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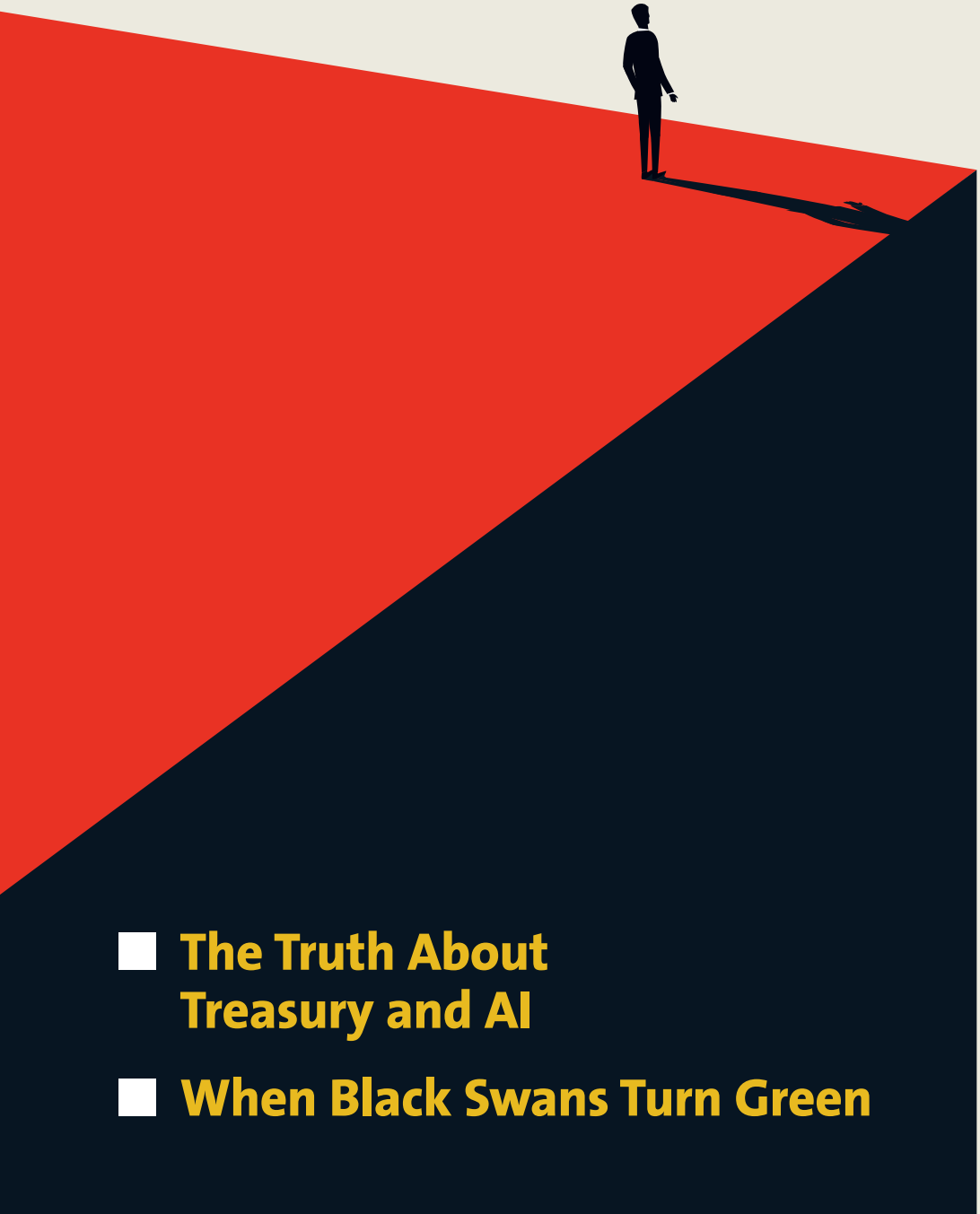
Step Away from the Edge

FACING THE KYC CLIFF



- The Truth About Treasury and AI
- When Black Swans Turn Green

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CONTENTS

SPECIAL REPORT

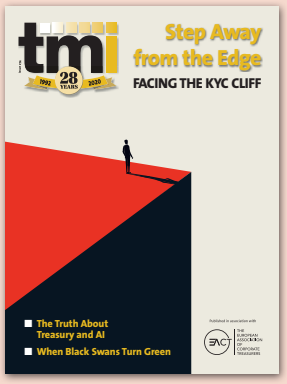
AWARDS

REGULARS

COVER STORY

INSIGHT

TMI274



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> Having some business knowledge of major industries is crucial to the success of any professional who wants to work in treasury, finance, accounting and technology.

Terry Nelson, Director of Treasury and Accounting, Meridian Restaurants Unlimited, L.C.

My Life in Treasury, P4

> Banks have much to learn from fintechs about harnessing technology effectively while pinpointing new approaches to existing challenges.

Steven Lenaerts, Head of Product Management, Global Channels and **Stephanie Niemi**, Deputy Head of Product Management, Global Channels, BNP Paribas Cash Management

Design Thinking, P2

> Collaboration is vital for treasurers to stay informed of emerging technologies, identify digitisation opportunities, and secure the financial and human capital to realise the potential benefits.

Ron Chakravarti, Global Head of the Treasury Advisory Group, Citi

From 2020 to 2030, P20

> Implementing ICD has resulted in extensive automation of processes, significantly reducing the time we spend looking at and handling MMF information and increasing the amount of information that is available to us.

Lisa Dukes, Deputy Group Treasurer, Drax

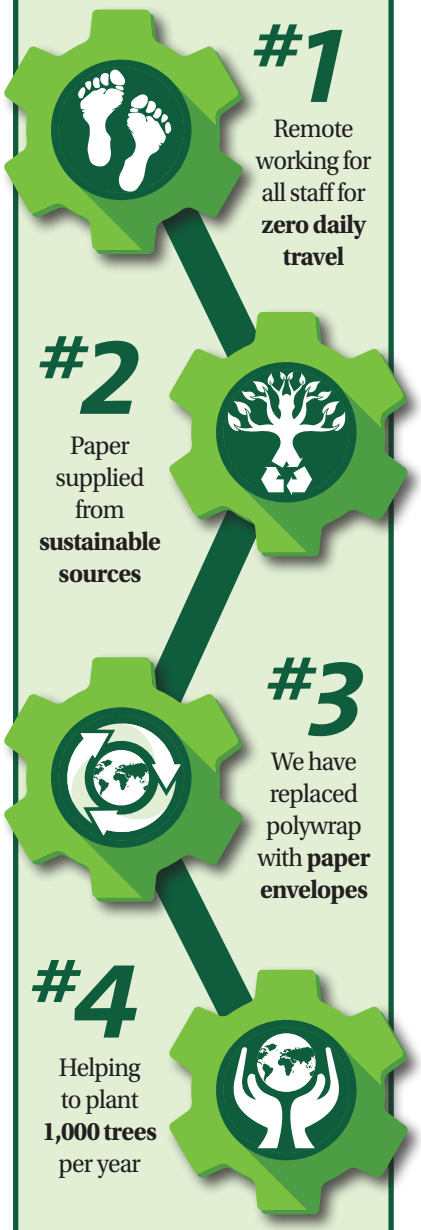
Through the Portal, P36

> Energy providers' finance teams are now taking a front seat in the overall business rather than simply functioning as a supporting role.

Simon Reynolds, Head of Finance, Gazprom Energy

Why Corporate Finance Teams are More Than Bean Counters, P39

TMI SUSTAINABILITY ACTIVITY



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Design Thinking

A Fresh Take on Digital Transformation

By **Steven Lenaerts**, Head of Product Management, Global Channels, BNP Paribas Cash Management and **Stephanie Niemi**, Deputy Head of Product Management, Global Channels, BNP Paribas Cash Management

Treasurers are making huge efforts to embrace digitisation, but they cannot do it alone. As such, they are turning to their relationship banks for smart solutions which provide maximum efficiency, with minimum commotion. In turn, banks are leveraging fintech collaborations and client co-creation sessions to deliver cutting-edge offerings. But is this enough to enable true digital transformation for treasury?

For many treasurers, developments in technology and innovations being enabled by Open Banking are giving rise to new opportunities for digital transformation. This means different things to different companies – after all, every organisation or business will have its own challenges and pain points. But treasuries that do embark on digital transformation will nevertheless have plenty of themes in common.

Likewise, as more companies seek improvement through digitisation, it is increasingly important for banks to keep up with their clients' evolving priorities and requirements. In particular, there is a clear need for banks to recognise the importance of a smooth user experience for corporate clients.

First things first

When undertaking digital transformation, treasurers seek to move from a starting point, typically characterised by inefficient, manual and time-consuming processes, to a more productive end state. Along the way, treasurers will aim to adopt more streamlined processes and achieve more visibility over their cash balances and transactions, while reducing unnecessary costs and freeing up valuable time for strategic decision-making. They will also want to make sure those decisions are supported by accurate, up-to-the-minute information from a variety of sources.

With more companies seeking to transform their treasury operations through digitisation, banks are likewise focusing on taking advantage of technology more effectively than in the past. They are also taking steps to improve their connectivity solutions as they aim to enhance and expand their corporate customers' digital experiences.

Rising to the challenge

In the current environment, treasurers increasingly expect their banks to step up and move beyond the traditional parameters of bank relationships. So instead of relying on approaches that have served them well in the past, it is essential that banks take a more client-centric approach – while seeing what lessons they can glean from the most successful fintechs.

It is no secret that fintechs have played an important role in driving innovation. Unhindered by legacy platforms, fintechs are characterised by innovation and agility. They also tend to have a strong focus on user experience, in contrast to the approach historically taken by many banks. As a result, banks have much to learn from fintechs about harnessing technology effectively while pinpointing new approaches to existing challenges.

The good news is that banks are rising to the challenge by paying more attention to the importance of user experience. One area that is particularly ripe for improvement is that of user onboarding: with companies increasingly expecting a smooth and straightforward process, there is much that banks can do to streamline previously time-consuming activities. In the case of Connexis Cash, BNP Paribas has built an end-to-end digital user onboarding process, spanning activities such as creating new users, providing a digitalised process for activating and distributing digital tokens, and streamlining entitlements management.

That said, irrespective of the degree of digitisation achieved, at this stage there are a number of processes relating to bank connectivity – such as the management of connectivity contracts – that are yet to fully benefit from digitisation. When addressing these processes, it is important that a complete rethink and simplification of the process is undertaken in order to drive real benefits. In other cases, where legacy platforms hold back digitisation, technologies such as robotic process automation (RPA) can be leveraged to automate processes.

Also important is the need for banks to improve upon and complement existing connectivity solutions. With Open Banking transforming the payments ecosystem and paving the way for new digital banking services, traditional solutions are increasingly being complemented by application programming interface (API) connectivity.

Working together

As banks strive to help their corporate clients achieve their goals through digital transformation, they are also making other changes, such as reinventing the way to conceive their solutions. BNP Paribas, for example, is increasingly becoming more agile so that we can reduce the time to market for new solutions and avoid a 'tunnel' effect, in which products are developed without involving the customers they are meant to serve.

Indeed, a 'client-centric' mindset is in our DNA. Collaboration between banks and treasurers is an important element of digital transformation. By working more closely with treasurers, banks will be better placed to drive improvements to solutions based on customers' pain points and needs. As such, BNP Paribas is paying closer attention to the benefits of working more closely with corporate clients and applying techniques such as 'design thinking' throughout the design and testing period.

As part of our commitment to supporting clients in their digital transformation journeys, at BNP Paribas we believe in an open platform approach. This means we offer not only our own solutions but also fintech solutions that we believe bring added value to our corporate clients. A recent example is our partnership with Cashforce, for which integrated access is provided via our corporate portal Centric.

Looking ahead, we at BNP Paribas will continue to digitise our own processes and improve user experience for corporate clients, while supporting them in their digital transformation journeys. ■

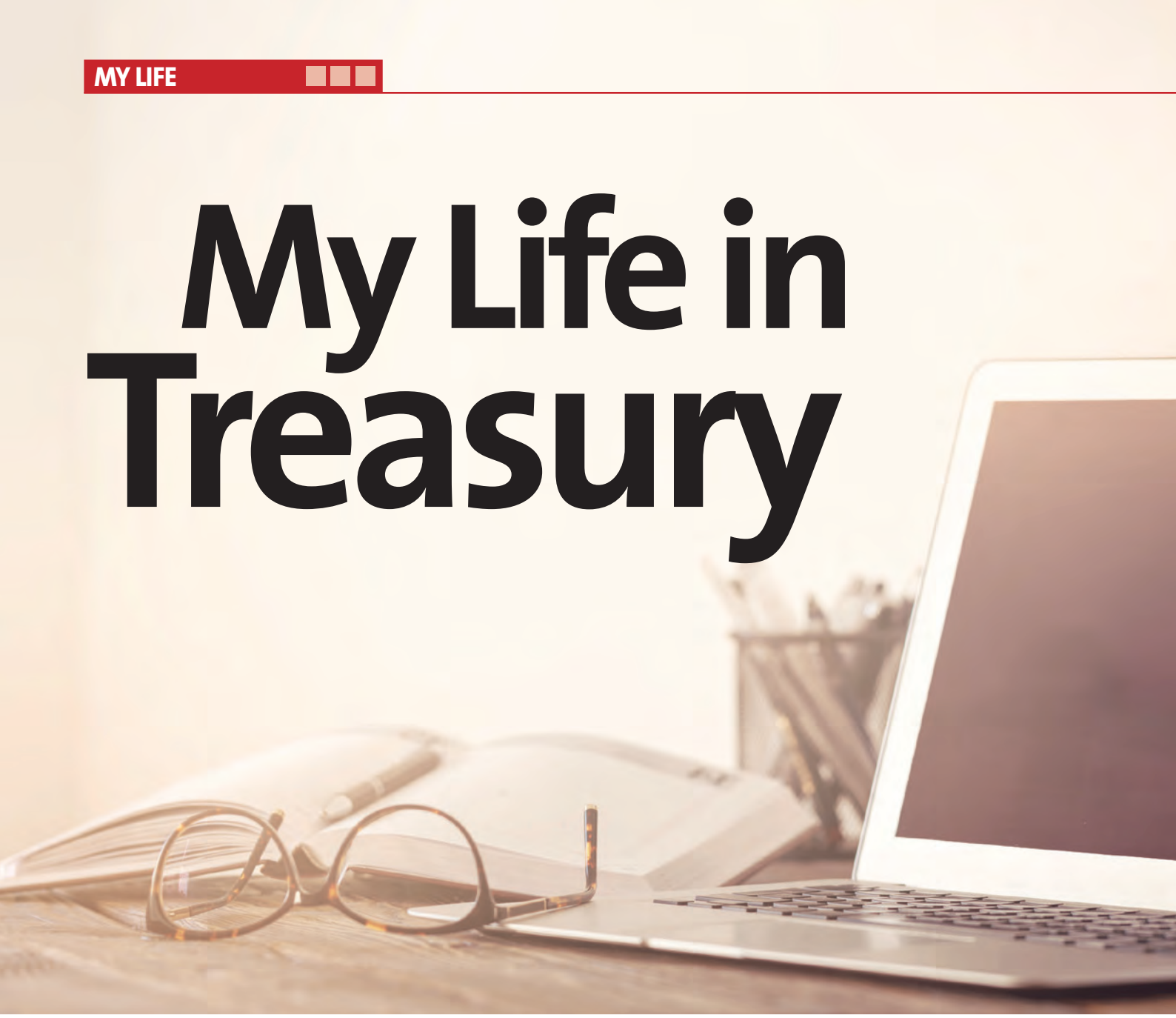
STEVEN LENAERTS

Head of Product Management, Global Channels, BNP Paribas Cash Management

STEPHANIE NIEMI

Deputy Head of Product Management, Global Channels, BNP Paribas Cash Management

My Life in Treasury



Anticipate, be proactive and maximise your time management skills – these are three pieces of advice to treasury newcomers from Terry Nelson. And if you can become a subject matter expert in your field and combine your discipline with a knowledge of technology, then you will be well prepared for the challenges posed by this ever-changing industry.

Terry Nelson, Director of Treasury and Accounting, Meridian Restaurants Unlimited, L.C.

How did you come into treasury and what attracted you to the profession? And how has your career progressed through to the role that you hold today?

I started working for small to mid-sized companies and treasury was an important by-product of my traditional accounting functions. Handling cash collections and disbursements were the main tasks back then. It then evolved into a dedicated team and crucial interdepartmental role in an industry highly regulated by complex banking requirements directed by key stakeholders.

What better way to navigate the world of treasury than by working in one of the most regulated industries – healthcare – with convoluted banking design? Because of the complexity in banking layouts,

> *I see a need for individuals to not only have a subset of one discipline but also to be able to couple it with technology. This is vitally important in the ever-changing financial landscape.*

I find these challenges an opportunity to simplify, automate and improve upon old manual practices. A dedicated treasury department is born out of necessity; the old accounting/finance function has been outgrown and treasury now maintains transactional integrity, mitigates financial risks, optimises cash investments, and appropriately segregates duties with transparency.

I am a firm believer in continued learning, even as adults, whether that is continued education through a formal institution, training courses or reading published articles by subject matter experts. This not only keeps your industry knowledge sharp, but also enables you to be a key driver in the recommending of solutions or adapting/changing processes and in keeping the company relevant in today's highly competitive market.

My time in treasury evolved from being an accounting manager to becoming a subject matter expert and a super user of an enterprise resource planning (ERP) application. I was able to bridge the gap between the worlds of finance and technology. I knew the world of accounting, but all too often companies miss that additional level of discipline in determining solutions to streamline. Or they don't understand how to integrate and capitalise on different financial software applications and processes to better achieve scalability without adding unnecessary full-time equivalents (FTEs), reduce application redundancies and reduce manual human entry-point of errors.

This creates better workflow automation between applications which, in turn, optimally achieves quicker and more accurate accounting month-end closures, mitigates chances of fraud, identifies discrepancies early, and spreads labour throughout the month while fine-tuning the financial reporting package. The final outcome is accurate and timely data reporting on the financial statements.

How have the demands and needs of treasury changed over the course of your career, and what particular skills does the role require today?

Technology solves integral back-office requirements with complex banking designs for companies that do not require a physical banking presence in rural locations. Sometimes solving the basic component to treasury, which is cash management, has been somewhat overshadowed by the drive to innovate. We are not a cashless society so it's imperative to address certain entry-point barriers such as local banking requirements that create unnecessary banking relationships and accounts that could otherwise be streamlined. If we do not do this, we are back to manual practices and treasury management innovation is halted. I mentioned earlier my role in bridging the gaps between technology, finance, accounting and treasury. This is especially important in treasury as its principal function is to mitigate financial risks and make key decisions regarding the best possible use of funds.

I see a need for individuals to not only have a subset of one discipline but also to be able to couple it with technology. This is vitally important in the ever-changing financial landscape.

What specific, or perhaps surprising, qualities do you look for when recruiting treasury personnel?

I am a person who leads by example but am by no means a micromanager. If I become a micromanager then that shows one of two things have occurred. Either I did not provide the tools necessary to achieve success or the team member lacks the desire to achieve greater success by using the tools provided. In other words, I look for team members who will take the initiative and use the tools provided to create opportunities and add value to the company.

Complacency is the antithesis of progress. Striving to achieve best practice keeps the company relevant and yourself desirable as you progress through your career. Attributes that indicate

someone has the drive to be better in life in general, not only in the workplace, typically equates to a productive, value-added team member. I also seek those who have led initiatives, great or small, that have been impactful to the company or department.

How important do you think a formal treasury education is, as opposed to (or as well as) more general finance or accountancy qualifications?

There is a definite opportunity for formal education to expand the finance and accounting programme to include treasury management as a subset of the overall course offerings.

What about wider experience in the world of business? Is that valuable too?

Absolutely! Having some business knowledge of major industries is crucial to the success of any professional who wants to work in treasury, finance, accounting and technology. One cannot recommend solutions and effect change without having hands-on business experience.

Based on your career so far, what would your advice be to finance professionals who are perhaps in their first treasury role?

Don't be afraid to ask questions about the process, business and overall end goal of your role. Take on a task and become the subject matter expert of that task or software. Work on becoming proactive regarding upcoming deadlines and don't wait to be asked about a project's status before you make a start. Anticipate follow-ups, for example when asked to provide a scenario cash flow for one week, take the initiative to mock up the rest of the month. To be prepared for any impromptu value-added discussion and to be recognised for your ability to maximise your time management skills are commendable traits.

What would your ideal holiday be?

To be with my family in a warm climate and able to disconnect from technology. I would combine sight-seeing with learning about the history, culture and food of the region.

What book have you read recently or what film have you seen recently that you would recommend, and why?

I'm typically not a movie-goer because I have a hard time sitting still long enough to enjoy the plot. I have such an active mind that I am always thinking of so many ways I could be improving something at work, at home or for me personally. The last book I read, and have recently re-read, was *The Goal* by Eliyahu Goldratt, which was a book selection required for a strategic management course. It's an easy read that will provide new ways to explore challenges in your workplace and offer ideas as to how to overcome the bottleneck. ■

TERRY NELSON

Director of Treasury and Accounting, Meridian Restaurants Unlimited, L.C.

> *Attributes that indicate someone has the drive to be better in life in general, not only in the workplace, typically equates to a productive, value-added team member.*

tmi AWARDS | 2019
FOR INNOVATION & EXCELLENCE

Here Come the Winners

At this time of crisis, it might seem insensitive to be celebrating. But it is still important to recognise best practice in the industry, and this is precisely what happened at the 2019 TMI Awards for Innovation and Excellence, held in London in January. As this year's winners demonstrate, the world of treasury never stands still. Innovation is happening across all geographies, driven by the desire to leverage new technologies and new partnerships to deliver a better customer experience. We would like to thank all of this year's many entrants to the TMI Awards and offer our congratulations to our worthy winners. Well done!

Citi representatives (L to R) Nicholas Duggan, Terry Dennis, Moabi Garebamono, Viniet Eldho and Kayus Fernander pose with two of the six TMI Awards won by the bank, along with this year's winner of the RPA Trailblazer Award, Séverine Le Blévennec (Honeywell, Far R)

Othman Bin Hindi, GM Institutional Banking; Hassan Al Redha, GM International and Transaction Banking, Amol Bahuguna, Head of Payments and Cash Management and other senior members from Commercial Bank of Dubai, winners of our Best Bank for Cash and Liquidity Management in Middle East and Africa.

Jann Leray (middle) poses with BNP Paribas' Award for Global Bank of the Year for Trade and Financial Supply Chain Management, alongside Gilles Renard (left), and Treasury Activist of the Year Winner, François Masquelier.

DWS were the winners of our Best Money Market Fund Innovation. François Masquelier presents the award to Christian Reiter (left) and Reyer Kooy (middle), DWS.

HSBC representatives (L to R) Charlotte Wiggins, Director, Global Liquidity and Cash Management, Lance Kawaguchi, Managing Director, Global Head - Corporates, Global Liquidity and Cash Management and Sharon Weise-Nesbeth, Senior Global Marketing Manager, Global Banking & Markets and Commercial Banking, are presented with the Global Bank of the Year Award for Cash & Liquidity Management by fellow award winner François Masquelier, President, Luxembourg Association of Corporate Treasurers.

Michael Turner (left) and Thomas Eberle (middle), Deutsche Bank, accept the Award for Best Bank for Cash & Liquidity Management in Europe from François Masquelier.

BELLIN representatives Kelly Lübbers (left) and Ermello Calorio (middle) are congratulated on their Award win for Solution Innovation - Fighting Fraud by Séverine Le Blévennec

Xavier Gallant (second from right), Isabelle Monnerot (front middle) and Vince Martin (left), BNP Paribas, celebrate their win of the Technology & Innovation Award for Solution Innovation - FX Risk with project partners from Kantox, Nicolas Marquet (second from left) and Tim Muehlenbach (back middle).

Lisa Dukes (middle right) and Ben Whiston (middle left), Drax, celebrate their Corporate Recognition Award win for Best Portal Technology alongside project partners Des'ree Obi (left) and Karl Adams (right), ICD.

GAVI was awarded the prestigious Editor's Special Pick Award at this year's ceremony. Representatives Rania Abou Chakra (left) and Assietou Diouf, celebrate.

FIS were the recipients of the Technology & Innovation Award for Best Cash & Treasury Management Solution. Claudia Belnavis (left), Jonathan Boyle (middle left) and Sarah Beka (middle right), FIS, accept the Award from Robin Page, CEO, TMI.

(L to R) Hannelore Hummitzsch (ION), Achin Jhawar (Petrofac), Matt Norris (Petrofac) and Jack Duffy (ION) with the Award for Best TMS Solution.

The Ocean Network Express team (L to R: Mark Phillips, Toshiaki Ichida, Ron van Keulen) celebrate their success in the Corporate Recognition Awards category, taking home Best Digital Treasury Project.

Greg Person (left) from Kyriba, celebrates Ingersoll Rand's Corporate Recognition Award Win for Best FX Solution with Christopher Donohoe (middle) and John O'Reilly (right), Ingersoll Rand.

The Hitachi Capital (UK) PLC team won our highly sought-after Treasury Team of the Year Award. The team pictured (L to R) Sam Robinson, Habib Nasim, Milos Gibson Ralevic and Jeremy Johnson.

Othman Bin Hindi, GM Institutional Banking; Hassan Al Redha, GM International and Transaction Banking, Amol Bahuguna, Head of Payments and Cash Management and other senior members from Commercial Bank of Dubai, winners of our Best Bank for Cash & Liquidity Management in Middle East and Africa, with Ziad Abou Nasr, Executive Committee Member, Al Masaood LLC; N Gopi Krishnan, Manager Finance, Accounts and Audit, Masaood Private Office LLC and other senior members from the Al Maha Holdings group, Highly Commended in Best in Class Payments in our Corporate Recognition Awards.

TIS were winners of our Technology & Innovation Award for Best Customer Experience. The team (L to R) Erol Bozak, Jörg Wiemer and Daniela Maruhn.

Robin Page (right) congratulates Graeme Barnes, Travis Perkins, on receiving the Award for Best Supply Chain Solution.

Stephen Ellis (left), DBS, receives the Bank Connectivity award from Séverine Le Blévennec.

Tom Leitch (left), TreasuryXpress, poses with Terry Nelson, Avalon Health Care, winners of our Best TMS Solution.

(from left) Nick Clare, Kyriba, presents Jeroen Brieffies and Femke Baum, Royal FrieslandCampina with their award for Best in Class Payments.

Olle Malmgren (left), Standard Chartered and Latifah Mohamed Yusof, Astro, celebrate their achievement of Best In-House Banking Implementation in the Corporate Recognition Awards.

Peter Claus-Lundi, GE, receives the SWIFT GPI for Corporates Pioneer Award from Marc Delbaere, SWIFT, and Séverine Le Blévennec.

Marc-Oliver Prier (left) and Mickey Vonckx, Serrala, accept the Award for Best Accounts Payable and Receivable Solution.

François Masquelier's endeavour to showcase treasury to a global audience culminated in him receiving our prestigious Treasury Activist of the Year Award.

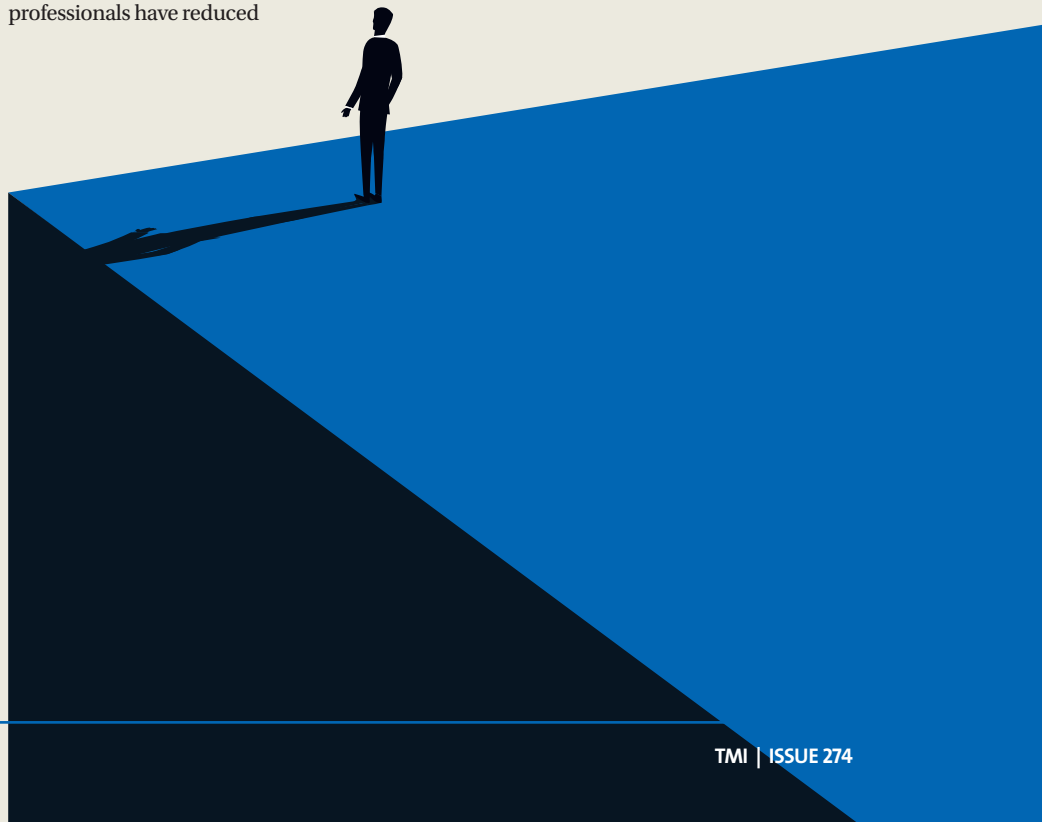
Step Away from the Edge

Facing the KYC Cliff

With the average global treasury team reportedly spending more than one day each week dealing with know your customer (KYC) requirements, compliance remains a significant pain point for treasurers worldwide. What progress is being made to help treasurers – and their banks to overcome this headache? Are regional approaches worthwhile or should we be holding out for a global solution? Can fintechs save the day? Industry experts answer these questions and more.

Although the extraordinary coronavirus pandemic is occupying treasurers' minds at present, everyday challenges have by no means vanished. One of the top day-to-day pain points treasury teams face is dealing with the KYC requirements of banks across the globe. In fact, recent research supported by SWIFT shows that 93% of treasurers believe KYC requests are more challenging today than they were five years ago. In addition, more than 50% of treasury professionals have reduced the number of banks they work with to avoid lengthy KYC processes.

Marc Delbaere, Global Head of Corporates and Trade, SWIFT, neatly outlines the issues behind these eye-opening statistics: "Treasurers who work with multiple banking partners in different regulatory jurisdictions across the globe have to provide KYC data in multiple formats, often through bilateral exchanges, in order to meet the regulatory requirements of each partner, which is



By **Eleanor Hill**, Editor

costly, time-consuming and inefficient."

Expanding on this, François Masquelier, Founder and CEO of SimplyTREASURY, adds: "Ultimately, KYC negatively impacts the client experience. Opening new bank accounts takes up more and more time. Furthermore, KYC costs are inflating significantly as requirements add up and are not standardised. In addition, data and documents are transferred via unsecure means, which translates into high levels of risk around sensitive pieces of information."

Paul-Gerhard Haase, Member of the Executive Board, Co-founder, cinfoni BFS finance GmbH, agrees: "Some of the major issues revolve around the lack of standardisation, inconsistencies – even within the same institution, and multiple communication channels with banks. What's more, KYC requests are often 'blanket' and therefore too intrusive, with no tailored data requests. Adding to the challenge, there is frequently a lack of integration between Bank Account Management [BAM] and/or Treasury Management Systems [TMSs], which in turn requires multiple document uploads." Werner Fontanive, Member of the Executive Team of SWISS POST and Head of New Business Regulatory Data Services, Co-founder, cinfoni, adds: "The sharing of KYC information is based on trust which is provided under cinfoni through a government backed network that exchanges regulatory reliable data from corporates via full validation nodes towards banks."

In this seamless digital day and age, this labour-intensive approach to KYC seems out-dated and even alien. Yes, it is easy to place the blame for this on the banks, but as Delbaere rightly notes: "It's not any easier on the financial institutions' side of the process. They have to reach out to correspondent banks or corporate customers for information and search for data across multiple sources, which is often incomplete or out of date. In many cases, they are forced to repeatedly follow up with existing customers as part of regular KYC reviews, which can place strain on relationships. In short, it's repetitive, confusing, time-consuming and costly for all parties involved."

All for one and one for all?

The rationale for a global solution to these KYC issues has never been clearer. And SWIFT has been making significant headway with its KYC Registry, which opened to corporates in late 2019. But is it enough to turn the tide?

Delbaere says: "It is still early days but we have developed a strong pipeline of interested corporates, some of which have already started uploading information on to our registry. Before launch, we tested the KYC registry with 18 leading corporate groups, including BMW, Spotify, and Unilever, along with 16 global banks representing more than 7,000 corporate-to-bank relationships on SWIFT. This meant that when it opened to corporates, we already had strong interest from trial participants and we have followed this up by promoting it to the 2,000-strong corporate community connected to SWIFT."

But therein lies the rub. The utility is currently open only to SWIFT-enabled corporates. As a former corporate treasurer, Masquelier has mixed views on the situation. "SWIFT's KYC Registry is certainly a huge 'plus' and a great step towards a multi-bank international KYC solution. We have great expectations for it. However, SWIFT still lacks regulatory standards in individual jurisdictions and does not allow for 100% coverage of specific KYC information." Masquelier speaks from experience here as his former employer, RTL, took part in the first round of pilots two years ago.

Nevertheless, the solution is still

WERNER FONTANIVE

Member of the Executive Team of SWISS POST and Head of New Business Regulatory Data Services, Co-founder, cinfoni

> *The sharing of KYC information is based on trust which is provided under cinfoni through a government backed network that exchanges regulatory reliable data from corporates via full validation nodes towards banks.*

nascent and there are only a handful of pilots that can be used as a baseline. Concerns also exist around the barriers to entry. Masquelier continues: "I remain cautious about the business model and hope that this will be – and remain – free and not just for SWIFT customers. We must think of all those treasurers who do not have, or do not want to use, the SWIFT network, especially due to the cost and complexity of SWIFT's Customer Security Programme."

As a side note for those who have not come across it, SWIFT launched its Customer Security Programme (CSP) in 2016 to drive industry-wide collaboration in the battle against the cyber threat. Designed to support all types of customers, from central banks to large corporate groups, the CSP provides tools, information and a framework to help the SWIFT community secure itself. Despite the positives, the change has proved challenging for some.

Masquelier believes there is room for several players in the KYC utility space, with SWIFT being a major participant alongside local and regional initiatives. In fact, he says that targeted initiatives, such as the Nordic KYC Utility, "emerged because of the absence of fully international ones. Facing such a KYC cliff pushed some actors to think locally, before considering global solutions".

For those not familiar with the Nordic project, six of the largest banks in the region have now joined forces to launch a platform for handling KYC data. Due to launch during 2020, the idea is that the utility will benefit large and mid-sized corporates in the region. The word on the street is that the Nordic banks did not wish to wait for the SWIFT KYC Registry to be adapted to local needs and formats, as they felt the Nordics would be at the back of the queue from a priority perspective. The plan was always to integrate with the SWIFT offering once it was fully operational. But the waiting was too unappealing, especially since the banks saw the launch of a KYC solution as a means to help repair the reputational damage caused by recent money-laundering scandals.

In the name of transparency, it is worth noting here that TMI asked to speak to several Nordic banks about the utility for the purposes of this article – yet they declined. Perhaps it is too early to comment. The website for the initiative (www.kycnordic.com) simply displays a 'coming 2020' message. Or perhaps the realities of investing in a joint KYC utility – and each bank still being individually liable for satisfying KYC obligations – are taking their toll, alongside the building of the infrastructure, of course. Only time will tell.

UAE forges ahead

Such hurdles are not holding back progress in the Middle East, however. In Dubai, a KYC consortium has been launched by Dubai Economy, along with Abu Dhabi Commercial Bank (ADCB), Emirates NBD, Emirates Islamic, HSBC, RAKBANK and Commercial Bank of Dubai (CBD). The consortium enables regulated sharing of KYC data between banks and licensing authorities in Dubai and leverages blockchain technology to ensure security and integrity of KYC data.

Mohammed Al Jayyash, Acting Group Chief Operations Officer, ADCB, "Establishing the first KYC blockchain consortium in the UAE further enhances the ease of doing business in the region – attracting even more investors to the country. The consortium will also bolster the ongoing smart transformation of the UAE's economy, in line with Vision 2021.

For the six founding banks and their clients, the consortium will enable much more rapid and secure onboarding and exchange of digital customer data and documents. "Through this initiative, we are establishing a single source of truth for KYC information in the UAE. This will greatly increase the speed of opening a bank account for new companies and existing customers will benefit from a significant reduction in the requirements of managing and refreshing their KYC data.

Explaining how the consortium will deliver these benefits, Al Jayyash says that it involves close co-operation with the Department of Economic Development (DED),which issues trade licences. "There is a significant overlap between the due diligence that is performed to issue a trade licence and the KYC requirements of banks. By securely sharing the documents used for the trade licence application among permissioned banks – via the blockchain – it is possible to significantly reduce the KYC burden on customers."

To benefit from the KYC consortium clients do not need to do anything, except

to give their permission for a specific bank to access their trade licence information. "When a customer applies for a bank account, we access the blockchain repository via an API and pull the relevant trade licence information. We then only ask the client to fill in any gaps, rather than provide the full KYC package again. Moreover, we are updated instantly of any future changes in trade licences, which helps with the KYC refresh going forward."

All of this happens in the background, without any effort from the client, but – as stated – with their explicit permission. "Sharing information in this way significantly cuts down on duplication, which in turn leads to time, efficiency and customer service benefits," says Al Jayyash.

These immediate positives will undoubtedly be welcomed with open arms by treasurers in Dubai, but there are longer-term plusses that must not be overlooked in the excitement. "Over time, the consortium aims to examine the various KYC processes and requirements used by banks – with the aim of streamlining and harmonising them." Naturally, this will be a challenge given the mix of local, regional and global banks in the UAE.

Furthermore, the intention is that the KYC streamlining will be extended beyond Dubai to the entire UAE. Al Jayyash continues: "By building a KYC ecosystem across the UAE, involving all of the relevant federal authorities and permissioned financial institutions, we can ensure a consistent and easy KYC process for customers – while retaining the highest standards of regulatory compliance."

"Although a global KYC solution is the ultimate goal for corporates and banks alike, it is also extremely challenging – and regional solutions such as this are necessary as a first step. ADCB was keen to be an early mover in this space, demonstrating our ongoing commitment to driving change through innovation, new technologies, and collaboration," Al Jayyash notes.

Alternative routes

In mainland Europe, meanwhile, banks have been less forthcoming with local or pan-regional solutions, so some treasurers have been taking matters into their own hands. In Luxembourg, for example, the Association des Trésoriers d'Entreprise à Luxembourg (ATEL) has created a distributed ledger technology (DLT) solution in collaboration with the University of Luxembourg, digital KYC experts, Telindus, and the Bankers' Association (ABBL).

Masquelier believes that there is great potential for these types of local solutions to be interfaced with other KYC initiatives run by fintechs, in order to expand their reach and functionality. He cites cinfoni as a perfect example of a potential collaborator here. "This German-Swiss company proposes a fantastic solution which will be interoperable with other local and international KYC utilities." As Haase puts it: "cinfoni combines local, regional and international approaches under one umbrella".

For those who have yet to discover cinfoni, it stands for Customer Information Network Intelligence and it is a regulatory framework developed by Arvato Financial Solutions and SWISS POST, which aims to simplify the tailored compilation of regulatory data such as KYC. According to Arvato's website: "The framework combines an international network with repeatable solution components for banks, corporates and regulators and jurisdiction specific utilities. cinfoni is accessible to all local data utilities as well as data and service providers."

cinfoni operates in the European payment zone on the basis of nationally aligned KYC data and anti-money laundering (AML) regulations, which in turn are based on a country-by-country regulatory requirements gathering. The network protocol is tailored to KYC and the underlying international AML regulations, thus making use of an open distributed ledger technology (DLT). The hope is that cinfoni "will enhance, accelerate and simplify the onboarding and required mandatory periodic maintenance processes for banks and their customers. For corporate clients, a cinfoni Corporate Service is designed to streamline KYC files in standardised processes for individual bank requests. By ensuring reusability, corporate companies' effort for KYC is reduced by an estimated 80% compared to today's non-harmonised, unstructured processes," says the official rubric.

Providing a more independent view, Masquelier believes cinfoni is a KYC game-changer for the following reasons: simplification of KYC through minimal

> *"The rationale for a global solution to these KYC issues has never been clearer. And SWIFT has been making significant headway with its KYC Registry."*

MARC DELBAERE

Global Head of Corporates and Trade, SWIFT

> *Solving the KYC conundrum is a journey. The sooner each firm starts their own part of that journey, the faster the whole industry will realise the change that it's been seeking.*

intrusion; standardised communication with banks with an international single point of contact for corporates and a unique protocol; and full control for the corporate regarding KYC data. "The corporate decides who gets access to what and where the data is stored – whether that be in their own BAM/TMS, customer wallet or a jurisdiction specific network node. As such, it will speed up KYC and significantly reduce the effort required by treasurers, at no cost to the corporate."

Counting the cost

But, of course, solutions that are free to treasurers have to be paid for by others. And this is another significant challenge that is preventing more rapid progress in the KYC utility space. "The costs for building such solutions are huge," says Masquelier. "At first glance, a KYC solution seems obvious and technically easy to set up. However, it is extremely complex, and we have seen large technology and data companies giving up on KYC utilities. The fact that we don't have, as we speak, a couple of global, free, open-to-all, multi-banks and 'live' solutions proves they are far from easy to develop and launch. They require huge investment and this is why only a few players will emerge internationally, in my view. They need money, patience and perseverance to be successful."

Haase cautions here that "solutions struggling with legacy protocols and technology tend to be too expensive". But cheaper solutions may not necessarily solve the problem, he says, adding that "pure data provider initiatives do not reach far enough". He believes that "only tailored solutions limiting data requests to what is required by the regulations in individual cases, with a strong focus on simplification, will overcome the KYC challenge and provide significant savings for banks, corporates and regulators alike".

Delbaere, meanwhile, maintains that SWIFT is well placed to address the KYC conundrum in an affordable and impactful manner. "Our co-operative nature means we can afford to be cost-effective. Furthermore, addressing the problem at industry-level is bound to reduce the overall KYC cost both for financial institutions and corporates – the solution is only a fraction of the cost of the problem."

FRANÇOIS MASQUELIER

Founder and CEO of SimplyTREASURY

MOHAMMED AL JAYYASH

Acting Group Chief Operations Officer, ADCB

PAUL-GERHARD HAASE

Member of the Executive Board, Co-founder, cinfoni BFS finance GmbH

Like many others, Delbaere believes collaboration is the way forward – between corporates, banks, regulators, local KYC initiatives and SWIFT. Fintechs have a role to play too, of course. "If financial institutions and corporates thought only of their own individual needs and what works for them, then solving this problem would be extremely challenging. However, from our engagement with them, it's clear they all recognise KYC is a necessity and they're also keen to collaborate to solve this problem for all parties involved.

"The forum we created during the trial period of the KYC Registry enabled corporates to understand why banks are asking for certain types of information and banks to reflect on the types of questions they are asking and if there were opportunities for harmonisation with global standards. And, in my view, the key to effective KYC is standardised information sharing. Unstructured, non-standardised data means that multiple versions of the same information have to be repeatedly submitted to counterparties. By simply embracing a universal standard, corporates and banks can save vast amounts of time and resources."

According to Delbaere, this is precisely what SWIFT aims to achieve with the KYC Registry. "It aggregates KYC information in a globally recognised, standardised format, providing banks with a centralised database with everything they need. The standard defined for correspondent banking includes the latest Correspondent Banking Due Diligence Questionnaire (CBDDQ) from the Wolfsberg Group and covers up to 90% of the information that global banks typically require for due diligence, making it one of the most comprehensive KYC tools on the market."

Calling treasurers to action

While SWIFT is clearly making excellent progress, Masquelier believes that treasurers would be wise to stop looking for 'one solution to rule them all.' "Personally, I would like to see more solutions emerge and see real competition so as not to depend on one single market infrastructure, however broad. We need several solutions – since competition is always beneficial to the market and to users – which allow each type and size of business to easily meet KYC requirements when entering into a relationship with a bank and when maintaining compliance around bank accounts."

Representing one of the potential competitors to SWIFT here, Haase believes that "treasurers need to push for industry platform-based solutions like cinfoni to be used, otherwise banks will continue to make attempts around symptomatic bank operations-focused initiatives with no convenience gains for treasurers – as they have been trying to do for many years". cinfoni, he says, "provides that kind of community-based programme, ramping up the new ecosystem for KYC and other regulatory domains".

Masquelier also issues a call to arms for treasurers, saying: "There is, unfortunately, no single, one-size-fits-all KYC solution yet. As such, we treasurers have the duty to adopt one or several of them, rather than keep complaining about unstoppable KYC compliance rules. Solving the KYC conundrum is a journey. The sooner each firm starts their own part of that journey, the faster the whole industry will realise the change that it's been seeking." ■

From 2020 to 2030

Future-Proofing Treasury for the Decade Ahead

Companies worldwide face an environment of change – ranging from new trade dynamics to evolving business models on the back of digitisation. Ron Chakravarti, Global Head of the Treasury Advisory Group, Citi, explains how corporate treasurers can stay ahead of the curve by reviewing treasury structures, technology and talent.

By **Eleanor Hill**, Editor

A century ago, the world was on the brink of dramatic social and political change. The 1920s also ushered in a period of significant innovation in technology and science, with machines replacing unskilled workers on production lines.

One hundred years on, similar trends are reshaping today's global economy. International supply chains are being reconfigured in response to a surge in protectionism and trade interventions. And digital disruption is transforming industry ecosystems, as well as business models.

Meanwhile, treasurers are busy managing the impact of low and sub-zero interest rates, not to mention changes to Interbank Offered Rates. Major tax overhauls, such as US tax reform and the Organisation for Economic Co-operation and Development's (OECD's) Base Erosion and Profit Shifting (BEPS) initiative, are also leading to changes in corporate trading models, with consequences for the distribution of cash, and funding needs, across enterprises.

At the same time, companies are increasingly searching for growth in new geographies, often emerging markets. This adds extra complexity for the treasurer, who is already tasked with taking a greater strategic role and 'doing more with less' by embracing advances in technology – even

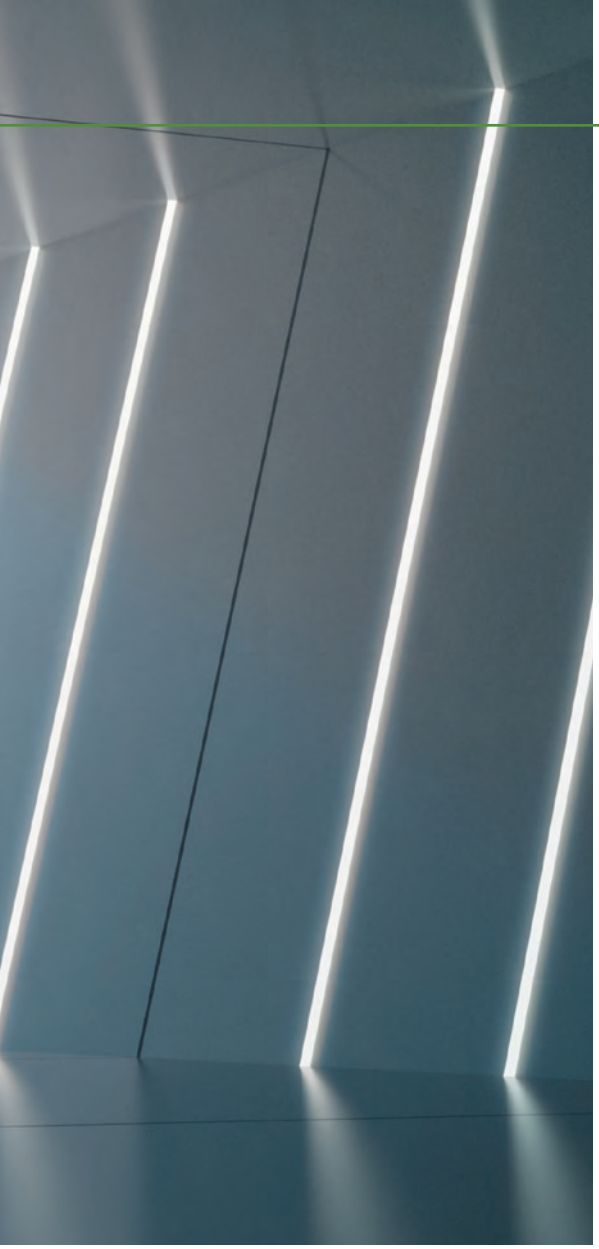
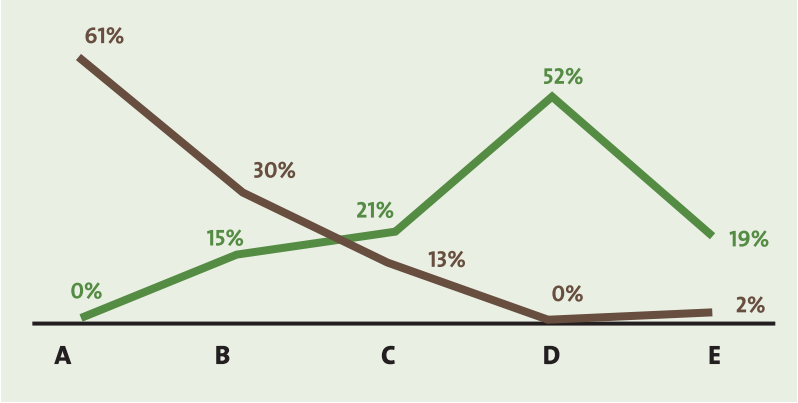


FIG 1: PRESCRIPTIVE ANALYTICS APPETITE



Level of decision support automation currently in place

Level of decision support automation expected by Treasury to achieve in the next 3 years

A Descriptive Analytics (Static Reporting and Visualisation)

B Diagnostic Analytics (Interactive Dashboards)

C Predictive Analytics (Machine Powered Forecasting)

D Prescriptive Analytics (Decision Support/Recommendations/Deal Determination)

E Artificial Intelligence (Decision Automation/Deal Execution)

Source:Citi Treasury Leadership Client Forum, November 2019

when some of these digital developments are yet to be fully proven.

And, not to forget, unexpected events – and crises – open our eyes to more radical change. Best practice evolves as the world changes, so treasury models must also move on.

Against this backdrop of uncertainty, Chakravarti believes treasurers would benefit from future-proofing their operations for the 2020s in order to support enterprise growth – while navigating the heightened risks and leveraging the opportunities. But with so many priorities, and no small amount of hype surrounding treasury innovation, where should treasurers focus their future-proofing efforts?

Cutting through the noise

According to Chakravarti, there are five key steps that can help treasurers to build their future-proofing blueprint. The first is focusing on collaboration in order to reap the full benefits of digitisation. "Treasurers need to be looking ahead at how they can digitise all of the department's processes and use data and analytics to help them make better decisions, more quickly," he notes.

To achieve this level of digital sophistication, treasurers will need to collaborate internally and externally. "Collaboration is vital for treasurers to stay informed of emerging technologies, identify digitisation opportunities, and secure the financial and human capital to realise the potential benefits," he says. "There will need to be close co-operation with the rest of the finance function and IT in order to ensure treasury's digitisation efforts dovetail with those of the wider organisation. In addition, treasurers would do well to work closely with their banking partners and technology vendors."

In this spirit, several Citi clients are participating in collaborative experiments to "leverage emerging digital tools that aggregate fractured data sets more effectively". The hope, Chakravarti explains, is to be able to use technologies like artificial intelligence (AI) to recognise patterns and adjust liquidity predictions accordingly (see fig. 1). "The technology will also help to simulate next-best actions based on policies and risk appetite," he continues. "We believe there are similar opportunities with FX exposures, where technology can potentially be more efficient than people in determining the optimal hedging approach."

Getting ready for real-time flows

The second area requiring future-proofing efforts is the move towards real-time treasury. A world where payments and liquidity management

> *Treasurers need to be looking ahead at how they can digitise all of the department's processes and use data and analytics to help them make better decisions, more quickly.*

happen instantaneously is on the horizon. "As the velocity of money accelerates, all companies must prepare to move, manage, and invest funds on a global, 24x7x365 basis," says Chakravarti. "Treasurers should therefore have a strategy and plan for deployment of real-time treasury in the coming years. This will be a very different environment as treasurers of Investment Grade non-financial corporates have not typically worked with intraday cash forecasts in the past."

Alongside cash management, FX risk management and investments will also happen instantaneously. "Treasury functions will therefore need to work with existing providers of banking and technology services to fully understand the implications of real-time treasury – and put in place the right systems and processes to manage real-time flows. Since these solutions are still being developed, there is an opportunity for treasurers to shape the future by engaging with their partners sooner rather than later," notes Chakravarti.

To fully leverage the benefits of the real-time environment, treasury teams may also wish to engage with emerging payment providers and networks. "Nevertheless, it is important to assess any potential new counterparties thoroughly, including the know-your-customer, anti-money laundering and financial risks associated with new payment offerings from non-bank providers," he cautions.

Rethinking treasury structures

The third future-proofing action point is to reassess the validity of the treasury centralisation structures that many treasurers have aspired to in recent years. In a world where enterprise-wide financial, accounting, and tax considerations are increasingly demanding, it is possible that a centralised treasury model is no longer fit for purpose.

Take BEPS, for example. "Tax authorities are scrutinising intellectual property transfers, intercompany transactions, and the basis for arm's-length pricing more than ever. Another trend is for services to become taxed where consumed, rather than where created. All of this is driving changes in legal entity and tax structures

– impacting treasury's management of currency exposures, payment and collection patterns, as well as cash concentration and intercompany funding needs," says Chakravarti.

The important point here is that treasurers cannot afford to wait for tax and legal teams to make decisions and then react. "They must ensure they have a seat at the table from the planning phase onwards, helping senior stakeholders to understand the best location for treasury centres, cash pools, and so on."

What's more, this should not be a one-off exercise in reaction to external changes. "Treasury re-engineering is most effective as a continuous process. Ideally, this should consist of a regular check-up of the existing set-up, and then any changes can be made if necessary, to ensure the structure remains optimal to support the organisation's growth," Chakravarti notes.

That said, it is sensible to have ad hoc reviews in response to unprecedented global events. "Best practice evolves as the world changes, so treasury must remain adaptable to change and be ready to move on."

Re-engineering technology

The next area requiring attention is advancement of treasury technology. "Of course, this goes hand in hand with digitisation – but here we are talking less about processes and workflows and more about systems and the connectivity webs both inside and outside of treasury."

Most large companies have well-established treasury technology architectures. These typically involve high levels of integration between the treasury management system (TMS), enterprise resource planning (ERP) solution, and standardised connectivity with relationship banks. "But the technology landscape is changing rapidly and boundaries are blurring between traditional tech vendors and fintechs," says Chakravarti.

As a result, treasurers of larger organisations with mature treasury departments are wondering when is the best time to invest in new technology: now, while digital solutions are emerging? Or later, when the rapidly evolving technology landscape normalises? At the same time, mid-sized companies at earlier stages of treasury maturity are asking whether they should follow the path of established companies towards traditional 'best-in-class' treasury, or whether the new landscape offers the opportunity to leap-frog existing models.

Whichever approach is taken, "treasurers would do well to create a plan for technology requirements for the coming decade, based on anticipated changes in the business and its financial services requirements," cautions Chakravarti.

Talent for tomorrow

Last but by no means least, treasurers have an opportunity to prepare for the future by broadening their skill sets and reasserting the value of treasury – as value creators for the enterprise. "Talent management will therefore be vital, and traditional areas of expertise such as cash and risk management will no longer be sufficient. Heading towards 2030, treasury professionals will require a range of hard and soft skill sets, combined with deep understanding of technology and data science," observes Chakravarti.

These traits will be needed to help modernise treasury for the era of AI, application programming interfaces, and big data. In addition, well-honed communication skills should help to ensure that treasury always has the ear of the C-suite and is consulted throughout in the strategic decision-making process.

Picking up the gauntlet

Working on the five areas outlined above should help treasurers to prepare for the decade of momentous change that lies ahead. "Nevertheless, it is important to keep an eye on the present, as well as the future," cautions Chakravarti. "In order to make the most of forthcoming opportunities and weather any storms, treasurers need to have strong foundations across core treasury pillars, delivering financial efficiency and robust risk management."

Multitasking will be the order of the day as treasurers simultaneously manage current-year priorities and medium-to-long term objectives, guided by a strategic plan to future-proof the treasury function. "Those who achieve this will be best placed to succeed in this new decade," concludes Chakravarti. ■

RON CHAKRAVARTI

Managing Director, Global Head of Treasury Advisory Group, TTS, Citi

Ron Chakravarti leads a global team with responsibility for providing Citi's multinational corporate clients with advice on treasury and working capital management practices, and Citi's global product management teams with insights into emerging client needs to shape solution strategies. The team also works closely with Citi's Banking, Capital Markets and Advisory and Markets divisions towards "One Institutional Bank" advisory and solutions for clients.

He holds an MBA from the University of Massachusetts, Amherst and a BA (Hons) in Economics from the University of East Anglia, UK.

Discover more

This article is based on a research paper produced by Citi's Treasury Advisory Group. Find out more at www.citibank.com/tts/advisory/

Treasury APIs

Banking on a New Connectivity Ecosystem

Claiming the 'Best Bank Connectivity' accolade in TMI's 2019 Awards for Innovation and Excellence, John Laurens, Group Head of Global Transaction Services at DBS, discusses the forces reshaping corporate to bank connectivity. He also explains how to achieve best-fit bank connectivity and outlines the role of open application programming interfaces (APIs) in treasury innovation, integration and business transformation.

By **Eleanor Hill**, Editor

Eleanor Hill (EH): ***Congratulations on your Award win – the third in as many years. This time, DBS RAPID was the winning solution. How can treasurers benefit from this?***

John Laurens (JL): Companies are intensifying their focus on digital - from specific initiatives to new business models and platforms to create competitive advantage and realise their commercial ambitions. This also involves driving greater use of the cloud, be it for the creation of new commercial business propositions or the migration from legacy systems to cloud-based treasury and finance systems. As a consequence, connectivity of treasury, finance and commercial business platforms, with banking solutions via APIs, has become the standard today. As has been recognised by TMI, DBS RAPID (Real-time APIs with DBS), has led the world in corporate-bank connectivity.

Embracing digital is also changing the shape and nature of the interaction with banks. Traditional RFPs and Sales engagements are looking increasingly passé, as they are being rapidly replaced by co-creation partnerships, the application of human-centred design thinking in solutions development, using agile and customer-journey centred practices. All of which are essential ingredients that enable companies to deliver a differentiated experience to their customers and suppliers with speed.

EH: ***OK, before we delve into the solution itself, for those of us who aren't API-savvy, could you give us a short recap as to what they are?***

JL: APIs or Application Programming Interfaces have been around for some time, however, as mentioned, with increasing use of cloud-based tech stacks, corporates are creating unparalleled transformational change enabled increasingly by the innovative use of APIs. The machine-to-machine connectivity at the core of API use, brings continuous and instantaneous interactions across a broad spectrum of transactional and

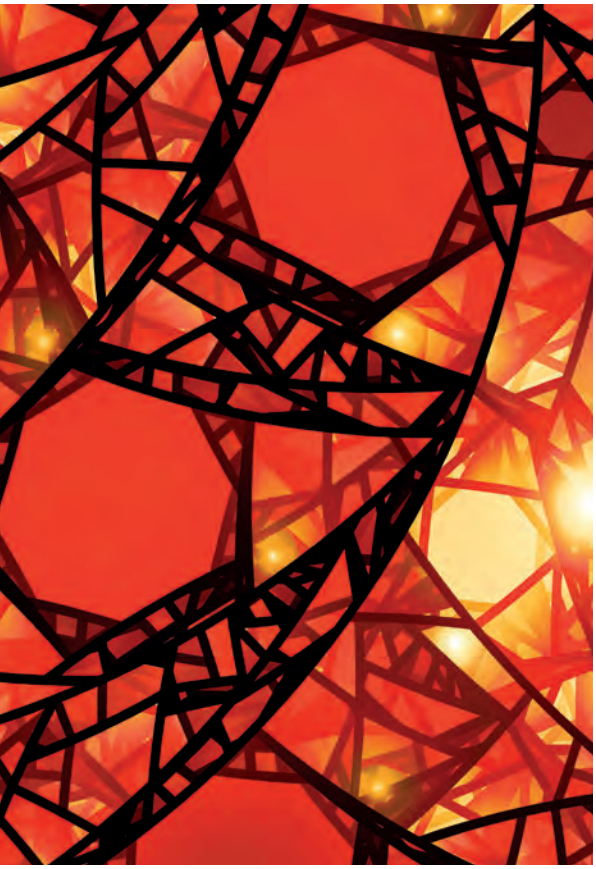


FIG 1: TYPES OF API AVAILABLE VIA DBS RAPID

information management process flows and systems. This increasingly includes connectivity with banks and other financial service providers. It's the very nature of this connectivity that is enabling companies to create transformational change, be it at the heart of their commercial platforms or in supporting treasury and financial systems.

With DBS RAPID, our customers can seamlessly integrate DBS' banking services into their platforms, eliminating or avoiding 'old tech' costs that have no place in today's digital business models. For example, Gojek, a leading Southeast Asian ride-hailing platform, wanted to help their drivers who were used to dealing with physical cash, become comfortable with accepting cashless real-time pay-outs of their earnings. Gojek implemented the DBS RAPID solution, thus ensuring that drivers are paid electronically via a mobile app immediately, as and when they choose to cash-out. This is a frictionless experience that empowers drivers and thereby brings enhanced employee and customer experience.

DBS has worked with numerous companies to create and deliver solutions that enhance customer and employee experience across a broad range of industries. These solutions require the seamless dovetailing of treasury and accounting systems with commercial platforms and applications, invariably by using APIs. This is having a profound impact on the role of the treasurer and its continued evolution. In addition to the treasurer's established responsibilities, today's treasurer is increasingly engaging or being engaged by his or her commercial and technology counterparts around the application of cloud-based technology and API connectivity to create new business opportunities and competitive advantage.

Another example of this is Lykos - India's first online refined metal sales platform. Lykos was seeking a partner bank to implement a robust, progressive digital solution to create this platform and be able to scale it for future growth. The solution provided real-time updates of incoming flows into buyers' trading accounts, together with the ability to initiate refunds or debit pre-funded e-wallets instantly. The DBS RAPID solution enabled Lykos to create and scale the operational processes and customer trading platform and thereby establish this new line of business.

***EH:** Tell us more about DBS RAPID and the functionalities on offer.*

JL: With DBS RAPID, we have published an extensive and growing array of APIs, examples of which are summarised in Fig 1.

Having readily available transactional, information reporting and workflow management APIs not only simplifies integration of transaction banking solutions with our customers operating systems, but also enables us and our customers to move quickly to realise new business opportunities.

For example, in the automotive logistics and natural rubber supply chains, DBS used RAPID API connectivity in conjunction with customers' blockchain platforms, to integrate parties to industry ecosystems to bring immediate and clear

JOHN LAURENS

Group Head of Global Transaction Services, DBS

transparency, from the status of orders to the sustainability credentials of suppliers and their processes. In addition to meeting the sustainability objectives of these ecosystems, this approach also enabled smaller businesses further down in the supply chain, to access working capital finance that previously they couldn't gain access to.

The success of this model can be seen in our partnership with global agri-commodity trading company, Agrocorp International. We collaborated to develop a first-to-market innovative blockchain-based electronic platform to digitise the entire process for commodities transactions. With the implementation of the blockchain platform, Agrocorp and its counterparties are also able to enjoy a seamless and more secure transfer of goods ownership and payments. The streamlined process cuts Agrocorp's average working capital cycle by about 20 days, and helps farmers receive payments for their goods more quickly, making it a win-win for all.

***EH:* Could you give some examples of how companies are using solutions featuring API connectivity to gain a competitive edge?**

JL: There are different potential use cases in almost every sector, and it's really exciting to work with clients on new ways to leverage APIs to create seamless operations, and to transform the experience they offer to their customers. I shared examples earlier where we have done this with clients in transportation, logistics and e-commerce. There are many more examples across different industries we have worked with, to achieve similar benefits and create transformational change.

In the insurance sector for example, we introduced our DBS RAPID suite to help insurance companies leverage their investments in artificial intelligence and machine learning to reduce decision-making cycle time for policy claims. The combination of the latest in insurance claims management technology, with 24x7 immediate payment services delivered via RAPID, is powerful. As a result, insurers are now able to automatically settle claims at the point of approval, and at times, before a claim has even been made. RAPID has proven to be transformational for insurers as it enables them to significantly enhance the experience they deliver to their policyholders.

Singapore Airlines (SIA) is another example. As part of SIA's drive to enhance customers' travel experience and continually improve competitiveness in a fast-moving operating environment, SIA focused on enhancing customer experience to underpin revenue-generation initiatives and improvements in operational efficiency. SIA and DBS signed a memorandum of understanding (MOU) to enhance digital capabilities across various digital platforms and enable a seamless banking and travel customer experience for passengers. Under the MOU, SIA and DBS are collaborating to introduce digital flight booking and merchandising capabilities on DBS' platforms, and, the expansion of payment options for SIA customers leveraging digital payment capabilities through DBS RAPID.

***EH:* Finally, how do you see bank connectivity progressing during 2020 and beyond?**

JL: As mentioned, APIs have set the standard for corporate-bank connectivity and their use in creating innovative solutions for companies will be at the forefront of product development in transaction banking.

As we've seen at DBS, having built our product suite on cloud-based architecture, this has enabled us to quickly create an API suite to drive the development of innovative solutions and be very responsive to customers' emerging, and invariably digitally driven needs. Being an intrinsic part of the transformations and new businesses that customers are producing through our co-creation workshops to discover, define, develop and deliver solutions has fundamentally reshaped our engagement with customers. API connectivity has been a catalyst and enabler in this regard.

Treasurers will increasingly leverage API-enabled transaction banking solutions to bring about transformational change in partnership with their commercial business units, as they seek to embrace digital and leverage the cloud to create new business opportunities. Exciting times for all! ■

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Bank Connectivity

DBS

The Truth About Treasury and Artificial Intelligence

By **Eleanor Hill**, Editor

It's been a hot topic for almost every treasurer over the past year, but – hype aside – what is the true value of artificial intelligence (AI) within treasury? Nikolai Diekert, Director Product Management at leading TMS provider BELLIN, explores the concrete use cases for AI in treasury, providing a candid view on where the technology can add value and where it still has room for improvement.

Eleanor Hill, Editor, TMI (EH): ***Before we talk about AI in treasury, it would be helpful to clarify what AI is – and what it isn't. Would you be so kind?***

Nikolai Diekert (ND): Of course. You're right – there are many contradicting and confusing definitions of AI. A good first step is to split the definition into 'artificial' and 'intelligence'. What we mean by 'artificial' is that it is non-human, but created by people. While we tend to think of modern computer devices in this instance, analogue machines also fall into the 'artificial' bracket.

As for 'intelligence', there are even more definitions of this than there are for AI! But there is an interesting and useful definition on Wikipedia, which states that it is the ability to 'perceive or infer information, and to retain it as knowledge to be applied towards adaptive behaviours within an environment or context'. Taking these elements together, AI can be viewed as any device that perceives its environment and takes actions that maximise its chance of successfully achieving its goals.

You also asked what AI is not, though, and this is very important. We often hear the words 'machine learning' (ML) uttered in the same breath as AI – but these are not one and the same. ML is a subset in the field of AI whereby algorithms build a model based on sample data and perform tasks or make decisions on real data without being explicitly programmed. The model is 'trained' on the sample data in various ways, supervised, unsupervised, reinforcement, self-learning and so on.

EH: ***Isn't ML the scary part of AI – the bit that makes treasurers wonder if they will be replaced by machines?***

ND: Some of the results that Google's DeepMind has shown in recent years do make us wonder if machines will take

over soon. In October 2019, for example, Google announced that its AlphaGo AI had beaten a world-class player at the ancient Asian board game Go – in other words, it played better than a human. For some people, this is a frightening thought, for others, it is something they are looking forward to.

But when asking whether the treasurer will be replaced by a machine, we have to be realistic. At this point in time, the machine still needs people to programme it. And there are some parts of human nature – like gut instinct and experience – that a machine cannot replicate entirely. Of course, we can't be sure how fast the world will change!

EH: What are the main applications for AI within treasury?

ND: As I see it, there are four main areas of application for AI in the field of treasury. First is the automation of tasks. Any repetitive task that requires only minor decisions to be made could have AI applied to it, such as reconciliation of forecast with transaction data. Even if automation is already very advanced within a particular treasury department, there could still be advantages to using AI, such as making explicit instructions 'redundant' by using machines that observe human behaviour.

The second area where treasury could benefit from AI is forecasting. For many treasurers, producing an accurate and real-time cash flow forecast remains an elusive task. A handful of treasury teams are already using AI to improve their liquidity planning and risk forecast, having developed their own AIs alongside in-house data scientists with significant technology investment. There are also some treasurers who have purchased forecasting systems from vendors which leverage AI, but there is some debate as to the extent of the 'intelligence' here.

Next, we have support in complex decision-making. This is not the same as actually making the decision. It is providing analysis and different scenarios in order to assist the final decision. A good example would be determining which instrument to use for a specific hedge of a hard-to-understand risk. AI could also help treasurers to pinpoint the optimal time to issue a bond, for instance.

Last, but by no means least, is fraud prevention, especially in the area of payments. Here, software can predict and prevent electronic payment losses before they occur. Machine learning can automatically respond to variances in data, behaviours and trends. It learns patterns of fraudulent and legitimate transactions, to simultaneously minimise fraud and false positives.

EH: What are the limitations of AI and ML? What do treasurers need to know beyond the hype?

ND: Each of the practical applications I have outlined has its advantages, but also its challenges. For the repetitive tasks, one of the main considerations is that it remains unclear how big the advantage of using a 'black box' is compared with scripted automation with well-defined exceptions that need intervention from a human expert. Is this a case of AI for AI's sake? Sometimes, I suspect this is true.

In the forecasting sphere, data quality, availability and classification are significant hurdles. Access to accurate, timely and holistic data, whereby silos are broken down, is a prerequisite for good ML. This is often a challenge for treasurers to achieve given confidentiality of data, legacy systems, manual errors and so on. Furthermore, anyone who says that applying AI to forecasting is a 'plug-and-play' project either a) uses a very simple statistic methodology that probably does not deserve the name of machine learning or b) does not truly understand the complexity of such a project. It's also worth noting most AI projects in the forecasting space do not cover more than a short-term horizon of a few weeks because long-term factors are still hard to predict, even for more advanced AI.

As for support in complex decision-making, the main challenge is again the 'black box' and the question of how to 'train' the AI – because the number of high-impact decisions in treasury is relatively low and modelling them is extremely difficult. Moreover, the knowledge required to make such decisions requires years of experience, factoring in macroeconomic statistics, corporate strategy, risk aversion, and business relationships with banking partners. So, in

this particular area, the use of AI is limited by the need for human expertise, which is tough to replicate.

When it comes to fighting fraud, this is arguably the field where AI has been applied for the longest – but more within banks and credit card companies than corporate treasury functions. To help minimise fraud, many corporate treasuries already have tools at their disposal, like central payment hubs, two-factor authentication, and straight-through processing. While AI can certainly have its benefits here, it remains to be seen whether it is the 'ultimate' answer without applying the measures mentioned above.

EH: Could you elaborate on the 'other tools' you mentioned there – give us an example?

ND: Without turning this into a commercial discussion, treasurers might want to look at tools such as our Vendor Verification solution. In a nutshell, this is a payment validation check, which is fully integrated in the tm5 treasury management system payments' platform. It enables companies to configure whitelists and blacklists and every time a payment enters tm5, Vendor Verification compares the account information of the beneficiary with those lists. If the information does not match, the system either issues a warning or blocks the payment, depending on settings. Both single and bulk payments can be validated. Payments that could not be validated can then be manually approved, overriding the validation result, or confirmed as blocked.

EH: Will BELLIN be using AI in any of its future solutions, then? Or do you prefer other methods?

ND: AI for fraud is already up and running for some customers. We plan on rolling out sanction screening integration within Vendor Verification and are working on ML and outlier detection functionality, too. Based on historical data and potential risk, the system will provide recommendations upon which treasurers can decide to approve or block payments as they see fit. We are also exploring ways to leverage data sharing.

EH: So, what's the bottom line on AI in treasury in your view?

ND: As we have discussed, AI certainly has potential use cases in treasury. There can be significant benefits, if it is deployed in the right way and for the right reasons. But it's important to remember that AI isn't a silver bullet and it isn't always the optimal solution.

Instead, I prefer to see AI as an opportunity to ask ourselves where we can improve processes and underlying data quality, as well as enhancing the understanding of data by decision-makers. As it stands today, AI often creates benefits that stem from its prerequisites, rather than the results it delivers. ■

NIKOLAI DIEKERT

Director Product Management, BELLIN

Nikolai Diekert is Director of the Product Management team at BELLIN, a global leader in technology for corporate banking and treasury. In this role he focuses on ensuring BELLIN products meet current and future treasury management requirements. With his excellent problem-solving skills and extensive knowledge of financial markets, Nikolai has been a real asset since joining the Product Management Team in 2017, from the BELLIN Advisory Team. Nikolai studied mathematics in Freiburg and Bordeaux and is a Certified Corporate Treasurer.

Putting Innovation into Practice

Trade Finance for the 2020s

While many aspects of trade finance have remained unchanged for centuries, at the start of a new decade a variety of drivers are offering the tantalising possibility of redefining the sector. Eleanor Hill, Editor, recently caught up with Jean-François Denis, Global Head of Trade Solutions and Network Management at BNP Paribas, to explore the changes on the horizon and how they might benefit corporate treasurers.

By **Eleanor Hill**, Editor

Eleanor Hill (EH): ***What do you believe will be the key trends impacting trade finance in 2020?***

Jean-François Denis (JFD): In my view, there are four key trends that will impact the sector – they might not be revolutionary, but they are extremely important to pay attention to. The first is the geopolitical environment. As a result of international trade tensions, we are already seeing shifts in terms of trade routes and risks. As a result, corporates are looking for risk mitigation instruments to ensure that their international trading activity remains secure.

A second, ongoing, trend is corporate centralisation. While this is a long-standing treasury trend from a cash management perspective, it is now filtering into the trade world. Some large corporates are already centralised and use a bidding platform for guarantees, for example.

TRADE INNOVATIONS DEFINED

Marco Polo

Launched in 2017, the Marco Polo Network provides an open enterprise software platform for trade and working capital finance to banks and corporates and a distributed, blockchain-powered solution that allows for the seamless and secure exchange of data and assets between participants.

Trade Information Network

Founded by ANZ, BNP Paribas, Citi, Deutsche Bank, HSBC and Standard Chartered, Trade Information Network is open for buyers, suppliers and banks. The Network enables the provision of financing deeper into global supply chains. Through the Network, corporates can communicate their trade information and raise finance requests in a trusted and secure way to participating banks of their choice. Banks will provide financing outside of the Network using their existing channels, processes and practices.

Komgo

Blockchain technology has been used to create a decentralised, open-source and secure commodity trade network. Komgo's blockchain ledger transmits peer-to-peer transactions in a secure environment providing full visibility to both participants, but storing only references to the data in the digital network itself. Records of transactions are available only on a need-to-know basis.

And an increasing number of our clients are equipping themselves to have better visibility and control over their trade activities, using technology.

Trend three, which is linked to the previous one, is the search to implement greater connectivity between corporates, banks and other stakeholders in the trade ecosystem. One of the main ways we are seeing this happen is through the use of SWIFTNet for Corporates for transmission of trade guarantees. We expect to see greater uptake in 2020 and beyond.

The final trend to mention is the large number of trade finance initiatives and market innovations. Some of these are about to enter phase two, moving beyond the proof of concept. As such, these initiatives now face an acid test as to whether they can become concrete solutions in production, or not.

***EH:* On that last point, many of these initiatives have focused on digitising trade. Do you think that paperless trade finance is actually within reach?**

JFD: It depends on the product you're looking at. If you take guarantees, then yes, I would say that paperless processes are possible and actually happening now. Progress here has partly been driven by the fact that only a small number of stakeholders need to align in order to create a digital workflow for guarantees. There are also a variety of standards that can be used, so all that needs to be done is for the applicant and provider to agree to use a digital channel. That said, this area would benefit from global standards in order for digitisation to gain wider traction.

Supply chain finance is also becoming less paper-based, although there is still some way to go. There are greater challenges here because more stakeholders are involved than guarantees. Nevertheless, we are seeing supplier onboarding platforms starting to flourish.

Documentary credit is different as there are so many stakeholders to align. Furthermore, digital documents such as the electronic Bill of Lading are not recognised everywhere. As such, there is a long road ahead to achieve paperless documentary credit. But BNP Paribas is making progress towards this goal with its involvement in Contour.

JEAN-FRANÇOIS DENIS

Global Head of Trade Solutions and Network Management, BNP Paribas

> *While many aspects of trade finance have remained unchanged for centuries, at the start of a new decade a variety of drivers are offering the tantalising possibility of redefining the sector.*

EH: For those readers not familiar with Contour, what is it?

JFD: Contour, formerly known as Voltron, is a blockchain-based platform aimed at digitising the letter of credit process. The company shareholders are Bangkok Bank, BNP Paribas, Citi, CTBC Financial Holding, HSBC, ING, SEB and Standard Chartered, Bain, Cryptoblk and R3. The idea is to grow and optimise the industry for all stakeholders.

For corporates, Contour will offer speedier transactions. In addition, it will reduce complexity and paperwork through digitisation and offer a single, simplified channel providing a real-time view of progress.

EH: How is the Contour initiative progressing?

JFD: As we speak, Contour is moving from a collaborative initiative to a functioning company. The company has been established and the CEO and a few other team members have been appointed.

We will work on increasing live commitments and transactions from clients. We will also look to enrich the platform by going further in the value chain and plugging in a number of other solutions.

EH: With so much innovation going on in the trade space today, what do you think are the most interesting market developments?

JFD: There are several types of market innovation and they all have a role to play. The first is what I would call 'disruptive innovation,' which includes Contour, the Marco Polo Network, the Trade Information Network, and Komgo for commodities, for example. BNP Paribas elected to be part of all these initiatives as we see ways in which they can be successful for the industry.

SWIFT is also innovating – we are hearing a great deal of talk about applying the principles of SWIFT gpi to trade, for example. And if there is a way to improve what we already have in place in the documentary trade space, then SWIFT is in an ideal position to take the lead. Not every innovation has to be brand new, it can be a different application of an existing solution.

There is also significant technology innovation taking place with the rise of trends such as optical character recognition (OCR) and artificial intelligence (AI). For example, in the trade space, OCR has the potential to scan trade documents, turn unstructured data into structured data, and significantly hasten process for banks and corporates. The important point is to apply technology in the right place and in the right way, to improve the quality of tasks. In essence, technology is there to solve the 'ordinary' and humans will still be needed for the 'extraordinary'.

EH: What other noteworthy contributions is BNP Paribas making to the trade finance world?

JFD: We are investing heavily into trade, and we will continue to invest further into digitisation solutions and the improvement of processes, service and experience for clients. Corporates can already benefit from our dedicated digital front-ends, which will be further enriched.

Away from technology, BNP Paribas is working consistently to embed sustainability into all areas of the business, including trade. We are keen to implement effective trade programmes that link finance incentives to sustainable criteria and we can produce tailor-made solutions that take into account the requirements of individual clients. We can also help corporates to embed sustainability key performance indicators [KPIs] into their trade workflows, which can then potentially be extended throughout their business.

Project Trado is another example of BNP Paribas' trade innovation. Run by a consortium of corporates, banks and fintechs, Project Trado has successfully tested whether blockchain and other technologies can help unlock financial incentives that reward sustainability in supply chains and lead to gains for smallholders. A follow-up phase is currently being considered.

We are excited to see how these, and other trade developments, unfold in 2020 – but will always ensure that our investment in innovation remains relevant for our clients. This is not innovation for innovation's sake, but innovation to make a difference on a daily basis – and in the most effective manner. ■

Co-Creating a Digital Treasury

Myth vs Reality

Many discussions around treasury technology focus on the leading-edge developments made by a handful of highly sophisticated treasury functions. Meanwhile, the majority of treasury departments are struggling just to achieve the basics. Could co-creation between banks and corporates offer a simpler path to embracing digital treasury innovation?

By **Eleanor Hill**, Editor

Visibility and control remain key for treasurers looking to produce an accurate, timely cash flow forecast. Yet a large number of treasurers – even in centralised organisations – still lack the ability to do this. In fact, for many, even collating a complete list of bank accounts can be a challenge.

Hurdles include a lack of visibility over the company's payment and collection ecosystem and data which is often fragmented, not to mention inaccurate and out-of-date. And in instances where treasurers are lucky enough to have access to this data, many lack the analytics to use it effectively.

Given these challenges, and often illusive technology budgets, some treasurers are turning to their relationship banks to assist. After all, banks are already required to have a consolidated view of client activity for regulatory reasons, so leading banks are now packaging this data, together with analytics, for their clients. Analytics functionalities might include anything from evaluating STP rates to assessing payment methods in terms of cost and timing, and determining optimal bank account and liquidity structures.

Working in tandem

A handful of corporates are taking the technology journey with their banks a step further, according to the 2019-2020 *Journeys to Treasury* report produced by BNP Paribas, the EACT, PwC and SAP. Rather than simply making use of digital services provided by banking partners, they are co-creating solutions that suit their treasury needs and work

JOURNEYS TO TREASURY

Discover more about new treasury technologies – from blockchain to artificial intelligence – and read about Microsoft's digital treasury journey by downloading the full report at www.journeystotreasury.com.

towards the greater good of the larger treasury community.

Michel Verholen, Assistant Treasurer, Zoetis, explains his experience of co-creation: "We had a number of inefficiencies in our operational and compliance processes and recognised that digitisation was the only way to overcome them. We are delighted to have the opportunity to collaborate with banks such as BNP Paribas on various digital initiatives to improve our workflows."

In order to get the most out of this collaboration, Verholen joined BNP Paribas' Treasury Board, an advisory board of senior treasurers from across Europe which enables peers to explore and address treasury pain points in a co-creative way. One of the projects he has undertaken with this group tackles the long-standing challenge of streamlining the way that treasurers exchange documentation with their banks.

Verholen outlines the issues: "We have a repository of data, either stored as scanned or hard copy documents, but it is very difficult to confirm whether we hold the same information as the banks. We do not currently use digital signatures, and it can be cumbersome to send hard copy documentation. Although the processes are largely similar across banks, there may be additional steps in some countries and the documentation burden is high. The process for account opening can be particularly arduous and time-consuming."

To this end, Verholen has contributed to the co-creation of a digital account opening process via BNP Paribas' Treasury Board and is "looking forward to leveraging this new capability, which will be far quicker and less labour-intensive than the existing current manual process, next time we need to open a new account".

The full picture

Another digital solution Zoetis has worked on with BNP Paribas is a dashboard that enables treasury to see all the activities with the bank across the group. "This is something we try to do regularly, but it can be very time-consuming to collate all the relevant data, which may quickly become outdated," noted Verholen.

When he first saw the early 'strawman' for the dashboard, it was difficult to ascertain how Zoetis would use it in practice – and this is often the case with co-creation projects, since there is input from numerous sources. Nevertheless, patience often irons out these creases, as Verholen explains: "As soon as the dashboard was populated with our own data, we could quickly see the value and were able to make decisions to improve our account structures."

Given his experiences to-date of co-creation, Verholen believes that working with banks to build digital tools to improve the efficiency of their operations and the way that they fulfil their compliance obligations is enormously beneficial. And for those who are a little sceptical of the approach, Verholen concludes with a sound piece of advice: "The treasurer's role will look very different in the future as digitisation and the use of data develop, so it is extremely valuable to engage now in the digital debate and be able to shape this future role." ■

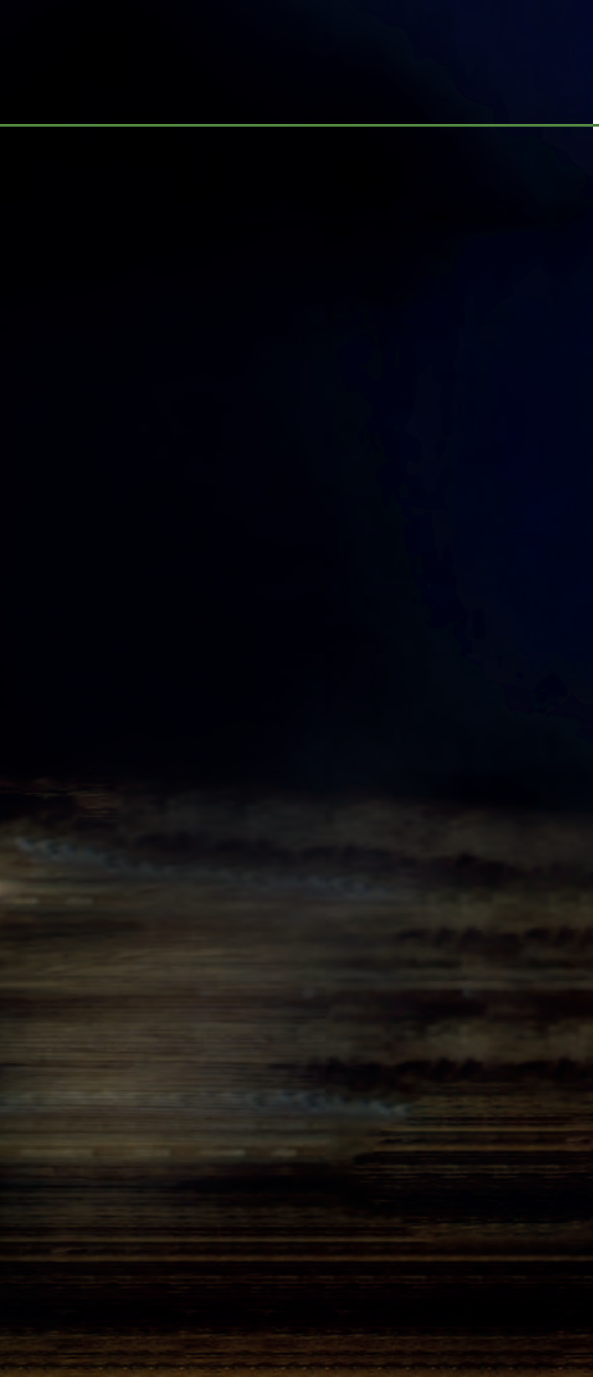
Through the Portal

Opening the Door to Process Efficiencies at Drax

Drax's Treasury and Corporate Finance team needed a new money market fund (MMF) portal solution to improve their control environment, streamline their workflow and automate their manual processes. Here, Lisa Dukes, Deputy Group Treasurer, Drax, outlines the benefits of choosing and implementing ICD Portal, and shares key learnings from this Award-winning technology journey.

By **Eleanor Hill**, Editor

Aiming to become carbon negative by 2030, UK-based Drax Group is a leading UK energy company. The organisation prides itself on being at the cutting edge of innovation, across all aspects of the business – not least in Treasury and Corporate Finance. To this end, Drax's treasury function has grown from just two



> *With a clear business case laid out for selecting another MMF portal, it was time for Dukes and the team to set about choosing a new provider.*

people to a team of ten over the last decade.

As the team has blossomed, they have been investigating ways to reduce the manual workload on team members, improve process efficiency, increase control, and deliver even greater value to the wider business. "This journey began with optimising the use of our Reval treasury management system [TMS] – automating as much of the daily cash balancing, MMF data capture, and FX and liquidity trading as possible," she says.

As part of this continuous improvement drive, "one area we were keen to address was the workflows around MMF trades," she notes. "This time two years ago, we had a set-up that was inefficient, time-consuming, and created a risk of human error. After completing trades on the MMF portal we were using back then, we manually entered those trades into our TMS," explains Dukes. "The same went for any information we wanted from the portal – it had to be re-keyed, which was far from ideal."

Cutting through the noise

With a clear business case laid out for selecting another MMF portal, it was time for Dukes and the team to set about choosing a new provider. "When we began our research, it soon became clear that there were very few portal providers who could meet all of our needs – especially the requirement to have straight-through processing [STP] into our Reval TMS. This was non-negotiable and yet seemingly quite challenging," she admits.

"In fact, ICD was the only provider that could offer the fully automated environment we were looking for – so selecting them was a relatively easy choice!" But it would be unfair to suggest that this was the only reason for picking ICD. Dukes elaborates: "We were very impressed with the ICD team at every step of the process. During the selection phase, ICD worked closely with us to understand what our specific needs were, in particular relating to integration with the TMS."

After initial discussions, ICD ran a live demonstration for Drax's treasury team, "which gave us peace of mind that the portal was both secure and easy to use," says Dukes. "These factors were critical for us because the ICD implementation was part of a wider TMS enhancement project, with the goal of maximising the team's time and reducing operational efficiencies and risks."

Other elements working in ICD's favour included the fact that the ICD portal already had all of Drax's current fund providers onboarded to the portal, seamless integration, proprietary trading technology, comprehensive reporting, and investment risk management at no extra cost. "These were all important considerations in our decision-making, since we were looking for a portal that would suit treasury's needs not only for today but also for the future. In short, the depth and flexibility of the ICD offering was hard to argue with," comments Dukes.

Walking the walk

With the ICD Portal duly selected, the implementation project soon kicked off. "My team ran the project, in collaboration with ICD and our TMS provider, as well as other business partners. As per protocol, we began with a scoping phase, followed soon after by prototyping. Here, the ICD integration team worked closely with my team to precisely design our desired workflow, which obviously centered around the STP and broader control environment."

ICD then worked directly with Reval on the integration, setting up a test environment to ensure that the process and workflow was in line with the specifications that Drax needed. "We had the new and old systems running in parallel for a little while, which meant that we had time to perfect the ICD set-up before we pulled the plug on the previous system. That dual-running was very short and swift, which is testament to the teams involved.

"Of course, there were tweaks which were made during the testing phase, as there are in any project of this kind. But these were dealt with effectively and

> *You have to do the basics right in order to be in a position to focus on more strategic initiatives. This is precisely what this implementation has been about.*

collaboratively, with my team, ICD and the TMS provider working together," Dukes notes. "Testing the system also enabled us to train the wider Drax treasury team on ICD's full capabilities, as well as exploring the link between Reval and ICD. In turn, the team identified opportunities to develop more enhanced reporting, using data that could be automatically pulled into Reval from the ICD Portal."

Reaping the benefits

All in all, the full optimisation project, including the ICD integration, took around six months from kick-off to go-live, "which we were very happy with, considering the new functionality we had gained and the time that the solution would save the team going forward." Elaborating on the benefits, she says: "Implementing ICD has resulted in extensive automation of processes, significantly reducing the time we spend looking at and handling MMF information and increasing the amount of information that is available to us. This includes accurate information on our yield, since the daily yield data for dividend calculation is sent directly from ICD Portal into our TMS. The removal of manual processes here has truly been the transforming feature of the TMS and ICD implementation."

Much of the information Dukes is referring to forms part of ICD's Transparency Plus service – the industry's leading exposure and risk management tool that provides clients with on-demand access to detailed intelligence on portfolio exposure to counterparties, countries, sectors, security types and more. Drax also benefits from ICD's Comprehensive, Fund, MMF Guideline, NAV Flow Liquidity, Repo and Portfolio Summary Reports, significantly easing the reporting burden on the treasury team.

The latter is an important point for Dukes. "The ICD Portal has given us something extremely rare – more time! When benchmarking against our previous process, the wider project, including the ICD integration is saving my team approximately two hours per day." She concludes that "you have to do the basics right in order to be in a position to focus on more strategic initiatives. This is precisely what this implementation has been about.

With the ICD Portal in place, we now have efficient MMF trading, deeper reporting, STP systems, and a much stronger control environment, allowing us to drive value and innovatively support the business elsewhere to enable it to thrive." ■

Drax was the worthy winner of TMI's 2019 Corporate Recognition Award for Best Portal Technology. Read more about this Award in issue 273 of TMI.

LISA DUKES

Deputy Group Treasurer, Drax

Lisa joined Drax over a decade ago gaining experience across the vast Drax corporate finance function, holding a wide range of roles. She specialises in treasury and corporate finance, with a strong emphasis on innovation and structuring financial derivatives, particularly FX. As testament to this the Drax team have been shortlisted for 3 nominations for the ACT Awards, including small team of the year, which would go alongside a suite of risk management accolades achieved in the last few years. Lisa previously held various roles within financial accounting and corporate finance in the UK and the Cayman Islands. She is a Fellow of the Association of Chartered Certified Accountants and an Associate Member of the Association of Chartered Treasurers.

Why Corporate Finance Teams are More Than Bean Counters

The fluctuating energy market creates a finance environment like no other. As a result, heads of finance in this industry must be well versed in the market and able to consistently and effectively plan for changes at the same time as overseeing payment transactions and delivering financial reports. Here, Simon Reynolds, Head of Finance at Gazprom Energy, examines how the finance team's role has changed from essentially 'counting beans' to playing a vital part in developing data-driven strategic business plans.

By **Simon Reynolds**, Head of Finance, Gazprom Energy

The energy market is an ever-changing beast that can be difficult to navigate. One of the main challenges of working in a commodity market is fast-paced and constant change. When you compare the roles of head of finance in the energy market and head of finance in manufacturing, for example, there is a stark difference. This is due to the nature of the product and the way it is processed throughout the supply chain – there is no tangible product in energy. The different elements of the energy industry, from sales margins through to trading and reconciliations, mean the head of finance must have a broad knowledge of how customers buy. They must also possess an in-depth understanding of key components such as a robust hedging foreign exchange strategy to reduce risk and financial impact to the business.

This makes the role extremely complex and one that often takes years to master. For multinational providers, there is the added challenge of dealing with overseas teams and clients. This particular element emphasises the need for a well-led team with key structures in place in order to fully understand and strategise around a range of diverse finance regulations across many countries.

Creating synergy

When working in energy retail, collaboration between the finance and risk teams is crucial to avoiding pitfalls. By working closely with the risk team, the finance team can adjust its processes through a 'lessons learnt' system. The two teams can collaborate by using live streams of data to review analytics

of customer behaviour and conduct a fundamental analysis.

The synergy between both teams is particularly important when looking at credit risk. The risk team will assess the creditworthiness of potential customers at the start of the sale process and then on an ongoing basis after a supply contract has been signed. Any risk changes in the profile are fed through to the finance team for further assessment.

For example, the risk team could assess a customer to have an A-rated credit history, however, some industries are known for making late payments and this cannot necessarily be picked up on by the risk team. Therefore, it is down to the finance team to pinpoint this and notify the risk team of this.

The finance and risk teams also work closely when purchasing renewable obligation certificates to obtain a full assessment of the financial risk that comes with these purchases. For instance, the risk team may believe that certain counterparties could pose a financial risk to the business and it is then down to the finance team to provide evidence of why, financially, the risk is not as great as initially thought. Only by combining the insight and skills of both teams can the energy supplier have a holistic view of the potential risk and how to navigate it effectively.

International trading and financial regulations

Financial regulations play a huge part in the complexity of the energy market, particularly from a global perspective. A process carried out in one country may be significantly different for another. Energy suppliers should be sure to have a strong regulation team to safeguard against any legal issues, guarantee compliance and to work with the finance team to provide regular reviews on processes across a range of countries.

For example, the UK uses the BACS electronic system to make payments between bank accounts, whereas France uses SEPA. Customers in the UK make payments in various ways, but in the Netherlands, payments are often made via an online platform called Ideal. Operating in an industry where efficiency is key to driving down costs means energy providers often have to standardise procedures, whereas in other instances they must be flexible according to their customer's location.

Engaging the client base

There is a big difference between how small and medium-sized (SMEs) operate when purchasing energy compared with large commercial businesses. The finance department of an energy provider plays a huge role in ensuring that processes are in place to suit customers of a range of different sizes.

For example, while larger corporate companies are treated in a similar way in the energy market as they are in other markets – committing to longer-term contracts that have been carefully considered and built into their finance

> *Energy providers' finance teams are now taking a front seat in the overall business rather than simply functioning as a supporting role.*

strategies – the majority of SME customers don't want too much one-to-one contact with their supplier. This creates challenges for energy providers because these customers tend to view commercial energy purchasing in the same way as they would their home energy contracts. In order to adapt to these customer needs, the head of finance may have to review cash cycles and make adjustments, such as developing a self-service platform for SMEs, while still offering high levels of engagement for larger commercial customers.

Exploring new opportunities through data analytics

Energy providers' finance teams are now taking a front seat in the overall business rather than simply functioning as a supporting role. This transition involves taking a more strategic approach by implementing a vision across the whole of the business. In order to carry this out effectively, finance teams must put data analytics at the core of their strategies. With 90% of data being generated over the past two years alone, it is crucial that finance leaders understand the right data to use and what to do with it. While analytics fuel opportunities for improved business outcomes, there are challenges that come with this approach – poor data quality and integration can hinder strategies and waste valuable time.

Obtaining the right tools to process data is the first step towards executing an effective strategy – Excel is no longer enough and finance teams would benefit from using software such as Schematic to help manage big data sets. Payment behaviours data is essential, as well as information on when customers are making contact, how their query was dealt with and how long it took to resolve. Finance teams should be working towards collating all of this data into one place.

With risk comes opportunity

It is clear that as both the energy market and customer behaviour are becoming increasingly complex, senior finance professionals must constantly adapt and evolve. The finance team in an energy retail business should now be positioning itself as a key player within the company by using data analytics to deliver strategic business plans.

Understanding the range of different financial regulations overseas is crucial to the role of head of finance and is a subject that should be regularly reviewed. Although the market is ever-changing and it continues to fluctuate, it is important for finance leaders to remember that risk goes hand in hand with opportunity and to use turbulent times to look for new chances to grow and improve the business. ■

SIMON REYNOLDS

Head of Finance, Gazprom Energy

Simon Reynolds, Head of Finance at Gazprom energy, has over 16 years' experience within the finance sector and is FCA qualified with the ICAEW and also holds a Masters in IT. Simon has worked in many different areas of finance including; audit and assurance, M&A, valuations, financial modelling, business planning and project finance. Simon is a highly motivated individual with a proven track record in raising excess of €550m of long-term finance.

The Future of Cash Management

By **Eleanor Hill**, Editor

These are interesting times for cash management. Traditional business models, for clients and their partner banks, are evolving, with digitalisation a core driver. This is occurring at a time when macroeconomic factors, including the effects of the continuously evolving Covid-19 pandemic, as well as the systemic low and even negative rate environment are putting a further strain on businesses. So what does the future hold for cash management, and how is Deutsche Bank meeting these needs? TMI speaks to Ole Matthiessen, Head of Cash Management, Corporate Bank, Deutsche Bank to find out more.

Eleanor Hill (EH): Which macroeconomic factors would you say are having the most significant impact on cash management today?

Ole Matthiessen (OM): Liquidity is one of our clients' most precious assets. However, cross-border transactions, different time zones, varying local banking practices and regulatory environments can make it difficult to utilise liquidity effectively. Macroeconomic factors throw an extra spanner in the works.

The euro interest rate environment represents a severe cost pressure for all our clients. The decision to boost the European economy by taking interest rates below zero in 2014, followed by further cuts in recent years, primarily affected the financial institutional client base, to begin with, at least.

Given the dramatic change in outlook for the euro interest environment over the past 12 months, however, it's fair to say that negative interest rates are here to stay – and this has made it necessary for banks to reconsider their euro strategy across all client segments, impacting treasurers in the process. We have been very open and transparent around this and have begun to pay our clients market rates – as have our competitors. While this means our clients now face negative rates, we have provisions in place to help offset this.

And while the euro has become a 'known' challenge for corporate treasurers, with an increasingly interconnected treasury space and continuous growth of cross-border payment flows, there are also 'unknown' macroeconomic challenges driven by one-off events worldwide.

The Covid-19 pandemic is a clear example of this. The wide-reaching impact is such that we have not only seen central banks and governments around the world swiftly assembling many stimulus packages to support the economy, but so too even the brief closure of an interbank FX market in Asia; just some examples of the domino effect that unpredicted events pose on the global economy and the challenges this poses to today's treasurer. This emphasises the importance of corporate treasurers in helping their businesses operate in uncertain times.

EH: So, how are your clients reacting to these challenges? Is it impacting their approach to cash management?

OM: Treasurers are increasingly focused on optimising liquidity, especially in times of crisis. If they have cash reserves in various jurisdictions around the world, and partner banks in each, it is difficult for any bank to provide a complete solution. As such, we are definitely seeing a trend towards clients requesting our services on a regional, or even global, basis, as opposed to country-by-country.

This plays well into our overall cash management strategy: a global bank, with European roots, serving clients worldwide. We currently have people on the ground for our clients in 34 locations and, over the next 18 months, we are opening three new branches for our Cash Management business in Australia, Ireland and Luxembourg.

EH: Busy times for all! What other demanding situations are today's treasurers facing?

OM: Beyond macroeconomic factors, treasurers are dealing with more fundamental challenges. Many traditional business models, for both banks and clients, are changing. When we talk to treasury departments, as well as our clients' innovation and digital officers, it's clear that they are under increasing pressure to perform cash management processes more efficiently and in a more automated manner. What's more, they must do so with much smaller budgets.

One way in which we are supporting clients to ensure they have the right level of visibility over their positions, control over their flows and speed of access to information is in our build-out of self-service functionality. We are investing heavily in what we call our Digital Service Manager, which aims to automate certain low-value processes in order to operate in a more streamlined way. The aim is to free up resources within the bank for imminent service requests and enable our clients to perform simple tasks much more independently. To put this into perspective, we still have clients calling us multiple times a day for an update on where their payment is sitting in the transaction chain. Human interaction for such basic requests is superfluous and, going forward, similar status reports can be accessed by the client or sent directly through a push notification.

In addition to operational efficiency and excellence, treasury departments are also being tasked with more strategic challenges, where they help differentiate their business through innovative structuring of treasury processes and payments. A recent example of this is where, through the combination of an application programming interface (API) and real-time payments, we were able to build functionality for a telecommunications client in Asia. This enabled them to have a faster funds release process on their mobile phone top-up cards – giving them a competitive edge in their product offering through using financial innovation to positively impact the end-user experience.

And this is just one solution development of many at a time when we have significant IT investment planned for this year. Other highlights include the evolution and execution of our API strategy and the roll-out of our Open-Banking-led Request to Pay solution. We are also exploring and how to better integrate with treasury management system (TMS) and enterprise resource planner (ERP) providers.

EH: What was the impetus behind Deutsche Bank's significant investment programme?

OM: While we are arguably the most well-known service house in the cash management arena, we have faced significant competition over the past few years in the digital services space. This is why our journey over the next 18 to 24 months, which begins at the start of Q2 2020 with the roll-out of our digital requests for investigations, is a really important one for us. It is not just about retaining our number one position in the service world; rather it is about becoming the uncontested leader in the whole digital services industry.

I also strongly believe in providing a full suite of solutions for our clients. Deutsche Bank is primarily known in the market as a payments expert, but this is just one piece of the puzzle. As a fully-fledged treasury solutions' provider we are also recognised as a pioneering FX house and, additionally, we are moving from strength to strength in our liquidity offering.

> ***"Real-time payments mean companies can provide instant access to liquidity in local currency to those providing the services – be they car drivers or property owners."***

***EH:* We've spoken a lot about digital treasury, but not so much about real-time treasury. Is that something you are investing in too?**

OM: Absolutely. Firstly, this is a perfect example of the importance of holistic treasury solutions where real-time treasury does not simply equate to real-time payments. The benefits of a complete real-time treasury offering are clear to see – especially for asset-light companies. Take the app-based transport sector or the emergence of platform-based accommodation marketplaces, for example. Here, real-time payments play a significant role – not just in terms of how the end consumer pays for the taxi ride or accommodation booking.

Real-time payments mean companies can provide instant access to liquidity in local currency to those providing the services – be they car drivers or property owners – rather than their having to wait until the end of the month for payment. For this to truly work, however, the entire end-to-end process needs to be streamlined on an instant basis, not only the payment flow alone. This might require, for example, Open Banking solutions, APIs, liquidity management tools, virtual accounts, real-time FX management tools, automation and even robotics. Combined, these functions are fundamentally changing treasury departments – and we certainly plan on staying at the forefront of these developments.

OLE MATTHIESSEN

Head of Cash Management, Corporate Bank, Deutsche Bank

***EH:* Finally, as we progress through the new decade what else does the future of cash management hold, and what might this mean for the treasury department?**

OM: A specific example, and one I think is applicable to many of our clients, is the growing trend towards platform-based, digital business models. Everybody wants to be the Amazon or Spotify of their industry. While this is interesting, it also creates an extremely challenging, competitive landscape where the quickest to adapt will seize the growth opportunities on offer. This creates a big question for us: how can we design treasury workflow solutions that can facilitate our clients' business model transitions? It's a conundrum we are focused on answering, starting with the development and roll-out of a B2B marketplace solution as announced during our Investor Day last year.

We are not only seeing an evolution of traditional treasury departments, however. We are also engaging with emerging and disruptive client segments and focusing on their specific needs. Having worked with many household fintech, tech and e-commerce names for a number of years, we are further expanding our offering to other players in the ecosystem, in a strategic manner. We see a demand for industry-bespoke solutions and can indirectly support the end consumer experience of this client base on a global scale. From capabilities such as streamlined developer- and influencer payments worldwide, to cross-border collections for large scale e-commerce channels across industry verticals, we are focused on working closely with this fast-paced segment to enable their business models, and, ultimately, facilitate their growth.

Taking all of this into account, the future of cash management will be driven by a continually digitising value chain and will see treasurers' requiring greater thought leadership and treasury expertise from banking partners than ever before. This is an evolution we are not only ready for, but also looking forward to. ■

When Black Swans Turn Green

The coronavirus (Covid-19) is the latest black swan to blight the financial markets. But it's not only black swans that treasurers need to recognise the importance of – grey and green swans are equally deserving of attention.

By **François Masquelier**, Founder and CEO of SimplyTREASURY

In his 2007 book *The Black Swan: The Impact of the Highly Improbable* former options trader Nassim Nicholas Taleb discussed the effect of rare and unpredictable occurrences that have extreme impacts and how, with hindsight, people tend to look for simple explanations for them. This is the definition of a 'black swan' event.

But now we're talking about 'green swans' – a kind of 'climate black swan'. These could be the most dangerous of all because of their tendency to be exceptional, unpredictable and sudden. Of course, a 'natural' catastrophe is not always foreseeable: think of the 2011 earthquake and tsunami off the Pacific coast of Tōhoku and the subsequent Fukushima Daiichi nuclear disaster, and other earthquakes, especially in Turkey in January this year and in Italy in 2017.

Climate disasters could have cascading consequences and set off chain reactions with unpredictable effects. The speed with which they materialise is often greater than expected, if they are expected at all. Their consequences could be more disastrous than any systemic financial crisis, since they could threaten all humanity, as some climate scientists predict.

In the same way that the potential magnitude of an earthquake is unknown until after the event, so too are the consequences of Covid-19. Some of these consequences will be unpredictable and the indirect effects significant. Indeed, Covid-19 meets the definition of a black swan in that it is rare and unpredictable.

Other swans, other times

The 9/11 attacks of 2001 or an atypical climatic feature are also examples of these black swans. But it is also important to

> *Covid-19 meets the definition of a black swan in that it is rare and unpredictable.*

consider the arrival of the grey swans; they represent a kind of middle ground between the norm and the exceptional. Grey swans are more predictable than the black ones but they still have a significant impact. The current Sino-American trade war could be a 'grey swan,' if it escalated.

It is also worth noting that the Bank for International Settlements (BIS) has just published a report together with the Bank of France entitled The Green Swan. Central banks are concerned about the unavoidable effects that climate-related disasters have on the global economy and finance.

The risks associated with green swans fall into two categories. The first is the physical risk, namely the natural disaster that does the damage. For example, the San Andreas fault, which could open up and cut California in half. Every type of business and millions of people would be affected both at the time and for years to come.

The second type of risk is the risk of change. For example, certain sectors would suffer from the change to a low-carbon economy. The recent valuation of American electric vehicle and clean energy company Tesla stands at $164bn, which is more than the $104bn combined value of General Motors, Ford and Fiat Chrysler. This reflects the enormity of the effect of some changes.

The abandonment of fossil fuels will certainly have a negative impact on some businesses and individuals and benefit others. It may be an opportunity, but at what cost? These necessary business changes could, if the change isn't handled properly, cause the collapse of a significant number of companies. The necessary regulatory pressure could sink businesses that are inert or inflexible and, as a result, unable to adapt.

According to the governor of the Bank of France, François Villeroy de Galhau, the increase in frequency, magnitude and intensity of particular weather events could lead to colossal and irreversible financial losses. Catastrophes such as those we usually see only in disaster films will become all too real. Central banks are beginning to incorporate climate risk into all their forecasts. Many people consider that central banks will be the last bulwarks to save the world economy, but if we know there is always something or someone behind us to help in an emergency, we are more likely to let our guard down. That is when we become vulnerable.

The last defences

Looking back on my years as an enterprise risk manager I can honestly say that in the past, depending on the industry, there were very few attempts to address climate risk. But things are changing, and the recent annual surveys carried out at the World Economic Forum (the Davos summit) show that CEOs now rank them high on the scale of major risks. I want to highlight two significant statements: "Climate change is striking harder and more rapidly than many expected," and "Climate-related issues dominated all of the top-five long-term risks in terms of likelihood."

And while central banks are often considered the bulwarks of last resort, we need another backstop to cope with the impact of green swans – and grey and black swans, for that matter. Wealthy countries such as the United States will play their part, but the global economy must also adapt, according to regulatory frameworks, to avoid the domino effect.

Globalisation has removed all barriers: a pandemic originating in China or a tsunami which creates havoc in Japan can have effects far beyond national borders. Shortages of some products, such as electronic components or iPhones, that result from such disasters are collateral, or indirect, damage. Green and black swans have similarly drastic effects but the duration and chain reactions of the green ones are more serious. The prediction of a black swan disaster is not as easy or straightforward as that of a green swan disaster, which can sometimes be forecast. Few people predicted the sub-prime crisis although there had been some indications of disaster.

The green swan may be unavoidable because financial considerations often dictate behaviour that is contrary to what is really needed. We could stop using fossil fuels earlier, close coal mines, choose

vehicles with less CO2 emissions or change our climate footprint altogether, but irrational hope slows the pace of preventative solutions – we think we have time – until it's too late. The melting of glaciers is a prime example of this and may now be irreversible. An economic crisis is unlikely to affect the climate or directly kill people, whereas a climatic crisis can have serious and long-term material and human consequences. Certainly, regulation can help prevent both types, but in each case part of the solution lies in behaviour, culture, approach and common sense.

'The only certainty is uncertainty'

What is often important for the market is the narrative behind an event. Look at the S&P 500 Index, which has fallen by nearly 4% since the beginning of the year, and Nasdaq's dive of 8% due to the Sino-American trade war. Add to the mix tensions between the United States and Iran and the dips could deepen.

Will the coronavirus have a deeper impact on the economy? Although we can't yet be certain, we are told that the pandemic could cut European car production by 115,000 units (source: Goldman Sachs). If that does occur it would be a clear, measurable result of the pandemic. There is greater risk in underestimating than overestimating the consequences of such a crisis.

No insurer or reinsurer will deny that the magnitude and frequency of climate-related catastrophes is increasing, and there is a fear that the upward curve will steepen too quickly. Without insurers, or with premiums that are too expensive, the global economy will falter. You wouldn't drive without insurance, but maybe one day you won't be able to insure your building if it is on the coast or close to a seismic fault; the material and financial consequences of a lack of insurance in that situation, without a safety net, could be appalling.

Let's not forget the risk posed by swans of any colour. According to the author Ian Kershaw, "Europe may well experience new fractures. The only certainty is uncertainty. Insecurity will remain the hallmark of the global age."

Although I can't predict the colour of the next swan, I do fear that sooner or later we will have to face a crisis and perhaps the dominant colour will be green. But in conclusion, let's keep in mind my favourite quote from the French poet, dramatist and diplomat Paul Claudel: "The worst is not always certain." ■

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FRANÇOIS MASQUELIER

Founder of SimplyTREASURY and Honorary Chairman, European Association of Corporate Treasurers

François Masquelier is the founder and CEO of SimplyTREASURY, a company specialising in treasury, corporate finance and enterprise risk management (ERM). SimplyTREASURY aims to be a thought leader in the areas of treasury best practices and fintechs.

Prior to setting up SimplyTREASURY last December, Masquelier was Head of Corporate Finance, Treasury and Enterprise Risk Management at RTL Group, a leading European media company. Before joining RTL in 1997 he worked for French food manufacturer Eridania Béghin-Say and Dutch bank ABN AMRO.

Masquelier graduated from the University of Liège with a degree in Economics and Administration. He is also a graduate of the Solvay Business School and holds an Executive Master's degree in Management. Masquelier went on to receive his doctorate in Tax Law. He is also certified by ICIS and ICIP.

In addition to his workplace role Masquelier is Chairman of the Association of Corporate Treasurers of Luxembourg (ATEL), Honorary Chairman of the European Association of Corporate Treasurers (EACT) and a member of the Financial Instruments Working Group created by the International Accounting Standards Board in 2004.

In November 2009 he was appointed as Specialist at the Institute of Risk Management (IRM) in London. Masquelier is a regular contributor to a number of corporate finance and treasury magazines and newspapers and is Editorial Director of Magazine du Trésorier. Masquelier also delivers courses for House of Training in Luxembourg.

People in Focus

HIROSHI YAGUCHI

Founder & Executive Director of the Japan Association for Chief Financial Officers (JACFO)

Hiroshi Yaguchi established the CFO Headquarters Co., Ltd. in 2000 and served as its president. He then founded the Japan Association of Chief Financial Officers (JACFO) where he served as a Member of the Board until he was appointed as Executive Director in 2003.

Hiroshi earned his degree at the University of Tokyo, Department of Economics. He joined Sumitomo Bank (currently SMBC) in 1989 and served as the Deputy Manager of the Corporate Department, and was appointed Deputy Chief of the Corporate Department in 1999. He is a past Chairman of the International Association of Financial Executive Institutes (IAFEI) and is a member of its Advisory Council.

JACFO was launched in Tokyo in October 2000 with the aim of supporting the training and development of the Japanese-style chief financial officer (CFO). JACFO undertakes the investigation and research of practical methods for financial management to enable Japanese companies to increase their international competitiveness in response to changes in the management environment. The association consists of a broad range of committees advised by specialists in business, financial, and academic circles. While welcoming alliances with related foreign institutions, the association endeavours to establish global standards for financial management in Japan.

JACFO has 2,000 individual and 4,500 corporate members representing 240 companies and institutions. It publishes a quarterly journal and holds frequent meetings for the exchange of information, and provides assistance and information to its members, who can access a wide range of seminars on financial management. The association also holds certification and accreditation examinations for those at various stages in their careers as chief financial officers. ■

> *JACFO was launched in Tokyo in October 2000 with the aim of supporting the training and development of the Japanese-style chief financial officer (CFO).*

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UK Caroline Stockmann
The Association of Corporate Treasurers (ACT)

EACT
THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

Changing the Rules of the Game

A New Dawn for FX Risk Management

From micro-hedging to leveraging data analytics, technology is radically changing the way treasurers manage foreign exchange (FX) risk. Philippe Gelis, CEO and Co-Founder, Kantox, discusses the true value of automating FX hedging, explains the role of analytics in improving hedge execution, and comments on what makes fintech-bank partnerships a success for all involved, not least the corporate treasurer.

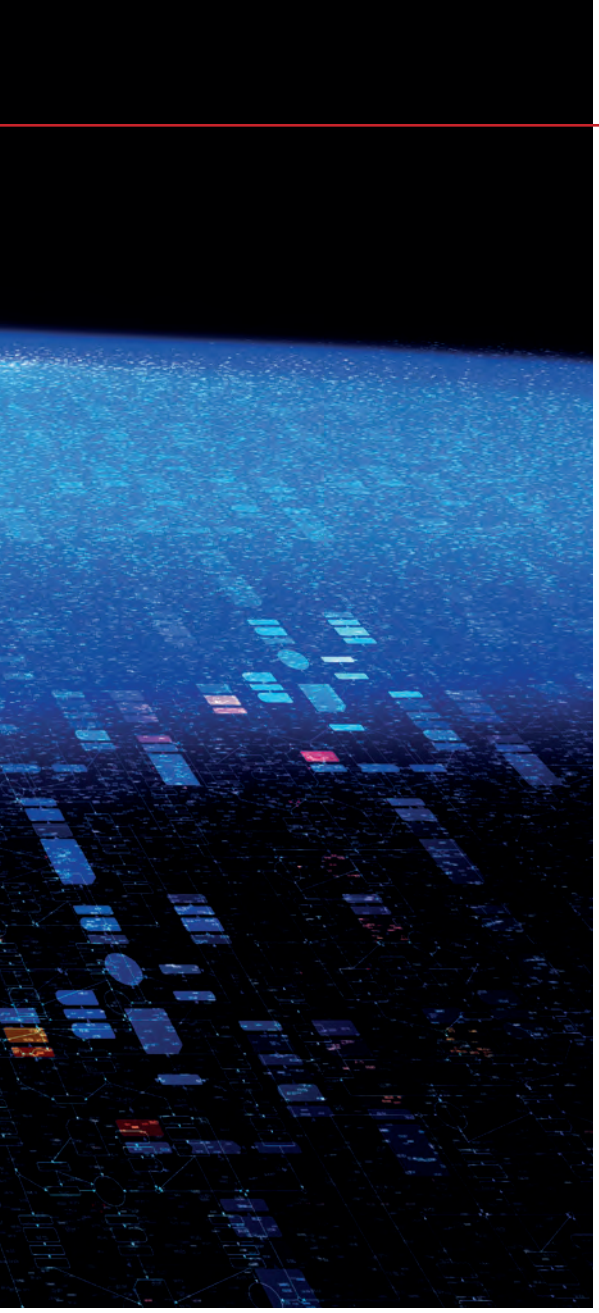
By **Eleanor Hill**, Editor

Eleanor Hill (EH): How is evolving technology assisting treasurers to better manage their FX risk?

Philippe Gelis (PG): The fourth industrial revolution is driving a fundamental shift in corporate treasury – away from manual processes, towards automation. This new way of working can be seen across payments and cash management, as well as FX risk management.
Some corporates are currently very early on in their automation journey, others are far more advanced. But wherever a corporate is on the automation spectrum, there are always further benefits and insights to be gleaned, so I see this being the direction of travel for the foreseeable future. Automation is certainly not just a buzzword, it is the new normal for treasury.

EH: How does Kantox's offering reflect the shift towards automation – and how are corporate treasurers benefiting?

PG: The heart of Kantox's offering is the ability to automate FX hedging and execution. Our Dynamic Hedging solution



> *The fourth industrial revolution is driving a fundamental shift in corporate treasury – away from manual processes, towards automation.*

enables corporate treasurers to completely automate hedging processes, hedge small or large transactions in bulk, and streamline FX workflows.

A practical example of where this has been extremely useful for treasurers was the day of the Brexit referendum results. Corporates running our automated hedging solution had their risk fully under control when they arrived at their offices that morning, as their hedges were executed overnight. Those without such a solution in place were immediately faced with trying to estimate their FX exposure and hedge in bulk as quickly as they could, knowing that the market was continually falling. One treasurer lost close to €2m as a result of having manual processes in place.

These benefits are the tip of the iceberg, however. On top of automation, we can add analytics to provide actionable data and insight around the performance of the execution. The analytics' interface that Kantox has built, Dynamic Hedging Analytics, is a live, data-rich dashboard that goes far beyond what any treasury function could achieve in Excel – offering at-a-glance overviews of hedged and unhedged exposures, as well as the ability to dig much deeper. The more in-depth functionalities can be leveraged to significantly improve the execution rules that companies are using on a daily basis. For example, the analytics might highlight that it would be beneficial for a client to execute hedges more often, but in smaller amounts.

***EH:* This brings us to the topic of micro-hedging – something that Kantox often talks about. Why might treasurers want to consider this?**

PG: First, it's important to remember that hedging strategies are not 'one size fits all'. What works for one company in one sector cannot always be applied with the same results in another. With that in mind, micro-hedging is essentially a currency management strategy that consists of hedging each transaction as it occurs. Unlike other strategies whereby users take protective action after reaching a certain nominal threshold, micro-hedging protects against individual exposures immediately, regardless of the underlying value of the receivable or payable.

Companies operating a micro-hedging strategy use tools such as forward and spot transactions to immediately lock in the exchange rate. This then enables them to protect expected foreign currency cash flows from exchange rate volatility, locking in margins and improving forecasts in the process. In essence, it is real-time hedging on an item-by-item basis. This strategy can be particularly beneficial for companies with low-value but high-volume FX transactions, such as e-commerce firms or travel agencies.

To make the workflow around this easier for corporates, our Dynamic Hedging solution facilitates straight-through processing of micro-hedges. Not only does this remove a significant amount of manual processes, thereby freeing up treasury to spend more time on strategic tasks, the automated solution also provides greater visibility over FX exposures – with the added benefit of the analytics that I mentioned earlier.

***EH:* In the past year, Kantox has made the headlines for some interesting partnerships with banks. What is the strategy behind this?**

PG: Yes, we've certainly been busy! We have entered into agreements with BNP Paribas, Citi, and Silicon Valley Bank – all of which are strong in FX, but acknowledge that building plug-and-play technology is quite challenging. Through these partnerships, the banks can offer their corporate clients the benefit of Kantox's technology expertise and track record, while keeping the existing relationship intact from a liquidity standpoint.

Of course, for Kantox, we are also gaining exposure to a much broader client base. So where previously our solution might have been more popular among smaller clients, it is now coming to the attention of large corporates, thanks to these bank partnerships. It's the best of both worlds – and treasurers ultimately benefit from having easy access to a fully automated hedging solution that will help them to improve their treasury processes.

I must add here that we were delighted to win TMI's 2019 Award for Solution Innovation – FX Risk on the strength of

> *Companies operating a micro-hedging strategy use tools such as forward and spot transactions to immediately lock in the exchange rate.*

our partnership with BNP Paribas. It's one thing to believe in a collaboration yourself, it's another to have it validated by the market.

***EH:** It was a well-deserved win! Still on the topic of partnerships, you have also announced a tie-up with Voxel Group in the travel industry. How does that work?*

PG: Voxel Group is an e-invoicing leader in the travel industry and it provides a platform called baVel to help travel companies create, manage, and pay invoices. Thanks to our partnership, any travel company that processes payments through baVel can access Kantox's currency management solutions without leaving the platform, resulting in a frictionless user experience. The travel companies can choose the payment method that best suits them for each transaction, which leads to reduced costs and an instant connection to the different payment providers.

It's quite a niche solution, but Kantox has been working with travel companies for almost a decade now and we have a range of solutions adapted to the specific needs of the industry, so it was a logical move. For the travel companies, it's enabled them to boost their profitability and increase competitiveness while keeping their FX risk under control. And because the suite of Kantox products is fully integrated with Voxel's baVel platform, it's a very simple and smooth user experience.

***EH:** On that note, how do clients use your technology if they have numerous other systems already in place within their treasury function?*

PG: The beauty of Kantox is that it complements technologies such as enterprise resource planners (ERPs) and treasury management systems (TMSs). We are not trying to compete with vendors in that space. What we are doing is offering treasurers a simple way to switch from the 'old school' way of managing FX risk, which was very much based on human decision and manual execution, towards real-time automation. Kantox can be integrated with other systems and looks only to enhance their functionality, not replace them.

So, integration isn't always the biggest question on potential clients' lips, since our technology is flexible. Arguably, the main challenge is to prove to clients the value of completely automating FX risk management processes and then helping them to look beyond the actual technology towards the benefits of changing the way they operate, manage, and mitigate their FX exposures.

***EH:** Looking ahead, what partnerships and other developments do you have in the pipeline?*

PG: It's an interesting time for Kantox. Since our successful partnerships with the banks I mentioned earlier have become more widely publicised, other banks have approached us to discuss similar partnerships. If a potential partnership makes sense in terms of the bank's geography or specialism, we will consider it. But, honestly, our main focus is ensuring that everything works seamlessly – rather than proactively seeking out new partnerships for the sake of it. So, while we are open to approaches, and will consider them carefully, we will continue to focus on the three banks we are currently working with, to consistently deliver the best possible service.

We will also look to increase our presence in the US throughout this year. The partnership with Citi has given us a strong link to the US market, which is a great first step. We were extremely pleased with the initial reception because it can be quite a tough market to crack, especially since competition for talent is high. But we're excited about the growth opportunities in the US and we will continue to fully explore and understand the local dynamics, expanding our team there when appropriate.

In Europe, meanwhile, the focus will be to keep on growing and scaling the business. We will continue to add more functionalities to the core product suite and ensure that corporate treasurers benefit from the latest technologies to better manage their FX risk – while still maintaining strategic relationships with their partner bank or banks. So, we're positive about 2020 and look forward to having conversations with new and existing clients and partners to see how we can continue to deliver strong solutions for corporate treasurers. ■

PHILIPPE GELIS

CEO and Co-Founder, Kantox