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Tariffs: treasury responds

Corporate treasurers lean into working capital strategies and reflect on the long-term implications of the upheaval in trade.

The Corporate View

Aditi Agarwal

Global Treasury Operations Leader and Chief of Staff

GE HealthCare

Women in Treasury

Daria Severina

Director Treasury

ASML

Back to Basics

Secrets of successful liquidity optimisation

Risk Management

Getting to know all about you

Technology

'Soft' approach gains traction in payments

Treasury Talent

Treasury remuneration bounces back, but staff look for more than just high salaries

Shaping up for the future

Treasury teams have played a vital role in steadying the corporate ship in the months since tariff and trade uncertainty threw companies' supply chains and working capital priorities into a state of flux.

This edition's Insight and Analysis feature dives into the longer-term themes that have begun to emerge from tariffs. For example, we find that corporates are diversifying their supply chains and sources of demand, and more companies are starting to explore migrating from traditional manufacturing to sell products under leases or as-a service to better navigate tariffs. More than ever, treasury is prioritising cash management and supply chain transparency in a welcome boost to the importance of ESG.

Trade finance products also provide risk mitigation and there is certainly a perception that maybe the world has got riskier. This edition's Question Answered calls on three treasury and trade experts to explain how trade finance and insurance is supporting business stability, offering risk coverage and real-time insights in today's challenging trade environment.

And the new state of play has certainly put liquidity, the life blood of the organisation, centre stage. In a timely Back to Basics feature we explore how managing it effectively is central to the treasurer's role, discussing the purpose of liquidity optimisation, the possible obstacles that need to be addressed, and the structures and technology that can help companies make the most of their liquidity.

Our Corporate View features Aditi Agarwal who discusses her experience of setting up a new treasury from scratch following the spin-off of GE HealthCare as a standalone business in 2023. She also explains why it's essential for modern treasury professionals to build connections across the organisation. This edition also gets the low down on career highs from Daria Severina, Director Treasury, ASML. She reflects on the benefits of stepping outside your comfort zone, seeking new challenges and building a network across the organisation.

Our risk management feature explores developments in KYC. We find a recognition amongst treasury of the value of KYC processes – alongside a healthy dose of enduring frustration with inconsistent bank requirements.

And last but not least – we find treasury salaries have picked up in most markets. However, recruiters note a demand pyramid impacting remuneration at the top and warn that companies have adopted a cautious approach to hiring and finding the skills they require, particularly prioritising data expertise. Meanwhile, tariffs and trade uncertainty are impacting company's appetite to recruit.

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Treasury rallies in response to tariffs

As tariff uncertainty continues to rock global trade, long-term themes have accelerated and begun to emerge. Corporates are diversifying their supply chains and sources of demand; treasury teams are prioritising cash management, trade finance and supply chain transparency and more are exploring migrating from traditional manufacturing to sell products under leases or as a service.

Many companies have adopted a wait and see approach to the ongoing uncertainty and unpredictability of the US administration's trade policies. But beneath the confusion, important long-term themes have accelerated and begun to emerge.

Treasury Today interviewees report an increasing expectation that tariffs on imports into the US will settle around a 10% baseline. It's a level that now applies to many countries, although some goods and countries are exempt and some countries have announced higher reciprocal tariffs. Furthermore, the Trump administration risks reigniting April's market turbulence if it hikes tariffs to previous levels; Europe and China have pushed back, and Trump has switched his focus to doing deals.

Coalescence around this tariff baseline and a wider re-evaluation of global trade patterns has introduced new risk for companies dependent on one country for both their supply chain and source of demand. Treasury and trade experts predict more diversification with the emergence of new international trade routes supported by new bilateral trade agreements. For example, a recent **HSBC survey** found Asian firms are looking to trade more with South Asia, Europe and the Middle East while a quarter of respondent companieswant to trade less with North America.

China/UK trade is one corridor that could benefit. Relations between China and the UK have cooled since former Tory chancellor George Osborne sought a “golden era” of bilateral relations a decade ago. Speaking at the Association of Corporate Treasurers annual conference in Wales, Richard Crump, Managing Director of bus group Pelican Engineering says his company would welcome stronger trade ties with China. Pelican began selling China-made buses in the UK in 2014. Now the company is the 2025 market leader in coach and bus sales off the back of demand for electric buses.

Elsewhere, the aerospace industry – renowned for variable customer demand and a slow supply chain – is also preparing for new trade corridors. Boeing recently said it is prepared to look for alternative buyers for its planes destined for Chinese airlines, for example. Down the supply chain, executives at companies like Senior plc, which manufactures components for the aerospace, defence and energy markets and draws on a global supply chain in 14 countries, says supply chain visibility has become essential. Speaking at the ACT conference, Director of Treasury, Tom Bindloss, explains tariffs are likely to hit the company’s operations in countries like Mexico and Canada, but around 50% of Senior’s production is based in the US, offering some protection from tariffs.

Senior’s supply chain has built up over decades and moving production from one location to another could take several years. Moreover, the company is partly protected from a spike in costs from higher tariffs because Senior’s contracts have an Incoterms clause where the company expects its customers to pay tariffs. However, Bindloss flagged potential bottlenecks coming down the track that he has less control over like the supply of magnets – essential in defence manufacturing but where supply is already limited by China widening export controls of rare earth minerals.

Vivek Ramachandran, Head of Global Trade Solutions at HSBC believes levels of supply chain diversification will depend on the industry because different sectors tend to have their own unique supply chains. “Companies have to figure out how to meet US demand without sourcing from high tariff countries, and re-shaping supply chains doesn’t happen overnight,” he told Treasury Today.

Natasha Condon, Global Head of Trade Sales at J.P. Morgan agreed, adding that analysing and stress testing where the impact of tariffs will hit companies with complex supply chains is challenging. “We had one client who was confident there was no impact, but analysis showed that three layers down their supply chain there was a tariff impact they hadn’t realised was there. It’s happening to a lot of people.”

Working capital, trade finance and strategic treasury come to the fore

So far interviewees don’t report a sudden spike in liquidity drawdowns, treasury tapping credit lines or dramatic new bond issuance. But the trade war has reinforced the importance of working capital strategies on hand to support challenges like financing the impact of moving prices, the need to cover more import duty or the cost of holding back deliveries and holding more inventory. In short, companies need working capital at the ready lest they need to quickly deploy cash in different regions and sectors.

“Whenever there is a shock in the world, the first thing a CFO will do is pick up the phone and call their Treasurer and ask ‘do we have enough cash’,” says Baris Kalay, head of Corporate Sales for Europe Middle East, and Africa (EMEA) at Bank of America. “The second question is, ‘can we access it’.

For example, Crump says Pelican Engineering aims to hold a cash buffer of around £15m to £20m. He reflects that it is possible the firm’s Chinese manufacturer could lower its prices to accommodate suddenly higher tariffs depending what the increases were. Still, Pelican ensures it has money on hand to navigate the significant tariff risk it holds in the six months between order and delivery of its buses from China.

Optimising working capital and extracting as much value as possible out of the working capital cycle is a complex equation. Strategies must ensure suppliers aren’t being squeezed too much on one hand or, on the other, treasury hasn’t extended payments terms to put too much buyer risk on books. In the current climate, treasurers are benchmarking their cash positions and leaning into structured programmes to manage working capital in strategies that ensure their ability to consolidate cash and get it out of local subsidiaries.

Trade finance has also become an essential tool to optimise working capital management. Supply chain finance products are being used to support difficult negotiations between suppliers and buyers on who pays the economic burden of tariffs. Supply chain finance products allow a buyer to offer their suppliers cheap financing using buyers credit lines and are being used to share the cost of tariffs, says Condon. She also believes old fashioned LCs will help corporates move into new markets allowing banks to step into the gap and cover the initial risk. “That is the purpose of the traditional letter of credit,” she reflects.

Banks are launching new tools to help. HSBC has just launched a financing product to help US clients facing an increase in upfront import duties whereby the bank will pay duties charged to US importers upfront, with customers granted flexibility on repayment terms depending on their working capital cycle. HSBC’s Ramachandran believes that in the current environment, working capital management is not just the remit of treasury. It is a strategic lever held at CEO and board level and essential for agile decision making.

Ian Cooper, Group Treasurer, 3i, the investment company specialising in private equity and infrastructure says that market conditions and the challenge of valuing companies in the current climate has led to a reduction in M&A activity at the investment group. Treasury strategies at the company have included bringing forward refinancing its RFC to boost its liquidity position and increasing the hedging position. He adds that the importance of working capital has elevated the role of treasury, saying “when the market is volatile there is an opportunity for treasury to speak in the boardroom and to the CFO. They come to treasury to hear what our view is and it’s an opportunity.”

Navigating FX risk

Treasury teams have also scrambled to secure their FX strategies. For example, leading up to April, corporates with material China exposures used FX options to hedge against a material depreciation of RMB, says James O’Donnell, Corporate FX Sales, Barclays. But he also says ongoing

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>
> Ian Cooper, Group Treasurer, 3i

uncertainty has led many corporations to react differently depending on their hedging policy and confidence in their exposures. Some have paused hedging temporarily, while others have been able to opportunistically top-up. Others have been more focused on the funding side, deciding whether to pre-hedge future issuance or add to net investment hedges where budget rates can be achieved or bettered.

BofA's Kalay also speaks to the heightened FX risk ahead as economies begin to diverge on how they manage interest rate and inflation risk. "Growth and inflation rates vary for different countries which is impacting how they manage interest rates with an impact on FX rates. Managing FX risk will continue to be incredibly important." It means that companies that report in one currency but have large operations in another face new risks and are adjusting their hedging policies and day-to-day operational strategies.

Accelerating trends

Tariffs, and the upheaval in trade, have accelerated other trends too. For example, the current trade climate has highlighted the importance of supply chain transparency that typically falls under ESG. "Tariffs have forced companies to understand what is in their supply chain," says Ramachandran. "Visibility into supply chains is much more important in a world of tariffs because the import duty depends on where the value add has taken place. Companies really care who is in their supply chain."

The trade war could also push more companies into offering services. The service sector has not been subject to the same level of tariffs – although in a rare example China said it will restrict Hollywood imports in response to US tariffs.

Services, particularly digital services, are growing faster than the trade in goods and Ramachandran believes companies will increasingly alter their business models to incorporate services offering goods under subscriptions or usage-based models rather than a one-time sale. He suggests corporations will begin to monetise contracts and move to a billing system that taps into today's B2B e-commerce platforms that trade with anonymous customers. "Companies are starting to think about their business models and explore the potential of moving away from traditional manufacturing to selling products under leases and utilising as-a-service models."

It's a trend BoA's Kalay also notices, and which goes hand-in-hand with the evolution in real time payments, allowing companies to receive instant payments from clients in a cost efficient and secure environment. "We are having more and more e-commerce conversations with our clients, discussing models like working on a subscription basis or using an intermediary to provide their services. It is something that we are watching very closely," he says.

Today, most trade with a non-US counterparty is conducted in dollars and treasurers don't see any sign of this changing in the short term, other than a few noting that more business is being done in RMB. However, companies are beginning to think about a world of non-dollar denominated trade and heightened dollar risk. Treasury teams have begun scenario planning how this could impact access to liquidity pools and funding, and how they should hedge that risk, for example.

"So far, any change in the use of the US dollar in global trade flows is more theory than practice. On a limited basis, we are doing more RMB trade finance than three years ago, but this is linked to our expansion in China. We are doing more in euros too, however the majority of trade flows remains in the US dollar. We will react to what our clients are looking for, but as a trend, we don't see it as a huge move yet," reflects Condon.

Risks ahead

Some Treasury Today interviewees warn tariffs and the upheaval in global trade could also cause corporate jeopardy. Companies are having to juggle a downward revision in GDP growth and uncertainties about consumer demand. Speaking at the ACT in Wales, Josef Pospisil, Deputy Head of Corporate Ratings EMEA, Fitch Ratings warned that sectors like the autos, already weighted down by the costly switch to EV, are particularly vulnerable. Companies with a higher cost of debt, insufficient hedging or restricted access to capital are at risk of downgrades, he says.

And the cost of debt and level of future interest rates is also uncertain because inflation may cause a delay to rate cuts. Corporates are also keeping a wary eye on market instability triggered by President Donald Trump's new tax bill. The legislation which seeks to cut taxes without cutting spending could add more than US$3trn to the deficit over the next decade, putting investors on edge and spiking bond yields. It makes raising money in the capital markets more complicated as treasury and their banking partners try to judge the best window for issuance and optimum funding costs in yet another management distraction that is forcing companies to revise their carefully laid plans.

WHY THE CORPORATE REPO MARKET IS OFFERING TREASURERS LUCRATIVE YIELDS ON THEIR CASH

Clearstream's Marton Szigeti explains why important shifts in the corporate repo market over the last 18-24 months are allowing corporate treasury teams to tap lucrative yields on their cash.

There have been important shifts in the corporate repo market over the last 18-24 months that are allowing corporate treasury teams to tap lucrative yields on their cash. In an interview with Treasury Today, Marton Szigeti, Head of Collateral, Lending & Liquidity Solutions at Clearstream, the tri-party platform that seeks to match counterparties in the repo market and help clients with their collateral needs, explains.

Szigeti attributes increased bank demand for corporate liquidity to the shift in monetary policy. During Quantitative Easing (QE), Central Banks injected liquidity into the financial system by purchasing government and financial securities from the market. Today, Central Banks have changed the rules on which market participants will have access to their facilities that can pay interest, meaning that over the last 18 months free liquidity has dried up, and it has grown much harder for banks to access cash. Cash-hungry institutions like banks which need cash in exchange for securities to fund their daily operations are looking for different sources of liquidity. "Because cash is more valuable, corporates especially those with a broad credit appetite, can secure a good yield on their cash," says Szigeti who joined Clearstream five years ago following a long career in investment banking.

Regulatory change has also played a hand. Under the European Central Bank's (ECB) Targeted longer-term refinancing operations (TLTROs) programme, the ECB would take a mixture of assets on banks' balance sheets like Collateralized Loan and Debt Obligations (CLOs and CDOs) and give cash in return. Now, because of monetary policy tightening, the ECB has stopped funding these assets. "Banks are now structurally long in these assets which they once funded via Central Banks. Most financial institutions avoid using these assets as collateral in repo because they are complex, less liquid, and can negatively affect capital and liquidity ratios, but corporate treasurers are able to take them in return for good yields and banks are actively seeking out these types of counterparties."

He adds that corporates are less concerned about the quality of these assets because they don't sit on their balance sheet and they are comfortable with more complex risks like supplier risk. "Corporates are already exposed to, say, the credit quality of all their suppliers and they don't take credit risk as a balance sheet item."

Other types of regulation have also served to make cash more valuable. Banks came under pressure to manage their liquidity ratios under post-GFC reforms like Liquidity Coverage Ratio (LCR), explains Szigeti. Banks have integrated this cost in phases over the years, and it used to be centrally allocated. Recently, in a more sophisticated approach supported by structural changes to better manage costs, banks' liquidity management costs are no longer internalised but reflected instead in banks' trading books so that individual traders now manage their own liquidity ratios. "Banks have distributed their cost of liquidity down to the trader level in a process that has increased the demand for liquidity in the market and made corporate cash much more attractive to banks," he explains.

Clearstream facilitates three different types of repo but Szigeti says the company's Clearstream Repurchase Conditions (CRC), is seeing most interest from corporate treasurers. CRC is a standardised repo contract whereby corporate treasurers looking for repo capabilities can sign one contract and access multiple (around 70) counterparties. Meanwhile the platform supports all operational outsourcing and tax implications that treasury teams might struggle to process. "We are seeing most corporate activity in our CRCs. It's suitable for corporates because it's homogenous and a low lift from a legal perspective. It's not very sophisticated but offers a broad range of choice of collateral with a lot of bank borrowers on the other side that are keen to take corporate liquidity."

Szigeti continues that "every cent" of corporate money Clearstream has in its CRC product "is lent straight away" reaffirming "corporate cash is highly valuable because it helps banks with their funding ratio and liquidity coverage. They can take corporate cash and put it to really good use on their balance sheet to help support their regulatory position. Banks much prefer borrowing corporate liquidity."

CRC repo is uncleared. In this way the counterparty to the repo – the corporate – will take the credit exposure of the institution they choose to trade with. "If a corporate is lending money to another repo counterparty it will take their credit risk and the risk and also the flexibility of the collateral they provide."

Although Clearstream offers cleared repo whereby clients take clearing house risk rather than bank risk – and therefore negate the credit risk of the transaction – these transactions aren't that popular with treasurers because this type of credit enhancement costs more. "Corporates are also less credit sensitive than financial institutions to credit risk and treasurers are also looking for higher yields than a central counterparty (CCP) can provide," he concludes.

Standing up a new treasury

Aditi Agarwal
Global Treasury Operations Leader and Chief of Staff

GE HealthCare

Headquartered in Chicago, Illinois, GE HealthCare is a leading global healthcare solutions provider, innovating medical technology, pharmaceutical diagnostics, and integrated, cloud-first AI-enabled solutions, services and data analytics. The company reported revenues of US$19.7bn in 2024 and employs approximately 53,000 people around the world.

Profile

Aditi joined GE HealthCare in December 2022 as Global Treasury Operations Leader and Chief of Staff, responsible for leading the project to stand up a new treasury organisation by implementing new processes and systems and onboarding a new team. Prior to GE HealthCare, Aditi spent 14 years with GE Capital in various treasury roles and was most recently the Separation and Data Leader with GE Corporate Treasury. Aditi holds a Chartered Accountant degree from the Institute of Chartered Accountants of India, and a bachelor's degree in finance from the University of Agra, India.

Aditi Agarwal discusses her experience of setting up a new treasury from scratch following the spin-off of GE HealthCare as a standalone business in 2023 and explains why it's essential for modern treasury professionals to build connections across the organisation.

Aditi Agarwal has worked for GE – and subsequently GE HealthCare – for over 17 years, but during that time her role has changed significantly. "I've always been with treasury, but I've worked in different countries and continents, so I have knowledge of the different regions – which is an added advantage, because treasury has a lot of regional nuances to take care of," she observes.

During her 14 years at GE Capital, Agarwal took on a number of treasury roles. These included working as Digital Leader for GE Corporate Treasury in Singapore, where she led digital initiatives to drive process automation and treasury transformation. In 2020, Agarwal moved to the US to take on the role of Treasury Data Leader, where she was responsible for defining the treasury's tech stack strategy for GE's three separating businesses, as well as leading the TMS and data strategy implementation for GE Corporate Treasury.

Agarwal recalls that the early stages of her career at GE were pivotal in helping her gain a clear understanding of the different functions within treasury, such as liquidity management, FX management and bank relationship management. "These were my core functions, and I spent a couple of years going much deeper into these areas," she says. "Working on these different functions has given me a competitive advantage when it comes to supporting the bigger initiatives of the organisation."

As a result, Agarwal had the opportunity to take on the role of transformation leader for the organisation – a role that she has now held for a number of years, and which spans transformations related to M&A activity, as well as digital transformation within the organisation.

"This can be transformation related to M&A, including the significant changes that GE has gone through in the last few years, from acquiring Alstom to spinning the business off into three business units," she says. "I have also been driving digital transformation within the organisation, which began with addressing manual, spreadsheet-based processes and creating digital dashboards, and is now focused on adopting technologies like AI and machine learning."

Designing a treasury from scratch

The company's transformation journey has been more momentous than most. In 2021, General Electric announced its plan to split into three separate public companies, GE HealthCare, GE Vernova and GE Aerospace.

As GE Chairman and CEO H. Lawrence Culp, Jr. commented in a press release at the time, "By creating three industry-leading, global public companies, each can benefit from greater focus, tailored capital allocation and strategic flexibility to drive long-term growth and value for customers, investors and employees."

GE HealthCare was subsequently created on 4th January 2023, with Agarwal taking on the position of Chief of Staff and Global Operations Leader for the company's treasury.

Today, GE HealthCare is a US$19.7bn global healthcare solutions provider that provides medical technology, pharmaceutical diagnostics and AI-enabled solutions, services and data analytics. Headquartered in Chicago, Illinois, the company operates in more than 160 countries around the world and spends over US$1bn annually in R&D and product investment. The company comprises four different business units: imaging, ultrasound, patient care solutions and pharmaceutical diagnostics.

Previously, treasury at GE had been very centralised. However, the spin off exercise meant that each of the three new businesses would need its own treasury function. As such, Agarwal's key focus upon her move to GE HealthCare was on creating a standalone treasury function from scratch – a task which was accomplished very effectively.

"Within a 12-month period, we stood up a new treasury organisation, which involved setting up new systems and processes as well as hiring people," Agarwal says. "It was definitely a Herculean task, but I think that having the right talent within the organisation and external partnership helped us to be very successful in this endeavour."

With a timeline of just one year, this exercise involved navigating inherited complexities and high volumes of transactions – as well as comprehensively redesigning the treasury function's structures and functionality.

In the course of this exercise, the company streamlined numerous legacy systems, optimised processes, and ensured that the necessary governance and policies were in place. Highlights of the project included consolidating 36 legacy systems down to nine, while implementing a complete technology ecosystem and completing over 300 functional and system implementation milestones.

As part of the project, the company also established a long-term vision called 'Treasury 2028' to future-proof the organisation and define the objectives that would need to be prioritised in the coming years.

The team's achievements during this project have gained recognition both internally and across the industry – including in Treasury Today's prestigious Adam Smith Awards programme. In the **2024 Adam Smith Awards, GE HealthCare** was named overall winner in the Best Treasury Transformation Project category.

Culture and values

Today, GE HealthCare's treasury team is managed by a treasurer working from the company's headquarters in Chicago. The treasury also has a regional presence to support businesses in different regions where needed.

"It's a mixed model in which some functions are regionally present due to the needs of the business – some countries have regulations that require us to be physically present there," Agarwal explains. "In other cases, it's a centralised function. So functions like liquidity management and payments executions are managed regionally, whereas bank account management and FX management are centralised in one place."

As Chief of Staff and Global Operations Leader for treasury, Agarwal is responsible for supporting FX and intercompany middle office operations, as well as leasing and loan operations. "I also work extensively with the treasurer, other senior leaders and the entire team to make sure we are defining the right priorities and KPIs for our organisation," she says.

"This is a new organisation, and we want to make sure we're driving the right culture and have the right connectivity with the team, so I try to make sure we have a very well-connected team. We don't create siloes – we work collaboratively, value the culture and the values that we set for ourselves and hold ourselves accountable to those."

Agarwal explains that these values include doing the right thing, "even if nobody's looking", as well as being transparent with the team on topics such as geopolitical issues and the economic environment.

"When we were standing up the treasury for GE HealthCare, we hired folks with experience from the GE treasury team, but we very much wanted to define our own culture," she adds. "We try to run our organisation with robust controls, but if something goes wrong within that framework, we make sure we have each other's back – we don't let our team struggle, and we want to make sure that nobody ever feels alone."

Eyes on the future

Treasury never stands still – and Agarwal says her current focus is on simplifying and standardising processes, and harnessing technology to drive further benefits.

"We are trying to make sure that any process we run within our organisation is sustainable, both from a people and systems perspective," she explains. "Our focus is always to try and leverage more out-of-the-box functionality and minimise customisation."

As well as ensuring that the team's systems are sustainable, she says there is also a focus on making sure that processes are sustainable from a people point of view, with the right resources in place. "Treasury is a niche function, and you need to understand treasury in order to be successful," she says. "So it's important to make sure you have a significant bench that will help you manage your treasury operations effectively."

Where newer technology is concerned, Agarwal notes that AI and machine learning provide significant opportunities within treasury. "This could be as simple as taking meeting notes and summarising them, or it could mean creating a tool that can handle the frequently asked questions that come into treasury, so that people can self-service their queries," she explains. "You can also use AI and ML to create a database where you can research your documents and reports, and to translate and summarise documents from multiple languages. So I believe these technologies do offer significant potential."

She notes that GE HealthCare treasury is currently exploring the use cases that can be leveraged within treasury, adding that one of the most well-known use cases is cash forecasting. "Everyone talks about how AI can help with cash forecasting, and we're looking into this as well. But it's important to understand that the underlying data needs to be very accurate in order to use this technology successfully, so that's the first thing to work on. The second thing is to try to see how this technology can actually help us forecast more effectively."

At the same time, Agarwal remains attuned to the many risks faced by companies in today's operating environment.

She cites geopolitical instability as one topic that requires particular attention, particularly given the impact that the current environment can have on FX and liquidity.

And like many other treasury professionals, Agarwal views cyber risk as a significant concern. "We're focused on leveraging technology to our advantage, but there are a lot of bad players in the market that are leveraging technology for fraud," she notes. "That keeps me awake at night, because we have to figure out how to take a proactive approach and protect ourselves from these threats. We do so by running our organisation with very high standards of governance, with multiple internal controls in place."

Building connections

Sharing her thoughts about the treasury profession more generally, Agarwal observes that treasury is a very specialised function that is strategically placed within the organisation. As such, it can play a key role in supporting and driving shareholder value, as well as acting as a strategic partner for the business.

"One thing I particularly enjoy is being part of an organisation which is very well-connected with other functions within the company, and that is able to add value to the bigger picture," Agarwal notes. "There is huge potential for treasury to be that strategic partner for business growth or M&A deals, for example."

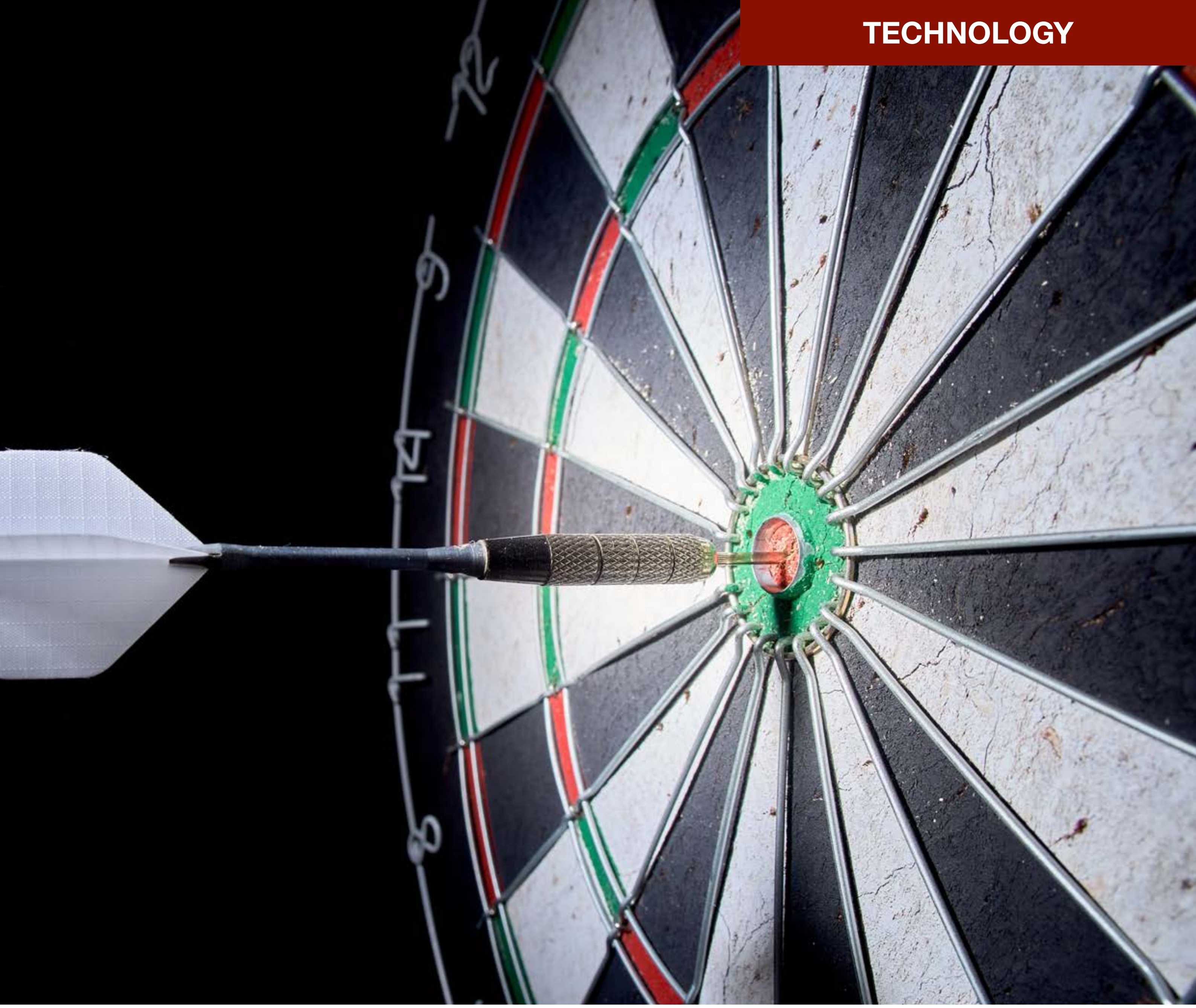
For modern treasury professionals, Agarwal says it is essential to have not only functional knowledge, but also a technical bent of mind. "Technology is changing extensively, and there is a need for all of us to embrace technology and use it to our benefit, rather than being scared of it. We should all be ready to change and automate wherever possible."

Given the connected nature of treasury, she is also a firm believer in the value of effective communication skills. "A lot of the time people don't pay enough attention to soft skills, but it's so important to create that connectivity between treasury and its cross-functional partners, like tax, legal, financial controllers and IT," she reflects. "So having the right interpersonal skills is extremely important."

Agarwal notes that in many organisations, treasury is treated as a siloed function – but in order to add strategic value to the organisation, it is important to break that silo. Firstly, this means having a clear understanding of all the different verticals that sit within treasury, from FX management to capital structures.

"Working knowledge of all these intertwined verticals is critical for your success," she explains. "Once you understand the nuances of treasury, then try to understand how treasury impacts and supports the business. Be the strategic partner to the business rather than being a siloed function."

Of course, there is also life beyond treasury – and outside the office, Agarwal says she enjoys spending time with her husband and her seven-year-old daughter. "We're big on travel, so we travel across the country and around the globe, and we try to explore the history of the different places that we visit," she concludes.



Getting to the point

Finance teams have much to gain from leveraging the payment data generated by point of sale systems.

According to various research reports, the point of sale (PoS) market is set to grow significantly over the next decade, driven by the expansion of e-commerce and omnichannel retailing, evolving regulatory changes and compliance requirements, growth in the retail and hospitality sectors, a heightened emphasis on security and fraud prevention and a rise in contactless payment methods.

Many PoS hardware stations are designed to connect directly with cash drawers, allowing businesses to efficiently handle cash transactions. Additionally, terminals often include robust reporting tools that enable merchants to individually track cash sales, refunds and deposits in detail, supporting more accurate and streamlined cash flow management.

For merchants using hardware PoS devices, these solutions ought to offer all-in-one capabilities observes Peter O'Halloran, Head of Enterprise & Digital Commerce EMEA at Fiserv.

"In addition to aiding with the management of tasks such as online ordering, accounting and inventory management, such offerings also provide robust reporting and analytics data analytics," he says. "Merchants using these devices can view data on customer spending patterns, stock tracking

> By enabling merchants to manage multiple services direct from the terminal, the point of sale is transformed into a hugely innovative business management tool.
>
> Tommaso Jacopo Ulissi, Head of Strategy and Transformation, Nexi Group

and internal processes in a real-time dashboard on mobile device applications."

This gives business owners a clearer picture of the company's progress and performance without needing to always be on site. Once this is realised, merchants can leverage the data all-in-one PoS systems to generate to pinpoint efficiencies, optimise inventory and streamline payments, all of which help finance teams to make smarter decisions.

"By tapping into real-time point of sale data, finance teams gain access to accurate, actionable insights that support more effective decision making across pricing, inventory and profits," says Peter Chan, VP of Partnerships at DoJo. "Rather than relying on historical reports or assumptions, real-time data reveals live sales performance, customer behaviour and transaction trends, allowing for smarter forecasting."

This visibility empowers finance teams to identify areas of underperformance, reduce waste and optimise margins. It also enables them to support strategic decisions that keep the business competitive, whether that is adjusting pricing or adjusting stock levels based on actual customer trends.

Some of the worlds' largest retailers have implemented new systems recently. For example, UK supermarket chain, Morrisons, has selected NCR Voyix to provide new PoS technology across more than 13,000 checkout lanes in almost 500 stores.

Morrisons is investing in additional capabilities that replace legacy technology to optimise efficiency and scalability, and the platform will enable the retailer to quickly roll out new digital, personalised experiences.

US specialty furniture retailer, Bambi Baby, has massively reduced in-store checkout times and grown average order values by 30% since implementing a new PoS system.

The company recognised the need for a unified solution that could support its growing omnichannel operations and eliminate manual processes. Store workers were struggling to keep up with manual order entry, especially during busy weekend hours.

"We were doing pen and paper transactions using an Excel sheet, scanning them and having the back office enter orders," explains IT Director, Josh Weiss. "You would come in on a Monday and have to enter 50 orders manually. It just became a process that was not sustainable."

The paper-based checkout process also created bottlenecks. "You would have four or five people backed up trying to buy something," says Weiss.

Bambi Baby replatformed to Shopify over a three month period. Each store now operates multiple PoS stations plus mobile devices, enabling staff to process transactions anywhere on the floor.

"I can check four people out simultaneously and it takes minutes to do so," says Weiss. "Now I have time to be with people because the same ten minutes I used to spend writing up orders, I can be upselling."

This improved efficiency has translated into significant business growth. "Our conversion rate is up by 30% and average order value is up too," adds Weiss. "Everything is managed from one place and it is so trainable – I can teach someone the POS system in 35 minutes."

One of the most interesting debates in the retail space is over the extent to which software point of sale or SoftPoS solutions are replacing traditional systems.

SoftPoS is a useful addition to the PoS offering, but it will not replace traditional systems entirely as merchants will always have differing requirements. For instance, smaller retailers selling lower value products or services need their system to be low cost, easy to set up and use and highly agile whereas larger retailers – or merchants selling high value products or services – need high throughput and value-added services.

That is the view of Tommaso Jacopo Ulissi, Head of Strategy and Transformation at Nexi Group, who says this disparity in system requirements is fuelling the rise of so-called 'SmartPoS', which he says delivers value beyond just payments.

"By enabling merchants to manage multiple services direct from the terminal, the point of sale is transformed into a hugely innovative business management tool," he explains. "As well as taking payments, SmartPoS can meet specific additional needs such as order management, taxi bookings, collecting customer feedback or manging loyalty programmes."

Traditional points of sale are being replaced as customer behaviours and payment preferences change, adds Jacopo Ulissi. "It is essential that point of sale innovation continues to reflect the contrasting needs of merchants across industries and geographies, offering a variety of different solutions that can be tailored to the unique requirements of every business," he continues.

SoftPoS is supporting new use cases by enabling more convenient payments on the go, suggests Fime Strategic Partnerships and Security Manager, Christian Damour.

"Think about small merchants at outdoor marketplaces, on the spot invoice payments to tradesmen, ticketing inspectors on trains, in-store sales attendants untethered from the cashier's desk or waiting staff at restaurants who no longer need to fetch the point of sale terminal," he says.

Some of the limitations of SoftPoS show why it is currently viewed as being complimentary to, rather than replacing, traditional systems. It can only be used for contactless payments unless a PCI PTS (PIN Transaction Security) certified card reader is connected via Bluetooth. Taking a picture of the card or manually typing card data into the device is a fallback option, but both options sacrifice convenience.

"Interestingly, SoftPoS is also evolving to enable 'unattended' use cases," notes Damour. "Mastercard's 'Tap on Own Device' operates as an extension to SoftPoS, enabling customers to tap their card on their own mobile device to complete an e-commerce payment. This can be enabled by installing a dedicated mobile app and must also comply with the PCI MPoC (mobile payments on COTS or commercial off-the-shelf devices) standard, which is designed to ensure that all SoftPoS solutions undergo rigorous testing to keep data secure."

O'Halloran agrees that we are not looking at the end of traditional POS systems despite SoftPoS becoming increasingly popular in the payments industry by eliminating the need for additional devices, allowing merchants to monitor and manage transactions anywhere, any time.

For customers, it reduces checkout times as payments do not need processing at the till and can instead be managed from anywhere on the shop floor. This is especially beneficial for customers with limited mobility.

"Nevertheless, traditional point of sale devices offer certain benefits that SoftPoS solutions cannot replace," says O'Halloran. "For merchants with fixed locations and high transaction volumes, traditional point of sale hardware offers more stable and reliable solutions and can also often facilitate a wider range of payment options for customers."

As consumer expectations and preferences evolve – with greater emphasis placed on faster and more efficient service – businesses need more flexibility in how and where they accept payments. According to Chan, SoftPoS delivers that flexibility.

"With smartphones acting as secure payment devices, staff can take payments from anywhere, whether that be at the table, on the terrace or in a queue," he says. "For instance, during busy periods when card readers are all in use, staff can simply switch to a business phone or tablet to process a payment, reducing wait times and improving service speed."

The potential benefits are even greater in large scale or high traffic environments like festivals and events where long queues at bars or merchandise stands can be tackled by deploying additional SoftPoS devices instantly, enabling staff to process payments more quickly and keep customers moving.

"In addition to enhancing mobility, SoftPoS gives businesses the flexibility to use their preferred combination of hardware and software, aligning payment solutions with their existing technology stack," adds Chan. "Whether it is a restaurant floor or a festival site, every corner of a venue becomes a potential transaction point."

Enhanced security looks set to be at the heart of future innovation in PoS payment technology. Institutions that already support secure payment acceptance are well positioned to extend their role into digital identity acceptance.

Payment and digital identity ecosystems can securely store cryptographic keys and execute sensitive operations thanks to a combination of cryptography and secure hardware.

"They also use similar user interfaces and input methods, such as NFC or near-field communication and biometric scanners," explains Marcelo Bellini Garcia, VP Digital Identity at Consult Hyperion. "Both are based on defined standards and are built on trust relationships between key stakeholders."

For services that require face to face verification or hybrid customer journeys (where digital and physical interactions are blended) the PoS becomes the clear candidate for identity authentication. In this scenario, digital identity does not just expand what PoS can do – it also expands where it can go.

"Key use cases are emerging and many pilots are already underway," says Bellini Garcia. "For example, customers collecting prescriptions in pharmacies, where identity verification and payment often occur together can now do so as part of a unified experience that improves efficiency and enhances the customer journey in-store. In retail, regulation for age verification with digital identity when buying liquor is already in place in Australia."

O'Halloran suggests that as the technology continues to develop, one of the ways it will make payment processing more efficient is through optimising security and compliance in a continuously evolving regulatory landscape.

"Point of sale devices that offer robust security and compliance measures safeguard sensitive customer data and guarantee secure payment processing," he says. "In turn, this facilitates faster, more streamlined transactions by preventing technical difficulties and outages.

Banks are increasingly looking to facilitate seamless payment acceptance product integrations with point of sale technology to further boost the efficiency of payment processing."

O'Halloran also refers to the potential of 'pay by bank' to transform PoS payment technology. "For merchants, adding real-time payments enables them to instantly process payments linked to financial institutions," he concludes. "What is more, the wider range of payment options is not only convenient for merchants but also helps in significantly increasing their customer base."

This much I know

Daria Severina

Director Treasury
ASML

Reflecting on her career to date, Daria Severina discusses the importance of stepping outside your comfort zone, seeking new challenges and building a network across the organisation.

What's currently front of mind for you in your role?

My focus is on scaling treasury through digitalisation, enhancing compliance frameworks and advising senior leadership on strategic financial decisions. This includes implementing best in class technology and aligning treasury with ASML's rapid global expansion.

Tell me about a moment that stands out as an important progression in your career

A pivotal moment was leading the setup of SABIC's cash management in the Middle East, followed by global oversight across Asia, Europe and the Americas. This transition marked my evolution from regional to global leadership, working directly with the CFO on strategic challenges. I needed to switch from being solely a treasury professional and become a much broader finance professional – a task that included developing my network within the company around cross-departmental projects.

What's the biggest challenge you've faced to date professionally?

Taking on the people management responsibility for a large team across several continents, and managing this culturally diverse team across time zones, required me to adapt my leadership style and foster inclusive collaboration. This experience deepened my cultural intelligence and strengthened my ability to lead through complexity.

Do you have a piece of career advice you'd like to share?

Growth happens outside your comfort zone. I encourage professionals – especially women – to voice their ambitions early, seek mentorship and take on cross-functional projects that build visibility and influence.

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

Empathy and integrity are at the core of my leadership. Whether under pressure or in calm, I believe in treating others with respect and creating environments where people feel seen and supported. My motto is, "Treat other people the way you would like to be treated yourself."

"I needed to switch from being solely a treasury professional and become a much broader finance professional."

ONLINE

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

Forging a career in treasury

A seasoned treasury professional, Daria Severina currently leads the global corporate cash and financial risk management (CC & FRM) treasury team for ASML, a global supplier of semiconductor manufacturing equipment. However, at the beginning of her career she originally had her sights set on the world of banking. "I was studying finance at university, and in my last year I was invited by a large bank to join their early talent pipeline programme," she recalls.

After working in banking for five years, Daria decided to move from Russia to the Netherlands, where she took up her first role in corporate treasury. Since then, she has worked in a variety of back, middle and front office roles, and notably played a key role in treasury integration between the Middle East and rest of the world for chemical manufacturing company SABIC. Daria was subsequently given responsibility for the company's global cash management across Asia, the Middle East, Europe and the Americas.

"From there, I thought I would love to experience working for a Dutch corporate," she says. "I moved to Royal FrieslandCampina, where my responsibilities were very similar to those I had at SABIC. But I was also more involved with treasury technology and guiding the setup of the treasury back office in our shared service centre."

Daria was subsequently invited to join ASML, where she now oversees a team of 11 people, and is responsible for everything related to corporate cash and financial risk management for all the countries in which the company is present.

Looking back at her career, Daria reflects that one of the biggest differences between working for a bank and a corporation lies in the fact that the core business of a bank is financial services, while finance in a corporate environment is usually a supporting function. However, this allows employees of a corporate to develop an affinity with a concrete end product.

"For example, Royal FrieslandCampina is in the dairy business, and you see their products on supermarket shelves. And ASML sells machines that are used in the production of chips that we all use in our daily appliances, such as phones, cars etc.

"From my personal experience I also believe the corporate side allows you to explore broader roles than you can when working for a bank – in the corporate world, you might be dealing with 20 different topics. If you're looking for that kind of dynamic experience, you're probably better suited to a corporate role."

Seeking new challenges

When it comes to developing a career, Daria believes it is crucial not to be afraid of new challenges. "It can be tempting to stay in the safety of your current environment, but development happens when we step outside of our comfort zones," she says. "If you're ambitious, it's important to seek new challenges and projects, even if they're not directly related to your role."

For women in particular, Daria emphasises the importance of making their ambitions clear at an early stage. "Something I've noticed is that men are often very open about discussing their career growth and ambitions, but that kind of conversation is a lot less common with female direct reports. While women are usually ambitious, they can be more reluctant to share what they see as their next development step.

"The downside is that if your ambition is not expressed, your manager may not be aware of it. If you make your ambition clear, and develop a plan with your manager, you can prevent the frustration that can arise later on if you're not progressing as fast as you would like."

On another note, Daria highlights the value of seeking out mentors, sponsors and/or allies within the organisation, and having open conversations with those people about what you want to achieve. "In my experience, people will often be very happy to support you, but they do need to know what to support, so it's important to be prepared for this conversation," she advises.

Likewise, Daria says it can be valuable to join existing networks within the organisation. "And take on new challenges, because when you do that, you are also working on your visibility. Then, when you speak to your allies within the organisation, you can refer back to the challenge as evidence of how you're progressing your career."

Profile

Daria Severina leads a global treasury team spanning the Netherlands, Korea, China and the US. The team's responsibilities include liquidity management and in-house banking; corporate financial risk management, such as foreign exchange, interest, commodity risk and financial and corporate counterparty risk strategy; global investment decisions, intercompany financing, treasury technology and treasury compliance. Daria's previous roles include Head of Treasury Operations at Royal FrieslandCampina, and Senior Manager Global Cash Management at SABIC.

About ASML

Headquartered in the Netherlands, ASML designs and manufactures the lithography machines that are an essential component in microchip manufacturing. The company has operations across Europe, Asia and the US, employs over 44,000 people, and reported net sales of €28.3bn in 2024.

KYC, RECONCILIATIONS OR FORECASTING: CORPORATES ADOPT A MODULAR APPROACH TO AI INTEGRATION

AI is not a light switch you turn on and say everything is AI-driven. It's a gradual process that should be tailored to the needs of a specific organisation. ING's Tibor Bartels and Bahadir Yilmaz explain.

Rather than introduce sweeping AI strategies, corporate treasurers are using AI to solve specific pain points in a modular approach.

Take a utility company that is battling to complete last mile automation in reconciliations, suggests Tibor Bartels, Managing Director, Head of Transaction Services Americas at ING who works across cash and liquidity management, working capital and ING's trade offering. AI can help optimise reconciliations to support the company further reduce human interaction in its reconciliation processes.

In contrast, a mining company which has a much lower level of transactions but is working in an industry buffeted by commodity prices, geopolitics and sanction risk, would use AI for forecasting. "AI is not a light switch you turn on and say everything is AI-driven. It's a gradual process that should be tailored to the needs of a specific organisation," Bartels tells Treasury Today.

Moreover, modular cash forecasting and reconciliation strategies are being fanned by treasury's quest for certainty amidst growing geopolitical instability. And forecasting is one of the most exciting areas of innovation because it can be applied to everything from predictions on commodity prices and exchange rates, to future sales. Successful strategies depend on access to data to feed traditional AI forecasting models and drive accuracy going forward, says Bartels.

In another trend, companies are also leaning into GenAI (distinct from traditional AI because it learns from data to generate original content) in the same modular approach to support KYC and onboarding. The enduringly challenging process – that also comes with regulatory restrictions and complexities around legacy ERP and other treasury tech – can take months and becomes even more laborious when corporates seek multiple bank relationships.

ING has now scaled a GenAI model to support onboarding that is currently being used by 200 clients. The data KYC requires is typically already held by companies and scattered through corporate mailboxes or credit systems. The bank uses GenAI to bring that data into one place and highlight potential KYC risks. "We are using GenAI to answer KYC questions and assess the risk levels. The early results show dramatic time savings and productivity gains," says Bahadir Yilmaz, ING's Chief Analytics Officer.

ING is also creating structured data from different jurisdictions to provide better insights for clients. The bank has a footprint across 100 countries with a myriad of different legal frameworks, data recording processes and data formats. ING is now drawing that data into one single model to support clients with a holistic view "of what is going on," says Yilmaz.

"AI is only as successful as the data sources we have," Bartels adds. "The more historic and regulatory data we can gather enables our clients to be more successful in the regions we do business."

Yilmaz and Bartels observe treasury teams have budget to spend when it comes to AI. Companies are prioritising spending on the technological tools that can support increased efficiency and fraud prevention, ease onboarding or the integration of new technology and products like virtual cash management over other strategies. "When it comes to fast-changing technology, price is not the driving factor. Corporates want a strategic driver to optimise processes and keep them secure in a rocky future," says Bartels.

Perhaps the most important first step to integrating AI is to begin by clearly distinguishing between GenAI and AI. "People think GenAI should be applied to every business problem, but it's not the case. For example, if treasury is seeking insights on the credit worthiness of a client, GenAI won't add much value," says Yilmaz.

An AI strategy requires deep strategic thinking and cross functional teams spanning product managers, researchers and data scientists. Yilmaz and Bartels also urge corporates to upskill teams and hire from the market. "There is a human transformation element to the story. If corporates want to do more with AI, they need a transformational element."

Treasury remuneration spikes but money isn't the only thing staff care about

Treasury salaries have picked up in most markets, but recruiters note a demand pyramid impacting remuneration at the top. Elsewhere, companies have adopted a cautious approach to hiring and finding the skills they require, particularly prioritising data expertise. Meanwhile, tariffs and trade uncertainty are impacting company's appetite to recruit.

For many people in treasury, earnings and potential earnings, make up a key element of the attraction of the profession. So, it's good news that treasury salaries have picked up in most markets. In its latest **salary survey**, recruitment consultancy Michael Page found the highest-paid Group Treasurers in London earned £200,000 a year while the average salary for an Assistant Treasurer is now £110,000. Moving down the scale, average salaries for Treasury Managers (£75,000) and Treasury Analysts (£50,000) have also increased.

Treasury jobs are also in step or higher than other finance jobs. For example, a London-based Tax Director earns £150,000+ and a Head of Tax is on £200,000. In previous years, tax directors have earned more than treasury driven, in part, by the Big Four accounting and advisory firms driving up demand for tax and accounting professionals.

Across the pond from the UK, Mike Richards, CEO and Founder of the Treasury Recruitment Company describes treasury salaries in the US as "very high," and elevated above UK levels due to the higher cost of living and the tax burden. He also notes US pay rises have been sharpest in large urban areas. "A New York-based Treasurer can earn double the equivalent job in London, but people have to pay more for their house and in taxes," he says.

In Australia, treasury salaries have also spiked higher after a long period of staying the same. "For five years in the lead up to Covid, salaries didn't change in the Australian market," observes Simon Lynch, Founder and Director of Sydney-based treasury recruitment firm Treasury Talent who estimates around 3,000 people work in treasury in Australia and because the supply side is challenged, companies pay more for top talent. "In the wake of the pandemic, salaries have risen dramatically. Pre-Covid a Treasurer earned about AU$350,000 and now the same Treasurer is on around AU$450,000 and junior roles have scaled up too."

Despite today's firm salary levels, there is no suggestion salaries will climb higher still. In London, recruiters report a glut of talent and fierce competition for senior roles. Treasury by nature is a specialist area and not subject to boom or bust and companies have adopted a cautious approach to hiring and finding the skills they require, particularly data expertise. Meanwhile, tariffs and trade uncertainty are impacting company's appetite to recruit. "As cost pressures and currency fluctuations increased, many businesses paused recruitment throughout 2024, choosing instead to focus on improving systems and efficiencies rather than expanding or upskilling their audit, tax and treasury teams," states Michael Page in its salary survey.

Factors affecting remuneration

Salaries vary according to the size of the business and the degree of complexity of the role. For example, a higher salary will come with international scope or capital funding requirements demanding more sophisticated products and a higher degree of experience.

Broader management responsibilities also determine remuneration. One element of managerial responsibility is the leadership of the treasury team. Similarly, many treasurers have duties beyond treasury encompassing other functional areas that might include tax, pensions or insurance.

"The treasury role can differ dramatically depending on the type of company," reflects Richards. "A Group Treasurer at a UK Housing Association, for example, is dramatically different to the role of Group Treasurer at a multinational with a team of 80 and five different service centres."

Qualifications also impact remuneration and unsurprisingly, there is a strong correlation between earnings and formal education. Recruiters say formal treasury qualifications shoot candidates straight to the top of the list and also support eligibility for promotion and the speed at which people progress. **The Certified Treasury Professional (CTP)** designation provides a solid foundation and a launchpad into other accounting or more analytical roles within banking or investment management.

Recruiters also note a demand pyramid impacting remuneration at the top. Few people study treasury, and many people fall into it. It means talent at the bottom of the pyramid is often constrained and if people are good, they quickly get bumped up. However, more senior roles are much scarcer and the picture switches from supply limited to supply long for roles like assistant treasurer and treasurer which naturally has an effect on levels of remuneration.

In another trend, demand for senior treasurers has also been crimped by foreign takeovers and private equity groups buying companies which can lead to a diminution in the role of the treasury function, or its complete removal. **Treasury in private equity** is usually more manual and with less complexity although the use of leverage usually makes debt scenarios more interesting and dynamic.

The abundance of junior roles in treasury is particularly pronounced in India where young people dominate the profession. Kashaf Jaffer, Head of Treasury at Puma Energy in Mumbai estimates the average age of his 25-member treasury team is much younger than most at around 25 to 30 years old. "Gen Z bring their own way of working," he says. "They are more fearless, and with a bigger risk appetite regarding their plans for career growth." This bodes really well for Puma since they bring in the agility to manage challenging responsibilities such as Liquidity Forecasting & Management, FX Risk Management, Controlling & Reporting and Treasury Systems & Projects.

How important is remuneration?

Of course, remuneration is just one factor treasurers consider important and job satisfaction does not just depend on salary levels. Job satisfaction is also linked to people's relationship with their boss, work-life balance and if they have career progression. Those without enough runway ahead will be more prepared to leave, whatever the remuneration.

Candidates' motivations for seeking new roles have shifted, with many now prioritising factors beyond salary, such as work-life balance and job security, observes Michael Page. As a result, employers have had to adapt, offering more holistic and appealing propositions to attract top talent – often without relying on significant salary increases as seen in previous years.

For some people, **hybrid working** is of the most value, explains Connor Matthews, Associate Director, Specialist Finance and Human Resources, at the recruitment group. "Similarly to other industries, we've seen audit, tax, and treasury professionals gradually return to more days in the office. This has unsurprisingly brought challenges for businesses when trying to secure candidates, as they struggle to match established behaviours and benefits candidates have become accustomed to in their existing positions. As such, clients are having to be more flexible than ever in their offers to make it compelling, competitive and compensating enough for candidates to make the move."

Working from home is particularly important to juniors on the lowest salaries. Although this cohort are also driven by salary and title because it makes a difference to their income, they also like the cost-saving of working from home. "If, say, a treasury analyst has two-three days in the office and is offered a pay rise to come into the office full time, they will say no thanks. They'd rather do three than five days in the office. Whereas at the treasurer level they are more open to being in the office full time as they are on higher packages," says Richards.

Lynch believes treasury professionals' direct report offers a valuable window into job satisfaction and how treasury is viewed at the company. If treasury staff report to the Financial Controller or Head of Tax, treasury is viewed as a cash management function. However, if a treasurer reports to the CFO this suggests treasury is strategic and a source of genuine interest at the company. "The unhappiest people in treasury are analysts because they are not empowered. Once people start to take on more responsibilities and become more of a manager, they are empowered and enjoy their job more."

Interviewees mostly agree that titles don't tend to motivate people – and it's easy to land a big job title in treasury that is often not matched by the salary. Lynch reflects that it is commonplace to hear about "people with big titles that are not paid at that level."

However, it's different in India where Jaffer notes that treasury teams are a bit more attached to titles. This cultural nuance can be a source of conflict because MNCs typically prefer to have a uniformity in roles across their different subsidiaries in the group. "MNCs don't want ten titles in one country that are different to rest of their jurisdictions," he notes. He says career progression at Puma Energy is more closely linked to functional skills, appetite to go the extra mile and take on more responsibilities along with hard-work and patience than job titles alone.

It leads interviewees to reflect that there is a degree of confusion about the role of treasury amongst people seeking to move into treasury from other roles in finance and banking because the roles are not transferrable. "My advice is that you should often see if there is an internal move open to you first. If you want to move from a wider banking role and then go into treasury maybe you can spend time with the Asset Liability Management team and gain hands on experience of what the role of treasury actually is," says Richards.

A confusion about the role of treasury also extends to internal recruitment teams. It's why recruitment consultants specialising in treasury say they are best positioned to hunt for talent over internal HR. "Most of my placements are the result of clients not being able to get the people they want themselves and coming to me," says Lynch. "Internal HR is not always familiar with treasury because it is niche and combing LinkedIn will never source the right people. The people who are most active on LinkedIn are not necessarily the ones you want. Unless you've met lots of people and know the market, it's difficult to know who the most talented people are."

What about the bonus?

The bonus makes up an important element of remuneration. The bonus grows as treasury professionals become more empowered so although a treasury analyst will get a bonus – somewhere in the region of 5-15% attached to the job – it's not a significant part of the package.

For a Treasurer, if the bonus is lower, they might get a higher long-term incentive in a share package. Many treasurers are also able to negotiate lucrative sign on bonuses too. Bonuses can differ whereby tech companies might offer a bigger bonus compared to other sectors where treasury is more a risk function. A lower bonus typically leads to a higher base and treasurers in the largest companies receive the biggest bonus. ■

Solving the KYC conundrum

Recognition of the value of know your customer or KYC processes is matched only by treasurer frustration with inconsistent bank requirements.

Verifying the identity of customers and assessing the risks associated with them has long been a disheartening exercise for corporate treasurers. However, this does not mean that they have become resigned to the issues created by inefficient KYC processes. In fact, a recent survey of US and UK treasurers published by Encompass suggests we might have reached a tipping point in terms of acceptance of the onboarding experience.

The vast majority (86%) of survey respondents reported losses as a direct result of lengthy or complex onboarding journeys and a similar percentage had abandoned applications due to the time taken to process them.

Julianna Achmatow, Vice President, Global Treasurer at developer, manufacturer and distributor of consumable products in the life sciences and diagnostics sectors, Calibre Scientific, explains that the main pain points in KYC compliance include ad hoc requests with no specific schedule.

"You get these requests for KYC or KYC refresh at random times, usually when least expected," she says. "Failing to complete the process carries the risk of having your bank accounts frozen, which has happened to us a few times."

When working with a relationship bank, Achmatow says she often sends them back to their files. "It happens numerous times that you may get a KYC request form from the same bank but from a different analyst," she adds. "I never send the same information twice. I don't think I had the opportunity to be proactive but establishing a cadence and knowing when KYC refresh happens would be helpful."

One of the biggest issues for Cranfield Group, which specialises in engineering, architecture and project management/advisory and renewable energy recruitment, was just how manual the whole process felt says company Founder and Director, Marc Owen.

"We were stuck chasing documents over email and checking IDs manually," he adds. "It turned every candidate into a separate task, which slowed things down. We ran everything through [recruitment software] JobAdder and most of the KYC tools we looked at didn't connect with it. That meant more time copying data between platforms and more chances for errors. Instead of making things easier, those tools just added another layer of work."

Eventually, the company built an API connection into the software and switched to a simple SMS link for document and biometric checks. "Candidates click the link, complete their checks on their phones and the results feed straight back into our workflow," says Owen. "What used to take days now takes minutes and almost all of the manual hand-offs have disappeared."

Submitting the same KYC information to multiple banks is a common bugbear. Fortunately, there are solutions.

"Client lifecycle management platforms offer firms a single, standardised repository of verified KYC data that can be shared securely and seamlessly across a network of participating financial institutions," says Ruth Ormsby, MD EMEA at Fenergo. "Although the initial cost of integrating such a solution may seem steep, firms can expect to save a great deal of capital over the long term."

Treasury4 Co-Founder & Chief Product Officer, Ed Barrie recommends centrally organising and managing all legal entity and financial account data and related legal documents while acknowledging that the challenge with legal entity data is that there is no single owner within an organisation.

"Some firms are building centralised repositories maintained by dedicated teams, while others have appointed KYC leads to coordinate responses and stay on top of requests across their banking relationships," observes Craig McLeod, Head of Financial Crime Compliance at FTI Consulting.

According to Sumsub Chief Product Officer, Andrew Novoselsky, the most effective way to reduce repetitive submissions is by adopting a reusable KYC framework, while ScreenlyyID Director, Brett Wise, advocates creating a golden record of legal entity data structured with standard fields that can be exposed via an API or portal.

Many companies are prioritising the maintenance of standardised data repositories with clearly defined update protocols. One of the most promising developments in this space is the emergence of corporate digital identity solutions through industry initiatives.

"Our participation in the CFIT [Centre for Finance, Innovation and Technology] coalition demonstrates how corporate digital ID frameworks can fundamentally transform KYC processes by enabling controlled access to verified digital identities rather than perpetuating endless document resubmission cycles," says Katarina Pranjic, Head of Regulation and Policy at LexisNexis Risk Solutions.

Vendors can support corporates through education and integration reckons Brittany Garland, Head of Regulatory & Compliance Solutions at S&P Global Market Intelligence, who agrees that it is not clear that KYC utilities have reduced the burden for corporates given the difficulty of reaching consensus on policy and data standards.

McLeod recommends making it easier for firms to see who accessed their data, what is outstanding and what has been accepted as well as expand coverage beyond large multinationals into SMEs and mid-tier firms "who often bear the greatest KYC pain."

To make KYC utilities more useful, Wise believes vendors need to evolve beyond the basics and implement features such as live data feeds and open APIs. "Businesses should be able to push the same data to multiple banks or platforms without starting from scratch every time," he says. "Having a trusted third party – like an auditor or legal representative – certify documents can give banks more confidence to rely on shared files. Utilities have already helped cut the paperwork, now it's about making the whole process faster, smarter and more connected."

Implementation of more secure technologies to improve data protection and transparency remains crucial, alongside creating more intelligent document parsing systems that can automatically extract relevant information.

"The development of robust monitoring tools to track expiring documents and regulatory changes would further alleviate the compliance burden for corporate clients managing multiple banking relationships," says Pranjic.

Vendors should consider an open architecture that brings in other stakeholders beyond treasury for data management and workflow that allows the corporate to choose what data they want to share and with whom with a full audit trail, says Barrie. "Vendors should parameterise as much of the data as possible to drive standardisation around data definitions and types," he adds. "Banks need to integrate more effectively with technology vendors through APIs and standards like ISO 20022 XML and push clients away from data sharing via email and proprietary banking portals, which are not used by corporate stakeholders outside of treasury."

Utilities have made progress, especially when it comes to data reuse and shared frameworks across institutions. But uptake is still slow and many banks still operate in silos. In practice, there are still too many points of friction including inconsistent data formats, compliance standards that don't match and concerns around liability and trust.

"What vendors can do better is twofold," says Novoselsky. "First, build trust and transparency into the data sharing process with clear consent mechanisms, audit trails and granular control. Second, shift from monolithic KYC solutions to modular ones. Corporates don't need a one-size-fits-all system – they need tools that fit their risk models and geographies."

The vast majority (85%) of the organisations surveyed by Encompass were actively considering a move to digital-first banks in search of a more seamless onboarding experience. According to Ormsby, this is a reality many banks are already confronting. A recent Fenergo study of more than 450 C-level executives across corporate, institutional and commercial banks found that two-thirds had lost clients due to slow and inefficient client onboarding and KYC, up 19% from 2023.

"This high abandonment rate is due to a combination of internal and external factors, including poor data management and siloed processes, poor customer experience and delays in processes," he adds.

When a neobank can open an account in a day with APIs, real-time dashboards and instant virtual accounts, it's no surprise companies are shifting part of their business there, says Wise. "Compliance isn't the issue, it's the friction," he adds. "Streamline data sharing and automate the basics and KYC becomes a strategic advantage, not a roadblock."

Novoselsky observes that digital-first banks can design KYC flows that actually serve the user and suggests that if traditional banks don't catch up – particularly by embracing reusable verification, smart orchestration and adaptive compliance – they risk losing business to more agile challengers.

For multinationals, even a modest reduction in onboarding lead time across jurisdictions can free up liquidity and operational capacity. McLeod states that traditional banks need to evolve (not by relaxing standards, but by redesigning processes to be smarter and more client-centric) and adds that reducing friction shouldn't come at the cost of control.

However, faster is not always better and creating a true picture of risk and building trust in a relationship are just as important. That is the view of Marisol Lopez Mellado, Industry Practice Lead at Moody's focused on financial crime and third party risk compliance, who reckons scale is also a significant consideration.

"While faster onboarding could make digital-first banks attractive to corporate clients, there are many other factors that influence the choice of bank," she says. "Every bank has gone through digital transformation of operations to ensure better, smoother experiences and these transformations are an ongoing process of continual improvement."

Pranjic agrees, noting that while digital-first banks excel at onboarding efficiency, they sometimes lack the global reach, comprehensive product suites and established risk management frameworks that multinational corporations require.

Barrie is also sceptical, suggesting the banking sector should seek to get the basics right for operations such as account opening, account reconciliation, streamlining of KYC refreshes and client onboarding.

Then there is the question of how, as these challenger banks offer more products and grow through acquisition, they prevent themselves from entering the same trap as more established institutions. "Both traditional and challenger banks need a detailed, well thought out technology strategy and must select the right partners to stay relevant," suggests Garland. "It is incredibly challenging for a financial institution to spend what they need to build and maintain proprietary bespoke technology."

Looking ahead, Owen refers to a number of developments that would make it easier for companies like his to onboard customers. These include tools that plug straight into the systems companies already use (such as CRM platforms) without any extra coding and moving the whole ID check experience onto mobile with no-code widgets or simple SMS links that reduce the number of steps in the process.

"While most identity verification tools already use AI and device checks, there is still room to improve how those systems flag edge cases and reduce the need for manual review," he says.

In addition to operational issues, Achmatow refers to concerns around the sensitivity of the data that has to be provided. "A secure vault is the future of KYC and I can't wait to have a system where the confidential information is kept and that would allow the bank to tap into our database," she concludes.

Right time, right place

Liquidity is the lifeblood of the organisation – and managing it effectively is key to the treasurer's role. In this article, we discuss the purpose of liquidity optimisation, the possible obstacles that need to be addressed, and the structures and technology that can help companies make the most of their liquidity.

Managing and optimising company liquidity is an essential part of the treasurer's role. The **Business of Treasury Report 2024**, published by the Association of Corporate Treasurers (ACT), found that treasurers expected to spend their time focused on capital and liquidity management in the following 12 months, while 78% said their boards had shown an interest in capital and liquidity in the previous six months.

Royston Da Costa, Assistant Treasurer at Ferguson, points out that liquidity optimisation is a core responsibility of every treasurer. "One of the key outcomes from the pandemic was the focus on cash and cash forecasting that corporates recognised is key for the times we live in," he notes.

Da Costa adds that liquidity optimisation can help companies realise a number of benefits. These include reducing funding costs, supporting business growth and enhancing investment returns, as well as ensuring resilience and compliance and cushioning the company against supply chain or FX disruptions.

But it's also an activity that can present some significant challenges. So how can treasurers make the most of their organisations' liquidity, and which strategies and techniques should they be focusing on in the current environment?

Liquidity optimisation: an overview

"Liquidity optimisation ensures that organisations are able to manage their liquidity position without having excess cash," explains Mansour Davarian, Head of Transaction Banking Solutions at Lloyds. "It brings together a number of tools at treasurers' disposal to ensure they have the right amount of cash, at the right time."

Sander van Tol, a Partner at Zanders, adds that liquidity optimisation involves forecasting cash flow needs, and optimising working capital and asset portfolios to ensure smooth operations from a liquidity point of view and capitalise on growth opportunities – all while considering both the regulatory landscape and associated risk factors.

"The objective of liquidity optimisation is to make the best use of the liquidity within a corporation," he explains. "So on the one hand, it looks at minimising the amount of cash required to operate the cash conversion cycle of the company, whereby the different liquidity provided to the business on the right bank accounts, in the right currency and at the right time.

"On the other hand, liquidity optimisation looks at optimising the short-term investment of excess cash, whereby cash is centralised, upstreamed and invested in line with security, liquidity and yield (SLY) principles."

Liquidity management goals

As Hannah Boaden, head of Liquidity, Global Payments Solutions EMEA at Bank of America explains, having an optimised liquidity structure can help companies drive revenue and cost efficiencies.

"One key goal that companies are focused on is to increase visibility of global cash positions," she says. "The objective to increase visibility goes hand in hand with liquidity optimisation, allowing corporate treasury teams to have better oversight over cash positions globally so that they can be more effectively deployed."

By optimising their liquidity, companies can make sure they have the cash on hand needed to pay for liabilities as they fall due, and mitigate the risk of having to take on debt or sell assets on unfavourable terms, notes Van Tol. This, in turn, improves financial stability and minimises the risk of insolvency.

"Next to managing the short-term liquidity risk, liquidity optimisation is also essential to increase the shareholder value of a company," he says. "By minimising the amount of cash required to operate the Cash Conversion Cycle, a corporation can better manage its capital structure, which in turn enhances the shareholder value."

Obstacles to effective liquidity management

Nevertheless, effective liquidity management can be hindered by a number of different factors, including fragmented processes, numerous bank accounts, and ineffective cash flow forecasting.

"Market uncertainty can make cash forecasting, and therefore liquidity optimisation, challenging," says Davarian. "This uncertainty may include geopolitical uncertainty and interest rate volatility, where sustained levels of inflation in some countries can result in potential delays in interest rate cuts."

Boaden highlights the importance of having good cash forecasting practices to aid effective liquidity management. She explains that while centralising liquidity can create great cost efficiencies and provide enhanced visibility, "it's also important for corporates to be able to forecast where cash positions are needed in local jurisdictions to make payments as and when needed to avoid overdraft positions and additional costs."

The regulatory environment can also be an obstacle. "Trapped cash, meaning funds that cannot be easily accessed due to local restrictions, can be problematic for corporates who are trying to achieve an efficient liquidity management structure and who want to avoid holding idle balances," Boaden notes. "Corporates may need to consider alternative solutions to access this liquidity, for example swapping out of local currency into USD and sweeping excess balances into their centralised liquidity structure."

Alongside regulatory constraints, says Van Tol, cash can also be restricted in situations such as cash positions in joint ventures, or cash provided as collateral for specific projects.

Liquidity management tools and techniques

Common liquidity management techniques include the following:

Physical cash pooling – a structure that involves sweeping balances from more than one bank account into a centralised header account, thereby minimising interest costs and optimising investment opportunities. Types of cash pooling include zero-balance account (ZBA) sweeping, in which all funds are swept from individual accounts, and target balancing, in which sweeping is carried out to maintain a specific account balance.

Notional pooling – a technique that allows balances on a group of accounts to be offset against each other for interest optimisation purposes, without performing physical cash sweeps. Companies can offset debit and credit positions in order to minimise interest costs.

Intercompany netting – a process by which a company's subsidiaries offset intercompany accounts receivable and accounts payable in order to replace multiple payments with a single payment to or from a netting centre. This simplifies processes and reduces the number of transactions and FX conversions that need to be made.

In-house bank (IHB) – a dedicated internal unit set up to provide services that might otherwise be provided by an external bank, such as cash and liquidity management, financial risk management, and payments and collections on-behalf-of. By implementing an IHB, companies can simplify their account structures and benefit from greater visibility and control over cash.

Cash flow forecasting – a process used to predict cash inflows and outflows over a specific period of time. This typically involves gathering data from multiple stakeholders and systems. Cash flow forecasting is an essential component of effective liquidity planning and informed decision making.

Secrets of successful liquidity optimisation

A number of techniques are available to manage and optimise liquidity, including physical cash sweeping and notional pooling – structures that Boaden says "remain as relevant as ever for our clients," regardless of the economic environment.

She adds that clients are leveraging this strategy to gain additional oversight over balances and consolidate pockets of liquidity across regions to maximise yield or reduce borrowing costs.

Van Tol says that corporate treasurers are now going beyond prior day cash positions through establishing real-time visibility combined with adequate buffers to manage shortfalls. "There is also a greater focus on ensuring you have an automated enterprise-wide view of all bank accounts," he says. "Once visibility and access have been fine-tuned, we see a much sharper focus on cash flow forecasting, as this is a cornerstone of liquidity optimisation."

Davarian, meanwhile, reports "high levels of open account transactions" among some clients. "This may be to implement receivables programmes, so they can access funds earlier, or payables programmes, which companies use to extend their days payables," he notes. "In other cases, we are seeing more sophisticated financing solutions come to market. The use of Export Credit Agency facilities, for example, is continuing to increase, which enables companies to benefit from cheaper forms of financing against government risk."

How can technology help?

Technology has an important role to play in helping organisations optimise their liquidity.

Boaden notes that the use of cross-currency sweeping can mean that treasurers no longer need to manage FX conversion manually, which reduces the time spent monitoring positions and making manual payments.

In addition, she says that advances in payments technology are helping to move cash more efficiently and giving treasurers greater real-time access. "This helps with visibility over cash positions and the ability to make improved funding decisions," she adds.

"Technology is the enabler, with APIs providing real-time access to balance and transaction data, which facilitates faster decision-making and risk management," says Van Tol. "Predictive and prescriptive analytics is now becoming a reality through leveraging big data, combined with the greater use of structured data available through ISO 20022 financial messaging. This enables informed real-time decisions in addition to proactive planning and contingency measures."

Making the most of your company's liquidity

For treasurers seeking to optimise liquidity in the current market, Van Tol advises focusing on harnessing the power of technology to accelerate and elevate real-time balance and transaction information, as well as driving faster and more accurate cash flow forecasting.

"Next to this we would advise corporates to better assess the liquidity effects on their (foreign) investments," he says. He explains that when companies expand internationally, the business case for the investment tends to be looked at from a management accounting perspective, and that topics such as restricted cash, working capital and the liquidity of investments may not be fully incorporated.

Boaden, meanwhile, advises thinking about the key objectives of the corporate treasury function, as well as broader internal objectives. "Investing the time now to optimise a liquidity solution can harbour significant long-term benefits and help to protect corporates against uncertainties in the macro environment," she concludes.

Trade finance rides to the rescue

How have tariffs impacted demand for trade finance?

Natasha Condon
Global Head of Trade Sales, EMEA
J.P. Morgan

We sell trade finance products that provide risk mitigation and there is certainly a perception that maybe the world has got riskier. One way our clients are managing uncertainty is by ensuring they have enough cash in the right places, which means knowing where in their supply chains they might receive a cost from tariff policy. We are seeing an uptick in receivable financing and discounting on all our existing products, and outside this we've seen clients look at the debt capital markets and add banks to their bank groups for RCFs (revolving credit facilities).

Suppliers and buyers are having difficult negotiations on who pays for tariffs and the extent to which it can be passed on to end-consumers. The answer is it will probably be a combination of these things, and trade finance products can help with this. We offer a supply chain finance product that allows buyers to offer their suppliers supplier financing. Using the buyer's credit line, the supplier gets paid earlier than they otherwise would have in a benefit for the supplier. It's now being used in negotiations between buyers and suppliers today as companies navigate sharing the cost of tariffs.

A protectionist world implies that costs will go up across the supply chain of the average company and trade finance tools can help reduce costs, increase efficiency and support faster payments. Also, if companies are no longer able to profitably sell into the US or China and begin to look for customers in new countries, trade finance products like the good old-fashioned Letter of Credit are designed for this scenario. If you are an exporter selling to a customer you don't know, in a country you are not familiar with, banks like us have relationships with customers and their banks. We can step into that gap and cover that risk for you. It takes time for trade to shift, but we are expecting an uptick in demand for LCs. We also expect an expansion in our work with other banks with whom we can collaborate to allow a deal to get done between companies selling to each other for the first time.

I don't see a big change in the risk of trade finance from downgrades in corporate creditworthiness. However, tariffs are paid out of gross profit margin at the end of the day, and large corporations with deep pockets can absorb this easier than smaller corporations. It's too early to see the impact on smaller companies, but they are likely to experience more stress than larger corporations and have less ability to share the cost of tariffs with large customers or suppliers.

So far, any change in the use of the US dollar in global trade flows is more theory than practice. On a limited basis, we are doing more RMB trade finance than three years ago, but this is linked to our expansion in China. We are doing more in euros too, however the majority of trade flows remains in US dollars. We will react to what our clients are looking for, but as a trend, we don't see it as a huge move yet.

Regarding FX, we are seeing some clients think about arbitraging base rates. Corporates with global supply chain finance programmes can draw on dollars and euros from their purchasing centres in the US and Europe to buy from suppliers in these countries. They are now expanding these programmes into China because the RMB base rate is low. It's a great deal for suppliers in China right now because the base rate is so low their cost of financing is also low.

We run one of the largest trade asset distribution shops and work with 100s of investors, and we are seeing enduringly strong investor demand for trade finance assets. The market is liquid and trade finance assets are regarded as a desirable asset class despite the change in global trade flows.

Benoit Urbin
Managing Director of UK and Ireland
Coface

Amid rising protectionism and geopolitical volatility, trade finance and insurance are essential for business stability, offering risk coverage and real-time insights into partners' financial health. With 2.5 million buyers currently under exposure on our books, we are detecting increased activity from clients reassessing risk in light of protectionist trade shifts.

We have already seen trade routes shift, with container bookings from China to the US dropping sharply and European exporters facing more competition. The threat of tariffs is having a significant impact on business and consumer confidence has weakened, particularly in the US. A notable change we have observed is businesses looking to "connector countries" like Vietnam, Thailand and Brazil, which benefit from shifting trade routes and lighter tariffs.

We are also observing a gradual deterioration in corporate credit profiles and companies exposed to volatile commodity prices or reliant on complex, multi-jurisdictional supply chains are particularly vulnerable. We see risk in four key areas:

- Supply chain disruptions linked to the rerouting of trade flows.
- Weaker trade growth due to market access constraints and overstocking.
- Increased operating costs from managing divergent trade regimes across blocs.
- Rising political and social uncertainty.

For trade finance providers, the key risks now include increased credit risk stemming from these weakening corporate profiles, as well as heightened political and economic instability in certain markets. Currency inflation pressures also exacerbate repayment risks.

Trade instruments are crucial when dealing with unfamiliar buyers, offering protection against non-payment and helping to establish trust. As supply chains shift, trade finance providers must adopt more dynamic risk models, regularly updating exposure limits and underwriting based on advanced analytics.

Eniola Adesanmi

Head of Management Assurance, Guinness Nigeria and former Head of Treasury

The proposed US tariff increases on Nigerian goods, along with the potential cessation of AGOA, could significantly affect the competitiveness of Nigerian products in the US market. This impact would likely be felt by both manufacturing companies and the financial institutions providing trade finance facilities. It's worth noting that tariffs could potentially either increase or decrease this demand.

Several factors could contribute to a reduced demand for trade finance. For example, higher tariffs could increase the cost of imported goods, leading businesses to naturally reduce their import volumes and, subsequently, the need for import financing. The uncertainty and perceived risk associated with tariffs could lead banks to charge higher interest rates or fees on trade finance facilities, potentially discouraging international trade and lowering demand for financing.

Tariffs might also disrupt existing supply chains, forcing businesses to restructure their models and rethink their sourcing and distribution networks, potentially leading to less international trade and a reduced need for trade finance. For banks with a significant presence in trade finance, tariffs like the proposed 14% on Nigerian exports to the US could also reduce overall revenue and profit margins. Banking executives often find export transactions more attractive due to the inflow of foreign exchange. A decrease in dollar inflows could negatively impact bank earnings and their ability to meet FX obligations.

Conversely, there is also the potential for increased demand for trade finance to fund trade. For example, importers may require additional financing to cover the upfront costs of tariffs, potentially increasing the demand for short-term trade finance facilities. Faced with potential tariffs in traditional markets like the US, Nigerian companies might seek to explore and develop new markets, leading to an increased demand for trade finance to support export expansion.

In another scenario, higher tariffs on imports could incentivise local production. Governments might use tariffs to encourage investment in domestic industries that produce substitutes for imported goods.

Companies investing in local production may require financing for importing specialised machinery. We are currently observing this trend in the local ethanol production sector, possibly driven by significant tariffs on imported undenatured ethanol.

Despite the potential impacts of tariffs, trade finance remains crucial for manufacturing companies in Nigeria, including Guinness Nigeria, especially given the current economic climate characterised by a significant, though decreasing, reliance on imports, FX rate volatility, working capital needs and export expansion initiatives.

Still, Nigerian companies face several challenges in accessing trade finance of which high costs is one. Instruments like Letters of Credit can have substantial associated costs, including interest and transaction fees, which can be particularly burdensome for smaller businesses.

Economic Instability is also a factor. Perceived high risk due to economic instability in Nigeria can lead international banks to charge more or even reject trade finance applications from Nigerian companies. Inadequate financial Infrastructure is also an impediment – limitations in credit information systems and other financial infrastructure can make it difficult for banks to assess the creditworthiness of some local businesses and offer suitable trade finance solutions.

While these challenges affect most companies in Nigeria, larger companies like Guinness Nigeria are often better positioned to navigate these hurdles due to their scale, reputation and proactive financial strategies. The recent change in ownership from Diageo to Tolaram may also bring new perspectives and opportunities.

How high inflation and low growth could derail US economy

Enormous pressure is being put on Congress to cut taxes. Politicians want to believe the impact will be contained by revenue from import tariffs, spending cuts and higher growth resulting from tax cuts and deregulation. Yet as foreign investors turn away from the US, putting pressure on inflation and growth, economists at ECR Research lay out the risk.

Import tariffs and US public finances have been preoccupying markets lately. There is, incidentally, a link between the two issues, as the budget, which was sent to the Senate for approval at the time of writing, assumes significant revenue from import tariffs. Furthermore, one can argue that the more the US raises tariffs, the more US inflation rises and economic growth declines. This, in turn, widens the public deficit.

Concerning import tariffs, financial markets are increasingly assuming that things will not turn out as badly as feared, where it is presumed that tariffs ultimately end up at levels that cause only limited harm to the US economy. Moreover, the budget includes various tax cuts and substantial deregulation is being pursued. Taken together, prospects for the US economy remain far from poor, according to the markets.

We take a different view.

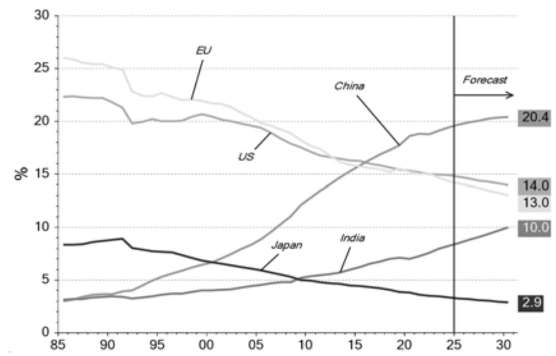
The US no longer wants to act as the world's policeman

Following the Second World War, a so-called rules-based world order was established under US leadership: in a wide range of areas, rules were agreed upon between many countries, with the US exercising a high degree of control. This applied to international trade, respect for each other's borders, troop and aircraft movements, the exchange of various types of data, and so on. As the US remained the only superpower for a long time, it could enforce compliance with the agreed rules with relative ease.

All of this is changing rapidly due to the meteoric rise of China. In addition, both Russia and China are increasingly flouting the rules. Moreover, they are working more and more closely together. Russia has vast amounts of commodities (while China largely controls the processing of critical materials), and China has access to well-trained, relatively low-cost labour and advanced technological expertise.

The bloc around China has become so powerful – both militarily and economically – that the US is no longer able to enforce a wide range of rules on the China bloc. As a result, tensions are rising. This is why Washington is now making two key moves:

Chart 1: GDP (PPP basis) as % of global GDP



Source: IMF – World Economic Outlook and LSEG Datastream/ECR Research

- It wants to shed the obligation to intervene wherever a conflict or war breaks out. As long as no major US interests are directly at stake, America opts to stay on the sidelines where possible.
- Washington realises that the world may soon be heading towards the formation of two large power blocs: China together with Russia on one side, and the US on the other. Where India and Western Europe will ultimately end up remains unclear.

Each of the major blocs will seek to gain the greatest possible influence in the rest of the world, particularly when it comes to commodities, water and so on. This could lead to serious conflicts.

The conclusion Washington appears to be drawing from this is that it wants to disengage from the rest of the world as far as possible, except in cases where essential US interests are at stake. The top priorities are national security and independence from the rest of the world.

Import tariffs

At this point, the US remains heavily dependent on (Chinese) imports – goods the US cannot easily do without. The most obvious example are the critical raw materials required for the production of modern technological equipment, over which China holds a near-monopoly. Furthermore, there is a wide array of semi-finished products that require advanced technological knowledge and skills; they are far cheaper to produce in China and cannot simply be relocated from China back to the US. It takes years to build the necessary plants in the US, and production would also become far more expensive. It is also uncertain whether the US has enough workers for this, especially considering that many foreigners are being driven out of the country.

Even so, Trump and the team around him believe this must be done. The world is changing in such a way that it is becoming irresponsible for the US to remain heavily dependent on foreign imports. This is why the US is now resorting to the introduction of tariffs and other trade-restrictive measures.

In our view, the focus tends to be too much on the economic consequences of the tariffs – higher inflation and lower economic growth in the US. Many believe this will ultimately force Trump to proceed relatively cautiously with import tariffs. However, we fear that fairly high tariffs are bound to materialise. Needless to say, this will result in damage to the US economy, but according to the Trump team, this is the price that must be paid to guarantee national security. Moreover, this price may turn out to be modest, if we also consider public finances.

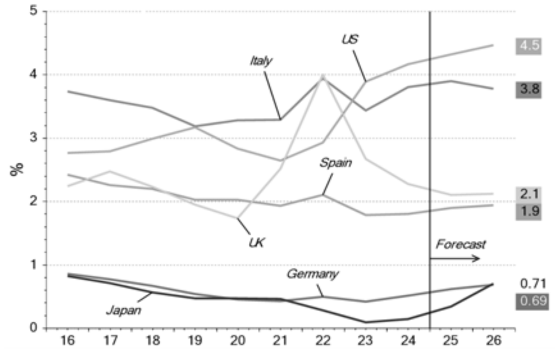
US public finances heading for derailment

If developments indeed head in the direction of fairly high tariffs, this would have two major drawbacks as it will reduce purchasing power of US consumers and will cause a lot of uncertainty for businesses as countries will retaliate.

As the import tariffs also push up inflation, the Fed has very limited scope to stimulate the economy monetarily. This will therefore have to be done through fiscal policy. This is precisely what the Trump administration is working on. Enormous pressure is being put on Congress to cut taxes. The question, of course, is to what extent the public deficit can or should be widened further as it already stands at around 6.5% of GDP and interest payments are rising rapidly due to the high interest rates. In any case, many politicians (want to) believe that the deficit can be contained by:

- Revenue from import tariffs.
- Spending cuts in a number of areas, such as healthcare and other social expenditures.
- Higher growth resulting from tax cuts and deregulation.

Chart 2: Net government interest payments % GDP



Source: LSEG Datastream/ECR Research

High inflation and low growth

The key question is whether the course mapped out by Washington will succeed. We have serious doubts about this. Foreign investors must finance a significant portion of the large budget and current account deficits. Yet they are becoming increasingly reluctant to invest large sums in the US. If Trump continues to turn against foreign countries and court rulings go unheeded, who says that foreign assets will not be frozen or even confiscated? Less capital flow to the US means more downward pressure on the dollar and more upward pressure on US interest rates. Combined with more uncertainty and the loss of purchasing power owing to import tariffs, this could culminate in lower growth or even a recession. In that case, asset prices would decline sharply, triggering a negative spiral.

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