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A marathon, not a sprint

Treasury digitalisation projects that may have been lagging are being accelerated to address inefficiencies exposed by the dramatic changes to consumer and business behaviours that have arisen during the pandemic.



The Corporate View

Manu Taneja

Executive, Cash Management and Treasury Services, Asia Pacific
GE



Country Focus

New Zealand has forged its own path through the pandemic and now the country's treasurers have a number of post-COVID challenges to grapple with.

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Immense strength and resilience

This, our November-December issue, comes to you hot off the heels of our 2021 Adam Smith Awards Asia live winners' announcement. The spirit of this year's animal, the ox, is seen in the record-breaking number of outstanding submissions, demonstrating immense strength and resilience amidst our challenging times.

We are proud that whilst a lot has changed around us, some things stay true, in particular our community's commitment to each other and to celebrating achievement. Collaboration and commitment typify the spirit of the Adam Smith Awards Asia and the regional corporate finance community in general. This now kicks off our official awards season and we can't wait to share this year's fantastic winner stories with you all.

This is our last edition of 2021 and within it we explore the key trends of the moment, looking at the digital journeys of corporations, the evolving fintech landscape as well as digital currencies, which will be a huge focus for us heading into 2022. Beyond that we explore the soft skills of modern treasury leaders, including empathy in action within our regular Treasury Talent feature. Our Question Answered feature looks at the COP26 conference in Glasgow, Scotland, cutting through the mass of coverage to answer corporate critical focus. We also take a look at New Zealand in a country focus for corporate finance professionals.

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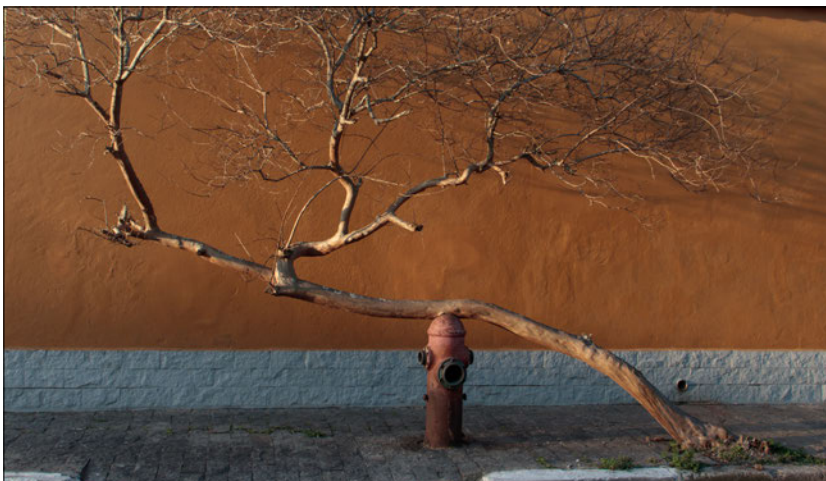


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Digital currencies are quickly becoming mainstream, and treasurers need to get a handle on what the implications are for them and the businesses they support.



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Executive, Cash Management and Treasury Services, Asia Pacific



Manu Taneja, Executive, Cash Management and Treasury Services, Asia Pacific at GE, explains how perseverance has been key to achieving success.



Is it time for treasury to split with all-in-one solutions?

Treasury Today Group looks at the evolution of alternatives to the traditional all-in-one treasury management system.



First steps to digitisation

Digital transformation projects have accelerated during the COVID-19 pandemic as organisations face rising digital commerce volumes and remote working practices. By assessing business practices and setting a clear target, companies can stay ahead of the digital curve.

The starting point for successful digital transformation in treasury, says Sharon Wang, Treasury Director at Alibaba.com, does not lie in increasing cutting edge technologies, but in improving business processes. Once this has been done, the technologies can follow.

Speaking during a panel session on instant treasury at financial messaging cooperative SWIFT's annual operations conference Sibos in October, Ms Wang detailed the impressive treasury capabilities deployed by the online business-to-business marketplace for global trade.

Alibaba.com has developed an inhouse real-time treasury management system, called TMI, which governs all processes. New digital technologies have enabled Alibaba.com to implement instant payments. Technologies include robotic process automation (RPA), application programming interfaces (APIs), big data and artificial intelligence (AI). The company has also piloted a blockchain scheme for instant B2B payments in selected countries. With 17,000 outgoing payments every day, the company has implemented an AI chatbot that tracks a unique ID given to each payment, enabling the real-time status of any payment to be known.

The company has five full-time staff in its payments team and six contractors, none of whom has to handle a payment enquiry manually. "Artificial intelligence saves our time every day," Ms Wang said.

While Alibaba.com has built an impressive treasury, many firms are still at the starting point of digital transformation.

The COVID-19 pandemic has, for many, accelerated plans, acting almost as a 'stress test' of existing processes and operations. Digitalisation projects that may have been lagging are being accelerated to address inefficiencies exposed by the dramatic changes to consumer and business behaviours that have arisen during the pandemic.

"COVID forced companies online and to embrace e-commerce, new forms of digital commerce and reimagine supply chains," Mark Smith, Global Head of Liquidity Products, Goldman Sachs Transaction Banking, told Sibos TV. "Banks and corporates saw increases in online payments, reductions of paper-based payments and a shift of momentum and acceleration in digital transformation."

Mr Smith identified six key technology elements of digital transformation: cloud computing, APIs, RPAs, machine learning, AI and virtual accounts. "COVID has required treasurers to have a better view of their actual and projected liquidity positions to manage risk. Those treasuries with better analysis and data and better prediction tools will have a better view of liquidity and can better serve their organisations. Digital tools such as virtual accounts are a great way for treasurers to embrace new technology to manage risk and improve working capital management."

Himashi Soriano, Managing Director APAC, Association for Financial Professionals (AFP), says the pandemic has accelerated the momentum toward a digital-first strategy as companies in the region look to stay competitive and relevant in the current environment.

In starting out, treasurers should keep in mind that a digital transformation roadmap is more than just the technology, it needs to embrace the broader business strategy, with collaboration and partnership being the key to success, says Ms Soriano. “Technology is foundational to unlocking both the opportunity for competitive advantage and achieving greater operational and financial efficiency. Establishing a roadmap that focuses on a digital first foundation should be viewed as an essential journey.”

As with any journey, it’s vitally important to have the destination, the end goal, in mind, says Andy Schmidt, Vice-President and Global Industry Lead for Banking, at IT and business consulting company CGI. “For treasurers looking to embark on a digital transformation effort, there are a number of key questions to ask. What is the priority? Is it liquidity? Access to credit? Do I want a single view of my account balances? Does this information need to be in real time? And the most important question of all – does my bank – or any bank – provide these services in the way that I need them, or do I need to work with multiple banks, and possibly third-party providers, to achieve the desired outcome?”

Understanding the desired end state, the mix of products and services that are needed, and the capabilities of providers will help treasurers embark on a digital transformation journey that has the greatest chance of success, he adds.

The AFP has ten guiding principles for digital transformation:

- Spot a lighthouse project to start.
- Digital transformation is a marathon, not a sprint.
- Beware of budgets.
- Ownership and accountability are key.
- Do not fall into the buzzwords trap.
- Nurture a digital culture. Get your treasury team digital ready with specialised training programmes.
- Technology is not a solution, but an enabler.
- Let the big picture change as new data emerges.
- Be wary of the marriage between technology and ethics.
- Protection is vital.

Digital technologies are providing opportunities to optimise and elevate the treasury function with real-time applications, says Ms Soriano. She identifies many of the same technologies cited by Mr Smith and Ms Wang. Cloud technology can be applied to treasury management and enterprise resource planning systems, APIs for real-time payment and balance enquiry, RPAs for cash positioning and FX exposures identification, AI and machine learning for cash flow forecasting, fraud and risk management and predictive analytics, and distributed ledger technology for know your customer processes and reconciliation.

“The strength of these digital technologies in the transformation journey does not lie purely in the individual technologies themselves. The real strength and value are linked to how companies embed these technologies into their operations to transform the business,” she says.

Digital transformation is not new and has been a key enabler for treasury and business in the past few years, says Ankur Kanwar, Head of Cash Products, ASEAN and Global Head of

Structured Solutions Development, Standard Chartered. However, the COVID-19 pandemic has significantly accelerated this, he says. “With work from home environments in almost all markets, digitising basic treasury operations like cash flow analytics and payment processing, at the very minimum, has become a top priority for corporates.”

But there are also a number of other factors that are driving an acceleration in digital transformation projects, he adds. These include the shift towards real time. “Real-time information exchange as well as real-time payments are tools leading to a large number of relevant and value-added use cases for businesses, which in turn impacts the pace at which treasury adopts digital transformation,” he says.

The availability of new technologies that significantly simplify the day to day operations of treasury and finance are another driver. For example, by leveraging RPA, many corporate treasuries have saved thousands of man hours.

Consumer behaviour is also playing its part. “The traditional consumer journey of dealing with corporates has undergone a shift in the past few years,” says Mr Kanwar. “From placing orders to executing seamless payments, the entire workflow for many corporates is being automated, which again has an impact on how fast treasury can support business with the transformation.”

The first step on a digital transformation journey is to identify potential development areas, processes or tasks, he says. The next step would be to seek collective feedback from various stakeholders, including business functions, on priority areas. “Once a defined scope has been identified, defining the project return on investment and milestones would be critical in seeking additional resourcing. Finally, treasurers need to identify internal technology capacity and select external vendors, including banking partners, who would support the transformation journey.”

For Krzysztof Rojek, Senior Director, Global Solution Consulting, at software company Finastra, the “most obvious place to start” on a digital transformation project for bank treasuries is to remove any remaining independent data silos, which make consolidation of data for comprehensive insights “very difficult”.

Treasuries create “products” that all departments in a bank should be able to distribute, not just the sales team in a dealing room. “Cross-selling of existing treasury products, like FX, to existing customers in other business units of the bank can help grow revenues immediately and improve customer satisfaction with minimal risk,” he says.

For example, a corporate banking department in a medium-sized regional bank in Asia will have access to tens of thousands of small- and medium-sized enterprises that already have been onboarded by the bank, but the treasury department does not have them configured in their systems with FX limits, as they do for bigger corporations and interbank trading.

“Going beyond inter-department cross-selling, bank treasuries could participate in a wholesale marketplace such as FX as a Service, where FX sellers connect with thousands of regional banks, retail and corporate customers to create a seamless contextual finance experience with help from fintech embedders and orchestrators,” he adds.

A rapid movement towards cloud technology occurred during the pandemic as many treasury operations at banks were “held captive by outdated systems and software that could not be adapted to meet the needs of remote work environments”, says Rojek.

In addition, most treasurers realise that 99% of innovation happens outside of their premises. “Leading players are moving fast to a core competency-driven business model, where they focus on the one or two things they do best and use an ecosystem of specialists to enhance overall value,” he adds.

There are, of course, challenges in digital transformation. For Soriano, these include making treasury a priority as the “ever-changing regulatory environment” causes treasury practitioners to focus on compliance instead of transformation.

A skills gap also exists, with the “modern skilled” treasury professionals needed to digitalise treasury considered scarce. “The modern treasury professional also needs to have technological and analytical skills; knowledge about processing and analysing data in addition to financial modelling and forecasting,” says Soriano.

Treasurers can also be challenged in making the business case for transformation. “Making a proper business case is not as straightforward as it sounds. It might be difficult to get buy-in from other departments and stakeholders because the business case must be reviewed holistically,” she adds. Finally, the maturity of the treasury department will determine how straightforward a digital transformation programme is.

Rojek says a “major challenge” for digital transformation projects is the current and future economic outlook. “Fintech and Big Tech competition has compressed banks’ margins on standard treasury products, and new competitors have attacked profitable areas of the business, leaving established banks to run costly infrastructure and manage ever rising regulatory costs. Online trading companies offer a wider selection of hedging products at better prices, while the cost of operations of a neobank can be 60-80% lower than an incumbent bank.”

Moreover, the pandemic has resulted in higher loan loss provisions, and defaults are on the rise as entire sectors feel the impact of the pandemic. “All of these factors have negative impacts on the profitability of treasury operations that are based on traditional business models. This has led many CFOs and COOs to adopt a “wait and see” approach, with some even cutting the transformation projects already under way.”

Similar challenges exist for corporate treasurers. The biggest challenge Standard Chartered has seen among its clients is justifying a business case and securing investments, including resources, towards digital transformation projects, says Kanwar. “Given revenue and cost pressures, particularly during the pandemic, it is not easy for treasury departments to seek resources for transformation projects. In addition, there is a fundamentally critical issue of finding the most appropriate solution for the pain point. In an environment where a large number of digital tools are now available, prioritising transformation areas and balancing with asks from the business must also be factored in any transformation plan.”

Common pitfalls in digital transformation projects include deviating from the target state due to resourcing and budget pressures, he adds. “Treasury teams should always aim for a proof of concept, prove success and subsequently kick start the full-fledged project to ensure minimal roadblocks.

Additionally, with the pace of technology advancement, it is critical to review all potential solutions before selecting the most appropriate one. Finally, staff resistance to change and adopting new technology is one of the biggest challenges, which can be overcome by constant coaching and hands-on experience of digital solutions.”

Rojek says there are three common pitfalls of which treasurers should be aware. “First, denial that the change is coming. Second, a deeply-rooted belief that the banks can best transform their legacy IT themselves, which inevitably leads to failed projects or at best repeating the same outdated processes using a shiny new tool. Finally, treating innovation as a ‘necessary evil’ for PR purposes can lead to many innovation labs having ‘scientific projects’ that never leave the incubation phase because they cannot be monetised.”

The best way to avoid these pitfalls is first to acknowledge which barriers to transformation of treasury operations exist in the bank or corporate. Next, it is crucial to determine what the organisation really excels in. Depending on the context, the next step is to choose the right partner in the wider, open finance ecosystem, in order to best leverage the skills, reach and scale of each participant, he says.

CGI’s Schmidt says common pitfalls include a lack of understanding of the desired end state, the necessary mix of products and services, and the capabilities of providers. “Each of these pitfalls can interfere with the pace of transformation and the likelihood of success,” he says. “Making the effort to digitise workflows without improving them, for example getting access to balance information but not aggregating or analysing it, is an additional pitfall because although it does not impede digital transformation, it limits the benefits of the work that went into it. For many, digital transformation simply means doing work faster when it should mean doing work more efficiently and getting more out of it, including developing key insights on trends that affect the business.”

While there are a number of examples of “traditional” transformation projects, including implementing Swift and ERP upgrades for more automation, Kanwar cites two “notable examples” of successful transformation projects.

The first is a corporate that sells goods through distributors. Previous practice involved its treasury and finance team manually reconciling Swift MT940 statements to release credit lines for respective distributors. This was replaced with a real-time API alert that goes directly into their corporate ERP system to net off outstanding receivable and auto-release credit lines for the distributors.

The second, a credit reporting agency in Malaysia, implemented an automated multi-bank, direct debit cash concentration structure using local clearing infrastructure. This ensured its treasury team no longer needed to manually move funds between banks, improving visibility for the corporate at a very low cost, compared to the traditional way of concentrating cash. ■



Corporates are spending billions a year in transaction fees for their cross-border payments. Although there have been many solutions that seek to address the pain of the existing correspondent banking network, a recent report believes it has a better answer: mCBDC, or a multi-currency central bank digital currency network.

Ask any treasurer about the inefficiencies of the correspondent banking network and they will tell you about the high costs, the slow settlement, and not having any visibility on where their payments are. Then there are the costs of keeping funds aside while waiting for transactions to clear – effectively trapped liquidity that could be put to better use elsewhere if things were more real-time, and more efficient.

The costs of cross-border transactions are significant, and when totalled on a global basis – of all multinational corporations – the numbers are staggering. For a corporate to send funds cross-border, the average fee is US\$27 per transaction. On a global basis, for all corporates, this scales up to US\$120bn per year, which is roughly equivalent to a third of Singapore's GDP. And with approximately US\$23.5trn of funds moving across different countries each year, it's no wonder that there are so many people exploring how this could be a lot more efficient.

There have been many initiatives that seek to address the problems, such as SWIFT's gpi or Ripple's real-time payments solution. Private companies – such as Facebook – have been working on developing their own digital currency, or leveraging an existing stablecoin, while central banks are also exploring issuing their own central bank digital currencies (CBDCs). The initiatives form something of a patchwork of options that are available for treasurers. However, none of them has been global, scalable or a seamless solution that works cross-border, in many currencies and with multiple payment systems, according to a recent report from Oliver Wyman and J.P. Morgan.

The report quotes one head of cash management at a global technology multinational corporation as saying, "I'm convinced that CBDCs could bring transactional cash management to the next level from the standpoint of accessibility (being able to access liquidity in their accounts without cut-offs and cross-border delays), convertibility (being able to convert to different currencies at will, enabling them to manage liquidity in smaller sets of currencies), reachability (beyond just bank accounts) and traceability (being able to have a clean trail of funds)."

The report outlines its view of how the issues can be overcome at a global level: with a multi-currency central bank digital currency network, or mCBDC for short.

The paper outlines how such a system could be built and implemented, with the end result being a network of central bank digital currencies that is 'always on', is real-time with 'atomic settlement' – or simultaneous settlement. Transaction chains would also be shortened, with no need for all the intermediaries that currently exist in the correspondent banking network.

The report outlines the ways in which central banks and commercial banks can come together to create a network for cross-border payments where this is all possible. It's no mean feat, however, and there are many issues to consider. For the various parties to come together to create such a network, they need to agree on how the CBDCs will be minted and redeemed; what the roles and responsibilities of the central banks and commercial banks are; how the network and technology will be designed; and how such a cross-border network would be governed.

There are various ways such a network could be achieved. For example, it could upgrade existing real-time gross settlement systems, or it could leverage bilateral CBDC corridors; or it could craft a new mCBDC network. This new mCBDC model would have a single platform for a multilateral corridor which would be a shared settlement platform for multiple jurisdictions.

Naveen Mallela, Global Head of Coin Systems, Onyx by J.P. Morgan, commented on the report: "Central banks around the world who are at various stages of CBDC development are considering how to build an infrastructure where systems operate and work together with the necessary controls in place. In this report, we put forward robust design considerations for a successful mCBDC network and demonstrate how it can be practically implemented, using ASEAN corridors as an example." ■

Tapping into the power of empathy

Empathy is often misunderstood as being a sign of weakness, or being too 'soft' when, in fact, it actually comes from a place of strength. Leaders who learn to apply the power of empathy are more likely to be more fulfilled and successful in their roles.

Think of a job that needs doing at work. How long will it take to complete? Will it be done at lightning speed, or at a snail's pace? If you are a leader, and are relying on others to do the work, the difference between it being done quickly or slowly could hinge on the power of empathy.

"Empathy is the key leadership skill enabling us to really understand why people do what they do, to see the world from their perspectives and build the trusted relationships that empower people to be at their best," says Daniel Murray, Founder and Director of Empathic Consulting.

He cites the example of Gordon Bethune, the CEO of Continental Airlines between 1994 and 2004 who was credited with rescuing the company from the brink of failure and dramatically improving morale among employees. Bethune reportedly said his experience as a plane mechanic helped him because he knew how long it took to fix a plane if he wanted to fix it. He also knew how long it took if he didn't want to fix it. "The intangible factors of values, relationships and culture have a huge influence over whether we really want to fix the plane or not," explains Murray.

Empathy is a key skill for leaders to understand this gap, and Murray argues it is not a nice-to-have. In fact, with leaders working across many countries – with people of increasingly diverse backgrounds – empathy is critical to long-term, sustainable performance. "Empathy is the key leadership skill to navigate this intangible world," says Murray.

And it's not just a key skill for leading, it's also a way to form meaningful connections with others, says Tracy Brower, author of *Secrets to Happiness at Work*. "These connections can make us happier and more fulfilled in our careers because we'll have stronger relationships with co-workers and feel a greater sense of social fulfilment," Brower says. Also, she adds, empathy is important for success in our careers because it helps us solve problems and innovate. With design thinking – a process of designing solutions that are based around customer problems – a key ingredient is being able to empathise with the end user. "When we understand where the customer is coming from—including the internal customer of our work – we can respond most effectively to meet their needs. This will help us grow in our careers because we'll be more effective and develop credibility for our responsiveness," says Brower.

There are numerous other benefits – for companies and individuals – for those who harness the power of empathy.

Niina Majaniemi, a keynote speaker and author, tells *Treasury Today* that empathy "helps grow revenue, build customer satisfaction, build employee happiness, strengthen brand, increase collaboration, survive from crisis, increase innovation and grow trust."

As an empathy expert, Majaniemi is keen to point out what empathy is and isn't, and is keen to bust the myths around it. The most common myths, she says, are that empathy is only about being nice, or that empathy is a sign of weakness. "These myths can't be further from the truth," she says.

This echoes a quote from New Zealand Prime Minister Jacinda Ardern that has been doing the rounds on social media: "One of the criticisms I've faced over the years is that I'm not aggressive enough or assertive enough, or maybe somehow, because I'm empathetic, it means I'm weak. I totally rebel against that. I refuse to believe that you cannot be compassionate and strong," she is quoted as saying.

Majaniemi elaborates on what empathy actually is: "Empathy is about creating a work culture with respect and understanding. It does not mean that we need to let others walk all over us or change our decisions based on what others want. It means that we are assertive, driven, and fulfil our goals, and that we are accountable and demand others to do the same. We do it in a way where we incorporate empathy into strategy and all decisions that we make," says Majaniemi. This, in turn, translates into optimal results for a company in the long-term and ultimately helps them grow their revenue.

Majaniemi argues that it is often fear that is holding leaders back. She gives an example, from her experience as an empathy expert, where a leader had a team that was really unhappy. Despite this, the leader was afraid to hear feedback about why morale was so low – he didn't want to be badmouthed by them. "Empathy takes courage. This person was not brave enough to include empathy in their leadership strategy, but instead acted in a way that weak leaders do," says Majaniemi. This leadership style often results in uncommitted employees, reduced efficiency and productivity. "This shows why authoritarian leadership simply doesn't work anymore in today's business world," says Majaniemi.

Murray agrees that empathy is not about being soft or weak. He says that trust is the goal, and this is different from affection. "As a leader, I need to trust people and they must



Empathy is about creating a work culture with respect and understanding. It does not mean that we need to let others walk all over us or change our decisions based on what other want.

Niina Majaniemi, keynote speaker and author

trust me, but I don't have to like them. This is not to say that you can't have both. I don't need to like my dentist before she puts a drill in my mouth, but I sure need to trust her. And as much as I like my friend Neil, I would never trust him to do a root canal. Teams need trust and this is what empathic leaders foster," he explains.

Empathy isn't something that people either have or they don't have; it is something that can be developed. Murray says, "Remember, empathy is a practice. You need to work on it." And there are a number of ways to practise, and develop, empathy. Majaniemi says that listening and asking questions is important. When people gossip about others, she points out, they often say things like 'What were they thinking?!' or 'I can't understand why they would do that'. "We do not really mean that we can't understand. We mean we don't want to understand. Ask, and you might be surprised. Pause and reflect before talking," she says.

And listening is also a key skill. Brower advises to "turn down your inner monologue and really listen to what the other person is saying. Actively consider what they must be thinking — cognitive empathy — or what they must be feeling — emotional empathy," she says. It is also important to respond appropriately. Brower says that, based on what you hear, you should be ready to respond when necessary. "Offer encouragement if they're going through something challenging, or share in their celebration based on their good news. Offer your help if they're struggling with a project. Or simply keep things rolling if you're in the middle of a collaboration and both feeling good about your progress. Your response doesn't need to be complex or time-consuming, but meeting them where they are can have big payoffs," Brower explains.

When you do listen to what people have to say, it is important to let go of your unconscious biases and judgement, says Manajemi. She gives the example that with Zoom or Teams meetings there maybe pressure to put the camera on. And while a refusal to do so may be perceived to be down to laziness — because it is assumed they are still in their pyjamas — there may be all manner of reasons why people do not like to do so. One could be disability, for example. "We can't judge and assume, we need to drive to understand. We need to give the benefit of the doubt until we know better, and this way we build more productive and profitable work," Manajemi says.

Murray also advises about leaving biases at the door, and how it is important to challenge your own views. "We build a set of mental models that explain how the world works. Analytically-minded people are experts in understanding the rules, systems and laws that govern mathematics and finance, many are objective and indisputable. Unfortunately, our brains are not as

good as distinguishing between these objective facts and our more subjective beliefs," Murray says. For example, someone yelling at home maybe interpreted differently — either as something bad happening, or people merely expressing themselves passionately. "Yelling means nothing until it is interpreted, and that interpretation is not a fact. Many times, when we work with others, we will judge their comments, opinions, actions and behaviours by our mental models. To be more empathetic, we need to challenge our initial assumptions and try to understand their mental models to really understand why they do what they do," says Murray.

In order to take these tips on board, it is also necessary to manage yourself and how you handle stress. Majaniemi comments that stress is a common element that prevents us from being empathic. "When we are busy, we become a slave to our impulses," she says. Most people can probably think of a time when they've thought, or said, 'I don't have time to listen to this — I've got my own problems', she points out.

And similar to destressing and not being too busy, one of Brower's top tips for building empathy is to be present with others. "Rather than multi-tasking — as we can all tend to do — really tune in and focus on others and what they are expressing," she says.

In a similar vein, Murray advises to clear the desk — or desktop. "One of the biggest inhibitors of quality conversations are distractions. We have inboxes dinging, phones binging, post-it notes hanging off our screens and social media buzzing in our pockets. While you might think these don't cause a distraction, research has shown that even the slightest noise in our environment can impact our ability to really focus and listen to other people," says Murray. "If you are meeting with someone and want to really listen, clear your desk. Turn off your phone, put it in a draw. Sleep your computer or if you are on a virtual meeting, turn off notifications and close all programmes you don't need. Really focus all your attention on the other person."

Murray is also a believer in the power of silence, especially in a fast-paced work environment where schedules are busy, and meetings filled with question and answer sessions that can feel like a prosecutor's grilling.

"Silence is often one of the most powerful tools in building a deeper understanding. When you are speaking with someone, instead of asking questions to validate your current thoughts, ask open questions and leave space after the person answers. What you will find is that people often give a shallow initial answer to a question, but with a bit of silence, they often offer a much richer and more thoughtful answer if there is space," says Murray. "This is where the gold can be in understanding. Empathy can be as simple as having the curiosity and patience to wait," he adds. ■

New Zealand marches to its own tune

New Zealand's treasurers have not felt the full force of the pandemic to the same degree as their peers in other countries, yet they are grappling with many of the same post-COVID issues as their treasury colleagues around the world.

When the COVID-19 pandemic started to unfold, New Zealand took quick and decisive action while many countries seemed to dither. And now the country leads the pack in another way – this time by raising interest rates – as the world emerges from the pandemic and tackles the prospect of inflation.

The forecasts for New Zealand's economy from earlier this year were positive. According to May 2021 figures from the Organisation for Economic Cooperation and Development (OECD), growth was expected to reach 3.5% in 2021 and 3.8% in 2022. During the pandemic, the OECD notes that private consumption had been robust. Also, the economy was buoyed by a wealth effect that was created by a 24% increase in house prices between March 2020 and 2021.

Since then, inflation has been picking up, and the Reserve Bank of New Zealand (RBNZ) has taken action. It had loosened its policy back in March 2020 and cut the official cash rate to 0.25%. In early October, the central bank announced that it was tightening again – to rein in inflation – and raised the official rate 25 basis points to 0.5%. It was the first time for New Zealand to raise rates in over seven years. It was also one of the first countries to start raising rates post-pandemic, which has put it out of step with many other countries, points out Will Thomson, Corporate Treasurer at Contact Energy.

It remains to be seen whether RBNZ's action will have the desired effect. Inflation is expected to increase, and according to Trading Economics, is expected to peak above 4% in the near term, before slowing to 2% in the medium term. There are a number of factors driving the increase in prices, including rising oil prices and transport costs. These figures are in line with business expectations. In a central bank survey from August 2021 businesses expected that inflation would be around 3% in one year's time, which is the highest figure for one-year expectations since December 2010.

New Zealand seems to have moved quicker than most when it comes to tackling inflation, and the same could be said for its handling of lockdowns at the beginning of the pandemic. In March 2020, New Zealand was quick to close its borders and the whole country went into self-isolation. While the country avoided the death rates seen elsewhere, it has since been slower to come out of its lockdowns. The country has since changed tack and has moved away from its ambitious of eliminating COVID and having zero cases. "This is a

change in approach we were always going to make over time. Our Delta outbreak has accelerated this transition. Vaccines will support it," Prime Minister Jacinda Ardern said in early October this year.

Like in other countries, the pandemic and the lockdowns have forced people to go digital. And treasurers in New Zealand have been affected by similar issues to their peers elsewhere. Thomson at Contact Energy comments that while COVID has affected all roles, there are specific ways it has affected treasury management. One of these is e-signatures and getting banks to adjust to the new, digital, way of doing things. There are still laggards, however, among the banks in New Zealand that still insist on 'wet' signatures and paper documents. "Certain banks need the original signed copies – you have to physically post them," says Thomson.

In the last couple of months there have been more discussions about moving away from physical signatures, comments Thomson. It is still an issue because even when working from home isn't mandatory many companies are moving to hybrid working. If certain documents, for example, need multiple signatures this can create a headache if all of those people are working at home. Thomson gives the example of anti-money laundering requirements, which require certified copies of passports, that are incredibly inconvenient in a working-from-home world. This is how a routine part of the treasurer's role can become very tedious and more complex, comments Thomson.

Richard Eaddy, Chief Executive Officer of Hedgebook, a New Zealand treasury software company, has also seen how the adoption of new technology has been a big issue. "There are a lot of legacy and outdated systems being used but the transition is still relatively slow. On the one hand we are seeing companies embrace the new technology that is available to make their jobs more efficient but there are still a number that aren't changing due to intransigence or lack of budget on the back of the impact of COVID," says Eaddy.

He has also noticed the challenges of remote working for treasurers in New Zealand. "One of the key changes we have seen from this is a move away from relying on spreadsheets to better use of software solutions that are more robust with information being able to be shared more easily. I am aware of some companies that have banned the use of spreadsheets as they try and move to more robust systems," Eaddy says.



There are a lot of legacy and outdated systems being used but the transition is still relatively slow.

Richard Eaddy, Chief Executive Officer, Hedgebook

In solving these issues, he says that the wider adoption of technology is an obvious answer. “Most companies are more open to using cloud solutions, whether that is their accounting system, cash forecasting tool or treasury management system. By adopting better and newer technology it then allows for easier sharing of information within this new environment,” says Eaddy.

Brett Johanson, a treasury management specialist and Partner at PwC in New Zealand, has also seen how technology and digital innovation – as well as cybersecurity – have become big issues for the treasury community.

One topic, in particular, is the use of APIs [application programming interfaces] and using them to streamline the use of different software packages. Eaddy comments, “Previously there has been a lot of talk around the use of APIs but we are seeing some of our clients asking to develop to our API so that they can import or export information more easily. We are seeing this happening with other systems as well as companies embrace technology and digitalisation.”

There have been other issues that the pandemic has also brought into focus for treasurers, many of which are similar to the challenges in other countries. Eaddy comments that the main impact for treasurers in New Zealand has been the sharper focus on cashflow forecasting. “Pre-COVID there was more certainty over supply chains, supplier payments and export markets remaining open. With all the issues attached to these new conditions, cash once again has become king. This has also brought a shorter-term focus as it has become more difficult to forecast out too far,” Eaddy tells Treasury Today. One effect of this is that there has been more focus on foreign exchange hedging. “Companies found some of their long-term hedges were not required and therefore these deals needed to be closed out or restructured. This has led to a shorter-term hedging focus for the moment,” explains Eaddy.

Johanson at PwC has also seen that COVID-19 and lockdowns in New Zealand have had an impact on cash and liquidity management, as well as working capital management. Also, he notes there have been increased committed stand-by facilities, with tenors lengthened. He also comments on the other challenges that treasurers face at the moment, which include the need for treasurers to have timely and reliable forecasts from their business units. Also increased costs and uncertainty are an issue due to supply chain disruptions and closed borders.

Despite the upheaval of the last year, the Herbert Smith Freehills Corporate Debt and Treasury Report 2021 notes that most treasurers who were surveyed reported that they had managed liquidity successfully through the pandemic. This, in part, was due to the measures that were put in place in the wake of the global financial crisis. PwC notes that this is also a trend among treasurers in New Zealand.

Also, according to PwC, there have been differences in how companies in the UK and New Zealand responded to government schemes. In the UK, many corporates registered for government schemes that would help their cash flow, but the majority – 70% – did not use them because they feared it would affect the perception of how well-managed they were when they sought funding in the future. “This strongly contrasts with businesses in New Zealand, where 77% reported having accessed COVID-19 related financial support from the Government in 2020,” the PwC June 2021 treasury newsletter stated.

Johanson at PwC also notes that other issues for treasurers include seeking alternative debt funding sources – such as non-bank lenders and credit funds – and their access to debt capital markets. This is an issue that Simon Till, Director Capital Markets at Fonterra, raised in a previous interview with Treasury Today. Given the size of a corporate like Fonterra, relative to the size of the New Zealand economy, it is crucial it can effectively raise funds in the global markets in all conditions. Also, corporates that rely on overseas funding need to build good relationships with investors around the world.

This is challenging in the best of times since New Zealand is so geographically isolated from the major financial centres. But in a pandemic, when treasurers can't fly, it has disrupted the nature of the relationships with the investor community. Thomson explains that in the US private placement market, for example, “They like you to go and show your face,” which has not been possible in recent times. Although there have been alternatives like virtual roadshows, it has made maintaining those relationships more challenging.

Another hot topic in treasury in New Zealand, notes Thomson, is sustainable finance. “It feels like it has moved to the mainstream quickly – it was a bit niche, but now there is an explosion in expectation from investors,” says Thomson.

“We are quite well positioned for that,” says Thomson of Contact Energy, which has already gone green and converted its borrowing to sustainability-linked loans, for example. In a sense it has been easier for a company like Contact Energy to do this because sustainability already aligns strongly with what the company does. Thomson notes the energy company is already building a renewable energy power station, for example.

This focus on sustainability also echoes the comments of Fonterra's Till in a previous interview for Treasury Today. In the past, he commented, it was only in Europe where investors would ask about the environmental impact of the corporate's business. Now, he comments, it is the first question that investors ask in all meetings around the world. “Investors are increasingly demanding around sustainability and with that will come real change by the businesses,” Till said. ■



The power of perseverance

Manu Taneja

Executive, Cash Management and Treasury Services, Asia-Pacific



Manu Taneja, Executive, Cash Management and Treasury Services, Asia-Pacific at GE, explains how perseverance has been key to achieving success.

Headquartered in Boston and serving customers across more than 170 countries, GE was founded by Thomas Edison in 1889. For nearly 130 years, GE has invented the future of industry and today the company's dedicated employees, leading technology, and global capabilities across the aviation, health care, and power industries help the world work more efficiently, reliably and safely.

Some of the greatest quotes from the legendary inventor Thomas Edison are about persevering instead of giving up. "I have not failed. I've just found 10,000 ways that won't work," is one. "Many of life's failures are people who did not realise how close they were to success when they gave up," is another. And one more: "Our greatest weakness lies in giving

up. The most certain way to succeed is always to try just one more time." Indeed, if Edison himself had given up, or not persevered, he may not have invented the light bulb, or founded GE – a company that today spans aviation, healthcare, power and renewable energy and has a presence in 170 markets in the world.



It always pays to persevere in the long run. It is easy to lose your cool and then when you look back at those certain moments – you see the importance of perseverance.

Perseverance

Perseverance – persisting despite the challenges and setbacks – isn't a quality that is limited to famous inventors, however. It comes in many forms and can be something of a guiding principle for anyone at any stage of their career: when times are tough, don't give up, keep going. It is this kind of perseverance that Manu Taneja, Executive, Cash Management and Treasury Services, Asia Pacific at GE, believes is one of the factors that has got him to where he is today.

So far, he has had a lengthy career, the bulk of which – 17 years – has been in GE Treasury. During this time he has worked in numerous roles, gained a broad experience of treasury, and has also had challenges along the way. Taneja has a background in engineering and went on to earn his MBA in Delhi. He joined GE back in November 2004 in cash management operations in Gurgaon, also known as Gurugram, in northern India.

After serving in a number of roles across the treasury organisation, Taneja moved to Singapore, where he has been based since February 2018. In his current role he is the regional treasury leader for the Asia-Pacific markets, which includes China, ASEAN [Association of South-East Asian Nations], Australia, New Zealand and South Korea and Japan. In this role he also leads GE's regional treasury centre in Singapore and the treasury services centre in Shanghai.

Throughout this career, working his way through GE's treasury teams, he has had the opportunity to learn and observe how other people work. He explains to Treasury Today Asia how one of the key learnings throughout his career has been the power of perseverance. He doesn't quote Edison, though. Rather, this is something he has come to realise from learning on the job and observing other people.

Keeping cool

Over his career, he explains, "I have observed people and the decisions they were taking." When he looked back and considered the key moments and critical situations where such important decisions were made, he analysed them and concluded, "They would have ended up in a much better situation if they had persevered."

He attributes his success so far in his career to this kind of persistence. "It always pays to persevere in the long run," he says. "It is easy to lose your cool and then when you look back at those certain moments – you see the importance of perseverance." At times, he says, it seemed like the 'chips were down,' yet he pressed on. When challenges come your way, "If you approach those challenges with a bad temperament, that is when the outcomes are not optimal." Throughout a person's career, there may not be a linear, or consistent, path – there may be good and bad spells – but it is

best to approach such challenges with an even temperament, he says.

This was experienced even in arranging this interview for Treasury Today Asia. For various reasons, it was scheduled, rescheduled, and rescheduled again, and where most of his peers would have given up and not bothered – or lost their cool – he patiently pressed on and graciously went ahead with the Zoom call.

One of the highlights for Taneja in his career so far is setting up GE's regional treasury centre in Singapore 2018. Aside from perseverance as a key learning from his career so far, Taneja also places an emphasis on the importance of building a good team, and how leading his team has given him great satisfaction. On top of his career successes, such as setting up the regional treasury centre, Taneja is also proud of how people who have worked for him have gone on to develop their careers. "It is satisfying to see people evolve as leaders and know that you have contributed to that," he tells Treasury Today Asia. This leads to his other key learning, or principle, that has guided his career so far: "Your personal success is determined by your team's success. You cannot win individually," he says.

Asia Pacific

Taneja's Asia-Pacific treasury team supports GE's vast businesses in the region, where GE has had a presence for more than 100 years. On top of the complexity of such a large organisation, the region also poses challenges because of the differences between each of the markets. This is one of the reasons Taneja likes his role. In fact, when asked if he likes his job, he says, "I love it!" He adds that he loves having the opportunity to learn about the region, explaining that Asia Pacific is such a heterogeneous region with each of the countries having their unique treasury challenges. "Some markets are totally restricted, others are not, and then there is everything in between. There is lots to learn from a region like this," he says.

In a sense, Asia Pacific is the perfect training ground for anyone wanting to learn how to manage complexity. He says it can take time to understand the differences, for example, between the large markets like China, India, South Korea and Taiwan. However, that is where the challenge lies and what makes the role so interesting. Also, being in such a diverse region means that his team is diverse, with people from various backgrounds and cultures.

In his role overseeing treasury operations in the region, Taneja is focused on supporting GE's transformation journey. And it is this transformation journey that makes his role as a treasurer unique when compared to his peers. "What differentiates us right now from other organisations is this transformation that we are undergoing," he explains.



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Going lean

A key to driving GE's transformation has been putting lean management into action. Since beginning as Chairman and CEO of GE in 2018, Larry Culp has been introducing the concept of lean management to GE, which he has described as more than a set of tools, but rather a "way of life."

Lean methodology was adapted from principles found in Japan after researchers at Massachusetts Institute of Technology (MIT) wanted to understand why Japanese carmakers were faster in delivering cars than their US peers. They came across the Toyota Production System, and the lean methodology has been adapted from this 'Toyota Way', which provides a framework for delivering results.

Lean has two guiding principles of respect for people, and 'kaizen' – or continuous improvement. GE's CEO Culp has said these principles are just as applicable in the accounting office as it is on the shop floor. Lean management is also about reducing waste, to efficiently and effectively also be able to adapt, using the same tools to produce different results.

In an interview in October 2020, Larry Culp was quoted as saying, "In the spirit of continuous improvement, what I've learned over time and what I've seen at GE is, progress allows you to see the next field of opportunity." When we get on the other side of COVID, when we're in a more normal operating environment, there's no doubt in my mind that GE will be a stronger, better performer for our customers and for our investors."



Every treasurer's dream is to have 100% digitisation and automated processes – with absolutely zero manual touchpoints.

Taneja has been taking these principles to heart in his treasury role and applying to them to how the APAC treasury is run. He says the transformation journey has been exciting and he can already see the direct impact that lean methodology is having.

In terms of how the lean methodology manifests itself in the day-to-day operations of the Asia-Pacific treasury teams, Taneja explains how it gives clarity to the priorities and the key performance indicators (KPIs). With everyone working within the same framework of lean methodology, there is alignment in the organisation, and this also translates to the KPIs. Instead of defining and being merely focused on KPIs at an individual level, or for the team, the lean organisation is

focused on the company's goals as a whole. With the introduction of lean principles, Taneja says, there has been more structure to the KPIs and the team's goals clearly feed into the regional or global goals of the whole organisation.

Treasury trends

Along the journey of supporting GE in its wider goals, Taneja has witnessed a number of trends in his work, which have also affected the treasury industry more broadly. The major defining trend, he says is digitisation, and treasurers have become much more efficient as a result, with the adoption of technologies to automate processes that were once manual, for example.

The availability and use of data is another major trend that Taneja has witnessed over his career. These days there is much better access to data, and the visibility of data is in real-time, he says. This has empowered treasurers in their decision-making, and when they make decisions – these backed by substantive data and expertise, he comments.

Another trend is how some regulators in Asia Pacific are driving innovation. This is an exciting time, where the Monetary Authority of Singapore (MAS), for example, has put certain policy building blocks in place and has empowered the industry to find the innovative solutions. "The innovation is actually driven by the central bank and regulators in various markets of the region," comments Taneja.

Singapore is an attractive location for such innovation to take place. Not only are there many multinational corporations with their regional treasury centres located there, but major international banks also have a sizeable presence, which in turn has created a lively cluster effect. "The financial ecosystem in Singapore has developed – it is really sophisticated," comments Taneja. It makes sense to have a regional treasury centre in Singapore, he adds, as it is easy to access the international financial centre's financial markets, and there is also a thriving business community of other corporates that have regional headquarters in the city state, providing access to talent.

The future

Looking ahead to the future, the ultimate goal in running the treasury, he says, is for there to be no manual intervention in the processes. "Every treasurer's dream is to have 100% digitisation and automated processes – with absolutely zero manual touchpoints," he says. The goal should be to optimise efficiencies and get treasurers out of the operational mode, so they are freed up to think more strategically.

He may dream of that happening in the near future, but it seems he will need to persevere a bit longer to help make that become a reality. ■



Is it time for treasury to split with all-in-one solutions?

Standalone software components may not be about to usurp treasury management systems, but even TMS vendors acknowledge that specific customer requirements demand cooperation with fintechs.

Earlier this year, JPMorgan Chase commercial banking published an article suggesting that many treasury and finance organisations assume a TMS can solve all their operational cash management issues and referring to the availability of niche alternatives that can alleviate the cost burden and long implementation timelines associated with a traditional TMS.

Even TMS vendors accept that standalone components make sense for addressing specific issues, which is why Kyriba has opened its unified platform to third parties. However, they also suggest that clients see software proliferation as a pain point, particularly in relation to security and data management.

In simple terms, multiple standalone components are generally seen as more relevant for large organisations which handle specific types of transactions that can be quite complex and involve large volumes.

Small and medium-sized corporates tend to handle simpler transactions with less volume and their financial resources are

more limited. As a result, they are more likely to opt for a single treasury management system.

Many of the reasons for using a single TMS platform (convenience, cost, lack of internal IT skills) are as relevant now as they have ever been and likewise there have long been corporates with the motivation and resources to supplement their core TMS with specific standalone components.

“As such components become more freely available, cheaper and easier to connect, they will appeal to more corporate treasuries,” says Adrian Rodgers, Director of treasury consultancy ARC Solutions. “However, the number of treasuries that need to assemble a boutique suite of applications will remain relatively small.”

Patricia Hines, Head of Corporate Banking at Celent refers to two distinct trends in this space – TMS providers expanding their functionality into adjacent spaces (such as Kyriba supply chain finance); and adjacent players expanding



The number of treasuries that need to assemble a boutique suite of applications will remain relatively small.

Adrian Rodgers, Director, ARC Solutions

their functionality into TMS (for example, HighRadius receivables automation and Coupa payables automation offering TMS features, and Axletree SWIFT Service Bureau offering treasury automation).

Anil Khurmi, Manager at treasury consultancy Zanders describes the option of using a stable of best of breed standalone treasury solutions as an increasingly viable alternative to the established model of using an all-in-one TMS.

“This evolution is driven by an increasing number of fintechs disrupting the market with competitively priced standalone products, coupled with technological advances which help to mitigate the risks previously associated with running multiple systems,” he says.

It is also important to note that the TMS vendor market continues to go through significant consolidation. Some of the key drivers for this include the fact that large scale clearly supports, amongst other things, the ability to deliver niche capabilities on top of the core solution.

Whilst newer, smaller vendors face challenges – not least those presented by the ever-changing regulatory landscape – the accelerating pace of technological advance is having a

significant positive impact on the supply of lower cost, specialised solutions available to corporates.

That is the view of Andrew Hollins, Director of Corporate Treasury Proposition at Refinitiv, who identifies two notable trends that have emerged from these developments.

“On the one hand we have seen growth in cloud-based, full service TMS solutions targeted at mid-sized, often regional corporates,” he says. “Common features of these SaaS solutions include low cost, standardisation of capability, and the absence of customisation. This can be sufficient for a company with less sophisticated, less complex treasury requirements.”

It is also apparent that larger corporates are examining their deployed TMS spend far more rigorously. With a deployed system, it can be the case that multiple modules provide support across a range of critical treasury functions such as cash and liquidity management, payments, and risk management.

With the growing availability of agile, cloud-based solutions which are able to supplant certain deployed TMS modules, companies are increasingly able to make a call regarding the degree to which certain modules are ‘core’ to their particular



Case study

From working with a simple set of accounts and a small number of banks – taking data from a number of internal entities – Zurich North America’s treasury function underwent rapid growth. This resulted in the function becoming the shared centre of excellence for cash and banking activities across the US and Canada.

The treasury function now supports numerous business divisions with cash across half a dozen core banks. This growth created challenges establishing cash positions on a daily basis and underlined the value of the payment functionality provided by the treasury management system supplied by GTreasury.

“The system has reduced our dependency on using individual bank websites and enabled us to manage corporate loans and short-term investments as well as payments,” explains Sandra Telles, Treasury Operations Manager at Zurich North America.

The attraction of working with a single TMS was its ability to be a hub for cash management activities such as payments, cash forecasting, bank fees, and cash accounting activities.

“The breadth of the functionality allowed us to eliminate a bank fee vendor, import investment balances from multiple partners, and support the implementation of cash postings, all which contributed to reduced expenses and centralisation of data and processes into one simplified solution,” says Telles. “We like the ability to do our treasury funding and investment payments within one system whilst also booking the activity within a single system.”

As head of operations, Telles says she is regularly approached by other TMS vendors as well as fintechs offering standalone solutions. The company actively supports fintechs that have developed relationships with its TMS and ERP systems.

“Supporting new vendors through our treasury management system will make it easier to implement data feeds and/or payment files in a more cost-effective way at an accelerated pace,” she says. “Most organisations have resources constraints when it comes to IT support, so being able to use a single TMS solution to support new business needs will continue to keep Zurich agile with respect to automation and reduces the work effort needed from our ERP system.”



The concept of an all-in-one treasury solution was a nice idea decades ago but that model and strategy is no longer scalable.

Tracy Kantrowitz, Vice President of Market Treasury, Bottomline Technologies

operation and business model. As a consequence they may choose to replace a costly deployed TMS module with a lighter, cheaper, and more targeted alternative.

According to Hollins, hedge accounting, cash flow forecasting, benchmark interest rates transition, and even collateral management can be candidates for a lighter alternative, supporting capital markets and hedging portfolios.

“By adding an interface to the company’s ERP system it is also possible to consider enterprise-wide risk analysis encompassing value at risk, cash flow at risk, liquidity/working capital optimisation, and supply chain financing solutions,” he says. “On the latter point, there is a notable trend towards the automation of receivables and supply chain financing leading to a growing number of disrupter platforms supporting this workflow.”

Where they are available, APIs simplify setup and are lower cost connectivity channels. Finastra uses APIs to connect its treasury management solution with FX dealing platform 360T and its confirmation matching service, for example.

The use of APIs enabling data sharing between systems has had some impact on the resources required to manage interfaces between these individual treasury solutions according to Hines, who notes that SAP has improved its connectivity tools and SaaS-based TMS providers including Kyriba and GTreasury are beginning to launch API portals.

There is a tremendous opportunity for those solutions that support open banking given that they can leverage APIs to incorporate data from multiple solutions into a single dashboard suggests Manoj Mishra, Vice President of Consulting Services at CGI. “Institutions able to leverage APIs to provide a unified experience using niche fintechs wherever it makes sense will emerge as the ultimate winners,” he says.

But API readiness still varies by bank and technology provider, creating a general lack of global standardisation and maintaining demand for channels such as SWIFT. In addition, the buyer will still be working with multiple suppliers for installation, integration and ongoing product support cautions Ken Lillie from treasury consultancy Lillie Associates.

“Every system project and requirement definition is different, so corporates need to complete a thoroughly researched requirements definition,” he says. “They should also look at the market to see what products are available to meet those requirements – including TMS and standalone – examine each option for functionality and efficiency, and compare the overall price and ongoing cost of ownership.”

When asked whether the lower cost of using an all-in-one system outweighs any compromise involved in using systems that don't deliver all the required functionality at a time, Khurmi says corporates need to balance total cost of ownership against functional fit.

“The use of multiple solutions is often assumed to be more costly and cumbersome, although recent developments – such as SaaS cloud deployment, single sign-on and the use of APIs for data integration between systems – means this may no longer be the case,” he says.

Additional considerations in the choice of approach include training requirements, user experience, vendor support and relationship management. “These are all areas that are adversely impacted when using multiple platforms, so it is important the benefits of enhanced functionality outweigh these factors,” adds Khurmi.

In some cases it makes sense for TMS vendors to expand functionality, for example in areas such as cash forecasting where ION Treasury has applied machine learning to its treasury forecasting capability. In other cases, providing integration with specialised solutions will be the preferred option, such as if a company is looking for greater automation of its investment activities.

Specialised solutions put pressure on treasury management providers to strengthen their own functionality in those areas, says Steve Wiley, Vice President of Treasury Solutions at FIS.

“In evolutionary terms, treasury management systems which have received continual investment over the past 20 years have evolved to a point where they can do most or all of what specialised or best-of-breed solutions can do,” he explains. “Newer treasury management systems struggle and are forced to partner with ecosystem players to establish stronger integration.”

Treasury management providers are focusing on both building and partnering according to Tracy Kantrowitz, Vice President of Market Treasury at Bottomline Technologies.

“The concept of an all-in-one treasury solution was a nice idea decades ago but that model and strategy is no longer scalable,” she suggests. “Treasury management system providers must invest in both core treasury functionality and digital services that allow them to integrate and cooperate with other solutions.”

Treasury management systems need to support wider functionality as the market trend amongst banks, TMS providers and fintechs is to aggregate and consolidate financial services offerings with the systems used to support the business, adds Eric Aillet, Product Manager Fusion KTP at Finastra. “The distinction between each will reduce over time as the value chain is consolidated,” he says.

The trend for fintechs to develop solutions focused on specific treasury functions might suggest that treasury management systems need to offer wider functionality, but that is not the only factor in purchasing decisions. Hines concludes that a corporate might choose a standalone component because of its lower cost of ownership. ■

Niche or normal?

Treasurers decide on digital currencies

Cryptocurrencies, stablecoins, central bank digital currencies are hot topics in the financial industry, and they are quickly becoming mainstream. Treasurers need to think about the implications of digital currencies now and decide what they need to do to get ready for a wave of change that is coming their way.

If you were facing the biggest disruption that financial services had ever seen, what kind of treasurer would you be? One who embraces innovation... or one who ignores it? That is a question treasurers could be asking themselves in the face of digital currencies and whether they have the potential to completely disrupt treasury services as they are currently known.

Treasurers differ in their mindset when it comes to digital currencies, comments Brad Yasar, Founder and CEO of EQIFI. There are those who have a positive outlook, who are exploring opportunities even if they are not getting involved in them right now. And then there are the more old-school types, who do not want to touch any of it. Of cryptocurrencies, these treasurers have typically heard J.P. Morgan CEO Jamie Dimon “bashing crypto” and see Tesla’s maverick CEO Elon Musk investing in it, and they look at crypto as something that will disappear, says Yasar. “But they have been looking at it as a ‘scam’ for the past 12 years. It has not disappeared, and it keeps growing. I do not think that camp gives it the time and attention it needs. Some people are completely anti alternative investments,” he says. And that is a missed opportunity, adds Yasar, who is a serial entrepreneur, and also founder of EQIFI, which is positioning itself as the leader in decentralised finance, and offers a single platform for banking, trading and lending for fiat and cryptocurrencies.

“This ain’t going away; it’s not a flash in the pan,” says Luke Sully, Co-Founder and CEO, Ledgermatic, on the topic of digital currencies and digital assets.

And treasurers are well placed to take advantage of digital currencies. In fact, if corporations are going to innovate with Bitcoin, cryptocurrencies, blockchain, stablecoins and the like, the natural place for that innovation to start is with the treasurer.

The first step is to perhaps consider Bitcoin as an investment. Earlier this year Tesla invested US\$1.5bn in Bitcoin, and when that news broke, Sully – whose company Ledgermatic enables treasurers to manage their traditional and digital assets in one

place – said he received a lot of calls. Although other companies, such as business intelligence Microstrategy and payments company Square, have also invested in Bitcoin, the uptake hasn’t been what some thought it would be. “We have not seen many companies put it on the balance sheet – that did not really take off, for a variety of reasons,” says Sully.

And for treasurers, there is a lot to consider. Michael Aandahl, Head of Digital Treasury at Ingka Group, the largest IKEA franchisee with 392 stores in 32 countries, has looked into the multi-faceted topic of digital currencies. The first question he asked was whether the group’s customers would be interested in this as a payment form. “We did not identify any immediate customer demand that is specific to our industry,” he tells Treasury Today. The experience of retailers, however, is likely to be different from corporates that are already in the financial chain – such as consumer payments companies – where digital currencies are already a hot topic and have more relevance in the near-term to their customer base, he comments.

Aandahl explains that Ingka Group also considered Bitcoin as an asset class. “We have had that discussion and we decided it is not for us for various reasons,” he says. He adds that Bitcoin as an investment does not fit into the classic treasury mandate. It was ruled out, especially given the environmental concerns about the mining process. From an ESG [environmental, social and governance] point of view, it was “not going to fly”, considering what the company values are, he says.

With Bitcoin as an asset, it’s not just the ESG concerns that treasurers are grappling with. Reporting Bitcoin on the balance sheet is a sophisticated accounting problem, says Sully. Also, there are the practicalities of managing a portfolio of crypto investments. If corporates do hold Bitcoin, it is likely to be held in siloed wallets on various exchanges, with little visibility – or controls, for that matter – about who can move it there. A “half-sophisticated” investor has probably got five to six different accounts on various exchanges, explains Sully, all of which aren’t related to anything else they are doing. This leaves a treasurer logging into one account at a time. “We

thought this is a disaster for crypto hedge funds. Someone will want to know their position and it will take an hour to figure that out.”

Also, there is the issue of the changing value of crypto. As Yasar points out, “Crypto is continuous – the value continuously changes. It may change 20% in a day.”

Brett Turner, Founder and CEO of Trovata – an open banking platform that companies use for real-time cash forecasting, cash reporting and cash flow analysis – explains how it has helped one of its largest customers, Square, with its cryptocurrency holdings. Trovata’s platform enables it to know its cash position in real-time. Unlike traditional treasury management systems, which were typically designed over 20 years ago, Trovata leverages cloud technology, big data architecture and APIs to deliver real-time cash reporting to treasurers. When it comes to managing Bitcoin as a digital asset, treasurers would not normally be able to see this as part of their overall cash position. With Trovata’s solution, however, they can see the real-time value of the Bitcoin and know what the US dollar equivalent is at any point in time.

Square is unusual when compared to the typical company and most treasurers are still wary of investing in Bitcoin. “Because of the volatility concerns, very few treasurers are wading into it,” says Turner. Some treasurers, however, are updating their treasury policies so they can buy it. They are considering Bitcoin as a hedge against inflation, especially in a low-interest rate environment where they are searching for yield and rethinking their options.

There are still ways for treasurers to explore these options at arm’s length. They may want to have exposure to a fund of a fund that is invested in crypto, such as Pantera Capital or Galaxy Digital, for example, explains Yasar.

In terms of persuading people who are reticent, Yasar says, “Think of crypto as an insurance policy. Do not look at it as ‘I’m going to make money this is a solid investment’... If it is a complete scam, you paid your premium and nothing happened. But what happens if it disrupts your business? If you have invested – you have disrupted your own industry,” he says. And to EQIFI’s institutional partners he says, “Do not try to make a meaningful investment. Do a small investment and do it for the long-term – as an insurance policy.”

There are some corporations out there that are more forward-thinking than this. Another way to explore the potential of crypto, is to invest in an internal lab or exploratory group. Some companies may even put aside US\$10m or US\$20m for such a project, comments Yasar. This could include exploring how to mine Bitcoin themselves, which gives them certainty over the cryptocurrency’s provenance and knowledge that it has not been associated with illicit activity in the past.

So far, much of the focus on digital currencies has been on Bitcoin as a store of value, comments Turner. In terms of its function as a payment mechanism, Turner says there are inherent problems with transferring funds this way, “It can still take a few hours to settle,” he says of Bitcoin transactions.

Given this slow time to settle, it’s unlikely that Bitcoin would be used as an alternative payments network for a corporate’s regular transactions. For consumer-facing companies, however, they may need to consider Bitcoin as a payment form so that they can accept it from their customers. Yasar



This ain’t going away; it’s not a flash in the pan.

Luke Sully, Co-Founder and CEO, Ledgermatic

points out that it is possible for companies to accept Bitcoin payments from customers without holding it on the books and carrying the risks of volatility. There may be risk while the customer has items in their online cart, but once they check out – paying in crypto – companies can quickly divest out of it, explains Yasar.

When it comes to digital currencies as a payment method, there has also been a lot of interest in stablecoins, which are digital coins that are backed by a regular fiat currency to make them ‘stable’ and smooth out any volatility.

Turner expects to see stable coins being used more widely, especially as a means of payment. Private companies could effectively issue their own currencies. Sully expects to see the same. “People are doing a lot of building this year,” he says, adding it won’t take long before the most well-known brands are issuing their own coins. Such stablecoins could be used for loyalty schemes, for example, or perhaps an alternative to retailer-branded gift cards.

Meanwhile central banks around the world are making plans to introduce their own digital currencies, which would, in effect, be digital versions of money they issue. The biggest pain point for treasurers, comments Turner, is cross-border payments, which can still take several days to settle across an outdated and complex system. With central bank digital currencies, however, there is the opportunity to change that. “With the digital coins you can architect modern technology from the ground up and everything else – all this existing technology – becomes obsolete and you get a chance to have a complete reboot of all that,” says Turner.

For now, it seems that the central banks are still working out how these currencies would actually work in practice. And what about treasurers who say they don’t need to think about digital currencies yet? “They should invest time in understanding the dynamics and the evolution of this market. If any of this takes off in a serious way it will have a significant impact,” says Aandahl. “This has the potential to impact the whole financial world, and customers need to be prepared upfront if that happens,” he says.

Also, Aandahl adds that he’s not just considering the outlook for digital currencies in his role as a treasurer, but also in terms of what it means for the business he is supporting. In many respects, he takes on the role of a translator who explains what these latest technologies are and what their implications could be.

So, when should treasurers get their systems ready for digital currencies? “The time is now to start thinking about your technology and systems environment. People are still using Excel – they need to start thinking about next-generation technology. They need to think about open banking and how their bank can help them with these changes,” says Turner. “People need to start being ready,” he adds. ■

COP26 expectations and priorities

“ What will be the most important implications for treasury teams to come out of COP26 in Glasgow; what would you like to see and how should corporate treasury prepare? ”



Silke Goldberg
Partner
Herbert Smith Freehills

I am expecting COP26 to address the carbon markets, loss and damage, and nature-based solutions to absorb CO₂, at a more technical level. There is huge public interest in the conference, and I'm hopeful for progress.

One of the tricky issues is Article 6 of the Paris Agreement, the stepping-stone to international emissions trading. Article 6 currently provides a loose framework for countries and companies on how to achieve a carbon price, and how trading of carbon credits could happen in the future. Carbon trading and emissions has a potential impact on treasury, particularly corporate investment decisions. For example, if a business is subject to carbon pricing, it may view energy intensive investments differently, factor in a carbon price or seek a different type of financing.

The UK, Europe, and China – as of last July – have emissions trading. There is now a proposal in the EU for a Carbon Border Adjustment Mechanism (CBAM), which is related to the impact of the EU's emission trading system and which will have treasury implications. For example, a company needing steel and importing Australian steel (where there is no carbon price on steel) into the EU will have an advantage over an EU business using EU steel that is subject to a carbon price.

There is now a proposal about how to address this with a tax on imported goods so that the delta on the price applied in, say, Australia, versus the carbon price in the EU is then applied to the import. From a treasury perspective, this is important. I expect to see noise and discussion here with treasury teams needing to price in what the CBAM will do to the price of imports, exports and set money aside. The CBAM requires a degree of internal due diligence, especially for companies in energy intensive industries like steel, plastic, and cement. Imports into the EU will likely to be subject to additional carbon pricing. And of course, this all foreshadows a global carbon price and how it might work. People are watching this space closely.

COP26 will also focus on nature-based solutions and there are treasury implications here. Companies that are not subject to carbon pricing often offset their emissions by investing in woodland and other carbon sinks. The rules here are likely to be debated with new technical provisions, given the wide range of varying standards for offsets and the fact

that nature-based solutions may offset but in and of themselves do not lower emissions.

COP will also debate the loss and damage side of climate change, essentially the extent to which industrialised nations should pay more for climate change than developing countries because they have polluted more. It could involve a mitigation mechanism and technology transfer that acknowledges industrialised nations' larger contribution that could have treasury implications. Nationally Determined Contributions (NDCs) may result in a local climate tax or levy on business that treasury will have to manage, this will however depend on the climate change strategy of each individual government.



Parvaiz Dalal
Global Head Supply Chain Finance,
Treasury and Trade Solutions
Citi

Five years ago, we only had a handful of conversations a year with our clients about sustainable supply chain finance. Now it is one of the first things they want to talk to us about, and COP26 will accelerate the conversation. I expect more, large corporations will come out with statements about reducing emissions and hitting further ESG goals embedded in their supply chain, triggering a waterfall effect. If world leaders signal support for stronger reporting requirements on indirect emissions it will lead to corporates introducing reduction targets across their value chain, including identifying suppliers which are helping them to deliver their ESG goals, creating a bigger role for supply chain finance by offering better terms linked to cutting emissions to their suppliers.

In regards to visible banking solutions linked to sustainability, transaction bankers have started playing a critical role embedding sustainable standards in working capital solutions. Now, rather than only prioritising large, strategic investments or capital markets deals, I would say treasury's focus is on how to embed ESG into day-to-day operations in their working capital flows. Companies want to embed sustainability not only into how they buy and sell their goods but across their entire working capital flows and more so when they are sourcing inventory – like reducing electricity usage. COVID has further shaken up operations and turned the focus on sustainable supply chain flows. The just-in-time supply chain and cost is no more the top priority that it used to be. Getting goods on time and sustainability in supply chains have risen to the top of the priority list.

Companies are linking financing tools to sustainability, and deciding their counterparties based on sustainable

parameters. One of our aims is to incentivise our clients' suppliers to conform to ESG standards of certification by offering a lower level of financing, like we did in August, working with McCormick & Company, a global leader in food flavours, and the IFC providing suppliers of McCormick's herbs and spices with financial incentives linked to ESG improvements. Suppliers qualify for discounted rates on short-term working capital financing when they meet sustainability standards accepted by McCormick – the higher the suppliers' performance level in meeting these standards, the more they save. We are witnessing multiple requirements by many clients asking us to deliver better terms to suppliers which are compliant to their sustainable goals which are linked to Paris Accords or the UN's SDGs.

At this stage, companies are not being forced to do this, it is not punitive. Although this could begin to change if COP policymakers encourage the introduction of legislation to make businesses more accountable not only for their own direct emissions, but also their counterparties.



Marcelo Bacci
Chief Financial and Investor
Relations Officer
Suzano

I have high expectations about COP26. If we want to leave a better world for current and future generations, we can no longer delay defining bold, coordinated and effective measures for change. Above all, COP26 must agree on the implementation of an international regulated carbon market linked to the Paris Agreement, establishing an economic instrument that is capable of driving concrete action to remove carbon from the atmosphere on a global scale.

Joining the global Cap and Trade model (which Suzano strongly advocates) will offer a viable alternative for reversing the carbon emissions curve. It will also facilitate a mechanism to honour public commitments, or Nationally Determined Contributions (NDCs), and accelerate the decarbonisation of the global economy. At the same time, it will help drive an agenda of global investments in decarbonisation, with

significant implications for sustainable social development worldwide.

At Suzano we hope COP brings immediate action and progress on a carbon market before we reach a point of no return for the environment. The capture of carbon dioxide by trees is part of this equation, and Suzano, as a natural capital company, understands the important role it plays in protecting and generating value from trees. The company also has potential to generate carbon credits and is climate positive – meaning that besides offsetting greenhouse gas emissions from its own operations and its value chain, the company removes more carbon than it emits.

The adoption of an international carbon market could generate diverse opportunities for low-carbon assets and products. It could turn Brazil into a champion in this market, generating income, attracting investments for preservation efforts and creating sustainable development alternatives for local communities, including the people living in the Amazon region.

The expansion of our forest bases, whether for planting or for conserving native forests, plays an important role in the company's ability to increase carbon sequestration from the atmosphere. At the same time, we are committed to reducing our equivalent emissions: the more Suzano produces, the higher its positive impact on the world will be.

Will COP help change corporate behaviour? I would argue consumers are changing corporate behaviour. Society is increasingly concerned about its role in building a more sustainable future and this is driving changes in corporate behaviour. People are concerned about consuming products from renewable sources, especially recyclable and biodegradable materials which cause less impact on the planet and this is mobilising companies, governments, investors and society as a whole.

Suzano is on the right side of the equation since our products are developed from trees planted for this purpose. In other words, a raw material derived from renewable resources that can replace fossil-based products. We want to offer ten million tons of products from renewable origin by 2030 to help replace petroleum-based products. We are also constantly pursuing new avenues for developing products from planted trees, including textile fibres as alternatives to cotton. ■

Next question:

“What does China's money market fund landscape look like today, and what developments are likely in 2022?”

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

Build or buy

I recently joined a conversation about – inter alia – the pro's and con's of building tailored solutions vs buying off the shelf solutions. The conclusion was of course: "it depends". Getting there brought up some interesting considerations.

The allure of made to measure is always seductive, and the thrill and instant gratification of walking out of a shop with a well-fitting outfit has strong appeal. While the analogy may not exactly fit treasury solutions, there are different benefits for both building and buying. More interesting would be to have one's cake and eat it – apologies for the metaphor overload.

Build

The allure of building made to measure is always strong. Everyone dreams of a solution tailor made for their specific needs. But even assuming those needs are realistically specified, do they have the patience to work through to such a solution?

The conclusion from treasurers who have gone down this road include:

- Building is not the fastest solution.
- Clarity about the desired solution is critical.
- The process takes patience.
- Building takes more energy than buying.
- Outcomes are not guaranteed.

Treasurers who have been down this road (and remain willing to talk about their experience) all warn that it is neither the easiest nor the quickest way to implement solutions. Even successful projects carry high risk of failure.

Whereas with an established solution, existing users can be consulted to determine if the solution works, is scalable, is secure, and so forth, in the build or co-create scenario one cannot know that a viable outcome will come from the effort.

Even if the basic algorithm works, one cannot be sure that the underlying architecture will meet corporate standards for scalability and security.

This risk is compounded when the requirements are ill conceived or poorly expressed. Buying existing solutions allows treasurers to make detailed mapping of their needs against existing implementations with high certainty that if there is a good fit the solution will work properly.

Furthermore, buying existing solutions allows treasurers to benefit from other corporate experience. Corporates may vary, but it is a common misconception that corporate requirements are unique. In the end a loan is a loan, a hedge is a hedge, and forth. (Even if emerging markets can throw up requirements that surprise even experienced system vendors.)

Buy

Buying off the shelf solutions may have less cachet than co-creation, but for many overworked treasurers the line of least resistance is attractive. There is strong appeal in buying a solution with a proven implementation and user satisfaction record.

There used to be a meme that buying SAP meant buying best practice in code. Despite well publicised cases of big implementations thrown out because they did not meet the buyers requirements, there is certainly some truth to this concept. Implementing a well-established market leading solution can at best be an opportunity to challenge and re-think business as usual.

Buying established solutions generally allows treasurers a quicker and more reliable route to resolving process challenges than building or co-creation.

These are strong benefits for buying established solutions. On the other hand, treasurers are beholden to the wider organisation, and in many cases to its history. An organisation thrown together from mergers and acquisitions, with a diversity of internal systems, may generate very unique treasury requirements such that no single off the shelf solution really meets all requirements.

Since treasurers are generally not in a position to mandate, for example, a single instance ERP across their organisations, it is often incumbent on them to adapt to the corporate eco-system they inhabit.

Middleware and data warehouses (or data lakes or even data oceans) may provide an integration layer across heterogeneous corporate systems, but, again, these are not normally within treasury scope. This can leave treasurers with uncomfortable compromises around functionality. For example, the TMS best suited to integrating heterogeneous ERPs may not be the best at risk management or hedge accounting.

Mash-up

For readers not familiar with the term mashup, Wikipedia offers this explanation: "A mashup (computer industry jargon), in web development, is a web page or web application that uses content from more than one source to create a single new service displayed in a single graphical interface. ... The term implies easy, fast integration, frequently using open application programming interfaces (open API) and data sources to produce enriched results that were not necessarily the original reason for producing the raw source data. The

term mashup originally comes from creating something by combining elements from two or more sources.”

The basic concept is that, in this time of APIs and cloud services, solutions can be cobbled together by connecting best of breed solutions into an integrated solution meeting the requirements at hand.

The trick here is to use only very open software which allows data to be shared by the different components seamlessly. Unfortunately APIs are not as ubiquitous as the hype would suggest. Many even quite modern TMSs are not as open as one would wish.

Most treasurers do not want their non-treasury colleagues to have to learn the TMS and remember more user identities and passwords – not to mention pay per user licence fees. It is clearly good practice to feed commonly used treasury data into corporate Business Intelligence (BI) solutions for consumption across the wider organisation. Many even modern seeming TMSs do this by exporting data periodically to the BI. This means the data seen by non-treasury colleagues is not real time.

The alternatives to periodic data dumps include real time APIs and database views. The former posts updates to the external system as they occur. The latter involves creating live views (virtual tables, in SQL this is written as “CREATE VIEW view_name AS SELECT column1, column2, ... FROM table_name WHERE condition;”) which can effectively provide real-time read only access to external systems.

Read only access – even though far from ubiquitous – is much simpler than writing to a system such as a TMS. For two way integration (read and write), this effectively requires APIs. (Writing directly to a system’s database introduces myriad risks, not least security.)

The most rigorous systems effectively separate the user interface from the business logic and from the database. They typically use internal APIs to connect the user interface with the business logic, and optimally these APIs would be published for access by other systems and data sources. (The business logic communicates with the database via data languages like SQL, which can be considered as data APIs.)

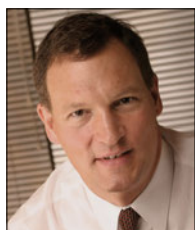
In such a scenario, treasurers can select best of breed or at least best fit solutions for each important aspect of their requirements and connect them through APIs. Thus achieving integration of their different requirements such as:

- Balance reporting/bank connectivity.
- Cash flow forecasting.
- Risk management and exposure reporting.
- Debt management.
- Investment management.
- System of record (typically a TMS).
- Business Intelligence (BI) (typically the corporate standard).

Again, such solutions require very open systems.

Conclusion

Most treasurers will be well served by off the shelf solutions that (should) offer predictability in performance and implementation. Thinking through the pros and cons of build vs buy opens some interesting avenues for treasurers to consider in creating wider solutions to best meet their needs when single solutions do not quite tick all the boxes. ■



David Blair, Managing Director

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

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

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