2019 Outlook Series: Maximizing the Speed of Treasury
TreasuryXpress

Intro: How can treasurers maximize the speed of treasury in 2019 and beyond? Craig Jeffery interviews Vice President and Chief Operating Officer, Tom Leitch, of TreasuryXpress on new methodologies and treasury systems that will increase speed dramatically, improve efficiencies, and scalability. Listen in as they discuss real life examples on how treasurers can remove friction and accelerate the speed of treasury.

Craig Jeffery: Welcome to the Treasury Update Podcast. This is Craig Jeffery and our episode today is the 2019 Outlook Maximizing the Speed of Treasury. I'm here with Tom Leitch of TreasuryXpress. Tom Leitch is the Vice President and Chief Operating Officer. TreasuryXpress is a rapidly growing treasury management systems solutions provider and in 2018, they grew over 80% in their core TMS management system.

Craig Jeffery: Welcome to the podcast, Tom.

Tom Leitch: Yep. Thank you very much, Craig, lovely to be here.

Craig Jeffery: Excellent. As we look at 2019, what we expect it to do, what we expect to happen in treasury technology, you've talked a lot about speed. In prior conversations, you talk about removing friction, making things frictionless and speed. What do you see as the key themes, or primary goals, for a treasurer, as you look out into 2019 and beyond?

Tom Leitch: Yeah, I think you're spot on by saying speed, perhaps, is number one. We're seeing a lot of change globally. For example, we have, in September 2019, falls of roll outs of PSD2. Because of that, we're seeing banks in the US adopt and have ready already APIs. So we're hoping and we're seeing a lot currently that, even though it's the start of this year, banks pushing us onto those methodologies of connectivity. Now connectivity was always one of the hurdles when having a TMS to get going live and up running. Now we have these new methodologies we're hoping that speed will increase dramatically. Now we have connected to banks already via API and from that same historic methodology SFTP and SWIFT. This goes from, let's say, a thirty day process down to about a ten day process. So we are seeing a speed of the first part of all system integration bank connectivity increase dramatically.

Tom Leitch: We are also seeing the requirement from the clients who have seen these changes. They have the necessity to get one of these lives, systems live, quickly as well. So the speed of return of investment is also important from the client point of view.

Tom Leitch: Now, speed is part of it. And it can also bracketed into the idea of efficiency. So, no longer can we go out there and say we're going to take, let's say, four or five months. We are seeing a lot of clients, a lot of consultants push us to go faster than that.

Tom Leitch:	It's also demonstrating the efficiency of purchasing one of these systems to when they go live has to be tied in together, which of course, starts with the integration and then also bringing the product to speed and then going live.
Tom Leitch:	And then the final part of this is, of course, the idea of scalability. You don't want to have a system in place where, yes, you've gone fast, yes, it's been very efficient, and then you're limited after growing into it. What I mean by that is you have to look at the system that can be taken now that suits your needs but is also very easy, very fast, and very efficient to be scalable. So that might be the fact that you're using, let's say, five modules or you're integrating five or six banks. There's a lot of customers out there who are acquiring and growing quickly so a system must also be very scalable, efficient, and fast when they're looking at growing. So you have to think of a system that we have to position ourselves as a company, as being able to be that scalable solution where we can integrate quickly, we can grow and work with the customer. Not necessarily just being a vendor in customer relationship but being a partner. So, not only is it looking at how we can grow as you grow, but how we can grow into new functionality.
Tom Leitch:	So, how can we look at developing things? How can we look at being very easy to use, rollout to new users within the company? So, this is what we are looking at for 2019. How can we have a process that's repeatable and scalable throughout?
Craig Jeffery:	That is interesting. So, you talked about a few things with speed there. One was, I would say, time to use getting your connectivity up. Another had to do with speed of adding functionality. And then the other was integrating other areas of the business or as companies expand to new markets or grow. That's a pretty full-featured view of speed but I guess there's two questions that I'd have for you. Why is that so important to continue to expand that discussion about why it's so important? And then I'd really like to get into the topic about what allows us to go faster and we can talk about some of the examples of PSD2 or others but maybe you could start with that.
Tom Leitch:	Why is it important and then we'll touch on how it is done.
Tom Leitch:	So, why is it important? We've gone from the era of 2007, having a vast change with the recession and companies being at risk. And now with geopolitical things like Brexit on the horizon in Europe, instability, for example, in South America. Companies are now realizing the risk is coming back on to the horizon. Especially in currency. For example, we have partnered with Ebring to enable customers to manage their affects, their risks abroad, easier. So, I think, people are now looking at "I have to get one of these systems in place quickly so I can manage my cash better." No longer is cash able to sit there idle. We have to start utilizing the cash. For example, in investing or into company utilization of lending to internal subsidiaries and better using that cash rather than going externally to the banks.

Tom Leitch: So, I think the reason of why is, I think things are starting to become a bit more, I suppose, fluctuating. There is no longer that sort of period of certainty of growth or stability. We're now entering what has always existed of sort of ebbs and flows of finance. We have to now look at having a system in place that can address these immediately. And when we say immediately, we of course mean getting a system in place from when you sign line in two months to better manage your processes and be able to exact and transact very quickly.

Tom Leitch: So I don't think we are entering a stability period. We're entering a period of what could be considered, I suppose, fluctuation. So customers are now realizing the need to get a grip on their cash.

Tom Leitch: As your rightfully pointed out, how is this done? With PSD2, for example, with banks becoming more ... I suppose tech oriented we are seeing a large number of banks approach us saying "look, we are going to try these new things. For example, bank in the U.S. which is global, have brought us on board to trial out API's with regards to real-time payments and visibility to where those payments currently reside. And if, for example, the payment was rejected coming back with the ability to change those transactions real-time rather than being rejected and waiting a few days for it to be corrected.

Tom Leitch: I do believe the API, even though everyone is excited about block chain a few years ago as we've always been saying at TreasuryXpress the last few years. The most impactful thing in the near future is the API. You've seen it hit the personal finance with systems like Yodlee for screen-scraping and bringing your own accounts onto your personal finance side into play. We are now seeing those sorts of technology technology hit the sort of corporate world.

Tom Leitch: So, there's a lot out there that TMS vendors can bolt into or utilize. We shouldn't have to see a huge number of acquisitions of technology. We should see which TMS vendors and providers can go out their way and design technologies to be integrated. See this is the whole point of treasury-on-demand. So what we mean by that is having a system, department, or a vendor that can go out and see what tech change is happening and quickly adapt to it. So you should really be looking for some forward-thinking provider that hopefully already has these in place that can then take advantage of the extremely quick-moving environment that is financial technology.

Tom Leitch: We are now seeing treasury which was always the last bastion of resistance to this change because it was so rigid. We are now looking at treasurers who are now open-minded, wanting to utilize these and pushing, very much, the selection towards vendors. Being those vendors in the ready now but also those vendors who are ready to changes in the future.

Craig Jeffery: So that seems to bring up the other category of treasurers being mentally quick and focus on speed. Now, Tom, you talked about what allows us to go faster and you talked about technology and the use of API's versus going through Swift or a secure file transfer protocol method of passing things on.

Craig Jeffery:	How should we think about removing that friction to gain that speed?
Tom Leitch:	I think it's probably going to fall into three parts. Now, the first part is knowledge. API's have existed for long amount of time. What has now become more apparent and what everyone is aware of is the use of the API. Now these API's aren't between bank and TMS. They are also between intrasystems.
Tom Leitch:	So what I mean by that, we've been using API's with ERP's, more forward thinking ones like for example S4Hana, SAP are now ready with it. We've been working with a few other ERP's who now have these API's ready. So, for example, let's take what we've been doing and try to express that as being much more authoritatively around that. For example, in 2018 we had partnered with a company called Hedgebook, which is a hedging a sort of accounting software. And we have been able to do that in a matter of weeks because the use of API.
Tom Leitch:	The richness of data you can pass down this channel and it being real-time has a huge benefit for corporates. Likewise, with our new partnership with Ebury, being able to link by an API will give customers the ability to transact, to pay and do affects deals in real-time. So I think the knowledge of these API's has pushed us a long way. Because two years there was a huge concern of using an API protocol rather than using an SFTP or SWIFT messaging. So we've seen SWIFT change with GPI which is huge for this market, being able to see where their payments are in real-time. But we are now seeing and are accepting the API. It is very similar to the cloud adoption. We've always talked about cloud adoption but there's always been cloud adoption mock two, which is the widely accepted use of it.
Tom Leitch:	So very much knowledge is one part. The second part of this, as I mentioned, is going to be that most vendors now are capable to do it. Which is very different markedly from what was three or four years ago. And there are still some companies out there that lag behind and some companies aren't very far ahead. People are now being more proactive with these. We see a lot of banks pushing it our way even though there may not be clientele on that methodology. So everyone now is looking forward rather looking at how they can manage as is. So it's a huge change in cognitive design of where does a company or where does a bank or where does a tech provider want to go. Everyone is thinking, "let's position ourselves to be suitable, not just for now, but also in the near time and a long time. And I still think API's is a huge area for that.
Tom Leitch:	Now the third differentiator, as you mentioned, SWIFT SFTP will always exist and I think we are seeing a change in how corporates use this. For example, we've had many customers in the U.S., South America, Europe, Asia, Pacific, who have come to us saying, "we are going to be taking our own Alliance lite 2 which is very different than in the past. They are now seeing the benefits of utilizing what has now become standard with SWIFT across corporates of having their own BIC. So I think this is very much different what is available and what is

becoming more easier to use. And this whole idea of friction and frictionless behaviors. People are now adopting these because they're becoming easier.

Craig Jeffery: So the three categories, to summarize those or to at least identify them. One is the knowledge increasing knowledge of how it's used not just the fact that they've been in existence a while. The second has to do with the capability to make these connections. And the third, I wasn't sure if you were ...

Tom Leitch: Yeah the third for me is probably going to be the economy of it. What I mean by that is it used to be extremely expensive to get to your own SWIFT BIC. Now it's becoming easier. And this whole thing boils down across all three parts of it is the idea of friction. Now, if you look for the last fifteen years and all research in this market of why corporates have not adopted a TMS or what they've struggled with, we're looking at treasury work station. It always fell into two core areas. One, is cost. Two is speed. Now that everything has become cheaper and everything has become much quicker we are now seeing those friction, of areas of friction, be reduced. So I think, very much so, the last area could be applied to, let's say, economy. Being able to go out there quickly and very cost effectively.

Craig Jeffery: Excellent. So knowledge, capability, and economy. I think those fall into the category that we would refer to as the democratization of technology. That the capabilities exist. They are available to many more smaller companies. I know that's been a big theme of conversations we've had with you and Tracy and Anise and everyone else. That is excellent but I'd like you to dive into what are companies going to do and what are they going to leverage specifically?

Tom Leitch: Yeah, I think companies are going to be leveraging technology in general much more. Now, if you look at 2018. Let's say the first half. I spoke to no customer who had their own, or was prepared to have their own system installed on their own private cloud. If you look at the second half of 2018, we have seen customers coming to us saying " I would like you to install your system on our private cloud." So we're seeing that change already move forward. So, what we're predicting for 2019 is many more customers come and say "look, we have this environment, we know it's secure. We want to put more of our systems onto our own cloud. Which is perfect for us because we can then give them access, for example, to the database so they can go and query it and integrate with systems like Hyperion and other items like that. So, i very much think that 2019 we are going to see a very big push toward the utilization of also private cloud but also massive increase in the idea of singleton non-tenant SaaS environments.

Tom Leitch: Now, what other customers, of course, will be looking for in the future. A number of areas resides around faster payments and integrating their systems together so they can approve and get those payments out as quick as possible. One area we're seeing in the future is going to be around more use of the XML formats, also XML. We see more and more banks accept that. It's becoming much easier for us to map country formats into that specific one. We just have

to add a few additions to it and off you go. So, for example, what used to take two weeks is now taking two or three days for formatting the payment files because many more banks are now accepting these formats.

Tom Leitch: One of the big areas we are seeing and we have extreme high hopes for 2019 is the concept of virtual account management. Whilst this has existed for sometime now, no one has been able to crack the concept of having a virtual account matching system integrated fully with a TMS. So, for the extreme version of this for example, you could clear down to one account in your banks and then have an entire virtual structure below it where you can do POBO and ROBO. And you can do all of this in relation to your ERP so you can reduce vast number of bank fees and speed. Manage your own accounts across your whole company through a virt account management system.

Tom Leitch: Science says there is a flurry in the main areas of what we're seeing come into 2019. Along with the idea that, as you mentioned earlier, that democratization of treasury workstation being used by all customers. So, we've seen a marked rise in the small customers come on board, select us through a due diligence process where they invite vendors in to talk and see what their companies can do and how they can help. So it's no longer, and this has been a huge change in the last two years, no longer is it really a system that large companies can afford or international companies need. Domestic and small companies are now adopting these TMS's. As you rightly say, we have democratized what has been going on through speed and efficiency but also through cost.

Craig Jeffery: Excellent Tom. I like the discussion about the virtual accounts and pay on behalf of or POBO and receive on behalf of ROBO. There's probably a lot more I'd like to ask you but we will have to leave that for another podcast or discussion. Thanks for your insights in terms of what companies have been doing, how that's changing, some of the thoughts on private cloud, faster time to connectivity, scalability, and some of the changes on the workflow. Very excellent. Thank you Tom.

Tom Leitch: Thank you very much Craig for having us. Always a pleasure. I look forward to having one again on the future where we've changed the entire treasury industry.