Treasury Innovation 2016

Helen Sanders, Editor

The Cash Management University included a series of 'lightning talks' for the first time: short presentations to give cash and treasury professionals a concise and targeted view of some of the new initiatives are underway in the cash management space. In addition, participants discussed how these initiatives could add value to their own business.

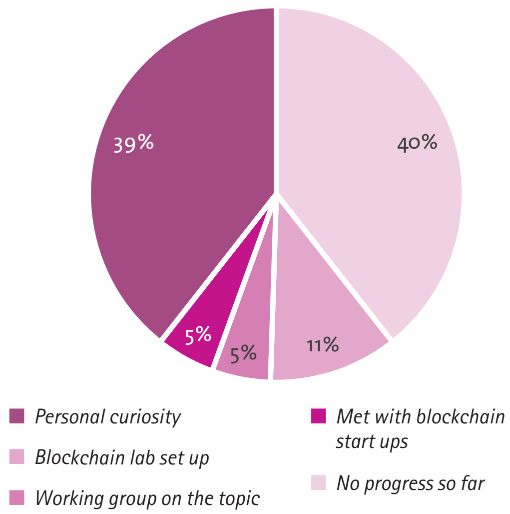
The Birth of Blockchain

Philippe Denis, Chief Digital Officer, BNP Paribas Securities Services

From its original roots in bitcoin technology, innovators across a wide range of industries are quickly recognising the potential that blockchain offers to transform processes and information flows. Blockchain relies on a global ledger, distributed across a network of computers, and visible by all parties to a transaction. Each party has the same public and private key to agree the validity of transaction and open the next block in the chain. As data cannot be altered, and is therefore irrevocable, blockchain offers considerable potential to deliver infrastructure for financial instruments.

BNP Paribas has been an early pioneer in exploring and exploiting this potential. In June 2014, we held our first hackathon which highlighted 14 opportunities to improve processes and business and create new business models. A year later, we created our blockchain lab for transaction banking services, including trade finance and treasury. This dedicated lab has enabled us to accelerate our efforts in this area, with internal, customer and external engagement. For example, we are part of the R3 consortium which comprises 42 banks who are working towards a distributed ledger for the financial sector and exploring a variety of use cases. We have also established a variety of partnerships with industry peers, associations, academics and fintechs. In April 2016, we formed a partnership with Smart Angel, a crowd funding/ equity product using blockchain, which has already gained considerable industry and regulatory interest and support. ■

Audience poll: How far have you or your treasury evaluationed blockchain opportunities so far?

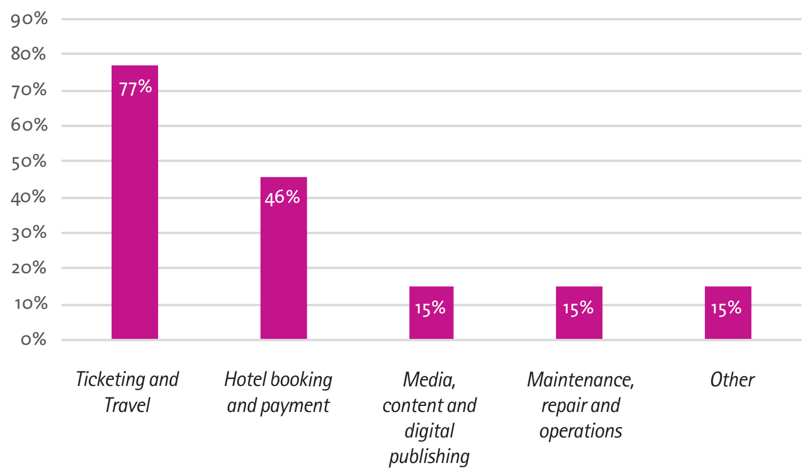


Virtual Cards Become a Reality

Ludovic Velasco-Martinez, Head of Marketing, Commercial Cards, BNP Paribas

Payment cards are now widely adopted by corporations, particularly in areas such as expenses management, from travel and accommodation expenses incurred by individuals through to meeting and conference costs, incentives, entertainment, media and online expenses. Increasingly, however, payment cards are being superseded by virtual cards for these purposes.

Audience poll: In what spending area could virtual cards deliver the greatest value?



Unlike physical cards, each virtual card number can be used for one transaction. There are two ways to obtain a virtual card number, either inputting the transaction details into a web application or, where spending is high, this process can be automated by linking the virtual card server and booking/expenses systems – exchanged between machines and pushed to suppliers. A variety of limits and controls can be set up, e.g. on amount, category, supplier, currency etc. so effectively, all virtual card payments are pre-authorised, Additional references such as the booking or purchase order can also be linked to the virtual card number for reconciliation.

Virtual cards therefore bring a range of benefits:

- Pay everywhere, across currencies and locations.
- Easy and secure. Security is offered on two levels, both limits on expenditure, and limits on the risk of fraud, as there is one number per transaction, with valid start and end dates.
- Payment on time. In some cases, such as in hotels, the card number has to be provided at booking time.
- Full traceability. The virtual card number itself, plus any additional references, allow tracking and reconciliation. Managers can also see where payments have not occurred, and as the card has an end date, it will not take place after this date.
- Consolidated view. By tracking spend per supplier etc. companies can tailor their purchasing policy.
- Working capital. The benefits are comparable with the other commercial card products, with expenditure consolidated into a single statement with one amount to pay the bank.
- Integration. Virtual cards can be integrated with internal systems to streamline the initiation, validation and reconciliation processes. ■

Time for Instant Payments?

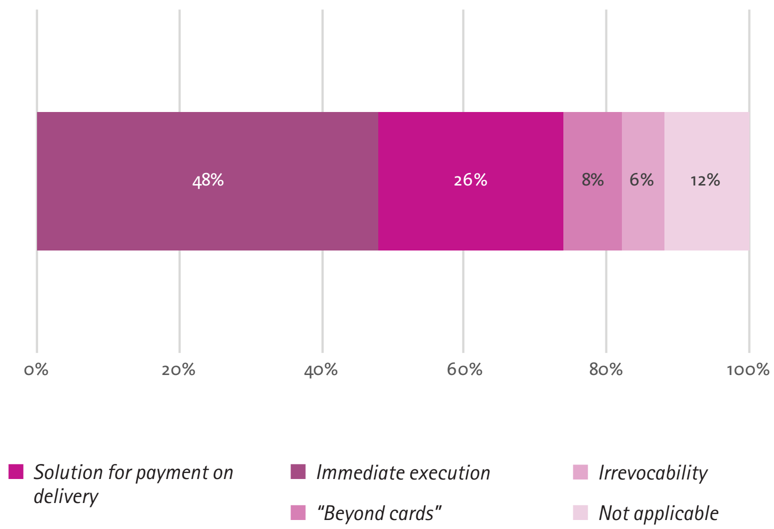
Francis De Roeck, Head of SEPA offering, BNP Paribas

The potential to transfer value between counterparties on a near- or real-time basis is now being discussed actively in a number of countries globally, with some faster or instant payment schemes already in place. Looking at instant payments in euro, there are proactive initiatives under way to process payments in seconds on a 24/7 basis, 365 days a year. This is based on the existing SEPA Credit Transfer (SCT) instrument but through a separate scheme, SCTinst.

There are a variety of use cases where instant payments offer specific value. For example, while cards are very convenient, they cannot satisfy every requirement: the payment amount may exceed the card limit; the beneficiary may not accept cards, and they are typically not suited to person to person payments. Therefore, in the future, it is likely that cards and instant payments will co-exist, as happens today in countries that have already introduced instant or faster payment schemes. Instant payments also fulfil the need for time critical payments, particularly in industries where cash needs to be available for use very quickly. Instant payments will also offer comparable benefits to SCT such as irrevocability (except in the case of fraud), which is essential for payment on delivery transactions.

The Euro Retail Payments Board (ERPB) is strongly in favour of the development of instant payments, but this is being encouraged on a voluntary rather than a regulatory basis. The level of investment is also an issue. However, there is a strong trend towards 'real-time' both at a consumer and business level, and payments cannot be the obstacle to new ways of doing business. To be successful, instant payments need critical mass, and as a result, it is likely that some communities will go faster than others, rather than the whole of Europe. Over time, however, instant payments will become an intrinsic element of the payment landscape alongside existing payment types, enabling both individuals and businesses to engage and transact in new ways. ■

Audience poll: What is the most interesting feature of instant payments for your business?



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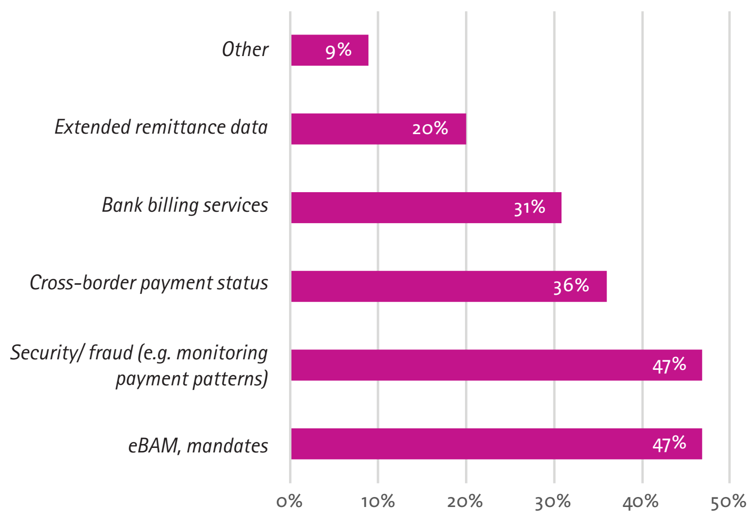
Big Data: Addressing the Corporate Treasury Data Challenge

Andre Casterman, Chief Marketing Officer, Intix

Regulation and digitisation are having a profound impact on the information processed by corporate treasurers. We are seeing a number of newly digitised processes emerging, such as electronic bank account management (eBAM), know your customer (KYC) etc. with new formats and ever-increasing amounts of data that need to be stored and organised.

Audience poll: Where do you see the value of big data for your treasury?



Data in treasury is derived from a number of data sources, which are often very specialised, including the ERP, treasury management system, trade finance systems, ePresentation, eInvoicing, receivables financing, FX platforms, purchase-to-pay and collateral management, amongst others. The specialised nature of these platforms, and the specific nature of the data they produce, creates silos that make it difficult to achieve visibility and control over the financial supply chain. This contrasts with treasurers' aim to achieve end-to-end visibility, and structured information to automate reconciliation processes etc.

Data management technologies ('big data') are becoming instrumental in helping to manage and navigate data to establish full control/ visibility over the financial supply chain, and build a more complete view of transactions and exposures, irrespective of the systems, formats, semantics and character sets in which data was originally presented. Furthermore, by adding algorithms such as artificial intelligence and predictive analytics on top of the core data, treasurers can gain better insights into the future and significantly enhance decision-making. ■

A Connected Approach to Mobile Banking

Steven Lenaerts, Head of Product Management Global Channels, BNP Paribas

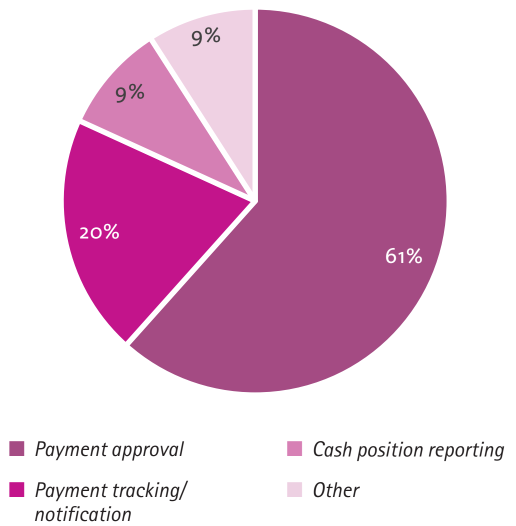
Mobile devices and bank platforms will continue to develop, co-exist and complement each other.

As consumers, we are all becoming more comfortable with the use of mobile devices for personal banking. Increasingly, we expect a similar level of convenience for corporate banking, so it is inevitable that mobile devices will play a growing role in connecting users and providers of payment and banking services. Banks are responding by developing mobile channels that create added value by extending business processes, integrating with existing systems and maintaining a high level of security.

There are a number of complexities in developing mobile channels for corporate rather than retail banking, not least that corporations operate internationally, so mobile banking solutions need to support the regulatory differences across locations. There are also technical considerations to address such as differences between operating systems, screen sizes etc. but these are all surmountable. More important is to ensure that users have access to the mobile capabilities they require. Users are currently looking for mobile access to facilitate decision-making for relatively simple but critical tasks such as payment approval and tracking sensitive payments, etc. Conversely, they tend to prefer to conduct more involved and complex tasks, such as analysing data through dashboards, via online banking platforms.

As a result, mobile devices and bank platforms will continue to develop, co-exist and complement each other to create a cohesive customer experience, combining convenience and sophistication. ■

Audience poll: What are your priorities for mobile treasury tools?



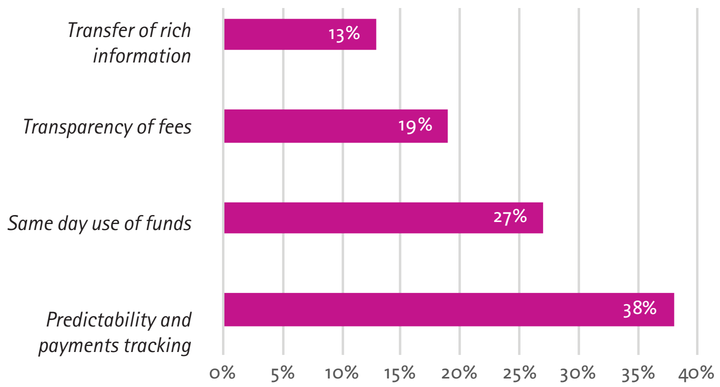
Introducing SWIFTgpi

(global payments initiative)

Stanley Wachs, Global Head of Bank Engagement, SWIFTgpi and **Damien Godderis**, Senior Product Manager, International Payments and Correspondent Network, BNP Paribas.

Corporate treasurers face a range of challenges when dealing with cross-border payments, not least tracking progress, calculating fees, pinpointing when funds can be used by the beneficiary, and identifying the invoice to which payments relate.

Audience poll: What element of gpi is most valuable for your business?



These prompted SWIFT to launch its global payments initiative (gpi) in late 2015. BNP Paribas was quick to recognise the value of gpi and was an early signatory, and 74 banks (as of July 2016) have now signed up. The key principles of gpi are to enable same day use of funds, transparency and predictability of fees, end to end payments tracking, by sending back a confirmation and the transfer of rich payment information. The new service will help corporates grow their international business, improve supplier relationships, and achieve greater treasury efficiencies. In addition, banks will have the ability to track payments end to end using a payments tracking database, hosted at SWIFT, using a unique identifier across the messages. Underpinning gpi is a new set of business rules between banks, which is currently in a pilot phase, with the results due to be launched at Sibos 2016 in Geneva. In parallel, SWIFT is launching a five year vision for correspondent banking to define a strategic roadmap that will bring significant new value and cost reductions for payment users beyond 2017. ■

As a result of these 'lightning' sessions, corporate participants indicated that they felt far more engaged with some of the emerging themes that have the potential to transform processes and technology in treasury and the wider cash management landscape. In particular, attendees emphasised that SWIFT's global payments initiative (gpi) and instant payments appear to offer the most compelling proposition at this stage, highlighted by 38% and 23% of the audience respectively. Furthermore, participants emphasised that it was important for their cash management bank to play a leading role in driving and engaging with industry innovations that will lead to solutions providing greater efficiency, control and competitive advantage.