

# The Treasurer



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THE ASSOCIATION  
OF CORPORATE  
TREASURERS

ISSUE 2 2022

**THE BUSINESS  
OF TREASURY 2022**

22

**CASH MANAGEMENT** 46

Charting a course  
for the road ahead

**TRADE FINANCE** 58

Greening the system  
in the Middle East

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is the official magazine of  
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Published on behalf of the ACT by  
**Think Media Group**  
 20 Mortimer Street, London W1T 3JW  
 ● +44 (0)20 3771 7200  
 ● thinkpublishing.co.uk

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 For information, visit [treasurers.org/thetreasurer/subscription](http://treasurers.org/thetreasurer/subscription)

Printed by  
 The Manson Group  
 ISSN: 0264-0937



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Some of you may be reading this while at the ACT Annual Conference in Liverpool. For those who are, welcome to you all, and I hope the conference provides the usual mix of thought-provoking content and debate as well as the chance to network with your peers across the treasury community.

And it's important to take a moment to appreciate the presence of so many of you in Liverpool.

For the first time since 2019, the Association of Corporate Treasurers (ACT) is once again able to welcome delegates to its flagship conference. It's remarkable how much has changed in that time: war, pandemic, rampant inflation. Thankfully, some things have stayed the same: the profession's determination to remain focused on core principles and skills amid the disruption.

And that focus will need to continue for the coming months. As delegates to the recent ACT Cash Management Conference in March heard, we could be looking at a real income squeeze unlike anything seen since the 1940s. Businesses are facing risks to supply chains, increased pressure on funding as interest rates rise and a once-in-a-generation level of inflation that shows no sign of ending.

So, it's timely that this issue includes our landmark *Business of Treasury* report for 2022. In the decade since we launched the report, it has grown into an indispensable snapshot into the minds of treasurers. It reveals what they are

prioritising, where they feel the profession is heading and what challenges they are likely to encounter in their organisations.

As you will see, the recent upheavals in the global political and economic order are having an impact on how treasurers now see their roles – whether that's focusing on recruiting and retaining an increasingly restless workforce or embedding environmental, social and governance principles into all aspects of the organisation, the treasurer is on the front line of building resilience.

Those themes are reflected elsewhere in this issue: from the progress being made in the Middle East to ensure trade finance markets adapt to sustainability principles to Tom Gilliam's remarkable achievement in creating a treasury function from scratch for one of the largest consumer healthcare companies in the world.

For those unable to attend the conference, we will update you on the discussions in our June newsletter. And for those walking the conference floor, welcome back.

Christian Doherty



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## THIS ISSUE'S CONTRIBUTORS



**Sally Percy**  
 writes on the latest thinking on treasury team structure, size and design

PAGE 7



**Kallum Pickering**  
 on how the impacts of Russia's invasion of Ukraine will be felt across the global economy

PAGE 20



**Matt Packer**  
 looks at the UK government's attempts to stimulate investment through eight new freeports

PAGE 39



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# Contents

What do you think of this issue of *The Treasurer*? Please write to [thetreasurer@thinkpublishing.co.uk](mailto:thetreasurer@thinkpublishing.co.uk) or tweet @thetreasurermag

## LONG VIEW

**7** **TREASURY TEAMS**  
Is there such a thing as an ideal treasury team structure?

**13** **BUILDING A TREASURY FUNCTION**  
How GSK's new healthcare business Haleon built a treasury team from scratch

**16** **TMS EVOLUTION**  
A treasury veteran looks back on a 40-year career in treasury technology development

**20** **ECONOMIC TRENDS**  
The impact of Russia's invasion of Ukraine on growth and inflation around the world

**21** **INFOGRAPHIC**  
Supply chain disruption bites hard

**39** **UK FREEPORTS**  
How the UK's new freeports could benefit both local and national economies

**44** **VIEW FROM...**  
One CISO on the treasurer's role

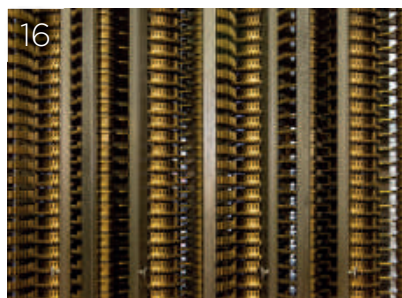
**45** **REGULATION**  
New sanctions against Russian businesses and individuals have been introduced following the outbreak of conflict

**46** **CASH MANAGEMENT**  
Recent crises provided much topic for discussion for speakers and delegates at the 2022 ACT Cash Management Conference

**48** **TECH FOCUS**  
Three fintechs on how their solutions can improve your treasury operations

## BEST PRACTICE

**51** **INFLATION AND SUPPLY CHAIN**  
Treasurers need to be proactive in locating risks to their companies and finding solutions



**54** **PENSION SCHEMES**  
Regulatory changes means employers must keep on top of pension schemes

**56** **MACHINE LEARNING**  
Treasurers are increasingly utilising machine learning tools in their organisations

**57** **SCA UPDATE**  
Will new rules help fight finance fraud?

**58** **MIDDLE EAST TRADE FINANCE**  
Sustainable finance is set to emerge stronger as a result of the global pandemic

**61** **CALENDAR**  
Don't miss these ACT event and course dates

**62** **MEMBER SERVICES**  
Agnes Favillier's ACT volunteering journey

**64** **A DAY IN THE LIFE**  
Tuomas Räsänen on his role at Unilever

**66** **END NOTES**  
Leadership development and team building

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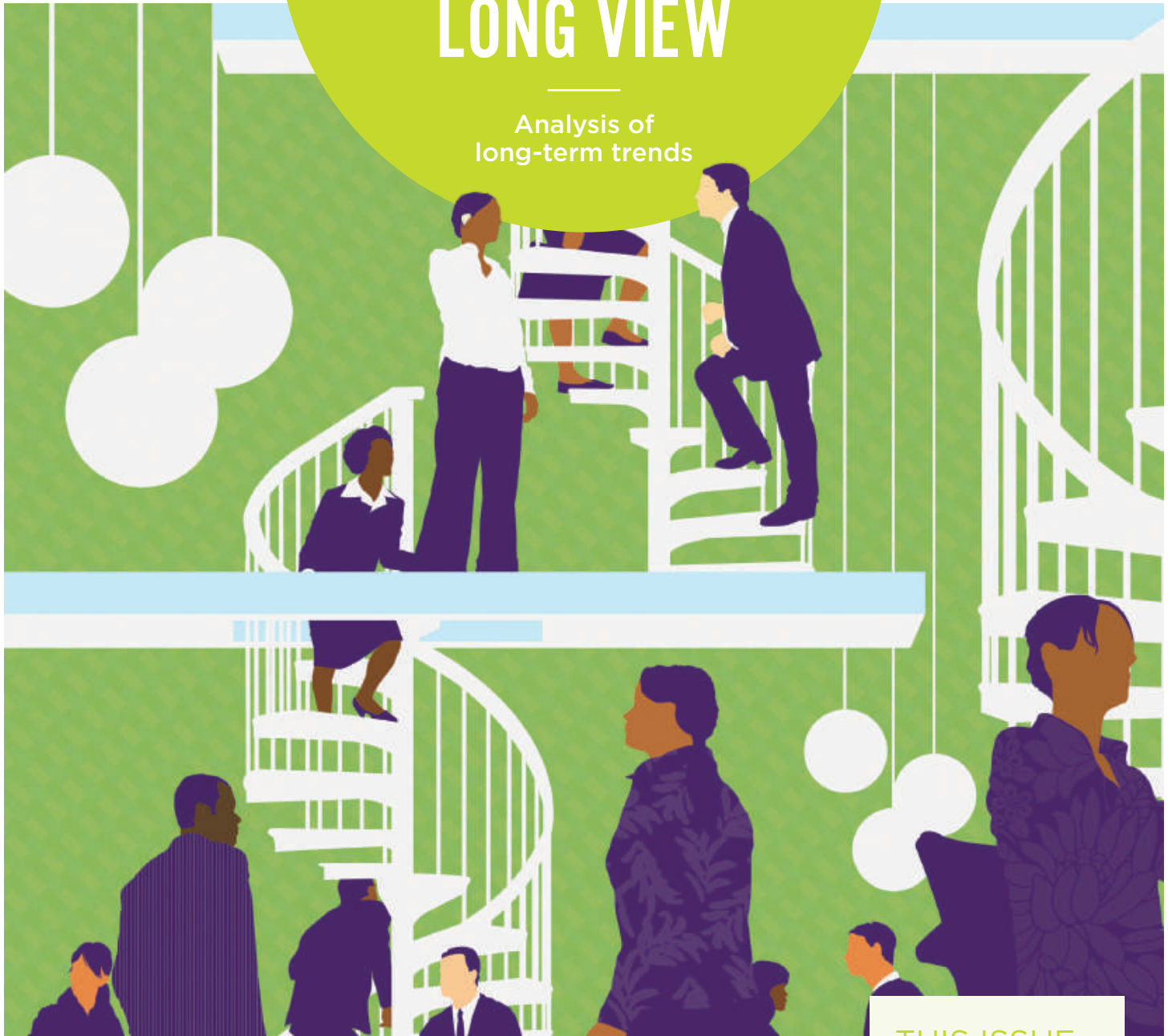
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# LONG VIEW

Analysis of  
long-term trends



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## THE PERFECT FIT

Is there an ideal organisational structure for treasury teams?

Steve Jobs, the late founder of technology giant Apple, once said: “Great things in business are never done by one person. They’re done by a team of people.” That principle applies just as much to treasury as it does to any other business function, perhaps even more so given the need for treasuries to maintain segregation of duties or the so-called ‘four eyes’ principle.

Segregation of duties is the notion that no employee should be in a position both to commit and conceal fraud or errors – whether deliberately or accidentally – in

### THIS ISSUE

7

#### TREASURY TEAMS

How team structures are changing in corporate treasury departments

13

#### INTRODUCING HALEON

Tom Gilliam of GSK on treasury recruitment for a new healthcare firm

16

#### TMS EVOLUTION

The advancement of treasury technology





the usual course of their duties. To prevent fraud or error occurring, several people and/or technology systems should be involved in the life cycle of a transaction. In treasuries – or at least in treasuries that are relatively large – segregation of duties has traditionally been maintained through the concept of the front, middle and back offices.

#### Front, middle and back office

Traditionally, the responsibilities of a treasury front office include – but are not limited to – dealing, hedging, cash management and fundraising for the business. The middle office monitors transaction limits, ensures that deals are transacted in accordance with authorisation rules and reports on exposures, among other responsibilities. Meanwhile, it is the job of the back office to confirm treasury transactions in a timely manner, settle deals when due, perform bank reconciliations and account for transactions, alongside other tasks.

Naresh Aggarwal, associate policy and technical director at the Association of Corporate Treasurers (ACT), summarises the set-up as: “The front office does the deal, but doesn’t settle the money. The back office settles the money, but doesn’t do the deal. Historically, the middle office is a control function that does the reporting and ensures that system controls are enforced.”

Role descriptions vary by office but, in a large treasury, each office might have its own treasury manager and treasury analyst, while an FX trader or commodity trader would sit in the front office and a treasury accountant in the middle office. In many cases, back office functions – such as confirmations and settlements – are outsourced to shared service centres. The treasurer and the deputy treasurer generally oversee activities taking place across the entire front, middle and back office.

### Front office

Works with deals, hedges and cash management

### Middle office

Monitors transaction limits; reports on exposures

### Back office

Performs bank reconciliations; settles deals

While the concept of a three-part treasury office structure may be seen as the ideal for segregation purposes, many treasurers do not have the luxury of a middle office. In fact, some do not even have the luxury of a dedicated back office. The reality is that treasuries come in all sorts of shapes and sizes, from those with tens of staff and a multitude of responsibilities down to one- or two-person teams that primarily look after cash management and execute a few FX deals.

What’s more, in many organisations, certain treasury activities are not even done by a treasury function at all, but by different members of the finance team, sometimes in multiple locations.

Regardless of how a treasury is structured, or how treasury duties are performed, Aggarwal believes it’s always possible to create segregation of duties and effective control. “Sometimes you have to look beyond the treasury team,” he says. “For example, in one of my jobs the head of internal audit would approve changes to system configuration.”

While it is important that roles and responsibilities are clear, there can be some

“

**IN TERMS OF TEAM STRUCTURES, COVID-19 DEFINITELY CREATED AN INCREASED WORKLOAD FOR TREASURY TEAMS, PARTICULARLY AROUND FORECASTING AND LIQUIDITY”**

**RACHAEL CROCKER**



interchangeability in terms of who executes a specific process. “It doesn’t matter who executes a deal and who confirms it, as long as they are not the same person,” Aggarwal explains. “The fundamental challenge is to go back to basics, identify what can go wrong and then look at how the existing arrangements provide adequate preventative and detective controls.”

### Right people, right jobs

Treasuries tend to organise themselves in many different ways, regardless of whether they are able to accommodate a three-office structure or not. The nature and structure of the team will be informed by the size, sector, geography and strategic requirements of their business and the role of treasury within the organisation.

For example, a business issuing a lot of debt may have a specific team focusing on this while the rest of treasury focuses on day-to-day activities. At a micro level, the specific skills, experiences and career aspirations of team members may also help to determine the composition of treasury.

Since treasury’s remit is likely to include supporting the business to maintain its daily operations, as well as deliver on its future strategy, some treasuries may have people who work closely with other business functions. For example, they may liaise with finance, or with the M&A team on acquisitions, or with IT if treasury tech is used for business activities. They may also work with divisions within the business if those divisions have specific banking or financing needs, or FX risks to manage.

Where businesses have a wide geographical spread, the treasury team may not all be based in one place. Many operate a regional treasury model. “A lot of US companies will have European regional treasuries that are responsible for cash management and FX risk in Europe,” says David Stebbings, head of treasury advisory at professional services firm PwC. “The North American treasury will be responsible for the same activities in North America, while the group treasurer will be based in North America, managing the capital structure and debt, and setting strategy.”

Other organisations may be even more decentralised, having a multitude of treasury people around the globe doing similar activities, aligned to specific

business divisions, with perhaps a very small global treasury team at the centre. Additionally, many have moved certain day-to-day activities into internal or outsourced shared service centres as part of a shift to more efficient operations.

While larger treasuries in particular may have a defined organisational structure, there is scope for treasury professionals to experience different roles, potentially moving from the middle to the front office, for example. “That can give people really good career progression and help them to further develop their skill sets,” says Rachael Crocker, head of the treasury practice at recruiter Brewer Morris. “Lots of treasury professionals will often start in the back or the middle office. That gives them a good basis for understanding treasury processes and prepares them well to move into the front office if they wish to do so.”

What’s more, treasury job titles are not always an accurate indicator of what people actually do in practice. Often their job might be more or less complicated and varied than the title suggests. “You can have people called treasurer doing day-to-day cash management,” says Stebbings, “and people called treasury manager doing complex hedging strategies.” He also points out that the head of treasury may not even be a treasurer by profession at all if the function is combined with tax and possibly also insurance.





### A treasurer's perspective

Agnė Masiulytė is senior director of treasury at Vinted, Europe's largest online international consumer-to-consumer marketplace dedicated to second-hand fashion, with headquarters in Lithuania. She built her own treasury function up from scratch after joining the company in 2020. She now heads up a team of three – herself and two treasury managers – and doesn't follow a strict set of rules when it comes to allocating responsibilities to team members.

"Vinted is a fast-growing company where everything is changing very quickly," Masiulytė explains. "So, we need to be flexible and agile to support growth. We have a wide scope of small projects that we share between us."

As well as leading the function, Masiulytė describes her main responsibility as: "Having a big-picture view of where we want to go." She says: "From a strategic perspective, I'm mostly involved in large projects like M&A and financing, since, as a start-up, we consider different options at different stages on our journey."

One of her treasury managers is charged with bank relationships, performing cash management-related tasks and overseeing currency-related activities such as hedging. The other is more focused on reporting and forecasting short- and long-term cash flow, while making recommendations for improving working capital.

When it comes to managing segregation of duties, the Vinted treasury team may go outside the team for approvals – for example, they may approach the CFO or some of the finance directors. "In some areas, we do the four-eyed principle within the team and we get CFO approval on big transactions," says Masiulytė.

Fundamentally, the structure of Masiulytė's treasury team remains flexible. She says: "In six months' time, one project will be over and another will come, and maybe we'll shift around again."

### Treasury trends

Over the past couple of years, the working practices of treasurers – like those of most office-based workers – have evolved significantly in response to the COVID-19 pandemic. "New hybrid- and remote-working patterns have allowed

## TEAM OF RIVALS? GETTING COMPOSITION RIGHT

It is not just team structure that matters in treasury. Composition is extremely important as well. To be effective at influencing strategy and managing risk, treasury should be composed of people with a broad range of skills and perspectives. This is where diversity comes in.

"Diversity is high on everybody's agenda," says Rachael Crocker at Brewer Morris. "There's definitely an appetite to improve the diversity of treasury teams."

Margherita Della Valle, CFO of communications giant Vodafone Group, believes strongly in the importance of all types of diversity, including gender and cultural diversity. For this reason, she has

launched a mentoring programme to support Europe's next generation of female finance leaders.

"Having diverse teams, by definition, leads to better decision-making," she says. "Another example of diversity that is really important is having diversity of experiences."

To acquire that diversity, treasurers and other professionals within the finance function at Vodafone are encouraged to rotate between different roles.

"For example, one of our treasury talent is now running our Africa regional governance after a successful controller assignment in Tanzania," says Della Valle. "I think the best careers are diverse careers, no doubt."



Rachael Crocker



organisations to access talent from further afield than previously,” Crocker explains. “In terms of team structures, COVID-19 definitely created an increased workload for treasury teams, particularly around forecasting and liquidity. This looks set to continue and is driving some headcount growth in certain teams.”

As major risk events, both the pandemic and the conflict in Ukraine could prompt organisations to focus on ensuring that their risk management capabilities, including treasury, are fit for purpose. Furthermore, the return of inflation and potentially material positive interest rates in the developed economies will require treasury teams to gear up in these areas.

“One thing that’s coming back is interest rate risk management,” says Stebbings. “When I first started in treasury, interest rates were 10% and people focused on interest rate risk management. Now, with a few notable exceptions, they do not. So, that’s going to have to come back.”

Overall, today’s uncertain business climate is creating plenty of work for treasury. Luckily, according to the ACT, three-quarters of organisations are using ACT qualifications and training to support employees’ career development. This has risen since 2021 (65%), and is especially prominent in the UK, demonstrating that the ACT is instrumental in developing treasurers’ skills. (See [learning.treasurers.org](http://learning.treasurers.org))

Undoubtedly, technology is also helping to transform the way that treasury teams operate.

“Treasurers are expected to have greater technology skills and an increased aptitude for drawing insight from data and information,” says Bob Stark, global head of market strategy for treasury and finance software provider Kyriba.

“In addition, with treasury teams facing labour shortages and increased challenges around retaining skilled employees, we have seen CFOs intensify their investments in automation across their teams. This is so they can deliver better business continuity and are less impacted when employees leave.” Stark adds that automation “has the added benefit of increasing job satisfaction for existing teams, which also helps employee retention”.

Powerful technology tools are also creating new opportunities for treasurers

to influence the strategic direction of their organisations. “The next wave of treasury technology uses API connectors to help treasury teams deliver better insight from the increased volumes of data that they have to manage every day,” explains Stark. “Many treasury teams are hiring data scientists to fully exploit business intelligence tools that visually organise data into intelligent narratives.”

**One size does not fit all**

So, given the multitude of treasury set-ups that exist, can there even be such a thing



“

**MANY TREASURY TEAMS ARE HIRING DATA SCIENTISTS TO FULLY EXPLOIT BUSINESS INTELLIGENCE TOOLS THAT VISUALLY ORGANISE DATA”** BOB STARK

as the ideal treasury team structure? It seems the answer to this question is ‘no’.

“While there are some key rules and principles, it all depends on what’s important to your organisation,” says Stebbings. “Geographical scope, business culture, the risks being managed and the role of treasury can vary from business to business and so can the set-up of the team or teams.”

“There’s no one right answer,” concurs Crocker. “You need to think about what you want from your function and the value that treasury can add to the organisation.”

Aggarwal is in agreement. “It can depend on culture and it can depend on operating model, and sometimes the people involved,” he explains. “At the ACT, we say that no two treasury functions are the same.” 🍷



**Sally Percy** is a freelance business journalist and former editor of *The Treasurer*

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# THE TEAM BUILDER

Building a treasury function for a new stand-alone company from scratch is no small task, as GSK's Tom Gilliam tells Christian Doherty

**T**om Gilliam is VP corporate finance, treasury, at GSK Consumer Healthcare. Two years ago he worked with the Association of Corporate Treasurers (ACT) to recruit a treasury team for a new world-leading consumer healthcare company, Haleon, formed from the demerger of the consumer healthcare business of GSK (expected to take place in July 2022).

As the new venture prepares for separation from GSK and listing on the London Stock Exchange as Haleon plc, Gilliam looks back on a treasury team-building exercise like no other.

**Take us right back to the beginning; what was the genesis of the project?**

We've got to go back about three years: it's December 2018 and GSK has announced it is forming a joint venture (JV) with Pfizer by combining the consumer healthcare business of both companies. The venture would be spun off approximately three years after the formation. The JV was formed in

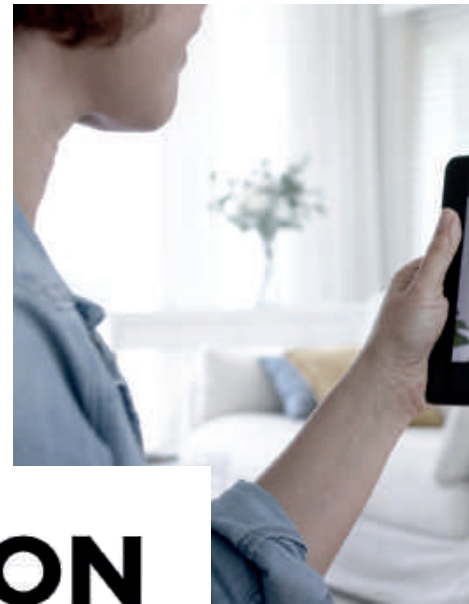
July 2019 and the plan has remained ever since to spin the business off around three years afterwards, which is July 2022. In February 2022 it was announced that the new business will be called Haleon.

**Where did you start?**

I soon realised that it was going to be a lot of work for treasury, in particular because, as a JV, GSK Consumer Healthcare never had a dedicated treasury team; it relied on the central team for treasury activities, and it didn't have to worry about external funding or insurance programmes, or anything like that, because it was covered by GSK.

And so, one of the big work streams as part of the separation was putting together a team.

This is a large-scale business, with a debt portfolio to manage, lots of international businesses to manage, as well as the usual treasury aspects you'd expect: FX, cash management, local funding and needing to set up operations, insurance and middle office teams – in short a comprehensive treasury team. >



# HALEON

Are there any ways in which it differs in terms of its structure and how it's set up? Do you think there are innovations there that you could draw out?

The way we've been thinking about it is that we do expect a lot of change during the first few years post-separation, just because the internal operation of the business itself is likely to change. It's likely to start to operate in different ways as an independent business versus how it has operated as part of GSK, and that would be reflected in the treasury team.

Because it's worth remembering that the way the consumer healthcare industry works is quite different from the way the pharma industry does. Because of that, we've tried to be clear with everybody coming into the team that we do expect some flexibility. We've said that we're not expecting people's roles to be rigid and set in terms of precisely where their responsibilities are; instead, we've tried to build in a fair bit of flex within the team, and in particular building that mindset that we expect people to be able to jump into projects in other areas depending on what's going on within the business.

“

**THERE WAS GOING TO BE A PERIOD OF SIGNIFICANT CHANGE AS WE WENT THROUGH THE SEPARATION PROCESS”**

What key challenges did you face?

The main thing was to make sure we were very transparent about both the time frame and the fact that this was going to be a very unusual journey. We were starting off a new company, so we had to make sure the individuals involved didn't come into the company expecting they'd come into a nice, neat, stable setting and it would just be plain sailing from day one.

We tried to make sure everyone understood there was going to be a period of significant change as we went through the separation process prior to the step of actually becoming an independent legal entity. As long as people came into that with their eyes open, then it would be absolutely fine.

**£269.5bn**

The amount the UK spent on healthcare in 2020 – an increase of £14.2bn on 2019. It also equates to a per capita spend of £3,306 in 2020 (up from £2,712 in 2019)

You partnered with the ACT on the project, so what treasury skills were most important?

Structurally, the consumer healthcare business will share a lot of similar traits to the GSK business in terms of the way it's set up, such as the structure for internal cash flows and lending, so we knew from that side we'd need to have a treasury team with similar skills to the existing GSK team.

Looking at our dealing and operations teams, a lot of that business-as-usual activity was going to be similar to the existing GSK business: smaller scale, but still very big and complicated, so it would still require dedicated treasury support in the same way.



#### What was the process like?

It was tiring, but it was very rewarding as well.

I did around 80 interviews in the latter half of last year and was quite nervous before every single one of those interviews. I'm really keen to make sure I represent the company properly, make sure to treat the candidates fairly and personally tried to take good care to run the process properly. To do all that required a lot of energy.

#### You were creating a new treasury team forged out of two distinct company cultures. Were there differences you had to kind of reconcile?

That's a really key point. There are elements of the GSK culture that are very strong and applicable for the consumer healthcare business, and there are other elements where it does need to diverge, reflecting the different nature of the businesses, in particular around its agility.

If you're dealing with large brands in any consumer healthcare business, things change quite quickly, so you need to have that flexibility and agility much more so than you might need it in a pharma business, where you often have a very long lead time as you're building up pipelines. It's not that one is good and one is bad; it's just that the businesses are quite different and so the team's culture had to reflect that, which I think it does.

#### Where are you hoping to be this time next year?

I think the first thing I'd want is for the new team to all be embedded, comfortable with what they do, having built a good understanding of the company, and of how

## HALEON: THE FACTS

The demerger and listing of Haleon is expected in July 2022, with the new company focused on consumer health, 'With clear purpose to deliver better everyday health with humanity'. Its portfolio of healthcare brands will include Sensodyne, Panadol, Advil, Voltaren, Theraflu, Otrivin and Centrum.

Led by Brian McNamara, Haleon is expected to be a world-leading consumer healthcare business with an exceptional portfolio of category-leading brands. McNamara has said the expected debt load of the company is inevitable given the scale of acquisitions.

"If we were an independent company when we did a deal like acquiring the Pfizer business, we would have carried a lot more debt, probably more than four times leverage," McNamara told the *Financial Times* last year.

"I think the fact that we've been able to do two of the biggest deals in the industry in the past five or six years and on exit will have that level of leverage, I think it's completely reasonable," he added, pointing out that the debt target was less than three times by 2024's end. Haleon is expected to drive annual organic sales growth of 4–6% in the medium term.

treasury works within it. I'd also want everyone to have built good relationships across the company; something you take for granted when you've been in a company for quite a long time, but they do take time to build.

That's the main priority: stability within the team, systems stable, people stable, good relationships. I think I'd then want to be in a position where we have been able to build a really good understanding of the overall company strategy, and be able to say: "Right. What is our strategy over the next few years for treasury? Where do we want to make changes? Where do we want to focus? How do we support the company's key strategic priorities?"

To have been able to go through separation, then stabilisation, then be in a position where the whole treasury team is comfortable with our strategic priorities and what is needed to achieve them – that's where I hope to be this time next year. 💡

**Christian Doherty** is editor of *The Treasurer*



# HOW TREASURY TECHNOLOGY EVOLVED

Having successfully completed her last project, Diane Barker retired at the beginning of November 2021. Looking back on 40 years of experience in finance, specifically in technology, she shares some anecdotal experiences and offers advice for treasurers

C

harles Babbage, credited as the inventor of the first automatic digital computer, began work on designs of his inventions in 1821. Construction of his mechanical inventions halted when he died in 1871. Electronic computers arrived in the following century, but much of Babbage's work was reinvented. Studies of Babbage's designs in the 1970s demonstrated the

scale of his achievements. From 1936 onwards, development of large-scale electronic computers was well under way.

By the 1980s, large-scale computers and stand-alone finance applications relied heavily on data transfer. Integration was achieved by interfaces, which were semi-automated. By the end of the decade, many computers operated in real time. Over the years, applications would offer more functionality within a single product, such as treasury management systems (TMSs). Since

2000, computers have advanced phenomenally in terms of data storage, speed and cloud computing, alongside large numbers of functions such as application programming interfaces (APIs).

A Computer Science module taken as part of Diane's Mathematical Sciences degree provided an introduction to large-scale computers. It explained how computers worked and taught a programming language called COBOL. Data entry was achieved by typing characters onto punch cards (based on a combination of holes and remaining characters) and numbered to ensure they could be sorted back into the correct order after dropping them. Once cards were run through the computer, results were received on computer paper. Typos and syntax were corrected and eventually the programme worked. But it often took longer to develop a computer program than it would take a human to identify the solution.

## CHARLES BABBAGE

The mathematician, philosopher, inventor and mechanical engineer created the first automatic digital computer

In the early 1980s, brewers Bass, Mitchells & Butlers (BM&B) featured more sophisticated computers. Pub managers phoned the brewery to place orders for beer, which were documented on paper by the BM&B sales team. Orders were keyed into the computer by a data-entry team, creating many batches a day, which were run by the computer. This was known as 'batch processing'. Data was generally out of date once batches had been loaded. And while the computer held data, the company retained huge volumes of paper documents. Not surprisingly, work began to rationalise this and, as a result, microfilm was introduced.



#### 4001-MAINLINE SECTION.

```
MOVE LW-PARM-VAL TO MW-NUM-ELEMS  
PERFORM 0001-NEW-ARRAY
```

```
COMPUTE MW-INCREMENT =  
MW-NUM-ELEMS / 200000  
END-COMPUTE
```

```
PERFORM VARYING MW-ARRAY-IDX FROM 1 BY MW-INCREMENT  
UNTIL MW-ARRAY-IDX > MW-NUM-ELEMS  
MOVE MW-ARRAY-IDX TO MW-DATA  
PERFORM 0001-SET-ARRAY  
END-PERFORM
```

```
DISPLAY 'LOADING FINISHED'
```

```
PERFORM VARYING MW-ARRAY-IDX FROM 1 BY MW-INCREMENT  
UNTIL MW-ARRAY-IDX > MW-NUM-ELEMS  
PERFORM 0001-GET-ARRAY  
END-PERFORM
```

At the same time, Bank of America (BoFA) received payment instructions via letters or telegraphic transfer (TT) messages from corporate customers. Validation of payments were respectively validated by (i) bank mandate signatures, or (ii) testing TTs, ie, checking codes included in the messages confirming the sender. The code would be physically cut out of the paper-based message. BoFA's electronic payment system (Microwire) also received instructions that were printed and payment details were keyed into the applicable system for processing.

Alarmy

#### A quantum leap

By 1985, BoFA had rolled out a 'real time' computer in its London branch. This shiny new machine provided functionality for all banking operations, reporting and accounting. Data was keyed in by the respective bank operations team (for example, FX trades) and stored within seconds. The system was subsequently rolled out into Europe and then globally. It became known as the global banking system (GBS).

GBS offered 'straight-through processing' (STP) for a small number of corporates that used Microwire, where instructions were automatically loaded into the GBS. However, the information needed to transfer funds was often incomplete (for instance, intermediary bank details) and data was added by bank users.

But – crucially – STP and a squeeze on bank fees encouraged corporates to begin the long journey towards adopting electronic payments. Client payment instructions were then processed in GBS. But treasurers were still having difficulty using new technology, making integration a necessity.

The BoFA help desk was always busy, as technology was not reliable. Calls ranged from one extreme to another – it wouldn't be unusual for a client to call for help to start up the computer, only to be told the trouble stemmed

Part of a Difference Engine – a digital device that operated on decimal digits (0-9) represented by positions on toothed cogwheels

“IT WOULDN'T BE UNUSUAL FOR A CLIENT TO CALL FOR HELP TO START UP THE COMPUTER, ONLY TO BE TOLD THE TROUBLE STEMMED FROM THE CLEANER UNPLUGGING IT TO VACUUM THE OFFICE AFTER HOURS”



from the cleaner unplugging it to vacuum the office after hours. An embarrassed client would be reassured that they were not the only one.

**Next steps**

When Swallow Business Systems released DOS product International Treasurer (DOS IT) in 1983, the drive towards integration of various systems started. DOS IT, Microwire and BAMTRAC (a bank statements application) soon became standard tools used by treasury teams. But multinational clients remained constrained by DOS IT's capability – they required one system to cover all treasury operations. In response, BofA developed a new application, IT/2, in 1990 – based on the OS/2 operating system. And when OS/2 was superseded by Microsoft Windows, IT/2 was transitioned to Windows and rebranded as IT2.

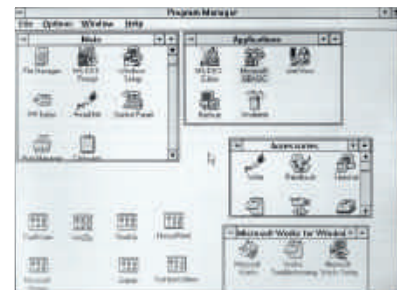
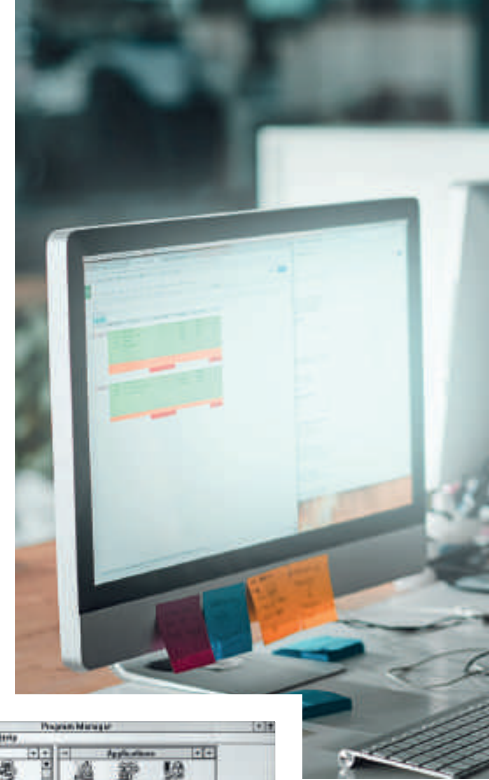
IT2's purchase by SimCorp in 1999 led to a series of client-led enhancements, including workbenches. And, as new third-party services such as automated FX trading via FXall became available, SimCorp became a key enabler of integration.

Fujitsu Services in 2003, like many businesses, recognised the need for a Treasury Systems Manager to address existing issues as well as

implement and manage new technology. Barclays' payments application was antiquated and relied on a dial-up process via a modem to transfer data. New technology – principally internet-based applications including Citibank's e-banking system, CitiDirect, IT2 and Bacstel-IP (BACS transactions) – delivered much-needed new functionality and enabled further automation. However, many users were still nervous when using new technology.

By 2010, SABMiller's group treasury transitioned from Excel to IT2. Over the next five years, best-of-breed IT was implemented. Four regional treasury centres shared one instance of IT2, while regional cash management banking partners interfaced with IT2 and SAP to process payables and receivables. Automation and security features were maximised.

More bespoke TMS applications were developed pre-2010, as multinationals wanted more complex functionality. Openlink's TMS, Findur, included additional financial instruments, for example,



Microsoft Windows 3.11 displayed on a 1995 monochrome Toshiba T2100 laptop computer screen

## TREASURY MILESTONES

**COBOL**

Common Business-Oriented Language – programming language invented in 1953 by Grace Hopper, which uses English-based syntax. First appeared in 1959 and still used by many large organisations, including banks and government bodies, globally. In 2017, 43% of bank systems in the US operated COBOL. Programmers are retiring, so COBOL-based systems need to retire, too.



IBM OS/2 Warp floppy disks

**OS/2**

IBM and Microsoft jointly developed OS/2 and Windows, respectively, to replace PC DOS from 1985 to 1989. IBM and Microsoft then split their developments in 1990 due to various factors, including cultural differences. OS/2 was the superior operating system, but Microsoft Windows became more popular.

**XML**

Early in the 2000s Transaction Workflow Innovation Standards Team (TWIST) was established to enhance the supply chain process. SWIFT already offered its own standard format. However, Shell, a member of TWIST, campaigned for one standard format to be provided by banks. A senior employee at Shell argued that SWIFT had more than one standard at the time as opposed to just one.

**API**

Application programming interface – the first API was used by Salesforce in 2000, followed by eBay's API, which was openly available for developers. In 2004 new API vendors came into the market. Apps to call a taxi or to share finance data connect to other programs and servers via APIs. APIs are now fundamental elements of TMS applications.







commodities for aluminium, barley and jet fuel. By 2015, clients could install Findur on their servers or opt for a cloud-based solution.

Bringing us up to date, today, software vendors and fintech solutions continue to generate new technology using the latest applications. For instance, CME launched a new repos trading platform in 2019 with APIs used for integration, and many financial institutions have adopted fintech to supplement existing bank systems.

#### Speed of change

Historically, treasury teams have not fully embraced technology for various reasons, and this can still be the case. Excel still rules. Technology has become more critical for treasury to meet industry standards (for example, XML) and adhere to regulations. It also offers opportunities to 'time poor' treasury teams (mainly through automation), enabling a greater focus on strategic matters. However, things have changed, and the volume of new applications is soaring, new technologies are being developed and cybercrime continues to be more sophisticated. With the appropriate systems experience, treasury can meet these challenges.

This is an exciting time for treasurers, with new ways to operate, from digital wallets to cryptocurrencies, in addition to technology advances. While it would be very interesting and challenging, I will leave this to others! 🍀

Getty; Alamy; Shutterstock



**Diane Barker** is a former treasury systems manager and consultant

## LESSONS LEARNED IN TREASURY

**Projects:** Treasury teams have increased in size since the 1990s, but juggling operations and projects remains a challenge. SABMiller used consultants to implement IT2, but lost a significant proportion of IT2 knowledge when those consultants left. But the five-year project was delivered successfully because the core team included permanent treasury project managers/analysts and systems experts who supported the operations teams.

Projects that are under-resourced or do not adhere to project methodologies can fail. Typical factors can include:

- Lack of support from senior executives;
- Poor communication across the team;
- Failure to oversee scope, development, testing, etc;
- Budget constraints; and
- Inexperienced project team.

As a consequence, the project may need to be restructured, for example, not include the whole scope, or extend the deadline. Alternatively, the project could be cancelled.

A 'lessons learned' review is essential post-implementation. Reviews of large-scale change projects should focus on process re-engineering and user knowledge gaps.

**Functionality:** When implementing new applications, such as a TMS, ensure the application is configured to make the best use of

functionality and obtain value for money. In addition to core functionality, also include supporting functionality, such as:

- End-to-end automation;
- End-to-end security;
- Reporting, replacing Excel; and
- Efficient user processes.

If there is a lack of expertise and/or resource, work with the vendor to maximise usage of functionality. Ensure the vendor's consultant has TMS knowledge to assist with implementation.

**Data standards:** Implementation of bank proprietary formats by clients is typically very demanding and will make you think twice about changing your banks in future. XML ISO 20022 (XML), now considered best practice, should be adopted. Banks, which have adopted XML for various currencies, comply with the standard for mandatory fields supplemented by optional fields.

**Upgrades:** Before the cloud, upgrades were resisted by those unfamiliar with technology, did not like change or did not have time. Clients needed persuasion to upgrade, highlighting multiple upgrades were more complex and took more time. The transition to a cloud-based TMS, for example, now ensures that bug defects and upgrades are performed by the vendor and supported by the client on a routine, pre-scheduled basis. However, in-house applications should be upgraded on schedule.

# NAVIGATING THE FOG OF WAR

What will the economic consequences of Russia's invasion of Ukraine be?



Billowing smoke in Lviv, western Ukraine, following Russia's invasion

**R**ussia's brutal invasion of Ukraine is the most severe threat to global security since the Cuban missile crisis of 1962. It changes the near-term outlook for growth and inflation in Europe and beyond.

The war will impact Europe and, to a lesser extent, the US and Asia, through various channels. The result will be flatter growth and even higher

inflation for a while. The direct dislocation from the war, along with Western policies designed to isolate Russia, are badly disrupting global commodity markets. Russia and Ukraine are major producers of energy, precious metals and agricultural products: Russia alone produces around 12% of the world's oil and 17% of its gas.

The supply shock emanating from these markets is amplifying pre-existing global supply challenges, which emerged as the world recovered from the pandemic. Even higher prices for energy, food and raw materials will further erode the real purchasing power of consumers.

Reacting to the further surge in inflation and the spectacle of war, consumer confidence is already plunging across Europe.

However, as long as Russia does not go on to attack a NATO member – which even the Soviet Union never did – and Europe reduces rather than completely cuts off its imports of Russian gas and oil, the economic impact should be a one-off shock that fades.

By early summer, the hit to confidence should start to ease. Inflation will remain elevated through the second half of the year as rising food prices offset a gradual fall in oil prices from \$120 per barrel currently back towards \$90 by early 2023.

**17%**  
The proportion of the world's gas that Russia produces; it also produces around 12% of its oil

But with improving confidence and less caution, households should begin to tap into the high excess savings they accrued during lockdowns to underpin some gains in consumer spending while supply shortages ease from summer onwards.

Through the third quarter, Europe should return to significant growth powered by pent-up demand and increased investment and production by business. The lagged effect of aggressive fiscal and monetary policies during lockdowns still provides decent a tailwind.

As the big inflationary shock subsides from late 2022 onwards, Europe should return almost to its pre-war trend. Consumers, who delayed some spending at the start of the war, may even open their wallets a bit more than usual.

Longer term, governments will spend more on defence. The public and private sectors will spend more on energy transition. While this will add to demand, it will also tie up scarce resources and hence will slightly raise long-term inflation pressures stemming from a scarcity of labour.

Initial measures of activity for March, such as the widely watched purchasing managers indices, held up better than expected across major European economies. This reflects solid underlying momentum and the easing of COVID-19 restrictions. However, forward-looking confidence indicators point to the near-term trouble ahead.

Consumer sentiment has plunged to levels only witnessed during the great financial and euro crises, and the early phase of the pandemic. Such data also highlight the downside risk that the European economy could suffer stagnation, or even a modest contraction, that lasts beyond the initial shock.

If the EU decides to block Russian imports of oil and gas, any rebound in economic activity during Q3 could be short-lived. Worst case, Europe could face a period of de-facto stagflation during 2022, where real GDP stagnates, or even falls modestly, and inflation surges by even more than expected.

That could delay any robust rebound until early 2023 when energy demand starts to moderate, and Europe manages to secure sufficient energy supplies from non-Russian producers.

Such a scenario remains unlikely, but clearly not impossible. Amid the dense fog of war, the economic outlook has rarely been more uncertain. ♣

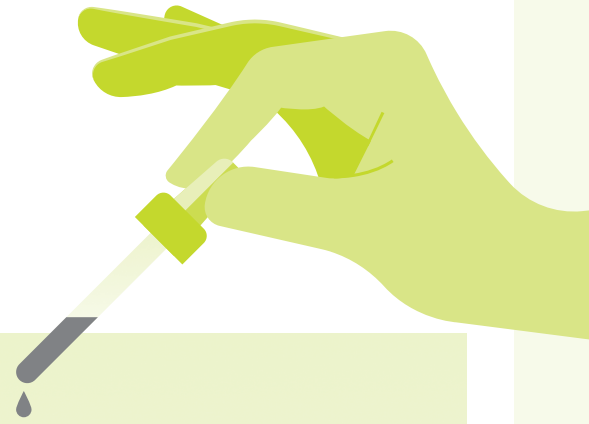


**Kallum Pickering** is senior economist at Berenberg Bank

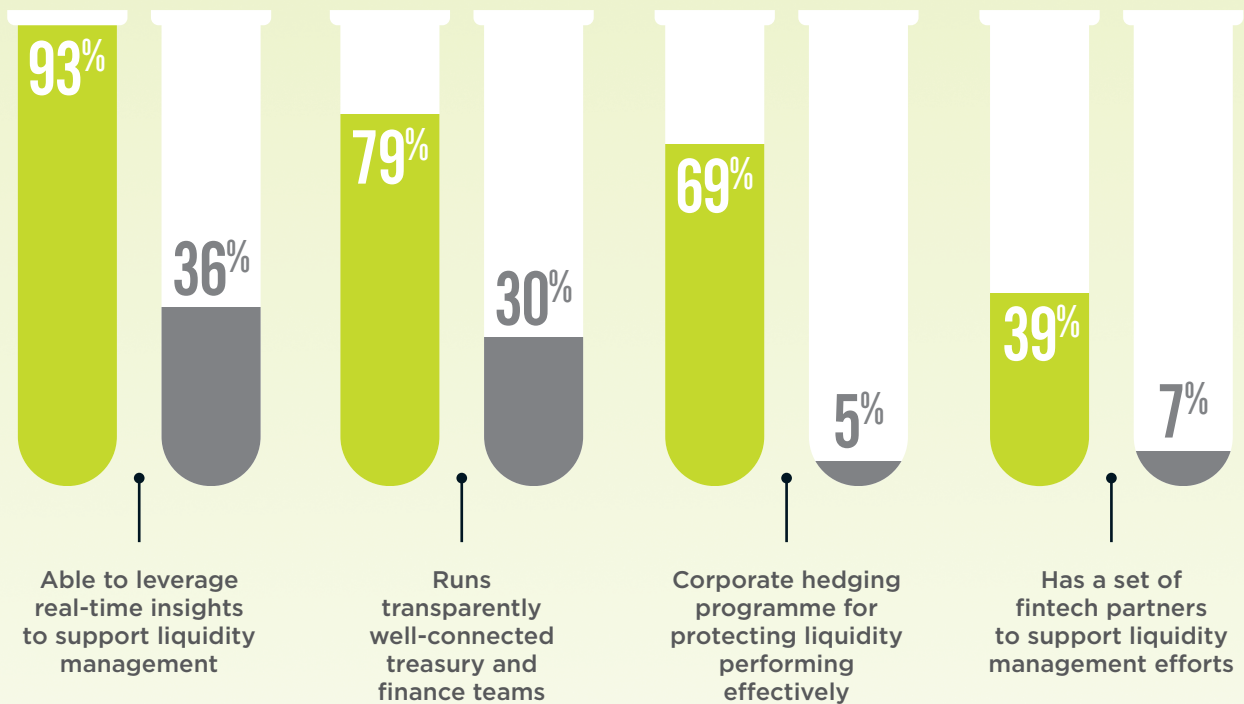
## IN DETAIL:

# CORPORATE LIQUIDITY MANAGEMENT

What makes a liquidity leader?



LEADERS LAGGARDS



“As the demand for business resiliency and proactive liquidity management continues to grow, so too will the demand for a dedicated chief liquidity officer.” That’s the core message of a recent report from treasury software provider Kyriba, in partnership with IDC.

In a poll of 811 treasurers and CFOs based in the US, Europe and Asia, the report unveils a mixed picture of liquidity leaders and laggards – with some firms planning progressively and adopting new technologies, and others struggling to keep up. Overall, though, the report concludes that this area of finance has become so significant for corporates that it is giving birth to a stand-alone discipline: enterprise-wide liquidity management.

Kyriba senior vice president, strategy, Samuel Guillon says: “CFOs’ new mission is to identify and activate all possible sources of liquidity to continually adapt to new global volatility. This survey confirms that very digitised organisations are inventing new liquidity management practices that mitigate risk while optimising treasury, payments and working capital finance enterprise-wide and in real time.”

Typically, Guillon notes, the sharpest CFOs “deliver actionable intelligence downstream to business decision-makers by transforming data through AI and API-enabled platforms”. He adds: “We believe that liquidity management platforms can help CFOs improve the new practices they have already established to build resilience, generate value and unlock growth.”





TREASURY  
EXCELLENCE  
AS STANDARD



# TREASURERS ON HIGH ALERT

THE BUSINESS OF TREASURY 2022

**10<sup>TH</sup> ANNIVERSARY EDITION**

# Contents

- 1 Everything is high-priority
- 2 Beyond COVID... uncertainty, and a greater strategic role
- 3 The people factor
- 4 Technology, data and ESG
- 5 Prepared for whatever comes next
- 6 Survey and methodology

## Key insights

- Capital and liquidity management remains at the heart of the treasurer's work but, as the coronavirus pandemic recedes, there is a ramp-up across other activities. All this makes the treasurer and their (generally) small treasury team busier than ever. Add geopolitical uncertainty, inflation and interest rate rises into the mix, and treasurers have to be on high alert.
- Treasury has transitioned from reactive to proactive. For the first time ever, more treasurers are defining strategy than are simply responding to requests. Board relations are stronger than ever.
- It's becoming more difficult to recruit and retain staff, and this is likely to intensify in the short to medium term. However, it looks like hybrid working is here to stay, and this could be an important incentive for current and prospective employees.
- Business travel looks set to reduce significantly.
- Mental wellbeing remains a core focus for businesses and treasurers; indeed, it is being normalised as an issue. To a great extent, stigma has been removed.
- More experienced treasurers identify lack of leadership and strategic influencing skills as barriers to career progression; for newer entrants, skills around efficient working practices are the greatest concern.
- Financial risk management, always core to the treasurer's role, has climbed back up the agenda particularly in the light of inflation, market volatility and, more recently, geopolitical issues. There is a generational challenge with large cohorts of treasurers (and their bankers) inexperienced in operating in conditions of rising interest rates and high levels of inflation.

## Introduction

This year's research comes at possibly the most volatile period in *The Business of Treasury's* 10-year life. Still recovering from COVID, we are faced with the biggest geopolitical crisis in decades. While our research interviews were carried out prior to Russia's invasion of Ukraine, inflation was already rising. There was a strong sense within the verbatim remarks collected that treasurers already expected more challenges to come, although no one would have predicted the terrible situation the world finds itself in as I write this introduction.

Treasurers deal with risk all the time, and are well placed to face the challenges with which they are regularly presented. The current crisis will, however, have a significant impact on some businesses and, as a consequence, their treasurers. They will be working in a whole new context.

Aside from geopolitical concerns, this year's *Business of Treasury* survey shows that larger teams are expecting to decrease in size, while activity is expected to ramp up in all areas. This is worrying. Unless investment in

technology increases faster than it is doing at the moment, the treasurer and their team will struggle even more to get everything done. Hybrid working may well mean longer hours if not managed carefully. Lay on top of that another crisis...

Having said all this, the treasurer now has a permanent role as adviser to the board. Treasurers have long seen themselves as good business partners, but this year respondents report a real shift. Rather than being last to hear about new initiatives, treasurers are more likely to be involved from the start. This bodes well for the future.

As younger treasurers rise through the ranks, many will ask themselves whether they want a lifetime career in treasury. Our research shows that this generation does value the Association of Corporate Treasurers' (ACT's) qualifications and training more and more, which is an encouraging sign. Many feel that a lack of workplace skills (such as time management) may hold them back but, again, I'm pleased to say that the ACT places a focus on these areas – in addition to technical knowledge and of course behavioural skills – in our qualifications.

We are starting to see a real fight for good talent. However, with new, COVID-accelerated, ways of working, there is a much greater (global) pool of talent to tap into – as long as treasurers come to terms with not working in the same physical space as colleagues! There is a decisive shift towards diverse teams (up 15% year-on-year). This is extremely encouraging, and shows treasurers recognise the benefits of diversity and inclusion within their teams.

Mental wellbeing is no longer a taboo subject, and trust has been built through the past two difficult years. This puts treasurers in a strong position, as will their ever-greater focus on technology. The treasurer of 2022 is telling us that they will increase their value-add, their human touch and their strategic contribution even further, as machines take over the 'grunt work'.



**Caroline Stockmann**

Chief Executive,  
*The Association of Corporate Treasurers*





# 1 Everything is high-priority

After several years of change and volatility, it's useful to examine what has really changed, and what hasn't.

This year's survey shows that treasurers continue to overestimate the time they will spend on technology and automation, as well as business strategy, and underestimate the time they will spend on capital and liquidity management.

Does this mean that treasurers can't break free of the daily grind to look at more strategic matters – or simply that, in a year like 2021, who wouldn't be focusing on liquidity?

Looking ahead, treasurers anticipate spending more time on a host of areas. Of these, technology and environmental, social and governance (ESG) are most likely to grow.

This will make treasurers busier than ever, and balance does remain an issue. Flexible working has benefits but also drawbacks: with the majority of treasurers facing a future of hybrid working, there is a concern

that there won't be enough hours in the day to balance a working-from-home agenda while also attending physical meetings and events. Fortunately the majority of treasurers say they will be travelling less in future. This sentiment is strongest in the UK.

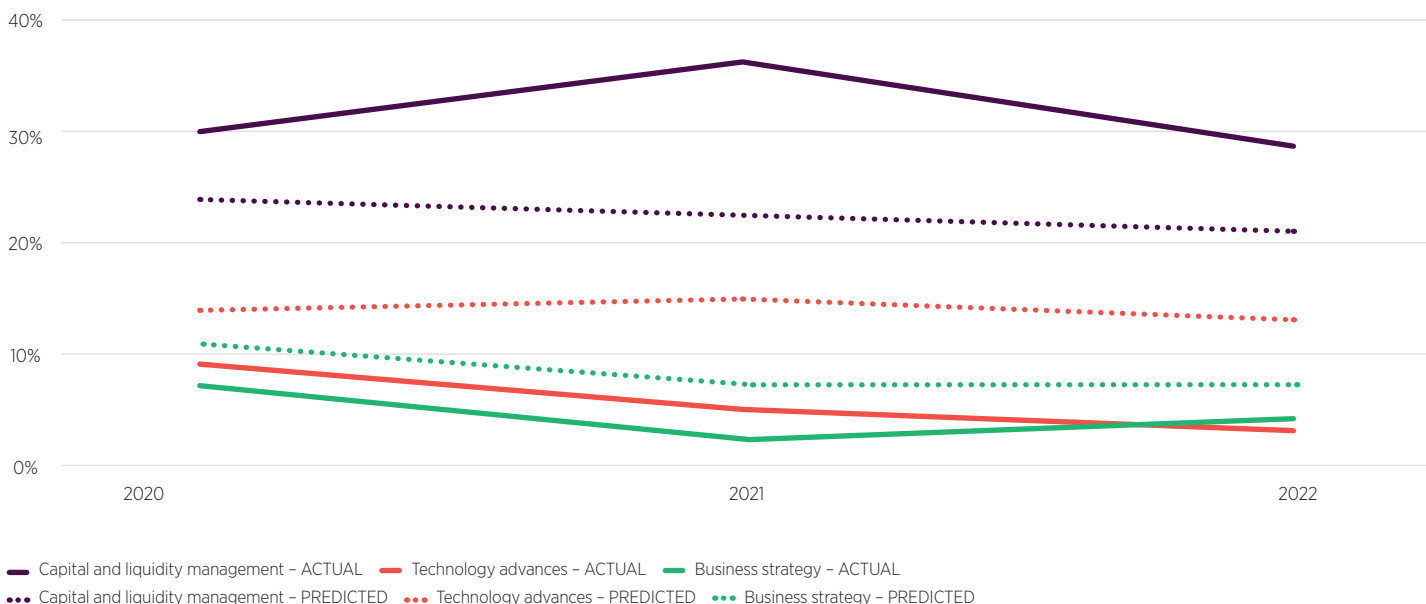
## Risks are everywhere

Treasurers got their predictions right in terms of time spent on risk last year, and they think they will spend more time on it in the future. This seems like a sound assumption. Financial risk is at the heart of the treasurer's role, and the events of the past two years, as well as more recent geopolitical impacts such as the Russian

**“There is much greater emphasis on liquidity management. We now regularly provide reports and analysis to the board”**

**- UK treasurer, large corporate**

**CAPITAL AND LIQUIDITY MANAGEMENT REMAIN KEY:** When asked to predict where they will spend the most time, treasurers continue to underestimate time spent on capital and liquidity management and overestimate time on technology advances





invasion of Ukraine, prove why the treasurer has to maintain a laser focus on financial risk.

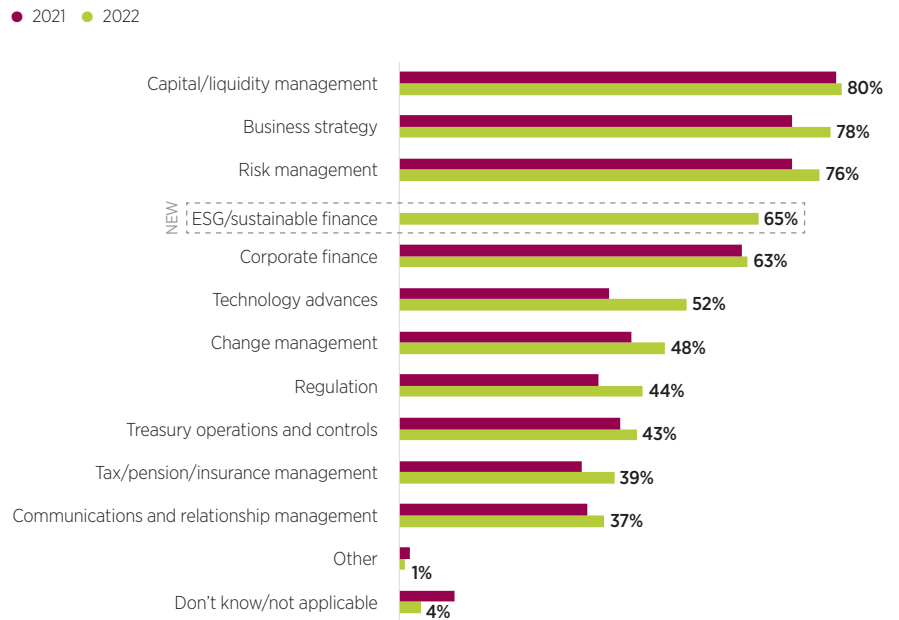
Boards are interested in a similar set of issues to 2021, although they are showing more interest in *everything* in 2022 vs 2021.

Those treasurers who say they are involved in defining strategy have boards who are significantly more likely to have shown interest in treasury operations and controls (50%) and technology advances (47%). This suggests these boards: a) understand the strategic importance of treasury even within the day-to-day; and b) are tuned in to the importance of technology for the treasury function of the future.

**Funding**

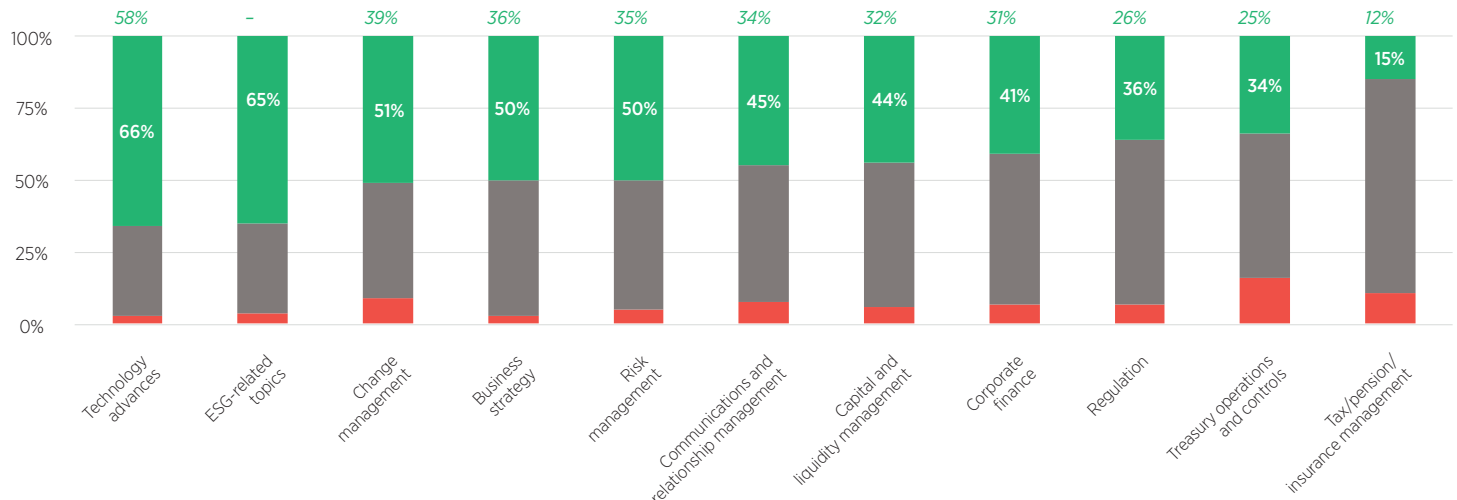
Throughout the 10 years of this report, we've asked treasurers about sources of funding. In the past year, funding has not shifted much when looked at from a global perspective, with the highest relative change in equity capital markets. However, in the UK there has been a significant (8%) shift out of debt capital markets into bank finance and improving working capital, in equal share. Smaller organisations

**WHERE BOARDS SHOW INTEREST: When asked where boards have shown interest over the past six months, treasurers say capital and liquidity, strategy and risk management**



**MORE TIME ON EVERYTHING: When asked where they expect to spend their time in future, treasurers expect all areas to grow. Treasurers anticipate more time spent on all tasks compared to 2021 predictions**

Green numbers show percentage in 2021 who expected to spend MORE time in 2021



(<£250m) are less likely to have seen an increase in demand for supply chain finance (17%); large organisations (>£10bn) are more likely to use debt capital markets (75%).

### Working capital

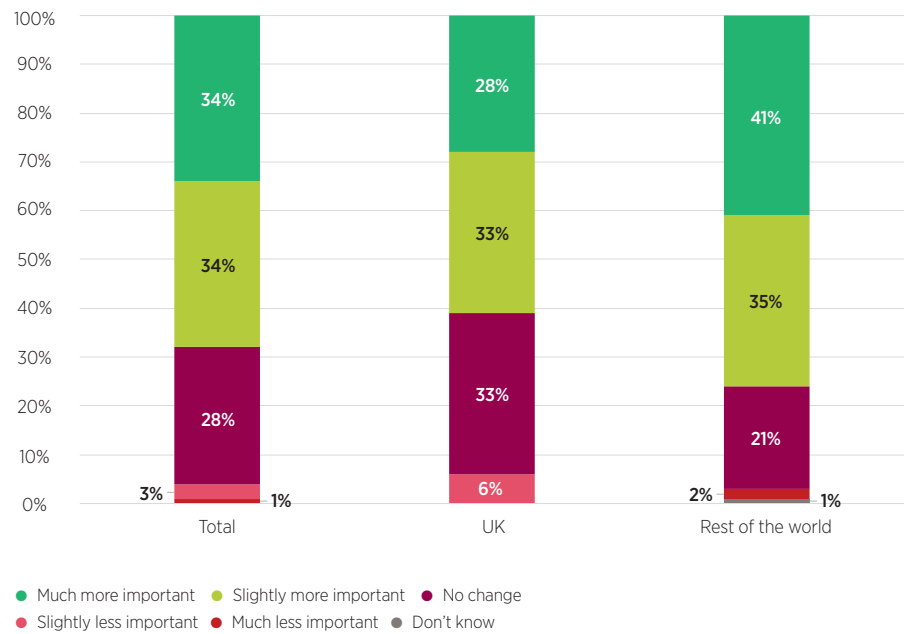
Smaller companies (<£250m) are more likely to regard working capital as a whole as becoming more important over the past 12 months (87%) than larger companies. Working capital is also more important to treasurers who have been in their position for less than five years (72%).

In larger organisations, working capital has still been *somewhat* important over the past 12 months.

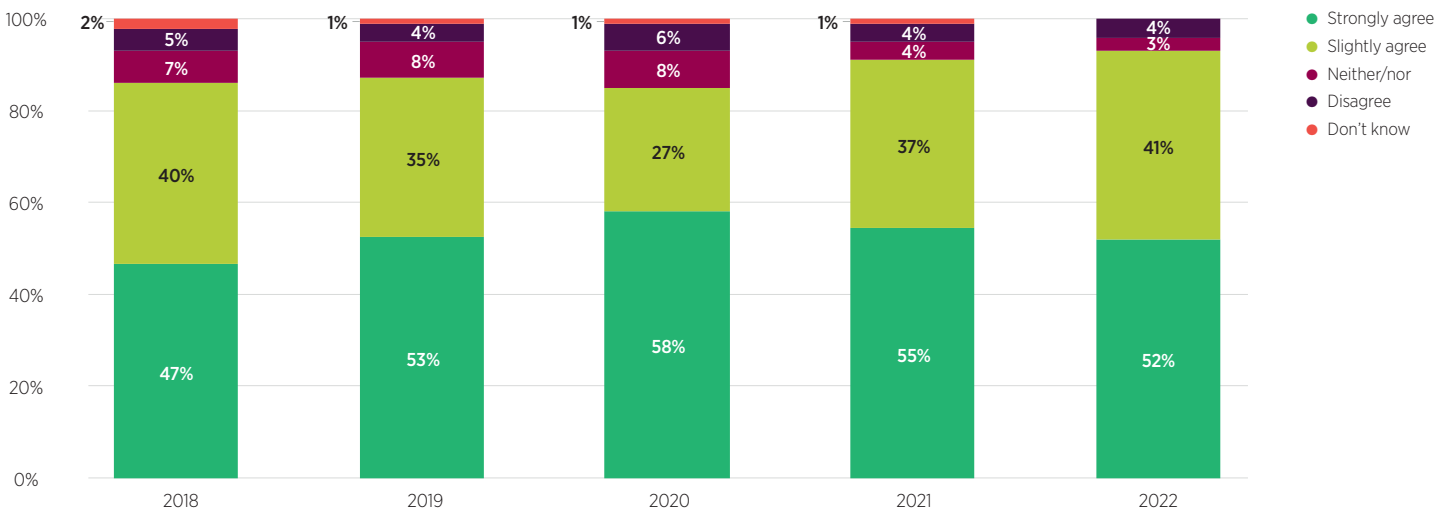
**“Risk management is a key challenge – and the general uncertainties of the current global landscape and what that might mean in the short term”**

– UK treasurer, smallcap

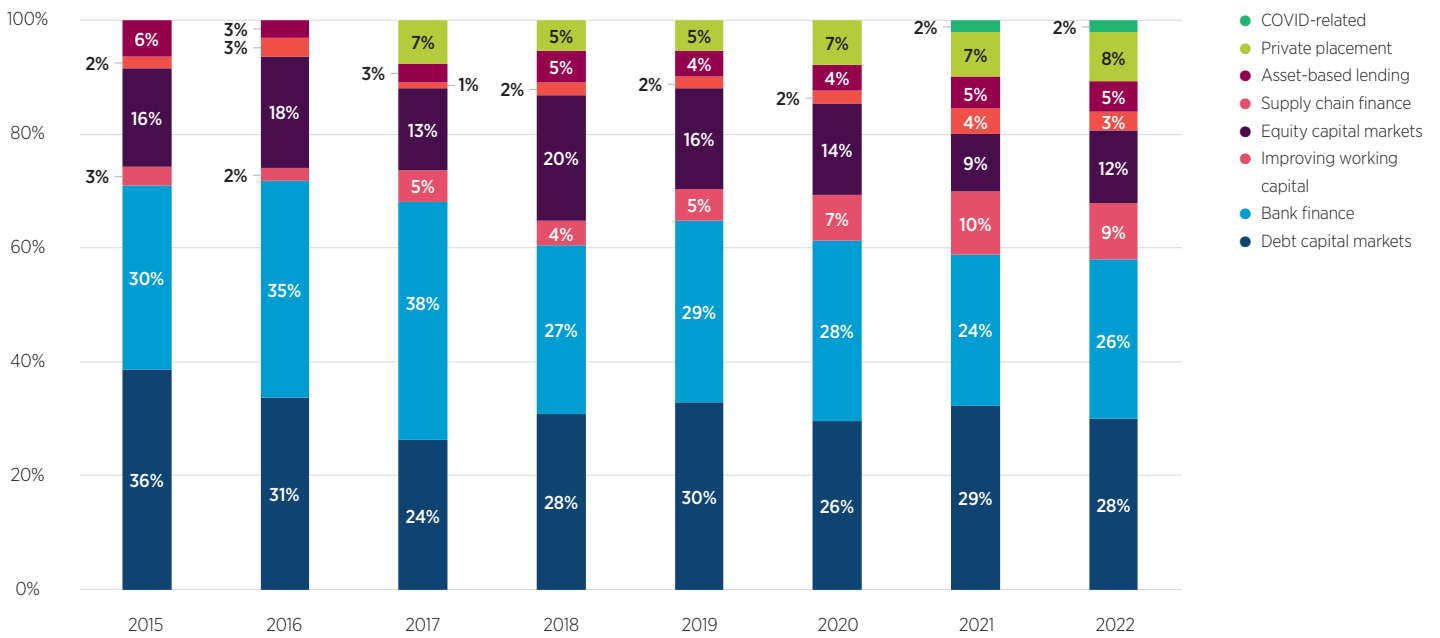
### IMPORTANCE OF WORKING CAPITAL: Treasurers in the UK are less likely than others to say that improving working capital has become more important in the past 12 months



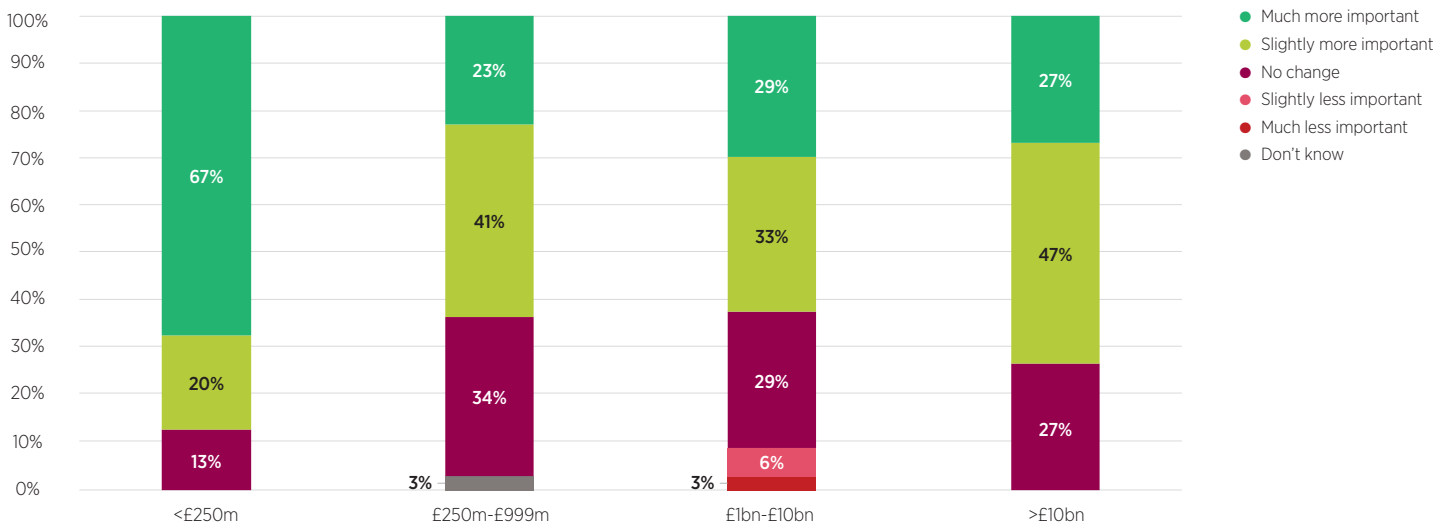
### BOARD RELATIONSHIPS ARE STILL CHANGING: When asked whether the treasury function is seen as a strategic business partner, the answer is conclusive, with 93% agreeing



**GLOBAL FUNDING TRENDS: When asked about sources of funding, treasurers say that long-term funding trends are unaffected by short-term events**



**WORKING CAPITAL FOR SMALLER COMPANIES: When asked about improving working capital, smaller company treasurers are more likely to think that working capital has become more important over the past 12 months**





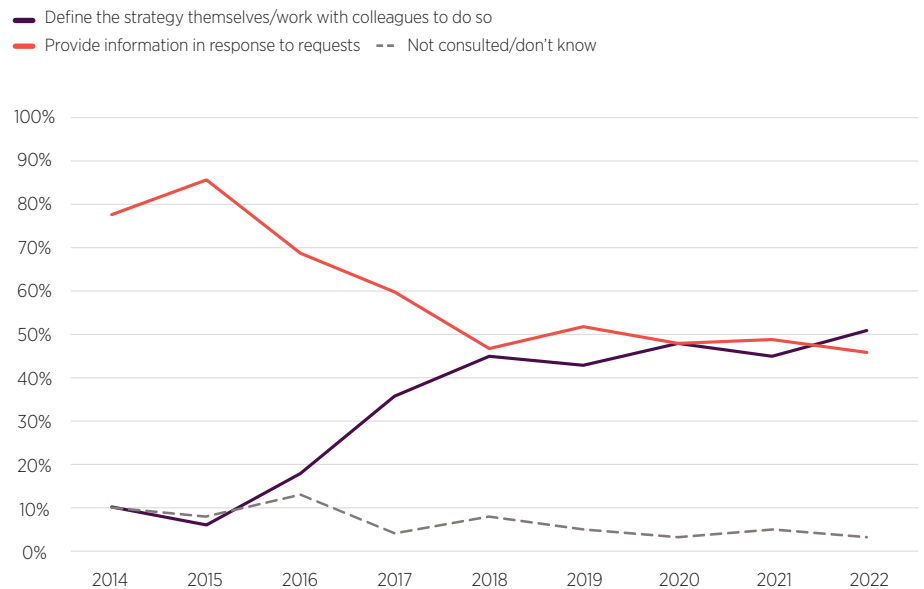
# 2 Beyond COVID... uncertainty, and a greater strategic role

We can now say with confidence that treasurers have become more influential as a result of the pandemic. For the first time in nine years treasurers are weighing in more on defining strategy rather than just providing information to contribute to it. That said, it is treasurers with greater longevity in a role who are most likely to be involved in defining strategy (66%).

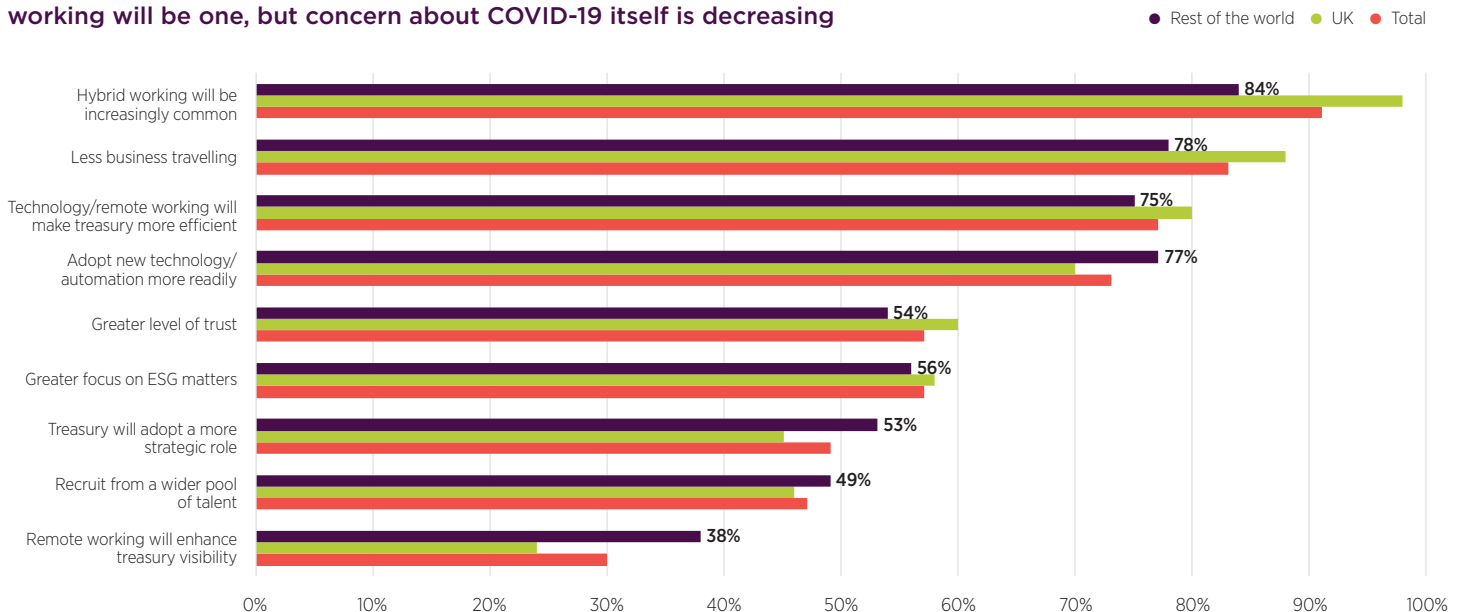
But will this strategy-setting prominence continue? For some treasurers, the increased interaction with the board was temporary – on a ‘needs-must’ basis. But significantly more of those who had increased interaction have kept it going than those for whom it fell away.

On geopolitical uncertainty, UK treasurers expressed the greatest concern – did they know something that others didn’t? UK treasurers are also more concerned about inflation, ESG, COVID and cybersecurity. The rest of the world (vs UK) has a greater focus on AI/technology and regulation. But around the world all treasurers agree that cybersecurity is the biggest concern overall.

## DEFINING THE STRATEGY: When asked about the treasury team’s involvement in defining business strategy, for the first time more treasurers are defining the strategy rather than responding to requests; those who are not consulted is at an all-time low

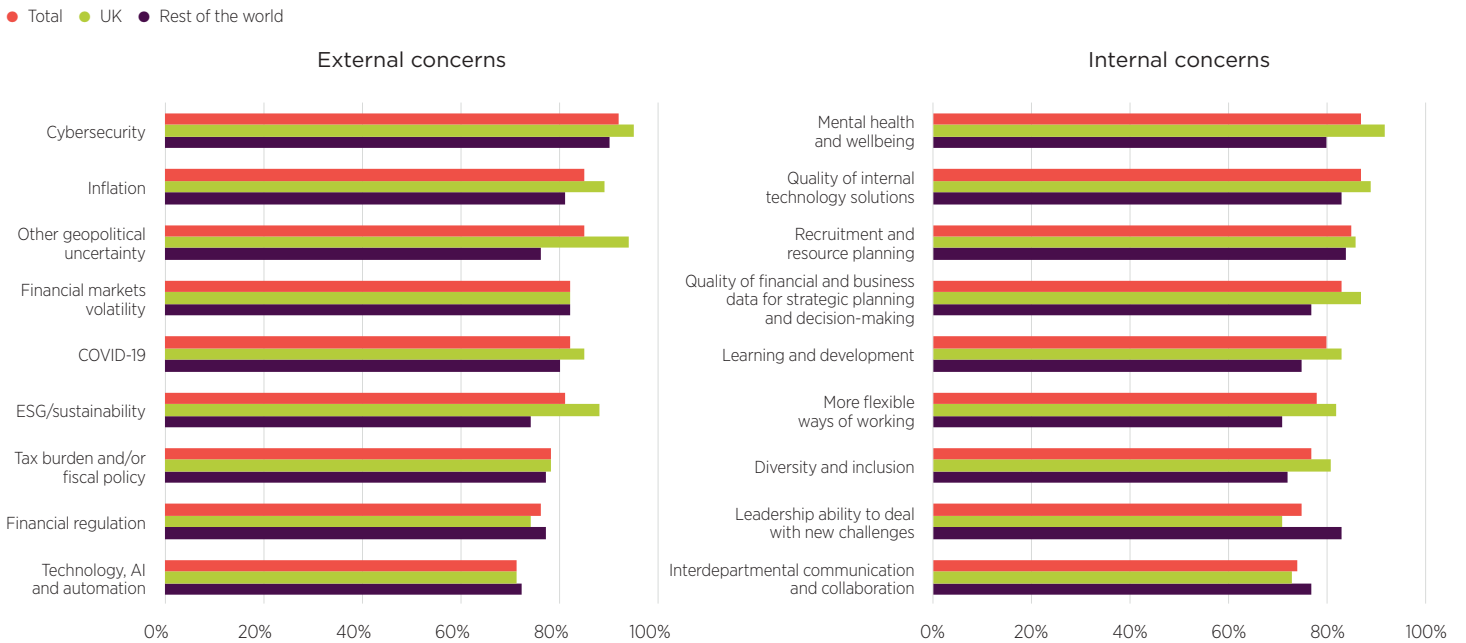


## THE LASTING IMPACT OF THE PANDEMIC: When asked what would be the lasting impact on the treasury function, almost all treasurers believe hybrid working will be one, but concern about COVID-19 itself is decreasing

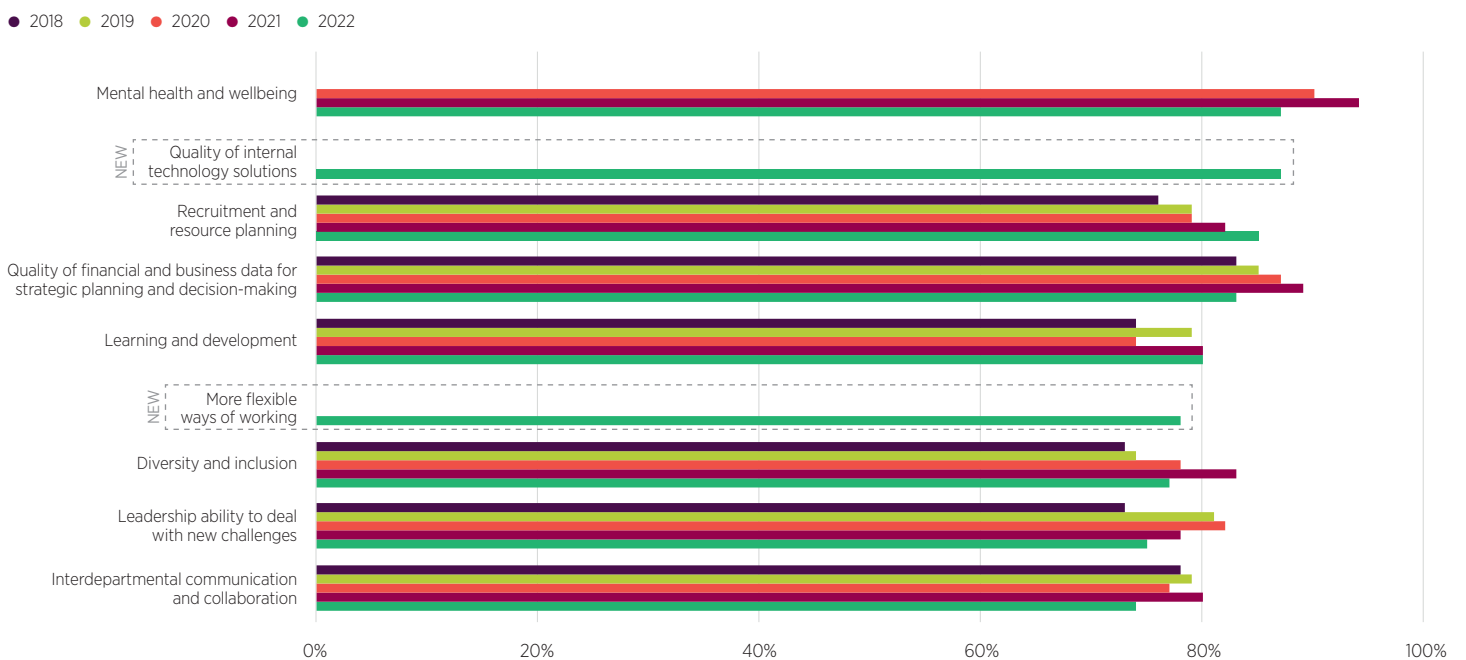


**“Remote working will enhance the visibility of treasury; we’ll adopt new technology and automation more readily; there’ll be less business travelling and more hybrid working” - Treasurer, APAC**

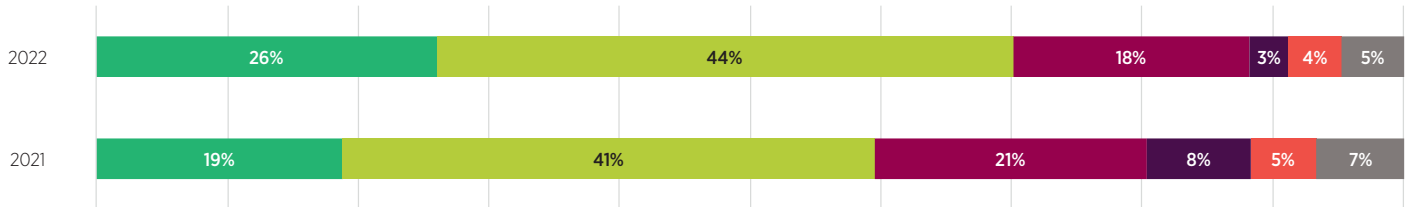
**EXTERNAL AND INTERNAL CONCERNS BY REGION - HOW TREASURERS RANK THEM:** Treasurers express similar concerns across the globe, apart from geopolitical uncertainty, where the UK shows more concern



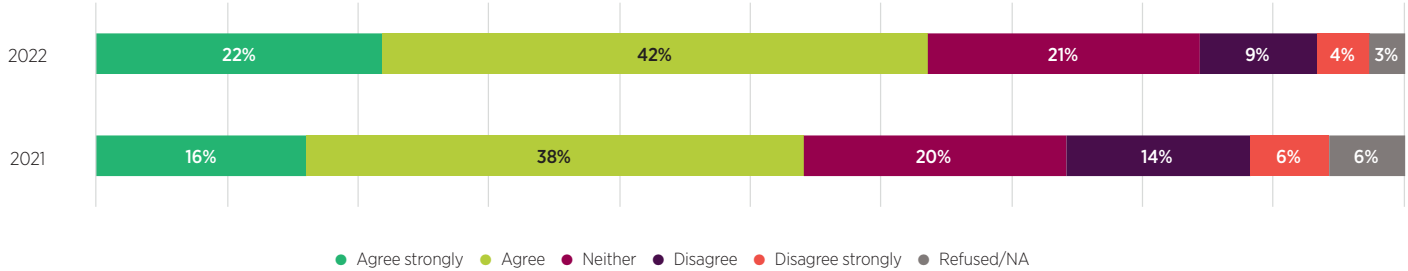
**MENTAL HEALTH: When asked about internal factors, treasurers say mental health remains a key concern**



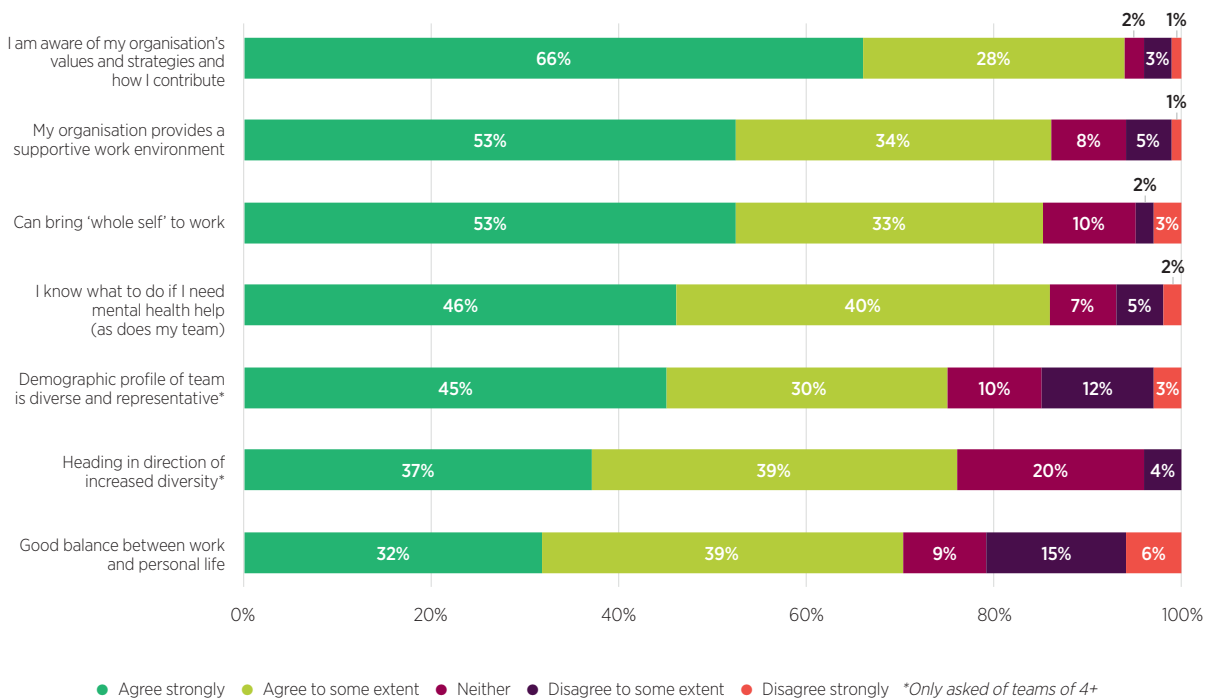
**STIGMA AROUND MENTAL HEALTH: When asked whether there's less stigma surrounding mental health, treasurers say the stigma is reducing**



**Treasurers say they would feel more comfortable discussing their own mental health than before the pandemic**



**WELLBEING AT WORK: Treasurers are aware of how they contribute and work well together. Attitudes towards wellbeing are similar to 2021, but diversity is improving**



Agree	
2021	2022
96%	94%
89%	86%
83%	86%
85%	86%
75%	75%
61%	76%
67%	71%



Turning to internal concerns, UK treasurers are concerned more about mental wellbeing, quality of data, flexible working, and learning and development; the rest of the world's focus is more on leadership ability as well as internal communication and collaboration. These differences will partly be down to how treasurers in different parts of the world were affected through the COVID crisis; sometimes it will be cultural differences. All agree that mental health and wellbeing remains the highest internal concern, although it has dropped from 94% in 2021 to 87% in 2022.

Any stigma around mental health issues appears to be receding – only 12% of treasurers in 2022 (vs 20% in 2021) disagree that there is less stigma. Also good news is that the number of companies concerned about mental health has decreased by 7%. This suggests that more companies have better policies around these issues, and that

people have built up their resilience after the impact of COVID. Sadly, we may see these figures reverse as the impact of world events and inflationary pressures are felt by treasurers.

Attitudes towards diversity are improving. Between 2021 and 2022 positive sentiment rose 15%. Treasurers' views about achieving balance in life are also improving (up 4%).

**“Treasury delivers important input with regard to financial information that the board requires for decision-making”**

– Treasurer, Europe, large corporate

**“We all now work from home permanently – treasury is a fully functioning work-from-home department”**

– UK treasurer

## THE CONSEQUENCES OF COVID

Treasurers were asked how COVID has affected different aspects of their role over the past 12 months. Here's what some of you said...

On remote working	On advancing technology	On liquidity management	On communications	Little impact
<p><i>“More are working from the home environment and have to put more effort into processes and controls”</i></p> <p><i>“At the start of the pandemic we all had to move to remote working and had to make sure controls were robust”</i></p>	<p><i>“COVID has pushed the company to improve the technology to be able to work remotely”</i></p> <p><i>“People working from home need access in different ways. It has changed how we work, how we access the data, and a lot of the technology advancements have been done internally”</i></p>	<p><i>“Treasury activity increased as cash management and liquidity was the focus”</i></p> <p><i>“There is more focus on short- and medium-term liquidity planning”</i></p> <p><i>“More time is spent on liquidity/funding/leverage analysis for various purposes”</i></p>	<p><i>“It's required us to be actively thinking about inclusion of people, on calls etc, making sure everybody is on them”</i></p> <p><i>“Communications with submissions to banks take longer than they used to”</i></p> <p><i>“Documentation etc has changed: online signing, more online communication and virtual meetings”</i></p>	<p><i>“COVID hardly impacted the business in that time”</i></p> <p><i>“The company has been extremely resilient and we have operated as normal”</i></p> <p><i>“There was not a great deal of impact”</i></p>

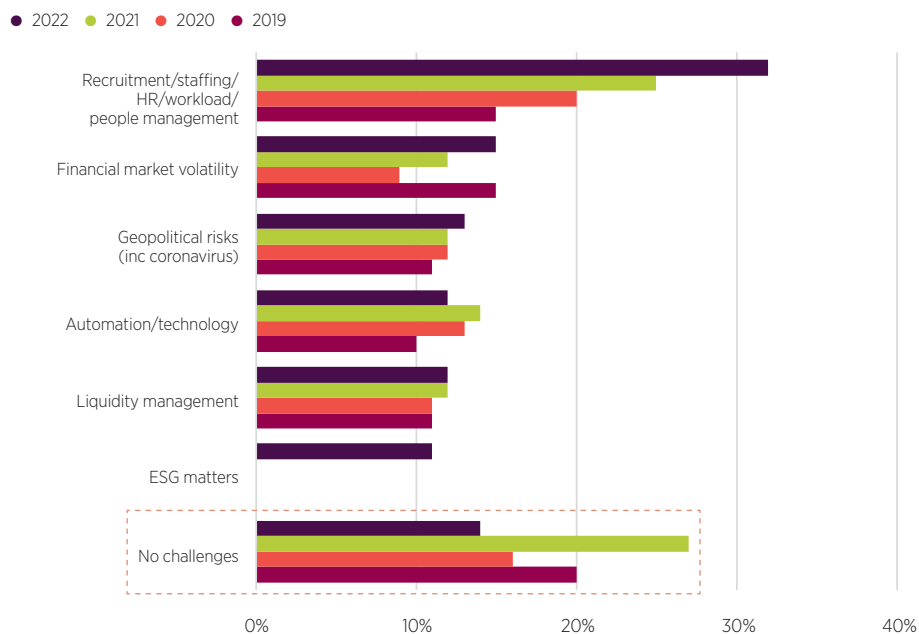
# 3 The people factor

Recruitment and people management – including looking after staff wellbeing – are the major concerns for treasurers in terms of professional and business challenges. This isn't surprising. Treasurers have had to shift their team in and (potentially) out of working from home, at short notice, while rethinking the wider transformation of their workplace.

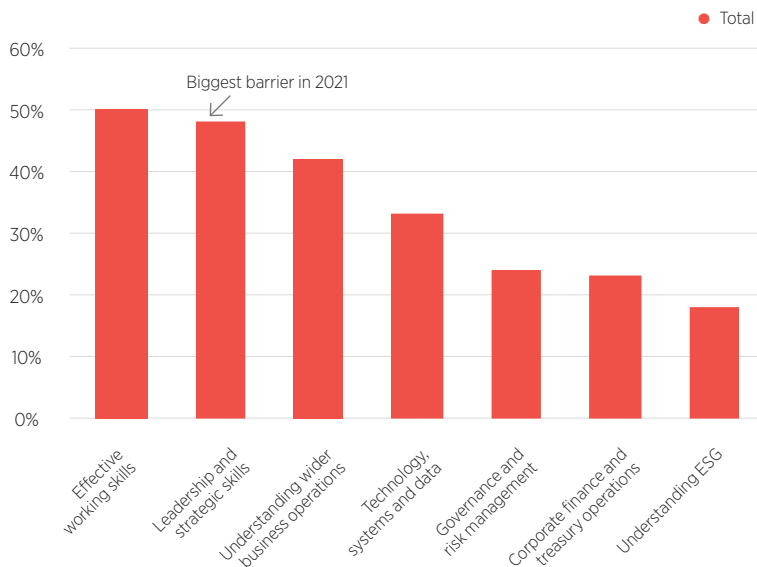
In all aspects of people management and operations, this has been a hugely testing time. Little wonder that fewer treasurers than ever say they are not facing any professional and business challenges!

There is enormous churn in the treasury jobs market. (As an illustration of this, over half of the FTSE20 non-financial corporates have seen a change of group treasurer in the past 18 months.) People are also commanding higher salaries generally. Treasurers are worried about getting the right quality of staff, how they maintain their team members' resilience, and how they train them adequately in a virtual environment.

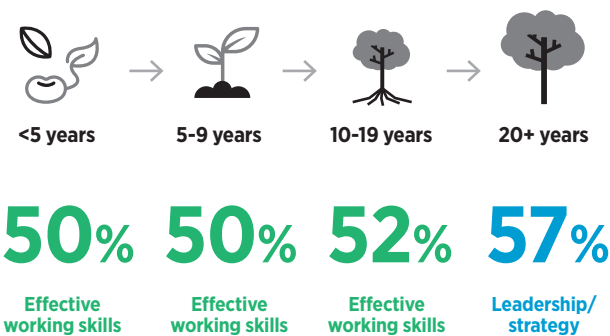
**TOP CHALLENGES:** When asked about this, treasurers' biggest worry is around HR matters, including getting the right people in the right roles and managing people in a changed environment; this has increased dramatically over the past two years



**BARRIERS TO CAREER PROGRESSION:** When asked about this, treasurers say that effective working skills (such as time management) has overtaken leadership and strategic skills



**BARRIERS TO CAREER PROGRESSION:** Over time in the role, leadership and strategic skills become the biggest issue



Also on their agenda: how to keep their team up to speed with technology, and what new skills do they need to bring in?

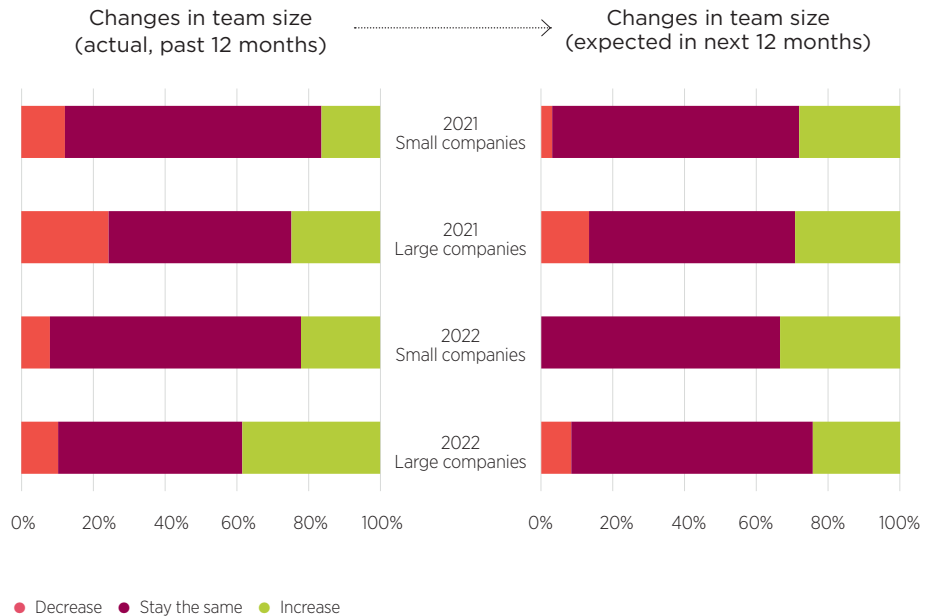
**Building a strong career and team**

What do treasurers see as the main barrier to career progression? In 2021 it was leadership/strategy, but in 2022 it is effective working skills. Leadership becomes increasingly relevant for more experienced treasurers where it becomes the number one concern.

Larger teams have increased in size but, as previously, they are expecting a decrease in the future. Small teams had expected to grow more than large teams, but the actual figures paint a different story.

Three-quarters of organisations are using ACT qualifications and training to support employees' career development. This has risen since 2021 (65%), and is especially prominent in the UK. It's great to know that the ACT is instrumental in developing treasurers' skills.

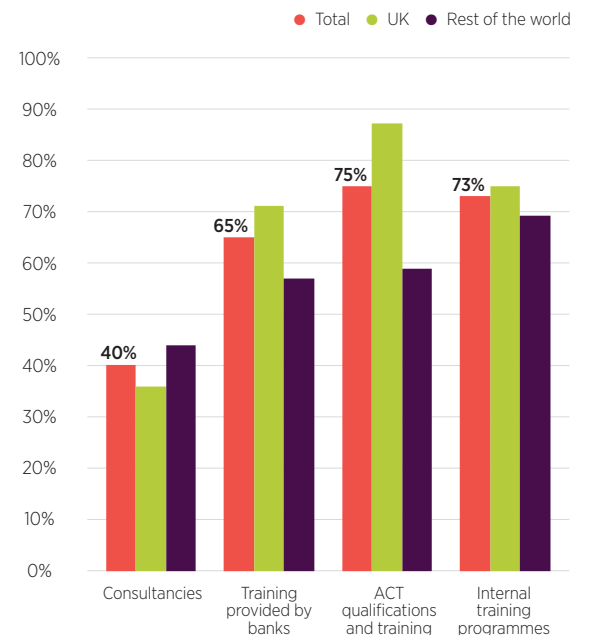
**CHANGES IN TEAM SIZE - ACTUAL AND EXPECTED: When asked about team size, large teams have experienced more change than expected, while the opposite is true for small teams**



**PERSONAL OBJECTIVES AND DEVELOPMENT: When asked where their focus is, leadership skills remain the priority for most treasurers**



**BUILDING SKILLS: Where organisations turn to for career and skills development**





# 4 Technology, data and ESG

We asked treasurers whether they were concerned about technology, AI and automation. The level of concern seems to reduce year on year and is consistent in the UK and across the rest of the world. It's interesting to note, however, that new, young treasurers from minority ethnic groups are particularly concerned about automation – younger treasurers will have grown up with it and may view automation as an essential element of business. Can we surmise perhaps that minority groups are more open to new ideas and embracing diversity of thought?

Investment in technology is highest in APAC, and there are a number of reasons why people are investing. COVID has clearly accelerated the rate of technology adoption.

Companies appear to be investing more into AI and machine learning technology (investment levels are up among 39% of treasurers, vs 27% in 2021). As we found in 2021, companies with a higher turnover (>£10bn) tend to invest more in new technologies – with significantly more in automation (90%) and AI and machine learning (52%). Interestingly, 87% of companies with a turnover of less than £250m invested more in cybersecurity measures (53% in 2021). The ACT, among others, has made it clear that investment in cybersecurity measures is a necessity, not a luxury. Cyberattacks are, sadly, a certainty rather than a possibility.

Concern about ESG is greater and more urgent than ever, but the level of ESG or sustainable funding is only increasing slowly. Submissions for the ACT's Deals of the Year Awards show that ESG is firmly on the treasurer's radar. With more pressure for reporting and transparency, engagement with ESG will only grow. In this year's survey, 65% of treasurers say there will be more focus over the next 12 months (see bar chart on page 25), with 56% saying more focus is due to COVID (see chart on page 28). The treasurer is becoming more and more influential in this space, and the whole subject of ESG sits well with the ethics and integrity of our treasury community.

## Why we love tech: treasurers' views on reasons for adopting new technologies



*“A lot was around how quickly we managed to get people working from home. Looking at more automation and machine learning”*

*“Due to the amount of treasury staff made redundant or who left, the workload has stayed the same, so rather than hiring we looked at more sustainable solutions to automation and system enhancement”*

*“Focus on cloud-based technology and more focus on automation”*

*“In order to mature, the company has to implement automation tools – company growing too quickly to manage otherwise”*

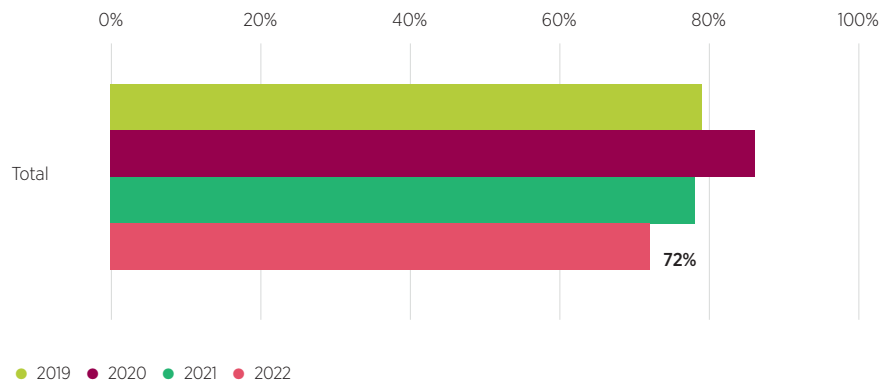
*“Increase of visibility and reduction of manual work, which requires more interaction with working remotely. People can work at the same time on spreadsheets and work together. Increase of technology and interaction in work space. It has accelerated the rate of what should have happened 10 years ago”*



*“Remote working has made us realise the importance of the digital world and there is a bigger focus”*

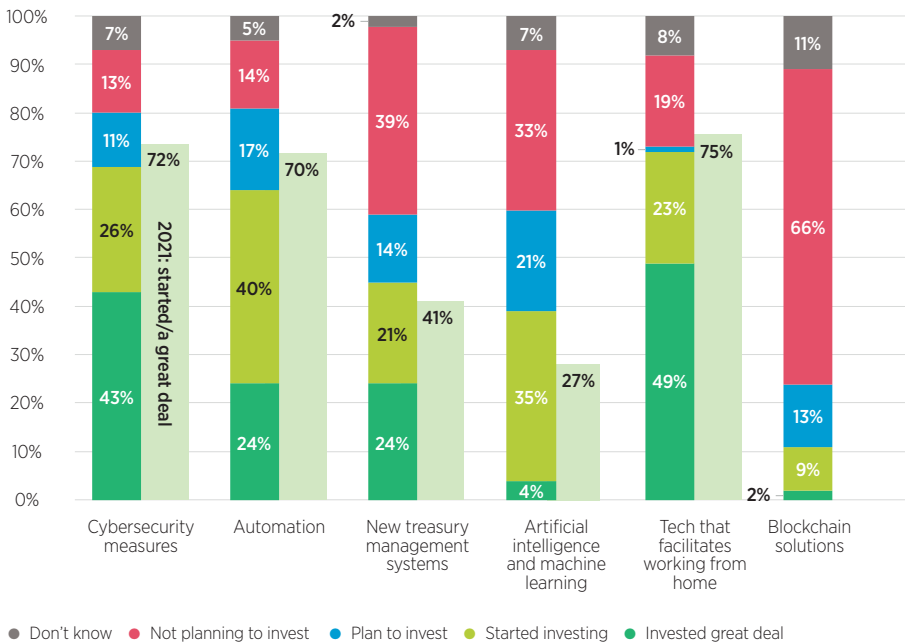
*“The biggest one for us is improving digital payments”*

## TECHNOLOGY: When asked if their business was concerned about technology, AI and automation, concerns are declining after a spike in 2020

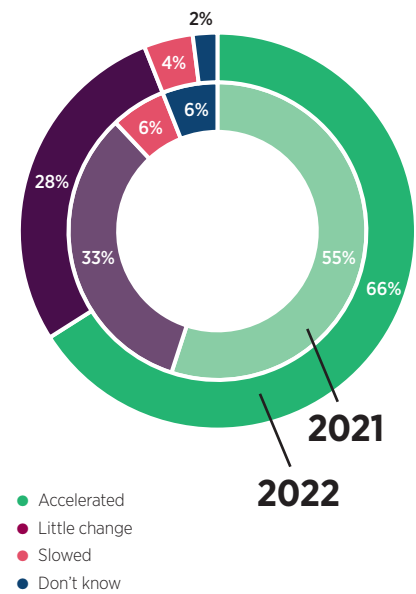


**“Automation will improve and lessen the time things take so we will not have part-time and temporary staff”**  
 - Treasurer, Middle East, large corporate

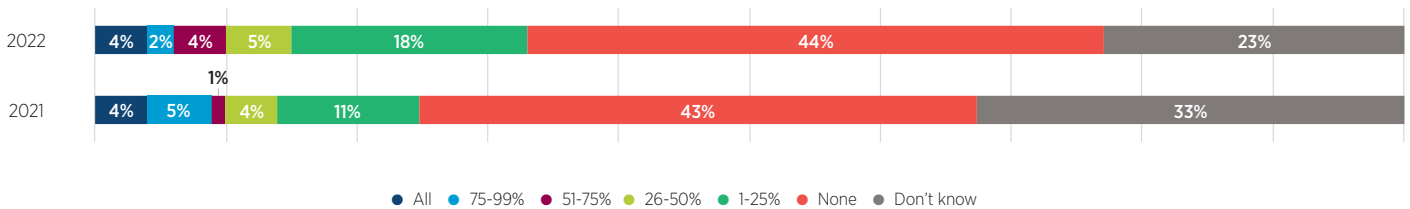
**INVESTMENT IN TECHNOLOGY:** When asked about investment trends, the focus on technology that facilitates working from home has remained high, with artificial intelligence becoming more prominent



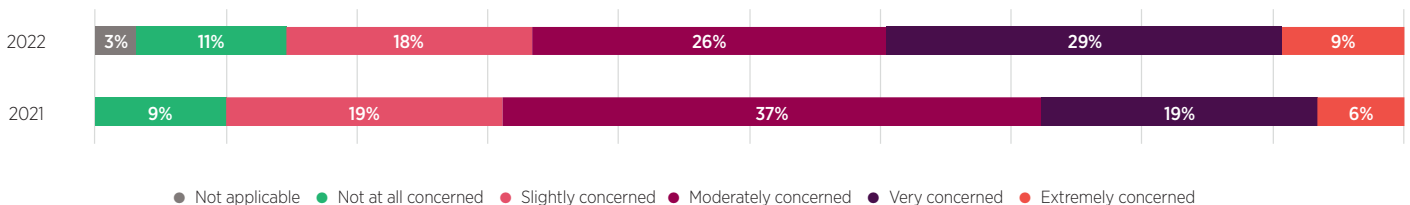
**PANDEMIC IMPACT:** Treasurers say the adoption of new technologies has accelerated



**ESG FUNDING:** The two bars immediately below show the proportion of funding put forward to the board that is ESG/sustainable. This is starting to grow year-on-year



**More treasurers are very/extremely concerned about ESG funding (38% in 2022 vs 25% in 2021)**



# 5 Prepared for whatever comes next

Inflation is a new area of research in 2022. Many treasurers will never have worked in a high-inflation environment before, which explains why inflation is now the second-highest external concern for treasurers, alongside geopolitical uncertainty (though this research was completed just prior to the Russian invasion of Ukraine).

Geopolitical uncertainty, inflation and interest rates are of course interconnected. We can see this playing out as we write this report. To respond effectively, treasurers will need all the resources, data and experience they can gather, while keeping an eye out for the next crisis. After all, it wasn't long ago that treasurers were having to think about negative interest rates, so the pace of change is staggering.

It's at times of crisis that we see the true value of the treasury community. Treasurers are experts in financial risk management, and today even younger treasurers are veterans of crises. When the environment is volatile, treasurers deliver reassurance.

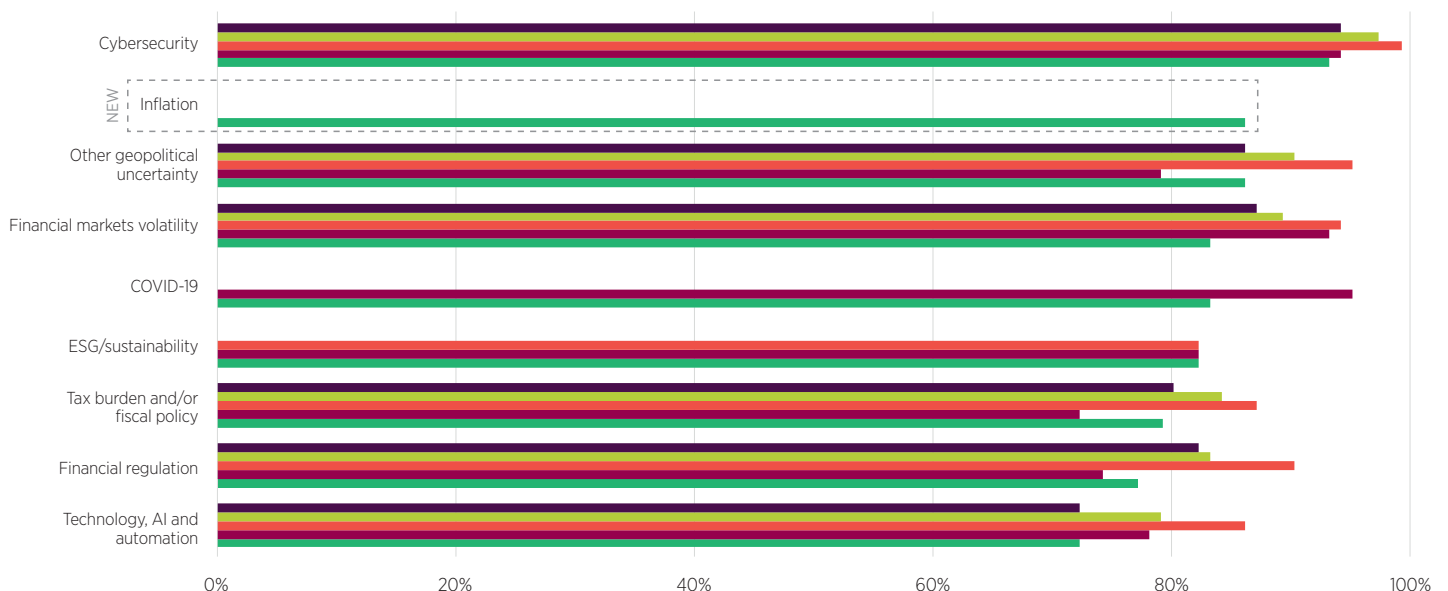
The ACT will continue to support this important community in whatever way we can. We do this through: the qualifications that enable treasurers to deal with anything thrown their way; fresh insight and information at the ACT's events; digital and social media; and publications. All these keep treasurers alert in a fast-changing world.

**“Inflation is a concern. We’re not used to working in an environment that’s inflationary so it’s a big change. Coupled with that are rising interest rates and what that will cost to finance”** – UK treasurer, large corporate

**“From Brexit to Trump to COVID, there are the ‘unknown unknowns’. It seems we are never too far away from the next big event – it makes you wonder what is next and are we prepared for whatever comes our way?!”**  
– UK treasurer, large corporate

**EXTERNAL CONCERNS BY YEAR:** Treasurers say cybersecurity is becoming the primary concern, with concern for COVID-19 decreasing in 2022

● 2018 ● 2019 ● 2020 ● 2021 ● 2022





# 6 Survey and methodology

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This is the 10th annual edition of the ACT's research, *The Business of Treasury*. It is the only international survey of qualified treasurers by a professional treasury association.

*The Business of Treasury* aims to understand the treasurer's role and how this is evolving over time. The research addresses current and future hot topics and areas of concern so that the ACT and the treasury community are better equipped to face the challenges ahead.

This 2022 survey was conducted during the second year of the COVID-19 pandemic and immediately prior to the Russia/Ukraine war. The survey, conducted by Critical Research, took place between 14 January and 21 February 2022 using both online and telephone methodologies. A total of 181 individual treasurers from across the globe completed the survey. Among respondents, 44% describe themselves as leading the treasury function, 45% hold another treasury role and the rest hold other roles such as CFO. On average, respondent treasurers have spent 4.9 years in their current role. The average turnover of respondents' organisations was £5.78bn. (In some cases, figures may not sum 100% due to rounding differences.)

## 10<sup>TH</sup> ANNIVERSARY EDITION



### ABOUT THE ACT

The ACT is committed to helping treasurers at every stage of their career with both personal and professional development. As the only chartered professional body for treasury, we are committed to helping treasurers navigate a world of shifting priorities, and to being a support system for treasury professionals around the world.

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ITS



Openlink



Reval



Treasura



Wallstreet Suite

Teesside Freeport is the largest in the UK, covering an area of 4,500 acres



# Freeports, or white elephants?

Which systems and processes will help the UK freeports scheme live up to the hype? **Matt Packer** finds out





**A**t first glance, the UK government's freeports policy had every reason to pique the interest of treasurers looking for a strategic edge. First proposed in the March 2021 Budget, the provision of eight state-of-the-art business hubs around the UK coastline under preferential terms was greeted with enthusiasm. The scheme, which included rate reliefs and high-tech supply chain management – with positive implications in the latter for trade finance – had all the makings of a watershed for how multinationals would carry out their work on mainland Britain.

However, almost as soon as the initiative was announced, doubts began to surface over its rigour and detail. In April last year, a report from the parliamentary International Trade Committee asked some searching questions about what sort of statutory governance regime would ultimately oversee the eight sites. It also called for the publication of a regular impact assessment once the new hubs opened for business, examining their effects on trade and investment, economic growth and job creation. In a subsequent government response, that call was rebuffed.

In July, global law firm Womble Bond Dickinson (WBD) published *UK Freeports: An Overview of Business Sentiment* – a wide-ranging survey of how UK small- to mid-caps were

digesting the policy. Taking in more than 500 responses from firms with revenues from the £0–10m range to over £100m, the report revealed a decidedly mixed reaction.

While 72% of respondents disagreed with the statement that freeports would have a negative impact on their businesses – indicating a broadly rosy outlook – only 44% agreed that the sites would have a positive impact. Perhaps the key to that non-committal mood lay in how the policy was being communicated: asked whether they had a good understanding of how freeports would be governed and how they would work, a whopping 64% of respondents said no.

Fast forward to February this year, and Liberal Democrat peer Baroness Kramer tabled a successful Lords amendment asserting that freeports should only qualify for tax relief if they establish a public register of business owners who operate on their turf. Without such a measure, she warned – in words demonstrating an uncanny feel for geopolitical trends – “We risk opening our doors even further to Kremlin-linked oligarchs at the moment when we should be putting a stop to this interference.”

Lack of clarity, an uncertain reception among UK firms and concerns over money laundering – hardly the most auspicious start for a flagship policy venture.

### Inward investment

In and of itself, the concept of UK freeports is not new. Back in the 1980s, six were assigned during Margaret

**“We risk opening our doors even further to Kremlin-linked oligarchs at the moment when we should be putting a stop to this interference”**

**BARONESS KRAMER**



Tees Valley Mayor Ben Houchen and Exchequer Secretary to the Treasury Helen Whately at a Teesside freeport site that is to become a centre for green energy and carbon capture

**72%**

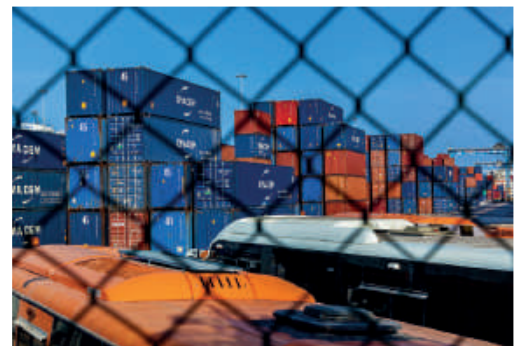
of respondents disagreed with the statement that freeports would have a negative impact on their businesses

**44%**

agreed that the sites would have a positive impact



*Cosco Shipping Star in the Port of Felixstowe in Suffolk, which is part of Freeport East*



Thatcher's second term as UK Prime Minister; however, as they never managed to distinguish themselves commercially, they were wound up in 2012. So, what's changed?

WBD partner Peter Snaith explains that, "At policy level, the driver is to try and encourage inward investment – in particular, in manufacturing and processing activities. A very limited range of manufacturing or processing activity was permitted under the old model. But the idea now is that you are able to do more than just, for example, importing and repackaging. You can assemble, you can process and you can add value.

"But while that's the policy driver and key benefit, it's also one of the areas where there's the greatest misconception. Because in order to be a really valuable, viable customs site, you need to be an area of land

## CLUSTERS OF ACTIVITY

Getting to the heart of the freeport question requires an understanding of what exactly a freeport is. Under the March 2021 proposals, the government has assigned freeports to Liverpool, Plymouth, the Solent, the Thames, Felixstowe and Harwich, the Humber region, Teesside and East Midlands Airport. Once complete, each site would operate on a patch of specially designated land comprised of three main parts:

- 1 A TAX SITE** – with benefits including an enhanced 10% rate on structures and buildings allowance, compared to the standard rate of 3% – plus an enhanced capital allowance of 100% for new investment in plant and machinery up to the end of September 2026;
- 2 A CUSTOMS SITE** – with benefits including simplified procedures, plus zero tariffs – such as import VAT or excise – payable on goods until they enter the domestic market; and
- 3 AN OUTER BOUNDARY** – hosting a collection of smaller, local businesses that would support and trade with those working on the tax and customs sites, but would not be covered by their preferential terms.



Illustrative photo of Gravity Smart Campus in Somerset



Gravity & LDA Design

that has physical space for the development of new manufacturing or processing facilities. It's not enough to have only storage."

Snaith also points out: "There is absolutely an innovation focus. For example, there's a drive to create clusters of activity around renewable energy and advanced manufacturing in the South West. But those accelerating and enhancing activities are only possible if the manufacturing and processing are present as a substructure in the first place."

From a business-strategy perspective, Snaith notes: "One big challenge is how freeports are going to be integrated with the onshore economy. And there are two key areas that must be addressed there. The first is to ensure that the customs procedures operate seamlessly. Can you move goods out of a freeport's customs site into a special procedure, such as inward processing? Can a business that is not physically on the freeport add its value without necessarily losing the customs benefit? And that's really where strategic customs consultants are going to be challenged.

"The second is the tracking of the physical movement of goods. There's work under way at the Gravity Smart Campus in the South West, looking at geolocation technologies in the context of blockchain and distributed ledger.



In addition, there are already various tools and systems in place that could be harnessed for tracking goods."

Snaith points to HMRC's Goods Vehicle Movement System, which was initially created to address logistics in the post-Brexit Northern Ireland situation. More generally, there's a technology standard called the electronic consignment note, which provides a data-driven procedure for tracking the movement of goods. A number of freeports are exploring 5G methods. "But how those systems can be brought together in a way that will work for onshore businesses is still a work in progress," Snaith says.

### Chain of progress

For a flavour of where UK freeports could – or even *should* – be heading as the plans behind them crystallise, it is useful to look at developments within a far more established freeports model in another part of the world.

LGR Global is a digital trade finance solutions provider that works across freeports encompassed in China's

64%

said they didn't feel they had a good understanding of how freeports will operate

60%

agreed that freeports have the potential to create skilled jobs in the surrounding areas



Freeports are designed to create regional regeneration, inward investment and employment opportunities



Above: Chinese vessel *Zhen Hua 36* transporting cranes for Liverpool Port on the River Mersey  
Below: LGR CEO Ali Amirliravi

ambitious Belt and Road initiative. With clients including the Industrial and Commercial Bank of China, Saudi Aramco and Coinbase, LGR has built a comprehensive technology ecosystem that combines blockchain, Internet of Things, smart contracts, artificial intelligence and Big Data systems to keep all the various different types of freeport stakeholders on one page.

“We recently signed an agreement with the People’s Republic of China to connect Guangzhou Freeport to our ecosystem,” says LGR CEO Ali Amirliravi. “Under that agreement, the freeport’s trade finance and supply chain management protocols will be operated together on one system. It’s the first time in the world that this has been done.”

From a business standpoint, Amirliravi explains, the benefits of this digital connectivity speak for themselves. “The system is a repository for every key type of documentation. For example, certificates of origin and quality assurance, trade agreements between importers and exporters – plus letters of credit in trade finance transactions. Traditionally, there has been a disconnect between trade finance and supply chain management. But our ecosystem treats them as holistic.

“And as this data is accessible in real time to all the trade partners in the chain – from buyers, sellers and shipping firms to insurers and port authorities – it is completely transparent. This enables the port’s stakeholders to avoid the risk of money laundering. Another advantage of our ecosystem is that it’s plug and play, with no need for a costly or time-consuming infrastructure build.”

## “Digitisation and blockchain technology should be key areas of focus for UK freeports”

ALI AMIRLIRAVI

In Amirliravi’s assessment, “Digitisation and blockchain technology should be key areas of focus for UK freeports. Major banks such as BNP Paribas and ABN AMRO have completely left this environment – so ecosystems based around these newer types of technology are the future.”



Matt Packer is a freelance business, finance and leadership journalist



Getty

# View from... the CISO's office

Treasurers sometimes feel misunderstood by other functions. One chief information security officer explains to **Christian Doherty** what he wants from his treasury team

**S**hawn Irving is the CISO of the global plumbing and infrastructure company Ferguson. It has sales of \$23bn with more than a million customers served by 31,000 associates in 1,679 locations across the world.

### WHAT ARE THE ASPECTS THAT YOU VALUE THE MOST IN YOUR TREASURY FUNCTION?

In my opinion, the treasury function in most organisations is a little understood, back office process that is often perceived to be narrowly focused on the company's liquidity position. While fundamentally it is true that the treasury function is accountable for ensuring that enough cash is available to cover outflows on a given day, the modern treasury function looks far beyond that to understand a whole host of external risk factors that can have direct/indirect implications on the near- and long-term resource availability.

It is this broader-scope consideration of exposure to other types of exposure, such as liquidity risk, counterparty risk, operational risk, supply chain risk, technology risk and so on that requires the modern treasury to look well beyond the basic confines

of cash and investments in service of its objectives. As a technology professional, I value and appreciate the focus Ferguson's treasury places on broad-scope understanding of current and emerging technology and their impact.

### WHAT DO YOU LOOK FOR IN A TREASURER?

The best treasurers are the ones who are able to demonstrate that they can bring a broad incorporation of risk understanding that goes far beyond the mechanics of cash management. In addition, that needs to be aligned with core business functions that are then able to help the organisation drive risk and opportunity.

### HOW SERVICE-ORIENTED DO YOU EXPECT TREASURY TO BE?

This is really important for the technology function because a service-oriented treasury team can make a huge difference to business success in so many ways. Given that, as CISO, I value a highly collaborative treasury team that is broadly

engaged with key relationships throughout the business. I also need treasury to be highly proactive in suggesting solutions.

What does the business sometimes get wrong about treasury? We sometimes see that units within the business can adopt a limited-scope view of the treasury function. In some cases they see it as strictly a cash and investments management function, but there can be a lot more to it than that.

### HOW CLOSE SHOULD TREASURY BE TO THE CHIEF TECHNOLOGY OFFICER?

Without a doubt, this is an absolutely critical relationship within the organisation. If you take the wider view of the global economy and consumer behaviour, businesses like Ferguson derive significant current and future value through applied use of technology. That means that we – across the entire business – must have a well-rounded understanding and a clear linkage back to the key relationships that own and drive these functions. That approach is essential to understanding business risk. ♦





# Right side of the law

The concerted global action against Russia may have unexpected consequences that treasurers must pay heed to

**T**he conflict in Ukraine has led to the introduction of a wide raft of sanctions against Russian businesses and individuals. And while it's a dynamic situation, it's fair to say that any business with exposure to Russian partners or other organisations will need to pay close attention to their risk for the foreseeable future.

Daniel Tannenbaum is a partner and Americas anti-financial crime leader at Oliver Wyman in New York. He says that while the current situation in Russia is unique, in essence all of the different jurisdictions that have imposed sanctions on Russia are now rowing in the same direction. But it's not that simple: "The challenge with Russia is that they're taking slightly different routes," he says.

## Threading the needle

"In practice, that means the actual guidance around how to execute the imposed sanctions differs," he continues. "So in the UK, when some of the banks have been designated, they haven't granted a wind-down licence. That meant that those banks and anyone that maintained accounts for those banks had to cease activity and freeze assets with immediacy."

And although UK authorities followed their US counterparts in issuing some wind-down licences, Tannenbaum says the operational complexity of threading the needle

between various countries remains a big challenge.

"The important thing to remember is that most of the existing sanctions controls that UK financial institutions had in place are fit for purpose. Now, it's a case of staying aware of what's happening. But there are certain scenarios where most Western companies will be forced to figure it out as they go. There aren't specific solutions when it comes to 'How do we deal with X?'"

Tannenbaum points out that the novelty of the situation also makes things unclear. "There's never been an EU sanctions enforcement action and the UK is still only beginning to up its enforcement game. But the enforcement cycle is measured in years – typically, an enforcement action issued today could be related to something from three, five or even 10 years ago. So, if you have a problem today and you don't hear anything for years, you may not be in the clear for a long time," he claims.

But the nuance in the current situation will have a strong bearing on how UK firms are dealt with further down the line. "If someone was still carrying out activity T-plus 24 hours after a designation was put in place, but by the 36th hour they began to cease, then you might have some leeway as a mitigant – but it's very much facts and circumstances dependent," Tannenbaum explains.

## On the front foot

There are, though, some proactive things treasurers can do if the company must maintain business in Russia. "We saw in the run-up to the invasion some companies diversifying which bank accounts they were doing business with, because there was a strong suspicion that the larger institutions were a prime target for designation," he says. "There were cases of treasurers finding other accounts in smaller institutions as a precaution to manage things like payroll through."

"So, treasurers need to take stock of where they maintain their accounts and where they're exposed to possible designation under the sanctions rules. Now it's a case of knowing where they can do business."

Given the close and intricate bonds between institutions within the global financial system, it's very easy for even arm's length relationships to create a problem. "We're beginning to see financial institutions [FIs] that haven't exited the Russian market but that still have a broad Western presence that see their broader relationships outside Russia

threatened from a reputational perspective."

In short, Tannenbaum says it's all too plausible for banks providing US dollar clearing services for FIs still doing business in Russia deciding to suspend those services purely to protect their own reputations.

And, of course, there could be more pressure to come depending on the progress of the conflict. As the squeeze on gas and oil exports takes hold, for those few companies still operating in Russia, the question of why they remain there will become even more pressing. ♦

- **The ACT Policy and Technical team has compiled a list of resources that treasurers may find useful: [treasurers.org/hub/technical/russia-ukraine](https://treasurers.org/hub/technical/russia-ukraine)**





# CASHING OUT?

Treasurers gathered at the Royal Lancaster Hotel in London in March to discuss security and best practice in their cash management

**T**here's nothing like a crisis to bring the focus onto the fundamentals of treasury. And, as the delegates at the recent ACT Cash Management Conference in London heard – from a range of speakers – there's no shortage of crises to go around.

Just as the dust began to settle on Brexit, the advent of a once-in-a-century global pandemic seemed to mark the high watermark of volatility. Yet little did we expect the sudden eruption of the most significant outbreak of hostility in Europe since the end of World War II.

And make no mistake, the crises keep coming. As Fabrice Montagné, managing director, chief UK and senior European economist at Barclays, pointed out, the next six to nine months are unlikely to deliver much in the way of reassurance.

"Discussing whether growth will be 0.3% or 0.4% in the next quarter is a luxury we just don't have any more," he said. "Instead, some estimates suggest we're heading into a real income squeeze that we haven't seen since the 1940s."

### Practical steps

What to do? For Bente Salt, group treasurer at Rentokil, times like these call for some straight talking. Asked what advice

Barclays' Fabrice Montagné warned of an income squeeze not seen since the 1940s

she would give treasurers facing the next months, her response was blunt: "Don't run out of cash."

Salt's assertion was echoed by Yera Hagopian, managing director, liquidity solutions, at Barclays: "Uncertainty has been with us for a while. Having just got over Brexit, the pandemic then brought in the effects we're already seeing: disrupted supply chains, problems sourcing, inflation creeping up. And the geopolitical situation is now adding some very specific and sharp shocks to that."

## "Liquidity should probably come first, as it's the first thing treasurers worry about"

### YERA HAGOPIAN

For Hagopian, the biggest challenge facing treasurers is the sheer velocity of the disruption that never seems to stop. "It's worth wondering how many of us are having to replan, virtually, on a daily basis," she said. "If you look, markets are saying one thing, central banks are indicating something else, the economists might be pointing elsewhere – you get three conflicting views, all of which may change tomorrow, so that level of uncertainty is a huge challenge."

Hagopian made a point that was repeated across the day: disrupted times call a stronger focus on getting



the basics right – in short, smart liquidity management. "We always come back to security, liquidity and yield. And while we usually say it in that order, what these crises are showing us is that liquidity should probably come first, as it's the first thing treasurers worry about: where is our cash? Can we access it?"

And that's not just about tenor. Jeremy Johnson, group treasurer at Mitsubishi Capital, agreed that a proactive approach to liquidity would be required in the coming months. "When we look at the commercial paper market, we notice that where we could easily issue three months or longer, in fact, now things are tightening up, as we saw in 2008.

"We're looking at corporate debt markets, where spreads are widening. And while it's nothing like the scale of 2008, we have to keep our eye on liquidity – because we all know as treasurers that rule number one is simple: don't run out of money."

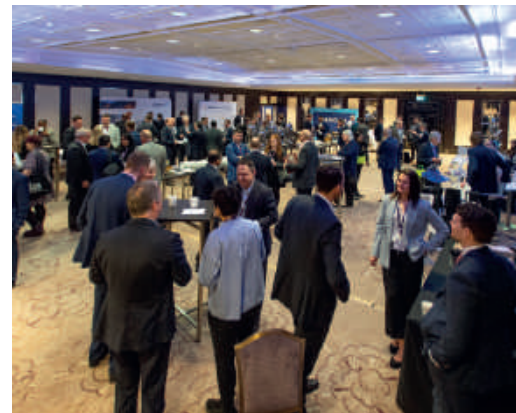
### A leading role

Johnson's belief that treasurers – and their cash management strategies – will be at the heart of most business decisions going forward was a key theme of the day. Whether that's through addressing liquidity risk, adopting new technologies to gather better visibility on cash or simply protecting company assets, treasury cannot hide.





The ACT's Caroline Stockmann, Riccardo Tordera Ricchi, Payments Association, Mark Streater, Bank of England, Naresh Aggarwal from the ACT and Karen Braithwaite of Barclays



## VIEW FROM THE FRONT LINE

**Tariq Kazi, head of treasury at housing association Optivo, gives an insight into the pressures facing treasurers in the third sector**

With a customer base that largely has recourse to public funds, our daily challenge is to make housing more affordable. So, how can we fund a capital ex-programme to build new homes more efficiently to meet all of our commitments to long-term lenders and investors who provide us with access to capital? We borrow around £2bn, most of which is secured mortgage-style.

Around £220m of our annual income of £350m comes from rental payments. So that should be fairly straightforward, but sometimes that can get complicated. Our business lines are rent, shared ownership and open market sales. We're mostly rent and shared ownership and that represents consumer payments. And while rental income should be steady and predictable, when crises hit they can lead to arrears and bad debts.

The question for us is keeping up with the next generation of Uber-type models that can take payments in a frictionless way. We're looking for ways to run our business better – but we're not there yet.

Indeed, security was at the top of the agenda during a session focusing on the growing threat of cyber fraud and how treasurers can lead on developing a durable and resilient security framework.

Delivered by Chris Cooper, senior fraud manager at Barclays, the session focused on the three main threats facing a typical corporate: CEO impersonation, where fraudsters hijack an email address to fool team members to authorise payment; change of payee account details – a similarly low-tech scam involving diverting payments to fraudster accounts; and malware/ransomware, perhaps the fastest-growing threat in the UK, where malicious bots can sit in a system for 231 days gathering information and resulting in businesses going offline for an average of 22 days. “That’s an enormous amount of disruption,” Cooper pointed out.

But banks and other technology providers are constantly developing tools to help corporates secure their systems and processes. “If you look at initiatives like Confirmation of Payee (CoP), it covers authorised push payments and scams around impersonation fraud. It’s been introduced to give users comfort that their money is being sent to the right place and that the details tally with the supplied details. And it will also soon cover CHAPS, standing orders and faster payments,” he added.

Crucially, with CoP, Cooper explained that while banks are pushing to make it another embedded part of the payments infrastructure, it’s a long journey to make it a standard. “We’ve had success, but we need to push that forward – and treasurers can play a huge part in that by engaging with the industry to make sure their needs are met.”

### Paying it forward

As a critical – and growing – part of the cash management landscape, it was fitting that a session devoted to payments attracted a stellar panel and prompted much debate. As associate director of policy and technical at the Association of Corporate Treasurers (ACT), Naresh Aggarwal knows better than most that: “As treasury professionals, we’re not driving enough of this, perhaps because we don’t see the value in payments. And while they were seen as low value, that shows a lack of the true value that payments can deliver.

“But there are some fundamental changes happening around how we view, value and manage money. Some of the most interesting debates currently raging ask: What is money – is it Bitcoin, ether, CBDC? From that we can unlock a huge amount of value in how our organisations engage with each other and the wider economy.”

**Christian Doherty** is editor of *The Treasurer*





# FintechWatch

Which cutting-edge technology tools are bringing power, insights and convenience into treasurers' lives? Fintech watcher **Matt Packer** surveys the scene

From cash and FX management to the challenges of know your customer (KYC) compliance, this issue's selection of fintechs address some key, perennial pain points. Let's hand over to their senior managers to explain how these platforms work...

## CASH FORECASTING: TROVATA (TROVATA.IO)

**What does your technology do?**  
**Dylan Boudraa, chief revenue officer**

Trovata helps firms enhance their cash management systems and processes. Our founder and CEO Brett Turner was inspired by the possibilities of open banking, founding

the company just as the leading corporate banks were starting to release application planning interface- (API-) powered access into their treasury and cash management services. We were one of the first companies to connect to the APIs released





by JPMorgan, Wells Fargo and Bank of America.

Our mission is to give finance teams an easy button for a unified view of cash, so they can spend less time wrangling bank data. That's delivered via an easy-to-use web app, plus a companion mobile app, through which users can categorise their bank transactions, report on and analyse them, and then use them to build cash forecasts.

#### Who would it suit?

**DB** We're aiming to help any treasury professional who's at the stage where their Excel system is breaking, but is not yet ready to do the heavy lift of implementing a traditional treasury management system (TMS). Our clients are medium to large enterprises in a range of industry sectors, from technology and manufacturing to healthcare and higher education.

#### What sort of problem(s) does your system solve?

**DB** Once you get past having three or four bank relationships – or even at that very stage – the whole process of logging into four bank portals, downloading all the transactions and wrangling that data to understand cash becomes rather onerous. We work with clients who have tens, hundreds or, in some cases, more than 1,000 accounts.

We put all that data in once place, accompanied by a Google-like search experience and the ability to tag or bucket data into various categories. Machine learning software oversees that categorisation, helping the tool understand how your business works and supporting the ability to build effective cash forecasts. We're helping treasurers spend less time on mundane, repetitive tasks, so they can instead use their understanding of the business to help executives make better decisions.

#### How much does it cost to use?

**DB** Depending on factors such as the size of the client, the desired functionality and the bank mix, a 12-month subscription is between \$30,000 and \$100,000. We

don't operate on three-year upfront commitments or anything like that – we have a four- to eight-week implementation phase, after which we are confident clients will see the value of the platform and renew their subscription.

#### Who are you targeting?

**DB** We are focused on the large white space of treasury departments in the US, at firms with revenues between \$200m and \$5bn. We're excited about international markets so, in 2022, we'll be opening up in Europe and Asia.

## FX MANAGEMENT: HEDGEBOOK (HEDGEBOOKPRO.COM)

#### What does your technology do?

**Richard Eaddy, CEO and director**  
Hedgebook delivers an intuitive, easy-to-use TMS. The software enables finance professionals to manage risk and streamline compliance procedures, while helping them to build collaborative banking relationships. It has a particular facility for simplifying complex areas – from FX and interest rates to commodities – and does so in a cost-effective way.

#### Who would it suit?

**RE** We have designed Hedgebook to answer the needs of three different audiences:

- **Corporate treasurers** A cost-effective TMS records, reports and values financial instruments as well as providing analytical tools to help users make better hedging decisions.
- **Auditors** Our independent valuation tool verifies mark-to-markets that corporates provide as part of their annual audit processes.
- **Bankers/brokers** Hedgebook's collaborative platform provides bankers and brokers with significant visibility on their clients' risk positions, via our

unique FX Exposure Tool and Client Dashboard.

#### What sort of problem(s) does your system solve?

**RE** It addresses and tackles a number of the key issues facing corporate treasurers and bankers/brokers. First and foremost, it opens up insightful visibility on an organisation's exposures and hedges, empowering that firm to make better hedging decisions. That happens through a really simple, intuitive interface that we've priced to add value in the context of treasurers' budgets. TMSs don't need to be expensive to be effective.

#### How much does it cost to use?

**RE** Hedgebook is one of the most affordable treasury solutions available, with corporates able to gain access to its TMS from as little as £200 per month.

#### Who are you targeting?

**RE** We are a global operation, with our main headquarters in London and a development team based in New Zealand. Our primary focus is mid-sized corporates and banks that are eager to enhance their engagement with clients.





## KYB/KYC COMPLIANCE: DETECTED (DETECTED.APP)

### What does your technology do?

Liam Chennells, CEO

Detected is a piece of software that can find any company on the planet with just two pieces of information: its name and the city where it's registered. In my understanding, we're the only tool in the world that can do this.

We formed during the pandemic, when I couldn't find the information necessary to verify firms in certain countries where I was looking to do business. For example, you'd think that finding company data in Singapore would be relatively easy. However, you have to register an account with the local equivalent of Companies House, then spend quite a lot of money to obtain a report that requires seven or eight inputs to compile. We connect 12 leading data providers for global coverage in a way that requires only minimal inputs to verify firms.



### Who would it suit?

LC Anyone who is involved with the onboarding of new suppliers and/ or clients – so, it has both know your business (KYB) and KYC applications. We see the tool as a supportive utility for strategic KYB and KYC decision-making.

### What sort of problem(s) does your system solve?

LC In many cases, when firms seek this type of data from business registries on a one-by-one basis, the ultimate

beneficial owner (UBO) information they receive is out of date. Under many compliance regimes, that's just not good enough. So, we've built a workflow whereby a company sends a link saying "Add your UBO information" to the business it's onboarding. The software then cross-references that data with sanctions records and other relevant documentation to look for potential discrepancies or issues of concern.

### How much does it cost to use?

LC We work out our pricing in discussion with individual end users. As a hub that sits in the middle of a variety of different data providers, we have efficiencies of scale that put us in a strong negotiating position – but we pass on the underlying savings through our low-cost cloud infrastructure.

### Who are you targeting?

LC We're aiming to empower people in any sort of compliance or risk function with better data. And that has a genuinely global dimension – particularly for firms that are seeking to do business in emerging or unfamiliar markets. We have corporate clients who have asked us to search for small, limited companies in Morocco, Hungary and Ghana, and we've found them instantly. ♥

**Matt Packer** is a freelance business, finance and leadership journalist

**“We’re aiming to empower people in any sort of compliance or risk function with better data”**

# BEST PRACTICE

Expert answers to today's challenges



## FIND YOUR INNER TIGER

Why inflation and supply chain uncertainty will force the treasurer to move swiftly and with purpose

RISK MANAGEMENT & STRATEGY

56

### MACHINE LEARNING

How investing in machine learning tools can provide greater efficiency and insights to treasury departments of all sizes

57

### SCA UPDATE

New strong customer authentication rules - will they be effective against some common approaches to financial fraud?

58

### MIDDLE EAST TRADE FINANCE

Semih Ozkan looks at emerging opportunities and new risks for treasurers around the world as a result of the global pandemic





**T**igers are usually solitary nocturnal creatures that continuously patrol their territory looking for prey – but they also protect their territory from others that might threaten their existence. And while

I wouldn't recommend treasurers prowl tropical forests in the middle of the night, there are some insights from tiger behaviour that are worth attempting to emulate. It is increasingly apparent that treasurers need to be more aware than ever of the changing landscape of our supply chains in ways that many would never have expected.

So it follows that treasurers are becoming far more influential in large corporates, since their roles become more crucial at a time when liquidity becomes more volatile. This means that treasurers need to be far more proactive in spotting risks to their businesses: they must have an armoury of weapons to deal with potentially difficult situations that can arise with terrifying speed.

## THE BUTTERFLY EFFECT

The global supply chain is now so integrated that it is much more likely that a butterfly flapping its wings in Indonesia will cause a tsunami on the other side of the planet. For example, in a recent conversation about the coffee industry, it was pointed out to me that because of the war in Ukraine, shipments of Russian fertiliser and potash were not getting through to Brazil. Russia accounts for nearly 30% of fertiliser imports to Brazil. These products are required during the coffee-planting season and without them, the coffee crop will likely be diminished from this country for several years to come due to a series of seemingly unconnected events.

In another example, it turns out that 60% of the world's neon gas is made by one company based in Odesa in Ukraine. Without this gas, the lasers that are used to etch the circuits on semiconductors will not work. It looks likely that microchip shortages might continue for longer than we expected. Also, not surprisingly, the price of neon gas jumped by 600% in the first week of the Russian invasion. And what might happen next? We simply do not know.

Despite these challenges, it is not time to throw up our hands in despair. Many things can be done to mitigate these risks. Traditionally, treasurers have spoken to their banking partners

to maximise the lending facilities they have to draw on. While this is still a valid strategy, it is getting harder to get banks to realise more liquidity in an environment where they have to hold more reserves to comply with banking regulations, while they are afraid of overexposing themselves to market risks. In some cases, merely asking for extended facilities is a matter of suspicion in itself.

## TAKING THE LEAD

The next area to tap is working capital. This is more difficult for treasurers, since they do not have direct responsibility for the parts of the business that determine the levels of accounts receivables, accounts payables and inventory. But again, that doesn't mean they're powerless. Treasurers have two great advantages in the area of working capital. Firstly, they see first-hand the impact of poor management of these current assets and liabilities. Secondly, it is very rare that a treasurer doesn't have the ear of their CFO. A lot of money has been spent on treasury management systems and working capital reporting in recent years, and that means treasurers should have their finger on the pulse of cash in the organisation.

And given that more and more organisations are centralising treasury processes with the use



## ACCENTURE RECENTLY PUBLISHED ITS ACTION PLAN FOR BUSINESSES FACING SUPPLY CHAIN DISRUPTION:

**Put people first:** Keep the planning workforce healthy and productive by supporting new ways of working.

**Leverage data to improve visibility:** Maximise visibility into demand, inventory, capacity, supply and finances across the ecosystem.

**Define segmentation to prioritise demand:** Carefully analyse demand and define priority microsegments.

**Build a sales and ops SWAT team:** Mobilise dedicated planning and execution teams that are able to undertake multiple interventions and orchestrate responses effectively.

**Evaluate supply chain scenarios:** Run simulations to predict when and where excesses and shortages are likely to occur, as well as running end-to-end scenarios to get actionable insights that will optimise operational metrics.



“Treasurers need to be far more proactive in spotting risks... they must have an armoury of weapons to deal with potentially difficult situations”

of in-house banks and intercompany clearing, treasurers can now see the real effects of working capital management on a daily basis. CFOs are always nervous about what might be around the corner, and treasurers are the people that can most effectively communicate the impacts of changes in the working capital profile to the people who are responsible for steering the corporate ship through the storm of uncertainty.

More and more working capital programmes are being initiated and managed via treasury, and this trend is likely to continue. Treasurers have become a bigger influence in the business as the commercial part of the organisation needs to improve customer collections and customer payment terms, finance needs to improve the management of accounts payable and supplier payment terms, and operations need to control inventories more effectively while fulfilling customer demand.

### BUYING CREDIT

One area that has always been key in the management of supply chain risk is procurement. Many treasurers can feel quite distant from procurement activities, but there is a real necessity to generate a level of symbiosis between the treasury and procurement functions. Procurement departments are usually not very well trained in financial areas around payment term management, accounts payable efficiencies and payment mechanisms with suppliers such as supply chain finance (SCF).

Education and coaching are required so that procurement understands the impact of their actions on corporate liquidity, how they can help with accounts payable operations and how to use payment mechanisms to help secure the supply chain. One of the best examples in recent

years is the use of SCF. On the surface, SCF is a simple mechanism to allow a supplier to be paid early while the corporate buyer can maximise their working capital balance.

There is ample evidence that suppliers who sign up for such programmes can also prosper by having additional working capital to fund their own businesses and, as a result, want to increase their business with their customer. This has the effect of binding the supplier to the supply chain, and in times where there are shortages of products and resources, it makes it much more likely that your company will be supplied versus the opposition. These schemes can prove to be a significant competitive advantage in times of economic turbulence. Treasurers are the key to success in these areas, since they will be some of the few people who can explain how all this can work for procurement.

Additionally, treasury can also help procurement to understand the risk in their spend portfolio. As technology and centralisation have crept into all our processes in recent decades, it is increasingly common that buyers do not know where their products and services are being sourced from. In a recent example, a client was working with a Belgian software company based near Antwerp. That doesn't sound very risky until you understand that they use several subcontractors based in Kyiv.

While this didn't ultimately impact service delivery, procurement had not understood the geographical link. This is a common error in many fields of procurement and treasurers need to take the time to educate their colleagues to look out for these kinds of risks.

This is why treasurers need to understand their inner tiger. Understand what is going on across your company, understand how you can influence decision-makers and educate your colleagues about how their actions influence liquidity. If you go into the woods today, please don't be in for a big surprise. 🦁



**Brian Shanahan** is the leader and founder of working capital consultancy Informita

# TAKING ON THE PENSIONS CHALLENGE

Treasurers must grapple with increased regulatory change and the rising costs of running a workplace pension scheme

## RISK MANAGEMENT & STRATEGY

**W**ith the government escalating its pressure on single-employer pension schemes to deliver better member outcomes, does a corporate sponsor's value for contribution now align with the increased costs, time and effort required to fulfil new regulatory requirements, deal with enhanced governance and manage an increasingly transient workforce?

Corporate sponsors face a somewhat perverse situation, with ex-employees and deferred members now accounting for more than half (53%) of members in single-employer trust schemes, according to The Pensions Regulator. Are they now paying as much for an ex-employee benefit as they are an employee benefits programme?

Much of this explains why more and more businesses are looking to master trust structures to run outsourced bundled pension solutions that on the one hand enhance member outcomes, while on the other remove the governance burden and cut the cost of running a workplace pension scheme.

### HOW DID WE GET HERE?

Ironically, some of the problem lies in the undoubted success of auto enrolment, which this year celebrates its 10th anniversary and is credited with the seismic shift in DC pension scheme membership – from 49% of employees in 2012 to 75% in 2020.

The numbers are impressive, no doubt. However, with people now having around 11 jobs during their lifetime, the number of workers with small pension pots under £1,000 has surged.

As a result, the issue of member value has arisen as a prime concern within government. David Fairs, executive director for regulatory policy, analysis and advice at The Pensions Regulator, is on record saying no member should be “left languishing in poorly governed schemes which do not offer the same value as larger schemes”.

However, the flip side of this understandable concern is an expanding governance requirement, as well as the increasing cost of managing and overseeing the pension pots of an exponentially growing deferred member and ex-worker base.

### THE REGULATORY ROAD AHEAD

New regulations came into force in October 2021, with The Pensions Regulator now requiring some schemes to annually report how they deliver value for members. Schemes with total assets below £100m that have been operating for at least three years will now be assessed on three core areas focused around scheme comparison, investment returns and governance and administration.

Schemes that fail to match value for member benchmarks will be expected to transfer to a larger scheme (like a master trust) or explain how they plan to upgrade member outcomes in the short term.

Adding additional pressure to smaller schemes, the Department for Work & Pensions has opened up consultation on draft pensions dashboards regulations this year as a way of addressing the problem of small pots and lost pensions – something that may lead to a considerable cost and operating impact landing on the doorstep of corporate sponsors.

The 137-page consultation document sets out a plan to have UK schemes on board by April 2023, with requirements including:

- A dashboard for members that include all workplace pensions, public and private sector occupational and contract-based pensions, non-workplace pensions and the state pension; and
- Connecting to the Money and Pension Scheme pensions dashboard's digital architecture.

What's more, a scan of the regulatory horizon suggests more is to come. The government will want to ensure that its measures around value for members does not become a box-ticking exercise.



Value will need to be something that each member can see and feel – something that could potentially open up interpretative variations between pension trustees and scheme managers. In short, however value is interpreted, schemes will regularly need to measure, prove and satisfy it to The Pensions Regulator.

### WHAT ABOUT COSTS?

While all this activity achieves some outcome improvements for members, the scale and speed of this regulatory change is already hugely disproportionate to the complexity, cost, risk and effort involved for employers.

Administrator fees could go up, especially within an environment of lower competition, data and cybersecurity, as well as more requirements for digital technology delivery and improvements.

Regulatory costs are also on the rise and the limits on what they can be used for are not always clearly defined. A topical example of this is the Fraud Levy. From 2022/23, single-employer trusts face a 140% fee hike from 75p per member to £1.80 per member (this includes deferred members).

Employers may raise an eyebrow after reading the introduction to a recent pensions consultation conclusion: “It is a widely accepted principle that the pensions industry should meet the costs of protecting the pensions industry rather than spreading the costs to all taxpayers, who do not all benefit from the provision of occupational pensions.”

Which sounds reasonable at first, until you realise that it is only corporate sponsors that fall within this narrow definition of ‘the pensions industry’. Consultants, lawyers, administrators and professional trustees, all of whom make a living from the industry, are exempt.

### IS THERE A SOLUTION?

It comes as no surprise that employers are now looking for ways to unburden themselves of the increasing time, risk and costs that come with running a workplace pension scheme, while also seeking to retain value and benefit for their employees.

It is one of the most significant reasons why master trust solutions are now taking centre stage as the pension arrangement of choice for employers. Indeed, in the past year alone, membership has gone up by a massive 10%, according to The Pensions Regulator.

In essence, a master trust is a multi-employer occupational pension scheme where each employer has its own division within the master arrangement. They offer pension schemes the opportunity to consolidate and are operated under shared services to deliver scale efficiencies.

A quick snapshot: there are now more than 20 million UK members of a master trust, which account for more than £79bn of assets (£71.3bn of DC assets); master trusts hold more than £524m in reserve capital to protect members; and they’re set to account for over half the proportion of future workplace pension arrangements.

This rise in popularity of master trusts isn’t surprising given the current regulatory climate, especially when you consider the following:

- All administration is run out of a master trust, so employers no longer need to hire external advisers and administrators;
- Current and future regulatory and legislative administration is the responsibility of the master trust;
- The Trustee of a master trust has a fiduciary duty to put member interests first, so delivering and improving value for members is no longer the responsibility of employers;
- A master trust also removes the escalating burden and cost of looking after members who are no longer contributing to the company’s success;
- Employers who wish to do so can retain certain controls – such as appropriate investment options and contributions (so long as the minimum requirements are met); and
- Master trusts can also offer financial wellbeing tools to engage workforces and reduce stress. This has the potential to deliver real cost savings across wider HR strategies during the current stressful time for workers.

With the government actively pushing for the pensions market to shrink and consolidate, master trusts are now in the strongest position to alleviate the costs and complexities from employers, while at the same time utilising their scale to deliver improved member outcomes. 📈



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# RISE OF THE MACHINES

Making machine learning work for your organisation

TECHNOLOGY

**T**oday's treasury teams operate with urgency in complex, global crises. With companies under pressure to keep up with all the dynamic changes in their cash and liquidity operations, corporate finance divisions are more critical than ever.

But, of course, treasury organisations across the world are far from homogeneous. Echoing the spectrum of companies and industries that they keep afloat, these teams vary in size, scope and structure. They also use different tools and technologies to manage cash, liquidity and risk.

A significant and perhaps surprising proportion of treasury teams still use spreadsheets. These manual systems are slow and error-prone, preventing treasurers from keeping up with today's fast pace of change. It's not surprising, then, that many are looking for more professional tools.

Treasury management systems (TMSs) help them automate and integrate their financial operations in a single platform, with the most innovative solutions increasingly integrating machine learning (ML) tools.

## THE RISE OF ML IN TREASURY

The 2008 financial crisis showed the criticality of treasury functions for companies to survive and thrive. It also exposed the harms of cumbersome and error-prone procedures and tools to manage financial operations. While the demands on treasury teams increase, there is a grand digital transformation unfolding, spearheaded by ML.

Over the past few years, we've seen technology innovators invest in ML to deliver greater efficiency and insights to treasury organisations of all sizes and complexities. ML models with the capability to bring together vast swathes of data within seconds are underpinning cash and liquidity management practices. In doing so, these models provide larger and leaner treasury teams with more time and scope to convert their data into valuable insights. Today's ML models can save CFOs and their divisions time, elevating their cash forecast's accuracy and incorporating retrospective and predictive analysis.

While ML technology is impressive and sophisticated, it can be deployed with relative ease by all types of organisations. However, getting the most from ML requires focus on three key things: treasurers must choose the right models; they must adapt them to the company's characteristics; and they must train the ML algorithms with the company's individual data.

Many companies believe they need to employ data scientists and ML experts to implement ML technology, but this is not the case. Technology providers design ML algorithms in a way that they can be used by all kinds of companies. During the implementation project, they are tailored to an organisation's requirements.

Once that's done, the models have to be trained rigorously with structured, clean data. During the process, specialists from the technology provider work with treasury teams to make sure the models and data best fit the company's needs.

## ML UNDERPINS THE FUTURE

Today, more innovative TMSs arrive with ML capabilities built in. As the treasury system acts as a central source for financial data, the ML algorithms help unlock the potential of this data. They deliver new insights and help treasury teams better plan, manage and invest their cash flows. ML helps to reduce manual tasks, transforms operational processes and establishes data-driven decision-making. Overall, it enables the shift to a more strategic, value-added treasury function.

No one can doubt the transformative potential of ML for treasuries. When supported by forward-thinking, flexible technology providers, organisations will witness the remarkable benefits of ML technology. ♡



**Viola Hechl-Schmied** is ION's product owner for ML and an expert in the training of ML and AI models for treasury and cash management functions



“Today, more innovative TMSs arrive with ML capabilities built in”

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# FIGHTING FRAUD AT THE SOURCE

**Andy Barratt** assesses whether the new strong customer authentication rules are effective in the fight against fraud and the implications for financial services firms

## RISK MANAGEMENT & STRATEGY

**A**s the volume of digital transactions continues to increase exponentially, the new strong customer authentication (SCA) rules are – in principle – a step in the right direction. The regulation acknowledges the need to bolster cybersecurity measures within a broadening threat landscape, holding user safety as paramount.

But, like all good things in theory, there are often some unintended practical consequences.

### AT FIRST GLANCE

The new SCA regulation changes the way that customers confirm their identity when making purchases online. They will have to go through an extra layer of authentication to prove who they are directly to their card-issuing bank – rather than the place they are shopping with.

This means proving two out of three things: something they are (fingerprint or facial recognition), something they have (a mobile phone or tablet) and something they know (a pin or a password). Users will likely have seen these come into effect already, where device-based verification is needed via text message or mobile banking app. The implementation of this multifactor authentication requires businesses and payment service providers to work with tech suppliers to create a smooth, secure process for users.

Of course, if the new protocol works as intended, then the framework it creates will benefit everyone: customers, banks and retailers.

The challenge with the new rules is that they are open to broad interpretation, without being backed by auditable standards. Where the new regulations are implemented well, the difference won't be particularly noticeable. But for those companies that aren't prepared for the changes, it may result in lost business.

However, the early implementation of a new payment protocol is often not particularly seamless and user-experience issues often lead to shoppers dropping off – leaving retailers with lost revenue as a result. So, if businesses don't administer SCA properly, we

will start to see payments declined, discarded impulse buys when the process takes too long or customers seeking a different route of purchase.

Ironically, given that the banks have just tried to expedite the adoption of 'off card' online payments, the SCA requirements make it easier to stick with card-based payments, as the security expectations are easier to work with and the ecosystem has a tried-and-tested response.

### LIMITED PROTECTION

For those transactions where a card is not present, SCA will only protect against fraud in certain circumstances.

Unfortunately, the same sort of attacks occur that we see with other online banking payments, and the rules won't help someone who has already been compromised.

In some cases, a home user's computer might have malware on it that captures all the card information as well as the secondary authentication approval, before diverting the payment to a rogue site.

All too often we see instances of these fraudulent sites that appear to operate as legitimate businesses, carefully similar to those they are imitating, that will ship the customer an empty box or counterfeit in the place of the item that they thought they'd purchased. In these instances, they tend to operate their payments out of country and then close down and reopen quickly upon discovery.

The SCA regulation is not a catch-all – it tightens up some areas of payment, but does nothing to protect against some of the most commonly used approaches to financial fraud.

It's a step in the right direction, but more needs to be done to tackle payment fraud at the source. ❖



**Andy Barratt** is UK MD of global cybersecurity consultancy Coalfire



# TRADING TOWARDS A SUSTAINABLE FUTURE

**Semih Ozkan**, adviser to the ITFA Middle East Regional Committee, looks at how sustainability can impact export finance and where export credit agencies can play a vital role in supporting change

## TREASURY OPERATIONS

**W**hile successive crises have rocked the global economy, we can be hopeful that when the recovery does gather momentum and take hold, the political and economic landscape will have changed, with environmental, social and governance (ESG) prioritised in order to create a sustainable future.

In this environment, businesses, corporates and financial institutions alike are under increasing pressure to align their business strategies to deliver a sustainable development impact – including mapping out a path to net zero carbon emissions to fight against climate change.

The pandemic and its related disruptions have underlined the urgent need to invest worldwide to achieve the UN Sustainable Development Goals (SDGs) by 2030, especially in emerging markets and developing economies. Building on the momentum of COP26, optimists hope the pandemic might serve as a catalyst not only for pushing sustainability to the top of the agenda, but also in paving the way for the required annual investment. The UN estimates that around 7-10% of global GDP<sup>1</sup> needs to flow into where it matters most: clean water and sanitation, affordable and clean energy, industry, innovation and infrastructure in emerging markets and developing economies.

In this new political and economic landscape, there are emerging opportunities along with changing dynamics and new risks for corporate

treasurers worldwide. As sustainability is becoming more of a strategic and operational imperative for businesses, sustainable finance is emerging as a meaningful response to address the SDGs.

There is an opportunity for export and agency finance, as part of the broader sustainable finance ecosystem, to contribute to sustainable development by supporting export, trade and growth worldwide. But it has further significant potential – so far untapped – as the recent landmark white paper in sustainability in export finance explains (see box on page 59).

## EMERGING OPPORTUNITIES

The pandemic has also provided businesses with a clear incentive to focus on stakeholder value, from business development to governance and control through to talent management. Export credit agencies (ECAs), development finance institutions and multilateral lending agencies are also prioritising sustainability by embedding ESG provisions in their products and solutions in order to support the transition to a more enlightened form of economic development.

These agencies' role can be transformational over the next few decades as they support export, trade and growth while helping businesses determine the investment case for change. Take Northvolt, a European supplier of electric battery cells and systems, which sourced \$1.6bn debt financing from a consortium of financial institutions along with the German



A Volkswagen ID.3 electric vehicle at a charging station in Dresden; Volkswagen is investing €500m in Northvolt for the production of battery cells for electric cars



and Japanese agencies to support the growth of the battery sector in Europe.

Similarly, Dogger Bank – soon expected to be the world’s largest offshore wind farm – recently closed £2.5bn-plus ancillary facilities with the support of French, Swedish and Norwegian agencies, and is in the process of driving the transition to renewable energy sources at scale.

### TAKING A LEAD

Finance agencies are taking a more active role in providing products and solutions that contribute to sustainable development. That means supporting further cooperation across the public and private sectors, adopting the Organisation for Economic Co-operation and Development (OECD) Agreement on Officially Supported Export Credits and encouraging new behaviours and regulations to boost export and trade flows.

To better understand the agencies’ potential role, the International Chamber of Commerce (ICC) and the Rockefeller Foundation commissioned International Financial Consulting Ltd and Acre Impact Capital to produce an independent white paper<sup>2</sup> on the current state of sustainability in export finance. It presents views of export and agency finance stakeholders, and makes recommendations to increase export and trade flows towards sustainable development.

By definition, export and agency finance contributes to sustainable development by enabling the private sector’s participation in the financing of export and trade flows where they matter most. But it also impacts on ESG performance through ensuring the necessary due diligence procedures and processes are followed. For example, the agencies conduct environmental and social impact assessment over two decades and follow associated risk management practices such as Equator Principles, IFC’s Performance Standards and the World Bank’s safeguard policies. Additionally, the agencies observe a detailed governance and control to ensure debt sustainability, compliance and execution.

However, export and agency finance is not considered part of the sustainable finance ecosystem, where loan and debt capital market products dominate the market, along with associated green, social and sustainability and sustainability-linked loans and bonds. According to the white paper, the volume of sustainable export and agency finance amounts to \$28bn, around 21% of \$134bn total transactions in 2020 – a blip compared to the global sustainable debt issuance of \$700bn in the same period as reported by Bloomberg<sup>3</sup>.

### CHANGING DYNAMICS

The dynamic is changing, though, as governments and sponsor countries look to include sustainability in the agencies’ broader mandate worldwide. For example, seven European countries – Denmark, France, Germany, Spain, Sweden, the Netherlands and the UK – launched the *Export Finance for Future* initiative in April 2021 to help reshape their export, trade and growth strategies.

Meanwhile, the World Bank Group has a climate change action plan supporting green, resilient and inclusive development, and the OECD is also adopting the agreement to be consistent with global sustainability commitments. Furthermore, some agencies are going beyond the agreement and sector accords to develop incentives to support emerging economies’ transition to a more sustainable product and supply chains for export, trade and growth.

However, it should be said that, for all the existing frameworks and definitions in the form of high-level principles, objective settings, definitions/taxonomies and new products, there is still considerable subjectivity as to what constitutes a sustainable transaction. Clearly there is a risk of divergence in the market that may hamper progress.

But sustainable finance – including export and agency finance – will surely emerge stronger in response to the pandemic and its related disruptions. If it does, it will encourage corporates, public sector and financial institutions to collaborate and unlock meaningful lessons and opportunities for all to contribute to social and economic development in a more sustainable way. The landmark white paper represents progress in helping to underpin the role of export and agency finance to support export, trade and growth for a sustainable future. ♡

1 [un.org/pga/72/wp-content/uploads/sites/51/2018/05/Financing-for-SDGs-29-May.pdf](https://un.org/pga/72/wp-content/uploads/sites/51/2018/05/Financing-for-SDGs-29-May.pdf)

2 [iccwbo.org/publication/sustainability-in-export-finance](https://iccwbo.org/publication/sustainability-in-export-finance)

3 [bloomberg.com/news/articles/2021-01-14/the-sustainable-debt-market-is-all-grown-up](https://bloomberg.com/news/articles/2021-01-14/the-sustainable-debt-market-is-all-grown-up)



**Semih Ozkan** is a trade finance director in an international bank. He is also regional head of the International Trade and Forfeiting Association (ITFA)

## ICC WHITE PAPER KEY RECOMMENDATIONS

- Develop a coherent government-wide policy with regard to ECAs and global commitments such as the Paris Agreement and the SDGs;
- Broaden the scope of the sustainability conversation from climate-focused considerations to also include social impact;
- Consider definite commitments towards phasing out support for coal, and expand and grow momentum of international leadership coalitions and strategies to phase out support for fossil fuels;
- Seize and accelerate the modernisation of the OECD arrangement to reflect and deliver on global sustainability commitments;
- Acknowledge the existing overlap between development and export finance, particularly the resulting positive development contributions of projects/transactions financed through officially supported export credits;
- Adopt new sustainability-related initiatives within the existing export regulatory framework;
- Broaden support towards emerging companies that are exporting innovative solutions to environmental and social problems and structure projects by taking account of sustainability aspects; and
- Better communicate to buyers and exporters about existing sustainable financial products and incentives.





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## DIARY DATES

### ACT EVENTS

**10-11 MAY | LIVERPOOL, UK**

#### **ACT ANNUAL CONFERENCE 2022**

Join senior treasurers and finance professionals for the ACT's flagship conference, to celebrate and embrace 'The Year of the Treasury Tiger'.  
[treasurers.org/actac22](https://treasurers.org/actac22)

**30 JUNE | LONDON, UK**

#### **ACT SUMMER SOCIAL 2022**

The ACT Summer Social is a midsummer dinner, bringing together the treasury community for a sparkling evening of networking and entertainment. This exclusive evening is sure to be a highlight of the summer.  
[treasurers.org/summer-social22](https://treasurers.org/summer-social22)

**27-28 SEPTEMBER | DUBAI, UAE**

#### **ACT ANNUAL MIDDLE EAST TREASURY SUMMIT 2022**

Join colleagues from across the Middle East and start networking once again at the leading event for the treasury community.  
[treasurers.org/mets22](https://treasurers.org/mets22)

**9 NOVEMBER | LONDON, UK**

#### **ACT ANNUAL DINNER 2022**

The ACT's flagship social event of the year, the ACT Annual Dinner, returns to London at the Grosvenor House Hotel on 9 November, enabling the wider treasury community to network face to face once again.  
[treasurers.org/annual-dinner-22](https://treasurers.org/annual-dinner-22)



The ACT is welcoming treasurers to more in-person events this year

### ACT TRAINING COURSES

Our four sought-after online live training courses are back this summer.

**20-24 JUNE**

#### **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.  
[learning.treasurers.org/training/corporate-treasury](https://learning.treasurers.org/training/corporate-treasury)

**28 JUNE TO 1 JULY**

#### **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.  
[learning.treasurers.org/training/advanced-cash-management](https://learning.treasurers.org/training/advanced-cash-management)

**12 JULY**

#### **TREASURY IN A DAY**

An introduction aimed at anyone new to treasury, looking to broaden their understanding of the function



ACT online training courses resume in June and July

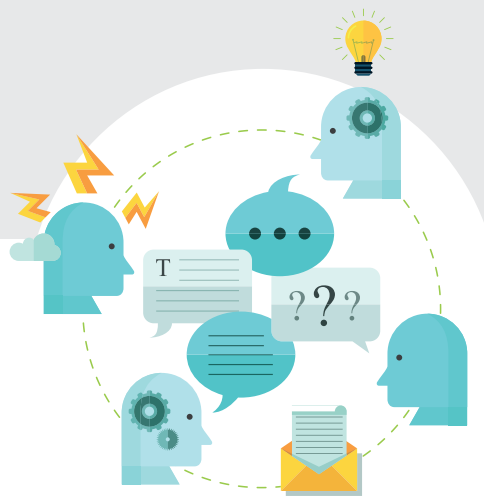
or wanting to improve their ability to have better conversations with management, operations and banks, or with treasurers as customers. In just one day you will learn about the role of a treasurer, and will be introduced to key treasury concepts and commonly used financial instruments.  
[learning.treasurers.org/training/treasury-in-a-day](https://learning.treasurers.org/training/treasury-in-a-day)

**14 JULY**

#### **THE NUTS AND BOLTS OF CASH MANAGEMENT**

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For more information, visit [learning@treasurers.org](mailto:learning@treasurers.org)



# STRENGTHENING TREASURY THROUGH VOLUNTEERING

**Louise Tatham** speaks to immediate past president Agnes Favillier about her volunteering journey with the Association of Corporate Treasurers, from Future Leaders in Treasury working group member to Council President

## LEADERSHIP & CAREER

### Why did you initially become involved with the ACT?

When I first considered supporting the Association of Corporate Treasurers (ACT), I wanted to find a way to contribute to an organisation outside of my workplace, while at the same time being able to offer my professional skills and add value in some way. I quickly realised that the ACT was starting to look at how to support younger treasury professionals better, through the Future Leaders in Treasury (FLiT) group, and it proved to be the right fit for me.

What I realised shortly after was that being involved was very much a two-way street: I was able to bring a new perspective on how the ACT was engaging with younger members, while my volunteering role brought me many opportunities to network, discover what my peers were doing and what challenges they faced in their organisations.

### Why did you want to help develop a group for younger members?

In the earlier stages of my career, I found that interacting with group treasurers could be rather intimidating, as the gap between the combination of technical and strategic skills, between junior and senior professionals, can be quite wide sometimes. It can also be quite difficult to create a network of younger professionals on your own. I thought that developing a network of younger members via the ACT would be ideal, as the Association has such a

large database of current and past students and could leverage on that network very quickly.

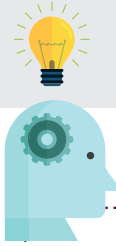
Also, the younger treasurers of today are the senior treasurers of tomorrow, and I was really keen to capture the views of younger members, and to engage on the topics we cared about, to give a different perspective.

### What did you enjoy being involved with most when you were chair of the FLiT group?

I chaired the FLiT group when it was founded by the ACT – I really enjoyed thinking about our purpose and our strategy, and developing a plan to implement them. I loved thinking creatively about how we could have an impact, how we could deliver the most value to our members. The group is very lucky to have such great support from the ACT, and to be included in the events calendar, the annual conference, *The Treasurer* magazine and many more initiatives – all this has really helped us with building momentum and engaging proactively with ACT members.

### Why did you decide to join the ACT Council?

I remember coming into the ACT offices to find out a bit more about the ACT, the ACT Council and other ways to volunteer. I'm not sure I was set on trying to join the Council – I wasn't sure I had much to offer – but after speaking to the chief executive at the time, I realised that there were no Council members that had my profile. I wanted to bring a different perspective, one that I knew other



members with a similar profile to mine could relate to. I hesitated a lot, but the desire to represent members like me prevailed over the feeling of stepping outside my comfort zone and doing something new.

**What are you most proud of from your tenure as President?**

I had been on the Council for four years before becoming President, so I had a fairly good idea of what the role entailed. What I didn't expect - and which proved to be the greatest challenge and the greatest achievement - was the COVID-19 pandemic and the impact it would have on the ACT as an organisation. The past two years have brought much uncertainty on how organisations operate, and it has been no different for the ACT.

I'm really proud of having supported the ACT through such a tough time - the team worked tirelessly to pivot to online working, replacing face-to-face events with successful truly global virtual events, ensuring we focused the conversation on wellbeing and mental health as well as providing COVID-19 specific treasury technical guidance.

I can't take credit for any of this (it's all down to the ACT team), but I hope to have supported the executive team effectively, and helped steer the Council to make the right choices for the Association.

**What would you say to someone thinking of volunteering?**

I would say: "Go and do it!" As a volunteer for different initiatives (the ACT, but also supporting local charities and associations), I have always found that the pleasure you get from offering your skills and your time is always far greater than what you had anticipated, and far greater than the energy you put in. You will be surprised by

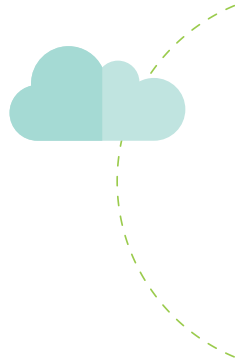
“The team worked tirelessly to pivot to online working, replacing face-to-face events with successful truly global virtual events”

who you learn from, who you empathise with and what others will give to you in return for your time.

**Why do you think it's important to volunteer?**

It is important to support your community, your profession, your friends, etc - life can't just be about 'taking', it needs to also be about 'offering'.

In the context of the ACT, I think it is in our benefit, as members, to have an Association that thrives - the more we support and offer to the ACT, the more credibility and recognition it gets, the more visibility we get when we do our jobs, and eventually the more interesting and fulfilling our jobs become. ♡



**Louise Tatham** is head of professional development at the ACT



**MAKING A DIFFERENCE**

There are many ways to get involved with the ACT - from supporting our events and webinars to volunteering for the student calling scheme and becoming a member of an advisory panel. We are grateful to the members who give up their time for the ACT - you make a lot of great things possible.

If you would like to volunteer with the ACT, visit [treasurers.org/my-membership/get-involved](https://treasurers.org/my-membership/get-involved) for the latest opportunities, or contact Zoe Norris, head of member engagement, at [znorris@treasurers.org](mailto:znorris@treasurers.org) or +44 20 7847 2548.

The ACT also posts information about voluntary roles, including trustee and NED positions. Visit [treasurers.org/latest-jobs/voluntary](https://treasurers.org/latest-jobs/voluntary) for information on the latest roles.





# BACK TO WORK

**Tuomas Räsänen**, treasury manager of market operations in developed markets at Unilever in Switzerland, on embracing the new normal

## LEADERSHIP & CAREER

I report to the director who oversees treasury activities globally. Our team of four have core responsibilities that include FX risk management (for operating companies and parent, holding and finance companies), as well as advisory for operating entities in their hedging strategy and execution of trades, and advisory for global teams in setting up efficient repatriation routes.

We also look after liquidity management through global cash pools and certain countries that aren't fully cash pooled but remain part of our regions, such as China and Central America. We invest any central cash or arrange short-term funding via US or EU commercial paper programmes and look to cover interest rate risk management with all IR or CSIR swaps traded by the team.

We always start the day with a team call, the purpose of which is more of a casual catch-up as we have spent very little time face to face in the past two years. Every day there are FX tickets and cash management to do or intercompany funding to plan. I rarely do daily operations, but rather aim to provide an environment where dealers can learn and succeed. If there are major market events, we discuss strategy together, but in the case of business as usual, I concentrate on more strategic targets or project work. Especially now, days tend to fill up with scheduled catch-ups with operating entities or ad hoc questions.

At the moment we are just finalising a project automating our short-term cash forecasting across the globe, allowing more



efficient cash utilisation. Next, we are looking to use the data to automate hedging of commercial FX exposures and have been speaking with third parties regarding their capabilities and whether to go for an internal tool or a readily available solution. The aim is to harmonise exposure management globally and reduce the workload of controllers.

### IT'S ALL ABOUT TEAMWORK

This is a very collaborative job – we speak with multiple internal and external stakeholders. Within treasury, many projects are done with our systems and transactional banking team, many internal efforts with corporate finance and any funding, documentation or regulatory topics with our funding and banking relationship team, middle office on risk controls and back office on settlements.

“Personnel changes and virtual onboardings can be challenging, but everyone’s making an effort to stay connected so that team cohesion remains high”





Unilever's Schaffhausen office

**40%**

The proportion of time Räsänen anticipates staff spend in the office; he says the mindset needs to change to: 'What do we do when we're in the office'

Internally, we liaise a lot with tax on transfer pricing topics, local controllers on funding or FX risk management, global teams on funding structures, global view on FX, procurement and supply chain on FX risk and – frequently, especially with banks – stay up to date on markets, daily trading, new products and so on.

We also have quite a lot of rotation into the team, regularly including assignees from our shared service centre in India, to give them experience of working in the central team. Personnel changes and virtual onboardings can be challenging, as some tacit knowledge is lost, but everyone's making an effort to stay connected so that team cohesion remains high.

**OUT OF THE ORDINARY**

I think a successful or an unusual day depends on 'no surprises' and 'business as usual'. That's because it gives the team the opportunity to spend time on learning, process improvements and projects. That's perhaps also the most unusual day, as there's always something surprising from some part of the world coming up. To a certain extent, I like the calm when there's not much going on and you can concentrate on strategic targets.

Among my more unusual responsibilities has been representing treasury in our 'future of the office' project in Switzerland. And

clearly, due to COVID-19, we have returned to the office in a hybrid way. The overall idea is to bring people together, but the trick is how to deliver that. The office has been reorganised for our new hybrid-working model and we have also brought our local Swiss colleagues from the business under the same roof. We anticipate spending around 40% of our time in the office, so the mindset needs to change to: 'What do we do when we're in the office'.

We now have more emphasis on collaboration in person and helping the team brainstorm. From finding a common ground in terms of different office space (desks, collaboration areas, meeting rooms) needed for different teams to agreeing on wallpapers and furniture, this has been an interesting task.

We returned to the office for a day every two weeks in March and it has been wonderful to meet new colleagues face to face for the first time and catch up with old faces. It's so easy to walk up to a colleague with a question, but to allow that, diary management needs to be on a different level when we spend more time in the office.

But the fact is that with people still working at home, they are working longer hours – the days can unintentionally get longer. We are trying to get on top of that with my team – the wellbeing aspect is a big focus for us at the moment. ♥

After several years in treasury roles, **Tuomas Räsänen** joined Unilever in 2016 as a treasury dealer. He was appointed treasury manager responsible for operations in developed markets in January 2020



# LEADING WITH PURPOSE

LEADERSHIP & CAREER



“So, what did we learn from that exercise?” asked the ‘leadership development trainer’ back in 2019, when a management group had been whisked away for a whole day and a half to undertake team-building and bonding sessions.

As one of that group, I learned that if this was the best that could be done, leadership development and team building hadn’t moved on much in the past 25 years. Literally, the same (lame) exercises, the same (tired) processes, the same ‘have a few drinks and sing karaoke’ and, of course, the same end result: zero discernible change. My observations reinforced an earlier decision I had made to become a qualified and practicing executive coach and mentor. There had to be a better way of what I consider to be fundamental to leadership – taking a purposeful approach to making others better.

But this was pre-pandemic, so nobody was too bothered about what leadership development was all about. The most enlightened businesses were already changing their engagement with colleagues, and they were already thinking how the development of individuals and teams was not only one of the most important factors, but *the* most important.

People are a company’s biggest asset, yet I have seen many businesses where the subject does not even feature on a risk register. Leadership development and team building should be fundamental, not merely a chore, and senior leaders should, in my opinion, have this as a core, and accountable, part of their role.

Think about the comparison with when our children go to school. We want them to learn from great teachers, and we can all remember the good ones from our own childhood. But when someone enters a company, quite often, that development angle just, well, stops.

Has anything changed since the pandemic? Well, hybrid-working patterns have emphasised how much choice employees have and, as far as I can see, people are exercising this choice. No longer is a job just about salary and traditional benefits – it is about development and acquiring new skills, as well as being valued. If the current employer falls down on those aspects... then off that person trots (or more likely no longer has to physically move now) to a business that recognises and – more importantly – embodies them.

Trust is another value intrinsically linked with good leadership and great teams. Indeed, in organisations such as the military, there have been several studies that highlight critical issues for staff. Of course, everyone wants a great leader with impeccable trust. Nobody wants a poor leader with no trust. But every single time, for example, Royal Marines and Navy Seals would choose a slightly lower-performing leader with great trust over a higher-performing leader with serious trust issues. The result of the latter combination? Yes, readers have seen these characters multiple times – the dangerous, power-crazed, self-before-team boss.

What COVID-19 and homeworking have done is to create real visibility of what really matters in leadership development and team building: empathy, support, trust, engagement and culture. Bring on the new world, I say, and let’s start making others better in areas that go way beyond their key performance indicator metrics. ♡



**Jeremy Earnshaw** is a qualified executive coach and mentor with his own practice ([clarendoncoaching.com](http://clarendoncoaching.com)) and serves as a non-executive director in a range of both private and public companies

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“Leadership development and team building should be fundamental, not merely a chore”

## BEST BUY’S HUBERT JOLY’S FIVE KEY TIPS FOR PURPOSEFUL LEADERSHIP

- 1** Be clear about your purpose, the purpose of those around you and how that connects to your company’s purpose.
- 2** Be confident of your role, which is to create energy and momentum in your organisation.
- 3** Know who you serve – this should focus on the people on the front lines and not on yourself.
- 4** Be driven by values – in essence, doing right, and not just knowing or saying what’s right.
- 5** Be authentic – the hardest one of all. Be yourself, your true self, your whole self, the best version of yourself.



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