

# APAC Corporate Treasury: Demand for FX automation mirrors trends elsewhere

A 2019 EY survey of treasurers and global treasury stakeholders marked Singapore as a preferred hub for treasury management in Asia. Conglomerates such as Samsung, Johnson & Johnson, Disney, and BMW have set up regional treasury centers in the city-state.

As digitalization demands have grown since the COVID pandemic, treasury infrastructure service providers in the region have evolved to meet demand. When asked about new trends in the space, Greg O’Sullivan, Head of 360T ANZ Region and Head of Sales ASEAN and Institutional Sales, APAC at eFX trading solutions provider 360T, offers an interesting perspective.

“It’s less that new trends are emerging amongst corporate treasuries, and more that existing ones have accelerated recently,” he says. He highlights the shift towards electronic trade workflows as an example. “We’ve seen treasuries’



Greg O’Sullivan

FX flows in Singapore shifting towards electronic channels — not just in Spot FX but also in more complex products like NDFs and Options — and this has definitely picked up pace since the start of the pandemic.”

“And we’ve repeatedly seen, both in FX and other asset classes,” he continues, “that the direction of travel is one way — once people get comfortable trading certain FX products, pairs and sizes electronically, they don’t tend to go back.”

## LARGER FX FLOWS

As the demand for electronification grows, products that help corporates boost efficiency and productivity are in high demand. O’Sullivan explains that this demand comes from treasurers managing increasingly large FX flows. “The specific technological features required tend to vary from firm to firm, but a broader theme that we hear over and over again is that treasurers are tasked with handling larger FX flows without seeing a corresponding increase in headcount on the desk,” he says.

“Boosting efficiency and productivity” is a broad category of needs. What are some of the specific demands that service providers have to cater to? O’Sullivan points to examples like systems linking intra-group requests to central treasuries, execution management, and local markets currency trading workflows.

“360T’s clients can increase efficiency via I-TEX, which is a fully-fledged

intra-group trading system for corporate treasurers,” he says. “It enables the linking and routing of subsidiary requests to the central treasury and is tailored to standardize and optionally automate internal hedge and funding requests from global subsidiaries to the corporate in-house bank.” Treasurers can determine trade execution methods and processing while booking and sending allocations at a granular level.

Trading local markets and restricted currencies is a significant concern for most treasurers, including in Singapore O’Sullivan says. So service providers that offer a global network of banks and liquidity specialists, such as 360T, are in high demand.

## AUTOMATION, EXECUTION, AND RISK MANAGEMENT

Automation is one of the biggest efficiency drivers in FX workflows. It plays a huge role in helping treasurers limit operational risks and prioritize tasks.

“An important thing to understand though is that “automation” isn’t an all-or-nothing proposition but rather a step-by-step process,” O’Sullivan explains. “So arguably, outsourced bank standing instructions are a rudimentary form of automation. From there we see 360T clients in Singapore integrating straight-through processing (STP) technology to streamline their workflows, but still handling all trading activity manually.”

Netting and staging trades ahead of execution is the next step O’Sullivan explains. “This significantly reduces the operational risks associated with manual processes and reduces execution costs by minimizing the times the firm has to go into the market while leaving the treasurer executing everything themselves.”

Automation also helps firms group trades based on predefined rules that they can execute with a single click. O’Sullivan states that some of 360T’s clients use this system in conjunction with market data products as a tolerance check to ensure execution efficiency.

Risk management processes also receive a boost from automation. For starters, they eliminate any errors caused by manual processes. Automated systems also offer a digital audit trail of activity that treasurers can access at any moment.

“One of the fundamental challenges facing corporate treasurers not just in Singapore but everywhere today is collecting all of the different FX requirements from their sub-entities together in one place consistently,” O’Sullivan says. Automation simplifies this process. What about execution risk? How do automation use cases play out in that part of the workflow?”

O’Sullivan responds with an example scenario. “If a treasurer doesn’t want to carry any risk, 360T offers a solution that enables them to send their trades directly to a group of banks, execute at the best price, and then automatically produce the internal tickets,” he says. “However, it is equally possible to have internal deals booked against a rate source by producing only internal tickets and having head office absorb the risk to their position, which is then managed further.”



Corporate treasurers in Singapore are managing increasingly large FX flows

Given these sophisticated use cases, one would assume customization plays a huge role in the process? O’Sullivan confirms this is the case. “It’s important that the technology is flexible so that the clients can use it in customized ways,” he says. He highlights the ability to create a bespoke set of rules for netting, staging, and execution within 360T’s EMS as an example.

“(This system) offers treasury departments the full flexibility to set up a rules-based system for automating their FX workflows customized to their specific needs. It can also be changed as the company, and its FX requirements continue to evolve in the future.” O’Sullivan notes that while customization is in-demand throughout the market, implementation depends on several factors surrounding the firm and its workflows. The structure of the

treasury department, the size of foreign currency exposure, and which currencies a firm requires access to are some of the variables he highlights.

## ELECTRONIC FX EVOLVES ACROSS APAC REGION

“Many firms in the APAC region recognize that there is still a lot of runway available to them when it comes to improving their FX operations and trading,” O’Sullivan says. Technology is easily available and is growing more powerful by the day, driving adoption and more use cases in FX trade workflows.

“These themes of FX electronification and workflow optimisation will continue to play out amongst corporates in APAC,” opines O’Sullivan. “As a result, the adoption curve of new FX trading technology amongst corporates in APAC will only continue to accelerate.”