Reflections and Resolutions

Now that treasurers have achieved SEPA compliance, many are reviewing their cash management and banking structures. From a Deutsche Bank perspective, we worked closely with clients in the run-up to SEPA. There were two phases to this – the first being ‘SEPA musts’ – i.e., the tasks that need to be undertaken in order to achieve compliance. The second phase is what we are calling ‘SEPA coulds’ – how to leverage SEPA as a catalyst for reorganisation and re-engineering.

Our clients have been particularly interested in working with us in this area, closely looking at the working capital cycle to identify opportunities for efficiency and value creation.

To support this, we have expanded our working capital advisory group to offer the depth of expertise our clients are looking for. This has resulted in projects to increase standardisation and centralisation, with a growing number of companies implementing in-house banks that make payments-on-behalf-of (POBO) and collections-on-
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**How do you see these trends evolving in 2015?**

More than ever, treasurers and finance managers are taking an integrated view of working capital and looking at their activities across the financial supply chain. Within this overall theme, treasurers have different objectives. For some, operational efficiency is the priority, leveraging structured information provided by counterparties (both commercial and financial) to create sophisticated automated processes. For others, the fundamentals of liquidity management continue to be important, i.e., ensuring access to cash to fund liabilities, a significant challenge in the Basel III environment. This is leading to a greater focus on extraction of liquidity from the working capital cycle through a combination of working capital efficiency and alternative tools such as receivables financing.

A key issue that has emerged over the past few years, and one that will surely become more compelling in 2015, is the use of renminbi (RMB). According to SWIFT (RMB Tracker, October 2014), RMB is now ranked as the seventh most popular payment currency globally. In addition to its growing popularity as a settlement currency for cross-border business with counterparties in China, it has grown significantly as a settlement currency for transactions where neither counterparty is in China and Hong Kong. Over the past two years, international RMB payments between ‘true’ offshore trading centres (Singapore, London, Luxembourg, Frankfurt and excluding China and Hong Kong) have grown by some 837%. Similarly, RMB is gaining importance as an investment currency.

**How are you supporting clients in becoming part of this shift towards the use of RMB?**

The barriers to RMB adoption are continuing to fall as the regulators in China maintain their course towards liberalisation. Furthermore, as well as commercial and operational advantages from using RMB, it is becoming far easier to manage cross-border liquidity and integrate RMB into global liquidity structures. At Deutsche Bank, we continue to invest heavily in solutions and advisory services to help our clients realise the potential of these opportunities. As RMB becomes more accessible and solutions more sophisticated, bringing it into the currency mix will become a key priority in 2015 for treasurers who have yet to adopt RMB.

**What other areas of innovation would you highlight as we move into the new year?**

The challenges of globalisation – and the resulting need to manage foreign currencies, both from an operational and risk perspective – can be very daunting for treasurers. Deutsche Bank has taken enormous strides in developing its innovative cross-currency payment solution, FX4Cash, to incorporate cross-currency receivables as well as payables, enabling companies to reduce complexity, eliminate currency risk and to be more flexible when working with their customers.

An important trend, especially among large corporations, is the desire to leverage non-proprietary bank connectivity solutions to enable communication with multiple banks through a single channel, thereby offering more discretion in choosing banking partners. At the same time, they still need their banks and third-party partners to deliver value-added services that improve efficiency and decision-making.

To facilitate these demands, and support the breadth of our clients’ requirements, we invested heavily in both SWIFT connectivity – which is firmly entrenched in our connectivity offering – and XML for standardised integration. In addition, however, we continue to develop proprietary value-added tools such as the Autobahn App Market, which now comprises more than 35 apps dedicated to transaction banking alone, as well as the insights, information and functionality offered by business segments across the bank. Our clients are able to select from this wealth of capabilities according to their requirements and this allows us to meet their needs via a single log-on process.

**What was your New Year’s resolution in 2014, and how successful were you in keeping it?**

Given that 2014, for the industry as a whole, was a year of adaptation and adjustment, one of my key objectives was to ensure our clients adjusted to the new regulatory environment with minimal disruption. Beyond that, I wanted to make sure they were well positioned to maximise the greater opportunities at hand. We certainly achieved this, and I take great pride in the efforts of the team that worked so hard to make it happen. My other resolution was to climb Mount Snowdon with my sons, which we finally managed to do in November!

**What about your resolution for 2015?**

2015 will be a year in which I hope we can develop a broader awareness of next-stage treasury possibilities, and help realise this potential through advisory support and individually-tailored solutions. I think 2015 will bring significant changes, on both a corporate and industry-wide level, so we’re set for an exciting year.

**Anything else?**

My family hasn’t told me yet...