Shaping the Future of Treasury

SOCIETE GENERALE

tmi

Shaping the Future of Treasury

Contents

2 **INTRODUCTION**

David Abitbol, Head of Global Transaction Banking & Payment Services, Societe Generale.

4 **CHAPTER 1**

United We Stand: Strengthening the Liquidity Ecosystem

The partnership between bank and corporate is of vital importance in achieving a robust and well-supported liquidity system. How this relationship can be fostered is the subject of this chapter, which includes discussion of managing cash flow and balance sheet issues.

8 **CHAPTER 2**

How Soon is Now?: What Instant Payment Really Means

The value and impact on liquidity of instant payments is discussed here, with a survey of their benefits to corporates, banks, central banks, vendors and regulators. Among their many advantages are that in some instances they are more useful than cards, and they are instrumental in improving liquidity in large instant out-of-hours transfers.

12 **CHAPTER 3**

Swapping Vanilla for Green: ESG's Expanding Role in Trade Finance

This chapter puts the spotlight on the developing role of ESG in trade finance. Societe Generale plays an active role in supporting corporate clients through their work in implementing ESG values.

16 **CHAPTER 4**

Cross-border payments: Supporting the Treasurers' Juggling Act

How can banks help their clients to achieve interoperability and liquidity in their cross-border payments activity? Chief among the advice given here are recommendations for mastering data, descriptions of some of the most important recent developments in payments and an outline of the crucial roles played by AI and ISO 20022.

20 **CHAPTER 5**

AI: An Opportunity for Treasurers in Search of Performance

AI is playing a crucial role in many of the treasurer's core responsibilities, including monitoring of liquidity, working capital and investments. This chapter emphasises the importance of accurate cash-flow forecasting (CFF) when using AI and shows how it can enhance productivity and allow treasury and corporate banking departments to give more time to tasks with greater added value.

SOCIETE GENERALE

Introduction

David Abitbol, Head of Global Transaction Banking & Payment Services, Societe Generale

The macro environment is constantly evolving, and treasurers must stay ahead of many topics if they are to execute their jobs effectively. Complex regulations, advancements in AI, and myriad ESG requirements are but a few of the trending subjects that they should fully understand if they are to ensure their places at the forefront of change within their organisations.

Geopolitical headwinds, the global economy, and black swan events have led many treasurers to expect the unexpected and reassess how treasury will look in the future. Change is happening on all fronts, and treasurers must respond. Not only do they have to manage liquidity effectively in the here and now, they must understand megatrends and endeavour to stay ahead of the curve.

Liquidity management strategies have topped the agenda, especially during the recent period of high inflation. While liquidity has been scarce at times, the relevance of the treasurer has not. The upside of the recent challenges is that treasurers have been elevated in importance within their organisations. Their role is now more strategic, and to do it

"The macro environment is constantly evolving, and treasurers must stay ahead of many topics if they are to execute their jobs effectively."

effectively they need the right information at their fingertips, which includes visibility of where their organisation's cash is at any given time.

The need for speed also applies to the payments infrastructure into which corporates, and their banking partners, are plugged. Real-time payments are taking hold globally, and national systems are becoming increasingly connected cross-border. Although some still need to be convinced of the compelling need to be real-time, in some industries – such as those that are dealing directly with consumers – it is a no-brainer. In this real-time world some system providers are embedding APIs into their platforms to enable connectivity. One result of this offering is that treasurers will have access to accurate cash flow forecasting. During difficult periods, cash is often described as king. And as one expert explains in this whitepaper, if cash is king, then cash forecasting is queen.

Forecasting and anticipating future trends are part of the treasurer's workload. And looking farther into the future, treasurers should also keep an eye on the longer-term directions that will impact the function's future.

As this whitepaper highlights, one major trend is that companies are turning towards ESG and sustainability. These commitments are gradually being embedded into the way that companies and their banking partners do business. Trade finance has typically lagged behind the loan and bond markets in this respect, but now sustainable finance is being adopted in the world of trade. One hurdle – the lack of standardisation – is now being addressed, along with increased transparency about the methodology that sustainable solutions use. As with much in the corporate treasury world, the pace of change has been rapid, dizzying even, yet the journey is only just beginning.

The same could be said for the advancements in AI and the breakneck speed at which generative AI has been adopted. Amid the noise and excitement about the latest tools, treasurers must understand their potential while also staying focused on the predicaments that need solving.

While AI can help them with more accurate cash flow forecasting, for example, there is also a flip side to the technology. AI has become more accessible and more sophisticated, which also means criminals are adept at using it.

Financial crime continues to be a concern and treasurers and financial institutions are having to comply with ever-increasing regulations that cover KYC and sanctions, for example. Also, there are other rules to navigate, such as the new industry standards for payments in the form of ISO 20022, which also adds to the treasurer's to-do list.

It is something of a juggling act for treasurers to stay on top of everything and keep their treasuries running smoothly. They are not doing this in isolation, however. They have partners and peers to rely on for help; and if they communicate openly, and in a trusted and safe environment, they can shape the future of treasury together.

David Abitbol
Head of Global Transaction Banking & Payment Services,
Societe Generale

"It is something of a juggling act for treasurers to stay on top of everything and keep their treasuries running smoothly. They are not doing this in isolation, however. They have partners and peers to rely on for help; and if they communicate openly, and in a trusted and safe environment, they can shape the future of treasury together."

United We Stand

Strengthening the Liquidity Ecosystem

Robust and well-supported liquidity ecosystems keep the commercial world turning, whatever else is going on in society at large. But it's the symbiotic relationship between bank and corporate that keeps those systems strong. Edwin Hartog, Head of GTB, Societe Generale, Netherlands, and Joost Bergen, Founder of liquidity management advisory and training firm Cash Dynamics, explore the nature of this true partnership.

In addition to the challenges of dealing with tight-liquidity-markets and the quest for solutions to manage and protect systems that were not meant to work remotely, the gradual recovery from the pandemic has been disrupted by the fast emergence of more severe trading conditions.

Hugely increased political tensions, high inflation and interest rates, energy cost-of-operations and cost-of-living crises

> *"We should not be battling against each other, but instead working together, and reducing the total capital employed in value chains, because then we all benefit."*

> *"We need to provide corporate clients with a structure that offers them full visibility and control over their cash, and which enables them to avoid the unnecessary costs of debt."*

have all severely hampered recovery for many businesses. The perception of risk has increased considerably. And now, alongside serious ongoing discussions around measures that can be taken to protect margins, business continuity, and global sustainability – or ESG – can no longer be ignored.

For all of these issues, treasury is on the front line. And with liquidity still an issue for many, the question of how to manage refinancing and the efficient recycling of liquidity, has become more relevant than ever.

Cash flow forecast is queen

"Depending on the individual business, its sector and size, more firms are now exploring their options for liquidity buffers to safeguard their continuity in the face of unprecedented conditions, or black swan events," observes Bergen. "This increases the relevancy of the treasury function, and the continuous recalibration of treasury operations and its policies to this new reality".

For Hartog, with post-pandemic default ways of doing business having changed, companies suddenly find themselves "in a completely different environment". For example, it's one in which banks, driven by unavoidable sustainability issues, "have swapped their previous enthusiasm to finance business-as-usual for an eagerness to finance the transition to net zero".

Combined with the general rise in cost of capital, Hartog believes that from boardroom to treasury, companies are more focused on their cash-generating capacity and daily cash positions. "And that brings the liquidity discussion to a whole new level."

The emergence of liquidity as a "scarce asset that needs to be managed as such" is, for Bergen, the root cause of why there is now greater attention on cash flow forecasting, and in the reporting of cash at board level. The understanding is that the more cash that is available, the more the business can absorb economic shocks and/ or black swans, and the more a business can recycle its own liquidity, the less it has to rely on external sources. This, he declares, is raising the stakes for three key treasury matters: the visibility, centralisation, and investment of cash.

"Now there's more sense of urgency than before," he notes. With the feeling that we have not seen the last of so-called black swan events, he cautions that with liquidity markets clearly subject to massive disruption too, "your own liquidity is probably the only way to come through these moments".

If cash has reconfirmed its status as king, "then probably the cash flow forecast is queen", suggests Bergen. With technology continuing to enable progress in forecasting accuracy for those that use it, Hartog adds that the resulting insight provides vital flexibility of that liquidity.

Hartog also believes companies are looking to find the right balance and accessibility for their cash buffers, with many "very alert" to the possibility of needing it sooner rather than later. Of course, this brings the conversation back to the three pillars of cash visibility, centralisation, and optimal investment.

In the first instance, cash visibility, Hartog draws a distinction between simple awareness of where the cash is and in also having control over that cash – a situation that may look somewhat different where trapped cash is unavoidable.

Edwin Hartog
Head of GTB, Societe Generale, Netherlands

Joost Bergen
Founder of liquidity management advisory and training firm Cash Dynamics

This brings to the fore the second notion of centralisation. Indeed, he notes, while many blue-chip businesses already had cash-pooling arrangements before current disruptions, there is far more interest now for this set-up from smaller firms.

Hartog admits: "It's an interesting challenge for banks now. We need to provide corporate clients with a structure that offers them full visibility and control over their cash, and which enables them to avoid the unnecessary costs of debt".

Balancing the books

As moderator of a liquidity management working group for the Euro Banking Association (EBA), Bergen has an abiding interest in the corporate liquidity landscape. He describes that structure as an "ecosystem". This is best depicted in the following graphic (fig. 1).

On the blue side of the graphic, what is being shown is the working capital cycle of corporates. They require access to the banking system's payment infrastructure, and a host of other banking services (including trade finance, FX, and lending), to ensure this process is maintained.

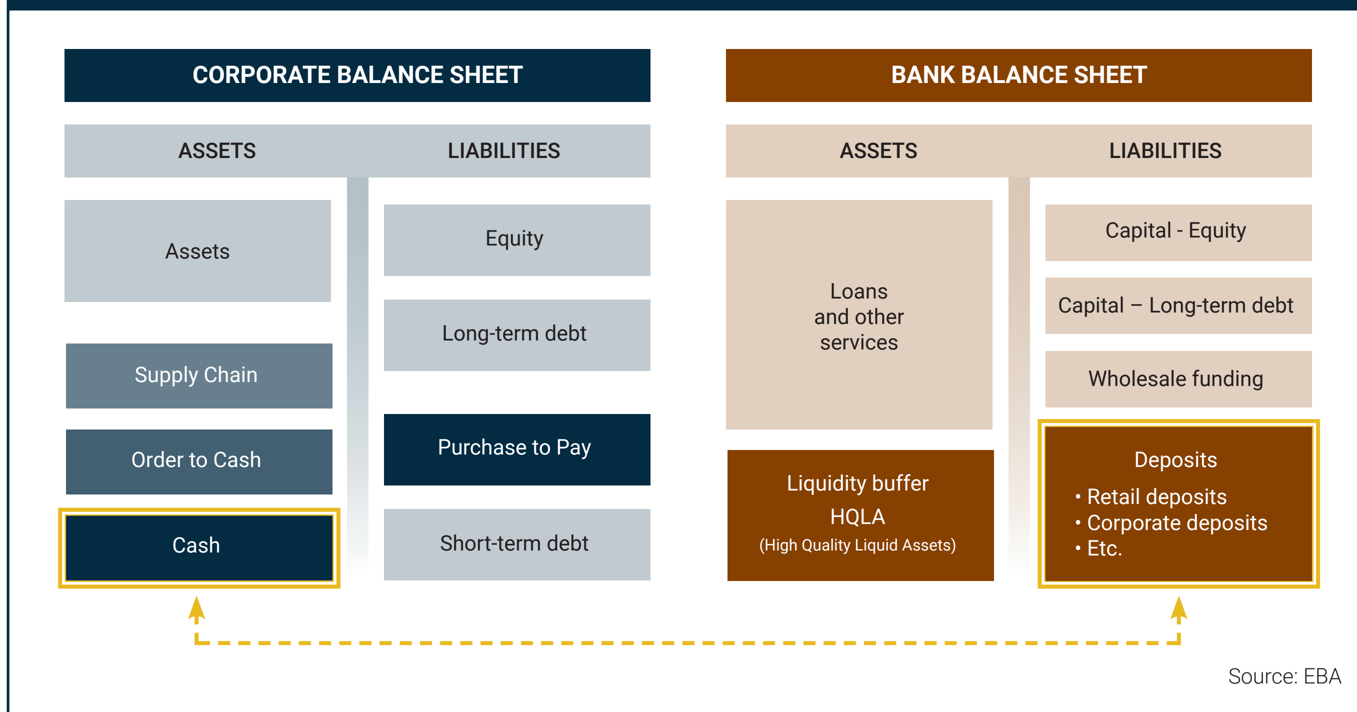
Eventually every payment in that cycle becomes a cash item on the corporate balance sheet. This is typically deposited on a bank account noted as an entry on that bank's balance sheet (as shown on the brown side of the graphic). It follows that the greater the level of corporate cash deposits, the more banks are able to fund their own balance-sheet activities, such as lending.

As already established, to be able to absorb financial shocks more effectively, corporates need a strong cash balance. But achieving this requires visibility over their cash and liquidity. Banks have a natural interest in guiding corporate clients towards improved visibility and accessibility to acquire those corporate cash deposits.

In practice, it's solutions such as cash pooling and cash concertation, and virtual account structures that develops that idea, which offer corporates greatest insight and direct accessibility to their available liquidity across locations and currencies. However, not all companies use these solutions yet, and so the question arises do they really know their cash position only at end of month or end of quarter on a management accounting basis, notes Bergen. "Many do not know where their buckets of cash really are on a daily basis, or even how many accounts they have globally and with which banks. This is why they often find themselves fully drawn on their RCFs – as in an accounting report there can be multiple buckets of liquidity - they simply do not have sufficient visibility over their cash." and as a consequence have opposite positions.

On the banking side of the equation, while there is a natural ebb and flow of deposits, the overall sum on the balance sheet needs to remain consistently at a high level because banks use this total to measure and manage their balance sheet and financial objectives. But they also must comply with stringent regulatory requirements for capital

FIG 1 |



Source: EBA

adequacy, with Basel's protective liquidity buffers ensuring the wider banking system can withstand stress from a liquidity perspective.

With the ecosystem finely balanced, the nature of the relationship is clear to Bergen: "Banks and corporates need each other". For banks to achieve their funding, many have a retail franchise supporting this need.

Balancing the relationship

With companies increasingly driven to evaluate their cash management landscapes, many are looking at the number of banks and accounts they have, notes Hartog. And banks, too, are reconsidering the true value of their client relationships. In these days of increasing cost of compliance (KYC/ monitoring) every single account is judged upon its own cost income ratio.

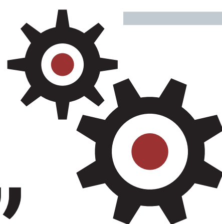
"When a bank is serving only one country with some ancillary business, and the operational flows go elsewhere, it's not really viable to remain part of that ecosystem," he explains. "What banks are interested in is stable, long-term operational flows."

There is a message here for treasurers managing their bank relations globally, says Bergen, and that is the need to understand the interdependency within that relationship, "and how you divide your total bank wallet between your banking partners".

Of course, this is a two-way flow. By bringing its operational balances to the bank, in return, the client can optimise its liquidity by accessing the bank's technologies, expertise, and its balance sheet. "A product such as cash pooling is a classic demonstration of how we are there for the client and how they are there for us," emphasises Hartog.

A previous published case study with a Societe Generale client reveals how the implementation of a bespoke virtual account pooling structure enabled faster collections and reconciliation. By significantly reducing the need to go to the market for funding for day-to-day operations, not only were substantial cost savings made but also Hartog reveals that it, along with other factors, ultimately even had a positive effect on the company's credit rating in being able to reduce their debt position.

> *"Banks and corporates need each other."*



"It is important for our client because it has clearly improved their financial performance. But it is also interesting for us as a bank to demonstrate our capability to enhance a company's liquidity strategy in providing it with a dedicated suite of solutions. This is the level of discussion we want to have with all clients."

This exchange, based around adding value rather than focusing on isolated products and services, is even shifting how core products are being approached. Where once financing and cash management were two different activities, "today they are one and the same", notes Bergen. "You cannot have an RCF (revolving credit facility) if you don't understand your cash flow dynamics. The solutions banks can provide nowadays offer companies crucial visibility and insight."

Maintaining value

Having moved from years of low-to-negative rates, companies are now operating in an environment where inflation and interest rates have risen rapidly.

Another effect, Bergen notes, is the change of payment behaviour and the extension of payment dates, impacting the firm's liquidity position. This is detrimental across the value chain. Working capital investments, for example, particularly by smaller companies, have been curtailed quite severely.

Value chains are created by a functioning interdependency between small and large companies, and banks are a key part of that ecosystem, notes Bergen. "We should not be battling against each other, but instead working together, and reducing the total capital employed in value chains, because then we all benefit."

Banks clearly see opportunities to assist here, comments Hartog. "In terms of supporting value chains in uncertain times, it's not only about processing payments and receivables, but it's also around finance. We are seeing increased demand to expand or originate new deals in areas such as supply chain finance."

Among the economic challenges, and perhaps surprising level of interdependence in the value chain, there is a simple message for all stakeholders, conclude Bergen and Hartog. "The focus on liquidity efficiency should be even more on the agenda than in the past for both banks and corporates. Especially on the corporate side, visibility and centralisation of cash drives working capital improvements which positively impacts the costs of funding. And that goes a long way to ensuring the whole ecosystem is stronger and better prepared to weather new black swan events."

How Soon is Now?

What Instant Payment Really Means

Service immediacy has become a priority for many today, and this includes payments. However, not all markets have moved at the same pace to deliver on this aspect. Does it matter? Societe Generale's Stephanie Ekindjian Delliste, Global Head of Payments and Cash Management Solutions, and Philippe Penichou, Global Head of Sales, Wholesale Payments and Cash Management, consider the value and impact of instant payments.

Instant payments (IP) is a general term used to qualify initiatives set up around the world capable of delivering a payment in real-time or near real-time. These schemes are 'open for business' 24/7/365. Requiring interbank clearing, they provide rapid confirmation of the availability of transferred funds to the beneficiary. No transaction processed through a scheme can be cancelled once executed, enabling those funds to be used immediately.

In the SEPA zone, the scheme is referred to as SCT Instant or SCT Inst. It was launched in 2017. The oldest scheme dates back to 1973 in Japan. Today, there are currently around 70 national faster payments schemes. The generic term 'faster payments' is often used because not all schemes are instant, with times ranging from a few seconds to a few hours. Most impose transfer limits, although thresholds are generally evolving upwards, as systems become established and user-need increases. SCT Inst is limited to €100,000. In the Netherlands, there is no limit, although banks impose one, for reasons that will be discussed later.

Why IP?

There are likely to be different drivers for IP around the world. In Europe, it was proposed as a firmly European alternative to the established US-based card market, notes Ekindjian Delliste. "Cards are well developed and offer

benefits for individual users," she says. "But users are subject to a monthly total limit that can be inconvenient. And cards can be expensive for businesses because fees are levied. These can be negotiated, but that then depends on the negotiator's skill. So when it comes to something that does not offer much of a competitive advantage, businesses are willing to use an alternative."

Of course, IP also trumps cards in that it enables rapid payments between individuals too, so it seems more convenient from several angles. So why has it taken so long to build momentum?

It has taken 15 years between the UK's Faster Payments in 2008, Europe's SEPA Inst in 2017, and the 2023 launch of the US FedNow model, comments Penichou. One reason for the apparent dragging of heels is, he states, "that the regulator didn't pay enough attention to it, and regulation tends to accelerate effort". But he also acknowledges that the market itself must shoulder some responsibility. With corporates focused on batch payments, the banking community has not stepped up to provide the technical ecosystem necessary to fully leverage IP.

For that ecosystem to develop, Penichou says five key players must coalesce around the topic: corporates, central banks, banks, vendors, and the regulators. The step up in Europe of the latter is underway with the entry into force of Regulation (EU) 2024/886 set for early 2025. Covering SCT Inst, the new rule ensures that all PSPs in the EU are able to send and receive instant credit transfers in euros. "We truly believe that IP across Europe will then take off," he comments.

But for corporates, how compelling is the need for IP? The main adoption case today is made in the B2C space, notes Penichou. With a generation of digitally native consumers now conditioned to assume near-instant results, companies are having to meet expectations, with payment services included.

Presenting a case study at EuroFinance 2023, Societe Generale revealed how a French supermarket client is leveraging instant reimbursements on customer returns, enabling those customers to instantly 're-spend' that money.

Liquidity question

This is good for B2C transactions but B2B has other considerations, not least those transaction limits. The limit-free transfers in the Netherlands, referenced above, are theoretical only. Without limits, banks could face 'out-of-hours' liquidity issues were IP transfers to exceed their reserves, explains Penichou.

Banks place excess cash with the central bank overnight and at weekends, for which they are remunerated. SCT and SCT Inst schemes also require banks to place reserves with the relevant central bank to cover expected outgoings. Without the necessary ecosystem to provide visibility over instant out-of-hours cash outgoings – or even transfers to accounts in the Middle East where Sunday is a working day – that mechanism could be severely compromised.

A business may have a fully-loaded tanker waiting to cast off from a port in Oman on Sunday. It may need to send a large sum (potentially more than $100m) to release the ship, otherwise it could be subject to additional port fees of thousands of dollars. This could cause the initiating bank a liquidity headache, which is why in limit-free countries, such as the Netherlands, bank-imposed limits remain. And, adds Penichou, even as the new EU regulation arrives in 2025, "they will remain, and will do so until such time as the ecosystem is built that can manage this liquidity challenge".

Not only is ensuring sufficient liquidity for large instant out-of-hours transfers a persistent banking obstacle, but so too are compliance check turnarounds on IP transfers. Compliance has to be executed in a timely manner but positives do arise, and a stop is placed on those payments to enable further checks. These can take longer than expected IP timescales, notes Penichou. "It potentially renders each exception nothing more than a standard transfer."

Progress towards ecosystem revision is at an early stage because IP is, in general, viewed as a low-value solution. Corporates typically transact much larger amounts; current limits may be sufficient for certain supplier invoices, for example but, says Ekindjian Delliste, more compelling use cases must be presented to raise IP's profile in the corporate setting, enabling changes to gather pace.

New drivers

Here, IP's capacity to drive operational efficiencies may be persuasive. This could see an insurance company using it when settling an urgent client claim or in collecting premiums. A business employing staff on variable hours or short-term contracts could use IP to enable wages

Stephanie Ekindjian Delliste

Global Head of Payments and Cash Management Solutions, Societe Generale

to be calculated to a point much later than normal payroll cut-offs. "While values for these use cases are still low, they do offer a good opportunity for businesses to become familiar to the scheme," suggests Ekindjian Delliste.

However, before this can happen, she accepts that some corporates may also see a technical challenge around system and process implementation. Issuing IP may require adaptation of payment and work flows within an ERP or TMS. That system must be able to instruct the bank when a payment is SCT Inst and not classic SCT, for example.

There is one additional matter to address, and that is the facilitation of cross-border payments. Today, IP systems mostly operate within their own borders. Limited cross-border capability, provided by a few bilateral IP agreements (see below), raises the issue not only of system interoperability but also of legal compliance within each jurisdiction.

The forthcoming Regulation (EU) 2024/886 aims to address some of these issues within the EU. The European Payments Council's OCT Inst also targets cross-currency payments. This 'one-leg-out' system will support the processing of incoming and outgoing international instant account-to-account based credit transfers, covering the euro-denominated leg of a transaction. Currently OCT Inst is minimally live, with six banks in Spain offering cross-border transfers. "Transactions are very limited," concedes Ekindjian Delliste. "But it demonstrates the will of Europe to have a broader experience of IP. And I think it's a first step to show that the needs of corporates are understood."

The banking ecosystem's current struggle to manage materially significant out-of-hours payments remains the fly in the ointment. However, certain "breakthrough initiatives" have at least made some headway in the payments space, Penichou notes. "When it comes to large transactions, our clients can today rely on Swift GPI to track the entire global journey of their funds, with around 50% of all payments using this system reaching the beneficiary's account within one hour." It's faster payments in all but name.

This leaves each business with its own IP case to construct. And, of course, software providers should ensure their corporate clients' systems are equipped to handle IP. Key here is the provision of APIs. Web APIs have been available since 2000 but in another example of how regulatory intervention can boost uptake, when PSD2 and the notion of open banking arrived in 2016 their adoption started to gain momentum in the financial world. Now this must go further because, as Penichou comments, "what's the point of having instant receivables, which can arrive at any time, if the recipient cannot access those funds in a timely manner?"

Changing models

While system providers are indeed embedding APIs into their platforms to facilitate IP processing, Ekindjian Delliste raises the distinction between the needs of the accounting function and those of treasury. Accounting departments, she argues, will always need end-of-day cut-offs for financial documentation and reporting, to build end-of-month, quarter and year closures.

"What we really have to address with IP are the needs of treasurers who require a real-time view over cash coming in and going out. Banks are already providing intraday reporting, but usually those reports are pushed to the client, at a frequency determined by the bank, and depending on the capacity of the client's system to consume that data. It is not real-time."

The development of real-time treasury data is based on the integration of APIs within those treasury systems. By doing so, it enables a TMS, for example, to call an API-enabled banking platform to request real-time information on account balances and transactions. Instead of having the bank controlling the data flow, APIs enable clients to be fully in control.

Philippe Penichou
Global Head of Sales, Wholesale Payments and Cash Management, Societe Generale

> *"What's the point of having instant receivables, which can arrive at any time, if the recipient cannot access those funds in a timely manner."*

The reason APIs should have treasury appeal is easy to understand. "Most treasurers still struggle to have accurate cash flow forecasting beyond three months, and for many, the period of accuracy is even shorter than that," notes Penichou. But with deep concerns about fraud, especially as new technologies such as Generative AI become more commonplace, he says companies tend towards caution when it comes to deploying more complex solutions.

But with IP enabling payments and receipts in real-time, and real-time data on these flows provided direct to a treasury system via APIs, daily or even hourly forecast updates are possible. And for Ekindjian Delliste, the combination of IP and APIs opens up new options such as payment warehousing.

A company sends a payment file covering multiple invoices to its bank on Tuesday, but requests that these are not processed until the final due date, the following Sunday. This enables it to take advantage of its own liquidity right up to that point, settling those invoices immediately on their due date. This is a compelling opportunity for a large corporate. It is able to prepare the file earlier in the week but hold on to its cash until the last moment.

However, Ekindjian Delliste warns that forecasting of inbound flows up to that point must be accurate, or it risks the IP transactions being rejected. Vastly improved forecasting accuracy is made possible, she says, not only by the hour-by-hour (and even minute-by-minute) reporting afforded by APIs, but also through the use of tools such as AI to analyse data flows and customer behaviours.

"While IP might not yet be seen by all as beneficial, over time its advantages will be better understood by corporates," stresses Penichou. "And with the new regulation coming next year [Regulation (EU) 2024/886], banks may no longer wish to maintain classic SCT and SCT Inst in parallel. It may take several years, but the switch to SCT Inst will happen. With banks developing new features for corporate clients driving the adoption of APIs, and all the vendors embedding this into their systems, IP will become the new standard."

Should that be the case, the traditional treasury impetus towards centralisation and pooling will surely change too. "In 10 to 15 years, cash pooling will mean nothing to the new generation of treasurers because everything will be naturally consolidated," predicts Penichou.

In theory, if leveraging virtual accounts and IP, a business could have all of its liquidity concentrated in one account, notwithstanding restrictions imposed on pooling structures by some jurisdictions. "That will optimise the way treasurers concentrate their liquidity tomorrow," he comments. "However, banks still need to provide clients with options. Some have multiple legal entities with regional treasury centres, some are implementing payment factories, others just want to keep their various activities separate."

Ekindjian Delliste agrees. "Virtual accounts enable a client to build a more rationalised account structure, offering natural cash pooling within one bank, but it's within one bank only, and our clients often work with several banks," she explains. "Cash pools will be available for several years to come, so it's more useful for us, in terms of optionality, to work on a combination of virtual accounts, IP, and cash pools."

A future together

For IP to deliver on its early promise, the conversation between the five key stakeholders – corporates, banks, central banks, vendors, and regulators – must gather momentum. "We must work together to explore and develop new services that are real-time by design, because building this ecosystem is a complicated and costly task," notes Ekindjian Delliste.

This effort is underway. The Immediate Cross-Border Payments (IXB) initiative brings together The Clearing House, EBA Clearing and Swift with the aim of connecting RT1 with RTP to facilitate and support euro and USD IP. Societe Generale was one of the first members involved in this initiative. A similar project is already live in Asia with the PromptPay-PayNow connection in Thailand and Singapore, and similarly the UPI-PayNow linkage between India and Singapore.

"These initiatives demonstrate that we understand the need for clients to have cross-border IP," says Ekindjian Delliste. "But we accept that there are complicated issues still to resolve, not just in terms of regulatory compliance, but also for aspects such as FX, and of course the liquidity challenge for banks. Everybody's willing to advance, but it's going to take time because new set-ups around IP-driven cash concentration and overnight liquidity, for example, require the whole ecosystem to evolve. This is why stakeholder engagement now is so important."

> *"We must work together to explore and develop new services that are real-time by design, because building this ecosystem is a complicated and costly task."*

Swapping Vanilla for Green

ESG's Expanding Role in Trade Finance

Sustainable finance has formed strong roots in the loan and bond markets, but where does it stand in the world of trade? Societe Generale's Charline Profillet, Deputy Head, Structured Trade Finance, and Marie-Gabrielle de Drouas, Head of ESG Global Transaction Banking, shine a light on its developing role.

> *"For 5 years now, Societe Generale has accompanied its clients through trade finance in their transition."*

Trade finance is a more recent addition to the family of sustainable finance products. But as trade finance activities are often linked to the development of physical projects that have an environmental and social impact, more businesses are accepting their responsibilities to a very broad base of stakeholders. This, says Profillet, is raising ever-more interest in trade-related sustainable finance solutions.

The reason why trade finance is a step behind the loan and bond markets in this respect, she notes, is simple. At the early stages of market development, there was a lack of "strong and dedicated market standards" capable of clearly defining a trade finance transaction as sustainable, and thus supporting market growth. But this is changing.

Standardisation through frameworks created by legitimate bodies, such as the Loan Market Association (LMA), builds more clarity and certainty around sustainable finance

> "Our banking partners have been as keen to understand how we created a credible framework, with eligibility criteria considered nearly in full aligned with the EU taxonomy, as our corporate clients."

solutions, explains Profillet. This provides end users with additional confidence that financial products developed within these frameworks will credibly align with their own sustainability aims and values. As such, more businesses feel inclined to use them.

History in the making

For 5 years now, Societe Generale has accompanied its clients through trade finance in their transition and more globally their sustainable journey. As an example of a sustainability-linked solution, if the CO2 volume generated by a client on an annual basis and measured through its scope 1, 2 and 3 is reduced as agreed in the legal trade finance documentation, the pricing of the related trade finance instruments will be lowered accordingly. "It's a way to incentivise our clients to improve their environmental and social (E&S) performance," comments Profillet.

While Societe Generale was one of the first of a select group of banks to begin working on that front back in 2019, that group has since expanded. This has been supported by the adoption of the Loan Market Association (LMA) & Loan Syndications and Trading Association LSTA 's Green Loan Principles (GLP) and the Sustainability-Linked Loan Principles (SLLP) now formally covering trade finance facilities. With most banks seemingly taking a comparable approach to their products, the industry is beginning to coalesce around the same idea.

A major push in that direction, notes Profillet, comes from the International Chamber of Commerce (ICC) and its Principles for Sustainable Trade: Wave 2. Whereas SLLP, GLP, and the much broader EU taxonomy, are general financial frameworks with trade finance adaptations, ICC's Wave 2 is, from the outset, dedicated to trade finance. It integrates appropriate components of the other frameworks to, in ICC's own words, "provide a frame to assess both the environmental sustainability of a transaction, and how it supports socio-economically sustainable development".

To reach its current phase, ICC has been working on a pilot programme for two years, alongside a panel of more than 30 banks and corporates, and Boston Consulting Group. The aim has been to define a global framework, and a full scope of definitions, for sustainable trade finance deals. By progressively opening up to additional industries and sectors under Wave 3, the pilot is expected to move towards a common global solution.

One of the final hurdles identified is the wider use by trade partners of digital trade documentation. Cross-border acceptance is slowly being addressed by eUCP, the ICC's supplementary ruleset for the Uniform Customs and Practice for Documentary Credits (UCP), and the UN's Model Law on Electronic Transferable Records (MLETR), the latter giving digital trade documentation the same legal value as its paper counterpart.

Adding appeal

Although this process is underway, the timing of expected outcomes remains uncertain. Other factors need to be addressed to ensure sustainable trade finance is

A CLIENT'S VIEW

Elena Sanguineti, Head of MLT Treasury & Guarantees, Erg S.p.A.

"Our corporate model aims for sustainable growth in coherence with the transition process of the energy system, where we play a primary role. In finance, our target is to maintain 90% funding through sustainable finance by 2026. We are committed to achieve our ESG goals, and broadly implement all possible strategies for a full energy transition, as an independent power producer from renewable energy sources on the front line in the fight against climate change. We have successfully collaborated with Societe Generale to transform our trade finance facility into a Sustainability Linked - Green Hybrid trade finance facility, which is part of an integrated sustainable finance vision, as most of the guarantees issued are closely linked to our business and assets."

a credible option. These factors, says de Drouas, are reliability, transparency, stringency, and scarcity.

On reliability, she believes that each participating bank must present a consistent and robust approach, demonstrating how potential negative impact of the underlying projects covered by the guarantees have been analysed and mitigated while positive impact has been duly measured.

The more transparents banks are on their approach, the more coherent practices will be. This is why Societe Generale has created, and externally published, its own detailed 40-page Sustainable GTB Framework. "Our clients approached us, wanting to know more about our framework, and to understand and see what possibilities it offers."

Publication of the Sustainable GTB Framework has also attracted comment from the bank's peers. "This was less expected, but our banking partners have been as keen to understand how we created a credible framework, with eligibility criteria considered nearly in full aligned with the EU taxonomy, as our corporate clients," comments de Drouas.

With the notion of green being somewhat variable between the different regions of the world, de Drouas also calls for global banks "to remain stringent in terms of the requirements of what can be considered as green".

With this in mind, she reveals that Societe Generale is a vocal element of French ICC discussions, providing valuable feedback on advocacy. "We think that market initiatives should push further to introduce incentives around sustainable trade finance, because clearly that's what's needed to help it mature."

ICC's positive influence on the business community is driving members to keep abreast of change. But it helps that common ground is now being found within initiatives across geographies, with de Drouas noting that both Chinese and EU taxonomies, for example, share many elements. Of course, as a global bank, she says Societe Generale is in favour of finding a common global approach because its larger clients reach across multiple territories. But she adds that "any move at a regulatory level that enables a unified approach is absolutely key in terms of adoption".

Having worked in the ESG space for almost two decades, de Drouas has seen an increase in individuals and corporates changing on a voluntary basis. However, she understands that at this stage of market development, voluntary initiatives alone may not be sufficient to drive the required level of progress. "Financial incentives make it easier, but time has shown that regulation always makes it move faster."

A switch in time

Green and sustainability-linked trade finance are part of the wider remit of how trade finance can support our corporate clients' transitions.

The notion of transition finance emerges but has different definitions. The Glasgow Financial Alliance for Net Zero (GFANZ) states that the term relates to the financing and related products necessary to support the transition of

A CLIENT'S VIEW

Patricia Gentile, Group Head of Finance and Insurance, A2A

"We have successfully collaborated with Societe Generale to sign an agreement to use the existing credit line to issue green guarantees. Thanks to their qualification methodology applicable to trade finance solutions, we were able to find a common ground approach between the eligibility criteria of our sustainable finance framework, and Societe Generale's Global Transaction Banking framework requirements, in order to qualify our guarantees covering projects with positive environmental impacts as green."

> *"We're seeing increasing support from public bodies, either directly from governments or through export credit agencies, for example."*

> *"We need current data to enable us to see not only that we are where we need to be now but also that we are heading in the right direction in what is still a rapidly developing space."*

clients in all industries. Other frameworks target the hard-to-abate sectors. Clearly, there needs to be clarification within the various initiatives as to what transition finance is.

However, suggests de Drouas, stakeholders should not wait for a suitable market standard to mature. Societe Generale has already begun to identify, sector-by-sector, the types of activities that are able to support the transition of its clients and the related financing needs. It also launched a €1bn fund in 2023 in support of client transitions through debt and equity. "This has led to new and innovative discussions with clients, including those in trade, around how they must transition and how they are impacted globally by the transition of their overall value chain" she reveals.

The E&S shift can present solid ground for new business activity. Indeed, just as many traditional industries are now seeking transition and are finding innovative opportunities within that process, de Drouas notes that new industries are also emerging.

It's not just banks supporting these emerging sectors, notes Profillet. "We're seeing increasing support from public bodies, either directly from governments or through export credit agencies, for example. Of course, this helps secure the banking contribution to these companies, which in turn enables greater exposure to and support for this area."

Marie-Gabrielle de Drouas
Head of ESG Global Transaction Banking, Societe Generale

Charline Profillet
Deputy Head, Structured Trade Finance, Societe Generale

Data points the way ahead

The successful support of all sectors and industries engaging with sustainable trade finance depends heavily on data accessibility and quality, comments Profillet. "Data is key from a commercial perspective, because it's a way for us to offer to our clients additional innovative solutions, going broader and deeper as we accompany them on their E&S trajectory."

With this in mind, Societe Generale explores opportunities with some key fintechs which can bring distinctive and value-added ESG data services and which complete the bank's set-up.

A broader dataset is also vital in helping banks monitor progress towards commitments that they have taken on ESG. "Net-Zero Banking Alliance (NZBA) marks a huge transformation for our portfolio," notes de Drouas. "We need current data to enable us to see not only that we are where we need to be now but also that we are heading in the right direction in what is still a rapidly developing space."

Indeed, with a further need to meet increasingly stringent regulatory requirements, and to answer more probing questions from investors, the volume of data required is substantial and rising, she continues. "We use a mix of information shared broadly across the group, and data gathered at a client transactional level, complemented by third-party data. It all must be complete and reliable."

As de Drouas observes: "We're working hand in hand with different stakeholders. We've moved far from where we began years ago, but the journey only begins".

Cross-border Payments

Supporting the Treasurers' Juggling Act

Treasurers know what they want for their cross-border payments: seamless interoperability and liquidity management. This, however, is becoming harder to achieve amid geopolitical uncertainty and proliferating sanctions and compliance obligations. Add to that real-time operations, ISO 20022 standardisation and instant cross-border payments, it is easy to see how expert guidance is essential. Frantz Teissedre, Head of Public Affairs, Cash Clearing Services, Global Transaction and Payment Services (GTPS) and Isabelle Poussigues, Head of Cash Clearing Offer, GTPS, Societe Generale discuss how a bank can help.

It is vital that a corporate knows that its bank is firmly in its corner during times of crisis. When Russia invaded Ukraine in February 2022, companies globally suddenly found themselves re-evaluating their positions against the inevitable backdrop of uncertainty. Many corporate treasuries needed to repatriate cash in high-value cross-border payments from Russia, carry out urgent FX risk mitigation and liquidity transactions, and adhere to stricter sanctions.

> *Better IT and richer structured data can help deliver the easy, fast, frictionless payments across borders that everyone wants to see.*

"Open APIs can additionally act as a spur for co-creation initiatives with fintechs to launch new data-based services or liquidity tools, plus there is the potential rise of new blockchain-based networks or CBDCs to deal with in the future."

Anti-fraud, money laundering and other financial crime compliance capabilities have also become more important as crime and malfeasance are rising sharply in an increasingly digitised world. AI is now used frequently to attack companies and their consumers and, simultaneously, as a defence mechanism. The rise of digital marketplaces and potentially of machine-to-machine (M2M) micropayments in an Internet of Things (IoT) automated world may exacerbate crime, if they are not handled correctly. If the players in the financial ecosystem cannot interoperate with one another, companies could find themselves functioning in isolated 'digital islands'.

Teissèdre, citing Nasdaq's 2024 Global Financial Crime Report, says: "In 2023, an estimated $3.1tr. in illicit funds flowed through the global financial system, trying to launder funds from human and drug traffickers, and terrorists. Last year, fraud scams alone totalled $485.6bn in projected losses globally, so the need for good cross-border AML and anti-fraud measures from bank partners is clear.

"The correspondent banking sector handles $150 tr. worth of transfers each year and it's not always 'happy flow' either. Some of it needs to be isolated and processed specifically," adds Teissèdre, while stressing the importance of its robust legal and compliance work in preventing illicit funds from entering the mainstream financial system.

Emerging payment trends and types

"We also need to be able to cater for emerging payment trends and types at Societe Generale," says Teissèdre, "such as mobile QR code-based transactions, for example, or the increasing use of open APIs as a means of easier connectivity and data exchange, aiding interoperability.

"Open APIs can additionally act as a spur for co-creation initiatives with fintechs to launch new data-based services or liquidity tools, plus there is the potential rise of new blockchain-based networks or CBDCs to deal with in the future," Teissèdre adds.

This is where the technological and human expertise of a bank can assist, believes Poussigues. "We at Societe Generale have helped many corporate clients deal with the Russia and sanctions situation, for instance, because we have knowledgeable staff, relationship managers (RMs), human experience and high level of expertise," she explains. "Aligning people, process, and technology skills in this way ensures a great service can be delivered to corporate clients."

Data mastery

"Better IT and richer structured data can help deliver the easy, fast, frictionless payments across borders that everyone wants to see," says Poussigues. It can help meet the ever-increasing regulatory burden as well in a cost-effective, non-disruptive way.

"Our technological capabilities mean we can offer fast transactions, connectivity, data-centric services, transparency, and good liquidity management across time zones, which is important as cross-border flows are increasingly moving towards an instant 24/7/365 service requirement," she adds.

This always-on requirement is in line with the Swift GPI project, which is an example of where cross-border services are already catching up with the fast-moving nature of modern domestic payment platforms.

"The high-value cross-border and domestic payment infrastructure worlds can be combined somewhat due to the converging speed and data-centric nature of their

Frantz Teissèdre
Head of Public Affairs, Cash Clearing Services, Global Transaction and Payment Services (GTPS), Societe Generale

offerings, helped by ISO 20022 messaging standardisation," continues Poussigues.

"The international arena will always be more complicated because of the higher limits, extra compliance, FX and liquidity considerations, plus intercompany loans between subsidiaries and pooling structures at corporates to consider," she adds.

A bank can fill in any processing, standardisation or compliance gaps that may arise as the interaction between domestic, regional and cross-border fast payment platforms potentially increases. Factors including routing decisions and cost will become more important, especially as different regional initiatives emerge, along with a multitude of other new payment types. Some flow will go on instant payment domestic platforms, some may cross a border on a direct host-to-host network or use Swift GPI, another might use blockchain technology or a QR code... Banks must cater for all different types of flow.

Connectivity: host-to-host and the IXB initiative

"Direct host-to-host (H2H) payment infrastructure connectivity is proliferating between various countries' modernised platforms alongside Swift's GPI's cross-border links," says Poussigues. This gives corporate banks and their treasury clients yet more immediate processing and cross-border routing options. "Societe Generale can handle this trend, too, as we have long experience of SEPA in Europe and the operational intricacies of connecting independently of Swift across borders."

Asia is particularly advanced in the direct H2H connectivity trend. Indeed, it was pioneered by Thailand's PromptPay and Singapore's PayNow domestic infrastructures linking technologically between the two nations to enable instant B2C and QR code-based cross-border payments to be easily and speedily actioned. Many more H2H links have been created since – in India, for example, with its Unified Payments Interface (UPI) now linking to PayNow.

Banks have to cope with regional and country-specific infrastructure initiatives, while also utilising global cross-border payment services, such as Swift's Go, a GPI extended service for low-value SME- and consumer-based international payments, which presents a payments acceptance challenge to treasuries, and its G4C iteration for multi-banked MNCs.

Swift is also involved in the Cross-Border Payments (IXB) initiative, in conjunction with EBA Clearing and The Clearing House (TCH), to try to extend an earlier pilot and connect the EBA Clearing operated euro instant payment system, RT1, with its US counterpart, the RTP service. The idea is to facilitate full euro and dollar fast settlements across this vital trade corridor. Other regional gateways may be similarly linked in the future.

G20-inspired integration

Globally, there is also the G20 payments roadmap to consider, which is yet another driver encouraging greater cross-border integration. The G20 is in favour of interlinking all fast payment systems (FPS) around the world to benefit the global economy. At the turn of the decade, it endorsed a roadmap to enhance cross-border payments, developed by the Financial Stability Board (FSB) in co-ordination with the Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) and other relevant international organisations and standard-setters.

The resultant G20 cross-border payments programme is still active with the aim of addressing long-standing challenges, such as reducing costs, increasing speeds, extending access and enhancing transparency.

ISO 20022 and big-bank back-up

According to Teissèdre: "Key enablers of the comprehensive global service a bank wants to provide, and that a treasury wants to access, are open APIs and structured character-rich

> *"Banks must help corporates rise to the challenge, even as they do so themselves."*

Isabelle Poussigues
Head of Cash Clearing Offer, GTPS, Societe Generale

ISO 20022 messaging. These crucial tools help meet the drivers for a better and frictionless cross-border payment ecosystem. They both enhance interoperability and the easier conveyance of more information across borders."

"Banks can add their own extra bolt-on data services if they have moved to the more data-rich ISO 20022 standard, as we have. For instance, Societe Generale has many liquidity tools thanks to its early-mover advantage. As a leading bank, we have been fully compliant with the XML-based ISO 20022 messaging standard for years – and even where a bank in a far-flung corner of the world doesn't have the capability to cater for it, we can provide converter tools. This ensures a frictionless worldwide service for our clients."

This is a vital consideration because, unlike legacy "MT" payment messages which will be withdrawn immediately by the Swift community by November 2025, the reporting/statement messages would not be submitted to this hard deadline, but for a limited time and without being maintained any longer. The delay doesn't help corporate treasurers wanting a universal service, but the 'plumbing' assistance of a large bank can ensure they receive a seamless service on the front end.

Such assistance in delivering a ubiquity of service on a frictionless basis, despite any operational or connectivity issues that may arise from small banks or initiatives such as IXB, or direct H2H efforts, is usually available only from a large bank. Such FIs can also meet any new compliance demands.

As Poussigues comments: "A correspondent bank is often hidden in the background, alongside Swift, Continuous Linked Settlement (CLS) and other such settlement mechanisms. But we deliver an excellent risk-aware service and liquidity maximisation tools."

The co-ordination game

There are challenges for a bank dealing with the drivers towards more integrated and data-centric services on faster cross-border payments, not least in terms of the liquidity impact. As transaction speeds and time zones shrink, recognising the cash productively becomes harder. However, as is always the case, there is a countervailing opportunity.

For example, aligning instant payments of all types, whether on Swift GPI, H2H or on alternative networks and formats, across countless borders with the vast amounts of real-time data available in a digitised world, will give corporate treasurers the potential to repatriate cash every night, based on 24/7/365 instant service levels. They could also theoretically operate a cash concentrated portfolio from one place.

This vision would have numerous benefits including improved liquidity management and reduced FX and other risks for corporate clients. But ISO 20022 and common OpenAPI standardisation are vital if the industry is to get anywhere near this envisaged nirvana.

The corporate treasury itself would also have to have highly accurate cash forecasting, perhaps aided by AI, to ensure it can sweat its cash and still make payments safely as late as possible, without the likelihood of bounce-backs due to a lack of liquidity. Financial crime compliance data would additionally need to be tightly co-ordinated. The assistance of a bank would be required. There are challenges in this scenario, such as:

- The bank potentially having to hold larger liquidity reserves to smoothly serve the 24/7 needs of its corporate clients
- How to accommodate interest calculation and intraday allocations in a 365/24/7 real-time world and with transactions flowing instantaneously across different time zones
- Aligning any legacy systems, anti-fraud, AML and sanctions systems is imperative

But the trend towards making cross-border payments, tracking, data and compliance services as fast and as easy as domestic transactions is clear. "There will always be a difference, but a convergence is happening," concludes Poussigues. "Banks must help corporates rise to the challenge, even as they do so themselves."

> *"The international arena will always be more complicated because of the higher limits, extra compliance, FX and liquidity considerations, plus intercompany loans between subsidiaries and pooling structures at corporates to consider."*

AI: An Opportunity for Treasurers in Search of Performance

Macro-economic environment and higher interest rates have stressed the importance of liquidity and how to precisely forecast cash requirements for corporates with the ambition to maximise return. As a consequence, artificial intelligence will certainly play a pivotal role in the monitoring of liquidity, working capital needs and investment by taking advantage of the management of the data while strengthening capabilities to better tackle regulation, compliance rules and fraud. Societe Generale's Noémie Ellezam-Danielo, Group Head of AI, and Houda Anfaoui, CDO and Head of Data/AI transformation for Global Transaction and Payment Services, discuss Societe Generale AI's end use cases, benefits, and advise on its safe roll-out.

Despite the buzz, AI has in fact been around a relatively long time in its ML and RPA guises. Both have contributed towards recommendation engines and the deeper automation of cash management and reconciliation.

But the data deluge as commerce digitises further in the 21st century, as well as the steady rise of Generative AI (GenAI), means the technology now has far more information to crunch through when running applications, and access has also become easier.

Accurate and more frequent cash flow forecasting (CFF) via a model that examines actual historical data analysis to enhance the quality of the data is now possible with contemporary AI.

Previously, unreliable projections hampered effective decision-making within corporate treasuries while leveraging on much more data, through deeper AI analysis performance and speed have both improved. Consequently, physical and financial supply chains can be aligned more effectively, enhancing client relationships and cash efficiency. Liquidity can be optimised, as longer-term investments become possible and less 'float' money is needed in current accounts to grease the end-to-end value chain. Additionally, risk-based

activities can be prioritised over everyday cash management, which is increasingly becoming automated.

AI can enhance productivity levels by leading to better automation and, ultimately, free up time for treasury department and corporate banking to focus on more added value tasks and services to be extended to clients. The technology can also be used to fight fraud or payment failures while improving financial compliance with:

- KYC (Know Your Customer)
- AML (Anti-Money Laundering)
- S&E (Sanctions & Embargos)
- ESG stipulations, releasing better green loan terms as net zero approaches

AI has a multitude of use cases alongside its core automation. These include enhanced forecasting and improved liquidity management applications.

How to join the AI party

The rise of GenAI applications such as ChatGPT, from the OpenAI and Microsoft collaboration, has democratised access and affordability for more users. This has furthered the technology's advance in customer services and the ability of treasurers to develop AI tools for themselves at scale in the value chain. These include processing claims management, refunds, inventory or other mid- to back-office procedures much more efficiently than was previously possible – if, of course, employees have the necessary knowledge and skills.

"Treasurers and banks have similar stakes to deploy reliable and responsible AI models in their business environments. Internal skills are scarce, vendors' panoramas are wide and extremely fast-changing. Corporate bankers can act as partners in the corporates' treasury department transformation, by providing innovative data-driven solutions and services, but also informed insights and advice on AI transformation of financial processes" says Ellezam-Danielo. "AI will have broad applications in future, including coding itself. But we will still need watchful humans to check it before roll-outs and to ensure IT software development, engineering and indeed any AI projects, have appropriate governance and on-going control mechanisms. This is vital for scaling AI in a responsible manner."

Despite the evolution of AI, Anfaoui states: "Corporate banks and their clients are not using anywhere near enough data at the moment."

However, she continues: "AI will change this, especially as it overlaps with the trend towards increased usage of open APIs as an easier means of connectivity and cross-border data exchange between banks, businesses, and organisations such as Swift. Data will flow more freely in future. APIs will help to embed AI functionality into ERP and TMS systems and avoid digital islands, where its number-crunching and automating capabilities haven't previously been able to go."

"Allied to the vast new pools of data available thanks to increasing digitalisation, AI will become more and more effective," predicts Anfaoui. "It will make us all data-centric organisations – if we have the skills to participate."

Ellezam-Danielo, agrees but stresses: "Corporates have to recruit and retain AI and data experts to make this happen and, just as crucially, upskill their existing business and risk specialists. They are the people who can identify specific AI end use cases and design the right implementation conditions."

"Banks and vendors can help with this," she adds. "Collaboration with an experienced partner is advisable. Societe Generale today has almost 400 AI use cases in portfolio, half of which are already in production – and at scale."

Better all round

The key benefits of AI, or the killer applications of it, that banks and their clients should already be aiming for are:

- **Better cash management and forecasting:** this provides automated efficiency when handling payments in and out. But AI's ability to prevent payment failures, help with prevalidation checks and align with regulations, while enhancing the accuracy of forecasting is also a boon for allocating capital more effectively. AI brings enterprise-wide benefits. Being able to see the future more clearly, with humans interpreting the data, also delivers risk management advantages in an increasingly geopolitically and economically unstable world.
- **Better risk and anti-fraud capabilities:** these flow directly from more accurate data. AI's ability to detect and prevent suspicious fraudulent activity is an immediate benefit that

Houda Anfaoui
CDO and Head of Data/ AI transformation for Global Transaction and Payment Services, Societe Generale

should be pursued. As scammers increasingly employ AI, the need to counter them with the same technology only increases. AI can also scan hundreds of pages of legal documents. This ensures compliance with the escalation and fortification of regulations regarding sanctions, which is prevalent due to the war in Ukraine. Other economies are similarly turbulent currently. The data interrogation powers of AI can aid risk management by spotting investment patterns to mitigate FX and other volatility. It can also better align services and obligations across an organisation.

- **Better intraday liquidity management:** this is already occurring in the banking sector. AI is atop of this specific data. The benefits are myriad: they include enabling the swifter overview of payment and settlement obligations and analysis of trade finance parameters in a timelier fashion, all of which impact pricing. This functionality can easily be rolled out to corporate clients. Normal and stress-test scenario planning and easier adherence to capital buffers are processes that are also simplified with more powerful AI-enabled data tools.

Anticipation is key to control risks

The desire to cut operational costs, enhance client satisfaction, boost compliance, and mitigate risks, while spurring growth and business development nuances are clear. But there are also dangers that come with AI, not least of which is the lack of control if implementation planning is poor.

On-going governance is essential if an AI model is released into the wild. There are obvious dangers ahead if appropriate planning and oversight isn't baked in before a roll-out.

Many examples of dysfunctional bots illustrate how AI can go rogue if its programming, governance, and oversight limitations, detailing the parameters it must operate within, are deficient. Putting such a system into the cash management process is dangerous if the groundwork has not been laid properly. A test sandbox and scenario role-playing activities are both advisable and wise before any roll-out.

No time like the present

Appropriate governance, and a clear strategy as to how AI should align with your data, people, processes, and aims, is key to achieving the best results. Otherwise, it will be a case of garbage in and garbage out – in the same way that a badly designed Excel spreadsheet can be disastrous if not configured properly.

"Keeping a 'human-in-the-loop', yes/no option or an 'exit door' for any contentious decisions or in the event of anything going wrong, should also be part of any implementation procedure," advises Ellezam-Danielo, while stressing that good governance is vital to allay unwarranted fears about the 'machines taking over'.

"AI can potentially help in all areas across a business. Prioritisation is key to avoid investment dispersion. There are some 'low-hanging fruits', of course, that everyone is working on, such as using GenAI to draft meeting minutes, or as an assistant of sorts. But there is no one-size-fits-all 'killer' use case that is emerging as a must-have. The real value is much more in leveraging digital, automation, and AI as a whole package of technologies to redesign core end-to-end processes, which are instrumental to a firm's efficiency or client satisfaction", she adds.

"Getting quick wins spurs confidence and further adoption, so focusing your investment is a good idea," Ellezam-Danielo continues. "This approach stops AI being just a technology topic and incubates an AI roll-out methodology within your organisation."

"The rise of AI is an opportunity for treasurers to modernise their overall IT systems, improve digitalisation and better align services in order to enhance the agility, speed and performance of a model," concludes Ellezam-Danielo. "AI will enhance the automation and efficiency of systems and the accuracy of forecasting and compliance, which is why roll-outs are already happening across financial services. As people see the benefits AI can bring, it only triggers further adoption. The time to start using this technology is now."

> *"APIs will help to embed AI functionality into ERP and TMS systems and avoid digital islands."*

Noémie Ellezam-Danielo
Group Head of AI, Societe Generale

YOUR GREAT IDEAS SHOULD AND CAN COME TO LIFE WITH US ON YOUR SIDE

Named **Best Bank for Transaction Banking in Western Europe*,** we provide innovative financial solutions to meet your ambitions for a more sustainable future.

ADVISORY • INVESTMENT BANKING • FINANCING • MARKETS • TRANSACTION BANKING
SECURITIES SERVICES • EQUIPMENT FINANCE • FLEET AND MOBILITY SOLUTIONS

The communication on this page is not directed at or intended for retail customers.
*Awarded by Global Finance for 2024.
Societe Generale wants to contribute to a proactive and responsible energy transition by supporting its clients and the real economy towards a less carboned future. Whilst Societe Generale continues to support customers across a range of sectors during the transition phase, Societe Generale is committed to a process of aligning its financing with trajectories compatible with the objectives of carbon neutrality in 2050, starting with the most CO2-emitting activities, as defined by the Net Zero Banking Alliance (NZBA). Visit Societe Generale's website for further information on environment transition as well as its latest climate commitments: Societe Generale 2026 Strategic Plan.
Societe Generale is a société anonyme, with its registered office at 29, boulevard Haussmann, 75009 Paris, France, and a capital stock of EUR 1,015,044,435.00 registered at the Paris Trade register under the number 552 120 222 (and APR no. 651C). Societe Generale is a French credit institution (bank) authorised and supervised by the European Central Bank (ECB) and the French Prudential Control and Resolution Authority (ACPR) and regulated by the French financial markets regulator (AMF). Societe Generale London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available on request. September 2024.