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January/February 2018

The 2018 treasury agenda

With a new year come new opportunities and new challenges for treasury teams around the world. To find out what these might be, Treasury Today looks to the future and finds out what 2018 might have in store.

The Corporate View

Raj Chadha
CFO
TeleAdapt

Talking Treasury Forum

Treasury Today Group brought together six of the region's most senior transaction bankers and corporate treasurers to discuss the big trends in corporate treasury and more at our most recent Talking Treasury Forum in Singapore.

Regulation
The treasury impact of GDPR

Funding
Loans or bonds?

Back to Basics
Treasury KPIs

Women in Treasury
New York Forum 2017

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treasurytoday.com
Volume 20/Issue 1
January/February 2018

2018: the year of digital banking

Advertising
media@treasurytoday.com
+44 (0)13 0462 9018

Editorial
editorial@treasurytoday.com
+44 (0)13 0462 9003

Memberships
memberservices@treasurytoday.com
+44 (0)13 0462 9013

Production
production@treasurytoday.com
+44 (0)13 0462 9019

Website
website@treasurytoday.com
+44 (0)13 0462 9008

Publisher
+44 (0)13 0462 9017

Switchboard
+44 (0)13 0462 9000

For all other enquiries please contact
Samantha Collings, Head of Operations
sam.collings@treasurytoday.com
+44 (0)13 0462 9018

Annual Membership Rate £285

© Treasury Today ISSN 1466-4224

Treasury Today is published bi-monthly (6 issues) by Treasury Today Limited
Courtyard Offices • Harnet Street
Sandwich • CT13 9ES • UK

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Treasury Today USPS: (USPS 023-387) is published bi-monthly except September and October by Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES.

The 2015 US annual subscription price is $588.00. Airfreight and mailing in the USA by agent named Air Business Ltd, c/o Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA.

Periodicals postage paid at Jamaica NY 11431.

US Postmaster: Send address changes to Treasury Today, Air Business Ltd, c/o Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA.

Subscription records are maintained at Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES.

Air Business Ltd is acting as our mailing agent.

The paper used in the production of this magazine is sourced from protected forests and sustainable raw materials.

So, farewell then bank branch; the end is nigh. Is that a problem? When NatWest in the UK recently announced the closure of 197 branches as part of a major cost-saver by its parent company, RBS (along with 62 of RBS's own branches), the hue and cry from those who still see value in bank branches was loud and clear.

In the wake of the announcement, the Financial Times quoted Mike Cherry, Chairman, at the Federation of Small Businesses, who said that many small businesses – particularly those in rural areas with poor broadband access – relied on their local bank branches to seek personal advice as well as to deposit their cash takings. Whilst there are those who find change difficult to manage and people for whom cash and cheque are still viable means of payment, it is clear that the world is going digital.

The statistics make this very clear. RBS, for example, have said that since 2014, the number of customers using its branches across the UK has fallen by 40% as mobile transactions have increased 73% over the same period. The Office for National Statistics also points out that internet banking is now used by 63% of UK adults.

This is by no means a UK phenomenon; the same story is replicated across the world. In the Nordics, for instance, banks have been culling branches since 2010 as part of the region's drive to go cashless. Most branches that do remain are 'cashless branches' – high street offices that are fitted with self-service cash machines.

In the United States – a country that still relies heavily on paper-based forms of payment such as the cheque – branches are also closing at a rapid rate. The Economist notes that since the financial crisis banks have closed over 10,000 branches, an average of three a day. In the first half of last year alone, a net 869 brick-and-mortar entities shut down in the US, according to S&P Global Market Intelligence.

Even the developing markets are in on the act. In India, for example, DBS has recently launched digibank – a fully smartphone-based retail banking service. Also, on the institutional side, J.P. Morgan has rolled out its Virtual Branch solution across a variety of Asian markets. This eliminates the need for a corporates finance staff to be physically present at traditional bank branches, allowing them to conduct all manner of financial activities digitally.

Beyond these few examples, the financial sector is reflecting this pattern of digitisation across the spectrum of services. Corporate banking is certainly going digital; that is why it is one of the most ferociously debated topics at every conference. There are many positives to this, but the digitisation of banking goes hand-in-hand with the death of the branch.

The more people use digital, the more branches will be run down. The more branches are run down, the more people will use digital; thus it continues until the branch is no more.

IN THIS ISSUE

INSIGHT & ANALYSIS 6

What does 2018 have in store?

Twelve months ago, the world was still reeling with the impact of unexpected world events in the form of Brexit and the election of President Trump. Compared to this, 2017 was relatively calm. But what does 2018 have in store? Treasury Today looks into the future to find out.

PROBLEM SOLVED 9

Reimagining thyssenkrupp's IT infrastructure

A disparate and complex IT infrastructure posed many problems for Peter Keller, Group Processes and Information Technology at thyssenkrupp and his team. How did Hanse Orga Group's FS Suite solve many of these challenges?

WOMEN IN TREASURY 10

New York Forum 2017

The latest Treasury Today Women in Treasury Forum in New York could not have come at a more opportune moment in the US, taking place towards the end of a year of global political developments that have made the conversation around diversity and inclusion more important than ever.

BANKING 14

Open banking will change everything

New regulation in Europe and the UK has the potential to radically transform the face of financial services, making it unrecognisable from today. Treasury Today finds out what the future might look like under PSD2 and Open Banking and what it all means for treasurers.

WEBINAR REPORT 17

Turning poor data into rich information

TALKING TREASURY FORUM 25

Charting a course for treasury management in Asia Pacific

Read the views of six of the region's most senior transaction bankers and corporate treasurers from our most recent Talking Treasury Forum in Singapore. They share forthright opinions on the mega-trends impacting the region and how banks and corporates are looking to manage the opportunities and challenges these bring. This is a must-read for any treasury professional operating in Asia Pacific.

TREASURY ESSENTIALS

Adam Smith Awards 2018 4

Question Answered 44

Market View 46

FUNDING 18

Window of opportunity

Raising finance is a key part of the corporate treasurer's job and, at present, funding conditions around the world are good. We take a tour around the world's debt markets to find out the most attractive funding routes and markets.

REGULATION 37

Power to the people: the essence of GDPR

With the EU's General Data Protection Regulation (GDPR) just months away, we look at how organisational preparations should look by now.

WEBINAR REPORT 43

Why you should rethink your investment strategy

22 The Corporate View

Raj Chadha
CFO

In almost two decades in the finance function of TeleAdapt, CFO Dheeraj 'Raj' Chadha has seen his role "change dramatically". Treasury Today finds out more about these changes and his role in the company's successful growth over the past 20 years.

BACK TO BASICS 40

Measuring success

You can't manage what you can't measure and in the world of corporate treasury there is much to measure. In this article, we explore the key treasury metrics and find out how reviewing these on a regular basis can set the treasury department up for future success.

CORPORATE TREASURERS

MAKE YOUR MARK

Nominations open 31st January

The highly acclaimed Adam Smith Awards programme is now in its 11th year. This globally renowned platform showcases the very best and brightest corporate treasury teams in the industry.

The Adam Smith Awards programme recognises best practice and innovation in corporate treasury, regardless of company size, budget or industry sector. Nominations open on 31st January and there are 18 award categories in total. Representing the full range of activities that corporate treasury teams undertake, these categories are sure to capture your achievements. If you believe your work has gone above and beyond the call of duty, now is the time to put yourself forward.

Corporate treasury departments operate as a true strategic partner to the business. You are constantly challenged to deliver better and more innovative solutions and an Adam Smith Award is the benchmark of that achievement. The Adam Smith Awards recognise the position of importance the treasury profession now occupies around the world and how treasury professionals are stepping up to support business growth in challenging times. The awards programme recognises those solutions that demonstrate real creativity, determination and innovation.

Everything you need, including the nomination form, can be found on our website at **treasurytoday.com/adamsmith** – it is a simple case of completing and submitting the short form online.

Any number of solutions can be entered for consideration. A single project can also be nominated in more than one category, where appropriate. Nominations can be made by any corporate, and banks and service

providers can assist their clients in completing the nomination form. Banks and service providers are also able to submit nominations on behalf of their corporate clients (with the client's approval). Nominations close on Monday 16th April and the winners will be announced in mid-May.

As well as our team and project categories, we also have the individual achievement award of 'Treasury Today Woman of the Year'. This award is designed to highlight the successes of female corporate treasurers in our industry and goes beyond professional achievements to look at the difference women make to their industry at large, both in terms of elevating the profession but also in pioneering diversity, supporting others and community spirit.

Our second individual award is 'A Rising Star' which recognises exceptional upcoming talent under 30 years old who are already delivering real value-add to their organisations.

All winners will receive an invitation to the Adam Smith Awards Gala Presentation Lunch on Thursday 21st June at Plaisterers' Hall in the City of London.

Should you have any queries please do not hesitate to contact us at **awards@treasurytoday.com**

Good luck with your submissions and we look forward to welcoming all 2018 award winners on 21st June in London!

Award categories for 2018

- Treasury Today's Top Treasury Team 2018
- Best Cash Management Solution
- Best WCM, AP/AR Solution
- Best Card Solution
- Best Trade/Supply Chain Finance Solution
- Best Funding Solution
- Best Risk Management Solution
- Harnessing the Power of Technology
- Harnessing the Power of Emerging Technology
- Best in Class Treasury Solution in the Middle East
- Best in Class Treasury Solution in Africa
- Best Liquidity Management/ Short-Term Investing Solution
- First Class Relationship Management
- Best Foreign Exchange Solution
- Best SWIFT Solution
- One to Watch
- Treasury Today Woman of the Year 2018
- A Rising Star

Nominations close 16th April

What does 2018 have in store?

Compared to the major political and economic upheaval of 2016, 2017 was relatively calm. But what will the next 12 months bring? And how can treasurers begin to take advantage of new and emerging technologies in the year ahead?

Twelve months ago, the world was still reeling with the impact of unexpected world events in the form of Brexit and the election of President Trump in the US. Many were concerned that further shocks could dominate the headlines in 2017 – and consequently caution and uncertainty were uppermost in treasurers' minds.

Another year on, has this changed? "In some ways, geopolitical risk is less front and centre of mind today than it was a year ago," says John Feeney, Head of Global Corporates at Lloyds. "One of the great concerns for 2017 was European risk, with quite a few key elections on the horizon. We've moved through that period – and broadly it's a calmer European political landscape today, and a much stronger European economic picture as well."

That said, Feeney points out that whereas a year ago President Trump was a concept, "he is now a reality. There was a lot of uncertainty about whether President Trump would be different from candidate Trump, but we've now seen that the two are very consistent in terms of the approach taken by the United States administration. The expectation that comes from that is that there will be surprises through the course of the year."

Brexit, meanwhile, continues to dominate headlines. With continuing uncertainty around the process and the ongoing relationship between the UK and the EU, Feeney notes that Brexit is still "front and centre of treasurers' minds". Consequently, 2018 will see a "huge focus" on the progress of the political and economic settlement with the EU, and the ongoing trade relationship.

Rising rates

Also significant is the question of how the interest rate environment will develop in 2018. Last year saw the Bank of England finally raise interest rates for the first time in a decade, albeit by only 0.25%. In the US, meanwhile, the Federal Reserve increased rates in March, June and December, with three further increases expected this year. And in Europe, the ECB has begun the process of scaling down its quantitative easing programme.

"We have had a decade of ultra loose monetary policy, and indeed there are many people in treasury teams who have never seen an increasing interest rate cycle," comments Feeney. "They are used to funding being ample and diverse and, in many cases, have never experienced difficulties in managing access to liquidity." Consequently, Feeney says that if interest rates rise above and beyond the market's expectations, "it may ask new questions of treasury teams which may not have been through this before".

Feeney says that a combination of factors – such as access to relatively cheap longer dated funding, the apparent turn in the interest rate cycle and the likelihood of further geopolitical drama on the horizon – means there is currently an interesting window for treasurers who may wish to take advantage of very supportive conditions while they last. He adds, "we've seen quite a few clients take advantage of this."

Developments in Asia

In Asia, meanwhile, "currencies have stabilised – in fact, some of them have appreciated against USD – and emerging markets have performed better than people were expecting last year," notes Gourang Shah, Head of Treasury Services Solutions for Asia Pacific at J.P. Morgan. "So for me that was the biggest change in terms of people's expectations at the beginning of 2017 versus what happened, which in a way was a positive surprise for many people."

At the same time, however, companies have had to take more restrictions into account when moving money out of China or Malaysia. In November 2016, Bank Negara Malaysia re-enforced rules prohibiting offshore ringgit trading – a move which Shah says had a continuing impact on treasurers in 2017. In China, meanwhile, regulators took steps at the beginning of the year to restrict the movement of renminbi offshore, although this was later relaxed in April.

"Treasurers have certainly had to adapt to these changes," said Shah. "Of course, these changes have made cash more trapped in certain markets – but at the same time, with negative rates in Europe and dollar rates not very high, people have started sweeping less from Asia into Europe. Yield in the developing world is low compared to historical standards, but it's high on a relative basis compared to the developed world. This I think has played a role in keeping more liquidity in Asia."

Shah adds that this could change if tax incentives make it more attractive for companies to move surplus funds to developed markets. "But the operating liquidity in Asia is growing: most companies have got a higher revenue share here, and they'll have to keep that money here for managing their businesses. Everybody is looking for growth, and it's coming from Asia."

Technology

Geopolitical risk continues to be a concern for treasurers around the world – so how can treasurers make sure they are fully equipped to manage the challenges that lie ahead?

"Geopolitical risk is and has been a part of the world we live in," comments Peter Seward, ION Treasury's VP of Product Strategy at Reval. "Clearly there are ongoing developments in areas such as North Korea, the Middle East, Britain and the EU that can have meaningful effects on FX, interest rates, the availability of funding and overall government policy and regulation." But while it is always difficult to assess the impact of geopolitical events as they are happening or in advance, Seward says that treasurers always need to be proactive and prepared – and that technology "can really help codify information in real time and model possible outcomes and their impacts to treasury".

For example, Seward points out that treasurers will need to be ready to comply with new leasing and hedge accounting regulations coming into effect across North America, EMEA and Asia Pacific. Likewise, treasurers will need to understand the impact of increasing interest rates in the US and the end of quantitative easing in Europe. "Scenario planning and simulation tools are key in assessing the impact events may have on treasury," he comments, adding that treasurers "need time to assess and implement system changes to comply with any new regulations that will impact their organisation".

With an eye on market developments and upcoming regulatory changes, it may be an opportune moment for

Looking forward

Three treasurers share their plans and priorities for the year ahead:

Rick Martin, Group Treasurer, GasLog Ltd

"Being in shipping, we are always mindful of any trends towards protectionism," comments Rick Martin, Group Treasurer of GasLog Ltd, which specialises in the transportation of liquified natural gas. "So far, it would seem that it is more talk than action, which is good news – and not just for us, either."

Also key for the company is the continuing growth in demand for natural gas (methane). Martin explains that trends in China and India towards cleaner fuels are helpful, as is Korea's move away from nuclear power. He adds, "we welcome the opportunity not only to grow our business, but to help reduce the global carbon footprint as well."

Combined with the supply/demand balance for LNG shipping moving into more favourable territory, Martin says, "we are looking forward to 2018 – albeit without ever letting down our guard in what can be a quite volatile market."

Marianna Polykrati, Group Treasurer, Chipita

As the Group Treasurer of Greek food company Chipita, Marianna Polykrati has been paying close attention to geopolitical risk in recent years. She notes that 2018 is a year that will probably be "quite vulnerable to geopolitical developments, with a main focus on the Brexit finalisation and the effects on the European Union".

Nevertheless, she has plenty of plans for advancing treasury in the year ahead. As in 2017, she says the top priorities include the automation of treasury, "since we consider that the treasury digitalisation era has started, and the IT landscape shall be materially changed in the near future". She notes that a side effect of this automation will be the increasingly higher levels of fraud and the safety measures that need to be taken as a result – a concern which is another priority for Chipita's treasury.

"And as always, we are investigating solutions to make the treasury function more effective within our Group, focusing on in-house bank set ups, cash flow management and seeking alternative funding sources," she says.

George Dessing, Senior Vice President Treasury & Risk, Wolters Kluwer

George Dessing says that with the world becoming more 'global', complex, connected and volatile – and therefore more uncertain – the information, software and services provider is "translating these projected trends and possible risks into opportunities".

For example, he says that Wolters Kluwer is protecting its people, environment, assets and reputation by investing in programmes such as a cyber risk governance framework and incident management and crisis communications. "Furthermore, proactively we translate these risks into new and innovative ways to help our customers," he notes, adding that digital and services now represent 88% of the company's total revenues.

Where priorities for this year are concerned, Dessing plans to "stay ahead of the curve by being closely connected to our business, whereby we are further building on our internal treasury and risk communities as a key enabler for integration and adding value to our business". He adds that other upcoming challenges include US tax reform, GDPR, and new IFRS regulations relating to leasing and derivatives.

treasurers who rely on spreadsheets to consider how more sophisticated technology could help them manage their risks and operate more effectively.

"FX exposure and cash forecasting is still often performed via a series of spreadsheets and manually pieced together through reports," comments Andrew Marshall, Managing Director of consulting and technology solutions provider Covarius, pointing out that these manual processes can be slow and inherently prone to significant errors. "By turning to data lakes and outsourcing the analysis of this kind of data to machine and predictive learning services, treasurers can begin to realise some incredible insights around cash forecasting and FX exposure."

New and emerging technologies

Treasurers may also be paying close attention to new and emerging technologies, from application programming interfaces (APIs) to artificial intelligence (AI). Meanwhile, development continues in the area of blockchain: notable projects include the Digital Trade Chain initiative, a trade finance project which is being built by a consortium of seven banks. But from a treasury point of view, real progress is still some way off. "There is still a lot of hype," comments Sven Lindemann, CEO at Hanse Orga. "We have connectivity to a payment service provider who is also offering blockchain payments, but we do not really have existing customers with existing use cases today. From a technology standpoint we are ready to receive files and pay files via blockchain – but when it comes to interesting use cases, I think that's what everybody is waiting for."

It may be a while before some of these developments translate into viable opportunities for corporate treasurers – but it's never too early for companies to begin exploring the potential benefits. "Everybody has been talking about the technology revolution and we are hearing a lot from people who are talking about data analytics, APIs and robotics," says J.P. Morgan's Shah. "However, most treasurers are actually a few steps away from this: they hear about the developments, but they don't know what the value is to their own organisations. Many companies have therefore created a digitisation expert whose job it is to figure out what makes sense of these technologies and how to implement them in their own ecosystem."

Questioning assumptions

In light of all these developments, there are plenty of opportunities to pay attention to this year – alongside the numerous challenges. "I think 2018 is going to be an exciting year," concludes Feeney. "I suspect change will come and there will be moments of drama. From a treasury perspective, the key thing is to expect the unexpected, keep appropriate flexibility of funding and keep plenty of healthy banking relationships. At the same time, this cultural evolution is a very important point – it is a time when we're going to have to question some of our long-held assumptions and innovate more than we are seeing now."

Embracing innovation

Andrew Bateman, Head of Corporate Liquidity and Bank Treasury at FIS, predicts that 2018 will bring continued innovation across all areas of treasury and risk, "but especially within the areas of payments, fraud mitigation and artificial intelligence," noting that demand for advanced fraud mitigation technology has never been higher.

Meanwhile, as a result of continuing cyber threats, Bateman says that treasurers have been "tasked with playing a greater role, in co-operation with the CTO, in understanding and mitigating cyber risks, and have therefore pushed technology vendors to strengthen their security offerings". He predicts that increased need in the market will result in improvements in preventative, detective and machine learning security.

Application programming interfaces

Where other developments are concerned, Bateman predicts that advances will be made in payments automation and simplicity. "FIS recently worked with Citi to enable real-time payments for corporate treasurers through Citi APIs," he notes, adding that the increased availability of API technology will transform how financial services are going to be both consumed and provided.

Artificial intelligence

Bateman also predicts that AI will begin to have strong, practical benefits for treasurers in 2018, "as organisations seek solutions which can not only process data, but learn from that data in order to improve analytical output and reduce human intervention in decision making".

He adds that liquidity management and payments processing are two areas which could lend themselves to AI improvement. "On the payments side, there is an opportunity for systems to better learn from payment histories, using counterparty and value data in order to improve the identification of potential fraud, or to identify opportunities for lower cost channels, or payment types," he says. "Liquidity management, specifically cash forecasting, on the other hand, should be able to use a history of data in order to better predict future cash flows."

As a result, Bateman says that treasurers "should expect an AI-enabled world to introduce itself over the next several years, within individual functional components of their software".

Peter Kellner

Group Processes and Information Technology

thyssenkrupp AG is a German multinational conglomerate and one of the world's largest steel producers. Based in Duisburg and Essen, Germany, the business is divided into almost 500 subsidiaries worldwide.

A disparate and complex IT infrastructure posed many problems for Peter Kellner, Group Processes and Information Technology at thyssenkrupp and his team. How did Hanse Orga Group's FinanceSuite solve many of these problems?

Problem…

Diversified industrials major, thyssenkrupp was blighted by a disparate and highly complex IT architecture comprised of over 100 SAP ERP systems and over 150 non-SAP ERP systems. To make matters worse, these different ERPs had their own interfaces with over 2,000 bank accounts around the world. "Complexity, lack of standardisation, lack of connectivity and lack of automation created many problems," says Peter Kellner, Group Processes and Information Technology, thyssenkrupp. "This included a lack of visibility over our cash positions, the need to conduct many processes manually and an extremely lengthy and painful process whenever we needed to change anything."

A group-wide project – codenamed daproh – was launched in 2015. Focusing on data and process harmonisation, it provided the catalyst for Kellner and his team to begin solving these issues and build a global payments platform. With the company looking to move to a single instance of SAP, the treasury team had to devise a way of creating a central platform that would enable it to standardise, warehouse and utilise all the data on the disparate ERP systems. Spotting an opportunity, Kellner also wanted to move away from ad hoc host-to-host (H2H) connectivity with the banks, instead using EBICS or SWIFT to communicate with the Group's banks from the central ERP.

…Solved

Following an extensive research project into the different providers that could help thyssenkrupp achieve its objectives, Kellner and the team opted to utilise Hanse Orga Group's FinanceSuite (FS). "There were a few different options available, but what set Hanse Orga apart was that its solutions exist within SAP," he says. "We were also impressed with the user-experience its solutions offered and its high-profile client base."

To achieve its objectives, thyssenkrupp has adopted a host of Hanse Orga modules. Kellner notes that one of the key components has been the payments solution. The solution gives thyssenkrupp the ability to seamlessly connect its disparate ERP systems to the new central ERP whilst these are phased out. "The solution takes the data from the old ERP systems and converts it into a standardised format that is compatible with the latest version of SAP that we are using," explains Kellner. "This has enabled us to optimise existing processes without having to wait for the full company-wide migration to be completed."

Whilst the Payment Management solution has allowed thyssenkrupp to knit together its technology infrastructure internally, the use of the Account Statement Manager, AutoBank and eBAM solutions has driven standardisation and efficiency in how it works with its banking partners. Kellner advises that today, all bank statements sit centrally in the ERP and are processed and reconciled automatically, based on different rules set up by thyssenkrupp. Finally, they also now have central administration of bank accounts, including signature authorisations for all group companies.

As thyssenkrupp upgraded the Group's ERP system to SAP S/4 HANA 1610, Kellner and his team took the chance to upgrade to the latest version of Hanse Orga FinanceSuite, FS². "We were once again very impressed with how smooth this process was – it took place without any major issues," he says. "Indeed, throughout our partnership with Hanse Orga, we have been very impressed with its ability to meet our wishes quickly and efficiently, even when we have bespoke in-country requirements in markets like Brazil, for instance."

Kellner is keen to note that despite all the improvements gained already through its work with Hanse Orga Group, there is still a lot more to be done. "We are continuing to roll out the Hanse Orga Group modules around the world and expanding our use of them to ensure we get maximum value out of the investment," he says. "We are also looking to take advantage of some of the solutions recently launched by Hanse Orga Group, such as its embargo screening tool which enables payments to be automatically screened against sanctions blacklists before we send it to the banks, ensuring that further STP can be achieved in our payments process."

DRIVING

THE DIVERSITY DIALOGUE

On Thursday 14th October 2017, Treasury Today hosted the second New York installation of our Women in Treasury Forum. A fresh new format with fantastic, energetic panellists was the order of the day at The Pierre hotel in Midtown Manhattan.

Attendees from the world of treasury, technology and finance gathered to network, share ideas and discuss points arising from the 2017 Women in Treasury Global Study. They also came, of course, to hear from the panel, a line-up comprised of five industry experts:

- Susan Mercer, Vice President, Assistant Treasurer, Cargill, Incorporated
- Jenifer Herdin, Vice President, International Treasury, Viacom
- Mary Gilbert, Treasury Manager, Duracell
- Karen Gilhooly, Executive Vice President, Global Liquidity and Cash Management, Head of Client Management – North America, HSBC
- Eric Houser, Executive Vice President, Head of Technology, Media and Telecom Corporate Banking Group, Wells Fargo

The forum couldn't have come at a more opportune moment in the US, coming towards the end of a year of global political developments that have made the conversation around diversity and inclusion more important than ever. With women's rights, and indeed human rights, being challenged, and with female representation in the US falling at the highest government and institutional levels, now is the moment for women to make their voices heard.

The day began with a networking drinks reception and a speech from Meg Coates, Associate Publisher EMEA & Americas, Treasury Today Group, who highlighted key findings from the 2017 Women in Treasury Global Study. Three hundred and fifty-two female corporates from across the world participated in the study, which sits at the heart of the Women in Treasury initiative and maps the treasury profession's path to diversity.

The subsequent panel discussion focused on some of the key themes raised by the study respondents. Moderated by Sophie Jackson, Associate Group Publisher, Treasury Today Group, the conversation centred around what the terms diversity and inclusion really mean for a modern US corporate audience. The panel also addressed issues of visibility for women and minorities. Honing in on the specifics of corporate treasury and finance, and highlighting the stumbling blocks to greater representation, the panel's overwhelming tone was energetic and determined, with many impactful calls to action for the audience.

Women have historically faced greater barriers than men when it comes to participating in the workforce. Initiatives such as Women in Treasury are geared towards eliminating disparities and providing opportunities for women to advance within the workplace.

Eugenia Solache, Director International Treasury, CBS

Understanding diversity

After lunch, the panel discussion kicked off with an assessment of what 'diversity' meant for the panellists as modern professionals in the US. Eric Houser of Wells Fargo commented that diversity means representation and that we cannot speak of diversity without thinking of inclusion – in other words, listening to the representation around the table. He pointed out that it is one thing to get people around the table, and another thing to listen to what they all have to say.

Susan Mercer added that over the course of her 25-year career at Cargill she has seen the dialogue around diversity shift and evolve, with people now thinking more about diversity of thought and diversity of experience.

Diversity of thought – in other words, diversity in the way you think and the things that you think – and diversity of experience are good places to start in order to get diversity in teams. However she pointed out that the talent pool is still not as varied as it needs to be and there is still work to be done.

On the theme of diversity in the workplace, Karen Gilhooly of HSBC stated that an ideal working environment brings different people together and gives them the chance to share their experiences and ideas. She explained that this should mean focusing on diversity of thought, rather than an arbitrary concept of what a diverse group looks like. By looking for a certain type of individual, people run the risk of creating the opposite of a diverse environment.

Achieving visibility

Mary Gilbert of Duracell moved the conversation to focus on visibility, explaining that, for her, visibility means exposure. She went on to add that sometimes people simply work hard and hope that the hard work will be noticed. However, if they are not "kicking doors down" and showing management what they are capable of, they may miss an opportunity for advancement. In a competitive work environment, it is therefore crucial that people demonstrate their capabilities to others.

Jenifer Herdin of Viacom added to the topic of women's visibility by using the analogy of a pipeline. Talent is brought in at the start, but as women progress through their careers they start to miss key developments and promotions at a managerial level. Higher up in the organisation, men start to outnumber the women two-to-one, with representation then decreasing even further, explained Herdin.

People should ***put themselves out there*** *and* ***brand themselves*** *so that when* ***projects arise*** *they are* ***uppermost in mind.***

Different roles and different locations

Susan Mercer's career at Cargill has seen her gain experience in a wide range of roles and work in different locations over the course of her career. When asked in the panel discussion about the importance of rotation and mobility for a treasurer's career advancement, Mercer explained that there are many different roles which are integral to treasury. Having experience across cash management and debt capital markets, and having experience of different geographies, is incredibly valuable.

Mercer explained that she had also spent time working in Asia, which brought a completely different experience compared to working for a North American company based in North America. Having the willingness to experience something different and learn new skills had, she felt, been important for her career development.

Karen Gilhooly spoke of the importance of flexibility, or 'balancing', over the course of her career in banking. Gilhooly shared the experience at the beginning of her career of being placed in a role which included travelling. With none of today's communication capabilities available to her, she needed to learn from the very beginning how to balance different aspects of life. After having her first child at the midpoint of her career, Gilhooly adjusted and relished the opportunity to figure out how to balance things, making compromises from time to time.

Flexibility

The panel was in agreement around the very real importance of flexibility for all in the workplace, men and women. At different stages of people's lives and careers, they may need more or less time in the office. People may get ill; they may have responsibilities – and it is paramount that they receive the support they need from their organisations at these different stages. That is how companies can retain their talent and get the best out of their staff.

Seeking opportunities

On the subject of personal development and guidance, Jenifer Herdin's advice was to seek more opportunities and to ask for feedback. When coming out of university, people are typically used to being graded, receiving feedback and having a dialogue. Then, in the workplace, they may have just one appraisal a year, where they are subject to one person's opinion. So seeking out feedback more willingly is useful, she said.

Additionally, raising your hand for projects and opportunities at work is very important. Herdin explained that the person who raises their hand is not always the most qualified, and that many people can struggle with this. People should put themselves out there and brand themselves so that when projects arise they are uppermost in mind, she stated.

Mary Gilbert spoke of the journey not ending once you are given a seat at the table. If you have a seat at the table, you have a voice – and you should really use it, Gilbert explained. If you can't use your seat at the table in a proactive way, let someone else take the seat, she added.

Leading the way

Gilbert also shared her experiences of being mentored by inspiring professionals over the course of her career. Most memorable was when she spoke of her own work mentoring young, at-risk pupils at her old high school in Chicago. Gilbert described it as one of the highlights of her life to be able to inspire young people to use their voice and to break the mould. She spoke of a recent mentee who had historically struggled with authority but who had recently been accepted to become a police offer in Chicago. This story was greeted by a round of high fives for Gilbert from the other panellists!

Eric Houser followed up with his own experiences of working with the next generation of professionals. As is common in the technology space in San Francisco, Houser works

There was a ***passionate message*** *around the* ***importance*** *of* ***giving back*** *to* ***the next generation*** *and* ***pushing forward*** *to* ***create a better working future for all.***

alongside millennials. He explained that this generation is often described as "entitled" – but he disagreed that this is the case, noting that millennials have simply grown up in a different style and that it is incumbent upon older professionals to adapt.

He added that this millennial mindset doesn't fit the corporate environment per se, but that companies must adapt and accommodate as best they can or they will not have a workforce of millennials. The other important part of this dynamic, explained Houser, is listening to millennials. If you neglect to have the millennial decision-making perspective in your companies, he said, you are missing a very large piece of the future.

Whether seeking out a mentor or just looking for general guidance, the importance of being bold, reaching out and just asking somebody for a cup of coffee was highlighted by both Jenifer Herdin and Susan Mercer. They noted that when people are in companies where a formal mentoring programme may not be available, it can be unclear how people can take matters into their own hands.

Several of the panellists also spoke of the importance of managing upwards as well as downwards. They explained that people should ask for what they need from their bosses and give them a chance to adjust before giving up. Likewise, the panellists noted that if people encounter a problematic dynamic with any of their seniors, they should explain these difficulties.

Takeaways

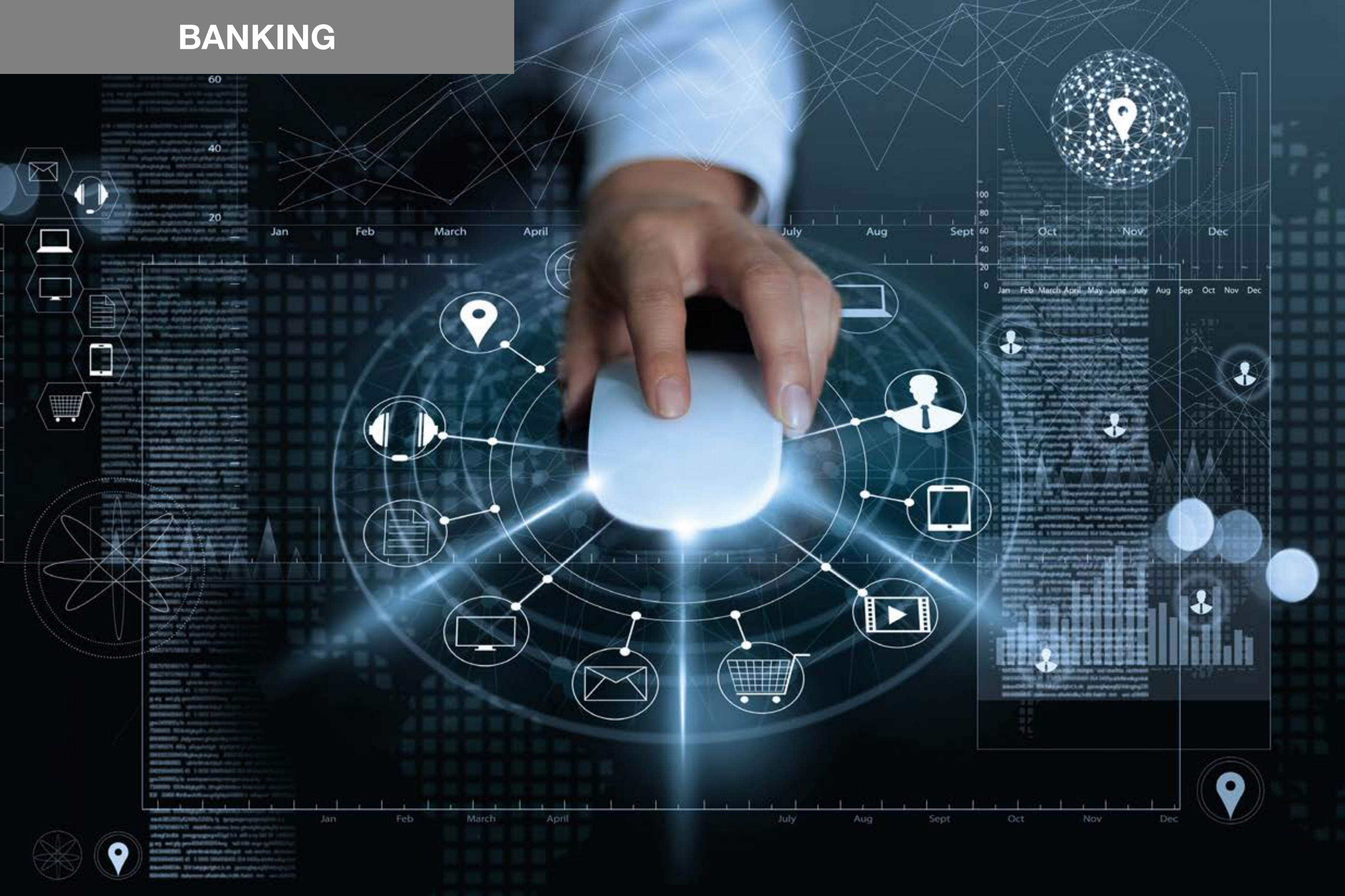
At the end of a fantastic afternoon full of inspiring anecdotes, the main takeaways from those in the room were around the importance of speaking out, using your voice and presence, and taking and earning your seat at the table. There was also a passionate message around the importance of giving back to the next generation and pushing forward to create a better working future for all.

About the Women in Treasury initiative

The Women in Treasury initiative was established to support, inspire and raise the profile of women in our industry.

The initiative now encompasses regular profiles of women in the industry, forums around the world, an annual global study and our dedicated LinkedIn Women in Treasury community. Within our Adam Smith Awards programme, the initiative also includes a Women of the Year award, which recognises exceptional female achievement in treasury. Since its inception, the initiative has evolved to encompass a wider dialogue around diversity, inclusion and equal opportunity in the corporate space.

If you would like to learn more about our Women in Treasury initiative please don't hesitate to reach out to us **wit@treasurytoday.com**



Open banking will change everything…eventually

New regulation in Europe and the UK has the potential to transform the face of financial services. Treasury Today finds out what the future might look like under PSD2 and open banking and what it all means for treasurers.

"A decade from now the banking environment will be unrecognisable," says Jonathan Turner, Partner, Financial Services at PwC, when asked what impact open banking will have on Europe's financial sector.

This is because the new rules, brought in by the European Union's Payment Service Directive 2 (PSD2) and the UK Competition and Markets Authority's (CMA) Open Banking initiative, is forcing banks to open up their IT infrastructures through application programme interfaces (APIs) to a host of regulated third parties – including their competitors. This may give rise to new business models and offer banks the opportunity to connect with the wider financial ecosystem and offer a host of innovative services to their clients.

Turner illustrates this point using the analogy of smart TVs. "When internet-enabled TVs first launched, some manufacturers allowed only one or two third parties to access them and provide services such as movie streaming," he says. "In many cases, these services eventually stopped working and many users were left with TVs that offered limited internet-enabled services."

However, as Turner explains, others allowed third parties to build and offer services through open APIs. Owners of these TVs were therefore able to access a variety of constantly evolving online services. Today, this is what most TV manufacturers offer.

"If you think about this in the context of banks, then I foresee there being some banks that attempt to continue operating much in the same way they have today," says Turner. "These will focus on innovating in-house and using their balance sheets to consume any competition."

The bullish bank's view

Bullish about the open banking phenomenon, Nordea is keen to explore how it can leverage open APIs and work with fintechs to offer new services to its clients. "Nordea sees PSD2 and open banking as an opportunity to offer better services for our customers and to become more agile by partnering up," says Gunnar Berger, Head of Open Banking at Nordea. "By sharing the development load, we can bring innovative services to market faster. I believe many banks will follow the same approach and work to develop and leverage partnerships with future service providers. Those who lag behind in this area are missing a big opportunity."

Despite this positive outlook, Nordea is cognisant that change will not happen overnight. "There is still a lot of work we have to continue with within the bank," says Berger. "We must continue to update our core system. Equally important is changing the culture in the bank to improve how we work with external partners."

Overall though, Berger is excited about the future. "PSD2, along with changing customer behaviour and general technological developments, will have a big impact on the banking industry across Europe, leading to increased competition," he says. "We expect that PSD2 will boost innovation and the creation of new services by, or in collaboration with, third parties. This will lead to the emergence of a new payments ecosystem. After a time of maturation, we believe that corporate customers who experience the benefits of open banking will start to demand APIs and openness from their banking partners elsewhere in the world."

"Then there will be those banks that actively encourage third parties to interact with their services through open APIs. It will be the latter that capture the imagination of customers and win the day, I believe."

Open banking in brief

Before exploring the impact that open banking will have on financial services, it is worth looking at what is behind the two key regulations driving it: PSD2 and the CMA's Open Banking initiative.

In 2015, the European Commission (EC) announced PSD2 to replace the original Payment Service Directive (PSD). Broadly speaking, PSD2 is intended to reflect the changes that have occurred in the payments industry because of digitisation. The aim is to make the European payments market more integrated, competitive, fair, cheap and efficient. PSD2 also sets out to improve security standards by regulating third-party financial service providers, known as account information service providers (AISPs) and payment initiation service providers (PISPs).

To achieve this, PSD2 has brought in a host of new rules that banks must comply with. The most impactful of these is the Access to Account rule, whereby customers can allow third-party AISPs and PISPs to access account data from their bank or banks through open APIs. The ASIPs and PISPs can then provide customers with a range of new services.

Launched in 2016 following a study of the retail banking landscape in the UK, the UK CMA's Open Banking initiative is similar. The regulation mandates the UK's nine largest current account providers to make customer data available to third parties. These third parties, with customer consent, can access this data to offer many different services including payment initiation and account aggregation payments. As in PSD2, this information will be shared through APIs.

State of play

With PSD2 going live in January this year, one of the most contentious issues has been the time taken to finalise and announce the regulatory technical standards (RTS). The RTS provides the rules that outline how banks should share account information, and how third parties can initiate payments under PSD2. These standards were eventually announced in late November 2017, with banks needing to comply by September 2019. In contrast, the standards for the UK's open banking were confirmed early on.

This delay has frustrated fintechs that have applied to become AISPs or PISPs. "Because it has taken so long for the technical standards to be published, the banks have rightly waited to invest significant sums into their first PSD2 offering," says James Higgins, Product Director at AccessPay. "This is frustrating for us at AccessPay as we have recently requested to become an AISP. We don't know what form the information we are requesting will be delivered in, making it hard to develop solutions for our customers."

Higgins also believes that PSD2 could have been more closely aligned with the developments in the EU's payments infrastructure. He uses the development of Australia's New Payments Platform (NPP) as an example of how it could have been done differently. "The NPP contains APIs that will allow a host of third parties to build overlay services using the rich data carried over the payment rails," he says. "The overall objective is like that of PSD2 – to drive innovation – yet it seems to be happening in a more aligned way, whereas in the EU it is all happening in silos."

The banks have likewise expressed their frustration about the delay in announcing the RTS standards. There is also some concern about the speed at which PSD2 is being implemented by EU countries into their law, with some countries already announcing that they will miss the deadline. "The goal is standardisation across Europe, but banks, in general, are still struggling to find the most optimal business models for themselves, the third-party providers and most importantly their customers," says Gunnar Berger, Head of Open Banking at Nordea.

What this means is that come 13th January 2018, the world will not have changed and we will not suddenly be able to access a host of new and exciting financial services, says Marcus Hughes, Director of Business Development, Bottomline Technologies. "In theory, PSD2 will be live, but in practice, the changes that will come with it will not be felt by the end-users of financial services until later," he says.

> Some institutions are struggling with the burden of regulation. These banks see PSD2 as just one more thing they need to do.
>
> Jonathan Turner, Partner, Financial Services, PwC

Banking impact

One of the most interesting aspects of open banking is the banking community's response to it. On the one hand, open banking poses a threat to incumbent banks and may see them lose parts of the customer relationships and, in some cases, revenue streams. On the other hand, it also provides banks with an opportunity to boost the products and services that they offer customers, potentially driving customer loyalty and creating new revenue streams.

A 2016 survey by Strategy& found that for the most part, banks in Europe were on the defensive when it came to PSD2 and open banking, with mostly negative perceptions of the new rules. Indeed, the study found that many saw PSD2 as just an exercise in compliance and a driver of cost, rather than an opportunity. Fast-forward a year and PwC's Turner believes that this remains the case for a handful of banks. "Some institutions are struggling with the burden of regulation," he says. "These banks see PSD2 as just one more thing they need to do."

Turner adds that it can be quite easy to tell which banks think that PSD2 is a burden or an opportunity by hearing about the main responsibilities of their Heads of Open Banking. "Some Heads of Open Banking focus solely on compliance," he says. "Others are focused on vision and creating the bank of the future."

Despite the reservations banks may have about open banking, many are experimenting in this area. The Strategy& survey found that 44% of banks planned to provide an open bank offering in the next five years. Moreover, 64% said they intended to integrate foreign products or functionalities into own digital offering. Forty-four percent also said they are planning to integrate their own products or functionalities into foreign ecosystems.

A brave new world for treasury?

PSD2 and open banking will clearly have a big impact on banks, but what impact will corporate treasurers, as the end users of financial services, see? At this stage, it is hard to say. For one thing, user cases are still developing, or have not yet been thought of. At the same time, the retail space is largely dominating the innovation agenda.

There are signs of what corporates can expect out there in the market, however. One area where treasury will most certainly see an early benefit is through aggregated account visibility. HSBC, for example, recently announced that it would enable UK customers to view their account balances from 21 different banking providers through their online banking platform.

Whilst this is aimed chiefly at retail customers, Bottomline's Hughes says that one of the most exciting aspects of open banking is that it brings efficient multi-banking to SMEs and middle market corporates. "Currently, only corporates on SWIFT can benefit from efficient multi-banking," he says. "Open banking and the use of APIs will bring the price of this down, meaning that smaller companies will be able to see up-to-date balances across their accounts in real-time and manage these through one portal." Hughes is also excited about what can be built on top of this foundation. "On top of multi-banking, solution providers can add sweeping, liquidity management, forecasting and the other value-add applications at a low price point to middle market corporates and SME," he says.

PwC's Turner adds that banks might even begin to offer SMEs and middle market corporates non-financial related products because of open banking. "There is no reason a bank could not offer CRM systems through its banking portal," he says. "In theory, it could even offer these companies a completely outsourced finance function, which is pretty revolutionary."

APIs: lessons from elsewhere

It can be useful to look at how APIs, which power open banking, are applied in various countries to see what else corporates might expect from open banking. In India, for example, the government has built a host of advanced API-enabled financial systems that banks can plug into. This has enabled banks to create new and exciting value propositions for their clients.

For example, Citi's Request to Pay Solution leverages India's Immediate Payment Service (IMPS) infrastructure and enables consumers to make real-time bank debits from their account using a tokenised address such as an email. For eCommerce companies selling in India, where card penetration is low, this solution opens the door to a much broader range of customers and gives them a low-cost collection method.

In China, the country which has arguably seen the biggest intermediation of financial services from technology companies, banks have been working with companies like Tencent and Alibaba to develop new collection tools for corporates. To provide one example, Standard Chartered has recently collaborated with Tencent's WeChat Pay to create a one-stop online collection solution for corporates in China. This allows eCommerce companies in China to reach over 800m consumers in China and benefit from improved reconciliation and payment processing.

Thinking ahead

Whilst it will take time for the new rules mandating open banking in Europe to take hold, these are clearly exciting times and a lot of change is expected over the coming years. It is unlikely that treasurers will need to make any major changes right away. However, by gaining a clearer understanding of their banks' open banking strategies, treasurers will be able to find out whether their providers are fully embracing the opportunities. And as new and innovative solutions become available in Europe, it will then be up to treasurers to understand how these solutions might add value to their businesses.

HANSE ORGA GROUP
FINANCE PROCESS AUTOMATION

Turning poor data into rich information

Treasury often has all the data it needs just out of reach within its ERP system. Whilst this can prove frustrating, forward-thinking treasury teams are tackling this issue by using a host of new digital tools that are enabling them to access this data and improve the effectiveness of the treasury function.

Alexander Schulze
Cash Manager Europe
Nordson Holdings

Ralf Irentschiuk
Director Solutions Strategy Receivables
Hanse Orga Group

The treasury team at Nordson were acutely aware that much of the data it required to achieve its objectives of being a professional, innovative and core partner to the business sat within their ERP system. The frustration, however, came from the fact that much of this data could not be used because it was either inaccessible or of poor quality. As a result, Nordson was obliged to work with an incomplete data-set, and forced to manually carry out many tasks that it knew could be automated. This was time-consuming and created unnecessary risks.

A series of events sparked by the global financial crisis forced Nordson to reconsider how treasury uses technology. "The objective was to streamline our financial processes by creating a system-driven workflow to allow us to better support business and inform management decisions," says Alexander Schulze, Cash Manager Europe at Nordson. "Given that we are present in nearly 40 countries around the world, it was vital that we had a single global solution that was embedded into our ERP system to drive consistency in the data. We were also keen to ensure that the new system worked as a platform that we can easily update when our business requirements changed."

The full package

To achieve this, Nordson partnered with Hanse Orga Group, leveraging the vendor's FinanceSuite (FS) for SAP. "We analysed multiple providers in the market and found that Hanse Orga Group's solutions most closely matched our requirements," says Schulze. "We quickly got to work, rolling out three solutions that today make up the core treasury technology infrastructure."

FS AutoBank

Following an extensive master-data clean-up and streamlining of many of its processes, Nordson rolled out the FS AutoBank solution for all of its entities in Europe in 2013. The solution gives treasury full visibility over its cash flows by reconciling all bank balances once statements are imported into SAP. With the high automation rate of FS AutoBank (increased from 45% to 85%) Nordson improved the accuracy of the overall process and reduced the manual effort and risk of human error which blighted Nordson in the past.

The improved posting quality and the shortened process cycle time (reduced by 50%) are the optimal bases to provide best data for all relevant cash management and treasury activities.

FS Payment Management

Immediately after the rollout of FS AutoBank, Nordson turned its attention to Hanse Orga Group's FS Payment Management module. The solution enables the company to be SEPA compliant. Nordson was also able to centralise all its payment authorisations in one single platform, fully embedded into SAP. "Today we have six signatories and three people running all of our payments, down from over 100 previously," says Schulze.

FS Cash & Liquidity

With precise data now coming from FS AutoBank and FS Payment Management, Nordson could roll out the third solution: FS Cash & Liquidity. This centralises and consolidates cash, liquidity and treasury management functions in one tool. "We get instant cash information for all European operations via SAP, AutoBank and Payment Management," says Schulze. "This has given treasury a unique view of the SAP environment allowing us to provide sufficient liquidity to the business when and wherever it is required."

Pushing ahead

The use of these solutions has delivered a host of benefits to the Nordson treasury that have enabled it to become more automated, efficient and effective as a strategic partner to the business. Schulze highlights that they are not resting on their laurels, however, and are keen to continue pushing the boundaries of technology. "The next step is to move from FS to the next generation FS²," he concludes. "We are also considering additional Hanse Orga Group tools that could add value, like FS² Analytics, which provides comprehensive business intelligence and a central overview of key performance indicators. Moreover, we will look at their new tools for credit management, disputes and collections."

If you missed the webinar and would like to hear the full recording this is available at ***treasurytoday.com/webinar/previous-webinars***

Window of opportunity

Treasurers are taking advantage of favourable market conditions for debt financing – but which funding routes are most attractive in the current market? And with the ECB beginning to wind down its quantitative easing programme, how long will the current window of opportunity remain open?

Raising finance is a key part of the treasurer's job – and the good news is that despite potential headwinds such as the ongoing Brexit negotiations, funding conditions continue to be favourable. Published in October, the Q317 Deloitte CFO Survey found that large corporates have easy access to credit, with 80% stating that new credit is somewhat available or easily available and 90% saying that new credit is cheap.

"Markets are extremely strong," comments Richard King, head of UK&I, Nordic, and Benelux Corporate Banking at Bank of America Merrill Lynch, who focuses primarily on investment grade and implied investment grade businesses. "So our clients currently have an enormous amount of choice when it comes to raising finance."

Why are markets favourable?

There are a number of reasons for these robust conditions – not least of all the continuing low interest rate environment, despite recent rate increases in the US and the UK. "The expectation is that interest rates will go up over the next 12 to 18 months," comments King. "But obviously that is against a backdrop of very low levels – so the absolute rates that clients can raise money at are still incredibly competitive."

Likewise, news that quantitative easing is drawing to a close in Europe has not had a negative impact on the credit environment, says Fenton Burgin, Head of Deloitte's UK Debt Advisory team. "The ECB is saying that it will gradually unwind quantitative easing this year," he explains. "But the pace of that unwind is going to be relatively slow, and the ECB will be very focused on making sure it doesn't stave off the current recovery in GDP in continental Europe."

Taking advantage of positive conditions

Corporates are making the most of these favourable conditions. King notes that bond issuance in the UK has been "very strong" in the last year, with many large UK corporates taking advantage of benign markets and strong conditions to raise funds from the debt capital markets at competitive levels.

As of mid-December, UK/Ireland debt capital markets volumes across all currencies were US$93.6bn, compared to US$81.4bn in the same period in 2016, according to Dealogic figures. "This speaks to the desire for UK corporates to take advantage of current market conditions and issue early and ahead of potential Brexit uncertainty in 2018/19," notes King. European corporate bond issuance, meanwhile, was on track for a record year, boosted by the ECB's decision to begin purchasing corporate bonds directly in March 2016 as part of its quantitative easing programme.

Impact of M&A

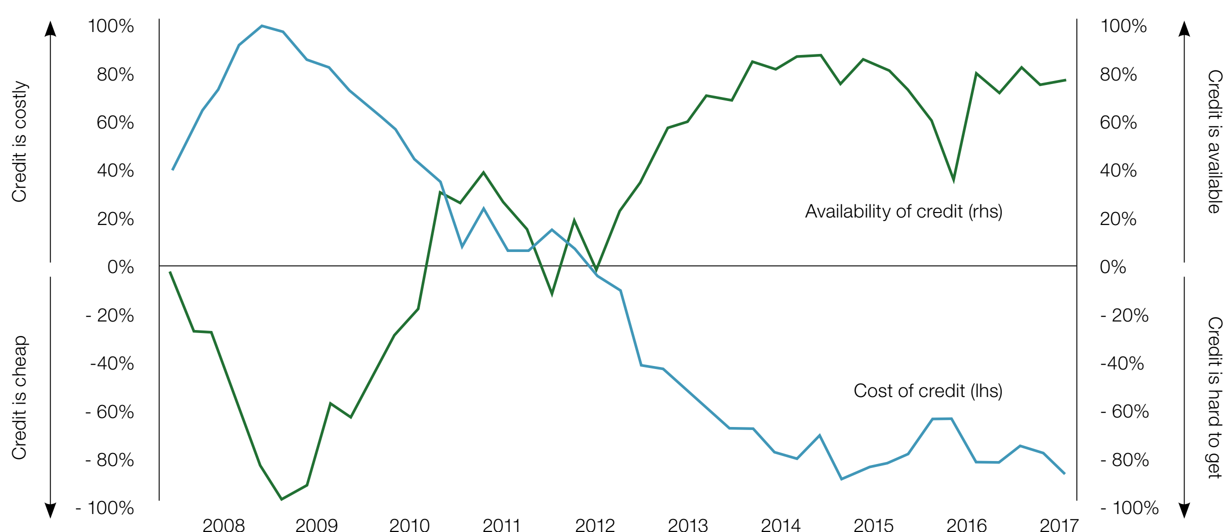
In some cases, issuance has been driven by M&A activity: high profile deals in 2017 included Reckitt Benckiser's US$18bn acquisition of Mead Johnson and BAT's US$49bn purchase of Reynolds American.

Burgin says that conditions are set for corporates to look seriously at M&A this year. "With very high cash balances sitting on corporate balance sheets, there is going to be a lot of pressure from shareholders to grow – and growing organically, when compared to M&A, looks quite a slow proposition," he notes.

At the same time, Burgin predicts that larger corporates will expand the range of M&A that they are looking at in order to drive shareholder return. This is leading to a growing focus on corporate venturing, whereby corporates invest directly into startup companies. "Essentially, when large corporates are sitting on cash in a low interest rate environment, the return on that cash is low," says Burgin. "We think there will be an increase in corporates participating in M&A processes where they are essentially looking at investments in the same way that a private equity firm would."

Chart 1: Cost and availability of credit

Net % of CFOs reporting credit is costly and credit is easily available



Source: Deloitte Q317 CFO Survey

Pre-emptive action

In other cases, corporates have been pre-emptively raising finance while conditions remain favourable. For example, King says that many of the bank's clients have been raising funding from the debt capital markets in order to increase their liquidity levels, or to pre-fund debt maturities that are coming up over the next two years.

This may be at least partly driven by a sense that there is a window of opportunity which will not remain open indefinitely. "With interest rate expectations starting to tick up, and likely to do so through 2018 certainly in the US, corporates who need additional liquidity are looking to raise it now, before the rates go up further and while markets are strong," says King. As a result, he explains, some corporates have been raising more liquidity than they actually need: "Since the financial crisis, corporates have learnt that you can never have too much liquidity. They've spent the last few years tidying up their balance sheets, so their leverage levels are very low and they have plenty of debt capacity, but they are also ensuring that they continue to increase their liquidity levels."

Indeed, George Dessing, Senior Vice President Treasury & Risk at Wolters Kluwer, says that in early 2017 the company refinanced a €750m bond, due to mature in 2018 at approximately 6.4%, with a new €500m ten-year Eurobond at 1.5%. He adds, "this allowed us to use the attractive rate environment to lock in long-term funding."

John Feeney, Head of Global Corporates at Lloyds, agrees that corporates currently have plenty of access to liquidity, with funding models which provide a certain amount of flexibility in case of future uncertainty. "We don't see corporates locking themselves into one specific approach," he says. "It's much more a case of keeping the appropriate level of flexibility in their funding models and ensuring there's ample access to liquidity, to be well prepared for the uncertainty that people are expecting."

Funding options

For corporates looking to raise finance this year, a number of different funding routes are available, from bank loans and bond issuance to direct lending.

Bank borrowing

Deloitte's Q317 CFO Survey found that 85% of respondents rated bank borrowing as very or somewhat attractive as a source of external funding for UK corporates, whereas corporate debt was rated attractive by 80%. Indeed, the survey shows that bank borrowing has largely been seen as more attractive than bond issuance for the last three years – whereas corporate debt had the edge earlier in the decade.

King says that bank term funding has seen something of a comeback in the bank market over the last 12 months. "After the financial crisis, we went through a phase where clients were mostly doing bridge-to-bonds," he says. "Meanwhile banks have been more stretched in terms of their own balance sheets over the last few years. That's now starting to stabilise, and we're seeing a re-emergence of bank term funding." King adds that there is no shortage of supply: "Aside from some particularly large M&A financings last year, M&A activity was fairly subdued overall, so there is something of a pent-up demand on the bank side to provide loan financing to clients."

Again, some corporates are taking advantage of the current window of opportunity by refinancing their existing revolving credit facilities in order to extend their maturity profile. "A lot of refinancing activity was done two or three years ago, and generally the revolving credit facilities have maturities of five years," King explains. "So a lot of clients are now looking to extend those maturities with two or three years to go – partly because they are being conservative in terms of their debt maturity profile, and partly because they are taking advantage of strong market conditions."

Bond markets

According to the Deloitte survey, 86% of respondents said that now is a good time to issue corporate bonds. Looking ahead to the coming year, Burgin says key questions for the bond markets will focus on the pace of inflation and how quickly interest rates rise. "Generally, as interest rates rise, bond prices fall to increase yields," he explains. "In a rising interest rate environment, you will typically see bond yields rise to match that rise in underlying interest rates."

Choosing the right funding source

Bank loans and bonds naturally have different characteristics, so corporates have to factor in a number of considerations when deciding which route to choose. King points out that the bank term loan market provides a certain amount of flexibility. A bond is raised for a specific period, with a breakage cost typically payable if a company wishes to change the maturity. A bank loan, meanwhile, has more flexibility when it comes to early repayment.

In practice, King points out that companies are likely to make use of a number of different funding routes. "They may have a revolving credit facility for general liquidity. They may have a term loan to help their short-to-medium term financing, which they can repay depending on cash flow over the next few years. And they may have longer dated bonds for more permanent capital requirements. It's possible to build a nicely mixed funding profile between those markets."

Another point that treasurers need to consider is what the right currency mix is for their businesses, particularly in light of the impact of Brexit on sterling rates. "Considering what is the right currency mix of your debt to provide a natural currency hedge for your international business is definitely more important in this different FX world," comments Karlien Porre, who leads Deloitte's UK Corporate Treasury Advisory team.

King adds that while treasurers can enter into swaps in order to match the currency they are looking for – for example, by raising financing in the dollar market and then swapping it to euros – they are increasingly trying to match their underlying currency to their financing needs. "They will still do swaps, because some markets will be cheaper than others at any particular time, but they are trying to provide a more natural hedge when they can," he explains.

Chart 2: Cheaper borrowing costs

Yields on euro-denominated bonds dropped to record lows in 2017

Source: Bloomberg Barclays index data

Consequently, he says, the last six months have seen a pick up in terms of companies using index-linked bonds to shield themselves from the impact of inflation. "We think that trend will continue as people perceive that inflationary pressure might build back into both the UK and European economic landscape," he adds.

Another factor is the ECB's plan to wind back its quantitative easing programme. Burgin points out that while bond markets are strongly driven by the QE programme at present, the unwinding process is expected to be gradual – so "that mass of liquidity is going to continue to prop up the European bond markets, making them highly attractive for issuers and keeping rates at close to record lows".

Conversely, in the US Burgin predicts that yields will continue to move slowly upwards off the back of the US economic recovery and anticipated interest rate rises, which will "inevitably widen out the gap between US and European rates". He notes that this is a somewhat unusual situation: "Traditionally US markets are lower cost than Europe, so the fact that the ECB is continuing with its quantitative easing programme is actually going to keep the window of cheap finance open in Europe for the next nine to 12 months."

In Asia, meanwhile, different trends and catalysts are coming into play. "Historically, Asian companies are bank funded," says Gourang Shah, Head of Treasury Services Solutions for Asia Pacific at J.P. Morgan. "So if you want to get a better distribution, it may be important to add bonds to the capital structure. As Asian companies grow, they are getting more exposure to best practice in capital structure and are raising more money."

At the same time, Shah says that Hong Kong is trying to position itself as a viable option for Asian companies to look at in addition to the UK or New York. "Historically, IT companies in India have tended to raise money in Europe or New York – these locations may come with more liquidity and a better regulatory environment." More recently, Shah says that the arrival of dim sum bonds has proved to be a good step towards creating a market in Asia for RMB. He adds that progress is also being made in the regulatory environment and in making sure investors feel comfortable with the jurisdiction.

US private placements and beyond

Beyond bank lending and bond issuance, King says that many UK companies have been accessing the US private placement markets. "Clients can raise as much as a billion dollars or more from that market, without having to go to the public markets, at very favourable rates and a range of maturities," he comments.

Burgin says that he anticipates more direct UK private placements, whereby companies go directly to insurance companies to do a bilateral deal, in contrast to the traditional bank-led private placement route. "We are seeing more and more insurance companies saying they are happy to look at direct deals," he notes.

Another notable trend is the rise of direct lending, particularly in the mid-market space. Burgin says Europe is moving towards a US model, in which funds and non-bank lenders are the primary source of capital for the mid-market, rather than banks.

"Essentially, there has been a flood of insurance company money, private wealth money and specialist debt investors looking for yield in a low interest rate environment, where gilts and treasuries are yielding low returns," Burgin explains. "In the US, these lenders provide the bulk of capital into the mid-market – and we think Europe is transitioning rapidly to that sort of model."

In conclusion, while rising interest rates and the winding down of QE in Europe may affect funding conditions over the course of this year, it's clear that there are plenty of opportunities currently open to treasurers looking to raise finance. As Porre observes, "Treasurers who are currently looking at their annual or five-year funding plans really have a wide range of options to consider."

Four million rooms with a view

Dheeraj 'Raj' Chadha
CFO

For almost 20 years, Dheeraj 'Raj' Chadha has overseen the financial activities of UK-based global connectivity solutions group, TeleAdapt. With the business having secured approved supplier status with some of the world's best-known hotel brands, his approach is clearly paying off. Treasury Today learns the secret of his success.

Founded in 1992, UK-headquartered TeleAdapt has under its belt a quarter of a century of experience in designing, manufacturing and supplying connectivity products to the global hospitality industry. From the smallest boutique hotels to the largest multinational groups, the firm has delivered high-speed internet, power, docking and multi-media products to over four million hotel rooms worldwide. It has operations in the UK, USA, China, Hong Kong, Singapore, UAE and South Korea.

In almost two decades in the finance function of TeleAdapt, CFO Dheeraj 'Raj' Chadha has seen his role "change dramatically". But then that is hardly surprising. Despite its global outlook, the business retains its compactness, which tends to expose Chadha to a lot of different and rapidly evolving areas within the business, way beyond the usual finance remit. Close involvement in manufacturing, operations and sales and marketing, for example, brings the kind of perspective, understanding and connection that finance professionals in much larger companies are only now actively seeking.

Indeed, the degree of diversity experienced by Chadha in his working life leads him to suggest his daily routine is "similar to running a business by yourself". Not that it is routine. "It's a

good challenge," he states, "every day is different so it can be like firefighting".

With Brexit looming, there is no shortage of fuel. "When you do most of your buying and selling in US dollars but you are headquartered and consolidated in the UK, and your biggest expenses – director and executive salaries – are paid out of the UK, that referendum has painted a whole new picture for us in terms of currency management."

It is as well that Chadha has the drive to keep ahead of the game. He arrived in the UK in 1994 via Malaysia, where he worked for the former Coopers Lybrand (now PwC). His initial goal was to complete his Association of Chartered Certified Accountants (ACCA) qualifications (he is now a Fellow Member) before embarking on an MSc in Finance.

He gained practical accountancy experience with a number of firms in different sectors before spotting an opening for UK financial controller at TeleAdapt in late 1999. He has since taken on the roles of Group Financial Controller and Group Financial Director, alighting on his current position of CFO in 2007.

Cash management is king: emails are a curse

Today, as a key player in a global concern, Chadha's morning activities are principally around core cash management. This flurry of activity is always preceded by a wave of emails. With up to 300 a day, "it's the bane of my life", he says.

Many are relatively simple, merely seeking approvals for expenditure. There is an opportunity for the adoption of new technology here, admits Chadha. He envisions some kind of automation, exploiting the connectivity of his predominantly Microsoft-based global unified finance architecture. It is far from a done deal though.

"I could spend thousands developing a new system to avoid a few emails, or I could spend it developing a new product which will generate new revenues," he muses. "When you are a small company, you have to make decisions like that – and the product is almost always more important and eventually we hope we can make enough from that to afford new systems."

In the meantime, whilst he accepts everybody is distracted by emails and other electronic communications, he is on a mission to persuade people to 'cut to the chase', making their point clearly and quickly. It's a simple request that would benefit most time-poor CFOs and treasurers.

Involvement in other everyday financial processes is kept to a minimum for Chadha. "I don't even look at the accounts, except when I'm presenting to the board," he says. To assist with day-to-day processes, he has a trusted team of nine, with some additional operational support, in locations throughout the world, one of its most noteworthy outposts today being China.

Chinese puzzle

The nature of TeleAdapt's business has seen most of its manufacturing shifted to Dongguan, an industrial city in China's Pearl River Delta. Despite the significant sales opportunity that TeleAdapt China presents, the all-too-common issue of product copying needs an experienced hand to keep matters on track. Chadha spends a lot of time here.

Much of the copying is carried out not by competitors but by local customers and resellers of TeleAdapt's products. "There is a level of trust when a contract is signed with a reseller in any country, that they possess a high level of integrity and won't take your product and copy it," says Chadha. "But sometimes that trust is abused."

Counterfeit products use the cheapest components and lack any kind of certification so can be sold at a fraction of the price. This has been an issue for a long time and certainly since the early 2000s when China started opening up. Whilst more stringently applied legislation on copyright and patent has been introduced, taking on a lawyer and going through what will be a long drawn out process risks "exorbitant costs". For this reason, Chadha resignedly says that "if someone wants to steal a little bit of your market share, let them".

It is not possible to stop people copying products anywhere, and certainly not in China. But Chadha is naturally more upset by those who choose to abuse the relationship. "They will sell it to customers [hotels] to which we have done all the marketing, they will use our resources and contacts, taking away our bread and butter."

Somewhat sanguine about the affair, he understands that the costs in legal fees and management time can usually be made up by new sales elsewhere. With China likely to become the biggest hospitality market in the world in the next decade, TeleAdapt directs its effort towards this more positive approach, keeping ahead of the crooks.

It's not entirely a free play though, says Chadha. China is a difficult market to penetrate because away from the large international chains, its hospitality communications sector is driven largely by price and 'who you know, not what you know'.

Indeed, the peculiarities and cultural mores of the Chinese market are something that must be learnt and cannot be easily side-stepped by foreign businesses. "Having worked in China for so long, I have come to the conclusion that you just go with the flow," he says. "It has evolved a lot over the years and it still has a long way to go. But the money is there."

Cash management in China comes with its own concerns too, not least around fraud, admits Chadha. "We have to be very wary of suppliers changing their bank details and telling us to pay somewhere else; it happens quite frequently."

To try to mitigate the risk, TeleAdapt carries out a lot of research on everyone it deals with. Information is available through its contacts in the international banking system. Working mainly with HSBC and, to a lesser extent, Bank of China, these institutions actually expect a high level of due diligence and a co-operative approach from clients when seeking to legitimise transactions.

But as highly regulated institutions, they offer a high degree of transparency in a sometimes-cloudy market, Chadha saying he tries not to use the smaller domestic Chinese banks. He also steers clear of cash transactions wherever possible. This too is not always easy, as China is "a lot more cash-based than anywhere else we operate".

Middle Eastern promise

With an operational base in Dubai, Chadha says the Middle East region can also be "tough", especially when sending monies from abroad. In Saudi Arabia, for example, the legislative approach to fraud and corruption has been

re-invigorated with the passing of a Royal Decree on 4th November 2017. "If you send a commercial payment in the Western world, the banks will generally not ask questions. In the Middle East, you now have to state the purpose of payment or it will just bounce."

With the assessment that the region's banking system is "a bit outdated", Chadha explains that many banks have "a different view on time management". The expectation that something will be done quickly will often lead to disappointment, he says. For a small company this can be a problem.

It would not be unreasonable to expect that a bank guarantee, for example, should be turned around in a few days by a Western bank. "In a UAE bank, it might take three weeks. If it is for a sizeable amount that delay could affect your cash flow position and the health of the business." In trying to avoid the risk, some companies in the region still use post-dated cheques or partial deposits. TeleAdapt has learnt that it is best not to offer credit to any business outside of UAE. "It's hard to turn away business but you have to protect yourself."

As with China, the business opportunities in the Middle East are plentiful, says Chadha. But in a tough economic environment, where margins are squeezed, it is essential to go into every deal with your eyes wide open. "You might never recover your money. We have been bitten across the years; unless you want to spend a long time in the courts, throwing good money after bad, there is no point chasing it so we don't let it get that far."

A good CFO is…

The demanding nature of the CFO role requires dynamism and creativity. To be truly effective, it also requires the incumbent "to get out there as much as possible", says Chadha. This means a lot of networking and membership of relevant associations. He regularly goes to seminars and conferences because by meeting and talking with new people, the possibility of learning new ideas and ways of working increases exponentially.

In fact, Chadha believes that everything you do, both personally and professionally, can have an impact on the way you approach your work. Creating an industry presence attracts invites to events, from which more experiences and learning may be gained. "It's entirely possible to creatively integrate ideas from other sectors and industries into my work, helping me to think through problems and to evolve the business," he says. "Getting out and about enhances your creativity; staying in the office will not give you the exposure and the opportunity to learn."

Learning confidence

Formal education has an important role to play for all financial professionals. "It gives you a reliable structure and a first foothold in your career that you can always come back to," Chadha says. But he feels that education should never stop and is an advocate of Continuing Professional Development. This uses skills, knowledge and experience, gained both formally and informally, to help evolve a career path, even for those at the most senior levels.

Topics such as regulation and legislation, technology and treasury practice should be regularly updated anyway, but for senior finance executives keeping the team up to speed is also important. "I like them to keep an open mind, to go to

Getting out and about enhances your creativity; staying in the office will not give you the exposure and the opportunity to learn.

events and to get out there too," says Chadha. "It helps build confidence; if you are confident in what you say and do, people are more likely to buy into it."

With a firm belief that people should have recognition for a job well done, he keeps the TeleAdapt finance team in regular contact, with a call at least once a week. "And I make sure I listen to what they say and not just bark at them," he reports.

Soft skills

As a global business there are many language and cultural hurdles to overcome. Although he speaks English, Cantonese, Mandarin, Hindi and Malay, he feels that well-developed 'soft skills' are essential to keep staff motivated and happy. "As CFO, I rely heavily on them. I want them to feel responsible and be part of the business because if it grows and does well, we all grow and do well!" But he is adamant that the ability to read people and make good judgements does not come from sitting behind a desk: "it comes from travelling and meeting people".

Having been nominated for the UK FD of the Year 2016, Growing Business Category, Chadha feels that formal awards such as this – and Treasury Today's own Adam Smith Awards – offer the kind of industry recognition that further builds confidence and adds to overall satisfaction.

Keep it real

With almost 20 years in the same company, some people may stagnate. But Chadha still has a thirst for knowledge and driving ambition, feeling that he is in the perfect training ground to one day run the entire business.

For those just starting out, the advice from one who knows is to always be honest and retain your integrity. "Actions will always speak louder than words so if you promise something, you do it." Feeling that so-called millennials are often too absorbed with technology, he argues that it will be "your presence and personality" that will win through in the end.

Beyond the world of work, Chadha is a serious tennis fan, a movie buff (with an aversion to the horror genre) and, as a hospitality professional with regular trips to Vegas and Macau, likes the occasional visit to the tables. But he is first and foremost the bon viveur. He enjoys good food, fine wine and meeting people from all walks of life.

For the past 20 years he has been a principal player in a business that helps people keep in touch when they are far from home. With Chadha's obvious vision and energy to keep things moving forward, there is clearly room for another 20 years at the helm.

treasurytodaygroup

Talking Treasury Forum

Working together and thinking differently:

charting a course for treasury management in Asia Pacific

Over the past decade, treasury management in Asia Pacific has undergone an evolution as the role has become more strategic and more closely aligned with the business. With a variety of forces creating a host of new opportunities and challenges for treasury teams we wanted to discover what the future will look like. To do this, Treasury Today Group brought together six of the region's most senior corporate treasurers and transaction bankers to discuss the big trends in corporate treasury at the 2017 Talking Treasury Forum in Singapore.

Participants

Randy Ou
Vice President, Treasury

Mark Evans
Managing Director, Transaction Banking

Chye Kin Wee
Head of Transaction Banking for Asia Pacific

Rajesh Mehta
Asia Pacific Head, Treasury and Trade Solutions

Stephen Hogan
Vice President, Regional Treasury Asia Pacific

Chris Emslie
Asian Regional Treasurer

Moderator

John Nicholas
Research Director
treasurytodaygroup

Randy Ou

“From a treasury perspective, these are exciting times because we see more and more new technology coming in, and stakeholders working together to make the industry more efficient. This will ultimately give treasurers tools that enable them to do their jobs better and support the business more effectively.”

Corporates, what is your outlook for 2018?

Randy Ou, Vice President, Treasury, Alibaba Group: At Alibaba, we are very optimistic and excited about the year ahead. As an organisation, we are growing extremely fast and there are lots of growth opportunities for us around the world.

From a treasury perspective, these are exciting times because we see more and more new technology coming in, and stakeholders working together to make the industry more efficient. This will ultimately give treasurers tools that enable them to do their jobs better and support the business more effectively.

Chris Emslie, Asian Regional Treasurer, General Mills: I am new to the role at General Mills and have been tasked with building the Group's Asia treasury operation. As a result, the last few months have been quite challenging: I've been learning about the business and have put in place a plan for how we can become efficient and enable the business to grow here in Asia.

In terms of the coming year, I am optimistic. Asia remains a growth area for our business and will therefore continue to be a key market. My focus will be on getting the basics right by putting in place new treasury platforms and creating a more streamlined banking group. Where treasury is concerned, we will basically be coming out of the dark and into the light.

Stephen Hogan, Vice President, Regional Treasury Asia Pacific, Deutsche Post DHL Group: I concur with Randy and Chris, as I am also positive about the coming year. As an organisation, we have been very focused on the core pillars of our 2020 strategy. Treasury has an integral part to play in that and has been heavily involved in the areas of eCommerce expansion, particularly in emerging markets. This will continue into 2018.

On top of that, the more traditional treasury requirements will continue to hold my attention, such as the expansion of our payment factory across Asia Pacific. This is all about standardisation around payments and gaining greater visibility over our cash.

What about the banks? What are your key priorities for 2018?

Mark Evans, Managing Director, Transaction Banking, ANZ: Our main area of focus is making sure that the data we have within the bank is robust, so that it can be applied in a variety of different ways to add value to our customers.

On the one hand, this is a cost saving exercise which is designed to simplify and create efficiency in our back office.

On the other, and most importantly, we are doing it so that we can understand our customers and their needs better. Once we have this information, we aim to provide customers with insights they might not otherwise have and help them achieve their objectives.

Chye Kin Wee, Head of Transaction Banking for Asia Pacific, BNP Paribas: Our priority remains putting our client interests first. Our focus next year – and over the coming years – is on the customer journey and making it more efficient and intuitive. In the next two to three years, we are investing €3bn in digital transformation globally and in reimagining our processes and how our clients interact with us. At the same time, we are working with our clients to co-create new solutions and add greater value to what they are doing.

Rajesh Mehta, Asia Pacific Head, Treasury and Trade Solutions, Citi: Facilitating our customers' eCommerce ambitions is our number one priority in 2018. This is a huge growth area for the bank and it aligns with the revolution that Asia is going through at present, from people's growing affluence and spending power to the emergence of faster payment systems. By 2020, every single country in Asia, barring Bangladesh, is going to have a faster payments system in place. This is game changing and creates a tremendous opportunity for our clients to tap into the spending power of people who have access to money but no means of shopping online. We want to facilitate this growth.

In addition, we will be focusing a lot on our client advisory services so that we can help corporates navigate the changing landscape and make more informed decisions. As is the case with all banks, we will also be simplifying our operations.

To the corporates in the room, do these areas of focus align with what you want from your banking partners?

Stephen Hogan, DHL: I fully agree with the point about the rapid growth of eCommerce in Asia and this is a crucial area for our business. For treasury, a key objective of our eCommerce strategy is driving cash out of our processes, which is not easy in many markets, especially if there is not broad card penetration.

We are really looking to our banks to help us embrace the new wave of digital wallets. The challenge for our business – which in Asia Pacific spans 130 entities across 41 countries – is finding a provider who can support us with connectivity and standardisation across all these markets. We do not want lots of individual solutions.

Rajesh Mehta

"By 2020, every single country in Asia, barring Bangladesh, is going to have a faster payments system in place. This is game changing and creates a tremendous opportunity for our clients to tap into the spending power of people who have access to money but no means of shopping online. We want to facilitate this growth."

> Many fintechs have very good solutions that work in certain markets, but they are often plug-and-play products. When you are a large organisation with shared service centres and a multitude of finance departments in different countries, that plug-and-play is not a natural way of operating and does not align with everything else within the organisation.

Chris Emslie, General Mills: I agree, and this goes back to one of the key things that every treasurer is looking for: simplification. We treasurers are lazy and crave efficiency. We do not want these new technological trends to overcomplicate our lives.

On Mark's point regarding banks knowing their customers, I think this is crucial. We want our banks to know which markets we are in, what we are trying to achieve and what the journey is – often this is not the case today. Once they have this knowledge, we can then plan together for how we best move forward. Going beyond that, we want our banks to tell us what we can do better. Suddenly it goes from being a buyer/supplier relationship to being a genuine collaboration.

Rajesh Mehta, Citi: I completely agree with this. One thing we are seeing from our clients – and they are explicit about this – is that they want ideas, rather than just solutions. This is very different to what banks have traditionally provided.

We have developed a host of tools designed exactly for this need. As a result, we are able to take our clients' KPIs, run some quick analytics on the data and tell them which solutions are available to help them meet their objectives. We are also able to benchmark their data against their peers in a variety of different ways.

Randy Ou, Alibaba: It is interesting to hear the banks' plans for the year ahead because I see a huge opportunity for them to bring new solutions to market that will be readily adopted by corporates.

There is a lot of talk about fintechs and the exciting solutions that they are developing. But as a treasurer, I must make my manager comfortable with any solution that we adopt. Will they let me use a fintech company to process billions of dollars' worth of transactions? This is a hard sell, no matter how impressive the solution. It comes down to trust.

This is where I see the greatest opportunity for banks, because if they can acquire, white label or develop solutions that offer the speed and convenience of the fintech solutions, then corporates may be more willing to adopt these. If a fintech company has a product we like, and a bank has a similar product, we will probably pick the bank.

Stephen Hogan, DHL: I agree. Many fintechs have very good solutions that work in certain markets, but they are often plug-and-play products. When you are a large organisation with shared service centres and a multitude of finance departments in different countries, that plug-and-play is not a natural way of operating and does not align with everything else within the organisation.

> We treasurers are lazy and crave efficiency. We do not want these new technological trends to overcomplicate our lives.
>
> Chris Emslie, Asian Regional Treasurer, General Mills

In the past, when we have implemented traditional payment solutions, the banks' ability to deliver implementation teams and customer service has been very important. In my view there is an advantage there if the banks do not try to out-and-out compete with fintechs, but act as the facilitator and gateway to their solutions.

Mark Evans, ANZ: Could I just make one more comment on that? I think that banks got it wrong in terms of how to address the fintechs over the previous few years. We regarded them as disruptors that were going to 'eat our lunch'.

What has changed in recent years is that we now see the value in fintechs and banks working together. As a consequence, we now speak to them and go, 'OK, that is a really good idea, I can see the applicability of that. Now how am I going to roll that across 34 countries and 50,000 staff? And by the way, I am a regulated entity'. Many of them then look at you and go, 'Sorry, how do you spell regulated?'

So therein lies the difference. I hope corporates are going to find that across the industry, we are starting to get it. The fintechs bring innovation that we are not necessarily equipped to do – we are banks, and that generally means that we are trusted, but it does not mean that we are the most innovative.

With all that being said, how do you as corporates go about picking your banks?

Randy Ou, Alibaba: Aside from traditional factors like product, service, pricing and technology, one area that stands out to me is collaboration. I want my international banks to be ready and willing to collaborate with others in the ecosystem, such as other international and local banks. International and local banks should not be competitors in the B2B space; they should act together and then provide a good solution for the corporate treasurer.

To expand on this, what I am looking for is for my banks to have a platform strategy mindset, akin to what some internet companies have done. This means that we make a product or service that we feel is good enough and then we open it up to the world to connect to. We cannot and should not do everything by ourselves, and welcome industry players to participate together. This sparks innovation, drives scale and brings the whole world forward.

In the financial services industry, we find that this platform mindset is not there. Instead, banks tend to think they are a powerhouse or the best global bank. But you are competing with the future and you can't remain that big – it is too costly. That is why I will prefer banks that have a platform mindset because I believe these will be the ones that win out in the years to come.

Chris Emslie, General Mills: I have been quite outspoken about this, the banks have all got the same products and capabilities. Therefore, over a period of time, it has become less about products and services and more about the relationship. Yes, we still talk about service and about pricing, but it is about the relationship.

Personally, I want a strong partner who understands my business and knows how to take it forward. I also want to be able to pick up the phone and say, 'We have got this

Chris Emslie

> I have been quite outspoken about this: the banks have all got the same products and capabilities. Therefore, over a period of time, it has become less about products and services and more about the relationship. Yes, we still talk about service and about pricing, but it is about the relationship.

problem; how do you think we can move forward?' I don't expect an answer straight away, but I expect the bank to be able to say, 'Well, Chris, let's think about this, let's brainstorm, let's see how we can move forward.'

I am going to use the words 'as a team' because that is what it is. We are trying to get to the same point. You are trying to make money from me, I am trying to save money when using your services – but we are all trying to get to the same point.

Stephen Hogan, DHL: I agree with Randy and Chris on both points. Given our large geographical scope, we have quite a big panel of banks who are supportive with their balance sheets. They are in for the long term and are showing their commitment.

When we are looking into cash management solutions it is about the banks' geographical reach, what solutions they have and the relationship we have with them: these have always been important factors for me. I also want to work with banks that are well-aligned internally. This means that if I have somebody walking into a branch in Bangkok, the relationship manager in Singapore knows about it and so does the relationship manager in Frankfurt later that afternoon. The most successful banks I have worked with are the ones who have that clear communication.

Rajesh Mehta, Citi: To Randy's point about banks collaborating, I think one of the paths that will make it happen is regulation. It is unfortunate that this is the case, because the banks should have done it themselves. In Europe today, the Payment Services Directive 2 (PSD2) is mandating open banking. Every bank has to publish an API, which is essentially the wires coming out of your account, and anybody is allowed to connect to it. And the API is a regulatory standard. Once you have this mandated connectivity, there'll be a bunch of providers who'll come in and create a platform.

How do you go about bringing your different banks together, with their different geographic footprints? Chye Kin, how do you respond to what you have heard?

Chye Kin Wee, BNP Paribas: It is about collaboration, co-creation and being business partners to our clients. I believe that a bank's relationship managers are core to this as they are the ones who understand what the client is doing, and who propose solutions and bring ideas to add value to the client relationship.

Relationship managers are effectively business partners, and corporates expect them to intimately understand their businesses, industry sectors, strategies and objectives. We have a relationship management structure which mirrors that of our clients with global, regional and in-country teams to deliver a coordinated and strategic partnership to

corporates. With our 'One Bank for Corporates' approach, our clients have access to global connectivity with local expertise.

Stephen Hogan, DHL: I think it is crucial to have relationship managers specialising in industry sectors as well, going back to the 'knowing you' theme.

Rajesh Mehta, Citi: I agree that banks need to have the right mix of subject matter experts, whether they are focused on compliance or products, and also customer experts. I think the journey has been for relationship managers to understand that they are customer and industry experts, and it has taken the banks a while to understand that this is a skill. They may not be the best credit experts or M&A experts, but if they can understand the industry and the customers, we have got enough expertise centres to be able to make music. But if you do not have somebody who can listen to the audience, you are not going to make music.

Chris Emslie, General Mills: For me, the relationship manager is that point of reference. Sometimes when something unexpected happens and you are in a panic, it's comforting to be able to pick up the phone and speak to your relationship manager, who will take on board what you are saying and get the information you need.

Chye Kin Wee, BNP Paribas: Banks have adjusted their coverage in recent years to reflect their clients more closely. Within our organisation this has certainly helped us be nimbler and support our clients better.

As both Chris and Stephen have said, human contact is key. While technology is the driver of change, human relationships remain critical in bringing value to clients. At BNP Paribas, we are a phone call away. We converse directly with our clients, not via automated machines. Treating our clients in a bespoke manner ensures we align as closely with them as possible, providing customised solutions for our clients' needs.

Chris Emslie, General Mills: We do not make it easy for you and that is the beauty of it! Figure out those sets of rules.

Mark Evans, ANZ: The number of times you go in, you see the head office treasurer and the treasurer says, 'right, that cash mandate is coming up, you have the chance to win the business'. And you go and see the regional treasurer and he says, 'I will never change it – I come from that bank, I'm going to stay with that bank,' so you go, 'Oh dear!'

Mark Evans

> KYC is a huge issue, but in order for the industry to deal with it we need to stop thinking that it is going to be down to the regulators, the banks or the end customers to solve this in isolation. We need a joined up collaborative effort to help the regulators understand that despite their intentions and desires, the current regimes are not resulting in the right outcomes and are instead creating a highly laborious, expensive and time-consuming box-checking exercise.

“Around two years ago, blockchain was the buzz word used in every presentation. Today we have reached the stage where there are genuine use cases and ways to apply the technology.”

On the subject of bank relationships, how big an issue is KYC, for both corporates and banks?

Mark Evans, ANZ: It is a huge issue, but in order for the industry to deal with it we need to stop thinking that it is going to be down to the regulators, the banks or the end customers to solve this in isolation. We need a joined up collaborative effort to help the regulators understand that despite their intentions and desires, the current regimes are not resulting in the right outcomes and are instead creating a highly laborious, expensive and time-consuming box-checking exercise. This means that the whole point of KYC can often be lost.

Chye Kin Wee, BNP Paribas: This point was raised at the recent Singapore Fintech Festival where the spokesperson from the Monetary Authority of Singapore (MAS) called for the banks to take a collaborative approach underpinned by technology. This obviously makes a lot of sense because compliance costs are being replicated five times over by all the banks and there is a lot of potential to cut these costs if the information is shared.

Rajesh Mehta, Citi: Agreed. We will only solve the KYC challenge once there is an agreed-upon technological infrastructure in place that can help the whole industry manage it more effectively. What is the correct solution to do this? We do not know. In India for example, the government has launched a biometric platform. You also have what the MAS is doing with the MyInfo portal. Then there are third-party players with Thomson Reuters and Markit creating common utility platforms.

Stephen Hogan, DHL: Mark, do you feel that there are enough compliance experts within the banks and are they taking too cautious an approach to how they interpret the regulators' guidelines?

Mark Evans, ANZ: Yes, we are all chasing the talent because it is a finite pool and the consequences of getting it wrong are so much bigger than they were before. As a result, over the past number of years there has been a real premium on compliance and operational risk expertise.

The second point is absolutely correct: banks are naturally cautious because there is zero tolerance for a breach. To a degree I think this is unreasonable, but the politicians and lawmakers have very few directions in which they can point the blame and the banks are the obvious ones. They do not want to necessarily hit a corporate unless it really has done the wrong thing.

The good regulators work collaboratively with the banks to understand what we need to achieve from a robust and sound financial system. That is in everybody's interest. But

> We are really looking to our banks to help us embrace the new wave of digital wallets. The challenge for our business – which in Asia Pacific spans 130 entities across 41 countries – is finding a provider who can support us with connectivity and standardisation across all these markets. We do not want lots of individual solutions.

Stephen Hogan, Vice President, Regional Treasury Asia Pacific, Deutsche Post DHL Group

that is the exception rather than the rule because as much as banks are chasing compliance expertise, regulators need commercial expertise. And that is not necessarily readily available either.

Chye Kin Wee, BNP Paribas: To your point, Stephen, that compliance by itself is not a static topic: that is the challenge we have. One dimension is KYC, then there are the transactions – 'know your transaction' or KYT compliance – which add another level of complexity.

There is nothing wrong with the regulation itself – it is how it is applied that can sometimes be challenging. I think Singapore is a regulator that is forward-looking and clear-minded. In other cases, the regulatory landscape is fast-changing. We must, therefore, take a cautious approach, but nonetheless still be pragmatic.

Rajesh Mehta: Citi: I think it is clear that there is a need to move from the form of the regulations to focusing on their spirit and substance. This would remove a lot of the need for legalistic interpretation and go some way towards preventing regulations from inhibiting business.

Chris Emslie, General Mills: They certainly stop us from doing business today. That is the key issue and it makes our jobs a lot harder because it is incredibly difficult explaining to a business person that they can't do business because they don't have X, Y and Z.

We have talked a lot about technology, but I am surprised that blockchain has not come up. Is this of interest at all?

Randy Ou, Alibaba: I believe blockchain presents a huge opportunity for banks and corporates. I see genuine applicability in areas such as payments, KYC, working capital management and even risk management. But the industry and banks are moving very slowly to adopt the technology. It is too slow.

Chris Emslie, General Mills: From our perspective, we are still in the infancy of exploring the technology. But it's not just blockchain – we are eager to learn and explore all new technologies. It is exciting.

Chye Kin Wee, BNP Paribas: Around two years ago, blockchain was the buzz word used in every presentation. Today we have reached the stage where there are genuine use cases and ways to apply the technology.

At BNP Paribas, we are working through these and seeing where it fits in our own internal processes and where it can deliver value to our corporate clients. In the transaction banking space, we have been working with our clients to co-develop new services based on blockchain. An example is 'MyCollat', co-developed with Sucafina (a Swiss multinational coffee merchant) for more efficient collateral management for commodity finance transactions. Another

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>
> Randy Ou, Vice President, Treasury, Alibaba Group

is 'Cash without borders', co-developed with the Panini Group (Italy) and Amcor (Australia), to allow real-time cash transfers within the BNP Paribas environment.

In my view, we are going to have to find ways of bringing new technologies such as blockchain through by intermediating between corporates and fintechs. It will be about collaborating so that we can bring the best solutions to market that offer the strongest value propositions to corporates – this is the direction we are heading in.

Rajesh Mehta, Citi: I think Randy makes a very valid observation. Two things in response to that. Like everybody else, we have deployed several blockchains. There is one for security settlement, which is a clear use case because it requires reconcilement. We have deployed another one for inter-company nostros within the bank because it's about having a single version of the truth.

The biggest challenge – or the biggest opportunity, depending on how you view it – is that blockchains cannot be internal and must be part of a wider ecosystem. For example, trade is ripe for the blockchain, but if it is really going to work then you must get so many parties, like customs and shipping companies, on board as well. The biggest value of the blockchain is in a multi-stakeholder ecosystem.

As a result, we are working on quite a few things, but it is going to take time for me to come to you and say, 'Here's the value'. Not because of the technology, but because we have got to get the multiple holders of the truth to agree what the truth should look like. That is the challenge.

Chye Kin Wee, BNP Paribas: This is happening on multiple fronts. For instance, what Singapore is doing with its National Trade Platform is extremely interesting because they are trying to create an ecosystem. It's extremely important to Singapore because of its historical existence as a key trading location. We're excited to be part of this because we believe co-working with industry and government partners is where we can bring real value to our clients for the long haul.

So, the subject of this has been raised, we have had meetings with Singapore Customs, and then of course with the likes of the forwarding companies and so forth to link it up. But what is also interesting is the recent announcement about a link up with the HKMA around distributed ledger technology. Ultimately the success of all this is based on your ability to create an ecosystem.

Rajesh Mehta, Citi: And rules and standards that everybody agrees on.

Chye Kin Wee, BNP Paribas: And once it takes off, then you have positive momentum for creating value. Coming back to your point, Rajesh, it is all about creating that platform and then plugging as many users into it as possible.

The MAS is pushing for banks to invest in APIs that can talk together. But one of the concerns that banks all have is around cyber-security, so that is the push and pull that's taking place. I think at some point we'll all reach a certain level of comfort, whether it's going to be in Singapore or Hong Kong – it has to take fruition somewhere, and momentum has to build from there.

Mark Evans, ANZ: We recently launched a very interesting blockchain-based solution that solved a major pain point for one of our customers around guarantees. The solution solves the customer's problem, reduces their operational risk, reduces the bank's operational risk and reduces the cost of delivery.

In this case, the upside for the customer is there and so is the upside for the bank, so there's a win-win in that. But it was not just a proof of concept, it was a pain point that we identified and blockchain was the solution in that instance.

Stephen Hogan, DHL: Yes, and from a personal perspective that white paper is the most interesting use of blockchain and distributed ledger technology because I can see it's adapted for a corporate.

Mark Evans, ANZ: And I would love to say, 'I'm delivering that to you tomorrow', but I cannot. We are working towards it: we need to bring some other banks along on the journey and get the regulators comfortable that we are sharing data and so on – but it is a step in the right direction.

What about the negative side of technology, cybercrime? How high is that on the agenda?

Chris Emslie, General Mills: For us it is extremely high on the agenda. If you had to rank our risks then cyber risk would be at the top – I think we are attacked about 100 times a day. To put this into perspective, I was in the organisation for one day and suddenly had a phishing attempt. How they did this I do not know; I didn't have business cards, I didn't have anything – but all of a sudden, I

had an email account and the email came from the CEO down to me. So that is just where it is and for us that is a big focus at the moment.

Chye Kin Wee, BNP Paribas: Safeguarding our data and technology assets is paramount in our digitalisation journey. Forewarned is forearmed – target attacks have grown in sophistication, so even preparation is insufficient.

To be forearmed requires robust and practiced incident response capability. Apart from continuous investment in prevention and monitoring tools, the ability to respond and ensure business continuity should a breach occur is crucial – which is where our training and simulated exercises come in.

Equally important in this area is education. The top causes of cyber breach are human error, lack of staff awareness of security risks and failure to follow defined processes, so it's important to educate both staff and clients around security awareness. Of course, there is the need to collaborate with fintechs for new security solutions.

Stephen Hogan, DHL: Corporates must have robust IT services to manage this threat. There must also be a constant education of the workforce – something that happens within our organisation. For instance, the IT department recently ran a test where they sent out phishing emails and monitored how people reacted. We were then told of the results, which really opened our eyes up to the threats.

Randy Ou, Alibaba: Yes, I think cybercrime is high on treasurers' agenda. That is why more and more corporates have started to embrace cloud services. The increasing complexity and costs of cyber-security makes corporates realise that this needs to be taken care of by professionals. Relying on internal IT departments will become less effective and affordable in the future.

Rajesh Mehta, Citi: I think one of the biggest issues right now is that the cyber criminals attack the weakest link in the chain. So, you can have the strongest IT, but that may not immunise you. And I think the point is, when we get hit, we sometimes get hit because of a client's laptop compromised in a car.

Each of our institutions could immunise ourselves individually, but the vulnerability is usually cross-ecosystem. What we have been doing a lot of is educating our clients that this is a workflow and that you can get hit anywhere. And I think that's where we all need to collectively have much stronger responses.

Stephen Hogan, DHL: It's the individual – the weakest link is the individual. And that is why, as you rightly say, we could have robust IT, we could have a couple of thousand people sitting in Malaysia monitoring the systems – which is the case in our organisation – but it takes one individual to click and let the criminals in undetected.

Rajesh Mehta, Citi: Or to share a password just once.

Stephen Hogan, DHL: Yes, or use a USB that has been tampered with. There are so many ways that corporates can be attacked and that is why education is key.

Chris Emslie, General Mills: Our laptops in the future will not have USB port access anymore.

Rajesh Mehta, Citi: That is the same with us.

Mark Evans, ANZ: Yes, we are doing the same. We did an education session for one of our large corporates recently and said, 'did you know that you've got people that actually never log out of the system?' And they said, 'well that can't be true'. Well, one of the people in question was sitting at the table! What she did not realise was that just shutting the browser page was not enough to log out. This education session really opened her and her colleagues' eyes to this issue. The tricky thing is that they have all been educated on this multiple times, but sometimes you just forget about it and you fall into a bad practice.

Chris Emslie, General Mills: People get lazy, that is the problem.

Mark Evans, ANZ: Yes, and we don't want the criminals around the world to be the beneficiaries of the inappropriate use of the system. So collectively we must find ways to work together and combat this threat.

What are your closing thoughts?

Randy Ou, Alibaba: It is exciting to see the changes happening in the industry, and technology creates a huge opportunity. We are very optimistic about the transformation happening in finance and this will improve not just individual banks, but the industry as a whole.

The question is, how do banks make this readily available to the clients in a cost-effective way? I think that is where the competition will be, and the ones who win will be the next generation of leaders in the financial services.

Stephen Hogan, DHL: To sum up, for treasury in our Group and finance as a whole, we're really expected to be influencing business decisions and driving business direction – that is a clear message from the Group CFO. To do this, we are very keen to take advantage of innovative technology, digitisation and new ways of thinking.

It is great to hear other corporates are heading in the same direction. It is also refreshing to hear that banks have moved on from where they were two years ago: they now understand that what corporates want is for them to embrace this and offer us value-adding solutions. This is manifesting itself in banks realising that they cannot do it all alone and looking to partner with others in the industry.

Chris Emslie, General Mills: I think from our point of view it is always a good opportunity to get everybody's perspective. We have our thoughts and the banks have their own; what is

clear is that we've all got the same challenges and the same hurdles to overcome.

My key takeaway is that on both sides of the table we are trying to be enablers, not inhibitors. We are all trying to be good business partners and we are all trying to achieve value-add, whether that means getting the best solution on the treasury side, or giving the best solutions on the banking side.

That is the best way to sum it up: we are on the same path, just on different sides. Once we converge and collaborate, I think it will be far better.

Chye Kin Wee, BNP Paribas: I am heartened to hear that the corporates are quite empathetic about the challenges we have. But I hope also we have brought home that uppermost in our mind is still the strong commitment to the client journey and to delivering a genuine value proposition to you.

Central to this is the commitment to co-work with all stakeholders. Against the backdrop of digital transformation and evolving customer expectations, financial institutions need to collaborate more closely than ever with each other, regulators and disruptors.

At the same time, what is needed is full commitment to balancing digitalisation with robust risk management and importantly, a people-centred, relationship-based approach to supporting our clients – the human touch remains key.

Mark Evans, ANZ: It has been very insightful, so thank you for your candid comments. A few things that really stick out are that banks have an important role to play now and into the future, but we should stick to what we're good at, and then work with others that can complement what we bring to you as the corporate, rather than think that we can solve all these things ourselves.

That is what you are looking for: a bank that gives a true relationship, not fair-weather bankers and not product push. You are after solutions and insights that add value to you, not just things that are of interest to us.

Most importantly, whatever we do, we must simplify ourselves, so you know who to go to and who can get you the answer to the question. You do not need an answer immediately, although there are time-critical moments, but you need to have confidence that the person you go to is your advocate within the bank and can find the answer.

Rajesh Mehta, Citi: I would boil it down to just one thing, and that is that the biggest opportunities and the biggest challenges that the corporates have today cannot be resolved in any one place or by any one institution. The possibility of obtaining quick wins from low-hanging fruit no longer exists. The biggest value comes from working together and thinking differently about how to address old problems and drive the whole industry forward.

Many thanks to you all for participating.

Alibaba Group 阿里巴巴集团 ANZ BNP PARIBAS citi DHL GENERAL MILLS

Power to the people: the essence of GDPR

The EU GDPR will come into force immediately on 25th May 2018. Here's what you need to know.

General Data Protection Regulation (GDPR) is just months away. When it arrives, it will govern in quite strong terms the way organisations collect, use and store personal data concerning EU citizens. It affects organisations regardless of where they are located, and that includes cloud-based operations.

Its purpose is to establish an EU-wide harmonised legal approach to data protection. At its core is the demand for the unambiguous consent of the individual for their data to be held, and the granting of new rights to secure their protection. Most affected organisations will have a lot of work ahead of them in order to comply in time. And comply they must, as the penalties will potentially be severe.

A digital response

In an age when cloud computing and connected devices have transformed the ways in which people live and work, personal data is commercial gold dust.

Informed consent is easy enough to comprehend with cookies on a website, but how much control do people have over their personal information? Not enough, the authorities say.

Foundations of success

Under GDPR, it is essential that information is protected. According to Communisis Data Intelligence, a UK-based independent data and analysis services company, the need is for a wide-ranging, multi-layered approach to security. This should address areas including:

- User awareness and education.
- Incident management.
- Information risk management regime.
- Home and mobile working.
- Management of user privileges.
- Removable media controls.
- Monitoring.
- Secure configuration of technology.
- Malware protection.
- Network security.

In the old days of EU Directive 95/46/EC, the rules had been crafted when digital was barely on the radar. GDPR is a way of giving protection and rights to EU citizens in an age where most organisations – from public to private, from commercial to non-commercial – source and use data in wholly different digital ways.

Once in force, GDPR requires companies to obtain customers' consent prior to collecting and processing their personal data. They will also have to carry out detailed audits of the data that they already hold to ensure that consumers have actively opted-in.

The new protections and rights enshrined in GDPR demand that every affected organisation should have a plan in place by now. Even UK-based organisations not operating in the EU who may have been uncertain as to how to react with the impending exit from the EU, now have clarity on the matter. This comes in the form of the UK government's issuance of its statement of intent to adopt a new data protection bill along the lines of GDPR as part of its planned reforms.

The requirements of GDPR are similar to the old EU Data Protection Directive. The type of personal data covered by the old data protection rules – names, addresses, dates of birth and so on – remain on the list. GDPR, in its pursuit of digital protection, not only includes photographic and CCTV images but also online identifiers such as an IP address, certain encrypted data, and even biometric data used for security identification.

The European Commission claims it will make it simpler and cheaper for companies to do business in the EU. It says it could also save an estimated total €2.3bn per year by consolidating supervision into one authority.

People power

In a world where individuals are increasingly data-savvy, tech-firm IBM has said that there is a clear understanding of how brands use personal data for sales and marketing purposes, an awareness of rights with regard to personal data, and a genuine concern about the well-publicised threat of cyber data theft.

New powers handed to individuals will enable them to demand to see any data held by organisations concerning them, for the organisation to immediately make amendments to any errors, and for the individual to have that data removed from almost any system as part of their 'right to be forgotten'. Additionally, there is an 'opt in' clause where organisations seek sensitive data from individuals.

GDPR also introduces 72-hour breach notification requirements. The fine for a slow or poor-quality response to a data breach are materially significant.

Indeed, organisations failing to comply could face a sliding scale of punishments, ranging from a simple warning up to fines of €20m or 4% of global turnover. The right of aggrieved parties to sue for compensation could also see the rise of so-called 'legal claims farms', as seen in the aftermath of the UK's PPI mis-selling scandal.

Findings from Lloyds Insurance show that cyber risk rose from twelfth place to third in the priorities of global business owners between 2013 and 2015. A re-examination of insurance arrangements to ensure that any applicable indemnity limits will cover the costs associated with investigations and breaches under the GDPR may be appropriate.

A job for business

The EU has said that GDPR responsibility specifically applies to "the natural or legal person, public authority, agency or other body which, alone or jointly with others determines the purposes and means of the processing of personal data".

This translates into either 'controllers' (those who make decisions on how and why personal data is processed) or 'processors' (those who carry out the data controller's requirements).

The individual rights and legal framework that supports GDPR means organisations must have quick access to any relevant personal data they hold. There is also a requirement for all controllers to ensure their processors are compliant, and for processors to keep records of all data processing activities for inspection on-demand by a single data protection authority. In the UK, for example, it will be the Information Commissioner's Office (ICO).

In large and fragmented organisations, this may be difficult. Some businesses have said they will struggle to comply. Speaking at a panel discussion at London's InfoSecurity Europe 2017 conference, John Lewis Group Data and Information Security Officer, Steve Wright, noted that, as a retailer, the Right to be Forgotten "is going to be incredibly difficult to fulfill within 30 days". With lengthy warranty periods up to ten years in some cases, the firm will be unable to entirely delete that data when requested.

On the same panel, HSBC's Deputy General Counsel, Cameron Craig, criticised the ICO's guidance, noting that although GDPR mirrors existing rules, "unfortunately instead of having a single black line saying 'these are the changes', you have to work out what is actually different".

The fundamental requirement of GDPR compliance is thus to ensure that organisations are absolutely clear as to why they are collecting an individual's data, have secured the right to do so, and then have the means of securely managing it, accessing and deleting it (either upon request or when it is no longer needed).

Banking on compliance

Research from management consultancy Baringa Partners shows that banks are in a strong position when it comes to data governance. However, banks still risk losing customers should they experience a data breach. The issue is further complicated by the arrival of PSD2 payments regulation. This pushes banks towards a new open-banking model in which third parties are allowed to connect to banking front-ends – and customer data – using APIs.

PSD2 effectively creates a data access point which some banking clients may not wish to be exposed to. In Italy, transposition of PSD2 into national legislation allows banks to block access to third parties should a client request it. Other jurisdictions may follow.

The issue is perhaps a moot point anyway. Banks top the rankings when it comes to who consumers trust with their personal data. More than three quarters (77%) of people said they trust their bank, compared to 62% for insurers, 59% for energy companies and 58% for TV, phone or internet providers.

These high levels of trust seem to be driven by knowing what personal data is currently held on them. This is true for more than half (54%) of bank customers, compared to 42% of insurance and TV, phone or internet customers, and just 40% of energy customers. Banks also score highest for communicating the right amount with their customers about their personal data, at 55%, compared to 46% for insurers, energy companies and TV, phone or internet providers.

"Despite the financial crisis, it is clear that people's faith in banks has not disappeared entirely," says Daniel Golding, Director at Baringa. He believes customer loyalty has a big role to play. Trust is highest where people feel there is a long-standing relationship, so the low churn among banking customers compared to energy or internet providers works in their favour. "While banks are the guardians of our hard-earned savings, we are happy for them to be guardians of our personal data, too."

However, the firm's research also reveals that banks face significant risks when GDPR comes into force. Almost a third of people (29%) say that they would immediately switch to another bank if their provider suffered a major breach where their personally identifiable data was leaked.

In addition, three quarters (72%) said they are likely to ask what personal data is held on them if their bank is obliged to respond. If companies fail to provide a free electronic copy of their full personal data within a month it will be considered a Tier 1 breach of the rules, leading to the kind of penalties mentioned above.

Firms that lack centralised data governance systems will struggle to respond in an efficient and timely way and will face higher costs.

The task in hand

For many firms, large and small, this will require a complete review of how their data is managed, including its acquisition, storage, access and distribution. In most cases, an approach from a technological, process and policy angle will be necessary. Analysis, design, implementation, operation and maintenance phases such as those suggested by IBM may be necessary to achieve this. The tech-firm explains that the key areas are governance, people and communication, processes, data and security and states that the initial focus of any GDPR programme should be on where a company's biggest risks are.

It will also be vital for all organisations to educate data-handling staff to know what its requirements are, and to make them fully aware of the possible impacts of infringement. Training will be essential.

Need a DPO?

One of the key requirements of GDPR is the establishment of the role of Data Protection Officer (DPO). The problem is that the rules are not clear as to which firms need one and which are exempt. Initially, it was all organisations with more than 250 employees. This has changed. According to law firm Field Fisher's 'Privacy Law Blog', Article 37 of GDPR makes it clear that the obligation to appoint a DPO applies:

To all public authorities processing personal data (except for courts acting in their judicial authority); or

Where the "core activities" of an entity involves "regular and systematic monitoring of data subjects on a large scale"; or

Where the "core activities" of an entity involves "large scale" processing of "special categories of data" (such as data concerning health, racial or ethnic origin, political opinions, religious or philosophical beliefs, as defined in Articles 9 and 10).

"Core activities" and "large scale", it notes, are yet to be subject to clear guidance, "but on the face of it, these requirements seem to broadly capture companies who deal in Big Data". Peter Brown, Senior Technology Officer of the UK's ICO, has been reported as saying: "unless it is obvious organisations don't need to appoint a DPO, they should keep records of their decision-making process".

If one is needed, the DPO can be a staff member or third-party contractor. The role is effectively the conduit between the public and the organisation's employees in relation to the processing of personal information. They are also the point of contact for all data protection queries, reporting directly to top level management. The fundamental requirement is to ensure compliance with the legislation, including the undertaking of all necessary assessments prior to launching new products and services that use customer data, and as such they must be given all the resources necessary to carry out their functions.

Taking measures

In security terms, all companies have weak points. It might be the systems, the processes or the people that risk data breaches. A working practice such as 'Bring Your Own Device' in which employees use their own mobile phones, laptops and tablets leaves networks vulnerable unless formal processes for the management of remote connections are in place.

Where the ongoing menace of cybercrime is amplified under GDPR, companies seeking cyber-security baseline standards could consider seeking accreditation under the ISO 27001 certification in Information Security Management. The standard caters for all sizes of organisation, aiming to provide best practice and thus confidence in data procedures.

Large companies are often targets for hackers but smaller firms need not think they are immune and must too seek to protect their data. It might make sense to use third-party professional cloud services to store data as a way of mitigating risk. For smaller firms in particular, this can offer more protection than an on-premises solution. All sensitive data on mobile devices needs to be encrypted and employees should not be using the cloud for unauthorised storage.

An opportunity not a threat

GDPR is not going away; seeing it as a nuisance or threat is ultimately counterproductive. A positive view is that where systems, processes and policies align, there will be improved data-handling efficiencies across the business.

According to insurance firm, Marsh, competitive advantage could be gained where organisations develop their cyber-security and information management systems around the requirements of GDPR.

In its report, 'Data is an asset: it deserves protection; it offers opportunity', it suggests that those firms which embrace GDPR as a means to improve their data management strategies – as opposed to a costly, compliance-driven exercise – stand to benefit from greater client trust.

"Rather than regarding compliance with the GDPR to be a costly and disruptive undertaking, firms should see it as an opportunity," says Peter Johnson, UK Cyber Risk Leader, Client Advisory Services at Marsh. Of course, a single set of rules will make it simpler and cheaper for companies to do business across the EU. But, adds Johnson, organisations "can improve how they safeguard personal information, boost their understanding of how data can add value to their business, and forge a new relationship with clients based on enhanced transparency and security that can further build trust".

GDPR will help maintain or repair the breakdown in trust between clients and organisations in terms of how personal data is used. For Johnson, this means "enabling proactive businesses to take greater advantage of the data-driven economy".

GDPR in 30 seconds

- Individuals will be given greater controls over their personal data.
- The right to be forgotten is central to the individual's rights.
- Non-compliance could lead to fines of up to €20m or 4% of global turnover.
- Organisations will be required to share information on their data processes in a clearer way.
- Transfer of personal data between service providers will be easier for individuals.
- Serious data breaches must be reported to authorities within 72 hours.
- All companies, regardless of location (even cloud-based) must to adhere to the same rules when using EU-citizen data.
- SMEs and larger firms will have to appoint a data protection officer: some smaller businesses will be exempt.

Measuring success

Treasurers use a wide range of metrics and key performance indicators (KPIs) to measure key areas of treasury, from capital structure to risk management. But a company's needs can evolve over time – so it's important to review those metrics on a regular basis and make sure they continue to support the overall business strategy.

You can't manage what you don't measure, as the old management adage goes. And in the world of corporate treasury there is much to measure. Indeed, research published in 2016 by KPMG found that almost two thirds (63%) of treasurers use a set of KPIs to measure the performance of their various treasury activities.

But while treasurers commonly use metrics and KPIs to assess the performance of treasury, there are different ways of approaching this task. Not all metrics will be applicable to every treasury – so it's important to make sure that the measures looked at are the ones that are most relevant to the company and its strategic direction. Likewise, treasurers will sometimes need to review the metrics used to make sure they continue to reflect the company's evolving strategy.

Why do KPIs matter?

Within the context of treasury, metrics can be used to measure outcomes in a variety of structures and activities, from capital structure to risk management. David Blair, an independent treasury consultant based in Singapore, says that the chosen metrics should support the treasury's overall goal, which he defines as cost effective risk reduction (CERR), within the parameters defined by the board of directors. He points out that while costs can be measured easily, the

definition of what is cost effective will vary from company to company – as will the acceptable level of risk.

When using KPIs and metrics, it's important to have a clear view of what the treasury is trying to achieve. "KPIs are there to assess how well the treasury function is performing and how it could improve on that operation," explains Karlien Porre, Partner, Global Treasury Advisory Services at Deloitte. "There are three topics here. There are the processes involved in developing the strategy – 'what should we be doing?' Then there's the execution of the strategy – 'are we doing it right?' And thirdly there are the tools and enablers required to do the execution."

Likewise, Porre identifies several different benefits that KPIs can bring:

- **Controls.** Testing the quality of controls within the treasury function and assessing how well these controls are applied.
- **Process efficiency.** Measuring how efficient processes are and identify opportunities for improvement.
- **Risk management.** Evaluating the effectiveness of the treasury's risk mitigation strategies and techniques.
- **Value.** Demonstrating the value of the treasury function to the organisation.

> In the energy and resources sector, companies may have lots of derivatives and potentially big swings in margin calls on derivatives. In these organisations there are short-term daily liquidity targets, and KPIs against these will be very critical – whereas in other organisations those KPIs will be less relevant.
>
> Karlien Porre, Partner, Global Treasury Advisory Services, Deloitte

Choosing the right KPIs

Not all companies are alike, and the KPIs used by treasuries will vary depending on the nature of the business. Respondents to the KPMG survey identified the most important KPI as visibility over cash (88%), followed by counterparty limit usage (63%) and forecast errors (50%). Other KPIs included portfolio value at risk (38%), cost of funds above benchmark (38%) and cash swept into in-house bank (38%).

Porre points out that some KPIs are industry specific. "In the energy and resources sector, companies may have lots of derivatives and potentially big swings in margin calls on derivatives," she says. "In these organisations there are short-term daily liquidity targets, and KPIs against these will be very critical – whereas in other organisations those KPIs will be less relevant."

Also key is the company's current strategy in areas such as financing. Porre says that a company which is highly leveraged will typically have a far greater focus on metrics related to leverage and gearing, and a heavier focus on cash flow forecasts than businesses which are less highly leveraged. Even within the same company, the KPIs used by treasury can evolve over time, reflecting changes in the business model, company strategy and treasury priorities.

At Hilton, for example, the company's strategic priorities have shifted somewhat in recent history. For several years, the treasury's primary focus was on deleveraging, with the company moving from a highly leveraged to a more moderately leveraged organisation. But following the company's IPO in 2013 – which raised over US$2.3bn – and the more recent spin-offs of its real estate and timeshare businesses, Hilton has achieved a more capital-light business model. As a result, Fred Schacknies, SVP & Treasurer, says there is a greater focus on returning capital to shareholders via dividends and buybacks.

This shift has had an impact on the treasury's KPIs. "Looking back, leverage was the number one financial metric we were looking at," Schacknies explains. "But going forward, while we're still very mindful of our leverage – and have identified a target of 3-3.5X – our metrics have shifted to incorporate more free cash flow and the visibility needed to meet these targets."

KPIs vs management metrics

These are not the only metrics that Hilton focuses on. Schacknies notes that like many treasuries, Hilton also measures operational activities such as forecast accuracy, the number of bank accounts, yield on cash and FX risk. "These are all things we do on a daily basis, and they are all very important in making sure we can do our most important job, which is delivering cash flow," he says. "But to me, it's important to make the distinction that these are all operational metrics. I wouldn't go so far as to call them key performance indicators, because at the end of the day the board is less concerned with the efficiency of your bank account structure than with the company's ability to achieve key financial priorities, such as buying back shares."

Schacknies emphasises that KPIs should not simply be about measurement but should also include goals for the treasury. "KPIs have to be aligned with the company's strategic priorities – but they also, in my mind, have to be not only measurable, but also tied to some sort of objective target," he says. "So if you are looking at free cash flow, you've got models that you are trying to achieve. If you're looking at leverage, you've got known ranges, either that you are looking at, or that the credit rating agencies are looking at."

In contrast, Schacknies says that metrics such as the number of bank accounts held by a company "may be measurable, but there's no right or wrong answer for them. You can benchmark it; you can say, 'I've got more or less than other companies do' – but that in itself is only a relative observation and it has no objective truth in and of itself."

He adds that while managerial metrics are important for carrying out day-to-day tasks, they are simply data points that come without any particular target attached. "KPIs, on the other hand, have got to be strategic and aligned, and they've got to have some sort of objective reality to them."

Using KPIs and metrics effectively

KPIs and metrics can and do vary over time – so how important is it to review these on a regular basis? "Your KPIs need to be reviewed on a periodic basis, because the business might change over time," explains Porre.

How often metrics are reviewed will vary from company to company depending on a number of factors. What's important is making sure that the metrics continue to be a good fit for the company's goals.

"We've got a few different cadences of reviewing these metrics," comments Schacknies. "In some cases, those might be sit down meetings; in some they might just be emails. In the eight years that I've been here, we've had a number of major milestones such as the IPO – and for each of those, we've sat down and considered what that changes for us and what we need to focus on going forward."

Another consideration is how companies report on KPIs. "Something to reflect on is how you efficiently and effectively report on KPIs," Porre explains. "This links with your technology and processes – you need to know where you get the relevant information and how you can automate the collection of the data needed."

Porre points out that the information needed may come from a variety of sources, including the core ERP system, the treasury management system, banking platforms and trading platforms. "The question is how you can pull those various information sources together in order to achieve some automation."

Communicating the results

Finally, it's important to know when and how to communicate the information gathered to the rest of the business.

"It really does come down to making sure your message is level-appropriate for the intended audience," says Schacknies. "My goal is to make sure that my boss – the CFO – and everyone else above him knows what they need to know, which is anything impacting those strategic KPIs. Everything else that happens operationally in support of that is part of the ordinary course of business and need not dilute the communication with senior leadership."

Schacknies says the same applies when his peers across the organisation have demands for information from treasury. "It's very much on a need to know basis – it's about respecting people's time and ability to process information, and giving them information that's most useful for them," he concludes.

Examples of KPIs/metrics

Treasurers use many different metrics and KPIs, and the chosen metrics will vary considerably between companies. That said, Porre notes that treasury metrics may include the following:

Operational efficiency

- Bank account monitoring.
- Value of total business by bank.
- Global banking fee costs by bank.
- Payment flows.
- Visibility over accounts.
- Percentage of account balances that are reported automatically.
- Proportion of payments that are made electronically versus manual payments.

Financial risk management

- Hedge ratios.
- Net risk exposure reports.
- Achieved rate versus market rate.
- Percentage of exposures hedged over a stated period versus the benchmark set out in the policy.
- Impact of the hedging policy on the company's bottom line profits.

Strategy

- Net cost of equity.
- Yield on invested cash.

BNY MELLON

Why you should rethink your investment strategy

With the low, zero or even negative interest rates on offer today, opportunities to optimise cash surpluses are few and far between. Many corporates now accept that ROI has been replaced with RMI – Return My Investment. In a recent webinar hosted by Treasury Today, Thant Han, Chris Brown and Simon Derrick offered some words of wisdom.

Thant Han
Portfolio Manager
Standish Mellon
Asset Management

Chris Brown
Head of Money Markets
Insight Investment

Simon Derrick
Managing Director
Head of BNY Mellon
Market Strategy

In Europe and the US, the investment environment is changing. A combination of rising interest rates and regulatory reform are creating a new investment paradigm that is offering both new opportunities and challenges.

In the US, regulatory reform has seen huge outflows from prime funds into constant net asset value (CNAV) 'govie' funds. Whilst the expectation is that this shift won't happen to such an extent in Europe, corporate investors need to be aware of how the regulatory changes here will impact their investment activities.

For clients of BNY Mellon, the way its funds are managed means impending regulatory changes will create little in the way of impact. However, for most investors, there is a pressing need to be able to make informed decisions on what funds they want to invest in going forward: CNAV funds with government collateral, variable net asset value (VNAV) funds or the new low volatility net asset value (LVNAV) funds?

For the rare beast that is the cautious yield-hunter, with the gradual rising interest-rate environment creating opportunities for corporates to obtain some incremental yield pick-up, BNY Mellon is guiding investors' gaze towards a more global outlook. Here, it says opportunities exist in the Dollar Bloc markets, such as New Zealand or Canada, where higher returns than would be available in Europe are possible without taking on extra risk.

But have treasurers generally got too used to a yield-free environment and become too risk-averse? A straw-poll of the audience revealed that, for the most part, corporates are still focused on security and liquidity above yield when it comes to their investment decisioning, with only 30% citing yield as the most important factor.

The likelihood of such an investment philosophy changing in the short-term is doubtful. A second poll of the audience – asking how they feel about their current investment policies – found that 50% were indeed either 'cautious' or 'risk-averse'. A similar percentage remain concerned about negative interest rates or worried about counterparty risk exposures. Not one person said they felt optimistic.

Danger signs

The lack of audience optimism is indicative of a market-aware (and perhaps wary) audience. But BNY Mellon sees a wider band of market participants behaving almost bullishly. It cited as evidence the muted response to geopolitical issues, and the euro's continuing appreciation in the face of negative media reporting. This, the panel felt, is an indication that some investors are so focused on achieving yield that they are prepared to shrug off the kind of issues that in the past would have triggered an immediate flight to safety.

This lack of judiciousness should be a concern for all stakeholders. The panel referred to recent comments about the reappearance of excessive risk-taking and the potential for bubbles to form in the markets. This suggests that whilst central banks are currently trying to instil calm in the markets, there is potential for significant volatility to return, especially if a policy mistake is made. Investors chasing yield should pay heed and start exercising caution.

Takeaway

Change is coming, albeit slowly. The wise investor should take time to reassess their risk appetite, recognise what their funds are doing and understand the processes that drive those funds. The opportunities are out there, but so are the risks.

If you missed the webinar and would like to hear the full recording this is available at ***treasurytoday.com/webinar/previous-webinars***

Bank account rationalisation

How should treasurers go about rationalising their bank accounts?

Kimberly Floyd
Senior Analyst
Global Cash Management
World Vision International

Peter Dong
Global Cash Manager
World Vision International

Over the years, bank accounts proliferated throughout World Vision International (WVI) due to convenience and necessity, without much thought to an overall cash management strategy. This untenable situation posed potential risk to the organisation in the form of fraud, liquidity, inefficiencies, controls and cost.

To address this problem, WVI Global Treasury started the Bank Rationalisation Project with the goal of reducing the 200+ banks to seven global partner banks and to rationalise 2000+ bank accounts.

Recognising that these changes would be disruptive to our finance operations, we developed an approach that addressed change management with emphasis on collaboration and communications amongst all impacted offices, the global partner banks and global treasury.

To begin, this saw each global partner bank visit our local offices to learn and see how each office was using banking services and listen to the challenges they faced. We named this our 'due diligence' process. Through the due diligence process, we learned that most of our bank accounts simply existed to access cash to fund operations and pay vendors. Consolidating these proved an opportunity to create greater efficiencies and safety to staff.

Once the due diligence process was completed, the global partner banks crafted cash management solutions customised to each World Vision office with guidance and broad objectives provided by WVI Global Treasury. The new solutions consolidated all bank accounts in each country to one partner bank and maintained only those bank accounts deemed operationally necessary.

Where applicable, the new cash management solutions provided more efficient payment methods such as electronic, mobile, and prepaid cards in lieu of cash and cheques. The new solutions also included centralising all payments to one office and eliminating the need for separate accounts payable accounts at each project location. The result: World Vision is saving money by making our banking processes more efficient and manageable.

Another important step in the rationalisation project was the use of a three-stage iterative approach in forming the best cash management solution and account structure. The banks provided the new solution to the global treasury team, the regional finance directors, and finally the national finance directors. This process allowed the solution to be vetted multiple times to meet project objectives and operational requirements and include all stakeholders in the process. By including as many parties in the decision-making process as possible, our bank rationalisation solution is a team effort rather than a top-down management approach.

Rationalising banking partners and bank accounts is a time-intensive project. In hindsight the benefits far outweigh the time and energy cost. Efficiency, security for employees, visibility, transparency, cost savings, and improved account management are just some of World Vision's successes realised through our bank rationalisation project.

Pieter Sermeus
Manager
Zanders

Globally active corporates often have a high number of bank accounts which are held with a variety of banking partners around the world. This creates complexity in their banking landscape, an increase in the amount of paid banking fees and cash management inefficiencies such as trapped cash on stand-alone bank accounts. So how can corporates rationalise their banking landscape?

While historically a corporate could have a few or even one single 'house bank' that would take care of all its regional and/or global banking requirements, from a counterparty risk and diversification point of view this is no longer acceptable. Wallet distribution is a frequently used methodology for evaluating multiple banking partners. In this methodology, the amount of corporate banking business assigned to a banking partner (measured in both direct and indirect banking fees) is compared against the provided credit commitment of that banking partner. This allows corporates to evaluate if each banking partner's reward is in balance with the commitments and to compare the relative performance of different banking partners.

The wallet distribution methodology can provide a corporate with valuable insight into the revenue expectations of its

banking partners and bring objective arguments to the table during discussions. It is however important not to limit the discussion to this 'revenue versus credit commitment' trade-off. A banking partner can underperform in terms of wallet distribution, but can provide complementary value-adding services or have a high level of overall satisfaction. Overall, corporates should make sure their banking partners understand where they fit into the general treasury strategy.

Following the wallet distribution methodology, a corporate ends up building mutually beneficial relationships with its core banking partners who are committed for the long-term and rewarded accordingly. On the other hand, one needs to remain bank-agnostic to maintain flexibility in case there is a need for a change in banking partner. Many corporates have implemented bank-independent connectivity via SWIFT which improve the visibility compared to multiple, proprietary bank interfaces. Remaining bank-agnostic will mean a change in banking partner can be implemented more quickly, and more importantly can also be a catalyst to harmonise internal banking processes. For instance, the use of a central payment platform will allow standardised payment processes and further efficiencies.

Recently banks have also been offering virtual account solutions. Multiple virtual accounts are linked to one 'real' bank account and help to reduce the number of external bank accounts held. A corporate can have one real bank account per currency with an unlimited number of virtual accounts linked to them, significantly reducing the complexity in the banking landscape and facilitating the centralisation of receipts and accounts receivables reconciliation processes. Since cash is concentrated on a limited number of bank accounts, this will also have a positive impact on cash and liquidity management.

A corporate's banking landscape will also be impacted by changes in the regulatory environment. The Payment Service Directive 2 (PSD2) or the Open Banking initiative in the UK will oblige banks to provide access, with consent of the corporate, for third parties to extract statement information and initiate payments. This will create a stimulus for the offering of bank agnostic applications which can consolidate the information of all bank accounts via the use of application programming interfaces. This will enable new entrants to offer innovative, value-adding services which challenge the traditional bank services.

Dan Gill

Senior Director

Redbridge Analytics

There is not a one-size fits all approach to rationalising bank accounts. The number, location, type and funding structure of bank accounts can vary widely across companies, even companies that are in the same industry and regions. In the lifecycle of many treasury organisations, the natural growth, acquisition and other factors tend to lead to a bloat in the number of accounts used to conduct the business. Among the myriad of strategies for rationalising a particular bank account structure, we will focus on rationalising the expense of maintaining those accounts.

Every bank account that a company maintains represents a cost. Often, those costs can be greatly reduced by eliminating accounts and not only rationalising the existence of each account, but also rationalising the services that are being used. While a significant reduction in the number of accounts will certainly reduce the fees associated with cash management operations, we often find even greater savings by rationalising the types of services used within accounts to effectively manage cash.

In order to perform a service rationalisation on our cash management accounts, we require some new treasury abilities. We need to establish visibility into our true costs of managing our accounts and performing cash management transactions. To achieve visibility, we first must gain accessibility to the bank fees we are being charged. One of the reasons that visibility into bank accounts and their costs is so difficult is that many banks have simply not reported the details of the charges levied. This has led to significant expenses to the treasury bottom line with no way to validate the accuracy.

Fortunately, the global banking industry has developed a solution that allows any bank in any part of the world to accurately report the monthly accrual of bank service usage and charges. The ISO 20022 file format known as the Bank Service Billing (BSB) standard can be used by any bank, anywhere in the world to report the monthly aggregated balances, service usage, pricing and charges for any account to any client.

Through the use of the BSB or other industry standard reporting formats, banks are able to help their clients close gaps in both the rationalisation of the cash management services they are using as well as maintaining control over their entire inventory of accounts by automatically identifying new accounts opened. It is the automated visibility into our accounts that the BSB file gives us that can help us solve the account rationalisation problem once and for all.

By monitoring the whole inventory of accounts in real time, we can eliminate the sporadic need for a review project every year or two. Even in the most decentralised treasury operation, the near global availability of the BSB file format offers us the opportunity to rethink the entire need for account rationalisation. Automated BSB review gives us visibility into the cost, the usefulness and the rationale for every account in our inventory and they are now available from banks in many countries around the globe.

Next question:

"What are the current trends in treasury management in Africa?"

Please send your comments and responses to **qa@treasurytoday.com**

2018 forecast: geopolitical storms are on the horizon

With nation states 'applying 19th century statecraft in a world of 21st century weapons' it comes as no surprise that geopolitical risk remains the biggest concern for businesses around the world. What are the potential flash points and what might they mean for businesses?

Geopolitics is the largest risk the financial markets face in 2018. At least, so says a survey commissioned by Barclays among 700 of its institutional clients. Other risks mentioned are Fed tightening, unanchored inflation expectations and a growth slowdown in the rich countries. There is something for everybody, in other words.

We tend towards the notion that some market parties may have played 'the joker' when answering the questionnaire. Perhaps it is laziness? There is a sense that "all is well, growth will not be coming under attack any time soon". As investors are not aware of any big risks, they may have opted to just mention a sweeping term such as geopolitics. If this is correct, the geopolitical risks have hardly been priced in (if at all) as yet. The implication is that geopolitical crises could have a significant impact on prices.

The question is what are the risks that fall under the heading of geopolitics? Very relevantly, the global security situation is deteriorating. We foresee a new weapons race, which differs from the one during the Cold War in an important and worrying way. There was a race between two blocs at that time, whereas now it is a matter of everyone for themselves. Intentions and capacities are more opaque and there is a growing chance of accidents and escalations.

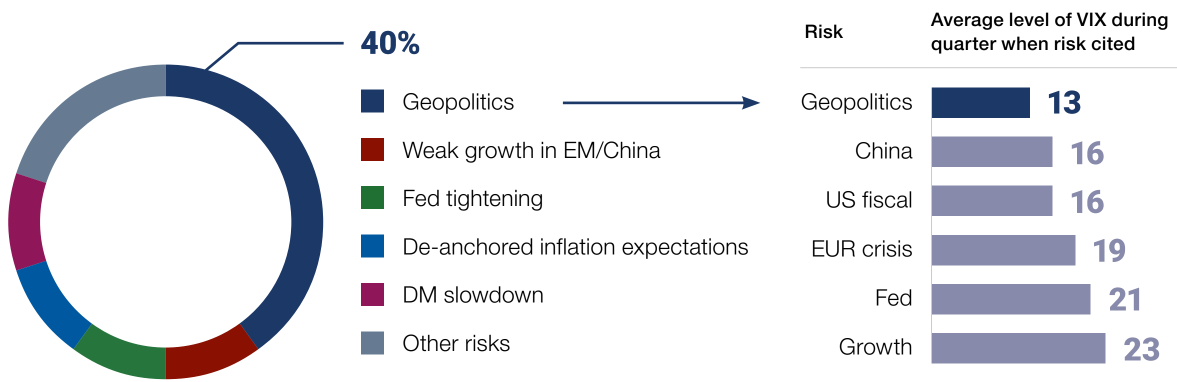
The organisation monitoring weapon sales has identified three reasons for the higher expenditure. Namely, the introduction of new and large-scale weapon systems, ongoing military conflicts in various countries and mounting regional tensions.

The worsening safety climate goes hand in hand with the crisis that democracy faces. The number of fully-fledged democracies has been decreasing for approximately a decade. The support for (and quality of) the principles of democracy is also steadily decreasing in existing democracies whereas the idea of a 'strong leader' is gaining popularity.

Democracy faces three major challenges:

- Income and especially wealth inequality, polarising societies and the inexorable flow of news about corruption scandals have undermined confidence in democracy.
- Social media provide authoritarian regimes with more opportunities to exert control and simultaneously allow them to fuel tensions and discord in the democratic countries.
- China's unprecedented success which undercuts the idea that democracy is the best or only way to achieve prosperity and peace.

Chart 1: What is the biggest risk to markets over the next 12 months?



Source: Bloomberg, Barclays Global Macro Survey

ecr research

A decline in security and democracy goes hand in hand with difficult relationships between nation states and the markets; especially the financial markets. States tended to be all-powerful in modern history until recently, but the financial markets have stolen a march on the sovereignty of governments – and then some – in the past decades.

It is no accident that James Carville, one of Bill Clinton's important advisers, famously said in the early 1990s, "I used to think if there was reincarnation, I wanted to come back as the president or the pope or a 400 baseball hitter. But now I want to come back as the bond market. You can intimidate everybody."

It is increasingly clear that the financial markets do not offer any solutions to growing inequality, stagnating wages and job insecurity. On the contrary, they often facilitate these developments.

We see escalating international security risks, democracy in choppy weather and tensions between nation states and the financial markets. It would be so nice if the global world order that evolved (particularly) after the second world war, largely shaped by the West, would continue to provide some form of stability and security. Unfortunately, this is not the case, particularly as the world's policeman – America – under President Trump is undermining the certainties and pillars that support the global order.

Trump likely opts for this approach in order to divert attention from the domestic problems and pacify his financial backers, while really believing that the US should steer a unilateral course with narrow defined self-interests as a compass. According to some, he relishes going against conventional wisdom. In the meantime, he is exacerbating the exact same problems and tensions that have brought him to power. The chance is slim that we will see any improvements in this area in 2018.

The US course side by side with China's seemingly unstoppable advance, causes many major economies to worry about how to maintain ties with America and China. We foresee a gradually shifting focus from Washington to Beijing. The security and economic relations with the United States and China are being revised in many areas; Beijing is often the beneficiary of this change.

The relationships between the other large economies play out against the backdrop of what may be the 21st century's major geopolitical narrative. Whereas before, only a very select group of economies was really important to the world economy, the developments in and between far more countries than before have become relevant to the global financial markets, due to the unprecedented economic growth and intertwining interests of the past decades.

We are seeing more mutual dependence and political/economic collaboration but also more competition. Plus, nation states are – in the words of Brookings Institute's Bruce Jones – "applying 19th century statecraft in a world of 21st century weapons".

Owing to these shifting geopolitical sands, it is not that strange that many institutional investors have put (geo) politics at the top of their worry list for 2018. In which areas could we see actual crises break out?

The geopolitical worries that investors have for 2018 do not come as a surprise. The abovementioned global trends are increasing the likelihood of instability. These developments translate into various regional potential pockets of (geo) political turmoil:

- In the United States, Washington can become even more chaotic.
- Europe still struggles with major internal problems as external and negative forces gather momentum.
- Latin America is on the eve of political shifts.
- The Middle East is increasingly the arena for proxy wars between regional and global great powers.
- North Korea will continue to hang over the world like a dark mushroom cloud.

To sum up, the fact that geopolitics is the main worry for the markets in the coming year is not exclusively due to the absence of economic thunderclouds on the horizon. There actually is a range of political factors that could disrupt the markets in 2018, also considering the positive (some will even say lazy) stance of many market parties. When a sunny spell is anticipated, a rain shower can abruptly change the mood.

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ANDY LANGENKAMP

Political Analyst
+31 (0)30 232 8000
a.langenkamp@ecrresearch.com

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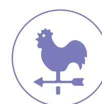

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COMING NEXT ISSUE

INSIGHT & ANALYSIS

Brexit: one year to go

With just over one year to go before the UK's divorce from the European Union is confirmed, Treasury Today takes a detailed look at the key issues impacting businesses and finds out how they are responding. We also explore what else might occur over the coming 12 months and what Europe will look like come Friday 29th March 2019.

TREASURY PRACTICE

Building a cash culture

Whilst treasury is concerned about cash, the rest of the business might not be. This can create numerous issues for treasurers who are seeking visibility over the company's cash and looking to implement strategies that mandate the more efficient use of cash within the business. How then are leading treasury teams building a cash culture across their organisations?

RISK MANAGEMENT

Quantifying cyber-risk

For all businesses around the world, cyber-risk is one of, if not the number one risk they currently face. In this article, Treasury Today explores the current trends. We also find out why quantifying the financial impact of a cyber-attack is an effective way to drive strategic decision-making around cyber-risk mitigation strategies and how to do it.

We always speak to a number of industry figures for background research on our articles. Among them this issue:

Andrew Bateman, Head of Corporate Liquidity and Bank Treasury, FIS; Gunnar Berger, Head of Open Banking, Nordea; Fenton Burgin, Head of UK Debt Advisory Team, Deloitte; Dheeraj 'Raj' Chadha, CFO, TeleAdapt; George Dessing, Senior Vice President Treasury & Risk, Wolters Kluwer; Peter Dong, Global Cash Manager, World Vision International; Chris Emslie, Asian Regional Treasurer, General Mills; Mark Evans, Managing Director, Transaction Banking, ANZ; John Feeney, Head of Global Corporates, Lloyds; Kimberly Floyd, Senior Analyst, Global Cash Management, World Vision International; Mary Gilbert, Treasury Manager, Duracell; Karen Gilhooly, Executive Vice President, Global Liquidity and Cash Management, Head of Client Management – North America, HSBC; Dan Gill, Senior Director, Redbridge Analytics; Daniel Golding, Director, Baringa; Jenifer Herdin, Vice President, International Treasury, Viacom; James Higgins, Product Director, AccessPay; Stephen Hogan, Vice President Regional Treasury, Asia Pacific, DHL; Eric Houser, Executive Vice President, Head of Technology, Media and Telecom Corporate Banking Group, Wells Fargo; Marcus Hughes, Director of Business Development, Bottomline Technologies; Peter Johnson, UK Cyber Risk Leader, Client Advisory Services, Marsh; Peter Kellner, Group Processes and Information Technology, thyssenkrupp AG; Richard King, Head of UK&I, Nordic, and Benelux Corporate Banking, Bank of America Merrill Lynch; Sven Lindemann, CEO, Hanse Orga; Andrew Marshall, Managing Director, Covarius; Rick Martin, Group Treasurer, GasLog; Rajesh Mehta, Regional Head of Treasury and Trade Solutions, Citi; Susan Mercer, Vice President, Assistant Treasurer, Cargill; Randy Ou, Vice President, Treasury, Alibaba Group; Marianna Polykrati, Group Treasurer, Chipita; Karlien Porre, Leader, UK Corporate Treasury Advisory Team, Deloitte; Fred Schacknies, SVP & Treasurer, Hilton; Pieter Sermeus, Manager, Zanders; Peter Seward, VP of Product Strategy for Reval, ION Treasury; Gourang Shah, Head of Treasury Services Solutions for Asia Pacific, J.P. Morgan; Jonathan Turner, Partner, Financial Services, PwC; Chye Kin Wee, Head of Transaction Banking for Asia Pacific, BNP Paribas.

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