

# Agenda

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## R3; BREXIT; EBA; MID-MARKET FIRMS; NAMA

### R3 ROLLS OUT SHARED PLATFORM FOR DLT

Multi-bank financial software consortium R3 has said it will release a prototype solution for cross-border payments based on distributed ledger technology by the end of 2017.

R3, which has 22 banks signed up to its approach, has developed a shared infrastructure to facilitate a full payments workflow. The solution works by creating a representation of fiat currencies on ledger, according to the consortium, and is programmed to enable interaction with central bank digital currencies as they are rolled out.

Meanwhile, Finastra, R3 and seven banks have announced they will cooperate to create an online marketplace for syndicated lending.

### BREXIT STILL TOPS CFOs' WORRY LIST

A survey of UK chief financial officers from accountancy firm Deloitte found increased levels of optimism, albeit with respondents' appetite for risk remaining below the long-term average for the quarterly study into CFO sentiment.

Top of UK CFOs' list of concerns was Brexit-related uncertainty, although worries over the longer-term impact seem to be easing. Sixty per cent of CFOs said they expected the UK's exit from the EU to affect the business environment adversely, down from 72% in June. Almost a third expect the impact of Brexit to cause a decrease in investment over the next three years.



The second-greatest business risk, according to CFOs, is weak demand in the UK. A prescient 92% expected base interest rates to be higher than the 0.25% they stood at, at the time of the survey.

CFOs also identified inflation as a continuing risk and said costs were running at their highest levels for six years. Nevertheless, the survey found UK businesses to be in a more upbeat frame of mind than at the previous quarter.

### NINE COUNTRIES JOIN EBA CLEARING'S GO-LIVE

Banks from nine countries have confirmed that they will join RT1, EBA Clearing's pan-European infrastructure for instant payments in euros. Many of the early participants have operations in several European countries.

RT1 will be used for 24/7 settlement of real-time payments in line with the European Payments Council's (EPC's) SEPA Instant Credit Transfer Scheme.

RT1 has been in development since April last year and is open to any account-servicing payment provider adhering to the EPC's scheme.

### MID-MARKET FIRMS NEED TO INCREASE EXPORTS

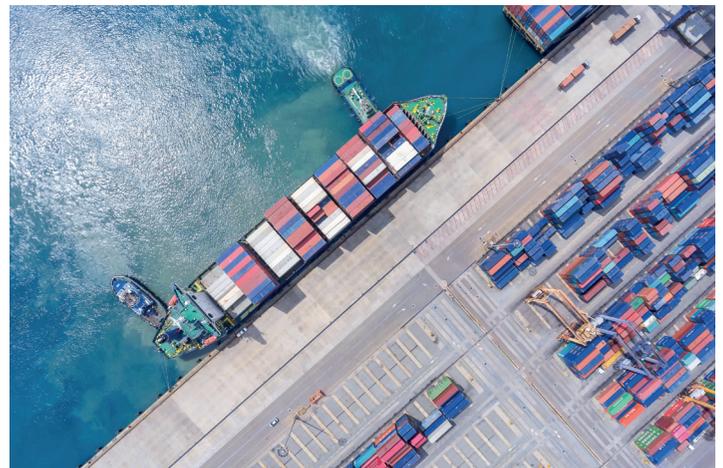
A global study of mid-market enterprises has found that only 15% of revenues are derived from exports. The study, carried

out by Oxford Economics in conjunction with HSBC Commercial Banking, surveyed 1,400 senior executives in 14 countries and found that only 3% expect global operations to contribute to their business's financial performance in the next three years. That's in spite of the fact that 55% identified volatility in their domestic markets as their top concern. Regulatory changes (52%) and skill shortages (50%) were also exerting a downward pressure on growth prospects.

Were these mid-market enterprises to increase their exports by 1%, however, they could add a combined \$12.5bn to their economic impact, according to the study.

### £500BN HIDDEN CASH IN UK BUSINESSES

UK businesses have £535bn tied up in excess working capital, according to Lloyds Banking Group. The bank's second annual working capital index found businesses were under pressure





## THE 2017 DEALS OF THE YEAR AWARDS

The *Treasurer's* Deals of the Year Awards play a crucial role in championing the outstanding work of treasurers, both within the treasury community and the wider business world. A cornerstone of the ACT's advocacy for the profession, through them we recognise the achievements of the treasury teams that have stood out in the market over the prior 12 months. This year, we are delighted to extend the reach of the awards further by inviting nominations from the Middle East and Africa. We are also proud to launch a new award – the Green Finance Award for the best green finance initiative in support of the important area of future finance and sustainability. The awards are not just about recognising transactions, however, they are also about highlighting the people behind them, and the contribution of the treasury team to their organisation's success. Which is why, in addition to the Emerging Treasurer of the Year, which, for the first time last year, recognised outstanding individual up-and-coming treasury talent, we now have four awards categories for treasury teams large and small. Don't miss your chance to enter – the deadline for nominations is 20 November and winners will be announced at the prestigious Deals of the Year Awards Dinner in February 2018.

[www.treasurers.org/awards/2017](http://www.treasurers.org/awards/2017)

to tie up more cash in spite of increasing input costs and delays in the payment cycle. The £535bn, which represents a 7% increase from a previous study in May is focused particularly in the manufacturing and services sectors. At the same time, a quarter of businesses surveyed reported longer receivables cycles in the past 12 months, leading to more cash being locked up.

### NAMA TO REPAY EARLY

Ireland's National Asset Management Agency (NAMA) set up to take toxic debt at the height of the financial crisis, will make its final repayment of government guaranteed senior debt, three years ahead of schedule. With a final repayment of €500m, NAMA will have paid off more than €30bn of government-backed debt since 2010.



**€998bn**

in non-performing loans are on the balance sheets of European banks, according to the International Monetary Fund



**\$1.5 trillion**

President Trump's rewrite of the US tax code includes sweeping cuts in corporation tax and more modest cuts for households



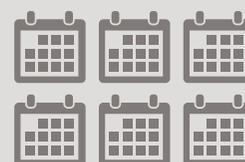
**250**

the number of people UBS might move out of London post-Brexit, fewer than the 1,000 originally feared

**amazon**

**€250m**

the amount the EU has ruled that Amazon owes in back taxes



**30 years**

the length of time it may take the European Investment Bank to repay €3.5bn to the UK



**\$32bn**

the size of a recapitalisation of India's state-controlled banks



**\$56 per barrel**

the price the World Bank expects crude to reach in 2018

# IN THE NEWS...

## BANKING TROJAN HITS RUSSIAN BANKS

Financial institutions in multiple countries have been hit by a trojan operated by a cybercriminal gang that has been dubbed Silence. Cybercriminals have attacked 10 banks in Russia and other targets in Armenia and Malaysia.

Analysts at Kaspersky Lab said the cybercriminals showed similar tactics to a previously discovered gang, Carbanak group, which has been linked to the theft of more than \$1bn from banks around the world. Both groups operate by gaining access to internal networks for a period of time. They monitor day-to-day activity and accrue as much intelligence as possible before stealing funds. The attacks



are carried out via phishing emails to valid employee emails and show the vulnerability of accessing accounts via username and password authentication, according to reports.

The amounts stolen to date via the Silence trojan are said to run into millions.

## RENMINBI STILL TO MAKE INROADS IN AMERICAS

Renminbi usage in the Americas remains far lower than in other regions, in spite of increasing amounts of infrastructure to support it.

The SWIFT RMB Tracker looking at data for August and September found overall the US dollar remains dominant in the region, while other mature currencies, including the euro, have seen significant increased

use. Today, 107 financial institutions in North America are using renminbi for payments with China and Hong Kong.

The US accounts for around 25% of global GDP, and the US dollar is used for almost 40% of payments by value. China accounts for around 15% of world GDP. However, its currency is used for less than 2% of payments by value. The euro's share of global payments by value increased from 29% in 2015 to 33% in 2017.

According to the study, the recent nomination of the Bank of China as an official renminbi clearing bank for the US may increase the renminbi's traction in the US. Since the Industrial and Commercial Bank of China began operating as a clearing bank in Toronto, renminbi

flows between China and Hong Kong to the Americas increased by 67%.

## MACRO RISKS STILL TOP THE AGENDA

Unemployment, economic crises and failures of national governments remain at the top of the risk ratings for global businesses, according to the World Economic Forum (WEF).

The WEF's *Executive Opinion Survey* found business leaders identifying macroeconomic issues, such as unemployment and underemployment, fiscal crises and an unstable central government. It also identified energy price shocks and the prospect of financial instability as significant potential causes of concern.

The survey also cited failures within financial institutions; infrastructure vulnerabilities; cyberattacks; interstate conflicts; and terrorist attacks as high-ranking risks on the business agenda. The risk of failure within financial mechanisms or institutions was a significant feature for respondents in Europe, while increased geopolitical risks and failures of national governance were identified as a pressing concern in Europe, but also South Asia, Latin America and sub-Saharan Africa.

## FIVE MINUTES ON...

# DIVERSITY AND INCLUSION IN TREASURY

The ACT's Diversity and Inclusion Calendar has been developed to provide an inclusive platform for all treasury professionals. The aim is to enable all to share their experiences on engaging and empowering under-represented groups in corporate treasury, and reflects the ACT's commitment to increasing the profile and integrity of the profession.

Building a high-performing and effective treasury team isn't just about technical knowledge. An inclusive environment, where people can bring their best selves

to work and contribute to diverse thinking in the workplace, is widely proven to increase profitability and to enhance organisational brand and reputation. Diversity and inclusion in the workplace concern all of us as professionals – by being part of a team, managing a team, hiring people, being hired – and as individuals.

The ACT Diversity and Inclusion Calendar recently held its inaugural event on bridging the gender gap. The lively debates of the evening provided plenty of food for thought and an encouraging

beginning. It became clear that speakers' anecdotes and experience around gender equality resonated with those in the room. Despite broad agreement at the event that tremendous progress has been made already to make the treasury profession more equal today, the figures reveal the still unequal picture: while no official statistics are available, only 29% of ACT members and 33% of speakers at the ACT Annual Conference in 2017 were women. Clearly, there is an opportunity – and a need – to do more to close the gender gap.

# Payment technology



REAL-TIME PAYMENT PLATFORMS ARE TAKING HOLD, WHILE CROSS-BORDER PAYMENTS REMAIN CHALLENGING, BNY MELLON'S PAPER, *RETHINKING THE CLIENT PAYMENT EXPERIENCE IN AN ERA OF TECHNOLOGICAL INNOVATION*, FOUND

> Among the technological initiatives currently in play in the payment space, real-time payments was deemed likely to have significant impact on the correspondent banking model. In BNY's survey of **80 banks**, **44%** said it would substantially change the payments environment. **35%** rated the SWIFT global payments innovation as a change agent of substance. **27%** said the same of blockchain (or distributed ledger technology), and **16%** also rated tokenized payments as significant.



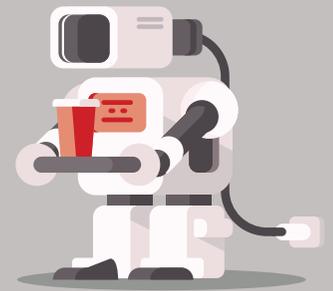
> More than half of the survey respondents said it was too early to tell if peer-to-peer system interaction via application programming interfaces (APIs) would bring a fundamental shift in interbank correspondent banking (**59%**), while **36%** said it would bring about that order of change, and **5%** said it would not.



> Almost two-thirds (**65%**) said they were not sure whether they will look to bank partners to integrate and facilitate API services to their clients.



> Very few respondents were using artificial intelligence (AI), with most suggesting it would take three to five years to reach a point where they could reap benefits. **Only 5%** said they were using AI for rule-based analysis and robotic process automation to replace recurring manual tasks, for instance.



> **38%** identified fraud detection and monitoring of payments based on predefined risk as the top potential uses for AI.



> When it comes to adopting API technology in order to address current payment challenges and add value to clients, **56%** identified live tracking, amendment and cancellation of payment instructions as a must-have function. Directory lock-ups, real-time validations and payment assistance were must-haves for **49%**, while **44%** said they wanted capacity for virtual investigation/enquiry centres with up-to-date status tracking.