ACTA
AUSTRALIAN CORPORATE TREASURY ASSOCIATION

2023

# EXCHANGE
## Magazine

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With Paul Travers


# CERTIFICATE IN CORPORATE TREASURY

ACTA
AUSTRALIAN CORPORATE TREASURY ASSOCIATION

MACQUARIE University
SYDNEY · AUSTRALIA

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## CONTACT US


ACTA
AUSTRALIAN CORPORATE TREASURY ASSOCIATION

+61 (03) 9132 5240

PO Box 21003
Little Lonsdale Street
Melbourne VIC 8011
Australia

WWW.ACTATREASURY.COM.AU

# Message from the CEO

**Ben Leaver**

Chief Executive Officer
Australian Corporate Treasury Association

**Dear Members,**

**Welcome to our Annual Exchange magazine, we hope you will find a lot of value from our contributors as we head quickly towards another end of financial year!**

For us the past year has seen us look to consolidate a lot of member experience work we have been putting in place – new website (and functionality), getting back to face to face events (with more to come), building out our Essential Treasurer series to move towards being a mini round the country conference and our work with Macquarie University on our Certificate of Corporate Treasury which is gaining significant momentum with registered students and their employers. And of course our Annual Conference that was again a great success, this year on the Gold Coast, and next year back to Sydney after many years.

As we move towards the end of FY, our focus is being turned to building on this, and developing more offerings for members. One of our key goals is to offer some more specialised CPD and discussions for different industry groups. The first of these will be a new group focussed on Treasury in the Mutual Bank space, with plans to follow this with groups in areas such as energy and resources. We would love to here if there are other groups where a focus can be made, please reach out directly. Similarly, we'd love as always to hear from you on other CPD, networking and services that you would value.

Finally, within this magazine you will see results of a survey we completed earlier this year in conjunction with University of Queensland. This is a survey that was previously conducted in 2014 with UQ that we are now looking to build on. We hope you get a lot of value from the insights from it, and look forward to it becoming an important part of the Treasury community going forward.

Cheers

Ben Leaver

**Alice Van der Geest CCTA**

President

Australian Corporate Treasury Association

# President's Message

**Dear ACTA Members,**

**It gives me great pleasure to again welcome you to our Exchange magazine – a big thanks to all of those partners who have contributed the fantastic content.**

As a Board, our Strategic focus, which we re-committed to in May, covers three key areas:

CPD Program. Our CPD program is the cornerstone of the organisation's offering to members and the Treasury community. While it has been good in the past, we want and need it to be great. With that in mind we are working closely with our Technical Director Kurt Smith, and Technical Committee to ensure that we have a full calendar of relevant, topical and rich CPD, in various forms to suit all of our members. Part of this also involves as starting to work on some more specialised offerings to different industry groups, as well as our upcoming treasury professionals via the Emerging Leaders group.

Value Proposition. Our May strategy session focussed very much on what value we provide to you, our members and community. I'm excited by what we discussed, and we look forward to more coming out on that soon.

Certification. As many of you hopefully know, our Certificate of Corporate Treasury has now been live for 18 months. We are seeing good numbers enrol and work through the program, and the feedback is very encouraging, as well as informative to ensure we are keeping the content relevant and digestible. We continue to need the support of our more experienced Treasury people and employers to recognise the value in having a recognised and credible qualification to continue lifting the standard and professionalism of the profession that we love.

Finally, the Board is also discussing succession planning, not only for the Board, but our committees that are so vital, and also provide a pathway. As always, if anyone is interested, please reach out for a confidential conversation with myself or any of the Directors.

Happy end of FY!

Regards

Alice

# 2023 ACTA AWARDS

Oh, what a night! The 2023 ACTA Conference Awards dinner was back, with all attending in spectacular form as we celebrated our nominated members.

Taking place at Conference for the second year, the awards program has set a high standard with a wide range of nominations. Awards are presented to outstanding treasury professionals and teams, vendors who strive for excellence, and banks that show commitment to the Treasury community. Applications are now open for the 2024 Awards.

Please contact the ACTA awards team at comms@actatreasury.com.au for more information.

















J.P.Morgan

# Integrating multi-currency management solutions into business operating models

Bianca Bates

Amy Eckhoff

**By Bianca Bates, Head of Payments, Australia and New Zealand, J.P. Morgan and Amy Eckhoff, Head of APAC Liquidity & Account Solutions Specialists, J.P. Morgan**

Now more than ever, multinational corporate treasuries should focus on improving their global liquidity management. Increasing Inflationary pressures, rising interest rates, and tightening credit conditions make it prudent to reduce the use of external debt. Continuing supply chain disruptions and increasing geopolitical risks are also creating foreign exchange (FX) volatility, increasing the complexity and cost of active currency hedging operations.

Treasury can help by employing automated liquidity management solutions. The fundamental role of these tools is to mobilize the maximum amount of idle cash by moving cash up the conversion cycle to provide a comprehensive view of cash balances that allows treasurers to determine how much needs to be pumped back into the operating cycle and how much is truly surplus.

## Optimizing cash asset allocation

Balance sheet cash is held for one of three reasons:

1. Transactional: funding day to day transactions
2. Precautionary: meeting unspecified contingencies
3. Strategic: covering future investment needs

This segregation of cash can be particularly complex when cash is held in multiple currencies across disparate bank accounts in many jurisdictions.

This is where optimal multi-currency management comes in. Cash allocation can be optimized with the visibility and mobilization provided by automated liquidity tools.

## Improving liquidity management in a multi-currency environment through payment optimization

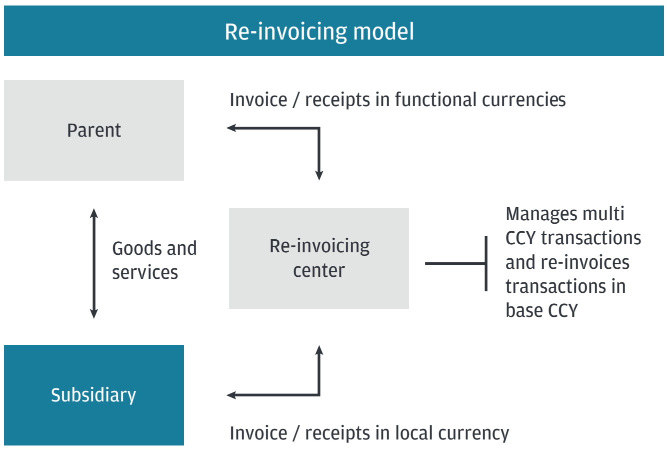
To get the most out of your cash, it is important to recognize the inter-operability of liquidity management tools and the payment operating models that many corporates already run today.

Multinationals usually use a payments concentration arrangement to streamline intra-group payments. Multilateral netting is one way to do this, aggregating multiple transactions between the relevant parties to arrive at a net obligation amount, so the overall number and frequency of transactional cashflows is reduced.

This creates visibility, assists planning and reduces operating costs to help improve a company's liquidity profile.

The more advanced re-invoicing center operating model uses a dedicated entity that purchases and re-sells between subsidiaries in various currencies. This moves FX exposures and liquidity management to the re-invoicing center, lowering overall costs and bringing greater efficiency to risk management, especially in the restricted markets.

A multi-currency notional pool (MCNP) allows for payment drawdowns in the desired currencies without physical conversion. This can optimize FX risk management far more than a netting or re-invoicing  structure achieves by itself. The MCNP simultaneously mobilizes all fungible currency deposits, which can automate funding of the intracompany cashflow mismatches that are tactically managed by the netting or re-invoicing centers.




An MCNP overlay also reduces bank transfer costs and improves available reporting information for accounting and reconciliation purposes.

## Unlocking business value

Automated liquidity solutions can be integrated into any business model to allow corporate treasurers to achieve their key objectives: visibility, control and optimization. This is how a treasury with a consolidated multi-currency global view and reach can leverage the cash value chain and unlock significant financial value to contribute to greater corporate profitability.

# De- / In- / Biden- / Stag- / flation
## What's in a prefix?

**Kurt Smith CCTA**
Vice President / Techincal Director – ACTA;
Director Marengo Capital

This article considers the impact on corporate treasuries of changes in the general level of prices, such as deflation and inflation, and, just as importantly, of the policy responses of central banks and Governments who are trying to manage price changes to modest inflation targets. The author concludes that corporate treasuries should differentiate between transitory and persistent drivers of inflation and adopt a strategic perspective to cut through the noise of day-to-day transactional volatility in interest rates, FX rates and commodity prices. The author also makes the case that the current implementation of ESG is inflationary and will remain so until ESG transitions from enterprise risk to enterprise value frameworks.

**Be careful what you wish for**

It was not that long ago that central banks and Governments collectively proclaimed to be waging the good fight against the pernicious effects of deflation. This fight was notionally waged for us. It was for our benefit that central banks and Governments unilaterally exercised their powers to implement extremely aggressive policy responses to combat not only deflation, but the mere absence of inflation. The impact of the effects on us, has not been described, explained, or quantified, to us. Nor has it been articulated how their respective policy responses alleviate the effects on us without causing harm to us. The policy silence has been deafening.


Since monetary and fiscal policy levers were aggressively and coincidentally pulled with the sole intention of creating inflation, I am surprised and bemused at the widespread shock that followed the realisation of inflation. Afterall, there was nothing subtle or nuanced in the policy responses. Central banks and Governments swung for the fence, saturation bombing the breadth and depth of the economy with extremely expansive monetary and fiscal policies until they got what they wanted. Or what they thought they wanted.

Be careful what you wish for. The very high levels of inflation these policies caused are equivalent to large and regressive taxation on voters, none of whom voted for it. In American colonial history, taxation without representation was called 'tyranny'. C. S. Lewis observes that:

***" . . . a tyranny sincerely exercised for the good of its victims may be the most oppressive. It would be better to live under robber barons than under omnipotent moral busybodies. The robber baron's cruelty may sometimes sleep, his cupidity may at some point be satiated; but those who torment us for our own good will torment us without end for they do so with the approval of their own conscience."***

My views, expressed briefly in the article Normal, New Normal, Next Normal – A Corporate Treasury Perspective, are that monetary and fiscal policies are crude, blunt and lagged instruments, and that central banks and Governments have much less understanding of, let alone control over, economies than they think. Economics is a social science with few laws, abundant art, limited and imperfect information, complex dynamic relationships between variables, and increasingly confused objectives. At the risk of understatement, aggressive policy responses with crude, blunt and lagged instruments based on limited and imperfect information to hit a poorly defined moving target are, not surprisingly, difficult to execute successfully in practice. The result is that they got so much of a 'good' thing that it became a 'bad' thing, and the panic to increase inflation turned into panic to *decrease* inflation. They let the genie out of the bottle, and the way they propose to put it back – pause for effect – is aggressive policy action in the opposite direction! Plus ça change.

It is ironic that in trying to achieve modest price increases, central bank and Government policies oscillate from one extreme to another, from quantitative easing, near zero interest rates and expansive spending, to large and frequent interest rate increases and spending packages to protect against the pernicious effects of inflation. The policy responses seem to me to be less about 'waging the good fight' and more like 'wagering economic futures', and, in Governments' case, with other peoples' money.

**The traditional perspective**

For the first time in a decade, corporate treasuries are managing financial risks in an inflationary environment. The effects of inflation are many and varied. While a detailed exposition is beyond the scope of a short article, the effects of inflation typically include:

- an increase in the level and slope of the yield curve;
- step-changes in spot and forward foreign currency rates (and volatilities); and
- downward pressure on corporate operating margins.

Therefore, corporate treasuries are exposed to an elevated risk of higher liquidity and working capital funding costs, and higher term debt funding costs through existing floating rate debt, debt refinancing and new issuances and loans. Higher debt costs increase the weighted average cost of capital, increasing hurdle rates for capital investments. Downward pressure on operating margins through lower sales and/or higher input costs that cannot be passed on to customers, including from adverse foreign currency rate movements, reduces return on invested capital. Lower returns on, and higher costs of, capital mean that enterprise value and hence the capital funding capacity of the company are reduced, making the company less resilient to business cycle downturns and adverse economic conditions (such as a global pandemic). The stakes are high for all stakeholders.

In meeting financial risk management challenges, corporate treasuries consider the main drivers of inflation, whether they are transitory or persistent, and precisely what inflation expectations the market has priced into yield curves, foreign currency rates and commodity prices. For example, consideration is given to:

- international and geopolitical frictions such as wars, sanctions, tariffs, carbon policies, Covid responses;
- natural disaster impacts on crops and State and Federal Government budgets;
- energy costs;
- supply chain constraints; and
- labour shortages.

Corporate treasuries are aware that central bank and Government policy responses have half-lives in capital markets.  At some point, the market will judge the efficacy of the same policy response to pass from desired to detrimental.  We have already seen evidence in the market, such as the inversion of yield curves, that markets are concerned that central banks and Governments have overcooked their policy responses to such an extent that recession is a real prospect. Unfortunately, overcooking is common.  It is rare for central banks and Governments to do too little.

**Texas tea and ESG**

Consider cost-push inflation from higher oil prices triggering higher costs for other products and services, which has been keenly felt of late.  Higher oil prices act as a tax on business, reducing cash flows for consumption and investment.  Higher oil prices also act as a tax on individuals and the tax is regressive – it affects the poor most.  Corporate treasuries will consider whether this inflation driver is transitory or persistent, and what expectations the market has priced.  Has the market over-reacted?  Will high prices reduce demand by a lot or a little, quickly or slowly?

The challenge for corporate treasuries is increased by the fact that the drivers of inflation change over time.  I remember 'peak oil' – the concern that the global economy would effectively run out of oil, with resultant high prices and the search for substitutes.  This turned into being so awash in oil that spot and forward prices traded at negative levels, and the surfeit of supply was so great that tankers were used as floating storage instead of transport.  A subsequent change in government in the USA lead to the withdrawal of support for domestic exploration and production from both conventional and unconventional sources, increasing prices substantially[1] before they increased further owing to the war in the Ukraine.  The same product at different points in time needs different treasury risk management actions, and hence treasuries need to be alert to market developments and agile and measured in their responses.

It has been posited that the large inflationary increase in oil prices is actually a silver lining because it will compel economic agents to transition away from fossil fuels faster.  This transition, more of a green than silver lining, is a nice segue to ESG which, if you have been living under a rock for a few years, stands for Environmental, Social and Governance.  ESG discussions tend to be binary - polarised opinions of believers and non-believers rather than discussions in the true sense of the word.  To avoid going down that rabbit-hole, I make the following disclosure:

> *I believe ESG principles are laudable, but implementation in practice is seriously flawed.*

If this is true, we need to re-think how to manage capital allocated to ESG before the large allocations already made to ESG are depleted.

I believe ESG in its present form is inflationary. Companies are acting on ESG, either because of the actions of financiers (which include banks, and the impact on debt and equity capital markets of credit rating agencies and proxy investors) and insurers, or because everyone else is doing it.  I understand the impulse. If banks, ratings agencies, proxy investors and/or insurers take their bats and go home, companies are in a predicament.  However, only a very small subset of our largest leading companies acted early and were able to attract, and can retain, the most able ESG experts.  Every other company is effectively building an ESG bureaucracy by, if not scraping, then trawling, the bottom of the talent barrel, as there simply are not many ESG experts to go around.  There are many pretenders but few contenders.  This will change over time but does not help now.

1 Colloquially known as Bidenflation.

This situation is flying-under-the-radar because C-suite and Board ESG focus is on enterprise risk, where resource allocation and conduct of activities is proffered as achievement. In the current environment, media releases announcing 'we have doubled our ESG team' or 'we have spent 25% more on ESG this year' are beneficial to the personal reputations of C-suites and Boards. It does not follow that it is good for their companies. Doubling the ESG team or spending 25% more increases the cost base, and capital allocated to activities needs to deliver outcomes that increase value for the allocated capital to be replenished and grown for future deployment. Without value-accretion, capital is depleted and ESG becomes another overhead recouped from customers (directly or eventually), shareholders, etc., which is inflationary.

Since ESG is fundamentally about sustainability, and only value makes sustainability economically sustainable, I am curious whether ESG will transition from enterprise risk to enterprise value frameworks. To-date, the jury is out.

**All things to all people**

Earlier in this article I described monetary and fiscal policy responses as crude, blunt and lagged instruments. This is relatively uncontroversial. I also said that economics has increasingly confused objectives. This is likely to be controversial.

What is a company's role in Western capitalist democracies? Not long ago, the role of company's was to focus on what they do and on doing it well, and, in doing so, delivering strong returns to shareholders. Shareholders subsequently direct their personal wealth and/or income towards ventures that appeal to them - philanthropic, commercial, cause, family or otherwise. As a result, diverse endeavours are funded, and hence enabled, by strong corporate returns. While Western capitalist democracies have their shortcomings, they also have the best health, education, safety, and wealth outcomes in the world. No mean feat.

In contrast, companies are now expected to be all things to all people. Shareholders, also known as owners, are individuals with different, divergent, and conflicting opinions, wants, needs, etc. Companies simply cannot be all things to all people, and if they try, they will be pulled from pillar to post. While our democracy rightly celebrates differences, divergences and conflicts, if they result in economic frictions and inefficiencies in our corporate sector, they will produce inferior economic outcomes which negatively affect all stakeholders, including individuals (employees, shareholders, taxpayers), businesses (creditors, investors, debtors, taxpayers) and Governments (tax collectors).

Consider ESG again. Corporates are allocating large amounts of human and financial capital to ESG. Since capital is finite and limited, it is being diverted away from other productive opportunities. This is a statement of fact, not an opinion on whether the allocation / diversion is warranted or not. If financial capital allocated to ESG is not at least replenished or preferably grown, less capital will be available for other ventures both now and in the future, including future technological innovations for ESG that we do not know about yet. As an investor, I expect companies to make value-accretive investments, even if that investment is in ESG. And before I get pigeon-holed as an old-school capitalist, everything I have read and heard about ESG is that it is not one-and-done or set-and-forget, it is a continual, ongoing investment with increasingly binding contractual commitments.

> *If this is true, the continual, ongoing demand for capital from ESG investments can only be met if capital is replenished and preferably grown for future deployment.*

Like corporates, Governments are intensely focused on ESG. Again, this is a statement of fact, not an opinion on whether the focus is warranted or not. However, other crucial issues affecting economic performance (and hence economic agents), such as tax reform, labour market reform, competition policy, etc. have vanished from political and business agendas, despite these issues individually and collectively acting as a substantial handbrake on the economy.

I think there is an opportunity to kill two birds with one stone. More funding can be made available to fewer Government initiatives by reducing Governments' economic footprint. The government sector now accounts for a large proportion of Western capitalist democracies, which stifles the animal spirits upon which the system depends. Unfortunately, I am not aware of any central bank, Government or regulator who is willing to reduce their economic footprint, reach, power and therefore cost in favour of, and to release, the animal spirits of economic agents. This is what leads to the preposterous situation in Australia of taxpayers funding massive Federal budgets for Health and Education, when there are no Federal patients and no Federal students. The economic friction caused by bureaucratic duplication and inefficiency of this scale is of great concern to me.

Handbrakes and friction retard economic growth and slowing economic growth during periods of high inflation are two of the three[2] elements for stagflation.

**Denouement**

Inflation was deliberately created by central banks and Governments. Their extremely aggressive policy responses resulted in very high inflation rates, which currently act as regressive taxes on voters that no voters voted for. Since policy responses are oscillating between the extremes, corporate treasuries will need to look through the headlines to differentiate transitory from persistent effects, and to understand the expectations that markets have priced. Do not just scratch the surface. Be strategic by elevating and extending – elevating to a company-wide focus and extending to a long horizon – which both help to cut through the noise of day-to-day transactional volatility.

For example, when yield curves are low and flat, it is attractive to term out through physical fixed rate debt. This leaves capacity in shorter maturity buckets and in CVA[3] exposure should yield curves increase and/or steepen. That is, incurring higher rates on long term debt when the term premium is low, preserves the capacity to utilise cheaper shorter-maturity debt later if yield curves increase. In doing so, treasuries can smooth the peaks and troughs of the rates market and keep the weighted average cost of capital low and stable. The goal should be to expend more effort into finding 150-200 basis points of strategic value not 15-20 basis points of tactical value.

There is also an opportunity to be strategic in managing corporate debt portfolios with interest rate swaps. A swap rate is the fixed rate that effectively equates the impact of the amount, frequency, and timing of rate hikes on the floating rate. If you believe that hikes will be

2 The third is high unemployment.

3 Credit value adjustments.

smaller or less frequent or not as fast, then floating rates will outperform fixed rates. This is often the case for the anticipatory reversals in yield curves as leveraged accounts exit *en masse*. In this environment, not chasing the swap market keeps your powder dry for later. If the yield curve flattens and especially if it inverts, forward swaps can provide opportunities while forward points are very low to retain floating rate outperformance in the short-term and to fix rates synthetically for future periods.

I recently heard an economist call ESG the moral issue of our time, immediately prior to imploring the new Federal Government to do all in its power to mend the fractured relationship with a major trading partner. Let's be diplomatic and simply note that Australia generates a lot of wealth from trading partners who are not renowned leaders in 'E', 'S' or 'G'. If it is a moral issue, it is at the very least morally dubious to fund ESG with immoral money. If we are prepared to black-ball a supplier for not meeting a particular standard, shouldn't we apply the same standard to a nation-state? This would of course be crippling to Australia's economic wealth.

I do not think ESG should be managed in a moral framework. Our economy and its economic agents cannot afford value-destruction, and especially when capital allocation to ESG is large now and is expected to have a growth profile. Corporate treasurers are experts in capital management – sourcing, structuring, and allocating capital – and are positioned at the pointy end of enterprise value and ESG. I believe that corporate treasurers can provide leadership to companies to make ESG economically sustainable. This will not only provide the ongoing capital required to meet increasingly binding contractual commitments, but it will also provide more wealth and income to individuals to allocate their capital to causes they believe in.

I want to make my choices. I am confident that the choices that I will make will be better than choices made for me. There is no reason for me to believe that the lived-experience of C-suites, Board members and proxy investors correspond to my own, nor that they share my values and what I find valuable. I do not want the tyranny of unrepresentative and privileged decision-makers making decisions for my own good. I want to make my own choices and be accountable for them.

taulia

# Supporting Australia's smaller businesses with supplier finance

**Steve Scott**
Head of APAC, Taulia

Supplier finance may be less well known in Australia than in other markets – but for smaller businesses, a technology-powered solution can provide invaluable access to cash flow finance, while assisting with the challenge of late payments.

The payments landscape in Australia is changing fast, with technology enabling new ways of paying and being paid. To the casual observer, it can seem that instantaneous payments are the future everywhere. But credit is, and always has been, the lifeblood of a growth economy – and opening up credit to businesses of all sizes is critical to Australia's future economic growth.

So far, so good – but with credit sales comes the challenge of late payments from customers. This can place considerable pressure on smaller businesses, which may also experience difficulties in accessing traditional bank finance.

In many countries, supply chain finance (SCF) is commonly used to give smaller businesses access to the finance they need to grow. In Australia, however, this financing method is not yet widely understood. This article explores how technology-powered supplier finance programs can help to solve the challenges of late payments and cash flow finance for smaller businesses.

### The trouble with payment terms

In Australia, small businesses account for nearly **98%** of all firms and **35%** of GDP. While they play a critical role in the economy, these firms also face significant challenges when it comes to getting paid by their customers.

In recent years, the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) has highlighted business practices that are harmful to the cash flow of smaller firms. In particular, a report published in 2020 noted the imbalance of power between smaller suppliers and larger buyers, with larger companies tending to pay on longer terms than smaller ones. However, the problem is not simply about company size. In practice, this imbalance exists in industries in which suppliers have their sales concentrated on only a few large customers. Nor is it just about payment terms, as the imbalance of power can also impact all aspects of commercial negotiations, from price to quality control.

Clearly late payments – and the imbalances that cause ethical problems in specific industries – are important issues for regulation to tackle. As such, in January 2021 the ASBFEO introduced the Payment Times Reporting Scheme to improve transparency.

### Lessons from Europe

Unlike Australia, Europe has had regulations limiting maximum payment terms for over a decade. The approach to enforcement and strict limits has varied by country, so there have been many lessons learned. The UK has also required reporting on payment terms and late payments since 2017, similar to the reporting requirement in Australia.

The results from these countries underscore the complexity of attempting to change payment behavior. For example, research for the UK Small Business Commissioner showed that the proportion of late payments is not directly linked to the size of a company. That is a critical point because late payment is a very different issue from extended payment terms.

In reality, companies of all sizes often pay late, for a range of reasons. For one thing, many firms will delay payments in order to manage short-term cash flow. Another driver is technology and processes: to pay all suppliers on the exact day of their terms, companies need a sophisticated payables process and IT system – but most companies lack this capability.

Interestingly, Europe has so far not linked its maximum term regulation with improved payment terms, as the practicality of enforceability and the reality of business relationships are often more of a concern for smaller companies. But transparency measures, such as Australia's Payment Terms Reporting Framework, may be influential in changing payment culture and negative behavior.

On another note, similar to the ASBFEO findings, the European Commission has noted that regulation should ideally not interfere with the ability to offer supplier finance, given the challenges small businesses face in accessing credit.

**The need for cash flow finance**

In public debate, the complex issues around late payments have often been lumped together with the topic of supplier finance, also known as supply chain finance (SCF).

Small firms face long-standing challenges in accessing finance, particularly from traditional banking sources. For one thing, banks attach a high risk to cash flow lending to smaller firms, so bricks and-mortar security is often required. The arrangement processes for traditional bank lending can be lengthy and onerous. At the same time, smaller firms have fewer resources dedicated to understanding their liquidity risk and cash flow, and may not immediately recognize the need for cash flow finance.

So how can supplier finance help? In a nutshell, SCF is a tool capable of supporting the cash flow of smaller companies. Rather than being a static concept, it's an evolving set of practices which can be used in combination with each other, as well as with other financial and physical supply chain services.

According to the International Chamber of Commerce (ICC), SCF is defined as the use of financing and risk mitigation practices and techniques to optimize the management of working capital and liquidity invested in supply chain processes and transactions. SCF is typically applied to open account trade, and is triggered by supply chain events based on approved invoices.

But while supplier finance is commonly used in many markets, it is not yet widely understood in Australia. PwC research from 2017 found that only **7%** of large Australian businesses used supplier finance, compared to **65%** in Europe.

**Benefits of supplier finance**

As the ASBFEO report states, "SCF is a legitimate and effective tool to free up cash flow for small and family business." To be clear, this benefit is offered by fintech supplier finance providers like Taulia which have the ability to reach smaller firms. Traditional bank supplier finance programs lack the technology platforms needed to onboard large numbers of smaller companies.

One key benefit of supplier finance is that the efficient use of capital facilitates a lower rate of interest for small firms. For Taulia's supplier finance program, the interest rate is based on the creditworthiness of the larger buyer. So at short notice, a small firm can access cash flow finance at rates much lower than a bank unsecured overdraft or a credit card.

More critical for smaller businesses, though, is simply having access to finance. Supplier finance programs that are enabled by the right technology can give small suppliers access to working capital finance when they need it, just a few days after their invoices have been approved – thereby solving the challenge of long timeframes and fixed security required for bank lending.

At the same time, supplier finance solutions like Taulia's platform can automate information exchange between supplier and buyer, as well as improving transparency, automating payables processes, and offering supply chain insights. With faster invoice approval processes and times, invoices can be paid promptly, with a reduced risk of error and fraud.

### Supporting smaller businesses with SCF

While supplier finance is not a panacea for small business access to finance, it is clearly one of the most efficient forms of cash flow finance, and should work alongside more traditional forms of business finance. Other benefits include better supplier-buyer relationships and more efficient invoicing systems. For the larger buyers implementing these programs, these process benefits are often the most important drivers.

The financial landscape is changing rapidly – and while there's still some way to go, fintech solutions can play an important role in giving small businesses access to the finance they need to drive growth. Technology-driven supplier finance solutions, implemented responsibly with the long term in view, have the potential to support Australian businesses of all sizes.

### Action points for Australian businesses

The following action points for larger and smaller businesses can help to keep supplier payments flowing and strengthen trading relationships:

#### Larger businesses

It's critical to make sure that supplier master data is accurate to avoid errors and delayed payments. Companies should also check how many different payment terms they have in place, as the number of exceptional terms can increase the complexity of the payables process.

On another note, the Business Council of Australia has recommended e-invoicing as a critical factor in moving to a digital economy – a view backed by the Australian Government in its Digital Economy strategy, which supports the adoption of e-invoicing by businesses.

#### Smaller businesses

Companies should make sure they have a clear understanding of their customers' payment practices, as research and preparation can strengthen their negotiating position. When it comes to getting paid on time, invoicing promptly is essential – so companies should also make sure that all payment details are up to date, and should be willing to call and check that invoices have been received by the right individuals.

Getting access to finance in a hurry can be difficult, so suppliers need to have a clear understanding of the finance options available to them. It's also advisable to sign up to any supplier finance programs offered by customers, even if there is no immediate need for cash.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Big ideas can make net zero happen
As the bank for transition, we're big believers in helping you raise the bar on climate action and lowering emissions.
That's why we are working with our largest customers to support their transition and providing the specialist expertise and innovative solutions to help them succeed.
Our Corporate and Institutional team can help with your big ideas.
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# Around the World Treasury

**Paul Travers**
Director - KPMG

The annual ACTA conference is packed full of traditions while also exploring news ways to improve our understanding of what being a Treasury means.  One tradition we have developed over the past three conferences is presenting the views and approaches to treasury from around the world through a series of interviews.

The approach we have taken is to use a consistent set of questions/theme so we can see trends develop over time, while refreshing the questions each year to reflect the ever changing challenges and opportunities Treasurers are faced with.  To date we have heard from treasurers based in Auckland, Chicago, London, Singapore, Jakarta and New York representing corporations operating in energy, food manufacturing, transport, infrastructure and media.  This year we had the opportunity to speak with two treasury professionals, Johanna Hyttinen, Deputy Head of Global Treasury Unilever, based in Zurich and Sunil Mody, Managing Director Investment Management, Morgan Stanley based in New York.

**This year we also had the privilege of receiving, in person, Richard Humphries, Global Treasurer at Flight Centre, perspective on the interviews and the topics covered, his insights helped us move through the topics we discussed with our two interviewees.**

Richard Humphries, Global Treasurer, Flight Centre

Johanna manages a team of treasury professionals around the globe from their centralised treasury operation in Zurich, they take an inhouse bank approach.

Sunil, who works in the investment management division supports their funds with hedge strategies and accessing capital markets.

### Your role as Treasurer

Both interviewees discussed how the traditional approach to managing risk has continued but the skill they increasing use is the ability to communicate and work with leaders across the whole business to identify and manage risks, often at their source rather than just using capital market and hedging transactions.

Johanna reflected on her transition from investment banking to being a treasurer and the benefit of having that knowledge of capital markets being applied to their fund-raising efforts, however, this has become only a part of her ongoing role/responsibilities. She found she would be speaking as much about accessing and managing flows of funds across the business as the impact of market moves on the underlying business. Most recently the challenge has been realigning the approach and pricing of capital internally to reflect the shift up in interest rates and the high likelihood these rates will not return to levels witnessed in the recent past. Her responsibilities have also extended to addressing their insurance, she commented how similar the approach to managing risks using insurance was to treasury risk management, in particular how similar it is to work with insurance providers and banks.

Sunil, who is responsible for supporting their funds to develop hedging strategies and source capital market structures, reflected that he was being asked to focus more on interest rate risk management than any time in the past decade, with funds seeking both relief from the surge up in interest rates and immunization from any further potential surges.

### Is your home market different to everywhere else?

The geographical spread of Unilever's business across 190 countries, makes their treasury focus not on one

home market but across many jurisdictions. Coming with this spread, which is managed centrally they have 22 nationalities across their team of 25 treasury professionals. Interestingly, they formerly operated through 4 regional treasury centres but 4 years ago brought all the functionality back to Switzerland – a key driver being developing a center or excellence and taking advantage of automation. One challenge has been maintaining contact with the underlying businesses, she addresses this by having 4 members of her team as treasury business partners whose responsibility is to maintain that contact facilitated by lots of travel.

The response provided by Sunil was of interest as he spoke of how the impact of COVID facilitating remote working and meetings being adequately conducted by zoom/teams removing the need to travel to the financial centres combined with global growth beyond the United States has removed the dominance in the financial market of the US, in particular New York and Chicago as the financial centers. The political and social environment has also not helped the US position as a financial center. Interestingly Sunil went on to talk about how this trend has also changed where financial professionals are operating from, they are moving beyond the traditional centers of New York, Chicago, Los Angeles and San Francisco and gravitating to other cities, such as Miami, Boston, and Nashville.

### The optimal skill-set for Treasury

The discussion on skills with Johanna did not head towards the areas that those outside of treasury would associate with treasury, but focused more on the treasury team being flexible i.e. problem solvers, and those showing a willingness to get involved. It remains important to show a commitment to manage risks effectively, Johanna used the term, 'Treasury matters' and to be passionate about treasury. Johanna indicated that those in treasury play a key role across the organisation, describing ' treasury as the plumbing of an organisations (I often like to use the analogy that treasury manages the blood in the body – it needs to keep flowing ...), you do not notice when it is going well but it gets lots of attention when it does not.'

The need to be able to understand markets and complete analysis effectively is a given, Johanna looks for her treasury team to do that efficiently and effectively.

> Finally, having the ability to be an advocate is also critical – need to get the attention of business, help the business understand the importance of addressing the treasury risks and develop solutions for their challenges – the treasury team needs to be a good partner.

Johanna also looks to bring in people to treasury from across the organisation for a time, this provides her a group of people across the organisation that 'get treasury' and help facilitate treasury activities. The move to incorporate people from across the business in treasury has helped her achieve another goal, diversity, as illustrated by the wide range of nationalities and cultures represented in her treasury team.

With Sunil, we discussed the way into treasury, he described the traditional approach being to attend an established University, join an investment bank/major consulting firm, then move onto a treasury role. But this is changing with an increasing focus across different aspects of technology/computer science, i.e. artificial intelligence, digital infrastructure, fin tech... being combined with the traditional analytical skills typically associated with working market/treasury.

### Current market challenges/opportunities

Joanne spoke about how she is having to help the underlying businesses understand that the interest rate environment has changed and it is highly likely interest rate levels witnessed during COVID would not return and their business plans/cases need to reflect the increased cost of capital. She describes herself as the bringer of bad news after being able, for a number of years, to provide a decrease to the business's interest cost – this cost is no longer just another line item, but is becoming a more significant expense. It is important that the business realigns their business cases to reflect the current market interest rates and not pine after what is unlikely to be there again, at least for some time.

Sunil said that time is now being increasingly taken up with assisting the various funds manage their interest rate risk. The interesting aspect of this change, Sunil commented on, was that it did not come from Sunil encouraging them to manage this exposure but rather the funds seeking help on how they can mitigate the impact of both the volatility and the surge up in interest rates. This is big change from before when interest rate risk management was an afterthought, as rates were low and central banks keeping them there, this did not require much attention. The pace and magnitude of the change in interest rates across all the major market is what has caught many by surprise. Interest expense has become a driver of business cases/investment decisions rather than being just another expense item. The wide range of outcomes and the decreased conviction on where to next is leading to far more time, energy and analysis being applied to interest rate risk management.

### Impact of Technology

Sunil believes the benefit of technology in the past couple of years has come at a personal level, changing the way we interact and work, not just with the move to meeting through Teams/Zoom, but having the ability to work remotely accessing all the technology driven tools necessary to be effective. This effectiveness is also helping our work / life balance and facilitating an ability

to work remotely. The interesting thing is that now the way work in the office, in particular the tools we use, are the same as how we work remotely. However, this approach of interacting through technology and the efficiencies it has provided also creates a challenge, the challenge to develop strong personal relationships, that only come with face to face time. The challenge is not just getting face to face but finding the time to do so.

AI and machine led forecasting – this could be the opportunity to improve cash flow forecasting.

Johanna is looking for technology to improve the way they operate, for instance looking at how artificial intelligence and machine learning can assist with meeting one of treasury's major challenges, it could provide an opportunity to develop an effective approach to cash flow forecasting. However, this optimism is combined with a degree of nervousness. New technologies are coming with lots of promise, but the trick will be how do we incorporate these new systems and apps into the underlying system and making sure the data is clean. Cleansing data is not 'sexy' but it is crucial and not getting this right will hinder one's ability to use the new technology on offer, time is needed to address this effectively.

### New world order

No one event has dominated their focus, but the combination of all these events. In particular the strong dollar which has come from these crises has led to increased currency volatility leading onto regulation as countries look to manage their currencies. This has created a challenge for them to source the FX they need to support their global operations. Johanna expects this to continue, particularly as we are potentially entering a more difficult global macro-economic environment.
Learnings of how to address these challenges have come more from partnering with the business, seeking to understand how their supply chains and procurement are impacted and the potential to realign them, these provide more effective solutions than just using FX products.

### Work From Home

Both Sunil and Johanna stated that hybrid working environments are here to stay and have enhanced work/life balance and also provided their teams a chance to manage how they manage tasks. They both opined on how the stigma attached to working from home has gone and it has provided an opportunity to build more trusting relationships with their teams. Johanna in particular discussed how her team worked together to develop an effective working environment – citing the example of having designated days in which the whole team was present and then taking advantage of this by ensuring work which would benefit from a collaborative environment being the focus – this has actually strengthened the team's ability to come together to learn, develop and develop connections across the treasury team.

She commented that before COVID there was a strong belief that trading needed to be conducted in an office environment and that the controls required to support this activity could only be found in an office – this belief was debunked, however, this was only achieved with a robust IT environment which could be readily accessed remotely, in a secure manner. We discussed how if COVID had occurred 10 or even 5 years prior this change may not have been able to take place as the tools (and their ability to interact) we take for granted now was not possible.

### Closing comments

Johanna left us all a challenge to be curious with a view to risk aversion, while always being on the lookout for the free lunch. I left both Johanna and Sunil with an invitation to join us at future conferences so as to continue to provide us their valuable insights.

# Unlocking the value of LSEG for corporate treasury

*As a leading provider of financial markets data and infrastructure, Refinitiv, an LSEG business, has partnered with a select group of agile players in the corporate treasury space to develop a comprehensive suite of technology-enabled corporate treasury solutions.*

The result is an innovative suite of tools, software and services designed to help corporate treasurers optimise decision-making and maximise operational efficiencies.

IBSFINtech is India's leading player in enterprise TreasuryTech solutions.

The firm partnered with Refinitiv in 2021 to launch cloud-based, automated treasury management solution, InTReaX®, which is focused on cash and liquidity, currency risk management and hedge accounting. The solution has proven capabilities to facilitate the CFO's office by enhancing visibility, transparency, and control; mitigating operational risk; and improving business efficiency.

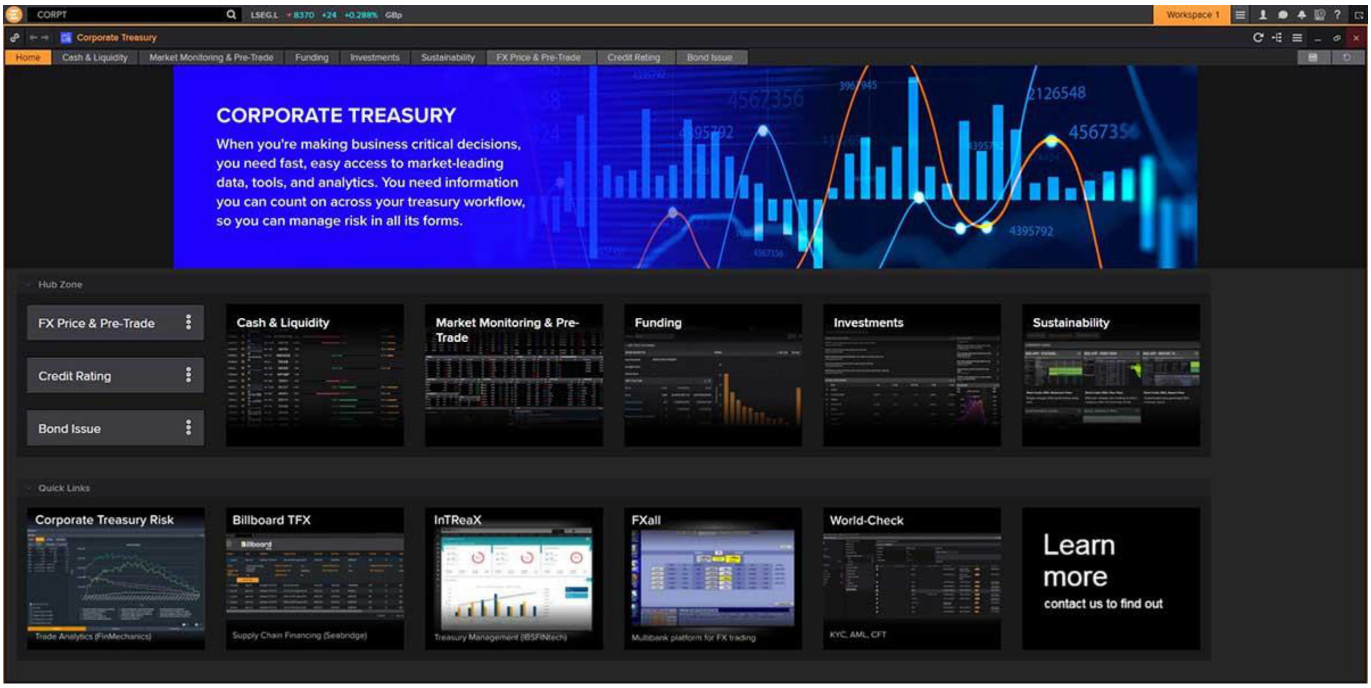
Refinitiv has also partnered with a digital supply chain finance platform, Billboard TFX – now fully integrated into the Refinitiv Eikon desktop.

The solution connects buyers and suppliers and helps them optimise their working capital by listing and transacting Payables and Receivables, automated Early Payment Discounting and extensions to Days Payable Outstanding.

A further strategic partnership with Finmechanics, a software and services provider with substantial risk management capabilities and enterprise-level solutions, completes the enhanced corporate treasury offering from Refinitiv and LSEG.

## Unpacking the end-to-end needs of the treasury workflow.

The comprehensive solutions LSEG now offer leverage modern technology stacks and seamless integration to support clients across all segments of the treasury workflow, including cash management, market monitoring and pre-trade analysis, funding, investments, transactions, risk management and hedging and ESG.



*Treasurers can access comprehensive information and valuable insights with the 'CORPT' app in Refinitiv Eikon.*

Refinitiv's market-leading solutions, including Eikon and FXall, fully integrate with parent company LSEG's range of services, including:

- Issuer Services, the digital hub for London Stock Exchange issuers, deliver a wide range of solutions dedicated to serving public companies and their investors; and
- The Sustainable Bond Market, dedicated to supporting innovative issuers in sustainable finance and improving access, flexibility, and transparency for investors.

The new partnerships outlined above complement and enhance these solutions by bringing additional capabilities and tools to the table, enabling LSEG to deliver holistic, end-to-end treasury management capabilities.
Part of an open technology ecosystem, these solutions can be integrated to enhance and complement existing client infrastructure or can be fully deployed to meet end-to-end treasury needs. LSEG offers the flexibility to input both market and proprietary data, enabling users to make informed decisions based on the most up-to-date information available.

Andrew Hollins, Director of Corporate Treasury Solutions at Refinitiv concludes,

> "The formidable synergies between Refinitiv's data and technology capabilities and LSEG's reputation and reach, combined with the addition of innovative, agile capabilities from IBSFINtech, Billboard TFX and Finmechanics have resulted in a substantially enhanced corporate treasury offering.
>
> We are excited about future developments in this space and will continue to expand our offering to support corporate treasurers at every stage of the treasury function."

# Driving down operational costs across treasury

**Thomas Jerolitsch**
Business Line Executive, Enterprise Treasury, FIS

Economic uncertainty is driving many organisations to unlock opportunities for efficiency gains and savings. As a result, treasurers are having to drive cost efficiencies across their operations.

Modernising can help

What may be often overlooked is the savings opportunities available through the deployment of more modern technology, which very often helps reduce costs across the IT infrastructure giving treasurers the ability to:

Replace not just one but multiple legacy applications (e.g., separate applications for cash management and hedging)
Implement new capabilities such as hedging or an in-house-banking, which helps reduce the overall number of bank relationships

Choosing the right partner and solution

We are seeing a trend for organisations to work with vendors who are value-added partners. They are moving away from legacy or niche solutions that only address a relatively small business area to solutions and vendors who can add value on a larger scale.

Organisations are recognizing they can get more value out of strategic treasury management solutions that are better interconnected to corporate systems such as ERPs compared to smaller, niche solutions that often lack integration capabilities, leading to manual data entry. Areas such as real-time cash management and reliable and precise cash forecasting are more important than ever and can help drive tangible returns by allowing organizations to expand their working capital. To deliver best-in-class cash forecasting, a digital treasury management solution needs to be able to seamlessly integrate with the ERP, ideally through API-based, real-time connectivity.

However, many treasury departments need to make compromises as their niche solutions may not provide the technology needed to automate integration.

Liquidity and risk visibility is key

According to the November 2022 Deloitte Global Treasury Survey, 64% of respondents state visibility into global operations, cash and financial risk exposures as a key challenge. Lack of liquidity visibility is also more than a hindrance – it's a liability. You need a comprehensive view of your operations to consolidate global risk positions and optimize your hedging strategies.

Creating an efficient hedging strategy commonly relies heavily on corporate data, whether these are balance sheet positions or expected future cash flows that ultimately constitute exposures to be hedged.

Manual processes or manual data entry are not adequate operational tools to manage the necessary data volume. The more data you

**Summary**

Implementing modern treasury management and payments technology can lead to cost savings. In this evolving marketplace, FIS has much to offer. FIS' treasury offerings can help your organization get up and running quickly without needing to spend valuable time engaging with multiple vendors and with an easy digital architecture integration. FIS can help implement the state-of-the-art treasury infrastructure you need to adapt and grow.

# Future of Transaction Banking is Invisible, Connected, and Automated

ANZ Experts Payments

Transaction banking finds itself at the forefront of disruption in the financial services sector, as technology transforms entire business functions, including the corporate treasury.

With innovations breaking down data silos, automating manual processes, and enabling sophisticated predictive analytics, banks are on the verge of transforming the institutional customer experience by becoming invisible, connected, automated, insights-driven, real-time, and always on.

As the world continues to cope with challenges, such as climate change, supply chain disruptions and geopolitical tensions, along with fresh disruptions from the likes of artificial intelligence-powered innovations like ChatGPT, few things are as certain in our lives as the ubiquity of technology.

In financial services, transaction banking is at the forefront of this disruption. While striving to retain the best elements of traditional tools, such as cheques and other paper-based documents, it's moving towards a future where banking will need to be invisible, connected, automated, insights-driven, real-time, and always on, all in a bid to enhance the overall customer experience.

So, what does all of this mean from a corporate treasury perspective? Part of the answer, as Andy Abraham, Head of Transaction Banking, New Zealand & Pacific at ANZ, explains, centres around lending institutions becoming fully integrated into the ecosystem in such a way that transactions become friction-free and effortless.

"As we look to making banking invisible, so to speak, it is actually about expanding our reach and presence to create more convenient options for the customer to transact – be it an app, ERP system, or a wealth management platform," he says. "It is about taking the effort out of historically manual tasks like making a payment and reconciling an account. It's also about using technology to surface richer data insights and actions for the customer's benefit."

## How ongoing transaction banking trends will impact corporate treasury operations

*Driver #1: Transformational technologies*

Tools such as Blockchain, APIs, Robotic Process Automation (RPA) and Artificial Intelligence (AI) will help banks gain significantly deeper insights into the needs of their customers and offer a combination of products and services tailored to suit specific requirements.

**What this could mean in practice:**

- APIs channeling information directly from a shipping company to a financial institution (FI) can immediately trigger the provision of a Trade Finance loan upon shipment.
- An Internet of Things device can process payments to suppliers upon delivery or acceptance of goods.
- Digital currencies issued on a Blockchain platform are divisible into very small values, making micropayments – payments of less than a dollar – feasible.
- Such a platform can also enable cross-border settlements in real time by tokenising account balances and exchanging these tokens instantaneously.
- AI can learn existing processes, optimise, and execute them automatically. This will enable fully automated payroll processing, enhance fraud detection capabilities, and allow the prediction of seasonalities to enable better cash flow management.

*Driver #2: Reset of the "minimum standard" on customer experience*

As banks increasingly design processes to be handled by machines instead of humans, it will reset expectations in areas such as onboarding, payments and collections, liquidity and analytics.

**What this could mean in practice:**

- Move from legacy to cloud-native and API-based tech stack will enable tailored solutions. Non-standard will be the new standard, and solutions will be highly customisable based on the business needs of our customers.
- New operating models will aim for "zero-back-office" principles so that treasury operations teams will no longer have to handle routine processes. Instead, they can add value by using predictive data insights to determine future cash inflows and outflows - for example, proactively flagging the possibility of a supplier delaying payments and taking appropriate action before the event.

*Driver #3: Moving towards a partnership-driven approach*

Recognising that no single institution can do it all alone, traditional players are strategically partnering with fintechs and other third-party entities to provide a range of services, including seamless payments, insights and financing.

**What this could mean in practice:**

- Treasuries can expect greater and more agile innovation from their banking partners without compromising on security.
- For instance, ANZ is exploring a partnership with a fintech that allows clients to receive detailed transactional insights at the point of sale. This will allow our customers to better customise their product offering, sales promotions and supplier engagements.

*Driver #4: Growth of ecosystems*

Over the next few years, technologies, partnerships, ecosystems and platforms will converge across multiple industries to enable companies to better share data and resources, and deliver the best customer experience.

**What this could mean in practice:**

- Development of open banking regulations will allow for greater data-sharing to enable lenders and their partners to use the anonymised data so gathered to provide valuable insights to their clients on shifting consumer trends.
- As banks seamlessly exchange data and invisibly integrate banking services into other ecosystems, corporate treasury clients can expect access to rapidly scalable cutting-edge tech, which in turn can provide greater cost benefits and enhanced business outcomes.

## Open banking: Key to transaction banking's future

Because customer data is a powerful tool that must be handled with utmost care, the open banking framework is key to any process that seeks to harness this information. It enables lending institutions to create an enhanced, data-driven, personalised experience for customers while giving the latter control over how their personal data is collected, shared and stored.

As open banking gains traction in many jurisdictions, new use cases and opportunities are arising for banks to provide customers with more personalised and efficient payments and accounts-related functions. This is especially relevant for overlay services that capitalise on a bank's existing expertise, data security capabilities, and the trust earned with its customer base. Some examples of innovations driven by open banking include:

- **Instant onboarding:** Efficient, single-touch onboarding process to pay for services across different accounts and FIs thanks to standardised and shared KYC data, ID linkage and user authentication.
- **Account aggregation and micro-investments/savings:** Read data from a user's accounts held across multiple FIs to track their finances and investment portfolio, identifying and potentially automating micro-investments or savings
- **Payment initiation:** Customers can allow third-party connectivity to their banks to initiate pre-authorised payments, so businesses can receive the funds instantly. Instead of needing to open their banking app or payment interface to manually enter account or card details, users can simply pre-authorise payments with their bank and preferred account with a single click, removing the potential for error from making manual entries.
- **Advanced, real-time, context-driven data exchange and analytics:**
    - **Real-time view of treasury and intelligent automation:** Real-time ingestion of data from across a customer's business ERP systems helps to identify spending patterns, automate treasury decisions based on detected changes, and enable deeper insights into business operations and areas for improvement.
    - **Optimised credit decision-making:** Using more comprehensive data sets that are not limited to just credit payments, FIs can make more accurate and up-to-date credit score assessments when deciding when and whom to lend to
    - **Personalised customer experience:** Using richer data sets about a user's spending behaviour FIs can recommend more suitable products and services the customer may not have known about.

Ultimately, the thinking goes, providing customers control over how their data is collected, shared and stored, will in turn encourage greater competition, innovation and the creation of client-centric services across the financial services industry.

## Customer-centric innovation

And it's not just about the data. As banks set out to further personalise the overall customer experience and make it completely friction-free, they are changing their approach to designing products and services.

According to Leigh Mahoney, ANZ's Head of Wholesale Digital, banks are now taking into account customers' unique needs, which is a shift from the past when their offerings sought to closely control the customer experience in order to enhance it.

"What we're trying to drive through digital banking is becoming more embedded in the activities of our customers," he says. "And if we do it the right way, it enables our customers to carry out their usual financial activities without actively thinking about it."


While both Banking as a Service (BAAS) and Embedded Financial Services (EFS) involve the provision of financial services by non-banking companies, BAAS is more focused on banks providing banking services to third-party companies, while EFS is focused on non-financial companies integrating financial services into their own products and services.

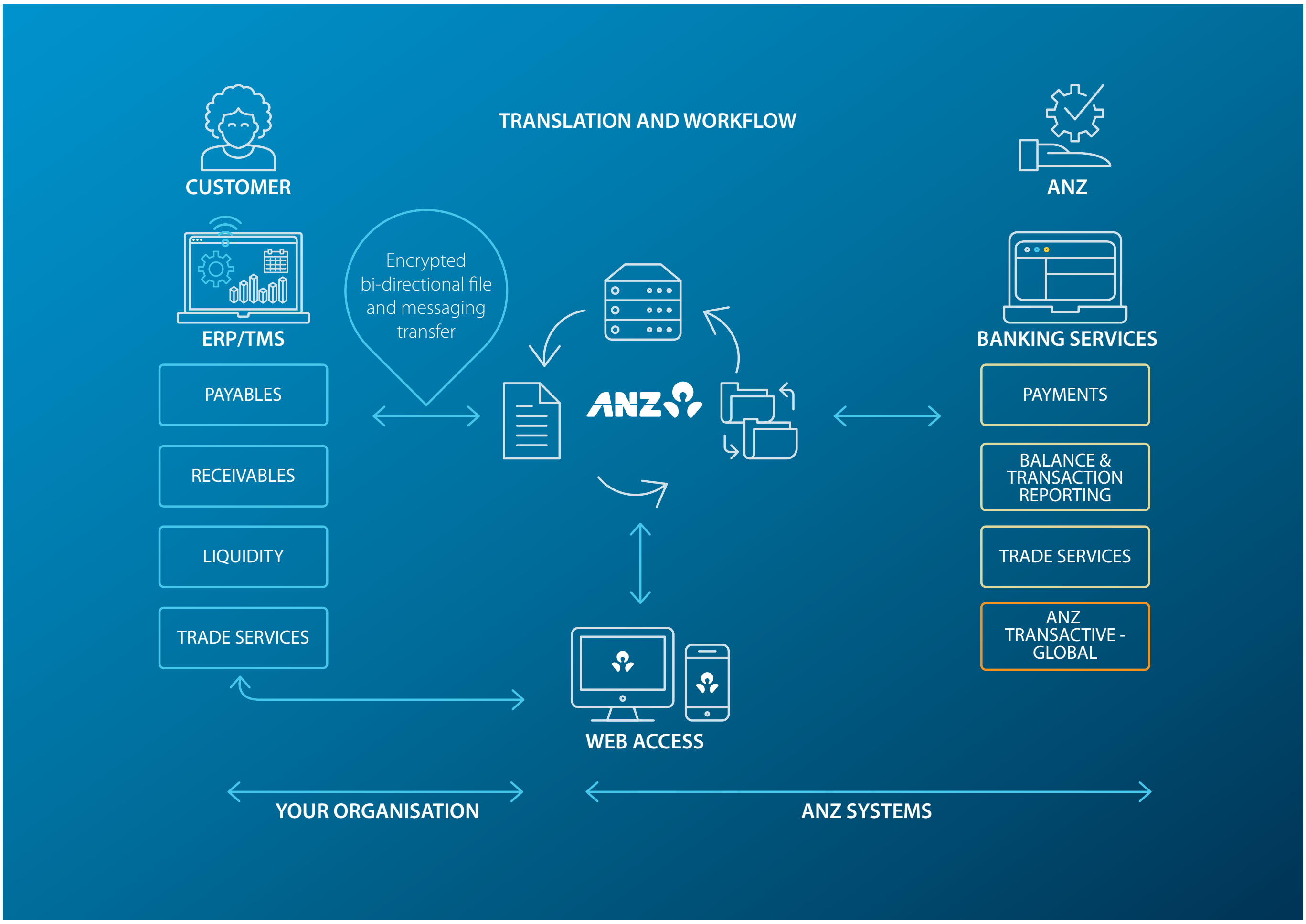
ANZ is developing solutions that can be tailored to suit a client's changing requirements and successfully carry out a range of functions with minimal client involvement. Because, this goes a long way towards enhancing the overall user experience, notes Lisa Vasic, Managing Director Transaction Banking, ANZ. "The idea is to digitally integrate the fragmented components, which is the traditional way that services have been delivered."

The solutions being developed to that end utilise longstanding web- and mobile-based technologies as well as emerging solutions – from enabling customers to integrate ERP and other MIS into a FI's systems to streamline functions such as payments, receivables and account reconciliation, to providing enhanced workflow and industry analytics, and corporate finance insights.

Powering these solutions are APIs – a technology that allows separate applications to work together, and build modularity and flexibility into systems while bolstering resiliency and saving costs. For instance, ANZ is seeing APIs help host-to-host (H2H) solutions – which automate various financial processes, including business payments, reporting and workflow management – take off in various markets.

*"The idea is to digitally integrate the fragmented components, which is the traditional way that services have been delivered."*

## How a global H2H customer integration solution works




1. Customer generates a financial transaction file or API message in their internal system. Files can be in any industry standard or custom format.

2. The file or message is encrypted and transferred through a secure connection to ANZ Fileactive for consumption by ANZ's core systems for processing.

3. If required, payments can then be presented in ANZ Transactive – Global for authorisation.

4. Upon processing ANZ Fileactive will provide core systems' updates of your request. For example, payments will be identified as being Processed, Partially Processed or Rejected with reasons provided. ANZ Fileactive also supports other requested reporting data at the relevant frequency, such as end of day bank statement, intraday account balance and transaction information or real-time payment status notifications.

"If you look at what APIs are doing now, it's effectively us offering a range of services for a customer to choose from in order to drive their own experience discreetly at the backend," says Mahoney, adding: "We're providing an integrated omni-channel experience where customers can opt to do business with us over files or APIs. And we're extending that to include more traditional services, such as web and mobile."

Yet another example of an integrated system that's gaining traction is PayTo. Developed by NPP Australia, PayTo supports e-invoicing and QR codes to speed up transactions while reducing manual intervention, which means fewer errors.

Along with offering corporates new avenues of being able to receive and manage money from their customers – such as the digitisation of direct debits – PayTo provides greater visibility into the mechanics of a transaction, for instance, informing users when a payment has been paused, changed or cancelled. And this level of transparency means clients also have better control, notes Nigel Dobson, Banking Services Lead, ANZ.

"Previously, customers would sign a piece of paper and someone debited your account once a month. You would have no control over that," he says. "Now, with the PayTo functionality, ANZ and other banks can give their customers greater control and visibility into those transactions.

**A MODERN ALTERNATIVE TO DIRECT DEBIT**

PayTo solves many of the current challenges with direct debit to deliver improved outcomes for businesses and consumers.

**AN INTEGRATED DIGITAL PAYMENT SOLUTION**

PayTo can be used for in-app and e-commerce transactions, including one-off, ad-hoc or 'account on file' payments.

**OUTSOURCED BUSINESS PROCESSES**

PayTo is always on, so businesses can improve the efficiency of outsourced functions like payroll and accounts payable.

**PAYMENT OF E-INVOICES**

PayTo can be used to support eInvoicing so businesses can get paid faster. Payment times can be significantly reduced and the procure-to-pay process transformed.

**REAL-TIME PAYMENTS WITH QR CODES**

Businesses can use PayTo together with QR codes to transform the customer experience, online or instore.

1. A modern alternative to direct debit:
PayTo solves many of the current challenges with direct debit to deliver improved outcomes for businesses and consumers

2. An integrated digital payment solution:
PayTo can be used for in-app and e-commerce transactions, including one-off, ad-hoc or 'account on file' payments

3. Outsourced business processes:
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4. Payment of e-Invoices:
PayTo can be used to support eInvoicing so businesses can get paid faster. Payment times can be significantly reduced and the procure-to-pay process transformed

5. Real-time payments with QR codes:
Businesses can use PayTo together with QR codes to transform the customer experience, online or instore

According to Vasic, tools like PayTo will change the way treasuries operate in the 24X7 environment created by real-time payments. "Specifically in Australia, we expect PayTo will bring a fundamental shift around how banks provide digital propositions to their consumers, and turn the whole direct debit model on its head," she says. "We're quite excited about PayTo."

The ongoing proliferation of such tools enables institutions like ANZ to operate in the background while offering unprecedented flexibility and transparency, and a top-notch user experience. At the same time, integrating new technologies into existing products and solutions has to take into account considerations such as scalability, cost, compatibility with business models, and customers' security needs, especially because new technologies are coming up and being trialed all the time.

Among the various innovations on the horizon with the potential to check many of these boxes is the tokenisation of assets – the digital representation of physical assets on distributed ledgers. Tokenisation using blockchain tech offers many benefits, foremost among them being enhancing the liquidity of an asset.

Tokenisation also means the ability to use smart contracts, thereby reducing dependence on intermediaries and producing cost savings as companies are spared the burdensome, process-heavy task of managing paper-based transactions. And because tokenisation provides a crystal-clear picture of ownership, there is greater transparency, which enables instant settlement of transactions and the mitigation of counterparty risks and, ultimately, leads to a friction-free experience.

For these reasons, increasing numbers of corporates can be expected to embrace it and banks like ANZ must be prepared to assist clients with a tokenisation strategy and keep pace with new entrants such as fintechs and non-traditional financial services providers, according to Dobson.

“So, in another 10 years’ time, we could see decentralised networks and digital tokens become popular,” he says. “And while we don't know that for sure, the one thing we do know is that our customers will determine whether we go in that direction, and how far.”

While there is no dearth of new technologies being deployed in the financial services industry – ranging from AI and machine learning to blockchain and RPA – any successful digital transformation effort eventually comes down to offering an effective and workable replacement to a legacy instrument, according to Vasic.
“It's one thing to say cheques are part of the old world. But if the new world doesn't have the capabilities to replace the benefits of the cheque, it's going to remain part of the landscape,” she says. “So a big part of a bank’s job is to not just think about the future, but also act as a bridge, handholding customers from the past into the current, and then into the future.”

## What does this mean for the corporate treasury?

As banks continue to invest in emerging technologies, competition and innovation in the industry are driving better outcomes for clients.

Uber and Spotify offer ideal analogies from the retail consumer world – one is an example of frictionless payments and another a repository of highly customisable products (songs, in this case) – to showcase how the user experience is changing. From the corporate treasury and transaction banking perspectives, while payments are on their way to becoming friction-free, other key functions such as onboarding and lending, as well as liquidity and cashflow forecasting, are now the target of digitisation and automation.

“If our customers want a supply chain finance or trade finance product, they don’t need to come and tell us that. They should simply be able to say, ‘You know what's happening in my system, so offer me a financing option and we can tell you whether we want it or not.’ So those are the types of experiences we need to build for the future,” says Hari Janakiraman, Head of Industry and Innovation, Transaction Banking, ANZ.

For that to happen, FIs must delve deeper into their clients’ internal processes to gain a better understanding of their business, their risk parameters, and the frictions they are trying to rid their systems of. And bankers must take a design-thinking approach, according to Mahoney, to help treasurers cope with the typical challenges of switching from legacy systems, as well as cost and process-intensive endeavours such as transitioning to global standards like ISO 20022.

“Transaction bankers are finding that they need to go much earlier into that conversation with the customer, to help them think through their current creative process, and also understanding how the bank’s services can help the customer achieve their goals,” says Vasic.

This will also allow banks to help customers reimagine their business processes in light of what the technology can enable, redefine the standard of service that customers have come to expect, and work closely with them to co-create experiences for their clients. Of course, this increased engagement raises the issue of trust, which must be addressed by safeguarding the integrity of client information, especially around the use of KYC data.

As banks move to embrace the future, Janakiraman cautions, it’s crucial not to lose sight of the basics – such as ensuring payments are processed on time. “We need to give confidence to our customers that we will do the expected things, the hygiene tasks, really well. I think that’s the number one priority as we help them on their transformation journey.”

## Preparing for the future

As momentous shifts occur in the transaction banking landscape, in turn impacting how corporate treasuries function, it's incumbent upon institutions like ANZ to help treasurers cope with and navigate these changes, with some give and take.

“What we need from treasurers is to really invest the time and resources needed to understand these major developments and the network effect they have on the industry as a whole,” says Vasic.

According to Janakiraman, banks now more than ever need to map out a bold and well-defined innovation strategy driven by investing in hiring and retaining top-tier talent who can think boldly and support the push to future-proof operations before the window of opportunity closes.

Abraham concurs, adding: "Bankers as well as treasurers need to upskill and understand how we can help our respective clients… so less focus on ‘putting out fires’ and more on value-added advisory around issues such as liquidity management, and leveraging emerging tech and ecosystem opportunities."

Yet another task that treasurers must prioritise is putting together an action plan to strengthen internal cybersecurity measures, according to Mahoney. And there are many avenues to choose from. For instance, AI and machine learning can be deployed to monitor payments to detect malware in real time. Yet another example is the self-executing smart contract, which FIs are investing in to minimise counterparty and conduct risk.

“The risk of cyber fraud has increased on all metrics on a global and national scale,” he says. “Ignoring the issue would be unwise for any corporate treasurer or their organisation.”

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**$10.5T USD**
**COST OF CYBER CRIME BY 2025**

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**AVERAGE REPORTED COST OF A CYBER ATTACK FOR AUSTRALIAN SMB**

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These numbers demonstrate both the size of the challenge and the management factors which contribute.

While existing services like PayTo and PayID are vital for tackling some of these risks, banks are also devising digital identity solutions tailored to help corporate treasury clients safeguard their transactions, and prevent fraud and scams. At the same time, treasurers are advised to consider incorporating FI-driven and government-endorsed digital IDs into their payments ecosystems.

"Digital identities are coming and we'd like corporate treasurers to think about that from a transaction security perspective as well as in terms of interacting with other counterparties, such as suppliers, in aid of preventing financial crime," says Dobson. "It will be a fully digital experience, facilitated through an interface of your choice and bolstered with the requisite security and checks and balances that are required to give you the comfort and trust that you're dealing with an organisation that is going to fulfill and protect your transactions."

Finally, perspective matters. Because, while banks are working to support their institutional customers navigate the myriad local, regional and global changes occurring across the transaction banking ecosystem, it's increasingly evident that the successful companies are the ones that have a firm eye on the big picture, and not just the next upcoming trend.

"This is not a one-time journey," says Janakiraman. "The best bet for success for treasurers undertaking digital transformation is to take the long view on where their function is heading, and work with their preferred banking partners to recognise the complexities, opportunities and challenges without being distracted by the immediacy of current events. It's crucial to think long-term."


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# Payments Resilience: Top 3 Strategies to Eliminate Payments Fraud Risks

**By Kyriba**

Payments fraud continues to plague treasury and finance departments, as criminals' methods are continuously evolving. From new threats like deepfake technology to old standbys like business email compromise (BEC), financial professionals cannot afford to be complacent when it comes to payments fraud risks.

Being proactive is imperative when it comes to fraud protection. Organizations need to deploy the most up-to-date payments fraud detection and prevention solutions to thwart fraudsters' attempts. At KyribaLive 2023, Steven Otwell, Director of Payments, and several of Kyriba's clients, discussed modern payments fraud and methods to stop these attacks before they happen.


### The Complexities of Payments Fraud

In an era dominated by digital transactions, payment fraud has become an ever-growing concern for businesses. The increased reliance on electronic payment systems and the sophistication of cybercriminals has created the perfect storm for fraud.

Lee-Ann Perkins, Assistant Treasurer of Specialized Bicycle Components, highlighted the elevated complexity of fraud attempts in today's landscapes. "Fraud has become so elevated in complexity," she said. "The only thing we can do is elevate our vigilance, our solutions and our processes and policies," she noted.

**Bob Stark**
Head of Market Strategy

Bob Stark has over 20 years' experience in treasury, driving product and market strategy for many of the best known technology providers in the industry. As the head of market strategy at Kyriba, Bob works directly with clients, partners, and industry influencers to ensure Kyriba is at the forefront of financial technology. Stark has provided treasury management strategy to some of the world's largest companies, and is a frequent speaker and author on treasury, risk management, and payments at AFP, EuroFinance, ACT, Sibos, and other industry events. Bob resides in Vancouver, Canada and is a graduate of Simon Fraser University in British Columbia.

### Checks and Wire Are Both at Risk

In today's landscape, checks are considered an old payment method. But, Perkins noted that they're still being used to commit payments fraud.

"[Checks] are an incredibly good way to commit fraud because, who's really thinking about checks as much as we're concerning ourselves with deepfakes and the new electronic fraud that's coming our way?" she said. Checks have become an unexpected gateway into cyber and cryptocurrency accounts with fraudsters stealing checks from post boxes and using the information to create fraudulent accounts.

Checks aren't the only method used to commit payments fraud. Stephanie Osipov, Treasury Manager at Tetra Tech, highlighted that Business Email Compromise (BEC) remains a prevalent threat, specifically with regard to her organization's vendors. Both she and Otwell also mentioned that wire fraud attempts are escalating. "According to a recent AFP survey, it is the number one fraud in the marketplace." According to Osipov, her organization sends out about 100 international wires daily to 50 to 100 countries. The high volume increases the likelihood of wire fraud attempts.

Anil Surujbali, Treasury Team Manager for Clarion Partners, stressed the inherent difficulty that the volume of transactions presents, especially in the real estate industry. With numerous bank accounts and transactions, the sector becomes a prime target for payment fraud attempts. "We do a ton of transactions in checks and ACH, so we've seen it all in terms of fraud attempts," he commented. "Checks tend to be high volume, low value while your wires are more on the high side," he said.

### Critical Steps in Combating Payments Fraud

When an organization falls victim to payments fraud, it is imperative to take timely action. "Time is always the most valuable asset you have in any fraud attempt," Perkins stated. But, time isn't always on your side.

As the panelists mentioned, recourse options are dependent upon the payment type. "Wires are final," Surujbali said. According to Surujbali, wires are the focus for many organized fraudsters, who use BEC and malware or ransomware. In terms of ACH and checks, there is a callback time that grants you more time to fight the fraudulent activity. However, it depends entirely on your relationships with the banks and how promptly you contact their fraud department to begin the process, Surujbali said.

Additional critical steps in combating payments fraud include implementing effective policies, procedures and training. Otwell emphasized the importance of having the right processes in place to mitigate fraud. Perkins concurred, indicating elevating vigilance, solutions and processes and policies is imperative for organizations' abilities to combat fraud attempts.

Osipov also indicated that, because of the volume of BEC fraud attempts in her organization, having the right policies and procedures in place is vital, as is training and holding teams accountable. "We have added a section specifically on fraud," she said. "The reason why we did this is not only to mitigate risk, but it is also to hold the teams accountable. When they're responsible, they're more cautious of what they approve," she said.

Surujbali agreed, indicating that his organization has numerous fraud policies in place. In fact, they have a wire, vendor setup and call back policies to address potential gaps in their fraud prevention and detection.

### The Role of IC3 and Fraud Reporting

Fraud is inevitable, but it doesn't have to have devastating impacts on organizations. One key element to fighting fraudulent activity is, according to the panelists, using resources such as the Internet Crime Complaint Center (IC3) and reporting fraudulent activity promptly.

"You have to know the website ic3.gov," Perkins said. After you've spoken to your banks, "you need to report [fraud]," she said. Through prompt reporting, IC3 can help stop fraudulent international wires.
Osipov recalled numerous fraud attempts and her own dealings with IC3 and the FBI. "One [fraud attempt] has been successful," she said. "But we have been working with IC3 and the FBI, as well as our bank and our insurance companies to try to retrieve as much of that money as we can," she said.

### Compliance and Sanction Screening

Compliance and sanction screening is also a vital part of preventing and fighting fraud. Perkins mentioned that her organization delegates sanction screening to the legal department, ensuring compliance with global regulations.

Osipov, on the other hand, said that they rely on the banks to handle sanction screening. "Our bank is very, very helpful with [sanction screening]," she said. While Surujbali uses a combination of working with the legal department, as well as working with their banking partners. "Our legal team does a sanction screening like a full watch list," he said, indicating that this is solely on the investor side of the organization. In terms of vendors, "the banks are responsible for checking that," he said.

### Embracing Technological Advances

Osipov believes that, as technology changes and advances, fraudsters will become more tech savvy. This makes it essential for treasury professionals to stay informed and remain prepared in their efforts to fight fraud. Surujbali also agreed that treasury and finance teams should know the technology and acquire a greater understanding of what is coming next.

**One of the best ways to fight fraud, according to the panelists, is embracing advancements in technological fraud detection and prevention solutions, especially for fighting more advanced threats, like deepfake scams. "The more complex the vulnerabilities, the more we need automation," Perkins said.**

**Watch the on-demand session to learn more about effective strategies against payments fraud.**


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## CONTACT

ACTA
AUSTRALIAN CORPORATE TREASURY ASSOCIATION

+61 (03) 9132 5240

PO Box 21003
Little Lonsdale Street
Melbourne VIC 8011
Australia

WWW.ACTATREASURY.COM.AU