May/June 2020

treasurytoday ASIA

research | insight | analysis

Regional treasury centres in Asia

With Asia being the fastest growing economic region in the world, it's an obvious choice for many as a location for a regional treasury centre.

The Corporate View

Siang Chee Chew

Head of Treasury

JERA Global Markets

Community Voices

How one life sciences firm is keeping cool amidst the COVID-19 lockdown.

Country Focus

Mauritius: a fusion of African and Asian heritage, is it more than just a tax haven?

Technology

Remote working: the new normal?

Back to Basics

Share buybacks vs dividends

STAY CONNECTED

Join your peers in receiving the latest industry intelligence direct to your inbox weekly.

Subscribe now:
insights@treasurytoday.com

treasurytoday.com

treasurytoday.com
Volume 8/Issue 3
May/June 2020

Publishers
Sophie Jackson & Meg Coates
EA to the Publishers
Sarah Arter
Chief Financial Officer
John Nicholas
Editorial
Tom Alford
Editorial Assistant
Susie Scott
Head of Production & Client Delivery
Samantha Collings
Global Head of Events
Lisa Bigley
Circulation Manager
Sophie Friend
Digital Content Manager
Joanna Smith-Burchnell
Senior Designer
Dawn Ingram

Founder & Director
Angela Berry
Chair
Richard Parkinson

Switchboard	+44 (0)13 0462 9000
Publishing	+44 (0)13 0462 9005
	+44 (0)79 4665 6656
Memberships	+44 (0)13 0462 9013
Advertising	+44 (0)13 0462 9018
Editorial	+44 (0)13 0462 9003
Production	+44 (0)13 0462 9019

Annual Membership Rate £285
memberservices@treasurytoday.com

© Treasury Today ISSN 2053-9398

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

The entire content of this publication is protected by copyright. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means mechanical, electronic, photocopying, recording or otherwise, without the prior written consent of the copyright holders. Every effort has been made to ensure the accuracy of the information contained in this publication, Treasury Today Limited cannot accept liability for inaccuracies that may occur. Where opinion is expressed it is that of the authors and does not necessarily coincide with the editorial views of the publisher or Treasury Today. All information in this magazine is verified to the best of the author's and the publisher's ability. However, Treasury Today does not accept responsibility for any loss arising from reliance on it. No statement is to be considered as a recommendation or solicitation to buy or sell securities or other instruments, or to provide investment, tax or legal advice. Readers should be aware that this publication is not intended to replace the need to obtain professional advice in relation to any topic discussed.

Challenges continue

Five months into 2020, the world continues to face a crisis no one could have foreseen. Since the last issue of Treasury Today Asia, the epicentre of the COVID-19 pandemic has moved from China to Europe, and then to the United States, with millions of people and businesses affected. While the Wuhan lockdown has been lifted, and several countries in Asia Pacific are beginning to focus on rebooting their economies, considerable challenges lie ahead.

For many treasurers, one of the most immediate challenges brought by the pandemic has been the need to adjust rapidly to a working from home model. While many companies already offered flexible working patterns to their employees, other have had to transition overnight to a completely different method of working. In this issue's Technology article, we take a look at the benefits of working remotely, as well as exploring the challenges that the 'new normal' has brought for treasurers. We also discuss the role that different technologies can play in smoothing the transition from working in the office to working from home.

Treasurers will know all too well that robust liquidity management is particularly critical during a crisis. In The Corporate View, Siang Chee Chew, Head of Treasury at JERA Global Markets, explains how the lessons he learned about the need for strong liquidity management during the 2008 global financial crisis have resonated throughout his career. He also delves into the challenges faced by treasurers as their roles continue to evolve, as well as the potential application of technologies such as blockchain in supporting trade.

Turning to geographical considerations, when companies seek to centralise their Asia Pacific treasury activities via a regional treasury centre, it's essential to choose the location that best fits the company's business needs. In Insight & Analysis we review the options available to companies facing just that decision, from frequently cited locations like Singapore and Hong Kong to other markets which may also offer attractive tax incentives and benefits, such as Thailand and Malaysia. Industry experts review the options available and explain what factors companies need to consider when making a decision.

Last but not least, this issue's Country Focus article takes a look at the island nation of Mauritius, from its varied history over the last 500 years to its banking landscape. The article also discusses some of the factors that treasurers need to bear in mind when managing cash in Mauritius.

IN THIS ISSUE

INSIGHT & ANALYSIS 4

Regional treasury centres in Asia

Regional treasury centres are a useful structure for treasurers, but where should they be set up? We explore the options available in Asia.

ADAM SMITH AWARDS ASIA 8

Adam Smith Awards Asia 2020

The Adam Smith Awards Asia is now in its seventh year, and in these challenging times its more important than ever to recognise the success of treasurers. All the information you need is right here.

COUNTRY FOCUS 13

Mauritius

Mauritius is known for its idyllic beaches, but it also has a lot to offer from a business perspective.

BACK TO BASICS 19

Share buybacks and dividends

When cash holdings are strong, dividends and share buybacks can be used as a reward for investors. How do these options work and what are their effects on the organisation and its investors?

TREASURY ESSENTIALS

Community Voices 7
Question Answered 22
Point of View 24

10 The Corporate View

Siang Chee Chew
Head of Treasury

It's all about having good banking partners and keeping curious for Siang Chee Chew, Head of Treasury at JERA Global Markets.

TECHNOLOGY 16

Homeworking: the new normal

Millions across the globe are working from home at the moment, but how easy is it for treasurers to do, and what can companies do to help keep employees healthy, happy, effective, and secure? We also ask: will homeworking become the new normal?

Regional treasury centres in Asia

A regional treasury centre is a structure which multinational companies use to centralise treasury activities and increase visibility over their activities in a particular region. Many jurisdictions in Asia have incentives in place in order to attract RTCs – so what should companies consider when deciding where to locate their treasury centres?

For companies around the world, implementing a regional treasury centre can bring many benefits, from supporting business growth to making sure the company has treasury experts in a specific region.

"The key principle behind companies' decision to set up a regional treasury centre is to centralise treasury functions across regions," says Aziz Parvez, head of Asia Pacific Corporate Treasury Sales, Global Transaction Services at Bank of America (BofA). He adds: "When working across diverse markets, it is important for treasurers to have visibility across their operations, it creates efficiency and enables treasurers to make informed decisions regarding the business."

As such, Parvez says that MNCs tend to consider the following key factors when setting up an RTC:

- The company's business model/scale, as well as the set-up of legal entities in the region.
- The decision to move from a decentralised to a centralised set-up.
- The enhancement of governance and control in operating subsidiaries.
- The decision to centralise liquidity and funding for subsidiaries.

When it comes to setting up an RTC in Asia specifically, there are some additional points to consider. Francois-Dominique Doll, Executive Director, Global Treasury Advisory Services, Deloitte Southeast Asia, points out that Asia is the fastest growing economic region and largest continental economy by GDP nominal in the world. As such, he says, there are a number of reasons why MNCs from other regions see value in setting up an RTC in Asia.

One is the need to put in place a centralised treasury function and take advantage of the resulting efficiencies. "There are 48 countries in Asia with a variety of different cultures, languages, currencies and government systems," says Doll. "Because of this diversity, having a regional treasury centre in Asia will create a financial structure to concentrate cash, manage risk exposure centrally and hedge different currencies with a standardised process." He also notes that a regional treasury centre can play a role in managing working capital more effectively, as well as optimising liquidity by providing clear regional visibility.

In addition, Doll says that having a centralised treasury function in the region can increase the company's competitiveness, given the economic fragmentation of markets as well as differences in supply and demand profiles across the region. "Any required action could be executed on a timely basis without worrying about time zones," he adds.

And as a further benefit, Doll points out that consolidating the treasury function at a regional level can considerably reduce the number of bank accounts and transaction fees. "To

establish a payment factory or on-behalf-of (OBO) structure would be a leap forward for the regional treasury centre, because not only does it reduce transaction costs, it also reduces the overall processing time," he explains.

Locations of choice

Given the disparate nature of Asia's markets, different locations will have different features and incentives in place that may recommend them to companies as a potential treasury centre location. Singapore and Hong Kong tend to be seen as the most popular choices, but companies may also wish to consider a number of other options depending on their requirements and their geographical footprints.

Deepali Pendse, head of South East Asia Corporate Treasury Sales, Global Transaction Services at Bank of America, says that MNCs have so far favoured Hong Kong, Singapore and Shanghai, adding that in recent months there has been mounting interest in moving RTCs to Singapore, "given the shift in supply chains to Southeast Asia."

However, she also notes that in the last five years, a few other locations have emerged, such as Thailand and Malaysia – not least because geopolitics is increasingly being taken into consideration as a factor. In addition, Pendse says Shanghai is being considered as a serious contender "due to the status of China as an important market, and also because a number of MNCs have significantly large operations in China."

The advantages of these locations are explored in more detail below.

- **Singapore**. The location of choice for many, Singapore's attractions include its Finance and Treasury Centre (FTC) incentive, which aims to encourage companies to grow their treasury management capabilities and use Singapore as a base for conducting treasury management activities for the region, according to the Singapore Economic Development Board (EDB).

  Under the scheme, approved FTC companies are eligible for a reduced corporate tax rate of 8% on income from qualifying services. Approved FTC companies are also eligible for withholding tax exemptions on interest rate payments. In order to be eligible for the incentive, companies "must establish substantive activities in Singapore and perform strategic functions," with key activities including managing interest rate, foreign exchange, liquidity and credit risks, as well as control over the management of the cash and liquidity position.

  "Robust governance and transparency of the system allow MNCs to better navigate requirements and operate in a regulated and stable environment," comments Aziz, adding that Singapore also has access to mature financial markets, advanced technology infrastructure, and a deep treasury and operation talent pool.

- **Hong Kong**. As Doll notes, Hong Kong "serves as a good gateway to both China and the international market." Indeed, with its proximity to mainland China, and its status as a Special Administration Region (SAR), Hong Kong has much to recommend it as a regional treasury centre location.

  Like Singapore, Hong Kong also offers particular tax incentives for companies seeking to set up treasury centres. In June 2016, the Hong Kong Monetary Authority (HKMA) set up a Corporate Treasury Centre (CTC) scheme. The headline benefits include a 50% deduction on the taxation of profits for particular treasury activities, resulting in a tax rate of 8.25%. In addition, CTCs may be able to deduct interest expenses related to intragroup financing under some conditions.

- **Shanghai**. China – and particularly Shanghai – is also a location of choice for a number of corporations. "With the aim of the Chinese government to transform Shanghai into a global financial hub, regulations have been eased to make it easier for companies to manage their treasury activities in Shanghai, especially in the Free Trade Zone (FTZ)," says Doll. "It is recommended for companies, especially MNCs that have huge investments or have a big part of their sales generated in China, to set up a regional treasury centre in Shanghai."

- **Thailand**. According to Aziz, Thailand's new incentives for locally incorporated companies makes the country worthy of consideration. In particular, he notes that initiatives such as the Bank of Thailand's International Headquarter (IHQ) Initiative and Treasury Centre (TC) Initiative have made the reporting of cross-border funds flow and FX much easier for corporates with RTCs in Thailand. "However, the treasury landscape in Thailand is still evolving, and there exist gaps such as access to international financial markets, transparency on governance structures and the ease of doing business," he notes.

- **Malaysia**. Malaysia is another location that companies may look at when seeking a regional treasury centre location. Aziz cites the country's Treasury Management Centre (TMC) initiative, which provides tax incentives on qualifying treasury activities/service income, as well as providing stamp duty exemptions for loan and service agreements. "A company has to be incorporated in Malaysia and meet a set of criteria to be eligible for the scheme," he comments. "It should also be able to provide qualifying treasury activities, including cash, financing, debt management, investment and financial risk management services." But as Aziz also points out, there are still gaps which may erode the competitiveness of the TMC incentives, "such as a less mature financial environment, smaller talent pool and political instability."

While there is no hard and fast rule about which location any particular type of company will opt for, companies in certain industries and from certain regions may gravitate towards a particular treasury centre location, as Irene Zeng, Head of Sales, Global Banking Corporates, North Asia, Global Liquidity and Cash Management, Asia-Pacific at HSBC, explains.

For one thing, Zeng says that Hong Kong is a popular choice for retail businesses, the real estate industry and predominantly Chinese corporates, due to factors including the HKMA tax incentive programme. She also cites the market's large consumer base, open and established offshore RMB market and easy access to talent "with cultural and language fluency to facilitate the ease of doing business in China."

Consequently, Zeng says that since the introduction of the CTC scheme, "we see a good number of Chinese corporates moving their RTC/international treasury centre to Hong Kong." Nevertheless, she says that companies with sizeable operations in China continue to favour China (mainly Shanghai).

Singapore, meanwhile, may be an attractive choice for many western multinational corporates with substantial operations in Southeast Asia. "It offers the FTC with preferential tax concessions; flexible rules in relation to thin capitalisation, and easy access to an educated workforce, mature financial markets, liberal FX regulations, a stable political environment and a friendly living environment for expatriates," says Zeng. "We also observe some US and European MNCs moving their RTCs to Shanghai, backed by the fact that their China operations represent a majority or very significant share in their Asia business – hence the necessity to concentrate the resource."

Two treasury centres?

Some companies may opt for more than one treasury centre in the region. For example, Zeng says that some organisations choose to run centres in both Hong Kong and Singapore: "one focused on activities in relation to the mainland China market and/or CNH, and the other focused on ASEAN countries and currencies." She says that in such cases, both centres can be run under a common infrastructure, with support from relationship banks, in a "very efficient and automated way."

Choosing the right location

While there may be no 'wrong' choice when considering locations such as Singapore, Hong Kong and Shanghai, it's important to make sure the company opts for the location that best suits its specific needs.

"Any business decision will need to be taken in the context of the corporate itself, such as the nature of the business, key markets of operation, the quality of the workforce required, etc," says Zeng. "For instance, the petrochemical industry is very active in China, given that most of the end users are based there – hence it makes sense for many MNCs to restructure their operations and move the RTC to Shanghai in order to get closer to their operation sites and consumers."

"An RTC is the brain and nerve centre of a company's business operation," explains BofA's Pendse. "Located in the right location, key decision makers within the company are able to gain visibility and control over their operations, ensuring critical decisions are made on a timely basis." She says this is "absolutely important" given the fast-paced and complex environment that many MNCs are operating in, adding that the organisation's goals and operations requirements are among the most important factors when selecting an RTC location. "Usually, the incentives provided by local markets are secondary," she adds.

Avoiding the pitfalls

As such, Pendse says a possible pitfall when choosing a location is to opt for one location which has very little in common with the footprint of the organisation's business landscape. "The suitable location has to provide the right ingredients like an adaptive culture, ie least resistance to change/innovation, the right talent pool to be able to improve the scalability of treasury functions and access to financial markets which is a backbone of the RTC," she says. "MNCs have to keep in mind that the journey towards centralisation and standardisation by establishing RTCs is not just for organic growth, but also to tap into inorganic growth needs and opportunities that can leverage the structure of the established RTC."

Deloitte's Doll likewise notes that companies should avoid certain pitfalls. For example, a company might find that treasury talent is not available in a particular market, meaning that the organisation would be unable to recruit treasury resources and that the hired resources would lack the qualifications needed to manage day-to-day operations. "The company could potentially incur more cost from daily operations due to errors or delay in execution," he notes.

Other considerations are that the shift from a decentralised to a centralised model requires "a clearly defined roadmap and design of a 'to-be' process flow," he says. "Treasurers, with the support of senior management, need to communicate effectively and sell the 'benefits' to the various local finance units to ensure success".

Asking the right questions

BofA's Pendse says MNCs need to consider a number of different factors when selecting the right treasury centre location, such as:

- **Ease of capital movement** – access to deep and well-oiled financial markets, ie long-term capital (equity and debt).
- **Law and governance** – transparency of doing business and setting up businesses, as well as international reputation.
- **IT infrastructure** – connectivity to the technology infrastructure providers and innovation hubs.
- **Talent pool** – the existence and availability of a highly skilled, well-educated international and mobile workforce.
- **Tax regulations** – local tax structure and the impact it would have on business and capital inflows.
- **Government incentives** – ease of applying the incentives related to finance and treasury-related activities.

She adds that an "important litmus test" is the existence of other successfully-run RTCs in the location under consideration, as this will provide confidence about the country's ability and readiness for attracting new businesses. She also notes that a solid country credit rating "further provides an indication of the ability and willingness of a location's government to fulfil their financial commitments in full and on time."

As well as citing the importance of long-term incentives which may help MNCs achieve cost savings when setting up the treasury centre, Deloitte's Doll also notes the importance of political stability, which "could ensure smooth treasury operation without incurring much cost from the business continuity plan."

Last but not least, he also emphasises that stringent and clear regulations are important when it comes to setting up the regional treasury centre, which will usually take on the role of payment factory, in-house bank, netting centre or reinvoicing centre. "Treasurers would like to ensure the chosen location has regulations that would allow for all these key functions to take place," he concludes.

To establish best practice and help our community to learn from each other's experiences, we have launched a new series: Community VOICES. The Treasury Today Group, along with our series partner, Association of Corporate Treasurers Singapore (ACTS), have reached out to corporates across the world to hear how COVID-19 is affecting their roles as treasury practitioners.

How has the COVID-19 pandemic affected your work?

We are in the food sector so the business impact on the demand side is actually strong. We have always managed liquidity in a very prudent and proactive way, so we have strong liquidity as we speak. The situation does create FX/commodity volatilities for us as a global company.

How are you coping with your cash flow forecasting and hedging strategies?

We have continuous and even enhanced dialogues with businesses, especially related to working capital. We have systematic hedging policies and adherence is very important for us as a risk management tool.

What are your top priorities at this time?

Having good insights on liquidity and putting in place precautionary measures and contingency plans. I don't think it changes any way we approach our liquidity management, but it just requires heightened precision, advanced planning and clear visibility.

How has your company reacted to the pandemic?

We have daily calls and a crisis management team with a strong business continuity plan, and we focus on operational efficiencies to deliver the key stock keeping units to the market. Treasury is front centred in terms of liquidity and risk management, but given our past prudent management and strong liquidity and banking relationship, it's much less of a fire drill.

Are you using technology to enable your work-from-home plans or has it been a challenge?

We use a lot of video calls and so far it's been good. With external parties we've always used conference calls, so in this aspect it has not changed.

How are you keeping informed of global governmental decisions that could be of relevance or benefit to you?

We discuss with Tax and Government Affairs to stay tuned in to any decisions, such as specific cash tax deferral, pension contribution and so on, that have relevance to preserve liquidity.

How will treasury ensure the continuity of the underlying business and maintain optimal risk management?

Treasury has always been a core finance function. In the past its focus was on cash generation, debt capital transaction, capital allocation strategies. Now it's liquidity and risk management.

How is team morale and performance working from home?

We actually have boosted morale with a sense of duty and mission: our company is feeding people around the world; our treasury function is preserving the bloodline (cash) for the company at this moment in need.

Is there any lesson that this COVID-19 pandemic has taught you?

Be proactive, be prudent in balance sheet management, be obsessed with strong (even excess) liquidity. Adhere to risk management parameters, and don't take a strong view on FX, commodities.

Has this pandemic shown that global economies are distinct or interconnected?

As a global company we see the trend from one country/region to another. Macro trends are much more inter-related, logistic/supply chain, and currencies, monetary/fiscal measures. We need to stay current at all times, it's part of the job as a global treasurer.

If you would like to be part of our COVID-19 coverage please email **sophie.jackson@treasurytoday.com**

Showcase your achievements

Nominations open June 8th 2020

The Adam Smith Awards Asia is now in its seventh year. In these challenging times, we believe it is more important than ever to recognise and reward the very best and brightest in corporate treasury and we look forward to shining a spotlight on the achievements of the most successful treasury teams across the region.

The Adam Smith Awards programme recognises best practice and innovation in corporate treasury, regardless of company size, budget or industry sector. Nominations close on September 7th and there are 19 award categories in total. Representing the full range of activities that corporate treasury teams undertake, these categories are sure to capture your achievements. If you believe your work has gone above and beyond the call of duty, now is the time to put yourself forward.

Corporate treasury departments operate as a true strategic partner to the business. You are constantly challenged to deliver better and more innovative solutions and an Adam Smith Award is the benchmark of that achievement. The Adam Smith Awards Asia recognise the position of importance the treasury profession now occupies across the region and how treasury professionals are stepping up to support business growth in challenging times.

Everything you need, including the nomination form, can be found on our website during the nomination period – it is a simple case of completing and submitting the short form online.

3 easy steps to nominate

Step 1:

Visit **treasurytoday.com/adam-smith-awards-asia** to access the nomination form.

Step 2:

Provide a detailed account of the challenge you faced, the solution you implemented and the benefits this has provided.

Step 3:

Winners will be announced in mid-September and their success stories will be showcased in a series of winner podcasts and in individual case studies which will be featured in our Adam Smith Awards Asia Yearbook 2020 and published in January.

2020 award categories

Treasury Today Asia's Top Treasury Team 2020
Best Cash Management Solution
Best WCM, AP/AR Solution
Best Card Solution
Best Trade/Supply Chain Finance Solution
Best Funding Solution
Best Crisis Management Solution
Best ESG Solution
Best Risk Management Solution
Harnessing the Power of Technology
Best Fintech Solution
Best Cyber-Security Solution
Best in Class Treasury Solution in China
Best in Class Treasury Solution in India
Best Liquidity Management/Short-Term Investing Solution
First Class Relationship Management
Best Foreign Exchange Solution

Individual awards

Treasury Today Asia Woman of the Year 2020
A Rising Star

Nominations close on Monday September 7th and winners will be announced in mid-September.

For full details on all categories, please visit **treasurytoday.com/adam-smith-awards-asia**

Top tips

Please don't be dissuaded from submitting a nomination in the event that you feel your company may not qualify for whatever reason.

You do not need to be a major multinational to qualify. Focus on the problem that the **solution** you have implemented, or are in the process of implementing, addresses. Quantify the benefits, both qualitative as well as quantitative.

If you feel your submission qualifies for **more than one category** please tick the relevant categories on the submission form.

Please submit any **relevant supporting documentation** if you think it will add to your submission.

Good luck with your submissions! Should you have any queries please do not hesitate to contact us at **awardsasia@treasurytoday.com**

All winning solutions are profiled in case studies which appear in our Adam Smith Awards Asia Yearbook. The case studies are based on the winning nominations and are written by our editorial team. The text is submitted to the winners for their approval prior to publication. By submitting a nomination in the Adam Smith Awards Asia you accept that if you win an award, a case study outlining the details of your winning solution will appear in the Adam Smith Awards Asia Yearbook.

Powerful partnerships and inquisitive treasurers

Siang Chee Chew
Head of Treasury

jera
Global Markets

Siang Chee Chew has worked in treasury his whole career and, like many, fell into it by accident. When he graduated in 2003/2004, the economy wasn't doing especially well. Like many fresh graduates at the time, his preference was to work for a bank. Since the banks were not really hiring, he ended up joining the treasury of shipping firm BW Group.

Headquartered in Singapore, JERA Global Markets (JERAGM) was established to consolidate the global trading activities of thermal coal and liquified natural gas (LNG) between JERA and Électricité de France (EDF). This makes JERAGM one of the largest utility-backed seaborne energy traders specialising in LNG, coal and freight across all key markets. Working to optimise the treasury processes and ensure an efficient and successful treasury department is Siang Chee Chew, Head of Treasury.

After four years there, he moved on to global conglomerate Cargill, first as an FX trader, then as a Treasury Advisor. It was there that he got a front row seat during the 2008 global financial crisis. "I saw how liquidity dried up; I saw how funding between banks dried up and how the Australian commercial paper market dried up," he explains. "Even the FX market was extremely volatile and funding activities became generally very difficult."

It was from observing how the senior treasurers in the firm reacted to these challenges that Chew learnt how strong liquidity management ensures survival in tumultuous periods. This understanding has carried through to his later treasury roles, as he has climbed the ranks to become Head of Treasury at JERAGM.

Climbing the corporate ladder

"The turning point in my career came when I joined Cargill. The way Cargill arranges its treasury is truly global, and I found my experience there enriching and very dynamic. I saw the value of treasury as a business unit within a company," says Chew. He continues: "It was the extent of the operation, the complexity and the geographical coverage of treasury as a business unit, that opened my eyes to what is possible."

In a later role – Asia Treasurer at Mercuria Energy Trading S.A. – Chew had the opportunity to actually set up an Asia Treasury. "That was fairly early in my career," he says. "I was involved in setting up regional liquidity structures and long-term funding for the group in Asia. I managed in excess of 30-40 banking relationships and had to understand what each bank was looking for and how to work with numerous banks. This helped significantly in terms of completing my profile as a treasurer."

In 2016, Chew took a break from the corporate world and worked as an independent consultant. He credits that with giving him the experience of doing business without a big corporate brand backing him, reinforcing the idea that relationships and alignment of interests are key to delivering results. In every role he's had, Chew has found there to be significant on-the-job learning and plenty of good mentors. "I think I've been pretty lucky to have those opportunities," he says.

Chew joined JERAGM in 2017, with the primary goal of establishing a treasury and trade finance function. "Trade finance is an integral part of commodities trading," he says. "It is also, in my view, a toolbox within the treasury function. My responsibilities also include FX and interest rates risk management, liquidity and cash management." He adds that he also looks after banking relationships and is responsible for the firm's credit rating and the balance sheet management of the group.

The power of partners

For Chew, having witnessed the global financial crisis and then the oil price crash in 2014/2015, another key lesson was the importance of banking relationships. "During the oil crash, I diversified banking relationships to focus on more regional banks, which were relatively less exposed to commodity markets and understood Asia better," he says. Chew also notes the importance of working with stakeholders that support the liquidity of the firm and refers back to the lessons he learned early on in his career about protecting liquidity.

Chew has noted a recent decrease in globalisation, and a growing trend towards protectionism and nationalism. "It adds to the complexities of doing business," he says. "The interesting thing is that Asia is not only a big market, but it's also very diverse in terms of its regulatory and legal environments. It makes doing business more difficult compared to ten-15 years ago." The result of this, he explains, is that the 'one size fits all' banking solution doesn't work anymore.

Indeed, large international banks are reporting poorer results and are taking a step back from the international market. Chew points out that various European banks, in particular, are cutting their presence in the international market and focusing on their home countries. At the same time more local and regional banks are stepping up to fill some of these spaces. "Are these banks definitely going to fill the shoes of the big international banks? Perhaps not," he says. "It just means that we have to work with local and regional banks much more, as well as leveraging on the benefits that international banks can offer the business."

Award-winning treasury

Chew still uses international banks though. JERAGM was recently named Overall Winner of the Best Liquidity Management Solution in the 2019 Adam Smith Awards Asia. For its award-winning solution, JERAGM partnered with J.P. Morgan to embark on a treasury transformation codenamed 'Project Thunder'.

As the business expanded, JERAGM had accumulated accounts with multiple banks around the world that had incompatible platforms and formats. Key concerns included the inefficient processing of payments and expensive overdraft fees, as well as the absence of a global liquidity management solution and platform.

The solution had to be integrated with JERAGM's Sun accounting system to drive operational efficiencies, reduce IT costs, and, more importantly, provide scalability as the business continues to expand. Chew undertook a three-phase approach to establish a fully automated global liquidity solution within 12 months from inception.

In the first phase, the company implemented a multi-entity, single-currency notional pool across its Singapore global headquarters and its US entities. The second phase saw JERAGM partnering with J.P. Morgan to establish a multi-entity, multi-currency notional pool for all its key European participation entities, with a hub in Luxembourg. And the third and final phase saw the notional pools in Asia and Europe further integrated via a cross-border follow-the-sun sweeping arrangement to enable a global automated liquidity structure.

The resulting structure provides Chew with one-stop cash visibility over all participating entities' accounts and balances. The Asia pool fully optimises available cash for payments during Asia operating hours, before sweeping over to the European pool (located in Luxembourg) in support of European time zones, then sweeping the funds back into Asia.

The treasurers of tomorrow

Where the skills of tomorrow's treasurers are concerned, treasury professionals must be inquisitive in order to ensure a successful career, says Chew. He notes that treasury is so diverse that it's important to work at understanding both the business and the competition. "As treasury professionals, we need to be versatile, we need to be resourceful, and we need to have intellectual curiosity to understand what's going on within the firm," he says.

"Across all the roles I've had, I've found that you need to have a genuine interest in the world economy and the financial markets – and more indirectly, in the inner workings of the systems," he says. "That means looking at the risk management systems and the accounting systems; asking how risk is being managed and how the middle office assesses those risks." He adds that this interest is what allows treasurers to gain insight into how best to approach a range of tasks.

It's the dynamism of treasury that Chew enjoys, along with how wide the coverage is within the business. But, he notes, this also means that a treasurer's array of knowledge must be both dynamic and wide. With a Bachelor's degree in Accounting, Investment Finance and Corporate Finance from the University of Western Australia, and as a member of CPA Australia, Chew has found that his professional qualifications have allowed him to improve communication with other departments, such as tax and accounting. "It allows me to think like an accountant, or a tax specialist. It's just a much more efficient way of getting results at the end of the day."

Additionally, when engaging with different stakeholders – both internal and external – such as banks, credit rating agencies and internal credit departments, Chew says that having professional qualifications and knowledge helps facilitate clearer communication, as everyone involved has the technical know-how of the topics in discussion.

The evolving role of the treasurer

The role of the treasurer is becoming more strategic in businesses across the globe. For Chew, this is especially important in a trading house. "How a treasurer gets funding, and then structures the cost of that funding and allocates it back to the traders, actually impacts how the traders then react to market opportunities," he explains. Treasurers, as a result, need to understand their funding sources and costs, and do more than just react to what the market is saying. They also need to consider the balance sheet composition and how this impacts the credit story for the banks and credit rating agencies.

Chew believes that treasurers also need to think about the most effective way to fund the business to allow it to react when the opportunity comes along. "So there is the external angle when we look at the optionality, the alternatives and the avenues of funding. There is also the internal perspective, where we assess how we can then charge the cost to the business correctly, such that it is then aligned to corporate goals," he says. "As treasurers, we look at balance sheet structure and the overall cost of capital. All these can have an implicit impact on different parts of the business as well."

Treasurers must now think more broadly than ever, says Chew. This means adapting to new technologies being provided by fintechs, instead of focusing solely on traditional banks.

Technological treasuries

In terms of how treasury is adapting to rapid technological advancements, Chew notes that whilst these may be impressive, not all of them are applicable to treasury at the moment. "We live in an age where there is no uniform progression in how the technology is applied," he comments. However, having the curiosity to examine how a particular technology works gives a good foundation for how it can be used in the future. "If you are not aware of the genesis of the technology, it's very difficult to spot an opportunity to improve a certain process," he adds.

Blockchain, for example, is looking promising for trade. However, Chew says the move away from globalisation means that the regulatory hurdles are going to be far harder to overcome than technological ones. "When you start to look at the parties involved in commodities trading, many of them are SMEs, including mines and plantation owners. In order for blockchain to work, everyone must adopt it," he explains. "Additionally, you need some uniformity and agreement as to how the technology is to be applied." He adds this is especially true in Asia, which is characterised by diverse and complex rules and regulations. "All the technology is there, but it's the environment that is making it difficult."

He does have hope that the systems and processes will get there eventually though. But Chew also believes that progress and standardisation must be driven by governments. Indeed, Singapore's government is working with various banks and technology providers to build the open-source platform, International Chamber of Commerce (ICC) TradeFlow. The ICC and blockchain provider, Perlin, are piloting the platform, but DBS Bank, Trafigura, Infocomm Media Development Authority and Enterprise Singapore are involved as well. The initiative aims to streamline trade flows by eliminating paper-based processes and could potentially reduce end-to-end document transit time from 45 days to 20 days.

Similarly, in October 2019, ICC, Perlin and the Singapore Shipping Association launched the International e-Registry of Ships – a digital blockchain ship registration system, which aims to standardise the ship registration process to reduce costs and fraud.

Knowledge is power

In his spare time, Chew enjoys reading. "I believe that history has a way of repeating itself, and so I like to read history books," he says, noting that in today's challenging times he finds knowledge in understanding how particular problems were resolved in the past.

Chew particularly enjoys Extraordinary Popular Delusions and the Madness of Crowds by Charles Mackay. "It is about historical financial bubbles, such as the South Sea Bubble and the Tulip Boom," he says. "There are parallels with how recent crises have evolved, which is very relevant to my work."

Chew adds: "When I started my career in 2004, oil prices were about US$30. It rose all the way up to US$120 in less than a decade, and it came back down to half that value within five years. Now, it is back at the same levels. Such stories happen all the time. However as we are living through it, we sometimes forget about the lessons that we should have learned before."

Chew also volunteers with grassroots organisations in Singapore, which he feels allows him to give back to the community whilst keeping him grounded in terms of understanding lives of Singaporeans across different backgrounds. He also has two children, aged ten and 13, and is keen to ensure they learn their Mandarin well. "I think that's going to be very important in the world that they grow up in," he concludes.

Mauritius

The Republic of Mauritius occupies a key strategic position between Asia, Africa and Australia, making it an attractive treasury location for some companies. From the country's banking landscape and cash management considerations to the impact of the COVID-19 pandemic, here's what treasurers need to know.

Mauritius: quick facts

Currency: Mauritian rupee (MUR)

Capital: Port Louis

Area: 791.3 square miles

Population: 1.27 million

Languages: French, English, Mauritian Creole and others

Median age: 35.6 years

GDP: US$14.8bn in 2019

GDP growth: averaged 3.8% between 2015-2019

Exports: fish, clothing, sugar, gems and precious metals

Export partners: France, UK, US, South Africa, Madagascar

Imports: oil, manufactured goods, capital equipment, food

Import origins: China, India, France, South Africa, Japan

Situated 1,200 miles off the east coast of Africa, and 500 miles east of Madagascar, the Republic of Mauritius is part of the Indian Ocean's Mascarene Islands. The island nation includes Mauritius as well as nearby islands Rodrigues, Agaléga and St. Brandon. Geographically, Mauritius occupies a strategic position between Asia, Africa and Australia. While its stunning beaches and coral reefs make it a popular luxury tourism destination, it also has much to recommend it from a business perspective.

"Mauritius acts as a gateway to Africa and provides an appropriate regulatory framework for global companies," comments Anish Jain, Chief Treasury Officer at Export Trading Group (ETG), an agricultural supply chain group headquartered in Dubai which has operating entities across 40 countries. "International trading companies are finding Mauritius as a favourable destination to house regional treasuries to cater to African requirements. Moreover, international banks based in Europe or Africa are also quite acquainted with Mauritius laws to provide lending solutions to their clients."

Mauritius has undergone a considerable transition in recent years. Sugarcane was originally introduced to Mauritius in the 17th century and became central to the country's economy, with sugar representing a quarter of GDP in the 1970s. In recent years, however, the nation has achieved greater diversification, with sugar now only accounting for 3-4% of GDP. Three quarters of the economy is service-based, with industry accounting for 21% and agriculture 3%, according to the African Development Bank.

This transition is still under way. As the World Bank's website notes, "Mauritius faces the challenge of managing its transition to a knowledge based high-income economy driven by innovation and productivity growth. This will require a concerted effort to remove bottlenecks to new sources of growth and private investment, such as a lack of connectivity, skills shortages, and misaligned incentives."

In 2019, Mauritius' top exports included clothing, seafood, sugar, fish, gems and precious metals, while imports include petroleum, frozen fish and cars. The island's main trading partners include France, India, China, US, UK and South Africa.

Impact of COVID-19

Before the arrival of the COVID-19 pandemic, real GDP growth in Mauritius had been forecast to be 3.9% in 2020 and 4% in 2021, with tourism playing a role in contributing to this growth. However, with the pandemic continuing to affect countries around the world, a GDP contraction is now likely. The World Economic Outlook published by the International Monetary Fund (IMF) in April 2020 forecast a 3% contraction in real GDP for middle-income countries in Sub-Saharan Africa, in which it included Botswana, Cabo Verde, Eswatini, Lesotho, Mauritius, Namibia, and Seychelles.

In particular, lower demand for tourism from European countries, alongside ongoing travel restrictions, is expected to have a major impact on Mauritius' economy during the crisis. "I think it is pretty obvious that the industries that will face the brunt of this slowdown or recession, which is due to the outbreak of this virus, are definitely the tourism industry and our textiles manufacturing industry," commented Parikshat Tulsidas, Senior Executive – Treasury & Markets at AfrAsia Bank in a video published by the bank in April. He also cites the construction sector as an area that is likely to see an impact, in light of the "high-end properties that we sell to foreigners."

The government has introduced various measures to support workers and businesses, including the Government Wage Assistance Scheme (GWAS) and the Self-Employed Assistance

Scheme (SEAS). The Key Repo Rate has been reduced by 100 basis points to 1.85%, and the Bank of Mauritius has likewise reduced the interest rate applicable on its Special Relief Amount under the COVID-19 Support Programme by 100 basis points. Other actions have included suspending capital repayments on loans for households affected by the crisis. Meanwhile, capital market activity has been suspended, as has trading on the Stock Exchange of Mauritius.

National confinement was introduced on March 20th and a curfew imposed on March 24th which has since been extended to June 1st. A report by Fitch Solutions Country Risk & Industry Research on April 21st noted that Mauritius is well-placed to avoid a large domestic outbreak of COVID-19 in light of these measures, adding that even in the event of a larger outbreak "a robust social security system and free health care means that the country is one of the best placed in sub-Saharan Africa to deal with any potential pressure on healthcare and incomes."

Banking landscape

Mauritius' finance sector is governed by two main regulatory bodies. Established in 1967, the Bank of Mauritius is Mauritius' central bank. It oversees banking institutions, with the Banking Act 2004 providing a framework for the licensing, regulation and supervision of banks and other financial institutions. The central bank's main objectives include maintaining price stability, promoting orderly and balanced economic development and formulating and executing monetary policy consistent with stable price conditions.

In addition, the Financial Services Commission, Mauritius (FSC) acts as the regulatory for non-bank financial sector and global business, and is mandated under the Financial Services Act 2007. The FSC's goals are to:

- Promote development, fairness, efficiency and transparency across Mauritius' financial institutions and capital markets.
- Suppress crime and malpractice in order to protect members of the public investing in non-banking financial products.
- Ensure the soundness and stability of Mauritius' financial system.

"The banking landscape in Mauritius is very inward-looking," comments ETG's Jain. "Most of the banks present locally are risk-averse and do not understand the international trading environment." Jain notes that the credit risk assessment of clients is based on local operations, adding that only a handful of banks in Mauritius have really graduated to the extent where they compete with international banks. "I believe the smaller size of the balance sheet for Mauritian banks is also a limiting factor to compete with large powerhouse banks," he comments.

Company considerations

For companies operating in Mauritius, an important piece of legislation is the Companies Act 2001, which requires all companies to remain solvent and sets out company law both for domestic companies and for those conducting global business.

A key concept for the latter is the Global Business Licence (GBL), which is applicable to companies which are resident in Mauritius for tax purposes, but which conduct their core business activities outside of Mauritius. The conditions for a licence include employing suitably qualified people – either directly or indirectly – to carry out the business' core activities, as well as a minimum expenditure level in line with the company's level of activities. Companies with a GBL can take advantage of the country's network of double tax treaties, corporation tax and withholding tax rates.

Until recently, the regime included the two concepts of Category 1 Global Business Companies (GBC1) and Category 2 Global Business Companies (GBC2). However, following recent reforms introduced in line with the Organisation for Economic Co-operation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) initiatives, these categories were discontinued on January 1st 2019.

As a result of the reform, GBC1 licences have been replaced with the GBL, while GBC2 licences have been replaced with

A short history of Mauritius

Mauritius has had a varied history over the last 500 years. Arab traders referred to the island as Dina Arobi (Isle of Desolation) as long ago as the tenth century. The island remained uninhabited and in 1507 it was discovered by Portuguese sailors, who named it Cirné and used it as a refuelling base, although they did not build a settlement.

The Dutch claimed ownership of Mauritius in 1598, naming it after their head of state, Prince Maurice of Nassau. They embarked on the first of several attempted settlements in 1630 and subsequently abandoned the island in 1710 following a series of setbacks including droughts, cyclones and infestations. However, they left behind sugar cane, as well as domestic animals.

The island became a French colony in 1715, and was renamed Isle de France. Port Louis was established as a naval base and shipbuilding centre, and sugarcane was cultivated. The British attacked the island in 1810 following raids on British commercial ships by the French fleet from Mauritius.

In 1814, Mauritius was given to the United Kingdom as part of a treaty that saw the island of Réunion returned to France. After slavery was abolished, indentured labourers were brought to the island from India. Mauritius gained independence on March 12th 1968, and became a republic in 1992.

Among the nation's other claims to fame is its former inhabitant, the dodo. The flightless bird passed into extinction in the late 17th century, likely as a result of being hunted by Dutch sailors as well as the ecological impact of animals introduced to the island by settlers, including pigs and dogs as well as ship rats.

the Authorised Companies (ACs) regime. This applies to companies which conduct business and have their place of effective management outside of Mauritius. ACs are not resident in Mauritius for tax purposes, but have a registered agent in Mauritius. ACs are required to file annual tax returns with the Mauritius Revenue Authority and are prohibited from business activities including banking and financial services.

Grandfathering provisions are in place for GBC1 and GBC2 licenses that were issued on or before October 16th 2017. After June 30th 2021, a GBC1 license will be deemed to be a GBL, while a GBC2 licence will lapse, with the company required to apply for AC or GBL status. For licences issued after October 16th 2017, the grandfathering period elapsed on December 31st 2018.

> We are currently moving towards the use of integrated systems which will speak to all the bank accounts, as well as to the accounting software.
>
> Claudinette Permal, Treasury Manager, Grit Real Estate Income Group

Treasury challenges

For corporate treasury professionals, there are a number of factors to consider when it comes to managing cash in Mauritius. Claudinette Permal, a Mauritius-based Treasury Manager at pan-African real estate company Grit Real Estate Income Group, cites a number of challenges that treasury professionals may face in this market:

- **Cash flow management**. Keeping an eye on daily cash flows, which for most businesses is a manual activity involving spreadsheets.
- **Improving on the collections/debtor's days ratio**. "It is a real struggle to get funds out of corporate customers," Permal notes. "It is like every company is pulling liquidity out of each other."
- **Real-time payments**. "Treasurers must ensure sufficient liquidity, especially when it comes to debt repayments," says Permal. "Any delay will impact as a breach in covenants, particularly under the COVID-19 crisis."
- **Currency fluctuations**. In particular, Permal cites fluctuations in the US dollar and the euro, adding that most debt facilities are in those two hard currencies.
- **Relationship management**. Permal also notes the importance of maintaining good relationships with financiers during difficult times.

Where cash management is concerned, there are a few considerations to bear in mind. "Each company adopts a different method for cash management," comments Jain. "Given the foreign exchange regulations in many African countries, cash pooling is not available across Africa. Companies can, at best, apply regional cash pooling." He adds that besides bank solutions, many multinational companies deploy treasury management solutions (TMS) of their own choice that meets their specific requirements.

Grit Real Estate Income Group's Permal says the company's approach to cash management in Mauritius includes a clear working capital optimisation strategy, alongside daily cash flow monitoring and a well-defined policy with clear KPIs, metrics and approval limits.

"Most medium companies use Excel workbooks extensively, which is very time-consuming," she adds. "We are currently moving towards the use of integrated systems which will speak to all the bank accounts, as well as to the accounting software. This will help improve the operational efficiency and better manage the cost of capital." Permal explains the expected benefits will include the real-time availability of the cash position, with projections performed "in no time", alongside eliminating the need for manual input and thereby freeing up time.

Where risk management is concerned, Jain says that ETG "has a comprehensive risk management policy that covers commodity trading and FX risk management." For Grit Real Estate Income Group, meanwhile, Permal says that treasury forms part of the risk committee alongside representatives of other departments. From a treasury perspective, she says the main risks identified include liquidity risk, covenant risk, credit risk, FX risk and interest rate risk.

She adds that for each of these areas, the probability of occurrence and level of impact is assessed, monitored and discussed at monthly meetings. "Policies and procedures are clearly defined, and processes and systems are drafted and circulated," she says.

Harnessing technology

As in other locations, technology has much to offer treasurers operating in Mauritius when it comes to streamlining processes and harnessing insights more effectively in order to improve decision making.

"Technology certainly plays a pivotal role in managing complex global operations," comments Jain. "ETG continues to strengthen the existing technology base and adopt new platforms as the business needs."

Looking forward, Permal expects technology will bring a number of opportunities for improvement. "In the first place, the automated cash flow reporting/forecasting will bring so many benefits," she says, citing the freeing up of time, reduction in manual intervention and increased confidence in the data presented. She also expects technology will improve better cash management, enabling cash to be swept between accounts in order to increase interest revenue.

Other benefits will include greater oversight over FX exposures at any given point in time, the adoption of better internal controls and the building of scenario analysis, as well as the use of technology to improve monthly treasury reporting, including monitoring covenants, metrics and the expiry dates of facilities.

"I do think that technology will bring the treasury role to the next level, with more focus on strategic decision-making and building relationships with financiers, which is critical in our position," she concludes.

Remote working: the new normal?

People across the world have had to adapt to working remotely in the past few months – but often with the hope that everything will return to business as usual in due course. Does it have to be this way, or has the 'new normal' awakened an appetite for home working? How realistic is home working for treasurers, who need to be more connected to the office than most?

With a third of the world's population experiencing some form of lockdown, working from home has suddenly become commonplace. In some companies, the transition from working in the office to working remotely has been seamless. Indeed, many companies offered remote working models to their employees pre-COVID-19, making it easier to adapt to the current situation. For others, however, the challenges involved mean that it isn't a feasible long-term option.

Eric Sim, Founder of the Institute of Life, believes that with some adjustment and the right knowledge, corporate employees can easily work from home – and that this will become the norm for at least one day per week for most companies.

But for Ramana Konda, Director, Treasury Asia, Middle East and Africa at Mondelēz International, remote working is more nuanced, especially for treasurers. Konda explains that for the data management side of a treasurer's role, remote working is easy, owing to the limited requirement for interaction with others in the business. But he also asks, to what extent is treasury only about data? Treasury is playing an increasingly strategic role within businesses and Konda feels that they need a physical presence in the office to do so effectively.

Happy employees = happy company

There are, of course, many benefits to working remotely. For Helen Hanby, Director, International Treasury at Biogen Idec, a big benefit of working from home is the ability to save two hours per day by not commuting. People may choose to put this time to good use: Sim, for example, spends the time he has gained on learning, and is currently educating himself on positive psychology and video editing.

Home workers generally report better productivity and a higher quality of work than when they are in a traditional office, and the flexibility that home working offers can also help companies retain employees that might otherwise leave. For parents, working from home isn't a substitute for childcare, but it can enable a better work-life balance by removing commuting time and allowing them to be more present at home, whilst also keeping them in the professional loop.

Likewise, disabled employees who struggle to commute may be able to handle a regular workload from the comfort of their house. Sim also points out that when employees are feeling slightly under the weather, they may be able to work from home instead of using up sick days that might be needed for serious illnesses.

Employees whose families may be relocating, perhaps because a partner has secured a new job elsewhere, may be able to use home working to continue in their employment. And of course, in times of crisis or other disruption – such as severe weather conditions – having the infrastructure already in place means that the switch can be as seamless as possible.

Cybercrime is on the rise

Security is one major consideration when weighing up the pros and cons of home working – particularly given the current focus on this topic. Indeed, the COVID-19 pandemic has caused such an increase in cybercrime that the World Health Organisation had to post an advisory on its website as fraudsters are impersonating it in phishing emails.

The increase in cybercrime comes as fraudsters and hackers try to take advantage of the upheaval that many companies are experiencing in going remote. Treasurers, as always, are primary targets for these attempts, and so need to be vigilant about any suspicious activity. In particular, emails that ask for files or links to be opened, bank details to be changed or payments to be made should be inspected thoroughly and secondary authorisation should be sought if necessary.

Is remote working cyber-secure?

However, Anish Kapoor, CEO of AccessPay believes that if approached in the correct way, remote working can actually be more secure than working in an office. "A prime example of what we see is when treasurers have a SWIFT workstation, that's just sat on a desk in the office," he explains. "With access to that SWIFT workstation, an individual can pretty much do whatever they want. But when you move to having a different technology stack that lets you work from anywhere and you're not linked to that one workstation anymore, you can normally build a lot more control, having maybe biometric authentication, or two-factor authentication." Alongside that, there are also multiple layers of access control, and the potential to have other layers of approvals processes.

From a cyber-security standpoint, there are also other things individuals can do to ensure they are staying safe when working remotely – many of which should be company policy. Cyber-security and anti-virus provider Kaspersky recommends making sure that a home WiFi router is encrypted, meaning it requires a password to connect. If using a public WiFi, and indeed sometimes using a personal one, it is also recommended to use a virtual private network (VPN) to encrypt all data from any potential prying eyes.

Additionally, using a company's regular corporate services to transfer files and data between colleagues can help security. These services are regulated by a company's IT department, whereas file-sharing services such as Google Drive can become public very easily if someone has the correct keywords.

Can remote working replace face to face?

Remote working may be more convenient for some employees, but Konda feels that the importance of face-to-face interaction and a physical presence in the office cannot be ignored.

He cites the example of carrying out an FX hedge. "Even today in most markets across the globe, the application for FX involves a manual vetting process," he explains. In Asia this is especially true, with the array of regulations across countries meaning that many of the processes associated with FX hedging must be done on paper, and often in person. "FX transactions are one of the activities that the company conducts in 'live mode', where the coordination of the paper signature is crucial to reach the central bank, or a specific market, and is just one example of why it's important to stay close to the transaction," says Konda.

Indeed, aside from the business benefits of having a physical presence in the office, it has also been suggested that physical interaction serves communication better than virtual meetings. Use of video conferencing tools like Microsoft Teams, Skype and Zoom have skyrocketed since the beginning of the year, and their usefulness cannot be ignored. Being able to connect with people across any distance, the only requirement being an internet connection, is revolutionary for businesses.

Hanby, who is based in the UK whilst working for an American company, explains that she is currently working from her home, with three members of her team working from their respective homes in the US, and her treasury analyst working from home in Poland. "We are regularly checking in with each other and the company has been hugely supportive, offering many wellness and mental health support initiatives and opportunities, including virtual training and community groups," she says.

Konda is in a similar position, as his role sees treasury managers reporting to him from 18 countries. As such, the ability to communicate effectively is important. "Some of my team members are data-driven, and some are also sitting in their respective leadership teams and managing a sub-cluster of the region," he says. "For the people dealing with the day-to-day operations of letters of credit which are not immediately payable now – particularly treasury transactions like card repatriation payments or interest on loans – those can definitely be managed remotely." He continues: "I think for my team specifically, 50% are happy working remotely – and so am I, as long as they're getting the job done."

Options for treasurers

As the world moves to more digital solutions, so too does treasury – or rather, it should. Many companies are trying to move away from a reliance on spreadsheets by implementing treasury management systems (TMS) and ERPs. When it comes to working from home, these sophisticated systems become more important, as they keep information centralised and easier to access.

For Biogen's Hanby, having the right equipment and software is an important first step. "The company has been very supportive, providing essential IT equipment, and we use online systems which are all still accessible remotely," she explains.

Can virtual offices work?

The extent to which virtual offices can replace a real-life meeting is questionable. One study found that the inevitable delays in virtual communication, both over the phone and online, cause significant feelings of awkwardness and confusion. Transmission delays of just 1.2 seconds meant that other parties were rated as "less attentive, friendly and self-disciplined than if there was no delay".

Sim has a few tips to help with making video conferencing run more smoothly:

- Always use headphones to ensure good audio quality and, if possible, use an external webcam. "I see a lot of bad audio and video quality, as the hardware that comes with computers is not always the best."
- Place the camera at eye level, "otherwise participants will be looking up your nostrils".
- Sit next to a window if you can, so that one side of your face is nicely lit up. "If that's not possible, then use a desk lamp aimed at the wall, to bounce the light off."
- Try to maintain professionalism on business calls. "I put on my standard white shirt and navy suit, but long pants aren't necessary!"

> I think across a huge number of businesses there will be a massive shift in how people work post-pandemic. I think this enforced working from home has made people realise that in a lot of cases it is absolutely possible, and that there are huge associated benefits such as saving time and money, environmental considerations and being able to spend more time with family.
>
> Helen Hanby, Director, International Treasury, Biogen Idec

Kapoor notes that in 2018, AccessPay conducted a Finance & Treasury Automation Adoption Survey, which found that spreadsheets were still the predominant tool used by most treasurers. When it comes to working remotely, Kapoor explains that this approach "would involve emailing around lots and lots of spreadsheets – which isn't great from a technology and data protection perspective."

If cloud-based systems aren't feasible for a company at the moment – for example, implementing a TMS can prove very costly – then there are other options available. These might include the use of a reliable remote desktop – using a secure VPN, of course.

Virtual project management tools such as Basecamp, Microsoft Teams or Trello are also a necessity, particularly if a treasury team has more than two or three members. But, Konda reminds, technology is an enabler and not an alternative to the core conduct of business in treasury. He notes that new projects that arise, especially automations such as implementation of automatic debit or an ACH, require partners to be connected to the physical office rather than remotely.

Similarly, there are some aspects of treasury that move so fast – the enormous and rapid fluctuations in the markets are evidence of that – that Konda feels a physical presence in the office is a necessity, if only for the strategic ease of being able to contact someone and take action immediately, rather than have to wait for a reply to an email.

From the bottom up

In Kapoor's experience, the main problems that come from working remotely aren't generally technological, but rather human ones. For essential treasury activities like cash forecasting, input is required from a variety of people across the business, bringing with it the risk of human error.

"A number of cloud-based TMS projects have been entered into with the thought that 'oh we'll just put this TMS in place and it'll solve all our problems and we can work from anywhere', and actually it doesn't work like that," Kapoor explains. "The problem is how you get all this information from all the people and systems in the business."

As a result, the businesses that have transitioned seamlessly to working remotely have been the ones that have put a great deal of thought into how these systems work. "They've used technology to automate as much of that input as possible, working from the bottom up," says Kapoor. "So when everything started to happen with the coronavirus and they had to go remote, they didn't have some of the problems that other companies have experienced."

The best way to overcome the data-input challenge, aside from automating everything, says Kapoor, is for the treasurer to engage with the people they need the data from and ask them 'what can I do that would make your life easier? How can I help to take some of the burden from you, because presumably pulling all this data together every day is not something you look forward to?' This type of empathetic engagement and human connection can help overcome problems while paving the way to a smoother remote working experience.

Will remote become the norm?

"This isn't going to go away," says Kapoor. "There are going to be more of these events, and so everyone we talk to is thinking long term, thinking that actually they've got to be prepared for a world where we have to work from home not all of the time, but certainly more of the time."

Konda, despite his belief that a fully functional treasury department requires a physical presence in the office, is of a similar view. "Five years ago, we had a lot of offices and many rooms in companies. There came a trend where a company would hire a floor with just cubicles, no offices, and so we graduated down into that space. We saw hot desks, where you could walk into any of them and start working. Now, the gradual transition will be towards working remotely."

A lot of companies already offer remote working as a benefit, and Konda notes that Mondelez has offered it for a while. In the situation of the COVID-19 pandemic though, he says it's important to note that the remote working instigated by the virus is not indicative of a future of remote working. "Entire communities have gone into lockdown; your colleague community, your external party community, such as banks, meaning a reduced number of available banking hours, the situation is different." He's hopeful that post-COVID-19, remote working will be a possibility for all employees by default.

Hanby is already a supporter of remote working, and like Kapoor and Konda she sees it becoming more popular in the future. "I think across a huge number of businesses there will be a massive shift in how people work post-pandemic. I think this enforced working from home has made people realise that in a lot of cases it is absolutely possible, and that there are huge associated benefits such as saving time and money, environmental considerations and being able to spend more time with family," she concludes.

Give and take – share buybacks vs dividends

When a company is doing well, it can use its cash to enhance shareholder value through dividends or by share buybacks. We go back to basics with these two closely connected themes.

A business that is doing well will often have what is known as retained earnings – the portion of net income it keeps in a separate account. This can be used in a variety of ways, such as funding expansion or major capital projects. However, retained earnings can also be used to pay dividends or to repurchase its shares in the open market.

Share repurchases (or buybacks) and dividends are a means by which publicly traded companies can return cash to their shareholders. A company can fund its buyback by taking on debt, with cash on hand, or with its cash flow from operations. A set of corporate principles, known as a 'pay-out policy', will typically guide the value of any proposed cash dividends and share buybacks.

In practice, a buyback will see the company buy its own shares from the open marketplace, effectively cancelling these to reduce the number of freely trading shares (or 'share float') in the market (hence a buyback is sometimes referred to as a 'float shrink'). The company can also make a tender offer, where existing company shareholders are asked if they wish to tender some or all of their shareholdings within a certain time frame; the offer includes the number of shares the company wishes to acquire and its offer price range.

Conversely, dividends are offered as a share in the company's profits on a discretionary basis. These are paid out or 'distributed' at regular intervals to shareholders, mostly as cash but sometimes as shares of stock or other benefits. Dividends are declared (authorised) by the board of directors. Their value or distribution may be constrained by debt covenants.

Of the two, buybacks are usually seen as the more tax efficient, if less direct, way to return capital to shareholders. Whereas dividends are a definite taxable return and are subject to different tax treatments at both the corporate and personal levels, buybacks have uncertain value and tax is deferred until the investor sells.

Returns on share buybacks can never be guaranteed, but with corporate cash pools increasing, they appeared to be on the rise, especially in the US. In 2018, US companies saw a peak buyback of US$866bn, Apple alone undertaking US$100bn in buybacks during that year.

However, according to the FT in February 2020, citing preliminary figures from S&P Dow Jones Indices, US corporates bought back US$736bn of their own stock in 2019. This was down 19% on 2018. On the other hand, a record-breaking US$485.5bn was paid out in dividends, with 2019 now the second year in a row that more than US$1trn was returned to shareholders.

Why dividends?

Dividends are a share of company profits, paid at regular intervals to its shareholders. Its directors are free to distribute dividends at whatever value they see fit, on the proviso that they are derived only from company net profits.

Not every company pays dividends. Rarely will a start-up or high-growth company offer a pay-out. These businesses often report losses in their first few years. If there are profits, these will often be ploughed back into the business.

Dividends are usually associated where a mature business has notable positive (and predictable) income streams and profits. These companies may not exhibit the huge growth curves of their formative years, but as established market players, dividends (usually paid at a higher rate than more dynamic/less predictable businesses) can boost overall returns for those that have invested in the company's stock.

Cash is the most common pay-out but some companies issue shares of stock as an alternative. According to Standard & Poor's, since 1932, cash dividends have made up about one-third of the total returns on US stocks, with the remainder coming from price appreciation, or capital gains, on that stock.

Dividends have two main roles: to signal to investors that the company is healthy and has a future, and to attract investors by paying them a regular income, possibly increasing the market value of the company's stock.

There are several reasons why a business may choose not to pay dividends. If rapid growth is part of its strategy, then earnings can be invested back into the company. That business may also wish to use its cash to fund M&A activity. Conversely, a business that is perhaps not so strong may choose not to pay dividends simply to avoid the negative impression it gives to the market should it ever need to stop paying or lower its pay-out.

Types of dividend

Although cash tends to be the preferred form, dividends may take several forms. The list includes:

Cash dividends

As the most common form, cash dividends issued per share are simply a cash payment whose value has been calculated by using the dividend per share (DPS) formula shown below.

Other forms may be known as distributions-in-kind. These may be used as a means of reducing corporate tax liabilities that may arise from, for example, an increase in an asset's value.

Stock dividends

As an alternative to cash, a number of shares may be awarded to each shareholder based on the amount of shares they hold. This may be done on a pro-rata rights basis. This is not obligatory in terms of offer or uptake but the idea is to ensure that extra share issuance does not dilute the existing ownership or voting rights of the shareholder, maintaining their percentage of equity stake at the same level.

Property dividends

Dividends may be offered as an asset such as property, plant, and equipment (PP&E), which is generally highly illiquid, or inventory, which is more liquid.

Scrip dividends

Sometimes a company will offer its shareholders a choice of either receiving a cash dividend or the equivalent in additional shares of the company. Scrip issues are usually offered when there is insufficient liquidity for a cash dividend to be paid. By increasing the number of shares, these secondary issues will dilute share value but they are exempt from stamp duty as they are not an investment per se – even though investors can sell them on the open market (at which point they are subject to capital gains).

Liquidating dividends

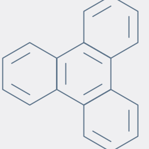
This is an end-of-the road dividend where all assets are liquidated and the remaining proceeds (if there are any) after satisfying creditors are paid out to shareholders as a dividend. Creditors are always senior to shareholders in such a case. A liquidating distribution usually only occurs where a solvent business is in voluntary liquidation.

How much?

The main calculation used to decide the value attributed to each individual share in a dividend pay-out is DPS. DPS determines total income for each investor, based on share ownership.

DPS formula

There are two version of DPS calculation:



DPS = total dividends paid/number of shares outstanding

or

DPS = earnings per share x dividend pay-out ratio
(This figure is the expected percentage of profits returned based on historical dividend pay-outs, which could be in the region of 50%, or as low as 20%.)

Basic EPS takes the net income applicable to common shares for the period and divides it by the average number of shares outstanding for that same period.

Why buybacks?

Both buybacks and dividends are of interest to market analysts because, as distributions to shareholders, they affect investment returns and financial ratios. One of the major benefits of a share buyback is that it reduces the number of shares outstanding for a company. Share repurchases made with excess cash (as opposed to debt) therefore can increase per-share measures of profitability, notably cash flow per share (CFPS) and earnings per share (EPS) which are key metrics for investors when assessing stock values.

Buybacks can enhance EPS, even when the company is reporting otherwise unexceptional top-line and bottom-line growth. This may see the business being given a higher valuation by investors, and as long as the price-earnings (P/E) multiple at which the stock trades remains unchanged (P/E = current stock price divided by EPS), the buyback should drive up the share price.

Indeed, the FT recently noted that share buybacks "have played a role in bolstering the stock market to record highs by reducing the share count and boosting company earnings per share". It said that the S&P 500 ended last year (2019) up nearly 30%, "even as underlying profits growth stagnated".

Firms that often buyback their own shares can grow EPS at a faster rate than by its normal business activities alone, especially for well-established market leaders. It is a way of attracting investors, especially as it also demonstrates the power to generate sufficient cash to buy-back its own shares in the first instance. However, the buyback process has been seen as a way of manipulating key financial metrics such as EPS, and has even been criticised as signifying a lack of imagination within the business, in that if the business has nothing better to do with its cash than buy its own shares, then has it run out of ideas, and is thus a poor long-term investment.

Impact on financial statements

Reducing outstanding shares has an effect on a company's income statement and other financial statements. The balance sheet will see a reduction in cash holdings, and thus its total asset base, following a buyback (to the value of the buyback). Shareholder equity will also lower on the liabilities side by the same level.

As well as increasing EPS, buybacks reduce the assets on the company's balance sheet – cash – and so will similarly improve the health of other financial performance metrics such as the aforementioned P/E ratio (simply because fewer outstanding shares, but with the same earnings, equates to a higher EPS and thus better P/E), return on assets (ROA) and return on equity (ROE).

The cost of a buyback programme will normally be reported in the following quarterly earnings statement, although the total spend should also be visible in the company's Statement of Cash Flows, under Financing Activities, and in its Statement of Changes in Equity and Statement of Retained Earnings.

Dilution effect

To keep senior executives happy, public firms can give their employees the right to buy the company's stock at a specified price for a finite period (good value for the employee if the stock rises and they exercise their option and then sell

> Regular dividends can signify corporate stability, keeping shareholders keen and attracting new investors, but once on that pathway it is difficult to leave without damaging after-shocks.

those shares – usually with vesting controls put in place by the company – on the open market). But employee stock option plans, if issued in significant numbers, can dilute EPS and P/E by adding shares to the market, weakening these key metrics.

A business that has pursued stock options (or indeed one that has seen M&A result in new shares being issued, or perhaps has issued dilutive securities such as stock warrants or convertible preferred stock) may elect to minimise the effects of dilution, reducing the number of outstanding shares through a buyback programme.

Diluted EPS (and all potential dilution) has to be reported under GAAP as an adjustment of the basic EPS. In a profitable business, diluted EPS is always lower than basic EPS (as profit has been spread amongst a greater number of shares), just as in a loss-making business, diluted EPS always shows a lower loss than basic EPS because the loss is spread out over more shares.

Which is best?

There is no definitive answer as to which is best; both have advantages and disadvantages. Here's a brief list of pros and cons:

Buyback advantages

- Gainfully deploys expensive-to-hold cash, and signals healthy liquidity of the business.
- Boosts key valuation metrics such as EPS and CFPS, making the business look more attractive to investors.
- Counters market undervaluation: companies buy low then re-issue upon market correction.
- Pays off investors and reduces overall cost of capital.
- Flexibility for company to engage with the market when it is ready to do so.
- Little or no market negativity when buybacks are reduced or halted.
- Tax efficient for investors; deferred until stock sold and then subject to a capital gains rate. If held for more than one year, a lower capital gains rate may apply.

Buyback disadvantages

- Shareholders may expect excess cash to be better used for investment activities such as a new manufacturing plant, increasing market presence, R&D or M&A activity.
- Wise investors can see through buybacks designed simply to increase key financial metrics (or pay large bonuses to senior executives).
- Buybacks can be a sign that the company has few profitable long-term opportunities, at least in its current form.
- Can affect a company's credit rating if it borrows money to buy-back ie taking on debt never outweighs an EPS boost.

Dividend advantages (for a stable dividend policy, as opposed to irregular distributions).

- Signals 'business as normal', giving shareholders and potential investors confidence.
- Stabilises market value of shares.
- Meets the needs of institutional investors who can only invest in companies with stable dividends.
- Can improve the company's credit standing and make access to financing easier.

Dividend disadvantages (again, for a stable dividend policy).

- Difficult to suspend or cease pay-outs once started.
- Suspension or cessation can see knee-jerk stock disposal by investors.
- Suspension or cessation can negatively affect the market price of shares.
- Less tax efficient for investors (subject to ordinary income tax, with no deferrals).
- Paying dividends despite financial difficulties is potentially ruinous.

Shareholder happiness = corporate happiness

Listed companies operate to keep their shareholders happy. Buybacks increase a stock's value, but knowledgeable investors will ask if that is just a short-term boost for certain financial ratios or over-compensating of executives. Regular dividends can signify corporate stability, keeping shareholders keen and attracting new investors, but once on that pathway it is difficult to leave without damaging after-shocks.

If the financial benefit of both is considered on behalf of the investor, there are two US indices that might steer opinions one way or the other. The S&P 500 Dividend Aristocrats includes only companies that have managed to raise dividends annually for at least 25 consecutive years. S&P's equivalent for signalling active buyback companies is the S&P 500 Buyback Index, which lists stocks with the highest buyback ratios, defined by cash paid for share buybacks in the last four calendar quarters, divided by the company's market capitalisation.

S&P reports that between March 2009 and March 2019, the annual return on the S&P 500 Buyback Index was 21.09%, whereas the Dividend Aristocrats Index delivered an annual return of 19.35%. The standard S&P 500 posted an annual return of 17.56% over the same period.

Payment protections

How can treasurers protect against payments fraud?

Nithai Barzam
COO
nsKnox

The rise of cyber-fraud

There is no doubt – worldwide, and specifically in the Asia Pacific (APAC) region, cyber-fraud is on the rise. In a recent survey conducted from June to August 2019, it was found that fraudulent transactions cost APAC businesses an average of 3.4 times the amount of lost transaction value.

Among the different types of cyber-fraud attempts – and one of the toughest to detect and prevent – is corporate payment fraud.

In a recent AFP report it was noted that 2019 had the highest levels of payments fraud activity in over a decade, with a record-breaking 81% of organisations that were targeted.

The weak link in securing the payment chain

Being able to detect and prevent a payment fraud attempt can be very difficult when the controls in place are exclusively manual and rely on the vigilance of employees.

This is because cyber-fraudsters bring to the table two very powerful weapons. The first is social engineering skills that enable them to effectively dupe employees and manipulate them into diverting payments to their own fraudulent accounts.

The second is a set of advanced technologies that they leverage to carry out their attacks. These include technologies that enable phone number spoofing, hacking into emails and finance and operation systems, and deep-fake voice cloning software – all of which have become widespread for executing social engineering attacks against treasurers, finance executives, and accounts payable and procurement personnel and systems.

> 2019 had the highest levels of payments fraud activity in over a decade.

For treasurers, the key to mitigating that risk is replacing manual processes with technology-based controls and automation.

Targeting the top vulnerabilities

Through its extensive work with finance executives and teams around the world, the subject matter experts at nsKnox have identified the two most vulnerable areas related to the payment execution process.

Account validation

Whenever a new supplier is onboarded or an existing supplier requests changes to their account details on file, the account validation process that is used is typically manual. Namely, either a captured image of a cheque is requested or an official document is required for verification.

Both of these are highly prone to error and vulnerable to social engineering.

The payment transaction journey

Furthermore, once the payment transaction journey has started, further checks are usually focused on validating invoice amounts, making sure goods were actually delivered or services were rendered and, rarely, validating account data was not manipulated. This renders the payment file extremely vulnerable to cyber-hacking.

A new approach to payment protection

The key to overcoming the challenge to corporate payment protection and to detecting and preventing cyber-fraud attacks before they happen is to replace manual account validation processes with a technology-based validation, together with automated payment checks.

By leveraging technology that is more sophisticated than that which is used by cyber-fraudsters when validating supplier accounts, and by introducing automated real-time payment checks, treasurers and the finance department can bypass the need for manual controls and eliminate the risk of human error, thus preventing unauthorised payments.

Adrien Dumont
Product Management
BELLIN Treasury International

Payments fraud has been a constant threat for treasurers for many years. Sadly, the current crisis and economic turmoil have exacerbated this situation. Many of the issues are the same as before the crisis, but others are specific to it – all of them are real cause for concern for treasurers around the globe. So, what are they struggling with and how can they protect against payment fraud?

The challenges

Multinational companies work in decentralised teams in different locations. That often means decentralised payments via multiple, non-integrated banking sites and ERP systems, with non-standardised processes. This in turn can lead to a lack of transparency, visibility and control – all of which present the perfect breeding ground for fraud attempts, both internal and external.

This is even more of a challenge at this time of crisis: with teams working from home, communication patterns are disrupted and some extra checks that are commonplace in the office fall by the wayside. What's more, fraud attempts and unusual activity have gone up, as fraudsters try to capitalise on the crisis and the vulnerabilities it brings. For example, we've seen an increase in fake offers for items such as face masks or disinfectant.

The solutions

The answer to these challenges is a web-based, group-wide payments platform that creates transparency and visibility and introduces vital security checks in order to monitor and verify payments. With a web-based system available wherever you are, working from home does not present a security risk.

Such a group-wide system enables companies to replace their many disconnected solutions and bring everyone together in one system: with complete data accessible and technological checks, they gain transparency, visibility and control. System-integrated technological solutions include two-factor authentication, straight-through processing, mandatory dual approval processes, system-based user permissions management, cloud-based data hosting, black list and white list checks or even AI fraud detection. In addition, direct interfaces with ERP systems prevent unnecessary file storage that risks manipulation. Secure encryption is another important factor.

Through the introduction of one group-wide, secure payments platform, companies are also able to standardise processes. System and processes go hand in hand here: everyone needs to follow the same protocol and technology enables "behind-the-scenes" safeguards across the entire payments workflow. No one is able to circumvent these safeguards and everyone has clear directions to follow when it comes to approving or releasing payments. This significantly lessens the burden on employees during an already difficult time: they can simply trust the system and the process.

> Collaboration is key, now more so than ever before: across companies, between treasurers and across the industry.

Collaboration is key, now more so than ever before: across companies, between treasurers and across the industry. The crisis highlights both the need for strong technological payments solutions and the need to embed these solutions in adequate and secure processes. It is also likely to speed up new technological developments, such as AI payment fraud detection.

Next question:

"What would help treasurers overcome the major challenge of forecasting and liquidity planning and help gain the information needed?"

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

Treasury in a time of coronavirus

It feels like we have fallen down the rabbit hole, but virus land is less tea party and more Jabberwocky. Rather than panic, this is a good time to take a deep breath and, although the virus has taken most of us by surprise, much of what we learned before is still valid, and much we have not done before is all the more urgent in this situation.

Ugly duckling

Sitting far from home, and with no idea when I might get there, it feels like a different world from where I wrote the last article. Everything has changed, it seems. And I was not prepared for this, more personally than professionally. I sometimes explain to people that being a treasurer is like being a professional worrier – "risk management" is less accessible than worry.

Sounds like a black swan, doesn't it? Except plenty of people have been warning that a pandemic is a very pertinent risk, even though we got lucky with SARS and bird flu. This includes Professor Stephane Garelli at EuroFinance Geneva, whose two biggest worries were pandemic and cyber damage. (It's probably fair to say that most of us, while quite alert to cyber fraud, are not ready for a protracted internet outage.)

The term "black swan" is applied unthinkingly to anything we did not see coming. But, as Alex Danco eloquently explained a couple of weeks ago, there are three aspects to black swans:

1. **Unpredictable**: a pandemic has long been predicted.
2. **Magnitude**: even if we heard the warnings, we did not expect a major recession.
3. **Retroactively explainable**: we are still in this but we will probably find scapegoats reasonably soon.

Be prepared

The scout motto "be prepared" is quite close to my role as professional worrier. Of course, risk aversion frequently has a cost, and often next quarter's results trump longer-term sustainability.

Sustainability implies things like:

- Multisourcing rather than buying exclusively from the same cheapest supplier.
- Making sure that suppliers and other business partners will be around when you need them.
- Having enough staff to cover holidays and sickness coming together.
- Paying for revolvers that seem unnecessary.
- And so on…

Some of this is seen as flab by many managers. Indeed, sustainability cannot be an excuse for inefficiencies like sloppy cash management and idle balances.

Supply chain finance brittleness

I have never got much traction with my concerns that supply chain finance can reduce supply chain resilience.

Buyers providing financial support to their suppliers either via third parties (banks and fintechs) or directly (dynamic discounting et al) are in normal times helping their whole supply chain. But in extremis, they risk a double whammy if both buyer and supplier (and even third party) find themselves liquidity constrained.

Of course, most procurement teams monitor the financial health of their suppliers, so hopefully this risk is not affecting supply chains too badly.

Real world recession

Another novelty of the current situation is that the slowdown is in the real world, not just in finance. Worrying about the financial well-being of suppliers may be moot when staff cannot come to work and logistics are in lockdown.

A lot of money is needed to ensure jobless people do not starve and of course that has financial implications. On the other hand, unlike the previous crisis, this situation cannot be fixed with financial corrections. Collateral damage from the virus can be alleviated by fiscal means, but no amount of money can keep the economy running in lockdown.

Back to basics

McKinsey has put cash front and centre of the CFO's agenda: "the company's primary finance focus during this period will be on implementing a 'cash culture'."

> Liquidity is key and requires cash consciousness, the world is digitising even faster than before, and we need to organise for sustainability – a wide term which will hopefully come to include nurturing our planet as well as our businesses.

In fact, this virus is changing treasury in unexpected ways. The urgency of ensuring liquidity brings us back to basics and the core of treasury. Analysts say the majority of companies have three to six months of cash sustainability, so let's hope we can exit lockdown within that time frame.

(On a personal level, being unable to return home might get less amusing if it lasts longer than that.)

In this situation, every dollar counts. Cash visibility and cash flow forecasting have become critical for survival. In that context, my two previous articles on best of breed and accessible technology remain relevant.

Treasurers stuck at home, if they any have time to spare, might want to consider BELLIN's offer of free TMS if they are still doing treasury by Excel.

Surviving

This will be a period of dramatic change. We are already learning to work remotely. We are dealing with loneliness through video conferences and Zoom parties. In fact, the compensations for remote working are so effective that apparently some introverts are feeling overwhelmed.

Technology will step up both with remote working and automation. Hopefully treasury by Excel will be an early and little-mourned casualty of the virus.

Many businesses will fail. Hopefully this will create openings for new businesses to step into, rather than simply a reduction of economic activity as a whole.

There does seem to be a risk that larger companies will be better able to milk whatever cash governments are offering, leaving smaller businesses to die. This may be a threat to systemic resilience as well as to competition. In this view, the virus might accelerate the super profits of the world's largest companies.

Sustainability in its broadest sense may carry more weight – at least for a while. This speaks for maintaining a thriving SME sector. It will be interesting to see how quickly we revert to maximum extraction mode.

Thriving

We can already see that Big Tech is thriving through this crisis. The shortage of liquidity and the difficulty of in-person communication will hamper start-ups, thus even further thinning Big Tech's competitive space.

On the other hand, hard to predict changes brought by the virus may create opportunities for newcomers, both online and off. Maybe some business school professor will write a book called "Grey Ocean Strategy", about filling niches left vacant by firms that proved insufficiently resilient to survive the virus.

Firms that have not felt motivated to digitise in the past are probably getting an intense lesson in priorities, now that face to face is no longer an option (and paper handling does not work well for people working from home). We can expect a major step up in digitisation worldwide. This will be good for the relevant providers, and will increase the general resilience of businesses. But the risk of cyber meltdown will become even more frightening.

Conclusion

We find ourselves thrust into a strange new world. It is worth taking a deep breath and remembering the basics that remain immutable: liquidity is key and requires cash consciousness, the world is digitising even faster than before, and we need to organise for sustainability – a wide term which will hopefully come to include nurturing our planet as well as our businesses.

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.

Clients located all over the world rely on the advice and expertise of Acarate to help improve corporate treasury performance. Acarate offers consultancy on all aspects of treasury from policy and practice to cash, risk and liquidity, and technology management. The company also provides leadership and team coaching as well as treasury training to make your organisation stronger and better performance oriented.

david.blair@acarate.com | www.acarate.com

Adam Smith Awards Asia 2020

Face tomorrow having triumphed today.

Nominations open
June 8th 2020

treasurytoday.com/adam-smith-awards-asia