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Embracing the new reality

Treasurers are facing plenty of challenges in 2025 – but they are also setting their sights on building technical skills and unlocking the potential of AI.

The Corporate View

Amit Grover

Regional Director Treasury, Intercontinental (APAC + LATAM)

GE HealthCare

Local relationships key to international success

Global ambitions demand local consideration

Banking

Fast-growing regional champions step up the centralisation journey

Funding & Investing

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Working capital, data, talent and a clear use case

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Efficiency and resilience

Welcome to our first edition of 2025!

We kick off the year with our annual feature exploring the issues you are most focused on in the year ahead and observe budgetary pressures and the uncertain macroeconomic outlook front-of-mind. But treasury teams are also leaning into emerging technologies and building technical skills within their teams to increase efficiency and resilience.

After a challenging few years characterised by the absence of headline-grabbing deals, market experts are confident that M&A dealmaking will pick up significantly across Asia in 2025. The last few years have provided slim pickings for merger and acquisition specialists in APAC, but digital and sustainable infrastructure deals are seen driving activity in the year ahead.

India will also be a key focus of M&A and IPO activity. We capture the growing treasury function at India's leading corporates in this edition's Question Answered where Tata Communications' Nishith Agarwal and APAR Industries' Sanjay Rohit share their stories on treasury growth and prowess in the region.

Lessons from India are front of mind for fast-growing regional corporates in the Middle East increasingly centralising their treasury operations and tapping the benefits of an IHB. Rewards include improved cash and liquidity management and a rationalised banking stack in an iterative process that doesn't yet span hedging, FX and interest rate risk management or trade finance transactions. Separately we find that advances in digitisation and recognition of the value of addressing specific local issues promptly are encouraging multinational companies to take a closer look at the merits of regional treasury centres.

Finally, Amit Grover shares his experiences of building a regional treasury from scratch following GE's recent separation into three standalone companies. He reflects on the importance of gaining recognition for treasury's achievements through industry initiatives such as the Adam Smith Awards Asia programme and the most appealing aspects of treasury. For him this is the strategic and dynamic nature of the profession, as well as its importance to the company as a whole.

"Treasury constantly keeps you engaged with new challenges, and constantly pushes you to find innovative solutions," he says. "What's more, treasury sits at the heart of the organisation – the things you do in treasury are so critical that it's practically impossible for the organisation to function without them."

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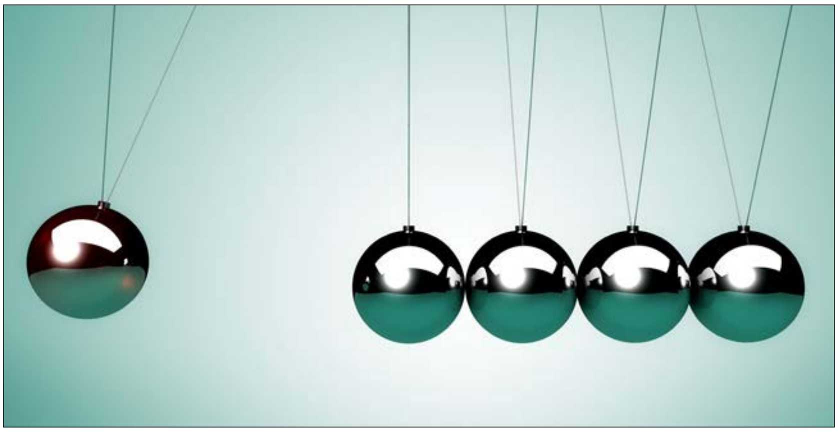
Treasurers will have plenty of challenges to address in 2025, from budgetary pressures to an uncertain macroeconomic outlook. But they are also setting their sights on building technical skills within their teams and unlocking the potential of AI.

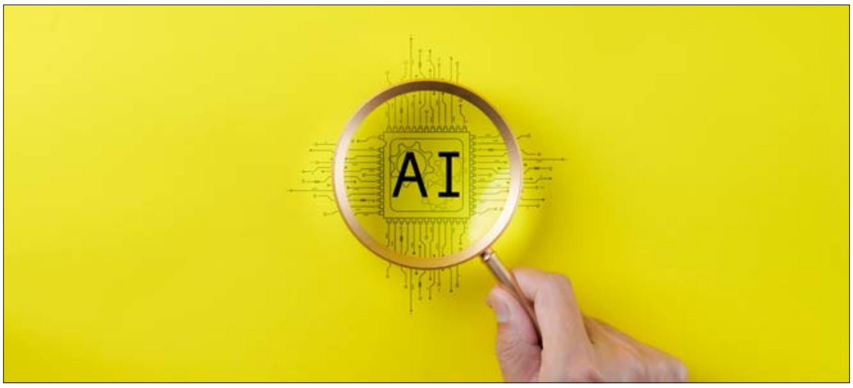


Asian M&A set to rebound

Asia tipped to buck recent trend of M&A activity as sectors from energy to healthcare look primed for growth.

Eyeing an IHB: Middle East corporates accelerate the centralisation journey

Regional corporates in the Middle East are centralising their treasury operations and tapping the benefits of an IHB. Rewards include improved cash and liquidity management and a rationalised banking stack in an iterative process. FX, internal interest rate hedging and POBO/COBO will come next.


AI

Embracing the new reality

Treasurers are facing a host of challenges in 2025, from budgetary pressures to an uncertain macroeconomic outlook. But as emerging technologies continue to evolve, treasurers are also setting their sights on building technical skills within their teams and unlocking the potential of AI.

The last 12 months have brought no shortage of challenges for treasury teams. And as 2025 begins, treasurers once again have plenty of headwinds to consider, from the evolving business landscape to geopolitical pressures. At the same time, many treasurers will be focusing their attention on talent development and the adoption of emerging technologies.

Complex backdrop

"While 2024 may have initially promised more predictable inflation and interest rate reductions, the reality is that this stability was only realised in certain economies," observes Bob Stark, Global Head of Enablement at Kyriba. "Treasury learned to adapt to a variety of economic, cash flow and liquidity performance scenarios to globally support the business."

In 2025, Stark says the primary goal for treasury teams remains "optimising liquidity against the complex geopolitical and economic backdrop that continues into 2025." In particular, he notes that currency volatility and unsynchronised monetary policy adjustments "increase the challenge for corporate treasurers to predict liquidity levels required to fund the business."

Baris Kalay, Head of Corporate Sales for GPS EMEA at Bank of America (BofA), highlights the role that the macroeconomic environment is likely to play in shaping treasurers' priorities in the year ahead – particularly the expectation that interest rates are now likely to stay higher for longer.

"When rates are going up, we see very similar actions from central banks all over the world," he comments. "But in the downward cycle, there is more decoupling of central banks' actions, because different countries have different growth trajectories and inflation rates. And when central banks take different actions, there is always more FX volatility – so managing FX risk will be another challenge in the year ahead."

Where technology is concerned, Kalay predicts that digital transformation projects are likely to be on the agenda in the coming year. "Many of our clients are going through S/4HANA integration, so it will be important for treasurers to manage this process and make sure there are no interruptions to their day-to-day activities," he says.

Another topic that is closely related to transformation is the growing focus on ISO 20022 readiness. Kalay says that while there is no particular deadline for corporates, they will still need to look at the changes that are needed to be ready from a technical perspective, and what this will mean from a budgeting point of view.

Turning to talent, Kalay observes that corporates are increasingly focusing on hiring people with technical skills, particularly when they are undertaking digital transformation projects. "Treasury is a space that gets closer to technology every day," he observes. "The question is whether to hire treasury professionals and build their technical skills, or to hire professionals with an IT background and make them skilled in treasury."

Engaging with new technologies

For George Dessing, Executive Vice President, Treasury and Risk at Wolters Kluwer, managing treasury talent is a key topic for 2025. "A treasury team in particular is only as good as its people," he observes. "We can invest in as much treasury technology as we want, but the people using the technology and engaging with the business are in the end the ones creating the value. This makes it important to be aware of what you can offer talent."

Dessing explains that Wolters Kluwer's treasury is small enough for everyone to have their own personal responsibilities, which requires enough depth for them to become experts – "but also large enough for the team members to benefit from a broad vision by collaborating with each other and other disciplines, such as tax, risk and insurance which naturally have a lot of overlap with treasury."

He explains that by fostering a culture of collaboration and diversity, the company is able to support the development of the individual team members, which "allows them to better align with the organisation to create even more value, and to 'win as a team'."

Where technology is concerned, Dessing encourages his team to engage with new technologies. "An example of this is on blockchain technology," he says. "In 2023 we started incorporating blockchain technology into some of the tax products we offer, which required us to open a corporate crypto wallet. This was very exciting for the team and brought a lot of learning."

Dessing also cites the company's experimentation with AI-powered digital assistants within its finance organisation, "whereby we have partnered with Microsoft and are making use of Copilot with enterprise data security. This allows us to let it work with company data without it going into a public large language model.

"I see big opportunities in having AI do the repetitive 'grunt' work, so that the team can allocate more time to the treasury matters that they are passionate about."

Challenges in 2025

The last few years have brought numerous challenges for treasury teams – and 2025 is likely to be no exception. According to Kyriba's Stark, "The looming challenge remains delivering a confident and reliable cash forecast and liquidity plan for the CFO and leadership to build their capital planning upon."

He predicts that in the year ahead, treasurers will face a mixture of high-growth markets alongside regions that underperform due to higher inflation and near-recession-like behaviour. "The result is a need for treasury to mobilise cash globally so they have the agility to adapt to various market conditions and liquidity performance scenarios," he adds.

Sander van Tol, Partner at independent consulting firm Zanders, says that treasurers will be focusing on both internal and external challenges. "The external challenges we expect treasurers to encounter are difficult to predict, and much dependent on the geopolitical events and/or events in financial markets," he says.

"We have already seen in the past that unexpected external events – whether it is a global pandemic, defaulting financial institutions, or loss of liquidity in financial markets – can suddenly be the trigger for a revised focus and attention of the treasury function." As such, he argues that it is important for treasuries to be 'antifragile' – a term used by essayist and mathematical statistician Nassim Nicholas Taleb to describe systems that improve in response to shocks and stressors – and prepared for financial resilience.

Turning to internal challenges, van Tol highlights access to talent and budgetary pressures. "Access to the right talent to drive a technology supported transformation process is very scarce," he says. "You need to be able to combine expertise in treasury management, a deep understanding of how to deploy new technologies, strong communication skills and an ability to drive change."

Where budgetary pressures are concerned, he observes that companies are increasingly looking to lower their operational costs while limiting the budget available for new projects. This is making it more difficult for treasurers to get budgets approved, even though many treasury projects offer the opportunity to achieve a solid return on investment. "In order to overcome this budgetary challenge we advise our clients with more detailed quantitative and qualitative business case for new treasury projects," he adds.

Time for AI-powered digitalisation?

With interest in new technologies such as generative AI continuing to be high, harnessing the opportunities presented by technology is set to be another area of focus for treasurers this year.

Van Tol says he expects that corporates will largely continue to pilot GenAI technology on a smaller scale, "like implementing chatbot functions for internal clients/stakeholders of the treasury function, or data analytics to improve the accuracy of the cash flow forecast or FX exposures." But alongside these small-scale pilots, he predicts that trailblazers will embark in earnest on an AI-powered treasury digitalisation and rationalisation project.

George Dessing, Executive Vice President, Treasury and Risk at global information, software and services company Wolters Kluwer, sees considerable potential for AI and technology in general within treasury, noting that this is a priority for 2025.

"Given the amount of information we digest on a daily basis just the simple use of summarisation is already a big help," he explains. "This is one of the areas where the 'straight-out-of-the-box' functionalities of GenAI have had an immediate benefit. We use it for everything from producing market sentiment analysis using transcripts from corporate earnings calls and central banking authorities, to recapping meeting transcripts to capture key points and assign actions." Nevertheless, he points out that it is far easier to use technology like Copilot if all the relevant data is centralised in a single database, with clearly defined ownership and a focus on ‘clean’ data. “We are leveraging an internal Wolters Kluwer product for this, notably CCH Tagetik, which is a single unified system and is the source of our ‘truth’. Having all the historic and forecasted data in one place in a structured and consistent way helps us run analyses using Copilot much more efficiently and produces much better results.”

For Dessing, the most exciting use case for AI in treasury is cash flow forecasting: “We want to apply the power of AI in our cashflow forecasting based on historic data in our systems.” At the same time, his goals for 2025 include upskilling the team to use these technologies more effectively.

“A great and easy way to get started right away is to switch out your traditional search engine with an AI assistant tool,” he says. “This will inherently make you better at prompting and understanding the capabilities (and limitations) of such a tool. As we say often to each other, ‘let’s strive to make it better.’”

> Those who throw caution to the wind and are always taken by surprise; those who prepare to hedge against the risks coming up – and the opportunists who, while being hedged, are able to encash the opportunities through arbitrage and otherwise.
>
> Amit Baraskar, Vice President & Head, Treasury at Thomas Cook (India)

Embracing the new reality

So where does all this leave treasurers as 2025 begins? Looking back at the last 12 months, BofA’s Kalay argues that the most important lesson learned is that of ensuring treasury has a seat at the table, alongside other key stakeholders across the organisation.

“Most treasuries are going through technical integration, and as part of this, treasury needs to be talking to technology vendors and making sure that the necessary budgets are allocated,” he observes. “Likewise, if companies are going through implementations related to working capital or supply chain finance, treasury needs to have a seat at the table, together with procurement, tax and legal.”

When it comes to thriving in 2025, Stark says the best advice for any treasurer is to focus on top and bottom line impact. “While efficiency of treasury operations is a great objective for treasury, the business benefits when treasury’s impact can help organisational KPIs,” he observes. “Treasury has immense insight, and collaboration with the business is the recipe for success in 2025.”

Van Tol, meanwhile, offers some advice that he describes as somewhat contradictory. “On the one hand, I would advise treasurers to make a treasury technology-driven roadmap to see how they can best deploy new technology, and what are the prerequisites for doing so,” he says. “On the other hand, my advice is to embrace change and prepare for the unexpected. We already know that if we look back in 12 months’ time, we have to conclude that the year has been different than we had expected. So instead of sticking to your fixed routines and long-term technology plans for too long, it is sometimes better to revisit them and see whether there are opportunities in the new reality.”

Treasury goals for 2025

Amit Baraskar, Vice President & Head – Treasury at Thomas Cook (India), outlines the focus areas for the company’s group treasury team going into 2025. These include the comprehensive automation of the treasury function, alongside a focus on domestic payment solutions with complete system integration capabilities. “We will also be going the whole nine yards in evaluating risks and gaining a deeper visibility over the group’s exposures to ever-evolving risks,” he comments.

Turning to the falling interest rates environment, Baraskar observes that there are three types of treasuries: “Those who throw caution to the wind and are always taken by surprise; those who prepare to hedge against the risks coming up – and the opportunists who, while being hedged, are able to encash the opportunities through arbitrage and otherwise,” he says.

“Moving from the second type of treasury to the third is on our wish list, and will pose a different set of challenges given the current interest rate regime, since our monies lie in more than 15-20 currencies globally.”

On another note, Baraskar says compliance is a top priority for the company in 2025, “especially since we are a regulated entity, unlike other corporates in India.” In particular, this will include a focus on automating compliance in order to free up the bandwidth consumed by increasing compliance requirements.

And where financing is concerned, Baraskar explains that the company has already achieved ‘net zero finance cost’, meaning that the interest income exceeds the entire finance cost. “We plan to work with a couple of entities within the group to get them to this milestone too,” he adds.

Looking further ahead, the treasury’s medium-term goals – which will proceed only when feasible – include optimising the company’s global cash reservoirs, and “evaluating green pastures and blue oceans for treasury operations as well as business” by looking at opportunities such as special economic zones. Last but not least, Baraskar says the company will explore going debt free, “which is more of an internal decision, and is not looking very difficult.”

APIS FOR ALL: HOW KYRIBA'S APP STUDIO PROMISES EASIER ACCESS TO LIQUIDITY BOTTLENECKS

Kyriba has just rolled out its App Studio, bundling APIs into a catalogue, or marketplace, where whole finance teams can access them to solve liquidity bottlenecks. Thomas Gavaghan tells Treasury Today how the platform means treasurers will no longer depend on internal tech, developers, or an outside connection to tap into the benefits of APIs.

Kyriba has just rolled out a new system to enable easier access to its APIs, the critical technology that connects software applications. The company's first-of-its-kind GenAI-driven platform, App Studio, bundles APIs into a catalogue putting data connection on a shelf where whole finance teams can access them to solve liquidity bottlenecks and offer valuable insights.

Crucially, the new marketplace cuts down on treasurers' implementation efforts since the technology easily integrates with systems such as other ERPs, data providers and financial services platforms.

Another key facet of the App Studio – which has just completed a successful soft launch – is that it doesn't require technical expertise, dramatically enhancing the operational agility of finance teams, Thomas Gavaghan, VP of Global Presales at Kyriba tells Treasury Today.

Because all the APIs are visible on the platform, people are no longer dependent on internal tech, developers, or an outside connection to tap into the benefits.

"At its heart, the App Studio lowers the barriers to API adoption, allowing finance teams without coding expertise to create system integrations more efficiently in a secure environment." APIs have a growing presence in treasury, but their application is not universal, he continues. "Our audience are finance folks, not IT people, and App Studio makes APIs accessible to non-IT people."

Comprehensive liquidity management

The roll out of the App Studio illustrates how the lines between cash, treasury and liquidity management are increasingly blurred in terms of technology. Successful liquidity management is now firmly in the hands of finance teams who are now in a position to act and make decisions themselves off the back of new liquidity insights without being dependent on different factions of the business or technology processes.

Take FX management for example. New technology has transformed FX management across reconciliation, reporting and middle and back office accounting whereby finance teams understand and see the exposures and can create hedges themselves. Other functionality extends to investments, enabling teams to execute on trades and clearly see the yield on cash investments, saving time and inefficiencies.

This kind of sweeping liquidity management shows Kyriba's evolution beyond just cash management to offering a whole liquidity performance solution, believes Gavaghan. "There is much more in our solutions beyond TMS. We offer the ability for finance teams to get a comprehensive view of all their liquidity right now, and then decide how to use it for the best impact on working capital."

The App Studio is also an example of how AI is changing treasury, concludes Gavaghan who flags that his conversations with treasurers about AI are still typically at a high level. Outside IT, few people understand the intricacies and variability that AI offers.

"The reality is that AI is the future, and we need to address it," he says. "The conversations we have around AI today are like APIs seven years ago."

Asian M&A set to rebound

After a challenging few years characterised by the absence of headline-grabbing deals, market experts are confident that dealmaking will pick up significantly across Asia in 2025.

The last few years have provided slim pickings for merger and acquisition specialists in APAC. Market data from BCG indicates that deal value was down by 5% across the region in the first nine months of last year – a period during which global deal value rose by 10% – while deal volume was down 13% on the same period in 2023.

But there was encouragement to be found in BCG's analysis of average deal closing times, which revealed that the time taken to close small and medium-sized deals had fallen across the region. Such deals now close more quickly in Asia than in either Europe or North America.

Another positive development was an increase in cross-border mergers and acquisitions, with more than three-quarters of the deals announced in the first three quarters of 2024 transacted with an entity outside the region.

Notable recent deals include Singapore Telecommunications and investment company KKR's agreement to invest SG$1.75bn in ST Telemedia Global Data Centres.

"In-market consolidation has been a driver of M&A activity, illustrated by the merger of Indonesia-based mobile network operators XL Axiata and Smartfren and IHH Healthcare's acquisition of Island Hospital in Malaysia," explains Ralf Pilarczyk, Head of M&A and Diversified Industries M&A ASEAN at Standard Chartered.

The energy transition has prompted deals such as sustainable infrastructure investor Actis's investment in the Terra Solar integrated renewables and energy storage project in the Philippines. "Another notable key driver of deal activity is continued strong investor appetite for digital infrastructure such as telecoms towers, fibre and data centres," adds Pilarczyk. "EBITDA multiples in recent data centre transactions have often exceeded 30x, enabling leading players to raise equity at highly attractive terms."

At regional level, China and India have seen some slowdown – driven by high USD interest rates – while Japan's M&A market remains a bright spot explains John Corrin, ANZ Head of Corporate Finance, International. "We expect ongoing growth in M&A activity in Japan and South-East Asia, driven by increasing corporate governance and 'China-plus-one' strategies," he says. "For the rest of the region, upturns will be fuelled by shifting global economic trade winds. Technology is playing a crucial role in driving portfolio expansion and investment interest across the region and another key area is private healthcare, driven by demand linked to lifestyle factors associated with higher income populations."

Elizabeth Lin, Head of Corporate Finance and Advisory at UOB agrees that positive demographics – such as a burgeoning middle class and rapid urbanisation – have contributed to M&A interest in the region.

"In many cases, especially for strategic acquirers, diversification and connectivity are driving forces," she says. "These acquirers are keen to buy strategic assets to help them expand into new markets or into adjacent industries. Private equity and infrastructure funds also have significant dry powder and global funds have continued to raise large Asia-focused funds to deploy into investments."

Energy has been one of the most interesting industrial sectors of late, with Gulf Energy Development Public Company and Intouch Holdings Public Company announcing a strategic amalgamation that will lead to the establishment of a newly listed public limited company in the second quarter of 2025.

The acquisition of Pavilion Energy by Shell Eastern Trading is expected to be completed by the end of the current quarter. According to Zoë Yujnovich, Shell's Integrated Gas and Upstream Director, the deal will strengthen Shell's leadership position in LNG, bringing material volumes and additional flexibility into its global portfolio.

A spokesperson for the energy giant says the acquisition of Pavilion Energy is in line with the priorities put forward in Shell's capital markets day and energy transition strategy to deliver disciplined growth of its integrated gas business.

"Global demand for LNG is estimated to rise by more than 50% by 2040," she adds. "The acquisition will enable us to capture value from these new volumes that add to the scale and flexibility of our global LNG portfolio."

Looking ahead, M&A activity is forecast to rebound, fuelled by multiple factors including interest rate cuts, government initiatives (for example, financial services investment is now on the Indonesian government's 'priority investment' list), lower valuations, opportunistic corporates, venture capitalists and private equity programme funds with large reserves of dry powder, economic reforms and market liberalisation suggests Hikaru Okada, APAC Head of Deal Advisory at KPMG.

"But while the immediate outlook remains optimistic, deal sizes are likely to remain lower than historical levels and include more complex structures to support deal financing and downside protection for all parties," he says. "Successful dealmakers will be those that are prepared, act on the right opportunities and execute on their strategic objectives to deliver sustained outcomes through a well-considered value creation plan."

The M&A market is running hot and a strong forward-looking pipeline of opportunities is being driven by many Japanese companies being undervalued and cash-rich with low price-to-book ratios. Increased investor activism prompted by recent market volatility is putting some listed companies under renewed pressure to focus on the cost of capital, which is driving significant carve-outs and divestments in large, listed corporates.

That is the view of Jiak See Ng, Deloitte Asia Pacific's Strategy, Risk & Transactions Leader, who refers to an increase of more than 60% in foreign direct investments since the beginning of current financial year.

"India is expected to maintain strong earnings momentum due to falling rates and robust services export growth," she says. "Foreign inflows have lowered due to high equity valuations, which have been bolstered by strong investments from domestic investors. This could eventually result in a market correction, but there is likely a floor as the long-term investment case remains highly compelling."

India stands out as one of the leading destinations for 'friendshoring' in Asia, potentially boosting foreign direct investment and driving growth in the manufacturing sector.

Elsewhere, the technology cycle boom continues to support Taiwanese companies as key beneficiaries of the AI infrastructure build-out. Korean equities continue to face challenges but could eventually participate, as the cyclical technology cycle picks up.

Jiak See notes that India is also diversifying its investment strategy as Indian companies try to access new markets and geographies across all continents. "Investor optimism is likely to improve in the second half of the year as India's private consumption shows resilience with global commodity prices stabilising and domestic inflation softening."

Transportation and infrastructure are also attracting high value investments as a result of a combination of government investment, high capex and logistics development.
The manufacturing sector is expected to spur M&A activity with deal growth expected in auto components and electric vehicles. "The energy sector transition is currently a major driver of M&A across Asia Pacific, as companies actively rebalance their portfolios to accelerate their journey toward net zero emissions," agrees Jiak See. "This trend is expected to persist, influencing deal making in the region."

Companies are particularly focused on expanding their portfolios in solar, wind and other green energy technologies, reflecting a broader commitment to sustainable energy sources.

The life sciences sector is also witnessing substantial growth in M&A activity. The medical landscape in Asia Pacific is expanding as global firms increasingly conduct clinical trials and manufacturing closer to patients. Additionally, digital health models and generative AI technologies are gaining traction across Asian markets. "Investments in disruptive technologies have become fundamental to recent M&A and venture activities," says Jiak See. "Notably, sectors such as space exploration and quantum computing are emerging as new frontiers for commercial investment, attracting significant interest from various stakeholders."

Funding for M&A transactions tends to be highly bespoke according to the specific deal structure, industry and sponsors. Lin reckons there is generally excellent appetite across the various pools of debt and equity capital (commercial and investment banks, private and public equity, credit and infrastructure funds, development banks, asset managers) to fund Asian M&A transactions.

"With regard to bank lending, there remains visibly strong and deep liquidity in the Asian bank lending market," she adds. "We believe growth opportunities in the region will remain strong."

Following the Fed interest rate cuts, Standard Chartered observed a notable increase in deal activity by private equity firms, supported by access to leverage at attractive terms. Transactions included investment firm EQT acquiring Singapore property website PropertyGuru, while Affinity Equity Partner acquired Indonesia-based sweet manufacturer Yupi. "We also observe bank appetite to support sellers by way of providing stapled financing (a financing package arranged by the seller and its financial advisers which is offered to potential purchasers, usually as part of an auction process), most notably KKR launching the sale process for Philippines private hospital group Metro Pacific Health and offering a stapled financing package from local banks to bidders," says Pilarczyk.

According to Corrin, financial institutions continue to have strong appetite to fund M&A activities. "We have seen more banks broaden their lending focus to better service large conglomerates and pursue more complex transactions, such as structured deals, M&A financing and financial sponsor-driven deals," he says.

Stephen Bates, Head of Deal Advisory in Singapore KPMG agrees that financial institutions in Asia continue to have an appetite for funding M&A transactions, albeit with a degree of caution. "While the global economic landscape has presented challenges, the region's long-term growth potential and increasing strategic importance have kept M&A activity relatively robust and the overall economic outlook in Asia – particularly in major economies like China and India – remains positive," he says.

Strong GDP growth, rising disposable incomes and increasing urbanisation continue to drive demand for capital. While regulatory hurdles can sometimes hinder deal-making, many Asian countries have implemented reforms to streamline processes and attract foreign investment.

However, not all regulatory changes are designed to make deal-making easier. For example, the Malaysia Competition Commission's proposed amendment of its merger control policies is likely to result in compulsory notifications for mergers above a certain deal value threshold.

Mergers that may result in a substantial lessening of competition can be prohibited under the proposed regime, so larger deals involving significant concentration of market share will be subject to closer scrutiny.

Singapore's Significant Investments Review Act was introduced in January 2024 and came into effect in March. It affects entities that are deemed critical to Singapore's national security – which are subject to mandatory ministerial approvals and special administrative orders – although the impact of the act is likely to be limited to deals involving entities that operate in critical functions of the nation's security.

Interest rate trends significantly impact borrowing costs and overall deal activity. While rising interest rates can dampen deal enthusiasm, many Asian central banks have adopted a more cautious approach to monetary policy, providing some relief. "Financial institutions' risk appetite varies based on factors like market volatility, geopolitical tensions and credit quality," concludes Bates. "While some may be more conservative, others are willing to take calculated risks, especially in high growth sectors."

Best foot forward

Amit Grover

Regional Director Treasury, Intercontinental (APAC + LATAM)

GE HealthCare

In November 2021, multinational conglomerate General Electric (GE) announced its plans to split into three independent companies: GE Vernova, GE Aerospace and GE HealthCare. GE HealthCare Technologies Inc. subsequently began trading on Nasdaq on January 4th 2023, under the ticker symbol 'GEHC'.

Today, GE HealthCare is a leading global medical technology company headquartered in Chicago, Illinois, which operates across four business segments: Imaging, Advanced Visualization Solutions, Patient Care Solutions and Pharmaceutical Diagnostics. The company is dedicated to providing integrated solutions, services and data analytics to make hospitals more efficient, clinicians more effective, therapies more precise, and patients healthier and happier.

GE HealthCare is a US$19.6bn business with around 51,000 employees around the world and a presence in approximately 160 countries.

Amit Grover shares his experiences of building a regional treasury from scratch following GE's recent separation into three standalone companies, and reflects on the importance of gaining recognition for treasury's achievements through industry initiatives such as the Adam Smith Awards Asia programme.

For Amit Grover, the most appealing aspects of treasury include the strategic and dynamic nature of the profession, as well as its importance to the company as a whole.

"Treasury constantly keeps you engaged with new challenges, and constantly pushes you to find innovative solutions," he notes. "What's more, treasury sits at the heart of the organisation – the things you do in treasury are so critical that it's practically impossible for the organisation to function without them."

He also emphasised the profound impact of winning the **Rising Star award at the Treasury Today Group's Adam Smith Awards Asia** in 2018. He explained that receiving this accolade early in his career was a significant confidence booster. This recognition not only motivated him to strive for excellence, but also played a crucial role in his professional development and transformation journey. Furthermore, the award symbolised a milestone that has encouraged him to continuously improve and embrace new challenges with renewed vigour.

Pivotal moment

Grover did not initially have his sights set on a career in treasury. After qualifying as a Chartered Accountant in India, in 2012 he began working for Ernst & Young (EY) in an assurance function. But not long after that came an opportunity that Grover describes as “a pivotal moment in my career”, which led to him joining GE’s corporate treasury team in India.

The new role brought with it a rapid learning curve. “At that time, I had very limited knowledge about what treasury does, so I had to learn very fast, mainly relying on on-the-job training,” Grover recalls. “But very soon, I started developing a passion for treasury. I like how it keeps you on your toes, and provides opportunities for you to create an impact in the organisation.”

Initially working as a cash management analyst, Grover progressed steadily through a series of roles at GE, and in 2017 he moved to Singapore to establish the company’s regional treasury centre in Asia Pacific (APAC). “My primary responsibility in this role was to transform APAC cash management, which included developing sustainable solutions that would consolidate cash across the region and in turn help GE to repay its debt at a global level,” he explains.

To achieve this, Grover set out to gain a detailed understanding of the APAC region as a whole, as well as the regulatory framework across different countries. “I navigated the challenges and developed a number of multi-country, multi-currency, multi-bank cash management solutions across the region,” he says. “These structures not only improved the efficiency of GE’s cash management in the region, but also helped to mitigate liquidity risk during turbulent times such as the COVID-19 pandemic.”

As part of this effort, Grover was involved in setting up a multi-currency notional pooling structure in Singapore – a project that was **Highly Commended in the 2020 Adam Smith Awards Asia programme**. The solution helped to reduce manual effort and is an efficient way of managing working capital in multiple currencies across the region.

Building treasury from the ground up

Following some significant restructuring and M&A activities, in November 2021 it was announced that GE would split into three separate publicly traded companies for its aviation, healthcare and energy businesses. Following the announcement, GE HealthCare started trading in January 2023.

From a treasury point of view, the separation of the company presented a unique set of challenges, notably because of the high-profile nature of the split and the interest it attracted from global markets and investors.

As part of the restructure, Grover moved to GE HealthCare, where he was tasked with leading the company’s regional treasury teams for APAC and Latin America. In addition to his regional role, he was also responsible for leading the setup of a global liquidity framework for GE HealthCare following the spin-off.

Notably, this involved building the entire regional treasury function for the company from the ground up, as the newly-formed company’s treasury had to be separated from GE’s existing processes and structures. This exercise included separating out cash management structures, LE restructuring, setting up functional workstreams and putting in place the necessary banking arrangements.

Particular highlights of the exercise included setting up a new regional treasury centre in Singapore and creating a multi-currency notional pool structure. Grover’s team also needed to define and implement new processes and procedures, and put in place best-in-class treasury management tools. The team was therefore able to build an efficient and future-proof treasury structure, harnessing cross-functional collaboration with internal and external stakeholders to ensure the smooth execution of the project.

Gaining recognition

These achievements brought further recognition in Treasury Today Group’s Adam Smith Awards Asia programme in 2023. The company was **Highly Commended in the Best Treasury Transformation Project** category – in particular because of the speed at which the new treasury framework had been set up.

“Everything was accomplished in a very short time span, including designing systems, recruiting the right people and establishing processes,” says Grover. “We are now in that stabilisation phase, ensuring that everything operates as smoothly as expected. I’m looking forward to the next phase of transformation for the company.”

At Treasury Today’s recent **Future Treasury & Finance Leaders Forum in Singapore**, Grover reflected on the experience of winning several awards under the Adam Smith Awards Asia programme. “As there is so much competition in these awards, our objective has always been to put our best foot forward, and present the transformation work we’ve been doing,” he commented.

Making connections

Today, GE HealthCare has a regional treasury function that Grover describes as “lean”, primarily based in Singapore and Mexico and managing APAC and LATAM respectively. “It’s a very young team, responsible for the important treasury activities across the region, including cash management, risk management, banking solutions and relationships,” says Grover. “We also work closely with our global functional teams and COE (Centre of Excellence) teams.”

Crucially, the team acts as the face of treasury in the region, providing a single point of contact for both internal and external stakeholders. As Grover explains, “One of our main focus areas from a regional treasury perspective is to go beyond the core activities and collaborate with key business stakeholders, in order to support business growth and commercial activities.”

Reflecting on the qualities needed by an effective treasury professional, Grover emphasises that a successful treasurer needs to be skilled not only at solving complex problems, but also at building trust and relationships with stakeholders.

"Having strong relationships can be really useful to ensure seamless coordination and alignment on various matters," he adds.

Likewise, Grover shares that the ability to collaborate effectively with stakeholders in areas such as tax, legal and finance is one of the key attributes of a successful treasurer. On a personal note, he says that his background as a Chartered Accountant has enabled him to understand the unique perspectives and needs of these different stakeholders.

At the same time, he points out that treasurers need to be able to communicate their successes effectively. "Treasurers are often excellent at planning and executing, but they also often need to improve at showcasing their achievements and the valuable work they do to the rest of the organisation. As I mentioned earlier, treasury is the heart of the organisation – its smooth functioning goes unnoticed, but the moment it falters, the impact is felt throughout the entire organisation," he adds.

Navigating complexity

Turning to the topic of risks and challenges, Grover highlights the considerable difficulties involved in managing disparate and complex countries across APAC and Latin America. "I manage approximately 60 countries across both these regions and most of them are emerging and highly regulated markets," he says. "There is always something unfolding, be it geopolitical issues, macroeconomic shifts or new regulatory developments."

As such, he emphasises the importance of staying on top of developments and responding effectively to the markets. "And the solutions you have to create in these markets are pretty complex – you must be adept at structuring solutions, collaborating with various stakeholders, and leveraging all your knowledge to devise solutions tailored to your specific situation."

Staying abreast of macro-economic and geopolitical developments and building good contingency plans is essential – but as Grover points out, there can still be surprises, "such as the recent political issues in South Korea, which no one was prepared for. It's important to always be thinking about what else you can do to make your treasury or your processes more resilient."

Driving continuous improvement

Looking ahead to the coming 12 months, Grover says that while GE HealthCare is still coming out of the recent spin-off exercise, the company is already gearing up for the next steps on its transformation journey.

"In 2025, our main focus will be on continuous process improvements and optimisation," he says. "While we are still in stabilisation mode, we are also looking for new opportunities to optimise and improve. So, we have a few major initiatives identified as part of our future-state treasury roadmap."

As part of this, Grover says the treasury is planning to examine its existing processes closely, and benchmark these against industry best practices. By carrying out a detailed benchmarking exercise he aims to identify opportunities for improvement and enhance the resilience of the existing set-up.

"There may be opportunities to automate processes, implement new technologies or adopt new innovative banking solutions," Grover explains. He points out that banks have an important role to play when carrying out such exercises, as they can leverage their knowledge of how other companies are approaching their own processes.

Simultaneously, another key priority for the treasury will be to serve as a catalyst for business growth, driving commercial success while enhancing relationships and partnerships throughout the region.

Harnessing technology

In the wake of the spin-off, GE HealthCare has built its entire technology stack from scratch, with the goal of staying on top of further enhancements as they become available. "Keeping up with the ever-evolving technology landscape can be challenging, but it's essential," says Grover. "One must stay informed about market trends and continuously benchmark activities against industry best practices."

Where newer technologies are concerned, Grover is excited about the opportunities presented by artificial intelligence (AI) and machine learning. "Some of the treasury use cases I've seen so far look very promising," he says. "These technologies definitely have the potential to allow teams to become more efficient and more focused on strategic initiatives, instead of being weighed down by routine tasks."

Nevertheless, he points out that these technologies are still very new. "Honestly, we are in the early stages of development right now," he says. "It will be interesting to see how this all unfolds in the future, and to what extent companies are able to adapt these technologies into their day-to-day processes. Certainly there is good potential when it comes to overall optimisation."

Taking stock

While the last few years have brought no shortage of challenges and opportunities, outside of the office, Grover enjoys spending time with family and friends, listening to podcasts and news, and playing tennis. "Travelling to experience diverse cultures and cuisines is another passion of mine," he shares. He often gets his travel inspiration from his wife, whose adventurous spirit and love for exploring new places motivate him to discover unique destinations and experiences.

Reflecting on the career opportunities he has had at GE and GE HealthCare, Grover says he is grateful to his managers for entrusting him with challenging opportunities, and for offering their unwavering support. He also appreciates his colleagues for their contributions to the collective learning experience. "The transformative events at GE and GE HealthCare have presented unparalleled learning opportunities for me that I might not have encountered anywhere else," he observes.

And speaking about the nature of treasury more broadly, Grover emphasises how much he enjoys the ever-changing nature of the profession. "Even after ten years it never feels monotonous – each day is a new day, with a new set of opportunities and challenges," he concludes.

Local relationships key to international success

Advances in digitisation and recognition of the value of addressing specific local issues promptly are encouraging multinational companies to take a closer look at the merits of regional treasury centres.

Recent research suggests that senior treasury and finance experts in Asia in particular are supportive of increased regionalisation. Almost half (49%) of the respondents to HSBC's 'Redefining Treasury in Asia' report favoured increased regionalisation through regional treasury centres supporting group treasury, with a further 7% saying they had no plans to centralise in the near future.

According to Patrick Zhu, Head of Global Banking Corporate Sales, Asia Pacific for global payments solutions, the most important driver of regionalisation in Asia is operational complexity.

"Having an in-region central treasury team allows a global company to manage treasury operations at a more granular level in accordance with local regulatory nuances and respond quickly to regulatory changes," he says.

In addition, treasury teams in Asia are frequently in the vanguard of digital transformation, which often leads to broader change across the global organisation. "Lastly, the tilt towards regionalisation reflects local treasury talents' ambition and increased capability to take up more and bigger responsibilities," adds Zhu.

In its latest annual report, Tata International noted that it had established a global physical cash pooling regional treasury centre in Singapore. This model consolidates temporary surplus bank balances from various tax-friendly geographies – including the US, UK, Hong Kong, UAE and Singapore – across divisions and is multicurrency.

By centralising these funds in Singapore, the company says it ensures optimal utilisation and management of its financial resources, reducing the need to finance debt.

There is also support for a hybrid approach where respect is given to the value of local capability and knowledge and recognition that regionalisation places treasury closer to local markets, which helps them to understand regulations and add value by adopting best practices and ensuring regulatory compliance.

A report published last summer by DBS revealed that more than 40% of treasury and finance leaders from companies based in the US and Europe as well as Asia were relocating or planning to relocate their Asian regional treasury centre, with availability of talent and access to new markets among the most important considerations.

Banking infrastructure and services – as well as local customs and the regulatory environment – can be quite challenging, especially in some of the developing markets. Being close to the market and having close dialogue with the banks in the region is often key to a treasurer's ability to find relevant solutions and generally navigate market specifics.

That is the view of Inga Kudzmaite, Treasury and Tax Director Asia at Carlsberg Group, who says that the establishment of treasury centres is driven by a broader need and a business case such as proximity to business operations to provide support, regional financing opportunities and potential related benefits, and tax advantages.

"Geopolitics plays an important role in considering where the treasury centre is or should be located but based on my experience, establishment of a treasury centre is not defined by a single factor but is a rather complex process where different risks and opportunities are balanced into the optimal outcome for the specific business," she says.

Carlsberg's regional treasury centre in Asia is located in Hong Kong. A single employee overlooks all its markets in the region with local treasury staff in each market running domestic operations.

"The treasury centre has one primary purpose and that is to support business needs locally and create efficiencies as well as control treasury operations and comply with group policies and guidelines," observes Kudzmaite. "It brings a certain coherence between market, region and group."

The Siemens Treasury Americas team is headquartered in New Jersey but operates as a fully regional and virtual team, with members strategically located across the Americas. Most of its approximately 50 employees are based in based in New Jersey but there are additional team members in Buenos Aires, Lima, Mexico City, Bogota and São Paulo.

"The Americas region plays an important role in Siemens' treasury operations, particularly as we are responsible for the US – which accounts for approximately 30% of global revenue," explains Nicola Bates, President and CEO of Siemens Capital.

The regional treasury centre serves as a hub of innovation and operational excellence, maintaining close proximity to the business units it serves.

"This proximity, combined with our team's local market knowledge and cultural diversity, positions us perfectly to address market needs, foster collaboration and pilot initiatives that can scale globally," says Bates.

One example of this is the company's ongoing cash management transformation project, which is simplifying and centralising its treasury operations by consolidating over 60 physical bank accounts into a streamlined virtual account management structure.

Each legal entity operates through dedicated virtual accounts, enabling payment-on-behalf-of and collection-on-behalf-of processes and eliminating the need for manual cash pooling and improving real-time visibility into balances and transactions via open banking APIs.

"We are implementing an in-house AI-backed tool to automate cash application directly into our ERP systems, improving accuracy and achieving automation levels of over 80%," says Bates. "Additionally, we are integrating blockchain deposit accounts to enable 24/7 cross-border payments and global liquidity pooling, creating an 'always-on' treasury infrastructure that ensures real-time settlement even beyond local banking cut-off times."

On completion, Siemens expects the project to reduce internal management efforts for bank accounts by 70% and enable it to halve its bank fees.

The company continuously monitors its treasury operations through analysis of real-time data, performance metrics and regular feedback loops.

"Open banking APIs, a centralised virtual bank account structure and real-time reporting provides ongoing visibility into our cash positions and transaction flows, ensuring we can identify and address inefficiencies promptly," adds Bates. "By regularly assessing our systems and workflows, we uncover opportunities to drive optimisation and scalability."

A key question for any multinational considering establishing a regional treasury centre is the value of being closer to local banks and suppliers.

This can enable companies to streamline processes, rationalise bank accounts and negotiate lower fees suggests co-founder of corporate financial specialist Dukes & King, Lisa Dukes.

"A more obvious benefit is the ability to offer better support for operations across different time zones," she adds. "This real-time service capability can enhance the efficiency of local operations and ensure that treasury functions are aligned with the needs of the business and also feel part of the team."

Other benefits include enhanced liquidity outcomes, more efficient working capital management and lower AP/AR management and execution costs according to research conducted by business banking market research and analysis firm East & Partners.

"Local tax planning and advisory expertise, 'connectedness' with regulatory authorities and deeper knowledge of their industry sector are key attributes," says the firm's Global Head of Markets Analysis, Martin Smith.

In terms of talent, regional treasury centres can attract skilled professionals who are familiar with the local market and regulatory environment, which is crucial for effective treasury operations and can lead to better decision making and strategic planning.

"Regional treasury centre employees are more likely to be aware of the local culture and speak the language, which can result in improved communication with regional stakeholders," says Joanne Koopman, Manager at treasury consultancy Zanders.

The use of regional treasury centres has particular benefits where there are large time zone differences with local teams having the benefit of aligning with the whole of a business day in their region as well as being more aligned to payment cut-offs.

"If head office relied on non-treasury professionals to support local treasury tasks in multiple locations, this could be consolidated into a professional regional treasury function improving accuracy, consistency and compliance," says Colin Evans, Managing Director of Elite Treasury Services. "Regional treasury teams act as an extension to the head office function, deepening local relationships, helping to solve technical issues and improving access to local products, funding and services."

Being closer to local banks and suppliers will enhance relationships agrees Simon Kaptijn, Director, Transaction Services Cash Advisory & Structuring at ING Wholesale Banking.

"The ability to meet face-to-face will build longer lasting, stronger ties that may result in improved buying power and better terms and conditions," he says. "In cases of market expansion, local knowledge will provide benefits when entering new markets."

The increased digitisation of regional banks and advances in banking technology have made it easier for companies to establish regional treasury centres, or at least removed some of the previous barriers to establishing or maintaining such centres in certain markets.

The driver for establishing regional treasury centres is to mobilise cash across time zones, allowing local operations to be supported while global liquidity is optimised. This includes leveraging local, lower cost payment channels and minimising the need to move money across currencies.

That is the view of Bob Stark, Global Head of Enablement at Kyriba, who observes that digitisation of regional banks simplifies the automation of treasury and payment processes, increasing the flexibility of a single treasury centre to support multiple countries within a given region.

"Governments opening trading channels and improving tax incentives for businesses operating in their country can increase the likelihood that treasury considers establishing operations in a region," he says.

Data from Citi's proprietary treasury benchmarking service suggests that most clients prefer the model of a globally centralised treasury with regionally distributed treasury operations observes Stephen Randall, the bank's Global Head of Liquidity Management Services, who says it can be valuable to have treasury staff closer to key business hubs to stay on top of changing business and financial conditions.

"We may see a US-headquartered company putting a regional treasury centre in Switzerland or centralising its Asia banking and liquidity cash pool in Singapore, for example," he says. "We are seeing an increasing number of clients operating like this across borders, enabled by digital platforms."

> "The treasury centre has one primary purpose and that is to support business needs locally and create efficiencies as well as control treasury operations and comply with group policies and guidelines. It brings a certain coherence between market, region and group.
>
> Inga Kudzmaite, Treasury and Tax Director Asia, Carlsberg Group

Regional treasury centres may benefit large corporations with multi-country operations when housed in the right hubs to support local nuances, while acting as a strong link with the centralised treasury function at a group level agrees Priyanka Rath, Global Product Executive, Liquidity and Account Solutions at J.P. Morgan Payments.

"Being closer to local operations can improve cash flow management by allowing for more accurate forecasting and quicker responses to cash needs," she says. "Decentralising treasury operations can also enhance business continuity and resilience by spreading operational risk across multiple locations."

Centralised treasury operations require a high degree of maturity in ERP systems and bank connectivity, along with clear guidelines for managing global bank relationships and a robust corporate governance framework that clearly defines the roles and responsibilities between subsidiaries and HQ finance teams.

They also necessitate a banking partner capable of providing a 'follow-the-sun' liquidity management solution. Eventually, cash centralisation may allow for higher cash returns, while anti-fraud and cybersecurity efforts can be reinforced if managed centrally.

However, some organisations may not be ready to adopt this level of centralisation or may prefer strong regional banks instead of global banks – particularly if their activities are spread across several continents acknowledges Philippe Penichou, Global Head of Sales, Wholesale Payments & Cash Management at Société Générale.

"In such cases, a middle ground solution could involve regionalising treasury operations," he says. "A perfect example for this kind of optimisation is the regional centre that a large North American group with operations in 50 countries decided to implement for seven of its European subsidiaries. Combining cash concentration and virtual accounts, the treasury team was able to rationalise its operations, cutting the number of banks and reducing its working capital financing needs."

Eyeing an IHB: Middle East corporates accelerate the centralisation journey

Fast growing regional corporates in the Middle East are increasingly centralising their treasury operations and tapping the benefits of an IHB. Rewards include improved cash and liquidity management and a rationalised banking stack in an iterative process that doesn't yet span hedging, FX and interest rate risk management or trade finance transactions.

Chalhoub Group, the leading partner for luxury across the Middle East, set up a centralised group treasury function back in 2014. Seven years later in 2021 in the next step on a treasury transformation overseen by Group Treasurer James Adams, the company established a separate entity for in-house banking, IHB. The process has standardised risk management policies and procedures with central oversight and control, and helped achieve significant savings from economies of scale and enhanced governance that come from reducing touch points with the market and rationalising the banking stack.

"Historically, the treasury activities were managed on a decentralised basis in the local operating entities. There were several problems with this, including cost effectiveness, limited visibility of global risks and lack of standardised policies with each operating entity taking a separate approach," Adams tells Treasury Today in an interview from Dubai where he charts a treasury trajectory that has now become a bellwether for others.

Chalhoub Group was one of the first regional corporates to bring treasury under one umbrella and introduce an IHB to usher in benefits like fewer bank accounts and lower fees, increased liquidity and improved cash visibility and forecasting, positioning treasury at the forefront of a trend that is now increasingly visible amongst other fast-growing regional champions.

"Today we see more treasury functions embarking on this journey," reflects Adams. "Going forward, we see more companies focusing on their treasury function to enhance governance and efficiency, with cash forecasting analytics, IHB and potential AI applications in treasury all playing key roles."

A changing landscape

Demand for centralisation and separate IHB entities is coming from both large multinationals using Dubai and the UAE as a hub to manage their Africa and Middle East operations and the region's largest home-grown corporates, typically oil and gas groups or FMCGs, reflects Viplav Rathore, Managing Director TTS and Head of LMS for Middle East & Africa Cluster at Citi.

The Middle East is one of several regional treasury centres for MNCs seeking to bring multiple functions under one treasury roof. These companies are rolling out cloud-based platforms in the region and have evolved IHB strategies and structures they have deployed in other treasury centres. They have also honed policy guardrails and are well-versed in empowering regional treasury centres to manage specific geographies.

MNCs are unlikely to use an IHB to borrow in local capital markets or tap bank revolving credit facilities, opting instead to draw on inter-company funding from their HQ to finance their operations, continues Rathore. Hedging also remains a centralised function, managed outside the Middle East. But MNCs are using an IHB to centralise bank account and relationship management and optimise cash and liquidity management. Some trade finance management is also being run by the regional entity, he notices.

In a parallel trend, local corporates are also getting in on the act albeit at a much earlier stage of their centralisation journey. For many, this has begun with developing a more sophisticated approach by hiring dedicated, professionally ACT-qualified treasurers to replace "double hatted" treasurers and finance officers for the first time.

Technology upgrades are also indicative of this growing sophistication, continues Rathore. TMS is now commonplace amongst regional corporates, and more treasurers are seeking to upgrade their ERP solutions in an evolution that indicates regional corporates can now justify investment in more sophisticated platforms as they expand the scope of the treasury function compared to five years ago.

Typically, cash pooling and liquidity optimisation are the first functions local corporates are centralising under an IHB strategy, followed closely by rationalising local and international bank relationships. Capital markets activity is beginning to step up too, visible in some corporates dipping a toe in the Sukuk market. Hedging, FX and interest rate risk management, and trade finance transactions, are also important but for regional champions, the level of globalisation is more limited.

How to get started

Regional corporates laying the first bricks of an IHB should begin by choosing a common entity that faces the Street (the financial community) and can provide arm's length services to the various company affiliates. "Treasury teams begin by putting the paperwork, entitlements and scope of the entity in place to empower the IHB to operate on behalf of affiliates using the IHB," explains Rathore. It requires focusing on local regulations and compliance requirements because different countries in the Middle East have different regulations, he continues. "Setting the scope of the entity and the currencies and entitlement around what the IHB can do is key," he says. "It requires going through and seeing which entities can participate and what services can be offered without tripping withholding tax or local regulations."

For example, some regional currency management may fall outside the scope. The Bahrani dinar, UAE diram, Quatari riyal, Kuwaiti dinar and Saudi riyal are all in scope, but managing currencies subject to strict controls will immediately fall outside the reach of an IHB. Moreover, functionality rarely includes trade finance at first either.

Setting the scope was central to the evolution of Chalhoub Group's IHB. "The project required significant transformation and change management. We simplified the approach by starting with activities that could more easily be centralised into a Group Treasury function like FX, intercompany loans, funding and cash pooling," recalls Adams. "We then gradually broadened the scope over time to include other areas. The most complex aspect that we have still not fully transitioned relates to the areas outside the direct scope of Treasury, particularly within accounting, for example, payables and receivables."

The importance of buy-in from the different entities is important. For example, some corners of a business might be part of a joint venture, an acquisition or operating independently and won't be included on the platform. "It involves drawing up a procedural framework whereby guiding policy documents adopted by the board shape the process and detail each country's exposure," explains Rathore. "Citi runs a green/amber/red process that will highlight different countries where buy-in is easy and the benefits will quickly appear: a red zone might include a JV partner or self-managed entities." A similar classification can also be used for the ease of regulation and level of participation allowed for that country of operations.

Alongside the need for specialised skills and experience in change management and centralised treasury, building an IHB also requires a sophisticated ERP solution like SAP. Tracking, managing and settling inter-company positions and transactions depends on a system that can manage and warehouse transactions. The platform must also support tax, compliance, legal and operations teams. "It's very important for companies operating in multiple jurisdictions to not trigger cross border obligations on the company. There is a big difference between a single entity offering services across the board to simply setting up in a particular market and selling in one place," says Rathore.

Looking to the future the more sophisticated corporates in the region will evolve IHB by starting to offer payment hubs and more advanced processes like netting – FX and internal interest rate hedging – and payments and collections-on-behalf-of (POBO and COBO). This requires a strong platform to track, manage and generate payments and any roll out still comes against the backdrop of limited FX hedging co-entities. "Hedging activity is still small because all transactions are still back to the US dollar. We don't see many euro or sterling-dominated transactions yet," says Rathore.

"Our ultimate end goal will be to achieve a central POBO/ROBO structure with virtual accounts, allowing us to maximise the benefits from centralised cash management. However, there are several dependencies required to achieve this, including simplifying the group structure and rationalising the banking services," says Adams.

The risks

Setting up an IHB comes with complex risks as well as compliance with local regulation to ensure the entity doesn't inadvertently trigger tax obligations is perhaps the most important. Change management requires buy-in and sponsorship from the top; participation and a preparedness to delegate. It also demands a deeper skills set than simply pulling people from the entities. "It really does involve investing in technology and finding people who understand change management and understand how to construct something at arms-length, and how that should work," reiterates Rathore who adds that the cost will also depend on the size, scale and the number of entities and markets.

Treasury teams in the Middle East should also prioritise the legal framework advises IHB specialist Bas Duynisveld, Head of Business Treasury at AkzoNobel, recalling his own experience at the company which set up an IHB from its Dutch headquarters in 2010. "One of the most important elements of an IHB is ensuring a solid legal framework. Legal issues define the agreements with our internal parties, and we have built a framework for transacting with our internal parties using service-level agreements that we review on a timely basis," he says. Like Middle East corporates today, back then a primary motivation at AkzoNobel was to replace a fragmented landscape where different parts of the businesses had their own banking relationships with a centralised structure.

Positively, Middle East corporates will save from not touching the Street, avoiding contact with banks and providers. As companies reduce the number of touch points with the market they can tap more efficiency from spreads, self-fund and hedge through a netting entity. An IHB brings more control over costs and flows, enables treasury to reduce their banking footprint by rationalising the banking stack and RFPs. Experts say the process typically takes six to 18 months and savings can quickly appear.

Regional corporates should also bear in mind it's an iterative, patient process. In another example from Europe, Solvay, the Belgian MNC chemical group, began setting up an IHB in 1984. It's current set up is the result of several iterations over the past four decades which only now encompass a centralised and comprehensive system that covers cash pooling POBO/COBO intercompany funding, FX hedging and centralised treasury information and reporting.

"Be clear on the requirements from the outset," concludes Adams. "Ensure there is full executive sponsorship and stakeholder buy in. As with any transformation project, do not underestimate the resources required, and recognise that change management will be key. Consider approaching the project in stages to make it more manageable. Future stages need to be incorporated into the treasury strategy and future proofed from a people, process and systems perspective."

Getting started with AI: focus on working capital management, data and talent

As the hype around AI grows increasingly frenzied, identifying a practical use case for the technology is a crucial first step. Working capital management is a good place to start; treasury teams need to ensure their data is robust enough to feed the algorithms that will shape strategy and strike the right balance between human talent and technology.

Like many companies around the world, Modigent, the Pheonix, Arizona-based energy infrastructure group is gradually integrating AI into working capital management. The company's treasury department is an early adopter of AI-powered solutions supporting cash flow visibility where Nini Johnston, Vice President of Treasury, has integrated Stampli software to help streamline invoice management in the company's accounts payable processes. Elsewhere, she is testing Kyriba for treasury management and Quadient for receivables automation.

"Cash management and cash forecasting are at the core of what I do today and really, every tool we're evaluating for working capital and treasury management has AI capabilities," enthuses Johnston who joined Modigent two years ago to run treasury on her own. Today she leads a team of 20 people across working capital, risk mitigation, and treasury forecasting and analytics in reflection of the pace of growth at the company. It also speaks to the firm's demand for working capital management across the enterprise to support its rapid expansion.

Johnston believes that one of the most compelling aspects of AI is scenario modelling and analysis, something that normally take days, or even weeks, to carry out. "These tools allow us to process data while we're sleeping and give us the ability to focus on exceptions rather than routine processing. This means we can better quantify issues and delays instead of just guessing at their causes," she says.

Fine-tuning predictions for the future with AI is an aspect of the job she particularly enjoys. "The forecasting aspect really excites me. Getting to see where we're going, making our predictions more accurate, and then analysing why we missed when we do, it's just fun. There's something thrilling about trying to predict the future, even though you know you can't get it exactly right."

Getting the use case right

Modigent's application of AI to support working capital management in a clear use case is an example of how companies are beginning to integrate the technology in a way that goes beyond using it to draft policy documents or embed it into Microsoft applications with copilot. It is also an encouraging case study at a time the hype around the technology and the overwhelming availability of AI tools from service providers has made some treasurers hesitant about its true value. Istvan Bodo, Director of Strategy and Operations at The Hackett Group, the Gen AI strategic consulting and executive advisory firm, also argues working capital management support offers the most compelling use case for AI in treasury to date.

Integrating the technology to predict future customer payments so that treasury can forecast an increase in cash flows directly informs efficiency and credit management processes, for example. Elsewhere, AI's predictive models fed on past data visibly improve credit scoring, flags the probability of payment delays and supports inventory management. He believes routine and repetitive tasks around working capital management will be the first beneficiaries of AI which will increasingly drive new treasury operating systems boosting efficiency, accuracy and data-supported insights.

Identifying a clear use case for AI also helps counter common internal caution and resistance to the technology, continues Bodo. Articulation of the benefits like time saved or insights gained helps bring round employees who question the benefits. Resistance doesn't necessarily stem from anxiety about job losses. It is more rooted in concerns about whether the data is reliable enough to shape important decisions. "It is really a mixture of resistance and caution at the same time," he says.

A clear use case also supports budget allocation and helps ensure treasury has the right talent in place and data quality before pressing the AI button. Treasury shouldn't begin integrating AI until "essential pillars" like robust data, governance, talent and internal infrastructure are safely in situ to successfully extract value from the investment, he advises.

A relevant use case also eliminates the risk of launching a large-scale transformation that can quickly become unwieldy. It focuses treasury on determining the benefit and return on the investment. "The most common question we hear is: What are the use cases that are most applicable to my process and will add most value?"

Getting the data right

It is easy to quickly run into trouble integrating AI if a company doesn't have good customer data, reiterate Treasury Today interviewees. If organisations lack good quality data used to train the AI models, it will impact the quality of the AI predictions and recommendations which could be wrong or unreliable.

A key area of concern is inherited bias in the algorithms, and inaccurate outcomes which arise if the algorithms are trained on poor data, continues Bodo. In an added challenge, complex AI models also lack transparency. This makes it challenging to understand the rationale behind the predictions, also raising resistance regarding their reliability. "Organisations should keep in mind the risks of poor data," he says.

"As an emerging technology, AI hasn't been without its issues, particularly when it comes to biases in financial data. Accurate and consistent data is critical for AI to work effectively, but maintaining this in real-time financial environments is no small feat. In the treasury function, if implemented wrongly, it can lead to flawed predictions and misinformed decisions," adds Laurent Descout, Co-founder and CEO of Neo, the FX corporate risk management and collection and payments platform.

The importance of strong data is central to strategy at Kyriba which has just rolled out a new system to enable easier access to its APIs, the critical technology that connects software applications. The company's first-of-its-kind GenAI-driven platform, App Studio, bundles APIs into a catalogue putting data connection on a shelf where whole finance teams can access them to solve liquidity bottlenecks and offer valuable insights.

The App Studio is an example of how AI is changing treasury, Thomas Gavaghan, VP of Global Presales at Kyriba tells Treasury Today. He also flags that his conversations with treasurers about AI are still typically at a high level. Outside IT, few people understand the intricacies and variability that AI offers. "The reality is that AI is the future, and we need to address it," he says. "The conversations we have around AI today are like APIs seven years ago."

He agrees that one of the most useful tools emerging from AI sits around extrapolating forecasts based on historical data. Kyriba is currently extracting around 60% more data this year compared to last year. Moreover, today's data is core, structural data spanning bank statements and historical financial transactions like FX and working capital invoices. Ensuring the data is timely, searchable and in a centralised location, is not an easy task.

"Kyriba is investing in data modelling that will build the next level of technology. This is the complex part of AI; this is the hard part," he continues. "To be able to take in data in a matter of seconds is not trivial but this infrastructure will give us the ability to grow."

Gavaghan observes that AI is not only being used to improve forecasting. Another area it is also changing is investment strategy. But this is an area many treasurers remain instinctively cautious of AI's presence. Common concerns include algorithms acting outside the investment policy, for example.

"The same problem could just as easily occur with a new employee," he reasons. "People are uncomfortable about this, but we have to start thinking this way because this is where the technology is taking us."

Getting the talent right

Treasury teams seeking to integrate AI also need to ensure they get the talent right. Experts flag the importance of employees with data analysis and visualisation skills, equipped to interpret and turn the data into insights.

The human contribution to the treasury function in an AI world is examined by Citi analysts in the bank's recent paper Citi GPS: Treasury 2030. The authors reflect that although human intervention will remain a core element of treasury processes in the future, humans and machines will be "more closely coupled" as innovation takes hold. Because technology can evolve faster than people, treasury needs to ensure guard rails are in place to ensure the responsible and safe use of those technologies. The authors also argue that people-friendly and hybrid working models will be important in attracting the necessary talent to support the future treasury function.

At Modigent, the shortage of talent working in tech is a key issue. Something Johnston links to the fact many graduates who originally choose finance often end up working in tech. The lack of talent is now fuelling the company's investment in tech to reduce its reliance on people. "Finding seasoned treasury personnel for a business our size is challenging, so we've turned to AI and automation tools to help bridge that gap. Automation and AI represent such an important frontier for practitioners like me," she reflects. "We need technological resources to help us continue functioning effectively since we can't rely on growing our human resources."

Others warn that the replacement of people with technology holds real risks. Sectors at risk include auditors and accounting firms, argues Graham Clark, COO & Co-Founder at Inflo, the digital audit platform, who says that clients value the judgment, expertise and experience of auditors, which AI cannot replicate. "Trust in financial audits comes from human interaction, not algorithms," he says. "Human intelligence remains essential to auditing, as it provides insight, context and judgment that AI cannot match." Achieving the correct balance between human interaction and maturing technologies requires careful thought in the payments industry, reflects Descout.

The benefits of AI in payments are already visible. The technology is improving the analytic capabilities of payment firms, meaning thousands of transactions can be checked in a couple of seconds and because AI has the ability to learn from previous payments, it can better identify cases of potential fraud.

But he argues banks should be aware of the challenges that exist around the technology before committing to further adoption. Many financial institutions rely on legacy systems that were never designed to accommodate AI and incorporating these technologies demands not just resources but also a strategic approach to minimise disruption.

"Look at 2010 when banks spent huge amounts to cope with the first wave of fintech innovation, which didn't exactly work out for them," he concludes. "Given banks are risk-averse institutions, there are also plenty of challenges around AI that need to be thoroughly examined first, such as data protection, before banks commit to further AI adoption in 2025."

Digitisation dominates as India's treasurers' tool up

What are the key trends shaping treasury in India?

Nishith Agarwal
Vice President
Treasury, Insurance
& Credit Control
Tata Communications

There are multiple challenges operating a complex centralised treasury with a lean team for the scale of our operations. Alongside operating across multiple time zones, we also face challenges navigating and keeping abreast of the changing regulatory environment in the jurisdictions that we operate.

Much of the recent innovation at Tata has come via automation. It spans the adoption of cross border cash concentration and pooling structures which enable a single view of liquidity and efficient cash utilisation to implementing treasury management software which has enabled the automation of our day-to-day operations so that the team can focus on more strategic aspects of treasury rather than transaction management. For example, we have automated cash forecasting, the recording of banking and loan transactions, and FX derivative management.

Treasury now plays a critical role in driving the company's overall financial strategy and decision-making as a key advisor to the C-suite. Last year we adopted a sustainability linked borrowing framework to align all future long-term debt financing with our environmental commitments. The cost of borrowing in this facility is now tied to specific carbon emission reduction targets and continuous improvement in our sustainability performance. I would like to see a big increase in adoption of sustainability linked borrowings amongst Indian corporates.

We have launched a RFP for a Global Cash Management Solution that will take a fresh look at the way we manage our cash, including integrating new technology in blockchain and cash applications.

For example, we want to establish a single sign-on for multiple banking platforms and payment processing through secure API connectivity and implement a notional cash pool to effectively manage and utilise our cash and banking limits. We are also exploring how to optimise our costs and ease the pain of complex KYC requirements by leveraging virtual bank accounts for various entities, and other technology solutions.

On the strategic front, we are working to ensure the company's holding structures give treasury the optimum operating leverage and are fit for future growth.

Today, the most obvious treasury trend in India is technology adoption. There is a great deal of buzz around modernisation through adoption and implementation of treasury management software. As an increasing number of Indian companies "go global" and harbour global ambitions, this is becoming a high priority for treasurers.

In a trend that is driven by softer regulation and the increasing availability of global capital for Indian issuers, more Indian names are debuting in the US dollar bond market. Borrowers are also tapping funding from Export Credit Agencies which is giving Indian corporates access to competitive and long-term financing.

India's corporates face volatile financial markets and geopolitical uncertainties. Given Tata's ambitious growth plan, my job is to provide certainty and insulate the P&L from financial market volatilities. Uncertainty and volatility are already changing the way our customers contract with us, visible in customers demanding local currency billing and challenging pricing, for example.

Moreover, we find some of the countries we operate in are facing increasing foreign exchange shortages, amplified by the challenge of getting money out of certain jurisdictions. Furthermore, supply chain disruptions linked to geopolitical events threaten to delay the overall delivery revenue realisation cycle. We are partnering with the business and working with our customers to find solutions to work around these risks. It involves taking a hard stand on some decisions, and this is one of the biggest challenges we face.

Treasury at Tata Communications is focused on scenario planning and constantly enhancing risk management frameworks. We are focused on insulating the business from disruptions like cyber threats or any restricted access to our assets given geopolitical scenarios. We have also prioritised working with our insurers. Treasury at Tata Communications will continue to evolve every day in response to macroeconomic shifts, technological advancements and increasing strategic demands. Creating an agile strategy that can foresee these changes and adapt ahead is key to staying relevant. Our treasury function will evolve to ensure that we maintain the role of key strategic advisor and enabler for the business.

Manoj Dugar

Co-Head of Global Payments Solutions, Asia Pacific, HSBC

India is one of the fastest-growing economies in the world and is forecast to reach US$30trn GDP by 2047. While businesses in India are excited about the country's growth prospects, they also ought to be cognisant of the challenges they need to overcome in its pursuit for growth. Indian MNCs are rapidly expanding overseas, both organically and inorganically. The increased treasury complexity makes risk management strategies an area where one needs to be most nimble, while operating within the domain of well thought out policies around currency and interest rates, visibility, liquidity optimisation, counterparty limits and always-on connectivity options.

Aligning the capital structure of a business with its growth trajectory in a "cash-trap" country like India clearly reflects the long-term strategic thinking of its treasury team. Specifically, for MNCs in India, treasurers ought to explore increasing flexibility around parental debt options to avoid a cash trap situation in which some MNCs are grappling with presently. Intercompany cash pools, dynamic discounting and innovating in cash repatriation options are some of the measures that a smart treasurer can explore to maximise cash surplus.

Treasury processes around receivables, payables and reconciliation can have a large bearing on customer experience, which has an outsize impact on the success of the business itself. The rise of real-time payments and the growing scale of Digital Public Infrastructure initiatives such as Aadhar, eKYC, the account aggregation framework and ONDC have created myriad opportunities for corporates to review their business models. It is important for treasury to operate as an integrated service provider and support business functions in driving growth.

Fraud and cyber security threats are significant risks for corporate treasurers. In India, we are increasingly seeing treasuries enforcing clear separation of duties among treasury staff. Robust plans are being put in place by corporate treasury departments to respond to fraud or cybersecurity incidents.

Optimising compliance processes and costs are important but high-impact items for most treasurers. The regulatory environment in India is constantly changing, especially in the areas of cross-border payments, privacy and data-security regulations. Treasurers need to ensure that their setups are fluid enough to take care of this without impacting business.

The importance of getting it right in terms of process and record keeping cannot be overstated given the focus of the regulator on compliance.

There will always be challenges on the path to growth. What we have mentioned above aims to add a perspective to the range of considerations that corporate treasurers in India need to balance. How well they can do it would depend on clarity of thought on organisational priorities, strength of systems, process and, perhaps most important, availability of resources.

Sanjay Rohit

Sr. General Manager – Finance
APAR Industries Limited

Until recently, the main role of treasury at a typical Indian corporate was to manage cash and fund management, and ensure the liquidity, profitability as well as the solvency of the business. Now with the growth in global trade and the advancement of technology, treasurers are going beyond these basic objectives to focus more on technological implementation in treasury to ensure seamless processes to meet the requirements of the business. This spans LCs to bank guarantees, foreign exchange management and supply chain finance products like factoring, reverse factoring, supplier's credit and buyer's credit. At APAR we have integrated technology in all these areas in our treasury to meet the growing business requirements.

Further, sustainability and digitalisation are also gaining traction in treasury. More of our customers want to work with an ESG compliant organisation. In time to come, ESG compliant organisations could benefit from trade flows and at APAR we are more and more focussed towards digitalisation of processes and sustainability in our operation.

India and Indian companies including APAR are increasingly exposed to international markets, creating risks to navigate that include currency risk, interest rate risk, credit risk, transit risk, logistic risk and political risk. Geopolitical tension across the globe is mounting, visible in unrest in the Middle East, Russia Ukraine war, Taiwan China tension and political turmoil in Bangladesh. The threat of tariffs is dragging the globe towards a more protectionist economy. This will hurt global trade in the long run and add to inflationary pressure in various economies because they depend on global supplies.

Treasury at APAR is most focussed towards end-to-end digitisation of various processes that includes the treasury function. This will help us to assess real time information in terms of bank finance and the company's operation.

Next question:

"What does 2025 mean for global trade?"

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

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