

BNP Paribas Cash Management University: six hot topics

published on 15.06.2016

BNP Paribas launched its first Corporate Treasury Report last year and Jacques Levet, head of transaction banking for Europe, the Middle East and Africa (EMEA) outlined the main messages from the 2016 edition at the CMU.

Produced in partnership with global advisor The Boston Consulting Group (BCG), the report took insights from 750 corporate treasurers and CFOs from organisations around the world, all of which have consolidated annual revenue of US\$500m-plus. The 2016 report is also based on 25 qualitative interviews.

Summarising the new edition, Jacques Levet focused in his presentation on four main messages plus two 'hot topics' that were also regularly referred to during this year's CMU:

Banking products have become commodities: Corporate treasurers and CFOs have come to view quality of delivery and their bank relationships as more important than the product itself, regardless of its sophistication. Interest in bank payment obligations (BPOs) has noticeably declined over the past year.

The ecosystem has become increasingly complex: However, budgets are tight and many corporates have fewer resources with which to navigate them all. Treasurers want platforms to be multi-bank-and bank-agnostic for greater visibility and control and are reluctant to share all their data with one single bank only.

Banks have become IT companies ? even if not all realise it: IT has become so embedded in banking products that the industry's traditional structure no longer works. In order to compete with their fintech rivals, banks must focus on reducing error rates and providing corporates with strong local support.

Banks have a valuable role as trusted advisors: Despite competition, in many areas their expertise is still regarded as vital and treasurers are willing to pay for their advice.

Cybersecurity has become a critical issue for treasurers: The vast majority of, if not all, large companies have been target by hackers; worryingly many attacks have gone unnoticed. Banks have the opportunity to develop new offerings around cybersecurity services.

Analytics fatigue is setting in: Data production has exploded in recent years, yet despite much talk about analytics there has been little progress in offerings that extract the value-added data from the mass. An ideal solution for corporate would be new offerings that exploit the potential, in which banks and fintechs collaborate.

Innovative lightning talks

This year's CMU innovations included a one-hour session entitled 'Innovative Lightning Talks', which gave six presenters, strictly timed by Nao the robot, nine minutes only to tackle an emerging issue that has moved onto the treasury radar.

In an audience poll, delegates were asked 'What development will affect you most over the next three to five years?' The responses were as follows:

- ? Instant payments 26%
- ? Big Data 25%
- ? Mobile technology 20%
- ? Blockchain 12%
- ? The Global Payments Innovation (GPI) Initiative 11%
- ? Procurement and Virtualisation (virtual cards) 7%

Putting the case for **blockchain**, a global ledger visible to all parties, was Philippe Denis, Head of BNP Paribas CIB Blockchain Initiative, who said that the bank first identified distributed ledger technology as a key transformer five years ago. In 2014, it conducted its first Blockchain Bizhackathon on securities service activities and set up a Blockchain Lab last year. The second Bizhackathon, which took place in January this year, discussed exactly how the technology can potentially transform banking and other activities.

The **global payments innovation initiative** (gpII) was outlined by Stanley Wachs, Global Head of Bank Engagement, Global Payments Innovation at SWIFT and Damien Godderis, Senior Product Manager ? International Payments and Correspondent Network, Global Cash management for BNP Paribas. Godderis noted the many challenges treasurers faced on cross-border payments, such as length of time to reach the beneficiary, lack of tracking and transparency of fees.

gpII had been launched with the aim of making life easier for the corporate treasurer. Its core principles are same day use of funds transparency and predictability of fees; the transfer of rich payment information; and end-to-end payments tracking. A total of 66 banks have signed up to date, channelling payments into 227 countries worldwide. A gpII pilot will be carried out over the summer, with 21 participant banks including BNP Paribas and the results will be unveiled at Sibos 2016 in Geneva this September.

Instant payments was addressed by Francis de Roeck, Head of BNP Paribas? SEPA offering, who said that the revolution of payments would enable systems to be available 24/7, year-round, with payments completed within seconds, immediate credit on account with confirmation provided to both sender and receiver and based on SEPA credit transfers (SCTs).

Instant payments would remove the limitations currently applying to card payments-such as high value operations that exceed card limits; be time critical and irrevocable in line with all SCTs. However, will it happen, asked de Roeck? Instant payments are already a reality in the Nordic countries and the UK but have yet to be adopted in mainland Europe and will require significant investment from the banking sector.

Ludovic Velasco-Martinez, Head of Marketing, Commercial Cards at BNP Paribas, hailed **procurement and virtual cards** as the easy and secure solution for corporates to pay expenses such as airline and rail tickets, hotel reservations, car and taxi rental and online expenses. The many benefits include prompt payments, full traceability of transactions, a consolidated view of expenditure, adaptability, optimal use of working capital and integration of data within the company's information system. Demand has already been strong from the travel industry.

Mobile technology has seen continual evolution since the first smartphone was launched by IBM back in 1992, said Steven Lenaerts, Head of Product Management Global Channels at BNP Paribas Cash Management. The 2000s saw the introduction of the Blackberry and the iPhone; today Android and iOS smartphones are 'the kings of corporate mobility'.

'The mobile phone for personal banking services has become a commodity,' noted Lenaerts. 'Treasurers have become comfortable using mobiles for their own banking, so why not also use it for corporate banking?' Conservatism and security concerns are the main obstacles, but both can be overcome and mobile banking will complement 'but not replace' existing systems and be 'one of the payment evolutions increasingly embraced by corporates.'

Finally, André Casterman, Chief Marketing Officer for Financial Institutions Software Specialist Intix who joined the company in February after 25 years with SWIFT, examined the implications of corporate **Big Data**. And the growing number of transaction and data volumes. The emergence of new types of systems, such as electronic shipping information, was creating separate siloes that threatened to impede visibility, he said.

The market had developed data management technologies in response to provide end-to-end visibility of transactional flows across various data sources, enabling treasurers to reconcile and monitor financial transactions, trade and financial events.

At the end of the session, it appeared that the GPI initiative presentation had made the biggest impression on delegates. A repeat of the earlier audience poll, which had seen 11% of delegates vote for GPI as the biggest potential emerging issue for transformation, saw its score jump from 11% to 38%.

Audience polls

A series of audience polls at the end of the innovative lightning talks session provided interesting insights into the attitudes of Europe's CFOs and corporate treasurers. Results were as follows:

What is your take on blockchain?

- ? Personal curiosity only 39%
- ? No opinion 39%
- ? My company has set up a blockchain working lab 11%
- ? Company has a working group examining the topic 5%
- ? I have met with blockchain tech start-ups 5%

What area of the GPI value proposition would help you in your day-to-day corporate treasury activities?

- ? Predictability and payments tracking 38%
- ? Same day use of funds 27%
- ? Transparency of fees 19%
- ? Transfer of rich information 13%

Once Instant Payments is launched, is it likely to impact on and be used by your company?

- ? Yes, there will be a medium impact 37%
- ? Yes, there will be a major impact 29%
- ? Yes, but the impact will be minor 15%
- ? No impact 10%

? It's not applicable to me 10%

What is the most interesting feature of Instant Payments for your business?

- ? Immediate execution 48%
- ? A solution for Payment at Delivery 26%
- ? It's not applicable to me 12%
- ? Beyond cards 8%
- ? Irrevocability 6%

Where would your company be most likely to get better visibility of payments through virtual cards?

- ? Air/rail tickets and travel agency 77%
- ? Hotel bookings and payments 46%
- ? Media spending 15%
- ? Maintenance costs 15%
- ? Other business-to-business (B2B) expenses 15%

What is your take on mobile technology?

- ? It should be limited to selected individuals/tasks 38%
- ? It's already been implemented/is being implemented 37%
- ? It's not suited/required by my treasury department 25%

What benefit would persuade you to use mobile technology?

- ? Payments approval 61%
- ? Payments tracking and notification 20%
- ? Cash position reporting 9%
- ? Other 9%

What is your take on Big Data?

- ? Personal curiosity 77%
- ? Company has set up a working group on the topic 21%
- ? Company has set up a Big Data lab 15%
- ? I have met with Big Data tech start-ups 11%

For what purposes would you like more Big Data?

- ? eBAM and mandate management 47%
- ? Security and fraud checks 47%
- ? Cross-border payments status 36%
- ? E-billing services 31%
- ? Extended remittance data 20%
- ? Other 9%

Cyber: are you secure?

Cybersecurity was voted by delegates attending the 2015 CMU as the most important single takeaway from the event and an end-of-day session on the topic was presented by Leo Punt, Head of EMEA Services and Support at SWIFT and Jan De Blauwe, Head of Global Security for BNP Paribas Fortis.

Perhaps surprisingly, an audience poll asking delegates whether they had ever been a victim of cyber fraud saw only one in three vote 'yes'. Among those that answered affirmatively,

67% said they had been the victim of a phishing attack; 59% cited CEO fraud (where a bogus instruction, purporting to be from the chief executive, is received); 26% said credit fraud and 4% ransomware.

Asked how long it typically takes an organisation to detect that the integrity of its system has been compromised by an advanced cyber attacker, 63% correctly guessed that the period is as much as 200 days.

De Blauwe noted that attacks are increasingly targeted and sophisticated and a growing number are state-sponsored. Worryingly, there is also a rapid diffusion of know-how among attackers.

The major cyber threats, often used in combination, include the following:

? *Insiders*: Half of all attacks are either launched by malicious insiders and result from simple human error by employees.

? *Phishing*: Social engineering hits the organisation's weakest spots.

? *Malware*

? *Application attacks*

? *Distributed denial of service (DDoS)*: Incidents are increasing year by year.

A successful response to the cyber threat requires a comprehensive response, including buy-in and sponsorship from senior management. Security competencies and skills must be identified and acquired; risk management should prepare and test defences; a security mindset must be instilled among all staff; and partnerships should be leveraged to accelerate change.

Asked for his thoughts on the Cloud, Punt described it as 'both a threat and an opportunity'. The threat is in legacy or home-grown systems, whereas Cloud providers, who build by design, have the opportunity to build in security.

Conclusion

Sebastian di Paola, Partner at PwC and chairman of the 9th Cash Management University invited the audience in conclusion to vote for the 'top theme' at the 2016 CMU via a Word Cloud. The GPI initiative and connectivity proved to be the two most popular.

Delegates were also invited to select a word to summarise this year's event. While 'great' was the overall winner, a number of other positive words attracted a high number of votes: these included 'outstanding', 'knowledge', 'collaborative', 'dense', 'innovative', 'emotional', 'invigorating', 'intensive', 'futurist', 'digitalisation' and 'robot'. Collectively, they painted a comprehensive picture of this year's CMU, which remains today a well-established event in the market.

In just 1 word, how would you describe



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