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October 2015

Bank agnostic technology

As the corporate-to-bank connectivity debate continues, Treasury Today examines why and how the bank agnostic treasury model is rising up the agenda. Is there still a place for proprietary technology? Does bank agnostic technology really deliver everything it claims to?

The Corporate View

Maciek Müldner

Financial Director

Skanska

Women in Treasury Forum London 2015

Treasury Today's recent Women in Treasury Forum saw traditional gender stereotypes pushed to their limit. Discover what our expert speakers had to say.

Cash Management

Mastering cash visibility

Regulation

Justifying the cost of compliance

Question Answered

Treasury in Latin America


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underlying
treasury issues
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Control the ball and you control the game

Having just returned from the EuroFinance International Cash and Treasury Management conference in Copenhagen, it is perhaps worth reflecting on some of the key themes that emerged. The focus of this year's event was fitness; keeping your treasury function fit for purpose, fit for growth and fit for the future. These themes were addressed on consecutive days under the banners of flexibility, strength and speed, and sustainability.

A variety of speakers presented on best practices, as well as topics such as the rise of FinTech, coping with volatility, and how to navigate the future against a backdrop of uncertainty, to name but a few. Greece's near Eurozone exit, the possibility of a 'Brexit', the stock market fall and growth downturn in China, commodities and oil price volatility, the migration crisis and low interest rate environment were also hotly debated. On the subject of a possible 'Brexit', José Manuel Barroso ex-European Commission President commented: "It'd be very negative if the UK leaves…indeed, it'd be a disaster for Europe. I hope it [UK exit] won't happen, I have fundamental trust in the wisdom of British people and I believe they won't vote against their interests. Britain will lose if it does leave the EU as it is the biggest trading bloc in the world – representing 25% of global output." Perhaps many of you are already running impact analysis scenarios on the possibility of this happening.

Lord Stuart Rose, former CEO and Chairman of Marks & Spencer, now at Ocado, spoke about how treasury used to be viewed as a service function but is now regarded as absolutely central to a business. "Finance should be at the centre of initiatives and no CEO worth his (or her) salt should forget this," he said.

We also heard Rupert Pennant-Rea, former Deputy Governor of the Bank of England, share his thoughts on why the view that India will replace China as the next major emerging market is simply not true. India is not as big as China in economic terms (India is $2trn versus China $11trn), India has a smaller percentage of its GDP from the manufacturing sector and India has no immediate infrastructure growth whereas in China such projects "just happen," he explained.

After the various bank-led client events had concluded on the evening of the opening day, delegates arrived fresh and early on day two to hear about mind-set, nutrition, movement and recovery, again reinforcing the fitness theme. Finally, delegates heard from former Game Changer at global sports brand Nike on the linkages between sports science principles and business leadership. "I believe every organisation needs to learn to look after the 'ball'. In business the 'ball' could be big data," suggested Dr Erez Morag, CEO and Founder of Acceler8 Performance Ltd.

Treasury fitness, in his view, is all about understanding the details of the game: the processes, the moving parts, the connections. And having worked with some of the most successful sportspeople on the planet, there is clearly a great deal of value in Dr Morag's beliefs.

Perhaps the big challenge for you is identifying what the 'ball' is in your treasury organisation, where it is, and how to keep control of it.

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The way corporates connect and interact with their banks is changing. Where once multiple proprietary banking solutions were used, corporates are now frequently seeking bank agnostic solutions. Here, Treasury Today explores the benefits – and drawbacks – of a bank agnostic approach, asking whether proprietary solutions still have a role to play.

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Highlights from London 2015

Significant progress has been made in recent years towards addressing legacies of gender inequality, with a loud and inspiring global push for diversity. The third annual Treasury Today Women in Treasury Forum, held in London in September, looked to further that push, and tackle the issues around gender equality in the treasury department and beyond.

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Janet Yellen: a straight arrow

In 2014, Janet Yellen made history when she became the first female head of the US Federal Reserve, almost a century after it was founded. This announcement also meant she was the second ever woman to lead a central bank in a developed nation. In this role, she has done much to further the profile of women in the world of finance.

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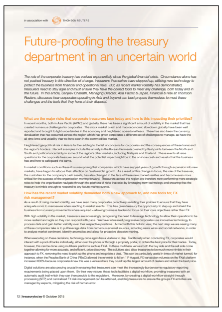
Future-proofing the treasury department in an uncertain world

in association with

THOMSON REUTERS

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Justifying the cost of compliance

Complying with regulation comes at a cost – as all treasurers recently involved in SEPA projects will testify. Financial outlay can come in many forms, but can these costs be justified and how can compliance projects be used as a platform to drive change in the treasury department?

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Show me the money

Survey after survey has shown 'improvements in cash visibility' to be near the top of the corporate treasurer's wish list. Achieving that desired level of visibility, however, always seems to be just out of reach. Why are companies still finding it so tricky to get proper visibility over their cash?

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Maciek Müldner

Financial Director, Skanska Property Poland & Risk Manager, Commercial Development Europe

SKANSKA

Preventing treasury from becoming siloed is something frequently discussed, but Treasury Today talks to Maciek Müldner, Financial Director, Skanska Property Poland & Risk Manager, Commercial Development Europe, Skanska, about how a service-orientated approach works in reality. In his role, he is reliant on others adopting this collaborative mind-set in order to focus his time on investing the company's cash with an educated eye for opportunity.

Treasury in Latin America

What's new in the Latin American treasury space? Are there any cash management or payment innovations treasurers should be aware of, for instance?

Juan Pablo Cuevas
Head of Global Transaction Services, Latin America, Bank of America Merrill Lynch

In Latin America, the treasury space is undergoing a significant and rapid transformation as a number of forces converge to shape the future of cash management in the region. We often talk about the effects of companies expanding their operational footprints and the evolving regulatory landscape as contributors to the challenges facing treasuries today. And while there is no question that these will continue to influence and impact treasury strategies and priorities, there is another aspect driving the evolution of treasury in the region, which is the enormous focus on and investment in making cash management processes easier, safer and cheaper.

This activity has been heavily influenced by two factors: advancements in technology and changing client needs and expectations. Further accelerating the evolution is the symbiotic relationship between these factors. Client needs are driving advancements in technology, and advancements in technology are influencing client expectations.

Mobile is a good example of how treasury is evolving. In the last few years, consumers have adopted mobile banking in large numbers and as this usage continues to grow, treasury professionals who access their personal bank accounts from a mobile device are demanding the same functionality, speed, simplicity and transparency in the business banking environment – and at a lower cost. Banks have recognised the potential for mobile technology in the business-to-business environment and are actively working on new solutions.

The introduction of mobile technology has also increased the need and expectation for real-time, 'instant' payments. The respective payment infrastructures in the region are responding. For example, in Mexico, the country is moving to 24/7 payments availability and is improving speed of settlement from 30 seconds to five seconds.

While the popularity of mobile devices is a worldwide phenomenon, the huge growth in usage is coming from emerging markets. In fact, Latin America had the fastest rate of smartphone adoption globally in 2014, according to a report from market research firm GfK. And although consumer mobile banking transactions in the region are low right now, we expect this figure to increase soon as countries continue to evolve digitally.

What's more, the focus of emerging technologies is by no means limited to the payments space: innovation is also addressing the challenges associated with receivables and, more specifically, the reconciliation process which for many firms can be extremely challenging. In Latin America, it's common for many companies to employ large teams specifically tasked with matching payments to the respective client and invoice. In the past, efforts to streamline reconciliation have had limited success – but a new automated accounts receivable matching solution could help companies post cash faster, reduce days sales outstanding and increase efficiency.

The innovation applies rules defined by a company, and matches payments to the company's open accounts receivable files. The technology is able to identify exceptions, which can then be corrected online before being posted. By reconciling payments faster, companies may be able to free up their customers' credit limits – potentially increasing sales – while also improving their own working capital cycles.

From an overall innovation perspective, the game has changed and technology is constantly evolving. Understanding the latest advances in technology, as well as trends impacting the treasury space, will prove invaluable to companies looking to stay ahead of the cash management curve.

John Taboada
Director of Corporate Initiatives, Latin America, SWIFT

Managing cash and liquidity effectively and efficiently is the cornerstone of a well-run treasury function across the globe. Latin America is no exception. The region, much like similar markets, faces the challenge of managing manual processes which are both risky and costly. This problem is then compounded by regional nuances such as operating in different countries with different currencies, varied bank statement formats and several electronic banking systems and host-to-host applications. More than ever before, Latin American treasurers are seeking technology to help facilitate automation, standardisation and provide better cash visibility.

The shift to better and more robust, standardised technology is building significant momentum amongst treasurers in Latin America. This means that innovation and standardisation is moving into the spotlight, receiving greater precedent on the way. Treasurers are making the most of new technology that provides them with such features as a dashboard for customised reporting, drill-down capabilities as well as timely visibility of the opening position of the day. When treasurers can access multi and single-currency views and streamlined reconciliation processes, they can ultimately get to market faster.

Participation from the corporate sector which began leveraging SWIFT connectivity in 1999 has grown at a rapid pace. Today, we have over 1500 corporates connected on SWIFT and this trend is also seen in Latin America where corporate connectivity has grown to over 50 connections over the last five years. Additionally, banks are also increasingly adopting ISO 20022 messaging to standardise the way they interact with their corporate clients, which is helping drive participation.

Corporate treasurers are leveraging SWIFT's technology to consolidate financial institution statements, translate them and then transfer them into their back office system. This eliminates a series of manual processes, including managing external devices, logging onto multiple banking portals and downloading multi-formatted statements which then require conversion into a standard format.

Jose Luis López-Sors

Head of Transaction Banking
Latin America, BBVA

Technology is without doubt changing the landscape related to banking services in the region. It brings, on one hand, the possibility of 'digitising' payment and collection services that today still rely extensively on the use of cash and, on the other, the efficiencies brought by the integration of payment and collection information into ERPs.

The fast growing penetration of mobile and smartphone users offers multiple opportunities to bring efficiency and minimise the use of cash and physical branch services, as well as reaching the non-banked population that need to receive payments without opening bank accounts or issuing physical credit cards as those remain too costly.

Some examples of such services include: 'Mass Mobile Payments' by which a corporate or government payer issues payments by sending codes to mobile users that can retrieve the cash on ATMs without a credit card, the development of apps to manage branch queues by informing the user of the estimated time to be attended and pre-register the operations to be made and the use of real-time information related to a payment to unblock the delivery of goods. In all cases, the result is a reduction in the use of the branch services, which still remains one of the big challenges in the region for corporates as queues are still, unfortunately, a reality and represent a time-consuming task for companies.

> "It brings, on one hand, the possibility of 'digitising' payment and collection services that today still rely extensively on the use of cash and, on the other, the efficiencies brought by the integration of payment and collection information into ERPs."

But mobile use is only one part of the digital revolution we are facing today. When we look on the corporate side, the degree of automation of tasks that can be achieved using ERP integration represents an excellent opportunity to reduce low value-added tasks that are executed today by treasury teams (for example, reconciliation of payments and collections). Therefore, efforts can be focused on treasury planning and forecasting.

As an example, direct channels like SWIFTnet and host-to-host bring corporates the opportunity to issue payment and collection files, track the status of each transaction and reconcile it without any human intervention, connecting the corporate ERP and the bank systems without navigating through a web portal. An additional factor is the possibility of standardising the file formats, channels and heterogeneous processing of several countries and banks using regional players and standard XML messages, reducing dramatically the need of costly IT developments on the corporate side to adapt to each local bank. ■

The next question:

"What is best practice when implementing electronic cheque deposit scanners? What processes do corporates have in place to fully leverage this product? Also, once the cheques are scanned, for how long should they be kept?"

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

More volatile markets on the horizon

As loose monetary policy starts to look like part of the problem rather than the solution, lingering sluggish growth and rising debt are a recipe for more volatile financial markets. Since the best solution, to implement rapid far-reaching reforms, is politically unfeasible, ECR Research asks: what is the answer?

Lately, share prices have been fluctuating far more than in recent years. We suspect that larger movements are on the horizon, including in most other financial markets such as the currency and commodity markets.

This forecast is partly – but not exclusively – due to the fact that most markets are less liquid than before, because of new regulations, specifically those for the financial sector. Also relevant is the fact that global economies are generally less stable. Moreover, the authorities are running out of options when it comes to taking countermeasures. All of this is intimately connected with the massive debts that have been accumulated over the past few decades. In addition, there is overcapacity in manufacturing; a sector that is very important to the emerging economies but whose significance has paled in the industrialised world.

To keep the situation under control, growth needs to stay high in other sectors in the developed countries, for instance, the services sector. Otherwise, economies are in danger of collapsing under the debt burden. Maintaining growth at an acceptable level and lowering unemployment require loose monetary policy virtually everywhere (fiscal stimulus is out of the question in most cases, due to high public debts). Only in the US and Japan have jobless rates fallen to the extent that growth will soon have to slow to potential (ie the sum of the increase in the workforce plus the increase in productivity).

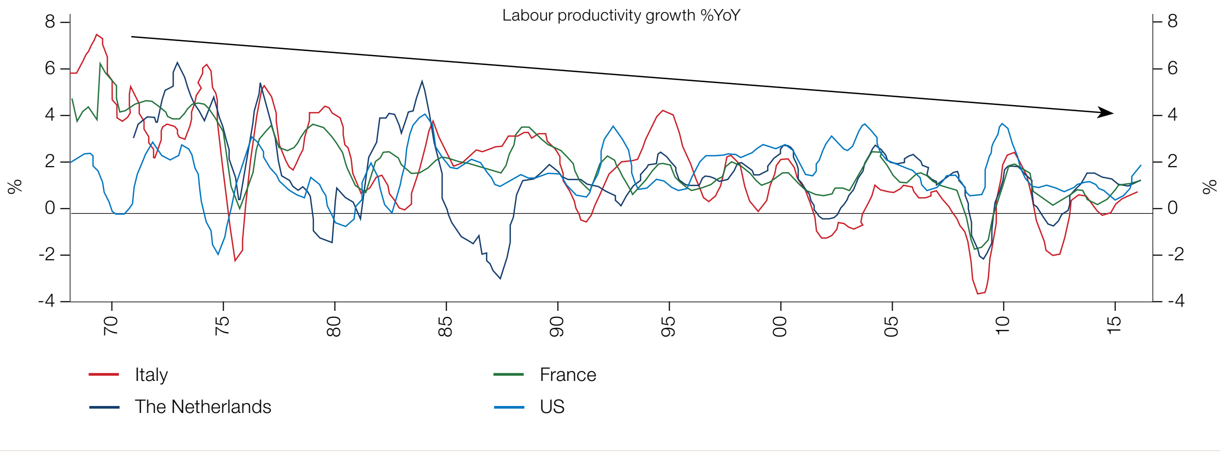
Ageing populations and insufficient immigration mean that workforce growth is minimal. To lift potential growth to a level where the debt will be sustainable, productivity will need to increase substantially. This can be achieved through structural reforms and higher investment. Unfortunately, loose monetary policy on an ongoing basis is preventing both. Also, because the reforms are very unpopular among voters, politicians prefer to keep the economy ticking over by means of ultra-loose monetary policy instead of implementing reforms that will not pay off until a number of years have passed.

Plus, accommodative monetary policy keeps afloat inefficient and outmoded businesses that produce superseded goods and/or services. For productivity to increase, such companies should make way for modern and efficient businesses.

Monetary easing: the paradox

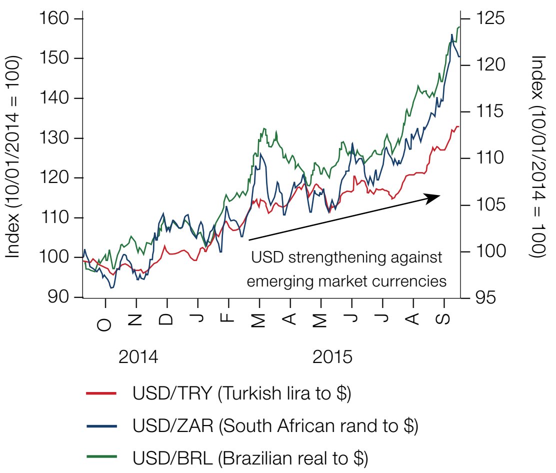
Another negative is that monetary easing has sent share prices up well above levels that could be justified by

Chart 1: Global labour productivity growth has been declining steadily over the past decades



Source: Thomson Reuters Datastream/ECR

Chart 2: Emerging market currencies have already depreciated significantly against the US dollar



Source: Thomson Reuters Datastream/ECR

economic developments. However, the downside is that businesses do not invest enough, even if they are sitting on huge stacks of cash. The reason is that very few investments yield sufficiently high returns to justify the share price surge.

Paradoxically, although expansionary monetary policy is necessary to stave off economic collapse, it has a downward effect on long-term growth potential. This is particularly true in Europe, where unemployment is high and wage increases are low. More monetary impulses will be required to underpin the economy.

By now, however, loose monetary policy is beginning to look like part of the problem rather than the solution. Also, the financial regulators are imposing more stringent capital requirements on financial institutions, leading to tighter lending conditions. Yet, from a macro-economic perspective, access to credit must improve, or the economy will implode. Central banks need to ease their policies further and drive up asset prices to compensate for all of this.

The situation differs around the world. As explained earlier, before long, US economic growth will have to slow to potential (approximately 1.5%). This rate is too low to sustain the huge debt burden. Therefore, share prices will fall as credit spreads widen but once prices fall by over 20% the economy will be hit hard and monetary easing will have to be on the cards again. And even though equity prices will bounce back and credit spreads will narrow, these effects will be short-lived as potential growth will be declining.

However, it will not stop there. If growth is sluggish in Europe and slows to around 1.5% in the US, it will not be high enough in other countries relative to the debt burdens. Most of all in the Asian emerging markets, so monetary easing will be required in these countries, too, eventually. Consequently, even though debts are already high, the debt mountains will continue to grow.

Time to reform?

This underlies our forecast that price fluctuations will increase in the future. Share prices will discount the fact that economic growth will continue to be sluggish as the debt burden increases. As a result, credit spreads will widen. However, the economy is too fragile to cope with plunging share prices and widening credit spreads. The best solution would be the rapid implementation of far-reaching structural reforms everywhere. Politically, this is unfeasible.

At best, all we can hope for is a gradual unfolding of this process. This is why (more) monetary easing will be on the cards as soon as share prices plummet and credit spreads widen substantially. In the first week of September, the ECB and several Fed members hinted at this. Following a stimulus, both the stock markets and credit spreads will recover but not for long. They'll soon change course again. Even more so if monetary policy stays accommodative (because growth is too slow).

These developments will not unfold at the same pace or to the same degree in different areas across the globe. Therefore, currency fluctuations are bound to gain momentum. And this is something which has already started: witness the movements of the euro and the EM currencies against the dollar in the past months, for instance.

In Europe, it will be necessary to pursue very loose monetary policy for quite some time to come. The reasons: high jobless rates, low wage increases, fairly sluggish growth, and minimal inflation. Conditions in the US are different: unemployment has dropped so much that higher wage increases can be expected in the near future. This does not mean that the Fed will be able to really tighten its policy – which would have been better in terms of productivity developments – but at least it can begin to take steps in this direction, long before Europe does the same.

This points to policy divergences between the US and Europe, which will automatically increase the price fluctuations. All the more so if it becomes necessary to apply monetary easing at speed, in case of another stock market rout and/or widening credit spreads and an appreciating dollar. Such a bumpy monetary ride is a recipe for significant gyrations in financial markets. ■




Women in Treasury

Ringing the changes

Over the past several years, significant progress has been made towards addressing legacies of gender inequality, with a loud and inspiring global push for diversity. The third annual Treasury Today Women in Treasury Forum, held in London in September, looked to further that push, and tackle the issues around gender equality in the treasury department and beyond.

It is staggering to think that, in 2015, we live in a world where gender inequality is still a big issue. In fact, recent data from global consulting firm, Mercer, highlights just how serious this is. Their research has shown that, at the current pace, female hiring, promotion and retention rates will be insufficient to adequately advance gender equality within the next decade.

Whilst statistics such as these can be disheartening, the recent Treasury Today Women in Treasury Forum held at Plaisterers' Hall in the City of London, highlighted that there is plenty of room for positivity and that with determination and purpose, real change can be delivered. With over 200 leading treasury and finance professionals in attendance, the room was abuzz during the pre-lunch networking session as guests made acquaintances whilst sharing their own personal experiences and stories. It was particularly inspiring to hear how some of those who have attended previous Women in Treasury events have been able to use it as a platform to drive change in their career or organisation.

Despite these success stories, the keynote address delivered by Angela Berry, Treasury Today Group Publisher and Founder of the Women in Treasury initiative, highlighted that a gulf still exists between the sexes in the industry. Referencing the results of Treasury Today's Global Women in Treasury Study 2015, supported by RBS, Angela informed a shocked audience that 34% of female corporates surveyed feel they are paid less than their male counterparts and 44% don't think they have the same career prospects. Another interesting statistic was concerning the ever-contentious topic of quotas: for the first time since the study began, more women were in favour of them than against, with the consensus seeming to be that these may help to push gender equality over the finish line.

It was encouraging to see that more women surveyed this year stated that they aspired to reach senior roles such as Finance Director and CFO. To be able to achieve this however, our message is that women and men have an ongoing duty to empower, support and celebrate the successes of one another.

Reaching the top

Given these findings, it seemed poignant that the first topic to be discussed during the panel session was career progression and how women can reach the top. Debra Todd, VP Global Treasury Services at BP, who with 29 years' experience in the industry was well placed to discuss the topic, kicked off the debate.

According to Debra, the onus when looking to get ahead falls firmly on the individual and there are a few simple steps that can be taken to make this happen. "First and most crucial is being visible – for the right reasons," she said. This extends beyond simply turning up to work and being good at your job. To truly get ahead, Debra believes that you need to build a reputation of being someone who knows their own mind and is not afraid to speak up. This includes identifying problems, offering solutions, and most importantly taking ownership.

Of course, being assertive is not always easy, especially for young professionals. Debra therefore urges women to be brave. "The glass ceiling which exists for women can often be self-imposed because of a tendency to self-limit," she says, "being brave

can remove this and allow you to take significant strides forward in your career." To be able to achieve this, with confidence, Debra stresses the importance of career planning: "This is crucial in providing clarity in thought, helps to builds trust in your convictions and also allows you to open doors, rather than crashing into them."

Debra's final word of advice was on the importance of establishing a robust support network outside of the office. Of course, there is no one right way to do this so it is a matter of making your arrangements work for you. "If you need flexible working arrangements then don't be afraid to ask," she concludes.

The parent trap

Flexible working is a mainstay in the debate around children and parenting. Yet, it is clear that parenthood is not a gender specific issue, both men and women have equal responsibility to look after their children. Nevertheless, there is a perception that men can be successful with, or without children, whereas women may have to make the choice.

Brenda Trenowden, Head of FIG Europe & Head of Banks & DF, Americas at ANZ and Global Chair of the 30% Club – an organisation with a goal of achieving 30% women on FTSE 100 boards by end 2015 highlighted this perception, citing a study titled 'The Maternal Wall'. "The study concluded that businesswomen are typically seen to be high in competence. But working mothers are rated less like businesswomen and more like housewives, who – to quote the terms used by researchers – are viewed as on a par with the elderly, blind, and disabled."

What is more, this perception has manifested itself in reality. As Brenda explained using data from Australia, "an average 25-year-old man can expect to earn a lifetime total of $2m, if he doesn't have children. If he does have children, this figure is bumped up to $2.5m. It doesn't, however, work the same for women – a childless woman can expect to earn as much as her male childless counterpart, but if she has children, it declines." In Brenda's view, these statistics are simply down to societal norms and perceptions that have become engrained over history – men have traditionally been seen as the breadwinners and women as the carers. Yet, despite these gender roles no longer being quite so cut and dried, there remains an unconscious bias that exists which may have helped to form a dominant culture across society, typically with men at the top.

How can this unconscious bias be shattered? Firstly, reiterating what Debra said, there need to be more female role models that are willing to stand up and be counted. In addition, women (and men) need to be brave and call out these biases when they occur, so that people recognise what is happening. Employers also have a role to play and can offer unconscious bias training to help people identify the bias that exists within themselves. To fully escape the parent trap agile working is the key. "This needs to be something that is offered to everybody, as both men and women need flexibility to not only be a parent but also to meet their other responsibilities and take time for themselves. Throughout my career I have encouraged this and it can help the team deliver exceptional results."

All things being equal

Offering equal opportunities to both men and women for flexible working is something that Jo Hawkes, Group Treasurer at Marks and Spencer would also support. She observed that for real equality at work, there also needs to be opportunity for men to have equality at home.

Jo also suggested the work place has generally changed for the better in the past few decades. "As my career has progressed, I have witnessed more women working and at more senior levels," she says. "Whilst most of us thought it was a very progressive place at the time, the workplace was different 30 years ago. Some of the attitudes and occasional behaviours that were just tolerated then wouldn't be countenanced today. The workplace dynamics between men and women have changed for the better. It's a more professional place."

Against the backdrop of this progress, Jo was surprised when Angela announced the statistics from the Women in Treasury Study which reported the strong perceptions of disadvantaged pay and career opportunities for women in the workplace. Jo also considered the concept of the "unconscious bias". "Whilst there may be no prejudices effecting conscious behaviour in the work place perhaps some of our more engrained attitudes were influencing us, more than we may be aware," she said.

Jo contemplated on some of the ideas that Sheryl Sandburg COO of Facebook had put forward in her book titled 'Lean-In' that women can lack some of the characteristics that could help progress their career. For instance, lower levels of self-confidence and a willingness to self-promote and take risks could be a contributing factor to a lack of women in leadership positions. In this respect, Jo thought women could consider observing some of these characteristics in practice and applying them to their own working life. "However, in my experience, many women were already doing so," she said. "But real gender equality should also




be characterised by acknowledging the value of the typically female traits such as communication, modesty, diplomacy and empathy."

Of course, companies could do more to promote women. This cannot only drive equality, but also offer positive financial impacts to the business. Indeed, Jo made reference to a report from McKinsey & Co, 'Diversity matters', which showed there was substantial evidence to support the idea that gender equality was really good for business. The report noted that companies in the top quartile of gender diversity were 15% more likely to have financial returns that were above their national industry median. If this isn't enough for companies to take action and promote gender diversity, then what is?

Team building

Aside from delivering financial benefits, promoting gender diversity is a key requirement when building a talented team. This was the view of Jennifer Boussuge, Managing Director, Head of Transaction Banking EMEA at Bank of America Merrill Lynch, the final panel speaker. Jennifer believes that the key to attracting and retaining the best people is creating an environment where people can deliver their best.

For the most part, the blocks which help build a best-in-class working environment are relatively simple. These include: allowing workers to be themselves, providing openness and transparency, utilising the strengths of each individual, offering rewarding work and also having rules that people cannot only adhere to, but also believe in. Achieving these however is not an easy task. As Jennifer explained: "Few companies exemplify all of these. Some of the attributes conflict and many are complicated, costly, or time-consuming to implement. Almost all of them require leaders to carefully balance competing interests and reallocate their time and attention." It is therefore crucial, in her opinion, that executives spend time focusing on these as it is their responsibility to set the tone for the rest of the team and ensure that employees are given adequate room and encouragement to flourish in the workplace.

However, with teams made up of people with different motivations and personalities, getting it right can be difficult and this is exacerbated by the fact many leaders are ill-equipped to manage effectively. "As a result, many managers make fundamental mistakes such as unknowingly undermining employee performance," says Jennifer. "Studies have shown that line managers directly influence a majority of the key drivers of employee performance, improving or destroying performance by up to 40%. Whilst managers can improve employee performance by emphasising employee strengths in performance reviews, they can also undermine employee performance by making frequent changes to projects and assignments."

Developing a management philosophy and style that is based on emotional intelligence and a deep understanding of the team is therefore crucial. At the heart of this philosophy sits the communication channels that exist between employees and their managers. Studies have shown that this is the single most important driver of employee performance. "This can be as simple as saying 'thank you', or 'good job'," adds Jennifer, "this doesn't cost anything but can have a real impact on performance and employee morale."

Thoughts from the floor

The Women in Treasury Forums are not just a place to hear what the panellists have to say, but also a chance for attendees to share their own stories and ask questions. After the panel's initial topic-led discussions, there was a lively question and answer session during which mentoring, biggest mistakes (and what was learnt from these), bravery and the impact of age on a career were all frankly debated.

Following this, the room again became alive with discussion as the attendees deliberated what had been said. From these conversations, it was clear that what was discussed by the panel resonated with those in the room. As Christine Elam, International Treasury Manager, The Body Shop International says: "When you hear people talking about many of the same issues that you go through in your head and that you experience in the workplace, it is reassuring that other people are experiencing and thinking the same. It confirms your feelings."

It was also confirmed that real progress is being made in the field of gender equality and that this needs to be maintained. "Aren't we awesome!" says Jennifer Tinsley, Treasury Director – Treasury Eurasia at Joy Global. "Women have made more senior posts than the previous year, but we do need to ensure that we continue to promote a greater mix of age and gender in the workplace and not replicating the status quo. This is how we generate new business, build a better economy."

Pushing oneself and being confident is something that all professionals, especially those in the early years of their career need to do to help achieve this. "Women need to be brave, stand up for themselves and speak out when there is inequality," said Louise Darley,




Bank Payments Supervisor at Easyjet. Her colleague, Jade Steele, Treasury Analyst at Easyjet agrees that this will help: "This will help build confidence and encourage women to apply for the roles they may have previously dismissed because they didn't think they were good enough. As a result there should be an increase in the number of women applying for senior roles and actually getting them!"

Speaking up will also help companies realise the need to offer flexible working, enabling both men and women to have a better work life balance. "This is very important," says Jiameng Yu, Assistant Treasurer at Vodafone Group plc World HQ, "due to the nature of treasury, there is very little one can do about workload, but flexibility is what makes a difference. Specifically, companies need to realise that employees do not need to be at their seat to be delivering." To do this, leaders need to step up. "I think young women need role models to aspire to. Even today, girls are still generally expected not to be too 'smart' and certainly not too 'assertive' (aka – aggressive, even though the two are not the same thing)," adds Jiameng, "I think it is important for those who have 'made it' to show young women/girls that there is light at the end of the tunnel."

It seems, based on the discussions on the day, that this is an exciting and promising moment in history where real progress on gender diversity is clearly being made. However, we are not there yet, and business leaders (both male and female) have an ongoing duty to empower, support and celebrate the successes of women in our industry. ■

Join the debate

We frequently profile female trendsetters in Treasury Today and Treasury Today Asia, looking at their professional development and career-defining moments, as well as providing advice to those just starting out in the profession. We also host a Women in Treasury LinkedIn group providing a dedicated platform for discussion, debate and support – to join this group please email **sarah.arter@treasurytoday.com**

Future-proofing the treasury department in an uncertain world

The role of the corporate treasury has evolved exponentially since the global financial crisis. Circumstance alone has not pushed treasury in this direction of change, treasurers themselves have stepped up, utilising new technology to protect the business from financial and operational risks. But, as recent market volatility has demonstrated, treasurers need to stay agile and must ensure they have the correct tools to meet any challenge, both today and in the future. In this article, Sanjeev Chatrath, Managing Director, Asia Pacific & Japan, Financial & Risk at Thomson Reuters, discusses how corporates operating in Asia and beyond can best prepare themselves to meet these challenges and the tools that they have at their disposal.

What are the major risks that corporate treasurers face today and how is this impacting their priorities?

In recent months, both in Asia Pacific (APAC) and globally, there has been a significant amount of volatility in the market that has created numerous challenges for corporates. The stock market crash and macroeconomic slowdown globally have been well reported and brought to light uncertainties in the economy and heightened operational fears. There has also been the currency devaluation that has occurred across the region which has given corporates a different set of challenges to manage, as have the all-time lows and volatility that we have seen in the commodities market.

Heightened geopolitical risk in Asia is further adding to the list of concerns for corporates and the consequences of these transcend the region's borders. Recent examples include the anxiety in the Korean Peninsula created by flashpoints between the North and South and political uncertainty in some of the region's other markets, including Malaysia and Thailand. These events all raise questions for the corporate treasurer around what the potential impact might be to the onshore cash and assets that the business has and how to safeguard the same.

In market conditions such as these it is unsurprising that companies, which have enjoyed years of growth through expansion into new markets, have begun to refocus their attention on 'sustainable' growth. As a result of this change in focus, the role of the treasurer, the custodian for the company's cash assets, has also changed in the face of these new market realities and become even more critical for the success of the organisation moving forward. Treasurers across the region are therefore now performing more strategic roles to help the organisation navigate through the plethora of risks that exist by leveraging new technology and ensuring that the treasury is nimble enough to respond to any future market events.

How has the recent market volatility demanded both a new approach to, and new tools for, FX risk management?

As a result of rising market volatility, we have seen many corporates proactively revisiting their policies to ensure that they have adequate room to manoeuvre when reacting to market events. This has given treasury the opportunity to step up and shield the business from currency movements where required – allowing business leaders to focus on their core objectives rather than FX.

With high volatility in the market, treasurers are increasingly recognising the need to leverage technology to allow their operation to be more resilient and agile so they can respond with pace. We have witnessed progressive corporates use innovative technology to process data and gain better visibility over their respective positions. Armed with this holistic view, the next step we are seeing many of these companies take is to pull leverage data from numerous external sources, including news wires and social networks, in order to analyse market sentiment, identify anomalies and allow for proactive decision making.

When executing on these decisions, technology once again has a vital role to play. Traditionally when conducting FX, corporates would interact with a pool of banks individually, either over the phone or through a proprietary portal, to obtain the best price for their trades. Today, however, this can be done using multibank platforms such as FXall. In these multibank venues both the buy side and the sell side come together allowing for more accurate, and efficient, price discovery. The solutions also allow treasurers to be much more nimble in their approach to FX, removing the need to pick up the phone and negotiate a deal. This can be particularly useful in times of market turmoil, for instance, when the Peoples Bank of China (PBoC) allowed the renminbi to fall on 11th August, FX transaction volumes on the FXall platform increased 600% because corporates knew this was a venue where they could tap the largest amount of dealers and obtain the best price.

Digital solutions are also proving crucial in ensuring that treasurers can meet the increasingly burdensome regulatory reporting requirements being placed upon them. By their very nature, these tools facilitate a digital workflow, providing treasurers with an automatic audit trail which they can then provide to the regulators. Moreover, by creating a digital workflow straight through processing (STP) and centralised FX risk management can be attained, enabling treasurers to ensure the groups FX activities are managed by experts, mitigating the risk of human error.

As corporate supply chains become increasingly global and complex, how can companies best create and maintain an efficient and scalable risk management framework?

In many respects the heightened FX risk faced by some companies is a result of their adventures into new markets and the growth, in both the scale and complexity, of their supply chains. Although this has, of course, provided corporates with numerous benefits, it has undoubtedly increased the concern around not only FX but also geo-political, counterparty and operational risk. Corporate treasurers have become progressively more involved in supporting the supply chain both financially and operationally.

Many firms have already consolidated their various local treasury activities into one regional treasury centre (RTC) or in-house bank (IHB) to act as a centre of excellence for multiple functions and allow them to employ the professionals needed to manage their policies and trade execution. It also allows them to streamline all their workflow, especially post trade confirmations, which reduces their operational risk and gives them greater control.

Examples of such behaviours are the establishment of RTCs in Singapore and Hong Kong. These two locations are extremely strategic for corporates wanting to expand in and have a control over their APAC subsidiaries. Depth of capital markets, ease of currency movement, availability of skilled labour and transparent liquidity venues all contribute to the attractiveness of these locations.

The continued expansions into new countries and new markets have exposed companies to new risks, that now treasurers have to handle as part of their role.

A major component of this is counterparty risk management. While many corporates will be well versed in this topic, given its importance during the financial crisis to track exposures to various financial institutions, the scope of their counterparty risk management requirements has grown exponentially to encompass any third party (know your third party – KYTP/KY3P) in the supply chain and even knowing your customer's customer, given the rigorous enforcement of regulations governing Anti-Money Laundering (AML) and Counter Terrorist Financing. Of course, corporate supply chains can contain hundreds if not thousands of counterparties, both upstream and downstream, making KYC a nearly impossible task without assistance from technology. Similar to FX technology, digital KYTP and KYC tools are powered by data and when looking to adopt new solutions corporates are looking for providers they can trust to deliver the most reliable information in the fastest time.

As a leading provider of financial information and data, Thomson Reuters has developed a number of solutions for KYTP designed to help corporates fulfil their due diligence requirements and mitigate risk. Our Org ID service as an example, has been developed with input from numerous senior industry professionals including a number of corporate treasury professionals and facilitates a common standard around KYC and Know your Counterparty processes.

At a fundamental level these services can be used by corporates to screen their third parties, and warehouse and streamline the distribution of its client identity documents. This helps corporates have better risk management for third parties, centralise their KYC, eliminate a lot of the duplicate work that typically takes place and also simplify the process of updating and informing multiple counterparties of any changes to the documents.

For organisations looking for innovative and intelligent data solutions, Thomson Reuters also offers award winning World-Check One. With hundreds of researchers speaking multiple languages across 240 countries and territories, we have a detailed and in-depth insight into these markets and the key risks that exist. This can prove vital in helping the company effectively identify, monitor and pro-actively make decisions around heightened risk counterparties and possibly avoiding any unnecessary financial or reputational damage.

What role will treasury play in the future in APAC and how can technology help?

The term 'the new normal' is often cited during discussions around China's attempts to deliver more sustainable and balanced growth and I often borrow this phrase when I talk about the role of the treasury. In my opinion there will be continued volatility in the markets. Regulation, both in-market and extra-territorial, will also continue to increase, making it crucial to understand its impact and make the necessary changes. This is the new normal and, unsurprisingly, against this backdrop, the role of the treasury department will become increasingly important.

To help treasurers meet these challenges, technology, and more precisely open (bank agnostic) technology, will need to be leveraged. And with the global and diverse nature of business today, it is no longer effective to be tied to endless proprietary systems, each with their own strengths and limitations. There is therefore an increasing demand for open technology and platforms as corporates continue to centralise their treasury function and manage their operations in the Asia region, and even the world, from a single treasury hub. This will give treasurers the ability to reduce their costs, harmonise processes, and offer the potential to drive further efficiency and ensure the corporate treasury is resilient and nimble enough to meet the challenges of both today and the future. ■

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Sanjeev has worked in Asian financial markets for almost two decades in leadership roles encompassing sales, client management and business management, spanning Asia Pacific, South Asia and Middle East.

Commitment issues

The bank agnostic technology model is increasingly sought by treasurers eager not to put all their eggs in one basket. It is a risk management quest but it is also one of operational and cost efficiency. Treasury Today considers the benefits and drawbacks of stepping beyond the world of bank proprietary technology.

As the compulsion to work with bank proprietary electronic services slowly loosens its grip on the corporate community, treasurers are finding themselves readily able to exchange information with multiple banks using common channels and standard formats from a broad range of providers. They also have control of their payments mechanisms so that treasurers can effectively "turn banks on and off," as one practitioner speaking at last year's EuroFinance event in Budapest succinctly put it.

Indeed, that same individual offered his reasons for taking this path by describing his ideal of treasury management as "definitely not logging into six or seven different banking platforms each day nor trying to recover 150 accounts when a parting of the ways with a bank means unpicking what had been snarled up in a proprietary platform." With this in mind, the concept of bank agnostic technology certainly sounds ideal, but is it?

Why… and why not?

There are three main benefits of a bank agnostic approach: reduced cost and effort when changing banks; the ability to harmonise processes; and the potential for improved efficiency. When ranked against a multi-bank structure where counterparty and performance risks are a genuine concern, it has certain appeal.

One company that has found benefit in bank agnosticism is Etihad Airways. Currently, the airline has 50 transactional banking relationships across the globe. Etihad is going through a major global connectivity project and is using a SWIFT service bureau (Fundtech) to drive efficiencies, explains Deputy Treasurer, Adam Boukadida. "This is enabling connectivity with multiple banks in multiple parts of the world." By employing a bureau to implement and operate SWIFT, in partnership with treasury and the internal IT function, he says it enables the team to focus more on day-to-day activities and value-add projects.

Although progress towards an agnostic model could be seen as an attempt to put banks on the back foot in the overall balance of power, Boukadida certainly does not see it as "preventing or damaging any of our banking relationships." Rather, he says, "the desire for more bank agnostic models is driven by treasurers wanting to be able to exchange information with multiple banks using common standards, eliminating any duplication of effort and minimising counterparty risks."

There are clear benefits for some treasurers, however, in certain emerging markets, bank agnosticism is still only just on the radar. Luke Waddington, Head of Global Markets, E-Business, BNP Paribas, notes that the uptake of bank agnostic platforms is "somewhat sluggish" in Asia. "There needs to be improvement in the pre-trade and post-trade areas as bank agnostic platforms are largely geared around execution," he explains.

The persistence of proprietary offerings looks set for some time as corporate adoption of bank agnostic connectivity such as SWIFT remains relatively slow. And whilst owning the network and the systems seems advantageous for the treasurer, the benefits come at the cost of being responsible for it, says Marc Vandiepenbeeck, Corporate Treasurer, Asia Pacific, Johnson Controls. "The major advantage of a bank proprietary platform is that the company shares it with all the other customers of the bank, benefitting from a larger scale infrastructure which, more often than not, is very reliable." Taking ownership of that infrastructure means the treasury team is responsible for the normal downtime that any system can and will face. Managing that new risk internally is thus "a challenge in and of itself."

Taking action

If the decision is taken to move ahead, there are four major treasury processes that can be disconnected from the proprietary environment, notes Vandiepenbeeck. These are payments, cash application, trade finance and FX and MM trading. Multi-bank online trading platforms already have a broad adoption of course, with providers such as FXall (Thomson Reuters), 360T, ICD and MyTreasury linking many of the major FIs in this space with corporate treasurers the world over. In the trade finance space there have been some positive recent developments (including SWIFT's BPO) but the adoption rate has been less enthusiastic, particularly from Vandiepenbeeck's Asian perspective. "This is mostly due to local regulation and challenges associated with the fact that a lot of economies in Asia are either paper-driven or rely on paper for final release of goods."

However, it is the payment processing space that is the most advanced in terms of bank agnosticism. File formats have to a degree been standardised over time, with SWIFT offering corporate connectivity for a number of years through MT101/103 messaging. "Assuming a corporate uses its own SWIFT infrastructure, all payment files can easily be ported from one bank to the next, reducing the friction cost of changing bank," he states. There are other clear benefits with this, including the facilitation of standardised connectivity between the ERP and payment factories and better control over users, signatories and approvers.

The cash application process mostly involves electronic bank statements. Again, SWIFT formats, like the MT940/942 have helped improve the standardisation of these statements but not fully (see ArcelorMittal case study below). Indeed, Vandiepenbeeck notes that each bank will have its own limitations, often driven by legacy systems and slow adoption of SWIFT standards. "This is particularly true in Asia where certain markets are falling behind because of the complexity of the information that needs to be contained in a statement."

Case study: the in-house cash pool

The pursuit of bank independent structures means that an infrastructure needs to be put in place, the initial investment of which can be large – and this is only recuperated through process efficiencies and increased control over bank fees. These only make sense when the organisation is complex enough and when the volumes justify taking control of the transmission channel.

ArcelorMittal is one such business. It is one of the world's leading steel and mining companies, supplying all major markets via a presence in 60 countries and an industrial footprint in 19. Laurent Guillouët is its Head of Cash Management & Back Office Financial Transactions for ArcelorMittal Group Treasury. His department directly manages cash for about 90 group entities but connects to more than 400 companies in total, including holding companies and purely operational businesses, whose treasuries are participants in a bank-agnostic in-house cash-pooling structure which ArcelorMittal first established over 20 years ago.

Today, the global cash pooling structure covers 29 currencies taking in around 40 banking partners and over 900 accounts. "One of the main interests of having cash pooling operated by ourselves is to be independent from the banks," explains Guillouët. In effect, treasury is free to work with any bank it chooses without affecting the management of the structure whereas he feels that dependence on multiple banking systems creates difficulties for the kind of centralisation strategy that has been part of treasury for many years.

The hub of the centralised structure is in Paris but two years ago an additional treasury centre was set up in Chicago, taking care of all the Americas business. From here on out, ArcelorMittal has deployed an integrated Treasury Management System (TMS) using both in-house developed tools and third-party systems (such as for accounting and managing commodity and energy deals). The key to success with such a mix has been full integration, says Guillouët, adding that the connectivity solution itself is a purely in-house development. With its own secure intranet, the entire group can now participate in the cash pool regardless of location.

Quality first

Of course, a bank agnostic system does not mean cutting out bank relationships. Whilst these remain as important to the treasurer as ever, it does mean greater control over those partners: Guillouët is watching. "When I send an order to a bank I will define a cut-off time. At the end of the year I will count the number of times my order was not executed correctly and how many were executed without error," he states.

Should a bank experience temporary technical or administrative issues, the in-house pooling structure enables treasury to easily redirect its flows to another provider without too much difficulty. The speed with which the flow of business can be switched off completely if the bank continues to fail in its delivery is considerably higher than if tied to a bank proprietary system.

Going agnostic

To achieve the kind of structure used by ArcelorMittal, a committed investment is required in terms of money and resources warns Guillouët. And it takes time too: "If you decided at the beginning of the year to do this you will not achieve it by the end of the year."

Having established a firm base with one local bank (a French company would most likely have chosen a French bank simply to establish the easiest path of communication), it will then be possible to enlarge the structure. "One key point in doing that is to acquire SWIFTNet connectivity," he says. But, notes Guillouët, the lack of standardisation of message types (usually MT940s) means that each time the structure is taken further afield it may be necessary to develop the local format. He believes the new SWIFT ISO 20022 camt messages (.052 account reporting, .053 account statements and .054 credit or debit notifications) will be a great improvement – once they are in full circulation. "But today I don't have a single bank that is able to send messages using any of those formats with the planned enrichments."

Collect and survive

In the context of a multi-banked global or large MNC, the difficulties of effective automation, centralisation and standardisation of data flows are immediately apparent. In an acquisitive business or where emerging markets are a significant feature this is even more so. "It is surprising how many very large companies still have cash scattered around the world and no visibility on it," notes Eric Bayle, Director, Head of Payments & Cash Management, UK, for Société Générale. He believes the real goal for corporate treasurers in this situation should be to optimise their current processes.

But as we have seen with ArcelorMittal, the future of this relatively simple yet effective measure depends to an extent upon the uptake of SWIFT's XML-based camt messaging standards. At the moment Bayle acknowledges that there are very few banks that are able to send these message types. This may be about to change as SWIFT seeks to promote XML's further adoption with, bank agnosticism in mind.

Standardising the standards

With the SWIFT MT940/942 messages currently key to acquiring the basic cash position data, André Casterman, Global Head, Corporate and Supply Chain Markets, SWIFT, acknowledges that the format is not perfect. Although the header fields (the main fields) are standardised, when it comes to line item information, corporates and banks have tended to agree on different 'standards' according to need. "There is room for more standardisation in the MT940s, and this is what we have achieved with the ISO 20022 camt messages," he explains. Obviously support is required to make inroads and he reports that camt.053 flows between banks and corporates grew by 143% between H1 2014 and H1 2015; although the actual starting point is not known uptake is clearly going in the right direction.

The camt.053, as the MT940 equivalent, is the main subject of promotion by SWIFT today. In Europe, SEPA has acted as a boost for awareness of ISO 20022 messaging. "Corporates involved in SEPA are increasingly keen to move payment flows into an ISO 20022 environment," notes Casterman. "In Asia we have already seen some MNCs adopt an ISO 20022-only approach, only using SWIFT MT messages when ISO 20022 is not available." This is clearly intended to help those firms overcome the issue of multiple bank proprietary technologies across a diverse region and to this end SWIFT proposes to increase the level of bank and vendor certification requirements to include this message type.

But Casterman knows that there is a need for more than just new message-types; there is a need to manage market practices, to avoid one side imposing its view on the other and unsettling the standardisation of processes. "The decision of each bank is driven by commercial needs; if a large corporate imposes its format onto its banks, those banks will often agree to that. This is why standards are often implemented in various ways," he explains. Being overly prescriptive is not achievable in the short term so SWIFT has developed a number of tools to try to help corporates and banks work together more efficiently.

The key to agreement is the CGI-MP (Common Global Implementation-market practice) Group. This is the new, more focused name for the old CGI. The CGI initiative includes more than 50 participating organisations, including banks, corporates, SWIFT, vendors and consultants. It is an attempt to forge a true standard for all, and now includes all ISO 20022 messages.

In practice, CGI-MP seeks to build a uniform layer on top of the basic message formats. It recommends how these messages should be best used in the corporate world. Banks can still develop their own specifications on top of CGI-MP as a third layer as they will have some competitive proprietary tools that require this, but these specifications should be documented in the SWIFT standards repository, known as MyStandards, and are freely accessible by corporates either directly or via their own participating bank. This still means treasurers have to test their messages to see if they meet the necessary standards when moving or adding new banks. With precisely this in mind, the MyStandards Readiness Portal is the SWIFT facility for corporate-client use. This is an online automated, self-service message testing tool that provides a single view of testing activity across multiple parties. In practice, when testing a message against a bank specification, any errors or mismatches will generate a response that describes what is wrong. The user will then be directed to the bank's relevant field definition in MyStandards so that the message can be modified accordingly whilst still online and retested straight away.

A clear role

As many large corporates and MNCs continue their journey towards centralisation, automation and standardisation, so centralised treasuries, shared service centres, payment factories and on-behalf-of operations become the norm. Communication between entities, functions and units of operation benefits from standardisation of systems and data formats – and this is where the bank-agnostic model has a chief role to play in improving integration and flow between internal systems and bank services. It is a simple and yet effective approach, but it requires commitment from the outset. ■

Janet Yellen: a straight arrow

Most recently, Janet Yellen made the headlines when she announced that the US Federal Reserve, after earlier signalling its intention to end its zero interest policy in the near future, was holding fire on a rate hike. Fortunately, Yellen has been confronted with difficult decisions to make numerous times already in her long career in finance, experience which the US – and the global economy – will no doubt be counting on moving forward.

Janet Yellen made history back in 2014 when she became the first female head of the US Federal Reserve (the Fed), almost a century after it was founded in 1913. This announcement also meant she was the second ever woman to lead a central bank in a developed nation – the first being Elvira Nabiullina who heads Russia's central bank.

Just this year, Yellen was named Forbes' fourth most powerful woman in the world, and the highest ranked woman within the world of finance. What preceded this accolade is best described as a career with barely a moment's rest, including on-and-off service to the Fed since 1977 and work for former President Bill Clinton as Chair of the Council of Economic Advisers between 1997 and 1999.

With the latest announcement from the Fed that there will be no increase in interest rates this year (when it eventually happens, it will be an historic move as it hasn't attempted since 2006), Yellen's workload doesn't look set to lighten anytime soon. What's more, whilst workers in the US on average retire at the age of 61, Yellen celebrated her 69th birthday this year. So, just how has she successfully redefined the career trajectory for women in finance?

Key facts

Born: 13th August 1946

Education: Brown University, B.A. in Economics, 1967; Yale University, PhD in Economics, 1971.

Flying start

Born in Brooklyn, New York, to a mother who taught at a local junior school and a father who was a doctor, Yellen's early years in education were impressive: she attended Fort Hamilton High School, excelled in many subjects and was editor-in-chief of her school newspaper. Yellen became valedictorian of her graduating class in 1963 and, according to The New York Times, it was a school tradition for the editor to interview the valedictorian – so Yellen interviewed herself! It is perhaps unsurprising that her classmates have consistently described her as an overachiever.

Yellen graduated summa cum laude with an economics degree from Brown University in 1967, where she was one of only a few women majoring in this subject, before going on to receive her PhD from Yale University in 1971. She made economics her career choice after attending lectures held by James Tobin, a Yale professor who believed that economies can be rescued from recession through governmental intervention, in other words, that governments should alleviate downturns with aggressive public spending. "There was something about (Tobin's) strong sense of morality and social responsibility that greatly impressed me," Yellen told Reuters in 2012. And this human-centric stance is something that has stayed with her throughout her career (see chart 1).

During her earliest stretch at the Fed, working as an Economist for the Board of Governors, Yellen began to gain respect within the central bank and from others in the wider financial market – something which she has only built upon in more recent years. It elevated her profile such that she caught the attention of the Clinton White House and, in 1997, she became the Chair of the Council of Economic Advisors. In this role, Yellen often argued for market-based solutions to political problems. One example: Clinton's environmental advisors wanted the US to follow Europe's lead in setting high pollution reduction targets, but Yellen warned that the move could harm the country's economic progress by hampering growth in manufacturing.

Prevailing views

It is typical for a range of opinions to be prevalent within Yellen's line of work. Different standpoints on monetary policy, for instance, acknowledge that whilst the Fed's mandate is to hold prices low and stable as well as ensuring sustainable employment at the highest level in the country, there is plenty of scope when it comes to judgements on how this should be achieved with interest rates. Yellen is often characterised as a 'dove' with respect to her stance on monetary policy.

Doves generally favour strategies that bring down unemployment and take a more lenient view of inflation if it means the prospects for employment growth are stronger. Back in 1995, during a debate on inflation targeting, Yellen said: "When the goals conflict and it comes to calling for tough trade-offs, to me, a wise and humane policy is occasionally to let inflation rise even when inflation is running above target."

Hawks, by contrast, tend to view higher interest rates – and the lower levels of employment generated – as a price worth paying for keeping inflation away. For doves, raising interest rates in this way acts as a "blunt instrument," Yellen explained in a panel discussion in April 2013. Her preference

Chart 1: Career timeline

1971-1976
Assistant professor at Harvard University

1977-1978
Economist, Board of Governors, the Fed

1978-1980
Lecturer, London School of Economics

1980
Faculty member, University of California, Berkeley

1994-1997
Member, Board of Governors, Fed

1997-1999
Chair, Council of Economic Advisors, Bill Clinton

Chair, Economic Policy Committee, Organisation for Economic Cooperation and Development

June 2001
Co-author, 'The Fabulous Decade: Macroeconomic Lessons from the 1990s'

2004-2010
President and Chief Executive, the Fed. In 2010, Yellen became Vice Chair of the Fed

October 2013
President Obama nominates Yellen to be next Chair of the Fed

January 2014
Confirmed as the Chair of the Fed

Source: CNN

would typically be supervision and regulation as the main line of defence when the country's economy is weak. However, many believe that she could adopt a more hawkish stance if circumstances required.

The issue is closely tied with numerous aspects of Yellen's life; she has written about a wide variety of macroeconomic issues but frequently chooses to focus on the causes, mechanisms, and implications of unemployment. Throughout her career, Yellen has also dedicated time to passing on her knowledge. She has taught economics at

University of California, Berkeley, Harvard University and the London School of Economics.

Economics saturates her personal life too as Yellen doesn't have to go far to bounce ideas off a like-minded economist. Yellen and her husband, Nobel Prize-winning economist George Akerlof, are both Keynesian economists. As such, they are said to believe that economic markets are fundamentally flawed and that a certain degree of government intervention is required for them to function correctly. The pair have written numerous papers together, including one focused on why lower wages do not necessarily lead to higher levels of employment.

The majority of focus around the power couple is on their academic achievements – but it is also pertinent to wonder how family life works between a well-respected Nobel Prize winner and the woman responsible for the world's largest economy. Talking to Time magazine about typical home life commitments, such as doing the dishes or changing nappies, Yellen said: "I think if you counted up how many hours each one of us logged in, (George) certainly gets more than 50%." Together they have raised a son, Robert Yellen, now in his early thirties. And the apple certainly didn't fall far from the tree: Robert teaches economics at the University of Warwick in the UK.

Proven track record

Cognisant of the potential flaws in economic markets, Yellen has a proven track record when it comes to spotting trouble brewing. In 2007, for example, Yellen compared housing troubles to a 600-pound gorilla in the corner of the Fed's meeting room. Around a year later, when the US housing bubble burst, the value of securities tied to the country's real estate pricing plummeted. This foresight is not isolated: Yellen has consistently made accurate forecasts about the US economy. In fact, her record came out on top of The Wall Street Journal's examination of 700 predictions made between 2009 and 2012 by 14 Fed policymakers.

In the time prior to her election as head of the central bank, and indicative of the respect she has gained in the industry, commendations about her suitability flooded the news. Professor Andrew Rose from the Haas School of Business, for instance, taught with Yellen at the University of California, Berkeley, said: "She is the most qualified person in the world for this job. The fact that she's a woman is an additional plus but it's her suitability as the next Fed Chair that I think people should concentrate on."

What's more, Professor Rose and Yellen were in the same room during an earthquake that hit San Francisco in 1989. "We thought the building was going to collapse and I was convinced we were going to die. But Janet just stayed remarkably calm during the whole thing," he told the BBC in 2013. When it was announced that Yellen would be the new head of the US Federal Reserve, President Obama called her "one of the nation's foremost economists and policy makers" who was "renowned for her good judgment."

> It is clear to see that her appointment as Chair of the Federal Reserve Board wasn't simply a means to fill the seat with a woman for the first time, but because Yellen has the experience and aptitude for the job.

Yellen had been second in command to the previous governor, Ben Bernanke, for three years, and many expected a smooth transition due to their similar approaches. Under her instruction, the central bank releases detailed data in order to provide transparent communications for the markets, something Bernanke had always insisted on. Yellen also mirrors Bernanke's cautious approach when dealing with the public, again using meticulously researched data to minimise 'surprise' announcements or releases that could stir the markets. Recently, she has received praise for changing guidance about potential rate raises without spooking investors. Meanwhile, Yellen has also reiterated her commitment to shrinking the country's 'too-big-to-fail' banks and enforcing capital requirements in a defence against potentially irresponsible financial institutions.

Broken glass ceiling

It is clear to see that her appointment as Chair of the Federal Reserve Board wasn't simply a means to fill the seat with a woman for the first time, but because Yellen has the experience and aptitude for the job. Indeed, this will be extremely useful as the year closes and looking ahead to 2016 – especially as China adds an additional layer of complexity to the already tough decision around when and how to raise interest rates prudently. Although in July this year Yellen said "I expect that it will be appropriate at some point later this year to take the first step to raise the federal funds rate and thus begin normalising monetary policy," by September, incoming economic data was insufficient to convince the Fed to raise interest rates.

Whilst some market observers support the Fed backing off a raise entirely until there is more evidence that growth is sufficiently strong enough, others are growing impatient at what they believe is the central bank dithering over a decision. The minutes from the Fed's meeting in July indicated that Yellen had a tough job trying to forge a consensus out of what is quite a divided set of opinions on the Board and, during the September announcement, Yellen mentioned that most members of the Board expect a hike later this year, whilst acknowledging that four don't. The fact that a 2015 increase was still on the table was stressed, however.

What is clear is that during her two and a half years left in her term as Chair, Yellen's credentials are something the US will be counting on. ■

The pay factor

Last year marked the first time the Fed revealed how much its top employees take home. Interestingly, Yellen is not the highest paid employee – in fact, she's paid less than at least 113 other employees. According to Reuters, Yellen earns $201,700 a year as Chair of the Federal Reserve.

Investing in service

Maciek Müldner
Financial Director, Skanska Property Poland & Risk Manager, Commercial Development Europe

SKANSKA

Recently making the move from Skanska's construction sector to the company's commercial development stream for Europe, Maciek Müldner, Financial Director, Skanska Property Poland & Risk Manager, Commercial Development Europe, Skanska, talks to Treasury Today about how his new focus on investing the company's cash is shaping an opportunity-driven approach to risk.

Headquartered in Sweden, Skanska is one of the largest construction companies in the world, operating in the Nordic Region, Europe and North America, with a turnover of approximately SEK 145bn ($17.5bn) in 2014. But construction is just one of four business streams: the other three being based on development – commercial property development, infrastructure development and residential development.

Having been with Skanska for 13 years, Maciek Müldner has inevitably witnessed considerable change in the company's treasury function. Treasury was centralised just a year before he joined in 2002 as treasurer of Skanska's Polish operations, and the holistic approach to business has since developed further. Taking foreign exchange (FX) hedging as an example, Müldner describes how colleagues are able to work collaboratively.

"Business controllers analyse the cash flow and the exposure and then, together with the treasury team, they establish a hedging strategy. As a finance director, in order to run the business effectively, I know what we need from treasury but it is their responsibility to hedge the position and ensure the controllers are included, in order to use the correct rate in their forecasts."

Expanding horizons

Internal dialogue and co-operation is something Müldner relies on in his new role, but this was also the case in his previous position at Skanska, where he worked as Finance Director for an entirely new business unit in Romania, a new market at the time. Here he engaged with two of Skanska's business streams: construction services, which he had been exposed to as previous Head of Treasury for Skanska Poland, and commercial development, an area of Skanska to which he was first introduced in his current role.

> "If you hire a person that knows how to do complicated transactions but does not understand the importance of line management, then lines of communications are likely to break down weakening the effectiveness of a financial support function."

When Skanska entered Romania, there were only six employees and very little else. "It was an interesting adventure starting the whole business from scratch," says Müldner. "When I left Romania in March this year, we had divested our first office building, produced a great return, had over 70 employees and established a solid business." But how was this achieved? Due to an increased workload and long list of responsibilities, Müldner opted not to establish his own treasury in Romania. He – and the team back in Warsaw, Poland – agreed this was the better option: "The whole idea in Romania was that we could cement other aspects of the business, but all the treasury activities – cash management, hedging and risk mitigation, for instance – would be done via the 'original' treasury in Warsaw."

After agreement with Skanska Financial Services (the group's treasury and in-house bank), Romania was the first country integrated with Poland's treasury – of course, Müldner knew operations were in safe hands having been head of the team for nearly a decade. But the Polish treasury team needed to be properly introduced to the working model. "They came to Romania, met with their financial partners and began what is now a well-established line of communication between the financial controllers in Bucharest and the treasury team in Warsaw. This integration needed to be established early on," he explains. "If you hire a person that knows how to do complicated transactions but does not understand the importance of line management, then lines of communications are likely to break down, weakening the effectiveness of a financial support function."

Service first

It is without a doubt that elementary learnings in the workplace have stuck with Müldner. He initially started at an Austrian bank – "the service side of the business" – and received training back in the 1990s about how to be client-orientated and how best to work with a service-minded approach. "Whilst I see service-orientated skills increasingly appreciated, today I see few opportunities for this kind of training and people aren't necessarily prepared to work well with internal clients," he says. By internal clients, he is referring to business units operating under the same company that need to cooperate in order to achieve their respective goals. According to Müldner, it is employing and encouraging people with these skills which has permitted a strong working relationship, and in turn, impressive results for Skanska Romania.

For Muldner, internal synergy and willingness to co-operate are key ingredients to successful business. "In Romania, once we started the operation with the original treasury in Warsaw, it worked well because the team was focused on delivering the best services to the internal client." But this isn't always the case with treasury, Müldner acknowledges. "Sometimes the problem with treasury is that because it's often a back office orientated operation, people don't have a service-minded approach." His background in the banking environment, he explains, has helped him develop a mind-set willing to help others – and this is something he'd like to pass on. "From the very beginning, I put a lot of effort into creating the culture where people had this service at the front of their minds," he says.

And Müldner is reaping the benefits from this workplace mentality. In his new role – as Financial Director for Skanska Property Poland, operating as part of Skanska Commercial Development Europe, one of the largest Polish real estate office developer and investors in the country – some of the financial operations he oversees are serviced by the same original treasury in Poland. "Right now all the treasury services are being provided by the same treasury team." Of course, there is the dilemma whether to create your own treasury or rely on an existing team but the latter, for Müldner, has meant his time is freed up for his main focus: "To provide value-add for the business."

Optimising working capital

As Müldner explains, working for a developer such as Skanska can be similar to working for an investment company. This is because Skanska's business model directs the free working capital generated from its construction business stream to be used in project development which both generates contracts for Skanska construction and realises gains upon divestment. "We know how to run our construction business and our day-to-day operations in such a way that we generate cash. With that cash, we could put it in a bank account or we could do something smarter with it," says Müldner.

> For Müldner, internal synergy and willingness to co-operate are key ingredients to successful business.

For Skanska, the choice to invest and develop is simple and the business model is something the company is rightly proud of. "By investing in our development streams – commercial property development, infrastructure development and residential development – we are getting a better return on cash for our shareholders as well as giving back to our construction unit through internal contracts, meaning the money stays within the Skanska family," Müldner explains. But the business model isn't as straightforward as it perhaps sounds: "It is very difficult to implement. You need to understand the cash flows, how the relationships with the construction unit should work and most importantly for us is that we understand that Skanska doesn't invest in long-term real estate." Once the real estate is developed – the building is ready and the tenants have moved in and started to pay – Skanska divests it. At the end of the day, Müldner says, "what we are selling is a cash flow to our global investors. The money then moves back into the circle of cash."

Combating external concerns

For such a company, there is bound to be apprehension towards the current state of play in global markets. The financial matters concerning Müldner the most are very much driven by where he is today, involved in real estate development. On the one hand, because it is Skanska's cash the team invests, they benefit because they are not exposed to the banking sector – but on the other hand, it is a lot of responsibility as it is shareholders' money. Aptly, Müldner, and his colleagues, keep a close eye on what is happening in terms of macroeconomic trends around the world and in their region. For instance, where the capital markets are going, how the US will behave and what China's impact on the global economy could be. "From this perspective, we are looking very closely at our investment strategy and on our future divestment plans.

"What has happened in the markets over the last one to two years has raised more question marks over what is and what isn't stable," Müldner notes. Also, in the short-term, money markets and currency markets volatility is a concern, he explains, as it is difficult to predict where currencies could go next. "Unfortunately, as the industry has become more complicated, there is no single comprehensive answer." His advice: to think global even if you are operating locally. "It is a never-ending story because the environment is dynamic; change happens so we need to follow that."

Moreover, corporates should focus attention on how to run the business in the most effective way. "Not only thinking about cost effectiveness, but operational effectiveness as well. Having the right people, best systems and IT support; this is something we constantly follow up on at Skanska," he says. And this is reoccurring advice from Müldner, to cultivate a workplace culture that supports integration and boasts a workforce that is keen to collaborate.

"There is a tendency for those that work in finance to operate in a silo, carrying out operations that few other people in the organisation understand. It may be comfortable, but this is ill-advised. The challenge is to get out of your comfort zone, move closer to the line management and cooperate with them – so much so that they understand what you are doing and vice versa." Tackling some external concerns might rely on this constant dialogue. Hedging, for instance, goes into the budget of the project manager and his or her investment that needs to be delivered on time and within the agreed margins. Given that margins depends on risk mitigation, communication between treasurer, business controller and project manager is key, Müldner explains.

Skanska's treasury team also plays an important role in assessing counterparty risk, a growing headache for corporations. For example, Müldner says: "When we deal with subcontractors, we want to mitigate the risk of their financials causing delays to projects if they were to experience trouble." In order to assess this risk, Skanska gets credit reports provided by an external company. There is also a specialised unit within treasury – financial risk – that is responsible for making recommendations. "Treasury provides advisory support, especially on how to structure relationships with difficult counterparties from a financial perspective."

Beyond the career ladder

Although, partly thanks to Müldner, Skanska Property Poland is on solid foundations, (gains on divestments totalled 504m SEK, exceeding the carrying amount by 18% in 2014), "I see that our work is never done. My whole idea is that I can concentrate mainly on supporting the business and mitigating the risks, without overlooking the processes." From a treasury perspective, this means cohesion between Müldner's expectations and what can and cannot be done in treasury. "Once structures – arrangements between Romania and Poland – are in place, we follow them up on a quarterly or bi-annual basis. This dialogue is crucial." In fact, according to Müldner, "you won't be able to do your job properly if you do not co-operate with the people around you and your stakeholders. What is often forgotten is that internal clients can sometimes be more challenging than external ones, but we need to remind ourselves constantly that business is about team work."

> "We are not only thinking about risk management but risk and opportunity management too. You need to be opportunity-driven because if you are too risk aware – especially nowadays – you may miss great chances for business."

On a personal note, Müldner explains that tackling challenging issues and solving problems is what drives him. "I'm always on the outlook for new things. If there is the opportunity to get involved with something complicated, I jump at the chance."

This holds true with his spare time as well, where Müldner finds himself with many ideas and not enough time. He is a self-confessed video game and science fiction fan, keen hiker and traveller – having covered 15,000 km sightseeing by car when in Romania – to name but a few favourite pastimes.

It would seem his attitude and aptitude for a busy workload make Müldner well-suited for his new role then. On a daily basis, the team of over 90 that he works with is used to investing hundreds of millions of euros. This, of course, is not for everyone: "We are not only thinking about risk management but opportunity management too. You need to be opportunity-driven because if you are too risk aware – especially nowadays – you may miss great chances for business," says Müldner. But you can be sure Müldner is taking well-informed risks as his guiding principle is "the day you believe you have found everything and know everything is the moment when you need to start again." For Müldner, the hunger for new knowledge – and challenges to apply it to – continues. ■

Justifying the cost of compliance

New regulatory changes requiring urgent attention continue to land in treasurers' in-trays around the globe on a near daily basis. In this article, we ask: does regulatory compliance always have to be a burden? What happens when treasurers conceive of compliance projects instead as an opportunity to improve the operational efficiency of their departments?

It would be fair to say that corporate treasurers – much like the bankers they do business with – have been feeling ever more disgruntled by the continuing torrent of new rules and standards global regulators have been asking them to comply with of late.

Some of the responses Treasury Today received in its most recent European Corporate Treasury Benchmarking Study are indicative of this point. Of the treasurers surveyed, a total of 37% said that compliance and regulations were 'very important', with a further 44% labelling the issue 'fairly important'. Important or otherwise, though, on the matter of how treasurers perceived the value of these ever frequent compliance projects, the comments received left little ambiguity.

"An increasing overhead, some of which is a tick-in-the-box exercise and thus doesn't add any value," one treasurer at a well-known automobile company lamented. "I prefer to remain polite and not comment on valueless, EMIR-like constraints!" another tellingly remarked.

It is hard not to empathise. While no new significant financial regulations have been introduced in the past year, with many existing ones having been refined or amended, the compliance burden is taking up more and more of the treasurer's working day. And that is why treasurers' eyes tend to roll every time a new compliance requirement lands in their in-tray. It's not resentment of conducting business in a right and proper way. It's the time, cost and distraction from other pressing matters that such projects inevitably bring. A survey carried out at EuroFinance in Budapest last year suggested as much, with around 74% of treasury professionals stating they were expecting to spend more time on compliance this year than in 2014, and are needing to dedicate extra resources to dealing with regulatory requirements.

Regulation is then, unquestionably, a challenge for everyone in the treasury profession. What it is also known, however, but often forgotten, is that regulation – whether we agree with it or not – is often a game changer. And when the rules of the game change, opportunities present themselves which companies can, regrettably, let slip if they approach the project with the wrong mind-set.

One treasurer, for instance, told Treasury Today that in his experience, certain compliance projects have presented opportunities to put in place the structures that would turn around a loss-making business to a profit. But those opportunities were missed, he says, because of protestations from senior executives.

But there have been examples in recent years of corporate treasuries who have taken a better approach to compliance, and as a result, have been able to transform such projects from necessary but valueless 'box checking' exercises into springboards for improving treasury operations and broader business decision making. Two of this year's Treasury Today Adam Smith Award winners, the French pharmaceutical multinational Sanofi, and US healthcare insurer Health Care Service Corporation (HCSC) offer examples of the benefits of this approach. The two companies faced different compliance challenges: for Sanofi's treasury it was the issue of sanctions, while at HCSC it was the US Affordable Healthcare Act; both treasuries, however, responded to their respective challenges in ways that are demonstrative of best practice for compliance projects.

Avoiding the blacklisted

In 2013, the Sanofi European Treasury Centre (SETC) began deploying a payment factory: a project that, according to the SETC, was to have a very strong focus on fulfilling the highest standards in terms of compliance, security and internal controls.

Treasurers have had to get increasingly sanctions-wise over the past year. Although economic sanctions are by no means a new phenomenon, businesses are typically more accustomed to bans on doing business with parties in places like Iran, Cuba or North Korea. The introduction of sanctions in 2014 on Russia by the US and Europe – the first time sanctions had ever been imposed on a G10 economy – naturally brought the issue into the forefront of treasurers' minds.

That was why Sanofi decided that, in addition to efforts to improve the efficiency of bank master data management through centralisation, a second pillar of the payment factory project would to be introduce a restricted party screening solution, developed in order to ensure Sanofi does not enter into business with 'blacklisted' or sanctioned parties. This applies at both a master data (in the ERP) and payment factory level. In doing so, the group has not only improved compliance (avoiding potentially heavy fines and, not to mention, reputational damage) but also automated what was becoming an increasingly time consuming task, allowing treasury resources to now be redeployed on to other, more value generating activities.

"The key risk related areas that we needed to address were improvements in terms of compliance, internal control and

The business benefits for banks

If the regulatory burden has grown considerably for corporate treasurers of late, it is still dwarfed by the new compliance requirements the banks have been grappling with practically day-in day-out since the crisis. Unfortunately for them, there is not much hope of any imminent let-up either. According to the annual Cost of Compliance Survey, by information and technology provider Thomson Reuters, compliance officers are expressing regulatory fatigue and overload in the face of snowballing regulations. Seventy percent of firms are expecting regulators to publish even more regulatory information in the next year, with 28% expecting significantly more.

Can anything be done to make such exercises worthwhile beyond the mere achievement of compliance? Ed Royan, Chief Operating Officer, EMEA, for AxiomSL, global provider of regulatory reporting and risk management technology solutions for financial institutions (FIs), says there is.

"The reporting that is done as part of regulatory compliance is probably the most granular reporting an organisation does," he explains. The imperative to get this activity absolutely spot-on, then, could lead to benefits elsewhere. "Correcting data quality issues at the granular level that is required for regulatory reporting will lead to improvements to the management information (MI) that is based on the same data as the regulatory reports. If regulation is driving data improvements, then financial institutions will see enhanced MI coming through, which is going to lead to better business decisions."

"A country code is an example of the type of granular data that is essential for regulatory reporting and that should be scrutinised carefully as part of that process," Royan says. "If an FI's regulatory reporting platform identifies an error in the country code, it will have significant business benefits. For example, if an FI does not realise that it is has an incorrect country code, it may underestimate its exposure to a particular jurisdiction. Alternatively, an incorrect code may lead an FI to overestimate its exposure to a country and it may unnecessarily turn business down as a result."

Royan adds that there is another aspect of the recent regulatory upheaval that can be leveraged: harmonisation. "While there has certainly been a lot of change, there has also been a move to common reporting frameworks in some areas," he says. That means that banks that previously needed a multitude of different systems for rolling out regulatory reporting in different countries can now approach such tasks in a somewhat more efficient manner. "Now we have harmonised reports in places like France, Germany and the UK, for example, so banks no longer need three different projects in each of those countries; they can now all be managed in a single project." And as a result of that, banks can begin redeploying resources – including their compliance fatigued staff – to the activities that really matter, serving customers, product innovation, and improving profitability.

security," says Wolfgang Weber, General Manager and Head of Sanofi In-House Bank. "Through automation of processes that were (partly) done manually before, we are now less error prone and can make better use of our resources within accounting and treasury teams throughout the organisation. Given a global environment where regulations and constraints become increasingly tighter, locating these tasks in the Group payment factory and mobilising resources to build robust infrastructures bring additional added-value for the entire group."

Leveraging industry regulation

Another ambitious project was undertaken by HCSC in response to the introduction of the US Affordable Healthcare Act, otherwise known as 'Obama Care' that was passed in 2010 and came into effect in 2014. Against this shifting regulation, HCSC treasury prepared proactively to anticipate transformative change in the industry looking at, not just achieving compliance, but how the project could be used to radically reshape the department and its priorities.

"The company's treasury organisation launched its own plan to evolve from a process-orientated treasury function to a consultative think-tank treasury function focused more towards problem solving throughout the business and bringing value-added treasury solutions to our internal stakeholders and process partners," says David T. Deranek, Senior Manager of Treasury Operations and Control at HCSC.

The catalyst for this change involved multiple projects that focused on creating a leveraged and customised TMS tool that would centralise all treasury activity from over 14 bank portals and over 150 bank accounts, eliminate Excel-based uploaded accounting process and automate manually intensive transactions, accounting, and reporting. Further, the TMS would provide the basis for a forecasting tool to more efficiently manage working capital and thereby increase incremental returns on the $10bn investment portfolio.

HCSC treasury decided that in order to improve its ability to manage liquidity and properly support the company in a changing healthcare industry environment, it needed to re-engineer how it administered its treasury operations. In addition, centralisation of company treasury functions across their member Blue Cross Blue Shield organisations, including over 30 subsidiaries, made this task to reformulate treasury's working model absolutely essential.

The HCSC treasury team faced a crossroads to accomplish more through automation and therefore participate in transformational healthcare industry change via their role as financial consultants for the business enterprise. Treasury leadership determined that a fully leveraged and automated solution was imperative. A new working model was required to replace the multiple stand-alone systems – none of which communicated with one another, resulting in manual keying of data multiple times, creating data integrity concerns and requiring additional resources. Due to the disjointed technology infrastructure, management also had limited ability to obtain and analyse key treasury data soundly, efficiently, and reliably. In short, it was clear that all cash and liquidity management processes, together with the deployment of talent resources, needed to be re-engineered.

HCSC treasury department's transformation project is a unique combination of technology, process and talent improvements. And today, HCSC treasury is now a centralised department supporting all five state plans (Illinois, Texas, Oklahoma, Montana, and New Mexico) of Blue Cross Blue Shield including its 30 plus subsidiaries and 20,000 employees. "Principal to our success is that the new treasury operations working model established comprehensive, enterprise services now centralised out of our Chicago headquarters with no duplication of treasury services in its member business units or subsidiaries," explains Deranek.

Throughout the course of the project, HCSC treasury team was restructured from 2011 through to 2014, to comprise 15 diverse professionals that include advanced graduate and undergraduate degrees, CPAs, CFAs, CTPs, and have backgrounds in banking, finance, tax, investing, accounting, and IT. Deranek notes: "Together we comprise a dynamic and balanced team of subject matter experts that have been a guiding force behind a centralised treasury organisation modelled to emulate a centralised financial services model."

Also, by reducing 86% of the treasury staff's daily manual transaction volume through automation, treasury has transformed itself into a knowledge centre of subject matter experts who are much more nimble to participate in enterprise wide project teams that bring value where it was previously missing. In 2014, treasury operations consulted on no less than 150 cross functional initiatives ranging from the Affordable Health Care Act, Industry Prompt Payment requirements, OSC outsourcing initiatives, business unit profitability and enhanced investment returns to Medicaid payment regulation and cash forecasting. Previous participation on such projects was typically limited to the directors and treasury consultants.

Another important aspect of the success of this transformation project is the close development and understanding of requirements necessary between treasury, IT, and HCSC's banking partners, including Bank of America Merrill Lynch. Because of this, HCSC treasury processes have reached a high level of functional performance and automation, which not only creates seamless transparency of transaction flow for treasury but also cultivates an environment of continuous improvement.

Worth the effort

Perhaps the principal reason why treasurers are becoming so exasperated with the growing regulatory burden they are finding themselves under is, as the Treasury Today Benchmarking Study results suggest, a pervasive sense that each compliance project undertaken is a mere box ticking exercise of little business value.

The danger for treasurers, however, is that this becomes a self-fulfilling prophecy. As the above examples have shown, there are other ways of thinking about compliance. Those treasurers who feel they are automatically sure each time a new regulatory requirement is introduced that attaining compliance is going to be a difficult and an ultimately worthless exercise from a business perspective may not notice opportunities, like Sanofi or HCSC did, to improve the efficiency of a particular process or even radically overhaul the entire treasury function.

Treasurers have a very limited scope to influence the development of the regulatory environments in which they operate. What they can control, of course, is how well they respond to such developments. ■

Show me the money

In recent years, survey after survey has shown 'improvements to cash visibility' to be near the top of the corporate treasurer's wish list. Achieving that desired level of visibility, however, seems always just out of reach. Why are companies still finding it tricky to get proper visibility over their cash? Is technology always the answer or should treasurers be thinking about more fundamental changes? In this article, industry experts give us their take on this perennially thorny issue.

Treasurers have one overriding strategic priority at the moment. Put simply, it is to get a better view of their day-to-day cash balances across the business.

In the second edition of Bank of America Merrill Lynche's Asia Pacific Treasury Barometer Survey, published in late May, improving visibility of balances and cash forecasting was the most cited (21%) priority of treasurers for the year ahead. Moreover, according to a March 2015 online poll by cloud-TMS providers Kyriba and the ACT, improving cash forecasting was cited as a priority for 39% of the 303 treasurers from global companies surveyed. This may not be so surprising to many in the industry. Cash visibility, if not number one, usually comes near the top whenever treasurers are asked about what they are focusing most on improving. And rightly so. Failure to achieve sufficient visibility over the company's cash carries significant risk. In fact, without clear visibility, companies cannot adequately control group cash. In turn, this means they cannot use that cash at optimum efficiency, or maximise investment opportunities for it. Reducing borrowing costs and improving foreign exchange (FX) risk management will also be extremely challenging without full visibility and control.

Why the increased focus of late though? Perhaps, ponders Glen Giffen, Director of Sales at Visual Risk, it has something to do with recent corporate balance sheet trends. As we are reminded by industry study after study, corporate balance sheets have ballooned across the globe since the 2008 global financial crisis. Recent figures from Moody's reveal that the cash holdings of companies in Europe, the Middle East and Africa have risen 69 per cent in euro terms since 2008. In US

Chart 1: Treasury priorities 2015

Source: Bank of America Merrill Lynch Treasury Management Barometer Survey 2015

dollar terms, the total cash held by EMEA companies was $1.06trn at the end of 2014, slightly lower than $1.13trn at the end of 2013.

"There is a lot of cash on corporate balance sheets," says Giffen. "Treasurers are naturally focusing more of their efforts on managing that excess cash than they have had to in the past. And if managing surplus liquidity is a much bigger feature of your day-to-day job, then cash visibility is obviously going to come into much greater focus than perhaps it has in the past. Moreover, credit and counterparty concentration risk becomes a huge concern so understanding and managing this effectively becomes a big part of the cash visibility story. For example, what is the impact on cash and investment holdings if the credit quality of a counterparty deteriorates?"

Cutting through the fog

What corporate treasurers want, at the base level, is to be able to get a snapshot of all the cash across the organisation, together with the details of any transactions that are forecast to be made throughout the day; and they want to be able to obtain all of this information in an efficient manner. That way, when they arrive at their desks in the morning they are able to anticipate whether the company will have, come the end of the day, a surplus of cash that will require investing or a shortfall that will necessitate some form of borrowing.

Yet the fact that improving cash visibility is still listed by so many treasurers as a top priority would suggest that, despite the apparent simplicity of what they want, initiatives designed to provide them with it have so far only seen mixed success. Why does the optimal level of visibility seem, for so many, still out of reach?

Industry commentators each have their own take on why this might be. "The treasurers that we talk to are typically under-resourced and frequently wrestle with the challenge of accessing data in a timeframe that allows them to make informed decisions," says Alastair McGill, Managing Director, Global Business at Cashfac. The issue stems from the fact that despite the increasing sophistication one sees in the sorts of technologies implemented by multinationals at the top end, for the vast majority of companies these activities remain heavily reliant on manual input. In emerging markets, such as those found in Asia, this can be especially troublesome given the geographic regional spread, the multiple currencies, multiple time zones and the multiple banking relationships companies typically maintain.

"For the treasury function, identifying real-time balances of cash across these dispersed operations and across different bank relationships remains a considerable challenge," says McGill. Indeed, the Cashfac Operational Cash Index, which recently surveyed corporate treasurers in Asia Pacific reveals that almost two-thirds of corporates in the region do not have access to a real time view of their transactions and cash. "This is a worrying statistic," he adds.

Thomas Knudsen, Senior Manager in the Treasury team at PwC believes that, fundamentally, the issue comes down to the structure of corporate banking relationships. "Often it depends on which banks a company uses," he says. "In some developing markets you find that your core relationship bank(s) might not be able to support you for the local services that you need. So while you can get reasonably good visibility with an international bank, you might still need to use other, smaller and less capable banks, some of which might not be connected to a banking network like SWIFT."

In fact, some banks in some countries won't even provide you with an electronic banking platform of any sort, adds David Stebbings, Head of Treasury Advisory at PwC. "That means, in some instances, you have to be more manual," he explains.

"You have tiers of standards around how you do these things depending on what country you are in. That is why there is no one-size-fits-all solution. There are different ways of addressing the issue and what you do will depend on your cost benefit analysis and the banking infrastructure in that part of the world."

What is clear though is that centralised treasuries with fewer bank accounts have a distinct advantage over those with more decentralised structures when it comes to the issue of cash visibility. Getting that visibility over banking infrastructures – and in an efficient manner – is never easy for those that must wrestle with a multitude of security tokens, logging into multiple banking interfaces and extracting the required data manually. In fact, as McGill explains, even having done this many times, treasurers will still not have the full picture "as the bank account data showing balances and historic transactions makes no allowance for the imminent expected receipts and payments, or those that should have been credited or debited but for whatever reason failed to materialise."

The results of the Cashfac Operational Cash Index supported this notion showing that among those corporates with a real-time view, on average less than 60% of their total cash and ongoing transactions was visible in real time. That leaves the remaining balance being consolidated manually in order to achieve a complete view of their positions. As such, it's rare for most firms to have complete real-time cash visibility at an operational level that allows treasurers to effectively maximise the treasury tools at their disposal; sweeping and pooling strategies, for example, could all be enhanced if the real-time view of cash was better understood.

One way in which firms can gain better visibility of operational cash is to exploit Client Managed Accounts where the bank account infrastructure remains bank-connected but resides under the corporate's control; either deployed as an in-house system or as a bank-provided service. Client Managed Accounts are simply an evolution of the virtual account model, where corporates have the scope to determine their account structures; mapping them to their business requirements and establishing the rules that determine their behaviour. The way in which money is routed when it hits the main account can be predetermined and automated.

Expectations of payments and receipts can be pre-populated against individual accounts so when money movements occur they are automatically reconciled against the expectations and an accurate real-time view maintained.

Where companies are multi-banked the same principles can apply, connecting multiple banks to a single set of Client Managed Accounts is less of a challenge than most assume. Either via direct connectivity channels or through industry initiatives led by organisations like SWIFT, there are plenty of options that can be deployed to make life simpler and accelerate the aggregation of balance and transaction data.

Forecasting inaccuracies

Visual Risk's Giffen believes there may be another factor preventing treasurers from attaining that desired level of visibility: the accuracy of cash flow forecasting. Corporate cash balances, it probably goes without saying, are never static. Throughout the day, money will flow in and out of a business altering each time the company's cash positon. For treasurers then, it is simply not enough to have visibility over cash at certain intervals. They need to be able to see what is coming down the line.

This is where analytical software comes into play. Solutions like these can help the treasurer to identify the key risks that might lead an organisation to deviate from a forecast. This allows a stress test to be performed where the treasurer can analyse how a particular market risk – currency or energy price volatility, for example – might impact cash flow projections.

The degree of sensitivity to such market risks will vary between companies, for reasons that are not difficult to understand. A manufacturing company that is exporting 100% of the goods it makes will, naturally, have a much higher sensitivity to movements in the currency markets than another manufacturer that only exports, say, 5% of its goods. Similarly, a soft drinks company is going to find its cash flows to be highly sensitive to the price of sugar, especially if it is unable to alter the price of its products.

"What if there is a product issue that means not all of the investments the treasurer holds can be liquidated at current market rates?" says Giffen. "What if a particular currency or central bank interest rate moves in an adverse way? Visual Risk has always been very strong in sensitivity analysis."

> "I think a move to systems-based solutions is really the first step. Because at this point in time a lot of the cash processes we see out there are incredibly inefficient. It can take an inordinate amount of time just to arrive at a simple end of day cash position."
>
> Glen Giffen, Director of Sales, Visual Risk

Technology quite evidently has a significant role to play for treasuries determined to optimise the visibility they have over their cash. The greatest advantage systems-based solutions offer is the time saved, adds Giffen: "I think a move to systems-based solutions is really the first step. Because at this point in time a lot of the cash processes we see out there are incredibly inefficient. It can take an inordinate amount of time just to arrive at a simple end of day cash position."

Still top priority

As we have seen, the issue of cash visibility is inextricably linked to two perennial pursuits for the treasurer, centralisation and the quest for process efficiencies through the harnessing of technology. Experts seem to agree, however, that while structural or organisational solutions are certainly helpful, there is nothing quite like the power of technology when it comes to improving cash visibility.

And now, with an ever-growing range of sophisticated and – thanks to the cloud, increasingly affordable – technologies on the market, those treasurers who say improving cash visibility is their top priority for the year ahead should have the means at their disposal to help realise that objective. ■

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