Bird's Eye View

The Sibos financial services conference—sponsored each year by the Society for Worldwide Interbank Financial Telecommunication (SWIFT)—will be held in Boston this year in September and, according to organizers, is likely to have a record turnout of attendees and media. As we noted in our annual preview of the event last year, SWIFT has increasingly concentrated on the corporate sector. Fabian Vandenreydt, who, among other things, heads the corporate focus at SWIFT, says that emphasis continues: "Forty percent of the Fortune 500 are on SWIFT." And the organization is looking to extend its reach to mid-cap corporates and businesses in other parts of the world. He says it is adding utilites for corporates beyond the traditional areas of, for example, payments, to such things as securities management.

Vandenreydt, whose title is officially head of markets management, Innotribe and the SWIFT Institute, added Innotribe to his list of responsibilities this year. SWIFT's marquee Innotribe incubator for tech start-ups has had something of a facelift under his leadership. First of all, the lead-up events in London, New York and Singapore each had a specific focus: in London the theme was the future of money; in Singapore the focus, quite rightly, was on the supply chain and trade; and in New York it was on investment and compliance. The NYC event also featured a preview of the Sibos 2014 Investment Manager Forum and the Compliance Forum.

In addition, Innotribe is focused much more tightly on start-ups aligned to financial services—and corporates stand to benefit: Of the 152 qualified entrants in this year's start-up challenge, 36 offered solutions aimed at corporate and business services, the most of any category. Vandenreydt notes: "A lot has to do with payments, big data and visibility of corporate-to-bank flows." The next-closest category was investment management, at 26 entrants. Digital currencies—a hot topic and the cover story of our June issue—registered five entrants.

SWIFT is making it ever easier for all tiers of companies to connect to their banks. It has announced a number of direct connections via treasury management platforms, including GTreasury and Kyriba. But the bank-owned entity is beginning to face stiffer competition in the realm of corporate-to-bank connectivity, as new players such as SAP step in to take a piece of the pie.

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Treasury: Minding The Gap

Treasury solutions still don't provide much business intelligence as they lack good integration with ERP systems. But banks and vendors are starting to close the gap.

Corporate treasurers are likely to be frustrated by the pace of innovation in technology aimed at their financial responsibilities. They've been promised all manner of functionality that would put them front and center in their organizations, only to find that technological reality badly trails expectations. Much of the delay in promise fulfillment has to do with consolidation among technology vendors and with a reordering of banks' priorities in the wake of the financial crisis.

But with the crisis well past, at least some consolidation in place and the much-ballyhooed Cloud living up to billing, technology vendors as well as banks are playing catch-up, and treasurers are starting to see the fruits of this fresh burst of labor.

Consider New York City's Reval, a vendor of currency, commodity and interest-rate hedging software that recently acquired FXpress's FIRST treasury software. The deal added debt and investment management to Reval's software suite and bolstered its capacity. Reval has since added other components, including a cash-flow modeling module that it claims allows treasurers to simulate how cash flows could change using thousands of market scenarios, based on years of market data history.

Then there's SunGard, a private-equity-backed serial acquirer that now owns AvantGard Core Treasury, GTM, ICMS, Integrity, Quantum and ResIQ, which consultancy Greenwich Treasury Advisors says "are all well-regarded, high-end treasury workstations."

But some experts say consolidation among vendors has inhibited their interest in innovation. "Instead of building a better product," observes Bruce Lynn, a managing partner in the Connecticut-based consultancy Financial Executives Consultancy Group, "they have been buying market share by absorbing their rivals."

Meanwhile, however, banks like Citi, Development Bank of Singapore (DBS), Italy's UniCredit and Mashreq of the United Arab Emirates have begun investing again in new treasury technology after a hiatus brought on by a need to conserve capital in the wake of the global financial crisis.

Even so, Lynn and other observers say treasury systems remain stalled far short of the objective of providing their companies with information that can be used for decision-making. Enrico Camerinelli, a senior analyst at Aite Group, says not much progress has been made since the Boston consultancy issued a detailed report on the topic a year ago. The report identified 10 areas that treasurers surveyed by Aite said could yield what the firm called "business intelligence," with liquidity decision support, risk management, bank relationship management and cash flow simulation the four most widely cited options.

Dan Blumen, a partner in the Illinois-based consultancy Treasury Alliance Group, likens such demands to trying to turn treasury systems into a "Swiss Army knife"—a single tool used not only for what it was intended but also as an emergency tool in any situation that arises—not always with ideal results.

The gap between treasury systems and business intelligence isn't entirely the fault of vendors or banks. Camerinelli observes, for instance, that companies' increasingly centralized operations have reduced their contact with subsidiaries. "Centralizing treasury operations allows them to play a [more] strategic role," he acknowledges, but adds that the process reduces outreach at subsidiaries. "Technology needs not just to help centralize but to help keep track of payments and accounts, because that information can be important, especially at a later stage."

Lynn agrees but adds that companies need to do a better job of communicating their needs to suppliers of technology. "A vendor is not responsible to ensure that a company's banking structure is aligned with its future business needs," he notes. Still, says Blumen, "vendors oftentimes need to be pushed."

The fundamental problem, as Aite's Camerinelli sees it, is poor integration between treasury management systems and enterprise resource planning systems. In particular, the consultant notes that lack of integration makes it difficult to extract information from one system that can be turned into intelligence in the other. Instead, Camerinelli notes, treasurers still must manually input data for such purposes. "Treasurers are doing this with Excel spreadsheets and trying to integrate them with ERP systems," he says.

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>
> ***—Bruce Lynn, Financial Executives Consultancy Group***

As a classic example, the consultant notes, ERP systems have data from purchase orders produced by the sales force but not data from invoices that reside in treasury systems, so companies can't easily forecast cash flow. As he puts it, current ERP technology is good at tracking the "physical" supply chain but not the "financial" one.

"Systems are very poor on the latter side," Camerinelli says. In addition, ERP systems cannot access bank account information that resides in treasury systems, so companies with operations in countries with different regulations about overnight withdrawals, for example, can't easily do cash pooling. Camerinelli believes that a number of software vendors are making progress, citing Kyriba and Wall Street Systems as well as Reval and SunGard. But he insists, "No vendor has all the pieces in place."

That observation was seconded by Laurie McCulley, a partner in Chicago-based consultancy Treasury Strategies. "There's no perfect system out there," says McCulley, noting that five or six years ago, it was thought that "a single database would do it or that a variety of systems might work." But she says that hasn't proven to be the case.

PRODIGIOUS TASK FOR BANKS

As for banks, many of which tout their innovations in technology portals, Camerinelli says, "My impression is that [they] are distant from the real needs of corporate treasury." Jacob Jegher, research director at the consulting firm Celent, based in Boston, says that treasurers have heard banks say they would upgrade their systems for the past five to seven years, but the work involved has turned out to be "quite an astronomical task."

Some vendors and banks, however, are trying to narrow the distance between hope and reality. Citi, for instance, is partnering with ERP vendor SAP to use its Cloud-based financial services network to enable Citi clients to exchange payment, status and statement files directly from their SAP systems with Citi and other connected banks. By automating a step that is now often handled manually, the system is expected to help treasurers update their ledger balances more quickly and accurately.

And Singapore-based DBS in March launched a working capital system that provides analytics and insights that the bank says will help treasurers spot new cash flow opportunities within both their financial and physical supply chains.

In Europe, UniCredit in the past year unveiled a system to help eurozone treasurers automate their notional pooling across currencies. The bank says that the system allows clients to concentrate liquidity in different currencies in one bank and to treat it as if it were euro-only.

And in the Middle East, Mashreq recently implemented an integrated portal for cash management, liquidity products and trade and supply chain products. Celent describes the portal as "one of the first integrated cash management suites offered by any bank globally" that provides corporate users with a single view across multiple lines of business.

LEVERAGING THE CLOUD

The Cloud clearly has given a boost to such efforts. Reval's new modules, for instance, are all based on a single, Cloud-based software-as-a-service (SaaS) platform.

Jeff Wallace, a managing partner in Greenwich Treasury Advisors, notes that until the advent of SaaS, treasurers faced long delays waiting for enhancements from their information technology departments. "Treasury is the low man on the totem pole when it comes to IT," he says. Now updates to treasury systems can be rolled out via the Cloud with little or no involvement from IT.

Still, some skeptics say better integration of treasury and ERP systems is no panacea for the capabilities treasurers seek. For one thing, Wallace and Lynn insist, too many companies still operate in silos that don't communicate well with each other. "Most treasurers have never met an operating person," Wallace avers, obviously exaggerating for effect.

And Wallace notes that cash forecasting remains the holy grail of corporate finance technology, even when treasury and operations communicate well. "Predicting the future is always problematic." He concedes that more timely data about payables—from information based on purchase orders residing in ERP systems rather than from invoices—would give treasurers the ability to forecast cash three months out, but asks, "what about the next six months?"

At this point, most treasurers and their companies would probably settle for a solid three. ■