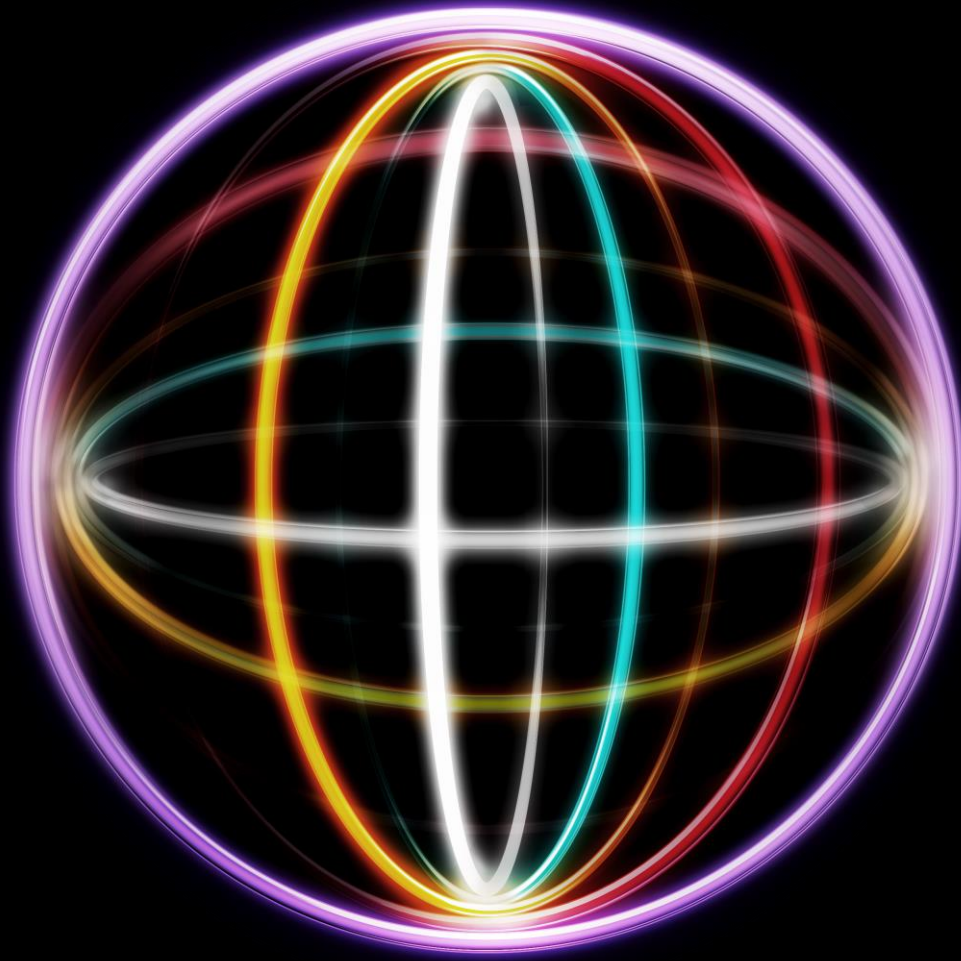


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2017 Global Corporate Treasury Survey

June 2017

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2017 Global Corporate Treasury Survey

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Executive summary

Deloitte is pleased to release its biennial Global Corporate Treasury Survey

In preparing the survey this year, our colleagues contemplated the following:

- What challenges are Treasurers facing?
- Do CFO mandates reflect current market volatility?
- How is Treasury evolving into a strategic function?
- Are tax and banking regulations already impacting treasury teams?

From operational to strategic

Validating the results from the 2015 survey, Treasurers are being further challenged by their Board and Executive Committee to add value to group operations rather than operate as an individual team. Collaboration with tax, risk, and finance teams is critical for Treasury to continue as a strategic advisor to the business.

Key challenges persist

Over 50% of Treasurers noted that FX volatility is a challenge, an issue exacerbated by political turmoil and the imminent changes due to Brexit. Other key challenges are visibility into global operations, cash repatriation, emerging markets operations, and liquidity management.

Analytical capability is lagging

75% of respondents are not actively monitoring key risks using “at risk” measures, despite FX volatility being flagged as the biggest challenge faced by Treasurers. This creates a major opportunity for Treasurers to invest in technology to deliver more sophisticated real-time analytics.

Technology has not cured all ills

While an increased percentage of survey participants have indicated system usage for typical treasury responsibilities, systems are not being fully leveraged to support the whole of Treasury function. The challenge of visibility into global operations increased to 43%, while 30% cited insufficient technology infrastructure to support their department.

Leading working capital initiatives

There is an increasing trend for Treasurers to lead working capital improvement initiatives. Working capital management, once a Finance responsibility, is evolving into collaboration with Finance to manage day-to-day funding for whole of company.

Tax and regulatory reform starting to bite

Ongoing changes to both local and global tax and banking regulations are having far reaching impacts on Treasury teams, requiring many companies to rethink financial instrument usage and intercompany loan & liquidity management, issues which we expect to evolve as regulations are finalised.

The Treasury of the future

Treasury teams must continually re-evaluate their roles as Catalyst, Strategist, Steward and Operator in order to balance their priorities and challenges. The evolution of the Treasury function from operational to strategic, combined with increased market regulation and volatility, provides opportunities for Treasury to leverage whole of company skills to manage risks. Partnering with tax, finance and risk teams, coupled with greater use of available technologies, will set the course for Treasury as a key stakeholder with a permanent seat at the table.

Want to engage

Deloitte and D TTL are one of world’s largest professional services treasury practices, offering expertise across all areas of treasury transformation, strategy, M&A, and technology strategy, selection and implementation. If this survey resonates with any issues that your company is facing, please contact us. Our international contacts are listed on page 18.

Thank you

To all the companies who participated in our survey, we thank you for your time and insights. Please contact your local Deloitte Treasury contact for additional details on how your company compares to your regional or industry peers.

We would also like to thank the following Deloitte professionals for their contribution to this publication: Rebecca Dawson, Tom Jarvis-Lemm, and Joan Cheney.

Sincerely,



Melissa Cameron
Principal, Deloitte & Touche LLP
Global Treasury Leader

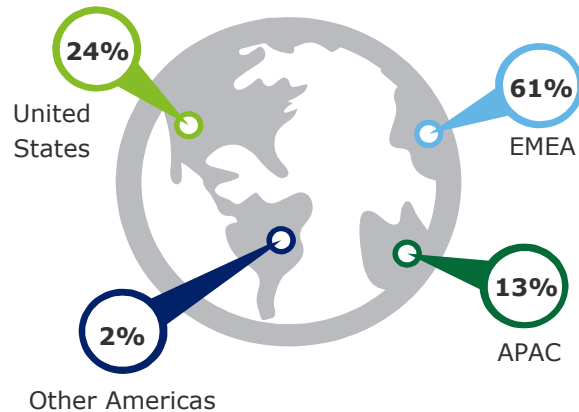


Steven Cunico
Partner, Deloitte Touche Tohmatsu
Australian Treasury Leader

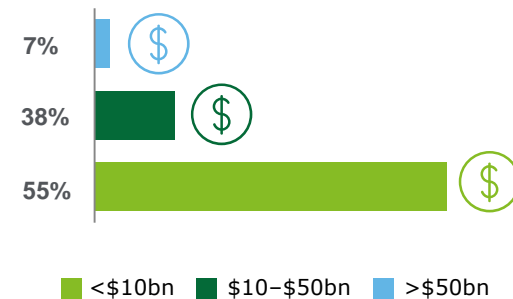
Survey demographics

Respondents to this year's survey come from all corners of the global Treasury community – Deloitte is grateful to the over 200 companies across all industries and revenue groups for helping to shape the future of the function.

Geographic location

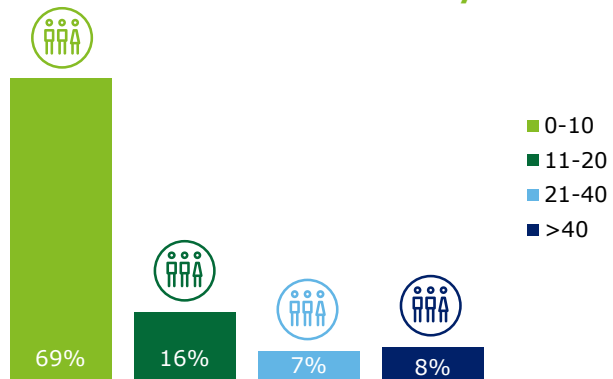


Annual revenue

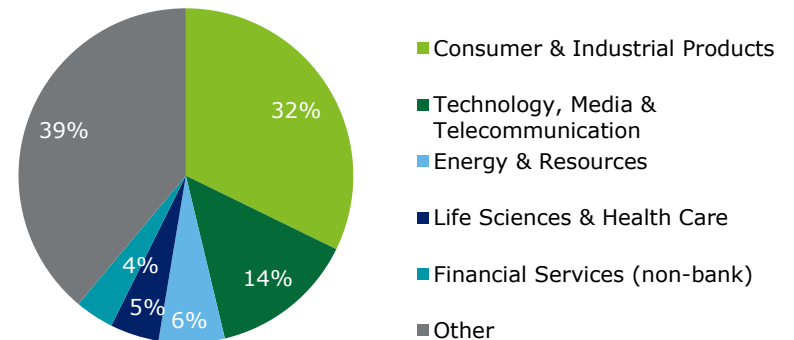


*All \$ values throughout are USD equivalent

Number of Treasury FTEs

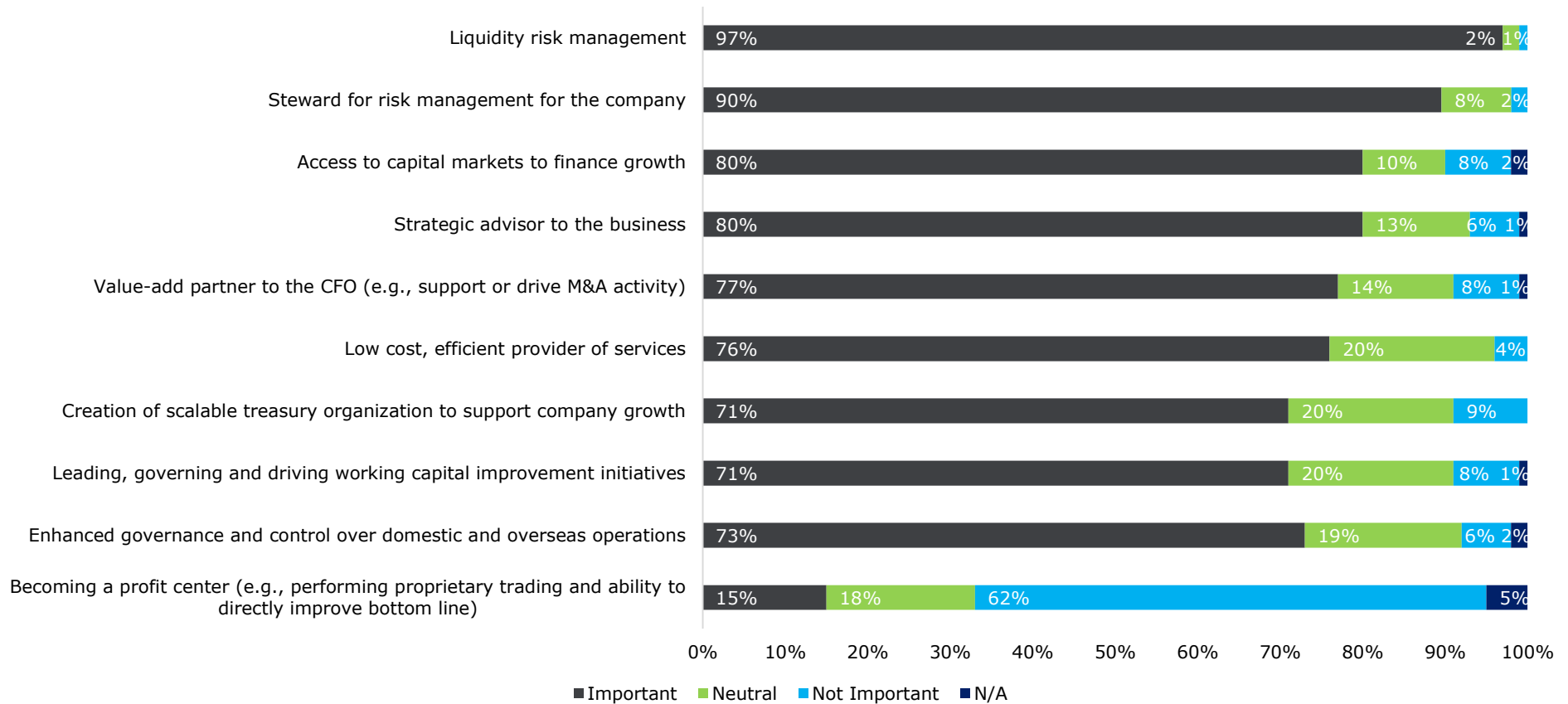


Industries



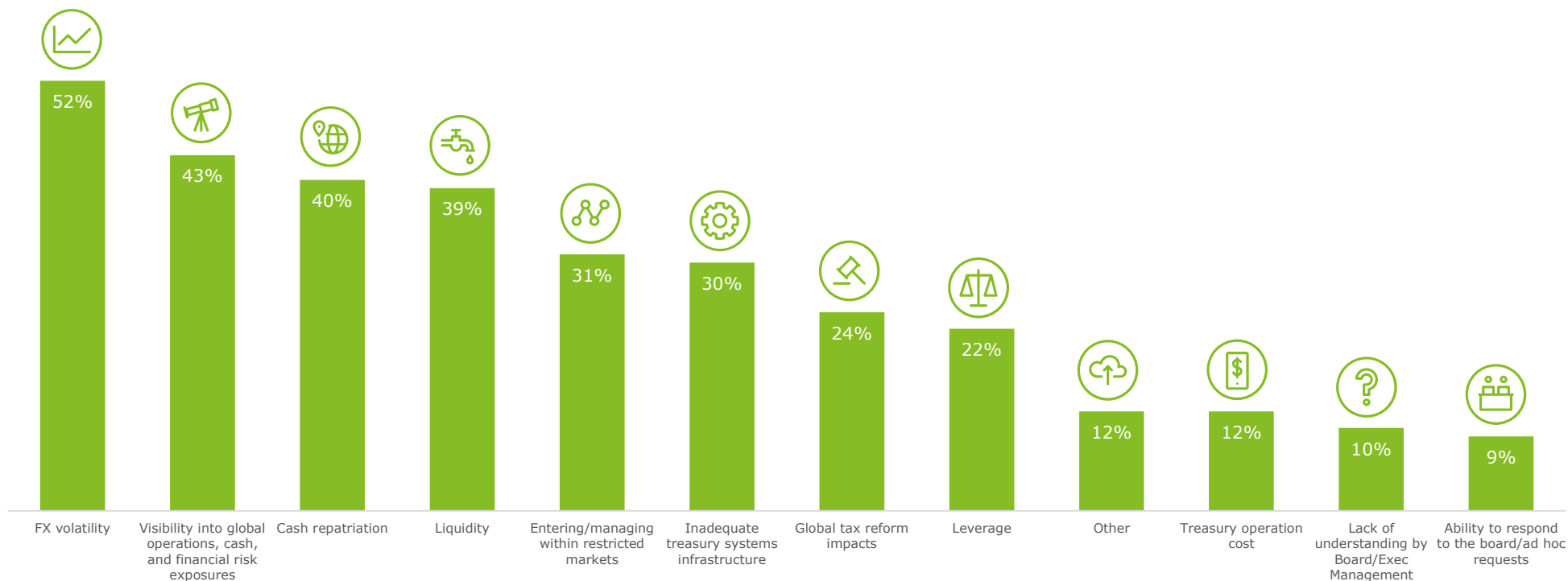
CFO mandates

While Treasury continues to be viewed as a risk management function, there is an increasing trend towards supporting business strategy and delivering greater cash efficiencies through capital management. Interestingly, 15% of respondents, distributed across all industries and revenue brackets, highlighted their mandate to become a profit centre – a shift from traditional Treasury as a cost centre of past years.



Strategic challenges for treasury organisations

Continuing to challenge Treasurers are FX volatility, visibility of and access to group cash, operations and exposures, and working in restricted markets, with 75% of respondents identifying 3 or more concerns for their company. A key concern around technology is the speed with which the market is moving and being able to identify 'which train to jump on', and the impact of banking and tax reforms is an emerging challenge.

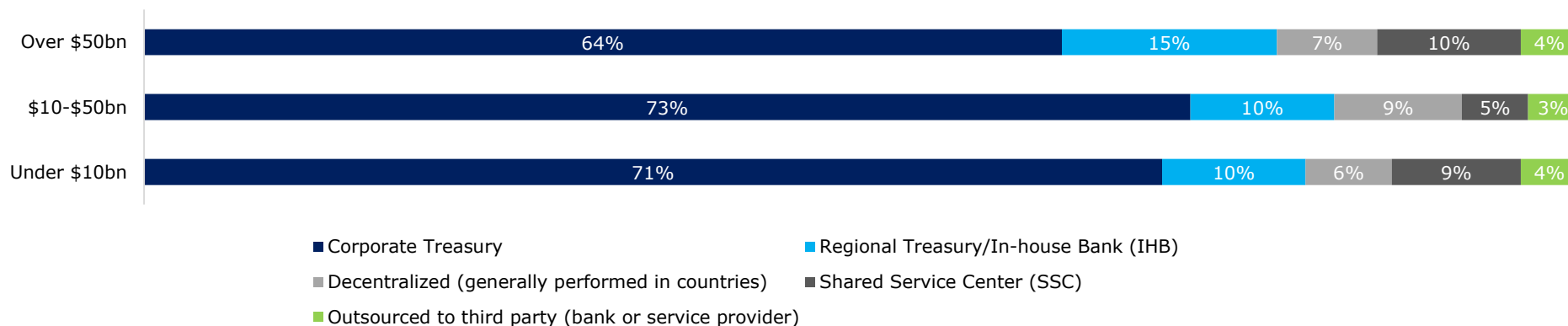


* Multiple selections possible

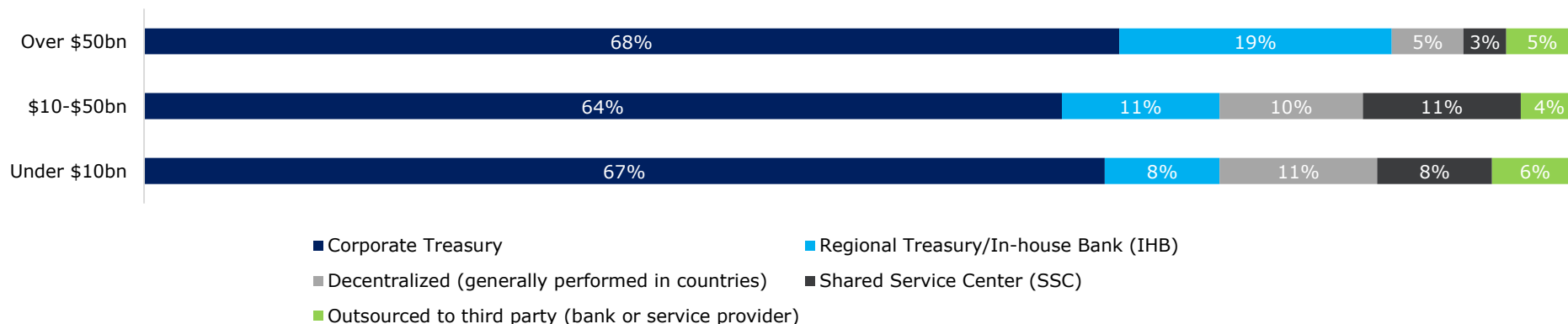
Future state treasury operating models – 2017 vs. 2015

When comparing expected execution responsibility to the 2015 survey results, there is an interesting contrast across company revenue groups – the largest companies are shifting towards greater use of shared services models, while smaller companies are trending towards centralisation in corporate / regional treasury centres.

2017 - Future State Functional Execution (by revenue)



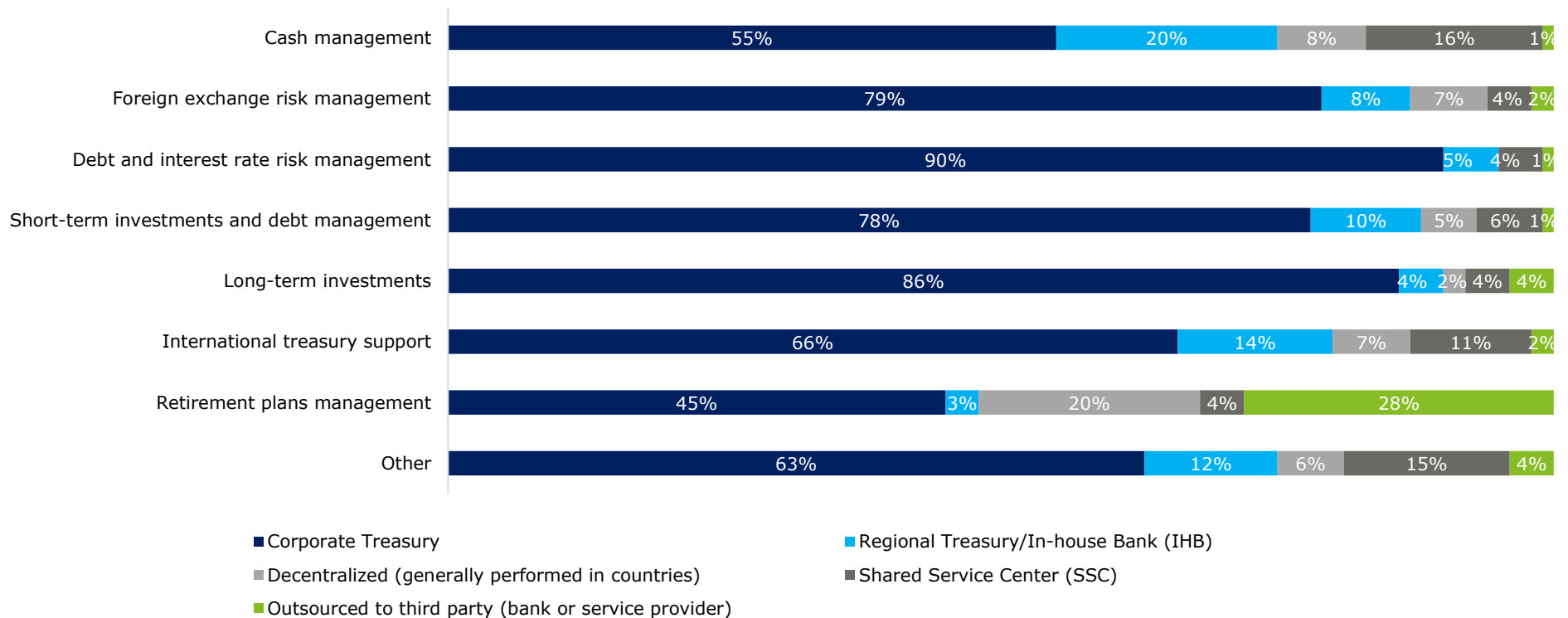
2015 - Future State Functional Execution (by revenue)



* \$ USD equivalent

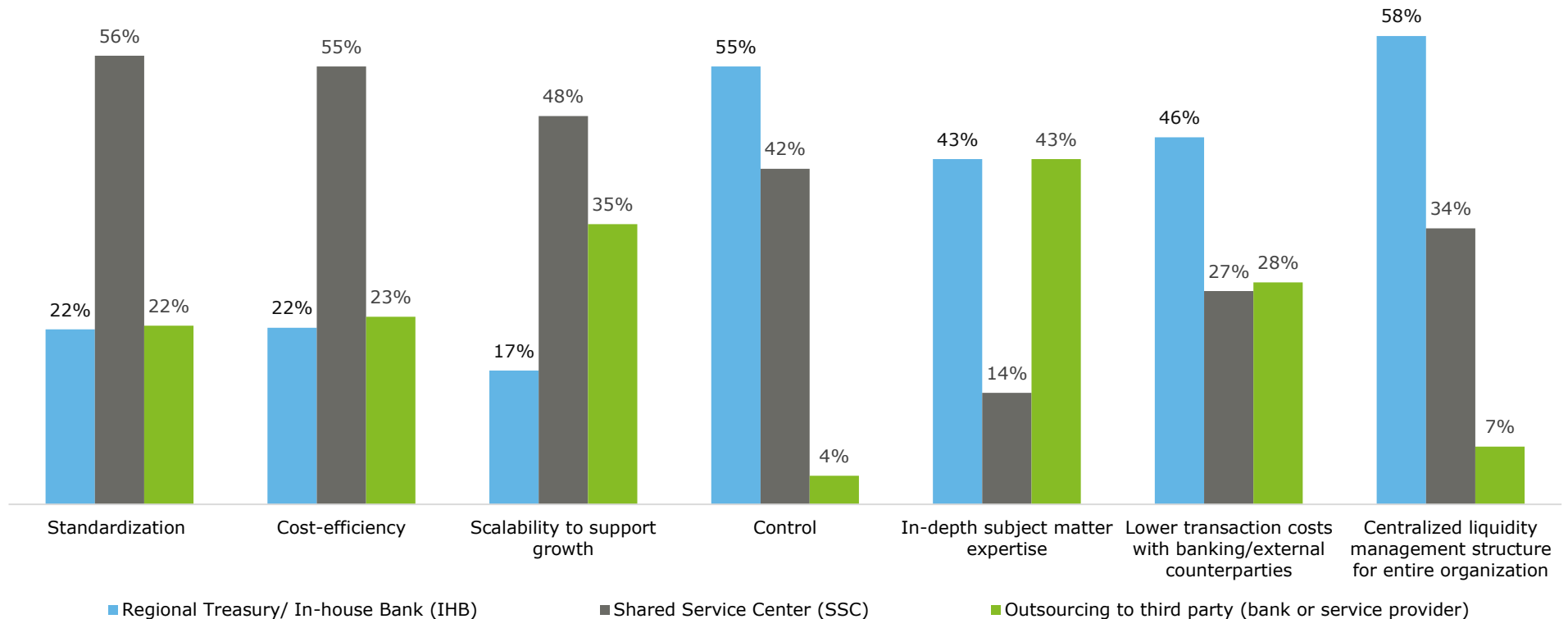
Execution of treasury responsibilities

Many respondents indicated that, while execution of key risk functions will take place in Corporate Treasury over the next 2-3 years, corporations are choosing to manage cash and operations through other channels including both internal and external managed service solutions.



Perceived advantages of execution models outside HQ Treasury

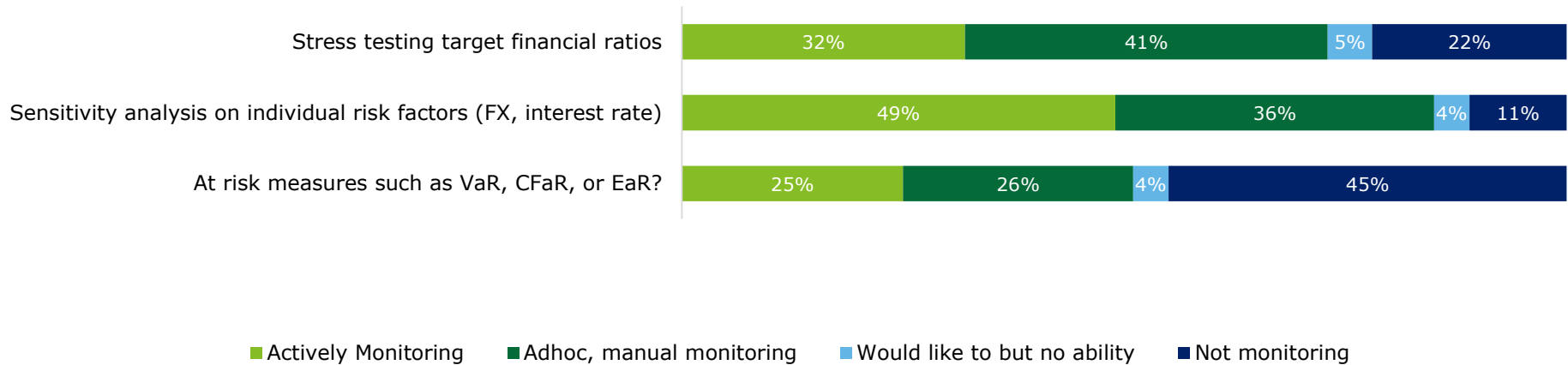
Over 70% of respondents indicated they see value in execution models outside central treasury. Treasurers are taking advantage of the control & liquidity centralisation benefits of regional Treasury functions and the expertise & scalability for growth delivered by third party providers. Both cost efficiency and standardization benefits are identified in shared service centers, providing for a satisfactory compromise for many.



Risk monitoring

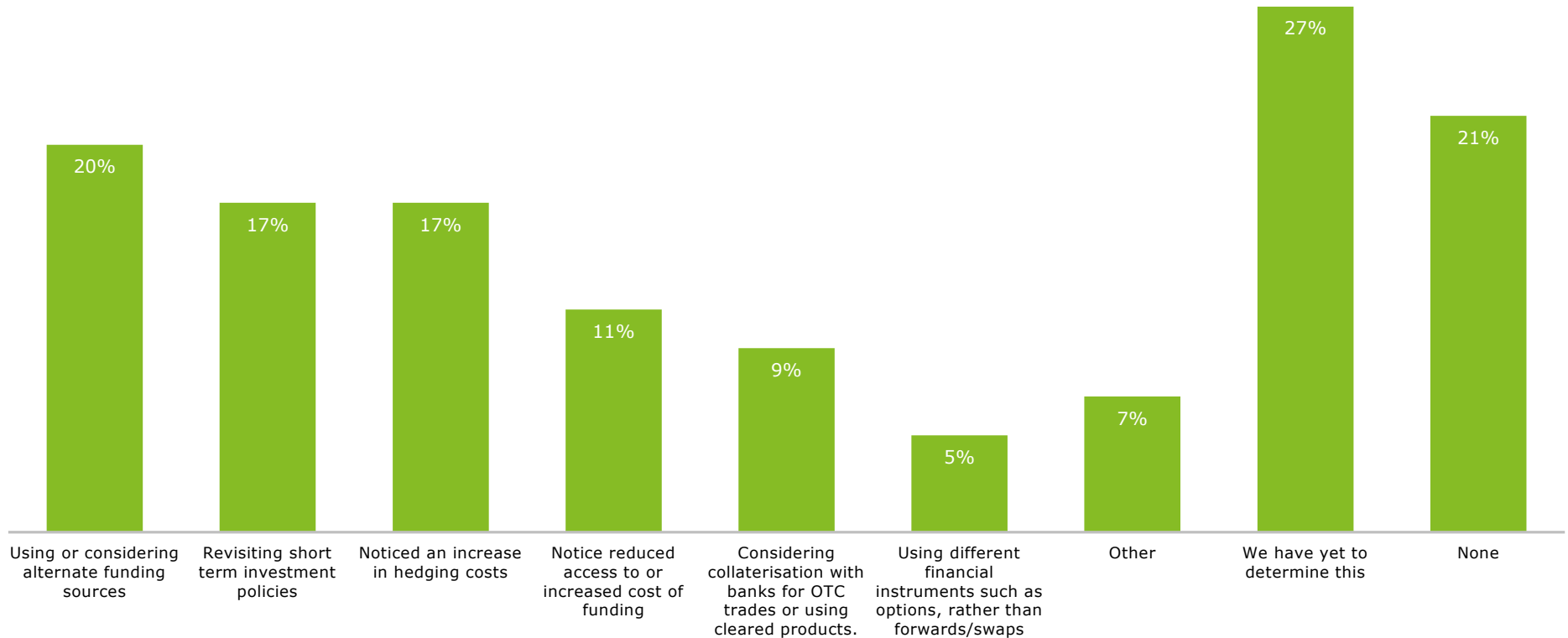
Surprisingly, 75% of respondents are not actively monitoring key risks using 'at risk' measures, and fewer than 50% actively undertake sensitivity analysis despite wide availability of systems and models. Given that FX volatility is the major concern for Treasurers, there is significant opportunity for Treasurers to invest in technology to deliver more sophisticated real-time analytics. CFO's and Boards should expect more dialogue in these areas.

Risk analytics



Potential impacts of banking regulatory reforms

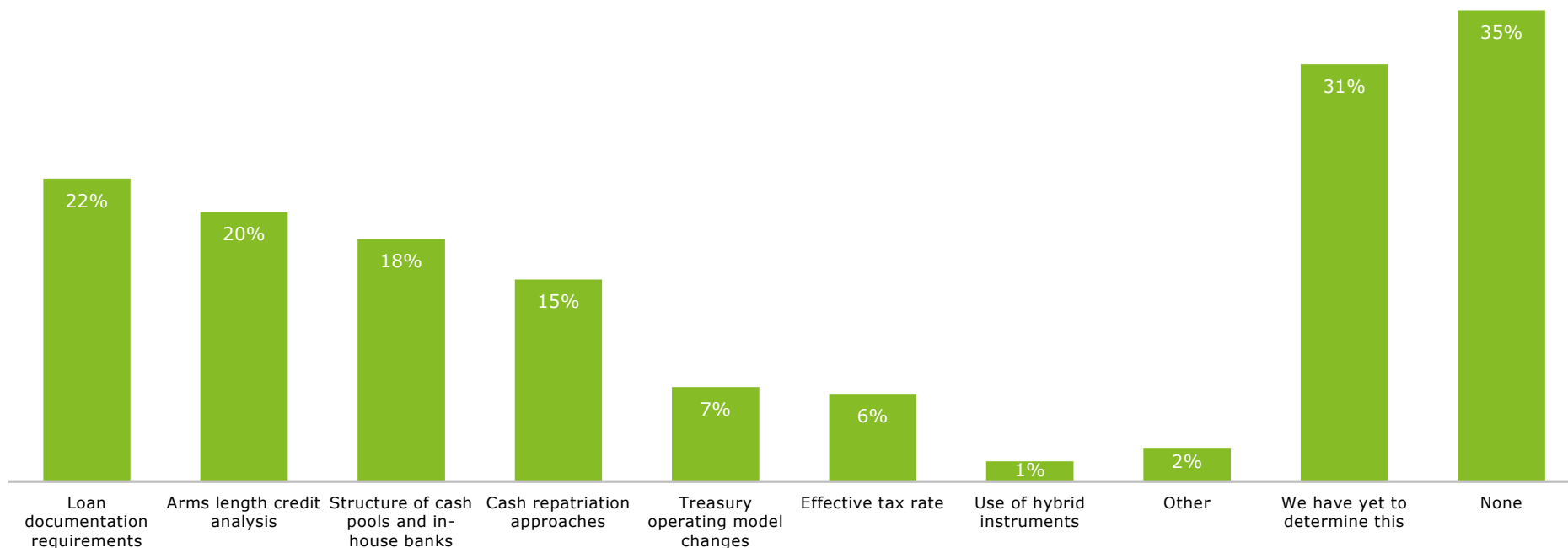
52% of respondents are already seeing an impact on their Treasury due to banking regulatory reforms, including increased funding and hedging costs, higher demand for transactional deposits from banks, and reduced demand and lower pricing for investment deposits. These impacts are resulting in Treasurers considering alternative solutions including moving towards the use of CSA's (collateralisation with banks for OTC trades) and seeking out alternate funding sources.



* Multiple selections possible

Potential operating model impacts of tax reforms

When considering the impacts of BEPS and IRC s.385 tax reforms, a high proportion of respondents indicated they have not yet determined possible impacts, while others nominated multiple impacts they are already experiencing. Given the potential for significant and far reaching effects across a global corporation, Treasury should be actively engaging with their tax team.



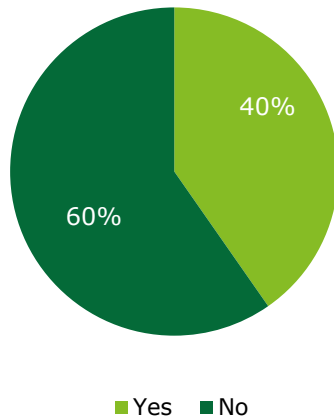
* Multiple selections possible

Payment and cyber fraud

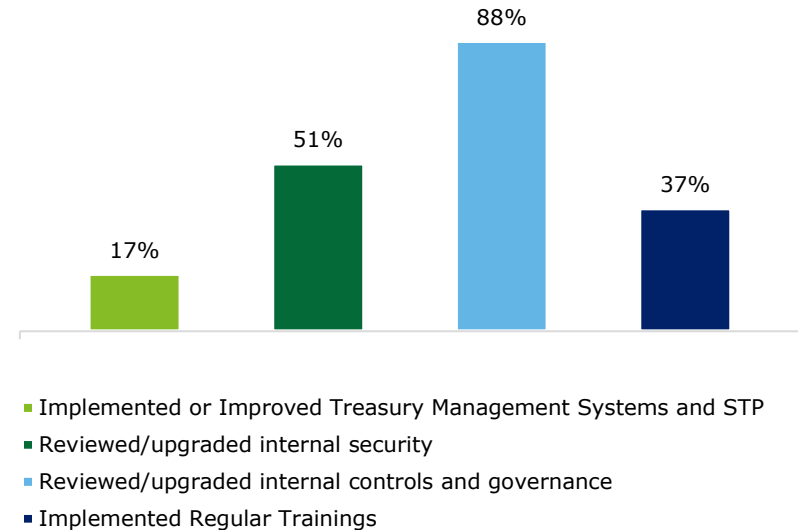
40% of participating companies indicated that their Treasury team has been recently affected by fraud, with most indicating that more than one remedial program has been required to stem the issue. The results do not include known attempts at committing fraud.

Leading companies are leveraging detective controls in addition to implementing preventative technology enabled controls to reduce their risk.

Has your company been affected by fraud?



How have you responded?

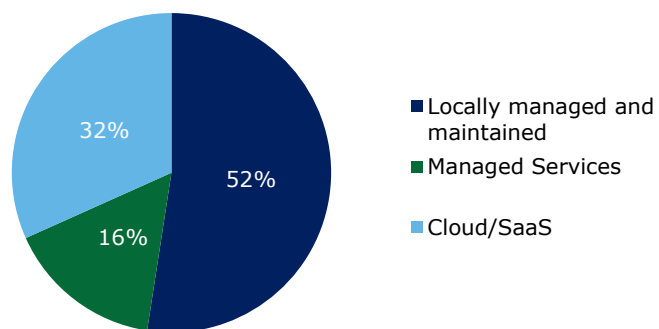


* Multiple selections possible

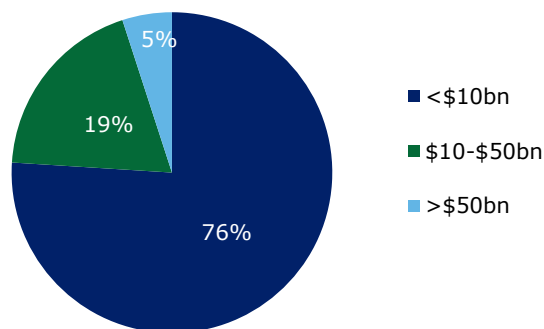
Treasury technology – overview

While investment in Treasury Management Systems (TMS) has increased, over 20% of each functional area is still being managed in spreadsheets, leaving the company open to both operational and fraud risks. Of the companies using a TMS, implementation of cloud and managed services solutions has increased to nearly 50% – a trend expected to increase as vendors transition to cloud only offerings and treasury teams seek to shift the burden of IT support to vendors.

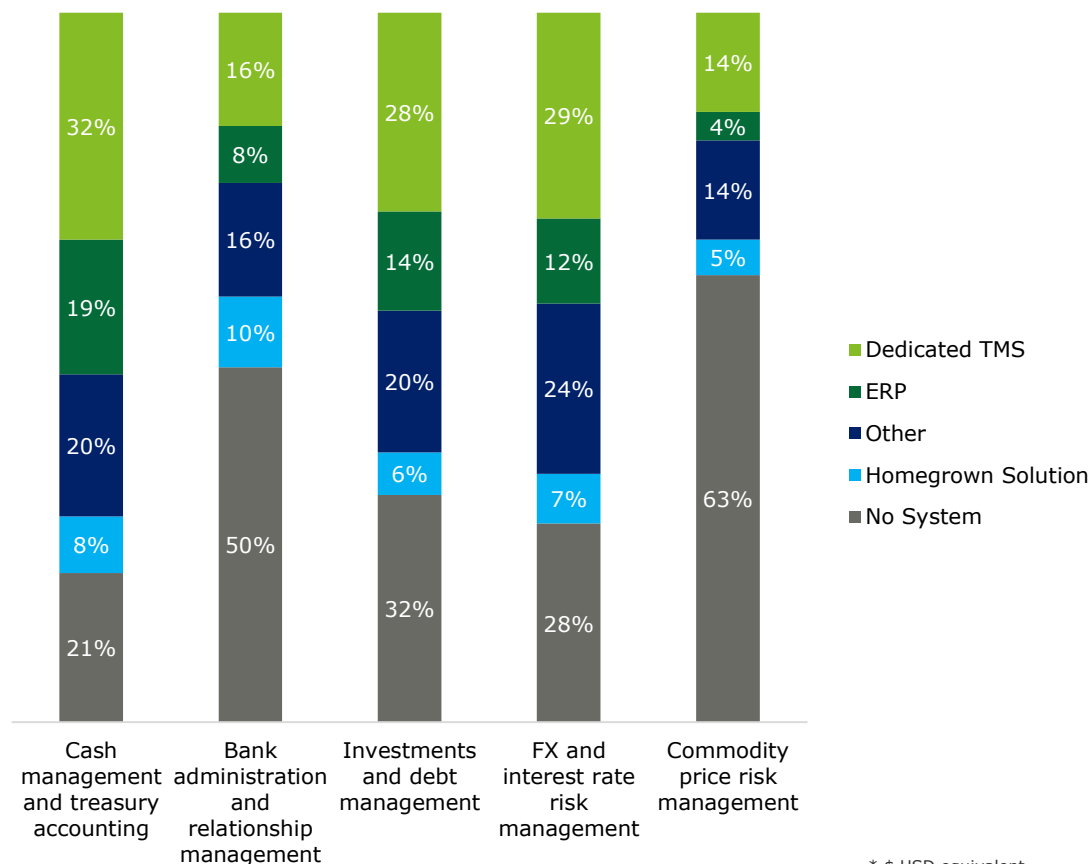
TMS deployment model



Locally managed systems (by revenue)



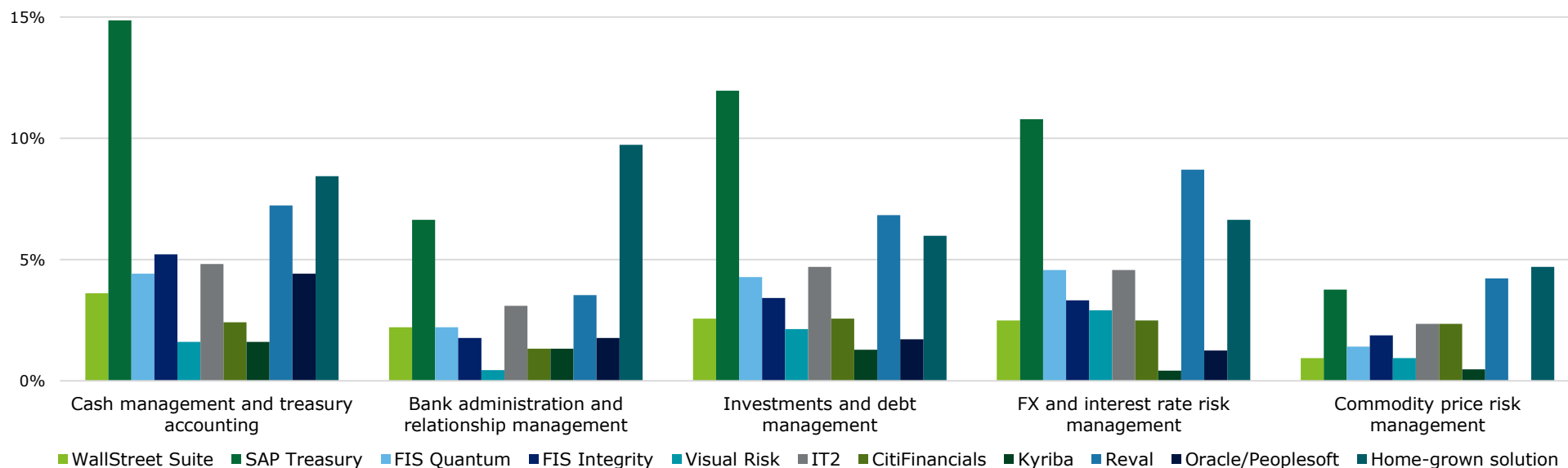
Functional usage by system type



* \$ USD equivalent

Treasury technology – TMS functional usage

Treasury teams are seeking to leverage maximum functionality of their TMS, implementing cash management, investment and debt management, and FX capabilities where possible, and many solutions are integrated with trading and bank portals, confirmation platforms, and custom reporting tools.



Other systems in use include bank systems, Bellin TM5, CGI Twin, Globe\$, Openlink and XRT for cash and bank account management, Aladdin, CGI Twin and Clearwater for debt and investment management, 360T, Bellin TM5, Bloomberg and CGI Twin for FX and IR management, and Allegro, ATAQ, Bellin TM5 and Calypso for commodity price risk management.

Despite the increasing trend of treasury transformation and deployment of TMS, many systems are supported or augmented with the use of homegrown solutions which may pose greater cyber and operational risks.

Treasury technology – system use by company revenue

When viewed by company revenue size, TMS usage varies based on complexity of system – smaller and mid-size companies are more likely to deploy off the shelf systems whereas the larger corporations are using a mix of complex commercial and custom built internal systems.

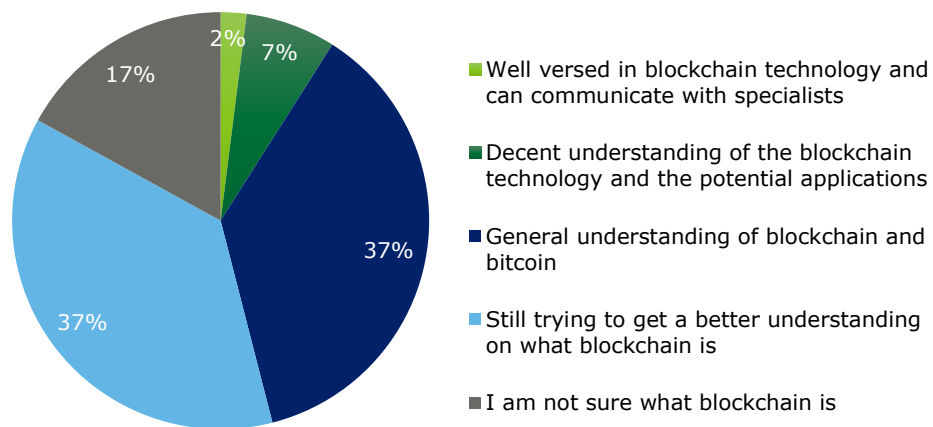


Blockchain

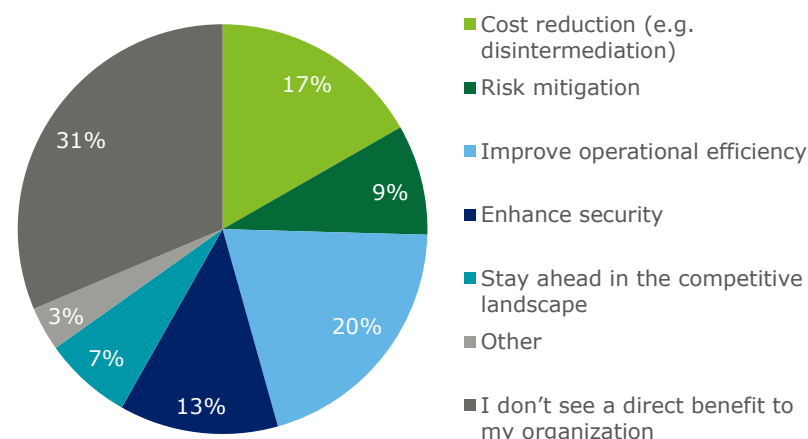
Most Treasurers are still firmly in the education phase when it comes to understanding Blockchain and how it will work for them. This need for a better understanding is reflected in the large number of recipients that 'don't see a benefit' to their organisation - Treasury is a function that can immediately benefit from Blockchain technology.

It is encouraging to see that respondents who do see a value recognise cost reduction, operational efficiency and security as being high on the list of potential benefits. Risk mitigation is another potential benefit, however the lower recognition could be due to the need for further education on the topic.

Blockchain understanding



Blockchain Benefits



* Multiple selections possible

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