

Cash management in Asia – a 20/20 vision

This is a must-read for any corporate operating in Asia Pacific (APAC). We invited the most senior transaction bankers in the region for a roundtable discussion. We asked them for their visions of the future and asked what guidance they are providing to corporates operating in the region. Read on for some enlightening and practical advice.

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Carole Berndt

out of particular markets and scaled down their product suites.

The challenge therefore for the corporate treasurer in my opinion is how do they create a nimble treasury environment that delivers the economies of scale, drives efficiency through the standardisation of processes all whilst working with fewer banks and mitigating the risk of being dependent on one key supplier.

Amol Gupte, Region Head, Treasury and Trade Solutions, Asia Pacific, Citi: In addition to what Carole rightly just said I would add that, if you take an external perspective, the world has changed significantly in the last 12 to 18 months. I think corporates are clearly concerned by and are grappling with the evolving macroeconomic environment and this is something that is not going to go away in the short term.

A lot of this is driven by what is currently happening in China. The country has achieved 30 years of really massive, double-digit growth and consumed a lot of commodities. The structural shift that we see occurring however means that growth is slowing and that it will no longer consume commodities at the rate it once was, this has significant implications on downstream corporates.

When what is happening in China is combined with commodity prices sinking to dramatic lows, exports failing to pick up, other domestic economies in APAC struggling and the threat of rates rising in the US, there is a lot that corporates need to consider and factor into their cost structure and risk.

John Laurens, Head of Global Transaction Services, DBS:

I would echo what Amol is saying. China's slowdown, Indonesia's slowdown, volatility in equity markets,

currency fluctuations and the decline in commodity prices are all clearly having a direct impact on corporates and their supply chains. Moreover, I think companies are still grappling with what the internationalisation of the renminbi (RMB) means for their businesses and the path it will take going forward.

Treasurers are also contending with new technology and making the right calls in this regard. Clients are requiring technology more than ever to help navigate through quite difficult waters, particularly in APAC.

Di Challenor, Managing Director and Head of Treasury Services, Asia Pacific, J.P. Morgan: In the face of volatile

“ My advice to corporates would be: work out who your real bank friends are. The current environment, for both corporates and the banks, means that relationships are going to become increasingly important, because everything else is commoditised. It is these relationships that are going to help better align the treasurer to the business and make the department more relevant. ”

What are the big issues facing corporates operating in Asia right now?

Carole Berndt, Head, Global Transaction Banking, ANZ: From my perspective, the topic that I see corporates discussing a lot at the present time, and this has been particularly evident at recent conferences, is how they should be reacting when banks change their strategy.

Whilst this is certainly not a new discussion given the focus on Basel III, the cost of capital, evolving regulatory environments and banks evaluating their geographical focus, the reality has really hit home over the past 12 months as a number of banks have pulled

macroeconomic conditions, corporates are increasingly looking to their banks for support and advice. Our clients expect us to have an intimate level of detail about the regulatory landscape and how best to navigate it.

Clients regularly ask us very specific questions about the impact of regulatory changes in certain countries, such as how they can better manage their cash flows across the region as a result of the changes, and ultimately what all these changes mean for them. Very often, the debate around regulation is focused on banks, but as the requirements of regulators continue to evolve, they are increasingly influencing the strategic thinking and decisions of corporates.

Ivo Distelbrink, Asia Pacific Head of Global Transaction Services, Bank of America Merrill Lynch:

The conversations that we are having with our clients centre around how we can help them think through and facilitate some of the fundamental changes in their commercial business models. Today you have e-commerce, mobile payments, mobile wallets, the cloud, big data: all redefining how our clients do business across industries.

These changes are having and will continue to have a profound impact to how treasury is done. So for us, right now, it is key to be reviewing with our clients established processes and established relationships; to optimise platforms and introduce digital technology; to make sure that treasury can facilitate and successfully enable new emerging business models.

Technology is a major driver in every industry. In the banking industry, there is a lot of talk about blockchain and distributed ledger which is proving a challenge. How does this affect corporates?

John Laurens, DBS: For as long as I have been in banking, technology has been a key driver of change. In reality, banks could not exist or function in the way that they do today if they hadn't been at the forefront of innovating and pushing the development of new technology. So whilst we talk about FinTech and the impact startups may bring – which could be significant in the transaction banking world – we have to remember that banks themselves at their very core are FinTech companies.

When we look at new technologies such as distributed ledger technology, there is a plethora of solutions looking

for problems. That said, we are experimenting with the application of such technologies across the payments and trade businesses, which I believe will ultimately give corporates more choices, as well as the potential to lower the cost of operations and enable near real-time transactions across borders.

It is a really interesting and rapidly changing landscape. There are a lot of assumptions being made too early around how the distributed ledger technologies may pan out, but, overall this is a really exciting time to be in this industry because of the extent of change that's likely to take place.

Carole Berndt, ANZ: You look at the commentary around FinTech and it often suggests that traditional banks are doomed. But if you look back over the history of banking, and



 **DBS**
John Laurens

“China’s slowdown, Indonesia’s slowdown, volatility in equity markets, currency fluctuations and the decline in commodity prices are all clearly having a direct impact on corporates and their supply chains. Moreover, I think companies are still grappling with what the internationalisation of the RMB means for their businesses and the path it will take going forward.”



J.P.Morgan

Di Challenor

customers paid by cash, a cheque, or by wire transfer, so long as they were able to collect. And as a bank, it's our job to provide this service efficiently and clients must trust us to deliver this.

Amol Gupte, Citi: I don't see FinTech as something on the outside that is going to eat into traditional banks. Technology is an enabler for banks, and it is only a matter of time before banks come together and embrace the new wave of FinTech to see what else they can do to elevate the quality of services and value that they provide to their clients. I am not suggesting that we replace what banks have built, in terms of SWIFT, over decades. But there is potential to try something in parallel on the back of this technology.

For now, banks continuously invest in the next generation of technology infrastructure. Citi has been looking at distributed ledger technology for the last few years with a skilled team. We have up and running three separate systems that deploy blockchain distributed ledger technologies. They are all within our innovation labs so there is no real money passing through these systems. We also have an equivalent to bitcoin, again within the labs, so we can mine what we call a "Citicoins". By exploring disruptive new technologies, we can help clients to understand the potential of digital money and how we are, and should be, digitising them, where their experiential value promises to take us and what security, technology, regulatory and financial considerations they pose along the way.

“ Data and cyber-security are very important, especially when treasurers are looking to drive efficiency and mitigate financial risks. It can be easy to forget about the information security piece. When corporates are looking to drive down costs, they need to be aware of how the changes may impact their data security. ”

specifically transaction banking, it is not that long ago we were all talking about the internet and how that was going to change banking, and that banks could not adapt.

If you look at the industry today, I agree with John, we are a FinTech orientated industry, banks are technology. What is happening now is just the next phase of this evolution. The challenge is how to merge the opportunity that technology provides with the regulatory constraints, this is the real challenge.

Di Challenor, J.P. Morgan: When it comes to technology, trust is critical. While everyone agrees that it improves connectivity, removes barriers and when done correctly improves the efficiency of a business, I believe there must be a high level of trust between the client and the bank. Someone recently commented that they were not concerned if their

Ivo Distelbrink, BofAML: I do think distributed ledgers are a huge opportunity to do things better, cheaper, faster, both for us as banks ourselves, as well as for our clients. Yet, it requires, over time, agreed protocols and open source code, so that all participants run in the same direction when it comes to developing distributed ledger applications.

As long as we do that, I believe the potential and the opportunity to be immense and, in that case, I don't think it is the banks who are nervous about the challenge. I think the established infrastructure players should be and are nervous right now.

Carole Berndt, ANZ: Technology reduces barriers to entry. There used to be a period when if you wanted to become a transaction bank it was a big task to build a mainframe,

develop bespoke host-to-host connectivity and clearing system connectivity.

This isn't the case today. ANZ for instance has only been in the market for eight years but technology has enabled us to be very nimble, and in a very short period of time, reach peer capability with banks who have been here a lot longer. Whilst on the one hand that is great, we all need to be conscious of it, because reducing barriers to entry in the current market environment means there will be more competition, and we need to think about how our strategies play out in this environment.

So what is the advice to corporates right now? There are new technologies as well as lots of new national payment infrastructures in APAC. Should corporates be quizzing you on your blockchain technology, or should they just wait and see what develops?

Carole Berndt, ANZ: My advice to corporates would be: work out who your real bank friends are. The current environment, for both corporates and the banks, means that relationships are going to become increasingly important, because everything else is commoditised. It is these relationships that are going to help better align the treasurer to the business and make the department more relevant.

Di Challenor, J.P. Morgan: Corporates are increasingly looking towards technology to provide them with the necessary business solutions and I am regularly asked how much J.P. Morgan is investing into our technology in the region. It's essential that corporates sit down with their banks to discuss the banks' own technology strategies. Corporates should also work with their banks to ensure that optimum technology is being employed to further enhance their own supply chains.

John Laurens, DBS: This point is really important, because corporates also need to know where that money is being invested. In recent years, as an industry globally, perhaps particularly amongst the global banks, a significant amount has been invested in risk resolution and compliance, so the question corporates should ask is how are banks channelling investment into the future as well as into the development of new technologies?

Corporates, as always, need to ensure that their banks are investing in the future, and that their transaction banks

will be there for them in terms of driving technological and market infrastructure change.

What about the new payment infrastructures that technology is enabling?

Ivo Distelbrink, BofAML: Our clients clearly welcome the speed of faster payments but what they value even more is the 24x7 window. In addition to this, clients also value the richer information and data that is enabled by these new clearing systems. With this data, treasurers can improve end-to-end reconciliation and optimise flows.

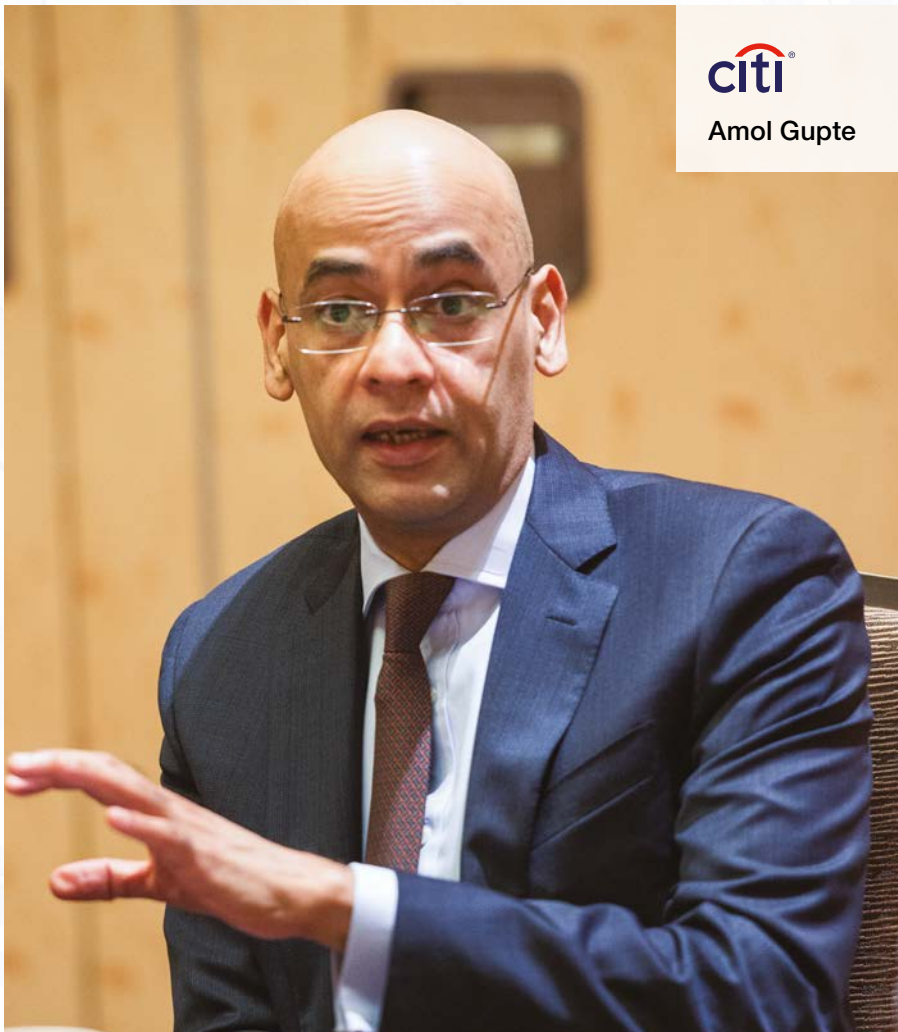
So there is more to these new systems than speed and in fact, at some point, the industry and our clients will have to ask



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Ivo Distelbrink

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Amol Gupte

7 convenience at low cost to the consumers.

Amol Gupte, Citi: In terms of what I would say to corporates, I would break it up into three big buckets. Firstly, given the external environment a lot of corporates are focused on profitability. The first reaction when this happens is for corporates to cut expenses, but I think it is a great time to look at capital structuring and take a long-term view to decide what to do when times are tough. We therefore see a lot of clients doubling down on their efforts on bringing far more efficiency into their working capital cycle.

The second area I suggest keeping an eye on is regulations. Whilst these can be challenges they also provide an opportunity, especially regarding what is happening in China. For example, the benefits of unlocking all of that trapped cash that has been building up in China are also felt offshore. With ongoing deregulation, companies are increasingly able to have those revenues sitting inside their global cash pool.

Finally, the last big area is around cyber-security. There have been some very high-profile incidents in recent months and it is easy to think that these will always happen to somebody else. But, it is something that every corporate should have close to the top of their agenda.

Di Challenor, J.P. Morgan: I agree. Data and cyber-security are very important, especially when treasurers are looking to drive efficiency and mitigate financial risks. It can be easy to forget about the information security piece. When corporates are looking to drive down costs, they need to be aware of how the changes may impact their data security.

“I don't see FinTech as something on the outside that is going to eat into traditional banks. Technology is an enabler for banks, and it is only a matter of time before banks come together and embrace the new wave of FinTech to see what else they can do to elevate the quality of services and value that they provide to their clients.”

‘when is fast, too fast?’ Do corporates really want instant irrevocable credits? The reality is that many probably do not often want this and for very good reasons.

John Laurens, DBS: In my view, what is going to be important for us as an industry is that new payment systems will drive convergence of high and low value payments. New real-time payments infrastructure will also start to blur some of the distinctions between cross-border and domestic payments.

As an industry, we have some work to do to make sure that we don't have a broad array of domestic standards emerging. The challenge is how does one achieve standardisation across newly developed national payments infrastructures, all of which have been driven by governments or regulators to deliver 24 by

Carole Berndt, ANZ: There are also other factors. I had an interesting discussion with a corporate the other week. We have been talking working capital as long as I have been in the industry. That's a good couple of decades. And we always talk about optimising it and this treasurer was saying: “Look, I really appreciate everything you are doing and the focus on working capital, and I had this great project and I have really improved it. But, the other day, it was completely blown out of the water.” And I said “how did this happen?” to which he replied “you know, someone in our procurement department decided to change the way that we ship our goods. Instead of airfreighting them, to save money they now ship them by sea. That has added 60 days into my working capital cycle.” So it is

interesting, we always think about it in the context of the banking arrangements, but there is a far broader discussion including something as simple as transportation.

How much are treasurers getting involved in the business as a whole in APAC? Is treasury getting out there and working with the other parts of the company on taking advantage of changes?

Amol Gupte, Citi: They are front and centre. For instance, we work with a consumer company in India. They now have data on 100m individual shoppers, and their buying behaviour. This is the type of information technology and data that can then be utilised by treasury and the wider business. Treasurers are now thinking about what this means to their cash management collections and how they can get more data and pass this onto the front office for them to take marketing decisions.

Ivo Distelbrink, BofAML: The commercial business models of corporates are changing; these changes are clearly changing the priorities and responsibilities of corporate treasury. A treasurer's focus on working capital is business as usual and will always be there. But, the strategic treasurer is now working with CEOs and heads of strategy to understand how to facilitate new business models.

In this light, questions now being asked are: can corporate treasury manage positions 24/7, across currencies and time zones? Can corporate treasury monetise mobile wallets, gift cards, loyalty points and so on and so forth, beyond simply managing cash? Can corporate treasury use big data to make better funding decisions? With such questions treasury has well and truly moved beyond managing day-to-day working capital into the C-suite, actively driving the redefinition of commercial business models.

John Laurens, DBS: The corporate treasury has always strived to be more than its central function as a utility to the company, and to become a strategic advisor to commercial business lines. This is an evolution that has taken place over recent years. But, given the extent of change today, be it regulatory or technological, there's never been a better time for treasurers to play the strategic role they have always sought to play in their organisations.

Carole Berndt, ANZ: I have recently come from Europe which has a strong consumer protection environment, and increasingly so. I actually think there is a tsunami

of regulatory change headed our way, focused on protecting the consumer that will impact banking and will impact the corporates who work in the consumer space.

For instance, the actions by European governments regarding bank behaviour, how they charge, and the speed of payments. I think Ivo made a very good point, is immediate real time payment a good thing? The regulators certainly think that for the consumer, it is. These trends lead me to believe that we are going to face some challenges as governments focus on increasing consumer protection in the financial world. I think it is the second wave of the impact of the GFC (Global Financial Crisis).

Regulation has come up several times. How does a corporate client stay current when they are operating across the region, with multiple jurisdictions and the possibility of a second wave of regulation coming through? Should corporates be looking to their banks to keep them up to speed?

Carole Berndt, ANZ: Keeping our clients up-to-date with regulatory change is an important part of our role. We are constantly seeking to build deeper relationships with our corporate clients and offer our expertise and knowledge to





Amol Gupte, Citi: I echo what Di and Carole said, banks absolutely play a big role, but corporates also need an independent view. The discussion is also broader than regulation, it covers tax as well. Corporates need to form their own view on what they can and cannot do because their entities' structures, their location, the way they fund themselves, the way they borrow between entities, all have profound tax and cost implications.

John Laurens, DBS: I'd echo these sentiments, the key word is advisory. In the transaction banking space, if you are not engaging your clients in an advisory capacity today, then you are not going to be delivering value to your customers or competing very effectively in the market. It is what customers are looking for.

Di Challenor, J.P. Morgan: There's a lot of conversations about transaction banking becoming commoditised but I don't believe it is. Being a trusted advisor means treasurers should be able to look us in the eye and know that we will treat their business like it's our own and always deliver what they need to the highest possible standards. I don't believe you can commoditise this.

them through multiple channels. Nevertheless, treasurers also need to have an independent perspective.

Di Challenor, J.P. Morgan: A bank's compliance department can add a tremendous amount of value in these conversations as they help us to navigate through the regulations. However, we have to be careful because while we can advise our clients, we don't have the fiduciary responsibility to make decisions for clients.

It is a difficult line to walk, isn't it?

Di Challenor, J.P. Morgan: It is a difficult line. The securities business has done this effectively for a number of years as they have had people who are able to advise their clients around what is happening in various settlement systems and what's happening on securities.

I think the cash management industry needs to step up in this area and offer further advisory services. We have the access to regulators that clients don't necessarily have, so they increasingly look to us for advice. This is especially true in markets like China where banks are key to any proposition – regardless of cross-border sweeps, two-way structures, or a cross-border loan – the regulator would want to see the corporate and their bank. It can be a fine line.

We touched on cyber-security which is an important element in trust and that is something we should discuss.

Di Challenor, J.P. Morgan: Cyber-security can be broken into two components: cyber-attacks and wire fraud. Wire fraud has become much more prevalent. We used to be more concerned about manual payments but now we spend a significant amount of time ensuring that our straight-through payments are safe.

We are starting to see banks come together in the US to discuss this, which is a very positive development. I would like to see greater collaboration in Asia where we can hold these conversations and share best practice as to how to mitigate cyber threats. It is also vital that we work to educate corporates and each other as an industry. Protecting the industry is critical.

Carole Berndt, ANZ: One must also consider that often when a corporate has suffered cyber-attacks there is a large element of human error. So, yes, we must make sure that systems are safe and secure. But, there does need to be an increase in ownership and awareness around the manual processes and the people management that makes the technology to protect corporates from cyber-crime. This whole debate is as much about human behaviours as it is about systems and technologies and these very sophisticated scams.

John Laurens, DBS: Education is vital. The majority of wire fraud that is identified is caught typically because something has been spotted as being unusual or out of the ordinary. The more that banks can do to heighten awareness in this regard is vital. It is not just a technological-driven solution set. There is also a human aspect to it.

Carole Berndt, ANZ: To be a contrarian, we talk about mobile technology. Is a treasurer really going to sit on the tube on a Monday morning and be on their mobile phone to rush through authorising payments? Because that is going to increase the potential for them to miss these nuances and patterns. It is an interesting debate, technology is going to make treasurers more mobile but, if not implemented correctly, it is also going to expose a lot more, I believe.

Ivo Distelbrink, BofAML: We have a responsibility right now to educate our clients around cyber-fraud and cyber-security. Many clients just still do not have the understanding and the awareness over where and how cyber-fraud can enter into their systems. Moreover, some of the younger generation just don't care; they are digitising their entire lives and they have no issue with digitising money as much as they digitise their social life and everything else around them. I believe we have a responsibility to educate those who do not know or do not care. There is a responsibility to educate those who aren't yet fully aware. It's an ongoing effort. It's important.

Amol Gupte, Citi: While banks have taken significant steps to bolster cyber-security efforts, they will continue to be challenged by the speed of technological change and the increasingly sophisticated nature of threats. Acting quickly against cyber-crime is essential. One way Citi does this is through the use of the "cyber-kill chain" methodology. The methodology enables us to tag information as it is collected so that we can identify an attack in the earliest stages – when an attacker is trying to discover a vulnerable spot in a particular system. By identifying and countering an attack early, we are able to mitigate the threat before it fully develops, and also use the information gained to spot future threats.

There's a lot of advisory work going on here as part of the client relationship.

Di Challenor, J.P. Morgan: It's certainly one of the best parts of the job.

Carole Berndt, ANZ: And as our industry evolves, you have got a commodity product. You try and

add value. You try and move up the value chain. And that is what we are all doing.

Amol Gupte, Citi: But it is not a commodity product. I mean I always tell everyone, commodity industries you work at 2% and 3% margins. This industry is not working at 3% margins.

John Laurens, DBS: Proprietors and treasurers of SMEs are just as interested. There is a lot being done in terms of providing advisory through a number of different channels, such as through social networking to share information and best practices. Advisory at a large corporate level requires bespoke one-to-one engagement with the treasurer, but there's no less importance and demand from SMEs for mass market packaged advisory. This could range from online working capital advisory services through to networking events.

Di Challenor, J.P. Morgan: I would love to hear from the three of you about how important the advisory piece is down at MME/SME level. Is there that real desire for information around fraud?

Amol Gupte, Citi: Huge.

John Laurens, DBS: Absolutely.





the most was how normal it has become. It doesn't look or feel as different any more. Also in some of the key areas we have discussed – such as the mobility of cash and security of cash – it has become very similar to experiences found in other countries.

In Europe, you hear a lot of noise about the slowdown of China. But, we are talking about a slowdown to 6% in one of the world's largest economies. Europe's been living in stagnant growth for a long time. So despite this I don't think China is any less relevant than it was before. I think it is very important for corporates whose business requires them to be there and to be relevant there. I think the banking environment has changed a lot. But it is becoming, to a degree, mainstream and I think the story now turns to some of the emerging Asian countries and regions like the Greater Mekong.

John Laurens, DBS: Although given the extent of change and change that's to come, I do not think we can yet refer to doing business in China as normal.

Carole Berndt, ANZ: Near normal. In the sense that it is clearly heading on that path in

terms of its structural changes and as it moves from a centrally controlled economy to a market-based economy and in the way in which it allocates capital in that market.

As we have seen in recent months this has created hiccups along the way, and it will continue to do so. In terms of working with customers in China, corporates need to be particularly aware of who their commercial counterparties are and be very rigorous in terms of selection.

Amol Gupte, Citi: I think China is at a very early stage of its journey. If you consider what is happening with the RMB and its evolution, it can be viewed in three stages. One is just making the RMB a trade currency. That box is checked and it has happened. A quarter of Chinese imports and exports are already denominated in RMB. The second stage is capital convertibility. That is still at an infant stage. The third phase is the currency becoming a reserve currency, and with the inclusion of the RMB into the SDR currency basket, this stage is also beginning to evolve.

More broadly, if you consider what is happening domestically, interest rates have been relaxed, and will slowly be liberalised in practice. Interest rate liberalisation will curb the shadow banking industry, which arose because companies couldn't get any yield on their deposits with banks.

Di Challenor, J.P. Morgan: Are you seeing it more in that space versus your large corporates?

Amol Gupte, Citi: I wouldn't say it is different but, I just think that the relationship value for advisory in that segment is significantly high.

John Laurens, DBS: And they are smaller, so they have fewer avenues, such as associations, available for them to access information. The role of a banking partner, therefore, is arguably more important.

Carole Berndt, ANZ: You can't just be advisory in this relationship. There are some basic capabilities you have to bring to the table and, when I think about our value proposition to clients, it really is to deliver mobility, security and value for their cash. And that's part transaction and it is part advisory.

We talked earlier about the need to stay abreast of developments in terms of regulations. Something that is particularly important in China. What would your advice be to companies operating in China?

Carole Berndt, ANZ: I recently visited China for the first time in a business context for eight years. And what surprised me

All of this is going to change, and to John's point, China is going to become a far more market-oriented economy and as all of that happens it has massive implications for our corporate clients. So I think it is incredibly important to stay very close and up-to-date on what you can do and what you cannot do in that market.

Di Challenor, J.P. Morgan: Yes, I agree, it is early stages. When you go through capital account convertibility with clients and begin to execute against that, the outcome can be very different to what you expected initially because the interpretation by various government circles around the country or the various agencies you deal with, can change. It is very complex.

Amol Gupte, Citi: It is a massive market, right? For many multinationals, it is larger than their home market.

Di Challenor, J.P. Morgan: They have got more cash there than they have elsewhere.

Carole Berndt, ANZ: Trapped cash.

Di Challenor, J.P. Morgan: But, in China, technology is not being applied as readily as in other markets such as India where we are seeing huge steps being taken around the clearing system.

John Laurens, DBS: The whole e-commerce environment in China is just exploding and the extent of payment flows and opportunities coming on the back of this is huge. So, in my view, we have seen a considerable amount of technology adopted in China and this will continue. I see China playing a leading role in that respect globally.

Overall, what is happening in China is remarkable. China is doing exactly what the world is asking of it, from progressing its export-led manufacturing industries to developing its services economy or building out its middle classes to further drive domestic wealth creation. Clearly, such progression drives structural changes and market volatility along the way, but the opportunity for corporates is very significant going forward. You have to take a longer-term view.

Also, on the other hand, something we must not lose sight of, is Chinese multinationals expanding out across the world. The 'One Belt, One Road' is a new phase of development for the transaction banking industry globally, as Chinese corporates head outside of China taking the so called

"redback" with them as they invest in and develop their businesses globally. It's a hugely exciting time to be working with Chinese MNCs.

Ivo Distelbrink, BofAML: I absolutely agree with that. There is still a lot of misinformation and misunderstanding around China. Chinese business, Chinese culture and the Chinese view are still poorly understood. But, the Chinese are very pragmatic and absolutely committed to the financial and institutional reforms required to continue to make this transition and the transition under way, as John mentioned, is massive.

For one, the way the Chinese are embracing technology and their digital economy is market-leading in many ways. Many of our traditional GDP growth measures are failing to capture the transformation that China is going through. I think China is doing all the right things and I believe that China will remain a very exciting growth market for very many years to come for our clients.

What about the trends in trade? Is there anything new to say?

John Laurens, DBS: For me, it would be the acceleration from traditional trade to open account trade and supply chain finance, which is gathering pace. The really interesting thing



that may happen in the trade space, if you like, the Holy Grail for trade, is its long awaited dematerialisation. Distributed ledger technology could open the way to finally grasp the Holy Grail of widespread digitised trade, something that has been talked about for decades with little substantive progress. But that's a subject in its own right.

Amol Gupte, Citi: I would say we need to look at a longer period of history, around the last ten years. You have had intra-Asian trade go from 40% to 60%. It is a big shift. So 40% of all Asian trade went into Asia, that 40% has gone to 60% which means a lot of Asian companies have gone global and in this process it is just natural to go to your neighbouring proximity markets first, rather than going far away. And that has driven this whole phenomenon of intra-Asian trade. On the back of intra-Asian trade, you have a lot of local and regional banks who have followed those clients.

And if you think about the transaction banking business, I think about it at two levels. One is the cash business with extremely high entry values, and you think about that plain vanilla trade business it has got incredibly low entry barriers. You can just walk in with a lot of cheap capital on the table, which is what a lot of banks have done in the last ten years, and built a lot of really poor returning trade books. My view is we will now see a transition in terms of where these banks get far more focused on returns. And I think to John's point, banks will focus more on the high value-added, the more intellectual property side of the business which is the whole understanding client ecosystems, doing more supply chain. We are entering a period of change in my view in the way trade is done in the region.

Carole Berndt, ANZ: We are a very large trade bank and very focused on the corridors that support our clients' activity. But if I was to say one thing about trade, I think Amol's point around returns is very important. I think we are seeing a fundamental shift from trade being used as a funding vehicle to increasingly being used as a risk management vehicle, and particularly as it relates to supply chains and business continuity.

As a corporate plans for the years ahead in APAC, what should they be doing and thinking? In a few words, what is your advice?

Ivo Distelbrink, BofAML: Think big. The world is old, indebted and unequal. APAC is diverse, dynamic, innovative and competitive.

John Laurens, DBS: We remain at the very beginning of the Asian century and, despite recent slowdowns and market volatility, Asia will remain the centre of global economic growth. This is driven by the size of population in the region, the demographics of that population, continued massive urbanisation, investment in infrastructure and the creation of wealth and the middle classes.

If you have a global growth strategy, you need to be in Asia. My view would be to pay close attention to these macro trends and invest in them. Asia is where the growth will continue to be. Corporates should choose their transaction banker carefully, and ensure it is one that is deeply committed and knows the region.

Di Challenor, J.P. Morgan: For me, the key is around embracing technology. The average age in India is under 30, so it's essential that you examine whether you have the right strategy in place to capture that wallet. You need to be conducting business in these countries if you are to have a long-term future in the region. I have been in Hong Kong almost 12 years and in this time, it is amazing how much it has changed and what our clients are now thinking about doing in the region.

Banks, however, do need to come together to deal with various threats in our industry around cyber-security and corporates should be challenging banks to work together on these matters. Corporate treasurers should also be challenging their banks to adopt new technology and drive SWIFT in a way that enables inter-operability, not just between banks but across countries. That is where I truly believe we have to go.

It is often asked if Asia will ever become like EMEA and I always answer 'no'. But, why have we not used technology to drive the same advantages that corporates have received in EMEA? I would say that corporates need to be pushing their banks to do more.

Carole Berndt, ANZ: All the points around Asia continuing to be very relevant and important to most corporates are absolutely valid. But, Asia is not just one homogenous group of countries; it is really three distinct regions. Greater China is one that we have talked a lot about. We have also talked a bit about India. I would also advise corporates to keep an eye on some of the emerging ASEAN countries. What was once made in China is now made in Cambodia, made in Laos, or other emerging economies. So it is vital to keep an eye on these.

The point about technology is also extremely important and it is vital to be nimble in that context, because it is the best tool corporates have to protect them against the headwinds. Treasurers need to work out who their best friends are and to build strong relationships with banks that are investing in the geographies that are important to their business. If corporates do that, I think they will put themselves in a safe place in terms of business continuity, and ensuring the mobility and security of their cash.

Amol Gupte, Citi: A lot of valid points have already been made but I would like to highlight that Asia follows a secular trend and it is well on the way in this respect. For example, in the 1980s Asia's contribution to world GDP was 15%. It is now 25%. In another 35 years, it will be half of the world's GDP; this is a vast development. So when I think of what is happening right now and the turbulence in the region, it is not a big air pocket and it will pass.

Overall, when I think about the change currently occurring – whether it is on technology, whether it is what is happening in terms of digital money, regulatory changes, currencies, buying behaviours, business models, e-commerce – I truly believe that it is a fantastic time for corporates to actually double down and invest for what looks to be a very bright future in the region.

Many thanks to you all for participating.