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# ASIA



## Banking in Asia

The COVID-19 pandemic has only heightened the turmoil faced when banking in Asia, but what opportunities are to be had – and how big are the challenges?



### Corporate View

**Amit Singh**

SVP, Group Treasurer  
Takeda Pharmaceuticals



### Spotlight

**Ken Bugayong, CFA**

Treasurer  
Minds Matter Seattle

### Investing

Investing in times of volatility

### Cash Management

Divide and rule: effective cash segmentation

### Question Answered

Future of transaction banking

### Banking

Switching banks: has it changed?

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# Adapt and thrive

“When the winds of change blow, some people build walls and others build windmills,” so the Chinese proverb goes. As the world continues to change, businesses that adapt to take advantage of the new environment will be the ones that will gain the most.

As millions work from home, becoming accustomed to the ‘new normal’ that they hear so much about, treasurers across the world are working to build metaphorical windmills in order to continue to stay ahead.

In this edition, we look at some of the ways treasurers are doing exactly that. In times of uncertainty, one thing is most important: liquidity. The Investing feature takes a look at how treasurers can develop and maintain an effective investment strategy in times of extreme volatility – and keep the focus on that ever-important available liquidity.

Meanwhile, the Insight & Analysis piece looks at what challenges and opportunities there are when banking in Asia, with bankers and treasurers alike weighing in. Down a similar vein, in the Point of View feature, David Blair, Managing Director of Acarate Consulting, offers his view on the topic of treasury hubs in Asia.

With cash management fundamentals currently front and centre for most companies, our Cash Management feature focuses on effective cash segmentation, looking at how this seemingly simple process can be enhanced to become a means of optimising current and future cash holdings.

Of course, no edition of Treasury Today Asia would be complete without a look at technology. In the Question... Answered segment, three experts tackle the topic of what treasurers should be aware of with the ongoing digital revolution in the supply chain finance space.

Last but by no means least, in the wake of Japanese firm Takeda Pharmaceutical’s success in the 2020 Adam Smith Awards, we spoke with SVP, Group Treasurer, Amit Singh for the Corporate View. Offering plenty of wisdom and another Chinese proverb, “treasurers sweat more in peace so they bleed less in war,” Singh shares his main challenges and his tips for keeping teams motivated and successful.

To end on another proverb, “Pearls don’t lie on the seashore. If you want one, you must dive for it.” Indeed, treasurers seeking the best opportunities must be proactive in searching for them.

## INSIGHT & ANALYSIS

4



### What does a digital world mean for banking in Asia?

Banking in Asia pre-COVID was challenging for many, so how has the environment changed – and what should treasurers know?

## INVESTING

6



### Maintaining an investment strategy during extreme volatility

Treasurers need a good investment policy at the best of times, so what about in the middle of a global pandemic?

## CASH MANAGEMENT

12



### Divide and rule: effective cash segmentation for treasurers in testing times

With liquidity to the fore, corporate cash needs to be segmented into operating, reserve and strategic buckets. Here's why and how.



**How has switching banks changed, and will it remain that way?**

Changing banks can be a daunting prospect for treasurers – even more so in times of uncertainty. What’s involved, and has it changed since the start of the pandemic?



**TREASURY ESSENTIALS**

Treasury Insights	11
Question Answered	18

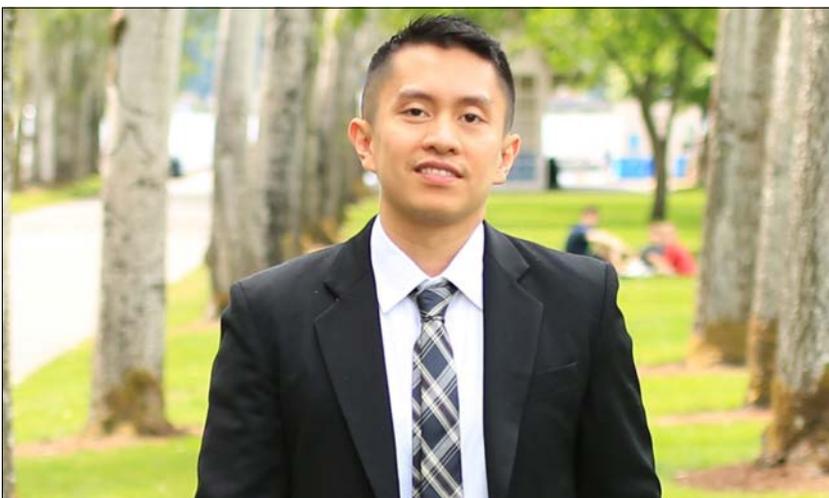


**8 The Corporate View**

**Amit Singh**  
SVP, Group Treasurer



A big winner in the 2020 Adam Smith Awards, Amit Singh of Takeda Pharmaceuticals shares his treasury wisdom on factors for success and how to keep a team at the top of its game.



**Making a difference**

What’s it like to move from a global corporate treasury, to that of a non-profit organisation? Ken Bugayong discusses his long journey to do exactly that.





# What does a digital world mean for banking in Asia?

*Even pre-COVID, parts of the Asian banking sector were going through turmoil. When the COVID-19 pandemic hit, businesses and banks alike were thrown into uncertainty. So what exactly has the pandemic done to banking in Asia, what will happen after, and what should treasurers look out for?*

It's true that the Asian banking sector is going through a fair amount of turmoil – for example, a tough macroeconomic environment, geopolitical challenges and trade wars to name a few. But, according to McKinsey, it's also true that more than 40 of the world's largest banks by assets are Asian, and account for approximately 50% of the market capitalisation of the top 100 banks globally. Additionally, the continent has been the world's largest regional banking market for a decade.

Digital banking is the future, and that's particularly true for Asia Pacific (APAC). "Asia is digital," says Development Asia, an initiative of Asian Development Bank, and this is seen through the push by Asian central banks to digitise economies – including demonetisation in India and a cashless economy in Thailand – as well as the fact that eight Asian countries are among the top ten countries for mobile payments in the world (six of them in Southeast Asia), thanks to the likes of Alipay and WeChat Pay. In the banking space, the past few years has seen newly licensed digital banks, global digital-only banks and digitalised traditional banks competing across the region.

S&P noted in July 2019 that these developments have not caused "any noteworthy changes" to its outlooks for banking sector country risks across the region, and estimated that virtual banking may not lead to rating or outlook changes for APAC banks over the following two years. Over a longer period, however, it noted that "as virtual banking strategies take hold and further disrupt the traditional bank sector, the potential for ratings differentiation is greater."

## Driving to digital

The COVID-19 pandemic has, for many, accelerated the drive for digitalisation in banking, as companies struggled to complete necessary paperwork while working from home and keeping physical interactions to a minimum. In April 2020, the International Chamber of Commerce (ICC) issued a collection of rapid response measures by trade finance banks to keep trade finance and trade flowing. It included guidance on issues such as the inability to gain wet signatures or witnesses for secure documents, as well as electronic Bills of Lading being unrecognised in many jurisdictions.

The move to digitalisation has been welcomed by corporate treasurers across the region, says Sonia Clifton-Bligh, Director, Regional Treasury Services Centre Asia Pacific at Johnson & Johnson. This is particularly true for treasurers of multinational companies, who might need a signatory in another country. "There's no certainty or security in sending paperwork around the world," she says. Clifton-Bligh notes that the company regularly interacts digitally within itself and sister organisations, "even if it's just digital signatures", which she believes are often more secure than wet ones, owing to the ability to trace and verify where they came from.

Rajesh Mehta, Asia Pacific Head of Treasury and Trade Solutions at Citi, also notes that "the pandemic has further placed e-commerce and online commerce in the spotlight" and that he is seeing a "significant increase in interest and

dialogue on digitising strategies". Additionally, he has noticed that in the "always-on economy" the world is in, appreciation of digitalisation is especially found in regard to having a real-time treasury.

## Keeping connected

As the pandemic struck, a key challenge for many corporate treasurers came in the form of significant liquidity and working capital pressures, says Mehta. Indeed, the situation has been referred to as a "liquidity crisis" by multiple outlets, and the Big Four accounting firms have all issued guidance on how to manage.

"At the onset of the pandemic, we helped clients to prioritise urgent payments and flows, ensure continuity of business with our digital platforms and capabilities, for example digital account opening, and supported their financing needs by speedily facilitating solutions," says Mehta. He also notes that banks have had to take on stronger advisory components during the pandemic and have actually strengthened their relationships with clients.

Mehta explains that embracing digital communication methods has allowed for the delivery of various country and regional webinars in APAC, with attendees from areas and countries that may not usually be able to attend. This has enabled banks to offer best practice solutions to a wider audience, and also given corporates a platform to share their own experiences and keep connected with the wider treasury community.

## Knowing the business

Clifton-Bligh also thinks banking relationships have strengthened, largely because of the banks that were proactive when it came to sharing information and being a valuable partner to the business. "Certainly in the early days, there were a couple of banks that shared how various industries were being impacted, which was really helpful," she explains. In addition, she thinks value comes from banks that reach out to their treasurer clients to ensure they get to know the business. "I'm always looking for a true partner in my banking relationships," she says. "Someone who knows my business beyond just KYC. Do they know who our competitors are, what the economic and regulatory factors that impact us are?"

That knowledge of regulations is something that Clifton-Bligh feels is especially imperative as a treasurer in APAC. With myriad regulatory profiles in the region, compliance can become complicated for regional treasurers. "It feels like regulations are released by the minute, so I don't want a bank to just throw one at me, but interpret it for me," she says. "Then I know that they understand who I am as a business, as well."

A 2017 Transaction Banking Survey conducted by Temenos and Ovum found that 80% of corporates are willing to change their banks for those that offer better servicing and products. For Clifton-Bligh, this demonstrates that treasurers want their banks to be value-adding partners – and are willing to look elsewhere when necessary.

## One step forward...

Despite the obvious want and need for digital interactions, as lockdowns begin to ease, Clifton-Bligh has noticed the situation

beginning to revert. "We are communicating with banks digitally for things like sending instructions, but we're now still following up with the paperwork and have couriers going back and forth," she explains. "The banks that wanted paperwork before, still want paperwork. They just deferred the need for it until borders opened and people went back to offices."

However, Clifton-Bligh is hopeful that change could be on the horizon and that the recent need for digitalisation could have whetted the appetite of banks and corporates alike. She explains that several banks have client councils and treasury boards, in which the topic of digitalisation is often raised. "I hope that somebody is observing that we've managed digitally when we've needed to, and sees that we just need to ensure we firm up the controls around digitalisation, in order to continue in this vein," she says.

## Utilising new technologies

Mehta is optimistic that the acceleration of digitalisation will be an area of focus across all businesses post-pandemic. "We have seen a significant acceleration in the adoption of our digital capabilities and platforms, from remote connectivity to digital account opening," he explains, noting that Citi opened over 1,000 corporate accounts digitally in Asia in Q1 20. He adds that the number of accounts onboarded digitally in the region has increased ten-fold year-on-year between the first half of 2020 and the same period in 2019. In addition, the number of users for the digital banking mobile app for corporates has gone up by eight times in the same period.

One area of digitalisation that's been gaining traction in APAC is real-time payments, and Mehta believes COVID-19 has only strengthened this trend. "The pandemic has coerced businesses to rethink and change conventional collections models, given the accelerated shift from offline to online," he says. Technologies such as artificial intelligence and machine learning are revolutionising how these new features can be kept efficient and secure, and Mehta is excited to see where the space will move next.

## Planning for the future

Looking at banking opportunities for the future, Clifton-Bligh comes back to the importance of partnering with a bank that understands the business. She says key questions treasurers should be asking banks are: "Who are we? What do we do? What do you think is important to us? How can you help me to help my business?"

Mehta also believes that more than ever, clients will be basing their choice of banking relationships on the ability of the bank to support them effectively, should a crisis occur again. "Operational resilience will be central to this decision," he says. "Treasurers will need and want to know what measures and capabilities are in place to ensure that things remain contained in the event of a crisis."

Echoing Clifton-Bligh's advice, Mehta thinks treasurers will want solutions that are sharper, better informed, and more sophisticated as they tackle increasing risks in the operating environment, both now and in the future. "This includes diversifying supply chains, creating redundancy across manufacturing and service footprints, and maintaining continuous access to payments, funding and investment," he says.

# Maintaining an investment strategy during extreme volatility

*Corporate treasurers need well-diversified investment portfolios at the best of times, and this is only more important in times of extreme volatility – such as we’re seeing with COVID-19. What does it take to maintain a solid investment strategy, and just how realistic is it during such seismic global events?*

The investing mantra for treasurers, ‘security, liquidity, yield (SLY)’, is an “oldie but a goodie” according to Serina Hourican, Head of Asia Pacific Commercial Sales, Global Transaction Services, Bank of America. In times of uncertainty, going back to this basic principle is important. However, a new balance of the mantra is needed in times of crisis – as discussed in this recent Treasury Today piece.

## Still SLY?

Throughout the pandemic, Hourican says keeping a focus on security is a given to ensure a company gets at least 100% of all deposits back. However, many companies also need to keep funds as liquid as possible in order to make sure that they can afford their day-to-day operational payments. “Given the pandemic, we’re seeing clients looking more at having access to turn their investments into cash very quickly – without having to pay any penalty fees,” she says.

Additionally, due to the globally low – and in some cases, negative – interest rates, many clients aren’t actually wanting to lock funds away in investments. Yield, meanwhile, is “at the back of the queue,” says Hourican. “Back in the day when interest rates were high, yield was important for treasurers because their KPIs would be focused on reducing fees and growing revenue,” she explains. “But now we’re in this pandemic situation, and yield has to be forgone to put a prudent risk management process and policy in place.” For treasurers in especially hard-hit industries, it’s even more important to keep more money as liquid as possible, she adds.

More recently, Hourican has been pleased to see that many treasurers are examining in more detail the policy and thresholds of the credit ratings of the banks and asset managers they’re placing funds with, and even the funds themselves. As many make a flight to quality, she is keen to emphasise the additional importance of diversifying investments: “Coupling the SLY approach with making sure you’ve got a well-diversified portfolio will help in these times of volatility.”

For Saurabh Chakravarty, Jt President, Finance at UltraTech Cement Ltd, the benefits of a well-diversified portfolio are simple: improve the risk-to-return ratio, and provide both minimal pains around losses and a simple and effective way to protect capital. He believes that diversifying funds acts as a natural hedge against volatility, and both he and Hourican agree that put simply, treasurers should not “keep all their eggs in one basket”.

It’s important to remember that diversification stretches beyond just different industry sectors though. As Chakravarty points out, “diversification across asset classes, currencies, countries, intra-asset classes, tenors and styles” are all necessary. In short, assets shouldn’t correlate with one another.

## How long do you want it?

Length of investments is also a factor in diversifying funds. For treasurers, achieving an optimum balance between short, medium or long-term investment strategies is essential for maintaining the necessary liquidity.

However, Hourican also notes that determining the length of investments a company should have is more nuanced than many think. “It depends on your company, the investment policy, the industry, where the company is in its life cycle. Is it just a growing company? How do you define what is medium and what is long-term?” she asks.

For some corporates, short-term is anything under one year, medium-term is one to three years, and long-term is over three years. “But I’ve seen more recently the reduction of those durations,” she says. Instead, short-term has been overnight to three months, medium-term is three months to one year, and long-term is over one year. She predicts that corporates will be rebalancing towards short and medium-term investments, especially considering the extremely low interest rates across the world. “Before, long-term meant more risks but more rewards. But with most global interest rates being so low, where is the risk – reward trade off?”

Chakravarty is of a similar view. “The two-fold responsibility of the treasurer – to maximise return and minimise risk – drives them to balance between tenors to optimise yields,” he says. As a result, he believes medium-term investments are generally the best placed for this, as it is easier to see beyond the uncertainties in the medium-term. “[Medium-term investments] are more conservative than the long-term and more risk tolerant than the short-term,” he adds.

## Keeping afloat

Hourican says she is seeing an increasingly common trend of treasurers drawing down on liquidity in different ways, mainly to ensure that they have enough of a buffer in the event they can't make sales or pay their suppliers. “We've seen a number of clients draw down on their lending facilities – for example, if they have a revolving credit facility (RCF), they're just parking that cash into a current account so they know it's there when they need it,” she explains.

Seeing the same trend, a BlackRock whitepaper, ‘Lessons from COVID-19: The Experience of European MMFs in Short-Term Markets’, noted that in the first weeks of the crisis, many corporates drew down on their RCFs. “When this happens en-masse, it creates a significant liquidity demand on banks,” the paper says.

“I think it's just the uncertainty that's making corporates and treasurers think that they have to keep funds liquid,” says Hourican. “And if they can afford to tie up funds, then they're thinking ‘what's the penalty fee?’, are they going to be able to break it? Are they going to be able to get their full investment back?”

Another trend that Hourican has seen is around M&A, with smaller suppliers being bought by larger businesses in order to keep the supply chain operational. “We've seen some instances where corporates have bought their suppliers to keep the business going and essentially help themselves,” she explains. “But in order to do that, you need to make sure you have enough cash to do that.” Given the high value of many M&As, Hourican believes this is where the role of the treasurer becomes even more important as they assess things such as the efficacy of working capital versus lending facility for funding a deal.

## Communication is key

While it may not sound very encouraging, “Most investment strategies fail,” says Chakravarty. But, he adds, they don't fail because of inherent flaws within the strategy, but rather because of the human application. “Whilst having a strategy is very important, what's more important is the process,” he says. The process should eliminate the influence of any cognitive bias when implementing the strategy. “At each level of the implementation of the strategy, it is extremely important to delineate the biases from the processes.”

To begin creating an investment strategy, Chakravarty suggests starting by defining the objectives, the timeframe, the asset allocation, the risk management plan, and accessing information and data. The job can become more difficult if treasurers don't have clear visibility of the organisation's plans.

For Hourican, a similar step is also a priority. “Talk to the company's board of directors,” she says. “What is actually

within your investment policy?” She adds that she has seen many companies now relooking at their investment policies and notes that the risk appetite has changed. The risk tolerance is key to determining an investment strategy, particularly in times of such geopolitical uncertainty. Local developments in different countries should also factor into a treasurer's plans.

## Lean on partners

Of course, no investment strategy would be complete without consulting experts, such as banking partners, asset managers or fund managers. Hourican notes that banks will always understand that treasurers have many banking relationships, and it's important to utilise all the relevant ones. Treasurers can thereby acquire the knowledge they need about the solutions and products available, as well as any possible fees for withdrawing and the relevant credit ratings.

Additionally, Hourican believes that understanding the past is an excellent way to contribute to an investment strategy. “Are there any key learnings they can lift from the 2008 financial crash? How did a particular company get through that crisis?” However, she does note that from a tax and accounting perspective, it's important to acknowledge the drastic changes to the landscape since then. Treasurers therefore also need to ensure they're educated on the various tax implications of different investment strategies or products.

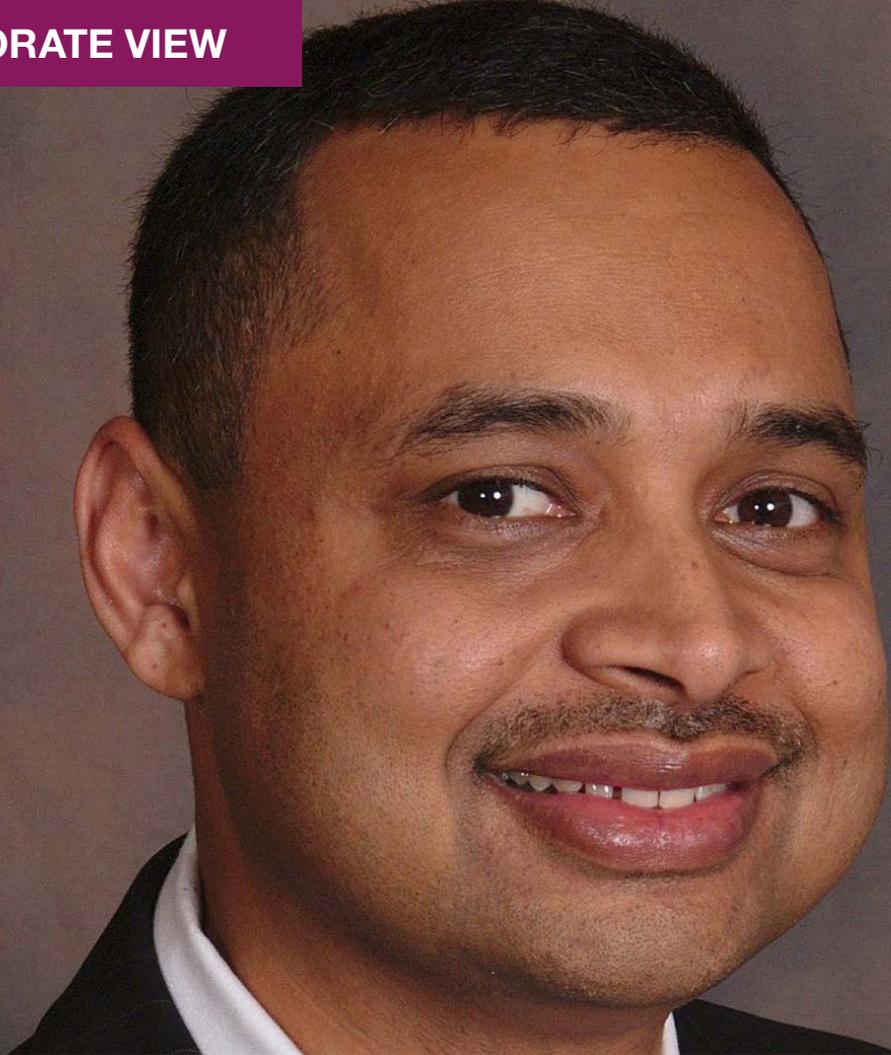
## Monitor and maintain

As with implementing an investment strategy, Chakravarty holds no illusions of ease when it comes to maintaining one. “It's extremely difficult to maintain an investment strategy,” he says. However, he notes that a simple strategy that is all-encompassing and understood by everyone can be timeless. “A simple investment strategy needs to answer simple questions – what to buy, when to buy, how much to buy and when to exit.” If the rules are clear and the parameters defined, it can be run by almost anyone, he adds. Conversely, “The more complex a strategy, the more errors there are.”

Agreeing that investment strategies aren't easy to maintain at these times of extreme volatility, Hourican says it's important to review the strategy regularly. “I know some corporates who, through this pandemic, have been reviewing their strategies on a monthly, if not weekly, basis – just to make sure that they were going to be able to meet their payment obligations,” she explains.

Along with reviewing the strategy, it's also necessary to monitor it. Treasurers should be actively looking at how the strategy is performing, whether changes are needed and whether it continues to reflect the appetite of the Board of Directors and the investment policy.

Finally, treasurers need to ensure the strategy is still within the cash flow needs of the business. As such, Hourican says a robust and accurate cash flow forecast is also key, because that will help to determine how much cash is needed in the short, medium and long term. “Having good cash flow forecasting and a good monitoring process will help treasurers make sure that they know they've made the right investment strategy decisions,” she concludes.



## Learn, adapt, overcome

**Amit Singh**  
SVP, Group Treasurer



Headquartered in Tokyo, Japan, Takeda is a patient-focused R&D-driven global biopharmaceutical company with a 230-year history and a presence in around 80 countries. Where R&D is concerned, the company's areas of focus include oncology, rare diseases, neuroscience and gastroenterology.

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*With experience across three different industries, Amit Singh, SVP, Group Treasurer at Takeda Pharmaceuticals is no stranger to learning new things. In fact, he thinks it's a necessity for all treasurers.*

After achieving both his Bachelor of Technology and Master's degree in Petroleum Engineering, Amit Singh began his career as a Petroleum Engineer at Schlumberger Oil Field Services in the Gulf of Mexico. At the time, he wasn't even aware of treasury as a potential field. With Schlumberger offering a rich background for developing effective leadership skills, and having risen to the top of the engineering ranks in just five years, Singh decided to go to business school to develop his growing interest in corporate finance.

"I had every intention to come back to the oil and gas sector after my MBA," he explains. However, during his studies he

learned that a finance role can be industry agnostic, and so he searched for and selected a strong corporate finance programme at Pfizer. The programme rotated candidates through various finance departments, one of which was the treasury team in Dublin, Ireland. "I was really hooked. The main draw was treasury's combination of analytics and technology, both areas of interest for me," he says.

### Strategic treasuries

In his current role as Group Treasurer at Takeda Pharmaceuticals, Singh explains that his responsibilities

include the “usual three treasury pillars”: capital markets, treasury operations and financial risk management. He also manages the global insurance programme, as well as overseeing pension investments.

“What makes this role particularly interesting to me is its strategic nature, given Takeda’s current situation,” Singh says. Indeed, In January 2019, Takeda Pharmaceuticals completed its US\$62bn acquisition of Shire PLC, considerably increasing its leverage.

The company is now focused on paying down its debt and improving its balance sheet, which Singh describes as “a sweet spot for treasury”. Despite the challenges posed by COVID-19, he is optimistic about the treasury team’s progress, and notes that the company has been steadily deleveraging itself.

When it comes to the new, strategic role of treasury, Singh says, gone are the days where corporate treasury primarily meant cash management. “These days, CFOs look to their treasury team to help them achieve the company’s key financial goals, which differ greatly by industry and company-specific factors,” he says. For example, treasury solutions employed by a cash-rich, highly rated pharmaceutical company bear little resemblance to those needed at a highly leveraged, low margin consumer goods company. “The pharma company may not care for the FX impact on their high margins and may be able to manage without an FX hedging programme, but at a consumer goods company, doing the same may lead to an existential crisis.” It’s the treasury team’s job to recognise such factors and suggest tailored solutions to the CFO. “Only a strategically-thinking treasury team can do this,” says Singh.

The ongoing COVID-19 pandemic has brought new strategic challenges – but again, says Singh, these vary across industries. “Treasuries at hard-hit airlines and in the hospitality industry are in liquidity crisis, and securing funding for the next several months of cash-bleed is likely at the top of their mind,” he says, adding that this is likely to involve negotiating covenants with bankers and drawing upon revolvers, while planning to issue long-term debt. In other industries where the impact has been less severe, Singh says treasury teams may be in a “monitor and wait” mode, instead focusing on working capital and conservation of cash.

## Adapting and thriving

The current global situation has proved challenging for many, as teams work from home – some for the first time. For Singh, one of the biggest realisations has been on the importance of keeping a team motivated and engaged. “I take the professional challenge of keeping Takeda’s treasury excited about the team’s direction very seriously,” he says.

According to Singh, this is done in a number of ways. The first is to secure agreement as a team to continue to strive for improvement in systems and processes, while acknowledging “that there is not an end-state at which we will stop completely.” This ensures that there is a steady stream of projects to work on that stretch the team beyond their day jobs. As Singh observes, “a learning team is an engaged team.”

Secondly, where traditional treasury management is concerned, Singh directs the team to plan and model many more transactions than are actually being executed. For capital markets and risk management, this keeps team members on

their toes and reduces the chance of missing a fleeting market opportunity. “We also try and rotate the team members across treasury to keep developing everyone,” he adds.

Finally, Singh says the team often goes out to meet other treasury teams in order to benchmark themselves against the best in class. “I have discovered that when we get a chance to meet external treasury teams, we get to see new fact patterns and new treasury solutions deployed in other industries,” he explains. This allows a new perspective on how things can be done differently, and why certain industries tend to deploy particular treasury solutions.

## A Top Treasury Team

Singh’s method is clearly one that works well, as the team scooped the award for Top Treasury Team in the 2020 Adam Smith Awards, as well as being named Overall Winner in the Best Trade Solution category, and also Highly Commended Winners in both the Best Risk Management Solution and Best Short-term Investing Solution categories.

The Top Treasury Team accolade came as a well-deserved recognition of the company’s monumental achievements following the acquisition of Shire in January 2019. Singh led the legacy Takeda and Shire treasury teams in their integration efforts, having only joined the company several months prior. His first task was to form an integrated team, which meant tackling the geographic challenge of having a 40-person combined treasury team spread across four time zones.

There were multiple issues that needed to be addressed, including governance and policies, risk management systems, IT systems and liquidity, leverage management and cash visibility. After several months, Singh selected his new 28-person treasury team and worked on keeping the best of both companies’ policies.

Before the acquisition was even complete, Takeda’s CFO, Costa Saroukos, identified corporate treasury as a function that would be key to the company’s success. As such, it was essential to have a treasury team that was efficient across all fronts. One year on, and Singh has delivered on that. Treasury is functioning as an integrated global team out of Tokyo, Zurich and Dublin, having dismantled the historically siloed legacy regional treasury centre (RTC) approach, where each RTC only managed regional activities. To do so, the team had to bridge many of the cultural divides that often derail Japanese integrations.

## Learning on the go

When it comes to his career, Singh has been the SVP, Group Treasurer at three companies, two of which have undergone acquisitions. In addition to the Shire acquisition, Singh was working at Jarden Corp when it was acquired by Newell Brands.

Including his first role at Schlumberger, Singh notes that he’s had the “good fortune” of working across three industry sectors: oil and gas, pharma and consumer goods, as well as across the credit spectrum (AAA to BB rated). “This has opened my eyes to the fact that different things matter to different companies/industries, depending on their balance sheet, profitability and strategic goals,” he says.

While working at an AAA-rated pharmaceutical company with high profitability and low leverage, Singh noticed that

treasury's focus was on managing the company's US\$50bn+ cash portfolio – much like a large hedge fund. The treasury IT infrastructure was already strong, but this meant he had little opportunity to learn how to build one from scratch. "They were also doing large M&As and spin-offs, all of which were great opportunities to learn when these one-off events occurred," Singh says. "However, given their financial heft, corporate treasury's direct impact on the company was not hugely strategic on a day-to-day basis."

In contrast, at BB-rated Jarden Corp, which had low profitability and high leverage, managing the cash flow was paramount – and there was a risk that failing to do so could lead to an existential crisis. "Similarly, FX hedging to manage their comparatively weak margins was super critical, and developing their weak IT infrastructure was a must," he explains.

It's this variation that has meant Singh has learned many lessons – all of which have helped prepare him for his current role at Takeda. He notes that he sometimes sees treasury colleagues become very specialised quite early in their careers, for example in capital markets, risk management or treasury operations. "While there is nothing wrong with a career in those treasury sub-specialisations, it is hard to progress to a treasurer's role without having a good all-round knowledge – and plugging your knowledge gaps," he says.

Consequently, Singh says, a company like Takeda is a "sweet spot" for treasury professionals. "We are a strong BBB-rated firm, but also one where treasury can make a strategic difference day-to-day," he says. For example, the team recently completed a US\$11bn refinancing exercise that has positioned the company strongly for the next few years. They also negotiated Takeda's global banking covenants and harmonised them across all types of debt instruments. "We are developing our IT infrastructure, which is making a clear and quantifiable difference to our balance sheet," he adds.

## Strive for improvement

It's not just technical treasury skills that Singh has learned. He lists three main lessons that he has cherished throughout his career. Firstly, he says, "It is very hard to progress in your career by simply doing your current job well. You need to constantly improve yourself and strive for more responsibilities." Singh suggests that in order to stand out, an individual needs to go beyond their current role, learn new things, ask for new projects, develop financial modelling skills and in general, build an aura of credibility around themselves. "In other words, bite off more than you can chew – and then chew it anyway."

Secondly, he says, "Hard-working team players trump individual superstars every time." And lastly, "More projects fail due to poor communication than for any other reason. There is no such thing as 'over communication'."

## Personal development

On a developmental level, Singh actively tries to take advantage of any speaking opportunities at treasury/finance events. He has previously spoken at EuroFinance events and at the Treasury Management Summit in Boston, as well as participating in various online webinars. "I am not a natural-born public speaker, so it takes a lot of internal jostling for me to force myself to accept these events," he says. "They allow me to learn how to craft my message succinctly, and to deliver



We are a strong BBB-rated firm, but also one where treasury can make a strategic difference day-to-day.

it in an easy-to-follow manner." He holds the belief that clarity in storytelling is an important skill that all should try to hone, and that it's especially useful when communicating with senior management "who seldom have time for a detailed discourse".

When it comes to the necessary skills for a treasurer to have, Singh believes that other than the basics of a facility with numbers and a penchant for analytics, there are a few things that are common amongst successful treasury professionals. The first is having an attention to detail. "Many treasury activities are so unforgiving to mistakes that someone who just likes to 'think the big picture' would have a hard time succeeding," he says. "This is not a role for poets and cartoonists – no offence to poets and cartoonists!"

He's also found that the most successful treasury professionals are "a little paranoid and risk averse". Indeed, corporate treasury is partly a risk-management role, and therefore unsuitable for risk-seekers and day-traders. "Successful treasury professionals spend their time worrying about low probability but high-impact, black-swan events and planning around them. They sweat more in peace so they bleed less in a war," he comments.

Lastly, Singh cites the importance of being good at explaining complex concepts in a simple manner, noting that this is especially important as people grow in their careers and need to speak with senior management who may not have a treasury background. "Couching your message in treasury-speak is a sure way to lose credibility fast," he says.

## Unwinding

As always, it's important to switch off from work, and whilst Singh admits he doesn't have the work-life balance exactly right, he is keenly aware of its importance, as well as the need to stay physically and mentally resilient. "I try to add walking and running to my daily routine, though sadly, with mixed results," he says. At Takeda, he says, he works to ensure the treasury team is always prioritising – and de-prioritising – activities while balancing workloads across individuals and sub-teams. "We make sure everyone takes their vacations and gets to unwind, but this is a continuous process," he adds.

Taking his own advice, pre-COVID, Singh was an avid traveller, often spending weeks and months planning each trip with his family. "In the new world, I find myself transforming into an armchair globetrotter, living vicariously through travel guides and documentaries," he says.

In his own time, he enjoys listening to audio books and is seeking to expand into reading about anthropology and world history – branching out from his usual science and economics genres. "I do also consider myself to be a weekend cook, dabbling in recipes from here and there and trying them out on my unsuspecting family and brave friends!"



## TREASURY RECRUITMENT IN LOCKDOWN AND BEYOND

The COVID-19 crisis has brought numerous challenges where treasury is concerned, from securing liquidity to managing supply chain risk. To navigate this landscape, treasury teams first need to have skilled professionals in place – and where recruitment is concerned, the advent of country-wide lockdowns and social distancing measures has led to the adoption of some new and inventive approaches.

In some cases, there may be no pressing hiring needs, or companies may be selective about whether to recruit. George Dessing, Executive Vice President, Treasury & Risk at Wolters Kluwer, says that the treasury team is “currently stable” with no recent openings or vacancies, adding that “On a companywide level we currently look carefully at hiring – only critical jobs are filled.”

While some companies may have put their hiring plans on ice when lockdown started, this isn’t possible in every scenario – recruiting for a maternity cover role, for example, is not something that can be postponed. But in the context of a global pandemic, face-to-face meetings may be unappealing or even prohibited by local lockdown rules. As a result, companies are increasingly turning to video conference platforms like Zoom and Microsoft Teams to screen candidates for treasury roles.

“Until January of this year, I had only ever recruited one person who was interviewed via Zoom calls, and was offered the job without ever meeting the team,” explains Mike Richards, Chief Executive of The Treasury Recruitment Company. “But since the beginning of the year, we’ve had four people who have done every round of interview over Zoom.” One candidate, for example, had been trapped overseas when lockdown began, but had been interviewed and hired remotely. He has now been working for his new employer for several months – all without meeting anyone in person.

But while some companies are comfortable with a Zoom-only approach to hiring, a fully remote recruitment exercise is not always ideal. Consequently, in countries where lockdown restrictions have loosened, companies may opt for a hybrid interviewing model. As Richards says, “Nothing replaces that face-to-face – but you can still do face-to-face and be responsible.”

He cites one company which carried out the first round of interviews using Zoom, but is still planning in-person interviews with the CFO for shortlisted candidates. “They won’t have to wear a mask, but modern protocols will be in place – people will be sitting two metres apart, and candidates will be able to have tea and coffee, but will need to use hand sanitiser,” Richards says.

With many companies planning to continue working from home arrangements for the foreseeable future, could treasury candidates be eligible for roles further from home than in the past? For roles in the same country, this could well be the case. Richards notes the example of a company based in a less well-known location in the UK which is currently recruiting for a treasury role. “In the past, this was difficult, but now they’re saying the employee won’t need to be in the office – they could just come in for two or three days a month to work with the team, and the rest of the time they can be based from home,” he says.

Could this mean a treasurer could take a role in a completely different country or region without moving there? “I don’t think so,” says Richards, explaining that obstacles would include time zone differences and cultural hurdles. “Another issue is that if there was an emergency, and the company needed to get everyone together, would that person be able to get there in a few hours? No, they couldn’t.”

Beyond the recruitment exercise itself, the COVID-19 landscape may also have an impact on the types of skills recruiters will be looking for. While not currently recruiting, Dessing says that any new recruits “should be able to be an effective team player and a networker when working (predominantly) remotely, and even better at sharing innovative ideas about how this remote interaction can be improved.” He adds, “This will require building further technical awareness and skills which will allow us to look beyond the traditional treasury role in order to become even more agile and productively add value to the company.”

In the remote working context, Dessing says it’s more important than ever for individuals to be critical thinkers and able to work in a “self-dependent” way – while still needing to connect and communicate with each other. “Without this connection, problem solving and innovation within the team is not effective, especially given the global disruption and uncertainty due to COVID-19,” he says – adding that adapting to the new situation is important not only for any future hires, but also for the team as a whole.



## Divide and rule: effective cash segmentation for treasurers in testing times

*In a time when cash and liquidity are uppermost in treasurers' minds, we look at why effective cash segmentation is so important.*

When all is said and done, it's cash that makes the business world go round. Short-term is the big concern for many businesses in the current COVID-19-constrained trading environment. With revenue streams hit hard, the pandemic has impacted the cash and liquidity positions of many companies. But not all are impacted in the same way.

Companies with large cash buffers and low leverage and debt-servicing costs will be more resilient than those leveraged to the hilt. Some sectors are naturally more robust than others in the current situation. Online retailers and supermarket chains are clearly benefitting from increased cash flow. Many of those in the travel and tourism sectors are suffering existential crises.

Even the so-called 'defensive industries' (those that are relatively immune to economic fluctuations, such as the supermarkets) are facing new challenges with COVID-19. As infection rates peak, the supermarkets have had to develop their logistics infrastructures in order to satisfy rapidly rising

demand. For some, it was a matter of assessing whether increased demand would be sustained long enough to get sufficient return on any infrastructure development costs, or whether post-COVID-19 their expanded logistics infrastructure would absorb too much cash.

### Cash control

"Any crisis, like the great financial crisis in 2008 or now the corona crisis, always highlights the importance of liquidity and the old corporate treasurer's truth 'cash is king'. It is therefore crucial to have good control over your organisation's funds." Thus states Christian Bartsch, a treasury and finance consultant, managing director, and Professor of Business Administration (Finance & Accounting) at IUBH University of Applied Sciences, and Adjunct Lecturer at EU Business School, Munich.

One way to achieve essential control is by cash segmentation. This, he explains, is the division of an organisation's funds into

categories to increase financial stability and promote better control over assets and – at the same time – the budget process. The most common divisions under cash segmentation are operating cash, reserve cash, and strategic cash. However, he notes, some organisations may also have restricted cash division.

For Aziz Parvez, Head of Asia Pacific Corporate Treasury Sales, Global Transaction Services, Bank of America, the extent to which it is necessary to have a clear picture both of cash holdings and capital planning is clear.

“It is extremely important for a company’s treasury to segment cash, not only to ensure that day-to-day cash needs are properly catered for but also companies’ mid-term requirement and long-term visibility of cash positions to support strategy objectives and expansion plans are met,” he says.

Parvez acknowledges that this has become particularly relevant against the backdrop of a pandemic and global economic slowdown. “Now more than ever, companies need to ensure visibility and accuracy of their cash flows so that they can plan ahead and ensure their funding requirements are fully supported in these challenging times.”

Thomas Stahr, Interim Treasurer, Treasury Consultant and Project Specialist, believes too that it is essential for treasurers to divide cash into core segments. This, he says, “starts with cash which is available on the balance sheet but which cannot be accessed because it is trapped, and goes all the way to cash that is causing negative interest on credit and, above all, with particular attention given to the currency in which cash is available or needed”.

Indeed, the current circumstances of collapsing economic demand on the one hand, and negative interest rates for cash in EUR and CHF on the other, “are the two biggest cash challenges a treasurer should have under control at the moment,” says Stahr, a former Head of Corporate Treasury at global airport ground services firm, Swissport.

“The goal in an uncertain economic situation must be very clear: to secure sufficient short-term and medium-term liquidity,” he warns. This means “a healthy mix” of committed and uncommitted credit lines is the first choice, because these generate the lowest costs. “But planning early refinancing to secure long-term liquidity is also a priority during this period.”

The current economic circumstances have indeed changed client goals, reports Parvez. “Clients are focused on short- and medium-term cash requirements,” he says. The key focus right now is to ensure a sufficient cash buffer to see the business through the current situation. “This has become important not only to manage the operational needs of the companies but also from a rating perspective, given the shifting credit environment.”

## Levels of segmentation

It depends on what the operational business of the company is, as to how detailed and layered the segmentation process is. A company that produces machinery has different cash requirements to one that is a wholesaler, and different again from one that is engaged in insurance or banking. But all areas have one thing in common, and that is ensuring

minimum liquidity for the operational business and investments.

Three levels of segmentation are the most effective, covering operating cash/working capital (short-term), reserve cash (medium-term), and strategic cash (long-term).

- **Short-term.** Short-term forecasts provide the cash detail needed to help manage working capital and to protect day-to-day company liquidity, covering the immediate cash inflows and outflows that affect overnight balances. Daily and even intra-day forecasts ensure that treasury keeps abreast of last-minute changes to cash flows. Weekly and monthly forecasts (for up to about three months) provide advance warning of the expected cash positions.
- **Medium-term.** Rolling monthly forecasts for up to 12 months ahead help to predict cash needs and surpluses further into the future. They help to show where the high and low points of cash availability are likely to occur through the course of the year as well as identify when existing investments and debts may be maturing.
- **Long term.** Long-term forecasts may cover up to a three or even five-year period. They provide a longer view of potential surplus resources and financing needs to help ensure that a company’s business plans and strategies can be properly funded. They also help to identify future cash that has not yet been ‘earmarked’ for use and is therefore available to invest for a longer time period.

## Vital forecast

In terms of applicable technique, first of all, it is extremely useful to establish well-structured reporting of required liquidity, per entity and currency, and then to consolidate that data, urges Stahr. “The whole process should be on a time axis with a minimum of nine months, but better still over one year.”

The aim here is to determine all cash requirements in detail. This should result in a clear understanding of the financing surplus or financing gap. “Always pay attention to the facts of effectively available liquidity,” he advises.

In theory then, corporate treasuries can easily gain control over the organisation’s assets at any given time by embracing cash segmentation, Bartsch says. But first there is a need to have a detailed cash forecast that directs organisations to which cash segment their money is allocated, in order to survive tough economic times or crisis.

Cash forecasting is one of the most important and effective tools in cash segmentation, agrees Parvez. “It has also been a top priority for corporate treasuries, and recent events have only reinforced its strategic worth in carrying the company through this difficult time and the future.”

Although forecasts still tend to be less accurate than most treasurers would like them to be, they do (or should) provide a realistic view of future cash resources, and therefore provide an early opportunity for identifying potential surplus cash or funding gaps, as well as other essential information such as currency denomination, present location, total amount (value) available, planned future location (and currency), and time horizons (the length of time cash will be available for investment before it is needed by the business).

In addition, forecasts will help treasury to define how ‘important’ the cash is to the business’s daily operational

activities and what the impact would be on the company if the cash to be invested was not readily available to meet day-to-day obligations.

From this point, it is up to the treasurer to define, introduce, optimise and, where necessary, expand the adoption of the appropriate instruments. This starts with cash concentration or cash pooling, continues with extending credit lines, even arranging syndicated loans, and ends with the placement of capital market bonds.

For surplus cash, investments need to be forecasted over two to three years. Accurate prediction reduces the risk a company may experience if the investment were to fail under the current economic times as a worst case but more likely counter sub-optimal investing, or the possibility of overestimated surplus cash having to be pulled from investments at short notice or inability to liquidate in time to meet business needs.

“In the current business environment, corporate goals and objectives have changed as many organisations focus on accomplishing short-term goals that lead to long-term ones,” says Bartsch. For instance, he notes short-term goals are easier to achieve now, compared to long-term ones, due to the emergence of the pandemic, especially given that forecasting in such tough times is extremely challenging.

What’s more, he observes that the use of funds has been reduced, due to current uncertainties, that “would create havoc in organisations if the economic situation does not change in the future”. He notes too that a rise in debt has been recorded as many businesses seek to benefit from bank loans, which they may be unable to service on time.

Indeed, the World Bank reports that the debt crunch has made it hard for decision-makers and managers in industries where the production of goods is the main activity. Most organisations, it says, are also focusing on increasing strategic and reserve cash due to the current uncertain financial condition. However, says Bartsch, the operating cash division must be monitored as any eventuality will need to be catered for using these funds.

For many, this is a cash balancing act that could have troubling consequences if the numbers are wrong. Distressed organisations are trying to find emergency liquidity, and cash-rich businesses are having to think ahead and engage with a wide range of ‘what-if’ scenarios as they reinforce their liquidity positions.

## Suitable approaches

When it comes to the three segments, corporate treasuries should maintain a constant flow of funds to the operating and reserve cash divisions, advises Bartsch. This approach will help treasuries to create appropriate financial plans, given that operating in the current environment requires proper economic forecasting to eliminate the chances of insolvency. Thus, he adds, “this calls for corporate treasuries to communicate with other departments to ensure prioritisation of projects”.

Indeed, he says, one of the most effective cash segmentation approaches in the current business environment is the budget model. This strategy allows corporate treasurers and accountants to determine what an organisation requires at the present and forecast what might be necessary for the future.

The budget model covers all the elements of an organisation, making it more accurate in handling financial issues that arise in the day-to-day operations. Nevertheless, Bartsch adds, this model must be regularly compared to the forecasting model that identifies future risks (the forecasting model mainly used in financial planning and analysis incorporates all the aspects of the organisation in minimising risks and looking for opportunities).

If most companies operating cash segmentation every financial year obtain a scope of what should be done during that period, Bartsch believes that a combination of all three divisions can be effective in the current business environment, “because they cover the short-, medium- and long-term needs of an organisation at the same time”. The use of this approach can help corporate treasuries to allocate funds to different departments effectively, being based on an informed assessment of the short- and long-term needs of an organisation.

However, warns Bartsch, a segmentation review should be conducted after every quarter of the financial year to eliminate ‘interferences’, with corporate treasuries monitoring every task or operation to ensure that money is spent appropriately. Parvez agrees, saying that review is necessary “to ensure that any changes to market or economic conditions are assessed and acted upon on time”.

## Current risk response

Corporate treasurers have a further significant role to play in the current business environment because they must respond by allocating funds to risks rather than expanding portfolios, suggests Bartsch. “Risks affect the financial aspect of an organisation, hence cash segmentation should be focused on making short-term agile decisions with long-term effects.”

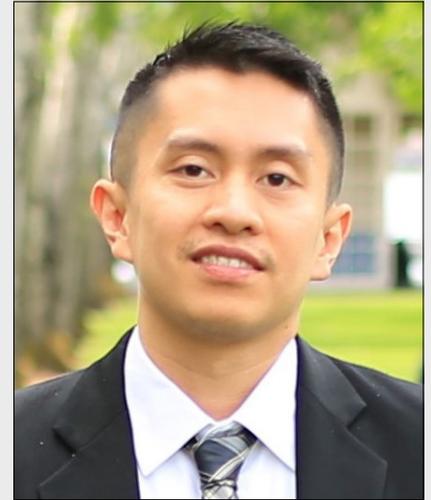
Good liquidity planning must therefore always be a top priority, adds Stahr. Due to events that have arisen in the last six months, he believes that consideration should be given to introducing additional reports, such as weekly or even daily cash reports, on top of the usual liquidity planning, in order to avoid sudden unpleasant surprises.

“Segmentation into immediately available cash and funds, which only take a few weeks or even months to become available, is essential,” he argues. “If critical time-windows are identified, they must be secured with suitable measures, for example by increasing credit lines or optimising cross-border cash pooling by adding further Group companies.”

For Parvez, short- and medium-term cash flows are key priorities now. “This is extremely important, so companies can continue to meet not only their day-to-day operational requirements but also their funding needs for at least a year,” he advises.

With markets still trying to contain the coronavirus and some seeing a spike and reintroducing lockdown measures, he believes we will continue to see a slowdown in economies globally. “In order to operate in these times, treasurers should take into account various factors such as purpose of the cash, time horizon and review their liquidity strategy to ensure they are equipped with sufficient cash to ride through the current situation.” Segmentation may indeed be a welcome case of divide and rule.

# Time to make a difference



**Ken Bugayong, CFA**  
Treasurer, Minds Matter Seattle



What is it like to adapt from the treasury of a global corporate, to that of a non-profit organisation? Ken Bugayong, CFA of Minds Matter Seattle tells Treasury Today about his long journey to help students from low-income families prepare for a better life.

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*The Minds Matter mission is to transform the lives of accomplished high school students from low-income families by broadening their dreams and preparing them for college success. Mentees attend academic, cultural, or leadership programmes throughout the United States and the world, all funded by Minds Matter. Minds Matter of Seattle is 100% volunteer-run.*

Over the past few locked-down months, many professionals will have taken a moment or two to reflect upon and re-assess their role in the world. For some, it may be time to venture from the rarefied world of corporate life, and into the non-profit sector.

After all, by bringing well-honed commercial skills to this environment, it is possible to bring about a much-needed change of fortune for organisations that, frankly, increasingly struggle to survive financially, despite the good work that they do. But what is it like to venture from corporate to non-profit?

For Ken Bugayong, assuming the pro bono position of Treasurer, Board of Directors, at Minds Matter Seattle, a non-profit educational organisation that seeks to transform lives of accomplished students from low-income families and preparing them for college success, it has been a decision that he describes as “a meaningful career experience”.

Transitioning from the treasury of a central bank, via technology firms Amazon and Expedia, to a non-profit educational foundation of Minds Matter, Bugayong, a 2019 Adam Smith Awards winner, now presides over the precious financial resources of an organisation that promotes social equity through education by providing academic support, skills-building, coaching and mentoring, financial stipends and aid.

“I manage the Seattle chapter’s financial resources, overseeing various initiatives including budgeting, forecasting, endowment planning, fundraising, grants and sponsorships,” he explains. He fully believes that the work he does here has real long-term social value, supporting students from low-income families and preparing them for college.

Although now armed with treasury skills honed in the cut and thrust of global business, Bugayong sees his own arrival in the non-profit sector as a natural progression. Even in his formative professional years, he was keen to put something back into the community.

## Education is paramount

Education has always been important to Bugayong. Having grown up in the Philippines, a developing nation, and starting his career in the country’s central bank, he had a first-hand macroeconomic view of some of the nation’s biggest challenges. Being based in Manila, a densely-populated city where poverty is an “elevated factor”, he could see that one of its root causes was lack of access to formal education. This, he noted, confined many talented individuals to a state of poverty.

Understanding that with access to education comes social mobility, during his five-year term with the central bank, Bugayong decided to make a difference. “It was inspiring that within the treasury department I was helping the broader economy by managing the bank’s reserves and undertaking FX and open market operations,” he explains. “But I also wanted to help the nation at the level where individuals directly experience poverty.”



At some point I knew I wanted to find an avenue where I could contribute my professional skills and continue making a difference to society.

He found himself volunteering as a mentor within the non-profit Pathways to Higher Education which identifies talented but financially underprivileged high school students. In doing so, it aims to equip them with the necessary academic and soft skills to become future leaders, or 'Trailblazers', who can help positively transform the nation.

Following their educational path, the two mentees under Bugayong's guidance developed into successful professionals (one a dentist, one an engineer). In line with the programme's goal, both now act as mentors to other young, talented students from the same difficult background.

### Making a move

For his own development, Bugayong moved to the US to pursue a graduate degree at MIT, eventually moving to Seattle and joining the technology sector as a Senior Financial Analyst at Amazon before moving on to become Treasury Manager at Expedia Group.

"At some point I knew I wanted to find an avenue where I could contribute my professional skills and continue making a difference to society," he says. Mindful of his previous work in the Philippines, and firm in his view that education is "a great equaliser", joining Minds Matter was an obvious choice, its mission "very much aligned with that of Pathways".

With the Seattle chapter looking to bring more organisation and structure to its finances, Bugayong stepped up as treasurer towards the end of 2019. "Often, non-profit organisations have

all the soft skills but their professional capacities in areas such as law, marketing and treasury are lacking," he notes.

In Minds Matter Seattle, he saw an opportunity to help deliver far greater impact from its hard-won financial resources. Initial treasury-level challenges were operational, centred mainly on establishing an infrastructure that could allow different stakeholders to interact effectively, improving cash flow management, and creating a more efficient accounting regime. And then came the pandemic.

The impact of COVID-19 on working practices across the organisation, including the administration of the programme, has been challenging. "Lately, we have transitioned into a virtual approach, where we are co-ordinating coaching and academic sessions online," admits Bugayong.

### Funding gap

As with most charities, funding presents the greatest concern now. In particular for Minds Matter, the postponement of its lucrative benefactor events, where vital patronage is both earned and reinforced, is a major worry. And with the pandemic now ushering in a global economic recession, balancing the books is increasingly tough.

With economic and financial pressure mounting, the value of professional treasury is coming to the fore. One of the main treasury practices from which Minds Matter is benefitting is efficient forecasting. Bugayong's specialisation in digital transformation and analytics at Expedia has proven



invaluable, forecasting variable revenue streams amidst the pandemic proving problematic for many similar organisations.

“We have had to adapt our forecasting model as we try to align our revenue forecasts with where we see the economy going,” he explains. In the longer-term, any revision today will need to feed into the multi-year vision of establishing a sustainable endowment framework around Minds Matter as it is this that will allow continued regular scholarship funding.

For Bugayong, the experience and expertise gained in central bank reserves management – also executed on a not-for-profit basis – has proven to be “very transferable”. Indeed, he says, a similar approach is required for his vision on endowment planning.

“We will have to forge more alliances and partners, in both education and business sectors, with those who are aligned in terms of where we see the need in our society,” he explains. And although he feels the rate of success has been good to date at Minds Matter, the need to promote awareness of its mission needs “renewed focus”, especially with funding coming under such unprecedented pressure.

Here, Bugayong has been able to demonstrate through a remarkable set of data what the return on investment is for Mind Matter’s students.

A closer look at the impact of Minds Matter over three years	
In-person time investment over the course of the three-year programme	300 hours per student
Total amount of merit-based financial aid secured by class of 2020	US\$2.3 M
Total amount of financial aid secured by class of 2020	US\$7.2 M
Examples of schools where students were accepted or waitlisted	Harvard University University of Pennsylvania University of Michigan Washington State University Whitman College

Ultimately, “substantial impact” is seen several years down the road, with immense returns to society for every dollar invested.

“What we’re trying to do here is initiate a virtuous circle,” says Bugayong. “Once we uplift our beneficiaries from their situation, eventually they become stable and successful



I manage the Seattle chapter’s financial resources, overseeing various initiatives including budgeting, forecasting, endowment planning, fundraising, grants and sponsorships.

professionals who we then encourage to come back to the programme and give a little back. It’s the multiplier effect.”

### Tools for the job

The transition from central bank, to corporate, to non-profit has seen Bugayong absorb a wealth of knowledge and experience, not least in the sphere of financial technology. The technological approach is something that Minds Matter is definitely benefiting from, he notes, “especially in how we administer modern cloud-based systems: CRM, accounting, fundraising, and analytics in treasury, and how we can prudently deploy for-profit industry best practices, tailored for our non-profit setting.

“Our aim is to ensure that 80% of our funding stream goes to the student programmes and expenses that will eventually further our mission. The remainder is set aside for operations and investment in technologies that allow us to perform more efficiently.” Investment guidelines have now been set by the Minds Matter Board and benchmarked with sister organisations.

With particularly effective results so far in Mind Matters’ technologically-driven approach to liquidity management, cash flow forecasting and analytics, the next generation of students can look forward to a better future for themselves, as can society in general.

### Time to volunteer?

With many more professionals having had the time under lockdown to think of moving towards a position that, as Bugayong says, “gives something back”, the advice of one who has made that move should resonate. “In your profession, it’s great if you enjoy your job; it’s even better if you find meaning in it. If you can combine the two, you will find much fulfilment.”

Achieving fulfilment does not necessarily demand leaving the for-profit sector, he says. Volunteering professional services – especially, in the current economic environment, by those with financial expertise – is very much welcomed by organisations in the non-profit sector.

With treasurers being uniquely skilled to fill a void that many such organisations face as they come to terms with the financial fallout of the pandemic, maybe it is time to make a difference.

# The digital revolution

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



**Axel Hauke**  
Treasury Manager  
Agrocop International Pte Ltd

The first half of 2020 brought tremendous change to Singapore's trade finance eco-system. Several high-profile fraud cases (ie Hin Leong, Agritrade) and government-imposed lockdowns due to the global pandemic led to significant changes in banks' handling of deal compliance and documentation work-flows. The ensuing "forced" acceleration of the digital revolution created challenges and opportunities for all stakeholders along the value-chain. Early adopters of new technologies had a head start when it came to adjust and take advantage of this new reality.

We at Agrocop greatly benefitted from our experiences in pioneering blockchain-based trade finance solutions. We developed in partnership with DLT Ledgers and major banking institutions such as DBS and Rabobank, a platform that replaces traditional paper-based trade documentations with digital API interfaced applications which guarantee trust, traceability and transparency by utilising a blockchain architecture.

The project created a good foundation for the year 2020. We had completed a full review of technological bottlenecks between our treasury and operations departments and external stakeholders. The close coordination with our banks and suppliers had given us a great understanding of each other's needs and constraints.

Two important lessons emerged: first, the digital revolution was primarily held back by bureaucratic inertia, and not by a lack of technological solutions. Second, creating the right company culture that encourages and rewards innovation is the key driver for corporate change. Both points proved essential when the pandemic counter-measures hit our day-to-day operations.

Disruption in the flow of physical documents meant intense pressure on everyone to migrate to digital solutions like e-signatures and submission of electronic trade documents via bank portals. Sending most staff to work-from-home, while these process changes occur, required our colleagues to quickly adapt and shape solutions to reduce delays and disruptions. Our long-standing practice to embrace and drive change paid off and earned us praise across our business partners.

The pandemic also caused a highly volatile macro environment accompanied with reduced risk appetite by our

banking partners. The Singapore market felt special pressure this year due to significant losses in commodity trade finance fraud cases in the first quarter. Banks introduced additional compliance checks, causing longer trade document turnover times. For those who embrace technology, the impact can be lessened and a client can differentiate itself to the bank.

Another benefit to digital integration of the supply chain is that both buyers and sellers can optimise working capital and improve liquidity. Buyers can also create more robust supply chains by leveraging their access to cheap finance to support key suppliers and have increased levels of transparency in first, second, and even third-tiers whilst enabling more accurate forecasting and greater predictability.

Widespread industry adoption of new technologies like blockchain enable integration and seamless data transfer between parties, as well as reducing delays and effort, and increasing the ability to demonstrate provenance and sustainability. During the peak of COVID-19, we managed to move 14.3% more product compared to the same period last year. We saw the biggest improvement in rice, oilseeds, feed, cashew and cotton, as these products rose more than 40%.

For Agrocop, we weathered the storm exceptionally well, managed to reduce our documents collection times with the help of our business partners and win new business in times when our competition pulled back.



**Peter Jameson**  
Head of Asia Pacific Trade &  
Supply Chain Finance, Global  
Transaction Services  
Bank of America

Digitalisation in supply chains is not new. What is new, however, is the pace of that change – the speed at which new technologies are emerging and being adopted has intensified. The pandemic has also catalysed that change as companies accelerate digitalisation initiatives as they adapt to working from home and realise that a lack of digitisation can lead to supply chain processes grinding to a halt.

Even today, many organisations retain a surprising number of inefficient or paper-based processes, which simple, well-developed and accessible digitisation capabilities can help to automate.

There are many immediate and practical opportunities for treasurers to digitalise the processes they have with their

banks. They can leverage new tools to manage onboarding documentation digitally and use eSignature to accelerate the legal documentation cycle. While electronic payments are not new, many trade and supply chain finance capabilities have traditionally remained highly paper-based. Now companies can use character recognition technology to move from paper to image to data-based communication, shortening cycle times, eliminating cost and reducing risk.

Treasurers should also focus on the “back to basics” approach of driving manual and paper-based processes out of their supply chains. Simple digitalisation initiatives can remove many dependencies from supply chain processes, improving agility, reducing risk, and ensuring the continuity of treasury processes regardless of physical locations. Most importantly, such digitalisation initiatives lay important groundwork to prepare for future innovations – like DLT – by having already automated and streamlined a company’s supply chain and the financial processes that sit around it.

Global supply chains are very complex and one of the key challenges lies in digitalising the end-to-end value chain. There are diverse constituents, often in countries with disparate rules, practices and standards. End-to-end automation is at the mercy of the least sophisticated actor in the supply chain, often determined by local market rules. Where standards and platforms exist, it’s often a battle between you adopting mine, or me adopting yours.

This has impacted uptake and eroded the benefit of digitalising global supply chains. But as more regulators and other players recognise the importance of digitisation as a way to keep economies moving, we should expect to see more of a drive to align legal and regulatory standards to facilitate greater – and more consistent – digitalisation of all the participants in a supply chain.

## Conclusion

Digitalisation is also only one of the many drivers influencing supply chains today, which treasurers need to consider: reshoring, geopolitical uncertainty, shifting supply chains, and driving sustainability to name just a few.

The pandemic has emphasised the importance of digitisation, moving it from being merely a driver of incremental efficiency to an imperative that could determine whether a company has the ability to continue operating in the face of significant global disruption for them, their counterparties and their banks.

Finally, it is not all about new, revolutionary technology. Those will continue to emerge and evolve; but many of the opportunities for treasurers are much closer to home – as simple as continuing to drive paper-based and other physical processes out of the financial supply chain.



**Steve Scott**  
Head of Asia Pacific  
Taulia Inc.

As the COVID-19 pandemic continues to create economic chaos worldwide, treasurers must look for ways to ensure the financial standing of their companies remains strong. Having full visibility into the company’s finances is critical for treasurers to ensure there is enough liquidity to support day-to-day operations.

Fintechs across the world are stepping up to provide solutions to challenges like real-time visibility of cash flows, visibility into the strength and resilience of suppliers, and the levers with which to control working capital can support treasury operations. These solutions can de-risk treasurers’ work by making sure they have a complete view of both expenditure and upcoming income to enable them to make adjustments.

Gone are the days when treasurers have to rely on spreadsheets and reports to manage cash forecasts, daily transactions and working capital targets. A new generation of tools driven by today’s technology, which fully integrate into ERP systems, are available for treasurers to improve efficiently and effectively as they navigate through the new working world. A best-of-breed technology solution includes features such as cash flow management and supply chain management to help paint a holistic picture of the company’s finances.

- Cash flow management – treasurers need full visibility into the cash flow of the business. Having visibility will help them to make quick decisions, which is essential in the current economic environment. Access to a solution will ensure that a treasurer spends their time on more valuable and strategic tasks, as opposed to manual data entry and management of spreadsheets and documents.
- Supply chain management – treasurers need to ensure that a healthy supply chain remains operational and all regional compliance is being followed. A technology solution helps to streamline and automate current processes, such as checking the status of invoice payments, which is costly and time-consuming.

The digital revolution in the world of supply chains will continue to gain traction as the world adjusts to life during, and after, the COVID-19 pandemic. Processes and operations that can be automated will help treasurers to focus on their bottom line: to ensure there is enough liquidity to survive and thrive during all business cycles. Going digital is no longer just a phase, it is here to stay and treasurers need to implement solutions that will change their work for the better.

## Next question:

“Evidence suggests that companies with a declared purpose perform better on important metrics over time than their less-purposeful peers. (Purposeful companies have a clear role in the world that offers them a reason for being, and promise to work for all their stakeholders rather than just shareholders.) How is this new idea of corporate purpose manifesting in corporate Treasury?”

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

# Switching banks: how has it changed?

*Nothing lasts forever, and the same is true of banking relationships. With the COVID-19 pandemic putting both corporates and banks under immense pressure, whilst also prompting the development of new, digital opportunities, we evaluate how the process of switching banks might change – and whether those changes will benefit the treasurer.*

For a treasurer, changing banks can be a daunting prospect. The idea of switching over sometimes hundreds of accounts is off-putting enough that many simply choose not to do it. The 2019 PwC report, *Digital Treasury* – It takes two to tango, found that nearly one-third of respondents only review their core banking relationships on an ad-hoc basis, or not at all – although 7% review core banks on a monthly basis, 9% do so quarterly, and 48% annually. The report issues a call to action for treasurers to conduct “systematic, regularly scheduled reviews” of bank relationships, adding that such reviews should emphasise both quantitative and qualitative elements.

As various technologies are introduced to automate manual processes and centralise treasury systems, banks are having to adapt to keep themselves and the products they offer ahead of the curve and relevant to the modern treasurer. The 2019 CGI Transaction Banking Survey found that client satisfaction is at an all-time low, with just 49.5% of respondents rating the service they receive as a ‘4’ or ‘5’ on a five-point scale (‘1’ is not at all satisfied and ‘5’ is very satisfied) – a 6.5% decline from 2018.

The report also found that 46.3% of respondents cited ‘improving digital customer experience/service’ as a driver behind the review of banking relationships. Meanwhile, when establishing a banking relationship, ‘bank continually improving their products and services and providing innovation ideas’ and ‘bank conforms to industry standards, systems and processes’ were the joint highest rated as ‘very important’ or ‘quite important’ factors considered – each at 84%.

## The drive for digital

The social distancing measures forced upon everyone by the COVID-19 pandemic have had the unexpected benefit of also forcing digital solutions on those who were previously reluctant. This has particularly been seen in the banking sector, explains Etosha Thurman, Head of Treasury Management Sales and Client Engagement at Capital One. “There have been many clients that have been very resistant to moving forward with digital processes, but in this ‘new normal’, many are asking how they can move away from paper and cheques, and leverage digital solutions instead,” she says.

Likewise, a key challenge for corporate treasurers that became evident at the beginning of the pandemic was the frequent need for wet signatures, says Brice Zimmerman, Global Head

Treasury at Alcon. He adds that banks that offered flexibility in this area have had a clear advantage. Treasury is more likely to steer towards banks that make account opening, KYC and deposit confirmations digitally easier, than those who continue to insist on wet signature, postal/courier services and time delays while documents are checked and verified.

Thurman is of a similar view, and notes that the importance of IT support when tackling this manual and paper-based challenge is often underestimated. “I think that’s because historically, IT has not been a function that people associate with treasury, as many of the processes are manual and paper-based,” she explains. But in this day and age, when most best in class treasury management solutions and processes are digital, involving IT is essential.

Banks are also facing similar challenges when onboarding new clients: gaining and verifying client signatures, and coordinating document requirements between different functions for due diligence processes, is a struggle when both parties are no longer centrally located. However, for treasurers, Thurman says they shouldn’t be left alone by their banks to struggle with this. “For us, it’s important to not just focus on getting solutions out there, but to really look at the full client experience, which includes the onboarding effort.”

## The cost of switching

For Carrie Reyna, Director, Global Treasury Operations at Sysco Corporation, a key thing that treasurers should keep in mind when changing banks is the cost of doing so. “Transition costs can be high or low, depending on your processes,” she explains. “While it may not be intuitive, the more automated your processes, the higher the transition costs may be.” Indeed, whilst the long-term benefits of automation can be substantial, it can significantly increase the costs associated with moving business to a new banking partner.

She gives bank statements as an example. If a treasury accesses its bank statements manually – for example, one person in the team logs into a bank’s portal, accesses the statements and distributes them to the required parties – the transition cost comes only from establishing access to the new bank’s online portal for the appropriate team member. However, if bank statements are received through SWIFT for Corporates, with a service bureau automatically distributing the files to multiple systems, the transitions costs can be significantly higher. This is because multiple teams and third

parties will be needed to perform configuration and testing activities to convert from one system to another.

Zimmerman is of a similar view, and notes that this consideration for systems integration is a necessity when considering changing banks. “Treasurers should ensure that sufficient internal resources are available for the projects, as banks tend to jump at the new opportunities with large project teams to support,” he says. Indeed, treasury teams tend to be on the smaller side, and so can struggle to match the size of team needed and supplied by the bank.

## Switching during a pandemic

A global pandemic isn't an ideal time for most things, and as Zimmerman points out, that includes switching banks.

“During the worst period of the pandemic, I definitely would not have recommended to change banks,” he says, noting that organisations were rightly focusing their attention on ensuring ‘normal’ operations and having sufficient liquidity. “Adding the complexity that comes from changing banks would not have been advisable,” he says.

However, Zimmerman also notes that the picture will be different when things settle down post-pandemic: changing banks can bring new ways of working, with opportunities to improve and automate internal processes and bring additional efficiencies.

Thurman, likewise, explains that the pandemic has presented an opportunity for companies to reassess their account and operational structures. With many companies operating outside of their usual structure anyway, she says the opportunity has arisen to “challenge the status quo” and also to evaluate which bank can best move the company forward. “It gives an opportunity to simplify treasury management, to reconsider the mix of payment channels,” she adds.

The re-evaluation of payment channels is something that Reyna is also optimistic about. “Customers and vendors are more willing to discuss electronic and automated payment methods,” she says, adding that payment types that require employees to be in an office setting or use specialised equipment are being reconsidered for safety reasons. “Electronic payment methods can be executed in remote locations, are usually less expensive, and the settlement timing is easier to predict,” she points out.

Additionally, automatically scheduled electronic payments can save time related to tracking down delinquent invoices, increase the accuracy of cash forecasting and improve working capital. “As you explore these options, you may discover that new banking partners are better suited to executing automated electronic payment transactions that integrate well with your existing systems,” she adds.

## Utilise the RFP

When it comes to choosing a new bank, the value of a formal request for proposal (RFP) cannot be underestimated. Reyna supports this and says that if a bank that takes the time to answer a RFP thoughtfully and discuss the requirements, it could be a good indicator of a positive long-term relationship. “A RFP also provides to you, in writing, what the bank is willing to offer. If the bank fails to deliver on the promises they made in the RFP, you have a written document you can reference in your negotiations to resolve the issues or to gain concessions,” she adds.

Similarly, Zimmerman says it's important to choose a bank with a local presence in the necessary markets. “Local presence should always be the preferred option, as working with partner banks adds complexity in the onboarding processes and in the daily interactions,” he says. Additionally, treasurers should consider and evaluate all services on offer by the bank, even if they will not be used immediately, he adds.

For Thurman, the banks' perspective should be similar. Banks should always keep a focus on helping their corporate clients get what they need out of the banking relationship. “We're not just here to sell a solution, we're here to be part of that solution,” she says.

## Insider top tips

Offering a few top tips from a banking perspective, Thurman begins with one previously mentioned: leveraging IT as a key partner to help manoeuvre the journey to digital treasury management. “Even if you're not ready today, have an IT perspective for what you can do in a technology sense to enhance your cash management processes, even if it's just a foundational understanding,” she says, explaining that this will pave the way for further digital growth and transformation.

Keeping with the theme of partners, she says it's also necessary to engage internal stakeholders “early and often”. One of the things she thinks is always underappreciated is the breadth and scope of treasury management. “What treasury does touches many teams, so they need to actively engage and create a partnership with those key internal stakeholders.” Thurman believes this will not only make the switch more efficient and effective, but also yield more robust conversations, more best in class practices and will ultimately accelerate the achievement of the cash management, risk management and payables management outcomes that the business is looking for.

## Keeping the change

When it comes to hopes and predictions for the future, Reyna wants to see a change in KYC processes. “I would love if the banks would get behind a consolidated KYC platform,” says Reyna. “Currently, most banks are either developing a proprietary platform or still processing documents manually. An electronic system with standardised KYC forms by jurisdiction would benefit customers by reducing redundant work and allow for standardisation.” There are of course various initiatives underway for this, most notably SWIFT's KYC Registry.

Meanwhile, both Zimmerman and Thurman are hoping to see the continuing adoption of digital processes. Zimmerman wants to see fewer exchanges of physical documents and greater acceptance of PDFs as valid forms of a contract, as well as wider acceptance of electronic signatures.

Thurman, meanwhile, wants to see a change in the philosophy of banks. “We're not just supporting the treasury group, but the broader payables team,” she says. “Banks need to recognise that there's a wider team that needs support, and we've been really investing in training, how-to guides, best practices and operational instructions because we know how critical this multi-stakeholder alignment and awareness is for clients' success.” She expects and hopes that post-pandemic, this focus on exceptional client service will continue.

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