Treasury function of the future

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pwc

It's an exciting time

In a decade's time, Treasury will still be helping to finance the business, manage risk and help the business achieve its strategic ambitions. The needs won't go away, even if the way it fulfils them changes.

Technology trends

- Artificial intelligence drives the way leading corporates think about the way they provide everything from customer services to financial analysis and decisions.
- Robotic process automation is helping corporates automate things they couldn't do before, without having to hire an army of developers.
- Blockchain with its ability to store information on distributed ledgers without a central clearinghouse could support a number of treasury activities.
- All of this depends on robust cybersecurity to hold off threats that are coming from multiple directions to key financial and treasury data.

Business and regulatory environment

- Brexit could change the way the UK is viewed by international corporates as a gateway to European markets.
- Additionally US tax and regulatory reform could have a similar impact. Corporates are focusing on jurisdictional analysis, in particular whether there will be significant divergences to current regulations, and what they'll need to expand in the UK or move directly to the EU or US.
- Changes in traditional banking model will lead to an organisational re-shaping of treasury and liquidity management activities, reporting and structuring.

Economic factors

- Traditional financial counterparties are facing competition and disruption from non traditional market players with skills, funding, and attitude.
- A prolonged low interest rate environment has meant cost containment is one of the keys to survival. This has impacted the range and cost of services Treasurers were accustomed to, and require them to do more with less.
- Staying the same now, more than ever, is likely to mean falling behind.

Digital Treasury – Technology investments are today's building blocks for the treasury of tomorrow

Leverage AI to accurately recommend forecasts, trades, and transactions based on historical data trends, key business drivers and market insights. **1**

Utilise Cloud to increase access to TMS, ERP, and banking systems, allowing for payments reporting anywhere and at any time. **1, 8, 9**

Leverage **blockchain, AI, RPA, AI and cloud dashboard** to better identify risk exposures and determine and enable mitigating action and monitoring. **2**

A smart contract on the **blockchain** allows multiple counterparties to interact in a mutually agreeable format, with proper documentation, for the benefit of a commercial transaction. **1, 3**

IoT enabled supply chain leads to quicker conversation cycles and better alignment of financial metrics tied to commercial operations. **1, 4**

Process automation through RPA standardises the service level agreement processing. **6**

Enhanced data analytics and AI capabilities complimenting existing infrastructure. **8, 9**

Treasury vision, mandate and objectives

Processes

1. Cash and liquidity management
- Cash management (position, collections and disbursements) Bank accounts and pooling
- Forecasting
- Business relationship management and administration
- Short term investments and borrowing
- Intercompany lending and netting

2. Financial risk management
- FX risk
- Interest rate risk
- Commodity risk
- Credit risk
- Counterparty (credit) risk

3. Corporate finance
- Trade Finance
- Capital Structure
- Debt financing
- Debt assignment and compliance
- Credit rating and relationships
- Long term investments
- Share repurchase
- Securities and other financing

4. Other
- Business unit advisory
- Real estate
- Insurance
- Pension assets
- Other

Original and Structure

5. Structure and locations
- Geography vs. functional vs. business
- Centralised vs. Decentralised
- FinCo

6. Vehicles
- In-house bank
- Shared center
- Payment factory
- Netting centre

7. Roles and responsibilities
- Corporate treasury
- Business units
- Other corporate departments

8. Technology

9. Performance management and reporting

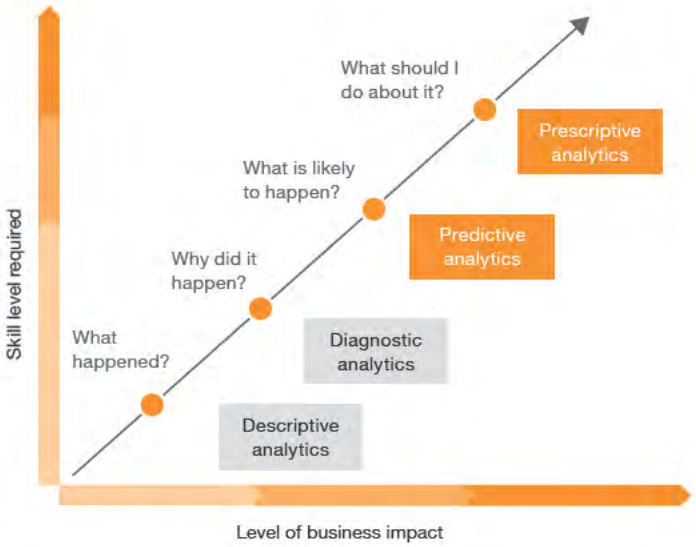
10. People and talent management

11. Governance, policies and procedures

Where to next? – the example of prescriptive analytics

Modern analytics associated with new technologies and better use and management of data provides Treasurers with new opportunities to move from diagnostic analytics – 'Why did it happen', to instant insights and prescriptive analytics – 'What is likely to happen, what do I want to happen and what should I do about it'

Certain treasury technology is already beginning to enable this level of analysis but is dependent upon tools to aggregate, search and read vast amounts of data in real time.



Key applications in Treasury

- Cash forecasting
- Liquidity planning
- FX hedging
- Commodity risk
- Covenant management
- Credit risk

What is required to enable this?

- Big data pulled together and available to create large and informative data pictures
- Ability to instantaneously search through vast amounts of data and read this data which may be held in a variety of formats
- Sourcing and extracting layers of contextual information to add to the base data

Next steps?

1. What are the opportunities for my treasury?
2. How do I keep abreast of the latest developments?
3. How do I engage with peers, finance and banking providers, Fintechs, my businesses and their suppliers and customers?
4. How do I fully align my treasury with my business?
5. What are the operational, control, cyber and regulatory concerns I need to consider?

Expertise

PwC has built a leading corporate treasury and commodity trading team. This team is an international network of over 600 experienced professionals with a combination of treasury and commodities operations and risk management, investment, auditing, technology, corporate finance, cash management, accounting and project management skills.

Our team
A trusted provider of treasury and cash management services to global business.

1 **Deep market expertise**
Seasoned professionals from industry, financial institutions, technology vendors and/or with tax and audit backgrounds

2 **Leading practise knowledge**
Access to objective, leading practices through deep market and regulatory knowledge and extensive engagement experience

3 **Bank and technology vendor knowledge**
An extensive history working with third part providers, including banks and digital technology vendors

4 **Successful project experience**
Proven track record of delivering better client outcomes and results

5 **Global network**
A global network of assurance, tax and advisory professionals focused on all aspects of treasury and cash management

Our team

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