Deutsche Bank
Global Transaction Banking

TreasuryPulse

Passion to Perform

Five Trends in Corporate Treasury Management

By
Andrew Reid
Head of Trade and Cash Solutions — EMEA
andrew.reid@db.com

A recent roundtable event for EMEA Finance brought together the heads of EMEA cash and trade from several global bank providers, including myself. The discussion highlighted the following trends in corporate treasury management:

1. **The role of the corporate treasurer is broadening.** A key change in the past year or so has been the active involvement of C-level participants in working capital management. Once the treasurer's domain, interest in this area has now accelerated up the chain. This is a response to the banking crisis — with credit constraints focusing senior management on cash visibility, mobilisation and optimisation.

   Certainly, Deutsche Bank has recognised this heightened recognition of the role of efficient liquidity management. For instance, our *db liquidity management solutions* include daily issues of surplus liquidity from incoming payments in order to optimise working capital. And at a time of credit constraints, Deutsche Bank's centralised pooling of liquidity allows clients to efficiently utilise income in order to maximise investment returns, minimise borrowings and allocate cash where it is needed. This is a simple product that makes liquidity management more efficient and transparent.

2. **Rationalisation of treasury departments.** Yet there is paradox. In recent years treasuries have been encouraged to streamline and rationalise — to become lean and mean. So they have to deal with the growing complexities of treasury management with a smaller pool of talent. This makes relationship banking vital.

Certainly, Deutsche Bank is acting more and more as a strategic partner to its clients — whether for payments, clearing, FX, liquidity management, trade finance or supply chain finance. In this respect technology is vital. Corporate treasuries need access to comprehensive information quickly — on a single e-banking platform (such as our own *db-direct internet*) that has end-to-end compatibility with individual country platforms.

3. **Multi-bank relationships now the norm.** Whether to avoid concentration risk, for accessing regional strengths or for their needs in a particular currency, corporates are moving away from the globally centralised banking model of the pre-crisis era and toward developing relationships with a range of banks.

   Yet this provides its own challenges. With multi banking relationships, corporates are looking to treasury technologies to bring all of their disparate information onto a single platform — something like a "treasury dashboard."

   Again, Deutsche Bank has taken the lead in this respect. Clients have the option of user-based communication via a bank portal (such as *db-direct internet*) or can utilise a fully automated global platform with SWIFTNet connectivity. Also, we have helped shape and proactively promote the XML ISO 20022 standard, and are deeply involved in the global initiative to agree on common data usage.

4. **Local currency provision is crucial.** New technology is allowing the centralisation of treasury operations, which itself is a response to the need for corporates to improve their liquidity positions from internal efficiencies. Yet local knowledge — especially of currencies — is also vital. Certainly, further currency integration — including multi-currency capabilities — is being consistently requested by clients, although this can be via high-technology hubs such as Dubai, Hong Kong, Singapore, New York and London.

   Of course, the internationalisation of the Chinese RMB is a major development in this respect, and one in which Deutsche Bank has a major commitment. Already one of the largest RMB settlement banks, the aim is to become the "best in market" processor of RMB trade transactions in Asia as well as across the Bank's franchise globally. Recent developments include the expansion of Deutsche Bank's suite of RMB services to include escrow services in Beijing, Guangzhou and Hong Kong, as well as its already established escrow service in Shanghai.

5. **Sufficient access to capital is a priority.** The constraints on bank liquidity since the crisis have demonstrated the importance of cash — with many corporate failures in this period being due to cash being inadequately managed. This is especially the case locally, which generates problems centrally. And this means

that corporates are increasingly looking for a single dashboard view of their entire supply chain.

Indeed, such an end-to-end view allows a whole new level of analytics: looking at the cash flow trends, the defaults and the outstanding risk, but also viewing that cash flow as a valuable asset that could be used in different ways, such as in reducing borrowing requirements or for the generation of investment income.

Of course, the role of banks is crucial in generating this level of integration. For instance, a major project at Deutsche Bank has been the ongoing and deepening integration between the Markets and Global Transaction Banking (GTB) areas of the bank, which has spearheaded developments such as Autobahn, Deutsche Bank's award-winning, single sign-on, electronic distribution service that offers transparency of liquidity positions across both Deutsche and third-party accounts, including trading accounts (for instance in foreign exchange).