



Activate Your Liquidity to Manage Treasury Challenges in the New Normal

The Kyriba Global Summit explored how financial technologies can support active treasury management, smarter payments, as well as fraud and risk concerns and active working capital management for corporates. Here are the key takeaways for treasurers.

Kyriba Global Summit, the firm's first digital and global event – hosted in November 2020 – provided an array of insights into current treasury and finance best practices. The event included 62 sessions in five languages, with input and case studies from executives at 25 corporations, all delivered to an audience of nearly 4,000 registered virtual delegates. Liquidity was naturally a cornerstone of many of the sessions.

Enterprise Liquidity Management in the spotlight

The focus on liquidity was established in the keynote presentation of the

event, where Kyriba's CEO Jean-Luc Robert reflected on 2020, and why the company believes Enterprise Liquidity Management is now a defining mission for corporations globally. "Every corporate should have the ability, in real time, to 'see,' 'move,' 'protect' and 'optimise' money," Robert noted.

And, of course, the Covid-19 crisis has had the effect of deepening and accelerating this requirement. Corporates are therefore looking to expedite digitisation programmes around their liquidity in order to cope with the current crisis and be ready for whatever tomorrow brings. Robert made the point that things are going to accelerate in this

By Ben Poole, Columnist

regard, rather than slow down or return to 'normal'.

"Moving your cash management solution to a liquidity control provider is a game changer," he concluded. "Active liquidity platforms are what's in play in the current economy."

Seismic shifts in liquidity and payments

As technology continues to evolve, the world of corporate finance is quickly shifting, particularly regarding connectivity in payments. In a session following Robert's keynote, Samuel Guillon, Kyriba's VP Strategy and former CFO, Colas Group, outlined a number of the tectonic shifts currently occurring in the world of corporate finance. The first of which is a liquidity glut, but he stressed that corporates should not equate plentiful liquidity with continuous availability.

"Liquidity flows into real economies through the commercial bank system, which can clog up faster and faster in a paradigm of ever-increasing liquidity," Guillon said. "Finance leaders now have to assume that liquidity is not only a strategic and volatile commodity but is also a fragile one, exposed to market disruptions."

As a consequence, all organisations need to prepare for cash disruptions through more active management of liquidity. Guillon noted that CFOs will dedicate more time, energy and resources to activate all possible sources of liquidity including available core funding, commercial paper and bond issues, accounting receivables mobilisation, accounting payables acceleration, active asset management, off balance sheet monetisation, and any other types of structural transaction.

Bank regulation can also have drastic liquidity consequences for corporates. Guillon pointed out that since 2008,

bank regulation around areas such as sanctions compliance has become increasingly complex. Even corporates and their subsidiaries that follow the rules to the letter can still find themselves entangled in a bank investigation that can temporarily cut off their access to liquidity until the bank is satisfied that no compliance breach occurred.

Faced with these complex challenges, corporates need to implement the right technology tools to support their access to liquidity. Guillon made the point that as liquidity may not be continuously available if left unchecked, corporates need to pursue an enterprise liquidity management approach. This can be supported by technology, such as artificial intelligence (AI) that can keep a constant watch on cash in relation to the latest developments in fraud and regulation.

Finally, a global connectivity framework is essential. "If you want to optimise flows – whether cars, fluids, energy or liquidity – the key word is network," Guillon commented.

Why a re-architecture of third-party connectivity is required

Another session included a look at a recent Kyriba Pulse survey of 200 CIOs and VPs of IT, which found that a huge majority (93%) identified the bank connectivity component of their enterprise resource planning (ERP) project as one of the most complicated aspects of that project. One key reason for this is the lack of standardisation between banks in the message formats used.

Cameron Armbruster, Managing Director, Accenture, commented: "Even when a bank is using the same type of format, they all have some nuances to their own specific way that they do it. And even if you say, 'I'm going to use this consistent format, each bank means a



JEAN-LUC ROBERT

President & CEO, Kyriba

different set-up and a different file that you need to send to them.' That immediately adds some complexity," he noted.

At global food company McCormick, this complexity was impacting its ability to establish host-to-host connectivity with its banking partners. Amit Garg, IT Business Relationship Consultant, McCormick, explained: "We used to have to design the format exactly for each bank's requirements. That's the first complexity. We need three resources at least from the IT team to get engaged and they would need between five to eight FTE [full-time equivalent] days for each of those, coming to something like 25 FTE days of IT efforts in setting up the connection. That's huge."

To tackle this complexity, McCormick brought in Kyriba to manage its bank connectivity. This involved McCormick designing a single payment file that it would use with Kyriba, which then translates that into the respective format that each of the corporate's banking partners use. The results have had a dramatic impact on the time McCormick now spends on its bank connections.

"We have saved around 70 to 80% on the set-up time, while the maintenance time has also decreased by around 90%," noted Garg. "We are just dealing with any change in the bank account numbers or the addresses of the vendors, that's all we have to worry about now. Any change in the bank file format is being handled by Kyriba."

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The benefits of smarter payments

The Kyriba Global Summit also featured a keen focus on optimising payments. In a session dedicated to how corporates can prepare for a new era of real-time banking and payment services, Kyriba's Chief Technology Officer, Boris Lipiainen, explained how the firm's Active Liquidity Network aims to remove the raft of complexity and fees that exists in corporate payments today. He used the example of a subsidiary in the UK making payments to suppliers in Romania and Turkey to outline the issues.

"To actually make a payment to the Turkish or Romanian supplier, the treasurer of the subsidiary has to go through the following steps: approve a foreign currency payment; agree to the export rate offered by the bank, which is given without reference to a spread of interbank rates; wait for one or two days for the other FX [foreign exchange] rate to settle; and wait for one or two days more for the payment to be cleared by the subsidiary's bank via Swift and the corresponding bank network. Then they need to wait until the supplier confirms they received the funds and made a shipment, and finally reconcile it manually with the ERP system."

Not only is this clearly an inefficient way of doing business, but it is also stacked with costs for the corporate subsidiary, which incurs FX spread swap rates on every payment up to 100 basis points, and interbank transfer fees of £20 for every payment. It is this complex and costly challenge that the Kyriba platform seeks to simplify for corporates.

"Using the Kyriba platform, payments submitted by the UK subsidiary would be automatically converted to the

relevant domestic clearing formats and submitted to those banks the same day," Lipiainen explained. "The company can internalise and optimise its payment flows, they can see their cash balances and cash forecasts across all currencies and bank accounts in real time. The treasury at the headquarters can use the Kyriba cash forecasting and in-house bank modules to net in the outflows by currency and draw to the market to square off only the net currency positions. As soon as the payments are acknowledged by banks in real time or worst case, the next morning, the confirmations and automated general ledger [GL] entries can be imported into the UK subsidiary's enterprise resource planner for automated reconciliation."

The company can also tap into competitive and transparent FX spreads with no hidden fees attached from banks that Kyriba is partnered with. "With no interbank fees, corporates can globally optimise FX exposures and costs, with same-day payments to 130 countries and automatic dual reconciliation," Lipiainen said.

Using supply chain finance programmes to benefit corporates and suppliers

Another session examined how supply chain finance (SCF) solutions can be of particular use during the pandemic to generate additional free cash flow and secure supplier relationships, while maximising days payable outstanding (DPO).

Rob MacNeil, Global Treasurer at Canada-headquartered Cooke Inc, had SCF recommended by one of the company's lenders as a way of improving



BORIS LIPIAINEN

Chief Technology Officer, Kyriba

the firm's cash to merchant cycle on the payables side. "We've recently done a global bank RFP [request for proposal] and, within that, we're looking at the entire payment process, of which supply chain financing is one component," MacNeil told delegates. "The benefits fit very well in terms of extending your DPO and at the same time providing advantages to the supplier."

Convinced of the benefits of such a programme, the next task was to work out how to administer it. With little spare bandwidth within group treasury, partnering with a third-party provider was the way forward at Cooke. With the company already having an existing relationship with Kyriba, it made sense to pick up the SCF module the company offers.

"At a high level, we looked at the costs of taking on an additional module, and factored that into the savings that are associated with the administration of the programme, which can be significant without a platform," MacNeil noted. "Then we looked at the interest savings by extending out our payments and that alone paid for the service. So even outside of any soft dollar savings, the interest savings from not having to pay early for those same suppliers easily paid for the platform."

Now up and running on the Kyriba module, the SCF process at Cooke enables thorough tracking of payments, while

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removing a slew of manual steps for a highly automated process. “The regions receive an invoice from their supplier and post it to the accounting system, which pushes it straight through to Kyriba,” MacNeil explained. “Kyriba processes it, pushes it to the bank, which processes the payment and pushes the confirmation back into Kyriba. In turn, Kyriba notifies not only group treasury but also the region, through an email notification, and then pushes the future payment into the payment module.”

By bringing a high level of automation to this process, it becomes much more secure from an operational risk perspective.

A continued focus on fraud prevention and risk management

Indeed, control and risk management remain key priorities for corporate treasurers, together with fraud protection – and these themes were touched on by a number of panelists throughout the Kyriba Global Summit. This area is something that Şişecam, one of the biggest glass manufacturers in the world, has made great strides in addressing. The company works with 60 banks and has numerous ERPs it has accumulated from mergers and acquisitions (M&As) over time. As such, it made the move to centralise its payments processes in order to reduce risk and provide treasury with greater financial control.

Barış Gökalp, Şişecam’s Global Head of Treasury, commented: “We chose Kyriba for its ability to provide cash visibility, plus scalability, security and connectivity to numerous ERPs and banks. During the selection process we also discovered the supply chain finance solution from Kyriba, plus FX management, cash flow management, and cash flow forecasting. We can manage all our treasury activities with many banks, many countries and many companies all from one platform, which is perfect!”

Having implemented Kyriba, Şişecam benefits from decentralised but standardised payments, through a platform that supports many banks but only requires one SWIFT connection. Fraud and sanction checks are automatically carried out for each payment, and with full integration from ERP to bank, the entire payment process

takes less than 15 minutes.

“The fraud mitigation tools and sanction-screening solution provide good control over payment processes,” Gökalp noted. “This allows us to move onto less tactical and more strategic initiatives. Full digitisation protects the payment process from fraud.”

In another session, materials science and manufacturing firm Avery Dennison also discovered the benefits that a centralised treasury technology system can have on operational risk management. The firm selected Kyriba’s Active Treasury and Risk Management solutions to replace its existing treasury management system (TMS), and set itself an ambitious 12-week deadline for implementation.

Sandeep Nene, Avery Dennison’s Senior Manager of Treasury, commented: “We divided the implementation project by documented phases, which helped us define a clear critical path to achieve go-live on time. There were a lot of complex modules to implement within a short span of 12 weeks, so phasing the project was critical.”

Now implemented, the TMS brings vital automation to a variety of critical treasury processes. “We have a broad exposure to diverse end markets, and we do 3,000 FX transactions annually, so automation is critical,” said Ramón Tolk, Avery Dennison’s Senior Director of Treasury. “Pure STP [straight-through processing] FX workflow into Kyriba gives confidence the deal transaction data is accurate and complete.”

“We are in 50 countries, with our treasury entity based in the Netherlands – with over 400 inter-company loan relationships to maintain, in-house banking automation from Kyriba is key,” added Nene. “We’ve gained financial benefits from the move to software-as-a-service [SaaS], plus automation, increased efficiency and improved controls.”

Visibility and control were two of the key watchwords of the Kyriba Global Summit, which can be applied to liquidity management, payments processes, as well as fraud and risk management. By embracing interoperable automation tools, corporates stand a better chance of achieving both, and the Kyriba Global Summit provided plenty of practical examples of how this can be achieved. ■



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