



# TreasuryPulse

## Embracing Change: A Look at Treasury Trends and Drivers for 2014



By

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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. 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, but underlying it is a deliberate move toward real cash concentration.

For large multinationals, 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.

### SEPA Readiness

The Single Euro Payments Area (SEPA) marks a pivotal point in the integration of the European Union as it harmonizes the way mass payments denominated in euro are made within the region. Deutsche Bank and its clients spent considerable time and effort towards completion of their SEPA compliance in time for the February 1, 2014 deadline. SEPA is bringing with it a new era of cash management possibilities. With base-level compliance now a reality for most corporates — and soon to be a reality for all, once the recently announced six-month grace period comes to an end — corporate treasurers can look to build on the centralization benefits SEPA presents. Those who embrace the move to SEPA will find it offers significant opportunities, particularly in relation to cash concentration.

Throughout SEPA's development, Deutsche Bank has remained committed to reporting and promoting these opportunities. We're pleased to see that the vast majority of our clients have taken the necessary steps to achieve SEPA compliance, and are now well-positioned to reap the benefits.

## Real Cash Concentration

More corporates are 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.

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.

## Internationalization of the Renminbi

Among other key trends affecting global treasurers, the internationalization of the Chinese renminbi (RMB) 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, the most significant benefits will be efficiency gains and cost savings.

Companies may be able to process more single-currency transactions and may also optimize some of the payment flows from a repatriation perspective and from a tax perspective. Companies that have RMB flows can become more efficient, because they can net more without the foreign exchange premium.

The strong growth in trade between developing countries is further supporting the emergence of the RMB 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.

## Collaboration Among Banks

In the face of such profound global changes, banks should consider working more closely together in developing solutions for their clients. In areas where banks don't compete or add value, they should think about how to further collaborate in the interests of the real economy. It would be much more beneficial for corporates if banks could drive efficiency into the market, which would then serve the real economy.

Banks have a very important purpose, to facilitate trade that is fundamental to the functioning of the global economy. If we work together, we can better fulfill that purpose.