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EURO BANKING ASSOCIATION

THOUGHT LEADERSHIP

USE OF REAL-TIME DATA

EBA LIQUIDITY MANAGEMENT
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INTRODUCTION

Liquidity management is at the heart of the relationship between banks and their corporate clients. Banks need the deposits of businesses and retail clients to manage their own balance sheets, while companies use the liquidity to finance their business strategies and the operational processes. Previous papers published by the EBA Liquidity Management Working Group (LMWG) have explored this relationship between banks and their corporate clients, focusing on the interactions within the liquidity management ecosystem. The group's most recent paper[1] sheds light on how corporate treasurers applied new solutions to manage liquidity more efficiently and effectively in the wake of the COVID-19 pandemic. These solutions, provided by banking partners and fintech companies, included AI solutions to improve cash forecasting and/or new payment schemes to accelerate the payment processing cycle, thereby improving working capital.

As the world begins to move on and recover from the pandemic, the ecosystem of banks and fintech companies continues to innovate in this space. The challenge as always for treasurers is to identify which new product or process (or both) will provide them with the best return in terms of improved efficiency. Crucially, decisions must be made within the very real budget and time constraints that treasury organisations face. Evaluating the various innovations is time-consuming and setting priorities can be difficult.

At the same time, the ecosystem continues to evolve. For example, banks have invested significant resources in building new infrastructure (e.g., ISO migration and instant payment infrastructure) to support the delivery of real-time data and payments processing to their corporate clients, notably to facilitate the adoption of instant payment schemes. However, to further monetise their investments, banks must develop a clearer understanding of the value of data for customers and more specifically the use and value of real-time-data to manage liquidity and also to support business decision-making more generally. The aim of this white paper is therefore to provide insight into how some companies already use real-time data, and where they could potentially benefit from real-time data access. In doing so, the LMWG aims to highlight and clarify the opportunities for banks in this space, as well as the likely constraints. Specifically, this paper seeks to answer the following key questions:

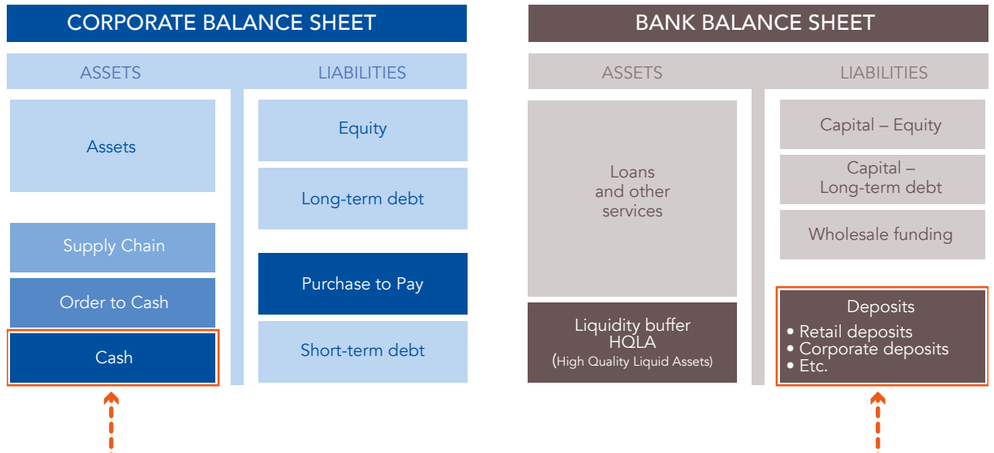
1. Why and how do companies use data? When or for what activities do they need real-time data and when is post-transactional data sufficient? What challenges do they face in using more real-time data?

2. From where do companies obtain data and how can they best access data delivery systems? There are many potential sources, both internal and external (such as from banks), with some data available in real time.

3. How can banks provide additional or greater value data to their corporate clients? At what point in the transaction life cycle can banks provide data? Is this real-time data, and can this data be supplied, accessed, and processed in real time? What circumstances might trigger companies to demand more real-time data from their banks in the future?

1 https://eba-cms-prod.azurewebsites.net/media/azure/production/3137/eba_lmwg_the-pandemic-and-the-liquidity-management-ecosystem_v10-7.pdf "The Covid-19 Pandemic and the Liquidity Management Ecosystem: Where to go from here" (August 2021)

Figure 1. The Liquidity Management Ecosystem



UNDERSTANDING THE ROLE OF BANK DATA FOR TREASURY MANAGEMENT

To answer the above questions, it is helpful to distinguish between the types of payments companies make and receive according to three key criteria:

- **Time-sensitivity:** Some payments are time-sensitive because their processing has an immediate impact on another business process (e.g., the release of a shipment or the decision to sign a contract).
- **Nature of cash flows:** Most company payments are business-related because they are linked to a specific business process (e.g., vendor payment). The remainder are treasury payments, focused on managing the company's cash and liquidity.
- **Direction of payment:** Companies have direct knowledge of disbursements as they originate in an internal system (typically the enterprise resource planning (ERP) or treasury management system (TMS)). While companies can forecast incoming payments (they are generally linked to a purchase or contract), they lack certainty of when exactly they will receive payments until they are notified by their bank.

The implications of these characteristics for corporate treasurers' use of bank data are summarised in Figure 2.

As is clear from the analysis above, bank data remains critical for back-office activities, such as accounting and reconciliation. However, bank data on transactions is always received post-transaction (even if that is in "real time"). In effect, that means access to real-time data typically has a limited impact on a company's cash flow forecast.

For outgoing payments, companies generally have access to sufficient data to forecast their cash flows. These are typically managed on weekly or monthly payment cycles, so treasury can plan liquidity accordingly. For incoming payments, companies are reliant on customer behaviour. It is worth noting that a shift by customers to real-time payments may worsen a company's cash position if its counterparties move from weekly disbursement cycles, which may be a few days before the due date, to making real-time payments on the actual due date. Understanding how companies manage liquidity is therefore important when gauging the need for real-time data.

Figure 2: The importance of data according to the characteristics of corporate payments

Nature of cash flows	Direction of payment	Time-sensitive		Non-time sensitive	
		Payment terms	Data use	Payment terms	Data use
Commercial payments	In/receivable	Cash on delivery (COD)	Bank data is used to mitigate risk of late or non-payment; critical to confirm receipt of funds.	Standard payment terms with clients (trade on credit/ credit risk).	Bank data is only used for back-office purposes (accounting, reconciliation, credit management).
	Out/payable	COD	Counterparty needs access to bank data to confirm receipt of funds.	Supplier payments (trade on credit/ delivery risk). Other e.g., salary and tax payments (easy to plan).	Bank data is mainly used for back-office purposes. Forecasts based on internal data.
Treasury payments	In/receivables	Treasury receipts when optimisation of liquidity is critical (e.g., to meet Money Market Funds (MMF) cut-off times and internal funding).	Critical to confirm receipt of funds. Not critical for liquidity optimisation if cash pooling is automated (e.g., via virtual accounts).	Treasury receipts when optimisation of liquidity is not critical (e.g., if it is OK leaving cash on deposit overnight), so no need for real-time data.	Real-time bank data not needed. Bank data used to manage liquidity and to align forecast data with actual data.
	Out/payables	Treasury payments when optimisation of liquidity is critical. Time sensitive corporate actions e.g., acquisitions, debt repayment, dividends between entities.	Counterparty needs access to data to confirm receipt of funds. Treasury needs confirmation of account balances to ensure credit limits are not breached.	Treasury obligations (e.g., loan repayments, shareholder payments).	Real-time bank data usually not needed. Bank data used for accounting and reconciliation.

DO COMPANIES USE REAL-TIME DATA TO MANAGE THEIR LIQUIDITY?

Corporate treasurers have access to a wide range of data, produced both internally and externally, to help them manage liquidity. Part of the treasurer's role is to determine the specific data to use to perform necessary tasks, from forecasting and risk management, through to reconciliation and reporting. The timeliness of the data (e.g., real-time, same-day, or prior-day) varies depending on the company's objectives. With a better understanding of how corporate treasurers access and use bank data generally, it is important to understand to what extent companies use real-time data to manage their liquidity. The LMWG's analysis of this question is based on the insights of six interviews with practising corporate treasurers. To enable relevant conclusions to be drawn, the treasurers were selected from a range of industry sectors, with different customer bases and business models.

One of the key takeaways from these interviews was that while every company has the same high-level objective – to manage corporate liquidity as efficiently as possible – each approach to liquidity management is unique. That said, a couple of common factors stand out. The first is the level of centralisation. Treasurers in centralised organisations generally have access to more timely data on cash than those in decentralised companies (i.e., those in which the business units manage day-to-day financial activity). Second is the group's net debt position. Treasurers in companies in a net debt position place a higher value on being able to pool cash than those in cash-rich organisations.

One company

> ***"aims to centralise as much of its incoming cash as possible, via a network of notional and physical cash pools. The structure includes some cross-border and/or multibank pools, monitored and controlled via MT 940 and 942 messages".***

But, critically for banks,

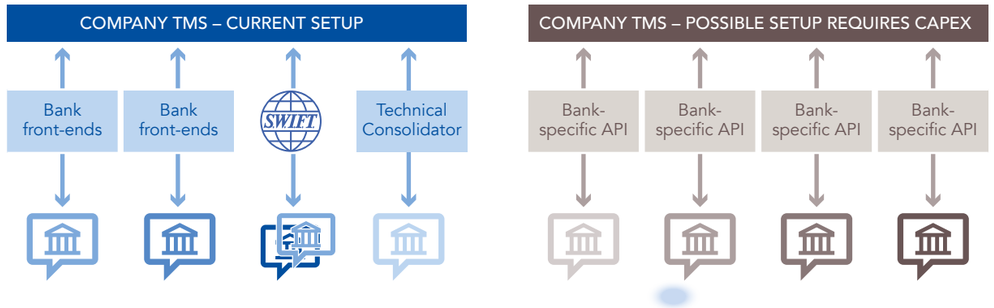
> ***"any excess cash is placed with money market (or similar liquidity) funds, to diversify counterparty risk away from banks".***

Another is a net borrower, so "one of treasury's objectives is to minimise the amount of cash that remains outside the cash pool overnight to minimise the borrowing cost". However, "although real-time information is freely available via the various electronic banking portals, aggregating them to the TMS would require substantial capital expenditure".

One interviewee has implemented an in-house bank, and group liquidity is managed automatically and in real time, with

> ***"all affiliates holding internal bank accounts with treasury. An affiliate's balance with the in-house bank is its net liquidity position."***

Figure 3: The evolution of corporate treasury technology?



The two diagrams show how corporate treasurers collate data from banks into their treasury management systems. The diagram on the left illustrates an example of the current situation in which treasurers collate data in several different ways (from their bank's front-end [internet portal], via SWIFT, or through another third-party organisation, e.g., FIDES, TIS, etc). In each case, treasurers need to manage the collation process, including the various interfaces to the different banks. The diagram on the right indicates how the collation process could be simplified through use of open banking. In this case, treasurers could use APIs to collate the data from each bank. However, this solution is likely to require treasurers to identify resources to manage the process of integrating the different APIs into the TMS or ERP, or into the data warehouse, directly.

Business activity also plays an important role in setting objectives. For example, one interviewee noted that they are constrained by strict cut-off times, so that they may have to use their own liquidity to effect payment if other clients fail to meet their obligations to pay, commenting

> ***"…Because [clients] tend to have consistent payment patterns, the [finance] team [of the company] can anticipate when each client is likely to pay. It then uses SWIFT to monitor cash inflows in real time, so if a participant does not pay when expected, the settlement team can contact them to seek a resolution before deciding to draw down on liquidity."***

However, if existing, non-real-time processes and access to data are sufficient to meet companies' objectives, treasurers will generally not use resources to gain access to real-time data. For example, as the treasurer of one decentralised company explained,

> ***"…The business is cash-generative, with highly predictable cash flows. As a result, there is no real need for treasury to attain greater visibility over the subsidiaries' bank accounts."***

Insights from the interviewees generally indicated that access to bank data is seen as critical for post-transaction accounting and reconciliation. However, apart from one organisation that

> ***"performs intra-day reconciliations to track expected receipts",***

these activities are not performed in real time and there is limited appetite for this to change.

Another interviewee responsible for a small number of non-commercial entities with limited cash flows

> ***"still uses paper or online statements for reconciliation and sees no reason to automate,"***

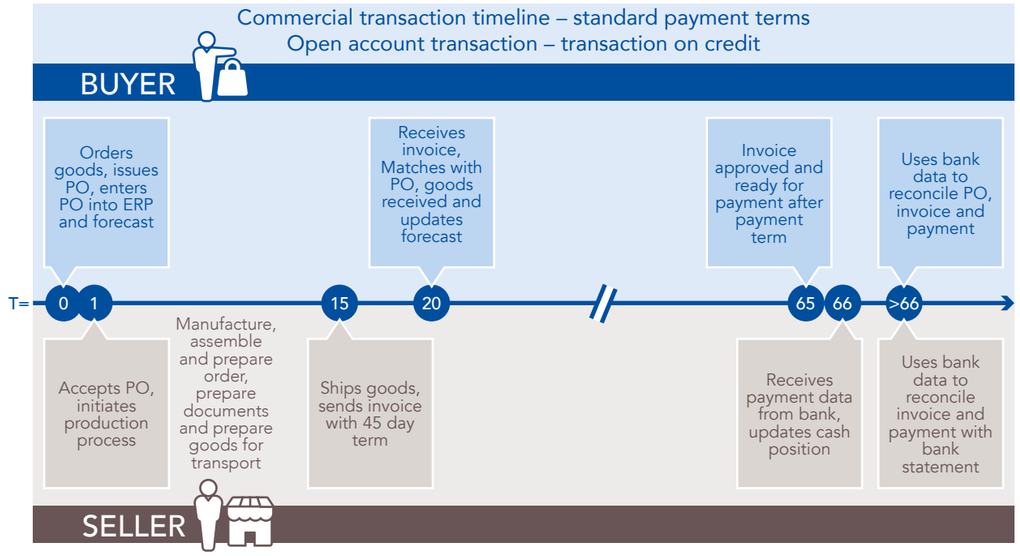
while another treasurer interviewed commented that they prevent the use of real-time data for accounting and reconciliation

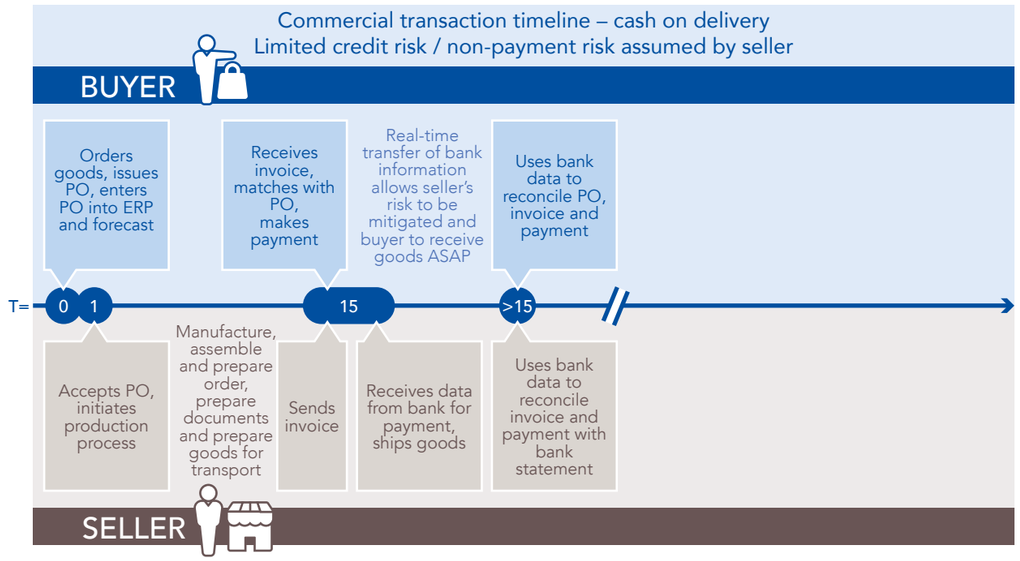
> ***"because of potential differences between intra- and end-of-day data (on electronic statements)."***

To conclude, **the use of real-time data when managing liquidity varies**. There is a recognition that **intra-day information is available** but is only needed to actively manage liquidity in a limited number of scenarios. The diagram below summarises when data is required on a transaction and identifies when access to time-sensitive data is important.

Figure 4: A "data timeline" for a commercial transaction

Time sensitive data is important for companies that are trading on the basis of cash on delivery: Goods will only be shipped when they are notified by their bank that the funds have been received . Bank data is seen as a risk mitigant.





WHEN DO COMPANIES VALUE REAL-TIME DATA FROM BANKS?

From a liquidity management perspective, access to real-time bank data can help treasurers optimise liquidity. Specifically, any liquidity management process that relies on some manual intervention (e.g., a decision to transfer funds to or from a cash pool or money market fund) will usually benefit from access to the latest available data (i.e., real-time data). But one important feature of bank-supplied data is that the financial data reflects underlying business transactions; the financial supply chain mirrors and records activities in the physical supply chain. This suggests that companies may value bank-supplied real-time data for specific business reasons rather than for liquidity management purposes.

As an illustration, one treasurer outlined some situations in which their organisation does value bank-supplied real-time data:

- To mitigate risk, for example if a new client is required to pay cash on delivery / cash in advance. In these circumstances, it is important to have the information available, but not necessarily to have it downloaded.
- Payments in some countries where the law requires the company to pay its vendors within a specified time frame.
- For certain corporate transactions, such as when paying a dividend or to let the CEO or CFO know when it is appropriate to sign a contract.

In conclusion, there are some circumstances in which **real-time bank data is valued**, most notably where there is some **time sensitivity** to a payment or transaction, or **to mitigate risk**. There is also evidence that online transactions in the e-commerce space value real-time information, especially when a product is consumed immediately (e.g., media). And, where liquidity optimisation is a priority, access to real-time information can be important, especially in circumstances where some manual intervention is required to manage liquidity.

WHAT OPPORTUNITIES ARE THERE FOR BANKS TO SUPPLY REAL-TIME DATA IN THE FUTURE?

In thinking about the opportunities for banks to supply real-time payments data, there are two key questions. The first is whether a bank's systems provide the bank itself with real-time data. The second question relates to whether the bank's systems support the delivery of real-time data to clients in real time, such as via an API. While an API can supply data in real time, much of the potential benefit is lost if the supplied data is only the latest available, rather than real time.

All the interviewees that the LMWG spoke with indicated that their current level of data access is sufficient to meet their organisations' needs. Except for the use cases outlined in the section above, corporate treasury has therefore not yet identified a real need for access to bank-supplied real-time data. This is partly due to the opportunity cost: embarking on a project to access real-time data would mean other, more urgent projects being rejected. For the interviewees, their current level of data access is sufficient to meet their organisations' needs.

The acceptance of the status quo was justified by several reasons, including:

- **High-quality of forecasting:** As one interviewee commented, if

  > ***"cash is king, the forecast is queen."***

  Many of the interviewees felt their forecasting system was sufficiently reliable on which to base their liquidity management decisions, with real-time information only valuable if there is a discrepancy between the forecast and the actuals.
- **Availability of internal data:** Critically, many of the organisations interviewed rely on internal sales, and other data to populate their forecasts. Bank data is available but managing multiple APIs and other data collation systems would be time-consuming, and additional costs cannot yet be quantified by any resultant gains.
- **Lack of urgency:** While the cost of funds and returns on investment have remained low, there has been, as one interviewee put it,

  > ***"no urgency to repatriate smaller pockets of cash back to the centre. This may change, though, as interest rates start to rise".***

While corporate use of real-time bank data may not be imminent given the above, there is still room for optimism for banks looking to monetise their investment in these systems. There are, according to the interviewees, several potential benefits from the use of real-time payments and access to real-time data, including:

- **Greater payment efficiency:** For one company, the use of instant payments could reduce reliance on the correspondent banking chain, meaning fewer balances in local bank accounts, resulting in lower exposure to small (counterparty risk) local banks due to liquidity efficiency.

- **More effective risk management:** A key benefit of instant payments is that funds are received instantly, providing certainty to a company's inflow that is missing when cash is collected by credit card.

- **Wider ecosystem migration to real-time:** As an illustration, the treasurer of an organisation that currently operates on next-day settlements recognised that they would need to consider how to manage group liquidity if settlement moved to real-time (or even just to same day).

Some challenges to wider adoption remain, however, such as:

- **Lack of harmonisation in banks' use of messaging standards:** As one contributor said,

  > ***"ISO can help, but the bigger issue is getting banks to use the fields in SWIFT messages in a standardised way".***

- **High implementation costs:** The same contributor did not want to use multiple banking platforms, as

  > ***"we have a limited team to manage treasury activity".***

  Another stated that getting access to intra-day or real-time bank data is expensive: SWIFT MT 942s are costly, so too is implementing and maintaining a series of APIs.

- **Need for treasurers to identify value:** For the most part, the treasurers had a good view of cash positions and of outgoing payments over the next few days. The potential benefit of real-time data will therefore be on the collection side. This requires clients to pay on time (as agreed in the payment terms) as real-time data is only available post-transaction. If the payment is not made at the expected time, there will be no incoming payment and therefore no data, which affects predictability of payment behaviour.

CONCLUSION

This paper has drawn on the insights of several corporate treasurers to identify how companies use data to manage liquidity, when they value real-time data from banks and use cases for which treasurers could use more bank-supplied, real-time data. From these insights, three key conclusions can be drawn:

Companies rely on bank-supplied data: The importance of this data – used for a range of activities, including accounting and reconciliation – should not be underestimated. Richer bank information enables greater automation of accounting and reconciliation processes, leading to a higher automated cash application rate.

Companies use bank-supplied real-time data for niche purposes: Data is generally used as a risk mitigant, or when a payment or transaction is time-sensitive.

Companies will only consider use of real-time data if the benefits outweigh the costs: The potential benefits tend to be greater if a company's supply chain partners (particularly customers) start to operate in real time. From a cost perspective, if banks can achieve a greater harmonisation of the use of data formats that will reduce the treasurer's cost of implementation and maintenance of any real-time data-related project.

These lessons provide some guidance as to how banks can develop real-time data solutions and services for their corporate customers. In doing so, there will be a significant need for financial institutions and companies to develop common standards, best practices, and technology solutions, not only at the payment processing level but also at the liquidity management level. Moreover, it requires collaboration on the development of open platforms to which users can easily connect. In addition, market participants should adopt a harmonised behaviour and usage to receive the real value of open platform (e.g., for banks to use of the same field as in the SWIFT messages). Many companies have well-established, efficient treasury processes, which they will not be inclined to change unless there are tangible benefits of doing so. The LMWG's discussions suggest most companies are yet to identify many benefits from moving to real-time operations. Therefore, the impact on intra-day liquidity management is likely to remain relatively limited for the time being. However, this will evolve with the growing impact on corporates of real-time payments and the wider migration to real-time.

APPENDICES

APPENDIX 1: METHODOLOGY

The aim of this paper is to gain a deeper understanding of why and how corporate treasurers use data, specifically real-time data. To this end, the LMWG interviewed corporate treasurers from six separate organisations. Although a small sample size, the interviewees provided a good mix of industry sector, client base, business model, and type of treasury organisation. The interviewees represented the following types of organisation:

- A global e-commerce company
- A broker, primarily responsible for holding clients' monies
- A global consumer goods company with a highly centralised treasury operation
- A global manufacturer with a decentralised treasury operation
- A global B2B company
- A logistics company

All interviews followed the same format. The interviewee was asked to briefly describe its organisation and the role of treasury within it. Then, the LMWG posed the following questions:

1. Why and how does the company use data?
2. How does the company combine data from different sources (e.g., internal, and external, or multibank)?
3. In which cases or for what activities does the company use or would like to use real-time data?
4. Does the timing of an activity determine (the potential) use of real-time data (e.g., the need to meet daily cut-off times versus post-transaction activity)?
5. What are the constraints for a company using more real-time data?
6. From where does the company source the data, including real-time data, that it uses?
7. For which activities does the company rely on bank-supplied real-time data?
8. Are there any constraints that prevent the company from sourcing any or more real-time data from banks?
9. How can banks supply more data to their corporate clients? Are there events that might trigger companies to demand more real-time data from their banks?

APPENDIX 2: CASE STUDIES

CASE STUDY 1

GLOBAL E-COMMERCE COMPANY

Companies acting as brokers often see a high volume of transactions and require a clear workflow to ensure the security of client funds. This case study highlights an online broker with two core businesses: a broker business and a reservation agent business. In both cases, the company sits between vendors and their customers.

PAYMENT ACCEPTANCE

The company has relationships with multiple payment service providers (PSPs). It receives daily settlements into one of over 800 bank accounts that the company maintains around the world. The company aims to centralise as much of this incoming cash as possible, via a network of notional and physical cash pools. The structure includes some cross-border and/or multibank pools, monitored via MT 940 and 942 messages. Any excess cash is placed with money market funds (or similar) to reduce its counterparty risk from banks.

IMPORTANCE OF CASH FORECASTS

The company's two businesses are high-volume, meaning that liquidity forecasts change constantly. All data is triggered by the sales process: both bookings and cancellations have an impact.

USE OF BANK DATA

Bank data is used for accounting and reconciliations. The PSPs provide information around the level of expected settlement, which is then reconciled with bank data. Treasury is focused on ensuring that cash is available when required and that any foreign currency exposures are effectively hedged.

FUTURE USE OF INSTANT PAYMENTS

The company is agnostic about the use of instant payments as a sales tool because it is only acting in a fiduciary manner. However, from a treasury management perspective, its use would bring several potential benefits. First, it would mean fewer balances in local bank accounts and therefore less exposure to small, local banks (liquidity efficiency). Second, there may be some operational efficiencies when adopting instant payments. However, because the company already uses virtual cards for some vendors, there is already an instant disbursement when the vendors are paid, so instant payments would not represent a major change.

CASE STUDY 2

A BROKER RESPONSIBLE FOR HOLDING CLIENTS' MONIES

A variety of organisations manage payments in a fiduciary capacity and are therefore typically subject to additional regulation to protect customers' interests. This example covers a regulated payment service provider that must use its own liquidity until such time as settlement is received, if a participant fails to pay.

"MESSAGING IS EASY; GETTING CLEARED FUNDS IS THE CHALLENGE."

The organisation actively manages its counterparty risk, as it needs to be able to draw funds down from its EUR money market fund before the scheme's settlement time in the event of a shortfall. The settlement team will use a combination of data to identify whether there is a risk of a participant in the settlement cycle not able to settle. Because participants tend to have consistent payment patterns, the team can anticipate when each participant is likely to pay. It then uses SWIFT to monitor cash inflows in real time, so if a participant does not pay when expected, the settlement team can contact them to seek a resolution, before deciding to draw down on liquidity.

USE OF DATA

The organisation's service operates in near real time. The settlement date is determined by the organisation's cut-off times, with the core business operating on an end-of-day balance with a next-day settlement. The accounting data comes from SWIFT MT 940s, and APIs routed into the organisation's reconciliation system.

At present, treasury has no need for real-time data. The subsidiaries have access to sufficient working capital, with any excess liquidity being placed with money market funds. This would change if settlement moved to real-time or even same-day, as treasury would have to consider how to manage group liquidity in such an environment. Treasury is also exploring artificial intelligence (AI) as a tool to help predict how to use capital more efficiently. As the organisation's business is stable and predictable, the use of AI may allow it to predict the level and timing of future peaks more accurately, and to thereby avoid holding too much excess capital or liquidity.

CASE STUDY 3

GLOBAL CONSUMER GOODS COMPANY WITH CENTRALISED TREASURY OPERATION

This company's treasury department operates as an in-house bank, with all affiliates holding internal bank accounts with treasury. All transaction data flows through these accounts which manage payments-on-behalf-of (POBO) group affiliates five days a week. The company uses SWIFT messages for transaction confirmations. Bank statements are used for reconciliation and accounting purposes.

SOME NEED FOR REAL-TIME DATA

The business occasionally needs real-time transaction information. For example, if a new client is required to pay cash on delivery/cash in advance, real-time transaction information may help mitigate risk. It may also benefit certain corporate transactions, such as when paying a dividend or letting the CEO/CFO know when it is appropriate to sign a contract.

NO NEED FOR REAL-TIME PAYMENTS, YET

At present, the company is not investing in managing real-time/instant payments. Treasury receives information on all payments from the affiliates via the in-house bank, so its forecasts are quite accurate. There is no urgency to repatriate smaller pockets of cash back to the treasury, although this may change as interest rates start to rise. For example, if the company was expecting to receive a large payment, timely information (via an MT 942) would allow treasury to repatriate those funds efficiently. Instant payment transactions do have some value to the company due to their irrevocability (in contrast to credit card transactions).

GREATER VALUE IN IMPROVING MESSAGING AND MANAGING BANK RELATIONSHIPS

Given these circumstances, the treasurer does not consider it the right time to invest in new processes to cope with real-time payments and data. For him, there is more potential value in improving messaging and managing bank relationships. "ISO can help, but the bigger issue is getting banks to use the fields in SWIFT messages in a standardised way," he said. He also does not want to use many different banking platforms as "we have a limited team to manage treasury activity".

CASE STUDY 4

A GLOBAL MANUFACTURER WITH A DECENTRALISED TREASURY OPERATION

TREASURY HAS REAL-TIME ACCESS TO DATA

Treasury has an interface to its main cash management bank that provides them with real-time access to, and visibility of, all bank accounts linked to this platform. If any of the group's 40 subsidiaries have an account with treasury's main cash management bank (or accounts with other banks that report into this bank), then treasury can access real-time information on those accounts, too. Most subsidiary accounts are not linked to this platform; for these accounts, treasury only has access to the positions as of the end of the previous business day, sent via MT 940 statements to the treasury's banking platform. For information on the unlinked accounts, the treasury must contact the subsidiary directly to provide more recent data. On the rare occasion that the treasury must make an urgent payment, this is dealt with on an exceptional basis.

NO BUSINESS CASE FOR MORE REAL-TIME DATA

At worst, the above structure for accessing real-time account information gives treasury a one-day delay on its view of group liquidity positions. But because the company's cash flows are highly predictable, the company has no business case to obtain access to more real-time data. The business is cash-generative, so there are no liquidity constraints. Surplus cash is not placed overnight, so any investment in a new structure to provide group treasury with intra-day investment would be costly with no real added value generated in return. For similar reasons, the company has no real need to use real-time payments. Payment flows are highly structured, with outflows managed via weekly supplier payment cycles.

CASE STUDY 5

A GLOBAL B2B COMPANY

Treasury uses a treasury management system (TMS), which links most of the company's various ERP systems with the company's nine transaction banks. This occurs via host-to-host connections between the TMS and each bank. All payment transactions are routed from the relevant ERP to the banks via the TMS; end-of-day reports are routed back from the banks in the same way for reconciliation and accounting purposes.

BUSINESS USE OF REAL-TIME DATA

The business units need access to intra-day bank account reporting to manage the dispatch of goods relating to specific shipments. To limit operational risk, the business units only have access to the TMS (under treasury administration), rather than obtaining bank account reporting from the electronic banking portals. While information from the electronic banking portals is available in real time, there is a time lag in the TMS, which depends on how frequently intra-day messages are received from the banks and uploaded to the TMS (generally twice or four times an hour). Nevertheless, the level of access and timing (close to real-time) is good enough for the business units, as they can always contact treasury directly if there is any urgency.

TREASURY USE OF REAL-TIME DATA

As the company is a net borrower, it needs to concentrate cash to repay debt. Treasury operates a global cash pool in the Netherlands. Header account balances are transferred manually from the regional transaction banks to the global cash pool daily. To be available to pay down debt, transfers must be made before the relevant daily cut-off time; however, the various cut-off times are staggered, making optimising cash incredibly difficult.

Ideally, treasury wants access to balance information in real time, as even a 15-minute delay can result in a difference of several millions being centralised. Treasury cannot rely on forecasts; while accounts payable information is available in advance, accounts receivable forecasts are only prepared on an aggregate basis. Although real-time information is freely available via the various electronic banking portals, there is no real business case to aggregate them to the TMS. Doing so would require substantial capital expenditure; SWIFT MT 942s are costly, so too is implementing and maintaining a series of APIs, costs which cannot yet be justified.

CASE STUDY 6

A LOGISTICS COMPANY

The treasury department bases its cash forecast on the end-of-day bank feeds, but then updates it in real time, using sales and other data from the business. Given the accuracy of these internal data feeds, as well as budgetary constraints, the company does not currently have a need for intra-day or real-time data from its banks. The one exception is its logistics business, where having certainty of payment is critical. Before any transfer of title takes place, the organisation relies on bank confirmation of receipt of funds.

The interviewee noted that the attractiveness of using real-time data provided by banks raises some key questions. For example, banks have invested in improving the transparency of the payment infrastructure, including the implementation of real-time/ instant payment schemes. But if their clients are already confident that a sale will translate into cash collection in (near) real-time, they noted that it may be unclear how the company could benefit from an additional bank data feed that simply confirms what the company already knows. The interviewee noted that one of the arguments in favour of adopting newer payment standards is that additional data can be sent with the payment. However, the question arises whether additional data would be valued by clients and whether it would help banks differentiate themselves from other payment service providers.