THE STRATEGIC TREASURER: MOVING UP. MOVING MOUNTAINS.

Today’s treasurers have a more influential role than ever before within their companies. They are helping to fight cyber risk issues that were previously the domain of IT. They are dealing with new, high-impact regulatory challenges, TWS/ERP integration, and FinTech challenges and opportunities. At the same time, the convergence of finance and technology is increasingly giving treasurers an advantage in attracting the best and brightest professionals as the field becomes more compelling and exciting.
“As treasurers have proven their capabilities, they have assumed responsibilities well beyond those of the usual treasury functions. The corporate treasurer needs to be looking forward, even trying to peer around the corner to see what risks and opportunities exist ahead of them.”
— The Association for Financial Professionals

**Fighting Fraud, Developing Resiliency**
Data security, privacy and business resiliency have typically been the domain of IT, but corporate treasurers “own the checkbook.” Today, fraud is not necessarily technology-based, although technology can facilitate it and increase the damage. As a result, driving internal collaboration with associations, law enforcement and other entities as well as educating the enterprise about risk mitigation can accrue to the treasury management officer.

Treasury management executives are often tasked with business resiliency planning and privacy issues as well as contributing to business strategies and supporting operational goals. There are also technical responsibilities and the soft responsibility to drive security awareness broadly throughout the organization.

It’s no longer optional for the treasurer to ensure that best practices are engaged across technical access points through to payments initiation.

Establishing dynamic controls to monitor and report on payment activity is also required. Beyond the technical vulnerabilities presented by both established and emerging payment solutions, treasurers must maintain a high level of awareness of the low-tech sources of risk, such as social engineering schemes, which can infiltrate a company through both traditional and cyber channels.

**Creating Synergies between Finance and Technology**
Technology from banks and other providers is becoming more closely entwined with that of the company itself.

As barriers to entry shift, more non-traditional players are becoming potentially viable solutions to the overall mix of suppliers a firm may consider. Cloud computing, artificial intelligence and virtual currencies are just a few of the trends making it possible to offer easier, faster or cheaper alternatives to data analytics, financial processing and even payments.
Creating Synergies between Finance and Technology (Cont.)
The challenges, however, may come down to how risk is managed. For example, do these new providers comply with typical corporate compliance guidelines for third-party administration (business resiliency, data security, privacy, etc.)? Treasurers are pointing out that, more and more frequently, these easier, faster, cheaper alternatives are being introduced to their companies through non-traditional financial decision-makers — typically, IT, operations or human resources, etc. When these critical capabilities are considered and the legacy provider is not part of the mix, the ramifications may strain the existing relationships.

Treasurers are in a better position than ever to directly or indirectly evaluate and analyze alternatives, oversee integrations and steer appropriate resources across silos while driving awareness of issues that impact all forms of risk.

Dealing with Changing Regulations
Corporate Treasurers were confronted with several new high-impact regulatory changes in the recent past. However, announcements that the new administration plans to rollback many financial regulations put these new rules into question, requiring treasurers to be more informed and nimble than ever as the future remains uncertain.

Fiduciary rule. This rule has been specifically targeted by the new administration. The Department of Labor had ruled that individuals who provide investment advice to owners of Individual Retirement Account (IRA), Health Savings Account (HSA) and similar individual arrangements would be considered fiduciaries. In addition, the Final Rule expanded fiduciary advice to include rollover recommendations and also applied to fees, disclosures and more.

ANATOMY OF AN EMAIL COMPROMISE

1. A Treasury Manager for a large international corporation received an email purporting to be from her CEO indicating that a major acquisition would be made in the next several days.
2. The “CEO” demanded confidentiality and indicated that if word got out or if the deal was not executed expeditiously, the company could be fined by the SEC.
3. The “CEO” indicated that he had engaged a law firm to assist with the purchase and emailed details about the firm.
4. The “CEO” said that the lawyer could authorize payments on his behalf and that all questions should go through the lawyer.
5. Within an hour the “lawyer” called the TM to request payments.
6. The Treasury Manager contacted the authentic CEO directly.
7. The fraud was discovered.
8. The company notified the bank.
9. The company also engaged the FBI, a local contact they had in the country where the funds had been sent and that country’s police in recovering the funds.

Companies need strong payment and payment change policies and procedures that are strictly adhered to by EVERYONE in the company.

FRAUDS ARE TYPICALLY IMPLEMENTED WITH A LARGE AMOUNT OF RECONNAISSANCE. FRAUDSTERS WILL:

- Scour websites, social media and public Wi-Fi traffic.
- Make phone calls to the company to find out who is responsible for payments, is the CEO in today?, etc.
- Send emails to elicit out of office replies, etc.
- Request payments via email when the fraudster knows the CEO is out of the office or in meetings.
- The rule created new responsibilities and risks for firms and for managers personally in some cases. It’s essential that treasurers become knowledgeable resources within their respective organizations around governance and compliance issues as the regulatory environment evolves.

Corporate inversions. Based on the overall approach of the new administration, action to limit “corporate inversions” (transactions in which U.S. companies move their tax residence overseas) may also be revised. The financial industry has been active in assessing the impact of IRS Rule 385 on their respective firms and has already softened it. While the outcome may provide some relief, treasurers are encouraged to review their specific policies and procedures, particularly around any intra-company borrowing arrangements and keep an eye out for more changes.
Dealing with Changing Regulations (Cont.)

Legislative reforms such as foreign bank reporting have added to the treasurers’ burden. Their banks’ new responsibilities for liquidity coverage ratios and “know your customer” requirements can also create confusion and uncertainty that require the treasurer’s steady hand to navigate.

New guidelines require tighter internal controls and the appropriate segregation of duties to evaluate every aspect of a company’s financial procedures. Companies have had to strengthen their internal controls, which means that controllers have had to become much more involved in establishing and overseeing the financial functions. As a result, treasurers have adopted the management of the daily corporate financial functions from an operational viewpoint.

Managing Working Capital

Despite the institutional changes in the treasury management function, managing working capital remains among the most important aspects of any treasurer’s job. Effective treasury management practices that include accounting for unforeseen events like changes to market cycles, losses or increases in the customer base, or changes in objectives from owners or investors are essential to a company’s financial viability. Not to mention the need to watch closely the impact of what may be a dramatically different approach from the newly elected administration in Washington, D.C.

The strategic treasurer who devises a comprehensive view across all of a company’s operational disciplines and integrates sound working capital management practices greatly increases the future success of the company and his or her personal success as well.

Adapting to Cross-Border Challenges

The international business environment has become highly dynamic and unpredictable, with growing geo-political challenges and fundamental shifts in how U.S. corporations conduct business with their customers and suppliers in other countries.

Information and global trade opportunities are changing traditional international commercial practices. Open trade credit is evolving as a practice, and dynamic information systems are assisting the movement of information to encourage more of these transactions. Treasurers are becoming internal advisors in this capacity because of their traditional links with banks and their role in managing the receivables component of working capital.

Just as global interconnectivity has become more vital, historically “global” financial institutions are stepping back from the potential risk it presents.
Managing currency volatility is also an increasingly important role for treasurers. Monetary policy and stepped up “quantitative easing” across major regional economies have contributed to strengthening of the dollar. This phenomenon is impacting cash flows due to cost changes from suppliers as well as demand for goods and services sold abroad. Treasurers are reacting with new strategies to hedge forecasted cash flows against fluctuations in currency against the U.S. dollar. They are also moving to manage risk and reduce volatility through the use of derivative instruments like options or forwards.

New compliance and sanction activities further complicate the treasurer’s role. U.S. companies, particularly manufacturers, may have investments, subsidiaries and suppliers that can be affected by sanctions.

Just as global interconnectivity has become more vital, historically “global” financial institutions are stepping back from the potential risk it presents. So, treasurers have a growing responsibility to create and maintain seamless transparency into their cash — around the globe.

Therefore, companies’ need to adapt across cultures internationally requires a new set of collaborative leadership skills from their treasurers.

New compliance and sanction activities further complicate the treasurer’s role. U.S. companies, particularly manufacturers, may have investments, subsidiaries and suppliers that can be affected by sanctions.

Viewing the Enterprise Holistically
Treasurers still provide the most timely cash flow information to the CEO and other stakeholders, but they continue to be more directly involved in the management of supporting systems such as accounts receivable, credit and accounts payable, even IT and supplier relations, as a way to improve flows and protect the enterprise against fraud.

Treasurers are now more actively involved in decisions around capital structure and investments as a natural extension of their interactions with external parties like bankers and credit analysts.

Today’s treasurers are certainly being asked to move mountains — and those mountains become more challenging every day. But there are rewards that come with a view from the top — if you are prepared to seize new opportunities.

READY TO HELP
At PNC, we combine a wider range of financial resources with a deeper understanding of your business to help you achieve your goals. To learn more about how we can bring ideas, insight and solutions to you, please contact your Treasury Management Officer or visit pnc.com/treasury.

This article was prepared for general information purposes only and is not intended as legal, tax, accounting or financial advice or recommendations to buy or sell currencies or to engage in any specific transactions and does not purport to be comprehensive. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively at your own risk. Please consult your own counsel, accountant or other adviser regarding your specific situation. Any views expressed herein are subject to change without notice due to market conditions and other factors.

PNC is a registered mark of The PNC Financial Services Group, Inc. (“PNC”). ©2017 The PNC Financial Services Group, Inc. All rights reserved.
pnc.com/treasury