

Executive summary

Rethinking treasury

How CFOs and
corporate treasurers
are rising to the
risk management
challenge



Foreword

In a more connected, complex and fast-paced world, where businesses must cope with more risks than ever, the challenges facing the finance function have never been greater.

For the Chief Financial Officer (CFO), this means increased responsibility on a far larger scale, and the need to make more informed decisions quickly and efficiently. And as the role of the modern CFO expands – not least as a strategic partner to the CEO – so too must their reporting lines step up.

The HSBC Risk Management Survey findings highlight a number of themes that are likely to reshape and strengthen the relationship between the CFO and treasurer in future.

◆ **CFOs expect their treasurer to react to more risks in a faster and more efficient way.** Treasurers need to be both risk managers and strategic partners, giving CFOs confidence that their treasurers have the aptitude to support them as the

company navigates through complexity and uncertainty. CFOs must feel able to rely on their treasurers as trusted lieutenants who are able to protect the organisation with best-in-class risk management capabilities.

◆ **Treasurers need to view the world through an increasingly strategic lens.** Long-term thinking should become the core of an effective treasury department. This approach should support the business in its decision-making process, leveraging their expertise to contribute to those decisions.

◆ **Rethinking the role of the treasury is likely linked to a further digital transformation.** Treasurers and their teams are frequently required to develop new skills and explore new ways of working, to discharge these duties effectively. This includes the need to exploit new technologies. This may not be easy, with pressures on resources remaining tight in many businesses.

The prize for treasurers able to make the transition is an opportunity to play a more high-profile and valued role in the future of their organisations, and to build skills and experiences that should prove invaluable throughout their careers.

This report charts this evolving relationship between CFO and treasurers, as well as the tools, skills and procedures that will form the basis of that relationship in the future.

Drawing on surveys conducted with both constituencies, it charts the CFO's changing expectations of the treasury function, and the efforts of treasurers to deliver what their organisations now require.

Our conclusion is that the CFO's vision of the modern treasurer is well aligned with treasurers' own vision of their future roles. But that vision must be converted into practical implementation and a joint understanding of the pace and priorities in the treasury transformation process.

Methodology

During the first quarter of 2018, HSBC and FT Remark conducted two separate surveys. FT Remark surveyed 200 CFOs and equivalents (the most senior member of a finance department) from multinational corporates across a range of sectors. Half of these corporates had annual revenues of \$1-5bn*, while the other 100 had revenues of more than \$5bn. Within each of these two revenue groups, 40 respondents were located

in the EMEA region, 30 in the Americas and 30 in the Asia-Pacific region.

HSBC's survey was completed by 296 senior treasury professionals from multinational corporates across a range of sectors. The survey was conducted in a multiple-choice, online format and was open for a six-week period. The EMEA region generated 68% of participants, with 23% from APAC and 9% from the

Americas. Some 39% of participants generated annual revenues of less than \$1bn in their latest financial year, 31% recorded revenues between \$1-5bn and 30% more than \$5bn.

Please note that, in this report, "larger businesses" refers to those with annual revenues of more than \$5bn.

* \$ denotes USD throughout

Key Findings

As the world becomes increasingly interconnected, how are CFOs and treasurers creating more effective partnerships to deliver their strategic vision?

Risk management in focus

CFOs and treasurers agree that risk management needs improvement, with FX risk the most significant area of concern.

■ CFO ■ Treasurers

58% of CFOs in larger businesses say that FX risk management is one of the two risks that currently occupy the largest proportion of their time

58%

72% of treasurers say FX risk management is one of the most important aspects of their job

72%

51% of CFOs say that FX is a risk their organisation is least well-placed to deal with

51%

57% of treasurers say risk management is an area in which they would like to develop further expertise

57%

70% of CFOs say they experienced lower earnings due to significant unhedged FX risk in the past two years, which their treasuries could (or should) have been able to avoid

70%

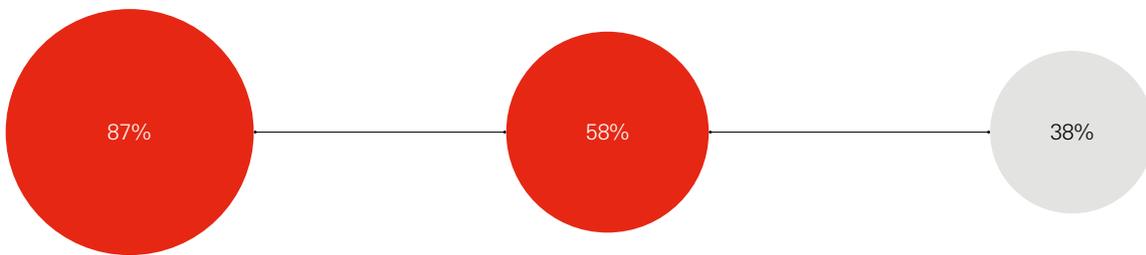
53% of treasurers expect changes in FX regimes and regulations to materially impact their risk management strategy in the next three years

53%

The strategic role of treasury

The role of the treasury function has changed dramatically and continues to evolve.

■ CFO ■ Treasurers



87% of CFOs in larger businesses say their treasury function plays a key role in strategic decision-making

58% of CFOs in larger businesses have complete confidence that their treasury department has all the skills necessary to play the role

38% of treasurers say risk management is the most important area in which they would like to develop further expertise, ahead of any other choice

Risk management in focus

Treasurers are under pressure to do more with limited resources, but digital technologies will play an increasingly important role in treasury, bridging the gap between resources and expectations.





The direction of travel for treasury is clear: as their own roles expand, CFOs need to rely on their treasury's risk management expertise to protect the company and their own position. And as they strive to meet their own growing strategic responsibilities, CFOs will need more strategic input from treasury.

For their part, treasurers are willing and able to rise to the challenge. The imperatives outlined by CFOs resonate with the treasury function. In some organisations, the shift towards this new role for treasury is already underway.

However, many organisations have some way to travel. For one thing, resources are precious – treasurers already struggling to do more in the current setup wonder how they can square the circle of increasing responsibilities, even if some expect further support.

For another, many treasurers are only just beginning to exploit the tools and technologies that can help them in their new role. As treasury responsibilities are expanding, their skills will need to evolve as well, especially towards data analysis and insight generation.

How do treasurers and CFOs proceed from here?

- ◆ **Recognise the challenge:** acknowledge the need for partnership to deliver more effective and efficient risk management.
- ◆ **Raise your voice:** articulate what is needed to deliver the new vision for the treasury function, from more technology-minded skill profiles to the ability to adjust hedging ratios and instruments with greater flexibility, to get the job done.
- ◆ **Focus on policy:** a flexible policy is needed to establish clear and agreed parameters across a range of treasury responsibilities. This should be reviewed and fine-tuned regularly as the world changes.
- ◆ **Organise for success:** embrace more collaborative working in treasury, breaking down functional silos and building outward-looking relationships with the rest of the organisation.
- ◆ **Think about today, act for tomorrow:** balance the demands of day-to-day treasury management with the long-term strategic objectives and attitudes to risk of their organisations.

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