New Europe Awakens

A Fresh Look at Post-Brexit Treasury

By **Eleanor Hill**, Editor

Despite the challenges, the UK's departure from the EU is an opportunity for corporates on both sides of the channel to re-engineer treasury workflows, overhaul legacy processes, and revamp treasury models. Andrés Baltar, Head of Europe, Corporate Banking at Barclays and Daniela Eder, Head of Payments & Cash Management Europe, Barclays, share up-to-the-minute insights on best practice treasury post-Brexit and outline how leading corporates are positioning their organisations for growth in the 'new Europe'.

Turn back the clock to 2016 – the year that music legends David Bowie and Prince passed away and Donald Trump became president of the United States. On 23rd June that same year, the UK voted to leave the European Union. Brexit negotiations swiftly became the order of the day for politicians, and corporates began planning for all potential exit scenarios.

Fast forward to 2020, and the UK has now officially left the EU, but is in a transition period until the end of the year. Critically, however, no Brexit 'deal' has yet been reached and ongoing negotiations have been overshadowed by the global Covid-19 pandemic (see figure 1). Baltar comments: "Corporate treasurers' attention has been diverted away from Brexit by the immediate need to focus on cash and liquidity as a result of the coronavirus crisis. This is understandable, but given the treasurer's risk management responsibilities, Brexit must also remain firmly on the radar."

In fact, Baltar believes it is time to revisit Brexit plans that were formulated in the wake of the referendum four years ago, and to refresh them for the current environment.

"Much has moved on since 2016," he notes. "While uncertainty remains, the opportunities that Brexit presents are becoming clearer and leading companies are making the most of the momentum. Treasury digitisation has also accelerated, which is helping corporates to put in place an optimal cash management set-up – one that is flexible enough to change with the shifting operating environment."

This assertion is confirmed by a new research report published by TMI in partnership with Barclays, which surveyed 300+ treasury professionals and CFOs on current European treasury challenges and opportunities. According to the report, entitled *New Europe: Is Your Treasury Fit for the Challenge?*, 18% of respondents have used the momentum of Brexit to re-engineer treasury workflows, while 19% have benefitted from greater scrutiny over counterparties, given the need to review business relationships.

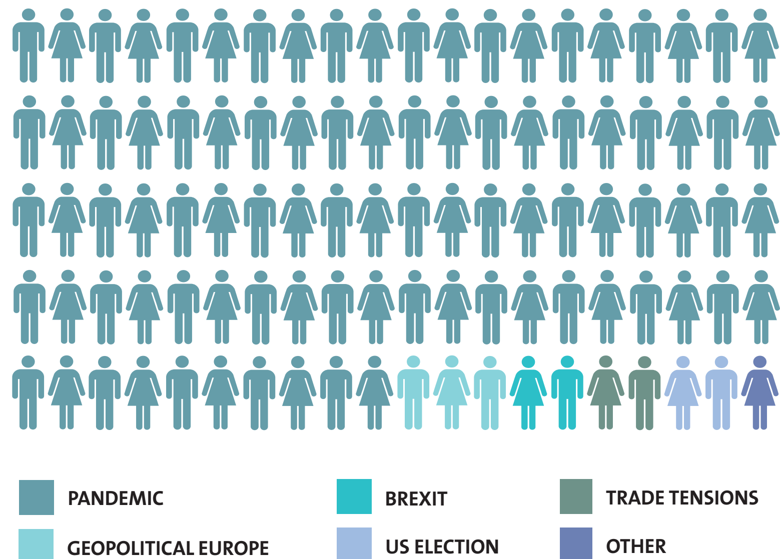
"It might seem counterintuitive, but now is the perfect time to step back and take a fresh look at your treasury operations. The twin forces of the Covid-19 pandemic and Brexit are empowering treasurers to look for greater efficiencies in their operations and deploy digital tools to help future-proof the department. That's a rare mandate – and an opportunity that should not be missed," Baltar comments.

But what exactly are leading corporates doing to prepare for Brexit? And where might efficiencies be found?

Making the move

"By and large, clients have approached Brexit in a very organised fashion – breaking down the potential impact on treasury into 'buckets' such as: liquidity, payment access, banking partners, location of operations and legal entity status, for example," says Eder. "Initially, one of the major concerns for corporates and banks alike was the potential loss of passporting rights. This led organisations to review the location of their operations, with some choosing to create new European hubs. Banks were particularly fast movers here, and Barclays is no exception, with the expansion of Barclays Europe in Dublin. Many large corporates have also reviewed their European operations, but as the survey results show, some are still contemplating their options [see figure 2]."

FIG 1: RESPONDENTS' NUMBER ONE GEOPOLITICAL CONCERN FOR 2020



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

Indeed, one in ten respondents with treasury operations in the UK are either considering moving them to elsewhere in Europe, or are in the process of doing so. "Some corporates are shifting treasury operations away from the UK to locations such as Ireland, the Netherlands and Luxembourg, to ensure they can carry on business as usual, regardless of the outcome of Brexit," observes Baltar. "But there are also strategic opportunities within such moves, ranging from more advantageous tax regimes to innovation and optimisation incentives."

"At Barclays, we see Brexit as an opportunity to serve our clients in the UK and the rest of Europe even more seamlessly. Alongside the expansion of our European base, we have invested in a new, streamlined European platform for clients. The user-friendly platform delivers a standardised client experience across Western Europe, and that consistency is precisely what corporates from the UK, US and Asia have been requesting. Europe is a key trading partner for them, and they are looking for a bank that has a presence across the region in order to facilitate optimal cash management."

Interestingly, 35% of survey respondents are reviewing the location of their bank

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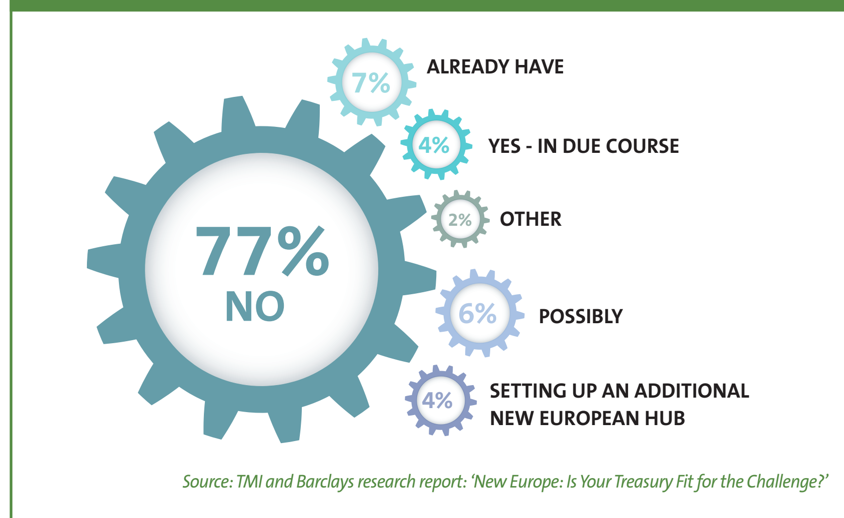
accounts to prepare for the 'new Europe'. Baltar elaborates: "Access to European payments systems is critical, and this is one of the main drivers behind corporates moving bank account locations. There were long discussions around whether or not the UK would remain part of the Single Euro Payments Area (SEPA), which understandably made many corporates nervous – so some acted early and made the move.

"Nevertheless, the European Payments Council has now agreed that the UK will remain part of the SEPA scheme[1]. Corporates with euro accounts in the UK can also access TARGET 2 for high value payments via their banking partners – Barclays, for example, routes these payments through our Frankfurt office."

FIG 2: RESPONDENTS CONSIDERING MOVING UK TREASURY OPERATIONS TO EUROPE



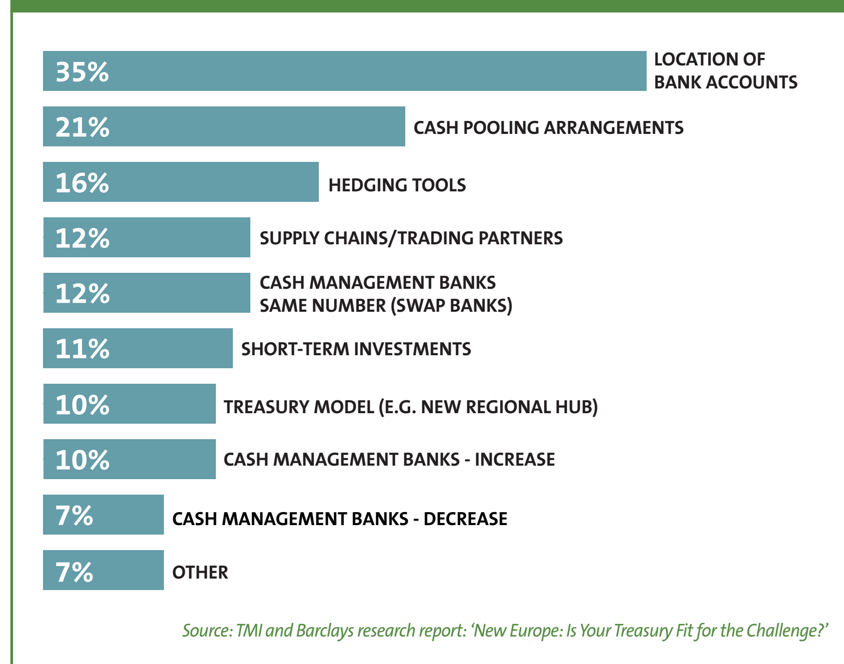
Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

Seeking out efficiencies

Some cutting-edge treasuries are also considering the use of virtual bank accounts instead of physical ones as they constantly review their bank account structures and efficiency. According to Eder, "While virtual accounts have long been used to create efficiencies in the receivables space, they are now being used in the form of virtual ledgers to enable corporates to replace physical bank accounts and easily set up an in-house bank offering payments-on-behalf-of [POBO] and receivables-on-behalf-of [ROBO]."

For those unfamiliar with the terminology, a virtual account management solution enables the sub-division of a physical bank account into numerous notional 'virtual' accounts. These virtual accounts function exactly the same way as a physical bank account – but have virtual IBANs. "At Barclays, new virtual accounts will in the future be opened or closed through a self-service portal, empowering treasurers to optimise their account structures at the click of a button," says Eder.

FIG 3: TREASURY CHANGES BEING MADE AS A RESULT OF BREXIT



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

Alongside virtual accounts, cash pooling is also in the spotlight. Baltar notes: "Just over a fifth [21%] of survey respondents are looking to review their cash pooling, which is prudent given both Brexit and the Covid-19 crisis. As the world has been reminded, liquidity is key to the survival of companies, and treasurers will increasingly be expected to update the board with accurate forecasts and even intra-day balances.

"Moreover, cash pooling should be a journey of continuous improvement. Setting up a cash pool is only half the work – it ought to be regularly reviewed to ensure it is operating in an optimal manner and accurately reflects the changing needs of the business. Now is the opportune time to perform this kind of 'stock take'."

Finally, Brexit could also be an opportunity to review and improve supply chain partnerships (12% of respondents agreed), as well as the financing of the company's supply chain ecosystem, believes Baltar. "Supply chains are dynamic, so the way the supply chain is financed should be dynamic too. Treasurers should be asking questions of themselves and their banking partners: are the best working capital solutions being deployed, or are there more efficient solutions available? Could cards have a role to play alongside a supply chain finance programme, for example?"

Eder adds: "As risk managers, it is incumbent upon treasurers to ensure that the company's treasury structure, and all of the areas treasury controls or influences, including supply chain finance, are fit for purpose. This means keeping a close eye on Brexit negotiations, even at a time when the world's focus is elsewhere."

Baltar echoes this, saying: "While the pandemic will likely dominate discussions in the months ahead, it is important that treasurers re-engage with the realities of Brexit." In practical terms, this means dusting off Brexit preparation plans from several years ago and refreshing them to reflect any regulatory, tax, and/or operational changes. "Re-igniting dialogue with banking partners should also assist treasurers to see the bigger Brexit picture by examining the relative 'fitness' of the company's cash management arrangements, as well as pinpointing potential efficiency opportunities," he concludes.

ANDRÉS BALTAR

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DANIELA EDER

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Note

1 https://www.europeanpaymentscouncil.eu/news-insights/news/epcs-follow-brexit-after-ratification- withdrawal-agreement

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Data-Driven Treasury

Future-proofing Your European Flows

By **Eleanor Hill**, Editor

As businesses across Europe accelerate their digital transformations, savvy corporate treasurers have a unique opportunity to secure enriched data insights, says Daniela Eder, Head of Payments & Cash Management Europe, Barclays. In turn, this could enable treasury functions to become fitter, both operationally and financially, assuming technology budgets are deployed strategically and cybersecurity is prioritised.

In recent years, it has often been said that 'data is the new gold.' But ever since the corporate treasury profession began in the 1970s, data has resided at the heart of the function. And as technology has evolved – and data has become more sophisticated – so too has the role of the treasurer.

Before the advent of online banking in the late 1990s and early 2000s, much of treasury's time was taken up gathering data through cumbersome channels such as telex and fax. With e-banking now commonplace, data flows freely into treasury functions, through portals and host-to-host connections into treasury management systems (TMSs) and enterprise resource planners (ERPs). And as emerging technologies – such as application programming interfaces (APIs) and artificial intelligence (AI) – take hold, a new breed of treasury function is being born: the data-driven treasury.

Eder explains: "As businesses across Europe, and the globe, embrace digital transformation, huge amounts of data are being generated and stored on servers, often located in the cloud. This proliferation of data represents a significant opportunity for corporate treasurers." By tapping into these 'data lakes,' she believes treasury departments can become more efficient, more effective and more profitable – all while operating in real time. "Through data, treasurers can achieve smarter insights, greater transparency, faster decision-making, better use of working capital and more accurate and timely cash flow forecasting. These are just some examples of the potential benefits on offer."

But which technologies are likely to result in the largest data gains for treasury, and how can treasurers build the business case for them?

Channelling data

"Naturally, it is vital to have a solid digital strategy in place and thoroughly investigate the suitability of technologies before any talk about investment budgets can take place. That said, there are four key technologies that form the foundations of digital transformation and data-driven treasury. These are: cloud computing, APIs, robotic process automation [RPA] and AI – in that order," comments Eder.

Explaining each technology in turn, she continues: "Cloud computing not only enables the storage of enormous amounts of data, it also facilitates software-as-a-service. This means that treasurers can access the latest digital tools more or less instantly, without the need for lengthy on-site installations, which typically come with a higher budget requirement. Since the cloud speeds up deployment of technology, this also enables treasury to be nimbler in accessing data," she notes.

Meanwhile, APIs act as a technological 'glue' between systems. "While they have been around for a decade or so, APIs are now coming into their own – especially in the treasury sphere," says Eder. "The power of APIs should not be underestimated. They allow for the seamless connection of systems that might previously have been difficult to interface. APIs also enable the transmission of bulk messages, and higher volumes of data at a much faster rate, and more securely, than we have been used to in the past. As such, they enable the creation of a real-time treasury environment, built upon data."

It is no surprise then, that 53% of treasurers are either already using APIs or planning to use them within the next 12 months, according to the findings of our recent research report – *New Europe: Is Your Treasury Fit for the Challenge*? – published by TMI in association with Barclays. RPA was also a popular choice of treasury tool, with 48% of respondents currently using bots, or planning to in the next year.

"These treasurers understand how RPA can help to minimise or even eliminate manual tasks, which are prone to errors and risks. What's more, RPA frees up treasury staff to be more strategic. RPA can be used for more or less any well-defined repetitive, manual task within treasury – ranging from reconciliations to exposure capture and reporting," notes Eder. It can also be used to extract data from multiple systems and consolidate it into a single source of truth.

"With RPA taking much of the manual burden off treasury teams, they can finally get creative with tools such as AI and machine learning. Often, there

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Head of Payments & Cash Management Europe, Barclays

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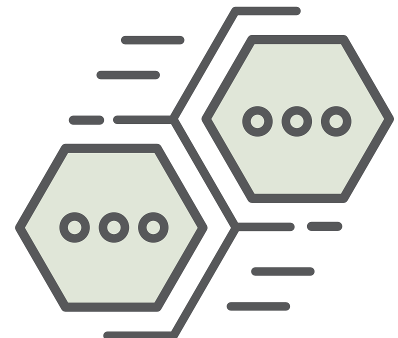


is resistance to this kind of technology, since it has a 'science fiction' reputation – and this could be why only 10% of survey respondents are currently using it. But the reality of AI is a world away from sci-fi: humans remain in control of the machine and it only executes programmed tasks. For example, AI algorithms could be built to enable treasury to analyse data in smarter and faster ways, helping them to make more accurate predictions around cash flows, trade finance costs, and foreign exchange activity."

Making the case

Although the potential benefits of such technologies are clear, securing the budget for them is not always so straightforward. Indeed, 31% of respondents to the survey cited lack of technology budget as the main hurdle holding them back from reaching their treasury goals in the next 12 to 24 months.

"All too often, treasurers feel as though they have to approach digital evolution by themselves, but banks have much to offer in this space," says Eder. "At Barclays, we are well advanced in our digital journey and have made the necessary enhancements to support real-time payments, and therefore, the instant exchange of data. We also offer a range of services and solutions that can help treasurers work towards more data-driven goals. Examples include automated reconciliation tools and various APIs."

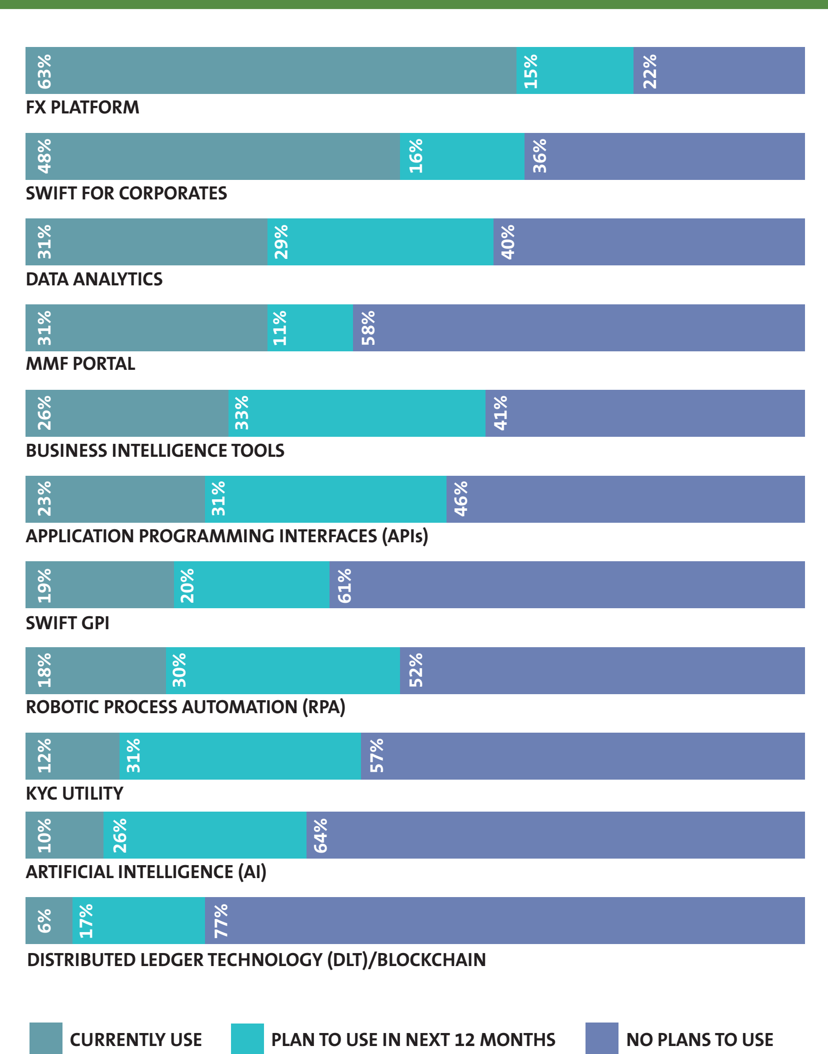
There is also ongoing collaboration with Barclays' corporate clients in Europe to help determine the direction of future digital innovation at the bank, including the switch to the ISO 20022 standard for TARGET2 payments. "Working together with our clients helps us to pinpoint future areas for digital transformation and new ways of using data. It's very much a joint journey," Eder insists. She adds that innovation is also ongoing with third parties, such as fintechs, creating an ecosystem of innovation around the corporate treasurer.

Protecting corporate assets

Another area where banks can assist treasury teams in their digital journeys is cybersecurity. "Data is a corporate asset – and must be protected in the same way as financial assets. Installing and maintaining robust protection against cyber and fraud threats is therefore an indispensable part of building a data-driven treasury," she explains. "Cybercriminals thrive on data. The more they know about your organisation, the more authentic they will appear, and the easier it will be for them to make a 'successful' strike. Cybercrime is also constantly evolving, and attacks such as phishing and business email compromise are becoming increasingly sophisticated."

To help treasurers stay ahead of these risks, Barclays offers a variety of tools – from a confirmation of payee solution to help beat fraudulent payments, to malware detection software and biometric security. "In an environment where many treasury professionals are working from home, biometrics provide an additional layer of security. Additionally, some of our clients have finger vein readers to access their online banking with enhanced security. Others are protected by our behind-the-scenes use of behavioural biometrics, to help verify that the user is who they purport to be," Eder adds.

FIG 1: WHICH OF THE FOLLOWING TREASURY TECHNOLOGIES DO YOU CURRENTLY USE OR PLAN TO START USING IN THE NEXT 12 MONTHS?



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

Nevertheless, corporates must still take their own cybersecurity extremely seriously, and invest accordingly. "There is no point having the latest technologies in place and accessing insightful data if the set-up is not secure. As such, budget must always be allocated first and foremost towards security – to protect the organisation and its corporate ecosystem," she explains.

Reaching the next level

This is not to say that budget can't be deployed on functionality, of course. And to assist in building a convincing business case for data-driven tools, Eder suggests a four-step approach:

1. Define your data strategy – and ensure the quality of your data is high
2. Educate yourself on the range of tools available in the market and their suitability for your needs
3. Speak to your banking partner(s) to see which functionalities they can provide independently or in conjunction with a fintech
4. Look for synergies between your short- and long-term goals and those of other departments within the organisation

According to Eder, it is also worth taking the time to determine the potential return on investment of a certain technology in a detailed manner, including how many minutes or hours per day it could save treasury employees. "Speak the language of management – cost reduction and efficiency gains," she quips.

Her final suggestion for treasurers aspiring to a data-driven future is to "remember that this is a continuous journey. This is not a one-off project. Yes, there might be immediate cost control benefits, but there will be incremental gains too, if the technology deployed (and the associated workflows) are consistently tweaked and upgraded where appropriate. Fine-tuning is where the magic happens – and where data could become gold".

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Automating Transactional FX

Unlocking Efficiencies and Growth Opportunities

By **Eleanor Hill**, Editor

Prior to the coronavirus crisis, few corporates had thoroughly reviewed the way they processed their foreign currency payments. But with remote working and rapid digitisation, treasurers are starting to explore the benefits of automating their transactional foreign exchange (FX) workflows. Sat Khuntia, Head of FX Sales, Barclays Corporate, and Daniela Eder, Head of Payments & Cash Management Europe, Barclays, examine the ways in which the FX payments ecosystem is evolving and outline a range of digital tools that could assist treasurers in the post-Covid-19 world.

There's an old adage that says, "don't fix something if it isn't broken". And many corporates had taken this attitude towards their transactional FX workflows, until the pandemic hit. Before the crisis, transactions were agreed with counterparties, spot FX deals were made, and cross-border payments were initiated. Transactional FX was simply part of business as usual – and, often, little thought was given to the potential for operational efficiencies and strategic gains by improving these workflows.

The turning point came when treasury practitioners across the globe began working from home and currency volatility skyrocketed. As Khuntia explains: "When the world went into lockdown, treasury staff were faced with the reality of making FX-related payments, dealing with foreign currency receipts, and managing the company's working capital in multiple currencies, via remote channels. Initially, many struggled to access the necessary systems from home and the amount of manual work involved in transactional FX workflows was highlighted."

Treasury leaders soon began to question the validity of such a manual approach in a world that was shifting rapidly towards digital and automated solutions. "The inherent risks involved in manual FX processes also became apparent – and the crisis has provided a huge incentive for treasurers to take greater control of risks, maximise operational efficiencies and unlock growth opportunities," he continues.

Increased volatility in the FX market has also added to the interest in automated solutions, says Khuntia. "At the start of 2020, the economic environment was relatively benign. Volatility in the euro even reached a record low in mid-January[1]. Soon, though, markets caught wind of the emerging coronavirus crisis and volatility began to spike. By mid-March, the US dollar was in enormous demand as investors looked for a safe haven and a number of corporate treasurers were taken by surprise. FX volatility quickly rose up their list of concerns."

This is borne out by the results of a new research report published by TMI, in partnership with Barclays, which surveyed 300+ treasury professionals and CFOs on current European treasury trends. According to the report, entitled *New Europe: Is Your Treasury Fit for the Challenge?*, 42% of respondents see FX volatility as their number one macroeconomic concern for the year ahead (see fig. 1).

Real-time transparency

With the full economic impact of global lockdown becoming apparent, cash flow uncertainty also became a significant concern for treasurers. Goods and

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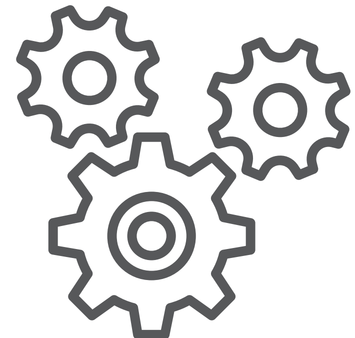
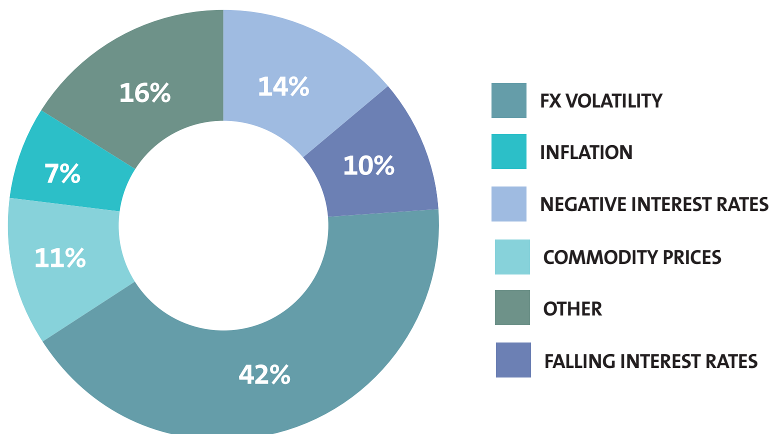


FIG 1: WHAT IS YOUR TOP MACROECONOMIC CONCERN FOR 2020?



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

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services could not be consumed at the same volumes, or in the same way, as before. Khuntia observes: "Not only did this put greater pressure on treasurers to have real-time visibility and transparency over their cash management and FX risk management, it also saw a shift in business models towards digital channels, which directly impacted treasury."

Eder agrees, adding that: "E-commerce has had a significant boost[2] from the pandemic and many companies have expanded into new markets via digital channels. This presents treasury functions with fresh FX challenges – from paying new suppliers in local currencies, to selling goods and making refunds in foreign currencies. Treasurers are therefore having to deal with increased risks from currency conversions and fluctuations, as well as a lack of pricing transparency, varying transaction costs, and operational risks."

On the upside, this focus on transactional FX is a great incentive to embrace technology which can help to transform FX payments into a strategic tool for boosting sales, building stronger buyer/supplier relationships, and improving both cash and risk management. "There is a whole ecosystem of solutions available in the wider market to support transactional FX, ranging from instant payments and SWIFT gpi (see box 1) to automated FX risk management tools from banks and vendors. Fintechs also have a role to play, as do technologies such as application programming interfaces (APIs)," says Eder.

Bringing this to life, Khuntia shares some examples of best practice from clients he has worked with: "We have a number of clients who have already embraced automated FX solutions via our online banking channels. One functionality that has proved popular, especially since the crisis began, is the ability to upload a payment file onto our cash-management channel and have the pre-agreed FX rate automatically applied to each payment in that file."

Eder adds: "This means that there are no hidden fees and there is no manual work required – which vastly reduces error rates. Rather than treasury personnel being tied up filling in FX rates for hundreds of individual transactions, a single payment file can be uploaded at the touch of a button and the legwork is done for them – enabling them to be redeployed to more strategic tasks. What's more, all of the information about the payment can be viewed online in real time, providing total transparency."

Automated FX solutions also exist for those corporates needing to make refunds in local currency to customers. Khuntia continues: "Sectors such as travel have been inundated with refund requests as a result of global lockdown. With buyers and sellers typically in different countries, making refunds can result in FX exposures where rates have changed since the time of purchase. Via our automated FX channels, we can provide cancellation/refund cover, which means that if a cancellation or a refund happens on a transaction after several weeks, we remove the FX risk by automatically giving them the original rate used. All of this

BOX 1: SMARTER PAYMENTS

It is not just automated FX solutions that are enabling corporates to improve their transactional FX workflows. Advances in the payments' ecosystem are also having a significant impact. Eder comments: "Instant payments are accelerating the move towards interoperable payment standards across the globe, with regulators working on adoption of ISO 20022. Initiatives such as SWIFT gpi are also looking to establish real-time cross-border payments as the 'norm' – and this brings with it the ability to gain much greater visibility and transparency over transactional FX."

What Eder is alluding to here is the SWIFT gpi Tracker, which via a unique end-to-end transaction reference (UETR), enables corporates to view the progress of a payment between banks in the payment chain, as well as having complete visibility over any deducts, including fees and FX rates.

Thanks to regulations such as the revised Payment Services Directive (PSD2), new players – in the form of payment service providers (PSPs) – are also shaking up the cross-border payments space. "Corporates have more and more options for making international transactions. They can make payments via the cloud, through fintech services, for example. Banks are also increasingly partnering with PSPs as a way to offer the most innovative digital payments capabilities to their clients," she notes.

The beauty of these solutions is not only the choice, speed and transparency they enable, but also the fact that they are digitally native. This enables easy automation of payments workflows.

functionality happens behind the scenes via API and has been a huge benefit for clients during the crisis."

Ongoing evolution

On the subject of APIs, Eder believes this is one area where the automation of transactional FX will continue to evolve in the future. "APIs are already being used by many large corporates to consume FX rates and I believe this will be a growing trend," she notes. Khuntia agrees, adding that "the benefits of the API solution are that it's a live channel and on demand – the client's computer requests FX rates and they are sent instantly from the bank. If the corporate wants to undertake a transaction, they then simply make the instruction and the deal happens instantly. APIs are also extremely secure, which is important in these days of heightened cyber risk".

Making progress happen

For those treasurers looking to make efficiency gains and strategic advances in their transactional FX sooner rather than later, Eder shares some tips:

1. **Don't stop the continuous improvement journey.** "Many corporates have been distracted by the Covid-19 crisis, when really it is a great opportunity to get things done. Focus on the areas that are clearly inefficient – like manual workflows around FX payments – and explore automated solutions," she notes.
2. **Educate yourself on the technologies available.** "Not every solution is right for every corporate. As discussed, there are many payment technologies out there and numerous automated FX solutions. Speak with your banks, vendors and fintechs to understand the possibilities. Also interact with your peers to see what can be done in-house before adding external solutions," Eder comments.
3. **Implement those technologies.** "Often corporates spend a long time researching technologies but never implement them, or wait too long before putting them in place and things have moved on. The only way to get ahead is to make the move!", she suggests.

Khuntia echoes this, adding that automation of transactional FX processes could bring significant benefits in a post-pandemic environment. "The world of work is unlikely to return to its pre-crisis levels anytime soon. Treasurers will once again be looking to do more with less – and automation of FX workflows can lead to significant time savings, freeing up personnel to tackle more value-added tasks and make smarter, faster decisions. It will also reduce the risk associated with manual FX payments, which can only be a good thing."

His final words of wisdom for treasurers looking to go down the automation path are to ensure that any digital treasury projects dovetail with the digital strategy of the wider business. "The crisis has led to rapid shifts in business models, with companies embracing digital channels like never before. To grow with the business, and help the company reach its international growth goals, treasury must be on the same page in its digital execution. This is not to say that treasury cannot lead the digital discussion – it absolutely can – especially when armed with up-to-date insight on the latest technologies," he concludes. ■

Notes

1 https://www.bloomberg.com/news/articles/2020-01-15/euro-volatility-hits-record-low-in-defiance-of-market-theory
2 https://www.forbes.com/sites/johnkoetsier/2020/06/12/covid-19-accelerated-e-commerce-growth-4-to-6-years/

Fast-Track Treasury

By **Eleanor Hill**, Editor

Making the Most of Digital Business Models

Reaching customers through digital channels has become a priority for organisations during global lockdown. But reaping the benefits of a digital business model requires treasury to be fully connected to the company's overall digital strategy. Srinivas Kasturi, Head of Mass Payments and Country Product Management, Corporate Banking, Barclays, and Daniela Eder, Head of Payments & Cash Management Europe, Barclays, explain how treasurers can plug in to the potential upsides of digital business models – through tools such as instant payments – while outlining how to manage risks, including increased collection costs and greater foreign exchange (FX) exposures.

It's no secret that Covid-19 has accelerated the adoption and evolution of digital business models – across almost every industry sector. Supermarkets have seen an explosion in online ordering. Healthcare providers have embraced video consultations. Virtual gyms and classrooms have become the norm for many. And the list goes on.

Perhaps more surprising than the range of digital services now available is the speed at which they have been rolled out. Data from consultancy firm McKinsey suggests that – in the space of just eight weeks – the world has jumped forward five years in terms of consumer and business digital adoption[1].

With this rapid rise in e-commerce, and reduced footfall in retail establishments, many companies have begun complementing their wholesale models with direct-to-consumer (D2C) sales. Heinz Kraft, for example, is now selling bundles of its most popular products straight to consumers via its website[2].

The benefits for customers are clear: convenience, a superior shopping experience, better service and more instant access to the products they want. For the C-suite, margins can be improved by cutting out the middlemen, revenue sources can be grown, and new markets can be entered without a physical presence.

But what does this shift towards digital business models mean for corporate treasurers? And how can they harness the opportunities on offer, while managing the inherent risks?

Striking the right balance

According to Eder, "Examining the D2C trend is a great way to understand the treasury impact of the wider shift towards digital channels, in both B2C and B2B segments." The first and perhaps most obvious treasury ramification in the D2C space, she says, is the dramatic shortening of the order-to-cash (O2C) cycle.

"By settling the transaction direct with the end consumer, the treasurer no longer has to wait an average of 60 days for their cash – it could be in their account within 24-48 hours, or even a few minutes, if instant payments are used." Reducing days sales outstanding (DSO) in this way has obvious working capital benefits, since treasurers will have more cash on hand. Nevertheless, this will "require an increasingly proactive approach to short-term investing – and expedited reporting," she notes.

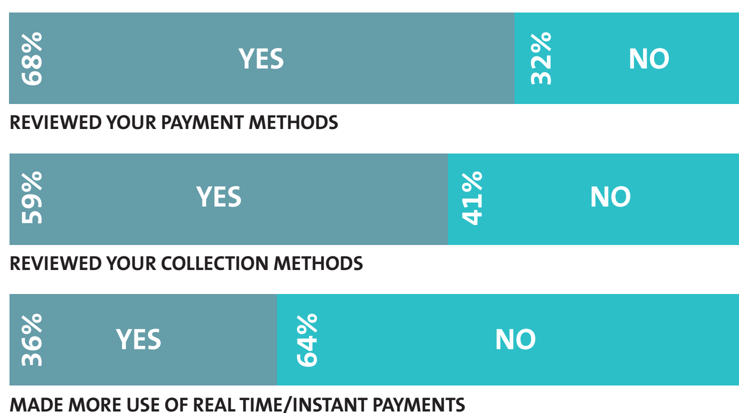
D2C cash flows also differ in terms of volume and value. "With wholesale customers, cash flows tend to be low volume, high value. They also have a certain level of predictability, as orders are often regular. For retail customers, the opposite is true. D2C sellers receive a very high volume of typically low value payments, and there is little predictability – these purchases may even be one-offs."

For the treasurer, this shift brings several challenges, believes Kasturi. "A much greater number of incoming payments can significantly increase the cost of collections. As such, treasury will require robust, automated, high-volume connectivity, to process all of the receipts from direct sales. Clients may wish to look at establishing a receivables factory, and leveraging technology such as robotic process automation [RPA], to assist with those high volume receipts. Without significant efficiency on the collections side, the working capital benefits of the model could be negated," he highlights.

Making smart choices

Naturally, the choice of payment method(s) offered to consumers can also affect the cost of collections. "Consumers' use of debit or credit cards, or solutions such as PayPal, can significantly ramp up costs when transacting digitally. Bank APIs (application programming interfaces) and fintech led-solutions integrated into e-commerce sites are a more cost effective alternative, while still offering an excellent customer experience.

FIG 1: WITH THE ADVENT OF DIGITISATION, HAVE YOU: REVIEWED YOUR PAYMENT METHODS; REVIEWED YOUR COLLECTIONS; MADE MORE USE OF REAL TIME/INSTANT PAYMENTS?



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

SRINIVAS KASTURI

Head of Mass Payments and Country Product Management, Corporate Banking, Barclays

DANIELA EDER

Head of Payments & Cash Management Europe, Barclays

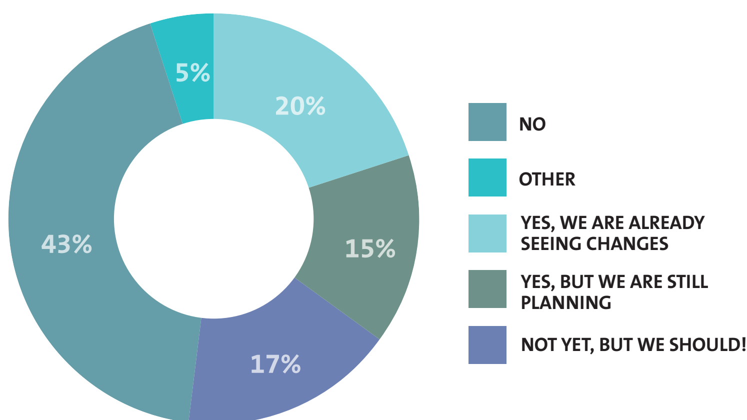
Another challenge with the shift to D2C is the increased range of currencies treasurers may encounter. According to Kasturi, "Digital business models enable companies to rapidly expand across borders. Inevitably, this brings new currencies into the cash management mix – ones that the company might not traditionally deal with. Leaving FX conversion to card providers can be costly, as wholesale rates are unlikely to be applied, and fluctuating prices can be confusing for the end customer. It is therefore important for treasurers to be on top of their transactional FX costs and deliver clarity of pricing for consumers at all times."

Taking positive action

With these considerations in mind, how then can treasurers make the most of this increasingly digital environment? Eder and Kasturi share some useful tips:

1. **Make sure treasury has a seat at the boardroom table.** According to Eder: "All too often, treasurers are not consulted around the organisation's digital sales strategy – even though they are the ones ensuring that cash still flows through the organisation in a seamless manner. As such, treasurers must be vocal around the vital role they play in enabling a successful digital business model – and demonstrate their knowledge about the most appropriate ways of collecting cash from customers, especially if a D2C model is being rolled out."
2. **Review collection methods.** It makes sense, then, that another critical part of the digital journey is reviewing collection methods. Indeed, the results of a new research report published by TMI, in partnership with Barclays, which surveyed 300+ treasury professionals and CFOs on current European treasury trends, indicate that 59% of treasurers have already re-considered their collection methods in response to digitisation (see fig. 1). "The shift towards digital business models is an opportune moment to re-imagine the collections process. Legacy methods can be replaced by more efficient and even instant instruments. Reconciliations can also be improved through technologies such as RPA and artificial intelligence, to accelerate cash application," she notes.
3. **Review payment methods.** Likewise, considering new payment methods for suppliers is vital when implementing a digital business model – and 68% of survey respondents have already done so. Kasturi explains: "A payment that arrives too late can amplify the fragility of the supply chain, which is far from desirable in uncertain economic times. Embracing real-time payments, like SEPA instant, and initiatives such as SWIFT gpi, can help to improve a corporate's own liquidity management and support strategic counterparties through this difficult time. Paying promptly is part of being a responsible, digital business."
4. **Embrace real-time treasury.** It is one thing implementing instant payments and collections, but to reap the full benefits, treasurers need to speed up the rest of their processes too – and move towards the broader definition of real-time treasury. Kasturi comments: "As Dani mentioned earlier, this means undertaking reporting in real- or near-real time. In turn, this should enable smarter, faster decision-making and help to make treasury more efficient – enhancing the department's overall 'fitness' for the future."

FIG 2: HAVE YOU CONSIDERED HOW CHANGES IN CONSUMER/BUSINESS HABITS TOWARDS LEASING RATHER THAN BUYING GOODS (CIRCULAR ECONOMY) MIGHT IMPACT FUTURE CASH FLOWS - AND THE BALANCE SHEET?



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

5. **Don't forget about data.** One of the major benefits of digital transactions is the data that accompanies them, especially now that the ISO 20022 standard is gaining traction. "The enriched data that is available with some of the newer payment methods, such as SEPA instant – which Barclays will soon be adopting – presents an opportunity to not only make processes such as reconciliation more efficient, but also to bolster intra-day liquidity monitoring and real-time decision-making," says Eder.
6. **Engage your banking partners.** Many of the headaches treasurers are likely to encounter when accommodating a digital business model can be eased by banks. "Take FX, for example," says Kasturi. "Barclays provides a solution which helps retailers and D2C sellers to display consistent prices by protecting the rates linked to each transaction." Eder adds that banks can also assist treasurers to "put in place the necessary API connectivity to aid the high volume flow of real-time information that digital business models bring".

> *For the C-suite, margins can be improved by cutting out the middlemen, revenue sources can be grown, and new markets can be entered without a physical presence.*

Thinking differently

When re-thinking fundamental treasury processes in light of digitisation, it is also worth considering how other potential business model changes might impact cash management. One such change is the growing consumer, and indeed business, trend towards sustainability.

"There are many different types of sustainable business models. We've seen the sharing economy take off with Airbnb, for example. We are also seeing more companies leasing products to consumers, rather than selling them outright," says Kasturi. "While sustainable business models are not - yet - as well established as digital ones, treasurers might want to factor sustainability-driven changes into their future-proofing processes. And we can see from the survey results [see fig.2] that 20% of companies are already witnessing shifts in this regard."

Eder picks up on this, saying: "If leasing grows, as we are seeing among car manufacturers in Germany, for example, this will inevitably impact cash flows – as higher value one-off receipts will be replaced by regular, smaller value receipts. Under IFRS 16, leases must also now appear on the balance sheet, which adds another dimension for treasurers to consider."

Of course, sustainable business models will impact some sectors sooner, and more dramatically, than others. But, as Covid-19 has demonstrated, the business environment can shift rapidly and unexpectedly. Before the pandemic, digital business models were still seen by many organisations as 'nice to have'. Now, they are a 'must have'.

Eder concludes: "As a result, treasurers have an open invitation to re-imagine payment and collection methods, and embrace developments such as real-time treasury. In addition to helping fast-track their organisation's digital growth, it makes absolute sense for treasurers to consider other business model changes such as sustainability, given their increasingly strategic role within the organisation." ■

Notes

1 *https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days#*
2 *https://www.forbes.com/sites/louisbiscotti/2020/05/18/direct-to-consumer-dtc-a-fad-or-the-beginning-of-a-trend/*

Cash Management and Investment in a Shifting World

By **Eleanor Hill**,
Editor

Without a crystal ball, it is difficult to predict which path the economic recovery will take. Many treasurers are therefore wondering how to manage and invest corporate cash in an optimal manner, given the uncertainty ahead. Nevertheless, Yera Hagopian, Managing Director, Liquidity Solutions, Barclays, and Daniela Eder, Head of Payments & Cash Management Europe, Barclays, believe that treasury teams can take action today to ensure their cash management and investment strategies are fit-for-purpose in the new operating environment.

March 11, 2020, will go down in history as the day the World Health Organisation declared the Covid-19 outbreak to be a pandemic[1]. That same day, the Bank of England made an emergency interest rate cut, down from 0.75% to 0.25%[2] – and the UK government launched its Coronavirus Business Interruption Loan Scheme (CBILS). Eight days later, the UK interest rate was cut again, to an all-time low of 0.1%, and £200bn in quantitative easing (QE) was announced[3].

Similar stimulus packages were launched by central banks and governments across the globe. In the US, the Federal Reserve embraced near-zero rates and committed to $700bn worth of asset purchases[4]. The European Central Bank rolled out its €750bn package known as the pandemic emergency purchase programme (PEPP). Numerous employee furlough schemes were then added to the mix.

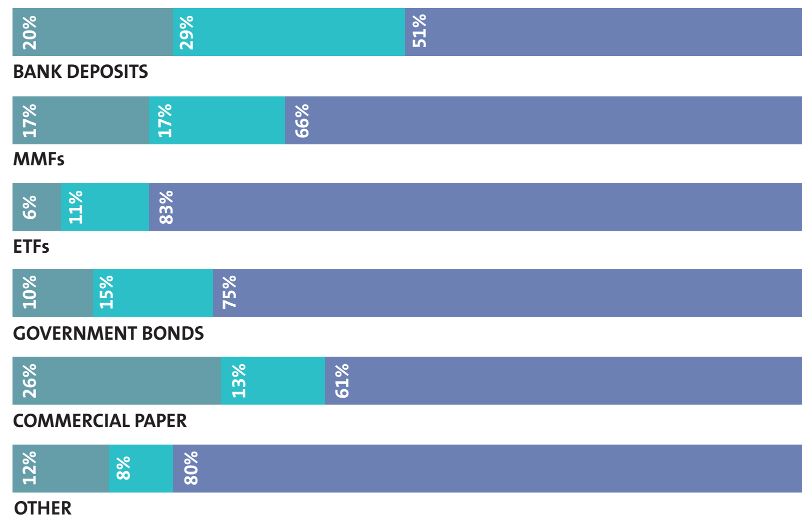
Meanwhile, corporates were busy taking matters into their own hands. Hagopian explains: "When the pandemic began in earnest, many companies' immediate reaction was to have as much liquidity on hand as possible. Larger companies went to the capital markets, while smaller corporates could access government schemes – and some corporates opted for both of these avenues."

Many organisations also drew down on their revolving credit facilities, in order to have cash available if they needed it, which was more of a psychological move than a tactical one. In addition, a large number of corporates pressed pause on material investments, making the stockpiling of cash even more pronounced.

Eder adds: "There was a significant knee-jerk reaction to the pandemic, with corporates drawing down huge amounts of cash – and then looking for places to park

> *"Now that the dust has started to settle, corporates are beginning to take a more measured approach to their cash and investment management again."*

FIG 1: USAGE OF SHORT-TERM INVESTMENT INSTRUMENTS



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

YERA HAGOPIAN

Managing Director, Liquidity Solutions, Barclays

> *The nature of risk has evolved hugely since the start of the Covid-19 crisis. Things are happening that were never previously considered as risks.*

it [see fig.1]. Money poured into seemingly 'safe' investments such as government and Treasury money-market funds. Yet, by and large, these investments were made in 'panic mode' and often not necessarily with a profound assessment of the company's treasury policy."

The journey ahead

Now that the dust has started to settle, corporates are beginning to take a more measured approach to their cash and investment management again. Says Hagopian: "The billion dollar question for treasurers is: 'what happens next to the economy – and what does this mean for my cash?' But, in truth, no-one can accurately predict what the recovery will look like. There are so many unknown factors at play, not least the medical outcome. Additional waves of Covid-19 could mean further economic downturn, but if an effective vaccine is discovered, the opposite could be true. The economic impact in the US is also a significant concern, as any negativity in the US economy inevitably has a global impact."

What's more, this is playing out against a backdrop of geopolitical uncertainty. Eder notes: "From Brexit and trade wars to the US election, the political landscape is constantly shifting. Geopolitical risk is therefore adding to the complexity of the situation and making it harder to 'read' the markets. As a result, treasurers have become very risk-averse – which is entirely understandable – and cash buffers have become de rigueur, as they were after the financial crisis of 2008."

Given the aversion to risk, it is likely that corporates will want to conserve their cash for as long as possible. Nevertheless, Hagopian cautions that government support schemes will come to an end sooner or later. "In the UK, the government is already signalling the end of the employee furlough scheme and companies need to prepare for that. Moreover, some of the financial support options that corporates chose in haste during the 'March frenzy' have strings attached to them. On reflection, it may be considered prudent to start repaying those, in particular if they are expensive, or have covenants or conditions attached which may be limiting in the future," she says.

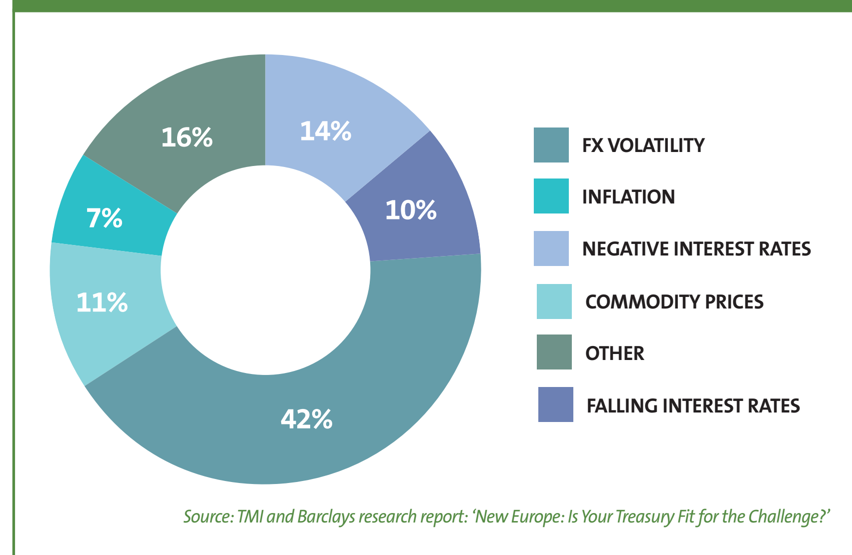
Taking stock – and action

Eder adds that companies cannot stay in limbo – they must start to prepare for the future, whatever it holds. "Some corporates will need to use their cash to stay afloat. But for those who are in growth mode, it is important not to sit on cash for too long. Investments may need to be made to help scale the business at a sustainable rate. There are both downside

DANIELA EDER

Head of Payments & Cash Management Europe, Barclays

FIG 2: TREASURERS' TOP MACROECONOMIC CONCERN FOR 2020



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

and upside risks to prepare for, and each corporate must carefully assess its own situation."

Within this assessment, there are several areas of focus for treasurers:

1. **Stay close to the business** to understand and anticipate sources, and uses, of cash as the crisis evolves. Hagopian explains: "Treasury has an increasingly strategic role within the organisation. Today's treasurers must remain as close to the business as possible to understand what the cashflow implications of business decisions are. This is not a one-off exercise; this must happen at every step of the crisis as it continues to evolve." She believes there is also a need for treasurers to continually educate the business on market forces, to help them better understand the challenges ahead.
2. **Perform a detailed risk assessment of the current portfolio** and ensure that treasury policy remains aligned to risk appetite. Says Hagopian: "The nature of risk has evolved hugely since the start of the Covid-19 crisis. Things are happening that were never previously considered as risks. And, as mentioned, some corporates have changed their investments out of fear rather than strategy. A review would therefore be wise, to ensure that risks are understood and are in line with the treasury policy." Eder believes that reviewing the treasury policy itself could also be beneficial at this time, given the significant changes in the operating environment.
3. **Do not forget about yield.** According to Eder, there is a temptation during times of negative rates and market turbulence to put yield on the back burner. "Nevertheless, there are instruments that can provide security, liquidity and yield – and it is worth investigating the possibilities," she says. Hagopian adds that, when looking at different investment solutions, it is important to ensure that the treasury team has the capability to manage the market and operational risk that goes with those instruments. "Will the team be able to tackle all of the processes, reporting and governance that takes place to manage that instrument?" she asks.

> *Now is the time for treasurers to show their strategic worth and demonstrate their ability to keep the company well-funded, by running a fit-for-today treasury function.*

4. **Consider currency risk.** "There is no room for complacency when it comes to funding and investment – and this includes currency risk," says Hagopian. "If the treasurer is relying on funding in a particular currency but actually needs it in a different currency, unfavourable FX moves may mean that the amount of funding is no longer sufficient once the FX conversion has taken place. As such, currency risk must remain front of mind [see fig.2] and treasurers would do well to put in place strategies to hedge any funding-related FX risks."
5. **Maximise internal cash efficiencies.** Given the low and negative interest rate environment, the most efficient use of cash is still internal recycling – managed through pooling and cash concentration structures. "While many corporates already have such structures in place, they are not always revisited and updated for changing circumstances. As such, it is prudent to regularly review internal set-ups and ensure they are running at maximum efficiency," says Hagopian.
6. **Optimise and digitise treasury operations.** To assist with ongoing risk monitoring and to help ensure the optimal use of cash, Eder believes that digitisation and automation of treasury processes will also be critical. "Treasurers need to have access to reliable and timely data through digital channels. Bank-led tools such as virtual accounts can also help treasurers to put in place efficient cash management structures which enable near real-time visibility and control over cash – which is beneficial at all times, but even more so when responding to a crisis," she says.

Resetting the pendulum

While the shock of the pandemic has subsided, treasurers must now face the reality of the prolonged economic squeeze that lies ahead. Hagopian cautions: "In the middle of a crisis, eyes are often taken off the ball. Priorities become skewed as emotion overtakes logic. Now, it is time to re-focus on balancing risk and reward."

Eder agrees, adding: "There is still a great deal of external uncertainty, but treasurers can make huge strides towards more optimal cash management and investment by reviewing their internal processes. There is always room for further efficiency – and treasurers are not alone on this journey." Banks, she says, have tried and tested digital cash management solutions on hand, as well as short-term investment options to suit a range of needs.

"The one thing we don't have is a crystal ball," she quips. "But what is certain is that the biggest downside risk as a treasurer is failing to adapt. Now is the time for treasurers to show their strategic worth and demonstrate their ability to keep the company well-funded, by running a fit-for-today treasury function."

Notes

1 *https://www.theguardian.com/world/2020/mar/11/who-declares-coronavirus-pandemic*
2 *https://www.theguardian.com/business/2020/mar/11/coronavirus-bank-of-england-makes-emergency-interest-rate-cut*
3 *https://www.theguardian.com/business/2020/mar/19/bank-of-england-cuts-interest-rates-to-all-time-low-of-01*
4 *https://www.cnbc.com/2020/03/15/federal-reserve-cuts-rates-to-zero-and-launches-massive-700-billion-quantitative-easing-program.html*

Trade and Supply Chain Finance

Rising Above Uncertainty

By **Eleanor Hill**, Editor

Covid-19 has changed so many aspects of life and business – global trade is no exception. With trade flows declining, and commercial payments following suit, Aoife Wallace, Head of Trade & Working Capital Europe, Barclays, and Daniela Eder, Head of Payments & Cash Management Europe, Barclays, examine how treasurers can play their part in supporting the recovery – from financing their supply chain partners to digitising trade and cash management workflows.

AOIFE WALLACE

Head of Trade & Working Capital Europe, Barclays

Even before the term 'Covid-19' was on the lips of treasurers across the world, challenges to the future of global trade and supply chains were looming. International trade tensions, coupled with ongoing Brexit negotiations, not to mention the upcoming US Presidential election, were all causing ripples. In turn, this uncertainty was impacting corporates' requirements for trade- and supply chain finance (see fig. 1)

The pandemic has only intensified matters, with global trade declining in March 2020, and – at the time of writing (September 2020) – remaining lower than previous years. According to the World Trade Organisation, trade in goods is estimated to have fallen 18.5% year-on-year in the second quarter of 2020[1]. Wallace elaborates: "The reasons were multi-faceted, but included supply side shutdowns in Asia, unprecedented drops in commodity prices, and Covid-19 restrictions coming into place. No economy has been immune to the impact of lockdown measures, causing large-scale logistical disruptions and reduced demand."

Inevitably, this is impacting other areas too: Eurozone GDP for Q2 2020 shrunk by 15% year-on-year[2], for example. Commercial payments have also been significantly stunted due to the drop in trade. Eder comments: "Although e-commerce has risen enormously during lockdown as businesses have embraced new business models, Eurozone commercial payments for Q2 2020 were down 11% – according to data issued by SWIFT in August 2020 – and this is closely linked to the drop in trade. Likewise global commercial payments flows dropped by 10% during that same window."

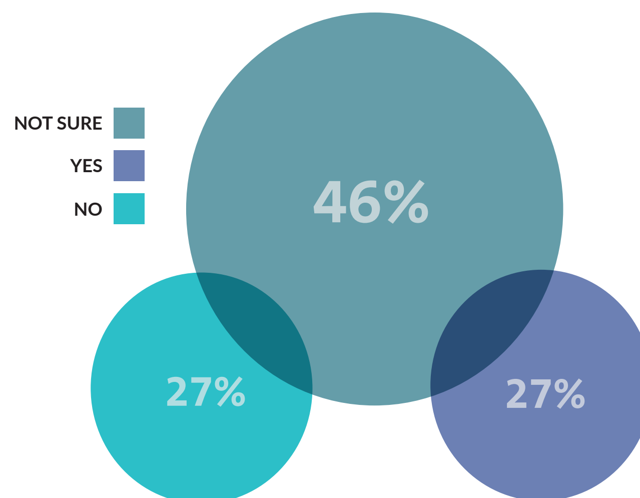
Smart financing solutions

While small green shoots of recovery are starting to emerge, the overall decrease in trade flows – combined with pre-existing geopolitical tensions – is a significant challenge for businesses, not to mention the global economy. Eder comments: "Companies have found that, even if they are surviving the crisis, their suppliers may be at risk. We have heard anecdotal evidence of large corporates offering financing to their suppliers during the Covid-19 crisis, simply to help those suppliers keep their heads above water, and to maintain the security of the overall supply chain."

Wallace echoes this, adding that: "Supplier finance used to be primarily about looking at your own balance sheet as a buyer, and extending out payment terms as far as possible to reduce the cash conversion cycle. Now it's being used as a tool by corporate buyers to help their suppliers survive the crisis, maintain the integrity of their supply chain, and drive long-term sustainable relationships."

Today's treasurers need to look holistically at their underlying supply chain and ensure the correct level

FIG 1: NEED FOR INCREASED TRADE AND WORKING CAPITAL FACILITIES IN 2020



Source: TMI and Barclays research report: 'New Europe: Is Your Treasury Fit for the Challenge?'

> *The pandemic has put everyone on the same page: digitisation is no longer a nice-to-have, it is a must-have.*

DANIELA EDER

Head of Payments & Cash Management Europe, Barclays

of funding is in place throughout, in order to ensure resilience, believes Wallace. "Corporate buyers can no longer concentrate only on their top ten suppliers to the detriment of smaller suppliers. In these difficult times, there is an opportunity for large corporates to step-in and support their smaller suppliers, with their financial strength and higher credit rating. This will be especially pertinent when government support schemes come to an end across the globe, as many suppliers could find that their financial crutch has been removed." she says.

Another financing tool to consider alongside bank-driven supply chain finance (SCF) is dynamic discounting. Offered by fintech-led third party platforms, dynamic discounting can enable a large buyer to better support its tail end suppliers. This approach has several benefits, says Wallace. "Buyers can use up their excess cash to help their supplier get early payment, and in return, receive a discounted price for the goods/services that they are procuring. This could be particularly attractive in the current negative interest rate environment, given the limited returns available on short-term investments."

Offering these kinds of financing options could also assist corporate buyers to diversify their supply chains in response to Covid-19, says Eder. "A number of corporates have become aware of the high concentration risk in their supply chains, with over-reliance on a few key suppliers. This has led to delays and holes in supply chains as the crisis has taken its toll. In addition, buyers sourcing from far away locations pre-lockdown are starting to consider regionalising their supply chains, as a way of mitigating the types of supply chain breakages and blockages that we saw at the start of the pandemic. We therefore expect to see large buyers looking to work with a broader base of suppliers going forward, to help ensure resilience," she explains.

Wallace adds: "Of course, there are logistical considerations to adding new suppliers, especially as the pandemic continues to develop and country-by-country situations evolve. But given that many large buyers could be undertaking the same kind of review of supply chain partners simultaneously, providing a supplier with the option of taking payment earlier than their contractual payment date could prove to be a competitive differentiator for securing a new supplier relationship."

Driving digital innovation

This focus on financially supporting all levels of the supply chain plays an important role in keeping global trade flowing. But there are additional developments helping to grease the cogs of international trade, not least the push towards increasingly digital trade transactions.

It's no secret that an archaic over-reliance on paper has long been considered the Achilles heel of trade finance. And due to the cost of implementation and onboarding, alongside regulatory and legal complexities, digital disruption of the trade universe has long seemed like a pipe dream to many. Nevertheless, Covid-19 has prompted a renewed collective push towards the digitisation of international trade finance.

Wallace notes: "At the start of the pandemic, all banks were focused on bringing in 'workarounds' to many traditional manual processes and introducing digital solutions in order to maintain the delivery of valued trade finance solutions for clients. I'm delighted that, at Barclays, innovative measures were introduced in mere weeks, bringing significant progress under tight timelines."

A great example is the adoption of eSignatures in lieu of wet ink signatures for submitting and signing trade finance applications. "Allowing corporates to complete an application form for their international guarantees via DocuSign has enabled us to help keep clients' trade transactions flowing smoothly during lockdown," she says. "And as simple as it sounds, enabling virtual signatures for Barclays' clients across Europe involved close scrutiny of local laws and regulations within each jurisdiction. Cybersecurity was also front of mind, and much work was undertaken behind the scenes to ensure the robustness of eSignatures."

Another interesting digital development, pioneered by Barclays, has been the amendment of the standard terms of the aircraft leasing sector's stand-

by letters of credit (SBLCs) to allow for electronic presentation of claims in lieu of original hardcopy demand certificates. "This has been particularly useful given the impediments to physical document delivery, including postal delays and even closure of courier services in certain countries," says Wallace.

Shared progress

As much as digital innovation from individual banks, and in certain industry sectors, has been a huge benefit for corporates during lockdown, it is the wider digital collaboration among industry bodies, trade consortia, and the broader banking community that will be the true silver lining to the Covid crisis. Says Wallace: "In the past, one of the barriers to digitisation has been the alignment of stakeholders. The pandemic has put everyone on the same page: digitisation is no longer a nice-to-have, it is a must-have. Collaboration is accelerating as a result, and practical solutions are emerging in rapid timeframes."

This is an important point for Eder who notes: "Often, digital projects focus on an ideal – or on using the latest technologies. Yes, it's good to aim high and to explore the potential of emerging tech, but it's also important not to overlook existing solutions simply because they aren't new. There are tweaks that could be made to current products to enable them to be used digitally, as the SBLC example illustrates. Right now, these are the kinds of solutions clients need."

The same goes in the cash management space, adds Eder. "Corporates hear a lot about application programming interfaces [APIs] being the latest tool for bank connectivity. But building an API ecosystem takes time and investment. Traditional routes like host-to-host could be more appropriate for some companies, and should not be dismissed simply because API connectivity is now considered cutting-edge."

The key message, Eder stresses, is that it is possible to leverage existing technology to get the basics, such as automation and real-time cash visibility, in place. "The aim is not to achieve this in the most sophisticated way possible, or using technologies that aren't yet proven. It's about reaching these goals in the most resilient manner – with a sensible budget and timeframe." This is even more true when uncertainty around a second wave of the pandemic persists.

"Now may not be the right time to be making investments in bells and whistles. Getting the digital fundamentals right, such as real-time management of cash flows, can deliver immediate benefits. These include working capital optimisation and the ability to better support suppliers – which feed full circle into the SCF developments mentioned earlier. In other words, digitising using existing technologies and solutions in new ways, can actively help to support the recovery."

Seizing advantages

That's not to say that looking to future digital developments isn't also important. Indeed, Barclays is doing just this. Eder continues: "From trade and supply chain finance, to payments and cash management, we are learning from the crisis and innovating around it. We are helping clients not only to work virtually, but also more efficiently. The same goes for our own operations, we are reviewing and amending our workflows and technology investments. We are also proactively teaming up with fintechs and cloud-enabled platforms to bring the best of both worlds to our clients – the trusted and secure bank environment and the flexibility and agility of third-party innovators."

The Covid-19 crisis, says Wallace, has afforded treasurers, banks and fintechs a unique opportunity to change the status quo. "We must continue to move forward, while remaining mindful of the risks we need to protect ourselves and our clients against, such as money laundering, cybercrime and fraud. This means building on the current momentum behind digitisation to continue industry investment in artificial intelligence, machine learning, Distributed Ledger Technology and the Internet of Things – alongside the technologies and financing solutions we all know and trust. To quote Tony Robbins, 'Change is inevitable, progress is optional.'"

Notes

1 www.wto.org/english/news_e/pres20_e/pr858_e.htm

2 markets.businessinsider.com/news/stocks/eurozone-gdp-contracts-12-in-q2-worst-rate-since-1995-2020-7-1029454734#