Optimizing liquidity management
Increasing transparency and efficiency to make company cash work harder

Passion to Perform
“Today’s treasurer is under growing pressure to ‘do more with less’. Improving operational efficiency has moved to the top of the corporate agenda.”
Deutsche Bank’s White Paper series provides in-depth analyses of the broad spectrum of issues affecting the global corporate treasury management industry today. By identifying and evaluating the reasons for, impact of, and potential solutions to the latest game-changing developments in this space, White Paper charts the course to maintaining a competitive edge despite challenging market conditions. In this White Paper Lisa Rossi, global head of liquidity management, discusses how integrated and innovative cash and liquidity management solutions can meet treasurers’ evolving needs.

While liquidity and cash flow management has always been a core function of the corporate treasury department; the (ongoing) liquidity freeze following the global financial crisis of 2008 has underscored the importance of optimizing the efficiency of these systems and processes. This is the case at all levels of commerce, though it is particularly important for multinational corporations (MNCs) that have more complex liquidity requirements and are frequently afflicted by systemic and structural inefficiencies as a result of their geographic spread.

Unsurprisingly, this unprecedented focus on the importance of liquidity management optimization has led to the evolution and expansion of the role of the corporate treasurer. Although still responsible for the day-to-day cash management needs of their organizations, many treasury departments are now evolving from operational units into strategic divisions, meaning that treasurers are being increasingly encouraged to take greater responsibility and even play an important part in improving the bottom-line. For the vast majority of treasurers, however, this rise to prominence and expansion in remit coincides with a depletion of fiscal – and perhaps also human – resources. As a result, today’s treasurer is under growing pressure to ‘do more with less’, which has put enhancing operational efficiency at the top of the corporate agenda.
Despite ever-increasing levels of sophistication throughout the commercial world, many corporates remain plagued by organizational or structural inefficiencies that prove detrimental to liquidity management. This is an acute problem for MNCs, who need to operate across different time zones, work in multiple currencies, manage numerous banking relationships and ensure they meet financial and reporting requirements that vary between countries and regions. Consequently, conventional cash optimization techniques, such as regional cash pooling, can prove far more complex and labor-intensive – and therefore less effective – than many treasurers had either hoped or expected.

An emerging problem, which is also doing little to address liquidity concerns, is a lack of expertise. These are turbulent and uncertain economic times and many treasurers, in the attempt to navigate such challenging conditions, are seeking to implement new structures with regard to intercompany funding and aggregating funds regionally and globally. This represents new and unchartered territory for the majority of treasurers and, as a result, they are increasingly looking to their banking partners for consultative services and guidance as well as access to innovative products and technology solutions.

Indeed banking technology – particularly since the advent of the internet – has made notable headway towards improving the efficiency of corporate cash and liquidity management. The single greatest step that treasurers can take in order to make company cash work harder is to increase transaction processing efficiency, which should in turn increase the visibility and control they have over company cash. In recognition of this, many have begun to employ integrated cash flow, liquidity and risk management solutions – one of the most significant developments in modern treasury management.

Such integration (both at the point of delivery and on a more fundamental, product-design level) can allow treasurers to gain greater control over working capital, liquidity positions and risk exposures, as well as meet the growing regulatory demand for increased transparency and reporting. A combined approach can also improve visibility. Given today’s uncertain financial environment, risk mitigation is a chief priority for all trade entities. If corporates are to adequately manage burgeoning commercial threats, they need to be able to ensure that risks can be accurately assessed and evenly spread, with contingency plans in place to safeguard business continuity should the unexpected happen. Greater visibility of both cash positions and end-to-end transaction flows allow treasurers to put company funds and assets to best use, while simultaneously enhancing risk management. The improved visibility that comes as a result of integration, therefore, goes a long way towards helping treasurers meet these requirements.
Integration alone, however, does not address all of a treasurer’s needs, especially in such challenging market conditions. The success of liquidity management optimization is equally dependent upon the provision of data. Access to real-time, relevant transaction data and information is crucial for accurate cash flow forecasting and making informed assessments of funding, liquidity and counterparty risk. Data can also bring to light potential threats that may otherwise have remained undetected until it was perhaps too late – promoting a ‘prevention is better than cure’ mentality.

Despite the importance of data, many treasurers fail to strike the right balance when it comes to data management; they either struggle with too little or are burdened by too much. The issue of too little data is perhaps unsurprising, as data accumulation and accuracy can be one of the greatest challenges that treasury departments of international companies face. This is because local subsidiaries and business unit employees can be remote, both physically and structurally, from central treasury operations.

On the other hand, too much information is equally problematic. Treasurers simply cannot meet the demands of their newly expanded role unless they can locate precise and relevant transaction-related data and information. In order to make this task easier, the data should ideally be presented in their chosen format. As a result, modern integrated platforms must offer enough flexibility to allow treasurers to customize (within reason) their data dashboards and present information in an intuitive, graphical format – making it easier to interpret and manage data to the company’s best advantage.

“Access to real-time, relevant transaction data is fundamental to optimal liquidity management. Many treasurers find managing data a significant challenge – they tend to be either burdened by too much information or forced to struggle with too little. This problem can be addressed by modern integrated platforms – particularly those that allow data to be presented in an intuitive, graphical format.”
In order to meet the rising complexity of treasurers’ demands, leading (or “next generation”) technology solutions must now combine operational sophistication with data management and customization tools, which must be supported by sector expertise and client understanding. Given the scale of investment required, the pool of providers capable of offering such solutions is not only limited, but also largely restricted to the global players who have driven innovation in corporate treasury management.

Deutsche Bank’s offering in this space is the treasury platform on Autobahn, our an award-winning electronic distribution service that offers a fresh and holistic approach to cash and liquidity management, including enhanced visibility of global balance positions, foreign exchange (FX) exposures, cash flow planning, and an interactive and actionable suite of investment services. The real benefit of this electronic distribution service for corporate treasurers is that they can access a full suite of treasury and liquidity services through a single sign-on. As a result, they are able to view a consolidated liquidity position across regions, currencies and banking relationships, and can improve the accuracy of cash forecasting, enhance risk mitigation by understanding counter party risk and maximize investment returns through increased transparency.

The introduction – and advancement – of next generation treasury solutions would not be possible without a consultative approach to product development. In recognition of this, client communication and feedback have been central to the development and roll-out of the treasury platform.

Indeed, now that the user experience is becoming increasingly vital to any value proposition, liquidity management solutions must seek to combine enhanced functionality with increasingly high levels of usability, such as those common in the consumer space and promoted by popular social media tools. Deutsche Bank has responded to this by building on the increased functionality of the treasury platform on Autobahn to launch the ground-breaking Autobahn App Market, the first “App-based” electronic distribution system in the financial services industry. In addition to acting as a gateway to a wealth of transaction banking services and research expertise, the Autobahn App Market enables corporates to trade electronically across multiple asset classes, including foreign exchange, equities, commodities, credit, rates and emerging markets.

One of the key benefits of the App Market from the treasurer’s perspective is that it allows cash and liquidity management products and services to be grouped according to individual company requirements and business cycles – meaning treasurers select the precise tools they need. Treasurers may also gain from enhanced efficiency of operations, interface-consistency, and the greatly increased transparency of information, reports and records, as these products and services are accessible from a centralized location.

Next generation treasury solutions

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Looking to the future, treasurers will need greater transparency and control if they are to surmount the challenges that the ongoing financial market instability will present. Long-term commercial success depends on the sustainability of business cycles, which in turn depend on treasurers’ ability to make optimal use of company cash and address potential business threats before they can cause harm. As a result, access to tools that can provide prime visibility of end-to-end process flows and accumulate and present relevant data and information will prove invaluable.

Corporates, therefore, must ensure that their bank providers possess both the required capabilities to meet their current requirements and are committed to investing in innovation, as the evolving financial and regulatory environment poses further challenges. Certainly, the ongoing development of the Autobahn App Market demonstrates that technology development is at the core of Deutsche Bank’s strategy. As a trusted banking partner to corporates worldwide, Deutsche Bank maintains an unrivalled standard of technology sophistication and continually strives to make even further progress in terms of client access channels, customer self-administration and solutions delivery. Yet we understand that technology, though a crucial enabler, is not a definitive solution in itself. At Deutsche Bank, we use technology to leverage our market expertise, extensive network and geographic reach on behalf of our corporate clients – enabling them to achieve commercial success in an increasingly complex and global market.

Moving forward

“Tools that provide visibility of end-to-end process flows and improve data management techniques will prove invaluable to treasurers worldwide. Given this, corporates must ensure that their bank providers possess the necessary capabilities – as well as expertise, reach and strong client support – to enable them to prosper in the face of ongoing market challenges.”
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