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# ASIA



## Payments: under the spotlight

Is the region ready to take the steps necessary to deliver faster payments? Singapore appears to be establishing the payments industry benchmark with its FAST platform. How quickly will others follow?



### The Corporate View

**Harjeet Kohli**

Group Head – Funding, Risk, Markets  
& Investors (GFRM)

**Bharti Airtel Limited**

### Trade

India: the new factory of the world

### Know the Region

ASEAN



### The Industry View

**Aidan Shevlin**

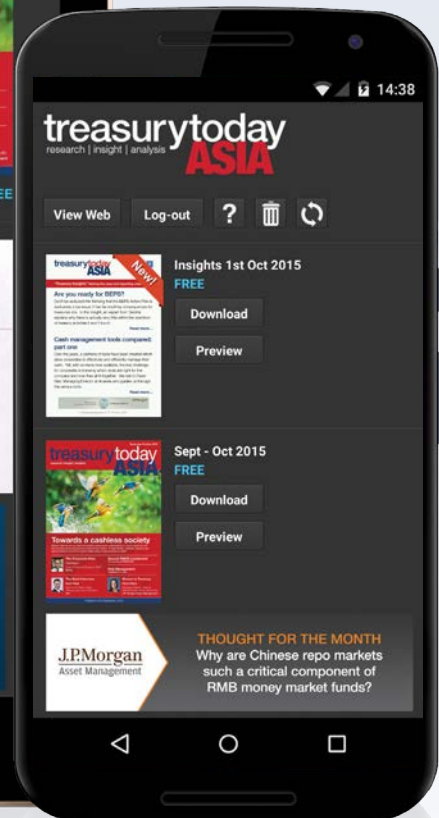
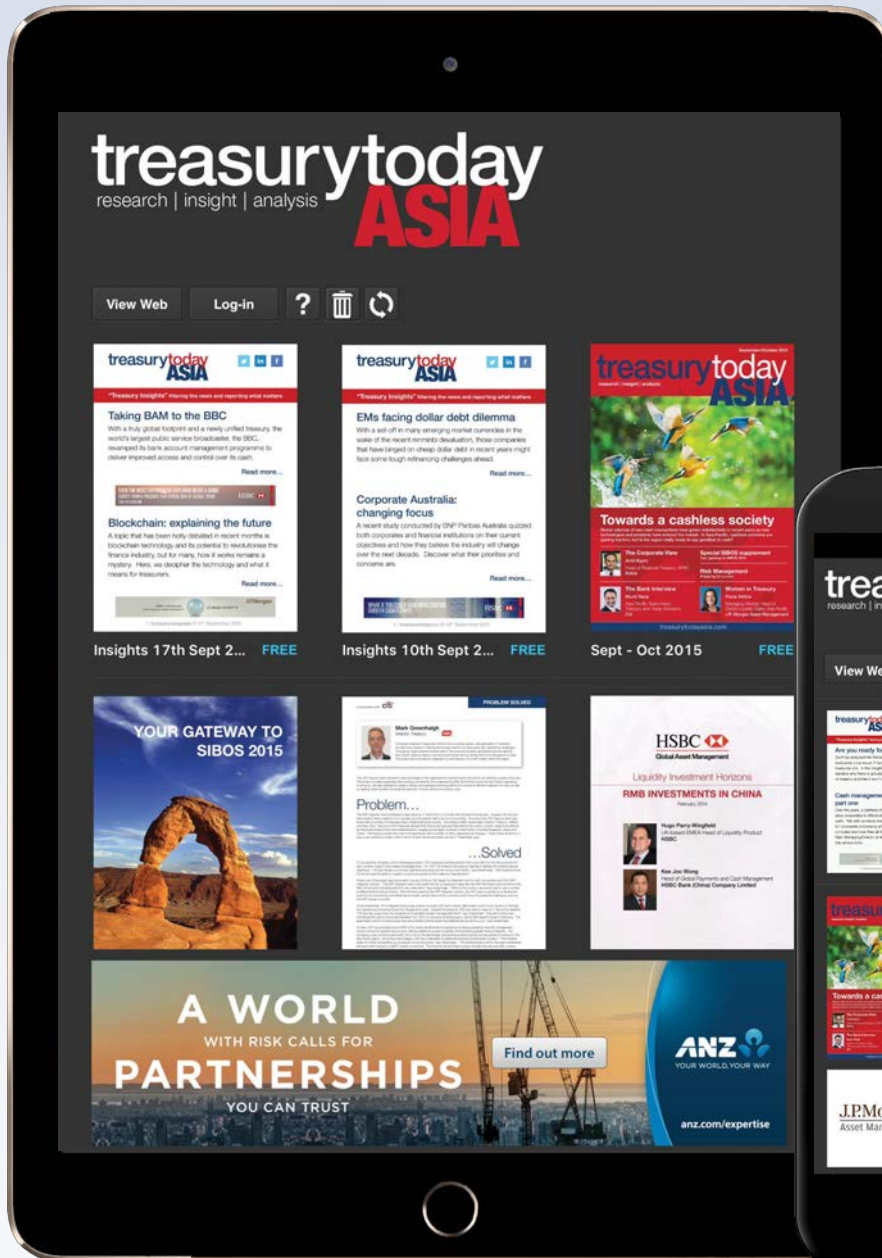
Head of Asia Pacific Liquidity Fund Management  
**J.P. Morgan Asset Management**



### Women in Treasury

**Carole Berndt**

Head, Global  
Transaction Banking  
**ANZ**



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Volume 3/Issue 6

November/December 2015

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Publisher	+44 (0)13 0462 9012
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Production	+44 (0)13 0462 9019
Fax	+44 (0)13 0462 9010

Annual Subscription Rate £285

subscriberservices@treasurytoday.com

© Treasury Today ISSN 2053-9398

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

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

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

Periodicals postage paid at Jamaica NY 11431.

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

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

Air Business Ltd is acting as our mailing agent.

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

# ASEAN: the creation of a regional powerhouse

As our November/December issue hits your desks thoughts are turning to the completion of the ASEAN Economic Community (AEC), the deadline for which is set for 31<sup>st</sup> December. Since its founding in 1967 the Association of Southeast Asian Nations (ASEAN) has aimed to foster economic growth, social progress and cultural development in the region; to promote regional peace and stability and to provide assistance to each other, amongst other aims.

The diversity of the region, from the lavish wealth of Singapore through to the emerging economies of Vietnam, Laos and Cambodia, has thrown up various issues for corporates operating across it. Yet it also offers significant opportunity in a market where the certainty that China could deliver endless growth opportunities has diminished and doubt has crept in, this means that corporates are looking elsewhere and attention is moving to ASEAN.

The AEC seeks to transform the region into a place of free movement of goods, services, investment, skilled labour and a more free flow of capital. Signed by all ASEAN members back in 2007, the charter set out the goal of regional economic integration by 31<sup>st</sup> December 2015 and this could change everything for this region as the removal of restrictions on trade, investment, people and capital flows provide huge opportunities for the countries, the corporates operating in them and the banks lending to them.

It must be noted however that for now big challenges for corporates still remain. For instance, cash remains non-transferable, both in and out in a number of countries, regulation remains diverse and complex, and a lack of harmonisation in technological systems is making integration of these challenging.

Despite this, the momentum is clearly growing around the AEC, whether the whole of ASEAN can exceed the sum of its parts remains to be seen. However, no matter how the AEC develops, creating a dialogue around harmonising the region can only lead to good things and we look forward to see what happens after 31<sup>st</sup> December deadline passes. For a more in depth view of ASEAN please refer to our Know the Region section on page 18.

## Celebrating success

On 12<sup>th</sup> November our Adam Smith Awards Asia Gala Presentation Lunch was held in Singapore at the Four Seasons Hotel. We would like to congratulate all this year's Overall Winners and Highly Commended Winners and to thank everybody who submitted. The Adam Smith Awards Asia have become the benchmark for industry excellence in the Asia Pacific region and we are delighted to celebrate the accomplishments, creativity, determination and resilience in treasury transformation and growth.

## The future of treasury

Treasury Today Asia was delighted to hold our first Talking Treasury Forum in the region at Sibos this year. The forum brought together a number of the region's most senior transaction bankers to discuss the major trends in cash management and what corporate treasurers should be focusing on in the coming years. It is a must read for all corporate treasurers operating in the region and will be featured in full in the January/February issue of Treasury Today Asia.



INSIGHT & ANALYSIS 13



Life in the FAST lane

In recent years, national payments infrastructure has been under the spotlight in many countries as governments look to replace their legacy systems with best-in-class modern infrastructure. In this article, we look at steps being taken to implement faster payments across Asia Pacific and what these developments mean to the economy and the corporate community.

WOMEN IN TREASURY 10



**Carole Berndt**  
Head, Global Transaction Banking



Carole Berndt joined ANZ in May 2015 as Managing Director Global Transaction Banking, based in Hong Kong. She has responsibility for the bank's Global Transaction Banking products, channels and sales for all customer segments.

With over 20-years of experience encompassing roles in finance, risk management, business development and technology, Carole is regarded as a practical and innovative leader in global transaction banking. Carole's career spans four locations (Australia, Hong Kong, New York and London) and centres on institutional transaction banking and client delivery.

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**ASEAN: a game changer**

The ten countries that make up the Association of Southeast Asia Nations (ASEAN) – collectively the seventh largest economy in the world – are capturing a great share of trade in Asia and taking their place on the global stage. With the ASEAN Economic Community (AEC) set for completion in December, Treasury Today Asia takes a closer look at ASEAN's potential.

TRADE 26



**India: the new factory of the world**

Much has been made of China and its position as the world's largest manufacturing and trading nation.

Yet, as wages in China rise corporates are increasingly looking beyond the country to other markets. India is looking to take advantage of this opportunity.

CITI CHINA SERIES 24



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**Releasing the redback**

Following our previous issue in this series which looked at RMB trade invoicing, we now review the new options that have emerged in recent years to allow corporates to transfer their exposures offshore. Is this the right time for corporates to look again at bringing RMB into their global cash pools? Citi's Managing Director, Asia Pacific Sales Head, Treasury and Trade Solutions Munir Nanji believes it is.

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**A tangled web**

The headlines have been besieged by stories of cyber-crime and fraud of late. Fraud is of course nothing new, but despite the adoption of sophisticated anti-fraud technologies, it remains a major commercial issue. In this article Treasury Today Asia considers the threat from the treasurer's perspective and asks what role the profession has in defending corporate cash and reputation.



**CAREER PROSPECTS 32**

**Mind the gap**

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

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**21 The Corporate View**

**Harjeet Kohli**

**Group Head – Funding, Risk, Markets & Investors (GFRM).**



In this interview, Harjeet Kohli, Group Head – Funding, Risk, Markets & Investors (GFRM) at Bharti Airtel discusses how he and his treasury team reorganised and structurally rebuilt treasury as GFRM, clearly aligning and expanding the scope, strategic priorities and mission of the unit to encompass the new challenges; seven key pillars of GFRM were defined as a starting point.

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**Aidan Shevlin**

**Head of Asia Pacific Liquidity Fund Management**

**J.P.Morgan**  
Asset Management

With the cash stockpiles of multinationals in Asia continuing to expand, there is a growing level of interest from corporate investors in what Asia's nascent money market fund industry has to offer. In this article, Aidan Shevlin, Head of Asia Pacific Liquidity Fund Management from J.P. Morgan Asset Management outlines the development of some of the budding key markets in the region, before offering a view on what the future trajectory of these markets might look like.





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**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](http://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](http://treasurytodayasia.com)**

## Banks herald the arrival of CIPS

What a time it has been recently for renminbi (RMB) milestones. First came the news from SWIFT in early October that the RMB had overtaken the Japanese yen to become the fourth most widely used international payments currency. That was then shortly followed by a story of even greater significance for the currency – the announcement that the People’s Bank of China (PBoC) had initiated the first phase of its long-awaited cross-border payment system.

The China International Payment System (CIPS) aims to replace the existing convoluted processes for clearing and settling renminbi payments with a new ‘superhighway’ for RMB payments, boasting operating hours that support different time zones, a structured messaging format (the same used in other international payment systems) and Chinese-English language support to facilitate straight through processing (STP).

So far a total of 19 banks have been selected by the PBoC to participate in CIPS, eight of which are Chinese subsidiaries of foreign banking groups including Citi, Bank of America Merrill Lynch (BoFA Merrill), ANZ, HSBC and Deutsche Bank. Daily operating hours for CIPS will be 09:00-20:00 local time, which the PBoC will consider extending in the next phase of development, depending on market demand.

Until now, offshore and cross-border RMB payments needed to be processed through a correspondent banking model and conducted through the China National Advanced Payment System (CNAPs). A treasurer paying into China from London, for example, would need to send a SWIFT MT103 file to a given bank in Hong Kong using the clearing times of that jurisdiction (09:00-22:00). Then, following its arrival in Hong Kong, the payment is routed through CNAPS to the Chinese subsidiary of that bank before it finally arrives at its ultimate destination, the beneficiary. What CIPS does, essentially, is remove those numerous ‘hops’ in the process and, by doing so, promises to make the execution of cross-border payments much faster, cheaper and, ultimately, more straightforward.

### A seminal moment?

Does this effort to enhance China’s connectivity with the global financial system represent a seminal moment in the story of the RMB’s journey to international currency status? Each of the participating banks that Treasury Today Asia has spoken to regarding the announcement evidently believe it does, given the enormous opportunities it will present corporates to do things a little differently going forward.

“CIPS is an important infrastructure to connect onshore and offshore RMB users through one single ‘superhighway’ for not only trade settlement purposes but also direct investment and capital market trading purposes,” says Kee Joo Wong, HSBC’s Regional Head of Payments & Cash Management, Asia Pacific. “RMB is now the world’s fourth-most active payment currency and second-most used currency in trade finance. We believe CIPS will further boost RMB use worldwide and pave the way for China’s currency to become a truly global one.”

Ultimately, treasurers should be encouraged by the cash management opportunities CIPS offers them. “CIPS will offer a more efficient and lower-cost choice for international RMB payments settlement,” says Sunil Bhatia, Head of Clearing and FX Products Asia Pacific, Global Transaction Services, at Bank of America Merrill Lynch. “It will improve the client experience for both onshore companies and offshore trading partners, a development with wide ranging implications. With the deregulation in China, onshore eligible companies are permitted to establish cross-border RMB two-way sweeping, thereby bringing China entities into their global liquidity scheme. CIPS can better support this development by enhancing the efficiency and streamlining the process for companies to extend global liquidity management covering China without time constraints.”

Yigen Pei, Head of Citi China’s Treasury and Trade Solutions also identifies improved efficiency as the ultimate benefit, and adds that the launch of the system will put the RMB on “an equal footing” with other global currencies. “Compared with the previous clearing mechanism, CIPS is more integrated, structured and centralised. As RMB is rising as one of the world’s top payment currencies, we are optimistic that the launch of CIPS will greatly increase global usage of the currency, paving the way for its internationalisation.”

### Moving on up

The arrival of CIPS will not make the RMB a rival to the US dollar overnight, of course. But with much of the currency’s growth to date understood to be driven, at least in part, by the development of offshore clearing centres, it would be reasonable to conclude that, with the launch of a system of further simplifying the clearing route, its continuing ascendancy in the international payments rankings is surely all but guaranteed.

**Longer versions of these articles are available at [treasurytoday.com/treasury-insights](http://treasurytoday.com/treasury-insights)**



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# The year ahead

“ As we move into the final quarter of 2015, what should treasurers in the APAC region have on their ‘to do’ lists in 2016? ”



**Vivek Batra**  
Global Head of Sales,  
Global Transaction Services  
DBS Bank

Uncertainty continues to permeate the macroeconomic landscape as we move into 4Q15. The question on everyone’s mind: when will the Fed raise interest rates? However, beyond that, the areas of uncertainty extend quite extensively, particularly for treasurers in the APAC region. These include uncertainty over the direction of China’s growth and reforms, the challenges of RMB internationalisation, where we are in the commodities cycle, the outlook for large emerging economies like India and Indonesia, implications pertaining to ASEAN and the new Trans-Pacific Partnership trade agreement.

APAC treasurers planning for 2016 should prepare for uncertainty, build resiliency and maintain flexibility. The landscape is already fraught with multiple known ‘unknowns’ and this will continue with those understood less. Priorities centre around being prepared for bumps along the way. Some key items on the to do list include:

1. Cash (visibility) is king. This is crucial, especially for businesses spanning different countries and juggling multiple internal systems. Already a critical priority in business-as-usual times, visibility is of paramount importance when treasurers need to act quickly. Given that stress could emanate from a localised, country-specific cause or a macroeconomic development, treasurers should ensure visibility across the spectrum, be it at a country or market, regional or firm-wide level.
2. Test, test and test again. While this includes typical contingency planning around systems and business continuity plans, do not stop there. Think and plan for various scenarios and how treasurers could manage and lead through them. For example, if there is a cash-crunch, which projects could be stopped and in what time frame? Which initiatives could help bring in cash on short notice? Who are the stakeholders that need to be consulted today, rather than in the throes of a crisis?
3. Identify and, if need be, hedge exposures. Beyond identifying sensitivities to key external factors, proactively define and articulate the risk management philosophy within the treasury and firm. Drive this agenda together with the

CFO and Chief Risk Officer. Be clear on potential exposure risks, as well as what could be done to mitigate them. Avoid being penny-wise and pound-foolish. Hedge if necessary.

4. Build up funding resiliency. This is less about securing funding before the end of the ultra-low rate environment and more about putting in place diverse sources of funding to reduce risk. Treasurers should ensure that diverse and resilient funding sources are in place.
5. Don’t forget the upside. Amidst planning for downside cases, treasurers would do well to ensure there is flexibility to be opportunistic. There could be a window to play offense, not just defence.

Greater clarity could yet come between now and the end of 2015. However, one suspects the only certainty for 2016 is uncertainty.



**Maarten Hartog**  
Associate Director  
KPMG China

2016 is likely to be about value: what is the value treasury provides to the business? What is the value of the relationships with the banks? Essentially how to create value in a more volatile environment. The key aspects to creating value are: operational execution and relationships. Starting with operational execution, there are a couple of things happening in the business environment that will impact treasurers and their ability to deliver value to the organisation.

Due to regulatory pressures, banks’ appetite for short term non-operational cash is likely to reduce, potentially making it expensive to put this money on deposit for less than 30 days. This is because banks need to put aside capital to cover these highly liquid deposits in case of a sudden market incident. The key task for treasurers is to create a reliable forecast of their cash and funding needs. They need to be able to make informed decisions about how to best manage their excess cash, and when and where to best attract funding.

Markets have become a bit wobbly of late with the recent RMB devaluation and the US looking to pick the right time to raise the USD interest rates. These developments point to potential further increased FX and interest rate risk. Now would be a good time to review how prepared you are for

increased volatility and discuss any required changes in policy settings (risk appetite and financial risk management approaches, for instance) with your board.

The coming year would also be a good time to consider the maturity of the treasury organisation. Are you able to achieve an efficient delivery on the demands placed on treasury? Do you have the right skills and people? Do you have the right tools? Do you have the right level of centralisation considering the business and regulatory environment? Should you be moving to a more integrated treasury model, such as an in-house bank?

This brings us to the second aspect: relationships. To be successful, a treasurer increasingly needs to be a business partner. Treasurers should be thinking about how to proactively engage the business and understand the organisation operationally so it is in a position to provide relevant and timely advice.

The benefits work two ways: treasury is a complex and highly specialised area, and isn't always understood well by other parts of finance or the wider business. Engaging the business and articulating the value that treasury offers will create understanding and goodwill that can be drawn upon in tougher times.

Moreover, given that banks are increasingly constrained, now would be a great time to review bank relationships and opportunities to strengthen relationships with key banks ahead of the curve. Questions to ask are: which banks do you want to do business with – both on the cash management and funding side? How can you offer preferred banks a bigger share of wallet? How can you communicate this to banks to leverage this position as much as possible when it comes to them prioritising your business as well?



**Nicolas Adjemian**  
Solution Consultant, APAC  
Reval

Many companies in the APAC region have been making significant revenue from China, and as the RMB has been appreciating over the last five years, there has been little interest in hedging. However the recent 3% drop in the RMB against the USD has caused many trading companies, which work on tight profit margins, as well as those active in commodities, to re-examine their hedging strategy for the Chinese market. There is likely to be new priorities as companies with RMB revenues and USD costs almost certainly seek better hedging strategies, better hedge accounting and better exposure visibility. Treasurers therefore should examine

the benefits of early adopting IFRS 9 to achieve a better accounting outcome especially when hedging commodity risk, cross currency debt or using option strategies.

What's more, APAC companies have been taking advantage of the lower USD interest rates and the appreciating RMB to borrow in USD. But now, corporates are starting to fund their operations onshore in China, which wasn't the case before. Next year, APAC treasurers will need to look at the market to determine where it makes sense to locate their funding activities. Related to this, CFO's will be demanding a reduction in interest expense. Treasurers should look at intercompany lending and evolving in-house bank techniques to better manage interest expense.

Elsewhere, we have already seen evidence of corporates moving their regional treasury centres to Shanghai, closer to the revenue source and as The Hong Kong government budget includes a plan to attract more regional treasury centres and as many Chinese corporates as possible, because of its tax efficiency, freely exchangeable currency, and less regulated market. Companies planning to create a centralised treasury next year will be seriously considering Hong Kong as an alternative to Singapore and even Shanghai.

In terms of liquidity and risk management considerations for the upcoming year, the current uncertainties about Chinese growth (2.5% versus 7% officially) will cause companies to take a close look at their liquidity resources, and to consider treasury technology to better identify FX exposures, improve cash forecasting, perform hedging operations and use hedge accounting to protect against greater P&L volatility. Improved risk management tools will be needed to deal with any crisis in China. These include simulations, what-if scenarios, sensitivity analysis and cash flow at risk. Better decisions will require analysis of complex situations, such as the relationship between commodity prices, the USD/RMB and other regional currencies such as AUD or JPY. Many organisations in the region are still cash rich (insurance companies, for instance), and low local interest rates and euro weakness may encourage M&A activity in Europe. Take Li Ka-shing, Asia's richest man, for instance, who started to sell off his China assets last April due to his negative outlook on the China economy and property market and is now redeploying assets to Europe.

Finally, the drivers of TMS projects in APAC are presently liquidity and working capital management, and counterparty exposure management. The renewed volatility will see currency and interest rate risk management as drivers of treasury and risk management projects. As a consequence of organic growth and M&A activity, RFPs are asking for cloud platforms to support geographical growth as historical concerns in the region are now mitigated. Cloud solutions are increasingly seen to have an attractive price point, and add value because they outsource maintenance and disaster recovery, and do not require a big team for support. These factors are also enabling more and more mid-sized companies to seek cloud solutions for their treasury operations. ■

### The next question:

"What hedging strategies are being adopted across the region to address volatility in the commodity and currency markets?"

Please send your comments and responses to [qa@treasurytoday.com](mailto:qa@treasurytoday.com)



# This much I know

## Carole Berndt

Head, Global Transaction Banking



### How did you start your banking career?

I had a non-traditional start to my career. I took on a number of tactical jobs before securing a book-keeping position at Allianz Insurance. I wanted to be prepared for opportunities when they arose and create them for myself where possible so I worked toward a degree in accounting, followed by a second degree in computing science and an MBA in international banking.

I was fortunate to be in the team driving Allianz's successful commercialisation of the internet in the 1990s, but at a certain point I realised I wanted a new challenge. My entry to banking happened when I decided to throw myself out of my comfort zone. I moved to work on American Express's merchant e-commerce strategy and later joined Citi GTS in 2001 to run its e-business project office in Hong Kong.

The banking skills and experience I acquired led me to take on global leadership roles for transaction banking at Bank of America Merrill Lynch, RBS and now ANZ, which I joined in May this year.

### Is there a gender-bias in the banking industry?

I am not sure it is a bias, as most banks now have adopted policies that ensure conscious bias is eliminated. However, we do still see disparity in pay and perception that the industry needs to continue to manage out.

Personally, I have never been held back in my career because I'm a woman. That said; I've had to adapt, speak up and be proactive about articulating my views and goals.

For some women, the gender bias may seem more substantial, which may be due to a tendency to shy away from speaking up or claiming recognition for their work. This is something that can be overcome with self-confidence and the right leadership.

I believe leaders have a responsibility to ensure an inclusive approach to discussion. The person who has the best idea in a meeting may be the person who doesn't feel comfortable speaking up so leaders need to provide these individuals, whether male or female, with a platform from which they can speak up. Only listening to half the room is a big mistake.

### Do women bring anything different to the table?

Women generally have more empathy and intuition and this is an advantage in business, where relationships between people are important.

It also means that women think about problems in a different way. They add to the diversity of perspectives at the table, leading to a more balanced approach, which can only be a good thing.

“Balance is attainable and sustainable. Many career women (and men) manage very busy lives, but the key to success is in planning and discipline. Manage your time like the scarce resource it is so you spend it wisely and on things that drive a good return.”

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#### ON THE WEB

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To read all the interviews in this series go to [treasurytoday.com/women-in-treasury](http://treasurytoday.com/women-in-treasury)



## What advice do you have for work-life balance?

It won't happen unless you manage it. This applies to both men and women. You decide the priorities in your life, and yes, this prioritisation has consequences.

Balance is attainable and sustainable. Many career women (and men) manage very busy lives, but the key to success is in planning and discipline. Manage your time like the scarce resource it is so you spend it wisely and on things that drive a good return.

I don't think one needs to sacrifice other interests and make work their priority in order to be recognised and successful at work. In fact, I would argue the opposite; family, friends, fitness and fun are all essential inputs to a successful career. It's what makes you, you.

Priorities can change as people go through different life stages, but commitment to one's priorities is the key to work-life balance.

## What are your tips for young professionals?

1. Have a career direction, not a plan – but don't feel compelled to stick to a given path. Be open-minded, know what you are good at and want to do, but also be open to other options. In today's flat organisations, the quickest way up, is often to take a step down or sidewise. Seek feedback from others, as they may see something that you don't see in yourself. For me, I have always taken the risk to seize unplanned opportunities and it has worked well for me.
2. Be genuine to earn respect. Be you, but be open to coaching that helps build your support circle. People tell me I am surprisingly forceful given that I'm a woman, but I wouldn't change my style. Everyone will not always agree with you and may not always like you, but if you are genuine, honest and have integrity, you will win their respect, which is one of the hardest things to earn in any industry.
3. Master your own destiny. It's each individual's responsibility to achieve the right balance in life, whether it is pursuing one's career goals or managing between home and work. Don't get caught up in trying to out-do people and focus on 'quality not quantity' to drive outcomes.
4. Don't be afraid to fail ... just don't make the same mistake twice. If you don't fail you don't stretch yourself and you don't learn, and in today's environment courage and creativity are often the differentiators.

Finally ...

5. Go for a run, watch a movie, spend time with your family and do the job exceptionally well ... it's a combination of them all that lead to success. ■



Carole Berndt joined ANZ in May 2015 as Managing Director Global Transaction Banking, based in Hong Kong. She has responsibility for the bank's Global Transaction Banking products, channels and sales for all customer segments.

With over 20-years of experience encompassing roles in finance, risk management, business development and technology, Carole is regarded as a practical and innovative leader in global transaction banking.

Carole's career spans four locations (Australia, Hong Kong, New York and London) and centres on institutional transaction banking and client delivery.

Prior to joining ANZ, Carole was responsible for the end-to-end management of the transaction banking business at RBS as Global Head of Transaction Services, providing core cash management, trade and liquidity to multi-national corporations, and financial institutions. Before this, Carole had a leading role in delivering the integrated global corporate banking financial plan and market share growth for Bank of America Merrill Lynch as Head of Global Transaction Services for EMEA.

Carole has also worked for Citigroup in New York, where she had global responsibility for the end-to-end delivery of implementation, service and client technology for its global treasury products portfolio; and in Hong Kong, where she held Corporate Banking roles ranging from product management and reengineering to business management and client service.

Carole has a degree in Information Technology and a Masters of Business Administration in International Business.





## Life in the FAST lane

*In recent years, national payments infrastructure has been under the spotlight in many countries as governments look to replace their legacy systems with best-in-class modern infrastructure. In this article, we look at steps being taken to implement faster payments across Asia Pacific and what these developments mean to the economy and the corporate community.*

The impact that technology has made on our lives is truly profound. Many of us now walk around with at least one, perhaps even more, supercomputers in our pockets that enable us to access a universe of information that 20 years ago we could only have imagined. This has enabled us to perform many tasks, in near real time, making instant gratification the norm, not a privilege. Yet, despite this, there are some areas which have struggled to keep up, and as superior technology becomes more widely available and we are able to do more instantly and easily, the limitations of these become ever more apparent.

In the financial space, the most obvious example is payments. In most countries the domestic payments infrastructure is well-established, reliable and entrenched in the domestic financial system. Yet despite this, they are now beginning to show their age, as consumers and business demand access to faster, more agile systems. The financial institutions who

offer these are held hostage to the functionality of the payments infrastructure and their own legacy systems, which prevent them innovating and offering services to meet evolving customer demands.

There are steps being taken to change this, however, and a number of forward-thinking countries have renewed their payments infrastructure and built best-in-class real-time systems which not only facilitate faster payments but also a broader revolution in payments for both corporates and consumers.

### A diverse landscape

Today, Asia Pacific (APAC) is a region at the forefront of payments innovation. India, Japan, Singapore, South Korea and Japan all have a form of real-time payments infrastructure – Japan's Zengin system was actually the world's first,

although compared to modern standards it lags behind. There are also projects in development or being planned in Australia, Hong Kong and New Zealand.

But, for the most part, these examples are in developed Asia and as we covered in our last edition, the payments landscape in emerging Asia is very different. In these countries, which remain heavily reliant on cash, the financial infrastructure is dominated by traditional real-time gross settlement (RTGS) systems and ACH – there is limited domestic real-time infrastructure.

Nevertheless, market realities, primarily the wide usage of mobile devices in these countries, has caused a number of parties, including the regulators, to bolster their payments infrastructure. The aim is to develop systems that match the increasingly digital nature of these economies and to drive further financial inclusion by making them more accessible. In Thailand for instance, there is a progressive agenda and a deep desire to move away from a cash-based society. To do this the regulators understand that they have to broaden access to electronic payments and remove the friction around these. As a result, they are closely watching a number of projects across the region to see how best to modernise their system. This is also the case in Indonesia, Malaysia and Vietnam.

## Setting the standard

What comprises a modern real-time payments system and how do they differ from legacy systems? The clue is in the name. Real-time systems are designed to provide (nearly) instant value transfer, primarily aimed at low value, high-volume retail payments. Their most important function is therefore speed, and most real-time payments systems have been designed to ensure that payments are completed within 15 seconds and without the fear of returns or charge backs. This is achieved because payments are not batched together and settled at various points throughout the day – as is the case with ACH systems. Of equal importance is availability. Modern payments systems need to reflect a society which is always plugged in and be available 24/7, 365 days a year, offering society unlimited flexibility. This is unlike legacy ACH and RTGS systems which typically close overnight and at weekends.

There are obvious benefits for corporates here should they wish to use these financial rails. “If payments can be made instantly, no matter the size, this provides a fantastic opportunity to better plan their payments,” says George Evers, Head of International Product Development, Immediate Payments at VocaLink. “This in turn will allow them to drive better liquidity management and reduce float.” The constant availability of the systems also means there can be less friction caused by time zones when making cross-border payments.

Aside from their speed and availability, real-time payments systems also offer added benefits around data. Legacy payments systems, while stable, are often constrained by the limited amount of data that can be passed around the network. New systems have looked to solve this problem by leveraging SWIFT’s ISO 20022 messaging standard, which allows for a much richer data set to be included in the payment file. ISO 20022 is based on 16 bit double bytes, which allows 65,536 characters, both roman and non-roman, to be included making it particularly useful in Asia where non-roman characters are widely used.

For a corporate, there are obvious advantages that come with more information being included in the payment files.

As Carlos Palmers, Head of RT Market Infrastructures at SWIFT explains: “Reconciliation is a major challenge for corporates and a large part of this challenge comes from receiving payments which contain little to no information about what they are for. The ISO standard however, allows corporates now to include this data by including the invoice data in the payment file. We are seeing corporates leverage this opportunity by linking their payments application with their logistic chain, driving straight through reconciliation through their payments processes.”

An additional benefit of using ISO 20022 is that it uses extensible markup language (XML), an open standard in which rules are defined that allow for messages and documents to be encoded in a consistent manner. In theory, this should bring consistency to payment infrastructures around the world. Yet, it seems that currently this benefit is not being realised as countries and banks are offering slightly different versions of the ‘standard’.

There is lots of work being done, however, by numerous working groups who are looking to ensure a consistent standard is used globally. But, with numerous countries developing, or planning new systems, time may be running out. According to Gene Neyer, Global Product Manager at Fundtech the corporate community is acutely aware of this challenge and, in many cases, has lost patience. “Corporates I speak to tell me that they don’t care what standard is picked, just as long as it’s consistent globally, giving them the ability to streamline and simplify their payments processes.”

## The market leader

A country which is setting the standard in regard to faster payments is Singapore, which in March 2014 launched its Fast and Secure Transfers (FAST) platform. FAST replaces the legacy eGiro payment system that dates back to the 1980s, and enables customers of (currently) 14 participating banks to offer real-time credit transfers and direct debit facilities. “This is the most modern and advanced payments infrastructure in the world today,” says VocaLink’s Evers, “and can provide a blueprint for systems globally.”

The initial phase of the scheme – real-time payments – came into effect on 17<sup>th</sup> March last year. Phase two, which involves bulk payments (G3 Bulk), is scheduled for Q4. The final piece of the jigsaw, an electronic direct debit authorisation (EDDA) system was expected to be rolled out in late 2015.

The direct debit authorisations will be set up and exchanged electronically, leveraging the scheme infrastructure and capabilities to support the adoption of a bulk payment and will benefit real-time debit transactions. It will reduce the turnaround time required to set up an authorisation from the existing 12 to 15 working days to five working days or less, depending on the readiness of billing organisations’ banks and the billing organisations themselves. Amendments and termination features will be included as part of the module.

Despite phase one only recently being completed, the market in Singapore is already beginning to realise the benefits. As Evers explains: “Since the launch, the participating banks have been competing and innovating in order to deliver best-in-class solutions to their customers. This has happened because the Monetary Authority of Singapore (MAS)

demanded that all banks be ready on day one to ensure that the entire market could benefit and not just the customers of one or two banks.”

It must be noted, that for the most part, FAST has initially been aimed at the retail market. A maximum value transfer limit of SGD 10,000 was put in place during the formative months of the project to help it bed in. Naturally, this limited its use for corporates, but in recent months an increasing demand from the corporate community has seen the MAS raise payment limit from SGD 10,000 to SGD 50,000 providing more of an opportunity for corporates to use the service. According to Evers the challenge now will be how quickly the banks can innovate to offer the opportunity to utilise FAST to treasurers.

## The up and comer

Work is also currently underway in Australia to build the New Payments Platform (NPP) which is set to modernise the country's payments system, which to date has been based on bilateral clearing arrangements. The system will offer all of the benefits that we have come to expect from a modern infrastructure providing businesses and consumers with a fast, versatile, data-rich payments system for making everyday transactions. In contrast to Singapore however, there will be no upper limit for payment amounts, giving corporates the opportunity to access the system from day one to make immediate high-value payments. This, of course, depends on the banks' ability to make this available to their corporate customers.

For SWIFT's Palmers the approach Australia is taking is very innovative. “It is being built in such a way that allows for innovation to easily occur from banks and other third-party financial service providers. For instance, we have already seen examples of how it can be easily implemented into e-commerce platforms, facilitate mobile-to-mobile payments and also how notary services can be included in the payment files making it easier and quicker to process real estate transactions.”

SWIFT are building the underlying platform in Australia and a total of 17 institutions are taking part in the programme, including Australia's 'big four' banks: ANZ, Commonwealth Bank, National Australia Bank and Westpac. Foreign institutions such as Citi, Bank of America Merrill Lynch, ING and HSBC are also heavily involved. It is expected that the NPP will go live in 2017.

## A regional approach

The NPP, just like FAST in Singapore, is a domestic project, built to process domestic transactions in local currency. Yet, given the global nature of business and the increasingly global nature of e and m-commerce, could a regional infrastructure drive greater benefit?

According to David Brown, Senior Vice President, Payments and Products and Australia Country Manager at Fundtech there is a benefit and some countries have outlined a clear agenda to offer regional capabilities. “Singapore for instance indicated from day one that they wanted to eventually allow foreign currency transactions to occur within Singapore in real-time. They also indicated that once the infrastructure is stable and fully embedded domestically they wish to use it to facilitate cross-border payments across the ASEAN region and to connect the various clearing houses. These developments are definitely on the horizon although there are still challenges that need to be worked through such as the currency conversion, and how transactions will take place.”

SWIFT's Palmers paints a similar picture for Australia's NPP. “The platform is domestic in nature and all the participating banks were asked to have their infrastructure in Australia. But, a number of banks, particularly those with a strong regional presence, are already considering payments instructions from overseas in AUD and then inputting these into the NPP as a way to speed up the process of cross-border AUD payments.”

The technology is therefore in place to facilitate these cross-border flows but there is a regulatory hurdle. “The national payments infrastructure is a vital cog in any country's domestic economy and overall community,” says VocaLink's Evers. “Consequently, for countries to give away some degree of control of these to their regional neighbours may be a hard sell.”

## Future rails

A solution may potentially come from a system that is independent of governments and one that transcends borders – the blockchain. There has been a lot of development in this space in recent months, including a number of high-profile banks experimenting with the technology, and recently signing up to the R3 consortium. But, its real potential may be in being the glue that connects all domestic payments infrastructure together. This is one of the ambitions of Ripple, a company advertised as the world's first open-standard, Internet Protocol (IP)-based technology for banks to clear and settle transactions in real time via a distributed network. It is Ripple's view that their technology can not only connect these systems together but also allow for cross-border transactions to happen in real-time and at a reduced cost compared to today.

Fundtech's Neyer, however, suggests caution around these solutions. “While these may have shown some success, the sample size is a tiny fraction of all cross-border payments. Whether these systems have the ability to scale up to that size and handle millions, if not billions of transactions is a big question.” According to Neyer, blockchain platforms are also currently limited in their use for corporates. “The data that can be included along with the payment is currently extremely limited (similar to legacy domestic systems). This will of course create the same issues many corporates are experiencing now regarding reconciliation. It will also limit their compatibility with modern domestic payments infrastructure that can accept lots of data.” Ripple have confirmed however that they are working to ensure that more data can be included in the payment file in the future potentially alleviating this issue.

Yet, despite these current limitations, Neyer sees these platforms having a broader impact. “Currently the banking industry hasn't seen these platforms as a threat and instead has partnered with them to see how they can leverage the benefits they offer. It will be interesting to see if one of these Fintech companies makes a significant breakthrough and the dynamic shifts, making them a threat to banks, their business models and profitability.”

If this happens Neyer believes that banks would make significant changes to their business model, including lowering their costs and speeding up their processes. “One of the biggest impacts these Fintech companies can have is to succeed in what they are doing and force banks to make banking more efficient by putting pressure on their business models.” ■



## Piyada Sookaimoath

Assistant Vice President, Corporate Finance Division

Central Pattana Public Company Limited (CPN) is Thailand's largest retail developer with over 30 years of experience. CPN currently manage 28 shopping centres, seven office buildings, two hotels and two residential projects. The company is the leader in the retail development and management sector with the biggest share of Bangkok's retail market at 20%.



# Problem...

CPN is currently undergoing a period of expansion in its home market of Thailand. The rapid growth, however, exposed a number of shortcomings and friction points across the organisation's processes. In reaction to this the company has in recent years given a significant amount of attention to improving the overall process efficiency across the group to ensure it can meet both its immediate and future objectives.

A major area of focus for CPN was driving efficiency in the treasury and finance function. As Piyada Sookaimoath, Assistant Vice President, Corporate Finance Division at CPN explains, "Historically the function was very labour intensive. We manually managed nearly all of our processes, especially in liquidity management, whilst also supervising close to 200 accounts. The treasury's time was therefore spent on these tasks rather than on adding value to the business and assisting with its expansion plans." These challenges were amplified as the company expanded and its operations became increasingly complex.

# ...Solved

In order to resolve these issues, the company launched an ambitious project to streamline its bank accounts, automate its payments and receivables where possible and ensure its cash was being used efficiently. To do this, CPN's treasury drew up a list of requirements to increase overall process efficiency. These included: seamless integration with SAP, producing more efficient reporting and reconciliation, improving end-to-end security and control and providing excellent customer service to businesses.

Citi was selected to fulfil the requirements. CPN's treasury team felt the solutions offered by Citi and Kasikorn Bank (KBank); Citi's partner bank, best fit the objectives of the treasury as well as minimising the switching cost for the company and its clients.

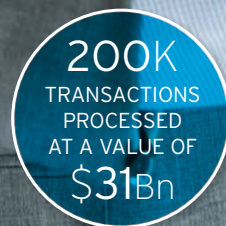
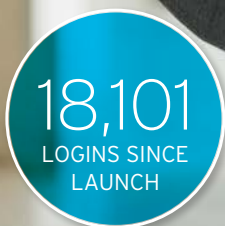
For improved liquidity management, the solutions offered by Citi included: a single bank account to enhance visibility and control, a fully automated cash pooling system which eliminated manual processes for cash consolidation and single collection and payment data files and reports. The company was able to reduce its number of bank accounts from close to 200 to only 24, lessening the resource burden associated with managing these. Moreover, as Sookaimoath explains: "A number of cash pooling structures are available without a credit facility. If credit support is needed for other purposes, however, Citi will provide an umbrella facility for the cash pooling, it is very flexible to our needs."

To streamline the collections process, Citi provided virtual accounts to help identify payers and remove the need to manually track payments. This information is fed through a single collection channel, providing better visibility and access to the data. This can then be analysed through Citi's Receivables Vision analysis tool which helps the CPN treasury team to more accurately predict its future cash flow. Moreover, since local regulations stipulate that foreign banks are only allowed to set up one branch in Thailand, Citi has worked seamlessly with CPN's local partner bank, KBank, to support the conglomerate's local collections nationwide, giving the company the local coverage it requires.

CPN's payments processes have been streamlined through the use of Citi's Payment solutions which allows CPN to send a variety of payment types, with multiple value dates, in one single consolidated file via host-to-host connectivity. Moreover, this process has been fully integrated into SAP, providing an automated end-to-end payment process.

Today, 26 local entities and two entities in Malaysia have joined the scheme. Going forward, CPN is aiming to grow three to four property development projects per year in Thailand and expand into other South East Asia markets. It is therefore vital that the solutions are scalable to allow more entities to be on-boarded quickly and efficiently. Citi's extensive global network will also play a key role in facilitating CPN's growth overseas. ■

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\*Figures updated as of the most recent available at time of print.



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## ASEAN: a game changer

*The ten countries that make up the Association of Southeast Asia Nations (ASEAN) – collectively the seventh largest economy in the world – are capturing a great share of trade in Asia and taking their place on the global stage. With the ASEAN Economic Community (AEC) set for completion in December, Treasury Today Asia takes a closer look at the region's potential.*

Founded in 1967, the Association of Southeast Asia Nations (ASEAN) aims, as set out in the ASEAN declaration in 1967, are: to accelerate economic growth, social progress, and cultural development in the region; to promote regional peace and stability and to provide assistance to each other in the form of training and research facilities, amongst other social and sustainability goals.

These aims have always faced challenges – least of all because of the region's enormous scope. ASEAN covers about 3% of the total land area of the Earth and the ten countries account for around 8.8% of the world's population. Inevitably, this means the region exhibits considerable diversity which can throw up problems for corporates operating there. But whilst the varied business landscape means expected net returns are more dependent upon a company's treasury performance, it is anticipated the countries will have a combined gross domestic product of \$2.1trn once the ASEAN Economic Community (AEC) is instituted. ASEAN therefore represents an attractive prospect and, without a doubt, investors are increasingly

appreciating that the challenges are outsize by the potential rewards. For instance, the European Union (EU), according to the European Commission's annual trade and investment publication released in July, is the largest investor in Southeast Asia and, after China, the region's biggest trading partner. Given recent volatility in the country, it is likely more and more corporates will be looking beyond China. "The new norm in China is a lower rate of growth. Thus, attention is turning to ASEAN," explains Victor Penna, Managing Director Global Head of MNC Sales and Treasury Solutions for Standard Chartered.

### Country specific trends

Multinationals are keen to tap these markets as a major part of their global expansion plans. "This is evident in ASEAN's foreign direct investment inflows, totalling \$122bn in 2013, which soared 25% on average over the past 14 years," explains Melvyn Low, ASEAN and Singapore Country Head, Treasury and Trade Solutions for Citi. Investors within the region are also looking for opportunities. As of June this year, ASEAN investors spent



## Key facts

### Brunei Darussalam

Capital: Bandar Seri Begawan  
Population: 422,675  
GDP real growth: 5.3%  
Currency: Brunei Dollar

### Cambodia

Capital: Phnom Penh  
Population: 15,458,332  
GDP real growth: 7.2%  
Currency: Riel

### Indonesia

Capital: Jakarta  
Population: 253,609,643  
GDP real growth: 5.2%  
Currency: Rupiah

### Lao PDR

Capital: Vientiane  
Population: 6,803,699  
GDP real growth: 7.4%  
Currency: Kip

### Malaysia

Capital: Kuala Lumpur  
Population: 30,073,353  
GDP real growth: 5.9%  
Currency: Ringgit

### Myanmar

Capital: Nay Pyi Taw  
Population: 55,746,253  
GDP real growth: 8.5%  
Currency: Kyat

### Philippines

Capital: Manila  
Population: 107,668,231  
GDP real growth: 6.2%  
Currency: Peso

### Singapore

Capital: Singapore  
Population: 5,567,301  
GDP real growth: 3%  
Currency: Singapore Dollar

### Thailand

Capital: Bangkok  
Population: 67,741,401  
GDP real growth: 1%  
Currency: Baht

### Vietnam

Capital: Ha Noi  
Population: 93,421,835  
GDP real growth: 5.5%  
Currency: Dong

All population and growth rates are 2014 estimates.

## Creating regional unity

Despite the prevalence of regional inconsistency, change is afoot in the form of the AEC. Envisioned to transform ASEAN into a region with free movement of goods, services, investment, skilled labour and freer flow of capital, AEC progress “has been ongoing for many years,” says Leslie Choo, General Manager and Vice President, ASEAN and Greater China, for payments provider ACI. The charter, signed by all members of ASEAN in 2007, set out the goal of achieving regional economic integration by the 31<sup>st</sup> December 2015, a date brought forward from the original 2020 aim. “The AEC could be set to change the game plan for ASEAN,” says Choo.

The removal of restrictions on trade, investments, capital flows and people would provide huge opportunity for the countries, the corporates operating there and the banks lending to them. The upsurge in intra-ASEAN trade has already been the biggest story over the past few years, and AEC looks set to accelerate this further. However, the region has a patchy history with such inter-country agreements, explains Neil Katkov, Senior Vice President Asia for Celent. “Although everyone hopes it will bring a lot of benefits to the region – and it certainly has that potential – it’s not a sure thing.” Historically, multilateral negotiations have been prone to deadline slippages and corporates cannot be certain of the end-of-year goal.

When it comes to expectations, some lessons have been learnt from the European continent’s troubles. For instance, prevailing opinion seems to be that conditions are not right for a single ASEAN currency union. Instead, in the absence of one currency, the aim is “to have one foundation for multiple currencies, which must be formed to override the inefficiencies created by diversity for corporates doing business,” explains Choo.

An increased level of trade liberalisation in ASEAN is much more likely than any movement towards a currency union. And the roots from which the AEC could flourish are certainly growing. Manufacturing, for example, is moving away from China due to increasing costs with many corporates choosing countries within ASEAN as new manufacturing locations. Moreover, Choo believes that once the AEC gains traction, “there will be huge interest for countries like Japan or China to tap into the region as well,” he says. Indeed, some co-operation already exists with ASEAN Plus Three (APT), a forum that coordinates ASEAN and China, Japan and South Korea which can be built on as ASEAN becomes more of a global player.

## Payment and banking considerations

“Payments infrastructure is one of the key areas for the formation of AEC. It will be a necessary criteria for countries to allow businesses to attach to, and benefit from, the community,” explains Choo. Some countries have already been leveraging a faster payments infrastructure – Fast and Secure Transfers (FAST), formerly known as Giro 3 (G3), is a real-time payments initiative built on ISO 20022 in Singapore, for instance – yet “there’s not really a linkage between countries.” For a pan-ASEAN clearing and settlement system to work, other countries would need to modernise their domestic payment infrastructures and this will inevitably take some time. Change is on the horizon, however, as Singapore has indicated from day one that FAST would be able to process cross-border payments within ASEAN and connect these clearing houses together one day.

It is hoped that an integrated banking sector would encourage the emergence of globally competitive ASEAN-based banks

\$54.6bn towards projects in Vietnam. Top investors were: Singapore (\$32.2bn), Malaysia (\$12bn) and Thailand (\$6.8bn). In fact, the Q3 2015 Business Optimism Index by Dun & Bradstreet indicated that business confidence in Vietnam improved by 16% in one quarter, and 46% of respondents anticipated better business conditions for the final quarter of the year. Optimism amongst other countries in the region (Indonesia, Malaysia, Philippines, Singapore and Thailand), however, has been dampened by currency volatility, the report notes.

Nevertheless, disparity is nothing new for corporates in the region. Taking the financial sector as an example, Penna explains: “As you move into the different countries, the development of financial services varies a lot.” Whilst the likes of Singapore and Thailand embrace transparency and boast mature banking sectors, Myanmar is in its infancy and the country is only just seeking its first credit rating (it is predicted 10% growth in 2015, however). It is in the transition to market economy and has to avoid the pitfalls – corruption, inflation and rising living costs – other more developed countries in ASEAN have, by and large, successfully side-stepped.

“Singapore, for instance, is the regional hub for ASEAN where the financial markets are very well-developed. Malaysia too is quite advanced and has become more open in the past three or four years. Then there are the more restricted and under-developed markets such as Vietnam, Laos or Cambodia. Thailand and Indonesia fall somewhere in between where there is a reasonable level of local services,” Penna says.

as well as improve the overall stability of the region's banking sector – an advantage which will be felt by the larger corporates and SMEs alike. Indeed, “businesses in the region are driving the ASEAN payment network,” explains Choo, and notable progress is occurring. For instance, the recent announcement regarding UnionPay International (UPI) and the Thailand Bankers Association signing a chip card standard license agreement in August. The agreement will push forward nationwide chip migration of debit cards and ATM machines in Thailand; upgrading from the use of magnetic strips in cards to chips compatible with international UPI standards will lay a solid foundation for innovative application and value-added services.

If more countries could move towards using a standard that everyone understands, that would be a huge step forward for the region. A wider adoption of ISO 20022, Choo cites as an example. In 2013, Thailand's Electronic Transactions Development Agency (ETDA) and SWIFT signed a memorandum of understanding to promote the adoption and use of ISO 20022 amongst the financial industry in the country and region. In ASEAN, SWIFT has been working with financial institutions and governments to standardise financial connectivity and messaging. Singapore, the Philippines, Malaysia, Indonesia and Thailand already have their real-time gross settlement (RTGS) on SWIFT. Some of the smaller economies are inevitably taking longer to migrate to a common standard.

But regional developments are by no means limited to the payments space. International banks will also be trying to increase their competitive appeal when the ASEAN Banking Integration Framework (ABIF) is implemented (anticipated by 2020). This is because, under ABIF, regional ASEAN-based banks will be re-classified as local banks across the ten countries, rather than being treated as foreign banks when operating in a neighbouring country. It is a landmark agreement to allow member nations' banks to operate in each other's markets.

ASEAN is dominated by large global banks, but they depend on local banks in each country for the last mile of delivery. Under ABIF, they could face stiff competition from local and regional players. Especially given that, in the last four years or so, local banks have been trying to provide more transaction banking services themselves. “In most cases, they start out with online cash management but some larger regional banks are putting in place fully-fledged services,” adds Celent's Katkov.

Malaysian-based Hong Leong Financial Group Bhd (HLFG), for instance, has been scouting for merger and acquisition opportunities amidst ABIF integration plans in order to expand its presence. The bank has made it known it is on the lookout in emerging high-growth markets, such as Indonesia and Thailand, as part of a strategy to be of greater relevance and significance, regionally. “Many of the players in the market have great hopes for these initiatives (AEC and ABIF) and are already moving to expand in advance of them and certainly putting in place plans to take advantage of the agreements,” says Katkov. “There is a lot banks can do right now to expand their business without waiting for any formal inter-country agreement.” Citi, for example, has already been working with leading companies in the fast-moving consumer goods, healthcare and insurance sectors. “In fact, the rise of multinationals' investments into ASEAN has resulted in a greater need for transactional banking support for their in-country operations to seamlessly connect with their regional treasury centres and global headquarters,” says Low.

## Stumbling blocks

Whilst business sentiment is generally positive in ASEAN, and there are currently many encouraging developments in the region, implementation has made it hard for corporates to plan for the future. “The number of concrete measures towards this economic community that have been implemented is very small,” says Penna. What's more, integration for the region is not likely to stop with the AEC either as more trade, security and political unifications are anticipated.

Instead, corporates would do well, according to Penna, to focus on the reality that the region's opportunities come part and parcel with challenges around regulatory change and operational complexity meaning treasurers need to be agile in their approach. As a result of local preferences and cultural sensitivities, they cannot rely on a one-size-fits-all strategy in the region. “Restricted markets are part of the norm in Asia and the challenge for corporates is understanding regulations and restrictions on a country-by-country basis,” Standard Chartered's Penna explains. In terms of being able to do cross-border lending and what capital account and FX restrictions are in place, it's quite a mixed bag. “On one end of the spectrum, you have open markets such as Singapore and, on the other, there are restricted countries like Vietnam. All the others sit somewhere between those bookends.”

When change does occur, corporates may have to prepare in an atmosphere of uncertainty. Malaysia, for instance, introduced a consumption tax (to replace its previous sales tax and service tax) in April this year, but the details took a long time to be finalised. Moreover, Indonesia is looking closely at transfer pricing. Although developments, such as these, need to be kept a close eye on, it's not all bad news: Vietnam is set to reduce its corporate income tax rate to 20% from 22% in January 2016. Increasingly, countries in the region are avoiding using tax incentives for short-term investment, but are taking steps which help corporates navigate what is a complex landscape. For example, the Economic Development Board in Singapore, the Malaysia Investment Development Authority and the Board of Investment in Thailand encourage sensible – and hopefully repeat – investment in their countries.

## Harmonisation: the end goal

Such institutions help investors, but there is a lot corporates can be doing to overcome regional nuances, explains Penna: “It goes back to good old-fashioned treasury risk management. For example, when buying a substantial asset in a market which is quite restricted, ask yourself if it's possible to borrow in local currency in order to create a natural hedge between assets and liabilities on the balance sheet.”

And corporates are willing to take this on; as Low explains, the heightened momentum over the AEC has been a catalyst for foreign direct investments. Many multinational and large companies are making decisions now to invest and grow in the ASEAN markets in the next five years, and overall integration within ASEAN is beginning to help corporates obtain faster financing, improve trade document transfer and increase transparency, allowing for better governance and risk management. Whether the whole of ASEAN can exceed the sum of its parts remains to be seen. However the AEC pans out, “harmonisation is a great dialogue for the ASEAN countries to be having because it certainly supports any AEC-type initiative, perhaps even more than the international accords themselves,” concludes Katkov. ■



## Major winner

### Harjeet Kohli

Group Head – Funding, Risk, Markets & Investors (GFRM)



Harjeet Kohli, Group Head – Funding, Risk, Markets & Investors (GFRM) at Bharti Airtel, is a firm believer that success isn't handed to you on a plate, it is earned. As a result, his career as an award-winning treasurer is heavily influenced by a strong desire to continue improving his skills and to continue learning.

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*Bharti Airtel Limited is the largest mobile service provider in India and the third largest mobile operator globally. The New Delhi headquartered business has operations in 20 countries spread across Asia and Africa. It employs more than 24,000 staff to service its 340 million plus customers, generating annual turnover currently in excess of \$15bn.*

It was seven-time major winner Arnold Palmer who said: 'golf is deceptively simple and endlessly complicated; it satisfies the soul and frustrates the intellect. It is at the same time rewarding and maddening.' Although, he (probably) did not know it, Palmer was not only describing golf in this phrase, but also summing up the role of the corporate treasurer.

At the most fundamental level, the role of treasury is simple – to ensure the company has sufficient cash, and in the right place to meet its ongoing financial obligations. The ways and means to achieve this however are endless and, at times, infinitely complex. Therefore, comparable to golf, being a successful treasurer is both hard work, and at times

frustrating, when you are at the mercy of external forces. But, with perseverance and commitment the results can be extremely satisfying and rewarding.

This is something that Harjeet Kohli, Group Head – Funding, Risk, Markets & Investors (GFRM) at Bharti Airtel – an avid golfer himself – and his team know well. In 2014, Bharti Airtel were widely recognised in the industry for their achievements; including being named the inaugural Treasury Today Asia Adam Smith Awards Top Treasury Team of the Year. It was a recognition that came after years of hard work on multiple projects that have not only reshaped the treasury department but also the company.



## Award winning treasury

Prior to Kohli's arrival, the Bharti Airtel treasury operation, like that of many companies, was more or less a siloed function. Yet, rapid growth and expansion into new markets was placing increasing and unfamiliar pressures onto the company financially. "The changing and fast-expanding needs of the company resulted in an increasingly strategic objective and placement of the treasury unit, thus guiding our transformation from treasury to Group Funding, Risk and Markets (GFRM) in its present form," says Kohli.

To achieve this, Kohli and his treasury re-organised and structurally rebuilt treasury as GFRM, clearly aligning and expanding the scope, strategic priorities and mission of the unit to encompass the new challenges. A foundation of seven key pillars of GFRM were defined as a starting point, namely: debt management; risk management; working capital management; ratings management; capital structure management; controls and compliance; and policy and governance. Kohli acts as an overseer of all these seven pillars with four (debt management, risk management, working capital management and controls and compliance) each having their own dedicated sector heads, reporting into Kohli.

Despite not managing these four directly day-to-day, ultimately responsibility still rests with Kohli. "I would not say I have a heavy or light touch in regard to managing these verticals," explains Kohli. "We have routine review based engagement every 30 days incorporating all priorities, status and steering of help required – apart from this I don't like to interfere with what they are doing. My job's existence and thereby my focus is to be a strong business partner. Working capital management and investor relations are the operational and strategic entry gates respectively for this partnership and the other pillars enable/foster business growth. This combined approach of 'optimal-touch' within the team and "business partner" ensures we remain one to two years ahead at all times in all aspects of treasury business.

Opening up on his management philosophy, Kohli describes how he has always looked to provide his staff with adequate room to stretch themselves and find out what they can and can't do independently. "I believe this gives them the opportunity to develop organically," he says. "But it is equally important to coach, align, direct and steer your team. This allows them the required directional focus and yet adequate headroom/latitude and confidence to design new and innovative solutions."

Overhauling the treasury department in such a dramatic fashion has brought a host of operational and financial benefits including allowing treasury to partner with the business more effectively, capture the benefits of a global, centralised treasury and also harness the synergies of each pillar by making them a specialist and yet co-exist. The transformation has not only paid testament to vision of the treasury team, but also the entrepreneurial spirit of the company, something which Kohli encapsulates. "When you receive awards for work such as this it really reinforces the belief of the whole group on the system and the way that it is working across the verticals, especially the belief in the entrepreneurial spirit that allowed, in the first place, for the treasury to dream of this transformation. It also raises the bar and forces people to push a little further, each day."

## Building blocks

Within the GFRM structure there are three verticals which Kohli retains full management over. "The ratings management,

capital structure management and policy and governance verticals I directly manage because they are heavily strategic in a franchise sense and strengthen my business partnership objective – which is probably why at Airtel all equity and hybrids (if any) also get dealt by treasury," he says. Notably, Kohli had led the IPO of Airtel's subsidiary Bharti Infratel to create a \$10bn+ market cap company, two years ago. As part of his role, Kohli also engages with the board every quarter, allowing him to understand their thoughts and concerns and then marry these with his thoughts to develop an actionable plan. "These are not typical functions of the corporate treasury but they are areas I feel at home in given my previous experience in the banking industry. It also highlights the faith the board has in GFRM to deliver."

Having qualified from the University in Delhi with a degree in mechanical engineering and an MBA in finance Kohli began his banking career with Citi in India. "Initially I worked in core banking," he says. "This was very much banking in the trenches and it allowed me to learn the ropes." Following this Kohli found himself seeking exposure in other areas of the bank, working in sales, relationship and market management roles across the corporate and investment bank.

Incidentally, during his time at Citi, Kohli worked extensively with Bharti Airtel on a number of deals. Then in 2008 the opportunity to work for a corporate manifested itself and this was something Kohli was keen to explore. "It was a good conversation and I was excited by the opportunities the company could offer." While Kohli admits that he could have pursued his goals either in the banking industry or on the corporate side. As he explains: "banking is an amazing breeding ground for talent and I could have stayed in the industry and exposed myself to different areas of finance and in different countries." But moving into the corporate side, and especially for a company of the size and complexity of Bharti Airtel, posed a unique challenge. "I saw an excellent opportunity at Bharti, the company offers a job scope which is complex and diversified and telecoms is an intense and ever-changing exciting industry. Joining the group has also given me the ability to gain competencies across multiple industries as part of group's non-telecom businesses, utilising the cumulative learnings from my banking experience to build strategies for the group not just for treasury but also the wider finance function. As I reflect back these seven years, it was clearly the correct decision," says Kohli.

## Ahead of the competition

Bharti Airtel is a company with big ambitions and are looking to aggressively expand, not only in India but also in other markets. To achieve this, the company needs financial support and it is here that the role of treasury has increased exponentially and become deeply integrated with the business. Since joining the company, understanding the direction of the business and how it works has been a key focus for Kohli and something he believes is now vital for the modern corporate treasurer. "Treasury cannot operate in a silo and treasurers need to engage with business leaders and understand the direction it is heading in and prepare financing well in advance to support this. At Airtel our objective is to allow the business to assume that financing is always available for their next move. If it is not then it is a failure." That's what drove Kohli and team to enter capital markets three years ago, and running a large, deep and successful Bond programme.

Its expansion into new markets, in both Asia and Africa, has also presented a host of new challenges to the treasury department. “We are present in 20 markets overall and the vast majority of these are emerging. As we have seen in recent months the currencies in these markets are extremely volatile and it is vital that we manage these effectively and endeavour that our operational performance isn’t impacted through the volatility,” he says.

The challenge for the Bharti Airtel treasury is emphasised because of the nuances in each of these markets. “Many of the countries we operate in have different legal restrictions, financial infrastructure, and also currency pairs, all of which are evolving at different speeds,” says Kohli. A universal approach to managing these therefore cannot be taken and Kohli and his team have worked extensively to ensure that efficient and scalable architectures are in place that allow treasury to operate effectively. “To achieve this, first we created a global treasury product architecture and vertical and then rely heavily on our field treasury managers in each country. Their input and understanding of the local market is crucial to ensure we get the right solutions.”

Utilising these field managers and other internal tax and regulatory specialists also plays an important role in helping Bharti Airtel to effectively manage the regulatory objectives. “We first have to be compliant with all local regulations in each market we operate in, this we can’t sacrifice,” he explains. Yet, for Kohli managing regulation extends beyond compliance. Intimately understanding the regulations also provides the opportunity to maximise treasury efficiency. As he explains: “within these regulatory confines we look to build structures that allows us to effectively manage our liquidity. This falls under the remit of the working capital vertical and the team spends its time managing and re-routing the surpluses, ensuring these can be used to plug deficits where needed and in the most efficient and cost effective way. There may also be times when it is cheaper to borrow, but only an intimate understanding of the legal and regulatory environment can provide the answer.”

“As a bottom line, my measure of success can only be if GFRM has enabled accelerated growth for business, anticipated and carved out the path well ahead of time, including any equity or monetisations, provided strategic “outside-in view” through investor engagement, used technology efficiently and owned below – EBITDA financials of the P&L”.

## Valuable partners

It is not only internal partners that have helped Kohli and his team build an award-winning treasury, but also the group’s external partners, in particular the banks. “To date the banks we work with have been very effective and willing to stretch to meet our demands,” says Kohli. Of course, being one of India’s largest companies makes Bharti Airtel an attractive client for the banks, but the assistance the company has received with its global expansion demonstrates to Kohli that these relationships are both mutual and extremely valuable.

“The complexity of the regions we operate in and the intensity of our needs is always increasing,” he says. “As a result we are constantly requesting new services and solutions from our banks and for the most part they are proving agile enough to match these.” Kohli provides an example of a recent RFP the company issued in Africa. “We were looking to install a host-to-host payments process and our needs were uniquely

complex because of the scope of the project. The banks proved themselves once again, and the solution is currently being implemented.” Kohli believes pushing the banks in this fashion is important to ensure that the bar is constantly being raised for the overall benefit of the industry.

## Mobile banking

Interestingly, Bharti Airtel themselves have recently been awarded a limited banking licence from the Reserve Bank of India. This has allowed the company to upgrade its existing pre-paid payments service, Airtel Money into a payments bank which can take small deposits and offer remittances.

There will of course be an impact on treasury. “There will be some new regulatory requirements that we will have to comply with,” says Kohli. “We have also had to build a structure that will allow us to manage the deposits, money transfers, cash in and cash out. Cash will also have to be well segregated because we don’t want there to be a co-mingling of funds from telecoms business and the bank business.”

Overall however he sees this as a positive step for the Group and one that will ultimately boost the profitability of Bharti Airtel across all of its businesses lines. “Offering these financial services is just another way that we can become deeply integrated into the lives of our customers and will increase engagement.” Kohli also believes the move can offer a social benefit and drive further financial inclusion in India. “We are not competing with the banks in this respect, we want to complement their infrastructure and drive greater engagement with the financial industry in India.”

## Priorities Ahead

Despite the work done already, given the much wider remit GFRM has at Airtel, significant priorities are still at work, as Kohli says. “We have a full few months and quarters ahead. On one hand, we are creating first of its kind global integrated Treasury policy and on the other, managing all seven pillars of Organisation Design of treasury across all our global operations as an engaged and integrated product vertical. Then there is, on one side, the secondary sale and asset monetisations related projects – both to enable business and its strategies as well as for leverage management and on the other side implementation of a new treasury management system. All this, while keeping our capital markets, debt and equity investors engagement on an ongoing basis – so, exciting times ahead!”

## A full round

When Kohli gets time to be away from the office (something he admits he probably doesn’t get enough of) he can often be found on the golf course with his family. “This helps me loosen up and de-stress. It is also a great way to get the family together in the fresh air and away from the technological distractions of modern day life.”

Kohli also draws inspiration from the game and its greatest players over the years. “I believe that achieving something once, as much toil as it involves, is still the easy part, for instance we have seen countless players win a tournament, but the true test of success is maintaining such a high-standard, No. 1 ranking, and the only way to achieve this is to keep pushing and raising the bar - this is something I look to apply to everything I do, both professionally and personally.” ■

# Releasing the redback

*With a spell of tremendous market volatility in the wake of the devaluation of the renminbi (RMB) now behind us, it is perhaps an ideal time to review the new options that have emerged in recent years allowing corporates to transfer exposures offshore. Is this the right time for corporates to look again at bringing RMB into their global cash pools? Citi's Managing Director, Asia Pacific Sales Head, Treasury and Trade Solutions Munir Nanji believes it is.*

The People's Bank of China's (PBoC) decision in August 2015 to allow for a depreciation in the RMB against the dollar serves as a timely reminder of the importance of RMB internationalisation, both for foreign multinationals doing business in the country and domestic Chinese companies alike.

Already, the event is shaping conversations that leading banks are having with their corporate clients around liquidity management strategies. Although, several years ago, when informed of the first new pilot schemes permitting cross-border pooling in RMB or foreign currencies, initial interest from treasurers was somewhat muted (given the very good rates on deposits in China at the time and the fact the currency was appreciating); circumstances are now quite different. Now the PBoC is, albeit very gradually, allowing market forces to assume a greater role in determining the RMB's value and treasurers should understand that this means the currency may not be as stable in the future as it has been historically.

"The volatility has been significant," remarks Munir Nanji, Asia Pacific Sales Head, Treasury and Trade Solutions, at Citi. "As China liberalises and the currency becomes part of a larger financial system, more volatility is inevitable." The interest rate environment is in a similar state of flux, as evidenced by an apparent distinction between the onshore and offshore markets. While the Shanghai Interbank Offered Rate (SHIBOR) has fallen (in the past year) from the 3% to 1% range, its offshore counterpart, the CNH Hong Kong Interbank Offered Rate (HIBOR), has been moving in an opposite and more volatile direction, climbing from the 5% range to 10% immediately following the devaluation.

As such, there are now strong risk management and investment imperatives adding to the funding efficiency case for incorporating RMB into global cash pools. "If you are a treasurer then just a few weeks ago you were probably thinking that you may as well hold on to RMB since it was a strengthening currency," says Nanji. "But then there is a sudden devaluation taking place and heightened volatility in both the FX and interest rate markets. Now treasurers at head offices outside of China are probably thinking that the time has come to get RMB connected to those global pools, because by doing that they can hedge the excess RMB positions and ensure Chinese entities are supporting the liquidity needs across the group, and vice versa. They know now that they need to act."

## The story so far

Given the reforms of recent years, there is really no excuse not to act. Over the past five years, China has consistently demonstrated its commitment to liberalising trade, by promoting the currency and taking numerous other steps to open up the economy.

With the ambition of offering Chinese corporates procuring raw materials abroad to begin using RMB as a settlement currency, the Chinese authorities began easing regulations around convertibility in 2009 with the launch of a milestone pilot scheme for cross-border trade settlement in RMB. Since then, the pace of reform has astonished many seasoned China-watchers. Trade settlement was in due course expanded nationwide; offshore clearing centres were established in Hong Kong, Singapore, Taiwan, and London; and beginning in 2014, RMB and foreign currency cross-border pooling was introduced through the Nationwide and Shanghai Free Trade Zone (SFTZ) testbeds.

A more conducive regulatory environment has been matched by infrastructural improvements. "This means that companies that wish to include RMB in their global cash pool that is managed from, say, Europe or the US, are able to pay beneficiaries in China on time," says Nanji. "If the cash pool is resided in London, for example, the payment would normally route to Hong Kong via the SWIFT network. Hong Kong would utilise its domestic clearing system (CHATS) to route the payment further through the China National Advanced Payment System (CNAPS) to the final beneficiary in China."

Of course, the various 'hops' in this process mean this is not quite as straightforward and streamlined a process as one would like with the current infrastructure not being sufficient to provide cross-border RMB clearing on a real-time basis. "It's not as simple as one would like, but there is infrastructure there," says Nanji. "There will be reject rates, obviously, because of the many different systems money must pass through and the information required for a straight through transaction. But, as your pools become centralised, you can use the infrastructure now in place, with the long awaited Cross-Border Interbank Payment System (CIPS) aiming to provide a seamless clearing infrastructure for cross border RMB payments."

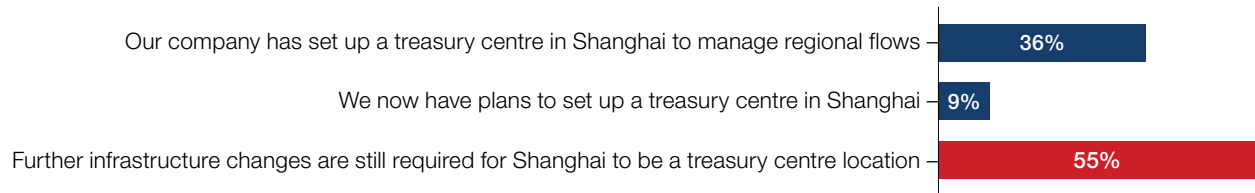
## SFTZ or nationwide?

Over the past year, China has been gradually expanding some of the policies tested in the SFTZ nationwide. For treasurers in China this raises the question of whether to leverage the initiatives in the SFTZ or look to the programme being permitted by the regulators at a national level.

Based on an internal survey done by Citi across 250 respondents, over half were still looking for further infrastructure changes before using the SFTZ as a key treasury location. Key reasons for leveraging the SFTZ have been driven by already being located within the zone, especially with the geographic expansion and the significance of China to the overall business growth and strategy.



### Chart 1: Treasurers views on the SFTZ



Source: Citi

Nanji expects that it will not be long before we see these minor discrepancies ironed out, as we have seen from the recent regulatory announcements relaxing the borrowing quotas and qualification criteria for the nationwide programme. This is largely driven by the success of the SFTZ which gives the regulatory authorities the confidence they need to take the entire experiment nationwide. “If you are already sitting in the SFTZ then clearly it is very easy to join,” he explains. “It becomes more complicated when you are in another location and you have to decide, do I join the nationwide zone or do I join the SFTZ? For that reason, I think, we are going to gradually see more harmony.”

### Next steps

Interest in both the SFTZ and nationwide amongst Citi’s client base has already been very robust, and the bank expects this to accelerate even further in the coming years. This is a natural consequence of the RMB’s growing acceptance as an international currency for treasury and gradually with trade (in August 2015, for instance, SWIFT revealed RMB had become the fourth most-used currency for international payments, passing the Japanese yen, Canadian and Australian dollars in the last year).

But it is also a reflection of the fact that corporates transacting in RMB are becoming ever more cognisant of the benefits of connecting RMB and foreign currency in China to the group’s global pools when using the currency for trade. First and foremost, there is the matter of reducing complexity around counterparty FX and processing for Chinese entities. “If you are a Chinese subsidiary, you need to think about the simplicity,” Nanji explains. “That is the biggest benefit for them.” The benefits do not end there though. Chinese subsidiaries can use pooling structures to bring money into the country to finance both their own operations and those of their critical suppliers (something which may assume greater importance should economic conditions in China deteriorate and delinquencies begin to increase).

The benefits of unlocking all of that trapped cash that has been building up in China are also felt offshore too. China is now the second largest economy in the world and, as such, any company with business there will have a very large portion of their revenue there. Would it not be much better for corporates to have those revenues sitting inside their global cash pool? Nanji certainly thinks so. “If treasurers have all the other currencies in their cash pool but the second biggest economy in the world is not connected I think that is just sad,” he says. “It’s a pity that some companies are using the Japanese yen and the euro, but not RMB.”

The benefits of integration are every bit as applicable for Chinese corporates offshore too. Big Chinese names – take Huawei and Alibaba as an example – are now increasingly global in their outlook and, as such, are exploring how cash pooling solutions might benefit them. “Knowing that they have got to report back their foreign currency sales in RMB, some of them are considering establishing pools offshore, which would offer them the ability to also set-up treasury centres offshore,” says Nanji.

### Leading the way

As more and more corporates become sold on the idea of incorporating China into their global cash pools, the only difficult decision left for the treasurer to make is in choosing which bank is best placed to help them achieve this. What bank has all the right resources and experience to help them navigate the various bureaucratic requirements?

In attempting to answer this question, treasurers might wish to consider which bank has over the past five years been leading the way with every new regulatory development in China’s FX market over the past five years. “We have a long track record in working with companies getting the necessary approvals from SAFE and PBoC,” says Nanji. “Whether it was the first cross-border lending that took place; the companies that established netting programmes; the companies that want to set-up offshore centres – each time we are proud to say that we have been the first in the market,” says Nanji.

In working so closely with the Chinese regulators, Citi is also now in a unique position amongst the banks to influence how such reforms are implemented on behalf of their clients. “In many ways we have been able to shape the regulatory thinking,” he says. “We assure the regulators. We show them how we actually link platforms together globally, and they come to our offices and through these induction processes gain some level of confidence on how the systems work and, as a result, we can get them to think about setting up infrastructure for these companies.”

Add to the above Citi’s long standing relationship with financial infrastructure providers such as SWIFT, corporate treasurers should be left in no doubt as to who can bring the best support for the enablement of the RMB as an international currency.

# India: the new factory of the world

*Much has been made of China and its position as the world's largest manufacturing and trading nation. Yet, as wages in China rise corporates are increasingly looking beyond the country to other markets. India is looking to take advantage of this opportunity and mobilise its enormous workforce. In this article we explore the steps India is taking to make it a business friendly location and what corporates need to know when trading with and in the country.*

In August this year, Taiwanese electronics manufacturing giant Foxconn announced that it had signed a \$5bn deal to establish both R&D and manufacturing facilities in western India before 2020. The deal is the largest foreign investment to date in the country's technology manufacturing sector and will see the company build up to 12 new factories and hire as many as one million workers. Although Foxconn, like many other foreign names such as Panasonic and Lenovo, has had manufacturing operations in the country for a number of years, the announcement highlights India's increasing pull as a manufacturing hub for foreign multinationals.

This is a dramatic shift from two decades ago when India was regarded as a closed and unfriendly business destination. As a result, India largely missed out as foreign multinationals expanded their operations into Asia and established low-cost manufacturing centres across the region. Regulatory change, investment and a new national focus on growth and progress however, has seen the tide begin to turn. India is now set to be at the centre of another seismic shift in global trade and supply chains as it aims to become the new factory of the world.

## Building new corridors

In the last 20 years there has been a dramatic swing in global trade corridors. Where once trade was conducted primarily between developed Western nations: today, emerging markets (EMs), and more specifically Asia, are now at the heart of global trade flows. EMs for example, now account for nearly half of world exports – up from one-fifth in 1990. And according to the IMF, one-third of the \$15trn of global trade is now conducted between emerging and developing economies, known commonly as South-South trade.

The changes in global trade flows cannot be attributed to one key factor; instead they are the result of a variety of shifts and events in the wider world over the past few decades. For starters, geopolitical developments – such as the breakup of the Soviet Union and the liberalisation of emerging economies – have played a significant role. Improvements and a reduction in the price of communication technology, thanks to the rise of the internet, have also played an important role in making the world smaller and more interconnected. Meanwhile, the creation of trade bodies such

as the WTO in 1995 has looked to regulate global trade and allow it to flow freer and fairer.

Using these developments as a springboard, EMs have blossomed as their governments have liberalised trade, recognising the economic benefits afforded to them by adopting an export-led economy. Regional and bi-lateral trade agreements, which have proliferated in recent years, have been used to further widen these new trade corridors.

India is now set to be at the centre of another seismic shift in global trade and supply chains as it aims to become the new factory of the world.

With it now easier to do business in many EMs around the world, corporates have taken the opportunity to transform their supply chains and trade policies, adopting a model known as the vertical supply chain. In a vertical chain, the basic functions in the production cycle are outsourced to countries with low labour costs and the higher skilled functions are kept in traditionally more high-skilled countries – Apple's goods, for instance, are designed in California and assembled in China.

The growth of vertical supply chains has transformed China and has seen the country being nicknamed 'the factory of the world', sitting at the heart of many global supply chains. China has been able to take the lead in this regard because its vast population has allowed for huge volumes of output and also for labour costs to be kept low. But recent signs suggest China may be intentionally loosening its grip as the world's manufacturing hub as it shifts towards a more consumption-based economy, looks to expand its service sector, and its middle class grows. These developments are seeing workers in China demanding higher wages and thus the cost of business is increasing.

## Make in India

It is against this backdrop where India's opportunity lies. The country already boasts a sizeable economy worth over

\$2trn and posted a 7.4% growth rate in 2014 making it the fastest growing major economy along with China. Unsurprisingly, GDP per capita is also on the rise, increasing to \$1,610 in 2014 from \$1,560 the previous year. Continuing at this growth rate, the economy should move from the 'lower middle income' category to the 'upper middle income' level in the space of ten years.

"To help achieve this there is now a big push in the country to transform India into a manufacturing hub," says Anjali Mohanty, Head of Global Transaction Banking – India at Deutsche Bank. As well as helping boost the economy the move will also benefit the Indian population. As Mohanty explains: "India has a population over 1.3 billion and with more than ten million people moving into employment each year, the country has a vast workforce. Manufacturing is the only sector that can produce jobs to this scale." As Chart 1 depicts only 9.4% of India's 487 million strong workforce is employed in the manufacturing sector.

There is good reason for this: when compared to other economies, India's trajectory is quite unique. It progressed from an agricultural economy straight into a services-based economy, essentially skipping the manufacturing phase which most go through. As a result, India exports around 3% of the world's services but only 1.7% of merchandise. "To transform the Indian economy into one based on manufacturing therefore is not an easy task and one that hasn't been attempted by any country before," adds Mohanty.

To help achieve this, the Modi government have implemented a number of initiatives that build on the work done by previous administrations. The most notable of these is 'Make in India' – a national program that is designed to facilitate investment, foster innovation, enhance the skills of the workforce and ultimately build a best-in-class manufacturing infrastructure.

"This is just one of many initiatives that the Modi government has implemented or is looking to implement," says Mohanty. For instance, the government is beginning to invest heavily in, and seek outside investment in infrastructure – something that can be argued as being underdeveloped. "The cost of doing business in India due to the leakage that occurs because of the poor infrastructure is one of the biggest drains on a company's profitability."

Overall the main objective of these initiatives is to make India an easier and thus more attractive place to do business. Although there has been some progress made already, India is regarded by the World Bank as being the 142<sup>nd</sup> most difficult country to do business (out of 189), Mohanty therefore advises caution: "These changes won't occur overnight," she says. "India is an extremely large and complex market and it will therefore take time before we begin to see results."

## Diversifying trade flows

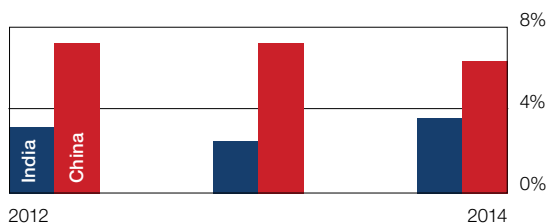
Once change does occur and India begins to play an even more important role in global trade, its key trading partners are likely to be based in the East. The China/India corridor is one that looks set to gain particular significance. "China has already replaced the US as India's primary trading partner," says Sonal Priyanka, Managing Director, Regional Head of Trade, South East Asia, India and the Middle East at Societe Generale. "This corridor will continue to grow as India develops into a manufacturing hub and potentially becomes the world's largest as the country purchases intermediate

### Chart 1: Industrial revolution

#### Average manufacturing labour cost per hour, 2014

India	China
<b>\$0.92</b>	<b>\$3.52</b>

#### Productivity growth (GDP per worker)



#### Employment in manufacturing, 2013

India	China
<b>9.4%</b>	<b>14.5%</b>

#### Labour Force, 2013

India	China
<b>487 million</b>	<b>798 million</b>

#### Global rank of labour force (size), 2013

India	China
<b>#2</b>	<b>#1</b>

Source: Bloomberg Business Week

goods from China, converts these into finished goods before exporting them to the rest of the world."

The Modi administration has also began investing in India's regional neighbours to facilitate greater trade flows. "ASEAN for example, will be a key trading partner for India moving forward. In recent years we have already seen India invest in the region to drive further trade," says Vijay Vashist, Global Head of Trade & Supply Chain Finance and Trade Asset Management at DBS. "As part of this focus, the Modi government has recently given the green light to support a new tri-lateral highway, a road which links Thailand to India."

Away from Asia, Africa and the Middle East will also play a big role in Indian cross-border trade moving forward. "We are already seeing a lot of development and growth in these trade corridors," says Societe Generale's Priyanka. In 2014 India's trade with Africa was worth \$74bn, up 80% since 2008 while it is expected that by 2030 Indian trade flows with the Middle East and Africa will reach up to \$2.7trn, up from just under \$200bn in 2013 – making it the region's top trading partner.

In terms of what India will be trading, the country wants to be at the heart of, it seems, all sectors. On the 'Make in India' website, there are 25 different sectors ranging from automobiles to wellness. Of course, it would be a tough ask for India to be at the centre of trade flows for all of these sectors, but there are some that the country already has an advantage in and that provide a big opportunity to corporates.



“Tourism is an industry that employs 40 million people and it is predicted to grow at rates of 8% in coming years,” says DBS’ Vashist. “However the tourism infrastructure is underdeveloped, so this presents a good opportunity for airlines and hotel companies to expand in the country.” Aside from this, Vashist highlights industries such as textiles, automobiles and software where India has been strong in exports and opportunities are expected to grow.

## A paper-based ecosystem

As Indian corporates begin to increase the amount they trade cross-border with counterparts and as India becomes an increasingly important location for multinational supply chains, trade financing products will be needed. Today, 85% of global trade occurs on Open Account – otherwise known as non-documentary trade. Yet, in India, Open Account is not the dominant tool and Letters of Credit (LCs) are still used heavily by corporates for both imports and exports – according to SWIFT data, India is in the top five countries globally in this regard.

Of course, in today’s increasingly digital world, corporates globally are striving to move away from paper-based products. As a result, some of the banks operating in India have stepped in to move the documentary burden away from corporates. This is a service that Deutsche Bank for example, has begun to offer its clients by managing the paper documents and offering a view of these through a single online portal. “This helps mitigate risk, increases security and also makes reconciliation easier and quicker,” says Mohanty.

The Indian government has also recognised the challenges that such a high usage of paper creates for corporates in India of all sizes. One of the biggest is that because of the inefficiency associated with paper and also the red tape that exists, many Indian companies – especially small and medium enterprises – are paid late. To counteract this, the government introduced the Factoring Regulation Bill in 2012 that provided a statutory framework for factoring and has addressed the issue of late payment.

Despite these developments and attempts by some corporates to digitise their operations in India, it is no easy task to remove paper from the process. “These digital solutions need to work in the regulatory framework of India which currently is very paper intensive,” says Societe Generale’s Priyanka.

With it now easier to do business in many EMs around the world, corporates have taken the opportunity to transform their supply chains and trade policies, adopting a model known as the vertical supply chain.

The growing Indian trade flows with Africa also mean that paper-based solutions set to remain a key part of corporate operations. “When an Indian company begins selling into Africa or an African company begins selling into India, they will use LCs to mitigate the risk associated with the transaction

because of the nature of the market and the unfamiliarity between the counterparties,” says Priyanka. “For some corporates however, this may not be enough so we offer a service called LC confirmation. In these instances, Societe Generale, as confirming bank, takes on the risk of the LC issuing bank of the African importer and this is proving to be a very popular solution for these flows due to the risk rating differential between the two regions.”

Another product which is gaining particular traction in India is supply chain finance (SCF) and this looks set to become particularly important as India becomes a key part of global supply chains.

Another product which is gaining particular traction in India is supply chain finance (SCF) and this looks set to become particularly important as India becomes a key part of global supply chains. “A lot of companies in India are in the growth phase and need investment. As a result, there can be some pressure applied to the supply chain,” says Deutsche’s Mohanty. “This is magnified when we consider the infrastructure challenges, inefficiencies around paper-based trade on one hand and Indian banks getting more risk averse, which together creates a big working capital dilemma for many of the smaller suppliers and buyers.”

To resolve this challenge, SCF solutions can be utilised to provide medium to long-term support for the supply chain. “There is an added benefit for these companies because it will often reduce their cost of borrowing as well,” adds Mohanty.

## An Indian summer

The new factory of the world is still a work in progress and of course, everything is not in India’s control. In 2015 for example, exports slumped as global demand remained sluggish and without this demand some corporates may be reluctant to tinker with their supply chains or invest significant capex building new factories in India. There also remains a lot of work to be done around the regulatory environment and in reducing the red tape, although the steps that have already been taken are a good indication that the country is moving in the right direction.

Yet overall, the outlook is bright. “If we look back to 1990, the Indian economy was very much closed off, tariffs were high and there were lots of restrictions on imports and foreign investment,” says DBS’s Vashist. “There has been plenty of progress since then through liberalisation and reform. This has directly impacted Indian trade flows, especially in the last few years. For instance, the percentage of trade to GDP has picked up from 15% in 1990 to 35% in 2005 and climbed to 54.2% in 2013. This is a fairly substantial amount.”

India however, is not going to become the world’s prominent manufacturing centre overnight. Whilst trade volumes are increasing, it will take time to reach the levels of China, but it certainly seems to have the potential to become a global manufacturing powerhouse in the coming years. ■



# A tangled web

*Defined by the UK Serious Fraud Office as intentional deception to obtain an advantage, avoid an obligation or cause loss to another person or company, fraud is an ongoing issue for the business community. Treasury Today Asia considers the threat from the treasurer's perspective and asks what role the profession has in defending corporate cash and reputation.*

In a globalised and competitive world where complexity of systems and processes meet a workforce subjected to increasing personal financial pressures, and where blasé attitudes to security assist unchecked greed, the conditions are right for fraudsters to try their luck. Fraud is of course nothing new, but despite awareness of its prevalence, and the adoption of sophisticated anti-fraud technologies by some business, it remains a major commercial issue.

Despite this, the ACT/Kyriba annual report shows that fraud prevention remains surprisingly low on the priority list with only 11% viewing it as one of their three top concerns for 2015. Martin Taylor, Vice President of Northern European Sales at Kyriba says it is certainly “a concern” that fraud does not feature highly on most treasurers' radars, particularly given the number of high-profile cases that have come to light on both sides of the Atlantic in the past couple of years. “At the moment, there does not seem to be too much ownership of the problem.” It is, he believes, not solely an ‘IT problem’ or a ‘risk problem’; it is a matter in which all must be involved.

After all, the reputation of a business that is in some way embroiled in major fraudulent activity is starting to have an interesting and potentially serious side effect, notably in the Asia Pacific region. Ethical business practices are directly related to attracting and retaining talent in the region, with almost 80% of respondents polled in Ernst & Young's (EY) recent APAC Fraud Survey 2015 saying they would be unwilling to work for companies involved in bribery and corruption. As EY concludes, “fraud prevention is no longer just a legal and compliance issue but impacts recruitment, talent retention and business continuity.”

## Red flag act

So how do you spot a potential fraud, or stop fraud before it even starts? Well, most perpetrators of corporate fraud do not aim for the big numbers straight away simply because the chances of being caught syphoning millions in one hit are very high. The intelligent fraudster makes multiple micro-transactions, often sent on a circuitous route, ensuring far greater difficulty in

tracing their movement. The UK Serious Fraud Office notes a number of indicators or 'red flags' that may suggest an individual is engaged in fraud. Its watch-list is not exhaustive but combinations of the following may indicate trouble:

- Significant changes in behaviour.
- An individual is known to have large personal debts or financial losses.
- Transactions taking place at odd times, odd frequencies, or involving unusual amounts or to odd recipients.
- Discrepancies in accounting records and unexplained items on reconciliations.
- Missing documents or only photocopied documents available.
- One employee has control of a process from start to finish with no segregation of duties.

It almost goes without saying that any approach must be handled with extreme sensitivity.

## Human weakness

Within any organisation humans are most likely the weakest link, says Kyriba's Taylor. "If an employee is given unilateral control over financial movements without safeguards then the possibility for fraud exists." As part of a pre-employment checklist, he suggests a degree of due diligence, checking relevant credentials for example. Although most recruitment specialists should do this anyway, a discreet background search may prove worthwhile. As employment progresses it becomes a line management and HR duty to keep up with personnel matters; this may reveal at an early stage problems that could, if left, resolve in fraud.

As treasurers are at the helm of the company's finances, they are often the last in the chain when approving payments or executing trades, Taylor notes. "If the company is still depending on individual banking portals and spreadsheets then the potential to defraud is much higher than for a treasurer with highly secure workflows."

For Steve Baseby, the UK ACT's Associate Policy & Technical Director, the fact that treasurers tend to deal with the wholesale end of the money spectrum sets them apart from more obvious areas of potential fraud (simply because of the process, not the people) such as accounting, accounts payable or purchasing. Treasurers do have access to payments systems where they move quite large sums of money, but even here the classic bank internet system for the corporate treasurer has a three-tier transaction process, he explains. When one of these systems is implemented the first thing internal audit will do is certify its integrity so that once in operation, having got to the stage where the business is creating a payment instruction, it is certain that, depending on value, at least 'four eyes' approval is given. "And ideally none of these people will have anything to do with the original commercial transaction."

## IT meets IQ

In addition to multi-factor authentication, companies can put in place more general safeguards such as Virtual Private Networks and IP Filtering. Many of these tools are commonly and conveniently deployed as part of a TMS or ERP.

Furthermore, IT can also integrate treasury system user rights with internal systems using Lightweight Directory Access Protocol (LDAP) Authentication, effectively creating a secure single sign on for multiple services. "Even just implementing these controls increases security dramatically, without having to resort to further IT investments," says Taylor. "As long as people follow the process and don't make exceptions 'just because it seems to be the CEO emailing me', then the defences will remain enforced."

In any approach to fraud detection and prevention, whilst most environments can be considered for risk-free operation, there will always be a cost associated with the number of people or systems engaged in checking every transaction. "If you increase the oversight you lower the risk, but businesses have to take decisions about how much cost they can justify to lower those risks," says Baseby. "There is a persistent level of fraud because business in general chooses not to overload the internal controls because they know that costs can get out of hand." There is, he notes, a "bearable level of control" and within that limit, internal auditors will use various statistical sampling methods to check the level of confidence that there is not fraud within a system, but fraud is still possible.

Why is this acceptable? As an example, a normal commercial relationship that involves a continuous flow of trade will, in the eyes of the auditors, have a standard deviation probability measure of the way the business runs its procedures. This methodology may give 98% certainty that things are happening as they should. Within this boundary Baseby says it is generally accepted that the cost of pushing that last 2%, and thus fully eradicating fraud, would be "ludicrous." Even if the costs were acceptable, the reality of business would most likely see the company grind to a halt under such a regime anyway; hence there has to be a practical limit of control beyond which it becomes unfeasible. Herein lies the need for clear, well-documented and promoted policy as a means of providing the foundations and guidance for all.

## A matter of policy

Most corporates will have a two-stage policy process, Baseby notes. A summary policy will be agreed at Board level, covering the general principles and strategies (including IT) around matters such as managing payments, dealing processes, counterparty exposures (including bank exposures) and will set risk appetite, boundaries and limits for practical application above which additional checks will be required.

The second stage of policy takes the form of the more detailed procedures manual, which describes actual processes. This should be the constantly evolving part. As this document is amended, so the conversation must continue with internal auditors to keep every process up to date. This, Baseby explains, avoids the common error of thinking that "just because a system worked once it will always work." Although policy must not be too restrictive and prescriptive, the adoption of procedure must be across the board, with no exceptions because, as Taylor mentions above, as soon as its influence is disregarded the risk of fraud rises significantly.

Policy around fraud should address control measures which will seek to either prevent or detect at various levels. Organisational controls may include assurance that senior management has oversight, that staff background checks have been carried out and that there is segregation of duties



where necessary. Physical controls such as workplace security roll into system controls that cover areas such as access and authorisation rights and identification. Controls around process will consider a wide spread of areas such as management of mandates for bank and dealing activity, the control of financial product acceptability, payment approval processes, strong reporting and the insistence on at least an annual independent audit. Accenture's 'Treasury operations and controls' advisory document urges treasurers to make sure policy is relevant, clear, well understood, aligned to the corporate objectives and, most importantly, has full buy-in of all stakeholders.

Ultimately it is the responsibility of all employees to safeguard and be vigilant to the threat of fraud – but are strong policy guidelines enough? The EY Fraud survey referred to above suggests that policies are failing to improve attitudes to fraud. Some 52% of EY's respondents believe anti-bribery and corruption policies are 'irrelevant and ineffective'. In addition, 41% said a code of conduct has little impact on how people actually behave. Although 55% of APAC companies have whistleblowing hotlines in place, the number of respondents prepared to use them has dropped since the last survey (81% in 2013 but 53% in 2015). "The drop in whistleblower hotline usage appears to be due to respondents being increasingly concerned about insufficient legal protection or the lack of confidentiality leading to a risk of retaliation," says Reuben Khoo, EY Partner and ASEAN Leader for Fraud Investigation & Dispute Services. "It is clear that APAC policies, codes of conduct and whistleblowing hotlines are not enough. Companies need to demonstrate and communicate about ethical behaviour if they want to affect true change."

## A forensic approach

When something is amiss and internal audit and investigation cannot find an answer, an external forensic accounting expert may be required. Forensic accounting is all about piecing together information contained in financial records and other documents, to create, or recreate, as accurate a picture as possible of an event or transaction that has happened, explains Richard Abbey, Head of Global Forensic Accounting firm, Stroz Friedberg.

The unwinding of that event or transaction is like "reverse engineering" each step to be able to tell when a payment was made, where it went, how it was described in the system and what it was that triggered it, such as an invoice or payment instruction, and who authorised it, which cost centre did it go to and so on until the truth is revealed. But other than the knowledge that something is not right, Abbey notes that there are few immediate warning signs with which a forensic investigation can commence; it can require a long and patient trawl by skilled practitioners through the relevant data.

However, genuinely beneficial technology is at hand in the form of 'transaction monitoring' which can help uncover anomalies. Stroz Friedberg has developed its own analytical engine that uses complex algorithms to unearth irregular transaction patterns. The output, also known as red flags, will be further investigated by the team, tracing them back through the chain, both internally and externally.

Abbey is convinced that it is becoming less effective for businesses to rely fully on internal networks and control mechanisms such as segregation of duties to protect assets. He argues that organisations will need to run regular

monitoring and analytics on all their transactions to be sure they have not been compromised. The issue is not now just one of fraud prevention and detection, but also one of regulatory compliance, as rulings around AML, bribery and corruption and fraud hit the statute books.

Curiously, although he comments that many organisations still think fraud is something that only happens to other companies and thus they prefer not to spend time and resources in trying to prevent it, he believes that the current raft of regulations is having more impact in this respect. Abbey comments that businesses have spent a lot of money in the past few years taking advice on internal control frameworks to ensure regulatory compliance. For him, the next challenge is going to be in proving that these controls are working and being adhered to. "The most obvious way to do that is to carry out regular transaction monitoring, and if you're not doing that then query whether you really have implemented adequate controls." Whilst he concedes that real-time monitoring of every transaction is maybe too much of a regulatory ask, he feels it is "inevitable" that the regulators will eventually expect some kind of "regular retrospective design to control and capture infringements."

## Detection and prevention

Claiming a first for transaction monitoring in the procure-to-pay environment is David Griffiths, CEO of UK-based FISCAL Technologies, vendor of the APForensics suite. He says his firm's cloud-based or installed system sits alongside a corporate accounting system, monitoring invoice payments and consuming master data relating to suppliers and employees to build a picture of payments activities of all values as they unfold in real-time. Working in the fraud and compliance context, it uses proprietary algorithms to perform real-time controls monitoring by continuously recalculating and outputting any anomalies or 'red flags' for further investigation. These warnings may, for example, be based on the size of the payment, the date of payment, the frequency or a combination of such issues. If a red flag is created it may warrant further investigation by internal audit or an external forensics unit.

Due to the sheer volume of data being processed, internal audit capacity for this kind of investigation is typically restricted to ad hoc investigations. "They may do this once a year; what we do is carry out those tests all the time," says Griffiths. "This enables management within each business unit to own the output of all procure-to-pay monitoring and to take responsibility for it." The role of treasury in this context is to provide detailed insight into the mechanics of cash and payments processes within their company which can help other functions to better understand their own processes and any suspicious movements.

## Taking ownership

Ultimately, a company can only control the opportunities it gives to fraudsters; it has no control over the external pressures its staff face nor how they may rationalise an act of fraud. With or without technology, one thing is certain and that is the responsibility for preventing or capturing fraudulent activity must now be collaborative rather than individual and that the entire process must start from a company-wide ethical stance and be led by a set of policies that everyone buys into. Where there is the risk of fraud, the chances are that fraud will eventually occur, unless the organisation has identified the risk first and put effective anti-fraud controls in place. ■



## Mind the gap

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

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

### What are you missing?

"It is always a good idea to start enlarging your scope of responsibilities," advises Maciek Müldner, Financial Director for Skanska Property Poland. In order for candidates to boost

their employability, they need not only to make themselves highly visible within the company, but they should also show willingness to engage with aspects that are not directly connected with their day-to-day role. As an example, Müldner explains that employees should be inviting themselves to meetings. In turn, this will expand a worker's understanding of a broader range of topics as well as serving to distinguish them from the crowd – after all, not everyone is willing to give up their time.

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

But, for those with broader ambitions, "they need to appreciate what experience they are lacking," says Müldner. This involves deep thought on all achievements (or lack of)

throughout what has been a challenging economic period. Richards suggests asking the following questions: Have you achieved what you set out to achieve? Where have you fallen short? What have you done to achieve your aims? "After all, these questions will be asked of you at your next job interview," he says. "If you are satisfied with the answers then you are on the right track to achieve your next move."

## Specialise or cross-functionalise

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

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

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

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

## Add to your skills

The need for corporate treasurers to be well-prepared for every eventuality is clear, but this gives rise to the perennial argument about whether experience or education prevails as the preferred route to a successful application. A good treasurer, of course, needs to have a solid understanding of the fundamentals and this can come through study. "Businesses are increasingly risk adverse and now use qualifications as a standard to identify people suitable for the job," says Pierce.

"Those individuals that are both accounting qualified and ACT qualified – before later moving to the MCT qualification – are now faring best when it comes to progressing in their career."

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

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

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

## Ideal traits

Contrary to common belief, the most successful corporate treasurers aren't necessarily the ones who appear to dedicate



all the hours in the day to their job, taking little time for anything other than career progression. In fact, coping with a tough day at work is made a lot easier with a balanced lifestyle. Working longer hours when needed but going home on time (or early) when it is appropriate shows confidence in the individual's own abilities. Good employers seek professionals who manage a sustainable work/life balance, enabling them to think and function efficiently.

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

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

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

## A case in point

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

With an initial move into accountancy with Deloitte, she progressively undertook professional studies for ACA, CTA and MCT. "The MCT qualification came about by chance," she reports. Having been co-opted onto a tax audit project for a US-listed company, she found herself being introduced to the world of derivatives. With her interest in the treasury space piqued, she moved out of tax into a corporate finance

and treasury advisory role, joining her firm's transaction services team. "But at my level, I was no more than a spreadsheet monkey," she recalls. "I was working 11 hours a day and had no life." With four hour commute on top of this, it was time for a major change.

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

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

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

## Move on up

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

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

# Money market funds in Asia: assessing the landscape



## Aidan Shevlin

Head of Asia Pacific Liquidity  
Fund Management

### J.P.Morgan

Asset Management

*With the cash stockpiles of multinationals in Asia continuing to expand, there is a growing level of interest from corporate investors in what Asia's nascent money market fund industry has to offer. In this article, Aidan Shevlin, Head of Asia Pacific Liquidity Fund Management from J.P. Morgan Asset Management outlines the development of some of the budding key markets in the region, before offering a view on what the future trajectory of these markets might look like.*

One of the key changes in Asia Pacific's short-term investment landscape over recent years has been the growing internationalisation of the region's money market fund (MMF) industry. Increasingly, the old local model is giving way to more international western-style MMFs.

For treasurers the timing of this development could not be more fortuitous. Cash on corporate balance sheets is continuing to pile up with repatriation taxes encouraging companies to keep liquidity in overseas subsidiaries. Traditionally, the options treasurers had for investing this surplus liquidity would have been of a very small number, limited mainly to bank deposits. But with MMFs boasting increased liquidity and size, it would appear evident that banks now have a new set of rivals competing with them for corporate cash.

## Investing in Asia Pacific

Just how strong that competition is, however, still varies considerably across markets. Broadly, different stages of development can be classified into three tracks. In some of the smaller markets or less developed markets, there may be no MMF products at all; in other markets, meanwhile, there are a range of short-term investment products that would not be unfamiliar to treasurers who have worked in the US or Europe.

"When we look at Asia Pacific, we see quite developed markets in places like Australia, Japan and Singapore," says

Aidan Shevlin, Head of Asia Pacific Liquidity Management at J.P. Morgan Asset Management (JPM AM). "These are very developed economies and are large enough to support an MMF industry, especially countries like Japan and Australia, which have large populations, a huge deposit base and lots of cash in the market as well."

Then at the other end of the scale there are markets like Indonesia and Malaysia, which Shevlin says are "not very sophisticated and not very developed; these are markets that are still in their infancy, effectively." Perhaps of most interest to the corporate investor at the moment, however, are the markets Shevlin identifies as residing somewhere in between: chief among which is China. This is a market of great importance to the growth strategies of a large number of multinationals in the region, and the range of options open to the short-term investor here are growing by the day. "These are markets which are developing and growing quickly," Shevlin says. For the treasurer, staying abreast of a perpetually evolving regulatory landscape and understanding the implications of such changes on the short-term investment landscape can be challenging, to put it mildly.

## Rise of the redback MMF

How far China has come in such a short space of time is astonishing. It was just over ten years ago, in late 2004, that the China Securities Regulatory Commission (CSRC) established the first set of guidelines for MMFs, effectively

giving the green light for asset managers to begin offering such products to investors in the country.

First, equity and balance funds began to appear, but with interest rates being held artificially low by the People's Bank of China (PBoC), there was growing investor demand for products, like MMFs, that could offer improved returns by investing in liberalised interest rates determined by market forces.

Naturally, such funds, when they were established, proved very successful in attracting assets and in a very short space of time China had a budding MMF industry, albeit, at that time, one very much geared towards the retail investor.

It was not long before institutional MMFs arrived on the scene though. JPM AM, spotting the unmet demand for MMFs from corporates in China, began work on bringing new funds to the market for the first time but doing so was not entirely straightforward. At that time, China did not boast a AAA credit rating and, as such, an international MMF ratings framework proved excessively restrictive for Chinese markets. Collaborating with Moody's and Fitch, JPM AM worked on developing a ratings framework based on a local scale which effectively treated China as if it were a AAA sovereign.

"That made sense because, naturally, if you are a multinational investor in China, you are already taking the sovereign risk so within the country itself you want to take the lowest risk possible; a T-bill or a policy bank bond, for example," says Shevlin. "So that was what we launched: the first AAA rated MMF in China<sup>1</sup>. For institutional investors it was a new product which they needed time to understand. Therefore the first few years were very much a training exercise for us; trying to get clients comfortable with the instruments that were in that market, what we were doing in the fund and how we were managing it."

## Western influence

The ability of MMFs to circumvent China's regulated interest rates had, then, propagated two very contrasting styles of fund. For the retail investor, there were MMFs that prioritised yield above all other investment objectives. For the institutional investor, meanwhile, the market offered AAA constant net asset value (CNAV) MMFs emphasising security and liquidity.

Naturally, the latter have proved to be popular with treasurers investing on behalf of foreign multinationals in the country. An internationally recognised AAA rating was, of course, imperative for many such investors, given that it is commonplace for MNCs to have investment policies prohibiting deposits in unrated MMFs. Interestingly, however, institutional MMFs have been attracting a new type of client of late. "We are seeing more and more local corporates in China invest in our institutional products," Shevlin says. "I think this is because Chinese corporates are becoming more international. The number of Chinese corporates in the last few years that have listed in the US or have shares listed in Hong Kong is growing and they need to comply with international standards. They need to be seen to be taking the best practice from different markets in how they conduct their business." And, as any conscientious corporate investor knows, best practice is to invest company liquidity in a diversified range of investment products, of which MMFs are one.

## Levelling the playing field

Yet in a country progressing incrementally from a closed, tightly regulated economy to one more greatly exposed to the

oscillations of market forces, the competitive landscape in asset management was never likely to stand still for long.

In June 2015, the PBoC issued a regulation that will permit financial institutions in the country to issue large-denomination certificates of deposit (CDs). The move served as yet another indication that China's governing authorities remain serious in their intent towards doing away with controls on interest rates, with banks having been given authority just the month before to raise deposit rates to 1.5 times the benchmark rate set by the PBoC.

This policy is likely to have significant implications for China's MMF sector. We have already learned how, in the beginning, the disparity between the low returns banks were able to offer on deposits versus the market-rate MMFs helped give birth to an industry in China. With the elimination of that disparity it would seem reasonable to suppose MMFs will face tougher competition from banks for corporate deposits in the years ahead.

"We are seeing more and more local corporates in China invest in our institutional products. I think this is because Chinese corporates are becoming more international."

"That removes the advantage we have from offering higher yields," says Shevlin. "Also, we saw at the time of the last PBoC rate cut, they removed the ceiling on deposits beyond one year, although a ceiling currently remains in place for deposits of durations up to one year. This allows banks to compete more effectively not only with MMFs but also wealth management products and trust products for assets."

But any competitive advantage the banks gain over MMFs from that policy may well be tempered by another regulatory change introduced earlier this year. In May 2015, China announced the introduction of a long-anticipated deposit insurance system. Traditionally, depositors in China have, of course, viewed all bank deposits as carrying an implicit government guarantee. Banks that have run into trouble in the past have always been able to rely on the state to stand behind them and, when necessary, provide them with an injection of capital.

With that implicit guarantee on deposits of any size now becoming an explicit guarantee on a mere RMB 500,000, corporate investors are likely to be more mindful of risk, something which could potentially make them think twice about taking all of their company's liquidity out of MMFs and into bank deposits. "Investors are still trying to understand what this change means and to what extent has risk been reallocated from the government to investors. I think this is going to have a very big impact on investors' allocation decisions as there is now the need to develop a heightened awareness of risk that was previously not required in China."

## Guiding the investor

The speed of change just in China – let alone Asia Pacific at large – is indicative of the challenge keeping up-to-date and understanding the range of different short-term instruments

<sup>1</sup>This refers to a money market fund managed by China International Fund Management Co., Ltd (CIFM). CIFM is a joint venture between J.P. Morgan Asset Management (UK) Limited and Shanghai International Trust Co., Ltd.



available represents for treasurers. That is why working with an experienced asset manager – like JPM AM – that understands the environment today and how it might be shaped by regulatory change going forward is vital, especially for those corporates who are new to the region.

“It is often a learning exercise when corporates first arrive in the market,” says Shevlin. These companies are, of course, investing money to build up their operations, and they are earning revenues in the country. But often they are not sure how to invest the cash piling up on their balance sheets. “That is why we do spend quite a bit of time educating clients – particularly those at headquarters who are less familiar with how things work here – as to the range of products available in each given market,” he says. “We educate them on how MMFs here work and how they are different from those which operate in western markets.”

So what advice does Shevlin offer to such clients with respect to their investment strategies in Asia Pacific? That, he explains, is very much country-by-country dependent. In the more developed markets of Australia, Singapore, Japan (and, increasingly, China), there are a reasonable range of advanced institutional MMFs available. Those venturing into markets elsewhere in the region would be advised, however, to exercise some caution around investing in MMFs. “Elsewhere in the region MMFs tend to be very retail focused,” he says. “In these markets investors need to be wary because the goals of the funds may be very different from those of the corporate. Retail investors are very focused on yield, but for the corporate the top priorities are security and liquidity.”

Beyond the normal due diligence processes treasurers should be observing prior to investing their company’s liquidity, Shevlin advises that inside China in particular, special attention should be given to counterparty risk. “The linkage between the rating and the credit spread on entities in the country may not be particularly strong. It would be prudent, therefore, for corporates to also consider the opinions of

western ratings agencies where they can, and even in some instances perform their own credit analysis. For some products the risk is changing very quickly,” he says. “For MMFs I think it is a case of looking through the holdings, the reports and asking whether they are comfortable with what the fund is buying.”

## Growth potential

The short-term investment environment in Asia has evidently come a very long way in a very short space of time, and there is little indication that this growth is about to lose momentum in the foreseeable future.

“That is why we do spend quite a bit of time educating clients – particularly those at headquarters who are less familiar with how things work here – as to the range of products available in each given market.”

On the contrary, Shevlin believes that in places like China, where MMFs assets of US\$2.2trn are dwarfed by the US\$120trn that is estimated to be invested in time deposits, there is still plenty of growing space for the industry. And with western multinationals continuing to look to expand in the region and Asian multinationals continuing to become more international in their outlook, demand for alternative investment products like MMFs should continue to grow in other markets too. “The pace of innovation and change across Asia is actually speeding up,” Shevlin adds. “The markets are getting bigger and everyone is getting bigger within it. These are still young markets with a lot of growth potential.” ■

Aidan Shevlin, Managing Director, is Head of Asia Pacific Liquidity Fund Management for J.P. Morgan Asset Management. Based in Hong Kong since 2005, Aidan is a member of the global liquidity fund management group and is responsible for managing all Asian liquidity funds and short duration bond funds. During his time in Asia, a key responsibility for Aidan has been the development, launch and management of local currency money market funds across the region.

Aidan originally joined J.P. Morgan Asset Management’s International Fixed Income group in London in 1997. In that group, Aidan had a wide range of responsibilities including managing short duration credit portfolios, European liquidity funds and Libor-based strategies. He was also previously an analyst in the fixed income quantitative research team.

Aidan obtained a B.A. in Banking & Finance from the University of Ulster. He also holds a M.Sc. in Finance and a M.Sc. in Computer Science, both from the Queens University of Belfast. He is also a CFA charter holder.

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# Netting: reaping the rewards

*When it comes to liquidity management, netting is a process that all corporate treasurers will encounter. Given that the rewards can be plenty – reduced foreign exchange exposure and improved intercompany settlement efficiency, for instance – it is pertinent to reacquaint ourselves with the process, as well as exploring the nuances surrounding the process in Asia Pacific.*

Intragroup invoicing is widely used by multinational corporates (MNCs), especially where a high degree of trading between subsidiaries exists. When a corporate has a number of different subsidiaries in various countries, there is the potential for a large number of cross-border intercompany payments to be generated each month. If each participant was to produce direct bills, this could lead to excessive foreign exchange (FX) trading where individual subsidiaries may be buying and selling the same currencies repeatedly. This can result in high costs in terms of banking fees, float, FX spreads and administration. Netting is one tactic used to control and lower these costs.

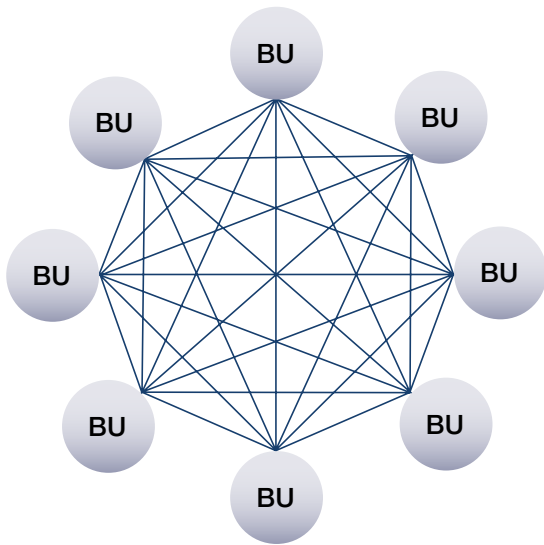
## The driving force

As the name suggests, netting allows payments between business units to be made on a net, rather than a gross, basis.

Netting entails collating numerous cash flows between a defined set of entities (known as netting participants) and offsetting them against each other. The result: only a single cash flow to or from each participant or the netting centre needs to take place on a periodic basis in order to settle the net of all cash flows. Most netting schemes are only open to companies with the same parent but, in some cases, it may be possible to also allow a corporate to net its third party payments from a non-group company. Common forms of netting include:

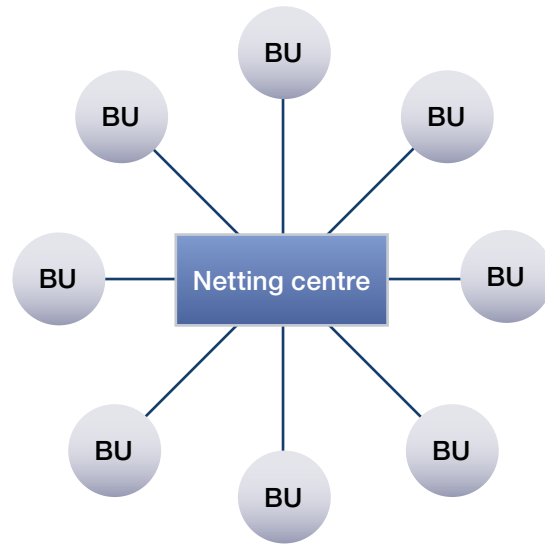
**Bilateral netting.** With bilateral netting, each subsidiary nets its payments with each of the other subsidiaries over an agreed timeframe. At the end of this agreement, the subsidiary participant in deficit within each pair makes a single payment to its counterparty. This single payment agreement removes the risks of a large number of daily payments being

Chart 1: Bilateral netting



BU: business unit

Chart 2: Multilateral netting



Source: *Treasury Today Best Practice Handbook European Cash Management 2014*

made and received between the various subsidiaries. No netting centre is involved and payments still need to be made via the external banking system where fees will be charged.

**Multilateral netting.** Multilateral netting is a many-to-many scenario where multiple parties may net off their transactions. A single netting centre acts as the counterparty to all of the subsidiaries in the group. In a multilateral netting arrangement, the business units retain their local accounts but each participant needs to hold an account with the netting centre and, if they are a net receiver, the netting centre will credit their local account. If they are to make a payment, they will send the funds to the netting centre. No payments are made within the system except to or from the netting centre.

**Single currency (domestic) netting.** Netting is at its simplest when it takes place in a single currency. Single currency netting is open to all business units for their payments in a single currency. This will create a benefit of reducing the volume of payments in the organisation.

**Multi-currency netting.** Multi-currency netting offers additional benefits for organisations that make many foreign currency payments. With this process, all the business units in the netting system send their payment instructions to the netting centre, regardless of the currency they originate in. The netting centre will translate any foreign currency payments into the netting currency. At the end of the netting cycle, the netting centre will make payments to or receive payments from the participants. These payments will be made through the external banking system and will usually be denominated in the operating currencies of the participants.

## The netting cycle

The precise operation of a netting cycle varies depending on the entities involved (whether payments to non-group members are included, for example) and the type of software

used to manage it. However, the basics of all multilateral cycles are similar and include the following steps:

1. **Data to netting centre.** Participants in the netting system must forward the details of all invoices and payment requests to the netting centre. This is usually completed electronically and by direct entry into a netting system (increasingly so). A cut-off date for submissions will be in place for each cycle.
2. **Reconciliation of data.** All invoices and payments requests are processed by the netting centre's software and when the netting process is run (normally once a month), someone will investigate discrepancies between what people are offering to pay and what the counterparty is expecting to pay. In some systems, subsidiaries may be able to query data input by other entities within the group to fix the problem without further input from other teams.
3. **Information from netting centre.** The netting centre can provide a variety of information to the subsidiaries. This will include the netted balance of each subsidiary's account at the netting centre, usually available in the subsidiary's operating currency. Some software allows the subsidiaries to access their balances via a web browser. The netting centre will also provide data that can be input into the subsidiaries' general ledgers.
4. **End of netting cycle.** All transactions (credits and debits) will be netted to a single amount for each subsidiary in its chosen operating currency, initiating payments either to its own bank or to the in-house bank, as appropriate. Subsidiaries with negative balances at the netting centre will have to make the payment to the centre. FX rates for all disbursements are typically set by the netting centre (and therefore do not include the spreads likely to be included by banks).



There are numerous types of payments that are typically included in the netting process, such as: trade, intercompany funding, debt servicing, investments, hedging or risk management contracts (internal or external), advisory or professional payments, management fees, royalty or licence payments, third-party payments, dividends and surplus or contingency cash requirements. On the other hand, payroll, tax and statutory payments are not usually included.

## Associated costs

Implementing a new process will naturally incur certain costs which should be evaluated by the treasurer. These include: accounting and legal issues which can differ in complexity dependent on the location of the subsidiaries; implementations costs, if netting is run in-house, the group treasury will have to set aside management time to implement and train employees on the new system; software purchasing and licensing costs either incurred through an additional function of an existing system or the purchase of dedicated netting software and potential outsourcing costs. Any taxation on inter-company payments and central bank reporting requirements must also be considered, but are not solely linked to the netting process. Netting could actually help inter-company taxation.

In some cases, outsourcing the management of the netting system can work out cheaper, whilst also freeing up the treasurer's time to focus on other issues. Multilateral netting is one of the core products offered by treasury services providers. If the treasurer does decide to outsource the netting system, it is important to remember that approximately 20% of the workload still stays in-house – processes such as confirming and sending payments. It is often the responsibility of the treasurer to weigh outsourcing up against managing netting systems in-house by implementing a TMS or buying a stand-alone solution that can be integrated into their existing IT set-up.

### What are the benefits?

If an organisation does a lot of intercompany business, there is little reason why it should not be performing netting today – the benefits are many. These include:

- Reduced administrative work.
- Reduced errors due to payment matching.
- Known payment date and better payment discipline.
- Payment simplification for subsidiaries.
- Reduced payment costs and interest payments.
- Banking consolidation.
- Hedging efficiencies.
- Reduced float.
- Reduced exposure to FX risk.

Depending on the requirements of the treasurer, these two operational options can also overlap. For example, while the corporate manages certain aspects of the netting process, a banking partner could manage the FX settlement process. What's important to remember, however, is that the quality of inputs influences netting systems and their timeliness. It is therefore imperative to keep a keen eye on the accuracy of the numbers and report large variances or adjustments on a regular basis.

## Current state of play

While the adoption of netting amongst the corporate community is far from across the board, it is a process that has been slowly developing. Netting is a simple yet effective proposition where the benefits are clear, particularly for MNCs that have a high volume of intercompany invoicing and cross-border, cross-currency transactions. Individual business units will not need to operate overdrafts or maintain idle balances to meet their short-term payment requirements. Moreover, subsidiaries can transact solely in their own operating currencies and FX exposure is no longer tracked at the subsidiary level. The netting cycle means treasurers know the specific date that they are exposed to FX risk, allowing them to hedge efficiently and effectively as it reduces timing gaps in their hedging programme.

Netting is a simple yet effective proposition where the benefits are clear, particularly for MNCs that have a high volume of intercompany invoicing and cross-border, cross-currency transactions.

In addition, each subsidiary in the netting centre knows when it is going to get paid for any intercompany invoices it has issued. This brings visibility and stability to the timing of cash flows within the organisation, as well as improved forecasting. However, there remains a few variables that need to be tackled, particularly the regulatory hurdle in some jurisdictions – Thailand, for instance, allows netting but only with restrictions in place. In Indonesia permission from the central bank is required and the Philippines places notably heavy restrictions on the process. This means that benefits are being missed as some corporates, typically smaller local companies, are still doing things 'the old way'.

As a general rule, currency restrictions largely determine netting regulations. Countries with exchange controls on their local currency usually have netting restrictions too. In Thailand, Vietnam and Indonesia, for instance, corporates cannot net in local currencies, they have to be converted to US dollars or euros to be remitted. Although these issues are not insurmountable and other countries in the region – Hong Kong, Singapore, Australia, New Zealand and Japan, for instance – allow netting, restrictions will be a factor for not including some countries in the netting system. ■



## INSIGHT AND ANALYSIS

## Outlook for 2016

With 2016 looming, treasurers will no doubt be turning their attention to the year ahead. Treasury Today Asia talks to a number of experts about their predictions for the next 12 months, evaluates the potential challenges and opportunities, and looks at how treasurers can best prepare for 2016.



## COUNTRY FOCUS

## India

India is at a crossroads. The country is one of enormous potential but significant challenges to business still remain. Yet, it is clearly visible the ambition exists to achieve its potential; the question is what has to be done to make this a reality. In this article, Treasury Today Asia analyses India's current position and treasury landscape in the country.



## FINANCING

## Raising debt in Asia

Many corporates operating in Asia have big plans to grow and expand their business. Doing this doesn't come free however and many will need to finance their plans by tapping the bond market. In this article we assess the bond markets in the Asia Pacific region and tell you what you need to know about raising debt in the Asian markets.

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

**Richard Abbey**, Managing Director, Stroz Friedberg; **Nicolas Adjemian**, Solution Consultant, APAC, Reval; **Steve Baseby**, Associate Policy and Technical Director, UK, ACT; **Vivek Batra**, Global Head of Sales, Global Transaction Services, DBS Bank; **Carole Berndt**, Head, Global Transaction Banking, ANZ; **David Brown**, Senior Vice President, Payments and Products and Australia Country Manager, Fundtech; **Sanjeev Chatrath**, Managing Director, Asia Pacific and Japan, Financial and Risk, Thomson Reuters; **Leslie Choo**, General Manager and Vice President, ASEAN and Greater China, ACI; **George Evers**, Head of International Product Development, Immediate Payments, VocaLink; **Andrew Goldie**, Founder and Managing Director, Coprocess; **David Griffiths**, CEO, FISCAL Technologies; **Keith Harris**, Sales and Consulting, Intercompany Netting, Coprocess; **Maarten Hartog**, Associate Director, KPMG China; **Neil Katkov**, Senior Vice President Asia, Celent; **Reuben Khoo**, Partner and ASEAN Leader for Fraud Investigation and Dispute Services, EY; **Harjeet Kohli**, Group Head – Funding, Markets, Risk and Investors, Bharti Airtel; **Pui Yee Lee**, Vice President and Treasurer, Kulicke & Soffa Industries; **Melvyn Low**, ASEAN and Singapore Country Head, Treasury and Trade Solutions, Citi; **Anjali Mohanty**, Head of Global Transaction Banking – India, Deutsche Bank; **Maciek Müldner**, Financial Director, Skanska Property Poland; **Munir Nanji**, Managing Director, Asia Pacific Sales Head, Treasury and Trade Solutions, Citi; **Gene Neyer**, Global Product Manager, Fundtech; **Carlos Palmers**, Head of RT Market Infrastructures, SWIFT; **Victor Penna**, Managing Director Global Head of MNC Sales and Treasury Solutions, Standard Chartered; **Martha Pierce**, Senior Consultant, Hays; **Sonal Priyanka**, Managing Director, Regional Head of Trade, South East Asia, India and the Middle East, Societe Generale; **Mike Richards**, Founder and President, MR Recruitment; **Chris Robinson**, Director, TransactionBanking.com and Senior Tutor EuroFinance; **Aidan Shevlin**, Head of Asia-Pacific Liquidity Management, J.P. Morgan Asset Management; **Piyada Sookaimoath**, Senior Finance Manager, Central Pattana Public Company Limited; **Martin Taylor**, Vice President of Northern European Sales, Kyriba; **Jiameng Teah**, Assistant Treasurer, Vodafone; **Vijay Vashist**, Global Head of Trade and Supply Chain Finance and Trade Asset Management, DBS.

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