EXCHANGE

ACTA
AUSTRALIAN CORPORATE
TREASURY ASSOCIATION

MAGAZINE

2024

CERTIFICATE IN CORPORATE TREASURY

ACTA
AUSTRALIAN CORPORATE TREASURY ASSOCIATION

MACQUARIE University
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Contents

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ACTA
AUSTRALIAN CORPORATE TREASURY ASSOCIATION

President's Message

Welcome to our 2024 Exchange Magazine, and a big thanks to all of those who have contributed, we hope you enjoy reading it, and get some value.

2024 has continued to be a strong one for the ACTA as we see the work done over a number of years come together.

At a Board level, we have been able to focus strongly on strategy and what is most important for our members rather than the more operational focus that was needed 5 or 6 years ago.

That strategic intent has seen the organisation grow, both in membership, but also what we are able to deliver. Our Certificate of Corporate Treasury is now well established, with excellent numbers of people undertaking the course and employees recognising it's importance. Without doubt shortly we will see job adverts and promotions reliant on being a Certified Member of ACTA and the professionalism of our industry enhanced.

Additionally, we are now able to be much more involved in advocacy, particularly via the role of our Technical Director Kurt Smith. Kurt sits on both the Australian Payments Network Stakeholder Advisory Council and the Australian Corporate Bond Market Reform Working Group and is a valued and important voice of Treasury within those groups. We are currently evaluating other groups to add our voice to and continue to be asked to participate in shorter term working groups at organisations such as the ATO.

Our Board and Committees continue to do an outstanding job, but we are always looking for more people to contribute – please reach out if you would like to know more!

Regards
Alice Van Der Geest

Alice Van Der Geest

President, ACTA

CEO's Welcome

Welcome to our Exchange Magazine for 2024. Thanks to everyone who helps put this together, from our own team to Ke. Creative and the many contributors.

As Alice has pointed out, the ACTA is in great shape. In addition to the Certificate and Advocacy mentioned by Alice, we are continuing to work on the experience that our members and others in the Treasury community receive.

The jewel in our CPD and event calendar is the Annual Conference – no doubt this year was the biggest and best we have put on. For those of you who attended, a huge thanks for your engagement, input and company. For those who partnered with us, thank you so much, we genuinely can't do it without you, and greatly appreciate the ongoing support. Next year we will be back in Manly and hoping to outdo ourselves again!

Additionally, we continue to strive to provide as much CPD and networking as possible, from webinars, to face to face State events to our other big one, Essential Treasurer in November.

As with many years recently, we are looking at ways to improve your experience digitally, with enhancements to our website and how members interact. Watch this space!

Finally, membership has grown at a phenomenal rate over the past 12 months – to both our new and existing members, thank you, not for growth's sake, but because the more people involved, the better our networking, engagement and events are, and the more value you can get from each other.

Look forward to seeing as many of you as possible over the coming months.

Cheers
Ben Leaver

Ben Leaver

CEO, ACTA

THAT'S A WRAP:

Manly turns it on for Conference

The ACTA 2024 Conference promised to be a fantastic opportunity for the Australian treasury community to gather in Sydney at the glorious Manly Pacific Hotel to catch-up with existing colleagues and create new networks, to listen and learn from a range of thought-leaders, and to contribute by sharing knowledge and experience with others.

The conference more than lived up to its promise and exceeded all expectations. It was the largest conference at least in the current millennium for delegate numbers and sponsor support, creating a vibe of excited anticipation and thought-provoking fun. The Australian treasury community came in a positive frame of mind to contribute to the dialogue and to leave with insights and ideas for their own businesses and professional careers.

The Closed-Door Treasury session was extended this year by popular request. Treasury professionals wanted a longer window to hear from experts in panel and presentation formats. These discussions were wide-ranging but also met the conference theme of adding value in treasury, and whether this was evolutionary or revolutionary. My summary to delegates was that value-add is evolutionary with respect to the operational activities, and revolutionary with respect to operating models: should we be cost centres focusing on efficiency gains, or should we be more strategically ambitious as a centre of value-add? Spoiler alert – I strongly recommended being a centre of value-add (noting that strategic ambition requires a strong operational foundation).

A keynote the following day consisted of a CFO, Executive General Manager (EGM), and a Treasurer from three large corporations. The CFO and EGM repeatedly and strongly encouraged Treasurers and treasury professionals to be ambitious in scope of responsibility and to volunteer to lead in new area, because there are lots of opportunities and CFOs/EGMs want help and are looking to develop people to see who can grow into roles with responsibilities outside their specialisation, a

> the value-add is evolutionary with respect to the operational activities, and revolutionary with respect to operating models

prerequisite for consideration in Deputy CFO, CFO and EGM roles. The conclusion - do not hold yourself back.

This theme was explored further after lunch, with a panel consisting of a Deputy CFO, Group Treasurer and Treasury Director, challenging the audience to dispense with stereotypes, invest in engaging with operational peers to understand business drivers, and to consider mindset as well as skill set to elevate your own profile and the profile of treasury with the business, C-Suite and Board. The discussion was illuminating, and my summary to delegates returned to the conference theme: improving skill set is evolutionary and changing mindset is revolutionary. This is because we already have technical expertise such that improvements will be incremental, but step-changes in access to decision makers, becoming a trusted advisor, and identifying and leading commercial initiatives requires changes in mindset.

This sequence provides an insight into how the conference brings together remarkable thought-leaders not only to speak to technical treasury material, important as that is, but also to shed light on how to short-cut your approach to developing your own career, run a treasury function, and rank your priorities for the new financial year by thinking outside of the box.

There were many other technical sessions in the full conference agenda which space precludes us from exploring here, such as the rapidly changing payments rails, ESG, carbon offset accounting and disclosure requirements, ACCU and renewable energy certificates trading, artificial intelligence, the digital horizon, cyber threats, strategic treasury and much more. The inaugural Fish Bowl session was a great success and will return as a regular feature in future conferences. Nothing like having an audience-driven technical session to tap the accumulated knowledge, skills and experience of the treasury community.

The Thursday post-dinner karaoke has carved out such a track record of success that we have had sponsorship enquiries! Remember, Friday starts with an early breakfast which is a conference highlight each year, and what is done in Vegas, stays in Vegas! You know who you are!

I have noticed over the many years I have attended the ACTA conference how willing delegates are to share their expertise and experience. This includes some very high-profile people – CEOs, CFOs, Deputy CFOs, Executive General Managers through to Group Treasurers – who are happy to share but whose diaries are almost impossible to get into. This is where the ACTA conference comes into its own, because for the 2.5 days of the conference, you are in their diaries and all you have to do is attend and introduce yourself. You will not be disappointed!

Thank you to all of our sponsors who supported the conference. They certainly provided us with a smorgasbord of networking opportunities (pun intended unfortunately) over drinks, canapés, dinner, and breakfast. They also bring key members of their teams to assist with making the conference a success.

Congratulations to all the award winners, both teams and individuals.

Finally, we hope to see you at the ACTA 2025 Conference back in Manly to set a new record in attendance!

By Kurt Smith,
Vice President & Technical Director, ACTA
Director, Marengo Capital
Ph.D, M.Phil.
(Cantab), FCTA

SAVE THE DATE: **2025 ACTA Conference - Wednesday 28 – 30 May 2025 - Manly Pacific – Sydney.**

And the winner is...

Congratulations to the 2024 ACTA Treasury Award Winners:

Treasury Team of the Year Sponsored by J.P. Morgan	**NBN Co. and Telstra**
Influential Treasurer of the Year Sponsored by HSBC	**Fiona Trigona, CCTA**
Innovation of the Year Sponsored by Macquarie	**Grow Inc**
MVP Team Member of the Year Sponsored by ANZ	**Helen Belleghem CCTA**
Emerging Treasury Professional of the Year Sponsored by Commonwealth Bank	**Chris Logan CCTA**
President's Award	**Paul Travers FCTA**
Coalition Greenwich Most Trusted Advisor	**ANZ**
Coalition Greenwich Best Bank for ESG/Sustainability	**ANZ & Commonwealth Bank**
Coalition Greenwich Best Bank for Transactional Banking	**ANZ & NAB**

Reforest Now

MyTreasur-e funded the planting of 53 rainforest trees, through their engagement with delegates during the 2024 ACTA Conference in Manly.

Partnering with ReForest Now, MyTreasur-e on behalf of conference attendees is donating to the regeneration of Australia's landscapes, one tree at a time.

ReForest Now have been rocking the reforestation game since 2018, bringing passion and energy to every project they tackle. Their not-for-profit model means every dollar from amazing supporters like MyTreasur-e goes straight into action—no fluff, just pure impact. It's all about empowering people and businesses to step up and save the Earth. MyTreasur-e's contribution is a shining example of how corporate love for the planet can spark real change.


TREE CERTIFICATE

for

My Treasur-e

53 rainforest trees will be planted on your behalf to restore critically endangered rainforest in Northern NSW.

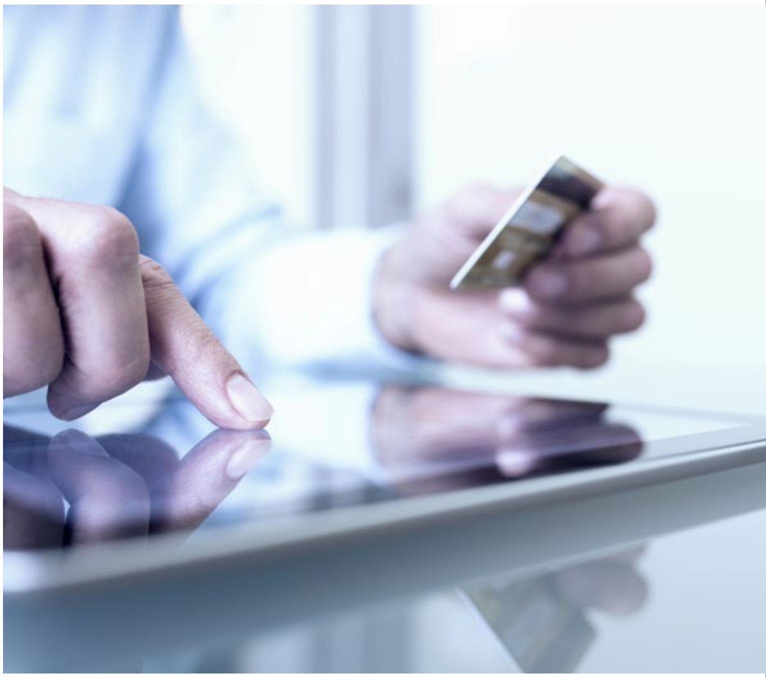
Thank you for enabling us to heal country.

Maximo Bottaro
CEO of ReForest Now

ReForest Now

Why businesses must ride the real-time payments wave

As the pace of change in Australia's payments system speeds up, businesses that are embracing emerging real-time payment capabilities are gaining competitive advantage.



Emerging technologies have incrementally transformed Australia's payment landscape over the past decades, but few have had the seismic effect as the New Payments Platform (©NPP).

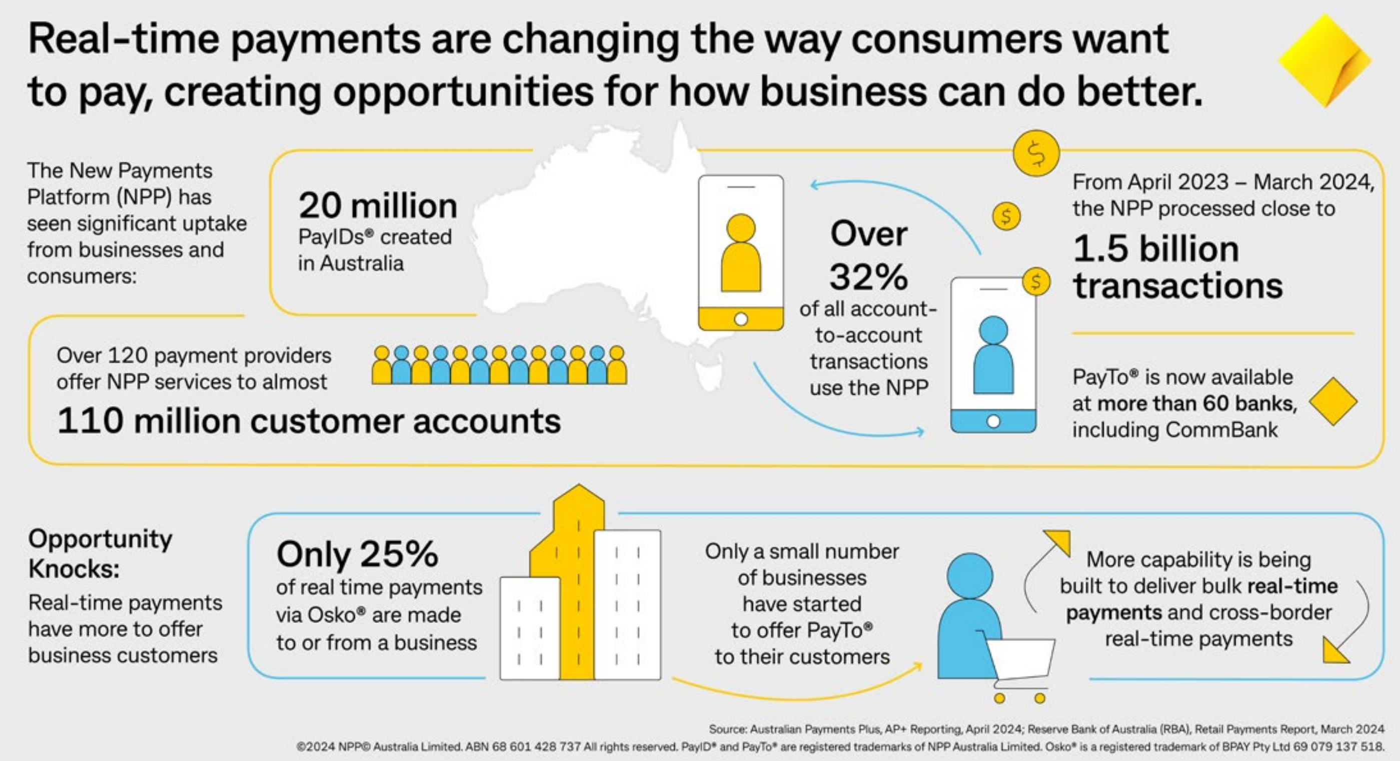
Launched in 2018, the ©NPP is a national infrastructure to support real-time, data-rich digital payments, 24-hours a day, every day. While the NPP's obvious benefit is its always-on availability[1] that's critical to meet the immediacy demanded by today's economy, it has several other attributes that have radically improved the precision, transparency and security of payments.

The creation of an array of new real-time capabilities, such as PayID® and PayTo®, will revolutionise the way consumers and businesses make and receive payments.

The scene is now set for a swathe of additional innovative payment use cases to emerge.

Early adopters are getting an edge

For businesses that have jumped at the chance to adopt these modern payment capabilities, the benefits are material. Beyond giving their customers the joy of fast, frictionless payment experiences, the new capabilities have also reduced the time and effort traditionally required for payment reconciliation and



verification, made liquidity and cashflow management more precise, and helped curb fraud and scams.

"The richer data and the near-instant clearing and settlement associated with real-time payments enables businesses to work payables and receivables more efficiently," says CommBank's general manager of real-time payments, Alison Chang.

PayTo® is set to replace the traditional direct debit system customers use to pay for services such as bills and subscriptions. It gives consumers the ability to view and manage payment agreements securely from within their banking app, while businesses benefit from instant customer and account verification, real-time receipt-of-funds and access to cash flow and effortless reconciliation.

Real-time payments require a real-time way of integrating and exchanging information with the bank to make and receive payments.

"Businesses that are ready to integrate using APIs [application programming interfaces] will be able to seamlessly curate an exceptional bank account payment experience in their digital channels," says Chang.

Early adopters, she adds, are not only at the forefront of the wave of new use cases, they're also well placed for the wind-down of Australia's legacy payments system – Bulk Electronic Clearing System (BECS). The RBA has described BECS as "a low-cost and reliable workhorse of the Australian payments system for decades, processing salary and welfare payments, recurring payments to merchants and other account-to-account transfers"[2]. The target end-date for BECS is June 2030, with further consultation by Treasury in the coming months to support the retirement.(3).

Momentum is building in modern migration

The number of payments processed by the NPP has grown exponentially since launch, now exceeding 100 million[3] payments each month, which are worth about $110 billion. And one in three account-to-account credit transfers are processed via the NPP, for the customers of more than 110 financial institutions nationwide.

Chang says that while consumers have been quick to adopt the new features, the migration of large businesses from legacy payment systems, such as Direct Entry payments, has not been so swift.

"Like any major system change, some businesses may be finding it difficult to let go of deeply ingrained back-office 'direct entry' processes," she says. "Others are opting to wait for a greater suite of feature-rich capabilities to be available, and others still are simply unsure about the best way to uplift their technology to take advantage of the evolution."

Solutions are at hand to help business leaders confront this inflection point and enjoy an advantage over those who wait, she says. "We're seeing a convergence of powerful technologies and global standards – including APIs and the adoption of the universal payments language of ISO 20022 – which are enabling all businesses, regardless of size, to leverage seamless, data-rich payments across the modern technology landscape."

Combating frauds and scams is a priority

Despite all the benefits of digital payments, faster payments come with some risks. Having confidence in who a business is paying is key to reducing false billing and mistaken payments.

One of NPP's earliest developments, PayID® – which enables account holders to register a mobile number, email address or ABN – helps payers confirm they're paying the right person or business by displaying the payee's name for confirmation. To date, some 18.5 million PayIDs® have been registered, up 45 per cent from 2022, including a growing number of small businesses.

"Businesses that take the simple step of replacing their bank account details with their PayID® on invoices can go a long way in protecting both themselves and their customers"

Not only does PayID® enable payment receipt immediately, it's an effective way to reduce payment errors and invoice fraud, because a PayID® is more recognisable, traceable and harder to impersonate than BSB and account numbers.

"Businesses that take the simple step of replacing their bank account details with their PayID® on invoices can go a long way in protecting both themselves and their customers," says Chang.

CommBank also offers its customers NameCheck on the CommBank app, Netbank and CommBiz banking channels, which indicates whether the name and account details entered for payment appear to be correct.

Since launch, NameCheck has helped its customers prevent ~$20 million scam payments and reduced mistaken payments by ~$180 million.

CommBank has now created secure API capability to enable their industry leading NameCheck technology available to other organisations such as Bendigo Bank and fraud monitoring company Satori. Taking this whole-of-ecosystem national approach can help to make payments safer and more reliable and aid further in scams and fraud prevention.

Mark Bookatz, Satori's executive director of growth, says NameCheck has become an essential service for many of its corporate customers.

"Australian institutions have recognised the high costs stemming from errors, non-compliance and fraud in their financial processes. We are excited to extend the NameCheck service to our corporate customer base to complement the existing AI-driven financial controls monitoring service, driving operational efficiency and preventing fraud," says Bookatz.

– Alison Chang, General Manager, Real Time Payments, Commonwealth Bank of Australia

[1] NPP, The Platform. https://nppa.com.au/the-platform/
[2] RBA (2023), Modernising Australia's Payments System. https://www.rba.gov.au/speeches/2023/sp-gov-2023-12-12.html
[3] NPP Australia Roadmap 2023.

Rising tide in Australia's corporate market

The Australian dollar corporate bond market has flattered to deceive in the past but in 2024 appears finally to be delivering on its potential, with record volume issued and some particularly eye-catching transactions in the books. Perhaps more significantly, the market appears to be winning over some issuers that were historically unwilling to test its capacity for large-volume, long-dated transactions.

Laurence Davison, Head of Content KANGANEWS

It is worth remembering that a positive corporate new-issuance environment in 2024 was certainly not considered to be a fait accompli even at the start of the year. While there were grounds to expect an uptick in bond supply from Australian corporate issuers – capital market pricing had swung back into line with the loan market, and funding diversity was back on the agenda after several loan-driven years – there was nothing in particular to suggest the domestic market would be the venue for more of this supply than in the past.

Several dealers who spoke to KangaNews in the early weeks of the year were actually fairly downbeat about domestic prospects. Their rationale seemed sound: global funding options were more or less all open, with a vocal clamour for supply and increasingly appealing spreads on offer.

Australian issuers, meanwhile, have rarely needed much convincing to take their deals to the US dollar and euro public markets, or to US private placement (USPP) format, given the perception of the more consistent availability of liquidity offshore.

The supply pipeline in Australia has been a positive surprise to most. It got going in earnest at the end of February, when Telstra printed A$1.2 billion (US$795.2 million) in its largest-ever domestic deal. But there were signs of something building even before then. For instance, Perth Airport attracted a more than seven-times over-subscription to its A$300 million print on 22 February.

Structural Change

These outcomes and the ones that followed suggest a genuine structural change in the Australian dollar corporate market that is not just about issuance volume.

The all-time record for Australian dollar corporate issuance – A$20.5 billion – was set in 2017. At A$7.9 billion by late April, 2024 has every chance of surpassing that high water mark: by the same point in 2017, just A$4.9 billion of corporate supply had come to market.

Outright volume does not tell the whole story of comparative market health and functionality, either. Tenor of issuance is perhaps the clearest indicator of what has changed. In 2017, slightly less than 30 per cent of total corporate volume came to market with duration of 10 years or longer, including just two long-dated tranches of A$500 million or more. This year to date, almost half of all corporate issuance has been at 10-year tenor – including six individual tranches of at least A$500 million.

It is also clear that demand in 2024 often significantly outstrips issuers' need to borrow – which was not always the case even when volume was relatively healthy. One of the headline transactions of 2017 was Telstra's A$1 billion three-tranche deal, which included A$550 million of 10-year notes. The book for this deal was A$2 billion. In 2024, Telstra included A$750 million of 10-year bonds in its dual-tranche print – and attracted a total book that nudged A$5 billion.

In triple-B land, Asciano printed A$350 million of 10-year bonds in 2017 from a book of A$850 million. Aurizon Network came to market with a deal of the same size and slightly shorter tenor – 7.5 years – in March this year and found more than A$2 billion of bids.

This is particularly important because it should help convince corporate issuers that they can rely on the Australian dollar market to offer a more relevant baseline level of support than was the case historically. Treasurers are not paid to be heroes or to achieve wider market development goals, and in this context the most reliable option often wins out.

For the largest local issuers, the line has always been that while margins in the US and European public markets might not always appeal, they could more or less always rely on volume being available for a price.

In an era when coverage on an Australian dollar deal of size comparable to a global benchmark rarely got as high as twice issuance size, the same confidence rarely applied. Add to this the Australian market's traditional five-year sweet spot – a point on the curve that offers little differentiation from the loan market – and it is not hard to see why many borrowers have tended to consider offshore to be the safe option. Even for smaller-volume issuers, USPP often answered the same questions about consistency and tenor.

Issuance Strategies

These realities make the decisions of issuers like Sydney Airport to bring benchmark deals to the Australian dollar market particularly noteworthy. Sydney Airport was a relatively frequent presence in the Australian dollar market before the financial crisis, but always in credit-wrapped format. Post-crisis, the self-styled gateway airport to Australia was practically invisible in its home market. It issued small deals in 2010 and 2011 then was not seen again – until this year.

It cannot be a coincidence that Sydney Airport's A$850 million, 10-year deal is almost identical in size to the €500 million (US$542.8 million) volume of a European It cannot be a coincidence that Sydney Airport's A$850 million, 10-year deal is almost identical in size to the €500 million (US$542.8 million) volume of a European benchmark – especially given the airport could have printed more, having attracted a book of nearly A$2.5 billion to its local print.

It will be interesting to see how issuer strategy evolves, especially given the fact that, for many, market selection decisions are effectively a zero sum game. With the exception of the occasional emergence of substantial new borrowers – most recently NBN Co – and in advance of a significant ramp-up in corporate investment in decarbonisation, the bulk of corporate issuance is refinancing activity. When an issuer elects to print more in one market, in other words, it is largely redirecting its flow from another.

At present, issuers are sticking hard to the line that they intend to maintain supply to all their existing markets while, perhaps, being able to flex a little more into Australian dollars. A significant development here is Sydney Airport's decision to complete its domestic deal then price a €1 billion euro benchmark – with eight-and 12-year tranches – less than a week later.

Some issuers have expressed a hope that the Australian dollar market can continue to push the envelope on volume and tenor, perhaps to regularly offer transactions in the A$1-1.5 billion range and with duration of 12-15 years (see p50). For now, Sydney Airport obviously feels the prudential approach is to split an issuance requirement of this order – though even printing half of it at home is a major evolution for the issuer.

The other issuer group to watch is global corporate names. Historically, big-volume years for Australian dollar corporate issuance have tended to include a substantial Kangaroo component. For instance, just more than one-quarter of the 2017 total came from international borrowers, while the equivalent figure for 2024 to date is just 15 per cent.

Paradoxically, the very strength of the Australian dollar market may create a headwind for this type of flow. If local issuers – most notably the major banks – are able to issue more of their wholesale funding domestically, their draw on foreign currency markets will fall and with it a structural weight on the cross-currency basis swap that has historically worked in favour of inbound issuance to Australia. Issuers' willingness to pay a small premium for investor diversity may become the key deciding factor.

Execution Importance

Of course, the biggest issue of all is whether the corporate deal flow of 2024 represents a new, higher baseline level of demand or just a near-term bonanza supported by alignment of technical factors.

The consensus seems to be that while conditions may ease somewhat, the market may have established a higher floor. For instance, while some funds may be coming into fixed income and credit because of higher rates, the overall growth in domestic assets under management should preserve allocations even if rate cuts emerge down the track. The prospect of lower rates in the short-to-medium term appears to be receding, anyway.

The Asian bid that has been so supportive in 2024, meanwhile, is a factor the Australian market needs to nurture. Lack of alternative supply – especially China-origin credit denominated in US dollars – may have driven these buyers to the Australian dollar market. But there is a good chance they will maintain activity going forward even if issuance dynamics elsewhere shift again. That is, provided their experience is positive.

In the past, a number of Asian investors have complained that they are routinely under-allocated in Australian dollar deals, typically because they are perceived to be 'fast money' or because issuers' desire for investor diversification leads them to prioritise Australian-domiciled buyers.

Circumstances do not appear to have changed materially, as dealers report the Asian bid in books is often not reflected in commensurate distribution of paper, especially in books that are routinely oversubscribed.

Market health, including a vibrant secondary market, is best promoted by genuine investor diversity. It will be important to make sure all investor types are rewarded for their interest in Australian dollar credit if the market is to retain the widest possible demand even as and when conditions change again.

Pursuing the real-time treasury opportunity

Enabled by technological advancement, many companies across industries today are increasingly interested in transforming their treasury functions to become more real-time.

This interest is being driven by several factors, from managing global operations and an evolving business model, to adapting to the changing – often volatile – nature of markets and economies, enhancing risk management, cost efficiencies, and keeping pace with technological development.

Transforming the treasury function to a real-time operation offers companies compelling benefits – enhanced liquidity and risk management and efficiency – but its implementation can be complex, time consuming and costly.

As a first step, companies need to fully understand and buy into the concept, recognise the intrinsic value to them of becoming real-time and get to grips with the building blocks that are necessary in this transformation journey.

Defining real-time

At its core, real-time treasury refers to the practice of monitoring and managing financial activities and data in real-time or near real-time. It involves utilising technology and automated systems to capture, process, and analyse financial information as it happens, allowing for immediate decision-making and proactive risk management.

By providing instant access to financial information and transactional capabilities, operating with a real-time treasury can empower treasurers to make informed decisions, optimise treasury operations, and drive strategic value for the organisation.

Drivers and benefits of real-time treasury

There are multiple factors driving this need to transform treasury, and that make it possible.

Globalisation is one powerful factor. As organisations

increasingly become more global in nature, the demands to operate across timezones seamlessly has led to the need to be able to run operations in real-time. No longer is it acceptable to have to wait until a subsidiary opens for business on the other side of the world to be able to analyse their cash holdings, and payments.

Connected to this are two other important factors: increased global market and macro volatility; and an organisation's exposure to inflation and higher interest rates globally.

Global market volatility in recent years – from the Covid 19 pandemic, to shipping and supply chain disruptions, and the outbreak of war – have made the case for a more real-time approach to treasury management. The need to be able to understand a financial picture more quickly is key more than ever before, to allow treasurers to be able to pivot and maximise cash flows.

Together with this, inflation and higher rates have meant that treasury is reinforced in its role of protecting the company revenue against the depreciation of money over time, by accessing and moving any available cash surplus, as soon as possible, into interest generating assets, or towards reimbursing interest-bearing liabilities.

Three other important driving factors are the need for better risk management, for improved cost efficiencies, and technological advancement.

The pathway to real-time treasury

Like any truly transformational initiative, implementing a real-time treasury function is a complex process, that requires careful planning, coordination, and buy-in from stakeholders across the organisation. It's a transformation that lies at the very heart of the organisation and can be an essential one to allow a business to fully meet its strategic aims.

To read our full report on real-time treasury and how HSBC can support your treasury transformation, visit our website at business.hsbc.com.au/en-au/insights


develop
your
team
acta.info/cert-treasury

Why APIs are a must for the modern-day treasury

Corporate treasurers are facing rising challenges. But new technology has the potential to transform the way they do business, according to Bianca Bates, Head of Payments, Australia and New Zealand, J.P. Morgan.

APIs are set to play a fundamental role in transforming the future of treasury. Their power to drive business growth through greater efficiency, accuracy, and speed has never been more crucial given today's economic environment.

Yet fundamental treasury areas, such as cash forecasting and real time visibility, remain inherently challenging. As we heard from various panel discussions at the 2024 ACTA Conference, many companies today are still Excel-reliant, and business cases for investment in treasury systems need to be robust in order to compete against other business priorities.

Poor quality data is often spread across different systems in different formats. Internal IT resources can be limited. Meanwhile, multiple banking providers can have differing standards, which also weighs down accuracy.

However, there may be a simple solution that doesn't require a massive system overhaul: APIs. APIs can act as a bridge - creating an opportunity to leapfrog competitors by digitalising and transforming the treasury function, and pushing business growth to new levels.

Better cashflow visibility

APIs are a fundamental way to meld bank transaction data with applications such as Treasury Management Systems (TMS) and Enterprise Resource Planning (ERP) systems.

By bringing these systems together with API plug-ins, traditional next-day visibility can be transformed into real-time visibility and batch-based reconciliations into real-time reconciliations.

This real-time cashflow visibility can reveal market movements that treasurers can take advantage of. Meanwhile, cash forecasting immediately improves because calculations are now based on up-to-date data rather than the previous day's balances.

Powering real-time payments and rich data

It has never been more important in a world where real-time payments and its rich data are becoming standard. Customers now expect immediate transfers which, in some cases, has become a central part of a company's service (see the example below).

J.P. Morgan's real time payments system was built on the ISO 20022 standard, which defines how rich data is used, providing another avenue for transformation. APIs can bring this rich data across systems to provide faster and more accurate reconciliations.

Meet rising competition from business

An API-powered data-rich eco-system also provides a foundation for basic tasks to be automated. It allows businesses to gain a competitive edge, especially with the rise of cross-border payments. Countries across Asia are increasingly creating direct links with each other's real-time payment infrastructure, such as Singapore and Thailand. Other countries are expected to follow, as real-time payments become more deeply embedded across the payments landscape.

Easy-to-implement APIs provide fast solutions

APIs provide more than a connection. They are now part of a comprehensive solution that includes a user-friendly interface, with real-time data still delivered to treasury departments via Excel spreadsheets or ERP plugs in if they prefer.

They're also simple to integrate.

The benefit of API plugins is they don't require a fundamental change to a company's existing ERP ecosystem. Banks such as J.P. Morgan already have a full suite of APIs that work with all major systems. Full implementation can be achieved in weeks rather than months.

J.P. Morgan also offers a "Developer Portal", designed to

accelerate and simplify the API implementation process. The Developer Portal serves as an inventory that includes well documented API specifications, business scenarios, a test environment and self-service project module.

The Developer Portal delivers a better experience to API developers by:

- Unifying the developer platform experience.
- Improving self-service and testing.
- Increasing developer engagement and support.
- J.P Morgan also offers a Payment Developer Portal, which ensures solutions remain simple and scalable.

Start today – contact your J.P. Morgan sales representative to help transform and future proof your business. Learn more: jpmorgan.com/payments

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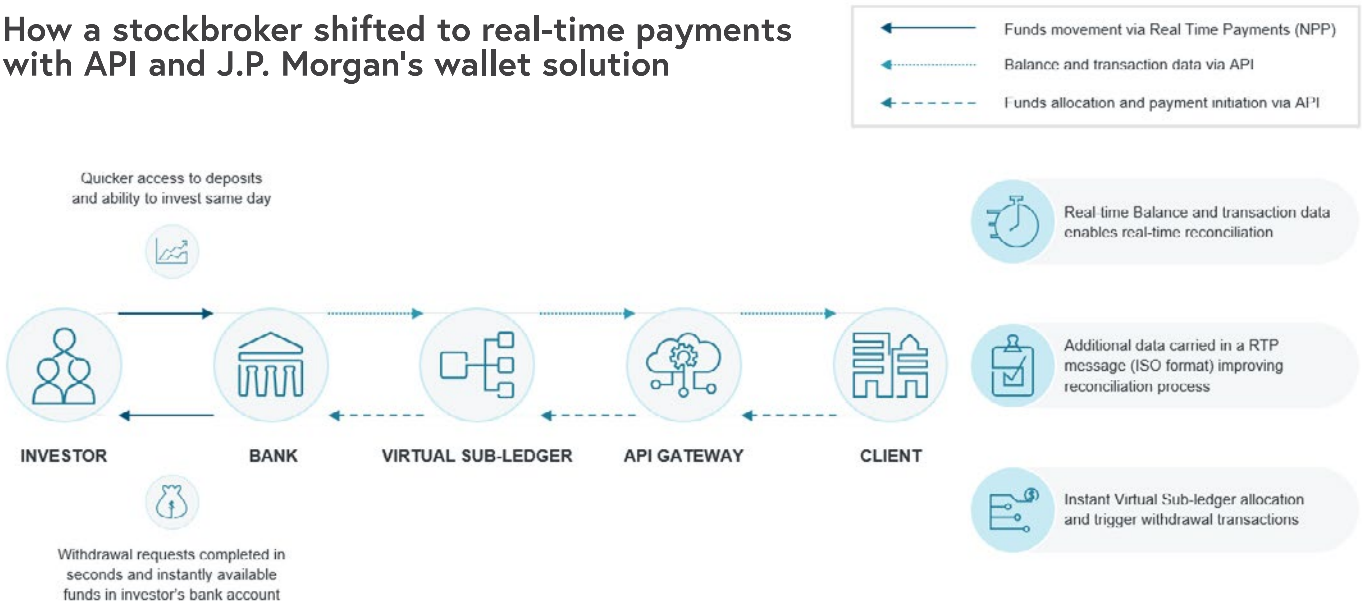
How a stockbroker shifted to real-time payments with API and J.P. Morgan's wallet solution



How J.P. Morgan APIs allowed a stockbroker's clients to fund their accounts in real-time

Retail and wholesale investors need to move fast, given market volatility can strike at any time. It can take up to two days for ACH, wire, or BPAY transfers to hit their personal trading accounts - but it doesn't have to.

A major Australian stockbroker recently collaborated with J.P. Morgan to transform their clients' experience by offering real-time inbound and outbound fund transfers.

The solution relied on real-time payment APIs and credit confirmation APIs, which connects the stockbroker's systems, allowing its clients to trade as quickly as possible. Meanwhile, the extra data attached to real-time payments in the ISO 20022 format improves the stockbroker's reconciliation process.

Trading volumes have been ramping up as more clients become aware of the real-time transfer capability, which also applies when they withdraw funds.

Key trends for commercial paper and money markets

Gavin Power, Global Fixed-Income Product Manager at Bloomberg, was interviewed by Alison Fletcher, a Corporate Treasury Specialist at Bloomberg, on the reasons behind the rising interest in commercial paper, the broad spectrum of short-term investment options available to treasurers, and innovation in ESG, along with expectations for future regulations.

Can you explain why there's currently such a strong focus on commercial paper among corporates?

The surge in interest primarily stems from two factors: escalating interest rates and persistent inflation. As the Fed has continuously raised rates, now reaching levels of over 5% — a rate not seen in nearly two decades — corporates are increasingly turning to commercial paper to manage their short-term liquidity needs more effectively.

The market's alignment with the Fed Funds rate cycles means that as interest rates climb, so do the rates of commercial paper, offering a viable short-term funding solution in challenging conditions. Consequently, we see a significant influx of liquidity into short-term markets, with investors and corporations alike looking to commercial paper as a reliable instrument for managing their capital needs.

Beyond commercial paper, what other short-term investment options should corporate treasuries consider?

There's a broad spectrum available. T-bills, for example, are seeing a lot of action these days. With the inverted yield curve scenario we're experiencing, where short-term yields surpass long-term ones, T-bills are proving extremely attractive due to their risk-free nature and favorable returns.

Certificates of deposit are still yielding over 5%, aligning with the overall upward trend in interest rates. We're looking at historic levels of activity with money market funds. Globally, there's more than $10 trillion under management in these funds, with around $6 trillion of that in the U.S. alone. The majority is invested in U.S. Treasuries, but commercial paper and CDs also represent about 4% to 6% of these investments. And these numbers are growing. Last year, we saw increases in assets under management by 25% in the Americas, 15% in Europe, and 5% in Asia.

With the trend towards digitization, how are automation and electronic trading shaping the commercial paper market?

The traditional process for issuing commercial paper can be incredibly tedious and time-consuming. For example, the acquisition of security identifiers like UCITS and ISINs can drag on forever. In some international markets, the process can take hours, sometimes even days.

We've been focusing on how to cut through that red tape with technology. Our DOCP platform allows issuers to bypass traditional routes like brokers or banks and go straight to the market. Now, while it's true that many issuers still opt for conventional routes through brokers, we're seeing more and more big players choosing to go direct. They're seeing the benefits of getting their paper out there faster and more efficiently.

It's clear that the global market is craving these efficiencies, and as we continue to refine and enhance our systems, we anticipate a significant transformation in how trades are conducted. This will likely lead to an inflection point where electronic trading becomes the norm across all facets of money markets.

In the context of ESG, what options do treasurers have to align their investments with sustainability goals?

ESG considerations are becoming central to investment strategies, and at Bloomberg, we're fully equipped to support this transition. Our platforms enable treasurers to easily identify these options, making sure

investments align with their corporate sustainability objectives.

For issuers to list their CP as green, they need to align their programs with ICMA principles and ESG standards. We offer a couple of flavors here. Some issuers go all-in, where every issue under their program is green. These show up with a green leaf icon right on the Bloomberg terminal. Then, there's what we call optional green CP, where issuers might have a mixed issuance under the same program — some green, some not. It's flexible, allowing them to still participate in ESG markets without being wholly committed to every issuance.

Beyond CP, we also have green money market funds. Through our FSRC function on the Bloomberg terminal, you can specifically search for money market funds that are dedicated to ESG. Right now, globally, we track 221 funds that have an explicit ESG focus. That's a lot of options for treasurers looking to invest with an eye on sustainability.

What upcoming regulatory changes should treasurers be aware of, and what impact might these have?

Regulators have been increasing their scrutiny of the markets since the March 2020 COVID-related liquidity crisis. In response to the sudden liquidation of money market assets and the resulting market strain, there have been moves to introduce reforms such as gating fees and other regulatory measures aimed at stabilizing these funds. Some of these reforms are targeted at limiting investors' exposure to specific programs or issuers, setting thresholds on the percentage an investor can hold to prevent over-concentration that could pose systemic risks.

These changes aren't isolated to any one region; we expect them to have a broad impact across major markets, including Europe and the U.S. Our ongoing discussions with regulatory bodies like the FCA and others around the globe suggest that upcoming regulations will likely demand more comprehensive data accessibility. This is crucial because much of the money market instruments aren't public; they're private securities with limited data availability.

What's your outlook on the future of CP and money market products?

In the short to medium term, the outlook is quite positive. Current market data and sentiment suggest that "higher for longer" interest rates could persist longer than many anticipated. With the Fed likely to maintain higher rates on the short end, we expect to continue seeing an inverted yield curve. This environment is particularly conducive to investments in cash and short-term securities, as market participants navigate ongoing uncertainties.

Additionally, while no one particularly enjoys increased regulation, the potential for new regulatory frameworks to enhance transparency and data availability could be a silver lining. These changes are likely to drive advancements that lead to greater efficiencies within these markets. I'm very bullish on the prospects for money markets and the role of technology providers like Bloomberg, which are well-positioned to help investors thrive in this hot market.

Risk & resilience in supply chains

A range of trends continues to pose challenges for and influence global supply chains, the arteries of international trade.

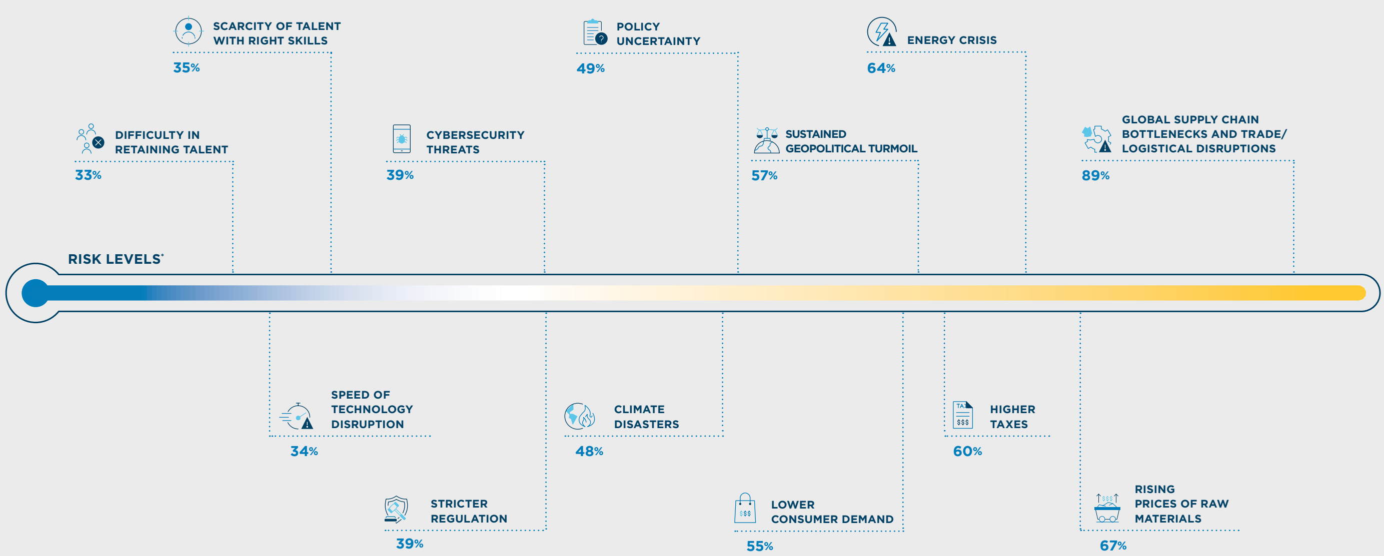
Supply chains are at the heart of trade globally, so it's little surprise most CFOs view their disruption as a major risk. Understanding the key factors reshaping global supply chains and keeping track of the most important trends are key to mitigating risks.

Companies worldwide are adapting by building redundancies into their supplier networks and embracing digital and financial tools to strengthen operational resilience, in order to ensure long-term sustainable growth.

Technology and Digital Transformation

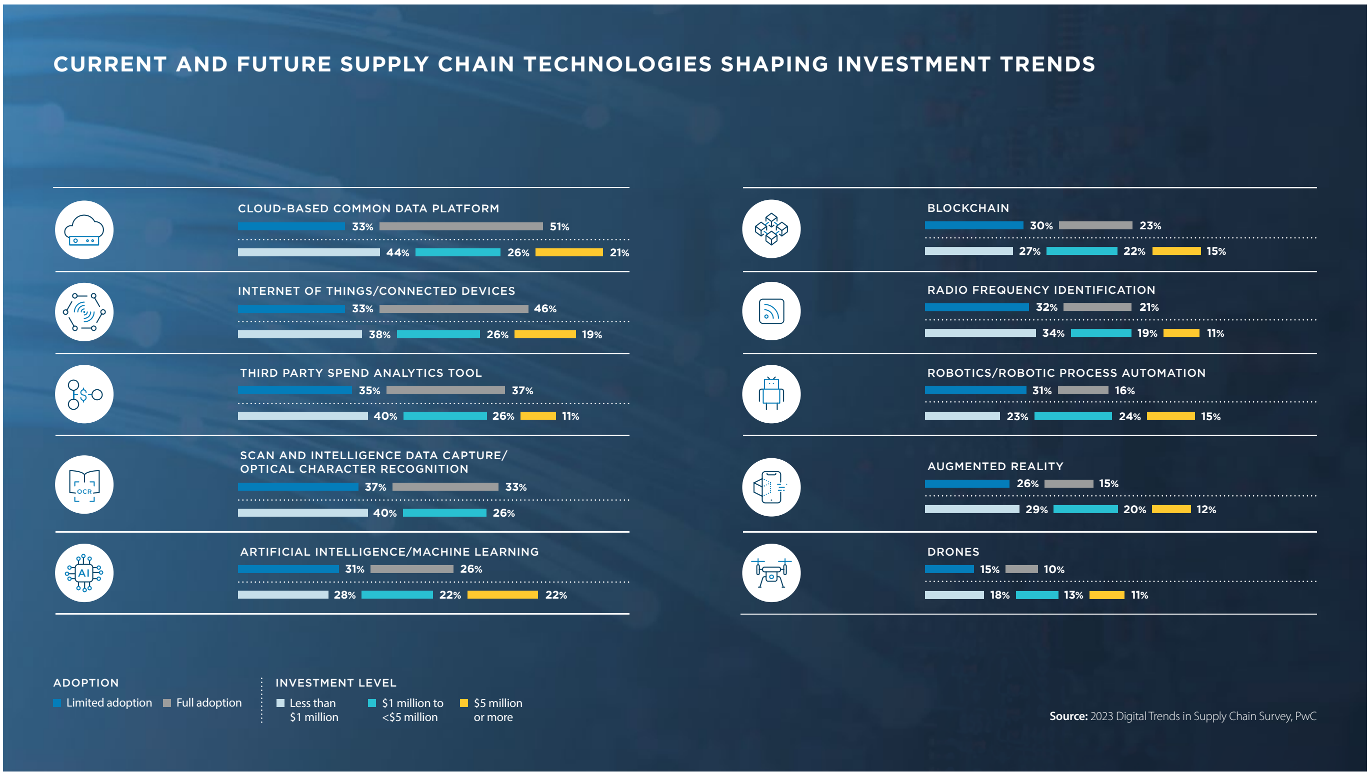
The first, and perhaps the most important driver is technological development, which has been a key enabler of global supply chains. Logistics companies now use drones and IoT-powered sensors to track inventory with near pin-point accuracy while saving money. Emerging technologies will continue to enhance transparency across supply chains and aid distribution strategies. For example, IoT sensors and drones enable real-time tracking of micro-climatic changes, allowing farmers to adjust processes instantly. Some AgTech companies use these sensors to provide real-time data to banks, helping farmers and producers access financing faster and more cost effectively.

TOP RISKS TO BUSINESS GROWTH IN THE NEXT 12–18 MONTHS



*According to 2,000 executives Capgemini surveyed across 15 countries.

Source: Capgemini Research Institute, Global Investment Research, November–December 2022, N=2,000 respondents from unique organizations



Access to granular information such as production progress, goods in transit, and suppliers' financial health helps firms to reduce risks by identifying potential bottlenecks tied to geopolitical disruptions or gaps across their network.

Another disruptive technology is tokenisation. Many financial institutions are seeking to tokenise assets—where ownership of assets is represented on the blockchain, creating a tamper-proof record of transactions—which could produce several benefits, including enabling instant and/or atomic settlements.

Geopolitical and macroeconomic considerations

Geopolitical risks have replaced Covid-19 as the chief global supply chain concern. The conflict in Ukraine has triggered a rise in energy prices and a commodities shortage, while unrest in the Middle East has increased shipping costs and time, upending inventory management strategies.

Many economies are choosing to adopt nationalistic industrial policies and favour bilateral trade with regional allies. For instance, China's exports to the 10-member ASEAN bloc, the U.S. and EU fell 10%, 17% and 7% respectively (YoY), while exports to Russia leapt 117% in Q2 2023. Meanwhile, the U.S. and its allies are restricting exports of advanced semiconductors and related manufacturing equipment to China, which in turn is limiting access to raw materials crucial to the semiconductor and electric vehicle (EV) industries. The EU and US have since opened another front in the trade protectionism cycle by increasing tariffs on Chinese EVs to protect domestic industries from cheap imports.

On the economic front, inflation ranks as the top concern for CFOs. It's not falling fast enough, prompting central banks to delay rate cuts and executives to focus on bolstering their supply chain finance capabilities to rein in costs and sustain profit margins.

As high interest rates exacerbate companies' debt burden they can have knock-on effects across the supply chain. Banks like ANZ are seeing their institutional clients use free cash flow and cash on hand to reduce working capital debt and scrutinise their future funding requirements more closely.

While a full-blown crisis is unlikely—because financial stress is more localised than during the 2008–09 financial crisis and household balance sheets are stronger in most major markets—more firms say late payments are rising.

Regulatory Developments

The effort to standardise taxonomies and disclosure norms aim to enhance transparency and accountability within supply chains.

In 2023, the Financial Accounting Standards Board began requiring U.S. companies to disclose details under GAAP of their supply chain finance arrangements. This creates greater visibility into financial practices within supply chains, potentially reducing risks associated with undisclosed financial obligations.

Meanwhile, the International Sustainability Standards Board (ISSB) issued its inaugural standards—IFRS S1 and IFRS S2—which include standardised disclosure norms for the cost impact of climate-related risks and opportunities. These sustainability disclosures are relevant to supply chains as they compel companies to assess and report on climate-related risks. By having to disclose these risks, companies are more likely to implement measures to mitigate them, enhancing overall supply chain resilience. This has been emulated by the International Accounting Standards Board for reporting periods in 2024.

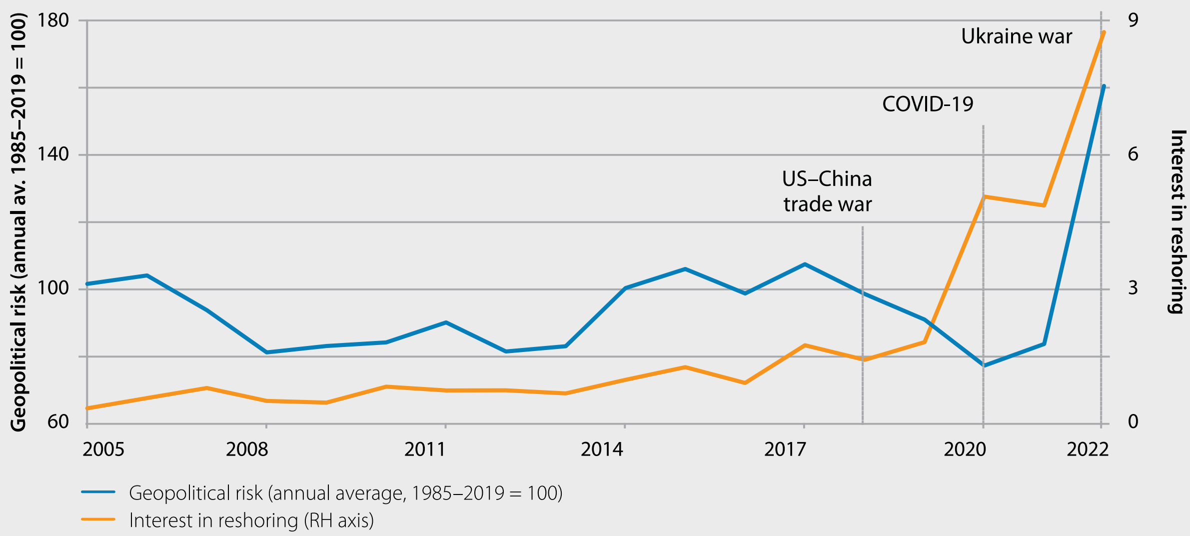
Additionally, European regulators are moving to protect small and medium-sized enterprises from late payments by proposing a single maximum payment term of 30 days (down from the current 60-day term) for many commercial transactions. Additionally, the shift from Basel III to Basel IV norms will transform the corporate funding landscape by overhauling global bank capital requirements and institutional lending, which may benefit supply chain financing.

Evolving Client Requirements

With inventory management, some firms are adapting by balancing "Just in Time" with the pandemic-era "Just

RISING GEOPOLITICAL TENSIONS AND FOREIGN DIRECT INVESTMENT FRAGMENTATION

RECENT YEARS HAVE SEEN INCREASING GEOPOLITICAL RISK AND COMPANIES' INTEREST IN RESHORING AND FRIEND-SHORING.



Note: The interest in reshoring measures the frequency of mentions of reshoring, friend-shoring, or near-shoring in firms' earnings calls.

Sources: Bailey, Strezhnev, and Voeten (2017); Hassan and others (2019); NL Analytics; and IMF staff calculations.

in Case" model. Others have adopted a China-Plus-One strategy to hedge against geopolitical risks by diversifying their supplier base to other markets.

Reducing foreign exchange risk is another priority. As macroeconomic and geopolitical trends drive up FX volatility and as US dollar financing becomes more expensive, firms across APAC are turning to reinvoicing in a major local or regional currency. China settles about half its cross-border trade and investment transactions in renminbi; India is boosting use of the rupee for cross-border payments; and ASEAN and BRICS countries plan to promote local currency transactions.

Firms are also overhauling their supply chain finance strategies by reaching out to banking partners and third-party FinTech's for support. Crucially, they are seeking out end-to-end solutions like sophisticated supply chain platforms which, among other benefits, track the provenance, financial health and ESG records of their suppliers.

In this way, firms are building resilience against macroeconomic and geopolitical challenges, and enhancing visibility across their supply chains. Aiding them in this endeavour are banks like ANZ, which work with third parties including FinTech's to provide the financial and operational solutions that give clients the visibility and tracking capability they need.

Finding opportunity in adversity

Supply chains will continue to face challenges from geopolitical disruptions, macroeconomic hurdles, and the regulatory environment. Banks like ANZ aim to support companies in navigating these challenges, leveraging technology where possible to transform adversity into opportunity. They strive to contribute to the development of resilient global supply chains and foster global trade growth in a robust, responsible, and sustainable manner.

– Insights by ANZ

SUPPLY CHAIN INNOVATION BY INDUSTRY

CEO SURVEY QUESTION: WHAT LEVEL OF IMPACT WILL THE FOLLOWING INNOVATIONS HAVE ON TRANSFORMING YOUR INDUSTRY'S ABILITY TO CONTEND WITH GLOBAL CHALLENGES?

MATERIALS PASSPORTS
INDUSTRIALS
34%
of Industrial CEOs feel that materials passports for value chain transparency will have a high impact on their industry

GEOLOCATION TECHNOLOGY
CONSUMER PRODUCTS & GOODS (CPG)
24%
of CPG CEOs feel that geolocation technology to map supply chain risks will have a high impact on their industry

DATA INTEGRATION ACROSS VALUE CHAIN PARTNERS
SOFTWARE & PLATFORMS (S&P)
56%
of S&P CEOs feel that data integration across their value chain partners will have a high impact on their industry

R&D FOR MATERIAL INPUTS
HIGH TECH
46%
of high tech CEOs feel that R&D to identify substitutes for existing material inputs will have a high impact on their industry

Source: Page 15, UNGC-Accenture CEO Study on Sustainability, Accenture

Australia Credit Trends for Corporates

Earnings to Retreat for Australian Corporates

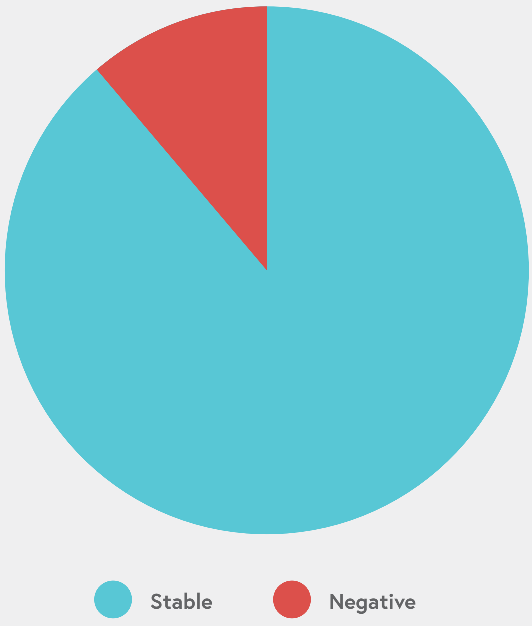
A sluggish economy, ongoing supply-side challenges, weakening demand conditions, and rising costs all point towards earnings retreat for Australian corporates in 2024. Consumer related sectors are most exposed to weakening sentiment as households have pullback on discretionary spending as cost pressures mount. The construction, where construction approvals continue to fall and larger scale projects in both public and private are increasingly being delayed, scaled back or cancelled, and discretionary consumer spending are most at risk.

Despite this, nearly 90% of Australian corporate ratings remain Stable Outlook, large part to sound balance sheets. Fitch continues to focus on the ongoing discipline and ability of Australian corporates to protect their balance sheet amid the macro weakness.

Fitch believes the key issues for remainder of 2024 include soft demand and cost pressures; structural changes from geopolitical dynamics and climate change.

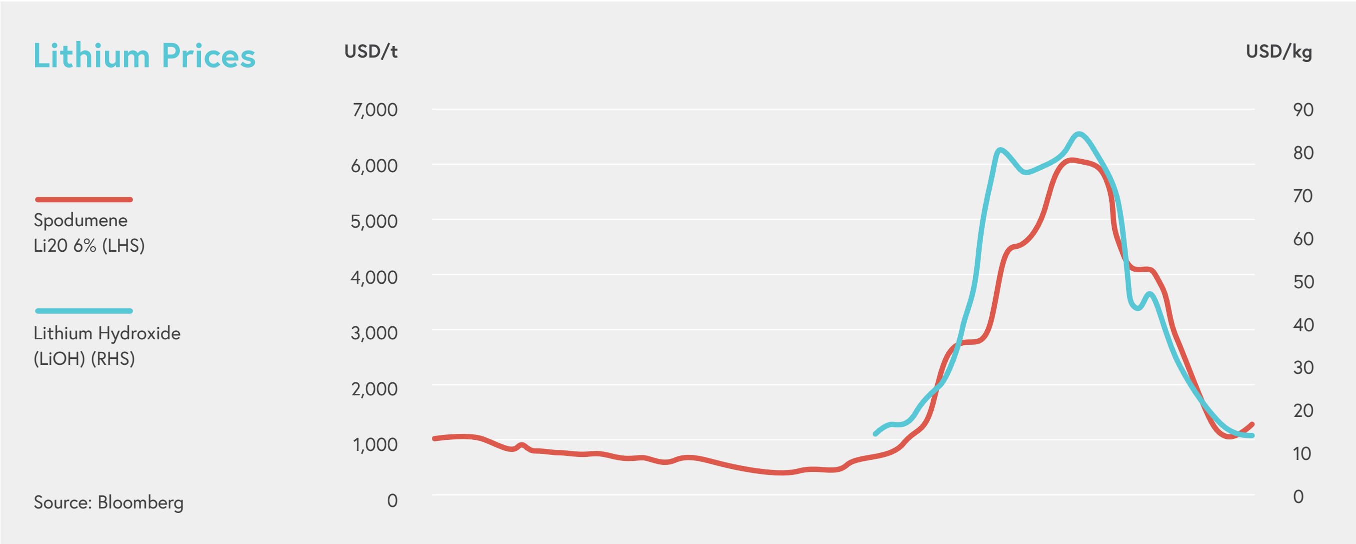
Increased funding costs is expected to hit Australian corporates as and when they refinance. To date, most Australian issuers have benefited from heading and lower floating rate exposure.

Australian Corporates
Outlooks and Watches



Base Metals Relatively Benign; Lithium in Decline

Fitch expects base metals to be relatively benign. China's stimulus means demand for iron ore and met coal to be broadly flat. Lithium prices are in steep fall due to oversupply and slowing EV demand. Cyclical weakness, but in the medium to longer term, lithium prices will be driven by the global energy transition.



Disruptive and Costly Energy Transition

Wholesale energy prices have fallen from peaks, but tariffs will remain elevated due to significant capital investments. Operating earnings and margins for vertically integrated gentailers to improve. Australia's climate targets is creating competing pressures in terms of balancing the shift to renewables with the need to shore up base supply, and this creates volatility. Continued investments in transmission, grid-scale renewable generation capacity and cost-effective firming technologies are required to reduce the risk of a disruptive and costly energy transition.

For more information about Fitch's view of Australian corporate credit trends, please contact:

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Email: Vicky.Melbourne@fitchratings.com

DIGITISING TRADE FINANCE:

The Key to Managing Operational Capacity at Scale

The global trade economy thrives on a massive volume of cross-border transactions valued at an estimated $31 trillion for 2023 according to the latest UN Global Trade Update. After the prior year's plunge, it is expected to recover in 2024 and 2025. In this rapidly evolving landscape, treasury teams of large multinational corporations struggle with significant friction points in managing trade finance at scale. These challenges highlight the need for digitisation to achieve efficiency, improve risk management, and simplify trade finance operations.

Existing TMS and ERP systems cover many aspects of automation, but they often lack specialised trade finance capabilities: connectivity with trade-related financial institutions, the ability to manage large numbers of users, adapted fee calculation capabilities, and credit lines monitoring. An Accenture report highlights that despite the capabilities of TMS and ERP systems, companies struggle with the complexity and manual work of trade finance transactions.

This is why pure players like Komgo provide dedicated trade finance digital solutions. Their key benefits include enhancing operational capacity by simplifying processes, improving connectivity via a multi-channel portal, and managing financial risks related to each financial instrument. Reports by McKinsey and the ICC also show that digitisation and automation help companies fix manual error-prone processes, increasing operational efficiency by reducing processing times.

Successful digitisation of trade finance relies not only on corporates but also on banks. Banks must continue to modernise their tools and processes; and use their clients' preferred communication channels to offer a simplified service. Integration is also crucial to process transactions faster and avoid manual data entry. Each integration opportunity should be assessed based on a cost-benefit analysis to determine if the advantages outweigh the investment.

A deeper delve into the specific challenges treasurers and the industry face and the benefits of going digital follows.

Multiple Banking Relationships

Coordinating multiple banking relationships often leads to inefficiencies and errors. This complexity arises from diverse communication channels with financial partners, ranging from email to proprietary mono-bank portals. Consolidating information and tracking its evolution becomes overwhelming.

Reconciling bank positions between the client and its partners is complex due to a lack of a reconciled view. Clients cannot calculate bank charges independently and the complexity increases with volume. The 2024 ACTA Conference session "Around the World Treasury" highlighted that treasurers invest significant manual effort in tracking credit lines and compliance requirements, increasing the risk of mismanagement.

Management of Bank Guarantees

As the number of guarantee documents increases, answering simple questions becomes more complex, increasing risk. Questions like "Where are our guarantees stored?" or "Do we have guarantees that are about to expire?" become difficult to address efficiently. Traditional processes exacerbate these issues being slow and resource-intensive. Implementing electronic document management systems falls short as they are not tailored for trade finance purposes. Amending bank guarantees is cumbersome due to the involvement of multiple stakeholders and the need to maintain linkage to the original guarantee for consistency and updating financial systems to ensure accurate exposures, all of which increase the risk of disputes and delays. The use of digital trade finance platforms and standardised APIs mitigates these challenges, streamlines communications, and provides real-time visibility. Komgo's DFI Retail Group success story illustrates the effectiveness of digital tools in bank guarantee management, improving operational capacity and providing enhanced connectivity with banking partners.

Collaboration and Standardisation

Richard Humphreys, Global Treasurer at Flight Centre, emphasised the importance of finance automation and digitisation during the ACTA session. He stated "Finance automation and digitisation are areas for treasury managers to explore all the time. With so many projects and deadlines, Excel spreadsheets are becoming even more important to streamline business processes." While versatile, Excel spreadsheets have limitations in handling trade finance complexities and fostering real-time collaboration, highlighting the need for shared digital platforms.

Effective collaboration within and across organisations is crucial. The ACTA session highlighted the need for efficient internal workflows. Simplified processes and better digital tools are required to handle trade finance requests, communicate with banks, and keep departments updated. Kimberly Simpson from Cochlear noted "The expectations on functions, not just treasury but tax finance and all back-office areas, is how do you use what's available to you to make yourselves valuable to the business? How do you give them insights?" This underscores the need for digital tools that facilitate real-time updates and efficient communication.

Industry standardisation is key. Multi-channel portals like Konsole, supporting standardised formats enabling real-time data integration, serve as the central hub for this communication. These portals empower businesses to manage their trade activities across various banks through a single unified interface, promoting efficiency and scalability in global trade.

Digitisation as a Solution

Digitisation offers a transformative solution to these challenges. By automating manual processes, enhancing connectivity, and simplifying workflows, digital trade finance solutions enable treasurers to streamline operations, reduce costs, improve accuracy, and risk management. Such transformation goes beyond merely improving operational efficiency; it addresses critical challenges such as risk management, compliance, and scalability.

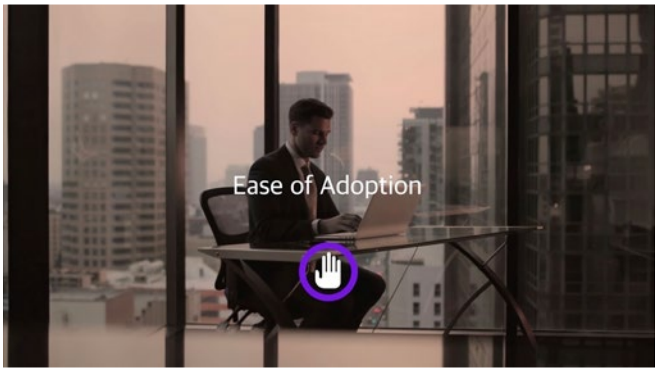
Enhanced Operational Capacity via Simplification of Processes

Digitisation simplifies complex trade finance processes through user-friendly interfaces and intuitive workflows, making it easier for businesses to manage activities. Digital solutions automate the issuance and management of instruments like Letters of Credit and Bank Guarantees, significantly reducing processing times and minimising manual errors. This simplicity benefits both businesses and banks by streamlining operations and reducing compliance risks.

Digitisation also boosts operational capacity by automating routine tasks and reducing manual intervention, freeing up resources for strategic activities. Centralising and automating processes like bank guarantees leads to substantial improvements. ABB Group's digitisation of its export trade finance function centralised and automated performance guarantees, resulting in greater efficiency and reduced administrative burden. This project, previously managed by an incumbent provider, has now been awarded to Komgo. James White, ABB's Project Lead, noted in Treasury Today "The idea is to digitally integrate the fragmented components, which is the traditional way that services have been delivered." ABB's new solution standardised the processes for issuing performance guarantees, ensuring full visibility at a central level. By consolidating workflows and reports from over 80 countries into a single efficient system, Komgo's digital solutions played a pivotal role, offering seamless integration and enhanced operational efficiency.

Enhanced Connectivity via Multi-Channel Portals

Real-time connectivity is crucial for seamless trade finance operations. Coordinating with multiple banks to manage credit lines and ensure timely communication is challenging. Digital platforms enable instant communication between banks and corporates, ensuring alignment and timely transactions. Multi-channel portals supporting standardised messaging formats like Swift and ICC standards play a critical role.



Leslie Chen, Head of Trade Finance at DFI Retail Group, noted "Previously our processes were very manual, leading to bottlenecks and inefficiencies. There was no tracking of documents, causing missing guarantees and backlogs." By integrating a digital solution, DFI centralised and automated these processes, leading to more efficient operations. "The platform offers a snapshot of everything, making it easier to manage trade finance demands and select bank partners effectively," Chen said on the benefits of using multi-channel portals.

Fee Calculation and Credit Line Exposure: Effective Management through Transparency

Effective trade finance management requires careful consideration of fees and credit line exposure. Guarantees and letters of credit offer valuable risk mitigation but come with costs. Manual processes for handling these instruments can lead to inefficiencies and missed cost reduction opportunities.

Digital solutions provide transparency and real-time insights, automating workflows from bank guarantee requests to responses. This ensures accurate fee calculations and reduces human intervention, enhancing overall efficiency. Digital platforms enable real-time credit line monitoring, offering a shared view between corporates and financing partners. Seamless communication ensures all stakeholders are informed and aligned, improving financial risk management.

Precise fee calculations and forecasting capabilities allow corporates to manage multiple guarantees and letters of credit efficiently. These tools help identify expired guarantees, preventing unnecessary fees and optimising financial resources. Digital trade finance solutions enhance working capital management by ensuring better cash flow visibility, making funds readily available when needed. This capability allows businesses to optimise working capital utilisation, make informed decisions, and negotiate better terms, thereby improving overall financial performance.

The Digital Transformation Toolbox: SaaS and Blockchain

Various technologies are driving the digitisation of trade finance, with two leading approaches: SaaS (Software-as-a-Service) and Blockchain. While both offer advantages, businesses seeking a scalable, cost-effective, and readily deployable solution often favour SaaS. Here's a closer look at the strengths of each approach.

Blockchain: The Promise of Enhanced Transparency but Hurdles Remain

Blockchain offers potential for streamlining trade finance via Distributed Ledger Technology (DLT) but faces challenges. The evolving regulatory landscape and need for widespread adoption across buyers, sellers, and banks complicate matters. Companies are hesitant due to perceived risks and required changes. Despite initial successes, many blockchain-based platforms like TradeLens, we.trade, and Lygon.com have struggled or been discontinued due to commercial viability issues and insufficient market readiness.

SaaS: Rapid Deployment, Enhanced Security, and Efficiency

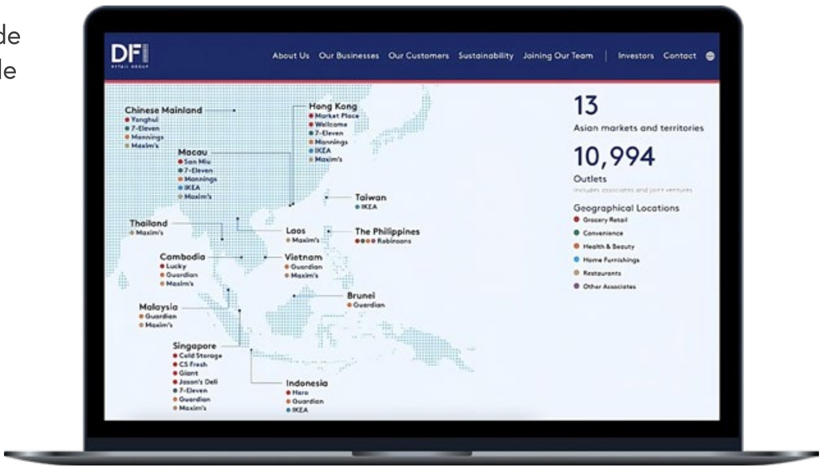
In contrast, SaaS solutions have proven robust and widely accepted in trade finance. Early blockchain firms like Komgo that pivoted to SaaS have found success. These platforms offer flexibility, cost-effectiveness, and accessibility to a broader range of businesses, including SMEs. SaaS provides a cloud-based solution for quick deployment with minimal workflow disruption. It is scalable, allowing businesses to adjust capacity as trade volumes fluctuate. Subscription models offer predictable expenses versus Blockchain's upfront costs. SaaS evolves into multi-bank solutions, leveraging standards like SWIFT to aggregate data, eliminating the siloed information struggles faced by treasurers.

Embracing Digitisation in Australia

Australia's robust trade ties with key exports in agriculture, mining, and manufacturing extend to regions like Asia, Europe, and North America. Domestically, Australia's market emphasizes innovation and competitiveness. Despite this, challenges in trade transactions persist, including delays, inefficiencies in document processing, high error rates from manual data entry, limited SME financing, and lack of visibility. Bank guarantees, crucial for trade finance, are traditionally paper-based, causing delays and inefficiencies. Digitising these guarantees offers instant issuance, enhanced security, real-time tracking, and improved cash flow management. Addressing these issues is vital for maintaining Australia's global trade position and bolstering domestic market resilience and growth.

While pockets of industries are actively embracing the digitisation of trade finance to overcome these challenges, a 2022 report by the Australian Financial Markets Association (AFMA) identified a lack of awareness and adoption of digital trade finance solutions among Australian businesses (DFAT). Many banks and corporates are navigating the "buy or build" dilemma to adopt digital trade finance solutions. While 59% of banks and 70% of corporates have not yet fully embraced digital solutions, the potential for growth and transformation remains significant as stakeholders explore both in-house developments and third-party platforms to enhance their operations.

Australia's public sector is at the forefront of the digital transformation journey for the nation, driven by significant government initiatives. The New South Wales Government's "Beyond Digital" strategy focuses on enhancing services through technology. NSW Treasury's Banking Tender invites fintechs and non-bank providers to innovate in financial services.



Other states are also making strides. The Western Australian Government's 2024-25 State Budget includes investments in digital infrastructure, and Queensland's digital strategy aims to enhance digital capabilities. At a federal level, initiatives such as the Australian Government's Digital Trade Strategy and the Australia-Singapore Digital Economy Agreement further promote seamless digital transactions and international cooperation.

A Closer Look at Bank Guarantees

The adoption of digital guarantees in Australia has been steadily gaining traction, driven by a need for increased efficiency and security. Australia is at a crucial juncture where traditional paper-based processes are giving way to digital solutions, promising to streamline operations and enhance legal enforceability. The legal framework has been evolving to support the digitisation of trade finance instruments. AFMA has been proactive in advocating for electronic trade documents, recognising the benefits of reduced fraud risk and improved processing time. Australia has been making significant progress in this area, but continuous efforts are needed to fully integrate these digital solutions into the legal and regulatory frameworks (Mondaq).

The implementation of digital guarantees can lead to substantial cost savings and operational efficiencies for businesses. For treasurers managing multiple bank relationships and credit lines, digital guarantees offer a simplified, more connected approach to managing financial risks. To fully realise the benefits of digital guarantees, businesses in Australia need to embrace these technological advancements and work closely with regulatory bodies to ensure compliance and legal certainty. Collaboration between financial institutions, technology providers, and regulators will be key to driving this transition (Trade Finance Global).

While digitisation is not a one-size-fits-all solution, it presents a critical step for businesses seeking to optimise trade finance operations and maintain a competitive edge in the global marketplace. The future of trade finance in Australia looks promising, with digital guarantees set to play a pivotal role in transforming how businesses operate and manage financial risks.

Komgo, with its expertise in cutting-edge trade finance solutions, is here to help you navigate this digital transformation journey. Contact us today to discuss a customised solution that empowers you to unlock the full potential of digitisation and propel your business to new heights in the global marketplace.

– Insights by Laurence Damiani, Business Development Director Aust/NZ, and Tim Tran, Global Head Business Development, Komgo

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