



Survey Results: 2017 Compliance

Stephanie Villatoro, *Strategic Treasurer*

Thursday, January 18th, 2018

2:00 PM EST

Today's Presenter

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Stephanie Villatoro, CTP

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Strategic Treasurer

Stephanie Villatoro provides clients with realistic solutions to their challenges in the context of leading and best practices. Stephanie is responsible for technical content, effective project management, and ensuring that projects are delivered on time and within budget. Her experience as a treasury practitioner and a treasury consultant is highly valued by clients for the practical and realistic advice that she delivers on every project. Stephanie assists companies with their global treasury projects, treasury & risk technology engagements and banking relationship/service efforts. She has over 15 years of global treasury experience that covers a variety of organization types.



Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1980's. Partners and associates of Strategic Treasurer span the US, the UK, and continental Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury and risk management technology consulting. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking issues, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.



- ➔ Scope of the Survey
- ➔ Bank Structure
- ➔ FBAR
- ➔ eBAM
- ➔ SWIFT CSP
- ➔ Other Highlights
- ➔ Key Takeaways

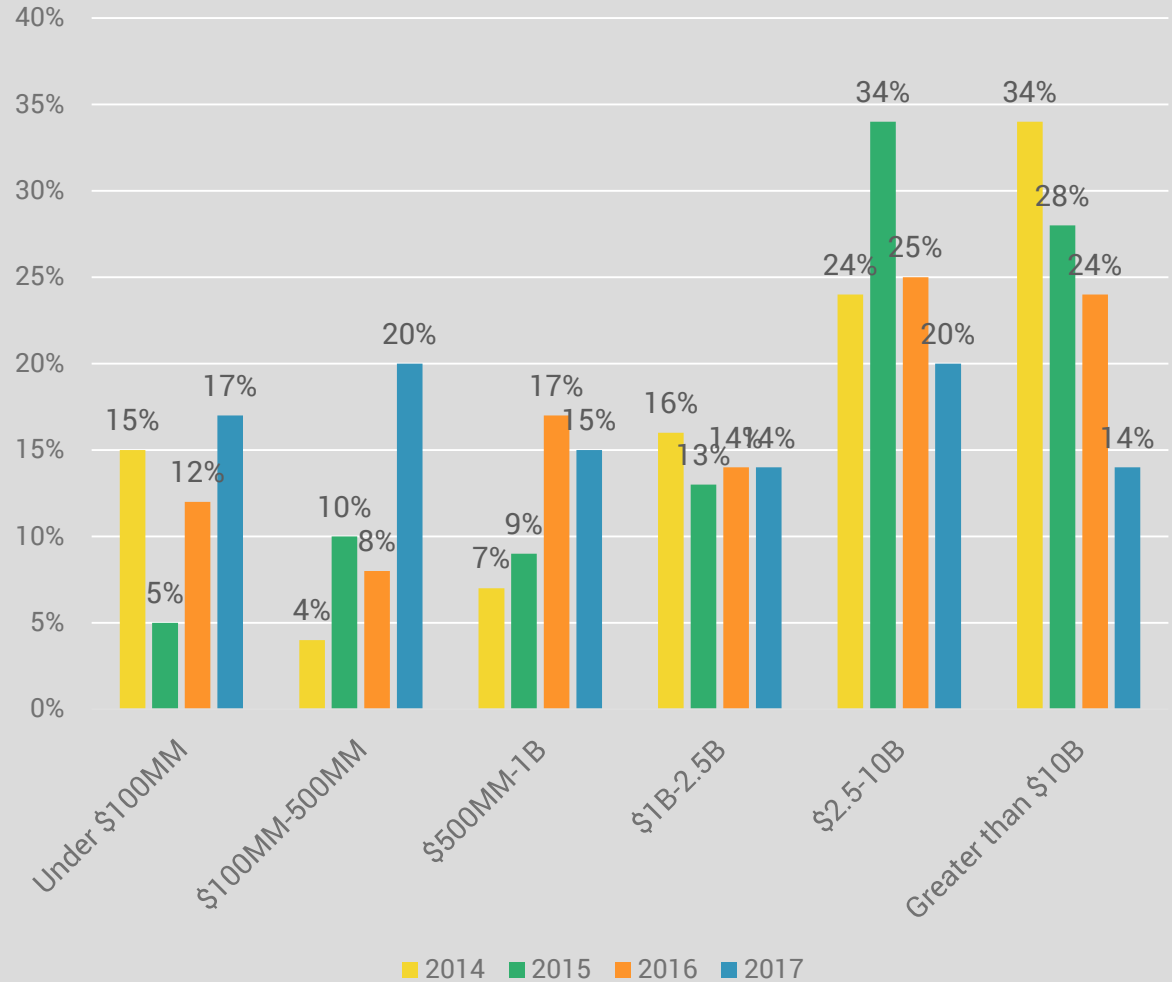
Scope of Survey

What is your company's annual revenue?

- Fourth annual survey
- 125 respondents
- Survey open for approximately one month

48% of companies represented in this year's survey have over \$1 billion in revenue.

- This presents interesting trends as the results could be based on the difference in size compared to previous years

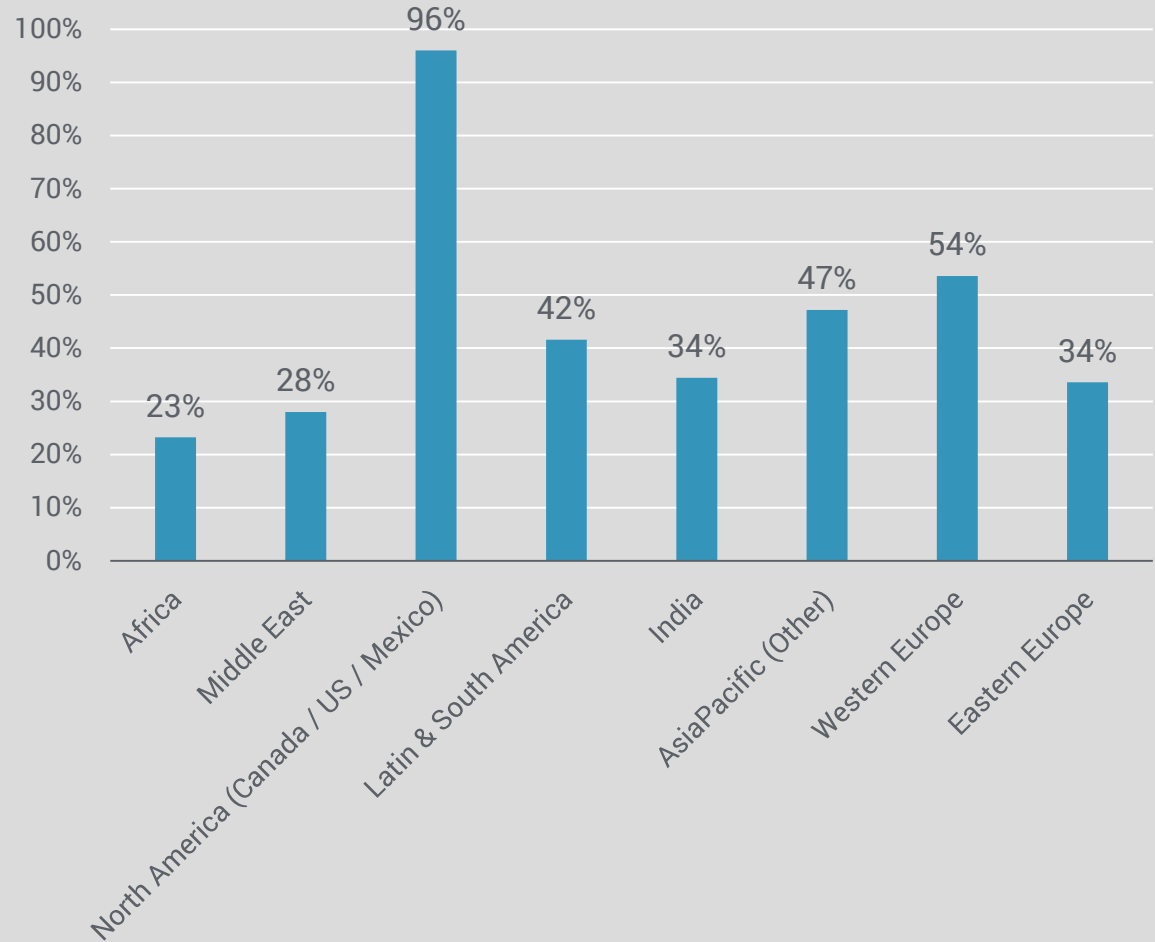


Scope of Survey

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- 66% of companies have less than six people on their treasury staff
- 73% of companies operate in 20 or fewer countries

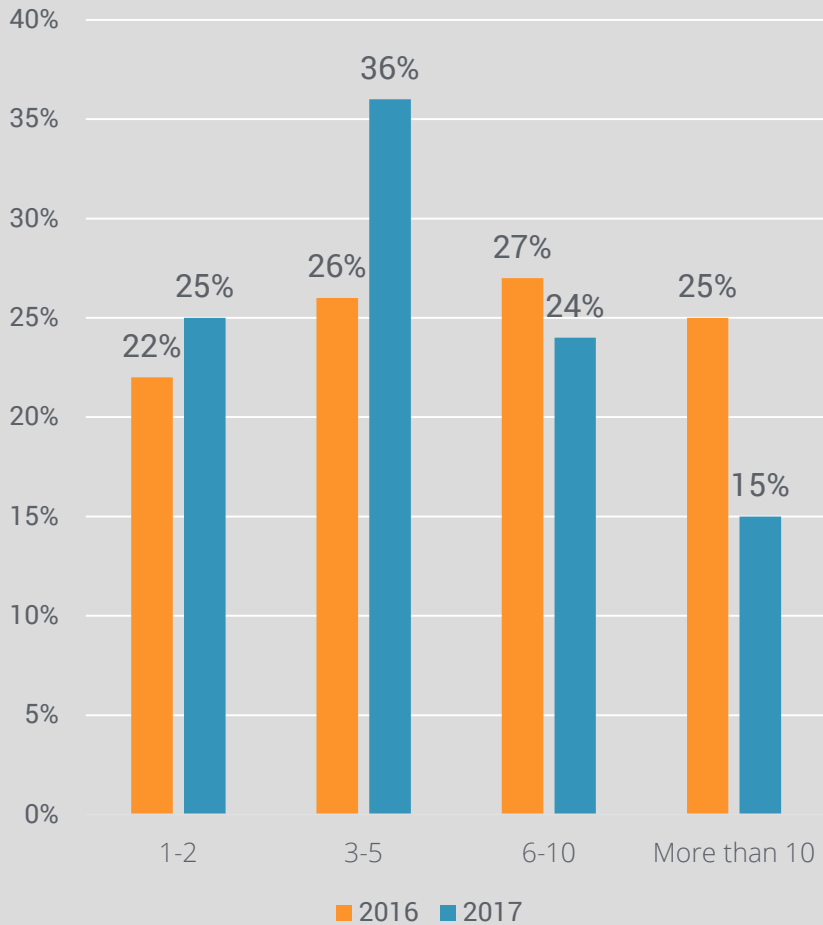
Which regions does your company operate in? (Select all that apply)



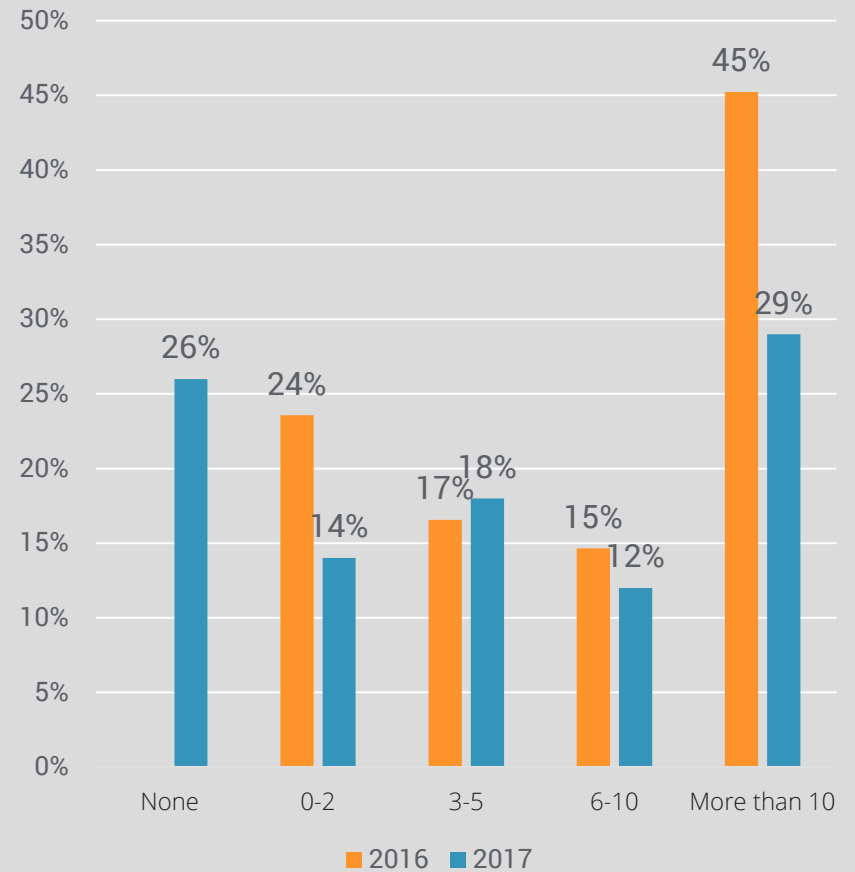
Bank Structure – International Consolidation

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How many banks do you use in your headquarter country?



How many banks do you use internationally? (Outside of your headquarter country)



Bank Account Use

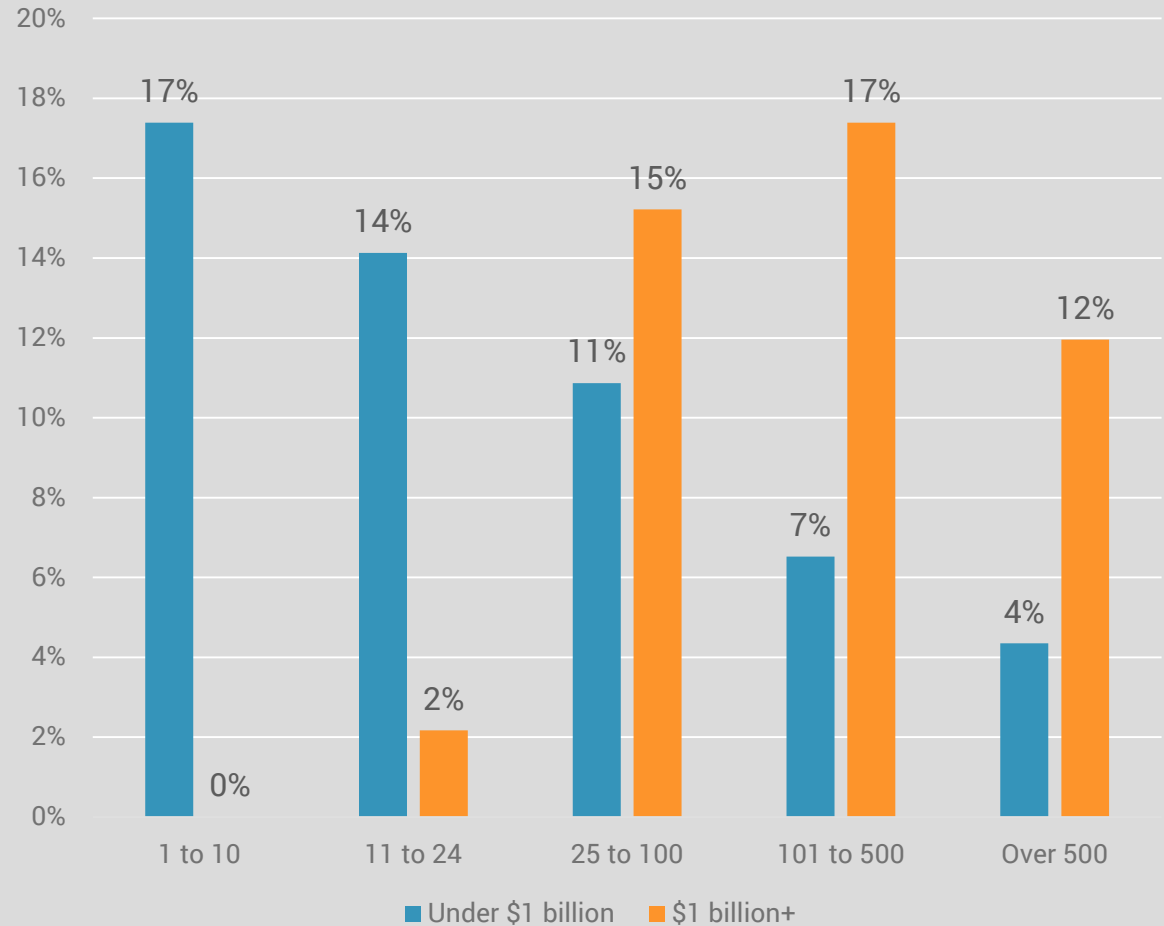
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Size appears to have a major impact on number of bank accounts.

40% of companies have over 100 accounts.

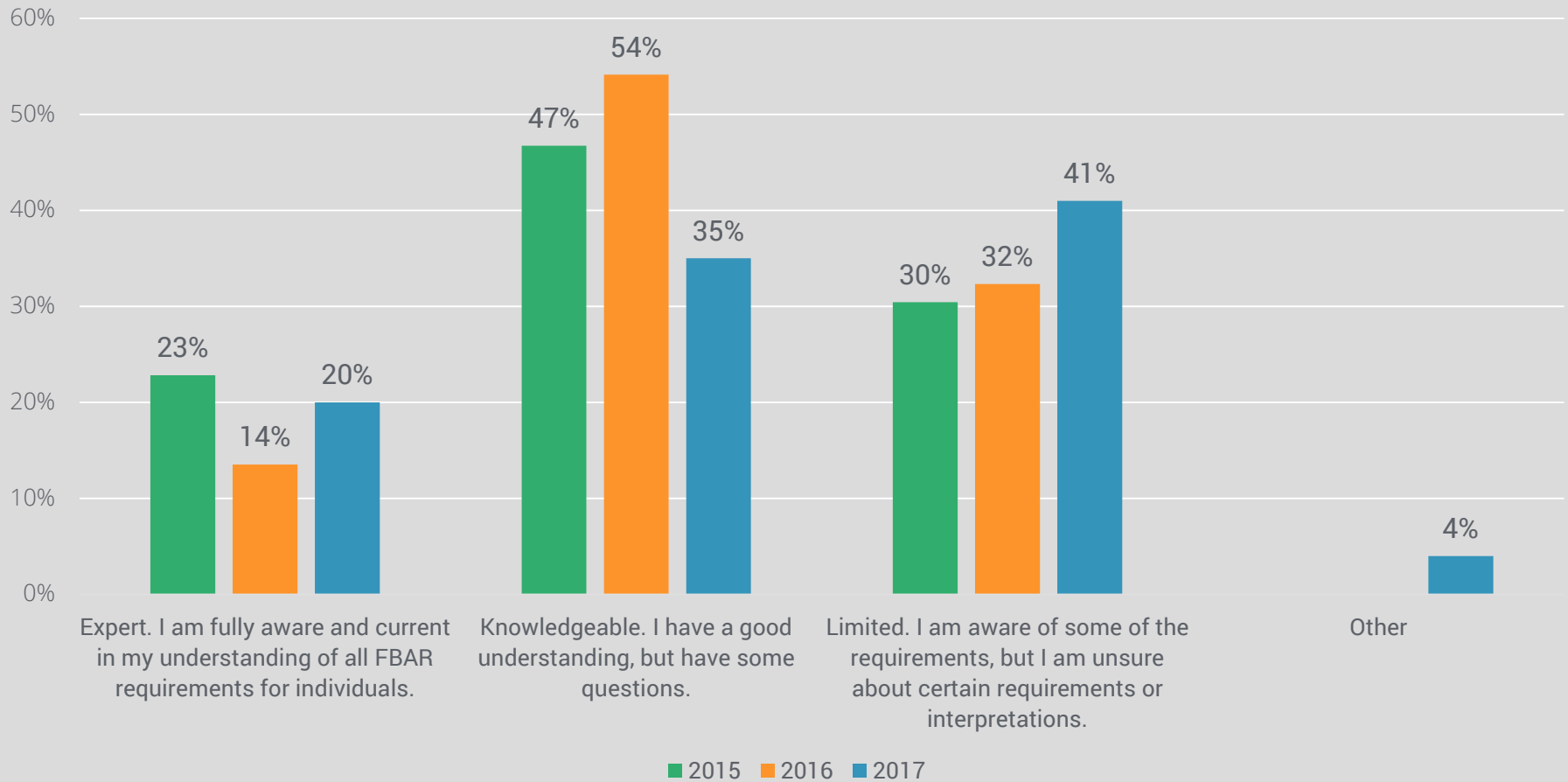
- 35% of companies are publicly traded or subject to SEC reporting.
- 68% of companies have international subsidiaries.

How many bank accounts do you have? Under \$1 billion vs \$1 billion+



Knowledge of FBAR Decreasing

Please rate your knowledge of the FBAR requirements for reporting to employees who are signers on foreign subsidiary bank accounts?



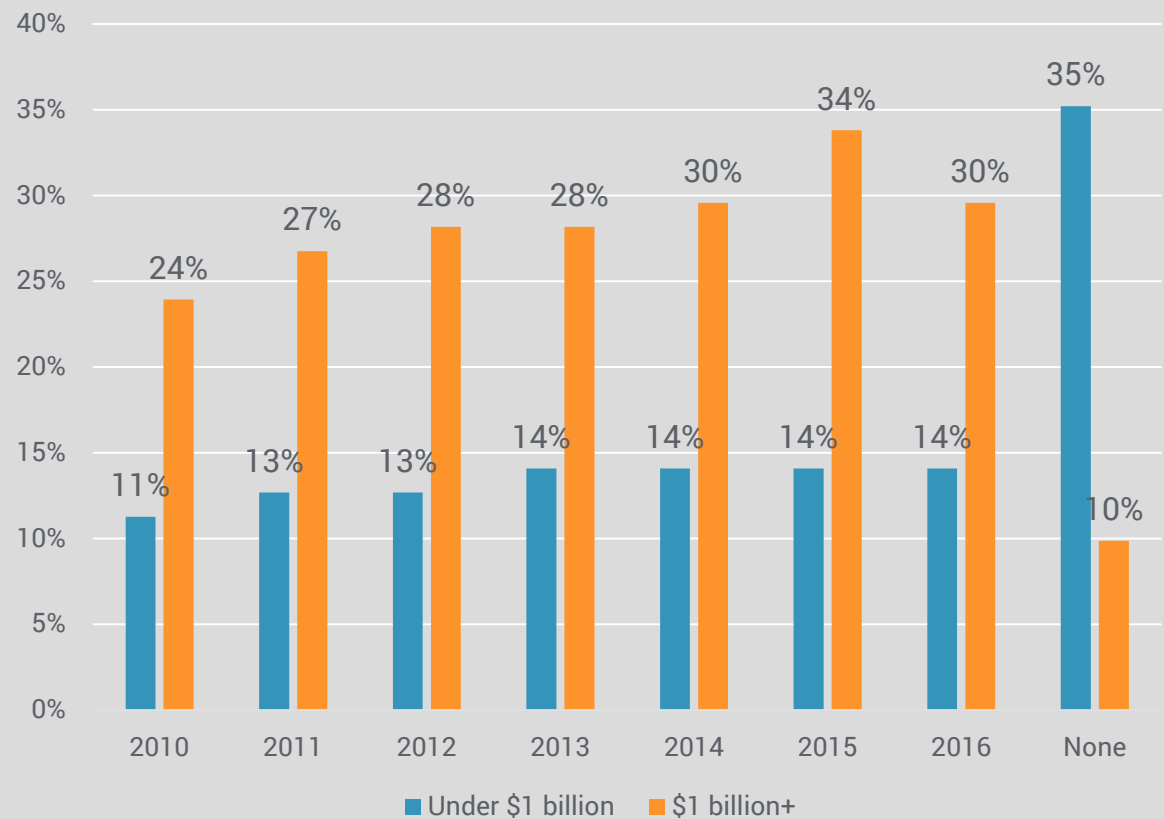
FBAR Filings

Larger corporations (\$1 billion+) are more heavily impacted by FBAR.

More larger companies have filed FBAR for the past years.

- Approximately a third of large corporations have filed for past years.
- Alternatively, a third of smaller companies (under \$1 billion) have not filed at all.
- Regardless of size, FBAR filing is required.

What years have you ALREADY filed for individual signers or provided them with the information they need to file on their own? (Select all that apply)



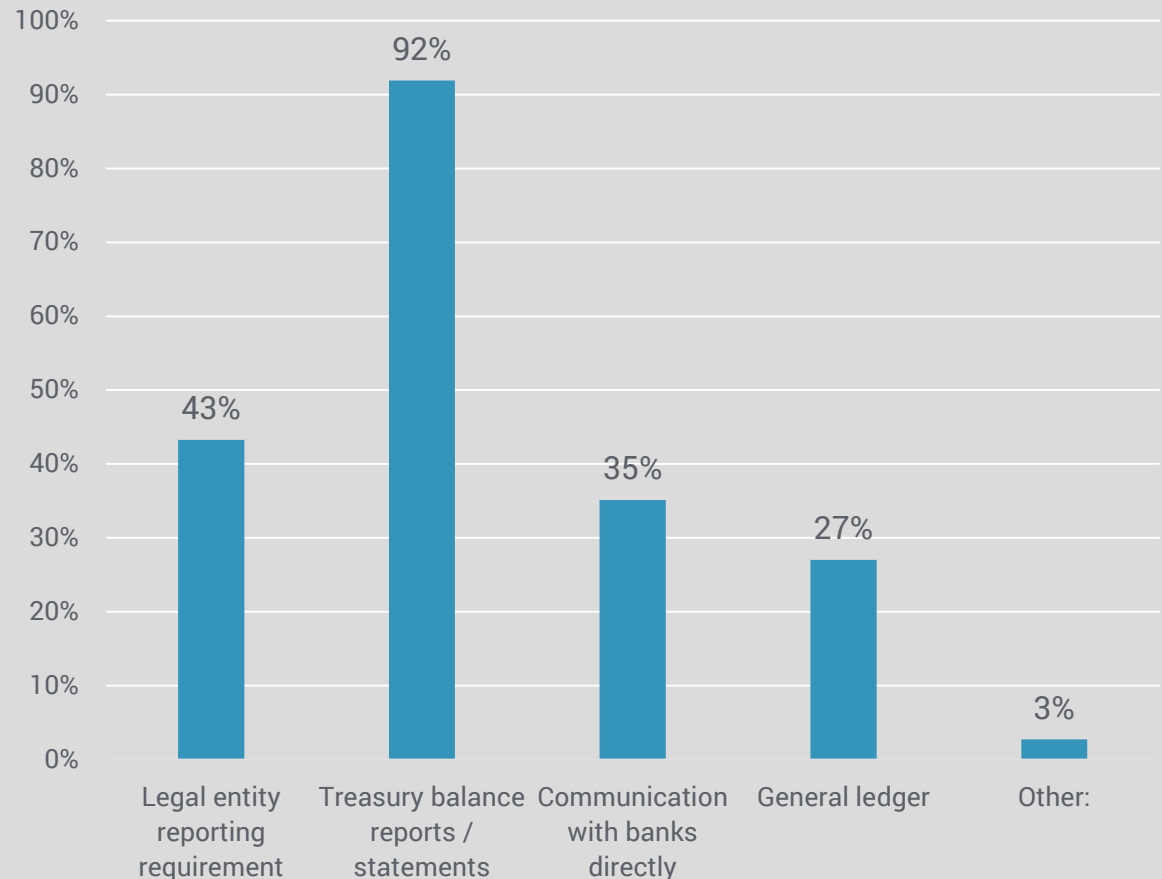
Reporting Methods

Corporations are finding that they have multiple methods to obtain information.

Treasury balance reports / statements are consistently the primary source for highest balance reporting.

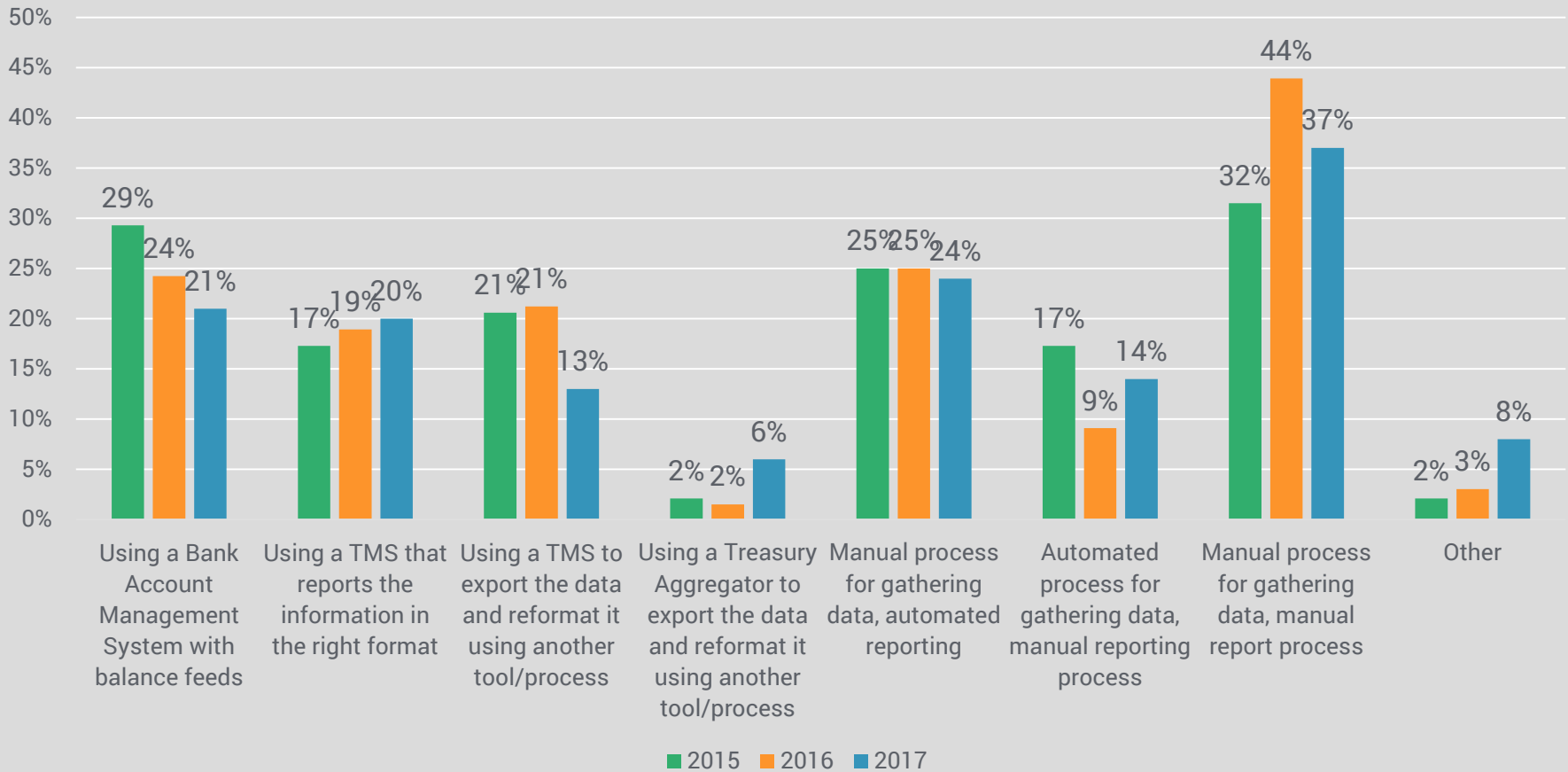
- This is indicative that companies aren't obtaining reporting on all banks at the corporate level.
- Daily balance reports meet the FBAR requirements.

How has your company handled gathering this information? (Select all that apply) [With regards to highest balance information]



Information Gathering & Reporting

What processes have you put in place for ongoing information gathering and reporting? (Select all that apply)



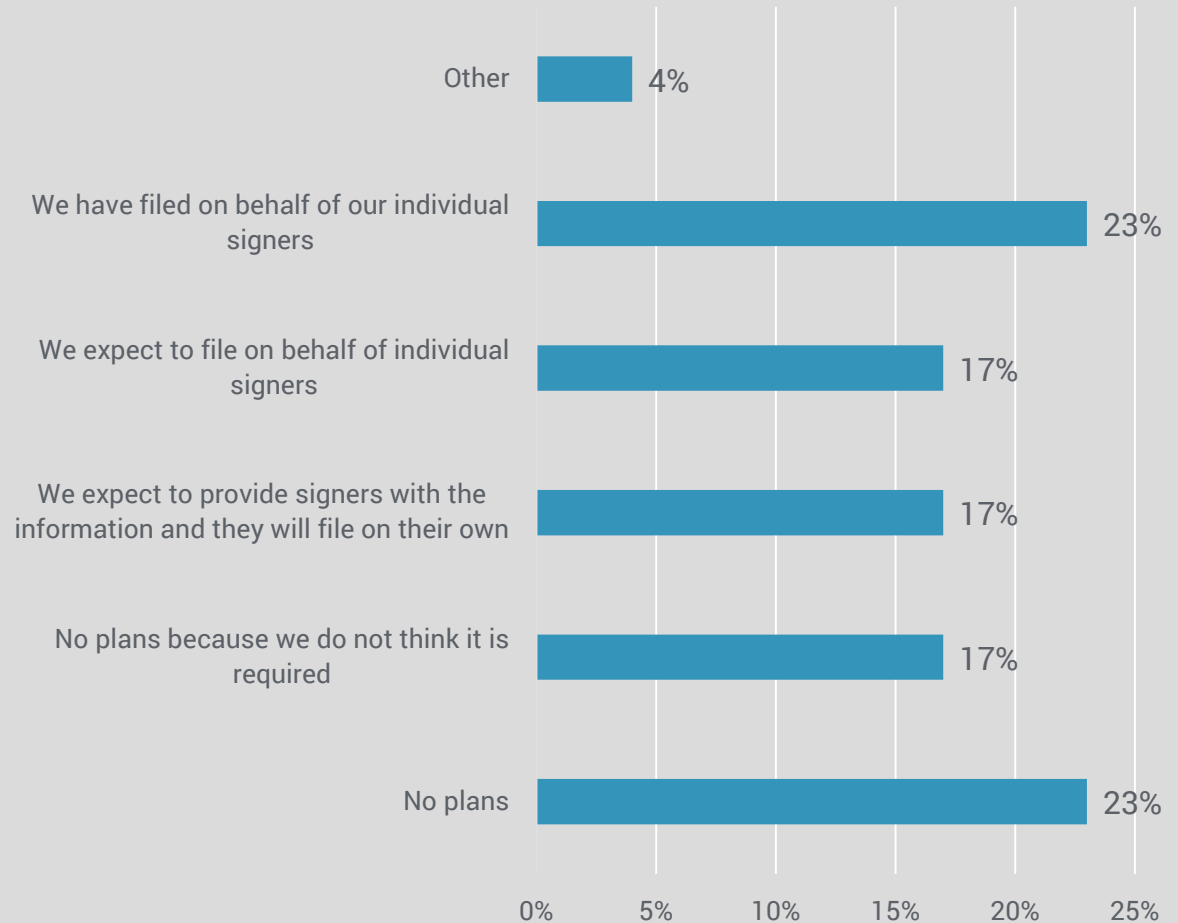
Filing Plans

Companies are moving in the direction of filing on behalf of individual signers.

Less than a quarter of respondents have filed for individuals

- Only 17% of companies expect their signers to file on their own with information provided.
- Companies are filing on behalf of employees because the filing requirement results from a function of their responsibility as an employee.
- While it is not required for a company to file on behalf of their employees, it is a definite benefit to their employees.

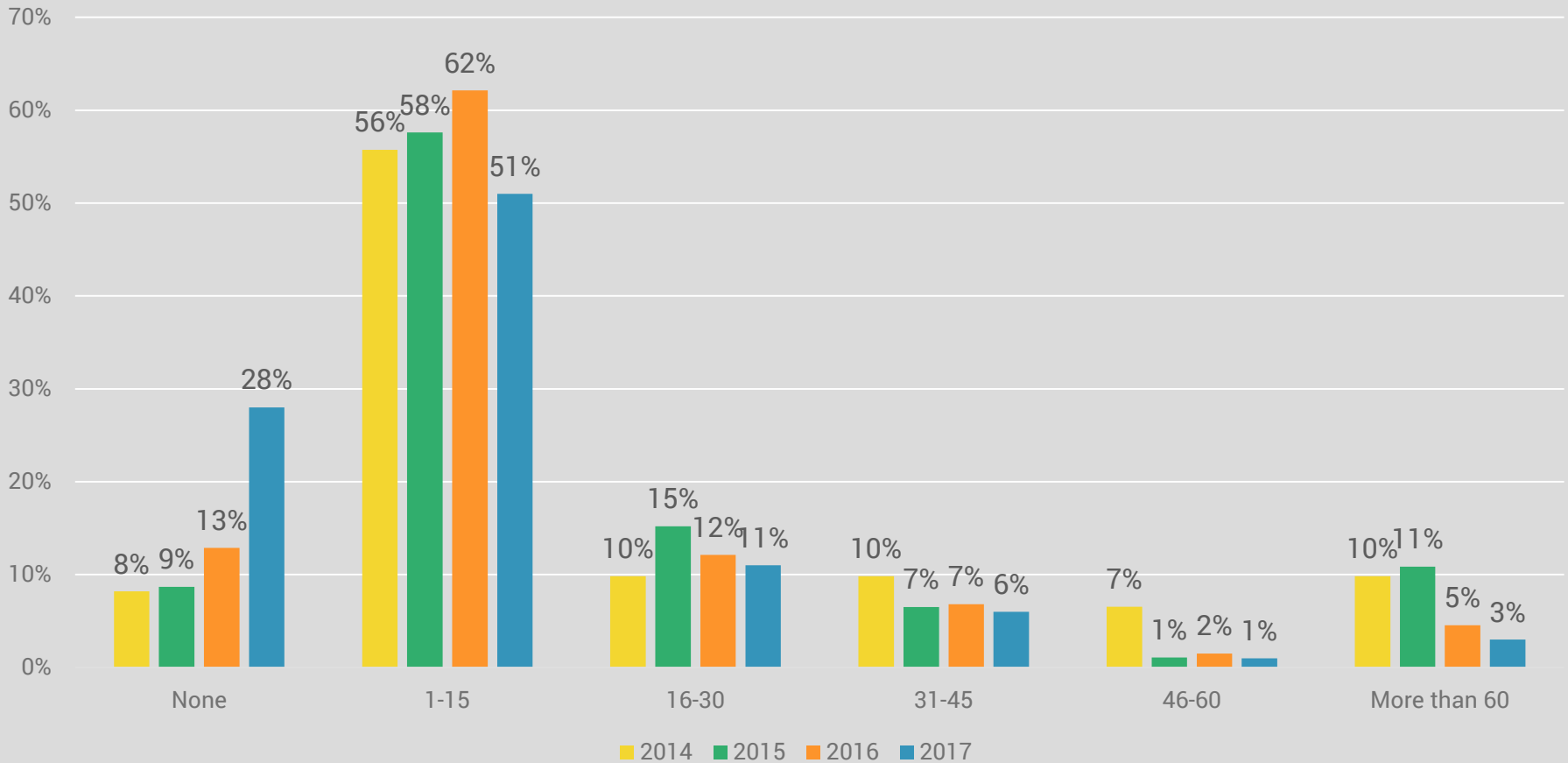
What are your plans for filing FBAR on behalf of your individual signers?



Fewer US Signers on Foreign Accounts

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How many US citizens or Resident Aliens does your company have as either a signer or a wire initiator, approver, or releaser on bank accounts of foreign subsidiaries?



Communicating FBAR Requirements

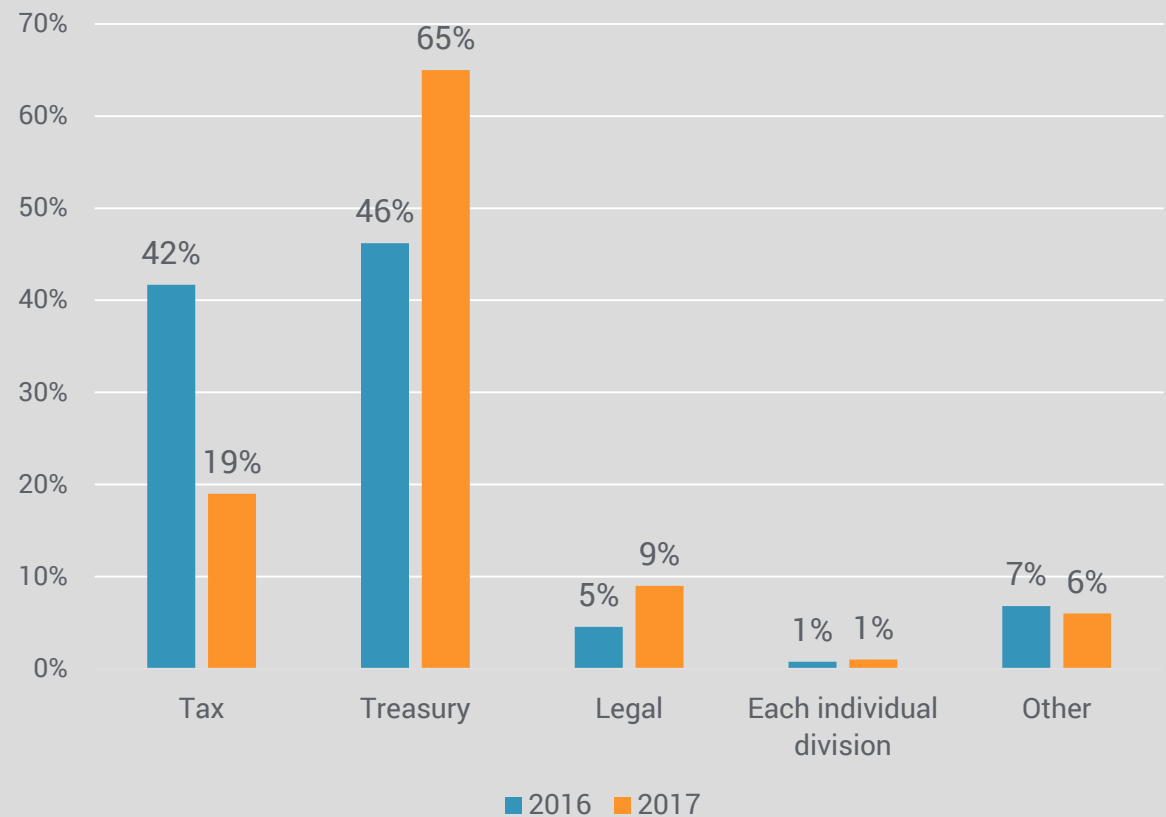
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Tax is turning over FBAR responsibility for individuals to treasury.

Overwhelming, treasury has the primary responsibility for gathering the information and this responsibility has grown over the past two years.

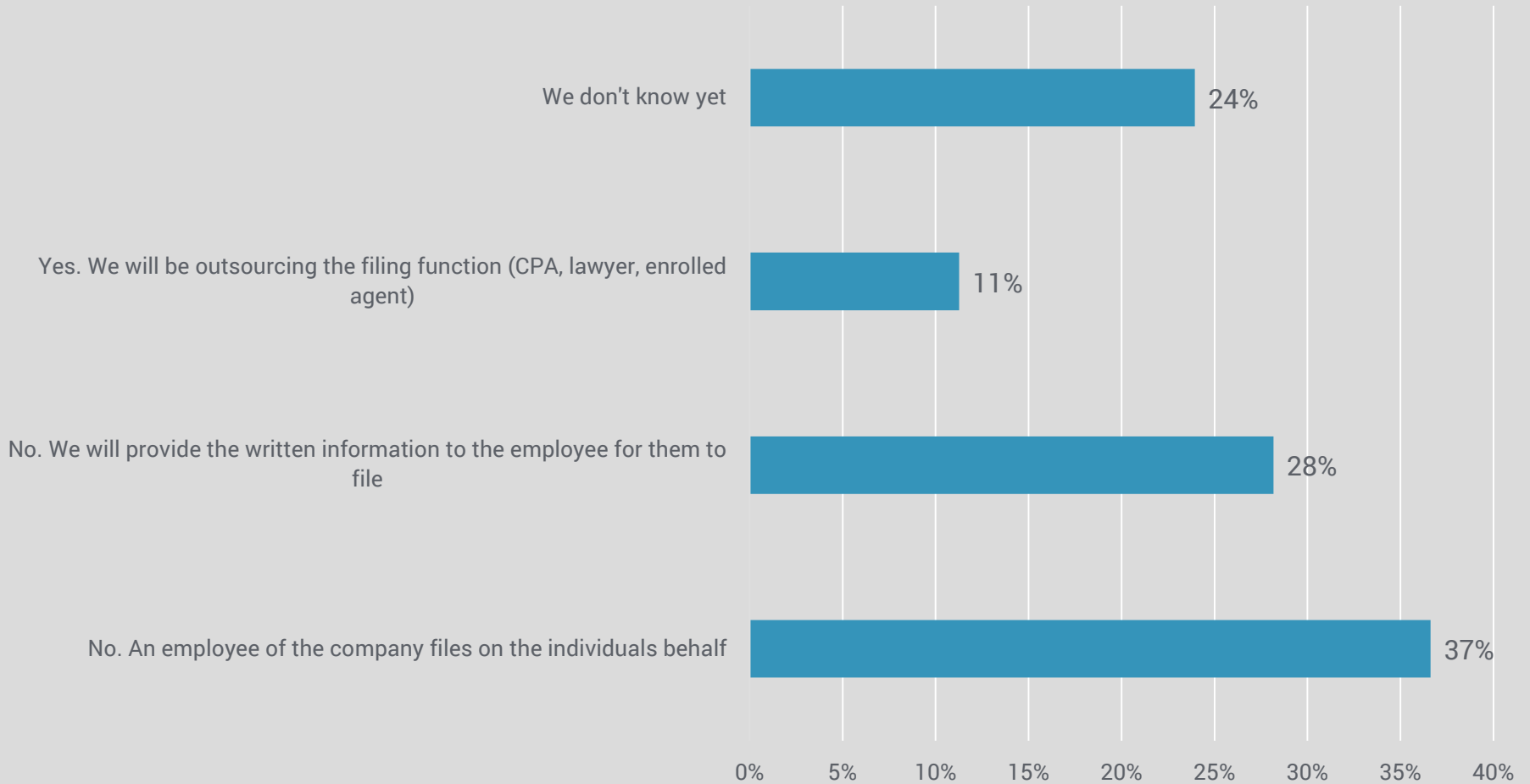
- From 2016 to 2017, the number of organizations who use treasury to communicate this information has grown almost 20%.
- This shift is probably due to the fact that treasury is the source of the data.

Who is responsible in your organization for communicating the FBAR requirements to individuals for purposes of FBAR reporting? (Select all that apply)



FBAR Outsourcing

Will you be outsourcing FBAR filings to either a CPA, lawyer, or enrolled agent?



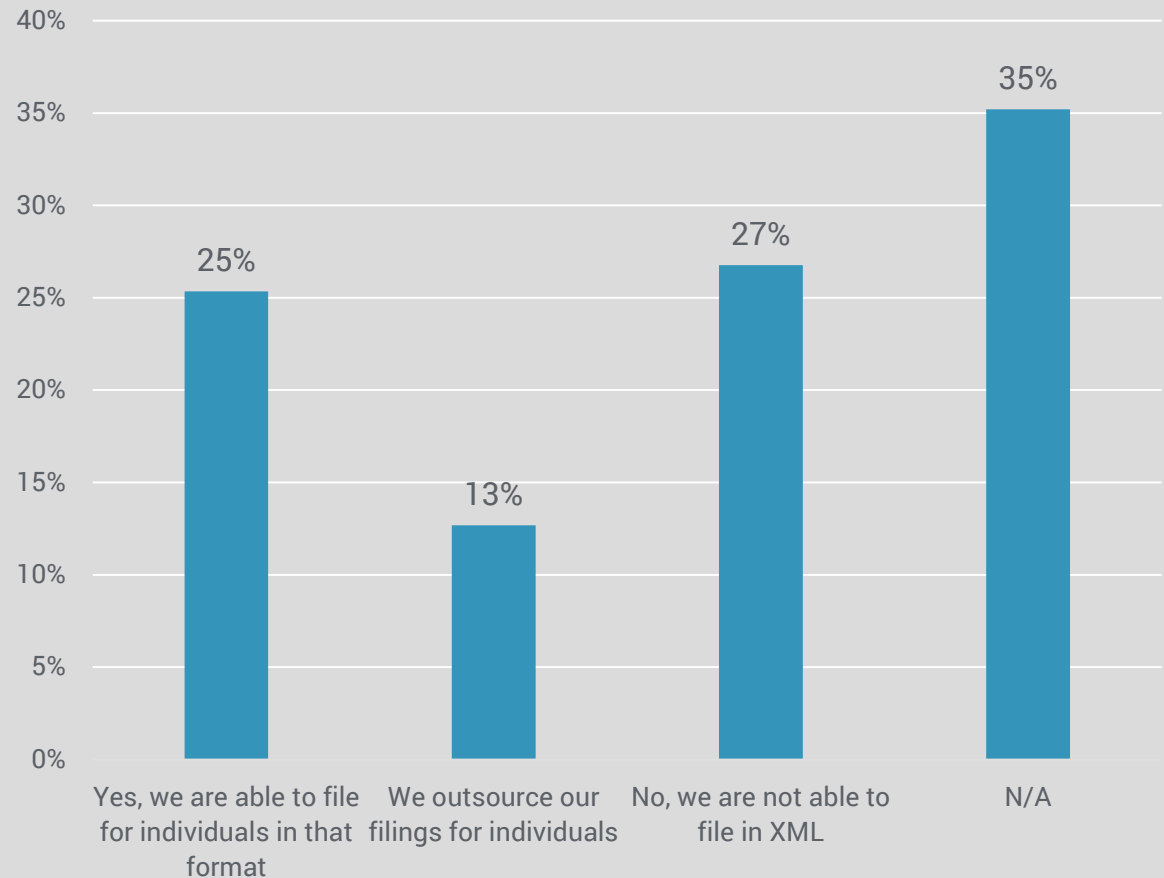
Updated Formats

The new format is creating some disruption in corporation's ability to file FBAR.

This has also caused a rush for filing for past years this year.

- 40% are either outsourcing or unable to file an XML for individuals.
- We predict that the 27% that cannot file in XML are likely to outsource this process for 2018.

Are you able to file for individuals in the new XML format effective 1/1/2018 for all filings submitted after 12/31/2017?



Treasury Management System Usage

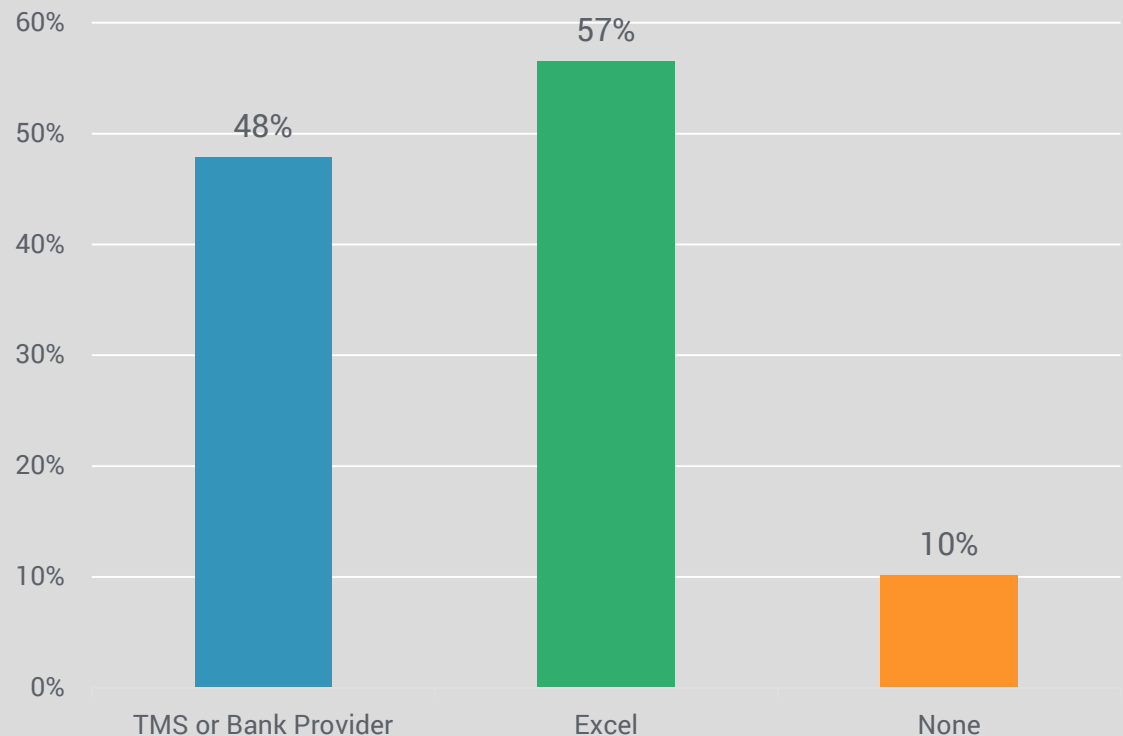
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Excel remains a prominent tool for reporting.

While TMS usage is continuing to grow, almost 60% of companies still use EXCEL.

- As Excel is still being used by a prominent portion of respondents, there is some need that has not yet been met by TMS providers.
- We expect that these numbers will soon flip as TMS usage continues to grow as cloud based offerings become the norm.

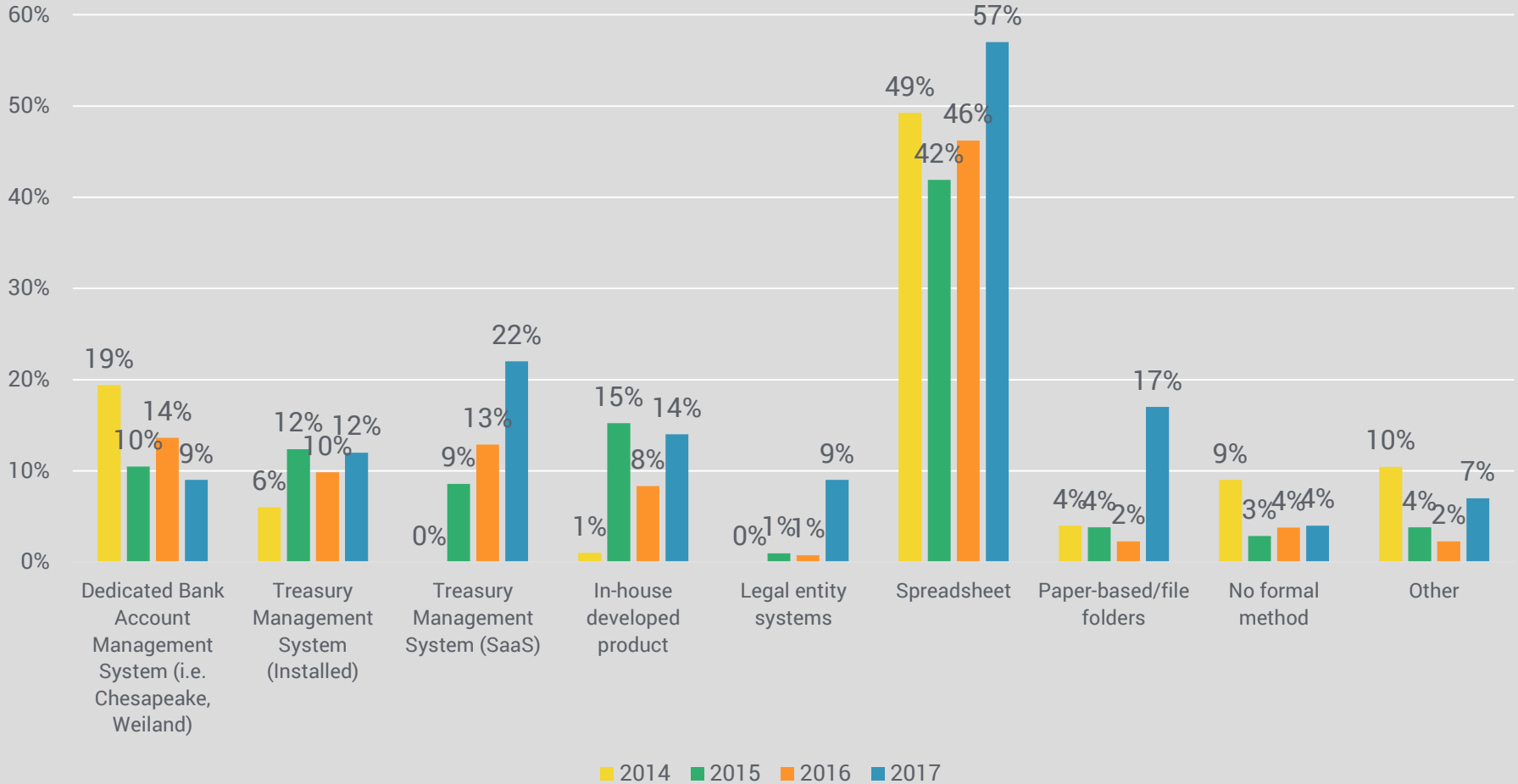
What Treasury Management System do you use? (Select all that apply)



Spreadsheets Reigning Supreme

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How do you currently track your bank account administration - account information, addresses, signers, etc.?



Bank Account Management System

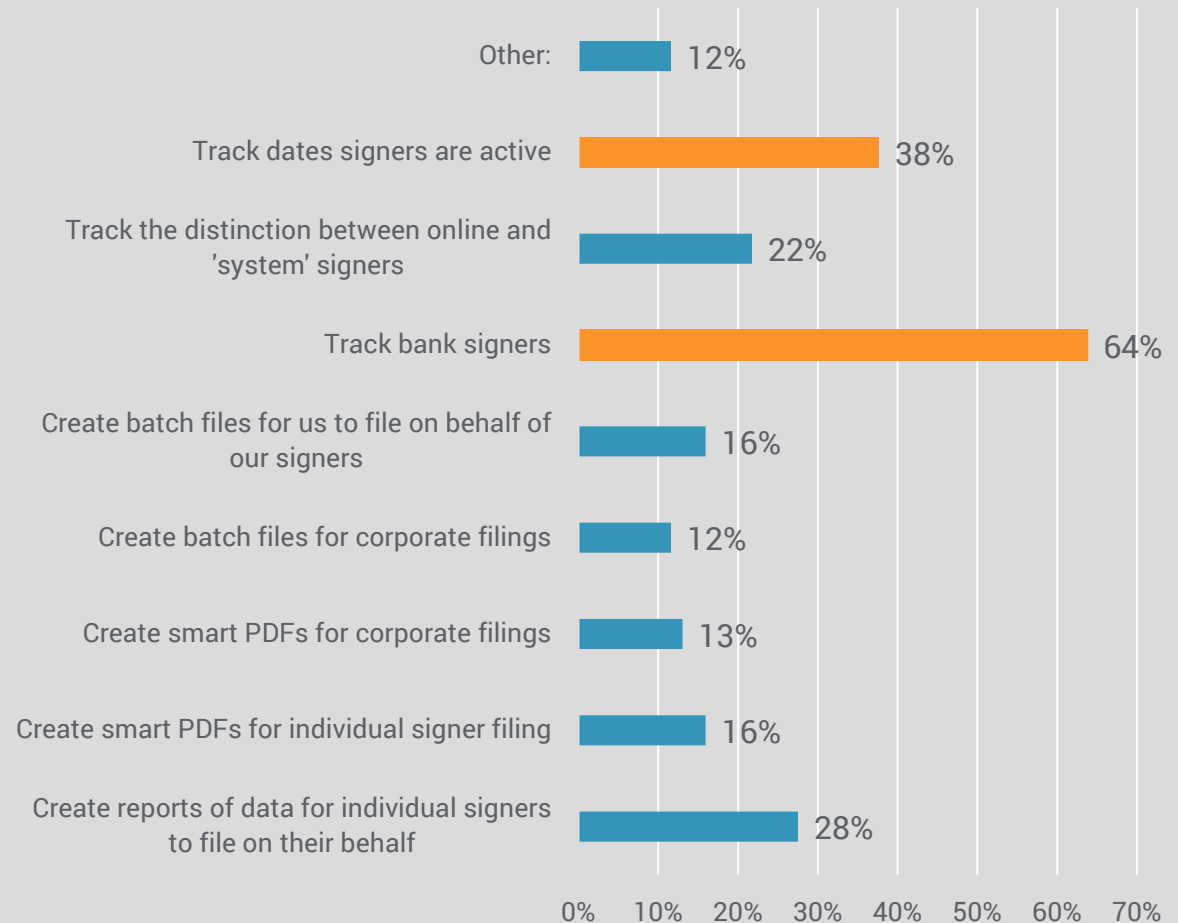
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Surprisingly, not all companies are tracking bank signers on a system.

Tracking bank signers and tracking the dates these signers are active are the most used features, but not overwhelming so.

- We expect the use of Bank Account Management (BAM) systems to increase as they add functionality for FBAR reporting.

The system we use for Bank Account Management can: (select all that apply)



Bank Account Administration

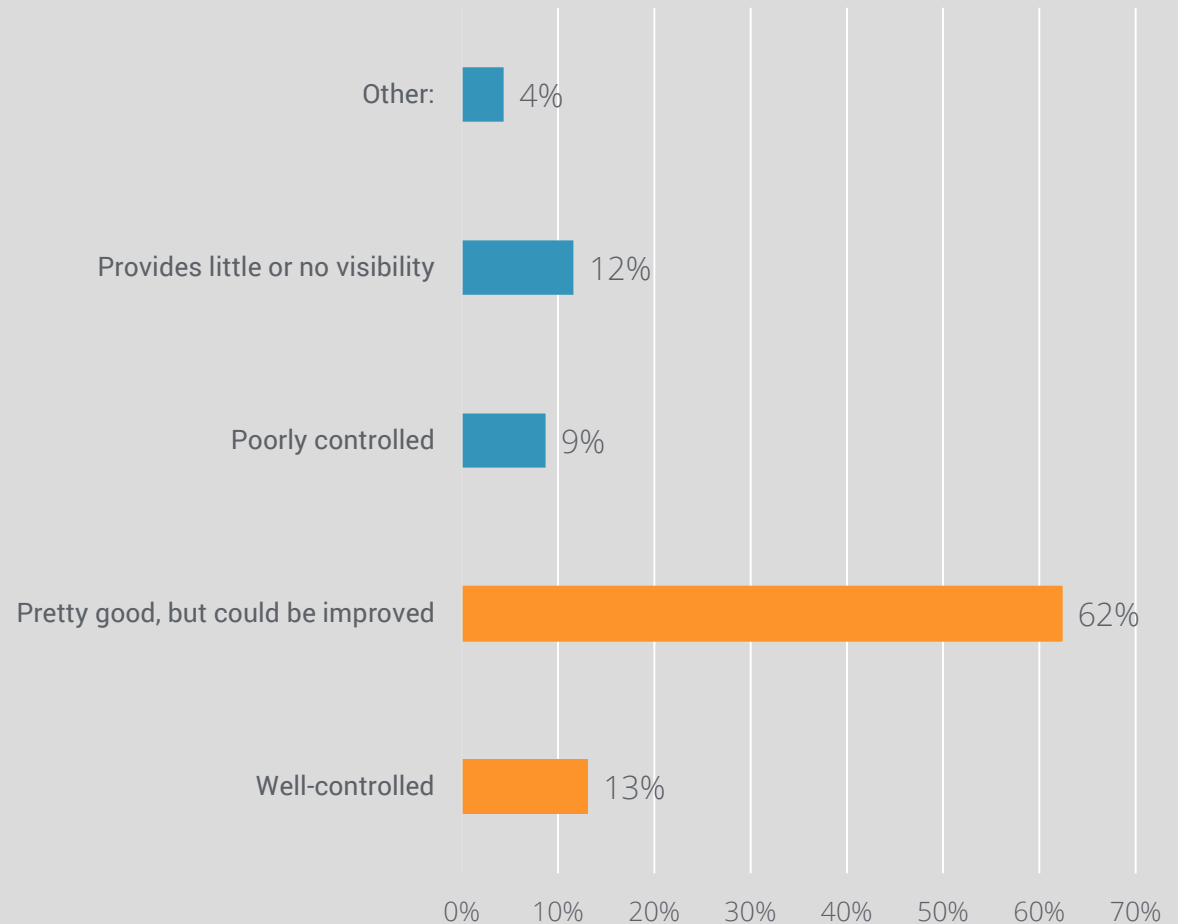
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Overall, most companies are generally pleased with their bank account administration.

75% of respondents viewed their tracking system in a positive light.

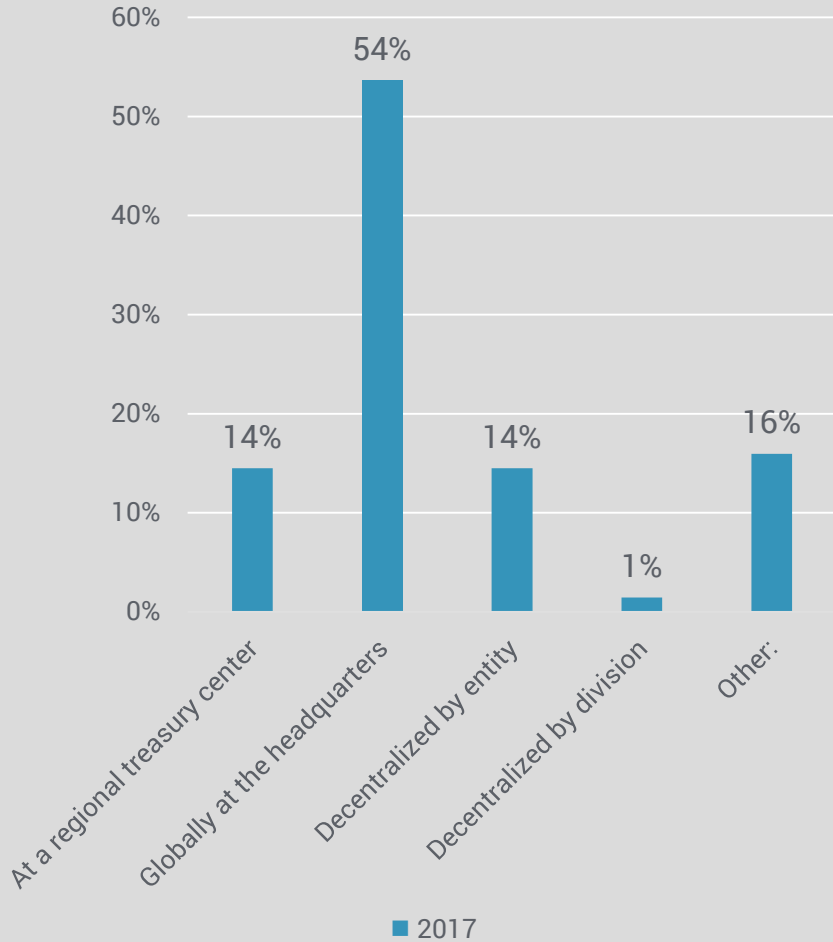
- Only 13% feel that their processes and systems are *well-controlled*, while 62% feel their process is *good but needs improvement*.
- Over 20% of companies are unhappy with their bank account tracking system.

I believe our tracking system for bank account administration is:

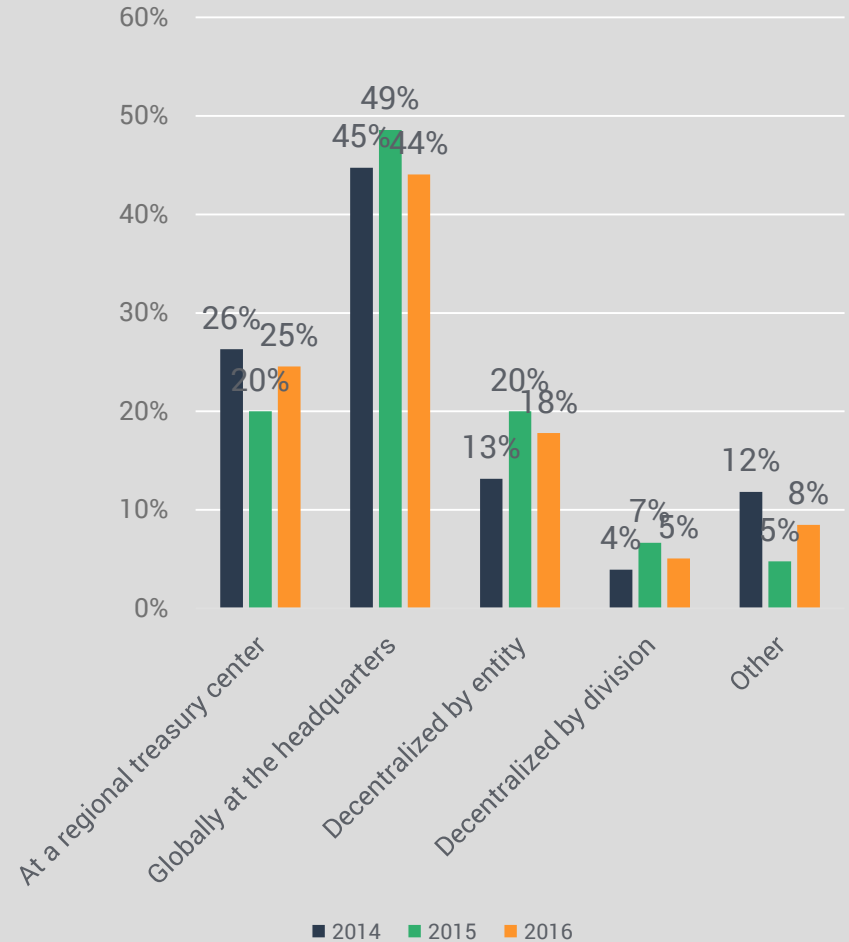


Account Management

Where is the management of foreign bank accounts handled?

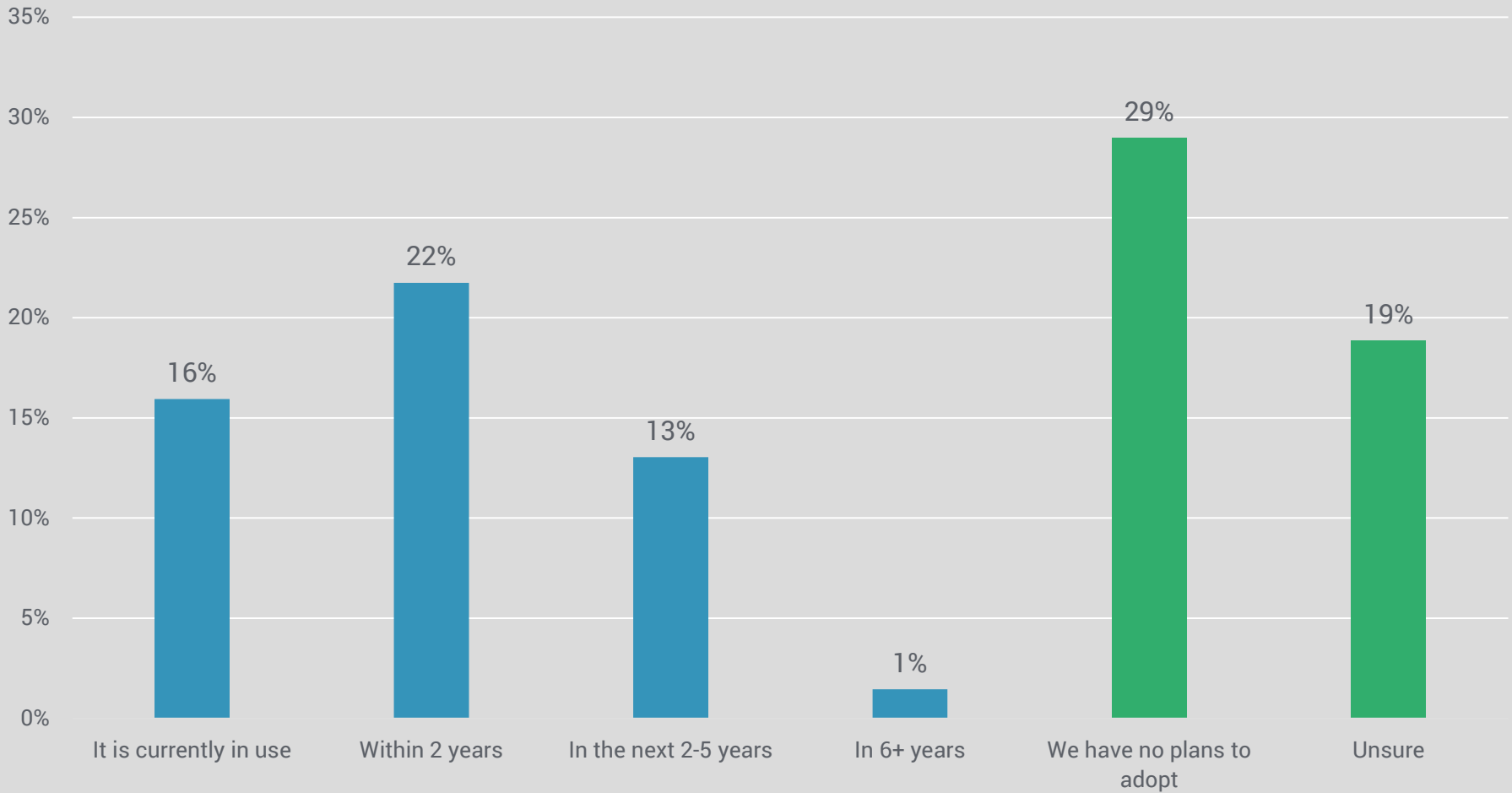


How is the administration of foreign accounts handled?



eBAM Adoption

My company has plans to adopt or is expecting to adopt electronic bank account management (eBAM):



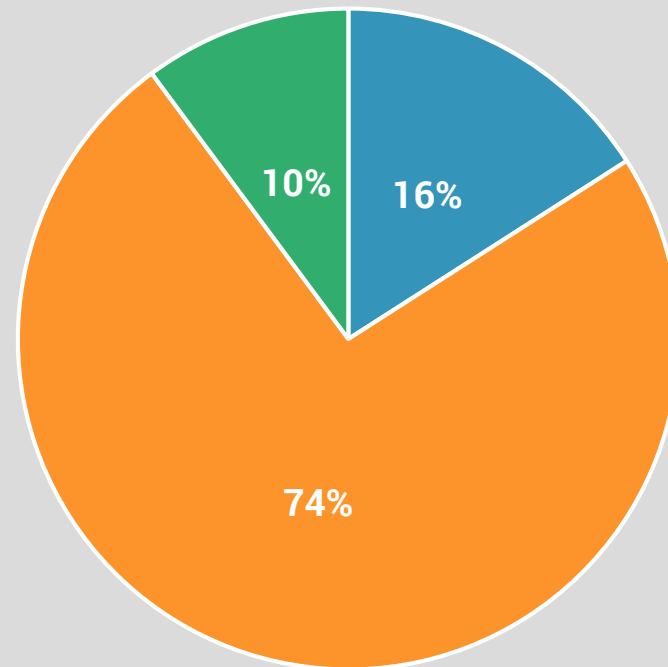
FBAR Reporting

A majority of companies don't have efficient processes for FBAR.

There are clearly significant opportunities that still exist between BAM and FBAR.

- 74% of companies do not have integration between BAM and FBAR.
- As companies invest in TMS or BAM systems, the amount of integration should increase substantially.

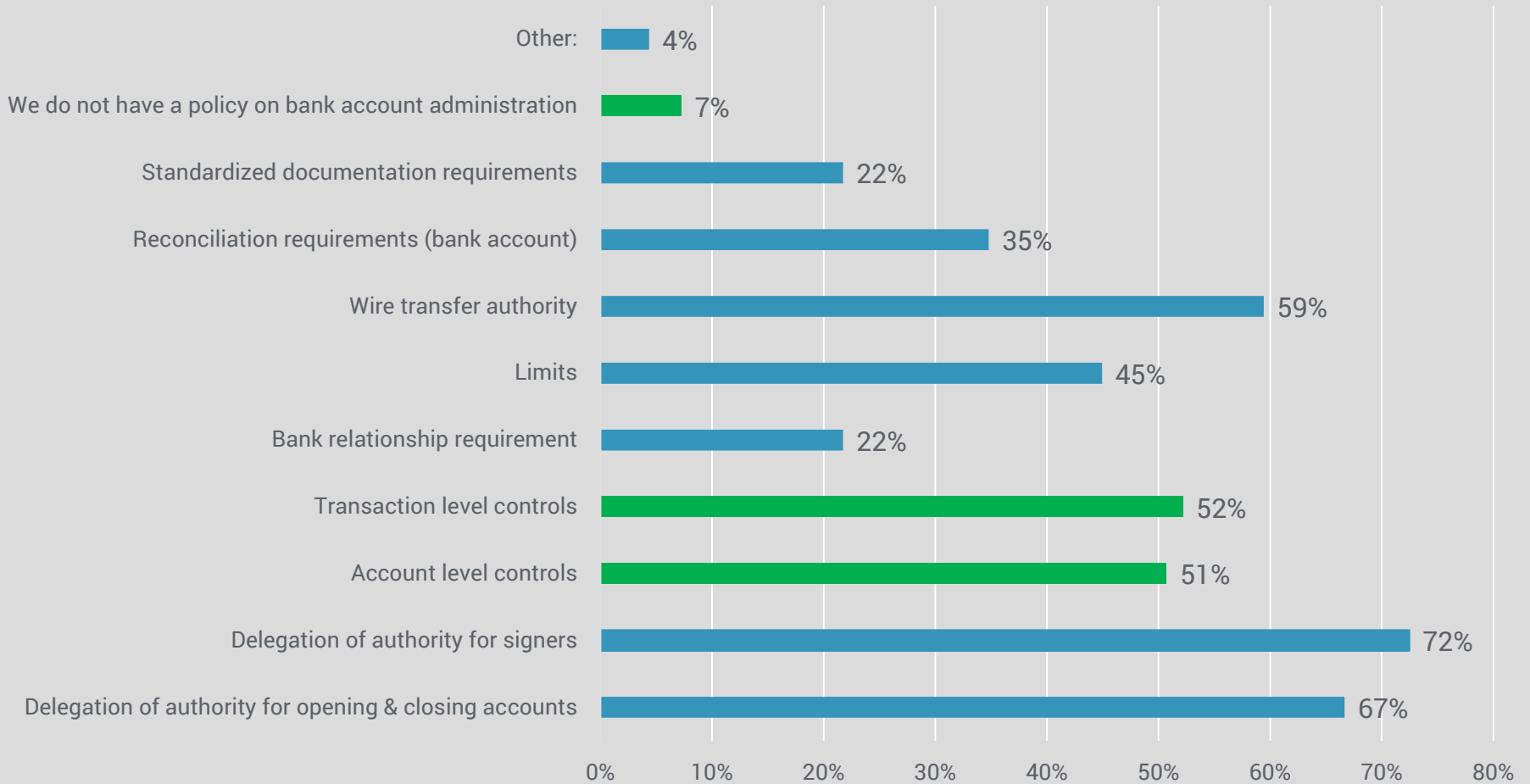
Is your bank administration and signer tracking system electronically integrated with FBAR reporting?



■ Yes ■ No ■ Unsure

Bank Account Administration Policies

Which of the following does your bank account administration policy include? (Select all that apply)



Bank Account Audits

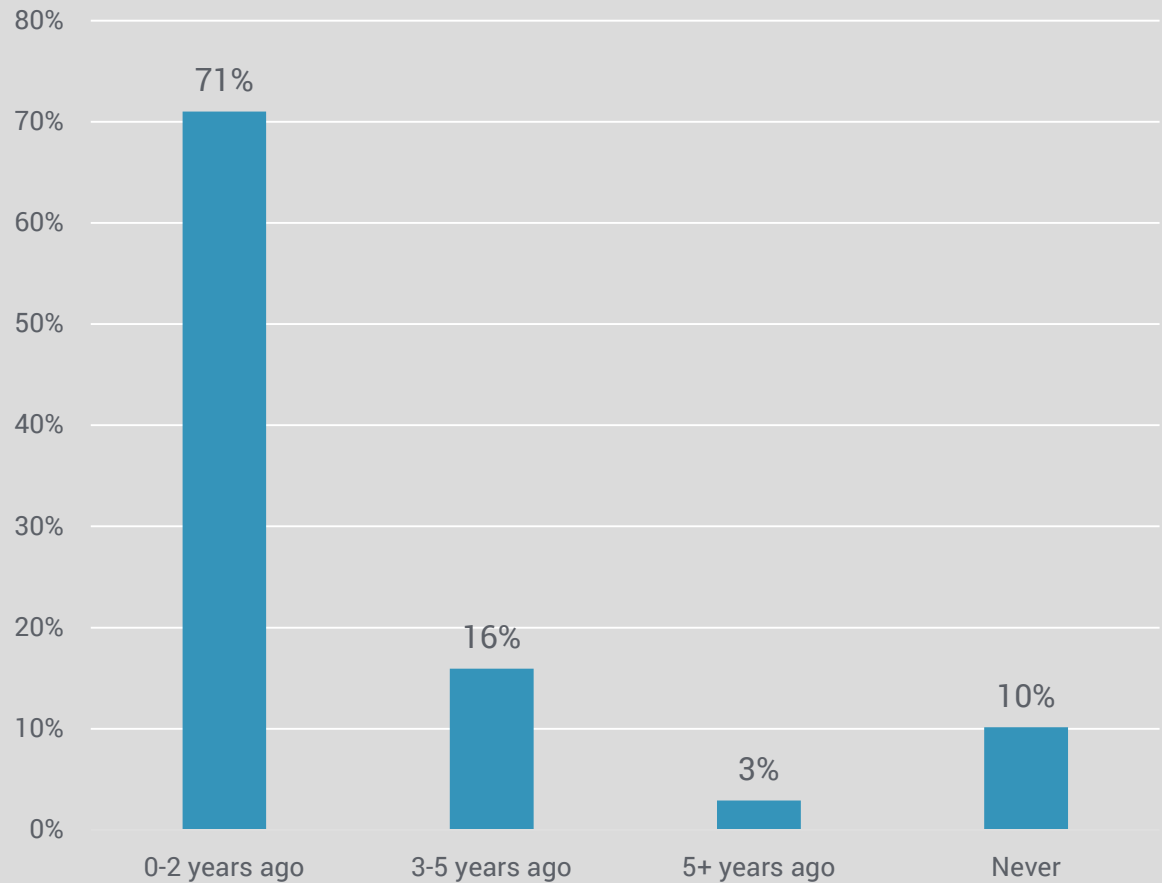
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A majority of respondents have kept their bank accounts up-to-date.

Compared to 2016, we see more respondents that have not recently done a bank account audit.

- 10% have never done a bank account audit.

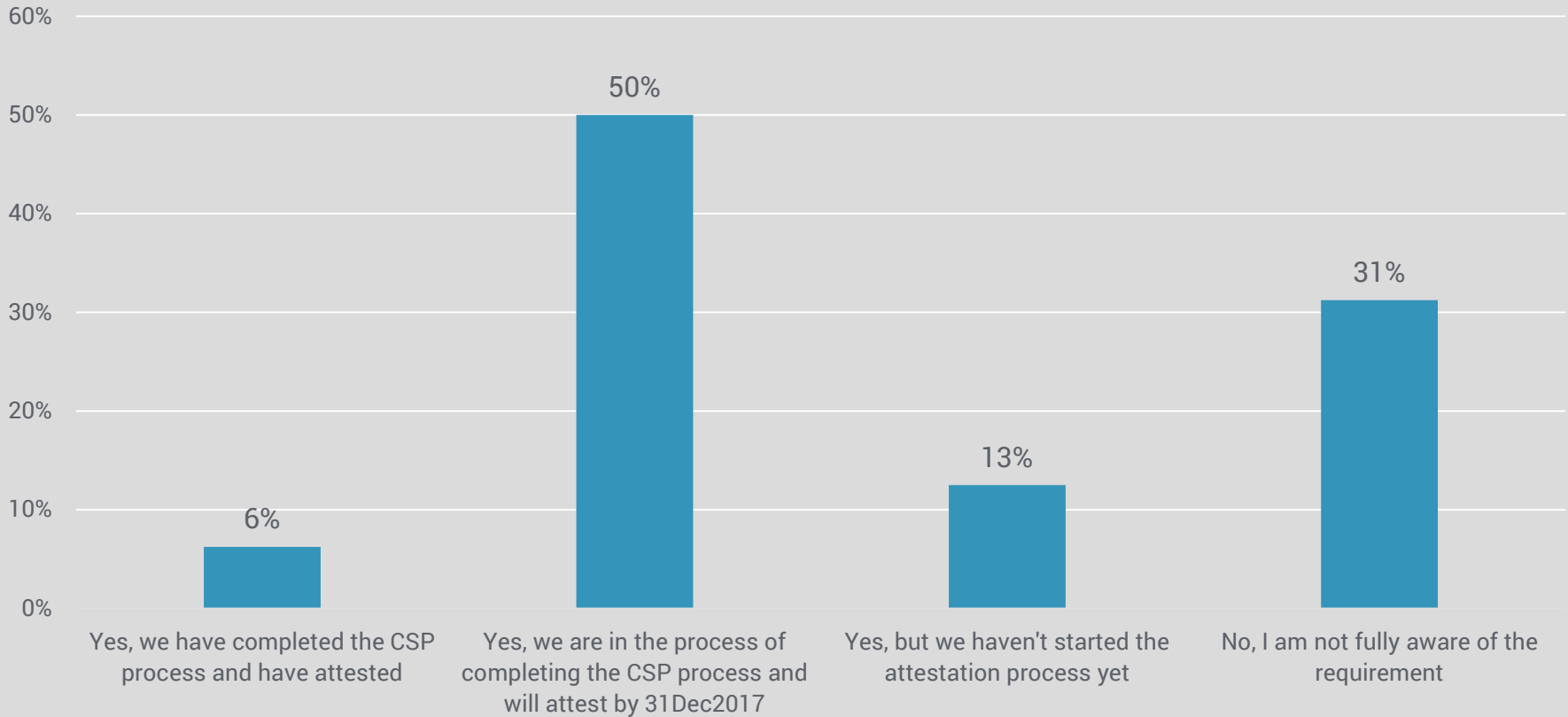
When did you last perform a bank account audit in order to determine accounts, signers, limits, controls, etc?



New Attestation Requirements

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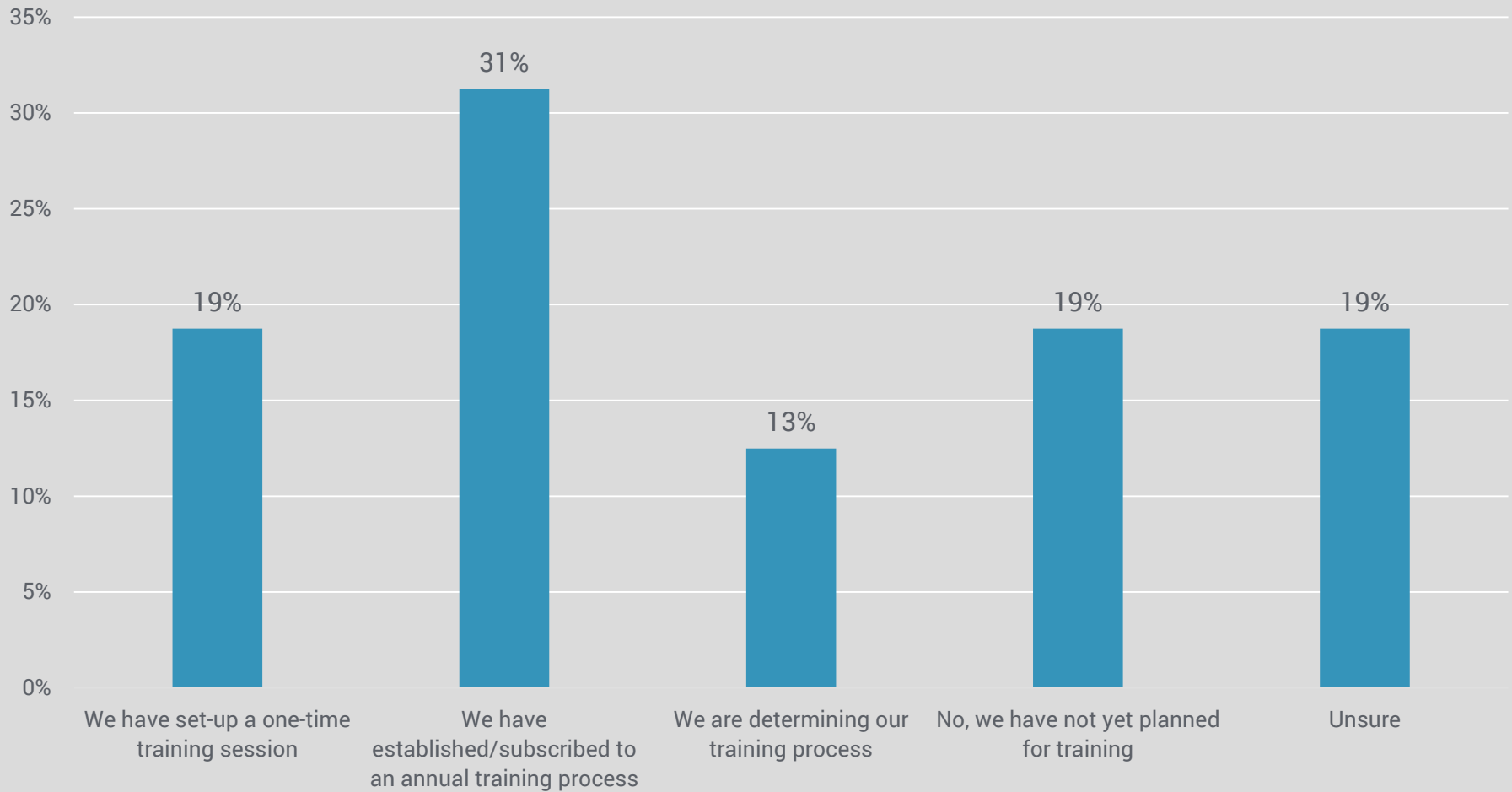
Are you aware of the new attestation requirements beginning 31Dec2017 for companies utilizing the SWIFT network?



[Learn more about SWIFT CSP here](#)

Annual Security Training

Have you put in place a system of ongoing annual security training (Section 7.2) staff here and overseas (if applicable) as required by SWIFT?



Further Requirements Coming?

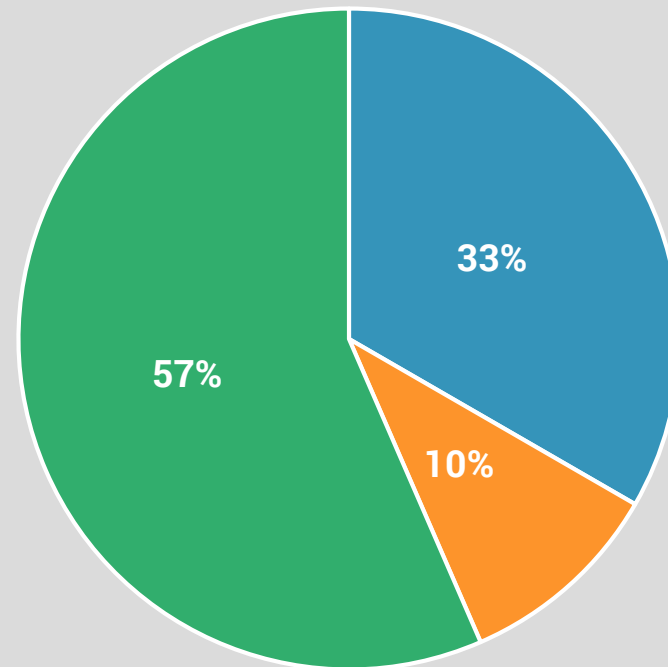
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A majority of respondents are uncertain about the likelihood of new compliance regulations.

At almost 60% unsure, it'll be interesting to see how this answer changes in the next few years.

- We think that as there are increases in market volatility and fraud, this will drive new and more in-depth regulatory requirements.

Do you think other attestation and testing requirements are likely to emerge from other channels/networks such as NACHA?

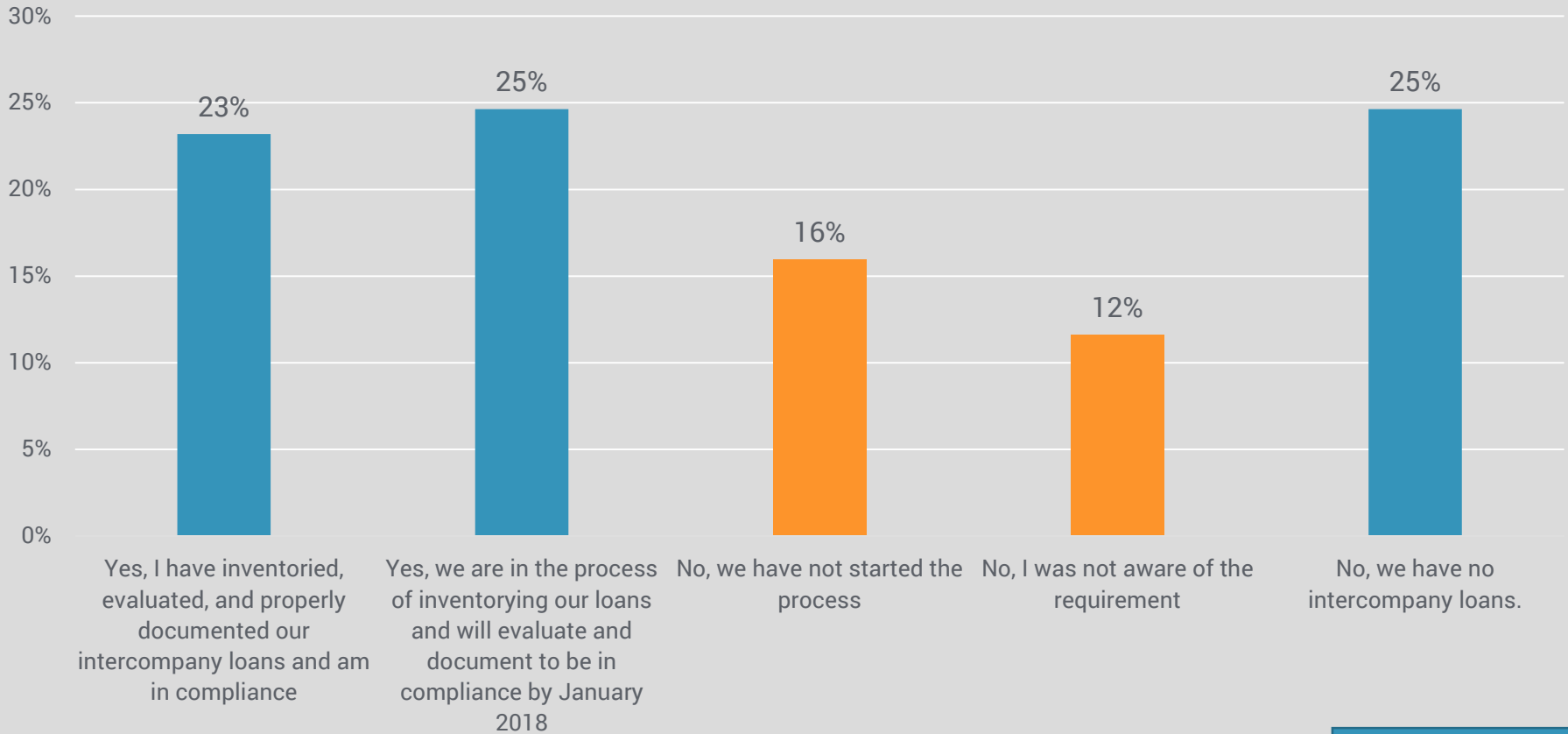


■ Yes ■ No ■ Unsure

Intercompany Loans

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Are you compliant with the IRS requirements on intercompany loans effective in January 2018?



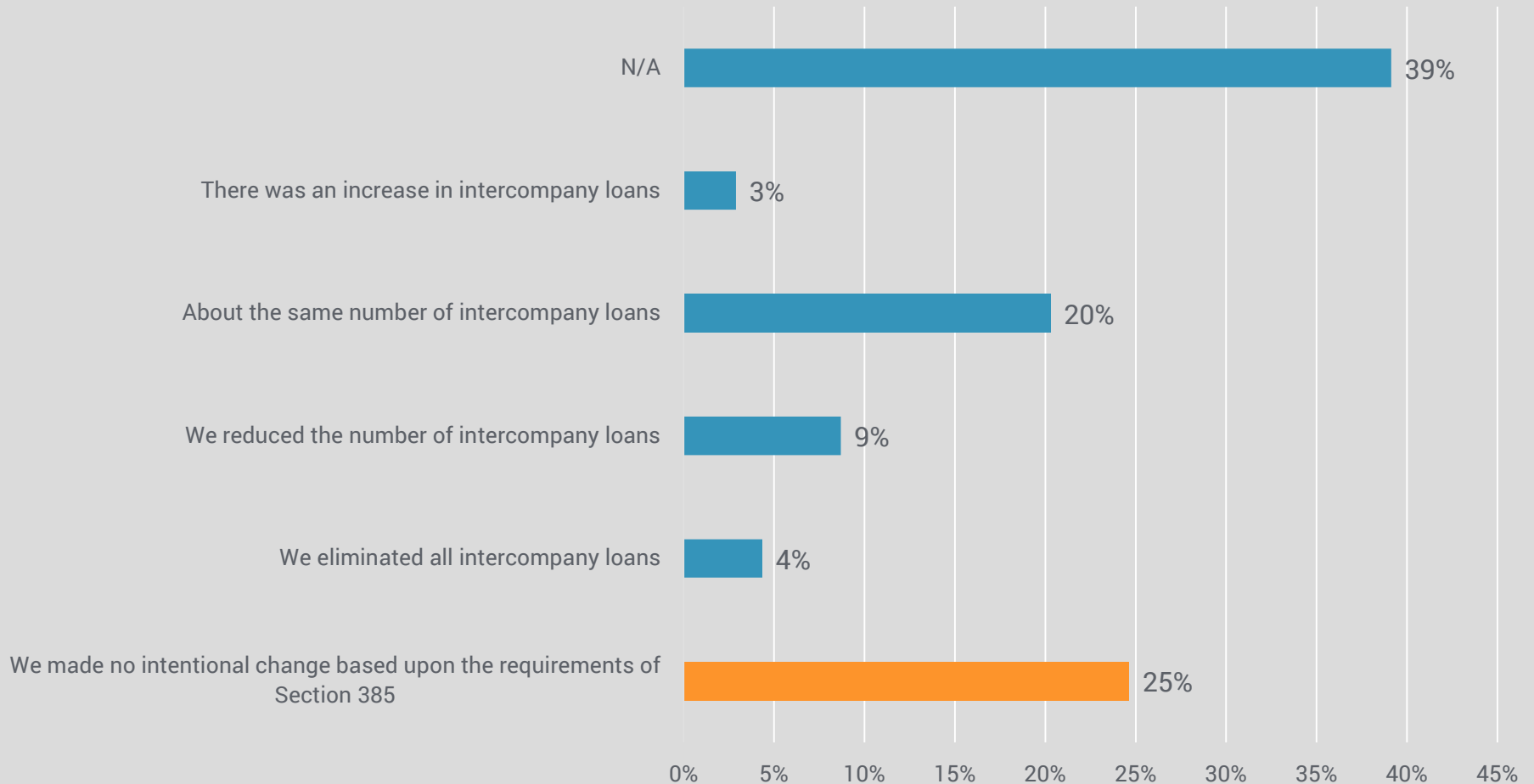
*Note that Section 385 requirements were delayed to January 2019 following the launch of this survey.

[Learn more about Section 385 here](#)

Section 385 Didn't Massively Affect Plans

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As part of the Section 385 compliance process, did the number of intercompany loans change?



General Data Protection Regulation (GDPR)

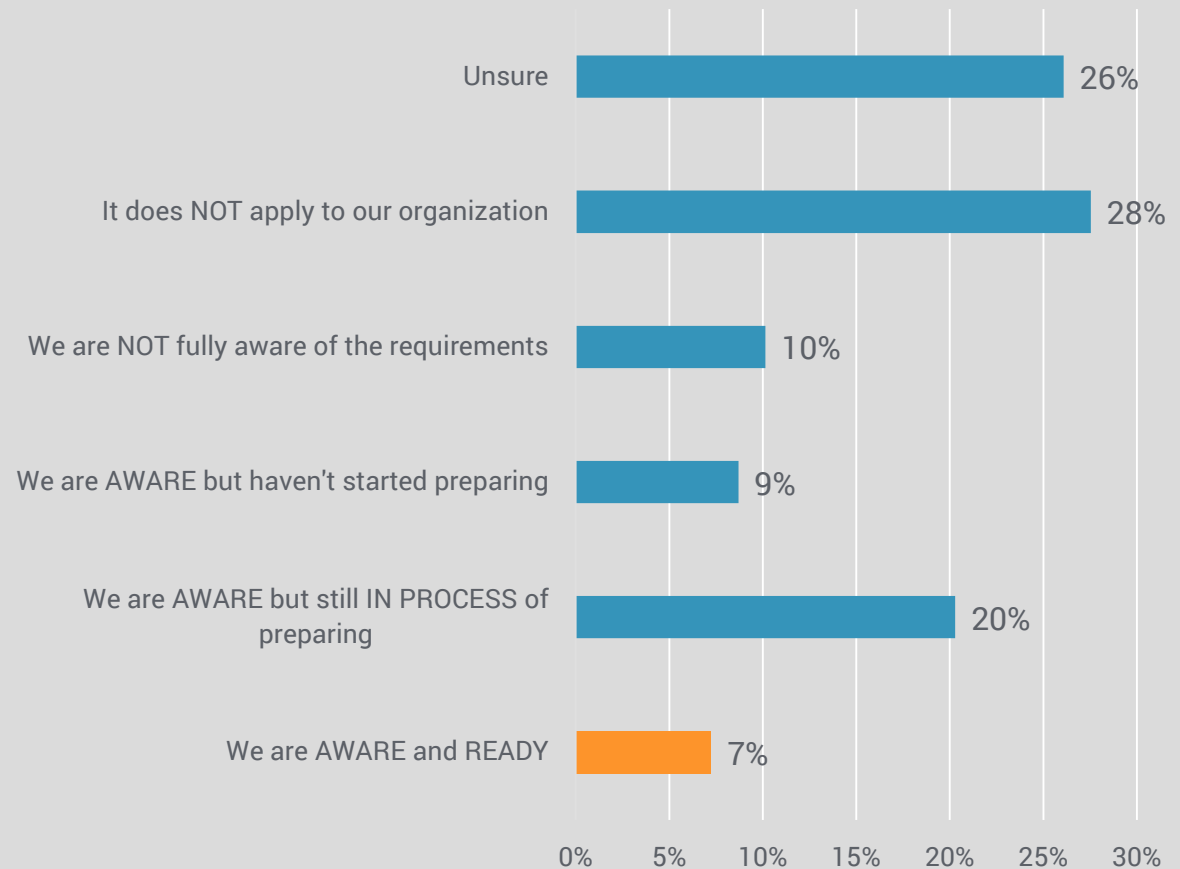
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GDPR is still not broadly recognized as a requirement.

GDPR passed in April 2016 and goes into effect on May 25, 2018. With the deadline fast approaching, the time to act is now.

- 36% of companies are *not fully aware* or are *unsure* of the impact of GDPR.
- Applies to all companies whether or not they are located in the EU.
- Failure to comply will result in a fine of the greater value:
 - 20 million euros
 - 4% of worldwide revenues.

Is your company prepared for the European General Data Protection Regulations, which go into effect May 25, 2018?



Final Thoughts

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Corporates should look forward to future changes and plan accordingly before they happen. Stay up-to-date on regulatory changes and make a game plan.

Key Takeaways for Treasury:

- **Foreign Bank Account Reporting** is still a heavily manual process that falls mainly to treasury. With a mix of companies who file for their individual signers and those who expect the individuals to file for themselves, it's a regulation that has yet to stabilize. However, fewer companies are using US citizens as signers, wire initiators, or releasers on foreign accounts.
- **Electronic Bank Account Management** is typically viewed as acceptable where it stands. However, very few organizations are taking full advantage of its features. This is especially true when it comes to reporting for FBAR.
- **GDPR** is still relatively unknown. Corporations would be wise to make themselves aware of how this new regulation will affect their practice.
- While **Section 385** has been delayed, there are still many corporations that need to get up to speed regarding their intercompany loans.

Upcoming Items

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Live Survey



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