MARKET STUDY

TRANSFORM YOUR TREASURY

TREASURY RISK MANAGEMENT AND REGULATIONS MARKET STUDY 2016:

TOUGH QUESTIONS FOR TREASURERS

CONTENTS

Introduction

Slow growth and high volatility have been the watchwords of the global economy over the past two years – and far longer in some regions. Central banks and regulators have responded to economic conditions in different ways. While new regulations are intended to protect the financial sector, these often add greater complexity for treasurers, as they plan their liquidity and risk management strategies. Understanding the changing regulatory environment, establishing visibility over current and future exposures, and limiting the impact of volatility as has been central to treasury strategy.

FIS recently conducted a global survey to understand how treasurers approach risk management and regulatory compliance, where they are facing the most considerable challenges, and critical success factors. The results of the survey, which involved more than 100 treasury and finance professionals, form the basis of this study, following similar studies in 2012 and 2015, representing all sizes of company, industries and geographies.

Participant Profile

- **Industry** – all major industries were represented, including 21 percent in manufacturing.
- **Company Size** – Sixty-eight percent of surveyed companies had a turnover above $1 billion. Of these, more than half had a turnover above $5 billion.
- **Headquarters** – the survey included corporations headquartered in all major regions of the world. Forty-two percent were based in North America, 24 percent in Asia (including Australasia) and 20 percent in Europe.

Key Findings

- **Documenting risk parameters.**
  Eighty-one percent of participating companies have a formal risk policy, representing an increase of 15 percent since 2015.
- **Risk management challenges.**
  Managing credit risk (both to commercial and bank counterparties – 56 and 54 percent respectively) market risk (65 percent) and liquidity risk (49 percent), all continue to pose challenges for treasurers, a trend that is consistent with 2015 findings. These are exacerbated by regulatory changes that challenge treasurers' existing treasury and risk management strategies.
- **Effective risk management.**
  Twenty-six percent perceive their risk management approach is very effective. However, this jumps to 43 percent of those using a TMS with risk management capabilities, 69 percent of those using a specialized risk management system that is not integrated with their TMS, and 71 percent of those using a specialized risk management system that is integrated with their TMS.
- **Less effective risk management.**
  Forty-four percent of treasurers are concerned that their risk management performance is mediocre or poor. This particularly applies to those that use spreadsheets and ERP systems for risk management. Given the potential impact of financial risk on business performance, there is a strong imperative to focus and invest in risk management, whether in skills, technology or a combination.
- **Counterparty credit risk.**
  Ninety-two percent of treasurers use external credit ratings to categorize their banks from a risk standpoint, but many are supplementing this with a more dynamic, proactive approach to monitoring credit quality. Sixty-eight percent consider country/region risk, while 58 percent include industry in their risk evaluation, reflecting the market impact of wider economic and geopolitical risks, and vulnerabilities that affect all players within an industry. Capital structure has also become more important (62 percent) as treasurers recognize the importance of a bank's liquidity, security, and funding.
- **Event risk.**
  Treasurers are being forced to enhance their monitoring and modeling tools to anticipate the short and longer term impact of major political and economic changes such as Brexit and the U.S. presidential election. Similarly, volatile geopolitical and economic trends that are playing out globally should be prompting treasurers to strengthen their risk management policy framework, infrastructure and skills.
- **Cybersecurity threats.**
  Currently, only 17 percent of survey participants anticipate that addressing cyber threats will be a significant priority for the year ahead, while a further 35 percent expect that cybersecurity will have a moderate impact on their risk management strategies. Cybersecurity breaches are becoming more frequent and severe, with few if any organizations unaffected. Consequently, treasurers should be reviewing and strengthening controls and education within their departments, and work with IT departments and technology vendors to protect the confidentiality and integrity of business-critical, sensitive treasury data.

What are your risk parameters?

The first step in developing an effective risk management strategy is to determine the boundaries within which risk is managed. What is the Board's risk appetite? What are your risk management objectives? And what tools are available to treasury to achieve them? These questions – and the answers to them – form the basis of the company's risk policy, whether as part of a wider treasury policy, or an enterprise wide risk policy, which in turn inform treasury and risk management strategy.

In this context, it may seem surprising that 19 percent of participants surveyed as part of this study do not have a formal risk policy. Although smaller companies are less likely to have documented a risk policy than larger corporations, there are examples of all sizes of company that have yet to formalize their policy. Similarly, while there is a tendency to assume that companies headquartered in North America and Western Europe are more experienced in managing risk than corporations headquartered in developing markets, and therefore are more likely to have a documented policy, this is not borne out from the study.

When FIS conducted a similar risk study in 2015, one-third of companies did not have a documented risk management policy, illustrating that an additional 15 percent of participating companies have sought to professionalize their risk management approach over the past year. Given the ongoing pressures of currency and commodity volatility, a challenging interest rate environment, and ongoing regulatory change, this is good news. However, those who have not yet formalized their risk policy, should make it a priority to do so.

How effective are you at managing risk?

We asked participants how effective they believed their risk management approach to be. As Figure 1 demonstrates, only 26 percent believed they were very effective (comparable with 2015), and a further 31 percent somewhat effective (compared with 20 percent in 2015). Although there has been some improvement in treasurers' confidence in their risk management approach over the past 12 months, survey results raise important questions.

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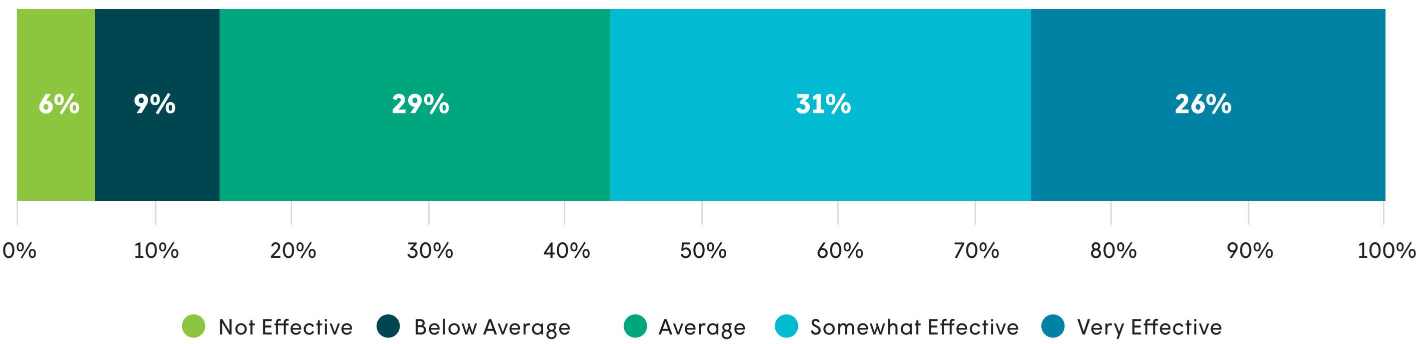
Figure 1. Perceived effectiveness in managing risk

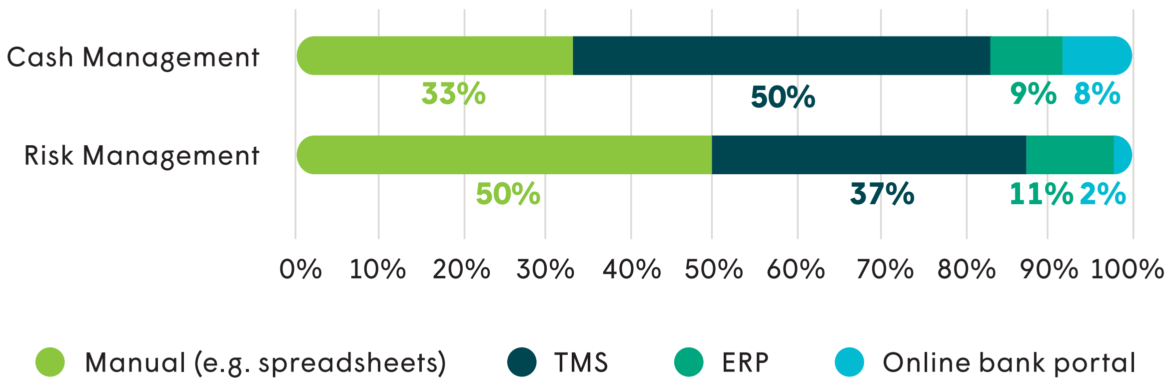


What systems should you use to manage risk?

One of the key contributors to treasurers' confidence in managing risk is their choice of systems (Figure 2). There is a strong correlation between the systems that treasurers use to manage risk, and their perceived effectiveness at doing so. For example, while 26 percent of respondents overall reported that they are "very effective" at managing risk, this jumps to 43 percent of those using a TMS with risk management capabilities, 69 percent of those using a specialist risk management that is not integrated with their TMS, and 71 percent of those using a specialist risk management system that is integrated with their TMS. In contrast, half of participants in the study used spreadsheets or other manual methods to manage risk. These treasurers, and one who uses an ERP, are the only ones who indicated poor performance in managing risk.

A risk management system (whether a treasury management system with strong risk management capabilities or a specialized risk management system) is an important element in professionalizing a treasury's approach to managing risk. By automating the collation, analysis and reporting of data, treasury can spend more time on decision-making and analysis, based on more timely, complete and accurate information, rather than simply producing risk reporting.

Figure 2. Risk management technology in use



Where are your key risk management challenges?

Some of the specific concerns that are contributing to treasurers' discomfort in their risk management effectiveness are managing credit risk (both to commercial and bank counterparties) market risk and liquidity risk (see Figure 3), trends that are consistent with the 2015 results:

Market risk
(65 percent indicated moderate/severe difficulty)

Market risk includes the "traditional" risks managed by treasury – interest rate risk, FX risk and commodity risk. While treasurers have become better equipped to manage individual risk areas, many find it challenging to manage the full spectrum of market risk. One of the biggest challenges that treasurers are experiencing today is the impact of market volatility, particularly in the currency and commodity markets, but interest rates are also a key area of concern given negative rates in Europe (including effectively negative rates in the U.K.) and unprecedented low rates in the U.S.

Credit risk – commercial counterparties
(56 percent indicated moderate/severe difficulty)

Managing credit risk to commercial counterparties is often a bigger challenge for companies headquartered outside the U.S. as U.S. companies typically have a higher concentration of domestic customers for whom credit information is more readily available. According to most sources, over 10 percent of companies in the U.K. export internationally) compared with less than 1 percent of U.S.-headquartered companies.

Survey results reveal that U.S. companies that have a predominantly domestic customer base are also finding it difficult to manage their credit risk. This particularly applies to those using ERP tools or manual methods such as spreadsheets as opposed to specialized credit and collections technology. By using specialized automation and workflow technology, companies can integrate credit and collection systems with one or more ERPs, or instances of ERPs, enabling credit and collection processes to be standardized across the enterprise irrespective of the organizational model and/or ERP environment.

Credit and collections teams can integrate online credit applications with a scoring tool for faster decisions. They can automatically track payment behavior and external risk data to identify high risk accounts, schedule automatic reviews, get proactive risk alerts, create custom score cards, automatically score the entire portfolio monthly, and adjust collections.

Bank counterparty risk
(54 percent indicated moderate/severe difficulty)

Managing bank counterparty risk has become more challenging in recent years, not least due to the number of credit rating downgrades. This means that there are fewer banks that meet treasurers' criteria, and it can be difficult to establish sufficient credit limits. Some companies have reviewed their bank credit criteria accordingly, while in many countries, treasurers need to work with local banks that may be unrated, whether for regulatory reasons or to access a local branch network. Bank exits from sensitive markets in regions such as the Caribbean, East Asia Pacific, Eastern Europe and Central Asia which are more susceptible to, and less equipped to combat financial crime, further limit the choice of banks for multinational corporations operating in these countries.

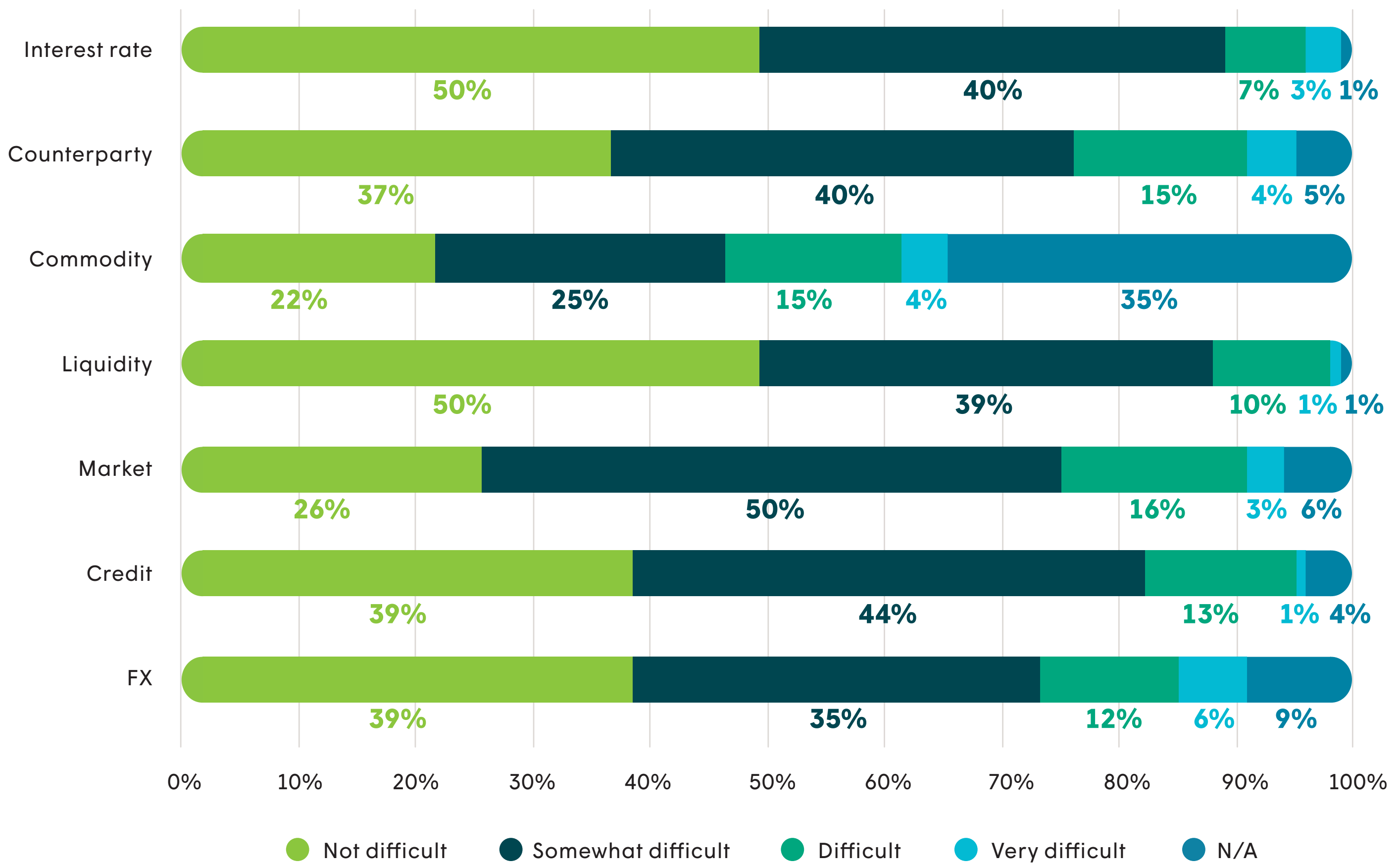
Liquidity risk
(49 percent indicated moderate/severe difficulty)

With base rates in negative territory in Europe in absolute terms (and in effective terms in the U.K.), and at historically low levels in other parts of the world, and with the impact of regulations such as changes to prime money market funds (MMFs) in the U.S., there is increased demand for high quality, liquid assets. Consequently, treasurers are finding it increasingly difficult to identify suitable repositories for cash that allow them to meet their liquidity requirements.

A related challenge is the difficulty of centralizing and repatriating cash held internationally. This is relatively straightforward in regions such as Europe, but in parts of Asia, Africa and Latin America, the challenges are greater due to currency and capital controls, and restrictions on both domestic and cross-border cash pooling. In China, for example, which has become a key trading location for companies across a wide range of industries, opportunities to repatriate RMB have been limited in the past, and while these have expanded over the past 12 months, a number of controls still apply. Basel III is also creating liquidity management challenges as techniques such as notional pooling are likely to become less accessible for some corporations, prompting a review in regional and global liquidity management.

Participants also emphasize that cash flow forecasting creates problems when planning liquidity requirements, with many treasurers finding it difficult to produce (or obtain) accurate cash flow forecasts, as discussed further below.

Figure 3. Difficulty in managing risks



How safe is your cash?

Managing risk to counterparty banks became a major priority during the global financial crisis. Although immediate fears of counterparty failure then appeared to subside, the size of regulatory fines, and uncertainty around the willingness of governments to bail out banks emphasizes the importance of managing counterparty risk.

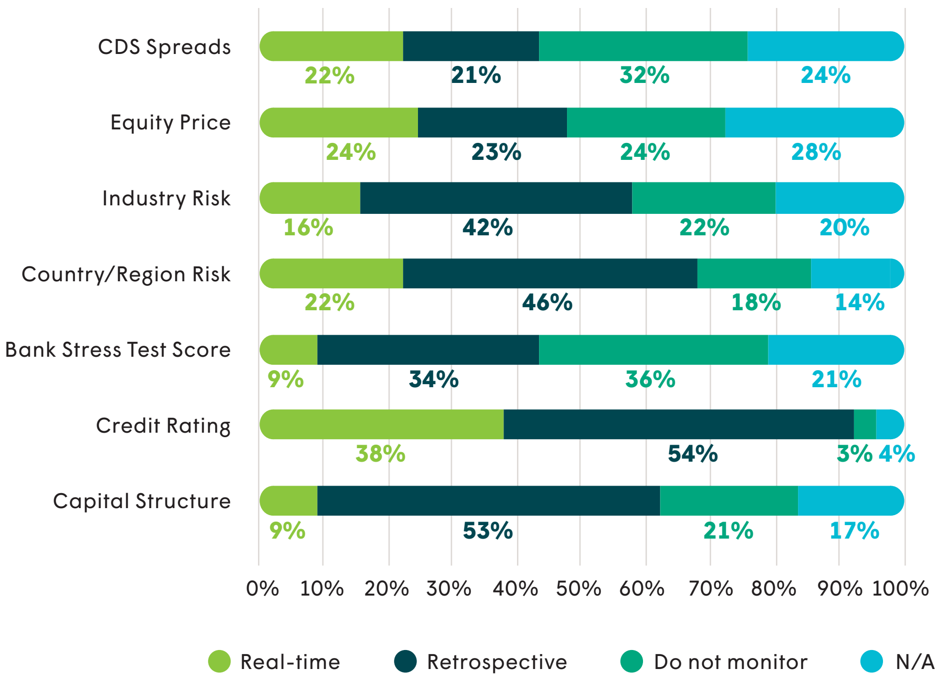
External credit ratings have traditionally been key criteria for selecting potential banks and setting credit thresholds. These remain central to the way that most companies (92 percent) categorize their banks from a risk standpoint (Figure 4). However, many treasurers are supplementing this with a more dynamic, proactive approach to monitoring credit quality. This typically involves blending a variety of techniques to create and monitor an internal credit score. In the 2015 study, the use of credit default swap (CDS) spreads to evaluate was popular amongst treasurers, a trend that became more prevalent during the global financial crisis. At that time, CDS spreads were considered more responsive to changing credit conditions than credit ratings as they reflected market participants' assessment of risk of a counterparty default.

Today, however, treasurers' emphasis has changed. Although CDS spreads are still used by 43 percent of treasurers who participated in the study, they are becoming more conscious of systemic risk both by country/region (68 percent) and industry (58 percent) reflecting the market impact of wider economic and geopolitical risks, and vulnerabilities that affect all players within an industry, such as commodity prices and regulatory changes. Capital structure has also become more important (62 percent) as treasurers recognize the importance of liquidity and diversified funding sources in a bank or other financial counterparty's resilience.

While a blended approach to calculating and monitoring credit risk is likely to provide greater depth of counterparty credit risk analysis, it can be difficult for treasurers to manage multiple risk factors in a systematic and responsive way, particularly where companies have a large number of financial counterparties. Real-time risk monitoring is becoming more important to many companies, particularly given the potential speed with which default and market contagion can occur, although the ability to provide real-time analysis is more relevant to some techniques than others (e.g., it is logical to monitor CDS spreads, equity prices and credit ratings in real-time, as data is more dynamic than criteria such as capital structure). However, a treasurer's ability to identify and monitor changes to key credit criteria could be an important means of providing "early warnings" of potential difficulties amongst counterparty banks or issuers.

However, it is not simply the risk of bank failure that treasurers are seeking to manage. Treasurers of multinational corporations have been impacted by banks' strategic decision to exit markets, product lines or customer segments, which can jeopardize a company's activities within a country. In some regions, such as the Caribbean, at least 16 local banks in five countries had lost all or some of their correspondent banking relationships by May 2016 according to the IMF. This reduces market access for these countries, and limits banking choices for corporations and other organizations such as NGOs that operate in the affected countries. In many cases, companies are obliged to work with local banks that may not comply with the usual credit criteria, but this is often a risk that treasurers are obliged to take. These need to be informed risks, however, so treasurers need to be able to monitor and report on risks closely.

Figure 4. Monitoring counterparty risk criteria



How do you use policy limits to manage exposures?

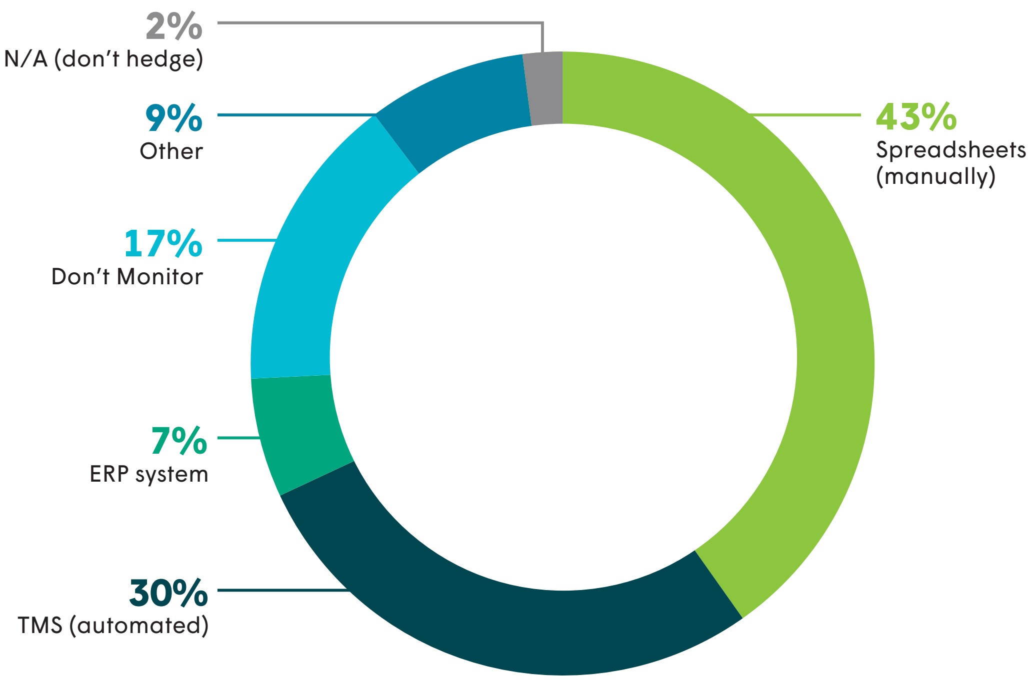
Based on the internal credit scoring described above, credit limits will typically be applied according to the treasury policy and monitored as part of the dealing process. Furthermore, limits may also be applied to particular instruments/tenors and countries, etc. to manage both market and credit risk. Most companies that participated in this study (63 percent) base limit utilization on market value rather than face value of their transactions (both FX and interest rate), and include the impact of FX or interest rate hedges as part of their calculation. Therefore, limit utilization will change over time and needs to be monitored proactively to manage risk and avoid inadvertent limit breach. A further 12 percent monitor changes in the value of their FX portfolio and 11 percent in their interest rate portfolio as part of their limit utilization calculation.

As Figure 5 shows, however, the majority (43 percent) of participants use spreadsheets (i.e., manual processes) to monitor credit limits before hedging. This is almost impossible to achieve in practice because transactions need to be manually input (typically into a different spreadsheet from the one used to manage transactions), market information must be input or imported regularly in order that limit utilization is kept up to date, and the results cannot be integrated into the dealing process effectively. A further 17 percent do not monitor limits at all.

These findings reveal some marked inconsistencies in treasurers' risk management approach. On one hand, they are striving to become more sophisticated and proactive in creating internal credit scores on which limits are based, as well as setting limits on particular exposures within the portfolio. Furthermore, they recognize the impact that changes in valuation can have on market and credit exposures. On the other hand, nearly half are using this analysis only as a retroactive reporting device rather than a proactive exposure management tool.

Given the volatile market environment in which treasurers are operating, and the speed with which market and credit conditions can change, this should be a major area of focus. Thirty percent of companies use a TMS to monitor their market and credit exposure limits automatically, supplemented by around 6 percent of those in the "other" category that use specialized tools. For the remaining 32 percent that use policy limits for managing exposures, the value of this approach would be greatly enhanced by greater automation, responsiveness and integration into the dealing process.

Figure 5. Monitoring limits before hedging



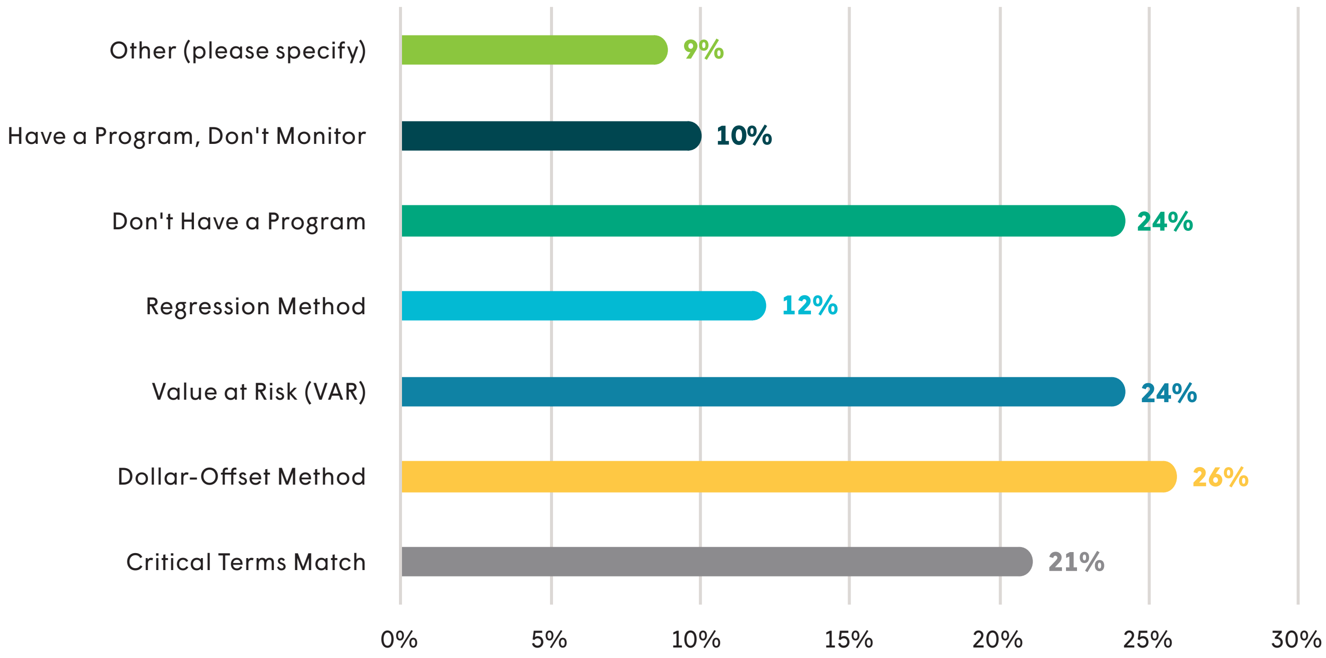
How effective is your hedging program?

The majority (76 percent) of participating companies have a hedging program in place to manage their exposures to FX, interest rates and commodity prices in line with the company's risk policy.

According to Figure 6, the dollar-offset method (26 percent overall, and therefore 34 percent of those that have a hedging program) was the most common method for measuring hedge effectiveness, followed by value at risk (VaR) – 24 percent overall, and 32 percent of those with a hedging program.

Hedge effectiveness testing is an essential requirement for both accounting and risk management purposes, but it can be extremely complex and time-consuming to perform manually, particularly when using quantitatively complex methods such as VaR. Irrespective of the method used, treasurers and finance managers should be seeking to automate hedge effectiveness testing using a specialized TMS or risk management system to reduce resource requirements and improve accuracy of calculations.

Figure 6. Monitoring hedge effectiveness

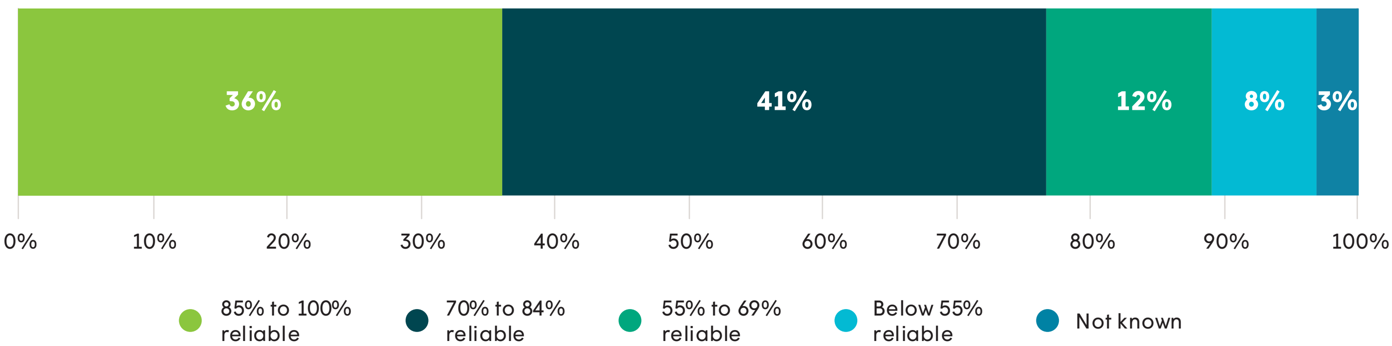


How accurate is your cash flow forecast?

However sophisticated and automated a company's approach to exposure management and liquidity planning, its effectiveness can be seriously compromised by inaccurate, incomplete or out of date forecasts. Figure 6 illustrates that 36 percent of respondents have achieved a high degree of forecasting accuracy, but the remaining 64 percent have less than 85 percent forecasting accuracy. Twenty-three percent have less than 55 percent, or an unknown degree of accuracy.

For the largest group of participants (41 percent) that are achieving 70 – 84 percent accuracy (in Figure 7 on the next page) – and certainly those with forecasting accuracy below 70 percent – the benefits of investing time with business units and central departments that provide data, more integrated processes and standardized formats for collating information, and more sophisticated forecasting analytics are significant. Furthermore, accuracy tends to reduce in medium- and long-term forecasts, so a forecast accuracy of 70 percent in the short term will often translate into less than 50 percent accuracy over a longer term.

Figure 7. Reliability of cash flow forecasting

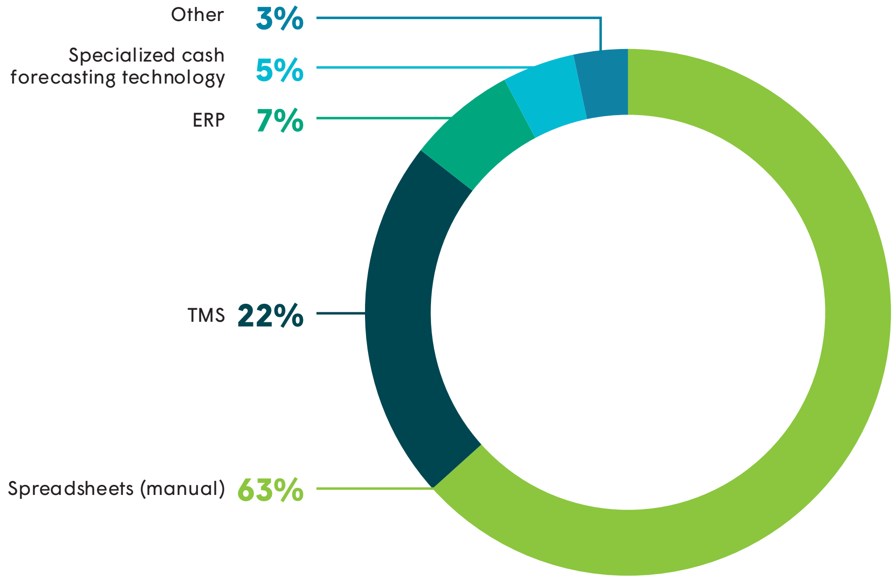


The greater the accuracy of cash flow forecasting, the more effective companies' cash, liquidity and risk management strategies become. Treasurers typically face a variety of obstacles in achieving reliable forecasts, which often start from the point of origination. Forecast data is often held in different systems, and in different formats, while business units/central departments that "own" this data are not always motivated or cognizant of the need to provide timely, accurate data. As this data is often then presented in different ways, it can be a very time- and labor-intensive process to collate it, before then trying to perform analysis.

Obtaining management support and building relationships with subsidiaries and other departments is essential to overcoming these roadblocks. In addition, the use of specialized forecasting system functionality, often as part of a TMS, is key to improving consistency, accuracy and usability of data. Leading TMS's provide comprehensive integration tools to bring together data seamlessly from other systems. In addition, integrated web-based tools enable business units to input, upload and report on information easily, whilst giving treasury a consistent and complete view of forecasts across the business.

In this year's study, 63 percent of participants used manual methods such as spreadsheets to consolidate forecast information received from different parts of the group, using emailed spreadsheets sent from business units or other central departments and/or data extracted from other systems (Figure 8). This is only a small reduction (from 65 percent) since the first time this study was conducted in 2012. While the use spreadsheets appear convenient, the amount of time taken to collate data from multiple sources, the scope for error and omission, and lack of sophisticated forecast analytics means that this is the least efficient and effective means of cash flow forecasting. One-hundred percent of those that reported less than 55 percent forecasting accuracy in this survey used spreadsheets, while the highest degree of accuracy was reported by those using a TMS or specialist technology for forecasting.

Figure 8. Technology used for short-term cash flow forecasting



How is the risk and regulatory environment evolving?

Treasurers and risk managers face significant changes to both the risk and regulatory environment in the foreseeable future. From a risk perspective, event risk, cybersecurity risk and regulatory risk are amongst the most significant priorities that are emerging.

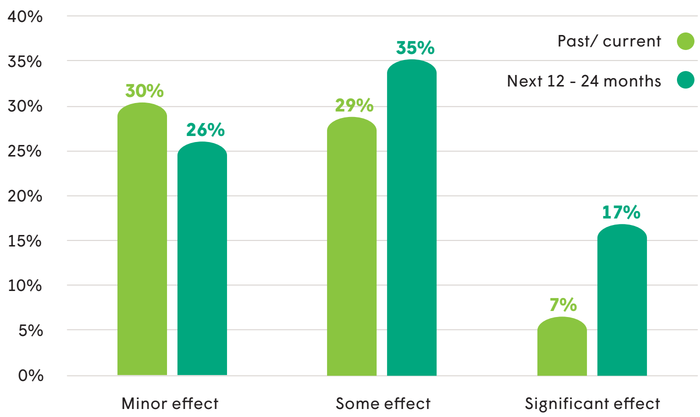
Event risk

As the unexpected result of the Brexit referendum in June 2016 demonstrated, major events, whether anticipated or unanticipated, can have a rapid and unexpected effect on currency, equity and bond markets, as we may also see with the U.S. presidential election result and wider geopolitical events. Not only do major events have a short-term impact, including unpredictable shock waves such as the "flash crash" in the value of GBP in October 2016, but the longer-term impact may then play out over months and potentially years. While only 18 percent of participants indicated that the result of the Brexit referendum had affected them so far, this figure is likely to increase as currency volatility continues and the political and economic implications of Brexit become clearer.

Cybersecurity risk

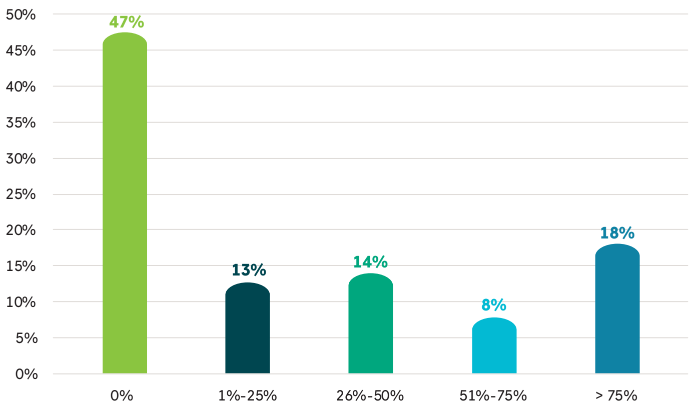
Cybersecurity risk is another key area where treasurers should be focusing their attention. This has operational risk implications, such as ensuring that user rights and segregation of duties is enforced at a systems level, and that users are trained in spotting and combatting external fraud attempts that could compromise the security of their systems, such as bank impersonation fraud, IT department impersonation fraud, phishing and email attachment scams. In addition, they need to consider the security and integrity of their data against potential hacks and other external threats. As Figure 9 illustrates, a large proportion of survey participants are not yet prioritizing this area sufficiently, as only 17 percent anticipate that addressing cyber threats will be a significant priority for the year ahead, while a further 35 percent expect that cybersecurity will have a moderate impact on their risk management strategies. Given the increased incidence of cybersecurity breaches, with most studies concluding that most or all major organizations have been subject to a breach, even if yet unidentified, and the potential financial and reputational implications, this is an area on which every treasurer and risk manager should focus.

Figure 9. Impact of cybersecurity risk on risk management strategies



Managing this risk, or at least determining accountability for it, may be more straightforward in situations where the company holds all data within the organization, but increasingly, data is held in either private or public clouds. Fifty-three percent of corporations that participated in the study used at least some cloud-based technology in treasury. In general, treasurers are comfortable with the use of cloud-based technology, but it is essential that they conduct due diligence on the vendors providing cloud-based services in treasury and review this regularly.

Figure 10. Treasury technology that is cloud-based



Regulatory Risk

Regulatory compliance is an intrinsic element of treasury and risk management, so treasurers are accustomed to monitoring changing regulatory conditions, and refining their treasury and risk management policies and procedures accordingly. However, as companies expand their geographic footprint, regulatory compliance becomes more complex as the range of regulations to which they are subject increases. In the developing markets of Asia, Africa and Latin America, in particular, where economic stability is more fragile, regulatory change is proceeding at different rates, and not always in a linear way, so treasurers need to work with their banks and local partners to monitoring these changes closely.

IFRS 9 Treasury Implications Vary

Nearly half of respondents indicated they were still unclear as to the impact IFRS 9 would have on reporting and accounting for derivatives. Only a third of respondents believed the regulation would either simplify or complicate risk management functions. It seems organizations are still in the process of understanding the implications of moving away from IAS 39, so that attention can be turned to reducing operational complexity and capitalizing on possible new hedging opportunities presented in IFRS 9. Because the new standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted, treasurers should begin seriously considering the impacts of IFRS 9. Key IFRS 9 implications for Treasurers include changes in hedge accounting effectiveness thresholds, an expansion in items which qualify for hedge accounting, as well as benefits for those organizations engaging in economic hedging activities.

Investment management

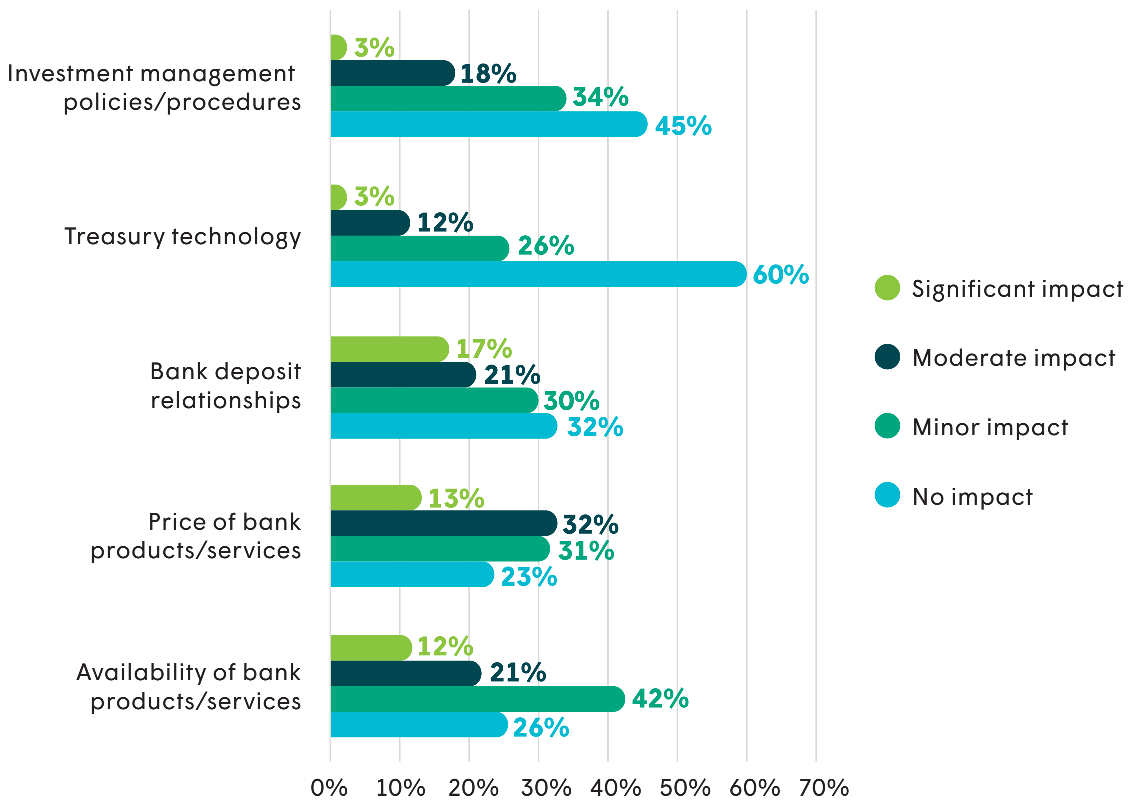
In the U.S., specific changes are taking place that are already impacting significantly on treasury activity. With changes to prime money market funds (MMFs) in the U.S., we have seen large outflows from these funds over recent months, (over $730 billion between October 2015 and September 2016), much of which has flowed into government MMFs which are not subject to the same rules. Therefore, U.S. investors need to consider whether the prime funds still meet their investment criteria, and if not, whether they need to amend their treasury policy, and/or identify alternatives. However, there is a growing issue of capacity of alternative funds and other secure, liquid assets given increasing demand. While only U.S. investors are impacted by this change, comparable changes are anticipated in Europe, so treasurers globally need to keep abreast of changes to MMFs.

Cash and liquidity management

Looking beyond in-country and regional regulations, corporate cash and liquidity management policies will increasingly be affected by their banks' implementation of Basel III. One of the most immediate implications for corporations is that under the liquidity coverage ratio (LCR) different sources of liquidity no longer have the same value to a bank. As banks need to be able to weather a period of 30 days of stress, deposits that are not linked to day-to-day business activities need to have a tenor of above 30 days to be attractive to the bank. This has considerable implications for corporate treasurers for whom short-term deposits are often central to a cash investment policy. While there are new, "LCR-friendly" instruments emerging, and other short term capital market tools exist, treasurers may need to revise their policies, procedures and technology to accommodate these instruments, while cash flow forecasting becomes ever more important to permit longer-term investment.

It is not only cash investment strategies that are impacted by banks' need to comply with the LCR, but also liquidity management. There has been speculation for some time about the viability of notional pooling under Basel III as banks may be required to hold capital/liquidity buffers against gross positions while earning a return only on the net position. While there is no clear-cut position, we are already seeing banks taking a more selective approach in offering notional pooling. Consequently, treasurers should be reviewing their liquidity management strategies, and considering alternatives to notional pooling where appropriate.

Figure 11. Impact of Basel III



Intercompany financing

Intercompany lending is a crucial means for companies to finance their business and manage liquidity, In the U.S., proposed treasury regulations under Section 385 limit the effectiveness of certain types of tax planning by characterizing intercompany financing (both domestic and cross-border) as equity, even if it takes the form of debt instruments. As drafted, the proposed regulations would impact common liquidity management practices such as cash pooling and intercompany financing.

Furthermore, concerns over unfair tax advantages have resulted in a variety of new regulations to prevent companies from exploiting legal loopholes to reduce their tax liabilities. For example, the OECD's Base Erosion and Profit Shifting (BEPS) initiative, in which more than 100 countries and jurisdictions are collaborating, aims to tackle tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. There are also a range of related initiatives being introduced at a country and regional level, such as in the EU.

The implications of BEPS and other tax-related regulations will have a major impact on multinational corporations' organizational structures and tax planning. For example, intercompany financing structures and lending agreements may be affected, and contractual arrangements between entities must allocate risk to reflect the underlying economic substance. Liquidity and foreign exchange strategies, including in-house banking, should be reviewed to reflect revised operational structures, while offshore cash mobilization structures may also need to be revised.

As yet, the majority of corporate treasurers have not yet fully explored the implications of the raft of new regulations that are at different stages of implementation. However, with major implications for group treasury, its role within the organization, and the techniques that it uses to manage liquidity and risk, managing regulatory compliance is one of the most important issues that treasurers will face over the foreseeable future.

What should our risk and regulatory priorities be in 2017?

While every organization is subject to different risks, and has a different risk appetite, there are a variety of questions that treasurers should ask themselves to help inform their priorities in the months ahead:

- **Skills and technology.**
  Do we have the skills and technology in treasury risk management to support the business through periods of major volatility?

- **Visibility of information.**
  How well equipped are we to provide prompt, accurate information on our group liquidity and risk position at any point in time?

- **Ecosystem risk.**
  To what extent do we understand our risk to all the parties on whom our business depends, from supplier through to bank and end customer? Where are the gaps and how can we resolve them?

- **Flexibility.**
  Are our treasury and risk policies, procedures and technology sufficiently robust and flexible in order to accommodate new instruments and strategies as the market and regulatory environment evolves?

- **Emerging risks.**
  How well are the management of event risk, cybersecurity risk and regulatory risk built into our treasury policies and procedures? What improvements do we need to make?

- **Forecasting accuracy.**
  With what degree of accuracy can we create a short, medium and long term cash flow forecast? What are the barriers to forecasting, and how can these be overcome?

- **Regulatory horizons.**
  To what extent do we know about emerging regulations that will affect our business, and how confident are we about the implications?

- **Thinking ahead.**
  What alternative organizational and treasury management structures would allow us to meet our business objectives while ensuring compliance with local and international regulations? How might treasury need to be reorganized as a result?

About FIS' Corporate Solutions

FIS offers a leading liquidity and risk management solution for corporations, insurance companies and the public sector. The solution suite includes credit risk modeling, collections management, treasury risk analysis, cash management, payments system integration, and payments execution delivered directly to corporations or via banking partners. The solutions help consolidate data from multiple in-house systems, drive workflow and provide connectivity to a broad range of trading partners including banks, SWIFT, credit data providers, FX platforms, money markets, and market data. The technology is supported by a full range of services delivered by domain experts, including managed cloud services, treasury operations management, SWIFT administration, managed bank connectivity, bank onboarding, and vendor enrollment.

About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit **www.fisglobal.com**

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