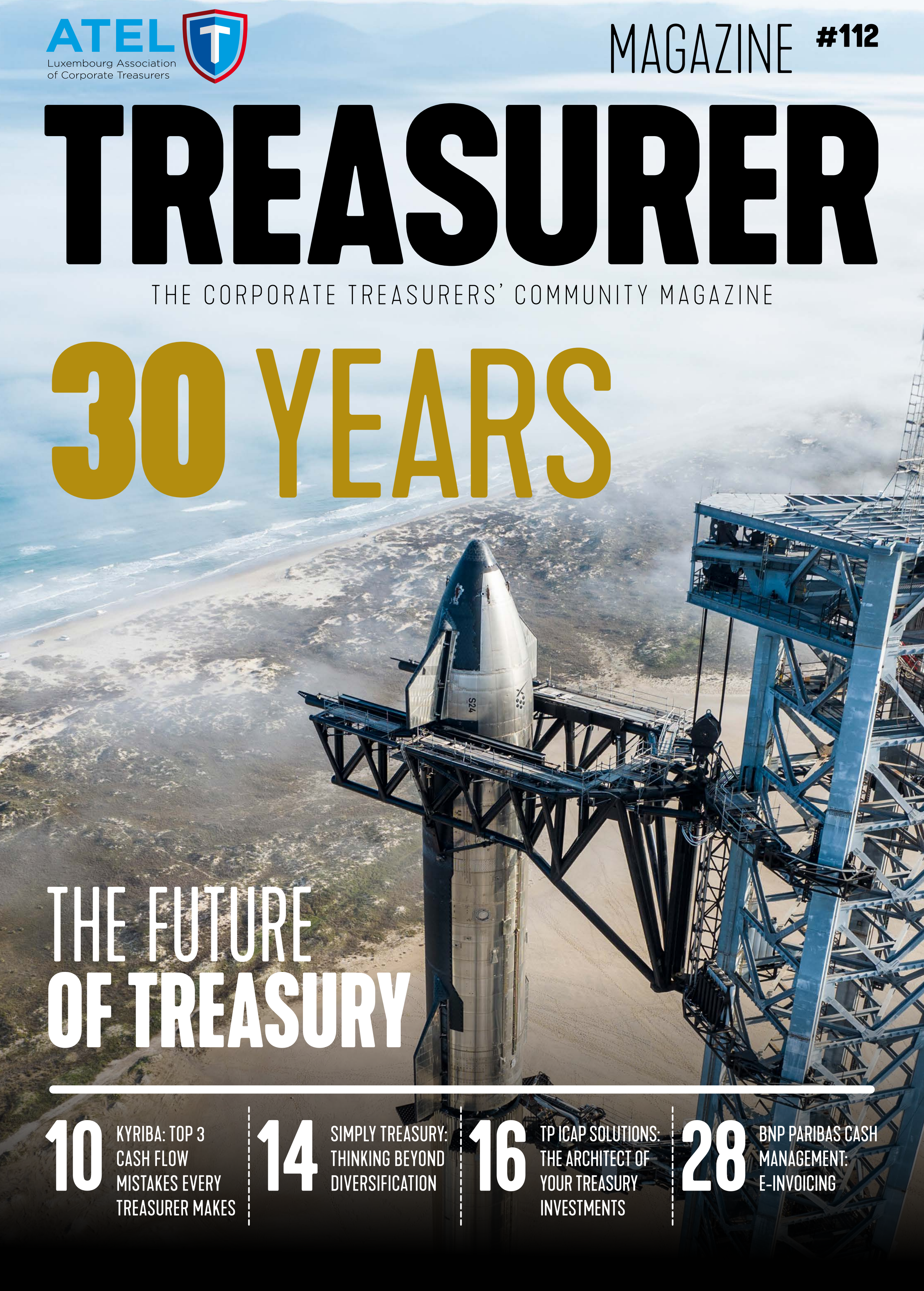
ATEL
Luxembourg Association
of Corporate Treasurers

MAGAZINE #112

TREASURER

THE CORPORATE TREASURERS' COMMUNITY MAGAZINE

30 YEARS



THE FUTURE OF TREASURY

TREASURER
The Corporate Treasurers' Community Magazine

EDITOR
360Crossmedia

EDITOR IN CHIEF
François Masquelier

CONTRIBUTORS
Shikha Kalra, Bob Stark, Glenn Stone, Arjan Hes, Rosnan Chotard, Arthur di Betta, Jean-Baptiste Vienne, Benjamin Defays, Benoit Mayolini, Nick Ashton, Lirka Bibezic, Herwig Temmerman, Maël Murta, Aurélie Sales, Philippe Dupuy, Petra Besson Fencikova, Wendy Brooks, Thibault Malin, Rozenn Le Bec, Sylvie Berthelet, Yann Guyomar, Louis Rousseau, Enno-Burghard Weitzel, Mikaël Pacot, Morgan Majerus, Emmanuel Dendauw, Isabel Frits, Andrew Bester, Timo Becker, Serrala, François Masquelier.

DESIGN
360Crossmedia
project@360crossmedia.com
Cover picture: ©DR

ADVERTISING
Jerome Bloch: (+352) 35 68 77
contact@360crossmedia.com

ATEL
1, rue de Chiny (4A52)
L-1334-Luxembourg
Tél.: +352 621 27 80 94
secretariat@atel.lu
www.atel.lu

#112

ATEL, 30-YEAR ANNIVERSARY

The "Association des Trésoriers d'Entreprise du Luxembourg" (ATEL) is proud to be celebrating its 30th anniversary this year, in 2024. What is surprising is that our association has evolved at the same time and in the same way as the profession and the profession of treasurer or with the same growth as the number of treasurers of multinational companies in Luxembourg. This parallelism is interesting because it proves that we too have evolved with our members, with the profession, adapting to serve and defend it ever better. My colleagues and I on the Board of Directors are proud of how far we have come. ATEL is now an "old" association, or more precisely a mature, solid association with a base of 350+ members. It is internationally recognized for its professionalism, for the quality of its conferences, for its magazine, for its publications and for its courses or master classes. We are one of the most active members of EACT (i.e. the European Association of Corporate Treasurers), where we play a dynamic role in advocacy work to defend the interests of our members and prevent certain regulations from penalizing them too much. ATEL is, let's face it, an atypical and highly comprehensive association, with a regular cycle of conferences and trade fairs, annual magazines and guides, regular newsletters, courses and training (hard and soft skills), peer groups and specific committees.

It has succeeded, without FTE or external or national support, in developing to defend the 'real economy' and make Luxembourg an attractive, competitive and talented place in terms of resources and knowledge. It has always contributed to the country's development and demonstrates that Luxembourg can be more than just a financial industry. We are pleased and proud to count some of the largest international groups among our members. The challenges and stakes for the profession are enormous, while the economy remains fragile and geopolitics uncertain, financial regulations proposed by Brussels abound, technology is evolving at supersonic speed and, last but not least, interest rates and market volatility are very high. In this chaotic and complex environment, we need a solid and agile association to meet the needs of its members, an association at the cutting edge that was the first to organize virtual or hybrid conferences, that has been using video as a communication weapon for over ten years and that, through its courses, training and conferences, helps to meet the needs and expectations of its members. I am honored and proud to preside over such an association, one of the oldest in the country, one of the most dynamic and one of the best known abroad for the quality of its work.

So today I'd like to thank all those who help me daily in this quest, and to tell you that beyond the celebrations, we'll continue to stand by our members and will be there tomorrow to meet their expectations and wishes. Long live ATEL and long live all its members. Happy anniversary to all of you, our members, who have made this possible.
Take good care of yourselves, yours and your teams.

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François Masquelier,
Chairman of ATEL

ATEL HISTORY

Year 0 · Year 10 · Year 20 · Year 30

- 1970's – Early days of modern Corporate Treasury
- 1980's – MICROSOFT EXCEL
- 1994 – a·t·e·l Association des Trésoriers d'Entreprise à Luxembourg (Year 0)
- 1994 – **Oct.** Creation of the Luxembourg Treasury Association (with support from AFTE)
- 1999 – First magazine (le magazine du Trésorier)
- €
- 2000 – First RPA's (Robots)
- Late 2000's – Cloud (SaaS)
- 2004 – Year 10
- 2008 – Single Euro Payments Area SEPA
- **Sept. 2008** – GFC
- Mid 2010 – API's
- Late 2010's – In-House Banking concept
- 2013 – ISO XML 20022
- 2014 – BTC Regulation (EMIR) (Year 20)
- Fintech's emergence
- Shield, symbol of treasury's risk managers
- 2020 – Covid
- 2023 – Instant Payment
- 2024 – Year 30
- **Oct.** TREASURER Mag (TREASURER 30 YEARS – THE FUTURE OF TREASURY)

50 MEMBERS

350 MEMBERS

NAVIGATING FINANCIAL CHALLENGES WITH RECEIVABLES FINANCE

In the current economic climate, characterized by high interest rates, inflationary pressures, and geopolitical uncertainty, businesses across industries face a difficult set of financial challenges. Amidst this turbulence, access to liquidity is key for sustaining operations and driving growth.

Demica's extensive data, with $160 billion in trade volumes processed through its platform annually, illustrates the widespread impact of these economic headwinds. Many industries such as Computer and Information Technology, Transport and Logistics, and Paper and Packaging have experienced a consistent downward trend in trade volumes, since the initial spike during Covid in 2020.

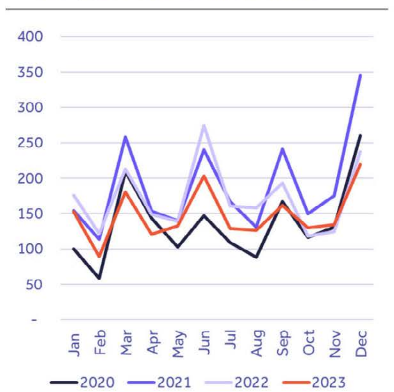
RECEIVABLES FINANCING – A TOOL WORTH EXPLORING

Open account receivables finance, which includes the family of products including, factoring, securitisation and receivables purchase enables businesses to release cash by monetising outstanding invoices. Often, once these facilities are in place they form a permanent part of the corporate capital structure. The benefits of such financing include:

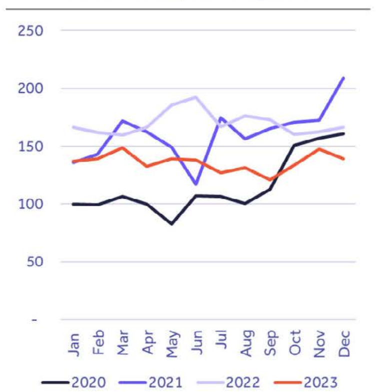
- typically a cheaper cost relative to senior financing as these facilities are 'asset-backed',
- improvement in liquidity, capital efficiency and working capital metrics,
- potential non-recourse and off-balance sheet nature of transactions,
- diversification of funding sources,
- generally, facilities tend to grow with the growth of business,
- in many cases, facilities can be centralised covering operating subsidiaries in multiple jurisdictions spread across the globe.

The product family is typically suitable for B2B businesses of credit ratings 'B-' or higher with accounts' receivables ranging between $20mn-$1bn+ to attract sufficient funder interest in an opportunity. There can be exceptions of course! The funding universe includes various trade and working capital and/or securitisation teams of banks, factoring houses (the biggest being owned by large European bank groups) as well as the new age 'private credit' lenders. Although there are public securitisation deals from corporates, majority of these transactions tend to be 'private' and therefore, detailed information is not easily available.

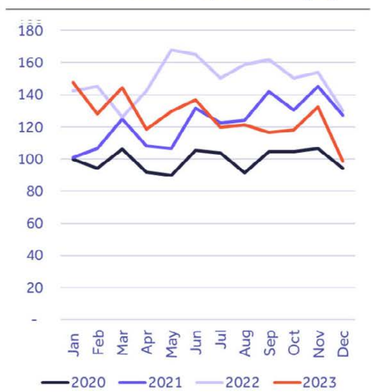
Computer & IT at its lowest since 2020

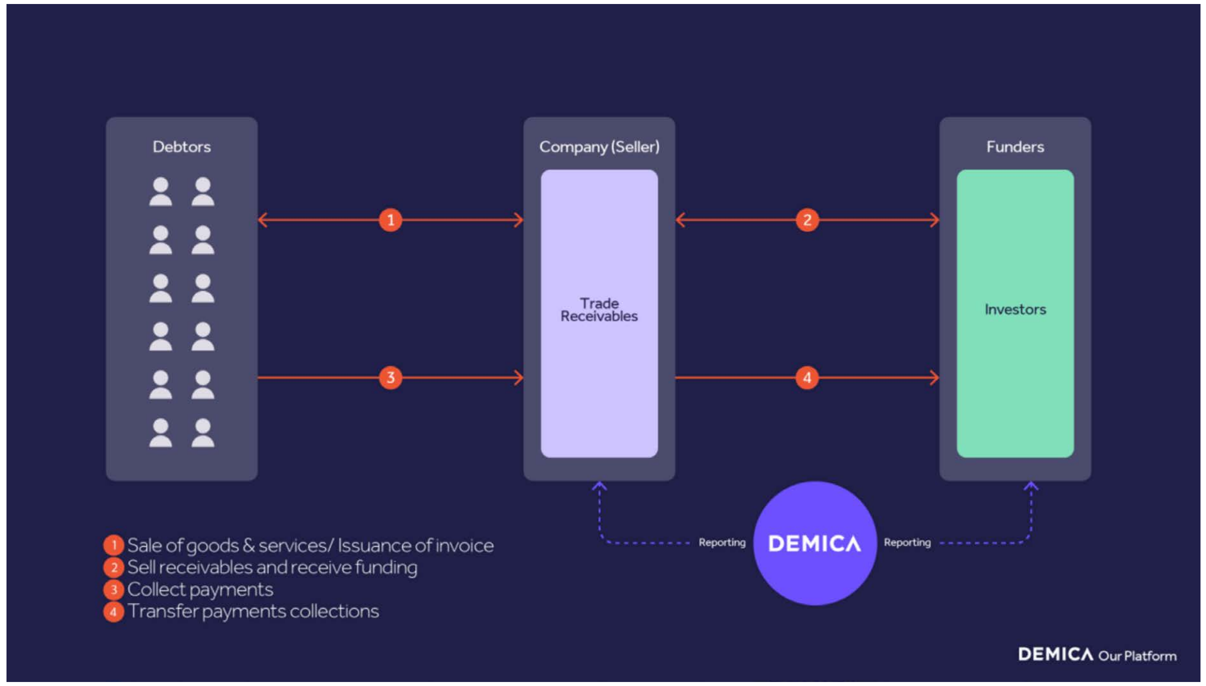


Same for Transport & Logistics



Downward trend for Paper & Packaging





WHAT IS RECEIVABLES' FINANCE?

In simple terms, in a receivables' finance facility, a seller 'sells' the receivables from its customers on to a funder. In return the funder provides cash up to a certain percentage. A smaller part is retained to account for perceived risks of credit, dilutions and yield etc.

In more complex structures such as Trade Receivables Securitisation, a bankruptcy remote special purpose vehicle (SPV) may be used for initial purchase of receivables from the seller.

Note that receivables' finance is not a replacement for good processes and operations to manage working capital. In fact, the latter also support more efficient receivables financing as funding availability in these products typically relies on the performance of the receivables' portfolio.

It does take some upfront effort to set up the financing structure in terms of data gathering and analysis, legal documentation, funder due diligence and finally the set-up of required reporting processes as transactions rely on regular data reporting in relation to accounts receivables.

Demica's mission is to make working capital finance easier and accessible to as many businesses as possible. The Demica team works closely with Treasury teams to make the process easier. Demica has one of the largest professional services teams in the sector to guide clients through the set-up of their programs. The team works closely with the corporate treasury teams providing support in addressing the data challenge and navigating this largely opaque funding market referenced earlier. The market-leading Demica platform enables corporates to automate, monitor and report on their programs with ease.

IN SUMMARY

As businesses confront the complexities of today's economic landscape, the role of liquidity management cannot be overstated. By harnessing these financial tools effectively, businesses can enhance resilience, optimize cash flow, and capitalize on opportunities amidst adversity.

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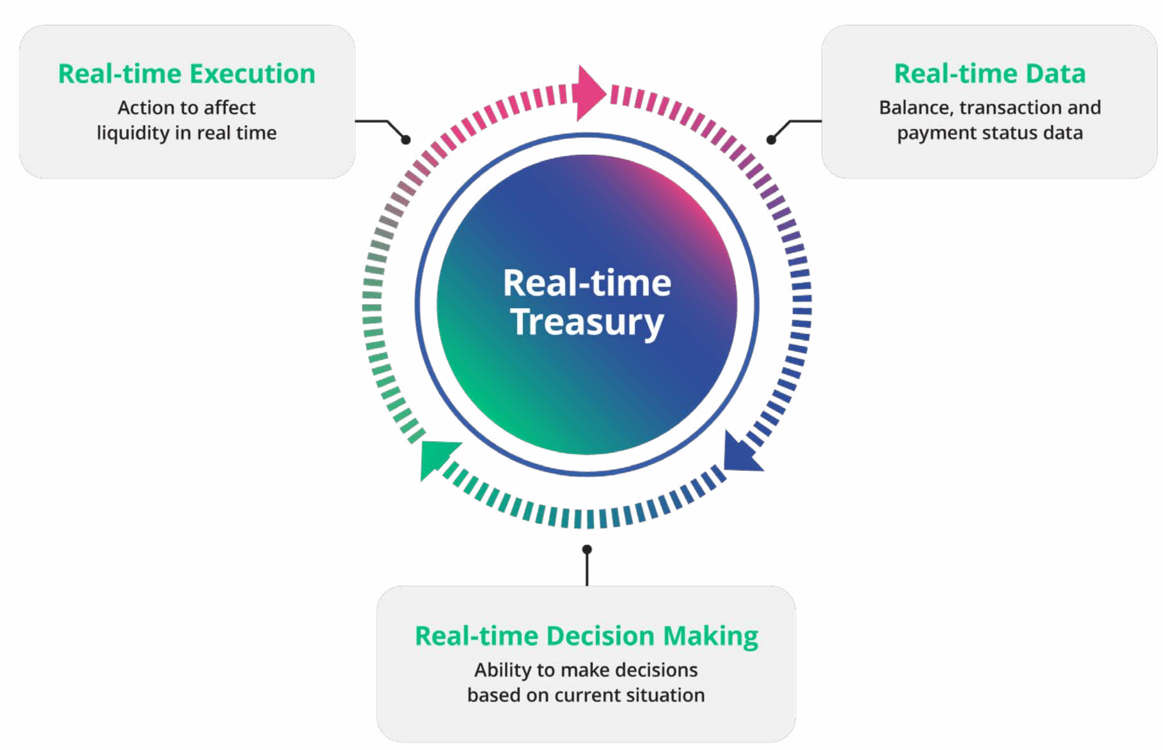
Shikha Kalra,
Senior Director,
Corporate Solutions
Demica

MEET SHIKHA KALRA:

Shikha is a senior member of Demica's corporate solutions team. With a career spanning more than 20 years, Shikha has honed her expertise in banking, finance, and advisory roles across diverse geographies, including the US, Europe, Asia, and the Middle East. Throughout most of her career, she has been focussed on receivables' and supply chain finance. Shikha has an MBA from Harvard Business School (HBS) and a post-graduate diploma (Masters) from the Indian Institute of Forest Management (IIFM).

TOP 3 CASH FLOW MISTAKES EVERY TREASURER MAKES



In today's financial landscape, effective cash and liquidity management is crucial for a company's stability and achievingstrategic objectives. However, many treasurers struggle with common cash flow forecasting challenges, leading to a lack of real-time cash visibility, reliance on outdated systems, and inaccurate forecasting. This blog explores three common cash flow forecasting mistakes and offers strategies to overcome them.

MISTAKE 1: NEGLECTING REAL-TIME VISIBILITY

Real-time visibility is essential for effective cash flow forecasting, but many organizations fall short. According to a survey by Blackline, 98% of respondents feel they could be more confident in their cash flow visibility, while 62% agree that real-time understanding of cash flow is becoming increasingly important due to economic uncertainty.
The lack of visibility often results from manual processes and outdated systems that don't integrate real-time data. This can lead to decisions based on outdated information, impacting liquidity and investment choices. As a result, organizations may face cash flow gaps and financial instability.

MISTAKE 2: RELYING ON OUTDATED SYSTEMS

Outdated systems, like manual data entry and spreadsheets, can hinder cash flow forecasting and risk management. These methods are time-consuming, prone to errors, and pose fraud risks. Transitioning from legacy systems to intelligent models can be challenging but is critical for improving efficiency and accuracy. Modern treasury management software, with advanced analytical tools, plays a vital role in reducing hedging costs and improving visibility into currency exposures. These tools help organizations respond quickly to changing market conditions and make informed decisions.

MISTAKE 3: OVERLOOKING THE CASH CONVERSION CYCLE

The cash conversion cycle (CCC) measures the time taken to convert inventory into cash. Ignoring the management of the CCC can significantly impact a company's financial resilience. Companies should focus on shortening this cycle, especially amid rising interest rates and borrowing costs.
Strategies like improving accounts receivable processes, optimizing inventory management, and offering early payment discounts can help reduce the CCC. Programs like reverse factoring and supply chain financing can also play a role in expediting the collection of outstanding receivables.

SOLUTIONS FOR BETTER CASH FLOW FORECASTING

Modern technologies like APIs and artificial intelligence (AI) can significantly enhance cash flow forecasting. API integration allows organizations to merge forecast and actual data, providing real-time insights. AI and analytics improve predictions and enable faster execution, allowing treasury teams to refine forecasts continually.
Analytics platforms can visually represent data and offer insights into various scenarios, helping organizations assess the impact on cash flow and liquidity. By adopting these technologies, companies can make data-driven decisions and thrive in uncertain market conditions.

CONCLUSION

Cash flow forecasting is vital for business success, and overcoming common challenges is crucial for financial health. Addressing issues like outdated systems, inaccurate data, and a lack of real-time visibility can improve cash flow management. By embracing modern solutions, organizations can optimize their cash conversion cycles and navigate market volatility with confidence.

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Bob Stark,
VP Product Marketing and Communications, Kyriba

STAYING AHEAD: FOCUS ON WHAT IS TRENDING WITHIN TREASURY AUTOMATION

Staying ahead of competition requires continuous development of treasury automation and use of modern technology. Treasurers should look for ways to use latest technologies to increase profitability and efficiency, especially in FX management, a still highly manual process. When your resources are limited, their allocation and efficiency become a key priority. Treasurers are now expert in searching these ways of enhancing cash management, because in the meanwhile, their job becomes more complicate for many reasons and combined challenges. If you don't have the resources, you must have ideas to do your job better!

How to address pain points related to FX processes ?

Inefficient workflows and repetitive tasks for front-office / too manual exécutions ; too manual and too slow pre-trade phase ; inflexible risk management, which cannot adapt to circumstances of external factors and mitigate risks ; for example cost of swap points ; suboptimal integration of systems creating frictions and operating risks or unnecessary delays ; no decision-making tool.

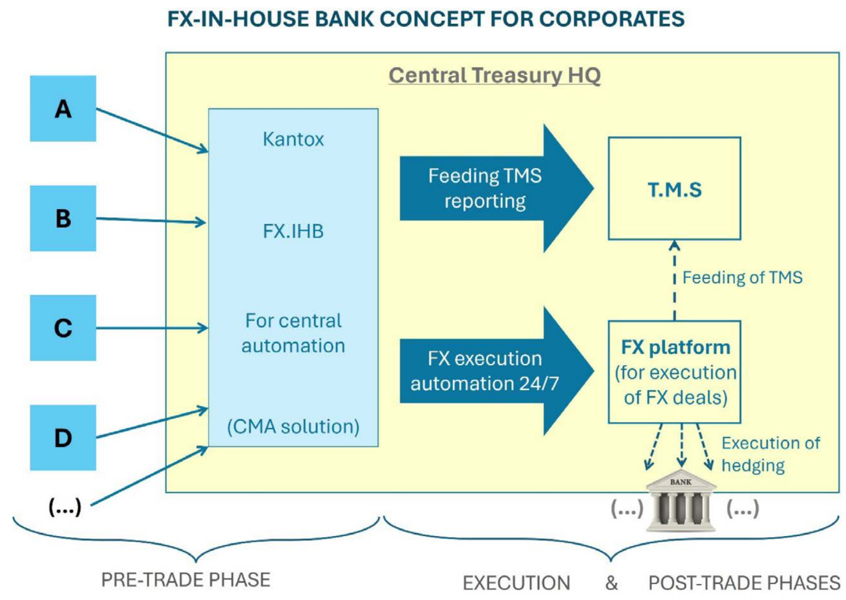
1	Collecting internal requirements and external underlying exposures (whatever the data sources)
2	Aggregation of internal requets, real-time treatments of requests / trading execution + internal mirror deal, at any moment in time & netting when possible
3	Application of internal FX policies and algnmenet verificationto remain compliant with internal policies and strageies and production of ad hoc contro lreports
4	Registration of all financial instruments and feeding of the FX trading platform OR direct execution 24/7
5	Flexibility of technology of CMA solutions to feed TMS and FX platforms
6	Generation of internal tickets for interco transactions (including margining) and tickets for external deals (incl. Feefing of TMS)
7	Management of risks, decision-making processing to generate actions and to execute hedging accordingly and in line with policies and strategies
8	Monitoring of swap ponits for high IR differentials to mitigate FX costs impacted by those forward points
9	Monitoring and adjustment (if any) of FX strategies to remain aligned to policies

VIRTUOUS TRILOGY

Treasurers ideally are looking for an FX management organization fully automated. Their credo is: automation – efficiency – cost optimization. Top of mind for most Head of Treasury we can find automation of daily chores. Today, CFOs require to get real-time access to information and to get tools to support collection and visualization of exposures. It is a baseline requirement, they all have. Treasurers therefore required deal execution as part of automation process, to increase productivity and control. Trading in the FX and money markets requires real-time updates of rates and exposures, especially at time of increased volatility and geopolitical risks. They simply need platforms (SaaS solutions) to connect existing software's and exposures data repositories, as well as portfolios of hedging instruments and, in between, the execution platform(s) to perform these hedging strategies automatically and 24/7. The problem with TMS non-native SaaS solutions, they are less agile, comprehensive, and equipped for a real-time efficient FX management. They simply don't have the scalability and capacity to measure up to what is expected from treasury. Modern technologies and solutions like KANTOX or DEFTHEDGE, requiring use of API's enable to connect to other tools upstream and downstream, for better efficiency, Straight Through Processing (STP) and automation of execution without interruption.

AUTOMATION, A WAY TO ATTRACT AND RETAIN TALENTS IN TREASURY

When we focus on (hyper-) automation, we can expect to help people thrive and really enjoy (more) what they do. Bringing the technology is an additional motivation often undervalued. It may help teams reducing the manual work and the error-proneness of spreadsheets and copying figures from one system to another (i.e. export/import of files is what I call the "Financial/Treasury Supply Semi-Manual Reporting Chain - exhausting). Our vision at Simply Treasury is that we should harmonize, automate straight-through processing with modern tools. It is also a great motivation factor for teams. Treasury teams should start working "smarter", automating what can be further automated and dig into processes to eliminate manual or semi-manual ones freeing time for the development work.
Historically, the main reasons for automatizing treasury tasks have been cutting costs, ensuring higher financial returns, and avoiding human errors. There are still drivers. However, automation has also become a retention factor, for keeping people and employees motivated. Treasurers want to use their skills in analyzing risks, hedge risk exposures on other tradable markets and be more a partner to management and to the operating businesses. We all too often forget that the new and latest generations are motivated by other factors than their elders. The job, the quality of the job, the content and the tools are much more important than we think. Generations Z & Y tire more quickly and are more focused on efficiency. They are therefore looking for automation, not out of laziness and to work less, but to work better and to occupy themselves with more rewarding tasks, to have a greater impact on the company through their work and to play a more analytical and strategic role than a purely executive one. They are intelligent and know what they want, while at the same time acting in the best interests of the company. These generations are and will be the drivers of change as the baby boomers retire. It's time to automate what hasn't yet been automated. When we «sell» a project, such as an investment in a CMA tool, we never highlight this «staff motivation» element in the ROI's. And yet it's a qualitative element, and an important one, when it comes to building staff loyalty. A treasury employee who has a quality job and isn't drowning in operational and administrative work is a «happier» employee. Let's not forget this element, even if it remains tricky to present to a CFO.



IN-HOUSE FX MANAGEMENT IMPROVES CASH MANAGEMENT

In a high for longer interest rates period, more than ever, the demand to automate in-house banking and software has increased. It is a tool to keep cash within the group and to enhance pricing mechanism and financial governance. The objective is also to reduce costs related to FX trading with external banks. Centralizing all foreign exchange (FX) transactions virtuously increases global visibility, enables positions to be offset (where possible), and enables FX to be managed centrally at a single point (because the machine doesn't care about time zones or when an identified risk needs to be hedged). Centralization within an IHB (i.e. In-House Bank) also makes it possible to cover and hedge all currencies and thus offer operational staff the possibility of invoicing or being invoiced in the local currency of the counterparty (which is still highly appreciated), while retaining control of exchange rate risks.
This shows the power of the new Currency Management Automation (CMA) solutions, which can handle the entire process from A to Z, end-to-end, from the identification of an exposure to the settlement of the transaction and its currency hedging. It is therefore a panacea for managing foreign exchange risk, which remains one of the treasurers' priorities according to the annual EACT survey. What's more, as explained above, CMA solutions are an ideal complement to TMSs and their weaknesses or shortcomings, offering a decision-making tool, sophisticated reporting and automated execution day and night.
We're delighted that the treasurer will finally be able to devote himself to other, more interesting and rewarding tasks.

François Masquelier,
Chair of ATEL,
CEO, *Simply*TREASURY

DISCLAIMER: This article was prepared by François Masquelier in his personal capacity. The opinion expressed in this article are the author's own and do not necessarily reflect the view of the European Association of Corporate Treasurers (i.e., EACT).

PROTECTING YOUR CASH: THINKING BEYOND DIVERSIFICATION

The interconnected nature of banks can create risks for investors. We talked with Glenn Stone and Arjan Hes of Treasury Spring about how the company manages this risk for clients. Interview.

François Masquelier, Chairman (ATEL): I'm here with Glenn Stone, head of trading execution at Treasury Spring, and Arjan Hes, head of sales at Treasury Spring. Let's start by revisiting Treasury Spring and explaining what it is for those who aren't familiar. Is it a broker, a platform, a fintech? And could you describe the underlying products you're offering, including the guaranteed deposit.

Arjan Hes, Head of European Sales (Treasury Spring): I'm Arjan Hes, also known as AJ by Glenn. I owe my career to two bank collapses, BCCI and Barings. I was introduced to the concept of institutional money market funds in the early 1990s. During the global financial crisis, I witnessed a billion-dollar loss in a money market fund on balance sheet. After a stint in technology, I joined a fintech to return to the ultra-conservative end of cash management. Treasury Spring provides cash managers and corporate treasurers with non-correlated investments and capital preservation strategies, primarily through repo repurchase agreements and secured deposits.

Arjan Hes

Glen Stone, Head of Trading and Execution (TreasurySpring): Thanks, AJ. I'm Glenn, and I have 30 years of experience in wholesale banking, mainly in repo markets. My career has spanned multiple crises, from Argentina to Lehman Brothers, and almost SVB. I'll share some of that history with you.

AH: Let's put this slide up for those who enjoy films. Glenn, what's the biggest focus for treasurers and cash managers today?

GS: There's a great line in the film where Jared Vennett says, "I work for the bank, but I don't think like a bank." That was in 2008. Today, corporates and treasurers need to assess risk like a bank, especially in the secured space. Whether you're a small organization with cash or a large financial institution, you need to put financial resources front and centre when assessing risk. Banks have their ways of explaining this with terms like "revenue muscles," but it's about protecting your resources. Treasury Spring offers risk-adjusted returns, which may not be the highest, but they provide a form of insurance, like insuring your house against fire damage.

AH: So, should corporate cash managers expose their resources to risk?

GS: It's inevitable. Most cash doesn't sit under a mattress; it ends up in a bank or other products like money market funds. The product we offer is another tool in the toolkit, alongside money market funds and repos. Cash in banks plays a key role in policy transmission for central banks. Banks today are much larger than in 2008, with significant leverage. Despite the importance of banks, they do fail. Over the past 24 years, more than 500 banks failed in the US, most on Fridays. In Europe, we've seen a contraction in the number of banks, with about a third less today than in 2008.

AH: 5550 bank failures in the US and a third contraction in Europe. Are banks connected?

GS: Yes, banks are interconnected and part of leverage creation. During the Lehman Brothers collapse, we were worried Goldman Sachs and Morgan Stanley wouldn't survive the weekend. Banks build leverage among themselves, and during stress events, this leverage can cause systemic issues.

AH: Would taking collateral be beneficial in these situations?

GS: Yes, taking collateral is crucial. It reduces loss given default and provides a buffer in stress events. We learned from Lehman Brothers to pick negatively correlated collateral. Diversification reduces idiosyncratic risk, but the next step is managing correlation risk.

AH: So managing correlation risk through secured transactions like repos. Why aren't most treasurers doing it?

GS: Historically, it's been expensive with high infrastructure requirements, including trading systems, custodians, and legal work. For banks, the costs are even higher, with AML/KYC and Basel regime costs. These high barriers have prevented it from being more widely adopted by corporates.

AH: How do we solve this?

GS: We've created a new financial instrument to wrap repo, acting as a cash aggregator rather than a disintermediator. We aggregate multiple client pools and push the money through to banks using triparty repos, relying on market infrastructure providers like Clearstream and Euroclear.

AH: In summary, Treasury Spring allows you to place money outside money market funds with an insurance premium-like safety. Glenn, can you elaborate on the cost aspect?

Glen Stone

GS: There is a cost aspect, but repo pricing can be favourable, especially within 90 days. You could see significant returns with fully collateralized securities. The yield depends on the tenor and the collateral's grade, but it offers better risk-adjusted returns.

AH: So it's about diversification and managing correlation.

FM: Thanks, Glenn and AJ. Through Treasury Spring, you provide access to an asset class that was difficult to invest in due to documentation and account requirements. Now, corporates can access a range of counterparties with simplified documentation, making it easier to invest without the heavy paperwork.

GS: Exactly. For our clients, it's one onboarding process, similar to a money market fund. This opens up our full product offering, with 80 obligors available, including 12 of the 30 GSIBs in a secured capacity.

AH: It's also a curated list with credit research. We removed Credit Suisse nine months before their issues arose.

FM: So, it's a good way to access various counterparties and potentially guaranteed deposits without the heavy documentation. Diversified collateral further mitigates risk. Thanks for the presentation.

François Masquelier,
Chair of ATEL,
CEO, *Simply*TREASURY

TP ICAP SOLUTIONS:

THE ARCHITECT OF YOUR TREASURY INVESTMENTS

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As the guardian of cash flow and the architect of financial strategy, the treasurer's role is to ensure the effective allocation of resources within the corporation while strategically deploying funds into various investment vehicles. However, this aspect of the job is time-consuming, and the treasurer may not always have the optimal solution at the right moment. This is a full-time role requiring extensive investment research to source the most relevant solutions that align with the company's needs within the current market context. It may be beneficial to outsource this activity to external counterparties who are specialists in the field.

How to Optimize Short-Term Cash Flow When Needed ?

Most corporations face numerous constraints within their investment framework depending on their size, activity, and financial strategy. They require highly liquid investments in order to quickly access cash. Many «cash & cash equivalent» products are available on the market that allow for maximizing returns while maintaining short-term liquidity (e.g., money market funds, term deposits).

How to Allocate Cash Surplus Over the Long Term to Achieve Financial Results ?

When possible, it is in the treasurer's best interest to make long term investments to benefit from current high interest rates. A small portion of the portfolio can be allocated to tailor-made solutions: this is an opportunistic way to secure significantly higher returns than those from medium-to-long term deposits (2 to 5 years) while maintaining very low investment risk, as the principal can be fully protected over these maturities.

How Can You Give Meaning to Your Investments ?

There is an increasing number of Money Market Funds offering a «Green» label. However, the short-term investment horizon makes it difficult to measure the degree of sustainability in this type of investment. For medium to long-term solutions, there are effective ways to measure sustainability scores and ensure that funds are directed towards sustainable projects.

What Support Does TP ICAP Solutions Provide ?

We act not only as financial advisors but also as a unique point of contact for treasurers seeking expertise in all their investment strategies. For short-term investment horizons, we secure the best prices in a selection of cash & cash equivalent products: we are in contact with around 200 entities for commercial papers and term deposits.
For the medium to long term investment horizons (2 to 5 years or longer), our Financial Engineering & Research teams leverage their expertise to offer the best tailor-made investment solutions. By leveraging competition among our pool of 25 banks, we secure the best prices. Additionally, through our sustainable finance division, we offer our partners various ways to generate a positive environmental, social, and/or governance impact with their investments by packaging our products as «green bonds» when eligible. For products not eligible for this designation, we have created a «charity trade program,» in which TP ICAP commits to making a donation to an association chosen by the treasurer (a pool of partner associations already exists for this program).

Rosnan Chotard,
TP ICAP Solutions

Arthur di Betta,
TP ICAP Solutions

Jean-Baptiste Vienne,
TP ICAP Solutions

NAVIGATING THE FUTURE: HARNESSING ARTIFICIAL INTELLIGENCE IN TREASURY FOR EFFICIENT CASH FORECASTING AND FRAUD DETECTION

In the dynamic landscape of corporate finance, treasurers and finance professionals are increasingly turning to artificial intelligence (AI) to enhance their capabilities in cash forecasting and fraud detection. While AI presents unprecedented opportunities, it is essential to recognize its role as a facilitator rather than a replacement for human expertise. This article goes into the strategic use of AI in treasury functions, specifically focusing on cash forecasting and fraud detection, while emphasizing the importance of a comprehensive data strategy and the key role of human oversight.

1. THE FOUNDATION: BUILDING A ROBUST DATA STRATEGY

Before diving into the realm of AI, treasurers must establish a strong foundation through a well-thought-out data strategy. This involves seamlessly mapping data points from various internal systems to create a unified and comprehensive dataset. The availability of high-quality, reliable data is crucial for the success of AI applications in treasury.

2. CASH FORECASTING: UNLEASHING THE POWER OF "ARTIFICIAL IMAGINATION"

Cash forecasting has traditionally relied on historical transactions and predictive analytics. AI brings a paradigm shift, introducing the concept of "Artificial Imagination." Unlike mere automation, this term emphasizes the creative and decision-making capabilities of AI. Machine learning algorithms analyse historical data to identify patterns, enabling treasurers to make more accurate predictions about future cash flows.
While AI significantly improves forecasting accuracy, it is essential to underscore that it should be viewed as a tool to assist and increase human decision-making rather than a standalone solution. Treasurers should remain vigilant and continue to implement upfront controls, including rigorous validation processes.

3. FRAUD DETECTION: STRENGTHENING DEFENCES WITH AI

The battle against fraud requires constant vigilance, and AI emerges as a powerful ally in this endeavour. Machine learning algorithms can analyse vast datasets in real-time, identifying anomalies and patterns indicative of fraudulent activities. However, it is crucial to recognize that AI complements existing fraud detection measures and should not replace fundamental controls. Treasurers must continue to implement robust internal training programs to keep their teams abreast of the latest fraud tactics and ensure that AI systems are aligned with the organization's risk tolerance. Moreover, AI can empower finance professionals to focus their attention on strategic aspects of fraud prevention, such as developing proactive strategies and refining controls.

4. A STRATEGIC APPROACH: WALKING BEFORE RUNNING

While the value-add of AI is undeniable, treasurers are advised to adopt a strategic approach, ensuring that foundational processes and workflows are fine-tuned before integrating new technologies. This involves critical self-assessment, aligning with organizational goals, and fostering a culture of continuous improvement.
People remain at the heart of this transformation. AI is not a replacement for treasurers but a catalyst for shifting their focus to more value-added, strategic tasks. By automating routine and time-consuming activities, AI allows finance professionals to elevate their roles as business partners, contributing meaningfully to the organization's success.

In conclusion, the integration of AI into treasury functions is a journey that requires careful consideration and strategic planning. Embracing artificial intelligence (or as you know now, Artificial Imagination!) in cash forecasting and fraud detection empowers finance professionals to be more efficient, proactive, and strategic in their roles. However, success hinges on recognizing AI as an augmentation tool and preserving the invaluable human touch in financial decision-making.

Benjamin Defays,
Senior Associate Vice President, Treasury / ATEL board member

OUTSOURCED MANAGEMENT OF PERIODIC REVIEWS **AND MUTUALIZATION TO HELP COPING** WITH INCREASING OBLIGATIONS

> **MANY ASSET MANAGERS FAIL TO IMPLEMENT BEST-IN-CLASS CDD AND MUST UNDERTAKE EXPENSIVE KYC REMEDIATION PROGRAMS.**
> **Benoit Mayolini**

Despite the help of AI, fighting money laundering activities remains a people-driven, manually operated and challenging task for asset managers. They must indeed balance the obligations of staying up to date with ever-changing requirements and complexity per jurisdiction against the increasing cost of compliance.

Why does i-Hub reduces Customer Due Diligence (CDD) pain points for asset managers ?
The rising cost of compliance for routine tasks often distracts asset managers from higher value-add risk management efforts. i-Hub assist clients with a more cost effective delivery model than asset managers. Our clients realize up to 40% further cost reductions over time as our innovative technology solutions scale and achieve additional process efficiencies.
Our KYC Partner outsourcing service drives continuous improvements thanks to our experienced KYC professionals who have first-hand knowledge of regulatory requirements and leading industry practices. We help our clients updating their KYC files to the highest level of compliance. i-Hub overcome the challenges of outdated, slow and disparate legacy technology that is unable to respond in a timely manner to the regulatory landscape. The i-Hub's technology consolidates data through a centralized repository, provides optimized KYC/CDD workflows and mutualized KYC data & documents to improve operational processes, oversight, consistency and efficiency.

How does i-Hub KYC/CDD service managed standardizes the asset managers approach during CDD reviews/updates and puts them on the path to maintaining sustainable KYC best practices ?
In an ever-changing regulatory environment, asset managers find it increasingly challenging to strike a balance between regulatory compliance, positive customer experience and operational efficiencies. Asset Managers attempting to implement sustainable KYC and CDD programs often struggle with a variety of issues such as quality and timeliness issues in process, turnover of KYC workforces, the rising cost of compliance an disparate technology and data.
Many asset managers fail to implement best-in-class CDD and Enhanced Due Diligence procedures, which may prevent or catch money laundering activities, and must undertake intensive, expensive KYC remediation programs.
Our efficient KYC Partner service enables our clients to concentrate on their core business and benefit from our extensive "Know How" optimized processes solution with highly qualified specialists validating data and documents based on asset manager's requirements. We also perform periodic CDD reviews based on each Asset Manager's specific own Risk Based Approach that will be calibrated independently within the i-Hub platform.

What are the benefits of relying on i-Hub's KYC/CDD managed services?
CDD is not a one-time process. Rather, it's ongoing monitoring where asset managers will carry out ongoing monitoring of their investors' activities to identify any changes that might indicate an increased risk. i-Hub's KYC Partner service carry out this activity thanks to its standardized approach and processes, its highly skilled teams, its centralized repository, its adjustable risk scoring module to define the asset managers' owns RBA that is itself fed by the daily name screening engine and then by its interconnected platform with European trade registries.
For speeding-up onboarding and KYC files reviews, i-Hub has developed its system to enable KYC data and document mutualization triggered by the investor's consent to sharing in line with GDPR's rules.
If asset managers wish to remain essential in today's digital economy, they need to boost their comprehensive online capabilities by focusing on providing a seamless customer experience from the very first touchpoint. Their onboarding process can be started through the i-Hub digital portal enabling the collection of data/document set by the Asset Manager for both the onboarding phase and later lifecycle management.

Benoit Mayolini,
Sales & Relationship Manager
i-Hub S.A.

WHAT A TMS IS AND WHAT A TMS IS NOT...

A TMS (i.e. Treasury Management System) is a software tool, in SaaS mode, designed to help company treasurers manage their day-to-day treasury / liquidities more efficiently and more automatically. But the term is often misused, and the scope overestimated or exaggerated. Let's ask ourselves what it is and what it isn't (in general - with some rare exceptions). This is what this document sets out to explain.

WHAT DO WE MEAN BY "TMS"?

A Treasury Management System (TMS) is a software application that automates the process of managing a company's financial operations. It assists companies in handling various financial activities, including cash flow, assets, and (short-term) investments, by automating certain tasks. A TMS is commonly used to maintain financial security, mitigate operating risks, and minimize reputational risk. It is a repository of all financial transactions, interfaced with the ERP(s) and with bank connectivity solution. TMS and ERP are the two IT backbones of a finance organization. In more detail, treasury management involves managing a company's daily treasury operations and making larger-scale financial decisions.

TMSS ENCOMPASS ACTIVITIES SUCH AS:

- Governance over liquidity: Ensuring the availability of sufficient cash to meet operational needs.
- Credit lines establishment and maintenance: Managing credit facilities with financial institutions.
- Optimizing investment returns: Strategically investing surplus funds.
- Determining possible funds utilization: how much to be invested in short-term investment products and interface with execution / dealing platforms.

A TMS streamlines these processes by providing partial automation and by creating one single source of truth for all treasury operations. It offers better visibility into cash and liquidity, enhances control over bank accounts, ensures compliance, and facilitates efficient management of financial transactions. Decision-makers can access real-time financial information, aiding critical business decisions. Additionally, a TMS simplifies tasks like reporting and (short-term) cash forecasting (i.e. 13 weeks). It may also include features for automating payments, improving reconciliations, accounting postings and financial reporting, as well as securing transactions.

ADDITIONAL BENEFITS OF A TMS (NON-COMPREHENSIVE LIST)

Streamlined ledgering: Automating entries in the company's General Ledger.

A TMS IN A NUTSHELL

What is a Treasury Management Systems (TMS)?

- A Treasury management systems is a centralised IT solution that helps perform treasury operations securely and efficiently with a real time access to treasury data and operations
- It is basement stone for connectivity and exchanges of information between Treasury and its business partners.
- A TMS is neither an ERP nor an accounting or Business Intelligence system but it interacts with and complements them all.

What are the main functionalities of a TMS?

Thanks to a TMS, a company would be able to :

- View cash positions in real-time
- Forecast cash flows
- Validate and operate payments
- Reconcile payments
- Capture static data centrally
- Manage connectivity and relationships with banking partners
- Monitor Treasury risks
- Capture and store financing parameters and patterns
- Improve the integration of Treasury with other systems
- Link Treasury transactions to accounting bookings
- Provide customized reporting & dashboard functionalities
- Ensure strong user rights management and audit log

What are the benefits of implementing a TMS?

Cash pooling management: Handling notional and physical cash pools, intercompany positions, interest calculations (i.e. scales of interest), and transfer pricing (TP) reporting.
Payment automation: Securely automating and scheduling payments, minimizing human error and risk.
For instance, modern treasury's payments product offers custom payment controls, permissions, and approvals, ensuring secure payment initiation. It also simplifies reconciliation by automatically matching payments with corresponding bank transactions.

HOW TO DEFINE A "TMS"? - AVOIDING OVER-EXPECTATIONS

A Treasury Management System (TMS) is a software application that allows companies to process cash flow, manage banking relationships and enhance the value of their cash flow. A Treasury Management System can help companies manage their financial assets, liabilities, and bank accounts through integration with third-party applications (e.g. ERP). A TMS provides (real-time) visibility into cash positions, enables better decision-making, and improves overall operational efficiency.
The system includes a range of features and functionalities to help better managing cash and liquidity, as well as financial risks, and payment processing.
Treasury management is the process of managing an organization's liquidity, money market instruments, banking, concentration, and disbursement activities. The goal of treasury management is to constantly monitor cash inflows and outflows to optimize the company's liquidity position. A TMS help managing risks and liquidities but doesn't manage them (automatically) and it is not a decision-making solution.
A treasury management system is a powerful tool for MNC's looking to streamline their treasury operations, manage financial risk, and improve cash management. By providing (real-time) visibility into cash positions, automating routine processes, and providing reports for managing financial risk, a TMS enables treasurers to make informed decisions and drive business growth.

WHY WOULD A CORPORATION NEED A TREASURY MANAGEMENT SYSTEM?

A treasury management system provides improved efficiency. By securing payments, it reduces errors (for example by eliminating manual data entry, as well as automating reconciliation processes for accounts payable systems). A good system should even provide real-time information about everything from cash balances down through individual purchase orders, so companies know exactly their net positions. It is an important tool for helping to achieve regulatory compliance (for reducing the risk of fines and reputational damage). A TMS simply aggregates data from multiple sources, including bank accounts, payments, and →

investment portfolios, providing a complete and accurate picture of a company's cash position. This information enables treasurers to make informed decisions about cash management and investment strategies, reducing the risk of cash shortfalls and minimizing borrowing costs. It also provides reports and tools for managing financial risks, including foreign exchange risk, interest rate risk, and credit risk. The system enables treasurers to monitor these risks. Usually it includes different modules, each focusing on an important aspect of finance: enabling Cash Management; producing Short-Term Cash Forecasting; facilitating Risk Monitoring; ensuring Liquidity Management; potentially offering Bank Account Management features; enabling In-House Banking organization; from time to time, offering Multilateral Netting functionalities; producing Accounting Postings for financial transactions; etc..... It is a best practice in corporate treasury to implement a TMS for the day-to-day operations.

WHAT A TMS IS NOT

The best proof that TMS's do not cover every task of treasury management can be found in the Appstore approach of some leading players like SAP with its famous BTP platform. If they were comprehensive, it won't be necessary to complement the suites. Furthermore, the Treasury Tech Map (www.treasurymap.com) is another evidence that the landscape is much more complex and that there is no solution fitting all requirements and categories, even the largest. It explains why we need add-ons and satellite solutions to complete the TMS suite. To avoid frustrations, it is important to know what it enables and what it cannot do. A TMS remains an increasingly standard tool, especially since the advent of the SaaS mode (i.e. Software as a Service) and all solutions are in the cloud, without exception. This standardization means that you must adapt to the machine and not the other way round. It's a bit like ready-to-wear for the treasurer. If it fits, great! If not, it's up to you to adapt to fit in. This 'one fits all' approach has robbed them of their specific characteristics. The TMS is a repository of financial transactions that can be used to manage and produce financial and accounting reports. But it is not a 'decision-making tool'. At most, it provides the information needed to make decisions. A level or a laser enables the carpenter to plan on site, but it is only a decision-making tool without drawing it. That is the first point about what it is not.
As it does not do everything, it is accompanied by options or accessories, like a car, to equip it to meet needs (via modules, via other external solutions, via fintech's, etc.). A TMS is not a banking connectivity tool, any more than it is a foreign exchange or commodities exposure management tool. It manages the instruments used to hedge the underlying risks, but not the exposures. TMSs list, report and communicate information. But they do not (yet) suggest decisions and actions to be taken (or only very few and very basic ones). For example, even when accompanied by an FX platform (e.g. 360T, Currenext, etc.) or MMFs (e.g. ICD, Morgan Money, CashMetrix, etc.), it does not process hedges or products automatically. The management of tools remains a human task. The TMS does not automate investments, payments, hedges, etc. It remains a basic tool to be managed by the treasurer. Let's not forget that... Eventually, Generative AI, the metaverse, robotization, etc. may make it possible, in couple of years, to go to the next level and execute automatically. This explains the need for tools such as KANTOX for foreign exchange risk management. Even a tool

EXAMPLE OF TMS VERSUS CURRENCY MANAGEMENT AUTOMATION (CMA)

What a TMS is not...	What a CMA is...
It is not an ERP or a booking tool. It can at best send postings on financial instruments (based on pre-defined accounting schemes) into the ERP.	Automated execution of OTC derivatives, 24/7 (according to pre-defined patterns) as well as automated roll-over of forward contracts.
It is not able to hedge exposures automatically (apart from very limited exceptions on additional moduls).	Automated application of pre-defined strategies of hedging (potentially several strategies for different underlying exposures). It is an FX manage tool.
It produce reports to help decision process but doesn't take/make decision.	Dynamic and automated monitoring of foward points for high differential currency pairs.
It is not a repository for managing underlying exposures. It only manage Hedge Relationships, when generated.	It covers the pre-trade phase of FX hedging process (but can also excute automatically via platforms or directly).
It doesn't cover pre-trade phase of FX hedging process.	It covers the three key phases of FX management from A to Z: i.e. pre-trade, execution of FX hedging and post-trade.
It is not fully integrating FX hedging processes and therefore requests use of manual / semi-manual processes along the life-time of hedging instruments.	It may ideally complement TMS solutions for the FX management in offering some missing functionalities or reports.
It is not an FX management tool, it produces reports for treasurers to manage FX risks (ditto of other financial risks).	It works without human intervention based on programing of hedging strategies across time zones.

for analyzing bank charges is not a decision-making tool. It produces reports that may lead them to decide to change bank or renegotiate. There are dozens of similar examples in treasury management.
Example of TMS versus Currency Management Automation (CMA):

WHAT A TMS IS NOT, SHOULD NOT REMOVE ITS MAJOR UTILITY FOR TREASURERS

Some treasurers forget to explain the limits of the TMS solution to their management (i.e. CFO) and IT management (i.e. CIO/CTO), which consequently drives to misunderstanding from these stakeholders when treasury requires additional modules or add-ons to complement the (expensive) TMS suite. The lack of communication may imply frustration and misunderstanding from the C-level. It explains why understanding what a TMS is and what it isn't helps to avoid expectations that are too high, disappointment on the part of IT or CFO colleagues, frustration, disappointment, disillusion, etc. That's why knowing what you're going to buy, and the scope covered helps to maximize the choice without creating disappointed expectations. What the TMS is not shouldn't detract from its usefulness. However, if you know from the outset what the shortcomings of a TMS are and what it will not be able to do (even if you opt for all the existing modules proposed by the IT vendor), you will be able to plan from the outset of the project to digitize and transform treasury management the ancillary tools needed to complement the central tool and perform the tasks that it cannot do. It is always advisable to plan from the outset of such a project what it will include, to avoid the misunderstanding of a CFO who claims to have thought that the TMS, like a kitchen robot, did everything in cash management and treasury. TMS helps managing risks but doesn't manage financial risks. It simply means that we need to know what we're committing to and avoid management over-expectations. A tool cannot do without its craftsman...

François Masquelier,
CEO of Simply Treasury – Luxembourg May 2024

DISCLAIMER: This article was prepared by François Masquelier in his personal capacity. The opinion expressed in this article are the author's own and do not necessarily reflect the view of the European Association of Corporate Treasurers (i.e., EACT).

PURSUING **THE REAL-TIME** TREASURY OPPORTUNITY

Companies are increasingly looking to transform their corporate treasury functions into a real-time operation. While this transformation is a compelling opportunity, it is complex, requiring key building blocks to support it and ensure success.

Enabled by technological advancement, many companies across industries today are increasingly interested in transforming their treasury functions to become more real-time.

This interest is being driven by several factors, from managing global operations and an evolving business model, to adapting to the changing – often volatile – nature of markets and economies, enhancing risk management, cost efficiencies, and keeping pace with technological development.

Transforming the treasury function to a real-time operation offers companies compelling benefits – enhanced liquidity and risk management and efficiency – but its implementation can be complex, time consuming and costly.

As a first step, companies need to fully understand and buy into the concept, recognise the intrinsic value to them of becoming real-time and get to grips with the building blocks that are necessary in this transformation journey.

DEFINING REAL-TIME

At its core, real-time treasury refers to the practice of monitoring and managing financial activities and data in real-time or near real-time. It involves utilising technology and automated systems to capture, process, and analyse financial information as it happens, allowing for immediate decision-making and proactive risk management.

By implementing a real-time treasury system, organisations can potentially more effectively manage their cash flows, optimize liquidity, execute instant payments, mitigate financial risks as they are identified, and make informed decisions more promptly.

The real-time capabilities of the system enable treasury professionals to monitor and respond to changing financial conditions and market dynamics in a proactive manner, enhancing overall financial management and performance.

KEY ELEMENTS OF REAL-TIME TREASURY

- Enabler for strategic business initiatives: Either motivated by endogenous reasons or pressured by exogenous factors, companies are compelled to re-engineer their business operations. With agility, the treasury function adapts its operating model to business expectations, supports strategic decisions, and enables business transactions while maintaining financial governance.
- Instantaneous data integration: Real-time systems integrate with various internal and external data sources, including enterprise resource planning systems, treasury management systems, banking platforms, trading platforms, and market data feeds. These systems continuously collect, aggregate, and update financial information in real-time.
- Real-time visibility: This approach enables treasurers to monitor financial positions, movements and exposures in real-time across multiple accounts and currencies. The visibility allows for proactive cash management and optimisation.
- Automated transactions: Real-time treasury systems can be used to automate routine treasury transactions, such as payments, receipts, intercompany transfers, and hedging activities. This automation reduces manual errors, accelerates transaction processing, and improves efficiency. Suppliers can be paid in a real- time/just-in-time manner.

Overall, a real-time treasury model combines technology, data integration, automation, and analytics to enable treasurers to manage cash, liquidity, and financial risks with precision and agility.

By providing instant access to financial information and transactional capabilities, operating with a real-time treasury can empower treasurers to make informed decisions, optimise treasury operations, and drive strategic value for the organisation.

DRIVERS AND BENEFITS OF REAL-TIME TREASURY

There are multiple factors driving this need to transform treasury, and that make it possible.

Globalisation is one powerful factor. As organisations increasingly become more global in nature, the demands to operate across timezones seamlessly has led to the need to be able to run operations in real-time. No longer is it acceptable to have to wait until a subsidiary opens for business on the other side of the world to be able to analyse their cash holdings, and payments.

Connected to this are two other important factors: increased global market and macro volatility; and an organisation's exposure to inflation and higher interest rates globally.

Global market volatility in recent years – from the Covid 19 pandemic, to shipping and supply chain disruptions, and the outbreak of war – have made the case for a more real-time approach to treasury management. The need to be able to understand a financial picture more quickly is key more than ever before, to allow treasurers to be able to pivot and maximise cash flows.

Together with this, inflation and higher rates have meant that treasury is reinforced in its role of protecting the company revenue against the depreciation of money over time, by accessing and moving any available cash surplus, as soon as possible, into interest generating assets, or towards reimbursing interest-bearing liabilities.

Three other important driving factors are the need for better risk management, for improved cost efficiencies, and technological advancement.

In risk management, being able to have full visibility across the entire spectrum of treasury at any given moment is becoming a real and urgent need for many organisations.

To be able to identify risks more quickly, means potentially mitigating those risks faster and avoiding costly mistakes.

The need to drive cost efficiencies across organisations is another key driver for the emergence of a real-time approach. Real-time payment schemes can often reduce payment costs; "just in time" payment processing can enhance working capital optimization, leading to reduced borrowing costs and immediate receipts can be put to work more quickly in placing deposits with banks.

Finally, technology has made a major contribution to the ability of corporate treasury functions to operate in real-time. This advance includes real-time payment schemes, Open Banking and other API-driven capabilities, as well as the rise of distributed ledger technology and blockchain applications for treasury. Banks and other financial services organisations have invested heavily in bringing real time into the hands of their clients.

KEY CHALLENGES AND PITFALLS

As well as presenting a compelling opportunity, implementing real-time treasury capabilities is complex and challenging. Some of the key challenges, include:

- Technological complexity: Implementing this sort of model requires advanced technology infrastructure, integration with existing systems, and real-time data processing capabilities. This can be challenging for organisations with legacy systems or limited IT resources.
- Data quality and accuracy: Real-time data requires robust data management processes to ensure accuracy, consistency, and integrity. Poor data quality can lead to erroneous insights and decision-making, undermining effectiveness.
- Security and compliance: Real-time access to financial data raises concerns about data security and internal and external compliance. such as data privacy laws (e.g., GDPR) and any financial regulations the organisation may be beholden too. Maintaining data confidentiality, integrity, and compliance with regulations is crucial but challenging in such an environment.
- Change Management: Implementing a real-time model involves significant changes in treasury processes, workflows, and organisational culture. Resistance to change from employees, stakeholders, or management can impede a successful implementation and will clearly require robust change management strategies.
- Costs and resource allocation: Implementing and maintaining a real-time treasury requires substantial investments in technology, staff training, and ongoing maintenance. Allocating resources and budget for these initiatives can be challenging, especially for organisations with limited financial resources or competing priorities. It is therefore essential to be able to create a robust business case, citing the alignment to overall organisation strategic goals.

THE PATHWAY TO REAL-TIME TREASURY

Like any truly transformational initiative, implementing a real-time treasury function is a complex process, that requires careful planning, coordination, and buy-in from stakeholders across the organisation. It's a transformation that lies at the very heart of the organisation and can be an essential one to allow a business to fully meet its strategic aims.


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Nick Ashton,
Country Head, Luxembourg
Global Payments Solutions,
HSBC

E-INVOICING: REVOLUTIONISING TREASURY IN THE DIGITAL AGE

As e-invoicing sweeps across the global business landscape, it is not just changing how companies bill each other – it is transforming the very fabric of corporate treasury. This digital revolution, driven by government mandates and a quest for greater efficiency, presents both challenges and opportunities for businesses of all sizes, especially multinational corporations (MNCs).

THE GLOBAL E-INVOICING TIDAL WAVE

E-invoicing is no longer a far-off concept – it is here, and it is rapidly becoming mandatory worldwide. While regulations promoting e-invoicing can be traced back to 2014, particularly in Latin American countries, we are now seeing truly global adoption. Initially focused on business-to-government (B2G) billing, governments are expanding their attention to business-to-business (B2B) invoicing, spurred by the large-scale digitalisation triggered by the Covid-19 pandemic.

The European Union's VAT in the Digital Age (ViDA) proposal stands out as a potential game-changer. This initiative aims to harmonise fragmented local e-invoicing regulations and create cross-border interoperability for B2B e-invoicing within the EU by 2030. However, given national sensitivities around tax policies and collection, global standardisation of e-invoicing rules is unlikely in the near future.

UNLOCKING TREASURY'S POTENTIAL WITH E-INVOICING

Despite the challenges posed by a fragmented global landscape, e-invoicing offers significant benefits for corporate treasurers. It enhances cash flow visibility by speeding up invoicing and payment processes. The accurate, visible, and timely data intrinsic to e-invoicing supports more effective credit and liquidity risk analysis. Time saved from manual processing allows for more efficient investment analysis and portfolio management. Perhaps most importantly, the availability of granular, quality payment and invoicing data can enhance creditworthiness and potentially lower financing costs.

THE PATH FORWARD: COLLABORATION AND ADAPTATION

Many organisations have dedicated e-invoicing projects that often overlook treasury departments. This is a missed opportunity. Treasurers need to be more actively involved in e-invoicing implementation to fully leverage its benefits.

To successfully navigate this digital transformation, starting with a detailed data mapping of invoicing operations is recommended. This process can be time-consuming, especially for large organisations, so it is crucial to begin early.

Banks also have a vital role to play in this transition. At BNP Paribas, we are leveraging our extensive regulatory intelligence and robust security measures to assist clients in navigating the complex e-invoicing landscape. We are committed to protecting sensitive information using the highest ISO security standards and a strict cloud strategy.

Looking ahead, there is potential for unifying the currently distinct worlds of payments and invoicing. The ongoing global migration of payments processing to XML format, coupled with the creation of a common payments language through initiatives like ISO 20022, could revolutionise how businesses handle both payments and invoices.

E-invoicing is more than just a trend – it is the future of financial operations. By embracing this change and working closely with their banking partners, treasurers can position their organisations to thrive in this new digital era.

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Lirka Bibezic,
Global Head of Product Management - Receivables, BNP Paribas Cash Management

N°112 – THE CORPORATE TREASURERS' COMMUNITY MAGAZINE

GROUP CIO, **THE DOG** IN THE MANGER?

Is the CIO the treasury's problem-solver? The CIO is often very orthodox and rightly tries to limit the number of IT solutions used by the company. This is understandable and justifiable. However, the end user, the treasurer, needs to be properly equipped with the right tools for the job. Denying them a tool on the pretext that it would be an add-on to a TMS, which the CIO naively thought would do everything in the treasury department, is a classic case. The trend towards full SAP4hana (for example) may be justified within a specific group strategy but is not applicable to all types of treasuries or company. There is no such thing as a 'one-fit-all' solution in treasury, and this can be seen in the complex architectures in place. Let's analyze the situation and ask ourselves the reasons for these differences of opinion to get round them.

ARE CIOS THE DOGS IN THE MANGER?

Is the CIO the treasury's problem-solver? The CIO is often very orthodox and rightly tries to limit the number of IT solutions used by the company. This is understandable and justifiable. However, the end user, the treasurer, needs to be properly equipped with the right tools for the job. Denying them a tool on the pretext that it would be an add-on to a TMS, which the CIO naively thought would do everything in the treasury department, is a classic case. The trend towards full SAP4hana (for example) may be justified within a specific group strategy but is not applicable to all types of treasuries or company. There is no such thing as a 'one-fit-all' solution in treasury, and this can be seen in the complex architectures in place. Let's analyze the situation and ask ourselves the reasons for these differences of opinion to get round them. The "Treasury Map" (see: www.treasurymap.com) is intended to denounce the commonplace belief that only a TMS can do everything and meet all the needs of the treasury department. This is clearly not the case, and it's time to point this out to the CFO and, above all, the CIO. There is (generally) a lack of adequate communication, leading to misunderstandings on both sides, and above all to blockages on the IT side. In this article, we'd like to outline some of the keys to avoiding this type of clash, which is so common between departments. By understanding the CIO better, you can tackle an IT project with a greater chance of success.

WHAT DIFFERENTIATE THE CIO IT STRATEGY REGARDING TREASURY MANAGEMENT SYSTEMS FROM THE TREASURER'S STRATEGY?

The differentiation between the Chief Information Officer's (CIO) IT strategy and the treasurer's strategy regarding Treasury Management Systems (TMS) and other treasury solutions largely revolves around their primary focus areas and core responsibilities within an organization. The CIO focuses on the technological aspects of the TMS. This includes considerations related to system architecture, data security, integration capabilities with other IT systems, scalability, and overall IT infrastructure. The CIO's strategy is primarily concerned with how the TMS will fit into the broader technology landscape of the company, ensuring it aligns with the organization's IT policies and future technology roadmaps. Although the tool should be exclusively selected by the Treasurer (end-user), the CIO may have concerns, remarks, and issues to address. However, IT remains a service provider and not the department in charge of treasury management. Sometime, in some MNC's we can have some doubts about who is deciding? The treasurer's strategy is centered on the financial functionalities and operational needs that the TMS must fulfill. The choice of his/her tool is aimed at optimizing financial operations, improving accuracy in financial reporting, and supporting strategic financial decision-making. The treasurer doesn't care about IT considerations providing tools respect minimum features and security levels.

IMPLEMENTATION AND COST CONCERNS

From the CIO's perspective, the emphasis is on the implementation process in terms of IT resources, compatibility with existing systems, and managing the changeover from old systems without disrupting ongoing operations. They are also deeply involved in vendor selection from a technical standpoint, ensuring the new system can be supported by the existing IT team. Conversely, the treasurer is more involved in the functional implementation, training finance staff to use the new system, and ensuring that the TMS meets the specific treasury needs of the organization. Their focus is on achieving a seamless transition that minimizes disruptions to financial operations and leverages the new system's capabilities to achieve financial objectives. The CIO focus on IT risk management, which is crucial, focuses on data security, system reliability, and recovery solutions. The CIO must ensure that the system is secure against cyber threats and robust enough to handle system failures without losing critical financial data, while the treasurer focuses on financial risks, including compliance risks, liquidity risks, and operational risks associated with financial processes. They look at how the TMS can help manage these risks through better visibility into cash positions, automated compliance reports, and improved risk analysis tools.

The cost considerations may be an issue. It includes not only the purchase and installation of the TMS but also long-term maintenance, upgrades, and IT staff training. The CIO must balance the budget against the expected lifecycle of the system and potential future technology shifts. On the other side, the treasurer evaluates the cost of the TMS in terms of return on investment (ROI), focusing on the potential financial benefits the system can bring through improved efficiency, reduced errors, and enhanced decision-making capabilities. Understanding these differences can help in aligning both the CIO's and the treasurer's strategies towards a common goal of implementing a TMS that is both technologically sound and financially beneficial. This alignment is crucial for the successful integration and utilization of a TMS within an organization.

PRIMARY FOCUS AND EXPERTISE

CIOs are primarily focused on the technology itself—its integration with existing systems, data security, scalability, and the overall IT infrastructure. Their expertise is in information technology, so they prioritize aspects that ensure the system is technically sound, secure, and compatible with the broader IT strategy. They search the simplest IT architecture possible and ideally to reduce number of solutions. The treasurers, on the other hand, are concerned with the financial functionalities of the TMS. Their focus is on how the system can enhance financial operations, improve liquidity management, risk management, and ensure compliance with financial regulations. Their expertise in financial operations drives them to prioritize tools that directly impact financial efficiency and accuracy.

STRATEGIC OBJECTIVES

CIOs often have a strategic objective to maintain a streamlined and efficient IT architecture that can support the organization's long-term technology needs. This might lead them to prefer solutions that are more integrated and scalable over those that provide specific functionalities desired by the treasury department. Treasurers are strategically focused on optimizing financial processes and outcomes. Their objective is to ensure the TMS provides specific features that support these goals, even if it means requesting technologies that are specialized and potentially challenging to integrate.

COMPLEXIFIED IT ENVIRONMENT IN TREASURY MAKES LIFE MORE DIFFICULT AND SALES OF PROJECTS HARDER

The treasury IT solutions environment has become extremely complex and a TMS is far from being able to do everything. When you 'sell' the purchase of a TMS, you must present the tool with its capabilities and the functionalities it does not cover. A TMS must be accompanied by accessories to enable full cash management. The treasurer is still the financier who uses the most IT solutions in the whole of finance. This simple fact makes the treasurer the CIO's most important customer. But the diversity of tools also complicates the life of the IT department. Often, the treasurer does not define his or her needs from the outset or leads the CFO to believe that a TMS is self-sufficient. But this is not the case. This erroneous initial assumption distorts the debate when other satellite solutions need to be added to complete the suite and enable full treasury and cash management. The divergence in views between CIOs and Treasurers can often be mitigated through clear communication, joint planning, and a shared understanding of both the technological and financial needs of the organization. Establishing a common framework for evaluating the benefits of a TMS from both IT and financial perspectives can help align their goals and ensure that the system meets the comprehensive needs of the organization.

François Masquelier,
Chair of ATEL –
Luxembourg May 2024

HERWIG TEMMERMAN, MAËL MURTA AND AURÉLIE SALES (BEARINGPOINT):

AI: REWRITING CUSTOMER INTERACTION RULES

Aurélie Sales and Maël Murta

In the dynamic world of customer service, generative AI leads a significant shift towards blending automated and human interactions for enhanced experiences. Herwig Temmerman, partner, Maël Murta, senior manager and Aurélie Sales, manager at BearingPoint share their vision of this new technological era.

Why is GenAI considered a revolutionary advancement in customer relationships?
Unlike conventional chatbots, GenAI transcends the limitations of scripted responses, dynamically adapting to a myriad of customer inquiries with unprecedented contextuality and precision. This adaptability is not confined to a single communication medium; it spans emails, voice calls, and instant messaging, facilitating seamless automated customer interactions. The revolution stems from two pivotal advancements. Firstly, a technological leap overcame the longstanding challenge of generating context-specific AI responses. Secondly a shift in accessibility occurred, making this sophisticated technology readily available for integration into existing systems. These developments empower customer services across industries to automate processes previously deemed unautomatable, marking a significant departure from traditional customer engagement methods.

How does GenAI enhance customer relations and what are the ROI benefits?
Generative AI (GenAI) is revolutionizing customer service, focusing on three key avenues: customer service automation, sales campaign enhancement, and administrative task simplification. In customer service, GenAI targets the automation of time-consuming interactions, such as responding to specific complaints or updating parcel tracking, to free up human operators for more complex tasks. For sales campaigns, it automates low-value tasks like cold prospecting calls and scheduling appointments, optimizing sales staff efficiency. In the realm of administrative tasks, GenAI streamlines processes requiring human oversight, such as filing insurance claims or assisting with regulatory compliance, making them more user-friendly and efficient. An example of its impact is BearingPoint's collaboration with a logistics leader, automating 30% of customer inquiries previously handled by humans, boosting productivity and customer satisfaction by improving issue resolution efficiency.

What steps should companies take to implement GenAI in their operations?
The key to success lies in experimentation. This transformation begins with identifying feasible use cases and areas for optimizing customer service, laying the groundwork for a confident journey through experimentation and scaling. Adapting the technology stack is critical, yet with rapid technological advancements, today's solutions may not suffice in the long term. Agility in selecting solutions with immediate business impact and short-term ROI is essential. Furthermore, addressing potential staff resistance is key; early engagement, training, and support mitigate fears, ensuring smooth project execution. This proactive change management cultivates an adaptable, resilient organizational culture, ready for impending changes.

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AUTOMATING THE CONVERSATION WITH CLIENTS FOR TIME-CONSUMING INTERACTIONS ENHANCES BOTH TEAM PRODUCTIVITY AND CUSTOMER SATISFACTION.
Herwig Temmerman

BALANCING INNOVATION WITH FUNDAMENTALS FOR LASTING VALUE

In the fast-paced world of finance and treasury management, the landscape is constantly evolving with new technologies and trends. As a treasurer, you're inundated with terminology and buzzwords, yet may find yourself unsure of how to effectively leverage these tools to drive value for your organization. If you've ever felt this way, rest assured, you're not alone.

"BUILDING A SOLID FOUNDATION IS KEY"

It's essential to acknowledge that building a solid foundation is key before diving headfirst into the latest innovations.
While AI, automation, and other advancements hold tremendous potential, they are most effective when built upon a bedrock of fundamental principles.
Far too often, treasurers become fixated on adopting the latest technologies without first understanding their business inside-out. This includes meticulously documenting operations, identifying inefficiencies, and implementing strategies for improvement.
Creative destruction, the process of eliminating outdated practices to make room for innovation, is a powerful tool in this regard. Consider the multitude of reports that consume valuable time and resources without clear utility—a prime target for streamlining efforts. I will always remember a great (and rather simple) advice from a former boss who I asked whether this and this report was really needed: "Stop doing it and see what happens. If nobody comes at you, it means nobody cares!" I followed his advice which saved 2 days of work every week for my team. Of course, I wouldn't apply it without thinking if I was you. Ask around you before stopping a reporting activity.

"WITHOUT A SOLID FRAMEWORK IN PLACE, EVEN THE MOST ADVANCED TOOLS MAY YIELD LIMITED RESULTS"

Prioritizing initiatives such as business continuity planning (BCP), staff education and training, and establishing clear roles and responsibilities within the treasury function are essential precursors to technological integration. Without a solid framework in place, even the most advanced tools may yield limited results.
Once these foundational elements are in place, treasurers can begin to optimize their existing processes using a combination of technology and strategic planning. Implementing workflow tools to manage end-user requests, developing key performance indicators (KPIs), and establishing your own BIC for enhanced banking relationships are all steps in the right direction.

"TREASURERS CAN UNLOCK SIGNIFICANT EFFICIENCIES AND COST SAVINGS"

A treasury management system (TMS) serves as the linchpin for many of these optimization efforts, providing greater visibility into cash positions, improving payment management, and facilitating intercompany transactions. By centralizing cash management and leveraging in-house banking capabilities, treasurers can unlock significant efficiencies and cost savings.
In the realm of foreign exchange (FX) management, transitioning from direct bank trading to an FX platform offers enhanced pricing, transparency, and security. These platforms seamlessly integrate with TMS systems, further streamlining FX transactions through automation and advanced reporting capabilities.

"TREASURERS CAN UNLOCK VALUABLE INSIGHTS"

As treasurers continue to modernize their operations, artificial intelligence (AI) and application programming interfaces (APIs) emerge as powerful tools for enhancing cash forecasting and integration with internal systems. Leveraging machine learning algorithms, treasurers can unlock valuable insights into cash flow patterns and optimize liquidity management strategies.
API integration extends the capabilities of TMS systems, enabling seamless communication with other critical systems such as data hubs and ERP platforms. By aligning treasury functions with broader data strategies and automating accounting entries, treasurers can drive operational efficiency and ensure compliance with financial reporting standards.
In essence, the journey toward financial transformation requires a strategic approach that balances innovation with foundational principles. By prioritizing operational excellence, leveraging technology strategically, and embracing continuous improvement, treasury professionals can navigate the evolving landscape with confidence and drive lasting value for their organizations.

To conclude, walk before you can run!


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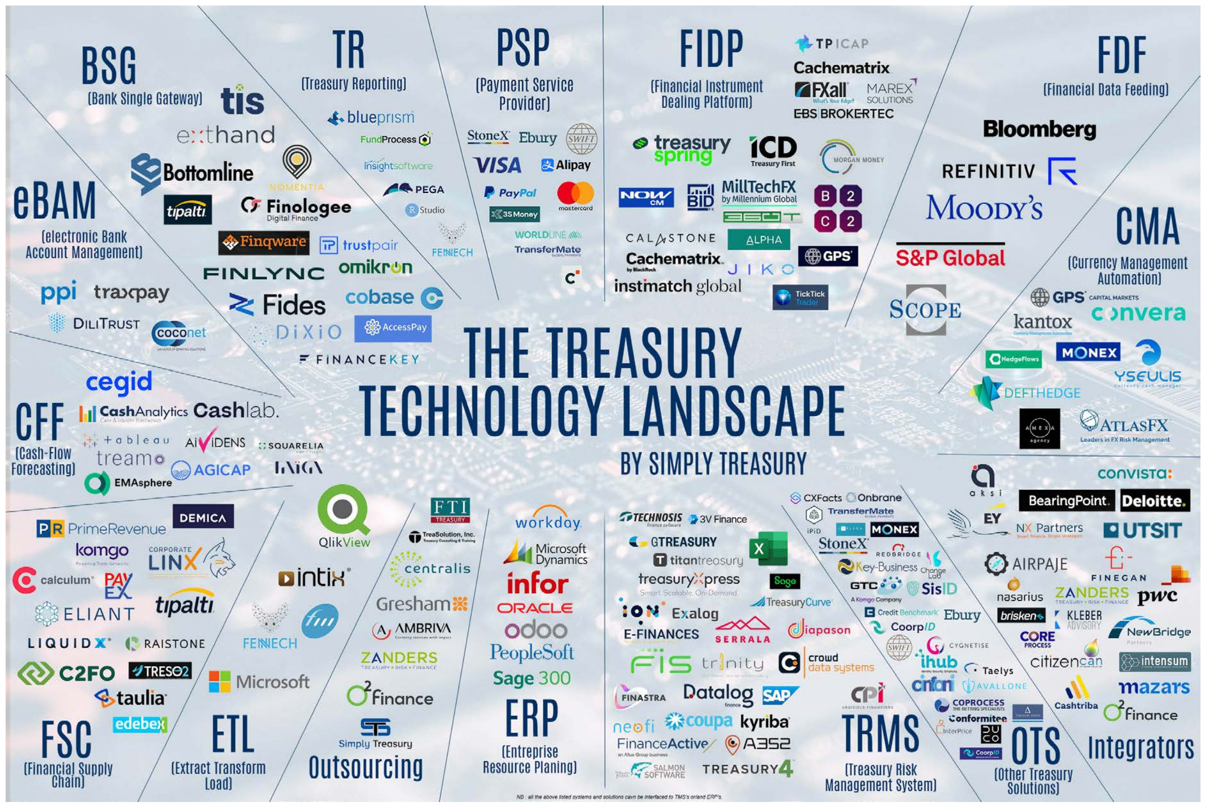
Benjamin Defays,
Senior Associate Vice President, Treasury / ATEL board member

TRENDS

TO FIND YOUR WAY, THERE'S NOTHING LIKE **A MAP OF THE REGIONS** YOU'VE VISITED...

"There is no favorable wind for those who do not know which port to enter".
(Seneca)



TECHNOLOGY HAS EVOLVED FASTER THAN THE TREASURY FUNCTION

Cash management technology has evolved considerably over the last few decades, and even more so since the advent of Fintech. In this jungle of solutions, with no categories, it is complicated to find one's way. That's why we needed a map categorizing tools and providers, listing all the most credible and solid providers, and making it easier for treasurers to select tools. I therefore decided to create a tool to facilitate this choice and this delicate process by creating the treasury map. This map and website will enable any treasurer (or others) to simplify the selection of IT solutions suited to their needs. Is it a path of crosses? Perhaps... so I intend to make it easier and help my peers. In the hope that this will help them along the way.

INNOVATION: CATEGORIZING TOOLS, A STEP FORWARD

The first difficulty was categorization. There were no categories. So, I created them. Then I had to identify and list all the main suppliers identified in each category. Finally, using a data sheet, we had to understand what each solution did and didn't do and, using keywords, select the tools that would meet our pre-determined needs to launch an RFP worthy of the name.

THE TREASURER'S PLANISPHERE: THE TREASURY MAP

As you can see, this is a sort of planisphere, on which you identify the continents (i.e. the categories), then explore the countries to visit (i.e. the suppliers in the category), and finally select the countries you want to visit. This makes the journey much simpler, and the map will help you find your way through this plethora of solutions. What's more, the technical data sheets give us a clearer, simpler, more coherent, and complete picture of the product to ensure that it meets our needs. It will also enable us to discover unsuspected solutions, because it's impossible for a treasurer to know everything and who to contact. But the tool is much more than that. It also compiles videos, articles, white papers, surveys, etc. on the subject at hand. The platform will be a sort of up-to-date directory of tools and everything that revolves around them. Everyone will be able to find the best references to help them in their complicated quest. Eventually, we'll be adding an RFP pre-population tool to pre-select and short-list the solutions invited to tender. I'll end with these words from Marcus Aurelius to ponder: "What gets in the way gets in the way" (Marcus Aurelius). (Marcus Aurelius).

François Masquelier,
Chair of ATEL –
Luxembourg June 2024

DISCLAIMER: This article was prepared by François Masquelier in his personal capacity. The opinion expressed in this article are the author's own and do not necessarily reflect the view of the European Association of Corporate Treasurers (i.e., EACT).

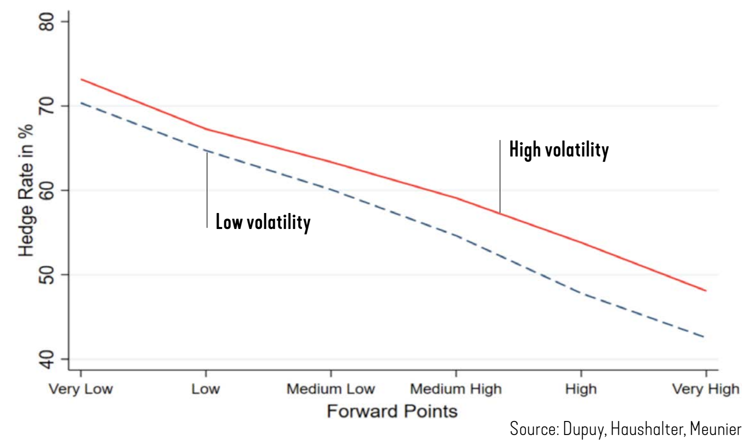
DYNAMIC CURRENCY HEDGING IS NO RISKIER

A team of researchers surveyed risk managers from large corporations about foreign exchange rate risk management. They highlight several factors justifying dynamic hedging. They also show that dynamic hedging is no riskier than systematic hedging. Interview with Philippe Dupuy, from Grenoble Ecole de Management, one of the authors[1].

You released a paper called "Risk managers on managing foreign exchange risk"[2]. Why this research topic? What are the aims of this academic work?
In financial risk management, academia relies on practitioners, who, in turn, may benefit from fundamental research, finding valuable benchmarks to enhance their processes. In our study, we surveyed 110 large companies, mostly French but also European, highly exposed to foreign currencies. We asked treasurers precise questions and observed their reactions as they hedged their foreign exchange risk, particularly using vanilla instruments on the euro-dollar exchange rate. This provided a detailed understanding of their hedging processes. This research sheds light on a lively debate among both academics and financial risk managers. It focuses on the merits and limitations of systematic management, where hedging is primarily based on preset levels, versus selective or dynamic management, which reacts to changes in market factors like implicit volatility or cost, measured here in forward points for instance. I'm going to kill the suspense straight away: the evaluation model that we have built after analysing the data tells us that the two strategies can coexist, depending on the company's objectives.

What do we learn about the sensitivity of treasurers to market conditions?
We looked at the evolution of the hedge ratio as a function of the level of implicit volatility at three months - taking 4.33%, the average level of volatility over thirty years, and then 7.5%, the level observed when there is tension on the markets. We can see that the sample of firms is roughly equally divided: 47% of treasurers do not change their hedge ratio, while 53% adopt dynamic management. The same approach was applied using the forward points as a parameter, which varies up to crisis levels in our study. Here, sensitivity is more widely shared, with 59% of treasurers changing their hedge ratio. We have measured the degree of sensitivity of these 59% of treasurers to changes in the cost of hedging: the hedging ratio falls from around 70% at the lowest cost to around 45% at a very high cost (graph), allowing treasurers who adopt a dynamic strategy to maintain a relatively stable ratio of hedging costs to risk. We also show that companies that adopt dynamic management do not have a higher level of risk, as measured by the beta of the firms' stocks relative to the market indices, than those that do not. This is an important lesson for practitioners and their advisers, as well as supervisory authorities and legislators, when dealing with the use of derivatives in the foreign exchange market.

HEDGING RATIO BASED ON FORWARD POINTS



Source: Dupuy, Haushalter, Meunier

VOLATILITÉ IMPLICITE EUR/USD À 1 AN

Source: Kepler Cheuvreux

Treasurers can make decisions based on market conditions, but also on their tolerance of gains and losses...
One of the aims of the study was to establish a satisfaction function for gains and losses on the unhedged part of firms' exposure. One of the contributions of the academic approach is to show that this function can be asymmetrical and non-linear. This has led to the identification of four types of company, the largest group being those whose maximum satisfaction is achieved when the risk is totally eliminated by a very high hedge ratio, even if this means paying a high hedging price if necessary. For the others, satisfaction is only negative in the event of a loss, and the hedge can therefore be lowered when the spot exchange rate of the currencies evolves favourably for the company.

Are the methods different when dealing with the currencies of developing countries?
Our model allows us to carry out the same analyses with emerging markets currencies, and in this case we have focused on the EUR/BRL cross. Our first and most general finding is that there is a difference in the way foreign exchange risk is managed, depending on whether we are dealing with G10 or non-G10 currencies. For example, for currencies such as the BRL, when volatility is low, the average hedging rate is 44.5%, significantly lower than the rate of almost 60% that prevails for the G10 currencies. In addition, just over a quarter of companies simply do not hedge the risk associated with the emerging markets currencies, whatever the market conditions. These companies, moreover, are adept of systematic management when dealing with G10 currencies.

1. This interview was first published in La lettre du Trésorier and performed by Arnaud Brunet from AFTE.
2. The other co-authors of this study are David Haushalter, of the Smeal College of Business, Pennsylvania (USA) and Luc Meunier, of the Essca School of Management (France). The paper is visible at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4613807

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Philippe Dupuy,
Professor Finance,
Grenoble Ecole de Management

PETRA BESSON FENCIKOVA (SGPWM): INVESTING FOR A BETTER FUTURE

Environmental, social, and governance (ESG) issues are increasingly important in the investment industry. Petra Besson Fencikova, Head of ESG Investments at Societe Generale Private Wealth Management (SGPWM), discusses the company's approach to ESG.

WE EMPOWER INVESTORS TO MAKE INFORMED DECISIONS THAT ALIGN WITH GLOBAL STEWARDSHIP.
Petra Besson Fencikova

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What are the challenges for ESG labels in today's financial landscape?
ESG labels are crucial for keeping faith in sustainable investment, serving as interim custodians of trust and integrity while regulators grapple with how to scrutinize the quality of funds. Several ESG labels have been created across Europe, weaving a distinct narrative that reflects the continent's rich cultural and regulatory diversity. The Luxembourgish LuxFLAG and French Label ISR are prominent examples, each with its unique approach to sustainable investment. The selection of an appropriate label hinges on the target distribution country for the funds. For example, LuxFLAG stands out for international entities, offering a comprehensive approach to ESG compliance and broad appeal to global investors. As sustainable finance regulations continue to evolve, each ESG label adds value to the framework.

How does SGPWM differentiate itself in terms of ESG criteria?
At Societe Generale Private Wealth Management, we believe that a strong ESG policy is synonymous with long-term sustainable financial performance. Extra-financial information gives us insights into companies' future competitiveness in a changing world. ESG is therefore integrated into our investment strategies whenever there's sufficient data. We can proudly say that our core strategies are classified at least Article 8 within the SFDR framework and labelled by LuxFlag and / or Label ISR or GreenFin Label. Our responsible investment approach is completed with engagement and transparency. We actively engage with our investee companies to enhance their ESG metrics while working on our own commitments, such as progressively aligning our portfolios with Net Zero. Labelling our strategies with LuxFlag or Label ISR adds transparency, integrity, and trust to our investments.

How might SGPWM's ESG positioning impact investor perception and long-term financial performance?
Reporting is essential to the customer's perception of the impact of investments. Our reports include our policy of normative and sectoral inclusion and exclusion, our voting and shareholder engagement policy and, of course, labelling. Since joining the UN Principles for Responsible Investment, the Net Zero Asset Manager Initiative, the Finance for Biodiversity Pledge, and the Fairr coalition, we've set goals for carbon neutrality, biodiversity, and a just transition to increase transparency. We monitor key performance indicators to assess the impact of our investments on these issues and integrate them into our ESG strategies. This robust ESG framework not only informs investor perception but also steers our long-term trajectory. By prioritizing transparency, accountability, and proactive engagement in sustainability, we empower investors to make informed decisions that align with their values and the broader objective of global stewardship.

Petra Besson Fencikova,
Head of ESG Investments at Societe Generale Private Wealth Management (SGPWM)

TRENDS

WENDY BROOKS (CONVERA):

FINDING REGULATORY REASSURANCE **FOR CUSTOMERS** IN LUXEMBOURG

Wendy Brooks, the Deputy Chief Compliance Officer, of Convera and Authorised Manager, Convera Europe S.A. explains the choice of Luxembourg as the location for its company's headquarters. Wendy Brooks reveals that the Duchy's reputation for conscientiously keeping abreast of constantly evolving regulation was a deciding factor. Strong compliance also offers Convera's clients' customers reassurance as they engage in complex international transactions.

What role does compliance play in Convera's business?
As a global money transfer business, Convera has 26,000 customers and last year had a turnover of more than $170 billion. The strength of our compliance program is critical for clients. We move their money around the world and offer hedging products as they seek to capture value by navigating the complexities of global commerce. In today's fast-changing world, it is critical to offer strong compliance to our clients. You wouldn't trust your company's money to an organization that was not committed to doing everything right. From a safeguarding perspective, CSSF checks on issues like Anti-Money Laundering and sanctions ensuring that we remain compliant. We know this attention to compliance is of comfort to our clients.

Why did you choose Luxembourg?
Adhering to the compliance regime is a major part of Convera's value proposition. The strength of the Duchy's regulatory infrastructure is key. A deciding factor in locating our headquarters in Luxembourg was the Duchy's reputation for conscientiously keeping abreast of the constantly evolving regulatory environment. We get regulations that protect customers and are in sync with our times like CSSF's introduction of a questionnaire that interrogates using AI. We wanted to be in an environment recognized for a strong regulator who understands international finance and encourages it. We have built an amazing team with a high diversity of languages, nationalities and areas of specialization. This diverse culture is highly beneficial.

What are your current goals?
Our business is aiming for significant growth: My role is to make sure that compliance is perfect. Just as an example, we want to keep up with the changes such as the implementation of the Digital Operational Resilience Act (DORA) in January next year. A colleague compared me and my associates from the "Gotomarket" team to the technical crew in a racing team car. Our clients are driving the build and we are here to monitor the integrity of the car and anticipate any potential issue before it impacts the performance of the team. Strong compliance has a widespread impact. I get invited to events by our banking and insurance partners in the US. The feedback when I present our compliance program is that our strong compliance culture provides reassurance to our clients' own customers.

Wendy Brooks,
Deputy Chief Compliance Officer, of Convera and Authorised Manager, Convera Europe S.A.

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MONEY MARKET FUNDS **HAVE FURTHER TO GO**

The recent turn in the communication of the European Central Bank (ECB) postponed the market's anticipations for rate cuts. But is it a turning point for money market strategies?

At the beginning of the year, market forecasts predicted five to six interest rate cuts of 25 basis points each. However, expectations have since been revised to three or four rate cuts, suggesting rates may stabilize near or slightly above 3% by year-end[1]. Based on recent economic data and insights from the European Central Bank, we anticipate three 25 basis point rate cuts starting in June[2], deviating from the market consensus. During rising interest rate periods, Money Market Funds (MMFs) favor shorter durations, which remains viable even in falling rate environments due to an inverted yield curve. Acquiring fixed-rate securities with maturities over three months tends to harm MMF performance in such conditions. The yield on one-year fixed-rate securities provided by financially robust issuers is roughly 3.70%—this is 20 basis points beneath the ongoing money market rates, with the Euro-Short-Term-Rate (ESTR) being close to 3.90%. In comparison, the yield from the equivalent security with a variable rate tied to the ESTR approaches 4.20%, representing a noteworthy differential in performance contribution[3].

Additionally, a rate environment characterized by uncertainty leads to volatility in the portfolio's net asset value, impacted by mark-to-market valuation. Holding a variable rate instrument acts as a safeguard against unpredictable market rate expectations. Therefore, the preference for a variable rate approach in a declining rate scenario offers dual advantages. This stance is strengthened by our belief that interest rates will remain slightly higher for a longer period than projected. This strategic outlook supports the expectation of sustained attractive performance for MMFs in the coming quarters.

MONEY MARKET FUNDS HAVE BENEFITED FROM SIGNIFICANT INFLOWS OVER THE PAST COUPLE OF YEARS, WHICH MONEY MARKET STRATEGY HAS BEEN THE MOST ATTRACTIVE TO INVESTORS?

Every strategy employed by Money Market Funds (MMFs), ranging from AAA-rated short-term to Standard MMFs, has experienced capital inflows[4]. A key element that investors have increasingly deemed essential is the ESG (Environmental, Social, and Governance) factor. The investor appetite for liquidity funds that incorporate ESG criteria into their investment strategies has been significant, leading numerous funds to earn certifications such as Socially Responsible Investing (SRI) and Towards Sustainability. These certifications enhance the requirements for selecting sectors and issuers based on non-financial merits. At BNP Paribas Asset Management, all of our open-ended MMFs comply with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR). Moreover, two have attained the SRI and Towards Sustainability certifications. These particular funds have been among the most successful in attracting capital inflows over the last four years.

DO YOU BELIEVE THAT MMFS WILL EXPERIENCE REDEMPTIONS WHEN THE RATES FALL?

Corporate dividend distributions, which occur seasonally and account for a substantial proportion of Money Market Funds (MMFs) shareholders, may lead to expected withdrawals in the upcoming quarter. However, as long as the yield curve stays inverted, substantial outflows from MMFs are unlikely. Investors in pursuit of yield who might consider shifting to other asset classes for medium to long-term investments will probably await the actualization of multiple rate decreases. Furthermore, a significant portion of MMF liabilities are attributable to corporations with constraints on their cash and cash equivalents investment options. Thus, we anticipate that any redemption activity will not be substantial. Interest rates are projected to remain elevated in the ensuing years[5]. Under such conditions, MMFs are likely to continue being a favoured investment choice for many investors who have dealt with negative interest rates in the past.

1. Bloomberg, 2024
2. BNPP AM Money Market team, 2024
3. BNPP AM Dealing desk on a selection of A-1 (S&P) EUR-denominated issuances, 2024
4. Morningstar, 2024
5. Bloomberg, 2024

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Thibault Malin,
BNP Paribas Asset Management
Investment Specialist

THE OVERLOOKED ASSET OF COMPANIES: THE BENEFITS OF LIFE INSURANCE CONTRACTS FOR LEGAL ENTITIES UNDER LUXEMBOURG LAW

Why is life insurance often deemed an overlooked asset for companies?
Our life insurance offerings for legal entities are designed specifically for fully taxable companies adhering to Luxembourg's accounting standards. Despite offering significant advantages in terms of flexibility, protection, and asset management, these instruments are seldom considered within the broader investment strategies of companies. These unit-linked contracts are treated as fixed assets, valued at acquisition cost, and exhibit seamless integration between their accounting and tax treatment. Additionally, the security triangle mechanism in Luxembourg, unparalleled in Europe, ensures robust security and guarantees recovery in the event of default. When combined with a death cover, these contracts effectively function like "key person" insurance.

What are the principal accounting and tax benefits of these contracts?
Unit-linked life insurance policies offer a streamlined accounting practice through a single entry on the balance sheet, simplifying financial reporting and providing tax benefits. Unrealized capital gains are not taxable at the policyholder's level, while unrealized capital losses, recognized each accounting period, remain tax-deductible. Tax advantages extend to redemption as well. Losses incurred are deductible, potentially reducing overall taxable income, and recognized income is subject to the aggregate tax rate but can be offset with tax loss carryforwards. These policies may qualify for a capital gains tax deferral if proceeds from a sale are reinvested, offering strategic tax planning benefits. Moreover, due to their favorable impact on wealth tax, these policies enhance long-term profitability and are advantageous for wealth management. These features make unit-linked life insurance policies an effective tool for financial and tax management, promoting long-term financial growth.

Is a life insurance policy truly a cure-all solution?
While no product is perfect, this one boasts a suite of benefits that are often overlooked:

- Diverse Investment Opportunities: It offers a broad investment universe, meeting the needs of even the most demanding investors.
- Flexibility: The product provides high flexibility, accommodating various support structures, management styles, and custodian banks, including those outside the European Economic Area (EEA).
- Enhanced Security: It is regulated under the strict supervision of the Commissariat aux Assurances, which includes a tripartite agreement and quarterly inspections of the representative asset register.
- Preferential Creditor Status: Policyholders are granted the status of first-ranking preferred creditors of the insurance company concerning the assets representing the technical provisions.

This product is not a cure-all, but it is a solution that merits serious consideration for its comprehensive advantages.

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Rozenn Le Bec,
Head of Sales and Distribution France & Monaco, Allianz Life Luxembourg

Sylvie Bertholet,
Wealth Planning Manager, Allianz Life Luxembourg

MANAGEMENT OF FREE CASH FLOW AND NET DEBT: WHAT ARE THE PRACTICAL SOLUTIONS **TO OPTIMIZE** FINANCIAL PERFORMANCE?

In an unprecedented economic and geopolitical context, finance departments need to remain agile to optimize their financial performance and net debt landing at the end of the financial year. What levers are available to help them do this? What processes and tools can they implement to activate these levers effectively?

THE IMPACT OF THE MACROECONOMIC ENVIRONMENT ON LIQUIDITY MANAGEMENT

The management of Free Cash Flow (FCF) and Net Debt is a crucial issue for companies faced with inflation, rising interest rates and difficulties in accessing new financing. Similarly, issues in supply chain, tighter financing conditions and rising interest rates have disrupted the stability of these indicators, making it more complex for treasurers to manage and make decisions.

In an uncertain context, many companies found it difficult to secure their supplies. Some have opted to increase their inventory of raw materials, for example, before experiencing a sharp upturn in their business. This sudden change in operations had a brutal impact on their Working Capital Requirement (WCR), resulting in the disruption of the normative reading of cash landings and of the construction of cash flow forecasts, sometimes going so far as to blur the reading of their FCF.

Net debt to EBITDA and FCF ratios are key indicators for communicating with shareholders and lenders about the company's financial health. Companies need to keep a close eye on these indicators to reassure their stakeholders about their financial performance. Certain tools therefore enable the treasurer to act directly on WCR, a key component of liquidity.

FINANCIAL MANAGEMENT: WHAT LEVERS ARE AVAILABLE?

In practice, there are two main types of levers that can be used to optimize WCR:

- **Structural levers:** They aim at optimizing WCR by improving processes and organization. These may involve improving cash culture, optimizing stocks, O2C or P2P. These levers take longer to put in place, but they enable in-depth work to be done to control the impact of WCR over the long term, and so strengthen the resilience of the organization.
- **Cyclical levers:** They enable to react quickly to one-off variations in WCR. They consist of targeted, one-off actions, such as the sale of receivables with off-balance sheet treatment, cash marathons, negotiation of advance payments, participation in reverse factoring programs offered by certain customers, etc. While the use of short-term levers can be effective in the short term, they can also prove addictive.

Companies therefore need to strike a balance between these two types of levers and anticipate their implementation. It is advisable to favor structural levers, which are more virtuous in the long term for the organization, and to reserve the use of cyclical levers for adjustments during periods of turbulence affecting liquidity, particularly at accounting closing date.

The finance department shall also be able to manage both FCF and the resulting net debt. This requires a medium to long-term view of the cash flow forecast obtained through an accounting approach EBITDA to Cash. It shall also work in parallel with the short-term vision, using so-called direct forecasts based on an analysis of cash receipts and disbursements over a short timeframe, generally monthly.

Finally, it is worth remembering that the best forecast is one that is regularly confronted with actual realization. Regular reconciliation of forecasts and actuals helps to instill a learning mechanism throughout the organization, and so establishes reflexes over time.

AI AND FINANCIAL MANAGEMENT TOOLS ARE BECOMING ESSENTIAL

Finally, in the current context, management tools play a crucial role in supporting finance departments, both in terms of day-to-day cash management and short-term cash management. The pace at which treasurers must analyze and make decisions has increased considerably. They must therefore be able to rely on tools and data that enable them to assess the company's situation in real time, so that they can take corrective actions in a timely manner.

Financial management tools can help the treasurer to project the company's liquidity position over the medium to long term and take any corrective actions required. Artificial intelligence (AI), in the case of cash management forecasting, can be a real support. Using Big Data and qualified forecast gaps, it enables the treasurer to model and anticipate the company's behavior and can also help to identify suspicious payments and prevent fraud.

Managing liquidity is therefore a complex issue that requires a collaborative approach, covering transactional, organizational, accounting and financial communication aspects. When structuring a working capital financing solution, it is crucial to involve the auditors as early as possible, as well as the rating agencies, if applicable, so that any adjustments to their analysis can be discussed constructively with them and communicated to lenders and investors.

Yann Guyomar,
Forvis Mazars – Debt & Treasury Advisory

Louis Rousseau,
Forvis Mazars – Debt & Treasury Advisory

TRENDS

30 YEARS OF UNINTERRUPTED TREASURY DEVELOPMENT: THE LUXEMBOURG ASSOCIATION HAS EVOLVED **IN PARALLEL WITH** THE SPEED OF CHANGE IN THE FUNCTION

ATEL 2024 AT A GLANCE

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- 620 SPEAKERS
- 350 MEMBERS
- 30 YEARS
- 202 EVENTS
- 9.000 PARTICIPANTS
- 72 TRAINING
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ATEL
Luxembourg Association of Corporate Treasurers

ATEL is celebrating its 30th anniversary and, like corporate treasury, it has evolved considerably. The treasury function has evolved considerably for a number of reasons: (1) financial crises have given rise to (2) numerous new and restrictive financial regulations, in parallel (3) with technological and IT developments, (4) in a context of globalization and standardization, such as EUR or ISO standards. Regulatory, legal, technological and tax aspects, as well as economic crises, have all contributed in their own way to the phenomenal development of corporate treasury. The need for efficiency and rationalization, combined with the reasons mentioned above, have forced treasurers to rethink their function, which is the one that has evolved the most within the finance function.

Never has a function evolved so strongly and so quickly. Paradoxically, technology has evolved faster than the function itself. It has anticipated needs and will enable the function to evolve even further in the coming decades. Along with the metaverse, AI is undoubtedly the next technology to revolutionize the function. We have gone from a world of treasury departments using XL to a world of hyper-automation, for the most advanced treasury departments. We have gone from a decentralized, fragmented and relatively inefficient world to a centralized world, with in-house banks, follow-the-sun multi-currency cross-border cash-pooling, and an ever-wider range of activities (e.g. procurement, financial supply chain, pension fund, reinsurance, e-payments, etc.).

We have gone from basic treasury management systems (installed on site) on AS400, for example, in two colors (orange on a black background without any chart) to software accessible 'in-the-cloud', which is easier to implement and generic. While it's true that our profession has evolved, we must accept what comes with it: e.g. new financial regulations, new accounting standards, new technologies, etc... Today, we have "co-pilots" or virtual assistants in the treasury, who enable us to be more efficient, more effective and more focused on higher added-value tasks. We even dream (I am joking) of a day when we will ask drinking our coffee at the office: "Joule, Alexia, Co-pilot or what so-ever, please execute the daily cash management tasks and produce my daily reports, please!". It is not for tomorrow, but it is coming soon. One day, as in "Minority report", a treasury will move funds by moving hands on screen to sweep accounts and produce reports. Treasury fiction? I don't think so. The timing is unknown, but the outcome is clearly known.

These changes have forced treasurers to evolve, to learn and to become more efficient and effective, at lower cost. But it's safe to assume that treasury will continue to evolve at breakneck speed over the coming decades. The challenge will be to be able to adapt constantly. Intellectual agility and broader, more diversified skills will be the challenges of the next 10 years. It is up to treasurers to adapt to these changes and challenges.

François Masquelier,
Chair of ATEL –
Luxembourg August 2024

DIGITALIZATION

EMPOWERING **CORPORATE TREASURERS** THROUGH TRADE FINANCE AUTOMATION

What are the key challenges businesses face today with regards to trade and supply chain finance?
Global trade is the lifeblood of the modern economy, yet executing a trade transaction has remained complex and cumbersome, relying on the exchange of multiple paper documents between multiple parties. This manual process creates an inefficient, error-prone and risky business, leading to unnecessary delays and cost which can significantly impact the supply chain. A decentralized trade finance process across multiple banking partners also gives rise to challenges around lack of visibility and control of credit lines and liquidity, which again can be risky.

Why should businesses digitize their trade finance process now?
According to the ICC UK, the average UK trade transaction takes 2-3 months which is simply too long. But now, with industry bodies such as the ICC lobbying intensively, legislative support in the form the UK Electronic Trade Documents Act (ETDA) and Model Law on Electronic Transferable Records (MLETR), and the presence of innovative technologies like ours, there is no good reason why corporates should still be suffering these trade-based delays and risk to their business.

How does Surecomp contribute to the automation of trade finance, and what specific digital solutions has the company developed to streamline trade finance operations?
Surecomp is on a mission to enable seamless, sustainable trade for companies of every size, not just the large MNCs, but the SMEs who often face challenges around securing financial support. We have been a dedicated trade finance solution provider for nearly forty years, and through working with hundreds of banks and corporates across the globe, we understand that the key to achieving this goal is through removing barriers and fostering collaboration. Our RIVO™ platform has been designed to do just that; it is a centralized digital hub through which companies and their banking partners can communication in real-time to execute a trade finance transaction in the most efficient, collaborative way.

Can you share examples of successful collaborations between Surecomp and companies in Europe?
One large multinational based in the Nordics needed support to gain better global control and visibility of their bank guarantees and credit facilities across fifty countries. Using RIVO™ they now have a centralized, structured process in place with clear workflows, standardized data reliability and real-time, secure accessibility across multiple regions. As a result they have improved productivity in a number of European countries and by empowering them to streamline their operations, they can focus on growth and efficiency. RIVO™ is their single and global platform for all guarantee tracking and related activity, with real-time bank connectivity and full visibility of credit lines and utilization.

Another company experienced a lack of global visibility and typical time lag of three weeks to be issued a guarantee. With several hundred million euros worth of credit with seven banks - each one requiring its own guarantee application process - a small treasury team of six, and an extensive global network of over one hundred suppliers and buyers of varying size, they recognized the decentralized process needed to change. They sought to create a frictionless, collaborative guarantee process that is easy and transparent for everyone to use. As well as digital bank communication and document exchange, RIVO™ is also providing integration to their treasury management system (TMS), central approval management and amendment, real-time notifications, credit limit and fee management. It will also in the future incorporate guarantee bidding, allowing them to view price comparisons and choose the best price from their banking partners.

How does Surecomp ensure that its solutions align with the ever-evolving trade finance landscape?
As an established, award-winning solution provider, Surecomp is recognized for its depth of both domain and technical expertise. Through our open and collaborative approach, we work closely with industry bodies, regulators and other trade techs in the market to ensure we are aligned with industry requirements and standards. Our customers though are really the driving force and we make it a core component of our research and development to consult with them regularly on their key challenges and needs. It is through understanding their business, that we can ensure we are delivering the best possible solutions to address the challenges of companies large and small, and why RIVO™ is a SaaS solution for fast onboarding and cost efficiency, making it equally accessible to smaller companies and easy to scale-up over time as transaction volumes grow.

What key takeaway or advice would you offer to both large and mid-sized corporates seeking to embark on or enhance their digital trade finance journey?
There are more and more companies out there leveraging technology to end the pains of the paper trail and restore their trust in trade. So, I would make two suggestions; consult with your peers and your banking partners - speak to counterparts to understand the value first-hand and hear what approach the took. Secondly, just try it. The framework is in place, the regulatory support, the technology, the banks, you just need to select a couple of friendly trading partners and ask them to test exchanging trade documents digitally and see what happens. You might just find a faster, simpler, more sustainable process that leads to better trade relations and growth.


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Enno-Burghard Weitzel,
Chief Solutions Officer, Surecomp

EMBEDDED **TREASURY** CONCEPT

Is the "embedded treasury" a new concept? What if treasury could be integrated into operational processes in the same way as accounting and financial processes? The advent of APIs and the possibilities of hyper-automation are finally giving us hope of better integrating treasury with operations and automating from A to Z, while adding a dose of execution and machine decision-making. The future is bright for innovative and determined treasurers. Here are a few examples to give you a better idea of what this can mean in practice and what is in the pipeline. The ultimate objective of any group treasurer is to enhance treasury processes, to create more value by being closer to operations and to deliver in real-time pieces of information useable by C-level and recommendations, or execution according to pre-defined polices.

DEFINITION: WHAT DO WE MEAN BY "EMBEDDED TREASURY"?

The concept of "embedded treasury" should be defined to make sure it is understood by all. If we want to best define embedded treasury, we could say that embedded treasury refers to the integration of financial tools and services directly into a business's existing systems and processes. We should never forget that Central Treasury is a service center and should eventually help the business, as a support, a help, an accessory to protect or enhance operating margins.

It allows companies to seamlessly manage financial operations within their operational workflows, fostering a more resilient financial infrastructure. APIs (Application Programming Interfaces) play a crucial role in enabling this integration, acting as a bridge between businesses and financial institutions. By leveraging embedded treasury, organizations can enhance real-time financial monitoring, liquidity management, and risk mitigation while ensuring compliance and security.

What are the main applications of embedded treasury?

I personally believe that "embedded treasury" has or can have several applications across different financial domains. To understand better what is behind this concept, your readers should see couple of key areas where it is utilized today, and potentially tomorrow. It is important to specify that it also applies to Financial Institutions too. For example, in Business Loans, embedded treasury solutions can facilitate lending processes, making it easier for businesses to access loans. In Cards and Virtual Accounts, corporates can use embedded finance to issue cards (such as corporate credit cards) and manage virtual accounts efficiently. In Wealth Management, embedded treasury enables real-time monitoring of risk factors, including market, credit, and operational risks. Companies can set up automated alerts for certain risk thresholds, allowing immediate action to mitigate potential threats. In Insurance, some instances of embedded financial services include insurance products, such as car rental insurance or travel insurance. In Cross-Border Payments, embedded treasury solutions can streamline cross-border payment processes, enhancing efficiency and reducing costs. However, the best business case in the "real economy" is the Currency Management Automation (CMA). With Foreign Exchange (FX), the companies can leverage embedded finance for FX transactions, managing currency exposure effectively, at the source of the underlying exposure. These applications demonstrate how embedded treasury can enhance financial operations and provide value to businesses and consumers/clients alike. For FX, the most important element is to identify as soon as possible (as time is crucial in FX) the underlying exposure by being connected to ad hoc tools to manage those risks and to be immediately in real-time reported to treasury. This pre-trade phase is crucial and if well integrated and reported to treasury enables the (best) execution via platform (automated 24/7) and then the post-trade phase, including accounting treatments, revaluations, settlements until maturity. If you offer your customers to pay in their local currency and to pay suppliers in their own currency, you will help and support the businesses. And it is only conceivable when FX treasury is fully centrally managed and fully automated. That is in my opinion the best example. The next one is the reconciliations (i.e. accounting and treasury) which can also be fully automated based on MX messaging for bank statements and systems feed by automated postings. This drives towards what I like to describe as "hyper-automation". We could also find other examples in Cash-Flow Forecasting (including in foreign currencies) and working capital optimization, which are both transversal and vertical projects involving affiliates and the operating businesses. By simplifying and helping the business, the treasury can generate more value and reposition itself up.

What specific challenges do corporates face when integrating treasury management tools and services into existing systems and processes?

Integrating treasury management tools and services into existing systems can be complex, for various reasons (e.g. systems legacy, obsolescence of IT systems, absence of standardization, multiple formats, multi-sources and multiples data lakes, "autist" systems, need for import-export of data to re-crunch, etc…). The fact everything is today in the cloud and SaaS help in data engineering and for AI. Nevertheless, systems are more "prêt-à-porter" types and therefore less flexible, less agile and thus less adaptable. Here again best is to list examples and their key challenges. The compatibility with existing systems: we should ensure that the Treasury Management System (TMS) works seamlessly with existing financial software can be a hurdle. Solutions involve thorough testing and customization to align with the organization's unique requirements. For data migration and integration (vital for AI), moving financial data from legacy systems to the new TMS can be daunting. Accurate data migration is crucial for continuity and informed decision-making. The employee training and adaptation require employees need to learn how to use the new system effectively. Proper training and change management are essential to minimize disruptions during the transition. The systems complexity is a real challenge. Existing treasury management systems may have limitations that hinder financial operations. Simplifying and streamlining processes can enhance productivity and agility. Treasurers must remember that addressing these challenges requires a strategic approach and collaboration across departments and subsidiaries.

How does embedded treasury change the role or responsibilities of the corporate treasurer?

The adoption of embedded treasury significantly impacts the role and responsibilities of corporate treasurers. The treasury center is usually a "service center" to the subsidiaries. Frequently this service center role is neglected or underdeveloped and embedded treasury can be the solution. Treasury should bring them value, more than in simply financing them. CFOs expect from treasury to deliver real-time summary of financial situations, analyzed, including recommendations and options. But for that they need a strategic decision-making tool, often the "missing piece" and clearly more automation of processes. Corporate treasurers should shift from transactional tasks (such as cash management and payments) to more strategic functions. They should spend more time analyzing data, assessing risks, and making informed decisions to optimize financial operations. For the technology proficiency, the treasurers need to understand and leverage digital tools, APIs, and cloud-based solutions. They can collaborate with IT teams to integrate embedded finance systems seamlessly. The way to achieve it can pass via a collaboration or co-creation with FinTech's and/or banks. The treasurers can work closely with fintech partners to implement embedded treasury solutions. This involves evaluating providers, negotiating contracts, and ensuring compliance. In terms of risk management, the treasurers play a critical role in managing (all) financial risks. They monitor liquidity, interest rate exposure, commodities, counterparty risk, and currency fluctuations, using real-time data for proactive risk mitigation. The relationship management implies treasurers engage with banks, payment processors, and other stakeholders. Building strong relationships ensures smooth execution of financial transactions. And for data analytics, treasurers analyze data from various sources (including embedded systems) to optimize working capital, reduce costs, and enhance financial performance. To make it short, I guess embedded treasury may transform treasurers into strategic partners (of the businesses and affiliates). It can drive financial innovation and efficiency within organizations. In the ever-evolving landscape of financial operations, businesses continuously seek innovative ways to enhance efficiency, minimize risk, and streamline processes. We see huge head-rooms for internal controls enhancement in treasury organizations, in general. One transformative approach that is emerging is this concept of "Embedded Treasury Management" (ETM), a concept that seamlessly integrates (and will integrate further) financial functions directly into business systems. Great hopes can be expected for treasurers!

François Masquelier,
CEO of Simply Treasury – Luxembourg June 2024

TRENDS

A HIGHLY LIQUID APPROACH TO CASH AND LONG-TERM TREASURY MANAGEMENT

Left to right: M. Majerus, Sales Manager - M. Pacot, Head of Money Markets & Euro rates - E. Dendauw, CEO AXA IM Benelux.

An interview with Mikaël Pacot, Head of Money Markets & Euro rates at AXA IM.

Short term interest rates topped in 2023 to their highest level since 2008, creating a supportive environment for Money Market Funds (MMFs), which experienced strong inflows. What can we expect for the remaining months of this year?
It is true that after more than 10 years of adverse market conditions due to low or negative interest rates, we are back to a much more supportive environment for short term investments. With an absolute level of yields very attractive on an historical basis (currently at 3.75%) the momentum has been very positive, with significant inflows into the money market asset class. As inflation is expected to progressively converge toward the 2% target in 2025, the ECB has started to cut its policy rates early June, taking the deposit rate to 3.75%. Still, if we listen to what the ECB is saying, it remains highly data dependant as wage growth is still strong and service inflation is robust. The cutting cycle should be slow. We expect two more cuts this year and two or three in 2025. This means that the deposit rate should be at about 3.25% at the end of the year and at or above 2.50% in 2025.

Why could now be the time for corporate treasurers to start investing in MMFs?
Market wise and despite an ECB turning more dovish, we still think that it is a good time to consider investing in MMFs as investors will continue to benefit from attractive absolute levels of yields and from an inverted yield curve that makes the remuneration of the short end of the curve quite appealing versus longer maturities while maintaining a low-risk profile thanks to the stability and security associated with this asset class.
MMFs are mutual funds investing in short-term, high-quality debt instruments, such as government securities, commercial papers, short term bonds, reverse repurchase agreements or overnight deposits, aiming to preserve the capital invested and designed to provide investors with a low-risk investment. European MMFs have specific rules governing the quality, maturity, and diversity of their investments to ensure stability and safety for investors.
MMFs offer returns in line with money market rates with a potential for higher yields compared to traditional savings accounts.
Additionally, MMFs are an easy-to-invest-in and liquid asset class. Their liquidity with the possibility of a rapid conversion of shares into cash, allows European treasurers to easily access and withdraw their money at any time with just a few limitations, facilitating cash flow management and making them well-suited for investors with short-term financial goals or emergency savings needs.

How would you describe your investment process in general and the steps taken to mitigate risk?
Our investment process is underpinned by a transparent framework that follows a prudent approach and adheres to strict internal guidelines aimed at safeguarding liquidity thresholds. Through active portfolio management, we can proactively respond to market movements. Furthermore, our commitment to ESG considerations is evident in all our funds, aligning with the SFDR Article 8[1] regulation and holding the French ISR Label[2], reflecting our high level of ESG integration and enabling treasurers to invest in alignment with their organizations' values and sustainability goals.
Diversification is crucial in mitigating credit risk in MMFs. MMF managers seek to reduce the impact of potential credit events associated with any single issuer by spreading investments on different levels, including instruments, issuers, industry sectors, countries, and maturities. One of AXA IM's flagship funds, AXA IM Euro Liquidity SRI[3], for example, is invested in over 50 issuers spread over 15 different countries and representing 12 different sectors. The portfolio with a total AUM of over €10 bn3, has more than 150 positions with maturities ranging from 1 day to maximum 2 years. Furthermore, a prudent internal credit quality assessment procedure has been put in place. Our Fundamental Credit Research Analysts, specialized by sector, carefully review the credit quality of the issuers in which we intend to invest. Our MMFs are subject to strict internal rules that limit, among other things, the exposure to any individual issuer. Risk management is an integral part of our investment philosophy and is fully embedded in our operational and investment processes.

MORE INFORMATION
For any question, please reach out to your usual AXA IM contact or mail to BRUDistribution@axa-im.com.

DISCLAIMER: Marketing Communication. For professional investors only. Investing involves risks, including loss of capital. While MMFs are seen as low risk investment and are often associated with the goal of capital preservation, it's important to note that there is no guarantee or promise of capital preservation. Please refer to the funds' prospectus for detailed risk information.
1. The classification under SFDR may be subject to adjustments and amendments, since SFDR has come into force recently only and certain aspects of SFDR may be subject to new and/or different interpretations than those existing at the date of this article. As part of the ongoing assessment and current process of classifying its financial products under SFDR, AXA IM reserves the right, in accordance with and within the limits of applicable regulations and of the Funds' legal documentation, to amend the classification of the Funds from time to time to reflect changes in market practice, its own interpretations, SFDR-related laws or regulations or currently-applicable delegated regulations, communications from national or European authorities or court decisions clarifying SFDR interpretations. Investors are reminded that they should not base their investment decisions on the information presented under SFDR only.
2. The ISR label was created in 2016 by the French Ministry of Economy and Finance. Its aim is to enable investors, as well as professional investors, to distinguish between investment funds implementing a robust Socially Responsible Investment (SRI) methodology, leading to measurable and concrete results. The Socially Responsible Investment is an approach aimed at applying the principles of sustainable development to investment. These funds targets companies that distinguish themselves by taking better account of environmental, social and governance issues. To qualify for certification, funds must set ESG objectives, implement a methodology and sufficient means of analysis and report on the achievement of their objectives, in particular by calculating measurable indicators. For further information please refers to www.lelabelisr.fr.
3. Source AXA IM as of 09/08/2024. AXA IM Euro Liquidity SRI is a mutual fund governed by French law approved by the Autorité des Marchés Financiers (AMF) on 07/09/2001 and complies with European standards within the meaning of European Directive 2009/65/EC.

TRENDS

ISABEL FRITS AND ANDREW BESTER (ING WHOLESALE BANKING):

FINANCING A WHOLE NEW WORLD

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Isabel Frits and Andrew Bester

ING announced in May that it will no longer offer Mass Retail Banking services for private individuals in Luxembourg and put increased focus on Wholesale Banking and Private Banking. Prior to this announcement, Any/Duke met Isabel Frits, head of ING Wholesale Banking Luxembourg and Andrew Bester, member of ING's Management Board Banking and Global head of Wholesale Banking.

Which clients are you serving in the wholesale division?

Andrew Bester: At the group level, we focus on the largest companies and funds in the world, across our network covering 40 countries. Our mission is to help them reach their goals throughout their respective activities. For CFOs, this means serving all their treasury needs, from payments to cash management, hedging risks, foreign exchange, and lending. On the funds side, we cover the whole value chain, from creation to liquidation, including payments & cash management, depositary, custody, hedging risks, and prefunding capital calls through structured loans.

Isabel Frits: When you specifically look at Luxembourg, our core business is clearly investments funds, and we also serve corporations, other banks and insurance companies. We have fewer big corporations here than in other jurisdictions but there are nice gems in Luxembourg as well. When they are headquartered here, the relationship is steered globally from Luxembourg. And if their headquarters are located elsewhere, Luxembourg serves the local needs of our customers while leveraging our global ING banking network. In both cases, our Luxembourg clients benefit from a single point of contact, and they can leverage our deep global expertise in many sectors. One of those is funds management, for which Luxembourg is ING's global center of expertise.

How do you help your clients reach their goals?

Andrew Bester: In today's world, it is critical for our clients to rely on a robust and high-performing bank like ING. It gives them peace of mind as they can count on us to help them deal with the ever-growing complexity of our world. I have in mind four main challenges: risks – including inflation, geopolitical changes, FX -, regulation, digitization and sustainability. Let me give you an example of risk, from help we've given to our clients in the shipping business in the past month. As a result of water shortage in the Panama Canal, many ships needed to be rerouted. Our clients' CFOs had to reassess the routes of their container ships, mitigate inflation and to reevaluate the hedging of their risks, especially regarding commodities and foreign exchange rates. Sometimes we provided temporary liquidity lines or guarantees that they needed to operate. On the regulatory side, our role is to help our clients always remain compliant. We believe that a well-guided approach creates a safer environment and new opportunities.

LUXEMBOURG IS ING'S GLOBAL CENTER OF EXPERTISE FOR FUND MANAGEMENT.

Isabel Frits: On the sustainability side, ING has a strong advantage, being recognized as a sustainability pioneer. In 2017, we were the first bank to issue a sustainability linked loan to a Dutch corporation. This loan helps our clients in their sustainable transition as it takes time to achieve net zero. As a bank, we play our role in this important process by setting specific KPIs – like for instance less CO2, more diversity – which unlock lower interest rates when they are reached. We have also expanded these mechanisms into bonds.

THE KEY TO SUCCESS TODAY LIES IN OUR ABILITY TO UNDERSTAND THE COMPLEXITY OF OUR CLIENTS' NEEDS.

What risks and opportunities do you see right now?

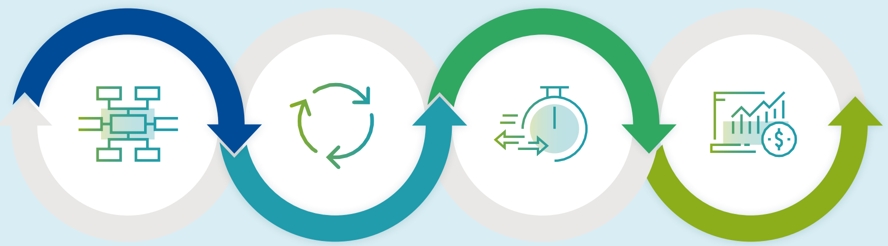
Andrew Bester: I feel that the situation is quite balanced. Recent growth in the Eurozone and US was stronger than expected and everyone start recognizing change for what it is: preparation for a future full of opportunities. In today's world, companies of all kinds need to have a very clear business model. And while climate change is the biggest challenge society is facing, solving the problem brings huge opportunities with it as well. According to the International Energy Agency, the transition to net zero emissions by 2050 will require $5 trillion in annual bank financing by 2030 globally. So we're increasing the number of sustainable deals every year, contributing to our corporate clients' sustainable transition.

Isabel Frits: Our "orange" culture is very unique and efficient in this context. It is highly entrepreneurial, with a very strong focus on helping our clients. Our Luxembourg office has identified many opportunities. Let me give you an example: 19.7% of funds in Luxembourg have U.S initiators. This is a massive market, in line with 20% of business coming from the U.S in our global wholesale banking segment. We are meeting a lot of potential clients, listening very carefully, so that we can offer tailor-made solutions that will help them succeed. To me, the key to success today lies in our ability to understand the complexity of our clients' needs.

4 Key Areas_

for Treasury to Focus on to Boost Their Global Operations

Modern treasury teams play a vital role in controlling the various operational, financial, and technological costs that impact their companies. However, because most treasury teams have a relatively small headcount and are tasked with an ever-growing list of responsibilities, it is critical that practitioners maximize their available resources and focus on projects that will have largest impact on their company. This is especially true in today's volatile economic environment, where cutting costs and maximizing revenue is more important than ever.



1 RATIONALIZE — Your Bank Partner & Account Landscape

2 SIMPLIFY & UNIFY — Your Back-Office Technology Stack

3 TAKE ACTION — To Ensure End-to-end Processes are Fully Prepared for ISO 20022

4 OPTIMIZE — Cash & Working Capital to Improve Short-Term Debt & Investment Yields

1 RATIONALIZE

Your Bank Partner & Account Landscape

Larger than necessary bank relationships and account structures can result in higher costs, fragmented visibility, siloed workflows, and obscure points of communication. As the number of bank accounts can easily become inflated over time through organic growth and M&A activity, many multinational corporations end up with more accounts than they want or technically need.

Rationalizing bank relationships can be an effective way of reducing costs. A more streamlined relationship structure, supported by digital solutions for a centralized global bank account management, can significantly improve operational efficiency. It allows for limiting the number of banking systems and connections required, reducing annual maintenance or service costs, and increasing transparency over all the related operations. The automated accumulation of information that comes with a centralized bank account management setup can then further be leveraged for additional benefits and savings – such as through the smooth integration of a bank fee analysis.

2 SIMPLIFY & STREAMLINE

Your Back-Office Technology Stack

Like a company's banking structure grows more complex over time, so does the back-office technology structure. In the long run, a lot of companies wind up with a large assortment of banking portals, ERPs, and TMSs that are collectively causing redundant and fragmented workflows, and unnecessary subscription and maintenance costs. TIS' recent research initiatives found that 38% of treasury and finance respondents were using more than 15 different treasury, vendor or payment systems – with two thirds using more than five systems.

For greater automation and transparency and to reduce overall technology costs, treasury teams with an excess number of systems should strongly consider a consolidation project. A simpler and more unified technology structure can result in more efficient processes, greater transparency, and improved decision-making as a result of more accurate information, and more.

3 TAKE ACTION

To Ensure End-To-end-Processes are Fully Prepared for ISO 20022

The ongoing ISO 20022 transition is arguably the heaviest transformation since the introduction of SEPA. While some banks are already asking for data in the newer, richer, and more structured XML formats, others are starting to now. On the corporate back-office systems-side, the situation is even more complex, in particular when a corporation's tech stack consist of numerous older legacy systems, including on-premise solutions which would not be able to manage the new data formats without heavy IT-projects. Thus, many corporates are far from ready to ensure smooth end-to-end operations after November 2025.

Corporations of all sizes and industries need to take action now: Assess your banking and system landscape to fully understand the stages of transition, the roadmaps, and what actions you need to take to ensure frictionless processes. It's in particular helpful to identify the vendors that can help you smoothen the transition with a minimun of internal IT involvment and without costly ongoing maintenance projects. TIS, for example, can already translate all common legacy payment formats and transform them into ISO XML. As the rough data received from the banks can also be flexibly enriched, normalized, and sanitized with the master data in TIS, clients can continue their operations without frictions, even if their individual back-office systems are not ISO 20022 ready yet.

4 OPTIMIZE

Cash & Working Capital to Improve Short-Term Debt & Investment Yields

Identifiying and then sweeping idle cash into short-term promissory notes, commercial paper, or other interest-earning options can result in a significant boost to revenue. Deploying this cash to erase existing debt or pay suppliers early in exchange for discounted invoices may provide a similar monetary advantage. Accurate cash forecasting and working capital insights are key here. Incorporating the full span of relevant data into cash forecasts - including banking and payments data as well as invoicing, AP / AR, and procurement or sales data – is what ultimately provides the greatest level of accuracy.

Companies that can analyze unique vendor or supplier invoicing and payment preferences across specific regions, entities, networks, or countries, can work strategically with these insights. Capturing this data can help dictate whether certain supplier financing strategies would be worthwhile to implement, and can also help treasury understand how to refine the payment methods and invoicing schedules they maintain with their supplier and vendor networks. In the long run, these types of insights will enable treasury to adjust various elements of their cash conversion cycle to free up liquidity and ensure that funds are not tied up for unnecessary periods due to inefficient AP, AR, or overall working capital processes.

For organizations interested in pursuing any of these strategies or projects further, we strongly encourage you to consider how the TIS solution can help foster the desired outcomes.

Reach out to us and schedule a meeting: **tispayments.com**

by **Timo Becker**, VP Business Development

PREVENT PAYMENT FRAUD: STRENGTHEN YOUR WEAKEST LINKS

74% of businesses report that they've experienced payment fraud attempts. And in reality, the real figure is probably closer to 100% – many will simply have missed fraud attempts that were successful.

It's easy enough to spot fraud attempts when handling our personal finances. Nobody will make a large transfer from their own bank account without making sure it's a legitimate bill. But for finance teams handling hundreds or even thousands of transactions monthly the margin of error widens, and fraudsters exploit vulnerabilities. And those vulnerabilities are very lucrative – B2B payment fraud is a $42bn global industry.

As any security expert will tell you, it's impossible to create a completely secure system that will eliminate fraud risk entirely. But it is possible to protect yourself from most fraud attempts by identifying your major vulnerabilities – the weakest links in the chain of your payment processes – and strengthening them.

At Serrala, we've been investing in fraud prevention methods for our own accounts payable and treasury management solutions for decades. And in that time, we've learned that there are three key areas of vulnerability that all organizations can address that will substantially reduce their fraud attack surface.

PEOPLE – YOUR FIRST AND LAST LINE OF DEFENSE

The overwhelming majority of fraud attempts target two parts of the financial function: AP (61%) and treasury (13%). The reason is simple: these two departments host the largest number of people responsible for manually keying payment details. This makes them the most likely to let fraudulent payment requests slip by – either because the volume of transactions they're dealing with makes scrutiny impossible, or because they lack the resources to identify them.

The two next most significant people vulnerabilities are individuals or functions with a major stake in payment approvals: C-level executives (the targets of so-called "whaling" attacks) and the procurement team. But as the targets only 8% of fraud attempts respectively, they represent a much smaller vulnerability than those at the day-to-day payment coalface.

The risk represented by people-related vulnerabilities (from the CEO down to your AP operators) are, fortunately, very easily fixed. We minimize them by providing adequate fraud detection and prevention training to everyone with responsibility for making and approving payments. Regular sessions and attention given to real-life examples of fraud attempts help sensitize your people to potential threats. Clear reporting channels and processes also empower them to alert everyone to suspicious activity and reduce its impact.

Speaking of processes, this brings us to our second key vulnerability.

PROCESSES: A BIGGER RISK THAN YOU THINK

Your people are only as good as the tasks and workflows you give them. Over the years, we've seen countless businesses expose themselves to unnecessary fraud risk due to outdated or informal payment processes. In larger organizations especially, these can vary considerably between different offices and even between different teams.

Varied processes for approval or master data checking often arise to deal with specific challenges. But while they can make operations easier in the short term, in the long term they make it harder to keep track of approvals and approvers and create a host of vulnerabilities for fraudsters to exploit with both simple phishing and fake invoicing tactics and more sophisticated approaches like registering fake suppliers to allow payments to be rerouted, or infecting your organization's systems with malware.

On top of this, many AP and treasury teams lack proper segregation of duties for payments. Centralizing approvals with individuals certainly makes things easier. But it creates a critical vulnerability if a fraudster can identify those individuals and target them specifically.

Streamlining and standardizing your processes, incorporating segregation of duties and "multi-eye" principles, and establishing robust master data update protocols helps verify legitimacy and identify suspect transaction requests.

SYSTEMS: A MAJOR SOURCE OF VULNERABILITY, AND A MAJOR OPPORTUNITY FOR IMPROVEMENT

Secure systems make for secure processes. If your organization relies on multiple e-banking tools, it'll be much harder even for the most vigilant teams and approvers to form a clear picture of company-wide payments. Much less fraud attempts or even accidental duplicates.

For both visibility and control, organizations need to centralize their payment systems. Many payment hub technologies help not only by making scrutinizing individual invoices and transaction requests easier, but by incorporating whitelisting functionalities to prevent false positives, and automated pattern recognition (increasingly bolstered by AI and machine learning) to flag suspicious transactions long before your people would be able to spot they're suspicious.

Sophisticated solutions can even enable you to remove suspect items from bulk payment files so you don't have to upend a payment run for the sake of one or two flagged transactions. All while still allowing you to escalate the problem payment for closer scrutiny. Integrating these capabilities into your payments process as you centralize your technology means you can not only enhance security, but do so without hampering operational efficiency. And while empowering your people to make more effective and speedy decisions that optimize payment efficiency and risk management.

You can strengthen all three vulnerabilities by picking the right technology partner. At Serrala, we've spent 40 years developing automation solutions for AP and treasury that make payments more secure without your people noticing. Empowering them to work smarter and faster with full confidence that they'll only ever need to apply scrutiny to the transactions that need it.

EACT
THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

THE VOICE OF CORPORATE TREASURERS IN EUROPE

EACT TREASURY SURVEY 2024

RESULTS OF THIS EACT 2024 SURVEY HAVE BEEN ANALYZED WITH THE SUPPORT OF PWC TREASURY PRACTICE

FOREWORD

For each of the past eight years, EACT launches its Treasury Survey to determine top priorities for corporates. It also aims to identify challenges corporate treasurers of Multi-National Companies (i.e. MNCs) are facing and the technological innovations they intend to implement. But the survey also aims to recognize evolutions over time and after crises. In a fast-changing environment, with geopolitical problems across the world, this survey is interesting to see whether priorities are changing and if they did, why. This year, EACT received circa 250 answers from Group Treasurers of the largest international companies across Europe.

TREASURIES TOP PRIORITIES

MOST TREASURERS SHARE THE SAME PRIORITIES:

- L.T. funding (capital markets & banks)
- Cash-Flow Forecasting
- Capital Structure

The 2024 EACT survey, which became a tradition, attempts to detect treasury trends and priorities for multinational companies over the coming 12 to 24 months.

Logically this year, **Long Term Funding (capital markets & banks) (#1)** is in the lead, followed by the **Cash-Flow Forecasting** (#2) and **Capital Structure** (#3). It is followed by a few priorities at equal levels, such as **Digitization of Treasury and robotics** (#4), **Working Capital Optimization** (#5); **Bank Relationships** (#6), Treasury technology infrastructure review/replacement of existing IT tools (#7), and political uncertainties (#8).

Top priorities 2024

NB: in 2023, Cash-Flow Forecasting (#1); Working Capital Management (#2) and Treasury technology infrastructure (#3)

11%

OF TREASURERS CONSIDER L.T. FUNDING (CAPITAL MARKETS & BANKS) AS THE FIRST PRIORITY

TOP PRIORITIES

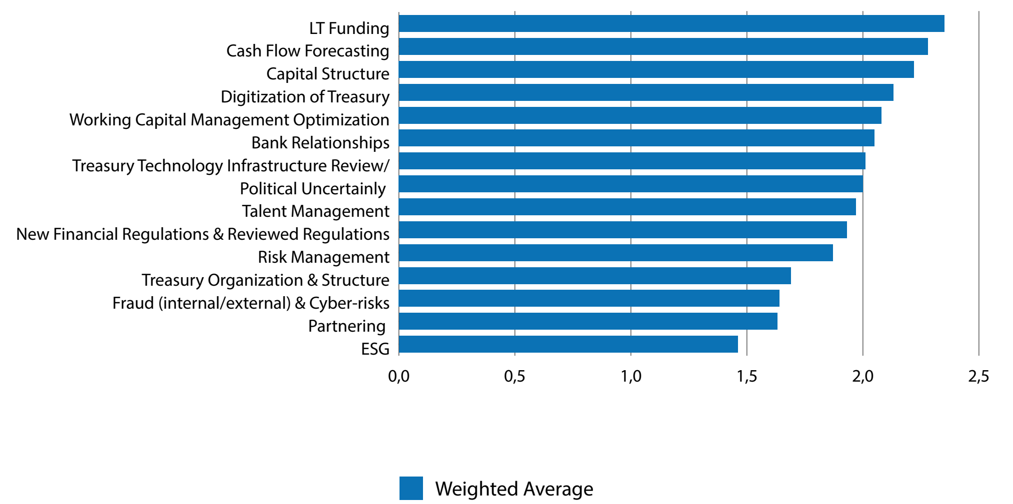
FOR CORPORATE TREASURERS

As you can see, this year the results have changed significantly. Fundamental and pure financial issues are back at the forefront of the treasurers' priorities.

How do I secure my LT funding? How to enhance my Cash-Flow forecasts? What should be my optimal capital structure to face economic crises? The digital transformation becomes eventually a priority.

We can see that priorities and order have changed significantly. Long-term (re)financing, via the capital market or banks, has become the number one priority for treasurers (even if many of them have no debt). This proves that for companies with net debt, this is the crucial point for ensuring the company's long-term viability. This is due to the rapid and violent rise in interest rates in 2023 (not yet reflected in last year's results), the banking crisis last Spring and the strategic repositioning of certain banks in terms of the sectors they cover. Against this backdrop, the Capital Market Union (i.e. CMU) project takes on its full meaning, offering alternative sources of financing. By contrast, the Cash-Flow Forecast remains in second place, demonstrating the difficulty of reliably forecasting future cash flows. The third-place ranking of Capital Structure also shows that the (re)capitalization of MNCs is important, and that maximizing WACC (i.e. Weighted Average Cost of Capital) should perhaps be reconsidered in favor of "optimization". In seeking to maximize WACC, we have become too sensitive to economic downturns or sudden sharp rises in interest rates. The digitization (#4) of the treasury function, which climbs into the top 5, proves that MNCs are now thinking about the next stage in their digital transformation, seeking hyper-automation. Finally, the banking relationship shows that the partnership with one's banker is vital in Europe, where the proportion of bank financing remains much higher than that of capital market financing.

Top Priorities over the next 12 to 24 months.



BACK TO BASIC

TREASURY MANAGEMENT ISSUES

TOPICS THAT MOVE TREASURY

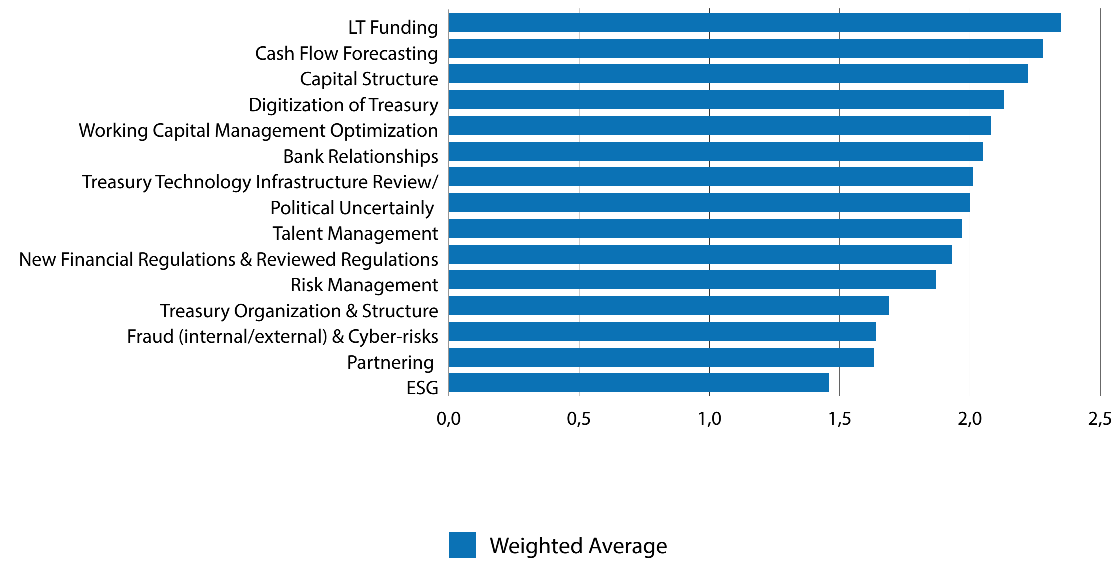
Comparison of 2023 and 2024

	EACT Survey 2023		EACT Survey 2024
1	Cash-Flow Forecasting	1	Long Term Funding
2	Working Capital management	2	Cash-Flow Forecasting
3	Treasury Technology infrastructure remplacement	3	Capital Structure
4	Treasury Organization & Structure	4	Digitization of Treasury
5	Risk Management	5	Working Capital management
6	Long Term Funding	6	Bank Relationship

Based on the weighted average of the first three priorities, we can see the evolution since 2023 and the Digitization of Treasury, Capital Structure and bank relationships are clearly repositioned up.

TECHNOLOGICAL INNOVATIONS

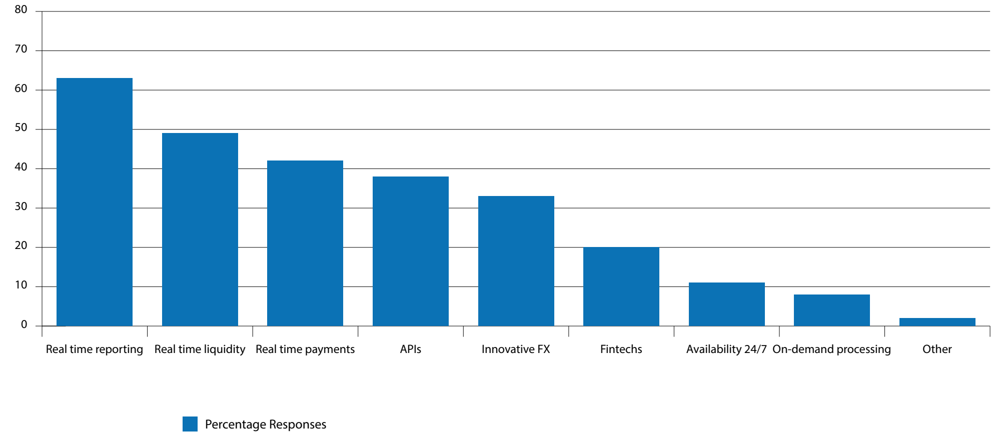
Innovations treasurers intend to use in next 12 months



In terms of technological innovations, it appears that in the next 12 months, the priority will be placed on **Switch to cloud solutions** (i.e. private or public clouds) equally to **Data Analytics**. They are followed by **APIs,** the recourse to **Treasury as a Service (TaaS),** Robotics Process Automation (RPA) and hyper-automation. We can notice that crypto-currencies, AI and DLT derived technologies are lower ranked. Here again, no real significant changes in the top technologies, apart from ranking, which slightly changed. We can feel a greater appetite for the other "new technologies" in treasury. The low ranking of AI comes from a general absence of true data lakes and standardized pieces of information. It looks like treasurers have many other technical priorities before considering these new technologies or being in a position to use them. They may want to first fix current systems around TMSs, enhance current IT architecture and hyper-automate processes further before using other new technologies. We all understand that the C-level wants treasury to make use of huge financial data they sit on and develop more reporting and dashboards. APIs have shown the use banks and corporates can make of them, to enrich reporting. Robotics and RPA are intermediary steps to automation, which explains their high ranking. Contrary to the recent excitement for Bitcoins and announcements around CBDC, cryptocurrencies do not seem to be a priority for treasurers. This is not surprising given their nature and the fact that they are a new asset class rather than new currencies. The answers show a certain lucidity on the part of treasurers who seem realistic in their use of new technologies.

TECHNOLOGICAL INNOVATIONS

Of the greatest interest to Treasury over the next 12 to 24 months



Of greatest interest to your treasury over the next 12 to 24 months:

We see, surprisingly, that **Real-time reporting and dashboarding** are the focus for treasurers in the next 12 to 24 months (#1), followed closely by **Real-time liquidity** (#2), and then **Real-time Payments & Collections** (#3), followed by **APIs** (#4), **FX Automation** (#5) and finally the **FinTech's** (#6). This demonstrates, once again, that the priorities may be more basic and simpler than imagined, as many treasurers still need to improve their day-to-day management before jumping into the use of newer technologies. The objective is immediacy - real-time for all types of information. Currency Management Automation for FX Management is also in 5th position, as here again, we seem to be far from complete and perfect automation.

The fully "real-time treasury"

On the question of which technology will be of most interest in the next 12 to 24 months, access to real-time information leads. It is followed by real-time liquidity. This is explained by the current crisis, and the need for immediate access to information to faster react, or, sometimes, to simply survive (we can see that immediacy and the time factor have become crucial, at least for certain industries and B2C businesses). Real-time Payments & Collection and finally immediate (automated) management of foreign exchange risk are also important for enhancing and hyper-automate treasury management. The fact that there still are lots of highly manual processes around FX and commodity management creates pressure for further automation to achieve greater efficiencies and internal controls. We also noticed the 6th position of the FinTech's (higher than last year) with multiple innovative solutions. These FinTech's are giving a lot of hope to treasurers to change their ways of working. Things are gradually but slowly changing and recourse to FinTech's is more and more usual for treasurers for complementing their treasury solution suite.

IT solutions fragmentation

The fragmentation of IT systems in treasury and the complexity of IT architectures in many of MNCs' treasury departments explains the importance of the risk of fraud, which has increased in recent years, and of cyber risk. Fragmentation increases these risks by a lack of fluidity, homogeneity, and sometimes consistency of the financial data to be processed. In the same vein, it is detrimental to the quality of future cash flow forecasts. The more IT solutions in use, the more difficult it becomes to consolidate data and allow systems to interact with each other, or to exchange data. The more complex the IT construction of the treasury, the more complicated the change will be/appear to be. Treasurers would like to change the IT organization but sometimes do not dare to tackle the cliff that this represents.

The world in general and the treasury in particular has entered the era of "everything in real time".

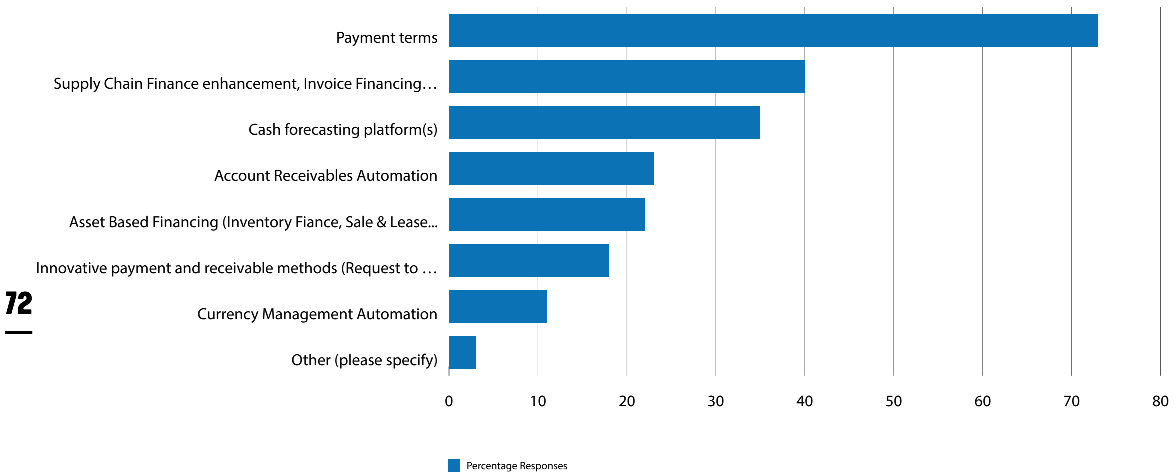
The fragmentation of IT systems and their multitude complicates the life of treasurers, as does the number of entities and bank accounts.

Treasury needs to focus on the next level of process automation to gain efficiency and strengthen internal controls.

INSTRUMENTS USED IN THE LAST 12 MONTHS

FOR OPTIMIZING WORKING CAPITAL MANAGEMENT

Instruments used by treasury over last 12 months to influence working capital

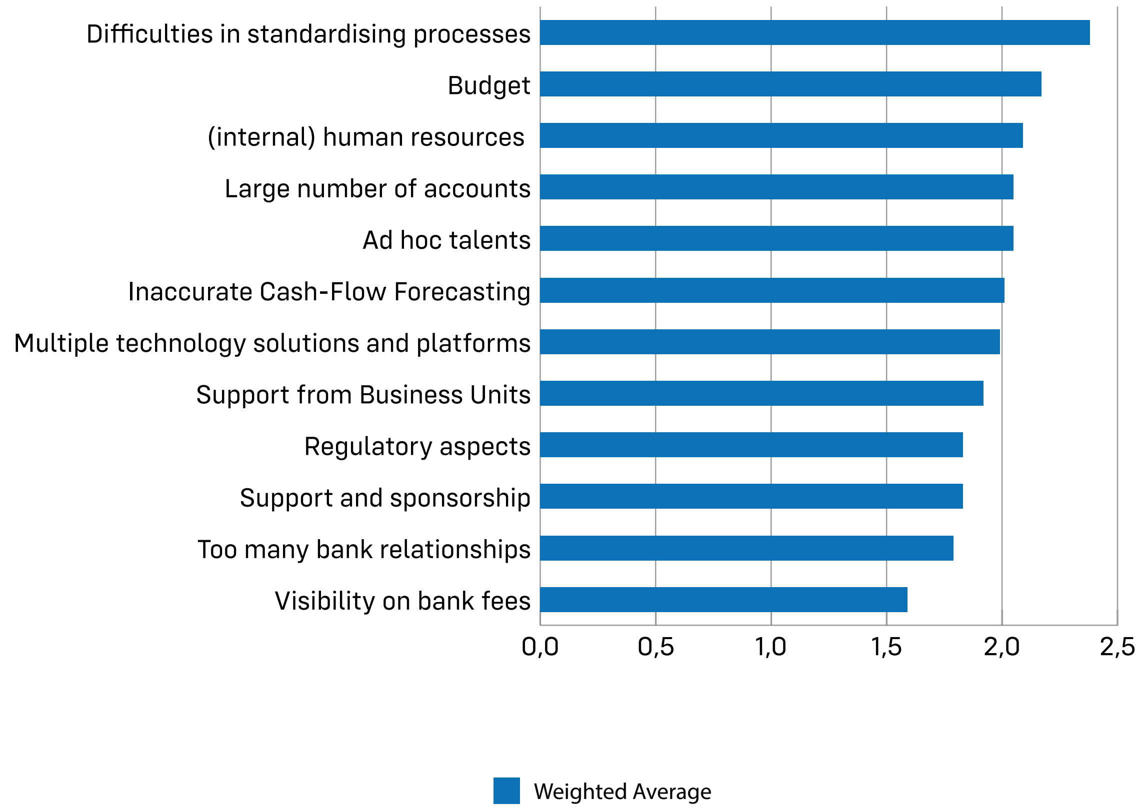


We know that treasury can play a significant role in working capital management. The influence or responsibility for working capital management within organizations are essential questions to address if CFOs seek to optimize it. We can also notice that in past surveys treasurers influenced working capital (at 50% +); were "responsible" for working capital optimization (i.e., for 20% of the treasurers); partially responsible (i.e., 20% -) or not at all responsible.

Working capital enhancement projects are always complex because they include a lot of different departments. To be successful requires solid sponsorship from the CFOs, clearly identified Project Managers, and commitment from all stakeholders. The instruments used or they plan to use in the next 12 months are the following: Payment terms; Supply Finance Chain enhancements, Cash-Flow Foresting, Account Receivables automation, Asset Based Financing (e.g. invoice financing or dynamic discounting, …); innovative payment and receivable methods (e.g., request-to-pay, link-to-pay, e-invoicing) and Currency Management Automation. Therefore, treasurers are back to basics. This was crystalized by the pandemic and then the war in Ukraine and in Gaza. CFOs try to support any initiative to enhance and optimize working capital, accessing the best funding tools at their disposal.

GREATEST CHALLENGES FACED

IN CENTRALIZING FURTHER TREASURY ORGANISATION



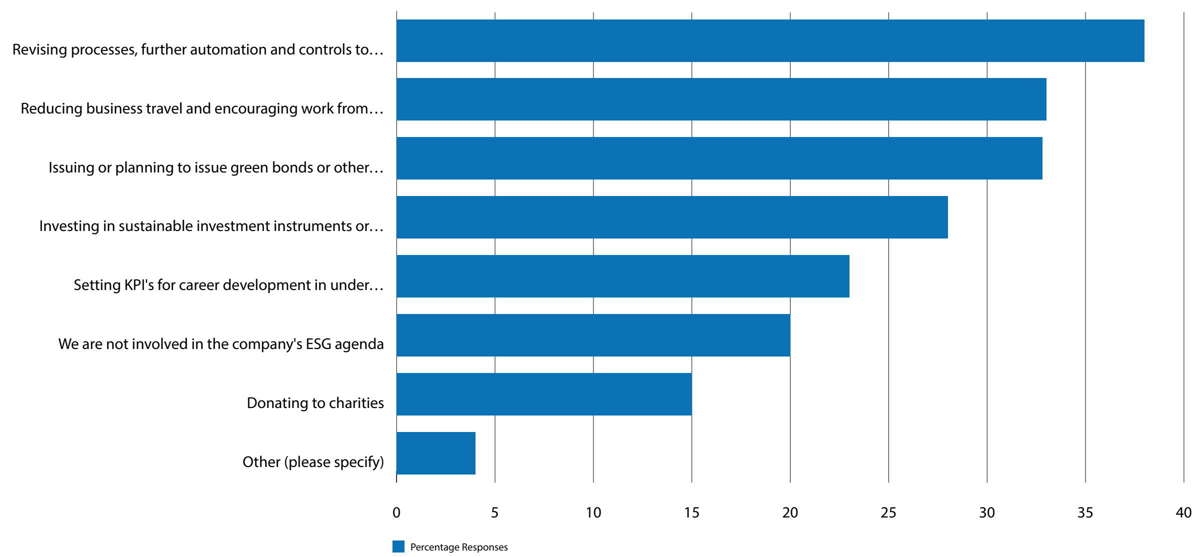
The question of the greatest challenge facing the treasurer is interesting in understanding what treasurers will need to prioritize. It appears that the **difficulties in standardizing processes/weak international controls** (1#), **lack of budget** (#2); **the lack of (internal) human resources** (#3), **are the major concerns**. Standardizing processes and internal controls remain preliminary and necessary steps to automation, improving the organization of the department, and increasing efficiency (e.g., automatic reconciliation, Straight Through Processing / STP, use of mass data, etc.). The other challenges are : **the large number of bank accounts / complex account structures** (#4), **the ad hoc talent and new required skills** (#5), **the inaccurate Cash-Flow Forecasting** (#6) and the **multiple technology solutions & platforms** (#7).

20,4%

of respondents say the difficulties in standardizing processes and weak internal controls are the main issue in further centralizing treasury activities

HOW TREASURERS SUPPORT
THE COMPANY'S ESG AGENDA?

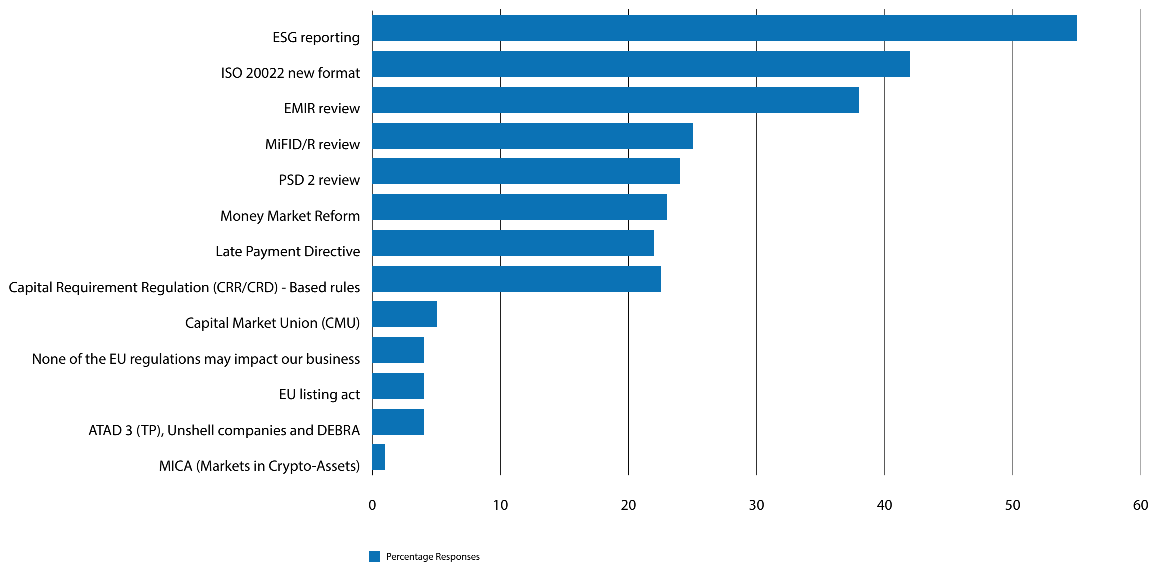
Ways to support company's ESG (Environment, Social and Governance)



FINANCIAL REGULATIONS

WITH POTENTIAL IMPACT ON TREASURY ACTIVITIES

Financial regulations (under review or new ones) which could have an impact on respondents' treasury activities

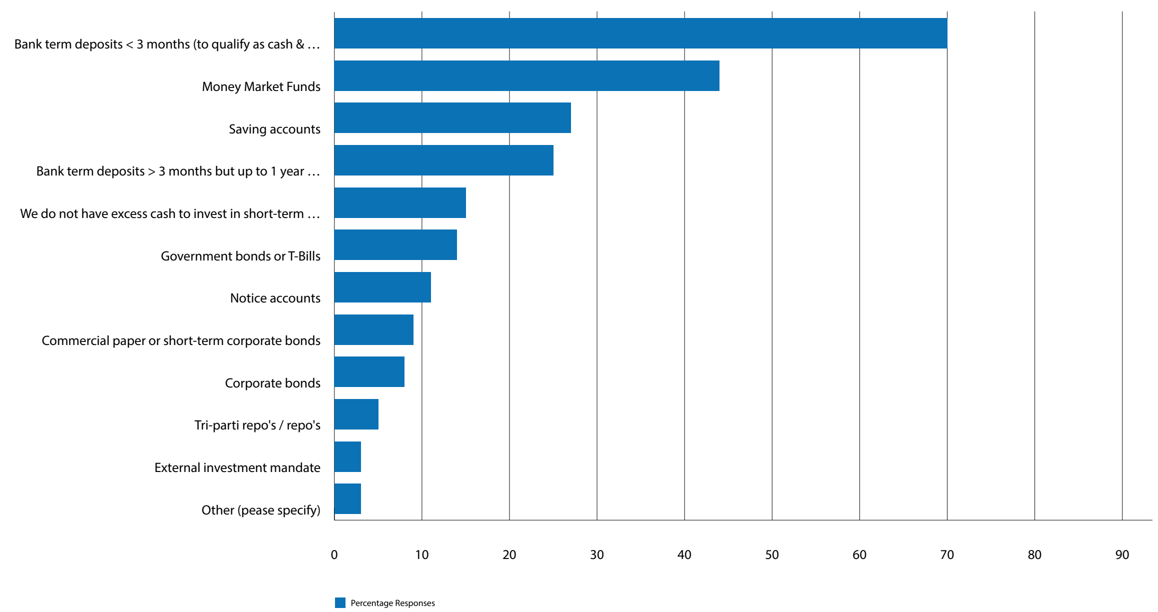


The number of financial regulations under consideration or review currently is incredibly high. Their impact could be major for treasurers. Among the most important ones identified, it appears that the priority is the **ESG report** (#1 – 55,46%); the **ISO 20022** (#2 – 41,6%); the **EMIR refit review** (#3 – 36,97%); the **MiFID/R review** (#4 – 25,21%); the **PSD2 review** (#5 – 23,95%), and finally the reform of **Money Market Funds Reform** (#6 – 22,27%). This demonstrates the essential role that EACT can play in trying to influence and change the measures that are least acceptable to its members. It is important to make the voice of treasurers heard in Brussels to defend their interests.

HOW ARE TREASURERS

INVESTING EXCESS CASH (IF ANY)?

Types of products or financial instruments used for excess cash in the short to medium term (i.e. > 1 year)



HOW TREASURERS INVESTING EXCESS CASH (IF ANY)?

56,61% of treasurers have excess cash to be placed at short-term horizon. The very "classic" bank deposits remain the product used first and foremost, followed by money market funds and then savings accounts. What is surprising is the absence of secured deposits and tri-party repo's, which offer a real opportunity to reduce counterparty risk, which has been called into question since the bank crisis of last Spring 2023.

TAKEAWAYS

BY FRANÇOIS MASQUELIER, CHAIR OF EACT

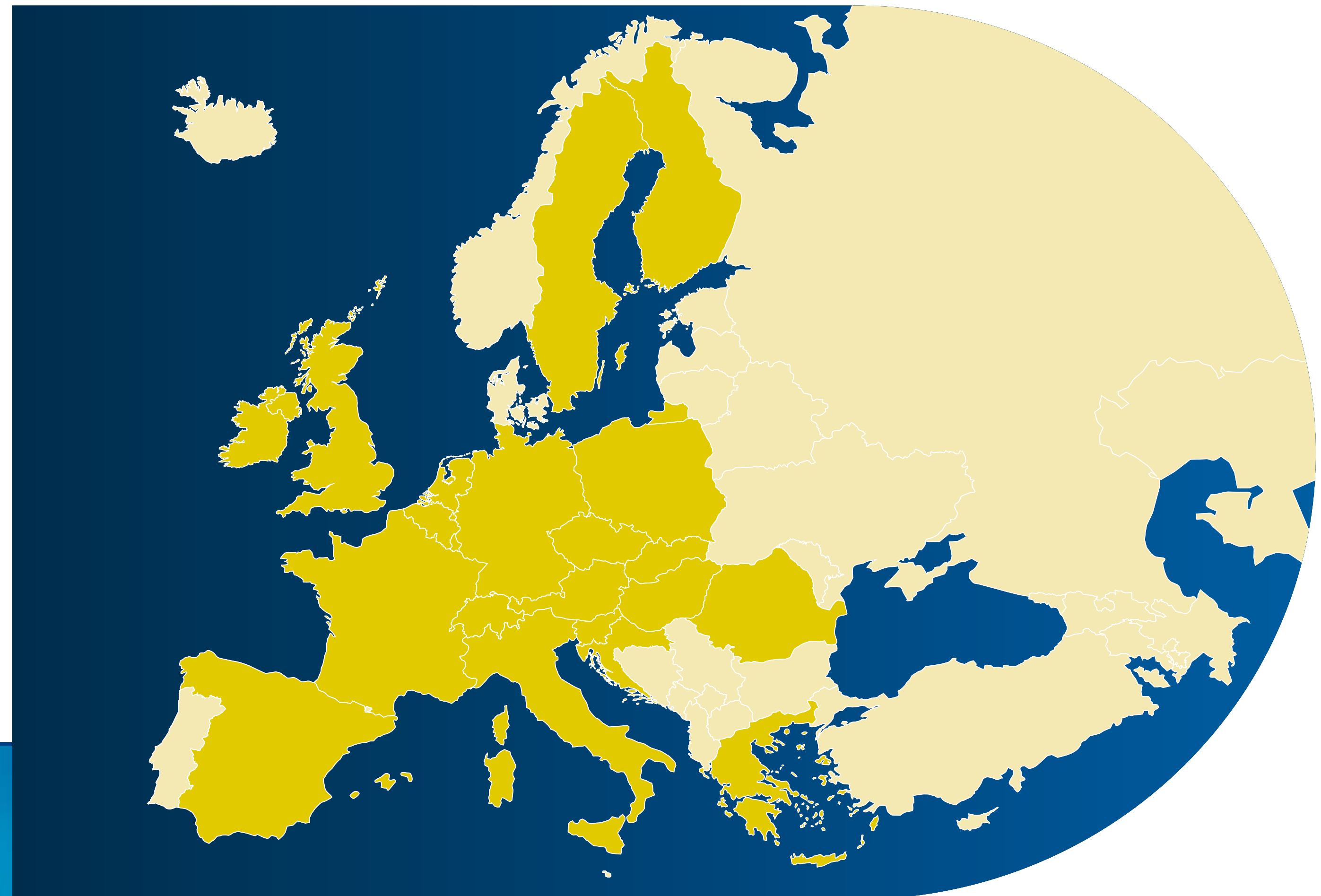
In summary, the re-financing and cash-flow visibility remains top priorities, when interest rates rapidly increase, and economic situation deteriorates. The results seem to have been reinforced by the long pandemic followed by wars (which have confirmed the need for further centralization and automation, the two best responses to such crises) and by the fast-growing interest rates and bank crisis of last Spring. The quest for further digitization and the hope placed in new technologies and innovations are explained by the importance of combating the increasing risk of fraud (ranked higher, as cyber-attacks and frauds significantly increased during the pandemic); the need for strengthening internal controls; by growing economic uncertainties; the need for more efficiency, and by a lack of sufficient (human) resources. The crises have crystallized the need to digitize and accelerate the ongoing transformation. The maturity of technological solutions, more than ever, makes it possible to have greater expectations for improved cash management.

The challenge for treasurers comes not so much from the changes themselves, but from managing the continuum of changes and the co-occurrence and simultaneity of problems on the economic, financial, and regulatory sides. It is clear from this survey that there is still a long way to go to reach a level of mastery of new technologies, real-time operations management, and reduction of inherent treasury risks. Despite the significant shift noticed during these recent crises to digitize and automate treasury processes wherever possible, the survey demonstrates the need for taking treasury to the next level.

THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

2002	ESTABLISHED
23	NUMBER OF ASSOCIATIONS
22	COUNTRIES
14 000	PROFESSIONALS
6 700	COMPANIES REPRESENTED

Member associations



EACT Head office
3 rue d'Edimbourg
CS 40011
F-75008 Paris
Email: policy@eact.eu

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www.eact.eu

ATEL SPRING CONFERENCE

The Atel Spring Conference took place at the Etablissement Namur on 16 April. Alex Wong & Xavier Szebrat (Bank of America), Cyrille Oudard (Kyriba), Shikha Kalra (DEMICA), Jean-Baptiste Vienne (TPICAP) respectively presented new elements on Exploiting data for smarter cash management, Cash flow forecasting, What solutions for your cash surpluses in anticipation of falling interest rates? Participants then exchanged views at the cocktail reception.

MORE INFORMATION
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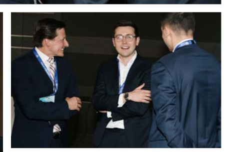

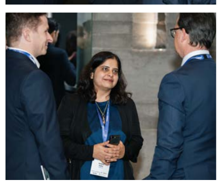

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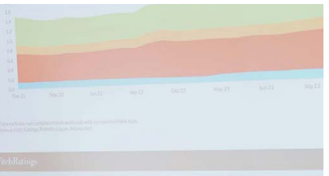

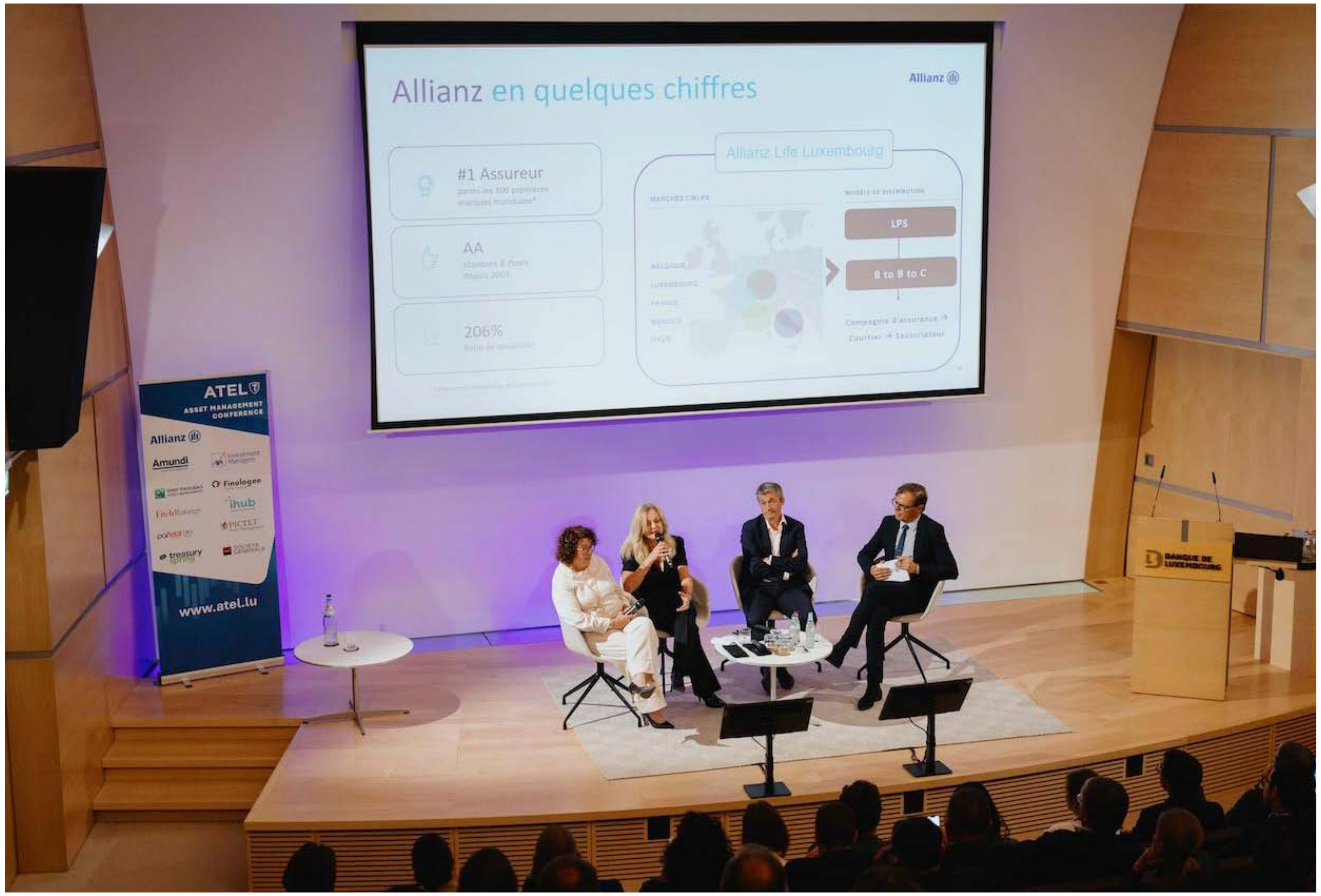

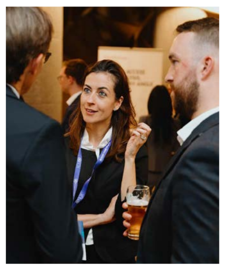

ATEL ASSET MANAGEMENT CONFERERENCE

On June 11th, ATEL organized its Asset Management 2024 conference at La Banque in Luxembourg. The speakers included David Seban-Jeantet (CIO, Société Générale Private Wealth Management), Thibault Malin (Money Markets Investment Specialist, BNP Paribas Asset Management), Patrick Simeon (Head of Money Market, Amundi), Mikaël Pacot (Head of Euro Rates & Money Markets, AXA IM), David Gorgone (Senior Client Portfolio Manager, Pictet AM), François Masquelier (Moderator - Chairman, ATEL), Minyue Wang (Director Fund - Asset Manager Ratings, Fitch Ratings), Anca Mandru (Senior Manager, PwC), Rozenn Le Bec (Head of Sales and Distribution France & Monaco, Allianz) and Sylvie Bertholet (Wealth Planning Manager, Allianz), Thomas Forest (CEO, Pandat Finance), Glen Stone (Head of Trading and Execution, TreasurySpring) and Arjan Hes (Head of European Sales, TreasurySpring), Stefan Kirsch (Business Consultant, Finologee) and Benoit Mayolini (Sales & Relationship Manager, i-Hub).

MORE INFORMATION
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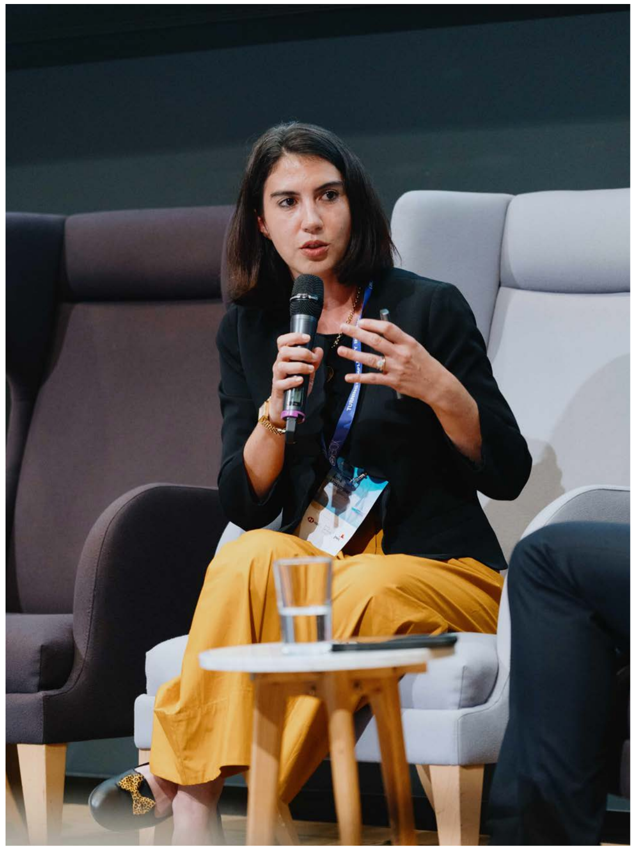
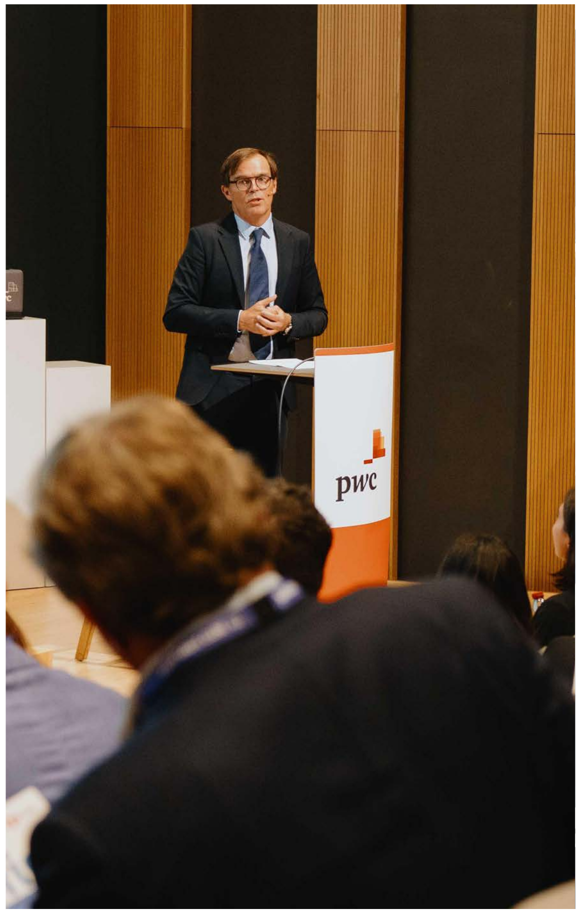
EVENT COVERAGE

ATEL SUMMER CONFERENCE

On 2 July, Atel held its summer 2024 conference at the offices of PwC. Alain Goebel (Partner, Arendt & Medernach), Alexandre Maschiella (Counsel, Arendt & Medernach), Vanessa Ramos (Managing Partner, Transfer Pricing & Valuation), Anne Massardier (Advisory Senior Manager, PwC Luxembourg), Teresa Leone (Senior Manager, Advisory Regulatory and Compliance, PwC Luxembourg), Lilia Samai (Tax Partner, PwC Luxembourg), Michèle Zaquine (Director, Head of Propositions and Commercialisation Continental Europe – Global Payments Solutions, HSBC), Myriam Radi (Member of the Treasury Solutions Group for Global Payments Solutions, HSBC), Nick Ashton (Country Head, Luxembourg Global Payments Solutions, HSBC), presented specific topics. Participants then enjoyed a cocktail reception.

MORE INFORMATION
www.atel.lu





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