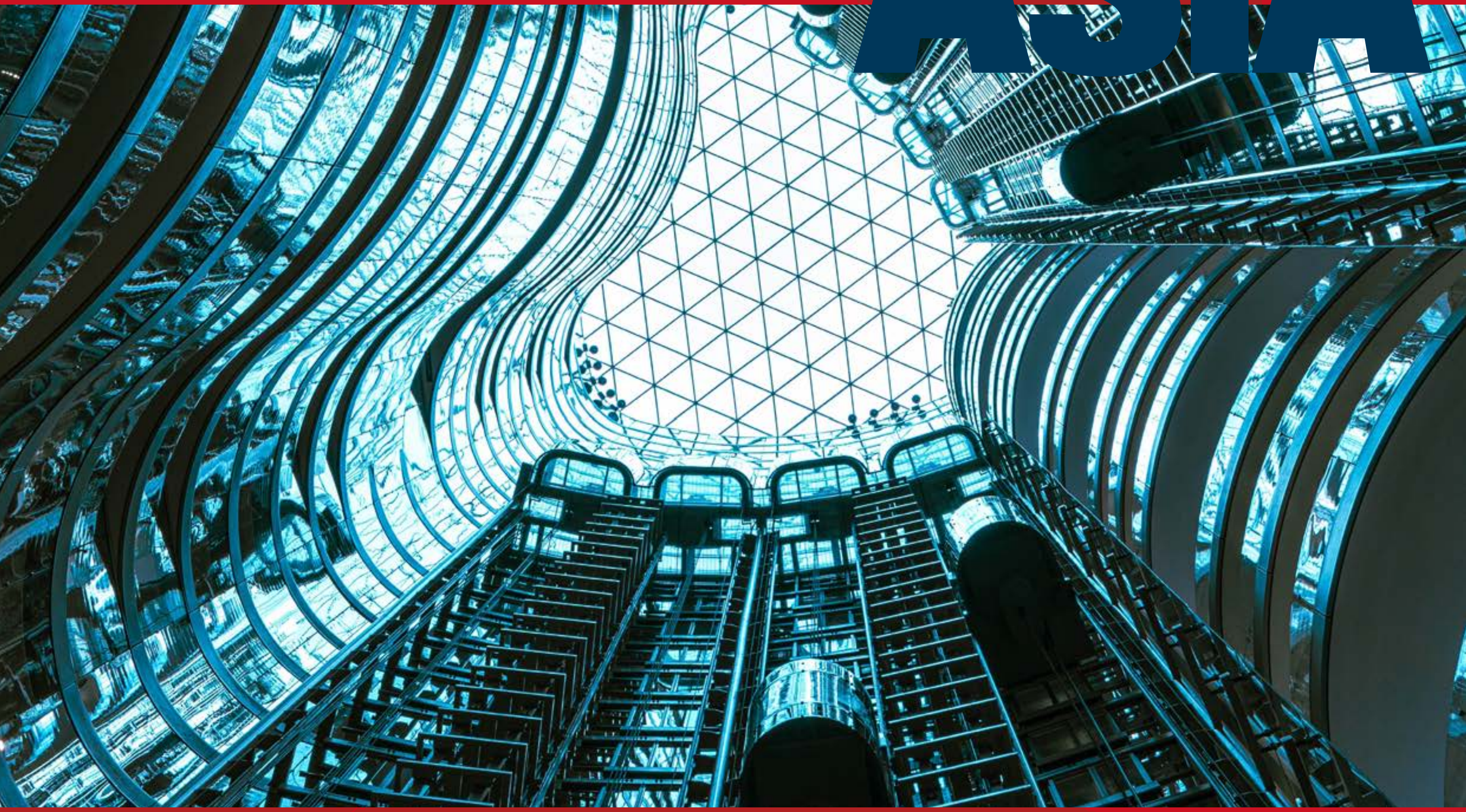
September/October 2024

treasurytoday ASIA

research | insight | analysis



Digital payments down under

As digital payments increase in Australasia, treasury departments need the tools to ensure operations continue smoothly.

The Corporate View

Sarah Symes

APAC Senior Treasury Director

Fluence

Treasury Talent

The emergence of new C-suite roles is having an impact on corporate banking relationships – so what does this mean for treasury?

Back to Basics

The value of shared services centres

Cash Management

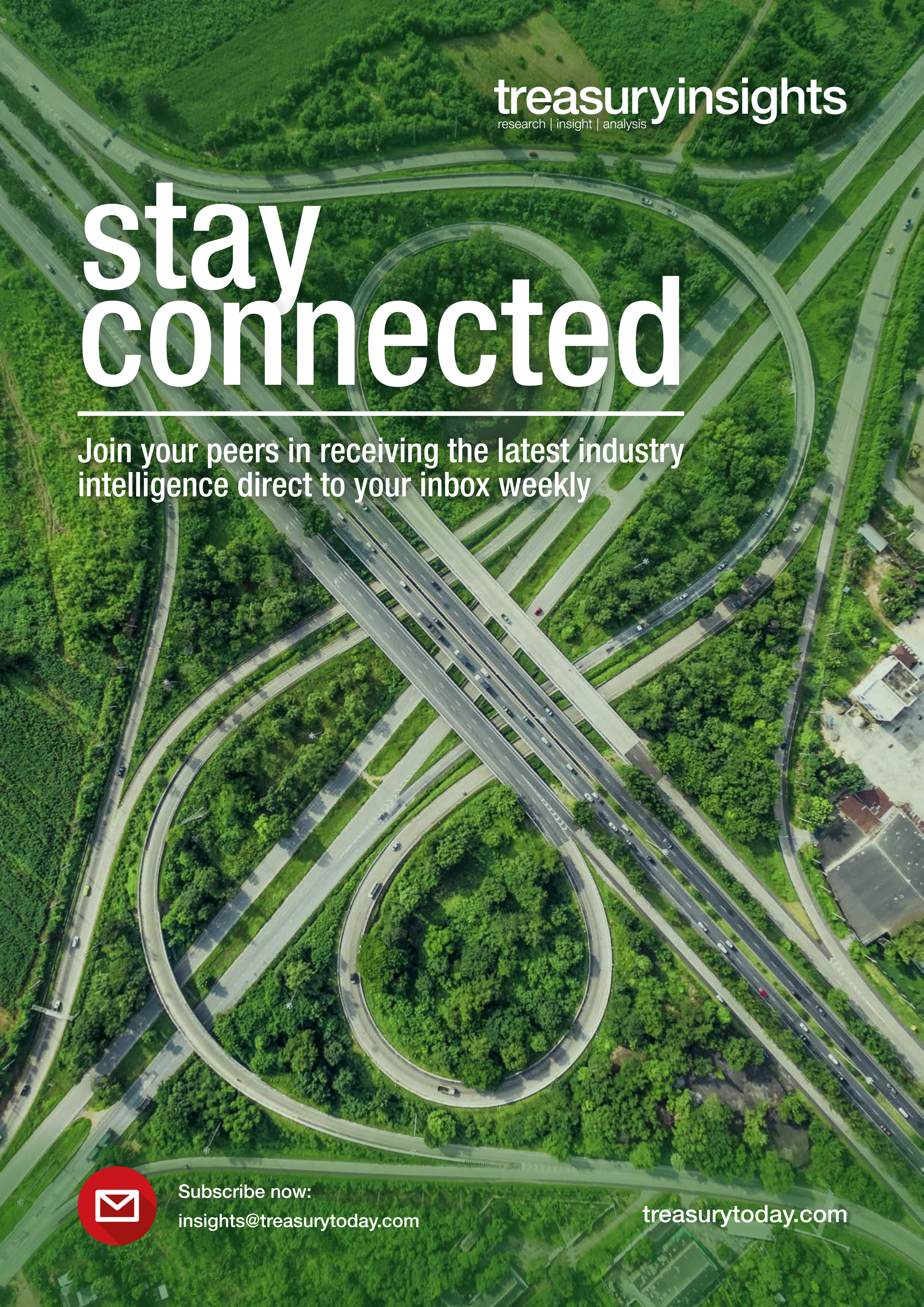
Harnessing AI in cash management

Regional Focus

Operating on Vietnamese time

Trade

Driving working capital success through collaboration


treasuryinsights
research | insight | analysis
stay connected
Join your peers in receiving the latest industry intelligence direct to your inbox weekly
Subscribe now:
insights@treasurytoday.com
treasurytoday.com

treasurytoday ASIA
research | insight | analysis

treasurytoday.com
Volume 12/Issue 5
September/October 2024

Publishers
Meg Coates & Sophie Jackson
Head of Events and Projects
Sarah Arter
Senior Advisor
John Nicholas
Editorial
Sarah Rundell
Head of Production & Client Delivery
Samantha Collings
Digital Content Manager
Joanna Smith-Burchnell
Senior Designer
Vicky Scott
Project Assistant
Rebecca Chapman

Founder & Director
Angela Berry
Chair
Richard Parkinson

Switchboard	+44 (0)13 0462 9000
Publishing	+44 (0)13 0462 9017
	+44 (0)79 3943 6343
Memberships	+44 (0)13 0462 9013
Advertising	+44 (0)13 0462 9018
Editorial	+44 (0)13 0462 9003
Production	+44 (0)13 0462 9019

© Treasury Today ISSN 1466-4224

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

Treasury Today USPS: (USPS 023-387) is published bi-monthly by Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES, UK.

Subscription records are maintained at Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES, UK.

An evolving set of players

Our latest edition of Treasury Today Asia is full of topics and trends that have been front of mind for us throughout the course of 2024. As our universe of corporates evolves and expands to incorporate other finance functions and follows certain treasury professionals as they continue up the ladder this issue seems to typify this evolving network somewhat.

As our latest issue drops this September, so too sees the launch of Treasury Today Group's new passion project, our Ask A CFO podcast series. It is therefore very fitting that in this edition we take a glance elsewhere within the C-suite, exploring the new roles and functions located within the upper echelons of corporations and exploring the impact these changes are having on treasury professionals across the world.

Today, C-suite leaders across the world should be firmly focused on sustainable and inclusive growth. All those operating within treasury and finance must be similarly minded. In our latest edition, we explore what sustainable and inclusive growth really means, look at how these terms intertwine, and address the involvement of treasury professionals in delivering returns when it comes to company targets and commitments within this space.

We will also be exploring the interactions between treasury and procurement departments, something which we are addressing more and more frequently in our conversations with our corporate community across the world. With some high-profile hires from treasury into procurement and, with career paths no longer as straightforward as in the past, it is vital the treasurers of today develop the knowledge and skills to communicate and collaborate with other functions within their corporations.

Elsewhere we explore real use cases for AI in cash management going beyond hype to uncover the help such developments can actually bring to treasury departments. We also offer a regional focus on a country which has fascinated our editorial team for some time now, Vietnam. We will be speaking with more and more corporates from this rapidly evolving player in Asia and hope many Vietnamese corporates will have nominated themselves within our Adam Smith Awards Asia awards programme this year. Keep an eye out for our Winners announcement on October 8th.

IN THIS ISSUE

The value of shared services centres

The trend toward digitisation and a greater focus on transparency, financial control and reduce costs is driving the centralisation of treasury activities, including cash and liquidity management, in shared services centres.

TREASURY ESSENTIALS

The power of treasury

APAC Senior Treasury Director

Sarah Symes, APAC Senior Treasury Director at Fluence, discusses her career path, the challenges and opportunities of starting a treasury team from scratch, and the role of treasury as a trusted business partner.

Harnessing AI in cash management

The biggest impact of AI will be streamlining cash and liquidity management, optimising automated processes, to elevate treasury as a strategic business partner focused on data-driven decision making. But what are the risks and challenges to AI deployment?

Digital payments down under

With digital payments methods proving increasingly popular among consumers, corporate treasuries need to stay ahead of the curve in ensuring treasury departments can cope with rising volumes.

The use of electronic payment instruments at the retail level in Australia has been growing rapidly, figures from the Reserve Bank of Australia show. In 2023, transactions (both purchases and cash withdrawals) undertaken using either credit or debit cards averaged about 540 per person, an increase of around 50% on the level of five years earlier.

The Bank's triennial Consumer Payments Survey (CPS), undertaken from October to early December 2022, revealed that new payment methods are emerging in the country, often enabled by mobile technology, while transactional use of cash is declining. The COVID-19 pandemic drove substantial changes in payment behaviour.

For example, most in-person card payments are now made using contactless functionality, including through the use of mobile devices. "In 2022, these payments made up 95% of in-person card payments, an increase of 10 percentage points from 2019," says the survey. "By contrast, when the CPS was first conducted in 2007, almost all in-person card transactions were made by swiping or inserting the card into a terminal at the store checkout (and providing a personal identification number or signature for verification). In 2022, these payments made up only 5% of in-person card payments."

At the Australian Payments Network Summit in Sydney in December 2023, Michele Bullock, Governor of the RBA, outlined how the Payments System Board is responding to the changing payments environment. Among the issues she addressed were the increased use of mobile wallets and of buy now, pay later (BNPL) services.

"Usage of mobile wallets has grown rapidly, but the costs associated with these services remain opaque and payment service providers can face barriers to access," she said. "We will need to consider whether regulatory action is needed in this area."

Previous reviews of BNPL systems had concluded that merchants should have the right to surcharge BNPL services, which are expensive means of payment, just as they have the right to surcharge card payments, she said. "The right to surcharge for payment methods provides an important incentive for payment schemes to keep their fees low. Formal regulation may be required to allow this. As part of the review, we look forward to engaging constructively with industry on these issues."

Among the Bank's priorities for 2024 is a review of retail payments regulation, says Bullock. The Payment Systems (Regulation) Act 1998 will be amended to ensure that newer players in the payments system – including BNPL, payment gateways, payment facilitators and mobile wallet providers – can be regulated by the RBA. "We expect these reforms to be in place sometime in 2024, at which point we intend to launch a holistic review of retail payments regulation," says Bullock. "This will be an opportunity to consult widely on current regulation as well as on areas where regulation might be required in the interests of safety, competition and efficiency."

Across the Tasman Sea, the Reserve Bank of New Zealand is also identifying a change in the method of payments and is conducting a review of the country's payment systems. "People are not using cash as much as they used to. Digital payments are becoming more common," states the Bank. "There are also new forms of money being developed – such as cryptocurrencies. These innovations in services and technologies present challenges and opportunities for the future of money."

In April 2023, the Bank noted that the monetary system "may need significant changes to meet these challenges" to ensure central bank money continues to provide a value anchor for private money, New Zealanders have financial and social inclusion, and can enjoy safe and reliable ways to pay and save. Among the changes being considered are the introduction of a central bank digital currency and new rules or service requirements for banks and retailers and for the providers of new types of private money such as digital currencies.

> "Usage of mobile wallets has grown rapidly, but the costs associated with these services remain opaque and payment service providers can face barriers to access. We will need to consider whether regulatory action is needed in this area.
>
> Michele Bullock, Governor of the RBA, Reserve Bank of Australia

One of the main concerns for corporate treasurers in Australasia has been the significant increase in instant payments volumes, says Roland Brandli, Strategic Product Manager at financial software and managed services company SmartStream.

"In 2023, instant payments accounted for 24% of all electronic payments and this poses challenges on three levels," he says. "First, the amount of different instant payment rails requires management and investment, even with the introduction of the ISO 20022 standard they are not the same and the emergence of regional payment rails will just add to the complications, so choices will have to be made as which rails are to be used and which ones are not," he says.

The second challenge, notes Brandli, is the sheer volume of instant payments, which tend to be higher volume and of lower value. "In many cases, the systems currently in place can just not manage the throughput that is required, so systems that scale much better both horizontally and vertically, will be required."

Brandli says the answer may lie in public or private clouds, but this in itself is a transition that needs to be made by both banks and vendors, and is accompanied by many decisions that need to be made around security, viability, integration and cost. "This will apply not only to the treasury and payment systems," he adds.

The remaining challenge is that of managing customer expectations. "Transitioning to instant payments also changes the expectations of clients, as long as everything goes well the customer loves it, but as soon as there is a problem they will notice." Previously customers were used to a payment taking one, two or three days to clear and if there were a problem there was the potential to fix it without the customer noticing, he says. "Now you don't have that time anymore. Think of it as moving from a nice and comfortable saloon car with a soft suspension to a sports car with a hard suspension, suddenly you feel every bump in the road, it is fast, it is 'state of the art', but not always as comfortable."

Digital payments bring with them expectations around real-time processing, Sean Devaney, Vice-President, Strategy for Banking and Financial Markets at business and IT consulting services company CGI. "Customers, suppliers and even internal departments that are using digital channels to interact with corporate treasury functions, expect their data to

> Real-time treasury is no longer a nice to have for organisations that want to capitalise on potential capital efficiencies, it's a requirement.
>
> Sean Devaney, Vice-President, Strategy for Banking and Financial Markets, CGI

be processed in the same way that their payments are sent and received, that is, in real time. This makes the integration of real-time data channels that support treasury functions critically important, so that treasurers can make decisions based on current information," he says.

There are now more than 60 real-time payment schemes in operation across the world, with transaction volumes growing as more schemes are implemented, says Devaney. "According to the RBA the monthly volume and value of payments being processed through the real-time NPP scheme has more than doubled in the past two years and now regularly exceeds 120 million payments for a value of over AU$140bn."

There are benefits to the treasurers too, he notes. "Real-time payments mean that treasurers are able to make more efficient use of funds by managing liquidity more efficiently. Real-time treasury is no longer a nice to have for organisations that want to capitalise on potential capital efficiencies, it's a requirement. Corporate treasurers can leverage real-time payments and settlement to allow themselves to become more efficient in handling money in as well as money out."

Commenting in an article in the Australian Corporate Treasury Association's 2023 magazine, Leigh Mahoney, ANZ Bank's Head of Wholesale Digital, noted that banks are taking into account customers' unique needs, which is a shift from the past when their offerings sought to closely control the customer experience in order to enhance it. Digital banking aims to embed a bank in the activities of its clients to enable them to carry out their financial activities seamlessly.

Describing Australia's PayTo solution, Mahoney writes: "PayTo will change the way treasuries operate in the 24x7 environment created by real-time payments. Specifically, in Australia, we expect PayTo will bring a fundamental shift around how banks provide digital propositions to their consumers, and turn the whole direct debit model on its head." PayTo is a digital payment solution that enables real-time payments directly from bank accounts.

Brandli says real-time treasury is a subject that is "finding more and more attention, especially with the advent of instant payments and the increased volumes of mobile payments and wearables". From a risk perspective of primary concern are that instant payments can lead to significant outflows, which require 24x7 monitoring.

"Most treasury departments are currently not set up to cover these times as payments predominantly to date have been conducted 5x8," he says. "In addition to the risk element comes the strict service level agreements that instant payment systems apply mean that accounts need to be sufficiently funded constantly to allow the payments to go through."

However, when it comes to mobile payments or wearables, risk is less of a problem because payments are pre-funded in the form of a wallet or are dependent on a credit card. "However, as the volumes increase this will also become of more interest to the treasury departments," adds Brandl.

Devaney notes that digital payments, and more specifically real-time payments, have a significant impact on the way that treasury departments should be set up. "The real-time nature of digital payments means that treasury departments need to be able to access other sources of information, such as enterprise resource planning tools, treasury management and FX rates, in real time too. To do this effectively, treasury departments must look at greater automation in their process flows, which in turn frees up staff to focus on customers and their needs," he says.

Globalisation drives the need to operate across multiple geographies and the development of digital, real time and 'always on' cross-border payments mean that it is no longer possible to require operations to wait until the local treasury function is online, adds Devaney.

"Better management of working capital and liquidity pools in different geographies and currencies allows for more effective use of funds across the business, freeing up capital for investment and growth."

He believes that better management of working capital through the effective use of digital payments means that there is less dead time, where monies are in transit and therefore not being used effectively. Funds can be kept where they are needed, when they are needed, reducing the need for multiple liquidity pots in multiple currencies or multiple geographies.

"Corporate treasury departments that have invested in the right technologies to stay ahead of this demand for real-time data are also seeing their role in the business increasing. Rather than just being the money managers of the business, real-time treasury departments are able to provide strategic insight into how the business is performing and generate revenue through optimisation of investment and real-time currency risk management."

Corporate treasurers are having to deal with the development of e-wallets for both payment processing and deposits, but more importantly the way that corporate treasury departments are accessing their own systems is changing with the rise of mobile devices, says Devaney. "It is no longer necessary for corporate treasurers to be in the office, they can access internal systems and make decisions on liquidity and capital assignments from their mobile devices, thus improving the speed of decision making."

TRAPPED CASH AND THE DIFFERENT WAYS TREASURERS CAN REPATRIATE STUCK BALANCES

Worried about trapped cash? Cash is never fully trapped and there are various ways to repatriate it, argues Harish Kumar, Head of Liquidity & Investment Products, Asia Pacific, Global Payments Solutions, HSBC.

In an ideal world, treasury teams would avoid trapped cash altogether, but the markets with the biggest revenue-growth opportunities like large parts of Asia and Latin America tend to be where cash is difficult or expensive to move across borders. In some respects, trapped cash is corollary to international expansion.

In the current high interest rate environment, the opportunity cost of not making the most of the cash surplus available within an organisation is exacerbated. It is, therefore, important for treasury teams to comprehend fully the considerations associated with maintaining large, trapped cash balances and the best ways to manage them.

The first issue is cost. Having fragmented and trapped cash positions offshore – not mobilising them for internal funding needs such as repaying debt at headquarter-level – may result in higher, more expensive, external funding requirements. In the longer-term, having earnings trapped and not re-investing them or distributing them as dividends tend to be frowned upon by lenders and investors.

The second issue is risk. If cash is held in local currency and the currency depreciates (which is common as emerging markets strive to remain competitive), the business may incur losses when the cash is finally repatriated. Country risk is also a consideration as trapped cash tends to accumulate in developing economies where political and regulatory stability can be a concern.

The good news, though, is that cash is never fully trapped and there are various ways to repatriate it, but the timing and the use of proceeds must justify the cost and effort of repatriation.

A first step for a treasurer would be to get real-time visibility on cash balances globally, coupled with the ability to monitor balances at country and currency levels, to make well-informed decisions. An efficient forecasting process will also help treasury teams anticipate future funding needs and determine when and how much cash to repatriate. Treasurers can leverage technology solutions offered by banks or treasury management systems to digitise and automate the cash visibility and forecasting process.

Once the decision criteria to trigger repatriation and the cash visibility infrastructure are in place, treasurers would want to make the most of their trapped cash until repatriation. A company expanding in a restricted market can use the cash to fund local investments. Yield on trapped cash can be optimised through holistic deposit solutions that factor in global balances, enabling businesses to earn better rates in open economies by considering balances held in restricted markets. Agreeing on payment terms favourable to suppliers in exchange for discounts can be another use case of trapped cash.

Lastly, the deregulation trend in the last few years visible in evolutions like China's cross-border cash-pooling schemes; incentives from Malaysia and Thailand to attract regional treasury centers and the emergence of Gift City in India, is encouraging. It's possible trapped cash may become less of an issue in the future.

In the meantime, partnering with international banks with global capabilities and local expertise can help you better manage your trapped cash.

Cracking Vietnamese market demands patience

Vietnam's economic growth and strategic location are appealing qualities for companies looking for a foothold in Asia. But the potential for delays due to a variety of operational obstacles would have to be factored into any investment decision.

Headline economic data for Vietnam makes for encouraging reading for those with a commercial interest in this populous nation on the eastern edge of mainland Southeast Asia.

According to the World Bank, economic growth in Vietnam is projected to reach 5.5% this year, up from 5.05% in 2023 and well ahead of both the global and regional average.

IMF projections for 2024 are even more optimistic (suggesting GDP could reach 5.8%) while UOB reckons growth in excess of 6% is achievable as a result of recovery in the semiconductor industry, stable growth in China and the region, and the likely easing of monetary policy by major central banks.

Peter Ngo has been a keen observer of the domestic market since he assumed the role of APAC Managing Director of Eurostellar (which has imported and distributed technology products specifically designed for industrial and commercial use in Vietnam and other Southeast Asian countries for more than a decade) in May 2020. He is also a Board Member of the Central and Eastern European Chamber of Commerce in Vietnam. When considering investment opportunities in Vietnam, Ngo recommends carefully evaluating cultural nuances. "It is essential to understand local business etiquette – which emphasises adaptability, flexibility and patience – with more focus on the southern region for leisure and fast-moving consumer goods and the northern region for industrial ventures," he says.

Ngo reckons it takes more than twice as long to launch a new product in Vietnam than in Europe and refers to regional differences in customer behaviour. "Customers in the north value brand reputation, appearance and scale, whereas those in the south tend to prioritise value," he explains.

The now-discredited World Bank Group 'ease of doing business' rankings for 2021 (the last year the rankings were published) showed Vietnam ranked a lowly 115 of the 190 countries covered when it came to starting a business.

Investing in Vietnam does not necessitate the creation of a joint venture structure, but the evolving regulatory landscape demands a robust legal team suggests Ngo. "Selecting the right local partner is crucial, alongside managing expectations during the early years," he says. "Emphasising long-term investment over initial expenditure is advisable, which means deferring investments in 'luxuries' such as office space, events and advertising until break-even is achieved."

Domestically, Ngo says a substantial number of small and medium enterprises – particularly in the retail, food and beverage and fashion sectors – are closing down, creating numerous vacant commercial spaces that underscore the stagnation in the real estate market. "The Vietnamese market displays distinctive traits," he says. "Consumer preferences can be a decade behind the more progressive European market and the pervasive influence of Chinese brands and inferior products, coupled with price sensitivity, significantly influences client decisions."

China is by far Vietnam's largest source of imports, with more than US$110bn of Chinese goods entering the country last year accounting for more than one-third of total imports. Despite these challenges, Ngo believes Vietnam is a compelling investment location based on its strategic location in Southeast Asia, population size and demographics. "Vietnam has a robust economic growth rate and many unexplored markets," he says. "Forecasts point to political stability with expectations resting on the new government to strengthen economic growth and resilience. Vietnamese people are lauded for their industriousness, flexibility, acumen and diligence."

PWC's latest guide to doing business in Vietnam suggests the country is well placed to boost its manufacturing base despite uncertainties sparked by global conflicts and supply chain disruption. The manufacturing and processing sector received almost two-thirds of total foreign direct investment in 2023.

This growth has been led by technology manufacturing explains ANZ Vietnam Country Head, Mark FitzGerald. "Global players like Samsung, Apple and Intel (and their key suppliers) have all made large investments in Vietnam and the country also has local champions like FPT, which is becoming an important player in tech support regionally," he says.

FitzGerald agrees that managing an evolving regulatory environment can be challenging and requires patience, adding that any company looking to establish operations in Vietnam should recognise the importance of good advisors and strong partners with local knowledge.

"Vietnam has been hugely successful in negotiating both bilateral and multilateral trade agreements," he continues. "Companies from South Korea, Japan, Taiwan and China are all very active in Vietnam and the recent upgrades of diplomatic relations with the US, Australia and Japan to comprehensive strategic partnerships will open further business opportunities between Vietnam and those countries."

FitzGerald reckons there is plenty of interest from international banks and long-term investors to fund growth and investment, noting conglomerates such as Masan Group, Hoa Phat and MobileWorld have ready access to international syndicated loan and bond markets. "The banking sector continues to develop," he continues. "For instance, recent regulatory changes enable supply chain financing on a limited or no recourse basis for both payables and receivables, which will help local companies to improve their working capital cycle."

Structural reforms are underway to strengthen the banking sector and also to kickstart the real estate market – and even though there have been changes in leadership at government level the overall direction of policies is still predictable.

That is the view of Helmi Arman, Citi's Chief Economist for Indonesia and Vietnam, who agrees Vietnam has been very proactive among ASEAN economies in terms of expanding free trade agreements. UOB is positive about the prospects for the second half of the year with foreign direct investment data suggesting businesses have looked past the political uncertainty in early 2024 and continue to view Vietnam as an important investment destination in the mid- to long-term amid the ongoing reconfiguration of global supply chains.

"The increase in both realised and registered foreign direct investment inflows will further boost domestic activities in the quarters ahead – including construction and employment – and there has been an affirmation of foreign enterprises' confidence and commitment to the country in the current wave of deglobalisation, derisking and supply chains shifts," says Suan Teck Kin, the bank's Head of Research, Global Economics and Markets Research.

But any positivity must be tempered by an acknowledgement that businesses still face significant obstacles. According to Dung Nguyen Hoang, Partner at Kreston VN, these challenges include corruption, bureaucracy, legal grey areas, lack of enforcement of intellectual property rights, inadequate infrastructure and skill shortages.

It was reported last year that Pandora had delayed the opening of its new factory in Vietnam's southern province of Binh Duong from 2025 to 2026 due to issues with its construction licence. The original plan was to commence construction early last year and for production to start by the end of 2024.

Pandora broke ground on its first manufacturing site outside Thailand in May with the Danish Minister for Food, Agriculture and Fisheries describing Vietnam as an increasingly important market for Danish investors due to both the country's conducive business environment and its commitment on net-zero emissions by 2050. "The new site will allow us to grow our total crafting capacity by around 50% and support our long-term growth ambitions," says Michael Zinck Jensen, Program Lead, Pandora Vietnam. "By diversifying its geographical footprint, Pandora will also become more resilient to potential supply disruptions."

Before deciding on a location for the new site, the company reviewed the leading locations for jewellery manufacturing worldwide. "One of the reasons we chose Binh Duong province was its positive climate for foreign investors and support from local authorities," says Jensen. "It is extremely important to engage with local authorities when planning major investment projects."

Fellow Danish company Lego expects its new facility in Vietnam to be operational by the end of the year. Vietnam's trade relations with countries in the Asia Pacific region was a key factor in the decision to locate the factory according to Lego Group CEO, Niels Christiansen. From an export perspective, Grant Thornton's 2024 international business report noted that mid-market businesses were less optimistic about their prospects in the first quarter of this year compared to the second half of 2023.

The percentage of Vietnamese firms expecting to increase export activities over the next 12 months fell from 65% to 63%, while only 53% anticipated an expansion in the number of countries they sell to – down from 66% in the second half of last year. There was also a sizeable reduction in the percentage of companies projecting an increase in revenue from non-domestic markets. "Administrative procedures are still not transparent and limited infrastructure and an incomplete legal system are further challenges," says Nguyen Anh Van, Deputy CEO and Head of Treasury at LPBank, which earlier this year signed a deal with Finastra to modernise its treasury capabilities.

The banking loan market is the primary source of credit for Vietnamese companies, explains Dung. "However, most businesses face difficulties in accessing funding due to not meeting the credit requirements of commercial banks and lacking long-term credit relationships," he adds.

In June, the Asian Development Bank and LPBank signed a financing package of up to US$80m to expand access to finance for women-owned small and medium-sized enterprise projects in Vietnam, which face constraints such as lack of collateral, low financial literacy and higher risk perception by banks. "Not many Vietnamese companies have adequate access to growth finance," says Nguyen. "It is really only multinational companies and industry leaders that have adequate access."

Khoi Vu, a member of J.P. Morgan's Southeast Asia equity strategist team, says a number of processes – including business registration, tax declaration and import/exports customs – have been streamlined and simplified over the last few years. "Areas of opportunity that the authorities are now focused on include information and technical barriers, where some Vietnamese exporters can face challenges in complying with international or destination regulations," he says.

Khoi also observes that the still-developing in-country supply chain means some manufacturers have to import intermediary goods rather than procuring them locally. In addition, competition from other exporters (notably China, India and the ASEAN countries) is set to increase and domestic companies face issues around quality control and scaling up production. "However, there is definitely an opportunity for further private equity or venture capital investment in Vietnam, which will compliment asset-based bank lending and improve companies' access to capital, particularly in their growth phase," he says.

Suan says that after the soft GDP growth and significant declines in international trade in 2023, it is not surprising businesses may be reluctant to take out loans for investment. "As data improved significantly in the first half of 2024 and with expectations of further gains, confidence is likely to return," he says. "The government has been implementing measures to encourage borrowing for investment and expansion, although the State Bank of Vietnam and local banks need to ensure that quality of credit is not compromised."

Suan also called on the government to increase the deployment of fiscal tools to help lift business and consumer confidence by investing in infrastructure and other long-term projects such as education and healthcare.

The power of treasury

Sarah Symes

APAC Senior Treasury Director

Fluence Energy, Inc. (Nasdaq: FLNC) is a global market leader in energy storage products and services, and optimisation software for renewables and storage. With a presence in 47 markets globally, Fluence Energy, Inc. provides an ecosystem of offerings to drive the clean energy transition, including modular, scalable energy storage products, comprehensive service offerings, and AI-enabled optimisation software for managing and optimising renewables and storage from any provider.

Fluence reported revenue of US$2.2bn for fiscal year 2023 and was ranked 37 in Forbes' 2024 list of top 100 Most Successful Mid-Cap Companies.

Sarah Symes, APAC Senior Treasury Director at Fluence, discusses her career path, the challenges and opportunities of starting a treasury team from scratch, and the role of treasury as a trusted business partner.

"The thing that I love most about treasury is that no two days are the same and I get to work with people around the world," says Sarah Symes, APAC Senior Treasury Director at Fluence. "One day I might be liaising with someone in India on a capital injection and the next day I may be helping someone in the UK to come up with an FX hedge structure for a new deal. I've also worked in industries that are completely different to each other."

But while treasury has been an important part of Symes' life for over a decade, it wasn't even on her radar at the beginning of her career. Graduating from the University of Sydney with a Bachelor of Commerce degree in accounting and finance, Symes initially took up a position with PwC, qualifying as a chartered accountant in 2008.

"As a tax consultant at PwC, I was advising clients in the retail and consumer product sector," she says. "After I obtained my chartered accounting qualification, I decided – like many good Aussies before me – to move to London, maybe for a year or two."

Looking to do something different while she was living in London, Symes took up a position at Goldman Sachs in the operations risk and control team. However, three months after starting with the firm, Lehman Brothers filed for Chapter 11 bankruptcy, heralding the start of the global economic and financial crisis.

The part of the business that Symes was involved in – client asset protection – was suddenly highly relevant. With their assets effectively out of reach, clients of the investment bank were clamouring to gain access to all available funds.

"I had joined the client assets team," she recalls, "the purpose of which was to ensure that all the cash and securities that the bank held on behalf of clients were appropriately segregated and protected. It was all heavily regulated – and with huge volumes of trading activity every day, just identifying what went into the client pool was very complicated."

New horizons

It was during her time at Goldman Sachs that Symes began to develop an interest in corporate treasury. "I had been working alongside our treasury operations teams, because client cash had to be held in different bank accounts separate to the firm's assets," she says. "It was through my interactions with them that my interest in the world of treasury was sparked."

After six years with Goldman Sachs, Symes moved to Hong Kong where she joined the Asia Treasury Team at General Electric (GE). "That's when I actually started my treasury journey," she says. "My role was to advise and support GE Capital's businesses in Asia which included commercial distribution and structured finance, private equity, aviation and fleet financing and consumer credit cards."

In her role at GE, Symes was responsible for managing the treasury functions for the Asia structured finance and commercial distribution businesses, and subsequently leading treasury workstreams for multiple divestments when GE decided to exit all financing businesses. "The treasury division at GE was a well-oiled machine, with cash management specialists, hedging specialists and funding specialists and a sophisticated treasury infrastructure," she recalls. "As my first treasury role, it was a fantastic opportunity to learn how complex treasury organisations are run."

Starting treasury from scratch

After a couple of years at GE, Symes took up the position of Group Treasurer at Speedcast, a remote communications provider operating in 40 countries to provide satellite communication systems and IT services to clients operating in remote locations in the maritime, energy, mining and cruise industries, as well as governments and NGOs.

Symes found that the new position presented both challenges and opportunities. In contrast to GE, Speedcast had "a group treasury team comprising two people – one of which was me. It meant that I had the opportunity to start the treasury function from scratch, setting up regional teams and building out the treasury infrastructure."

At the time, the company was pursuing high growth through mergers and acquisitions. When the time came to refinance its debt facility, the company decided to pivot to the US debt market. "We ran the process to evaluate whether we should go down the path of doing term loans or bond issuances. Once we decided we were going to issue a Term Loan B, we ran the RFP process to choose which banks would help to anchor us in that."

With the existing CFO having left the company, and the new one yet to start, Symes found herself working with the CEO and one other colleague to get the project off the ground. "I hadn't done any debt financing before, so it was truly a baptism by fire," says Symes. "It was such an amazing learning experience, and I've taken the knowledge I gained there to all my subsequent roles."

When the company's ownership changed, and the headquarters moved to the United States, Symes decided to remain in Asia. Moving from Hong Kong to Singapore, she took up the position of Group Treasurer at Vistra, a global corporate services company and fund administrator. In this role, her focus was to integrate the treasury functions for multiple businesses which had been acquired and centralise cash across more than 20 businesses by implementing a cash pooling structure. This enabled the group to undertake further mergers and acquisitions, which eventually led to its US$6.5bn merger with the Tricor Group in 2023.

Pastures green

Having helped to prepare Vistra for its eventual merger, Symes believed that the time was right to take on a new challenge. Armed with the knowledge and skills that she had acquired in three very different treasury functions, she decided to take on the responsibility of developing the APAC treasury of a young company operating in a relatively new industry and joined Fluence in January 2024.

Listed on the NASDAQ since 2021, Fluence is a global energy storage solutions provider that has been playing a large role in the transition to clean energy. Given that wind turbines and solar panels often produce electricity at times when demand for energy is low, the company has developed solutions for storing that electricity until such time as it is required.

Although still very young, the company has expanded significantly since its NASDAQ listing. "From a tactical point of view, it's about navigating the capital and funding needs of a very high growth business," says Symes. As well as the challenges, she observes that working for such a new company comes with some exciting opportunities: "It's like starting with a clean slate. If this was a more established organisation, change would be much harder to navigate."

Transforming treasury

Symes believes that a key part of this change lies in harnessing opportunities to transform treasury, and as such she is looking forward to the prospect of automating manual processes wherever possible. As well as providing efficiency gains, she notes that digitisation can also be harnessed to access data in a coherent and structured way.

Alongside adopting a new ERP, the company has plans to implement a new treasury management system (TMS). "Treasury has to be data driven, and in order to do that we have to automate as much as possible," Symes notes. "There is so much technology available, and yet when I speak to other treasury professionals, many of them still do their cash flow forecasting with spreadsheets."

In addition to the efficiencies that can be gained through treasury transformation, she is looking closely at liquidity structures and how the company can better centralise cash through the new TMS. "Virtually every treasurer will say that market volatility is front and centre of mind," she says. "The question is, how do we manage that in an increasingly challenging world, and put in place practices that can help us prepare for events that may be just around the corner?"

Managing risk

Naturally, risk management is an important area of focus. As Symes points out, "One of the key roles of a treasurer is to manage risk for the company – and that involves having clear and robust policies in place." One major concern is the question of cybersecurity. Like many treasurers, Symes has previously encountered extremely sophisticated attempts to get treasury teams to make fraudulent payments.

Staying on top of new and emerging threats is an ongoing exercise. "Historically, you'd use callback as the mechanism to confirm a new vendor's bank account details, or before making a large everyday payment," Symes says. "To make sure that the payment is going to the right bank account, you would get an independent person to do the call back. But if those calls can be intercepted, we need then to think about how we can protect ourselves."

The role of artificial intelligence in treasury has become a major talking point in the last couple of years. And where fraud risk is concerned, Symes argues that AI has much to offer in helping alert businesses to unusual payments.

"Some treasury management systems are already using AI to identify suspicious payments by analysing what has been done in the past," she says. "They can highlight things that are unnoticed and small, but that cumulatively add up, to protect the company and help with risk management strategies."

Business partners

In the past, treasury has often been seen as a siloed part of the company. But in recent years, Symes believes treasury departments have become steadily more integrated with other functions across the business. "I think a lot more CEOs and CFOs understand how important it is for treasury to have a seat at the table, and I see them increasingly partnering very closely with their treasurers," she notes.

For Fluence, this includes playing a key role during contract negotiations with clients – a role in which treasury advises not only on financing, but also on topics such as FX rates and locking in contract values in US dollars. "When it comes to negotiating contracts, there are nuances," Symes adds. "Clients may be asking for things that we have not seen in other markets."

Symes also has a part to play in the company's budget discussions, where topics that might otherwise be seen purely as treasury concerns are considered in light of the overall business strategy. "As much as we're talking about revenue and margins, we are asking, 'what does this mean for cash? How do we make sure that we've got the right liquidity? Have we got the right banking lines in place?'" Symes explains. "It's a very holistic approach to the business. At the end of the day, most companies don't fail because they run out of revenue. They fail because they run out of cash."

> "The treasury division at GE was a well-oiled machine, with cash management specialists, hedging specialists and funding specialists and a sophisticated treasury infrastructure.

Cash matters

As such, Symes argues that the focus on effective cash management has likewise intensified in recent years. "Cash management has tended to be something that just happens in the background," she explains. "I think that's really changing. More and more organisations are realising the importance of not only protecting the cash, but also making it work for them."

With the interest rate environment of the last year making it easier for businesses to get relatively good returns on their cash, she believes that a shift to lower rates would prompt a re-examination of priorities. "As rates start to get cut globally, treasurers are going to be on the hunt for the best return. And although they might get a two- or three-year fixed deposit at a pretty healthy rate, that would be a relatively long tenor. The question is, would a company want to tie up its cash for that length of time?"

In her view, another important part of the treasurer's role is to educate the various stakeholders of the business. "Just because something has been hedged doesn't mean that there is no downside – it means that that downside has been limited and that the company might not be benefitting from any possible upsides."

Symes believes that as treasury continues to evolve, it is increasingly being seen not just a cost centre, but rather as a department that can add value to the business. "Although it's not our key function, treasury can definitely improve the profit and loss situation of a company," she states. "With the right investment strategies in place, and with the best pricing from the banks, treasury can make money as well as save it."

Last word

Having two young children means that most of Symes' free time is taken up with her family. However, she enjoys learning new skills whenever she gets the chance and has recently learned how to play Mahjong, the Chinese tile-based game. And although she has yet to develop a real love for running, she is proud of the fact that she recently completed her first half marathon.

Reflecting on her career to date, she says that working in treasury creates an "incredibly transferable" skillset, which can apply to any business. "I've worked in four different cities, and four different industries," she concludes. "Treasury is such a dynamic and varied function, and it gives you an opportunity to really understand and partner with the business."

Building bridges with procurement

Treasury and procurement may have different or even competing priorities – but there is also plenty of common ground between the two functions, particularly where working capital is concerned. So how and why should treasurers go about nurturing a closer relationship with procurement?

Treasury and procurement may be two separate functions within the organisation, with goals that are not only distinct, but can sometimes even conflict with each other. But as the role of the treasurer has become more strategic, there is a growing opportunity to build a closer relationship with procurement.

This, in turn, can drive improvements across numerous treasury activities, including cash flow forecasting, bank relationships, and, crucially, working capital management.

"While treasury and procurement cover very distinct functions, they have more in common than people may think," says Thomas Mehlkopf, Head of Working Capital Management at working capital solutions provider Taulia.

"In brief, procurement focuses on securing supply and managing supplier relationships, while treasury manages financial risks, securing the 'liquidity supply chain' and managing banking relationships."

Although these functions often operate separately, he notes there are also areas of overlap, especially when it comes to working capital management. "When connected in the right way, these parts of a business are a powerful and transformative force," he adds.

Nevertheless, the two departments' different core objectives can sometimes result in areas of conflict – and understanding both these alignments and conflicts is crucial when it comes to enhancing cooperation and achieving the overall goals of the business, explains Amit Pathak, Senior Manager at Deloitte Global Treasury Advisory.

"Sometimes there might be a conflict. During disruptions, for example, procurement may want to build more inventory and

Procurement challenges around the world

Procurement teams have faced unprecedented challenges in recent years, from the sourcing issues that arose during the Covid pandemic to the impact of geopolitical conflict and soaring inflation.

KPMG's 2023 Global Procurement Survey found external challenges included inflationary pressure/ increase in commodity prices (83%), the risk of supply disruption (77%) and demand uncertainty (63%).

But the survey also highlighted the challenges for procurement professionals. Internal challenges, meanwhile, included limited data and insights (54%), outdated systems (50%) and a lack of stakeholder collaboration (44%).

Meanwhile, a survey published by Gartner in November 2023 found only 14% of procurement leaders were confident in their talent's ability to meet the future needs of the function.

Spotlight on APAC

Amit Pathak, Senior Manager at Deloitte Global Treasury Advisory, says that "while the Covid days are well behind us, companies in the Asia Pacific region continue to encounter significant procurement and sourcing challenges.

"Geopolitical tensions, particularly involving China, have disrupted supply chains, compelling procurement teams to seek alternative supply sources," he explains. "Trade restrictions, tariffs and political instability in some countries add further complexity.

"Fluctuations in raw material prices, driven by global demand and supply imbalances, are impacting procurement budgets. Procurement is also urged to localise input costs due to sanctions and foreign currency exchange issues."

Meanwhile, despite traditionally low labour costs, rising wages and inflation in countries like China and Southeast Asia are posing challenges. "Companies in APAC are increasingly embracing digitalisation and integrating technologies like artificial intelligence (AI), blockchain and the Internet of Things (IoT) for supply chain management, while aspects of trade finance remain largely paper-based," says Pathak.

increase stock levels, while treasury would like to keep the funding costs low and would not like to lock excess funds in the inventory," he says. "Another example may be getting the right trade-off between extending payment terms (treasury priority) versus helping your smaller suppliers' cash flow (procurement priority)."

He argues that an aligned process from the top and cross-functional teams, that takes into consideration the objectives of both teams with a long-term view, can help to resolve such conflicts. "Similarly, payment terms, supplier selection, FX risk management and capital allocation are some areas where treasury and procurement teams need to align the approach to avoid conflicts, or worse, a stalemate situation."

Areas of overlap

Although treasury and procurement often operate separately, the areas of overlap mentioned by Mehlkopf mean there is much to gain by bringing the two departments closer together.

For one thing, the impact of sourcing challenges and supply chain disruption can reverberate far beyond the procurement function. At the same time, working capital management is an activity in which both treasury and procurement have critical roles to play.

Pathak points out that supply chain disruptions and working capital optimisation "have been the top trends impacting the treasury function in the last few years. With supply chain risks top of mind, treasurers are focusing on optimising supply chain finance, and are working more closely with the procurement team than ever before."

Nicolas Helmstaetter, a treasury expert in SAP's Global Treasury, observes that the relationship between treasury and procurement is becoming increasingly important both for efficient and optimised working capital management, and to support cash flow. "At SAP, we are currently undergoing a massive transformation with significant impacts on financials and strategic priorities," he says. "In order to do so, collaborations between different finance departments have been intensified and efforts have been aligned."

United front

There are a number of activities which can benefit from closer coordination between treasury and procurement. According to Pathak, "Anything that involves longer payment terms, paying suppliers on time, managing inventory levels to release working capital for business, or managing the increasingly complex sanctions environment, can benefit from shared input by both functions." He notes that working together on payables issues can not only help supplier relationships on the procurement side, but also help to strengthen bank relationships due to the business presenting a united front.

"Card and payables implementations are generally at their quickest, and adoption has accelerated, when we've had procurement and treasury together in the room," he adds. "As a treasurer, it is critical to have procurement's buy-in, feedback and cooperation when establishing a SCF programme, particularly with an ESG focus."

With a focus on working capital optimisation, Pathak says treasury can extract more value out from initiatives if it has buy-in from procurement for managing inventory levels, supplier terms and purchasing, as well as financing strategies. "Integration between TMS and procurement systems can also enhance data sharing and process efficiency for both teams," he observes.

Helmstaetter, likewise, says working capital management is a cross-team effort that cannot be handled by a single department. "It is important that there needs to be a clear working capital strategy in place," he says. "For example, treasury might vote for extended payment terms to benefit cash flow from a working capital perspective, but procurement might negotiate discounts, and at the same time accept shorter payment terms, depending on how the teams are steered." Without alignment between the departments, he points out that single actions may trigger opposing and unwanted effects.

Beyond working capital, Mehlkopf notes the coordination of procurement and treasury strategies is crucial where cost management is concerned. "With procurement's eyes on supply chains, and treasury's on FX and interest rates, both bring valuable information to predict and manage risk – protecting their company from financial and supply chain disruption," he adds. "Collaboration also enhances financial planning, as procurement holds insight into future purchasing needs and potential cost trends, which can support the treasury function in preparing forecasts and budgets."

> Procurement focuses on securing supply and managing supplier relationships, while treasury manages financial risks, securing the 'liquidity supply chain' and managing banking relationships.
>
> Thomas Mehlkopf, Head of Working Capital Management, Taulia

Building a closer relationship with procurement

It's clear treasury teams have much to gain from building a closer relationship with procurement. As Mehlkopf explains, "It is vital that these functions engage in coordinated strategies, such as negotiating payment terms and implementing supply chain finance supported by shared KPIs. This ensures a strong relationship between teams and establishes a communication cadence – both essential for supporting optimal cash flow and helping the company achieve its long-term goals."

Treasurers are taking note. Pathak observes that more treasury teams are initiating a dialogue and closer collaboration with procurement teams in order to enhance cash flow management, and manage risks or surprises. "Effective cash flow optimisation strategies implemented by corporate treasury can yield substantial savings for the company," he says.

But for some strategies – such as enhanced cash flow management, ESG initiatives and strategic planning and budgeting – "treasury needs the full support of the procurement team."

Likewise, procurement also needs help from treasury teams to be innovative and provide efficient financing options to suppliers, "which can ultimately help with the negotiation leverage."

Achieving this needn't be a major undertaking: as Pathak points out, "treasurers can support procurement naturally through some of their core competencies. This includes efficient cash management, SCF, and know-how when assessing certain suppliers' creditworthiness and financial stability."

Noting that having both functions on the same page can be "a big win" for the organisation as a whole, Pathak says there may be many useful instruments in the treasury toolbox that can help procurement have richer discussions with suppliers and gain a better view of internal spending needs.

"Another tool is the close ties that the treasurer has with the business's core banking group," he concludes. "Opening up that element to the procurement team, when appropriate, could be critical."

Building bridges within the organisation

Nicolas Helmstaetter, a treasury expert at SAP Global Treasury, notes the following topics are key when it comes to building closer relationships with other departments:

- **Holistic financial management.** Treasury requires visibility across the business to effectively manage the organisation's overall liquidity (risk). Relationships with departments like Controlling, Tax and Accounting ensure treasury has the necessary information for accurate financial planning and analysis and vice versa.
- **Agility and responsiveness.** Closer relations with various departments enable treasury to respond more effectively to changes in business conditions, such as shifts in revenue forecasts or extraordinary expenses.
- **Strategic decision-making.** Access to insights from different areas of the business allows treasury to contribute to broader strategic initiatives, ensuring that impacts on liquidity and cash flows, for example, are integrated into company-wide decision-making processes.
- **Risk management.** Building cross-departmental relationships enables a comprehensive approach to risk management by identifying and mitigating risks that come from different parts of the business.

Evolution of the C-suite

Recent years have seen the emergence of new C-suite titles, while the CFO's responsibilities are likewise evolving. So what do these changes mean for corporate treasurers and banking relationships? And how can treasurers advance the profile of the treasury function within the organisation?

It's no secret that the makeup of the C-suite has evolved in recent years, as Stella Choe, Global Head of Corporate Coverage, Corporate and Investment Banking at Standard Chartered, explains. "Today's dynamic business environment – driven by rapidly evolving technology, digitalisation and changing macro conditions – require companies to rethink their leadership capabilities to navigate complex challenges and ensure sustainable growth," she says.

Until a few years ago, the classic composition of the Executive Board was the CEO, the CFO, and depending on the company, "one or more division heads, and perhaps a legal counsel," says Thomas Stahr, an interim treasurer and treasury project specialist based in Switzerland. He adds that with the rapidly growing demands of digitalisation, a CIO "is increasingly being appointed to the Executive Board. This means that IT, which was often managed as a sub-department of the CFO, has developed from a pure service provider into an independent pillar of the company."

Furthermore, an increasingly diverse collection of C-suite titles has arisen in recent years. As Choe explains, these include Chief Sustainability Officer (CSO), Chief Digital Officer (CDO), Chief Information Officer (CIO) or Chief Innovation Officer (CINO), Chief Experience Officer (CXO), Chief AI Officer (CAIO) and Chief Growth Officer (CGO).

Where hiring patterns are concerned, a **survey by LinkedIn** noted that the fastest growing C-suite roles in 2022 included Chief Diversity and Inclusion Officer, Chief Delivery Officer, Chief People Officer and Chief Growth Officer.

Meanwhile a **2021 white paper published by the World Economic Forum** explored 'The Rise and Role of the Chief Integrity Officer'.

But not all of these new roles carry the same weight. As a recent article by the BBC explains, "Not everyone with 'chief' in their title sits with the executives at the top of the pecking order, and not everyone in the C-suite is labelled a chief."

Treasury as strategic partner and innovator

Alongside these changes, the role of the treasurer is also undergoing something of a shift. Ten years ago, treasurers were the primary point for payments, the movement of cash and forecasting within the organisation – but today, treasurers are taking on a bigger role than ever before, argues Sue Caras, head of Global Commercial Banking, Global Payments Solutions at Bank of America.

"Treasurers are at the strategic centre of these large matrix organisations," she says. And while day-to-day partnerships may previously have included areas such as accounts payable, accounts receivable, procurement, tax and accounting, Caras notes that this is now expanding to include a larger group of stakeholders.

"At the centre of that would be the information technology team," Caras notes. "Many corporates also have data scientists. Shared service centres are becoming more prevalent. Treasurers are also working in close coordination with risk management and investor relations." Alongside these changes, another significant development is the emergence of the Chief Sustainability Officer.

As treasury services have become more digitised, decision making has expanded to include a company's technology and payments teams. Caras cites the example of a company that is exploring merchant processing.

"The conversations might begin with the treasury team, but they will quickly pivot to the head of payments or the Chief Technology Officer, who would assess the technology requirements for adopting merchant processing," she says. That could include how to integrate with multiple software vendors, point of sales systems and automated reconciliation processes. "So while treasury might be responsible for choosing the processor, their decision will lean heavily on the due diligence conducted by others around design, cost, the implementation schedule, and what return it will bring to the company and its customers."

Responsibility for treasury technology decisions can similarly extend beyond treasury and the CFO. Stahr observes that the conversion of an ERP from SAP R/3 to S/4HANA often leads to processes being coordinated by the CTO or CIO alone, "especially from the core accounting and operational control applications," with the CFO only responsible for the financial resources. Likewise, decisions about a central treasury system "stand or fall with the opinion of the CIO", who is ultimately responsible for the compatibility of the treasury system within the group's other IT systems.

Evolution of the CFO

Alongside the rise of other C-suite roles, the CFO's responsibilities have also undergone something of a shift. A survey by Accenture found that 93% of CFOs agree the responsibility they've been entrusted with today feels much greater than in the past, while 86% said that the speed of strategic decision making had increased.

According to Caras, the evolution of the CFO's role is having a knock-on effect on the treasurer's responsibilities. "More often than not, we are seeing CFOs asking treasurers to do large scale project work, such as ESG-linked loans, co-ordinating with investor relations, or shareholder meetings," she says. "The shift in the treasurer's role to be more strategic just continues, and it now includes proficiency in digitisation and technology. That's helped free up the CFO to be a partner to the CEO around the overall direction of the business."

Likewise, the CFO is increasingly leaning on treasury to lead innovation. Caras cites the example of a large construction company which was competing for talent in the midst of an industry-wide staffing shortage. "One of the ideas raised by the treasurer was to use a real-time payments model to pay the construction workers faster," she says. "Instead of paying them on a two-week cycle like everyone else, you can accelerate payments on a daily basis or on a project basis, making the company more competitive." As a result of this shift, Caras argues that treasury is increasingly seen as a high value group for the company, which in some cases is resulting in a higher headcount.

Multi-dimensional relationship

Against this backdrop, Sander van Tol, Partner at independent treasury and risk consulting firm Zanders, believes there are two ways of looking at the relationship between banks and their corporate clients. "The traditional view is that of 'relationship centralisation', where all bank-related discussions are primarily focused on the treasurer," he explains. "The treasurer is the main client and decision maker from the banks' perspective and acts as a liaison officer in case other corporate functions need to be involved."

The new view, however, is of a more multi-dimensional relationship. This involves banks broadening their service offerings to their client portfolio, with the goal of being more relevant to the entire financial value chain for corporations. "These new services are targeted to deliver value on the primary business activities of corporates, like offering embedded finance, financial marketplaces, platform-based models, innovative payment services, etc," says van Tol.

"Another dimension is that the traditional banks are also facing more competition from new competitors like neobanks, credit funds and payment service providers. These innovators do not have the traditional relationship with or via the treasurer but focus directly on the business." As a result, van Tol says traditional banks both want and need to cover certain market segments, while broadening their service offerings.

C-suite evolution: the impact on corporate banking relationships

"The evolution of the C-suite has altered the dynamics between banks and corporates," says Marianna Polykrati, Group Treasurer of Greek aquaculture company AVRAMAR. "Banks now recognise the importance of tailoring their interactions to meet the specific needs of different roles within the organisation." For example, she notes that a CTO may focus on the technical integration of new financial services, while a CSO might be more concerned with how these services align with the company's strategic goals.

"I believe that further to the treasurer, the banks shall be interacting with the CFO, for financial oversight; the CSO, for the alignment of the financial services with long-term strategic objectives; the CDO, to drive the digital transformation initiatives; and the CTO, to ensure the integration of technology," says Polykrati. "It is essential for banks to understand the unique perspectives and responsibilities of each role to foster effective collaboration and deliver value."

When a company upgrades its cash management system, she says discussions with the banks should include "the CFO to understand financial requirements, the CTO for technological integration, and the CSO to align the system upgrade with the company's broader market expansion strategy."

Furthermore, she says that implementing a new treasury management system (TMS) requires close collaboration with the CTO for technical deployment, discussions with the CDO to integrate data analytics capabilities, "and consultations with the CSO to ensure that the new TMS supports the company's strategic pivot towards sustainability and green financing."

Holistic approach

According to Choe, a more diverse set of C-suite decision makers creates opportunities for banks to better understand their clients' challenges from different perspectives, and to support their needs more holistically. "We engage multiple C-suite decision makers across a client's global organisation to gain a deep understanding of their business challenges end-to-end," she explains. "Then we deploy our experts and fintech partners to co-create solutions that address the breadth of those challenges.

"For example, we are working with clients, SC Ventures (our innovation, fintech investment and ventures arm), and ENGIE Factory (the startup studio of French multinational utility company, ENGIE Group) to co-create solutions for financing conservation projects through the use of carbon credits."

In particular, Choe says the bank increasingly works with CSOs to help facilitate the investment required for companies' ESG and energy transition agendas. "This includes building ESG-compliant supply chains and supporting businesses such as CleanTech and Electric Vehicles," she continues. "These interactions are tailored to include the wider range of business stakeholders who work with the CSO."

For many of the bank's clients, technology is the driver of the entire business ecosystem. Choe says that for companies which are looking at new digital business models, the bank typically engages chief commercial officers alongside treasury, finance, technology and customer service teams. "These collaborative engagements enable faster go-to-market for digital-first products, subscription economy offerings, and direct-to-consumer distribution models," she says.

Strategic dialogue

At the same time, banks that engage with multiple stakeholders across the organisation will need to tailor those conversations to different departments' specific goals and priorities. "As an advisor to big matrix organisations, we modify our approach according to the department. The priorities of those groups are slightly different, so the positioning and advice we provide needs to be different," says Caras. "For example, in a conversation with the accounts receivable department we might share best practices to automate manual tasks and reduce errors. Whereas in a conversation with the treasurer, we might discuss the ROI of introducing robotics and AI across the company."

The focus of conversations about fraud risk and cybersecurity will likewise vary depending on whether the bank is talking to the accounts payable team or IT. "These are going to be similar conversations, but accounts payable will be focused on getting fraud out of the system, whereas the cyber conversation is going to be more targeted towards the IT team and the protection of their systems," she notes.

As such, Caras emphasises the importance of having a strategic dialogue with all relevant stakeholders within the client's organisation. "It's about positioning the conversation so that every individual understands the importance, the pros and cons and the benefits of implementing a solution. At the same time, you have to bring that conversation back up to the treasurer so that they can understand what it means for them more strategically across the organisation."

> "Treasury hasn't always evolved enough in this space, leaving certain territories uncovered, like digital payments or marketplaces.
>
> Sander van Tol, Partner, Zanders

Advancing the treasury function

Treasurers may find their role in leading bank relationships is somewhat diluted as a result of this shift. "Unfortunately, treasury hasn't always evolved enough in this space, leaving certain territories uncovered, like digital payments or marketplaces," says van Tol. "That's why banks have developed new relationships and have started talking to areas within the companies who have a certain need or are responsible for key areas like customer experience and IT/ data integration."

He argues that if treasury wants to reclaim its leading position in the company/bank relationship, it first needs to advance the treasury function. One way that this can be achieved is by building a more diverse treasury team that includes staff with strong business experience, in contrast to a traditional treasury team which may be composed only of experienced treasury and finance staff. This may mean including non-traditional treasury profiles with a deep understanding of areas such as digital channels or IT.

"Another element to advance is that treasury should also have a clear mandate to own everything in the group related to payments and collections, borrowing and lending and financial risk, including bank relationships, non-bank provider relationships (PSPs, etc), and payment and collection methods," says van Tol. "In a number of firms we've spoken to, treasury teams are still really struggling to even get a basic overview of what is in place in the various business, let alone build the governance and competencies to own/manage it."

Given the evolution of corporate treasury to become a strategic business partner, Choe says treasurers can no longer just focus on managing costs, payments, governance and risks. "They need to become 'finance technologists' supporting C-suite executives in making strategic decisions that enhance customer and supplier experience and facilitate collaboration across their organisation."

Stahr, meanwhile, argues that it is up to treasurers to convince their superiors "that treasury does far more than just being responsible for payment transactions. That treasury ensured the survival of many companies not so long ago in 2019-2021. And that treasury provides considerable measurable added-value for the group, qualitatively and, above all, quantitatively. Treasury will then also receive more attention in strategic decisions."

TAKING STOCK OF HONG KONG

Economic uncertainty in the US has dealt another blow to the embattled Hong Kong stock exchange.

Data from Dealogic highlights the extent to which companies have been abandoning the Hong Kong stock exchange. More than $9.5bn disappeared from the Hang Seng Index in the first half of this year – more than the combined total for the previous three years – with consumer products giant L'Occitane International the highest profile departure.

Company Chairman and Director, Reinold Geiger, said the move would make it easier to pursue strategic investments and more efficiently implement strategies "free from the pressures of the capital markets' expectations, regulatory costs and disclosure obligations, share price fluctuations, and sensitivity to short term market and investor sentiment."

Trading in L'Occitane International was suspended yesterday (7th August) after its shareholders voted to take the company private. Such deals accounted for $3.75bn of the value wiped off the Hang Seng Index in the first six months of 2024.

Cheng Chor Kit, Chairman and CEO of investment holding company Kin Yat Holdings said coming off the exchange would enable the company to make "notable savings in expenses" while CIMC Vehicles also referred to the costs of maintaining a listing, adding that low trading volume and limited liquidity made it difficult for the company to effectively conduct fund raising exercises on the Hong Kong Stock Exchange.

In addition to these confirmed deals, there has been intense speculation around the intentions of Samsonite and Chinese sportswear firm Li Ning. Li Ning's eponymous Executive Chairman and Co-Chief Executive is said to believe the company is undervalued on the Hang Seng Index, while Samsonite CEO, Kyle Gendreau, has confirmed that the company is pursuing a dual listing "to enhance value for shareholders."

The frustration for Hong Kong's financial market is that just as it was showing tentative signs of a return to positive investor sentiment, the Hang Seng Index has been rattled by fears of recession in the US.

Chris Zee, Head of Equity Advisory Asia at BNP Paribas notes that the market has rallied since mid-April, driven by a comprehensive easing of China's property policies and an increase in the profitability of China's industrial enterprises.

However, his observation that "valuation remains cheap at less than ten times forward price-to-earnings multiple" underlines the problem the exchange has in persuading companies to undertake or maintain listings.

According to data from World PE Ratio, Hong Kong stock exchange's price to earnings ratio is rated 'fair' (neither under- nor over-valued).

The prospect of an emergency interest rate cut by the Fed has direct implications for the special administrative region of China since its currency is pegged to the US dollar. The Hong Kong Monetary Authority has acknowledged that Hong Kong dollar interbank rates will stay relatively high for the time being, while the future rate path remains uncertain.

"We now expect the Fed to deliver an initial string of three consecutive 25bp rate cuts in September, November and December," says David Mericle, Chief US Economist at Goldman Sachs. "We expect faster cuts because the funds rate looks more clearly inappropriately high, the Fed looks behind – having worried too much about inflation for too long and held steady in July – and the rationale for cutting now includes the more urgent priority of supporting the economy."

In a speech to the inaugural HSBC Global Investment Summit in April, John Lee, Chief Executive of Hong Kong said his administration was considering additional measures to boost the Hong Kong stock exchange.

But with further delistings anticipated – and uncertainty around technology stocks in particular – it seems the Hang Seng Index is set for further pain over the remainder of the year.

Harnessing AI in cash management

Cash flow forecasting might be the killer application for the deployments of artificial intelligence in treasury in the near term. But what should treasurers be mindful of when implementing the technology? Is AI expected to reduce headcount in treasury teams?

Artificial intelligence (AI) is touching every aspect of our lives and treasury is no exception. Many treasurers across the globe are exploring the potential use cases, as well as the challenges, that the technology presents. "Treasurers can't ignore AI," says Royston Da Costa, Assistant Treasurer at US distribution company Ferguson, who is also a Senior Lecturer on AI at the Centre for Finance, Technology and Entrepreneurship, in partnership with the Association of Corporate Treasurers.

He believes that treasury departments need to embrace AI as part of the current wave of technology change. "In treasury, we are at a pivotal point in the way in which technology is playing an increasingly huge part in our day-to-day operations," he adds.

According to Strategic Treasurer and Cash Management Leadership Institute's **2024 Generative AI (GenAI) in Treasury and Finance Survey** report, treasurers are "unequivocal" in their support for AI and GenAI.

The research found that while only 25% of corporate treasury respondents considered themselves to be 'very familiar' with AI, the vast majority (83%) of those currently experimenting with the technology expected to expand their use.

Cash flow forecasting (CFF), a perennial problem for treasurers, is the top challenge that those polled think AI will address in the near term. Interestingly, more than six out of ten (62%) treasurers were confident that they would roll out AI technology to support CFF needs within two years, while 35% thought they could do it within one year. The survey found that one in 11 are already piloting AI technology for CFF.

Optimising treasury

Da Costa agrees that CFF is an area ripe for AI. "AI has the capability to analyse vast amounts of data. It not only looks at historical data, but can also forecast complex scenarios," he says. "However, not every corporate will jump into using AI for CFF without having a better knowledge of how to use and apply it effectively."

According to Elena Strbac, Global Head, Data Science and Innovation, Corporate and Institutional Banking at Standard Chartered Bank, AI's potential to predict future cash flows will allow treasurers to better anticipate liquidity needs of the business, avoid cash shortfalls, minimise borrowing costs and optimise cash reserves. "The increasing use of application programming interfaces (APIs) among corporate treasuries is an important enabler of AI-powered cash and liquidity models, as real-time data such as account balances and alerts will be key inputs to AI predictions," she adds.

Expanding on Da Costa's point, Strbac says explains AI algorithms can ingest multiple internal and external data sources including balances, alerts, historical cash flows, accounts receivable/accounts payable, macroeconomic indicators, and foreign exchange (FX) volatilities.

"Algorithms can then be trained to predict cash flows, trends and anomalies, or to predict reconciliation discrepancies between payments and invoices in the enterprise resource planning system – ultimately allowing treasurers to better optimise their resources," she says. This is important in the face of high market volatility and uncertainty, according to Nils Bothe, Partner, Financial Services, Finance and Treasury Management at KPMG.

"Treasurers are more mindful of their liquidity to cope in times of crisis. Being able to accurately predict cash flows is critical for effective financial management to make informed business decisions and for eventual long-term success," he says. "With AI and machine learning, it becomes easier to create automated and accurate forecasts to minimise risk and optimise decision making."

In a centralised cash management structure like Ferguson's, AI could prove useful in applying advanced analytics in dynamic liquidity planning and working capital optimisation, according to Da Costa. In addition to CFF, Strbac thinks that AI could be leveraged for stress testing, scenario and sensitivity analysis, to predict the impacts of external market factors and internal financial strategies on the overall liquidity.

Bothe agrees, saying that treasurers are ideally looking for "stress testing at a button". He reports that key treasury management system (TMS) providers are integrating AI into their cash management and liquidity planning modules, making use of modelling options such as autoregressive integrated moving average, additive regression and neural network regression. "Eventually these tools will evolve to cover complex relationships that may be overlooked by humans. There is value in human expertise, but it can now be combined with advanced AI tools to optimise predictions and prepare for unforeseen events," he adds.

Adoption maturity

As indicated by the survey, most treasuries are predominantly at an experimental stage in their AI journeys. According to Strbac, this means they are focusing on developing frameworks that will enable them to measure the impact and success of AI initiatives, identifying the highest priority use cases and building technology stacks that will meet their future AI needs. "More advanced corporate treasuries are already embracing AI, particularly for anomaly and fraud detection," she says. "They are also making advancements with process automation, such as payment reconciliation and payment processing. Traditional rules-based approaches to process automation can still be effective, but combining these with AI leads to more scalable solutions."

Strbac uses the example of checking the quality, completeness and accuracy of payments messages against complex policies and standards. "This may involve a number of deterministic checks, but more complex rules or common errors can be learnt by an AI algorithm," she says.

"AI can then produce a probabilistic alert for a potentially more complex issue to be investigated, providing a smarter layer on top of the rules-based approach that can lead to better data-driven decision making." Interestingly, Ferguson is looking at implementing AI for streamlining a process involving requesting approvers to approve a payment within its TMS solution, reports Da Costa.

KPMG is talking to clients about using specific AI methodologies to identify fraudulent payment patterns that would otherwise be overlooked by humans, according to Bothe. He also points to other use cases, such as transaction tagging, which is matching cash transaction data with bank statement items, and algorithmic trading, which uses AI to autonomously identify and execute trades, manage the risks and order flow. "[The latter] also improves liquidity management by dynamically optimising size, duration and order size based on current market conditions," he adds.

Deployment challenges

In addition to opportunities derived from deploying AI, there are also risks and challenges that need to be factored in. According to KPMG's observations, treasurers remain hesitant to move from the exploration phase to rolling out AI because of data sensitivity concerns, as well as identifying the most value use cases. "The treasury function is a central point of contact for financial information and key figures, and the department routinely collects and processes highly sensitive data. Therefore, treasury needs to pay careful attention to data protection requirements," explains Bothe.

Any deployment of cloud solutions, which are frequently used due to the large volumes of data involved in AI technologies, should be treated with the respective caution, he warns. "It is important to check whether sensitive personal data is stored, where the server is geographically located, whether the data storage meets the company's specific protection requirements, etc," he adds. Unsurprisingly, data protection concerns are paramount when considering ChatGPT and similar publicly accessible AI-powered large language models.

In addition, new ethical demands are placed on treasury due to the use of AI. "Any deployment should be reviewed to determine the extent to which unintended bias or discrimination could occur," Bothe says. He points to the use of AI-based models to predict credit risk, where the models can make predictions based on historical data and other factors such as demographic characteristics and credit behaviour patterns. "These also give rise to new legal issues in terms of liability for AI-based decisions in treasury," he cautions.

Picking up Bothe's point about data bias, Da Costa adds that it is important for treasurers to remember that AI isn't perfect. "It's flawed by the fact that the data is not always accurate nor diverse. If you look at forecasts that are always skewed to a demographic that had been inputting that data, then you're not going to get the best possible outcome from that data," he says. "However, that's slowly changing."

Strbac identifies other key challenges for treasurers to navigate, such as recruiting talent with skills in machine learning, reinforcement learning and GenAI, in locations that are aligned to business operations and footprint.

From her perspective, working with the organisation's technical architects to ensure scalable tech design for the organisation's AI journey, and articulating the roles and responsibilities in the end-to-end AI lifecycle, in particular between the business, functions, technology and chief data office teams, are also important. She believes that banks can help corporate clients navigate many of these challenges. "Banks can share their knowledge in leveraging AI technologies in finance in a form of advisory service, bringing their in-house AI experts who can provide hands-on guidance. These same teams can work with the corporate treasuries to co-create new AI solutions designed and customised for specific treasury needs," she says.

A potential area for future co-creation could be creating tailored, AI-powered process-check engines between the bank and the client, suggests Strbac. "These engines could identify settlement instructions, payment instructions or amendments; check for completeness against pre-defined criteria; and suggest corrections, before the process fails and requires manual intervention," she explains. "This can lead to improved client experience and an advancing banking proposition that supports corporate treasurers in their move to real-time and just-in-time treasury."

Long-term perspective

One of the biggest challenges is staff's concerns that AI will make them redundant – a particular worry in small treasury teams. However, Da Costa is sceptical this will happen. "AI is not going to make anyone redundant – instead it will enhance our roles in treasury," he says. "It will definitely eliminate the more mundane routine processes, but our roles will evolve to become more analytical." While Bothe believes that perhaps certain job profiles characterised by highly repetitive tasks could be overtaken by an AI system to a certain extent, he believes that there still needs to be the "human factor" for interpreting and making well-informed decisions, and to turn to more strategic tasks. "The interesting challenge in the future will be how to ensure that this level of expertise is always available in a company when the repetitive tasks are being done by technology," he says.

The biggest impacts of AI are expected to be in increasing productivity and unlocking operational efficiencies, according to Strbac. "For treasuries, AI has the potential to drive a more personalised and efficient experience with their banks, for example with digital banking platforms being tailored to facilitate the predicted next best action for treasurers to take, and automatic generation of API implementation code enabling faster connectivity," she says. "In future we may also see banks creating finance-specific AI products, just as tech companies make their AI products accessible to other institutions to use and customise to their needs. This could include AI powered models for predicting early alert default propensity, FX market liquidity or currency volatility," she adds.

Treasurers should be thinking about what they want to achieve in future and how technology can support their journey, advises Da Costa. "Ferguson, for example, has a fairly high level of automation, but we began preparing ourselves for the future – which is closer than you think," he says. "The speed in which technology is evolving means that creating a ten-year plan is impossible, but we can think about the infrastructure we will need to future-proof treasury – and AI will form a big part of that."

The value of shared services centres

Against a backdrop of regulatory change, market volatility and digital transformation, treasurers are embracing a centralised model to drive efficiency, enhance financial control and reduce costs. What factors do they need to think about when considering where they should locate their SSC?

Centralisation is a longstanding trend in treasury, driven by digitisation, globalisation and a greater focus on transparency, performance and control. Increasingly, corporate treasurers want to improve oversight of their global cash and liquidity positions, while also boosting efficiency, tightening internal controls and cutting costs.

Treasurers looking to consolidate various operational treasury processes have often set up shared services centres (SSCs). Activities include, for example, bank account management, accounts payable (AP) and accounts receivables (AR) processing, and financial reporting.

"SSCs are entities designed to streamline operations by pooling resources," says Tesy Mathew, Group Head of Cash Product Management, Global Transaction Services at DBS. "Large organisations with operations across multiple jurisdictions can enhance efficiency and reduce costs by centralising certain functions common across regions into a single location."

Through centralisation, corporates can enforce greater financial discipline, such as standardising credit terms with suppliers, maintaining disciplined payment cycles, and leveraging shared expertise from a centralised team, according to Mathew. "This centralised approach not only enhances financial control but also enables centralisation of the funding and liquidity management of the entire organisation," she adds.

Ray Suvrodeep, Managing Director – Treasury Solutions Group and Liquidity Solutions, Global Payments Solutions (GPS) at HSBC, adds, "As cash and payment flows become more centralised, self-funding can help improve financial performance, while enabling debt to be paid back at group level. Centralised visibility can also allow for improved hedging and investment policy execution at group level.

"Defined centralised policies can also help working capital to be managed more efficiently and increased straight-through processing of AP and AR can allow for tighter and more timely monitoring of days payable outstanding, days sales outstanding and automated reconciliation."

Making it work

Séverine Le Blévennec, Global Head of Treasury at fluid management solutions provider Aliaxis, which operates in more than 40 countries, is a strong advocate of SSCs for operational treasury processes. "A SSC delivers several benefits including knowledge continuity, harmonisation of processes, controls, policies and systems, and the ability to manage a larger number of entities and/or countries," she says. "It is also possible to reduce costs, depending on where the SSC is set up. But while reducing costs is the main reason many companies decide to set up a SSC, the real benefits are derived from driving greater efficiency – if done correctly," she adds.

Le Blévennec believes that having a strong team leader is critical for the success of a SSC – "someone who can act as the glue between various activities". To ensure the SSC continues to be relevant for the business, such a leader will need to be agile to adapt processes, policies, entitlements, scope of the activities and so on, as the company and environment evolve. "This will also help to motivate SSC staff, which is important to retain a group with a high level of specialised knowledge," she adds.

"People that work in SSCs shouldn't be treated like robots; they too need interesting work or the SSC will experience a high turnover in staff," she advises. "Therefore, treasury should first ensure that technology is optimally deployed – don't use the SSC to do activities that can be automated, such as manual bank account applications."

Then it becomes possible for treasury to set stricter delivery times because the SSC staff are less distracted by other priority topics and can perform better in certain activities, such as user management in ebanking systems, according to Le Blévennec.

"If user management is small part of a treasury analyst's job, each time they need to remember how to set up a new user and perhaps call the bank to refresh their memory. However, in a SSC there are experts that do it more often and, as such, have a set routine and documented process – they don't need to reinvent the wheel each time," she says.

The benefits were evident when Aliaxis onboarded new banks in Latin America from its SSC in Costa Rica. "We changed our banks in ten countries at a time and it was important to have this team effort delivering on the treasury project. And at the same time, we had to do a comprehensive overhaul of our master data, which the SSC team was able to do together in record time," explains Le Blévennec.

"The project would have dragged on if we did it by coordinating ten countries, with each cleaning up a small amount of data, liaising separately with IT, and so on," she adds. "Such projects can easily get stuck without that team spirit and collective pride in their accomplishment."

First steps

According to Le Blévennec, the ideal time to consider a SSC is when treasury is embarking on a system or process review, or when the business is growing through an acquisition, for example. "Treasury can reflect whether centralisation could bring added benefits, such as being able to manage certain activities more effectively, rather than reducing head count," she says.

"If it is done well, treasury staff should see value in having that type of activity moved to a SSC. They should be relieved there are some things they don't need to do, so they can focus on more strategic activities," Le Blévennec adds. She believes there needs to be a critical mass of staff in the SSC, for example six to ten people, to attract and retain a high-calibre leader.

Suvrodeep recommends the journey starts with defining the right business case, which requires some bandwidth within typically resource-constrained treasury teams.

"It requires both time and expertise to define the target model along with complete cost-benefit analysis that is expected to demonstrate the return on investment of such transformation journey," he says. "Centralisation is an end-to-end strategic project, which can only commence with full support from key stakeholders internally, including HR and tax partners."

Mathew agrees. "This shift introduces a new way of working by centralising the people and processes, impacting both internal and external systems and stakeholders," she says.

One of the biggest challenges to centralising treasury operations, according to Leo Gil, Vice President of Product, Bottomline Technologies, is aligning the underlying technology. "Unfortunately, many technology providers offer a 'big bang' solution, which also means big dollars and a long time to get value from that solution. The conversation can quickly shift from needing a SSC to connect a corporate's finance teams to trying to boil the ocean and do everything at once, which will take years to implement," he warns. "Instead, treasury should look at finding the right technology pieces that will deliver as value incrementally along the centralisation journey," Gil advises.

Other challenges that need to be addressed include complex regulatory requirements in multiple regions, particularly around data, and compliance considerations around outsourcing, as well as risks associated with operating out of a single location, says Mathew. "It is crucial to carefully evaluate the costs of these changes against the potential benefits that centralisation can offer," she advises. Furthermore, finding the right team skillsets can also be a challenge depending on the location, according to Suvrodeep.

Prime location

There are many criteria to factor in when considering where to set up a SSC, but Suvrodeep emphasises that selecting the location should be informed by the main objectives around having the SSC in the first place.

"Government incentives, including favourable regulatory provisions, tax schemes and policies around investment in education and human resource development can play a role," he says. "In addition, good quality infrastructure, such as physical and digital connectivity, political and economic stability, country credit ratings, and so on are important factors too."

Mathew adds geographical proximity to key markets is important, to enhance communication and collaboration. In Asia, for example, India, China, Malaysia and the Philippines are prime locations for SSCs, she reports.

For Le Blévennec, country risk is very important, as is whether the country has a high standard in education. "Having people who can speak English, for example, will typically help when communicating with the rest of the organisation," she says.

Other things to consider are salary costs and whether the company has in-country operations so the SSC is connected to an existing entity.

Suvrodeep adds: "Often the existence of other SSCs in similar industries is taken as an indication of availability of talent pool. If there is already a SSC present performing functions such as accounting, procurement and so on, the treasury team often decides to co-locate treasury and payment operations teams there."

Le Blévennec returns to her point about creating a sizeable team to ensure continuity. "Having a critical mass in the SSC is also important in a country where talent competition is high and there is much staff turnover as people move from job to job for better pay," she says.

Gil, on the other hand, is not convinced that location remains a big issue for most corporates, except when there are regulatory requirements such as data localisation laws. "Location will depend on what the company needs and regulatory requirements, but I think it is less of an issue today," he says.

Future-proofing operations

Le Blévennec believes SSCs will help treasury make treasury more resilient. "In operational treasury, a SSC helps to have harmonised controls, processes and systems," she says. "When setting up new systems, processes and policies, if there are people sitting in 50 different countries in charge of applying them, it's difficult to have oversight of new joiners to ensure that everyone is properly trained."

Gil agrees SSCs are the right way forward for many large corporates. "We call it connected finance – which brings together all the teams that touch treasury, similar to scrums in tech development," he says. "These teams are connected in their activities, but still have disparate processes and technology. Therefore, connecting finance in a SSC is the way to future-proof treasury."

SSCs are also evolving. For example, data analytics is a key area of innovation within the SSCs, according to Suvrodeep. "Treasuries can benefit in their decision-making process from SSCs providing data analytics support such as risk modelling, cash flow analysis and forecasting, and so on," he says.

He believes new technologies – artificial intelligence, machine learning and cloud-based services, which can support data centralisation and automation at the SSCs level – will allow treasurers to add a layer of future proofing. "We can expect that treasury technology techniques will drive greater operational and cost efficiency, as well as providing better visibility of cash and risk positions," he adds.

Mathew argues that future-proofing treasury involves more than just implementing a SSC. "It requires a collaborative effort across the entire organisation to ensure that the treasury function is equipped to manage emerging challenges and opportunities," she says.

"This calls for the active participation of the treasury team, along with key business functions such as accounting and finance, technology, sales, procurement and collaboration with banking partners," she adds.

Sustainable and inclusive growth

Companies talk about the importance of sustainable and inclusive growth. What does it mean and how is treasury involved?

Marianna Polykrati
Group Treasurer
Avramar Group

Sustainability is central to Avramar's mission and future growth as an aquaculture company. We have three pillars that guide our sustainability efforts: better fish, better lives and better planet. Our 2023 sustainability report outlined our approaches in areas including circular economy and waste management, ecosystem and biodiversity conservation, and climate change and energy use. Importantly, we have a sustainability manager which illustrates how important environmental, social and governance (ESG) considerations are to Avramar.

In Greece, the treasurer was the one initially engaged in sustainability, as the first point of contact for the banks regarding ESG reporting. Most corporates didn't have sustainability officers at the time, so we were the ones receiving the banks' questionnaires, which differed from bank to bank. We then engaged internally with each business department, from engineers and procurement to sales, legal and HR.

Fortunately, as of February, after an initiative from the Hellenic Bank Association (HBA) and in cooperation with bank members and Teiresias, HBA released a unified and common ESG reporting checklist for the creation of a common 'depositary' of interbank data, with the questionnaire tailored to each company's specifics, including industry, size, personnel, and activities. The 'esgr' questionnaire is still sent to treasury which then sends to the sustainability officer if a company has one, or the treasurer completes it through investigating internally.

While the whole company needs to be involved for a sustainability programme to have high levels of success, I believe that treasurers are strategically placed to promote ESG because of the close cooperation with all the business teams. Externally, we have relationships with financial institutions, investors, shareholders, suppliers and customers. This means that we understand how tap into sustainable financing solutions and alternatives, such as a supply chain finance (SCF) programme, as well as sustainability-linked bonds and other green investment proposals, such as investing short-term cash in green deposits.

Undoubtedly, there are many benefits to incorporating ESG. For example, a company will be able to deliver better value for the shareholders, as well as access a wider pool of interested investors when it has sustainability embedded in its DNA.

Treasury can, with many relatively simple actions and initiatives such as integrating sustainability into its daily operations, build its green credentials. The most important is automation and digitalisation, ie going paperless, reducing CO_2 emissions by minimising travel and enhancing diversity in their teams. The goal is to have more efficient and sustainable processes – it's akin to a deep self-reflection to see how we can change and think differently.

Among our next projects is to investigate a potential SCF programme to ensure suppliers are sustainable and also see how this can help lower our costs and how to incorporate sustainability in our debt financing. Across industries, I have observed how the treasurer's role has become more strategic over time. Our daily interaction with all departments provides us with valuable insights and knowledge of internal problems and risks. Plus, we have the opportunity to exercise our unique characteristics as good problem solvers and risk managers, and we are highly proficient in regulatory compliance.

Bruno Mellado
Global Head of Payments and Receivables
BNP Paribas

Sustainable and inclusive growth has become a cornerstone of corporate strategy, transcending mere corporate social responsibility initiatives. It is now viewed as essential for long-term viability and competitiveness. As such, corporates are aware of the mounting pressure from stakeholders, including institutional investors who increasingly use ESG metrics in their investment decisions.

Climate change mitigation, biodiversity preservation and social equity are no longer peripheral concerns but central to business planning. Companies recognise that sustainability drives innovation, enhances brand value and helps attract top talent. Moreover, it is becoming clear that sustainable practices often lead to cost savings through resource efficiency and waste reduction, directly impacting the bottom line.

For corporates, this involves a comprehensive overhaul of business models and operations, including setting targets for emissions reduction, embracing circular economy principles to minimise waste and ensuring ethical labour practices throughout global supply chains. Companies are increasingly adopting the UN Sustainable Development Goals as a framework for their sustainability efforts.

In terms of inclusion, businesses are not only focusing on workforce diversity but also on fostering inclusive product design and expanding access to underserved markets. Many are integrating sustainability into their research and development processes, creating products that address environmental and social challenges. To embed these parameters, companies are revising their governance structures, creating dedicated sustainability committees at the board level and linking executive remuneration to ESG performance metrics.

Treasury's involvement in sustainability is expanding, but unevenly. The most recent European Association of Corporate Treasurers' survey shows ESG is gaining importance, yet 20% of treasurers are not involved in ESG processes. However, many treasurers are becoming key players in sustainability strategy with top actions including reducing business travel, revising processes for sustainability and issuing green bonds. Additionally, treasurers are increasingly involved in sustainable capital allocation, green investments and ESG risk assessment. They are participating in sustainability committees and integrated reporting. At BNP Paribas, we observe treasurers' expertise being valued in evaluating financial implications of sustainability scenarios.

This is because treasury brings a unique set of skills and perspectives to the sustainability table. Treasurers can access sustainability-linked credit facilities, implement ESG screening in investments and design sustainable supply chain finance programmes. They can promote inclusive financial practices and develop products for underserved communities. Treasurers are already structuring innovative instruments like sustainability-linked bonds, tying interest rates to ESG targets. Importantly, treasury's role spans from leveraging banking relationships for green products to fostering diversity within their department, effectively extending ESG practices beyond direct operations.

The importance of sustainability in treasury operations is set to grow exponentially. As ESG factors become increasingly material to financial performance, treasurers will likely become central figures in driving sustainable finance strategies. With proliferating sustainable finance regulations, treasury will be crucial in ensuring compliance with new disclosure requirements. Treasury professionals' skillsets will need to expand to include deep understanding of ESG issues and sustainable finance principles. Ultimately, we anticipate sustainability becoming so integral to treasury that the distinction between 'traditional' and 'sustainable' treasury functions may blur entirely, transforming the role of treasury in corporate strategy.

Csongor Mathe

Product Manager/ESG Lead
TreasurySpring

Navigating the landscape of ESG and sustainability principles over the past few years has felt a bit like hiking through the Alps – full of peaks and valleys. Despite these fluctuations, and while progress is being made far and wide, the pursuit of a more sustainable future remains of utmost importance and one of the greatest challenges we face – one could say it's akin to climbing Mount Everest, to extend the mountain analogy even further. Governments, non-governmental organisations and regulators all have crucial roles to play in this journey, and companies are no exception. Accordingly, sustainable and inclusive growth has become a focus for various corporations aiming to create long-term value that benefits not just shareholders, but also society and the environment.

The essence of this philosophy is that economic development does not have to compromise the well-being of future generations and that all stakeholders can share in the benefits of corporate success. This shift is driven not only by regulatory requirements but also by the realisation that sustainability initiatives can drive innovation, reduce costs and enhance brand reputation. At the company level, this can involve reducing carbon footprints, managing resources responsibly and promoting energy efficiency, for example. Treasury can contribute and make an impact in several key areas, while maintaining the cornerstones of security, liquidity and yield. These include (but are not limited to):

Synchronisation of goals: aligning the treasury policy with the company's overarching ESG framework can be a valuable first step for treasurers. When doing so, it is advisable to tailor these efforts to reflect the company's core values and operations. For example, a manufacturing firm might prioritise improving supplier ESG performance by encouraging greener practices across its supply chain.

Green financing: by issuing a form of a sustainable loan or bond, treasurers can fund projects that contribute positively to the environment, such as renewable energy initiatives and climate change adaptation. Reflecting the growing interest in these types of financing, 62% of treasurers surveyed in our latest sustainable finance survey, conducted in partnership with the Association of Corporate Treasurers and the London Stock Exchange, are considering including ESG features in their next financing.

ESG-friendly investments: our sustainable finance survey also revealed that 66% of respondents consider ESG cash investing to be either very or somewhat important to their organisation. This underscores the increased importance treasurers place on integrating ESG criteria into their investment decisions. Doing so ensures that corporate funds are directed towards companies and projects committed to sustainable practices.

Managing this complex environment presents challenges for treasurers amid conflicting standards, evolving regulatory frameworks and heightened scrutiny on greenwashing. However, more clarity and consistency may be on the horizon with increasing regulation and market consolidation, as seen in the sustainable bond market. Recognising that incremental positive changes, when scaled over time, can lead to lasting long-term impact is key – after all, even Mount Everest is conquered one step at a time.

Next question:

"What are the key issues impacting global supply chain networks and trade routes and how is treasury navigating them?"

Please send your comments and responses to **qa@treasurytoday.com** by 20th September 2024.

treasurytoday.com