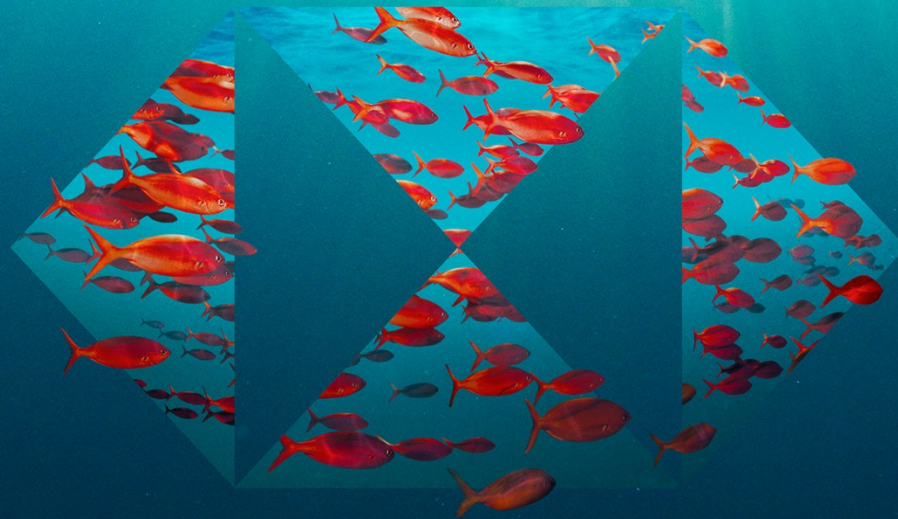


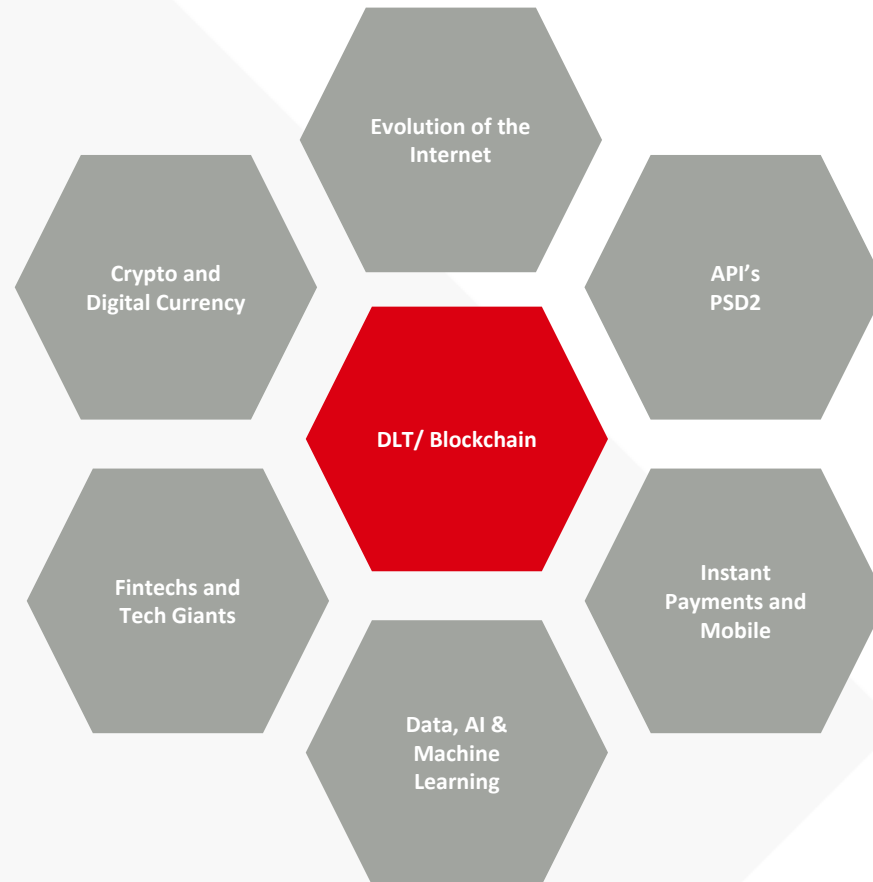
ACT: Treasury in the digital age

HSBC: Mark Williamson

Date: 14 November 2018

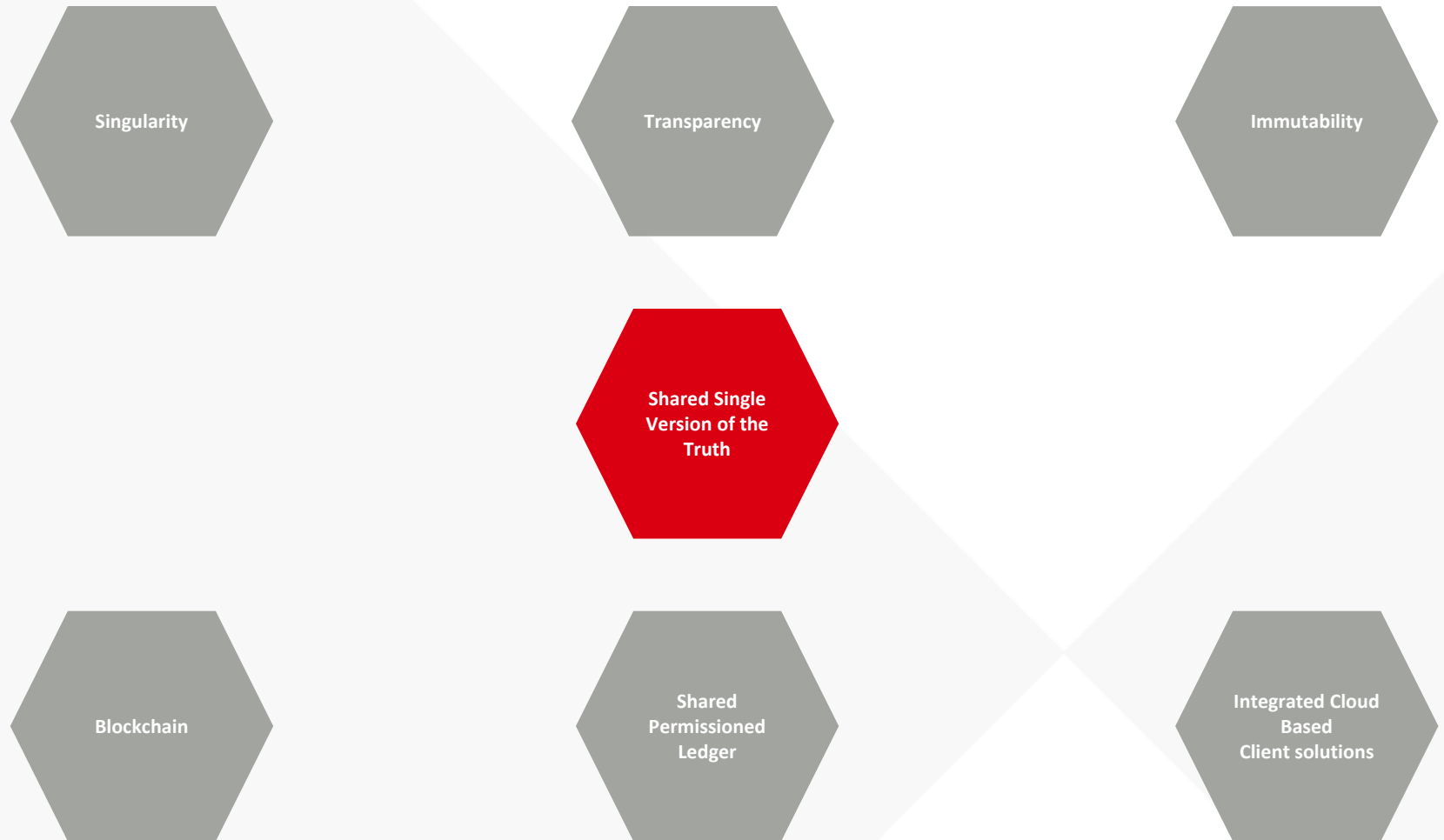


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The catalyst of change ... FX & Payments on Blockchain

4



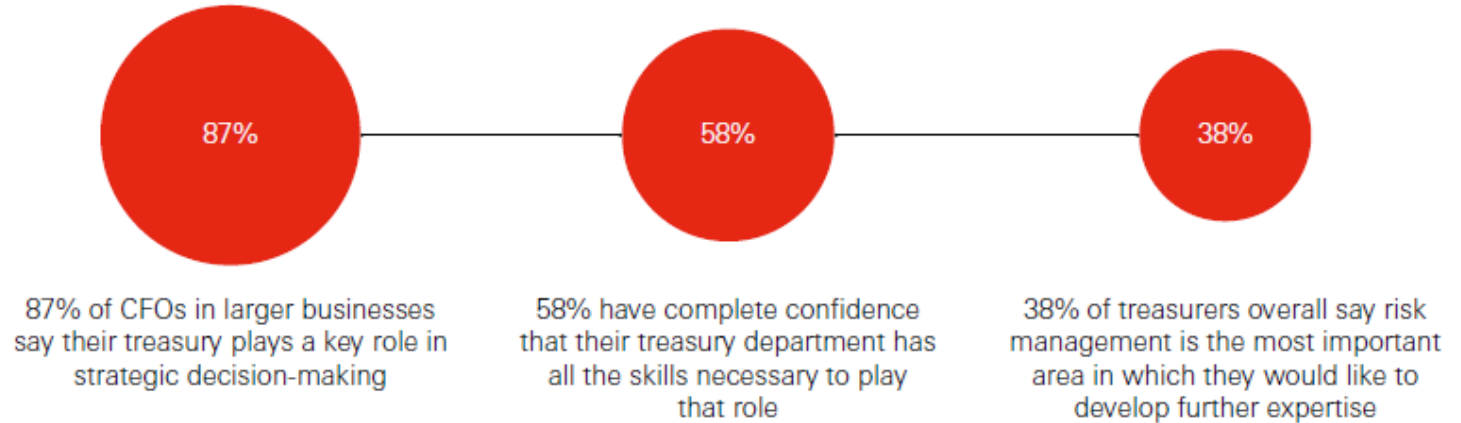
How are CFOs and corporate treasurers rising to the risk management challenge?

1. CFOs and treasurers agree: risk management needs improvement and FX risk is the most significant area of concern.

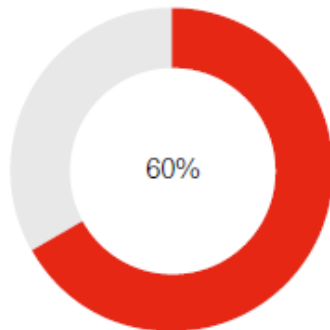


Based on a survey of 200 CFOs and 296 treasurers conducted in Q1 2018 at a global level. Please note that "larger businesses" refers to those with annual revenues of more than US\$5bn. For professional clients and eligible counterparties only. Issued by HSBC Bank Plc. June 2018.

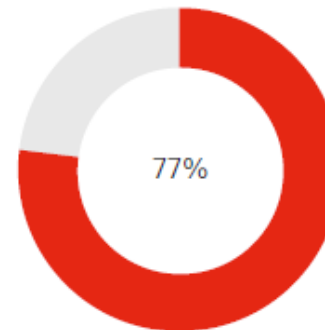
2. A more strategic view is required to efficiently mitigate risks.



3. CFOs are waking up to the need for more strategic resource allocation

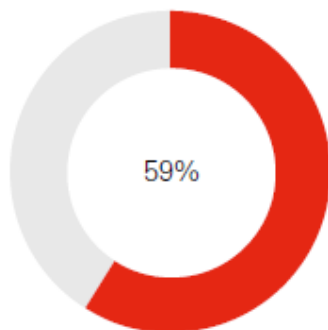


60% of CFOs in larger businesses say treasury has received either no additional resources or they have been cut in the past two years

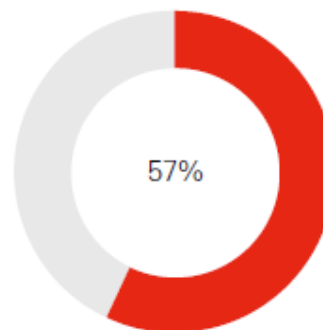


77% expect treasury resources to increase over the next two years

4. Digital technologies will help bridge the gap between resources and expectations.



59% of treasurers say digitalisation is likely to have a significant impact on risk management strategy over the next three years



57% say they would like to improve their digitalisation knowledge

HSBC use case: the challenge of a large multi-national.. and solution

9

- ◆ Millions of Back to Backs intra group risk trades
- ◆ **Across many Balance sheets** and entities
- ◆ **Captured in many** risk management, settlement and payments systems
- ◆ **Sent externally** and fees paid to correspondent settlement networks and Nostro agents
- ◆ **Costly & Manual** confirmation and reconciliation processes
- ◆ **Opaque view** of Global forward cash flows/ ladders across balance sheets
- ◆ **Growing balance sheet cost** for holding gross forward cash flows
- ◆ **Over draft fees** incurred for missed payments

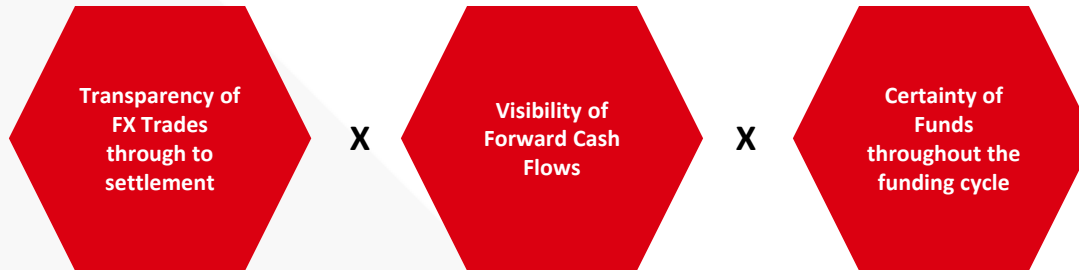


- ◆ Embracing new technology, blockchain, shared & permissioned ledger technology **Providing Singularity, Transparent and Immutable** storage of smart contracts
- ◆ **Greater Transparency**, and certainty of forward cash flows across the group, **Visibility** of where the money is once it moves, **Certainty** funds through the funding cycle
- ◆ **Balance sheet optimisation**, through reduction of leverage ratio achieved by moving from gross to net payment vs payment (PVP)
- ◆ **Complimenting**, existing investment in risk management, settlement and payments systems and where possible deprecation of heritage applications
- ◆ **Cost Saves** through reduction in fees paid, operations head count, overdraft fees and **removing the need for confirms and reconciliations**
- ◆ **Operational risk reduction** of near misses and intercompany payments

Embracing Digital can improve Working Capital

10

How & What



Evolution



Results



= ***Improved Working Capital***

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