ATEL
Luxembourg Association of Corporate Treasurers

MAGAZINE #105

TREASURER

THE CORPORATE TREASURERS' COMMUNITY MAGAZINE

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TREASURER
The Corporate Treasurers' Community Magazine

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#105

ADVENT OF **THE DIGITAL TREASURY**

If there is one positive consequence to the health crisis we experienced in 2020, it is the emergence and consecration of the digital age and the passage into another dimension, as if the world had suddenly accelerated and everything became possible (faster than initially thought and expected). Modern treasurers in 2020 and beyond want to have greater visibility on cash flow and flexible means of working. They would love and therefore seek for the ultimate level of their department evolution: the "treasury-on-demand". All CFO's dream to get access to treasury data and reports or dashboards in real-time and upon demand. A wishful thinking or a possible reality for treasurers? COVID-19 was certainly the biggest disruption treasurers have seen in last years. No one could contest it has impacted every corporate treasurer across the world.
It has changed the way to work. We now work partly from home, alone and far from the rest of the team. It has changed the interaction and coordination between teammates. It also imposed to revisit some of our processes and procedure to remain efficient and safe.
While we had to work separately, individually, in a complexified environment, treasurers had to produce more detailed financial statements, reports, simulations and other stress tests. Paradoxically, one had to be more proactive and efficient given the focus on liquidity, the scrutiny on working capital which one wanted to optimize and the need for refined and more accurate future flow forecasts. We had to ensure treasury business continuity while automating further activities.
More than simply further digitization, treasurers had to ensure a maximum coordination to smooth processes and sustain cash management quality. As a result of the pandemic, banks have seen an increasing number of corporate clients and funds transacting (more) via digital channels. Whether it be online, mobile, or even web-based, digital channels have helped heads of treasury to do business more efficiently.
The treasury mindset has changed significantly. For those who were still highly manually organized, they had to find ways of carrying out trade without physical documents. Transaction banking has gone through major changes. Banks have adjusted to a "new normal". All actors have continued or accelerated their investment in infrastructure and IT solutions. As liquidity and working capital management remains the top concern for corporate treasurers, CFO's are checking how they can ensure that their (finance) supply chain will not be disrupted and that they ensure enough cash reserves for the gong concern. What is key today? Obviously receiving timely payments (the faster the better), managing cash flows more efficiently, getting accurate data on (real-) time, and being more agile are the essential attributes of today.
Treasurers are not only using digital channels for payments, but also for opening accounts digitally, sending self service requests on trade documents and using digital route to deal and trade products. We have noticed a change in mindset. They have increased efficiency in leaving more manual processes behind. Some more sophisticated treasurers have even looked for new tools such as API's, BI and AI to enhance real-time decision making, new products like GPI or KYCR, blockchain solutions for example for trade finance, liquidity management, reporting and dashboarding. They have tried to enhance current IT architecture by adding missing layers. The objectives are multiple: to enhance internal controls, increase efficiency, reduce costs (when possible), fasten processes, and get a more immediate and comprehensive view on their treasury situation.
Treasurers need to look ahead, and digitization is leading to more real-time management, with quicker decision-making. This trend is accelerating, so treasurers need to make full use of technology and digital solutions to optimally take advantage of the vast amount of data flowing through a treasury department. Automation, robotization, business intelligence and artificial intelligence will help our members to take faster decisions. I am convinced technology will remove number of borders. Centralization and automation are the two best responses to the current crisis. We need to continue upskilling our teams as the IT technology used evolves and understand digital solutions and channels better.


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François Masquelier,
Chairman of ATEL

ANTONIO RAMI (KANTOX):

TREASURY'S DIGITAL **TRANSFORMATION**

Antonio Rami, Co-Founder of Kantox and Chief Growth Officer talks us through the need for a revolution in the treasury department, and how technology is going to be the key for survival.

SPREADSHEETS ARE NOT AN INVESTMENT IN TECHNOLOGY; I'M SORRY.

Antonio Rami, Co-Founder and Chief Growth Officer, Kantox

What is the key challenge obstructing Treasurers when it comes to currencies?

If I may take it to the extreme, in a word, "indifference". Companies today see currency management as a finance/ treasury-only topic, an administrative obligation to be handled at best, and often dismiss it as a non-value-added task. This can result in a flood of operational problems, from an overload of manual processes to issues regarding exposure visibility.

Yet, FX is such a transversal topic. It goes beyond just the treasury department. It's going to impact competitiveness and revenue, it's going to affect earnings, and unfortunately, it's going to be hidden in many business lines. FX needs to be seen as a business priority, and treasurers need to carry the flag of educating the whole company on the strategicness of this topic. However, they can only lead this change by embracing the power of technology, and no, spreadsheets are not an investment in technology; I'm sorry.

What is the impact for the treasurer if they don't start embracing technology?

When treasurers don't have the technology, which can integrate the end-to-end FX process, they're going to end up with issues of data quality, especially in terms of the timely, granular and exhaustive capture of exposure data. This will result in FX programs which are ineffective and do not comply with the company FX policy.

All of this is going to cause a domino-like effect within the company, with earnings at risk, increases in costs – both financially and in terms of resources – and ultimately missed opportunities for growth.

At Kantox, we launched our Currency Automation Management software as an essential technological tool for treasurers to tackle these issues. Our systems offer global companies the tools to digitise their FX workflow. In turn, this allows for an integrated and effective FX program and an opportunity to protect profits and establish a competitive edge.

How can Treasurers reinforce the strategic role of currency management?

In the context of currencies, treasurers need to become an ally of the commercial organisation. While most companies acknowledge the benefits of buying/ selling in foreign currencies, the reality is that most only embrace a limited number of currencies due to the risks and time costs involved.

Treasurers who understand how to leverage technology to scale up the number of currencies they deal in, whilst still keeping risk under control, can enable their commercial team to benefit from buying/selling in local currencies. In the end, it's not only about treasurers reinforcing the strategic role of currency management; but currencies reinforcing the strategic role of treasurers.

Our Currency Management Automation solution provides corporates with a system which can boost the capacity of currencies being managed. It works by automating manual tasks such as exposure collection or processing, and by setting up the right FX program customised for every company.

Antonio Rami,
Co-Founder and Chief Growth Officer, Kantox

GENERAL TRENDS IN TMS SOLUTIONS

TMS's have evolved over time and especially the last couple of years with a huge jump in technologies. Treasurers are wondering how TMS can help further modernizing the finance function in the coming years. How to best choose your IT treasury solution in a complex and competitive environment? What are the general trends we saw in the industry? These are the questions the article will try to answer to.

CURRENT CONTEXT POST PANDEMIC

The strategic and key role of treasury teams has increased steadily over last decade. The evolving role has significantly impacted the structure and scope. This evolution reflects the increasing complexity of business and C-level expects TMS's will continue to respond to the increasing pace of changes. Finding the right responses to face these emerging challenges makes the difference in a complicate economic environment. To be successful and resilient, treasury needs a scalable and well-defined target organization, a forward-looking governance structure and obviously appropriate and adjusted IT architecture but alos state-of-the-art solutions. Furthermore, especially after a strong crisis, shareholders are putting more pressure, as well as regulators, on transparency and improvement of the financial performance. It leads to further centralization of activities. At treasury level, the central technology is the calculation and processing power of Treasury Management Systems (i.e. TMS's). They are at the forefront of driving automation of treasury tasks, Straight-Through Processing, and integration with other systems. To reduce the need for customization, the TMS choice is key to focus on most appropriate options to fit with specific business requirements, today but also in the future. Beside this TMS evolution, there are disruptive technologies proposed by Fintech's which change way customers and business interact. And we must also list RPA's, robotics, and AI which open new possibilities of machines performing cognitive tasks based on historical data and even learning how to do it. More systems are implemented in the cloud, as pure Software as a Service (i.e. SaaS) application or in private clouds on dedicated customer databases. This trend is of course driven by cost reasons to outsource IT infrastructure and security to dedicated vendors. All these evolutions will enable to deliver more "Treasury-On-Demand" (i.e. TOD) functionalities.

> **THE EVOLUTION OF TREASURY TEAMS REFLECTS THE INCREASING COMPLEXITY OF BUSINESS AND C-LEVEL EXPECTS TMS'S WILL CONTINUE TO RESPOND TO THE INCREASING PACE OF CHANGES.**
> François Masquelier, Chairman of ATEL

TECH DEPENDENCY OF TREASURY

Treasury management has maybe been for too long tech dependent. Nevertheless, technologies have never been so sophisticated and multiple. Innovation offers new opportunities but could also increase further the IT dependency. The fast-evolving IT technologies will present lots of new challenges for treasurers (e.g. How to further automate? How to use AI? Are robots the panacea? Need for more predictive analytics and dashboards. How to enrich data visualization? etc....). Treasurers will move from routine reporting to dynamic reporting to ideally become more strategic. A challenge but also an opportunity. Treasurers should develop what I call "TI" (i.e. "Treasury Intelligence"), a fantastic (potential) win. That's the real challenge of treasury in the coming years. The challenge number 1, which can make their job different and push them up within the finance organization. The modern TMS's have evolved to encapsulate treasury's needs in a superior, more secure, and compliant framework. We must admit that TMS's have come a long way since their introduction in the early 90's when they were only implemented at large corporations' level. It is also fair to notice that technologies offer tons of new opportunities, besides challenges (e.g. Bots, AI, BI, new API's, etc....). For example, API's and PSD2 will open a wide new world: an IT revolution has been launched and we need the right TMS partner to succeed. Nevertheless, IT architecture of treasury departments will continue to complexify over time, with add-on's or best-of-breed specific solutions. Unfortunately, today, despite these fantastic evolutions some TMS solutions seem not to be able to fully cover 100% of a treasurer's needs. They need to add some specific solutions to complete the main tool and to produce ad hoc reports and somehow fragment further the IT treasury landscape. Choosing properly its TMS provider becomes crucial. Covid crisis has crystalized the need for modernizing the whole finance function, treasury being a major piece of it.

TMS'S ARE VITAL IT TOOLS WE LOVE TO HATE

Very often treasurers are not entirely happy with their TMS. These tools been around for so long now, but there is still a vast chasm between what treasurers expect from a new solution and what it can deliver, generating a form of frustration. One useful step towards alleviating this disappointment would perhaps be to not have too many fixed ideas about what the tool and to define the solution that best fits your needs. If you start from the belief that you are seeking the best or most suitable solution possible rather than perfection itself, you are more likely to be able to avoid that so common exasperation. This approach can best be summed up as the Coué Method, i.e. the calibration of your expectations and the setting of (more) reasonable ones, without allowing yourself to be thrown of course by an over-enthusiastic vendor.

WHAT TREASURERS EXPECT FROM THEIR TMS VENDORS?

THE 10 COMMANDMENTS	
1	Financial solidity of the IT vendors – to be resilient and to ensure sustainability of products & services over time
2	Innovate characters and capacity to be leading edge and state-of-the-art provider
3	Large range of products (even if through acquisition of Fintech's or partnership)
4	High-quality services and maintenance, as well as customer support 24/7
5	Customer user groups to share with peers, learn about developments and express their needs and solid credentials of comparables
6	Excellent understanding of the customer business specificities as everyone thnks it is unique and uncomparable
7	Evidence of leadership of the company (via articles, conferences, thought leadership, active presence, awards, any sign of quality, ...)
8	Pricing (which obviously and more than ever is a critical criterion)
9	Reporting capabilities and customization features as well as easy connection to other ETL tools/BI solution and good ergonomy
10	Proactivity on new IFRS standards and financial regulations, as well as vision of future of the function to anticipate technical needs

> **TREASURERS WILL MOVE FROM ROUTINE REPORTING TO DYNAMIC REPORTING TO IDEALLY BECOME MORE STRATEGIC.**
> François Masquelier, Chairman of ATEL

TECHNOLOGICAL THRESHOLD REACHED

When it comes to treasury systems, a certain level has basically been reached and it is fair to assume that the next one is considerably higher and will take a fair bit of time to be attained. Such huge progress has been made in recent times that getting any higher seems challenging to say the least. It's a bit like skiing with and the advent of "carving" →

and parabolic skis, or bicycles with carbon frames and then disc brakes. Whenever a technological or technical threshold is reached, a certain amount of time is required before the next major innovation can occur. For us treasurers, maybe it will involve artificial intelligence…? But in any case, I believe we're in one of these lulls at the moment and the effect is perhaps accentuated by the fact that today's TMS's are all cloud-based in the form of SaaS – Software-as-a-Service solutions (which display certain advantages regarding updates, i.e. their automation). However, just like any coin, standardisation has a flip side: the more one standardises and produces "off-the-shelf" solutions, the less one can customise and tailor adjustments. But this is a choice that TMS publishers seem to have made. They want to produce a standard with a limited range, not present a mind-boggling Porsche-like selection. Too many solutions are cannibalising other products, while too many products are costly in terms of development and maintenance. There's a clear trend among publishers of targeting and limiting their production to one or other model but, to use the car comparison again, when making a purchase, it makes little sense to opt for an end-of-life model, as it will soon be obsolete and/or will depreciate even faster. Longevity is important. Yes, your vehicle will still get you from A to B, but it will lack the latest options and innovations that make new products safer, faster, etc…

AN IT REVOLUTION HAS BEEN LAUNCHED AND WE NEED THE RIGHT TMS PARTNER TO SUCCEED.
François Masquelier, Chairman of ATEL

VIABILITY OF TMS VENDORS

When choosing a new TMS, it's also important to factor in the resilience and size of the software publisher. Many TMS vendors are not too keen on developing new personalised functionalities for cost reasons and even if they pass on the cost to the client, this has little impact in the medium term. There's often a severe lack of development staff, which also explains this trend towards focusing on the standard, which must then be accepted as is. It's then left to the treasurer to adapt to the tool rather than vice versa, so it's inevitable that there will be shortcomings that the treasurer will have to accept or work around. It remains common for publishers to consolidate the market (less vertically) and more horizontally, to cover more treasury tasks. Size and horizontal integration will be the norm, with combination of specialized tools covering different functions.

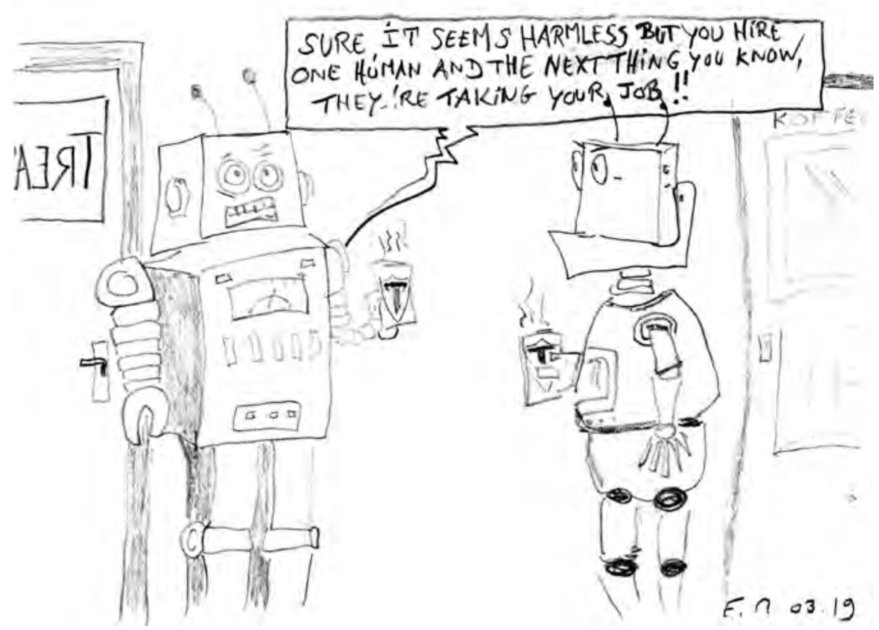
TMS MARKET CONSOLIDATION OR FRAGMENTATION?

A sort of mixed solution between best of breeds for different tasks. No one can properly cover the full range, even the biggest, although smart TMS players will cover several functions and integrate them. That is in my opinion the coming trend. While it may be reasonable to think that consolidation of the TMS market is possible and likely, it is also fair to assume that size alone does not solve everything, but a minimum size helps. The shareholders of some TMS's, i.e. private equities or pension funds, have vertical/acquisition expectations to grow the business and sell it at a higher price. I do believe in growth but a more horizontal one, as the recent acquisition of BELLIN by COUPA, which makes lot of sense in terms of treasury role evolution. Strategic alliance and business combination make more sense than vertical acquisitions pushed by Private Equity shareholders to solely create a bigger size. The TMS growth should serve customers. The size or the number of TMS solutions piled up do not serve treasurers.

THE 8 PREDICTIONS

Although it remains tough to predict the future of this industry, we can try to make 8 predictions for the future, I would plump for the following:

1. Consolidation of the market through acquisitions (disappearance of some vendors) although wide spectrum of niche solutions and fragmentation with new Fin tech comers
2. Demise of TMS in mini-ERP mode - Different deployment model – horizontal acquisitions to cover other future treasurer's tasks
3. Stabilisation phase with few new products but an opening up towards other solutions to help the optimisation of solutions - Larger digital adoption post-COVID
4. Off-the-shelf range of products which are easy to use but less flexible in terms of their implementation - TMS solutions become more generic and less open to specific developments required by users
5. Focus on IA and reporting/dashboarding, robotization will be everywhere and common practice for all - Everything in the cloud (SaaS for all/no more license of software)
6. Search for maximum IT security, a major objective of clients
7. New functionalities for predictive analysis, decision-making and dashboarding, primarily via add-ons that can be grafted onto the solution as complements,
8. TMS will cover other areas and functionalities like bank connectivity for B2B payments, procurement synergies, etc… enabling treasury scope enlargement



And that is to name but a few. Having said that, the software's structure will undergo little in the way of fundamental transformation. The Holy Grail for treasurers remains (total) automation and the interfacing of all tools.

ADOPT MORE PERFORMING TECHNOLOGY BUT MAKE THE RIGHT CHOICE!

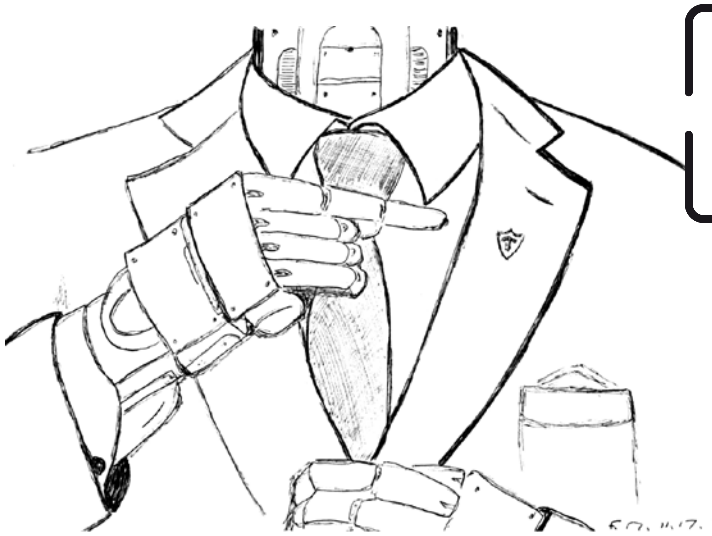
I think that the pressure on treasurers to deliver more or better-packaged information is growing. We entered the era of TOD. There is also more pressure in terms of the cost of tools, so our strategies are having to change, and the solutions may also follow suit in response to treasurers' increasing requirements regarding reports and regulatory compliance. In order to increase productivity and quality, it's vital to harness the development of IT tools, but it will require creativity and talent within treasuries to achieve this objective. Treasurers therefore need to think about recruiting differently in the future and technology should be envisaged as an opportunity to review our role and its scope. In the future, it may be more as a catalyst for the development side, but the difficulty consists of adequately assaying the technology and maximising use of existing resources. After all, to revolutionize your function you need establish clear Treasury IT strategy. This amounts to travelling without map or compass, but these days, we simply must contend with cyber-attacks, fraud, tight regulations, obligatory reinforcement of internal controls, greater centralisation, a disrupted economic environment and an absence of standardisation (which prevents the task's facilitation). Treasurers are going to have to become "data consumers".

"MULTI-TENANT SOLUTIONS" THE FUTURE

The "single-tenant" solution has admittedly permitted the specific configuration and development of the most suitable solution for each client. However, this type of solution is starting to disappear in favour of "multi-tenant solutions" preconfigured in terms of functionalities and hosted and maintained on the vendor's cloud, where each client uses the same version of the software. Their price and deployment time will be necessarily lower as a result, but treasurers will have to adapt to these predefined models instead of adapting the system in line with their way of working. However, "one size does not fit all" applies here and this will compel users to bend to the tool rather than vice versa, except when demonstrating the usefulness of the functionality for all users.

A DIGITAL DISRUPTION LOOMS ON THE HORIZON

It's clear that the boundaries between solutions are becoming more fluid and that barriers are being lowered, offering new opportunities. Cost pressure and efficiency improvement will help convince treasurers to review their technological strategy. The need for more real-time information and a more predictive approach is forcing us to reinvent ourselves. COVID has increased further need for real-time treasury, the "Treasury-On-Demand" concept. Unfortunately, our old road maps and strategies have all too often come up short, so that is the first piece of advice to be taken on board. The entire ecosystem

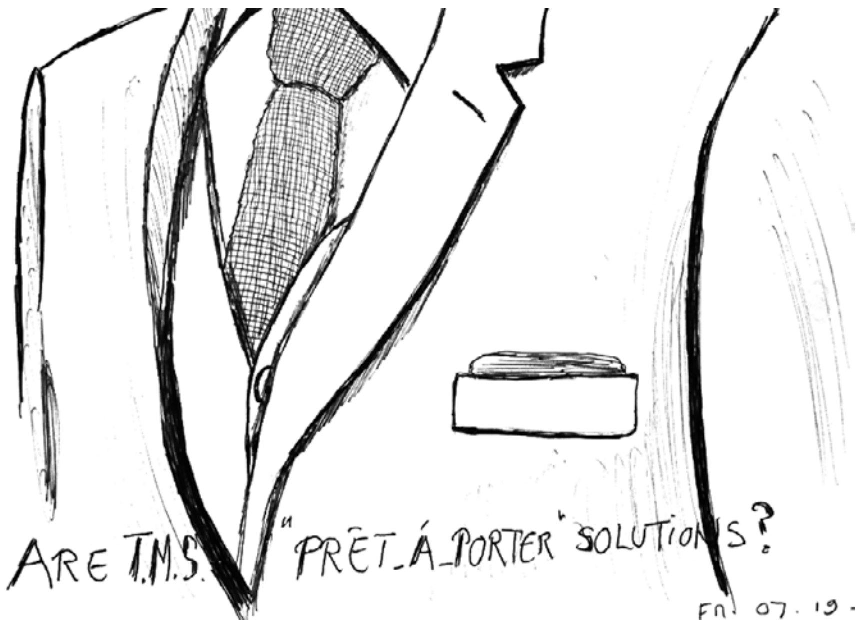


SOME IT VENDORS BY THEIR SMARTER STRATEGY WILL HELP US REPOSITIONING TREASURY HIGHER INTO THE FINANCE DEPARTMENT.
François Masquelier, Chairman of ATEL

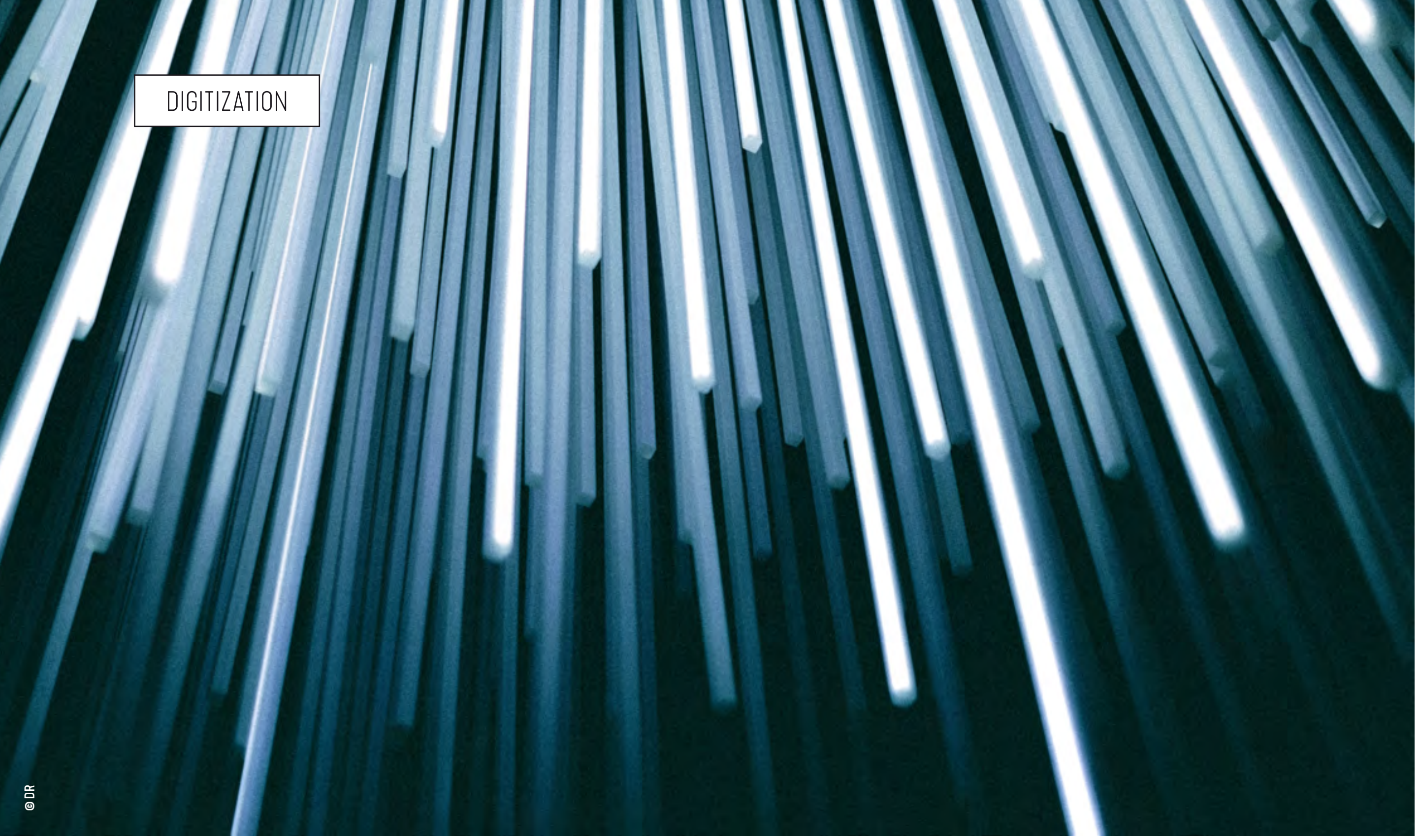
→ is changing, with the arrival of SWIFT "gpi", instant payments, KYC registers, API's with the PSD2, new e-payment methods and new business models, RPA's, AI; machine learning, etc... Of course, a treasury's IT strategy cannot be frozen for ever. It needs to evolve... and fast. Selecting the right partner is key. Automation, in whatever form, is the primary objective. The treasury is the depository for a mass of financial data. In order to evolve, it needs to transcend its initial roles and focus more on data science.

COVID MAY BE AN OPPORTUNITY FOR TREASURY IT ARCHITECTURE REVAMPING

Finally, everything will hinge on a treasurer's appetite and capacity for change. Technology is the saviour and the future, at least for treasurer's adept at mastering and harnessing it. Only technology can lighten the workload to leave you free to focus on analysis and strategy. Over the coming 5 years, the biggest challenge will lie in this capacity to gradually evolve, bit by bit, towards greater digitisation. Virtualisation is and will be more dominant and prevalent in the shaping of treasuries' futures, more so than in any other financial profession. TMS technology will eventually (more long than short-term) allow the grafting on of robotics, artificial intelligence, algorithms, etc... in order to move up another level and enter a new dimension. But let us give the software developers a little more time to meet our insatiable appetite for new functionalities. We should bet on players with best horizontal strategies. As you see, the choice of the ideal treasury IT architecture is complex and to be contemplated on a case-by-case basis. It is necessary to find the ideal formula and the right mix between different modules either provided by a single provider or in combination with specialists of their field (i.e. "best of breeds") and by interfacing them. Believe me, this IT strategy to be determined is a true case of conscience and deserves careful attention as the decisions that will result will have major and long-lasting impacts on your function. So be prepared and cogitate before embarking on modernizing your Treasury IT infrastructure. Some IT vendors by their smarter strategy will help us repositioning treasury higher into the finance department. Is not it said that "the best is ahead"? (as far as you are prepared for the future).



DIGITIZATION



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ARNAUD DUBAN (LUXINNOVATION): TO BOUNCE BACK AND MOVE FORWARD DEVELOPING A STRATEGY

With Fit 4 Resilience, companies now have a strategic programme to help them emerge from the current crisis and reposition themselves. Arnaud Duban, Head of SME Performance at Luxinnovation, gives further insights.

Can you describe the main features of the Fit 4 Resilience programme managed by Luxinnovation?
Fit 4 Resilience aims at helping companies get through the crisis and reposition themselves. The programme has been developed at the initiative of the Ministry of the Economy and Luxinnovation. It will run until 31 December 2021, with the support of consultants directly accredited by the national innovation agency. The list of consultants and their areas of expertise is available on fit4resilience.lu.

The idea is to use a 360° diagnosis carried out within the company in order to accurately analyse the impact of the COVID crisis. The aim is to identify both internal factors (company processes, relations between departments, digitisation processes, etc.) and external factors (market trends, competition, products, supply channels, logistics, distribution, etc.).
Depending on the size and complexity of each company, this phase can last between 5 and 25 days. Eligible companies are then reimbursed 50% of the consultancy costs by the Ministry of the Economy. This phase is essential for a proper understanding of the situation and the development of a strategy to bounce back and move forward. The objective is to put in place a roadmap for the short and medium term. Beyond the purely operational aspects, it is also a question of integrating reflections around the circular economy, more regional value chains and especially digitisation.

Digitisation, in fact, is a means of mitigating risks and becoming more resilient. Do you agree with this statement?
Of course I do! Within of just a few weeks, companies were subjected to upheavals of a magnitude that has rarely been experienced in such a short period of time and that are likely to last. According to the experts, some companies implemented digital transformation processes in three months that would normally have taken between three and five years. Digitisation not only makes the daily lives of companies and their employees easier, but also leads to substantial savings. And all operational aspects can be concerned: improving customer relations, automating production management, modernising and digitising processes, moving towards more sustainable and circular approaches... Clearly, the organisations that launch digital transformation processes or accelerate processes that are already underway will be the ones that will best emerge from this crisis. However, it is important that this transformation is also seen from a cultural point of view. Organisational changes have to be taken into account, including in the way in which data, which is an indispensable raw material, is used and exploited.

FIT 4 RESILIENCE AIMS AT HELPING COMPANIES GET THROUGH THE CRISIS AND REPOSITION THEMSELVES.
Arnaud Duban, Head of SME Performance, Luxinnovation

Could you give us some examples of the support provided to Luxembourg companies and of other relevant innovation programmes?
Companies can innovate in many different fields. I can mention digitisation again, for example: innovation can consist of the collection and management of data that can be used to develop new services. You don't have to be Amazon to develop a 'track and trace' system for orders, for instance. Similarly, in the circular economy, innovation can mean investing in technical solutions that reduce the environmental impact of an activity. This may, for example, involve replacing or eliminating plastics in packaging, which often requires development and fine-tuning efforts.
In addition to Fit 4 Resilience, an aid scheme for investment projects in the COVID-19 era has been set up as part of the vast 'Neistart Lëtzebuerg" economic plan. Its objective is to encourage companies that have suffered a drop in turnover to make investments that would have been cancelled or postponed due to the economic crisis caused by the pandemic. The investments concerned relate to development projects, process and organisational innovation projects, as well as energy efficiency projects or projects that exceed standards.

Arnaud Duban,
Head of SME Performance
Luxinnovation

TREASURY ORGANISATION

PHILIPPE FÖRSTER & MIHAI STROE (PWC): CONTROLS IN TREASURY : **MARGIN FOR ERRORS HAS DECREASED,** THEIR LIKELIHOOD HAS RISEN

François Masquelier, Chairman of ATEL sat down with Philippe Förster and Mihai Stroe, respectively Director and Risk Assurance Manager at PwC to discuss the current trends in treasury management.

Hello Philippe, Mihai, the first question that comes in is why? Why did margin for errors decrease and why did their likelihood increase?
We are facing an increased pressure on profitability, liquidity and the need to have an accurate and timely view and access to cash positions. Next to that, remote working, rapid digital transformation, or adaptation have led to potential weaknesses in the processes.

Is segregation of duties always ensured? How completeness and accuracy of FX open positions from business are ensured? Is your governance model and related policies up to date with the "new normal"? A lot of questions may still be waiting for an answer.

Some organizations were ready to deal with remote working but not all of them were in that seat. How should the latest act or react?
First step stands in quickly finding ways for teams to be able to work remotely and to communicate effectively.

With this first move (toward digitalisation), a significant alert is ringing around the robustness, adequacy and the effectiveness of the existing treasury control framework.

Having fixed those, the next step would be to ensure that the short term / quick fixes allow the organization to be fit for purpose on the long run.

Digital treasury is foreseen to be a permanent solution looking forward, can we fix internal control once for all?
Lessons learnt show that the internal control framework needs to be constantly and pro-actively adapted to emerging situations. Answer to your question is therefore: "no".

Organizations should continuously ask themselves if their treasury team is really equipped to face different types of situations, considering business continuity plan but as well overall control framework.

WITH THIS FIRST MOVE (TOWARD DIGITALISATION), A SIGNIFICANT ALERT IS RINGING AROUND THE ROBUSTNESS, ADEQUACY AND THE EFFECTIVENESS OF THE EXISTING TREASURY CONTROL FRAMEWORK.

What questions would be relevant for an organization to consider when performing such an assessment from the perspective of the treasury operations?
Having in mind that the "basics" are still fit for purpose; they should be able to answer some key questions organized according to the COSO framework objectives. Those could be for example:

Operations – Effectiveness and Efficiency
- Have you put in place measures to protect and ensure the availability of the workforce?
- If not on demand, is your Treasury able to provide timely and accurate information on cash positions and/or forecasts?
- Are your controls effectively designed to mitigate the new fraud and cyber risks resulting from the "remote work" programs? (e.g. new virtual meetings platforms, cybercriminals, scams, teams receiving remote access to multiple new treasury systems)

Reporting – Reliability
- Are your KPIs still relevant and accurately measured considering the FX volatility, available liquidities on the market? Are they reflecting properly any difficulties regarding cash flow challenges, covenant issues, hedging strategies?

Laws and regulations – Compliance
- Do you have a relevant internal controls framework adapted to monitor and react to eventual changes in regulations (EMIR, IFRS, KYC)?

We also recommend using satisfaction surveys. In a dynamic and challenging context, the treasurers need to have timely feedback from their internal clients regarding the level of connectivity with the Treasury team, how high is the added value…

How can you support the organizations to achieve a robust internal control environment around their treasury operations?
Our team can help organizations to identify the key steps to manage these new risks, but also to update or develop an effective internal control framework using benchmarking to good practices, expertise in treasury, accounting and internal control.

Philippe Förster,
Director, PwC

Mihai Stroe,
Risk Assurance Manager, PwC

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SERGEY BELOUSOV (BANK GPB INTERNATIONAL S.A., MEMBER OF GAZPROMBANK GROUP):

LINKING RUSSIA AND THE WORLD IN VOLATILE TIMES

Sergey Belousov, Managing Director of Bank GPB International S.A., says the Gazprombank Group sees Luxembourg as a strategic location for access to the European market and cooperation with EU entrepreneurs targeting business in Russia.

Why does Gazprombank Group consider Luxembourg a strategic location for banking activities?
Luxembourg is one of the world's leading financial centres, with its AAA rating, more than 125 international banks, very sound and transparent regulatory environment, wide range of corporate structures ideal for customizing solutions for corporate and private clients, location in the centre of Europe and free access to the European market. These factors make this country a perfect place to run a bank in Europe, follow the needs of our Russian clients in Europe and act as a strategic link to the Russian market for our European customers. The main activities of Bank GPB International S.A., 100% subsidiary of Gazprombank (Joint Stock Company), which was established in Luxembourg in 2013 and enjoys the same credit rating from S&P as the parent bank in Russia, are corporate banking, investment banking and global markets, and private banking. Corporate banking services include a wide range of lending solutions, modern payment and settlement services, while in investment banking and global markets, we provide treasury services with access to competitive interest rates for deposits in various currencies, foreign exchange, including rouble, commodities trading, MiFID II compliant sales and trading activities since we operate as a leading market maker and underwriter in Russian & CIS Eurobonds and equities. As for the long-term ESG trend on the capital markets, we can provide a full advisory and underwriting services package to the corporate clients willing to finance their ESG projects and build the public transparent investor story. Luxembourg Green Exchange welcomes our clients to use the opportunity of enlarging their investor base by ESG-focused accounts.

> **IN A VERY DIVERSE AND COMPLEX REGULATORY ENVIRONMENT, WE ARE A TRUSTED PARTNER FOR CROSS-BORDER ACTIVITIES.**
> Sergey Belousov, Managing Director, Bank GPB International S.A

Finally, our private banking business offers execution services, securities lending, tailor-made structured solutions and traditional advisory and asset management services.

Gazprom is mainly known as an energy provider. What is Gazprombank and what makes it different?
Gazprombank, which has just celebrated its 30th anniversary and where I have worked since 2008, is now a universal bank, the third largest in Russia. People sometimes think of us as a bank serving only Gazprom. Our backbone is corporate banking thanks to strategic partnership with the Gazprom Group. As a universal financial institution, the bank provides services to other important sectors of the Russian economy – nuclear, chemical and petrochemical, ferrous and nonferrous metallurgy, engineering and metalworking, transportation, construction, communications, agriculture, etc. At the same time, the bank is the absolute leader in the number of customers and the volume of portfolios in a number of industry types. In addition, we are active in investment banking and retail banking. The Bank implements a strategy for the development of retail banking, increasing its efficiency due to the active digitalization of key processes, as well as synergy with corporate banking. The Gazprombank Group has a global presence in Russia, Europe, Africa and Asia. We have one of the largest private banking franchises in Russia, we are a recognized leader among project finance arrangers and financial advisors in EMEA/CEE, Russian and CIS markets, we are one of the largest asset managers in Russia and leading bookrunner in the local market and Eurobond market for Russian and CIS issuers. Our ambition is to develop and diversify further. And Bank GPB International S.A. as a part of the Gazprombank Group plays a key role in this strategy – being in the forefront of operations in Europe we offer a high level of solidity to our partners →

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In the current environment, what are the main challenges for corporate treasurers and how is Bank GPB International S.A. adapting to them?
In a very diverse and complex regulatory environment, we are a trusted partner for cross-border activities. For example, unprecedented volatility has forced several institutions to exit the commodity-related financing market, but we believe corporate treasurers need banks to access this market and we will stay in it. Unprecedented volatility in currencies and commodities obliges treasurers to hedge their risks; we offer hedging services across many asset classes and help treasurers manage their exposures effectively. We remain committed to provide a broad range of lending and corporate finance solutions, focussing particularly on working with EU-based manufacturers supplying goods to customers located in Russia and the CIS. Regarding cash management, treasurers need to manage liquidity across many entities, for which we offer master cash pooling solutions. We also help with the set-up of clients' securities treasury portfolios and can work with physical commodities, financing them against a physical stock. This is a very specialised business, but it helps our clients navigate these challenging times.

LUXEMBOURG IS THE PERFECT PLACE TO RUN A BANK IN EUROPE, FOLLOW THE NEEDS OF OUR RUSSIAN CLIENTS IN EUROPE AND ACT AS A STRATEGIC LINK TO THE RUSSIAN MARKET FOR OUR EUROPEAN CUSTOMERS.
Sergey Belousov, Managing Director,
Bank GPB International S.A

How would you advise entrepreneurs seeking to do business in Russia?
First, do not be afraid of discovering the Russian market and launching projects there. Over the last six years, Russia has enjoyed sustainable positive growth dynamics, and its business environment has been ranked ahead of countries such as Poland, Portugal, the Netherlands and Belgium. In the Doing Business ranking for 2019, based on 10 parameters, Russia is in the top position among the BRICS countries. Second, find a reliable and trustworthy local partner to identify the potential risks and act as a guide for the project. The Gazprombank Group welcomes European business in Russia and tries to develop long-term relationships with EU partners, including a wide range of joint projects in areas where we are traditionally strong such as oil and gas, heavy machine building, chemistry and infrastructure construction. For instance, in 2016, we completed financing for the construction of a therapy and rehabilitation centre under a St Petersburg hospital, in partnership with Italy's Pizzarotti. In 2019, we agreed a co-operation project with Italy's Maire Tecnimont for funding projects in the natural resources processing industry in Russia and other CIS countries. For many years, Gazprombank has been a leading consultant on M&A transactions on the Russian market, including deals involving foreign capital. Moreover, we do bring foreign and Russian investors together when it comes to landmark bond and/or equity deals on the Russian capital market, including foreign issuers' placements. As well as developing a merchant banking business taking minority stakes in non-public fast-growing companies, the bank's representatives are involved in the management of portfolio companies of MIR Capital – a joint fund with Italy's Intesa Group.

Sergey Belousov,
Managing Director,
Bank GPB International S.A

J.P. MORGAN: WHY WORKING-CAPITAL TRADE FINANCE IS ON THE RISE

Although the 2008 financial crisis jolted the world economy, the financial conditions leading up to the disruption had been a long time coming. It's perhaps the biggest economic difference between then and the current climate, in which a global pandemic thrust millions of workers across EMEA into unemployment and fractured supply chains across the globe — all within a matter of days. But there is room for optimism.

In a conversation with James Fraser and Soraya Ahmed, J.P. Morgan explains how some corporates' healthier cash positions this time around have fostered an environment of cooperation and support across supply chains.

Whether through accelerated supplier payment terms or the deployment of less traditional trade service solutions, businesses are finding it beneficial to keep liquidity flowing for themselves and their key partners. According to Fraser, that means banks will be poised to support that cash flow collaboration with corporates and their ecosystems through trade finance innovation.

Although the current economic volatility is disruptive and challenging, many businesses are taking lessons learned from the past and applying them to the ways in which they navigate today's hurdles.

One of the biggest lessons, according to Ahmed, is the need to go beyond an enterprise's own four walls when promoting financial health.

"Whether it is planning for adjustment to new trade regimes, supply chain dislocation, the impact of Brexit on end markets, on-shoring, near-shoring, trade wars, or indeed planning to meet the challenges of climate change and commitment to corporate and social responsibility goals, corporates have recognised that in order to preserve their own operations, they need to maintain liquidity through their supply chain and into their supplier base," she said.

Businesses with such financing programs already in place have largely been able to support the financial health of their supply chains, while corporates without such programs are today exploring implementation "aggressively," added Fraser.

Unlike a decade ago, corporates today are flocking less to traditional trade services and more toward off-balance sheet financing tools like supply chain and receivables financing, offerings which Ahmed said are resilient to economic downturns thanks to banks' overhauled capital management strategies.

Many firms, particularly larger ones, find themselves in "a strong and stable position" from a cash and liquidity perspective as a result of their greater access to capital and credit markets. According to Ahmed, that has a profound impact on these firms' ability to support their partners.

Accelerated supplier payment terms and buyer-initiated supply chain finance solutions have proliferated in recent months as corporates explore how to wield their healthy cash positions and ease a liquidity crunch that many smaller players within supply chains face today.

"You've seen this symbiotic relationship across the supply chain, where corporates are helping each other out and managing through the crisis," Fraser said.

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AN INNOVATION OPPORTUNITY

That's not to discount the very real cash flow challenges businesses around the world continue to face today. Not all corporates are in a position to accelerate accounts payable (AP) or extend trade financing programs to vendors, with players in industries like travel and hospitality in a particularly precarious situation.

> **YOU'VE SEEN THIS SYMBIOTIC RELATIONSHIP ACROSS THE SUPPLY CHAIN, WHERE CORPORATES ARE HELPING EACH OTHER OUT AND MANAGING THROUGH THE CRISIS.**
>
> James Fraser, Managing Director, JPMorgan Chase & Co

Yet for others, the past decade offered a profound lesson in the opportunity that off-balance sheet and working capital financing solutions could provide to help weather financial volatility — both for themselves and their essential partners.

As important as it is for corporates to wield these lessons today, Fraser emphasised the opportunity for businesses to also use those teachings for more permanent changes in how they do business and manage liquidity.

While it's largely too early to predict long-term impacts of the pandemic, Fraser said results could include long-term accelerations of supplier payment terms or more permanent supply chain financing arrangements that were put in place because of the pandemic.

There are new lessons to be learned, too. While businesses have historically focused on margin optimisation strategies like just-in-time delivery, the current climate has pulled the curtain back on the significant downsides to keeping inventory at a minimum. In the future, businesses could shift toward a different strategy to ensure they keep inventory on hand to continue production and maintain stock through volatile times.

"That needs to be financed," Fraser said, "and it's creating pressure on working capital that needs to be sized appropriately."

For financial institutions, this presents an opportunity to expand off-balance sheet financing offerings into areas like inventory finance, a key requirement for corporates looking to release further working capital, which is also the part of the business from where the most value can be unlocked.

And while supply chain finance and other similarly evolved solutions will continue to gain traction, Fraser said banks have a significant opportunity to invest in further innovation ahead.

Data analytics to support more accurate cash flow forecasting presents a significant value proposition for financiers, he explained, adding that for J.P. Morgan, exploring bespoke portfolio financing solutions to help both buy - and sell-side corporates unlock liquidity will be key. It was among the motivations behind its alliance created with working capital management platform Taulia.

"The focus has to be on the quality of the platform and the speed of execution in order to drive increased adoption," he said. "Whether it's purchasing a receivable or a non-balance sheet loan, the instruments aren't really changing. What is changing is how they're deployed, and the platforms and technology that's used to manage them."

James Fraser,
Managing Director,
JPMorgan Chase & Co

Soraya Ahmed,
EMEA Trade Sales Head,
J.P. Morgan

N°105 – THE CORPORATE TREASURERS' COMMUNITY MAGAZINE

KYC

PAUL-GERHARD HAASE (CINFONI):

MUSIC TO **REGULATORS' EARS**

Many treasurers find growing AML and KYC requirements a headache merely on a national level. But Paul-Gerhard Haase believes the harmony of "custom information network intelligence" or Cinfoni, of which he is the designated co-founder, can meet the need for regulatory compliant, trusted and immutable data that is repeatable across international boundaries.

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"CINFONIC" VARIATIONS ON A THEME

The sheer volume and complexity of anti-money laundering and "know your customer" requirements intended to prevent money laundering, white-collar crime and the financing of terrorism, have become increasingly onerous for banks. Up to now, each bank has had to have its own audit, and the largely manual research processes could often take several weeks. But two years ago, in the process of establishing an AML/KYC platform for the German market, Paul-Gerhard found, in talking to banks and treasury associations, that a "German-only approach was not sufficient." He began the development of "customer information network intelligence" that was conceptualised as "Cinfoni." This was because he saw its capability of growing into a system that will allow various players to contribute and collaborate on combined AML/KYC solutions in much the same way as he saw a symphony orchestra working in harmony.

REGULATED RHAPSODY

"With Cinfoni we are establishing a unique, dedicated protocol for cross-border regulatory data exchanges that hasn't previously existed," says Mr. Haase. Cinfoni allows the exchange of KYC-company data and documents among banks in a standardized and automated process. The Cinfoni protocol is flexible enough to link local initiatives with their international counterparts. For example, a Luxembourg-based corporate that wants to open a bank account with a German-based bank needs to fulfil all the Germany specific regulatory requirements. With Cinfoni, once a single regulatory reliable record has been created, the validated and verified data, including the required documents, can be forwarded to whatever banks require them, as often as they are required – even across national borders. This is made possible because the entire process of composing and distributing the records is coordinated with the national financial regulators and meets the highest security requirements.

GAME CHANGER

Starting from scratch, without the hindrance of legacy protocols, Paul-Gerhard believes Cinfoni is a "game-changer." He says that whereas legacy systems are highly centralised, Cinfoni is based on distributed ledger technology. DLT is a digital system that records transactional data in multiple places at the same time so it can be accessed on a localised basis. This means that Cinfonia has created a cooperative, federated platform for AML/KYC requirements as an alternative to centralised storage and access to data. Its network taps local expertise and local relationships including local regulators. Data does not have to be transmitted through a centralised hub as the information is available to all users all the time thus facilitating cross-border interoperability. This delivers users regulatory compliant, trusted and immutable data that is repeatable among multiple jurisdictions. Cinfoni's protocol, therefore, provides international solutions to the previously slow and bureaucratic process of collecting, entering and exchanging data. It gives access to regulatory compliant KYC record production that can be flexibly adjusted to banks' needs. This creates a dynamic standard covering data and process/workflow and opportunities for a scalable evolution for the expansion of the network and growth in the number of participants. First participants have joined the cinfoni initiative. During the ATEL winter conference Luxembourg based i-Hub announced to be a player for Luxembourg in addition to the first network node established by Arvato Financial Solutions for the German jurisdiction. There is more to come: Further international partners will follow in 2021.

Paul-Gerhard Haase,
Designated Founder,
Cinfoni

> **WITH CINFONI WE ARE ESTABLISHING A UNIQUE, DEDICATED PROTOCOL FOR CROSS-BORDER REGULATORY DATA EXCHANGES THAT HASN'T PREVIOUSLY EXISTED.**
>
> Paul-Gerhard Haase, Designated Founder, Cinfoni

CUSTOMER INFORMATION NETWORK INTELLIGENCE

cinfoni is a network for KYC/ AML enabling exchange of regulatory compliant, trusted and immutable data as well as repeated use across jurisdictions

cinfoni differentiators

© Cinfoni

cinfoni uniquely combines:

- **Regulatory compliant KYC record production,** flexibly adjusting to banks' needs
- **Dynamic standard** covering data and process/ workflow; **evolving with network expansion** and number of participants
- **Trusted, immutable and international exchange** of data – a first-of-its-kind solution allowing **repeated use of KYC records across jurisdictions**

CINFONI NETWORK ACCESS POINT
Can be bank-specific or part of wider network
Application of cinfoni local/ regional regulatory standards

CINFONI KYC OPERATING UNIT
Operational support for creation, enhancement, remediation and delivery of full KYC data records

ALAIN GOEBEL, PARTNER AND DANNY BEETON (ARENDT & MEDERNACH):

UNTANGLING COVID-19 COMPLICATIONS FOR TREASURY TRANSFER PRICING

Alain Goebel, Partner and Danny Beeton, Of Counsel in Arendt & Medernach's transfer pricing team suggest how tax administrations expect treasurers to respond to the current challenging environment.

HOW IS COVID-19 AFFECTING TREASURY TRANSFER PRICING?

The economic disturbance caused by Covid-19 has created serious transfer pricing dilemmas for treasurers, such as:

- borrowers defaulting on their loans or breaking their financial covenants;
- borrowers whose credit rating no longer justifies the interest rates or guarantee fees which they have been paying;
- in-house banks, cash pool leaders or guarantors whose credit rating no longer justifies the interest rates which they have been paying on credit balances or charging for guarantees;
- "implicit group support" declining in value such that formal guarantees would be needed to maintain credit ratings;
- whether government financial support which would restore the creditworthiness of one group company should be shared with other group companies and thereby diluted (where this is not prevented by the terms of that support); and
- whether new loan agreements should feature stricter financial covenants, higher interest rates and other measures to protect the lender.

HOW SHOULD TREASURERS RESPOND?

The treasury response should be determined by the following considerations:

- the terms and conditions of existing transfer pricing agreements and in particular whether they entitle one of the parties to refuse changes in prices (such as the interest rate) during the course of the agreement, or to terminate the agreement;
- whether the company is agreeing changes to its interest rates, etc. with unrelated companies or has evidence of other independent parties doing so, despite the terms of contracts which don't oblige one the parties to do this; and
- whether, notwithstanding the terms of the related party agreements or what is happening between independent parties, it is in the longer-term interests of the related parties to agree to a change in interest rates or to defer payments of interest and or principal, etc. (for example, so as not to push a borrower into bankruptcy).

This approach could apply to existing loan agreements, for example, where the borrower is breaking its financial covenant ratios, or the lender is now receiving too low an interest rate for the heightened risk of the borrower and arguably should consider exercising an option to demand repayment.

More generally, the standard components of the group treasury policy document could need reviewing, for example the adjustments made for liquidity for short term balances. It may also be that new related party loan agreements should feature stricter financial covenants and other measures to protect the lender.

In any case, lenders are advised to take action and document that they tried to enforce their rights or to find a solution going forward in order to avoid any requalification of their debt claims into hidden equity. Also, any reductions or waivers or other benefits would need to be carefully documented, in particular the decision-making process and the "arm's length" motivation of the lender to accept any of those (most likely to avoid a lengthy insolvency procedure with an uncertain end and a competition with other creditors). One should keep in mind that when the related lender does not enforce its rights under the financial arrangement (e.g. not claiming the effective payment of interest or reimbursement of the nominal amount), this may lead to the reclassification of such arrangement into equity with all the tax consequences associated therewith.

Alain Goebel & Danny Beeton

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HOW SHOULD TREASURERS RECORD THESE DECISIONS?

In Luxembourg the period allowed for handing over transfer pricing documentation when requested is not fixed by law but is normally between two and six weeks (including one or more extensions if the taxpayer is fortunate). The burden of proof is on the taxpayer to show that their transfer pricing is in line with the arm's length principle, and recent Luxembourg case law stresses the importance of having appropriate transfer pricing documentation in place from the outset.

Given this need to be able to hand over explanations for decisions to change or not change transfer pricing arrangements now, the effect of the crisis on group treasury matters should be reviewed, decisions made about whether and how policies should be changed and what to do about specific problematic loans, etc., and this process should be recorded in a document to answer any future tax administration questions.

> **IN LUXEMBOURG THE PERIOD ALLOWED FOR HANDING OVER TRANSFER PRICING DOCUMENTATION WHEN REQUESTED IS NOT FIXED BY LAW BUT IS NORMALLY BETWEEN TWO AND SIX WEEKS.**

Alain Goebel,
Partner, Arendt & Medernach Luxembourg

Danny Beeton,
Of Counsel, Arendt & Medernach London

FX RISK MANAGEMENT SURVEY REVEALS KEY CURRENCY MANAGEMENT **PRIORITIES AND CHALLENGES** IN A POST-COVID WORLD

London, October 20th 2020 - Kantox, a leader in currency management automation software for businesses, announced the findings of its 2020 FX Risk Management Survey, a study conducted in collaboration with Treasury Management International (TMI), a well-respected and independent editorial voice in the treasury world. The survey evaluated the effect of COVID-19 on FX risk management processes and policies across various industries. Here are the Key highlights from the study.

WHY YOU NEED TO CONSIDER THE STRATEGIC VALUE OF TREASURY

- 52% of those polled described their current FX hedging programs as either inadequate, partially adequate or non-defined in handling the COVID-19 crisis.
- 56% considered that the importance of FX risk management would increase within treasury after COVID, as treasurers realise the impact a suboptimal FX policy may have on the overall results of the company.
- However, only 30% of respondents have an FX hedging strategy approved by senior management outside of finance, demonstrating that FX is still not seen as an essential strategic task.

TOP PANDEMIC PAIN POINTS FACING TREASURERS TODAY

- 64% describe increased volatility as one of their predominant FX pain points during COVID-19. This is generally due to a lack of confidence in FX policy.
- However, 65% highlighted exposure collection and monitoring as the most relevant FX challenge in the last 3 months. This is usually caused by a lack of systems and clearly defined processes in place.

SOLVING TRADITIONAL FX CHALLENGES VIA TECHNOLOGY

- Respondents are starting to realise the need for technology with 73% revealing that technology would help in the pre-trade phase of the workflow (forecasting and exposure collection)
- However, 53% say that insufficient technology budgets, followed by internal resistance to change stated by 46%, are the main two hurdles preventing treasurers from reaching their primary goals.

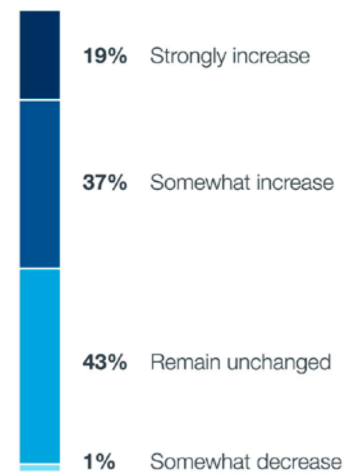
"Through the results of our survey, we can see that alongside new processes; there will be a demand for more technology after the COVID-19 crisis. In the current →

Most common FX pain points experienced during the COVID crisis

Data from 154 responses

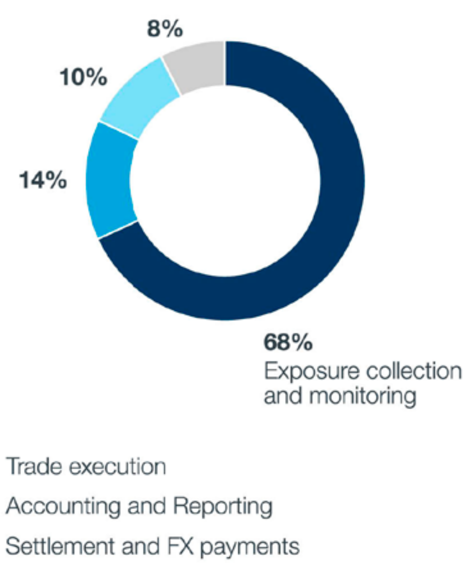
In your opinion, the importance of FX risk management, within treasury in the post-COVID world will:

Data from 155 responses



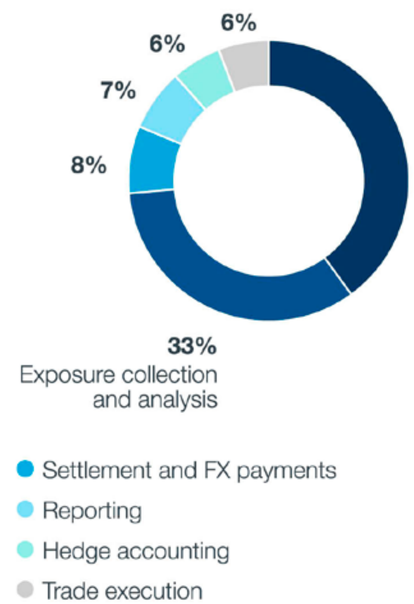
The most relevant FX-hedging challenges during the last 3 months of the COVID crisis:

Data from 155 responses



If you were to use technology, which part of the FX cycle would be your highest priority?

Data from 155 responses



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economic climate, there is a big focus on efficiency and effectiveness, and this will require companies to reconsider traditional strategies and engage essentially new approaches when it comes to FX management" says Antonio Rami, Co-Founder and Chief Growth Officer at Kantox.

"Now, more than ever, treasurers need to be aware of the negative impact that suboptimal FX risk management can have on the wider organisation and act accordingly. The results indicate that while some have a fairly robust existing approach to FX risk, the world is changing faster than most of us ever expected – and some corporates are not yet well-positioned to catch up" explains Eleanor Hill, Editor of TMI.

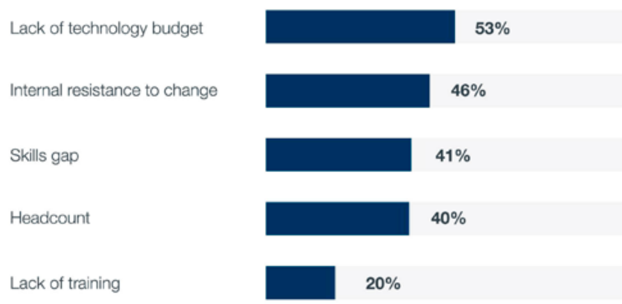
The survey was conducted with 154 participants and took place from June to July 2020. It included responses from various verticals such as manufacturing, retail and financial services. The revenue of the responding companies ranged from under €20m to those in the €1billion-€10billion revenue bracket, where most participants were placed.

Antonio Rami,
Co-Founder and Chief
Growth Officer at Kantox

> **THROUGH THE RESULTS OF OUR SURVEY, WE CAN SEE THAT ALONGSIDE NEW PROCESSES; THERE WILL BE A DEMAND FOR MORE TECHNOLOGY AFTER THE COVID-19 CRISIS.**
> Antonio Rami, Co-Founder and Chief Growth Officer at Kantox

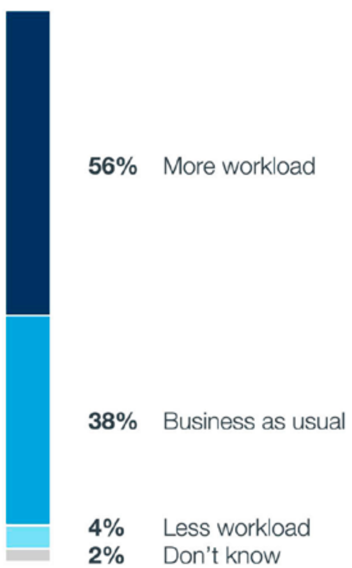
What are the top 2 hurdles preventing you from reaching your treasury goals?

Data from 154 responses



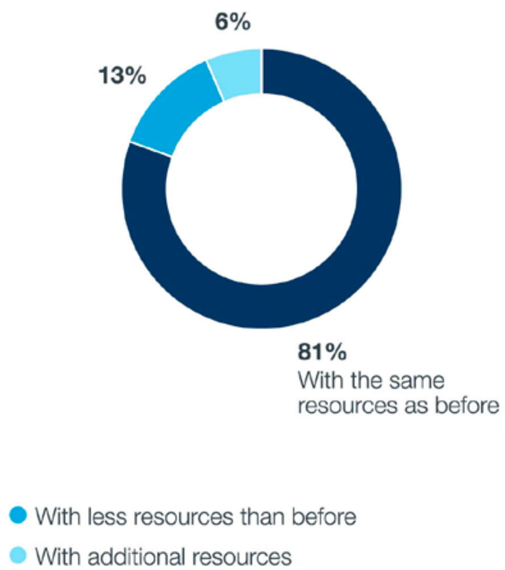
Do you expect there to be changes to the workload of your treasury/finance department in the next 6 months?

Data from 154 responses



How will you be handling the upcoming workload?

Data from 154 responses



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FX PLATFORMS:

THE HIDDEN FACE OF THE MOON

BEST PRICING, BUT WHICH ONE?

A lot of treasurers are convinced that the best possible way to get excellent FX pricing, if not the best, is to use a "classic" FX aggregator. Is it a true statement? Indeed, on a so-called FX platform (I would suggest "FX aggregator") you have the best price among your preselected banks and among pricing offered by them. But does it mean you have the cheapest possible price? Of course not. Are you sure you have the best execution? By dealing with classic FX platforms, corporates limit their counterparties to their usual core banks. They have no access to other banks and therefore miss opportunity to get access to potentially more competitive pricing from other financial institutions. These other banks do not know your usual positions (i.e. is the company "long" or "short" in certain currencies?). They should be more competitive and narrow spreads to have a chance to get a deal. I guess it may be time after the COVID to reconsider the way we deal foreign exchange instruments. It may be time to potentially analyze whether you could reduce your costs of hedging by getting access for free to better pricing on another platform interfaceable to your ERP or TMS. I do believe the few major players having a dominant position are able to apply margins to FX deals, which make this business profitable for them and for banks. The hedging costs having slightly increased over time and we should contemplate solution if any (and there are some) to reduce costs, enhance execution and enlarge range of counterparties (including banks you do not work with yet).

> **TESTING SUCH DISRUPTIVE PLATFORMS MAY GIVE YOU AN OCCASION TO GENERATE SIGNIFICANT SAVINGS.**
> François Masquelier, CEO, *Simply*TREASURY

PRICING TRANSPARENCY IS OFTEN LACKING

The transparency on pricing is often lacking. Who could claim he/she has access to the best prices? The best of a pre-defined pool, but not the best in the absolute, I am afraid. Therefore, I think it deserves to be further analyzed and benchmarked, potentially by a third party (could be free) to assess the potential savings. Few pips on billions of USD equivalent transactions could make huge savings. No CFO on earth these days would refuse, isn't it? Have you seen a "Transaction Cost Analysis" report testifying you got the best execution from your current FX platform? I guess not. Therefore, you have a problem. Who could contest that reporting offered by classic platforms is rather poor and not useful? FX reporting is in general poor, not comprehensive enough and not easily useable to feed dashboards. I would be pleased to know precisely what my bank counterparty and the platform in between took as margins. Pricing of customers made by banks (even on platforms) are tiered according to prescribed set of criteria (i.e. credit worthiness, on-boarding complexities, annual FX volumes dealt, type of business, types of products, etc...). Once classified, a fee is levied to each customer in the form of a spread around the mid-market price to compensate the bank for the risks involved in making a market although this often remains opaque.

OPACITY DISTORTION

This opacity is distorting the game and hiding margins. Some interesting sources like IMF research or Russell Investment researches underlined these excessive costs being charged. The number of participants and sizes help offering large scope of counterparties. Fortunately, some disruptors are coming and proposing alternative solutions. It is the reason why an in-depth analysis to compare actual execution prices with mid-market rate at the time of the trade and measure the extent of any slippage or margin versus the best execution pricing. Eventually, the current crisis gives us a fantastic opportunity to revamp our FX execution processes to search for savings (if possible) and reduction of spreads and charges. Independent providers (like MillTech FX) can offer access to more counterparties than treasurers likely have (i.e. not only their core banks but all others) and likely better pricing due to the large flows they trade with the banks. Testing such disruptive platforms may give you an occasion to generate significant savings. At least, why not checking the real potential benefits of adopting a new generation platform? It is not rushing in anything and has no cost. I am convinced you will be positively surprised by the excess costs you are paying while being sure you get the best ones.

François Masquelier,
CEO, *Simply*TREASURY

LOW FOREVER


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AS ALWAYS, FUTURES REFLECT PER DEFINITION THE PERCEPTION OF THE FUTURE BASED ON TODAY'S DATA. IT MAY CHANGE.
François Masquelier, CEO, *Simply*TREASURY

Are we in a "low forever" situation? The current equity market performances and S&P500 rally can be explained partly by this feeling that low interest rates even long ones will last for an extremely long period of time. It is always difficult to predict the future based on a look at the rear-view, especially when you reach regions never hit before. The past is not always the best indicator for guessing future. However, we should be prepared to revise our standards and referential.

NEW MANTRA

As often mentioned in my previous articles, I keep thinking we will face a low interest rate period for a long period of time and I do believe we entered even before COVID into a "low forever" cycle on rates. These low rates quasi everywhere I Western economies and top currencies illustrate this new situation and explain the stock exchanges rallies, despite poor fundamentals and high unemployment rates. What is amazing in the current recovery is the speed. Do not forget that in 2008, it took four years to recover former pre-crisis level. It does not look like a "normal pattern" for a major financial crisis. I admi that these days nothing is "normal". Nevertheless, I am puzzled by the turnaround and can not imagine that only low interest rates and performances of some "winners" after health crisis can explain current rally on equities. The fast and powerful reactions of central banks helped. But I am afraid that some investors are blinded by some lights and do not look at the full picture. Excessive optimism? Exaggerations from politicians and media? We make do with what we got, i.e. equities, the last class of assets that can generate value? …
I have the impression that things have changed over last decade, and expectations of investors may have also be different.

"NORMALIZED INTEREST RATES", WHAT DO WE MEAN?

Let's have a look at last GFC in 2008, some thought we would have recovered interest rates and bond yields levels pre-crisis after couple of months or at maximum years. Some investors were more pessimistic and thought rates could stay low for longer. The disagreement was more around timing that around the levels. Are we not entering a "low forever" instead of a "low for long(er)"? Maybe… But some investors now play on the idea that bond yields will never rise again. Who knows? But it should not come soon for sure. When will we see treasury and government yields above inflation? It is a good question. A way to predict future and check market perception can be found in the futures. A 10Y-10Y treasury forward is supposed to give us the idea of what investors see the 10Y will be in 10 years. It gives a measure of expectations. When we compare the level in 2009 and now, we can see a huge difference, i.e. from 5%+ to 1,6%, lower than Fed's inflation targets. They see rates low for longer. The rate expected 10 years ago for today was around 4,5% where the 10 years is around 0,6%. As always, futures reflect per definition the perception of the future based on today's data. It may change. But it gives an indication that the "low for longer" vision is well anchored in our minds. The mood and expectations are slightly different today than it was after last GFC. And when you have a close look at bank valuations, they also reflect these low rates views. We know how banks benefit from rising interest rates with their ALM management. Negative interest rates are the gangrene for financial institutions for many obvious reasons. Rates will not be back to levels they had decades ago. But at least we all would prefer normal yield shape and slope/steepness (not inverted) and above zero percent (at least) for short-term and over-night rates.

THE TRICK WITH EQUITY INDICES

The current level of the S&P500, the most or one of the most performing indices today, is a bit confusing. It looks like the market is recovering fast and well. However, we should not forget that the weight of each company in the index can change depending on its market capitalization and that today the total proportion of tech companies is bigger than ever and over-weighted I would be tempted to say. It does not reflect the real state of the real economy. Indices can be tricky to analyze and truncate the picture. It looks nicer than it is, and it explain this "K" shape recovery. It also looks like the "smaller" listed companies' outperformances have disappeared. It seems that Big has become better. The performances of big guys and FAGAN are the wood for the trees. This discrepancy is even more obvious when you look at small businesses and SME's, in US and elsewhere. The credit risks related to smaller businesses is peaking up and unbalancing the Western economies. The spike of corporate bankruptcies has been more moderated than initially feared. However, I do believe that some smaller businesses will be hit by the length of the crisis. It seems so long to come back to normal that on the distance, companies will suffer and be at risk. 2021 will be bloodier than 2020. The access to credit for SME's becomes a problem in the US. Politicians will have to intervene to make sure credit to SME's are still "attractive" for investors. We all know the importance of smaller companies for the whole economy. They are the blood of capital systems. The fluidity of this blood should be a top priority for governments. They provide jobs and ensure the normal development of economies.

HOW WILL THE FUTURE BE IN TERMS OF INTEREST RATES?

No one could predict where we will be. But it looks that we will not reach former high levels for many reasons. We have a decline in economy vigor despite new technologies, GAFAN's performances and despite the digitization of the world economy. The weight of global debts, especially of States after COVID crisis, mean that significant increase of interest rates seems unlikely and would completely kill some debtors. Banks are already facing huge provisions for bad debts. That is paradoxical: higher rates would help but in terms of credits would be counterproductive and damageable. The problem is to have inflation-adjusted rate around zero for the coming decade will inevitably force to readjust referential and to reconsider what we mean by "fair price" of financial assets. We will have to revisit of references, our benchmarks and adjust accordingly our investment strategies, as pension funds, for example, are doing now. Difficult to explain to our children that money has value and what normality should be. I keep thinking reading finance manuals in 10 to 15 years will be interesting to see how professors address and explain what we are currently facing and will have to stand for a while, I am afraid.

François Masquelier,
CEO, *Simply*TREASURY

CORPORATE TREASURY ASSOCIATION REINVENTION AFTER COVID

> **AS AN ASSOCIATION WE NEED TO RETHINK OUR APPROACH TO KEEP SERVING PROPERLY OUR MEMBERS, TO MAINTAIN OUR MEMBER BASES AND TO JUSTIFY OUR "RAISON D'ÊTRE".**
> François Masquelier, Chairman, ATEL

After this long lockdown period, event organizers, associations, conferences, fairs, and many other sectors must try to reinvent themselves to face a radical change in their business model, temporarily and in the mid-run.

A BRAND-NEW WORLD…

The home working will continue at a higher degree than before (even if less than during containment period). Restrictions in terms of travelling, costs, health measures, but also home working will also result in less participation to physical events. Going digital is possible although different. And even within digital new world, there are several levels of events and technology behind. It is more than ever time to revamp our way of serving our members and to reinvent our model to sustain. If not, we could be in difficult situations soon or even disappear. And it true that in the economic history, often technology was behind major shift in businesses (e.g. Kodak, Nokia (twice), Microsoft, Apple, Blockbuster, …) to bounce back. Some are successful and some are slowly dying. Therefore, to survive this major change and this new paradigm, we need also as association and despite our non-for-profit character rethink our approach to keep serving properly our members, to maintain our member bases and to justify our "raison d'être".

"LET'S GET PHYSICAL, PHYSICAL"… (OLIVIA NEWTON-JOHN)

What we know: members will not come all as in the past to the "physical" events and attendances should be lower. Therefore, to satisfy sponsors, associations need to reconsider the relationships and offer other services to their sponsors. I do not see the webinars as the association panacea. I think the e-conference time came. Therefore, at this stage it would be crazy and pretentious to claim we know the recipe. But what we know is that it will not be the same anymore and that the future will consist of a combination of physical and digital to offer a more comprehensive proposition to our association's members. A real challenge for all the associations of treasurers, among others.
If I take the example of ATEL, in Luxembourg, we believe in the combination of e-conferences with live streaming and video recording (for our TV channel) as well as a physical attendance (which should gradually increase over time as soon as the COVID will be really behind us). We also work on a virtual booths and social networking, two important pillars of conferences in the future, to compensate the losses caused by the non-physical presence/attendance to our association's events. All our sponsors count on these two elements to also capture attention and interest of potential prospect's. Innovation is also expected from our members and remains a good mean to differentiate ourselves from other professional associations. At ATEL, we do not have FTE's or huge financial means, but we have number of ideas and we are innovating and adapting ourselves to the new context.

HABITS HAVE CHANGED AND MEMBERS ALSO EVOLVE

As I often reminded, we need to consider more than ever the millennials and "Y" gen who are coming, to be the future members of our organizations. If not, the average age of members will become older and older and associations will gradually disappear. Habits of members will change. Some treasurers will not come to an event if they are not at the office on the day of the conference. The travelling in larger countries like France, Germany, etc… will not be looked for by treasurers. Some people will not miss conferences and networking. Stopping for a while can be damaging sometime. In smaller countries and highly concentrated capital it may be easier to attract participants to conferences. On an international level, travelling will be also even more restricted and prohibited for lots of companies and executives. Even when the COVID will be fully behind us, we will not recover former attendance levels as we knew it and even less at international level. Time has changed. Some people believe after the final lockdown and back to normal, their associations and organizations will continue as before. But they completely occult the profound changes and consumption of events. Parallel with airline industries can be made. It will take years to come back to a decent level and in any case lower than before March 2020.

THE SOLUTION? AGILITY AND ADAPTABILITY, COMBINED WITH LIGHT STRUCTURE

The structure should remain agile and small to be resilient. At ATEL, an example I know well, we work on it for 6 months. It is a fantastic opportunity to innovate and to explain as well as justify why we are still necessary, why remaining member and paying subscription fees make sense. The quality of events should even be higher and the delivering adapted to new consumption of treasurers. The members want to have value for money paid. They know a webinar will not replace a conference. They will need more active working groups, magazine deliveries in different formats (i.e. hard copies, on-line magazine/soft copies, as well as e-magazine on all devices). They want more videos and education material easy to consume and to watch, short and clean. They expect more interaction on social networks and a more dual, combined, diversified offer of events and publications. That is part of our future… Belonging to European federation will be also a great "plus" to benefit from a large-scale activism to protect and defend our rights and positions. People always refer to the "world after". As it will be different, we need to start changing our organizations to survive and become more resilient. As I tend to demonstrate, the health crisis impacted all sectors of the economy without any exception. We need to revisit our strategies and offer different services and products to fulfill our missions. I hope our members will help us in designing their future professional associations. The best is ahead, providing we are ready to evolve and to change. As Chairman of a corporate treasurer association, together with our Board, we will keep working on the best suited organization to face future post-COVID challenges and to become more resilient.

François Masquelier
Chairman of ATEL

CATHERINE ZAGO (ETIMINE SA): DIVERSITY? FINANCIAL SUSTAINABILITY? CREATIVITY? LET US UNLEASH ALL POTENTIAL!

As an active member of the Luxembourg Treasury Association ATEL for about 20 years, I had the honour of being one of the rare guests to attend this annual conference like no other, given the health circumstances. Indeed, times are changing, and for the first time this event tackled themes including those of diversity and financial sustainability. Clearly, for me, the topics are linked and much more than you might think.

CORALIE'S GRANDMOTHER, WOMEN, AND TREASURY...

A panel of women, from various continents, testified to their experience as treasurers. Among them a French woman, Coralie. I wonder if her grandmother is still alive and if she remembers that it was only in 1965 that she was allowed for the first time to have a bank account and to work without her husband's permission[1].

It would take another 16 years in Luxembourg, until in 1981, it was finally forbidden by law to deny women or men a job because of their gender[2]. For so many generations, women were discounted, and they were prevented from making much contribution to the financial sustainability of our world. Yet, to meet contemporary challenges, diversity is exactly what we need.

Except from "Brief histories of everydays objects" by Andy Warner[3].
"It was impossible for her to have her delivery truck insured because the companies did not believe that a woman would pay her contribution on time. The female brain always forgets such things. This is well known." It was in 1920, a woman, Scudder, had the brilliant idea to pack crisps !

WHAT IF WE ALSO FREED SOME "OTHERS" FROM THE GRIP OF THE STANDARD?

Just as women were discounted as having inferior brains, for years our schooling systems have marginalized dyslexics. Ronald D. Davies has the merit of having demystified these differently functioning brains by talking about GIFT rather than flaw[4]. Nevertheless, these brain functions are still too often treated as pathologies to be remedied to meet an inflexible school standard that is not adapted to the expression of their potential. All in all, this is a huge waste of (future) human resources! Indeed, these people have advanced abilities such as multidimensional information processing, connection building and creative image-ination. Many dyslexics excel in various areas of innovation, so this is a great opportunity!

Take dyslexics, for example, they represent:

- 35% of entrepreneurs, 50% of NASA scientists and 40% of people who became millionaires from scratch...

But they also comprise:

- 35% of school dropouts, 50% of adolescents in detoxification for drug and alcohol addiction, and 60% to 70% of those described as "young delinquents". In addition, young DYSlexics have extremely high rates of depression and anxiety. They are also significantly more at risk of self-harm and suicide[5].

In other words, an enormous economic as well as human waste.

"For decades people with dyslexia have been expected to integrate and to be considered and assessed based on the skills that were a real challenge for them. Today, technology is replacing the absolute need for these skills. On the contrary, the thinking skills of dyslexics are even the 'sought-after' skills in this changing world of work. In short, the workforce of today and tomorrow needs dyslexic thinking, and dyslexic people should no longer have to 'fit in' but should be able to 'stand out' and focus on their strengths. "
Kate Griggs, Made By Dyslexia[6]

WHAT IF THE 20% CONCEPT[7] BECAME THE NORM ...

For how long can we afford to discount people just because they do not fit the typical mold of the day, and do not conform to standardized expectations of the times? When people become victims of inflexible thinking then the whole of society suffers due to a failure to recognize what they have to offer.

Even now, we reward the children who fit our standardized expectations, and believe that it is best to coerce and control education to try to get them all to fit in, inflexibly, all of the time.

However, many companies and more recently schools demonstrate that self-direction can be very profitable. Allowing people time to explore and be creative can bring outstanding results. Some of the inventions made by 3M employees during their 15% self-directed time are still in use today. Google took up the concept in the 21st century by granting 20%, which enabled gmail to be created.

And I would like to quote Derry Hannam[8], a big advocate at the Council of Europe of the 20% concept for our educative system in view of the 4th industrial revolution:

"The transfer of the 20% idea from the hi-tech business world to education is already happening in the United States. The mother of the CEO of Youtube, Esther Wojcicki, has argued for and practiced the idea for nearly 40 years in her extraordinarily successful Media Arts program at Palo Alto High School. Students use 20% of their class time for totally self-directed projects where their natural learning instinct take flight either individually or more usually in collaboration with others... It is probably no coincidence that Esther Wojcicki's daughter Susan was one of the founders of Google and went on to create Adsense in her 20% Google work time before moving to Youtube[9]."

IN THESE CHANGING TIMES WE NEED TO EMBRACE DIVERSITY. HUMAN DIVERSITY, NEURODIVERSITY, AND EMBRACE DIVERSE WAYS OF LEARNING AND DOING BUSINESS.
Catherine Zago

Google goes even further by offering online courses preparing for tomorrow's jobs in 6 months instead of 4 years for a university degree[10].

In these changing times we need to embrace diversity. Human diversity, neurodiversity, and embrace diverse ways of learning and doing business. This is the key to our financial sustainability. We must dare to go off the beaten track. It is time to free ourselves from obsolete norms, to be able to innovate and overcome the challenges ahead.

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2. http://fraendag.lu/fr/geschichte/1971-1989/
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5. "What if Schools create DYSlexia ?" by Je'anna L. Clements (September, 2020) https://www.smashwords.com/books/view/1048359
6. https://www.madebydyslexia.org
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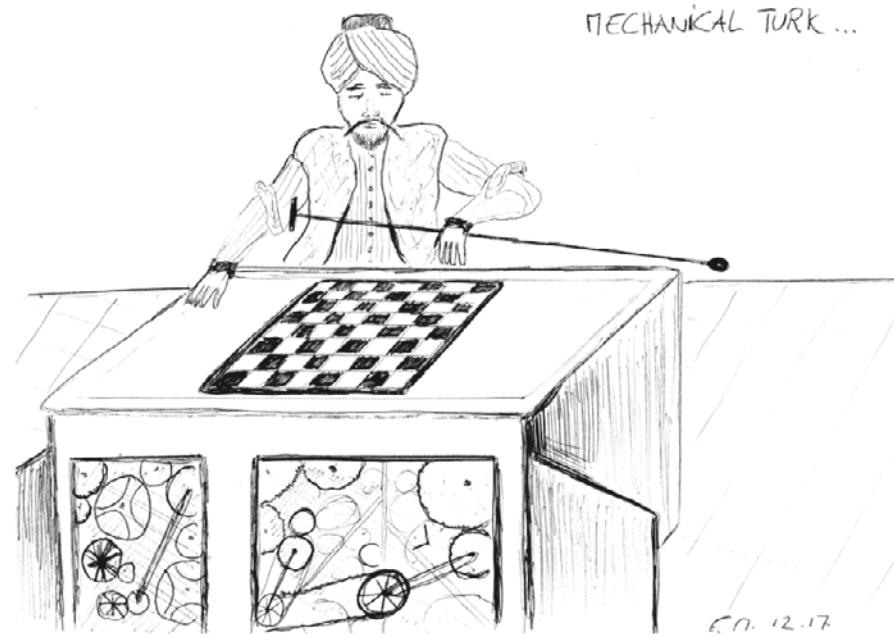
9. http://www.fhree.org/cms/wp-content/uploads/2020/06/20-A-Modest-Proposal-Derry-Hannam.pdf
10. https://www.inc.com/justin-bariso/google-career-certificates-plan-disrupt-college-degree-university-genius.html?cid=sf01003

Catherine Zago,
Finance Manager,
Etimine SA

JUMBO DEALS IN THE FINANCIAL ANALYTICS COMPANIES

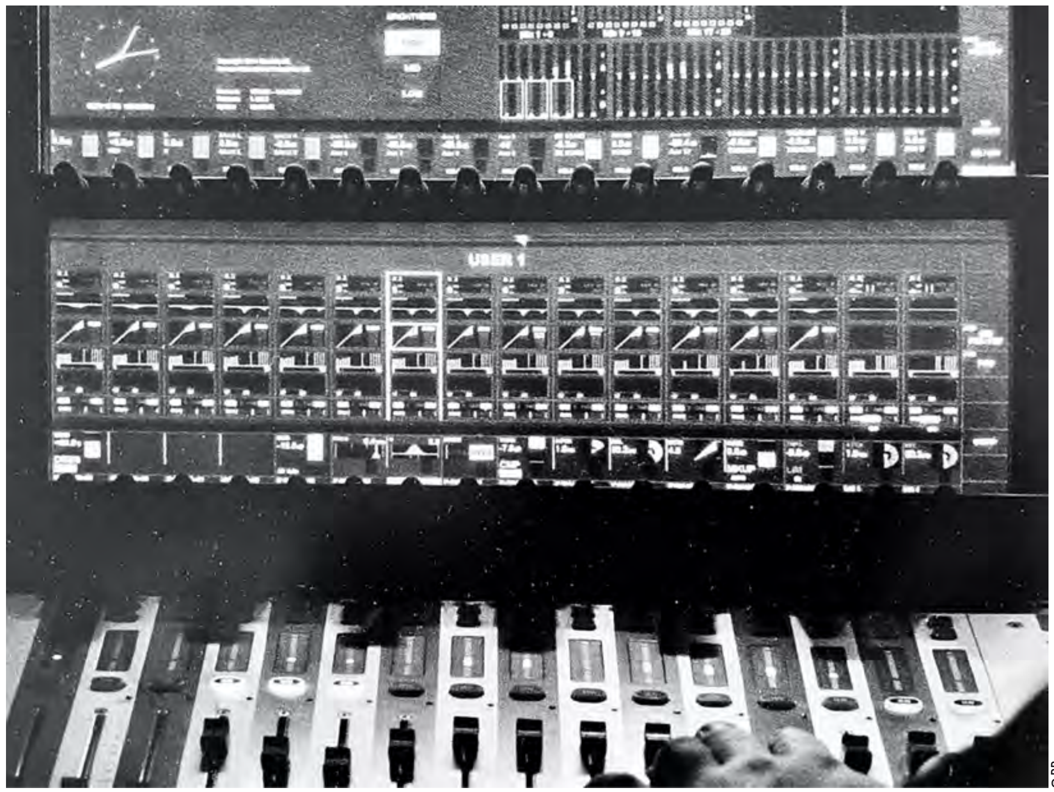
WHAT I CALL «SMART TREASURY» IS THE FUTURE OF THE PROFESSION, WHICH REQUIRES A RETHINKING OF THE TOOLS, AN IT REORGANIZATION OF THE (TOO) COMPLEX IT STRUCTURE.
François Masquelier, CEO, *Simply*TREASURY



The data is not gold as often described; it is the use that is made of it that becomes gold. The mega-mergers that we are witnessing in the field of financial information and its analysis attest to this fact: we must (better) use this completely unexploited resource to get the quintessence out of it. Tomorrow's treasury will be the one capable of adding this layer of data analytics.

CONSOLIDATION OF THE FINANCIAL DATA ANALYTICS SECTOR

It is interesting to note that the last few years have seen a consolidation movement in the financial data analysis sector, like a real groundswell. Admittedly, the data has become attractive... Data is a bit like crude oil in that it is ubiquitous and cheap to acquire, to produce and to store. Unfortunately, it is more about how smart the analytics are. You can have tons of financial data at your disposal without making good use of it. This is the drama of many, and particularly for treasurers. But we are at a stage where the C-level needs relevant information and the technology is there, without always being able to use it and analyze it mechanically. This is one of the biggest challenges we all face. How can we make useful and efficient use of it?
The recent movements around companies such as IHS Markit bought by S&P Global or REFINITIV bought by London Stock-Exchange or Elie Mae, Interactive Data or Intercontinental, demonstrate the value of bringing such databases and analysis tools to bear. Will data be the gold of the twenty-first century or not? I cannot say. But its weight is such that it is the stuff of desire. Everyone is looking for the "data of the future". But let us admit that the price to pay is high: i.e. USD 44 billion for IHS Markit for a Bloomberg valuation of 50 billion. If these mastodons or "jumbos" of finance pass under the Caudices forks of antitrust entities, especially European ones, they will form a kind of oligopoly and the entry ticket and the barrier will be such that nobody will attack them anymore. This confirms the value of financial data in so far as it can be used and put to useful use. Torturing numbers and data to make them talk is the ultimate goal for all of us. Perhaps these megamergers also demonstrate that under pressure, the solution can come from size, and that growing bigger can survive.



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IMPLEMENTING "SMART TREASURY"

At another micro level, every treasurer struggles to use the data at his disposal. Even if you have a CRM or data processing tool, you still must use it, implement it, and get value from it. We are not even talking about artificial intelligence or "machine learning", we are just talking about using data to make them talk. If it is difficult for the treasurer to make them talk, it is not for lack of human resources, time, and money to invest. But the treasury also lacks the necessary expertise. What I call "smart treasury" is the future of the profession, which requires a rethinking of the tools, an IT reorganization of the (too) complex IT structure of the treasury and the possible addition of the tool to remove the quintessence of the information available. Data is not gold; it is the use that is made of it that becomes gold. Here the treasurer is far from the account. No computer tool in "ready-to-wear" ("prêt-à-porter") SaaS mode will be able to do so without a layer of a tool (whose name is complicated to find) that will extract, align, process, and analyze the data to make it say something of value: anticipation, decision support or forecasting. Modern cash management will be instantaneous, lively, and fast, but also "on demand" and this will only be done with appropriate tools that our traditional tools cannot and do not really intend to offer. Understanding the situation and "selling" it to the C-level would already be the first step of a revolution that we will have to operate. Do not hope to escape it, no it will not be possible. Making good use of what you have, in addition to valuing its content, will give you an incredible competitive advantage over your peers. But the good news is the emergence of Fintech's able to produce easy-to-implement tools to manage data, to recourse to AI and automate data crunching. I must confess that it is sometime, at this stage, to qualify by a name these solutions. Are they ETL? Are they pure BI tools or AI solutions? I am still searching how best qualifying them as we use to do for a TMS, for example. But solutions like FENNECH keep amazing me by the simplicity but also to power they can deploy to reach this level of using more accurately data.
I am convinced such solutions will emerge or keep emerging to help us to move towards "smart treasury", the next level of our transformation. A true digital treasury transformation will pass through such innovations. It is up to us to play the game and look for the tools, which exist, to get there. In any case, I am working on it.

François Masquelier,
CEO, *Simply*TREASURY

ANT GROUP… THE ANT THAT WEIGHTS 313 BILLION DOLLARS

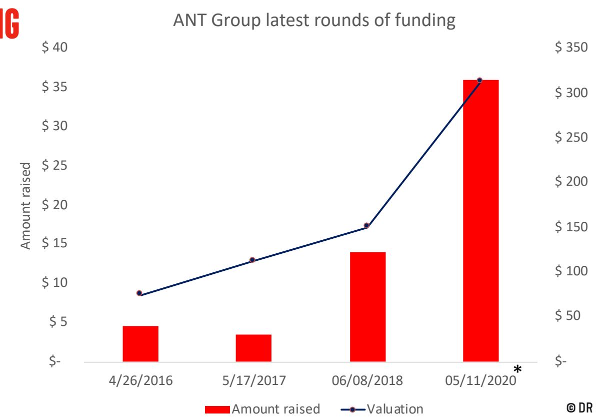
THE BIGGEST IPO OR FAILURE OF ALL TIME?

- Record IPO for the **"Finance Supermarket"** company, ANT (although it describes itself as a tech company rather than a finance services company).
- It was formerly named "Ant Financial" renamed **ANT GROUP**.
- Technology seemed more "bankable" now than "finance"…
- ANT is a small animal that symbolizes small components working together for a bigger results… it illustrates perfectly Chinese spirit of doing business.
- Created based on ALIBABA and TAOBAO, ALIPAY grew fast with **15 billion transactions last year** and **700 million users** !!!
- **International ambitions far beyond China**
- Finance world is not greedy with superlatives to describe this huge IPO

FINTECH

- SANT Group is the world's highest-valued FinTech company, and the most valuable unicorn company.
- Fintech investments surge in 2020. According to CB Insights, in Q3 2020, 25 mega rounds (deals above $100M) raised by FinTech companies accounted for 60% of total FinTech funding, the highest percentage share since Q2 2018, when ANT Group raised a $14B round.
- Ant Group has raised a total of $22B in funding over 4 rounds. Their latest funding was raised on Jun 8, 2018 from a Series C round at a valuation of $136B. With today's valuation around $300B, investors from the last round can expect a ROI of at least 2x.

FUNDING



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WHO IS BACKING ANT

- ANT Group raised $22B in 3 disclosed rounds by 23 Investors.
- Early backers include Alibaba founder Jack Ma is Ant's largest shareholder, a stake worth $34B and other Lucy Peng and Eric Jing, a combine stake worth $10.5B.
- Institutional shareholders also supported the FinTech company of which mainly Chines institutions and American private equity firms (Carlyle, Sequoia, Warburg)

- **Launched in megalopolis Hangzhou it intended to raise 34 billion Dollars on Star Market of Shanghai and Hong-Kong Stock Exchange/**
- **After, ALIBABA which raised 25b, ARAMCO which raised 30b, now ANT with the largest IPO ever.**
- **3,34b shares on the market for 11% of its total shareholding**
- **It means it equals the largest players like JPMorgan in the US**
- **Data is the new gold as often said… ANT use them to profile customers and give a perfect image of each of its customers. It sells credit scoring to third parties. In 2015, it started with credit activities and lending. It also sells insurance policies and many other products.**
- **It puts Shanghai on the map for good. There will be two IPO markets that matter in Asia.**
- **Shanghai is on the top of world's cash-raising exchanges**

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Mikael Pereira,
Portfolio Manager
La Maison

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François Masquelier,
Chairman of ATEL

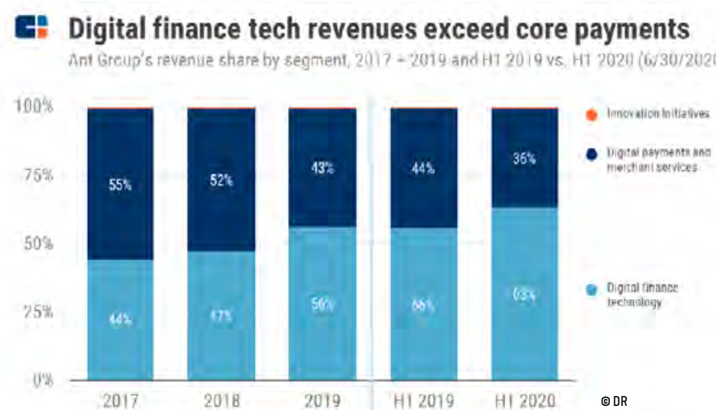
BEFORE… AFTER

- FinTechs are rebundling. Companies are adding products and services outside of their original focus to find new monetization opportunities. In the process, they are blurring the lines between verticals.
- Ant started out as Alibaba's Alipay way back in 2004, before eventually being spun off into its own entity.
- Ant has been an effective hook into cross-selling financial services products and fueling a robust ecosystem of financial institution partners. The Company successfully rebounded, from payment processing as initial beachhead to launching a neobank in Hong Kong.
- Today the Company generates more revenue from digital finance tech (63%), compared to only 36% for its core digital payments.

FINANCIALS

- Unlike many tech companies listing this year, Ant is actually profitable. Last year it generated a profit of $2.6 billion, and it's already beaten that in 2020 despite covid 19: Ant made $5.5 billion in the first six months of the year.

in USDm	31/12/2017	31/12/2018	31/12/2020	30/06/2020
Total Revenue	**9 825,6**	**12 879,5**	**18 122,6**	**21 125,8**
Growth Over Prior Year	*NA*	*31,1%*	*40,7%*	*NA*
Gross Profit	**6 260,8**	**6 733,0**	**9 030,3**	**11 746,8**
Margin %	*63,7%*	*52,3%*	*49,8%*	*55,6%*
EBITDA	**2 170,1**	**(2 006,6)**	**3 376,1**	**6 823,9**
Margin %	*22,1%*	*(15,6%)*	*18,6%*	*32,3%*
Net Income	**1 044,4**	**100,2**	**2 547,8**	**5 533,7**
Margin %	*10,6%*	*0,8%*	*14,1%*	*26,2%*



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IPO ON HOLD

- Days after co-founder Jack Ma made a speech, Ant Group's record $35bn IPO was suspended. He publicly criticized the Chinese banking system saying that "Today banks are still operating with a pawnshop mentality, need collateral and guarantees are just like pawnshops…. China's financial pawnshop mentality is the most serious" and adding that "Chinese banks will be unable to support the financial needs of the future world"
- It was going to be the biggest public share sale ever, until China's government stopped Ant's initial public offering.
- Officially, Ant Group's $35bn IPO is on hold until it can comply with Chinese government regulations that went into effect on November 1.
- Unofficially, the postponement might be a serious muscle flex by Chinese President Xi Jinping over Ant's founder, Jack Ma, who is the country's second-wealthiest man

TRENDS

JEROME BLOCH (360CROSSMEDIA):

20 YEARS AND THREE CRISES OLD

Two months after celebrating its 20th anniversary with a record year in 2019, 360Crossmedia found itself in the COVID-19 lockdown like everyone else. What could have been an abrupt fall turned into a very exciting year. An interview with its CEO, Jerome Bloch.

How did you react when the lockdown was announced?

I did two things before heading home. The first was to gather my core team and tell them how great it was, after working so hard for so long, to be able to take a step back and prepare for the future decade. I also told them that with my experience of the 2001 and 2008 crises, I knew for sure that many opportunities would rapidly arise and that I was willing to invest a lot of money and effort in research and development. The second thing I did was to pay all invoices of companies working with us to clearly show them that we were financially healthy and willing to support them in these difficult times.

What happened in the following weeks?

We had one month where we mostly worked on R&D: pushing the limits of the 360Box, coding, buying hardware, adding content to our 360DigitalHeroes training platform and new services to our communication agency, 360Crossmedia, which specialized in design sprints. For example, we released full training modules for Zoom and Webex, making both platforms compatible with the 360Box. To make a long story short, I think that the regular publication of our progress on LinkedIn and in our newsletter sent a clear signal that 360Crossmedia was riding the storm with a very active and positive mindset. This attracted like-minded people who gave us exciting missions. In May, we released our first digital conference in a virtual studio. People wondered how we did this in the lockdown! We were shipping green backgrounds all over the world and training each speaker so that they could appear in the best possible light. Fast forward to now and 40% of our turnover this year is related to services that we were not delivering last year and business coming from LinkedIn picked up from 11% to 23%.

What opportunities do you identify for the future?

Where there is risk, there is opportunity! In today's world, people tend to avoid risks, which I believe is a huge mistake. Companies have come to 360Crossmedia for the last 20 years because they know that we work relentlessly to manage their risks and deliver great videos, magazines, training programs or events, on time. No nonsense. We live in very exciting times, and we feel totally ready for the next decade, thanks to the three-fold structure of our company: design sprints communication agency, training center and innovation center. These allow our clients not only to find a trusted partner in the same place who can solve their problems fast, but also to empower their teams straight through to the point where training modules can be recorded for €10 or less with our 360Box.

WHERE THERE IS RISK, THERE IS OPPORTUNITY.
Jerome Bloch,
CEO, 360Crossmedia

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CEO, 360Crossmedia

MORE INFORMATION
www.360Crossmedia.com

WE FEEL TOTALLY READY FOR THE NEXT DECADE, THANKS TO THE THREE-FOLD STRUCTURE OF OUR COMPANY.
Jerome Bloch,
CEO, 360Crossmedia

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EVENT COVERAGE

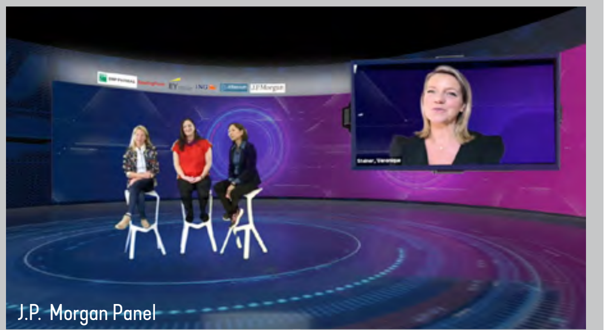
ATEL ANNUAL E-CONFERENCE

DIGITAL EVENT

PHYSICAL CONFERENCE

The ATEL Annual E-Conference was held on Tuesday 29th of September. The event was organised as a double experience: physically at LuxExpo for a few attendees – with all sanitary measures respected – and prerecorded & streamed for people working from home or abroad. The event was sponsored by Intensum, EY, BNP Paribas, BearingPoint, ING and JP Morgan.

MORE INFORMATION
www.atel.lu


J.P. Morgan Panel

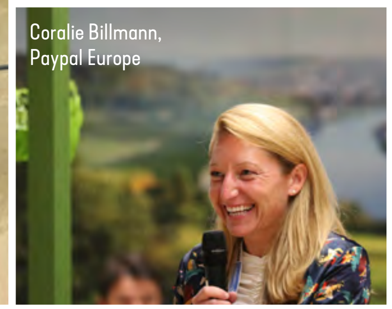

JP Morgan Panel


Daniela Hockelmann, EY


Herwing Temmerman, BearingPoint

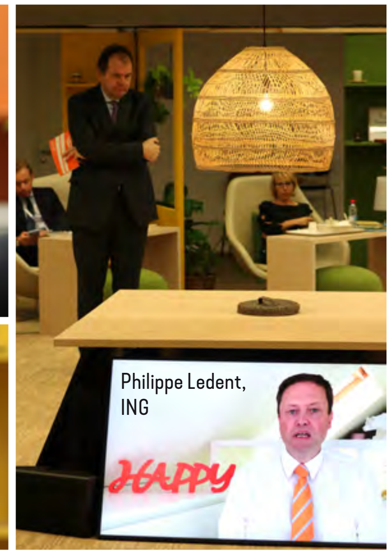

Jan Dirk van Beusekom, BNP Paribas


Fernando Pacheco, JP Morgan


Coralie Billmann, Paypal Europe


Elodie Ruche, ING


Nicolas Gilet, EY


Philippe Ledent, ING

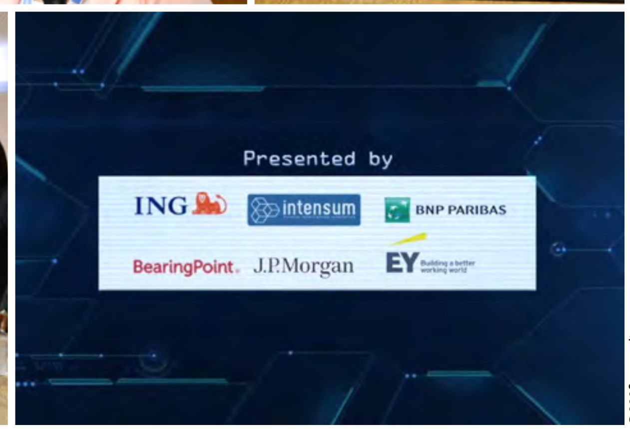

Damien Degros, ING


Winkie Choi, Amazon


Karine Doudoux, BearingPoint


Raphaela Cova de Lima, Koch Industries


François Masquelier, ATEL

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