



Fides Treasury Trends Report 2020

A survey-based exploration of trends impacting finance
and treasury professionals



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Taking the pulse of treasury in 2020

We reached out to our network of customers, partners, and the treasury community at large to take the pulse of the industry through a survey on treasury trends, goals, and plans.

In preparing this survey and related report, we focused on the key topics, issues, challenges, and practical concerns that treasury faces today. We also asked questions designed to determine current and future plans for business growth.

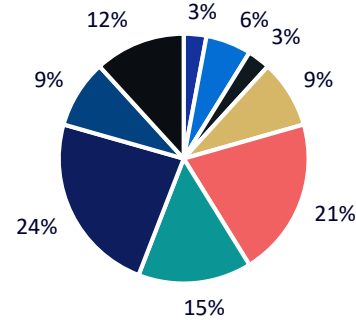
Treasury professionals today are faced with many of the same challenges of yesteryear — cash visibility, cost control, risk management, a lack of resources, and a lower than ideal budget. On top of these perennial issues, add keeping up with the rapid pace of technology innovation and the resulting need to modernize processes and infrastructure. Sounds daunting, doesn't it?

Then, throw in the curveball of COVID-19 — something nobody could have predicted. Organizations without adequate cash visibility and liquidity, along with those that lack the ability to rapidly adapt to change — those that are still in business, that is — are still reeling from the disruption.

The pandemic has clearly illustrated the need for modern technology and process automation to support business continuity, and our survey results make it clear that treasurers continue to seek ways to become more efficient and more effective.

Survey respondents cover nearly every industry category and geographical location, giving us a truly global, cross-industry big picture of the challenges treasurers are experiencing, their interests, and the solutions they are looking for to help them survive and thrive.

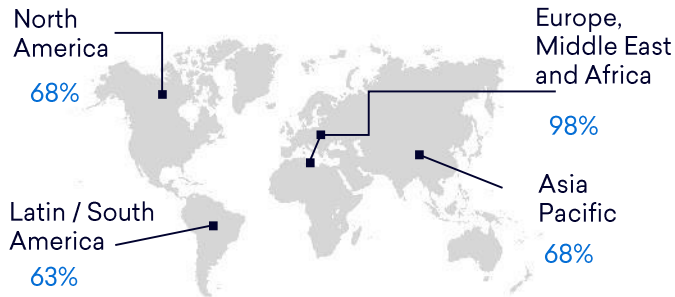
60% of survey participants hold roles within the treasury department



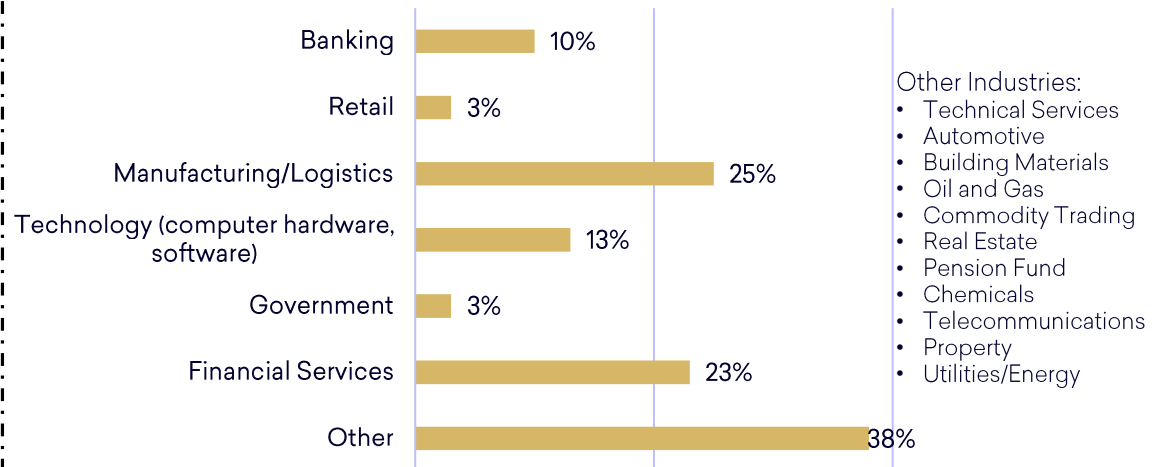
Top Job Titles / Roles / Responsibilities

- 24% — Treasury Manager / Cash Manager
- 21% — Treasury Director
- 15% — Treasury Analyst
- 9% — Information Technology
- 9% — Business Development / Sales
- 6% — CFO
- 3% — CEO
- 3% — Controller

Regions of Business Operations



Top Industries and Markets Represented



Survey Results Business and Operational Challenges

1. Business and operational challenges

- Cash visibility, forecasting and management
- Cybersecurity and fraud
- Financial risk
- Innovation
- Resources and budget
- Regulatory compliance
- Infrastructure modernization
- Bank technology

The more things change, the more they remain the same. This is nowhere more true than in treasury. Regardless of rapid technology advances, modernization efforts, and even a global pandemic, the basic business and operational challenges faced by treasury and finance professionals really haven't changed much over the past decade. In this section of the report, we will explore the top concerns uncovered in our research.

“Plus ça change, plus c'est la même chose.”

— Jean-Baptiste Alphonse Karr

Survey Results: Business and Operational Challenges

Top 5 business challenges



35% of respondents listed **cash visibility / forecasting** as their top ongoing challenge



29% of respondents ranked concerns around **cybersecurity and fraud risk** highest



Financial risk came in solidly in the middle for nearly all organizations, with 71% ranking it in their top three challenges



While only 13% of respondents listed **cash management** as their primary concern, 31% ranked it second on the list



Innovation was ranked lowest overall, but nearly 13% placed it as their number one concern

Top 5 operational challenges



Resources is the clear operational challenge leader, with 34% of organizations listing it as their number one challenge and nearly 65% ranking it in their top three



Infrastructure modernization/exnovation is in the top three challenges for 79% of businesses, but less than 8% chose it as their top concern



27% of respondents named **regulatory compliance** as their top challenge, but nearly 30% ranked it in last place



Outdated **bank technology** and manual processes continue to present a challenge, but one to which many organizations have become resigned, with more than 50% slotting it in as their fourth or fifth concern



The rankings for **budget** were the most evenly distributed, with the majority placement in third, fourth, and fifth place

There was less than one point difference from the most to least challenging, making it clear that all of these challenges are high concerns for treasury and finance professionals around the world.

Business Challenges

Cash visibility, forecasting, and management

Cash visibility has been an ongoing concern for treasury for as long as the treasury function has existed. And the more regions an organization operates in — and the more bank connections involved — the more challenging this visibility becomes.

This is often a technology problem. Either organizations have older, inefficient systems in place, or are still relying on manual processes and disconnected data sources.

In large, decentralized organizations in particular, having a variety of people using multiple bank portals not only introduces a higher level of risk, it also makes managing and controlling funds more difficult. Having multiple people manually cobbling together information from multiple systems invariably introduces inaccuracies.

Cash visibility of course ties directly to cash forecasting, and to cash management. It's vital to ensure the business has the money it needs, where it needs it, and when it needs it.

As many organizations discovered with COVID-19, without access to the liquidity required to maintain day-to-day operations it's impossible to conduct business as usual — and in some cases, to conduct business at all.



35%

of survey respondents listed **cash visibility / forecasting** as their top ongoing challenge



Cybersecurity and fraud

81%

of companies were targets of payments fraud during 2019.

Cash visibility has been an ongoing concern for treasury for as long as the treasury function has existed. And the more regions an organization operates in — and the more bank connections involved — the more challenging this visibility. **Our survey respondents ranked cybersecurity & fraud risk in second place of their top five business challenges, with more than a quarter putting it in first place.** And according to the 2020 AFP Payments Fraud and Control Survey¹, 81 percent of companies were targets of payments fraud last year.

Security breaches have become commonplace, especially for international businesses. Fraudulent payments, illegal funds transfers, data theft, breaches of embargoes and sanctions, account takeover, and business email compromise (BEC) are just a few examples of ways companies can be hit by cybercriminals.

These criminals are increasingly using **social engineering** to hijack accounts and trick organizations into wiring large amounts of money into these accounts. As the lines between business and personal communications continues to blur, these attacks are becoming more difficult to spot until it is too late. **Malicious emails**, with **phishing** and **BEC** as prime examples, are now all too common.

And **account takeover** (ATO) is frequently used for the purposes of credit card fraud. This involves an attacker stealing a user's login credentials to break into their account, where they can access private information.

Cybersecurity to prevent payment fraud will only continue to gain in importance. In addition to the threat of incurring high fines imposed by regulatory organizations, exposure of personally identifiable data (PII) can easily extend to loss of reputation, trust and customers.

¹<https://www.afponline.org/publications-data-tools/reports/survey-research-economic-data/Details/payments-fraud-2019>

Financial risk

No business wants to risk the possibility that its cash flow will prove inadequate to meet its obligations, whether that be paying vendors, paying salaries, or just keeping the lights on.

The COVID-19 outbreak placed strain on an already volatile market markets, further aggravating liquidity and credit risk and threatening businesses in all industries, and of all sizes. Organizations are dealing with liquidity risk, investment risk, credit risk, currency risk, and operational risk, to name a few.

The pandemic has shaken both risk models and complacency. As illustrated by the Treasury Coalition's Global Crisis Monitor and Global Recovery Monitor microsurveys¹ and our own treasury trends data, cash flow liquidity risk has topped the list for treasury's financial risk concerns during the first half of 2020.

Businesses now must prepare for future volatility and risk. Many are working to forge stronger cross-departmental communications between operations and IT, increasing digital transformation efforts for more effective technology that will further agility, and revamping business and risk management processes.

Cash flow liquidity risk
tops the list of treasury's 2020 financial risk concerns.



Innovation

The pressure is on businesses to innovate, as digitalization and automation capabilities are helping to level the playing field for smaller companies and driving more competition. And treasury is no exception. It is interesting to note that although innovation cumulatively ranked number five in our top five business challenges, 13% of respondents listed it as their number one challenge.

For treasury, innovation means looking at things a different way, reinventing or adopting processes and technologies that provide the department — and ultimately the business — with a competitive advantage.

One of the biggest blockers to innovation can be its opposite: exnovation (or technology modernization), one of our survey respondents' top three operational challenges. Many times you have to get rid of the old technologies and processes to get the full benefit of the new ones.

Siloed operations can also play a role in preventing innovation. If the different departments don't work together and understand business processes and goals, creativity is limited to the confines of what each team understands about their own day-to-day operations. Another hindrance to innovation is fear of risk, or fear of failure.



A recent report from BCG¹ points to innovation leaders expanding their advantage in five aspects of their innovation systems: talent, ambition, governance, funnel management, and project management.

13% of survey respondents listed **innovation** as their top business challenge

¹https://image-src.bcg.com/Images/BCG-Most-Innovative-Companies-2020-Jun-2020-R-4_tcm9-251007.pdf

Operational Challenges

Resources and budget

Treasury is continually tasked with “doing more, with less.” And the role of today’s corporate treasurer goes well beyond cash management, with treasury expected to have knowledge and often responsibility for areas such as regulatory compliance, fraud prevention, financial technology, and higher-level support for the business. So it’s no wonder that resources — or the lack thereof — topped our list of operational challenges.

Budget constraints is another age-old issue for treasury (and for business operations in general). This often directly impacts resources: no budget means no hiring additional staff, and no ability to add or upgrade to modern technology solutions and services that would reduce the administrative workload.



34% of organizations list **resources** as their number one challenge, and **nearly 65%** rank it in their top three. **Budget** rounds out the top five.

Regulatory compliance

27% of respondents named **regulatory compliance** as their top challenge, but nearly 30% ranked it at the bottom.

Regulatory compliance is a challenge for every organization. And the larger the global footprint a business has, the more complex its regulatory requirements become, as companies need to comply with local regulations in each country and region which they do business as well as overarching international regulations.

In order to ensure compliance, businesses first need to know what regulations are in effect, or on the horizon, thoroughly understand the nuances of each regulation, and be aware of the implications of non-compliance. Key regulations impacting treasury may include PSD2, GDPR, AMLD5 (with AMLD6 in future), AML/CTF, USA PATRIOT Act, FATCA, MiFID2 II, E-FADP....and the list goes on. Further complicating matters, the interpretation of certain regulations may vary from region to region, leaving treasury struggling to provide the right information to the right people, to meet the right deadlines.

These complex requirements can easily lead to a drain on resources — our top reported challenge — and increase the need for more advanced treasury technology that will automate and streamline compliance-related mechanisms and reporting.

Infrastructure modernization/exnovation

When COVID-19 forced a remote workforce model, many companies were not prepared. Their IT infrastructures weren't set up to handle a full contingent of offsite workers, web-based access, and in some cases, personal device usage, across the organization. This is a timely example of why digital capabilities are no longer a “nice to have” for companies — they are a necessity.

Digitalization allows core business functions, such as finance, to move away from manual processes and automate administrative tasks, freeing up time and, for many, reducing costs. And digital transformation is well underway. As of a 2018 Tech Pro research report¹, 70 percent of organizations reported having a digital transformation strategy in place or already underway. However, the road to digitalization isn't always easy. Often, it requires an overhaul of legacy technology systems — even those that have been fulfilling the necessary purpose. This is where exnovation, the practice of stopping innovation to ensure best-in-class entities are not innovated further, also comes into play.

Within the context of infrastructure modernization, this may mean replacement of a previously best-in-class offering with new purpose-built technology. Automation is a key value proposition for treasury transformation, increasingly paired with digital capabilities. This may mean adding, upgrading or replacing ERP systems and/or TMS solutions, or even just centralizing bank connectivity, which we'll address next.



79%

of respondents rank **infrastructure modernization/exnovation** in their **top three challenges**

¹<https://www.zdnet.com/article/survey-despite-steady-growth-in-digital-transformation-initiatives-companies-face-budget-and-buy-in/>



Outdated **bank technology** and manual processes continue to present a challenge for treasury and finance professionals

Bank technology

First came the abacus. Then, the slide rule, and the calculator. Online spreadsheets were hailed as a miracle for treasury — and many treasurers are still using them today, often in combination with cumbersome legacy technology solutions. While spreadsheets serve a purpose, the more administrative work that can be automated, the more time treasury staff have to focus on mission-critical business operations.

Bank technology has also come a long way since the days where all transactions needed to be made face-to-face, with cash. Improvements in speed, online access, error handling, reporting, and traceability have all been made. But financial complexity quickly increases once more than one or two banks are involved.

There's a tremendous amount of manual work for treasury — some treasury analysts still spend fully half their time working with massive spreadsheets — and it's close to impossible to get real-time cash visibility. File formats vary from bank to bank, requiring data to be transformed, or converted, for successful transaction processing, which can lead to significant lag time.

As 85 percent of our survey respondents report working with more than 6 banks — and 50 percent with more than 15 — individual bank portals aren't a realistic or scalable option for transaction and communication management, much less reporting.

Exploring results: trends & changes

- Bank infrastructure
- Payment management plans
- Payment status tracking
- Treasury management tools/technologies
- ISO 20022
- Hot technologies
- Budget allocations

2. Exploring results: trends & changes

The payments landscape has been tumultuous for the past few years, with the rise of APIs driven by PSD2 and Open Banking, innovative players disrupting the market, and new technology possibilities on the horizon that have the potential to reshape the way we do business.

The lines between business and consumer have blurred, “real-time” is actually happening in real time, and the promise of 100 percent traceability is close (in relative terms) to fulfillment.

The pressure is on the financial industry to deliver solutions that will help treasury work faster, better and smarter. Banks have no choice but to change their business models or risk losing customers to newer, more nimble digital players and payment providers. APIs are no longer optional. Integration is no longer optional.

Treasury professionals need solutions that will help them automate processes, reduce fees and costs, minimize risk, and, of course, reliably deliver payments from anywhere, to anywhere, on time.

Bank infrastructure

68 percent of our survey respondents are operating in each of the major world regions — Europe, Middle East, Africa, North America, Central and South America, and Asia Pacific. One quarter operate solely in EMEA, and the other quarter do business in a combination of, but not all, regions.

Conducting global business finance operations raises many challenges for organizations, including currency conversions/FX, regulatory compliance, banking infrastructure, messaging formats, customs, and more. Businesses attempting to take on all these challenges in-house must devote resources, time, and energy to staying on top of both global and local regulations as well as the nuances of doing business in each specific country and region.

The majority of our survey respondents are “somewhat satisfied” with the speed and reliability of their banks’ payment services. Yet 15% are somewhat dissatisfied. Reliability, speed, and traceability were cited as individual concerns.

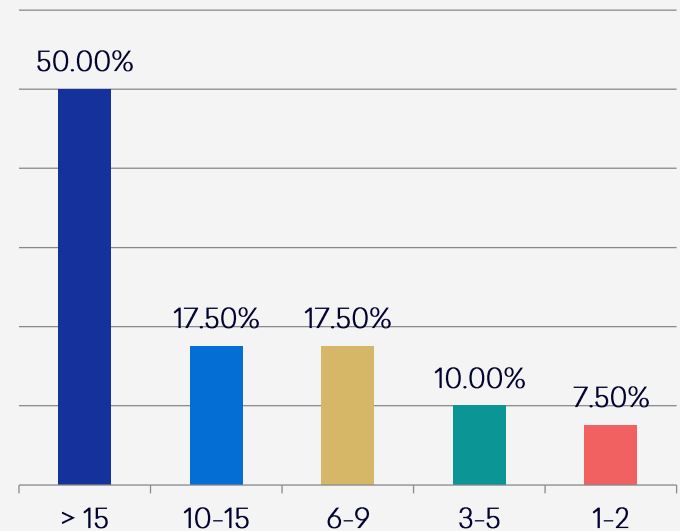
15%

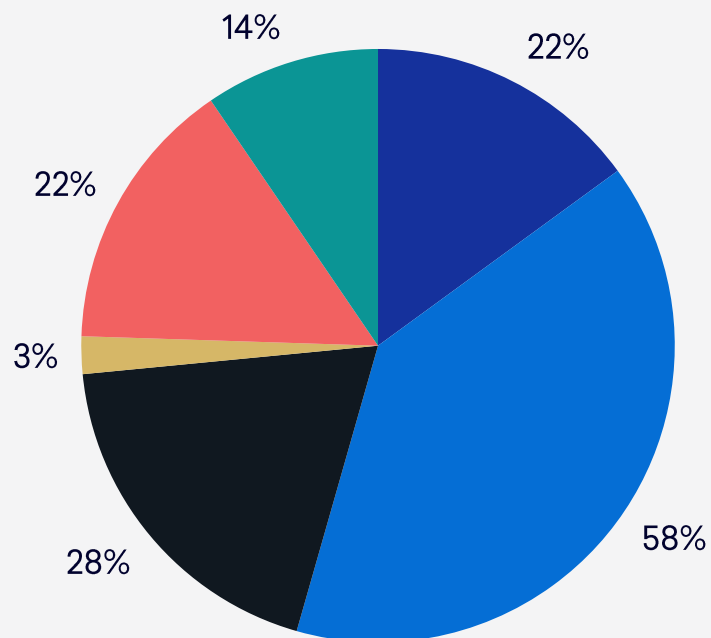
of survey respondents are somewhat dissatisfied with the speed and reliability of their banks’ payment services.

Top banking service concerns:

- Reliability
- Speed
- Traceability

Half of survey respondents are working with 15+ banks





- No plans/unknown
- Keep existing connections (SWIFT, EBICS, H2H)
- Leverage APIs / Open Banking
- Build new connections in house
- Migrate to new payment formats (ISO20022)
- Use an aggregator/payments hub

Future state: payment management plans

We asked about payment management plans over the next two years. In spite of — or perhaps because of — changes to the payments landscape, more than half of our survey respondents plan to keep their existing bank connections in place, whether they be SWIFT, Host-to-Host, or other. However, adoption of APIs will also see an increase, with more than a quarter indicating that they will be leveraging new open banking capabilities.



Payment status tracking

According to data gathered by LearnBonds.com¹, the worldwide digital payments market will reach a \$4.7 trillion transaction value this year, growing 15.3% year-over-year. This trend is predicted to continue, with an estimated \$6.7 trillion transaction value by 2023.

Single Euro Payments Area (SEPA) and direct deposits and transfers via the Automated Clearing House (ACH) network got the ball rolling for transaction tracking. Now, the Revised Payment Service Directive (PSD2), open banking, and APIs are paving the way for end-to-end transparency.

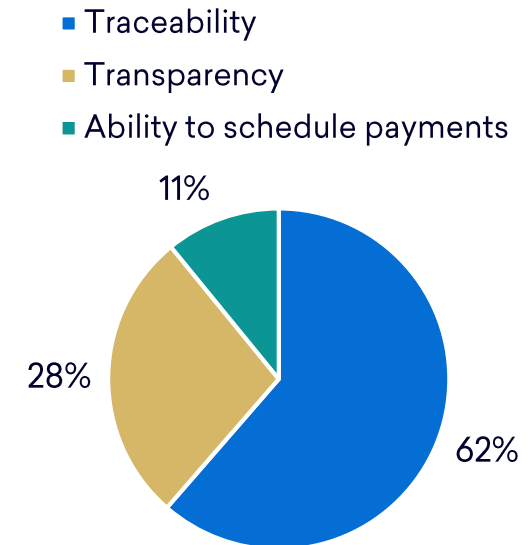
After gaining traction with gpi, effective by the end of this year, SWIFT is requiring all financial institutions using its network to confirm payments to its Tracker.

Clients using the Fides Multibanking Suite will have access to the Fides Multibanking tracker for easy, centralized payment status tracking.

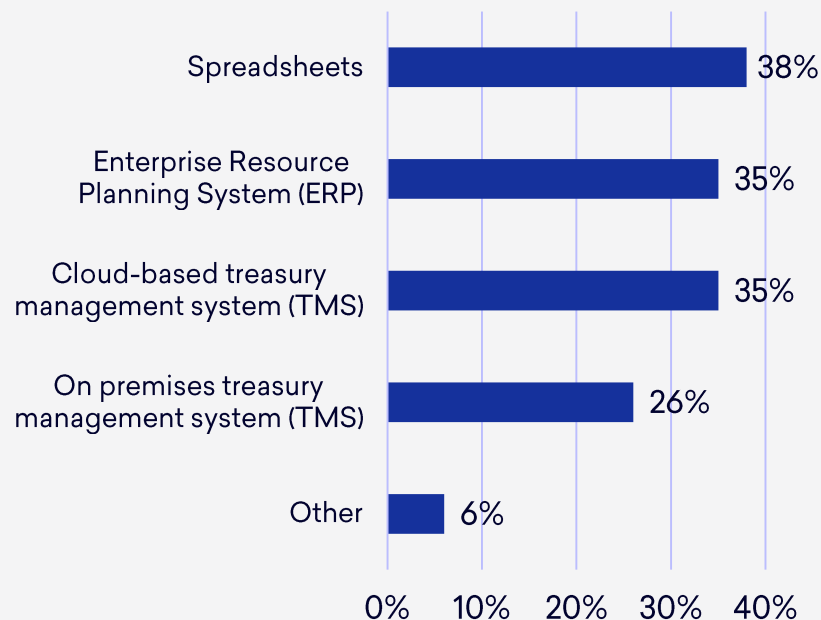
¹<https://learnbonds.com/news/digital-payments-to-hit-record-4-7trn-in-2020/>

35%

of survey respondents said that **traceability** is the top benefit of payment status tracking



Treasury management tools



The majority of respondents listed spreadsheets as their current treasury management tool, closely followed by TMS and ERP systems.

Changes Afoot?

- **21%** of respondents indicated that they plan to change (or add) their TMS or ERP within the next year
- **32%** say they are unsure if they will keep their existing treasury management tool

We expect technology adoption to increase, partly driven by the gaps COVID-19 has uncovered surrounding the need for secure, distributed treasury systems access.

ISO 2022 migration plans

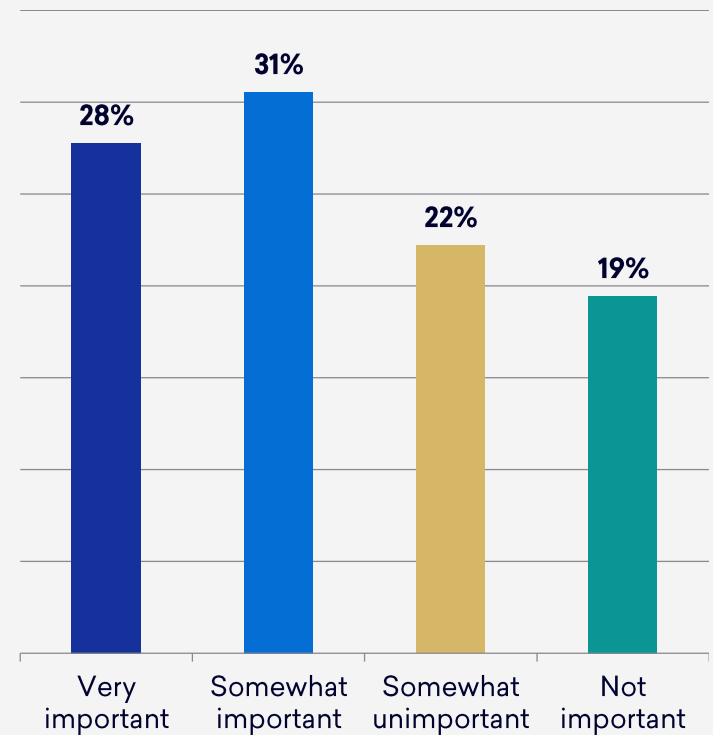
We asked about the importance of ISO 20022 standards to the business, and the process organizations are making towards migration.

Respondents reported a wide range of migration-readiness. For many, migration has yet to become a concern. Of those businesses that consider migration important, a small number have fully adopted ISO20022, others are rolling it out region by region, and others are currently in the planning stage.

Interestingly, there was no correlation between the considered importance of ISO20022 migration and respondents' regions of business operations.

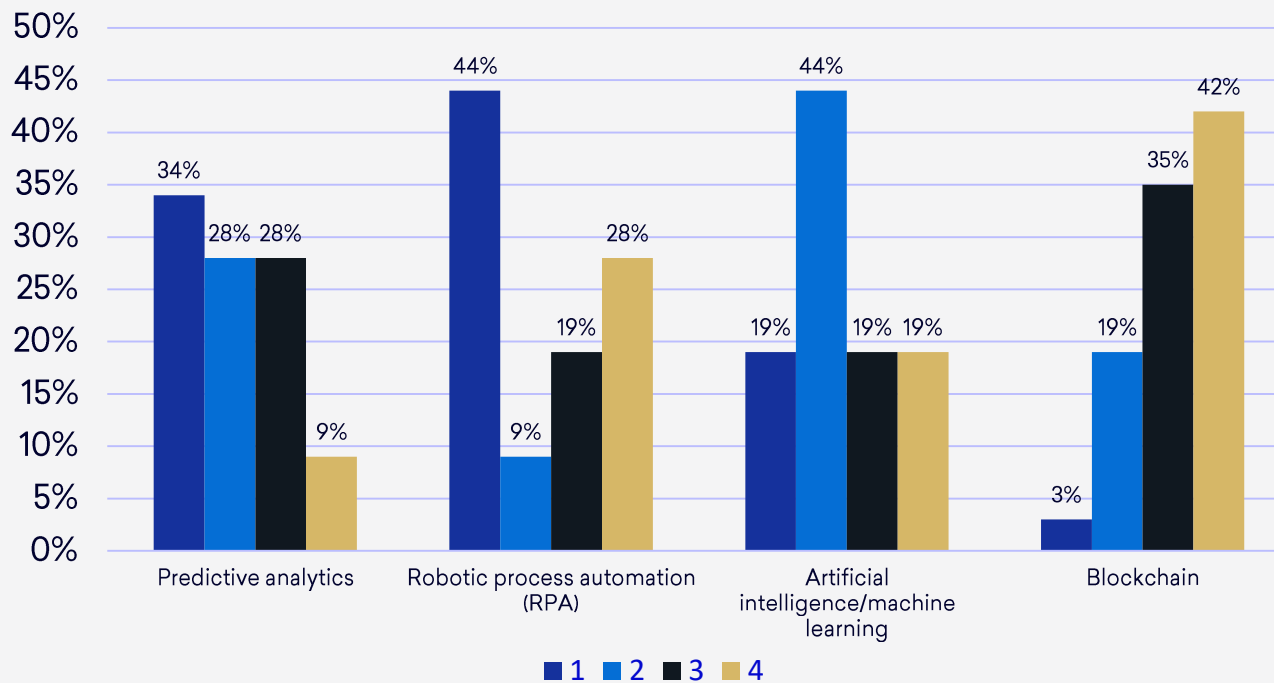
While financial institutions and companies are advised to start migration efforts early, our study shows that adoption is far from top-of-mind.

How important is the migration to ISO20022 standards to your organization?



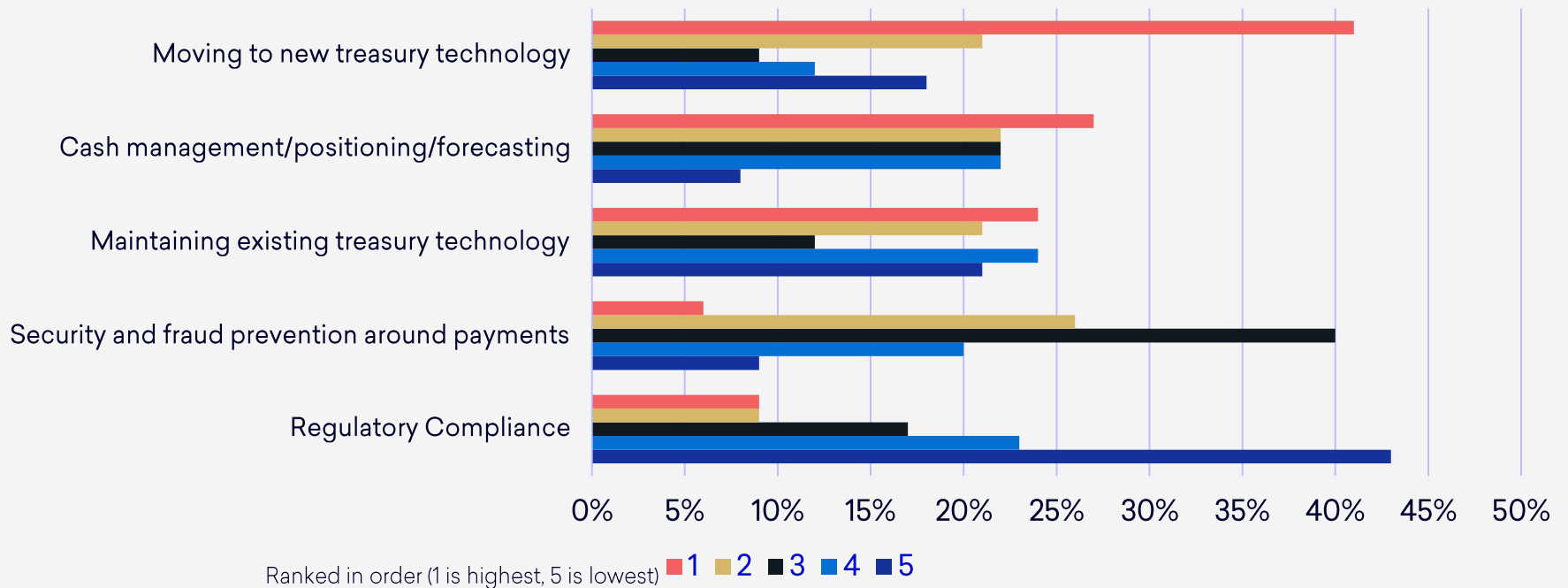
Relative relevance of hot technologies

Participants ranked four key technologies: robotic process automation (RPA), artificial intelligence/machine learning, blockchain, and predictive analytics; in order of relative order of importance to treasury within the next 12-24 months. With a forced ranking, predictive analytics takes the overall lead.



2020 budget allocations

In a forced ranking stack, moving to new treasury technology edges out cash management / positioning / forecasting, followed by maintaining existing technology and security/fraud prevention. Despite ranking third in operational challenges, budget for regulatory compliance comes in a distant last place.



Global Bank Connectivity through Fides

The Fides Advantage

Centralize your bank accounts and make payments to anywhere in the world at the touch of a button, through our own intuitive SaaS Solution - the Fides Multibanking Suite - or your TMS and/or ERP. Fides centralizes and simplifies global multibank connectivity and transaction communications.

Global cash visibility. Reap the benefits of worldwide transaction transparency. Using a single source for all bank communications makes it easy to gain visibility into global cash positions and increase forecast accuracy.

Reduced operational risk. Transaction data is loaded automatically, eliminating the need for treasury professionals to enter data manually. Complete transparency, automation and documentation ensure the ongoing security of your messaging and payments.

Flexible authorization. Map users and groups to accounts, account groups, banks, countries and subsidiaries, plus easily validate payments, set up sign-off rules, four-eyes principles and more to automate and streamline key processes.

Highly customizable reporting. Extensive search, filter, sorting, display and export functionality gives you the data you need in the format you need it — at the touch of a button.

Smooth account control. Thorough data validation capabilities and services ensure that opening and closing bank balances, statement formats and any other transaction data points are correct, consistent, and ready for your reports and daily processes.

Central workflow control. Validate, execute and monitor all transactions through a single workflow, eliminating the need for multiple processes.

Order creation options. Create orders via ad hoc entry, templates, or file upload to meet your business and HR needs.

Fast fraud detection. As all payments are captured and managed with the same solution, fraudulent activity can be detected quickly. Leverage built-in compliance management features, rule-based checks, and profiling founded on payment history and analytics.

Sanction screening. Our modern, bank-proven sanction filtering adheres to local and international regulations to help you manage and mitigate risk.

Fides has a long history of automating bank message format conversions, and hundreds of our customers have already adopted ISO 20022. We are ready for any additional formats, libraries, and conversions that may be required in future.

Global Bank Connectivity through Fides:

Reach Further. Connect Faster.



Fides is the global leader in multi-bank connectivity and transaction communications, enabling corporates to connect to any bank, in any region, through any channel. With Fides, you can reach further, and connect faster. Our solutions deliver critical multi-bank account statement, payment workflow and reporting capabilities for treasury and finance teams, helping more than 3,500 clients communicate with over 13,000 banks and payment providers across 200 countries. Whether you are using a TMS, ERP, the Fides Multibanking Suite, or any combination, Fides is the only connectivity platform you need.

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