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The Treasurer

THE MAGAZINE OF THE ASSOCIATION OF CORPORATE TREASURERS ◆ DECEMBER 2020/JANUARY 2021

THE FUTURE LEADERS IN TREASURY EDITION

PLUS
LOCKDOWN AND SOCIAL CAPITAL
treasurers.org/thetreasurer

FACING UP TO THE CHALLENGES OF 2020

TREASURY EXCELLENCE AS STANDARD

EDITOR'S LETTER

What have we learnt from 2020? Many millions of words have been written and uttered about a year that upended just about all received wisdom on how we work and how we function together. And yet, I suspect, many of us are shaking our heads over the sheer scale of unanswered questions. We wonder how long before the health crisis begins to resolve; about the appearance of a vaccine that might throw the progress of COVID-19 into reverse; about how much further stimulus spending can be expected to hold up; and about the beginnings and shape of the eventual economic recovery.

We've learnt that technology can be an incredible enabler and that business activities are much more readily adaptable to the home front than we've previously been prepared to allow. The pandemic has shaken up our groupthink, and our organisational norms and our cultures have evolved accordingly. We've had to move from presenteeism to trust (good); from the nine-to-five to individually set timetables that get the job done while accommodating varied and demanding dynamics at home (good in parts). And some of us may have had to accept personally and on behalf of our teams that winning doesn't necessarily matter in today's context, while agreeing, slightly grimly perhaps, that we don't want to merely survive, either.

This year's Association of Corporate Treasurers (ACT) Annual Conference, held virtually in October, proved once again the importance of tapping into the ACT's collective expertise and experience. Delegates had access to online networking and heard from eminent economists, politicians, pollsters, regulators and bankers. There was a wealth of technical expertise on offer on subjects ranging from treasury technology to risk management, from FX to LIBOR, from leadership to resilience – insights that should stand treasurers in good stead as they address the challenges of this year and the next. You can learn more from our review starting on page 26.

In this issue we also celebrate our Future Leaders in Treasury group – four of whom discuss the nature of risk in 2020 on page 10; and on page 16 we hear from senior treasury professionals on how this year has challenged their perceptions, both professional and personal. Also on offer are insights into the evolution towards digitisation taking place in the Middle East (page 36); and a review of the issues high on the profession's agenda for 2021 from the ACT's policy and technical team (page 30).

As we head towards the end of the year and 2021, reflective and questioning frame of mind is only likely to continue. Treasurers are renowned for their analytical skills and ability to see the bigger picture – qualities that will continue to be in demand.

I wish everyone well for the rest of the year and into 2021.

Liz Loxton

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Follow us on Twitter @thetreasurermag

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JULIA FORDHAM is a treasurer specialising in financial services. Her treasury career includes investment banking, insurance and fintech. A member of the advisory panel to the ACT's policy and technical team, she summarises the technology and LIBOR sessions from this year's ACT Annual Conference on **page 26**

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THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS


Imagine life without chocolate? We couldn't.
Kiri. Chocolatier. HOTEL CHOCOLAT. 5th June 2020.
HOTEL Chocolat. BRITISH COCOA GROWER
When their stores closed, Hotel Chocolat worked with Lloyds Bank to keep the chocolate flowing, and tripled their online sales.
By the side of business
LLOYDS BANK
Shot in accordance with government guidance.

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2021 AND BEYOND

THE RETURN OF INFLATION

THE POST-LEHMAN ERA HAS COME TO AN END

Crises serve as punctuation marks in the record of economic history. The global pandemic of 2020 and the resulting mega-recession abruptly ended the post-Lehman era that began in 2009. Next year we hope for global economic growth.

But no two economic upswings are ever quite the same. The year ahead promises to be interesting, for sure, as the new trends that define the post-COVID-19 era begin to take shape.

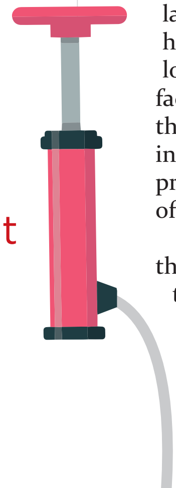
One major shift that seems to be on the horizon is the return to more normal rates of inflation across the advanced world after a decade of stubbornly low inflation, especially in continental Europe.

While it may be a number of years before inflation returns in a major way, 2021 will likely be the inflection point when rates stop falling and start rising on a sustained basis. The return of faster inflation across the advanced world will likely proceed in three stages.

In phase one, the disinflationary effects of the 2020 COVID-19 mega-recession will gradually fade before giving way to a gradual rise in general prices. This will happen in line with the pace at which economies and labour markets recover their COVID-19 losses.

Supported by aggressive economic policies, underlying inflation will likely rise from current rates of below 1% towards central banks' 2% targets by 2023 in the US and UK, and by 2024 in the eurozone.

2021 will likely be the inflection point when rates start rising



During phase two thereafter, rising confidence and risk appetites should underpin still-strong demand momentum as economies run up against supply and labour constraints. This will show up in faster rises in producer prices and wages, which firms begin to pass on to consumers.

Coupled with the still-unfolding fiscal stimuli in major parts of the world and the lagged impact of ultra-loose monetary policies, strong demand growth will lift inflation modestly above central banks' 2% targets – say, to 2-2.5% – some three to five years from now.

Finally, during the third phase, which is likely to last through the second half of the decade, several longer-term structural factors will reinforce the normal pattern of increasing inflationary pressure in the late stages of the business cycle.

These factors include the deglobalisation of trade in goods, increased fiscal activism, ageing populations, more favourable wage bargaining for workers, a stronger role for the state in many sectors of the economy and a more strategic – and hence less efficiency-oriented – industrial policy.

Inflation rates may look more like the average of the late 1990s to early 2000s than the post-Lehman decade. Core inflation in advanced economies will probably trend in the 2-3% range, with a mean of around 2.5%. Inflation expectations may trend a little higher still.

Inflation in the UK and the US, which suffered less disinflation than other advanced economies in recent years, will likely exceed that of the eurozone modestly.

By and large, major central banks will tolerate the higher rates of inflation and often view them as welcome after many years in which inflation has fallen short of their targets.

However, as no major central bank seems likely either to:
a) lose its independence; or
b) fully abandon price stability as a core objective, eventually policymakers will decide the party has gone on for long enough and apply the brakes to the upswing by raising interest rates and shrinking their balance sheets.

On this basis, it seems highly unlikely that inflation across advanced economies could rise at rates above 3% on a sustained basis.

The critical question is whether or not financial markets, which currently benefit from global economic momentum and ultra-low, long-term interest rates, will begin to sniff out the inflation to come in 2021 already. If so, it could set the stage for serious, albeit temporary, market volatility at some point during the next 12 months.

Kallum Pickering is senior economist at Berenberg Bank

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ON NOT WASTING A **CRISIS**

EMILIE HELPS LOOKS AT THE IMPACTS AND UPSIDES IN THE PANDEMIC

When a crisis or recession hits, we often fall back on the idea that the emerging challenges have been tackled before. The coronavirus pandemic is different, of course, impacting globally in ways that have not been experienced in living memory. Looking at this year's events so far, from the vantage point of working within a UK corporate, my concerns – but also hopes – are as follows.

The pandemic has had an immense impact on the global economy and serious adverse consequences on people's health. Many will view this situation as vastly negative, but as we highlight the risks generated by COVID-19, let us explore the opportunities that have been created and explain where it may be possible to build the more positive aspects into corporates' long-term strategies.

Macroeconomically, the country has officially entered into a recession for the first time since the financial crisis of 2008. Since the beginning of the pandemic, the UK economy has shrunk by a fifth, public debt has surged, productivity and consumer confidence have sharply fallen and three-quarters of a million people have lost their jobs with more to come. Financial markets have been volatile, supply chains stressed and some industries, such as tourism and hospitality, have collapsed in recent months. Similar effects can be witnessed worldwide, with big shifts in the Nikkei, Dow Jones and FTSE 100 indices alike, unemployment rates increasing across all major economies, a significant drop in consumer confidence and a majority of countries in or on the brink of recession.

As a result, we have witnessed a decrease in turnover for many corporates. The uncertainty has meant that business leaders have left growth opportunities aside and delayed investment projects to favour defensive strategies focusing on cost control, tight liquidity and debt management (by preventively drawing on their revolving credit facilities to build up cash reserves, for example), and in more extreme cases, disposal of assets. Stressed revenues, lower access to liquidity and higher corporate taxes have exposed some companies to credit-ratio breaches and made others more vulnerable to payment fraud and cyberthreat. On the human side, the lack of face-to-face contact is putting a strain on teamwork, creativity, personal development and networking opportunities.

The resulting economic crisis has also exposed some businesses' flaws and the need to shift from a reactive approach to forward-planning strategies. These potential shortfalls could be viewed as an opportunity for corporates to grow and evolve. Key areas of focus for organisations should include adapting internal core processes and controls to fit event-driven risk, accelerating digital transformation to fully embrace the benefits of remote working (proven to be one of the big positives of the crisis, in my view), diversifying supply chains in order to adapt to new customer needs, pricing strategies, and communicating clearly and frequently with the workforce as well as with external stakeholders.

From a finance perspective, with cash buffers and access to funding becoming more challenging and profit margins being stressed, managing liquidity positions and reviewing business models to include what-if scenario analysis, more granular sensitivities, stress-testing and more robust cash forecasting, has become of paramount importance. Also, now more than ever, teams will also need to sharpen their understanding of tax and regulatory systems, as well as financial reporting considerations.

Within the debt markets specifically, 2020 has so far proven to be a strong backdrop for GBP issuers – some corporates have taken advantage of historically low yields, strong investor appetite and relatively low new issue premiums to raise cheap debt opportunistically or to refinance existing facilities early. Others, via their relationship banks, have subscribed to one of the many subsidy schemes offered by governments. Financial markets have generally shown resilience, perhaps due to the way that banks have improved their models, systems and processes following the global financial crisis of 2008. Will the pandemic and economic crisis have the equivalent effect on the broader corporate world?

In conclusion, I would like to remind our readers that the objectives of the Association of Corporate Treasurers' (ACT's) Future Leaders in Treasury group are to engage with younger treasury professionals, to provide support in networking, career development and thought leadership, and to promote the ACT through building a strong and sustainable relationship.

Emilie Helps is deputy treasurer at Eversholt Rail and chairs the ACT's Future Leaders in Treasury group. For more about the group, go to treasurers.org/futureleaders

NEW RISK FRONTIERS

How have today's younger treasury professionals faced up to 2020? The Treasurer heard from four Future Leaders in Treasury

SAMUEL MARLOW-STEVENS

TREASURY AND MARKETING ANALYST, THE HOUSING FINANCE CORPORATION

The Housing Finance Corporation issues bonds to on-lend proceeds to housing associations, and in my role, I manage our deposit portfolio of client funds – from the execution of deposits to weekly and quarterly reporting and ongoing monitoring of those activities against our treasury policies. I'm also working on the implementation of a new treasury management system and some new ESG-related projects. The marketing side to my role includes responsibility for the website and producing content and briefings. In a world of specialisation, it's been invaluable to complement my work in treasury with a broader understanding of the sector.

Housing associations have performed well compared to other sectors in the face of the pandemic, helped massively by strong levels of liquidity and high standards of governance. However, the prospect of increased rent arrears, falling unit sales and increased hardship among their tenants could put pressure on their financial profile. Some have had to slow development programmes, and so the possibility of a reduced appetite for long-term funding could pose a challenge to us in terms of generating new business in the future.

Meanwhile, the downgrade to the UK's sovereign credit rating may still have implications for the housing association sector, even though the risk of an across-the-board credit rating downgrade seems to have subsided. That said, the sector remains remarkably resilient and well placed to manage these risks.

We've always had a very prudent attitude to risk and it's an approach that's been vindicated by the experience of the past few months. The pandemic has served as a reminder of the importance of planning for black swan events. It's not so much business as usual from a risk perspective, but it's about tightening up those procedures. The 'preparation is key' mantra is as relevant as ever.

Recent talk of the possibility of negative interest rates on the horizon raises new questions for organisations that are active depositors. The flip side is the positive risk, as low interest rates allow us to continue to deliver competitive funding costs for our borrowers. Also, the operational risks of remote working cannot be underestimated. For the housing association sector, the prospect of a period of economic distress brings with it a level of credit risk that will challenge business plans and strategy.

The importance of organisational culture in managing risk cannot be overstated. Embedding organisational risk perspectives into workplace culture is vital, and although building a culture where people identify personally with your brand and values is not an easy thing to do – if you succeed, the rewards are inestimable.

> "The pandemic has served as a reminder of the importance of planning"

LOUISE HAYWOOD-SCHIEFER

“Cash and liquidity risks might be the most obvious risk areas right now”

ALESSANDRA MOGOROVICH

TREASURY PROFESSIONAL IN FASHION RETAIL

I have been fortunate to develop my career in treasury management and operations across the technology, travel and leisure sectors, and I currently work in fashion retail.

The fashion industry has been severely impacted by the pandemic – lockdowns in Europe and the US have disrupted the supply chain, operations and customer engagement. Interim reporting by luxury retailers and fashion brands clearly show signs of distress, with well-established labels declaring insolvency or filing for bankruptcy.

In response, retailers have shifted focus to managing the supply chain. This important relationship requires new ad hoc strategies that can be defined only by joining forces with different departments such as procurement, commercial and finance.

The pandemic has forced me to rethink and redefine our approach to managing risk. In fact, it has been a good time to look at different industries and market players. It’s always a good exercise to research how others manage risk in order to expand your knowledge and reflect on potential improvements to inform open discussion with managers and the team.

In my opinion, risk management shouldn’t be a static strategy, but should be constantly discussed and tested.

Cash and liquidity risks might be the most obvious risk areas right now. However, other major risks lie within operations and controls.

The stress placed on operations and supply-chain management has affected our ability to build accurate and reliable cash forecasts at a time when precise insights into whether cash would be available in the right place at the right time was essential – to the detriment of efficient cash management.

To mitigate such risks, we need to be innovative, looking at automated solutions and more agile processes, for example, but without losing sight of internal controls. Having the right systems in place supports much quicker identification of opportunities and areas for improvement, which is helpful when cash is not deployed optimally in the business when it comes to supporting the forecasting of outflows in periods of high uncertainty around the inflows.

My advice for other treasurers is to never stop engaging with your stakeholders internally and externally, even if it’s just for a virtual coffee break or a quick phone catch-up.

As treasury professionals, you need to know your business and your industry to manage risks and build your response. You will also learn something new about your company around new projects and fresh growth opportunities from your colleagues in different departments.

Your external financial partners are also an invaluable resource: they are there to support you with their insights on trends in financial markets and new products or trade ideas that might provide an important element within the risk-response strategy you are looking to build.

EDD McKEE

RELATIONSHIP MANAGER
MUFG

I work as a relationship manager at MUFG where I am responsible for corporate clients in the industrials portfolio, which are headquartered in the UK and Ireland. I mobilise MUFG's product teams to help corporates manage risk within their businesses. We work with corporate treasury functions across our product suite with a focus on funding, hedging and transaction banking in more than 50 core geographies.

The past six months have seen the team double down on supporting clients through the pandemic, working with treasury teams to help corporates navigate their way through this period of instability. When the lockdown was first announced, conversations quickly turned to assessing the expected cash burn in our clients' businesses versus the liquidity currently available to them. These discussions were granular – bankers were looking to fully understand what percentage of revenue was potentially at risk and what costs could be managed over the short and medium term, using different assumptions for various scenarios of severity.

The overall response that we have observed is a flight to liquidity. The bank market, the debt and equity capital markets and various government support initiatives, such as the COVID Corporate Financing Facility, have all functioned really well throughout, allowing many corporate treasurers to proactively raise additional capital.

The past few months have heightened our focus on risk, but we haven't fundamentally changed our own risk appetite or approach. MUFG's objective is to be the world's most trusted bank, and today that means being able to put into practice the assurances we've given to clients that we will support them in the long term.

The level of due diligence associated with signing up to new exposures has become more detailed and granular to fully assess the uncertainties our clients are facing, but we have been successful in extending additional support across our core markets. Treasury teams across the board have been focused on helping their banks assess the risk to try to reach a productive outcome.

The best advice I can give to treasury professionals today is to encourage early active engagement with your banks and investors. Having frank conversations early and furnishing lenders with comprehensive information packs identifying the risks at play means banks can move quickly with offering support through periods of instability.

"The overall response that we have observed is a flight to liquidity"

LOUISE HAYWOOD-SCHIEFER

My career in treasury started with an internship in the treasury at Nationwide Building Society, learning mainly about interest rate risk management. After graduating, I joined PwC and qualified as a chartered accountant. When an opportunity came up to join the treasury accounting and advisory team, I thought that it was a great chance to combine two areas I find really interesting. Since then, I have worked with a wide range of clients to help them manage their treasury risks.

The pandemic has really emphasised the strategic importance of the treasury function and the role it can play in decision-making processes across the business.

When the switch to remote working came, many were concerned that an inability to communicate effectively could be a big challenge. The improvements we have seen in videoconferencing and file-sharing platforms have enhanced the ability of treasury teams to communicate between themselves and with key stakeholders. The benefits of investing in technology, either specific to treasury or applicable to the wider business, have been highlighted during the past few months.

For most, the pandemic won't have significantly impacted the nature of treasury-related risk, although it has likely brought those risks into much sharper focus, given their importance and potential impact. Many companies are starting to revisit whether their methods to measure risk and associated limits remain reflective of the level of exposures they are willing to accept.

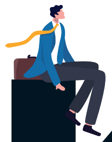
"The pandemic has really emphasised the strategic importance of the treasury function"

Additionally, while liquidity will continue to be the key focus for many, it has been important to consider knock-on impacts on other financial risks. Managing FX risk has become more complex due to changes in the nature, timing and volume of underlying business performance.

Recently, we have seen increased demands placed on treasury teams, heightening focus around health and wellbeing. With the near-term future still very uncertain, our treasury community needs to be supported by business leaders, whether through investment in people, processes or technology. Treasury remains fundamentally people-driven, so the wellbeing of teams should be a priority – and this is a risk that can often be overlooked.

Based on what we've seen over the past six months, my key advice is to make sure you've got the basics right. Fundamental processes that support the management of key risks need to produce reliable and useful information that enables you to act quickly and with confidence. For example, companies with a tried-and-tested forecasting process and good visibility of cash around the group have found it much easier to react and address any problems as they arise. Managing risks becomes much harder, if not impossible, if the true exposures of a business aren't adequately understood.

NICK LINNETT



LOCKDO

While lockdowns and remote working brought a welcome break from the office environment, the honeymoon is over. Andy Lopata looks at the impacts on our social networks

One of the biggest but less-remarked-upon challenges presented by lockdown has been the impact on professional relationships. As remote working stretches on for many, how do we maintain presence and profile with colleagues and clients, have conversations that spark new ideas or help us out of a rut and continue to develop our networks by meeting new people?

How will the lack of conversation around the water cooler, combined with lunches and coffee breaks taken on our own at home, affect our profile, presence and reputation?

During a recent webinar for the Association of Consulting Actuaries, two-thirds of respondents to a poll reported that they would be working from home for the foreseeable future, despite UK government attempts to encourage people back to the workplace. Only 7% were back in the office full-time. This poll was conducted just prior to more restrictions being introduced by the British government and, at the time of writing, the indication is that we will be seeing remote working prevail for some time to come.

When lockdown first came in, many people would have seen the prospect of working from home as blissful, as long as their home environment was conducive to work. For more introverted or analytical individuals, the thought of working without interruption, constantly being called into meetings and having to put on their 'work face' really appealed.

FATIGUE

The novelty soon wore off, however. Zoom or Teams fatigue introduced a different drag on our working day and people began to miss the regular interaction with colleagues. It's very easy to underestimate the energy we draw from those mini exchanges around the office and how small distractions can give us the space we need to be more creative and break through mental blocks.

Not only do we need other people to help to stimulate and energise us, those regular interactions also play a key role in progressing our careers or helping us to get our job done efficiently and effectively. Being in sight and in mind is important if we want opportunities to come our way.

In his book, *Empowering Yourself*, consultant Harvey Coleman argued that career progress was dependent upon three key elements:

- **Performance** – how well you do your job.
- **Image** – what people think about you and what they see as your qualities.
- **Exposure** – who knows about you, and what they know and value.

In my experience, the majority of people expect performance to be the main criterion when it comes to securing promotion. That is a reasonable expectation – in a fair world.

Coleman, however, estimated that performance accounted for only 10% of the factors influencing promotion decisions. Image accounted for 30%, while exposure is worth a whopping 60%.

You might be good at your job (performance), but unless you develop a network, the chances are that only your immediate line manager and your peers will be aware of that. If you are already operating at a senior level, those managers and peers will be influential. But in the main, those groups don't usually make the decision on promotion.

If people are either unclear about where your key qualities lie (image), or not enough influential people know about those qualities (exposure), then your performance will be academic.

So, you need broad and strong professional relationships – your social capital – to help you deliver a powerful personal brand and make sure that your name comes up in the right way and in the right conversations.

Social capital is the oil that smooths the cogs of our commercial and professional life

SPHERE OF INFLUENCE

As this applies to your career, so it does to your role. If you are trying to

WNS AND SOCIAL CAPITAL

influence key stakeholders, your networks and reputation will go a long way to how your ideas are received and acted upon. Social capital is the oil that smooths the cogs of our commercial and professional life.

When we work in isolation, our profile can diminish. Even if we take the lead in many online meetings, we miss out on those tiny interactions that can leave a big impression. And we run the risk of seeing our social capital shrink.

Now is the time to be much more proactive and considered in the way we approach building and nurturing professional relationships.

FROM TRANSACTION TO RELATIONAL

Start by thinking about who you are talking to. Working remotely, particularly when you are busy, makes it much more likely that the vast majority of your conversations are transactional. In other words, they are centred on agenda-driven conversations you need to have, often based on the project you are working on at that time.

Relational conversations, the ones you would have in passing day to day or schedule in as lunch and coffee meetings, get shunted to the side. In fact, in my work I identify seven stages in professional relationship development. This reflects that networks are not linear; we enjoy a different depth of relationship with different people.

It's not enough to just meet someone, exchange cards and consider them in your network. That relationship then has to be nurtured to strengthen the bond between you.

In addition, you are less likely to develop new relationships during lockdown. And it's harder to do so, with no physical events to help you or the prospect of bumping into people who then introduce you to their colleagues.

Take the bull by the horns and, if you know that you have gaps in your network, seek to fill one or two each week. Follow up with people who have been on the same conference call as you and arrange a short one-to-one chat to get to know them. Engage with people on LinkedIn and other social networking sites and ask people in your network to introduce you to people who can help you to work more effectively.

THE HUMAN TOUCH

Throughout the pandemic, it has become clear to me that the way you treat people throughout lockdown will influence how they see you in the long run. The empathy you demonstrate now will have a huge impact on your reputation going forward.

At the Association of Corporate Treasurer's recent International Treasury Week, Joseph Braunhofer, head of treasury at Smith & Nephew, said: "Flexibility and understanding, and making sure you take those things into consideration for everyone's situation are important." (See *The Treasurer*, August/ September 2020, page 25). I would argue that they are essential.

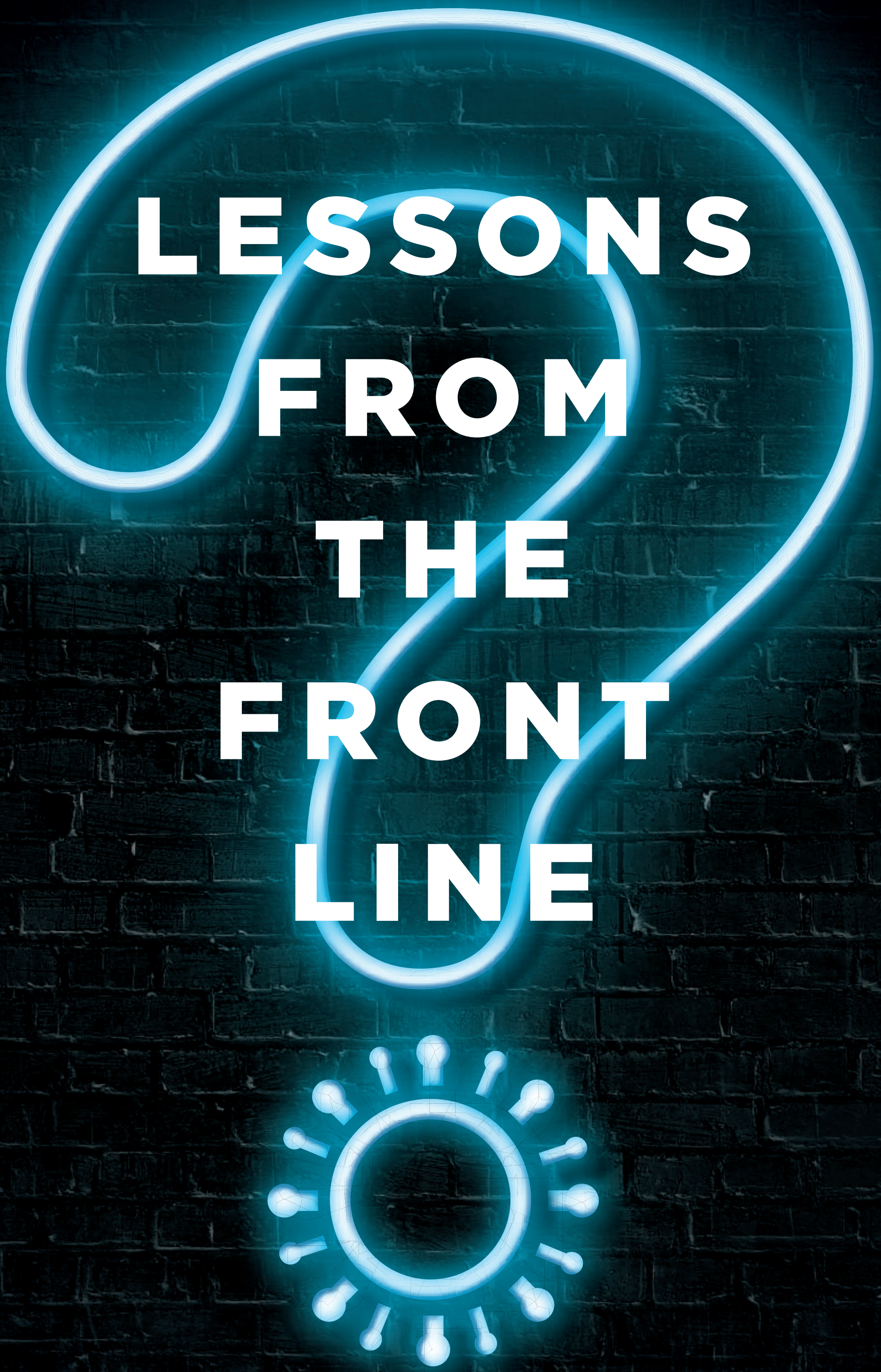
I was pulled up on more than one occasion in the first few weeks of lockdown because of a failure to show that understanding. I engaged with people as I normally would, not thinking what might be happening in their wider lives. People were worried about being furloughed or losing their jobs; concerned for their health or that of family members; hit by the uncertainty in their lives or just impacted by the global crisis.

My agenda was far from the front of their minds and my focus on the transactional was not well received. We have settled down a bit since then, but many of these insecurities remain. Whether dealing with team members, colleagues, clients or others, putting empathy at the front and centre of how you interact will be appreciated and valued.

Our social capital does not need to diminish through lockdown. But it will if we don't take conscious steps to nurture key relationships, find ways to maintain our profile and reach out to new people.

Empowering Yourself – The Organizational Game Revealed, Harvey J Coleman (AuthorHouse 2010)

Andy Lopata is a specialist in professional relationships and networking, and author of *Connected Leadership* (Panoma Press 2020)



LESSONS FROM THE FRONT LINE

Whether protecting liquidity, reassessing supply chain viability or responding to colleagues facing grave personal challenges, 2020 has tested all of us across the board. Here, a panel of treasury professionals tells us how their thinking evolved over the year

If ever there was a year to turn our assumptions upside down and put our views into perspective, 2020 has been that year. We asked seven treasury professionals how 2020, the pandemic and ensuing economic crisis have changed their thinking and that of their organisations. This is what they told us.

BUSINESS RESILIENCE AND ESG

Alison Stevens, group treasurer, Thames Water, UK

Having joined Thames Water as group treasurer in January, I had expected 2020 to be an interesting year, bringing many new challenges. I am not sure many people would have foreseen what was just around the corner with the significant impact on our lives and businesses brought about by the COVID-19 pandemic. How many companies' risk registers included that before it happened?

The resilience of many businesses has been tested in 2020 and many corporates acted to protect their liquidity through drawing on committed loan facilities. Money market funds faced increased withdrawals and – without governments stepping in to provide liquidity and funding to the market – there could have been some even more difficult scenarios to navigate. Market support is likely to be needed for some time to come.

Perhaps surprisingly, the focus on ESG has continued to grow during 2020. Investment funds are actively seeking green assets and, in many cases, they are willing to pay a premium. There has also been an increase in focus on the 'social' aspect of ESG, where 'doing the right thing' can add additional appeal to the credit story. At Thames Water, during 2020, we have fully integrated generating public value into our strategy, and initiatives such as providing public access to some of our green spaces during lockdown and committing additional support to vulnerable customers have proved to be of relevance to some debt investors' views of the company. The focus on ESG is only likely to grow during 2021.

INTEGRATED TREASURY

Philip Sasse, VP global treasury operations, Unilever, Switzerland

The pandemic has introduced unprecedented levels of volatility and change into our daily lives. Even historically stable consumer goods categories are showing significant growth variances. At Unilever, managing cash flows from more than 190 countries has become more challenging as lockdown impact varies, currencies swing and new local regulations inhibit our ability to centralise and access funds.

Suddenly, we find ourselves testing the resilience of treasury systems and processes in a real-life business continuity experiment, while working from home. Investments into automation and digitisation are paying off and will remain a key theme for treasury operations teams going forward.

But there is also a more strategic opportunity for corporate treasury teams to demonstrate their value to the business.

Elevated focus on cash and liquidity pairs well with treasury's core skill of financial risk management. This is the moment to get closer to the business and integrate treasury expertise with the wider finance function and general management. Proximity enables us to safeguard value creation, for example, in a developing economy faced with high levels of regulation and a continuously devaluing local currency.

Yes, financial instruments have a role to play. But collaborating closely with country management teams can mitigate exposures more sustainably and at lower cost. For example, localising the supply chain can reduce reliance on hard currency cash injections. Equally, being close to those teams in the organisation that explore new sales channels, new business models and ESG strategies can help unlock business growth while managing future financial exposures from the outset.

This is the time to integrate and reframe the role that treasury teams play in supporting the business to deliver profitable growth.

The resilience of many businesses has been tested in 2020 and many corporates acted to protect their liquidity through drawing on committed loan facilities

This is the moment to get closer to the business and integrate treasury expertise with the wider finance function and general management

I believe that the most impactful long-term fallout for treasurers will be dealing with the vastly expanded role of central banks

POST-COVID-19 FINANCIAL MARKETS

Anthony J Carfang, managing director, The Carfang Group, US

This was the year that changed the corporate treasury forever.

First, I congratulate treasurers worldwide for performing brilliantly through three simultaneous existential threats. You muscled through the global market meltdown and liquidity freeze. You realigned your balance sheets in the face of a lockdown that choked off revenue. Finally, you succeeded in moving people, technology and processes off premises on virtually zero notice. The myriad lessons learned will improve the way treasury operates for a very long time.

I believe, however, that the most impactful long-term fallout for treasurers will be dealing with the vastly expanded role of central banks. During the crisis, they morphed from being a market facilitator to a market participant, a profound change. Most central banks had barely begun unwinding from the 2008 crisis. Now they've ballooned again and will be reluctant to give up their expanded roles. Central bank assets in developed countries are now a market dominant *six times* their pre-2008 levels. Not only have they taken on the role of guarantor of debt securities in favoured industries, they have actually purchased corporate debt directly.

Treasurers deal in highly fragmented and efficient markets. They optimise their portfolios and their balance sheets in that context. Now, however, there are new market participants, the central banks, which have access to resources as large as the market itself and play to a different objective function. In most cases they also make the rules. That creates new risks, particularly given the opaque nature of central banks. What happens when participant-controlled monetary policies change abruptly? Will central banks, as holders of securities, assume a role in corporate governance? Will they impose 'social covenants'? The list goes on. At The Carfang Group, we strongly encourage treasurers to carefully examine these issues, game it out and prepare accordingly.

SUPPLY CHAIN RESILIENCE

Jiameng Yu, FD, Greensill, China

COVID-19 has shone a harsh light on the weaknesses of the world's supply chains. After decades of driving to cut costs and increase efficiency, just-in-time inventory management has become the norm, placing huge dependency on the ability to restock quickly. The same cost drivers have also encouraged reliance on super-hubs, which drive down costs by concentrating skills and specialisation, but are bad news when alternatives are needed. Furthermore, the increasing complexity of products means even more interdependent fragile chains with ever more suppliers.

Whatever strategy companies choose to address supply chain issues uncovered by the pandemic, one thing is certain: treasurers need to think about funding not only their company, but also across their suppliers.

Just-in-time inventory management has become the norm

Greensill believes that harnessing data to create a moving picture of investable credit risk will shape the future. We are moving from relying on decisions driven by static data, like purchase orders, to artificial intelligence-driven models that predict demand and payment probability. Supply chain security will be transformed by analytics that create fairer and faster access to cash priced against the customer's credit rating, enabling prompt payments based on future – and not historic – business performance.

TREASURY TECHNOLOGY

Joe Peka, deputy treasurer, Urenco, UK

At the beginning of 2020, most UK treasury teams were on the nth iteration of their Brexit contingency plans. It was only towards the end of January that we began to see the occasional reference to a deadly disease in Wuhan.

Those news bulletins of course foreshadowed the onset of the pandemic and a series of events that would impact all of us in ways surely not specified within anyone's business contingency plans.

Some sectors saw a tsunami of cash outflows when income taps were suddenly slowed or even turned off. Managing

The key factor determining whether the treasury function effectively supported business continuity, I believe, was treasury technology

cash and facilities became the primary focus of many treasury teams.

The key factor determining whether the treasury function effectively supported business continuity, I believe, was treasury technology.

When in March 2020 we received notification that the whole head office would be working from home, the transition was unproblematic. The only process change needed was approval by email rather than physical sign-off of documents.

A decision to implement a new treasury management system (TMS) for Urenco's treasury function had been made prior to 2020, with the intention of strengthening controls and streamlining existing activities. Happily, our evaluations had led us to conclude that we needed to take our treasury processes outside of our existing IT landscape to reduce friction, opting for a software-as-a-service TMS.

Eight months into the pandemic, we are progressing that implementation while working from home. However traumatic the pandemic has been, it is unlikely to be the last time we face the unforeseen. Continual improvement will be essential to weathering future crises and operational flexibility will remain the goal.

ACCELERATED CHANGE

Wilson Koh, group treasurer, Grab, Singapore

One very clear outcome of COVID-19: the future has arrived faster than we envisaged. The pandemic has given clear evidence that meetings, negotiations and operations can be managed virtually, with real progress made and productivity maintained. Yes, there was some initial resistance and discomfort, but we adapted.

We rightsized for the new uncertain future, eliminated baggage we used to carry along during the growth periods and conserved cash. At the same time, we cannot lose sight of who we ultimately serve. For us at Grab, it is the millions of driver partners, merchant partners and consumers we serve every day, helping them digitise their business models so as to continue earning an income through our platform.

I am optimistic that we will emerge stronger, wiser and more connected as a global society

Looking back, this has been a year of: i) an elevated role for treasury as a business partner and steward of capital – helping the organisation understand the key financial risks and impact of revised business plans; ii) tightened controls and governance to mitigate fraud and cyber risk during these unprecedented times; and iii) accelerated change, automation and digital transformation to adapt to the new normal.

Let's not waste the crisis. It is a great time to reflect, reset and repurpose. As we welcome the new year, I am optimistic that we will emerge stronger, wiser and more connected as a global society.

RESILIENCE AND PERSONAL ACCOUNTABILITY

Matthew Hurn, CFO Alternative Investments & Infrastructure, Mubadala, UAE

As treasurers, scenario planning is second nature. But I don't believe any of us would have forecast the events of 2020: climate change, social unrest and of course COVID-19. But it is not just the economic impact that is likely to have been front of mind for many. I expect the human impact – anxiety, mental health issues and so forth – to remain long after the financial impact has been normalised or forgotten.

For me, 2020 ended up being more about self-reflection around how I conducted myself, trying to provide humility and honesty as we embarked on this uncharted journey and endeavouring to demonstrate more trust and thoughtfulness to the team and stakeholders, all of whom were having to deal with issues over and above the norm. I also tried to convey greater compassion and consideration for those perhaps not as fortunate as myself, and the impact such events were having on them.

I want to look back in years to come to see how my actions of 2020 shaped me, and who as a result of their behaviours and actions are people that I would like to model myself around.

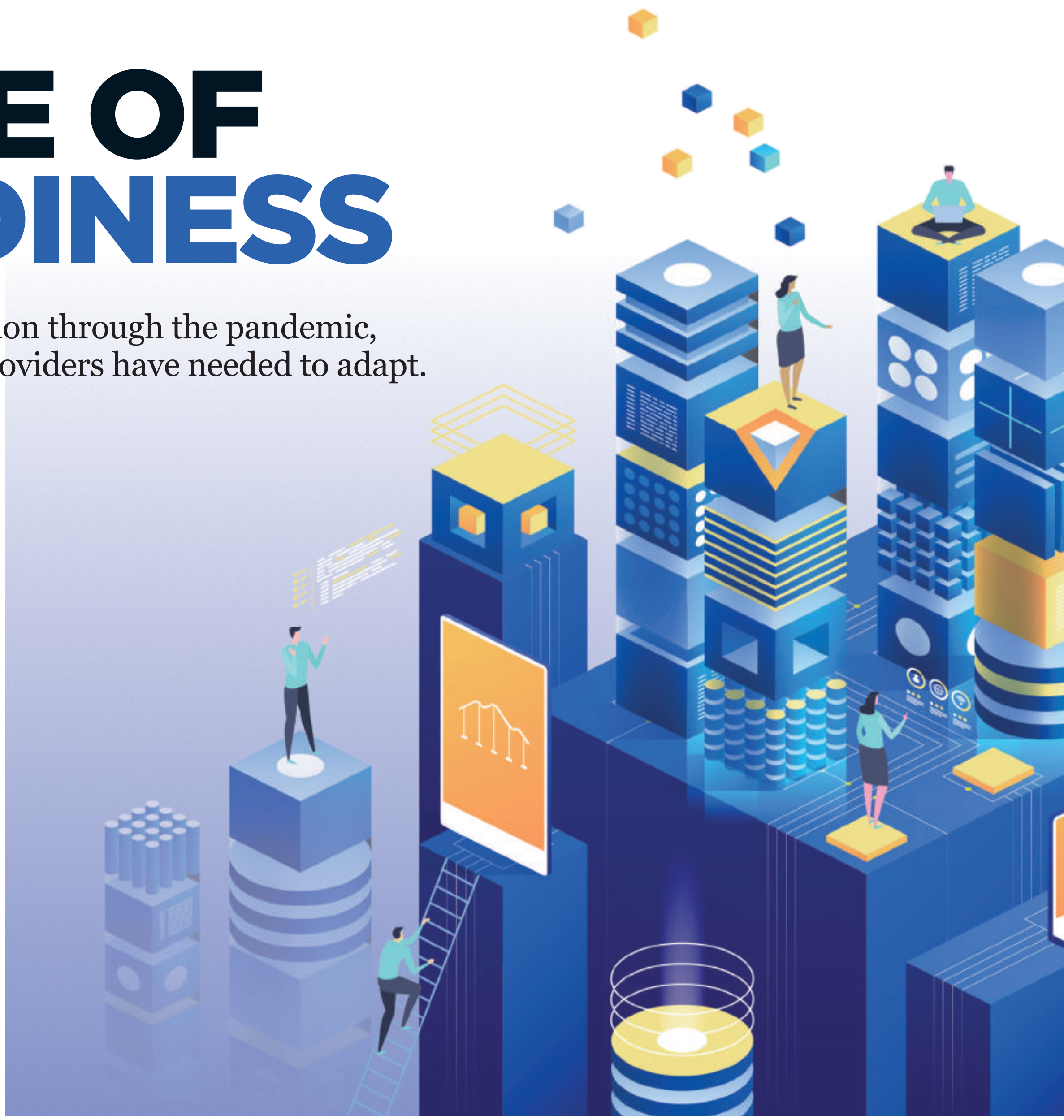
I do hope for a quieter 2021 and for a year where people can reconnect and rebuild with more resilience and robustness – just in case another black swan is heading our way.

WITH THANKS TO ALL OUR PARTICIPANTS

For me, 2020 ended up being more about self-reflection around how I conducted myself, trying to provide humility and honesty as we embarked on this uncharted journey

STATE OF READINESS

For treasuries to function through the pandemic, treasurers and their providers have needed to adapt. Rebecca Brace reports



Among the many consequences of COVID-19, one of the most significant for treasurers has been to shine a light on the role technology can play in helping treasuries thrive during times of adversity.

"What we've seen is that if companies were already in a digital mode, they adapted a lot quicker to the situation," says Nicolas Christiaen, CEO and co-founder of cash-flow forecasting and working capital analytics platform Cashforce. "But there are always small things that pop up, like signing. I had a discussion with a treasurer about signing contracts – they actually had to return to the office wearing PPE, just to make sure they got the papers from their desk that needed to be scanned."

These 'small things' have taken different forms in different companies. Christine Taylor, senior treasury analyst at Travelport, says the travel technology company was well prepared for remote working, as many staff had already been given the option of working from home. But one challenge arose when tokens for the company's bank portals had to be sent to 60 new users in India. "The distributors wouldn't deliver to an individual's address if it included the company name, so some of the tokens were sent back," she recalls.

SMOOTH TRANSITION

Another company that was well prepared to weather the crisis was URENCO, which supplies enrichment services and fuel cycle products to the civil nuclear industry. Deputy treasurer Joe Peka explains that in recent years, the company's treasury function had carried out extensive contingency planning. "We looked proactively at our systems on an end-to-end basis to establish where the weaknesses were, and sought to plug those weaknesses," he says, adding that this included making improvements across areas such as confirmation matching, automated dealing and automated settlement. "We got to the point where the system was flexible enough for our needs."

As part of this business continuity planning effort, the treasury also carried out a number of trials to test the team's ability to work from home, which Peka says enabled processes to be refined. "Because of the multiple times we'd tested working from home, the transition from the office was very smooth," he notes.

That said, there were still some adjustments that needed to be made. The team's contingency plans had assumed that people would be able to reconvene in another office, or even in someone's home, "so we would still be together as a team". When people were required to stay at home, some processes therefore had to be tweaked. "One concession we made to our processes was that approvals had to be sent over email," Peka says. "For everything else, we had the same level of control as before."

IMPLEMENTING A TMS DURING A PANDEMIC

While URENCO's treasury team was well prepared to manage the

> “If you spend all your time running a system inefficiently, you don’t have enough time to spec out a new system”

shift to remote working, 2020 was also a year in which the team planned to update its treasury technology. With multiple systems in place for activities such as collating cash-flow data and managing short-term liquidity, last year the decision was taken to replace existing technology with a software-as-a-service treasury management system (TMS).

Despite the disruption brought by the pandemic, the implementation has proceeded as planned – although some adjustments have had to be made to the process. “Normally when you implement a TMS you are in the same room as the trainer, with quite a bit of interaction between you,” says Peka. “It’s a bit more stilted when this happens remotely, although videoconferencing does help.” Another difference is that instead of having full-day training sessions, remote training sessions have been delivered in shorter segments.

Conversely, while URENCO was already planning to implement a new TMS, Peka says the crisis has further reinforced the importance of this task. “All the points of friction between different systems are points of inefficiency,” he notes. “We will be in a stronger position for contingent events once we’ve finished this project – our accounting will be better integrated, for example.”

FOCUS ON FORECASTING

But while technology-focused companies may have fared well, not all companies had a wholly smooth experience with technology during the shift to remote working. Gary Slawther, interim group treasurer at Eddie Stobart Logistics, says that the haulage company initially had “significant challenges with the VPN, due to the sheer scale and compressed time frame of what was required”, while the treasury’s reliance on spreadsheets did not make for a seamless experience.

That said, key worker status meant that many staff were able to continue working in the office with social distancing measures in place. In addition, “One of the things that did benefit us was that we were already living in a turnaround situation,” says Slawther, citing the £55m funding that the company received from its former owner Douglas Bay Capital in December 2019. “That meant we were already well advanced with things like cash-flow forecasting and the processes that we needed to improve.”

Indeed, with lockdown measures prompting significant changes to some companies’ operations and business models, the crisis has shone a light on the importance of effective cash-flow forecasting for many organisations. While URENCO didn’t need to change the frequency of its forecasts, Peka says there was regular scrutiny of receivables to identify any delays that might have occurred. And Christiaen notes that cash forecasting has been an important priority for companies, especially those that reacted to the crisis by setting up a ‘cash war room’ to monitor and preserve cash.

“The importance of a good cash forecast came to the forefront,” he says. “A lot of treasurers and controllers were being asked a lot of questions about their cash and working capital – and if they didn’t have systems and digital infrastructure in place, they simply had to cope with it using Excel.”

A CATALYST FOR TECHNOLOGY?

A crisis situation is not always the best time to pioneer new technologies – and for some companies, the crisis has meant pressing the pause button on automation initiatives. “We were using some robotics for our accounts payable systems, but they got switched off because cash was being managed differently,” says Taylor. “We didn’t want anything to be paid that hadn’t been through additional verification.”

But in other cases, the recent challenges have helped to further arguments in favour of greater automation. In the case of Eddie Stobart, Slawther says the company currently carries out cash-flow forecasting using spreadsheets – an approach that he says is time-consuming and inefficient. “When you break down the cost of the people involved, the weekly forecast costs around £300k to do,” he adds. As a result, he is looking at the use of IT systems that can forecast automatically.

As Slawther notes, the paradox of inefficient processes is that, “If you spend all your time running a system inefficiently, you don’t have enough time to spec out a new system.” Nevertheless, the COVID-19 crisis may act as a driver for some more traditional industries to automate processes through the adoption of new technology. In particular, Slawther says, the crisis has underlined the value of technologies like artificial intelligence (AI) to the cash-forecasting process.

Christiaen agrees that the pandemic has emphasised the value of cutting-edge technologies. “What the current crisis has shown is that the companies that have digitised are in a much better position – people have had to minimise inessential human contact, which is what digitisation is all about,” he comments. “When it comes to AI and machine learning, I definitely believe that digitisation will get there quicker now.” But he also notes that different companies will have different needs – so treasurers need to carefully consider exactly where and how they can deploy this type of technology.

Rebecca Brace is a freelance journalist specialising in treasury and banking

CONNECT THE DOTS

Treasurers need flexible tech tools, fast broadband and foresight into coming challenges to support COVID-19 recovery plans, says Lesley Meall

The black swan has landed. The global pandemic and lockdowns have created economic disruption and accelerated digitisation, radically reshaping our personal and professional relationships with each other and technology.

"The way we work and the processes we work with are all changing," says Matthew Hurn, CFO, alternative investments and infrastructure at Mubadala Investment Company, and a member of the Association of Corporate Treasurers (ACT) Middle East Advisory Panel.

"This is all part of the digital age we are living in," he says, acknowledging the extent to which recent events have forced us to embrace digital technologies. "We are all trying to be more efficient. We are all trying to utilise systems and technology, connectivity, to do our jobs better, to provide more timely information, to provide information on which we can actually make better-informed decisions," observes Hurn.

COPING WITH CHANGE

COVID-19 has highlighted the value of corporate treasury in efficiently managing cash, liquidity and risk, and providing timely answers to tricky questions from the board. Is there sufficient liquidity for this week? How can we survive supply chain disruption? Can we rely on our cash-flow and liquidity forecasts? How can we better manage FX risk and execution? Can banks and tech providers do more to assist?

In response to the challenges, treasurers have needed to be adaptable, and they have also needed technology that can adapt with them. "Some treasurers have found that their systems are not agile enough to flex and meet rapidly changing needs from the board on liquidity and cash-flow forecasting," says Naresh Aggarwal, associate policy and technical director at the ACT. Boards want more data more frequently, and some tech tools have struggled to deliver.

There is nothing new about barriers to access and extraction of data from enterprise resource planning (ERP) systems in the format needed for other systems and processes, such as budgeting and various types of forecasting and reporting. But the associated difficulties (and delays) have gained prominence and significance during the pandemic. Witness the experiences of James Adams, group treasurer at Chalhoub.

CASH-FLOW CHALLENGES

"We have three cash-flow forecasting scenarios: baseline, best case and worst case that we keep updating and reviewing on an ongoing basis," says Adams, but the associated systems have not been particularly good at supporting the financial forecasting COVID-19 requires. "If we have to change quickly for a new scenario, that can be quite a manual exercise. It involves a lot of teams, a lot of reworking and time. That can be limiting."

Time frames for cash-flow forecasting have also needed to change. "Before COVID-19, we were quite happy to look at monthly forecasts or longer. Now liquidity is at a premium, we need to look at more granular forecasts and a shorter range, so we shifted from monthly to weekly," says Adams. "It was a challenge getting there and getting the relevant data

> “Treasurers have… needed technology that can adapt with them

from the right sources.” So, forecasting is becoming less indirect and top-down and more direct, and bottom-up.

“The data is in lots of different systems and it’s not always easy to extract in the way you’d like from the ERP. We’ve had some challenges cleansing that data, doing it better and communicating with those involved,” he says. The shift that is under way will deliver benefits long after the pandemic. “COVID-19 has helped us to accelerate what was already going on, so from that side at least there is a silver lining to this crisis.”

BETTER TOGETHER

Demand for tight connectivity or integration across multiple systems and data sources has risen during the pandemic. “With everyone working from home, we have seen more people requiring a central place they can go to and access everything they need, safely and securely,” says Ben Beach, vice president and global head of corporate sales at TreasuryXpress. This was a driver for Coastal Ridge Real Estate, when it opted for a treasury management system (TMS), just as COVID-19 went global.

“Implementing the TreasuryXpress technology will allow us to view, access and manage our cash positions in a single repository,” says Paul Colgan, vice president of accounting and finance at Coastal Ridge. The company expects to eliminate some manual workflow with the TMS, which will facilitate financial data cooperation and communication, by integrating the company’s multiple ERP and property management systems.

“For those with cloud-based treasury systems, it’s been relatively easy to continue working in an uninterrupted way from home,” says Aggarwal. This has been the experience of Elina Todorova, assistant treasurer at Tideway London, thanks to cloud-based accounting and trading systems, which integrate with an FIS Integrity TMS. “The flexibility of the technology has been really important for us,” she explained to *The Treasurer*, mid-lockdown (see treasurers.org/hub/treasurer-magazine/why-treasuries-must-automate-to-survive-pandemic).

ADAPTING FOR THE FUTURE

Although cloud-based access and other types of remote connectivity to systems have come into their own during the pandemic, they can raise challenges. For home working to be sustainable, organisations must address matters such as: relative insecurity of home wi-fi networks; lack of on-site access to formal and informal product expertise and problem resolution; and slow or unreliable internet access. “I think there are real issues around access to broadband because of local internet capabilities,” says Aggarwal.

Broadband performance that was acceptable before the pandemic may struggle to support home working. “There is a debate about whether localised hubs with access to high-speed broadband offer a way forward,” he says. The human element also looms large. “It’s not as easy at home to get help from office colleagues with more system expertise, so individuals are having to become more capable themselves, more resilient.”

There are other key tech issues on the horizon, too, such as the coming transition from the LIBOR benchmark. “Contracts in treasury systems that are currently denominated with LIBOR will need some changes,” Aggarwal states. Standards have not yet been comprehensively defined and vendors have not yet provided the necessary system upgrades, so as he notes: “Companies will need some time next year to upgrade their systems.” *The Treasurer* offers some preparation pointers (see treasurers.org/hub/treasurer-magazine/benchmark-transition-what-are-you-waiting-for).

INVESTING IN TECH

Support from TMS providers may be key, as it has been for many during the pandemic. Aggarwal has spoken recently to some companies that have accelerated their TMS implementations plans. “For them, the pandemic has reinforced the impact of not having a TMS in place.” In other organisations, TMS investment has been put off because there is no money to invest in anything. “Some businesses are just trying to stay alive.” Meanwhile, software providers are offering more flexible finance options.

Redbridge Debt & Treasury Advisory researched TMS vendors’ approaches to this during April. It found various offerings, including: access to TMS versions with reduced functionality free of charge; discounts on implementation fees; selling some services at cost; and more flexibility on contractual commitments, such as delaying invoicing, providing financing options or reducing contract lengths down to one year or even a few months.

“Some vendors are looking at a range of innovative investment plans, which do not necessarily require any money upfront,” says Aggarwal. If you do not have a TMS or your system is quite old and you don’t think you have the money for a new one or an upgrade, it may still be worth speaking to vendors. “Don’t assume that you can’t have a conversation with vendors,” he says. “This year, there may be a way you can have your cake and eat it, too.”

Lesley Meall is a writer and editor specialising in finance and treasury technology

IS THE TRADITIONAL TMS HEADING FOR OBSOLESCENCE?

With advances in fintech and interoperability between systems, establishing a suite of specialised treasury platforms begins to look feasible. Anil Khurmi looks at the pros and cons

Picture this: you have one appliance in your kitchen. It's a large, glossy white unit – very expensive and multifunctional, an all-in-one fridge, hob, oven, microwave and dishwasher. Great idea, right? That is until the latest oven technology comes to market – technology that you need, but realise that in order to obtain it you will need to scrap your old all-in-one appliance, even though it was still refrigerating your food and washing your dishes perfectly well. Perhaps in the long run it would have been more efficient, in terms of both costs and effort, to have purchased separate appliances.

There is an analogous situation in treasury technology. Currently, the majority of organisations use an all-in-one treasury management system (TMS), but we may be at an inflection point. Fintechs are disrupting the market with a number of stand-alone products, and treasurers are increasingly considering if a more optimal systems strategy is to have a stable of specialised platforms. So, is there a paradigm shift ahead?

THE STATUS QUO

When considering the deployment of new treasury technology, organisations would often consider whether to develop in-house, purchase several best-of-breed platforms to satisfy all requirements or purchase an all-in-one TMS. There are good reasons why many opted for the off-the-shelf, all-in-one approach.

Larger organisations decided to move away from several legacy systems developed in-house; over the years, expertise in those custom platforms had been lost as original developers moved on. And over that same period, treasury's requirements changed, so without full support or documentation around their platforms' technical configuration or functionality, workarounds were put in place to enable new functionality. As requirements continued to evolve, workarounds had been built on top of the workarounds. These organisations recognised the need for treasury to not be overly reliant on their in-house IT teams, and the most cost-effective solution to that was an all-in-one TMS.

At the other end of the spectrum, some organisations saw inherent inefficiency and risk in running their treasury operations via spreadsheets, and at that time the only option to cover their requirements within the limitations of their budget and internal IT capabilities was an all-in-one TMS.

So, the conceptual benefits of an all-in-one solution were clear: a single platform to handle all treasury processes, requiring limited internal IT support and delivered by a single vendor providing support and ensuring it would evolve to accommodate changing requirements. And all of this delivered at a cheaper cost than developing in-house or using multiple platforms.

JACK OF ALL TRADES

In reality, the all-in-one TMS satisfied most of an organisation's requirements, but often compromises had to be made. Having assisted several organisations with the TMS selection process, it was often the case that each shortlisted platform could deliver 80-90% of their requirements – some systems stronger on their ability to handle a variety of financial instruments and the related accounting over the deal life cycle, but not so strong on the cash-flow forecasting side – a feature that we see becoming ever more important during selection processes. Some would provide a great user experience, but lacked depth of functionality or reporting capabilities.

One of the most common shortcomings was that of dealing and confirmation matching. Many readers will be accustomed to using a TMS with bolt-on, multi-bank, multi-asset trading platforms with a separate trade-confirmation-matching system. In each selection process, the organisation was forced to weight their requirements in order to select the system that was the best fit for their highest priorities, but the functionality gaps meant this was by no means a 100% fit.

A FRESH APPROACH

Increasingly, as consultants, we find ourselves helping to define what is the 'best fit' for an organisation. Those organisations that have been using an all-in-one TMS over the past few years are now in the market for something new, and expect that since their last selection process, the functionality gaps they had previously accepted would no longer exist. Often this is not the case, and the reality remains that off-the-shelf, all-in-one systems are rarely a 100% fit for a specific organisation's needs.

But there is now another option – to deploy a stable of best-of-breed stand-alone solutions, fully integrated with each other and each delivering specific areas of functionality in great depth in order to satisfy all requirements. This is in fact an option that has always existed, so to understand why it is becoming increasingly viable, we must revisit why the all-in-one TMS was previously the preferred option and understand what has changed since then.

Rise of the fintechs

Only recently have we seen an increasing number of platforms focused on specific areas of treasury functionality hitting the market, such as cash-flow forecasting, fraud detection and sanction screening, payment hubs, guarantee management and many more. Previously, there were very few platforms for those specific tasks. These products are low cost to implement, and increasingly dispensing with per-user licence fees, making them even more compelling.

> It is important to consider some of the benefits of the multiplatform approach

The API revolution

System interfaces could traditionally be described as the automated production of files containing data, transferred from one system's source folder to another's destination folder. Issues often arose such as files sent but not received by the other system, or sometimes received but not readable, requiring internal IT resource. The advent of application programming interfaces (APIs) significantly improves the reliability and flexibility of sharing data between two systems, removing the need for internal IT resource to manage interfaces.

The power of cloud

Cloud technology and software as a service means that multiple platforms can now be rapidly deployed and easily maintained across organisations and geographical locations – previously, an organisation looking to implement and maintain a single TMS on its in-house servers would require heavy involvement from both its own and the vendor's IT teams. For this reason, having to install not one but multiple platforms from different vendors was often highly undesirable, both from initial implementation and ongoing maintenance perspectives.

Single sign-on is the new normal

A valid concern when considering the use of multiple platforms was that of identity and access management (IAM). Users would need several login IDs and passwords for those multiple platforms, and would need to physically log in each time. The level of access (ie user permissions) to each platform would need to be maintained by the organisation's IT team, along with the inevitable task of resetting forgotten passwords and other general user maintenance. Larger organisations with dedicated IAM systems that automate the maintenance tasks could cope with this, but for most it was not viable. Nowadays, most platforms accommodate single sign-on. The wider adoption of IAM means that multiple role-based access profiles can easily be assigned with very little human intervention.

Other considerations

Additional key elements that influence the choice between using multiple platforms versus an all-in-one include cost, user training, user experience and vendor relationships. For each one of these, careful consideration should be given as to whether the choice would result in a positive or negative impact – for example, it could be possible that cost is positively impacted as the implementation and ongoing fees for multiple platforms from several start-up vendors may be lower than overall cost of the all-in-one, but the opposite may also be true depending on which systems are being compared.

Alongside understanding how systems and the market have evolved, it is also important to consider some of the potential benefits of the multiplatform approach. One key benefit to mention is around reporting and business intelligence (BI). A number of treasury functions are now using a combination of systems to feed data into central data warehouses or lakes, overlaid with powerful BI tools to deliver more detailed and meaningful business analytics and insights – a marked improvement on the limitations of reporting functionality for most TMSs. Dashboards can finally become a reality.

THE OPTIMAL STRATEGY

The landscape has changed significantly since TMSs became a must-have to achieve the goal of an efficient treasury function. The arguments against multiple specialised treasury platforms may no longer be valid for some organisations due to technological enhancements and an increasing number of options on the market. Now more than ever, serious consideration should be given to the optimality of each approach.

In some cases, the all-in-one remains the best choice, but not for those wishing for improved functionality and increased flexibility. If you recognise the benefits of a modular approach that allows rapid adoption of new technology in order to keep up with the latest standards and regulatory requirements, there has never been a better time to consider your options.

Anil Khurmi is a manager with Zanders, Treasury and Finance Solutions

ACT ANNUAL CONFERENCE 2020

The ACT Annual Conference 2020, delivered entirely online, gave the treasury community an opportunity to explore the impact of COVID-19 and offered far-sighted perspectives on what we can expect from 2021. Liz Loxton and Julia Fordham report

The Association of Corporate Treasurers (ACT) is renowned for its award-winning conferences. And while the treasury community is unable to congregate in person, the 2020 event, delivered fully online, served up the diverse and engaging speaker and panel sessions that seasoned delegates have come to expect. This year, the ACT shared a platform with the US National Association of Corporate Treasurers, incorporating additional insights and widening professional connections further. Here are some of the key takeaways from the event.

GETTY

BREXIT

The opening keynote focused on one of today's thorniest political and economic questions: Brexit.

The panellists – Charles Grant, director, Centre for European Reform; Sir Ivan Rogers, former UK permanent representative to the European Union; and Deborah Mattinson, pollster and founding partner of BritainThinks – provided insights and slightly differing perspectives on the political nuances of Brexit. As *The Treasurer* goes to press, negotiations appeared to be at a stalemate. In discussion, the conference panellists argued that a deal remained possible.

The reasons, they said, were political. A 'no deal' Brexit would inflict greater chaos, certainly in the short term, compared to a free trade agreement. Protests from backbenchers and the business lobby were likely to grow more energetic if negotiators failed to move towards a deal. For prime minister Boris Johnson, a collapse in talks would be politically costly, Grant said, with scrutiny of the British government's handling of the pandemic high.

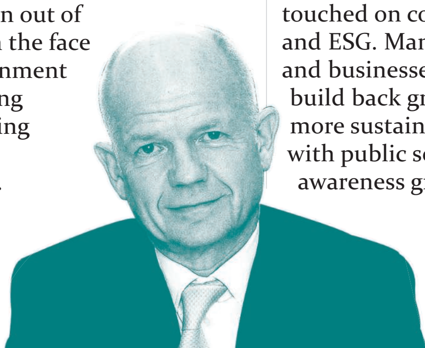
With many of the political obstacles fixable in the panellists' view, a so-called 'skinny deal' looked likely, providing some gains to corporates compared to a no deal or 'cliff edge' exit.

LORD HAGUE

A former secretary of state and foreign secretary, and leader of the Conservative Party in Britain, Lord Hague of Richmond delivered the keynote session on day two, drawing on a wealth of domestic and international political experience to identify nine major global trends. All of these megatrends are being accelerated or amplified by the COVID-19 crisis, he pointed out.

The pandemic has brought significant change in political ideas, particularly around how we deal with inequality, said Lord Hague. Job losses and a general worsening of prospects for young people were prompting debate on universal income from the left of politics and on facilitating economic growth from the right, with a support for building skills across the board.

Fiscal conservatism has fallen out of vogue in the face of government borrowing amounting to many trillions.



Brexit would inflict greater chaos, certainly in the short term, compared to a free trade agreement

Much higher debt, low interest rates for longer and a more accommodating view towards inflation would all be features of the macroeconomic landscape. Governments were likely to favour indirect taxes on carbon emissions and online digital sales as ways to escape more visible or familiar targets.

Notwithstanding an accelerating deterioration in relations between the US and China, the Pacific Century was arriving with even greater force than expected, he argued. Already, some 50% of global GDP comes from Asia-Pacific, a region that has proved more resilient and better able to cope with the pandemic than others.

There has been a documented shortening in supply chains in recent years, he pointed out, a feature of trade that might be increased by innovations such as 3D printing. Companies cannot risk a single point of failure, and governments would increasingly want control over health or other sensitive areas, he argued.

More optimistically, Hague touched on conservation and ESG. Many governments and businesses wanted to build back greener and more sustainably, he said, with public sentiment and awareness greatly heightened.

KEEPING A STRATEGIC MIND AMID GEOPOLITICAL RISKS

A session on geopolitical risk explored the ways that world forces affect businesses – and the treasurer's role.

Exploring the impact of the global pandemic, trade wars, climate change and Brexit, panellists drilled down into the practical and geopolitical fallout of globalisation.

Touching on Brexit, Andrew Koss, head of UK at Sembcorp and a former group treasurer at Drax Group, talked about the impact of continued uncertainty. In 2016, at the time of the referendum, Drax's treasury function was able to hedge against a rapidly depreciating sterling. At the time of the conference, with the end of the transition period on the horizon, the lack of certainty about what shape trade arrangements would take or level of tariffs across the EU was problematic for businesses such as Sembcorp, he said.

COVID-19, meanwhile, has brought a level of uncertainty not encountered before, said Atif Hafeez, CFO at private equity group Ibex. Essential services had performed quite well, he pointed out, but credit risk was increasingly coming to the fore.

As businesses look to a post-COVID-19 future, we are seeing an increasing focus on sustainability and ESG – an

area that has seen a massive increase in focus across all sectors. Green bonds and loans were one mechanism, but not the sole focus, said Ian Chisholm, group treasurer at property company Grosvenor. Essentially, all sectors needed to make strides on reducing emissions. And treasury functions are seeing increasing attention from lenders on the ESG strategies of their businesses.

LIBOR

For what seems a long time now, the planned transition away from LIBOR has been somewhere on the to-do list of corporate treasurers. The tone and content of this year's conference put it firmly at the top of that agenda.

A highly informative panel discussion between the Financial Conduct Authority, Deutsche Bank, NatWest and HSBC explained in detail the rationale for LIBOR replacement, the market's adoption to date of alternative rates, plus, importantly, a tangible action plan for treasurers. Representatives from the Bank of England and Federal Reserve built on this with an inside perspective on their work establishing the new risk-free rates and the importance of these less volatile, more liquid alternatives, which reflect the reality of interbank markets that have changed fundamentally since the 2008 financial crisis. The Bank of England website is a good source of further information. Finally, a representative from State Street described some of the key issues facing investors in rates products.

The overall impact was that of a 'call to arms'.

LIBOR transition at the end of 2021 is a certainty, indeed, it is already happening, and the next two quarters offer a crucial window for action. New International Swaps and Derivatives Association protocols are expected to be published before the end of 2020 and must be adopted. If your banks have not already approached you to amend loan documentation, then take the initiative.

The consistent message to treasurers is clear: doing nothing is not an option.

TREASURY TECHNOLOGY

We have come to expect a strong focus on technology from the annual conference, and this year was no exception. A common theme was the intersection of technology and risk management.

Rob McAnally, group treasurer of Associated British Foods, gave an in-depth briefing on how the firm uses OpenLink to gain visibility on a range of risk exposures, having integrated reporting of the group's financial risks so that correlations can be picked up easily, with commodities being the next phase. A focus on counterparty credit risk has also led it to strengthen its modelling by building credit default swap spreads into its algorithms. A notable takeaway, however, was the warning that complex models and systems can also increase business risk and key person dependency.

Tipco invited us to imagine the management of FX risk as like a Jenga tower – how do you know that the hedging moves you plan are the best ones? Could you achieve better risk reduction with fewer deals at a lower cost? This was brought to life with impressive clarity by a presentation in which they partnered with a key client to use live examples, at the same time offering a useful template for how to go about setting FX risk appetite and policy.

It was also encouraging to hear that treasurers are starting to adopt application programming interfaces (APIs) into their business models with great success, as outlined in the session 'APIs and today's digital treasury'. For many smaller treasury teams, however, it seems reality is still about getting the technology basics right.

NACT

Running in parallel with the ACT Annual Conference was the annual conference of the US National Association of Corporate Treasurers (NACT).

With sessions covering topics such as LIBOR transition, real-time payments as well as into development and leadership through the COVID-19 crisis, the NACT sessions provided a wealth of insight into managing treasury and personal development through the crisis.

In a high-level discussion on the pandemic and the global economy, Rebecca Harding, CEO and founder of Coriolis Technologies, drew insights from a well-placed panel of experts: Tom Orlik, chief economist at Bloomberg Economics; Nikiforos Vidalis, senior adviser, directorate general economics at the European Central Bank; Anjalika Bardalai, chief economist at TheCityUK; and Curtis Dubay, senior economist, US Chamber of Commerce.

The panel discussed the potential shape of an economic recovery, agreeing that the very sharp drop in economic activity would be followed by a long recovery period, with activity remaining well below pre-crisis levels for some time to come, and with different sectors varying in their rates of recovery. The distinguishing

> We should expect a new environment for finance, said Talwar, with volatility ahead in the form of cash crises

mark of this crisis has been the level of uncertainty: around whether there would be a second wave of the virus; how long it would take before confidence returned; and what direction trade relations would take between China and the US, given intensifying rhetoric from the US.

Leadership coach, author and speaker Sarah Levitt drew on her interaction with leaders from across many industries and backgrounds for lessons on how to lead through the uncertainty and volatility. Many of her CEO clients have told her their teams were tiring in the face of sustained challenge and in situations where their personal and professional lives were often in collision.

Levitt encouraged delegates to invest in their own resilience toolkits and to find trusted peers and colleagues with whom to share challenges and issues. She outlined a blueprint for communicating with teams in ways that didn't shy away from real issues, but that set out clear expectations. The role of a leader, she reminded delegates, was to be transparent, to tie the activities of team members to organisational goals and to paint an achievable picture of the future.

ROHIT TALWAR

After a rich and diverse four days of treasury content, a closing keynote presentation from futurist and author Rohit Talwar explored emerging scenarios and fundamental societal shifts being made more prominent by the pandemic. Talwar provided tantalising insight into how treasurers and leaders could get to grips with the resulting opportunities and challenges.

The first order of business, Talwar said, was ensuring businesses' viability and resilience for the near term. Just as crucially, treasurers – well used to scenario planning – should look at three time frames: the next three months, the next year and one to 10 years ahead, thinking in particular about building key skills and digital capabilities within their teams and understanding the longer-term impact of nascent technologies such as blockchain and artificial intelligence (AI).

One critical shift, said Talwar, was the need to reimagine treasury – its role, the skills required and the role that treasurers would play within their organisations – for a world in transition. A second shift was a recognition that collectively we need to be much better prepared for a range of possible scenarios.

Exponential advances in science and technology, with technologies such as AI accelerating and others like synthetic biology rapidly emerging, have implications for how businesses are run, their business models and financing strategies. Many businesses are already investing in robotic process automation, allowing individuals to fully or partly automate their roles. In the longer term, we could increasingly see superintelligence deployed – technologies smarter than humans that could enable us to solve our biggest and most complex problems. Moreover, these technologies will be abundant and not the preserve of the few.

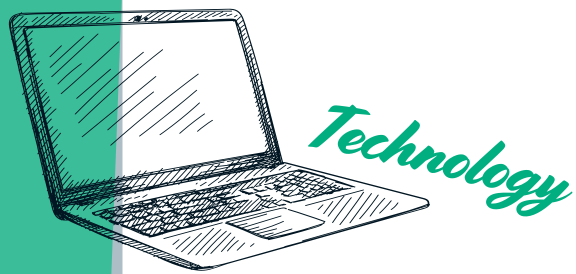
> The content from the ACT Annual Conference will be available from 9 November at treasurers.org/events/past

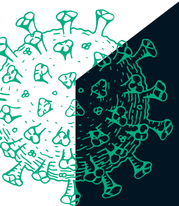
We should expect a new environment for finance, said Talwar, with volatility ahead in the form of cash crises, precarious levels of debt and country downgrades as well as changes ahead around M&A and financial engineering. Decentralised finance – cryptocurrencies and distributed ledgers – are increasingly becoming a reality, with more companies asking about the viability of new vehicles such as initial coin offerings as a destination for overnight cash. By implication, questions around the role of treasury and whether it will adopt wider responsibilities for generating returns will come to the foreground.

The human element in all this should not be underestimated, Talwar pointed out. The difficulty of unlocking the potential in people during times of stress and change has been amply demonstrated during lockdowns. The increased focus on sustainability, inclusion and mental health will only increase as companies build in a greater sense of how to navigate an uncertain future.

Julia Fordham (pictured) is an interim treasurer and a member of the ACT's policy and technical advisory panel; and Liz Loxton is editor of *The Treasurer*

ALIVE AND KICKING IN 202





ESG

PANDEMIC IMPACTS ARE FRONT AND CENTRE IN OUR WORKING AND PERSONAL LIVES, AND UNDERSTANDABLY REMAIN STRONGLY IN FOCUS. HERE, THE ACT'S POLICY AND TECHNICAL TEAM IDENTIFY SIX OTHER ISSUES VERY MUCH ON THE AGENDA FOR NEXT YEAR

The impact of COVID-19 is likely to preoccupy businesses into 2021. As of early October, financial markets appear to be pricing in a recovery.

However, contingent on developing and rolling out an effective vaccination programme, economists disagree as to whether the recovery will be shaped as a 'V' (fast), 'L' (slow), 'W' (a second or even third wave of the virus) or – perhaps more insightfully – a 'K' (growth for some sectors, decline for others).

Much has been written about the pandemic, but here in the policy and technical team at the Association of Corporate Treasurers (ACT), there are any number of other topics that grab our attention. Here are six significant topics on which we expect to spend time in 2021.

LIBOR – time to transition

After what feels like forever with very little outward signs of progress on interbank offered rate transition, the markets have finally picked up momentum during the last quarter of 2020. In the UK and US particularly, large strides have been taken to identify market conventions – thereby enabling systems providers and banks to develop solutions to be passed along to the corporate market. The International Accounting Standards Board has also opined on the impact (or lack of impact) that transition should have on hedge accounting, and in the lending markets in particular, the number of transactions undertaken is growing steadily.

Clearly, LIBOR is endemic in many organisations, not only

> Companies will be looking at restructuring in response to COVID-19

in financial transactions, but it is also used extensively in commercial contracts, and in financial planning and analysis.

As treasurers we will need to support the whole organisation through transition, but focusing on financial instruments for a moment, these can be distinguished between derivatives and cash products. International Swaps and Derivatives Association has led the work in transitioning derivatives and this is largely 'sorted' (see page 33), but corporates need to be alive to the possible unintended consequences of signing up to the protocol that has been published to address the challenges faced in the derivatives market (signing may result in creating risk between the derivative and underlying loan).

There are three categories of lending transaction that need to be addressed by the end of 2021: new deals, tough legacy (which can't reasonably transition) and other legacy. In the UK, the Financial Conduct Authority has required all banks to offer new lending, referencing an alternative to LIBOR from the end of Q3 2020, and from the end of Q1 2021, all new lending must adopt an alternate reference rate. There is legislation planned that will address the tough legacy transactions; and so that leaves the other legacy transactions that need to be actively transitioned well ahead of the end of 2021.

Business restructuring and recapitalisation

Treasurers will end 2020 carrying much larger levels of debt than they had started the year. And for many of them, this will include borrowings from the various government schemes offered to companies in 2020.

Many of these borrowing facilities will need to be refinanced in 2021, and companies will be looking at restructuring their businesses in response to the COVID-19 pandemic. One area will be leverage, and businesses will need to consider how far they may have moved from an optimal level of gearing. Many companies will have cancelled dividends and will determine what their policy in the future should look like. Additional equity may be required, or businesses sold, in order to pay down large levels of debt.

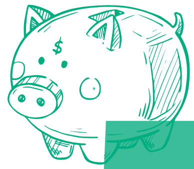
New rules on insolvency will require businesses to review credit assessment of suppliers, customers and other counterparties; 'going concern' tests will require a review of financial strategic risks.

This will need to be undertaken as customers and suppliers themselves undergo strategic reviews of their business. Treasurers will need to go back to basics to assess their target weighted average costs of capital and to revisit contractual obligations and credit limits with key customers and suppliers.

Technology – are you making the most of it?

Whether you're making the most of it or not, 2020 was the year when many of us were forced out of our comfort zone to use and become familiar with tools like Zoom and Teams. The need to work from home highlighted the benefits of technologies such as cloud computing, and earlier investment in treasury management, banking and cash-forecasting systems proved their value. At the same time, working from home has brought new challenges for risk management and compliance.

The year 2020 showed the impact of a dramatic and unexpected event, and boards responded by asking more from their treasury teams. Those having access to reliable data in a form that enabled easy analysis and the ability to drill down to the level of detail required saved themselves many late nights.



The need to work from home highlighted the benefits of technologies

Banks and technology vendors continue to bring out new ways to use application programming interfaces (APIs) to provide treasurers with more customisable information that does not require large investment, and products such as Tableau and Power BI are growing in popularity as data-visualisation tools.

As we head into 2021, treasurers need to have reviewed their technology landscape and decide if it is still fit for purpose. For some, this may mean investing in a new treasury management system (TMS). For others it may be a renewed focus on a cash-forecasting system – whether it is based on an enterprise resource planning system, their TMS, a bespoke cash-forecasting system or just a better version of Excel. Either way, the solutions will need to be agile and flexible enough to handle the next crisis – whatever it may be.

Treasury functions are full of business-critical activities and many continue to have a high degree of manual intervention. This creates risks around business continuity, operational resilience and manual error. Treasurers need to find the investment budget and the bandwidth to get more from their existing technology and to look at how APIs and fintechs can provide cost-effective solutions to everyday problems.

The payments landscape continues to evolve as some initiatives come to fruition

ESG – on hold or accelerating?

The year 2020 was billed by many as one in which ESG factors and sustainable finance would come to the fore. The COP26 climate change conference in Glasgow, originally scheduled for November 2020, had been intended as a key milestone to review progress against pledges made at the Paris Agreement signed five years earlier. Arguably, the delay of COP26 and the urge to 'Build Back Better' have added impetus to further developments in the ESG space during 2021.

Green bonds, revolving credit facilities with ESG key performance indicators and bilateral loan facilities with ESG components are no longer newsworthy events and, for many lenders and borrowers, it is becoming the default position. The day when completing non-ESG-related borrowing becomes significant is getting closer.

The development of the EU taxonomy is helping to apply a more standard set of principles that allows investors and lenders to make comparative assessments of the meaning of 'green', both within a sector and across different ones.

Many companies are addressing the impact of COVID-19 by rebuilding to be more ESG-friendly, with some early claims of a correlation between ESG and resilience, and treasurers are looking at external financing solutions to support these changes.

The extension in scope of the non-financial reporting directive in the EU will increase the efforts that companies will need to apply to their reporting frameworks. As the standards evolve and as investor requirements become more complex, companies will need to build more robust reporting frameworks that enable them to pull together relevant information more easily and more accurately. Whether or not the treasurer is responsible for the reporting, they will need to be able to articulate their company's approach to investors, lenders, rating agencies, customers and suppliers.

Payments – what's coming next?

The payments landscape continues to evolve as some initiatives come to fruition (such as the deployment of Confirmation of Payee in the UK and Request to Pay (RtP)). These require operational planning to ensure they do not disrupt business activities (RtP will affect those treasurers reliant on direct debit income as their cash forecasts may change significantly if customers choose to delay payment). New announcements such as FedNow (a 24x7x365 instant payments infrastructure from the US Federal Reserve) and European Payments Initiative (a single digital cross-border payment solution for the EU) will continue the trend towards 24/7 instant payments.

Inevitably, criminals look to take advantage of developments and, in response, there was a big push by the EU to have the final part of the Payment Services Directive 2 – strong customer authentication completed by September 2019. However, as it became clear that both card processors and merchants were not ready due to technical issues (more than 40% of merchants were not ready in May 2019), it was agreed to delay the deadline for implementation to September 2021 (December 2020 for European Economic Area organisations).

Central bank digital currencies are being discussed more widely outside of academic institutions. Several 'proofs of concept' have already been piloted and it is possible that one or more central bank may start to roll out a digital currency in 2021.

These changes (and others such as the work now under way on cross-border payments) will affect key payment activities – both inbound and outbound. For most treasurers, it will provide an opportunity to look at the overall payment activities to ensure that the different channels available are being optimised and that innovations such as SWIFT's gpi payment solution (that offers track and trace) are being taken advantage of. Many of these changes will require investment in payment and customer systems, and treasurers will benefit from ensuring they are included in any technology investment plans.

Brexit

From the start of 2021, the UK will operate outside of the EU, with the Brexit 'transition period' ending 31 December 2020. At the time of going to press, many of the details are still being negotiated and it is not yet clear whether a free trade agreement (FTA) will be settled, nor what would be the final scope of such an FTA. What is clear, however, is that the UK will start to diverge from the EU in a range of areas at the same time as it negotiates new trade deals with other countries and trading blocks.

Businesses will need to look at their cash-flow forecasts with increased attention to identify any changes to 'normal' customer and supplier behaviour. In addition, exchange-rate movements will continue to have an impact on many businesses, and reviewing currency risk appetites on a regular basis will be important. Tools such as Value at Risk may be useful as a component in identifying what currencies need to be hedged – especially if businesses look to new countries for suppliers and customers.

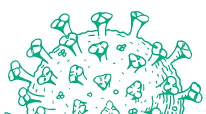
Trade finance and supply chain financing are likely to become more important areas of focus than in previous years, as existing trading patterns become disrupted and companies search out new customers and suppliers. With limited trading history, new technology solutions – such as using blockchain for trade finance or dynamic discounting for suppliers – may enable new relationships to be forged more quickly and efficiently.

Conclusion

Brexit will not be the only geopolitical consideration for 2021; as we go to press, it is not yet clear who will be the next president of the US and how the election results may affect US trade relations with China. After the year that was 2020, we should all be hoping for a quieter and more predictable 2021. This, however, is extremely unlikely and the treasurer's to-do list will be longer than ever.

We'd love to hear your key topics for 2021. Drop us a line at technical@treasurers.org

Naresh Aggarwal, Sarah Boyce and James Winterton are all associate directors, policy and technical, at the ACT. You will find lots of material relating to all of these (and many other) subjects at treasurers.org/knowledge-hub



HERE COME THE RFRs

INTEREST RATE DERIVATIVES WILL ALSO TRANSITION AWAY FROM LIBOR. HERE, SARAH BOYCE TALKS TO ISDA'S ANN BATTLE ABOUT THE IMPLICATIONS

Much of the focus for corporates when it comes to interbank offered rate (IBOR) transition has been on cash products, as the official sector likes to refer to all things non-derivative. However, this is not the whole picture – nor even a quarter of it.

LIBOR for all?

LIBOR was originally established in the 1970s as a way for banks to price multicurrency syndicated loans (by basing the interest expense broadly on the bank's cost of funds). Shortly thereafter, it was adopted by the derivatives markets – also becoming established through the 1970s.

The ability to trade derivatives, where no exchange of principle was required, enabled these markets to grow exponentially. By the mid-2010s, over-the-counter (OTC) and exchange-traded derivatives accounted for 80% of LIBOR-linked contracts by outstanding notional value.

Arguably, however, LIBOR was never really an appropriate reference rate for derivatives. Working from first principles, it is more logical for derivatives markets to be priced based on risk-free rates (RFRs) rather than IBORs, and so, as LIBOR became discredited and no longer based on a liquid market, derivatives formed much of the early focus for the reform initiatives led by the G20's Financial Stability Board (FSB).

The interest rate derivatives market is estimated to be around four times the size of the cash market, with a nominal value of around $300 trillion. Therefore, we felt it was high time to look at the impact of IBOR transition on this market.

To help us, the International Swaps and Derivatives Association (ISDA), the undisputed experts in this

field, kindly agreed to fill in some gaps.

What is ISDA?

ISDA was established in 1985 with the aim to make the global derivatives markets safer and more efficient. Its members include large global institutions that deal in derivatives, service providers and end users that use derivatives to better manage financial risks.

ISDA has established itself as the leading authority on the derivatives markets and, as a result, has been very closely involved in all aspects of the transition away from LIBOR as it impacts on that market.

Taking advantage of the recent announcements by ISDA of a protocol that becomes effective on 25 January 2021 relating to IBOR fallbacks (an area that the FSB requested ISDA to oversee), we spoke with Ann Battle, head of benchmark reform, to bring us up to date with developments in transition for derivatives.

Let's start with some basics: what is the difference between IBORs and RFRs, and why should I care?

There are inherent structural differences between the IBORs and the RFRs. IBORs are available in multiple tenors, while RFRs are overnight rates. The IBORs also incorporate a bank credit risk premium and other factors. Adjustments are therefore needed to the RFRs to ensure contracts originally negotiated to reference an IBOR continue to meet the original objectives of the counterparties to the maximum extent possible in the event that IBORs are no longer available.

There's a lot of talk about fallbacks when it comes to interest rate derivative contracts. What does this actually mean?

Benchmark fallbacks are replacement rates that would apply to derivatives transactions referencing a particular benchmark in the event that the relevant benchmark (in this case an IBOR) becomes unavailable while market participants continue to have exposure to that rate.

Specific fallbacks are set out in the *2006 ISDA Definitions*. ISDA has developed new robust fallbacks that would apply in the event of a permanent cessation of a key IBOR (or in the event that LIBOR is 'non-representative'). These new fallbacks will be automatically incorporated in new derivative transactions that incorporate the *2006 ISDA Definitions* and are entered into on or after 25 January 2021. The new fallbacks will also be incorporated in existing derivative transactions if both parties adhere to the relevant ISDA protocol (or otherwise agree to include the new fallbacks bilaterally).

How is the RFR adjusted to reflect the IBOR?

Following a series of industry consultations on the adjustment methodologies, the RFRs will be compounded over the relevant IBOR period with a backward shift and a spread adjustment will be added to the compounded rate. The spread adjustment will be based on the median over a five-year period of the historical differences between the IBOR in the relevant tenor and the relevant RFR compounded over each corresponding period.

When would this apply?

The adjusted RFR in the relevant currency would apply as a fallback following a permanent cessation of the IBOR in that currency. The permanent cessation must be announced by the administrator of the IBOR, the supervisor for that administrator or another relevant authority. For derivatives that reference LIBOR only, the adjusted RFR in the relevant currency would also apply as a fallback, following a determination by the UK Financial Conduct Authority (the supervisor of LIBOR's administrator, ICE Benchmark Administration) that LIBOR in that currency is no longer representative of its underlying market, even if it continues to be published.

What changes to ISDA documentation are planned to reflect the move to RFRs in derivative markets?

For new transactions, ISDA will amend the *2006 ISDA Definitions* to include fallbacks that would apply upon the

ABOUT ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 925 member institutions from 75 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available at isda.org

Ann Battle, head of benchmark reform at the International Swaps and Derivatives Association

It's important to consider any derivatives that might be in existence as LIBOR comes to an end

permanent discontinuation of certain key IBORs or, for LIBOR, upon the permanent discontinuation of LIBOR or a 'non-representative' determination for LIBOR.

For existing transactions (legacy transactions), ISDA has published a protocol to facilitate multilateral amendments to include the amended triggers and fallbacks in legacy derivative contracts. The triggers and fallbacks included in the legacy derivative contracts by adherence to the protocol will be exactly the same as the fallbacks included in new transactions that incorporate the *2006 ISDA Definitions*.

As always, any such protocol will be completely voluntary and will amend contracts only between two adhering parties.

What have been the key challenges to date and what do you see as the key challenges to come for ISDA?

A major challenge has been reaching consensus across the public and private sectors regarding how market participants should address a scenario in which LIBOR continues to be published on a 'non-representative' basis, (ie pre-cessation triggers).

Ongoing key challenges include development of liquidity in new transactions referencing the RFRs, which will be key to broad adoption of those rates and a meaningful reduction in reliance on LIBOR and other IBORs.

You mention the need to develop liquidity in the swap markets referencing RFRs. How is this progressing?

We are seeing slow but steady progress. The ISDA-Clarus RFR Adoption Indicator is intended to track how much trading activity (as measured by DV01) is being conducted in cleared OTC and exchange-traded interest rate derivatives (IRD) that reference the identified RFRs in six major currencies, and the latest report can be found at isda.org

ISDA also publishes the *Interest Rate Benchmarks Review*, which analyses the trading volumes of IRD transactions in the US referencing the secured overnight financing rate (SOFR) and other selected alternative RFRs, including the sterling overnight index average (SONIA), the Swiss average rate overnight (SARON), the Tokyo overnight average rate (TONA) and the euro short-term rate (€STR).

The trends in both reports reflect differences among the varying RFRs, but this is to be expected given that some of them are existing rates that traded with a relatively meaningful level of liquidity (for example, SONIA). Some are very new rates that didn't even exist (let alone trade) until recently (for example, SOFR), and others are rates that have existed but not traded with meaningful levels of liquidity.

We don't specifically track differences among counterparty types, but understand anecdotally that most transactions have been among dealers.

THE DEMISE OF LIBOR

In 2014, the Financial Stability Board recommended enhancing existing IBORs and, in recognition of the fact that it may be appropriate for many products to reference a rate that does not include bank credit risk, to promote the development and adoption of alternative risk-free rates (RFRs).

In July 2014, the Financial Conduct Authority stated that the absence of active underlying markets raises a serious question about the sustainability of the LIBOR benchmarks and announced that it would no longer compel or persuade panel banks to provide LIBOR submissions after the end of 2021, effectively signalling the end of LIBOR.

Shortly after, the various working groups that had been established (by currency) to identify RFRs started to announce the various replacement rates that they proposed be used in place of LIBOR. In the UK, this was the sterling overnight index average (SONIA).

Next steps for corporates

To date, corporates have primarily focused on their borrowings when thinking about IBOR transition, but it's very important to consider any derivatives that might be in existence as LIBOR comes to an end, and in particular:

- how any fallbacks in legacy contracts may result in uncertainty or economic ineffectiveness;
- whether signing up to the ISDA IBOR fallbacks protocol is an appropriate next step for your organisation; and
- how active transition (ie not waiting for cessation of an IBOR) will enable greater transparency and control through the process.

ISDA is an organisation that works for the benefit of the market as a whole. Corporates should engage with their proposals and adopt those that are appropriate for their particular circumstances. Do not wait for your bank to impose a solution – it may not suit.

With thanks to treasury consultant James Leather FCT for his input into this feature

Sarah Boyce is associate director, policy and technical, at the Association of Corporate Treasurers

TRADE FINANCE THROUGH A COVID LENS

THE SOCIOECONOMIC CRISIS CAUSED BY THE PANDEMIC HAS BROUGHT CHALLENGES TO MANY AREAS OF OUR LIVES. IN THE MIDDLE EAST AND AFRICA, THE IMPLICATIONS ARE FAR-REACHING AND COMPOUNDED BY A COLLAPSE IN THE OIL PRICE. SEMIH OZKAN LOOKS AT TRADE FINANCE IN THE REGION

The world economy was already showing fault lines as we entered 2020, driven by trade rhetoric between the US and China, and uncertain economic growth. As reported by the World Trade Organization (WTO), the value of world merchandise trade declined by 3% in 2019, while trade in commercial services registered only a 2.1% increase, meaningful falls compared to 2019.

The Middle East and Africa registered one of the largest declines globally in merchandise trade, 6.4% in 2019 and 2.9% in 2018. The UAE provided a bright spot, as an important player in the commercial trade in services thanks to its strong multi-mode transportation infrastructure. Qatar recorded the highest percentage increase in the service trade ranking in 2019.

Given this background, there was no immediate expectation for world trade to grow in a meaningful way in 2020. However, the pandemic and related disruptions in mobility and supply chains have utterly changed the outlook. For 2020, the World Bank's baseline forecast is 5.2% contraction in the world GDP, with 4.2% for the Middle East and Africa. Meanwhile, the WTO predicts that all regions will suffer double-digit decline in trade.

In the Middle East and Africa, every business, regardless of size or sector, has been facing risks from the pandemic and related disruptions. The collapse of the oil price delivered a parallel shock. The regional economies' external and fiscal balances have come under stress, which has heightened country and counterparty risks. Credit rating downgrades have followed, as well as constrained liquidity. S&P states that the budget deficit in the Gulf Cooperation Council (GCC), is expected to reach $490bn by 2023. The regional governments have responded swiftly to the socioeconomic crisis, with a variety of stimulus packages, including exemptions, suspensions and subsidies, to prevent credit crunch and support welfare. The GCC alone mobilised more than $150bn to minimise the socioeconomic fallout of the pandemic in the region.

Collaborative response

The pandemic and related disruptions have impacted trade due to intensifying capex/opex optimisations and worsening trade restrictions, but like any crisis, it has also brought lessons and opportunities. Above all, the pandemic has prompted a major collaboration worldwide in an unexpected way. As trade flows have continued to shift and supply chains have been tested, buyers and sellers have demonstrated a 'we are in this together' mindset.

The pandemic has prompted corporate treasurers to step up digital transformation across their processes and supply chains. The pandemic has also mobilised substantial ESG efforts, underpinned particularly by export and development finance.

Supply chain finance

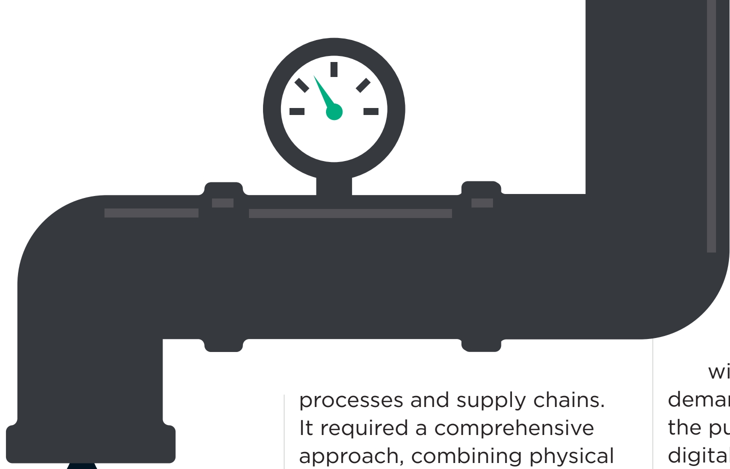
Regional supply chains have been under huge pressure to deliver against the backdrop of the constrained logistics and freight capacity on land, air and sea routes. Yet buyers and sellers have removed the age-old tension over their conflicting objectives by extending payables and improving receivables, stepping up to support each other's cash conversion cycle.

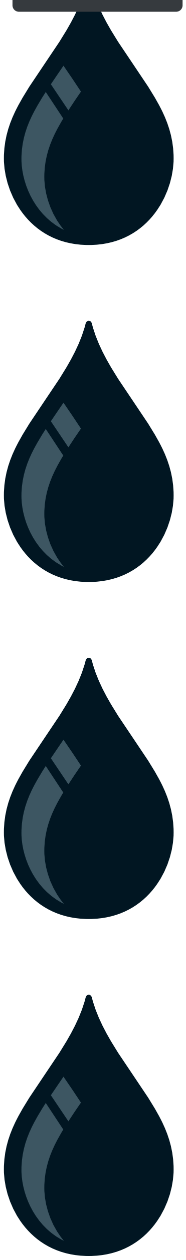
Even before the pandemic started to squeeze the economies in the region, supply chain finance solutions – ranging from receivables discounting to payables finance to distributor finance – were already gaining further ground. One of the regional retail leaders, Landmark Group's award-winning supply chain finance programme with Asian Development Bank, and the region's largest non-oil and gas manufacturer and Emirates Global Aluminium's award-winning dual tranche receivables programme are just two examples. The pandemic has of course mobilised corporate treasurers for quick wins to improve their working capital, but has also pressed them on remaining super-focused on cash and costs. There are still meaningful opportunities in several sectors, notably oil and gas. Additionally, key suppliers such as automotive or electronic manufacturers are also working on bridging credit gaps in the markets by supporting their distributors with extended payment terms through various solutions – and in some cases at their own cost.

Furthermore, the pandemic has encouraged regional governments to adopt best-practice approaches to enable access to finance, especially for SMEs, which face constrained liquidity. For example, Saudi Arabia's Ministry of Finance launched a new service on its digital platform, Etimad, to enable SMEs to obtain funds and sell receivables from the financial and banking sector.

Digital trade finance

Digital transformation in trade finance has long been under way even before the pandemic stressed the need for digitally enabled





processes and supply chains. It required a comprehensive approach, combining physical and financial aspects in tandem, for example, logistics and freight, back office operations, communications with counterparties including e-signatures, digital negotiable instruments, digital bills of lading, distribution of trade finance assets, as well as global adoption through policy changes, according to the International Trade & Forfaiting Association. The pandemic and related disruptions have challenged the trade finance community with real force to accelerate such digital transformation of trade finance.

The Middle East and Africa are well-positioned to benefit due to the regional economies' well-established commitments to digital transformation. Africa is already a global leader in mobile money, while all around the continent, the digital transformation is a key and integral part of national visions in countries including Nigeria, South Africa and Kenya. The Middle East is no different, since regional national visions such as those in play in Saudi Arabia and the UAE build on digital transformation.

The UAE has also launched the world's first digital trade finance bank – Anglo-Gulf Trade Bank – to rebuild trade finance on a collaborative, simplified and data-first approach. Furthermore, there has been increasing outreach with new multi-bank platforms such as Komgo for commodity finance, Marco Polo for supply chain finance and Skuchain for inventory finance. There is also Taulia, which now counts, among many investors, Prosperity7 Ventures, which is the Saudi Aramco's diversification fund.

Following up from the pandemic, there will be increasingly more demand from corporates and the public sector to accelerate digital transformation within trade finance, including interoperability, real-time dashboards and end-to-end supply chain visibility embedded with deep-tier financing.

Progressive export and development finance

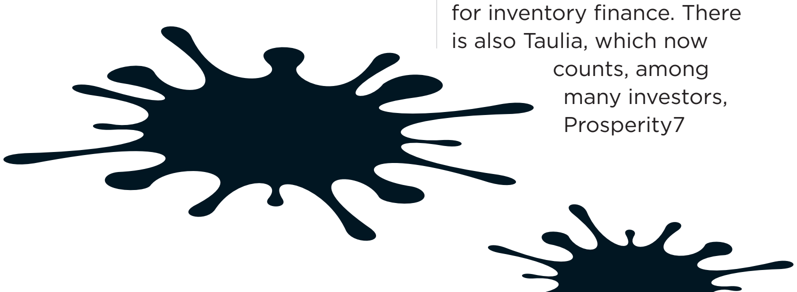
The pandemic has caused significant dislocation in financial and commodity markets, and volatility in availability and cost of funding, which has reinforced the need for Export Credit Agencies (ECAs) even more. In response, ECAs and other agencies have mobilised substantial resources along with new programmes to support trade and capital flows. For the region, this has translated into various ECAs' supported facilities, including untied programmes highlighting the agencies' long-lasting purpose to develop and maintain long-term commercial partners. The agencies in the meantime have been moving the case for sustainable business and finance strategies forwards in the region.

Just before the pandemic took over the region's economies, K-Sure and Abu Dhabi National Oil Company signed a $3bn facility under K-Sure's strategic partner programme. Saudi Arabia's Ministry of Finance signed its first-ever ECA facility, $258m with Euler Hermes, for procurement of buses to support public transportation. In Africa, the Mozambique liquefied natural gas project completed the largest project finance facility in African history amid the pandemic thanks to support from several agencies. Furthermore, the Multilateral Investment Guarantee Agency has issued a €359m guarantee for up to 10 years for a loan provided to the Trade and Development Bank for the purpose of lending to the real economy for building healthcare facilities in response to the pandemic.

Additionally, multilateral development banks such as the Arab Petroleum Investments Corporation, have launched a $500m support package. The Islamic Development Bank has approved a pandemic response programme of $2.3bn to protect supply chains especially for strategically important sectors such as agriculture. In Africa, Africa Development Bank raised $3bn from a COVID-19 social bond, the largest dollar-denominated social bond ever launched in international capital markets, to help ease the socioeconomic impact of the pandemic across Africa. The African Export-Import Bank, along with the European Investment Bank, have been directing funding to local economies to support recovery.

Conclusion

While the recovery will require far-reaching socioeconomic stimulus packages to lift up the region, there are emerging lessons and opportunities to leverage upon more collaborative supply chains, digitally enabled processes and progressive export and development finance for the benefit of all.



Semih Ozkan **is a trade finance director in an international bank. He is also regional head of the International Trade & Forfaiting Association**

THE YEAR 2020 HAS UPENDED OUR ROUTINES AND THWARTED OUR EXPECTATIONS; DEALING WITH DISAPPOINTMENT HAS BECOME ONE OF OUR PRIMARY TASKS. AMANDA BRADLEY PROVIDES SOME GUIDANCE

Everywhere we look this year, there is disappointment. Weddings delayed, families separated, even children disappointed not to be in their classrooms. COVID-19 has created an unprecedented platform of social isolation, compounded by personal, financial and career disappointment for many.

Whether or not we expect the disappointment doesn't necessarily make it easier to bear. Whether or not a second wave was obvious, whether landing that massive job was a long shot or we knew the budget didn't quite have enough stretch in it for that elusive pay rise, we've invested emotionally in the longed-for outcome. We can still feel its loss when it doesn't come to fruition.

So, how do we go about picking ourselves back up from disappointment?

Clear-sighted

It all comes down to objectivity – the ability to see things unclouded by feelings. This might be a surprising statement for regular readers. I'm not saying ignore how you feel – quite the opposite. As usual, the first step is to listen to yourself. In our society, we are urged to keep calm and carry on. We have translated that into 'ignore your feelings'. Well, that's OK, for a bit. But feelings have a nasty habit of making a mess later if ignored. So, taking a little bit of time to notice, acknowledge and process how we feel lets us move through the emotion.

Many times over the past six months, COVID-19 has brought bitter disappointment for me: cancelled holidays; separation from loved ones; delayed work. Each time, I've had to work hard to let myself experience my feelings, but not act on them. I have even shed a few tears of rage at this invisible, deadly persecutor who kept robbing me of the joy of the year. But those important tears allow the cortisol that our brains produce under stress to exit the body. The feelings, once accounted for, pass.

> Once we can see the situation clearly, we can evaluate our options and create choice for ourselves

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It's also important that we account for the significance of the disappointment. Discounting its importance can have far-reaching consequences. If we consistently ignore our disappointments, we can start to believe that we don't deserve the things we had hoped to achieve. We can fail to notice if people around us are taking advantage of us – not giving us proper credit. We can become a doormat. So, it's important to account for disappointments carefully. They might be an indicator that we need to be proactive and bolder in the pursuit of our personal goals.

It can also be part of our instinct to hide our disappointments. If we let those closest to us know we had hoped to get a new job, we can be embarrassed if it doesn't happen. We might fear being accused of counting our chickens before they've hatched. But connecting with people who have our best interests at heart and can share our disappointments provides sustaining support. If we're lucky enough to have a friend who is an excellent listener, it can also give us the space to think through the options and start to notice upsides. They might even have some ideas and connections to help you expand your network and create even greater alternatives for yourself.

Which takes us to the next step – getting objective. See the situation as it is. What we were working towards has changed. Maintaining the status quo is unlikely to magic the situation into something better. We need to notice the changed landscape, ask what it means and use that as information to help us decide what we want to do.

Once we can see the situation clearly, we can evaluate our options and create choice for ourselves. This stops us from becoming a victim of circumstances. Don't get me wrong, some disappointments come with radical ramifications far beyond those created by cancelled weekend plans. Being made redundant, for example, has the potential to create major fissures in someone's neatly fashioned career path. But I'm often struck by how frequently I meet a colleague who has been made redundant and hear them say, "I'm really glad that happened; it gave me the impetus I needed to move on." You may be able to see bold moves that could otherwise remain hidden behind any initial humiliation or dread.

A sense of perspective

Becoming more objective also lets us see the whole field. The disappointment might feel like something terribly personal in the first instance. We might create stories in our minds to make the disappointment somehow our fault or to shift the fault to someone else: we weren't hard working enough for the pay rise; our bosses secretly prefer our colleagues and so were bound to pass us over for promotion. Objective review of the situation makes it easier to see that the company performance is struggling, so pay rises are few and far between, or that the colleague who got the promotion had more relevant experience. Then we can start to ask ourselves the useful questions: do we need to go and fill a gap? What can we learn from the disappointment? How do we use the information we have gained from our objectivity to help us grow from the situation?

Objectivity can also let us be more truthful with ourselves. Did your colleague get the pay rise because they actually did a better job than you? If you're really honest, have you been slacking off a bit? Did you really deserve it more than them? When we question ourselves to seek the truth rather than to shame ourselves, we increase the chance that we will achieve our goals.

Objectivity is therefore critical in helping us move from a fixed mindset about the disappointment ("these sorts of things always happen to me; I'm never going to get what I want") to a growth mindset ("well, that was a shame, but no matter, I'll keep applying for different roles; I know the right one is out there and it's just a numbers game"). We can be more optimistic in our outlook and increase our chances of success.

Disappointment, therefore, does not have to be bitter. When paired with objectivity, it can be a useful catalyst for change and creativity. We might not get what we initially aimed for. We might only make progress towards it. But progress beats disappointment any day of the week.

Amanda Bradley FCT is an executive coach at Liberty EQ

WHY WE NEED TO WORK TOGETHER TO SUPPORT THE TREASURY COMMUNITY

CAROLINE STOCKMANN ON THE INVALUABLE WAYS ACT MEMBERS CAN SUPPORT THE WIDER TREASURY COMMUNITY

There is no denying that this has been one of the most challenging years in the Association of Corporate Treasurers' (ACT's) 41-year history, as we have worked to support the treasury community through the unprecedented challenges of the COVID-19 pandemic. The repercussions have been far-reaching: for teams and individuals, as we have all transitioned to remote working; for the role of treasury, as our members have supported businesses through some of the most difficult times in recent memory; and for a whole range of businesses around the globe.

At the ACT we have supported learning and development with our online qualifications programme and a new range of online training modules. We have pivoted quickly to provide virtual events to deliver the latest treasury knowledge and offer networking at a time when connecting with fellow professionals has been vital. We're delighted that nearly 8,000 delegates from 97 countries attended our three virtual conferences this year. Our policy and technical team have delivered the latest technical support on COVID-19, influencing the LIBOR transition and a whole host of other treasury topics that matter to you.

Play your part in promoting treasury excellence

We have worked with the treasury community through many difficult times, and as we continue to work together through this global pandemic, we welcome your continued support and urge you to:

- attend our conferences, webinars, networking evenings and other events (see treasurers.org/events);
- encourage your team in their continuing professional development through ACT qualifications (see academy.treasurers.org); and
- volunteer to work with the ACT; contact our membership team to find out more (see treasurers.org/my-membership/get-involved).

Treasurers calling other treasurers to action

At the instigation of one of our members, we spoke to four leading treasurers about what the ACT means to them, and how they are supporting their professional body and the wider treasury community, so we could share that with you.

Here's what James Adams, group treasurer at Chalhoub Group, Simon Neville, group treasurer at RB, Courtney Huggins, group treasurer at Logicor, and Joanna Bonnett, group treasurer at PageGroup, had to say...

Why is the ACT important to you?

James Adams: For me there are three main areas: the educational side, the personal side and the corporate. On the educational side, I started with the AMCT Diploma, then moved on to the FCT, which gave me the strategic toolkit to add to the technical one. My team has also been studying for these qualifications and they've benefitted greatly.

On the corporate side, there's a big regulatory benefit. The ACT is a leading body and it's

> Nearly 8,000 delegates from 97 countries attended our three virtual conferences this year

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one that we need to support as treasurers.

Simon Neville: The ACT is very important to me. I'm a member, in fact I'm a fellow of the ACT, and a number of my team study for the ACT exams. I think it represents a reciprocal of technical excellence in the treasury profession, so we value it very highly.

Courtney Huggins: It's provided me with a lot of support in my own personal and professional development over the past 10 years. I don't think I would be in the position I am today without the ACT's support. There's the technical knowledge that the ACT provides through qualifications, but there's also the softer skills, the networking and the mentorship programme.

Joanna Bonnett: I am an FCT and turned to the ACT some years ago, finding it was the best organisation to equip me with the skills I needed for a progressive career in treasury. I have been involved in a number of areas as a volunteer and find volunteering extremely rewarding. In addition, I find the community and networking aspects invaluable.

What is your message to ACT members?

JA: [The ACT is] only as strong as [its] members. [During COVID-19] we've seen online forums, we've shared best practice, and I think now more than ever we need to step up as treasurers and really lead in the field.

SN: We are a member of the professional association; we've all spent time doing the exams and networking. We just have to do things a little bit differently these days. So, I think [the ACT's] importance remains and you have to support it where you can. Within RB, we contribute to presentations, magazines and the day-to-day operations of the ACT as well.

CH: Without the ACT, its support and the qualifications we have, what does it mean to be a treasurer? We need to support the ACT because we're the whole reason that the ACT exists. It's time to make sure we're supporting the organisation with our time and resources… and one of the ways I'm doing that is to make sure I'm continuing my own personal development. I'm encouraging my team members to take their qualifications, especially during this uncertain time. You want to make sure your own CV and what you can bring to the table is future-proofed.

JB: Given all my team is already ACT-qualified, I sign them up as paid delegates for all events. This may be a small gesture, but it is how I can support the ACT given these challenging times. At the same time, it demonstrates, even in turbulent times, the importance of continual learning and the investment in individuals. My team were absolutely delighted.

Caroline Stockmann is chief executive of the ACT

ACT DIARY DATES

We are finalising our events schedule for 2021. All of the events in the first half of 2021 will be held in our virtual events space. Dates will be confirmed shortly, so please go to treasurers.org/events for the latest updates.

COMING UP:

- **January**
  Working Capital Conference
  Treasury Forum
- **February**
  Cash Management Conference
- **May**
  Deals of the Year Awards
- **June**
  ACT Annual Conference

To attend an ACT event or webinar, book online at treasurers.org/events. For more information, email events@treasurers.org or call +44 (0)20 7847 2589.

ACT TRAINING

Our four sought-after training courses listed below will run in the first quarter of 2021. We are monitoring the situation to decide whether these will be delivered face to face or in a live, online classroom. Please keep an eye on our page at academy.treasurers.org/training for confirmation of the next dates.

TREASURY IN A DAY

An introduction aimed at anyone new to treasury, looking to broaden their understanding of the function, or wanting to improve their ability to have better conversations with management, operations and banks, or with treasurers as customers. In just one day, you will learn about the role of a treasurer and will be introduced to key treasury concepts and commonly used financial instruments.
academy.treasurers.org/training/treasury-in-a-day

THE NUTS AND BOLTS OF CASH MANAGEMENT

In just one day, you will explore the principles and practices of cash and liquidity management, and their importance to the business and treasury function.
academy.treasurers.org/training/cash-management

ADVANCED CASH MANAGEMENT

This course covers practical cash management, bank account structures, payables and receivables, liquidity and finance, cash management solutions and real-life case studies.
academy.treasurers.org/training/advanced-cashmanagement

THE A-Z OF CORPORATE TREASURY

This overview of the fundamentals of treasury management is perfect for new entrants to the profession, bankers and those working alongside the treasury team. Learn about corporate treasury within the context of international markets, and build a deep insight into the core areas.
academy.treasurers.org/training/corporate-treasury

Preferential rates for ACT members and group discounts available. For more, contact academy@treasurers.org or call +44 (0)20 7847 2573.

"YOU HAVE TO BE REALLY STRUCTURED ABOUT YOUR DAY"

BAT'S VIDHI SRIVASTAVA'S ROLE IN THE SINGAPORE TREASURY HUB PUTS HER IN TOUCH WITH THE TREASURY NEEDS OF BUSINESS COLLEAGUES ACROSS THE REGION

I work as a regional treasury analyst in the commercial treasury team of British American Tobacco (BAT). I'm in a team of three people responsible for the Asia-Pacific and Middle East (APME) region – I look after Bangladesh, Southeast Asia and Asia-Pacific.

After my first degree and an MBA, I started my treasury career with Tata Steel in India in its global treasury and corporate finance team before moving to London where I worked in treasury roles at PwC and Walgreens Boots Alliance. I completed my AMCT qualification in 2014 and joined BAT's regional treasury team in Singapore in 2019.

In a nutshell, my role entails supporting markets in our region with their treasury requirements. We work as internal relationship managers and act as a link between country teams and other parts of treasury, including global treasury and treasury operations, as well as external stakeholders such as banking partners and regulators. As part of the global treasury team, we act as a centre of excellence to deliver treasury alignment to the regions.

Each country in APME has a dedicated treasury single point of contact within our team, and we're responsible for helping the markets manage their FX risks, counterparty risks, liquidity management and funding, cash forecasting, optimisation of working capital, banking infrastructure and compliance and controls.

No two days or two weeks are ever the same. Acting as a treasury adviser in the region, most of my work is dictated by the issues faced by the business. Each month, I look at the cash forecasts submitted by the markets to understand the drivers for key changes, test their assumptions and collectively agree a hedge plan for FX exposures within the policy guidance. I closely track the markets' funding requirements and help them to secure funding lines at the most competitive rate and in the most timely manner.

A key objective of my role is effective business partnership; it's about driving treasury strategy across the region, ensuring compliance to global treasury policy and seeking exceptions on behalf of the markets if any waivers are sought for legal or regulatory reasons. Other deliverables tend to be more ad hoc. It might be implementing a new – or rationalising existing – banking infrastructure in a market; supporting business model changes; onboarding new markets to our treasury target operating model; or supporting the group's cash-generation objective by introducing global working capital programmes in new markets.

What I find so exciting about this role is the sheer diversity within the region itself. Some end markets are fully integrated to your inhouse bank with payments/receivables on behalf of structures implemented, and there are others where there's no global bank present and you need to seek exceptions to deal with a local bank. Working across Asia, different markets also present different regulations and varying degrees of economic openness. The commercial aspect of the role means I deal closely with finance colleagues in the end market and understand both the balance sheet and profit and loss aspect of each initiative and work very closely with them to assess the potential.

Last year, BAT rolled out a company-wide efficiency and business simplification programme, where savings generated will be reinvested in our new categories business. For treasury, it involved us implementing more streamlined ways to support business units in their priorities across areas including forecasting, risk management and governance. This was achieved while adapting to business model changes. We reaped the benefits of this exercise when COVID-19 posed new business challenges and the focus shifted to managing liquidity and funding these business challenges. More aligned responsibilities and simpler processes enabled us to provide agile responses to support the business in managing through the pandemic.

We're used to working remotely as our stakeholders are spread around the world – I engage with colleagues in the end markets around the region, and also have global treasury colleagues based in the UK and treasury operations colleagues in Romania. What was a surprise was just how much we take physical meetings for granted! It also means you have to be really structured about your day, bearing in mind everyone has back-to-back calls and given the different time zones.

At the same time, flexibility is equally important, as these are very new ways of working for everyone. I know it's been a good day when I get feedback from the end markets to say that we have been instrumental in helping them manage the risks effectively and deliver positive results. That's really encouraging.

> A key objective of my role is effective business partnership


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