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ASIA



Smart investment solutions

As corporate cash piles continue to increase in Asia Pacific, we ask what short-term investment strategies are available to corporates looking to get some value out of their cash. We also examine how regulation and market trends are changing the local investment landscape.



The Corporate View

Jarno Timmerman

Head of Treasury, South East Asia Pacific
AkzoNobel



Women in Treasury

Erin Strang

Group Treasurer & VP Tax & Governance
Aurizon

Trade

Dematerialisation of trade documents

Technology

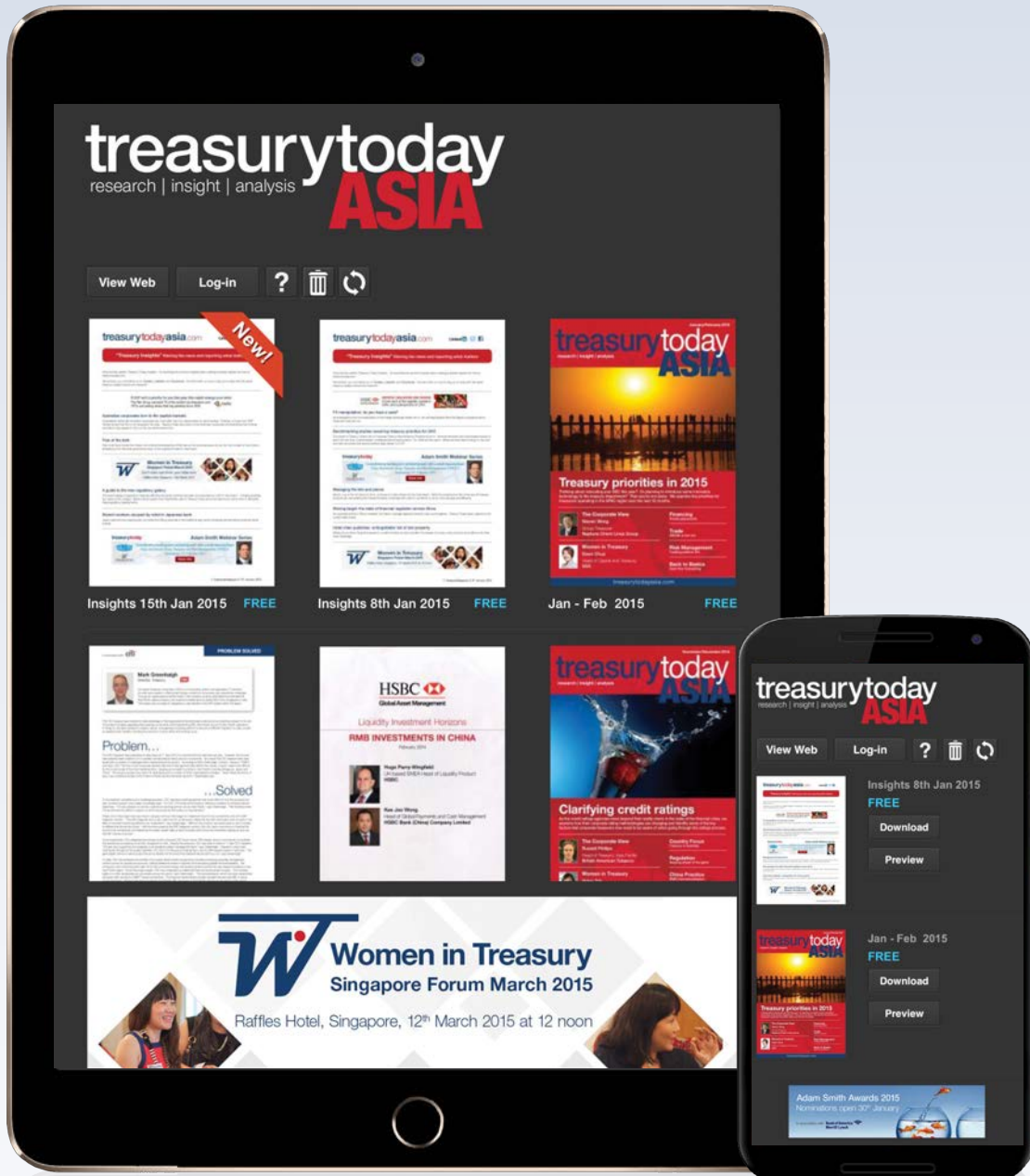
Choosing a TMS

Banking

All change in transaction banking

Back to Basics

Corporate cards revisited



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Year of the Ram: economic impact

As the pivotal holiday in the world's largest economy and most populous country, Chinese New Year has an increasingly large impact on corporates across the globe. Prompting the most significant mass migration of people on the planet, the Spring Festival leaves factories empty and sends ripples through supply chains the world over. It also leaves the financial markets quiet, not least because the majority of indices in the Asia region shut for at least a day to mark the event.

We are now entering the Year of the Ram (or goat, or sheep – there is some debate around the animal represented in the Chinese imagery) and people born under this sign of the zodiac are said to be, among other things, calm and stable. They are also said to enjoy good health. Many investors find that they too enjoy good financial health under this sign, as the Year of the Ram has traditionally seen some strong returns.

What's different about this Chinese New Year, however, is that there are serious question marks hanging over the country's future growth rate. As we know, 2014 saw GDP growth cool to 7.4%. Although impressive when contrasted against European and US figures, this was the slowest rate of growth that China had witnessed in almost a quarter of a century.

But President Xi Jinping has clearly indicated that analysts should get used to this level of growth as the 'new normal'. His message is that necessary structural changes taking place in the economy will keep growth below the stellar levels of yesteryear, but will also help to avoid bust and boom cycles. One such change is that the service sector has become increasingly important as an economic driver, and according to KPMG, accounted for 48.2% of China's economic output in 2014. What this means, of course, is that a shift is taking place away from manufacturing, construction and agriculture.

For countries supplying raw materials to China, in particular Australia, the implications of these changes are significant. And for those companies using China as a cheap manufacturing base, it may soon be time to consider whether other locations in the APAC region now offer the same benefits that China did a decade ago.

Elsewhere, China's outward direct investment (ODI) is now rivalling foreign direct investment (FDI) – not because FDI is falling, but because more and more Chinese companies recognise that to become increasingly competitive, overseas investment is critical. Not only are they accessing overseas markets, technology and brands; they are also making the most of human capital in these new markets to help them to upgrade and transform their businesses. In short, Chinese companies are adapting to the 'new normal' in the best way they know how: innovation.

The takeaway here is that whilst it might seem to the outside world that China is slowing down, in fact the country is taking time to stabilise and to act on strategies that will lead to sustainable growth in the future. Like those born in the Year of the Ram, calm and stable is the name of the game.



Managing Asia's cash mountain

If you are a corporate treasurer working in Asia, short-term investment strategies will almost certainly have been at the forefront of your of mind in recent years. The cash and liquidity landscape is in a state of flux. Regulations and market trends are driving the development of new liquidity solutions from banks and asset managers, but how can treasurers decide between them?

Central Asia



Focusing on the former Soviet republics Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan – this article explores how the countries have fared since their independence from the Soviet Union and examines the local treasury environment.



Erin Strang
Group Treasurer & VP Tax & Governance, Aurizon



From early in her career Erin Strang, Group Treasurer & VP Tax & Governance at Australian rail freight operator Aurizon has been aware of the power of networking. In this profile, we hear Erin's candid views on how networking has helped shape her career and how she believes a more diverse corporate landscape can be created.



As exchange controls in China have been systematically phased out, the threats corporates once faced around regulatory trapped cash and burdensome paperwork have largely been removed. In this article, Cline Zhang, Head of Liquidity Management Services in China and Shanghai Free Trade Zone Branch Manager, Citi, discusses the continued liberalisation measures around cross-border foreign currency controls and how corporates can look to take advantage of these.

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TRADE 25

The shipping forecast

For hundreds of years, overseas trade has relied on a full set of documentation to ensure the dispatch, shipping, offloading and receipt of goods by the paying customer. More recently, the conversion to digital formats of some elements has taken place. But can paper ever be replaced entirely?



TECHNOLOGY 28

A perfect storm

If ever a market was ripe for picking then Asia Pacific has to be the one for the treasury management system (TMS) right now. But is the TMS vendor community ready and willing to adapt to the diverse needs of local treasurers?



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20 The Corporate View

Jarno Timmerman
 Head of Treasury SEAP (South East Asia Pacific)



Jarno Timmerman admits that he is a “strange animal in the world of corporate treasury” due to his unconventional path into the profession. Whereas many treasurers begin their career in areas such as accounting, finance, banking or auditing, Timmerman’s unique journey started on the courts of Europe’s professional volleyball leagues.

BACK TO BASICS 31



Plastic fantastic: corporate cards

Corporate cards were first introduced in the early 1990s and in recent years their use across Asia has grown significantly. We examine the latest developments in the corporate cards market, and analyse where – and for whom – they work best.

These pages contain edited versions of a few of the Treasury Insight pieces written in the last month. The full versions are posted on treasurytoday.com as they are ready. The Treasury Insights weekly email summarises the new pieces from that week plus other news relevant to treasury. You can register for this free service at treasurytodayasia.com

Are you ready for China's GAAR?

China has stepped up its efforts to tackle tax avoidance, refining the rules surrounding its General Anti-Avoidance Rule (GAAR). The Administrative Measures for General Anti-Avoidance, issued by the State Administration for Taxation (SAT) in December 2014 seek to clarify how the GAAR can be used for both the taxpayer and tax authorities.

Corporate benefits

As with any rules that are released surrounding corporate tax, there is some trepidation about the potential impact on businesses. In this case, it seems that there are both positive and negative aspects for the corporate taxpayer.

A positive development under the new GAAR measures is that the SAT, the highest tax authority in China, has final say over launching and closing any GAAR investigation. "This removes a degree of power away from the local tax authorities who, in the past, have been accused of running away with the tax laws in order to gain extra income from taxation in unfair circumstances," says Eloise Walker, Tax Partner at Pinsent Masons. "Placing ultimate authority in the hands of the SAT should make the process fairer for the corporate tax payer and also remove any ambiguity at local level."

The uniform GAAR investigation process that has been outlined under the new measures is another positive development for the corporate tax payer. "While the rules provide a guideline for the tax authorities, they also help corporates understand how the tax authorities operate regarding GAAR investigations," says Walker. "There have been a number of cases in the past where a corporate tax structure has been challenged by the local authorities using the GAAR and in all reported cases a standard approach was not taken. This should allow corporates to adequately prepare for any investigation and also remove the chance that the local tax authorities might make surprise moves."

Any need to worry?

Despite there being a fear that the new measures will make it more difficult for corporates to engage in cross-border activity, Tony Dong, Partner at King & Wood Mallesons doesn't believe that there is much concern. "Ever since 2008 when the current Enterprise Income Tax regime took effect, and along with the international tax climate in combating tax avoidance, Chinese tax authorities have been clamping down on tax avoidance arrangements. Thus, cross-border activities have become more challenging already in recent years," he says. "And with respect of the issuance of the GAAR measures, it primarily provides more clarity in the future investigations, while not necessarily making cross-border transactions more difficult."

Most GAAR cases are identified by the local tax authorities during their daily work. "Corporates should therefore properly monitor whether its current practice might easily be flagged by the local tax authorities," says Dong. "Corporate treasury can assist by analysing if the corporation in China has maintained a loss position or low profitability in recent years. Also it can check if the corporation remits large sums or regular payments of management fees, service fees and royalties, to an offshore party. Finally, it can assess if the corporate holds any intermediate companies in tax haven jurisdictions that may raise suspicion."

Australian corporates turn to the capital markets

In recent times, corporates in Asia Pacific (APAC) have increasingly looked to the capital markets in order to raise funding, with bond sales in the region hitting record highs. Whilst these issuers came from a number of countries across APAC, Australian corporates were notably active. And according to a recent study by BNP Paribas, this is all part of a trend among the largest companies in Australia to diversify their funding mix away from over-reliance on bank sources. Undertaken towards the end of 2014, the study surveyed 50 CFOs and treasury professionals from companies with access to the capital markets about their borrowing intentions for 2015.

Diversified funding

The study revealed that only 2% of corporates are solely reliant on bank debt, while two-thirds of companies use a mixture of the debt capital markets and bank debt. The final 29% are solely reliant on the capital markets. "This really challenges the perception that corporates are reliant on bank funding. There are many factors that have been contributing to this shift over the past few years including: the need for diversification of funding sources, matching of asset and liabilities tenor, the increasing size and sophistication of Australian corporates, the continuing development of the domestic bond market and the competitive pricing that can be achieved in the international bond markets, particularly for longer dated funding," says Kate Stewart, Head of Debt Capital Markets for Australia, at BNP Paribas.

Pushing ahead

One-third of corporates surveyed indicated that they expect to see their proportional use of the debt capital markets increase in the near future; in fact bond issuance for 2015 is tipped to increase across the entire region. And according to BNP Paribas's Stewart, "available liquidity, credit spreads, investor demand for Australasian credit and total cost of landed funds into Australian dollars are making bonds among the most attractive sources of funds for corporates at present. Almost a half of respondents suggest that they will increase their global debt capital markets activity over the next two years," she says.

According to the study, the US private placement (USPP) market was the most popular offshore market, with just under half of those corporates surveyed having been active there. Its popularity is bolstered by its flexibility: corporates are able to issue bonds of anywhere between less than \$100m to one billion. The tenor of the USPP market is also appealing because the corporate can issue multiple tranches in order to smooth the maturity profile and minimise refinancing risk. Other benefits include: the ability to execute the deal in AUD, thereby preserving the issuers' swap capacity; a delayed drawdown allowing the issuer to take advantage of the current market, although not requiring funds for a number of months.

"All of these factors, combined with competitive pricing, smaller tranche sizes and no ratings requirement, mean that the USPP market remains one of the first points of access for Australian corporates in the offshore capital markets," says Stewart.

Avoiding guilt by association: supply chain sustainability

Recently, China's government-sanctioned labour organisation, the All-China Federation of Trade Union, launched a scathing attack on the Foxconn Technology Group. The Taiwanese technology giant was accused by the labour union of overworking its staff in China in order to achieve increased profits, leading to depression, other mental health problems and, in extreme cases, death and suicide.

Of course, Foxconn is not the only company in recent years to be accused of worker abuses, but the company has made the headlines due to its pivotal role in the supply chain of many household technology companies such as Apple, Samsung and Microsoft. By association, the names of these corporate giants have become entangled in the negative press surrounding the incident.

At a time when consumers are becoming increasingly aware of – and unhappy with – the unethical practices used by certain companies to boost profits, responsible supply chain management is significantly growing in importance. Yet with many multinationals having thousands of suppliers, monitoring every single link in the supply chain can be a gargantuan task.

The good news is that there is an increasing array of services (not all hugely expensive) out there to help corporates to monitor the sustainability of their suppliers. Not for profit, Sedex Global, is one such company. Founded in 2005, the firm was originally established to create a more streamlined and efficient data sharing process between suppliers and buyers. "Suppliers often have to provide lots of information surrounding their business practices and answer lengthy questionnaires," says Mark Robertson, Head of Marketing and Communications at Sedex Global. "If that company is providing this level of paperwork to, say, ten companies they are supplying to, then the administration burden surrounding this process is huge." By joining Sedex, this information only has to be uploaded once, thereby reducing duplication and increasing transparency in global supply chains.

"As building responsible supply chains has become increasingly important for corporates, Sedex platform has become an increasingly important tool to assist them in managing this process," says Robertson. The reasons that corporates have begun looking to build responsible supply chains are numerous. Of course, mitigation of reputational risk is the most publicised reason, but corporate social responsibility (CSR) is also becoming more than just a 'nice to have' – it is being recognised as an optimal way of doing business. ■

Longer versions of these articles are available at treasurytoday.com/treasury-insights

This much I know

Erin Strang

Group Treasurer & VP Tax & Governance



Do you feel that women bring something different to the needs of treasury?

I certainly believe that different people bring different perspectives to the treasury function based on their experiences and attitudes. However, I am not sure if this can be defined by gender, nationality, or anything else for that matter – it is ultimately down to that individual's make-up.

Balancing professional and family life is tricky – what's your experience?

Having the correct work/life balance is extremely important in my opinion. Whilst I love my job, I do, of course, have things that I like doing outside of the office. Thankfully, our CFO is a family man and he understands that there are times when I may need to leave early or start late, so I am lucky in this regard. Also, more generally I feel that it is important to demonstrate to my team the importance of a healthy work/life balance. I don't get this right all the time, but it is something that I am always trying to do. As an enterprise we are actively working on ensuring that people across the business are offered flexible working arrangements where practicable to help them achieve their full potential.

How is Aurizon looking to drive gender diversity across the business?

At present, our business comprises roughly 14% women. The company is actively taking strides to improve on this number and our CEO has set an aspirational target to hit 30% by 2019. As a result, there are currently numerous initiatives happening across the business that seek to engage women including in operational areas where historically they have not been. We have also implemented a mentoring programme that looks to support women across the business and offer an environment where they can talk candidly about issues they may be facing at work.

Do you see a day when we will have true equality in the workplace – at all levels?

I certainly hope so. I look at what is happening in our organisation, with our aspirational target, and also more broadly across the Australian corporate sector and I think the signs are positive. For example, in Australia we have a Champions of Change programme where CEOs of major corporates across the country promote greater diversity and equality in the corporate workplace. For these schemes to be successful however, there has to be male engagement because it is not just a female issue, it is a cultural issue and there needs to be a step change in our overall culture.

If there was one tool that could help you to be an even better corporate treasurer, what would it be?

Communication and relationship management skills are a fundamental tool that treasurers need to develop. The role of treasury has changed a lot in recent years and it is vital that treasurers hone these skills in order to understand the various needs of the departments that treasury interacts with and to demonstrate how you can add value to them by what you are doing.

“Having the correct work/life balance is extremely important in my opinion. Whilst I love my job, I do, of course, have things that I like doing outside of the office.”

ON THE WEB

To read all the interviews in this series go to treasurytoday.com/women-in-treasury



Transporting over 250 million tonnes of commodities across the nation, Australian rail freight operator Aurizon prides itself on connecting miners, primary producers, and industry with international and domestic markets. The company therefore seems an appropriate fit for its Group Treasurer & VP Tax & Governance, Erin Strang, for whom building networks has been a key goal throughout her career.

"I was told by a colleague early in my career about the power and value of networking and, in my opinion, this is vital to every aspect of work and also life more broadly," she says. This wasn't always the case however: "for a long time I didn't make the time to network because I could not see the value in it. Yet, as my career has progressed it has developed into a very valuable tool." For Erin, it is through networking that she has attained a greater understanding of how business operates, attained influence inside and outside her department, developed herself as a professional and also helped others on their career path.

She also believes that networking is particularly important in the treasury arena. "Treasury teams are often quite small," she says, "yet our reach needs to be extensive. It is therefore helpful to develop relationships across the business and understand the different issues they have and how we can help support them. The ability to communicate and build relationships may be the most important tool available, not only to a treasurer, but to anyone in business."

Networking has certainly helped in her career which she admits, for a corporate treasurer, has taken an 'unusual' path. After graduating from university with a Bachelor of Commerce (Honours in Economics) she began her career in the public sector with the Reserve Bank of Australia, working in public policy and risk management. Staying in the public sector, her next move was to the other side of the world to work for the Bank of England in a similar role. "It was a great experience working for both of these famous institutions and it gave me a fantastic grounding in risk management and how to approach this analytically." Yet, for Erin something was missing from these roles. "As time progressed, I found it a bit dissatisfying not being close to business, so I decided to take the plunge and move away from public policy, initially working in investment banking and then shifting to the corporate advisory sphere with the Queensland Treasury Corporation."

In 2009, Erin fully immersed herself in the world of corporate treasury assuming her role at Aurizon, a company that was about to undergo an extreme transformation. At the time, the company was called Queensland Rail and was under government ownership. In 2010, it was privatised and listed on the Australian Securities Exchange, before being renamed Aurizon in 2012. The role of the treasury team has been pivotal in this process having put in place corporate debt facilities, obtained credit ratings from Moody's and S&P, managed the growth of the business and its debt profile, and also assisted in building governance policies and behaviours across the business. "The role was exactly what I was looking for when moving away from public policy and it has been a great experience being so involved in the transformation of a business."

Unsurprisingly for Strang, the greatest tool at the treasury department's disposal during this transformation was communication and networking. "I encouraged my team to develop techniques to communicate, listen and influence others across the business. No matter what level someone is, no matter what gender or nationality, it is about finding a style that reflects you and resonates with your audience. This is how treasury gets a voice in the organisation."

Ensuring the treasury has a voice also reflects her key motto in life – 'life is 10% of what happens to you and 90% of how you react to it.' "I actually have this on a plaque on my desk in the office. It is essentially saying that life is all about the attitude that you approach it with. Ultimately, you are in charge of your outlook on life and what you make of it."

So far Erin has made the most of her career in roles that she has not only loved but that have also allowed her to gain a wealth of experience. None more so than her current role at Aurizon which she describes as being an "amazing journey" given the changes the organisation has been through. So what is next for Erin? "I am happy in my current role, however, when the time arises to move on I think that I have positioned myself to have a number of choices. Of course, my role at Aurizon incorporates more than just treasury and working with both tax and governance has widened my skillset and offered me a solid grounding for a next step. I feel that with this experience I could seamlessly move into a different role within finance or even utilise my business knowledge and relationship management skills and move into a commercial role. Both of these are options in the future". ■



Erin Strang is the Group Treasurer & VP Tax & Governance of Aurizon, Australia's largest freight rail operator listed on the ASX on 22nd November 2010. Erin has been with Aurizon for over five years, manages enterprise financial risk, funding requirements, tax and governance, and was responsible for managing the transformation of the treasury function post IPO. Prior to joining Aurizon, Erin worked as a Corporate Advisor to government owned corporations with Queensland Treasury Corporation, and in financial and operational risk management with investment bank Barclays Capital, the Bank of England and the Reserve Bank of Australia. She holds a Master of Applied Finance from Macquarie University and a Bachelor of Commerce (Honours) from the University of Melbourne.

Talent management

“ *The war for talent continues in Asia. What innovative approaches are treasury departments in the region taking to attract and retain talented individuals? Also, how can in-house talent be developed to add more value to the company?* ”

Tzeitel Fernandes, Principal, Performance & Rewards, Aon Hewitt in Asia Pacific:



Treasury skills like liquidity and risk management have always been 'hot skills' in Asia. Yet, increased collaboration with banks has meant a reduction in the size of treasury teams, leaving them more vulnerable in case of attrition. While firms continue to have large finance teams, the specialised skills of the treasury function are not easily found in the traditional finance professional.

Attracting talent into the treasury is tricky, as the correct skills are very difficult to find. Most employers are now using a combination of social media and traditional methods to root out qualified professionals for their treasury teams. However, most firms prefer to grow talent from within, especially in the case of 'hot' areas like treasury.

Aon Hewitt's research shows that the best employers tend to fill just under half (43%) of their managerial vacancies internally, versus approximately only a third (34%) for employers in general. This strategy works much better than hiring from outside; not only is it more cost effective, but it comes with reduced training time and smoother transitions. It also demonstrates the organisation's commitment to providing career opportunities to its employees, thereby increasing the engagement of the team as a whole. As we have known for a while, 'career opportunities' have long been a key driver of employee engagement in Asia Pacific.

In order to maximise return on investment in talent, firms need to identify their high potential employees in the treasury, and adopt proactive measures to keep them engaged. Typical strategies used by the best employers to retain and motivate high potentials include leadership development programmes, developmental assignments, special projects and increased access and interaction with senior executives.

Besides these, there are certain specific steps that firms could take to develop, retain and motivate staff in their treasury departments. One of the most effective is to send high potential, high performing staff for treasury-related certification courses. These courses are offered by various reputed associations or educational organisations and have a three to 12 month duration. Employees value them enormously, not only for the learning opportunity they provide, but also as they enhance the message that the organisation is willing to invest in their development to help them build a career within the treasury.

In larger firms, junior to mid-level professionals are often rotated between teams within the treasury. This promotes collaboration between teams, enhances the teams' skills and knowledge about the working of the function, and enlarges the talent pool which the firm can draw from when it needs to fill a position. Increased centralisation of the treasury teams has made this more possible in hub locations, such as Hong Kong and Singapore, in the last few years.

Finally, the most successful firms are those that understand the importance of internal recognition. Through a combination of rewards, special projects and even 'meet the leadership' events, firms that are able to demonstrate appreciation for their employees also have a higher chance to engage and retain them.

Tim Raiswell, Managing Director, CEB and Alex Bant, Research Director, CEB:

Despite an ongoing war for talent in many geographies, 50% of finance leaders say that their current teams lack the right mix of skills to meet evolving business demands. Essentially, business leaders want finance partners who can tell a clear story about the drivers of business performance and guide them to better decisions and processes. However, the typical finance team's strengths tend to be functional and technical capabilities. So it's not surprising that we see many finance leaders searching desperately for better partnership, communication and leadership capabilities in their people. Unfortunately, CEB finds that it is exceptionally rare to find all of these skills in individuals, which is why the best finance functions focus on building better teams, not finding individual stars.

Companies have pressed 'pause' on finance talent development. During the lean years between 2008 and 2011, we found that 63% of finance teams paused recruitment efforts, 52% put training and development programmes on hold, and 51% reduced their learning and development budget.

There is a growing gap between HR-led strategies and finance needs. HR competency designations, such as "soft skills" or "leadership skills," are often applied broadly across corporate functions without tailoring to finance's unique needs. There is also a lack of leadership training. The middle management layer for many finance teams is decreasing, leading to managers who are unprepared to take on additional responsibilities and train junior staff. In fact, we found that 81% of finance executives are dissatisfied with the strength of their leadership pipeline.

The skills that matter most for treasury

Treasury executives are worried about the impact of these widening skill gaps on corporate and individual performance, but they find it difficult to identify which skills are missing within their team and what to do about it. We surveyed more than 2,200 finance professionals to identify the non-technical competencies that are critical to bridging this gap in treasury:

1. Builder: an ability to develop talent, manage and utilise a portfolio of skill sets, and manage teams.
2. Persuader: strong communication skills, such as using narratives and graphics to convey messages.
3. Strategist: understanding of business operations and technology.
4. Learner: flexibility, learning, and improvement skills.
5. Doer: strong functional expertise combined with problem solving and judgment skills.

Most finance teams have a surplus of people with 'doer' and 'learner' competencies, but the best teams over-invest in 'builder', 'strategist', and 'persuader' competencies. Most finance leaders will need to change their current hiring strategy if they are to find people with these skill sets.

Christine Wright, Managing Director, Hays, Asia



Staffing demand is intensifying in Asia and the labour market is becoming exceedingly tight in many areas, including treasury departments. Given ongoing demand for highly skilled professionals, employers need to look at more innovative strategies to attract and retain talent in treasury departments.

With more businesses centralising the treasury function where possible, there has been an increase in control over cash management across the region. This has offered treasury professionals the opportunity to work in larger teams, which is a positive retention measure as staff gain access to more career development opportunities. Also, increased project exposure has been a critical driver in retaining talent with many individuals now regularly involved with acquisitions and integrations.

Attracting and retaining employees in treasury departments also involves understanding the recruiting equation. This is made up of branding, promoting what your organisation can offer and demonstrating honesty and respect. You also need to promote the ongoing learning and development on offer. This is otherwise known as the Employee Value Proposition (EVP). Every organisation should have its own unique EVP that can communicate to potential employees the experience of working for your company and distinguish it from others. To come up with something that truly appeals to the type of person who will thrive in your department, it helps to think of your EVP as a description of why your business is the right place for the type of people who succeed there, and nobody else.

Next, seek the opinion of your successful employees by asking them why they chose to join you – and what keeps them there. You may be surprised at what attracted them to your organisation in the first place. Then, make sure your company statement reflects reality. You want people who are attracted by what you say and find it's true when they get there. Don't run the risk of saying one thing and delivering another. People will share their experience on social media if you do and your department and the company's reputation will be tarnished.

In-house talent can be developed to add more value to the company in a number of ways. Performance management is central to development and can be as simple as a robust, regular appraisal system that is user friendly and which managers are committed to. Formal performance feedback is also an excellent opportunity to ensure talent is engaged.

Secondly, provide career progression opportunities for your treasury team. Lack of career progression is often the primary reason given by candidates when asked why they are looking for a new job, followed by a desire for new challenges. Candidates often rank it above the salary on offer.

Training and development doesn't necessarily mean formal courses, although it can. One-on-one training and taking on additional duties can be just as effective. Investing in your employees' skills development allows them to be the best they can be, which has obvious rewards for both them and you. Mentorships are a useful training and development tool to aid in retention and they can also be used to develop, retain and pass corporate insight on to other employees. A trend we have noticed is an increase in regional coverage with many treasury professionals taking on broader portfolios in order to develop their skills.

Finally, reward and recognition programmes can be used as part of a successful retention programme, as long as there is a fair and equal system of processes for rewards. Despite your best efforts, some staff may still go. Making leaving a positive experience can be a challenge but it is very powerful for leavers to speak highly of an organisation even though they no longer work there. ■

The next question:

"Given the drive towards 'green business', is e-invoicing a technology that corporates in Asia should be embracing? If so, what recommendations can be made about successfully adopting e-invoicing solutions? Also, are there any specific developments in this space for treasurers to be aware of?"

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

Embracing opportunities and meeting challenges in the technology sector

Nick Howden

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The technology industry weathered the global recession through prudent liquidity management. It has emerged leaner and cash rich, but shareholder value continues to be challenged by lower returns on capital and slower growth as products mature. We see a number of trends emerge as treasurers meet these challenges:

- Using deregulation to redeploy capital to boost growth.
- Increasing acquisition activity in areas such as software, mobile technology, eCommerce, data analytics, security and cloud technology.
- Divesting lower margin businesses as multinationals realign and emerging market buyers acquire market share.
- Company restructuring resulting in separations, spin-offs, and delisting to increase value, remain innovative and be more nimble.
- Focus on working capital programmes that either free up cash or increase sales through competitive funding to suppliers and distributors.

Opportunities of deregulation

The rapid pace of deregulation in Asia creates opportunities for treasurers on several fronts. Treasurers can now more easily move capital from deregulating markets to pay down debt, buy back shares, or pool cash, or move capital to deregulating markets using internal liquidity that lowers the cost of funding and supports business expansion in high growth markets.

Treasurers are also taking advantage of deregulations to integrate more countries into regional and global in-house bank structures. This integration helps companies centralise FX hedging, netting, and investments to better manage risk, lower costs and improve returns. There has been a huge interest in the tech industry to take advantage of ongoing liberalisation by the Chinese regulators. The nationwide pilot programmes and Shanghai Free Trade Zone have enabled Citi's clients to integrate China into global or regional treasury structures for the first time.

In addition, deregulation has created opportunities for tech companies to link consumers and small businesses in these countries to offshore markets. Regulators are keen to understand new eCommerce trading models and may adapt traditional approaches to firstly ensure compliance but also support growth in cross-border trade. This flexible approach has significant benefits for technology firms and makes it easier for them to invest in previously regulated markets.

Increasing M&A activity

As technology companies realign themselves to generate growth, the rates of M&A activity has increased. Total M&A activity reached a record \$802bn in Asia in 2014 (Reuters) with the technology sector one of the most active.

While mature companies are changing their focus and divesting lower margin businesses, the emerging market is acquiring as a means to grow market share. The divesting company repositions for the next generation of strategic investments, whilst the acquiring company gains intellectual property, patents and a presence in new markets whilst seeing an opportunity to lower manufacturing costs through economies of scale.

For treasurers, managing the cash and treasury implications of divestitures, acquisitions, and spin-offs creates significant challenges, not least because these episodic transactions often happen within very tight timelines. Critical success factors include quickly understanding capital injection, account novation, and KYC requirements whilst complying with FX controls which differ by country. For example, Citi has helped clients by providing standardised documentation, reviewing legal resolutions quickly, assigning an experienced global project team, and setting up new technology connectivity, sometimes with project timeframes as little as a few months.

Companies that are active in M&A agree that successful projects typically involve the minimal number of banks. Selecting a single partner makes it far easier for treasurers to meet project deadlines, reduce cost, and limit the time taken to divest, integrate or set up a business unit, allowing them to focus on other critical areas such as capital changes, commercial contracts, tax, and talent retention.

Project time can be reduced using Citi's ERP integrator solution. Over 40 companies have deployed this tool to implement XML for accounts payable in a matter of weeks per country. An XML project would normally require several months of development and testing per country. This tool has proven to be effective in lowering overall costs, minimising IT resources, and providing flexibility after the initial "clone and go" dust has settled.

Working capital programmes

Treasurers are partnering with Procurement and Accounts Payable to strengthen supplier relationships and free up cash within working capital cycles. While procurement plays the most important role in managing supplier relationships, treasurers can enhance supplier negotiations by providing a deeper understanding of the working capital aspects of the purchase-to-pay process.

A supplier may have a number of motivations for joining a supply financing programme, not least the lower cost of funding available. Meanwhile, the buying company can extend payment terms to improve DPO whilst positioning the benefits of the programme to achieve pricing improvements and lower cost of goods sold.

As the number of programmes increases, sector familiarity grows, leading to greater supplier adoption and value to both suppliers and their customers. Asia is often a proof of concept pilot for these programmes because many companies have their manufacturing facilities and fabrication plants in this region. Regional centres like Singapore provide procurement hubs to manage supplier relationships in-region.

Leveraging proprietary technology, Citi's Asia Innovation Lab has developed a cutting edge tool which analyses a company's financial data to more accurately calculate the financial benefit of a programme. This tool helps treasurers benchmark their working capital metrics against competitors and peers, and then analyse their list of suppliers to interactively create the most optimal programme.

A local, regional and global partner

Technology companies seeking growth are exploring new horizons in domestic and cross-border markets. Partnering with a bank that has experience in helping companies manage change is a valuable way for the treasurer to contribute to achieving the strategic aims of their company.



Managing Asia's cash mountain

In Asia, the cash and liquidity landscape is in a state of flux. New regulations and market trends are driving the development of new liquidity solutions from banks and asset managers. The pace of change is so rapid it can be difficult to keep up. Here we take a look at what this means for the region's corporate treasurers.

If you are a corporate treasurer working in Asia, short-term investment strategies will almost certainly have been front of mind in recent years.

Wherever one looks, corporate cash piles are on an upward trajectory. Right now, non-financial companies in the Asia Pacific region are sitting on more idle cash – an average of \$4.2 billion each – than firms from any other region listed in the S&P Global 1200. In South Korea, companies have around \$270 billion idle on the balance sheet, while in China, the largest 500 companies have \$405 billion. Japanese companies are the most cash rich of all, meanwhile, with a stockpile close to \$3 trillion.

The question of what to do with such sizable cash balances is by no means a straightforward one, particularly in Asia. In this region, corporates have different financial infrastructures to negotiate; investment strategies – and the products and solutions which facilitate them – must therefore be tailored to different currency markets and different banking systems governed by different rules. Such diversity presents corporate investors with opportunities, for sure. But it also creates significant challenges.

Regulatory flux

We will turn to regulatory matters first. Asia's famously heterogeneous regulatory regimes remain the most salient

Top 20 holdings of cash and equivalents among listed companies in China, Japan and South Korea

Company	Billions of dollars
Daiwa Securities	\$114.3
Samsung Electronics	\$52.6
Toyota Motor	\$41.6
Hyundai Motor	\$21.4
SoftBank	\$20.6
China State Construction Engineering	\$20.1
Sony	\$18.3
Nomura Holdings	\$18.1
Tokyo Electric Power	\$16.1
China Railway Construction	\$15.2
China Communications Construction	\$14.6
SAIC Motor	\$14.5
Mitsubishi	\$14.3
China Railway Group	\$13.2
NTT DoCoMo	\$13.0
Mitsui	\$12.0
China Shipbuilding Industry	\$11.7
Honda Motor	\$11.4
Sumitomo	\$11.2
Denso	\$10.1

Source: Thomson Reuters

feature of the regional liquidity landscape, governing to a large extent what a business can or cannot do in terms of investment. In India, for example, interest payments on current accounts are prohibited, while in China interest is allowed but the pricing is regulated.

Change is in the air, however. The big story, as everyone surely knows by now, is China. Rewind several years and establishing any kind of liquidity pooling structure for renminbi (RMB) cash balances was close to impossible. In fact, moving any money in or out of China meant jumping through various bureaucratic hoops as set out by the State Administration of Foreign Exchange (SAFE). Not any more. Cross-border two-way sweeping – in RMB or foreign currency – is now commonplace across China, having been successfully piloted first in the Shanghai Free Trade Zone (SFTZ) over the course of 2013.

“The entire cross-border commercial activity which was previously restricted in China is now completely allowed,” says Sandip Patil, Regional Head of Liquidity & Investments, Treasury and Trade Solutions at Citi, Asia. “If a multinational has a surplus in China and your subsidiary in Singapore is in deficit, they can now do inter-company lending and, vice-versa.” The increasing liberty businesses enjoy when handling Chinese yuan is reflected in the growing numbers using it for the purpose of trade and treasury funding. At the end of January, SWIFT reported that the currency overtook both the Canadian and Australian dollar as a global payment currency and, is now at number five globally.”

Although what’s happening in China has naturally dominated the headlines over recent months, they are not the only Asian country with a liberalisation agenda. “We have been seeing a similar trend in cross-border freedom being given to our customers across many markets including Malaysia and Thailand. It is certainly not fully liberal but it is directionally suggestive,” says Patil. What this means is that wherever your business is operating in Asia today, it is gradually becoming easier to put in place an efficient liquidity structure for corporates compared to the past. This liberalisation coupled with the growing cross-border businesses and better technology tools are the right reasons for clients to pursue treasury centralisation agenda, not just in Asia, but worldwide.

The ‘Bear Stearns rule’

Rules may be loosening in areas like foreign exchange, but in others – such as the banking industry – we are seeing just the opposite. The beginning of this year marked the introduction of the Liquidity Coverage Ratio (LCR) under Basel III, designed to ensure that banks have sufficient assets on hand to withstand any liquidity crunch the market might throw at them. It is expected that this will have a profound impact on both the structure of the banking sector across Asia and the various products and services it provides to corporates.

“Basel III obviously has an impact on the value of cash,” says Karin Flinspach, Head of Cash Products at Standard Chartered. The LCR requires banks to hold sufficient levels of high-quality liquid assets (HQLA) to cover their total net cash outflows over a 30-day stress period. This will change completely the view banks take on corporate deposits. Operational deposits will continue to be sought-after, but non-operational deposits, which have been assigned a higher run-off rate due to their perception as being less stable, are becoming a far less attractive proposition under the new rules.

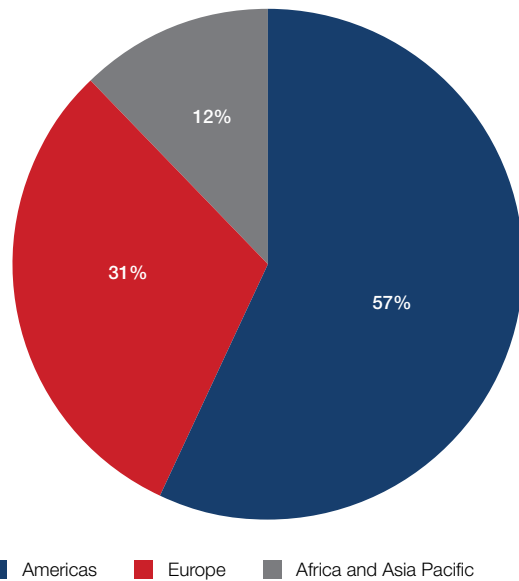
Differences will also begin to emerge in how corporate deposits are treated from bank to bank, given the disparities we can observe in the pace of compliance across Asia’s banking sector. “There will be Basel III compliant banks, and non-Basel III compliant banks, and there will be a difference in the value of cash at each of these institutions,” says Flinspach.

A situation like this puts Asia’s corporate investors in quite an unenviable position. As we have seen, idle cash on corporate balance sheets is accumulating fast and banks are actively discouraging, through higher pricing, the depositing of anything other than operational balances.

Beyond term deposits

Bank deposits have long been the ‘go to’ liquidity solution for corporates in Asia. Might the regulatory changes we are currently witnessing precipitate a shift away from this model and greater uptake of alternative solutions, such as money market funds (MMFs)? That is a possibility. Interest in MMFs has been lukewarm in Asia in recent years since, following the financial crisis, many treasury mandates were changed limiting treasurers to use only bank deposits insured by governments. Moreover, with the market on many local currency MMFs – Thai baht or Indian rupee, for example – not especially deep or liquid, the difference between yields was minimal. There was simply very little incentive for treasurers to invest in MMFs, even if they were mandated to do so under treasury policy.

Percent of worldwide mutual fund assets by region, 2014:Q3



Source: ICI Worldwide Mutual Fund Assets and Flows Q314.

“I think that is slowly changing now,” says Martijn Stoker, Head of Liquidity and Escrow Product, Asia Pacific, J.P. Morgan. “The Basel III rules where the short-term deposit is seen as wholesale funding, it’s becoming much less attractive for banks and, as such, pricing is becoming less aggressive especially with the large international banks.” As a result, mutual funds such as MMFs are now beginning to regain ground lost during the financial crisis, largely as a result of funds flowing out of bank deposits and seeking higher returns. “There is definitely a shift happening, and I think it will accelerate once the regional and local banks adapt to a similar regulatory framework.”

However, even accounting for regulatory forces, there seems to be little chance of Asia’s MMF industry developing to size where it rivals its counterparts in the US or Europe – unless something extraordinary happens that is. According to the Investment Company Institute’s (ICI) Q314 report, Asian mutual funds represent a mere 12% of mutual fund assets worldwide, compared with 31% in Europe and 57% for the Americas. Clearly, this is an industry still in the early stages of development.

New rules, new products

Rumours of the demise in bank deposits across Asia may have been somewhat exaggerated, therefore. Product design in the banking sector has not taken long to catch up with the latest rule changes, in any case. Visit any one of your bank managers to open an account today and you will be faced with an almost bewildering array of options, including newly rolled out ‘rules-based liquidity’ or ‘Basel-friendly’ products, now being used to grow balances with attractive LCR value.

These come in various forms and configurations, but each ultimately shares the same objective: incentivising the type of corporate deposits that will receive favorable treatment under Basel III’s LCR. J.P. Morgan’s Liquidity Management Account (LMA), for example, measures the stability of client accounts over time, and then rewards them accordingly. If the balance remains consistently above a certain level – let’s say \$10m – then everything below that level will be subject to a higher rate, not the overnight rate. “That’s how we encourage clients to leave their more stable balances with us, because they add value to the bank’s balance sheet,” says Stoker.

Citi has implemented Basel III recommendations and as a result, also recently added a suite of LCR-friendly accounts to its product range (for example, the 31-day notice account, is an evergreen deposit account with 31 day withdrawal notice feature for breakage). “On one hand, it helps the bank raise LCR friendly deposits and on the other, helps the clients gain better yields for their short-term surplus deposits,” says Citi’s Patil. “So far there has been a good reaction from the market” he adds. Citi has implemented a number of changes to its services and offering as a result of these developments and these changes are likely to be replicated by the broader market participants.

A region coming together?

All of Asia’s diversity notwithstanding, we can identify several distinct trends affecting the cash and liquidity landscape and, within that, corporate liquidity strategies and solutions. The regulatory landscape is changing with countries, liberalising restrictions around trade and FX, allowing corporates, more and more, to manage their liquidity on a par with their operations in western economies. The implantation of global banking regulation, meanwhile, is driving banks to be more creative with the solutions they devise for their corporate customers.

Knowing all of this, can we find an answer to the conundrum that is where to put Asia’s cash mountain? That will vary between companies. What works for a large US-domiciled corporate treasury that enjoys the most sophisticated of technological set-ups, will not necessarily play as well in the treasury of a smaller Malaysian mid-cap corporate, of course.

For the majority of MNCs, however, the best advice would be to make the most of cash balances across the group. Deregulation in China, particularly, has presented corporates with a fantastic opportunity to begin establishing pooling structures in RMB. Similar initiatives to increase economic competitiveness are taking place in Malaysia and Thailand. If trapped cash can be released from subsidiaries in surplus to fund other parts of the group with deficits then the corporate will be operating much more efficiently.

If having done all of this and there is still excess sitting on the balance sheet, however, then it may be worthwhile exploring either MMFs or what the banks call their ‘rules-based’ family of products to ensure that value isn’t being lost as a result of unfavourable pricing and low yields. The decision is for the treasurer to make, but the clock is ticking. ■



All change in APAC transaction banking

With a game of 'musical chairs' taking place at the executive level of many of the big banks in Asia and a handful of international players forced to cut back their offerings in the region, it is certainly a dynamic time for the sector. But how is this impacting the services banks are offering their clients and should corporate treasurers in the region be concerned?

In recent months, the APAC region's banking sector has been undergoing significant change, as banks shuffle their packs, revisit their offerings, and they look to promote themselves as the corporate bank of choice in the region.

The most obvious sign of all this jostling for position is the number and level of seniority of new appointments in the region. As *Treasury Today Asia* recently reported, Carole Berndt – who held the role of Global Head, Transaction Services at RBS – will be joining Australian bank ANZ as its Managing Director of Global Transaction Banking in May. And in the last 12 months alone, ANZ has promoted Sameer Sawhney, the previous Managing Director of Global Transaction Banking to become

Head of Global Banking, International and Institutional Banking. The bank also hired Farhan Faruqui from Citi, who was appointed CEO of International banking last year. And let's not forget that Andrew Géczy left the UK's Lloyds Bank to become ANZ's CEO International and Institutional Banking in 2013.

Of course, there are other elements to the picture: ANZ has been losing executives, as well as hiring them. Hong Kong Head, Susan Yuen, and China Head, Charles Li, both resigned in mid-2014 with Yuen becoming Chief Executive Officer (CEO) for The National Bank of Abu Dhabi in Asia. But overall, the trend for aggressive hiring within the top echelons of the regional banks is hard to ignore.

DBS, for example, has also joined the war for talent – largely to keep up with increasing demand from multinational corporates looking to use regional financial institutions. DBS's growing focus on its transaction business was highlighted by the recent hiring of 30 year industry veteran, John Laurens, from HSBC as the bank's new Head of Global Transaction Services.

The story is quite different for some of the established European names in the region, however. RBS have announced that it will be substantially reducing its market presence in APAC, including its cash management business, as the bank looks to continue to shed its non-UK banking operations and focus on its UK and Western European customers. Last year, Barclays also announced that it would be cutting back its Asian operations, including its investment bank.

Drivers of change

Before we analyse the impact of these recent changes on both corporates and the banking sector itself, it is important to understand why they are happening.

"Banks are prioritising more, in regard to both the geographies they operate in and the clients they service," says Alan Huse, Acting Managing Director of Global Transaction Banking at ANZ. "There is also a more disciplined approach across the banks surrounding cost and capital management and the focus has shifted away from trying to be everything to everyone to deepening relationships with fewer clients." Basel III is exacerbating this trend as some banks are finding it increasingly difficult to support, or at least justify, certain business areas.

Other reasons for the shifts in the region's banks are more fundamental, and localised. Dianne Challenor, Head of Treasury Services, Asia Pacific at J.P. Morgan explained: "A large part of the evolution in the region's banking landscape has been driven by the increasing sophistication and expansion of the banking infrastructure."

The payments infrastructure is one area in particular that has been bolstered in recent years. The Faster Payments initiative is already live in Singapore and both India and Australia are currently in the processes of establishing more sophisticated payment systems. "Once these are live there will be another step change in the way that banking services are offered in these countries," adds Challenor. But what does all this mean for corporate treasurers and how is it impacting their day-to-day banking?

Number one priority

Data from the 2014 Treasury Today Asia Pacific Corporate Treasury Benchmarking Study suggests that corporates are at least aware of the changing dynamic in the Asian banking landscape – placing bank relationships as their top priority moving into 2015.

The increasing regulatory burden was highlighted as a key reason that corporates are taking a closer look at their banking relationships, if the banks are pulling away from areas that they don't have a competitive advantage in, some corporates may need to look elsewhere for bank support. The alternative argument put forth by the regulators and some of the banks is that this shift will actually benefit corporates through the ability to offer more focused services.

As of yet, corporates have not felt any of this benefit. But then again, neither have they been overly perturbed by shifts in the

sector, it seems. "With the banks we work with, primarily international banks, we don't see any retrenching," says Sebastian Rieder, Treasury Manager Asia at Lenzing AG. "There are constantly new services and products that they are offering in China".

The share of business that Lenzing offers its banks – both local and international – in the region has also largely remained the same. "For our company, the local banks are still better for local business and the international banks are better for international business." This is not to say that the international banks can't meet Lenzing's local needs, but it's more a reflection on quality and value. "For local issues in China, the international banks just can't match in terms of service and price. We constantly monitor this and until the international banks can match the local banks, there will be no fundamental changes."

Targeting the market

What Rieder is highlighting is that all banks in the region have their own particular areas of strength. Munir Nanji, Regional Head of Sales for Treasury and Trade Solutions at Citi Asia Pacific pointed out: "The banks in the region can be segmented by those international players who have a significant local footprint, such as Citi, HSBC and Standard Chartered. This is arguably the most competitive sector as we are not only competing for the business flowing into Asia but also the outflow business from Asia into Europe and the Americas." Nanji highlights that to compete successfully in the sector requires an international outlook with a local focus. "We have a global platform that corporates around the world use, but we also have on the ground teams that can assist our clients with their local needs."

The other international banks in the region operate slightly differently in so far as having a reduced local footprint in a number of the region's key markets. Instead of having their own presence, these banks leverage the local banks' reach in these markets and build correspondent banking networks which their clients can leverage. The 'bread and butter' of these banks has historically been the inbound business from multinationals coming from Europe and the US into the region, with a strong focus on payments and liquidity. However, as corporates in the region have grown and expanded beyond the region, these banks have also been able to capture a portion of the outbound business in their areas of strength.

The final sector of banks to include is the Asian-parented banks that operate primarily on a local level, leveraging their branch network and strong balance sheet to offer collections and local credit facilities, mainly to local corporates. The majority of multinationals operating in Asia Pacific will be familiar with this need to leverage the region's local banks to meet their local business needs. And it makes sense – the focus of many of these local banks has been to ensure that their domestic and regional offerings are as good as they can be, and suitable for increasingly complex domestic and multinational clients. They don't have the complexities of global banks, nor do they want to directly compete with them.

Regional players rising

However, some regional banks, such as DBS and ANZ, are stepping up to take on the global banks. In recent years, they have built up their cross-border offerings, taking advantage of their large domestic client base and the growing trade flows between their domestic market and the rest of Asia.

By supporting these domestic corporates as they expand abroad, banks such as ANZ and DBS have been able to take advantage of the infrastructure they have built and challenge for business that they wouldn't have been able to previously. "It is our ambition to be the leading bank in APAC and to be the Asian bank of choice globally," says John Laurens, Managing Director and Head of Global Transaction Services at DBS. "We aim to make banking simpler, smarter and more intuitive through our digital agenda and we are very much on this journey."

ANZ has implemented a super-regional strategy, which was launched in 2007 by CEO Mike Smith. The strategy focuses on obtaining an increasing proportion of earnings from Asia, the Pacific, Europe and America (APEA), rather than ANZ's traditional markets in Australia and New Zealand. "We are the most international of the Australian banks and the most Australian of the international banks and already well established in the trade finance space," says Huse. "We are therefore building our regional cash capability across the markets in which we operate and looking to provide single-country and pan-regional cash management and trade solutions using our home markets of Australia and New Zealand as an anchor."

The impact of top level appointments

Hiring Berndt, who brings a wealth of expertise to the role, can only help ANZ to fulfil this strategy. As Scott Engle, Group Treasurer at AIA Group Limited, puts it: "it has been my observation that when a bank goes ahead and hires a first class professional from the market in a space such as transaction banking they don't do it without committing more resources to build that business."

Across the region, healthy competition for experienced executives is instrumental in spurring the sector's development. "From my perspective, it is great that the region is attracting such talent," says J.P. Morgan's Challenor. "These people will ultimately bring different experiences and expertise into the region that will facilitate further innovation and also drive up the already outstanding level of talent in the region. In turn, this can only improve the range of services that we offer corporates in the market."

For corporates, the impact of these hires is less important. "While I think the banks have some very good ideas in place when they make these decisions, at least – for now – these changes don't have a huge impact. They may further down the line, however, once the new heads implement their changes and if a new strategy is announced," says Engle.

Something that may have a more direct impact on corporates in APAC, however, is the commitment the banks have to the market. ANZ and DBS show signals of intent with their appointments, but for George Nast, Global Head of Product Management and Client Access, Transaction Banking at Standard Chartered, corporates need to dig further than the headlines. "Corporates in the region shouldn't be concerned about the movements of executives in the region's banks," he says. "The key area that they should focus on when deciding which bank to work with is the bank's commitment to the market. The last decade has been riddled with banks that have entered the market and then left because it has been too difficult and expensive a region to crack. So corporates need to ask their banks what their commitment to the market is and then to see how their bank can achieve this."

Sharing the region

But with the regional banks expanding will there be space for both the regional and global banks moving forward? "As the market and economies in the region continue to grow, and the trade flows continue to accelerate, there will be room for everybody in the market – as long as each bank understands what it does well and offers these services to their clients," Engle notes.

Standard Chartered's Nast also believes that there is space for both in the region and doesn't see the challenge from the regional players manifesting anytime soon. "The reality is that it took Standard Chartered 160 years to build the 70 market network that we have," he comments. "It takes a lot of time to build a global mandate and even a pan-Asian mandate. Currently these banks are good in single markets, but they are yet to be material players on pan-regional mandates." It may also be difficult for these banks to reach global status, he believes. "The environment that we now operate in will mean that it is increasingly expensive and difficult due to a host of factors which include regulation, compliance and the cost of infrastructure."

Citi's Munir Nanji highlights another challenge facing the regional banks. "Transaction banking is not a very complex business," he says, "you need to offer a current account, but the challenge then is how to nurture these accounts and extract maximum value. This is done by offering value add services such as advisory, analytics, thought leadership and a global standardised network that is intuitive. It is in these spaces where it becomes harder for regional banks to match the global banks."

On the other hand, Laurens believes that some banks in the region, such as DBS, are already matching the global banks in certain areas of transaction banking, having received global awards highlighting their progress. "If you look at DBS in areas such as supply chain finance, then I would argue that we are already ahead of the global banks in this space and this is then leading us to improve in other areas such as working capital advisory and put further investment in our core cash management capabilities in both presence and non-presence markets."

Looking to the future, Laurens believes that there will be additional shifts in the banking landscape due to new technology. "Banks such as DBS are not burdened by the legacy technology that many banks have and we are therefore able to build from a modern platform that puts the customer and the heart of what we do in order to be ahead of the curve in meeting their demands."

But the real lynchpin for deciding which bank wins pole position in the region will be China. Some banks in the country are as large, if not larger, than the global banks in terms of total assets managed. However, many have yet to make their mark outside of China and remain largely domestic in focus. It seems only a matter of time before these banks enter the regional and global marketplace, potentially causing a seismic shift. For the time being however, the trend seems to be for outsiders to capture market share in China.

Overall, the message is that in 2015 treasurers should keep a close watch on their key banking partners' strategies and ambitions in order to ensure they achieve full benefit from these relationships and leverage any opportunities that may arise. ■

Open for business

In the first article of a new series looking at the most significant recent financial events in China, Citi's Cline Zhang, Head of Liquidity Management Services in China and Shanghai Free Trade Zone Branch Manager, discusses continued liberalisation measures around cross-border foreign currency (FCY) controls and how corporates can make the most of this opportunity.

Given the pace at which the Chinese financial authorities are now liberalising foreign currency (FCY) activity in the country, it may soon be necessary to stop referring to it as 'the dawn of a new era' in liquidity management for multinational corporates (MNCs) and to start thinking in terms of a point later in the metaphorical day.

The fact is that as exchange controls in China bow out one by one, the threats of regulatory trapped cash and burdensome paperwork for corporates correspondingly fill the history books. The country is open for business in more ways than one.

Following a successful trial in the Shanghai Free Trade Zone (SFTZ), since 1st June 2014, companies based anywhere in China have been able to establish, with relative ease, centralised FCY cash management programmes. This move by China's foreign exchange regulator, the State Administration for Foreign Exchange (SAFE), is yet another example of how the Chinese authorities are intelligently managing the lessening of foreign exchange restrictions rather than shocking the system with rapid-fire releases of untested programmes.

Indeed, although approved MNCs with accumulations of onshore foreign currency have been permitted to execute two-way transactions independent of the SFTZ since 2012, the June 2014 actions taken by SAFE further diminished the reporting burdens imposed on those companies and can be seen as a measured response to an obvious commercial need. Now, all qualified MNCs are free to establish payment-on-behalf-of (POBO) or receipt-on-behalf-of (ROBO) structures simply by submitting a single request to their local SAFE branch.

Citi's Head of Liquidity Management Services, China, and SFTZ Branch Manager, Cline Zhang, has first-hand experience of the changes being implemented by the Chinese authorities. In essence, she sees SAFE as taking positive steps to simplify cross-border transactions, including those around cross-border import/export and trade services transactions. There is, she notes, also a higher level of support for capital account liberalisation for corporates and banks based in the SFTZ aimed at reducing funding costs for 'mainland' firms (those in the rest of China) and giving foreign capital greater freedom in accessing the Chinese market.

Of importance too, says Zhang, is how the authorities are now starting to move towards more capital liberalisation. "SAFE is starting to open doors to allow China companies to operate two-way cross-border pooling," she notes. "It means they can borrow from and lend to offshore registered companies which will reduce their finance costs and provide efficiencies for their daily operations."

A real solution

The importance of the involvement of locally-based major institutions such as Citi in shaping the progressive foreign currency environment in China should not be underestimated. In 2012, when SAFE started to consider cross-border POBO/ROBO structures, Citi was invited to participate in regulatory framework discussions, says Zhang. The input was not just based on Citi's own international banking perspective; at the time Citi worked closely with SAFE to help provide feedback on "real business needs" from the bank's corporate clients; something it continues to do. The obvious end result of this co-operative approach from all stakeholders is a practical framework for companies.

This translates into a simplified SAFE foreign currency programme around cross-border pooling, for example, that meets the dual needs of China 'mainland' and SFTZ-based businesses, whereas the RMB programme (managed by the Peoples Bank of China) has divergent criteria in terms of quota, qualification and filing/approval for SFTZ and the mainland.

In practical terms, SAFE FCY rules on cross-border pooling apply to both SFTZ and mainland firms. The limit on borrowing for corporates, for example, is equal to the total unused foreign debt quota (FDQ). The lending cap for both is set at 50% of total equity.

The rules on SAFE FCY qualification for cross-border pooling requires applicants to demonstrate cross-border receipts and payments of more than \$100m in the previous year, and there must have been no material violation in FCY business in the past three years. A further qualification is for all participants to fall within SAFE's Category A. Enterprises are classed based on their foreign exchange receipts and payments and their trade compliance with SAFE provisions. A is the highest grade.

Filing and approval, as mentioned above, simply requires submission of documents to the local SAFE office. SAFE has branches and offices in all cities and provinces across China.

Opportunities

The work that has been carried out so far by SAFE and the other stakeholders around FCY, including Citi, is not just an exercise in administration; it has real value in terms of corporate opportunity, says Zhang. The desirability of uptake depends of course on a company's cross-border settlement currency but she notes that businesses for whom it is applicable will find that they can reduce their cost of finance where they are permitted to borrow offshore. "They can also lower transaction costs," she adds. "For example, where they operate a USD netting programme, FX costs can be reduced significantly."

Companies will also be able to improve operational efficiency by implementing a POBO/ROBO facility to centralise transaction execution and, Zhang explains, it is increasingly viable to include China in a company's global cross-border pooling programme. Of those corporates that have seen the opportunity here, the tendency so far is to focus on USD cross-border pooling "because it saves on finance costs; it is an immediate benefit for treasurers."

As a trusted service provider, Citi is geared to helping its clients understand the business impact of the rules as they change, says Zhang. "We usually hold several client webinars as soon as there is new regulation announced," she explains. For some clients, the bank is able to help build up communication channels with local SAFE officials. From this its position as an 'on-the-ground' intermediary – with a long history of active engagement with the financial authorities – Citi can actively provide feedback on client demand to SAFE to help build out future requirements, and of course relay any developments around the structure of regulation, and the appropriate response, back to its clients.

Gathering pace

The discussion between stakeholders is ongoing and certain limitations still exist around FCY accounts, such as the quota controls mentioned above. "We understand the background of these limitations," says Zhang. "The financial industry is very new and different for China; it is natural that any innovation or move towards de-regulation must be taken step by step."

That it is taking a cautious approach to opening up the markets is entirely within reason. SAFE is likely to persist along the lines of de-regulation and capital liberalisation as China realises its support of real business needs and the advantages of reduced cost of finance. Indeed, the 'open for business' mantra received yet another boost in mid-February when PBOC unveiled another SFTZ regulation, this time allowing entities within the zone to borrow USD from offshore banks – news it shared alongside the announcement that it is also committed to looking for more flexibility around FX conversion.

The step-by-step approach to de-regulation in China seems to have moved up a notch in recent months, from a walking pace to a gentle jog. Whilst an out-and-out regulatory sprint is unlikely and indeed unadvisable, it is incumbent upon those with deep local knowledge of the financial space to stay ahead of the curve. For Zhang and Citi, this not only means understanding China's local market developments and trend towards de-regulation, but it also requires the bank to maintain its position as a trusted advisor to its clients. "It is also vital that we provide optimal service and technology to ensure clients can run their businesses smoothly," she asserts.

There is more work to be done before cross-border cash flows in and out of China are as comfortable a proposition for corporates as they are in Singapore or Hong Kong, for example. As the pace of regulatory change in China gathers momentum, corporates looking to extract maximum advantage should be looking to build a long-term plan and would do well to seek out a banking partner with the reach and connections to stay ahead of the game.

There is no doubt now that the Chinese regulators are firmly committed to supporting trade and easing FCY transaction risks faced by businesses operating in the country. "Corporates can already benefit from de-regulation of cross-border FCY controls," states Zhang. "China is no longer a 'trapped-liquidity' country. Entities here can safely include it within their regional or global treasury scope, allowing them to leverage centrally managed inter-group funding via FCY cross-border pooling."



Cline Zhang

Director, Cash Liquidity Head, CTS China
Shanghai Free Trade Zone Branch Manager, Citi China

Cline Zhang joined Citi China in April 2004 and has worked in various roles including Country Liquidity and Investment Product Head and Trade Product Head and Regional Cash Product Manager. Zhang expanded her role to be Deputy Branch Manager of Citi Shanghai Branch in February 2013 and was appointed as Shanghai Free Trade Zone Branch Manager in November 2013. Before joining Citi, Zhang worked in the credit card centre of Bank of China for four years.



Serving an ace

Jarno Timmerman

Head of Treasury SEAP (South East Asia Pacific)



Jarno Timmerman admits that he is a “strange animal in the world of corporate treasury” due to his unconventional path into the profession. Whereas many treasurers begin their career in areas such as accounting, finance, banking or auditing, Timmerman’s unique journey started on the courts of Europe’s professional volleyball leagues.

AkzoNobel, headquartered in Amsterdam, the Netherlands, has operations in more than 80 countries and is a leading global paints and coatings company and is also a major producer of specialty chemicals. Brands included in the company’s portfolio are: Dulux, Sikkens, International and Eka. The company is consistently ranked as one of the leaders in the area of sustainability.

At the age of 18, Timmerman fulfilled a childhood dream, signing a professional contract with Dutch professional volleyball team, Dynamo Apeldoorn. The team were the reigning Dutch A-league champions and also competed in the European Champions League with the best teams across Europe. “In football terms this was like signing for one of the big European teams like Ajax, Real Madrid or Chelsea,” says Timmerman.

In 1997 the sport was on a high in the Netherlands due to the national team’s gold medal victory at the Olympic Games in

Atlanta the previous year. “This was a great time to sign my first contract,” says Timmerman, “there was more interest in the sport than ever before, from both the public and sponsors. This meant that I was playing in front of bumper crowds and also that the clubs could offer professional contracts that would support the players financially.” The rising profile of the Dutch league also meant that it was becoming a hotbed for volleyball talent from across the world as the best players from around the world joined the league. “It was an exciting industry for an 18 year old to start out in.”

Following his debut season in Apeldoorn, Timmerman moved to Amsterdam-based AMVJ, later the club's name changed to VC Omniworld. The team was the most famous in the country and had a good reputation across Europe as a breeding ground for talent. Timmerman quickly began to be on the radar of clubs outside of the Netherlands. Eventually in 2001, top German team VC Eintracht Mendig expressed interest in Timmerman and offered him an opportunity to play in Germany – one that couldn't be missed. "Germany is an amazing country to play professional volleyball in," he says. "The sport is incredibly popular and I was frequently playing in front of crowds of over 5,000 people – and to an even wider TV audience. The pay was also significantly better," he jokes.

A career in professional sport however, is often short and after just under a decade of playing volleyball at the highest level, Timmerman called time on his professional career in 2005. There were a number of reasons behind this decision, including the challenging economic environment the sport was operating in, as well as injuries.

Timmerman had reached the crossroads of transitioning from the world of professional sport into 'normal' life, something that is a well-documented challenge for many sportsmen and women. However, there would be no problem as he had always known where his life would lead after he had served his last ace – the world of corporate treasury.

Sportsman by night, treasurer by day

Corporate treasury had interested Timmerman for a number of years, even predating his high school education. "My father used to be a commodity and currency trader for a mixed feed company before later becoming the CFO. He used to bring home his trading portfolio and we would sit and look at the currency fluctuations," he says. "As I got older we began to manage our own small stock portfolio and this facilitated my interest in trading and macroeconomics.

"I wanted to play sport for as long as I could, both physically and financially, but I have always been acutely aware that I needed to have something to do after," says Timmerman. As such, the young sporting professional set his sights on the world of corporate finance and agreed to continue his studies when signing his first contract, enrolling on an economics course at the University of Amsterdam. This university was best suited for Timmerman because it offered a scheme designed to allow professional sportsmen and women to study alongside their careers.

"I was given a sports co-ordinator who helped me balance my studies alongside my sporting commitments, yet it was tough as I was often traveling across Europe to play matches and taking my books with me to study." He admits it wasn't the easiest of conditions to obtain a degree in, but with hard work and a lot of preparation, he graduated with a master's degree in five years.

After graduation, Timmerman was presented the opportunity to step into a treasury department at Transavia Airlines. "I started off by working at least every morning and then two or three afternoons. This allowed me to continue playing volleyball because – although we practised every day – this was either in the afternoons or evenings," he says. "I was lucky to have such a great manager who gave me his full support and understood my circumstances." Aside from the flexible working, Transavia's treasury department was also a

great place for Timmerman to learn the basics of treasury as the scope of operations was limited, primarily to cash management and some FX and commodity hedging activity.

After three years at the airline, and with his sporting career beginning to come to a close, Timmerman joined Nike as Treasury Manager EMEA in 2005. Leaving a largely domestic operation to join one of the world's foremost sports manufacturing companies presented a whole new side to treasury. "The number of activities that the treasury managed was larger and they were a significant step up in terms of complexity," he says.

Having called time on his volleyball career, Timmerman moved back into the aviation industry assuming the role of Group Treasury Manager at Air France/KLM in 2007. His experience at the Nike treasury however had shown that there were many complexities that surrounded treasury operations that he wanted, and also needed to learn, in order to progress his career. To do so, Timmerman enrolled on a dedicated Treasury Management post graduate course back at the University of Amsterdam that ran alongside his work at KLM. "The course not only focused on core treasury skills, but also incorporated related subjects such as tax methods and financial law," he says. "While we did not explore these in enough detail to become specialists, it did allow me to at least be aware of these concepts." Timmerman says that taking this course was one of the most vital moments in his career. "The course certainly facilitated my move away from being a junior treasurer and to become a treasury manager and without it I don't think that I would be able to be the treasury director that I am today."

Asia calling

Timmerman joined Dutch multinational AkzoNobel as Chief Dealer in the summer of 2009 and held the role for just over four years before accepting the offer to head up the company's regional treasury in Asia Pacific. "It was a natural career move, I had been in my previous role for a number of years and I wanted a new challenge," he says. "The role as regional treasurer certainly presented that because the scope of responsibilities is greater compared to my previous role which was quite specialised in the front office dealing room. I am also now required to lead a large team."

Of course, moving to an entirely new region was also a big change. "I believe it is always good to work in Asia from a personal development perspective. It is a fantastic region with a lot of growth potential and also presents a number of challenges that one would not encounter in Europe. In this sense it is a very good career step to make."

As Head of Treasury SEAP, Timmerman is based in Singapore and responsible for AkzoNobel's treasury operations in South East Asia Pacific, excluding China, which has its own dedicated treasury team. Reporting to the global treasury head office in the Netherlands, the seven-strong team have a wide remit of responsibilities that cover cash and liquidity management, corporate finance activities in the region and financial risk management. The team are also responsible for running a number of projects including installing a payment factory and a trade finance platform that have seen AkzoNobel develop one of the most respected treasury set-ups in the region. "One of the most satisfying aspects of my role is the autonomy that I am granted by the treasury head office. While they set the overall vision of where the company is going I am free to explore how best this can be

done in the region and as long as all the objectives are met everybody is happy. This gives me the ability to exercise my treasury expertise to the fullest.”

Man management

In volleyball, teamwork is the key to success, and a key part of this is ensuring that each team member knows their role and responsibility. “It is important that each person in the team knows exactly what is expected of them, the deadlines they have to meet and to be disciplined in their approach,” says Timmerman. “To achieve this I am quite hands-on in the management of my treasury team. I allow them to carry out their roles and responsibilities without interference but I do like to be kept in the loop regarding what is happening. I believe lines of communication such as this are important to ensure that there is cohesion and consistency to our work.” Timmerman also protects his team from outside pressures so that they can achieve their best. “In sport you stand by your teammates and fight their corner and I think the same is true in the corporate world to instil the idea of a team.”

For Timmerman personally, one of the most challenging aspects of managing his team in Asia Pacific comes from the culture nuances across the region. “I had to quickly understand the different cultures, how best to communicate, how to motivate and how different cultures react to certain things,” he says. “People from the Netherlands, including myself, tend to be direct and blunt. That however, doesn’t necessarily always help in this region, so I needed to reshape myself and this is a constant learning process.”

The final piece in Timmerman’s management jigsaw, and something drawn from his sporting background, is celebrating success. “During my volleyball career we celebrated every victory together and supported each other after every defeat,” he says. “My team work very hard and I believe that if we do this and complete a project or achieve something within a deadline then we should celebrate our achievement together. This can be anything from lunch to dinner or even a night out, but as long as it’s together and the team feel rewarded then they will be willing to continue achieving going forward and the team ethos will be reinforced.”

Regional challenges

Aside from the challenge of managing his own team, Timmerman’s move to Asia Pacific also presented the challenge of operating in a very complex and fast moving region. Regulation, as many treasurers will testify, is one of, if not, the biggest challenge. This means that decision-making is that much more difficult for the Asia Pacific treasury team. “When we make decisions, we are not just making them for today but for the future,” says Timmerman. “When we set up a cash management or trade finance structure for example, we can only do this with the knowledge that we have today. But we know that regulatory change will be coming down the line and that markets will develop, so we have to also build a structure that we believe will continue to work in the future. This means decisions often have to be more careful – and comprises have to sometimes be made.”

The region’s restricted economies are also cited by Timmerman as being an interesting challenge when looking to obtain the most efficient cash management solution. “It is imperative that we work together as a team but also with our banks, internal stakeholders, and the financial controllers

within the entities, to make sure that we find a solution that mirrors the optimal result as closely as possible.”

In regard to the region’s banking landscape, Timmerman is satisfied with the level of service that the treasury gets from its banks. And the banks play an important role in addressing the challenges that the AkzoNobel team face. “Around 90% of the information I have on changes within the market comes from my banking partners,” says Timmerman. “I like to have this verified by a number of the banks, but it is the easiest and quickest way to keep up to speed with what is happening across the region.

“Our banking group is comprised of a number of the world’s biggest banks including Citi, Deutsche Bank and HSBC and these provide an optimal service across the region, even in countries such as Pakistan and Papua New Guinea they have a presence and can support us,” he says. The pricing is also adequate for Timmerman and he pinpoints that the industry is become increasingly transparent in this regard due to all services being commoditised. “All the big banks provide similar structures so pricing has become very competitive and this trend is certainly favouring the corporates right now.”

High-tech treasury

In order to ensure that the AkzoNobel treasury can achieve all its objectives a heavy investment of resources has been poured into technology. “Technology is at the heart of what we are trying to achieve and is going a long way to make life easier across the board,” says Timmerman. “We are constantly looking at what we can automate and standardise our processes in order to achieve straight through processing and all the benefits associated with this.”

In recent years, the treasury team have rolled out a number of projects including an in-house bank system that is integrated with a payments factory. This allows the group’s entities to use a standardised process surrounding payments. As mentioned, the team is also implementing an innovative trade finance platform and setting up a FX trading on behalf structure. Despite the technology that sits within the AkzoNobel Treasury, Timmerman is quick to point out that people are still key. “People are still needed to bring intelligence to the technology and to stay on top of what’s happening, and this will never change.”

It’s not all work

And in an age when it seems people are expected to work all hours of the day to bring that magic, Timmerman delivers a refreshing message that counters this trend. “It is all about the quality you deliver and not the quantity of hours you are in the office,” he says. “Of course, in this region people work a lot of hours. But I always question this because if you start at seven in the morning and work until nine o’clock in the evening, what is your productivity going to be between eight and nine in the evening?” For Timmerman it is about ensuring that the job gets done and then going home to spend time with your family or do what you enjoy outside of work. In turn, this will ensure that you are fully energised and ready to tackle the next day.

Currently, family is Timmerman’s main priority outside of the office. However, once a sportsman always a sportsman and he still plays volleyball in Singapore and is also a keen tennis player. He does admit, however, that winning a grand slam may now be a little bit out of reach! ■

Central Asia: forging ahead

Focusing on the use of the term Central Asia to denote former Soviet republics Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan – this article explores the economic and treasury landscapes in these countries.

Prior to the sudden collapse of the Soviet Union in 1991, the capacity for economic management within Central Asian countries was limited; development strategies were centrally planned in Moscow.

It comes as little surprise, then, that these five countries faced economic shocks when transitioning from central planning to independence. Due to new national borders, mismanagement problems and evolving issues with supply links and demand sources were faced – and in the end, each country chose a different transition path to market economy.

Tajikistan's economy, due to waging a civil war, underachieved for the most part of the 1990s. However, recognition as one of the stand-out global improvers in the World Bank Group's (WBG) Doing Business 2015 report indicates promise. The report also acknowledges the government's Asian Development Bank (ADB) supported strategic priority to remove binding constraints to private sector growth as a positive move.

Whilst the Kyrgyz Republic claimed, in 2011, the first peaceful transition of power in the region, its economy has been hindered by corruption and stagnation. The National Sustainable Development Strategy, launched in 2013, aims to build a stable economic growth by 2017. In line with this, ADB announced a \$22m grant to address major gaps within the education system in 2015.

Favourable world market conditions for its major export (cotton) and well-governed macroeconomic management ensured Uzbekistan experienced limited economic decline after Russian rule. Recent agriculture growth (nearly 7% in the first half of 2014) is typical of the economic volatility experienced throughout Central Asia. The countries are dependent on a limited number of exports and trade partners. Thus, are vulnerable to changes in demand and other external factors – the weather that produced recent record grain harvest in Uzbekistan is not consistent, for example.

Kazakhstan's economy has more than doubled in size; GDP per capita rose from \$1,515 in 1992 to \$11,935 in 2012 – largely due to access to vast amounts of oil resources. But, to achieve the country's objective of joining the 30 most developed countries by 2050, Kazakhstan must diversify. That said, the country is embarking on major reforms to education and negotiating an accelerated schedule for further integration into several free trade agreements.

In Turkmenistan, the economy is similarly dominated by rich oil and gas reserves, as well as crops. Historically, it hasn't benefited to the extent that Kazakhstan has due to an absence of adequate export routes. Numerous governmental obstacles also hinder international business activity. However, the National

Key facts

Tajikistan

Capital: Dushanbe
Population: 8.409 million (2014)
Currency: Somoni (TJS)
GDP real growth: 7.4% (2013), 6% (2014)
GDP: \$8.508 billion (2013)

Uzbekistan

Capital: Tashkent
Population: 30.14 million (2014)
Currency: Som (UZS)
GDP real growth: 8.0% (2013), 7.1% (2014)
GDP: \$56.8 billion (2013)

Kyrgyz Republic

Capital: Bishkek
Population: 5.744 million (2014)
Currency: Som (KGS)
GDP real growth: 10.5% (2013), 4% (2014)
GDP: \$7.226 billion (2013)

Kazakhstan

Capital: Astana
Population: 17.02 million (2014)
Currency: Tenge (KZT)
GDP real growth: 6.0% (2013), 4.5% (2014)
GDP: \$231.9 billion (2013)

Turkmenistan

Capital: Ashgabat
Population: 5.307 million
Currency: Manat (TMT)
GDP real growth: 10.2% (2013), 10.8% (2014)
GDP: \$41.85 billion (2013)

Socio-Economic Development Programme for 2011-2030 does intend to modernise infrastructure and promote FDI.

Regional economy

The combined economies grew by an average rate of 9.7% during 2001-2005. Nevertheless, recent predictions suggest

that growth may be over-reliant on volatile sources (commodity exports and remittance flows). Subdued economic activity in Russia – a main trading partner – has resulted in weaker-than-expected growth predictions from the International Monetary Fund (IMF) of 5.5% in 2014-15 for the Caucasus and Central Asia region, down from 6.6% the previous year.

The IMF's Regional Economic Outlook suggests four steps that could help minimise the vulnerability faced by the commodities-based economies:

1. Carrying out bold structural reforms to develop worker talent, increase competitiveness, and create an environment conducive to private sector-led growth.
2. Promoting inclusive growth through better access to finance for small and medium-sized enterprises (SMEs) and a deeper, more stable financial system.
3. Creating a diverse and dynamic non-oil tradable sector to diversify the region's economies and reduce their dependence on oil and gas.
4. Pursuing broad-based, balanced trade integration at both the regional and multilateral levels.

Progress in the region

As a whole, all of the Central Asian countries are intensifying efforts to expand trade links, increase production and encourage the diversification of commodities-based economies. Indeed, a number of projects, with the shared goal of broader participation in global value chains, do exist. The Central Asian Regional Economic Cooperation (CAREC), for instance, has aided communication, trade facilitation and trade and energy policy among Central Asian countries and Afghanistan, Azerbaijan, PRC, Mongolia and Pakistan since 1997.

As a whole, all of the Central Asian countries are intensifying efforts to expand trade links, increase production and encourage the diversification of commodities-based economies.

Between 2001 and 2014, CAREC invested \$24.6 billion in infrastructure and trade, noting that regional co-operation is expanding the commercial opportunities available; trading regimes are being simplified and policy barriers are being broken down.

Reducing reliance on oil and encouraging further diversification of exports would reduce exposure to volatility, increase employment and work towards sustainable growth. "Medium-term economic prospects hinge on the region's ability to expand production of goods and services for domestic and foreign markets," reports the World Economic and Financial Surveys 2014 Regional Economic Outlook.

Financial landscape and payments

Looking at the treasury landscape in the region, this too is distinct between the countries.

In Uzbekistan, an established two-tier banking system is headed by the Central Bank of the Republic of Uzbekistan, responsible for supervising more than 30 banks and financial institutions. It focuses on: the creation of well-capitalised banks, attracting FDI, avoiding single major shareholder banks, introducing effective payment systems and the cash management of the public budget and of state reserves. In terms of payments, the popularity of payment cards is rapidly increasing; the use of cheques rapidly declining.

Reducing reliance on oil and encouraging further diversification of exports would reduce exposure to volatility, increase employment and work towards sustainable growth.

Kazakhstan's two-tier banking system (including 38 commercial banks) is currently experiencing turmoil. Nearly three-quarters of loans are non-performing, a legacy of the pre-crisis property boom. When it comes to payments, the popularity of payment cards has rapidly increased – particularly debit cards which experienced a 36.3% increase in circulation from 2013-2014. Direct debits are widely available but usage is limited.

Tajikistan has a two-tier banking system composed of The National Bank of Tajikistan (NBT) and 14 banks (one state bank, nine joint stock banks and four foreign banks). The four largest control 76% of total assets. They are all under the supervision of the NBT with the principal objective of maintaining price stability. A national strategy of poverty reduction is devoted to boosting entrepreneurial activity and expanding micro-lending in the country. Like Uzbekistan and Kazakhstan, the popularity of payment cards is increasing in Tajikistan – but at a slower pace.

The National Bank of the Kyrgyz Republic supervises 24 commercial banks. Similarly to Tajikistan, the country's financial landscape has seen growth in the micro-financing and a main objective of the national bank is the maintenance of inflation levels. Further modernisation of payment systems is planned to enable populations, in both cities and rural areas, access to banking services. Accordingly, the popularity of payment cards has rapidly increased – particularly debit cards which experienced a 59.8% increase in circulation from 2012-2013.

In Turkmenistan, banks, including commercial banks, are controlled by the state. There are six state banks and two commercial banks. These commercial banks are prohibited from providing services to state enterprises. With no capital market in the country, the financial system significantly hinders the flow of financial resources.

Making headway

Integral to its economic development, Central Asia is making headway in business regulatory reform. The World Bank's Doing Business 2015 guide reports that, combined with Europe, Central Asia had the largest share of economies making it easier to do business in 2013/14 – 85% implemented at least one regulatory reform.

Looking forward, improvements in the business environment, greater transparency and the countries' efforts to unlock their land-linked potential, should help them work towards sustainable and inclusive growth. ■



The shipping forecast

Paper documentation has been the mainstay in the trade space for a very long time. But in recent years the conversion to a digital format of some elements has taken place. Is paper really on its way out?

Overseas trade has for many hundreds of years relied upon a full set of documentation to ensure the dispatch, shipping, offloading and receipt of goods by the paying customer. Such a requirement is unlikely to change dramatically, however, the form of that documentation certainly will. Currently the trade world is shifting from paper to electronic and in doing so is ushering in an era of vastly improved administrative efficiency, security and accessibility. The problem is that it is taking the industry a long time to let go of paper.

Why not drop the paper?

In theory, the preparation, dispatch and receipt of electronic documents facilitates cost savings and process efficiencies whilst reducing the potential for fraud. Back in 1997, Professor Paul Todd from the Law School at Southampton University wrote a paper in which he asserted that “it is much easier to dematerialise non-negotiable shipping documents, such as waybills, than it is to dematerialise the negotiable bill of lading, since it is necessary to send only information by a

computerised system, rather than proof of title.” Professor Todd concluded in his paper that “it is possible, on the basis of existing technology and under the existing legal framework, to replace bills of lading by electronic documents, which can in principle afford to the parties security at least as great as existing paper documents.” He did however accept that changes may be required in some states to the rules on personal data protection, admissibility of computer-generated documents in court, and the transmission of encrypted data across national boundaries.

That was almost two decades ago. Today, the issues with digitisation of trade documentation are not just legal. There is also a persistent perception that electronic documents are somehow less secure than paper and that they are open to abuse by hackers and other cyber-criminals. Of course, there is an element of vulnerability with all electronic systems but those who hang onto this argument might like to consider the following. In 2014, an investigation was launched at Qingdao port in China around a private metals trading firm suspected

of duplicating paper warehouse certificates in order to use a metal cargo multiple times to fraudulently raise financing. And a statement issued in December 2014 by the International Federation of Freight Forwarders Associations (FIATA) warned its members to be on the lookout for forged 'master bills of lading'. A number of these paper documents had recently been presented to a consignee's bank for payment, the documents "indistinguishable from the paper originals." Paper has very little in the way of security.

Where are we now?

With this in mind, it is worth looking at the general state of play in the world of trade documentation. A trade conference in Singapore in August last year saw representatives of US food processing company, Cargill, and Australian mining company, BHP Billiton, take to the stage to discuss the use of electronic presentation (ePresentation) and electronic bills of lading in the export space. Back in December 2012, BHP Billiton was part of the first-ever fully electronic presentation of LC documents in mainland China, with partner the Sichuan Emei Ferroalloy steel mill and its receiving bank, China CITIC Bank (ANZ was BHP's advising bank). Today, both BHP and Cargill are fully committed to ePresentation and Singapore session moderator, Ian Kerr, CEO of multi-bank trade solutions platform, Bolero, says the joint presentation "was really a call to action of the industry for the adoption of new technologies." The general agreement on stage was "it is time the industry moved to electronic systems." A few weeks later, at a trade conference in Beijing, speakers from China Minmetals, the Agricultural Bank of China, National Australia Bank and Bank of America Merrill Lynch's global trade office for Asia Pacific gave a similarly enthusiastic pitch for the adoption of ePresentation by importers and banks. If major industrial players want it and banks want it, what is the hold up?

Kerr admits that it will require "alignment of all involved parties" before real growth is seen, not just in Asia but right across the globe. Until then, he says, the whole suite of ePresentation in trade can only be as fast as its slowest constituent. Unfortunately, it is often the demand by local customs and excise officials to see a paper document that prevents progress. Notwithstanding certain entrenched local practices, inroads into digitisation have been made in some countries, for example, there has been progress with certificates of origin used in agri-business, veterinary or export health certificates used when shipping livestock, and the Shipper's Export Declaration for export control of items over a certain value (the latter is now known as an Electronic Export Information Filing). "It's about gaining momentum," he states.

As progress is made there has been more activity in terms of thoughtful solutions offered by the key players, particularly infrastructure providers such as SWIFT, Bolero and Essdocs.

Main offerings

Essdocs dates back to 1986 in its first incarnation as the Seadocs (Seaborne Trade Documentation System) project and was the first significant attempt to use electronic documentation for goods carried by sea. It never got beyond the trial stage and in any case, according to legal expert, Professor Todd, no provision was made for the transfer of contractual rights and liabilities to holders of the bill, apart from the original shipper. This made it "fatally flawed" contractually. Fast forward several years and with the problems ironed out, Essdocs claims to be

the largest electronic bill of lading network globally (it says it is being used by more than 2,100 companies across 65 countries: the latest Asian banking signatory announced late last year was Agricultural Bank of China).

Rapidly gaining credence is the relatively new MT798, SWIFT's trade envelope aimed at de-risking open account trading. It is basically a means of carrying the range of MT7xx trade messages used to initiate import letters of credit (LCs), standby LCs and guarantees, or to receive export LCs. The MT798 transfers large documents from corporates to banks via FileAct, with FIN messages allowing corporates to communicate with the banks on both sides of a trade. SWIFT reported in June last year that 11 corporates and 27 banks had adopted MT798 messaging.

As a key infrastructure provider, SWIFT is in a natural position to engage with the trade sector and also offers the Bank Payment Obligation (BPO). This "irrevocable payment undertaking" delivered by banks was first used back in 2012 by BP Chemicals' Global Credit Manager, David Vermylen and his trade partners at Oman-based PET manufacturer, Octal, and Standard Chartered. It has since gained a degree of traction in the Asian commodities trade sector. In October 2014, UniCredit Bank and its correspondent bank, Bank of Tokyo-Mitsubishi, processed the first BPO deal ever between Germany and Japan, taking the total number of banks processing BPOs to 14. The UniCredit deal covered a transaction between German industrial mixer firm, RVT, and Mitsui Plant Systems (MPS) in Japan.

It is worth noting that the BPO struggled to get any traction until its rules of engagement, held in the SWIFT domain, gained unanimous approval in April 2013 from the International Chamber of Commerce (ICC) Banking Commission. André Casterman, Head of Corporate and Supply Chain Markets at SWIFT told Treasury Today at the time that the rules underpinning BPO "should be independent from our technology and legally binding so that counterparties can resolve potential disputes, should those arise."

Another interesting provider of e-commerce solutions for the international trade finance community is eLCY. This is an independent vendor offering an auction site for the confirmation of LCs and direct corporate risk, and a multi-bank portal that enables the secure transmission of approved trade-related instructions and messages. Similarly, Global Trade Corporation (GTC) is a software firm providing multi-bank trade finance solutions for core elements such as LCs, guarantees and documentary credits and collections.

The possibility of full STP

"In a perfect ePresentation scenario, the exporter would ship the goods and apply for an electronic bill of lading to be issued by the carrier, with which the exporter would transmit the necessary documents electronically to the presenting bank," suggests Gabriel Sham, Director GTS Product Head Trade Services Asia at RBS. "The presenting bank would check the documents against the relevant LC and forward the documents electronically to the issuing bank, which would in turn check the documents to ensure compliance with the terms and conditions of the LC before making the payment. The issuing bank would then forward the documents electronically to the importer, who would use the documents for obtaining clearance of the goods." Throughout the transaction, he adds, the various parties would log into the same platform for access to the documents and for forwarding the documents to the next party.

For the buyer or importer, digitisation offers the opportunity to negotiate extended payment terms using dynamic discounting, says Sham. "This is because the buyers, usually multinational companies with better credit ratings than their suppliers, can use ePresentation or BPOs to leverage their lower cost of capital and provide financing to the suppliers." In return, they may ask for better payment terms or a reduction in the cost of goods.

For the seller or exporter, a BPO lessens the non-payment risk "because the seller or exporter takes on the risk of a bank instead of the buyer." With the BPO, the risk of discrepancy dispute and the costs associated with it are removed as data is matched automatically without manual checking of documents.

"Whether ePresentation or BPO, the immediate benefit is a reduction in turnaround time, which, depending on the payment terms, might mean that the buyer or importer is required to pay sooner," notes Sham. "However, the buyer or importer can also benefit by the timely clearance of cargo without the need for an LOI (Letter of Indemnity)." LOIs are intended to allow delivery without a bill of lading. They tend to be seen as problematic by trade insurance bodies such as the International Group of P&I Clubs, largely because there have been a number of fraudulent uses of these paper documents over the years.

Despite the obvious advantages, the reality of today's trade documentation is that paperless solutions are not deployed everywhere. Dermot Canavan, Head of EMEA Trade Products for RBS, feels that treasurers have many things to juggle right now and that the relatively low level of uptake of these solutions is more a matter of focus than a reflection of the products' fitness for purpose. "There are only so many hours in a day, and they have to look at where they are going to get the biggest bang for their buck," he suggests. But he adds that there is also "a degree of inertia" to contend with and a reluctance to invest in new systems. "Banks are looking to make ePresentation or the BPO more accessible at a low cost of investment," says Sham. "However, while we can educate customers on the benefits and when to use them, the onus remains with corporates to decide when to adopt."

With credit risk being now of paramount importance to just about every party, improving trade confidence is a persuasive argument for treasury action, especially where using the BPO, for example, can increase end-to-end security and potentially open new markets, notes Canavan.

Digital law

If the law cannot always be relied upon to secure the transfer of goods when using a digital replacement for a bill of lading, it seems provident that the document itself should offer its own means for the transfer of contractual rights and liabilities. Sham notes that the providers of the Bolero and Essdocs platforms have set up internationally recognised legal frameworks based on a common user agreement to enable such a transfer. SWIFT messages issued in line with the appropriate central bank guidance also have a legally binding effect on the sender.

"Every party on Bolero signs up to our framework but there is no point in having a trade mechanism unless there is a legal framework to support it," says Kerr. Back in 1996, when Bolero was a fledgling company, it commissioned a "significant number of leading law firms" to carry out what it says was "one of the most comprehensive studies into the

use of electronic documents in global trade across multiple jurisdictions". The study covered the major legal systems in common use. This included English Common Law, US Common Law, German/Dutch Law and Napoleonic Law as well as Mixed Jurisprudence systems (as found in Japan, for example), and also those of Emerging Jurisdictions such as in China.

It used the results of its tests of legal feasibility to form the basis for the Bolero Rulebook and governance of the title registry. This legally underpins its entire technical operation and is binding on those parties who have agreed to be bound to it. The rulebook is administered by Bolero members but crucially is fully compliant with ICC's eUCP (Uniform Customs and Practice for Documentary Credits).

Gaining traction

The level of appetite among Asian corporates to adopt full ePresentation generally depends on whether the corporate is an exporter or an importer, and on the volume of transactions, notes Sham. There is a cost involved in terms of supporting software and architecture and the cost/benefit decision lies in the hands of the individual company. However, he adds, digitisation is gaining momentum in the region. "We are seeing the concept of digitisation gaining traction with large companies in the mining and commodities sectors," says Sham. "With more focus on operational and working capital efficiency, the interest in electronic trade documentation is gaining momentum and we could soon see more documentary flow of this kind between Western and Asian businesses."

Spurred on by the success of China CITIC Bank and BHP Billiton (as mentioned above), in June 2013, Bank of China (BoC) and Agricultural Bank of China (ABC) executed their first fully electronic, end-to-end LC transactions, followed soon after by Industrial and Commercial Bank of China (ICBC). Since June 2013, the Bolero platform has been used in China for a number of commodity transactions, including a major iron ore deal for the Shagang Group and a \$21m deal for Yanggu Xiangguang Copper Co. Ltd, the largest ePresentation deal to date by one of China's Big Four. In January 2015, Switzerland-based ferroalloy distributor, RFA International, announced that it was moving from paper documents to ePresentation, via Bolero, to serve deals between its production units and clients at steel mills and larger foundries in 60 countries across Asia, Europe, the Americas and Africa.

ePresentation is the foundation that allows these deals to take place. As such deals increase in number, Bolero's CEO, Kerr, whilst not predicting a paperless world anytime soon, does envisage a "tipping point" which will be driven by the corporates and banks "buying into the benefits."

With some documentary forms clearly in advanced stages of digitisation and others needing to catch up, full STP in the trade space is not yet a reality. As Professor Todd stated in his work almost 20 years ago, it has been possible to partially dematerialise and to keep paper documentation for some purposes for some time. But, he added, doing half the job seems pointless once the reality is grasped that there is nothing that paper can do that computerised documentation cannot. "If you are going to dematerialise, dematerialise totally." That argument, it seems, has still not gone away. ■



A perfect storm

As growth in the Asian markets continues, so too does the complexity of treasury operations. Is the treasury management system vendor community ready and willing to meet the diverse needs of local treasurers?

If ever a market was ripe for picking then it has to be the one for the treasury management system (TMS) in Asia right now. Growing economies, more corporates entering the market, few vendors with which to compete, and a largely untapped source of prospects. Can it really be this simple?

The TMS has been around since the 1980s and in that time has progressed from a relatively simple cash management tool into a sophisticated multiple-function platform. In Europe and North America, a proliferation of vendors came and went as the industry carved a niche for itself before engaging in an intense burst of consolidation in the late 1990s and early 2000s and again towards the end of the last decade. Today, just a few providers remain on the international stage. Although more localised and specialist sector vendors still ply their trade, it is often in the face of competition from the major players that boast established (but sometimes quite confusing) product sets and deeper pockets to support technological and market expansion.

For all vendors, the Asian TMS market is still in a state of development. The businesses most likely to consider such a solution – large international corporates and domestic players with international aspirations – seem to be dictating the direction of the growth of the TMS market in that where a system is implemented it will more than likely be from one of the big international vendors.

The key players

All of the 'usual suspects' seen in the global market place have an Asian presence, typically in the region's key commercial centres. In terms of deployment, the Treasury Today 2014 Asia Pacific Corporate Treasury Benchmarking Study reveals that SAP's treasury module, IT2 (now part of Wall Street Systems) and SunGard's AvantGard (Integrity) are most frequently cited, followed by Wallstreet Suite, SunGard Quantum, Reval, Kyriba and 360T (the latter being a niche trading platform).

As with the European markets, some regional vendors are in the hunt and this short list includes Singapore's CS Lucas and Australia's Visual Risk (the latter now branching out and making inroads into the European market). As an aside, there are also a number of vendors in the extremely well-developed Asian (and largely India-based) banking back office supplier space. Players such as TCS, Oracle FSS and Infosys offer treasury tools but these are geared to the banking sector within which they are typically just a small part of a much broader suite of functionality.

Of course, some of the tier one global banks – such as Bank of America Merrill Lynch and Deutsche Bank – offer regional treasury functionality to corporate clients, usually via their global transaction services divisions. In addition, some of the Asian regional banks are now offering treasury services too. China Merchants Bank, for example, delivers treasury management tools for its large corporate customers such as Shenzhen Energy Corp and China Shipping. The bank's offering, it says, covers a range of core treasury functions in a centralised fund management environment across a virtual private network.

The increasing attention paid to the Asian markets by the specialist vendors has stirred the interest of more general financial technology providers. China's largest ERP developer, Yonyou Software, has entered the treasury field – offering GL tools for reconciliation, P&L statements, balance sheets, and cash flow statements. Yonyou claims it works with over 60% of China's top 500 enterprises; it also has offices in Japan, Hong Kong and Thailand and an apparent will to develop the depth of its corporate relationships across a broad client base.

Market movement

The US and European TMS market is hardly saturated but with flat economies in these regions and the level of economic growth over the last few years in the Asian markets, it is not hard to see where the next big push will be. Indeed, a measure of Asia's growth potential is demonstrated by the ever-expanding community of international and global companies now operating in the region – a number of global corporates are now running in-house banking and shared service centre operations in the liberal APAC countries, for example. Today, around 30% of the total global economy flows out of Asia.

For corporates operating in the region, new markets will almost certainly mean increased financial and commercial complexity. As cross-border transactions ramp up, there will be increased exposure to different taxation structures, new regulations, currencies and cultural influences. All of these can conspire to put pressure on treasury concerns such as cash visibility, cash flow forecasting and cross-border liquidity, bank connectivity (particularly around standardisation of file formats and protocols), foreign exchange (trapped cash is a noted issue), counterparty risk and even payment cycles.

The right tools

The bottom line is that technology can become a lifeline for many treasurers because the right products can limit or remove these issues. However, the Asia Corporate Treasury Survey 2014 by PwC revealed that more than 50% of respondents did not have a TMS in place, and those that did were only using the basic functions. This is odd because 29% said they operated within geographically dispersed businesses covering six or more countries in the region, with 31% overseeing operations

between two to five countries. In essence, few have the right tools and yet many are in dire need of help.

Delving deeper into the technology issues, Treasury Today's 2014 Asia Pacific Corporate Treasury Benchmarking Study uncovered this shortfall, highlighting the fact that implementing a cash flow forecasting solution was the number one urgent requirement, followed by a system to improve treasury's visibility over company cash. Implementing a full TMS was a priority but some treasury operations have not even reached the start line: in response to a question about which systems will be installed in the next 12 to 18 months, one respondent said "none" as their treasury "requires greater centralisation before technology can be overlaid."

Despite the increasingly urgent need for technological assistance, there seems to be a degree of dissatisfaction with and/or misunderstanding of TMS technology in Asia. The PwC 2014 survey revealed that 49% of companies using a TMS were not entirely happy with their current system. Just 9% of respondents associated risk management with a TMS and only 30% used their TMS for risk and position reporting. Again, the Treasury Today study went deeper, asking respondents to reveal the areas that they felt were most urgently in need of improvement in their system. The top five issues covered the basics: cash flow forecasting (as the top priority), then reporting, accounting, reconciliation and pooling.

Notwithstanding the issues (which could equally be the vendor trying to shoe-horn a broad-based system into a local market or just a training-related matter), there is a general realisation amongst businesses in Asia that as they grow, the importance of IT rises up the agenda. Some are responding to this, with 20% of the Treasury Today study participants in charge of an annual technology budget claiming they had more than \$250k at their disposal – one respondent said this figure had recently increased "due to the offerings in automation and standardisation" but added that every purchase was subject to return on investment (ROI) analysis.

Growing into the system

The expansion of a business will have a knock-on effect in terms of how its treasury is structured, what is required of it and, eventually, the kind of technology it is likely to need to fulfil its role. In terms of the evolution of treasury, technology is a facilitator. It allows expanding Asian treasury units (expanding in terms of both reach and responsibility) to concentrate more time on value-added activities and less on the transactional. As the level of usefulness and professionalism increases so too do the responsibilities: it is (hopefully) a virtuous circle of growth.

TMS users in the key financial centres tend to be the offspring of vast North American and European companies that have chosen to locate in Singapore, Hong Kong or Malaysia largely because of their respective government's tax-led incentives for treasury centres and because each has a well-established technical infrastructure and the ready availability of skilled staff. Indeed, PwC's survey results showed that treasury technology adoption is dominated by large organisations (61%), with the vast majority of these being based in Singapore, Hong Kong or China (China has only recently begun to liberalise its currency but the main attraction for corporates is the sheer size of the market).

Only 25% of small and 44% of mid-sized companies had implemented treasury technology, the decision most likely

being a result of budgetary constraints or the simple fact that they do not yet have the complexity or volumes to justify the cost. It could also be a matter of circumstance. Traditionally in Europe or the US, much of the ROI is predicated on automation and improving productivity; firms are effectively just saving on personnel costs. In a low-cost labour environment as may be found in the emerging markets of Asia, that cost saving is less relevant. Around 75% of companies in Asia without a TMS continue to rely on spreadsheets as their main treasury management tool. The business case to acquire a TMS is thus different in Asia; increasing treasury complexity is likely to be the trigger.

The path to TMS

The uptake of the TMS has a clear linear relationship with the openness and complexity of the market in which the organisation is operating: complexity drives the need for technological help. A company that has no more need than to check its bank accounts once a week has no business case for a TMS; if it is looking to protect assets, align liquidity with where the needs of the business are and generally discharge the typical responsibilities of treasury, then a TMS may have a role to play.

The model that typifies the progress of a basic treasury function to one of strategic value follows a common path. Starting with a transactional treasury unit, the focus will be on the fundamentals such as short-term cash management, bank account management and execution of necessary transactions. As a business grows and its geographic reach extends, treasury may evolve to a more process-efficient unit that can optimise the local use of cash and liquidity and develop process efficiencies, typically aiming for a higher degree of straight through processing (STP). This might be the first point of consideration of a TMS.

The next stage of evolution is the value-enhancing treasury where it effectively discharges its core responsibilities but also exploits concepts such as the shared service centre (SSC), netting centre and regional cash pool to help the overall business achieve its strategic goals (bearing in mind that some of these are not permissible in certain jurisdictions). The final stage will see the rise of the strategic treasury in which it takes an active role in the development and delivery of the company's strategy, providing financial leadership over matters such as funding, banking relationships and risk management.

The fact that having a professional treasury for many Asian companies is a relatively recent phenomenon gives them an interesting ability to quickly move ahead of the kind of development curve seen in Europe or North America. Asian firms are afforded the opportunity to analyse best practices developed by their overseas peers over the past couple of decades and apply them over a relatively short period. However, the quest to run treasury on best practice lines does tend to steer companies towards the long-established international vendors which will have already incorporated those practices into their system. This is particularly so if the client is seeking to expand its operations into the European or North American homelands of those vendors.

The ability to look at and learn from an existing market is something that the shrewd vendor should have exploited when seeking to tackle Asian TMS delivery. Treasurers in any part of the world tend not to be early adopters of technology so where other business functions in the region may trail-blaze with new

concepts and models, particularly with delivery models such as the cloud, treasury technology vendors have had the opportunity to watch, learn and shape their own response accordingly.

New players? Unlikely

The reason a treasury in Thailand, for example, is likely to be looking for a TMS in the first place is because it has experienced growth and complexity, so now lacks the visibility and control for its international or global operations. It will look at its peers and see which practices and systems they are using, and it is this that will possibly drive its own expectations of the kind of technology it needs (which in all likelihood in this case will not be a Thai-specific system). If most corporates in the market for a TMS need more than just local requirements, it follows that it is unlikely the market will see a sudden rush of local players climbing on the bandwagon.

Even though there are major software firms (such as China's Yonyou Software, mentioned earlier) that operate successfully across a number of verticals, the barriers to entry to the TMS space are extremely high, with few if any new vendors having emerged in recent years in any geography.

Does this mean the international players have the run of the Asian markets? To a degree, yes it does. But those vendors seeking to enter a new Asian market will not have an easy time of it: they will face unique challenges. The key to success will be its capacity to understand and respond to local issues. In Asia, language is going to play a key role in any progress. Singapore or Hong Kong may accept English-only, but no vendor will get away with that in China. This applies to the product, which has to be offered in the local language, and to service delivery too. There may also be culturally-based expectations around delivery too. Just as a US or European vendor may be expected to identify the business patterns and culture for each market and be able to align itself with those expectations, so it should expect to meet local Asian needs. Failure to understand will almost certainly see the vendor sailing into a headwind and possibly failing.

Investment in the market by the vendors is thus essential because of the prevalent business culture that demands localisation and people on the ground to make the deals and to support the clients thereafter; the personal touch counts for much in Asia. Being in the Asian markets also demands a detailed knowledge of the regulatory environment which may require a different set-up for each country – for example, the requirements around the way data is hosted and transferred cross-border under local data protection laws. Regulatory diversity in Asia is as much a challenge for corporates and banks as it is for the vendors.

An attractive proposition

That said, the potential in Asia for all stakeholders is huge. The reason it is a target for the major international TMS vendors is simple: economic growth attracts corporates and as those corporates gather momentum and acquire more treasury complexity, a TMS becomes an ever-more likely proposition. Asia is experiencing economic growth (even if the pace has slowed a little). As a largely green-field site in terms of current levels of TMS adoption, the region presents itself as the perfect opportunity for vendors – and if they are keen to make headway this perhaps is the perfect time for treasurers to test the water too. ■

Plastic fantastic: corporate cards

Use of corporate cards continues to grow across Asia, with interest in strategic procurement augmenting demand for solutions for more frequent, lower-value payments. Here, we examine the latest developments in the corporate cards market and analyse where – and for whom – they work best.

Corporate cards were first introduced in the early 1990s as a means for organisations to manage employee purchases by pre-authorising them for specific vendors and/or product types, restricting purchases based on contract and transaction types, and giving companies the ability to set daily, weekly and monthly limits and controls. Perhaps most importantly for cost-conscious procurement departments, the corporate card solution offered substantially more control than corporate credit cards while lowering transaction costs. Surveys have suggested that transaction costs can be reduced by as much as 90% compared to traditional accounts payable processes.

While specific data on corporate card usage in Asia is not readily available, market participants claim that their use is growing, primarily as a way of interacting more efficiently with large quantities of low-spend suppliers for travel, entertainment, supplies and other miscellaneous, relatively small-ticket items. Government and other public entities are also using the cards as a means of managing expenses. Visa estimates the value of potential 'cardable' payments in the Asia Pacific region at \$12 trillion, with China accounting for \$7 trillion of that figure and India a further \$1.1 trillion.

According to the company, in the near-term, mature markets such as Australia also represent a significant opportunity for growth, although it also acknowledges that moving payments to cards will require banks and card issuers to develop new, compelling propositions that lead to suppliers preferring card payments over other payment methods.

Diverse backdrop

Since card providers have to comply with local regulations in each market, corporate card solutions vary from country to country – many countries do not permit cross-border issuance of cards, for instance. So which corporates are actually using cards today – and whereabouts in the Asia Pacific region?

Citi's initial set of clients in every geography where it launched a business were subsidiaries of global companies headquartered in North America or EMEA, who were looking for cards that could be used by their growing workforce in Asia. However, as the market matured over the last decade, it has seen increased use of card solutions by local companies as well as growing interest from the public sector, explains Deven Somaya, Director, Regional Wholesale Cards Head Asia Pacific at Citi. "In terms of market maturity, Australia is probably the most developed market in the region and both federal and state

governments are heavy users of corporate cards. Other mature markets are New Zealand, Singapore and Hong Kong."

He refers to three key factors that encourage subsidiaries of multinational companies to use corporate cards, the first of which is having visibility into the programme in terms of measurement and control, enabling them to manage their costs and expenses more effectively.

Secondly, increased control of where the company's money is spent. If someone is using petty cash to make payments, those payments can be made to anyone, whereas the card product digitises the transaction and this process enables systemic controls such as merchant blocks and transaction limits to be put in place. Post factor reporting provides a further layer of visibility and the control aspect of self-auditing.

Thirdly, because the transaction is digitised, it can be passed on by the bank to the client in an electronic format which feeds into various systems and saves a lot of manual entry of data, allowing expense management systems to capture data from the individual and enter an ERP system with additional pieces of information attached.

"Various research reports refer to the reduced costs of processing transactions made with corporate cards," says Somaya, adding that multinational companies are increasingly globalising their functions, for example managing procurement globally rather than at regional or even national level. "We are seeing a growing number of shared service centres emerging across Asia which are taking a proactive role in managing indirect spend, whether that is on travel or procurement. Local companies are following suit – while the majority of their expenditure is obviously within the region, they are seeing benefits to using the shared services model."

In the public sector, he describes a 'bandwagon' effect where administrations in South-East Asia are constantly looking at what their neighbours are doing in an attempt to adopt best practice. From a public sentiment perspective, providing increased transparency to the tax payer on how their money is spent is appealing to administrations that have made a commitment to reducing corruption.

Growth markets

According to Somaya, "clients are typically looking for a local solution in each market, but the ability to access consistent

reporting and online tools and centralise data remains consistent across all the markets where we provide card services.”

When assessing markets with growth potential, Somaya mentions three countries in particular. “India has experienced considerable growth in corporate card usage, initially for travel but increasingly for procurement also. China is an untapped market in terms of the number of multinational and local companies who could potentially use corporate cards, while Indonesia is another country with a growing number of businesses and rapid economic expansion.”

Beyond those countries, there are areas where Citi is seeing a centralisation of specific industries – for instance, Thailand is a major hub for online travel agencies, which inevitably generates a considerable volume of card payments. “Companies across Asia are committed to improving the efficiency of their payment solutions and high volume; low value transactions are ideally suited to corporate cards,” Somaya concludes.

“In the past, travel management and procurement tended to be managed by different parts of the organisation, but we are seeing increasing consolidation of these functions internally. There is obvious value in using a single provider for all payment services in terms of being able to negotiate more favourable rates.”

A corporate perspective

The majority of AirPlus International’s clients are subsidiaries of multinational companies whose head offices are located in Europe or the US, although it is also targeting local customers, particularly in mainland China where it works with global Chinese brands. A number of public sector departments in mainland China also use its services. “In addition to Hong Kong and mainland China, our products are available in Malaysia, Thailand, Indonesia, Philippines, Korea, Japan, Australia, Singapore and India,” says Michiel Verhaagen, Executive Vice President Sales, AirPlus International. “The growth of economies across Asia Pacific means there is considerable scope for future growth in commercial card services,” he believes.

That said, he accepts that many local companies do not fully appreciate the benefits of a commercial cards programme yet. Nevertheless, he is confident that educational initiatives implemented by the various global travel associations is increasing awareness among businesses in the region. “These initiatives have helped to inform these businesses about the benefits of efficient payment and reconciliation process in business travel expenses management and the tools available, including commercial cards. Multinational companies tend to have expense management systems in place, but many local companies have yet to implement similar systems,” he says.

Who is using cards?

All kinds of companies sign up for corporate card programmes, from big business to small business and across a range of sectors including professional services, mining and resources and manufacturing – in fact, any company that wants to better understand and manage its expenses stands to benefit from having a corporate card programme. That is the view of Geoff Begg, Vice President, Global Corporate Card, American Express Japan and Asia Pacific, who says multinationals are looking for a card programme which enables them to manage expenses locally, regionally and globally.

“There is strong demand in all countries across the region, although India and China in particular are growing rapidly with the formation and growth of new companies. Some of the larger, more established countries are expanding from traditional travel and entertainment-type corporate cards to commercial cards,” notes Begg. He adds that corporate cards are used for all types of travel and entertainment spend from the traditional airline, hotel and restaurant expenses to general retail spend, utilities and even government and insurance spend.

“Companies across Asia are committed to improving the efficiency of their payment solutions and high volume; low value transactions are ideally suited to corporate cards.”

Deven Somaya, Director, Regional Wholesale Cards Head Asia Pacific, Citi

“Companies are moving away from per diem payments to employees to corporate cards for greater visibility and control. There is huge growth potential for corporate cards in Asia Pacific as the migration continues away from costly paper based invoicing to fast, efficient electronic payments on corporate cards.”

Asian companies with heads of finance or procurement who have worked in North America, Europe or Australia seek out corporate cards as they see them as a simple and proven way to improve bottom line results, says Marj Demmer, General Manager of Cards and Payments at ANZ. “Clients are looking for cards that can be used throughout the world with high rates of acceptance and low or no surcharges. International acceptance is important for business travel, but also when procuring from international suppliers. The more the card can be used, the bigger the working capital, visibility and efficiency gains for the client.”

While observing that demand in India is growing rapidly as companies seek greater oversight and control of business expenses, he also acknowledges that card acceptance rates hold back some mature markets such as Japan, where ‘cash is king’. “Leading corporate card providers work with travel management companies to bill travel bookings on ‘virtual cards’, providing enhanced data on staff travel (destinations, travel class, fare type). In mature markets, we are seeing more business-to-business payments shifting from cheque or bank transfers to card.”

In the more developed markets, Demmer expects to see a major shift towards more business-to-business and international payments being made by card. “Treasurers and CFOs will lead this push as they seek to improve the working capital position of their businesses and leverage strategic supplier relationships.”

Meanwhile, Ralph Kaiser, President and CEO UATP says that in China, large international corporations may have some corporate cards but the adoption rate is still low, although use of a corporate card for air travel is increasing. “There is limited usage in emerging markets (which for the purposes of this article include Vietnam, Malaysia, Philippines, Thailand and Indonesia). Corporations contract directly with the vendor for services, or in some instances deal solely with the treasury management centre which must carry the cash float,” says Kaiser.

Clients in developed markets such as Singapore and Hong Kong use international corporate cards that are widely accepted, while in the case of Japan or perhaps Korea, they may be using a domestic product that has limited usage overseas, he adds. "There is an upside in some markets, mainly China and India where domestic corporations are large and successful and are in need of a corporate card solution. In emerging markets, there might be some need but awareness is an issue. Furthermore, the undeveloped infrastructure and high risk of dealing in these markets makes it daunting for networks to issue corporate cards. It has been seen that rates would need to be set at high levels, making international corporate cards uncompetitive compared with direct invoicing or even local bank card solutions."

According to Kaiser, in China and emerging markets, corporate cards are used almost exclusively with some component of travel. "Infrastructure limitations are part of the issue; the other is the demand to use it for procurement. However, we believe there is large growth potential for corporate cards in major markets like India and China in the short term. The opportunity for growth in emerging markets is also significant, albeit on more of a mid to long range outlook. Growth will be focused on the travel segment – it remains to be seen whether corporate cards can build a product for other segments in Asia, or if purchasing cards may become a factor in the future."

A card for all sectors

Kees Kwakernaak, Head of Commercial Cards Asia Pacific, Bank of America Merrill Lynch describes commercial cards as a largely industry-agnostic business. "Simply put, the benefits of travel and entertainment and procurement cards are applicable to all our customers, across all industries. For a number of years we have seen the most robust demand from multinational clients but more recently, local corporates have shown a growing interest in adopting card based solutions. Whilst there are differences across the various markets, the requirement for efficiency, transparency and streamlined processes is universal, which should serve as a sustainable incubator for card adoption in the medium term."

"The growth of economies across Asia Pacific means there is considerable scope for future growth in commercial card services."

Michiel Verhaagen, Executive Vice President Sales, AirPlus International

Demand drivers are fairly consistent, as clients are unilaterally looking at streamlining their procure-to-pay processes to save on cost and to extend payment terms, he continues. "We see strong uptake in traditional travel and entertainment cards where employees are using their commercial cards to book travel, pay for taxis and general on-the-road expenses. Increasingly, we are also seeing a defined trend whereby clients are using cards in conjunction with central travel accounts. This product is an efficient way for clients to pay for their employees' travel."

The potential for ongoing growth in the Asian corporate card market is undeniable, according to Kwakernaak. "Banks in

this space have seen a long period of double digit growth in commercial card spend in this region and in our view this will continue for many more years to come. The migration away from alternative payments options (including paper based payments) will continue."

An obvious growth area for corporate cards is in their use as a payment mechanism for line-of-business or supply chain expenses. The 2014 First Data report 'Digitalising B2B Payments to Streamline Supply Chains in Asia' refers to increased use of commercial cards in Singapore for strategic procurement, with increased control and reporting options driving adoption. The firm is seeing increasing demand towards strategic procurement programmes for accounts payable automation and receivable financing for large distribution supply chains. The extent to which clients look for national or regional corporate cards rather than cards that can be used anywhere in the world depends on the business needs for which the programme is rolled out, explains Naveen Gupta, Regional Director Consumer & Commercial Payments, First Data Asia Pacific.

"International acceptance is important for business travel, but also when procuring from international suppliers. The more the card can be used, the bigger the working capital, visibility and efficiency gains for the client."

Marj Demmer, General Manager of Cards and Payments, ANZ

"For employee travel and entertainment expenses, corporates expect the card could be used anywhere in the world but with suitable controls. However, for large procurement programmes or receivable financing, it is expected that usage of cards has a limited ecosystem to avoid unwanted fraud and keep costs below an acceptable threshold."

He describes corporate cards as an excellent instrument for short-term financing and payment execution. "We expect demand in established markets such as Australia and New Zealand to continue to increase and we are also seeing increasing demand for corporate card solutions in emerging markets such as India and China. We project growth for these markets to reach up to 30-40% in the next 12 months."

First Data also believes that the potential ability for commercial cards to transform business-to-business commercial transactions from manual, paper based transactions to more efficient automated processes is an opportunity to boost business productivity, reduce costs and strengthen commercial partnerships across Asia's supply chain.

Despite all the advantages of automated electronic payments, too few companies are utilising digital payment solutions, Gupta concludes. "The reason for the slow uptake of electronic payments is difficult to pinpoint, although we believe that it is partly attributable to the perceived complexity of migrating so many supplier relationships from paper to electronic systems." But as more and more leading corporate treasuries embrace corporate cards, hopefully the myths around the complexity of such programmes can be dispelled. ■

Cash management: best practice (part two)

In the second part of this article, continued from the previous issue of Treasury Today Asia, our treasury insider completes his whistle-stop look at what constitutes best practice in cash management today.

Optimising collections

Collections are intrinsically harder than payments. When you pay, you know what you are paying and you control when you pay. (If not, you won't keep your job for very long!) For most of us, it is much harder to know when customers will pay and what exactly they are paying.

This is why there are a lot of reconciliation services from software vendors and banks. The situation is complicated by variations in national clearing systems and business practices. Although sometimes painful to set up, things like boletos in Brazil and payment references in Finland can greatly speed collection reconciliation. In other countries, short or non-existent reference fields in payments hamper reconciliation.

Best practice in auto-reconciliation of commercial collections is in the high 90% range. For treasury flows, it is easy to get close to 100% auto-reconciliation, because treasury transactions are usually low volume and high value and strictly value dated. Many treasury centres combine standard settlement instructions (SSIs) with formal net settlement arrangements, and further reduce cost and risk with CLS (Continuous Linked Settlement).

For timing, many studies have shown that the majority of payment delays come from invoice errors. The logical way to reduce these is to embrace straight through processing (STP) in order to cash (O2C) as well with e-invoicing, and encourage customers to do likewise. E-invoices do not get lost, do not get miscoded by manual operators, and therefore get paid promptly.

Inter-company

Inter-company flows are necessary, but offer zero value added. So it is incumbent on treasurers to settle and reconcile them quickly, safely, and cheaply. The tools of choice for this are netting and in house bank (IHB).

Netting (multilateral inter-company netting) nets off the flows between subsidiaries, across currencies and across multiple subsidiaries, so that each subsidiary has only one net flow in its home currency per month. This saves float, foreign exchange spreads, and payment fees. An IHB nets off inter-company balances – simply put, all inter-company flows are booked to an IHB multi-currency account, and the resulting home currency balance can be settled or funded monthly or on some other frequency. The end result from a flow perspective is similar to netting, and an IHB also has balance implications.

The choice of netting vs an IHB is beyond the scope of this article. The key point from a flow perspective is that both eliminate inter-company flows through the banking system and the associated costs and risks. Furthermore, both techniques practically eliminate inter-company reconciliation issues, which also reduces costs and risks still further.

Balances

Balances present a different series of problems including visibility, availability, credit and other risks.

Visibility is knowing how much cash you have and where it is. Availability is having access to use your cash when needed. The risks are what might reduce the value of your cash.

“Cash visibility is a cornerstone of effective balance management. If you do not know how much cash you have and where it is, you cannot manage it.”

The context is critical here. Balances cannot be optimised without clarity about the desired balance sheet structure, and especially things like leverage and cash levels. From a cost perspective, zero is the ideal cash level, but for most people the resulting liquidity risk would be uncomfortable. From a risk perspective, we would all like to have \$150 billion in cash, but the cost – currently zero interest income minus weighted average cost of capital (WACC) – is prohibitive for most. You cannot define optimal cash management without clarity on this.

In these days of exceptional corporate cash – some \$5 trillion between US and EU multinationals – it appears that corporates are holding cash to mitigate fear uncertainty and doubt about the macro economic outlook and market liquidity. Since there is no financial formula to justify such high cash balances, the solution has been to segment cash into operating cash (with a policy formula and high availability) and strategic cash (with no strict formula and potentially longer tenor).

Visibility

Cash visibility is a cornerstone of effective balance management. If you do not know how much cash you have and where it is, you cannot manage it.

Visibility is normally defined as ‘What percentage of my cash do I see next morning?’ Best practice on this metric is close to 100%. The denominator for this calculation should reconcile with cash reported in the financial statements. Some organisations look at percentage of accounts, but the amount of cash is ultimately more important, and small, difficult to report accounts may be a distraction.

Visibility is normally achieved through some kind of e-banking. If you have more than one bank, you will want multi-bank connectivity. This can be achieved through SWIFT, third-party services, or a bank offering multi-bank connectivity. The goal is to collect closing balances overnight, so that all interested parties can see the transactions (for reconciliation) and balances (for management) in the morning. Sometimes, the data is gathered internally by asking subsidiaries to input their own banks, but this takes time, is error prone, and is normally done weekly. At the opposite extreme, some corporates request real-time reporting, or multiple intraday updates, especially to be able to reconcile and process commercial collections as fast as possible.

Visibility in the best cases is complemented by forecasting. Just to avoid confusion, cash visibility and cash forecasting are different if related things. Cash visibility forms the starting point for cash positioning or short-term cash forecasting, but visibility is historic (last night) whereas forecasting is about the future.

Availability

When you have visibility over your cash, the next step is to have control over it. Availability can be limited by issues like rights and connectivity to tax and regulation.

If the cash balance is in a joint venture, treasury may not have the right to deploy the money as it wishes. In extreme cases, recalcitrant subsidiaries may refuse to report balances. “Cash belongs to treasury” is an excellent motto I heard from one corporate.

With the right to the cash clarified, you need to establish connectivity and access rights to the bank so that you can

move the money when needed. In the majority of countries, e-banking and SWIFT connectivity are available. Good practice in this respect is to make SWIFT capability a pre-condition for any cash management bank.

Any cross-border flow has tax consequences. When you move money from subsidiary to treasury, you need to know the tax implications, and whether they are acceptable or not. For example, many US corporates have the right and the connectivity to their cash abroad, but the cash remains trapped there by Subpart-F, costing 30% to repatriate. Hence the mountains of cash in their financial statements, coupled with apparently contradictory domestic bond issues to pay share buybacks. Regulation can also trap cash. Many emerging markets require documentation plus professional certification, plus government sign-off, before money can leave the country. In extreme cases, the central bank may not have enough hard currency to fund the payment.

For all these reasons, it is critical to segment visible cash into cash that is available and cash that is not. Preferably, you will have some understanding of how to make the unavailable cash become available, and how long that might take. For clarity, available cash + trapped cash = total cash. It is good practice to measure and track available cash as a percentage of total cash, but benchmarking against other corporates is difficult since trapped cash issues are highly contextual.

Risk

If you are lucky enough to have cash, you do not want to lose it and you want it available when needed. Short-term cash is normally invested to ensure security, liquidity, and yield – aka SLY. Note that yield is the last priority. The main risks to cash include counterparty credit risk, sovereign risk, FX risk and interest rate risk.

Counterparty credit risk is the main risk treasurers think of when dealing with cash. The most common metric used is agency ratings from Standard & Poor’s (S&P), Moody’s and Fitch, despite their role in the global financial crisis. Best practice augments agency ratings with implied ratings, credit default swap rates, equity data, balance sheet analysis, and other metrics. When measuring counterparty credit risk, it is important to remember that risk comes not only from cash and deposits but also from letters of credit (LCs), derivatives, etc.

Sovereign risk is the risk alluded to above that either a country changes its regulations so that you cannot get cash out anymore (for example by imposing exchange controls) or the central bank does not have hard currency to pay out.

Foreign exchange (FX) risk is – broadly speaking – the risk of loss from depreciation of a currency in which cash is held. FX risk management is beyond the scope of this article, but clearly cash (and cash investments) must be considered in your FX risk management. It is also important to ensure clarity about the base currency for risk measurement and the relative importance of cash flow and accounting risk.

Interest rate (IR) risk is the risk of loss from changes in interest rates along the yield curve. IR risk management is beyond the scope of this article, but it is critical to have clarity on the benchmark duration of cash (and its different segments if applicable). Since most corporate balance sheets are not easily converted into duration, the benchmark duration(s) will normally be set by policy rather than by formula.

Cash pooling

Cash pooling is a popular aid to balance management. The main tools used are notional pooling, sweeping, and an IHB. These tools can be combined in various ways. In a sense, the baseline would be manual inter-company loans from and to treasury; sweeping and an IHB essentially automate this but do not change the tax issues; notional pooling both automates the inter-company balance management and eliminates the tax issues arising with inter-company balances.

Notional pooling is an agreement whereby the bank offsets negative and positive balances to eliminate interest spread. No cash moves and the balances remain bank balances not inter-company balances, which takes away all the tax problems that come with intercompany lending. Best practice is multi-currency multi-entity notional pooling.

Notional pooling gets a lot of bad press because most banks struggle with the technical and regulatory challenges it poses for them. Whatever difficulties banks have with notional pooling, these do not diminish the considerable benefits for corporates. If your bank is trying to persuade you to do sweeping rather than notional pooling, I recommend you talk to a specialist – like Bank Mendes Gans.

Sweeping (also called ZBA) involves transferring balances to a designated master account. Interest spread is eliminated as with notional pooling. The big difference is that the balances move from being bank balances to inter-company balances. Inter-company balances attract a host of tax problems including withholding tax, debt to equity limits ('thin cap'), transfer pricing, and so on. Essentially, sweeping is outsourcing to banks the transfers that treasurers could otherwise do manually (or with in-house (IHB) systems). An IHB structure, like sweeping, concentrates cash at the IHB, resulting in intercompany balances. It is the most common in house alternative to bank sweeping services. An IHB can be combined with notional pooling.

Sweeping in general can be used to automatically transfer cash from operating and non-core accounts into pool accounts and the IHB. Cash concentration (like cash pooling

without debit balances) can complement pooling and an IHB to widen the reach of balance management.

Cash pooling brings many important benefits including increasing the real availability of cash, eliminating interest spread paid to banks, reducing investment risk, increasing investment yield and reducing FX risk (multi-currency notional pools only).

The target is to have all available cash in one place at end of day (even if it is then invested in different ways to avoid concentration risk). Trapped cash by definition cannot be brought into cash pools and IHBs, but onshore cash pooling is often possible.

Technology

It is not good practice to try to accomplish your cash management on paper, and terrible practice to do it with Excel. Excel is a wonderful tool for playing with numbers, and it is a disaster for ongoing critical operational processes – no access control, no audit trail, error prone manual work. Good practice is a properly implemented TMS with multi-bank connectivity, with security, access control, audit trail, and preferably delivered over the web or intranet.

TMS selection is also beyond the scope of this article, but it is worth mentioning that the kind of functionality described here need not be expensive or complicated to implement. SaaS vendors often provide SWIFT connectivity built in and offer competitive pricing per user per module. Some banks offer white labelled solutions or partner with TMS vendors to facilitate this functionality for their customers.

In conclusion

It is not possible to say precisely what best practice in cash management is because different corporations will have different needs. Nevertheless, I hope this article helps to clarify some of the desirable practices that can help lead towards best practice for your organisation, as well as some of the bad practices to be avoided. ■



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Twenty five years of management and treasury experience in global companies. David Blair was formerly Vice-President Treasury at Huawei where he drove a treasury transformation for this fast-growing Chinese infocomm equipment supplier. Before that Blair was Group Treasurer of Nokia, where he built one of the most respected treasury organisations in the world. He has previous experience with ABB, PriceWaterhouse and Cargill. Blair has extensive experience managing global and diverse treasury teams, as well as playing a leading role in e-commerce standard development and in professional associations. He has counselled corporations and banks as well as governments. He trains treasury teams around the world and serves as a preferred tutor to the EuroFinance treasury and risk management training curriculum.

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