May/June 2017

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Next generation treasury technology

Over the past few years treasury management systems have changed markedly with many adopting a broader range of functionalities as well as different deployment models. Treasury Today Asia explores what this means for treasurers in the region.

The Corporate View

Sonam Donkar

Associate Director – Treasury Head

PepsiCo

Women in Treasury Asia Forum 2017

Diversity in dialogue at the latest Women in Treasury Forum in Singapore.

Risk Management

Managing market volatility

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Treasury in emerging markets

Fintech Focus

21st century KYC

Back to Basics

POBO and ROBO

Adam Smith Awards ASIA
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MAP YOUR ROUTE TO SUCCESS
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China Inc spreads its wings

The 'One belt, one road' initiative has been widely spoken of since it was first unveiled by President Xi Jinping in 2013. As part of the government's drive to transform its economy from one based on manufacturing to one based on services, the ambitious initiative aims to restore the country's old land and sea trade routes and to boost economic connectivity between Asia, Europe and Africa.

Four years since its unveiling we are beginning to see evidence of the initiative in action. In 2016 China's investment around the world in non-financial assets grew almost 50% in 2016 from the previous year to approximately US$175bn. A lot of this money has been invested by private enterprises who are spreading their wings for the first time into international markets.

At present, property and infrastructure projects like toll roads and railways are popular areas of investment, but we are also seeing some consumer facing Chinese companies make headway overseas. Technology companies like Huawei, for instance, are becoming household names in Europe as they penetrate the mobile market.

It is an exciting time for many of these companies moving overseas, but it also creates numerous challenges. This is especially true from a treasury perspective given that companies will now be exposed to multiple markets and currencies. The need to establish a professional treasury department is therefore a must – a lot of domestic companies in China still do not have a standalone treasury function.

From this base, there will be a need to draw up a well-informed and well-defined treasury policy, put in place various cash management structures, understand the regulatory requirements in different jurisdictions and to leverage technology so that processes can be automated and streamlined. This will be a familiar narrative for many of our readers who have set up regional treasury operations in Asia for western multinationals.

Another decision that will have to be made is where to establish a treasury centre to manage the group's international operations. Unsurprisingly, Hong Kong is a frontrunner here, given its lack of currency controls, low taxation and its dominant role as an offshore RMB centre. Singapore is another strong contender for similar reasons and there is a littering of Chinese regional treasury centres in the city state. Of course, the decision-making process behind where to locate a treasury centre is multi-faceted, and all locations have both positive and negative aspects, meaning that in many respects there is no correct answer.

More to come

What is clear is that we are only at the beginning of the road and there is more to come from China's OBOR initiative. A lot more will become clear in mid-May when 28 heads of state and many other dignitaries will gather in Beijing to discuss China's new Silk Road initiative. Treasury Today Asia will stay abreast of these developments and what impact it might have on treasury departments around the world.

Adam Smith Awards Asia – nominations open soon

Last year, our Adam Smith Awards Asia showcased a variety of treasurers' achievements from across the region.

Has your treasury been on a journey of transformation? Shine a light on your achievements and celebrate your team's success this year by submitting a nomination for our Treasury Today Asia Adam Smith Awards 2017. Showcasing the region's very best and brightest, nominations will open on June 12th.

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Managing risk has long been a core responsibility of the corporate treasurer – and recent events have only made risk a greater concern. In this article, we explore the various techniques that treasurers can use to gain improved visibility over the company's risk profile and tools that can be used to mitigate this.

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As the Treasury Head at one of the largest multinationals operating in India, Sonam Donkar has reached the zenith of the profession. Her ambition now is to share this passion and knowledge with those around her in order to further the development of the profession in India.

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Many treasury departments already benefit from payment and receivables on behalf of (POBO and ROBO) structures. However, many others are still striving to reach this level of sophistication. Here, we go back to basics to find out how these structures work and how treasury teams can adopt them.

These pages contain edited versions of a few of the Treasury Insight pieces written in the last month. The full versions are posted on treasurytodayasia.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

Transformational treasury at THAI Airways

Thailand's national flag carrier THAI Airways has recently undergone a period of aggressive global expansion. The company now operates in over 32 countries around the world.

Such has been the pace of the expansion, treasury has had to work hard to make sure that the business has the necessary financial tools needed to operate in such a range of geographies. This, however, has had the side effect of forming a rather complex cash management structure.

As Narongchai Wongthanavimok, Chief Financial Officer at THAI Airways explains: "When I joined the company in 2015 I found that we had multiple banking relationships in many of the countries that we operated in," he says. "What is more, we often held three or four accounts with each bank, meaning that in some countries we had over 20 accounts. This was clearly an inefficient set-up from a control perspective and it also posed challenges in respect of the efficient management of cash."

Transformational activity

The treasury was set the objective of establishing a best-in-class treasury management strategy, which formed part of an enterprise-wide transformation project focused on building competitiveness in the global arena and driving more revenue.

The focus for treasury would be to maximise its control over cash, improve working capital metrics and increase the overall operational efficiency of the operation. This would then put the treasury in a better position to support the business as THAI Airways continues to expand into new markets in the hunt for revenue.

To do this, the treasury knew that it needed to streamline its banking relationships and ideally wanted to work with one bank globally. It therefore issued a global cash management RFP to a number of its banking partners. The aim was to find a bank that could support its operations across more than 30 countries and also provide solutions that would enable the treasury to meet its strategic objectives.

"Through this process we found that the cash management services offered by most global banks are quite similar," says Narongchai. "What we were looking for then was a bank that understood our challenges and the intricacies of the business and that were flexible enough to make adjustments to their solutions or systems to meet our requirements."

Selecting a global bank partner

After the RFP process, the THAI Airways team came to the conclusion that Citi should be its global cash management bank. Narongchai cites the bank's global network and strong innovation pipeline as being just two reasons that this decision was made.

The treasury team's decision was made easier due to the long-standing relationship that the company had with the bank. This had already seen the two parties work together on numerous projects including bank account rationalisation and optimisation of global cash balances.

Both of these projects have not just created more efficiency for THAI Airways, but also delivered considerable cost savings.

Overdue corporate payments in China lessen in 2016

There is a common concern held by many corporates operating in China: the decreasing credit conditions of companies in the country.

Numerous factors, including the slowdown in the economy and the broader structural shift towards the "new normal" (where the economy will be powered by services and domestic consumption rather than manufacturing and exports) mean that late payments are commonplace in China.

This issue was recently highlighted by Cefi Chen, Regional Treasury Director, China and Russia at Cummins who said the company had seen an uptick in the volume of late payments and the use of Bank Acceptance Drafts (BADs) – which can push out payment by as much as one year – as a method of payment, the net result being a negative impact on Cummins' days sales outstanding and overall working capital cycle.

And this real-life account is consistent with the findings of French credit insurer Coface's study into corporate payment practices in China. According to its surveys over the past five years, on average 80% of companies operating in China have experienced overdue payments.

Improving conditions?

Its most recent survey, however, shows that overdue payments reduced in 2016, with only 68% of the 1,017 respondent companies experiencing overdue payments. Fewer respondents also reported an increase in overdue amounts.

On the surface, these findings look positive for corporates operating in China, showing a clear reduction in overdue payment risk driven by a selective relaxation of credit controls. However, as Coface highlights, not all the findings are positive.

Most notably, of the 68% that have been exposed to late payments, over half had experienced ultra-long overdues (payments that are 180 days late). This is something that Coface cites as being a serious concern and that when "2% of a company's total annual turnover is involved in ultra-long overdues, the company's liquidity can become an issue and its ability to repay suppliers is questionable".

What is perhaps even more concerning is that Coface estimates that approximately 80% of ultra-long overdue amounts (180 days or more) are not paid back at all, putting businesses under severe financial stress.

Sector focus

Coface's survey also highlights the different credit conditions faced by companies in various sectors of the Chinese economy.

High-risk sectors include construction, chemicals, industrial machinery and electronics. Ultra-long overdue issues were particularly acute in the chemicals, industrial machinery and electronics, IT-telecoms, metals, pharmaceuticals and retail sectors.

"Of these, the chemicals and industrial machinery and electronics sectors gave the biggest causes for concern, as considerably more respondents in these sectors had over 10% of their turnover involved in ultra-long overdue issues and reported average overdue times of more than 150 days," says the report.

Mitigating the risks

Surprisingly, despite the risk of late and non-payment in China, very few companies are taking steps to mitigate the risk. The survey found that less than half of companies are using credit management tools.

Amicable negotiations through things like repayment schedules are regarded as being the most effective tool to counter late payments.

There is some positive news in the fact that 56% of companies checked and monitored buyer credit-worthiness but overall the report concludes that "greater attention to risk management needs to be paid in China".

Next generation TMS

Treasury management systems have changed markedly over the past decade, with many adopting a broader range of functionalities as well as different deployment models. In theory, companies of all shapes and sizes are now able to leverage these solutions – but to what extent are corporates in Asia Pacific taking advantage of next generation treasury technology?

Treasury management systems (TMSs) are the mainstay of many corporate treasury departments in Europe and the United States. Indeed, PwC's most recent Global Treasury Survey found that 80% of respondents in Europe and the US had a fully integrated TMS. Asia Pacific (APAC), however, has tended to lag behind where TMS adoption is concerned: the same study found that less than half of treasury functions in Asia use a TMS.

Changing landscapes

There are a number of reasons why this is the case, not least of all the way in which the treasury profession has developed in APAC. "In Hong Kong and Singapore, two of the region's most developed markets, the usage of TMSs is generally on par with Europe and the US," explains Albert Lo, Partner at PwC. "The main reason being that most companies in these cities have a more developed treasury department that is taking a strategic role in the business."

Once you move beyond Hong Kong and Singapore, however, TMS usage drops significantly. "In some APAC markets, the role of treasury is still emerging and is embedded into the broader finance function," adds Lo. "With no standalone treasury function in place, the driver to implement a treasury system is just not there."

Even when a treasury function exists in companies operating in Asia's emerging markets, corporate culture can prohibit TMS adoption, comments Tony Marrinan, Head of Financial Sales, APAC at OpenLink. "In the top-tier local corporates, the treasury function is still primarily regarded as a cost centre," he says. "Typically, their structure is quite decentralised and they do not have overly complex requirements, meaning that senior management believes that the operations can be run on a spreadsheet."

Historically, many Asian corporates were also priced out of the TMS market. "Until quite recently TMSs were perceived to be expensive," says Tony Singleton, Managing Director, APAC at Reval. "They were required to be hosted on internal servers and the upkeep of these fell onto the corporate customer. As a result, TMSs have typically been a tool for top-tier corporates with abundant IT resources and sophisticated treasury functions."

Treasury in the cloud

In more recent years, both the status of treasury in the region and the solutions offered by TMS vendors have changed, seeing TMS adoption gain momentum. "Today treasurers across the region have a much broader remit and are expected to achieve their goals with fewer resources," says Singleton. In Reval's most recent global survey, for instance, 72% of financial professionals in the region said they expect the scope of their treasury function to increase, while 73% expect their staff to stay the same or decrease. "This growing maturity, coupled with the proliferation of regional treasury centres (RTCs), highlights the need for treasury teams to have more sophisticated tools than spreadsheets to manage their operations," adds Singleton.

As the treasury profession has developed, so has the TMS landscape, with vendors offering lower-cost deployment options. The game changer in this respect has been the rise of cloud-based solutions, whereby solutions and data are held off-premises on the TMS providers' servers and accessed

Six steps to TMS success

Executive management support

At the outset of the project, it is essential that treasurers (should) garner the support of executive management and at least secure their willingness to consider investing in a new treasury system.

IT department

It is important to seek IT participation from the start and invite a designated representative to join any TMS project discussions. Their early involvement promotes their understanding of treasury requirements whilst giving them the opportunity to provide expert guidance on the technological details of the TMS project.

External relationships

Treasurers should be aware of any issues that may surround the integration of bank reporting mechanisms, payment systems or other external feeds with a new TMS. It can be helpful to discuss the TMS project with bank relationship managers as they may be able to provide useful insight into TMS technology and how it can help specific clients' needs.

through the internet. According to Reval's survey, 30% of respondents in the region said they are using cloud-based solutions.

Cloud-based solutions offer numerous benefits for treasurers. For instance, vendors maintain and automatically upgrade their solutions, ensuring that systems are always up-to-date. Cloud solutions can also be accessed easily from anywhere in the world and they can offer better disaster recovery and business continuity.

The main attraction, however, is that the rise of cloud models has cut costs dramatically. PwC, for instance, suggests that a cloud-based TMS implementation can be 30% to 50% cheaper than a traditional server-based implementation. It is no surprise, then, that OpenLink's Marrinan states that every RFP the company receives specifies cloud deployment.

Joining the dots

Treasurers are also requesting systems that are more flexible and better positioned to meet their changing needs. More specifically, treasurers are asking for systems which enable them to pick and choose functionality based on their own requirements and that can be easily integrated into other systems used by the treasury.

It is in these areas that relative newcomer to the TMS space, TreasuryXpress, has focused a lot of its efforts. As a former treasurer, Anis Rahal, the company's founder and CEO, found it frustrating having to implement a full TMS when only a few specific features were needed. As such, TreasuryXpress has pioneered the 'unbundled' TMS solution with its C2Treasury platform.

Once the basic solution is deployed, Rahal explains that treasurers are able to use TreasuryXpress' online 'app store' to buy extra modules, such as advanced forecasting. "The TreasuryXpress Store is all about how we can make the life of the treasurer easier," he says. "Often the selection and buying process for treasurers is long and drawn out because they are forced to justify extraordinarily expensive implementation project fees and subscription costs. Our solutions eliminate those barriers because they are highly affordable and quick to implement."

Rahal also notes that the TreasuryXpress solution has been built with next generation connectivity in mind, specifically application programming interfaces (APIs). Most recently, TreasuryXpress launched a payments API called Payments+. The new API delivers an easy, self-service means to automatically generate bank-ready, ISO 20022-compliant payment files from any ERP or TMS. "We rely on APIs to make our technology work and connect to other systems," says Rahal. "It is all about providing flexibility and optionality to our clients."

The next step

Some treasury departments in Asia are also now looking to squeeze added-value out of their systems through the use of analytical modules. PwC's Lo states that when working with clients on implementation projects, many are interested in the ability to conduct scenario analysis and stress testing based on their own data set. "The results can then be provided to the CFO and used as a guide for the future," he says. "This is a very good way to get more value from the TMS and something many corporates are looking at doing."

The focus on analytical capabilities is something that OpenLink's Marrinan says the company has been working hard on. "By including commodities risk alongside interest rate and FX rate risk in our system, we already offer our clients a holistic view of their overall risk profile," he says. "Analytics has always been a big part of our offering, but now there is a concerted effort to make this easier and more effective for treasurers and CFOs. The aim is to help put them in a position to make highly informed and proactive business decisions."

Analytics, while useful now, is not the zenith according to Reval's Singleton: he expects to see the focus moving to mobility and real-time analytics evolving into artificial intelligence (AI) over the coming years. "Corporates won't have to conduct stress testing, the system will do it for them based on the data it is receiving from the market," he explains. "This information will then be pushed to the treasurer and displayed on a dashboard within the system. AI may also enable TMSs to suggest trades that need to be made and changes to the hedging policy, for instance. In Asia more urgent imperatives will be addressing cyber-security, blockchain, and new accounting standards like IFRS 9."

Treasury structure

It is important to consider which areas within treasury operations will be impacted by system changes. This will depend on a treasury's structure – decentralised, centralised and/or in-house bank – and on whether payment/collection factories or shared service centres are used.

Treasury operations

The systems and procedures currently in use should be assessed in detail and relevant documents such as the treasury policy, treasury mission statement, job descriptions and user manuals should be consulted. Workflow analysis can be undertaken to identify current inefficiencies, weaknesses and control and security issues that may expose treasury to greater risk.

Defining TMS requirements

A definitive list of requirements should be drawn up using the information collated. These requirements can then be divided into areas of activity or sections within the treasury department, eg dealing, confirmation, settlement, cash flow forecasting, treasury control and risk management, differentiating between the essentials and the 'nice-to-haves'.

Wan Chun Shong

Group Treasurer

TAN CHONG GROUP

Case study

As a fast-growing company, Malaysia's Tan Chong Group needed to move away from manual processes and drive more efficiency across its treasury operation.

"We have been running an in-house bank on spreadsheets for a few years and as the company was expanding this was becoming an incredibly time-consuming process," says Wan Chun Shong, Group Treasurer at Tan Chong Group. "The biggest issues were that mistakes were so easy to make and occurred frequently, and I was spending most of my time resolving these issues. We also needed to gain more visibility over the Group's cash, something that the legacy manual set-up just didn't permit."

Long-term project

Tan Chong had actually come close to implementing a TMS a few years ago after the treasury explained the merits of such a system to the company's senior management, however, this didn't go ahead. Although disappointing for the treasury at the time, it did provide some key learnings for when Wan and his team began looking at the TMS market again last year.

"After setting up the in-house bank, we went into the market looking for a highly sophisticated solution that could be hosted on-premise," he explains. "In hindsight, this really wasn't what we needed. We were not a sophisticated treasury set-up and didn't need a 'Rolls Royce TMS', so in some respects it was good that the project fell through, rather than be stuck with a solution that didn't meet our needs."

A more pragmatic approach was therefore taken last year when the Group submitted its RFP to the market. What is more, the senior management had also become more familiar with cloud technology and were therefore happy for the treasury to adopt a cloud-based solution. "We knew that the best system for us was one that has robust functionality and isn't overly complex to use or filled with a lot of features that we wouldn't use," says Wan. "We wanted to plug in and play and enjoy the benefit right away."

After a diligent process, Tan Chong selected Kyriba's cloud-based solution. "We knew that all the TMS solutions could do what we wanted, it was just a case of finding the one that was easiest to use and most closely matched our requirements," says Wan.

Next steps

With implementation commencing shortly, Wan states that the current focus for his team is on aligning processes with the system. "Treasury teams shouldn't try and adapt the system to fit, they should adapt," he says. "The TMS will provide all the efficiency and streamlining that you need as long as you provide the right inputs."

The next area that Tan Chong Group will be focusing on is bank connectivity. This is especially important in ASEAN as not all banks have best in class technology infrastructures. "Ideally, we want the TMS to connect to all our banks and provide the straight through processing that we are looking to achieve," concludes Wan.

Building a business case

Before treasurers in APAC can leverage the functionality that TMSs offer today – and the functionality they may offer in the future – they first need to build a business case to have one implemented. As mentioned earlier, this is not always easy.

Reval's Singleton, who has been working with clients implementing TMSs for over ten years, has some salient advice for how to overcome the challenges. "Implementing a TMS is part of a transformation journey," he says. "And first treasury needs to shift the thinking of senior management and make them view treasury as a value adding function that can deliver enhanced financial returns for the business." Once this mindset has changed, Singleton says that treasurers can then begin thinking about how to sell the investment in a TMS platform. Here it is important to highlight the financial benefits that can be sought from improved working capital management, liquidity management and the adoption of an in-house bank.

Finally, when the treasurer gets approval to implement a TMS, Singleton advises that treasurers should be strategic when managing the implementation. "It is important to get quick wins to show the benefits of the solution immediately," he says. "For instance, Reval helped one of its clients connect over 1,000 accounts in the first two months, gaining full visibility over their cash. This was a big benefit for the company and completely validated the rest of the project."



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Adam Smith Awards ASIA

Corporate treasurers – mark your success

Nominations open June 12th 2017

Our highly acclaimed Adam Smith Awards Asia programme is now in its fourth year.

The programme recognises best practice and innovation in corporate treasury within the Asia Pacific region. Nominations open on June 12th and there are 17 award categories in total. There should be at least one category that can capture the achievements of you, your project(s) and/or your team(s). If you believe your work has gone above and beyond the call of duty, now is the time to put yourself forward.

Everything you need, including the nomination form, can be found at **treasurytodayasia.com/adamsmith**. It is a simple case of completing and submitting the short form online – which should take no more than 15 minutes of your time.

Any number of solutions can be entered for consideration. A single project can also be nominated in more than one category, where appropriate. Nominations can be made by any corporate, and banks and service providers can assist their clients in completing the nomination form. Banks and service providers are also able to submit nominations on behalf of their corporate clients (with the client's approval). Nominations close on September 8th 2017.

All winners will receive an invitation to the Adam Smith Awards Asia Presentation Lunch on November 21st at the Four Seasons Hotel in Singapore.

Should you have any queries please do not hesitate to contact us at **awardsasia@treasurytoday.com**

Award categories for 2017

- Treasury Today Asia's Top Treasury Team 2017
- Best Cash Management Solution
- Best Cash Flow Forecasting Solution
- Best Working Capital Management, AP/AR Solution
- Best Card Solution
- Best Funding Solution
- Best Trade/Supply Chain Finance Solution
- Best Risk Management Solution
- Best Liquidity Management/Short-term Investing Solution
- Harnessing the Power of Technology
- Best Foreign Exchange Solution
- Best SWIFT Solution
- Best Solution in China
- Best Solution in India
- One to Watch
- Treasury Today Asia Woman of the Year
- A Rising Star

The quest for inclusion

Over the five years that the Treasury Today Group have been running our Women in Treasury initiative, it has been interesting to see how conversations around diversity have evolved. In a relatively short time, diversity has shifted from a fringe topic to one at the heart of corporate life.

What is equally important is that the focus of these conversations has also shifted beyond the topic of gender diversity to focus on a much broader range of issues. These conversations are helping to create a more holistic view of what it means to have a diverse corporate culture.

There are many drivers behind this evolution, perhaps most crucial is the correlation between diversity and improved business performance. Numerous studies have highlighted this, such as McKinsey's 2015 'Why Diversity Matters' report, which found that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Those in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns.

A more recent paper from the Peterson Institute for International Economics came to similar conclusions. It found through the analysis of 21,980 firms from 91 countries that the presence of women in corporate leadership positions improves financial performance.

The journey to equality is not all about numbers and hitting targets. Diversity is the by-product of an inclusive workplace, diversity is what you have and inclusion is how you act. An inclusive workplace is one that welcomes diversity by creating an environment where different kinds of people can thrive and succeed.

Diversity in dialogue

As conversations around diversity in the workplace evolve, so too must our Women in Treasury initiative. The ways that businesses can create an inclusive environment and the need for continued promotion of diversity in the workplace were just two of the topics discussed at the most recent Women in Treasury Asia Forum, held at Singapore's Four Seasons Hotel in April.

Now in its fifth year, our global initiative continues to gain momentum and is playing a pivotal role celebrating and promoting inclusion in the corporate finance space. This was highlighted by the presence of over 120 senior financial professionals, both male and female, from across the region who came together to network and learn from each other's experiences. The panel has broadened this year to welcome our first male panellist, Manoj Dugar, Managing Director and Product Head for Core Cash, Asia Pacific Treasury Services,

J.P. Morgan, who offered his perspective on the shifting dialogue as well as showcasing how male allies can support and effect change within their organisations.

The day began with a networking session before an introduction from Sophie Jackson, Associate Group Publisher. Then, James Hayward, Associate Editor at Treasury Today Asia discussed some of the key findings from the most recent Women in Treasury Global Study.

Following this, our guests went through for lunch and were then treated to an all-star panel discussion featuring four leading industry speakers, all of whom are enjoying extraordinary careers.

This year's panel included:

- **Felicia Foong**, Regional Treasurer, Nestle
- **Bonnie Yang**, Treasury Director, Alibaba
- **Manoj Dugar**, Managing Director and Product Head for Core Cash, Asia Pacific Treasury Services, J.P. Morgan
- **Toni Weber**, Group Finance Director, interTouch

Sophie Jackson facilitated the dynamic and lively debate, which was defined by the open and honest views of the panel.

Journeys to the top

The panel session began with an exploration of the panellists' careers in corporate finance, the journeys they have taken and the opportunities and challenges they have encountered along the way, with Manoj Dugar of J.P. Morgan highlighting the socio-cultural evolution he has seen over his 20 year banking career and how the dialogue has expanded to include discussions of racial and cultural backgrounds as well as sexuality alongside gender equality.

Although each panellist has followed a very different path to their current role, one thing bound them all: they had all made bold changes at some stage, be that changing role, industry, location or a combination of all three. Toni Weber, for instance, shared her decision to move from the UK, where she worked in a traditional accounting role, to Darwin, Australia. "This role saw me leave my pinstripes behind and get into scruffy clothes and go into the outback to audit aboriginal communities," she explains. She admitted that this wasn't an easy decision to make and joked that even most Australians that she knows haven't been to the Northern Territories.

She was encouraged by her boss at the time though, who acted as an informal mentor and gave her the confidence to take this big step. "This move then gave me the confidence to keep pursuing different challenges and afterwards I moved to Paris, Amsterdam and then to China, which was completely outside of my comfort zone," she says.

Felica Foong had similar experiences pushing herself outside of her comfort zone by taking on different roles within finance in countries in Europe and Asia. However, she admitted that not everyone can be mobile all the time – even if they would like to think that they are. Early on in her career, for example, she had specific career plans and opportunities to move overseas but that did not take place, before she finally moved to Hong Kong and then Switzerland. "Moving overseas often sounds like a good idea, but you will need a supportive family behind your decision," she says. "One day you might be mobile and the next day you might not."

She did encourage those in the audience though who hadn't moved overseas in their career to do so at some stage.

> The debate around diversity is starting to get more attention and forums such as this are a great avenue, especially for women, to get together and network, share experiences and learn to build up the treasury community and support the drive for greater diversity and inclusion in the corporate world.
>
> Jennifer Leong, Treasury Director – Asia Pacific, Corporate Treasury, Cummins

"Being mobile has opened up new career opportunities for me," she says. "It has also enriched my personal life and that of my family. Yes, there is a steep learning curve professionally and culturally, but if it is something that you want to do then take charge of your career and do so."

External encouragement

What is interesting in both of their accounts is that these brave steps were not made in isolation. Support from mentors, organisations, friends or spouses was crucial in helping them make their decisions. Indeed the role that mentoring, either official or unofficial, has played in their career development reflected the responses to our 2016 Women in Treasury Global Study, with 99% of respondents stating that mentoring is either very important or important.

Having a mentor that pushes you is not only important when looking to move overseas, they can also be important when you are looking to move industries. Bonnie Yang relayed this when discussing her transition from the world of banking to corporate treasury. "I had worked in banks for many years in numerous positions and really enjoyed my work," she explains. "Some part of me always wanted to try new things, however, and I was told about the position at Alibaba by a friend who worked in corporate treasury. I must admit that I wasn't sure at first about applying for the role, but my friend encouraged me to do so. After two years now in the role at Alibaba, I am very happy and glad that I made the decision to move to the corporate world."

Bonnie was also supported by a mentoring arrangement upon joining Alibaba. "Every newcomer to the business gets a mentor," says Bonnie. "They are there to help you navigate what is quite a complex business and ensure that you settle down quickly. I personally found this support extremely helpful."

From this there was interesting debate around the types of mentoring that our panellists found to be the most productive. Felicia, for example, discussed her experiences as a mentor in a structured programme. "Mentoring works, but in my personal experience, structured mentoring programmes are not the most effective," she says. "For instance, in my previous career, I was made a mentor at work and assigned a member of staff to coach. It went well to begin with and it faded away towards the end of the programme and we didn't keep in touch. In another instance, someone approached me to be his mentor, a more organic arrangement. It is more spontaneous, there is chemistry, he feels that he can benefit from mycoaching and insights and I believe that I can add value to him, both contribute and have accountability over the relationship. I believe it can have a more positive impact."

All panellists agreed though that their experience of being a mentor had helped them learn more about themselves, claiming that mentoring arrangements should ultimately be a positive experience for both mentor and mentee.

Culture change

As a senior leader in one of the world's largest banks, Manoj Dugar offered some strong insight into the importance of creating diverse teams. Most notably he shared his fundamental belief that diverse and inclusive teams make better decisions, sharing his own efforts to make sure his team was diverse.

However, it takes more than one person to change a system and Manoj was keen to highlight that, across the board, attitudes and practices need to change, especially given the shifting sands of our modern cultural landscape.

Creating an inclusive environment is not easy though, and there are many obstacles that stand in the way. Manoj cited the most challenging of these is the need to abolish myths around gender roles and even go beyond thinking about gender at all; hiring people based purely on their skillsets as race, gender and age become irrelevant.

Toni shared her experiences throughout her career of overcoming such cultural challenges and breaking down barriers. She explained how early in her career she was prevented from being given a promotion because management found out that she was a woman, having presumed when reading her name initially that she was male. She also faced issues when working in China with problems around her taking on the CFO role. "It was mistakenly and short-sightedly assumed by the male CEO of the business that having a female CFO would cause him a loss of face in front of his Chinese partners," says Toni.



Gender inequality and enforced stereotypes impact men as well as women. Manoj talked about how men who decide to stay at home and become primary caregivers for their children may often face judgement and feel insecure about their choice in erring from the stereotypical male role of breadwinner. When women choose not to take on the role of primary caregiver they can feel guilt and when men are not fulfilling the traditional role of breadwinner they can feel shame and to remove this we must dissolve any idea of designated gender roles. "There might need to be a family revolution, or human revolution to achieve this and ensure an environment where everybody can make respected choices," said Manoj.

The next generation

What is clear is that businesses will need to change. The whole panel agreed that millennials are bringing a new way of thinking into businesses and disrupting traditional ways of working. The need therefore to build an inclusive workplace that welcomes people from different backgrounds, with different skillsets and experiences, is now a must.

Each individual on the panel is experiencing this shift in different ways. Manoj, for instance, highlighted his decision to take a much younger 'tech-savvy' colleague to a meeting in order to hear his perspective on the customer's business. Upon arrival at the meeting, he realised that the client had also brought a similar colleague to attend from their side! Having the two of them there, he said, enabled the conversation to be dynamic, with new ideas brought to the table.

Bonnie, having moved from banking to a huge technology company that has a start-up attitude, had some interesting comments on this new way of working. "It was not an easy transition," she says. "Everything is exciting, but different, from employees' mindset, pace of work and how decisions are made. It is a culture that Alibaba fosters and by working with so many incredibly talented young people it makes you feel young again."

Views from the floor

The purpose of Treasury Today Asia's Women in Treasury initiative is to inspire and to generate debate. This year our new format Asia Forum certainly achieved both of these objectives.

Speaking after the panel discussion, Kemmy Koh, Group CFO at Chinese Global Investors Group said that she agreed with the panel in that there has been a developed discussion around diversity and inclusion in recent years. "This has become more apparent as more millennials join the workforce and more women take up senior leadership roles," she says.

That being said, Kemmy believes that there is more that can be done to tackle inequality in the workplace. "This includes allowing flexible working, introducing mentoring programmes that help women reach senior roles, reviewing the promotion selection and monitoring and measuring promotion rates and also having more female focused networking events."

Sonia Clifton-Bligh, Director, Regional Treasury Services Centre ASPAC at Johnson & Johnson also felt that the debate had shifted in recent years. "Initially there was a lot of talk around gender and racial diversity, but now this has broadened to encompass more groups, such as persons with specific political or religious affiliation, sexual orientation, disabilities, or indigenous people as well as multi-generational workforces. I think organisations see the value in having people from different backgrounds with different perspectives and that it facilitates more robust decision making. Companies are therefore putting in more effort in promoting diversity and inclusion, to increase visibility to the under-represented groups, as a result."

That being so, for now, initiatives such as Women in Treasury remain necessary. As Jennifer Leong, Treasury Director – Asia Pacific, Corporate Treasury at Cummins outlines: "The debate around diversity is starting to get more attention and forums such as this are a great avenue, especially for women, to get together and network, share experiences and learn to build up the treasury community and support the drive for greater diversity and inclusion in the corporate world."

More to come

We would like to thank all those women and men who took part in, attended and supported our Women in Treasury Asia Forum and would like to invite all of you in the industry who are interested in our initiative to get involved!

There are numerous ways you can do this, including attending our forums in London and New York later this year, taking part in the 2017 Women in Treasury Global Study, nominating yourself or your team member as your Treasury Today Asia Adam Smith Awards Woman of the Year or simply joining our Women in Treasury network on LinkedIn.

For any general enquiries regarding the Women in Treasury initiative in Asia please contact Sophie Jackson, Associate Group Publisher, Treasury Today Asia – **sophie.jackson@treasurytoday.com**

How to navigate emerging markets

From moving capital and managing foreign exchange to building partnerships with local banks, how should treasurers navigate emerging market risk and regulation?

Emerging markets have long been a critical part of the business mix and growth strategy of multinationals. For many, initial sales growth has been followed by acquisitions or has driven decisions to relocate production to emerging markets to match costs with sales growth. This trend is set to continue, despite the slowdown in global trade and mutterings of some multinationals retreating as domestic growth and interest rate hikes draw investment back to the US.

According to the Boston Consulting Group, some 300m additional households will enter the consuming class in emerging markets this decade. Populations in developing countries are also growing four times faster than those in developed countries so that by 2020, 6.4bn people out of 7.5bn people worldwide will be living in emerging economies.

Managing fast-growing trade in emerging markets is a top priority in corporate treasury at British ingredients maker Tate & Lyle. New consumers in China, Mexico, South Africa and Brazil are driving growth for the company's high margin, speciality ingredients that includes brands like Dolcia Prima, a low-calorie sugar, and Claria, a "clean label" starch range, free from artificial ingredients.

"We are currently spending a great deal of time making our emerging markets treasury proposition as good as our developed markets treasury proposition," says Oliver Whiddett, Head of Group Treasury at Tate & Lyle. "The business will look to make targeted acquisitions in speciality food businesses in emerging markets. This will drive treasury complexity and how we assess our local needs."

Managing trade and investment in emerging markets ushers in a new level of complexity for treasury, which is responsible for financing, hedging and safely steering the company's financial interests in these more challenging jurisdictions. Each country has unique risks, regulations and restrictions, be it around moving capital, managing foreign exchange or governing relationships with local banking partners. Different cultures and time zones add to the challenge. So where should fast-growing companies focus to ensure a strong emerging market treasury?

Get the FX right

Even if a corporation has a small exposure to emerging market currencies, exchange rate volatility can cause chaos, pushing up costs or evaporating margins. "FX plays a crucial role; get it wrong and it can have a big impact on corporate earnings," says Gerald Dannhaeuser, Head of Corporate Sales in Asia for Commerzbank.

Corporates tend to have fixed hedging programmes in developed market currencies. But when it comes to managing FX risk in emerging markets, where hedging is expensive because of transaction costs and interest rate differentials, a bespoke and dynamic approach can work best.

"In emerging markets, a corporate's hedging committee often decides to meet quarterly rather than have a definitive approach," says London-based Adrian Williams, Head of Corporate Solutions at Commerzbank who counsels a nimble approach. "If markets are illiquid, treasury may think the market is too thin to get an effective hedge. In more dollarised economies, corporate exposure may be moving more in line with the dollar and treasury could better react to changes in the market by putting up costs. Nor may a team always know in advance what specific derivatives to draw on, like forwards or options."

At Tate & Lyle, which hedges transactional FX exposure, reports in sterling and has its largest exposure in dollars, the most challenging aspect of currency risk is understanding where the company's FX exposures lies in its supply chain. "In a business with integrated supply chains, unpicking FX exposure is complex. It can also overlap with tax rules around transfer pricing like, for example, which entity is expected to bear the commercial risks," says Whiddett. "When a business is rapidly expanding, it could be that FX risk management is pushed down the list of priorities compared to building customer relationships or sales. But treasury has to keep up to speed to actively support the business, enabling its ambitions whilst ensuring that risks are managed to within acceptable limits."

Companies with growing trade in China will have to navigate a complex and volatile currency environment. According to SWIFT, the renminbi was the fourth most used currency for global payments behind the dollar, euro and sterling in 2015. That was the same year that treasury teams woke up to renminbi volatility following the currency's sudden devaluation by the Chinese central bank.

"Hedging renminbi risk requires a degree of sophistication," says Dannhaeuser, explaining that corporations can hedge renminbi onshore, offshore or in the NDF market. Deciding whether to manage a renminbi hedging policy on a centralised basis from head office, or to delegate decisions to subsidiaries, is an important consideration.

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>
> Oliver Whiddett, Head of Group Treasury, Tate & Lyle

"Hedging onshore requires an onshore presence, a greater level of documentation and administration," Dannhaeuser says. Corporations have no administrative risk hedging offshore, but will need to balance this against basis risk. "Offshore and onshore renminbi are highly correlated so they move in parallel; it is not a perfect hedge," he says, adding: "If corporates decentralise they can take advantage of onshore and offshore markets. In China we see most corporations with this two fold approach, hedging both from their headquarters, and using their local treasury centres to hedge onshore on the ground."

But not all emerging markets have this flexibility. "The Brazilian real isn't tradable so it could be cheaper for the subsidiary to do the hedging," says Williams. "Here corporates can opt for a non-deliverable hedge offshore, or deliverable and settled in Brazil, pricing between the two differentials."

Hub and spoke

How to structure treasury in emerging markets is the next question. In one model, multinationals are choosing to move their emerging market treasury to financial hubs in the region. Singapore serves Asia; the UAE serves Africa and the Middle East – and basing treasury in Miami serves markets in Latin America. It's a model that establishes "policy level" governance and regulatory coverage, and solves issues around time zones and the working week.

"A hub and spoke model is fairly common during a company's growth phase in emerging markets," says Navinder Duggal, Managing Director, Global Transaction Services, at DBS Bank. "Typically, the hub will be located in an international financial centre that has a well-defined regulatory regime, provides easy access to sophisticated banking services, and has good access to liquidity and FX capabilities as well as the skilled manpower to support a regional treasury operation. At the same time, having people on the ground in the main sales or manufacturing locations allows improved implementation of treasury functions."

He also observes that as companies become more proficient in emerging markets, so the local presence becomes less necessary. "For more mature industries, it is possible to operate entirely through a centralised regional treasury once the processes and responsibilities have been clearly established."

In other cases, companies may operate a devolved approach, delegating control to local entities in more challenging countries owing to in-country regulations, complexity of markets or limitations in the financial environment. On a small scale, this could mean a team sitting "in country" to support banking and funding activities, says David Stebbings, Head of Treasury Advisory at PwC.

He notes, however, that integrating treasury activities such as payments and daily cash management in emerging markets into a centralised shared services environment can be a challenge. "It is more difficult, and probably less cost effective, to take cash activities in, say, Angola and put them into a shared services. In emerging markets it would be more likely that these tasks were done in country."

It's a challenge that leads him to favour a tiered approach. The first tier would be focused on developed markets where risk and cash management activities can be more centralised, hedging more mechanical and processes more easily automated. Subsequent tiers then comprise less developed and emerging markets where treasury activities require more diversity and flexibility. In lower tiers, it may not be possible to hedge risks or move cash very easily. The actual standards will often depend upon regulation, costs and the banking infrastructure in relevant countries.

Stebbings adds that many emerging market countries should move up through the tiers over time. "For instance, in India treasurers are less restricted in how they can manage FX and cash risk than in the recent past, although there are still a number of significant constraints," he says.

Strong relationships

By ensuring broad expertise, product offerings and geographies in core banking relationships, treasuries can often tap the subsidiaries of their core banks in far flung jurisdictions. Yet this is not always possible, and local bank relationships also bring local market and industry expertise. Local banks also fulfil particular requirements, like cash payments to a local workforce, or providing a source of local funding if strategy has focused on limiting foreign capital going into an emerging market.

Although Tate & Lyle counts ten relationships in its core banking group, including Japanese, US and European banks, the company has still built strong local bank relationships in Brazil and South Africa. "We have a good diversity in our core banking group. But there are some areas where these banks don't operate and we need to branch out and build contacts with local banks," says Whiddett, who brought valuable bank contacts in emerging markets to Tate & Lyle when he joined six months ago from mining giant Anglo American.

It's an experience that leads him to advise treasury teams to develop banking relationships that are strong enough to weather the bad times, not just the good. "If the ratings drop and the cash flows fall away, there are never so many banks knocking on the door," he observes. Good documentation is also important: "You think you'll never need that banking clause, but then it turns out that you do."

Working with banks in emerging markets adds a new level of counterparty risk. The mere thought of a local banking partner being unable to repay deposits made by its corporate clients, or renew a revolving credit facility, is enough to rattle boardrooms. "Global banks are stronger and less likely to go under," says Stebbings who advises treasury teams to approach only "top end local banks", carefully assess the extent to which local partners compliment their business, and be alert to early warning signs of bank distress.

Sovereign downgrades are a common hazard that can increase borrowing costs, shrink liquidity and put pressure on local banking systems. Global clients of Brazilian banks had a volatile ride when Brazil was downgraded to junk status in 2015, taking the credit rating of many local banks with it. Today, treasury at Tate & Lyle, which sets a strict risk appetite for the company in each country, is preparing for the impact on South African banks of a similar downgrade to the country's credit rating.

Local banks' ability to integrate technology is another consideration. Local banks may not have electronic banking platforms, relying instead on manual, administratively-heavy processes. This is in contrast to regional treasuries being "quite lean and having adopted technology to automate many of the functions," observes DBS's Duggall. He adds: "Corporations will need banking partners that can integrate seamlessly with their treasury operations, and can provide timely electronic information to enable faster, and more effective decision making."

It's a point that Emre Karter, Head of Treasury and Trade solutions at Citi, expands upon. The treasury trend towards automation, standardisation and centralisation doesn't stop at the door to emerging markets. Given the challenges of maintaining visibility and control while partnering with different banks in multiple, risky markets, it is more important than ever.

Bank-agnostic services like SWIFT, that enable corporates to exchange information with multiple banks using common channels and standard formats, have become the norm. Treasury in emerging markets needs to ensure it is working with banks that are adapting to this environment and can go beyond single-bank proprietary solutions to address global, multi-banking needs.

"Corporations don't want to manage bank relationships country by country," Karter says. "There is a shift towards streamlining bank relationships, whereby companies can plug-and-play bank connectivity between their home banks and network banks. Many businesses want better integration and now enterprise resource planning (ERP) and treasury management systems (TMS) are allowing this between banks, as well as host-to-host solutions for timely information and decision making in near real-time."

Rules and regulation

Navigating regulation in emerging markets is another priority. In an attempt to curb capital outflows or shore up foreign exchange reserves, governments in emerging markets go to regulatory lengths to stop companies taking money out of the country. For corporations with exposure to China, treasury needs to be prepared for policy makers to tighten capital controls with a suite of regulations when the pace of renminbi outflows accelerates.

Currency controls recently caused havoc in Nigeria's auto sector, where the likes of Ford, Toyota and Volkswagen have developed assembly plants with local partners. Currency policies and associated import controls, set up to conserve hard currency and boost local manufacturing by forcing Nigerians to buy local, starved the sector of inputs and led to a collapse in supplies of product lines from glass to rubber. Industry body OICA estimates that total new vehicle sales in Nigeria dropped by more than half in 2015 compared to 2014.

"Exchange controls demand day-to-day management and bring complexity against a political backdrop," says Karter. The problem manifests particularly in cash management, where cash trapped due to sudden, or unexpected currency or capital movement restrictions impacts access to working capital across emerging markets and through supply chains.

PwC's Stebbings says this leaves some treasury teams deciding to keep "as little cash as possible in the local market – just enough to meet local needs, taking every opportunity to reduce surpluses." Some corporates request that receivables be paid in another currency altogether, "collecting revenues offshore" with payments made in US dollars to circumvent the currency restrictions. In bilateral trade relationships, where a company both sells into and buys from an emerging market, trapped cash, currently owed as a receivable, could be used to settle accounts payable in that country.

A clear view of what cash the business needs, often difficult because the business is expanding, is crucial. "Trapped cash is the kind of instability that triggers liquidity problems and it demands quick thinking to manage distribution and supply chains," says Stebbings. "We are seeing key emerging trends from our clients as they get to grips with the process. They are using technology, tightening governance and managing their working capital to improve visibility and control."

Other regulation may be more mundane, but just as frustrating. Cross-border payments typically require additional documentation and, if mismanaged, can lead to significant delays in receipt of funds. The use of cheques, common in some markets, also poses challenges around the timely realisation of funds. "The regulatory environment in emerging markets does change fairly often and corporate treasuries need to constantly review and adapt their plans. At times, the changes can be quite sudden and the interpretation of the new requirements may need further clarification with the authorities," says Duggal.

Tate & Lyle's Whiddett pauses before considering the most important criteria for a strong treasury proposition in emerging markets. "Take, for example, a new customer in an emerging market," he says. "If treasury is involved halfway through the process, putting in place the infrastructure needed becomes rushed, and there is a sub optimal outcome. Ideally, we are one step ahead of the markets the company is focused on. We've already looked to our banking group or started conversations with new banks, and we are already across local regulations, capital restrictions and our hedging options." Anticipation, it seems, is the magic ingredient.

Knowledge is power

Sonam Donkar
Associate Director – Treasury Head

PEPSICO

As the Treasury Head at one of the largest multinationals operating in India, Sonam Donkar has reached the zenith of the profession. The road has not always been straightforward, but what sets Donkar apart is her self-belief and her drive to further the profile of corporate treasury. Her ambition now is to share this passion and knowledge with those around her in order to further the development of the profession in India.

PepsiCo products are enjoyed by consumers one billion times a day in more than 200 countries and territories around the world. PepsiCo generated more than US$63bn in net revenue in 2015, driven by a complementary food and beverage portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. PepsiCo entered India in 1989 and in a short period, has grown into one of the largest MNC food and beverage businesses in the country.

Throughout a varied career spanning a variety of different roles, industries and companies, Sonam Donkar, Associate Director – Treasury Head at PepsiCo India has sought to amass a wealth of knowledge and experience in order to become a well-rounded treasury professional.

Donkar's position at one of the largest multinationals operating in India and her recent Treasury Today Adam Smith Asia Woman of the Year award suggest that this investment has more than paid off. But Donkar is not willing to stop there and has now turned her attention to investing in those around her by passing on her knowledge.

In doing so, Donkar's primary objective is to boost the standing of corporate treasury, a profession about which she is unquestionably passionate, both within her company and

> Treasury at PepsiCo does a lot more than most treasury functions I know. We are a strong and trusted business partner and involved across many long-term, enterprise-wide projects.

across India as a whole. Donkar is committed to helping treasury achieve recognition as a key strategic partner to the business, and a source of knowledge and guidance for other departments on both operational and strategic matters. This isn't a philosophy that was born overnight, but one that has been carefully curated throughout her career.

Gearing up

Donkar's career began far from the world of corporate treasury: her first role was in teaching, which she began doing at only 14 years old. From very humble beginnings, driven primarily by necessity, Donkar also aimed to save at every opportunity in order to fulfill her dream of future studies.

Donkar was successful in her goal and attended Delhi University, with a Bachelor of Business Studies, Masters in Finance and Control, graduating with honours while also multi-tasking with multiple part-time corporate assignments/projects that gave her a flavour of the corporate world. She notes that these played a big role in helping her choose her future career path.

Following graduation, Donkar's first full-time role was with Ballarpur Industries, one of Asia's largest paper manufacturers. It was a role that Donkar describes as "hard core corporate finance" but it also provided a breakthrough in her career – not least because she was working directly under the CFO. "I was involved in all of the key projects that the finance organisation was undertaking, particularly in helping raise finance," explains Donkar. "This was a great experience because Ballarpur is an extremely capital intensive company. We would raise funds from all manner of sources, and we very rarely failed to do so."

After an enjoyable three years at the company, Donkar then went on to complete her post-graduation in Business Management from the prestigious Indian Institute of Management in Bangalore. IIMB was ranked the Best Business School in Central Asia in 2016 by Eduniversal, Paris, for the eighth consecutive year. The intense rigour and problem solving with real life business cases at management school helped her gear up further. As a student, she was always participating in various business case competitions to hone her problem-solving skills as a team leader.

Her next move was an interesting step change into a treasury sales role with Standard Chartered in India. While finding the bank an interesting organisation to work for, Donkar says that she began to develop her interest in the corporate treasury profession during this time.

"Working with corporates of all shapes and sizes, it was interesting to see the different challenges they had and the various strategies they put in place to address these," she says. "What I found most interesting was the different policies that treasurers in India had to adhere to. It was clear that those that localised their policies to fit the domestic market were most successful. Yet not many were doing so, instead dogmatically following the policies set in Europe or the US."

With this knowledge, Donkar decided to test herself in the corporate treasury arena and joined Dell as treasury lead for India. The experience, whilst valuable, left Donkar wanting to test herself further, especially in a strategic sense. As she notes, "the treasury at Dell was highly process orientated and helped me appreciate the benefits and demerits in a matrix world".

Donkar's expectations were met through her move to PepsiCo, which she joined in 2013 to lead the treasury team. In this role Donkar is responsible for the Group's treasury operations in India, Bangladesh, Nepal, Sri Lanka and Bhutan. Her duties are far from typical. "Treasury at PepsiCo does a lot more than most treasury functions I know," she says. "We are a strong and trusted business partner and involved across many long-term, enterprise-wide projects."

Taking the lead

Donkar jokes that it would take up too much time to detail all of the projects that treasury has been working on. But one area that she talks about in glowing terms is her position at the head of an internal committee, charged with solving all the inefficiencies that exist throughout the finance function.

"There is a lot of non-value-adding operational work necessary in a business such as ours and this has traditionally required a huge headcount to execute," she explains. "But in this day and age, it doesn't make sense to have such a manual intensive process especially when we need to move into an era of digital revolution – automation is the key to removing all the no-value-add activities. The cross-functional team is therefore tasked with identifying labour intensive, non-value-adding activities and trying to utilise new technology to automate, simplify, or if need be, outsource them."

To date, Donkar and her team have saved around 21,000 man-hours through various efficiency projects – a result she is clearly proud of. Donkar's work in this field has also allowed her to test soft skills that she believes are becoming increasingly vital for treasurers. "There is always some resistance to efficiency projects," she says. "This is natural: change is not always welcome. But I have found that once you begin to show the value that the changes can make and communicate these effectively, the business will react positively."

Donkar has also been working on the company's response to the Modi government's recent demonetisation efforts that have seen the removal of 500 and 1,000 rupee notes from circulation. "This has had a huge impact on PepsiCo like many other FMCGs that have dependency on the retail segment/consumers," says Donkar. "But thankfully, we saw it coming well in advance." Donkar explains that some local authorities had been digitising payments and that the government had been opening up the market to digital money and wallet providers. "As an organisation, we have always been looking to remove the risk of physical cash from our operations, identifying alternate ways to automate and therefore had begun to move on these developments as soon we could," she adds.

A relationship with one of India's largest e-wallet providers was established and PepsiCo began raising awareness of this relationship with its distributors in November and December. "It is really at the grassroots of our operation that this solution will have a big impact," she explains. "The problem is that many distributors are not equipped to accept digital payments. This is what we are trying to change by educating them and enabling them to take advantage of the various digital money options available in the market."

Common themes

What is clear through this project, and many others that Donkar is involved in, is that treasury is playing a far greater role within the business. This, in Donkar's view, is the natural progression of the role. "Traditional treasury skills have become 'old school'," she claims. "Although they are a pre-requisite for any treasury professional, it has become increasingly important to grow a broader skillset that makes you more relevant to the business and brings more value to the table in this VUCA world."

Only by taking this approach will treasurers continue to thrive. "In my view treasury should be a key business partner in every company, but that is not always the case," says Donkar. "It is, therefore, incumbent on treasury professionals to develop their skills and show them off whenever possible. This is how you earn the mandate to be a trusted partner to the business."

Fintech oracle

At PepsiCo and beyond, the evolving technology landscape is also helping treasurers unleash their full potential and Donkar says she is seeing a fundamental shift in the market. "Fintech companies are emerging throughout India and the world," says Donkar. "And these really are a big driving force behind a lot of the innovation that is happening."

Indeed, Donkar has been approached by numerous fintech companies offering solutions to niche challenges faced by PepsiCo and other corporates. But she believes that many of these solutions, while interesting, are not yet at enterprise standard and do not fit the profile of large multinationals.

The fintechs' efforts are not in vain, though. "Fintech is forcing the banks to look differently at what they have been doing," says Donkar. "They need to realise that there is a real threat to their business and innovate according. I am seeing this happening, and am even challenging my bankers to push themselves further."

Donkar believes that we are yet to fully appreciate the full impact that this digital transformation will have on treasury, banking and society as a whole. But she does know that she wants to be ahead of the curve and seen as a leading light in the industry. "Understanding and becoming an expert in the digital space is something that is big on my agenda and I want to share the knowledge I have with my peers," she adds.

Building the next generation

With such a passion for sharing knowledge, it is unsurprising to hear that Donkar is a keen mentor. "I often work with

> "Mentoring is as much about helping people grow as it is making sure they understand that they are representing themselves and PepsiCo – and must therefore act accordingly when dealing with counterparties. With the right discipline, they will become leaders of the future.

younger people, so it is important to enjoy being a mentor and helping their careers flourish," she says. "I hold one-on-one meetings and a team meeting every week. My team know that my door is open, should they have any challenges or questions."

More broadly, Donkar believes it is important that the people in the team embody your own ethos and also that of the company. "Mentoring is as much about helping people grow as it is making sure they understand that they are representing themselves and PepsiCo – and must therefore act accordingly when dealing with counterparties. With the right discipline, they will become leaders of the future."

Donkar's passion for mentoring and helping people also extends outside the office. Acting as an Instructor at the Institute of Small Trade Learning in the town of Nelamangala, she provides workshops on basic bookkeeping, entrepreneurship and business management and sessions on personal development and interview preparation.

"Actually, it makes me very happy empowering young minds with the power of knowledge. In short, I teach as it makes me happy," says Donkar. "I like to think that I can help somebody to flourish. I think it is important for people to give back and help others. No matter what your experience, good or bad, people can learn from this and that will help them and society as a whole develop."

Reflecting on her career, Donkar admits that the path to her current position hasn't been straightforward, but she has never given up. And when asked what gives her the drive to keep on achieving and help others achieve she has an eloquent answer.

"The moment you know you have options, you begin to take your purpose for granted," she explains. "When I was growing up I didn't have any option but to push myself to succeed. A supportive family, friends and organisation help, of course, but really it all comes down to your own self-belief. When you believe in yourself and act with conviction this is infectious and it helps those around you start to believe in themselves as well."

From treasurer to CFO

Treasurers often aspire to move to a CFO role – but what obstacles should they be aware of and what steps can they take to improve their chances of success?

While many treasury professionals may aspire to the role of CFO, there are no guarantees that even a highly experienced treasurer will be successful in achieving this goal. While the two roles certainly share some common ground, treasurers should be aware that they may need to overcome some gaps in their skills and experience in order to be considered for a CFO role.

Mike Tucker, Managing Director of Cadence Search, points out that the responsibilities of the CFO are broad, encompassing all areas of financial management as well as a significant stake in leadership. "The role of the treasurer is increasingly varied but ultimately limited to the various financial risks the group is managing, be that cash, liquidity, FX, counterparty, etc," he says. "Insurance and pensions are also (often) found on the treasurer's table these days – and sometimes tax – but the profile is and always will be narrower than the CFO."

Jennifer Ceran, CFO of Smartsheet and the former treasurer of eBay, similarly notes that the biggest obstacle treasurers face is that of being viewed as too narrow in their experience. "The board and the CEO want a CFO with broad experience," she explains. "Sometimes you not only manage finance but also legal, IT and HR. If you have been a treasurer your entire career, not having other experience may hold you back from being considered."

Nevertheless, many treasury professionals do go on to become CFOs. While every individual's career path is unique, there are a number of steps that treasurers can take if they want to become CFO, from gaining business exposure to building confidence.

How the roles differ

Naturally there are a number of differences between the roles of treasurer and CFO. As Tucker points out, "at CFO level, you're more often than not sitting on the board with a key stake in the strategic decisions the group is taking or going to take. Whilst the profile of the treasurer has undoubtedly risen in recent times, your strategic influence at the top table is currently limited and your responsibilities directly affected by strategic decisions above."

According to Ceran, a treasurer needs "deep technical skills in the financial markets, a keen sense for risk and how to manage it, and a great partnership with the CFO." A CFO, meanwhile, "needs broader technical skills beyond just treasurer, a strong grasp of business operations and an ability to translate strategy into execution". She adds that all CFOs must also have a great partnership with the CEO.

Mustafa Kilic, CFO of Groupe SEB in Turkey, was previously head of regional treasury for Indesit. He cites a number of differences between the roles: "There are different skills and expertise required – yes, treasury is one of them, but planning, controlling and knowing the regulations and the environment is also quite important." He notes that the CFO

Making the move: points to consider

Pieter de Kiewit, Owner of De Kiewit Treasurer Search, says that the following points are often discussed in conversations about making the move from treasurer to CFO:

- If there are nine controllers for each treasurer, the treasurer has a less than 10% chance of making it to CFO.
- Being a treasurer within company A and becoming a CFO in company B is virtually impossible. So take care if you are in an organisation that enables such a promotion.
- There are many examples of treasurers making it to CFO, so it can be done.
- If treasury has been your single job type, consider a lateral move to accounting or control before moving up again.
- In board meetings, topics around management accounting, reporting and analysis get more attention. From a technical skill perspective, the aspiring CFO should cover these well to avoid being disqualified.
- From a personal skills perspective, the competition – group controllers and chief accountants – are often more experienced people managers and have experience in multi-disciplinary management team meetings. These skills are appreciated in a CFO.

role is more strategic, with greater interaction with other departments, from marketing to logistics. Treasury, in comparison, is "more isolated".

On a practical note, Kilic also points out that a CFO role requires more travel. "When I was working in treasury, I would not be meeting clients or suppliers very often – I was not that much involved with the other contracts that the business was signing," he says. "Right now I spend almost 10% of my time with clients, suppliers and representing the company with different platforms."

Nevertheless, there are also a number of similarities between the roles. Ceran says that both roles require an ability to sense risk around the corners and great communication skills – "particularly if one is a treasurer or CFO of a public company". She adds that both roles require the ability to recruit and retail great talent.

Preparation is key

Jason Wang, Group CFO of the largest Chinese baby nutrition company Biostime, previously held roles in treasury, including regional treasurer for Asia Pacific at Henkel. However, the leap from treasury to a CFO role did not happen in a single step.

"Before I became the CFO, I actually moved from a treasury role to a controller role, becoming the financial controller for China and Hong Kong at Henkel," he explains. "It was a very important and critical experience to gain direct exposure to the accounting and controlling work, and also to gain closer contacts with business and operations colleagues."

As well as taking the financial controller role, Wang also concurrently took a business role as interim general manager for Henkel's detergent business in China – a move which he says was invaluable as a means of gaining direct business management experience. He was subsequently appointed CFO, Greater China at Henkel.

Wang says that when it comes to moving to a CFO role, there are several steps that treasurers can take to acquire valuable skills, knowledge and experience. Firstly, he says that treasurers should make sure that they have the required professional accounting knowledge. "In my case I had both the AICPA and ACCA qualification, which was very helpful," he explains. "On the one hand, this put me in a better position when it came to making decisions about financial and accounting questions. It also enabled me to show a higher level of credibility in the organisation."

Wang also regards controlling experience as important for treasurers who are looking to make this type of career move. "Within the financial organisation, as well as traditional finance functions such as treasury, tax, purchase-to-pay and order-to-cash, I think the controlling function is very important right now. To me it's almost a must that you have this experience before you become the CFO. I have already encouraged all my treasury colleagues who want to become CFO to obtain this type of experience."

In addition, Wang recommends that treasurers should make sure they have business exposure – either directly or indirectly. "Indirect exposure could be involvement in working capital management, supply chain finance or FX hedging within the treasurer role – all of these areas include interactions with the business, which is valuable experience when it comes to understanding the whole company's value chain," he says. "If possible, it is also valuable to have direct experience, for example by moving into a business controller role where you are in charge of financial planning and analysis (FP&A) and you become like a chief of staff for the business manager."

Expanding horizons

Ceran agrees that treasurers should get their hands on experience in other areas, such as Accounting, FP&A, IR or a BU CFO role. "The IR and FP&A roles I held have helped me understand the bigger picture of the CFO role and prepared me to take on the role," she says. "I would seek out mentoring from other CFOs, who may ultimately help you land that first job, or make you realise it's not the job for you. I would also start building relationships with your potential future partners like auditors and legal firms."

Meanwhile, Kilic adds that while treasurers have a strong understanding of a company's cash flow, they should look beyond this to gain a better understanding of topics such as working capital, P&L and balance sheet management. "Most treasurers unfortunately may not have time to focus on the balance sheet and P&L side of the business, but this should be seen as essential," he says.

Stepping outside the comfort zone

Jennifer Ceran, CFO at Smartsheet

"I graduated college in 1985 and spent my first two years on Wall Street as a financial analyst. After attending business school and graduating in 1989, I joined the Sara Lee Corporation as a Senior Financial Analyst in Corporate Development. I did not know what I wanted to do back then from a long-term career perspective so every 12-18 months or so, I moved to a different role in finance to explore the opportunities.

"In 1992, I rotated into the treasury department, and it was there I discovered my passion for the role. I loved that the treasury team had the visibility and responsibility for taking care of the company's capital structure including its financial assets and liabilities all around the world, and associated risks. Essentially, I learned that the right capital structure is critical to a company functioning well in both good and bad economic times, and maximising shareholder value over the long term. Companies can have different optimal capital structures depending on their business model so it's a balancing act of many factors and I loved the challenge of trying to figure out how to optimise it.

"I made the decision at that time that I aspired to be a treasurer someday. So I spent the next ten years rotating within treasury and doing two international treasury assignments. I wanted to learn everything I could to be ready for an opportunity when it came along.

"In early 2003 a recruiter contacted me for the treasurer role of eBay; at that time the company had just surpassed $1bn in revenue. I felt this was the perfect opportunity for me to take my experience and scale. For the next seven years, I was their treasurer and revenues grew to $14bn during my nearly ten years there. It was an exciting time. We were helping the company expand globally, making bold acquisitions like PayPal and Skype, managing sizable and growing FX, interest rate and operating risks, and dealing with an unplanned global financial crisis in 2008. After seven years in treasury, and navigating through the financial crisis, I asked our CFO to consider me for other finance leadership opportunities as I was ready to learn something new. When he offered me the investor relations and financial planning and analysis roles in 2010, I jumped at the opportunity.

"Then in 2012, after spending 25 years at big, multinational companies and now living in Silicon Valley where start-ups were offering challenging opportunities in emerging technologies, I got the start-up bug. A chance meeting with the co-founder of Box led me to moving to the then $50m revenue, fast-growing start-up. I joined as a VP of Finance to help them scale and get ready for an IPO. Box went public in January 2015, and I had the opportunity to help the founders and leadership team ring the bell at the NYSE.

"For most of my career, I never thought about being a CFO but I sometimes wondered if I was selling myself short by not stepping out of my comfort zone. It was around the time Sheryl Sandberg's book 'Lean In' came out. She encouraged women to lean in and stop holding themselves back.

"In the summer of 2015 a recruiter contacted me about becoming the CFO of a sub $1bn market cap public company. I interviewed and got the job. Then nearly a year later, a recruiter called me about being the first CFO of Smartsheet, a small but fast private SaaS business in the emerging collaborative work management space. I loved the Smartsheet technology because it made it so much easier to do the work I do every day with my colleagues and partners. I joined Smartsheet to help them fulfil growing customer demand in a large market and to work with a very passionate and collaborative team."

In addition, while technical skills and experience are crucial, soft skills may also play a role in determining whether an individual is suitable for the role of CFO. Ceran points out that the board and CEO must see you "as a CFO". "There is an element of strong leadership, someone who can inspire and motivate," she notes. "It is a perception thing but it's important how you carry yourself.

"For me, I have also had to work on my self-confidence. You need to prepare yourself a bit for the discomfort of new things coming at you as a CFO and not having the answer right away. I have built a large network of former colleagues and other CFOs and rely on them for advice when I need it. They have been invaluable for me, and that is why I regularly help others when they call on me. It is a two way street."

Conclusion

Treasury professionals can certainly make it to CFO – however, it is clear that they may first need to overcome some obstacles. By making strategic lateral moves in good time, and by taking the time to gain the right sort of skills and business exposure, treasurers can greatly improve their chances of becoming CFO.

Indeed, with treasury becoming more visible over the last few years, treasurers are arguably in a better position to achieve this than in the past. As Tucker remarks, "in my opinion the group treasurer is increasingly well equipped to move into a CFO role. The nature of their work means they are forward thinking. In an increasingly unpredictable world, I believe this is a huge asset as they are often better equipped to deal with rapid change – unlike those who are approaching the CFO role from a more traditional background."

Finally, while many treasurers do have aspirations to advance to CFO, in the meantime it is worth remembering that the role of treasurer can itself be highly rewarding. As Ceran concludes, "the treasurer role is an extremely important and fulfilling one. Of all the functional roles below CFO, it was my favourite. It was my favourite because a lot of CFOs don't really know treasury that well so they really value you. It was also a role where you can make a very positive impact, while potentially having a better work/life balance than the CFO."

Gaining a full view of risk

It has never been more important for treasurers to have a full view of risk across the business. But how can treasurers achieve this, and how can technology help them manage their risks more effectively?

Managing risk has long been a core responsibility of the corporate treasurer – and recent events have only made risk a greater concern. From interest rate risk to cyber risk, treasurers are required to understand the implications of many different types of risk on the company's financial position and, where necessary, take appropriate action to mitigate those risks.

In many cases, this is an area where improvements are needed. "In a recent study FIS performed of treasury professionals, approximately half of respondents described their risk management strategies as either mediocre or poor," comments Steve Wiley, VP Treasury Solutions at FIS. "New regulations, recent fluctuations in foreign exchange prices and highly publicised hacks have put all areas of risk, including cyber risk, higher on the treasurer's radar than ever before."

In today's challenging environment, risk management is arguably second only to cash management where the treasurer's goals are concerned. PwC's 2017 Global Treasury Benchmark Survey placed financial risk management third on the treasurer's agenda after cash flow forecasting and cash management optimisation, while currency risk was found to be the second most important of the CFO's priorities for treasury. Altogether, the survey found that risk management represented 15% of the activity split for central treasury staff.

In practice, treasurers often manage a broad range of risks. Vivian Peng, Vice President & Asia Treasurer at Flextronics, points out that the traditional financial risks managed by treasurers include liquidity, forex and credit risk, but that other risks may be identified such as counterparty risk, industry risk and geographical risks, depending on the features of individual companies.

With so many risks to manage, how important is it for treasurers to gain a full view of risk across the business – and how can this be achieved in practice?

Evolving risk management environment

From political upheaval to high-profile cyber-attacks, the events of 2016 underlined the importance of expecting the unexpected. The UK's Brexit vote has had a significant and lasting effect on exchange rates, while attacks such as the Bangladesh Bank heist demonstrated the potential scale of cyber-attacks as fraudsters become ever more sophisticated in their approach.

Understanding the risk circle

In this climate, it is more important than ever to understand the nature of the risks faced by organisations. Paul Taylor, Head of Global Corporate Sales and Head of EMEA Sales for GTS at Bank of America Merrill Lynch, says that he regards risk management as a circle with four points flowing in a cycle.

"At the 12 o'clock position of the circle, you have geopolitical and macroeconomic events, which as we've seen in the last

Managing volatility

"As a treasurer, we have to worry about two kinds of volatility: the ones we know about and understand, and the ones we are not aware of," says Damian Glendinning, the Singapore-based treasurer of Lenovo. "For the first category, once we are aware of the issue, it is usually possible to collect the data on the underlying exposure, and take the necessary risk mitigation actions. These will usually be some form of hedging.

"Of course, it is better if the awareness of the risk does not come from a bad experience: we always try to get out ahead of these problems. The sad fact is that many organisations are only willing to make the necessary investment in gathering the data and enforcing the disciplines after they have learned the lesson the hard – and expensive – way.

"By definition, it is hard to prepare for the risks and the volatilities we are not aware of. This will often take the form of unexpected consequences: the funding crisis and the dramatic spike in overnight interest rates during the global financial crisis is a prime example. It might have been possible to foresee the collapse of a single bank – but no-one expected the chain reaction which ensued.

"For these cases, it is always best to make sure we have something in reserve. It is also very good to challenge your own assumptions. In many cases, our actions are based on an implied assumption that something cannot happen – it very often can."

12 months, can be surprising," he explains, noting that such events can have a considerable impact on financial markets, politics, consumers and economies. "Moving round the circle, that has created a much greater feeling among clients – whether they are institutions or consumers – of exposure to risk. This awareness is the second point on the circle."

The third point, Taylor continues, is the need for greater regulatory scrutiny and for market bodies to be appointed. "At one end, that means the regulators – but it also means activist investors, think tanks and quangos which provide scrutiny and oversight and highlight risk in a more detailed way than before."

Finally, Taylor says that banks represent the fourth point of the circle. "Banks have seen a dramatic shift in terms of how they view risk, how they measure risk and how they react to those risk measures," he says. "This feeds through into their appetite, their market selection and their client selection – and in turn, this ends up having an impact on economies and geopolitical situations, completing the circle."

Growth brings risks

Another catalyst in the current risk environment comes, perhaps counterintuitively, in the form of growth. Steve Elms, EMEA Sales Head, Corporate and Public Sector and Regional Marketing, Treasury and Trade Solutions at Citi, notes that growth is emerging as a key topic for 2017, with clients increasingly looking for opportunities to expand their businesses. "As they search for growth, this brings them to new markets, new counterparties and new relationships," he comments. "As such, risk continues to play a role even in the context of a very positive growth story."

Again, the geopolitical landscape is relevant to this theme. "While growth can be seen as positive, there is also a question mark about the impact of nationalism if this global trend continues," Elms comments. "My belief is that growth will continue to be a theme, but it does create a few slowing down factors."

Illustrating this point, Elms cites the long tail risks which have been evident following the shocks of 2016. "Following the UK's vote to leave the EU and the election results in the US, the volatility created in the market was significant – especially in relation to FX rates," he says. "Many had hedging programmes in place, but as hedges roll off the real impact of currency devaluation has hit home. Earnings volatility is therefore becoming more of a priority for corporates."

Know your risks

In this environment, what steps can treasurers take to manage their risks as effectively as possible? First and foremost, treasurers need to have a full view of risk across the business. "It is critically important for treasurers to have transparency into their financial exposures and the risks that could affect them," says Bob Stark, VP Strategy at Kyriba. "Making decisions without a full view of risk is like only looking in one direction before crossing the street."

Taylor says that the first step is to be as precise as possible when understanding the risks to the business. He points out that every business and industry segment has its own risk profile, so some businesses will prioritise certain risks above others: "If you are an oil major, for example, you will be considering different risks to a technology company."

As well as having a clear understanding of the risks which impact the business, Taylor says it is essential to have the tools, mechanisms and technology needed to manage those risks on a real-time basis. At the same time, it is increasingly important for treasurers to take a broad, strategic view of the different risks they face. "Nowadays, treasurers play a much broader and more strategic role in the running of the company and how the company operates," he says. "In that sense, treasurers are obliged to take into account risk considerations which go much further within the company than just within the finance or treasury function."

Responsibility for risk management

However, gaining a full view of risk across the business can be challenging, and it is important to note that treasurers may not be directly responsible for managing every risk that affects the business. That said, even risks which do not fall under the treasurer's remit will still need to be considered. "Treasury are normally involved in financial risks, not business risk," comments Flextronics' Peng. "But business risks should be factored into financial results. How treasury could help business to factor business risk into the development of strategy and negotiation with customers would be an interesting topic."

Taylor notes that almost all forms of risk impact the treasurer, whether directly or indirectly. "A good example of that would be technology risk or cyber-security risk," he explains. "I'm not sure that in most companies this would fall to the treasurer to manage, but clearly technology and cyber-security risk have a massive bearing on the role of the treasurer."

Another area where treasurers may see indirect impacts is with geopolitical events such as Brexit in the UK, the change of administration in the US and political upheaval in the Middle East. "I don't know if any treasurer feels that they directly own any of those elements as far as the overall company's response is concerned," says Taylor. "But clearly each one of those is going to have a ripple effect on the company's finances and its ability to manage its working capital." As such, Taylor says that even if these areas of risk are not 'owned' by the treasurer, the treasurer will still be directly responsible for managing certain elements of them.

In some cases, this responsibility will be shared with other parts of the business. "There are some risks that treasurers manage alone – such as liquidity, currency and interest rate risk," observes Stark. "There are others that treasurers support in collaboration with other teams – such as the impacts of regulatory change on tax or the impacts of globalisation on the supply chain, and sovereign risk impact to top line financial KPIs of their organisations." Stark points out that for treasurers who don't play a role in tax strategy, reducing risk in the supply chain or external influences on business performance, "it is a lost opportunity that will limit their career progression."

Role of technology

When it comes to managing risk, technology has an important role to play – but this doesn't negate the need for a clear view of the risks faced by the company. As Stark says, "a treasurer cannot manage risk without technology. Yet nothing can be achieved with technology before treasurers understand the business impacts of managing risk."

With a clear understanding of the impact of risk on their cash flows, positions and opportunities to borrow and invest, Stark says that treasurers can leverage technology "to improve visibility into risk exposures, make better hedging and risk mitigation decisions, and manage regulatory compliance." He notes that while a reactive treasurer will use technology to get everything done, "a proactive treasurer will leverage technology to analyse the effectiveness of what they are doing and how they can continue to improve."

Treasury management solutions can play a key role in helping treasurers understand their risks and manage everything from interest rate hedging to liquidity risk. Functionalities such as business continuity and the ability to enforce segregation of duties can enable businesses to mitigate their operational risks.

"Treasury technology allows treasurers to centralise global foreign exchange exposures, track hedging instruments, automate risk analytics and reporting," comments FIS' Wiley. He notes that treasury technology can also protect company assets through access to the strongest levels of cyber-security by specialised treasury technology providers.

"Additionally, risk management technology allows for the treasury function to be more effective in decision-making processes related to the hedging of risk, by automating the collation and analysis reporting of data, which deliver more timely, complete and accurate information."

At the same time, treasurers should be monitoring how new and emerging technology can be used to enhance their risk management practices across different areas of risk. "It's a new technological environment in addition to being a new risk environment," comments Elms. Where receivables are concerned, Elms says that the use of machine learning to match invoices is a "significant trend" which can enable corporates to reconcile their receivables processes in a much more automated way. "This brings not only improvements to working capital, but also risk mitigation," he adds.

Meanwhile, Elms points out that the arrival of PSD2 is helping to drive some developments, such as the use of application programming interfaces (APIs), thereby enabling an event-driven rather than demand-driven flow of information. "So rather than requesting data, information is being pushed to the recipient who will be the consumer of that data," says Elms. "For example, as a collection comes in, that automatically generates an impact to the balance of that account to be shared on a real-time basis." Such developments can play an important role in arming treasurers with the information they need to gain a clearer view of risks.

Taylor says that robotics could increasingly play a role in helping treasurers manage their risks more effectively by enabling more processes to become automated. "Anyone can run a spreadsheet and it can produce results, but what do we do when we have to make emergency payments, or when a market event has a knock-on impact to the ability of a company or a market to function?" Taylor asks. "Are there newly automatable processes which would not only enable companies to manage this in an automated way, but which would actually increase the company's speed of response to those events – and thereby dramatically reduce their risk?"

As banks invest in areas such as big data and robotics to bolster their own processes, they are also looking at ways in which this type of technology can be used to benefit their corporate clients. "We've certainly done that in terms of our CashPro or virtual account management platforms, and by rolling out robotics in our retail presence in the United States," says Taylor. "I think banks can play a big role in that technology – but I think technology itself has a much bigger role to play in supporting the treasurer."

Conclusion

If the events of 2016 taught treasurers anything, it is that unexpected events can and do happen. "Ironically, the market's reaction for tail risk is becoming much less," notes Elms. "People are getting used to the unexpected. Of course we'll continue to see volatile events – but where day to day events are concerned, we're moving into a new normal."

Nevertheless, understanding and managing risks is a higher priority than ever for corporate treasurers. As innovation continues, treasurers should welcome any developments that might enable them to manage risks more effectively – while also leveraging the full range of functionalities offered by existing solutions.

21st century KYC

Using blockchain and private wallets, KYC-Chain believes it has developed the solution that will finally drag the antiquated process of KYC into the 21st century. Here, Edmund Lowell, Founder and CEO explains how.

Edmund Lowell
CEO & Founder
KYC-CHAIN

Tell us a bit about yourself and your background. How did you get into fintech and what has made you want to solve the KYC challenge?

My background spans law, technology and finance. After graduating from Northeastern University I set up a company that offered outsourced corporate secretarial services to companies setting up their operations. Part of this role included opening bank accounts and I remember being amazed how it took banks 28 days to perform KYC checks that we would be able to complete in one day. It was especially onerous when doing this across borders and it was here that I started thinking about how the KYC space could be improved through the use of technology.

Before founding KYC-Chain I worked across numerous roles and industries including being CFO for a company with over 100 employees. I know enough about finance to be dangerous. I have also established some successful technology start-ups that proved to be very good learning experiences. In more recent years I have become fascinated with distributed ledger technology and the opportunities that this provides to make financial services more secure, transparent and efficient.

In marrying all these experiences together, I established KYC-Chain in 2016. KYC is an interesting and very complex area and because I do not come from a banking background I feel that I can look at some of the processes through a different lens. We can kill some sacred cows. What is most obvious when working with banks is that their focus is on incremental change – and there is a good reason for this, they work in a highly-regulated environment and are risk averse. But with KYC-Chain we believe that we can partner with banks to drive revolutionary change and make the KYC experience exponentially better for banks and their clients.

What makes fintech such an exciting space to work in?

You just have to look at the pace of change and how the corporate and financial landscape is changing. Take Ant Financial, this is a spin off from Alibaba Group and it is valued more than Goldman Sachs despite being just a few years old. What has facilitated this? Technology. In the right hands technology has the power to facilitate exponential change.

The relationship between technology and finance is speeding up. For a long time, there has been technology component in finance but the environment is changing at a rapid pace where some technology companies that have got into finance are now bigger than the banks. See Ant Financial, Ping An Insurance and disruptor banks in the UK – these are technology companies at their core. People need banking services but they don't necessarily need them from a bank. Banks should partner with technology firms to stay relevant, especially those that will enable them to serve their customers better. It may come to a point where if it's easier (or less annoying) to do KYC with one bank, then they have a competitive advantage over other banks.

Do you think that the banks see fintech as friends or foe?

The mindset is changing though and banks are increasingly seeing the fintech community, even those companies that position themselves as disruptors, as an industry that they should begin working with.

What other challenges exist for fintechs today?

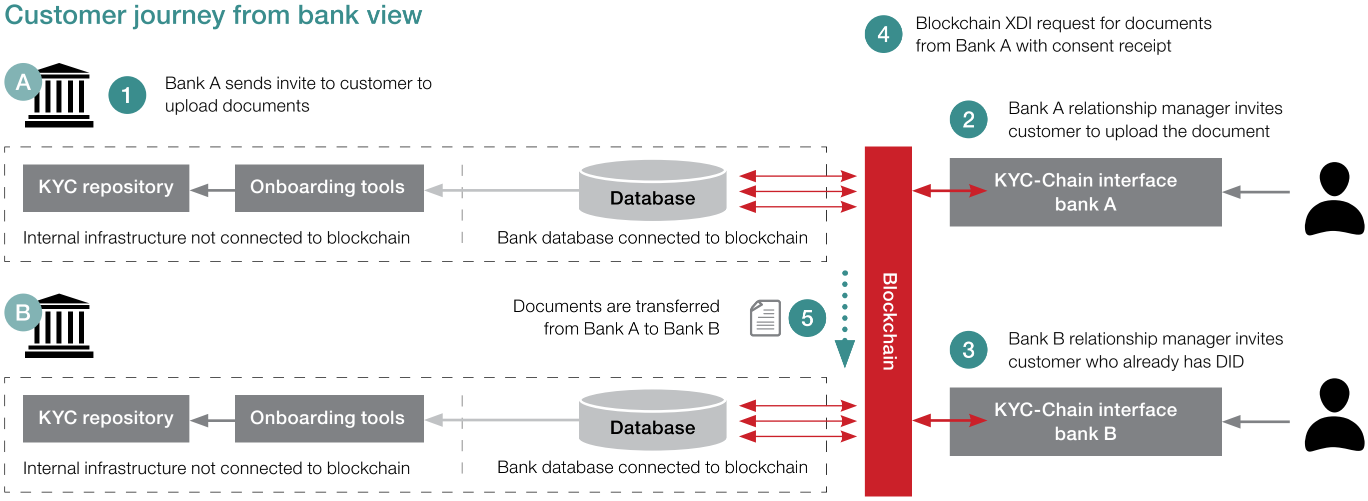
This depends on the market that the company is operating in, a company operating in the payments space will have different challenges to us. Regulation, for example, worries some companies because it could theoretically impede a lot of what the company is trying to do. At KYC-Chain, however, we like regulation, it facilitates our business model.

More broadly speaking, though, there is a fear that regulators will always side with established financial organisations if there is ever conflict between fintech and banks. Regulators have a hard job balancing competing interests, but ultimately, they have long-standing relationships with banks so human nature says they will back these instead of fintech.

The other challenge for fintech is that the landscape will continue to change. Companies will come and go and there will be consolidation in the market. We have seen this happen since the dot com boom and it will happen in fintech as well.

Jan 2014	May 2014	Dec 2015	Jan 2016	Apr 2016
Published whitepaper on KYC on blockchain	Prototyped on Bitcoin	Started recruiting team	Founded KYC-Chain	Prototyped on Hyperledger

Customer journey from bank view



KYC 2.0

"The world we want to move into is one that is more transparent, more private and more secure," says Edmund Lowell, Founder and CEO at KYC-Chain. "At present KYC is the polar opposite of this. It still relies on paper, the processes around it haven't been standardised and the information is not easily shared from one person or institution to another. The fact that there are still scans of passports moving around the world in unsecured email and snailmail is almost embarrassing when you consider the technological progress made in other areas."

It is this legacy world that Lowell and KYC-Chain are trying to solve. "We want to make the document and data information exchange between the end client and the financial institution easier and more efficient for all parties," he says.

Solution in action

The customer of the bank controls this information at all times in a private wallet that is secured by a set of private keys. Through this wallet, the customer is then able to permission its banks to view the information they need when they need it. The data rests within the banks servers, but the user retains control and access.

"Unlike traditional KYC processes, this really puts the control of the document exchange bank in the hands of the customer where it should be," says Lowell.

In practice, this means that no longer will customers have to deliver physical proof of identity to the bank when opening a bank account. There will also be no wait time between delivering these documents and having access to the account, as the private wallet has an authentication layer that will enable the customer to access the bank account right away.

In an effort to drive further security, KYC-Chain employs agent software that allows two siloed data sets to talk to each other using cryptographic keys. What this allows is for documents to be shared in the traditional manner (the full document) or identity can also be confirmed through a zero-knowledge based proof.

"This shares the least amount of information satisfied to meet requirements," says Lowell. "For instance, if you simply need to show that you are over a certain age, you could choose to share only that bit of information, as opposed to sharing more than is needed. Traditionally you would have to show a government issued ID which would also reveal other items like your address, sex or exact date of birth."

Solution delivery

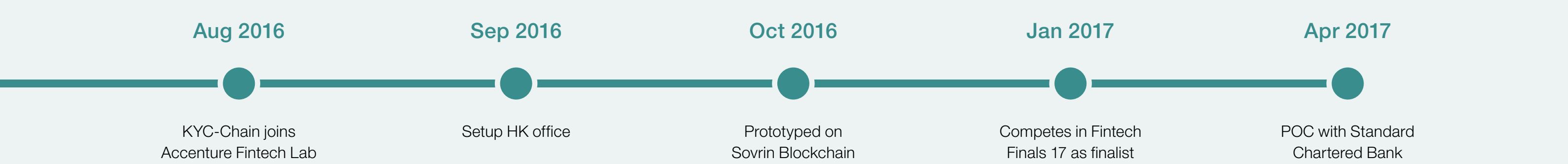
Although there are numerous ways that this solution can be deployed, right now, KYC-Chain is offered as a dockerised SaaS application to the banks who then provide their own branded interface to customers. "It makes sense to offer the solution this way because it is the banks that are asking for this KYC information, not KYC-Chain," says Lowell.

But what he believes is crucial is that blockchain isn't a centralised store of information, meaning that the customer's data is not hosted on KYC-Chain's servers, or the blockchain itself – unlike some of the other companies who are working in this space. "The data is hosted on the bank's servers, but it is locked down and only the customer can decide when this information can be accessed," adds Lowell.

Treasury interest

Any solution that can go some way to solving the KYC burden is bound to gain the attention of the treasury community. "The benefits to corporates are clear, it can help make their information more secure, private and give them more control."

The next step for KYC-Chain, says Lowell, is the continued development of the authentication layer within the platform. "There is a natural synergy between what we are doing now and acting as an authentication layer," he says. "It will happen as a natural evolution and utilise tokens and biometrics." This will potentially eliminate the need for treasurers to carry around multiple authentication devices to access their banks, something that all in the corporate community will welcome.



Best in class payments and collections

Many treasury departments already benefit from payment and receivables on behalf of (POBO and ROBO) structures. However, many others are still striving to reach this level of sophistication. Here, we go back to basics to find out how these structures work and how treasury teams can adopt them.

Payments and collections are bread and butter processes for treasury departments around the world. Yet for many treasury teams, these processes still remain burdensome, costly and inefficient.

There is good reason for this: payments and collections are riddled with complexity, especially when the organisation is operating in multiple jurisdictions with many bank accounts and currencies. But there are solutions that, in some parts of the world, have enabled corporates to centralise their payments and (sometimes) collections processes to drive efficiency and cost savings.

On behalf of structures (OBO) are not a new concept, especially to those organisations that have centralised their treasury operations in an effort to drive efficiency. But it is a space that is evolving and a structure that many corporates could benefit from.

In focus: OBO

A payment on behalf of (POBO) or receivables on behalf of (ROBO) – sometimes also known as collections on behalf of (COBO) – structure is a single point of payment or collection, which is set up as a separate entity and administered from a commercially convenient location for the benefit of other entities within a group of companies.

Instead of each entity owning and operating its own external bank accounts, a single legal entity sits at the heart of the company, often supported by an in-house bank (IHB) that manages collections and all payments on behalf of participating entities. The structure enables treasurers to consolidate bank accounts and transactions across the group by using a standard payments process and streamlined bank account structure.

"OBO structures are typically introduced within many corporates with the objective of cutting costs by significantly reducing the number of bank accounts they operate," explains Cédric Derras, Global Head of Cash Management at UniCredit. "Forward thinking organisations will also use this as an opportunity to better manage their liquidity as money will be concentrated in one physical account without the need to use pooling structures and without the costs and haste of making intercompany transactions."

As a result of these benefits, OBO structures have crept up the corporate to do list, especially since the financial crisis. Derras notes that regulatory developments have also facilitated the proliferation of OBO, especially in Europe.

"SEPA really triggered this trend," he says. "It gave corporates the opportunity to standardise and rationalise their multiple bank accounts and payments formats, potentially down to just one for the entire SEPA zone." Increased automation of payments processes has become a very real prospect under SEPA too, especially with the homogenisation of electronic direct debits and credit transfers facilitated by the across-the-board adoption of ISO 20022/XML payments standards.

In Asia Pacific (APAC) there has also been movement in the direction of POBO/ROBO, with numerous international banks helping their most sophisticated clients adopt the structure – although this is not without its challenges.

The journey to OBO

As companies develop, collections and payments commonly start with local execution by subsidiaries. From here, regional centres of liquidity may evolve to include shared service centres (SSCs). An IHB banking structure may extend the centralisation programme, replacing most or all external bank accounts for subsidiaries with one in-house operation.

With the technical and operational structure of an IHB in place, the next logical move is to establish a regional payment factory. With a change in the internal bank account structure, a POBO operation may be deployed so that the company can make payments using a single bank account per currency or country for all participating group entities.

"POBO/ROBO are tools that can be deployed in structuring treasury flows which can bring about tremendous benefits for treasurers," says Shirish Wadivkar, Global Head of Payments and Receivables at Standard Chartered. "POBO is really the penultimate step on the journey – one account for payments in one currency is a very neat structure. ROBO is the last leg, although very few corporates, even in Europe, are there yet. Such initiatives typically require a deep understanding of the client's corporate structure and various local regulations."

"Whilst there is a common path to putting in place an OBO structure, there is no one route. "How these structures look and how they are used is very much dependent on how the group is organised in the first place, its business model and level of treasury sophistication," says Jeffrey Ngui, Head of Regional Sales Asia, Cash Management at BNP Paribas.

The problem with POBO

Despite delivering numerous benefits, POBO is still not the complete solution that corporates are seeking – even in Europe, notes Francisco de Barros, EMEA Regional Treasurer at AbbVie.

Following the spin-off of AbbVie from Abbot Laboratories in 2013, the company inherited over 500 bank accounts spread across over 25 banking partners. Payments were typically managed at a local level by affiliates. This was clearly inefficient on many levels and the treasury set a goal: to create a simple and streamlined best in class treasury organisation that allowed our affiliates to focus on their core competencies." The team set about doing this by building an IHB that included local accounts for each of the major currencies used by the company.

Surprising difficulties

Core to AbbVie's plans was a POBO structure. The treasury had many positive conversations about the solution and its benefits with its banking partners and peers. However, when implementing the solution, de Barros admits that he was surprised by some of the limitations that exist around POBO, even within the Single European Payments Area (SEPA). Even more surprising was that these were not discovered until the structure was being implemented. "Most of the banks, which are big advocates of the solution, or papers on the topic, often don't talk about these limitations or how to address them," comments de Barros.

Within the SEPA region, the main problem arose from the fact that some institutions in a number of countries, including Italy, Portugal and Spain, do not allow or recognise payments made on behalf of by a sister company.

These are mainly payments related to taxes, regulatory agencies or payroll related items, says de Barros. "Also, despite the SEPA mandate, we still see some of the local institutions mandating older legacy formats or payments being made from accounts in-country, meaning that these cannot be included in our POBO structure."

Outside of SEPA, the hurdles around OBO structures are more well known, but de Barros found that these were still not well communicated by advocates of the solution. "A good example is China where under certain structures cross-border POBO is allowed, but domestic POBO is still regulated," he explains. "Also, the standardisation around bank coding and payment formats needs to be improved and standardised further for this to be truly effective for corporate treasury. In fact, across many of the emerging markets, the regulatory environment is one of the key impediments for POBO."

Taking the solution forward

The result of these issues is a solution that doesn't deliver on all its promises. And for de Barros it may take some time for these to be resolved because there is "little to no open discussion with the different authorities to find a path forward".

"By now most treasury organisations are aware of POBO and its advantages. We now need to move towards highlighting the issues so the discussions around the topic can start," says de Barros. "At this point, however, I have not seen any discussions around the issue, nor workgroups to attempt to address it." He also calls for more standardisation in payment formats and regulation so that the needs of corporate treasuries can be better met.

"Simply putting an OBO structure in place without considering how it might impact all areas of the business is unwise, as the change can be drastic and it will shock the organisation."

Setting it up

Therefore, before undertaking any OBO project a number of elements should be in place to ensure success. Having a centralised treasury and all participating entities on the same IT systems is nice to have, but not essential. What is critical, though, is to ensure that all the centralised payments and reconciliations processes are standardised and controlled by one process owner.

The starting point of a POBO operation will usually be a payments factory, which manages a centralised standard payments process for participant entities. With the technical infrastructure and processes in place, a single legal entity will be established to pay the third-party debt obligations of another legal entity in the group. The process requires the exchange of external bank accounts owned by the group entities for IHB accounts (owned by the payment factory) per country and/or currency.

ROBO has a similar structure, requiring entities to substitute external accounts for IHB accounts. In this set-up, a central collections factory initiates a claim on behalf of a group entity for payment from a third party. The third party will make the payment into the relevant central account for the currency country.

Corporates must also consider the tax implications of their OBO structures. Some areas to consider include assessing whether withholding tax and thin capitalisation rules are applicable for a proposed OBO operation. There may also be issues around transfer pricing and Controlled Foreign Companies legislation. In addition, VAT and stamp duty may impact the feasibility of an operation or the entities it covers.

"To put either a POBO or ROBO structure in place, the corporate needs to work closely with a bank who understands the structure of the corporation and how it operates," notes Derras. "There are so many nuances involved – especially when doing this in multiple countries – that it is vital that the banks understand relationships between the holding companies and subsidiaries, their legal structures, and what the group is trying to achieve overall."

Virtual accounts

When talking about OBO, it is hard to avoid a discussion about virtual accounts, a solution that all banks are currently keen on discussing. And there is good reason: they facilitate OBO structures.

Although virtual account solutions vary slightly from bank to bank, with some nuanced functionality, they largely operate in the same way. Essentially each account is a 'subsidiary' or sub-account of the client's own physical account with the bank; they cannot exist outside of that immediate relationship, hence they are virtual. The key to a virtual account is thus the virtual account number/identifier.

"We have virtual IBANs in every country that we have a branch in," says Dick Oskam, Global Head of Sales for Transaction Services at ING. "These enable our clients to route their payments from their main bank account through these virtual IBANs. This means that the payment is still centralised but the routing mechanism makes it look like it is a domestic payment from a domestic account, so the supplier can understand better who is paying them."

Virtual accounts can also help on the collections side. "ROBO is more challenging for corporates because of the reconciliation issues that exist," says Oskam. "We have therefore deployed our virtual account solution to enable our clients' customers to pay to local IBANs, which then route the payment directly to the corporates header account. This includes information about who has paid and for what."

Regulatory complexity

Even if a company has a highly sophisticated IT structure, uses a centralised treasury function with a highly streamlined bank account structure and is leveraging virtual accounts, it doesn't mean that OBO will definitely be possible. This is especially true in APAC where the regulatory and taxation landscape prohibits OBO structures in many of the region's markets as it translates to inter-company borrowing. Further if the OBO structure is envisaged to be cross-border then it ends creating cross-border capital flows too. "If it is hard to set up an OBO structure in Europe, it is more challenging in Asia," says Standard Chartered's Wadivkar.

"If you look across the markets in Asia there are only a few that are liberal in nature," adds Shi Wei Ong, Global Head, Cash Liquidity Management Products at Standard Chartered. "So whilst you can do OBO to some degree in Singapore, Hong Kong, Australia and Japan, it is nearly impossible to get the full benefit by setting up a regional programme."

The regulatory challenges differ from one country to another. Some have capital controls, for example. Others come with onerous conditions, such as per-transaction reporting, that add another layer of complexity to an already complex structure. "We support numerous regional treasury centres in Asia and very few are in the POBO/ROBO space," says Ong. "It is the holy grail in Asia."

BNP Paribas's Ngui agrees that true POBO/ROBO is hard to achieve in Asia. The bank has clients which operate hybrid structures whereby true OBO structures are deployed in the countries where this is possible. "In the more restricted markets where POBO is not allowed, 'payments in the name of 'can be applied," he says. "This is quite similar to POBO and sees them operate an account belonging to the entity in the country from a centralised location. This doesn't offer the full benefits of POBO but it does help, to an extent, and there are savings in terms of resource, IT deployment and economies of scale because it is still a shared service centre style model."

Making the change

OBO clearly has many benefits if done correctly. But the big issue for corporates is the sheer amount of work required to get there. And although this is a solution that can benefit many corporates, it may just be one step too far for some.

Ultimately though, the decision to head in this direction should be made as part of a broader structural overhaul of the company. The project will touch all corners of the business and all impacted departments must be intimately involved from the start if it is to deliver the desired results. But if the work is put in, the reward may be a truly best in class treasury department.

In-house banks without expensive software

The current popularity of in-house banks (IHB) combined with the regulatory uncertainty surrounding notional pooling makes the case for multicurrency virtual accounts (MCVA) very attractive to a wide range of treasurers.

Notional pooling has been a favourite in treasurers' toolkits for over three decades and primarily provides two key benefits:

- Concentrating liquidity across subsidiaries without creating inter-company balances – multi-entity notional pooling.
- Concentrating liquidity across currencies – multicurrency notional pooling.

In practice, most modern notional pools are multi-entity multicurrency notional pools.

These two benefits bring regulatory concerns as Basel III is being worked out in detail. Offsetting balances between different legal entities (eg subsidiaries) has required cross guarantee arrangements in some jurisdictions. Under some interpretations of Basel III, it may not be permitted for regulatory reporting – this would require banks to allocate capital against gross balances, thereby nullifying the economic benefits of notional pooling.

Offsetting balances across currencies is less contentious from a regulatory perspective – it is common practice in financial services and the regulators have established clear guidelines on the haircut (against which regulatory capital must be allocated) required to cover theoretical FX risk (normally based on the VAR of the gross balances).

This means that single entity multicurrency notional pools are on safe regulatory ground. Many IHBs use such pools to manage the IHB's currency positions and cross currency liquidity.

In-house bank

The IHB has become increasingly prevalent over the past decade. For clarity, IHB can sometimes mean setting up a treasury centre; in this article IHB refers to the practice of centralising all flows and balances in the IHB entity which executes all flows on behalf of the operating entities, recording them in an inter-company current account.

IHB is so popular because it removes both flows and balances from the banking system, thereby creating huge cost savings and major risk reductions. Only one account per currency is required for the whole group, payments are aggregated and netted and executed on behalf of subsidiaries by the IHB. Subsidiaries no longer need bank accounts because all flows and balances are handled through their inter-company current account with the IHB.

IHB creates inter-company balances which will attract withholding tax in many jurisdictions as well as thin cap and transfer pricing issues. IHB does not inherently address cross currency exposures, and this is why many IHBs use single entity multicurrency notional pools to manage cross currency liquidity.

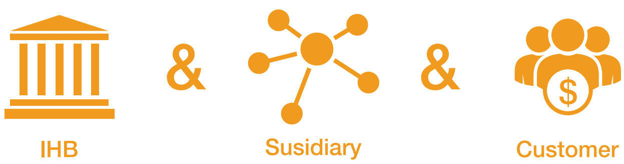
Virtual accounts

Virtual accounts have become a standard tool for treasurers seeking to increase auto reconciliation rates. The original idea was to break account numbers into two segments:

This ensures that the originator of incoming payments is known, which helps with reconciliation to accounts receivable. Some use the second segment to encode the invoice number, but since this forces customers to change the account number to which they are paying for every invoice (causing operational risk and cost), it is not popular for business to business payments.

A more recent development has been to break account numbers into three segments:

This allows multiple subsidiaries to use the same bank account. When used for payments as well as collection, the result is very similar to IHB:



> Multicurrency virtual accounts are a valuable addition to treasurers' solution sets. In addition to their intrinsic benefits they provide a useful path to the benefits of having an in-house bank.

Most IHBs use ERP or TMS systems to manage the process, which can see high volumes of transactions flowing through the IHB's single bank account per currency. Three segment virtual accounts open the possibility of outsourcing that IT work to banks.

Multicurrency accounts

Multicurrency accounts (MCA) have become common in the retail space, and are now starting to be offered to corporates. The main use case is to reduce the cost of FX spreads on FX flows, which can be particularly heavy for smaller corporates who typically get banks' so called board rates.

When MCAs allow debit balances, they become functionally equivalent to single entity multicurrency notional pools. Treasury would typically run several currency balances and offset them in a base currency to sweep funds to money market funds or other investment products. For example, if investment is in USD:

AUD	EUR	JPY	SGD	USD
200.00	300.00	40,000.00	500.00	(1,168.48)
0.75	1.07	115.00	1.43	

Sweeping US$1,168.48 to the desired cash investment vehicle makes the net MCA balance across currencies zero, thereby eliminating idle cash.

Multicurrency virtual accounts

By combining three segment virtual accounts with multicurrency accounts, banks have the functional and informational basis to provide IHB as a service to corporates.

(Forgive for a moment the irony of outsourcing in-house banking to a bank.)

One remaining challenge will be how to allow corporates to benefit from lowest cost routing (normally avoiding cross border payments in favour of local ACH type payments). Normal IHBs achieve lowest cost routing by locating their currency accounts in the country of the currency, thus having access to local (cheaper) payment instruments; they then provide lowest cost routing to their subsidiaries through the inter-company current account and payments and collections on behalf of the subsidiary. Two workable solutions would be either to use cross border ACH services or to locate a single currency virtual account in country which is swept daily to the MCVA.

This solution may not persuade large corporates with established IHB processes and systems to change, but for corporates who do not have single instance ERPs or a suitable TMS it could provide a cost effective way to access the benefits of IHB.

Banks may fear revenue cannibalisation – basically corporates are doing IHB to reduce costs, which means paying less to banks (as well as to reduce operational risk which has little impact on banks). Since (excepting regulatory costs) treasury is heading inexorably to greater efficiency (driven by competitive pressures), banks will conclude that cannibalising their own revenues is better than letting someone else steal their customers.

Multicurrency virtual accounts are a valuable addition to treasurers' solution sets. In addition to their intrinsic benefits, MCVAs provide a useful path to the benefits of IHBs. MCVAs will be especially helpful for treasurers who do not have access to the systems required to run IHBs and those whose systems are heterogeneous.

David Blair, Managing Director

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

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