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Day 1

Wednesday 12 October 2016

Gamechangers: Identifying the tipping points

Ramez Naam, Computer Scientist, Entrepreneur & Award wining author

Is the future really now and what do I do about it?

In treasury and financial services, technology is revolutionising payments, ID authentication, security, trading and more. Technology is leapfrogging beyond science fiction, with some new capabilities, from extremely reliable self-driving vehicles and deliveries by drone, to 3D printing making complex, custom products far cheaper to create. One of the downsides is technology security. Bank robbers robbed banks because money used to be kept in banks. Now it's kept digitally and hackers want to access it. Every company will be a software company.

The award: Treasury at the Tipping Point

With its unique working practices, innovation-focused culture and use of FinTech, Spotify was announced winner of the EuroFinance International treasury Award for Excellence. Spotify treasury uses the Cloud. Instead of sending out RFP questions, Spotify invited several banks to spend half a day with them to engage in a creative discussion. This speeded up the process and was more productive than spending time filling out Q&A forms.

The Key Tipping Points

- **Political risk**

Political risk is the real risk. It needs to be more integrated into people's thinking because it has the most effect on your environment. Brexit is one of four existential threats to Europe. Others are the Euro crisis, the migrant and refugee crisis and geopolitical security. Britain leaving the EU to control its own regulations and laws isn't great news for corporate treasurers. Corporates like regulatory homogeneity, so we don't particularly want the UK to write its own rules! Changing tax codes can be very frustrating. BEPS will be good because everyone will be in the same place. However, countries will implement differently.

- **Socio-economic risk**

The demographic trends of an ageing population in the developed world require higher levels of saving during a period of interest rate decline and wage stagnation. Growing inequality is also driving political dissatisfaction among voters.

- **China risk**

Rapid change in China's economy is a challenge to business in the rest of the world. Treasurers need to avoid trapped cash in China, but they also need to look at other countries where regulatory tightening could happen next, such as Venezuela or Egypt.

- **Oil risk**

There are serious challenges facing OPEC and if oil prices remain low then Iran will have to freeze output levels and Saudi Arabia will have to cut production. For corporate treasurers, it's not just about the low oil price in terms of commodity risk, but also what the oil price means for the economies of oil-producing countries, the implications for currency restrictions, FX and capital repatriation and whether it would lead to unstable fiscal regimes.

- **Credit risk**

Corporates need to look at credit spreads and credit markets. Most importantly they need to look at counterparty credit risk management. Ratings can change in different countries, so you have to think about how a German bank compares to a Swiss bank. This calls for a much more nuanced policy.

- **Banking risk**

There are several main drivers having an impact on banks: digitisation and blockchain, services and support for cross-border, regulation, FinTech investment. The disruptive innovation will impact all primary banking functions and distributed ledger technology could dramatically reshape finance products and processes.

- **The next financial crisis**

There has been a huge expansion in the payments industry, from payment systems, to stored value cards and mobile wallets, but we haven't seen a corresponding increase in settlement systems. We need to develop a payment strategy, identify weak links and model for failure.

- **The Cloud**

We will have a big tipping point in "Cloud platform as a service", which will enable FinTechs to build apps on top of the platform. This could change the way treasury operates in areas such as supply chain finance.

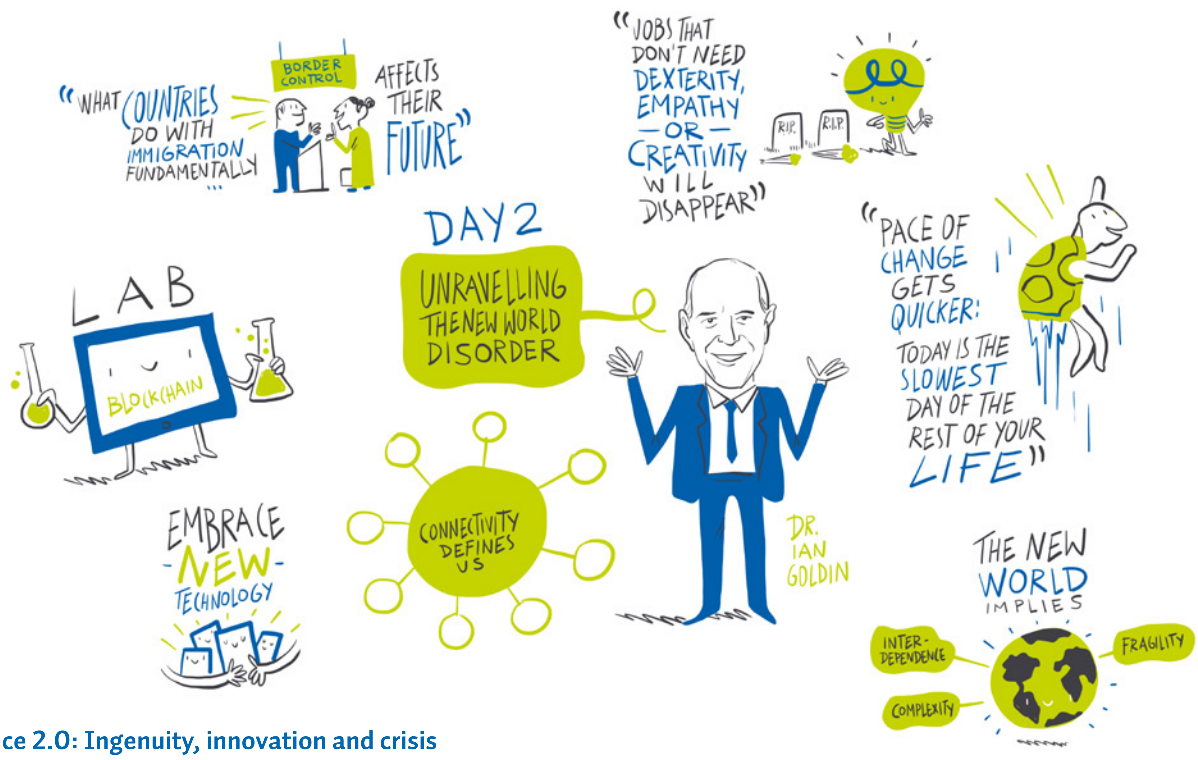
- **Blockchain**

Blockchain has the potential to fundamentally redefine the way we share information, at a platform and foundation level. It will completely change how we communicate and manage risk.

Day 2

Thursday 13 October 2016

Unravelling the new world disorder: Influencing the tipping points



Renaissance 2.0: Ingenuity, innovation and crisis

In the 1980's we witnessed the fall of the Berlin Wall and the discovery of the Internet. With this new connectedness, the engine of innovation changed. Many breakthroughs have followed. Recent changes in demographics, economics and technology tee up a number of emerging risks, including cyber, AI/robotics and climate change. Lessons may help us navigate interdependencies, complexity and fragility: nodes/networks, diversification, governance gaps, mismanagement, short termism, "lean" management, too much data too little judgment. We need cooperation to solve systemic risks in an age of discovery where resilience is required. In China in 1982 there were fewer than 100 doctoral students, now there are more than 300,000.

The world risk report

The 2016 report highlighted involuntary migration and weak response to climate change as likely risks, with risk interconnectivity also a factor. Preparedness for geopolitical and political risks and a holistic approach to risk management is needed. Insurance company expertise can inform policy, mitigate disaster and build resilience.

Risk: The big picture

Terror is weapon of choice. Terrorism, including cyber terrorism, requires sound business continuity plans, robust processes and skilled personnel. In terms of economies, the US is still the strongest, the rest of the developed economies are dysfunctional and emerging are mixed, with China having reduced growth. Companies must focus on funding needs and business supply chains. With regulations, there is a new tax environment and new accounting rules, altered capital markets and Basel III drives new instability; prepare to move swiftly and partner with tax. There is profit shock, substantially higher returns in the last 30 years will not last, they will return to norms, creating a new competitive dynamic and this will be disruptive. With cyber security, the dilemma is that the cost to prevent cybercrime is high while the cost to steal is low. The challenge is to put the pieces together in time because of the increase of the cost of cyber attacks. Business continuity planning and proactivity in flagging risk are keys to not becoming a casualty of change. It has never been more important for tax and treasury to work together, and good treasury housekeeping in terms of documentation and supporting analyses are critical to avoiding grief in the new tax age. An upside to BEPS is that it makes it much more difficult to do tax fiddles these days. IFRS 9 and 16 deserve the attention of treasury. MNCs are growing outside the rich world but a concern is that some are roll-ups or the result of crony capitalism, in which case their power for good and wealth creation is limited.

Day 3

Friday 14 October 2016

Impacts: Dealing with game changers and influencers

Surviving the internet of everything (IoT)

It's estimated that the IoT can enable between $3.9 – $11.1 tn in value by 2025. The bulk of the value that the IoT could potentially create is in the 'factory' setting' (which includes manufacturing, hospitals and farms). Media hype around IoT focuses on the B2C space (in the home, wearables, etc) but that's only 30% of the potential value. Most value is in the B2B space. The IoT will change our approach to maintenance and healthcare, which currently consists of 'keep on using until it breaks/gets ill, then try to fix it'. 'Replace and repair' will shift to 'predict and prevent'. Interoperability is required to unlock 40% of potential IoT value. Barriers to faster IoT adoption include, technology, interoperability, privacy and confidentiality, cybersecurity, regulations, organisation and talent.

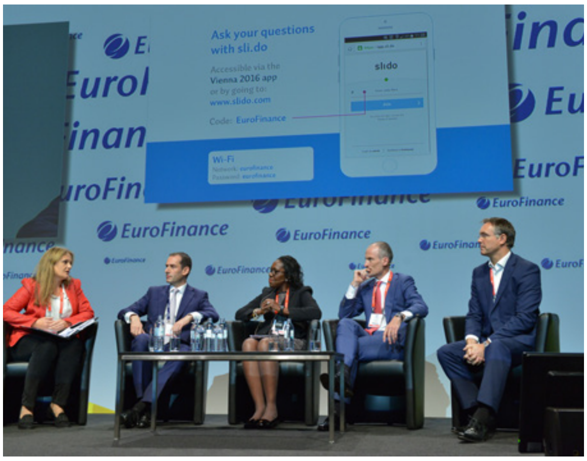
Amish Parashar, Venture Partner & Director, Strategic Business Development, Yamaha Motor Ventures & Laboratory

Innovation is for everyone

Innovation is turning breakthroughs in technology, science and business into useful applications. The pace of innovation is increasing but you need the right environment for innovation. We all have to be an early warning system for the company, to be an early-sensor to what's going on. The temptation is to expand the business close to its core products and strategy, but there should be a focus on exploration of areas far from the current business model.

The future of Europe, the future of the Euro and the future of money

Brexit negotiations may not happen at all. There are no proposals from Brussels on how to solve the situation. This same destructive mindset may disrupt Brexit negotiations. It will be necessary to get rid of the 'Tusk mindset', which will insist on a 'hard Brexit'. The slide of the pound is long overdue and a mixed blessing. Brexit is a mere symptom of deflation in Europe in recent decades, which has increased in the wake of 2008, with the European Central Bank's policy of quantitative easing (QE) and the huge bailouts given to European banks, which ushered in the need for austerity. In the UK, there was a dissonance between the EU and UK monetary policies and this also contributed to the British idea that their economy was stronger than Europe's. The EU is already at an advanced stage of disintegration. UK should trigger Article 50 immediately, so that negotiations can begin and the British public should be able to vote again on the proposal of what Brexit would actually entail. The EU is a little like Hotel California, where "you can check out any time you like, but you can never leave."

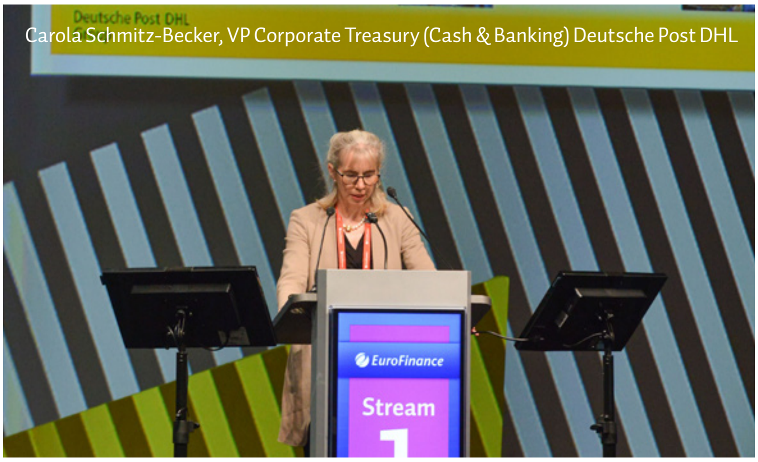


FinTech and you: cutting through the hype

A panel of banks and FinTechs debated how financial services will evolve in the coming years as technologies such as blockchain and innovations created by FinTechs disrupt the current banking status quo. A FinTech company can gain scale faster through collaboration rather than competing on the periphery of banks. Collaboration between banks and FinTechs could benefit both. FinTechs don't have to comply with all the regulations that apply to banks, freeing them to be more innovative. Earthport is seeing trends to making legacy systems more efficient for cross-border payments. C2FO FinTech for working capital seeks to remain nimble, despite considerable funding. The company is also looking into whether blockchain could be used to improve the customer experience in its service.

Stream 1

Practical upgrades for international treasurers: Value creation in the treasury


Carola Schmitz-Becker, VP Corporate Treasury (Cash & Banking) Deutsche Post DHL

Getting the most from centralisation

Deutsche Post DHL group boasts a highly centralised treasury, having implemented a notional pool that includes 27 currencies and has a worldwide liquidity structure implemented with 13 key banking partners.

The benefits of the centralisation appear at local level as margin improvements both below and above EBIT. Treasury recognises the need to offer customers the payment methods they demand. New payment service providers (PSP) offer a lot more than just payments. Deutsche Post DHL treasury manages PSP as they manage their bank partners, from the centre, with standardised global framework agreements, bundling volume to get better pricing and having regular meetings.

From centralisation to scalability and transparency

Circle K is the result of a series of acquisitions and went from being a fuel company to a retailer. The journey towards treasury centralisation included a change of ERP, bank connectivity from EDIFACT to XML and a European cash management tender and implementation. Circle K´s treasury is open to FinTechs, new payment methods, blockchain and reducing number of accounts on their journey towards efficiency.

In the beginning was the payments factory

There are different views on what a payment factory is. For Autoneum, a payment factory means centralisation of payment flows for treasury and accounts payable. Their journey towards a payment factory started with a large number of bank accounts, an outdated TMS (treasury management system) and ERPs with independent versions as well as no standard approach to bank connectivity and manual processing.

The main objectives of having a payment factory were to have full daily cash visibility and transparency worldwide where possible, to reduce number of bank accounts and costs, to use MT940 for treasury for major bank accounts, to have one interface and a standardised process. Benefits were seen in terms of bank connectivity, payments formats and standardisation, risk reduction through the elimination of manual processes and implementation of standard approval processes, focus on core banks and reduction of transaction costs.

Achieving excellence in in-house banking- BAT

British American Tobacco (BAT) started with the goal to integrate the business cohesively into a single model within their financial operating system to fit in with the company's strategic goals.

Their rationale included, automation of standard intercompany invoice payment processing across the group, automatic accounting for cash sweeping, interest allocation and commitment fees, robust process sharply reducing the effort related to monthly reconciliation of intergroup positions, having a global centre of excellence, managing the E2E intercompany invoicing process and master data, improved system based controls and improved capabilities for arm's length pricing.

Achievements made include, reducing the number of banks and bank accounts, centralisation of processes to FSSC where possible, definition of a global banking template, centralised bank connectivity, introduction of in-house bank, standardised payment formatting and payment process and standardised bank statement processing.

Stream 1

Practical upgrades for international treasurers: Value creation in the treasury


Laura Hanninen, Treasury Manager, Sanoma

OBO: Save the hardest part until last

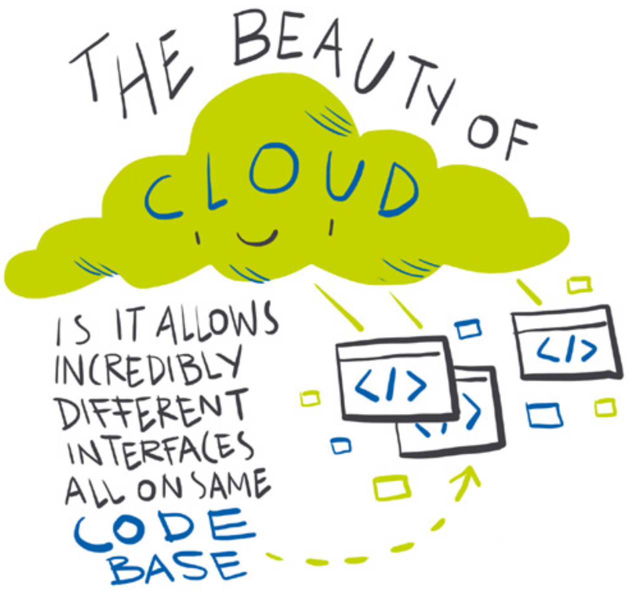
Sanoma has an in-house bank, cash pools and a payments project, going towards COBO. The project involves designing a service agreement, reviewing IT infrastructure, involving subsidiaries, suppliers, banks and a dedicated team. Managing multi-entity cash without the right tools in place is a challenge. The benefit of virtual accounts is that you can route payments that can be recognised as local but without the money being there. If you have a payment factory issuing the payment in the name of the local subsidiary, to the supplier it looks like a local payment and there is no loss of information. When you do OBO, if there is no virtual account, there is a cross border transaction. If you have a virtual account it looks like a local payment but the money doesn't stay there, it goes directly to the HQs account. With one bank account and virtual bank accounts you have full visibility centrally and one bank account only. Invoice matching, intercompany loans, arm length interest rates and thin capitalisation rules become easier and there is multi-bank visibility, optimised control and risk management and enhanced reconciliation.

Global payments and collections in a changing world

At Honeywell, treasury does not manage payments. Treasury's main role is to provide global strategy, access to liquidity, bank relations, trade finance, involvement during acquisitions, due diligence, funding and integration. Liquidity is managed with in-country pooling, cross-border pooling and inter-company loans from an in-house bank located in Belgium. This allows for 100% cash and investments visibility worldwide. Honeywell connects with its banks through SWIFT and has a company-wide Global Disbursement SWIFT (GDS) project. The benefits of GDS include the automation of the disbursement process, immediate payment status update, secure bank communication, reduced risk of fraud and bank interface and working capital improvement.

You can't afford your legacy IT

Porsche treasury decided to go for a cloud solution but they had internal objections to overcome. Some considered upgrading legacy systems a better option. Concerns about data being hosted outside the USA were addressed and now Porsche uses Reval's cloud system for treasury and hedge accounting. The system supports Porsche's Cash Management, loans/deposits, derivatives, internal deal confirmation, web access for group companies, payments (EBICS/Host2Host) and the payment factory. The transition to a cloud based solution means that they can now be highly responsive to changing market and regulatory requirements, there is enterprise level security and integration and the systems provide global visibility and connectivity with a single version platform using True Web Technologies. This is completely scalable, secure and reliable.



A centralised centre of excellence

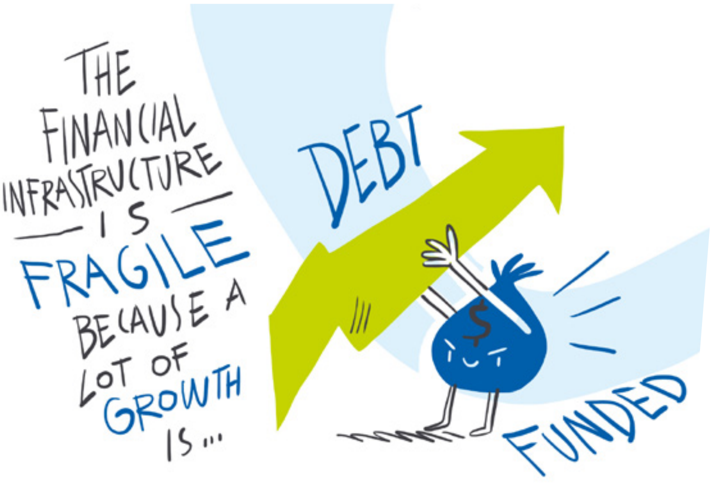
76% of the world's transaction revenue touches a SAP system. SAP has a centralised approach in place. Financial management within SAP Group is defined as a value-creating service function which deals with financial decisions related to financial risk management, cash and financial asset management, as well as financing, bank relationship management and debt investor relations.

The most important goal on FX management is reduction of P+L volatility. Positions per currency are net off and the remaining exposures with core banks are hedged.

From 2001 to 2011 SAP setup global shared service centres in Prague, Singapore and Buenos Aires and drove a progressive globalisation of all Finance functions, going from country orientation to functional orientation. The benefits are the CFO's released from (operational) responsibility, allowing them to focus on their business partnering and stewardship roles, increased process quality ("operational excellence") through standardisation and shared services, load balancing between countries, in particular around month end, cost efficiencies through labour arbitrage in the short term and further synergies in the mid-term, limited loss of knowledge, reduced ramp up effort through leverage of existing resources and global use of innovative solutions.

Stream 2

Treasury tear downs



Calling the credit cycle: changing funding patterns

Bloomberg data highlighted trends in interest rates, net flows into high yield funds, high yield issuances, yield compression and 5 year CDS rates for banks help to define the landscape for corporate funding options. Funding options include increasing issuance of bonds versus bank loans, increasing issuance of green bonds, increasing creativity required by mid-tier corporates and including private placements. FrieslandCampina shared their journey and learnings from its choice of a Green Schuldschein issue. Nyrstar shared its experiences in selecting several funding options over the past few years

FX markets at the tipping point

Two thirds of trades are now done by non-bank dealers and banks are cutting back on their FX services. Only a handful of banks now provide a full range of FX trade services and only the biggest provide good prices. It's a tough time for bank dealers and multi-dealer platforms such as FXall are slashing into bank profits. Corporates have more choice and they are forced to widen their sources of liquidity. Electronic platforms are disruptive with non-bank providers emerging, the overall profitability has changed, prices are better, but liquidity is not always there. Transparency may trigger unbundling. However, bank relationships remain important.

The three keys to managing volatile cash

The three keys for managing volatile cash are free cash flow, funding and holistic risk management. With regards to cash flow, the main focus is on keeping accounts payable (AP) and accounts receivable (AR) moving smoothly. A key measure is day's sales outstanding (DSO) and there is a need to focus on over-dues.

Fraud prevention and detection: getting to grips with it all

It takes on average 270 days for a company to detect a fraud and a further 105 days to get to the root cause of it. The typical fraudster is male, middle-aged and works in finance and most frauds are petty, for small amounts that go under the radar. An audience poll suggested that 80% of people listening to the session thought that external fraud was the biggest threat to their company. However, data shows that insider fraud is also a significant risk. The typical fraud often involves multiple transactions. You need to be vigilant with payment arrangements and who has access to payments folders. It takes about a year to detect and investigate fraud. Ideally we need to detect and investigate before the event.

BPO: The future of supply chain finance or obsolete before take-off?

Al Sayer Group located in Kuwait shared its pathway to successfully implementing its on-going use of BPO with a key supplier, thus eliminating the use of letters of credit. For many reasons, it was a long and tough task, but the on-going benefits of cost savings and efficiencies, far outweigh the effort involved. A trusted bank partner that also trusts its client is a key requirement for success.

Changing times for cash: money market funds, Brexit and more

IMMFA, the trade association for MMF's (money market funds) in Europe, shared insights on the changes that Basel III, Brexit and MMF reform are causing. Comprehensive reviews of the basics relating to MMFs in Europe, the legislative process involving the European Commission, European Parliament and the Council of Ministers and the timetable for reform measures provided comfort that MMFs are in good shape and well placed for future Brexit impacts and that the money market regulatory changes are nearing the end.

Stream 3

The collaborative, strategic treasury

Managing the evolving global risk landscape

Economic growth is the main concern of corporate treasurers, followed by regulatory risk, low interest rates and technological changes. Corporate treasurers are taking extra time to deal with risks from macro economic developments. The fallout from Brexit is more a concern for the mid-term. Low interest rates are triggering policy changes and modifications in investment strategies to increase cash. Most corporate treasurers expect their regulatory compliance workload to increase, for example due to tighter KYC requirements when opening bank accounts. Technology changes are generally more likely to be adopted by treasurers when innovations are mature, which means that FinTech penetrations of treasury functions remains low.

From digital wrap to digital core

Use of technology can help streamline internal processes, saving significant cost. Technology can also significantly reduce the number of bank accounts a corporate maintains, with subsidiaries operating in a bank-less environment. The focus should be on creating shareholder value through working capital efficiency.

Creating shareholder value through working capital efficiency

Today many firms are approaching working capital efficiency from a more strategic perspective, creating global, centralised, programs supported by senior management with regional and cross-departmental KPIs and involvement. Shared services drive centralisation and deliver cost savings. Treasurers are focusing on cash. Profit is fine, but not if you don't have cash.

Treasury and the company's goals

Most corporate boards acknowledge the strategic value of treasury. Treasury must become a true business partner to the wider organisation by contributing to company goals. Scania CV AB advise that you ensure your cash pool remains positive and works for you.

Working capital 2.0: Enterprise-wide, driven by treasury

Working capital is a great opportunity for treasury as more data and solutions become available. In order for treasury to drive working capital, treasury must be trusted by the organisation. Treasury needs an end-to-end view of working capital.

Keeping compliance in check

Compliance is extremely important, but takes a significant amount of a treasurer's time. Deeper cooperation between banks and corporates can help create a more standardised approach to compliance. Corporates prefer to provide standardised documentation to banks, take off the logos and accept more generic formats.

The role of cash and liquidity management in M&A

Involvement in pre-close activity is very important although it doesn't always happen and treasury isn't always included. It is imperative that treasury take a seat at this table. The term 'In House Cash Centre', rather than 'In House Bank', could convey a culture of cash to the organisation.

Commodity risk: Treasury verses procurement II

Risk managers should be called strategic exposure managers. The days of just doing a credit check are gone. Prepare yourself to collaborate closely with your supply chain finance team. Both teams bring skills to the table to best manage commodity risk.

Stream 4 | Shape the dialogue on trending topics

China: The myth, the hype, the reality

The IMF launched its new Special Drawing Right (SDR) basket including the Renminbi as the fifth currency, along with the U.S. Dollar, the Euro, Japanese Yen, and the British Pound. The expansion of the SDR basket is an important and historic milestone for the SDR, the Fund, China and the international monetary system. It is a significant change for the Fund, because it is the first time since the adoption of the Euro that a currency is added to the basket. The Renminbi's inclusion reflects the progress made in reforming China's monetary, foreign exchange, and financial systems and acknowledges the advances made in liberalising and improving the infrastructure of its financial markets.

Time for a fundamental rethink on cash

Corporate cash deposits at banks have never been higher, despite Basel III . The assumption is that cash depositors would segment their cash across a range of investment vehicles due to low and negative yields.

Cyber insecurity: A workshop

Cyber risk is a top priority to the C-suite. Treasury can test and strengthen its incident response and decision making skills.

Leveraging procurement: holistic management

Procurement has a direct impact on working capital and liquidity management. There needs to be good alignment and cooperation between procurement and treasury and multi-disciplinary teams involving treasury, procurement, tax and legal.

Stream 5 | Cash is (still) king

The changing landscape of liquidity

There are huge liquidity challenges treasurers are facing, including harsh credit markets and low interest rates caused by quantitative easing, making it difficult to hold cash. The growth of corporate cash levels is slowing and treasury is now at a crossroads, with a choice of managing counterparty risk, reinvesting cash, keeping cash reserves or returning value to shareholders.

Globally companies are holding record levels of cash, but where to place these liquid assets is a real challenge in the current negative interest rate regime. Basel III fundamentally changes bank balance sheet management and while operating cash balances remains relatively attractive, investable cash excess hits the bank liquidity ratios. Despite these challenges, the relative priorities of safety, liquidity and yield remain in that order.

Unilever had in 2015, decided to maintain their existing cash structure, but were then hit with an enforced change of provider in Europe, when their incumbent provider exited most markets. Despite this, Unilever has maintained a consistent approach to their liquidity and accept that low rates of return are a fact of life. Their efforts focus on benchmarking, and remaining agile. They test their approach, measure, review the results and are prepared to revise if the approach is not deemed a success. The new norm is agility, not a rigid new approach to liquidity.

Managing liquidity in challenging markets

This session focussed on creating an efficient liquidity structure in Russia, although the challenges and lessons learnt are consistent with other 'challenging markets'. Adidas have the benefit of a single instance SAP which gives good visibility of cash from Adidas AG in Germany. They operate a notional pooling structure with header accounts in the name of Adidas AG. Defining an effective account structure, recognising the different treatment of resident versus non-resident accounts was key. Throughout the deployment, a critical success factor was communication with the operating entities in Russia, head office in Germany, and their banking partner. They also required an efficient payments and collections process to help create predictability in flows across the accounts. In parallel with the liquidity structure, Adidas have implemented eBAM for accounts in the 26 currencies managed centrally, resulting in operational savings of €2 million per annum.

Global notional cash pooling – dead or alive?

The two primary regulatory challenges to notional pooling are Basel III and Regulation 385. The latter ruling is currently under scrutiny and it is hoped that short-term loans may be exempt. This issue, although important for banks and corporate treasurers, is seen as a minor issue by the regulators. The latter ruling is currently under scrutiny and it is hoped that short term loans may be exempt. An update on Basel III concluded that the focus is now on implementation of leverage ratio and net stable funding.

Notional Pooling has one name but many different approaches, whereas Physical Pooling has many names but one solution. And in one respect at least, Notional Pooling (where offset at all times) is superior to Physical (end of day offset only). Less banks are likely to offer notional pooling in the future. Audience polling showed that most participants see Notional Pooling as 'down but not out'.

Managing the multi-banking environment

Wyndham Worldwide manages treasury in a multibanking environment using SWIFT, managing bank signatories for the company's huge number of banking relationships, as well as managing FX deals with multiple banks.

Stream 5 | Cash is (still) king

Undertaking a cash management transformation

GE has undertaken a cash transformation initiative to have strong governance, contemporary processes and technology to enable control and efficiency. GE is moving to a centralised enterprise payments infrastructure, with high levels of automation and controls such as AML. The target is to centralise the top 20% of the number of payment transactions representing 80% of the value as well as reducing the number of banking relationships.

It was agreed that the traditional approach of a detailed RFP was not appropriate given the scale and geographic reach of the requirements. Instead GE has laid out their objectives and expectations, and will select banks on their ability to respond and commit The approach is one of tenacity, a focus on fixing numerous small failures, such as inconsistent message data, closing dormant accounts, defining the big picture with setting objectives and then working collaboratively with their banking partners on agreeing the optimal solution.

Managing the complexity of bank accounts: a compliance angle

Akzo Nobel operate regional treasury hubs, running an in-house cash solution through centralised SAP and where possible use a POBO/COBO structure. Akzo Nobel calculated that there are over 50,000 separate documents and accounting for staff turnover and other changes, with around 10,000 changes per annum required. At 15 minutes per document, this was costing 150 man days per year in routine maintenance. Akzo Nobel has implemented Lebam, a centralised database for all bank account information including legal entity information. They have not yet migrated to eBAM (since only 23 banks offer eBAM support) but their central database is ready to support eBAM integration at the appropriate time.

Gregory Reddy, European Treasurer, Avery Dennison Corporation

The continued forecasting challenge

In 2007 Avery Dennison had to finance an acquisition, and with the commercial paper markets drying up during the financial crisis, the company moved from a focus on P&L to prioritising cash flow. During this phase, cash forecasts were derived by rebuilding the balance sheet from forecasted P&L. This was relatively cumbersome, required accounting expertise and business units often altered the excel data sheets making consolidation difficult. A more substantive change occurred in 2010 when the CFO made the business units responsible for creation of the cash forecast data and made free cash flow a key management and performance metric. The role of treasury was transformed to supporting the business. Key lessons were to focus on actual cash and track all accounts in the central treasury system, assist the business in generating accurate numbers and interpreting data.

Treasury now and in the future: a report

This session announced the launch of "Journeys to Treasury", a joint initiative between EACT, BNP Paribas, PwC and SAP, that explores the key topics of treasury transformation. The study is a thought leadership initiative whose aim is to help finance professionals resolve the intricate puzzle that constitutes the treasury of today and tomorrow. The group undertook a collaborative analysis with leading providers and practitioners on three key themes: Continued Innovation (FinTechs, blockchain and big data), Anytime Anywhere treasury (24/7 and mobile, real-time payment), Cybercrime and Fraud. The initiative's aim is to help treasurers sort out what should be on their technology radar and what are the real benefits for the treasury. Although technologies are shaking up the industry, one of the main messages was that, until we have a system that provides trust, then we still need banks.

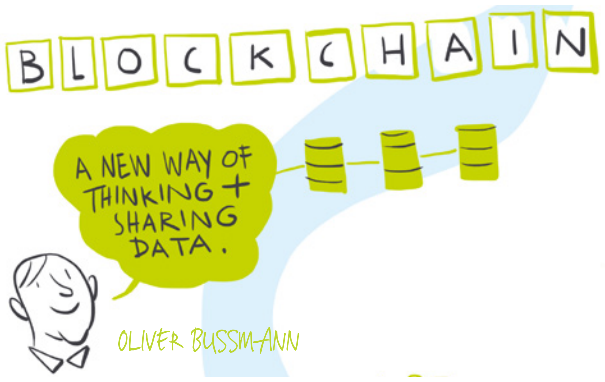
Stream 6 | Workshops

The global tax reset and its impact on treasury

The OECD's base erosion and profit shifting (BEPS) refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. There have been several high profile multinationals brought to light in recent times by the European Commission for their redirected profits from UK operations to Ireland to take advantage of a lower Irish business tax rate. Tax authorities are looking at treasury reality and calling firms to task with large back-dated tax bills.

Time for a TMS rethink?

The degree of customisation possible on Cloud-based applications was a point of interest to the panel who further debated whether Cloud was the only way forward for TMSs, although the degree of customisation is currently limited for treasury. The benefits of the Cloud include mitigating the risk of using a single system and enabling quick system upgrades. A TMS upgrade shouldn't be a multi-day, multi-week/month event. The beauty of the Cloud is it allows incredibly different functionality/interfaces all on the same code base.



Top technology picks for treasury

Two years ago, the cloud was not a topic that any of the medium or large enterprises wanted to talk about, but because of sustained cost pressures and proven efficiencies, this resistance had given way to excitement and today most vendors are expected to offer cloud based solutions. Multi-tenant cloud offerings are the way to go as they offer scale, higher level of security and the ability to offer enhanced services over a large customer footprint.

The next logical step of migration to cloud based platforms is for corporates of all sizes being able to exploit large volumes of unstructured and structured data using big data analytics and thus create efficiencies and offer new and innovative services. Blockchain is going to allow companies to share information in a trusted manner and thus gain efficiencies otherwise not possible. For treasury, this means massive improvements in trade finance, supply chain management, inventory management and cash flow management.

Blockchain for dummies: a short primer

The PwC point of view on Blockchain is a result of hundreds of conversations with senior executives, startup founders, open source specialists and cryptographers. Learning about distributed ledger architectures and developing scenarios for the potential for these architectures to optimise entire value chains, either via same industry consortia or via ecosystem, or across industry, within existing value chain solutions. Blockchain creates a new medium for money. It solves the problem of how to send money digitally without intermediaries. There are 5 roles in a blockchain network : operator of the network, issuer of assets , custody of assets, creator of Financial Services products, observer of the network (as a regulator).

Now for the real world: how blockchain is transforming finance for treasury

Blockchain's reaching its potential and the initiatives that have made progress in developing uses for distributed ledger technology, include Hyperledger and the R3 consortium. There would be problems with standardising data and the reliability of third-party data. IBM is looking at blockchain and is developing it in an open-source environment, under Linux and Hyperledger. The aim is to build a cross-industry standard for blockchain. Fundamental change is afoot and treasurers should engage, experiment and embrace the change.

Making sense of the payment ecosystem

Priority in developments in payments should lie in driving forward new payment services. Corporates are concerned with speed, reach, data, end-to-end delivery and reliability in their payments. Speed might not be the ultimate payments goal, as most corporates don't need round-the-clock payments and don't need transactions to be any faster than 15 seconds. How we think about payments processing is changing.The industry is now viewing the process in three segments: pre-, peri- and post-payment.

Payments in disruption

FinTechs have identified unfulfilled customer needs and simplified complexities and efficiencies in international payments. They started off helping SMEs and are now helping multinationals.

Who is disrupting the supply chain? Understanding the architecture

Supply Chain Finance is no longer just for the higher credit rated "top" corporates. It is being used by mid-size buyers as well (widening of the users of SCF). Technology solutions (from FinTechs) are enabling mass on-boarding of small suppliers (deepening of the supplier base). More buyers are using a "hybrid" SCF solution, Standard SCF and small supplier early payments (enabled via innovative SCF vendors). Dynamic discounting is not bringing the win-win as SCF does, but is lighter to implement. Banks are working hard to make their platforms more sophisticated. Alternative funders, like asset managers, pension fund, insurers and others are taking over from the traditional bank funders.

FX in action

Kantox takes much of the guess work out of FX risk management and execution, primarily for SMEs which do not enjoy the level of service provided by banks to larger corporates. Kantox provides a platform for FX spot and forward transactions and international payments that automates much of the process while providing price transparency SMEs typically don't enjoy.

TouchFX gives corporates and investors transparency in markets. In FX there is not just one market place like in equities where transparency has existed for a while; FX should get to that point. Unlike asset managers who have a fiduciary responsibility to ensure best price, corporates don't but they still want and need best execution. TouchFX shows the interbank rate and corporates can benchmark their trades against that.

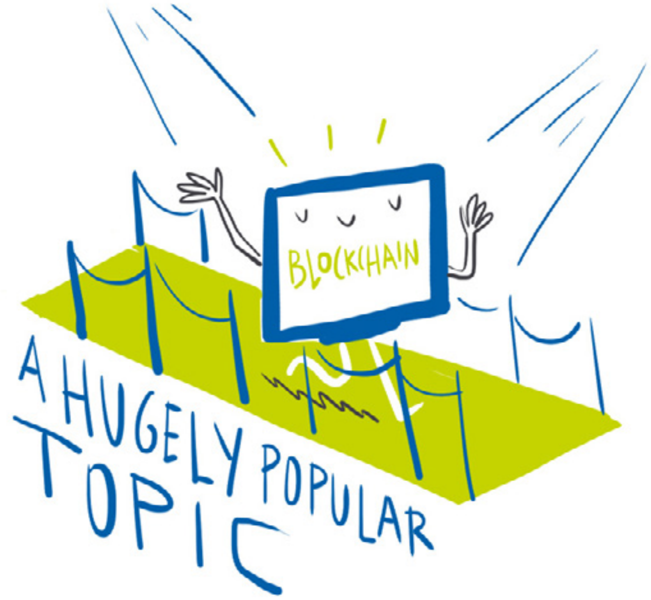
Adoption of this kind of FinTech may contribute to some tense treasury wallet discussion with banks, as well as toward the product and service "unbundling" trend resulting from the new normal in bank relationships and the rise of third-party FinTech solutions.

When push comes to shove: banking at a very clear tipping point

Banks are at a tipping point working hard to provide their customers with a good digital experience by investing in their own in-house incubators and partnering with and acquiring FinTechs.

The bank response: partners, competitors and plans

Do banks have a sustainable model, compared to the FinTechs, which are low on capital but are less regulated too? Banks will partner with FinTechs and will leverage the new solutions created by APIs. They are the ones who understand clients' needs, say the banks. FinTechs say they are already attracting large clients and are enabling corporate customers to spread their business over a greater number of banks.



Why blockchain matters for the future of banks

Distributed ledger technology is used in improving trade finance and supply chain efficiencies. The industry boundaries could be redrawn as a result of sharing information across enterprise boundaries in a trusted manner. Blockchain can assist in creating more resilient infrastructure, eliminating reconciliation in a lot of places and reducing the cost of auditing and controls inside the enterprise. We are now entering the third phase of distributed ledger growth where the discussion is no longer about cypherpunks, bitcoin or banks, but about supply chains, business models and brick and mortar industry players.

A new global payments infrastructure

SWIFT is embracing new technologies and it is currently experimenting with blockchain. There is the need for authentication and verification of financial transactions and counterparties, even in a peer-to-peer world, so it's unlikely that blockchain will put SWIFT out of a job. Tracking and reconciliation of invoices is key, two functions already enabled by the Global Payments Innovation (GPI) initiative. Ripple's cryptographic model doesn't need tracking or messaging. They've leapfroged some of the problems that exist today. The ING view is that blockchain or Ripple will not replace current payments infrastructure but add value. The world is moving towards real-time and people will get used to 24/7, real-time. Corporates just need easier, cheaper and more transparent payments, but it will change the infrastructure and how we do business. Blockchain could be used in transferring data from bank to bank in the KYC process.

Making blockchain real for business

The Hyperledger Fabric is a cross-industry permissioned and scalable blockchain platform aimed at business use. It is open source and based on standards, runs user-defined smart contracts (chaincode), supports strong security and identity features and uses a modular architecture with pluggable consensus protocols. IBM is a founding member of the Hyperledger project and contributing code and patents to the open source community while offering Hyperledger in its product portfolio, for example as a managed or cloud service. The outcome is a significant reduction in number of disputes, dispute cycle time and improvement in productive use of working capital.

Bringing blockchain to life

- The first bank blockchain trade finance transaction took place using the Wave platform
- Deutsche bank plan to bring out their distributed ledger enabled bank platform in around eighteen months.
- The Tradle platform on the other hand, could be deployed and used for both entity and individual KYC internally but also as a shared utility eventually.
- Tallysticks described the current pain points with invoicing across several industries and how automating invoicing and invoice processing on distributed ledger technology could take out much cost, risk and inefficiency out of the treasury workflow.
- Fluent's platform is going to eliminate and integrate information siloes and eliminate reconciliation between invoices, payments, letter of credit and goods tracking to free up working capital and cash.

Addressing the privacy and security concerns and other limitations

Ethereum think there is still little understanding in the actual workings of a blockchain and a fear to ask fundamental questions so as to not be seen as less knowledgeable. The main theme is to be a consortium chain, which can be good if applied properly, but end up a slow database when done wrong. The finance sector needs more understanding in the ecosystem and who the players are in the space. They should start their own research groups to gain more knowledge in the field.

Treasury Talks

Exposure to commodities?

Commodity risk is an issue not just for manufacturers, but any business exposed to raw materials along any point in the supply chain. Traditionally commodity risk has been managed separately and ineffectively. CFOs are using technology as an enabler to manage commodity risk. Commodity risk over or under hedging can be resolved by considering, the number of contracts needed to be bought to reduce exposure, the effectiveness of your hedging programme and how to allocate hedges to different parts of the business.

IFRS update

Accounting standard IFRS9 replaces IAS39. The package of improvements introduced by IFRS9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The main benefits relate to hedging are, a closer alignment of financial reporting and risk management, aggregated exposures, designated value for a time period and rebalances de-designation. This affects gearing and capital exposure. IFRS9 can be used from 1st January 2018.

Section 385

The Proposed Regulations in April this year could have a profound impact on a range of modern treasury management techniques, including cash pooling, related party transactions, tax inversions. Treasurers are concerned the documentation to comply might be burdensome. It could potentially force companies to reclassify debt into capital. Practically treasurers should look at receivables and payables, short-term inter-company loans, examine and identify cash pools, instances of multi-lateral netting. Look at the existing documentation and assess the potential risks, then explore your options for instance if notional pooling becomes too expensive or if inter-company loans would be better placed as bank debt.

Faster farther: The immediate payments environment and you

Faster payments were a retail driven change which has moved to the corporate world and is impacting, for example, crossborder payments.

More payments competition: PSDII

The progress being made towards the second EU Payments Services Directive, focuses on the role of third-party providers, which will be able to enter into competition with banks in providing payment services to corporates. EU member states officially have until 13 January 2018 to implement the directive into national regulations, but implementation could slip past this deadline. PSD2 is EU law and the European authorities have had notification from UK legislators that they intend to implement PSD2 following Brexit. However, it's not clear that transactions would be able to flow in the same way.

Europe and the UK post-Brexit

The main issue for treasurers post-Brexit is the devaluation of the pound. The other issues are, if there is a hard Brexit, SEPA and PSD2 many not apply to UK transactions. At this stage it is too early to examine the direction of Brexit and treasurers should continue to operate as before.

MIFID2

MIFID2 is set to take effect on 3 January 2018 and affects trading, transaction reporting and client services to IT and HR systems.

The key points to note include:

- Improving transparency - so investors have better visibility of market pricing
- Investor protection - which involves increasing information provided, unbundling of costs and enhanced protection for professional clients
- Execution - more granularity needs to be provided on achieving best execution for clients
- New trading venues and trading obligations - this introduces new thresholds for execution venues

Currency benchmarks in a changing world

Exchange rates can fluctuate considerably, leading to a daily reference rate. The ECB has been setting and publishing its reference rates for the Euro since the currency was launched. Treasurers struggle with negative interest rates on the value of bank deposits. Some Swiss companies were holding cash in current accounts which don't pay interest, to avoid being charged negative rates.

You have a LinkedIn profile: Now what?

Keep your LinkedIn profile optimised and promote yourself through publishing articles and communicating with contacts regularly.

Create your brand and make it powerful. Your LinkedIn profile isn't an online CV or job searching tool, but a professional networking tool. It is your chance to engage with your network and show off your expertise. Be personal and selective when connecting with people. Quality matters over quantity. Ask for recommendations, add your awards and certifications, join and engage in groups.