

Taking stock: Treasurers' priorities

With digitalisation at the top of corporate agendas, and increasingly expansion-minded corporates turning to open account trade, treasurers have more – and more complex – requirements than ever. **Adeline de Metz**, Global Co-Head of Trade Finance, and **Cédric Derras**, Global Head of Cash Management, at UniCredit, look at the key issues facing treasurers – explaining how they can mitigate risks, increase security and harness innovation to meet their goals.



What are corporate treasurers' priorities at the moment?

de Metz: Despite ongoing uncertainty in global trade, most corporates continue to see international growth as a key priority, with many opting to do so via open account trade. Yet, while this has clear benefits in terms of speed and efficiency, it also exposes them to new risks. Mitigating these is now a priority.

At the same time, treasurers continue to focus on key performance indicators (KPIs) to ensure balance sheets are tidy and working capital is optimised – both perennial concerns.

Derras: Today's cash management priorities are being driven by a change in corporate behaviour and expectations. Efficiency, transparency and security have long been concerns, but we are now seeing a growing demand for fluid and accessible banking experiences – driven in part by sophisticated digital services, especially in the B2C sector. Simple, intuitive interfaces, as well as high-quality and responsive client service from banking providers are now at the top of treasurers' wish lists.

Meanwhile, the looming threat of cybercrime remains at the forefront of

their minds. Cyber-attacks were suffered by almost 3 million UK firms in 2016, costing businesses £29.1bn, according to research by telecoms firm Beaming, and treasurers are now prioritising the prevention of costly security breaches. The increasing use and integration of digital technology in corporate treasuries only serves to increase the threat – with the introduction of real-time payments leaving a much smaller window for parties to identify and remedy fraudulent transactions.

How can corporates address the threat of cybercrime?

Derras: When it comes to the threat of cybercrime, banks are strongly positioned to help their corporate clients avoid any breaches. Many are leading the way in developing the latest anti-cybercrime technologies, and corporates that work closely with strong banking partners can indirectly benefit from their robust systems and expertise.

Indeed, banks are also addressing the threat of cybercrime at an institutional level. In April, for instance, SWIFT announced a new fraud and cybercrime

prevention service for banks and corporates using its payment messaging service. Through cutting-edge technology such as data analytics, artificial intelligence and biometrics, the banking community is striving to stay one step ahead of attackers and ensure treasurers keep their systems safe.

How can corporates mitigate risks associated with open account trade?

de Metz: When it comes to mitigating risks brought about by open account trade, payables and receivables finance offer compelling options for both buyers and their suppliers. Supplier-driven receivables financing – where suppliers sell outstanding invoices to a financial institution that assumes the risk on the receivables – is a tried and tested option that remains popular. On the payables side, investment-grade buyers typically set up supply chain finance programmes that provide much-needed liquidity to suppliers on the back of the buyer's strong credit rating, yet we are also seeing non-investment-grade buyers establishing supply chain finance programmes that help mitigate risk exposures of suppliers



Adeline de Metz, UniCredit



Cédric Derras, UniCredit

to the ears of corporates with significant cross-border flows. Better still, banks shoulder the burden of implementation for this innovation – although corporates may have to adapt their ERPs to realise the full benefits.

Following on from the introduction of SWIFT gpi, we are also close to seeing a harmonised instant payments system implemented throughout Europe – again improving speed, efficiency and transparency in corporate cash management. Businesses can look forward to optimised liquidity management, shortened reconciliation and cash conversion cycles, drastically more efficient cash pooling processes, and immediate visibility of liquidity conditions anywhere in the world. The e-commerce sector will be a notable beneficiary, where goods can be prepared and dispatched immediately upon receipt of a payment – facilitating increasingly fast delivery times.

Technology clearly has an important role to play. How else can new technology improve life for corporates?

de Metz: Access to finance for European SMEs is a perennial issue that technology is helping to solve. I've already mentioned how improved access to supply chain finance can help, and Digital Trade Chain (DTC), a blockchain-based shared platform for domestic and international commerce developed by seven banks – including UniCredit – is another solution that can make a big difference. DTC will accelerate the order-to-settlement process, decrease administrative paperwork, and enable end-to-end transparency of transactions – boosting SMEs' confidence in onboarding new trade partners and, on a larger scale, fostering trade throughout Europe.

Derras: The surge in use of Application Programming Interfaces (APIs) and the upcoming Open Banking revolution that will be brought about by the introduction of PSD2 is another technological development that will positively impact life for corporates. Treasurers will stand to benefit from faster and more complete overview and processing of cash management activities, increased automation and efficiency, and more user-friendly digital services – to name just a few. At UniCredit, we are getting prepared for implementation of PSD2, and see it as a huge opportunity for innovation and collaboration that will benefit our clients. In particular, Open

API banking will result in a number of value added solutions for treasurers, and at UniCredit we are implementing our API strategy to maximise the level of service we offer.

What do the next few years have in store for treasurers?

de Metz: Collaboration between banks and fintechs is sure to bring about innovation in trade finance. Corporates often express concerns about the size and financial stability of fintechs when they work directly with the fintech alone, but collaboration with banks – who bring market knowledge, credit appetite, and funding capability – looks a promising model. Banks and fintechs must engage with each other proactively as part of a wider “ecosystem” of relationships – approaching clients with targeted, developed solutions, rather than waiting to be engaged by the client separately.

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Derras: Certainly, we can expect continued growth in e-commerce and cross-border payments, but new trends are also on the horizon – including Open Banking. This will see Open APIs enable third-party developers to integrate their applications to supplement bank services – facilitating a raft of new client-centric solutions. This is something for treasurers to look forward to, but they must also prepare for the complex strategic decisions that will emerge – and look to their banks for guidance.

This comes hand in hand with the ongoing end-to-end digitalisation of cash management – benefiting banks and corporates alike with improved solutions and reduced cost of service. So while corporates face many challenges in today’s landscape, they are equipped to face them, and can look forward to a better, more profitable future on the horizon.

and enable them to conduct more trade.

Digital innovation is also dramatically improving the wider supply chain finance offering – on both the receivables and payables side. Buyer-centric solutions that are typically reserved for larger businesses are evolving to bring in smaller buyers, and we are also seeing many fintech initiatives for receivables finance that cater to companies – of all sizes – that are usually not well-served by traditional banks that lack the flexibility these fintechs are offering. Nevertheless, it remains to be seen what share of the market these fintechs can address, as well as how sustainable their business models are.

What solutions can help corporate treasurers with the speed and efficiency of their operations?

Derras: SWIFT’s global payments innovation (gpi) – for which UniCredit is a pilot bank – is answering treasurers’ call for more efficient, faster cross-border payments. With phase one of the initiative live since February, SWIFT gpi offers increased speed and transparency of payments, as well as end-to-end payment tracking – all of which should be music