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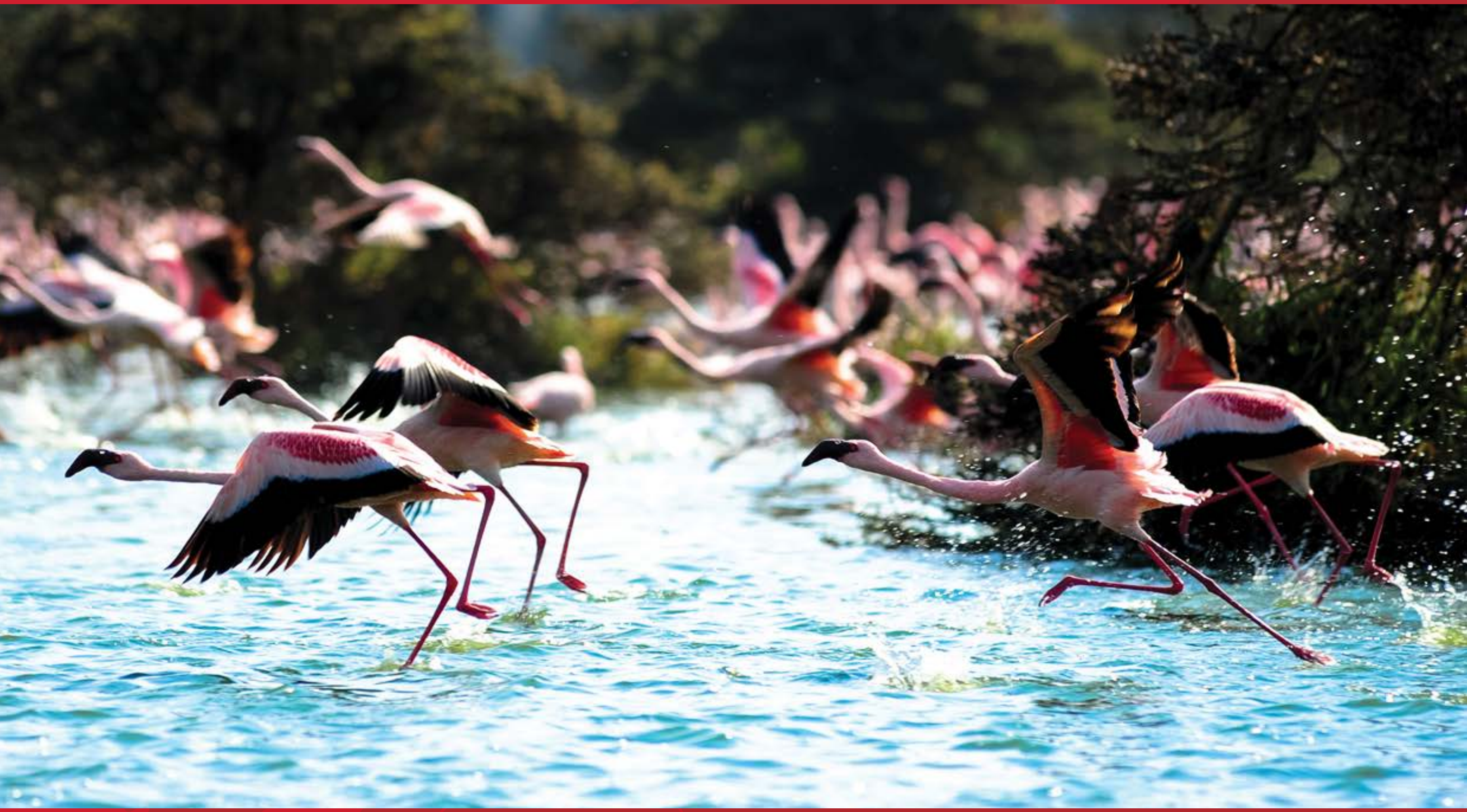

Relationships – do they work?

Stability, longevity and the ability of both parties to fully understand each other are the key tenets of any relationship. Are you happy with the relationships you have with your banks?

The Corporate View

Matthew Clarke

Group Treasurer
Intertek

Cash Management

The cash conversion cycle is perhaps the most fundamental working capital metric. Treasury Today considers what you might do to improve your CCC measurement.

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Cheque deposit scanners

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Predicting the future …or is it too late?

October 21st 2015 has just passed. Those of you who are familiar with the American science-fiction adventure movie 'Back to the Future' will appreciate the significance of this date. For those of you who aren't, it is interesting to observe that some of the predictions in the film have actually come true. Personal drones, tablets and mobile payment technology, biometric devices, hands-free gaming consoles, smart clothing and wearable technology, video phones, waste-fuelled cars, hover-boards and video glasses are all a reality. Wal-Mart Stores is even applying to US regulators for permission to test drones for home delivery, curb-side pickup and checking warehouse inventories, as it goes head-to-head with Amazon in using these aerial devices to fulfil online orders.

There is clearly validity in those predictions dating back 30 years and, although perhaps not as impressive, we can try to predict what might happen in the world of treasury and finance in 2016 and beyond.

In recent months we have witnessed the likes of foreign exchange and LIBOR rigging scandals at the banks, a potentially catastrophic exposé at Volkswagen and various cyberattacks on numerous websites. All of these examples have a potential impact on the corporate treasury function. But what, if anything, could a corporate treasurer have put in place to mitigate the risk of the immense damage to corporate reputation that such events inevitably cause? This is something we will look at in 2016.

Stay safe

Cyber security is set to remain a huge topic in 2016, affecting not just reputational risk but the increased threat to data security. This is an area where treasurers have always been careful, even slowing the adoption of mobile solutions in the corporate banking space. Which way will this go in 2016? We'll keep our eyes open and ears to the ground, reporting on what we find.

The rise of words such as cryptocurrency, cyber-crime, digitisation, bitcoin, blockchain and FinTech has required the corporate treasury function to learn a whole new language and vocabulary. Block chain technology, in particular, which is also being referred to as 'distributed ledger', is a very hot topic with bankers. But they still seem to be at the 'kicking the tyres' stage with no-one yet taking the plunge. Most corporates can sit back and wait – if you already accept Bitcoin, you are several steps ahead of the rest of us. We hope you'll tell us your story.

What is abundantly clear, however, is the renewed focus on risk and the many forms in which it manifests itself: currency and commodity price volatility; cyber-attacks; political instability; fraud; counterparties; and your supply chain – all face very real threats that must be managed.

Equality in the Boardroom? Not quite

It was reported this week that the FTSE 100 firms in the UK have met a voluntary target of 25% of women board members. Lord Davies, former Trade Minister, has now said this should be replaced by a new target of 33% of women board members at FTSE 350 firms by 2020. The issue of quotas has been fiercely debated through the Treasury Today Women in Treasury initiative. The issue was tabled for a Women in Treasury webinar on 23rd November in which we reported the results of the 2015 Global Study. If you would like to hear what was said please see **treasurytoday.com/webinar/previous-webinars**.

Reader Survey

Thank you to all our readers who participated in our Reader Survey which recently closed. We have taken on board all you have said and will ensure we address the points you have raised as we build our plans for 2016.

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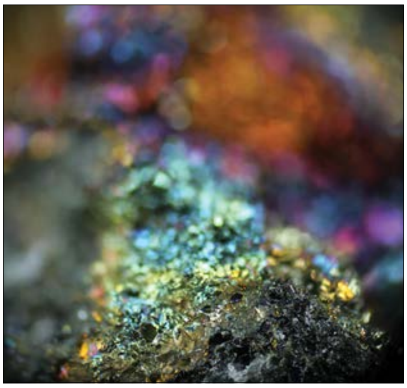
Getting more from your banks

As regulations become ever more challenging, the relationships you foster with your banks become more and more important. The key tenets of stability, longevity and the ability of both parties to understand each other's needs are uppermost. Treasury Today explores the views of treasurers, bankers and industry consultants.



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Will 2016 be the year in which e-Invoicing really takes off? Probably not, but it should, like the past several years, be one in which the electronic invoice continues to win over more of those previously hard-to-onboard suppliers that have so long been a blight on corporates looking to optimise their invoice-to-pay (I2P) processes.

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Home to five of the world's fastest growing economies, with the youngest population in the world. Sneha Shah, Managing Director of Sub-Saharan Africa at Thomson Reuters provides her perspective on how investors are addressing risk, and why the opportunities outweigh the challenges.

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treasurytoday Germany Country Profile

Germany

Europe's powerhouse

Germany: Europe's powerhouse

Germany is the largest economy in Europe and the fourth largest by nominal GDP in the world. Positive sentiment in Germany has been gaining momentum over the last year – and there is good reason to be optimistic. We look at the economic forces driving the country's growth, and outline Germany's suitability as a gateway to Europe for Asian businesses in search of expansion.

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Sustainable treasury

With the strong belief that sustainable business is better business, Treasury Today hears from Leonie Schreve, Global Head of Sustainable Finance at ING about the bank's path to sustainable thinking and what it means for their clients.

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In this article we look at the cash conversion cycle (ccc) which is perhaps one of the most important business metrics and its optimisation makes sound business sense so we consider methods of improvement.

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Matthew Clarke
Group Treasurer
Intertek

Treasury Today talks to Matthew Clarke about his journey from New Zealand to the UK via Bermuda. When he joined Intertek the treasury function was very much in its infancy and he has advanced from Deputy Treasurer to Group Treasurer seizing the reins with both hands and constructing a five year plan for the build of the treasury function.

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Raising the standard

Do you know your acmt from your camt? In this article we explore the ISO 20022 message standards. Although SEPA was the most visible – and influential – early adopter of the standard, ISO 20022 was intended to be used in every domain of the financial world. One of these is electronic Bank Account Management (eBAM).

Best practice: cheque deposit

> *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?*

Bob Meara
Senior Analyst, Banking
Celent

It is first important to point out that most bank electronic cheque deposit products are browser-based options that are offered as part of online cash management portals. Therefore, like other functions of the cash management portal, specific user privileges are determined based on entitlements that either the bank or a corporations' administrator decides. We think that best practice involves: the separation of duties, ensuring that the person checking and approving the deposits is someone other than the person scanning the cheques; guaranteeing that the portal is configured so that individual users can only deposit into specific authorised accounts; scanning items early in the day so that the deposit can be submitted before the bank's cut-off for next day availability; treating the cheques as you would any confidential information and setting scanned items aside so they are not inadvertently scanned for a second time (although most electronic deposit products check for previously deposited items).

Desktop scanners offered with electronic cheque deposit products are simple and easy to operate. Typically, bank-provided drivers are installed on the desktop computer which will be used to make deposits. If multiple scanner choices are offered, choose the one with a capacity best suited to your expected needs. Most corporates don't get that many cheques, so a relatively inexpensive scanner will work just fine. Higher priced scanners with higher throughput (items per minute) won't make much of a practical difference in most cases.

After scanning cheques for deposit, image analytics reads the information off each cheque, requiring very little manual information entry. Occasional items do need correction, however. Typically this is best done immediately after scanning the items, so the original cheques are available if needed. Beyond getting quickest availability of funds as mentioned above, the next thing is to apply cash efficiently. Check with your bank to see what capabilities they offer to associate payment information to open accounts receivables. Often, capabilities are limited but still can be effective in applying cash the same day the cheque is deposited, with little operator effort.

Some banks provide guidance, but we're not aware of any regulatory requirements for cheque retention. In the US, most firms destroy the items after 30 days. Since the images are available online and banks provide deposit confirmation well within that time frame, there is no practical reason to hold on to the cheques longer than one statement cycle. Keeping them on-hand increases the risk that sensitive information will be compromised or the items will be accidentally deposited a second time.

Rodney Gardner
Head of Global Receivables in Global Transaction Services
Bank of America Merrill Lynch

Remote deposit capture with desktop scanners offers companies the potential to replace the traditional cheque deposit process. By following the established deposit compilation and preparation processes, businesses can replace time-consuming trips to their bank by simply scanning and electronically transmitting the cheques.

But before implementing a remote deposit capture service, we recommend companies determine the level of service they'll need from their bank. We've created the following list to help companies clarify their requirements and expectations:

- Determine the monthly volume of checks to be scanned. This information will help companies choose which type of scanner which will best meet their needs. Scanner sizes run from single feed for very low monthly volumes to scanners that can handle more than 6,000 items per month.
- Obtain the number of sites that will be required to transmit deposits. With this information companies will know how many scanners will be required to effectively process their work and allow them to calculate scanner service fees where applicable.
- Companies should determine whether they want one person to be able to prepare, scan, review and release each deposit or whether a supervisory review prior to transmission is preferred. Most remote deposit systems allow for the breakout of responsibilities.
- Understand the type of information that should be retained. Banks have various options around information reporting and storage, so companies should take the time to explore their options. Important factors to consider include: whether

images of the deposited items are needed; whether data reports are required; if the image archive requires CD-rom or transmission services; and whether short or long-term storage of the data and images is needed.

- Gather the information around your company's technology and internet guidelines. Technology concerning operating systems, browsers and scanner drivers is constantly upgrading and changing. Companies should enlist the knowledge of their IT staff regarding internal firewalls, security and operating system requirements upfront so there are no delays once installation has begun.
- Utilise training resources provided by the bank. Our customer service records indicate that clients who take advantage of product training experience far fewer difficulties once using the service. Companies should ask their bank whether it offers training, and if so, whether the training is web-based, instructor led, conducted on-site, or a combination of each. Determining the appropriate time to take the training will also be significant to an effective implementation.
- Review the bank's RDC user guides and other documentation. These materials will outline other important tasks to plan for. One such task is the retention and destruction of scanned checks. Bank of America Merrill Lynch recommends clients safeguard original items for 14 days using reasonable commercial standards for storage. Reasonable standards include, but are not limited to, storing the items in a secure location with limited access. Items should be destroyed using a cross cut shredder after 14 days or when all reasonable attempts to collect on the item have been made.

The time invested in detailing this inventory of needs will lay the groundwork for a smooth implementation of RDC into a company's treasury department.

Francesco Grasso
Corporate Marketing Manager
Panini

The most recent RDC solutions are entirely web-based, and a part of banks' corporate banking service suites. Drivers and software libraries for the cheque scanners are usually downloaded and installed upon service activation and the user does not have to worry about application updates, as the application is maintained by the bank as part of online services, instead of residing on the local workstation. Occasionally, an operating system (OS) update or a substantially incremental application update may require the user to update the scanner drivers/application program interfaces (APIs). But a new generation of cheque scanners is emerging which are no longer dependent on APIs and OS,' and will make integration with web-based RDC applications more straightforward and hassle-free, and even allow the scanner to operate with a mobile device (tablet or smartphone) instead of a desktop computer.

Once installed, the cheque scanner should be taken care of as a normal piece of office equipment, but since cheques are a form of payment the user may want to make sure that its functionality is maintained at an optimised level. This could include periodically cleaning the paper path, image cameras and magnetic ink character recognition (MICR) read head – operations which can be carried out with normal cleaning methods and supplies, or with special cleaning cards which are recommended especially for batch scanners. Documents must be stored according to the agreement between bank and customer, or delivered to the bank in the appropriate time frame if national laws or the agreement requires corporates to do so.

Using RDC instead of carrying cheques to the local bank branch or ATM is just the first step, allowing to save time and fuel as well as improving the availability right from the start. A mid-term possibility for the business RDC user is to evaluate whether all the banking relationships they have in place are really needed; thanks to the elimination of geographic constraints RDC allows, there may be room for consolidation.

If RDC is run as a stand-alone solution, deposit and posting survive as two separate actions, which is a missed opportunity. Improved use of RDC allows corporates to export deposit data from the web app into a format which can be merged with the accessory data the accounting system requires – such as customer identification and invoice number, therefore facilitating the posting phase. More advanced payments implementations allow to extract such data automatically from remittances and possibly even integrate the images of scanned documents – both remittances and cheques – with a document management system used for archive and retrieval.

In terms of how long the cheques should be kept, it depends on local law and, in countries where the law does not mandate a term, on the agreement between bank and customer. Italy, for example, is about to implement a system which requires storage of physical cheques for six months, despite the image acquiring legal value. RDC users are likely to be requested to forward their cheques to the bank anyway (but with no hurry because the bank will not wait for the paper to arrive to carry out the deposit) or to store those cheques on the bank's behalf for six months. In the US – which adopted image-based truncation over ten years ago with no mandatory paper storage term – agreements between individual banks and business customers are known to impose on the latter a storage term from as short as three days to as long as two months. The average ranges between 15 and 30 days – which is usually considered safe enough. ■

The next question:

"With OECD having presented its final BEPS Action Plan in October 2015, in what ways will its implementation impact the treasury departments of multinational companies and what should treasurers be doing now to prepare?"

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

Europe strains under the pressure of migrant crisis

Following the Grexit dilemma and increasing worries over Russian aggression, Europe now has another contentious issue to tackle: the migrant crisis. Given its threat to EU relations and integration, amongst serious moral concerns, the continent is certainly feeling the strain.

The character of Jessup, played by Jack Nicholson in A Few Good Men, proclaimed: "You can't handle the truth! Son, we live in a world that has walls, and those walls have to be guarded by men with guns. Who's going to do it?"
The famous lines regarding the need for military support might just as easily have been referring to the manner in which the EU has been dealing with the refugee crisis. The difference however is that if it was a script, the majority surely would have expected Europe to be coping better.

Many a politician and voter argue that Europe should face the reality that the continent can't handle the stream of migrants arriving on its shores and close the borders to asylum seekers. German leader Angela Merkel disputed this, but did so in an arguably un-convincing manner: "It cannot be that Europe says, 'We can't handle this'." Many others agree with her, however.

European chasms

Unfortunately, it seems that it will be very hard to remedy the situation within a short time frame – in spite of the justifiable moral outrage. Europe has attempted to get a grip of the situation, but the agreements reached so far are just the first steps in what will be a problem for politicians to deal with for years to come. And with European nations still very much divided as to how best to address these concerns, it is likely that we will witness many highly-strung summits during which it may appear that Europe is coming apart at the seams.

Indeed, frictions are already there for all to see. The decision during September's European Union (EU) summit to overrule opponents by a method called qualified majority voting (QMV) on the contentious issue of the forced relocation of refugees was unprecedented. By the four countries that voted against, the move was perceived as an assault on their sovereignty.

ECR Research predict that a dangerous rift could appear between the east and west of the EU. It's very easy to depict the central and eastern European nations as xenophobes – and that is exactly the assumption we are seeing many in western parts of Europe making. However, this is about far more than mere fear and, as a result of many in the west failing to understand that, tensions could well increase further still.

A problematic history

To understand where the eastern Europeans are coming from, this quote, reported by Politico, from a senior EU official who has spent years living in Eastern Europe, offers some insight: "It's taken countries like the UK 40 years to adjust to a diverse society. Football fans were throwing bananas at black players in the 1970s. These countries [in the east] have had to transition from communism, try to catch up with the west and now in the space of a few months compress 40 years of inclusion into their societies."

> Europe has attempted to get a grip of the situation, but the agreements reached so far are just the first steps in what will be a problem for politicians to deal with for years to come.

Some academics also point to the different histories of the western and eastern parts of the EU. They refer to Hungary, Serbia, and Bulgaria suffering centuries of brutal Ottoman Empire rule. Others, such as Poland, spent centuries desperately resisting Ottoman and Tatar-Muslim invasions. Some of those countries were only freed from Ottoman domination on the eve of World War I.

All of this doesn't mean to excuse the disturbing statements made by leaders such as Viktor Orbán, the Prime Minister of Hungary who rails against multiculturalism and Robert Fico, Prime Minister of Slovakia who remarked "Slovakia is built for Slovaks, not for minorities." But as Ralph Peters, a Stanford academic, says: "Removing history from complex strategic equations doesn't make it easier to solve them, but only makes them harder to understand." In order to move forward, Europe must understand what has gone before.

Cracks are not only appearing between west and east, but there is also clearly visible strain being exerted on countries at an individual level. Germany – a popular destination for migrants – is one of the most glaring examples. Chancellor Angela Merkel is under growing pressure from her own party and coalition partners, while her approval ratings have also dived because of her resistance to tighten border controls. Political collisions within EU member states are not confined to Germany however, and we expect similar situations to continue to arise across the region.

In fact across quite a few European countries, anti-immigrant populism is on the rise and governments are struggling to cope with the challenges this brings to the political table.

In Denmark, the Danish People's Party – which received over 21% of the votes during the most recent election – has already threatened to bring down the minority government led by Prime Minister Lars Løkke Rasmussen if the cabinet softens their stance on taking more refugees. In other EU nations, populist parties are doing well with anti-immigrant parties leading polls in the Netherlands, Austria, Sweden and France.

An uphill struggle

European leaders have so far failed to come up with real common policies and the current impression that the EU is unable to contain and manage the refugee crisis lingers. The EU struggles with many challenges including getting agreements on hotspots (places in the frontline states where refugees can be registered), relocations and returns. It will be very difficult, maybe even impossible, to come up with an all-encompassing solution to the crisis. To give just one example, relocating asylum seekers throughout Europe sounds like a great plan, but – as many have argued already – it hardly seems credible that vulnerable people will be forced to go to a country that does not want to take them in and which they themselves do not want to settle in.

> The EU struggles with many challenges including getting agreements on hotspots (places in the frontline states where refugees can be registered), relocations and returns. It will be very difficult, maybe even impossible, to come up with an all-encompassing solution to the crisis.

Amongst all of this, one thing is guaranteed: the EU has come under great additional strain as it is still haunted by two other major crises from the past couple of years – the Grexit drama and mounting Russian aggression. These three crises have, in turn, threatened the three founding pillars of the European integration project: the Eurozone, the Common Foreign and Security Policy of the EU and the passport free Schengen Zone. In the words of Cornelius Adebahr, a researcher for Carnegie, these three encompass the very core of nation states: "Taxes, armies, and residence."

Europe will not be able to sweep these daunting challenges under the rug. The Eurozone may be out of the darkest and most dangerous woods, but it's not on peaceful pastures. Creditors still need to agree on debt restructuring for Greece and how to deal with the worryingly high unemployment numbers in many countries.

Concerning the foreign policy and security challenges, things have quietened down quite a bit in the eastern parts of Ukraine, but this shouldn't be mistaken for Putin throwing in the towel. The Russian leader will try to profit from Europe's divided nature of late and the chances are that he will succeed (some analysts even suggest that Putin may be upping the ante in Syria in order to drive even more Syrian refugees to Europe and destabilise the continent). When it comes to the most urgent challenge to the EU – the refugee crisis – Europe had better be well-prepared as the conflicts in the Middle East and Africa show no signs of abating anytime soon.

What does the future hold?

It isn't all bad news, however. In reading and analysing leading research from European experts, we get the sense that Europe should not be written off too soon. All of the doom and gloom about the region unravelling is premature. It is most likely that Europe will get a grip of the refugee crisis – eventually. But not before it has seriously damaged relations between EU members and complicated the matter of addressing other issues like deepening Eurozone integration and countering Putin's actions.

To end with another famous line from Jack Nicholson, this time from the great crime thriller The Departed: "I don't want to be a product of my environment. I want my environment to be a product of me." The EU would very much like to be in the same position. But it still is a long, long way from that enviable spot and, whilst it may seem like the plot for a thrilling film, it is a reality that the continent and its political leaders must now face head on. ■

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How to get more from your banks

As the regulatory environment continues to evolve, it has never been more important for corporate treasurers to maintain strong relationships with their core banks. As it is with any type of relationship, however, stability and longevity are largely determined by the abilities of both parties to understand each other's needs. Here, treasurers, bankers and industry consultants offer their views on how this can be best achieved.

Despite the altering nature of institutional relationships in the new, emerging regulatory and market environment, banks are still mainly seen by their corporate clients to be doing a good job, according to the 2015 AFP Transaction Banking Survey. A clear majority of the 784 global business executives that responded (68%) said that they are highly satisfied with the services offered by their main banking partners, a slight decline from the 70% who responded that way in last year's survey.

That still leaves us, of course, with a significant number (32%) of financial executives who are less than highly satisfied with their banking relationships, a figure which, when evaluated against the results from the previous year's survey, is gently increasing. This should not be too surprising to anyone who has followed banking issues these last few years. Banks have taken some serious reputational blows over recent years – state bailouts, the various benchmark manipulation exposés and sinking credit ratings, to name but a few. Add to that regulatory constraints forcing banks to revaluate their financing and deposit-taking activities, and perhaps the real wonder is why corporate satisfaction has held up so well.

In this article, we explore in detail just how these and other issues have been driving changes in bank relationships before offering some tips that will help treasurers – even those who say they are highly satisfied – to get more out of their banking relationships in the future.

Safety in numbers

There is something almost paradoxical about the relationship expectations corporates have of their banking partners today. Carole Berndt, Head, Global Transaction Banking at ANZ explains it well. "Corporates are not looking for proprietary systems and connectivity: they prefer bank agnostic solutions and mobility across their banking partners," she says, adding that this is a strategy that has been made increasingly possible through technological developments in recent years. That is not all, however. "They want mobility, but they also want deeper relationships that bring value."

Part of the push towards greater diversification of banking relationships stems from what the credit crisis revealed about the fragility of once seemingly stable banking institutions, but has been reinforced more recently by the decisions of some well-known banks to reconsider the scope of their regional footprints. By way of an example, a treasurer whose core relationship bank recently pulled out of European markets to focus on their domestic business recently told Treasury Today why, when the business was once again put out to tender, the decision was made to select two banks to cover a region once catered for by one. Her position is not difficult to understand. "The very last thing I want is to be left in the lurch again," she explained. For almost time immemorial the 'holy grail' banking structure all corporates were working toward was to have a single global transaction bank or, at the very least, a single bank for an entire region. As the above comment reveals though, that paradigm has now been all but turned on its head.

Keeping everyone happy

"Historically, corporates that could have one bank across the globe or across regions would be very happy, because it offers economies of scale, and good service from one trusted provider," says Nick Diamond, Head of Global Corporates, Transaction Banking, Europe, Standard Chartered. However, what we are beginning to see now, is that in order to manage concentration risk and get best in class solution and service, some of the more forward looking companies are beginning to look to meet their transaction banking needs from a currency by currency basis rather than geographical."

The challenge for treasurers is how to foster those 'deeper relationships' ANZ's Berndt speaks of whilst simultaneously implementing a regional or even currency banking model, perhaps with several banks selected for contingency purposes. Ultimately, corporates and banks want the same thing: stable, long-term relationships that bring value (which today, Berndt says, is all about providing aggregating data, insights into markets and, naturally, a partner that is going to support them in the good as well as the bad times). But if the corporate doesn't think about what it can offer the bank in return, however, it may not obtain all or indeed any of these things. "It is not about the size of the client and their industry," adds Berndt. "It is about do they need what we have and do well, and can we deliver it to them in a way that brings value to them, but also brings returns to our shareholders. It has to be a balanced equation."

"Corporates need to consider how to best engage their transaction banks to ensure a mutually beneficial relationship" says Standard Chartered's Diamond. "It is not especially attractive to only to be a contingency bank." It is a task compounded by the regulatory pressures now baring down on banks. "The regulatory environment around the cost of capital and capital efficiency and management will mean that capital will become ever scarcer and the banks will require the appropriate return levels on capital commitment," Vanessa Manning, Head of Product Management, Transaction Banking, Europe, Standard Chartered contends. "Operational balances are becoming increasingly important from a banks perspective only arising when you have the transactional business underneath giving rise to them. The core operating liquidity those activities provide is exactly what the regulators want to see."

Given the difficulties associated with satisfying a large number of banks, all demanding a piece of that same transactional business, and the imperative to balance such demands with the management of concentration risk, how do corporate treasurers decide what the right number of banking relationships is? What is the optimal balance? The answer will, of course, vary considerably between companies and will be influenced by multiple factors including the type of organisation, its footprint and even its culture.

Some things are universal though. "It's really dependent on our needs for credit, and how many banks are involved in that," Matthew Venardi, Corporate Treasury Manager, Treasury Systems and Operations at Toyota Financial Services told delegates during a panel session at EuroFinance's recent International Cash and Treasury Management conference in Copenhagen. "We have a scorecard that shows how much we feel we have paid in return for the credit that has been provided for us, and we try to make sure that we are compensating all our banks – there is always give and take."

Once the corporates' credit needs have been met, then the treasurer must ensure that the banks providing it are, like Diamond reasons, being adequately rewarded for their efforts (a negotiation which Venardi says is not always easy given that the banks in any given syndicate are typically after the same things from their corporate client). Here, sometimes, it might help to consider what other financial services the company is using that could be provided by a bank.
"We absolutely have to understand banks' needs and compensate them for that," says Venardi. "To ensure there is no leakage out of treasury, if there are services that banks provide and we are doing them with non-banks, we should try to convert those."

It's good to talk

Both treasurers and bankers agree that, as the nature of their relationships with one another continues to evolve, it is important for both parties to make a conscientious effort to understand each other's strategies and priorities – and, of course, where the mutual benefits reside.

"I think it is really critical for us to work closely together and try to understand what the mutual benefit is," Jennifer Boussuge, Bank of America Merrill Lynch's (BofA Merrill) Head of Global Transaction Services for Europe, the Middle East and Africa, told EuroFinance delegates. "From a bank perspective, if corporates can be more transparent around what their strategies are and how they allocate business, they will get more in return."

Agreeing with Boussuge on the importance of an open, transparent dialogue, Jean-Michel Harlepin, Treasurer for Vinci Finance International, told EuroFinance delegates that he feels communication is even more vital in the post-Basel III world. "We expect a long-term relationship – we don't want to be changing frequently – so transparency and communication is really important," he told delegates.

That cuts both ways, however, and especially on the matter of regulatory impacts, he believes this could be improved on the bank side. "And that is something we lack recently with some of the banks. We understand the difficulty of the regulations being imposed on the banks. But we would like to have a better understanding of how this impacts the strategy of the banks we deal with, so a mutually favourable solution can be found."

Banks are working increasingly hard on establishing more transparent lines of communication with clients though, especially on the matter of how services and solutions are priced. "We see increased demand for transparency around banks fees being charged," says Standard Chartered's Manning. "The key is in simplifying the way fees are communicated, to make ease of comparison between the banks for the services they provide."

Armed with the facts

If the secret to getting more from one's relationship banks is really all about effective communication, as Boussuge contends, then what can treasurers like Harlepin do to enhance that dialogue and help banks to better understand their strategies and where they can add value? Daniel Blumen, Consulting Partner at the Treasury Alliance Group, shared a few ideas on this. Blumen recommends a four-part process which includes the drafting of an impact assessment and a counterparty review, performing a Risk Adjusted Return on Capital (RAROC) analysis and devising a banking continuity plan.

Through the impact, assessment should help treasurers get a full picture of their company's banking footprint and the services which are required, within which special attention should be given to obtaining full visibility over liquidity (without this it can be difficult to accurately ascertain which banks are critical to the business and which are not).

But Blumen adds that checking the validity of the credit rating assigned to the company is also a worthwhile endeavour to include in the process, considering that this is one of the principle things banks use to evaluate their corporate clients. "Believe it or not, people do make errors," he says. "It is not a bad thing to go back to a ratings agency and tell them you think the assigned rating is incorrect and that you would like it to be re-evaluated."

The next step is to carry out a counterparty review. Here the treasurer should be looking to document each banking relationship and the level of the company's exposure. Critically, though this should be reviewed and updated on a regular basis, not filed in a draw somewhere and subsequently forgotten. "I hate the cliché 'living document' but it really should be something that is maintained in a dynamic fashion," says Blumen.

The third step, the RAROC analysis, is more data driven and objective. "It has been around for some time," he says. "I can promise you that is the way banks look at corporates, and what we are suggesting is that if that's the way banks are going to look at you then that is the way that you should be looking at your banks." Essentially, the formula for RAROC (risk adjusted return divided by the risk adjusted capital needed to generate that return) allows corporates to assess the value of their business to their banks. Often what value the corporate comes up with using RAROC will differ considerably from what the bank has calculated. But this is not a bad thing. It means that the treasurer, now armed with all the facts, is able to start a discussion with the bank. "It gives you a way of aligning your business with the people who are helping you," says Blumen. "You want to make sure that the banks who are devoting risk weighted assets to you are getting the return they deserve."

> "It is really critical for us to work closely together and try to understand what the mutual benefit is. If corporates can be more transparent around what their strategies are and how they allocate business, they will get more in return."
>
> Jennifer Boussuge, Head of Global Transaction Services for Europe, the Middle East and Africa, Bank of America Merrill Lynch

Finally devising a workable banking continuity plan is of absolutely critical importance. "You want to take a look at your banking activities in terms of the services that you have, the services that you must have, the services that are good to have, and the services that are not entirely critical," he says. "Then you work out where you can go next should a certain banking partner say they no longer want your business, ensuring that you are prepared for that scenario."

Better together

The things which corporates and banks respectively look to get out of their relationships with one another remain, in many respects, what they have always been. Banks want relationships with their corporate clients to be profitable; in other words a reasonable share of the corporates wallet on things such as derivatives transactions and debt capital market activities. Corporates, meanwhile, want long-term reliability, expertise, technological sophistication and, naturally, competitive prices.

What has changed though – and what is likely to continue to change in the coming years – is the context in which relationships are forged. The new demands presented by the emerging regulatory and risk environments are undoubtedly making it more difficult for the wants and needs of both parties to be satisfied.

It should not be impossible, though, to find ways of ensuring corporate-bank relationships continue to be mutually beneficial. It would seem from the perspectives offered above that, to this end, both bankers and treasurers agree that communication is critical. With the list of treasury responsibilities growing longer by the day, meeting personally with that growing list of banking counterparties might not seem that appealing to the treasurer. Neglecting to do so, though, might be very costly from a relationship perspective. ■

The rise and fall of Mr Copper

In this series Treasury Today has shone a light on some of the greatest financers of our time and also highlighted the crimes and cult of personality that surrounds some of the world's most notorious white-collar criminals. In this profile we take a look at Japanese trader Yasuo Hamanaka and his $2.6bn manipulation of the copper market.

When compared to other metals, copper with its reddish brown colouring is not the most glamourous. Yet it has an illustrious history, being one of the first metals to ever be extracted and used by humans, making a vital contribution to sustaining and improving society. Today its usage is abundant – although often hidden – being a key component in construction, power generation and transmission, electronic product manufacturing, and the production of industrial machinery and transportation vehicles.

Given how crucial copper is to modern day society, the metal is a heavily traded commodity with billions of dollars' worth being exchanged each year – primarily in London, New York and Shanghai. In fact, copper is sometimes referred to by analysts as 'Dr Copper' as it can be used as an indicator of the health of the global economy due to its widespread usage. It begs the question, therefore, how a single 'rouge trader' named Yasuo Hamanaka was able to manipulate the market over a decade to the tune of $2.6bn.

Despite the magnitude of his crimes, very little is known about this Japanese trader. Unlike Nick Leeson, Bernie Madoff and the other white-collar criminals profiled in this series Hamanaka hasn't had newspapers scour through his past.

Nevertheless, the accounts that do exist paint the picture of a relatively unspectacular Japanese salary man known for grey suits and steel-rimmed glasses.

Within the relatively niche world of copper trading, however, Hamanaka was a legend, gaining the nicknames Mr Copper and Mr Five Percent on account of controlling 5% of the global copper market.

Within the relatively niche world of copper trading, however, Hamanaka was a legend, gaining the nicknames Mr Copper and Mr Five Percent on account of controlling 5% of the global copper market – the latter nickname was previously given to Armenian oil magnate Calouste Gulbenkian. Hamanaka was known to be ruthless with a strong self-belief and confidence and it was these attributes that played a big role in his crimes.

A losing start

Hamanaka's story begins in 1986 when he was selected to lead a team of copper futures traders at Sumitomo – a company where he spent his entire professional life, having previously bought and sold physical copper as a trader for the non-ferrous metals department. Although the reasons for Hamanaka's actions are not entirely clear, it is widely accepted that he began manipulating the market following a disastrous first few years in his new role. During a period spanning from 1986 to 1989 the Sumitomo copper team suffered big losses, largely as a result of the purchases and sales of physical copper and the speculative futures dealing that Hamanaka engaged in to recoup these.

During this period, it is reported that Hamanaka lied to his superiors, destroyed documents, falsified trading data and forged signatures to cover his losses which he kept in an unauthorised trading book. It was after this unsuccessful attempt to recover his losses that Hamanaka devised a long-term strategy to squeeze the market to put Sumitomo, and himself, at the heart of copper flows.

Squeezing the market

It is reported that Hamanaka began executing his complex plan in 1989 after connecting with David Campbell, the president of metal trading firm RST Resources. Allegedly, it was during this initial meeting that Hamanaka expressed his desire to squeeze the world copper market and thus drive up the price. To do this, Hamanaka would utilise the full arsenal at his disposal in the form of Sumitomo's large copper supplies and the company's capital. After the meeting Sumitomo quickly became RST's biggest client, until Campbell left the company and founded Global Minerals & Metals Corp (Global) – unsurprisingly Hamanaka and Sumitomo followed.

It was at this stage that Hamanaka began to implement the next phase of his strategy and create the appearance of a legitimate commercial need to purchase large quantities of physical copper. Working with Global, Sumitomo entered into a number of contracts by which it would purchase copper on a monthly basis between 1994 and 1997 – contracts which contained odd participation and price provisions. These provisions meant that the merchant firm was required to pay Sumitomo 30% of the difference between the market price at the time of shipment and the minimum price on futures contracts purchased to hedge the supply contracts. Whenever copper prices rose above the pre-established minimum price, the merchant firm and Sumitomo would share in the price appreciation. The flow of the deals saw Global purchase copper warrants from producers, who in turn would sell the physical copper to Sumitomo, who would then sell the majority of this back to the producer. The rest would be warehoused.

With this seemingly legitimate flow of copper running through Sumitomo, Hamanaka was able to begin hedging, purchasing as many future contracts as he could on the London Metal Exchange (LME) – the world's largest exchange at the time which essentially dictated the price of copper. To do this Hamanaka – supposedly without the knowledge of his superiors – opened up an account with Merrill Lynch and gave permission for Global to utilise this and begin trading on behalf of Sumitomo.

In the closed circle of copper trading it was well known what Hamanaka was doing.

It didn't take long for Global to establish a hefty long position in copper futures – owning positions on 780,000 metric tons by September 1995. In a short space of time, Sumitomo, working with a handful of other metal brokers, owned around two million tons of copper futures. It was here that the fruits of Hamanaka's plan came to bear as he unwound the futures positions allowing him to begin generating significant profits and control the copper cash supply. This position and the structure of the deal gave Hamanaka the power and ability to manipulate the market and drive up the price of copper to artificial highs.

In doing so, not only was Hamanaka and Sumitomo able to profit from this directly by selling their assets, they were also able to leverage other revenue streams. For instance, as one of the world's foremost copper dealers, Sumitomo handled a large number of other copper transactions – aside from their own. It therefore earned commission on these transactions and the higher prices meant Hamanaka was able to help Sumitomo earn impressive profits and be regarded as the saviour of the company's copper business.

A badly kept secret

In the closed circle of copper trading it was well known what Hamanaka was doing. But his strategy was protected because of the regulatory shortcomings of the LME which required no mandatory position reporting, unlike in the US for example, where this was commonplace. As a result, nobody except for Hamanaka and his inner circle knew how much of the market he controlled and also the levels of cash he held in reserve. Some brave traders tried to short-sell, but this proved futile as the sheer volumes of capital that he had at his disposal meant that he could inject cash into his position and simply out-last the short-sellers. With no hard evidence for the regulators, most in the market eventually just gave up and let him do as he pleased.

There were however those who had some evidence of wrongdoing, yet even this wasn't enough to bring down Mr Copper. A Business Week article alleged that in 1991 a copper broker called David Threlkeld was asked by Hamanaka to backdate a fake copper trade worth $425m. Threlkeld refused and subsequently handed over the letter to the then LME Chief Executive David King – something it supposedly investigated before concluding that the matter was outside of its scope. Threlkeld also reported another deal, this time with the Securities and Futures Authority (SFA); however, the claim again failed to see Hamanaka investigated. Yet, there was clearly some suspicion about Hamanaka and his activities. As a Business Week report claims, between 1992 and 1995, regulators and officials from the LME quizzed firms trading on behalf of Hamanaka on his activities.

Downfall

Of course, all good things must come to an end and for Hamanaka his scheme began to unravel in 1994 following the opening of an LME warehouse in California, which meant that Hamanaka's actions began to directly impact the US markets. The downfall took just under a year to manifest and in Q4 1995 the price of copper soared and cash in the market dried up as a result of copper entering the California warehouse and never leaving. The result was 'backwardation' a market phenomenon where the spot or cash price of a commodity is higher than the forward price – something that often signals somebody is trying to control the market.

> Interestingly, in many respects it was Hanamaka and his own hubris which caused his downfall, rather than a flaw in his strategy.

As we have seen, this didn't give other parties the ammunition necessary to investigate Hamanaka given the rules of the LME. But, what did happen was that prices on the American exchange were impacted. LME copper futures began trading much higher than those on the US Commodity Exchange, leading physical copper to move to the LME. As a result the US Commodity Futures Trading Commission (CFTC), less restricted than the UK regulators, began to investigate in 1995.

From this point on the scandal began to unravel at pace. The initial investigation uncovered the unauthorised accounts with Merrill Lynch, which Hamanaka had established and were reported to Sumitomo's senior management. It also apparently received a notice of $200,000 bank credit associated with its copper trading activities that could not be reconciled. According to some reports Sumitomo relieved Hamanaka of his duties around this time, however the official line from the company was that he had been transferred away from trading to a more general role. Either way, the game was up and he confessed to conducting a number of unauthorised transactions which incurred serious losses which he tried to cover by cooking the books, on 5th June 1996.

> Ironically, on his release from jail in 2005 Hamanaka expressed his amazement at the record prices of metals.

Interestingly, in many respects it was Hanamaka and his own hubris which caused his downfall, rather than a flaw in his strategy. As a Business Week article from around the time highlights if he had simply sold some of his copper at a loss rather than try to drive prices even higher he may have avoided the CFTC investigation and Sumitomo would still have had huge profits rather than losses.

As is often the case with such scenarios, questions have been asked regarding how much Sumitomo knew about Hanamaka's activities and whether they just turned a blind eye while he was bringing in substantial profits. Analysts have certainly expressed their doubts that he could pull off a scheme of this scale without help. Yet, the company remained firm in their defence, claiming that Hamanaka acted alone.

Counting the cost

The financial damage of Hamanaka's actions to Sumitomo was substantial. The company initially announced that Hamanaka lost as much as $1.8bn – the largest loss by a single rogue trader. This number was adjusted to $2.6bn – 14 times the amount the company earned in 1996 and 40% of its net worth – in September 1997 because the company had to close out the complex trading positions established by Hanamaka in a market where the price had plunged. Despite the gargantuan number – higher than the losses incurred by Nick Leeson at Barings Bank – Sumitomo was able to swallow the losses and continue trading.

What's more, losses were also incurred through fines totalling over $150m and the former directors of Sumitomo agreed to pay $3.55m – half of their retirement benefits – to settle the shareholder lawsuit filed against the company.

Away from Sumitomo, other banks involved in the scandal also felt the pinch as fines rained down on them for (unknowingly) assisting Hamanaka. Merrill Lynch was fined a total of $25m from both the LME and the US CFTC. Sumitomo themselves also filed a suit against Chase Manhattan, UBS and Credit Lyonnais for their alleged roles in helping fund Hamanaka.

Hamanaka himself paid a significant price for his actions. In 1997 he pleaded guilty in a Japanese court to his illegal trading and was sentenced to eight years in jail. Having since been released Mr Copper has reportedly began trading again. Ironically, on his release from jail in 2005 Hamanaka expressed his amazement at the record prices of metals. ■

Africa: Perception vs perspective

The long-held perception that Africa is an opaque and challenging place to do business is changing, with investors flocking to the continent as never before. In this article Sneha Shah, Managing Director – Sub-Saharan Africa at Thomson Reuters, provides perspective on how investors are addressing risk, and why the opportunities outweigh the challenges.

Africa is home to five of the world's fastest growing economies, with the youngest population in the world. Technology is thriving across the continent, especially in the mobile space, with pioneering solutions in healthcare, education and financial payments. Investors and economists are focused on the promise of the 'next ten' biggest cities in sub-Saharan Africa, whose population is projected to come close to doubling by 2030. Clearly all of these factors present significant opportunities and risks, and navigating these requires an understanding of the realities on the ground, beyond traditional views of the "dark continent".

Fundamental challenges

The challenges facing businesses, governments and individuals in Africa are undeniable – from infrastructure issues to a reputation for instability and corruption, the continent is not for the faint-hearted. In Kenya for example, it is estimated that 30% of the country's budget is lost every year to corruption.

"Many of these illicit transactions are related to interactions between the public and private sector. In a high-growth environment, and with several large scale projects needing multi-stakeholder partnerships, some organisations are gaining market share in unethical ways" explains Sneha Shah. EY reported that one in three Kenyan companies surveyed had paid bribes to win contracts and PwC notes that tender fraud is the fastest growing economic crime in Kenya. "These types of interactions don't just affect the stakeholders of the projects and countries involved. They also give rise to networks that facilitate corruption and crime into and out of the African continent," adds Shah.

The issue is stopping many organisations from doing business on the continent. "Barclays, for example, believes that allowing remittances to flow to Somalia through their channels is too risky," says Shah. "Multinational corporations are increasingly concerned with compliance with international financial regulation and the potential risk to the firm, both in terms of reputation and possible legal penalties from the US and other jurisdictions."

Apart from fines, failure to proactively identify and manage risk can directly or indirectly have deadly consequences. The so-called White Widow – real name Samantha Lewthwaite, widow of the 7/7 terrorist bomber in London and suspected of involvement in the Westgate massacre, was able to open bank accounts with two major South African banks under an assumed name. Limiting access to financing and cross-border flows for suspected individuals is therefore a key measure in fighting terrorism.

African challenges in global perspective

"While Africa does have some extreme examples of financial crime and corruption, the issue is a global one and the need to assess risk realistically and maintain perspective is imperative," explains Shah.

Many commentators and business people in the west see illicit activity as a problem that plagues the developing world far more than countries like the US. However, while that may be true in some cases, where citizens in Lagos, Accra or Nairobi for example may be more often asked to pay bribes to get things done than in New York or London, recent global financial scandals, and record fines paid by banks in Europe and America suggest that the problem may manifest differently but is common to most countries in the world.

Take for instance former New Orleans Mayor Ray Nagin, a US politician sent to jail for abuse of power – officials say Nagin took at least $500,000 in under-the-table money in exchange for several contractors being awarded several millions of dollars' worth of city contracts. Nagin joins a long list of politicians who have been found guilty of abusing their office.

"In the US today, the concentration of wealth in private hands is at an unprecedented level and with many corporations larger than some governments, the perceived political influence of private companies is a cause for concern to citizens," says Shah. "Movements like "Occupy" reflect the loss of trust by citizens in business leaders and public officials." In 1964, 29% of voters said that they believed that the government was run by a few big private interests that were looking out for themselves. In 2013, 79% of voters felt this way.

A recent study, "Risky Business", by the Combating Terrorism Center at WestPoint, using data from Thomson Reuters World-Check, showed that perceived connections between private and public figures are real and can be dangerous and far-reaching. In a sample of 2700 individuals across terrorism, crime and other illicit activity around the world, the report found many more connections across other types of crime and terror networks than was expected, and extensive global connections between suspicious individuals in developed and developing nations. What this means for banks and corporations, whether investing in Africa, other emerging markets or the US or Europe, is that understanding and managing who they are doing business with is critical, as the consequences of partnering with or funding a high risk individual can be significant to the organisation as well as society.

By its nature, illicit activity and corruption is a hidden phenomenon and we will never truly know the scale of the problem. What we can be sure of though is that the issue is broader than bribes, or a few high profile financial or political scandals. Crime and corruption networks are interconnected, global and impact everything from national budgets and resources, to citizen safety, and solving the issue is the shared responsibility of governments, corporations and civil society in Africa and around the world.

Change on the horizon

How do we effect change on this issue at scale in Africa? The demographics of the continent are unique: with 200 million people aged between 15 and 24, Africa has the youngest population in the world. The current trend indicates that this figure will double by 2045. This generation are technologically savvy, more globally aware, and have higher expectations of business and political leadership than their parents. Thanks to innovations in education, even those in rural areas will have more access to information and education, and like their millennial counterparts globally, they want to be part of a cause or mission, and are not held back by traditional views of authority, boundaries and controls. Engaging and harnessing this generation in the fight against illicit activity will be important.

"In addition to leveraging the demand from the millennials for change, there are many other factors in Africa that support increased governance and transparency," says Shah. "Technology, connectivity, regional integration and institutions are key, as is the global push on supply chain transparency and financial regulation."

Technology and connectivity are helping Africa to leapfrog traditional economies in several ways. According to a recent study on financial habits by the Gates Foundation, the World Bank and Gallup World Poll, the sheer number of people using mobile in Africa is the highest in world. "In the financial sector there is a push for a cashless society to ensure a consistent paper trail and reduce fraud," explains Shah. "Mobile telecom players such as MTN, Vodacom and Airtel Africa, are investing millions of dollars in infrastructure, consumer education and awareness to broaden mobile money propositions and drive financial inclusion." Most people are aware of the pioneering mobile money transfer service M-Pesa, the first of its kind in the world, launched in Kenya and now used by over 24 million people in East Africa, but, although less written about, newer mobile offerings such as M-Kopa (a pay-as-you-go energy provision to off grid homes) or M-Shwari (a mobile bank account offering a combination of savings and loans), are exciting developments driving innovation, financial inclusion and transparency. Availing mobile services to customers means they shift cash transactions into a digital ecosystem relatively cheaply, securely, and reliably. Some countries, like Nigeria, are going even further with a biometric ID and payments system plan for all citizens.

In addition to technology as a driver for transparency, the cause is helped by several African states actively pushing for greater regional trade and economic integration. For instance, many African states subscribe to the Financial Action Task Force (FATF) and choose to be peer reviewed. The African Peer Review Mechanism (APRM), is an instrument voluntarily acceded to by member states of the African Union (AU) as a self-monitoring mechanism for African states to ensure that policies and practices of participating states conform to the agreed political, economic and corporate governance values, codes and standards. Another example is the SADC (Southern African Development Community) Payments Project, which is creating and implementing standards and regional interoperable payments systems that will increase efficiency and automate transactions and verification process across the sub-region.

A region of endless potential

"African countries that foster an environment of transparency and governance will surely benefit from greater economic opportunities," says Shah. "The demographics, a rising middle class creating great product and services demand, and increased focus on land rights, rule of law, education and the development of financial markets are all promising trends for Africa."

"The risk of corruption and illicit activity exists everywhere, including Africa," Shah concludes. "However, by proactively assessing and managing risks and supporting initiatives that drive transparency, corporations, banks, investors and governments will be able to successfully harness the enormous growth potential of this region."

Sneha Shah was appointed Managing Director of sub-Saharan Africa for Thomson Reuters in April 2015, with responsibility for developing strategy and executing operational plans in all business units.

Born in Kenya, Sneha is passionate about empowering Africa's success, and has initiated partnerships with international market development, media and training providers, led regional and global mentoring programmes and worked with public and private sector organisations. She is a member of the African Leadership Network and the World Economic Forum's Global Agenda Council on Governance.

Sneha joined Thomson Reuters in 2001, holding several global leadership roles in operations, product development and technology before moving to South Africa to lead the Financial and Risk business Africa in 2013. Prior to joining Thomson Reuters, Sneha was a commodities trader and traded money markets and FX. She chaired the Women@Thomson Reuters Global Advisory Council from 2012 to 2014. She holds a BA (Hons) degree in Politics with International Studies from the University of Warwick in the UK.

Stepping up

Matthew Clarke
Group Treasurer

Intertek

It is not in the nature of Matthew Clarke to take the easy option. His career has been typified by throwing himself in at the deep end to ensure that he makes the most of every opportunity presented to him, the outcomes of which have been very rewarding.

Intertek is an industry leading inspection, testing and certification company headquartered in London, UK. With over 38,000 people in over 100 countries, Intertek provides services from auditing and inspection, to testing, training, advisory, quality assurance and certification. Intertek helps its customers to meet end users' expectations for safety, sustainability, performance, integrity and desirability in virtually any market around the world.

Life is built from a series of different opportunities. These can come in various forms, some obvious, some more obscure and some simply from being in the right place at the right time. It is however, down to us to ensure that when these opportunities present themselves we are ready to take them with both hands.

It is this willingness to take full advantage of every opportunity that has defined the career of Matthew Clarke, Group Treasurer at Intertek. The result of this has seen Clarke's career span multiple roles, in multiple countries, rising through the ranks to his current position.

Taking the initiative

As his rapid rise indicates, Clarke is certainly one to practice what he preaches. Following graduation from the Victoria

University of Wellington in his native New Zealand, Clarke held accounting roles with Arthur Anderson and EY. "I had been studying accounting since high school as this is typically how early you had to start to qualify in New Zealand. Moving into public practice was therefore a natural progression," he says.

Following four years at EY in New Zealand, Clarke took the big step to move away from his homeland and to the beautiful Atlantic island of Bermuda to work as an Audit Manager on the financial services side of the business. It was during this stint on the island that Clarke decided that he did not want to spend his entire career in public practice. "I began looking at different corporate roles which related to the skills I had developed and I was naturally drawn to corporate treasury," he says. "It appealed to me then, and still does, because it is very commercial and it is more than just finance; you really need to understand the drivers and direction that the business is heading in. It also struck me as being a little different from the traditional career path of an auditor into a financial control role."

With his heart set on a treasury role, Clarke began to do all he could to ensure he was ready and whilst working in Bermuda he used his spare time to study for the AMCT. "This was a challenge," admits Clarke, "I didn't have any specific treasury experience and there was nobody that could help me on the island – it was just me and my books." Despite this Clarke was undeterred and passed the AMCT, opening the door into his first treasury role with mining company Kazakhmys in the UK.

"I began at Kazakhmys in an operational finance role working on monthly reporting, assisting with budgeting and conducting FP&A work for various divisions," he explains. Being recently listed, Kazakhmys was still developing the head office corporate functions and didn't have a treasury function in the traditional sense. "I knew that this would provide good treasury opportunities as the company progressed and a chance to put theory into practice."

The big opportunity came along a year into the role when Kazakhmys moved into a net debt position through a large acquisition. The company brought in an interim treasurer to manage this process and Clarke worked closely with him to arrange the funding of the transaction, which included implementing a debut bank facility. "I used this as an opportunity to get as close to the project as possible and put myself forward to do all the 'menial' tasks, whilst at the same time learning all I could about the negotiation and documentation process," he says.

The opportunity to learn didn't stop there because following the acquisition the company set about building two new mines in Kazakhstan. "This was immediately post the financial crisis which made it very difficult and we were touring the world looking for funding." Eventually the funding came from a non-traditional source, the China Development Bank. "Again this was a very interesting process to be involved in because there were few precedents to go on and large sums of money involved."

Unfortunately, this would be the last big opportunity at Kazakhmys because once this process was complete it was clear that the focus for the company was on developing these mines. "The treasury challenges for me therefore didn't look as exciting in the near term." Yet, as one door closed another opened and Clarke quickly assumed a new role at Intertek – another treasury function in its formative years.

Striking a balance

Clarke spent the first 12 months at the company as Deputy Treasurer utilising many of the skills he learnt from his previous roles including: refinancing the company's debt through establishing new bank facilities, arranging US private placement notes, diversifying the lending group and obtaining and then refinancing a bridge facility for another transformational acquisition. Having proved his worth through these projects, Clarke was rewarded with the role of Group Treasurer coinciding with his completion of the MCT programme and given the chance to build the Intertek treasury function.

"This was a fantastic opportunity," says Clarke, "but the company had progressed well over the past few decades without a dedicated central treasury function. The various local subsidiaries therefore had a lot of ownership over their operations and the role of central finance previously was simply to support them." This created a challenge for Clarke, as he explains: "It is vitally important that we strike the right balance between centralised and decentralised operations. We need to coordinate the liquidity and risk management across the Group from the centre but also maintain a strong relationship with the on the ground finance teams, given the vast geographical reach of the company."

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Of course, building a treasury function is not a perfect science and, given the nature of the company, Clarke understands that there is a need for pragmatism in Intertek's approach. "We had a few attempts at striking the right balance. For instance, at one point I looked at regional treasurers but, for many reasons, this didn't work. What we have settled on, and what does work well, is having a specialist central team with appropriate systems to give visibility, backed up by the network of in-country finance managers acting as our eyes and ears on treasury matters on the ground."

This approach also helps Clarke and his team manage the business nuances that come with operating in such a large amount of countries, especially the more complex emerging markets (EMs). "Many of the treasury themes across emerging markets are similar; a focus on documentation, a need for frequent regulatory approvals, and restrictions on domestic and foreign currency flows. Often my central team can bring our experience from other markets to assist with issues in a particular country. But, to be truly successful you also need local finance managers who thoroughly understand the detailed requirements of their particular country and can get things done; our finance managers are irreplaceable in this respect."

Making the case

Ensuring that the treasury is offering value to the wider business is something that Clarke pays particular attention to given the age of the function. "As a new function we are still trying to demonstrate the value we can bring, this is a challenge that perhaps many other functions don't have." To do this, Clarke constructed a five year plan for the build of the treasury outlining a number of things it wanted to achieve:

- Centralise cash through physical sweeping and focusing on trapped cash in emerging markets.
- Improve visibility of FX risks and centralise FX risk management.
- Evolve the funding portfolio ensuring the Group had a balanced banking and debt investor group to support its continued growth.
- Assist with the wider finance transformation agenda through standardisation of cash collection and payment processes and efficient intercompany settlement.

Understanding that five years is a long time in business, Clarke was keen to ensure that the treasury also delivered milestones along the way that could be quickly met and communicated to the business. "I believed it was important to demonstrate that we were delivering incremental value while we strived for our five year goals. The cash management projects really helped with this as rationalising banking and standardising processes really helped deliver efficiencies for the local finance teams."

Moving first

The youthfulness of the department and its desire to offer value to the wider business has also afforded Clarke the opportunity to be innovative and take bold steps. Take for example, Intertek's Adam Smith Award winning solution in China that saw it implement one of the first cross-border RMB sweeping structures in the country. "The stars aligned in this case," explains Clarke. "We had lots of cash that was tied up in the country (as much as £80m at one point) and once the opportunity to be part of a pilot scheme that would remove this challenge came along we couldn't see any reason not to give it a go."

While bold, the decision was pragmatic and calculated. "It was a pilot scheme being offered by the People's Bank of China and they wanted corporates to be a part of it, so we couldn't see any harm in being involved, particularly given the challenges we had." The move proved effective and not only saw the team receive external recognition, helping promote themselves internally, it has also allowed them to drive further benefit by being more demanding, subsequently getting a group of their relationship banks to sign up to include RMB in a separate tranche of their latest revolver facility and thus provide an end-to-end RMB cash management solution. "This perhaps wouldn't have been the case if we didn't take the lead, because the second wave would have been dominated by companies much larger than ours and we perhaps wouldn't have been able to obtain as much leverage."

Pragmatism is key for Clarke however. "We are not in the business of taking unnecessary risks and we always consider new ideas and technology, but there is an extensive evaluation process that happens before we move." A primary reason for this, as Clarke explains, is because the team at Intertek is not big enough to embark on a process of trial and error.

Getting the basics right

This is especially true at the present time given the recent market volatility as one of the key roles of the Intertek treasury team is managing currency risk. "Managing the market volatility is currently my biggest challenge," says Clarke. "We have moved from a relatively benign currency environment to one that is much more volatile and we manage around 80 currencies across the Group." Whilst there has been no need for dramatic changes, the approach to currency risk management has become more nuanced. "We have had to challenge some of the assumptions that we previously held and ensure we are protected against any sudden shifts," he says.

During times such as these, the need for visibility is crucial and this is another area that Clarke has worked on. "Intertek's rapid growth has meant we have a number of different ERP systems across the business which has made it challenging to obtain central visibility over our positions and exposures. We have invested in this space to ensure we can pull all these tools together and obtain data that we can analyse and turn into actionable business intelligence."

Of course, in the digital age the options available to treasurers are abundant and Clarke is acutely aware of this. "To achieve the visibility we want and also to ensure we are utilising technology in the most optimum way, the question we currently have is, do we need one central system or a central system supplemented by 'bolt on' tools?" As Clarke explains, whilst a TMS is the core of the treasury operation and they are able to do most tasks a treasurer needs, the availability of bespoke tools for things such as FX analysis, FX dealing, cash visibility and forecasting may allow richer analysis and move efficient processing than what is possible from just using a TMS.

It is however an ongoing debate. "Balanced against the increased functionality of these bespoke tools is the need to maintain multiple interfaces as well as just keep the systems working. We are a small treasury team so by the time you allocate inputter, authoriser and administrator roles you can't afford for anyone to take a day off."

A respected partner

Despite all of these external challenges, the most significant for Clarke in his career – and also the achievement he is most proud of – is establishing the treasury at Intertek and earning the respect of the business. "We had a vision to become a best in class treasury function providing real support to the business, but as new kid on the block we had to compete for resources and time with other departments," he says.

The hard work has paid off and Clarke and his team have truly established themselves. This is exemplified through the recent intercompany netting and settlement project which the company is now implementing. "We had to fight for a number of years to get this on the agenda. It has been a challenge to sell it because other functions have projects which are equally pressing. But, I think that everyone in the company understands that it is the right thing to do. We just had to work that little bit harder and shout a little bit louder than the others to get this across." ■

Germany
Europe's powerhouse

Positive sentiment in Germany has been gaining momentum over the last year, and there is good reason to be optimistic. Treasury Today examines the economic forces driving the German economy's growth, how it has positioned itself as a stable European country in an otherwise volatile region, and outlines the country's suitability as a gateway for international businesses in search of expansion.

Germany is the largest economy in Europe and the fourth largest by nominal GDP in the world. Although Germany's economics ministry decreased the country's growth forecasts slightly from 1.8% to 1.7% in October, the German economy shows solid growth. 2015 GDP growth forecasts of 1.6% from EY and 1.5% from HSBC research confirm the country's stable upward trend and the return from a mid-2014 slump.

DEM DEUTSCHEN VOLKE

Key facts

Geography and society

Population: 81 million (2014 estimate)

Population growth rate: -0.18% (2014 estimate)

Capital city: Berlin

Time zone: CET

Land boundaries: Austria, Belgium, Czech Republic, Denmark, France, Luxembourg, The Netherlands, Poland, Switzerland

Coastline: 2,389 km

Economy and business sector

Currency: euro

Financial capital: Frankfurt

GDP annual growth: 0.1% (2013), 1.6% (2014)

GDP per capita: $44,700 (2014 estimate)

Ease of Doing Business rank: 14th (2015)

Index of Economic Freedom: 16th (2015)

Politics

Government type: federal republic

President: Joachim Gauck

Chancellor: Angela Merkel

Trading partners

Top import partners: Netherlands, France, Belgium, China, Italy, UK, Austria, Russia, Poland, Switzerland, Czech Republic

Top export destinations: France, Netherlands, US, Austria, China, Italy, Switzerland, Poland, Belgium

Country credit rating

AAA

Top tips from Matthews International Corporation

Robert Marsh
Group Treasurer

Markus Pennekamp
EMEA Director of Finance

Matthews International Corporation, headquartered in Pittsburgh, Pennsylvania, USA since 1850, is a provider of brand solutions, memorialisation products and industrial automation solutions. Matthews, with more than 10,000 employees, has a presence in over 100 locations in more than 25 countries around the world. Matthews conducts business in Germany under a variety of trade names, including Saueressig, Schawk, IDL Worldwide, Anthem, Brandimage, Caggiati and Matthews Automation Solutions.

Robert Marsh, Treasurer, and Markus Pennekamp, EMEA Director of Finance, explain why Germany is an important market for Matthews and give their top tips for doing business in Germany:

- Germany represents a core component of our international strategy, serving as our company's gateway to Europe. We have been doing business in Germany for more than 15 years and it has developed into one of our key European markets. When assessing opportunities globally, we identified several strong German-based businesses that shared our markets and corporate culture, representing good investments to expand the reach of Matthews.
- Germany offers an excellent combination of a strong domestic market and an outstanding infrastructure. In addition, Germany has a strong talent pool with reach across Europe which contributes to further strengthening our international strategy and enhancing our growth.
- Germany is a cooperative jurisdiction to operate from for a US-based business perspective. Although local regulations and laws differ from those in the US, support from the German Chambers of Commerce and public authorities is easily accessible, providing invaluable assistance to foreign companies such as ours in navigating applicable local requirements.
- Germany is fully integrated in the Eurozone, creating a number of possibilities for future shared service and treasury centralisation.
- Finally, the German market is currently very favourable for providing working capital and longer-term financing solutions including capital market instruments. Matthews have only just begun to investigate these opportunities, but the current low interest rate environment creates a variety of possibilities for attractive local funding (Schuldscheindarlehen – German Private Placement, for instance).

Lower oil prices, currency depreciation and a robust labour market have acted as a stimulus for better-than-expected domestic consumption. In fact, consumer confidence in the country sits near a 14-year high according to a poll this year by market research company, GfK. Whilst growth isn't immune from risks such as the challenging market conditions in the single currency zone, analysts expect that the German economy will be propped up by strong consumer demand throughout the rest of the year and into 2016.

Maintaining good form

Although its advantages have been widely debated, the German economy is also benefiting from the European Central Bank's (ECB) €1.1trn quantitative easing (QE) programme. In April this year – as QE pushed yields on German bonds with a maturity of as long as nine years below zero – the DAX Index closed at a record high.

In 2015, the country achieved its highest ever score from The Heritage Foundation Index of Economic Freedom, making its economy the 16th freest globally. Improvements cited by a corresponding report include marked advances in labour freedom and in policy areas related to market openness. These developments to economic freedom – openness to global trade, freedom from corruption and reliable business environments, for instance – are beneficial to overseas investors. "There is an open and welcoming foreign investment regime in Germany," says Stephen Price, Country Head of Commercial Banking for HSBC Germany.

In addition, "Germany is in the centre and the heart of Europe. From here you can reach both the eastern and western parts of Europe quite easily," explains Gabriele Schnell, Head of Payments and Cash Management for HSBC Germany. Its optimal location has traditionally led to Germany being leveraged as a hub for investments and trade logistics. Moreover, its infrastructure, according to Schnell, is "well-developed" and received recognition in IMB World Competitiveness Yearbook 2015, ranking ninth globally.

International presence

As such, it is unsurprising that Germany is a major export country. In fact, as Carola von Schmettow, CEO of HSBC Germany, explains, "Germany is one of the top export nations in the world." However, she continues, "Germany is highly dependent on the global trade environment." Given that the pace of trade is slowing somewhat globally, how has the country kept its position as a leading exporter?

Deutsche Bundesbank, Germany's central bank, reported in December 2014 that, as the economy remains in remarkably good shape, German corporates are able to seize opportunities in foreign markets. The country's Mittelstand (mid-market segment) has looked towards faster growing markets, where average growth rates far exceed those of the Eurozone, explains von Schmettow. For instance, China is now one of the country's biggest trading partners and Asia is predicted to be Germany's fastest growing export market over the next 15 years.

Closer to home, almost two thirds of German exports are within Europe. Harmonised standards and guidelines within the EU, free trade and the single currency within the Eurozone are some reasons for this. "The implementation of SEPA – unifying domestic and foreign bank transfers technically and regulatory – has been a major step in the direction of standardisation," says Schnell. There are no longer restrictions to intra-European payments. What this means is that "one account, for instance in Germany, could be sufficient to settle your transactions across multiple euro countries," says Schnell. For corporates, the possibility this allows to centralise payment processes is even more attractive than before because of increased transparency and reduced complexity and costs. In addition, the execution time of one working day enables a day-specific scheduling of transactions.

Attraction for multinationals

Germany is also an attractive prospect for foreign corporates looking to expand into Europe. Germany Trade & Invest (GTAI), the economic development agency of the Federal Republic of Germany, reported in April that Germany attracted a record €3.2bn in foreign investment in 2014. The number of new investors reached an all-time high and the number of new projects in Germany rose by a fifth as well as the value of projects. The largest green field investor was China, followed by the US. According to Robert Marsh, Group Treasurer for Matthews International Corporation, a provider of brand solutions and industrial automation solutions, with its headquarters in Pittsburgh, Pennsylvania and several subsidiaries in Germany: "Germany is a gateway to Europe suitable for our international strategy."

"There is a strong interest in the technological expertise and the research capabilities in Germany as well as the infrastructure and generally reliable, transparent processes," explains HSBC's Schnell. All of which, she notes, is appealing to an increasing number of foreign corporates. And, by choosing Germany, overseas corporates are offered "a highly developed legal and political framework that provides a good deal of security," says Price. The country is arguably a representation of stability in an otherwise volatile environment. Not only does it offer a resilient economy that represents relatively low risk with low inflation and low unemployment, from a workforce point of view, Price adds that Germany's working population is highly trained, well-educated and committed to IT developments.

Legal considerations

For any business entity wanting to conduct operations in the country, decisions will need to be made under which form they want to do business. Generally, foreign investors will function through a subsidiary or branch – that is, an overseas company can set up a German branch as a place of business without necessarily forming a subsidiary. The registration of a foreign company branch must be made with the commercial register at the given location of that branch; application content will vary depending on the legal form of the overseas company. But, in general, registration must include: approvals by the German state (if required), the company's foreign legal registration, the legal form of the company, persons with power of agency and applicable laws.

Should a foreign investor wish to set up a separate subsidiary, many investors decide to establish a limited liability company (GmbHs – 'Gesellschaften mit beschränkter Haftung'). For the foundation of a GmbH the investor would have to (among other things) adopt articles of association in notarised form and file the company with the commercial register. Since the shareholders of a GmbH can control and instruct the management directly (which the shareholders of a public limited liability company – AG 'Aktiengesellschaft' cannot), foreign investors generally prefer to establish a subsidiary in the form of a GmbH.

Banking sector

Although there has been significant consolidation in Germany's banking sector over the past decade, there are still a high number of banks operating in the country, including 168 domestic commercial banks, 36 foreign-owned banks and 109 foreign bank branches. As expected, these include most of the large international cash management banks, which offer full services. "It is a very competitive market and to that extent banks have to be very innovative in the payments and cash management space," says Schnell.

Moreover, funding conditions are favourable, despite German banks having to contend with a number of measures the ECB has put in place. Compelled by the recent phase of stress testing in autumn 2014, banks have had to readjust their balance sheets to meet capital ratios set by regulations. All 24 German banks that took part completed the tests successfully.

Elsewhere, the new bank tax introduced in January 2011 by the German government expects banks to inject up to €1.2bn every year into a reserve fund to finance any future bank bailouts. This all points to a stable banking sector that is doing all it can to safeguard against external shocks.

Apart from the ECB, bank supervision in Germany is carried out by the German Financial Supervisory Authority – known as BaFin – and the central bank, Deutsche Bundesbank, in accordance with the Banking Act. The Bundesbank is a member of the European System of Central Banks (ESCB).

Payment instruments

- **Cheques** are declining in use in Germany due to the preference for electronic payments for both high-value and low-value transactions.
- **Payment cards.** All payment cards issued in Germany are SEPA-compliant.
- **Cash** is still popular in Germany. In fact, the country remains one of the most cash-intensive advanced economies globally.
- **Direct debits** are available and typically used for low-value recurring payments. In February 2014, SEPA direct debits were introduced to replace Germany's pre-authorised direct debit scheme until February 2016.
- **Credit transfers.** Although credit transfers can be paper-based or automated, all paper-based ones are truncated into electronic items. They are used for both high-value corporate and low-value retail payment transactions.
- **Electronic banking** is commonplace – all of the country's leading banks offer e-banking solutions.

Support for international companies

Against this backdrop, how can corporates successfully establish operations in the country? Choosing a banking partner with global reach and local knowledge is a good starting point, says Price. For instance, HSBC offers a team of specialised and dedicated members from their International Subsidiary Banking (ISB) team. These relationship bankers are experienced in facilitating market entry and providing guidance to international companies. They can provide corporates with "direct on-the-ground support in key markets," explains Price. "Entering a new geography is often a challenging and, at times, a worrying occupation for corporates." But, considering the international footprint of HSBC, the bank is well positioned to support companies in overcoming cultural issues and issues of communication and connectivity as well as the day to day role of support with issues of funding and FX. "The ISB team ensures the required level of understanding of how to operate in Germany is consistently provided, minimising the chance of unforeseen surprises for the corporate," continues Price.

This particular approach to relationship management offers foreign corporates ease of access into a country whose advantages include:

- Reliability
- Transparency and a
- Competitive edge

Place it on a strong footing and, as von Schmettow concludes, "make Germany the ideal starting point for multinationals wanting to do business in Europe." ■

Gräfin Carola von Schmettow
CEO of HSBC Germany
Chair of the Management Board

Stephen Price
Head of Commercial Banking
Germany (Member of the
Management Board)
HSBC Germany

Gabriele A. Schnell
Head of Payments
and Cash Management
HSBC Germany

HSBC

A long time coming

Adopting e-invoicing could bring great benefits not only to treasuries in terms of improved working capital metrics but in greater efficiencies right across the corporate organisation too. Onboarding suppliers is no walk in the park, however. To make it work, all internal stakeholders – and the procurement team especially – need to be onside.

Already, some industry commentators are billing 2016 as a watershed year for e-invoicing in Europe. Perhaps we shouldn't be too surprised. Last year was also predicted to be the year that sending electronic invoices became mainstream; as was 2014 and, well, nearly every year all the way back to 1997 when the EU and the OECD launched the very first initiatives aimed at eliminating barriers for e-invoicing.

History therefore tells us that it might be sensible, this time around, to avoid bold, hyperbolic predictions about 2016 being 'a seminal year' for e-invoicing. But even if universal acceptance remains some way off, there are a number of compelling reasons why e-invoicing should see increased uptake in the year ahead – providing, it should be added, that corporate buyers can finally overcome that thorny issue of supplier onboarding.

Unbelievably, this is the issue that, despite years of attention, corporates continue to cite as their greatest impediment to rolling out e-invoicing. A study conducted earlier in 2015 by Tradeshift is but the latest addition to a growing list of evidence supporting this point. The research found that while 76% of businesses had e-invoicing or were making plans to implement it, only 19% said that more than half of their suppliers were using it.

It stands to reason that if corporates cannot encourage a greater percentage of their supplier base to use e-invoicing, the paper invoice will continue to prevail. Going on estimates from e-billing and payments specialists Billentis, an organisation could save 1-2% of its turnover by replacing paper invoices with electronic invoices and optimising the related processes: the missed cost and efficiency savings that failure would represent for corporates could be very significant indeed. The good news, at least, is that there are no shortage of ideas – from both treasurers and solutions providers – on what can be done to make greater supplier uptake a reality.

Because it's the law

We will talk more about those in a moment. Before we do, let's turn our attention to the principal macro-level driver now for e-invoicing uptake across Europe: legislation. These regulatory drivers for e-invoicing broadly fall into two categories: direct and indirect.

Firstly, e-invoicing has been directly addressed both by national regulators (Norway, Denmark, Sweden and Portugal, for instance) and, more recently, at the supranational level by the European Commission (EC). The EC Directive, which was approved by the European Council in 2014, follows the example set by the aforementioned national regulators, by requiring public authorities in Europe to support e-invoices sent to them, on the condition that they comply with common standards also set out in the legislation.

"Many countries now mandate electronic invoicing," says Markus Ament, Chief Product Officer at cloud-based supply chain finance and e-invoicing providers Taulia. "Global companies come to us and tell us that they now have to comply with e-invoicing legislation in various countries. So compliance is a very big driver at the moment."

Legislation mandating e-invoicing in public procurement has been complemented by the work being done by the OpenPEPPOL Association, an international non-profit body whose purpose is to solve interoperability issues for public procurement. As Richard Manson, Director and co-founder of e-invoicing providers CloudTrade explains, e-procurement processes have traditionally tended to be based on a three corner model in which buyers and their suppliers needed to enter into a relationship with the same solution provider.

"That made interoperability a challenge," Manson says. Under the four corner model established by OpenPEPPOL, suppliers have a relationship with access points, the aim of which is to establish something much like a telephone network, where the existence of different phone networks does not prevent telephone calls being made between networks. "That is what PEPPOL is really all about; it is allowing suppliers to send to buyers that are on the PEPPOL network, irrespective of what service provider they are with. And it is allowing buyers to receive invoices from buyers on the PEPPOL network, irrespective of what service provider they are with."

PEPPOL has already been successfully applied to public procurement with a number of Scandinavian countries, and it now looks as though other countries – including the UK – will soon follow suit. When the Department of Health (DoH) announced its eProcurement strategy in May 2014, for example, a recommendation was made for the adoption of PEPPOL specifications throughout the healthcare sector for e-ordering, e-invoicing and advanced shipping notes. Alongside legislation to make e-invoicing mandatory for public procurement, this development might just propel the use of electronic invoices to the same levels we see in Scandinavia. "By mandating this in the public sector and getting suppliers to send and receive electronic documents, they will by implication create an infrastructure that can be used in the private sector as well," Manson says. "That is the strategy, and in my view, it is a sensible strategy."

In the indirect category, attention is being given by a growing number of regulatory bodies to the issue of small companies whose clients fail to pay on time (a practice which has been on the receiving end of much censure in the mainstream press of late). Already there are a number of schemes in place in different countries. We have the Prompt Payment Code in the UK, the EU Late Payment Directive and the SupplierPay initiative in the US, all aimed at creating a culture of reasonable – and responsible – payment terms amongst corporates. And there could be further measures moving forward; as it stands, participation in the UK's Prompt Payment Code is voluntary, but the idea of making it compulsory for all companies has been recently mooted by ministers.

Naturally, using e-invoices sent instantly via the internet, and often with payment options embedded in the file, would be very likely to help suppliers to retrieve money more quickly from their buyers. And that is even before taking into account the additional services that some Fintech vendors (Taulia among them) are now offering as part of their e-invoicing solutions to clients.

Persuading suppliers

The key ideas taken up by some of the new providers that have entered into the e-invoicing space in recent years is relatively simple, yet it has the potential to help both corporates meet their obligations vis-à-vis on time payments and, smaller suppliers in terms of alleviating pressure on their working capital metrics. They could also, by virtue of that, play a critical role in tempting those still reticent suppliers to start invoicing electronically.

One explanation frequently used to explain why onboarding has in the past been difficult is that some SME suppliers simply do not enjoy any significant benefit from e-invoicing, at least in the way it has traditionally been practised. It often comes down to the frequency by which an SME sends invoices to a corporate customer. When invoices are being sent at a very low frequency – say one or two each month – very little efficiency is to be gained by moving from manual to electronic. So when the first e-invoicing platforms began to appear in the late 1990s with business models predicated on charging suppliers for a service that was of ultimately little value, interest was, understandably, muted at some companies.

Even when explicit charges are not a factor, many providers still require invoices to be produced and sent as an XML or EDI file that, for some suppliers, would entail costly and difficult changes to billing applications and infrastructure that their budget and invoice volumes simply cannot justify.

New vendors that have emerged in recent years, such as CloudTrade, for example, have experienced some success (in 2014 they were reported to have doubled in size for the second consecutive year), simply by offering such suppliers a "cheap and undemanding" alternative. CloudTrade requires PDF invoices to be sent via a technology even the smallest and least sophisticated business should have access to: email. When a PDF is created by an application – for example, finance or accounting package – in almost all instances it will be a text PDF with the invoice data embedded within the layers of the PDF. The data is mapped by CloudTrade and delivered to the buyer in the format that is required by their system. "If you remove those barriers then you will see higher adoption, because ultimately you want to make it as simple and as non-disruptive as possible for suppliers to join the party," says Manson.

If making e-invoicing easier and less expensive solves part of the problem, offering suppliers stronger incentives for sending e-invoices is perhaps the next step. If the e-invoicing service is provided free of charge and, critically, is offered as a means by which suppliers can gain better access to financing, then the reasons for suppliers not choosing to move away from paper are suddenly all but non-existent. After all, supply chain finance (SCF) and e-invoicing would seem to be mutually reinforcing.

"Quite frankly, many new clients today come to e-invoicing through SCF solutions," says Taulia's Ament. "They look at the market for SCF solutions and see that their approval cycles are not ready yet. So why not do electronic invoicing at the same time? That way they can get the approval cycles down and have a successful SCF programme."

So now, even suppliers for whom e-invoicing does not offer, in itself, greater cost savings or efficiencies, by serving as the foundation for a supplier financing or dynamic discounting programme it can still be an enabler to greater cost savings and efficiencies. If SCF continues to gain momentum globally – it is now growing at 30% annually according to a 2015 report by BCR Publishing – then we may just see greater uptake of e-invoicing too, especially now there are free-at-the-point-of-use solutions available on the market for suppliers. But, as we will see, treasurers have an important role to play in ensuring suppliers are aware of such solutions and understand the benefits. This is where cross-functional collaboration becomes important.

Working with procurement

Often the decision to roll out an e-invoicing programme comes from the area of the business that most obviously stands to benefit from it: the treasury function. But the success of the supplier onboarding process will, to an extent, be determined by the level of support it receives from other business units (procurement in particular). Treasurers that are not able to get other relevant departments involved at an early stage are likely to struggle.

In a webinar hosted in early 2015 by Shared Services Link and the Tungsten Corporation, Mark Boswell, a Procurement Business Process Manager at confectionary giants Mondelēz International explained why this is the case, and what steps treasurers can take to bring other departments like procurement onside.

"Why should you involve procurement?" asks Boswell. The answer, of course, is that they are the department which can be of most assistance when it comes to supplier onboarding. "In most organisations, procurement is the commercial link to the supplier base. So they are the ones that can nominate and convince vendors to sign up."

That buyers will be automatically receptive is not guaranteed though. "Don't bother me with invoice issues," buyers are often heard to say, "just pay my vendors on time." Even those who were prepared to listen would still lament the long list of other priorities in their in-trays that must take precedence. What Boswell soon began to appreciate was that for the procurement departments to be recruited as an ally in the roll-out of e-invoicing, programmes need to be articulated to them in a language they understand.

"You need to listen to procurement's needs," Boswell says. "They need to know where they can be expected to be involved. I've often gone to our buyers across the community and asked, what do you want and what are your issues?"

What procurement needs, above all, is a compelling reason to be involved. There are no shortage of these, says Boswell. For instance, e-invoicing can cut days or even weeks off the time that it takes to deliver an invoice cross-border to a remote location, eliminating the need for procurement to scan paper invoices and attend to the instant errors that might crop up. Even more beneficial to procurement, perhaps, is that their suppliers are given instant feedback on the status of any invoices that they send. "We tell them not only if we have received it," says Boswell, "but if there are errors we articulate back to them through the portal what those errors are. Then we guide them to take proactive action if those errors are to do with the presentation of their invoice, for example."

> Paper-free supplier-invoicing may not be universal yet, but it will be one day.

Ensuring that these advantages are understood within the procurement department's senior leadership team is a first step but is not usually sufficient in itself. In order for procurement to become an effective partner in supplier onboarding, the message needs to cascade down until it is embedded in the company's various sourcing teams. "I think one of the key things is that we have sourcing teams that are e-invoicing champions and who are able to drive that change and be the catalyst of change throughout the procurement organisation," Boswell says.

Also found to be beneficial was segregating the different sourcing areas, including 'direct' suppliers where they source packaging, raw materials, commodities, and those which fall under the indirect category such as marketing, manufacturing, and IT. Doing this allowed the company to get targets defined that were specific to those teams. "We get the buy-in at the top, we set targets aligned through the organisation. Ultimately that makes the implementation a lot easier with the teams at the bottom of the pyramid," adds Boswell.

Bold predictions

What we have, then, are a host of factors that would suggest that e-invoicing should see greater take-up in the year ahead, even amongst suppliers who would in the past have proved difficult to onboard. Governments in Europe and beyond are taking a much more active role in encouraging firms to explore electronic alternatives to the paper invoice, in some instances going so far as to legislate to this effect. And all of this is happening right at the time when (thanks to both the launch of new solutions and the lessons treasurers are increasingly learning around the importance of cross-functional collaboration) supplier onboarding does not present quite the same obstacle it did once in the not too distant past.

Taking all of this into account, do those bold predictions referred to at the beginning of this article make any more sense than in previous years? Will 2016 be the seminal year in which businesses completely dispose of all paper-based invoices for good? Most probably not. But, realistically it should, like the past several years, be one in which the electronic invoice continues to win over more of those previously hard-to-onboard suppliers that have so long been a blight on corporates looking to optimise their invoice-to-pay (I2P) processes. Paper-free supplier-invoicing may not be universal yet, but it will be one day. ■

Sustainable treasury

Many dismiss 'sustainability' as a mere buzzword or something to be left for others to ponder. But with increasing numbers of corporates beginning to see the benefits of sustainable practice – from cost savings, to efficiency improvements, to a better working environment – treasurers are well positioned to take the lead on a new way of doing better business.

The world around us is in a constant state of flux and today, sustainable practice really does matter. The extent to which companies take seriously their commitment to conduct responsible business is in the spotlight like never before – as Volkswagen's executives will attest. Companies that fail to adopt a more environmentally friendly and socially responsible mind-set now do so at their own (often financial) peril.

Stripping out any moral or ethical imperative, it is now widely acknowledged that embracing sustainable business practices can be financially prudent for companies. While once the debate around sustainability initiatives centred on the question of affordability, now more and more businesses are questioning how and in which ways such practices can add value.

"There is now evidence which shows that clients who are leading in sustainability measures are more innovative, show better financial performance and have better credit ratings," notes Leonie Schreve, Global Head of Sustainable Finance at ING. Sustainability, it seems, can be a source of competitive advantage. What's more, according to Schreve, those companies that take sustainability seriously and demonstrate an ability to "adapt, anticipate and transition to new business models", are likely to be the most successful in the future.

Fine words indeed, but in anticipation of tomorrow's economy – in no small way led by the increasing scarcity of natural resources – ING has a genuine commitment to practical sustainability. "We partner with those clients we can support in taking a step ahead and anticipating the future economy," states Schreve. This is not a concept working in isolation as a kind of PR exercise; ING does not set aside a specific sustainability portfolio to tick a few boxes. As Schreve explains: "Sustainable opportunities are integrated into all of our sectors and all of our client segments."

The path to sustainable thinking

Sustainability at ING has its initial focus on lending; the bank even increased its lending volume for clients engaged in sustainable projects in the first half of 2015 (a portfolio that is now heading towards €21bn). But it quickly recognised that to be effective, sustainability must be embedded in all areas of commercial banking. ING's target is to grow its financing of sustainable transitions (affording social change to sustainable patterns of production and consumption) and to increase sustainable assets under management (AUM); it believes that the concept should be a mainstream priority geared to effective change of the way we all live. Embracing this way of thinking is something from which non-financial corporates can benefit and what's more, their treasurers can have a key role to play in adopting and adapting to sustainable practices.

With a little help from friends

It is a fact that most treasurers will know and understand their business better than any consultant, bank or external advisor. They will therefore already have the fundamental tools in place that will show sustainability will work for their business. "However, it is not until you actually start working on the topic, that you appreciate all the complexities," Schreve notes. This is where collaboration with key business partners – especially those with a firm commitment to sustainability – can help to piece together the puzzle.

Having developed a unique toolkit to enable its account managers to analyse a company's sustainability performance, ING is well placed to help clients along the way. Its analysis of existing methods and models provides the starting point for a 'personalised' discussion between bank and client, taking into consideration the client's industry sector and specific circumstances. Once the mapping of sustainability is complete the bank can help in the development areas that may need financing, for instance. "The aim is to encourage a discussion on how we can support our clients in their transition towards sustainability," explains Schreve.

The bank takes its responsibility seriously and has an on-boarding process to identify those clients which are already proactive on sustainability initiatives and which will most benefit from its guidance. Sustainability will mean different things to different people and it is extremely beneficial for all if ING is able to get to the table early and have a more strategic discussion around how sustainability can be made to work for a specific company, based on a factual discovery rather than a lecture. As Schreve notes: "Once we have ascertained which part of the portfolio is 'sustainably-marked' internally, we can be better positioned to have proactive discussions with clients on what their challenges are and how best we can support them." The consultative approach seems to be paying off. "We are seeing more and more corporates approaching us, asking what we have to offer companies that are taking sustainability as seriously as we are. On this basis alone, we can establish a more strategic partnership," says Schreve, adding that "together, we can anticipate tomorrow's economy".

Cost of caring

What the on-boarding process means in practice is that ING will take an initial environmental and social risk (ESR) view of where their client is on the spectrum of international environmental, social and human right standards. This ensures that all clients in the ING portfolio are compliant with international standards. But on top of the ESR screening ING identify clients that are leading in sustainability. By mid 2015, clients spanning sectors such as energy, real estate and transport, and which met ING's Sustainable Transitions Finance criteria, benefitted from €21bn in loans.

This is all about partnership through which value can be created, says Schreve. ING entered into partnership with Corporate Facility Partners (CFP) for Real Estate clients in the Netherlands. For example, clients can access a platform onto which they can upload their entire building portfolio. The tool measures the whole portfolio, identifying where certain measures can be taken to optimise energy efficiency and sustainability. This delivers an immediate correlation between a company's sustainability performance and the financial implications this has. Initially, it highlights the measures that can be taken from a sustainability perspective. It will then translate these actions into actual cost and pay-back time.

Schreve notes that initial investment costs of sustainable measures can be higher, but this will balance out when efficiency gain are made. Of course, this needs to be factored into cash forecasts and financial analysis for treasurers, but if the business knows the cost/income ratio and the environmental benefit, then related cost/benefit becomes much clearer.

Despite how it may seem, embracing sustainability does not have to involve revolutionary new concepts. Indeed, expertise in this field "is more directed at re-using and maintaining a high value of resources", notes Schreve. For a business looking to adopt this model, this always starts in the design phase where they should create products that either have a longer life-span, or which can be easily recycled whilst maintaining the value of resources and their reusability.

However, new thinking is essential at both client and financier level. A bank such as ING can step in at an early stage to ensure a "circular business model" is financed appropriately, and that innovative solutions to address certain challenges can be created wherever needed. "For example, when companies step into a service business model, pay per use such as offering light as a service instead of selling light bulbs, and remain owner of the products delivered, financing would be structured around contracts rather than the collateral of the goods," explains Schreve.

A new sustainable world order

True sustainability cannot be achieved by companies working in isolation, strategic partnerships in the supply chain become more important. But also government measures can help in the regional context. As an archetype, ING has a separate entity – the Green Bank (Groenbank) – based in the Netherlands. "It is specifically designed around the regulations that the Dutch government have in place to stimulate the green economy," notes Schreve. There are specific criteria and sectors identified that qualify for green agreements – and companies that fall into these areas can be provided finance at a discounted rate from ING's Green Bank.

Although it is largely focused on Dutch regulation (only a small percentage of the portfolio can be used abroad), it highlights the appeal that stimulation measures and collaboration can have for corporates considering integrating sustainability into their business models.

Expansion of such measures at a European level would accelerate the drivers of sustainability, says Schreve. "But, on the other hand, based on our strong belief that sustainable business is better business, it is also the responsibility and role of financial institutions themselves to find ways to stimulate that further and shift their own portfolios towards sustainability." And in this regard, there is a notable progression. Together with a number of banks, united in the Banking Commission of the United Nations Environmental Program Finance Initiative (UNEP FI), ING has launched a positive impact manifesto. This is a commitment from a number of member banks – and some investors – to unite, share knowledge and accelerate the banking world's involvement in sectors and transitions that actively contribute to the sustainable development goals of the UN.

"From a commercial perspective, there are initiatives to further accelerate sustainable business," says Schreve. Ultimately, the UNEP FI group expects a series of pilot projects to create a vibrant market place where needs, solutions and financing of sustainability can be matched effectively.

By putting the topic on the table, a new dimension to the relationship between business partners is already beginning to manifest itself. Schreve concludes: "Once you move beyond discussing the concept, start looking at figures and ratios and exploring how sustainability can be integrated into your business practices. From here, it becomes a much more strategic partnership – and one that can help future-proof your treasury."

Leonie Schreve, Global Head of Sustainable Finance, ING, is responsible for driving, promoting and generating sustainable business opportunities for ING. While initially focused on lending, the mandate has been expanded to all commercial banking areas. Before joining the commercial side of the bank, Leonie headed the Environmental Social Risk Management team and introduced the new topic of sustainability risk management. Leonie represents ING in the board of the United Nations Environmental Programme (UNEP FI Banking Commission) and has acted as Chair of the Equator Principles Steering Committee until 2013. Leonie has more than 15 years experience in sustainability though her work as Management Consultant in which she worked with various multinationals, as independent consultant in Costa Rica, and through setting up the ESR and Sustainable Finance team within ING. Leonie holds a Master in Environmental Science, Business Ethics and International Sports Management.

Mind the gap

As the end of the year fast approaches, some may be thinking about New Year resolutions, or perhaps how yet another year has passed by without those determinations being fulfilled. Treasury Today looks at the best advice for making 2016 the year for climbing up the career ladder.

Whilst making resolutions for the upcoming year isn't an activity everyone takes seriously, it is always pertinent for corporate treasurers to reflect on their personal successes to date, and then consider how they can continue on a fulfilling career path. The treasury community is full of ambition and drive, the pinnacle of which was showcased at the Treasury Today 2015 Adam Smith Awards Asia very recently. Amidst such talent, how can the individual stand out? Rising up the career ladder certainly involves increasing visibility at every available opportunity, but for treasury professionals on the starting rungs of the ladder and for those boasting more experience, equally, it is essential to discover ways of maximising potential.

What are you missing?

"It is always a good idea to start enlarging your scope of responsibilities," advises Maciek Müldner, Financial Director for Skanska Property Poland. In order for candidates to boost their employability, they need not only to make themselves highly visible within the company, but they should also show willingness to engage with aspects that are not directly connected with their day-to-day role. As an example, Müldner explains that employees should be inviting themselves to meetings. In turn, this will expand a worker's understanding of a broader range of topics as well as serving to distinguish them from the crowd – after all, not everyone is willing to give up their time.

As Mike Richards, Founder and President of MR Recruitment, explains: "Once you develop excellence within a particular area of finance, why wouldn't you utilise that to your advantage?" Financial reward is on offer and, in these challenging economic times, he asks who could blame an expert for wanting to be rewarded as such?

But, for those with broader ambitions, "they need to appreciate what experience they are lacking," says Müldner. This involves deep thought on all achievements (or lack of) throughout what has been a challenging economic period. Richards suggests asking the following questions: Have you achieved what you set out to achieve? Where have you fallen short? What have you done to achieve your aims? "After all, these questions will be asked of you at your next job interview," he says. "If you are satisfied with the answers then you are on the right track to achieve your next move."

Specialise or cross-functionalise

When answering these questions, the responses will of course largely depend on an individual treasurer's background. As Chris Robinson, Director at TransactionBanking.com and Senior Tutor EuroFinance explains: "Where candidates come from tends to have implications on how they move up the career ladder in terms of which skill set gaps they want to fill in." For instance, an assistant treasurer with a background in accounting will need to broaden their treasury perspective. Someone who is focused on treasury operations would clearly need to learn more front office skills. How high an individual potentially wants to rise in the treasury world is also a factor, he comments.

It is worth reinforcing Richards' belief that diversification of skills isn't the only way to the top. Indeed, many argue that having a specialised set of skills is more beneficial to the treasury function. In short, it depends on personal circumstances, and opinion remains divided on which path is the best to take in light of current economic difficulties.

Direction does seem to be intrinsically linked to seniority. Given that the world's various and ongoing economic crises have expanded the scope of the treasury function considerably, it is often desirable to have a cross-functional skillset. But for Müldner, this is more applicable for the more senior roles. For instance, he explains that to be a CFO, you need "to harness a combination of skills, including – but not limited to – accounting rules and processes, financial controlling and operational understanding."

For junior positions it can be more beneficial to have a specific skillset – whether that's technology, project financing or another niche area – from which the incumbent can build on as they assume more responsibility. Ultimately, for the hiring company, it is about commerciality and what value the employee can bring to the role; a broad range of low-value and poorly executed skills has never been in demand. This is increasingly the case as corporate treasurers now occupy a prominent strategic position. So what historically was seen as a supporting role was turned by the onset of the financial crisis into a more prominent and proactive position to the extent that senior management pay much closer attention to the skills the treasurer brings to the table. Indeed, Martha Pierce, Senior Consultant at Hays explains: "Employers can be quite demanding when it comes to finding the right candidates that fit all the requirements of the role."

Add to your skills

The need for corporate treasurers to be well-prepared for every eventuality is clear, but this gives rise to the perennial argument about whether experience or education prevails as the preferred route to a successful application. A good treasurer, of course, needs to have a solid understanding of the fundamentals and this can come through study. "Businesses are increasingly risk adverse and now use qualifications as a standard to identify people suitable for the job," says Pierce. "Those individuals that are both accounting qualified and ACT qualified – before later moving to the MCT qualification – are now faring best when it comes to progressing in their career."

But classroom-based learning holds little credibility if a candidate cannot then apply it effectively in the real world. "It is about a balance," states Robinson. "On one level, qualifications demonstrate academic capability but a lot of treasury is not necessarily learnt, it's gained from experience." It is without a doubt that professional qualifications are necessary to secure certain roles but vocational study is generally best kept part time if balance is to be achieved. Indeed, whilst additional qualifications do go a long way towards developing a career (it demonstrates commitment, sending a strong signal to employers about future ambitions), exiting the labour force, however temporarily, can be ill-advised, particularly when the economic climate is depressed or changing quickly. There is also the thorny issue of age. "For younger employees, taking one or two years out to study for an MBA might not be a problem," notes Robinson. For those of more mature years, and likely having taken on more commitments, "going off to get those qualifications is going to be a challenge." This does not mean further education beyond a certain age is inevitably problematic. Robinson suggests that training courses running over a few days, or one working week, can offer corporates a workable option. Continuing Professional Development accreditation can be given for training courses and attendance at certain events, conferences and webinars add to the overall experience.

What's more, such courses are often used to avoid treasury departments becoming siloed. "When you do the day job, treasury can be quite isolated," he explains. "It is easy to end up specialised in one area of treasury and not be exposed to others. Training can get you up to speed relatively quickly." The goal for a treasurer, he argues, is to be sufficiently well-educated to know the right questions to ask the experts, "but they should also be experts in a few things themselves." In this way, the inquisitive treasurer will secure a broader – and well-developed – treasury experience for him or herself.

One way of matching mature experience with enthusiasm is to consider mentoring. Mentorship is a personal developmental relationship in which a more experienced or more knowledgeable person helps to guide a less experienced or less knowledgeable colleague. The mentor may be older or younger, but will have expertise that the mentee seeks. Some firms have a formal approach to this, setting up schemes for introductions and progress monitoring, whilst others may sanction an ad hoc approach. However it is approached, its value as a career-booster is acknowledged. Pui Yee Lee, Vice President and Treasurer of Singapore-headquartered Kulicke & Soffa Industries, is a case in point. She was mentored by Marie-Astrid Dubois, Assistant Treasurer, EMEA and Asia for Honeywell and was happy to endorse her experience when Dubois was recipient of the 2013 Treasury Today Woman of the Year Highly Commended Award. "I worked for Marie-Astrid for over eight years as a Treasury Director in Brussels, Shanghai, and Singapore. She was my greatest advocate and continuously provided me with the encouragement, experience and responsibility necessary to succeed and to develop. Marie-Astrid's mentorship has been invaluable to my current success."

Ideal traits

Contrary to common belief, the most successful corporate treasurers aren't necessarily the ones who appear to dedicate all the hours in the day to their job, taking little time for anything other than career progression. In fact, coping with a tough day at work is made a lot easier with a balanced lifestyle. Working longer hours when needed but going home on time (or early) when it is appropriate shows confidence in the individual's own abilities. Good employers seek professionals who manage a sustainable work/life balance, enabling them to think and function efficiently.

A key part of that process for treasurers is to be able to function socially. "Businesses are always looking for candidates that are personable and able to develop relationships within the business and with the banks," notes Pierce. This is a skill which can to an extent be learned by individuals immersing themselves in such situations (even public speaking, which many would view with horror). But there are certain traits which are even more desirable, and which can be honed to optimise the suitability of a candidate for a role. This includes the ability to bring solutions instead of just problems to managers (showing this type of foresight and commitment to a collaborative working environment is likely to be rewarded). Also, a tendency to avoid finger-pointing or blame-shifting is appreciated. It gives colleagues confidence that they will not be attacked when their backs are turned. According to Pierce, "at the treasury analyst level, personality and cultural fit can often be the difference between whether or not you get the job."

However, recent research from Robert Half in the UK reveals that accounting and finance professionals increasingly need to fine-tune the so-called soft skills. Reflective that finance operations can no longer work in isolation, learning to interact with and manage a variety of personalities and conveying financial information in non-financial terms were identified among the most common cross-departmental challenges. But the skills that contribute to the success of professionals most were: leadership skills (60% of 200 CFO and FD respondents agreed), strong technical skills (47%), effective communication (33%), a competitive nature (32%), futuristic outlook (30%), strong interpersonal skills (17%) and risk taking (16%).

In order to succeed, corporate treasurers can't rest on their laurels – instead, they must demonstrate a range of skills that contribute to treasury's position as a strategic partner to the business.

A case in point

For Jiameng Teah (JT to her friends and colleagues), Assistant Treasurer at Vodafone, "having an open mind and being resourceful and innovative" is essential when building a life in treasury. Speaking at this year's ACT conference in the UK, JT told how when she moved to England from China several years ago, she had to overcome certain immigration and work permit complexities to forge a successful career. By making several intelligent tactical moves away from her intended law career, she was able to ease herself into the right place at the right time in order to start climbing the treasury career ladder.

With an initial move into accountancy with Deloitte, she progressively undertook professional studies for ACA, CTA and MCT. "The MCT qualification came about by chance," she reports. Having been co-opted onto a tax audit project for a US-listed company, she found herself being introduced to the world of derivatives. With her interest in the treasury space piqued, she moved out of tax into a corporate finance and treasury advisory role, joining her firm's transaction services team. "But at my level, I was no more than a spreadsheet monkey," she recalls. "I was working 11 hours a day and had no life." With four hour commute on top of this, it was time for a major change.

"With the help of a few recruitment agencies, I discovered the world of corporate treasury," says JT. She moved to her first position at Tate & Lyle where she had "the time of my life." The role was "very broad" allowing her to take on every aspect of treasury. Unlike the "static profession" of tax, bound as it is by rules in books, treasury was more in line with her outlook and personality, being essentially fast-paced and "forward looking."

Her next move came quite by chance, JT finding herself sitting next to the Group Treasurer of Vodafone during the conversation-heavy lunch break of an S&P presentation on ratings. Six months later the call came through to talk more and in another three months the always opportunistic JT was on the move once more. Her new role gave her the broad sweep of treasury experience she craves, but with the added attraction of a truly global scope, travelling right around the world in a treasury day, but always tackling something different. It sounds full-on, especially when giving the treasury view to the business units, "but the way to deal with this and not completely lose my life is to develop the skill of picking what's relevant." By deciding what is applicable to each situation, and often with just a few minutes to give a response, she states the important skill is not to give "the War & Peace version of everything."

JT also speaks passionately about career development for women in treasury, commenting on certain challenges, including the often "confrontational" nature of male financial professionals. "It's important for women to develop a thick skin; but just by digging your heels in and being firm at the negotiation table it does not mean you are aggressive," she says. Although she feels the industry is making significant inroads (Treasury Today champions and organises a successful series of international events around this theme, for example) she stresses the importance of mentoring and making connections to strengthen the career opportunities for aspirant women in treasury.

Move on up

With economic volatility now the new normal, it is important for all treasury professionals to stay ahead of the curve, and rather than hoping for the best, making the best for themselves. Proactivity is essential, keeping a record of accomplishments and communicating them where appropriate. In order for candidates to fill in the gap in their experience, Pierce advocates asking the line manager for more responsibility or the opportunity to get involved in other areas. "Most managers are more than happy to say 'yes' if employees demonstrate eagerness to learn," she notes. "But when organisations cannot offer opportunities, we are seeing candidates looking for new roles that allow them to fill in the gaps in their experience."

This is advice treasurers with high aspirations can ill-avoid to ignore. Job opportunities at the higher echelons of corporate treasury have always been few and far between but there are numerous ways to improve career prospects, and being proactive should be seen as compulsory for progression right to the top. ■

Cycle repairs

The cash conversion cycle measures the speed that cash tied up in the buying, production and sales process can be converted back into cash again. This is perhaps one of the most important business metrics and its optimisation makes sound business sense. Treasury Today considers methods of improvement.

As working capital metrics go, the cash conversion cycle (CCC) must surely rate as one of the fundamentals. Most businesses preside over a complex web of suppliers and customers, and cash permeates that entire structure. The purpose of CCC is to measure the amount of time, in days, a company's cash is tied up in the purchasing, production and sales processes before it is converted back into bookable cash through the collection of receivables. It can be expressed as equalling DIO + DSO – DPO (where DIO is Days Inventory Outstanding, DSO is Days Sales Outstanding, and DPO is Days Payable Outstanding).

Ultimately, the longer the CCC, the longer it takes to generate cash so even with a full order book, if this figure extends too far, it can mean insolvency. Conversely, when a company collects outstanding payments quickly, correctly forecasts inventory needs and pays its bills slowly, it shortens the CCC. Most companies understand the importance of cash and more are engaging with the issue. In the REL Europe Working Capital Survey 2015, analysis of the accounts of almost 1,000 of the largest companies in Europe found that the CCC had improved in 2014 by 5.5% (the equivalent of 2.1 days).

Fixing the cycle

A good starting point for companies wishing to optimise their CCC is to understand the gaps in each of the working capital components in the equation referred to above.
By benchmarking these components it will be possible for a business to see where it stands in relation to its direct competitors. Of course, benchmarking should only ever be seen as an input to a broader discussion on cash, not an end in itself. For Greg Person, Global Vice President of Presales, Kyriba, optimisation requires a "holistic" view of processes and systems. Functions such as treasury, the controller's

office, accounts receivable, accounts payable, those on the operations side (such as manufacturing) and even banking partners, all have a role to play when discussing working capital management and free cash performance.

However, it is a big ask to rally the many and varied functions for such an initiative, so is it worth it? Increasingly, the cash conversion cycle is a metric that the CEO and Board will be interested in. The ability to maintain a liquid business plays a major role in the capacity to fund capital expenditure projects, M&A activity, share repurchase programmes, dividend payments and a host of other significant capital allocation decisions that senior executives are tasked with, says Person. "Improving free cash flow and delivering an enhanced liquidity position is certainly going to help support those objectives."

But company cash is increasingly of interest to external stakeholders too, he notes. The significance of a metric such as CCC is not lost on the markets, for example. Corporates, particularly those that are sensitive to cash flow (such as retailers), are often to be found giving guidance around their operating cash flow performance in earnings calls with analysts and the investor community. And well they might: if the capacity of the company to fulfil its capital allocation decisions is predicated on having the free cash flow and operating cash flow, then the ability to reduce its CCC is vital.

Cooperation required

With multiple internal stakeholders involved, shortening the time that cash is tied up in operations is a major initiative. For Person, the first point to acknowledge is that the focus should fall on cash when business is good. Wait for a downturn and it may be too late.

To help embed the idea that 'Cash is King' into company culture – and to steer an initiative in the right direction and encourage support and cooperation between functions – there needs to be buy-in and sponsorship from the top. It is a 'C-suite' role (possibly that of the CFO) to make sure there is clear ownership of duties and that all actions are aligned with the overall objectives of the business.

From a finance perspective, the areas of focus will most likely be DPO and DSO, simply because there will be less immediate influence over DIO (although the project sponsor should tackle any resistance). In terms of DSO, aside from simply renegotiating payment terms (which can be fraught with problems, as we shall see), effective means of shortening CCC include schemes such as factoring and trade receivables securitisation programmes. These schemes typically involve close partnership with a bank or other FI to make the receivables available for early payment. "It's not free but it is a way of accelerating cash collection and ultimately reducing the cash conversion cycle," notes Person. Complementing these relatively common schemes (at least in the SME sector) are a range of best practice AR workflow tools (from the likes of Gresham Computing, Fundtech and Bottomline), that facilitate the streamlining of cash allocation.

As the REL survey, referred to previously, suggests, many big organisations do not seem to focus on getting the cash in quite as efficiently as they could or should. For these firms, it may be possible to drive the strategic value of their shared services operation on the AR side. But benefits can easily be wiped out by poor results. Some 44% of respondents to SunGard's 'Credit and Collections Global Benchmarking Study 2015' stated just how complex dispute approval processes can be, particularly where multiple departments are involved. This, said the report, makes it very difficult to set up different resolution workflows for every type of dispute, so they are often handled manually as a result.

C.J. Wimley, COO for Receivables in SunGard's Corporate Liquidity Business, wrote that "while disputes inevitably require human intervention and therefore need to be managed in a different way to routine collections, it is very easy to lose visibility, control and monitoring of these invoices if they are managed outside of the normal systems environment". Instead, he believes that it is typically better to accept that disputes need to be handled "in a collaborative way", adding that technology may be used to support this aim. If successful, stakeholders will have visibility over the status, responsibility for follow-up steps will be clear, and any insensitive or inappropriate intervention is avoided. "This ensures that disputes are handled quickly, improving customer relationships but also minimising the impact on DSO."

Wimley also suggested that it may also be possible to carve out disputed parts of an invoice and pursue payment for the rest in the usual way, rather than holding up the entire invoice. However, the SunGard study demonstrated that 43% of companies choose to hold up the entire invoice. "This can have a material impact not only on DSO but also on the predictability of cash flow for working capital and cash flow forecasting purposes," he noted.

A cycle made for two?

On the DPO side, one of the most common options is that of supply chain finance (SCF) where the buyer, often working in partnership with its bank, pays its supplier on shorter terms in exchange for a discount on those invoices. SCF is something of a catch-all phrase that includes schemes such as dynamic discounting and supplier finance. For the buyer, this extends DPO, shortening the CCC and, by providing the supplier with funding, lends a degree of continuity to its supply chain.
SCF can come across as nothing more than a pretext used by large corporate buyers to coerce SMEs into accepting longer and longer payment terms and charging them a fee for the privilege. In fact, because the bank settling the invoice uses the buyer's credit rating to determine the cost, it can be a 'win-win' offering as long as the supplier needs early settlement: it effectively provides them with finance at rates they could never achieve on their own. Convincing them that this really is the case is often the first hurdle in the on-boarding process.

SCF has been around in one form or another for a very long time but speaking at a session during the 2015 Annual ACT Conference, the issue of its sustainability was broached by James Kelly, Head of Treasury at Rentokil Initial. He asked, somewhat provocatively: "If we all just paid on 30-days wouldn't the world be a lot simpler?" Although this elicited many nods of agreement, he admitted that whilst this would indeed be beneficial, the constant working capital tension between buyers and suppliers is unlikely ever to ease as no one was likely to break ranks first.

Of course, this tension is precisely why SCF exists. The ACT's Peter Matza, playing Devil's Advocate, asked why, if it is so good, so few are using it (a straw poll of the session revealed only around 2% had adopted it so far). Cranfield School of Management lecturer, Simon Templar was on hand to argue that although SCF has emerged as a practical solution, "it has not yet crystallised". To be truly sustainable, Templar believes it must see large corporate buyers assuming the role of "stewardship" in the whole supply chain. He argued that few would tie suppliers into punitive and ultimately unsustainable contracts not least because sourcing and on-boarding good new suppliers costs time and money. In fact, Templar sees sustainable SCF as a truly collaborative effort. He applies the term 'horizon scanning' to the view a buyer should be taking right across its supply chain, from tier one down, seeking to understand the cash-cycle times of all suppliers in a more steward-like way.

Responsibility and reputation

Indeed, as an alternative means of extending DPO (and as part of an effort to optimise CCC), SCF seems like a more responsible corporate approach than the easier alternative of simply paying late. The latter is a common practice which has earned much damning coverage in mainstream media in recent years. "Late payment is not sustainable and certainly puts a strain on business relationships," comments Person. He adds, that it can also have an internal impact, especially where the AP department is forced to handle the backlash from suppliers and constantly fight fires. The negativity does not end here.

The promotion of voluntary industry initiatives such as the UK's Prompt Payment Code, whilst offering a solution of sorts, serve to highlight the prevalence of late payment. As does more forceful legislation such as the EU's Late Payments Directive which intends to put a stop to protracted payment times, limiting terms to 60 days (or 30 days for public sector firms). These initiatives are well-intentioned but could be better: a voluntary code is just that, and the EU Directive does not prevent large corporate buyers from strong-arming small suppliers into accepting new unfavourable terms. The call in the UK for a mandate to publish the late payment practices of public companies tackles the subject from a different angle. Should it happen, it will seek to impact corporate reputation by naming and shaming the worst offenders. A growing reputation for late payment could negatively affect investor behaviour and may even see more muscular suppliers enforcing certain types of guarantees to protect themselves, suggests Person. However, he continues, it need not be like this at all when seeking to optimise DPO and CCC "because there are more prudent and responsible ways of achieving this objective".

Pay by the book

One company that "lives within" the EU Payments Directive is global pharmaceutical player, AstraZeneca. "Quality and surety of the supply chain is absolutely paramount," stated the firm's VP Finance – Cash Generation, Steve Williamson at the ACT event. One of AstraZeneca's key focuses is its strictly adhered-to 'pay-to-terms' metric. It always pays its suppliers on time, never late nor early. There is an exception process for immediate payments, but these must be approved either by the CFO or CEO. Generally the reason for such urgency is to rectify an error, explains Williamson. But rather than sanction such a need, he believes the best way is to correct the underlying issue that led to it so that it does not happen again. Effectively, this means there are very few exceptions: "The moment you have an exception you are sub-optimal".

As part of his 'cash philosophy', Williamson understands the importance of it being seen as a matter for the whole business, not just finance. To this end he firmly believes in "communicating, educating and repeating" the message until it permeates the culture of the company. However, he adds, AstraZeneca is "not solely about the cash", basing all of its plans and decisions "around meeting the needs of customers and suppliers", the goal being to build long-term relationships. "We can generate as much cash as we like, but in a year's time we might not have a business. We try to reflect what the commercial reality is," he states. Cash optimisation for Williamson is thus all about "good internal housekeeping" and developing an understanding of how cash is seen and handled by other companies and industries.

Nothing for free

The intelligent deployment of technology is fundamental to the effectiveness of CCC improvement programmes. On the DSO side, for example, being able to electronically post and exchange receivables is a necessary component of reaching the market. And from an ERP/TMS perspective, the ability to automatically reconcile, apply cash and manage disputes more effectively will facilitate a shorter cycle. But regardless of how good a vendor or bank's cash solution may seem, Person warns of the need for cost/benefit analysis.

> The intelligent deployment of technology is fundamental to the effectiveness of CCC improvement programmes.

Even low or non-tech solutions can have a cost. For the company, both factoring and securitisation have a P&L impact because the full amount of the invoice is not collected. Although payment arrives quicker, which can support the company's liquidity position, if the time-value of that cash does not meet or exceed the objectives of the business then there needs to be a rethink, warns Person.

Historically, only the larger companies have been able to exploit working capital initiatives such as SCF. But new technologies such as those facilitating the exchange of receivables in the public domain where the banks are not involved (such as C2FO and Taulia) enable even smaller firms to make incremental improvements to their overall cash flow and operational cash position. There is great potential for all businesses in gaining a consolidated view across a broad spectrum of commercial functions – including AP, AR, treasury, production, purchasing, the supply chain and even their banks – and the means to do so are readily available.

By acting on information drawn from this viewpoint to shorten the cash conversion cycle it could, for example, facilitate more aggressive paying down of debt or perhaps improve the company's investment position. If sufficient gains are made – and the REL 2015 survey suggests that working capital realisations are there for the taking – then these could also allow the funding of important capital allocations, such as stock buyback or M&A activity, without taking on additional debt. Whilst there is likely to be a cost attached to effective CCC optimisation, cash will always be an enabler so the arguments for getting the cash cycle to work more effectively remain compelling. ■

Raising the standard

Underpinning the cold, administrative-like nomenclature of ISO 20022 concept is a common language that has the capacity to streamline and lower the costs of a number of corporate-to-bank messaging processes. Treasury Today looks at the story so far.

As a universal financial industry messaging scheme, ISO 20022 can be considered 'state of the art'. Whereas EDIFACT, the UN-developed international electronic data interchange standard, tried to tackle the issue of message harmonisation and straight through processing, it has had limited success, largely because it has not been accepted as an international standard. ISO 20022 XML is different. With the push given by the mandated arrival of SEPA and the consequent embedding of its technical make-up into most ERP and treasury management systems, it has already achieved the kind of support necessary to help make it part of the everyday language of international treasury.

The standard was developed within the Technical Committee TC68 – Financial Services of ISO – of the International Organisation for Standardisation. The first edition, published in December 2004, proposed a standardised XML (extensible mark-up language) based syntax for messages. This would prove to be its saving grace. The inaugural communications for payments were approved in September 2005.

ISO 20022 (previously known as UNIFI) is by no means a static proposition and the changes keep coming to handle new needs like immediate payments (the ISO Real-Time Payments Group, made up of over 50 global experts, is tasked with driving forward the project of developing the ISO 20022 messages required). The breadth of ISO 20022 has also expanded from payments to cover areas including securities, trade, cards and foreign exchange.

Today, ISO 20022 is used both for market infrastructures and for corporate connectivity. Market infrastructures means bank-to-bank execution of payments via the central bank for most RTGS or a local central bank approved clearing house for most local low value payments. Corporate connectivity describes corporate-to-bank communications such as sending payment instructions to, and receiving statements from, a bank. Most central banks and clearing houses – in almost every major country around the globe – have increasingly bought into ISO 20022 as the best way to manage local clearing.

The XML part of the equation is the machine language counterpart to the more familiar HTML (Hyper Text Markup Language) found in every web page: XML carries data whereas HTML defines how it should be displayed: XML is purely a software- and hardware-independent means of encoding, storing and transporting data. But whereas HTML has a way of wrapping up a message in predefined computer 'tags', XML tags have no such definition and need to be written in order to send, receive, store or display the wrapped content. ISO 20022 formally standardised those tags, creating a uniform messaging tool that could traverse the financial space; the implementation of SEPA could not have been achieved without it.

SEPA gives rise

When SEPA instruments were first introduced back in 2008 and 2009, the European Commission (EC) required a uniform messaging format to be used for payments across all the SEPA zone markets. The EC decided that SEPA credit transfer (SCT) and direct debit (SDD) schemes should use a subset of ISO 20022 messages. With the XML-based messaging format, it meant that for the first time in payment processing history, the entire end-to-end transaction flow could be executed using the same standard for payment initiation, clearing and reporting.

> If one corporate works with a specific bank and ERP system, and another corporate works with a different bank and ERP system, they can use the same XML format instead of going through a migration exercise and customising XML for each of these relationships.

It also now means that if one corporate works with a specific bank and ERP system, and another corporate works with a different bank and ERP system, they can use the same XML format instead of going through a migration exercise and customising XML for each of these relationships. For corporates, the increased homogenisation of payments around direct debit and credit transfers has become a real prospect for corporates in Europe, facilitated only by the across-the-board adoption of ISO 20022 XML payments standards.

Because of all the hype around SEPA, it may be easy to mistake ISO 20022 XML as a Europe-only set of message standards. But it was always intended to be used in every domain of the financial world. Indeed, ISO 20022 allows 65,536 characters which is enough to handle all known writing systems, hence its adoption by many 'non-Roman' language based market infrastructures. It is used, for example, for clearing in China (CNAPS2), Japan (Zengin and BoJNet) and Russia (CMPG).

ISO 20022 is as broad in its functional reach as it is in geographic spread. Whereas SWIFT's FIN MT standards were designed only for cross-border high-value flows like FX settlement, ISO 20022 covers the likes of cheques, bank drafts, local low value (like payroll), bulk payments, cross-border and trade transactions. FIN was 'patched' to handle

ISO 20022: message standards	
Account Management	acmt
Administration	admi
Acceptor to Acquirer Card Transactions	caaa
Cash Management	camt
Terminal Management	catm
Payments Clearing and Settlement	pacs
Payments Initiation	pain
Reference Data	reda
Securities Events	seev
Securities Management	semt
Securities Settlement	sese
Securities Trade	setr
Treasury	trea
Trade Services Initiation	tsin
Trade Services Management	tsmt

Source: www.iso20022.org/payments_messages.page

some of these needs, but saw each bank create its own workaround. This caused many difficulties for treasury interconnections, and major operational risks as market infrastructures around the world upgraded to offer new services like immediate payments. ISO 20022 offers standards for every conceivable message a corporate treasurer would want to send, and many more for other financial purposes (see table above).

Keeping ahead of the game

The flexibility of ISO 20022 means it is not actually necessary for corporates to use it to instruct their banks to make payments through ISO 20022 market infrastructures: traditional EDI formats such as ANSI X12 and UNI/EDIFACT, or even Excel, may be used. Corporates can also use ISO 20022 to instruct their bank to pay over legacy market infrastructures like ACH, FIN or even cheque – with standards available for how to execute each. The more market infrastructures move to ISO 20022, the more compelling it is for corporate connectivity and the more it will become the 'de facto' model.

However, there is a need for more than just new message-types in the corporate-to-bank space; there is a need to manage market practices, to avoid such workarounds and ensuing inefficiency. SWIFT has developed a number of tools to try to help corporates and banks work together. The key to co-operation is the CGI-MP (Common Global Implementation-market practice) Group. This is the new, more focused name for the old CGI, remaining the same group of industry stakeholders (mainly banks, corporates, market infrastructure providers and vendors) who have come together with the intention of creating a singular approach to SWIFT messaging standards, and now including all those under ISO 20022.

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 approach but global adoption by market infrastructures and rapid standardisation of corporate connectivity by GCI-MP mean that ISO 20022 is effectively future-proof.

Whatever new payment technologies come along from now on, they will most likely be cleared using ISO 20022.
And even if not, the global breath and coverage of CGI-MP should mean that corporate connectivity standards will be developed at the same time as any new payment systems are rolled out. This in turn ensures that treasurers using ISO 20022 are effectively hedging themselves against the operational risk and cost of future developments in payment technologies and services.

Moreover, being a global standard developed by corporates, banks and system vendors means that ISO 20022 is well-supported by corporate systems: indeed, almost all ERPs and TMSs have in-built ISO 20022 functionality. In effect, treasurers using ISO 20022 can lower their costs and operational risks by using established and well-known standards as opposed to implementing the likes of bank proprietary standards or Excel interfaces.

Despite the best efforts of CGI-MP there is a persistent myth that ISO 20022 is not globally standardised. In most cases, this stems from treasurers' perception that ISO 20022 does not take away local requirements like withholding tax in Thailand, Boletos in Brazil or purpose codes for payments in Chinese RMB. What CGI-MP can and does do, is to standardise the way these local nuances should be coded in ISO 20022 messages, so that treasurers only need to figure it out once for it to work with all banks. Where treasurers may be dealing with countries that have not yet been standardised by CGI-MP, it may be time to step up and join CGI-MP.

Other use cases

Although SEPA was the most visible – and influential – early adopter of the standard, ISO 20022 was intended to be used in every domain of the financial world. One of these is electronic Bank Account Management (eBAM). For many years now, corporate treasuries have been demanding technology that will allow them to automate the process of opening, closing and managing their many global bank accounts. It is easy to understand why. With a typical corporate working with on average 15-20 different banks, each likely to be governed by different local regulations, even making simple amendments to an account using traditional manual, paper-based methods can often become a very time-consuming process.

Collaborating with a select group of banks, solutions providers, and corporates, SWIFT established and piloted 15 standard eBAM ISO 20022 XML messages, each of which was designed to cope with a range of different business scenarios including account opening after KYC, account closing, signatory and mandate management and reporting.

After some corporates expressed frustration regarding omissions to the original standards, ISO proposed some changes and a new version of the eBAM standards was certified by the group in 2013. Unlike the initial versions, the new standards allow, for example, a group of signatories can be defined, as can electronic mandates. Together with another digital initiative to replace wet signatures, 3SKey, these latest XML messages would, in theory at least, now allow corporates to perform the majority of bank account management functions electronically.

Although corporate uptake of eBAM solutions to date remains minimal, as adoption of ISO 20022 gathers pace, so too may eBAM follow. If it does, the consolidated and accurate cross-border bank account information workflows it will establish will bring a host of different benefits to treasury teams, including greater automation, improved risk management and security and a much simplified compliance processes.

Another noteworthy innovation that could receive a huge boost from increased ISO 20022 uptake is e-invoicing. Efficient e-invoicing and processing has been on the corporate treasurer's wish-list practically since the birth of the internet-age in the 1990s.

> Even if not mandated to migrate, like European companies were in the run-up to SEPA in February 2014, moving to these standard XML formats is something which treasurers today should seriously consider.

Although adoption of such solutions allows companies to improve working capital and supply chain finance processes, uptake to date has been hampered by a combination of legal uncertainty and the absence of common standards.
In Europe, for example, according to figures published by the European Commission just two years ago, e-invoicing accounted for between 4% to 15% of all invoices exchanged in the region. The lack of common standards is less of an issue now that the industry has defined an XML format for e-invoicing, based on exactly the same data elements as SEPA XML. Consequently, industry experts believe companies will make a big push towards implementing e-invoicing in the years ahead. This would represent a big step towards the ultimate goal of automation right across the corporate value-chain.

Migrating to XML

The process to migrate to ISO 20022 XML typically begins with the treasurer first ensuring that both internal and external systems support XML formats. For those who are already using SWIFT or a modern electronic proprietary banking system this is not likely to be a problem, but any systems provided by smaller, local banks or running older versions will almost certainly need to be replaced or upgraded. In the case of internal systems, most ERP and TMS vendors modified their systems in the run-up to the SEPA deadline in order to support XML; for most international vendors this change would be applicable anywhere.

For treasurers not using fully up-to-date versions, the upgrade process can be complex, lengthy and expensive, particularly for companies that have multiple ERP systems in operation. This perhaps explains why third-party conversion services proved a popular way to ensure compliance ahead of the SEPA deadline.

For those that decide not to use a third party, there are a number of simple steps which can be taken to ensure that an ISO 20022 migration project is a smooth one:

- **Establish a centralised governance and management structure.** One of the biggest challenges, given that every company has its own sets of competing priorities, is securing sufficient IT resources for the project. In such cases, setting up a centralised team can help facilitate buy-in from the top decision-makers within an organisation thereby ameliorating the issue somewhat. This central unit will also be crucial for developing and coordinating the process. This will include processes such as drawing up a detailed project plan and taking into account the necessary investments needed for the project, writing rulebooks, and creating an implementation guide.
- **Secure a budget.** Once the scope of the project is known, a central budget should be drawn up. Some treasurers whose departments completed ISO 20022 XML migration as part of their SEPA compliance projects are on record as saying a phased approach with commitments spread out over a long period is preferable to project funding that is monolithic in nature and sought from the outset. Another lesson from SEPA is that there was a tendency for companies to underestimate the cost of migration at the outset.
- **Determine the timescale for implementation.** A plan should be established that includes approximate timeframes for the migration. This should cover everything from writing technical specifications, making IT changes, testing, going live and decommissioning legacy systems. When doing this it is worth noting that resources of your banking partners may also be constrained and this might impact the turnaround times for the XML files they are producing, which may in turn impact your project timeline.
- **Make use of validation portals.** For a corporate, being able to test whether their use of XML is in line with the implementation guide before they go live is vital. Validation portals – such as SWIFT's MyStandards Readiness Portal – are able to point out exactly where problems occur by highlighting the data field and provide a direct link to the section of the implementation guide or rulebook that explains how to fix it.

Moving to XML is now widely considered to be best practice. Even if not mandated to migrate, like European companies were in the run-up to SEPA in February 2014, moving to these standard XML formats is something which treasurers today should seriously consider. The benefits of operating with this standard, in terms of the efficiency gains of end-to-end processing across the entire supply chain, cannot be ignored. As the harmonisation work on XML standards drives yet further adoption and promotion, the alternatives, such as EDI (which is still used in most bank systems because customers still use it), seem to be heading to the history books. ISO 20022 XML, looks like being the future of financial messaging. ■

Any readers who require more detail on the key features of ISO 20022 should visit the dedicated ISO website: www.iso20022.org

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