

Cash management for multinationals and global banks

How can corporate treasurers take greater control over their cross-border payment processes? In this industry overview, Gresham Tech's Bill Wrest outlines the principal options and suggests that the problems could be cut down to size with relatively little effort, risk or expense...



About the author

Bill Wrest has a long and distinguished career in the international banking business, first with Bank of America Global Payments Solutions, then Barclays Corporate where he was Head of Innovation for Non-Bank Financial Institutions. In 2016 he joined Gresham Tech's Cash Management Solutions division as Director of Strategy and Business Development.

Recognising the problems

Managing cash across multiple banks usually involves numerous tokens to access proprietary and isolated bank portals, or for the more complex treasury operation, different file or SWIFT based links to each bank. As a consequence, information is not always consolidated for ease of reporting and intuitive cash management. Lengthy waits for confirmation that payments have been made or received are par for the course. Disparate file formats can make it tricky to consolidate and compare like with like and control is so diminished that corporate treasurers can feel 'out of touch' with their cash positions. *"Why can't I see my up-to-the-minute cash position across the bank, across all my banks, by subsidiary and/or by currency? In fact, why can't I see all my pertinent data exactly when and where I want to see it?"* are questions that crop up time and time again. So, what options does the multinational corporate treasurer have to get a tighter grip of their cash management activities? And is there a chance that those treasurers are in danger of working harder than is really necessary to solve their cash management woes?

Open Banking

Providing all the necessary data or services can be pulled or pushed on request, then open banking will become an attractive option for corporates. Although some banks see regulatory change as an opportunity to innovate, most view the related legislation as a compliance issue and are struggling (to varying degrees) to embrace open banking. In the meantime, if open banking amounts to nothing more than a delivery mechanism for the usual end-of-day information (bank statements etc.) and batch driven processes, then it's not enhancing the client value proposition. Corporates want the choice between batch driven process with traditional connectivity as distinct to instantly accessible information (which is generally API driven).

SWIFT gpi - a transformational payments innovation

Multinational corporates trading with multinational customers are familiar with paying for goods and services across borders. For businesses, it is key that international trade be as seamless as possible. Corporates are looking to their banks to provide a faster, simpler and more transparent cross-border payments experience, making the process as seamless as domestic payments. SWIFT's gpi initiative will help enable banks and financial institutions to deliver cross-border payments faster and track them throughout the settlement cycle ensuring secure receipt by the beneficiary and with all the relevant information (invoices etc.) accompanying the payment.

Faster Payments for corporates: not quite there yet?

SWIFT's gpi initiative also aims to transform cross-border payments by connecting up to sixty Faster Payment mechanisms worldwide. As things stand today, most corporates view Faster Payments as ostensibly a retail proposition. The low transaction limits don't support substantial treasury cash flows and as yet, the concept of instant and irrevocable payment is not universally attractive to corporates. As Faster Payments runs 24/7, treasury operating hours would have to necessarily change and demand for real-time reporting and reconciliation would be enhanced. BACS payments by contrast, have a three-day settlement cycle, can be reversed, are relatively inexpensive and provide certainty in cash flow planning. For banks there is also a revenue consideration between the cost of a high value transaction via CHAPS and a faster payment.

Where does the answer to the problem lie - is it with the Banks?

Often considered questions for corporates are: 1) I have my relationship banks, a TMS and an ERP, so why do I need anything else? 2) And whose problem is it anyway? That's why corporate treasurers generally believe that their banks or ERP/TMS vendors ought to sort out cash management issues for them. But is it reasonable to expect financial institutions or software providers to invest time and possible product spend on developing or fixing processes that don't necessarily produce additional incremental revenue? Open Banking initiatives make it difficult for a bank to tell a corporate: *"This is our preferred file format – it's up to you how you get it to us!"* In situations involving many different banks, can corporates expect consistency with regard to API connectivity? Or are we heading towards a future iteration of a historic problem?

The challenge for banks is to enhance the value chain

With fintechs proliferating and corporate clients becoming ever more demanding, banks are desperate to demonstrate that they are innovative. Despite variable file formats and ERP systems, corporates are insisting upon speedier onboarding: they want faster and configurable access to their bank data, ideally in real-time. Corporates have no wish to remain locked into proprietary formats. Structures should be future-proof and file-format agnostic. On that basis, is it reasonable to expect banks to write their own adaptors? I would argue that it is not their core competency and for reasons of cost and product resources, serves to distract from more strategic developments.

Talking the innovative talk, walking the innovative walk

At conferences, the air is thick with today's buzzwords and there's much talk of Faster Payments, API, Open Banking, common formats, being able to change banks more easily, 24/7 reporting, PSD2/challenger banks and payments providers etc. In reality, those advances are as yet appearing and maturing mainly within the retail sector rather than the institutional/corporate client space. Yes, all parties need to innovate, but if I am a cash management bank, am I also a relationship bank? In the past—and depending on the volumes and balance sheet exposure—I would have said yes and might still do. But increasingly, and bearing many of the initiatives mentioned previously in mind, the business of cash and treasury management is fast becoming commoditised. And as costs are driven down, client benefit and 'stickiness' will depend on banks' enhancing their client proposition either through product developments which integrate the client more fully with the bank, by joint efforts or perhaps a combination of the two—and nothing less than real-time data will do.

A new type of collaborative partnership is the way forward

Perhaps the most attractive solution—at least as far as the banks are concerned—may lie in collaborating with a special type of fintech: a technology partner that's been in business for a length of time, is trusted by industry players, possesses demonstrable market knowledge and has sufficient critical financial mass to sustain any and all mission-critical arrangements.

Innovate or fix are really one and the same...

All parties want and expect better cash management services. But change may come with the associated expense, risks and extended timelines. So, wouldn't it make more sense to fix what's already there? Isn't that the simplest and safest form of innovation? By taking tried and tested procedures and routing them through a coordinating integrator, cash management functions can be accelerated, made more transparent and provide treasurers with a greater degree of flexibility, in terms of file formats and accessible financial data. Utilising 'plug and play' connectivity makes it faster and easier for a corporate to add or change banks. No bank should fear that prospect, providing they are developing additional and relevant services, and continue to enhance their value proposition.

Imagine the difference it would make - if in a 'perfect world' ...

- File formats were no longer an issue
- You could change banks quickly and easily or add new banks as needed
- Global positions were available in real time or on an intra-day basis
- Risk could be actively managed and your real working capital requirement could be assessed on a more timely and accurate basis
- User defined formats made data more accessible without any points of friction and more timely and complete information accelerated the reconciliation process
- Payments could potentially be sanction-checked and validated before the file goes to the bank, rather than waiting for a post processing acknowledgement
- You could monitor and track payments to ensure suppliers were receiving settlement as expected
- If you had the option to manage cash passively or actively, taking account of risk/limits and liquidity globally
- Faster simpler exchange of information with Banks
- Ability to intelligently choose connectivity and routing between batch driven file delivery and real-time data/ services

'Fixes' they may be - real innovations they most definitely are!

Gresham Tech's market-leading cloud-based Clareti Multi-Bank platform handles automated banking connectivity and integration for major corporates, banks and wealth management clients around the globe, and supports various payments-related business processes such as cash management and trade finance.

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