

Market Commentary

Understanding the Impact of COVID-19 on Corporate Treasuries

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Access to and visibility of your pools of liquidity and how you create cash has never been a more profound need. Every treasurer and CFO on the planet is asking what the best way to forecast cash on both a direct and indirect basis is."

Gary Bischooping,
CFO, Finastra

Research undertaken in 2019, detailed in [Digital Disruption comes to the Corporate Treasury](#), showed that the growing expectations of corporate treasurers in EMEA had reached a tipping point.

As a result, banks needed to change their IT strategies and operating models to find new ways to meet customer demand, unlock new revenue opportunities and protect shareholder value.

Then along came COVID-19. Corporate treasurers' roles were affected from the start, from needing to adapt their funding and hedging strategies to mitigating supply chain disruption and requiring more accurate cash forecasting.

I wanted to understand the impact that COVID-19 was having on treasurers' short and long-term priorities, so spoke to several treasurers at large enterprises, including our own CFO at Finastra. Here's what they had to say about how the pandemic is affecting their role now and will continue to do so in the future.

About the author



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Global Head of Payments, Finastra

[Access the original report here](#)

How real-time treasury is driving the agenda for treasurers

Access to real-time payments and reporting

In 2019, three quarters (74%) of corporate treasurers said real-time payments reporting was the area that would have the most beneficial impact on their business' treasury function. Furthermore, just 30% of respondents stated that access to real-time payments technology was a challenge for the year ahead. This suggested that real-time payments technology was already mature, with significant demand in place.

During a global crisis like COVID, where uncertainty reigns, access to real-time payments and reporting becomes even more important and demand goes up. Treasurers are constantly looking to quantify their company's available capital and financial risk during the pandemic as they are forced to make overnight decisions regarding the workforce and company performance.

Before the pandemic, treasurers relied on cross correlations for decision making – i.e. when a particular commodity does X, interest rates do Y, so we should do Z. In the time of COVID-19, these correlations are less reliable because the world is changing so fast.

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I need to know our interest rate, commodity and currency exposure, and how they all interact together. Given that the situation can change rapidly, I need to be able to model that in real time, and the best way for my team to do that is using cloud technology."

Gary Bischooping,
CFO, Finastra

As the impact of COVID-19 will likely be felt for some time, this demand will not disappear once the worst of the pandemic has passed and we can expect 100% of treasurers to appreciate the impact of real-time payments reporting on their business.

In 2019, 65% of corporate treasurers said their payments were already either fully or partially in the cloud – and only 7% reported having no plans to deploy payments in the cloud. Interestingly, not all regions were at the same level. Specifically, North Europe (76%) and South Europe (73%) were more mature in their use of cloud-based payments when compared to Eastern Europe (58%) and the Middle East & Africa (47%).

There's an important new business angle here, too. Many large and multinational corporates already have internal treasury management systems, but the biggest opportunity for those companies now is to acquire customers at the SME level.

The most effective way to do so is by offering treasury management system capabilities accessible online, through the cloud. As managing cash and liquidity become an ever more important priority for these customers, this opportunity will only grow.

It is telling that banks that are further along on their digital and open journey have been able to adapt in the climate significantly faster. Fundamentally, demand for secure, remote access to real-time reporting and payments has increased dramatically - overnight in some regions, as open and digital banking has become a necessity, rather than a choice, for consumers and corporates. This has increased the need for next-gen tools and services accessible anywhere through the cloud, and this need will not subside in the future.

One important change this is likely to have is that the different regions will become more in line with one another in their adoption of cloud technology.

Cash management technology

In 2019, two thirds of corporate treasurers saw cash management technology as one of the most important opportunities for the short-term.

Some experts have predicted that as the global economy recovers, cash forecasting will be nearly impossible, particularly if purchasing behaviour fundamentally changes. Therefore, some thinking goes, reconciliation will need to move to an 'end of day' or even 'few days later' process.

The treasurers I spoke to, however, believed that sophisticated cash management and forecasting tools will be crucial for the corporate treasury function during and in the aftermath of the COVID-19 crisis to inform scenario planning, unlock trapped capital and reduce potential liquidity issues.

Before the pandemic, they said, treasurers could confidently make high level assumptions without delving down to the transactional level. During and post-COVID this requires more rigour.

What does this mean for the industry?

Treasurers were primed for digital disruption even before the pandemic. This can be seen in action in the open banking space. Although its origins are in the consumer-focused PSD2 regulation in Europe, the corporate banking world has latched onto it with much greater enthusiasm than the retail segment, underlining the readiness of both banks and corporates to progress from business as usual through innovation.

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The emphasis on 'Right currency, right time, right place' has never been more important; moving money around the world in real-time has never been more important; and reducing uncertainty around incoming cash has never been more important. //

Gary Bischooping,
CFO, Finastra

Now, the COVID-19 crisis, and the new working practices it has been the catalyst for, have accelerated the pace of change.

The three crucial functions that the corporate treasurers I spoke to needed were: accurate visibility of their liquidity; access to that liquidity; and the ability to move it across the globe instantly.

Treasurers' appetite for innovation means they will go wherever it can be found. According to our 2019 survey, most treasurers were already using a range of payment schemes, providers and corridors – such as SWIFT gpi (46%) or alternative cross-border payments services (43%). Only 24% of corporate treasurers were exclusively using their bank for payments, showing that the majority were happy to use non-bank providers.

Last year, 70% of treasurers believed a shift from bank to non-bank services would take place over the next five years – with 16% saying this shift had already happened. For all the reasons detailed above, COVID-19 could accelerate this transition if banks don't keep up with the pace of change.

Banks must ensure they can enable critical services with ease and look to reposition themselves as digital transformation partners, as any IT strategy now needs to be long-term; flexible enough to cater to customer demands today and tomorrow. In order to do this, they need vendor partnerships that enable them to become more agile and deliver critical services fast.



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Learn more about how we're helping corporate banks globally accelerate their digitalization journeys and define the roadmap for supporting their customers' evolving cash and liquidity needs with [FusionFabric.cloud](#).

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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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