

Whenever, Wherever

Leveraging the 24/7 Treasury Ecosystem



The era of real-time treasury is upon us – and treasurers must make the most of digital solutions and smart technologies to help embrace the 24/7 environment. Mark Smith, Head of Treasury and Trade Solutions – EMEA, Citi, provides a whistle-stop tour of the latest innovations for treasurers to get onboard with, while outlining the importance of shifting towards an ‘ecosystem’ mindset and embracing sustainable business practices.

Eleanor Hill (EH): Congratulations on your new role. What are your key goals as the EMEA Head of Treasury and Trade Solutions [TTS]? What would you like to achieve for clients – and your team?

Mark Smith (MS): The TTS mission is to become the go-to financial platform for global commerce. And while it’s easy to have such a vision, the hard part is breaking it down into practical steps

By Eleanor Hill, Editor



MARK SMITH

Head of Treasury and Trade Solutions – EMEA, Citi

“

While the core of the treasury role hasn't changed, it's still about having the right money in the right place in the right currency at the right time, the way treasurers are supporting the business is evolving.

”

that enable us to achieve the end goal – and offer clients the services they want, whenever and wherever they require them.

As well as 24/7/365 global availability, we want to ensure consistency of products across our network, in line with local and global regulations. We also want to become easier to do business with, and to facilitate our clients' international expansion – according to timescales that reflect the real-time era we live in, without compromising security or integrity.

There is much work to be done to reach these goals, but we are already underway with numerous projects, some of which we'll discuss shortly. In addition, we are embracing the 'ecosystem' mindset that powers global commerce – recognising that our role is no longer just about supporting clients, but also supporting clients' clients.

EH: Speaking of shifting roles, are you seeing any changes in the remit of the treasurer, given everything that's happened in 2020?

MS: While the core of the treasury role hasn't changed, it's still about having the right money in the right place in the right currency at the right time, the way treasurers are supporting the business is evolving.

New digital business models are emerging because of the pandemic. As a result, treasurers are looking at new ways to collect payments from customers, and how to optimise the company's e-commerce experience. Assessing treasury resilience is also a growing priority. That's not to say that teams had not considered long-term resilience prior to the pandemic, but the focus has understandably intensified – not least with the remote working environment.

EH: On that note, how well have treasury teams adapted to the digital world – and how have banks assisted them in this transition?

MS: We have seen a tremendous acceleration of the adoption of digital channels. Treasurers have been extremely active in this space, and many have pulled out all the stops to digitise in record time. This digital activity covers a whole gamut of functionality, but starts with the basic interaction around account

opening. Citi clients were able to benefit from our investment over several years in this space to digitise [almost] the whole process of account opening. Over 70% of our accounts are now opened purely through digital channels and treasurers have been embracing that functionality throughout the pandemic.

As well as more digital interaction, we are seeing much greater interest in automation. Working from home has prompted many treasury functions to revisit outdated systems and processes and to see where manual tasks can be replaced by robotic process automation [RPA], potentially alongside artificial intelligence [AI] and machine learning [ML]. In tandem, treasury professionals are exploring the possibilities of application programming interfaces [APIs] to seamlessly integrate interfaces and provide real-time data without the technology burden associated with more traditional connectivity models.

Of course, banks like Citi are constantly building out their capabilities around these innovations. We're also evolving our solution set to match. That said, there are existing technologies and products that are just as relevant today as they were five years ago – so it's not all about brand-new developments. Take virtual accounts, for example. These have been available, certainly at Citi, for many years. Yet the pandemic has drawn attention to their benefits in a way that we have not seen before and more and more treasury teams are now benefitting from virtual account solutions.

EH: How much room is there for optimisation in digital treasury set-ups? Which technologies might a forward-looking treasurer be looking to use in the months to years ahead?

MS: There is always further room for optimisation, and more manual processes that can be removed. That is the beauty of innovation. But to give a concrete example, APIs hold much more promise for treasury. Indeed, during the pandemic Citi has seen the use of API calls increase significantly – both for asking for information, such as a payment status, and for initiating a payment. As such, the traditional method of a treasurer logging into a bank portal to initiate a payment

is arguably now behind the curve and I see this as an area ripe for optimisation in many treasury departments.

With the rapidly shifting economic and geopolitical environment, treasurers must also look for new technologies to assist in their fundamental role of risk management – from interest rate risk to FX risk. At the same time, tools to access and analyse data will become even more critical, and I expect data analytics to be a key area for development in 2021.

EH: What is Citi's role in helping corporates to adopt this kind of technology?

MS: We approach the adoption of new technology in a handful of ways. Sometimes we build the technology ourselves, leveraging the expertise we have in-house. Other times, we partner with fintechs that have a strong foothold in a niche area that addresses a particular pain point our clients are facing. For example, we have fintech partnerships in the areas of reconciliation and cash flow forecasting.

The secret to success is not just about delivering the best technology, however. It's about helping clients to leverage the data that comes with that technology. Take the reconciliations piece, for instance. Using AI and ML we can programme the technology to understand payment behaviours, such as a counterparty that has paid late on the last five or six occasions. The system will flag this behaviour to the treasurer so that the counterparty can be called ahead of the next due payment to remind them to pay on time. As a result, handling of cash flows becomes much easier and more efficient.

“

With the rapidly shifting economic and geopolitical environment, treasurers must also look for new technologies to assist in their fundamental role of risk management – from interest rate risk to FX risk.

”

Elsewhere, we are enabling treasurers to self-serve much more. This involves using technology to remove the need for the client to call the bank around everyday requests, such as finding out the status of a payment. We have a tool called Payment Insights that the client can quickly log in to and find out all of the information they need at the click of a button. This frees up treasury teams to be more strategic.

EH: With this increased focus on strategy and wider business issues, do you think we will see treasurers more involved in sustainability going forward? If so, how do you see treasurers supporting environmental, social and governance [ESG] goals within their organisations?

MS: Interest in ESG has grown exponentially – we can see this just from the incredible attendance at webinars we have been running on the topic. What matters most, though, is converting that interest into action. Of course, there is much happening around removing paper from processes and becoming more sustainable through digitisation. However, we are also seeing some forward-thinking clients leveraging ‘sustainable’ solutions to this end. A great example is our Priceless Planet initiative, which is a partnership Citi has with Mastercard that enables rebates on corporate cards to be invested into green innovation programmes, such as reforestation. That's a very positive step forward and I believe we will see growing interest in such solutions.

We're also seeing greater use of ESG Money Market Funds [MMFs]. Citi supports many such MMFs on our

investment platform and there has been a noticeable uptick in investments in recent months. An additional sustainable liquidity development is the advent of green deposits. In November 2020, we announced the launch of a green time deposit service with enhanced yield. The new fixed-term green deposit gives Citi's clients the ability to invest their short-term liquidity in financial solutions that have a positive environmental and societal impact. It can also assist clients in moving towards a low-carbon future. I'm pleased to say that we have already had client flows into our new service and initial indications are that green deposits will prove to be very popular with clients.

Another area of ESG innovation is sustainable supply chain finance [SCF] solutions. Buyers are increasingly looking to implement SCF programmes that reward suppliers, with a lower cost of finance, for meeting sustainability targets. The great thing with this kind of programme is that it will have a profound ripple effect across the entire supply chain ecosystem as more and more participants engage.

EH: Finally, which other trend(s) should treasurers have on their radar as we move into this more digital and sustainable world?

MS: The main topic we haven't yet touched on is the acceleration of 24/7 treasury, given the rise of instant payments and the ability to access real-time treasury data. In my view, treasurers cannot afford to be left behind when it comes to 24/7 treasury. Those at the cutting edge are already adapting to a world where traditional cut-off times and batch processing no longer exist. They recognise the complexities of coping with payments and receipts around the clock, as well as the new challenges and opportunities of forecasting in this data-rich environment.

Of course, digitisation and many of the technologies we've spoken about, such as RPA, AI and ML, will assist treasurers to manage this new way of operating. Nevertheless, to reap the rewards, it is important for treasurers to proactively plan for 24/7 treasury, rather than letting this real-time environment simply ‘happen’ to them, especially since the pandemic is accelerating this shift tenfold. ■