



Treasury Perspectives Survey

Key Findings & Top Takeaways

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Today's Presenters

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Adrienne Terpak

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Adrienne Terpak is VP, Treasury Management Service – CSB Segment Manager. Adrienne started her career as a corporate treasury practitioner and held senior management positions at Prudential Financial and Sharp Electronics Corporation, with responsibility for Treasury Operations, Accounts Payable and Accounts Receivable. Adrienne joined TD Bank in 2013 and currently manages the Corporate and Specialty Banking (CSB) Segment for Treasury Management Services, directing the growth strategy for large Corporates, Corporate Real Estate, Asset-Based Lending and Dealer Commercial Services. She holds an MBA in Finance from Seton Hall University and a B.S. in Spanish/Business Administration with Honors from The Pennsylvania State University.



Craig Jeffery

Founder & Managing Partner

Strategic Treasurer

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs. His 20+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.

Topics of Discussion

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 - Survey Overview
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- **Key Findings**
 - Economic Outlook
 - Credit Use & Availability
 - Treasury Operations
 - Regulations & Compliance
- **Top Takeaways**
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About the Survey

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Operational & Demographic Highlights



150+
questions



300+
respondents



20%
banks



80%
corporations

RESPONDENT REGIONS OF OPERATIONS



TOP CORPORATE RESPONDENT ROLES



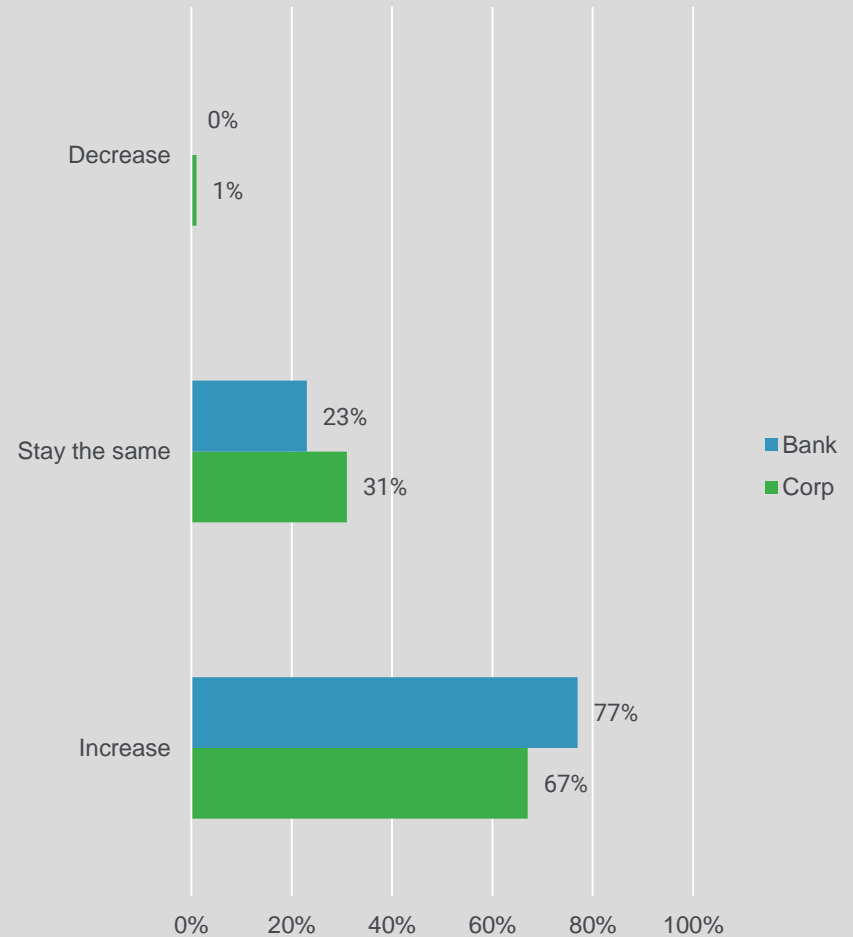
Key Findings: Economic Outlook

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Positive Economic Outlook

- Both corporates and banks are overwhelmingly optimistic regarding GDP growth of their HQ country.
 - 67% of corporates expect GDP growth increase vs. 1% expecting a decrease.
 - 41% of corporates expect a GDP increase of more than 2%.
 - For banks, 77% expect GDP growth increase, and not a single bank respondent expected a decrease.
- Banks were slightly more conservative with forecasted GDP growth.
 - 36% expect an increase of 2% or more

In the next year, we expect the GDP of our headquartered country to:



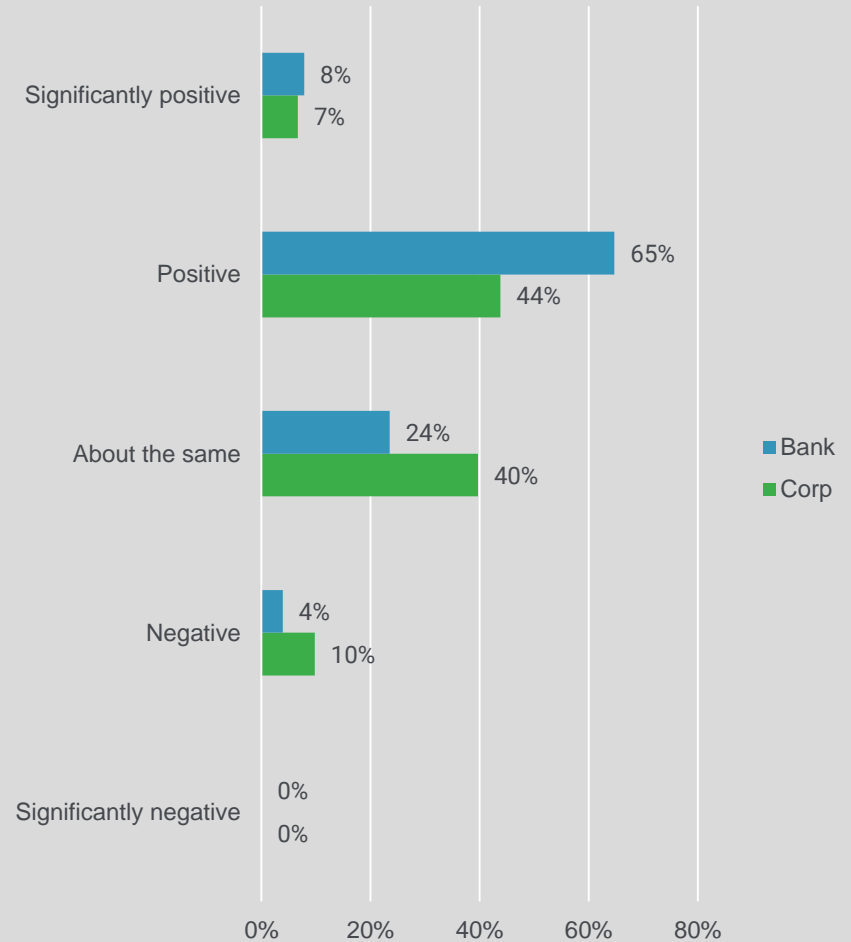
Key Findings: Economic Outlook

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Positive Organizational Outlook

- The vast majority of bank and corporate respondents had optimistic views regarding the direction and future growth of their company.
- For corporates, 59%+ held positive or significantly positive views when looking at the next one, three, and five years, compared to just 10% or less with negative views over the same timeframe.
- For banks, 76%+ had positive or significantly positive views over one, three, and five years compared to just 4% or less with negative views.

Over the past 12 months, how has the outlook for your organization changed?



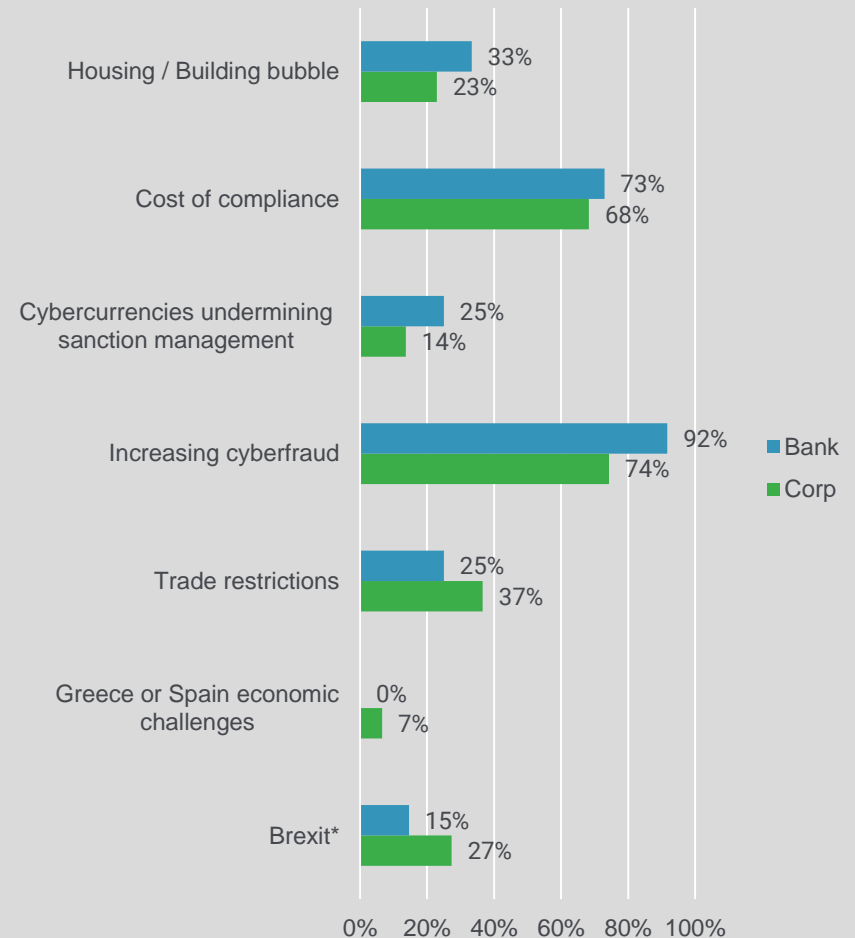
Key Findings: Economic Outlook

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Top Economic Concerns

- Corporate concerns center around cyber fraud and criminal activity, as well as the ongoing costs associated with maintaining compliance.
- From a bank perspective, cyber fraud and cost of compliance were also the two largest concerns broadly.
- With regards to North America specifically, both banks and corporates harbored concerns regarding tax reform.
- Tax reform continued to be a top concern even after it was announced by the U.S. government that a tax reform package had been passed.

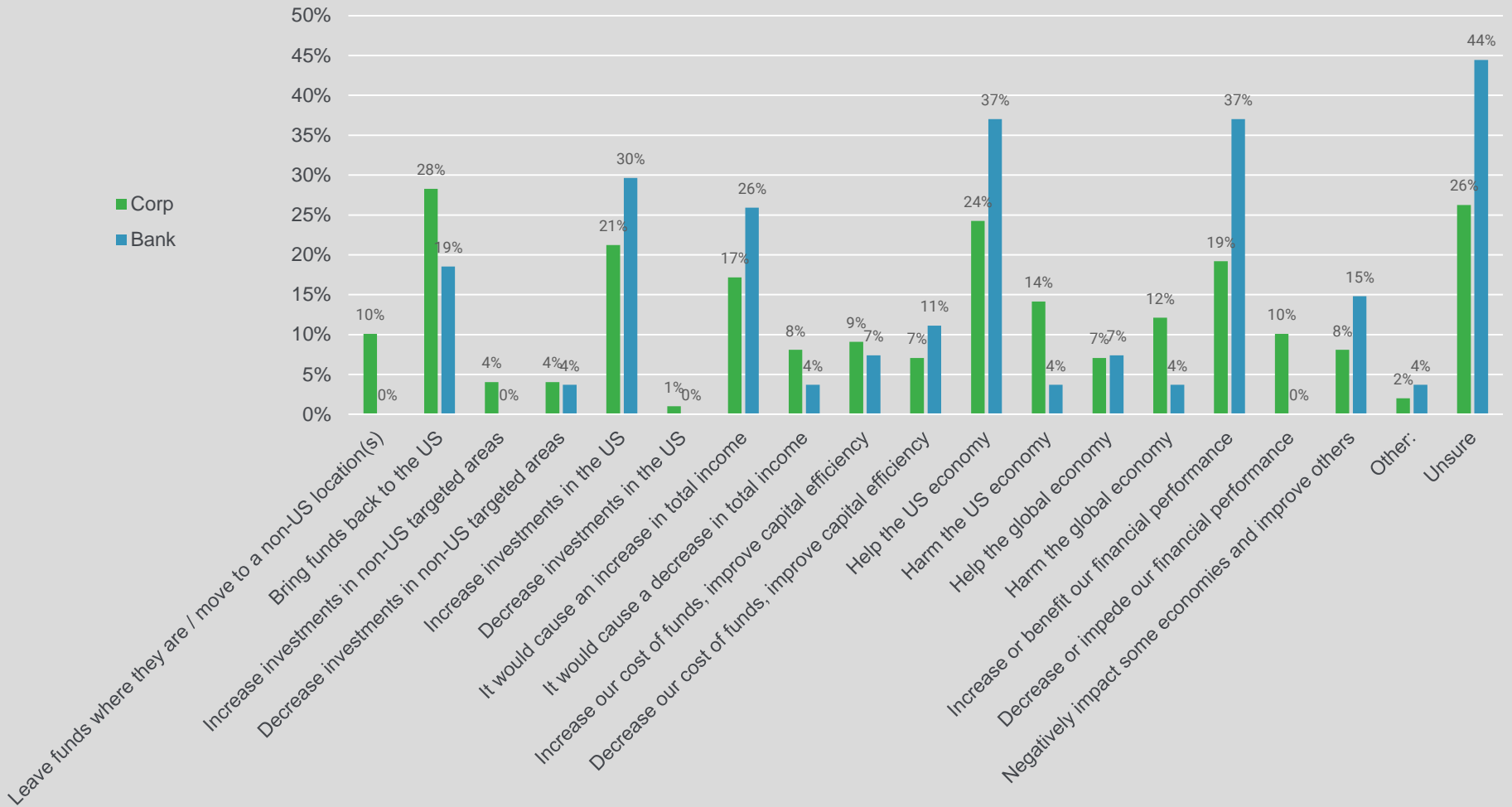
Please select up to your top three (3) CONCERNS with regards to economic and cyber changes.



Key Findings: Economic Outlook

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Tax Reform: How would tax reform impact your business plans? (Select all that apply)

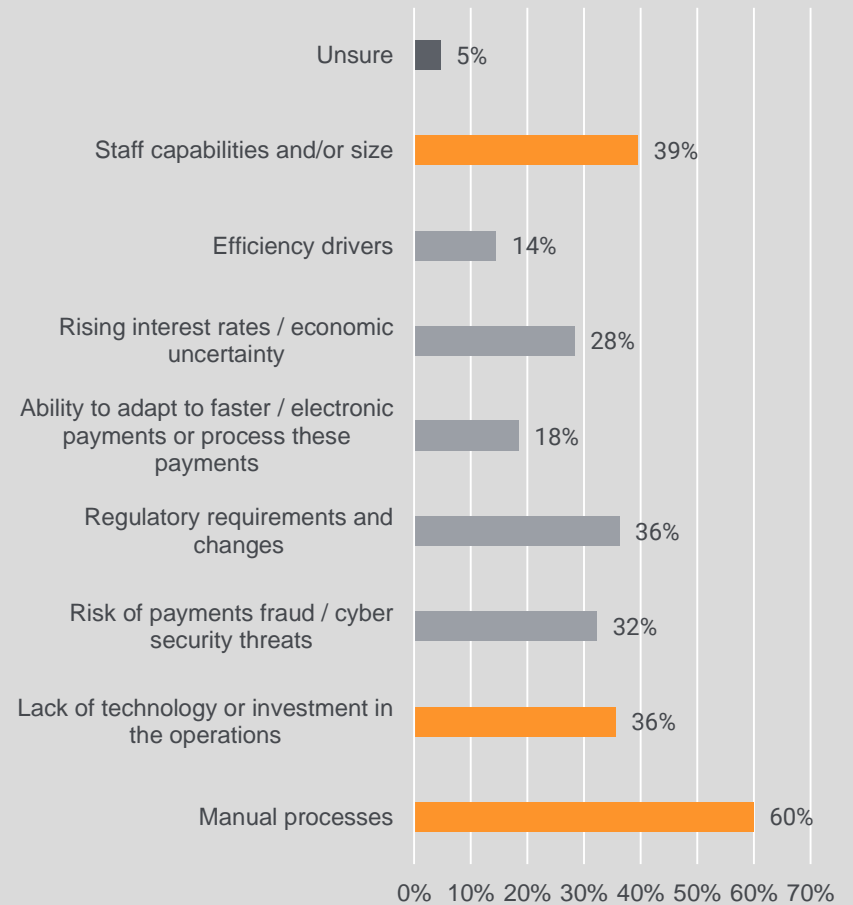


Key Findings: Credit Use & Availability

Automation & Efficiency Drive Corporate Growth

- The top operational challenges that treasury must confront pertain to overly manual processes and limitations related to staff size.
- A lack of tech investment in operations was also a chief challenge; many firms' outdated tech infrastructures are directly correlated to their overly manual processes.
- This data points to a need for treasury to achieve increased automation and efficiency so that the burden on individual staff members can be reduced.

Corporates: What areas represent the top operational challenges for your organization in 2018? (Select all that apply)



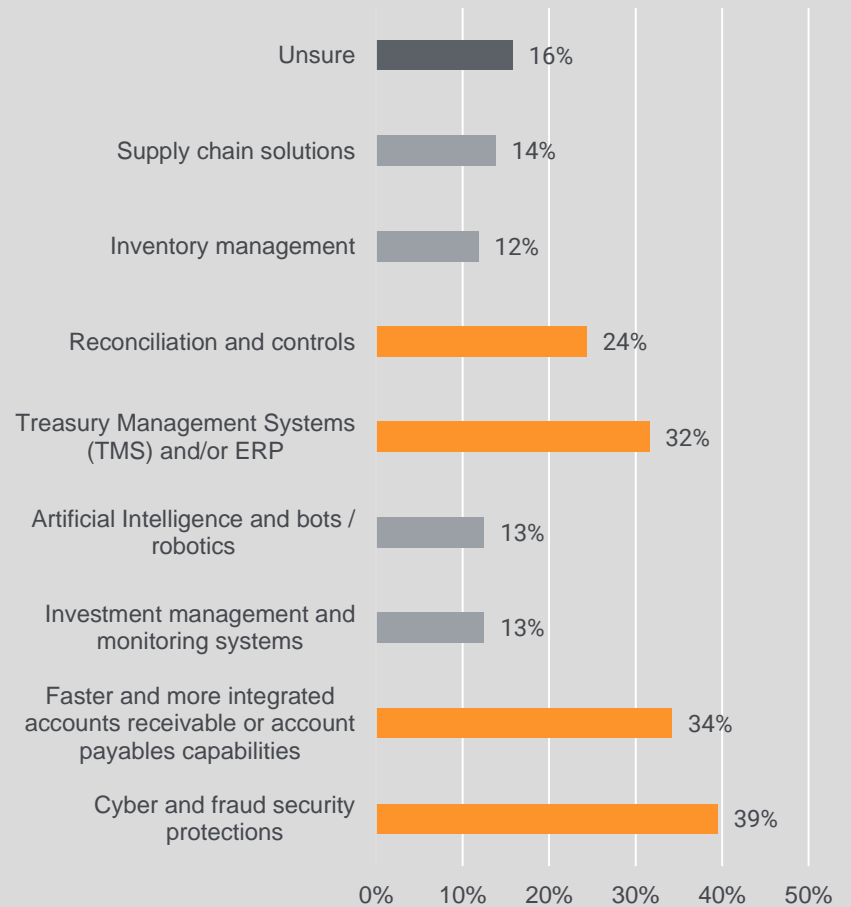
Key Findings: Credit Use & Availability

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Investment & Spend Plans

- As would be expected given their manual inefficiencies, corporate treasurers are increasingly turning to technology to streamline their operations.
- Treasury investment and spend plans are elevated across a wide variety of processes and systems.
- Specific areas of elevated focus include:
 - Reconciliations/controls
 - Security and cyber fraud protection
 - AP/AR automation
 - TMS/ERP enhancements or implementations

Corporates: In which areas of your financial operations does your organization plan to invest in 2018? (Select all that apply)



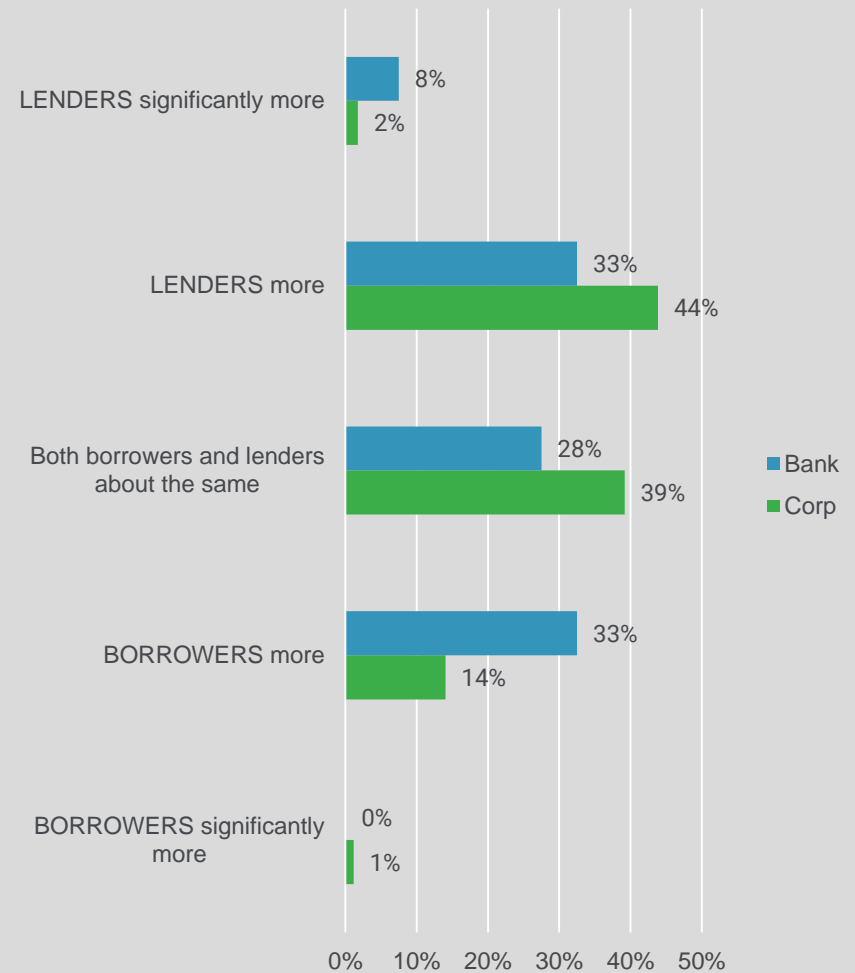
Key Findings: Credit Use & Availability

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Loans Expected to Favor Lenders

- A significant portion of corporates (44% compared to 14%) see the state of loans shifting in favor of the lender over the next year.
- Corporates also expect loan covenants to become more restrictive and anticipate lenders will become more stringent on their enforcement of non-compliance.
- This outlook could be due to the expectation that compliance and regulatory-related pressure will continue to drive banks to “de-risk” their balance sheets and only offer lending to the most creditworthy applicants.
- Practitioners are also anticipating that interest and borrowing rates will continue to rise over the next year.

Overall loans: We expect loans over the next year to favor:



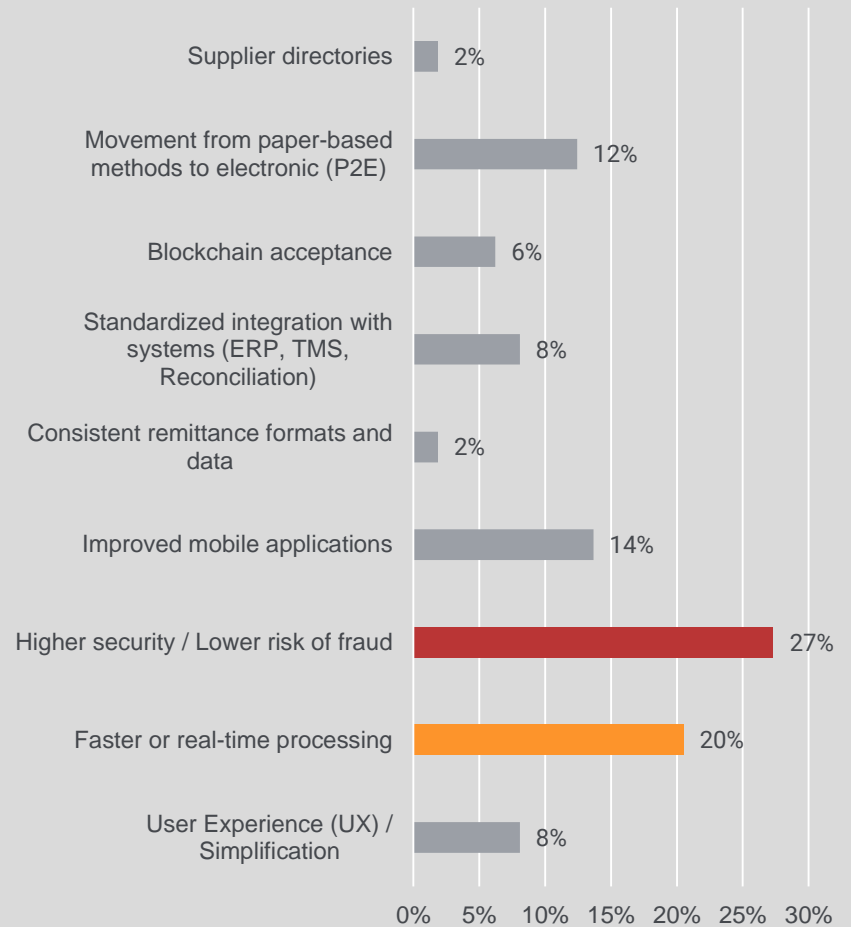
Key Findings: Treasury Operations

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Corporate Payments Expectations Revolve Around Security

- The corporate payments area of focus that consistently ranks as a top priority is that of fraud prevention and security.
- Cybersecurity and fraud were ranked by corporate respondents as the top economic concern in 2018.
- Corporate emphasis on fraud prevention over the past several years has regularly outranked other factors, including even cost and efficiency.
- Treasury Perspectives data shows that corporate practitioners continue to emphasize fraud prevention and are anticipating security innovations to be the area of largest growth for payments over the next year.

Where do you expect to see the largest amount of growth in payments innovation over the next year?

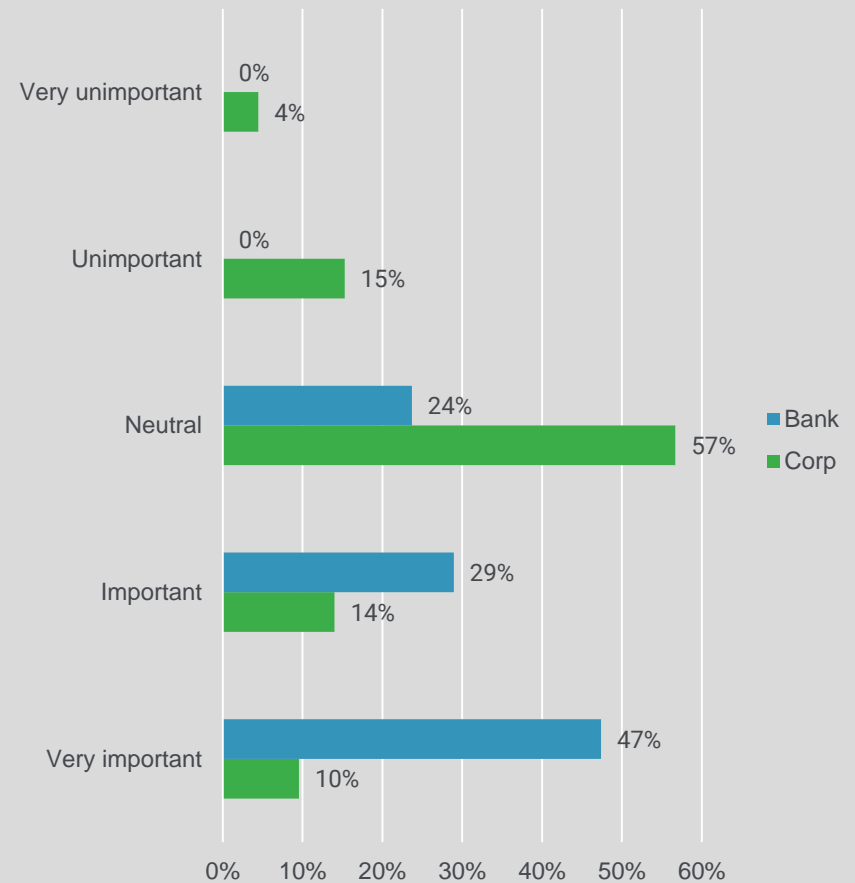


Key Findings: Treasury Operations

Mobile Divide: Bank & Corporate Standpoints

- Despite the widespread research and development of mobile applications by banks and fintech providers, enthusiasm and focus within the corporate environment is subdued.
- The vast majority of corporate respondents (57%) are neutral regarding mobile banking capabilities.
- This is in stark contrast to banks, where 76% saw commercial mobile banking capabilities as being either important or extremely important, and not a single respondent saw such capabilities as unimportant.
- This divide could be due to corporate security concerns, which are resulting in a reluctance to introduce additional fraud exposures through mobile banking apps.

In the next three years, how important will commercial mobile banking capabilities be for your position (or those of your corporate clients)?



Key Findings: Treasury Operations

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Cash Forecasting is Time Consuming

- Nearly 1/3rd (32%) of corporate treasurers spend more time on forecasting than any other area of responsibility.
- This was by far the largest area of focus, with 2nd place (payment management) being 2.5x lower at 13%.
- Cash forecasting tools are regularly listed as one of the most needed areas of functionality for treasury.
- Forecasting is also one of the areas that causes the most headache for practitioners.
- Despite continued advancement along the forecasting front (better technology, better data, etc.), forecasting continues to be an inefficient and tedious process for many firms.

Considering all of your operations, what do you spend the most of your time working on?

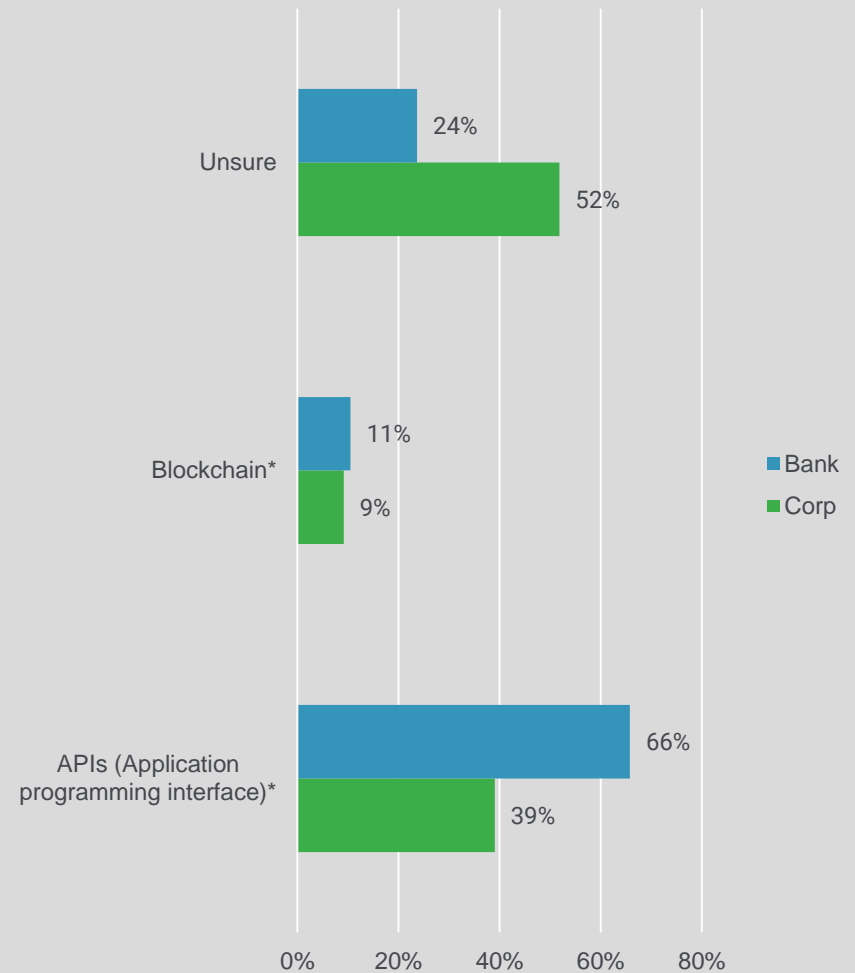


Key Findings: Treasury Operations

APIs More Important than Blockchain

- Over 4x as many corporates (39% compared to 9%) saw the use of APIs as being more important than blockchain for outbound payments.
- For banks, 66% viewed APIs as more important compared to just 11% for blockchain.
- As PSD2 and “open banking” push banks to adopt APIs for greater integration with outside systems, both corporates and banks are seeing the fruits of these endeavors above any traction in the blockchain space.

Which is more important for outbound payments?

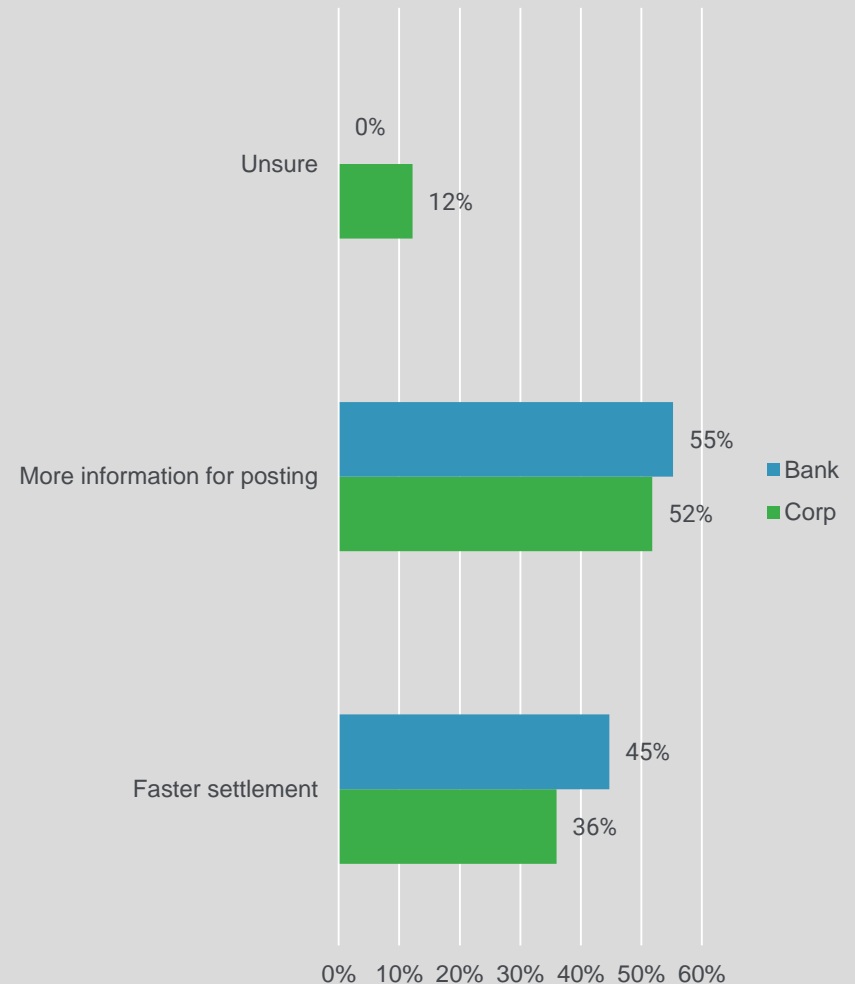


Key Findings: Treasury Operations

Enhanced Remittances More Important than Speed of Settlement

- For inbound payments, the majority of corporate practitioners (52% vs. 36%) are less focused on speed of settlement and instead would like to see enhanced remittance capabilities.
- For B2B funds transfers, it is often the case that a single payment is used to cover multiple invoices or account for multiple services. To avoid confusion, it becomes necessary to include specific payment details as part of the message so that the recipient knows exactly how to allocate the funds.
- Currently, many of the funds transfer services available to corporates place limits on the remittance fields that can be sent along with a payment.
- At the same time, many of the payment services available to corporates right now (ACH, RTGS, etc.) already offer either same-day or real-time settlement and are “fast enough” in the eyes of practitioners.

Which is more important for inbound payments?



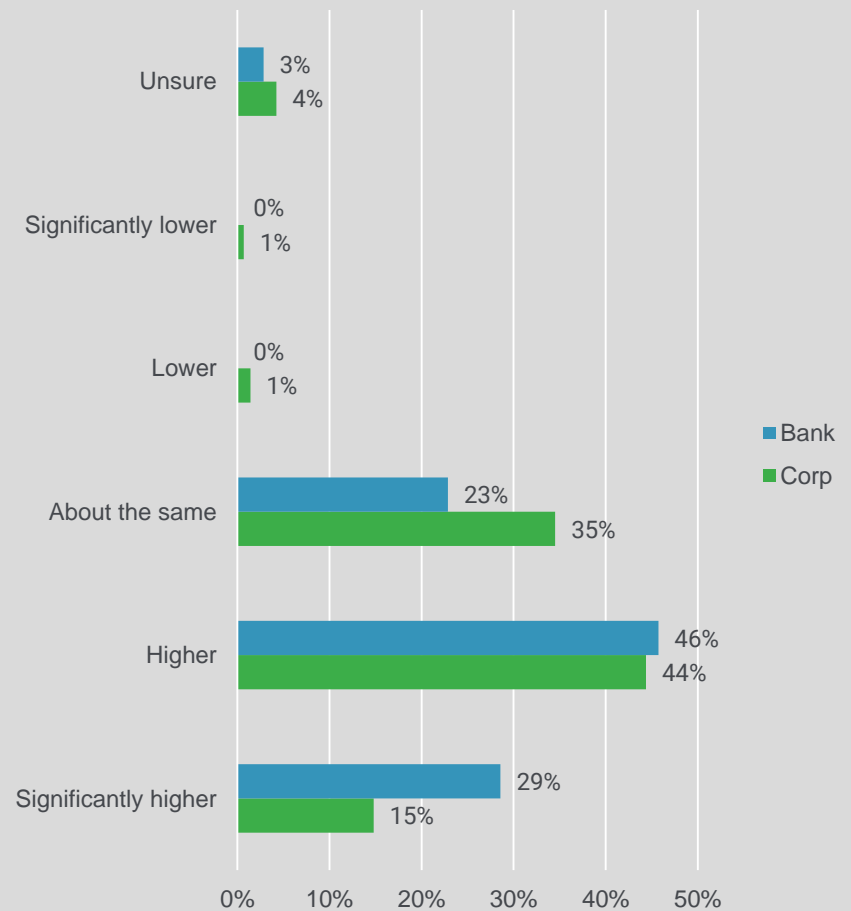
Key Findings: Regulations & Compliance

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Compliance Expectations are Elevated

- Over the past decade, regulatory authorities have placed increasingly stringent compliance requirements onto the financial environment.
- While many of these regulations have targeted banks, corporates are feeling the pressure as well.
- Compared to historical norms, only 2% of corporates believed that today’s compliance environment was less restricted.
- 59% believed that current compliance requirements are larger or significantly larger today than historically.
- For banks, not a single bank respondent saw today’s compliance environment as less restrictive, while 75% saw today’s environment as more restrictive.

With regard to historical norms, the current level of regulatory oversight and compliance requirements impacting treasury is:



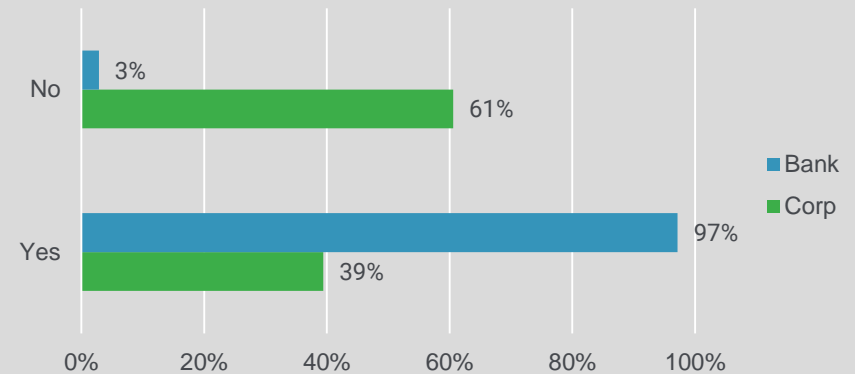
Key Findings: Regulations & Compliance

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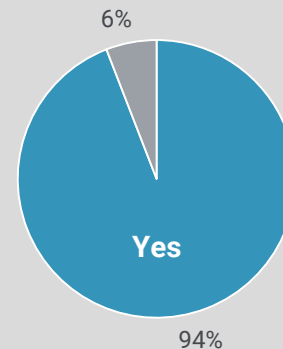
Security Training: Corporates Lag Behind Banks

- When looking at bank / corporate areas of focus, fraud prevention and security tools regularly top the list.
- On the technology side, both corporates and banks continue to invest heavily in stronger controls.
- However, while nearly all banks (97%) required employees involved in payments to take security training every year, only 39% of corporates required the same.
- The lack of investment in the human component of security (training and awareness) represents a severe exposure on the part of corporates.
- With fraudulent schemes like BEC/imposter fraud becoming the norm within the corporate landscape there is no excuse for the absence of ongoing security training.

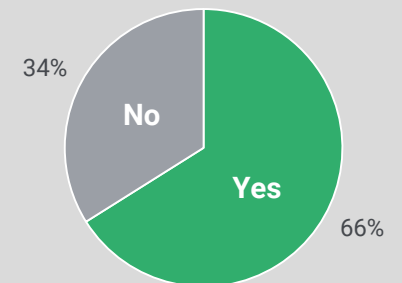
Do you require employees involved in payments to take security training each year?



Banks: Does this training have a reported testing component?




Corporates: Does this training have a reported testing component?




Top Takeaways


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Banks


 **Economic Outlook.** The Banking sector's outlook on economic growth and on individual institutional growth is overwhelmingly positive over one, three, and five-year periods.

 **Technology Development.** Banks are leading their corporate clients in the development of new technologies and services.


- However, the fact that the majority of corporates are neutral on the development of areas such as commercial mobile payments should be puzzling for banks.

 **Communication is Needed.** It is not enough for banks to simply predict what their corporates want and then bring such developments to them.

- Instead, banks should determine exactly what their clients pain points are and develop unique services that can fill those voids.

 **A Trusted Voice.** Corporates continue to rely on their banks for delivering advice and guidance on a number of operational and service-related areas.

- As such, corporate/bank divergence in certain areas of tech development highlights a need for banks to do better at capturing the unique needs of their corporate clients and to address challenges in their operations.


 **Taking the Lead on Security.** Banks have done well to bolster their security and cyber fraud defenses.


- The vast majority of banks regularly train and test their employees on security-related components.
- Bank security components, especially the human element (training/awareness) far exceed the development taking place within the corporate ranks.


Top Takeaways


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Corporates

 **Economic Sentiment.** Despite concerns over compliance and fraud, corporate practitioners are overwhelmingly positive regarding the direction of the economy and the growth of their own respective organizations over one, three, and five-years.

 **Manual Processes & Staff Limitations.** Given that manual processes and a lack of available staff continue to be top treasury challenges, the adoption of cloud platforms to automate more tasks will play an even greater role in alleviating the strain in these areas.

 **Forecasting Continues to be a Nuisance for Treasurers.** Forecasting takes significant amounts of time for many practitioners and one third of treasurers do not have time to perform all their responsibilities and roles. Risk management and fraud prevention are the responsibilities most often neglected.

 **Technology Adoption.** Corporate treasurers see the continued adoption of SaaS solutions (TMS, Treasury Aggregators, bank solutions, etc.) as the top “disruptor” that will have the greatest impact on treasury operations over the next 2-3 years.

 **Security Exposures.** Despite their willingness to invest in updated security tools and technology, less than one third of corporates currently provide annual fraud/security training to employees with authority over payments.

- If corporates are as serious about preventing fraud as they say, the human element of control (training & awareness), as opposed to the technology component (access controls, firewalls, etc.), cannot be overlooked.

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The image shows a promotional graphic for a report. On the left, the Strategic Treasurer logo is at the top, followed by the title 'TREASURY PERSPECTIVES' in large, bold, dark blue letters, and '2017 Industry-Wide Survey Report' in green below it. On the right, there is a tablet displaying the report cover. At the top right of the graphic, it says 'Underwritten by TD Bank'. At the bottom left, the tagline 'Advising Clients, Informing the Industry' is present. At the bottom right, there is a dark blue button with a white download icon and a green button with the text 'DOWNLOAD NOW'.

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TREASURY PERSPECTIVES

2017 Industry-Wide Survey Report

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