

# Treasury Leaders: FX in Focus

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# Introduction

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360T, in partnership with LeanUp, held an interactive roundtable event in Palo Alto with a group of senior figures from the treasury community to discuss some of the most important themes and challenges around FX trading that they're currently focused on. The aim was to identify existing pain points around FX execution, share experiences amongst the group addressing these and then determine a set of actionable takeaways which can help materially improve the treasury function.



## Key Challenges Identified

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- Poor **integration** between existing technology systems
- A lack of **automation** across the FX trade lifecycle
- Implementing the **necessary controls** to minimise operational risks and support auditing
- **Building a business case** for implementing changes around FX trading

## The Integration Challenge

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It was agreed by the group that there is currently no single technology solution which can enable and support treasurers in carrying out all of their various functions. Instead, they are reliant on a series of specialised systems. But a recurring theme during the discussion was that in many instances the existing systems are not optimally integrated with one another, leading to an oftentimes disjointed workflow and overly burdensome technology stack.

**“I have some systems that do certain things well and other systems which do different things, and while these systems talk to each other I’m still doing a lot of manual lifting. So it’s not a successful integration.”**

As noted here, integration is not binary and there can be varying levels of effectiveness. One negative consequence of poor integration is that it forces more manual and unnecessary work on treasury staff, and potentially other finance departments, such as accounting. It also makes it harder to access important information, with a number of attendees saying that they would like to be able to move and analyse data more seamlessly across different technology systems.

Multilateral netting proved to be a clear example of how sub-optimal integration between FX trading platforms, Treasury Management Systems (TMS) and accounting systems can cause headaches for treasurers.

One treasurer explained that their TMS struggles to reconcile the trades sent to it by their existing FX trading platform when they’re multilateral, meaning that they can’t automate the netting of these trades. As a consequence, the back office has to manually determine which funds should be sent to which banks. Similarly, another attendee using the same FX platform said that while it gives them a netted summary of trades, this doesn’t then flow automatically back into their accounting system and instead they have to manually provide instructions on where to send payments.

## Proposed Solution

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360T has a track record of helping corporate treasurers to enhance their FX trading which stretches back over 20 years, and during this time has integrated with all of the major technology providers being used by treasurers today. In addition, the company has extensive experience working with custom, in-house built technology systems.

The integration work done by 360T when onboarding corporate treasury users means that information is able to flow freely across their various Treasury Management Systems (TMS), Enterprise Resource Planning (ERP) systems, accounting systems, etc, into the FX platform and back again.

The result is a full, **end-to-end integrated workflow** which reduces the amount of manual intervention required by treasury staff, delivering significant time savings to the treasury group whilst also affording them greater control and reducing the risk of avoidable errors.

## The Automation Challenge

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Increased FX automation was cited as a broad goal by the majority of treasurers present at the roundtable.

The point was made that there are many different forms of “automation” and that it can mean different things to different firms. For example, while some treasurers consider end-to-end integration with their FX trading across different systems to be a form of automation, others have gone a step further and are automating parts or all of the actual execution process for certain trades.

The primary driver towards greater FX automation emphasised by the group was increased efficiency. One person talked about wanting to save time “holistically” by reducing the amount of manual touch points for FX trading and streamlining the flow of information downstream into TMS and accounting systems.

Another advantage of increased automation highlighted was that it helps to reduce operational risks. By minimising the number of manual processes in FX execution treasurers can help to eliminate the potential for human error or the infamous “fat finger” mistake.

One treasurer talked about how conducting FX trades at month-end can add to an already hectic schedule and expressed a desire to potentially automate some of the smaller, vanilla trades with a set of preconfigured parameters and then just manually manage the trades which fall outside of these.

## Proposed Solution

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360T has, working in close collaboration with existing corporate treasury users, developed a suite of rules-based automation tools which enable them to execute trades in compliance with internal policies and best execution definitions with minimal or no human intervention.

The 360T Execution Management System (EMS) can be configured so that FX trades are automatically sent from the TMS into the platform, then executed based on a set of completely customisable and bespoke rules and benchmarked against data feeds based on an interbank market mid-rate. Trades which do not meet the predefined criteria for auto-execution are sent for manual execution by treasury staff.

As a result, existing 360T treasury users have been able to increase productivity and efficiency by streamlining their FX operations whilst simultaneously reducing operational risk by eliminating manual processes.



**“Coming into this event I felt quite comfortable about where we are on the execution side, but now I realise that there’s room for improvement, there’s the opportunity to get rid of more clicks.”**

## The Controls Challenge

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Concerns about operational risks in various forms and guises cropped up throughout the discussion.

One attendee talked about how operational risk can be hard to quantify until it is realised and actually causes material losses to a company, while another said that their challenge was less in quantifying this risk and more in explaining it to other groups internally within their organisation.

Talking about the need to implement new technology to mitigate potential FX risks on the treasury desk, one attendee made the comparison to buying insurance.

“Firms will pay hundreds of thousands, or often even millions of dollars, in premiums to ensure they don’t have exposures in certain areas. Well, FX and everything in treasury is risk mitigation,” they said.

The lack of interoperability between different systems and continued reliance on manual processes around FX execution were cited as some examples of existing areas of operational risk.

However, many of the other concerns focused on having the right controls in place to prevent human errors, meet internal compliance demands and give senior treasury staff complete visibility into everything occurring on their FX platform.

## Proposed Solution

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**“We want to move beyond keeping the lights on and actually help the company grow.”**

360T has a variety of tools embedded within our technology solutions to give corporate treasurers all the controls they need to ensure that they are always executing in a manner consistent with their internal compliance rules, maintain a comprehensive audit trail of all FX trading activity and minimise their operational risks.

For instance, 360T’s EMS enables treasurers to maintain a full audit trail, at a click-by-click level, for the entire lifecycle of an FX trade. This provides complete and granular visibility across the entire system, letting authorised users see every action, every change, every approval and every modification surrounding a trade from the moment it comes into the EMS to the moment it leaves.

Also, an easily identifiable external ID code will live with the trade for the entirety of its lifecycle. This allows for a seamless linkage into treasurers’ TMS/ERPs, which will further reduce the operational risks associated with potentially error prone manual processes.

360T also has tools which enable the segregation of duties across the treasury desk. These can be applied within specific teams, such as supervisor in the front office filtering the types of trades which junior staff can see and execute, or across groups more broadly, ensuring that administrators only have access to admin controls, only the front office has trading rights, etc.

Moreover, user creation and deletion are done electronically, again with a full audit log available to those with authority to access it.



## The Business Case Challenge

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“First and foremost, I don’t think that everyone understands what treasury staff do,” said one attendee. They added that one of the challenges facing people working in treasury is not just explaining internally what their day-to-day role is in supporting the company, but doing so in a manner which makes it clear to other teams within the organisation how they, directly or indirectly, benefit from this work.

It was observed that this lack of understanding makes it more challenging for treasury staff to explain why they need to implement changes to enhance the company’s FX trading capabilities. And, the group noted, this problem is compounded by the fact that the treasury department as a whole is often viewed as a cost centre, and as a consequence sometimes loses out to other departments seen as revenue generators when it comes to distributing investment dollars.

This was a cause of some frustration amongst the group, who were keenly aware of the impact and importance of good treasury operations on the overall success of the company. Moreover, there appeared to be a sense amongst the attendees that, when it comes to FX, treasury staff can add real value to the company by rejecting the status quo and instead looking to optimise their operations.

**“I have an RFP out right now and 360T came in a lot lower than I expected and the implementation timeline is a lot shorter than expected, we’re talking weeks not months, to deliver what I’ve asked for.”**

## Proposed Solution

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CFOs care about reducing costs, streamlining operations and minimising operational risk, and so the group agreed that FX technology solutions which can deliver on these are much more likely to get the greenlight – and to garner positive attention subsequent to their implementation.

The challenge identified was in finding the time to build a business case to show in quantifiable terms how implementing new technology can achieve these goals, and then formatting that in a manner which is immediately understandable to the relevant internal stakeholders and decision makers. In addition to this, it was commented that treasurers need to explain the potential costs associated with downside risks that their organisation could be exposed to through inaction.

Part of 360T’s philosophy as a technology partner has always been that it is important to operate in a highly consultative manner with treasury departments. While treasury staff typically immediately recognise the value which 360T technology can deliver, it is often the case that it is more challenging for them to articulate this in a quantifiable manner internally.

As a result, 360T has developed a lot of experience in working with treasury staff to help them build a strong business case for change based on close examination of their existing FX workflows and analysis of relevant data points. In addition, our dedicated onboarding and support teams ensure that the process for implementing change becomes quick and seamless.

## The process for implementing 360T technology

Implementation timeline largely depends on the focus and availability of staff at your firm. 360T is able to onboard and integrate very quickly.



Someone from your company needs to allocate some time to help 360T staff understand what you're trying to achieve by implementing new technology and your existing workflows. This **consultation** period is short, typically a few one hour discussion sessions.



360T does all the **integration** work with any existing technology systems and writes to all of your specifications.



360T sets up an integration environment and someone at your company needs to **test** that to ensure that the technology is working perfectly and all functionality requirements are met.



An agreed **go-live** date is set. Firms using 360T subsequently benefit from our commitment to three new technology releases per year, meaning that new tools, features and enhancements are constantly being made available to treasurers.

➤ With the requisite focus from the treasury team, this entire process takes only a few weeks.





Please do not hesitate to contact your local account manager for more information or contact us at [info@360t.com](mailto:info@360t.com) · [www.360t.com](http://www.360t.com)

**Europe**

Frankfurt

Tel: +49 69 900 289 0

**Americas**

New York

Tel: +1 212 776 2900

**Asia Pacific**

Singapore

Tel: +65 6597 1770

**Middle East**

Dubai

Tel: +971 4 458 7440

**South Asia**

Mumbai

Tel: +91 22 4077 1437