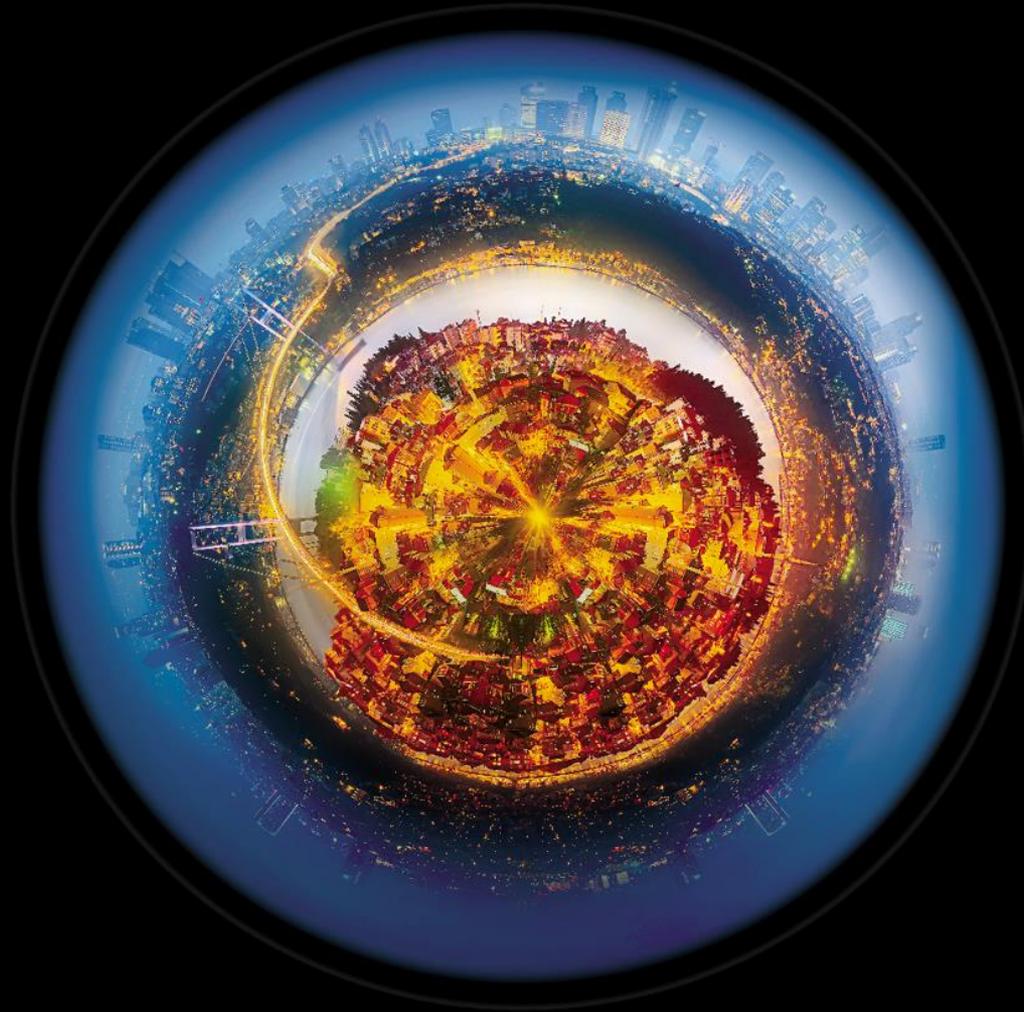


**Deloitte.**



**Corporate Treasury**  
Trends and CFO Strategic Imperatives  
Benny Koh | 20 July 2017

powered by  
The **CFO** Program

# Deloitte Global Treasury Advisory Services



**350 industry veterans in 20+ cities**

*Operational; Globally connected*



**Serving global companies & Financial Institutions**

*Deep sector domain knowledge*



**Focused on lifetime events like M&A and Transformation**

*Hands-on approach in providing solutions*



**Treasury technologists**

*120 systems experts worldwide with Treasury solution delivery experience*

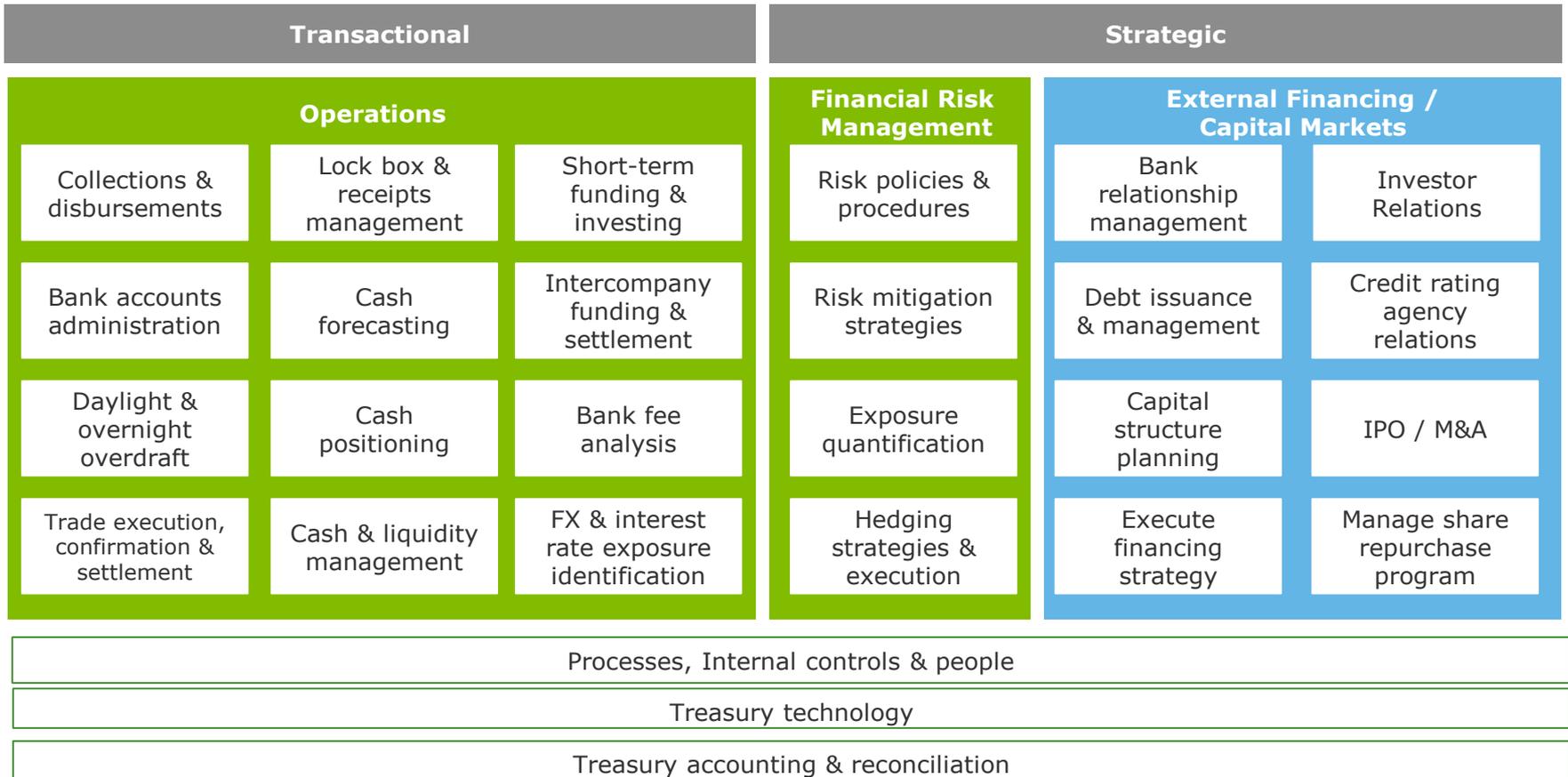


**Intimate knowledge of cash management, currency and interest rate risk management**

*Linking tax and accounting*

# Context: The Corporate Treasury Function

Corporate treasury responsibilities are increasingly strategically focused and driven by CFO mandates to address business priorities. Time and effort spent by treasury on transaction processing versus strategic advisory activities are indicators of maturity and the value of its contribution to broader finance goals.



# Context: Strategic Trends and Responding to Disruption

In this increasingly complex world, a treasury function can be strategic in its ability to adapt and respond to disruption impacting its business and industry specifically, but macro-economic and geopolitical events more broadly. Some key strategic trends to be aware of:

1

## Payment fraud

Payment fraud continues to escalate and be of critical concern to treasurers. A recent Deloitte survey showed *that 40% of respondents were targets of payment fraud.*

Managing payment and cyber risk is of critical importance and can be done through fraud detection and cybersecurity protection programs and cyber insurance

2

## Risk Management

Risk management also continues to be a key focus area, particularly in light of recent geopolitical and macro-economic events.

Increasing rhetoric around protectionism in the US and abroad could **increase trade tariffs**. How will organizations and treasury respond to potential supply chain disruptions as a result?

Continued **volatility of oil prices** (i.e., from OPEC cuts, energy deregulation, supply levels) could impact those companies that are oil-reliant (e.g., oil refiners, airlines). How will that impact treasury's ability to forecast and fund the organization? How will they hedge to protect themselves from price changes?

Geopolitical events (e.g., Brexit) also continue to **increase volatility of FX**. How will treasury protect themselves and hedge these exposures?

3

## Technology Disruption

**Business disruption from technology.** As industries and companies continue to adapt to technological disruptions, it will be imperative that treasury invest on making themselves more adaptable and nimble through technological innovations to support wholesale business model changes.

Partner with banks and other technology vendors to explore opportunities to adopt latest advances made around **FinTech, block chain** in particular. Treasury could very well be early adopters of these technologies

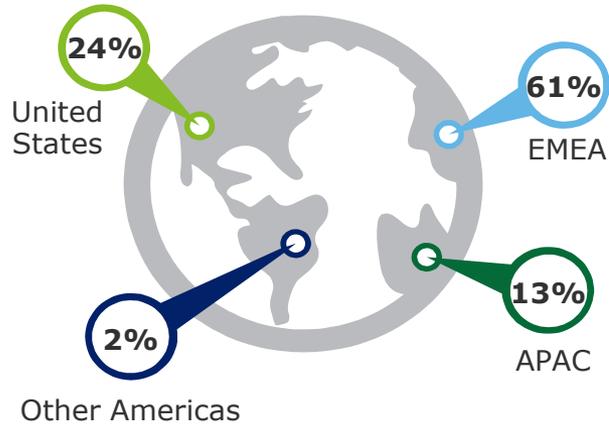
Invest in **treasury technology** to automate and improve overall controls so that treasury can focus on the more strategic matters affecting the organization

# 2017 Global Corporate Treasury Survey

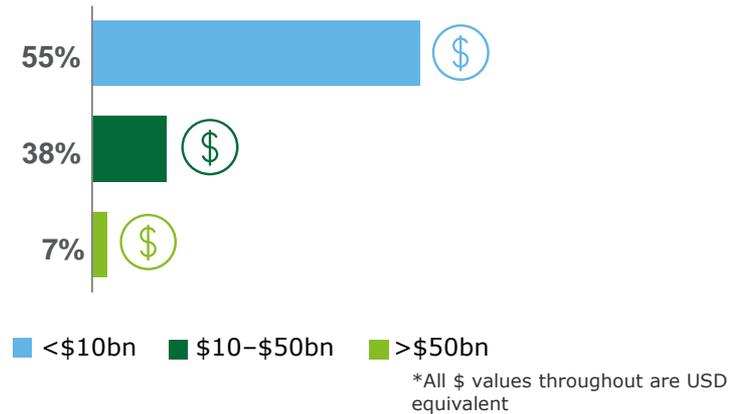
## Demographics

Over **200** companies across all industries and revenue groups for helping to shape the future of the function.

### Geographic location



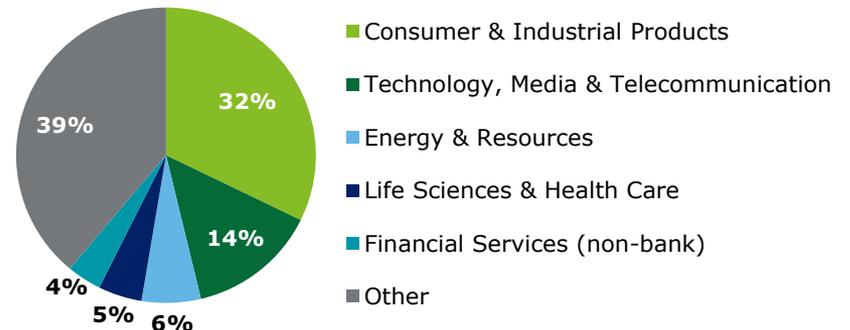
### Annual revenue



### Number of Treasury FTEs



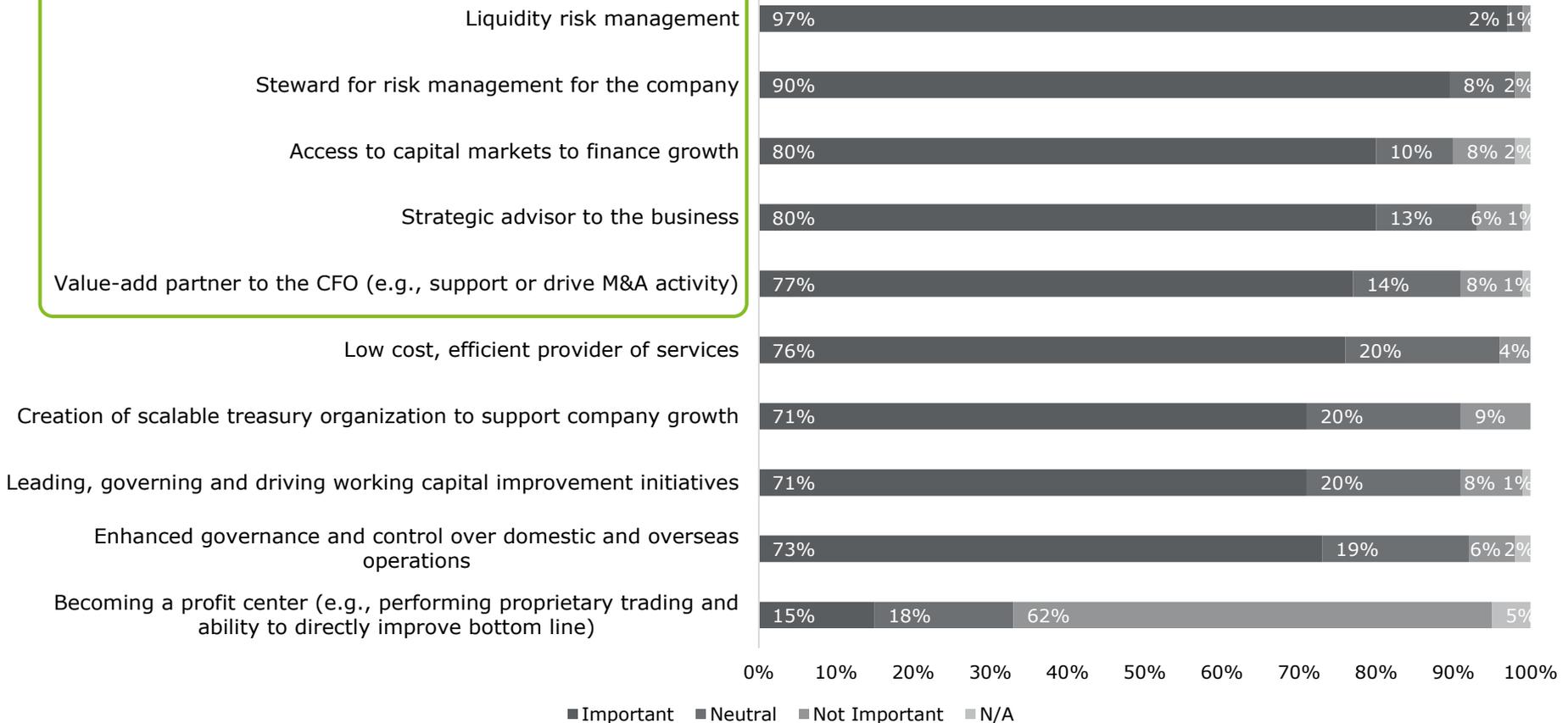
### Industries



# CFO Mandates for Treasurers

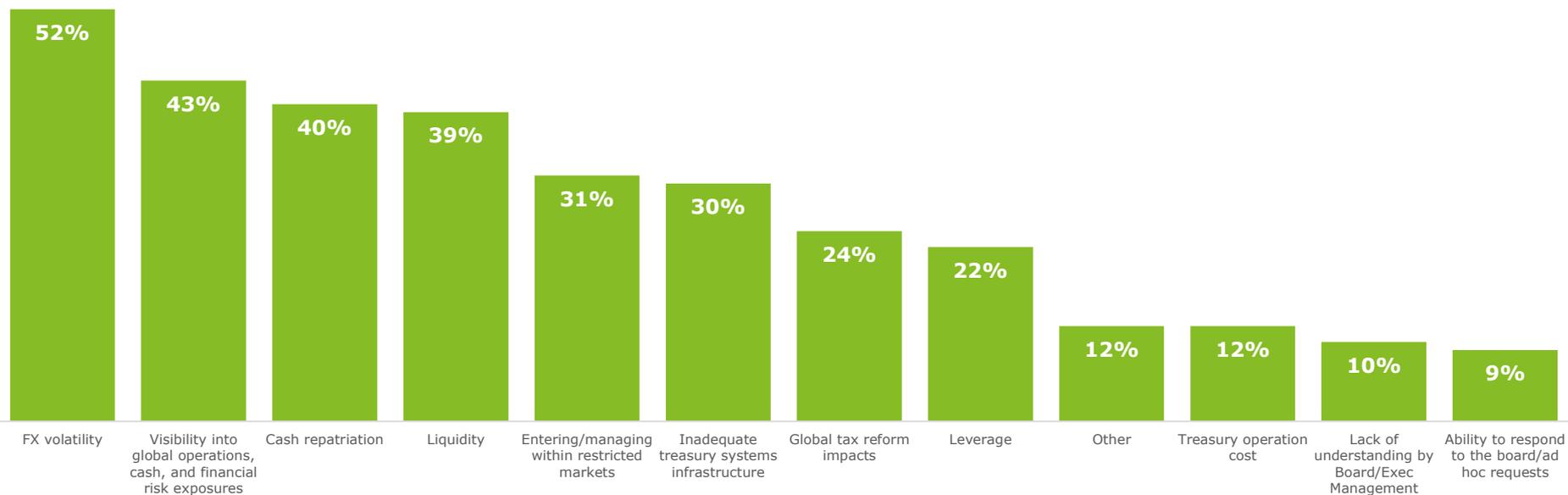
Increasing trend for Corporate Treasuries to shift from risk management function to supporting business strategy and delivering greater cash efficiencies through capital management. Interestingly, 15% of respondents, distributed across all industries and revenue brackets, highlighted their mandate to become a profit centre – a shift from traditional Treasury as a cost centre of past years.

## Top 5 Priorities



# Top 5 Challenges for CFOs & Treasury Organisations

1. Managing FX volatility
2. Visibility into global operations, cash and financials
3. Cash repatriation and Liquidity management
4. Entering / Managing within restricted markets
5. Inadequate Treasury System infrastructure

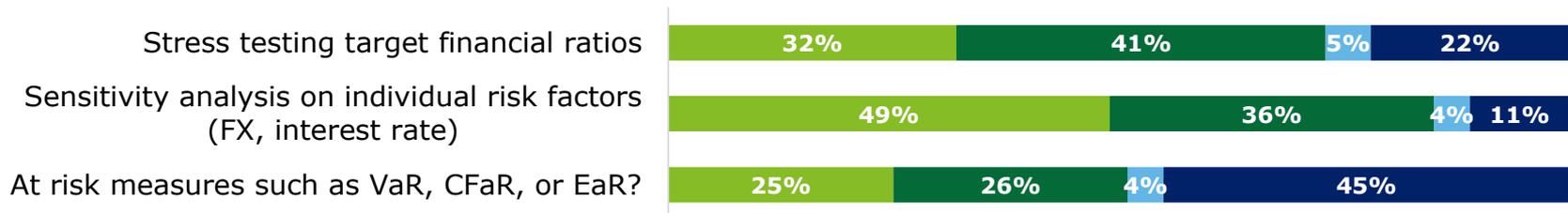


\* Multiple selections possible

# Risk Monitoring

Surprisingly, **75%** of respondents are **not actively monitoring key risks** using 'at risk' measures, and fewer than 50% actively undertake sensitivity analysis despite wide availability of systems and models. Given that FX volatility is the major concern for Treasurers, there is significant opportunity for Treasurers to invest in technology to deliver more sophisticated real-time analytics. CFO's and Boards should expect more dialogue in these areas.

## Risk analytics



■ Actively Monitoring

■ Adhoc, manual monitoring

■ Would like to but no ability

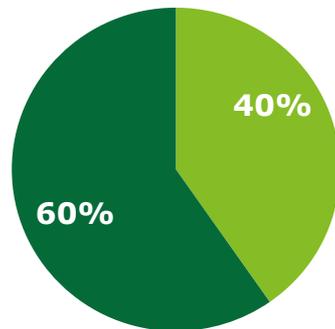
■ Not monitoring

# Payment fraud

40% of participating companies indicated that their Treasury team has been recently affected by fraud, with most indicating that more than one remedial program has been required to stem the issue. The results do not include known attempts at committing fraud.

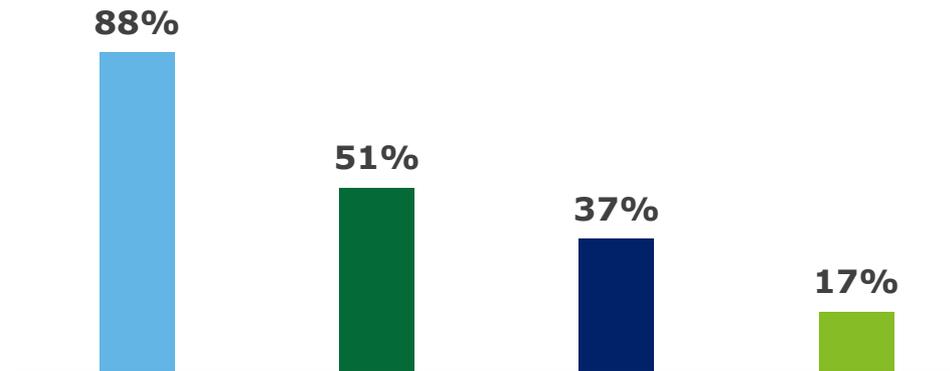
Leading companies are leveraging detective controls in addition to implementing preventative technology enabled controls to reduce their risk.

## Has your company been affected by fraud?



■ Yes ■ No

## How have you responded?



- Reviewed/upgraded internal controls and governance
- Reviewed/upgraded internal security
- Implemented Regular Trainings
- Implemented or Improved Treasury Management Systems and STP

\* Multiple selections possible

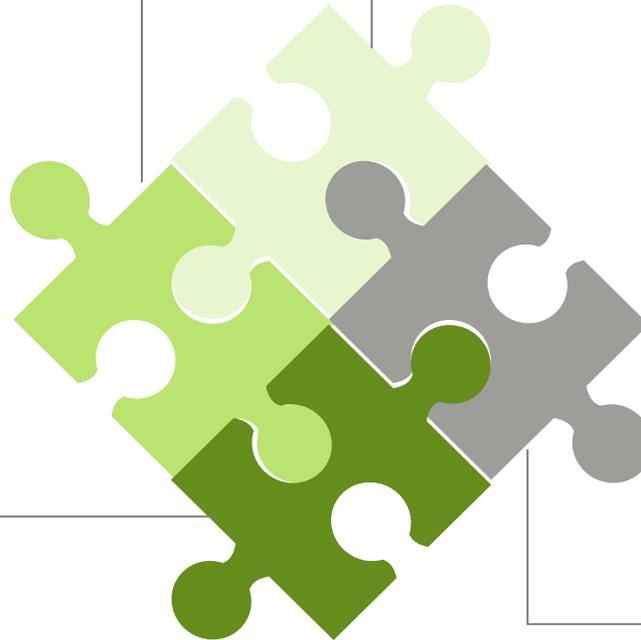
# Why is it so challenging?

## De-centralisation of operations

- FX exposures and hedges are not aggregated
- Each business unit maintains their own facilities and funding
- Intercompany invoices are settled individually

## Inadequate Resources

- Lack of appropriate level and type of resources to run analysis
- Risk Analytics measures are missing or incomplete



## Manual Processes

- Time spent on tedious and repetitive tasks
- Management reporting inaccuracy
- No linking of data between systems
- Microsoft Excel based

## Lack of Sponsorship

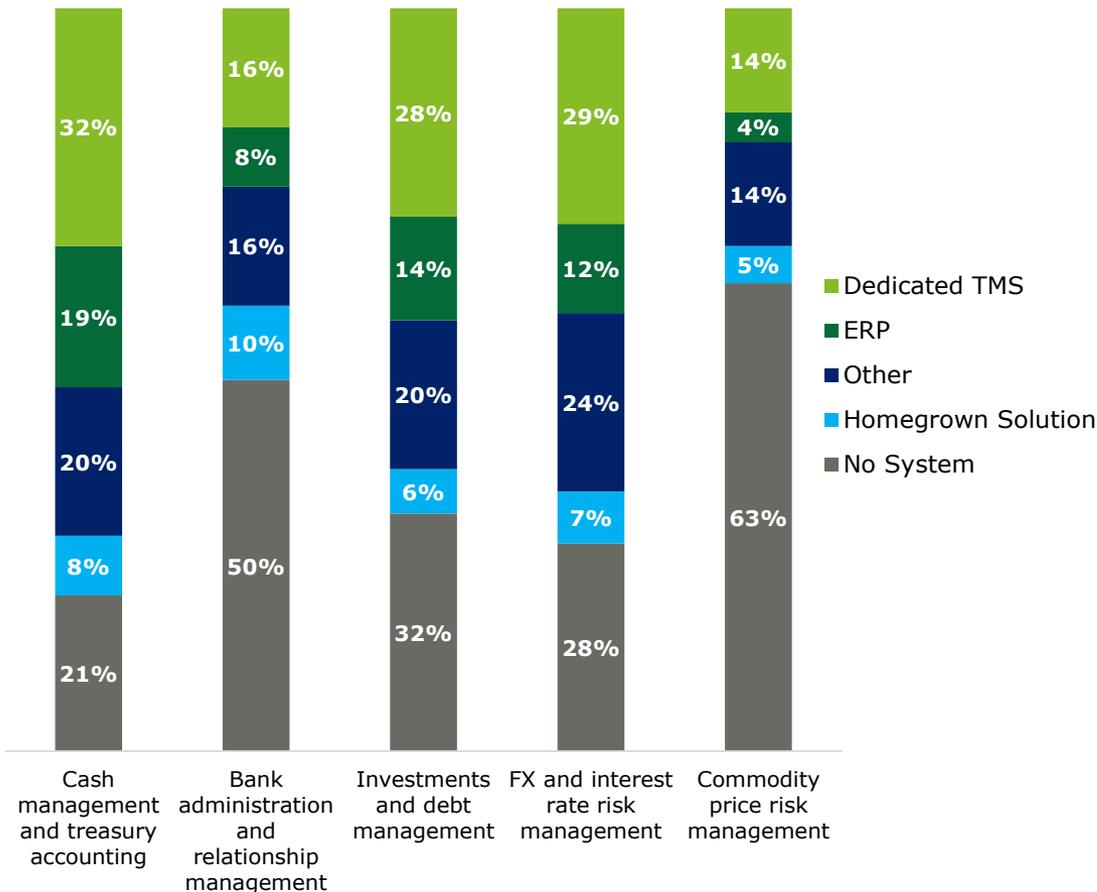
- No Board and Senior Management buy-in for Treasury transformation
- Difficulty in articulating Technology investments business case

# Treasury Technology Enabler

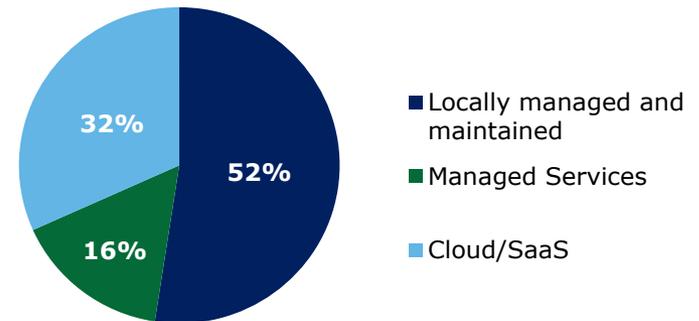
# Treasury Technology – Overview

While investment in Treasury Management Systems (TMS) has increased, over 20% of each functional area is still being managed in spreadsheets, leaving the company open to both operational and fraud risks. Of the companies using a TMS, implementation of cloud and managed services solutions has increased to nearly 50% – a trend expected to increase as vendors transition to cloud only offerings and treasury teams seek to shift the burden of IT support to vendors.

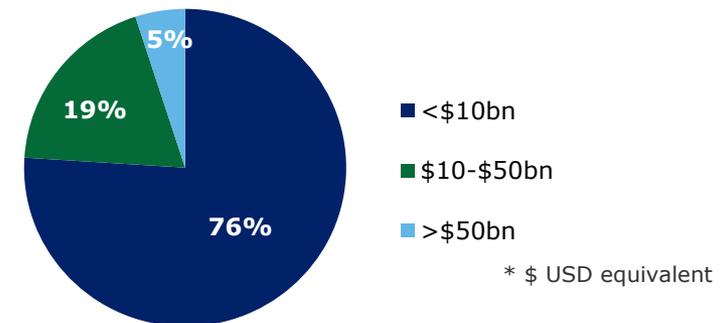
**System Type by Functional Usage**



**TMS deployment model**

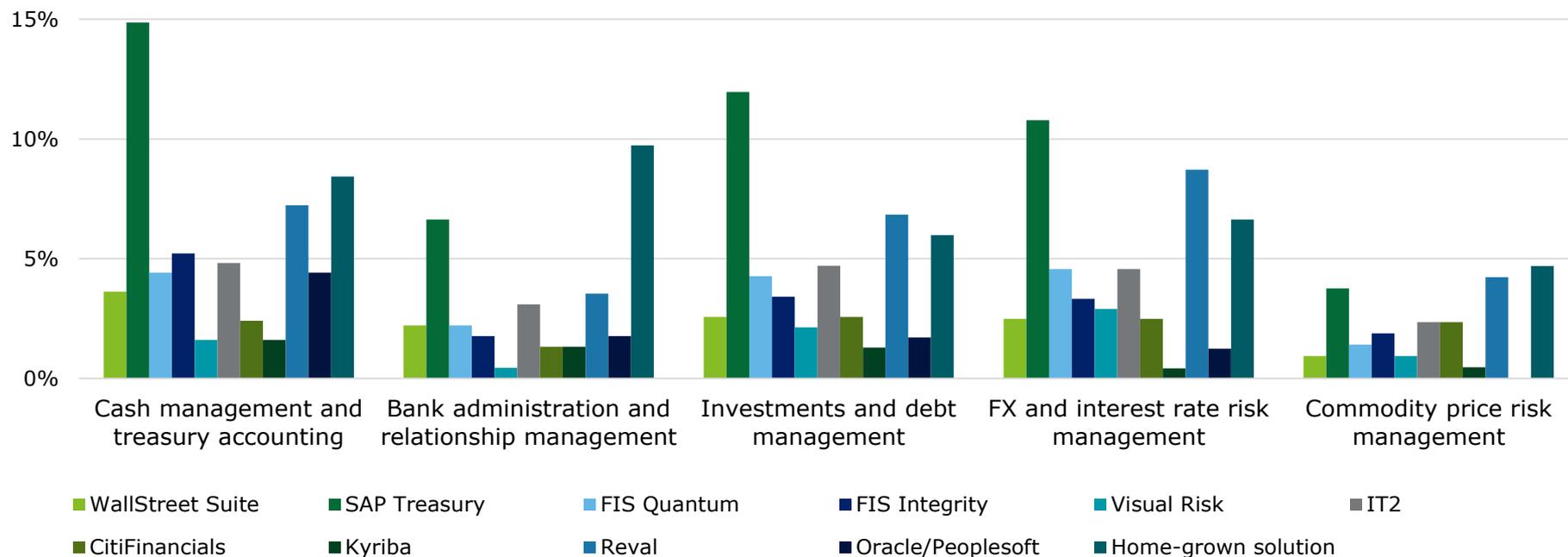


**Locally managed systems (by revenue)**



# Treasury Technology – TMS Functional Usage

Treasury teams are seeking to leverage maximum functionality of their TMS, implementing cash management, investment and debt management, and FX capabilities where possible, and many solutions are integrated with trading and bank portals, confirmation platforms, and custom reporting tools.



Other systems in use include bank systems, Bellin TM5, CGI Twin, Globe\$, Openlink and XRT for cash and bank account management, Aladdin, CGI Twin and Clearwater for debt and investment management, 360T, Bellin TM5, Bloomberg and CGI Twin for FX and IR management, and Allegro, ATAQ, Bellin TM5 and Calypso for commodity price risk management.

Despite the increasing trend of treasury transformation and deployment of TMS, many systems are supported or augmented with the use of home-grown solutions which may pose greater cyber and operational risks.

# Possibilities – Visualisation

**Deloitte.**

Global Treasury Labs | Foreign Exchange

Entity Overview

Currency Pair Analysis

Scenario Planner

Updated as of 10/06/2016 6:30 PM

**Filters**

Entity: (ALL)

Reference Currency: (USD)

Currencies: (ALL)

Instrument: (ALL)

Exposure Horizon (months): 1 3 YTG 12

Exposures: Hedged Unhedged

Top Currencies: 5 10 15 20

Other Income FX Gain/Loss  
**+\$2.1M**  
Variance: +4.5%

Cash Flow Program  
Realized vs. Unrealized Gains  
**\$0.3M | \$10.4M**  
Realized Unrealized

Cash Flow Hedge Ratio  
**65%**  
Target: 70%

EPS / Margin Impact to Benchmark  
**1.0%**  
Net Actual: \$10M

Forecast Error  
**5.2%**  
Actual: \$4.9M

Exposures Not Hedged  
**\$16.7M**  
Percent of TTL: 14%

**Top Currency Exposures**

Balance Sheet

Hedged - Net Exposure (in USD)

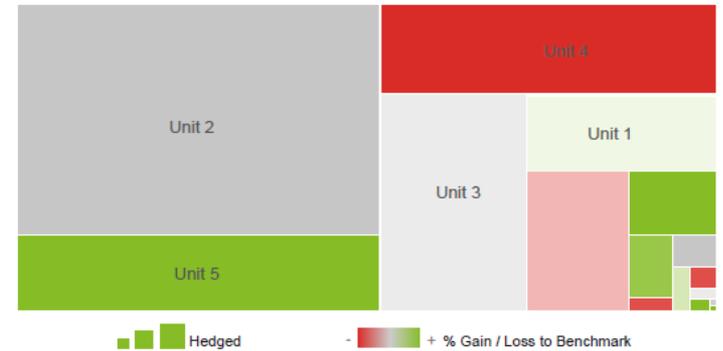
EUR (€)	\$83,983
GBP (£)	\$72,773
CAD (\$)	\$71,013
JPY (¥)	\$53,758
AUD (\$)	\$50,938

Cash Flow

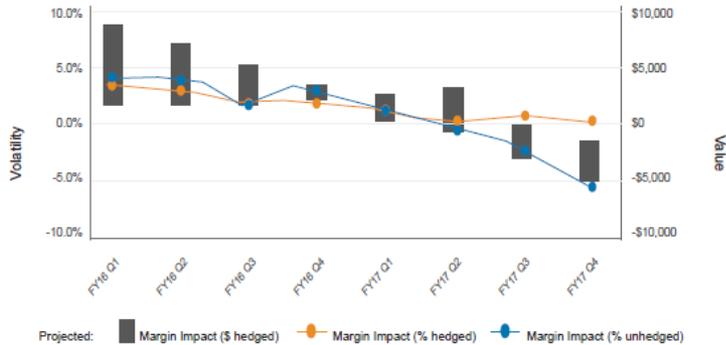
Hedged - Net Exposure (in USD)

EUR (€)	\$73,983
GBP (£)	\$69,773
JPY (¥)	\$68,013
AUD (\$)	\$45,758
MXN (\$)	\$41,938

**Top Exposures by Entity (in USD)**



**Performance to Benchmark**



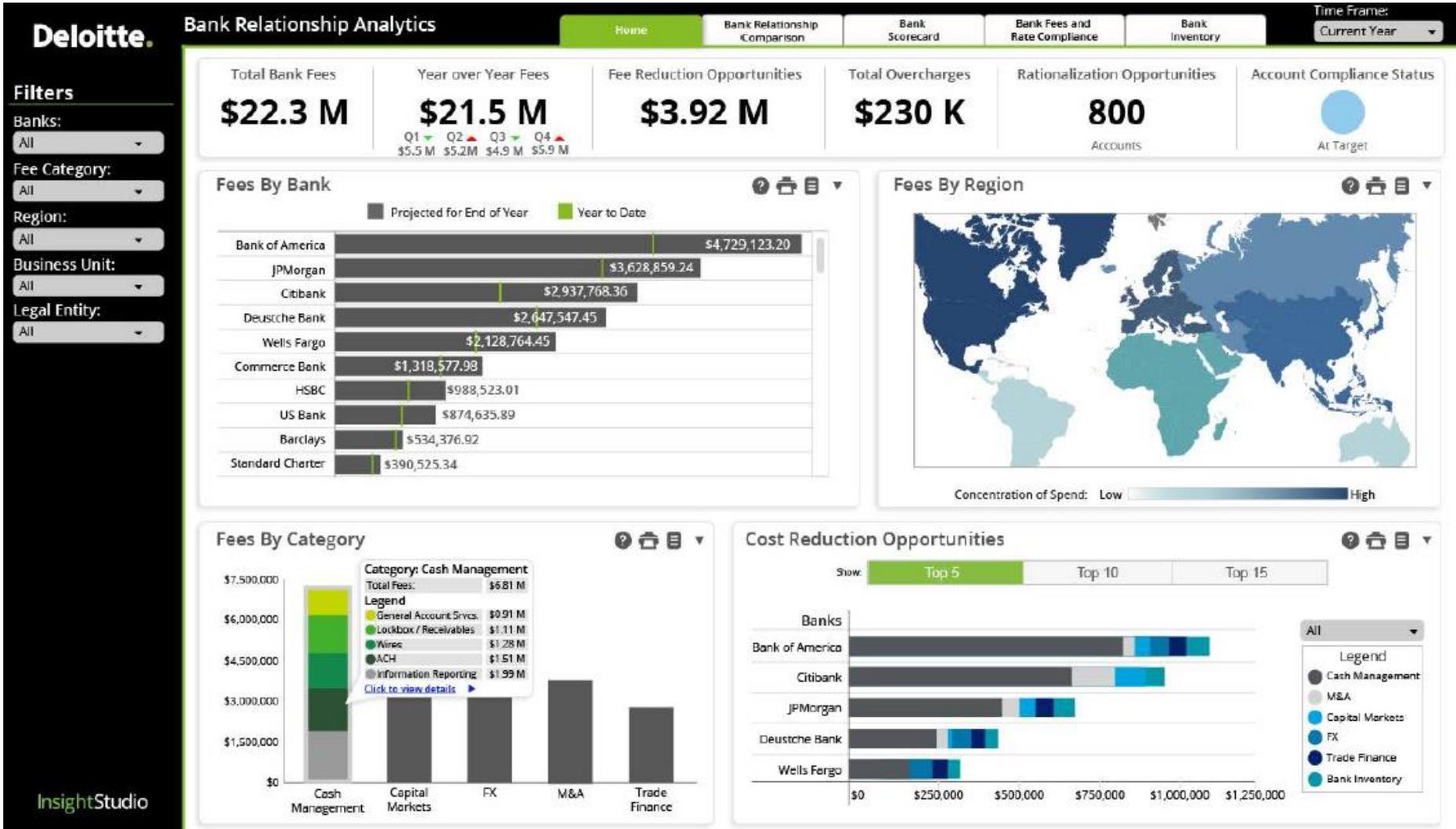
**Forward Look**

Currency Pair	Unhedged Exposure	Current Volatility	Potential Value Change (Expected)
EUR / USD	\$19,725	2.3%	\$0.45 M
USD / JPY	\$20,233	3.4%	\$0.69 M
GBP / JPY	\$16,879	1.8%	\$0.30 M
GBP / USD	\$113,211	4.5%	\$5.1 M
AUD / USD	\$6,914	2.9%	\$0.2 M
EUR / JPY	\$4,447	7.7%	\$0.2 M
USD / CAD	\$1,765	2.3%	\$0.1 M
USD / CHF	\$638	1.7%	\$0.1 M

Legend: ● Expected, ■ Low, ■ High

InsightStudio

# Possibilities – Analytics



# Reflection



1. What is your Treasury function's role today?



2. What initiatives do you have to drive cash/exposure visibility?



3. Is your Board attuned to market risks and actively supporting your policies?



4. What your Treasury Talent strategy?



5. How are you leveraging technology?



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