July/August 2020

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## Payments in Asia

Asia is considered the most dynamic region in the world, so it only makes sense that it's leading the way when it comes to innovative payment solutions.

### Industry Insights

**Zarine Swamy**

Founder

**Success Valley**

### Women in Treasury

**Sandra Ramos-Alves**

Vice President and Assistant Treasurer, Treasury Operations

**Bristol Myers Squibb**

### Adam Smith Awards Asia

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.

### Cash Management

Cash flow forecasting: how accurate do you want it?

### Technology

APIs: have they delivered what was promised?


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# Darwinism – of business

Understandably, many are tired of hearing about what new problem 2020 is heralding. Be it murder hornets, bush fires or trade wars, or the eponymous pandemic, the year has certainly taken its toll.

We're now seven months into the year, and most of us have spent at least half of that working remotely. It's certainly not a situation we thought we'd be in a year ago. But the human race continues to evolve and adapt, and the reaction to the global COVID-19 pandemic is no different. Life continues to move forward – albeit at a slower, and often socially distanced pace.

Singapore has headed to the polls for the general election, the build up to which became a global subject of interest. With a pandemic risking a recession, and a dramatic family contest (Lee Hsien Yang, the brother of incumbent prime minister, Lee Hsien Loong joined the opposition party), the election in the world's fourth-best financial hub (according to the Z/Yen and China Development Institute 'Global Financial Centres Index') has proved one to watch.

For treasurers, the turmoil in Asia could prove problematic. The World Bank reported that growth in East Asia and the Pacific is expected to slow to 0.5% in 2020 – the lowest rate since 1976. All major economies are implementing huge stimulus packages – but will they be enough? Treasurers are having to work overtime to ensure their businesses are kept safe from the economic fallout that so many experts say is inevitable.

Key for a treasurer's preparations is, of course, cash flow forecasting. In this edition we take a look at just how accurate is accurate enough, and we speak to experts and treasurers to find out what businesses could and should be doing to get the most accurate and efficient forecasts.

Keeping with the ever-important cash management focus, our Question…Answered feature quizzes both a treasurer and a banker on what they think can help treasurers to overcome the major challenge of forecasting and liquidity planning and help gain the information needed.

In the spirit of remote working and adapting to technology, our Insight & Analysis delves into the payments space, and how Asia is leading the digital revolution. Meanwhile, the Technology feature looks at APIs, whether or not they've truly delivered on what was promised to treasurers – and what the future holds for their use.

Lastly, this edition features an Industry Insight with Zarine Swamy, who recently transitioned out of treasury to pursue her own ventures. She discussed her experiences as a woman in the industry, what she's learned from treasury and what she will take with her in her next role.


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Bristol Myers Squibb™

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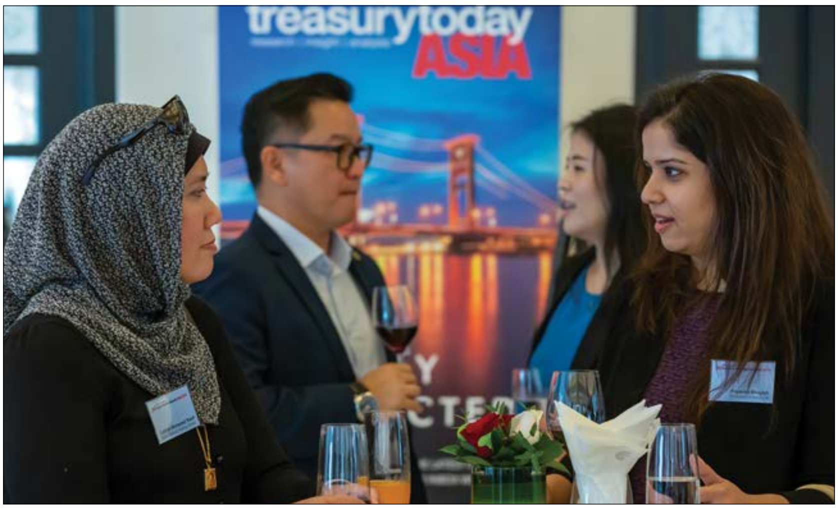


## Adam Smith Awards Asia 2020

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.

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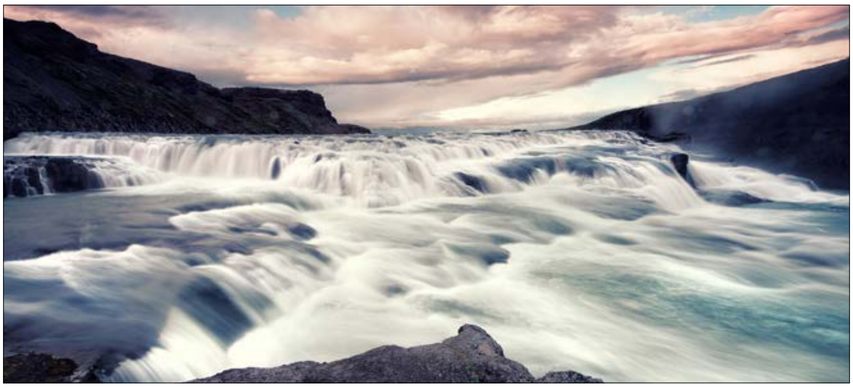

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**Founder**

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### APIs: are they delivering?

The use of APIs in the treasury space is rising, and for good reason.  But are they delivering on the original promises that were made to treasurers?

# Asia payments innovation

*In a digital world where the internet, social media and personal banking applications are only a click away, it's only natural that the next step is instant payments for corporates. We take a deep dive into the various innovations in payments, and explain how Asia is leading the way.*

Asia is considered the most dynamic economic region in the world by the IMF, although the COVID-19 pandemic is causing a downturn projection for south Asia. However, the continent also contains the top three countries for unbanked populations globally (China, India and Pakistan), and a significant proportion of those people rely on cash and cheques, as opposed to electronic fund transfers, cards and other payment methods.

Despite that, and demonstrating the variety in the region, Asia is also home to the top three countries with mobile payment, with China, India and Indonesia ranking in that order. As such, it makes sense that the region would also be leading the corporate payments revolution. Under various monetary authorities, Asia's real-time clearing systems have been developing rapidly. India has the Immediate Payment Service (IMPS) as well as the Unified Payments Interface (UPI), whilst Malaysia has Real-time Retail Payments Platform (RPP), Thailand has PromptPay, Singapore has Fast And Secure Transfers (FAST), and Hong Kong has Faster Payment System (FPS).

## Asia's rapid progression

For Honnus Cheung, Co-founder of fintech Mojodomo, Asian countries are ahead in certain aspects of digitalisation, owing to the widespread acceptance of technology within the countries as a whole – not just in treasury. "We use mobile phones for everything now. So we prefer to conclude an entire transaction experience by mobile phone, rather than using computers," she explains. In this sense, the consumer is driving the upgrades to the digital payment experience.

"If you're a B2C business, it is necessary to have online payment channels or QR codes for scanning payments. Otherwise, you probably can't do business in Asia – especially China or other countries where they are very mobile-savvy," she says. Indeed, China's rapid adoption of mobile payments through the likes of WeChat Pay and Alipay has been largely driven by the lack of card payments in the country – getting a credit card from a Chinese bank is a lengthy process, and there has long been a de facto ban on foreign payment service providers unless they issued co-branded cards with a domestic provider such as UnionPay (however, in February 2019 Mastercard secured Chinese government approval to enter the country's electronic payment services market). Combined with the explosion of smartphone adoption, this meant that mobile payments were able to leapfrog traditional methods seen in countries such as the UK and US.

The value of real-time payments is obvious in terms of improving the speed of commerce, says Shirish Wadivkar, Global Head, Correspondent Banking Products, Standard Chartered. But he explains that the core change is in the data structure of the faster payment networks. "They carry more data – some boast full ISO 20022 compatibility – and are smarter, with full track and trace capability," he says. These payment networks are open and allow for integration of third parties, which makes it easier for consumers to pay using aliases such as mobile numbers and national IDs. At the same time, they offer more transparency into payments, and more information on why the payment has happened. "This naturally leads to improving the entire experience between buyers, sellers, and their banks," Wadivkar says.

Ankur Kanwar, Regional Head, Cash Products, Singapore and ASEAN at Standard Chartered, also notes the rapid development of payment infrastructure in Asia, and believes it's only going to continue. "More countries will introduce real-time domestic payments, payment by proxy or scan and pay via QR codes in the next few years," he says.

But as Kanwar notes, the regulation landscape also needs to adapt to facilitate these changes. From a treasury point of view, the region is characterised by a vast number of regulatory differences between countries. This makes cross-border payments more difficult, and Cheung, who was previously CFO at Travelzoo, notes that not every country is equally advanced in Asia. The continent has always been a region where differentiated geographical and sector regulations have added complexity to the work of treasurers.

## Standardisation – or lack thereof

For Cheung, one of the main challenges in the payments space in Asia is the lack of standardisation of digital payment formats. "SWIFT makes it easier and is a secure network within financial institutions that has been used for many decades, but it is not real-time and has relatively high transactions fees," she explains. "There are many fintech companies that can be used for cross-border payments, and there's actually a mushroom of payment formats that can accept monies electronically across Asian geographies, but this is in turn presenting headaches in reconciliation for treasurers."

In a May 2019 article, the MIT Technology Review stated that "the entire ecosystem needs to pull together" before real-time transactions can fully materialise in Asia. The region's multiple currencies can also prove a hurdle. Unlike in Europe, where there are only really three main trading currencies – the euro, the pound sterling and the Swiss franc – Asia's multiple currencies prove problematic as not all of them are internationally tradeable. Cheung does recognise that in comparison to Latin American currencies, Asian currencies are relatively stable, but adds that fluctuation by 3-5% a day is still normal – or on a monthly basis it can depreciate by 10-20%.

## Case study: Japan

Japan, described as "the market that should ignite but stubbornly refuses to", has been far slower to adopt real-time payments than many thought it would. A 2016 study found that almost 70% of Japanese consumers across all ages preferred to make payments in cash. By contrast, only 40% of transactions in China are cash, whilst in South Korea that number falls to just 11%. The Japanese government's 'Cashless Vision' aims to reduce this and get cashless payments to 40% by 2027.

In the private space, in 2019, Indian mobile payment firm Paytm announced that in its first six months, its Japanese arm, PayPay had gained about ten million users. To entice Japanese users to join the platform, PayPay has a points-based reward system as well as cash incentives. The company is also waiving fees for sellers and establishments until the end of 2021.

In the B2B space, American Express found that in Japan, promissory notes – a form of IOUs – are prominently used for payments. The same report cited findings from trade credit insurance firm Atradius' 2017 Payments Practices Barometer that 33% of Japanese companies say payment procedure complexity is a main cause of delays when receiving international payments from overseas business partners. The 2019 Atradius Payments Practices Barometer for Japan noted that on average, B2B invoices are settled within 41 days from the invoice date – the second longest in Asia Pacific behind Taiwan, but five days shorter than in 2018.

Kanwar agrees that the large differences in Asian currencies can be a challenge and explains that "each market in the region has multiple localised payment options, each with different infrastructure requirements, which makes payments consistency difficult to achieve across the region." In addition, he says that despite the digitalisation initiatives being undertaken by many corporations, challenges can arise from legacy infrastructures that have limitations on accepting 24/7/365 feeds.

Cheung notes that to some extent, treasurers and banks are very traditional professions, but they are recognising that in order to attract more customers they need to adapt and go digital. "Whatever product you're launching, be it for corporate banking or consumer banking, you need to consider the digital – and mobile – perspective," she says. This includes ensuring that the customer experience isn't exceptional just because the payment journey is smooth, but also because it has good digital accessibility and a high level of security.

## Fintechs to the rescue?

Of course, with more technology come bigger cyber-security risks. For real-time payments, a large amount of concern focuses on anti-money laundering (AML) and know your customer (KYC) checks, as fraudsters could seek to take advantage of any delay. The rapid and irreversible nature of faster payments means that suspicious activities may only be discovered after the funds have been sent, so businesses need to ensure that these checks are either done in advance or that the system is able to conduct necessary screenings in real time. Speedy AML and KYC checks are most likely achievable through intelligence-based analytic tools, and Cheung believes this is where fintechs really show their value. "Banks are proactively looking for fintechs to fill these gaps to provide a seamless digital customer journey to both B2C and B2B clients," she explains. "[The banks] know they're giant and can't respond to the market quickly, so fintechs can help digitalise treasury systems in a much faster, cost efficient and timely manner around the globe, whilst also meeting cross-border AML requirements."

Wadivkar agrees. "Despite being nascent, [fintechs/payment providers] are plugging gaps in value propositions that banks either could not or were slow in fixing," he says. "Treasurers must consider this in their ongoing digital treasury challenges, even more so to gain real advantages in a post-COVID world."

## Real-time is here to stay

The shift to real-time payments is irreversible, says Wadivkar. "Customer expectations of instant fulfilment are par for the course," he adds. "This expectation has spilled over from personal to business payments and is now a reality."

Cheung agrees, and believes that it's no coincidence that this shift to real-time is coming as Gen Z and millennials begin to make up more of the workforce. "Millennials and Gen Z use their mobile phones for everything in their personal life, and they're now using them for work as well," she explains. It's only natural that the people who have grown up with fast internet speeds and instant access to almost everything also want instant payments. Of course, it's not just those generations driving the change, as people of all ages have mobile phones and are becoming more impatient as a result of faster networks speeds.

## Teaching opportunities

Other countries in EMEA and the Americas also have or are working towards their own real-time payments systems, and Wadivkar believes that some could learn a thing or two from the Asian payments market. "Asian networks are the pioneers in account aliases – that is, using common addressing for accounts instead of account numbers and sort codes (for example, IN, SG, MY)," he says. "This allows for better programmatic integration and more error-free payments."

Wadivkar explains that to really progress in Asia, companies need to begin to move large, young populations and entrepreneurs across developing economies into global economic inclusion, employing the cheap mobile internet boom to provide democratic access to markets, thus driving wholesale prosperity across its masses. "The challenge is not only limited to the banks or market infrastructure," he clarifies. "Treasurers have to also critically re-look at their technology and digital strategy going forward, to be able to truly translate the benefits of these major shifts in payments into returns."

# This much I know

## Sandra Ramos-Alves

### Vice President and Assistant Treasurer, Treasury Operations

Bristol Myers Squibb™

### Tell us about your career path. Why treasury?

I began my career in finance at Lucent Technologies, first through its financial leadership development programme, and then by being the Internal Audit Manager for the Caribbean and Latin America region.

Following an 18-month assignment in Campinas, Brazil, I moved to treasury when Lucent Technologies' Regional Treasurer for Latin America stepped down and the FX manager took up the role. My experience in Latin America, and proficiency in both Portuguese and Spanish, made me an ideal candidate to take up the role of FX and Money Markets Manager.

After a three-year role at Cendant, I received a call about an opportunity at a small biotech company, Celgene, to help build an international treasury and FX function. I spent the first eight years in international and FX, and then transitioned to capital markets, where I spent six years working on optimal capital structure, capital allocation, debt financing, managing the credit facility and building relationships with the bank group and the rating agencies. Celgene was acquired by Bristol Myers Squibb in November 2019 and I am now taking the lead in managing global treasury operations.

What's fun about treasury is that every day is different. Market dynamics drive whether you execute transactions, whether you execute FX or interest rate derivatives, or even share repurchases. Each day is dynamic, and you are in a position to really deliver value and actual P&L impact for the organisation.

### What is your next major objective?

From a professional standpoint, technology is continuously evolving. We need to assess how we transform our operations with robotics and artificial intelligence to further enhance and streamline our processes, while maintaining a strong control environment.

Personally, my goal is to obtain an optimal work/life balance. I need to continuously focus on balancing my career and my family, as, while they have always been my top priority, I've definitely sacrificed my family life over the years.

### What is the best piece of advice that you have been given in your career so far?

If you really want something in your career, you must ask for it. People may not know what your goals are, so you must verbalise and ask for things. We each own our careers and we must be proactive to achieve our goals.

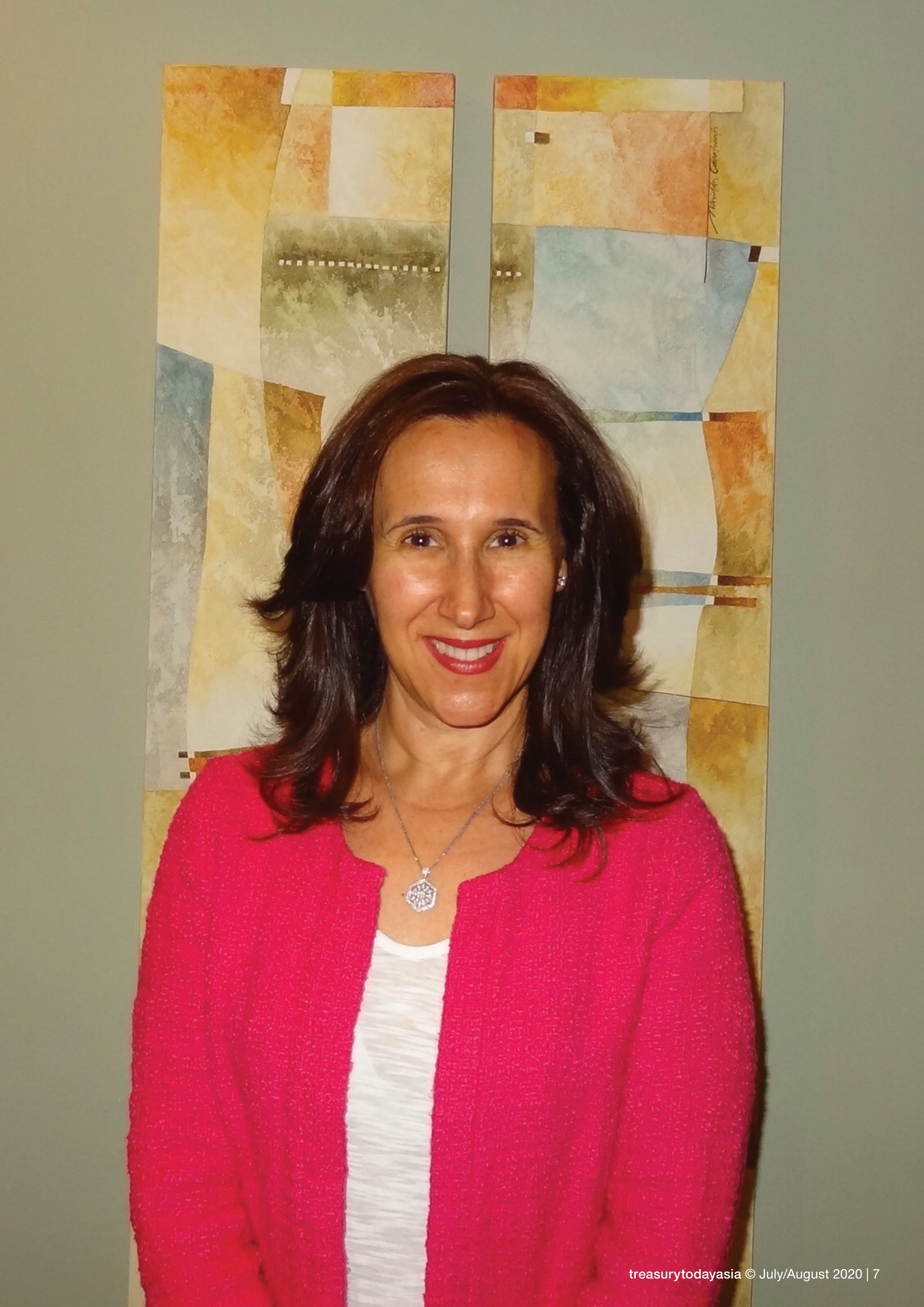
### What is your motto in life, or your greatest inspiration?

"Leaders become great, not because of their power, but because of their ability to empower others." I truly believe that empowering individuals on your team drives the desire to succeed, which ultimately leads to organisational success.

"Personally, my goal is to obtain an optimal work/life balance. I need to continuously focus on balancing my career and my family."

**ONLINE**

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



## Breaking down barriers

Sandra believes that positive steps are being made in furthering diversity and inclusion, and that this is allowing women to flourish and make their voices heard.

"In my experience, I have always felt that expectations of me were higher, so I always approached it like I had to work harder than my male peers," says Sandra. "A tactic that I've used to empower myself to speak up has been to obtain knowledge on any particular topic to command respect in a room and to break down any gender barriers."

The way junior professionals can go about gaining that knowledge is not limited to professional qualifications. Sandra also encourages individuals to explore the immense benefits of networking. "It really is crucial for growing in your career," she says. Networking can lead to valuable mentorships, and often, the next growth opportunity may come through a network. Likewise, as an individual moves up the proverbial food chain and is looking to hire staff, a network of good relationships can be used to find good candidates.

Mentoring is something that Sandra is very familiar with – and passionate about. In the nominations for Celgene's 2019 Mentor of the Year award, Sandra's honesty, empathy and selflessness were highlighted as key attributes that make her both an excellent manager and mentor figure for many within the organisation. She doesn't think it takes anything special to do this though, as she notes: "The mentor of the year nomination was truly a surprise. I care about my team's performance and well-being; I simply treat them with fairness, kindness, and respect, and so I was humbled by the recommendation."

She also believes it's important to challenge the status quo. "Look at how things are being done, and how to improve or streamline them, while being really strategic and thoughtful in execution," Sandra advises. Of course, teamwork is critical to getting the job done the best way possible: having access to a diverse range of ideas generally drives the optimal output.

This teamwork, she adds, must go beyond the treasury team alone and extend to partnering with the organisation to show how value can be delivered. Gone are the days of treasury being unobtainable in an ivory tower – which means that treasurers must now work to get their voices better heard in the organisation. "Treasury should be aligning strategically, thinking about the future of the company and supporting the business needs," says Sandra. This could be through determining the optimal use of the balance sheet: either investing in additional business development or deleveraging, and the rating agency metric implications of doing so.

## Get uncomfortable – embrace it

Gaining treasury-specific knowledge isn't the only thing that Sandra believes is important. Having made the switch to treasury operations in November 2019, the challenges she is currently facing are different to the ones she's had for the past 18 years in front office roles. "I'm really learning about the nuts and bolts, and I think this will help me grow and make a more well-rounded treasury professional," she says.

For others looking to progress, Sandra believes it's important to step outside of the comfort zone. "It's one of the best learning opportunities anyone can have. When I look back, had I pursued some opportunities outside of treasury earlier, I would have benefited from learning the business in a different way and developed new skills that would have been valuable in the long run."

She recognises, though, that taking on new roles isn't always an option, and that she's noticed women often get comfortable in a role when they know they have to balance work with family. "Sometimes you stay in a role longer than you should because you don't want to disturb family dynamics – in my experience, this is less of a dilemma for men, as they generally have partners to help with the care of the family," she explains.

Overall, however difficult juggling personal and professional gender roles can be, Sandra is positive that the right steps are being made. In particular, she hopes that the recent focus on home working – and just how possible it is – could pave the way to more flexibility in the future.

Sandra Ramos-Alves is Vice President and Assistant Treasurer, Treasury Operations at Bristol Myers Squibb, based in New Jersey.

Sandra has a Bachelor's degree in Accounting and Spanish from Rutgers University and a Master's degree in Accounting from Babson F.W. Olin Graduate School of Business, with a concentration in Strategic Cost Management and Entrepreneurial Finance. She is also a certified public accountant.

With a distinguished career which extends beyond finance, Sandra's hard work was recognised in 2013 when she was nominated for the HBA Rising Star Award at her company at the time, Celgene – later acquired by Bristol Myers Squibb, where she still works. Progressing from Director, International Treasury and Foreign Exchange to Executive Director & Assistant Treasurer, Sandra is dedicated to giving back to the treasury community. In 2019, her efforts were once again recognised at Celgene's internal awards when she was nominated for Mentor of the Year.


Unusual circumstances call for an unusual response. And so it was that the 2020 Treasury Today Adam Smith Awards went digital for the first time in its long history.

There's something about treasury that makes it both creative and free-thinking, and yet calmly dependable. And as the 2020 Adam Smith Awards amply demonstrate, they can combine to produce some remarkable results.

In the midst of a catastrophic pandemic, treasury individuals and teams, supported by their external partners, responded in large numbers (187 nominations spanning 24 countries) to the call for nominations for this year's awards.

However, gone for now was the lustrous setting of London's Plaisterer's Hall, replaced by the cloud-based environment of the Zoom platform for the live announcement of the winners, chosen to herald a brand-new showcase season, rolling out over the next few months through a series of online case studies and podcast stories.

Reflecting the moment in which we all find ourselves, this year saw the introduction of a new category: Best Crisis Management Solution. For inaugural winner, Sasha DeGracia, Director Finance – Treasury Services, and her team at Holiday Inn Club Vacations, tireless work to mitigate the effects of the pandemic in a rapid, controlled and intelligent manner has been duly recognised.

It was a hard decision to select the winner in this category, made harder by the knowledge that all treasuries have been pushed to the limits. In the end, receiving the Highly Commended award in this category was GrubHub's Brandt Kucharski, Chief Accounting Officer, and his team for their work in keeping drivers on the streets and the people fed.

Of course, long-standing categories such as Best Cash Management, Harnessing the Power of Technology and Treasury Today's Top Treasury Team have also been hotly contested this year (with Grafton Group, Kongsberg Automotive and Takeda Pharmaceuticals respectively taking the Overall Winner accolades).

But this year's Awards continue to show that treasury is as much about personal strength as it is about teams and business partners. The 2020 Woman of the Year, Deepa Palamuttam, Director, Treasury Cash Operations at Intel, is a beacon of inspiration for women and men in the profession. She looks at the status quo and proclaims "we can do more, and that starts by challenging ourselves to be better".

## New platform, old friends

As a means of publicly declaring the winners of this year's Adam Smith Awards, 'going digital' was a risk that paid off. By inviting 2019 winners to introduce a number of categories and share their experience of winning at this live event, it helped bring some continuity to these most strange and testing of times.

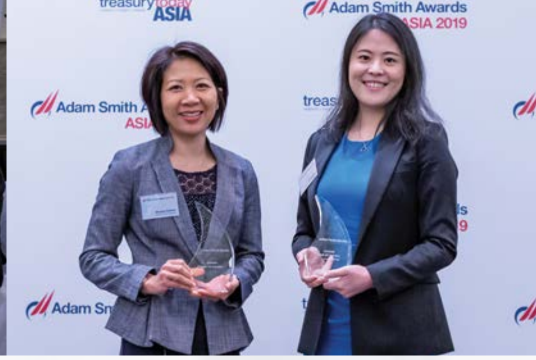
As 2019 winner of Best Fintech Solution and Top Treasury Team, Séverine Le Blévennec, Senior Director of Treasury, EMEA, Honeywell, introduced the 2020 Treasury Today's Top Treasury Team award, bestowed upon Amit Singh and his colleagues at Takeda Pharmaceuticals. Le Blévennec's colleague, Gino Gude, Senior Treasury Analyst, EMEA, as Rising Star of 2019 welcomed Tian Song from Baker Hughes as this year's winner.

Joining the live event on the line from California was Catherine Portman, VP Treasury, Paolo Alto Networks, introducing Intel's Deepa Palamuttam as Winner of the 2020 Woman of the Year Award.

The live event also welcomed back Ken Bugayong, Treasurer, Board of Directors, at Minds Matter Seattle. The 2019 Judges' Choice heralded this year's victors, Dennis Crispin, GFS Group Manager and Lucas Meyer, Group Manager, Analytics at Microsoft.

In his presentation, Bugayong described the treasury profession as "a great enabler". Few present, if any, would refute such a claim. It's fitting then that Amit Singh, SVP Group Treasurer at 2020 Top Treasury Team, Takeda Pharmaceuticals, later told of being afforded by senior executives "bragging rights for our best in class ambition". Success, it seems, does not go unnoticed, even if it does temporarily have to go online.

As the Adam Smith Awards season continues over the next few months, more personal reflections and comments by this year's winners, and dedicated profiles and case studies covering our 2020 winners, will be available soon.



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**Adam Smith Awards ASIA**

# Face tomorrow having triumphed today

## Nominations now open

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:

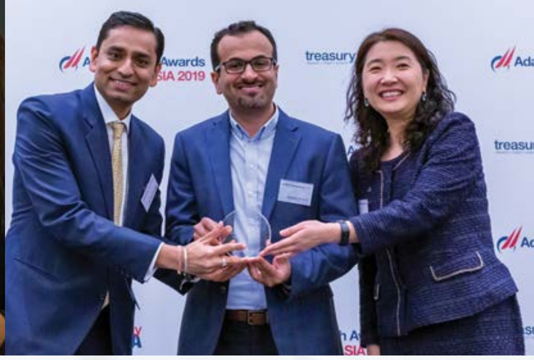
Visit **treasurytoday.com/adam-smith-awards-asia** to access the nomination form.

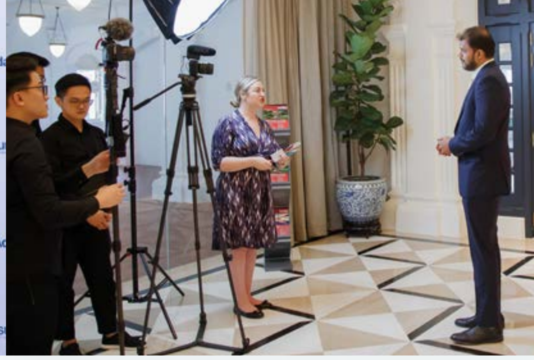
### Step 2:

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.***

# The quality lessons from treasury

**Zarine Swamy**
Founder

With over a decade of experience in corporate treasury, Zarine Swamy is branching out to explore other ventures. As her time as a corporate treasurer draws to a close, we spoke with her to discuss her experiences, and what wisdom she wants to pass on to others.

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*Zarine Swamy began her career in treasury as an intern at Indian conglomerate Larsen & Toubro in 2003. Working directly under the treasurer at the time, she worked on several projects which sparked her interest in corporate treasury.*

For the next four years, Swamy held roles outside of treasury, including as a Management Trainee at Larsen & Toubro and a Senior Research Analyst at IntegraScreen. Swamy then moved into the finance space in 2007 as an Assistant Manager at ICICI Bank.

Her break into treasury came when L&T Infotech, a Larsen & Toubro company, had a vacancy. Swamy became a Treasury Executive before rising to Treasury Manager within five years, after which she moved to SOTC Travel Ltd as Head of Treasury. Five years later, in May 2020, she left the company to pursue two start-ups of her own: Success Valley and Beyond Abilities.

## Explore all the finance functions

Swamy's wide array of treasury knowledge made her the perfect fit for the position of Head of Treasury at SOTC. Her career in Treasury at L&T Infotech initially started out handling FX transactions and after around six months she moved onto banking relationships and fundraising. After a short period working on the investment desk, Swamy began running the funding of the organisation with another employee reporting to her.

But she says her favourite treasury function is financial modelling. She has devised quite a few financial models during her treasury roles, including cash flow projection models and calculation models. Additionally, Swamy has worked on projects which do not strictly fall within the remit of treasury, such as spearheading the establishment of a division for currency exchange. SOTC is a travel firm and so also provides foreign currency for Indian travellers. "I headed the establishment of this division by entering into agreements with service providers, negotiating rates and establishing agreements for currency purchase, getting the people in the department, and just basically getting things going from the ground up," she explains.

Swamy was also involved in the restructuring and amalgamation of the corporate entities when Kuoni India was purchased by Thomas Cook and re-named SOTC. This meant establishing fresh funding lines, setting up an entire bank account structure for the new entities, and handling any regulatory issues that occurred.

It's this type of extra work that Swamy thinks is a necessity for treasurers – especially those in more senior positions. "These extra responsibilities helped me gain a broader perspective, which is so important when one handles a department. You need to know what's happening in other departments as well as in the finance function as a whole," she says.

## Going digital in an analogue world

When it comes to progressing treasury departments, Swamy cannot emphasise enough the importance of digitalisation and automation. This is something she has struggled with in her roles as in India, the uptake of automation has been slow. "All those models I built in the early stages of my career, I had to do on Excel spreadsheets. There was no treasury software available at the time," she says. But she notes that this also gave her a lot of valuable hands-on experience in financial modelling for treasury, and is part of the reason she finds it so gratifying.

This hands-on experience is something that Swamy believes is essential for all treasurers. She has found that as she has grown in her positions, she's often kept further away from the day-to-day work as she manages the team as a whole. To combat this, she made the effort to handle the work of employees on leave to keep her knowledge fresh and to keep her up to date on what was happening on the ground.

"The future is tech though, and when I joined a treasury, making the case for automation was really high on my agenda," says Swamy. Automating processes means that treasurers don't spend a lot of time on time-consuming manual processes, and so can instead focus on innovation, franchising and becoming a truly strategic partner to the business.

## The treasury evolution

Like many, Swamy has noticed the role of the treasurer evolving into a more executive function. She believes several factors are responsible for this, including regulations evolving and becoming tighter, and the increasing use of a wider range of metrics to evaluate the merits of the business.

The rise of increasingly onerous regulations is something that Swamy has seen happening for many years, and has led to the modern treasurer joining the CEO and CFO as a decision-making partner. Whilst the 2008 financial crisis sparked a considerable volume of regulatory changes, Swamy notes that similar events happened in 2000 and 1990.

India, Swamy notes, has its own insolvency and bankruptcy code that came into place after 2008, and so for her, treasury became a much more specialised function. "It was no longer a small function that was limited to one department within the organisation and called upon whenever a banker was demanded," she says. Instead, it became central to the running of the organisation.

Naturally, post-financial crises brought more risk for businesses as well. This, too, meant that the role of treasury in risk management increased. "Today, banks in many countries are very keen to share their risk mitigation responsibilities with corporate treasuries," says Swamy. "Now, the functioning of the entire organisation centres around the treasury role."

## Jumping through regulatory hoops

Regulatory changes may have prompted treasurers to become more central to the organisation, but they also present some of the largest challenges. Regulations are very tight in India, Swamy explains, and so there are a lot of things that are not allowed – for example, cash pooling.

The partial convertibility of the Indian rupee can also present significant hurdles for treasurers to overcome, and can also cause higher exchange rates. This means that borrowing is more restricted to the larger trading currencies, such as the US dollar and the euro.

To overcome these challenges, Swamy says innovation is a necessity – within the scope of legality, of course. "If there are branches overseas where I can get in some products or services that I cannot in India, I would be quick to jump at the chance," she explains. Again, cash pooling is a key example. "If I can do the cash pooling at one of our overseas branches in say, a London office, I can cash pool various offices into that London branch and then invest from there into an organised product."

## The gender divisions

For Swamy, another key challenge for her is the inaccessibility of certain networking events – on account of being female. "I think a lot of women can relate to this globally," she says. There is often a 'men-only' culture in corporations: for example, Swamy cites the smoking sessions that would happen every day outside the office building – not just at her companies, but many others as well.

"The men would gather and smoke, and typically women would be excluded from the session – especially if they were non-smokers," she explains. Those sessions would really help with informal bonding between colleagues, and Swamy notes that whilst this still happens, such situations are becoming less common. "The feedback I receive about the diversity and inclusion space is extremely encouraging now," she says.

## Do you have what it takes?

When it comes to the skills needed to be a treasurer, soft skills are at the top of Swamy's list. "The ability to listen is so important for negotiations," she says, adding that the ability to understand other people is necessary for forming and maintaining relationships both outside and within the organisation. This leads to the equally important ability to collaborate and work with all stakeholders where necessary.

In fact, says Swamy, a key lesson she has learned is to never refuse the opportunity to collaborate and work with others. "Even if you are busy, if you have the opportunity to work with people you wish to learn from, you need to fit it into your schedule, because the opportunity may not come around twice," she explains. Learning from others, and actively seeking to do so, will serve a treasurer well – no matter their seniority. Swamy says that treasury's vast and complex nature means that no one can know everything, meaning it is important to be open to new learning opportunities.

An obvious treasury skill, says Swamy, is attention to detail – but another is the ability to think quickly. "Market numbers can change every second, currency fluctuates every second, stock rates are fluctuating, commodity prices are fluctuating, and so sometimes decisions need to be made incredibly quickly."

Equally though, these rapid decisions can lead to errors. Swamy explains that whilst errors are undesirable, they do offer excellent learning opportunities – as she discovered in her first treasury role. "I was so nervous when I started in treasury that I didn't even take bathroom breaks until after the investing cut-off," she says. "One day I made a mistake. It was only one extra zero on an investment template, and somehow the transaction was overlooked and it went through."

Luckily, she spotted the error and was able to reverse the damage. But a key turning point for her came when her superior at the time didn't reprimand her for it, and instead taught her how to handle such errors – a lesson that she has carried through the rest of her treasury career. "Learning that a mistake isn't something we need punishment for but rather an opportunity to learn was my biggest life takeaway from corporate treasury," she says.

## Qualifications – are they worth it?

When it comes to learning, Swamy notes the importance of professional qualifications and certifications alongside on-the-job experience, particularly for those who wish to move further up the corporate ladder. "Sometimes senior professionals can get a little complacent, especially when spending a long time in one role, and so studying for new qualifications can be a way to rock the boat a little and get going," she explains.

However, Swamy does note that before deciding to undertake any qualifications, it's important to evaluate carefully which one is most appropriate. "The importance of qualifications varies from country to country," she says. "For example, in India it's not mandatory to have a treasury qualification, and sometimes one like a CTP or an ACT-provided one such as the AMCT or CertICM, which is not especially well-known in India, might not even give one that big an edge."

Nevertheless, Swamy undertook her CTP because she loves learning and wanted a challenge. "I wanted to go in for an examination and pass it, and it's opened up plenty more doors for me," she says. Since completing the qualification, she notes that she's been speaking regularly at finance forums and that those types of events are excellent for "getting your rusty brain cogs moving."

## Branching out

It might be difficult to picture why Swamy has decided to leave treasury when she obviously has such a great love for it. However, she explains that she's always been inclined to work on social issues and on making the world a better place – and she believes her new ventures will allow her to do that.

"The inspiration behind Success Valley stems from my teen years. I read Ayn Rand's Fountainhead and Atlas Shrugged, and became a big fan of her idealist capitalist society. Unfortunately, capitalism and leadership as we see them today are far from the idealistic Ayn Rand world. That is something I wish to work on – do my bit to transform the employability space by building future 'ethical' leaders," she explains. Swamy has implemented a framework – the FAIRPLAY model, that mentors working professionals to take charge of their careers and become better leaders.

Meanwhile, her second venture, Beyond Abilities, comes from a place that's a little more personal. "My father is physically challenged, and I have seen him go through a very tough time in his professional life," she explains. Despite his qualifications for roles, he was denied opportunities because of his disability. "I think my country is progressing rapidly and that now is the right time for India to lead the professional world into inclusion and acceptance – not just of women in the workplace, but of other sections of the population as well."

## Lifelong lessons

As Zarine moves away from treasury to pursue her own ventures, she recognises that the skills she has learned will continue to serve her well. "Treasury has given me a lot of tools to succeed in absolutely anything," she says. The need to monitor market developments has honed her drive and curiosity, whilst her people skills have been developed over time – something she believes will serve her well as an entrepreneur.

The obvious one she notes, is money management, which she knows she will need to run her new businesses. "It has taught me cost-benefit analysis which is needed almost daily when one is planning to make an expenditure in a business," she explains. Lastly, she says her active exploration of external opportunities and networking within treasury has enabled her to build many personal relationships in the corporate world. "My takeaways from this field have been immense, and I'm really grateful to the treasury world for what I got from it," she concludes.

# SINGAPORE FIRM'S GAME-CHANGING SUSTAINABLE BORROWING FACILITY

Singapore-headquartered Agrocorp is a global supply chain company specialising in a wide range of agricultural commodities. In June 2020, it announced a novel US$50m sustainable 'borrowing base' facility.

Borrowing base facilities are a type of working capital facility. The amount of money which can be borrowed is based on the value of a pool of assets held by the company, referred to as the 'borrowing base'.

This facility is a first for Agrocorp. Vishal Vijay, Head of Business Development at Agrocorp, explains that "in our industry, all the leading players have committed lines, whilst smaller players have more transactional lines, so getting a committed line is a bit of a rite of passage to Agrocorp becoming a larger player".

The facility is based on a partnership with Dutch entrepreneur-development bank, FMO, secured largely due to Agrocorp's decades-long relationship with Rabobank. FMO was looking for a counterparty to support which promotes movement of food into developing markets, explains Vijay. "We've been doing a lot of work over the past five years on our sustainable agenda, and so when we presented this to FMO, Rabobank provided comfort to them in order for us to be onboarded as a client and to finalise the facility."

In terms of loan covenants, Vijay explains that this facility differs from traditional sustainability-linked loans. "For us, the pricing advantage is inbuilt at the start of the facility and we have sustainability-linked covenants that we need to meet throughout the course of the year to maintain pricing."

By comparison, sustainability-linked loans generally reduce the pricing once certain metrics are met. Agrocorp's facility allows the company to get the advantages upfront, instead of having to wait to unlock them.

Agrocorp worked closely with the bank to establish covenants, ensuring that what was required was both sustainable and achievable. A three-year plan was created that gradually digs deeper into the supply chain, ensuring that more of what is being sourced meets sustainability criteria. Year-one includes appointing a Group Head of Sustainability; establishing a Sustainability Committee that reports to the board; including sustainability metrics as part of the customer and supplier KYC process; and starting a group sustainability report covering all funded initiatives.

Vijay explains that in years two and three, these goals deepen as Agrocorp works to better understand its suppliers and customers, and helps them improve their systems and processes. He adds that the company is also committing to running training programmes for smallholding farmers, starting with Myanmar. "We're trying to see how farmers can incorporate modern technology but also sustainable farming practices to improve their yields, because we often see extremely low farming yields in that part of the world."

## Timely arrival

Having been in the works for over a year, the arrival of this facility in the middle of a global pandemic was fortuitous, says Vijay. The COVID-19 pandemic has caused a lot of volatility in the food and agriculture industry, and he believes that this is the best time to have secured a new banking facility, noting that "you can never have too many banking lines right now".

The facility is extremely flexible in terms of Agrocorp being able to hold inventory as well as provide for pre-payments in the markets from which it sources products. It allows Agrocorp to source more product to facilitate those into the main customer markets, mainly India, Bangladesh, China and Southeast Asia. This will help the company to grow its volumes, which will serve it well in the long run, as well as during the pandemic.

Agrocorp is working to improve sustainability elsewhere in the food supply chain. For example, its Australian food processing operations use power from an onsite solar farm – estimated to save approximately 30% of its consumption per year – and in Canada a protein extraction plant has been built, producing plant protein that can be used in the alternative meats industry as an ingredient. "Sustainability just makes good business sense," states Vijay. "It's not just something that makes you feel good; it's something the market actively wants."

# APIs: are they delivering?

*There's no escaping the rise of APIs in the treasury space. As regulations such as the EU's PSD2 began to roll in, banks around the world ramped up efforts to provide open banking technology for their corporate customers. In Asia, no such regulation exists – yet. But as banks and corporates alike recognise the benefits of APIs, we ask whether they're delivering the promised benefits.*

For the past few years, the use of application programming interfaces (APIs) in banking has gradually gained momentum in the Asia Pacific (APAC) region, with banks seeking to match the EU's move to open banking. However, the diverse regulatory environments across APAC mean that progress has been staggered, with some countries advancing faster than others.

For example, in 2018 Japan implemented a "soft" open banking regulation. It was hoped that by the end of 2020 this would persuade the big Japanese banks to release APIs that open up access to accounts and enable third party delivery of payment instructions.

Singapore, meanwhile, has been spearheading the adoption of APIs. At the 2016 API Conference run by the Monetary Authority of Singapore and the Association of Banks in Singapore, Sopnendu Mohanty, Chief Fintech Officer, Monetary Authority of Singapore said: "If we want to realise our vision of becoming a smart financial centre, the key enablers of innovation – rapid experimentation, active collaboration, and a conducive ecosystem – must be present. The Monetary Authority of Singapore is of the view that the proliferation of APIs in the financial sector will facilitate Singapore's transformation into a smart financial centre."

## Back to basics

For Raof Latiff, Group Head of Digital and Product Management, Institutional Banking Group at DBS, one of the main challenges with APIs is ensuring everyone understands them. "Education is definitely number one. We spend a lot of time describing what they are, how they work, how they're the new alternative to host-to-host environments, and the potential opportunities that they bring," he explains.

A 2018 report from the Economist Intelligence Unit, 'The Future is Now: How ready is treasury?', found that 80% of the 300 senior corporate treasury executives polled believed they had "at least the majority of skills required to meet the challenges of treasury's technological transition." Yet the report notes that only 8% named APIs when asked to identify the top technologies they believed will bring the most benefit to their department.

For treasurers to be comfortable with implementing APIs, they first need to have a solid understanding of how APIs can benefit treasury. The Oxford English Dictionary defines an API as "a set of programming tools that enables a program to communicate with another program or an operating system, and that helps software developers create their own applications." In other words, APIs enable different applications to communicate automatically with each other.

The website MuleSoft compares APIs to a waiter in a restaurant. The menu provides a list of dishes you can order. The waiter – or API – takes your order and delivers it to the kitchen. The kitchen is part of the 'system' which will prepare your order. The waiter will then deliver your food back to you. You don't know how the food is prepared – nor do you really need to.

## Promises, promises

For François-Dominique Doll, Executive Director, Global Treasury Advisory Services at Deloitte, APIs offer treasurers the possibility of direct integration between treasuries and banks. This, in turn, would lead to real-time treasuries, reductions in costs and better security.

According to Latiff, banks see APIs as a technology that can enable clients to achieve transformation – not just in treasury, but across the overall business. During the COVID-19 pandemic, this has been more integral than ever, with more companies looking to move online and therefore needing to develop a new business model. "When businesses move online and get more of their services integrated online, the only way to connect supply chains and their daily activity at a treasury level – which has good, meaningful visibility and transparency of transactions – is through APIs," says Latiff.

Security is, of course, a key concern for many companies when it comes to introducing new technologies, and some may see APIs as an unknown entity. As such, companies may have concerns about the use of APIs by treasury departments which deal with sensitive data. But conversely, the 'open' nature of APIs means that they can be easily integrated with audit and analytics systems, which in turn help to identify and manage risk exposures.

Likewise, APIs are ushering in the wide-scale adoption of real-time treasuries and payments. The ability to connect instantly with a banking system means that treasurers are able to send and receive payments immediately, as well as have real-time visibility of funds.

And where cost is concerned, Doll notes that traditional host-to-host or SWIFT systems have their own costs – often because of the lengthy manual tasks associated with using them. In contrast, APIs are key to back office automation and so the cost comes only from the maintenance of the technology. In the current COVID-19 environment, as companies look to streamline costs, Doll points out that this is an important consideration.

## Better business all round

A key benefit of APIs, explains Latiff, is that they offer companies the opportunity to transform their business platforms to have direct interaction with consumers. "APIs allow corporates to connect with marketplaces, ancillaries or wholesalers, and reach out to the end consumer," he says. For a company to connect directly to the consumer, it needs to be able to input its inventory to an online platform, create a gateway to accept payments, have the ability to connect the logistics company and the warehouses – and finally, be able to deliver the goods to the final consumer. "How do you connect all of this on a real-time basis?" asks Latiff. "It's through APIs."

Doll agrees, and notes that many already in the direct consumer market, such as ride-hailing and food delivery companies like Uber and Grab, are already working well in the API space and driving the adoption and growth of the technology with their banking partners.

Latiff also says that newer companies are generally the quickest to adopt these new technologies. "For the modern-age names that are fully platform-based, APIs are the only way they connect," he explains. "For them, it's the norm. It's how they operate in terms of connecting with the counterparties, their customers and their suppliers to enable a more digital experience."

## Ironing out the kinks

Like any new technology, there are still a few kinks to be ironed out with APIs. A key one, says Doll, is the lack of standardisation. "There's no discussion between different banks about which formats should be used for APIs for payments, which means there's no consensus on what the standardisation message is," he explains.

For corporates with multiple banking partners, this could mean that implementing APIs is trickier than first thought. "Not all banks will be API-ready," says Doll, adding that the question of readiness extends beyond banks. "Corporates should be asking themselves, 'are our applications API-ready? Is our ERP capable of enabling the API with the banks? Is our TMS ready for this?'," he says. Companies which are pioneering this technology may feel like something of a guinea pig – but by doing so, they will also be paving the way for other companies and reap the benefits of transformation first.

## There are some alternatives – sort of

Strictly speaking, a company doesn't have to adopt APIs if it doesn't want to. Indeed, both Doll and Latiff point out that the existing systems do still function and are available. "For bank connectivity, the alternative is what is already in place," says Doll – be this e-banking portals, host-to-host or SWIFT connections.

However, as Latiff points out, "These solutions are not straightforward, they're not easy to integrate, and they cost a lot of money." This is especially the case for companies that are not only looking to connect to banks but may be moving into the direct to consumer space. In this case, he argues, host-to-host connections are more costly and harder to scale – and making changes tends to be slow and inefficient. By comparison, APIs are a repetitive technology, meaning they are quick, easy and cheap to implement.

Where other options are concerned, Latiff believes these will depend on what problems need to be solved in the future. "There's enough technology through APIs and Cloud services where we can enable various methodologies to drive solutions for new problems. As we discover them, I think we will discover what exactly an alternative could be," he says.

## Looking to the future

With more companies adopting APIs, Latiff notes that education is a key focus. "What's more important though, and what we're trying to get into more going forward, is how these changes will shape the company and the treasurer," he says. APIs are always improving and becoming more invisible. As a result, companies don't actually need to understand the nuts and bolts of APIs – they just need a clear understanding of what they want to get out of them.

At the end of the day, APIs solve problems for treasurers. And with increasing regulations across various countries and regions pushing for open banking, they're becoming a necessity. But, notes Doll, "It's important for the treasurer to be vocal about APIs, and pave the way, driving the banks to adapt." Since the banks are the ones that issue the APIs, he says it's a necessity that they keep up with leaps in technology and listen to treasurers.

Latiff agrees, and says that from a banking perspective, it's important to work with corporates to solve their problems. He has seen companies which previously used host-to-host technologies switching to APIs, and explains that whilst has benefits in terms of bank connectivity, companies don't always take full advantage of what APIs can offer. "It's easy to take the old pipes and replace them with new. What's important with API solutions is to help companies transform and get new business opportunities whilst providing them with effective solutions," he concludes.

# Cash flow forecasting: how accurate do you want it?

*In times of extreme volatility, accurate cash flow forecasting is more important than ever for treasurers. At the height of the COVID-19 pandemic, a company's forecasting could mean the difference between surviving the storm or going under. We spoke with experts to discover just how accurate cash flow forecasting is in reality, and how it can be improved.*

Cash flow is the "lifeblood" of any company, according to Ray Suvrodeep, Global Head of Deposit & Investments Product Management at HSBC. In the first two weeks of the COVID-19 pandemic hitting Europe, ratings agency S&P reviewed 20% of its portfolio, downgrading or putting on negative watch or outlook some 75% of the reviewed companies. It became evident that companies that couldn't demonstrate a steady cash flow would suffer not only because of dried up demand, but also from ratings scars.

Unfortunately for treasurers, there is no way to forecast future cash flows with 100% accuracy. As Shafiq Abdul Jabbar, CFO at Astro Malaysia Holdings Bhd (AMH) explains, "The future outlook is always fraught with many variables, some controllable and some not." He also notes that there is an added dimension with this, as volatilities are not constant across time.

Dino Nicolaides, Managing Director, Head of Treasury Advisory UK&I at Redbridge Debt & Treasury Advisory, agrees, explaining that even with effective forecasting tools in place, a company can never be sure where it will land. One example, he says, is the airline industry. Airlines are particularly sensitive to a lot of factors. They produce forecasts on passenger numbers, fuel costs, staffing, lease costs of planes, to name a few. "All of a sudden, a pandemic like COVID-19 happens, and everything is grounded – so all forecasts go out the window," he explains.

Of course, pandemics aren't the only thing that can have this effect. For example, a terrorist attack or a global recession may stop many people travelling, Nicolaides adds. The speed with which these events unfold can put treasurers in a difficult position where forecasting is concerned.

## What is 'accurate enough'?

For Abdul Jabbar, every forecast is just a "best estimate" at a point in time. The key for him is keeping a closer eye on the controllable items, whilst simulating possible scenarios for the uncontrollable. He adds that it's also essential to manage the residual risks to an acceptable level within the available capacity of the organisation, using third-party tools where possible.

Nicolaides agrees and says that the question of what is accurate enough is a common one in his line of work. "It all depends on what decisions you make off the back of your forecasts," he says. Forecasts have so many uses (for example, liquidity management, foreign exchange hedging, setting strategic objectives), and so treasurers need to establish exactly what they're using the forecast for before they can establish its efficacy.

Meanwhile, Suvrodeep explains that the most common issue with cash forecasting comes from the "single version of truth", whereby the treasury's understanding of the forecast is different to that of the business units. But, he says that the goal around accuracy begins with improvement from current, unsatisfactory levels, and transitions into maintaining the desired levels in a cost-effective fashion. "The actual target is very much dependent on the individual company," he says. Treasurers, and CFOs, need to assess if they can rely on the forecast to make decisions.

Suvrodeep adds that in practical terms, there is a natural trade-off between accuracy and the time horizon of the forecast. "Treasury strives for greater accuracy of its short-term forecast – say end of current week up to 13 weeks – as granular data and business outlook is more readily available," he explains. "For forecasts over longer horizons, directional accuracy and visibility over material movements are the areas to focus on."

## Communication is key

When it comes to overcoming challenges and improving forecasting models, Nicolaides says there are four main things he advises treasurers to do. The first is to regularly re-evaluate the forecasting data that is required after business needs change. "People at the centre should always think about and review what information they really need to get out of their business units in the various countries and continents," he says.

The second – perhaps the biggest forecasting challenge that corporates face – is educating the various global teams that are necessary to accurate forecasting. "Treasurers rely on all these teams to give the information needed to forecast, but unless these teams are educated on all the reasons the information is needed and is valuable to the organisation, and what exactly is done with it, they'll be less inclined to ensure it's accurate," he explains.

That then leads into his third point, which is to reinforce the positive behaviours around forecasting by monitoring the forecasts that are given. For example, a treasurer sitting in Europe who asks for a forecast from a team member in Asia every month should be following up on the results of that forecast. "If they never ask, 'last month the forecast was 60% out, why was that?', and never give that feedback, then the treasurer in Asia will never have the incentive to give credible forecasts," he says. But if the Asia treasurer knows that they'll be asked about it, they will think twice when putting in the forecasts.

This not only ensures every team member involved in the forecasting process is working accurately and effectively, but also gives valuable learning experiences. "I always say that monitoring should be done not just by comparing forecasts and actual data, but also by comparing originally forecasted data and revised forecasted data," he adds. This is especially important for long-term forecasts which can be significantly affected by rapid changes such as COVID-19.

Lastly, Nicolaides believes that it's important to build forecasting accuracy into people's key performance indicators (KPIs), as another incentive to make them care about making the forecasts as accurate as possible. "If it has no impact on their KPIs, they will probably never spend the relevant attention on it," he says. In order to do this, of course, management support is essential. "Management need to give the relevant support to forecasting and dictate within the organisation that this is a very important part of the business that needs to be as accurate as possible."

## The rise of the machines

As with many aspects of treasury, technology is an essential part of forecasting. Abdul Jabbar explains that cash flow visibility at AMH was significantly improved after the establishment of an in-house bank (IHB) – which saw AMH named Highly Commended Winner in the First Class Relationship Management category of the 2019 Adam Smith Awards Asia. Key to the IHB is the automated reconciliation structure that simplified liquidity management and allowed for improved cash visibility. "By leveraging the IHB, we have managed to advance our forecasting models by having precise information of liquidity positions, improving both capital and liquidity management," he explains.

The automation of processes is a key step in adopting more technology to improve forecasting, says Nicolaides. The automation of manual processes can allow treasurers to regain valuable time. But more important, he says, is the adoption of artificial intelligence (AI) and machine learning (ML).

ML has the ability to identify data anomalies and ignore them, recognising that they are the exception to the rule and not the norm. ML can also identify flexibility in payment times. For example, if a company makes an annual payment every January, but is slightly short of cash one year, through ML the system might identify that in the previous five years the payment has actually had flexibility between January and March. ML can also help to identify committed and avoidable outflows, which may help when companies are strapped for cash. Lastly, it can identify surplus cash for investment over a specified period of time.

Indeed, ML has enormous potential in the treasury space more generally: in Deloitte's 2019 Global Treasury Survey, 61% of respondents said ML was 'critical' or 'important' to treasury, and 56% believed they were 'well versed' in or had a 'general understanding' of the technology.

Despite these encouraging figures, 66% of respondents said that they weren't using ML at all, and there was an equal 15% for both having 'a whole dedicated team or a few in-house experts', and 'currently educating existing staff or looking for new talent'. Of those that have adopted AI and ML, 46% said they had either already implemented or were very likely to implement it, believed that it was especially relevant to 'forecasting, financial planning, back and stress testing, and model validation'.

"In this space, the approach we are taking is evolutionary," says Suvrodeep. "It involves breaking down the forecasting value chain into its constituent parts and then assessing where AI or ML can solve real-world problems, whilst not expecting treasury staff to be data scientists themselves!"

Suvrodeep notes that AI and ML still has a way to go, but that companies with strong and consistent seasonality in their cash flows can find that the technologies offer a significant forecasting edge. But, says Abdul Jabbar, it's important to note that history is not always the best indicator of the future. In order to ensure the most accurate and effective forecasting data provision and analysis, it's prudent to also look at unexpected scenarios.

## The future of forecasting

The COVID-19 pandemic, and the resulting turmoil, has increased the focus on technology, says Abdul Jabbar. "It has highlighted the need for greater digitisation, real-time transactions and data to monitor cash flows at any point, and the ability to react immediately when conditions warrant a change."

Suvrodeep agrees and says that the pandemic has drawn attention to the importance of contingency planning, which goes hand-in-hand with liquidity planning exercises such as cash forecasting.

Nicolaides believes the future will be a mixture of both. "For me, the future is having a cash flow forecasting process using technology and with a level of accuracy that cannot just give you what you need for making day-to-day decisions, but can also act as a very useful tool when something unprecedented happens, like COVID-19."

Regardless of how cash forecasting develops, it's clear that utilising technology to improve the forecasting process is going to become unavoidable for treasurers. Adopting it sooner will allow companies to progress with technological advancements, rather than having to catch up after.

# Robust liquidity planning in a global pandemic

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

Ramesh Narayanan
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'If you fail to plan, you plan to fail' applies aptly to liquidity planning now more than ever. Forecasting and liquidity planning is a fundamental task in treasury processes. Companies adapt their levels of forecasting based on needs – ranging from daily to yearly.

The following can be considered as key components of forecast and liquidity planning:

**Payments:** representing the obligation of the entity and includes intra group and external suppliers. Payment calendars or fixed payment days help a lot in forecasting and controlling the cash needs.

**Collections:** this is the most challenging part of forecasting, especially with external customers, since it involves several variables.

**Payroll and taxes:** relatively fixed and generally obligatory, based on regulations in specific countries. Entities should carefully consider any incentives, subsidies, tax recovery and tax benefits applicable in respective countries.

**Credit facilities:** treasurers need to recognise the difficulty of organising new, or increasing existing credit facilities in the very short term, as financial institutions face liquidity challenges and market risks are priced in. Supply chain financing and factoring arrangements will also help greatly on forecasting and liquidity planning.

It is recommended to follow a 'LIQUID' approach, in gaining access to valuable data.

## L – Limited demand

Try to use existing reports or data, to minimise additional requests to different teams. Similar to treasury, other teams are also likely to have new challenges in times of a crisis, alongside their regular work demands.

## I – Information flow

It's suggested that the information flow should be direct from the person who holds the data or creates the report to the treasury team. The information flow should include a feedback mechanism, which will help to fine tune data wherever possible. To facilitate easy flow and to ensure minimal additional effort, information can be accessed from common drives or systems, or the treasury team could be simply added in copy of an email.

## Q – Quick turnaround

To achieve quick access to information, treasurers need to trade-off between actual numbers to the last dollar versus estimated value. For example, the precise amount for value added tax payable is generally available just on the day itself or one day before, whereas rough estimates can be obtained at quite an early stage.

## U – Understand the business

It is important to understand the business model and product lines well, to appreciate the flows better and to realise any possible impacts due to the market situation. Often, this may not be a favourite area for finance teams or those working in regional centre atmospheres and away from the central businesses. Strong partnership and close communication with local teams will help a lot in this regard.

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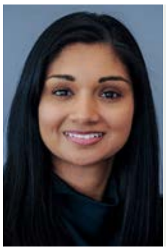
## I – Integrate the systems wherever possible

It is possible that companies end up with multiple different systems for various processes, which may not interact with each other. Typically, the situation is more complex in large entities with different levelled versions. Integrating the information flow between different software is key to eliminating manual processing as well as the related delays and errors.

## D – Differences to be recognised

It is important to understand differences in objectives between various contributors, so treasurers can better appreciate the data and use it effectively. For example, credit teams are likely to focus on collecting funds within the invoice due date, whereas treasury is more focused on the value date of receiving funds.



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Today, the role of treasurers has never been more important as businesses deal with the impact of the coronavirus and how crucial it is for them to forecast and manage their liquidity effectively to navigate through this period. Liquidity forecasting is a complex practice and there are many factors treasurers need to consider during the process.

1. **Obtaining visibility of funds** – the operations of MNCs are growing in complexity with multiple entities across different markets, currencies and time zones. Coupled with acquisitions and numerous banking relationships, it is vital to have visibility of their cash positions across the globe.
2. **Efficient data gathering** – treasurers should invest in capabilities that enable them to extract meaningful intelligence from the data generated through their operations. A common challenge is trying to aggregate a large volume of data across different sources and in different formats. Timeliness of data is also essential in ensuring they are receiving real-time insights in order to prepare for unexpected fluctuations in cash flow.
3. **Strong business partner relationships** – it is critical to keep strong stakeholder relationships with other business units within the organisation. It is imperative these business units recognise the importance of forecasting and take accountability in providing accurate information. Frequent and open lines of communication will educate and build knowledge of how forecasting ensures the organisation has sufficient funding at all times, and anticipate the likeliness of last minute requests which can then be handled with minimum disruption to cash flow.
4. **Use the most effective method** – a number of corporates are still using spreadsheets. although in recent years corporates have slowly started migrating to more sophisticated treasury platforms which can gather records from multiple sources, create consistent information and hold vast amounts of data though cloud software. This technology also allows for automation and easier trend analysis providing treasurers with the ability to make informed decisions about liquidity management.
5. **Trend analysis** – segmenting transaction flows is useful in tailoring the forecasting model further. For example, treasurers can section flows which are short term commitments related to the day-to-day operations of the business and likely to be reoccurring and longer-term commitments such as capital repayments and maturing investments. Identifying seasonal trends and behavioural patterns will help refine the model, reduce the element of surprise and increase predictability of cash flow requirements.

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Cash flow forecasting is only as good as the integrity of the data backing it. The key is to ensure clear visibility to relevant transaction data that provides critical insights to make informed decisions. Good cash flow forecasting aids robust liquidity planning, enhances working capital and ensures funds are in the right place at the right time.

## Next question:

"There is an ongoing digital revolution in the supply chain finance space. What should treasurers be aware of?"

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

# Remote working

*Remote working is probably not completely new for many treasuries but the current coronavirus lockdown has made it a continuous reality for most. Treasuries already overwhelmed with the liquidity and risk implications of the pandemic have limited bandwidth to learn remote working best practices. Although individuals and teams vary in their needs, this article summarises remote working practices that work for many.*

## No rest for treasury

Treasurers are generally reporting that they are busier and more challenged than even during the global financial crisis – cash and liquidity are under the spotlight and these are core treasury responsibilities.

Working from home affects different people in different ways. Extroverts will miss social interaction. Introverts might love it – though there are reports of introverts bemoaning excess video conferencing. Some find their productivity boosted by avoiding office interruptions, others struggle with demanding small children no longer able to go to school.

Buffer.com surveyed 3,521 remote workers, and found more challenges than benefits with working from home.

Although people vary, there seems to be an emerging consensus on how best to manage working from home.

## Time management

Remote working brings a release from the routine of nine to five. For some this is liberating, for others confusing. For some, the context shift to an office provided boundaries around their work day, and these are sorely missed at home – work overflows into breakfast and evenings, and maybe leisure and family overflow into the work day.

Most experts recommend routines and rituals to provide boundaries. From a time perspective, these can be modelled on in-office timings. From a location perspective, a dedicated work space is suggested where possible even if this cannot be a separate room.

Team members' experience will vary. Some have children to attend to while lockdown closes schools. Different people have different temporal rhythms. Experience from in-office work can aid self-understanding.

Research shows that a majority of people benefit from doing thinking and big tasks in the morning while they are fresh, and doing emails and meetings in the afternoons. That of course depends on the overall cadence of the team.

Teams as a whole, as well as individuals, have to accept that productivity varies over time and that not every day will be super productive.

Teams need to negotiate a cadence for work and communication that suits best for all members. Where multiple time zones are involved, it is not realistic it is not realistic to expect colleagues to be available 24/7. Equally, team members need to respect others' need for sleep, exercise, family time and so forth.

Individual time management for most requires boundaries in time and location, and routines like breaks. Book-ending days with a review and planning session – analogous to agile stand-ups – help many.

Prioritisation helps many overloaded people to focus on what matters. Determining the top three tasks for the next day at end of day can free team members from worry and distraction during their free (and sleep) time. Many people use task management solutions to similar effect.

## Trust and communication

Trust is key for effective team work, and trust can be hard to foster even at the best of times. Trust requires clear communication and effective communication requires trust. These are even harder to maintain in lockdown.

Teams that have been together for a long time will probably be able to maintain trust longer in lockdown, but even the most cohesive teams need to nurture trust and communication. Colleagues will have very different experiences of remote working that will impact their emotions and their productivity. Teams require sensitivity to stay inclusive and maximise effectiveness.

Remote working increases ambiguity. When colleagues can just drop by to clarify matters, this is not a problem. When working remotely, "dropping by" is not possible, so teams need to make sure that understanding is clear. Clear goals and metrics are important in this context. Paraphrased responses help ascertain whether understanding is shared.

Given the probability of misunderstanding, it is important to assume positive intent. This can be made explicit in the team's agreements on ways of working and cadence.

Team leaders will need to work harder to balance the team, for example, encouraging quieter colleagues to speak up and encouraging louder colleagues to listen respectfully. Team leaders can mitigate distance by organising short five-minute check-ins weekly to check how colleagues are doing and what if any support they need. However, such check-ins should be voluntary to avoid becoming oppressive.

Trust and communication have to be nurtured outside the team as well. For treasury, this can mean making more effort to communicate progress to internal counterparties as well as vendors, banks, rating agencies, investors and regulators.

## Email etiquette

The exponential tsunami of emails that comes from unthinking CC's and forwarding is not a new problem. Corona lockdown will not in itself reduce email volumes, but it provides an opportunity to communicate more effectively via email.

As for meetings, it is important to restrict emails to actionable counterparties. Replies should avoid CYA and focus on value adding Intelligent use of the subject line, as used by the military, helps the recipient manage their inbox. The military practice of BLUF (bottom line up front) also helps recipients to determine quickly what may be required of them. BLUF is a short, staccato statement at the start of an email that summarises its message.

When the subject line headed with a clarifier like ACTION/DECISION/REQUEST/SIGN/INFO and a BLUF summary, recipients are better able to process their email using the OHIO (only handle it once) principle. More efficient inbox processing frees up time for productive work.

## Managing remote meetings

Second to email, meetings have become a bane of office life, even before lockdown. Remote meetings can be even more challenging than face to face, and there has to be an effort to guard against a tendency to schedule even more meetings to mitigate the lack of in-person face time.

A good principle is to question whether a meeting is really needed. Agile style stand-ups and quick individual check-ins are better for keeping a team aligned and engaged. If a meeting is really required, apply the principle of "No agenda, no meeting", and make sure the agenda makes clear the expected outcome of the meeting. Appoint someone – maybe in rotation – to track time during and outcomes of the meeting.

Keep meetings short and punchy. It seems the meme about post-internet humans having an attention span less than goldfish is dubious (and unfair to goldfish). But most people seem to lose focus when meetings exceed 45 minutes, so it is probably wise to break up meetings or at least provide regular coffee/stretch breaks.

Despite our intuition that seeing faces is more "real" or "natural", there is evidence that video conferences are more stressful than audio, so consider carefully what is needed for each meeting – video conferencing is rarely necessary (and if so, keep it short), screen sharing is often less stressful (and consumes less bandwidth) than faces, and very often audio is effective and less tiring than video conferencing.

Inclusion is even more important in remote meetings than in face to face meetings. To avoid losing input from quieter team members, and to moderate the tendency for louder team members to dominate, use techniques like passing a (virtual) talking stick or brainstorming post-it sessions where everyone has to post their ideas. There are many virtual whiteboards and post-it solutions out there but they can be finickity, so consider video of a physical wall or board updated by a designated recorder.

## Technology

As explained and evidenced earlier, technology is mostly a poor substitute for face to face interaction. "Technology is great for transactions – but terrible for trust" (Jo Owen). Since remote working is the current reality, using communication technology effectively is important.

The distinction between synchronous and asynchronous channels is important. And whatever channels are used, it is critical to respect others' time off – preferably based on team-wide agreements about cadence described above.

For many at home, data bandwidth can be an issue. Silicon Valley firms are apparently paying for employees to upgrade their home offices. Many companies may be less generous, and the maximum available bandwidth in some geographies may not be very fast. Teams have to work around the slowest link in their chain.

Most treasurers will follow corporate data security standards. It is still incumbent on individuals to follow best practice such as changing passwords frequently (and not writing them on post-its) as well as using 3FA when available (eg the sign-on apps from Microsoft Office and Google Suite).

## Conclusion

Remote working as an ongoing reality presents new challenges to many treasuries. Although individual and team needs vary, the practices presented here can help many to increase their remote working productivity. Adaptive learning and sharing best practice is always helpful.

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Twenty-five years of management and treasury experience in global companies. David Blair has extensive experience managing global and diverse treasury teams, as well as playing a leading role in eCommerce standard development and in professional associations. He has counselled corporations and banks as well as governments. He trains treasury teams around the world and serves as a preferred tutor to the EuroFinance treasury and risk management training curriculum.

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