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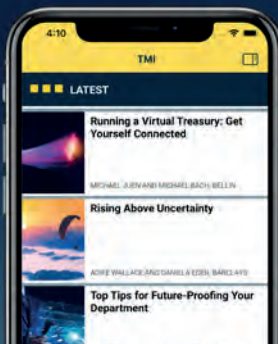
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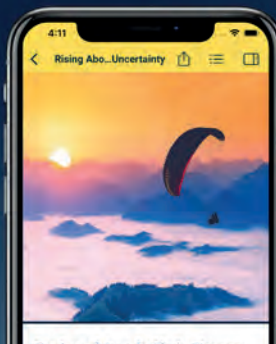
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AITI – The Italian Association of Corporate Treasurers



Associazione Italiana Tesorieri d'Impresa (AITI, the Italian Association of Corporate Treasurers) was established in 1992 by a group of finance professionals eager to broaden their horizons and to foster good corporate financial practice.



ASSOCIAZIONE ITALIANA TESORIERI d'IMPRESA

The Association now covers the whole of Italy and we continually expand the services it provides to our members; AITI has become a prime reference point in the treasury and financial field for all Italian companies. Membership has grown from 104 in the first year to nearly 800 today.

AITI has contacts with many treasury associations in other countries, and is a member of the European Association of Corporate Treasurers (EACT). It is also certified by TÜV Rheinland, a global service which tests technical systems and products around the world, supports technological and business innovation and promotes sustainability. The Association is led by a President and a board of directors consisting of 15 members elected every three years at the Ordinary Shareholders' meeting. The administrative and financial management of the AITI is audited by a three-member board of auditors.

All the members are keen to share their professional experience: AITI runs a wide range of workshops covering specific topics, plus technical commissions on subjects including payments systems, e-business and taxation. Networking and collaborating with financial institutions are among the many other services the Association provides. Some AITI members conduct an education programme in conjunction with university professors, as well as offering treasury management classes in commercial high schools.



FABRIZIO MASINELLI

Fabrizio Masinelli has been AITI Chairman since 2016. He is the Group Treasurer of Panini Group S.p.A.

"The mission of AITI is to enhance the profession of the treasurer and to increase its recognition among financial institutions."

The approval of the members – finance professionals working throughout Italy in some of the country's foremost companies

– testifies to the benefits of the work that AITI has carried out over the years and continues today.

RENATO TAGLIAVINI

Renato Tagliavini has been an AITI Board Member since 2012. He is a Senior Consultant at DocFinance S.r.l.

"After long experience as Treasury and Credit Manager in an international company, my current position is Senior Consultant at DocFinance S.r.l. - a leading treasury software company. I am happy to be part of AITI where I can communicate my passion for this amazing job and continue sharing our different professional experiences with other associates."



ANDREA CURTI

Andrea Curti has been an AITI Board Member since 2012. He is the Accounting Finance & Control Director at Montenegro S.r.l.

"Communication management is the most amazing challenge possible. After more than thirty years dedicated to every type of financial topic, AITI can expand professional knowledge, pushing towards significant new goals. Leading the finance department of a big company is a great career position, and supporting a treasury association offers similar results in terms of personal gratification."

GRAZIANO SABATINO



Graziano Sabatino has been an AITI Board Member since 2020. He is the Treasury and FP&A Manager at SI - Società Internazionale S.p.A.

"I am a versatile, reflective and solution-focused manager with expertise in treasury, financial control, strategic pricing and business development, with a high level of professionalism when approaching day-to-day work, thriving within a team or working independently to meet strict deadlines. My current position is with an Italian oil & gas company based in Milan. My purpose in joining AITI: to achieve continuous improvement and gain more knowledge, but also to be part of a network which shares personal interests and experience."

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Never a Dull Day

MY LIFE IN TREASURY: Jeannot Jonas, Assistant Treasurer, Cash & Capital Markets at Carrier Global Corporation

Carrier Global Corporation is an \$18.6bn S&P 500 company and a global provider of sustainable building and refrigeration solutions. It serves customers in 160 countries on six continents, employing around 53,000. It emerged as part of a spin-off in 2020 from the United Technologies conglomerate.

The call to treasury for Jeannot Jonas, Assistant Treasurer, Cash & Capital Markets, Carrier Global Corporation, came in 1989. After 31 years and counting, he is able to state: “I have never had a dull day.”

It’s a quite a claim but nonetheless one he believes will resonate with many others in the profession, being an occupation that delivers change on a daily, sometimes hourly basis. And it is never knowing what will happen next that has proven to be the foundation for many a long career, including his own.

An accountant by training, remarkably Jonas has never worked in that field. He started his career in banking in his home country of Luxembourg, before making the switch “from the dark side” into the “light” of treasury, moving up the ranks and on the way becoming Chair of the Luxembourg Association of Corporate Treasurers.

Today, he oversees all past, present and future capital markets transactions of the \$18.6bn S&P 500 company, Carrier Global Corporation. This he does alongside

By **Tom Alford**, Deputy Editor

managing all of the firm's domestic cash and global cash pooling operations, and, more recently, its pension and benefits plans.

"I fell in love with treasury because there is never a boring moment. You never know what's going to happen," states Jonas. "What's more, you also really get to know the company you work for, from A to Z, because in almost every aspect of corporate life, treasury is somehow involved."

Of course, a business is made up of many people and skills, and Jonas is quick to acknowledge this. Without the people on the shop floor making the product, there is no treasury or anything else. "It's my opinion that the shop floor is the most important element in any business, and I'm not budging on that!"

Naturally, he believes that treasury is a vital element too, attracting people of great talent. Indeed, he describes the individual who gave him his first treasury break, as a Cash Manager, as "one of the smartest people I have ever met". Here, he learned a vital lesson that has stayed with him throughout his career.

"It was drilled into me that the last thing you should do as treasurer every night is to write yourself a to-do list for the next day," he recalls. "What has kept me in treasury so long is the fact that every time I did that, in the morning when I arrived for work, the first thing I had to do was take that list and throw it in the bin."

Needless to say, the lists stopped a long time ago, but the unpredictability of treasury life persists. It is a feature that not only holds the interest for people like Jonas, but also serves to uncover the best practitioners. As Jonas notes, "most of the successful treasurers I have met over the years share a common, essential feature: adaptability".

Great responsibility

It's part of the remit for most treasurers to be dealing in large numbers. Not just the billions of dollars being transacted, but also, for Jonas, the sheer scale and geographic reach of operations; 160 countries and six continents makes Carrier an indisputably global entity.

But by adopting a "focused approach" to treasury, he is not fazed by the enormity of some of the figures. "Often we don't have the time to stop and think about

the scale. As treasury, we know that if we are not able to fund these operations, for whatever reason, it is going to impact the lives of many." But, he adds, "We never stop thinking about the numbers".

The responsibility attached to the role can sometimes give him "less rest" than he otherwise might have, but he has learnt to approach his duties armed with the right mindset, and some pretty useful technology too.

"Smartphones and laptops didn't exist when I first started in treasury. I had a computer screen and when I left the office, that was it for the day," he says. Nowadays, like many professionals, he can stay in touch anywhere, at any time.

Accepting that 'always on' mode "comes with the territory," Jonas admits a preference to being alert to any event to which he is able to respond, wherever and whenever it happens – even if that happens to be on the other side of the world. "I'd rather know so that I can address it in the morning or redirect it to a team member in a different time zone to tackle head-on. It means there are no nasty shocks." It's a rational approach that comes with experience.

Clone and cleanse

Jonas joined United Technologies Corporation (UTC) in 2012 via its acquisition of Goodrich Corporation, a company he had been with since 2001. He started at Goodrich as its Geneva-based Director of European Treasury, moving to the US in 2007 as Director, Global Treasury Operations, and then from 2010 as Director, International Treasury and Corporate Finance. With the acquisition Jonas became UTC's Senior Treasury Manager, rising in 2017 to Associate Director of Treasury, before the spin-off in 2020 placed him in his current role.

The experience gained as he has risen through the ranks has served Jonas well, not just in his approach to tackling emergencies, but in planned activities too, being appointed treasury-lead for the spin-off charged with overseeing the creation of two brand new treasury departments (Otis Elevators was also part of the split, with the simultaneous merger of UTC with Raytheon Technologies).

"There was a famous in-house term that came from this period," he recalls.



JEANNOT JONAS

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I fell in love with treasury because there is never a boring moment. You never know what's going to happen.

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"We all laugh about it now, but the concept of 'clone and cleanse' really helped us through those initial stages." The idea was, as the phrase suggests, to replicate UTC's treasury systems and processes within Carrier and Otis, with all unrelated aspects being removed.

From the announcement of the spin-off to the point where all parties were standalone publicly traded companies, it took 15 months. The timescale was set by the board of directors of UTC. This was driven by the merger of UTC into Raytheon that was contingent upon the spin-offs taking place by 3 April, 2020.

With no leeway, 'clone and cleanse' became more than just a convenient mechanism: it was essential. But now, with the world remaining in a constant state of flux, Carrier's new treasury is "taking a hard look at all and any inherited systems and processes, to make sure they are truly adapted to Carrier's needs."

Although it has multiple banks in its current revolver – Jonas sees continuity in this instance as "a good thing," with most relationships intact. However, the shift of Carrier from its position as part of the UTC conglomerate, to being a standalone player, heralded change on the bank DCM and with the ratings agencies.

To date, Carrier by itself has not yet been able to match the former UTC conglomerate's across-the-board A ratings – it is BBB by S&P, and BBB – by Moody's and Fitch. The difference may generate a slight price premium, but with Carrier mostly trading as BBB or BBB+, Jonas is not concerned. Indeed, as a condition of UTC's merger with Raytheon, both Carrier and Otis are already highly leveraged. However, with a strong cash position on its balance sheet, Carrier has no immediate funding needs.

Ahead of the curve

With all the changes and the challenges met head-on by Jonas, clearly he harbours more than just technical know-how.

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With so much still to learn, and with the thrill of its unpredictability unwavering, Jonas still finds joy in his life in treasury.

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He is a linguist, speaking six European languages fluently. He is also highly adaptable and ready to "listen and learn from anybody, from superiors, to peers, to direct reports."

Formal learning is important to him and as a member of the AFP, he encourages his team to consider pursuing AFP's Certified Treasury Professional "as something that will be a benefit to them in their career". But he emphasises the importance of continuous education for all, a commitment that he says will often find him reading the literature voraciously, and attending events and courses, "to keep ahead of the curve."

One area that he feels deserves special attention is treasury technology. He believes artificial intelligence (AI) in particular is going to have a huge impact on the profession. "There is still a lot of time in the day that treasurers spend on non-value-adding tasks," he explains. "To free up that time, to be able to devote it to value-adding activities, systems are needed that can take over the administrative aspects of the job."

Whilst Jonas accepts that tools such as AI and robotic process automation (RPA) may see treasury departments of the future staffed by fewer full-time employees (FTEs), he does not foresee a fully automated AI-driven function. "There are many aspects of a business that AI cannot know," he argues. "We'll still need human treasurers."

The future treasurer can expect a number of changes, but then for Jonas, that's

precisely what keeps it interesting. "It's now a matter of the individual making sure they acquire the necessary skillset to go to the next level," he advises.

For juniors seeking a life in treasury, "learn, learn, learn" is the mantra he suggests. "When I started my career, people in finance were told they didn't need to understand what the company did. That turned out to be completely untrue." Anyone entering the profession today should, he feels, gain exposure to as many different aspects of corporate treasury as possible, making certain to "pick the brains of as many other treasury professionals as you can find".

For all treasury professionals, he avidly encourages "exposure to the business units, talking to the people on the ground so you know what they do, and they know what treasury does. Only this way "can we work together to make the company more effective". The process, dubbed the '360 philosophy', was implemented within Goodrich treasury. Today, Jonas is fully intent on bringing it to Carrier, describing it as "extremely informative for us all".

With so much still to learn, and with the thrill of its unpredictability unwavering, Jonas still finds joy in his life in treasury. Despite early protestations from a wary father that he was "throwing away a safe career" in banking for the Wild West of corporate life, he continues to move onwards and upwards, quite clear in his mind when he says, "I've never looked back." ■



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Is it Time to Appoint a Chief Liquidity Officer?

By **Tom Alford**, Deputy Editor

In the current trading environment, where companies really need to have both acute visibility over their financial assets, and the most effective plans to manage them, we ask if the time has finally come for the Chief Liquidity Officer.



Never heard of the Chief Liquidity Officer (CLO)? It's not a C-suite moniker that has too many takers to date, so it's not surprising if it has passed you by. But maybe it is time, given the volatile markets in which the world's businesses operate, to dust off the idea, find a suitable incumbent, and send them into battle. Ideally, they would be armed with a new focus and authority to fortify corporate liquidity, bring about full cash visibility, and steer cash management from a central command position. It certainly sounds energising.

The CLO role first garnered public attention back in 2002 when Ellen Heffes, writing in *Financial Executive* magazine, suggested the title for treasurers of Fortune 1000 companies. It was later picked up by Jean-Luc Robert, CEO, Kyriba, in *CFO* magazine. He proposed that organisations should explore designating a CLO as "a single, authoritative point of accountability that oversees the life cycle of liquidity and reports to the CFO". And he too thought that it was a made-to-measure step up for the corporate treasurer.

Robert's main argument for creating a CLO is that the appointee would be invested with the authority and credibility of C-suite status, empowering the creation and execution of a truly holistic liquidity strategy. Equipped with the necessary resources, it would be possible for the CLO to drive improvements in forecasting, payments and working capital, with unhindered access to "the many levers" that can affect these activities.

Of course, the ground needs to be prepared for the CLO's arrival. For Robert, this means centralised, standardised, integrated and automated process flows. With the addition of artificial intelligence (AI), machine learning and advanced prescriptive analytics, that groundwork is future-proofed for a generation.

But then, with that level of investment in technology, does the CLO really need to exist? Couldn't the treasurer, who has stepped up to the plate in recent times more than most outside of the profession know, just carry on being treasurer? Furnished with the level of insight and tools that enable the precision-steering of cash management from a central command position and, ultimately, the

fortification of corporate liquidity, is surely treasury territory?

It certainly appears to be the case, but a 2019 International Data Corporation (IDC) survey revealed that only 1% of treasurers believe their companies are currently well equipped to benefit from better process centralisation and automation. Given what has happened so far in 2020, the lack of tools is not going to have improved much, if at all.

With different functions within the enterprise owning different fragments of liquidity – treasury owns cash and investments, procurement owns suppliers and spend, operations owns inventory – IDC argued that managing liquidity performance from the top level is paramount if enterprise liquidity is to be optimised. And we're back to the idea of the CLO again.

Necessary or not?

The ongoing global health crisis emphasises the importance of good liquidity management for corporates and many are increasingly prioritising this, notes Serina Hourican, Head of Asia Pacific Global Commercial Sales, Global Transaction Services, Bank of America.

"Since the last financial crisis, treasurers have shifted from running traditional back-office treasury tasks to being responsible for efficient working capital management," she notes. "Given the growing number of responsibilities for treasurers and CFOs, now is the best time for corporates to reassess their finance structures and consider the need for a CLO."

The title alone underscores the importance of liquidity within the organisation, comments Ed Lopez, Chief Revenue Officer, Calastone. "It was always there, as a subset of treasury, but in current trading conditions, having someone at a senior management level who is focused solely on this function takes it to the next level," he says.

As well as a person of that seniority having a direct line to the strategic thinking of other C-suite inhabitants and the board, the degree of focus on the company's global cash positions should afford both rapid and deep insight into how best to respond to market volatility wherever and whenever it surfaces.

“

Now is the best time for corporates to reassess their finance structures and consider the need for a CLO.

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SERINA HOURICAN

Head of Asia Pacific Global Commercial Sales, Global Transaction Services, Bank of America

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In current trading and economic circumstances, CFOs should be focusing on safeguarding liquidity; they can do this by appointing a CLO.

”

Defining the task

“We see the more traditional treasury functions dealing with a range of duties ranging from cash management, FX and operations,” comments Hourican. “But the role of a CLO is one that involves a long-term strategic approach to managing and ensuring optimal liquidity across an organisation.”

From her perspective, the CLO should command a top-down view of liquidity performance and the overall liquidity strategy across the organisation. It is certainly not one for supporting “fragmented and unaligned liquidity strategies across individual business units”.

The responsibilities of the CLO would therefore involve managing end-to-end liquidity, including assessing liquidity structures, investments, funding for acquisitions, cash forecasting, and

managing financial risks. But importantly, Hourican believes, “it would be about pivoting from being a cost-centre to a potential profit centre, enabling faster growth for the organisation”.

To come close to this, the CLO would have to develop a broader scope, becoming attuned to facets such as IT and regulatory and compliance matters, at least as far as they impact liquidity, notes Lopez. Of course, most treasuries are already engaged with these elements, and indeed has many others within its remit. However, the core purpose of the CLO is, as Hourican alludes to above, to be focused.

The CLO, as a senior management figure, means viewing liquidity from the perspective of organisational peers, but ensuring understanding, buy-in and implementation of the organisation’s liquidity profile and strategy is driven from the top down.



Liquidity management is vital in times of crisis since companies need assurance that they can access cash when experiencing credit constraints, notes Christian Bartsch, Professor of Finance & Accounting, IUBH University of Applied Sciences, and a treasury and finance consultant.

The problem, when it comes to controlling and managing liquidity, is that, as the 2019 IDC survey proved, treasury owns cash and investments, procurement handles suppliers and spend, and operations manages inventory. Bartsch cites Robert’s Kyriba research, noting that it really is challenging for organisations to separate these baked-in divisions.

But where this is evident, he argues that the introduction of a CLO, whose functions admittedly will have “a significant similarity with that of the treasurer”, may enable the provision of greater fund visibility and centralisation through the role’s focused liquidity management.

To encourage progress, he cites a paper by Marie Hollein, a board member of Carnegie Mellon University and former President and CEO of Financial Executives International, who advocated that successful organisations allocate more resources to ensuring stable liquidity, particularly as a foil for uncertain times. The CLO role, for Hollein, is therefore necessary because it helps identify the availability, acquisition, and conversion of liquid assets, becoming a de facto facilitator of collaboration.

In terms of suitability for the role, Bartsch believes that the treasurer

is best placed, not least because there has been rapid development in treasury’s capacity “to enhance growth and enterprise-value”. With rapid advancements in technology enabling treasuries to assume more advanced responsibilities, he says offering the CLO position would be “acknowledgment of the treasurer’s evolving role”.

Indeed, his view of the CLO is as “an advanced treasurer, using a holistic approach to devising liquidity strategies”, reporting on the availability of liquid assets to the CFO yet retaining “independence and authority”. He adds that even the management objectives of a treasurer are similar to those that would be required of a CLO, including establishing cash resources, optimising short-term financing, and accessing financial support investments in capital assets.

However, in addition to the treasurer’s traditional role as custodian of cash, Bartsch says as CLO “expansive and strategic responsibilities” in managing liquidity would be required. Here, several existing attributes enable the treasurer to advance their liquidity management approach which, citing Hollein again, he says includes well-developed skills around risk management, analysis, and execution.

Traditionally companies have been dependent on the treasurer’s strategic, analytical and execution skills. Now, argues Bartsch, there is a need to enhance this standing by combining core elements of liquidity from procurement, operations, and treasury itself. “In current trading and economic circumstances, CFOs should be focusing on safeguarding liquidity; they can do this by appointing a CLO.”

Treasurers often bemoan the fact that few in their business know or understand what treasury does, at least until something goes wrong. It may be, in some senses, a back-handed compliment to remain in anonymity, this suggesting treasury has kept the business on an even keel.

But to many professionals this may also be a source of frustration. Here, Lopez agrees with Robert's assessment that the status accorded to the CLO would lend it the necessary gravitas to place an appreciation of liquidity management high on the agendas of all other functions. It would, he adds, also afford it the power to enforce, should others fail to adhere.

Skills, tools, resources

To be the command centre for liquidity management, the CLO would require access to the vast amount of data that an organisation generates. Only this way can they ensure a holistic view of working capital across the organisation, says Hourican.

"With the use of technology such as AI and bots, information on cash flows can be generated and presented in a way that is easy to understand," she says. "However, having the right information is not enough. Before all of this can happen, the most important task for the CLO is to establish good relationships with all stakeholders, gaining access to the information."

These relationships will integrate the understanding of present and future plans of each business unit, so that the CLO can meet the liquidity requirements of these plans.

The focus of the CLO is therefore as much about having the time to do the job, and the human side of it, as it is about having access to the right tools to assist. Appropriate technology will likely play a major part in facilitating the success of the incumbent, but the precise structure of the IT stack depends on the size and complexity of the organisation.

"For a multinational or multi-regional business, being able to track balances and cash deposits across multiple accounts around the globe is essential," says Lopez. Indeed, only then can it build and implement policy around key aspects, such as how and when cash is repatriated, its approach to aggregation and conversion, and how its excess balances are handled.

But in many cases, he notes, cash

positions are acquired via a lot of manual communication and re-keying of data. Where a single, enterprise-wide platform is the ideal, the reality is more likely to be a host of unconnected spreadsheets, or multiple instances of siloed legacy treasury management systems and enterprise resource planners (ERPs).

"Treasury systems can deliver a real-time 'dashboard' view of a global cash position, and even predict where it's coming from and when," says Lopez. "But when the CLO is dealing with multiple instances of a TMS, or does not have access to one and is forced to operate manually, to be able to achieve anywhere close to the ideal they are going to have to drive improvements."

Treasuries are typically cost-centres and securing the budget for IT programmes can be challenging. Again, the CLO will have the necessary influence to be able to present a persuasive business case, and then be able to articulate that into a cohesive strategy.

A key pillar of the argument will be based on risk mitigation, especially under current circumstances. But Lopez points out that using technology to increase return on investments could even take treasury out of its cost-centre position and, if not exactly move it into profit-centre status, at least neutralise its costs.

Treasurer suitability

There really is no finance professional better placed to assume the role of CLO than the treasurer. It's not just a matter of having a profound understanding of liquidity – which treasurers clearly already have – it's also essential to be familiar with the nuances of the whole corporate finance infrastructure.

At the very least it means having the internal and external relationships to be able to keep the processes and information flowing when black swan events, such as the current enforced lockdown conditions, arise. If events of this nature propel the need for increased process automation to take up the strain of a diminished workforce, for example, then being able to prioritise such a programme will be essential and only the treasurer has that broad level of understanding.

"Arguably, the treasurer is already fulfilling most of what a CLO role is," says Hourican. "The main difference is that the treasurer is in charge of day-to-day

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Using technology to increase return on investments could even take treasury out of its cost-centre position and, if not exactly move it into profit-centre status, at least neutralise its costs.

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CHRISTIAN BARTSCH

Professor of Finance & Accounting,
IUBH University of Applied Sciences

TREASURY THINKING

The need for a CLO remains uncertain for Ken Bugayong, CFA, Treasurer and Board Member, at non-profit educational organisation Minds Matter Seattle. “Most of the functions that a CLO might take on are well within the scope of the treasurer” he states.

Indeed, his take on the CLO role is that it is “a treasurer with augmented responsibilities and an emphasis on liquidity management”. He agrees that such a focus is relevant in current circumstances, with shutdowns around the world testing the skill of treasurers to keep their companies operating, raising liquidity, as necessary. “If a company were to create a role to specifically manage liquidity, in addition to employing a treasurer, in my opinion, there might be some redundancy of purpose. For that reason, I view the CLO as an elevated form of the treasurer.”

The importance of handling liquidity well is not in question. But being able to do so requires knowledge of four key aspects, says Bugayong. This is where treasurers demonstrate their value.

The four key aspects of liquidity demand certain skills and resources which should be at the disposal of the treasurer, says Bugayong. When it comes to raising capital, for example, not only are good relationship skills important, but it is also necessary to have a solid understanding of the business and its capital markets activities. “In forecasting liquidity needs of the business, you need to know, for instance, not only if there is a seasonal factor that might indicate liquidity strain some months down the road, but also if there is a change in the appetite of the investment community for providing additional credit.”

Digital transformation

Perhaps one of the most important developments that treasurers should also be attuned to is the proliferation of technology and the idea of “digital transformation”, says Bugayong. His own awareness is somewhat heightened by his experience working in tech-based companies Amazon and Expedia Group. Today, in addition to his role as Treasurer at Minds Matter Seattle, he is also a Financial Technology Instructor at the University of Washington.

“A CLO would have to deal with internal business partners to understand their needs from a liquidity perspective. They’d also have to understand market forces that might be affecting that. I believe that a strong technological skill set would therefore be essential for anyone in this position if the company is to assimilate and make sense of all the available sources of information, and be able to respond to it effectively.”

With treasurers responding to current market volatility, most are already focused on immediate liquidity needs. But Bugayong knows that many of his peers are continuing to respond to longer-term requirements, recognising that failure to implement flexible planning could spell financial disaster. “At Minds Matter, a charitable organisation, I am not only looking at our short-term liquidity needs, covering the next fiscal year, but I’m also developing a longer-term framework to make Minds Matter more sustainable.” Doing so means assuring more support for students from the low-income sector; for treasurers in commercial organisations, it’s about planning for growth.

Bugayong nonetheless acknowledges the authority of the CLO’s C-level status. “People tend to ascribe more importance to this level, so having a CLO would naturally endow liquidity management with more gravitas,” he says. But, he argues, with both treasurer and CFO roles tackling liquidity but also managing expanded remits, appointing a CLO could introduce overlapping responsibilities.

“From what I’ve seen, most companies want to make sure their organisational structure is prudent. If a company wishes to appoint a CLO alongside a CFO, it will likely reassess the scopes of the CLO and the treasurer to minimise redundant functions,” says Bugayong. “But this seems sub-optimal to me. It is difficult to separate liquidity from treasury because it is a fundamental part of the job, and treasury does so much more besides. It may be more apt to rename the Treasurer as the new CLO.”



KEN BUGAYONG, CFA

Treasurer and Board Member,
Minds Matter Seattle

Stewardship

Liquidity stewardship means looking at current liquid assets, making sure these are placed in the proper channels and mobilising them as necessary.

Deployment

Assets must be deployed optimally across the company, for example, ensuring every entity within the company is sufficiently funded to meet current and projected expenses, or having sufficient liquidity for major capital deployment activities such as dividend payments or acquisitions.

Planning

Liquidity planning is about ensuring there is sufficient cash flow to meet future demands, or raising additional capital if not. The inability to project longer-term liquidity needs has seen many businesses close in current circumstances.

Relationships

When capital needs to be raised, a focus on building good relationships with external financing partners and investors is essential.

operations, while the CLO performs a strategic role focusing on the long term.”

Essentially, she sees that CLO role as a combination of the strategic cash management responsibilities of the treasurer, and the chief investment officer. The CLO would act as business partner to the other departments in the organisation, and an adviser to the CFO, she says.

“In order to maximise success for the CLO, incumbents should be senior in the organisation, most likely reporting to the CFO, acting as a point person or team to oversee liquidity objectives for the company.” Given that the main goal of a CLO is to achieve optimal liquidity performance, success will depend on how well they can align the liquidity objectives for each business unit which, as Hourican notes, “are likely to be disjointed to begin with”.

Taking it to the next level

As a matter of course, the CEO should be alert to liquidity matters. However, if treasury has been taking care of it, the CEO may not realise how the business could benefit if one person were appointed to take full responsibility.

For a treasurer to move into the CLO role, it will likely involve consultation between the CEO, CFO and the Group Treasurer, says Lopez. “This really should be driven from the top, but I think the awareness that this could and should be its own function is going to have to have a lot of facts and figures input from treasury.”

To secure the attention of the CEO and CFO, building a business case for the role itself will need to appeal to the bottom line, says Lopez. Success will require a firm underlining of the capacity of the role to focus on capital requirements while reducing risk and regulatory exposures.

This means proving that it can bring about the optimisation of cash balances, unlock potential operational savings, secure improved returns on investments, and even (as Kyriba CEO, Robert, has said) ensure fewer missed earnings targets. Ultimately, the creation of the role could deliver faster growth by virtue of additional liquidity made available by the incumbent’s remit to focus daily on the implementation of their own evolving liquidity strategy.

“The CLO would need to leverage their position within the organisation, as an

adviser to the CFO, have a firm grasp of all the liquidity requirements, concerns of the business units, and build a strategy that is all encompassing,” suggests Hourican. “Not an easy challenge.”

Indeed, liquidity requirements are usually fragmented across an organisation, whether that be funding needs and timings, or the prioritising of these needs. “The CLO would be faced with demanding requests,” she says. “That is why it is important that the CLO has a top-down view of the organisation’s cash flow positions in order to ensure liquidity is put to work where needed.”

A possibility here could be making the business unit accountable to the CLO, from treasury to procurement to operations. “The CLO should have the power to make decisions and execute in line with the firm’s objectives and risk management framework,” explains Hourican.

It will take a progressive view to move beyond just managing liquidity into the realms of fully optimising it. Technology will be a key part of this progression. But in this space, deploying machine learning algorithms, prescriptive analytics, and intelligent automation and execution, secured across the board by blockchain technology, is a highly advanced vision of real-time liquidity management, open to very few, if any, businesses.

Until then, Lopez suggests that one of the central functions of the CLO (or the liquidity-focused treasurer) will be leveraging technological developments that are heading in the direction of this ‘futurescape’. Of course, the successful CLO will then be defined by their own consignment to the history books.

A nuanced decision

While the evidence presented clearly indicates that expert liquidity management is important at the best of times, and vital in the worst, the need to create the role of CLO is not always so obvious. Yes, a CLO would theoretically have more influence among senior executives, but to counter this, the nature of treasury affords it a broader view and understanding of every connected financial element within the business.

Arguably, the most appropriate course of action is therefore to empower treasury with the right tools to ensure all the information is to hand, in a timely manner,

to be able to make the best possible liquidity management decisions. But it also means ensuring treasury’s voice is heard loud and clear at the top, and that appropriate support is given from on high, when and where it is needed.

If the bedrock of high-level support, allied with suitable technology, is laid, then treasurers are more than capable of doing the rest, building and maintaining internal and external connections, balancing the financial needs of the business, and ensuring the lights remain on, especially during the darkest moments. Rather than considering the rise of the CLO, perhaps companies should be embracing the rise of the empowered treasurer. ■

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It is difficult to separate liquidity from treasury because it is a fundamental part of the job.

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ED LOPEZ

Chief Revenue Officer, Calastone

Running an Award-Winning Treasury...From Home

When Hitachi Capital UK's treasury team planned the implementation of a host of new business continuity processes and digital treasury tools, Covid-19 was unheard of. Fast forward to March 2020 when lockdown began in the UK, and the five-strong team was well-prepared for these most challenging of circumstances. Here, they share highlights and learnings from their journey so far.

By **Eleanor Hill**, Editor

Sometimes, the right ideas are acted upon at just the right time. For Hitachi Capital UK (HCUK), a provider of financial solutions for retail, motor, business and consumers, its judgment could not have been better.

During 2018/19, HCUK's treasury team had planned and executed delivery of a new funding strategy – including an oversubscribed first public

bond issuance – implemented a new treasury management system (TMS), installed a VPN-accessible Bloomberg terminal, further automated its treasury processes, and gone paperless. But this was not just the project list that helped HCUK win the TMI Treasury Team of the Year 2019 Award. It was also the transformation initiative that enabled treasury to keep delivering as lockdown measures and the imposition of homeworking started to bite.

Jeremy Johnson, Group Treasurer, HCUK, explains: "All of the projects we undertook prior to lockdown were the right thing to do, especially for our business continuity planning [BCP]. We were keen to transform into a digital and resilient treasury function – and our timing on the delivery of this was extremely fortunate."



Solid groundwork

The move to paperless was driven by Sam Robinson, HCUK's Deputy Treasurer. "Existing paper-based processes were frustratingly inefficient and potentially risky – given the potential for errors in manual workflows, as every treasury professional knows."

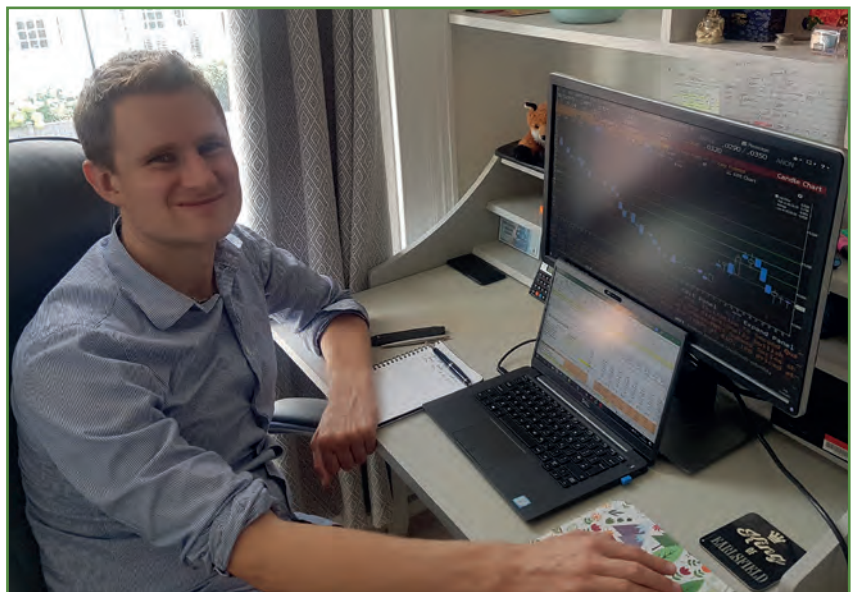
By building ways of tackling these inefficiencies into the larger TMS-replacement project, it was evident that document digitisation and automated digital signing and sharing would present a massive time saving. The curse of printed documents being lost or forgotten until the mad scramble at audit would also be lifted. "Things are so much more straightforward now," says Robinson. But as the UK went into lockdown, so HCUK was heading into its year-end. And without the new paperless set-up, he acknowledges "it would have been very difficult to tackle from an audit perspective".

Lockdown moves

Although the idea of lockdown in the UK seemed almost inconceivable in the weeks before it happened, Johnson had become increasingly concerned about the family situations and travel arrangements of different team members should it happen. "I suggested that some of the team could try working from home for a few days, just to see how it went," he recalls. "By the Friday, it was just me in the office. I thought, 'There's no point being here,' so the whole team had effectively stopped coming into the office just before lockdown was announced the following Monday evening [23 March]. So, again, we were just ahead of the curve – and that was incredibly helpful."



JEREMY JOHNSON

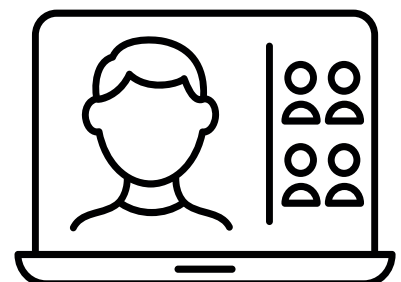


SAM ROBINSON

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All of the projects we undertook prior to lockdown were the right thing to do, especially for our business continuity planning.

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GAVRIELA TSENTZOU



HABIB NASIM

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We were keen to transform into a digital and resilient treasury function – and our timing on the delivery of this was extremely fortunate.

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While most of the team had laptops with them, it was necessary to move other essential hardware, especially larger computer monitors, to their homes. With an office refurbishment that had been going on at the time, Johnson was able to exploit another fortunate circumstance, liberating and dispatching unused equipment that had been locked away for safety in a storeroom. With the team suitably equipped from an IT perspective, what was the personal experience for those at the sharp end?

Finding silver linings

Gavriela Tsentzou had only joined HCUK as Treasury Assistant on 2 March 2020. Between then and lockdown, she had accumulated fewer than 10 office-bound days. As a junior, knowledge of her daily tasks was limited. “At one point, I was at home with a laptop not knowing what to do,” she recalls. “It was a stressful situation.” But she had a helpful colleague, Milos Gibson Ralevic, who was conducting a Treasury Placement (and worked with the HCUK on its award-winning transformation project), with whom she could talk daily. “Without his guidance, I don’t know how I might have coped.”

In the first couple of weeks, Tsentzou knew she had to forget about being at home and focus instead on the tasks at hand – which was tough, given the rapid transitions. “But looking on the bright

side, I’m currently working remotely from Greece, and I have much more time to spend with my family.”

With Ralevic having now returned to his university studies, his contribution, especially in handing over to Tsentzou under difficult circumstances, is fully acknowledged by the entire team. Organising a lockdown leaving event over Microsoft Teams was somewhat strange says Johnson, but nonetheless celebratory drinks took place!

For Habib Nasim, Treasury Analyst, having in fact contracted Covid-19, his family also affected, and his father even hospitalised, the outbreak was “very real”. Fortunately, all have now recovered. He reports too that the homeworking experience has been “quite smooth” from an operational perspective. “I’ve missed seeing the team. We have calls every morning on Teams, but for the first couple of weeks it was strange to wake up and be immediately at work.”

With Tsentzou having joined just before, Nasim says the plethora of screen-sharing and calls to ensure everyone was on track required numerous workarounds, but this was never an issue. Even with a double laptop failure a few weeks in, and Nasim having to return to the office to collect a new machine, he views treasury’s IT systems as more than “having passed the test”. The entire situation has, he says, also made him more of an independent thinker, choosing to work

at solving more issues before calling on a colleague for help. Homeworking has its social advantages too, he adds, echoing Tsentzou's experience. "Before lockdown, I spent a lot of time travelling, but now I get to spend more time with my family. So there are silver linings."

Best foot forward

With the almost inevitable difficulties of working solely on a laptop mitigated by the supply of monitors and other hardware, and the teething troubles that inevitably followed migration to Windows 10, Sam Hawkett, Treasury Analyst, says her homeworking experience has been mostly "really good".

Hawkett has been using what would have been her commute time to "get a bit more exercise". She also makes a point of getting out of the house regularly for her own wellbeing. The daily meetings on Teams have been beneficial too, she says. "It's good to see everyone in the morning and catch up."

Not living too far from the office, Hawkett is able to visit once a week, taking the opportunity to sort out the post. "From a BCP view, that's something we just hadn't thought of," comments Johnson. Indeed, he says it took a couple of weeks to realise that physical mail was still being delivered. With bank login security devices needing replacement, for example, weekly visits were quickly instituted.

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I've been surprised at just how important keeping in contact with the team has been, and raising spirits through social conversations. It's the people that truly make a successful treasury team.

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Meanwhile, Robinson echoes his colleagues' sentiments, noting how the company has been particularly supportive at this time. With his relatively long commute now on hold, "it was nice not to have to do it, nor have the expense of the train pass". However, with uncharacteristically poor timing, having ordered a company car just before lockdown, his cost-savings have now mostly been absorbed, he quips.

Although he has been into the office, Robinson admits it is challenging, mostly because of the requirements created by social distancing. "There are many more things that have to be considered," he explains. Indeed, when it means queuing for the lift or remembering to stick to the one-way system, even everyday activities can be challenging.

Changing treasury

Under these conditions, there is no doubt in Johnson's mind that working life has changed – permanently. "Once the Covid crisis is over, I certainly intend to work from home more often, at least once a week, and I'm convinced lots of people will do so in the future," he says. "But we do need to find the right mix of home and office working."

One particularly interesting effect of the homeworking phenomenon is that HCUK, being based outside of London, has sometimes seen staff lured away by the brighter lights of the city. Now, however, with the homeworking mindset established, Johnson feels that "the geographic spread of where we can employ people from has suddenly gotten much larger – which is an unexpected benefit."

On that note, it seems that if lockdown has taught us anything, it is that companies and their treasuries must do all they can to prepare for the unexpected. It's true that HCUK's treasury, under Johnson's guidance, had taken some well-judged steps prior to the outbreak of the pandemic. As such it had in place the right tools to keep going.

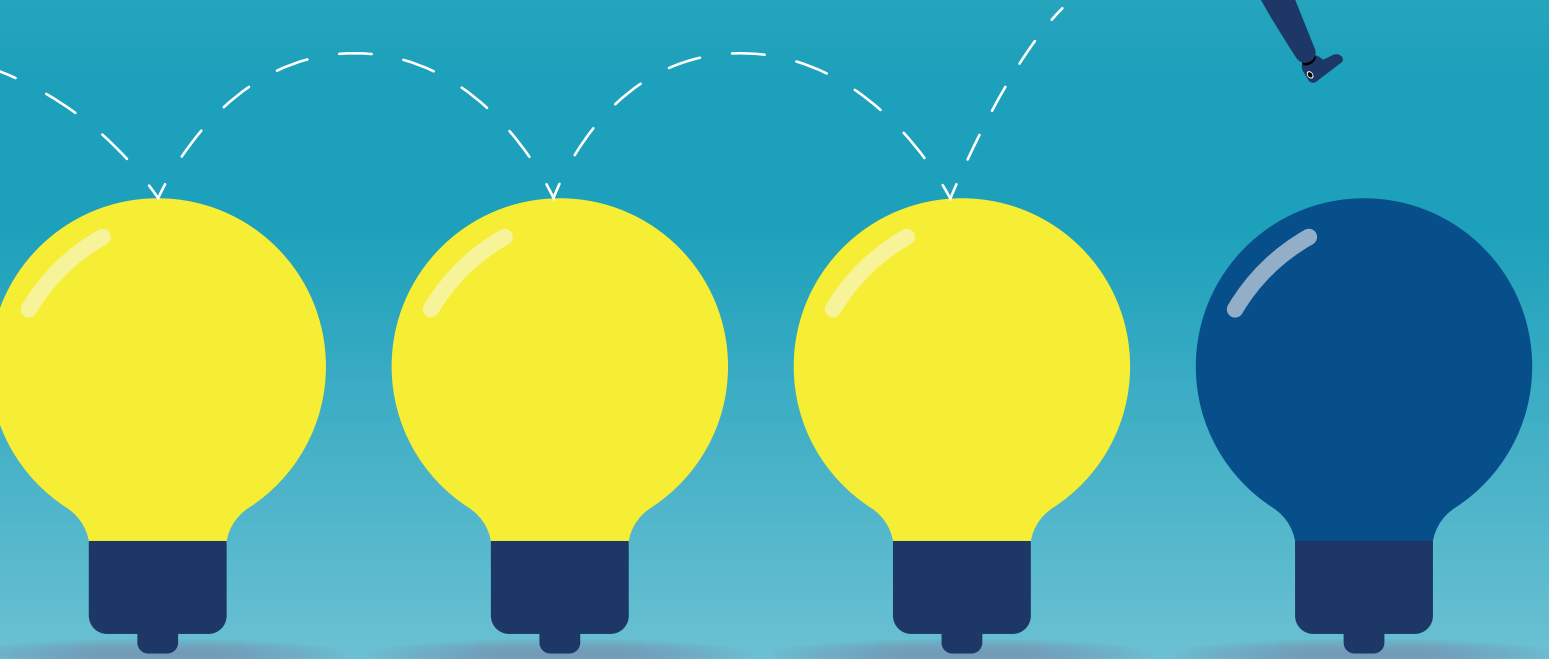
But the team has also been flexible in its approach to new working models and, significantly, has seen first-hand the value of maintaining the social element of working practice. Indeed, as Johnson says: "I thought it would be important, but I've been surprised at just how important keeping in contact with the team has been, and raising spirits through social conversations. It's the people that truly make a successful treasury team."



SAM HAWKETT

Giant Leaps Forward

Evolving Smart Treasury into Real Time



The enablement and adoption of smart treasury techniques is an essential first step towards the transition to real-time operations, say Citi's Dr Duncan Cole, Principal and Digital Journeys Head, Treasury Advisory Group, and Joseph Vasen, Principal, Treasury Advisory Group, Treasury and Trade Solutions.

As 2020 has progressed, the themes of treasury resilience and digitisation have risen further up the agenda. It's no longer prudent to think solely in terms of point solutions: the trading and economic

environment dictates that organisations intent on staying ahead should be building out their longer-term digital strategy, placing controlled resilience in the driving seat.

By **Tom Alford**, Deputy Editor

For Dr Duncan Cole, Principal and Digital Journeys Head, Treasury Advisory Group, Citi, preparing for and using intelligent analytics, in a way that augments human decision-making, takes treasury far beyond the current appetite for robotic process automation (RPA), into a realm where real-time algorithmic decision-making offers treasury the pathway to offer enhanced business value.

The bedrock of such a seemingly giant leap forward is robust and accurate data. By structuring the organisation around the best possible information, not only can decisions become more effective but they can also become more timely.

The first step on this path, notes Joseph Vasen, Principal, Treasury Advisory Group, Treasury and Trade Solutions, Citi, is to perfect the data model and strategy. Only then can the panoply of technologies that support digitisation be deployed effectively. It's a 'smart' approach: a business that removes data errors while adding intellectual agility thereby increases its balance sheet strength, its capacity for growth and, ultimately, its resilience.

Among the exciting new wave of smart technologies that become feasible in the data-first environment, prescriptive analytics – in which specialist software offers its human counterparts 'best next-step' recommendations – is now on the horizon.

For Cole, smart developments of this nature must be embraced if true real time is to become a reality. And why would treasurers want this? Because when all the activities that can be automated are working well in the background and real time is obtainable, treasury can begin truly focusing on adding value for the whole organisation supporting and enabling the broader corporate objectives through insightful analytics.

Smart moves

In practical terms, in the case of forecasting for example, treasurers may have been operating on a monthly basis. In stressed times, weekly or daily output may now be necessary. It is not possible to execute to this tight timeline with the same or fewer people, says Cole.

Treasuries therefore should consider moving beyond simple spreadsheet analyses. Algorithmic forecasting is coming, and pattern

recognition software presents the best opportunity to understand how the business is positioned in what is now a rapidly changing and stressed environment.

In light of this, embracing 'smart' treasury increasingly makes sense. "It's about organisations transitioning from people-dependent processes, to process automation and predictive and prescriptive analytics," explains Cole.

Here he is advocating the concept of intelligent, self-directed automation – or smart robotics – where RPA is boosted by machine learning. This is no longer about rules-based software that simply repeats a process at great speed; it is about constantly monitoring events and past actions, identifying minutely changing patterns, and then operationalising prescriptive analytics to enable machine-led real-time decision-making.

Essentially, an algorithm scans multiple data sources applicable to a hedging or investing option, for example, and on the basis of its findings, suggests the best response in that precise context. This, notes Vasen, "really is moving beyond principles-based decision-making into the next phase of intelligent treasury".

Starting points

The gap between spreadsheet-based operations and smart treasury seems huge and in terms of performance, it is. But it's not an insurmountable difference. There are three logical next steps, says Cole. The first is to form that bedrock of good data that is representative of and can deliver relevant insight over the financial risk of the commercial business. If nothing else, this leads to better forecasting, better visibility over cash positions, and an understanding of currency exposures.

Step two is to digitally couple robust data with the risk appetite of the organisation, as articulated in treasury policy. The understanding of future positions and risk exposures from step one can now be actioned according to policy. This requires technology that can take that cash position or risk exposure, apply algorithmic analysis and learning in the context of policy, and make best next-step suggestions.

As trust in those recommendations is built over time, the third step is to facilitate execution of best next steps on behalf of treasury. This is the difficult one: just as

the thought of pilotless aircraft makes many travellers nervous, even though it is entirely possible, the idea that a computer can trade with corporate cash is yet to get the green light, even though algorithmic trading has been possible for several years. "We're looking at a three-to-five-year time horizon for experiments to take hold, demonstrate the value and trust to be established," comments Cole.

It is a journey – and before starting out it will be necessary to clarify what data should be made good, and what the expectations of it are. This is part of what Vasen refers to as setting the "data vision and mindset", where questions about data acquisition, storage, and usage remain front and centre throughout. Overall project success demands wholesale buy-in to this vision, and Vasen believes that treasury should "own its own data", enabling direct access to every element it needs to function at its peak.

Next, Cole urges treasurers to think about the end-vision and the problem that needs to be solved, and then consider how it will be solved, not the other way round. It's important, he warns, "not to be led by the technology". Indeed, technology is a means to an end, not an end in itself.

Project success often stems from starting small. Rather than taking on the digitisation of the entire enterprise, try taking on bite-sized deliverable chunks to deliver



DR DUNCAN COLE

Principal and Digital Journeys Head,
Treasury Advisory Group, Citi

quick wins. “Learn from it,” says Cole. “Experiment as you go, get the skills right in your treasury, collaborate with, and from time to time re-evaluate, your technology and banking partners – and always keep the end-vision in mind.”

Changing mindsets

Placing data management at the heart of treasury is not a means of changing what treasury is. It is about adding to the skill set of the treasurer in a way that makes the function a vital part of the resilience of the whole business. But for Cole, if embracing digital thinking is not culturally accepted and driven from the top down “then it will be very hard to move forward with meaningful success”.

It requires investment in time and resources in people to bring the skills of all stakeholders up to speed to meet this undertaking successfully, says Vasen. Although for many this means seeing examples of how the process can work ‘in the flesh,’ from his own observations, when this happens most quickly grasp the nature of the challenge and what it can mean for the business: increased revenue opportunities; increased efficiencies and lower operating expenses; and improved risk management.

In the current environment, risk management in particular places treasury

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In the current environment, risk management in particular places treasury at the nexus of organisational change.

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at the nexus of organisational change. With organisational resilience as the reward, individual treasurers can begin leveraging their position as an influencer in new ways. Treasurers have always had this opportunity, notes Cole, but now he feels that “there is a lot more technology and data, offering more insights faster, helping support the growth agenda.” Building resilience for future nimbleness and agility to not only manage through the next challenge but also differentiate from those that do not prepare.

Vasen, as a former client-side treasury professional, knows first-hand that treasury has always been the centrepiece of corporate order-to-cash and procure-to-pay cycles. With visibility over the balance sheet, he feels that there is now “a tremendous opportunity to extend treasury’s role as influencer,” shifting organisational thinking “beyond the horizon”.

Approaching real time

As both Cole and Vasen have stated, adoption of smart treasury is an essential component of any real-time launchpad. At the core of this model, intelligent automation provides the necessary structure for the convergence of real-time payments, liquidity management, and information reporting.

Of course, the value of real-time operations is dependent on the business model. Companies with a direct consumer relationship, where online collections are immediate, will have real time as an embedded process. Indeed, notes Vasen, operating on a 24/7 basis means having this data structure is critically important. “A company with a leading-edge real-time payments model but a banking system that cannot keep up with its rapid payments data presents a liquidity issue.”

However, for some B2B providers, end-of-day may be sufficiently real time. “Real time is about accelerating processes, but although faster information and the ability to process in-bound cash more effectively may be beneficial for all, not every company requires the ability or indeed wishes to execute every decision and action in real time,” observes Cole.

Options open

The ideal methodology is therefore for process and system changes to be positioned in such a way that optionality is built in. This is as much about future-proofing as it is about accessing currently relevant aspects of real time.

Treasury may feel it does not need real-time liquidity data, but if one of its major buyers wishes to start paying in real time, and wants to be able to free-up credit capacity to take more product, the sales operations will unquestionably be keen to know that real-time reporting systems are in place to enable this. Understanding how best to position treasury regarding real time thus comes from engaging with the rest of business, says Vasen.

Similarly, being up to speed when actively pursuing the right smart and real-time pathways needs a collaborative approach too. Treasurers should be leveraging the expertise of banks and technology providers to gain an understanding of the opportunities, and accomplish the most appropriate outcomes for their specific needs and objectives, explains Cole.

The optimal, context-based solution will only come from having this collective conversation. But as treasury evolves from smart to real-time operations, its true value-adding pursuits begin. At this point, the entire organisation should anticipate a giant leap forward. ■



JOSEPH VASEN

Principal, Treasury Advisory Group,
Treasury and Trade Solutions, Citi

Building Resilience

Treasury's Role in Overcoming Cyber Risk and Fraud

By Tom Alford, Deputy Editor

Remote working, and greater reliance on technology, is leading to a rapid increase in cyber-attacks and fraud attempts. Royston Da Costa, Assistant Group Treasurer, Ferguson, and Michael Juen, Chief Customer Officer, BELLIN, a Coupa company, explain how treasurers can build greater resilience against these threats – and weigh up the costs of investing in cybersecurity against the risks of taking no action.

It's no secret: cybercrime is on the rise and the nature of attacks is evolving rapidly. Add to this the way in which Covid-19 has exposed many companies' inability to quickly understand where their cash is – and the fact that, for many, remote working and all its extra security risks is here to stay – it becomes clear that doing nothing to increase corporate resilience is even less of an option than it was before.

Fortunately, many businesses are alert to the need to respond. As the nexus of some of the most important financial

relationships, processes, systems and data, perhaps the most appropriate corporate function to take the lead in this effort is corporate treasury. But this is not about treasury becoming overnight security experts. Instead, this is about treasurers learning to see 'the big picture' and exploring how different cybersecurity measures can protect the business and, importantly, helping others in the organisation to adopt the same clear-eyed approach to building long-term corporate resilience.

Defining resilience

For Royston Da Costa, Assistant Group Treasurer, Ferguson, there are the four pillars of post-Covid-19 corporate resilience. The first, cybersecurity, starts with personal responsibility but expands quickly into making sure the right enterprise-wide controls, processes and personnel are in place, he explains.

Next, future-proofing should be a vital part of every significant digital agenda.

It means creating a solid technological base with which to enable a continual response to the changing world. He believes Ferguson's implementation of BELLIN's TMS in 2015, for example, upholds just such a philosophy.

Awareness is the third pillar. Building on cybersecurity measures, being aware ensures every employee understands the risks and knows how to conduct themselves in a digital world. Ferguson has regular training programmes to ensure all are up to speed.

Finally, the remote access pillar echoes the corporate technology infrastructure where, for example, Ferguson's cloud-based solutions are empowering staff to work remotely.



ROYSTON DA COSTA

Assistant Group Treasurer, Ferguson

Royston Da Costa has more than 29 years' experience working in treasury. He joined Wolseley, now Ferguson Group, in April 2002 having previously worked at Sky, Gillette, Seagram's and Vivendi Universal. Da Costa was promoted to Assistant Group Treasurer in November 2016 where his responsibilities include driving forward the group's strategy on treasury technology. Ferguson uses the TMS tm5 by BELLIN and was honoured in the 2018 TMI Awards for Innovation & Excellence with a Corporate Recognition Award for its Future-Proofing Treasury project.

Spotting weaknesses

The fact that resilience can be defined in many ways makes it somewhat subjective, says Da Costa. From corporate to corporate, and even from function to function, acceptable criteria vary. It's therefore important, he says, for individual treasurers to identify which aspects of their treasury need to be resilient, to what degree, and what the most appropriate response is.

The sudden onset of remote working has inevitably raised a number of issues, especially for those without cloud-based solutions, he notes. And with treasury teams using home Wi-Fi, bandwidth has been an issue for some, the frustrations that slow speeds or multiple users causes must now at least be considered for future home-based operations. Although Ferguson's own VPN is generally used only to update software and occasionally access certain applications (which are themselves embedded with encryption), there are, he acknowledges, "no 100% guarantees". As such, vigilance remains paramount.

One positive outcome of Covid-19 seen by Da Costa is the acceptance, finally, of secure digital signatures. The demand for wet signatures by banks was a real issue as lockdown began, with few banks outside of the US prepared to consider digital signing. "Now, they all do. And my view is that they can't go back. It's a game-changer".

Of course, deploying even the best technology without secure workflows between remote and office staff will be no help at all, says Michael Juen, Chief Customer Officer, BELLIN, a Coupa company. It's important, he advises, "to set up channels of communication and collaboration if secure and transparent processes are to be created".

Strategic choices

Da Costa echoes this advice. In 2015, BELLIN was the first major cloud-based solution that Ferguson's Group Treasury implemented – and internal audit and IT were necessarily involved in its selection, then played a huge part in treasury's journey thereafter. "Getting their buy-in and sign-off has paid dividends," states Da Costa.

He explains that audit's involvement ensured a number of Ferguson's internal controls could be embedded within the vendor's platform from the outset.

Audit also validated treasury's choice of system, ensuring it met current and future security requirements.

The future resilience of treasury is a natural part of Da Costa's strategic approach. He has developed a "roadmap" of this journey, explaining that "it's important to plan, regardless of whether you're talking about cybersecurity, technology or treasury functionality generally".

Although further process automation is an obvious roadmap feature, Da Costa spells out the need for enhanced controls that will provide security within a developing infrastructure that will, in turn, support his future-view of a 'virtual' location-independent treasury. If anything, the demands of lockdown and homeworking have further vindicated his strategic planning approach – and vision – helping to ensure the company's continuity and resilience for some time to come.

Review and improve

The BELLIN TMS is thus a major component of this resilient future. Its implementation presented treasury with an opportunity to review processes and insert the most appropriate controls within the system at the earliest stage.

Prior to implementation, group treasury and its subsidiaries were each working on different systems, often with manually input controls. By embedding controls on one platform for all to use, and group treasury able to automate many subsidiary administrative functions, the company moved its security and resilience score (not to mention its visibility over core treasury processes) up several notches.

Having implemented BELLIN, a Coupa company, treasury is better able to monitor improvements in controls and efficiency. The vendor's mobile payments app makes life easier, says Da Costa, "but we still retain the controls, and we can now obtain approvals from our Group Treasurer or senior management wherever they are in the world".

And the aforementioned digital-signing technology, used in bank authorisations, has also proved invaluable for secure and efficient internal approvals management. With all user validations and controls around confirmations being automated within BELLIN, a Coupa company,

supported by multi-factor authentication, he reports “significant improvements in process efficiency and resilience and future-proofing”.

With clients such as Ferguson continually assessing the tools it needs to stay ahead of the curve, Juen says that BELLIN, a Coupa company, is similarly assessing its next moves. This is not just in terms of the technology it needs to deliver, and how this should evolve in line with or even ahead of market changes, but also around planning integrations with solutions from other vendors. To do this, Juen says the company’s experts are drawing upon and sharing their vast experience in the field, and the accumulated knowledge and understanding of different client priorities that this brings.

Future goals

This is a two-way process, however. In order for treasury to move from where it is, to where it wants to be, requires a certain frankness in discussions with vendors. “Don’t be shy,” urges Da Costa. “From day one, make sure you say what you want.”

To avoid being tied up in the detail of solution discussions, he created a Statement of Work document. In consultation with in-house IT, audit and Ferguson’s subsidiaries, this laid out expectations clearly, setting the tone for the ensuing negotiations with its vendor’s customer support team. BELLIN, a Coupa company, also brought Da Costa and his team into its own user-group community, helping Ferguson better understand its own wants and needs, and giving it confidence to push the vendor on these and all future needs.

In this respect, Da Costa is already eyeing more functionality within the mobile app (deal approvals, for example), reporting enhancements, and greater use of artificial intelligence (AI) and application programming interfaces (APIs) within the platform “to help further improve the balance of process speed with security”.

Act now

With a wealth of experience to draw upon, Da Costa advises treasurers in the midst of a pandemic-infused cybersecurity review “not to panic”. Information is plentiful, he notes, citing the UK’s National Crime

Agency as being a particularly useful educational resource and sounding board.

But he also says that it is important for treasurers to know precisely what they are responsible for in terms of cybersecurity, and what falls to IT. He adds that every treasurer would be well advised to develop a strong rapport with that function.

“Beyond that, I can’t state enough the need to look at your processes and identity your potential weak points,” he continues. “This requires a reasonable level of introspection and honesty; if there’s something you’re not good at, admit it. It’s only by doing that, that you can become stronger.”

Understandably, partners have a role to play during this reflective phase. Ferguson has benefited from input delivered by BELLIN, a Coupa company, but Da Costa says getting internal partners such as IT and audit on board from the start has removed any need to repeatedly explain each new step. The process has been validated upfront for security purposes, and with IT and audit “fully engaged”, progress was considerably smoother than it might otherwise have been.

Value proposition

But what about cost? With most treasuries budget-constrained to some extent, it’s worth considering the cost of not doing anything about cybercrime and future resilience, comments Da Costa. Investment in a core system will almost certainly require a business case to be developed. But when the paymasters cannot see the advantage, the case is lost. However, the prevalence of cybercrime today sees spreadsheet-based operations taking a huge risk, with potential losses – both financial and reputational – that could far outweigh the cost of rolling out a secure cloud-based system.

A TMS vendor will be only too willing to help treasury quantify the cost-benefits of system deployment. But, says Da Costa, “having secured the buy-in of IT and audit from the outset, treasury will have the most advantageous support from stakeholders who recognise the value of having robust controls in place and of being cyber-secure”.

Of course, process speed and efficiency have considerable value in today’s changing working environment, but resilience itself is priceless. ■



MICHAEL JUEN

Chief Customer Officer (CCO) and Managing Director, BELLIN

Michael Juen serves as Chief Customer Officer (CCO) and Managing Director at BELLIN, a Coupa company. He is responsible for business operations in the areas of Consulting & Implementation, Customer Advisory as well as Customer & Application Support. Michael has more than 25 years of treasury experience.

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Process speed and efficiency have considerable value in today’s changing working environment, but resilience itself is priceless.

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Inbound Payments Tracking

By **Tom Alford**,
Deputy Editor

A Game-Changer in the Making

With SWIFT's cross-border inbound tracking service for gpi becoming the latest addition to the treasurer's toolkit, Nicolas Cailly, Deputy Head of Payments & Cash Management, Societe Generale, explains the new realms of possibility for treasurers.

Receiving positive reviews from stakeholders from the outset, it is no surprise that Nicolas Cailly, Deputy Head of Payments & Cash Management, Societe Generale, describes SWIFT gpi as a "revolution for cross-border payments". After all, as the lead in Societe Generale's own very close involvement in Swift's ongoing programme of technical development and user democratisation, he has first-hand experience of what gpi, and its subsequent developments, really means to its stakeholders.

Building transparency

The gpi revolution, as experienced by treasurers, has three key pillars, explains Cailly. First, it is fast. With around 40% of all gpi cross-border payments settled in under five minutes, and 95% being settled in one business day, it offers a “tremendous change” over prior network experiences.

The second gpi pillar is real-time tracking. As Cailly also notes, this too is a “game-changer”. Where previously if a cross-border payment stalled within the system, there was no way of immediately telling what the problem was, or even where the issue had occurred. “I see real-time tracking as the ‘Metroline’ within SWIFT,” he enthuses. “We can now see where a payment is at any time, which means we can also contact the relevant institution for a quick resolution of the problem.”

Improved transparency and responsiveness have seen corporates able to self-serve in most cases, reducing the number of payments investigations. Transparency is thus the third gpi pillar. All participants within the payments chain have visibility over every available data point for each payment. This remarkable level of insight includes bank fee breakdowns, FX and charge codes, and even the relative performance of each processing bank within the chain.

Even with Societe Generale maintaining a 100% record in following SWIFT’s strict gpi service-level agreements (SLAs) around timing and data quality, Cailly fully grasps that with gpi, clients now have a window on its future performance too. Such transparency is a strong incentive for every provider to keep delivering.

Opening up

One of the most recent phases of the gpi revolution has been the advent of gpi for corporates (g4C). This brings the opportunity for corporates to directly use gpi payments data and issue their own unique end-to-end transaction reference (UETR) within the system. The UETR acts as the basis for all gpi functionality, such as the payment tracker (rather as a parcel tracking number is used to track the delivery of goods) which can then be incorporated within treasury’s own processes.

As a part of the G4C model, corporates

with SWIFT membership have the option to directly access the platform, tracking their own payments, although currently this is a manual operation only, explains Cailly. But, he adds, where a bank offers it, any corporate can choose to access g4C services via their bank’s web portal, enabling it to directly execute actions such as querying a specific payment’s status. Alternatively, a corporate can opt for direct connection with its bank, with perhaps the easiest method here being via an application programming interface (API).

Connection enables payment reports to be directly consumed by the corporate’s treasury management system (TMS) or enterprise resource planning (ERP) system. This not only allows payment fail alerts to be received directly and responded to immediately but, with the UETR, it also facilitates automated payments reconciliations, providing what Cailly describes as “a significant boost” to cash management efficiency.

Early adopter

Societe Generale has been involved from the outset in the development and early adoption of g4C and gpi and its multiple extensions. The bank’s commitment is obvious in that it has already implemented gpi in 14 out of its

18 global settings, enabling almost 200 currency corridors for its corporate clients.

Such enthusiasm also positions the bank as the natural trailblazer of the gpi programme in its home territory of France. Under Cailly’s guidance as National Group Chair for the country, Societe Generale also leads the representation of the domestic corporate community, lending it a stronger voice in front of SWIFT and the various other programme stakeholders.

Indeed, with all banks in the gpi working group bringing on board corporate customers expressing a keen interest in the initiative, he notes that this approach has been especially effective in helping to shape both gpi/G4C strategy and the formation of functionality and services into productive working solutions for corporates.

Inbound tracking

Perhaps this collaborative methodology is no better illustrated than in the genesis of the next phase of gpi: inbound cross-border payment tracking. That corporate treasurers should come up with this idea has been somewhat surprising to the non-corporate working group contingent, admits Cailly.

With one of the chief benefits of gpi being the speed of sending payments, the banks had not anticipated the need for

NICOLAS CAILLY

Deputy Head of Payments & Cash Management, Societe Generale

Nicolas Cailly joined Societe Generale in 2010 as a Program Director within the Finance Department. Since then he has held a number of senior positions within the company and in October this year he was appointed Deputy Head of Payments & Cash Management.

Prior to joining Societe Generale, Cailly spent 10 years with a global service company in France and abroad and five years working for a Big Four consulting firm.

Cailly is a graduate of the French Business School, Institut Supérieur de Gestion (ISG), and of the London Business School and has also completed a management and leadership course at the Yale School of Management.



inbound tracking, especially where an increasing number of gpi payments are almost immediate. “But then corporate treasurers explained the very tangible benefits of receiving information on inbound payments that take longer,” he says.

It undoubtedly offers beneficiaries immediate visibility over what will be credited to their accounts and, importantly, when. This insight can create huge advantages in terms of working capital management, notes Cailly. It can, for example, enable greater optimisation of funding and investments opportunities, and promote enhanced cash forecasting accuracy.

Inbound tracking data can also help improve supply-chain processes. Where a business-to-business (B2B) supplier needs payment before delivering goods, certainty over the whereabouts of that inbound payment enables the business to free

up customer credit lines, potentially generating considerable business value for buyer and supplier.

Pre-validation

Even with inbound tracking providing a level of payment certainty that treasurers have not previously seen, Societe Generale remains vigilant for other gpi opportunities, participating in almost every payments initiative to date. The next project to be delivered that will likely cause a stir in the corporate community, and among banks too, will be pre-validation.

“I believe this to be a cornerstone in the strategy of SWIFT to make frictionless, fast cross-border payments for all,” states Cailly. “It addresses one of the most difficult issues in the payments world: compliance checking.” Despite close alignment in Europe, regulatory requirements still tend to be at variance between regions and other countries. This is one reason why it is not easy to anticipate if a payment will pass through the system unhindered.

Although he accepts that pre-validation does not solve the problem once a payment is underway, Cailly points out that it will raise any potential issue before execution. By flagging up such issues at the earliest opportunity, it gives the initiator time to take remedial action, adding greater certainty to the process, averting more complex and costly upstream investigations.

Successful pre-validation has an additional advantage for corporates. When a confirmation of payment message is received, the system also delivers the data within gpi such as the aforementioned bank fee breakdowns, FX and charge codes. Although this is information corporate users will have clarity on anyway, it is not something retail users will have seen before. This could prove very useful in exposing costs, coming at a time when SWIFT has already announced plans to offer gpi-based low-value cross-border payments services as part of its new inclusive strategy.

All inclusive

SWIFT’s new overarching strategy will see it deliver a next generation digital platform aimed at providing end-to-end

transparency and predictability for all. Following sign-off by the SWIFT board, and subsequent strategy-related SIBOS announcements in late 2019, Cailly now believes a rapid and successful execution will “set a new era for payments”.

Indeed, with traditional correspondent banking services based on sequential processing between institutions, the inherent friction this causes, especially around compliance, can be removed by SWIFT’s proposed structural changes. “It will no longer be sequential,” he explains. “Every party in the value chain will be able to see the status of a payment at the same time and enrich the data if necessary.” Enrichment, he adds, paves the way for a raft of new value-adding payments services for corporates.

With Societe Generale having worked alongside SWIFT to help develop its next generation strategy, and then the operational work that will underpin its delivery, the bank is now intent on keeping its customers up to speed. It will be explaining the benefits and opportunities, advising on how best to prepare for this new era in payments.

Part of this process will involve assisting corporate clients in their preparations for leveraging ISO 20022 XML-based payments standards. The data linked to the new payments practices that the SWIFT strategy will unlock will be easier to process and considerably more valuable for all. But this can be unlocked only if reference data is appropriately cleansed, enriched and correctly formatted.

Cailly is under no illusion that the groundwork will be “quite a challenge” for banks, corporates, and vendors to collaborate upon. Treasurers specifically will also need to consider – at a strategic, financial and operational level – how the arrival of real-time processing will impact their activities, both within the function itself, at a wider organisational level, and beyond.

Once this is underway – and Societe Generale is already geared up to assist – Cailly believes that even cross-border payment challenges such as the FX markets not being open 24/7 will be resolved. “And then, in a few years from now, the norm will be international, cross-border, cross-currency, 24/7, real-time payments,” he predicts. And that truly is a game-changer. ■

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One of the most recent phases of the gpi revolution has been the advent of gpi for corporates (g4C).

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Increasing Treasury's Strategic Bandwidth

An Integrated Workflow for Forecasting and Investing



An innovative integration between its cash automation platform and money market investment portal has given Bandwidth Inc. the benefits of a truly straight-through data workflow. Scott Taylor, Treasurer at the enterprise cloud communications company, explains how this efficient integration took place – without him needing to lift a finger.

By Eleanor Hill, Editor

Established in Raleigh, North Carolina, in 1999, Bandwidth counts companies including Google, Microsoft, Cisco, and Zoom among its client base. These organisations leverage Bandwidth's application programming interfaces (APIs) to easily embed voice, messaging and 911 access into software and applications.

Given the significant rise in communication platforms in recent years, and in particular due to Covid-19, Bandwidth is growing at a rapid rate. Bandwidth is the first and only Communications Platform as a Service (CPaaS) provider to offer a range of communications APIs built around their

nationwide IP voice network, and they are the only API platform provider to own a Tier 1 network, which enables the company to deliver better quality, rates and control to their customers. The company also recently acquired Voxbone SA in a move that significantly accelerates their plans for international expansion.

Preparing for the future

While rapid growth is a nice challenge to have, it also meant that Taylor needed to have his treasury operations working as efficiently as possible in order to scale with the business. This was no mean

feat considering that, when he joined Bandwidth in the middle of 2019, Taylor was the company's first dedicated treasury professional.

"All of the core treasury tasks were spread across accounting functions at that time. We were also outsourcing a significant part of the cash management to an asset management firm because we had raised a lot of cash from the public offerings and simply didn't have the in-house resources to manage that. Another challenge here was that there was no treasury management system [TMS] in place," he explains.

What's more, due to its previously national rather than international focus, Bandwidth was working with relatively small, incumbent banks, that did not necessarily offer the latest in connectivity options or solution sets. All of this meant that there was a huge manual burden placed on Taylor, and his time was taken up with low-value tasks, when he wanted to focus on supporting the company more strategically.

Reinventing treasury

It was clear that change was needed. "We're starting to build a larger treasury team in-house. As part of a reorganisation in the Finance department, individuals on the cash applications team moved into treasury roles, and some of the accounting responsibilities also shifted over to my team. It's a work in progress, but it's a great start," explains Taylor.

Alongside the creation of a true treasury team, Taylor has set about revolutionising his treasury technology set-up. "We knew we needed a dedicated treasury workstation of some nature, but we were reluctant to go down the path of implementing a fully blown 'monolithic' TMS," he says. The hesitance stemmed from Taylor's previous experience of TMS implementation projects – being both costly and long-winded. "I didn't want to wait 18 months to have a solution up and running. Or to pay for functionalities we did not require. The company needed a light-touch technology that would assist in a matter of weeks, not years."

At the end of 2019, Bandwidth chose Trovata as its cash forecasting platform. "It was a cost-effective choice and virtually no IT resources were required for the implementation. Trovata set up an API

connection into our ERP [enterprise resource planning] system for the cash forecasting and the data was pulled automatically into the platform."

As soon as this solution was up and running, Taylor was keen to bring the company's cash management back in-house. "Although outsourcing to a cash manager was an effective and simple solution for the way the company was set up initially, the cost of outsourcing meant that we weren't getting the yield we wanted. As such, we selected ICD Portal to enable us to handle that side of things internally instead. We use it to invest in money market funds [MMFs] and Federally Insured Cash Accounts – all at the click of a button. And that's something that I don't take for granted, having a whole universe of short-term investments to choose from, in one place."

Having worked with the ICD team at a previous company, he knew that the portal would be a perfect fit for Bandwidth. He also recognised the "partnership approach that ICD always brings to the table, with dedication to customer service". Another benefit of using ICD was its vision for using technology to make the treasurer's life easier – which dovetailed nicely with Trovata's ambitions.

A perfect partnership

In fact, in conversation with Trovata one day, Taylor spoke about the other partners Bandwidth already worked with – from vendors to banks. "And with ICD being on the same wavelength as Trovata, the idea came about to work on an integration between the two companies, to make the workflows between the two absolutely seamless," explains Taylor.

ICD and Trovata worked together on the integrated workflow concept, with input from Taylor, but with zero resource requirement from his side. "Honestly, we had the kick-off meeting and shortly afterwards, it was implemented!" he quips. "This is the beauty of APIs, there is little to no technology resource requirement from the treasurer's side in order to benefit from great solutions – and this is 100% a great solution."

With the integrated workflow, Taylor can now use Trovata to forecast and easily identify that he has excess cash he wants to invest. He then performs the investment transaction using ICD Portal and all of the information automatically populates back into Trovata, saving time and eliminating manual errors.

The benefits of this are manifold,

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Alongside the creation of a true treasury team, Taylor has set about revolutionising his treasury technology set-up.

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INTEGRATED WORKFLOW EXPLAINED

The integration between Trovata's cash automation platform and ICD Portal establishes a straight-through process for the free flow of data across platforms. Trovata's API platform is pre-integrated so it aggregates, normalises and delivers bank balances and transactions in real time to automate cash reporting, cash flow analysis, and forecasting, with no implementation.

With richer and faster intel, treasury enters ICD Portal to invest its excess cash with greater confidence and precision. Through ICD Portal, teams access and research more than 300 funds, analyse underlying credit and bank exposures, and execute trades across 30 fund families using a single ticket. Investment data then flows back into Trovata to automatically update forecasts.

says Taylor. “The integrated workflow provides speed and agility, as well as confidence in having up-to-the-minute, accurate data available. When I log on to my computer each morning, I no longer have to access different portals and pull together reports from various sources – which could easily take half the morning. And as we grow as a company, the amount of time required to perform all of this manually would be unthinkable.”

Furthermore, one of the issues with legacy connections such as SWIFT service bureaus is that reports often don’t come in. “Even one report can make a huge difference – especially in the operating environment like today’s,” says Taylor. “Having to speak to the TMS client service team and then the SWIFT service bureau, which then tells us to call our bank, used to mean a lot of time was tied up in non-value-adding tasks, or simply waiting for the correct information. Now, with the integrated workflow, that worry drops away. The information from ICD is automatically pulled through into Trovata in a completely seamless manner.”

Alongside the transition to this integrated workflow, Bandwidth is also moving banking partners. “We have one bank still left to change. Unfortunately, it does not operate using APIs and we need a more agile partner, as well as a more international one. So that is on the horizon, and will bring further benefits.”

Added developments

With the ICD workflow now fully integrated into Trovata, Bandwidth is finding its cash forecasting has improved significantly. Making investments is also easier than ever. Nevertheless, Taylor has ideas for further improving his treasury tech set-up. “If we could reach the point where we can actually make the investment via ICD in a pop-up window in Trovata, or using suggested actions in Trovata, that would be incredibly helpful and I hope this will be an additional area for development in the future.”

As well as linking the cash solution to the company’s general ledger, he is looking to source a provider to pull FX data into Trovata, again via APIs. “As we start to grow internationally, we’re experiencing foreign currency

exposures for the first time. And these exposures will only become larger in the years ahead. We need robust FX data in order for me to come up with recommendations for managing our positions, so that I can confidently go to the board and justify that decision making.”

Elsewhere, Taylor is keen to reap the benefits of real-time payments and collections. And he sees the seamless link between Trovata and ICD becoming more important in the 24/7/365 working environment. “Automated investment solutions will be critical to keep pace with the real-time environment and having the integrated workflow in place will be a significant boost to our efficiency,” he says.

Stay curious

Taylor also points out that the ICD/Trovata tie-up is by no means limited to Bandwidth. “Any company can make use of the integrated workflow. We just happened to be the first customer. But it’s totally feasible for others – and I would recommend that treasurers cast aside any preconceptions they might have about these solutions.”

It might be hard to believe, given the pain of monolithic TMS integrations, but using APIs in this way is “incredibly easy,” he says. “You can keep all of the technology and treasury architecture you already have, from your in-house bank to your multilateral netting module. At the same time, you gain a much more efficient way to pull your data into one place and can make short-term investments in just a few clicks. What’s not to like?”

He adds that “you can do this with very limited resources from your IT department. At a time when getting on IT’s priority list is tougher than ever, this is a great benefit”. Taylor concludes: “In today’s operating environment it is vital for treasurers to be open to new ideas and to keep learning about the technologies that are available in the market. This integrated workflow almost sounds too good to be true, but it’s delivering very real benefits for Bandwidth and freeing me up to be more strategic, which is precisely what’s needed as a growing company. So, my best advice to others is to embrace the art of the possible.” ■



SCOTT TAYLOR

Treasurer, Bandwidth Inc.

Taylor’s treasury career began at Dillard’s Department Stores in 2002. He then joined Treasury Strategies, consulting corporate treasury teams and financial institutions. He has since held various treasury roles at large and middle-market multinational companies, including Bandwidth, where he is currently Treasurer. Taylor graduated from the University of Georgia with a degree in economics and completed an MBA at Kansas University after studying and living in Italy.

BROADEN YOUR HORIZONS

For more information about cash forecasting and investing with Trovata and ICD, contact info@icdportal.com

E-Commerce and Strong Customer Authentication

Is Your Treasury Ready?



As corporations pivot towards digital business models to help weather the Covid-19 pandemic, regulation continues to shape the European payments industry. Treasurers must prepare for the changes that Strong Customer

Authentication brings, while embracing the latest e-commerce strategies. Sara Savidge, Managing Director, and Colm O'Monacháin, Vice President, J.P. Morgan Wholesale Payments, explain the key steps for treasury functions to take – and the pitfalls to avoid.

By **Eleanor Hill**, Editor

Business operations have been turned upside down as the Covid-19 pandemic has sent countries across the globe into lockdown. Physical purchases of goods and services have waned, while digital business models and e-commerce have risen steadily. In fact, 35% of people globally are now grocery shopping online or by phone as a result of Covid-19 and 45% are increasingly using their mobiles as a shopping channel¹.

Of course, not all industry sectors have enjoyed a boom. According to J.P. Morgan's 2020 E-Commerce Payments Trends – Global Insights Report², global e-commerce travel transaction volumes were down 91% year-on-year in April 2020, with lockdown taking its toll. Nevertheless, food, home entertainment and subscription services are underpinning growth.

Alongside the momentum generated by Covid-19, the ongoing success of direct-to-customer business models and the rise of advanced app-based e-commerce³ are also driving online sales. Sara Savidge, Managing Director, J.P. Morgan Wholesale Payments, advises: "To succeed in the new era of global e-commerce, organisations must quickly shift to meet the growing demands of customers by improving the online experience, making sure all relevant payment types are available, and ensuring speedy and simple digital interaction – especially during checkout."

With this in mind, treasurers must explore how to drive efficiency in the payments process. Savidge elaborates: "Providing a tailored, well thought-out payment suite is essential for merchants to succeed in this new environment. Treasurers must be prepared to offer frictionless payment experiences across cards, digital wallets and direct bank transfers. And these services must be provided in the most efficient way possible

– which, from a treasurer's perspective, means managing everything from the foreign exchange [FX] component to ensuring a streamlined back-office process around each payment."

Another treasury imperative is cybersecurity. "The pandemic has opened up new opportunities for fraudsters and cybercriminals. Now more than ever, treasury and finance functions must look for ways to ensure transactions are as robust as possible," adds Savidge. While this applies across the globe, treasurers in Europe have even more reason to pay attention – namely the Strong Customer Authentication (SCA) Regulation.

What is SCA?

For those unfamiliar with SCA, it is a core tenet of the EU's Second Payment Services Directive (PSD2). Coming into force across the European Economic Area (EEA) on 1 January 2021, and 15 September 2021 in the UK, SCA aims to reduce rising levels of e-commerce fraud. The premise of the regulation is to introduce two-step authentication for any online purchase over €30 in the EU.

As Colm O'Monacháin, Vice President, J.P. Morgan Wholesale Payments, explains: "SCA requires companies to add an extra layer of protection to the payment authentication process. Although there are some exceptions to SCA, more or less anyone making a purchase over the €30 threshold must verify their identity based on a choice of two out of three independent factors." These are:

- Possession: something the customer owns, such as a smartphone
- Knowledge: something the customer knows, such as a PIN
- Inherence: something unique to the customer, such as a fingerprint

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Now more than ever, treasury and finance functions must look for ways to ensure transactions are as robust as possible.

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SARA SAVIDGE

Managing Director, Wholesale Payments, J.P. Morgan

Sara Savidge joined J.P. Morgan in 2020 and is responsible for merchant services' international growth and development.

Prior to her move to J.P. Morgan, Savidge was the Chief Revenue Officer at TransferMate Global Payments and previously held roles at Barclays, Royal Bank of Scotland and First Data Corporation, now Fiserv.

Regarded as a thought leader, Savidge is also an award-winning passionate supporter of equality, diversity and inclusion and is recognised throughout the industry for her commitment to the advancement of women.

JOIN THE CONVERSATION

This article is based on a podcast recorded in October 2020. Listen to the full discussion to find out more.



www.treasury-management.com/podcast/e-commerce-and-strong-customer-authentication



COLM O'MONACHÁIN

Vice President Product Solutions Europe – J.P. Morgan

Colm O'Monacháin is responsible for fraud strategy and regulatory intelligence for J.P. Morgan Wholesale Payments. As part of the Product Solutions team, he is also a key member of the PSD2 implementation group and resident expert on Strong Customer Authentication.

With more than 15 years' experience working in the payments industry, spanning both issuing and acquiring, O'Monacháin is an industry leader in payment risk.

He holds a BSc. Hons in Finance and Computing from Dublin City University, a Professional Diploma in Financial Advice from University College Dublin and a Postgraduate Diploma in Data Analytics from the National College of Ireland.

Driving innovation

Although adding two-factor security measures might seem to contradict the desire for a speedy and seamless customer experience, the need for such rigour is undisputed. Customers will be able to transact more safely and merchants should see higher approval rates and lower instances of fraud. O'Monacháin also believes that SCA is a way for merchants to deliver a competitive edge by "providing everything that is expected in terms of security but also offering innovation in a frictionless way by enabling the customer to easily authenticate themselves".

He expects more innovation in this space from banks and merchants alike, in particular in the area of biometrics. "This could involve using a fingerprint via your banking app, for example, as this is an easy way to conduct the necessary fraud checks while making it frictionless for the customer." It's important that banks and merchants innovate across all channels, though, not just one or two. "There are so many different ways of making a payment – from bank transfers to digital wallets – and all of those channels have to be SCA-ready."

What's more, e-commerce merchants must be compliant by the end of 2020, which leaves little time to prepare. The good news is that there are some simple steps merchants can take to quickly move towards the goalposts. The most critical aspect, says O'Monacháin, is being 3D Secure-ready. "Ideally, merchants will already have chosen a provider for this service and started to integrate and test it. This way, when the regulation comes into play at the start of January 2021, it should all work seamlessly – meaning that merchants should not experience any degradation in authorisations and there should be no down time for customers."

And for those merchants not quite there yet on the 3D Secure front, there is still a small window of opportunity before the deadline hits. "Working with a knowledgeable partner will be critical in making a smooth transition in a short period of time," adds Savidge.

Treasury to the fore

While much of the 'plumbing' around SCA will happen outside of the treasury function, there is still an important role for treasurers to play. Savidge explains: "Knowledge is power. There is a huge amount that treasurers can do to garner expertise around SCA and support the wider organisation's transition to this new regulatory environment. Leveraging partnerships with other functions within the corporate will be important, as will working with trusted partners and suppliers in the financial industry."

She encourages treasurers to challenge their banking partners and suppliers to ensure that they are truly SCA-ready, and doing all they can to help the treasurer be ahead of the curve. "SCA is an important piece of the puzzle, but in tandem with regulatory developments, treasurers also need to prepare for the next level of evolution in the digital transformation of e-commerce," comments Savidge. "A partner that is solving issues here and now, while always looking ahead will be invaluable," she says.

Meanwhile, O'Monacháin calls for positivity amid the change. "The benefits of SCA will, in the long term, significantly outweigh the challenges of transitioning. Reduction in fraud is a 'win' for all parties and ultimately SCA provides an opportunity to strengthen relationships between customers and merchants. The innovation that SCA will drive is also exciting and, in combination with the latest developments in e-commerce, will lead to an even more dynamic marketplace in 2021." ■

J.P. MORGAN IS SCA-READY

Understanding developments across the region is key for a successful implementation; our team is available to guide, advise and support our merchant clients during this transition. Contact your J.P. Morgan representative to find out more.

Notes

- 1 Source: pwc.com, September 2020. 'The consumer transformed: Global Consumer Insights Survey 2020.' Accessed November 2020.
- 2 <https://www.jpmmorgan.com/merchant-services/insights/?tab=global-payment-reports>
- 3 <https://www.jpmmorgan.com/merchant-services/insights/?tab=global-payment-reports>



Leveraging Agile Treasury Technology to Deliver on Galls' International Ambition

Rapid growth is a nice challenge to have. Nevertheless, Kendall Weissmueller, Corporate Controller, Galls, knew that the company's finance team needed to upgrade its treasury technology to better support the organisation's billion-dollar growth plans. TreasuryXpress was on hand to help.

By **Eleanor Hill**, Editor

When a business with ambition feels held back by its technology, you know change is on its way. And for Galls, a leading US supplier and retailer of public safety equipment and uniforms, a system

upgrade couldn't come soon enough.

The 50-year-old private equity-backed company has a one million-strong US-based individual customer base drawn from across the country's key first-response

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It was increasingly evident to Galls' small finance team that the combination of Excel and manual processes was not keeping pace with the company's ambition.

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agencies and departments. With the declaration, 'Proud to serve America's public safety professionals' to the fore, Galls has seen rapid, mainly acquisition-based growth in the past few years. By adding around 20 companies to the group in just six years, it has expanded 10 retail sites to 80, propelling revenues from around \$150m to well over \$500m.

While entirely welcome commercially, such progress added some “technological complexity”, admits Weissmueller. In particular, although the firm had been operating a simple banking structure, its high and rising transaction volumes were beginning to severely stretch existing processes around cash visibility, reconciliations, reporting and business intelligence.

It was increasingly evident to Galls' small finance team that the combination of Excel and manual processes was not keeping pace with the company's ambition. With the business looking set to meet its \$1bn revenue target by 2024, talk of new and scalable technology progressed with much-needed pace.

The refrain “I think we need a better solution” became a mantra for Weissmueller on the accounts side as he set about deploying tools to help in areas such as reconciliations and lease-management. Looking to bring Galls' treasury into technological alignment with the wider finance function set him on a path that led him towards an on-demand, end-to-end treasury management platform.

An intuitive choice

Although no request for proposal (RFP) was issued, Weissmueller's “informal” but nonetheless rigorous search saw him demo a few contenders before discovering TreasuryXpress. “Just the look and feel of this system made it a winner; it's so intuitive to work with,” he declares. “And then the team helping to onboard us created the kind of comfort level that made the whole experience easy.”

The onboarding process commenced in late 2019 with an on-site visit by that team. However, with year-end for Galls coming up, towards the end of November/early December, Weissmueller needed to take his foot off the accelerator for a brief period. But with the commitment to

progress very much to the fore on both sides, the pace of the implementation picked up in earnest in early in 2020.

Few could fail to know what happened next. With the project facing the chaos of Covid-19 from March onwards, all could so easily have ground to a halt. Professionalism prevailed. “I was deeply impressed that TreasuryXpress was able to pivot towards a virtual, on-demand implementation approach,” comments Weissmueller. He recognises that what happened next “really helped us navigate our way through Covid-19 and the onboarding”. Indeed, having witnessed the vendor's method first-hand, he is now convinced that the virtual approach to implementations, and even subsequent servicing, may now prove to be “the new norm”.

Success factors

Part of the project's success under extraordinary conditions must be attributed to Galls' effective planning. Its due diligence included “three quick wins”, assigned by Weissmueller as essential components. That TreasuryXpress was able and willing to accommodate these was, he reports, instrumental in leading him to the vendor's door early on in the selection phase.

The first of these was consolidation. The firm's acquisitive nature had seen it absorb multiple legacy accounts. Some of these had already been centralised as the project rolled out, but when integrating a number of new businesses, their accounts had to be maintained, at least for the duration. The net result, Weissmueller recalls, was treasury having to work on upwards of 15 different accounts each day.

Although over time more legacy accounts have been merged, having a consolidated view of all positions was still proving a challenge, he admits. “This was especially so during the pandemic when liquidity and cash could be a major issue; we felt we needed to know all of our positions in real time.”

The second component was reporting. As a PE-backed business, Galls' stakeholders demand certain core information on a regular basis, as indeed does the operational side of the business. “Having a consolidated view, and then being able to report it quickly and



KENDALL WEISSMUELLER

Corporate Controller, Galls

easily was absolutely essential for us,” declares Weissmueller.

On the accounts side alone, with the TreasuryXpress platform able to integrate with Galls’ home-grown enterprise resource planner (ERP) and other third-party software in its stack, he tells of considerably faster financial close and reconciliation processes. With daily bank transfers – including many from its zero-balance accounts – this alone represented around two days’ journal entry work for the team. “We now have a TreasuryXpress report that produces journal entries for us. We just load it, error-free, and save most of that two-day effort,” he observes. “And that is just one report.”

Cash forecasting was the third vital element. The existing largely spreadsheet-based process was manually intensive and had considerable scope for improvement. “This may even have been the most important requirement for us,” Weissmueller muses. It certainly encouraged some introspection.

Indeed, he cites the implementation of TreasuryXpress, especially its ‘forecasting to actual’ variance tool, as the catalyst for Galls to deep-dive into its own forecasting processes, creating a virtuous circle of improvement. Reviewing and questioning its procedures led to greater efficiencies which in turn

enabled the technology to run optimally, yielding further improvements in the forecasting process.

As if these operational benefits were not enough, it soon became obvious that the optimised TreasuryXpress system was also generating considerable time savings. With Galls’ Senior Finance Director able to prepare for the weekly cash forecasting call in half the time, over an extended period it has been yielding time that can be allotted to more value-adding activities (savings that can be multiplied several times over across the team).

With the system having been in production for some time, Weissmueller is now looking to more fully explore TreasuryXpress’ cash forecasting functionality. The aim is to move beyond ‘variance to actual’ analysis, heading towards automated cash flow modelling. Speed, efficiency and accuracy

are, he says, expected to facilitate a greater focus on strategic thinking and governance.

Making the difference

The changes to date within Galls have been noteworthy. Of course, current circumstances are dictating that all financial functions are having to reconsider how they work with stakeholders, both internally and externally.

But Weissmueller knows that having the right tools to monitor, analyse and transact securely and optimally is marking the difference between businesses that merely have ambition, and businesses that are making it happen. And as the growing company continues to leverage its relationship with TreasuryXpress, Galls has clearly chosen a pathway that puts the delivery of ambition front and centre. ■

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Part of the project’s success under extraordinary conditions must be attributed to Galls’ effective planning.

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Navigating SWIFT gpi for Corporates at Naval

BNP Paribas and Kyriba Join Forces

With innovative partnerships across the globe, Christophe Beuvar, Treasurer, Naval Group, knew that having full transparency over outgoing payments was vital for maintaining excellent supplier relationships. By working with BNP Paribas to implement SWIFT gpi for corporates and rolling out the bank's new Pay and Trace capability, Naval Group can now self-track cross-border payments in real time. Enriched data, including details on routing and fees, is fed directly into Naval Group's treasury management system, Kyriba, and further innovation is in the pipeline.

Posting revenues of €3.7bn in 2019, Naval Group is the European leader in naval defence. For over four centuries, the group has designed, built and supported surface ships and submarines in close relationship with the French Navy to sustain its sovereignty. Naval Group is also an international and global player that strengthens its footprint worldwide through its presence on 4 continents and

in 19 countries including Brazil, Canada, Saudi Arabia, India, Malaysia, Singapore, and Australia to ensure a sustainable presence close to its clients. The company's treasurer Christophe Beuvar states: "As part of our international development, Naval Group is working with more and more overseas naval fleets, developing them in a spirit of mutual trust with warships and submarines."

Given the specialist field Naval Group operates in, and the nature of the national defence contracts it undertakes, relationships with suppliers are critical. "As such, it is vital for Naval Group to have the ability to track any payments we issue – in order to forge and maintain strong bonds of trust with our partners," says Beuvar.

In the past, Naval Group had sometimes encountered issues with cross-border payments: what with time zones, language barriers and different banks involved it can be hard to get information about

By **Tom Alford**, Deputy Editor

where a payment is. “And if our suppliers are not paid on time, that is a real issue for us. Certainty around our cross-border payments is critical for securing our projects abroad and remain competitive and efficient – as per our strategic plan,” he notes.

A community-led solution

With this in mind, Naval Group decided to implement SWIFT gpi for corporates (g4C). Beuvar turned to the group’s major cash management bank, BNP Paribas to assist with this endeavour. One of the services he was particularly interested in was the bank’s Pay and Trace capability, which went live in June 2020.

As Wim Grosemans, Head of Product Management Payments & Receivables, BNP Paribas Cash Management, explains: “Pay and Trace enables gpi payment status reports [PSRs] to be automatically integrated into a corporate’s TMS [treasury management system] or enterprise resource planner [ERP]. This provides complete transparency over gpi payments at any point in time – without the corporate needing to contact the bank.”

Beuvar is delighted with the

innovation: “Since BNP Paribas introduced the Pay and Trace solution, we have been able to follow the processing of our outbound payments even more closely – without any need to make a request to the bank as the information is fed directly back into Kyriba.” The PSRs, routed by BNP, are integrated throughout the day into the TMS, he says. And each PSR includes the Unique End-to-end Transaction Reference (UETR), which can be generated by the corporate when the payment is initiated, thereby facilitating reconciliation.

Giving the corporate ability to initiate that UETR is an important feature, stresses Steven Lenaerts, Head of Product Management, Global Channels, BNP Paribas Cash Management. “When a corporate generates the UETR, this is a guaranteed unique reference that no other bank or corporate will be using and that will be carried along the whole GPI chain. This puts the treasurer in the driving seat regarding their outgoing payment and enables them to tie in any further feedback on that payment into their own TMS or ERP system.”

And for those corporates that do not have the right technology in-house to generate a UETR, technology vendors can

assist, says Frédérique Dupas, Product Manager GPI, Kyriba. “Treasurers can use the Kyriba system to generate a UETR – we simply perform that task on behalf of the corporate client and then ensure that the reference is passed on to the bank(s) and used consistently in the system. Naval Group actually leverages this benefit in Kyriba to ensure end-to-end transparency over its payments,” she notes.



CHRISTOPHE BEUVAR

GENESIS OF PAY AND TRACE

SWIFT gpi was born as an initiative between banks to create a better cross-border payment experience, says Grosemans. “Clearly, we then saw a great deal of interest from corporates and their key partners, including TMS providers such as Kyriba. A working group was then created to focus on corporate gpi services and a true community effort between corporates, banks, fintechs and vendors to co-create solutions around the SWIFT gpi building blocks,” he explains.

The first service discussed by this working group was the ability to create a true market standard for initiating a payment on the corporate side, with a UETR, and to be able to track this payment from start to finish through real-time status reports. “Alongside interoperability, the key here was to ensure automated integration with the corporate’s TMS or ERP platform, so that no contact was needed with the bank,” says Grosemans. This was the concept for Pay and Trace.

Turning that idea into reality required a collaborative effort, as Lenaerts recalls. “Ensuring Pay and Trace worked as seamlessly as our corporate clients expected meant conducting numerous bilateral tests. We worked closely with Kyriba and SWIFT at this stage to ensure that PSR files automatically integrated into the treasury system. The tests went extremely smoothly and Kyriba finalised its part of the

integration in May 2020, ahead of the go-live in June.”

In fact, Kyriba was the first TMS vendor to complete bilateral tests with SWIFT, using both MT and XML formats, according to Dupas. “Of course, there is also testing to do from the corporate side, but this should not be viewed as an obstacle to implementation. Corporates are completing the testing phase with their banks, vendors, and SWIFT, very quickly – and there is very little groundwork to do, compared with the significant benefits on offer,” she observes.

For corporates not equipped with such a system able to integrate the Pay and Trace status reports, BNP Paribas alternatively provides an online view of the gpi payments in the ebanking tool, Connexis Cash, where a metroline showing all the steps and info of the payment is available.





FRÉDÉRIQUE DUPAS

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We can now monitor our outgoing payments with more precision, and this perfectly reflects Naval Group's desire to always implement the most innovative and efficient solutions.

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Turning data into benefits

“With Pay and Trace, we can see all of the detail relating to the payment,” enthuses Beuvar. “We receive richer data than a traditional MT103 and can self-track cross-border payments until they are processed by the beneficiary banks, with real-time status updates as well as details on routing and fees. The alert functionality, to make us aware when a payment is stuck, or reaches its final destination, also greatly improves our treasury processes,” he explains. “And if there is an issue with a payment, we can be much more responsive, which enables us to optimise supplier treatment and speed up the entire payment process.”

Of course, there are working capital benefits as well. “Pay and Trace actually enables us to hold on to cash for longer, since there is no need to account for potential blockages and leave a window of time for the payment to arrive. In other words, knowing the payment will arrive on time means that Naval Group can keep cash invested for longer.” Furthermore, when payments are made in a timely and reliable manner, suppliers can free up more credit capacity for Naval Group – which makes good business sense.

Looking at all of the benefits, Beuvar believes the most useful aspect of Pay and Trace is the rapid access to information. But he is delighted with the overall solution and close co-operation between Naval Group and BNP Paribas-enabled treasury to make the system work as well as it should. Says Beuvar: “The fact that we were able to work very closely with BNP Paribas and Kyriba on the implementation of this solution made it possible to be very active during the validation of the project – which meant it was directly tailored to our needs.”

Additional innovation

Naval Group is keen to continue working collaboratively with its partners on future developments. One functionality Beuvar would like to see is tracking for inbound payments. “Being able to receive notifications about when funds will be received, or if they are stuck in transit, would definitely improve cash flow forecasting. And, in these challenging economic times, having complete visibility over incoming cash flows is more important than ever.”

Beuvar is not alone in wanting this inbound tracking functionality and the SWIFT working group is currently looking at this capability. Grosemans notes: “Having the ability to track incoming payments is the logical next step for g4C. SWIFT sits on huge amounts of payments data and being able to transmit that data to the corporate could significantly assist their liquidity management. So, we are currently looking at ways to bring more value to corporates with inbound tracking functionality – but it has to be a community effort, with standardised processes.” Dupas echoes this, adding that “Kyriba is currently working with corporates, including Naval Group, on inbound payment tracking using different formats.”

Lenaerts predicts that this inbound tracking functionality could, in future, be useful when closing high-value deals. “Naval Group sells valuable battleships and submarines across the globe. Using an inbound tracking functionality, it would be possible for the end customer to view and approve the naval vessels and then send a real-time, tracked gpi payment to Naval Group, on sight of the merchandise. This removes the risk for the buyer and also for Naval Group. As such, this inbound tracker could become a strategic tool to make companies more competitive, while removing the risk of non-payment.”

Beuvar agrees with Lenaerts on the possibilities, saying: “The more information we can have in our systems, the more we can be efficient in our work.” He concludes: “We are proud of the benefits we have already achieved in partnership with BNP Paribas and Kyriba. We can now monitor our outgoing payments with more precision, and this perfectly reflects Naval Group's desire to always implement the most innovative and efficient solutions.” ■

VALUE CREATION THROUGH INNOVATION

While the g4C inbound payments tracker is in development, BNP Paribas has created its own solution for incoming payment tracking for its clients' counterparties – called BENTracker. Lenaerts explains: “This is a DHL-style tracker, aimed at making beneficiaries aware of the status of specific payments that are due to them. It is directly accessible by beneficiaries in order to minimise the time spent chasing outgoing payments and allows them to access a public space where they can see non-confidential data about the payment. This complements the gpi tracker offering.”

FX Hedging Strategies for 2021 and Beyond



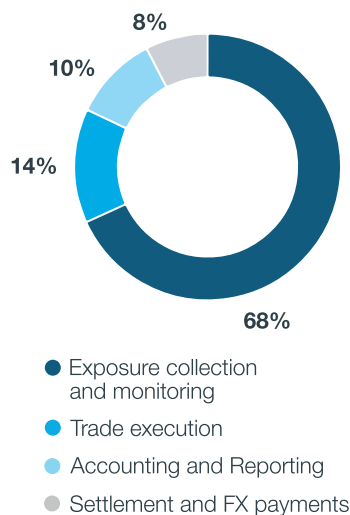
As new processes and technologies are called upon to help businesses navigate turbulent waters post Covid-19, foreign exchange hedging strategies will need to change too. The latest survey from Kantox, in partnership with TMI, reveals the extent of what's needed now.

In a world where business efficiency and effectiveness suddenly became essential survival skills rather than just cost-saving measures, traditional foreign exchange (FX) management strategies must develop, and fast. As a key finding of the 2020 FX Risk Management Survey, conducted by

Kantox in collaboration with TMI, it shows the depth of the impact of the pandemic on commercial activities. Indeed, says Antonio (Toni) Rami, Chief Growth Officer and Co-founder at Kantox, "it confirms that the life of the treasurer is becoming more difficult, and a lot faster than ever expected".

By **Tom Alford**, Deputy Editor

FIG 1: FX HEDGING CHALLENGES DURING THE COVID CRISIS



Data from 155 responses

The survey, conducted from June to July 2020, evaluated the effect of Covid-19 on FX risk management processes and policies among various industries, including manufacturing, retail, financial services, hospitality, and health care, and representing a revenue spectrum from firms in the under €20m bracket, to those over €1bn-€10bn from which most respondents were drawn.

The results indicate that even with a robust FX risk approach, the pace at which the world is changing means that no business is immune from market volatility. As such, a clear trend that can be observed among the 154 respondents is that FX strategies that were once considered sound must now be reviewed for post Covid-19 survival, and the call for more and better technology to help with optimisation is growing louder.

Pain points

Some 68% cited exposure collection and monitoring as the most pressing FX challenge surfacing in the three months prior to the survey being taken (see figure 1). The lack of systems and clearly defined processes is the chief cause here; this has been exacerbated by the pressure of operating under Covid-19. As a mark of the significance of this point, other challenges were way down, with trade execution (14%), settlement and

FX payments (10%), and accounting and reporting (8%), rounding out the list of concerns.

The majority of treasury pain arising from the pandemic is caused by increased market volatility, this being cited by 64% of respondents. Even the normally reliable EUR/USD benchmark has seen wild spikes in 2020, with an initial 6.7% drop in March 2020 that was countered by a major rally that caught many treasurers off guard. More predictably, emerging market currencies are also exhibiting dramatic and potentially costly swings for businesses.

One of the main causes of disquiet emerging from all this, notes Rami, is a lack of treasury confidence in FX policy and hedging processes. This, he says, confirms that “policy is still not in alignment with the business”. But where it may have been almost adequate when the markets were less volatile, current circumstances, he feels, have exposed every weakness. Indeed, 52% of those polled describe their current FX hedging programmes as either inadequate, partially adequate or non-defined in handling the Covid crisis.

Clearly, there is widespread acceptance in treasury that existing hedging policies and processes are not fit for purpose in the new era. A response is being mounted, with 43% saying the pandemic has been the catalyst for a review of their FX management objectives (see figure 2), and 56% believing that the importance of FX risk management will increase within treasury after Covid. Although 43% say policy will remain unchanged, the majority clearly understand the impact a suboptimal FX policy may have on the overall results of the company.

Of the other pain points raised, being over-hedged and having to unwind was a big issue for 34%. Most of these respondents (66%) base their hedges on forecasting. This suggests that forecast accuracy is nowhere near as effective as it should or could be. Even combining accounts payable/accounts receivable data – assuming it is easily accessible – within a forecast-based hedging programme could ease this issue.

As Rami notes, most of the challenges arise from a lack of alignment of policy with business. With just 30% of respondents having an FX hedging strategy approved by senior management outside of finance, it demonstrates that FX risk management

TONI RAMI

Chief Growth Officer and Co-founder, Kantox

Antonio (Toni) Rami is the Chief Growth Officer and co-founder of Kantox, a leading currency management software company headquartered in London. He started the business in 2011 with Philippe Gelis and John Carbajal.

Rami has a background in strategy and operations having worked for Inveready Technology Investment Group and Deloitte before launching Kantox. He speaks regularly at events across Europe and is considered an FX and fintech leader. Rami holds a Master's degree in Business Administration from ESADE Business and Law School, Barcelona, and also from Singapore Management University.



is yet to be viewed as an essential strategic task. “It shines a light on the need for treasury to prepare, but it also underlines the need for the different functions to work closer together, to solve FX problems for the company and for its clients and suppliers.” As awareness of what needs to be done increases, so too will the level of response.

Treasury impact

As a result of new challenges arising, 56% of respondents are anticipating an increase in workload in their treasury over the coming months. Of these, 81% are expecting to be handling the increase with the same level of resources. Where manual processes are used to manage FX, and with market volatility showing little sign of weakening, the teams mitigating the risk can expect to be pushed to the limit.

Of course, treasurers know a solution exists. In response to suboptimal systems and processes in the pre-trade phase of the workflow, for example, 73% say technology – not more people – would help lighten their burden, with forecasting (40%) and exposure collection analysis (33%) the focus of their requests.

The argument for the adoption of technology is compelling. However, Rami notes that many treasurers are still wedded to spreadsheet operations. This commonly means treasurers struggle to explain to business colleagues the enterprise-wide impact of FX volatility.

With many firms still not grasping the strategic importance of a sound FX policy, and the role that investing in technology plays in mitigating risk in volatile markets, it is no wonder that most treasurers expect to be ‘doing more with less’, and that seeking sources of efficiency is for them now paramount.

However, the lack of understanding of the issue beyond treasury is also a major hurdle to securing budget. When it comes to de-stressing and de-risking their FX

hedging activities, 53% of respondents report insufficient technology budget, and 46% claim internal resistance to change. For Rami this is frustrating. “I just don’t buy it,” he states. “The return on FX-related systems is obvious.”

Breaking boundaries

Nevertheless, with cash visibility and the need for greater control over liquidity a known priority for corporates the world over, Rami predicts an increase in TMS adoption. That said, he argues that these systems do not necessarily have a strong focus on areas such as FX risk management. As such, we will likely see the rise of what he calls the “multi-tech treasury”, where third-party Currency Management Automation software augments core system functionality.

And when this happens, he believes that treasurers will finally be able to “break the silos” that have constrained FX risk management. It is, he states, the best opportunity to enable closer collaboration with commercial teams to create useful FX risk KPIs and robust policy. “When treasury takes the lead, it can demonstrate to the rest of the business that by aligning processes, everybody wins.” ■

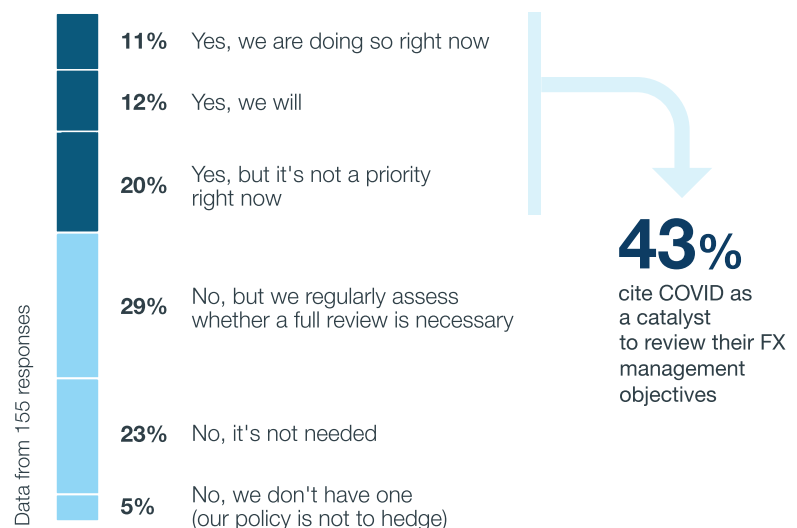
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The results indicate that even with a robust FX risk approach, the pace at which the world is changing means that no business is immune from market volatility.

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FIG 2: REVISION OF FX RISK MANAGEMENT STRATEGIES FOR THE POST COVID ERA



DISCOVER FURTHER FX INSIGHTS

To read the complete survey findings, please download a complementary PDF copy at

finance-insights.kantox.com/fx-survey-report-download

How SMEs Can Benefit From Bounce-Back Banking



By **Anders la Cour**,
Chief Executive Officer,
Banking Circle

The current downturn is having a devastating and potentially fatal impact on small and medium-sized enterprises. But there are steps financial institutions can take to add value to the experience they deliver to the businesses known as ‘the backbone’ of most economies. Here, Anders la Cour, CEO, Banking Circle, examines the insights delivered by the company’s latest white paper.

Across Europe, small and medium-sized enterprises (SMEs) account for two-thirds of all employment and more than half of all gross value added (GVA). But the Covid-induced economic slump is affecting SMEs disproportionately, with 90% reporting a drop in turnover as a consequence of the pandemic.

Aiming to fully understand challenges facing these particular businesses – and identify the opportunities for the financial

services sector to support an SME bounce-back – financial infrastructure provider Banking Circle commissioned a new white paper entitled Bounce-back Banking: 5 markers for success in delivering SME financial services.

The difficulties SMEs face in accessing suitable and affordable banking, payments and lending solutions is nothing new. The brightest and hungriest firms have for many years faced this challenge. But

factor in a global pandemic that forced thousands of those businesses to shut down for weeks or months at a time bringing cashflow to a standstill overnight, the picture grows bleaker still. Add to that a second nationwide lockdown in the lead-up to Christmas, the busiest season for many organisations, and it is hard to predict how the future will look for SMEs.

With little cash left in the accounts and government support not always going far enough, SMEs need additional funding to pay rent, utility bills and payroll, not to mention ordering stock so that they can kick-start cash flow. They also need payment and foreign exchange services that are cost-effective. However, unable to provide a long credit history or report consistent revenue, many SMEs are finding that their usual bank can't help, leaving them unable to gain access to the services they need.

Indeed, our latest research, which investigated the attitudes of SME business leaders across Europe, revealed a significant gap between what they need and the quality of advice and service they receive. Since new regulations and tougher restrictions came into play after the last global recession, banks have found it more difficult to offer financial services to smaller businesses. And the wide range of business models, distribution and ambitions means no two firms are alike, which only adds to that challenge.

SMEs out in the cold

In other words, there is no one-size-fits-all SME banking solution, and banks don't have the flexibility or resources necessary to offer suitable, affordable solutions. Neither existing corporate nor retail-focused offerings are suitable, so SMEs are left out in the cold. Our research found that nine out of 10 SMEs are happy with core account services, but almost one in four experiences customer service issues with their bank.

With trade for many SMEs dramatically and unexpectedly lower in 2020 than in previous years, these challenges are amplified. For example, one in five (22%) of the SMEs we spoke to waited up to two months for loan application responses, with 25% waiting up to a month. Alongside high fees (42%),

SMEs said poor-quality service and low responsiveness reduced their confidence in their bank. However, only 27% of banks believed there has been an erosion of bank customers' trust in recent years.

When banks first came into existence, market requirements were very different; no one could have imagined the cross-border, digital, international trading landscape in which we find ourselves today. The once-pioneering systems and in-house servers on which banks are built now present a significant challenge in deploying new software and applying best practices.

In research conducted earlier this year, half of the banks surveyed said the move to digital services was a major challenge, yet two-thirds believe they are keeping pace with technological change. However, smaller companies are turning to alternative providers for faster, cheaper solutions; almost half (48%) of SMEs have looked elsewhere for banking solutions that better suit their needs.

A future-proofed vision

European banks have often claimed SMEs are expensive to service and their needs too diverse. But our latest report includes examples of providers that are already getting it right. It also sets out concrete areas where financial institutions can adopt new approaches to support small companies for a profitable, sustainable future in the next normal – post Covid-19 – without the need for significant investment.

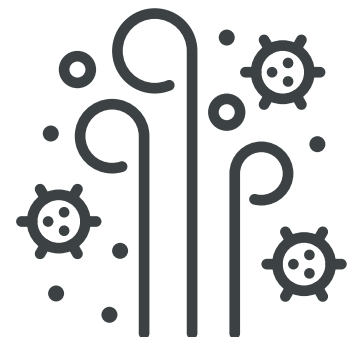
Where incumbent banks are built upon monolithic legacy systems, fintechs are built in the cloud. They are flexible, nimble, more able to adapt quickly and launch new solutions to meet the rapidly evolving needs of smaller businesses. We, and other fintechs like us, are building systems designed from the basic understanding, that technology is ever-evolving and what was the norm today, may need replacement or an upgrade tomorrow.

In the past, banks often had the mentality that they could do everything in-house. But those that tried to overhaul their legacy infrastructure to deliver new solutions found it too difficult. That mindset has now shifted. Banks are increasingly open to collaboration to deliver the best solutions.

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The Covid-induced economic slump is affecting SMEs disproportionately, with 90% reporting a drop in turnover as a consequence of the pandemic.

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In the white paper, we have identified five key areas where changes could be made to improve relationships and service delivery between SMEs and financial services providers.

Service

SMEs are happy with a digital delivery model, but it should offer more bespoke services, lower cost and improved responsiveness – available through digital platforms and partnering with service providers.

Pricing

SME choice isn't always about the price. Financial services providers should think flexibly. Innovative – and tailored – approaches to pricing could help them improve SME services and enhance profitability.

Credit and risk management

Banks should try to address the inequity

SMEs can face when seeking credit compared with big companies through better risk-scoring systems. Interoperable application programming interfaces (APIs) now make it possible to access SMEs' financial information directly.

Trust

To win SME trust, banks should seek to combine digital delivery with tiered, personalised services and the human touch, a view endorsed by Kent Vorland, CEO, SimplyPayMe, UK, who said: "There seem to be very few tailored features or services for the SME market. By focusing more on the customer and their pain points, and less on procedural box ticking, a lot more could be achieved."

Advice

Quality advice is key to serving the SME market effectively. Starting from the digital platform and partnership model, financial services providers can take things further,

adding a layer of personalised advice via email and/or voice to the mix.

Selma Kveim, CEO, Bright Products, Norway, told us: "Companies like ours are willing to pay for better advice. The only place we can go for advice is our auditors – but they're not financial product specialists. There's huge potential for banks to make SME advice a paid-for service."

Banking in 2021 and beyond

SME needs are indeed extremely diverse. Ultimately, achieving total financial inclusion for SMEs requires a joined-up ecosystem where various financial services providers connect their solutions. Making these connections will be vital for global economies as we look to recover from the worst health crisis in a century and one of the biggest economic shocks in history.

Partnering with specialist providers within the financial ecosystem in a platform or white-label arrangement reduces costs and enables tailored services through existing banks' digital channels. Our research found that 80% of retail banks and 74% of commercial banks have already worked with infrastructure providers.

Financial infrastructure providers such as Banking Circle are focused on developing the technology to process payments directly, and to integrate to a vast network of local clearing and payments schemes. Using decoupled architecture, we can update or replace individual pieces of architecture with limited impact on the rest – meaning we can quickly add more functionality and work within new geographies. This means we are able to give financial services providers the ability to support their business customers with faster and cheaper cross-border banking solutions.

As we all know, SMEs are vital – so much so that they are often referred to as 'the backbone of the economy' in many countries, and rightly so. In the EU alone, there are more than 22.2 million SMEs in the non-financial business economy, making up more than 99% of the region's businesses. But poor access to payments, lending and bank accounts is putting these precious businesses at serious risk – today more than ever before. Providers of all types need to make changes so they can serve smaller businesses better. ■

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Banks are increasingly open to collaboration to deliver the best solutions.

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ANDERS LA COUR

Chief Executive Officer, Banking Circle

Anders la Cour is Co-Founder and CEO of financial services infrastructure Banking Circle, which secured its banking licence in February 2020.

Previously a technology and financial M&A lawyer in Copenhagen, Denmark, la Cour was appointed inaugural Chair of the non-profit business association, Emerging Payments Association (EPA) EU in February 2020, having been on the EPA Advisory board since 2016. He is regularly invited to speak at global industry events, has won multiple awards and writes for a range of industry publications.



To find out more about how financial services providers can improve their offerings to SMEs, download the white paper here: www.bankingcircle.com/whitepapers/bounce-back-banking-5-markers-for-success-in-delivering-sme-financial-services



Advanced Financial Market Communication Evidence From France



The users of financial statements issued by French companies are able to analyse corporate performance and make better-informed decisions thanks to the higher level of disclosure required by the country's financial markets supervisor. Could the benefits of France's enhanced regulatory environment be leveraged to improve financial market communication more broadly?

By **Andreas Hecht**, Manager
Corporate Finance – Risk
Management and Reporting

Internationally, several standard-setters such as the US Securities and Exchange Commission (SEC), the European Securities and Markets Authority (ESMA) and the International Accounting Standards Board (IASB) are tackling the

challenge of improving financial market communication.

Survey evidence provided by the IASB shows that more than 80% of respondents believe the way financial information is currently presented could be improved

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FX or currency risk is generally one of the most material financial market risk categories of non-financial firms.

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ANDREAS HECHT

Manager Corporate Finance – Risk Management and Reporting

Dr Andreas Hecht works in Corporate Finance, Risk Management and Reporting at MAHLE International GmbH, one of the largest automotive suppliers worldwide, based in Stuttgart, Germany. Prior to this, he worked at PricewaterhouseCoopers (PwC) in the Corporate Treasury Solutions department. He was a research associate from 2016 to 2019 at the University of Hohenheim, where he prepared his PhD dissertation on corporate currency and interest rate risk management. In May 2020, he successfully completed the Certified Blockchain Expert programme at the Frankfurt School of Finance & Management.

The results further illustrate that instead of necessitating users to search through large amounts of data, the communication of relevant information in financial statements needs to be revised (IASB, 2013¹). In the same vein, a recent initiative of IASB Chairman Hans Hoogervorst aims to prioritise the effectiveness of financial market communication and to improve the quality and usefulness of financial disclosures (IASB, 2016²). France is a good example of these ideas in practice.

The supervisor of the French financial markets, the *Autorité des Marchés Financiers* (AMF), has established a so-called ‘registration document’ that offers – as an optional supplement – advanced disclosures, which include additional information about a company’s business, financial position, earnings and prospects for various stakeholders. With respect to financial risk, for example, the AMF provides in position paper n°2009-16 (*Autorité des Marchés Financiers, 2009*³) detailed guidance on extended corporate disclosures that go far beyond the governing reporting standards of International Financial Reporting Standards (IFRS) 7.33 and 7.34.⁴

IFRS 7.33 and 7.34 require accounting entities to deliver a qualitative and quantitative description of the nature and the extent of financial risks arising from financial instruments. For the qualitative description (7.33), this includes both

the magnitude and the origin of the risk exposures, as well as the “management’s objectives, policies, and processes for managing those risks”. In quantitative terms (7.34), “summary quantitative data about exposure to each risk at the reporting date” have to be disclosed. Further, this information should be “based on information provided internally to the entity’s key management personnel”.

With regard to the management of foreign exchange (FX) or currency risks, which generally is one of the most material financial market risk categories of non-financial firms, fig. 1 shows an exemplary FX risk management report of a German DAX 30 company that complies with the specifications of IFRS 7.33 and 7.34. The data granularity provided by US S&P 500 companies is very similar. The reporting comprises the fair value of all currency forward transactions (as evaluation parameter for the balance sheet), their total notional volume (long and short combined) as well as their residual maturity. Further, a sensitivity analysis indicates hypothetical effects of exchange rate fluctuations on the income statement.

In this example, the reader is not informed of the actual extent of the currency risks to which the company is exposed at the end of the reporting period. The company merely specifies that forward transactions with a total notional volume of €1,698m have been concluded, which, however, is

FIG 1: EXAMPLE RISK MANAGEMENT REPORT OF A GERMAN DAX 30 COMPANY FOR CURRENCY RISKS

Currency risk

The fair value of the currency forwards at the balance sheet date was €-8 million (previous year € -3 million) and their notional value was € 1,698 million (previous year: €1,860 million). As in the previous year, all of the forward contracts have a remaining maturity of up to one year. The notional values represent the aggregate of all purchase and selling amounts for derivatives. The notional values shown are not netted.

If the euro had appreciated by 10% against all currencies as of December 31 2019, the fair values of the currency forwards recognised directly within the hedging reserves in equity would have increased by €41 million (previous year: €49 million). If the euro had depreciated by 10% the fair values of the currency forwards recognised directly within the hedging reserves in equity would have decreased by €67 million (previous year: €65 million). An appreciation or depreciation of the euro would not have a material impact on the consolidated financial statements when valuing currency forwards recognised in profit and loss. This is because the resulting changes in the hedged items would compensate for the effects of any changes in the market values.

Source: Beiersdorf AG, Annual Report 2019

a composite sum of purchase and sales contracts, i.e., opposite long and short positions. The underlying risk associated with these forward contracts is not disclosed, nor are the currencies involved.

While an assessment of the hedging measures taken is not possible based on the above example, French companies show what risk management reporting with more relevant information can look like and what added value it can provide for its addressees (see fig. 2).

As the table illustrates, the aforementioned advanced and extended disclosures in terms of FX risk management activities comprise the specification of the actual exposure before and after management as well as its composition by year and currency. This provides the reader with a sound overview of the magnitude and the origin of the risks to which a company was, and still is exposed to, at the balance sheet date. Further, it also shows which particular hedging measures have been taken per currency, i.e. to what extent the risk has been decreased or increased by derivative instruments. Overall, the French reports offer the recipients, such as financial analysts, shareholders and potential

investors, a significantly higher level of information and detail. This, in turn, helps them carry out meaningful analyses and make better-informed decisions.

Another advantage is that both recipients and the companies themselves can compare and benchmark various FX risks and the strategies of different companies and competitors. In addition, a transparency is created as to whether derivative financial instruments were used for hedging or for speculative purposes. The latter purpose, an intended increase of risk in a bid to generate additional profits, has often led to corporate losses in the millions and billions.

The enhanced transparency that results from French reporting could increase the inhibition threshold for speculation and thus prevent corporate losses from derivatives transactions. In this respect, the French method of reporting could lead the way internationally. It could show other financial supervisory authorities and standard setters how appropriate regulation and improved financial market communication can be valuable tools in assisting users of financial statements to make well-informed decisions. ■

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Overall, the French reports offer the recipients, such as financial analysts, shareholders and potential investors, a significantly higher level of information and detail.

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FIG 2:EXAMPLE RISK MANAGEMENT REPORT OF A FRENCH CAC 40 COMPANY FOR CURRENCY RISKS

| | 31 DECEMBER 2019 | | | | | | | | |
|----------------------------------|------------------|-------|-------|-------|------|-------|-------|--------|---------|
| (in million euros) | RUB | GBP | JPY | USD | PLN | CHF | CZK | Others | Total |
| Total assets | 35 | 950 | 136 | 338 | 75 | 209 | 172 | 157 | 2,072 |
| Total liabilities | (36) | (821) | (162) | (234) | (17) | (3) | (173) | (288) | (1,734) |
| NET POSITION BEFORE HEDGING | (1) | 129 | (26) | 104 | 58 | 206 | (1) | (131) | 338 |
| Derivative financial instruments | 1 | (470) | 13 | (57) | (25) | (206) | - | (19) | (763) |
| NET POSITION AFTER HEDGING | - | (341) | (13) | 47 | 33 | - | (1) | (150) | (425) |

Source: PSA (Peugeot) Group, Registration Document 2019

Notes

1 <https://www.ifrs.org/news-and-events/2013/01/joint-effort-needed-to-tackle-disclosure-problem/>

2 <https://www.ifrs.org/news-and-events/2016/06/iasb-chairman-prioritises-communication-in-financial-statements/>

3 Guide d'élaboration des documents de référence: Retrieved from https://doctrine.amf-france.org/technique/multimedia?docId=workspace://SpacesStore/0781ea1e-6eef-495e-ae23-7dbac9e435c4_fr_4.1_rendition

4 It should be noted that the reference document has been replaced since July 2019 by the universal registration document resulting from EU Regulation 2017/1129 of 14 June 2017. It is interesting to note that the content of this new document is largely inspired by the French reference document.

Treasury in Transition

By Eleanor Hill, Editor

Opportunities Not to Miss in 2021

To say 2020 was a challenging year for businesses is an understatement. Many companies have struggled to survive, while others have grappled with rapid shifts in operational models. As we head further into 2021, with the prospect of Covid-19 vaccines providing a ray of hope, how should treasurers prepare? Peter Cunningham, EMEA Sales Head, Corporate and Public Sector, Treasury and Trade Solutions, Citi, shares his insights.

During the past year the treasury community has successfully navigated some of the toughest trading and operational conditions in living memory. For many in the profession, 'building resilience' has become a maxim, and the phrase 'the new normal' has become part of the everyday business lexicon as the Covid-19 pandemic continues.

To enable their organisations to pivot towards this novel operating environment, treasurers have inevitably shored up liquidity – as was the case with previous

economic and financial crises, explains Cunningham. "In the first stages of the pandemic, many treasuries sought to draw down on their revolving credit facilities [RCFs], establish new bi-lateral loans or tap the commercial paper markets. Internal cash sources were part of the mix too, with the efficiency of the cash conversion cycle coming under close scrutiny," he notes.

As the pandemic has progressed, businesses have rapidly established new sales and distribution practices,

too – with the focus on digital channels and ‘contactless’ logistics solutions. Physical cash has also become an unwelcome payment method for health and safety reasons, which has changed the playing field for treasurers in many sectors, not least retail.

These changes alone would be enough for treasurers to deal with, but given the economic uncertainty driven by the pandemic, financial supply chains have also been a pain point. “Increased counterparty risk, currency volatility, and cost of goods, together with a host of other considerations, have each had an impact on the way treasury works,” Cunningham explains.

Rethink and recalibrate

Although the damaging effects of the pandemic have been a wake-up call for many organisations – such as those that had fallen behind digitally, or taken their eye off cash flow forecasting during the good times – the optimal approach for 2021 is not necessarily about establishing brand new priorities, says Cunningham. “Instead, it’s more of a driver to recalibrate existing priorities,” he believes.

To some extent, he feels the pandemic has driven the need for a back-to-basics approach to liquidity. This means reinforcing the understanding that group cash is a corporate asset, and that treasury is the steward of that asset. “Taking action is a way of demonstrating to the outside world that the company is in command of the situation.”

Being in control means being operationally resilient under pressure. There is a need to ensure not only that productivity is maintained with people working remotely but also that risk management and governance are not compromised by ‘new normal’ working practices. “This has forced banks and clients to look deeper at how we interact with each other digitally,” says Cunningham.

Although the simple process of wet-signing a document was urgently revisited as lockdowns were imposed, with e-signatures being widely drafted into action, he says ongoing uncertainty – and the opportunistic nature of cybercriminals – means many other processes need sustainable risk-controlled solutions as we move further into 2021.

Other areas to revisit in the coming

months include physical, and therefore financial, supply chain improvements, particularly the use of ‘just in time’ (JIT) models. “The pandemic has seen a shift away from JIT to ‘just in case’ models, with companies holding an inventory buffer to see them through any potential restrictions. And this may be an operating model we will see more of in 2021 as companies look to keep their supply chains running smoothly, whatever the economic weather.

Cunningham comments: “With many supply chains exposed to stock constraints under lockdown, some pharma and healthcare clients experienced sourcing issues as demand spiked. This highlighted a lack of supplier diversification for some and a rethink is required here.” He stresses, however, that there are wider conversations to be had here too, such as the impact of prioritising cost and leanness over longer-term resilience.

Ahead of the curve

That said, it is inevitable that the pressure on top-line growth felt by most businesses during the pandemic has pushed cost savings and efficiency drives up the agenda. With the ‘do more with less’ mantra gaining volume across the board, it is an “acute challenge” for treasurers to keep finding opportunities for savings, notes Cunningham. The pressure, he adds, will likely continue for some time.

With this in mind, the importance of keeping abreast of e-commerce and digital payment trends throughout the coming year cannot be overstated. The pandemic has accelerated the adoption of digital strategies and omni-channel approaches, but while this agenda has been bubbling along for some time, Cunningham has seen treasury somewhat “disconnected” from strategic discussions. “Often these decisions are taken in a vacuum, being led by business, product or geographic considerations. They don’t necessarily look at it through a treasury lens that applies risk and control aspects.”

Avoiding the critical gaze of the treasurer could, for example, see risk introduced if sales are made in a range of non-functional currencies that are not part of a hedging programme. “If volumes increase substantially, it could expose deep inefficiencies in the ability to manage receivables, reconciliations

and cash application processes,” cautions Cunningham.

“And as e-commerce becomes central to top-line growth, treasury really needs to have a seat at the table to discuss strategy. At the moment, with a few exceptions, treasury is not afforded this opportunity. But it’s surely better to discuss all the options upfront, rather than try to fix things after the fact – especially when e-commerce is likely to be a key driver of business success in 2021?”, he questions.

Sustainable development

Like e-commerce, the environmental, social and governance (ESG) agenda has long been part of the corporate consciousness. “Pre-Covid-19, it was starting to feel more mainstream and tangible,” comments Cunningham. With treasurers increasingly exploring the role of the function in this space, “momentum had been building”.

And again, as with e-commerce, the onset of the pandemic has acted as a catalyst for further progress. Indeed, he observes: “A notable pandemic-driven focus on the sustainability of supply chains and on the treatment of employees, with close scrutiny by the immensely powerful consumer.”

As more treasurers play their part by exploring sustainable finance – green bonds and linked loans for example – they are increasingly looking to their relationship banks for guidance and suitable products. Whereas supply chain finance is traditionally used as part of

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At the highest level, Cunningham urges treasurers to “expect the unexpected” in 2021.

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working capital strategy, within an ESG agenda, Cunningham notes that it is now being leveraged by buyers as a means of incentivising suppliers to meet agreed ESG-based key performance indicators (KPIs). And as standards develop, so the ESG product set will broaden and gain further traction.

This is certainly the case on the bank asset side. Here, Cunningham reports that Citi Travel & Expenses (T&E) card clients can even donate their rebates to a carbon-offset programme. But it is increasingly so on the liabilities side too, as banks such as Citi roll out green deposits.

He notes: “There’s a natural synergy here as we look to both sides of the balance sheet of our business to drive ESG performance and help treasurers deliver tangible responses to their company’s ESG agenda.” There will be “a lot more to come too,” he adds, not least as traditional banking products are redeveloped to fit corporate clients’ developing ESG strategies.

Additional areas of focus

Elsewhere, while the pandemic may have stolen the headlines, the clock is still ticking on Brexit negotiations. The earlier intense period of discussion with clients about what it means must now translate into action, says Cunningham.

With many having taken a worst-case scenario as their base, he believes it will operationally at least stand most in good stead, with the observation from a core treasury perspective that there is “generally

a fairly good state of readiness”.

However, uncertainty remains around the flow of goods across borders, safety standards, tariffs, packaging, labelling and a host of other elements that could introduce friction into the trade environment. If this happens, Cunningham believes that production cycles will increase, which will mean more working capital required to support that cycle. It will cost and treasurers should remain alert.

Another change to have on the radar is London Inter-bank Offered Rate (LIBOR) transition. Referenced in most underlying corporate financial contracts and agreements, externally and internally, the transition by the end of 2021 from LIBOR to new alternative reference rates, also known as risk-free rates (RFRs), is a massive undertaking.

In tackling the work, it makes sense to have already nominated a treasury lead for the cross-functional working group, says Cunningham. “Treasury naturally has a seat at the table here,” he states. The transition requires a tax, accounting and legal review of all LIBOR-impacted documents, and subsequently all exposures must be mapped to the new RFRs. This may benefit from externally provided due diligence to ensure new documentation is watertight, says Cunningham.

Aside from documentation, one aspect that some may have missed is systems readiness, he notes. “Core treasury systems – TMSs [treasury management systems] and ERPs [enterprise resource planners] – need to be able to handle RFRs.

These calculations need to be built into the underlying intercompany flows, and any references elsewhere to these,” he says.

A communication strategy is also required to ensure internal partners, such as subsidiaries and in-house banks, understand the transition and what it means, affording them sufficient time to respond. “The treasurer has an important role to play here,” he cautions.

Preparing for 2021

But with all of these different tasks and challenges on the treasurer’s plate, how can they realistically prepare for the year ahead?

At the highest level, Cunningham urges treasurers to “expect the unexpected” in 2021, and for good reason. “Despite medical breakthroughs, there is likely to be more volatility ahead. One of the best ways to weather this is to build as much optionality as possible into everything you do,” he says.

Of course, throughout 2021, treasurers must also maintain sight of risk management and controls, particularly as new digital channels open up, and alternative working practices, such as remote working, continue.

And despite the long to-do list, Cunningham absolutely sees an opportunity for treasury to play an elevated role going forward. “This may be in an advisory capacity, looking at the financial impact and effects of e-commerce, or perhaps steering the ESG agenda towards tangible action. Whatever form it takes, it is an opportunity not to be missed.” ■

PETER CUNNINGHAM

EMEA Sales Head, Corporate and Public Sector, Treasury and Trade Solutions, Citi

Peter’s main responsibility is to lead and direct TTS’ EMEA sales strategies for the bank’s Corporate & Public Sector clients including: new sales origination, cross-sell, and ensuring client satisfaction. The team’s mission is to develop long-term treasury and working capital management relationships with its clients across their financial and commercial ecosystems leading to a deeper and broader strategic banking partnership.

Peter is a frequent speaker at industry conferences and has published several thought

leadership papers in industry publications. Prior to his current role, Peter held different leadership positions across the TTS business within Citi’s Institutional Client Group. Most recently, Peter held positions in TTS as the EMEA Sales Sector Head for both the Consumer & Healthcare and Technology & Communications sectors.

Peter has a Bachelor of Social Sciences degree from the University of Birmingham in the UK and is Cert ICM qualified with the Association of Corporate Treasurers.





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Treasura

ION Treasury: Creating Real-World Opportunities for a Digital Future

By **Tom Alford**, Deputy Editor

Treasurers have much to gain from a co-ordinated programme of digitalisation. With some forethought and planning, the benefits of advanced technologies are there for the taking, says Michael Kolman, Chief Product Officer, ION Treasury.

The real advantage of digitalisation comes when processes are executed within ecosystems of interconnected, interrelated applications. As the starting point for a future vision of treasury, the concept of digitalisation encompasses at least four key improvement areas, notes Michael Kolman, Chief Product Officer, ION Treasury.

A vital first link in the chain is workflow management technology, such as a treasury management system (TMS), which acts as the enabler of effective process control and automation. The current pandemic-hit environment has shone a light on the benefits derived from the deployment of digital workflows. And the capabilities of a TMS to handle the demands of remote-working are magnified against the backdrop of day-to-day struggles in operations as experienced by treasuries stuck in a paper-based world.

Indeed, as other aspects of business evolve along an accelerating digital timeline, the gap between technologically-enabled treasuries and the rest is increasingly apparent. For many treasurers in the latter camp, the experience of a non-digital workflow can be painful. This is all-too evident in managing interactions with banks, with paper-based processes falling at the first hurdle of lockdown but digital signing solutions quickly being co-opted into action for those prepared.

As a second fundamental of digitalisation, enhanced data delivery brings many benefits. This, says Kolman, is epitomised in the way real-time data access, analytics, dashboards and reporting tools can hand treasurers far greater power and confidence when making decisions.

The third key aspect is treasury connectivity with key partners such as banks, online trading and investment portals, and market data providers. “We try to enable straight-through processing for customers in our treasury systems, and one area that I think has been amongst the most advanced in recent years has been FX trading,” notes Kolman.

From the TMS, exposures can be monitored, and then managed through an online portal, with trades being confirmed and booked without the need for intervention post-entry, he explains. This level of connectivity is not new but, he adds, “it serves to remind the industry of the possibilities for further transformation”.

And fourthly, for treasurers inspired by the prospects of digitalisation, the reality of it begins “with a vision,” says Kolman. Devising a five-year plan for unleashing the opportunities should, he feels, move treasury beyond its typically reactive state, towards one of proactivity.

Whilst for example reacting to cash positions and liquidity status will always be necessary, digitalisation opens up the option for treasury to pre-empt certain actions. This can create value for a host of internal and even external stakeholders, not least the company’s customers and suppliers. As Kolman notes, “a big part of digitalisation is the ability to transform the business model”.

For this to happen, that vision of digitalisation should not be just about a single function or department within the organisation, but about all. The problem here is that where companies have adopted multiple-point solutions to solve multiple function-specific problems, the combined technology stack across the organisation can require some complicated mapping to overcome inefficient data flow between those systems.

For Kolman, it is therefore essential for every practical movement towards that digital vision to begin by planning an enabling ‘groundwork’ of standard data models and master data management. From here, follow-on

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We try to enable straight-through processing for customers in our treasury systems, and one area that I think has been amongst the most advanced in recent years has been FX trading.

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MICHAEL KOLMAN

Chief Product Officer, ION Treasury

Michael Kolman is responsible for driving product strategy and direction across the portfolio of seven treasury management systems and value-added treasury solutions.

He joined ION in 2013 as Head of Business Consulting bringing with him 15 years’ experience in corporate finance, first in the energy industry and later with General Motors. During his last two years at GM, Kolman served as Associate Director of Treasury Operations where he was instrumental in guiding GM’s treasury transformation. He holds an MBA from MIT Sloan School of Management in Cambridge, MA, and an undergraduate degree in Finance and Economics from University of Florida.



detailed organisation-wide analysis and documentation of current processes and pain-points will reveal the most appropriate solutions.

Delivering on expectations

An effective digitalisation programme is about delivering scalability, says Kolman. It offers a general shift away from the practical demands of data gathering and processing, and movement towards the empowerment of analysis and execution. It's a journey, he says, that provides an ascending scale of treasury and organisational benefits, from the platform level, to the tactical, to the financial, and upwards to the strategic.

The strategic level, he explains, enhances the enterprise-wide view of data and the integration of third-party applications. The financial is about reducing costs by discovering synergies from an IT perspective to consolidate systems, driving greater efficiencies, and leveraging technology to increase fraud prevention. Tactically, one of the main outcomes is improved cash visibility, and enabling straight-through transaction processing. At the platform level, benefits are typically derived from system scalability and flexibility.

Kolman believes cloud-based delivery is one of the most critical high-level elements of the transformation journey, but at the application level he considers APIs to be truly foundational to digitalisation. "We live in a world where, given the tools that we have, we make the best of them. But if we want to do better, we need something new in our toolbox. APIs are an essential tool to add to achieve more."

By enabling two systems to communicate, APIs break down the siloes that might otherwise exist between various point solutions. Of notable interest for treasurers, under the auspices of European PSD2 and open banking regulations, bank-published APIs are beginning to facilitate automated real-time data communications for corporate customers.

SWIFT message flows between corporates and banks are also benefitting. As digitalisation progresses, the shift from old and somewhat limited MTx messages to the ISO 20022 XML-based format is enabling far richer data transfer. SWIFT is now leveraging this vastly improved

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We're not at the point yet where we'd recommend companies abandon their current processes, but we strongly encourage the use of ML-based forecasting as a secondary source.

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data as part of its easy API connection to gpi services such as payment tracking, pre-validation and case resolution. Perhaps even more exciting is the way in which vastly improved data quality and flow also opens up possibilities for the adoption by treasury of cutting edge tools such as machine learning (ML).

Advanced tech

"At ION we have been studying the potential application of ML in treasury for a number of years," says Kolman. In partnership with a European university, for example, he describes a post-doctorate level research programme analysing optimal use cases. The results to date include working solutions for ION customers in cash forecasting, fraud detection, cash-tagging (to assist processes such as automated reconciliation), and predictive analytics (in areas such as hedging and investments).

ML-assisted cash forecasting, was indicated through the research as a top priority. ION had its first go live, with ML cash forecasting in 2019. "We're still early on in our journey but already we're seeing 3000-times faster forecasting," Kolman reports. With traditional forecasting schedules being updated only periodically, and with multiple sources being required to submit reports for eventual aggregation, he believes that 3000-times faster is likely even to be an "understatement" of the time and effort saved.

With historical data being used to feed forecasting models, the most accurate outcomes are derived from neural networks. A neural network is designed to mimic human behaviour.

Based on a series of algorithms that detect underlying relationships in vast sets of data, it can remove human bias from the forecasting process. As such, when using this system, forecast accuracy has improved by around 10% over traditional methods.

"We're not at the point yet where we'd recommend companies abandon their current processes, but we strongly encourage the use of ML-based forecasting as a secondary source," says Kolman. Indeed, he recognises that human intervention will still be required to manage changes within the business that ML's historical data would not recognise. He also accepts the difficulty some may find in pivoting from well-understood human processes, to more arcane 'black-box' processing. However, he continues, "trust and confidence in ML will build over time."

Kolman maintains the same enthusiasm for ION's ML-based fraud detection services, which are set to roll-out in 2021. Companies have traditionally connected to their banks via a portal, a service bureau or host-to-host. Processes such as fraud detection that work on the recognition of anomalies or sanction screening methods comparing counterparties to sanction lists, have historically been viewed as the banks' responsibility, he says. "We're now witnessing a shift towards the view, and many treasurers agree, that this responsibility should be shared."

The obligation to be watchful not only falls to treasury but should extend across the corporation to colleagues in areas such as AP/AR, compliance and even sales. Only this way can the business ensure it is neither exposed to criminal intent nor punitive sanctions for

regulatory violations. To ease the pressure, ION will soon offer customers ML-based detection solutions.

Strong case

The role of the treasurer first and foremost is to protect the financial assets of the business. This mission can conflict with adoption of cutting edge technology – that some may feel is unproven. Kolman observes that treasurers are very curious about new technology but cautious to adopt quickly. ION partners with its clients to ensure thorough due diligence and testing on all new innovation. With the ION customer-base yielding many strong relationships, the vendor is not short of willing and vocal participants in its discovery processes.

But moving treasury forward technologically requires budget. Building a strong business case can be assisted by a number of quantitative and qualitative factors that can be used to calculate return on investment. ION's own ROI calculator, freely available to corporations, can help business-case development, says Kolman. The tool can be used to quantify the benefits that new technology can deliver around increased efficiency, reduced operational risk (by the rationalisation of spreadsheets, for example), and de-duplication of functionality.

The calculator can reveal layers of improvement in working capital management, where in-house banking functionality, for instance, not only reduces

bank fees but also unveils the advantages of cash concentration by maximising use of working capital and making cash fungible across the entire organisation. This alone, states Kolman, “is an opportunity for some easy cost-savings and the potential to become a driver of value for the company”.

But there are some similarly “low-hanging fruit” from a qualitative standpoint, he adds. A common treasury challenge is that of managing bank portals where multiple banks, accounts, and users create complexity, especially when it comes to supervising signatories and security. An ION TMS, he argues, offers the ability to retrieve bank statements and distribute them across the business, reducing the need for multiple-user access rights, and the associated costs and risks.

Another TMS benefit put forward by Kolman is derived from its capacity to increase forecast accuracy. When forecasts are more accurate, treasury's cash buffer can be reduced. Cash can be more productively employed, perhaps to repay debt or earn yield from investment. “Many of these savings come in small pockets,” he notes. “Our ROI calculator just helps companies realise and quantify them.”

Thinking ahead

In meeting the current and future needs of treasurers, the ‘one-size-fits-all’ approach is not how ION operates, says Kolman. The vendor has seven different TMS solutions in its line-up. This gives it a broad view of

how treasury complexity varies. “When we think about the future of digitalisation, not only are we considering how technology is going to impact the largest MNCs, but also the smaller and maybe simpler companies, and all points in between.”

It's a rare kind of perspective that he says allows him “to dream and think about the future state and how technology can really help treasurers to achieve more”. Of course, realising the potential of cutting edge tools like ML and APIs, being attentive to cybersecurity whilst facilitating the shift towards shared responsibility for sanctions screening, demands an innovative approach. This cannot be achieved in isolation, states Kolman.

“It is important for treasurers to maintain a close relationship with their technology partners. By allowing us to observe their processes, it not only exposes the pain-points that we look to solve, but it also helps us to identify how our technologies can help treasurers to execute on their vision.”

In taking on board the challenges and opportunities of the treasurer of tomorrow, whilst overcoming the barriers that exist today, ION's solutions are enabling treasurers to concentrate on strategic, value-adding activities. It is, suggests Kolman, a push for treasurers to become “more opportunistic” in their use of working capital and in optimising their capital structures. “And when we think about that interconnected ecosystem, where we can get real-time updates on exposures, we're really starting to unleash the possibilities.” ■



The New Reality of Treasury

By **Simon Kaufmann**, Head,
Client Relations & Marketing,
Fides Treasury Services

The role of treasury, and the corporate treasurer, has been evolving over the past decade. And there's no turning back – pandemic or no pandemic, 'the new normal' is here to stay.

The business landscape is being shaped not just by Covid-19, but by digitisation, rapidly changing technology, geopolitical unrest and regulations for everything from financial messaging and transactions to data privacy. To stay relevant, treasurers

need to be more flexible, adaptable and reliable than ever before.

There are six key areas of importance that treasurers should keep top of mind while planning for the near- and longer-term future:

cash visibility, communication, cybersecurity, compliance, technology and flexibility.

Cash visibility

Accurate cash visibility, positioning and management are key to businesses surviving and thriving. Supply chain disruption due to Covid-19, and the resulting liquidity issues – paired with an uptick in fraud – have made it even more vital for treasury to know how much money there is and where it is, and be able to access it when it is needed.

Cross-functional communication

Treasurers need to have a solid understanding of how all areas of the business interrelate. This means actively communicating, and fostering communication, both interdepartmentally and with the suppliers and partners that make up the company's supply chain. These include but aren't limited to business areas such as legal, operations, and sales.

Cybersecurity

One of treasury's responsibilities is protecting and defending business funds from cybercriminals. While payments fraud is the most obvious form of attack, it's not the only threat. In addition to being a repository of corporate business funds, treasury is a repository of data – and a potential window into the larger corporate infrastructure. Treasurers should be aware of the common types of cyber-attacks and take proactive defensive measures.

Legal and regulatory compliance

Conducting business is complex – even more so when carrying out financial transactions in multiple countries and regions. In addition to country- or region-specific laws that impact finance, compliance with regulations such as the revised Payment Services Directive 2 (PSD2), the 5th Anti Money Laundering Directive (AMLD5), AMLD6, and the General Data Protection Regulation (GDPR) should be top of the agenda for treasury. It's vital for treasurers to either add this knowledge to their repertoire or work closely with the departments and legal resources that have expertise in this area.

Treasury technology

Modern treasury tools provide automation to drive greater efficiency, as well as improved cash visibility, transparency, and increased reporting and positioning accuracy. They help detect and prevent fraud. They can also help support governance measures to ensure compliance and standards-driven change, such as migration to ISO 20022 (MT to MX). And they can be securely accessed by the right people, from anywhere, at any time.

Flexibility

To handle uncertainty and rapid change in the business and the world at large, flexibility is critical. Being a trusted adviser to the business – which is the goal for many treasurers today – has flexibility as a key requirement. Anyone working in corporate treasury right now is expected

to adapt to constantly changing business needs. And in addition to traditional treasury functions, they may also be responsible for regulatory compliance, fraud prevention, financial technology, and higher-level support for the business. Those who aren't flexible won't survive.

Multi-bank connectivity

For corporates working with more than a handful of banks and numerous accounts, a third-party multi-bank connectivity solution may be the right answer to address this new reality. Multi-banking enables treasury and finance teams to centralise their bank accounts and easily make secure payments to anywhere in the world. With the right multi-banking solution in place to aggregate bank communications and transactions, businesses gain the flexibility necessary to remain resilient in the face of any situation. ■

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One of treasury's responsibilities is protecting and defending business funds from cybercriminals.

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Fides offers innovative solutions for bank connectivity, transaction aggregation and payment automation. For more information, please visit www.fides.ch



SIMON KAUFMANN

**Head, Client Relations & Marketing,
Fides Treasury Services**

Simon Kaufmann leads sales and marketing, including customer relations and partnerships, for Fides Treasury Services. He joined Fides in 2014 from Credit Suisse and has more than 18 years' experience in banking. Kaufmann holds a Bachelor's degree in Business Administration from the HWZ University of Applied Sciences, Zurich.

Smart Treasury

5 Steps to a Successful Digital Journey

By **Eleanor Hill**, Editor

A decade ago, the possibility of real-time, digital treasury was just a dream. Today, it is very much a reality. Maggie Li, General Manager, TCL Finance Company and Calvin Matundura, Treasurer, Safaricom, along with experts from Standard Chartered, discuss the treasurer's role in driving digital adoption.



Digital business models and 24/7 instant payments mean that treasury now runs around the clock all year. As a result, treasury functions must digitise their operations, automate workflows, and embrace innovation. But how can they do this against a backdrop of constant change? And what are the key milestones to achieve along a digital treasury journey?

1. Synchronise with the business

It's no secret that business models are changing – and becoming increasingly digital. To make the most of this shift, Lisa Robins, Global Head, Transaction Banking, Standard Chartered, advocates that “treasurers think about their internal customers in the same way that a bank might think about a treasurer. It is important to mirror what treasury's internal ‘clients’ are doing – and that means adopting digitisation and automation.”

Li agrees, explaining that with a worldwide footprint like TCL, it is vital for treasury to be in step with the business. “We invest a lot of time in better servicing our subsidiaries. We have turned to digital solutions to help us do this with maximum effect, because online servicing is what's required in the digital world. We have to keep pace with what the business needs to enable it to grow.”

For Matundura, the advice is to “focus on digitising treasury in whatever way you can to help the business”. Implementing the right technologies, he says, “will save a lot of time, increase your accuracy, and improve your customer experience – all while helping the wider organisation”. In addition, he says, technology “will enable more process analysis, allowing treasury to continue improving”.

2. Benchmark available technologies

The treasurer's conundrum is how to choose between available technologies – and how to know which digital solution will be best for today and tomorrow. Robins notes: “The treasurer requires a digital ecosystem that is sustainable and scalable. Banks can help treasurers determine which technologies might be best suited for them based on benchmarking, best practice, and knowledge from like-minded clients. Banks also have experience using many of

these technologies themselves, as we have already done much to digitise our own back offices.”

Peter Wong, Executive Director, Structured Solution Development, North Asia, Standard Chartered, adds: “Taking the time to evaluate potential treasury technologies with banking partners can make the implementation journey much smoother in the long run – and lead to a more sustainable digital set-up overall.”

With increasingly huge transaction numbers to manage, Matundura says Safaricom looked at different solutions, but with the help of Standard Chartered, chose to implement an AI-based bank reconciliation system. With the system able to continuously learn, it enables automated matching many more transactions. “It has not only brought speed and accuracy to reconciliations, saving on many FTEs, but has also optimised our working capital, improved our customer experience, and it provides us with deeper transaction analysis. We're glad we took the time to find the right solution.”

3. Build a connectivity ecosystem

A digital treasury journey is no longer about connecting to a handful of banking partners. Ricky Kaura, Head of Transaction Banking Asia Pacific, Africa & Middle East, Standard Chartered, explains: “It's about joining the dots between all of treasury's key stakeholders and building a seamless, secure and transparent environment for managing cash in real time. Treasurers therefore need to think outside the box around connectivity options and explore ways to achieve their goals in an efficient and effective manner, just as Maggie and her team at TCL have done.”

Li elaborates: “We work with 120 banks. It's simply not possible to have a host-to-host connection to all of them. So, we leveraged robotic process automation [RPA] to help us gain visibility over all of our bank accounts. The RPA enables us to have an automatic log-in to various e-banking systems and download statements quickly. The technology has helped us to save labour costs and increase efficiency. We now have 119 bank accounts, across 43 banks, covered by two RPAs. It's a low-cost solution that has enabled us to be nimbler and much better connected to our key counterparties.”



MAGGIE LI

General Manager, TCL Finance Company

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The treasurer's conundrum is how to choose between available technologies – and how to know which digital solution will be best for today and tomorrow.

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CALVIN MATUNDURA

Treasurer, Safaricom

Kaura adds: “Working with a ‘connector bank’ like Standard Chartered can also assist here as we join together fintechs, clearing systems, payment providers, and clients – in a trusted environment.”

Matundura comments: “We were one of the first companies in Africa to use host-to-host integration between our ERP and Standard Chartered Bank back in 2006. It has served us very well, enabling straight-through processing of payments and reconciliations which, for us, is excellent.” He adds that Safaricom now has integrations with a number of other systems, such as Bloomberg which helps automate its trade bookings. “This technology ecosystem is definitely key to success when it comes to smart treasury.”

4. Prioritise security and automate to mitigate risk

The rapid advancement of technology naturally brings with it a rise in cybercrime. Kaura comments: “Every treasurer is aware of cyberthreats and the majority train their teams well on these issues. But as more

intricate ecosystems are created and digital business models flourish, data privacy and data security will be ever more critical. Automated solutions and processes can assist here, especially when it comes to digital payments, since they reduce the need for manual intervention and ensure that data remains secure end-to-end.”

5. Invest in diverse human intelligence

Wong notes: “Technology can only be an enabler when you have the right people with the right skills to make the most of the digital environment.” Kaura echoes this, adding: “Yes, technologies like application programming interfaces [APIs], enable systems to be seamlessly connected, but people are the real glue between technologies. A great treasury team – consisting of a diverse set of individuals – will proactively assess how technology could solve current treasury pain points. But they will also look for opportunities to leverage technology for competitive advantage, enabling the business to shine in a crowded marketplace.” ■



FURTHER SMART TREASURY INSIGHTS

This article is based on a recent podcast hosted by TMI. For more examples, insights and tips, listen to the full discussion: www.treasury-management.com/smart-treasury-podcast

TMI and Standard Chartered will be publishing additional podcasts and articles on the topic of smart treasury in the months ahead – visit our dedicated microsite for more details: www.treasury-management.com/leader/75/standard-chartered.html



Blockchain and the Corporate Treasurer

Creating Smarter Strategies

Forward-thinking corporate treasurers are examining concrete blockchain use cases with a view to improving the effectiveness of their treasury management activities. But where can the biggest blockchain gains be made in the treasury sphere? And are there any new blockchain-based tools for treasurers to be aware of?

By **Carlo R.W. de Meijer**

Despite the various benefits that blockchain offers corporate treasuries, there is still a great reluctance to embrace the technology. This is due to a number of reasons: the technology is still immature; most of the projects are still in the conceptual phase; and, real-world blockchain applications for the treasurer's day-to-day activities are still scarce. But that is changing, albeit slowly.

However, an increasing number of tangible treasury solutions are being brought to the market. And there is growing awareness among blockchain solution providers to come up with more integrated smart treasury solutions.

Towards greater strategic control

From a treasury point of view, the current business environment for corporates operating internationally is highly complex. The treasury departments of these corporates have already undergone many transformations triggered by technology innovations, regulatory initiatives and changing client behaviours.

In order to gain greatest visibility over their business critical functions and achieve greater strategic control, corporate treasurers (with the advantage of having budget) are significantly increasing their spend on treasury technology in an effort to speed up and streamline their company's cash, liquidity, risk and working capital management.

The key challenge is to obtain consolidated, real-time insight into group-wide, multi-currency cash positions across a fragmented banking network in a timely manner, and also manage credit facilities



across all group-held bank accounts. Unfortunately, today's model of international correspondent banking severely limits the ability to manage cash in a real-time environment.

As a result, many corporate treasurers are still mainly using manual processes for their global activities. The world of international payments looks particularly cumbersome because these transactions are slow, expensive and hard to track. Operating in multiple currencies has a substantial negative impact on the operational capabilities of treasury teams and on the treasury's ability to work efficiently.

From isolated proof-of-concept stage...

Greater uptake of new technologies such as blockchain would enable corporate treasurers to take smarter, more data-driven approaches to core processes and better support the strategic side of the business.

Over the past few years, we have seen many blockchain proof-of-concept (PoC) trials for various use cases within corporate treasuries. These include activities such as cross-border payments, trade finance, electronic bank management, reconciliation, data storage and smart contracts to supply chain management, know your customer (KYC), financial reporting, regulatory compliance, intra-day liquidity management and cash management.

But many of the trials remained at the proof-of-concept stage. Most of these projects have not even gone beyond the testing phase. And those that have done so have yet to enjoy extensive usage. Yet another challenge is raised by the fact that most of the blockchain-based applications are focused on single parts of the treasury activity. They are largely isolated and are not interoperable – and so don't communicate with each other.

...to practical solutions

However, blockchain development is now entering a new phase. Slowly, but surely, the focus of many blockchain developers and providers is now turning from PoC projects to proof of work trials aiming to overcome the various challenges posed by interoperability and

scalability. As global trades evolve and become more intertwined, we are also seeing the emergence of collaborative blockchain models that can streamline and automate complex processes, thereby bypassing the cumbersome correspondent banking system.

Over time, a growing number of authentic, real-world blockchain-based solutions, which are worth looking at, have been introduced using collaborative models such as Ripple (global payments), R3's Corda (data management), Marco Polo (trade finance) and we.trade (trade finance) to name but a few.

One of the most interesting recent blockchain offerings for corporate treasurers, in my personal view, is 'Smart Treasury' launched by Boston-based fintech Adjoint. Adjoint has combined blockchain technology with related smart contracts and application programming interfaces (APIs) to create a solution that aims to dramatically speed up settling intercompany transactions in a secured way while significantly reducing costs.

A tool to untap liquidity

Adjoint's Smart Treasury is implemented as an overlay and should be seen as a

multi-bank, multi-currency virtual account platform for real-time gross settlement and continuous reconciliation. This should enable treasurers to untap liquidity in their various subsidiaries' bank accounts.

Smart Treasury does not seek to replace existing enterprise resource planning (ERP) processes and treasury management systems (TMSs) but rather complement them by using application programming interfaces (APIs) and by speeding up transaction settlement so that the data is much more timely and secure. It works by pushing and pulling data to connected ERPs and TMSs, and creating a real-time window for treasury management.

Workflow can be streamlined across various use cases, and can also be automated for activities including generating international transfers, calculating accrued interest, generating invoices for a loan payment, and submitting to the systems of records to ensure accuracy and reconciled data.

The Adjoint Smart Treasury solution could offer a number of important benefits to the corporate treasurer thanks to greater transparency, improved efficiency in current treasury processes, reduced risk and, as a result, far lower costs.

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There is growing awareness among blockchain solution providers to come up with more integrated smart treasury solutions.

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TABLE 1

Key features of Smart Treasury

- Auto reconciliation
- Virtual accounts
- In-house self-service bank
- Smart Treasury dashboard
- Smart contracts
- API integration with ERP/TMS systems
- API integration with banks

TABLE 2

Benefits for corporate treasuries

- Optimise liquidity management
- Optimise reconciliation process
- Shorten settlement cycle
- Full auditability of transactions
- Improve risk management
- Strategic benefits
- Cost reduction

Streamlining processes and cutting costs

First of all, Smart Treasury can contribute to improved liquidity management thanks to greater transparency, enabling greater control over key treasury workflows. It may also enable real-time insight into a corporate's liquidity position and into how quickly they can provide liquidity to the corporate. Treasurers will also be able to see balances across the corporate group, across multiple entities, corporate departments and banks (accounts), in different geographies, and at any point in time. By using Smart Treasury, this visibility could expand to partners, subsidiaries, vendors and customers. The insight gained could help treasurers to drive more reliable cash flow forecasts.

Using Smart Treasury may significantly reduce current complications in the various treasury processes, including cross-border payments and billing. Using smart contracts could streamline present cumbersome processes and eliminate costly third-party transactions. The system enables tracking transaction status and confirmations in real time, thanks to the greater transparency brought about by blockchain technology between the various players. As a result, such transfers can be completed speedily and, in some instances even instantly, thereby optimising the whole reconciliation process across various subsidiaries' ERPs in terms of time spent and manual effort.

By removing the long chain of disintermediation, Smart Treasury permits outside companies within the supply chain to pull relevant information directly from the blockchain with no settlement network in between. This could create significant collateral savings thanks to shortened (or even instant) settlement cycles. Intra-group obligations may be settled instantly and at no cost.

Smart Treasury will also enable full-auditability of transactions, thereby realising greater savings in both time and costs. Such an immutable auditable record of transactions may, for instance, provide real-time ownership of underlying cash, so there would be no double spending of cash. Also, intra-company loans are auditable 'for arm's-length transaction history' by time-stamping FX conversion rates.

The solution can also help corporate

treasuries improve risk management through data redundancy, auditability and smart-contract permissions. As the credibility of debtors and creditors is supposed to be known to all participants, this will contribute to more security, while blockchain will also enable secure data storage across nodes to prevent a single point of failure.

The transactions' regulatory and compliance requirements are automatically satisfied by smart contracts, and APIs transfer information and data between siloed corporate entities and their banks and data providers.

Smart Treasury could also bring a number of great benefits from a strategic point of view. With a clear and real-time picture of assets and cash flows, the finance team has the ability to make strategic investments in a shorter period of time, helping to capitalise on potential investment opportunities and evaluate important future transactions. For corporates operating internationally, smart contracts may help treasury play a critical role in successfully

conducting business overseas.

All these improvements could ultimately lead to a significant reduction in transaction, labour and back office costs and fees to third parties.

The way ahead

Adjoint's Smart Treasury is an extremely interesting proposition. Some industry experts see this blockchain-based solution as a game-changer for corporate treasuries.

But Smart Treasury won't be the only viable option in this field. Looking ahead, we can expect the arrival of increasing numbers of collaborative global and interoperable blockchain networks offering more mature, real-world applications that will inspire confidence and lead to greater mainstream adoption.

I would advise treasurers to keep up to date with new solutions leveraging blockchain technology because these exciting developments will help them achieve process efficiencies and, most importantly, fulfil their increasingly strategic roles. ■

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I would advise treasurers to keep up to date with new solutions leveraging blockchain technology because these exciting developments will help them achieve process efficiencies.

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CARLO R.W. DE MEIJER

De Meijer Independent Financial Services Advisory

Carlo R.W. de Meijer is Founder of De Meijer Independent Financial Services Advisory (MIFSA). Previously, De Meijer worked in the financial industry for almost 40 years as an economist, private banker and researcher at RBS and ABN AMRO. He is a regular blogger on blockchain-related issues on Finextra, LinkedIn, Experfy and treasuryXL and has written numerous articles on new developments in the payments and securities industry.



Paper Cuts

Rio Tinto Leverages Blockchain for Trade

With the first fully digital, blockchain-secured end-to-end letter of credit transaction between Nanjing Iron & Steel and Rio Tinto complete, TMI asks Rio Tinto's Michel Alves, Customer Service Manager, Iron Ore and James Liu, Account Manager, Southern China, to share their highlights from the experience.

By **Tom Alford**,
Deputy Editor

Engage in a conversation about cross-border trade and eventually talk will turn to the sheer volume of physical paperwork it involves. The delays and extra costs of this manual approach are arguably among the most frustrating elements of an activity that keeps almost every economy in the world turning.

With the rapid advance of digitisation, being able to cut out physical paperwork has never been more attainable than now. But it's going to take a few major players to switch to the digital pathway before it becomes the trusted norm; no one will overturn the centuries-old tradition of manual processing overnight.

One deal that finance professionals seeking greater (paper-free) efficiency in their international trade transactions may find of interest is the recent first fully digital, blockchain-secured end-to-end secured letter of credit (eLC) transaction

between Nanjing Iron & Steel and mining giant, Rio Tinto.

The deal was facilitated by issuing and advising bank DBS together with essDOCS, which enabled management of the electronic bill of lading (eBL) through its CargoDocs solution. The approval of key contract terms, eLC issuance and presentation of export documents under the LC, were all carried out electronically, from start to finish, on a single platform.

This was provided by Contour, a blockchain-based open-industry trade finance collaborative network for creating, exchanging, approving, and issuing eLCs. Formerly known as Voltron, Contour is building an expanding network of trade finance banks, corporates and technology providers to try to settle the seemingly intractable paper issue.

This transaction was DBS' second on the network since it became a member in May 2020. In Rio Tinto, a major commodities provider with several decades' experience of trade in China, it found another willing partner.



Starting out

Traditional paper documentation had often created challenges for the company. Where Chinese national holidays bisected deal completions, for example, document delivery and payment settlement delays would occur, notes Liu. “We started looking a few years ago for more efficient ways of facilitating all these processes, examining closely the market for electronic documentation transfer and settlement solutions, and third-party platforms.”

Contour’s deployment of Corda blockchain technology within its architecture is described by Liu as a “representation of the future”. With security assured, and the platform provider’s rising profile in Asia, he says Rio Tinto saw a new opportunity to work on trade process optimisation with its own customers – many of which, he notes, are similarly “open to finding new, more efficient solutions”.

Work with Contour began in earnest in 2018, says Alves. The first two attempts at using the platform were with a Singapore-based client. As an early-stage development, Alves felt there was room for improvement; Contour was listening and the latest trade with Nanjing benefited from a number of platform advancements giving “a much better experience”.

As part of Rio Tinto’s trading process, the digital LC had to be augmented with an eBL. The company suggested that Contour extended its platform to cover eBLs. But knowing this would take significant effort to co-ordinate with the relevant partners, an alternative suggestion was to build a partnership with an existing provider.

Again, Contour took this feedback on board, and with assistance offered by the Rio Tinto team it formed a partnership with essDOCS, integrating the latter’s CargoDocs eBL solution (Contour has since also integrated with the Bolero e-trade administration platform). “That was a huge value-add to the trading process,” comments Alves. “But we also needed to talk to our customers, especially in China, to see if there was now a similar level of perceived value.”

Developing solution

Although having validated the platform through its initial trials in Singapore, Rio

Tinto’s China-based trade also needed to be validated. Fortunately, Nanjing expressed interest from the outset. The Rio Tinto team connected all parties, including the “very supportive” DBS, which appeared to Alves as being “one of the most engaged” with the Contour concept, despite having also embarked on its own journey in this respect.

“It has required a lot of co-ordination, even within Rio Tinto, to bring various parties in the trade environment together, to engage and motivate them,” he notes. The integration of essDOCS with Contour in particular brought the Rio Tinto team closer into the discussions, contributing significantly to the end product.

Contour has purposefully developed an open architecture, enabling many more stakeholders to connect. This work is ongoing. Even Rio Tinto is yet to integrate its enterprise resource planning (ERP) and other back-office systems to the Contour environment. Without that integration it still requires some human intervention, with invoices being issued and uploaded manually to the platform. “In the future, we will do this through application programming interfaces,” comments Alves.

When this happens, back-office integration with Contour will necessarily include a range of banking platforms, if volume issuance of eLCs on the network is to take place. The likelihood of such a development rests on Contour being able to recruit more participants. “They have a lot of support from us, the banks and shareholders, and they are getting more traction among corporates; they just have to surf the wave now,” observes Alves.

Reasons to be cheerful

With Rio Tinto having made the leap into electronic documentary trade, “delivery of a better service to our customers was always expected”, says Alves. It certainly beats paper. With its largest customers based in China, but many using banks in Hong Kong or Singapore (and sometimes requiring back-to-back LCs to support a single transaction), paper-inflicted cost, time and risk is often added to the process, especially when shipped goods reach port before the documentation.

By taking paperwork out of the equation, turnaround times will improve

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With the rapid advance of digitisation, being able to cut out physical paperwork has never been more attainable than now.

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JAMES LIU

Account Manager, Rio Tinto Iron Ore China team

In his role in the Iron Ore China Team Liu focuses on providing the best customer service to Chinese mills and customers in China’s Northern and Southern regions. Liu has been with Rio Tinto since 2008 and has managed a wide variety of activities including contract execution, document operation, coordination on tonnage allocation, logistics and customer relationship management. Liu worked in the shipping and logistics industry for 6 years prior to joining Rio Tinto.



MICHEL ALVES

Customer Services Manager, Iron Ore

Alves took up his role in 2019, overseeing projects to deliver meaningful business insights to sales and marketing, assessing and driving long-term goals, growth strategy, digitisation and expansion opportunities. Alves has 13 years experience in international trade, working in the commodities business with extensive commercial, marketing, finance, logistics and team management experience from roles across South America, Europe, the Middle East and Asia.

considerably simply because recipients no longer have to wait for a piece of paper to land before they can progress. "It's a huge benefit for all of us to have that visibility and traceability, right to the end," he says.

Alves believes the application of blockchain security on the Contour network will be a game-changer. Other digital trade solution providers, such as essDOCS and Bolero, are not blockchain-based but bringing them together on Contour offers an additional security layer that will allay the concerns of most participants in this process, he says. Indeed, blockchain adoption across a collaborative network seems to overcome the final point of resistance to the digitalisation of trade finance – digital trust – voiced especially, but not exclusively, by the banks.

Adding momentum

Rio Tinto's experience has confirmed its desire to continue using Contour. "We're open to exploring other solutions in the market, but we have joined Contour's beta-development network and the results should go into production towards the end of this year," says Alves. "We are looking to do more transactions."

Liu reports positive feedback from Nanjing Iron & Steel so far. The process itself was described by the firm as "very

smooth", despite coming up against a potentially disruptive Chinese public holiday mid-transaction. As a result of the trust created by the blockchain-secured digital documentation, Nanjing also managed to avoid the need for a letter of indemnity; in the commodities world, it has become common practice to accept buyer payment against this instead of traditional shipping documents. Blockchain simply removes that need and its associated cost.

Although Nanjing reported that it took a little extra time to set up the initial legal agreements with the various parties on Contour, its expectation henceforth is for no such issue, Liu reports. It did, however, suggest that Rio Tinto should consider finding more supporting banks. Where non-domestic Chinese banks are used, it can trigger a need for back-to-back LCs, generating extra cost. If domestic Chinese banks could be brought onto the platform, Liu says, this cost too would be removed.

With the Rio Tinto team in China engaging with more clients, explaining how the platform works and the benefits it can offer, Alves knows that "the best way for anyone to find out if it adds value or not is to try it". If sufficient momentum gathers, paper could well be on the way to being banished once and for all from the trade process. ■





Flying Start

Taming SITA's Vast and Complex Payments Set-up

By **Tom Alford**,
Deputy Editor

As a specialist in air transport communications and information technology, SITA is present in just about every country on the planet. With on-the-ground support for its airline and airport clients an essential part of its service, SITA's payments infrastructure is necessarily extensive. Determined to bring order to the proceedings, the firm called upon Unifiedpost, and its cloud-based PowertoPay corporate payments hub, for help.

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If you've ever been to an airport, literally almost any airport, you will have benefited from the presence of SITA. It is the global leader in air transport communications and information technology: what SWIFT is to financial messaging, so SITA is to the air travel industry. Indeed, SWIFT is owned by banks, SITA is owned by airlines and airports – and both enable vital, secure communications between participants.

Like SWIFT, SITA also has the kind of reach of which others can only dream. With services provided to around 200 countries and territories, 'truly global' is no exaggeration. But such an expansive reach comes with its own set of challenges, notes Guillermo De La Fuente, Senior Manager at SITA.

With technical services provided to airports and airlines in every corner of the globe, and the nature of air travel and safety being 24/7, remote problem-solving and maintenance of SITA's systems is not an option. Every location must have its own team ready to respond at a moment's notice.

Thus, with an employee roster to match its global spread, SITA's payments set-up is certainly complex and subject to external conditions. Wages and taxation, for example, must be paid domestically in many instances. As a result, the use of multiple and specific currencies makes process centralisation financially untenable and, often, extremely challenging or even impossible from a regulatory perspective.

Add to the mix a fully centralised treasury, a shared services centre (SSC) handling accounts payable (AP) and

disbursements, and around 120 different banking relationships spread across the world, and it becomes easy to understand why SITA's payments were developing into a real pain point.

Even with several global banks on its panel, full coverage of SITA's vast footprint is still only possible with the addition of multiple domestic institutions. Indeed, it is worryingly apparent that at least 65 countries on SITA's map have no international banking presence.

“Simple and smart”

The decision to leverage SWIFT connectivity set the team on a mission to analyse its different options. This included hosting it in-house, using a service bureau, and working with a third-party technology provider to help with the implementation.

Although the in-house option, via the treasury management system (TMS), may have seemed a logical fit in terms of existing system connectivity, SITA was not convinced of the flexibility of that platform. “We wanted scope for improvement and change,” he comments. This was found in abundance in the PowertoPay platform from Unifiedpost.

“In a changing global environment, a system needs to improve continually,” explains De La Fuente. “We saw Unifiedpost as a fintech that was willing to learn and to develop its own technology with us.” Indeed, Unifiedpost is not short on ambition. The firm went public in September 2020, listing on Euronext Brussels. This is part of the vendor's plan to be seen as “the cloud-based administrative



GUILLERMO DE LA FUENTE

Senior Treasury and Risk Manager, SITA

Guillermo De La Fuente is a Senior Treasury and Risk Manager at SITA, the leading multinational information technology company providing IT and telecommunication services to the air transport industry. Before joining SITA in 2015 he was Treasurer at Raizen, the commodity trading arm of Shell for both sugar and ethanol, and prior to that Treasurer at J.P. Morgan in Geneva. De La Fuente has also held posts at the European Organization for Nuclear Research (CERN), GE, Fluor Corporation and DuPont.

He represents the Swiss Treasury Association (ACTSR) at both the European Association of Corporate Treasurers (EACT) and the International Group of Treasury Associations (IGTA). De La Fuente holds an MBA from the University of Houston, Texas, and a Masters in Finance and Economics from the University of Oviedo in Spain, where he specialised with honours in Taxation.



and financial solution platform for SMEs, large corporates, and governments,” says Hans Jacobs, Chief Commercial Officer Unifiedpost Group.

Its three pillars of operation – documents, identity and payments – are aimed at delivering its core objective, that is to make administrative and financial processes “simple and smart,” she explains. Even with multiple clients across the segments, Unifiedpost’s aspirations are nowhere better demonstrated than in the vast geographical scope and complexity of its work with SITA.

Planning progress

With the contract signed in June 2018, the first step was to set up an internal project unit. This necessarily included a range of stakeholders, including Treasury, IT, and the AP and disbursements teams. “There were a lot of people involved, especially at the beginning when we were granting Unifiedpost access to our network,” recalls De La Fuente. “Many doors needed to be opened in terms of security, and this required close scrutiny.”

Once this had been accomplished, the focus shifted to payment file mapping. Working with the now embedded Unifiedpost team, SITA opted to use XML standardised payment formatting across the board. “We were very clear from the beginning that we were not going to use proprietary bank payment formats,” states De La Fuente. “We wanted to be sure that if there was a problem with one bank then we could move easily to another.”

The key driver, of course, has always been process simplicity, notes Hans de Wit, Business Development Manager, Unifiedpost. “SITA remains very enthusiastic about us taking care of the complex technical mapping process, realising simple and standardised

formats and converting and mapping them to every domestic format used by its partners.”

Points of departure

With mapping underway, SITA’s Treasury called upon its AP and disbursements colleagues to help select the most critical starting points for the early roll-out. This was based on locations where most manual intervention was evident. De La Fuente recalls that the initial list included some of the more challenging countries in South America and Asia that required some “very particular payments specifications.”

The team developed a phased approach, implementing in groupings of just two or three countries – not banks – at a time. This is a deliberate choice. Where a banking partner covers a number of jurisdictions for SITA, the prospect of tackling a host of different regulatory and documentary requirements – and frequently different legacy systems, each requiring separate payment formats – was deemed inefficient.

With so much territory to cover, the project continues, taking an average of two or three months per country to connect, test and go live. It’s been a challenge at times, admits De La Fuente. “We’re having to manage a wide range of situations,” he notes. “Working outside Europe has proven quite difficult at times, but then every country has generated different challenges.” This was not unexpected: in some cases, banking partners are implementing SWIFT for the first time.

SITA currently has more than 30 countries (and 12 banks) live on PowertoPay. With the second roll-out phase well underway, a third is now being drafted and this will add a further 10 countries.

True partnership

The project is bringing much-needed process automation to most of SITA’s manually intensive operations. “It’s reducing fraud risk, but most importantly it’s reducing the whole administrative effort,” comments De La Fuente. “Payments can now be made automatically, with approvals no longer requiring a separate e-banking login. It’s quicker, more secure, and we have a view of all payments in a single platform.”

Of course, the advantages of automation are precisely what SITA had expected from the outset. But the team was also well aware that there would be challenges on the way, and it is often the manner in which these are handled that distinguishes the good from the great.

Unifiedpost undoubtedly has the knowledge and experience to be able to resolve issues as they arise, but more than that, says De La Fuente, it has also been willing to listen to and work with the SITA project team.

That journey continues. As one of the first corporates to engage with the SWIFT G4C project, SITA has the global ‘track and trace’ payments tool firmly on its radar. It’s currently working with Unifiedpost to develop the right gpi integration approach for the very-far-reaching PowertoPay platform.

With the collaborative nature of this partnership evident, more will follow. “We’re keen to find other ideas to make our lives easier, and we’re comfortable asking our Unifiedpost team to help us develop solutions that can benefit us, and other treasuries too,” comments De La Fuente.

It is, he notes, one of the advantages of partnering with an ambitious vendor that still has time for its clients. Indeed, he adds, “one of the reasons why we selected Unifiedpost was that we saw in it a fintech that was willing to share the journey with us.” ■

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Whenever, Wherever

Leveraging the 24/7 Treasury Ecosystem



The era of real-time treasury is upon us – and treasurers must make the most of digital solutions and smart technologies to help embrace the 24/7 environment. Mark Smith, Head of Treasury and Trade Solutions – EMEA, Citi, provides a whistle-stop tour of the latest innovations for treasurers to get onboard with, while outlining the importance of shifting towards an ‘ecosystem’ mindset and embracing sustainable business practices.

Eleanor Hill (EH): Congratulations on your new role. What are your key goals as the EMEA Head of Treasury and Trade Solutions [TTS]? What would you like to achieve for clients – and your team?

Mark Smith (MS): The TTS mission is to become the go-to financial platform for global commerce. And while it’s easy to have such a vision, the hard part is breaking it down into practical steps

By **Eleanor Hill**, Editor

that enable us to achieve the end goal – and offer clients the services they want, whenever and wherever they require them.

As well as 24/7/365 global availability, we want to ensure consistency of products across our network, in line with local and global regulations. We also want to become easier to do business with, and to facilitate our clients' international expansion – according to timescales that reflect the real-time era we live in, without compromising security or integrity.

There is much work to be done to reach these goals, but we are already underway with numerous projects, some of which we'll discuss shortly. In addition, we are embracing the 'ecosystem' mindset that powers global commerce – recognising that our role is no longer just about supporting clients, but also supporting clients' clients.

EH: *Speaking of shifting roles, are you seeing any changes in the remit of the treasurer, given everything that happened in 2020?*

MS: While the core of the treasury role hasn't changed, it's still about having the right money in the right place in the right currency at the right time, the way treasurers are supporting the business is evolving.

New digital business models are emerging because of the pandemic. As a result, treasurers are looking at new ways to collect payments from customers, and how to optimise the company's e-commerce experience. Assessing treasury resilience is also a growing priority. That's not to say that teams had not considered long-term resilience prior to the pandemic, but the focus has understandably intensified – not least with the remote working environment.

EH: *On that note, how well have treasury teams adapted to the digital world – and how have banks assisted them in this transition?*

MS: We have seen a tremendous acceleration of the adoption of digital channels. Treasurers have been extremely active in this space, and many have pulled out all the stops to digitise in record time. This digital activity covers a whole gamut of functionality, but starts with the basic interaction around account

opening. Citi clients were able to benefit from our investment over several years in this space to digitise [almost] the whole process of account opening. Over 70% of our accounts are now opened purely through digital channels and treasurers have been embracing that functionality throughout the pandemic.

As well as more digital interaction, we are seeing much greater interest in automation. Working from home has prompted many treasury functions to revisit outdated systems and processes and to see where manual tasks can be replaced by robotic process automation [RPA], potentially alongside artificial intelligence [AI] and machine learning [ML]. In tandem, treasury professionals are exploring the possibilities of application programming interfaces [APIs] to seamlessly integrate interfaces and provide real-time data without the technology burden associated with more traditional connectivity models.

Of course, banks like Citi are constantly building out their capabilities around these innovations. We're also evolving our solution set to match. That said, there are existing technologies and products that are just as relevant today as they were five years ago – so it's not all about brand-new developments. Take virtual accounts, for example. These have been available, certainly at Citi, for many years. Yet the pandemic has drawn attention to their benefits in a way that we have not seen before and more and more treasury teams are now benefitting from virtual account solutions.

EH: *How much room is there for optimisation in digital treasury set-ups? Which technologies might a forward-looking treasurer be looking to use in the months to years ahead?*

MS: There is always further room for optimisation, and more manual processes that can be removed. That is the beauty of innovation. But to give a concrete example, APIs hold much more promise for treasury. Indeed, during the pandemic Citi has seen the use of API calls increase significantly – both for asking for information, such as a payment status, and for initiating a payment. As such, the traditional method of a treasurer logging into a bank portal to initiate a payment



MARK SMITH

Head of Treasury and Trade Solutions – EMEA, Citi

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is arguably now behind the curve and I see this as an area ripe for optimisation in many treasury departments.

With the rapidly shifting economic and geopolitical environment, treasurers must also look for new technologies to assist in their fundamental role of risk management – from interest rate risk to FX risk. At the same time, tools to access and analyse data will become even more critical, and I expect data analytics to be a key area for development in 2021.

EH: *What is Citi's role in helping corporates to adopt this kind of technology?*

MS: We approach the adoption of new technology in a handful of ways. Sometimes we build the technology ourselves, leveraging the expertise we have in-house. Other times, we partner with fintechs that have a strong foothold in a niche area that addresses a particular pain point our clients are facing. For example, we have fintech partnerships in the areas of reconciliation and cash flow forecasting.

The secret to success is not just about delivering the best technology, however. It's about helping clients to leverage the data that comes with that technology. Take the reconciliations piece, for instance. Using AI and ML we can programme the technology to understand payment behaviours, such as a counterparty that has paid late on the last five or six occasions. The system will flag this behaviour to the treasurer so that the counterparty can be called ahead of the next due payment to remind them to pay on time. As a result, handling of cash flows becomes much easier and more efficient.

Elsewhere, we are enabling treasurers to self-service much more. This involves using technology to remove the need for the client to call the bank around everyday requests, such as finding out the status of a payment. We have a tool called Payment Insights that the client can quickly log in to and find out all of the information they need at the click of a button. This frees up treasury teams to be more strategic.

EH: *With this increased focus on strategy and wider business issues, do you think we will see treasurers more involved in sustainability going forward? If so, how do you see treasurers supporting environmental, social and governance [ESG] goals within their organisations?*

MS: Interest in ESG has grown exponentially – we can see this just from the incredible attendance at webinars we have been running on the topic. What matters most, though, is converting that interest into action. Of course, there is much happening around removing paper from processes and becoming more sustainable through digitisation. However, we are also seeing some forward-thinking clients leveraging 'sustainable' solutions to this end. A great example is our Priceless Planet initiative, which is a partnership Citi has with Mastercard that enables rebates on corporate cards to be invested into green innovation programmes, such as reforestation. That's a very positive step forward and I believe we will see growing interest in such solutions.

We're also seeing greater use of ESG Money Market Funds [MMFs]. Citi supports many such MMFs on our

investment platform and there has been a noticeable uptick in investments in recent months. An additional sustainable liquidity development is the advent of green deposits. In November 2020, we announced the launch of a green time deposit service with enhanced yield. The new fixed-term green deposit gives Citi's clients the ability to invest their short-term liquidity in financial solutions that have a positive environmental and societal impact. It can also assist clients in moving towards a low-carbon future. I'm pleased to say that we have already had client flows into our new service and initial indications are that green deposits will prove to be very popular with clients.

Another area of ESG innovation is sustainable supply chain finance [SCF] solutions. Buyers are increasingly looking to implement SCF programmes that reward suppliers, with a lower cost of finance, for meeting sustainability targets. The great thing with this kind of programme is that it will have a profound ripple effect across the entire supply chain ecosystem as more and more participants engage.

EH: *Finally, which other trend(s) should treasurers have on their radar as we move into this more digital and sustainable world?*

MS: The main topic we haven't yet touched on is the acceleration of 24/7 treasury, given the rise of instant payments and the ability to access real-time treasury data. In my view, treasurers cannot afford to be left behind when it comes to 24/7 treasury. Those at the cutting edge are already adapting to a world where traditional cut-off times and batch processing no longer exist. They recognise the complexities of coping with payments and receipts around the clock, as well as the new challenges and opportunities of forecasting in this data-rich environment.

Of course, digitisation and many of the technologies we've spoken about, such as RPA, AI and ML, will assist treasurers to manage this new way of operating. Nevertheless, to reap the rewards, it is important for treasurers to proactively plan for 24/7 treasury, rather than letting this real-time environment simply 'happen' to them, especially since the pandemic is accelerating this shift tenfold. ■

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