



Simply Treasury

WHITE PAPER

FOCUS

TRENDS AND FUTURE OF TMS

SPOTLIGHT

VOICES OF THE INDUSTRY

IN-THE-CLOUD

“Despite the advantages of SaaS offers (e.g. streamlining costs, real time, security, maintainability...), MNC’s have long been reluctant to host their financial data outside their servers, particularly through the voice of CIO’s fearing for their sovereignty and integrity. More than ten years after, the model has managed to reassure and, convinced that application hosting is an area of expertise that is not mastered internally, CIO’s are now looking more favorably on the move of the company’s critical treasury applications to the Cloud.”

François Masquelier, Vice-Chairman of EACT

TRUSTED ADVISORS TO CUSTOMERS

“The TMS (Treasury Management System) market is rather stagnant due to the strong presence of the incumbents, which use the size of their companies, their vast client bases, and their deep pockets to succeed with large multinational corporations that have substantial IT budget to invest. But smaller companies that just want to replace their basic accounting systems have neither the sufficient budget nor the appetite to invest in solutions that may be overengineered for their needs. These companies find better responses from the game-changers—TMS players that fiercely compete by increasing their global presence, enriching their product portfolio, and becoming trusted advisors to their clients.”

Enrico Camerinelli, Senior Analyst AITE

SPECIALIST TMS’S

“The aim is to connect each task seamlessly (Straight Through Processing) as well as automating the transaction workflow. My company decided to extend the degree of treasury centralization by implementing an in-house bank model and replace local banking solutions with a single connection to SWIFT. The most important element in achieving these ultimate targets is to select and implement a specialist TMS which would be used globally.”

Giuseppe Amodio, Head of Financial Risk Management, STMicroelectronics



François
Masquelier

Chairman of Luxembourg Treasury Association,
ATEL and Vice-Chairman of EACT

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INTRODUCTION



TMS’s have evolved over time and especially the last couple of years with a huge jump in technologies. Treasurers are wondering how TMS can help further modernizing the finance function in the coming years. How to best choose your IT treasury solution remains a complex process. The strategic and key role of treasury teams has increased steadily over last decade. The evolving role has significantly impacted the structure and scope. This evolution reflects the increasing complexity of business and C-level expects TMS’s will continue to respond to the increasing pace of changes. Finding the right responses to face these emerging challenges makes the difference in a complicate economic environment. To be successful and resilient, treasury needs a scalable and well-defined target organization, a forward-looking governance structure and obviously appropriate and adjusted IT architecture but also state-of-the-art solutions. Furthermore, especially after a strong crisis, shareholders are putting more pressure, as well as regulators, on transparency and improvement of the financial performance.

It leads to further centralization of activities.

At treasury level, the central technology is the calculation and processing power of TMS’s. They are at the forefront of driving automation of treasury tasks, Straight-Through Processing, and integration with other systems. To reduce the need for customization, the TMS choice is key to focus on most appropriate options to fit with specific business requirements, today but also in the future. Beside this TMS evolution, there are disruptive technologies proposed by Fintech’s which change way customers and business interact. And we must also list RPA’s, robotics, and AI which open new possibilities of machines performing cognitive tasks based on historical data and even learning how to do it. More systems are implemented in the cloud, as pure Software as a Service application or in private clouds on dedicated customer databases. This trend is of course driven by cost reasons to outsource IT infrastructure and security to dedicated vendors. All these evolutions will enable to deliver more “Treasury-On-Demand” (TOD) functionalities.

TRENDS

IN TMS'S

Although it remains tough to predict the future of this industry, we can try to make 8 predictions for the future, I would plump for the following:

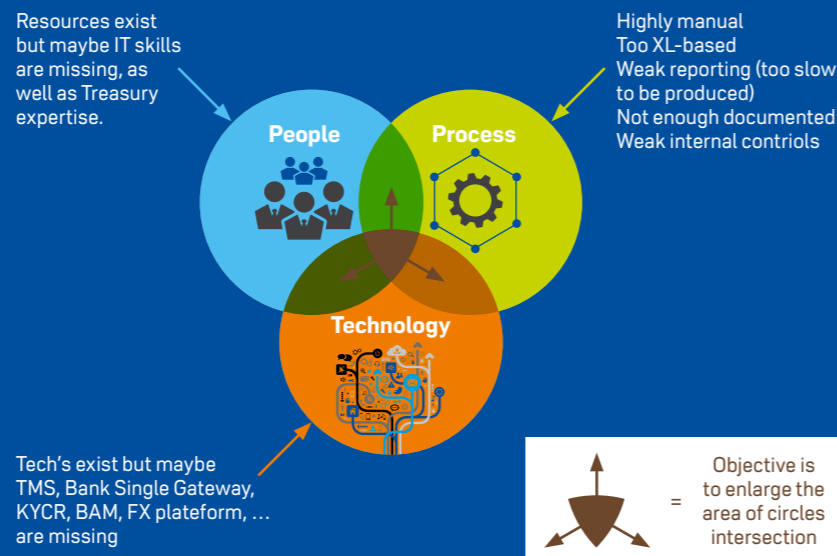
1. Consolidation of the market through acquisitions (disappearance of some vendors) although wide spectrum of niche solutions and fragmentation with new Fin tech comers
2. Demise of TMS in mini-ERP mode - Different deployment model Horizontal acquisitions to cover other future treasurer's tasks
3. Stabilisation phase with few new products but an opening up towards other solutions to help the optimisation of solutions - Larger digital adoption post-COVID
4. Off-the-shelf range of products which are easy to use but less flexible in terms of their implementation - TMS solutions become more generic and less open to specific developments required by users
5. Focus on IA and reporting/dashboarding, robotization will be everywhere and common practice for all - Everything in the cloud (SaaS for all/no more license of software)
6. Search for maximum IT security, a major objective of clients
7. New functionalities for predictive analysis, decision-making and dashboarding, primarily via add-ons that can be grafted onto the solution as complements,
8. TMS will cover other areas and functionalities like bank connectivity for B2B payments, procurement synergies, etc... enabling treasury scope enlargement

And that is to name but a few. Having said that, the software's structure will undergo little in the way of fundamental transformation. The Holy Grail for treasurers remains (total) automation and the interfacing of all tools.

KEY FIGURES

- These last 15 years, the best TMS providers have evolve and will continue to evolve in parallel with the Treasury Function evolution. Both scopes are expanding together
- Using Treasury Technology to Support the Wider Business
- API's are the real disruptor in treasury space
- Implementing a TMS has become a must. Having a Treasurer in an organization without TMS is not acceptable. It would be like a carpenter without hammer.

OPERATIONAL EFFICIENCY & CONSISTENCY



“ When it comes to implementing a TMS, no two projects are alike. Every treasurer has different requirements, expectations, and framework conditions. Yet all treasurers are all taking the same strategic step in integrating a new treasury management system. ”

Michael Juen (BELLIN) Are all TMS providers the same? INTERVIEW



It is important to select the right TMS provider. But aren't vendors just delivering standardized functionality these days? What differentiates them?

Michael Juen: There is some truth in the assertion that functionality is reasonably comparable across vendors. The difference lies in the depth of relationship between the corporate and the system provider - and whether this enables system functionality to be leveraged to the full. A vendor relationship can take many different forms, ranging from simply being an anonymous provider, to offering some guidance, or providing in-depth consulting/advisory services across the complete life cycle of the business relationship.

“Having this kind of trusted relationship is a real comfort in times of uncertainty.”

At the anonymous provider end of the scale, it is very much a transactional relationship. The corporate buys the system and does not look beyond the basic implementation of it. While this is fine for some companies' needs, this approach will not tap into the competitive advantages that are on offer through deeper vendor relationships. And since a system is only as good as its users, companies could derive greater return on their TMS investment by partnering with their system providers - and leaning on their expertise as consultants.

What kind of value can be added through a more embedded relationship with a TMS vendor? And what might this relationship look like?

MJ: Best practice is a relationship that covers the complete life cycle of a TMS. By this I mean it encompasses every part of the process from sales through to scoping workshops prior to implementation, on to system configuration and process reviews to identify workflow efficiencies. As a treasurer, if you are investing in a system, why not make the most of it? And why settle for 'good' when you can have 'the best'? Through close dialogue with your system provider, it is possible to extract more value by asking challenging questions about the system you're investing in, as well as getting recommendations and advice from consultants who have worked with hundreds of your treasury peers. At BELLIN, we have a motto: "Of course we can also do system implementation." This is our way of encouraging clients to see us as treasury consultants, not just system vendors. There's so much added value a TMS provider can bring to a customer, rather than just delivering functionality.

Would you say more treasurers are looking for consulting services right now, because of the crisis?

MJ: For some companies, and treasurers, this is the first true crisis they have experienced. So, yes, we are seeing an uptick in requests for advice. Most of our existing customers have well-honed technology set-ups, but this might be the first time that their whole treasury team is working from home, for example. Clients know they can just pick up the phone to us and we already have a good understanding of their business and their technology infrastructure. Having this kind of trusted relationship is a real comfort in times of uncertainty - as a treasurer, you know the support is available and there are no hurdles to getting the advisory you need. New clients are also turning to us for advice - mainly around transparency and visibility, although liquidity planning and FX risk management are also high priorities. In general, these corporates are seeking support to ensure they are working with complete data, in a robust system, and with group-wide collaboration. We're getting to know these new clients as we go through the implementation process and we hope that - once the firefighting is over - we will have the opportunity to provide them with further advisory services to fine-tune their set-up.

About safety, how concerned are corporates about the apparent rise in cyber-attacks?

MJ: Many companies are worried about security risks in connection with remote working. The good news is that these concerns can easily be addressed by using a web-based TMS with security features such as a sophisticated user rights concept and two-factor authentication. What is more, two-factor can also be applied to more than just log-in - it can also be used for approving and releasing payments, for example, making those flows extremely secure. Another viable security measure are soft tokens, delivered to users' smartphones, for two-factor authentication. With these robust controls in place, it is possible to significantly reduce the risk of cybercrime and fraud.



CORPORATE TREASURERS EXPECTATIONS

THE 10 COMMANDMENTS

- 1** Financial solidity of the IT vendors – to be resilient and to ensure sustainability of products & services over time
- 2** Innovate characters and capacity to be leading edge and state-of-the-art provider
- 3** Large range of products (even if through acquisition of Fintech's or partnership)
- 4** High-quality services and maintenance, as well as customer support 24/7
- 5** Customer user groups to share with peers, learn about developments and express their needs and solid credentials of comparables
- 6** Excellent understanding of the customer business specificities as everyone thinks it is unique and uncomparable
- 7** Evidence of leadership of the company (via articles, conferences, thought leadership, active presence, awards, any sign of quality, ...)
- 8** Pricing (which obviously and more than ever is a critical criterion)
- 9** Reporting capabilities and customization features as well as easy connection to other ETL tools/BI solution and good ergonomomy
- 10** Proactivity on new IFRS standards and financial regulations, as well as vision of future of the function to anticipate technical needs

MULTI-TENANT SOLUTIONS, THE FUTURE

The “single-tenant” solution has admittedly permitted the specific configuration and development of the most suitable solution for each client. However, this type of solution is starting to disappear in favour of “multi-tenant solutions” preconfigured in terms of functionalities and hosted and maintained on the vendor's cloud, where each client uses the same version of the software. Their price and deployment time will be necessarily lower as a result, but treasurers will have to adapt to these predefined models instead of adapting the system in line with their way of working. However, “one size does not fit all” applies here and this will compel users to bend to the tool rather than vice versa, except when demonstrating the usefulness of the functionality for all users.

TECHNOLOGICAL THRESHOLD REACHED

When it comes to treasury systems, a certain level has basically been reached and it is fair to assume that the next one is considerably higher and will take a fair bit of time to be attained. Such huge progress has been made in recent times that getting any higher seems challenging to say the least. It is a bit like skiing with and the advent of “carving” and parabolic skis, or bicycles with carbon frames and then disc brakes. Whenever a technological or technical threshold is reached, a certain amount of time is required before the next major innovation can occur. For us treasurers, maybe it will involve artificial intelligence...? But in any case, I believe we're in one of these lulls at the moment and the effect is perhaps accentuated by the fact that today's TMS's are all cloud-based in the form of SaaS solutions (which display certain advantages regarding updates, i.e. their automation). However, just like any coin, standardisation has a flip side: the more one standardises and produces “off-the-shelf” solutions, the less one can customise and tailor adjustments. But this is a choice that TMS publishers seem to have made. They want to produce a standard with a limited range, not present a mind-boggling Porsche-like selection. Too many solutions are cannibalising other products, while too many products are costly in terms of development and maintenance. There is a clear trend among publishers of targeting and limiting their production to one or other model but, to use the car comparison again, when making a purchase, it makes little sense to opt for an end-of-life model, as it will soon be obsolete and/or will depreciate even faster. Longevity is important. Yes, your vehicle will still get you from A to B, but it will lack the latest options and innovations that make new products safer, faster, etc. ...



VIABILITY OF TMS VENDORS

When choosing a new TMS, it is also important to factor in the resilience and size of the software publisher. Many TMS vendors are not too keen on developing new personalised functionalities for cost reasons and even if they pass on the cost to the client, this has little impact in the medium term. There is often a severe lack of development staff, which also explains this trend towards focusing on the standard, which must then be accepted as is. It is then left to the treasurer to adapt to the tool rather than vice versa, so it is inevitable that there will be shortcomings that the treasurer will have to accept or work around. It remains common for publishers to consolidate the market (less vertically) and more horizontally, to cover more treasury tasks. Size and horizontal integration will be the norm, with combination of specialized tools covering different functions.

TMS MARKET CONSOLIDATION OR FRAGMENTATION?

A sort of mixed solution between best of breeds for different tasks. No one can properly cover the full range, even the biggest, although smart TMS players will cover several functions and integrate them. That is in my opinion the coming trend. While it may be reasonable to think that consolidation of the TMS market is possible and likely, it is also fair to assume that size alone does not solve everything, but a minimum size helps. The shareholders of some TMS's, i.e. private equities or pension funds, have vertical/acquisition expectations to grow the business and sell it at a higher price. We could expect future growth of TMS's but more horizontal, as the recent acquisition of BELLIN by COUPA, which makes lot of sense in terms of treasury role evolution. Strategic alliance and business combination make more sense than vertical acquisitions pushed by Private Equity shareholders to solely create a bigger size. The TMS growth should serve customers. The size or the number of TMS solutions piled up do not serve treasurers.

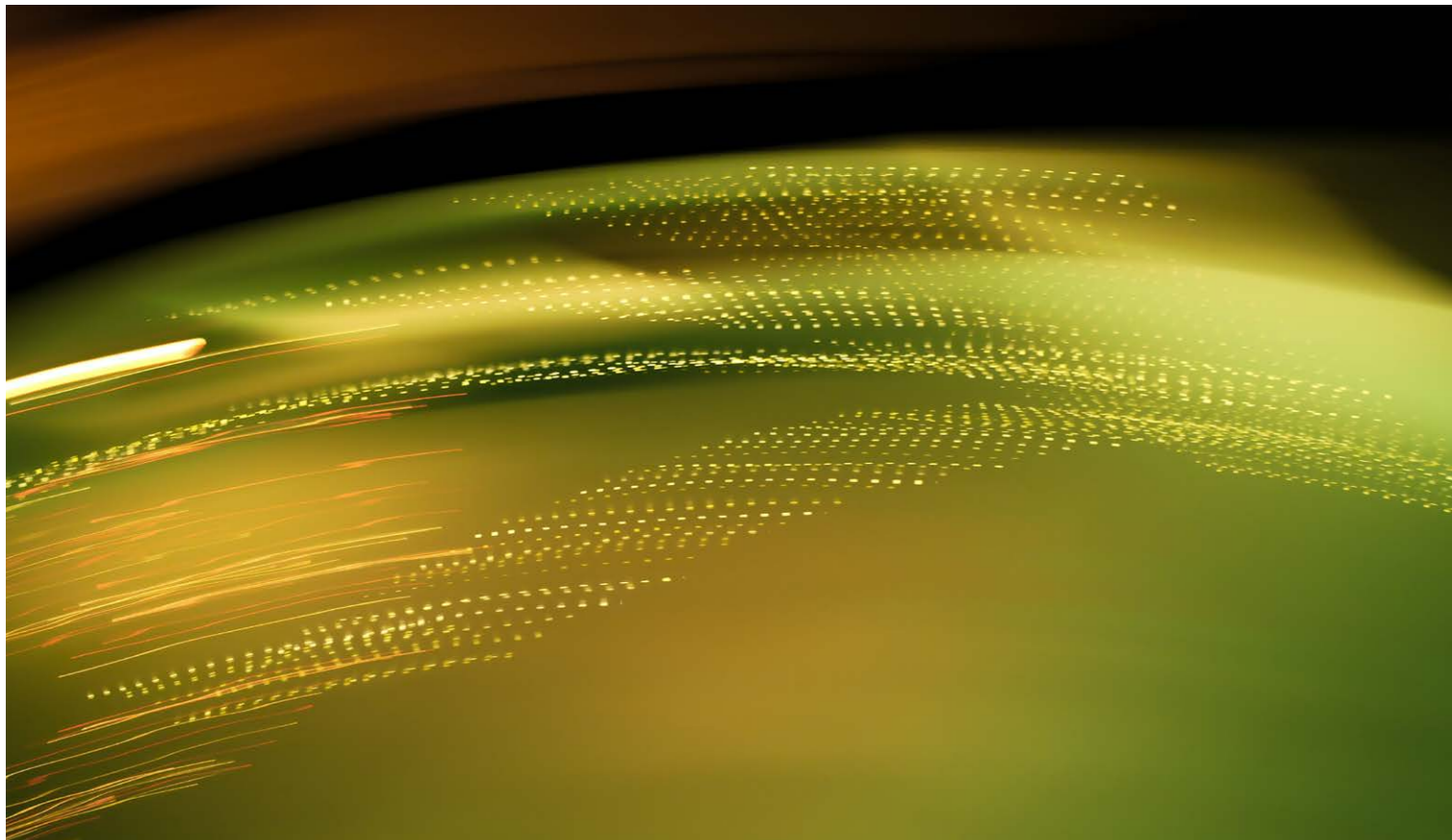
ADOPT MORE PERFORMING TECHNOLOGY BUT MAKE THE RIGHT CHOICE!

The pressure on treasurers to deliver more or better-packaged information is growing. We entered the era of TOD. There is also more pressure in terms of the cost of tools, so our strategies are having to change, and the solutions may also follow suit in response to treasurers' increasing requirements regarding reports and regulatory compliance. To increase productivity and quality, it is vital to harness the development of IT tools, but it will require creativity and talent within treasuries to achieve this objective. Treasurers therefore need to think about recruiting differently in the future and technology should be envisaged as an opportunity to review our role and its scope. In the future, it may be more as a catalyst for the development side, but the difficulty consists of adequately assaying the technology and maximising use of existing resources. After all, to revolutionize your function you need establish clear Treasury IT strategy. This amounts to travelling without map or compass, but these days, we simply must contend with cyber-attacks, fraud, tight regulations, obligatory reinforcement of internal controls, greater centralisation, a disrupted economic environment and an absence of standardisation (which prevents the task's facilitation). Treasurers are going to have to become "data consumers".

A DIGITAL DISRUPTION LOOMS ON THE HORIZON

It is clear that the boundaries between solutions are becoming more fluid and that barriers are being lowered, offering new opportunities. Cost pressure and efficiency improvement will help convince treasurers to review their technological strategy. The need for more real-time information and a more predictive approach is forcing us to reinvent ourselves. COVID has increased further need for "smart treasury", with better use of available data. Unfortunately, our old road maps and strategies have all too often come up short, so that is the first piece of advice to be taken on board. The entire ecosystem is changing, with the arrival of SWIFT "gpi", instant payments, KYC registers, API's with the PSD2, new e-payment methods and new business models, RPA's, AI; machine learning, etc... Of course, a treasury's IT strategy cannot be frozen for ever. It needs to evolve... and fast. Selecting the right partner is key. Automation, in whatever form, is the primary objective. The treasury is the depository for a mass of financial data. To evolve, it needs to transcend its initial roles and focus more on data science.

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TAKE AWAYS

- Crisis may be an opportunity for Treasury IT architecture revamping. Finally, everything will hinge on a treasurer's appetite and capacity for change.
- Technology is the savior and the future, at least for treasurer's adept at mastering and harnessing it. Only technology can lighten the workload to leave you free to focus on analysis and strategy.
- Over the coming 5 years, the biggest challenge will lie in this capacity to gradually evolve, bit by bit, towards greater digitization.
- Virtualization is and will be more dominant and prevalent in the shaping of treasuries' futures, more so than in any other financial profession.
- TMS technology will eventually (more long than short-term) allow the grafting on of robotics, artificial intelligence, algorithms, etc... to move up another level and enter a new dimension. But let us give the software developers a little more time to meet our insatiable appetite for new functionalities.
- We should bet on players with best horizontal strategies. As you see, the choice of the ideal treasury IT architecture is complex and to be contemplated on a case-by-case basis. It is necessary to find the ideal formula and the right mix between different modules either provided by a single provider or in combination with specialists of their field (i.e. "best of breeds") and by interfacing them.
- The IT strategy to be determined is a true case of conscience and deserves careful attention as the decisions that will result will have major and long-lasting impacts on your function.
- Be prepared and cogitate before embarking on modernizing your Treasury IT infrastructure. Some IT vendors by their smarter strategy will help repositioning treasury higher into the finance department.



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