



Simply Treasury

WHITE PAPER

FOCUS

ADVENT OF THE DIGITAL TREASURY

SPOTLIGHT

VOICES OF THE INDUSTRY

FUTURING TREASURY FUNCTION POST-CRISIS

"More than ever, CFO's must modernize finance organizations to match coming challenges and become more agile and resilient to crises. This COVID crisis can be a fantastic catalyst for solid enhancements. We should not miss this opportunity, or we will be at risk. We need to build on experience and anticipate future needs for generating strategic value for the company".

Isabelle Badoux, SANOFI

TREASURY DEPARTMENT AS A DIGITAL LABORATORY

"Treasury can create added value and go beyond protecting company's financial well-being in being the laboratory for further digitization. The complexity of the treasury, its sophistication and the number of IT applications make it «the» reference department for change and modernization of the finance function".

François Masquelier, Honorary Chairman of EACT

VIRTUES OF DIGITALIZATION

"Finance is a «facilitator» of operational transformation, as well as an effective way to reduce costs (today's priority) and mitigate risks (by strengthening internal controls). A better treasury means it can become a business partner of operations".

Pierre Hautfenne, UMICORE



François
Masquelier

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

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INTRODUCTION



Treasurers usually underestimate how they can contribute to the bottom-line results and how they can contribute to losses if not well re-organized to face future challenges. Modernization of treasury function means how to manage treasury more efficiently. Of course, it passes through new technologies and, I guess by integrated solution.

Rethinking future treasury is one piece of the whole finance function revamping. It consists of a vision of future IT architecture, what to deliver and how and new upskilled roles of treasurers. Reporting must become forward-looking, more frequent, and more relevant. It is too often retrospective, irrelevant, slow to produce, not completely automated, and obsolete from its production and reading stand points.

We should move towards the "real-time treasury" and treasury on demand. By enhancing the ergonomics of existing IT solutions and consolidating reporting and dashboarding, the treasurer can go beyond protecting company's wellbeing and create strategic value. Technologies and current economic situation will power these necessary changes to face the "new abnormal".

One of the best ways to achieve a better efficiency of finance management is to implement a complete revamping of IT solutions through a fully integrated solution (e.g., SAP S/4 Hana). With a full revamping strategy, CFO's can modernize the whole function and treasury is obviously a major part of such a digital transformation.

KEY FIGURES

THE 2020 EACT SURVEY CONFIRMED SEARCH FOR MORE DIGITIZATION

In short,
please note that
treasurers at:

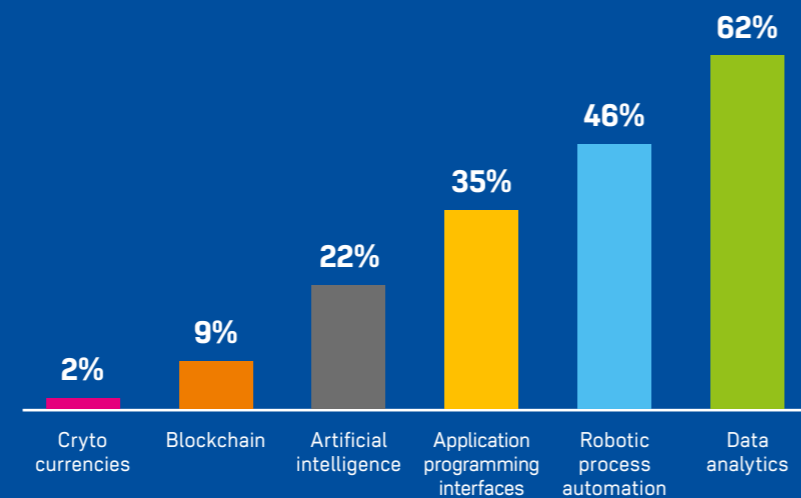
62%
use, or plan to use,
data analytics

35%
use, or plan to use
application programming
interfaces (APIs)
to facilitate integration
for on-demand or
real-time exchange of
transactions or data.

Over half
52%
of treasurers are interested
in the **opportunities
to exchange information
in real-time**, and 47%
in real-time liquidity
and real-time payments
and collections.

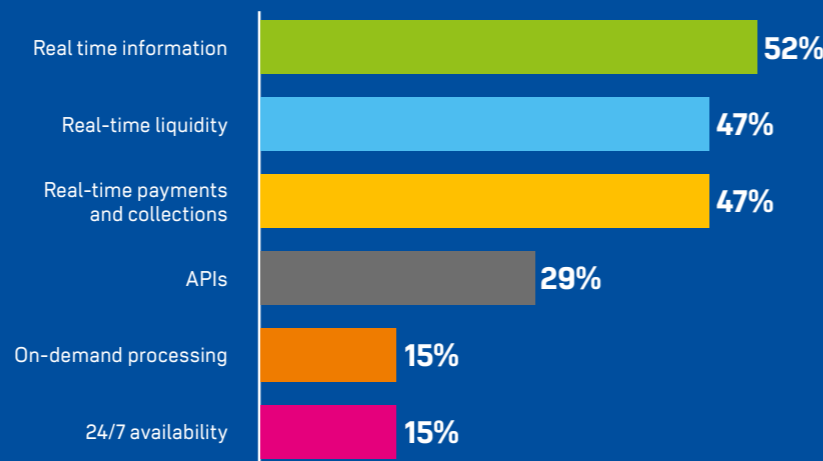
INNOVATIONS PLANNED BY TREASURERS

Innovations that treasurers use or plan to do so over the next 12 months



PRIORITIES IDENTIFIED CONFIRMED QUEST FOR "REAL-TIME" INFORMATION

Topics of interests over the next 12-24 months



FOCUS

CONSECRATION OF THE DIGITAL AGE OF TREASURY

If there is one positive consequence to the health crisis, we experienced in 2020, it is the emergence and consecration of the digital age and the passage into another dimension, as if the world had suddenly accelerated and everything became possible (faster than initially thought and expected). Modern treasurers in 2021 and beyond want to have greater visibility on cash flow and flexible means of working. They would love and therefore seek for the ultimate level of their department evolution: the "treasury-on-demand". All CFO's dream to get access to treasury data and reports or dashboards in real-time and upon demand. A wishful thinking or a possible reality for treasurers? COVID-19 was certainly the biggest disruption treasurers have seen in last years. No one could contest it has impacted every corporate treasurer across the world. It has changed the way to work. Now we work partly from home, alone and far from the rest of the team. It has changed the interaction and coordination between teammates. It also imposed to revisit some of our processes and procedure to remain efficient and safe.

NEED FOR INCREASED EFFICIENCY

While we had to work separately, individually, in a complexified environment, treasurers had to produce more detailed financial statements, reports, simulations and other stress tests. Paradoxically, one had to be more proactive and efficient given the focus on liquidity, the scrutiny on working capital which one wanted to optimize and the need for refined and more accurate future flow forecast. We had to ensure treasury business continuity while automating further activities. More than simply further digitization, treasurers had to ensure a maximum coordination to smooth processes and sustain cash management quality. As a result of the pandemic, banks have seen an increasing number of corporate clients and funds transacting (more) via digital channels. Whether it be online, mobile, or even web-based, digital channels have helped Heads of Treasury to do business more efficiently. The treasury mindset has changed significantly. For those who were still highly manually organized, they had to find ways of carrying out trade without physical documents. Transaction banking has gone through major changes. Banks have adjusted to a "new normal". All actors have continued or accelerated their investment in infrastructure and IT solutions. As liquidity and working capital management remains the top concern for corporate treasurers, CFO's are checking how they can ensure that their (finance) supply chain will not be disrupted and that they ensure enough cash reserves for the going concern. What is key today? Obviously receiving timely payments (the faster the better), managing cash flows more efficiently, getting accurate data on real-time, and being more agile are the essential attributes of today.

Michael Diet and Laurent De Buyser (INTENSUM):

Treasury accelerator

INTERVIEW

Successful treasury organizations can anticipate changes in economic conditions, in regulations and in the operating business transformation” say Laurent De Buyser & Michael Diet, Partners of INTENSUM. Interview.

Are such digital transformation projects possible without external support of experts, given the complexity of solutions and technicality of data analytics?

Laurent De Buyser (INTENSUM): “CFO’s and Treasurers of large international companies need to be accompanied in their major transformation and digital projects to evolve towards leading “intelligent enterprises”. To succeed in transforming their organizations, treasurers need support of dedicated experts in Finance & Treasury, Reporting, Analytics in order to implement processes improvement through innovation using newest technologies. Such projects require solid partners to drive the implementation, ensure achievement of objectives, perform an efficient change management and transfer the know-how to the teams. The good news is that, although challenging, there are now references of global successful projects using the SAP S/4HANA platform and advanced

treasurers know you now need state-of-the art integrated solutions, to optimize the treasury management and enhance Real-Time reporting and planning. A project of digitalization also

requires support to oversee the rationalization of processes in the core model and efficient & rapid roll-out of solutions”

Does the recent health crisis help “selling” such treasury digital transformation project?

Michael Diet (INTENSUM): “Treasurers, today after COVID, feel needs for measuring their performance and to improve dashboarding and KPI’s for a more dynamic cash management. In such a context, the cloud plays an increasingly important role particularly in governing treasury-related services. Artificial Intelligence and predictive analysis also help to develop processes which enable to manage data, to forecast and to plan when it comes to the core business of CFO’s: financial processes, planning and reporting. External experts, given scarcity of internal resources and technicality of solutions, may help and support treasury customers implementing “treasury-on-demand” solutions. It responds to heavy demand from C-level to be able to anticipate effectively and to make decisions almost real-time. However, we do see an opportunity in this crisis to convince the management of investing in technologies. Low-tech finance and treasury organizations are risking their organization’s future if not adapted, and treasurers know that.

Do you see a real demand form the C-level for transforming the whole finance organization and to emphasize treasury?

Laurent De Buyser (INTENSUM): “In time of uncertainties, CFO’s need to rethink opportunities to do more with less, better, and faster predict and act real-time. At the end of the day, it is a co-creation process between finance and IT generating value and converting organizations into more intelligent enterprises. CFO’s ask



Michael Diet and Laurent De Buyser

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Successful treasury organizations can anticipate changes in economic conditions, in regulations and in the operating business transformation.

The treasury department is the perfect laboratory to test and implement a full digital transformation.

for simplification and Real-Time analysis in order to take quick actions together with strong internal controls. Organizations must be more agile and for that they certainly need appropriate IT solutions with tools enabling a better decision-making process. During this crisis, more than ever, cash FLOW is king! So the digital transformation of treasury is certainly a key part of the whole finance department modernization.

Michael Diet (INTENSUM): “To achieve a better and more dynamic liquidity management, treasurers must seek for greater integration, more automation and centralization of financial processes and to perform analysis on a more frequent basis or upon-demand. Anticipating new trends is essential but also very compli-

cated. Successful treasury organizations can better anticipate changes in economic conditions, in regulations and in the operating business transformation. Treasurers usually underestimate how they can influence and impact the bottom-line results and their contribution is even more significant today as companies must very quickly re-organize to face this health crisis multiple challenges. The treasury department is the perfect laboratory to test and implement a full digital transformation”.

TAKE AWAYS

● TIME BECOMES ESSENTIAL

Treasurers are not only using digital channels for payments, but also for opening accounts digitally, sending self service requests on trade documents and using digital route to deal and trade products.

● NECESSARY CHANGE IN MINDSET

Change in mindset is required. Treasurers need increased efficiency in leaving more manual processes behind. Some more sophisticated treasurers have even looked for new tools such as API's, BI and AI to enhance real-time decision making, new products like GPI or KYCR, blockchain solutions for example for trade finance, liquidity management, reporting and dashboarding. They have tried to enhance current IT architecture by adding missing layers.

● DETERMINE THE MULTIPLE OBJECTIVES

The multiple objectives are enhancing internal controls, increasing efficiency, reducing costs (when possible), fastening processes, and getting a more immediate and comprehensive view on their treasury situation.

● LEVERAGE ON TECHNOLOGIES

Treasurers have always been engaged by the opportunities to leverage innovative technologies to solve problems and add value to the business in new ways. But there has been a significant jump in treasurers' current or planned use of new technology capabilities, a trend that seems likely to have accelerated since the start of the health crisis.

● NEED FOR ANALYTICS

Understanding and responding to fast-changing, exceptional market and economic conditions has also been amplified since March 2020. Likewise, treasurers are increasingly recognising the potential of Robotic Process Automation (RPA) to replace high volume manual input and enrich the data on which analytics can be performed. However, the biggest change in treasurers' planned use of innovation is AI, which capabilities are increasingly part of banks' and IT vendors' solutions such as predictive analytics, cash flow forecasting, bank account reconciliation and fraud prevention tools. Data Analytics has been identified as one of the main priorities in coming 12 months for 2/3 of treasurers in Europe.

● "TREASURY-ON-DEMAND"

There are trends towards 'real time'. These themes, as well as API's (for real-time integration) and 24/7 availability, are closely related, and will create new demands on banks and technology vendors to offer real-time solutions, such as for liquidity and risk, and the ability to handle real-time data. There are also procedural implications as treasurers need to consider how they will adapt their processes and decision-making to reflect the availability of real-time data.

CONCLUSIONS

**"HARDER,
BETTER, FASTER,
STRONGER"**

(DAFT PUNK)

Treasurers need to look ahead, and digitization is leading to more real-time management, with quicker decision-making. This trend is accelerating, so treasurers need to make full use of technology and digital solutions to optimally take advantage of the vast amount of data flowing through a treasury department. Automation, robotization, business intelligence and artificial intelligence will help our members to take faster decisions. I am convinced technology will remove number of borders. Centralization and automation are the two best responses to the current crisis. We need to continue upskilling our teams as the IT technology used evolves and understand digital solutions and channels better. It will be a long journey...



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