



Digital Treasury–It takes two to tango

2019 Global Treasury Benchmarking Survey

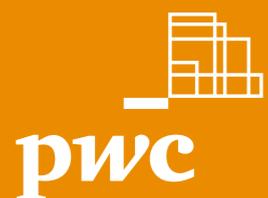


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Executive summary

Tomorrow's Treasury has arrived with the partnership between man and machine.

PwC's Global Treasury Benchmarking Survey provides new insights on a profession that is faced with opportunities to transform its people, technology, and approach to new and old problems alike. In particular, we are seeing a convergence of digital transformation with human capital management, continuing to push the art of the possible.

More so than in previous years, the data from our survey shows a true transition of the Treasury function into the role of a strategic advisor to the broader organisation, now focused on value-adding activities outside the traditional mandate like working capital management and M&A support.

Further to that, a significant number of respondents noted they are facing barriers in leveraging new and emerging technologies within their Treasury operations. Despite these challenges, the case for change is strong, with evidence demonstrating that digital and technological upskilling can create a more integrated and informed Treasury function.

The benefits of seizing these opportunities are substantial, having clear positive impacts on the well-being of the Treasury workforce, as well as the function's ability to meet the demands of their new corporate advisory role. With the pace of advancement only accelerating, failing to capitalise on these changes can leave treasurers at risk of falling behind.

Among the highlights of this year's survey:

- **Tech-savvy Treasury teams are using digital tools to their advantage.** Technologies such as artificial intelligence, robotic process automation, and data analytics are being leveraged to conduct critical tasks, make decisions, and reduce risk.

- **The scope of Treasury continues to expand.** Eighty-five percent of respondents described Treasury as a "value-adding service centre" — much higher than in prior years.
- **Treasurers need to redefine existing roles and keep digitisation in mind when creating a workforce of the future.** Strategic thinking (99%), business partnering (84%), and technological affinity (73%) were rated crucial skills for tomorrow's treasurers and their workforce.
- **Teams are searching for new approaches to age-old Treasury problems.** While Treasury's mandate may be expanding, the #1 item on the agenda hasn't changed in decades: cash flow forecasting. Currency risk also remains top of mind as the #3 item on the treasurer's agenda.
- **Many still underestimate cyber risk.** Awareness is growing, but just 28 percent cited cybersecurity as a "critical concern". Treasury has a natural role in mounting defences against cyber-attacks and building recovery plans. These processes are increasingly being addressed with new technologies.

Theme overviews

1

Digital adoption

Digital is no longer a synonym for IT or the opposite of analog. It is the ability to leverage data and technology to drive real-time decision-making. Adoption of technology allows humans and machines to work together to mine data for better answers.

Digital Treasury is an ecosystem of technologies that treasurers should seize. PwC's CEO survey concluded that executives believe there is no sustainable future without embracing the digital agenda.

Treasurers need to team up with IT and the business to unlock data from across the enterprise as the foundation for their analysis. By then leveraging the right technology and tools, this data can be turned into useful information that can support more real time and insightful decisions.

2

Payment fraud and cyber risk

Even as public concern has increased, many treasurers seem to underestimate the risks of payment and cyber fraud and their role in managing it.

The consequences can be devastating—to the organisation and to the treasurer, who may be considered responsible even if commercial payments are not necessarily part of his/her remit.

Treasurers can help lead efforts to protect data by collaborating with partners in their organisation and shaping strategies to mitigate risk and optimise recovery.

3

Workforce of the future

The three attributes most sought after in treasurers and their teams, beyond functional Treasury expertise, are:

- **Strategic thinking:** reflecting a shift from financial management to providing strategic guidance.
- **Business partnering capabilities:** highlighting the need to capitalise on cross-functional relationships.
- **Technological affinity:** affirming Treasury's role in guiding the organisation into a digital future.

Hiring with these skill sets in mind helps treasurers serve as strategic, digitally enabled advisors and effective champions of the corporate strategy.

Theme overviews

4

Balance sheet management

Companies are turning inward to drive growth, with an increased focus on the balance sheet.

This creates an opportunity for treasurers and CFOs, whose insights on cash flow and risk management put them in a unique position to support organic growth and advise their organisation on decisions related to capital budgeting/allocation and working capital management.

Supporting this, the practices of cash flow forecasting and funding were ranked top priorities both for CFOs and treasurers.

Treasurers should look for opportunities to improve balance sheet and capital management as ways to add value.

5

Cash and banking

The bank's support in long-term financing remains the most important criterion when companies select banking partners. Additionally, having sufficient capabilities, competitive pricing, and a historical relationship all remain core expectations.

Given past experiences, when evaluating a banking partner, treasurers should ask themselves several key questions related to a potential future financial crisis:

- How will banks support companies with whom they have scant history?
- If the bank faces margin pressures, how can corporates be sure the bank will view them as a strategically important client?

Treasurers are advised to review banking relationships regularly—and with care, and should also take into account the impact of evolving government sanctions on their bank relationships.

6

Financial risk management

Currency risk ranks third on the treasurer's agenda and is also the most prevalent financial risk managed. More than eight in 10 respondents—84 percent—cited currency risk as a financial risk managed by Treasury. Interest rate risk followed closely behind at 80 percent.

Respondents indicated a desire to spend more time understanding their organisation's economic exposures. Given macroeconomic factors, emerging market risks, and the evolving global tax environment, managing financial risk is complex.

Treasury should evaluate solutions, including robust forecasting capabilities, and partner with the broader business to focus more on this important objective. The starting point should be obtaining a detailed understanding of exposures and sensitivities to FX rate movements to be able to report on this to the Board. This step should be undertaken before considering whether and how risks might be managed.

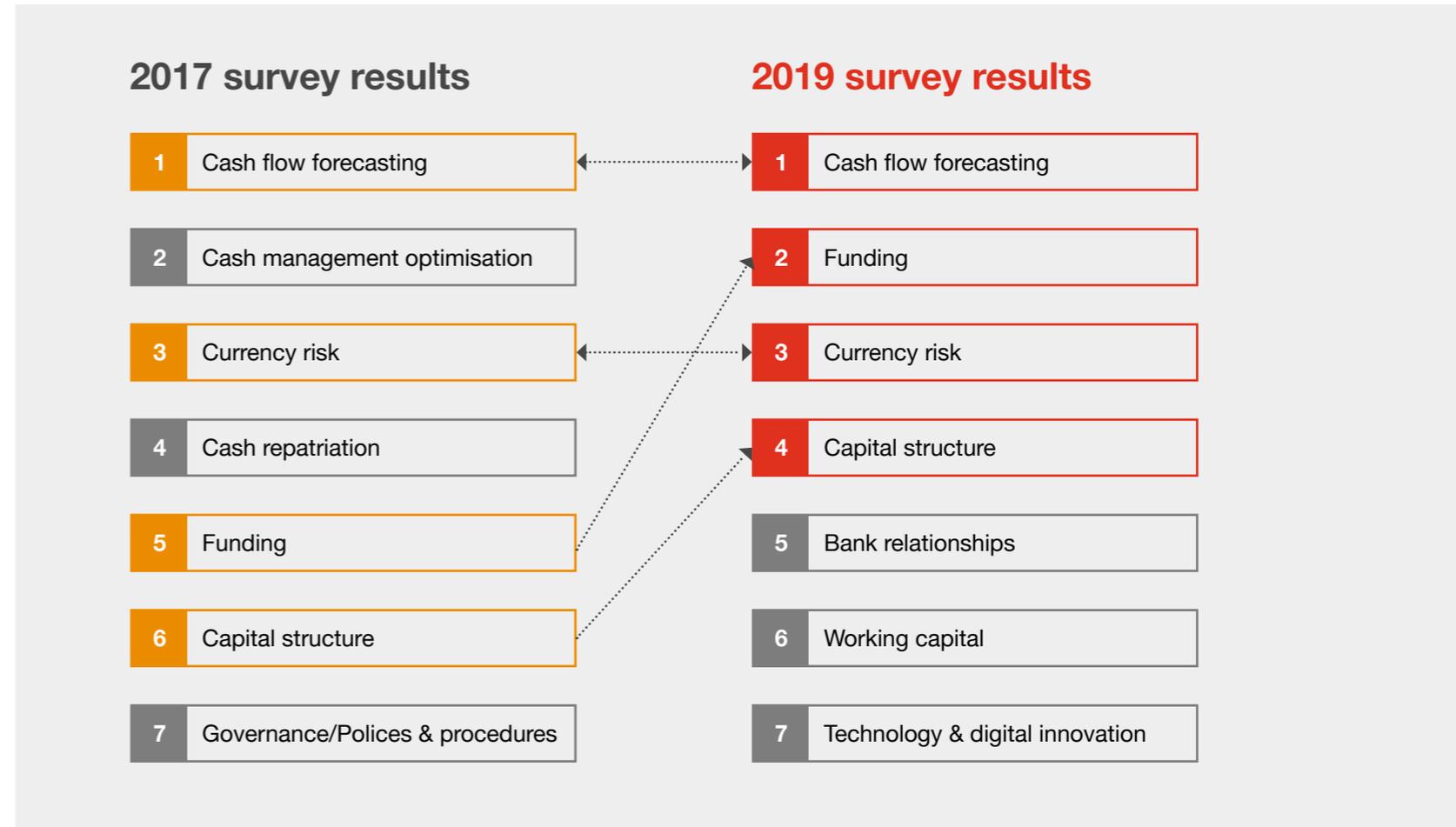
The treasurer's agenda

While the survey focuses on all aspects of Treasury, the foundation is understanding the priorities that make up the treasurer's agenda.

Core topics always lead the priority list: cash flow forecasting, funding, capital structure, and currency risk.

At the same time, technology/digital innovation, working capital, and banking relationships rose in this year's survey, reflecting what we see in the marketplace.

The fundamental question for treasurers remains: "How do we use new technology to solve old problems and tackle new ones?"



1



Digital adoption

An all-encompassing digital ecosystem is enabling better decision-making, but obstacles remain

An eye on digital

The idea of Digital Treasury does not just mean the use of a single technology platform, but rather an ecosystem of connected technologies that can be leveraged to add value and make better decisions in real time.

Investing in these tools leads to increased productivity and insights that were once unattainable. Over 60 percent of respondents see the potential in data analytics, robotic process automation (RPA), and artificial intelligence (AI) in the next two to three years. The future use cases of blockchain are less clear, with only 18 percent of respondents predicting blockchain relevance in the next two to three years.

Building the Digital Treasury ecosystem

PwC's CEO survey concluded that executives believe there is no sustainable future without embracing the digital agenda. Treasurers can take critical steps to support this priority:

- Make the business case for transformation.
- Build a centralised and aggregated data repository.
- Incorporate Treasury policies and key performance indicators in the processes.
- Determine the technical architecture needed to serve as the digital backbone.
- Strengthen technology and digital skills in the team.

AI, RPA, blockchain, and data analytics can help answer many questions related to core Treasury processes, such as cash flow forecasting and financial risk management.

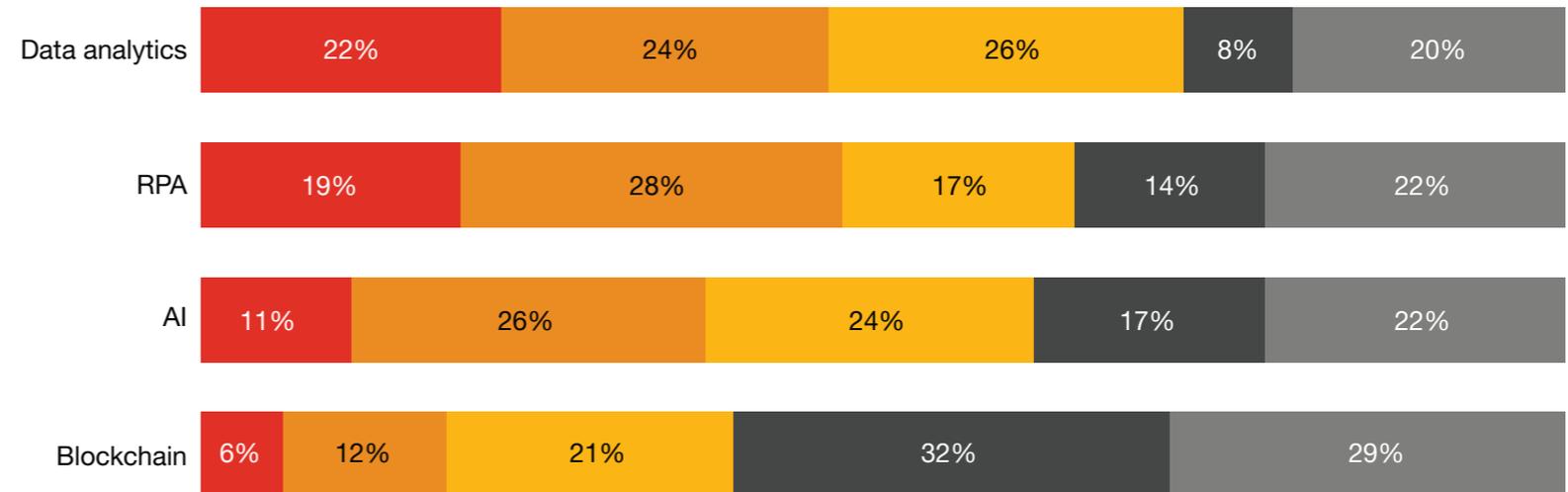
As Treasury further integrates with business operations, the digital ecosystem should expand, capitalising on data from a growing network of sources across the organisation and beyond.

Over 60%

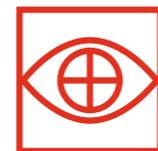
of respondents see the potential in **data analytics, RPA, and AI** in the next 2–3 years

How relevant do you believe the following technologies are for Treasury in the next 2 to 3 years?

Number of respondents: 188



■ Highly relevant
 ■ Relevant
 ■ Somewhat relevant
 ■ Not relevant
 ■ I do not know



Artificial intelligence

Intelligence exhibited by machines that mimics cognitive functions to perceive their environment and take actions to maximise a certain goal.



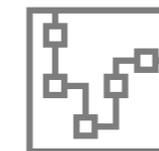
Robotic process automation

Allows for deployment of a digital workforce by creating a virtual human being to manipulate existing software applications for standard and repeatable tasks.



Data analytics

Enables the aggregation and scrubbing of data across multiple sources allowing for mapping, analysis, and visualisation of the data sets and the recognition of patterns and trends.



Blockchain/DLT

Decentralised ledger of all transactions in a network aimed to increase security, reduce cost and transaction time, and increase transparency without need for a trusted third party.

Foundation for analysis: a centralised data repository

Leveraging new technologies to solve old problems

Treasury teams have plenty of ideas on how to incorporate new technologies into their process and tackle the core areas of the treasurer's agenda.

Topics like cash flow forecasting and capturing foreign currency exposure have always been a challenge to manage. Now Treasury sees the opportunity to leverage **data analytics** and **AI** to enhance their approach to these tasks. Similarly, payments and trade processes (smart contracts) are viewed as leading opportunities for **RPA** and **blockchain**.

Organisations are also conscious of the potential roadblocks to implement new technologies, including: a lack of a business case, limited skills within Treasury to execute the necessary changes, and the absence of an enterprise wide strategy for digital transformation.

Case Study

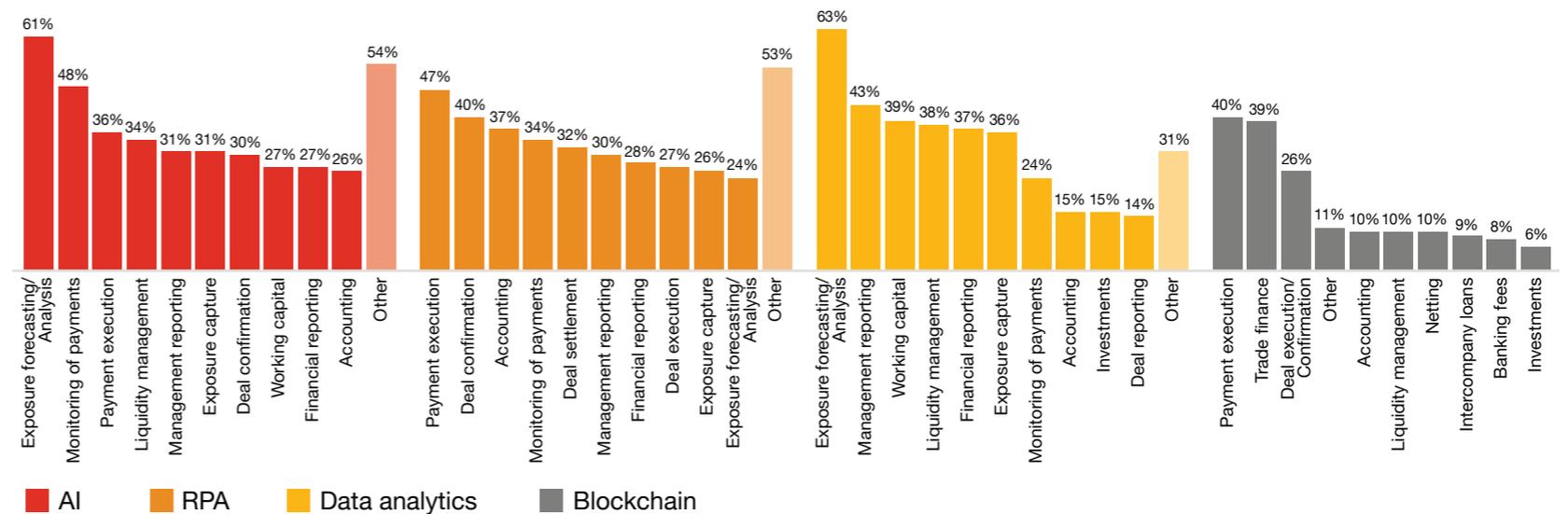
A Fortune 100 multinational implemented RPA to automate the daily cash positioning of their in-house bank and eliminate repetitive human input.

This allowed the team to free up 1.5 hours a day for one person to focus on strategic projects and analyse investment decisions.

Developing this process with RPA avoided additional time-consuming and invasive development in the current treasury management system.

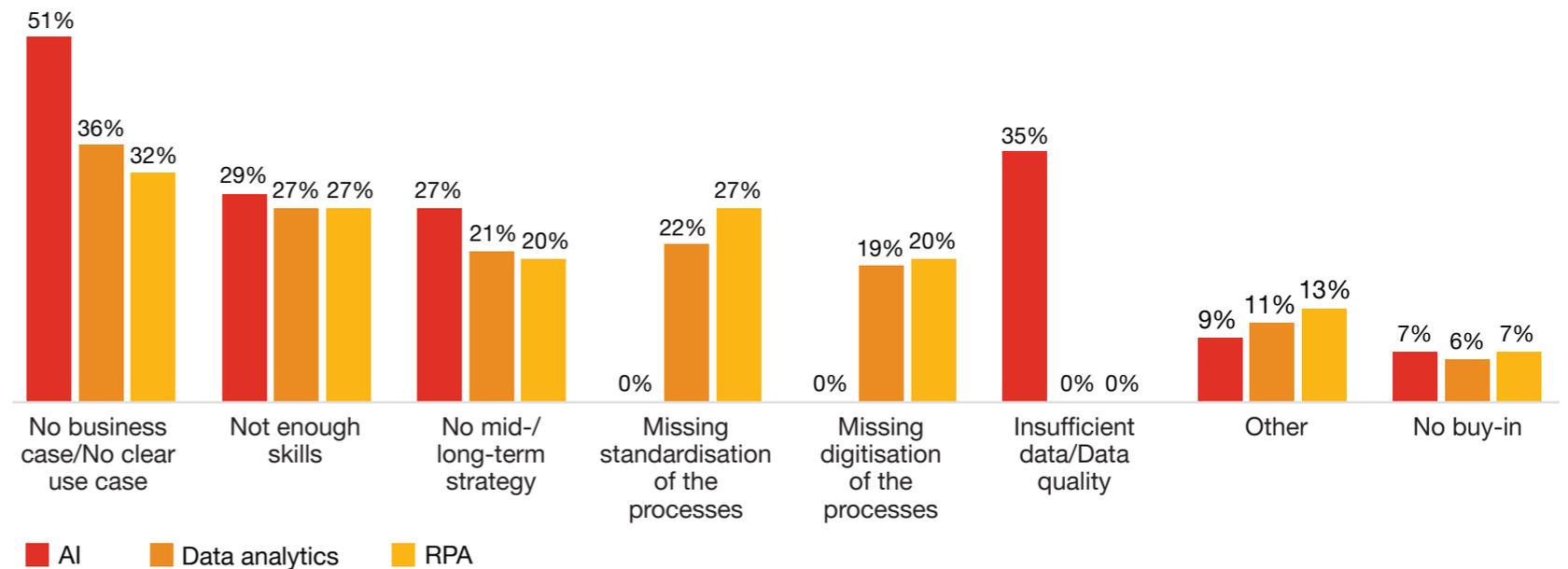
What areas of Treasury are most relevant for each technology?

Number of respondents: 183



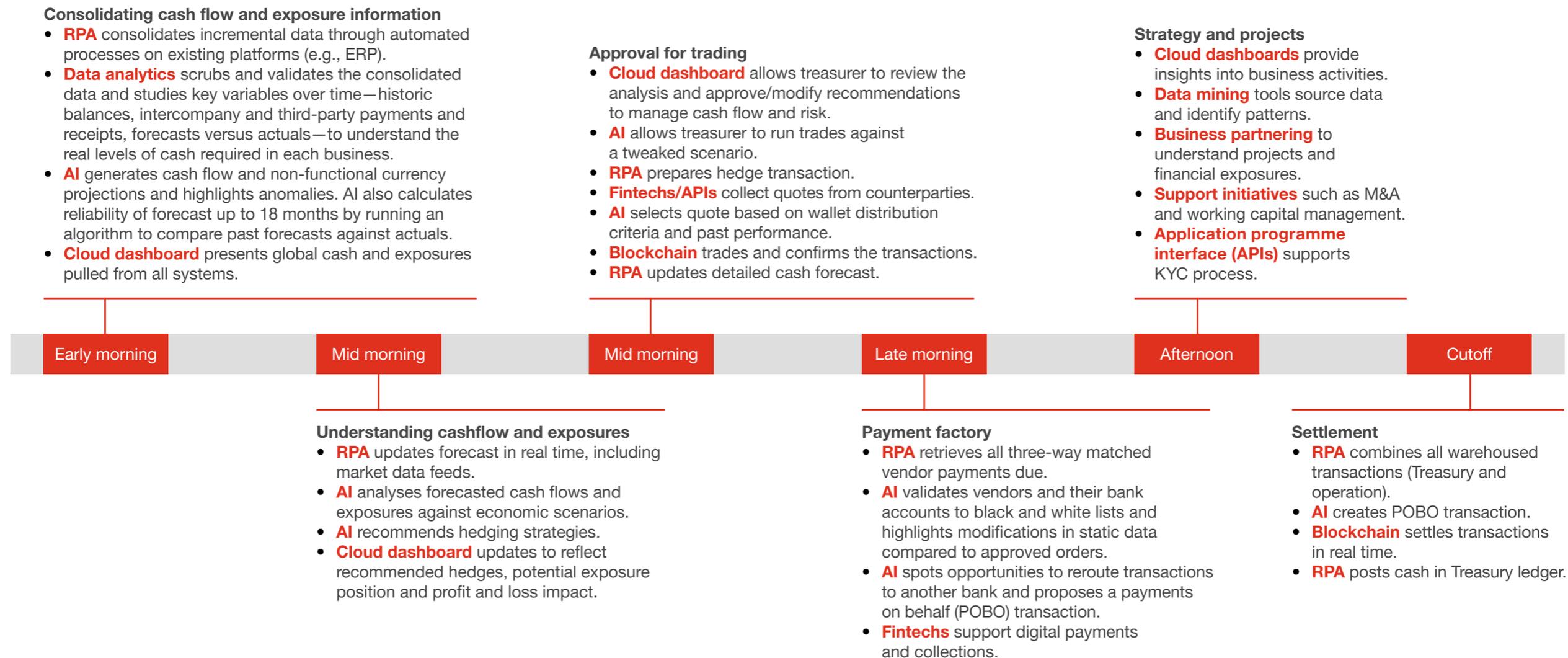
What are the roadblocks to implement these technologies in Treasury?

Number of respondents: 175



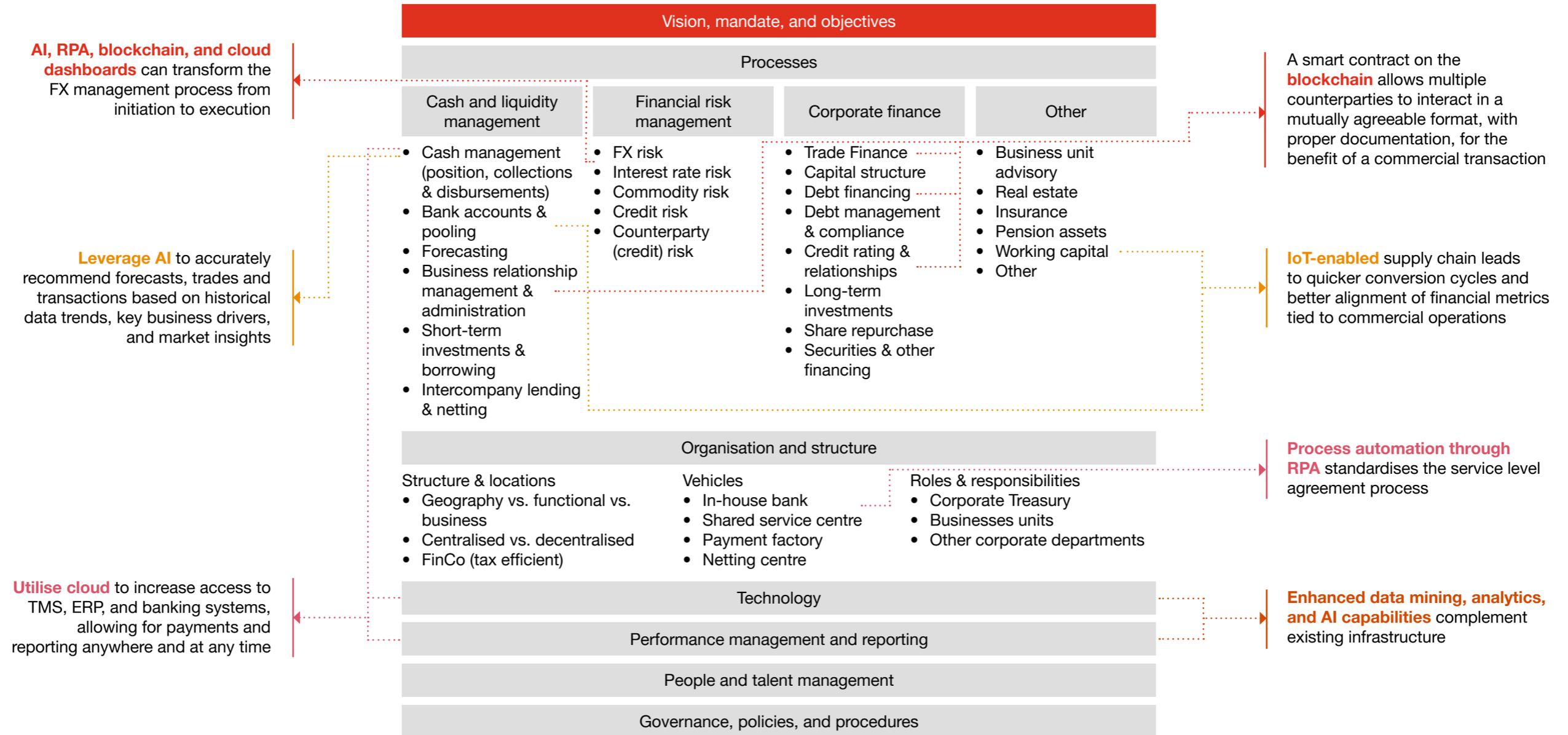
Spotlight: a day in the life of a Treasury professional in a digital world

How Treasury delivers on its mandate to optimise financial assets and liabilities, drive cash flow improvements, process cash transactions, and manage financial risk is on the precipice of profound change. The goal: a Digital Treasury ecosystem where the CFO or treasurer makes real-time financial decisions utilising interfaces and customisable technology.



Technology as core component of the Treasury target operating model

Digital tools can enable treasurers to better manage Treasury processes, leverage data for decisions, and support their target operating model.



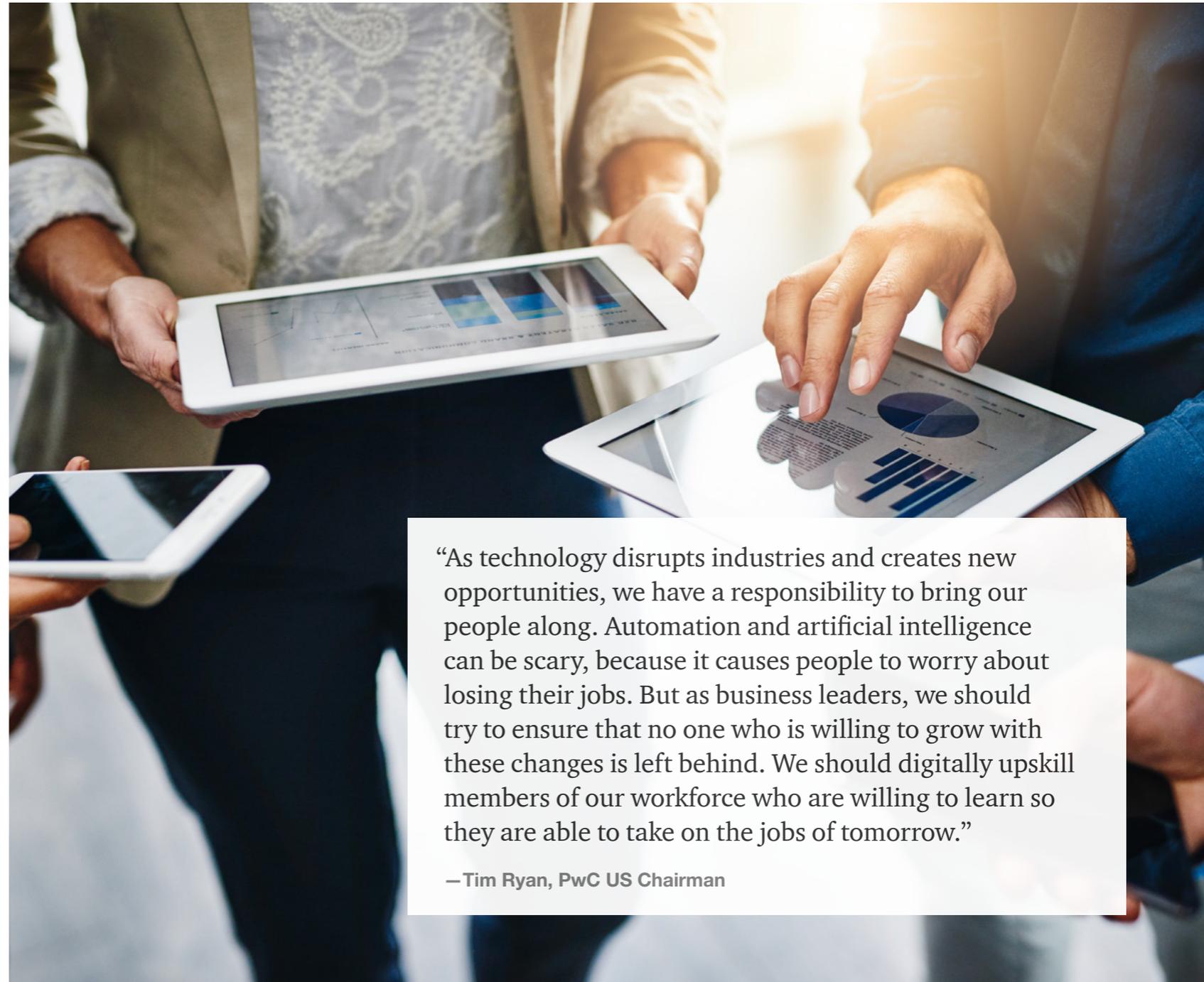
Defining your digital transformation

You don't need to be tech savvy to articulate the business need for Digital Treasury transformation. Most companies have IT teams and toolboxes with applications for data analytics, robotisation, data mining, and dashboarding waiting to be applied.

With more technologies being introduced each year, the key challenge for Treasury is to identify the best functional areas ripe for transformation to ensure they do not lag against the adoption curve. Most corporates have already developed in-house expertise in various technologies to aid in this process. In order to achieve the digital transformation of Treasury, teams should focus on a robust "Digital Treasury platform", which can host new technologies, Fintech solutions, and can also support future innovation.

This transformation for Digital Treasury can start with the following steps:

- Identify the target areas for improvement in terms of efficiency, cost savings, and availability of data insights for reporting.
- Identify technology solutions which can be deployed.
- Build a Digital vision—how do you want to make Treasury decisions in one or two years' time?
- Develop a roadmap for implementation that the organisation can follow.
- Partner with IT teams and other internal/external stakeholders to quantify the business case.
- Identify key resources, including a project manager, to drive the transformation.
- Combine data from current Treasury solutions with data from other sources for new and improved reporting.
- Start with areas which can deliver high value with shorter implementation time, including exploring the use of Fintech solutions.



“As technology disrupts industries and creates new opportunities, we have a responsibility to bring our people along. Automation and artificial intelligence can be scary, because it causes people to worry about losing their jobs. But as business leaders, we should try to ensure that no one who is willing to grow with these changes is left behind. We should digitally upskill members of our workforce who are willing to learn so they are able to take on the jobs of tomorrow.”

—Tim Ryan, PwC US Chairman

2



Payment fraud and cyber risk

The incidence of cyber attacks aimed at payment fraud continues to grow and treasurers must recognise the challenge

Cyber risk: a growing threat to Treasury

Digital tools enable treasurers to better manage Treasury processes, leverage data for decisions, and support their target operating model.

While concerns about payment fraud via cyber-attacks have increased, many treasurers are still underestimating its importance and their responsibility in managing it.

This is a cautionary finding from this year's survey that should be a wake-up call to the Treasury community.

The frequency of payment fraud attempts is growing and the consequences can be severe. Costs to an organisation's reputation may far exceed losses in liquidity and hikes in insurance.

A growing mismatch

While three out of four CFOs view cybersecurity as a critical concern per PwC's CFO survey, just 28 percent of our respondents, mainly treasurers, described it this way in our survey, pointing to a growing divide.

This year's survey points to four likely reasons that treasurers have not yet made this a higher concern:

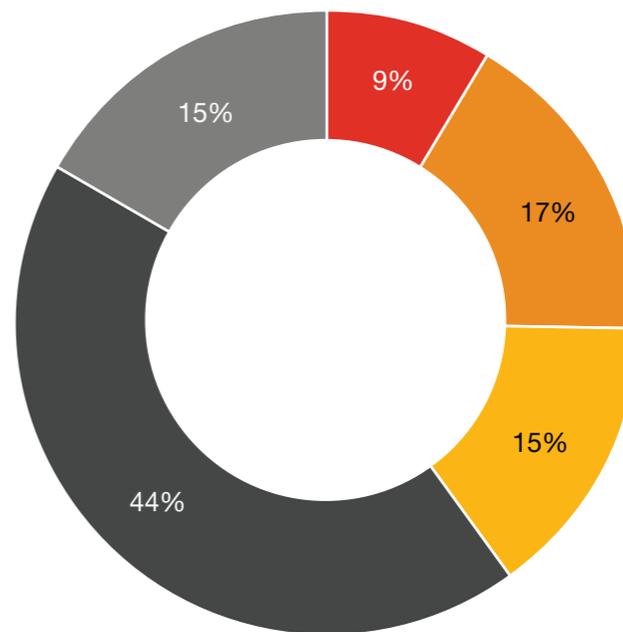
- Cyber attacks aimed at payment fraud can be difficult to recognise.
- Risk ownership may be unclear. Treasurers may expect technology vendors to mitigate risks involving cloud-based solutions, Fintech, and other technologies.
- Treasurers often view cyber risk as part of IT or finance rather than as a core Treasury concern.
- Commercial payment processing does not always fall under Treasury's remit.

Many respondents—more than half—recognise that managing fraud is their responsibility. Yet that leaves a significant number who do not yet see it as a critical duty. This becomes a particular issue in cases where senior leadership expects Treasury to assist in preventing fraud for payments outside of Treasury's direct remit.

Further discussions around responsibilities and ownership of this area should occur, as the entire organisation seeks to strengthen its defences against fraud.

How often is your organisation affected by payment fraud attempts?

Number of respondents: 182



How can treasurers deter payment fraud and cyber-attacks?

Multinational corporations face complex challenges in safeguarding payment processes that vary in different parts of the world. Effective protections utilise a layered combination of defences that reinforce each other. Best practices include:

- **Raising awareness of employees.** Many frauds are facilitated by simple human error or social hacking, so staff vigilance is important.
- **Managing process and controls.** Consider approved payment methods (e.g., no paper-based or voice-only payments). Establish independent callback requirements for master data changes or large transactions.

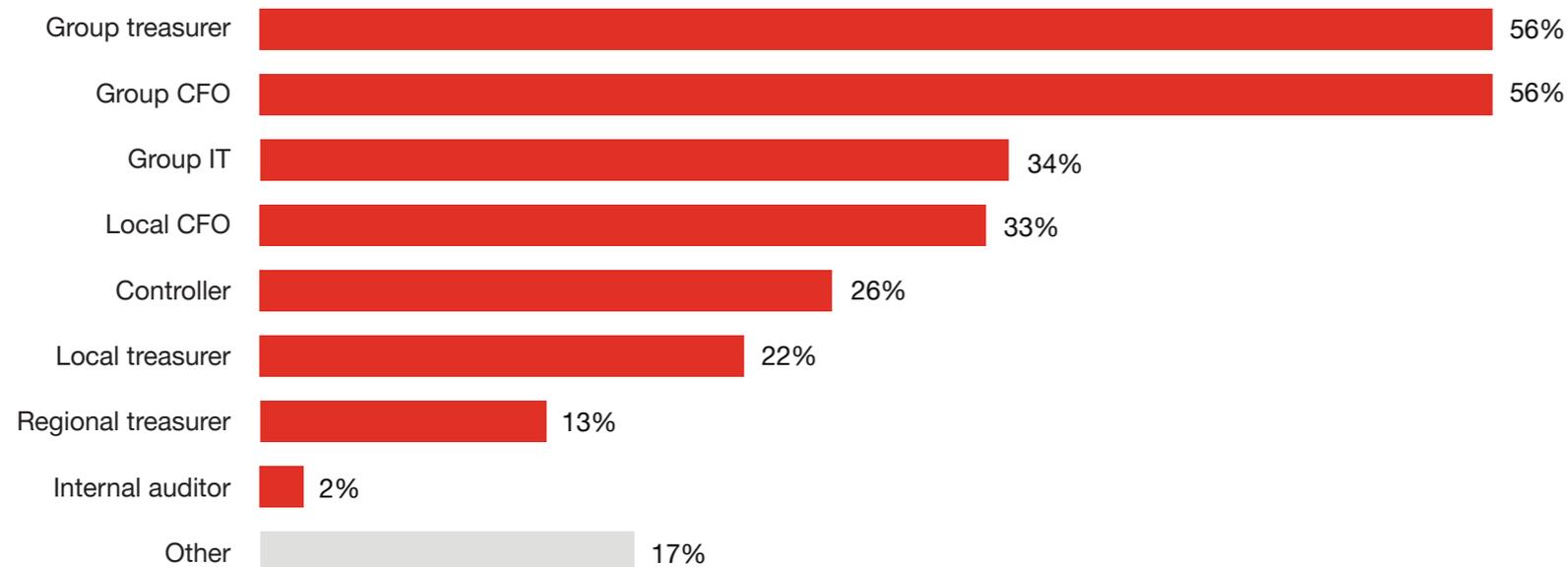
- **Securing technology.** Centralise and secure bank communication (payment hubs) as a way to focus investment and expertise, and provide structure to payment processes. Switch off electronic banking systems when not required (e.g., after business hours).
- **Collaborating with IT.** Work with IT partners on minimum security controls around data encryption, authentication, ensuring robust interfacing, regular penetration testing, and adequate network segregation.
- **Creating a disaster recovery plan.** Work with IT and financial operations to have a plan that includes training employees and testing of scenarios.
- **Advising the enterprise.** Manage the disaster recovery plan and serve in an advisory role across departments.

Call to action

Treasurers should assert leadership to enhance cybersecurity defenses related to payment fraud in their organisations, including prevention and recovery. This effort entails working collaboratively across functions, spotlighting vulnerabilities, working with banks to recover funds, and advising colleagues to support the development of security programmes.

Who is responsible for payment fraud risk in your organisation?

Number of respondents: 181



Over 56%

of respondents said that the group treasurer is responsible for managing payment fraud risk

3



Workforce of the future

A skill set that combines tech savvy with uniquely human abilities can empower Treasury teams to play an increasingly influential role

Tomorrow's treasurer

Strategic thinking and digital capabilities define the skills of tomorrow's treasurer

More than ever, the treasurer needs to be a digitally enabled advisor ready to support the C-suite and the business's overall corporate strategy. Further to that, managing and equipping talent to be successful has become increasingly vital. Our survey shows that this message is being received.

The three attributes most sought after in a treasurer, beyond functional expertise, were:

Strategic thinking (99%): This finding demonstrates Treasury's shift beyond daily management of cash and financial risk to becoming a valued advisor, whose agenda is woven into (and must support) the broader corporate strategy.

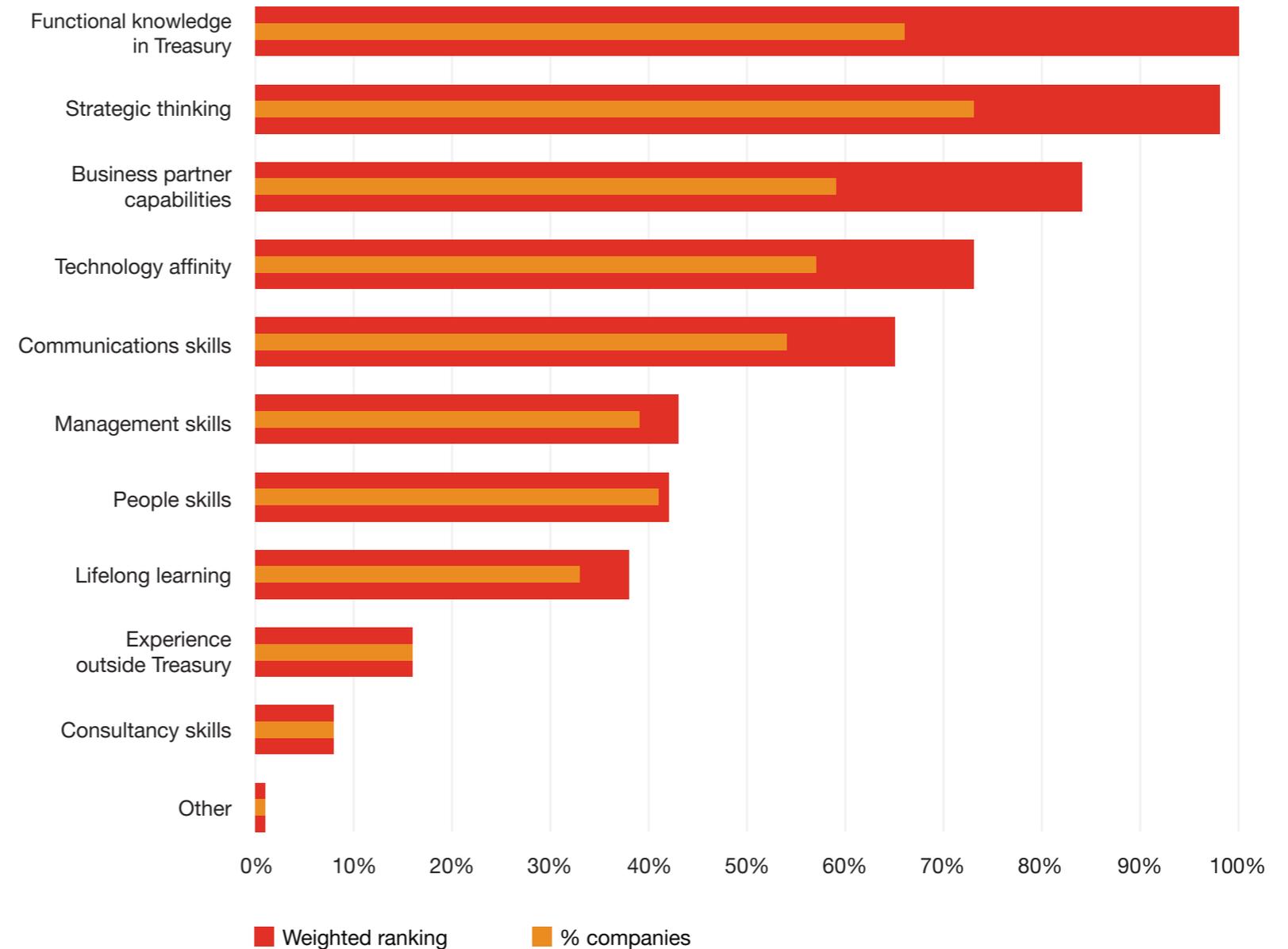
Business partnering capabilities (84%): Treasury must capitalise on cross-functional relationships to remain aligned and provide clear and consistent business insights to leadership—during normal and transformative periods.

Technological affinity (73%): Treasurers should help guide their organisations into the digital future, empowering staffers with the technological tools and acumen needed to support business intelligence today and tomorrow.

These skill sets are important for the entire Treasury organisation and will assist the treasurer in building a modern Treasury function that can exercise leadership and fully align itself with the enterprise and its vision.

What skills and competencies are important for the treasurer of the future?

Number of respondents: 186





Call to action

Based on our Treasury survey and PwC's CEO survey, we recognise a distinct misalignment among treasurers, CFOs, and CEOs on the need to build and hire a digitally savvy workforce, with treasurers generally underestimating the importance of these skills as compared to the C-suite. Going forward, treasurers should be sure to consider digital capabilities in making hiring decisions.

Treasury's workforce of the future

The future of Finance and Treasury requires effective leaders to grapple with changes to the demographics of the workforce and technology. Increasingly, a treasurer's success will depend on managing talent effectively in a world of change.

The opportunity: upskilling the workforce

To provide more data-driven insights and enable better business decisions, treasurers need to increase the skill of their workforce, as well as give employees the tools they need to manage large amounts of data (e.g., data analytics, data visualisation, etc.) and harness technology to reduce manual effort.

Treasurers can promote this aim by redefining existing roles and keeping digitisation in mind when hiring and investing in staff.

As the Finance organisation as a whole becomes increasingly automated, areas ripe for change within the Treasury function include transactional processing, disbursements, cash and liquidity management, and financial risk management.

Tomorrow has arrived for Treasury

While a more strategic Treasury has been talked about for years, treasurers are now reporting an increased focus on value-adding activities outside their traditional mandate/scope.

More than eight in 10—85 percent—described Treasury as a “value-adding service centre”, which is significantly higher than past surveys. This reflects Treasury's evolution from a cost centre to a function expected to contribute to an organisation's financial goals.

When asked about activities outside of the traditional scope of Treasury, respondents indicated their expanded scope included:

Working capital management (64%): Treasurers increasingly are applying themselves to issues of transparency around payments, understanding their companies' working capital positions and metrics, and driving initiatives on working capital optimisation.

M&A support (56%): With 37 percent of CEOs globally planning M&A in 2019 (one of the more complex business transformations), integrating Treasury with a company's overall growth strategy is critical to success.

Striking the right balance

When asked about skill needs in PwC's CEO survey, CEOs prize innately human skills, like problem-solving, adaptability, collaboration, leadership, creativity, and innovation.

Marrying technology and digital acumen to such skills will enable Treasury teams to focus energy on high-value tasks that produce business insights, innovative strategies, and solve problems that arise in the business or are raised by top management.

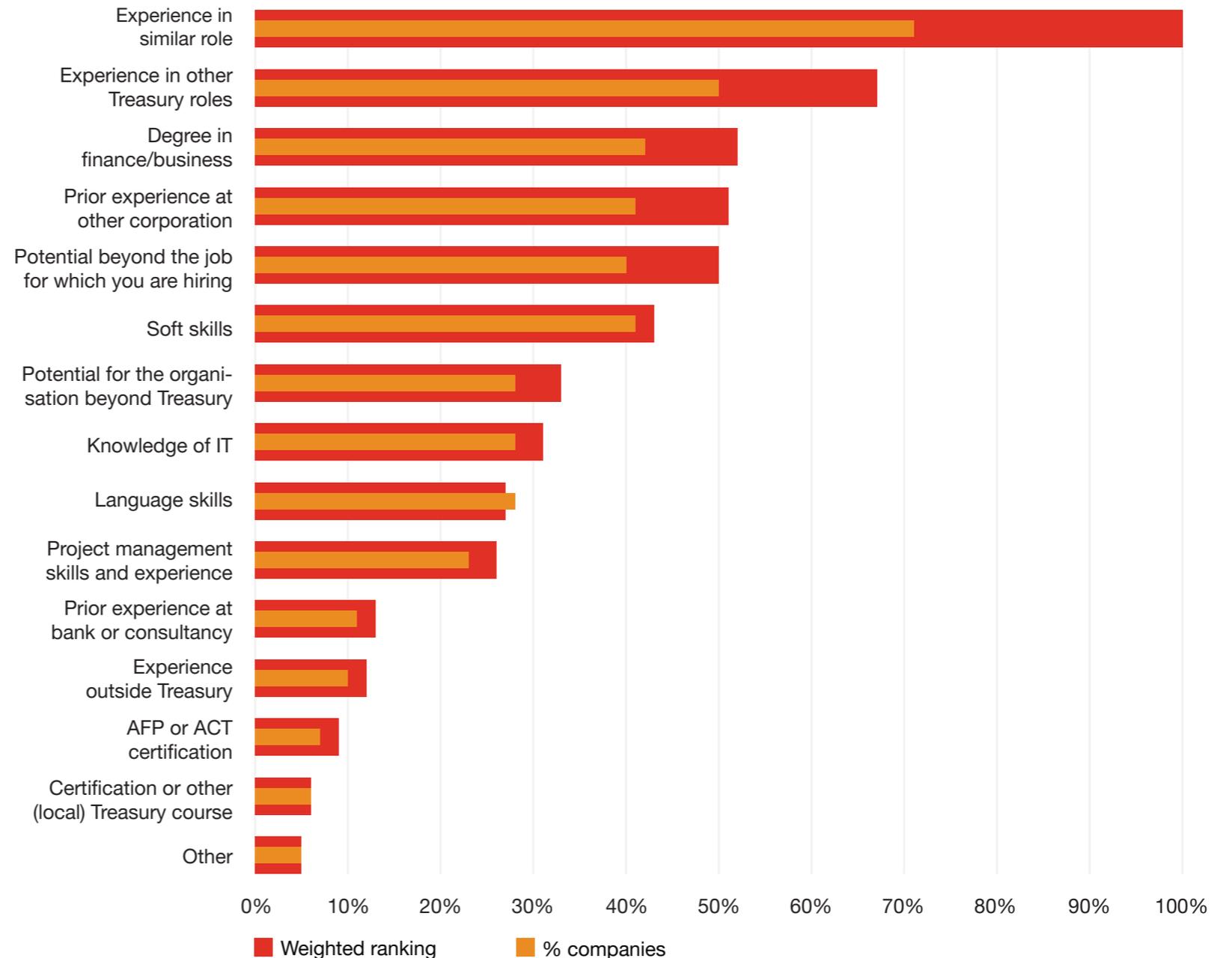
Treasurers have a responsibility and opportunity to address CEO's concerns and find ways to capitalise on the benefits that technology and digitisation can bring their organisation, simultaneously ensuring that their workforce is prepared for the future.

Only 31%

of those surveyed prioritise technical acumen in new hires

When hiring Treasury professionals, how important would you rate the following characteristics?

Number of respondents: 188



4



Balance sheet management

An increasing push for internal sources of growth creates an opportunity for treasurers to think more strategically about capital structure and the balance sheet

Balance sheet management: finding new value

PwC's CEO survey showed that companies are turning inward to drive growth and value with a strong focus on their balance sheets.

This creates an opportunity for treasurers and CFOs, whose unique perspective on cash flow and risk management can support organic growth across the enterprise and help organisations make the right decisions about organising and allocating capital.

Respondents of the Treasury survey were keenly aware of this mission, seeking to drive cash and liquidity benefits, improve capital management, support working capital initiatives, and generate long-term financial flexibility.

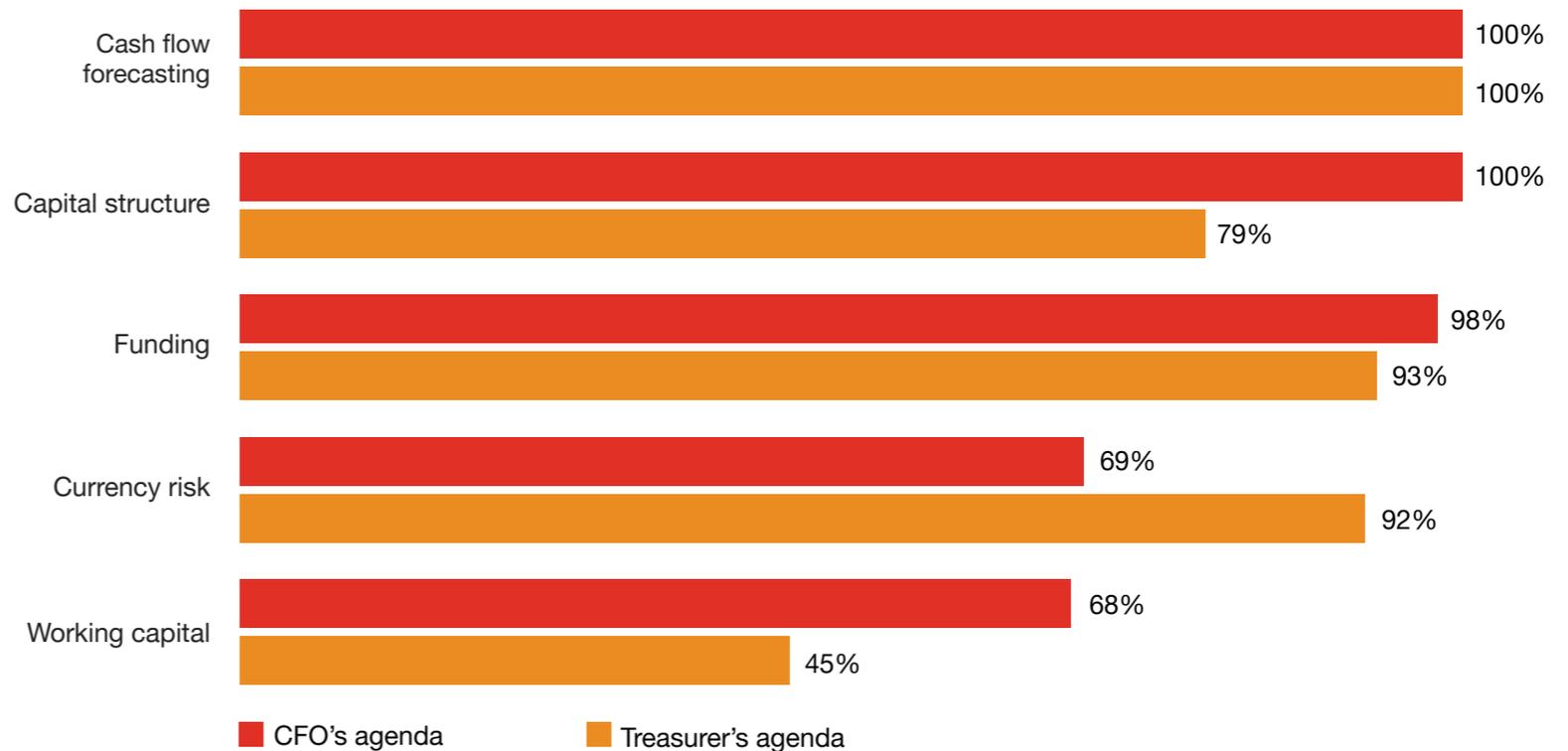
Survey respondents ranked cash flow forecasting as the top priority on both the CFO's and treasurer's agenda. Capital structure and funding were also both in the top four for each agenda.

Call to action

Treasurers should look for opportunities to improve balance sheet and overall capital management as ways to add value. They should aim to drive cash flow improvements across the enterprise, supporting working capital initiatives and improving long-term financial flexibility. Treasurers should ensure they deliver an optimal capital structure and drive capital allocation and budgeting of financial resources.

Top priorities on the CFO's agenda vs. the treasurer's agenda (weighted ranking)

Number of respondents: CFOs 222; Treasurers 188



Treasurers can focus on four key areas in their contributions to balance sheet management.



Challenge



Recommendation

Cash and liquidity improvements

Organisations seek increased visibility and access to available cash.

Focus on enhancing banking and pooling opportunities to optimise liquidity. Also, engage in robust cash forecasting to better understand the total liquidity picture and improve planning.

Enhanced capital management

C-suite places pressure on the organisation to increase asset efficiency.

Bring a renewed and heightened focus to (risk adjusted) capital allocation and budgeting.

Working capital management

Finance organisations seek to improve their working capital metrics.

Look for areas where cash benefits can be derived and aim to enhance operations through metrics, incentives, and overall performance targets.

Long-term financial flexibility

Organisations seek to capture the economic benefits of long-term financial flexibility,

Optimise capital structure and ensure long term financial flexibility, such as by reducing the cost of capital. This can be done through credit rating management, pre-financing where opportunities arise, and tapping into new sources of liquidity.

“Treasury is well positioned to help its organisation drive impactful outcomes by increasing cash flow from operations, improving financing structures, increasing asset efficiency, and optimising capital structure.”

—Eric Cohen, PwC US Principal



5



Cash and banking

While selecting the right banking partners is key, managing the relationship on an ongoing basis is fundamental

Long term funding remains a pre-requisite when allocating transactional banking business

In line with previous years' surveys, the bank's participation in long-term funding remains the most important criterion when companies select transactional banking partners.

Not surprisingly, banks are also expected to have sufficient capabilities and provide services at a competitive cost.

More surprisingly, perhaps, was that the historical ties between corporations and banks trail all these considerations as a priority. This reduced emphasis on the long term relationship is perhaps a result of the tumultuous period the financial and banking sector has experienced in recent years.

Are treasurers fully considering the importance of sustaining long-term banking relationships?

As the financial crisis fades into memory, an important takeaway could be lost: Corporations with longstanding, established bank relationships were served much better than those without them.

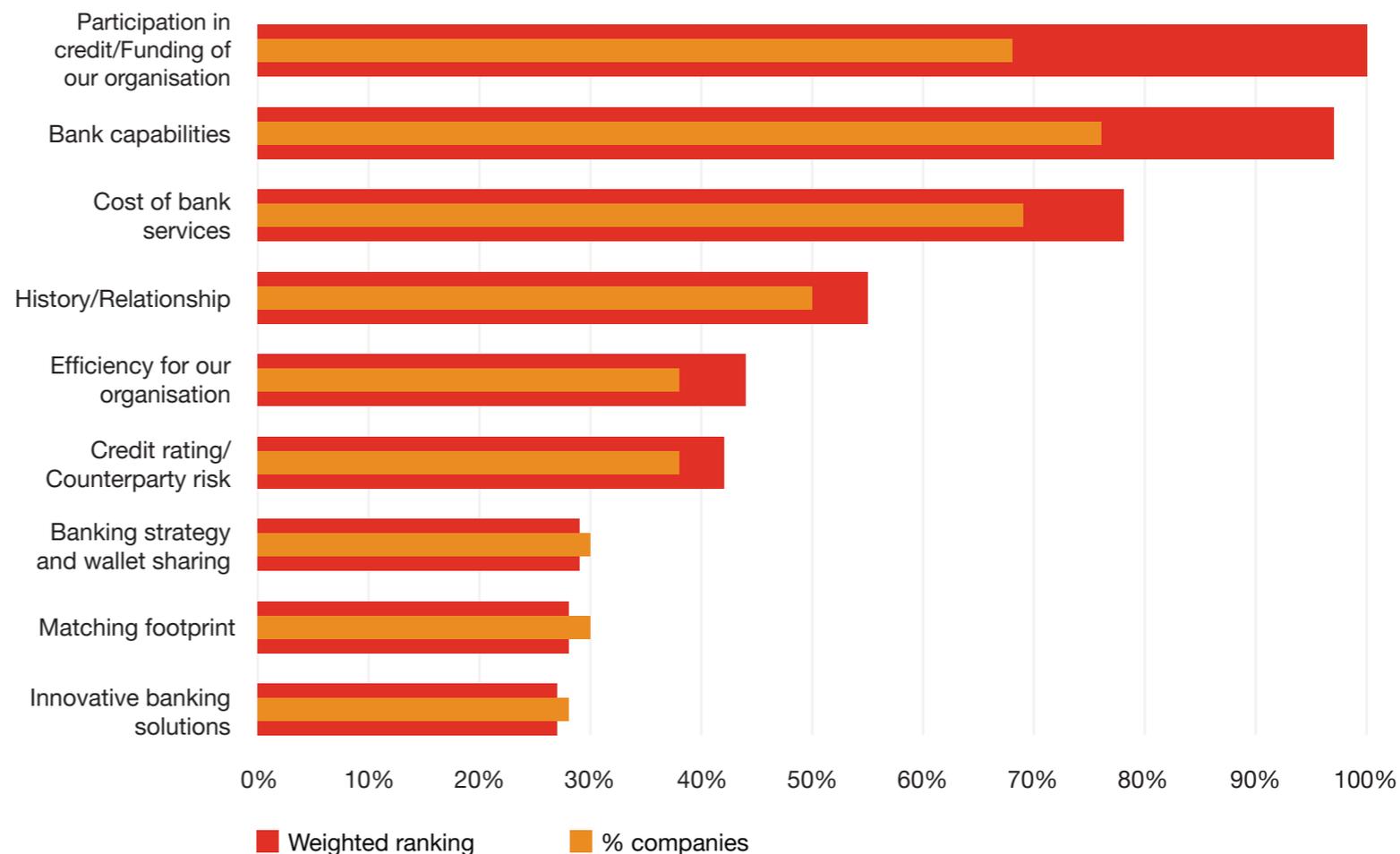
If we add the fact that only 30 percent of respondents consider their banking strategy and wallet sharing when allocating their side business, this calls into question whether all the right criteria are being used in selecting banking partners.

Treasurers should ask questions from the perspective of "if a new crisis were to arise":

- How will banks support companies where they have scant history or limited return on equity?
- How can corporates be sure that the service is strategic for the bank and will be continued if margin pressures emerge?

When selecting a banking partner, what are your most important criteria?

Number of respondents: 197



Treasurers often do not make a priority of reviewing their bank relationships

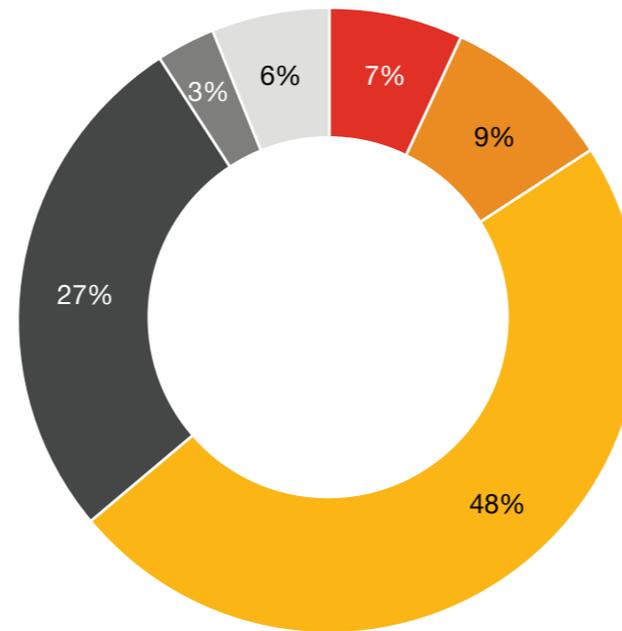
Nearly one-third of respondents review their core banking relationships on an ad-hoc basis or not at all. This figure jumps to nearly 50 percent for secondary banks.

Call to action

Treasurers should conduct systematic, regularly scheduled reviews of their bank relationships. These reviews should emphasise quantitative elements (e.g., the estimated wallet shared compared to the financing support received, and the investment made into new technology solutions), and qualitative elements like the level of day-to-day service. The reviews should enhance service, readiness for potential future turbulence—and lead to a better balanced bank relationship.

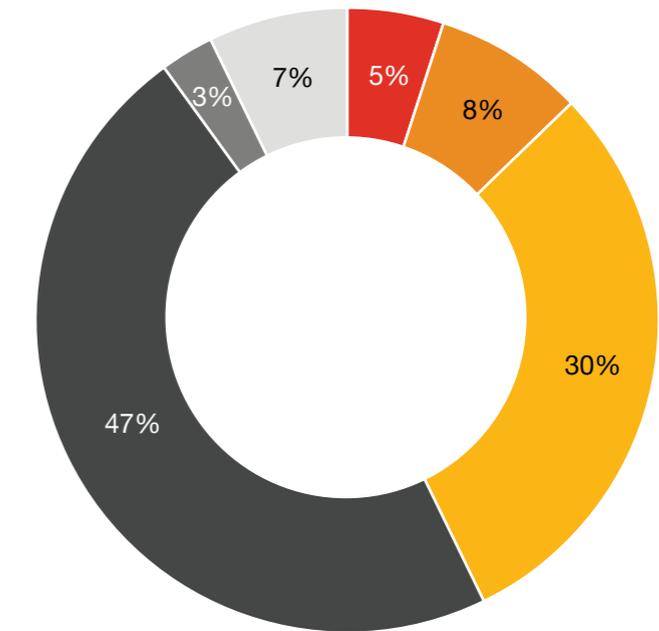
How often do you review your core bank relationships?

Number of respondents: 181



How often do you review your secondary bank relationships?

Number of respondents: 194



Lots of cash left on the table...

More than a quarter of global cash is not visible to Corporate Treasury on a daily basis. This may be related to the challenges of finding and implementing the right bank connectivity solutions or the ability of local banks to provide cash balance information in a cost-effective manner.

...which may offer an opportunity for optimisation

Even if not centralised on a daily basis, treasurers should explore ways to better utilise their local cash positions, such as leveraging new liquidity techniques (Global Earning Credit Rates, interest enhancement, and others). At a minimum, they should ensure that local return is in line with market best practices.

Notional pooling solution still widely used

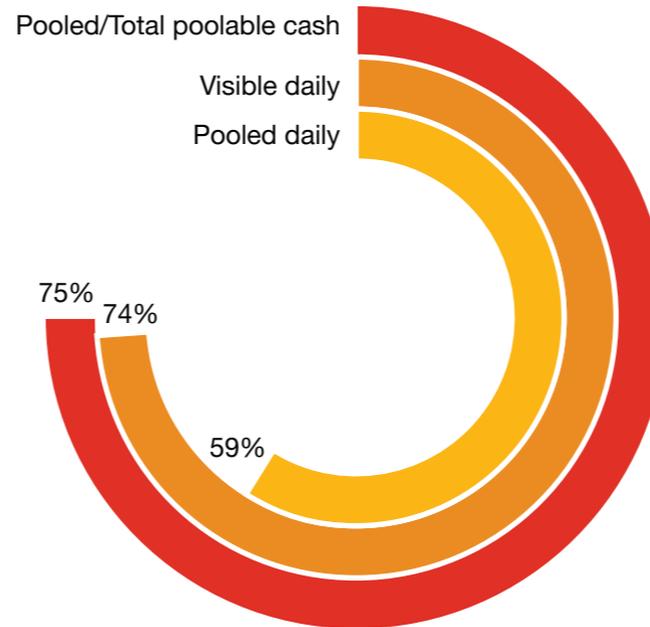
Half of respondents still use notional pooling, despite questions about the product's sustainability amid regulatory constraints and other costs. While notional pooling can still add significant benefits to certain organisations, we would recommend the companies consult with their banks to formally confirm the sustainability of their products and their limits (e.g., in terms of gross overdraft limits) to avoid unpleasant surprises. Also, the quantitative offer relative to the product should be crystal clear to avoid having to incur hidden fees.

Call to action

In cases where banks are not transparent about the pricing offered and/or do not provide sufficient evidence of long-term support, we also recommend having a clear contingency plan.

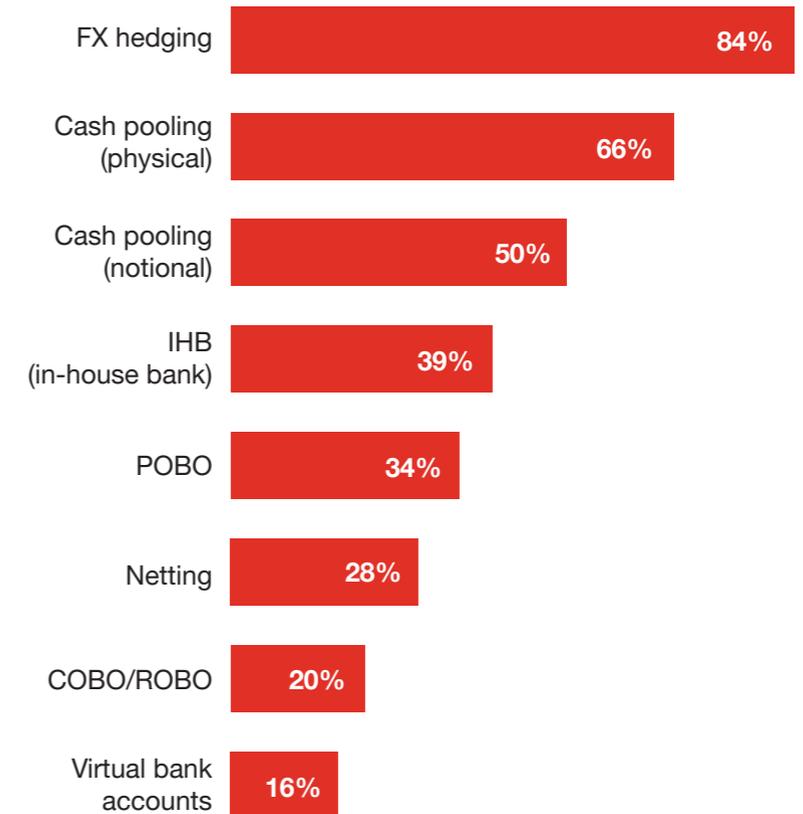
What percent of cash is...

Number of respondents: 172



What services are provided by Treasury to your organisation?

Number of respondents: 200



Collections on behalf of structures are expanding in use

Collections on behalf of (COBO) structures, among the most sophisticated cash management tools, are increasingly common, with 20 percent of respondents now having such a structure in place. Reasons include Single Euro Payment Area (SEPA) and the use of virtual accounts to facilitate reconciliation.

Technology support: lowest satisfaction scores for bank fee analysis and bank account management

Respondents estimated they spend on average \$1.4 million for transactional banking fees to banks. Based on our experience, this is probably underestimated due to the lack of quality data received and inadequate tracking of fees.

Indeed, when asked about the level of satisfaction with Treasury technology solutions, bank fee analysis landed near the bottom of the list in our survey. This come down to several factors:

- Spreadsheets remain the most prevalent solution used for tracking bank fees, yet spreadsheets are more prone to error.
- Despite a push for greater transparency and standardisation (with initiatives like TWIST), quality of bank fee information is often still very poor.
- Banks continue to provide a high degree of customised and non-transparent fee information, particularly outside Western Europe and North America, in areas like Eastern Europe, APAC, and Latin America.

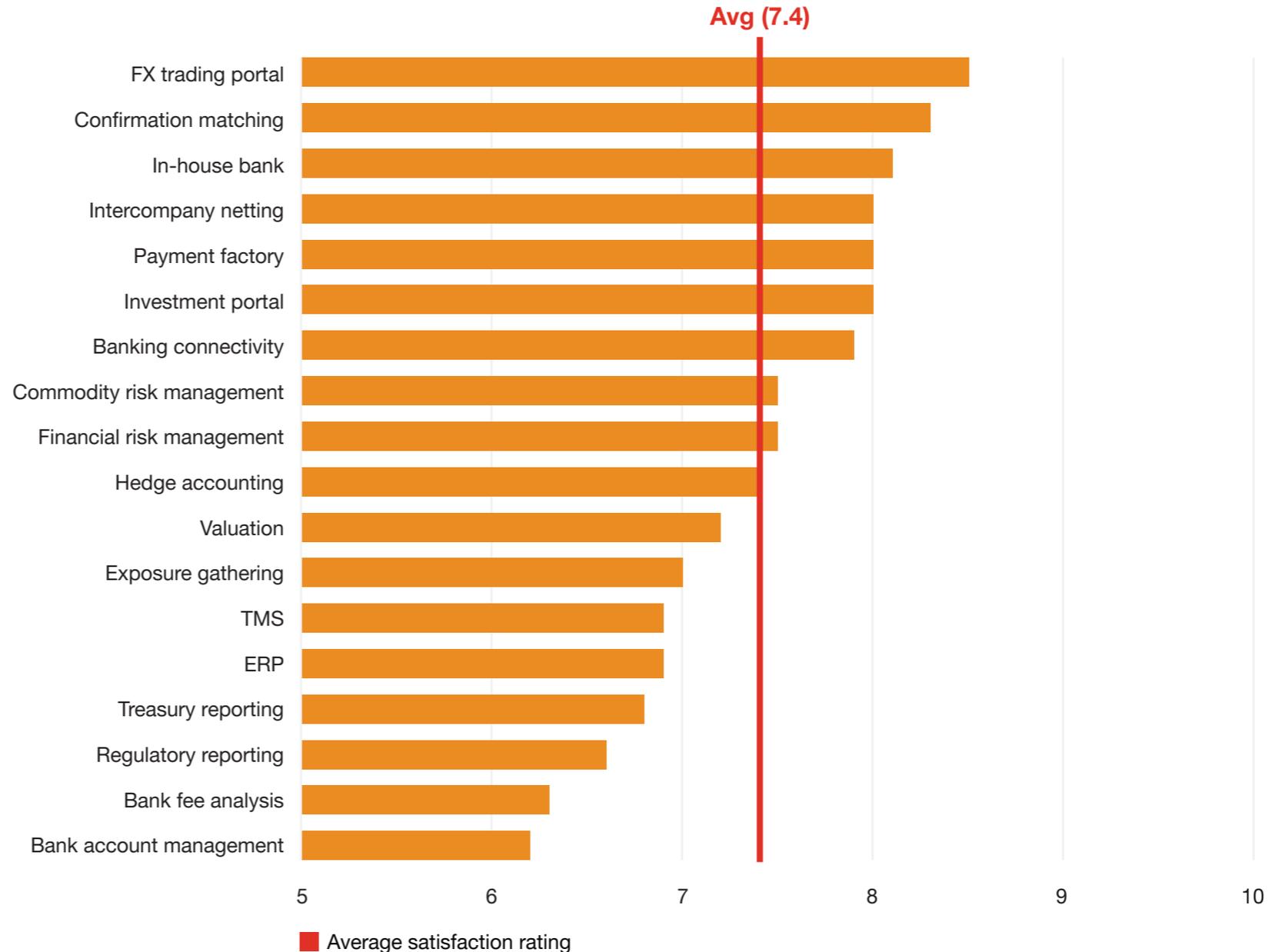
Call to action

Treasurers should make an effort to examine the transactional fees they are paying to their banks and urge banking partners to provide greater transparency and standardisation. Not only will it help the entire corporate community if all push in the same direction, but it will help Treasury understand the true cost of maintaining its relationships and identify opportunities for savings.

On a scale of 1–10, how satisfied are you with the Treasury system used for each process?

Number of respondents: 190

Note: Chart below is zoomed in, showing rating 5-10



6



Financial risk management

Treasurers want—and need—to spend more time working with the business to understand financial risks

Managing risk in a world of uncertainty

Financial risk management jumps into the spotlight during times of geopolitical, market, and regulatory uncertainty. It requires vision to plan ahead, capacity to analyse data with the business, and agility to respond if problems emerge. This is a complex area that lends itself to digital solutions and innovations. Treasurers, collaborating within their organisations, can be on the leading edge by implementing them.

Survey Highlights

Currency risk ranks third overall on the treasurer's agenda, with a special focus on emerging markets, and is also the most prevalent financial risk managed. More than eight in 10 respondents—85 percent—cited currency risk as a financial risk managed by Treasury. Interest rate risk followed closely behind at 80 percent.

Counterparty credit risk management is rated of lower importance at 49 percent, perhaps reflecting the passage of time since the financial crisis. Of those who do monitor, the frequency of checks varies widely. We advise that prudent risk management—and diversification of risk—calls for having a well articulated and ideally automated credit risk monitoring process in place *before* it is needed.

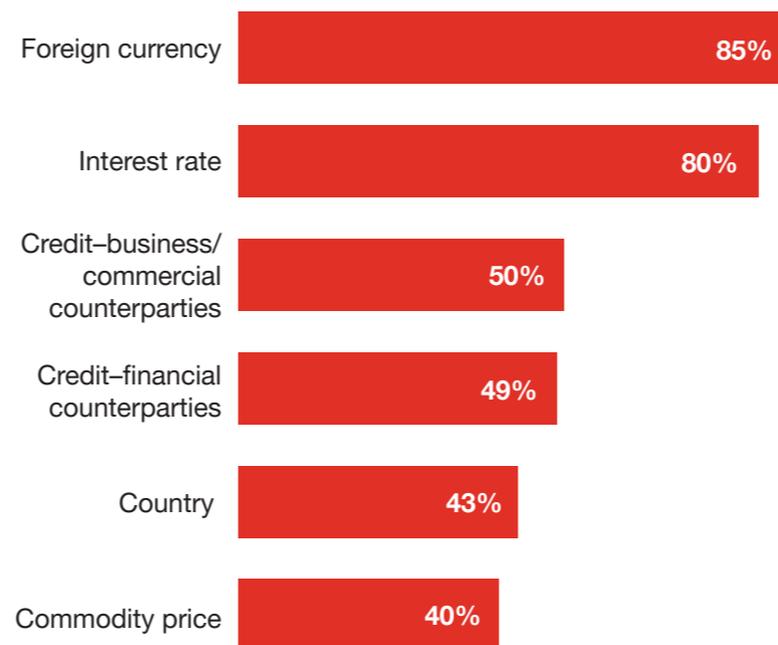
Room for Improvement

While currency risk was seen as a top priority, respondents indicated a desire to spend more time understanding their organisations' economic exposures. This would be time well spent. The findings suggest that too much time is spent on dealing with data accuracy, rather than working with the business on the underlying economics and more structural exposures.

Further to that, many respondents indicated they were not putting their hedge results back into the business, which creates a disconnect with potentially unintended consequences. On a scale of 0 to 10, Treasury teams awarded themselves a mediocre grade of 6.48 on the amount of time they have available with the business to understand foreign currency exposure.

Which risks are material and monitored by your organisation?

Number of respondents: 194



6.48 out of 10

Time allocated to work with the business and to understand economic exposures—FX risk

0: Not enough time to interact with the business
10: Enough time, fully collaborative approach

Targeting FX Risk with Technology

Companies are looking at technology to help improve the foreign currency risk management process and to allow them to spend more time collaborating with the business to better understand exposures. When asked about the leading areas of implementation for digital technologies, respondents indicated that Exposure Forecasting/Analysis was the *leading use case* for both [Data Analytics](#) and [Artificial Intelligence](#). After exposure analysis, RPA will further automate deal execution.

Applying these technologies with a defined risk management programme can enhance forecasting accuracy by recognising trends and identifying exposures. This knowledge empowers Treasury to better anticipate—and mitigate—financial uncertainties.

External risks impacting Treasury and hedging programmes today

Investors expect multinational companies to manage risks. Yet volatile markets, uncertain politics, and government regulation point to four major concerns:



Risk



Our take

Emerging market risks

Emerging markets may be key for a company's growth but also come with economic challenges. Hyperinflation, high interest rates, illiquid currencies, and other problems may flare up. This increases the costs of hedging, raising questions about its economic justification.

Consider other hedging levers, such as changing currency of purchases/sales, including contractual agreement to adjust for inflation between the time of invoice and payment, or identifying offsetting exposures. Work with the business to understand the elasticity of prices and how to influence pricing decisions accordingly.

Geopolitical risks

No longer limited to emerging markets, geopolitical uncertainty is now prevalent in established economies. Increased protectionism has introduced new uncertainties affecting interest rates, commodity prices, and foreign currency rates.

Treasury teams should pay increasing attention to political risks and check in with the business to discuss how to manage them, including decisions on where to produce.

Regulatory risks

Over-regulation is the top threat indicated in our latest CEO survey. Regulations and sanctions can create financial market barriers, increase the costs of doing business in a country, including banking, and can add burdensome red tape to Treasury's duty of managing liquidity and financial risk.

Closely follow regulatory issues and sanctions in relevant regions, ensure access to local knowledge, and invest in relationships with financial service providers.

Tax consequences

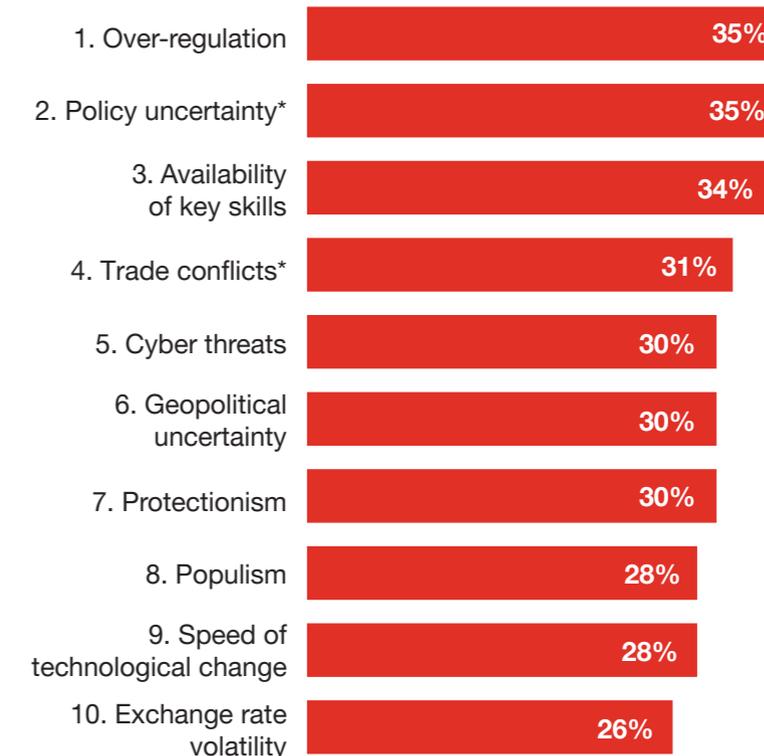
Managing liquidity and financial risk may trigger local taxes and decrease the benefits sought by Treasury. The OECD's Base Erosion and Profit Shifting initiative and U.S. tax reform are just two of the major shifts that affect a treasurer's intercompany and funding activity.

Treasury should partner with tax on cash, hedging, and funding decisions, and take action now to review operating and legal structures in view of changes in tax rules.

2019 Top 10 threats for CEOs

PwC's 22nd Annual Global CEO Survey

Number of respondents: 1,378



*Note: 2019 was the first year CEOs were asked about "policy uncertainty" and "trade conflicts".

PwC's CEO survey defined current threats to businesses—many of which impact Treasury. Entering emerging markets may be a strategic decision for the company, but this comes with threats that may increase financial and operational risk. With 51 percent of companies having foreign currency exposures sitting at the country level, dealing in emerging markets poses new challenges for Treasury to navigate.

Spotlight: commodity risk management

Hedging commodity exposures: an increased area of focus for treasurers

Commodity price risk management programmes are gaining attention due to market volatility and new accounting standards, which allow for more hedging possibilities to achieve the desired financial reporting outcomes. Among companies that have commodity exposures, 20 percent do not hedge today but are considering doing so in the future.

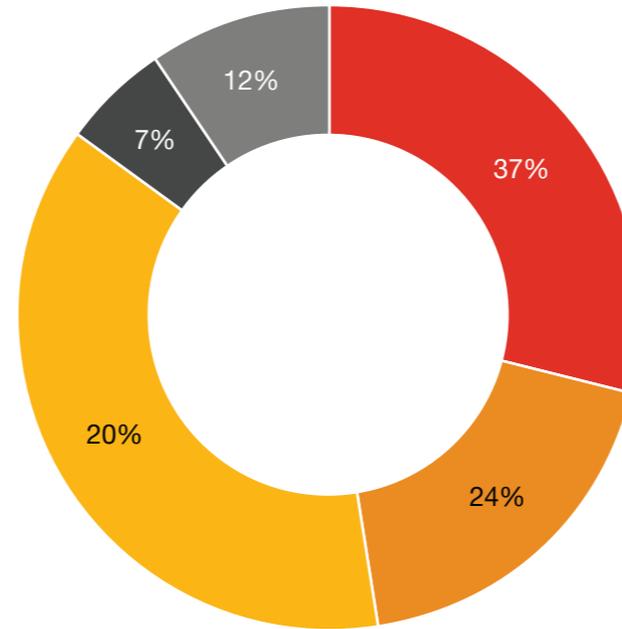
Large commodity users frequently manage this risk as a partnership between Treasury and Procurement. While 37 percent of respondents have indicated Treasury's involvement in commodity hedging, 24 percent manage such hedging under Procurement with no Treasury involvement. Noting that some industries, such as airlines and oil companies, rely on dedicated commodity risk teams, Treasury often has the infrastructure, controls, and systems in place to execute the hedges and manage the risk.

Despite the increased focus on commodity price risk management, respondents still feel they are not dedicating enough time to understand exposures. On a scale of 0–10, companies rated the amount of time they devote to analysing commodity risk with the business as 5.98.

A closer look: 36 percent of North American companies say they are considering hedging commodity risk in the future (compared to 12 percent in Europe).

How is commodity price risk managed?

Number of respondents: 77



- Actively hedged by Treasury in collaboration with Procurement
- Hedged/Managed by Procurement, no involvement of Treasury
- Not hedged today, but considering to look into this for the future
- No instruments available to hedge risks
- Other

5.98 out of 10

Time allocated to work with the business and to understand economic exposures—commodity price risk

0: Not enough time to interact with the business
10: Enough time, fully collaborative approach



Spotlight on tax

Surprisingly low on the treasurer's agenda is tax. Not only is the public spotlight on fiscal matters, but fundamental changes resulting from U.S. tax reform and the OECD's Base Erosion and Profit Shifting (BEPS) are materialising.

PwC believes the impact of tax considerations on overall Treasury is critical for an organisation. Treasury operations worldwide are affected by the tax environment, including:

- **Pressure on internal funding structures** due to decreased effectiveness of current structures and limitations on tax deductions for interest.
- Developments in the **transfer pricing** of intercompany debt tend towards a view that subsidiaries' debt should take as a starting point the characteristics of debt in the group as a whole.
- Additional **withholding taxes** on cross-border payments, arising from the BEPS initiative's tightened criteria for tax treaty exemptions.
- Ongoing effects of **U.S. tax reform** since January 1, 2018, facilitating repatriation of cash by U.S.-headquartered groups.
- An increasing focus on any situations in which profits are separated from key elements of operational **substance** (i.e., people, premises, and functions).
- General tightening of financial regulatory and compliance regimes worldwide.

Next steps

PwC's experience is that companies should prioritise:

- Understanding the effects of tax law change on Treasury operations, and dealing with immediate concerns that may create an increase in the effective tax rate.
- Monitoring and evaluating the ongoing implementation of U.S. tax reform, BEPS, and EU laws.
- Recognising that, in the long term, Treasury strategies whose fiscal effects depend on the use of legal entities with no substance are unlikely to be effective.
- Planning for alignment of Treasury functions and key people with a location whose combined fiscal, regulatory, and practical consequences are acceptable and sustainable in the long term.

Conversely, companies which do not stay up to date on these topics run increasing risks of an unexpected tax liability.

Want to learn more?

PwC teams are ready to help you navigate the complexities that exist at the intersection of tax and Treasury. Please reach out to your local PwC contact for more information and to learn how we can help.

Concluding thoughts



A message from Sebastian di Paola

Thank you for exploring PwC's Global Treasury Benchmarking Survey. We hope it has provided you with useful insights into the current state of the Corporate Treasury world and its likely evolution.

We would like to thank the 238 corporate respondents for the time and effort they have invested in sharing with us the information that is the basis for this study. We see this as a measure of the trust and appreciation of our clients for the work that PwC's 600 Treasury consultants across the globe deliver on a daily basis.

The responses gathered this year, combined with those of prior editions of the survey, continue to extend an already sizeable data set on Treasury best practices and metrics, which serves as a basis for more detailed benchmarking. This data goes far beyond some of the highlights included in this document and is used on a daily basis by our consultants around the world in their work with clients. We are indebted to this year's survey respondents for helping us to continue to enhance this extensive knowledge base.

Through this year's results, it is clear that the digital world is rapidly altering our ways of working. Digital Treasury is here today, and Treasury functions are now tasked with building digital ecosystems where new technology can help solve old and new problems alike. AI, RPA, and a wide variety of Fintech solutions have found their way into the Treasury space, while data continues to be unlocked to help support real-time financial decisions.

Enabled by these emerging technologies, Treasury is moving to a workforce of the future, defined by its ability to drive transformation, minimise manual efforts, and maximise business insight. The role of the Treasury team has shifted in parallel, making strategic thinking, project and change management, and digital capabilities the critical skills needed to help pave the path to a more modern and digitised Treasury service.

While a predominant influence, the digital world cannot solve all of Treasury's problems. Ongoing changes to the global tax environment, broader macroeconomic factors, and the impact of sanctions continue to be a concern to treasurers. These stresses have landed funding and currency risk as second and third on the treasurer's agenda, and continue to create challenges in cash forecasting, cash management, and bank relationships.

In today's complex environment, Treasury must keep a finger on the pulse of the market ecosystem, work even more closely with the business in ever-changing local markets, and establish a direct partnership with tax to navigate key changes.

Beyond this, the prevalence of cybersecurity challenges and increasingly regular payment fraud continue to be concerns for the treasurer. These have the potential to cripple a company and to undermine severely the Treasury function's credibility. Treasury has a central role in implementing preventive measures and developing a disaster recovery plan to address exposures not only within the function, but also across the organisation's banking and payment infrastructures.

Our survey findings show that to support the business in addressing today's challenges and to seize the tremendous opportunity presented by new technologies, Treasury teams are evolving in mindset and capability. When man and machine move forward together, great progress can be made. It really does take two to tango!

About the survey

This year's PwC Global Treasury Benchmarking Survey contains responses from **238** companies, collected between September 2018 and May 2019. Survey participants were contacted by local Treasury consultants across the PwC network.

The responses represent companies headquartered in **37 countries**, across **21 industries**, with operations in an average of **30 countries**. **The average revenue of a respondent was \$10.3 billion.**

PwC's Corporate Treasury network combines a variety of multidisciplinary backgrounds, including treasurers, bankers, system developers, and management consultants. Our teams have successfully implemented Treasury change for many leading corporations and have an established track record of successful solution-based project work.

We also offer a comprehensive variety of additional resources, such as tax, accounting, regulatory, and digital specialists.

For more information, visit us at:
www.pwc.com/corporatetreasury

PwC Corporate Treasury Solutions



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Notes:

- Graphs displaying rankings of multiple items are based on exponential scoring and receive a weighted score.
- Not all respondents answered all questions.
- Not all figures add up to 100%, as a result of rounding percentages.

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