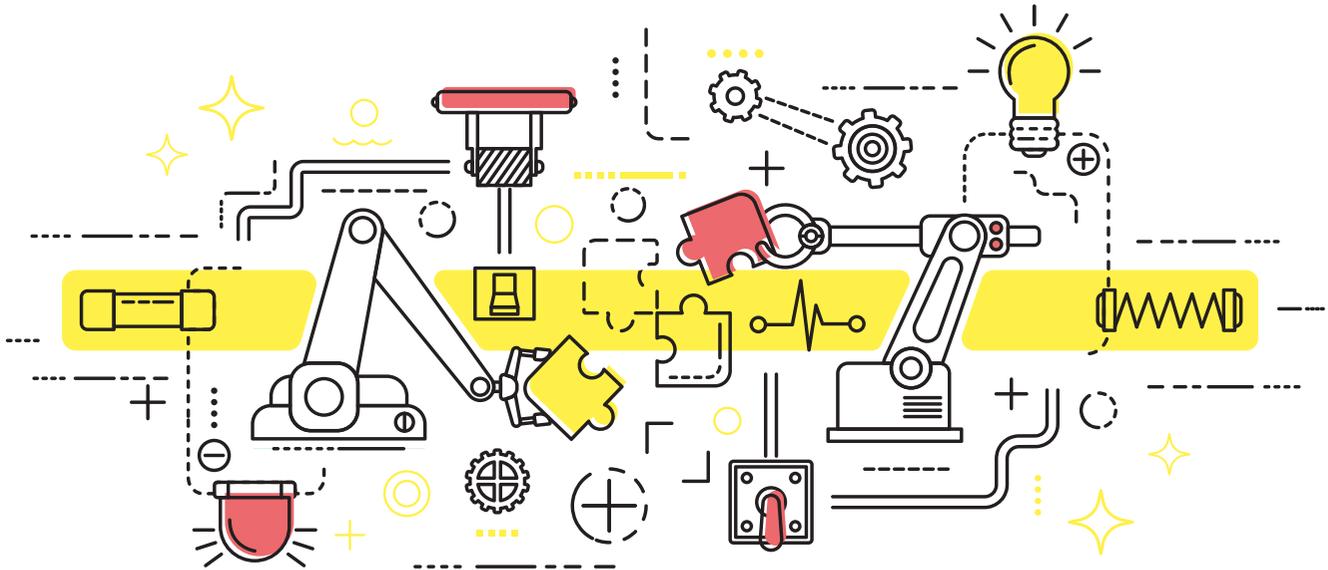


Forging connections

SIGNIFICANT ENHANCEMENTS IN TREASURY OPERATIONS ARE ACHIEVABLE THROUGH AUTOMATION. MUHANNAD TAMEMI EXPLAINS



There is no doubt that every organisation benefits from automating those manual and repetitive tasks that are time-consuming for individuals and contain an inherent risk. There are countless examples of productivity improvements, cost savings and increased efficiency. Deploying valued employees into roles that are more stimulating for them and add value to an organisation are clearly the focus of an enlightened management ethos.

The corporate treasury and finance departments are no exception and stand to realise significant benefits through automation.

Corporates in the Middle East are confronted with the many changes facing business and industry. Geopolitical changes, currency fluctuations, heightened regulatory focus aimed at putting an end to money laundering and terrorist financing, and advances in technology are just a few of the challenges. In this ever-changing business environment, corporate treasurers must do their part in keeping their businesses running smoothly. Today, it's not just the financial activities involved in delivering goods and services, making and collecting

payments, and effectively managing cash and liquidity. There is a constant battle to keep pace with regulatory changes, often chaotic economic ups and downs, and support the prudent financial planning for future growth and expansion of their organisations.

To do this efficiently and cost-effectively, corporate treasurers need greater speed, transparency and predictability of cash and trade services, as well as increased working capital and secure funding. They want the transactions they process to be as speedy and as convenient as those they conduct as consumers. At the same time, they need to be able to embrace regulatory changes and be agile enough to cope with business growth, and potentially M&As.

Without automation, scalability of business is very challenging and costly.

The case for automation

Manual processes have evolved over many years – when resources were plentiful and affordable, the reliance and trust placed on people to manage company financial transactions was the norm. As organisations expanded and their need for multi-bank relationships grew, so

did the 'paperwork', and the answer was typically to increase manpower.

It is not only large multinational corporations that have relationships with many banks, both local and international, each requiring the implementation of proprietary systems and processes for the processing of transactions. Indeed, any business that expands globally is required to establish multiple bank relationships to cover different geographies or business requirements. Without automation, this creates a high-cost, high-risk environment. As treasury teams manually check, record, transfer and re-check data from multiple banks, the danger that errors will arise is heightened.

Replacing manual spreadsheet reporting with automated treasury management systems (TMSs) or enterprise resource planning (ERP) systems can deliver significant advantages in terms of reduced costs, risks and the ability to deploy treasury staff to more productive activities. The ACT's 2016 treasury survey found extensive use of spreadsheets for managing the treasury function, particularly among companies with a turnover of up to £1bn. However, those using specialist treasury

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management technologies reported considerable success in automation, reducing operational risk and increasing visibility over cash and liquidity. Treasurers who do not currently use a TMS identified the above areas as key improvement priorities for the year ahead.

The benefits of automation

The automation of treasury processes offers numerous benefits, including:

- Single sign-on instead of multiple bank web log-ins, thus reducing the amount of time spent interfacing with banks;
- Reduced costs as cross-bank transactions and related fees are minimised;
- Reduced human error;
- More detailed audit trails; and
- Standardised processes and systems that enable compliance with global messaging systems.

The cost reduction and improvements in operational efficiency that automation can deliver, will help treasuries to meet regulatory and compliance requirements that are increasingly focused on security and efficiency. Automation is essential to improving straight-through processing rates for corporate cash management. By enabling as many processes to go straight through as possible, cash and liquidity management can be improved, with staff focusing their attention on exceptions, which enables speedier resolution.

The use of standards is a key factor in increasing automation and reducing risk. In particular, the ISO 20022 financial messaging standard is helping banks and corporates to improve their communications with each other. The standard enables more information to be passed between parties, ensuring greater control and transparency via information-rich messaging.

The real-time tracking of intraday liquidity movements in real time that automation allows, delivers greater control over, and more efficient management of, liquidity. Real-time tracking of payments investigations (for example, when a beneficiary of a payment claims non-receipt) also allows speedier dispute resolution.

Streamlining treasury operations

In order to capitalise on the wave of automation that is transforming treasury departments, a robust and secure

international communications network using international standards for financial messaging is essential.

By extending automation from within the organisation to their external banking partners, corporates benefit in the following ways:

- Secure financial connectivity – with increasing cyberattacks, security is a hot topic and headache for every company today. A trusted financial communication network with robust security and continual technical and expert investment is essential;
- Automation and compliance – automation helps corporates to reduce costs, improves operational efficiency and helps them to meet the ever-increasing regulatory and compliance requirements;
- Identity and mandate management – another important aspect for security and control; and
- Certainty and efficiency in the supply chain – receiving payments from customers and, importantly, ensuring payments to suppliers, partners and service providers is essential for efficient cash management and control.

Standards are at the heart of a reputable financial communication network, and the positive effect on the financial supply chain can be demonstrated by the increasing traffic flows between corporates and banks, driven by the growing demand for automation and operational efficiencies.

Making life easier for corporates in the Middle East

The Dubai-based shopping mall, retail and leisure corporation, Majid Al Futtaim (MAF) is an excellent example of a successful automation project. Using the Paris-based integration company BAS, MAF moved from manual to automated processing using the payments factory model. Its centralised financial hub handles the execution of payments to multiple banking partners, from decentralised accounts payable departments from their many and diverse businesses.

MAF uses a cloud-based connectivity solution as the interface between its centralised treasury department and its multiple bank partners. The agile solution supports adding or removing future

banking partners without any impact on day-to-day operations.

Saudi Chevron Phillips Company (SCP) is another company that uses a single channel to connect to its multiple banking partners. As a shared service centre to five joint venture companies, SCP's solution enables its treasury to add or change banking relationships, add new business entities or make changes to formats quickly, cost-effectively and without disruption. While the

Automation is essential to improving straight-through processing rates

initial value proposition was to support improved and efficient payments processing, treasury is now implementing electronic balance reporting and auto-reconciliation, with plans to address other strategic priorities, such as KYC regulations and trade services through their infrastructure.

Into the future

The demonstrable benefits of automation of financial processing speak for themselves. What is a very important benefit for corporate treasury departments is that they are creating a robust infrastructure that can embrace new industry initiatives.

With the automation of cash management, reconciliation and liquidity management, a treasury team can be confident that it is providing management with data that is reliable and up to date. With careful planning of automation projects and selecting the trusted technology partners, treasurers can create a robust financial infrastructure that will bring confidence to the prudent financial management and timely decision-making that is essential for success in business today.



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