

What Do Corporate Treasurers Expect of Their Banks?

Vesa Kalliokoski, OpusCapita

This article discusses companies' banking relationships and what expectations and requirements CFOs currently have of their banks.

Migration to the single euro payments area (SEPA), the prevailing trend to centralise financial management as well as the fact that the pace of business has increasingly intensified in many sectors over recent years have all had a major impact on what companies expect of their banks. The needs of an international conglomerate in contrast to a domestic retail business are naturally different, but a number of common aspirations repeatedly emerged during my discussions with CFOs.

Real-time Information in a Flexible Manner

For a long time, the focus of financial departments has been to hone and improve the processes of liquidity management and cash flow forecasting continually. CFOs comment that they increasingly need to know the cash flows of their company on a closer to real-time basis in order to make the best possible use of the company's cash at all times, and not have it lying idle in a low-interest account. Many now expect to receive increasingly up-to-date information about their account transactions in a more flexible manner.

Presently, the real-time services provided by banks principally centre around Internet services. The result of this is that CFOs must separately log on to each individual bank's system and, among other things, need numerous, even dozens, of user codes if they, at any given time, wish to view their account transactions and for instance immediately re-invest large sums arriving on their accounts.

Real-time information should hence be readily accessible via the same channels along which payment and account statement information is currently transferred between the bank and its client company. In my view, instead of several, parallel web services, companies would be best served by a single system, which would allow you to view your account transactions at several banks simultaneously and on a real-time basis.

SEPA - Fulfil Your Promises

Nordic CFOs are currently particularly vexed by the compatibility of the new payment information formats introduced along with SEPA and the automatic processing of money transactions. I have been involved in building cash management solutions for our customers for over eight years now and have seen how companies' interest in, for instance, payment factories that centralise transactions has steadily increased. Now, companies expect SEPA to bring the promised efficiencies to these centralised payment transaction systems.

This is also endorsed by CFOs. For example, Markus Hänninen, vice president, group treasury of the European media group SanomaWSOY, says he is awaiting "the arrival on the market of genuine SEPA services." SanomaWSOY has operations in over 20 countries and the group's 2007 net sales totalled

€2.9bn. The group has built its system, which focuses on international payment transactions, in collaboration with OpusCapita.

Along with many other CFOs in the SEPA era, Markus Hänninen is particularly hoping for a method of processing referenced payments. "Using our payment transaction solution, we would, at any time, be able to transfer all our payment transactions to any individual European country. Banks, however, are not ready for this: for instance continental banks are not yet able to handle our Nordic payment transactions, because the transmission and processing of references that are indispensable to our automated money transaction processes cannot be carried out."

He further commented that Europe remains within a 'mini-SEPA', and that he fears that we might have to wait for the realisation of a genuine euro payments area until after the transition period, or even beyond. Generally, however, in his view, over the past few years, banks' understanding of the requirements of their client companies has improved. Evidence of this is seen in the recent progress taking place in banks' centralised payment and account services as well as their cash management services.

Markus Hänninen also stated that although continental banks are catching up, Scandinavian banks still, in his opinion, have a clear lead both in technology and operational reliability. "At the end of the day, however, standard money transaction services are what matter most to us. In a fully automated process, sorting out potential errors manually requires excessive work. Should major problems occur in standard services, it would always make us reconsider our relationship with the bank in question."

From Local to Global

As demonstrated by the hopes expressed by SanomaWSOY's group treasury, international companies also wish to dispense quickly with bank and country-specific practices other than payments. Their wish is to move from supporting local formats to building a common, universal and increasingly smooth straight-through process. Of the new innovations, the XML-based bank statement is one of the most eagerly anticipated alongside the processing of referenced payments.

What also emerges during the discussions is how centralisation and harmonisation have altered companies' banking relationships. Some companies that have centralised their payment systems have reduced not only the number of their bank accounts but also the number of banks, and they, as a bare minimum, also put their banking services out to tender more often than previously. In any event, technological progress and harmonisation guarantee that changing banks is becoming easier by the day.