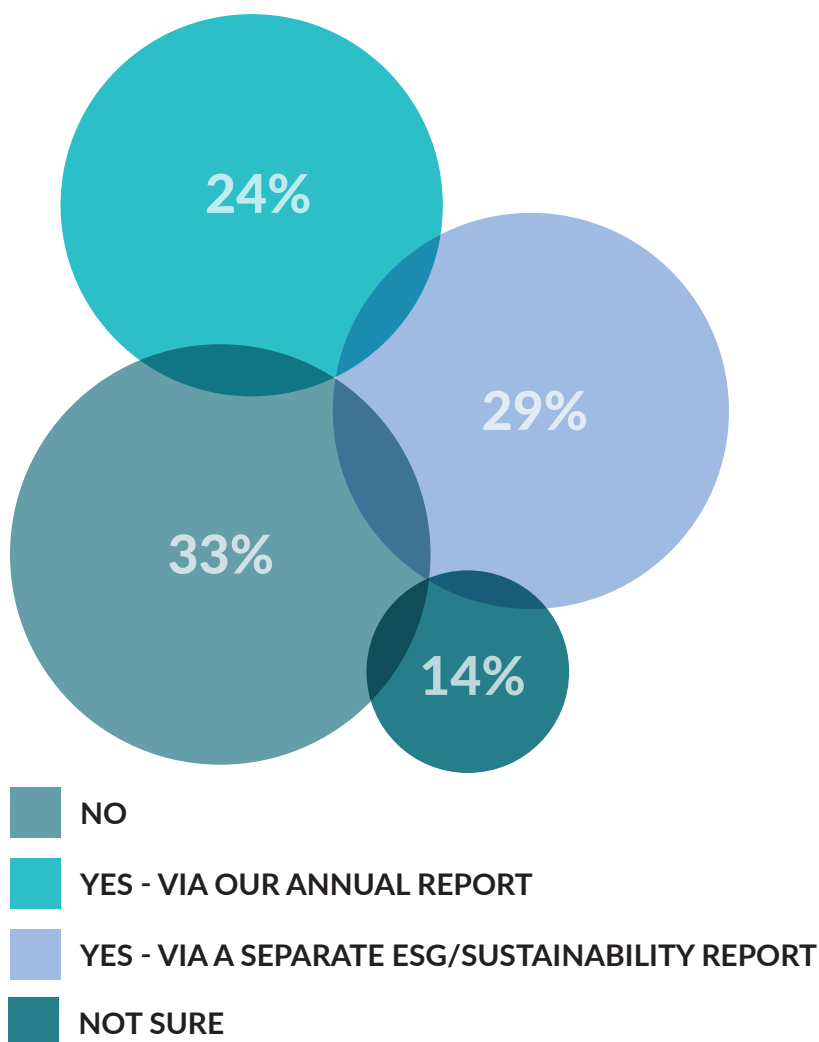
For the first time, survey respondents were asked about their own organisation's top down commitment to ESG. Interestingly, the figures largely matched those of the



previous question – with 70% agreeing that ESG is a board-level priority. It was slightly disconcerting to see 13% of respondents noting that they were unsure. This suggests that some treasurers may need to do a little research into their organisation's evolving values.

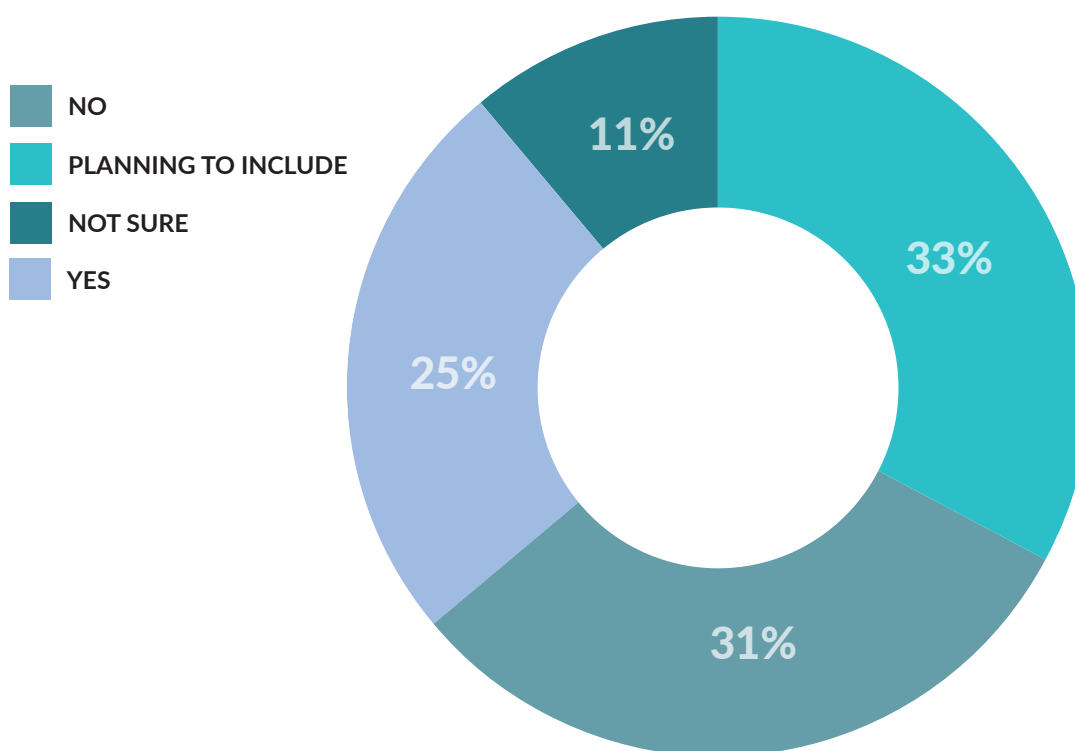
Does your organisation publish ESG metrics?

Another area where some treasurers appear in the dark about their company's activities is ESG reporting, with 14% saying they were not sure whether their organisation publishes ESG metrics. Although 33% said 'no', the majority voted 'yes' – with 24% doing so via their annual report and 29% via a separate ESG/ Sustainability Report.



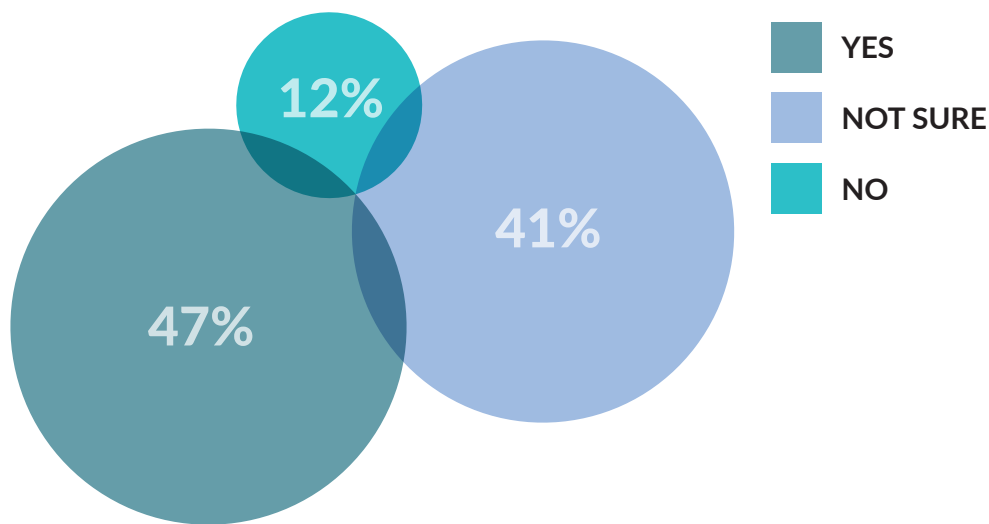
Are sustainability/ESG measures reflected in your organisation's treasury/finance objectives?

While over 50% of respondent companies publish ESG metrics, only 25% of treasuries currently include ESG measures in their departmental objectives. It is promising to see, however, that 33% intend to include such measures. But there is still a significant proportion of treasury functions (31%) that has no plans to embrace ESG in this way.



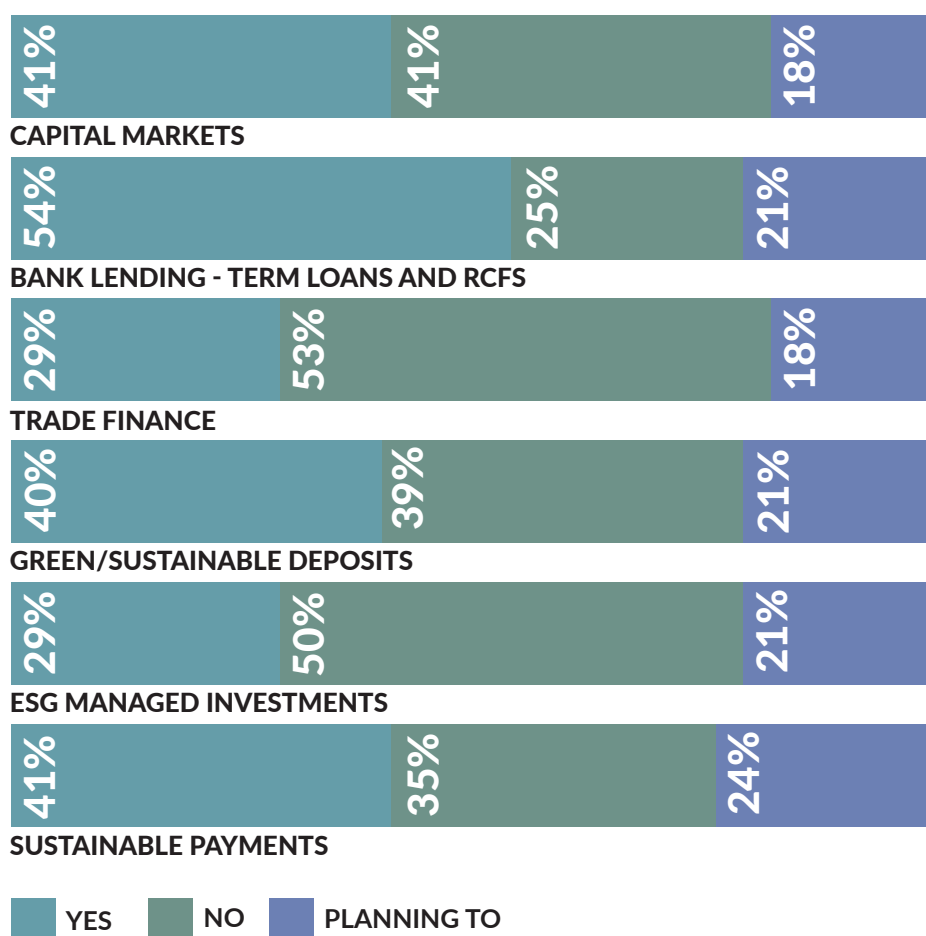
Can your banking partner provide the sustainable finance or investment solutions required to support your ESG treasury ambitions?

It is heartening that the majority of survey participants (47%) believe that their bank(s) can support them sufficiently with ESG solutions. But there is still a large proportion (41%) who are unaware of their banking partners' capabilities in this space. And judging from the 12% that answered 'no', some banks still have further to go in order to meet corporates' ESG needs.



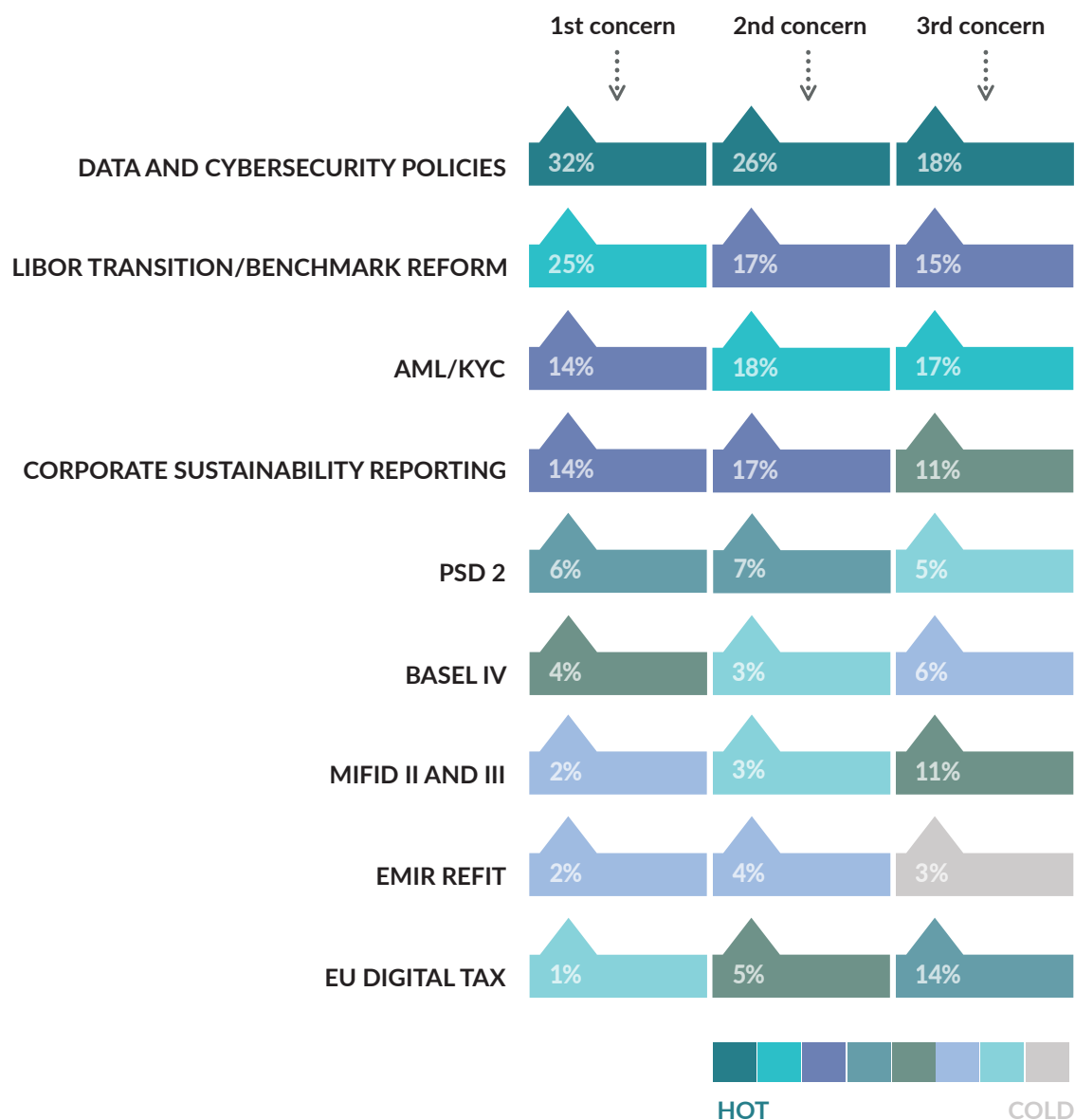
Which green/sustainable banking instruments would your organisation consider using?

The most popular ESG banking solution among respondents was bank lending (term loans and RCFs), coming in at 55%. Whereas the least popular was ESG-fuelled trade finance, with 53% saying they would not consider using it. Of course, this may reflect the nascent market and the specific needs of the corporate respondents. ESG managed investments were also not overly popular, with 50% not looking to use them. Sustainable deposits (40%) and sustainable payments (41%) are already in use among many, with further plans in the pipeline.



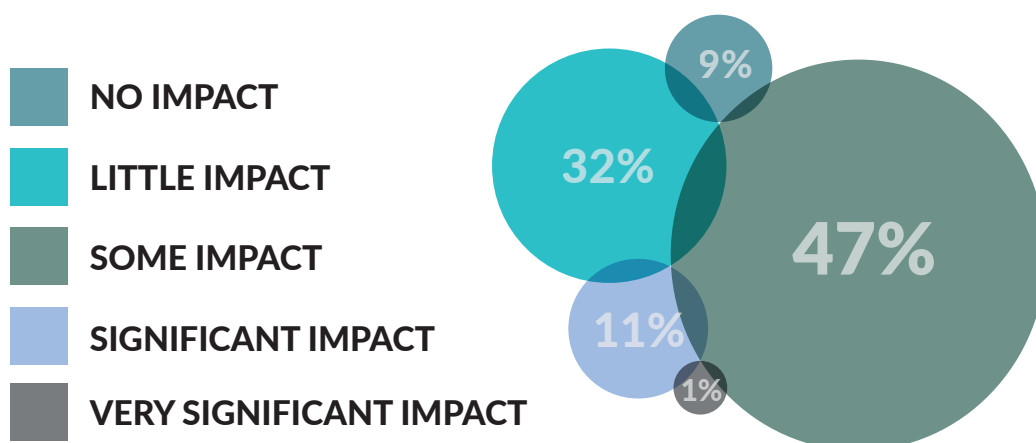
What are your top THREE regulatory/policy concerns for 2021?

Data and cybersecurity policies are the number one (32%) regulatory concern for corporate treasurers in 2021. Corporates are clearly expecting more regulation in this area and the discussion around data sharing between the UK and the EU has likely fuelled concerns. Elsewhere, it was somewhat surprising, given the looming deadline, that LIBOR transition/benchmark reform was still the number one concern for one quarter (25%) of respondents. Interestingly, AML/KYC and Corporate Sustainability reporting both garnered 14% of the 'number one concern' vote. The regulation of least concern for respondents was the EMIR Refit.



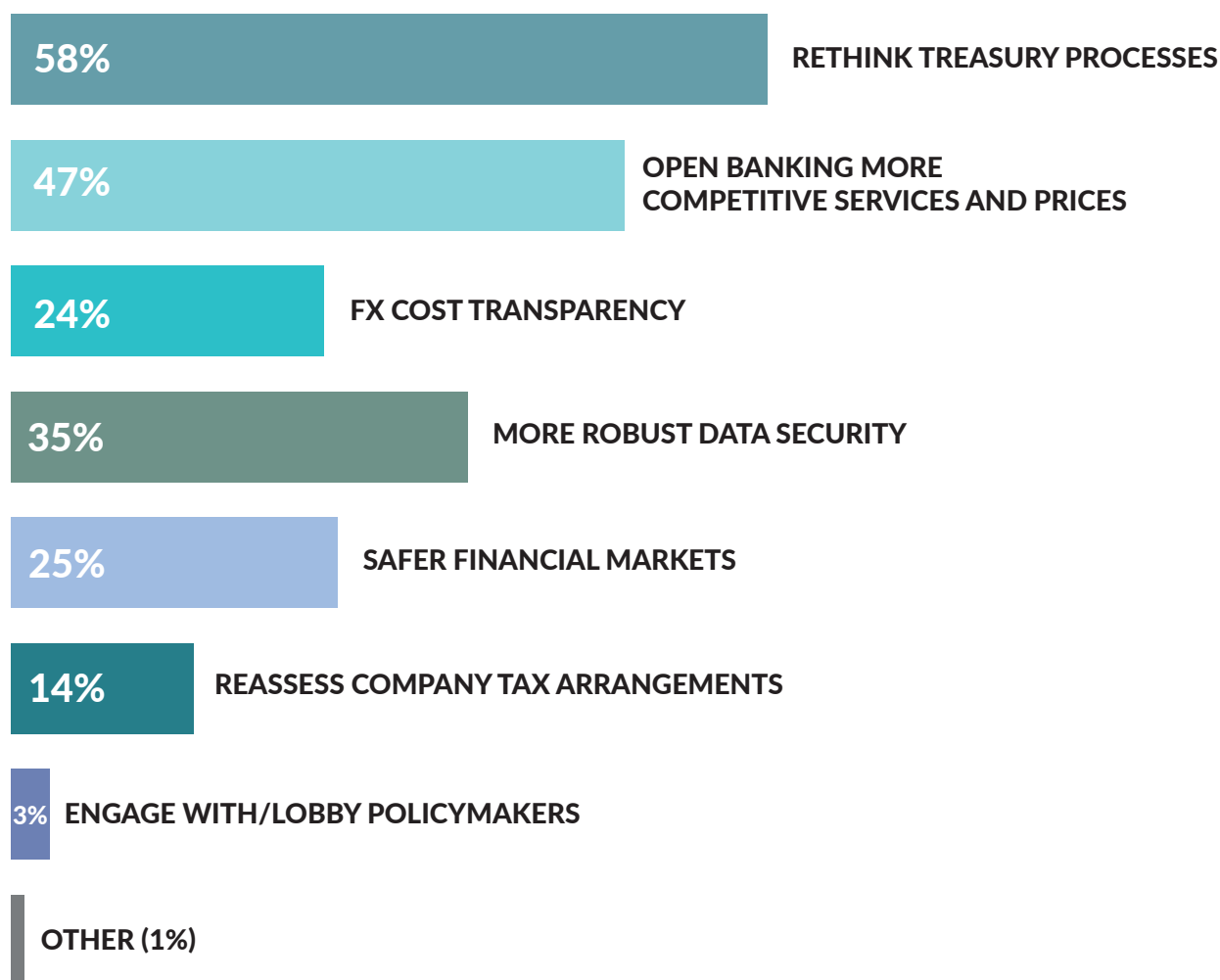
How significant an impact will regulatory developments have on your European treasury operations in 2021?

A confident 9% of respondents believed that regulatory developments would have no impact at all on their European treasury operations in 2021. Whereas 11% anticipated a significant impact. The middle of the road was most popular, with 47% expecting regulation to have some impact – this was precisely the same figure as registered in 2020. As per last year, 1% also anticipated that regulations would have a very significant impact on their treasury operations in 2021.



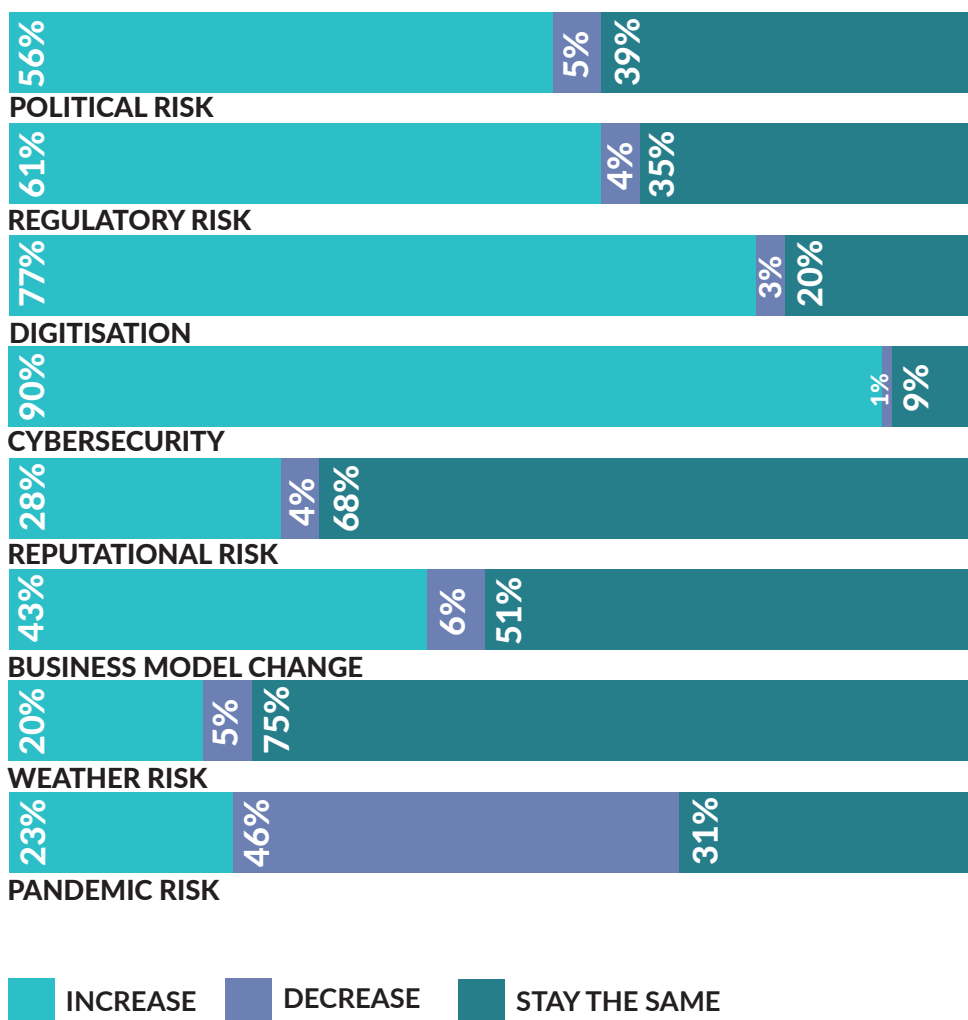
What opportunities do you see arising from regulatory change?

Regulation can lead to significant additional workload for treasurers – but it is not without its silver linings. The biggest opportunities treasurers see in 2021 as a by-product of regulatory change are: the chance to rethink treasury processes (58%) and the ability to leverage open banking (47%). Few treasurers (3%) were excited by the prospect of lobbying policymakers, but more than one in three (35%) were pleased that regulation could lead to improved data security.



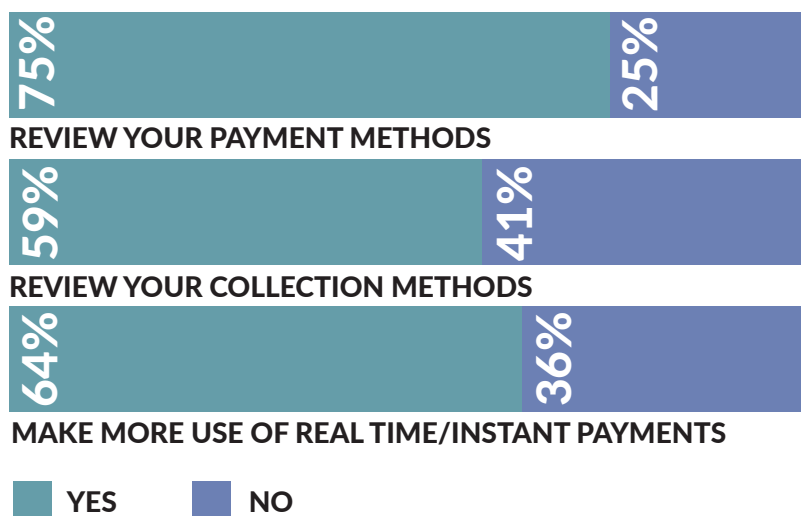
To what extent do you believe the following risks will change – in terms of their impact on treasury – over the next 12 months?

Given the shift towards digital business during the pandemic, it was unsurprising to see that the risk most likely to increase was cybersecurity – with nine out of 10 respondents expecting an uptick. This compares to a figure of 82% in 2020. The risk associated with digitisation was voted second most likely to increase, coming in at 77% in 2021, up from 66% last year. Interestingly, the percentage expecting an increase in political risk has dropped to 56%, down from 78% in 2020. Fortunately, the risk of additional impact from the Covid-19 pandemic is also expected to subside (46%) or stay the same (31%).



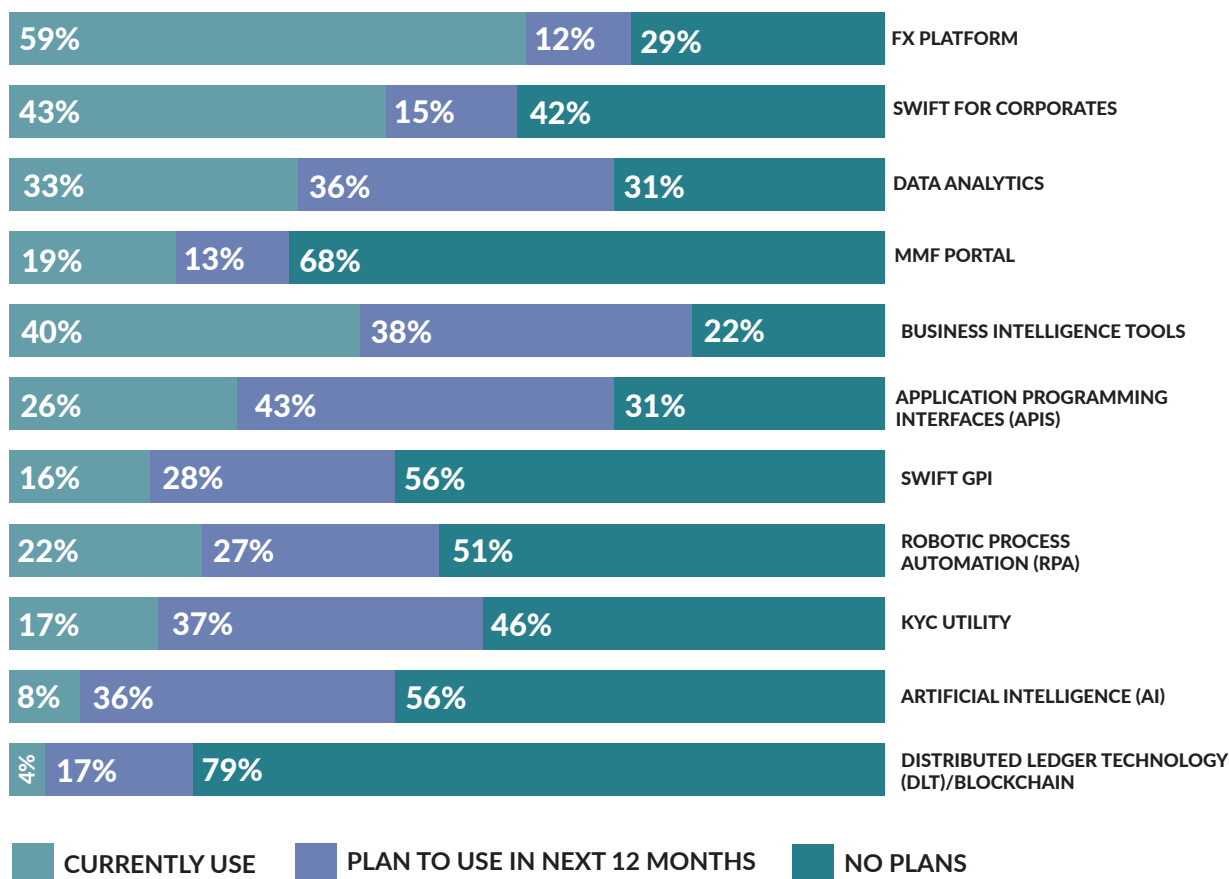
With the advent of digitisation, do you plan to do any of the following over the next 12 months?

Three-quarters of treasurers (75%) plan to review their payment methods in the coming year. And 64% intend to look at using instant payments – although that leaves over one-third (36%) of treasurers still not planning for the real-time world. While 59% intend to review their collection methods, there is still room for review in the remainder.



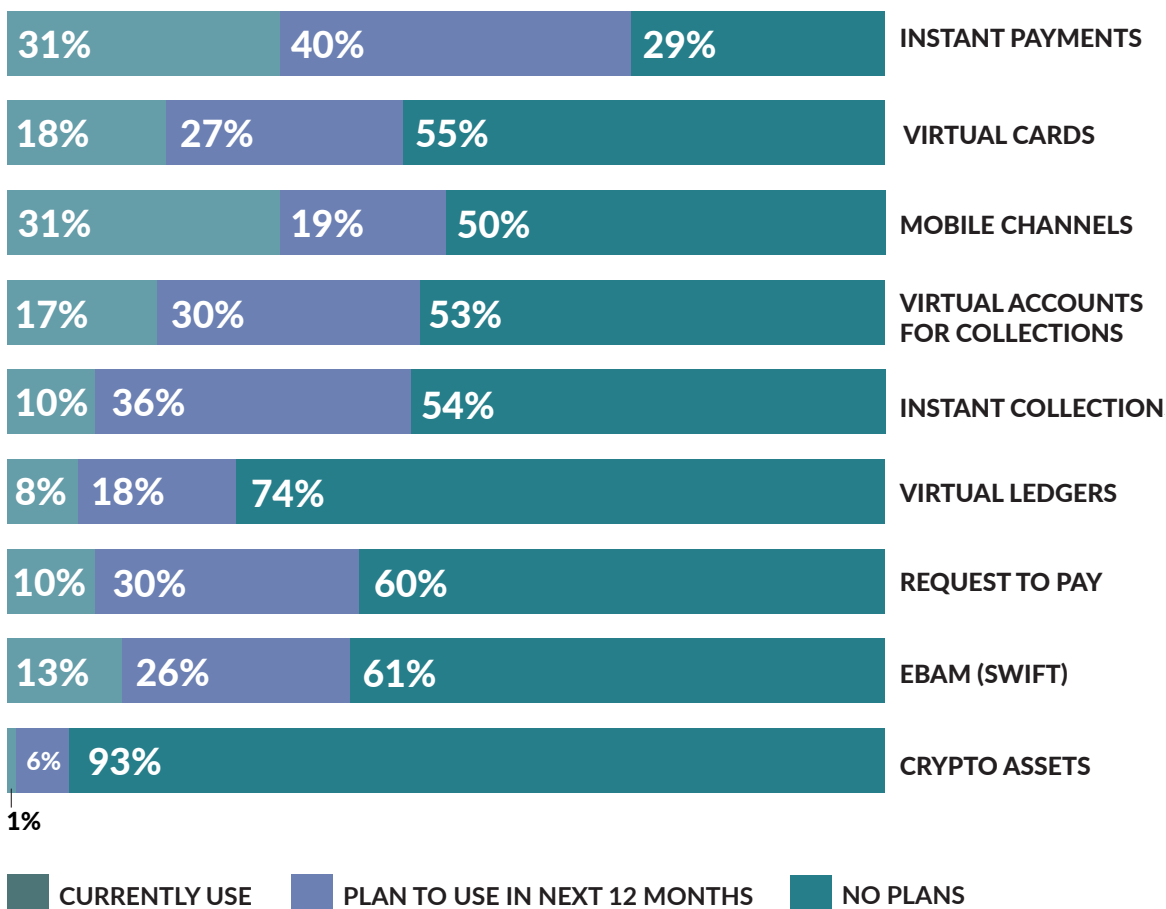
Which of the following treasury technologies do you currently use or plan to start using in the next 12 months?

As per 2020, respondents were given a list of 11 technologies to consider, and use of an FX platform once again topped the list of those which are in use already, with 59% benefitting from one. The next most popular technology, as in 2020, was SWIFT for Corporates, with 43% making use of it. Perhaps somewhat surprisingly only 8% of 2021 respondents are already using AI, down from 10% last year. Once again, blockchain was the least used out of the list, with only 4% currently leveraging it and four out of five treasurers (79%) stating that they had no plans to use it.



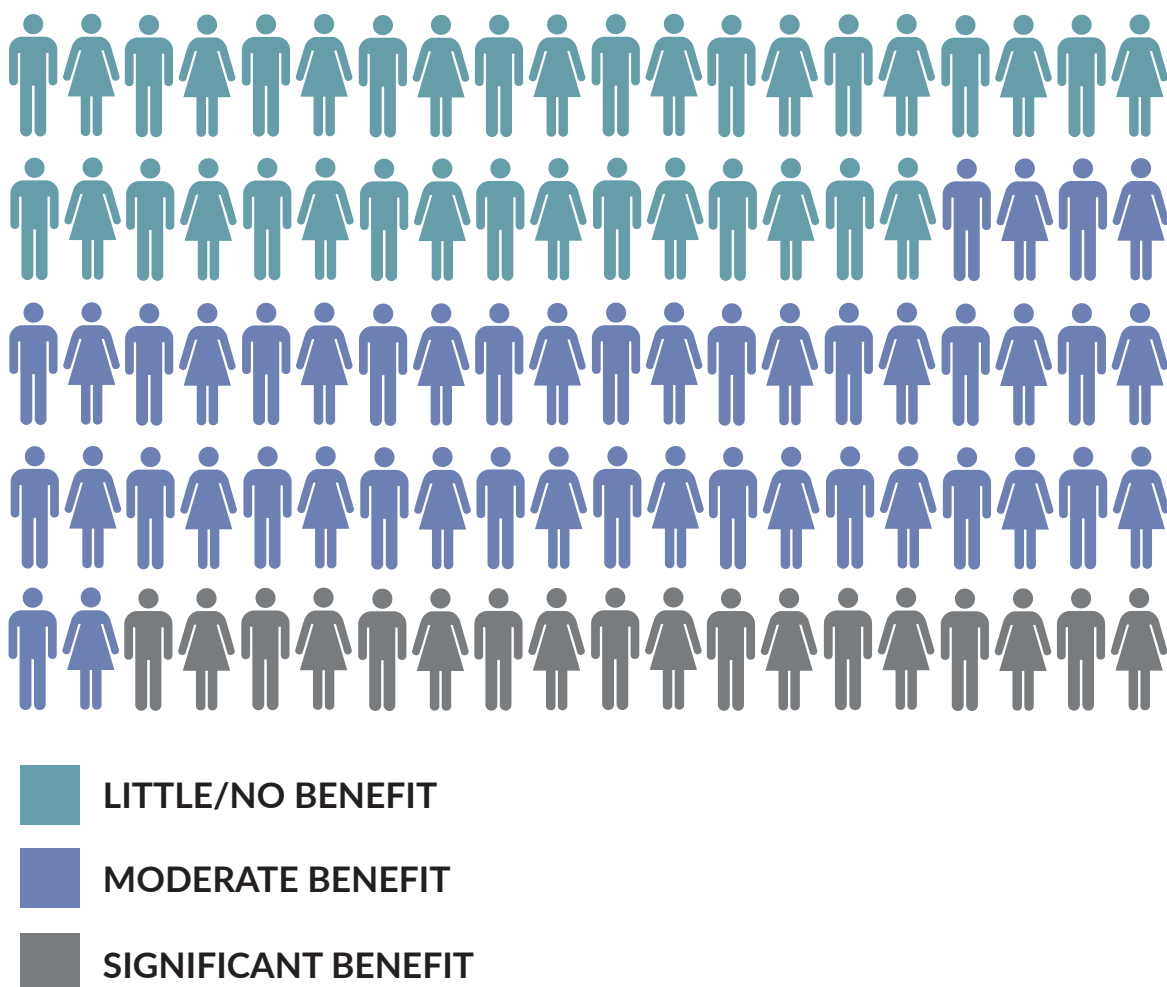
Which of the following digital treasury tools do you currently use or plan to start using in the next 12 months?

Here, respondents were offered a list of nine different treasury tools. Unsurprisingly, the popularity rankings linked closely to the tools' maturity. As such, instant payments came top of both the 'currently use' (31%) and 'plan to use' columns (40%). Interestingly, despite the challenges of global lockdowns, 50% of respondents say they do not plan to use digital channels in the year ahead. Request to Pay is still nascent, with 10% of respondents currently using it – the same percentage as in 2020. Crypto assets remain firmly out of most treasurers' plans, with 93% not seeing them in their immediate future. However, 1% currently use crypto assets and 6% plan to do so in the next 12 months.



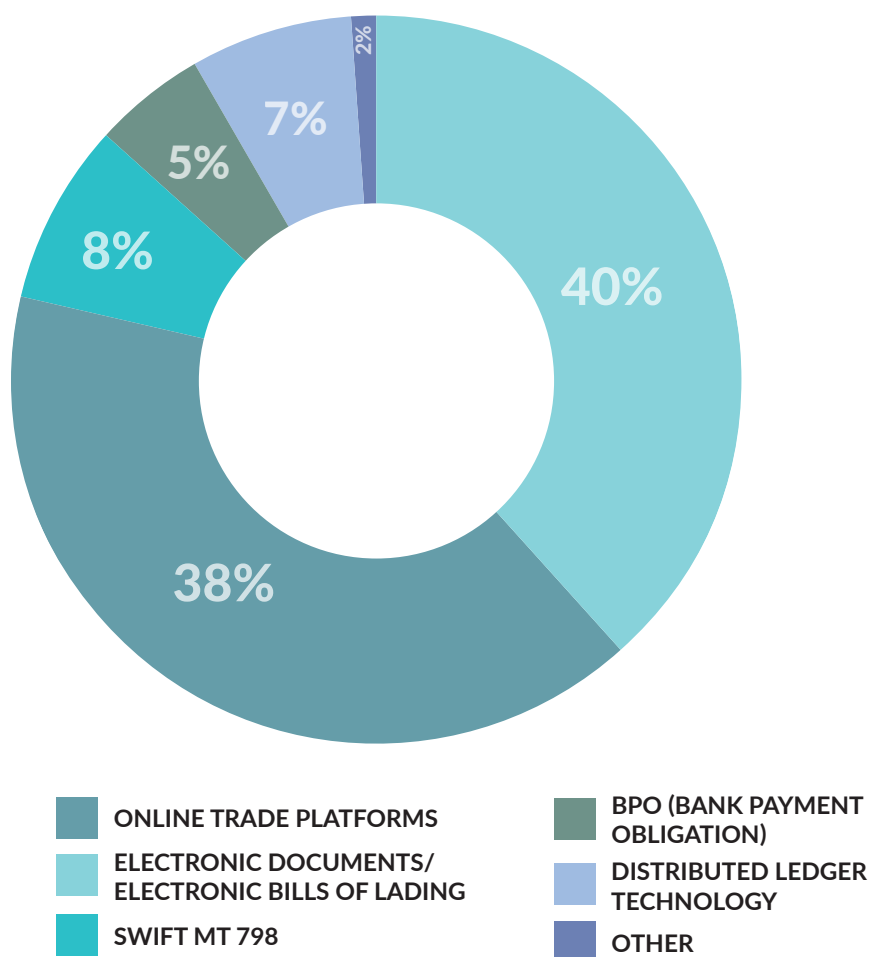
How would you rate the benefit of digital trade to your trade business?

A new question for 2021, respondents were asked to give their views on the benefits of digital trade – an area that has long been paper-based. Overall, respondents believed there would be a benefit, with 18% estimating the size of that benefit to be 'significant' and 46% predicting a moderate benefit.



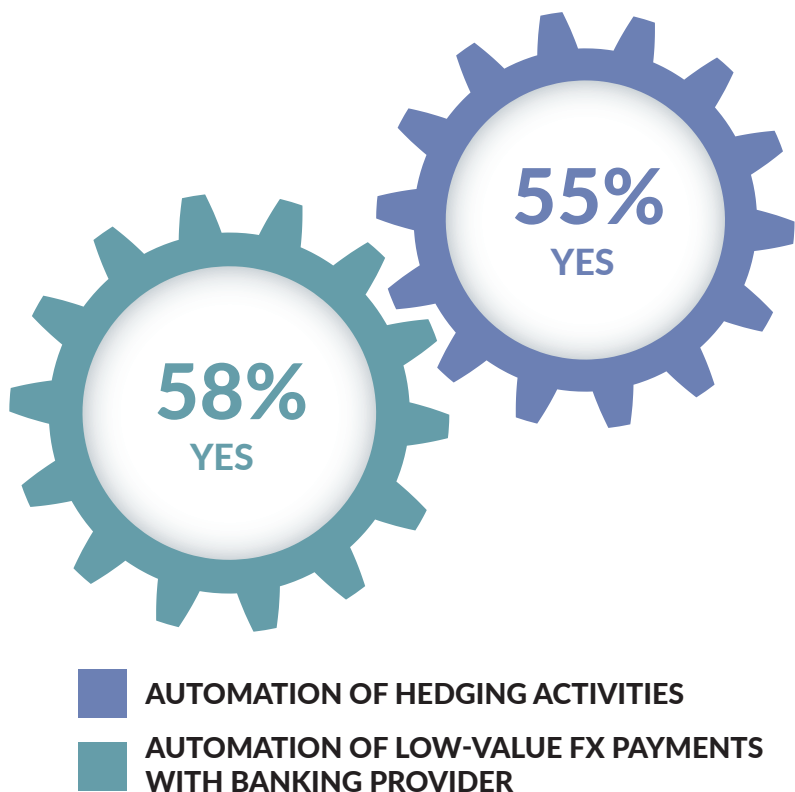
Which of the following digital trade solutions would you consider relevant to your trade business?

Building on the previous question, respondents then rated the potential usefulness of digital trade solutions. Electronic documents (40%) and online trade platforms (38%) were the clear winners. As seen in other questions, the appetite for using distributed ledger technology remains relatively small (7%).



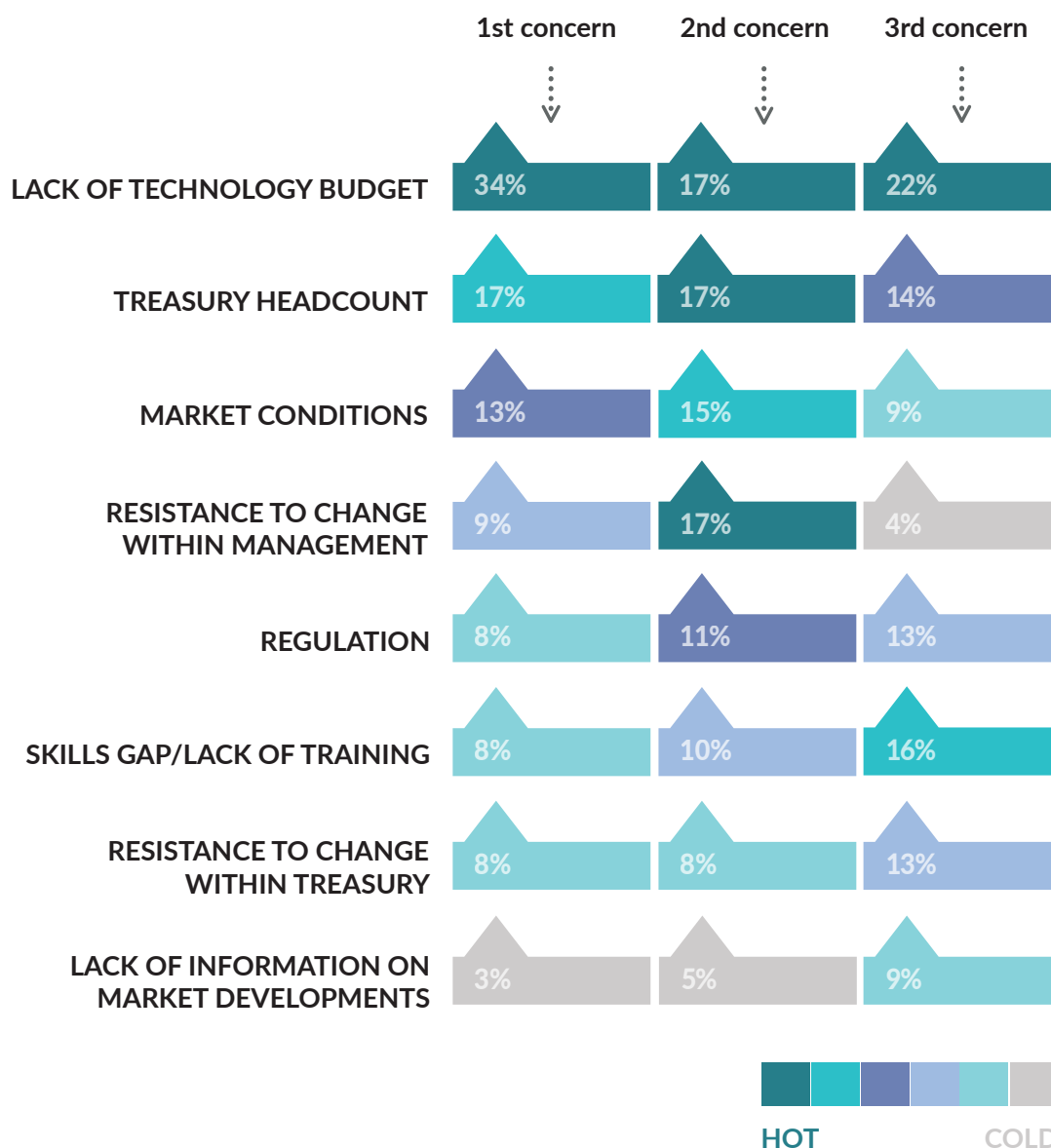
In the past year, have you considered the following as part of automating your treasury workflows?

As treasurers take on more strategic roles, automation is becoming increasingly important. Both hedging activities (55%) and transactional FX (58%) are areas ripe for automation, according to respondents.



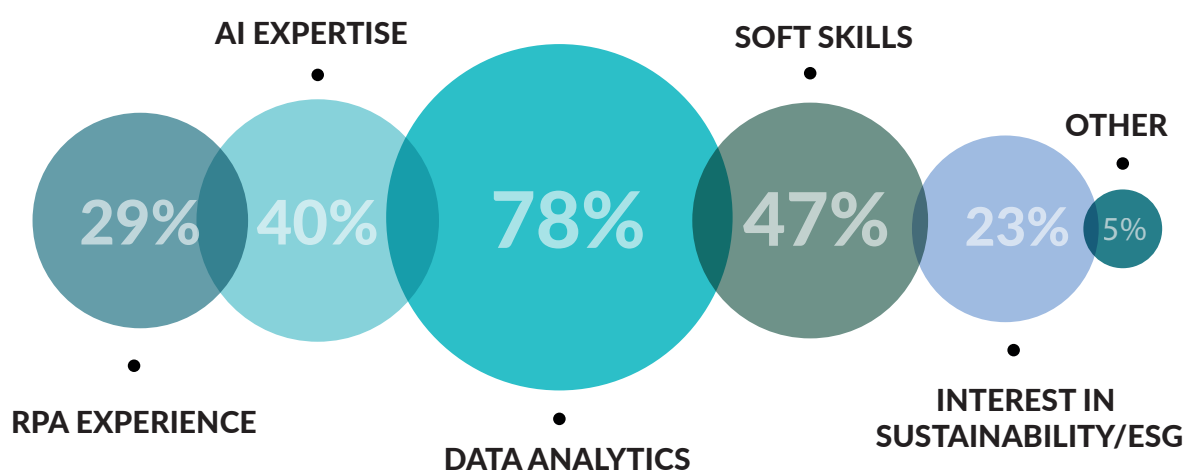
What are the TOP THREE hurdles preventing you from reaching your treasury goals over the coming 12-24 months?

A lack of technology budget was identified as the top obstacle preventing treasury teams from reaching their goals by 34% of respondents, compared with 31% last year. Market conditions do not seem to be as large a hurdle as they were in 2020, with just 13% citing this as their number one obstacle. Treasury headcount appears to be a significant challenge, with 17% picking it as their most pressing roadblock. The same percentage also picked it as their second most important hurdle. On a positive note, the vast majority of treasury functions have a good level of access to information on market developments.



Are there any new traits/skills you will be looking for in future treasury recruits – aside from technical knowledge?

In excess of three quarters (78%) of treasury leaders will be looking for any new recruits to be versed in data analytics – this resonates with the result from 2020 (76%). Soft skills remain the second most sought after capability, among 47%, closely followed by AI expertise (40%). The latter might explain why only 8% of respondents are currently using AI.



During the last 12 months, did your banking partner provide you with the support needed to navigate the Covid-19 pandemic?

When asked about the support they had received from their banking partner(s) since early 2020, three in four respondents reacted positively. Out of the 1 in 4 treasurers who did not benefit from the required support, only 2% are voting with their feet and switching banking partner.



**BUT STAYING WITH
BANKING PARTNER**

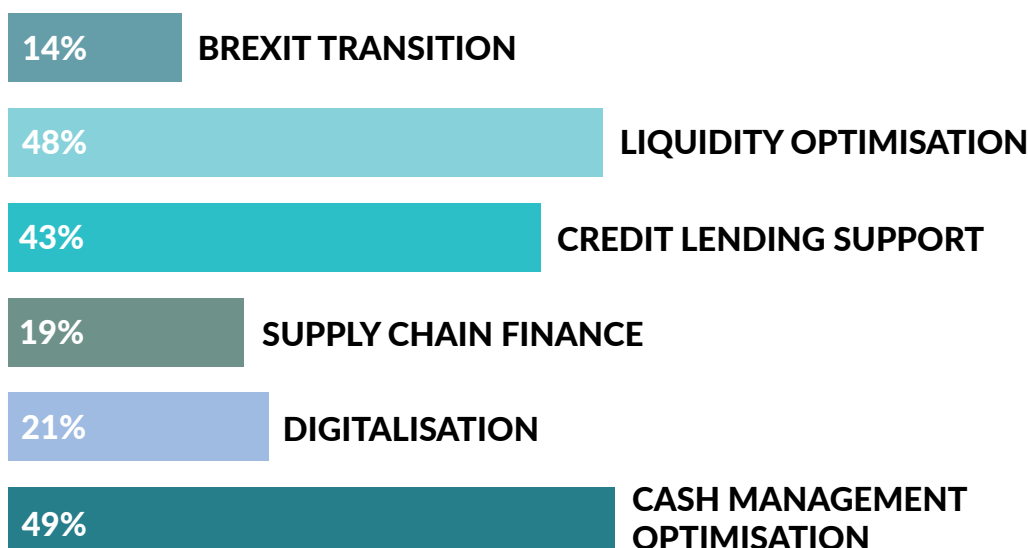


**MOVED OR MOVING TO
NEW BANKING PARTNER**



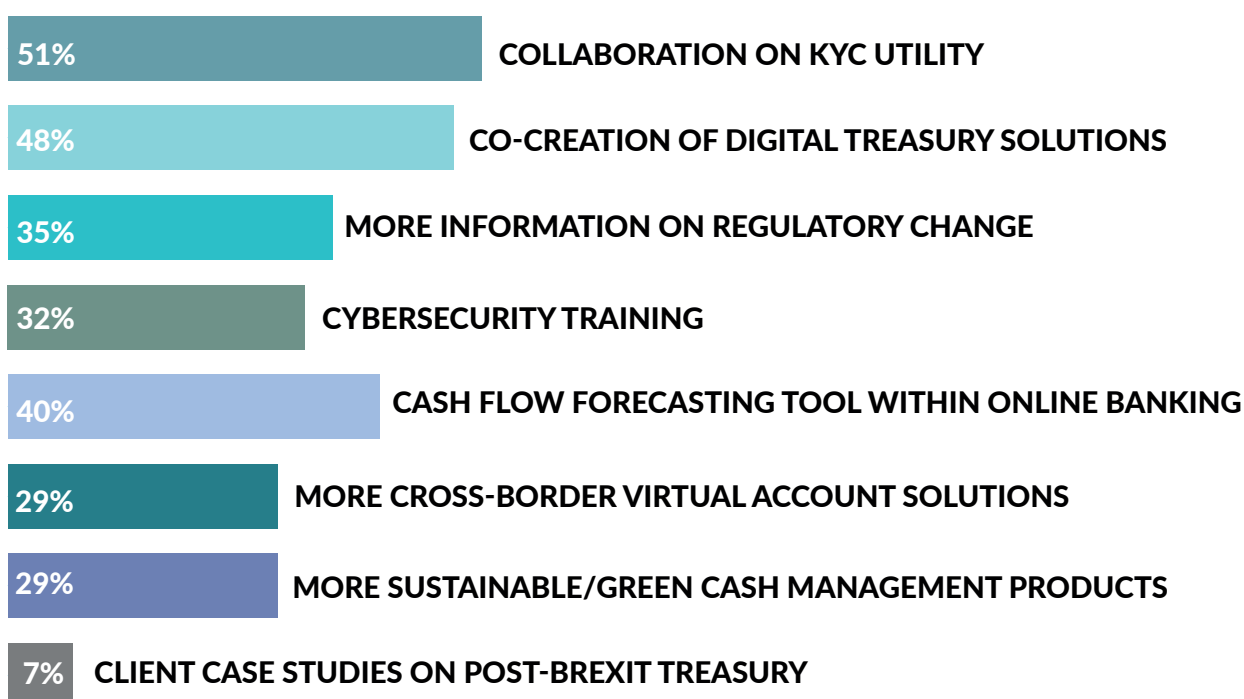
Given your experience in the past 12 months, what critical role has your banking relationship played in achieving your treasury goals?

While banks appear to have been active in 'traditional' supporting roles, such as liquidity optimisation (48%) and cash management optimisation (49%), fewer have helped corporates with solutions such as SCF (19%). The lack of support from banks around digitalisation (21%) and Brexit transition (14%), is also surprising and potentially reflects a disconnect between some banks and the needs of their corporate clients.



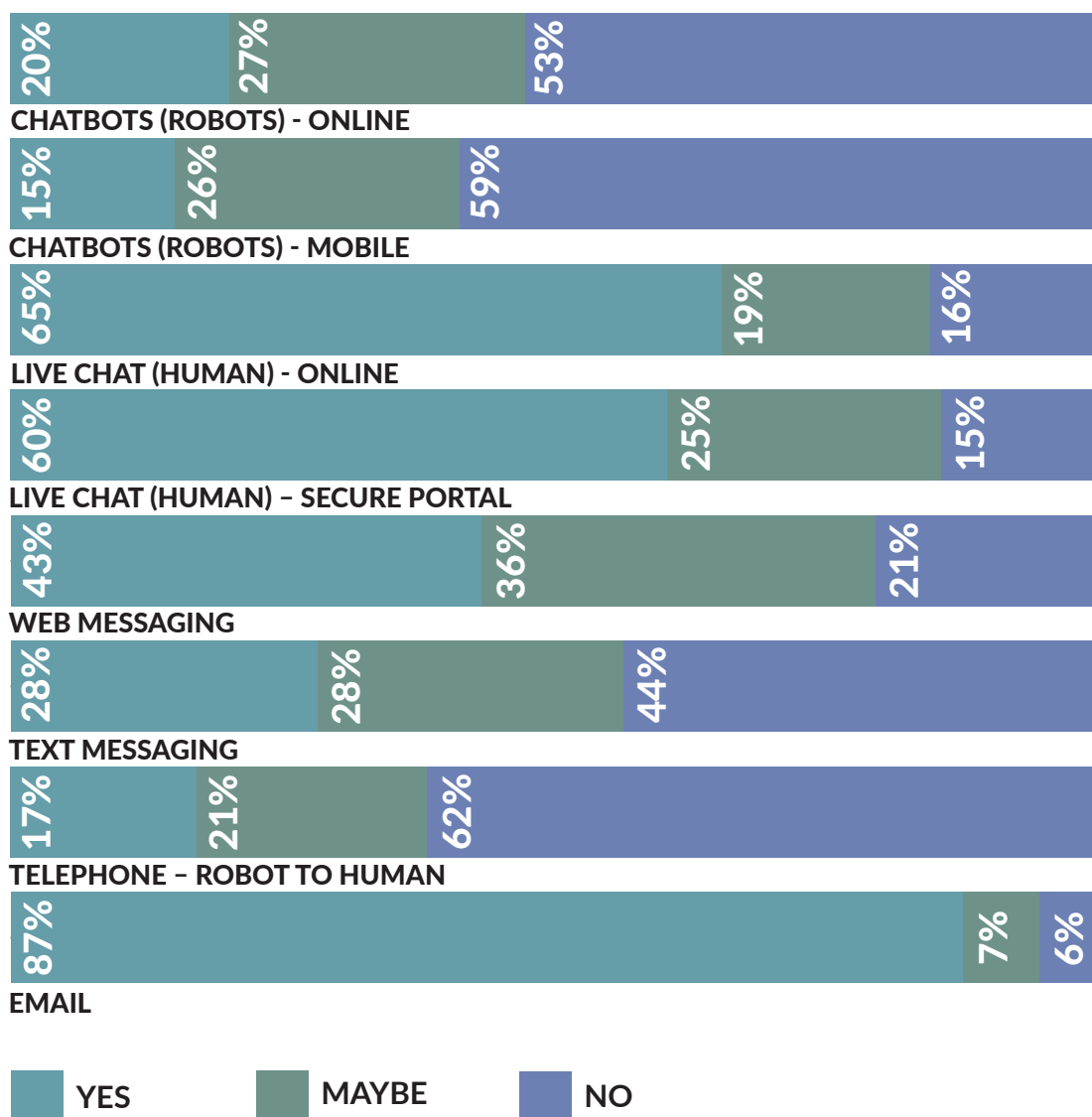
In what ways would you like to see cash management banks assist treasurers with their European business?

Respondents were vocal around where they felt more support was needed from banks operating in Europe. The 2021 results broadly reflected those gathered in 2020, with the creation of a collaborative KYC utility coming top (51%). Co-creation also remains a common wish (48%), as does greater knowledge sharing around regulatory issues (35%) and cyber risk (32%). The idea of integrating a cash flow forecasting tool into a bank's online platform was also popular, with four in ten voting for this to happen.



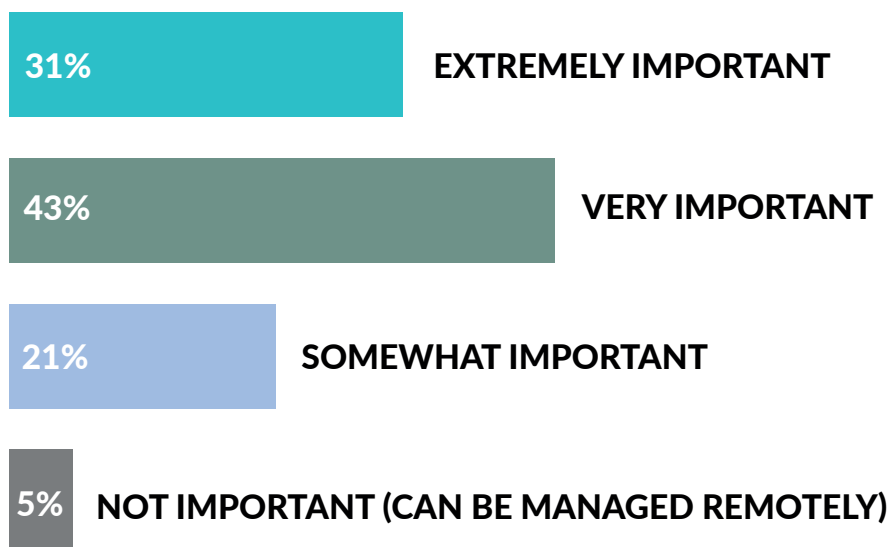
Which of the following digital client servicing tools would you consider using to communicate with your banking partner?

Another new question for 2021 assessed the willingness of respondents to use certain digital channels for communicating with their bank(s). Many corporates voted against the use of robots for communication – whether that be chatbots or telephone communication. In fact, there was a clear preference for chatting with a human, with 65% of respondents stating that they would be happy to do this online. Nevertheless, email remained the preferred digital communication channel (87%).



How important to your treasury business is localised client service and support from your banking provider?

At a time when certain banks have been withdrawing from targeted geographies and scaling back their physical operations, respondents were asked about the need for localised client service and support from their bank(s). Unsurprisingly, the majority feel it is either extremely (31%) or very important (43%). Only 5% believe localised support to no longer be needed, given remote capabilities.



Reaching Peak Treasury Fitness in 2022

Over the past 12 months, treasurers have adapted to an ever-changing external environment with incredible resilience. They have adopted new digital tools and workflows, shown creativity in their funding and investing practices, navigated Brexit and regulatory hurdles, and embraced innovation along the way. They have also embedded ESG into treasury's DNA and supported the wider organisation's goals – beyond purely financial aims.

As we enter the second half of 2021 and look towards 2022, treasurers must once again prepare for what lies ahead. The survey results demonstrate that there is room for improvement in several aspects, such as embracing robotic process automation in areas such as transactional FX, and fully leveraging real-time payment channels. Ongoing commitment is also needed to treasury training, not least in the field of cybersecurity, as the risks of the digital age increase.

Of course, treasurers are not alone in this continuous improvement journey. This report has highlighted several areas where banking partners can also look to make progress – ranging from their willingness to co-create with clients to expanding their range of ESG solutions. And this innovation must be built on a foundation of doing the basics well and supporting clients with both local and global capabilities.

This is precisely what Barclays Corporate Banking intends to continue doing in 2022 and beyond. A central pillar of this vision is our new corporate banking platform, which covers nine European countries in a single interface. Treasurers benefit from the same experience in each country – from electronic onboarding, right through to all the payments capabilities that they need, and more.

With its long European heritage, Barclays also has the insight, European reach, and digital solutions to help treasury functions reach and maintain peak fitness – regardless of the operating terrain.

To find out how Barclays can support your European treasury operations, visit barclayscorporate.com/europe.



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