



INSIGHT

from the Payments and Treasury Expert

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Vizant normally leads off its monthly newsletter with a deep dive into a financial, treasury or payments related technical topic or hot industry issue. This month, we are using this section to showcase some comments from a few selected and well known Vizant Clients. We are very proud of our unique and specialty expertise in payments, treasury and financial operations. Most importantly, we are honored by what our Clients have said about the Solutions and Results that we delivered to their organization.

A Fortune 100 Company and one of the largest healthcare insurers in the USA

"Our team specifically sought Vizant's expertise with implementing actionable, real world solutions enabling us to drive efficiency and reduce the ongoing costs of our payments, treasury and financial operations. The fact that Vizant stands behind their solutions with a 100% performance based professional fee model simply serves to further validate their expertise and solidify their reputation within the industry. Vizant supports us with a robust and dedicated team of industry and corporate practitioners."

The largest passenger railroad company in the USA

"We are continuously trying to improve our operations and be the best we can be in all areas of our organization. When necessary, we believe it is important to engage knowledgeable outside experts. Vizant has provided us with ongoing strategies, solutions and ideas and has been instrumental in us traversing through the multifaceted payments system. They spent time learning and understanding our often times complicated and diverse business operations and provided us with a thorough analysis and detailed solutions."

The largest health plan insurer in the Pacific Northwest

"We selected Vizant to be our partner, adviser and expert in all matters related to financial payments and treasury operations. They have been keenly focused on cost efficiency and cost maximization in our payments area. They identified, recommended and implemented solutions with actionable strategies and ideas, all while working within our current environment. Vizant identified, recommended and implemented solutions, strategies and ideas that were actionable; and most importantly, worked within our current environment."

November 2016

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VIZANT HAPPENINGS

Future Educational Sessions:

North Carolina Treasury Management Association
Jameson, NC - February 9, 2017

St. Louis Treasury Management Association
St. Louis, MO- November 17, 2016

Vizant recently spoke at the St. Louis TMA conference on November 17th. Vizant's Senior Vice President, Ms. Aeron Sharp gave an educational presentation on Treasury Management and Financial Operations: The True Impact and Cost of Inefficiency. This session looked at both the hard and soft costs associated with maximizing efficiencies throughout the organization's financial operations and the impact it can have on your bottom line.

About Vizant

Vizant is a business intelligence and thought

The world's largest online retailer of sports, nutrition and fitness products
"The knowledge and expertise of Vizant is apparent and refreshing. Vizant has partnered with us to achieve proper alignment of payment type methods within our payments environment and ensuring we attain the greatest optimal process as well as the lowest possible cost to accept, manage and process every type of payment. They identified solutions which, when implemented, have resulted in tremendous cost reductions and efficiencies for our organization."

The consistent theme in our Client Testimonials is this: Vizant professionals work diligently to identify, quantify and implement business solutions that drive cost efficiency and increase their bottom line results. We stand firmly behind our ideas and solutions with a "pay for performance" pricing model.

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Payments and Treasury Insight

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Current Payments and Treasury News

What the Trump Presidency Could Mean for Treasurers

Corporate finance leaders such as Hightower Treasury Partners' Jerry Klein think the Donald Trump presidency could be beneficial for treasurers. For example, Klein says interest rates could move up should Trump impose trade barriers and raise fiscal spending. Higher interest rates could help corporate treasurers earn more on their cash balances. Klein also says companies could keep most of their money in short-term funds, but they could be more incentivized to invest some for longer periods and earn more on the cash.

Meanwhile, regulatory divergence is not desired, says Stephen Baseby with the U.K.'s Association of Corporate Treasurers. "The problem would be that the U.S. election, Brexit, and further [European Union] regulatory evolution lead to divergence so that businesses find themselves managing several regimes simultaneously but such changes are not quick." Meanwhile, some CFOs believe reduced corporate taxes will improve the balance sheets of certain companies. "The reduction of marginal rates going forward will help your balance sheet because it will lower your future liability," says EBY-Brown CFO Mark Smetana. He also foresees Trump's tax plan eliminating the taxation of small business structures such as partnerships and pass-through corporations at the highest individual marginal rate, which is much higher than the toll levied on large public corporations. "There should be parity in treatment of business-sourced income between large incorporated companies and partnership-like privately held ones," Smetana says.

However, another expected impact of a Trump administration is "prolonged market uncertainty which will be bad for corporates," says Swedish foreign exchange strategist Richard Falkenhaell. He notes many businesses depended on a stable exchange rate and could be significantly impacted by continued volatility in financial markets. "Because of the high cost, only some firms have hedged against this,"

leadership firm with a specialty expertise in the areas of financial operations, treasury management and inbound and outbound business payments. Vizant partners with its clients to implement actionable and real world solutions that improve efficiencies and reduce the structural costs of financial operations, treasury management and payments functions. Vizant's business model is truly unique and it stands alone in the world of professional services and advisory firms. We stand behind our solutions with a 100% performance based professional fee model that validates our expertise.

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Falkenhaell says. Companies also might wait a while before issuing new bonds, bankers say.

From "Trump Win to Refocus Corporate Finance Priorities"
Wall Street Journal (11/09/16) Trentmann, Nina; Shumsky, Tatyana; Monga, Vipal

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The Electronification of B2B Payments

Bankers and payments experts say many companies are continuing to migrate away from checks to electronic payments, driven by cost savings and efficiencies as well as a growing anxiety about fraud. "[Fraud] becomes a driver for conversion to electronic payments, and conversion in a way to make it much more robust and secure than what corporates can do in their own system," says Citi Treasury and Trade Solutions' Amrish Bansal. Also reinforcing the case for e-payments is mounting interest in supply chain finance, which gives buyers something to package with e-payments to convince suppliers to accept them. Work on how to facilitate faster payments also could spur electronification. The connection to supply chain finance can benefit suppliers by delivering faster access to their payments, and the idea of earlier payment can be essential in convincing them to take e-payments.

The Association for Financial Professionals' (AFP) Magnus Carlsson cites a finding that although overall check usage for business-to-business (B2B) transactions rose slightly among the companies AFP surveyed, the segment of payments the companies made to their major suppliers using checks fell from 43 percent in 2013 to 41 percent in 2016. The polled firms made 34 percent of payments to their major suppliers with ACH credits, up from 31 percent in 2013, and 13 percent with wire transfers, down from 16 percent in 2013. Carlsson suggests the deceleration in corporate B2B e-payment adoption, versus the slight additional improvement in electronifying their payments to their major suppliers, mirrors ongoing uncertainty. Among the obstacles to e-payment uptake companies cited are difficulties convincing customers to pay electronically, and persuading suppliers to accept e-payments. Lack of access to the IT resources needed to deploy e-payments is another major hindrance listed by AFP survey respondents.

One alternative e-payments strategy is to participate in a payment network. "Any corporate that has not yet embarked on a paper-to-electronic migration in this age needs to develop a strategy," says Fifth Third Bank's Scott Mills. "Paymode and other electronic networks are creating an opportunity for those buyers to electronify their accounts payable." Same-day ACH and other, faster transaction schemes also are helping build traction for B2B e-payments. Deploying e-payment entails the involvement and buy-in of many corporate departments—such as treasury, accounts payable, accounting, and procurement—depending on the type of e-payment used.

From "Electronifying B2B Payments"
Treasury & Risk (11/15/16) Kelly, Susan

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Innovation's Impact on Treasury Operations

Regulation, customer expectations, and hastening business speed are placing treasury departments under more pressure than ever before. In response to changing demands, Citi's Morgan Salmon says banking behemoths are developing dynamic solutions to traditional product sets in response to new strategies for treasury processes and the advent of new fintech startups. He notes an increasing concentration on boosting treasury efficiencies and more demand for real-time speed are opening opportunities to improve customer services. "Most of the systems used historically had just one level of control," Salmon says. "Now we are starting to see an unpicking of the process in making payments and...there is an increased need for tech to provide efficiency with the same level of control."

Regulation technology ("reg tech") designed to help financial institutions comply with

increasingly complicated regulation also is gaining prominence in treasury operations. Services such technologies offer include legislation and regulation gap analysis, health check, and regulatory reporting tools. "We have already seen the development of algorithmic trading in other markets and therefore we believe that in the near future the same technology could be used to do dealing on behalf of a company," Deloitte says. "With the exposures being inputted into the system and the treasury policies being stored in the system, the proposed deals could be automatically sent to the dealing platform for execution."

Meanwhile, there are differing opinions among financial services organizations as to whether blockchain is positive or negative for the industry, and Pegasystems' Graham Lloyd warns there is no room for complacency given the technology's potential for disruption. "Banks and insurers must prepare themselves for the day when they might have to manage blockchain-stored customer data—whether it be their personal information, details of their assets, or even real-time data from virtual currencies," he says. Catherine Mulligan at London's Imperial College Center for Cryptocurrency Research and Engineering advises organizations to evaluate blockchain without necessarily calling for its use.

From "Treasury Tech: The Innovation Game"
Bobsguide.com (11/16/16) Gill, Sarah

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Treasury Management Becoming More Strategic

Treasury management has assumed a more strategic role, shifting from transactions to analysis and value generation in recent years while U.S. treasurers anticipate further transition in the coming five years. Thanks to automation and new technology, corporate treasury has been able to improve the efficiency of transactional business, and treasury professionals are being called upon to embrace strategic and transformative leadership roles, including risk analytics.

Sycamore Associates' Marcia Banks notes the latest edition of the International Monetary Fund's biennial Global Financial Stability Report observed a greater appetite for risk and higher credit and macroeconomic risks than had been posted last April. "Treasury is a focal point for bringing all of these factors together and developing a risk management strategy for the company," Banks says. Dealer Tire's Matt Bittner says corporate treasury's strategic ambitions cannot proceed without ensuring IT resource availability and securing colleagues' support for change. He suggests treasurers seek out individual colleagues who share their mindset and cultivate "circles of influence" in building traction for change.

Banks says the current transformative, transitional era is one advantage. "Senior management needs to have a clear position on the company's risk appetite, which provides an umbrella under which treasury can work," she notes. There are ways to measure treasury's operations and assess their value, and these can be broken down into a series of metrics that board members can read and easily comprehend. Bittner says team members need convincing that modern problems can no longer be solved by old methods, and that collaboration is a necessity. "Seek out the problems of colleagues and if you can solve them it will enhance your credibility," he says.

From "Strategic Treasury: The Journey So Far"
GTNews.com (11/01/16) Buck, Graham

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Exotic Options Can Help Manage FX Risk

Corporate treasurers typically have limited discretion in managing market exposure and must routinely hedge foreign exchange and other identified exposures. However, there are built-in costs of hedging using forwards, as many emerging market currencies have significant positive net carry versus the U.S. dollar embedded into their forward rates. Although forwards are the dominant instrument for hedging, corporate treasuries also use options because they put a limit on market exposure

while allowing participation in favorable moves. Still, options require upfront premiums and they are of no help in dealing with the embedded adverse carry. Corporate treasuries can get some of the benefits of an option without paying a premium by using a slightly exotic tool called risk reversal, which involves selling an out-of-the money option aligned with the underlying exposure and using the received premium to purchase an out-of-the money option, which will provide protection. A European digital, or binary, option can be used for countering adverse carry; this structure pays out a fixed premium at expiry if the market is past the designated option strike. Although the vast majority of hedges are implemented with outright forwards, under the right conditions, the risk profile of hedges can be improved using exotic options such as risk reversal or digital structures.

From "Managing FX Risk: Are Exotic Options a Solution?"
ACT Blog (11/09/16) Leven, Ron

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Strong Ethical Culture Key to Reducing Corporate Fraud

There are several steps organizations can take to reduce the chances they will be impacted by fraud. Consistently following smart policies for double-checking fund transfer requests can help minimize the chances a company will be victimized. However, preventing fraud intentionally perpetrated by internal employees is more complex, especially if senior management is involved. The key to mitigating risks around employee malfeasance is to nurture a strong culture that encourages principled and ethical behavior. According to the 2016 ACFE Report to the Nations on Occupational Fraud and Abuse, which provides an analysis of 2,410 cases of occupational fraud that occurred in 114 countries throughout the world, the total loss experienced in these cases exceeded \$6.3 billion, with an average loss per case of \$2.7 million. Therefore, many organizations have made a strong effort to emphasize ethical culture from the top down. Internal fraud often occurs within the bounds of financial reporting, and corruption can be blatant or more nuanced, such as theft or fraud through the misuse of customer data for personal or corporate gain. The basics of building an ethical corporate culture include board involvement; a written code of conduct with supporting policies; regular ethics training for executives, managers, and employees; strong pre-employment screening; confidential reporting systems; and reaction and response in the event of a violation.

From "Corporate Ethics: More Than Good Karma"
Treasury & Risk (11/08/16) Rosenberg, Ed

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Technology Helping Treasurers Stay on Top of Trends

The increased responsibility that corporate treasuries have taken on in recent years has led to a need for effective technologies, which can help them stay on top of trends, and anticipate potential changes that can be used to deliver a competitive advantage. For example, organizations that can correctly forecast trends and devise strategies, such as hedging, to mitigate risk can avoid losing large sums on fluctuating exchange rates, but also improve the bottom line and outperform rivals. "Corporate treasurers have become their company's commanders of foreign exchange, currency hedging, and international payments, and relying on old, manual, and discretionary hedging techniques simply won't cut it," says Kantox chief operating officer Antonio Rami. Automated systems that can create a tailored policy are essential, whether that is through platforms that integrate with an existing enterprise resource planning system or a treasury management system. "For multinational corporates, which now face multiple new legislations in countries all over the world, it is close to impossible to stay compliant without a reliable technology provider that can automate reporting and stay current with local legislation changes," says VirtusaPolaris' Henrik Crone.

From "Technology Helping Treasurers Stay on Top"
Raconteur (10/26/16) Martindale, Nick

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Corporate Treasury's Job and Mission Continue to Expand

Research has shown the job and mission of the corporate treasury have evolved over the last three years as its strategic role expands. Scania group treasurer Börje Wigfeldt in October unveiled the latest perspectives at the EuroFinance Conference in Vienna, Austria. Wigfeldt says the treasury department's emphasis on value generation has transitioned from transactional treasury to process-efficient treasury, and now to value-adding treasury. The main mission of the corporate treasury used to be efficiently handling the company's liquidity, refinancing needs, and financial risks, as well as delivering professional financial services internally. However, Wigfeldt says corporate treasury now has a new strategic role in the development of the business, as companies switch to new business and operational models. The new role involves enabling core functions such as funding, hedging, risk management, liquidity, cash pools, netting, banking relations, and settlements while also being enclosed by a strategic layer that supports working capital improvements, general advisory functions, company efficiencies, and sales support.

From "What Does Corporate Treasury Do? What Should It Do? Be a Strategic Partner?"

CTMfile (11/02/16)

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Companies More Reluctant to Deploy Short-Term Cash

The Association of Finance Professionals (AFP) expects U.S. companies to continue to maintain high levels of liquidity in the final quarter of 2016. The difference between the percentage of corporate treasury and finance professionals whose firms increased short-term cash holdings quarter-over-quarter and those that depleted cash balances was +19, up 11 percent from the second quarter, according to the latest Corporate Cash Indicators (CCI) data. In addition, the percentage of firms that increased cash holdings year-over-year as of the third quarter was up 7 percent to +21. "The October CCI shows that corporates are taking a wait-and-see approach when it comes to cash deployment, likely because of concerns over political uncertainty at home and abroad," says AFP CEO Jim Kaitz. "Absent a strategic priority, organizations are holding on to their cash." However, optimistic companies are more likely to deploy their cash holdings, the AFP notes. The top 30 companies in the S&P 500 hold most of the corporate cash, about \$2 trillion of which is held overseas. The year-over-year change in cash holdings was the highest since July 2014, and the quarter-over-quarter change in cash holdings was the largest since January 2014.

From "Companies More Reluctant to Deploy Short-Term Cash"

CFO.com (11/03/16) Ryan, Vincent

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Addressing the Corporate Treasury Big Data Challenge

Regulation and digitization are having a profound impact on the information processed by corporate treasurers. There are several newly digitized processes emerging, such as electronic bank account management (eBAM) and know your customers (KYC), with new formats and constantly-increasing amounts of data that need to be stored and organized. Big data in treasury is derived from a number of sources, which are often very specialized. The specialized nature of these platforms, and the specific nature of the data they produce, creates silos that make it difficult to achieve visibility and control over the financial supply chain. This contrasts with treasurers' aim to achieve end-to-end visibility, and structured information to automate reconciliation processes. Data management technologies are becoming instrumental in helping to manage and navigate data to establish full control and visibility over the financial supply chain. In addition, by adding algorithms using artificial intelligence and predictive analytics on top of the core data, treasurers can

gain better insights into the future and significantly enhance decision-making.

From "Big Data: Addressing the Corporate Treasury Data Challenge"
Treasury Management International (10/31/16) Casterman, Andre

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