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2020: The Year of the Rat

Corporate treasurers in APAC will have plenty to focus on in 2020, from monitoring geopolitical challenges to making the most of new and emerging technologies.

The Corporate View

Julia Fordham

Group Head of Treasury

Small World Financial Services

Adam Smith Awards Asia 2019

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Treasury in the Year of the Rat

As we begin a new year, many corporate treasurers will be pleased to see the back of 2019 – particularly those operating in the Asia Pacific (APAC) region.

It goes without saying that 2019 was a year full of uncertainty. From the continuing trade war between the US and China, to violent protests in Hong Kong and fresh conflict in the Middle East – not to mention concerns surrounding Brexit and a new UK government, it's hoped that many of these issues will be resolved this year.

With that in mind, 2020 is the Chinese 'Year of the Rat'. As the first in the Chinese zodiac, the Year of the Rat traditionally signals new beginnings. Regardless of the geopolitical landscape, and looking ahead to the coming year, corporate treasurers across the APAC region will be weighing up a whole host of new challenges, trends and opportunities. Many will include inefficiencies arising from legacy structures, risks in the current macroeconomic market and opportunities brought by new technology. With this in mind, what will treasurers be focusing on in the year ahead?

Trade finance may not traditionally have been regarded as a hotbed of innovation. But while some digitisation initiatives have failed to gain critical mass, recent months have seen considerable focus on the potential application of blockchain and distributed ledger technology in this area. How much progress has been made so far – and what could the future hold for trade finance?

We then look towards the latest trends in cross-border payments and correspondent banking. Whilst most treasurers will be interested more in the timeliness and cost of their payments, rather than how the bank executes them, if correspondent banking is showing its age, it may be time to explore other options – and that may mean stepping beyond the banking realm.

But with corporate social responsibility (CSR) high up on many companies' radars, investment in green bonds continues to flourish, year after year. Last year for example, global green bond issuance topped US$200bn. However, demand for green bonds far exceeds supply, with many issuers being oversubscribed the moment a green bond is launched.

Although 'being seen to be green' is imperative for investors and stakeholders alike, just what is holding green bonds back from reaching their full potential? And finally, in our 'Back to Basics' feature, we examine the complex subject of how to manage commodities risk, assessing the current crop of tools available to treasurers.

One thing is certain, as we leave the volatility of 2019 behind and move into the New Year, treasurers simply have to remain alert. It seems that the ancient Chinese proverb 'solve one problem and you keep a hundred others away' could not be more apt.

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Green bonds – building the case for issuance

Corporate social responsibility (CSR) is high on the agenda for businesses across the world. Green bonds are a way of achieving the benefits of sustainability and have increased dramatically over the past few years. However, demand for green bonds far outweighs supply. Can green bonds ever fulfil their full potential?

Year of the Rat: what's in store for treasurers in 2020?

The Year of the Rat is traditionally associated with new beginnings – but for treasurers, 2020 is also likely to see the continuation of existing challenges, from an uncertain trade environment to funding constraints for suppliers. But despite these issues, there's also considerable potential for new technologies such as AI and blockchain to drive greater automation and efficiency.

Saturday January 25th marks the Chinese New Year, which in 2020 brings the Year of the Rat. The rat was last seen in 2008 – a year still imprinted on many treasurers' memories as marking the height of the global financial crisis. But as the first of the 12-year cycle of animal signs, the rat is traditionally associated with new beginnings, as well as with diligence and positivity.

That said, for corporate treasurers, 2020 is likely to include the continuation of a number of challenges. Risks arising from geopolitical events continue to be a major consideration for treasurers, not least because of the continuing trade war between the US and China. At the same time, treasurers in APAC will be confronted with numerous other issues, including regulatory change and the impact of funding constraints on suppliers.

But the year ahead will also bring plenty of opportunities for treasurers willing to embrace them. Technology has the potential to bring real benefits in the form of automation, efficiency and the ability to make better-informed decisions. By harnessing these developments effectively – and by partnering more closely with the business – treasurers will be better placed not only to overcome the challenges that 2020 will bring, but also thrive in this evolving landscape.

Shifting sands

Given the turbulence that has shaped global markets in recent months, in the year ahead treasurers will certainly be looking for opportunities to drive improvements wherever they can be found. But it's unlikely that the recent challenges will subside anytime soon. Christopher Emslie, Asia Regional Treasurer at General Mills, says that 2019 was a "year of uncertainty" – and he expects this to continue into 2020.

"With that uncertainty comes a lot of risk," he says. "For us, the first goal is to try our best to mitigate those risks and make sure we're in control of everything that's happening. That means making sure we have the controls in place that will help us navigate difficult times – whether that's social unrest in Hong Kong, Brexit or the trade war in China." Emslie adds that as well as impacting companies' ability to do business, geopolitical challenges also have implications for foreign exchange and currency volatility.

"The geopolitical situation in 2019 will likely continue to impact in 2020 and be loosely monitored by treasurers – including the global effect of US elections in 2H20," says Mark Evans, Managing Director, Transaction Banking at ANZ Institutional. "Treasurers will also keep a close eye on the impact of the changing interest rate environment."

Against this backdrop, Evans says that "for borderless businesses, treasurers will be focused on ensuring their credit profiles are appropriate for the dynamic economic conditions." He also notes that businesses will be keenly interested in being prepared for changing benchmark rates and a possible negative interest rate environment.

Regulation and beyond

In addition to the implications of political and economic uncertainty for trade, regulatory change is another area that has brought numerous challenges for treasurers in recent years – and in 2020, treasurers will be keeping a close eye on regulatory developments and government initiatives.

"Although automation is helping stay ahead of the changing local regulatory and compliance landscape, local knowledge will be critical in ensuring businesses stay compliant with key regulatory and legal changes," says Evans. "This will be an important point of consideration in the decision-making process as businesses explore new markets and tackle the growing costs associated with regulation and compliance."

Faisal Ameen, head of Asia Pacific Global Transaction Services at Bank of America, says that treasurers "should continue to monitor and assess the impact of regulatory changes such as the import/export rules, currency restrictions and data onshore rules on their day-to-day operations."

He adds, "On a positive note, government-led initiatives on distributed ledger technology, trade digitisation and real-time processing are gaining momentum in Asia Pacific and treasurers should continue to work with their banking partners to reap the benefits and improve operating efficiencies."

Other topics of interest will include:

- **Funding.** Kjel Christiansen, Managing Director, Americas and APAC at technology company Taulia, notes that "other more subtle trends are coming out which will have

China-US trade war: the story so far

Among the notable developments of President Trump's presidency, for corporate treasurers the trade war with China is one of the most significant.

Aiming to protect US jobs and support domestic manufacturers – and raising accusations of intellectual property theft – the US has so far imposed tariffs on over US$360bn of Chinese products. In response, China has levied its own tariffs on US$110bn of US goods.

These developments have prompted companies in Asia to assess the impact on their supply chains and could lead some to shift their supply chains away from China. "This is prompting treasurers to work alongside their procurement counterparts to expand their supply chain from China into other markets such as Vietnam, Bangladesh, India and Indonesia to safeguard supplies," says Faisal Ameen, head of Asia Pacific Global Transaction Services at Bank of America.

The situation continues to evolve: in December 2019, a preliminary trade agreement was announced, putting a halt to further tariffs that had been planned on additional Chinese goods. The 'phase one' deal saw the US offer to reduce existing tariffs on Chinese goods. China, meanwhile, is reportedly set to purchase an additional US$200bn of American goods and services, including poultry, pork and soybeans, in the coming two years.

Of course, this issue is not the only concern for treasurers in APAC. As Ameen points out, "While the US-China trade war has larger global impact, within the region the Korea-Japan trade dispute and the protests in Hong Kong may have ripple effects on the region's economic growth and stability."

a direct impact on treasury." For example, he points out that the cost of funds is steadily rising, while "Australian banks are tightening on lending."

- **FX risk.** Ameen says that as prevailing market conditions continue to stay volatile, "it is important for treasurers to reassess their FX risk management strategy continuously based on their existing risk appetite to manage their exposures."
- **The rise of ESG concerns.** As ANZ's Evans explains, another notable trend is that businesses are increasingly embedding environmental, social and governance (ESG) principles for sustainable finance models. "I see this as another key trend as we experience greater awareness within the industry," he says.

  Bank of America's Ameen likewise highlights the growing focus on ESG, which he says is "gradually becoming a business imperative, with treasurers now tasked to embed sustainable practices in their treasury processes." He adds: "We expect this trend to turn into a priority with the rise of the millennials."
- **Keeping track of cash.** Challenging conditions are likely to keep treasurers' attention squarely focused on the importance of razor-sharp cash management. "Prolonged economic certainty will keep cash at top of mind for Asian treasurers," says Christiansen. "How we see that manifesting will be a renewed focus on liquidity and access to cash."
- **Addressing supplier health.** According to Christiansen, cash shortages will be most pronounced in the SME area, "where SMEs are still experiencing lending challenges from banks due to the lack of collateral to secure lending and a general lack of venture and growth capital. This then becomes a risk for larger businesses in the region and indeed the globe, as supplier risk increases." He notes that treasurers can address this issue by implementing early payment solutions that will provide suppliers "with a confident source of liquidity."

Harnessing technology

Another major theme for 2020 is the evolution of technology and the rise of digitisation. "The efficiencies available due to the technological changes would be on top of mind for most treasurers," says ANZ's Evans. "Treasury departments will benefit greatly by better understanding the impact of emerging technologies across the industry; particularly on the creation of more efficient working capital and liquidity management tools for their businesses."

When it comes to specific developments, Emslie says that treasurers in the region will increasingly be exploring the opportunities offered by using AI/robotics to improve efficiencies and processes, while also improving control and mitigating risk.

"A lot of us aren't there yet – there's still a long way to go on our journey," he says. "At this point I think it's about building more efficiencies into our ERP and getting information in to gain a better understanding of how business works for us – as well as improving the lives of our people on the ground by taking away some of the need for manual intervention." Emslie notes that by doing so, people can be freed up to spend more time analysing information.

It's clear that treasurers have a significant role to play in spearheading the adoption of cutting-edge technology within their organisations. A 2019 survey commissioned by DBS Bank found that 30% of respondents say that CFOs and corporate treasurers as responsible for "pushing the agenda of their technology colleagues" – compared to 11.3% who saw this as the responsibility of the CEO.

Gaining momentum

Gaurav Jain, Senior Manager, Treasury Advisory Services at Deloitte Southeast Asia, says that a recent Deloitte survey found that "while liquidity and financial risk have been identified as one of the top priorities for treasurers, new and emerging technologies such as artificial intelligence (AI)/

Technology: developments to watch

Bank of America's Ameen notes that there is no one-size-fits-all when it comes to treasury transformation, so treasurers should take the time to understand and evaluate the benefits each technology offers, considering its business objectives and resources available. He summarises the technologies that treasurers should keep an eye on in 2020:

- **Robotic process automation (RPA) and AI:** "Advancements in RPA and AI are enabling treasury efficiencies while redefining treasury operations," says Ameen. He says areas in which RPA and AI have been applied "to new levels of success" include cash forecasting, receivables reconciliation and the adoption of virtual accounts for cash concentration purposes.
- **Distributed ledger technology (DLT):** Ameen notes that while DLT offers many possible applications and is touted to have the potential to transform treasury, the change is still yet to come. "However, 2020 could be the inflection point as industry bodies get down to developing market standards, as well as practical and executable solutions."
- **Real-time processing:** "The benefits are tangible – improved working capital and greater transparency on flows," says Ameen. "Many treasurers are already leveraging automation to streamline business processes, and real-time treasury is a natural next step to optimise treasury."

He adds that the payments space is leading the way, and is also the catalyst for broader change. "For instance, the move to real-time electronic submission of documentation could be combined with faster payments for greater efficiency in trade finance."

machine learning (ML), Big Data and robotic process automation (RPA) are also generating interest with wider community and are up for increased adoption."

He notes that the ongoing political uncertainty around Brexit, US-China trade tensions and global growth challenges "still demand caution on FX management" – and they also "push for an increased use of technology in the treasury function for effective monitoring and management of risk."

"We also foresee a greater push for intelligent reporting," says Jain, noting that the treasury function has typically used treasury management systems to generate such reports in the past. "Having more sophisticated BI reporting will allow decision makers to have a more holistic view of risks and opportunities," he says, noting that the move from producing financial reports towards the adoption of sophisticated analytical reports providing strategic recommendations to the CFO "will allow treasurers to be seen as value-adding partners to the business."

Accuracy and automation

Taulia's Christiansen is another to emphasise the role technology is playing in revolutionising treasury. "Cash forecasting tools which leverage AI will be able to predict cash flows with greater accuracy in a tenth of the time it currently takes," he says. "Technology platforms are also filling a void around funding SMEs."

In addition, Christiansen notes that many banks are being required to complete a greater level of diligence, which historically has been very manual. "Partnering with a tech platform simplifies and automates a very manual and archaic process," he comments.

Overcoming challenges

But while there is clear interest in these technologies from corporate treasurers, companies may also need to overcome certain obstacles when seeking to adopt them. The DBS survey found that seven out of ten APAC companies "risk being left behind by a lack of digital strategy and execution plan." The survey found that the three most significant risks to digital adoption were the speed of change and complexity of the enabling technologies, execution challenges and delivery of outcomes, and the availability of talent to help execute digital transformation efforts.

Business partnering

Last but not least, treasury may once have been regarded as a function that operates in relative isolation from the rest of the business. But since the financial crisis, treasurers have played an increasingly strategic role within their organisations – which requires strong communication between treasury and the business.

PwC's 2019 Global Treasury Benchmarking Survey, Digital Treasury – It takes two to tango, reported that strategic thinking was seen as a crucial skill for treasurers of the future by 99% of respondents, while 84% cited the importance of business partnering capabilities. In addition, the survey highlighted the importance of a range of soft skills including communication skills, management skills and people skills, as well as experience outside treasury.

Becoming a better partner to the business is another of the 2020 goals mentioned by General Mills' Emslie. "We're trying to get as close to the business as we can," he says. "We want to be able to give them a far better view of what's happening so that they can make better business decisions – whether it's cash, whether it's helping with working capital and improving DSO, DPO and inventory."

When it comes to achieving this, Emslie says the main focus is on communicating effectively with the business and explaining "what we're trying to do on their behalf." But as he explains, this is a two-way exercise: "We need to understand what business is doing, they need to understand what we're doing – and then together we can come up with a plan to say, 'This is what we can do for you'."

J.P.Morgan
Asset Management

China's onshore credit market: growing importance calls for rigorous analysis

China's fast-growing onshore credit market is as diverse as it is complex. Investors thinking about investing in this arena need to understand the risks involved if they want to reap the rewards.

Aidan Shevlin, CFA
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When it comes to comparing the Chinese onshore corporate bond market with developed bond markets across the world, there are many similarities, but there are also some fundamental differences. These include investment platforms, rating methodologies as well as issuer and investor characteristics, not to mention unique local market practices. All of these go hand-in-hand to make investing in the Chinese onshore credit market incredibly challenging.

A decade of financial reform, combined with rapid financial market innovation has increased the range of Chinese credit issuers and the variety of instruments available – contributing to a twelvefold surge in the size of China's onshore credit market – and contributing to their depth and liquidity.

China's corporate bonds are traded on multiple platforms, but the interbank market dominates. Local government bonds make up the largest segment of China's onshore credit market mix while commercial banks are a close second, other issuers include state owned enterprises and private companies.

"Chinese credit market yields are more volatile than those of similar securities in developed markets due to multiple macroeconomic and technical factors," says Shevlin. "Therefore, credit market investors are dominated by local asset management companies, attracted by their potential for higher investment returns."

Ratings – different methodologies

International investors rely on the long-established international rating agencies when buying credit bonds. Until recently however, none of these had licences to operate in China and their coverage was limited to Chinese issuers who required an international rating due to their foreign bond issuance – a small minority of the domestic credit issuers.

Instead, several domestic rating agencies currently dominate the Chinese onshore rating. "By law, bond issuers are only required to have one rating, making competition between domestic agencies intense and encouraging rating arbitrage," says Chang.

Local rating agencies have also developed their own unique methodologies – and this has limited investors' ability to map local ratings to international rating scales. With local rating agencies placing considerable weight on the implicit presence of a government guarantee, the majority of issuers are rated AAA, and there is little relationship between an issuer's rating, financial strength and credit spread.

Escalating credit risks – investors beware

Prior to 2014, China's bond markets had never witnessed a default and investors had never suffered a loss as failing entities were bailed out at the behest of the government. "This practice underpinned the belief that corporate debts would always be underwritten by an implicit government guarantee," says Shevlin. "The first bond default shocked the market and established a link between risk and return."

This link was solidified by new regulations designed to stop issuers offering principal guarantees, coupled with a new deposit insurance scheme. Both reforms significantly eroded confidence in the implicit government guarantee and magnified the challenges of investing in the onshore credit market. The sudden seizure of Baoshang Bank in May 2019 highlighted the weakness of smaller commercial banks.

"Investors need to realise that Chinese credit risk is increasing," says Chang. "The complexity of China's onshore bond markets highlights the importance of due diligence and rigorous independent analysis, in order to balance the risks and returns of investing in this arena." He believes that ultimately, credit research is critical; "Chinese credit issuers should primarily be assessed on their standalone capital, asset quality, management, earnings and liquidity. Only then should the potential level of government support be considered."

The Chinese corporate bond market continues to grow in size and importance and is now too large for investors to overlook. Rigorous analysis of issuers and counterparties is critical to understanding the true underlying risk characteristics of onshore Chinese credit risk investments. Managing renminbi cash in today's volatile world need an expert guide. To find out more, visit **jpmorgan.com/chinamoneymarket**

Celebrating innovation and creativity

2019 marked the sixth year of Treasury Today Group's Adam Smith Awards Asia, and the standard has never been higher. The best of Asia Pacific's financial talent was joined by their banking and technology partners at the renowned Raffles Hotel, Singapore for the annual Gala Presentation Lunch on November 14th.

The exceptionally high quality of the record-breaking 300 submissions for this year's Adam Smith Awards Asia required an especially rigorous judging process. The decisions get harder every year as corporates across the APAC region come up with new innovative and creative solutions to help their firms against a backdrop of global macroeconomic uncertainty and rapid technological change. Winning an Adam Smith Award gives treasurers across the region the opportunity to raise the profile of themselves, their team and their organisations, and to demonstrate thought leadership and innovation.

As always, the award for Best Cash Management Solution was one of the most contested awards. Following close behind, however, were the awards for Best Trade/Supply Chain Finance Solution, Harnessing the Power of Technology, Best Liquidity Management/Short-term Investing Solution, and Best Working Capital Management/AP/AR Solution.

Following a busy networking reception, which gave attendees the opportunity to connect with new acquaintances and reconnect with old ones, Treasury Today Group's Sophie Jackson, Publisher & Head of Strategic Content, opened the ceremony. "Today is the sixth Adam Smith Awards Asia event. This year's programme received a record number of submissions," she said. "So, for all of the winners and partners in the room here today, you have accomplished

something exceptional. The competition has never been greater. I am absolutely delighted to extend a really special welcome to all of you."

Here are some of the winners' stories.

The life sciences team with the successful business formula

Agilent Technologies Singapore scooped the top prize as Overall Winner of the Top Treasury Team 2019 award, led by Assistant Treasurer, Sally Shung. Following several acquisitions, the treasury team had a key role to play in making sure the company achieved the expected synergies and integration benefits – and in order to do this, the treasury team itself also underwent a series of considerable transitions.

For one thing, treasury roles were significantly expanded to cover more areas. This was achieved by diversifying and enhancing the skillsets of existing team members, thereby enabling the treasury to manage the increase in scale, complexity and scope of the treasury's activities with no headcount increases or specialist hires.

Given the number of entities that the team manages through its Singapore treasury centre, the team also realised that it was not feasible to finance each entity manually. Agilent therefore developed a sophisticated, highly automated in-house bank (IHB).

The ultimate objective was to create a more dynamic and robust treasury team which could partner with the business to support expansion strategies while engaging with key strategic banks. The treasury team rose to the occasion and showed itself more than capable of achieving this objective – while also overcoming the enormous challenges brought by a period of major organisational change including multiple mergers and acquisitions.

Above all, Agilent's treasury team is characterised by its focus on finding the perfect solution for any situation – making it a worthy winner of Treasury Today Asia's Top Treasury Team 2019 award.

Working with what you've got

Merck KGaA was the Overall Winner for the competitive Best Cash Management Solution award, led by Jörg Bermüller, Head of Cash & Risk Management, Group Treasury. The team's achievements in centralising Merck's end-of-day liquidity in Korea with minimal resources and a limited budget were remarkable.

There is currently no similar solution in the market that is 100% automated, integrated and all-encompassing to include multiple solutions, ranging from virtual bank accounts to multi-bank sweeping. The outcome has been revolutionary, and Merck is a deserving winner.

Chinese start-up Guazi was the Overall Winner in the Best Short-Term Investing Solution category. Led by Jim Huang, Treasury Director and Zhaonjun Deng, Treasury Manager, the team adopted best practice credit and risk management processes, while also meeting international standards. Setting up internal investment guidelines and an investment policy in line with global standards has made Guazi a unicorn well ahead of its peers, allowing it to mature into a multinational corporate in its own right.

The future is technology

Harnessing the Power of Technology is always a popular category, and this year proved no different. ByteDance Inc was this year's Overall Winner, with its API solution delivering an automated real-time global payments solution. This was especially impressive as the use of APIs wasn't as common in the banking industry as it was amongst technology, online social media and internet companies.

UltraTech Cement Ltd, Grab, and Computer Age Management Services (CAMS) were the Highly Commended Winners in this category, with all three demonstrating innovative and effective solutions for their treasury challenges.

Saurabh Chakravarty, UltraTech Cement's Jt President, aimed to transform the company's treasury management function. The solution was to deploy a robust, scalable SAP-enabled treasury management platform which can be flexibly scaled in line with the company's growth plans to consolidate its treasury functions.

Wilson Koh, Group Treasurer at Grab, also utilised an API to streamline payments systems for the company's drivers and merchants – thereby allowing them to be paid instantly, access credit, move from cash to cashless payments and access seamless banking services.

Vasanth Jeyapaul Emmanuel, Senior Vice President & Business Head at CAMS, meanwhile, had two main challenges to solve. One involved beneficiary validation, ie validating the bank account numbers of the Mutual Fund investors associated in their account portfolios. The second related to National Automated Clearing House (NACH) debits, as CAMS uses the NACH platform to route about eight million transactions per month. For both areas, CAMS managed to build suitable add-ons to its existing platform in an extremely short timeframe, leading to improved customer experience, increased straight through processing, and the opportunity to attract additional business.

Openness, trust and a good sense of humour

These are the qualities that have been key to Rashmi Joshi's success, according to a previous manager. Rashmi, CFO and Whole Time Director, Castrol India Ltd, was awarded Overall Winner of the Woman of the Year award, and her story is one of innovative leadership and championing of women.

Rashmi's expertise has seen her play a key role in creating and implementing a five-year growth strategy and vision for India and South Asia for Castrol India, whilst leading the India finance team and working to develop talent for India and the wider BP company, of which Castrol is a subsidiary. Her experience and open-mindedness to new ideas and technological solutions has revolutionised Castrol's collections, with 98% of them now being electronic – an impressive achievement in an industry where cheque payments generally prevail.

Alongside this, Rashmi is a member of the National CFO Council of the Federation of Indian Chambers of Commerce and Industry (FICCI), as well as an independent director for both Thirdware Solution Ltd and Godrej Industries Ltd. She has often taken on additional responsibilities, including being an Ethics and Compliance Leader for Castrol India from 2014-2015, and from 2015-2017 she was the Presiding Officer of the Internal Complaints Committee under the POSH Act (the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act – India's first piece of legislation that dealt specifically with workplace sexual harassment of women). She has also become a much in-demand mentor for people inside and outside of Castrol India's workforce, helping them to navigate issues both in their careers and in their personal lives.

Rashmi has always been a champion for women in the workplace. Her achievements in this area date back to 2009 when she took an active role in a Women Development Programme in Asia and Pacific, hosting sessions to mentor

women. Due to her positive intervention and support from the organisation, the female talent pool in finance has increased significantly at Castrol India. Rashmi has also spent the past five years developing the potential of women in her team and successfully building a female leadership talent pipeline.

"I hope that this recognition will inspire other fellow women professionals to continue to strive for more," said Rashmi on winning the award.

Our Highly Commended Winner award for Woman of the Year went to Latifah Mohamed Yusof, Group Treasurer, Astro Malaysia Holdings Berhad, who has this to say about the award: "This recognition is a great honour for Malaysia and Astro. I would like to dedicate the award to my bosses – my direct and indirect mentors – as well as my team at Astro who continue to inspire me to drive forward innovation in treasury. A sincere thank you to all who have supported me in my journey."

Digitalisation champion

The Rising Star award went to Jason Weiguang Han, AVP Regional Liquidity and Banking, APAC, General Electric in Singapore. Jason is making a name for himself as a thought leader and an inspiration to the next generation of treasurers, owing to his dedication and enthusiasm when spearheading key projects.

In his current role he is the digitalisation champion and his enthusiasm and willingness to embrace technology has helped to establish the culture of innovation across the businesses. Jason is becoming a true industry leader and setting a great example for those thinking of following in his footsteps. It's his ability to juggle work, family life, and his sense of civic duty to the wider society that sets him apart from the rest and makes him a worthy winner of Treasury Today Asia's 2019 A Rising Star award.

On winning, Jason said: "Winning this prestigious Adam Smith Award is a great honour and certainly a great milestone in my life. It is an industry-wide recognition for my hard work and achievements in treasury. I would like to take this opportunity to appreciate and thank all my bosses – past and present – and banking partners for their excellent advisory and kind support. Last but definitely not least, well done Treasury Today Asia for this excellent programme, now in its sixth year!"

Adam Smith Awards Asia 2020

We'd like to offer our congratulations to all 2019's fantastic winners. You can view the full list of 2019 winners online. Keep an eye out for all the case studies in the Adam Smith Awards Asia 2019 Yearbook, which is available both in print and online.

The Adam Smith Awards Asia continues to challenge the region's treasury community to develop even better solutions. Recognising the creativity and ingenuity of the treasury community, and inspiring treasurers (and their solution partners) to create ground-breaking solutions, is what the Adam Smith Awards Asia are all about.

Nominations for the Adam Smith Awards Asia 2020 open on June 8th. We once again invite companies of all shapes and sizes from across the region to take part and we look forward to receiving your submissions. Once again, congratulations to our 2019 winners and good luck for 2020.

IT'S TIME TO CHANGE YOUR HEDGING STRATEGY

Companies taking a modelling approach to risk management have three core options: CFaR, EaR and value at risk (VaR). VaR was actually developed in the banking world where the primary focus is on overnight or short-term risks. In a corporate world, the focus is on managing the risk on financial statements and transactions, which are longer term.

A model is needed that can measure longer-dated risk, revealing the interaction between cash flow and the P&L on a consolidated level: not every currency exposure is a cash flow risk, and not every exposure is a P&L risk.

CFaR measures possible shortfalls in forecasted cash flows due to currency fluctuations. EaR exposes the impact of FX rate movements on earnings. Mathematically, these are relatively simple calculations, offering a plus/minus band of movement that can then be hedged as required, potentially down to zero with a 100% hedge (at a cost, of course).

Currently, percentage hedging is seen as best practice. This is based on confidence in forecasts from the business units; hedging is judged, in percentage terms, on the probability that the figures provided will be achieved. A judgement call is then made on where the FX markets will head and then hedging on that basis.

Justifying hedging activity by debating the efficacy of the reports and the advice used to inform it, and then applying arbitrary rules, is not the best approach, argues former treasurer Mark Lewis, who is now Corporate Treasury Product Manager at Bloomberg.

Cash flows can be looked at as anything that is a financial asset or liability, and whether looking at these from a re-valuation or conversion perspective, for example, these can materially impact the P&L, says Lewis. Failing to look at risk at a consolidated level creates unexplained volatility in earnings; looking at all cash flows, it is possible to understand their impact on earnings. And by running simulations across the board, taking into account volatility, forward prices and correlations, it allows the treasurer to begin creating natural offsets for some of these relationships.

"It's not something that would normally be spotted in a percentage hedging model," notes Lewis. Indeed, he says, "by comparing the percentage of unhedged actual cash flows to the actual results of the P&L impact this action had, it may be apparent that the two sets of figures show no correlation". This effect is demonstrated in a case study with Constellation Brands. Its treasury wanted to be able to explain to senior leadership what the risks were to their cash flow and P&L, but a strategy based on fixed hedge percentage targets was failing to make the connection.

What's more, Lewis believes that many companies are not even thinking about KPIs in this context. "Few CFOs are handing down to treasury a targeted number for the impact on earnings of FX rates. If they were, these companies would be thinking differently about how they manage risk."

CFaR and EaR have been in use for decades; they just needed to be "optimised", says Lewis. "By looking at cash flows on an earnings basis at group level, and then on a liquidity basis across the group as a whole and for each entity, it enables treasury to get the best of both approaches."

As an example of possible benefits, a European holding company has a UK entity, long on USD. It also has a new loss-making US entity with a short USD position. If treasury hedges the UK entity's USD position, it still leaves itself with a short USD position in the US. If it doesn't hedge, but instead offsets its long USD position in the UK against the US entity, it allows treasury to reduce its overall risk. By making the link, it is creating a CFaR figure for the UK entity, but from a group and investor perspective, it is still managing its EaR.

Constellation Brands' work in this space with Bloomberg (the solution is delivered though the terminal as a managed service) is unique. Using Gaussian variables (with two inputs and prior probability), it is possible to simulate risk for both EaR and CFaR, enabling the company, through hedging, to reduce its earnings at risk and cash flow at risk metrics simultaneously.

Although the outcome for anything other than actuals can only ever be a probability, the combined model opens up a holistic view of the currency impact on earnings and cash flows, where treasurers can acquire a better understanding of the underlying risks.

From our correspondent: making cross-border payments work

Correspondent banking is the means by which a corporate's payments can reach the wider world, beyond the scope of their regular banking partners. Is this practice still fit for purpose?

The old notion that 'if it ain't broke, don't fix it' sometimes needs revisiting, just to see if things really are as good as they could be. One long-standing aspect of corporate treasury that has come under pressure on a number of fronts in recent times is that of cross-border payments.

The ability to make payments between domestic systems is still commonly facilitated through the correspondent banking network. This requires banks to set up accounts with selected counterparty banks (a nostro/vostro arrangement). It seems to be a simple ask.

Yet the correspondent banking world appears to be in a bit of a crisis, according to some high profile commentators. "The correspondent banking model is antiquated and inefficient, often resulting in high costs, payments not being delivered on time and illicit activity," says the latest AFP Payments Guide, 'The Advent of New Cross-Border Payments Systems'. Or how about this rather anxious extract from none other than BIS: "The continuing decline in the number of correspondent banking relationships in many countries around the world remains a source of concern."

Whilst most treasurers will be interested more in the timeliness and cost of their payments than how the bank executes them, if correspondent banking is showing its age, it may be time to explore other options, and that may mean stepping beyond the banking realm.

Cut-backs

"It's logical that banks have reduced their numbers of correspondent banks; they simply had too many when reciprocity was a bit too easy going," comments Marcus Hughes, Director of Business Development at Bottomline. "Now the banks recognise the need to better understand every transaction, from a KYC and money-laundering perspective, many are de-risking their network of correspondents."

It's a logical step that has led to murmurings as to whether certain countries have been sidelined by the global banking community, simply because it is not prepared to be involved in those jurisdictions: BIS's concern may be well-founded.

"I wouldn't call it industry retrenchment," notes Karin Flinspach, European Regional Head of Transaction Banking at Standard Chartered. "But some banks have looked at the high-risk jurisdictions and asked if the business is worth all the due diligence." Indeed, she believes that as banks with large correspondent networks re-assess the value of managing

such large networks, some have chosen to focus on their core markets.

But Shahrokh Moinian, Head of Wholesale Payments – EMEA, J.P. Morgan (the world's largest clearing bank, moving around US$6trn daily) believes that the issue has been transcended – and that the banks involved in these networks have been able to upgrade their controls and systems "to get to the next level needed by the regulators". With large banks able to work with smaller players in countries far beyond the financial hubs, he argues that "this is not a major issue from a corporate perspective".

By and large, most jurisdictions are still reachable via the correspondent banking network, Moinian describing today's network as "a well-oiled engine that still allows banks to connect with each other".

Flinspach, who similarly describes these networks as the "lubricant of international trade", raises a valuable point in that tier one banks have an unwritten duty to help raise the standards of banking governance in the developing regions. Educational programmes can advise the smaller institutions as to how business needs to be conducted to maintain access to the international banking network, promoting models of due diligence, transparency and efficiency around payments. This, she suggests, is in the interests of all stakeholders.

Mega-trends

In the absence of a global clearing system, correspondent banking has, for many decades, been the only option. It is now a US$200bn business in itself. But that may be about to change, the rise of technology driving rapid progress in most areas of business. Hughes points to the success of relatively recent entrants to the payments arena, such as the niche cross-border FX platforms (such as Moneycorp, Western Union and the API-based Currencycloud), some of which meet a need by focusing on transacting exotic currencies.

Another new alternative channel Hughes cites is Visa's B2B Connect. This is intended to help financial institutions process cross-border payments globally on behalf of corporate clients. It offers no direct corporate access – transactions by businesses being sent directly from their bank to the beneficiary bank – but it does take care of KYC, settlement and FX elements in one place. "It's early days," he comments, "but it has potential to be an interesting alternative." Mastercard Track is a similar platform "with great ambition and potential".

There are also now a number of blockchain-based currency initiatives which could resolve access issues. However, the volatility of cryptocurrencies, with the furore around Bitcoin, and now Facebook's Libra currency, still raging, has served to increase the need for proper regulation in this space, especially around money laundering. Amongst much high-level criticism, former ECB president, Mario Draghi, has said that Bitcoin and crypto "are not designed in ways that make them suitable substitutes for money". Crypto is unlikely to be on the treasurer's agenda anytime soon.

Overall, some of the new alternative providers (the cross-border FX platforms in particular) "have taken market share from the banks," admits Flinspach. Arguably though, the most significant change she sees is one of 'attitude', and this may stoke up the market more than any single innovation.

From B2C to B2B

The change is being driven by rapid progress in B2C payments, where the sharp uptick in e-commerce has seen consumers rapidly getting used to shopping and paying on their smartphones, and tracking delivery, in almost real-time. The slickness of operation, delivered in the main by fintech disruptors, has created great expectations, notes Moinian.

"Some of these consumers go to the office in the morning and become treasurers, and they are starting to anticipate the same experience from their cross-border payments," he says. The expectation around digital is also pushing many firms – even those in traditional sectors such as FMCG and automotive – into adding direct sales, using online channels to reach end-users. This generates a subsequent need to offer the new (and often geographically disparate) customer base many more payments options.

There is another key trend to observe, says Moinian. With increasingly stringent rules around anti-money laundering, cybercrime, fraud, sanctions and embargos, although for the authorities "it's about controlling the flow of movement", ultimately it means that there are increased barriers to entry into the correspondent space for banks.

With intensified regulatory pressure, and with speed-to-market of the essence for those in the new 'challenger bank' space, some players will be looking seriously at by-passing correspondent relationships, perhaps instead connecting with FX cross-border payment providers. It's all indicative of the changing face of the cross-border payments landscape – but does this mean the end for correspondent banking?

Work together

In the past few years, the industry has seen the international payments space evolve. SWIFT's gpi has arrived, giving cross-border payments more speed and considerably more transparency, both in terms of the actual whereabouts of a given transaction, and the charges and deductions that each bank levies on it.

Every day, more than US$300bn in messages is being sent via gpi (with about 2,000 active corporates on board). Currently offering bank-only direct access, gpi is now being piloted at the corporate access level, aiming to give treasury more control over payments. With error investigations and case resolution functionality being tested, and more ideas in the pipeline, Hughes declares that it is "the best thing SWIFT has done in the last 20 years".

Another welcome – and complementary – advance has been the introduction of the blockchain-based Interbank Information Network (IIN). This started as a J.P. Morgan platform for exchanging payments information with its clients; it has now been joined by more than 360 banks (Deutsche Bank being the most recent) with more than 65 now live since launching in 2018.

The associated information that goes onto the network is whatever the different parties decide to upload, says Moinian. In practice, it means, for example, that for a payment that raises a sanctions or fraud issue, where it used to take up to two weeks to resolve, it can now be fixed in minutes. With other banks free to develop their own solutions on the platform and roll them out to the wider industry, he believes it

is on the way to becoming "a new standard in the correspondent sector".

Collaboration and interoperability

With the higher cost of entry having seen some banks slow down on investment in this space, Moinian believes that the changing nature of correspondent banking has seen the spirit of collaboration extending "because banks now understand the need to encourage the network effect".

Indeed, the more banks join and share data in projects such as IIN, the more the resolution of payments issues is expedited, and thus the more other banks will see the benefits and join. It's something that Flinspach also observes, suggesting that "it's now all about bringing together different partners – financial institutions, fintechs and corporates – to create and build new networks". But alongside collaboration she says there must be the desire to offer interoperability.

Many fintechs started on the back of the B2C e-commerce explosion, and the sector is still driven by consumer demand for digital wallets and other means of making electronic transactions. But the fintechs need the banks to clear their transactions in the countries in which they operate. Between bank and fintech, it now shows every sign of being a symbiotic relationship, where once it was purely competitive. As Moinian also notes, for the whole piece to work optimally, "it's increasingly important for us to have interoperability between the different payments rails".

Currently, through SWIFT, traditional banking offers one rail for large B2B transactions. But as many corporates start selling directly to consumers, cross-border solutions for smaller payments will be needed. To make these viable, they need to be cheaper for the banks to run and for the end-user to use. Solutions such as J.P. Morgan's cross-border ACH-style platform for corporates can enable, for example, a wire that starts in the US to find its way unhindered to an e-wallet in China.

Partnerships

This is why, in the same way that there is bank-to-bank collaboration in this space, so the fintech community is forging partnerships with banks. Both parties are now fully cognisant of what each brings to the arrangement: teaming up enables customers to use the fintech front-end of their choice, but supported by solid banking payments rails.

The advent in the payments space of bank-issued APIs – where third parties (Payments Service Providers or PSPs) are able to access basic account information – is a good demonstration of the willingness to achieve this outcome.

Banks continue to spend a lot of money publishing APIs, especially in the EU where PSD2 has forced through the concept of open banking as a means of levelling the playing field. But without proper standardisation of APIs, there is still a way to go. It might be perceived an issue that although SWIFT presents as the formal bank-to-bank arrangement on connectivity, as yet there is no such formal agreement between the bank and fintech communities.

But serious attempts have been made by a number of bodies, including the Berlin Group (almost 40 banks, associations and PSPs from across the EU which is working on 'NextGenPSD2') to reach a standard. And Moinian comments that connectivity so far has not been an issue. "The fintechs are very agile developers, and the lack of a standard does not seem to be a problem for them."

Asking questions

Notwithstanding the positive effects of change in the correspondent banking space, as BIS notes, some banks have reduced their global reach. "It's as good a time as any for corporates to review their bank relationships, asking questions about reach, pricing, service and delivery times," says Hughes. "With banks having de-globalised, it may mean corporates now need more relationships to get the reach they need."

Obviously, treasurers should clarify the service offered by their existing panel of banks, and how this might fit with corporate strategy, mindful of current market volatilities. It is also important to gather information on the latest technologies before deciding which payments partners (and it may not be a bank) fit their future planning.

With collaboration and interoperability as guiding criteria, treasurers should seek reassurance from its providers that each is investing at the right level and in the right technology. Every bank's API offering must be investigated too: although Hughes sees their development as "a bit chaotic", the whole process lacking standardisation (SWIFT is talking about stepping in), APIs could be the means of opening up new payments front-ends that corporate customers wish to use. In this increasingly multi-channel world, where direct sales is on the rise, the more payments tools a corporate offers its customers, the greater the chance it has of retaining their business.

Of course, banks don't have to work with fintechs if they believe they have the solutions that their clients want. But it is worthwhile for treasury to probe the bank's development skills and agility because this is essential for a rapid response to a changing market.

At a purely practical level, bank membership of initiatives such as IIN and gpi matter because it shows the degree by which that institution is prepared to collaborate to expedite cross-border payments and solve issues for its corporate clients.

New world order

It may once have been true that treasurers were not overly bothered by the machinations of the correspondent banking network, as long as their payments were successful. However, in a changing world of increased risk and demanding customers, treasurers need a forward-looking approach.

"It's not just the correspondent banking network that is changing; with all the political changes that we are seeing today, there may be certain banks that treasurers will no longer be able to work with, and others that they now can," notes Flinspach. "Treasurers must set themselves up to be a lot more agile, and a lot more inquisitive about how banks operate and how political actions such as sanctions impact them."

With similar pressures bearing down upon them, banks and fintechs are under no illusion that they must collaborate to ensure cross-border payments interoperability. Correspondent banking may now be just one rail amongst many in this new environment, but reports of its demise are, it seems, greatly exaggerated.

Green bonds – the future of sustainability?

Global green bond issuance topped US$200bn last year. But with demand far exceeding supply, and in a world where corporate social responsibility (CSR) is high up on many company agendas, what is holding green bonds back from reaching their full potential?

Green bonds are the most prized possession of the green finance industry – proven to be a key financial instrument which enables billions of dollars to flow into sustainable infrastructure across the globe.

Since the first green bond was issued by the World Bank in November 2008, the market has grown exponentially. Over US$200bn in green bonds was issued last year, up from US$170bn in 2018, and demand is far outstripping supply.

But what exactly is a green bond, and what makes it 'green'?

Back to basics

Essentially, a green bond is a fixed-income instrument where proceeds or revenue streams connected to the bond are allocated for investment in new and existing 'green projects' which have environmental benefits.

More formally, the International Capital Market Association (ICMA) states green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance projects with clear environmental benefits and which are aligned with the four core components of the Green Bond Principles (GBP).

The ICMA's GBP are effectively voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the green bond market by clarifying the approach for any issuance. The GBP provides issuers with guidance on the key components involved in launching a credible green bond.

There are four core principles:

- Use of proceeds.
- Process of project evaluation and selection.
- Management of proceeds.
- Reporting.

Whilst all four are required for the characterisation of a green bond, the crucial element is the green project itself.

Furthermore, for a green project to be eligible, it should have an environmental objective, such as climate change mitigation, environmental conservation or pollution prevention. Green projects could also incorporate eco-efficient products, green buildings, biodiversity, conservation or clean transportation.

Market movers

However, there remains a problem – namely that the lack of a universally-accepted global framework poses a risk to investors. Different market participants have different ways of quantifying sustainability, and different jurisdictions also have different regulations.

To take an example, the Climate Bonds Initiative (CBI) database includes green bonds, but the criteria it users differs from those used by the GBP principles. It has also been known to reject some green bonds from its database, despite the bonds meeting the GBP and gaining approval from third-party reviewers. Some areas of the CBI's Climate Bonds Taxonomy, which "aims to encourage and be an important resource for common green definitions across global markets", have made some green bonds issued in China ineligible and excluded from the CBI's database.

However, despite the lack of universal regulation in the sector, demand for green bonds has skyrocketed over the past 12 years across a wide range of sectors, including natural resources (oil and gas, renewable energy, mining and metals and chemicals), and transportation (airlines, shipping and automotives).

In October 2019, stock market operator Euronext, which operates in Amsterdam, Brussels, Dublin, Lisbon, London, Oslo and Paris, launched its three-year strategic plan, 'Let's Grow Together 2022'. In doing so, the group has put sustainability right at its heart, stating that it wants to strengthen its green bond offering and existing environmental, social and governance market indices.

With more than 44,000 bonds, Euronext is one of the world's global leaders for bond listings, with approximately €118bn worth of green bonds listed on Euronext markets – €40bn of which was raised in the last 12 months. In order to be eligible for inclusion, all green bonds must be aligned with a recognisable industry standard such as ICMA's GBP or CBI taxonomies, and must be accompanied by an appropriate external review performed by an independent third party.

October also saw the London Stock Exchange (LSE), which lists more than 200 green bonds since it opened up its green bond segment in 2015, create a new issuer-level section for bonds by issuers whose core business activity is aligned with the green economy. This development enables eligible green

economy businesses with more than 90% green revenues to admit bonds to the sustainable bond market (SBM). The LSE also launched the Green Economy Mark, which recognises equity issuers with green revenues of 50% or more.

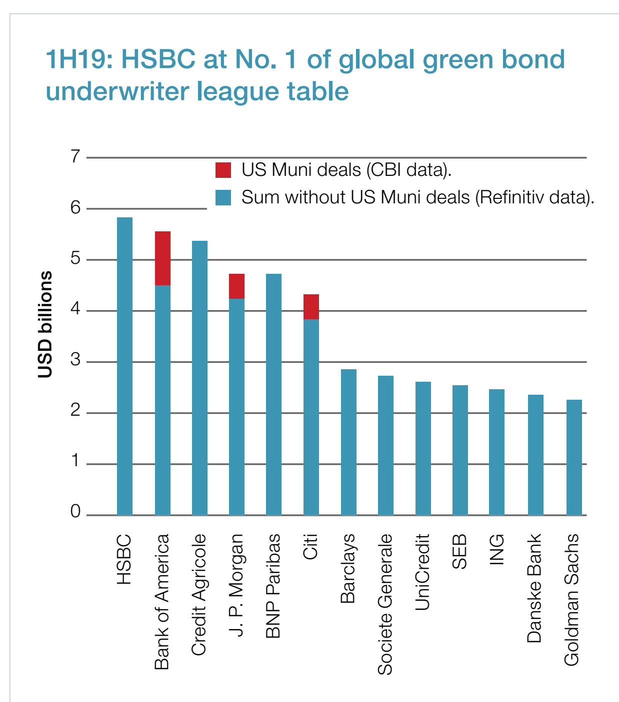
"We continue to see growing investor demand for actionable climate related financial information, with global asset allocations to green and sustainable finance increasing each year," says Nikhil Rathi, Head of the LSE, in a press release. "The launch of the Sustainable Bond Market and the Green Economy Mark underlines our commitment to finding innovative solutions to support issuers and investors in the transition to a greener economy."

Being seen to be green

There are numerous reasons for this uptick in demand for green bonds and the response from the industry. Firstly, it goes without saying that the green bond label carries with it certain benefits, as in today's climate 'being seen to be green' is high up on many companies' agendas.

Environmental, social and governance (ESG) and/or socially responsible investors (SRI) have become buzzwords in recent years. And having green credentials, such as sustainability and the lowering of the business's carbon footprint, plays well when it comes to attracting investment.

It's a view held by Laurie Chesne, Green and Sustainable Assets Originator at French investment bank Natixis. "We carry out regular reviews and surveys in terms of ESG/SRI market intelligence, and this year we found that in Europe, around 50% of investors have really implemented SRI strategies within their investment strategy, and more than 60% of asset management in France is now performed in full ESG integration, which is pretty impressive compared to ten-15 years ago," she says. "Whatever the sector – even in the high intensive industries – the interest in including sustainability as part of the business agenda is there and here to stay."



Source: Bloomberg – Global league table for corporate and government green bonds

The Nordic charge

Sweden is leading the charge when it comes to the issuance of green bonds. Data from the CBI found that the country issued a massive US$8.26bn in green bonds last year, the equivalent to about half of the total issuance across the Nordic region. That's considerably more than Norway (US$3bn), Finland (US$2.6bn), Denmark (US$2.4bn) and Iceland (US$115m).

A prime example as to why Sweden is the forerunner in the region is the Swedish bank SBAB. Back in 2015, the bank started offering green investment loans to corporate and tenant owner association clients.

With SBAB's experience of the property market, in January 2019 the bank became the first institution in Sweden to issue a green covered bond, backed by residential mortgages and property loans. This issue totaled SEK6bn (US$6.2bn) and with demand outweighing supply, it was quickly oversubscribed.

So, as part of SBAB's ambition to be a recurring issuer in the market for green bonds, six months later the bank then became the first institution in Sweden to issue a green senior non-preferred bond, which amounted to SEK3bn (US$3.1bn) and will mature in June 2024. Once again, demand far outweighed supply.

Axel Wallin, Head of Sustainability at SBAB, explains why the bank chose to venture into the green bond market in the first place. "Sustainability is integrated in our business targets and goals and is imperative for our future competitiveness and success," he says. "Hence, energy efficiency and other green investments have to be integrated into all of our product offerings."

According to Wallin, buildings account for almost 40% of all energy consumption in Sweden, so there is a great need for drastically reduced climate impact from housing. As such, developing green products like green bonds not only leads to new business opportunities, it also lowers both risk and credit loss.

"Our green bond issuances are part of a sustainable transition of the Swedish housing and real estate market," Wallin says. "When the entire value chain becomes green, all the way from green mortgage loan taker to investor, the green demand from investors can actively push the housing market towards sustainability."

He continues: "We see a strong and increasing trend in the demand for sustainable investments from existing and new investors, and being able to supply the market with sustainable or green bonds not only helps us meet that demand but also helps us diversify our investor base."

Moving forward

Moving into 2020 and beyond, a key focus for SBAB is to continue to be the lead player in the Nordic green bond market. "Our aim is to continue to be a regular green bond issuer," says Wallin. The bank is also currently looking at adding a resilience perspective to the categories too. "We can address physical climate related risks and create incentives for customers who invest in extra drainage, water pumps etc and this might also decrease risk for investors."

Investment bank Natixis is also blazing a trail when it comes to the climate and sustainability agenda. "We have two key values at Natixis when it comes to sustainability, innovation and integrity," explains Chesne. "As a cross-asset Green and Sustainable hub, we explore the opportunity to include green or sustainability dimensions in all of our financial products offered, not just bonds or loans, when relevant."

Back in September, and following 18 months of work, Natixis launched a Green Weighting Factor for its financing deals. This means that all of the bank's transactions are given a rating colour. "Because we want to implement sustainability at the heart of our everyday business, all of our transactions are rated according to a seven scale of assessment – from dark green to dark brown," says Chesne. "The idea is not to solely focus on a dark green approach, but really cover all of our clients' profiles and support their transition towards greener activities."

Despite the popularity of green bonds in the market, many significant challenges remain. These include complexity and cost, the lack of green contractual protection for investors, transparency, quality of reporting metrics and issuer confusion and fatigue.

This fatigue has come about because of the multiplicity of the criteria, the boundless and ever-increasing sets of rules, the overlapping roles of some market players, disclosure reporting guidelines and the standards that issuers have to adhere to. These include both the ICMA and CBI, but also ratings agencies, stock exchanges, index providers, certifiers, disclosure reporting guidance and second party reviewers.

It's therefore hardly surprising that issuers are confused, especially in the EU, where the proposed EU Green Bond Standard is something of a moving target. Back in May 2018, the European Commission (EC) proposed legislation to tackle what it called 'greenwashing', where banks and other companies claimed their investments were environmentally sound. Now the EC wants to go even further and decide, once and for all, what is and what is not 'sustainable'.

"With credible and ambitious definitions for sustainable investment, the EU will lead the world in sustainable finance," said Bas Eickhout, a Green Lawmaker at the EU.

Arguing the case for issuance

Emily Weng, green bond specialist in BlackRock's fixed income group, explains further: "Standardisation is definitely at the heart of increasing investor confidence and acceptance of green bonds. Many green bonds follow the voluntary ICMA guidelines in structure, but with varying standards in the current market, there are sometimes problematic cases of what issuers identify as qualifying projects, more fondly referred to as 'greenwashing', that can be confusing for investors."

Regulation in defining what does and does not qualify as a green bond is therefore essential. Weng sees the EU taxonomy proposal and the efforts towards conformity of different green bond standards as good forward momentum. "Increasing transparency from issuers will also help," says Weng.

"Green bond investors are pushing both issuers and fund managers to publish environmental impact reports, highlight best practices and encourage greater transparency in the market. We want to see this market grow and we want to see new issuers joining – but when they do, we want to see them come to market with good green bond projects that will actually result in defensible positive environmental impact."

> Whatever the sector – even in the high intensive industries – the interest in including sustainability as part of the business agenda is there and here to stay.
>
> Laurie Chesne, Green and Sustainable Assets Originator, Natixis

It is a sentiment echoed by Chesne at Natixis: "The market is clearly growing year after year, and I think it will continue to grow," says Chesne. "One of the major concerns however, remains standardisation and the lack of a common language. Clearly at the European level the market is evolving really fast and should the new EU Taxonomy and EU Green Bond Standard proposed by the Technical Expert Group come to pass, it will really help even more issuers identify the green assets that they have and frame their green bond structuration."

An increasing amount of institutional investors however, do have well-defined and established green and sustainable investment guidelines. Chesne believes this will convince some new issuers to enter the market as they see more and more benefits, as well as economic benefits on the investor basis diversification and more indirectly on the pricing. We start to see some pricing benefits, not only in the secondary market but in the primary market too, especially for repeat issuers.

Industry bodies, as well as investor action groups such as Climate Action 100+, also have a role to play in driving the green market forward. Large market investors, including pension funds and sovereign wealth funds, are in a prime position too.

When all is said and done, the weight of demand for green bonds from institutional investors is only going to rise. As such, mindsets across the board will need to change accordingly – from politicians to regulators, and even corporates. Governments offering preferential rates or subsidies to issuers of green bonds is one development that could help. Should this happen, it will only attract more and more companies to issue green bonds and reap the rewards.

However, the most pressing need in the green bond arena moving forward isn't just about having more issuers coming into the market – there also need to be enough bankable green projects to invest in, particularly when it comes to emerging markets. It is therefore vital that the whole financial system comes together to make the green bond market flourish.

Small World, big ambition

Julia Fordham
Group Head of Treasury

When Julia Fordham started her career as a banker at Barclays in the early 90s, moving into treasury was not even on her mind – let alone the thought of spending the next 23 years in the profession. But with her many years of experience, it's no surprise that Small World Financial Services invited her to become its first Group Head of Treasury.

Small World Financial Services is a regulated global money transfer company with the sole aim of making the world a smaller place for its 15 million customers. It has over 250,000 cash pick-up locations in over 90 countries, across Asia, Africa, Europe and the Americas, working with some high profile partners to enable its clients to send and receive money online, via mobile app or mobile wallet or at one of its affiliated agent locations. In Asia, for example, it leverages a host of banking partners including Yes Bank in India, BNI in Indonesia, Hang Seng in Hong Kong, and Maybank in Malaysia, to name just a few.

With such a wide financial remit, the responsibility for keeping the company's treasury operations running as smoothly as possible rests on the shoulders of Julia Fordham, who was appointed as Small World's first Group Head of Treasury in February last year. Based in central London, Fordham is in charge of Small World's two treasury teams – one in Europe (Madrid and London), and one in New York.

"When I was appointed at Small World the company wanted to ensure that the treasury model was fit-for-purpose, as the business has grown quickly through acquisition and organic growth," she says. "My primary focus has been looking at the treasury operations, ensuring they are scalable as volumes grow, making sure we are doing the best we possibly can for our customers."

> Most treasurers are in a constant fight to get budget, not only for headcount but also the systems to start implementing and leveraging new opportunities.

Different path

So how did Fordham get to where she is now? "Do you want the long or the short answer?" she jokes. "I started life as a banker back in the early 1990s, following my early training as a graduate entrant at Barclays on its management development programme." In her seven-year tenure, she undertook several managerial positions, her last being in a team covering the securities and broker dealer industry.

"I was in the team that covered Barclays' relationships with US and Japanese securities houses when I was approached by Morgan Stanley (a client) asking if I would consider moving into treasury," she recalls. "I said I wasn't interested because at that time I was thinking of moving out of banking for something completely different, possibly in marketing or publishing. They assured me that the role was not 'more of the same', but it was in the corporate treasury function, and they wanted me to come and check it out."

Fordham liked what she saw and took Morgan Stanley up on its offer. She immediately had no regrets, liking the switch from being on the sell-side of the desk to the buy-side. "Having been a lending banker really did equip me with the knowledge of how to evaluate bank services – I started out in the bank relations team, then sat my ACT exams, broadening out into different roles, making the most of it as a career opportunity."

Fordham says that in her 14 years at Morgan Stanley, no two days were ever the same, taking up different jobs every couple of years. "I started out heading the bank relations team in the days before the euro, so we had to maintain lots of different bank relationships in order to fund many different currencies – same day deutschmark, same day guilder, same day French franc, so it was a really interesting change for me," she recalls.

But after Morgan Stanley was rescued during the financial crisis in 2008, Fordham believed it was time to move on. She joined the group treasury function of pan-African financial services group, Old Mutual plc, in late 2009, taking the role of Head of Funding & Risk.

This new role was vastly different from what she had been doing, Old Mutual being regulated in the UK by the PRA as an insurance company and so subject to Solvency II regulations. The treasury department at holding company level was therefore somewhat more 'corporate' in focus. Being based in its London head office, for the first time she was involved in bond issuance and liability management creating "a real intellectual challenge". She was also in charge of the middle office function, monitoring daily treasury activities from a risk perspective. This offered her "more opportunity to put my knowledge into practice, and develop new expertise".

Power of tech

As testament to her willingness to engage with the new, Fordham is an advocate of treasury technology. She has witnessed it shift up a gear in recent years, especially with the rise of artificial intelligence (AI), robotics and machine learning. But there is an edge to her view on the matter. "The sheer fact of life for most treasurers is they are in a constant fight to get budget, not only to get headcount but also the systems to start implementing and leveraging those new opportunities," she states.

One key challenge for many treasurers is having to continually show senior management the benefits of a treasury management system (TMS). Fordham raises a salient point which is often discussed in many boardrooms, from Asia to the Americas: "Everyone thinks that they want a TMS and thinks they want straight through processing, but when it comes to the cost, which can add up to six figures in the first year of implementation, treasury systems can still end up taking a back seat compared with other initiatives."

The pace of change in the treasury technology market is as much of a challenge as an opportunity, not least because of the risk of ending up with solutions which quickly become out of date. The key, Fordham believes, is to keep listening, and to stay connected to your treasury network because the market, particularly in payments and cash management, is moving so quickly it is hard to stay abreast of developments.

Making these sorts of decisions in a technology environment that may be completely different in six months' time is a genuine pain-point for treasury, especially when most treasury teams are already fully engaged in managing 'business as usual': "I think that's why you see so many companies go to consultancies."

Payments conundrum

Notwithstanding the challenges of keeping pace, given the nature of Small World's role as a global money transfer business, Fordham is acutely aware that the world of payments technology continues to evolve, especially at the consumer end of the spectrum. Here, Asia is leading the customer shift to mobile payments, with the world's top ten mobile payments adopters located in eight Asian markets including Indonesia, Singapore, and the Philippines, according to PwC's Global Consumer Insights Survey 2019.

But Fordham believes that banks, to some extent, have been slow to provide real-time payment solutions. She explains why: "By definition, ultimately real-time payments would mean the mechanisms of value transfer being available 24 hours a day, seven days a week, 365 days a year. If there is a reluctance by banks to implement this availability, then maybe it's because they struggle with the same sort of issues that everyone else is dealing with – round-the-clock availability of staff and, crucially, of liquidity and collateral."

Could digital currencies solve this problem? "I don't think so, because although they facilitate connections, where's the liquidity?" she says. "If you have information that say, somebody in the US paid someone in the Philippines, you can get that information through within seconds, but you still have

to connect the dots of the clearing systems that need to speak to each other to get that real value transfer."

Fordham is not much of a fan of cryptocurrencies, and struggles to comprehend why any currency would still want to be known by that moniker. "It seriously baffles me because, by its very definition, 'crypto' means 'hidden or secret', so what has it got to hide?" she muses. However, she recognises that fully digital currencies are here to stay, and believes they will end up being regulated.

"Either that means that central banks will create their own digital currencies, or some of the more successful recent digital currencies will allow themselves to be regulated, because they have people on board who understand what it means," she says. "So, in my mind, there's currently a race to become so big that nobody can ignore you."

She continues: "By doing so, a digital currency will become the ideal partner of a central bank that does not want to spend its resources creating its own version, or it will look attractive to a well-established banking organisation. Or the currency will finally embrace the fact that it needs to address issues such as liquidity and regulatory compliance on its own. However, I strongly believe that once there is a big central bank player in that space, all the other smaller digital players will look totally irrelevant."

Ultimately, Fordham is in no doubt that current cryptocurrencies are going to look very old fashioned within a few years. "I know that's not a popular view, but I just think there will soon be a big regulated player that will finally come along and sweep them all under the carpet."

Frontline treasury

Technology may be one pain point for treasury, but what about the current economic landscape? "I think we are in for a bit of a difficult time economically – but even if there is no global recession, companies are definitely cautious," Fordham says. "If this sentiment continues in the long term then to me it only heightens the need to get treasury better understood and 'out there' as a profession."

She believes that lots of things happen in economic good times, such as the promotion of flexible working and other staff retention initiatives, as well as a willingness to invest in new technology such as AI, machine learning or a TMS. "However, in cautious times, sadly investment can get pushed to the back burner, whether that is people or systems. A recession would put many companies into survival mode."

The World Economic Forum predicts that in 2020, in purchasing power parity terms, Asian economies will become larger than the rest of the world combined for the first time since the 19th century. With the IMF suggesting a weak European economy, and with US productivity on the slide, how does this mixed bag affect a global operation like Small World? Fordham is quite bullish: "In the long term, people will always need to send money home to friends and family, and I don't see the global trend towards a more mobile workforce changing anytime soon."

Switching off

An important aspect of working in treasury for Fordham is the need to switch off – quite literally. 'Presenteeism' is a global issue, affecting many professions. In 2018, South Korea introduced an initiative forcing employees to leave work on time in an effort to halt the harmful effects of working over-long hours. "I do feel quite strongly about the right to switch off – France, for example, has enshrined it in law that employees have the right to disconnect after work," she says. "I try really hard not to read emails in the evening and at weekends, and that's particularly hard in the job that I do currently because we are in a payment services environment where the world never sleeps!"

> Even if there is no global recession, companies are definitely cautious.

She continues: "If there is a legitimate reason for being connected, that's a different thing – I have a team in New York and it's important that I'm available to them. But I must say that I really don't miss the 'face time' culture that was prevalent in banking a few years ago."

Fordham is also a firm supporter of allowing staff to take proper breaks. "You have to accept that people have the right to disappear for two weeks, firstly for reasons of personal welfare, but also because it's good risk management practice," she explains. "An interesting study a few years ago showed that all the big rogue trader incidents over the past 20 plus years have had certain common factors – one of which is that the people involved never took holidays, or if they did they could always access the company's systems. The scandals all happened within a corporate atmosphere where the attitude of 'nobody else knows how to do this but person X' was commonplace."

Musical interlude

So what does she do to switch off? "I'm a musician and love to play the saxophone, having started learning in 2010. Now I play in two or three bands in my home city of Cambridge," she says. "Sometimes it feels a bit much, as I've got three children aged 20, 18 and 14 – they now have very busy and active lives of their own, so when I'm not performing they take up a lot of my time."

Being a working parent, Fordham naturally has strong views about women in the workplace. "I think the role of women in treasury has changed over time, and I am glad to be able to say that," she says. "I used to work part-time when my children were small. It was really tough for me, both culturally and financially, but collectively I think the industry has come together and learned that we needed to challenge that."

Initiatives such as Treasury Today Asia's Women in Treasury provide essential platforms for professional women to communicate, learn from and network with one another, but Fordham argues that there is still a long way to go, especially with regard to gender pay disparity. But when all is said and done – and given her chosen pastime – one thing is clear for Fordham: if treasury can define its existence and prove its worth to senior management in this ever-changing, volatile, digitising world, it will be music to her ears.

Connecting digital islands: the future of trade finance?

With a US$1.5trn trade finance gap globally, there's a clear need to bring paper-based processes into the 21st century. In the past, efforts to digitalise trade finance have often fallen by the wayside – but could more recent technology-powered initiatives really make a difference?

Trade finance plays a vital role in facilitating global trade, both by providing trade partners with the finance needed to support growth, and by helping them mitigate trading risks. But at a global level, the availability of trade finance continues to fall well short of demand. A report published by Asian Development Bank (ADB) in September 2019, Bridging trade finance gaps through technology, estimated the global trade finance gap to be US$1.4trn-US$1.6trn, "or around 8%-10% of global goods trade."

The report states that Asia Pacific accounts for about 40% of the rejected trade finance applications worldwide. It also finds that banks are more likely to reject the proposals of SMEs due to the higher costs associated with processing those proposals – not least because of the higher costs of obtaining AML and KYC information. In addition, the high costs associated with trade finance instruments like letters of credit (LCs) can put these beyond the reach of smaller businesses.

"Trade finance is very important to achieving sustainable development goals (SDGs), which include things like economic growth and addressing poverty," comments Steven Beck, Head of Trade Finance at ADB. "Without sufficient financing to support the growth of trade, we're not going to realise a lot of the goals that we've all signed up for."

Going digital

So what are the obstacles? The ADB report cites three main challenges when it comes to providing trade finance: costly delays and errors in documentary transactions arising as a result of the continued use of paper; the need for financial institutions to conduct significant due diligence "which raises the cost of supplying trade financing", and banks' need for knowledge of their clients, resulting in hurdles for SMEs seeking finance.

The first of these three issues is a particular focus for many in the industry. As the ADB report points out, letters of credit can involve over 20 different parties and as many to ten to 20 documents, all of which need to be examined and validated.

"The primary problem with trade finance is that it is paper intensive, creating inefficiencies across the physical and financial supply chain," comments Hariramchakraborthy Janakiraman, Head of Trade Product, ANZ Institutional. "This results in increased cost, risk and reduces access to financing especially for SMEs."

It's clear that digitising these processes could play an important role in addressing the challenges associated with trade finance, and thereby enabling more businesses to access the funding they need. As Janakiraman explains, a significant portion of global trade is now transacted on open account terms. In this context, the digitisation of trade can unlock faster access to financing and reduce operational costs by enabling access to, and streamlining, the information flow between the trade financier and intermediaries such as shipping companies and the customer.

For corporates, Janakiraman says digitalisation "will eventually provide them a single standard to connect digitally with their financiers, shipping companies, suppliers and buyers." What's more, he says it will "bring traditional paper-based instruments such as letter of credit and guarantees into the modern world."

Peter Jameson, head of Asia Pacific Trade and Supply Chain Finance, Global Transaction Services at Bank of America, adds that digitalisation offers multiple benefits in addressing key challenges in this area.

"From a bank perspective, risk reduction is a major benefit," he says. "Through capabilities such as digital tracking, rule-based solutions (smart contracts/AI), automated regulatory tracking of documents and automated compliance scanning, banks have quicker access to information." As a result, he says, banks are able to make decisions faster – and most importantly, more accurately – to support their clients' trade and financing needs.

In addition, Jameson notes that digitalisation brings numerous other benefits for banks and clients, including operational efficiency, enhanced regulatory reporting and expedited transaction processing – thereby helping to bring down overall expenses and improve profit margins.

Digital islands

When it comes to bridging the gap, efforts to harness technology to streamline trade finance processes date back some time – but historically, such efforts have often fallen short of providing their desired outcome. Last year, for example, it was reported that SWIFT plans to decommission its trade services utility (TSU) in December 2020, calling into question the future of the bank payment obligation (BPO) – an irrevocable undertaking from the buyer's bank to the seller's bank to pay under agreed conditions, with data matched electronically via the TSU.

"Digitising trade is not a new phenomenon: members of the trade ecosystem have been trying to convert paper into ones and zeroes for years," says Ajay Sharma, Regional Head of Global Trade and Receivables Finance, Asia Pacific, HSBC. "The problem is that because much of the work has been done in siloes, we've ended up creating digital islands that don't speak to one another."

Likewise, the limited scope of individual initiatives may have hindered their effectiveness, as Janakiraman explains: "Prior to the past couple of years, industry participants have been attempting to digitise on their own with a focus on specific documents (eg bill of lading) or processes rather than the end-to-end supply chain. The biggest change over the last few years has been the concerted effort by various involved parties such as banks, corporates, shipping companies, government departments to digitise the entire supply chain."

Strength in numbers

This step change includes a growing focus on technologies that could finally help to bring the different parts of the puzzle together. In particular, there continues to be much discussion about the potential of blockchain/distributed ledger technology (DLT) to address challenges in trade finance.

As Sharma points out, "Blockchain can be the superconnector, or a network of networks, that links these digital islands, bringing all parties together. This will greatly reduce trade friction and vastly improve working capital for companies." He notes that a report co-authored by HSBC and Bain estimates that blockchain could increase global trade volumes by US$1.1trn by 2026, up from the current base of US$16trn.

Janakiraman observes that blockchain "brings a real opportunity to digitise trust in the trade finance industry." In particular, he says that private blockchain technology offers the unique capability of being able to bring non-trusting parties into a common platform to transact, "while maintaining confidentiality."

This isn't just talk – there are already numerous examples of blockchain-based solutions that address the pain points in trade finance. One area of focus is letters of credit: according to Sharma, issuing LCs can take five to ten days using a paper-based process – but with blockchain, an LC can be issued in as little as a few hours. "Put simply, when we remove paper, more trade can be done in the same amount of time," he says.

Sharma adds that HSBC has already completed 14 blockchain letter of credit transactions, and is working with clients "to either continue or begin their blockchain journeys." He adds that once clients are familiar with how easy it is to integrate blockchain into their systems, "we'll be able to move onto full commercialisation."

Ones to watch

There are plenty of initiatives to watch – and many of these are characterised by high levels of collaboration across different players within the industry. While not an exhaustive list, the following initiatives are making waves in this space:

- **Marco Polo: facilitating interactions.** Jointly run by TradeIX and R3, the Marco Polo Network aims to "facilitate interactions and create value for all its participants including financial institutions, their corporate clients, and the broader trade ecosystem." In December, the network successfully completed a blockchain open account trade finance trial which incorporated more than 70 organisations.

- **ICC TradeFlow: streamlining paper-based processes.** DBS and Swiss commodities trader Trafigura announced in November that they have plans to launch a blockchain trade platform in Singapore, the ICC TradeFlow platform. The platform is expected to halve document transit time.

- **Lygon: speeding up bank guarantees.** An Australian platform spearheaded by ANZ, Westpac and the Commonwealth Bank with IBM, Lygon allows for the digitisation of bank guarantees – speeding up the issuance of bank guarantees from up to a month to on or around the same day. The platform has recently concluded a successful pilot and is preparing for commercialisation in mid-2020.

- **The Trade Information Network: sharing information securely.** Janakiraman says the Trade Information Network "is a global innovative platform that enables corporates to securely share trade information with banks of their choice and therefore get access to more financing opportunities. The platform aims to be the inclusive industry standard network for multi-bank trade finance and is about to start its pilot, with commercialisation expected in 2020 as well."

- **Networked Trade Platform (NTP) and eTradeConnect: digitising trade data.** Led by the Singapore and Hong Kong regulators respectively, NTP and eTradeConnect aim to "digitise trade data and become one-stop trade information ecosystems," Janakiraman explains. NTP

already has over 2,000 customers after going live in December 2017; eTradeConnect went live in October 2018 and is set for commercial transactions this year.

- **Voltron: providing an end-to-end solution.** An open platform for documentary trade built on by R3's Corda blockchain platform, Voltron aims to "improve the trade finance process by simplifying letters of credit, delivering shorter settlement times, instant discrepancy resolution and simplified sanctions screening." In May 2019, more than 50 banks and corporates took part in a simulation of digital LC transactions.
- **we.trade: supporting collaboration.** Built by IBM, we.trade supports collaboration between businesses and banks in Europe. In 2018, we.trade announced it was collaborating with eTradeConnect to facilitate cross-border trade and pave the way for a "digitised corridor between Asia and Europe for trade finance business."

Blockchain and beyond

While there are numerous blockchain-based initiatives under way, it's also worth noting that there's more to digitalisation than blockchain/DLT. ADB's Beck says that the bank is currently engaging with a blockchain pilot on Voltron, adding that it's important to be in tune with blockchain and the possibilities it brings – but he also points out that the hype around this topic has led to some "unrealistic expectations" about the current state of play with this technology and what it can deliver.

In addition, Beck comments that in the last year, the focus on blockchain has been somewhat overtaken by enthusiasm for artificial intelligence (AI). "I think if you ask most people in the market today, they would agree that AI has really taken the number one spot in terms of people's imagination around what it can deliver to make us more efficient," he says. "I think certainly in the AML, KYC, CFT space, the ability of AI to pick up patterns on a huge volume of transactions, in a way that human beings just can't, is very exciting."

In April 2019, for example, Citi announced it was working with EY and SAS to develop an AI-based risk analytics scoring engine. According to a press release, the platform will provide in-depth analysis of global trade transactions and will harness advanced analytics and natural language processing "to better understand networks of related parties, unstructured data and customer activity over time".

Overcoming the barriers to technology

From blockchain to AI, it's clear that there are plenty of promising initiatives that could play a role in overcoming the challenges that have long been associated with trade finance. But before the full benefits of digitalisation can be achieved, there are also a number of obstacles that will need to be overcome.

Beck says that the "raison d'etre" of ADB's trade finance business is to close the trade finance gap – and that the development bank recognises the essential role that technology plays in addressing challenges around AML and CFT. However, he says that three things will be needed before we can achieve these goals through technology:

1. **Regulation**. The first challenge that Beck highlights is the regulatory environment around digital trade. "Some countries, for example, don't have any legislative grounding for something as basic as digital bills of lading," he says. "We're never going to be able to seriously move the needle until we've got the proper regulatory frameworks in place that can enable this stuff to take off." As such, he says it's important that governments adopt the Model Law on Electronic Transferable Records created in 2017 by the United Nations Commission on International Trade Law (UNCITRAL).
2. **Legal Entity Identifiers.** The second issue that Beck highlights is the role that the Legal Entity Identifier (LEI) could play in addressing challenges around AML and KYC. "In 2010, G20 mandated the Financial Stability Board to create a globally harmonised LEI – an eight-digit number linked to verification of who's who, who owns whom, and (coming soon) who owns what," he explains. "I think until we have a harmonised identifier system that's fully adopted globally, it's going to be really tough to address a lot of the problems in AML, KYC and CFT."

   In addition, Beck says that the LEI can play an important role in helping financial institutions make the best use of metadata and thereby boost lending to SMEs. "If you've got a lot of companies trading on systems and platforms, and able to collect an ocean of information, you need a unique identifier so that you can find the equivalent of a grain of sand – in this case, an SME."
3. **Digital standards.** With many proofs of concept and blockchain pilots already under way, Beck argues that these are "totally disjointed – there's no interoperability between these different platforms." To bring these together, he says, digital standard protocols are needed that can drive interoperability and interconnectedness. "We're therefore working with the government of Singapore to start an entity called the Digital Standards Initiative," he explains. "We expect it to be up and running in 2020, and we're asking the International Chamber of Commerce to run it because they can bring together all the different components of the trade ecosystem."

   Beck says that this will enable seamless digital trade between these different parties. "In other words, you'll have the exporter being able to communicate with the shipping company, ports, customers, banks, insurance, warehousing and logistics, as well as with the buyer, so that each of the data elements for each of those component parts are captured. That would drive incredible efficiencies in trade, while lowering barriers for SMEs."

Beck hopes that these initiatives will facilitate the use of technology to overcome long-standing challenges in trade finance and thereby address the trade finance gap. However, he also acknowledges that achieving all these goals is a major undertaking. "One of our biggest challenges is to break this down into manageable bite sizes, so we can establish reasonable measurable milestones," he says.

At the same time, Beck notes that geopolitical factors are driving economies toward decoupling. "We've got a lot of forces moving in that direction, both intentionally and unintentionally," he concludes. "Our Digital Standards Initiative works to keep the world connected into the future. Let's hope it works. There's a lot at stake."

Effective commodity risk management in a volatile economic climate

Commodity prices can be subject to extreme volatility – as has been demonstrated in recent years. As a result, managing commodity risk has become an increasingly important area of responsibility for many corporate treasuries across different sectors. In the current economic climate, where security, liquidity and efficiency are key, having an effective commodity risk management framework in place is essential.

Commodity prices are often characterised by a high degree of volatility, and any fluctuation in the price of a commodity has the potential to affect a business's production costs, its pricing and its earnings – not to mention the availability of credit.

There are a number of inherent risks for any business operating in today's commodity markets. For both producers and consumers, the most important is price risk – the uncertainty which surrounds future commodity prices.

Recent research by United Nations Conference on Trade and Development (UNCTAD) found that, between September 2008 and September 2018, the average spot price of Brent crude oil fluctuated between US$125 and US$31 per barrel. In the same period, the average monthly price of copper at the London Metal Exchange fluctuated between US$9,900 and US$3,000 per ton.

Price isn't the only risk associated with commodities. Agricultural yields, for example, are subject to production risk, whilst the delivery of commodities from producers to traders, and then on to consumers, is associated with transportation risk. Throw in counterparty risk of a supplier's creditworthiness, currency risk and climate-related risk, and the task of managing commodity risk is anything but straightforward.

"The impact that this can have can be very dramatic – particularly in terms of credit risk," says Ian Tobin, Head of Credit Risk at Brady plc. "Apart from settlement risk, the real concern is replacement cost – the loss associated with replacing the transaction with another counterparty at a worse price if the original counterpart defaults."

Any volatility in commodity prices means that it is essential for any business reliant on a specific product to manage the impact of potential price fluctuations across its entire value chain. Having an effective commodity risk management process in place is therefore the only way for a business to manage both its financial performance and its overall profitability.

FX and commodity risk

But commodity price volatility can impact different businesses in different ways, depending on where they lie on the value chain. A UK airline dependent on the daily price of oil, for example, could be more impacted than a business in the same country that produces products reliant on commodities which aren't typically as volatile, such as wheat or sugar.

This is because there is an underlying link between commodity and FX price risk. As the US dollar is the worldwide pricing mechanism for most raw materials, any changes in the dollar's value against any other currencies often translates into buying or selling pressure in commodity prices.

Should the price of a commodity fall, it could decrease sales revenue for producers. This, in turn, will impact profitability, and production levels may be altered in response to lower prices. For businesses that consume such a commodity, this could potentially increase profitability and thereby increase the value of the business.

On the other hand, if the price of a specific commodity rises, it will increase the sales revenue for producers, thereby increasing the value of the business. As producers start to see the benefits of the price increase, competition in the space may intensify as new entrants seek to take advantage of the higher prices. Furthermore, the profitability of consumers of the commodity could reduce, which could potentially have a negative impact on the value of the business.

For David Daniels, Group Treasurer at National Express, commodity risk and FX risk can be managed separately or together – it all depends on a number of factors such as organisation policy, the size of exposure to a commodity and the capability of the organisation.

"You can hedge your commodity risk in USD and enter into a separate contract to cover resulting transactional FX exposure – which may result in double spread," he says. "Any organisation should have systems and processes in place to identify other activities which can also offset the exposures."

Yet for David Stebbings, Director, Treasury Advisory at PwC, there remains an inherent problem in the management of both commodity risk and FX risk, in that in the past they may have typically been managed independently within many organisations. But this is changing. "Previously, the price of a commodity was typically a procurement issue rather than one for treasury except in the most obvious cases such as airlines. Treasury may previously have only hedged the FX risk, but now they are getting much more involved in commodity price hedging decisions," he says.

However, he notes that this has brought internal challenges for some organisations. "Some procurement departments believe that price is their domain because treasury may not understand the key determinants of price such as the quality of the commodity – particularly soft commodities such as corn or grain," Stebbings says.

"What treasury must do is work with procurement to determine a strategy as to what and how to hedge and which financial instruments to use. A lot of companies have struggled with commodity risk, simply because they do not have a strategy in place that is joined up between procurement and treasury."

Commodity hedging instruments

There are various financial instruments that can be used to manage commodity risk. Known as derivatives, these instruments include futures, forward contracts, options and swaps. Over the past few years their complexity has steadily increased. The main ones used in this arena are:

Commodity futures

Futures are essentially contracts to buy or sell a commodity at a specified future date. They are typically cash settled and rarely end in physical delivery. Futures are not typically contracts between producers or buyers looking to hedge price risk, but are used more by investors from outside the commodity space who aim to make a profit from movements in commodity price volatility. They are traded on numerous exchanges across the world, such as the London Metal Exchange (LME) and the Chicago Mercantile Exchange (CME).

Forward contracts

Although forward contracts share many similarities with commodity futures, the main difference is that they are not traded on exchanges, but are traded 'over the counter' (OTC) – in other words, negotiated between two parties. With no clearing house involved, forward contracts carry the risk of default by one of the contract parties. Unlike commodity futures, forward contracts are often used by physical commodity traders to hedge price risk.

Options

As the name suggests, options are instruments which give buyers the option of buying or selling a commodity at a designated price until a designated date. Traded on both exchanges and the OTC market, the buyer pays the counterparty a premium for the right to buy or sell the underlying commodity.

Commodity swaps

This is a contract where two parties agree to exchange cash flows which are dependent on the price of an underlying commodity. They are typically used by commodity consumers and traded OTC in order to lock in commodity prices over the medium to long term.

For an airline company, for example, a commodity swap would allow it to hedge the risk of rising oil prices. Should the price of oil rise beyond the pre-specified price, then the company would receive payment equivalent to the price difference.

"The management of commodity exposure using any of these instruments would largely be dependent on the company risk

"Don't go about it the wrong way"

Andy Hartree, Senior Adviser at Gneiss Energy, believes that too many treasurers go about managing commodity risk in the wrong way. He explains:

"The corporate treasurer is in no better position than anybody else in trying to anticipate commodity price movements.

"What I have seen in over 20 years of watching people trying to anticipate market fluctuations is that far too many of them don't follow the first golden rule in managing commodity risk: focus on your business. Treasurers need to look at the business and think:

- What are the objectives of my business?
- How do potential market movements threaten my ability to achieve my objectives?
- How do I mitigate those threats?

"Once treasury has identified what puts the business at risk, it's vital to analyse how big a particular commodity risk is: whether it's existential, or whether it is just a mild irritant. Only then can treasurers judge it accordingly and come up with ways of how best to manage it.

"It is far too common to find companies that almost go around managing commodity risk the wrong way. They start with a 'we need to do some hedging' attitude, and don't come at it from actually working out what they are trying to achieve with the hedging process – proving the adage that 'hedging is not risk management!' Only if you do the work to understand the impact of price (or any risk factor) on your business, can you devise a risk management strategy with clear objectives. Then, when you hedge as part of that policy, you can objectively assess the effectiveness of your actions to achieve those objectives."

The insurance benefit

Commodity price risk insurance can be a useful tool in the treasurer's armoury.

For Keith Flury, Chief Analyst at Stable, which is a price insurance company for food and farming businesses dealing in commodities, price risk insurance is a no-brainer. "What we do at Stable is offer a more democratic way to deal with commodity price risk," he says. "We offer a product that can give treasurers piece of mind and offer a risk management tool for a commodity price, be it anything from eggs to walnuts."

What Stable aims to do is allow treasury to peg a price risk to a specific index – anything from those published by the US Department of Agriculture (USDA), to an egg index offered by a local municipality in the Netherlands or a grain index offered by a price reporting service such as Reuters or Bloomberg.

Because these indexes give a very good indication of local regional prices, and often do so in a local currency, treasury has the opportunity to take out a price insurance policy to put a limit on exposure to price risk. "If you were a buyer of walnuts in the UK or the US for example, commodity price risk insurance can resolve worries such as a major drought, weather issues or geopolitical tensions," says Flury.

management policy and would vary by sector," says Daniels. "A major oil producer might use options to reduce earning volatilities, while end users like airlines might use a swap to hedge the risk of rising fuel and fix procurement costs."

There are a number of benefits of hedging commodity price risk, and top of the pile are the cash flow benefits it brings, because when commodity prices fluctuate, so does a business's cash flow. The task of forecasting and protecting future cash flows is therefore paramount. Any difficulty in liquidity means that a business may have to undertake a short-term financing arrangement to deal with the deficit, and this could impact the bottom line.

In essence, hedging can shield a business from any volatile price movement, whilst stabilising cash flow volatility through offsetting the risk.

Measure for peace of mind

Aligning any hedging strategy with the overall business strategy requires ongoing and close cooperation with senior management. Communication and integration of hedging is crucial, and doing so will improve the business's ability to respond to changes in commodity prices, whilst ensuring a shared sense of responsibility for results.

However, businesses should not be complacent. "A business should be able to identify their exposure to commodity risk before being able to reasonably measure the risk," says Daniels. "This requires a holistic review of operations and key business areas that are impacted by commodity price movements – and this is a good place to start. A business must also have tools to provide appropriate and timely data in order to measure the risk."

For Andy Hartree, Senior Adviser at Gneiss Energy, the first step in this analytical framework should be to embed commodity price projections. In doing this, there are two important elements: first, to make objective price assumptions. The only thing we all know about price forecasts is that they will always be wrong, but more seriously, they are inevitably biased. This raises the risk that not all scenarios are properly considered. Secondly, the business should be reviewed across a price range. By using even a simple model based on an objective understanding of how prices move (regardless of market drivers), this can throw enormous light on a business's sensitivity to different price environments. And this leads to a much better understanding of the business's real exposure to commodity price. Then you can devise an appropriate strategy to mitigate that exposure.

Hartree says that the second step is to work closely with senior management to agree risk management policy. Treasurers are in a key position, because they 'have all the right information to be able to do the analysis at their fingertips'. "They can say to the board 'this is what the risk profile looks like' and make a sensible policy proposal about how commodity price risk should be managed," he says. "The more self-evidently aligned that policy proposal is with the core business objectives, the easier it becomes to secure the all-important senior management buy-in – because it will be obvious it is what needs to be done."

Brady plc's Tobin, agrees – but adds that managing commodity risk comes down to not only having effective tools that can predict future commodity prices, but being able to react faster to adverse credit events and mitigate exposure increases.

For example, if a ratings agency issues an outlook that is deteriorating for a particular counterparty, the credit team can quickly place trading restrictions or request some form of credit mitigation, such as a letter of credit or guarantee. "This means that traders will instantly know what the restrictions are for this particular counterparty," says Tobin. "It's really about speed when it comes to reacting to market events."

Align to thrive

Regardless of how a business chooses to manage commodity risk, tackling this area successfully can be a significant game changer when it comes to maximising business performance for those that are involved in trading commodities. Companies involved in this ever-changing marketplace, particularly within consumer and industrial products, have to be active in their management of risk.

When it comes to managing commodity risk, one thing is clear – it is imperative to align all areas of the business, from the board to finance, and from treasury to procurement. Only then can commodity risk be successfully managed.

The art of the interview

"How can you interview effectively for a role in treasury?"

Laura White
Operations Director
The Treasury Recruitment Company

The art of delivering a successful interview lies in the power of the questions. So, developing your questioning skills is absolutely critical to becoming a successful interviewer. One of the best questioning techniques is the funnel technique – you start by gathering broad amounts of information and then filter down to more specific details.

Introduction

This is key to setting the standards of the interview, what you want to get out of it, and putting the candidate at ease.

Career history and experience

This is where the bulk of the interview should be focused. This is your opportunity to establish as much information as you can about the suitability of the candidate for your role.

Aspirations and goals

It is assumed, based on the very fact that the applicant is there at the interview, that the role is what they're looking for. But by making that assumption, many bad hiring decisions can be made. Asking the right probing questions will enable you to see if there are any shortfalls here or how genuinely suitable the candidate is for the role.

Search status

The next stage is information gathering around the applicant's search so far. This section is often missed by interviewers, but it allows you to identify which individuals are at risk of being offered roles elsewhere, or counter-offers from their existing employer.

Personal details

This section focuses on the specific details around current salaries, benefits packages and notice periods, as well as additional information which may impact hiring decisions or processes.

Job brief and sell

In many cases, interviewers opt to start the interview by giving the applicant an overview of the role they're recruiting and what they're looking for. The debate here though is, how can you sell the specific aspects of the role that are relevant to that applicant, before you know what they are looking for?

Next steps

The final stage is what you do after the applicant leaves the building. It is very easy to focus your follow-up efforts only on candidates that you're interested in. You never know when your paths may cross again. You don't know who that person knows. Treat them how you would expect to be treated yourself, always provide feedback from the interview and follow up when you say you will.

Gary De Guzman
Director
Pure Search International

The process behind interviewing candidates for treasury roles is largely the same as for other areas. Being able to balance structured and technical questions alongside unstructured, more personal questions makes for a good interview and enables an interviewer to really assess and understand the individual.

For the structured side of the discussion introduce the company, the structure of the team, its culture, how things are run, the expectations of the role – really give the candidate a sense of what life will be like in the role. They will need to understand what the role requires and what skillset is needed to be successful. The structured part of the interview is a good opportunity to probe the suitability of the candidate's technical skills.

Although structured, technical questions are expected, it's always advisable to be mindful of ensuring the discussion doesn't become robotic or one dimensional.

The less structured parts of the discussion can punctuate the necessary questions and start to build a more natural flow to the discussion. It's a great opportunity to inject some personality into the interview and equally to find out more about the individual's personality rather than only their skill set. This allows you to establish whether they'd be a good cultural fit for the team and the business as a whole. Take this opportunity to make a positive impression to a future team member as the overall candidate experience will continue to increase in importance.

The order of having unstructured and structured interviewing techniques depends on the style of the interviewer. Every interview is a two-way street and the interviewer is not the only one deciding if it is worthwhile to continue with the interviewing process given the interviewee will be assessing this as well.

Although obvious, it's important to be mindful of unconscious bias when interviewing. Focusing on the individual and on their professional relevancy for the position is key. Asking the questions that can assess a candidate's suitability and technical skills that can then be contextualised against others

will allow for a fair and honest assessment of who best fits the requirements of the role.

For candidates, the best advice is to be well prepared and to stay positive. If you have been presented for an opportunity via a headhunter, utilise them. They will be a great source of information about the hiring manager, the culture of the team, the company in general and the skill set required for that particular role.

Praveen Juyal
Treasury Manager
Amway India

Many people say that treasury is the heart of finance, but I feel that if finance is 'hardware' then treasury is 'software'. Without software, hardware is of no use. Accordingly, without proper treasury personnel, finance cannot succeed.

Making sure the right person is managing treasury is the responsibility of the person who hires for that position. So, based on my personal experience, the questions you should be asking are dependent on the way you ask them, and your understanding of that question: asking is an art.

Generally, there are two types of questions we ask at interview. One is structured and the other is unstructured.

- Structured questions are the questions which can be answered in a specific way, such as yes, no, true, false, know, don't know.
- Unstructured questions are questions which can be adapted to suit the interviewee. It is a spontaneous conversation without a pre-determined set of questions. Asking questions based on the previous answer is the approach in this method.

I personally feel, a mix of structured and non-structured questions are required to know about the candidate. Again they are two sides of a coin and both are equally important.

Let's start with:

Introduction

This is a way to get to know the candidate. This is an old technique, but 'old is gold'. Ask lots of questions so that the candidate feels comfortable. The questions may be both structured and non-structured.

Previous experience

This is an area which has the potential to generate a lot of questions. In other words, the more you explore this area, the better you will know the candidate.

Thinking ability

Ask 'out of the box' questions. Keep the candidate going and you will learn their thinking ability – a core part of treasury.

Analytical skills

The candidate for this role should be good at analytics. Questions on forecasting, collections, payments and reconciliations can be asked. This will lead you to understand their micro knowledge of the work.

Projects handled

It's important to know the assignments handled by the candidate in their previous organisation. It can help you to understand their work-handling capacity.

Risk-handling capacity

It is an important part of the treasury profile. There are a lot of risks we manage on a daily basis. It may be the requirement of working capital, the fund flow management, hedging, interest rates, surplus funds and so on. So, the questions should be framed around this.

Future aspirations

It is important to know the candidate's future goals. If they say "I want to work with this organisation for a long time", then immediately you can check their previous experience and how long they have been working with their present organisation. It can be a tricky question for the candidate.

Feedback

This is the final stage of the overall process. Tell them what you felt about their performance during the interview, and if possible, give some suggestions on how they can improve. At the same time, give them time for queries/questions arising from the interview. Accurate feedback comes from taking notes so make sure whenever you are interviewing, have pen and paper to hand and use them!

The progress of every interview is dependent on the candidate's nature. Each of us is different, so the same pattern of interview cannot be followed for all for it to be truly effective. And I can guarantee no one can fully understand a person in a few hours; you need to spend more time with them.

Finally, these steps are just an indication of how to conduct the interview based on my own personal experience.

Next question:

"Does the move to digitisation cause more problems than solutions?"

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

Accessible technology

Treasurers have too long been caught between tight budgets prohibiting buying systems and minimal resources prohibiting building solutions. So it is heartening to hear concrete case studies of treasurers using accessible technology to solve core challenges such as cash flow visibility.

Expensive bloat

Despite the current generation of software as a service (SaaS) treasury management and speedy implementation, it can be hard for small treasuries to build a business case for acquiring a treasury management system (TMS), especially if they plan only to use a subset of features – as would be the case if the problem to be solved is cash visibility, for example.

Old fashioned installed TMSs can cost millions to acquire, the same again to implement, and 20% per annum to maintain. Current generation SaaS systems charge per user per month which is often easier to cover with tight treasury budgets.

Internal costs – ie how much treasury staff time is required to implement – can also be an unacceptable drain on thin resources. So it helps that SaaS TMSs are often implemented in weeks, instead of months and even years for traditional systems.

Narrowing the scope

Cash visibility is a good example of a specific tactical need for which a full treasury management system may be overkill. Another alternative is to use bank connectivity vendors such as TIS and Fides. And, of course, many treasuries use SWIFT to connect with their banks. For treasuries that have the connectivity in place or distributed, and who want to integrate flow data from internal systems, data warehouse and business intelligence tools like Power-BI can be an attractive alternative.

(To be fair, some of the SaaS providers are successfully selling their solutions as cash visibility tools, leveraging their expertise in bank connectivity. SaaS TMSs normally include bank connectivity 'in the box' ie implemented in the cloud so users do not have to do the work.)

Business intelligence

Business intelligence platforms such as Power-BI allow treasurers to integrate cash visibility data in the way they want and to distribute it across authorised colleagues with ease. They are designed for users rather than IT professionals, which means treasurers who are comfortable with Excel can generally create the solutions they want.

As a bonus Power-BI specifically is "free" – it is included in Microsoft Office for which most treasurers are licenced.

(Though, as I found to my disappointment, it is not available for MacOS – I suppose Microsoft does not expect financial types to be using Apple kit.)

It has been heartening to hear several case studies recently of treasuries building their own cash visibility solutions as well as related solutions for cash flow forecasting.

Getting the data right

Although Power-BI is most recognisable as a data visualisation tool, it also has powerful and easy-to-use data integration capabilities. One case study involved automating the collection of bank statements delivered to a specified folder and then processing them into a common homogenised database.

Treasurers were able to import flat file formats like comma separated values (CSV, which is how Excel exports data for consumption by text-based software), MT490 (SWIFT's legacy format), and BAI (an old American flat file format). This means that, so long as the bank statement download is automated, the aggregation and homogenisation of data can also be automated.

Under the covers, and offering greater flexibility when needed, Microsoft uses the M engine and language to import data and DAX to manipulate data once it is in the Tabular database.

Once the data is imported into a consistent database, different users can view and query the data in any way that helps them – so long as they have appropriate access rights of course. We used to call these data warehouses but now they seem to be data lakes and even data oceans. No doubt we will also move on from data cubes to data multiverses sometime soon.

Self-service and live presentations

"Everybody hates PowerPoint" – right? Especially the poor souls who have to build the daily treasury reporting package with an epic struggle of dodgy formulae and copy-pasting.

Power-BI and its ilk obviate the pain of PowerPoint. People who need the data self-serve – they connect to the data and slice and dice as they wish, within the constraints of their access rights of course.

Presentations become dynamic rather then static. If someone asks the presenter a question, they can drill down into or re-format the data on the fly to find answers, rather than scrolling to slide number 345 or saying, "I will have to get back to you on that (with another deck!)". This creates a spirit of enquiry that makes for much more interesting meetings.

Excel killer

While Excel is great for experimenting with numbers, it should never be used for operation processes (like regular reporting). It cannot handle large data sets, it cannot connect data, it has no audit trail and no access control.

The nature of copy-pasting data into Excel and then relying on fragile links and formulae to massage the data is extremely error prone and therefore very dangerous for treasury processes.

Power-BI and its ilk are built to handle large data sets, to keep them secure, and to connect them.

Further, whereas Excel produces generally static output (except for pivot table whizzes), Power-BI visualisation is intrinsically dynamic – not just pivot tables made fast and easy but also visual rather than tabular.

Power-BI is capable of much more sophisticated and attractive charts than Excel and has built-in time series 'intelligence'. Rather than emailing Excel files, Power-BI analytics are published on the cloud and automatically remain live as data changes.

Of course, such published analyses are intrinsically multi-user and provide an ideal platform for collaboration.

Conclusion

Business intelligence tools are finally heralding the post-Excel era in treasury, and opening up a wide user-driven solution space. Change has been slow in coming but this is starting to have a meaningful impact on treasury productivity.

David Blair, Managing Director

Twenty-five years of management and treasury experience in global companies. David Blair has extensive experience managing global and diverse treasury teams, as well as playing a leading role in eCommerce 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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WHY TREASURERS
SHOULD GET DATA-SAVVY

Corporate treasurers should be more than tech-savvy, they should become data-savvy. Building a data strategy should now be part of the plan. Here's why and how.

Big data has become big business. It's also a big headache. With the already staggering rate of data production (we create 2.5 quintillion bytes of data a day) predicted to grow exponentially, data intelligence is becoming more important than ever.

The treasury function has long been both risk-averse and under-invested. It has traditionally been seen as a cost, rather than a potential profit, or even strategic centre. However, says Jane Turner, Chief Strategy Officer at real-time treasury management fintech, Centtrip, with the ever-expanding burden of regulatory compliance, increasing complexity of treasury operations, and growing focus on liquidity management and predictive capabilities, corporate treasury teams are finding themselves in catch-up mode.

"After some initial reservation about the security and robustness of new technological solutions, many treasurers are seeing their businesses transformed by digital innovation," she states. "However, it's no longer sufficient to just be tech-savvy, they must also become data-savvy."

New tech

Digital innovation across businesses and functions is only set to continue, and data generated in these systems will help drive operational efficiencies. This could put the treasury function back on the map, says Turner.

Big data analytics systems, cloud computing, new AI and machine learning tools and technologies such as robotic process automation (RPA) are some of the latest solutions developed to ensure unified and secure access to data.

Perhaps more importantly, these tools are also designed to automate data collection, processing and analysis with the aim of helping corporate treasurers to make informed decisions and to drive business efficiencies at a number of levels.

It is essential for treasurers to understand that harnessing data can not only help their companies learn, grow and improve, but that it can also enable the idea of 'real-time' treasury. This concept is becoming increasingly important in today's fast-paced business environment. But how should treasury – as a traditionally, but necessarily, conservative function – address the onslaught of fintech, and benefit from it?

Data strategy

Change takes time and companies without a data strategy in place yet should probably start devising one now, advises Turner. A recent report commissioned by Deutsche Bank suggests that only 53% of 300 senior corporate treasury executives surveyed had a well-defined data strategy in place. Evidently there is still plenty to be done in this area.

For those with a successful strategy, shifting to real-time treasury is a natural and achievable goal, Turner believes. However, she adds that many are not prepared for such a change and have yet to become data intelligent.

"These changes require a new breed of treasurer who knows how to get the best out of emerging technologies and the mountain of data at their fingertips," she counsels. "Understanding and translating data, to create better products, provide better services, and produce more in-depth insights, are becoming essential elements in the new treasurer's toolkit." Those that rise to the challenge "will be ever-more in demand as everything from Brexit to trade tensions buffets the global economy".

The reason is simple. Access to accurate data on payments and other transactions helps treasury functions have a clear view of their cash positions in different parts of the business, and better forecast cash flows. It can also help mitigate FX risk exposure, and even assist in predicting liquidity and foreign exchange or hedging requirements.

INSIGHT & ANALYSIS

Differences in the Asian markets

Despite global tensions, growth in the Asia Pacific region is forecast to remain strong in the decade ahead. However, there are marked differences in terms of regulations, market practices, languages and currencies. What are the pros and cons of Asian diversity?

REGIONAL FOCUS

The Middle East behemoth

The Gulf Cooperation Council (GCC) is a political and economic union of Arab states bordering the Gulf. Home to some of the fastest growing economies in the world, what should treasurers know about this region?

BACK TO BASICS

Forming the perfect partnership

Banks are necessary partners for treasurers, so it is important that both sides take a proactive stance in building strong relationships. However, sometimes things can go wrong. How can banks and treasury work together to form the perfect partnership?

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

Christopher Emslie, Asia Regional Treasurer, General Mills; Mark Evans, Managing Director, Transaction Banking, ANZ Institutional; Faisal Ameen, Head of Asia Pacific Global Transaction Services, Bank of America; Kjel Christiansen, Managing Director, Americas and APAC, Taulia; Gaurav Jain, Senior Manager, Treasury Advisory Services, Deloitte Southeast Asia; Aidan Shevlin, CFA, Head of Asia Pacific Liquidity Management, J.P. Morgan Asset Management; Andy Chang, CFA, Credit Analyst, Asia Pacific Liquidity Management, J.P. Morgan Asset Management; Marcus Hughes, Director of Business Development, Bottomline; Karin Flinspach, European Regional Head of Transaction Banking, Standard Chartered; Shahrokh Moinian, Head of Wholesale Payments – EMEA, J.P. Morgan; Laurie Chesne, Green and Sustainable Assets Originator, Natixis; Axel Wallin, Head of Sustainability, SBAB; Emily Weng, Global Fixed Income Responsible Investing, BlackRock; Julia Fordham, Group Head of Treasury, Small World Financial Services; Steven Beck, Head of Trade Finance, ADB; Hariramchakraborthy Janakiraman, Head of Trade Product, ANZ Institutional; Ajay Sharma, Regional Head of Global Trade and Receivables Finance, Asia Pacific, HSBC; Ian Tobin, Head of Credit Risk, Brady PLC; David Daniels, Group Treasurer, National Express; David Stebbings, Director, Treasury Advisory, PwC; Keith Flury, Chief Analyst, Stable; Andy Hartree, Senior Adviser, Gneiss Energy; David Blair, Managing Director, Acarate Consulting; Laura White, Operations Director, The Treasury Recruitment Company; Gary De Guzman, Director, Pure Search International; Praveen Juyal, Treasury Manager, Amway India; Mark Lewis, Corporate Treasury Product Manager, Bloomberg; Jane Turner, Chief Strategy Officer, Centtrip.

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