



Don't be the weakest link

It's IT's problem right? Wrong. It's everyone's problem. How should treasurers be helping to protect their organisations from cybercrime?



The Corporate View

Chris Tregenna

Head of Treasury
Pennon Group

20th Anniversary Special

Two decades on, are you feeling the change?

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The game of risk

Life has its risks, without which, arguably, we wouldn't progress. Think how far we have come in the worlds of medicine and travel, for example, as previous generations have wrestled the odds and overcome life-threatening hurdles, just so we can have life a bit easier.

Of course, the life we live now has its own panoply of risks to which we must all pay attention for the benefit of future generations. Perhaps none is more existential in its potential outcome than climate change.

Transformational cycles in Earth's climate have existed for millennia, the last great shift taking place over 7,000 years ago with the ice age that heralded the modern climate era. It's understood that much of the impact of such changes over the last 650,000 years or so have been attributed to small variations in Earth's orbit subtly altering the amount of solar energy received by our planet.

However, according to the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, the current warming trend has a "greater than 95% probability" of being man-made. Data gathered by NASA indicates that Earth's average surface temperature has risen by 0.9°C since the late 19th century, the majority of this increase occurring in the past 35 years, with the five warmest years on record taking place since 2010.

We have a number of options when it comes to halting and possibly reversing the damaging effects of climate change. We can run around like headless chickens, panicking about it. We can refute the claims of scientists. We could do nothing because someone else will fix it. Or we can do something to help.

In this edition's Risk Management feature, 'Climate change and the treasurer', we look at the latter option from a treasury perspective, exploring the kind of affirmative actions and preventative measures that the community can take to help make a difference. The options here are greater than you'd perhaps think.

Of course, climate change is the Big One, but risks abound (as they always will). In our Insight & Analysis article, we tap into the fear that is cybercrime, asking 'where next?'

As digitisation proceeds apace, cyber-security is styling itself as possibly the major concern for corporations around the world. As a threat delivered straight from the hand of humankind, we surely have an earthly chance of combatting those who seek to disrupt (whatever their motivation). Treasurers need to know and understand what types of risk they face, the potential for damage, how the strategies used by cyber-criminals are evolving – and how technology itself is playing a role in helping mitigate these risks.

A major contributor to winning the fight against any significant foe (including climate change and cybercrime) is our capacity to listen and learn. Everyone has an opinion and most are happy to share it. But how many of us truly listen to what's being said? Indeed, how many of us know how to listen to what's being said? In this edition's Treasury Talent article, we explore the noble art of listening, in the company of acknowledged experts.

Finally, Treasury Today is 20 this year! What better way to celebrate this than by looking back over the key issues of the day, before grabbing the crystal ball and predicting where we will be in the next 20 years? And who knows, maybe we will be casting our minds back to the Bad Old Days when climate change and cybercrime dominated our thoughts!

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Cyber-security – don't be the weakest link

It is the business of cyber-criminals to keep developing sophisticated attack techniques, yet many treasurers still see cyber-security as a problem for IT. How should treasury respond to the developing environment to help protect their organisations?

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It's been 20 years since Treasury Today was first published. We present a special feature exploring some of the key developments, and their impact, in that period, before casting a speculative eye on the next 20.

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Chris Tregenna
Head of Treasury



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Taking action on climate change

Taking action to halt and possibly reverse the damaging effects of climate change is a task that corporate treasurers really do need to tackle but what kinds of action can be taken?

Cyber-security: don't be the weakest link

Cyber-criminals continue to develop ever more sophisticated techniques, with some companies experiencing attacks every single day. Yet many treasurers do not regard cyber-security as a critical concern. So what threats should treasurers be particularly aware of in the current environment – and how can they protect their organisations?

Cyber-security is an issue that affects companies both large and small – but despite the growing threat faced by companies everywhere, many treasurers do not currently see this area as a major priority within their own roles. Unfortunately, it's not a question of if, but when, your organisation will be targeted.

PwC's 2019 Global Treasury Benchmarking Survey, Digital Treasury – It takes two to tango, found that only 15% of respondents said their organisations were not affected at all by payment fraud attempts. Four out of ten said they were affected on at least a monthly basis, with 9% reporting they experience attacks every day.

However, the survey noted that while three quarters of CFOs see cyber-security as a critical concern, only 28% of treasurers do the same. The report suggests several reasons why this might be the case, including a lack of clarity over risk ownership and a perception by treasurers that cyber risk is the domain of IT or finance, rather than treasury. "This is a cautionary finding from this year's survey that should be a wake-up call to the treasury community," the report warns.

François Masquelier, Chairman of Association of Corporate Treasurers of Luxembourg (ATEL), likewise questions whether treasurers are as concerned about cyber risk as they should be. "Cyber-security should keep treasurers awake at night, shouldn't it?" he comments. "However, I don't think it does."

Be prepared

It's clear that many treasurers do not feel fully prepared to combat a possible attack. The FIS 2019 Treasury Modernization Survey, for example, found that less than a third of treasury departments consider themselves to be very effective at managing cyber risk – although this is hopefully changing.

"In 2020, we'll see more efforts and investments from treasurers and IT to reassess financial operations, identifying potential areas of exposure and addressing those," comments Andrew Bateman, SVP, Buy-side Solutions, FIS. "The best-protected treasury departments have educational programmes for employees, processes for mitigating fraud and technology from reliable providers with strong security offerings."

What are the threats?

A key challenge when it comes to managing the risk of cyber-attacks is that the methods used by fraudsters tend to evolve much faster than the measures adopted by their intended victims. Nevertheless, some threats are more prevalent than others, so it's important that treasurers stay abreast of the latest developments in this area.

"Treasurers have to work with IT and third-party technology providers to stay informed on all types of threats," says Bateman. "While certain types of fraud, such as cheque fraud, have remained steady, other types of fraud are growing in popularity, including targeted phishing, malware, ransomware, data and identity theft, and others."

The rise of ransomware

Where today's threatscape is concerned, Joseph Krull, Senior Analyst – Cyber-security at Aite Group points out that attackers tend to go for the path of least resistance – and currently, he notes that ransomware is an issue that is causing particular issues in the US.

In 2018, for example, the City of Atlanta was hit by a ransomware attack that wreaked havoc and disrupted city services. The attack, which left some departments having to use pen and paper to carry out their jobs, hindered revenue collections and resulted in the loss of years of dashcam footage. In May 2019, Baltimore's local government was targeted by hackers, locking employees out of their computers and preventing local residents from paying bills and taxes. Recent weeks have also seen numerous attacks on school districts and colleges, bringing considerable disruption and closures.

Other high-profile ransomware attacks include the 2017 WannaCry attack which wreaked havoc on the UK's National Health Service (NHS), as well as targeting Spanish utilities companies and educational institutions in China. And while there were reports that ransomware incidents were declining last year, a report by cyber-security company McAfee found that incidents increased by 118% in the first quarter of 2019.

The recent attacks in the US have cost millions of dollars to rectify – and Krull warns that further attacks are likely. "Ransomware is endemic today," he says. "As a treasurer, I would be concerned about that – an attack could not only bring the business to a halt, but could also cause the loss of

critical data needed to do things like regulatory filings, tax filings and issuing invoices. Ransomware can really ruin your day.”

Beware BEC attacks

In addition, business email compromise (BEC) attacks – in which the attacker impersonates the CEO or other senior officer to convince staff to make a payment – continue to be a threat. The FBI’s 2018 Internet Crime Report found that over US\$1.2bn was lost as a result of BEC scams last year – up from US\$676m in 2017.

Despite the name, Krull says that this type of attack is not only carried out by email, but can also be issued using other channels such as phone and instant messenger. “Attackers rely on two things for this type of attack,” he explains. “One is a sense of urgency – they will say that the payment has got to be made right away. And the second is that they will impersonate the highest person in the organisation in order to have that horsepower and convince people that they need to do the transaction.”

Krull says that education is the primary defensive tool when it comes to combatting this type of attack. He also notes that banks are taking steps to reduce the risk of loss by adding a waiting time before transactions flagged as high risk are executed.

Addressing the threats

Understanding the types of threat companies face is only the first step in safeguarding the organisation – businesses also need to have measures in place to address the possible threats. Sharman says the three key risk areas that need to be addressed are identities, user access and security configuration.

“With the rise in threats around mobility and cloud, it is however also essential to put additional security measures in place to protect the overall solution environment, including people and processes,” he adds. “Taking control of your solution environment means that you need to extend the boundaries beyond the core areas to include infrastructure, database, operating system and connected applications. Only by securing and mitigating risk in the full solution stack and surrounding IT environment can you truly be in control of your organisations data, IP and resources.”

What can treasurers do?

While responsibility for this area can be held by different job roles in different organisations, it’s clear that treasurers have a particular need to protect the organisation from the risk of cyber-attacks. This should include having suitable policies, processes and controls in place.

The CIA triad

In the security industry, the acronym CIA is used to outline three key components of information security, namely confidentiality, integrity and availability. This may be referred to as the CIA triad or the CIA principle. These three principles should be guaranteed in any kind of secure system.

Carl Sharman, Director, Financial Advisory at Deloitte, explains the attributes of the three areas and the types of threat that can arise in each of them:

Confidentiality – protecting an organisation or individual’s information. Threats include:

- Data breaches, in which confidential information leaves an organisation in an unauthorised way.
- Non-compliance with GDPR.
- System compromise, leading to accessing confidential information.
- Segregation of duties/access issues in which conflicting or critical access provides access to confidential information.

Integrity – ensuring something performs its intended function in an unimpaired manner, free from deliberate or inadvertent unauthorised manipulation. This includes both system integrity and data integrity. Threats include:

- Non-compliance with GDPR from a data integrity perspective.
- Disaster (eg malware loaded onto SAP servers could manipulate business data and transactions).
- A lack of clearly defined business processes and controls resulting in unauthorised or partial transactions.
- The ability of users with privileged access to bypass processes and controls.

Availability – making sure systems that support critical business processes are available 24/7. Threats include:

- Systems compromise, meaning employees/clients can no longer access the system.
- Environmental events leading to power outages.
- Denial of service attacks, achieved by sending a specific set or high number of requests to a server so it stops responding.
- Incorrectly designed or provisioned access rights, resulting in a system being unavailable for end users.

In practice, companies may not give all three areas the same level of focus. Joseph Krull, Senior Analyst – Cyber-security at Aite Group, notes that while everyone understands the need to protect confidentiality, “what we don’t understand is that we’re also charged with the integrity of the data. So we don’t want people changing data to be able to hide things or manipulate capital markets. And when it comes to availability, if you can’t get to the data, the data is useless. If you can’t get to your systems, you can’t conduct business.”

For example, Sharman says treasurers should focus on the following points in order to mitigate the risks:

- Ensure the necessary controls are embedded in treasury processes.
- Review and manage privileged accounts and privilege escalation.
- Monitor processes and transactions to detect anomalies.
- Review and manage system access and segregation of duties.
- Segregation of duties lifecycle management.
- User access management.
- (Controls) business process controls design and implementation.
- (Data) continuous control monitoring.

While it's important to be able to mitigate the risk of cyber-attacks and detect any fraudulent activity, the ability to respond appropriately to any attacks is also essential, as Sharman points out. "While the ability to detect attacks on your information is key, being able to respond effectively is often the real differentiator between an incident being a line item on a management report and potentially being front page news," he warns.

And beyond key treasury processes and controls, treasurers may also have a role to play in building awareness of cyber risks both within treasury and across the organisation, as well as ensuring appropriate training is carried out:

- **Phishing exercises.** Krull says that any organisation should be carrying out phishing exercises, whereby employees are sent simulated phishing emails. "In the first instance you do this company wide and see what percentage of the total employees clicks on the email," he explains. "I've seen some companies where 50-60% of employees have clicked. But the real goal is to catch the repeat offenders – so if an employee clicks on two different phishing exercises in a row, you immediately move them out to specialised training."
- **Training.** Training should also be deployed to teams that are particularly at risk of falling victim to a cyber-attack. Procurement, for example, interacts with vendors and could therefore fall victim to malicious requests to change vendors' bank account details. Likewise, Krull points out that no one should be permitted to make ACH transfers or B2B payments without completing mandatory training on the proper processes and thresholds.

Krull also warns that when consumer products companies launch innovation programmes and digital initiatives, it's important to make sure the security implications of those initiatives have been fully assessed. "If I'm a treasurer or financial controller, I want to make sure that the security team or a trusted third party has had a chance to review those initiatives before they get into the mainstream," he says.

How can technology help?

Deloitte's Sharman notes that while technology can act as a catalyst for improving processes, "every technology requires a human intervention at a minimum, to start and finish it. The human intervention is often the weakest link – and the quickest to fall – and many incidences blamed on 'system failure' are

often instigated this way." Sharman cites the US\$81m loss suffered by Bangladesh Central Bank in 2016, noting that this included "the possible involvement of some of the employees."

Despite this caveat, Sharman says there are a few areas where technology can make a big difference – such as "creating a security baseline (a minimum set of security requirement for your most important applications), as if you can't access it, you can't exploit it." He notes that the principle of segregation of duties is "based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department." Sharman notes this rule set is "the most critical component that impacts how access risks are identified and managed within the security design."

Sharman also notes that malicious source code is the source of security issues, adding that "this technological input can be both solution-orientated and preventative." While he says that code review – especially of custom code – is a time-consuming process which is not feasible without the use of tooling, "code reviews help to identify these errors and prevent misuse", using specialised software to extract the custom code and automatically analyse it for insecure programming constructs. Sharman says the results of the scans are then collected and further analysed, with manual validation performed to filter out false positives and observations that do not possess any relevant risk.

Treasury technology and security

Where treasurers are concerned, the selection of technology partners should be carried out with close attention to security.

"Treasurers should select treasury technology partners that will ensure the safety of their data and treasury operation," comments FIS' Bateman. "Before partnership agreements are made, treasurers should ask technology providers to demonstrate their expertise and commitment to the security of the chosen solution, as well as explaining the role the vendor will play in advising and protecting the client." He notes that FIS partners with "leading industry and key governmental security and enforcement agencies to capture, analyse and assess threat intelligence to help defend ourselves and our clients from cyber-attacks."

Looking forward, the FIS Treasury Modernization Survey predicts that "Adoption of cyber risk technology will grow in conjunction with cloud solutions", with companies that seek cloud solutions expecting providers to package cyber risk prevention technology within solutions.

Conclusion

While the issue of cyber-attacks continues to present a considerable threat for companies around the world, it's clear that for many treasurers there is more that could be done to address the risks. "Cyber risks response requires discipline and rigor that are unfortunately often missing," says Masquelier. "Treasurers should remain prepared as the worst to come is never far away."

While overall responsibility for this area may be unclear in some organisations, there is much that treasurers can do to protect their own processes, systems and activities from the risks. As Deloitte's Sharman warns, "Vulnerabilities will always exist, and you do not want your treasury solution to be your weakest link."

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1 State Street Global Advisors Asset Stewardship Team, August 2019.

2 State Street Global Advisors as of June 30, 2019.

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Treasury Today turns 20

This month sees the 20th anniversary of Treasury Today. In this special feature, we explore some of the key developments in the industry over the past two decades and find out what the future could have in store.



For anyone working in corporate treasury, the past 20 years have been something of a rollercoaster ride. From the introduction of the euro and the financial crisis of 2007/8, to the implications of Brexit and the ongoing tensions between the US and China, treasurers have continually had to adapt, learn and grow. They have also had to utilise skills today that they never thought they'd need 20 years ago.

From euro boom...

The creation of a true single internal market for goods, services, labour and capital was at the heart of the European Union (EU) project moving into the 21st century. The most high-profile result was the introduction of the euro between 1999 and 2002. Before the euro's introduction, making and receiving domestic payments was the preserve of local clearing systems, regulated by national and central banks and the governments in each member state.

The European Commission (EC) was keen to make payments across the single currency zone cost as cheap and easy as domestic payments, so the concept of a single euro payments area (SEPA) was born. However, in order to realise its dream, the EC first needed a pan-European automated clearing house.

Step forward STEP2. At the turn of the century, approximately 40 different payment systems were used within the Eurozone, only a few of which were capable of processing cross-border payments. The development of STEP2 in 2004 by the Euro Banking Association was seen as the first truly pan-European payment system for mass payments and an important first step in realising SEPA.

Other milestones in the establishment of SEPA included:

- The launch of the SEPA Credit Transfer Scheme in January 2008.
- The introduction of SEPA Direct Debit Schemes in November 2009.

Today, according to figures from the European Central Bank (ECB), the number of credit transfers within the euro area increased by 4.7% in 2018 to 21 billion.

...to global bust

Yet while SEPA was being developed, dark clouds were starting to roll in.

In 2007, a crisis in the sub-prime mortgage market in the US meant these clouds quickly escalated into a thunderstorm. The problems in the US rapidly developed into an international banking crisis, starting with the collapse of the investment bank Lehman Brothers on 15th September 2008. Major bail-outs were called for across the world, and the global economy plummeted. The crisis also triggered numerous regulatory changes that have affected treasurers both directly and indirectly, including Basel III and money market fund reform in the US and Europe.

Prior to the financial crisis, the idea that banks should be seen as a source of counterparty risk was almost unthinkable – or at least a much lesser concern than supplier risk. Post-crisis however, treasurers learnt that counterparties could fail with very little warning. As a result, the focus on counterparty risk within corporate treasury departments increased substantially.

The crisis also had implications for credit ratings. In the early 2000s, most corporate treasurers considered credit ratings alone to be adequate for the purpose of measuring the level of their counterparty exposures. But this changed irrevocably with the collapse of Lehman Brothers, which at the time had a rating that placed it safely within the accepted 'investment grade' band.

"Lehman's was still rated 'A' when it collapsed, which gave treasurers an opportunity to reassess their reliance on rating agencies," says David Blair, Managing Director at Acarate Consulting.

Yet while most treasurers today still view credit ratings as an important measure of counterparty risk, they are using a wider range of sources to monitor the major forms of counterparty exposure. These include, but are not limited to:

- Information platforms such as Bloomberg and Reuters.
- Private/public financial data.
- Industry and peer insights.



Although the high focus on credit and counterparty risk has subsided somewhat since 2007/8, it still remains one of the most important concerns for corporate treasurers. Back then, a significant deterioration of credit happened worldwide. As a result, government support assumptions for large banks have been scaled back significantly in most developed countries. Yet despite this, banks have continued to grow even larger, more complex and more interconnected.

Visibility over counterparty risk is essential when it comes to managing and mitigating that risk effectively. This includes not only managing the risk on bank deposits and cash balances, but also understanding how market events may affect outstanding derivatives.

From technology solutions...

Despite the inherent risks in today's treasury landscape, at the turn of the century the technology many corporate treasuries used simply wasn't up to scratch. It was often neglected, with IT departments frequently controlling the technology budget and choices – rather than treasury having its say. For many companies, the only treasury technology used was the humble spreadsheet.

Yet soon after the financial crisis shook the world, senior management started to demand timelier and more accurate financial information – meaning treasury started to have a louder voice than ever before when it came to the technology agenda.

“Although Excel spreadsheets still underpin most corporate functions today, we have seen evolving technologies shift the focus away from spreadsheets and into more robust data warehouses,” says Ken Bugayong, Treasury Manager at Expedia Group. Information – and the activities it supports, such as improved cash visibility, accurate forecasting and effective risk assessment – is now even more crucial in an age when the pressure to deliver is greater than ever.

Michael Juen, Chief Customer Officer of treasury management software provider BELLIN, believes that treasurers of today are key stakeholders and strategists with greater clout and

influence. “With a modern, integrated, one-platform TMS, gone are the days of redundant data entry,” he says. “Instead of a lack of transparency – which didn't just lead to an incomplete picture on which to base your decision-making, but also represented a huge security risk – treasurers are now much more in control.”

...to a relationship evolution

Whether you see them as valuable commercial partners, or as a necessary evil, banks are a major part of just about every enterprise. Given the role they play in the life of a corporate treasury operation, the relationship between banker and treasurer should almost certainly be more than just one of convenience.

Back in the early 2000s, treasurers often saw themselves as driving the relationship with their banking partners, organising formal review meetings and having regular informal conversations, for example. This all changed after the financial crisis, with treasurers placing a greater emphasis on seeking guidance from their banks.

“Treasury teams (of today) are looking to understand best practice and whether the approach they are taking to managing their investments reflects the ‘best in class’ ideas,” says Jim Fuell, Managing Director, Head of Global Liquidity Sales International at J.P. Morgan Asset Management. “Treasury teams continue to seek our guidance when it comes to the most appropriate levers, be it liquidity, credit, or duration for generating incremental return.”

Jonathan Pryor, Head of FX Sales at Investec, agrees that the depth of service has moved on. “Twenty years ago, you'd be happy just to be able to speak to someone,” he says. “Today treasurers do expect a personal service, tailored research and proactivity. Every bank should understand the companies they're doing business with.”

There have certainly been some big changes over the past two decades. The breadth of products available has increased significantly, with more hedging products, more market counterparts and more choice on where to do business.



As Fuell observes, “Product pushers are a dying breed, so treasury teams will continue to look for partners who understand global short-term markets and who can bring their knowledge, global reach and expertise to bear in managing their investments.”

Emerging promise

The choice of where to do business has also grown considerably in the last two decades.

Back in the early 2000s, the BRIC economies (Brazil, Russia, India and China) were the talk of the town. Heralded as hot investment opportunities, they were seen as the future of globalisation, designed to challenge the status quo.

The meteoric rise of China has been particularly noticeable over the past two decades. Some 40 years ago, China’s economy was roughly the same size as that of the Netherlands – now it is the second-largest economy on the planet, behind the US. Economically and politically, China enmeshed itself in the global community it had once eschewed by joining the World Trade Organisation (WTO) in 2001 and relaxing the renminbi’s strict peg to the dollar four years later.

When the financial crisis struck and commodity prices collapsed, it hit Brazil and Russia hard. China and India, however, immersed in countless global supply chains, proved to be much more resilient. Following the crisis, China unveiled a huge stimulus package that kept its economy afloat. China’s currency is now an integral part of the basket of currencies that make up the IMF’s special drawing rights (SDRs). Nevertheless, growth in both China and India has slowed in recent years: China, for example, has seen GDP growth slow from 9.5% in 2011 to 6.6% in 2018.

While the focus on BRIC economies has died down somewhat, emerging markets remain a force to be reckoned with. Moving forward, economists point to Indonesia, Thailand, the Philippines and Vietnam as countries with the most exciting futures – simply because they are growing rapidly, are open to trade and dependent on exports.

Trade with the Far East will certainly continue to be a theme moving forwards, as the ongoing trade war between China and the US sees no sign of abating. With a presidential election around the corner, treasurers will be looking both east and west for some time to come.

Business as usual?

It’s clear that two decades of economic uncertainty has made the role of today’s treasurer a much more challenging and complex one – and this won’t change anytime soon. Navigating the investment landscape is one area that has brought new challenges following the arrival of low interest rates in the wake of the financial crisis.

“Today’s low yield environment has forced many asset managers into more illiquid or higher risk securities in order to provide expected returns to clients; something that the regulators are becoming increasingly concerned about,” comments Neil Hutchison, Executive Director, Lead Portfolio Manager for Managed Reserves Portfolios in Europe at J.P. Morgan Asset Management.

“This year we have had a number of negative headlines, including the gating of a high-profile equity fund and questions raised around other fixed income structures,” he adds. “In this environment, cash solutions that maintain enhanced market liquidity definitely are of increasing importance, not just for corporate treasurers but also longer-term investors.”

The road to 2040

While it’s difficult to predict how interest rates will evolve in the coming years, today’s savvy treasurers know that their role will continue to change on many different levels. After all, there is no escaping the fact that 20 years from now, the world will be a much more digital one. Banks and fintechs will have to be much more proactive in raising awareness and meeting the issues faced by their clients, partly by offering solutions and alternatives. Treasurers will have to adapt their operations as a result.



So what will treasury look like in 2040?

For some, the idea that artificial intelligence (AI) and machine learning will take over the treasury function is far-fetched. Proponents of this view believe the clue is in the name – ‘artificial’ intelligence, rather than real intelligence based on real knowledge, real experience and real judgements made in real time.

For others, however, it would be wrong to sit back and believe that the treasury of 2040 won’t have changed much. To take just one example, there is no escaping the fact that the rise of real-time payments (RTP) across the globe is inevitable. Whilst the UK, the Nordic countries and India have already embraced RTP, others have yet to do so.

But this will undoubtedly change

Pulat Yunusmetov, Regional Treasury Manager at Danone, shares this view. “There is a lot of fear in treasury that jobs will be affected,” he says. “However, I believe that the impact

will be a positive one, as we will really have more time, and the tools, to evolve into strategic partners and work on new products and services proactively to help our businesses to grow. By using the external products and knowledge of internal operations, Treasury should be able to advise on new ways that it can help to bring in extra sales, or extra savings to the company.”

It seems that treasury mustn’t be afraid of the oncoming technology revolution. Rather than completely tearing up the existing systems landscape, consolidation will be key. A digital transformation is coming, but it will be a slow, gradual process. It will be a voyage of discovery – a journey that treasury is already well-versed in.

Today’s treasury has proven itself to be incredibly resilient through weathering economic and political storms – but it will only be through treasury’s ability to adapt to new technology, and bringing its own expertise to bear on it, that will see a brighter future. After all, no one can predict what the next 20 years has in store for treasury.

Recruiting today’s treasurers

The past 20 years has seen recruitment in the treasury industry change significantly. The rise of globalisation, the onslaught of new technologies and the pressure of regulations and compliance have all played a significant part in this transformation.

According to Laura White, Operations Director at The Treasury Recruitment Company, compared to the early 2000s, treasury has become much more recognised and valued. As a result, businesses have started to invest more heavily in the growth and development of their teams. “Nowadays, there is a huge demand for candidates with strong project management and systems experience, driven by the desire for employers to build teams that can manage multi-dimensional tasks,” she says.

“The real positive here is that whatever your treasury expertise, the opportunities for advancement and progression are far greater than ever before. For the first time in over a decade, there are more jobs available than there are candidates looking for new roles.”

As the pace of change in the industry shows no signs of slowing down anytime soon, skills such as relationship building and communication, strategic thinking and openness to change have become increasingly important.



Standing up for diversity and inclusion

Thursday 12th September marked Treasury Today's biggest Women in Treasury London Forum to date, with over 200 female and male delegates from the worlds of corporate finance, technology and banking attending the Women in Treasury London Forum at Plaisterers' Hall.

Results from the 2019 Women in Treasury Annual Global Study, in association with State Street Global Advisors, were shared for the first time and the key themes explored throughout the day included diversity and inclusion, discrimination, overcoming challenges and making male allies. The panel of senior treasury professionals were eager to share their experiences in these areas, and offer their advice to others in the Q&A session afterwards.

The event also heralded the arrival of the new dedicated Women in Treasury (WiT) community platform, Within. This gives our readership a bi-monthly newsletter, with resources including 'How To' videos and 'Ask an Expert' features. The platform has been designed to equip women with essential tools and guidance for combatting the challenges many face in their professional lives. Within will roll out into a full-scale online hub for the global community in 2020.

As the latest step in our WiT initiative, Within aims to continue the discussion on diversity, inclusion and representation in corporate treasury, the past seven years of WiT having demonstrated a real shift in how important these discussions are. The powerful social movements promoting women's rights have brought the challenges faced by women in the workplace into the spotlight, and this is unlikely to change anytime soon.

Diversity and inclusion

Meanwhile, the WiT initiative is broadening its focus beyond gender diversity to include issues such as ethnic diversity and the availability of flexible working and parental leave for men. These topics have now become part of a broader conversation around corporate social responsibility (CSR) and environmental, social and governance (ESG) issues. Many companies across the globe are now striving for a more caring and responsible relationship with employees and the communities in which they operate.

The initiative is also drawing attention to the significant difference between the concepts of inclusion and diversity. As one of our panellists, Pia McCusker, Senior Managing Director and Global Head of Cash Management, State Street Global Advisors, put it, "To me, diversity means having different perspectives, different outlooks and different ideas. Inclusion is having a safe environment to allow for those different outlooks."

Key findings

Some of the key highlights from the 2019 Study were shared with the attendees at this year's Women in Treasury London Forum, and this was the first time the results had been publicly discussed.

- The majority of the 335 respondents were aged between 35 and 54 and over half had been in a treasury role for over ten years.
- 53% have dependent children and 17% have other dependents.
- Over 80% of companies now offer employees flexible working arrangements.
- 47% said they feel that they earn less than their male counterparts.
- Only 7% said there had been recent changes in pay parity within their organisation.
- 36% have felt overlooked and ignored in the workplace because of their gender.
- 75% have felt overlooked and ignored in the workplace because of their age.
- 46% of respondents are in favour of quotas for female representation on boards.
- 34% of respondents are in favour of quotas for ethnic diversity on boards.
- 8% have female CEOs, compared to 5% last year.
- 80% do not have a diverse board leading the company.

The ensuing discussion aimed to unpick some of these findings. This year's panel, moderated by Sophie Jackson, Joint Publisher & Head of Strategic Content at Treasury Today Group, consisted of:

- **Hailey Laverty** – Group Treasurer, InterContinental Hotels Group plc (IHG).
- **Joseph Peka** – Deputy Treasury, URENCO.
- **Joanne Bates** – International Treasurer, Worldpay, Inc.
- **Nadya Hijazi** – Managing Director & Global Head of Global Liquidity and Cash Management Digital, HSBC.
- **Pia McCusker** – Senior Managing Director and Global Head of Cash Management, State Street Global Advisors.

Journeys to the top

"I love my job and I love treasury, and I'm so glad I stumbled across it when I did." Like many, Joanne Bates never set out with the intention of working in treasury. Her journey began when she was studying to become an accountant and her second placement was in treasury. Fast forward a few years and, aged just 26, she became Deputy Treasurer at a

subsidiary, later joining Worldpay where she was promoted to the role of Treasurer three years ago.

Like Joanne, Hailey Laverty also came from an accountancy background. She joined Deloitte as part of the auditing team before moving to Rolls-Royce in accounting, and then transferring to the treasury team. Three years ago she moved to IHG where she became Group Treasurer. She likes the fact that with treasury she has been able to gain more of an appreciation for what's going on in the wider markets and that the role has an economic focus.

The journey for Pia McCusker began with her mother setting her on her path by moving to the US. "Her inspiration and her independent streak is something that I love," says Pia. She later worked at a summer internship at a bank where she cites the support and encouragement of her female senior manager as the reason she began to enjoy being in finance. Eventually Pia worked as an Assistant Budget Director whilst studying at graduate school, before starting at State Street Global Markets as a Structured Product Analyst. She later switched to State Street Global Advisors as a Credit Analyst before working her way up to her current role.

The cultural challenges faced by Nadya Hijazi growing up in UAE meant that despite having studied law in the UK, she struggled to find work as a solicitor in her home country. She was forced to accept a role in a bank that employed just ten women. She overcame considerable hurdles to be taken seriously as a professional working female, eventually moving back to the UK in the early 2000s, realising "there wasn't just a glass ceiling for me to break through, there was a brick wall." She encountered even more obstacles from her decision to pursue digital technology as it was thought by everyone in the industry that it wouldn't ever take off.

Challenges

Nadya emphasises the internal challenges of women, noting that "we tend to associate what we're doing today with what our ability is." Employers, she argues, often have an inability "to distinguish between potential and performance" where women are concerned.

A question in the later session summarised this: "As a female you have to show that you are capable of your next progressive move before they will put you into these positions, but as a male, typically you will be put into these positions before you've actually represented yourself within those roles."



What do the terms 'diversity' and 'inclusion' mean to you? Answers from our Women in Treasury Global Study 2019

"Diversity is when groups reflect a range of backgrounds. Inclusion is when everyone has an invitation to participate."

"Diversity means that your company represents the globe, not just one demographic. Inclusion means that you feel as if you are treated as a work colleague, not as the box you tick on a survey."

"When you have different groups, you have diversity. When you integrate these different groups, you have inclusion."

"It means that not only do you have a seat at the table but a voice. It's more than race, religion and ethnicity. Diversity of thought, which is a by-product of all of those things, is what brings value to an organisation."



Nadya also feels that women tend to be very hard on themselves and have a self-limiting belief, refusing to put themselves forward for jobs that they don't believe they have the entire skillset for. "Women have something in our psychology where we like to be secure and we don't like to fail," states Nadya. Her advice? "Volunteer for projects outside of your comfort zone. You learn a new topic, you network and meet new people, and the more you do it, the more confident you get."

When Hailey left Deloitte – and her largely female team – the culture shock was the biggest challenge. Joining an all-male team at her next company, her first thought was, "It's a good job I like football." Early on in her career, she had always thought that every company would have the same attitude as Deloitte: that if you work hard, people will notice and you'll get promoted. She credits Sheryl Sandberg's book, *Lean In*, for teaching her that it is not that simple, and by highlighting the behavioural differences between women and men it has helped her to actively support her teams better.

After being promoted, Pia also noticed a lack of gender and ethnic diversity within her team. Over time, she was able to restructure the team and hire new talent from outside the organisation. She stated that while promoting within an organisation encourages employee loyalty, it can also entrench existing views and attitudes. By introducing new staff, Pia was able to garner fresh insights and ideas which spurred interesting discussions.

Alongside this, Pia makes an active effort to have a "team huddle" on a weekly basis, to ensure that everyone's opinions are able to be heard. She has found that by doing this it creates a more open, collaborative, and inclusive working environment.

Joanne found a personal challenge for her was constantly being misjudged by others in the industry. "Underestimate me at your peril!" she joked. Whilst it was 20 years ago that she entered a meeting with a CFO and was asked if she took shorthand, it has only been four years since she was Deputy

Treasurer and mistaken for a PA. The biggest challenge, in her opinion, is fighting unconscious bias.

Joanne believes that the key to doing this is by making sure that people are aware of their unconscious biases – as well as by encouraging forums like Women in Treasury that raise awareness and support discussion of these issues.

Mentoring and sponsorship

When it comes to mentoring and sponsorship, Nadya has found that it can be quite rare to find women who are willing to act as sponsors. Senior female leaders tend to be less open to sponsorship than men, in her experience. "What I would say to people in this room is, 'Don't be that woman!'" she encouraged.

Hailey has ensured she is involved with internal networking groups, set up under the 'Lean In' framework. "As one of the most senior women in our office, I feel that there is a responsibility to contribute to those networks," she stated.

Joanne agreed that networking is the best way to find mentors and sponsors, and events like the Women in Treasury Forum are a great place to do this. She recommended that if women come across someone that they have a good rapport with – in their own organisations or elsewhere – then they should work to keep those relationships active.

She believes that unofficial mentors are just as good as official ones, and that you don't need to have an official scheme in your workplace to get a mentor or sponsor. "The important thing is to take control of your career," she said. "Don't wait until your company has an official programme. Go and find someone that you're inspired by and ask them to do it, because most people are really interested in helping others."

Joanne added that it may only be necessary to meet once per quarter in order to make a difference. She also recognised the benefits of having a sponsor as they can create



opportunities for you and advocate for you, which is essential for moving up in a company.

Like Hailey, Joanne goes out of her way to encourage staff to ask questions so she can offer advice where she can. She noted that sometimes having a mentor outside of the organisation can be better, as they can offer advice without having to think about what is best for the company.

Nadya noted the importance of selecting the right mentor for a specific problem, and also recommended that women seeking a mentor carry out LinkedIn searches for keywords based on the type of people they want, while focussing on what they are aiming to get out of the relationship in advance.

Making male allies

Joe Peka, as a male ally and our male panellist, spoke about recognising the importance of having men involved with movements like WiT. “Being involved in this type of event is about leadership, it’s about demonstrating that you care about high performance, and how high performance has got nothing to do with gender,” he stated.

Sophie Jackson added that “the importance of stepping out of your organisations, being part of a network and sharing your experiences, really can’t be underestimated.” She suggested that in order to get more men on board, the movement needs to become clearer about why men need to be involved, and what they can do.

Final advice

In offering some parting wisdom, Pia said the biggest lesson she had learnt in her career was to “be bold and stand up for

what you believe in.” If you know in your gut that you’re making the right decision, you need to fight for it, she added.

On a purely practical level, Nadya recommended paying attention to how many women are scribbling notes during meetings, versus how many men. She noted that by sitting and listening as so many men do, women may be better able to engage in the meeting – whereas studiously writing notes risks missing out on being involved in the discussion. Sophie added to this, “Own your presence. Walk into that meeting and own your space.”

On the topic of facing challenges, Hailey recognised that “at the time it might be really tough, but once you’ve got through it and can look back, you can realise how much you learnt from it.” Joanne recommended that everyone go out and research unconscious bias in order to learn what the traps are and how to avoid them. Finally, on the topic of advice for male allies, Joe’s tip for men wanting to help was that “being visible in that support is better than waiting to develop expertise” in diversity and inclusion.

Getting involved

We’d like to offer a final thank you to all who took part in, attended, and supported our Women in Treasury London Forum, and encourage anyone who is interested to get involved.

There are a number of ways you can do this, including attending our global forums, taking part in the 2020 Women in Treasury Global Study, joining our dedicated WiT network on LinkedIn, or by nominating yourself or a team member in the Adam Smith Awards Woman of the Year category when submissions open on 31st January 2020.

For enquiries regarding the Women in Treasury initiative, or to receive a full copy of our 2019 study results, please contact Lisa Bigley, Global Head of Events, Treasury Today Group – lisa.bigley@treasurytoday.com



Liquid asset

Chris Tregenna
Head of Treasury



A business geared to managing something as fundamental to human life as water needs to be permanently at the top of its game. Head of Treasury at Pennon Group, Chris Tregenna, takes his cue from the teamwork of his participation in sport, delivering a service that keeps the business flowing smoothly.

Pennon Group is a UK water utility and recycling and waste management business based in South West England. It is one of the largest environmental infrastructure groups in the country. Listed on the London Stock Exchange, Pennon is a constituent of the FTSE 250 Index. It operates through its two core businesses, Viridor and South West Water, the latter of which accounts for 83% of the company's profits. Revenue for 2019 was just under £1.5bn. It has assets of around £6.5bn and employs a workforce of around 5,000.

If money talks, then the level of cash that flows in and out of UK FTSE 250 utility provider, Pennon Group, raises the volume of conversation to a noticeable level. And so it should, because the business, as one of the largest environmental infrastructure groups in the UK, not only provides essential

services to its customers, but is also committed to investing heavily in some impressive sustainability targets. The task at hand is made that bit easier by having someone like Chris Tregenna, Head of Treasury, steadfastly moulding his function into a central pillar of the business.



Everyone's experience of treasury will be different, but having that base understanding and access to resources through the ACT is something I consider to be really important.

Tregenna is dedicated to supporting sustainable projects across the business and is amply qualified on the financial front to see that it happens with minimal fuss and maximum efficiency. In fact, with the majority of group debt now being executed as sustainable finance, working closely with investors, banks and external agencies to better understand what needs to be achieved in order to qualify has become a major part of his work.

Of course, helping the group meet its sustainability goals is only part of the deal. Tregenna's day-to-day role sees him covering the full gamut of operational treasury, including managing its substantial cash and debt portfolio. Together, his remit includes a broad sweep of activities that keep his job interesting. Even after 15 years with the company, he is still happy to report that "no day is ever the same".

Some of what he does stems from having operated under a traditionally divided Group Treasurer/Group Financial Controller regime. Although both senior roles were subsumed into the remit of today's Director of Treasury, Tax and Group Finance – with many activities having been refined in the process – some principles established by the Group Treasurer of the day have been upheld.

Current policy, for example, directs Tregenna to manage multiple bilateral financing deals. It means that as Head of Treasury he manages "a few more relationships" than some of his peers. Nonetheless, he declares that it works and provides the Group with the flexibility it strives for throughout the business.

This is knowledge that truly comes from experience, Tregenna having worked his way up through the treasury ranks at Pennon. He started as a treasury dealer, moving onto treasury accountant, then treasury manager and upwards to his current role. This passage has enabled him to develop a "good understanding of the operational expectations on the treasury department", affording him a clear view of how it all fits together, and ensuring treasury is delivering the right service to the business.

Strategic player

It is often said in these pages that the function of treasury has, in recent years, developed into one of strategic importance. All at this level acknowledge that a solid grounding in treasury fundamentals has proven vital in the facilitation of their ascent. Indeed, with forecasting and planning given far greater weight today (as the meeting of corporate objectives through financial best practice rises up the agenda), Tregenna's own depth of operational expertise ensures he is able to continue meeting expectations when colleagues from other functions seek his advice.

And if the business units once rarely considered the source of their funding, they surely do now, he reports. "With the low interest environment and a rising cost-of-carry, we have all had to become more precise, ensuring we are not holding surplus funds for too long, yet still having the pre-funding available to meet the needs of the business." Treasury's voice on the matter is now heard loud and clear.

Sustainable

Increasingly, the scope of Pennon's large capital projects dovetails with its desire, where possible, to access sustainable finance. Of course, by definition as a recycling and water utility company, its infrastructure improvement projects have positive social and environmental impacts.

But because sustainable funding is contingent on meeting strict guidelines, treasury needs to go out to the business, discussing the major capex projects, probing how these align and integrate with the 'rules' of sustainable finance. Given the strength of commitment to using sustainable finance within Pennon, it can even influence the way a project is executed, notes Tregenna.

However, it is not enough just to know that company sustainability goals are well-met; there needs to be evidence to this effect. Investors are now closely scrutinising the environmental, social and governance (ESG) scores of target firms, many seeking more information on what companies are doing to meet sustainable goals. What's more, for a business such as Pennon seeking to access 'impact' or sustainability-linked loans (and potentially unlocking the margin reductions it can offer), it has to provide a clear demonstration of positive ESG activity.

Pennon's strong focus on sustainability is accompanied by a desire to raise the profile of the progress it is making in this space. It needed independently verified ESG metrics for its documentation to help demonstrate its positive ESG impacts. To this effect, it has been working with a number of third parties, such as the well-respected ESG-ratings firm Sustainalytics, to help tell its story to the investor and banking community.

"We've also worked with a number of banks who are able to offer impact loans," he says. "One of the KPIs within the documentation commits the company to improvements in our Sustainalytics score to receive a reduction in the margin. It's an independent assessment, but we can see the methodology and look to improve against these metrics, and make sure we are clearly reporting the right aspects on our website and through our annual report."

Through this understanding, Pennon has been able to mature its sustainability strategy, embedding this throughout the company. Every business unit and function is now involved in the implementation, development and progress of the strategy. "And the more it's embedded, the more we should improve on our scores," states Tregenna. This greatly assists its access to, and indeed appetite for, sustainable finance, on the whole acting as a virtuous circle of improvement for the business, and the environment and communities in which it operates.

Pennon is also working with international accredited safety and sustainability registrar and classification society, DNV GL. It is helping to create a sustainable financing framework and set of development goals. The collaboration is helping Pennon take its reporting of credible ESG performance "to another level".

Clearly, for Tregenna, the desire to look at and communicate sustainability in more depth is taking up more of his time. “I need to understand more of the operational drivers in the business, as much as the business has to gain an understanding of what treasury does,” he reports, adding that the outcome makes this a welcome challenge.

Risk

Of course, there are other challenges to Pennon’s equilibrium that are less well-defined. Some, such as Brexit, are difficult to judge when building a response. Although as a UK-operating business, the Group is well placed, compared to other corporates, to navigate through Brexit challenges, Tregenna knows there will almost certainly be some fall-out to deal with, depending on how it is delivered. And talk by some British politicians of possibly re-nationalising utilities is also on the company’s radar.

The challenge here is in the uncertainty but Pennon is not simply waiting around. The company can only exercise a watching brief on such events, but a more immediate response is dictated by the rigorous and ongoing demands made by the water and waste industry regulators and policy-makers. Pennon’s waste management subsidiary, Viridor, has not waited to be regulated into action, transforming itself from a landfill business into one focused on recycling and energy recovery.

On the water side, South West Water is in the unique position of having its business plan fast-tracked twice in a row. This has all required significant investment. Treasury has not only been called upon to ensure the business sets the right capex profile, but also that a robust approach to risk mitigation is developed and that the facilities used are being backed by long-dated contracts, the majority of which are from local authorities.

Treasury calling

Being able to devise and implement robust responses to issues as they arise demands knowledge and experience, and Tregenna has this in spades. Having moved immediately post-degree into the hospitality sector, he decided to change direction following an 18-month stint in a prestigious Golf and Country Club in Westchester, New York, moving back to his home country and to an opportunity in South West Water’s sales ledger department. As opportunities arose to move onwards and upwards, he took them.

His initiation into treasury came after three years in the business when a Treasury Dealer position arose. The diversity of treasury activities that ensued has kept him at the business ever since, through acquisitions and the eventual morphing into the diversified Pennon Group.

There is no secret to Tregenna’s treasury success story though. “It’s the ability to embrace whatever challenges are thrown at me,” he explains. The capacity to switch between different topics, and be an expert on all, for the business is, he notes, part of the territory. A natural curiosity and the wherewithal to understand and translate often complex subject matter, related both to finance and the business itself, is all par for the course.

Tregenna is a strong believer that treasury needs to retain its core specialism and expertise, but he also knows that being armed with the right skillset enables him to rise to new

challenges as treasury evolves into a more strategic function. It’s an evolution that he fully embraces.

“The last financial crisis certainly pulled financial risk management into focus, but it also changed perceptions of treasury, highlighting the value of the role right across the business, alerting many more people to what we do and how we can help them,” he explains.

Getting personal

The level of understanding required of treasury only increases as the responsibilities mount. Tregenna is suitably proactive in this respect. When he first started at South West Water, he had just embarked on his AAT accounting qualifications. As his career progressed, he built upon this, taking ACCA accounting qualifications and the full set of ACT exams. “I think it’s important to formally set out your understanding of treasury; it’s certainly something I encourage my team to do.”

The academic work undertaken through the ACT not only gives deeper knowledge of the subject but also opens up a network of treasury professionals, he reveals. “Everyone’s experience of treasury will be different, but having that base understanding and access to resources through the ACT is something I consider to be really important.”

The sharpest technical skills of the modern treasurer are perhaps a given in today’s demanding environment. But the importance of well-honed soft skills should not be underestimated, advises Tregenna. “We have a role that is quite specialised and that can mean we are not in the office as often as some other finance people. We need to be part of that team if we are to help, so it is essential that we are able to communicate well and work with everyone in the business.”

Exploring options

For anyone just starting out on a pathway towards treasury glory, Tregenna reiterates the importance of embracing everything that the work throws at them, willingly taking on its full diversity. “There’s a greater focus on the individual career ‘journey’ these days, and less on the notion of ‘job for life’. I advise trying to gain as much experience and understanding of the different aspects as possible.”

Indeed, he continues, taking certain jobs for a period, just to gain the experience, can help open up the next level for the aspiring treasurer. Accounting and finance offer a huge scope for movement and experimentation, both across and between large organisations. Taking full advantage of every opportunity, he feels, “sets the individual in good stead to be able to better understand the direction in which they wish to take their career”.

With the level of responsibility that comes as part of any high-ranking profession, there must be an outlet for the stresses and strains of the day. Although he admits it can sometimes be hard to maintain, achieving a successful work/life balance is important to Tregenna.

A committed family man, he also has passion for rugby, carrying an Exeter Chiefs season ticket as proof of his devotion to the sport. “It’s my escape,” he explains and admits only to being “capable at most sports, but not great”. Fortunately for Pennon Group, at his own admittance, his talents as a treasurer far exceed those of his sporting life.

Achieving the right results in a changing world



Caroline Hedges

CFA, Global Head
of Liquidity Portfolio
Management

MMF regulations: raising investor expectations

The regulators have had their say and the money markets have been refreshed. Caroline Hedges, CFA, Head of Liquidity Portfolio Management, Aviva Investors, explores how change has seen some welcome outcomes.

When money market fund (MMF) reform came into force for US and European markets (2016 and 2019 respectively), it was part of the ongoing response to the global financial crisis of 2007/08. In keeping with the perceived general need for systemic stability in financial services, banks have undergone a huge regulatory overhaul, notably around capitalisation. This is intended to help them withstand the worst effects of another crisis. It was natural that the reformers would focus next on the so-called 'shadow-banking' sector, of which money markets are a systemically important component.

A run on a MMF would create widespread contagion. Because investors in a constant net asset value (CNAV) fund expected to get out that same £1 they put in, with interest; there was this inherent belief that the fund would be bailed out by its sponsor should there be a default. This bail-out was never guaranteed in writing. It seemed some parties on both sides of the agreement had forgotten that cash is not a risk-free asset. Regulators deemed this to be unacceptable and acted accordingly with reform.

The reform of money markets was lobbied for by key participants, including Aviva Investors. We had already changed our CNAV fund to LVNAV (variable net asset value) in 2008, believing that CNAV was no longer a suitable model for our clients. Indeed, with assets fluctuating in value – floating rate notes were especially volatile during the financial crisis – the risk of realised losses (or even defaults) was real. Action was required.

The efficacy of the regulatory response is yet to be tested by market failure. However, a key element – the low volatility net asset value (LVNAV) fund, which saw Aviva Investors become the earliest adopter amongst established funds – incorporates a mechanism ensuring such funds remain open in times of extreme stress.

LVNAV funds have 20bps collar. If the fund moves up or down by more than this, it has to re-price and switch to a floating or variable net asset value. This is a conservative collar compared to CNAV's 50bps. Even so, the simple facts speak for themselves: in the most stressed moments, a fund deviating by more than 20bps is incredibly rare. With LVNAV's mechanism ensuring no closure is necessary, a run on a stressed fund is all but ruled out.

Furthermore, regulators have established strict guidelines on managing money market liquidity risk. Similar to the banking sector's rules on capital adequacy that ensure robustness even in a liquidity crisis, MMF rules ensure funds have sufficient daily and weekly liquidity to meet investor redemptions.

For investor comfort, this may have been over-engineered. For LVNAV funds, daily liquidity must be at least 10%, and weekly liquidity must be at least 30%. Most short-term MMFs operate with 20% daily liquidity and around 35% weekly liquidity. To put this into context, redemptions in MMFs above 5% are incredibly rare, even in times of stress. The global financial crisis saw depositors queuing outside Northern Rock to retrieve their savings. This loss of confidence didn't happen to Money Market Funds, as diversified pools of cash.

Positive outcomes

That the regulations have thrown light on the money market sector should be seen as a positive outcome. Prompted by the changes, investors are now asking more probing questions. At Aviva Investors, we can help them better understand how the market works and, as a result, manage their own risks more judiciously.

We know that some potential investors are averse to credit risk, choosing to invest most of their cash directly with their banks. Whilst bank regulation reduces the chance of default for systemically important financial institutions, this model does not provide risk-informed diversification.

For investors wishing to diversify risk away from bank-concentrated cash placements, we can explain how MMFs are a comparable platform. Indeed, they provide same-day liquidity, with robust safety mechanisms, in much the same way a bank deposit does, and possibly with enhanced yields too.

Additionally, new MMF regulations stipulate strict criteria for investment managers in terms of their credit quality assessments, performed by an independent team of credit experts. Clients don't always have the resources available to manage such deep market analysis. So MMFs effectively create an inexpensive way for investors to leverage the fund manager credit expertise and diversify away from the concentration risk associated with a bank deposit.

With Aviva Investors, and other fund managers, committed to integrating environmental, social and governance (ESG) themes into our funds, there is a clear commitment to helping clients who may lack the resources to screen investments in this space too.

MMF regulations have come at a time when the financial sector needs more clarity and security. The market has responded positively, helping to build investor confidence in what was, frankly, already a robust proposition.



Marte Borhaug

Global Head of ESG
Investment Solutions,
Global Responsible
Investment

ESG: long-term thinking can add value to short-term investments

While ESG was becoming a buzzword in long-term holdings, environmental, social and governance factors (ESG) long continued to seem irrelevant for short-term investments such as liquidity. Yet as the concept has gained familiarity, investors have realised ESG factors can impact performance in the short as well as the long run.

Why think about ESG?

Corporate treasurers mandated with investing their firm's money to preserve capital, maintain liquidity and deliver some yield

have tended to think of ESG as a secondary concern, if at all. Those who did consider it – including asset managers – largely believed it would restrict the investment universe and the flexibility of money market funds.

In fact, ESG is a key determinant of value creation and protection, and therefore highly relevant to treasurers' aims. ESG factors are the non-financial aspects of a company's performance that are key contributors to its bottom line – so taking them into account is highly pertinent. It is not the same as ethical investing, which avoids specific investments for ethical reasons without taking into account the impact of these choices on financial performance.

For instance, the money market funds using ESG criteria today are prime funds, invested in commercial paper and other private instruments, so their primary exposure is to the financial sector. As such, governance has always been an implicit – but essential – consideration. In recent history, examples of material governance failings readily come to mind, from Wells Fargo to Danske Bank, and of course the subprime crisis. This also highlights how some ESG risks can materialise quickly, impacting short-term investors perhaps even more than longer-term ones who can afford to ride out a crisis.

As illustrated by the number of ESG money market funds launched recently in the US, but also flows into these funds, interest is growing rapidly. According to Fitch Ratings, assets rose 15% to US\$52bn over the first half of 2019, after growing 1% through all of 2018¹. The momentum is building as regulators and authorities call for greater ESG disclosure from asset owners and managers, and investors understand this. They are increasingly asking probing questions about how ESG is integrated into their portfolios.

Asking the hard questions

Because ESG is complex, investors need to choose managers that understand a wide set of metrics and carry out their analyses within the context of dynamic global events – such as the shift to sustainable consumption, the climate change agenda and the movement for equality, all of which will create winners and losers.

When conducting due diligence, investors should look beyond managers' claims, to avoid those content with greenwashing, and they should ask challenging questions such as:

- Does the investment process go beyond simple exclusion criteria?

- Does the manager have a framework to categorise strategies by type of ESG approach (eg integration, active ownership, exclusion, positive screening, etc)?
- Do they have a proprietary, forward-looking scoring methodology focused on the material factors most likely to impact performance? For instance, although MSCI ratings are a good start, they present significant limits on these points.
- What is the manager's track record in terms of ESG integration, voting at AGMs, industry lobbying and active engagement to encourage companies to improve their ESG practices? Meaningful engagement of this kind can reveal a manager's true level of commitment.

Having fully integrated ESG factors into their credit research, asset managers should act on the data. They can exclude some investments where companies present a high level of near-term risk. To take a non-financial example, explicit governance failures led us to shun BP shares in 2010. When the Deepwater horizon spill occurred, this decision benefitted our investors. Where short-term risks are low but long-term risks more meaningful, the best approach is usually to engage with companies to encourage them to adopt best practice, both through voting – where asset managers hold shares – and via meetings and correspondence with company boards, to raise concerns and follow progress.

Growing momentum

While ESG is one of the hottest corporate topics today, it has been a key part of our investment philosophy for decades – our record of engaging and voting at company AGMs dates back to the 1970s. We see it as a demonstration of our responsible stewardship of our clients' money, putting that money into projects, companies and assets that will deliver long-term value.

That said, we recognise that ESG is a complex space. To make further progress, the market needs to come together to make ESG more readily understandable. Among many other initiatives, we have long been advocating for ESG standardisation, and we are pleased to see it emerging. In the UK, the British Standards Institute (BSI) is working towards a standard for sustainable investment. It is also in conversation with its global counterpart, ISO, demonstrating the growing momentum towards a global taxonomy.

Few investors ever used to ask their asset managers what ESG factors they incorporated. Today, this question is becoming increasingly routine. The asset management industry needs to be ready, and as the industry continues to align capital with the ever-more relevant risk metrics of ESG, we urge investors to keep asking those hard questions.

¹ESG Money Market Funds Grow 15% in first half of 2019, Financial Times, 14th July 2019

Reasons to be cheerful: matching enhanced returns with liquidity and security

In today's 'lower for longer' interest rate environment, building a cash strategy that can offer investors an enhanced return, capital preservation and liquidity seems like an extraordinary challenge. Aviva Investors' Caroline Hedges, CFA, Global Head of Liquidity Portfolio Management, and Tony Callcott, Head of Pan-European Liquidity Client Solutions, have good news.



Caroline Hedges

CFA, Global Head of Liquidity Portfolio Management



Tony Callcott

Head of Pan-European Liquidity Client Solutions

How would you describe investors' appetite for return in the current environment?

TC: Generally, investors have been somewhat affronted by the very low or negative rates of return seen in recent years. However, in the last 18 months, we have seen less acceptance of the status quo. As a result, many have been reviewing their policies and guidelines to see if they can push for a slightly enhanced return on slightly longer-dated cash, mindful of course, not to mistakenly start chasing yield at any cost.

CH: With investors and asset managers under significant yield pressure, corporate treasurers, institutional investors and even traditional credit investors have contributed to the net inflows seen in enhanced cash products this year. These longer duration credit investors are surprised at just how much additional risk needs to be taken for minimal incremental returns, since the yield curve is so flat. In contrast, enhanced cash products still offer the necessary liquidity and security but with higher risk-adjusted returns.

How are investors tackling the new environment?

TC: Today, investors are generally taking a more considered view – looking to blend their approach to see if they can improve their yield. Previously, traditional cash management desks concentrated all of their operational cash in short-term money market funds (MMFs) that offered daily liquidity. Now, they are closely scrutinising their cash and forecasting metrics. This gives them a far better understanding of their operational, reserve and strategic cash segments, and means they can begin matching the different cash segments with the most appropriate investment products.

MMFs are still a primary destination for their operational cash, but treasurers are now leveraging a pick-up on yield in the enhanced space for cash pools that have slightly longer horizons of around three to six months.

CH: Understandably, if an investor's entire cash bucket fluctuates wildly, putting it in a same-day MMF makes sense. But if, through that deeper understanding, they know that a proportion of that cash bucket is more stable, and has a slightly longer horizon, they can choose to optimise it by putting it into a liquidity-plus style fund without sacrificing liquidity or security to achieve that yield.

How should treasurers approach building a bespoke mandate for their cash?

CH: Bespoke mandates are ideal for clients that have both large buckets of cash and require a tailored approach, in terms of not

only risk and return, but also in terms of investment restrictions. For example, portfolios can be put together using two buckets: one for liquidity purposes and one for return. Clients can also decide on an allocation to ABS or fixed bonds, with co-management of the portfolio from credit portfolio managers, combining the expertise of two skill sets to produce a sophisticated portfolio designed to meet bespoke objectives.

What returns could an investor taking the cash-plus path anticipate?

CH: The universe of cash-plus funds is diverse, so it is important for investors to match the profile of the fund with their liquidity and credit constraints. For those with a conservative strategy, but able to invest for three to six months, an additional 15-25bps return can be achieved using AAA-rated cash plus funds. For investors prepared to take more risk, the 'non-rated' cash-plus universe, which stretch further down the capital structure and/or extend tenor, could potentially provide an additional 25-50bps.

Clients investing euros often ask if we can achieve a zero-rate of return; this is possible but requires taking significantly more credit and liquidity risk. For us, it is important for asset managers to educate clients about what's achievable for the risk and volatility they are prepared to take.

With the large range and diversity of funds in this space, investor due diligence is essential, evaluating not only what the fund manager is investing in, but also how robust its credit analytics and credit risk management are.

What can Aviva Investors offer that is unique?

TC: A number of our clients have their own investment guidelines and policies in place, and recently many have been reviewing and changing them. Based on these alterations, we can create dummy portfolios, what-if scenarios and other indicators, allowing us to table opportunities that their new guidelines present.

For treasurers who may not realise the opportunities in this space, we stress that Aviva Investors is an asset manager and not a bank, so this is our area of expertise. In fact, we have a 40-year history in running bespoke mandates across a wide range of products.

We value the credit process above all else, not least because we look after our own cash, safeguarding it in the same way as we do our investors' money. Furthermore, we always call upon our expertise in this area to offer our clients appropriate solutions.



Unblocking supply chains with DLT

With myriad complex processes, rules and regulations, trade has long remained highly paper-based, with manual processes that often seem resistant to change. Can distributed ledger technology (DLT) and blockchain ever become the industry standard – or are the barriers simply insurmountable?

It goes without saying that many multinational companies have incredibly complex global supply chains. From the start of a trade transaction to its completion, each and every trade transaction must be verified, recorded and co-ordinated – often via intermediaries.

But what if these transactions could be verified autonomously? It would certainly remove a whole layer of complexity from this vast sector. This is the promise that DLT and blockchain have presented – but widespread adoption of this technology is likely to take considerable time and effort.

Recently, the Singapore branch of CIMB Bank Berhad completed a trade financing transaction for dairy imports using internet of things (IoT) cargo sensors and iTrust's DLT platform. Meanwhile, promising initiatives have brought a wide range of benefits, from streamlining cargo checks to tracking the provenance of food. So is this the shape of things to come?

DLT vs blockchain

Before exploring the topic, it's worth exploring the differences between DLT and blockchain. At their heart, DLT and blockchain share a conceptual origin: they are both decentralised and digitised logbooks of records.

However, given the wealth of information out there about blockchain and DLT, these terms are too often used

interchangeably. In fact, blockchain is a specific type of DLT, in much the same way that an Audi is a specific type of car.

The term DLT refers to the technological infrastructure and protocols in place that allow various participants to access and manage records of data inside a decentralised database, or ledger. Think of it as a spreadsheet that develops through time.

As there is no central authority that acts as arbitrator or monitor, each participant can initiate, confirm and update information contained within the ledger. These records are only ever stored when all parties come to a consensus.

In comparison, blockchain is one form of DLT. Because of this it can exist without the need for a centralised authority or a server managing it – rather it is managed by peer-to-peer networks. Data on the blockchain is grouped together and organised in highly-encrypted 'blocks', which are linked together and secured with a cryptographic signature called a 'hash'. The quality of the data therefore cannot be manipulated.

Shipping – competition or co-operation?

On the opening day of the Lloyd's List Transparency in Shipping Forum last September, Peter McBurney, Head of Technology Consulting at Norton Rose Fulbright, compared the impact the internet had on businesses 30 years ago to the

potential that blockchain has today. “If you lived and worked through that era, you will understand what an upheaval the internet was for businesses,” he said. “Blockchain is revolutionary technology and will transform industries across every sector.”

One such industry is in shipping – a notoriously competitive one which involves many parties with conflicting interests. Recent figures from the International Chamber of Shipping state that there are currently over 50,000 merchant ships operating across the globe at any one time.

Indeed, the international shipping trade has changed comparatively little since American businessman, Malcolm McClean, invented the intermodal sea container in 1956. Prior to this, the loading and unloading of freight was an expensive and often time-consuming task. With the advent of McClean’s sea container model, however, it became significantly cheaper and much more efficient to transport goods across the globe.

Unfortunately, what McClean’s revolutionary new container model did not solve was the cumbersome and bureaucratic processes that come with the transport of goods, including extensive paperwork. In 2017, research by IBM and Maersk found that the cost of handling documentation is so high that it can exceed the cost of transporting shipping containers. Indeed, the research found that a single container moving from Africa to Europe requires nearly 200 communications and the verification and approval of more than 30 organisations involved in customs, tax, and health-related matters.

Setting a new course

These exchanges of information can take many forms, such as sales contracts, charter party agreements, bills of lading, port documents, letters of credit and more. And the documents involved can range from electronic files to hand-written delivery notes. Speaking at the Lloyd’s List Transparency in Shipping Forum, Sally-Ann Underhill, Partner at Reed Smith, backed up the findings of IBM and Maersk’s research. “The container side of the industry is seriously looking at blockchain,” she said.

This is because blockchain has the ability to make things so much cheaper. “In the container industry, savings of US\$300 per container are not unheard of by using blockchain technology,” Underhill claims. “If a business has really reduced and low margins, these savings can make the difference between having a successful end of year or a really bad one.”

These potential savings simply back up the fact that, as the international trading model has become even more bureaucratic with the introduction of new rules and regulations, aspects of the shipping industry are in desperate need of a solution. This is particularly pertinent while geopolitical tensions, economic concerns and political uncertainty continue to cast a shadow over international trade.

For champions of blockchain and DLT, this technology has the potential to reduce not only the bureaucracy involved in global shipping, but also the amount of paper used – and, more importantly, the associated cost. Last year, a consortium including AB InBev, Accenture and Kuehne + Nagel successfully tested an ocean shipping blockchain solution and found that it reduced data entry requirements by up to

80%. Furthermore, the solution simplified data amendments, streamlined the checks required for cargo and reduced the burdens and risk of penalties associated with custom compliance.

But can the benefits of DLT and blockchain extend further than just reducing paperwork, costs and compliance? The retail sector has shown they can.

Savvy shoppers, savvier retailers?

The high street is dying, or so they say. Earlier this year, research by PricewaterhouseCoopers (PwC), compiled by The Local Data Company, found that Britain’s top 500 high streets saw net closures of 2,481 in 2018. The report attributed this in part to the high costs and risks of operating on the high street, compounded by advances in online retail.

If this trend continues, many more retailers will need to adapt their online systems and processes to cater for this shift in behaviour. But can blockchain provide the answer?

According to UK Finance, the collective voice for the banking and finance industry, retail losses due to online fraud totalled £265.1m in 2018, a rise of 29% on the previous year. For Ciaran McGowan, General Manager of trading platform we.trade, the solution is smart contracts on a blockchain network.

“The ideal scenario is a solution for all parties to be connected together,” says McGowan. “By using a blockchain smart contract, a trade is created where there is effectively a contract between the buyer, the seller, the buyer’s bank and the seller’s bank – so effectively, when all the conditions of the contract are met, then a payment is triggered.”

For retail it is this ability to track products across the supply chain that is a boon to the sector. But not only does blockchain have the potential to reduce fraud, it can also verify the provenance and origin of a product, eliminate the risk of counterfeits (particularly in luxury goods) – and it has already proven itself to have benefits when it comes to food safety.

Last year, Walmart teamed up with IBM to produce a food safety blockchain solution, built using open source DLT Hyperledger Fabric and running on IBM Cloud. Prior to launch, it took Walmart approximately seven days to trace the source of produce. With the new blockchain solution this was reduced to 2.2 seconds – making it much less likely that infected food will reach the consumer.

“Our customers deserve a more transparent supply chain,” said Frank Yiannas, Vice President of food safety for Walmart in a statement. “We felt the one-step-up and one-step-back model of food traceability was outdated for the 21st century. This is a smart, technology-supported move that will greatly benefit our customers and transform the food system, benefitting all stakeholders.”

Indeed, corporate social responsibility (CSR) and sustainability is growing in importance for today’s retailers and customers alike. Last year, the French supermarket chain Carrefour also launched Europe’s first ever food blockchain. Starting with free range chickens, each product label now features a unique QR code which consumers can scan with their smartphone. Not only does this provide them with information about the product, it also shows the journey the chicken has taken –



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Sarah Hazzledine, Managing Director, Accenture

from farm to store. In addition, the code gives the name of the farmer, what feed was used and whether the animal has been treated with antibiotics, for example.

The state of play

Regardless of the potential for the global trade industry, blockchain is far from maturity, and there are many challenges that must be overcome before it can be successfully applied across the board.

Perhaps the greatest challenge for the trade industry is the need to gain universal adoption. There is no doubt that the ability to exchange information accurately and safely across any supply chain is a boon to stakeholders. After all, the more stakeholders take up the technology, the more viable and practical it becomes, and this should lead to it becoming the industry standard. However, organisations are at varying levels of digital readiness, and not all recognise the benefits of DLT and blockchain collaboration.

This is a point made by Sarah Hazzledine, Managing Director at Accenture: "This is a question that desperately needs an answer, as adoption is all about getting the network effect. How do you get the right number of players onto the network to actually make it viable? I think that's the biggest challenge rather than the technology itself."

Hazzledine notes that across several consortiums in the industry, adoption has been tentative due to ambiguity around how competitors can collaborate on blockchain initiatives. "Those that have been successful to date consider the needs of all parties," she says. "Players in the shipping space don't want to join a network that is seen as owned and driven by an industry giant."

It is a point endorsed by Lloyd's List's Managing Editor Richard Meade: "Maersk and IBM are currently the shipping equivalent of Uber, so unless the industry embraces blockchain and comes up with their own solutions, they will simply become Uber drivers – and that's not quite as profitable I would say."

Other critics of blockchain argue that inherent problems with blockchain technology itself will need to be ironed out before it can be applied on such a large scale. The first is latency. Some implementations of the technology have not scaled up significantly enough to cope with the huge demand in processing transactions, and as a result performance has suffered.

In addition, with so many transactions happening across the globe, there are serious issues with the amount of energy

required to power the network. For treasury, this weighs heavily on its organisation's sustainability agenda. Although the amount of paper used will be reduced dramatically, it could be at the expense of increasing CO₂ emissions.

However, Hazzledine points out that this is not a concern for private networks. "Public blockchains such as Bitcoin are resource intensive due to the amount of energy required for data miners to do proof of work – but this is not indicative of what is going on in private networks where proof of work is not required."

The journey ahead

Another problem for global trade is the increasing regulation in different industries. For example, standards and governance in the shipping industry differ greatly from the road haulage industry. As such there will likely be a number of different networks established at different times, all serving different goals.

This is highlighted in a recent research paper on blockchain's potential by Christine McDaniel, economist and trade expert from the Mercatus Centre at George Mason University. "Integrating blockchain technology in the customs process will require technological updates and the cooperation of customs officials, governments, shippers, and suppliers," the report claims. "This cooperation may be harder to achieve in industries where particular businesses work to manipulate public policy or economic conditions as a strategy to increase profits."

Therefore a collaborative mindset across each industry is needed, and a culture of embracing new opportunities from this new technology should be nurtured. This can be achieved if IT departments gain the knowledge and practical first-hand experience required to implement it across the board.

Enno-Burghard Weitzel, Head of Product Management Trade Services at Commerzbank echoes this sentiment: "In the future, it will be possible to completely integrate all corporate enterprise resource planning systems, including all supply chain stakeholders on DLT based platforms," he says. "This will lead to an increased level of transparency on the whole supply chain and enable end-to-end data flows. Furthermore, in the not-too-distant future we will be able to create digital twins, thereby linking the real world and the digital world."

While certain issues will need to be ironed out, there remains hope that they can be solved within the next two to five years. Indeed, McGowan is very positive for the future, as he believes that there will be a revolution with the emergence of the IoT, artificial intelligence (AI) and blockchain.

"I expect blockchain will be more than just 'farm-to-fork' scenarios across the global trade industry as suppliers and customers will soon be able to track the correct weight of the cargo and even its current temperature," he says. "Should the goods be damaged on delivery or be of poor quality, AI will be able to calculate the right amount of discount applied."

Regardless of the thoughts of supporters or critics of blockchain, the benefits are so significant that it seems likely the technology will have a major role to play in shaping the future of global trade. After all, Rome wasn't built in a day, but its empire changed the world.

Yes we can: treasury's response to climate change

Few could have escaped the mounting need to take action to halt and possibly reverse the damaging effects of climate change. Can corporate treasurers really do anything to help?

Climate change is the biggest threat the modern world faces. Experts and critics may argue about the causes (and some deny it), but the increasingly extreme weather systems seen around the world and the rise of the oceans are bad news for us all.

Individuals, businesses and governments have myriad of other issues to tackle, but the bottom line is that if climatic conditions deteriorate much further, those issues may not matter. An existential crisis? Maybe, for future generations.

Doubt it?

Changes in global temperature are nothing new. In the last 650,000 years there have been seven cycles of glacial advance and retreat. The start of the modern climate era was signalled by the end of last ice age, about 7,000 years ago.

Most of these climate changes are attributed to small variations in Earth's orbit, subtly altering the amount of solar energy received by Earth. However, according to the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, the current warming trend has a "greater than 95% probability" of being man-made.

Information gathered by NASA indicates that Earth's average surface temperature has risen by 0.9°C since the late 19th century. The majority of this increase occurred in the past 35 years, with the five warmest years on record taking place since 2010.

What will be the legacy of the current inhabitants of this planet, then? Swedish teenager Greta Thunberg is doing a remarkable job in raising awareness of the risks posed by climate change. If someone so young can stand on the world stage and hold politicians to account for their paucity of action, then surely worldly-wise professionals, including treasurers, can take a stand too.

Of course, few can garner the kind of public profile achieved by Thunberg, but all can take action of some kind. And it needs everyone's input. Globally, US\$90trn will be needed by 2030 to achieve sustainable development and climate objectives, according to figures from the City of London Corporation's Green Finance Initiative.

The precision of the figures is uncertain, but the scale of the potential problem for humanity is not. This is why the Paris Climate Agreement and the UN 2030 Agenda both ask for commitment from financial institutions and businesses to align their financial flows with a pathway towards low-carbon and climate-resilient development.

Fringe benefits

The motivation to make a difference should be self-evident. Some companies make a much larger contribution to global warming than others, and it is reasonable to recognise that responses can be relative.

But we live in challenging times and bludgeoning people with the cold, hard facts of climate change, when it is perceived that there are more immediate issues to tackle (poverty, inequality, financial crises et al), is not always the most persuasive method. Sometimes a 'what's in it for me' approach is necessary (as if survival of the human race was not sufficiently persuasive).

According to DARA (an independent non-profit organisation working for populations affected by armed conflict and natural disasters) and the Climate Vulnerable Forum (a global partnership of leaders of countries most vulnerable to climate change), climate change is already costing US\$1.2trn a year, with five million deaths each year related to weather impacts and a carbon-intensive economy. Without strong action, the UK government 'Stern Review on the Economics of Climate Change' predicts that costs could be equivalent to at least 5% of GDP each year globally, or up to 20% of GDP regionally.

On a more positive note, and at a corporate level, if tackling climate change is viewed in terms of sustainability and environmental, social and governance (ESG) policy, then there is some evidence that putting it high on the agenda improves financial performance.

In 2018, Switzerland-based academic publisher, MDPI, produced a paper, 'The Impact of Sustainability Practices on Corporate Financial Performance: Literature Trends and Future Research Potential', presenting an analysis of the impact of corporate sustainability on corporate financial performance. Using content analysis techniques to examine current research, it concluded that from a total of 132 papers from "top-tier" journals, 78% reported a positive relationship between corporate sustainability and financial performance.

There is some evidence too for treasurers and CFOs that sustainable finance is prudent from a purely financial perspective. Within the investor market there appears to be a continuing and significant growth in mandates, to the extent that demand outstrips supply of 'green' assets – lending or bonds. This can lead to a pricing advantage for issuers.

Awareness

To what extent are treasurers professionally aware that they can do something about climate change? Not enough, says Anne van Riel, Head of Sustainable Finance, Americas at ING Capital. “Typically, treasurers are not very aware of the company’s sustainability initiatives unless it concerns the budget,” she notes. “Many do not know that their company is externally rated on its ESG performance either.”

It’s not that treasurers are not aware per se of the problem that is climate change. When van Riel and her team meet treasurers to discuss sustainable finance opportunities she says they appreciate the bigger picture. But with many sustainability investments, the impact is long-term and quantifying that can be difficult. It needs someone to relay outside experience to bring it into perspective.

“As we provide the viewpoint of investors and other stakeholders, they are better able to justify internal initiatives,” explains van Riel. The impact is akin to the whole being greater than the sum of its parts. “When sustainability teams have a closer relationship with treasurers and their goals are better aligned, the company can make a bigger positive contribution towards climate change goals.” Amplify this the world over and many small but co-ordinated activities suddenly have a vastly more powerful resonance.

It is not hyperbole to suggest that treasurers knowing they can make a difference will play an important part in the success of every global movement such as the Paris Climate Agreement and the UN 2030 Agenda.

Treasury action stations

The most important role the treasurer can play is that of internal alignment and acceleration of certain investments or initiatives. “One client told us they had several initiatives internally to improve energy efficiency of their operating facilities, but by making the greenhouse gas reduction KPI transparent and linked to their financing, they would likely execute on it faster,” says van Riel.

This is not the only way in which treasurers can make a difference; other approaches are emerging as the understanding grows. Indeed, another important development is that of the increased focus of credit rating agencies on this topic. Van Riel notes that both S&P and Moody’s are starting to show how ESG factors are affecting the credit rating. “That will automatically bring the ESG focus

on the agenda of the treasurer and incentivise them to engage internally on initiatives.”

It’s important for treasurers to work with other functions in their organisations in the response to climate change. An organisation is most successful if its sustainability initiatives have strong senior management support and are carried out by the entire organisation, van Riel believes. “To make sure ESG factors are identified and positive actions are undertaken, coordination and cooperation between all different functions is key.”

In this context, it is difficult for treasurers to make the right sourcing decisions in isolation from operations or design. “I think they increasingly understand the role they play to ensure the company has access to liquidity and is able to raise funds from a wide range of investors. Communicating ESG strategies is increasingly important in that respect.”

It does make a difference. By having a good ESG score (as defined on a broad level by the ISMA’s Green Bond Principles, and on a sector-by-sector basis by the likes of the major ratings agencies, the banking sector’s own experts and third parties such as Sustainalytics) it allows investors to come on board who otherwise would not invest. Diversification of funding is in itself a prudent risk management tactic; an ESG/sustainability led approach opens up the market.

If there was any doubt about this, consider, for example, that Swiss Re, one of the world’s largest institutional investors, announced last year that it was moving its entire US\$130bn investment portfolio to ESG indices.

Legal & General Investment Management (LGIM) is also taking a strong stance. “The investment risks surrounding climate change have become so urgent that, for the first time, we are going beyond solely engaging with companies in order to hold them to account on the issue,” Meryam Omi, LGIM Head of Sustainability told Treasury Today Group.

“All companies, whether they emit carbon or not, need financing. They require banks, pension funds and insurance companies to buy their shares and debt. How they invest or allocate capital holds the key to financing a 2°C world rather than a 3-4°C world, because what gets financed today is the world we will build for the future.” (She is referencing the impact of average temperatures rising above pre-industrial levels.)

Companies that fail to embrace the transition to a low-carbon economy by demonstrating adequate strategy, governance and transparency will be excluded from LGIM’s new Future

Off the rails?

Not all experts agree with the doomsday scenario. World Meteorological Organisation (WMO) Secretary-General, Petteri Taalas, offers a moderating take on the subject. He told *Talouselämä* magazine in Finland this year that he disagrees with “climate extremists” who call for radical action to prevent a purported apocalypse. He believes that we should “consider critically, and with reservations, the thoughts of experts” before becoming overly anxious or adopting a radical stance.

“While climate scepticism has become less of an issue, now we are being challenged from the other side,” he said. “Climate experts have been attacked by (radical climate alarmists) and they claim that we should be much more radical. They are doomsters and extremists. They make threats.”

For Taalas, “it is not going to be the end of the world. The world is just becoming more challenging. In parts of the globe, living conditions are becoming worse, but people have survived in harsh conditions.”



If businesses get this right, then climate change is not just a risk but also an opportunity to drive value and grow the business.

David Nayler, Financial Institutions Industry Practice Leader, UK & Ireland, Marsh

World Fund, says Omi. “In all other funds where we cannot divest, we will vote against the chair of the board to ensure we are using one voice across all of our holdings. This is the first time we have pledged to do so on a global scale for the issue of climate change.”

Bank action

Banks have a major role to play here and they need to commit fully to the cause. ING has launched an approach that will begin steering its €600bn lending portfolio towards alignment with the Paris Agreement’s re-asserted target of preventing global average temperatures from rising 2°C (it was actually ratified by 192 countries as part of the 1997 Kyoto Agreement).

Known in-house as the ‘Terra’ approach, this bank is using open source technology, developed with the 2° Investing Initiative, a global think tank on developing climate and long-term risk metrics and related policy options in financial markets.

Terra is a scientific approach to measuring the technology shift needed across certain sectors to keep well below the 2°C target. It works on the basis that real progress on decarbonisation is dependent not on emissions targets per se but on major changes to domestic energy, industrial and innovation policies, and that these efforts should be supported at source.

In the automotive sector, for example, lowering emissions must be complemented by changed manufacturing models (the efficacy, in this respect, of electric motive power, where it needs charging from national grids, is debatable but progress will be made). Terra effectively quantifies the gap between current and future practices, defining what needs to shift, by how much and when. With other banks having been invited to join the programme, funding development along these lines will gain momentum.

A number of banks, united under the Banking Commission of the United Nations Environmental Programme Finance Initiative (UNEPFI), have also launched a positive impact manifesto. This is a commitment from members – notably also including some investors – “to think more holistically about their role in the economy, society and the broader environment”.

Hoping for the best, preparing for the worst

“The business impacts of climate change risks should be assessed and modelled in similar ways to any other business risk,” advises David Nayler, Financial Institutions Industry Practice Leader, UK & Ireland, Marsh. This happens through the process of identification, assessment, mitigation and monitoring.

He suggests four key questions to ask to begin testing whether an organisation is prepared:

- **Is our strategy climate ready?** What effects might different climate futures have on our ability to execute our current purpose and strategy? How will the products and services we currently offer, and the markets we operate in, need to change?
- **Can our existing risk management, resilience and corporate governance controls cope?** How will changes in climate alter the balance of investments the company might need to make in its risk management and resilience?
- **Will our key assets be protected?** Which assets might be affected the most? Does climate change alter the balance of investment in asset management; will it drive the need for divestment, early decommissioning or changes in maintenance regimes?
- **Will we still be able to rely on our current supply chain?** Who are your most critical suppliers, and how vulnerable are they to the effects of climate change?

“In our experience, this approach, coupled with scenario analysis, is the most common across a range of industries,” notes Nayler. However, he believes that much of the scenario work is still in its infancy and sees the work on developing relevant scenarios as “ever-evolving”.

This means that the use of the output in the strategic decisions at executive level can sometimes be limited, he maintains. “This is partly because climate change as a risk can impact many parts of the organisation; perhaps the only comparator being people or conduct risk as a risk that straddles the whole organisation and involves the risk, financial, investor relations, reputational concerns and executive functions.”

Adapt and survive

In many ways the climate change issues are not new issues per se, comments Nayler, but there is an increase in frequency, severity and locations, and the resultant financial and reputational impacts. Engaging with the best futurists, and understanding the current realistic thinking, is, he says, important.

“Businesses need to adapt their risk frameworks and response options to consider the longer-term ‘creep’ issues as well as the short-term shocks, to horizon-spot for the next regulatory issue, clash or change of view, and to engage with the changing consumer views,” he explains. “If businesses get this right, then climate change is not just a risk but also an opportunity to drive value and grow the business, while creating a positive environmental impact.”

Of course, continues Nayler, it’s important to remember that the available models reflect the current climate. “While the scientific community agrees that climate change is happening, opinions can differ on the consequences and speed of change. This means, currently there is no ‘easy solution’.”

All together now: the power of niche forecasting technology

Forecasting is a fundamental part of every successful treasury, and yet, in these challenging times, many departments are too pressed for time to gather and analyse the appropriate data quite as they'd like. The solution, says one highly experienced treasurer, is quite simple.

Given the importance of accurate and timely cash forecasting to the whole organisation, an outsider would be forgiven for thinking that every possible resource would be made available to ensure the right numbers are accessible as and when required.

But, as many treasurers will know to their frustration, even with the best will in the world there is often neither the time nor the means to gather that data, particularly for the short-term 12 or 13-week rolling forecasts typically derived from receipts or payments-based data.

Short-term treasury forecasts of this nature give a better operational view of cash than medium-term P&L-type forecasting that offers a more strategic view over 12 months or more. Indeed, short-term rolling forecasts should afford treasury a view that helps them manage their daily cash positions around key areas such as whether they are borrowing or depositing short term, and what currencies they are exposed to.

Ideal vs reality

The data required is ideally submitted in a timely manner by every company in the group and formed into a consolidated view. If executed well, treasury has a relatively early alert for any impending major incomings or outgoings, and attendant currency requirements. In its ideal form then, the treasury forecast is simply a better decision-management tool for the kind of daily cash positioning that most large companies undertake.

However, whilst the benefits of treasury forecasts based on short-term cash flow are manifold, the accuracy and timeliness of the data from which they are derived is frequently found wanting, says Carol Power, a corporate treasury consultant and interim treasurer of many years' experience. That lack, she notes, can typically be traced back to a failing in organisational systems.

"Most treasuries are lean operations," notes Power. "Without a decent solution to help manage the data processing aspect, treasury often finds itself being overwhelmed. Indeed, with many treasuries running on spreadsheets, harvesting and consolidating data on a weekly basis from 30, 40 or more group companies can be more than a little challenging."

Expecting teams from other functions to continually update a rolling forecast is one thing; expecting someone in a lean

treasury operation to drop all their regular pressing affairs to create a consolidated spreadsheet view of the entire enterprise, and then analyse the results, is quite another. As such, Power notes that the value of forecasting as a decision-making tool can often be overlooked in the clamour to get other vital day-to-day treasury tasks discharged. It's all about prioritisation, she says, and cutting and pasting figures from multiple spreadsheets gathered from around the group does not often feature highly on the overworked treasurer's agenda.

Business case

And yet being in a position to better manage cash and currency positions as a net borrower could serve to reduce interest costs. If treasury knows its cash positions precisely, it no longer needs to maintain a large cash buffer and can streamline its borrowing requirements.

Most corporates will have facilities with a degree of headroom; astute forecasting can thus lower that headroom, which in turn can reduce commitment fees payable to the bank for holding, what are in effect, unused facilities. "Treasury could unlock a real cost benefit," says Power, "but ultimately, on a day-to-day basis, better forecasting means better financial decision-making."

This suggests a clear business case for developing a systemic framework for managing treasury forecasting; it delivers process advantages and there is an additional benefit, says Power. In fact, the exchange of data, in a simple streamlined way, promotes a value-adding two-way engagement between treasury and the business units. A treasury that is unable, through time-constraints, to consolidate its forecasting data, will certainly not have time to analyse that data. This prevents it from subsequently communicating its findings to the business units.

It follows that being able to consolidate and analyse that data gives treasury a greater opportunity to help the other units better manage their own forecasting activities. This matters because failure to secure visibility over cash positions can, at best, lead to sub-optimal short-term cash and currency positions, resulting in higher interest costs and foreign exchange risk and, in extreme cases, insolvency.

Project thinking

Upgrading technology can bring about more accurate and timely forecasting, and for the treasury that has deployed a

treasury management system (TMS) or ERP, logic dictates that the incumbent platform be used for this purpose.

However, Power sees a major issue potentially arising from the roll-out of TMS or ERP forecasting functionality to a large group. “It can quickly become a major systems project,” she comments, adding that such projects can quickly rack up the costs and the pressure on resources – not just on treasury but also on IT and the business units concerned.

New view

What may have seemed a logical step, suddenly morphs into a series of imponderables. But treasury has options, even for bread-and-butter activities like forecasting, says Power. “Rather than base it on a modified core platform, it is entirely possible to rapidly deploy a niche system.” The fintech market has perfected the building of specialist software, delivering and maintaining web-based solutions for a wider spread of users.

The software as a service (SaaS) delivery and licencing model is a proven and agile method of quickly and cost-effectively rolling out an application to multiple users. It allows centrally-hosted subscription-based services to be accessed using just a secure link and a password. Analyste CashForecast, a module within the company’s Trezone suite for treasuries, for example, sits on a remote server and, once configured, simply requires users across the business to login and upload their own cash data to share with the central treasury function.

With very little effort, a treasurer can view every position across the business as a consolidated report, with capacity to drill down to business-unit level. “It makes the decision-making process around short-term cash much improved,” remarks Power.

Having implemented Analyste CashForecast for a number of corporates – as both a standalone and ‘bolt-on’ core system module – she reveals that although principally a central treasury-led system, once configured, “it also becomes a tool for the business units to leverage for their own cash visibility needs”. The units have the option to upload data manually or automatically from their own systems.

Treasury can grant access to data and analysis so that each unit has full visibility over its own cash positions by business unit and by region or division as necessary. It is a distinct advantage for all if, when it comes to approaching central treasury for funding, each unit can do so in good time and with a complete set of supporting cash metrics.

Power of niche

Where once treasurers longed for a single platform in which they could do everything, there is perhaps a realisation that, as the pace of innovation continues unabated, adopting a select group of ‘best-of-breed’ systems may offer improved levels of performance. “It’s no longer such a big deal for a treasurer to log into a few different systems, especially when many SaaS solutions support single-sign-on,” notes Power.

With the treasury forecasting challenge now centring on getting the right data in a timely manner from the business units, a product that is easily launched, accessed and used with little or no training, is a genuine solution to that challenge. Analyste CashForecast is such a product, says Power. “It is not trying to do anything overly complicated because cash forecasting is not complicated,” she notes. Perhaps this is the secret of the success of niche products like Analyste CashForecast.

Of course, treasurers will understandably be sceptical about products marketed as ‘quick, easy, low-cost solutions’, says Power. “We’ve heard it all before.” But, with hard evidence to support such claims drawn from several interim assignments with major corporates, experience has shown her that Analyste CashForecast delivers.

Whilst other processes may justifiably clamour for the treasurer’s attention, Power understands that good forecasting is critical to the successful running of treasury. “Whether they have a core system or use spreadsheets, it is a fundamental, underlying, basic challenge that every corporate treasury has.”

It follows that if the process can be managed without fuss, bringing the business units closer to treasury, and vice versa, and enabling more effective decision-making across the organisation, then the power of niche solutions should not be overlooked.



Carol Power

Having built her career in corporate treasury over many years, Carol Power chooses to work in the interim treasury market. Having implemented the Analyste solution twice, she now has a freelance agent agreement with Analyste, working in partnership with it, as appropriate, to help treasuries consider how the firm’s solutions could improve their day-to-day processes. Contact Carol at powertreasury@gmail.com

About Analyste

Analyste ties together bank interfacing and optimisation of treasury processes in organisations of all sizes and shapes. Thousands of companies and public sector organisations rely on Analyste’s secure and high availability solutions to streamline their cash management and treasury processes.

www.analyste.com

What did I just say?

Practising the vital art of listening

Listening is an integral part of life. From listening to your loved ones at home, to your colleagues in the office, you can't get far without it. Treasury Today spoke to experts about the importance of listening, what it means for treasurers, and how you can improve your skills.

The Treasury Recruitment Company recently conducted a study and used the data to compile “The Treasury Skills Wheel”, a selection of skills that every treasury professional should master. Soft skills such as communication and relationship building feature heavily. Indeed, soft skills are increasingly being recognised as important in the workplace – especially as treasury has become much more integrated with core teams and functions of the business.

Laura White, Operations Director, The Treasury Recruitment Company, says: “As treasury has become more valued and recognised across businesses from an operational perspective, we have noticed a significant shift in the importance hiring managers are placing on certain soft skills when making hiring decisions. These are no longer viewed as ‘a nice to have’ but an essential requirement, often ranking at the very top of the ‘must have’ list of skills.”

White adds that effective communication and relationship-building skills are of particular importance, “as it is no longer just about treasurers talking to other treasurers or finance partners, but often about being able to articulate complex situations and problems to non-finance people, many of whom do not even have a base level understanding of the subject.”

A key skill that underpins all communication is the art of listening, but in practice this means something different to everyone. To some, it may simply mean the basic process of hearing what someone else is saying. To others – and many experts agree – hearing and listening are two separate things. It's also important to understand the different types of listening that people can do.

Whatever your belief about it, listening is one of the most important skills any person – professional or not – can have, and yet research from ‘Business Communication: Strategies and Skills’ by R. C. Husman, J. M. Lahiff and J. M. Penrose (1988), has shown that the average person's listening is at only 25% efficiency.

Listening matters

Julian Treasure, a sound and communication expert and founder of The Sound Agency, and Richard Mullender, an

ex-Metropolitan police hostage negotiator, both rank listening at the top of the list of necessary traits for both managers and staff.

Mullender states that listening is the most important aspect of communication. “You'll never understand someone by talking to them – you'll only ever understand them by listening to them,” he says.

“It's important to understand that listening and speaking are related to each other – it's a circular relationship,” says Treasure. “It's impossible to inspire people if you don't understand them, and listening is always the doorway to understanding.” Treasure defines the four styles of leadership as “tell, sell, consult, join,” and notes that three out of the four require listening skills.

Leaders who listen

Key to any manager's position, treasury or not, is the ability to influence and lead their team. “Listen, understand, influence,” says Mullender. “If you listen to a person, you can understand them. If you understand them, you can influence them.”

Sonia Clifton-Bligh, Director, Regional Treasury Services Centre Asia Pacific, Johnson & Johnson, notes that when an individual first steps into a leadership position there is a “tendency to believe you have to speak with confidence and authority, and be armed with all the answers.” As she has progressed in her career, however, she is “now more concerned with communicating to inspire, engage, encourage dialogue and idea generation.”

She believes that a leader's objective should be to ensure that the team feels empowered, trusted, and respected, and that providing an open and inclusive communication style is integral to this.

“Listening is the primary warning sense for a reason,” comments Treasure, highlighting the importance of listening for threats, opportunities and ideas, as well as the role listening plays in the learning process. “It's probably the most important skill to develop in order to be a good leader or a good worker – and yet we don't teach or prioritise it, so most

individuals and almost all organisations are very poor listeners,” he adds, citing The Organisational Listening Project’s findings that organisations that are better at listening have better work environments and results.

Improving your skills

Treasure shares two of his top tips from his book, ‘How to be Heard’. The first, he says, is to give yourself a few minutes of silence each day. “Silence recalibrates the ears, resets your listening, and allows you to listen afresh,” he comments, noting that this is especially important in a world where people are surrounded by constant noise. “We can go very numb and cease to be able to listen effectively,” he says.

The second tip relates to the concept of “listening positions”. Treasure suggests that we all listen through filters. “Your filters include the culture you were born into, the language you speak, your values, attitudes, beliefs, emotions, expectations and intentions,” he states. Treasure believes that our individual listening changes throughout the day and that listening is unique for each person. If you can become conscious of those filters, you can change the way you listen.

Clifton-Bligh emphasises the importance of applying these filters when communicating with teams, believing that “it’s important to not assume that your style is understood.” She makes an active effort to ensure she doesn’t use expressions or colloquialisms that could cause confusion or be misinterpreted, and has found that this is especially important when speaking with groups from diverse backgrounds.

One of Mullender’s top tips for improving listening skills is to “give yourself an outcome and know what you’re listening for.” He suggests that when listening to someone, individuals need to pay attention to certain things: facts, emotions and motivators, to name a few. “The key to it all is understanding the person you’re talking to,” he says.

Active listening

Mullender also mentions active listening skills, noting that they aren’t quite what they seem. Active listening skills include verbal and non-verbal things that a listener can do whilst someone is talking to demonstrate attentive listening. However, as Mullender points out, “nodding your head doesn’t help you listen. Saying ‘okay’ or ‘carry on’ only keeps

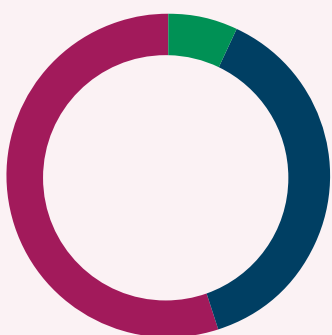
Non-verbal communication

In the 1970s, Professor Albert Mehrabian of the University of California studied the relevance of verbal and non-verbal messages during communication. He found that if a speaker’s words and body language – in other words, their verbal and non-verbal messages – differed, the listener was more likely to believe the nonverbal communication than the verbal.

Professor Mehrabian then split communication into three distinct sections: words, tone of voice, and body language. He concluded that words account for only 7% of communication, tone of voice for 38%, and body language for 55%. Although the accuracy of Mehrabian’s quantification of communication is disputed – and both Treasure and Mullender disagree with it entirely – it does work to highlight the importance of nonverbal cues when communicating, and not just when listening.

Clifton-Bligh appreciates the importance of non-verbal communication as well, noting that “non-verbal communication, such as body language, gestures, pitch or tone of voice, can communicate unintended messages.” Ensuring your body language matches your message is essential to ensure that you create “an environment where people feel their voice is heard and that they won’t be judged for their contribution,” she states.

Dr. Albert Mehrabian’s 7-38-55% Rule



Elements of personal communication

7% spoken words

38% voice, tone

55% body language

Source: <https://www.rightattitudes.com/2008/10/04/7-38-55-rule-personal-communication>

Mehrabian himself admits that his theory is limited in its applications and only applicable in certain contexts, and this has become more evident with the increasing use of technology as online messaging, emails and texts have become more widely used forms of communication.

Whilst his theory may be contested in 2019, it does suggest that if a person wants to be heard, they need to ensure that they match their words with suitable and effective tone of voice and body language.



People that shout over others – and eventually they don't get listened to either because people get fed up with not having attention paid to them.

Richard Mullender, Listening and Communication Expert, Mullender's

the person talking – it doesn't mean you're listening and understand what they're saying." And understanding is, of course, a key outcome of listening.

For Clifton-Bligh, active listening also includes noticing when things might need rephrasing to clarify ambiguous points, and to check for understanding. By paying attention to how someone is receiving your communications, and adapting accordingly, a "productive exchange of information" is encouraged.

Types of listening

Treasure identifies three types of listening: outer, inner, and created.

- He defines outer listening as "making meaning from sound" – a process that involves selecting what sound to pay attention to, and then interpreting it. This is a mental process that Treasure says differs from simply hearing.
- Inner listening, he explains, means understanding that the voice inside your head is not you; rather you are the one listening to it. Treasure says that learning it is possible to ignore this voice is a very powerful skill – especially for those with quite a negative inner voice.
- Treasure defines created listening as something that arises from the speaker's actions and reputation, as well as from the listener's own unique listening filters. "It changes over time and from person to person, or audience to audience," says Treasure, "so it is a grave but very common mistake to assume that everyone listens like you do."

Bad listening

In Mullender's previous career as a police hostage negotiator, he had to learn not only how to be a good listener, but also what makes a bad listener. Generally, what's the worst thing someone could do when listening to someone else?

"Not knowing what you're listening for," says Mullender. "If you don't walk into a meeting knowing exactly what you want to get out of it, you won't get anything."

Clifton-Bligh emphasises the need to "communicate clearly and succinctly" in all situations – a skill that can be important in a range of scenarios, such as meeting and negotiating with banks, service providers and suppliers.

Similarly, when trying to understand how another person feels, it's important to accept the limitations to how fully this

can be achieved. It's arrogance, says Mullender, to assume you know how someone feels, even if you have had a similar experience. You can only ever understand how someone feels, not truly know for yourself – and the only way you can understand is by listening to what the other person is saying.

In a workplace setting, this application is particularly useful when speaking with a staff member who is upset or angry. Being a leader means navigating both the ups and downs of your team – and learning how to handle all situations is crucial to effective communication and overall team happiness.

Listening better

Treasure notes that his TED talk, 'How to speak so that people want to listen', has been viewed five times more than his talk on listening, 'Five ways to listen better'. This emphasises the extent to which most people prioritise being heard over hearing others.

His advice for anyone struggling to be heard? "Listen better." He says that being sensitive to how others like to receive communications will ensure you become much better at communicating effectively. "Often the problem with struggling to be heard is choosing the wrong time, or saying the wrong thing," he comments.

According to Treasure, a key question that speakers should ask themselves in order to be good communicators is "what's the listening I'm speaking into?" He states, "Just by asking that question, you automatically become sensitive to it."

Mullender's advice to someone struggling to be heard is just as simple: "Make sure what you're saying is important to the person that's listening to you." In other words, it's important to make sure that the people listening are actually interested in hearing what you have to say. Even the most charismatic speaker in the world may struggle to hold an audience's attention unless the audience has something to gain from listening to what is said.

Mullender agrees with Treasure's statement that in order to be listened to you need to be a good listener yourself. "People who listen well tend to be listened to," Mullender points out. "People that shout over others don't tend to listen very much – and eventually they don't get listened to either because people get fed up with not having attention paid to them."

Two-way street

So where does that leave treasury professionals? In order to lead a team effectively, treasurers need to both listen and be listened to. Similarly, team members need to be able to listen to instructions – but also speak out when the need arises.

Clifton-Bligh strongly believes that "communicating contributes to transparency and encourages trust." She adds, "Trust is conducive to creativity, and seeing an idea come to life brings satisfaction." After all, communication is a two-way street and both parties need to be open to hearing one another.

As Treasure points out, as a society, every day we are almost overloaded with noise. It's natural that people try to tune out the noises that may seem to be of very little worth – but it's also essential to avoid accidentally cutting out too much, lest we miss the important things.

Interesting times: the treasurer's perspective on interest rates

It's been well over a decade since the global financial crisis of 2008, and the global trend of low interest rates looks set to continue into the year ahead. What do treasurers need to know about interest rates going forward, and how can they weather the current stagnant environment?

The job of any central bank is to alter its money supply to try and manage the economy and control inflation through its base interest rate. When monetary policymakers decide to change interest rates, demand in the economy is affected via multiple channels.

In a nutshell, whenever interest rates rise, consumers with debts pay more in interest to lenders. This has a negative effect on consumer spending habits because if consumers have more money to pay to keep their loans current, the less disposable income they will have to spend on products and services. More are also inclined to save not spend.

On the other hand, when interest rates are cut, the cost of borrowing decreases for both businesses and consumers. This can help spur spending on capital goods – which not only helps an economy's long-term performance, but can also help spur household expenditures on homes or durables like cars and white goods.

Tumultuous times

At present, the global economy is operating below potential and inflation pressures remain muted. Interest rates in many developed markets are still close to, if not at, emergency levels. This gives limited room for central banks to reduce rates further to stimulate growth.

The key major central bank that does have room to cut rates is the US Federal Reserve. Although the US economy remains relatively robust, its cycle is mature. It has had no negative quarter for more than ten years and inflation is below the Fed's target level.

In late July, the Fed moved to an easing bias, cutting rates by 0.25% for the first time in over a decade. However, this was driven less by domestic growth concerns and more by global trade tensions.

In the UK, the Bank of England (BoE) has signalled many times to the market that it would like to gradually increase rates over the next two to three years and distance itself from the present emergency levels. Yet despite a strong labour market, the BoE has also been thwarted by Brexit uncertainty.

This has led to falling business confidence and investment, with official figures showing that GDP contracted by 0.2% in the second quarter of 2019.

Taking all of these factors into account, how do central bank policymakers decide when to alter interest rates, and if so, by how much?

The Taylor Rule

The most famous guide for policymakers is the 'Taylor Rule' and is used to provide a reasonable explanation for why policy took the path that it did. At the core of the Taylor Rule is that inflation-targeting central banks have a trade-off between inflation and output. Above-target inflation puts upward pressure on the appropriate interest rate while a shortfall of demand relative to potential provides downward pressure.

In the original 1993 version of the Taylor Rule, equal weight was given to inflation and output shocks, but this itself depends on the reaction of the policymakers, and need not be constant through time.

A common mistake is to say that inflation or gross domestic product (GDP) growth is high and that the policy rate is therefore too low, but this is only true in a relative sense. An increase in GDP growth or inflation implies that the interest rate might need to be a bit higher than it otherwise would have been, but that is not the same as saying a change is needed.

According to Philip Rush, Founder and Chief Economist at Heteronomics, interest rate levels should always focus on gaps and levels, not the dynamic pace of the economy. "If the potential growth rate is also robust then demand may not be excessively stimulated," he says. "Even with weak potential growth, if the level of output is a long way below potential, interest rates should be at low levels to stimulate demand back to its potential."

Rush believes that failure to do this would leave disinflationary spare capacity that could cause a miss of the inflation target: "The value of the dynamic data here is their indications of the gaps and levels that matter, and they do so in a directly



Any rate cut or hike of 0.25 basis points should not make much of an impact on an organisation's bottom line; unless of course it is operating right at the edge of its resources.

Sarah Boyce, Associate Director, Policy and Technical, Association of Corporate Treasurers

observable and less uncertain way than the various bits on the supply side of the Taylor Rule”.

Down to business

Interest rate risk can never be eliminated, and for many businesses, it is very much a centralised risk and must be managed. This can be done with accurate cash flow forecasts (see box), and by reviewing past trends for interest rates over both short and medium terms. It is essential that the risk profile of the company is adhered to, and that other legal requirements and documentation is in place so the proposed strategy can be executed.

Whatever the appetite for risk in any organisation, there are real opportunities for treasurers to earn improved returns on idle or investment cash balances. The ability to understand how any cash investment could be affected by a rising or falling interest rate allows treasurers to take immediate action. This will impact the current and future values of existing cash holdings, as well as influencing the relative attractiveness of different investment proposals.

As referenced in the Treasury Today's September/October 'Question Answered', there are many different cash investment options available to treasurers, and each one varies significantly in its relationship to interest, and thus its capacity to mitigate risk. Of principal interest to treasurers are:

- **Overnight bank deposits**
Rates offered on overnight bank deposits tend to track interest rates fairly closely. However, given the lessons learnt from the 2007/8 financial crisis, treasurers should always review counterparty credit risk associated with the depositary bank. With some overnight bank deposits, there is also the option of earning credits to offset fees, interest or both.
- **Time deposits**
These can offer higher yields but tend to catch any rate increase with a lag, as they need to wait out the term of the deposit before being reset to a higher rate. Time deposits carry the same counterparty risk as overnight deposits but there is an increased liquidity risk. However, some minimum maturity time deposits can offer attractive yields and increased liquidity, versus longer-term-time deposits.
- **Money market funds (MMFs)**
Compared to overnight bank deposits and time deposits,

money market funds (MMFs) have a significantly more diversified counterparty credit risk and yields are in line with market rates.

So, in order to better navigate the current interest rate environment, it's critical for treasurers to design and deploy a robust investment strategy that recognises trade-offs in yield, safety and liquidity.

An appetite for risk?

These investment options represent some of the most important ways changing interest rates influence demand. Having a solid understanding as to how, why and when they change, allows treasurers to take action to mitigate the impact of any changing interest rate cycle.

In effect, any change to interest rates leads to demand being pulled forward or pushed back, relative to when it might otherwise have occurred. Inflation expectations are also important. If expectations are high, interest rates will also need to be relatively elevated to allow real purchasing power to rise by an attractive amount through deferred consumption.

What today's treasurer should be more focused on is the risk appetite of the organisation, and just how exposed it should be to any movement in interest rates. This is always a decision made by the board. Working closely with the board, treasurers should come up with an interest rate policy which broadly sets out the balance between fixed and floating interest rates that the business should have at any one time.

To fix or not to fix?

At present, and because interest rates are so low, there is a tendency for treasurers to be more floating than fixed. However, this will all depend on the nature of the organisation, depending on the type of the business and just how long it is holding that debt for. If a treasurer is focused on making sure the organisation is compliant with the board's risk appetite, then it ultimately shouldn't matter where interest rates are. However, rates should be consistently monitored to see if the risk profile of the company needs changing.

“Any rate cut or hike of 0.25 basis points should not make much of an impact on an organisation's bottom line; unless of course it is operating right at the edge of its resources,” says Sarah Boyce, Associate Director, Policy and Technical at the Association of Corporate Treasurers (ACT). “Organisations operating in the housebuilding, project finance or aerospace industries typically borrow for the long term. As a result, a view may be taken that fixing at a low interest rate for 30 years is so much more attractive than a long-term average of 5-7%.”

Equally, Boyce believes that an organisation which borrows on a short-term basis will typically take the view to keep floating because there is a possibility interest rates could fall further. “Should there be any increase in rates the impact won't be as painful, so it is a much more nuanced question,” she adds.

Jonathan Pryor, Head of FX Sales at Investec agrees. “Short-term movements in interest rates are likely to prompt questions around surplus cash deployment,” he says. “In falling yield markets, treasurers may be considering options around either fixed-term or notice deposits which provide banks with favourable liquidity and therefore attract a higher yield than short-term funds”.

As markets begin to price in expectations of future rate movements into the yield curve, more strategic decisions will be made. Both the UK and US interest rate markets have expectations of cuts in the price of money already priced in, and this presents opportunities.

The future

The world is ever-changing, and with so much on the geopolitical and economic agenda, it's very difficult to gain a clear perspective and accurate forecast on when rates may rise. The likelihood of rates rising in 2020 looks limited. The US economic expansion is mature, Eurozone growth is fragile, and inflation is a long way below its desired target.

"There may be idiosyncratic moves in some smaller economies but overall, unless there is a decent pick up in global growth and inflation, or easing of trade tensions and politics, cuts look more likely than increases," says Paul Mueller, Senior Portfolio Manager at Invesco.

It seems that until inflation picks up, it's likely that central banks will remain comfortable with current levels, and there could be the implementation of differing forms of quantitative easing such as the ECB's Targeted Longer-Term Refinancing



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Paul Mueller, Senior Portfolio Manager,
Invesco

(TLTRO) operations. To date, banks are currently paying around €7bn per year to the ECB on cash parked there which exceeds mandatory reserves.

Regardless of what happens to interest rates in the coming months, the key question that today's treasurer needs to ask is: "What will my business look like if interest rates are X%?". Those businesses with an appropriate interest rate strategy in place will be best placed to respond. ■

Cash flow forecasting

Cash flow forecasting is the lifeblood for any treasury department, which is why teams cannot afford to get it wrong. Being able to forecast cash flows enables organisations to manage outstanding debts, invest wisely and better understand their overall capabilities.

With interest rates at record lows, for corporate treasurers with good access to credit and capital markets, the cost/benefit of proper cash flow forecasting may not seem justifiable. However, in today's uncertain times, treasurers can no longer ignore liquidity risk.

But in today's marketplace, there is a wide variety of cash flow forecasting software and management tools available to help. These give treasurers the ability to collect and consolidate data, as well being able to interact with different systems and perform simple 'what-if' scenarios – and this is the key.

Our world is volatile; major economic and political surprises such as Brexit, worsening relations between the US and China and the unpredictable world economy in general, are events today's treasurer has to deal with on an almost day-to-day basis. These factors can put stress upon any corporate's cash flow without warning.

However, corporates that are able to think in cash flows will indeed be in a much better position to survive than others. As the saying goes: "forewarned is forearmed", so regardless of whether interest rates rise or fall, accurate cash flow forecasting is not just important, it's essential.

The key is understanding every department's plans. To take some examples, treasurers should make an effort to understand what the mergers and acquisitions team is thinking, or if more factories need to be built, for example. A good understanding of the longer-term cash flow allows for careful planning.

"It's all about being prepared and understanding what the organisation is doing so that you can actually be prepared and be slightly ahead of the game," says Sarah Boyce, Associate Director, Policy and Technical at the Association of Corporate Treasurers (ACT). "Should the finance team say it wants to borrow money, or wants to sell an asset, treasurers will be one step ahead. Armed with accurate data, they will have plenty of ideas of how to raise the cash, or what might be done with it."

Even though rates are low, they do still offer an opportunity for those organisations with the right tools and strategies in place to capitalise upon these trends. But fail to adequately prepare for an increase or further cuts and teams could end up destroying value in their organisations pretty quickly.

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Innovate, don't follow

“ Steve Jobs: ‘Innovation distinguishes between a leader and a follower.’ Discuss. ”



Royston Da Costa
Assistant Group Treasurer
Ferguson Group Services Limited

One of the most powerful forces at play in today's world is innovation. It is in the journeys that companies and industries undergo; transforming themselves to be able to survive, compete, and stay at the top of their game, where we witness the power of this force. However, no matter how innovative companies may become, there is one thing they will always need: customers. This is where a true leader will identify the qualities required to leverage their innovative capabilities and bring their customers with them on the journey, to achieve greater things!

The term, leader, possesses many connotations when examined in different contexts. It is probably wise to make a distinction between the qualities required to be (i) a leader of a team and (ii) a leader of a product or service in your industry. I believe the quote by Steve Jobs refers to the role he played in leading his industry to revolutionise the technology domain and build the World's Most Admired Company (Fortune, 2019).

There is no question that innovation played an integral role in distinguishing Steve Jobs from others. Yet, when we examine the term “follower” alongside the term “leader”, we tend to place negative connotations upon it. More specifically, in commerce, we tend to view a “follower” as someone or a group that is behind a leader in their industry or sector, and therefore must be failing, inadequate or unsuccessful. Today, for the first time in the evolution of our planet, it is possible for organisations to take a leap by embracing the technology and change that will catapult their departments/companies into the future. In some cases, this leap involves learning to follow a tried and tested path. For who would become the leaders, if they were not first the followers?

There is no shame in following a proven or successful solution invented by another company, even a potential competitor. After all, isn't that what business is about?

Let's consider one of the world's largest companies: Amazon. They track the products that are most successful on their platform then sell it themselves; this is the most crude form of 'following' the lead of others!

A paradigm shift has occurred in organisations. Those who are followers may assume leadership roles and those who are leaders can take followership roles and this can prove to be a transforming force within organisations. Yet, this can only happen when leaders and followers become involved in a symbiotic relationship. We must start viewing leaders and followers as processes rather than positions in which both leaders and followers collaborate with integrity, commitment

and shared purpose to bring success and vibrancy to an organisation.

I am not saying that innovation is a bad thing, however, not everyone is an innovator, and therefore, not every leader is innovative. The power of this interdependent relationship allows followers to develop qualities an accomplished leader should display and allows leaders to develop the qualities a successful follower should display. Often, people become great leaders through the process of teaching, learning, and observation. The truth is that the role of one is not greater than the other, and both contribute to organisational effectiveness. The key is identifying your strengths and playing to them!



Victor Penna
Regional Head of Cash
Management, Europe & Americas,
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Standard Chartered

Treasury is rightly centred on risk management. Borne out of countless market meltdowns and funding crunches over the decades, it's about ensuring the business has enough funding and liquidity to grow whilst managing downside risks. The goal is to ensure the business stays afloat, even in the most volatile interest rate and currency markets. This risk averse culture and 'governance' mindset sees treasury tightly controlling bank account opening and payment processes – all of which makes perfect sense.

However, this has led to a strong tendency to hire lots of accounting and finance types into treasury. The result is that many treasuries lack the forward-looking technology skills required to support the transformative changes that many businesses are going through today.

For decades, business models and the financial services that supported them have changed very slowly. This enabled treasuries to stay on top of changes and effectively fulfil their role of supporting the business with new financial services relatively easily. Run an RFP every three to five years for services like cash management and you were done!

Now businesses are under huge pressure to digitise and transform their business models with a whole set of different financial demands and services required, for example, new online sites with dynamic FX management and payment gateways to support 'direct to customer' sales channels. They don't have time to wait for treasury to come up with the answers and often engage directly with fintechs who are agile and quick to respond to their needs. As a result, business increasingly bypasses treasury to source new financial

services. This creates a headache for the treasurer who is left trying to manage the liquidity and risk aspects of these new solutions after the fact.

In response, some forward-looking treasuries have started hiring their own software engineers and data scientists. They can now proactively ask 'What do you need?' instead of 'Why haven't you consulted us?'

Treasurers need to be more like Steve Jobs and lead innovation on the financial services available to support the business as opposed to operating on a 'business as usual' basis. In other words, most treasurers still exist within the old 'Nokia' defined universe of services rather than looking towards the availability of new 'iPhone'-like services. It's now a question of how to innovate and keep pace with an increasingly digital world and growing customer expectations.

Equipped with this knowledge, treasurers can proactively advise and support the business with the new services required. But how do you get there? The first is diversifying the talent pool within treasury to include more people with strong technology backgrounds. The second is embracing change by upskilling the knowledge of the entire team. Connecting with forward-thinking banks and major fintechs to learn about what is happening in the market. The third is engaging with the business on the changes that are impacting them and bringing the knowledge treasury has acquired to the table.



André Casterman
Chair of Fintech Committee,
International Trade and Forfeiting
Association (ITFA) and Founder
Casterman Advisory

In trade finance, today's early adopters of fintech propositions will become tomorrow's role models. Fintechs offer banks various opportunities to innovate in trade finance, with or without blockchain! As fintechs are now viewed as partners more than competitors, I believe that it is the time for established trade banks to place their bets as they seek to position themselves as leaders rather than followers.

Much has been said about the notion of 'fintech disruption'. About five years ago, emerging technology companies identified as 'fintechs' were often seen as attempting to create the next wave of competition, fighting established financial institutions (FIs). Roll forward to 2019 and we can see that this largely negative tide has turned.

If there is to be any disruption, it is now generally accepted that it won't be driven by those highly specialised technologists per se. On the contrary, recent fintech news reports many 'bank – fintech' adoption contracts. If anything,

this shows banks are finally recognising the value brought by these agile innovators to their own business models and strategic objectives.

From my own perspective, from the trade finance space, fintechs are bringing highly specialised offerings that differentiate drastically in approach versus the traditional software development model. Based on their key characteristics we can see that fintechs:

1. Are laser focused on specific segments and value propositions; they often become the best at it, at least when they don't get distracted.
2. Are very agile and will consider their early adopters as partners in their product development roadmap; co-design becomes the norm.
3. Are best positioned to take advantage of recent technologies whilst caring about the need to integrate seamlessly with banks' legacy systems; co-existence with banks' internal systems is a top priority and a no-brainer.
4. Sometimes operate common communications or trading platforms and are therefore creating new eco-systems for financial institutions, their clients and/or funders; platforms often become new sales/distribution channels for banks.
5. Are not biased by legacy revenues (eg software license fees) and technology models (eg traditional messaging versus APIs) – they want to demonstrate their value add in the fastest and most cost-efficient way.
6. Want to prove themselves by facilitating adoption without forcing their clients to take a CapEx decision (eg software license acquisition); this drastically reduces risks for early adopters.

As a consequence, partnering with fintechs can bring many benefits to transaction banks, their clients and their investors. These include:

- Short time to market thanks to use of cloud-based platforms.
- Non-intrusive technologies ensuring seamless integration with existing systems.
- Low set-up cost and usage-based running cost.
- Optimal user experience.
- Continuously and fast evolving feature sets.
- Strategic enablers for banks to participate in eco-systems.
- Best at combining legal and business expertise with latest technologies.

Trade banks which don't grasp the fintech opportunity quickly will face intense competition from new FIs entering the market which are ready to find ways to benefit from the fintechs, to differentiate and to gain market share. This can only serve to benefit corporate treasurers.

Next question:

"In a world of financial uncertainty, cost-cutting is essential. How can treasury help?"

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

Global economy confused by 'great and unmatched wisdom'

Trump's damaging decisions – although made with 'great and unmatched wisdom' – on Syria cannot be viewed in isolation. The reputation of the US has been dented considerably over the last three years. This has its consequences: partners are unsure as to whether they can still rely on Washington, opponents see fissures appearing in the Western bloc and believe they can take advantage of the chaos in the US, and international institutions and organisations that largely rely on the US are experiencing major difficulties.

The international system largely designed by Washington following the Second World War is generally referred to as the 'international rules-based order'. This sounds very vague, since everywhere there is order there are certain rules. However, what analysts mean by this is that states have jointly – with a great deal of American influence – created a system in recent decades to shape international political, diplomatic, financial, economic and military relations. A system partially based on the free market – to a greater or lesser extent depending on the area – in which a certain consensus has come to dominate the basic rules (although, needless to say, a considerable amount of hypocrisy and opportunism is evident on a regular basis), in which organisations such as the UN and the WTO were developed, and in which the US assumed a leading role as the world's policeman and supplier of the global reserve currency.

Due to this foundation underlying the global economy, market thinking steadily expanded, capital flowed across the world, global trade ran at full speed and growth steadily continued. It looked like the triumph of globalisation and the definitive victory of capitalist (social) democracy.

However, factors such as 9/11 and China's individual interpretation of a market economy, for example, made it clear that not everyone was willing to conform to an American/Western model. The financial and economic crisis of 2008 and the painful aftermath subsequently resulted in more and more reservations about Western liberal democracy as a desirable political-economic model, not only on the part of China and Russia, for instance, but also among voters in Western democracies.

As an example, Trump won the election because many Americans were completely fed up with the political establishment and Trump promised to 'drain the swamp'. Little has come of this so far. Instead, the existing swamp seems to have become even muddier.

The leader of the West is faltering at the very time when the Western political and economic model is sorely in need of support. Of course, America still has virtually immeasurable military and economic power, but legitimacy and authority are required to use this power as effectively and efficiently as possible. Trump & Co have caused serious damage to America's legitimacy and authority as world leader with inconsistent, confused, short-sighted and sometimes entirely irrational actions that often seem to have no purpose other than to boost the ego and settle personal accounts – as opposed to serving the nation's interests.

Under the post-1945 Pax Americana, American political authority and legitimacy generally coincided with the economic and military (super)power of the US. Many countries accepted the leadership role of the US, not because they were forced to do so by Washington, but also because, in their view, America rightly claimed this role and was willing to let others share in the proceeds of the US-led system. Other countries were less willing, but simply could not ignore the dominance of Washington.

The former group of countries increasingly wonders whether America is still entitled to and can be trusted with this position on the throne. The latter group eagerly uses the weakening power of the US to its advantage. This is actually easier

because China, for example, is already the largest economy in the world according to some criteria and also because new ways of waging war work out to the advantage of the challengers and underdogs (for example, Russia has taken over Crimea and parts of the Ukraine using hybrid warfare).

These developments, including the enormous economic and military advances that China in particular has achieved over the past few decades, mean that the trade war between Washington and Beijing is far more than just an argument about access to each other's markets. The trade war is part of the race for global political, economic, technological, financial and military leadership this century. This battle has only just begun. A partial trade agreement will therefore certainly not bring lasting peace between the two giants.

This is also because international institutions that might have been able to keep things under control are becoming increasingly paralysed. The UN is struggling with massive deficits because many members fail to pay their 'contribution'. The US has by far the largest outstanding bill. Trump has made it clear several times that he does not care much about the UN. The UN secretary general has sounded the alarm, stating he will no longer be able to pay all the salaries by the end of this year.

The White House also has little sympathy for NATO, WTO and other international partnerships. Because of a US veto the WTO is also at risk of becoming paralysed at the end of the year.

In addition to weakening international organisations that were previously considered to support US power on balance, Trump has also torpedoed a number of international trade, security and other treaties.

Previous governments went to great lengths to weave a web of overwhelming political, economic and military power which was reinforced by alliances, partnerships, treaties and international organisations. This web is now slowly but surely being pulled apart by the US and other players who eagerly capitalise on areas where the US trips up.

In the area of free trade, for example, it looks as though the whole world is engaged in a trade war. However, many countries are quietly continuing to conclude trade agreements while sidestepping the US. The American weakening is also reflected in countries increasingly hedging their bets on

Washington by getting into the good graces of China and/or Russia. For example, NATO member Turkey has decided to buy missile systems from Russia, defying the US. The same phenomenon is evident in Asia where hitherto loyal US partners increasingly tend to balance their relations with the US and China. A case in point was the Filipino president explicitly announcing a pivotal move from the US to China.

And even in Europe, countries are wondering how much loyalty they should bestow upon the transatlantic alliance and to what extent they should accept Chinese capital and influence. For instance, the US is putting considerable pressure on European governments to keep Huawei out when it comes to the ICT projects of governments. This pressure is certainly not always successful.

Even in the US, there are countless examples of behaviour being adjusted so as not to offend China. Marriott, Apple, the NBA and many more kowtowed to China; an authoritarian regime located thousands of miles away increasingly exerts censorship on the US.

These examples show the extent to which the position of the US in the world is weakening. This will be reinforced now that Washington has impeachment fever. Trump has opted for a battle plan that comes down to an attack on the constitutional state by refusing to cooperate in investigations by Congress, keeping witnesses away and basically claiming that the President is all-powerful, can do as he pleases and is above the law. A constitutional crisis looms. All this while the elections are fast approaching.

In other words, Washington will be far more preoccupied with domestic problems in the period ahead – and far less with coming up with robust and coherent foreign and economic policies that also take into account the interests of allies.

All in all, the outlook for the US economy is fairly poor from a political point of view. This occurs in a climate in which the US has largely supported the global economy in recent years. Other major economies are faltering discernibly and a further weakening of the US economy will only accelerate this slowdown. In short, growth prospects for the global economy are not getting any better due to domestic US political developments and the international policies of Washington.

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Tackling political risk

2019 was a year of geopolitics, from the ongoing saga of Brexit and the trade war between the US and China, to turmoil in the Middle East and months of conflict in Hong Kong. Throw in low and negative interest rates and the threat of a global recession, and the question arises of how can treasury mitigate these risks moving into 2020?



FUNDING

Bond issuance – organising your first roadshow

When a corporation needs to secure funding the traditional method is to apply for a loan, but nowadays many turn to issuing a bond. Once a proposal is drafted and the bond is issued, gaining investment is key. We explore just how a corporate should organise its first roadshow to get the investment it needs.



BACK TO BASICS

Managing commodity risk

Commodity prices can be subject to periods of extreme volatility – even more so in recent years. As a result, managing commodity risk has become an increasingly important area of responsibility for corporate treasuries across many different sectors. In the current economic climate, how can treasury implement an effective commodity risk management framework?

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

David Blair, Managing Director, Acarate Consulting; Michael Juen, Chief Customer Officer, Bellin; Ken Bugayong, Treasury Manager, Expedia Group; Jim Fuell, Managing Director, Head of Global Liquidity Sales International, J.P. Morgan Asset Management; Neil Hutchison, Executive Director, Lead Portfolio Manager for Managed Reserves Portfolios in Europe, J.P. Morgan Asset Management; Jonathan Pryor, Head of FX Sales, Investec; Pulat Yunusmetov, Regional Treasury Manager, Danone; Laura White, Operations Director, The Treasury Recruitment Company; Philip Rush, Founder and Chief Economist, Heteronomics; Sarah Boyce, Associate Director, Policy and Technical, The Association of Corporate Treasurers (ACT); Paul Mueller, Senior Portfolio Manager, Invesco; Chris Tregenna, Head of Treasury, Pennon Group; François Masquelier, Chairman, ATEL (the Luxembourg Association of Corporate Treasurers); Andrew Bateman, SVP, Buy-side Solutions, FIS; Carl Sharman, Director, Financial Advisory, Deloitte; Joseph Krull, Senior Analyst, Cyber-security, Aite Group; Andy Langenkamp, Senior Political Analyst, ECR Research; Royston Da Costa, Assistant Group Treasurer, Ferguson Group Services Limited; Victor Penna, Regional Head of Cash Management, Europe & Americas, and Global Head of Structured Solutions Development, Standard Chartered; André Casterman, Chair of Fintech Committee, International Trade and Forfeiting Association (ITFA) and Founder, Casterman Advisory; Petteri Taalas, Secretary-General, World Meteorological Organisation (WMO); Anne van Riel, Head of Sustainable Finance, Americas, ING Capital; Meryam Omi, Head of Sustainability, Legal & General Investment Management; David Nayler, Financial Institutions Industry Practice Leader, UK & Ireland, Marsh; Peter McBurney, Head of Technology Consulting at Norton Rose Fulbright; Sally-Ann Underhill, Partner, Reed Smith; Claran McGowan, General Manager, we.trade; Frank Yiannas, Vice President of food safety for Walmart; Sarah Hazzledine, Managing Director, Accenture; Enno-Burghard Weitzel, Head of Product Management Trade Services, Commerzbank; Julian Treasure, Founder, The Sound Agency; Richard Mullender, Founder, mullenders.org; Sonia Clifton-Bligh, Director, Regional Treasury Services Centre Asia Pacific, Johnson & Johnson; Hailey Laverty, Group Treasurer, InterContinental Hotels Group plc (IHG); Joseph Peka, Deputy Treasury, URENCO; Joanne Bates, International Treasurer, Worldpay, Inc.; Nadya Hijazi, Managing Director & Global Head of Global Liquidity and Cash Management Digital, HSBC; Pia McCusker, Senior Managing Director and Global Head of Cash Management, State Street Global Advisors; Caroline Hedges, CFA, Head of Liquidity Portfolio Management, Aviva Investors; Marte Borhaug, Global Head of ESG Investment Solutions, Global Responsible Investment, Aviva Investors; Tony Callcott, Head of Pan-European Liquidity Client Solutions, Aviva Investors; Carol Power, Corporate Treasury Consultant/Interim.



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