Embracing Change

Multinational companies looking to make the most efficient use of their cash are finding that procedures embodied in SEPA can help.

Recent years have seen considerable changes in the cash management and trade finance industry and banks have been at the forefront of efforts by corporations to adapt to and thrive in the new environment.

Michael Spiegel, managing director and global head of trade finance and cash management, corporates, at Deutsche Bank, believes one of the key drivers for the treasury agenda is the continuing effort to make the most efficient use of liquidity. That effort takes a number of forms, he notes, but underlying it is a deliberate move toward real cash concentration. "For large multinationals," he comments, "it's all about getting hold of the cash that sits in the business and making use of it to invest or pay down liabilities and, in some cases, to assist in counterparty risk management, given the political realities in the world."

Michael Spiegel, managing director and global head of trade finance and cash management, corporates, at Deutsche Bank

Deutsche Bank is also seeing considerable interest around the theme of SEPA, Spiegel says. "We are a very big proponent of companies being SEPA-ready and would advise them against relying on conversion services that, from our perspective, can only offer a temporary fix," he comments. "For large volume players who are not ready, we see some serious challenges ahead."

Those that do embrace the move to SEPA will find it presents considerable opportunities, particularly in relation to cash concentration. "There is a clear trend to use payments-on-behalf and collections-on-behalf," explains Spiegel. "Some of the recent successes we've had in that space have been where people truly start looking at centralizing and making the most use of the opportunity that SEPA brings."

Spiegel notes a trend toward using real cash concentration rather than notional pooling. While this trend relates to counterparty risk management, it is also about harnessing the benefits of SEPA, particularly among large-volume players. "They want to make use of this tool to really optimize internal cost structures," he explains. Essentially, the key is to focus on how to make use of the changes in the banking infrastructure driven by SEPA—and to consider how those benefits could be replicated throughout a global operation.

Among other key trends affecting global treasurers, the internationalization of the Chinese renminbi is one of the most significant. There are many ways in which this development will affect multinationals, but for any company that does business with or is involved with China, says Spiegel, the most significant benefits will be efficiency gains and cost savings. "Companies may be able to process more single-currency transactions and they may also even optimize some of the payment flows from a repatriation perspective and from a tax perspective," he suggests. "Companies that have renminbi flows can become more efficient, because they can net more without the FX premium," he adds.

The strong growth in trade between developing countries is further supporting the emergence of the renminbi as a global currency. "Look at the close ties China has developed with Latin America and its growing trade relationships in Africa. Even just focusing on the clearing side between RMB payables and receivables, there will be more use of the currency, which will enable the RMB to open up further and ultimately become fully convertible," says Spiegel.

In the face of such profound global changes, Spiegel says, banks should consider working more closely together in developing solutions for their clients. "In areas where banks don't compete or add value, banks should think about how to further collaborate in the interests of the real economy," Spiegel urges. "It would be much more beneficial for corporates if banks could drive efficiency into the market, which would then serve the real economy. We have a very important purpose, to facilitate trade that is fundamental to the functioning of the global economy," he concludes. "If we work together, we can better fulfill that purpose." ■