Digital treasury on the move

Global treasury benchmarking survey 2016

REVAL

In association with

Treasury Strategies, A Division of Novantas, Inc.

ZANDERS Treasury and Finance Solutions

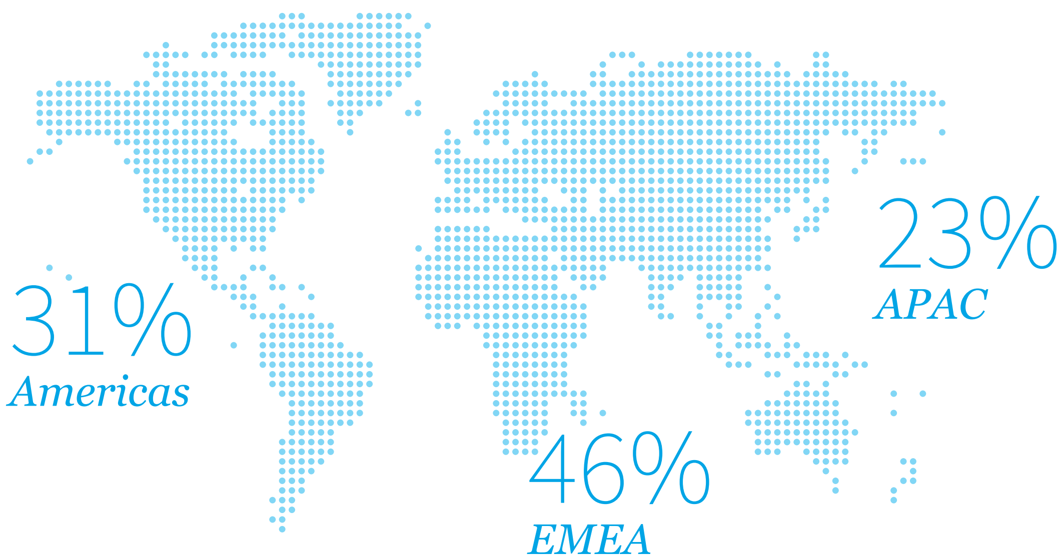
Standard Chartered

About this report

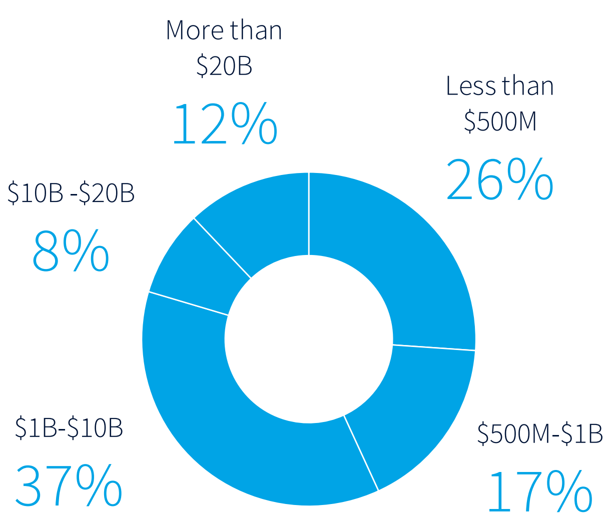
In the fourth quarter of 2016, Reval, in association with Treasury Strategies, Standard Chartered, and Zanders, set out to take the pulse of the global treasury market. The result is the second edition of the "Global treasury benchmarking survey," which captures the voice of nearly 1,000 finance professionals. This report summarizes the most critical factors that respondents say are adding complexity to the treasury function. It also shows what treasury teams are doing in response to these factors as they move forward towards more digital treasury and risk management operations.

Survey demographics

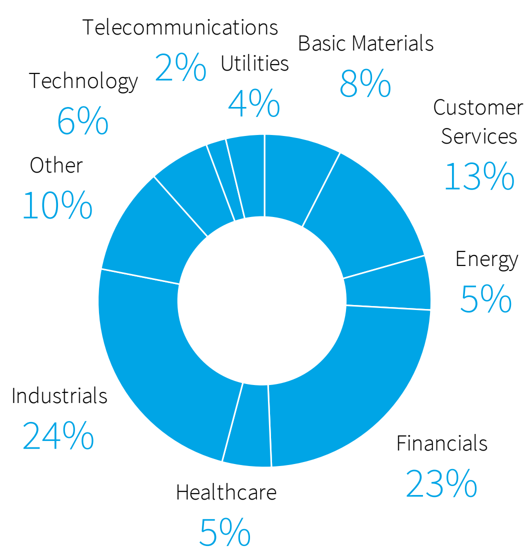
Participants by region



Participants by company size



Participants by industry



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Executive summary

Treasury departments around the world are facing increasing complexity. In response, they are turning to technology to gain efficiency and control over their treasury and risk management operations. Their vision of a more digital treasury is rooted in the need to eliminate as many manual processes as possible. With transactional processes supported by technology, treasuries gain time for strategic analysis. Their move towards a more digital treasury, then, requires technology for real-time data, advanced analytics, and visual reporting.

The findings of the "Global Treasury Benchmarking Survey" are shared in the next pages, but below are some key takeaways:

Treasury is challenged by constant change

A constantly changing business environment puts pressure on treasury teams around the world. Regulations, for example, continuously challenge teams to find solutions that can help them remain compliant with new and evolving requirements. In this report, respondents note IFRS 9 (40%), Dodd-Frank and EMIR (34%), and Basel III (28%) as the top regulatory challenges.

Global business growth adds complexity

New markets, business units, bank partners and currencies stretch treasury structures, processes and technologies so far that they become inefficient and uncontrollable. As a result, cash forecasting (75%), cash visibility (65%), and FX risk (53%) remain the top challenges. At this point, treasury teams have no option but to change.

Treasuries plan to improve their functions

Treasury teams are aiming to reduce the complexity that is slowing down their day-to-day operations and preventing them from having an enterprise view on cash and risk positions. An impressive 71% of respondents say that they are reviewing their policies, processes, and structures. Many are also looking beyond their current requirements to ensure that they are positioned for the future – for the next market shock, acquisition, or regulatory update.

Treasury teams remain lean

In every third treasury department, only one or two professionals are responsible for all financial operations. In fact, 73% say that they expect their teams to remain the same or shrink over the next three years, even as 68% see the scope of their functions growing.

Treasury is becoming more digitized

Technology is closing the gap between lean treasury teams and treasury's growing responsibilities. It is validated as the enabler for treasury transformation by 86% of respondents.

Business challenges

Business environment: riding regulatory waves

While the wake of regulations following the financial crisis seems to be dissipating, new regulations are forever cresting over the bow of businesses everywhere. Older regulations such as IFRS 13, ASC 820, or SEPA are causing finance professionals less worry. Best practices for Basel III, Dodd-Frank, and EMIR are taking the wind out of regulatory uncertainty for those standards. In 2015, 74% of survey respondents ranked EMIR and Dodd-Frank as their top regulatory challenges, while only 34% did so at the end of 2016.

However, new regulatory waves are on the horizon: IFRS 9 is challenging finance professionals in Europe, Asia Pacific, and Canada. The survey shows that mid-sized organizations are worried most about IFRS 9, as they lack qualified staff and technology to analyze and adopt the new standard. In North America, US Section 385 and FBAR are considered top regulatory challenges.

40% of global finance professionals see IFRS 9 as a top regulatory challenge

Top 10 regulatory challenges

Regulatory challenges	Americas	EMEA	APAC
ASC 815	11%	2%	3%
Basel III	25%	31%	26%
Dodd-Frank/EMIR	40%	39%	15%
FBAR	27%	4%	6%
Financial Transaction Trax (FTT)	8%	6%	10%
IFRS 13/ASC 820	10%	17%	20%
IFRS 9	18%	48%	52%
Money Market Funds (MMF)	23%	9%	14%
SEPA	6%	27%	5%
US Section 385	24%	8%	6%

Business success: growing fast and furious

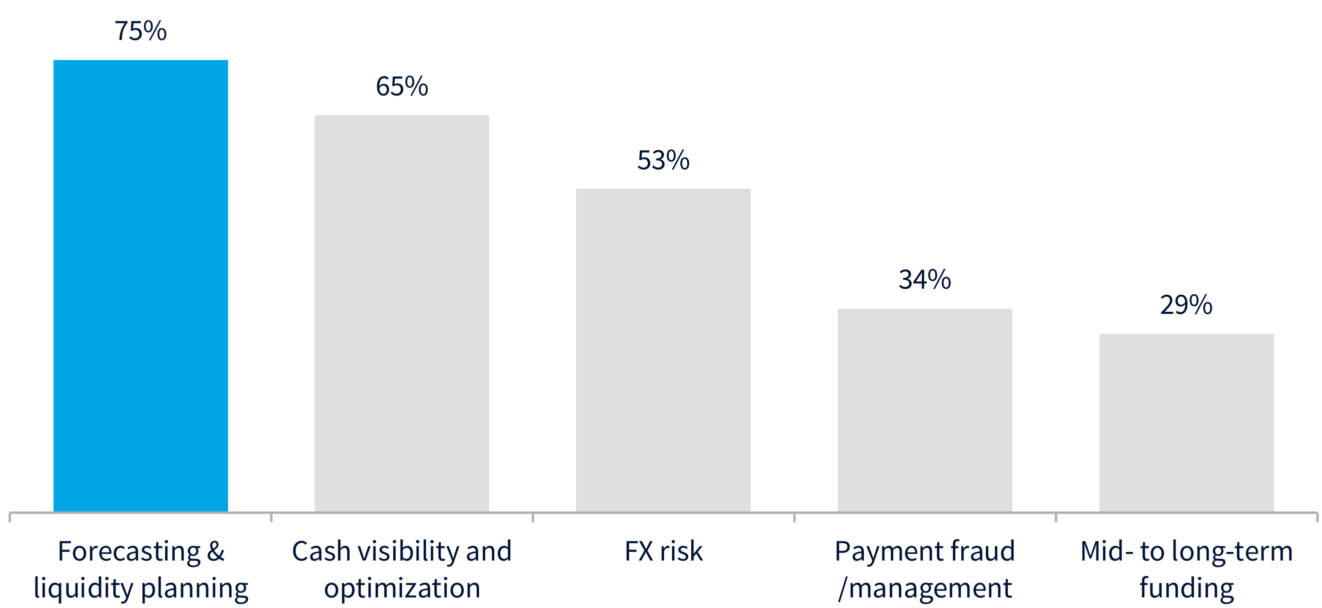
In this year's survey, we once again see cash forecasting (75%), cash visibility (65%), and FX risk (53%) as the familiar top challenges in treasury. Underlying the recurrence of these statistics is the constant change of a dynamic business environment. Growing organizations introduce complexity into existing treasury processes and technology infrastructures. And when a company grows through M&A, that complexity is compounded.

Despite the uncertainty that developed around Brexit and the US presidency, 2016 turned out to be the second-best year for dealmakers since the financial crisis. However, such global M&A activity has left treasury teams struggling. They are looking to get a handle on the bank accounts, bank relationships, cash flows, and currencies of their combined companies. They are challenged to integrate policies, processes, and technology to manage cash operations, liquidity, and FX risks on an enterprise level.

Half of the treasury professionals surveyed expects the internationalization of their treasury organization to increase further over the next three years. Fifty-eight percent of treasury practitioners in companies with revenues over 20 billion USD say that their companies will become more international. Building scalable cash structures and a solid risk framework today, will make their treasury function ready for any change tomorrow may bring.

75% of global treasury professionals see cash forecasting as their top treasury and risk management challenge

Top 5 treasury and risk management challenges



Internationalization	Revenue <500M USD	Revenue 500M-1B USD	Revenue 1B-20B USD	Revenue > 20B USD
Increase	52%	48%	55%	58%
Stay the same	45%	49%	43%	41%
Decrease	3%	2%	2%	1%

Business value: the future of treasury

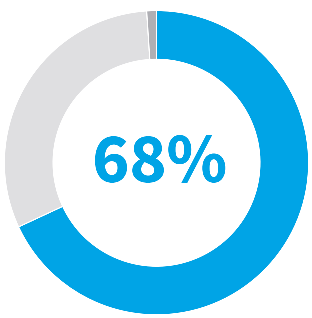
Treasury professionals continue to have a positive view of their function's future. In fact, 68% see treasury's importance increasing over the next three years.

With the help of technology, treasury continues to evolve as a strategic partner to the rest of the business. By automating tactical operations, treasury professionals are gaining more time for strategic activities, such as cash forecasting and risk management, and for CFO mandates, such as fraud prevention and funding business growth. Treasurers are also able to communicate their decisions and recommendations up and across the enterprise, empowered with dynamic analysis and visual reports.

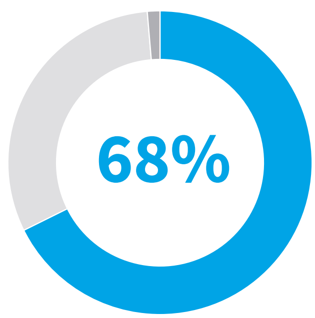
Also, the scope of treasury is expanding into other areas of the business, such as procurement. Many treasuries are also taking on responsibilities for commodity risk, as continuing volatility in commodities and foreign currencies are putting pressure on revenues and production costs. Again, treasuries turn towards technology to manage exposures across asset classes and across business units.

While treasury's importance and scope are increasing, treasury teams remain lean. Seventy-three percent of treasurers expect their teams to stay the same or shrink within the next three years. Limited staff resources fuel technology adoption and digitalization. Only through automation, can treasury do more with less.

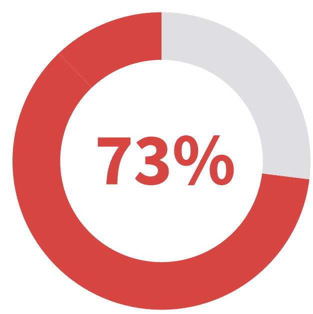
68% of finance professionals see the importance of the treasury function increase while the staff is expected to stay the same or decrease



Importance of treasury will increase



Scope of treasury will increase



Treasury staff will stay the same or decrease

Team size	Revenue <500M USD	Revenue 500M-1B USD	Revenue 1B-20B USD	Revenue > 20B USD
1 to 2	56%	40%	11%	6%
3 to 5	27%	41%	32%	9%
6 to 10	10%	13%	28%	14%
11 to 15	3%	2%	9%	5%
15 to 20	2%	2%	6%	9%
More than 20	2%	2%	14%	56%

• Treasury best practices

Treasury organization: centralizing control

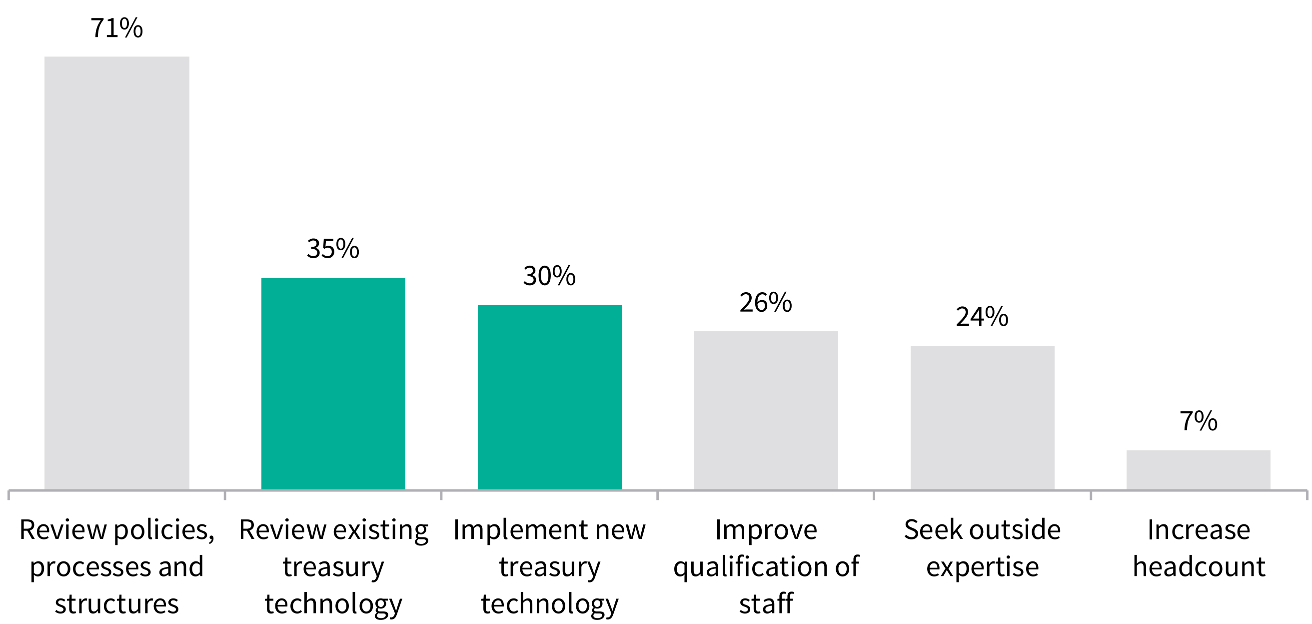
Challenged by new regulatory requirements, high market volatility, and changing corporate structures, treasury leaders are looking for ways to increase efficiency and control. In the survey, 94% of treasury teams say that they are organizing their treasuries using a centralized operating model. Centralized structures are very common in North America and Europe, but less so in Asia, where decentral structures are more popular.

94% of finance professionals have implemented a centralized operating model

Regardless of regional differences, there is a strong push towards further centralization around the globe. Moreover, decentralized organizations are trying to catch up. Consider the 80% of finance leaders in Japan who expect their treasury activities to become more centralized over the next three years. By comparison, 42% of US and 56% of German treasuries see centralization increasing further.

Simply decreasing regional autonomy does not make corporate treasury more transparent, efficient, and controlled. Leading companies have started implementing technology to support in-house banking. With a modern IT infrastructure, treasuries can efficiently and securely provide financial services such as cash and liquidity management, payments, and risk management to their business units. This is not the same as shifting manual tasks to a shared service center. In-house banks need advanced automation. Not surprising, 35% of treasury professionals are reviewing their existing technology stack and 30% are implementing new treasury technology.

Top 6 treasury transformation acitivities



Treasury organization	AMERICAS	EMEA	APAC
Central group treasury	57%	58%	53%
Central group treasury with regional treasury centers	17%	15%	19%
Central group treasury with regional treasury activities	20%	23%	16%
Decentralized treasury	6%	4%	11%

Digital treasury: the journey continues

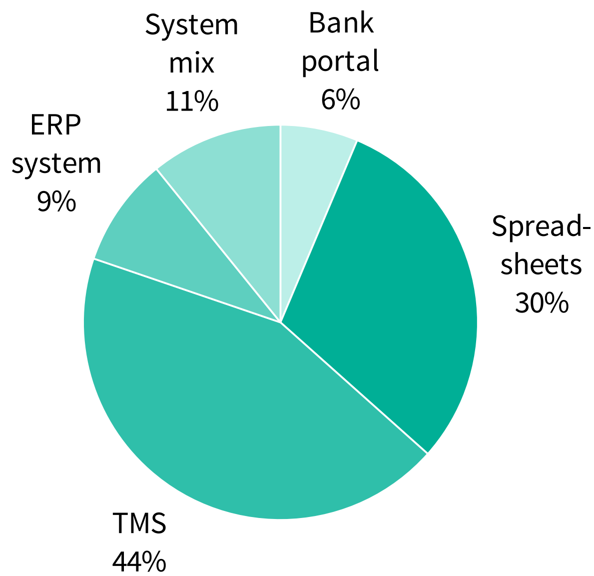
In today's global and dynamic business environment, the need for technology has increased significantly. Sixty-five percent of treasury professionals say that they are turning to technology to help their teams master treasury and risk management challenges and future-proof their function. Still, 30% of treasuries are using spreadsheets as their main technology.

Treasuries in Canada (59%) and New Zealand (47%) rely heavily on Excel, whereas treasuries in Germany (21%) and the BeNeLux region (18%) rarely use it. In companies with revenues below 500 million USD, half of treasury practitioners say that they are working mostly with Excel. These figures demonstrate the different pace of technology adoption across different geographies and in companies of different sizes and complexity.

Treasury management systems (TMS) are established as primary technology in 44% of treasury functions. TMS can deliver simple cash management functions or cover a broad spectrum of capabilities, providing visibility into cash and risk on an enterprise level. As business and regulatory requirements increase continuously, advanced tools for cash forecasting, payment factories, in-house banking, risk management, and hedge accounting are included in state-of-the-art treasury technology.

Market-leading providers are now working on big data solutions, turning large volumes of data into meaningful insight for fraud prevention, risk mitigation, and business decisions.

Primary technology in treasury



Technology	Revenue <500M USD	Revenue 500M-1B USD	Revenue 1B-20B USD	Revenue > 20B USD
Spreadsheets	49%	37%	22%	10%
Bank portal	11%	6%	5%	4%
TMS (treasury management system)	22%	38%	53%	66%
ERP system	9%	8%	10%	7%
Combination of specialized solutions	10%	12%	10%	13%

44% of finance professionals are using treasury management systems as their primary technology

Treasury technology: connecting the dots

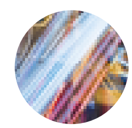
As treasury transforms, practitioners are beginning to realize how a connected treasury organization can create value for their companies. A common treasury and risk management platform can help treasury teams with domestic or global operations more easily connect their people, processes, and counterparties.

With a TMS, treasury teams can access, collect, and share financial data in real time. As the data collection happens automatically, they confidently take decisions on accurate and up-to-date data. Also, treasury leaders have the time to visualize and analyze that data. Better, more visual reporting enables them to communicate complex challenges and provide the CFO and the board with the intelligence they need to act upon.

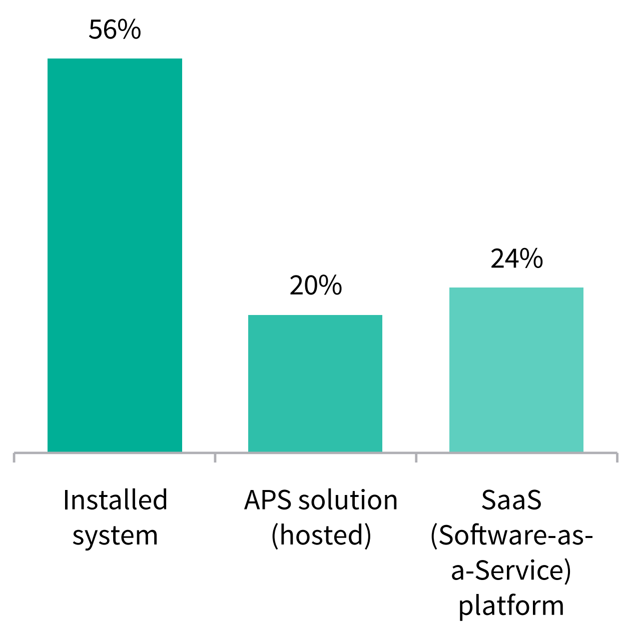
Software that integrates treasury and risk management processes end-to-end improves efficiency and eliminates manual intervention. Where straight-through processing (STP) and system integration are important, cloud platforms have proven their value. Cloud-based technology makes it easy to connect systems and subsidiaries and relieves the treasury organization from depending on IT support for maintenance.

Although installed treasury software is prevalent today, 44% of treasuries are already managing operations in the cloud. Cloud technology is particularly popular in North America and Asia Pacific. With regards to the company size, cloud-based solutions are preferred in smaller organizations.

44% of finance professionals use cloud treasury technology



Treasury technology delivery models



Delivery model	Americas	EMEA	APAC
Installed system	40%	67%	47%
ASP solution (hosted)	23%	17%	24%
SaaS (Software as a Service) platform	37%	16%	28%

Key findings in a nutshell

Business challenges adding complexity to treasury and risk management

Regulatory requirements are ongoing

- Best practices being established for IFRS 13, ASC 820, SEPA, Dodd-Frank, and EMIR
- IFRS 9 top challenge by 40% in Europe, Asia Pacific, and Canada
- US Section 385 and FBAR top challenges in North America at 24% and 27%, respectively

Treasuries are not prepared for fast company growth

- 68% see scope increasing while 73% say staff will remain the same or decrease
- Increased M&A activity around the world
- Finance processes and technology often not scalable
- Cash forecasting (75%), cash visibility (65%), and FX risk management (53%) still key priorities

Treasury function is seen as a contributor to business success

- Importance of treasury increasing, say 68% surveyed
- Strategy support for CFO and the board
- New responsibilities in commodity risk management as 68% see scope increase

Best practices driving treasury transformation and digitalization

Centralization increases transparency and control

- Centralized operating models established in North America (94%) and Europe (96%)
- Further centralization expected in next three years (Japan 80%), Germany 56%), (US 42%)
- In-house banks gaining popularity

Technology drives innovation in the treasury department

- Technology to help with challenges in treasury and risk management as 35% reviewing existing technology stack and 30% implementing new technology
- Treasury management systems establishing as the primary technology at 44%
- Spreadsheets still used in smaller companies at 49%

Connectivity is needed for strategic insights

- Common treasury and risk management platform to connect people, processes, and systems
- Advanced analytics and visual reporting needed for real-time insight
- Cloud technology particularly popular in the Americas (60%) and Asia Pacific (52%)

About us

Reval is a global SaaS provider for Treasury and Risk Management, helping enterprises better manage cash, liquidity and financial risk, and account for and report on complex financial instruments and hedging activities. For more information, visit www.reval.com.

About our partners

When treasury professionals need an opinion, a fresh perspective, a practical, and effective solution, they increasingly turn to the team at Treasury Strategies, a division of Novantas, Inc.
For more information, visit www.treasurystrategies.com.

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