

On-time treasury: the end of the line for the daily cash position?

Consumer expectations for online purchasing have changed forever with the rise of near-instant information and transactions. Nevertheless, adapting to on-time treasury involves more than instant payments. End-to-end processing that combines agility, innovation and reliability is the key to creating a treasury that can respond to the ‘always-on’ demands of modern commerce and the more established periodic or batch processing.



Our last article in this series highlighted that payments and data are inseparably connected. The combination of instant payments and, more importantly, instant data transfer through application programming interfaces (APIs) dramatically alters treasury operations. These forces also significantly increase the speed of communication and decision-making for treasurers.

From digital sales channels to integrated supply chain management and warehousing, business processes are transformed by real-time data flows. Those who succeed in each of these areas leverage automation, informed interactions and richer choices to create strategic advantages. For many treasurers, the implications are a relentless pressure for process transparency and the ability to make decisions ‘on time’ — whenever that may be. The challenge goes beyond just the structure of the day and out-of-office hours, to the treasurer’s mental capacity and decision-making ability.

Historically, the focal point of treasury data was the cash position (a daily process, often involving an element of forecasting) and, by extension, the quarterly cash flow forecast. Both were structured around discrete periods based on key decision-making events.

Through foresight — or necessity brought on by the economic shocks of the last few years — we have seen a rapid move to intraday cash positioning and monthly or even weekly cash flow forecasts. Each data focal point is evolving into living, breathing operational and data processes.

At its core, this shift in the business and treasury ecosystem is about data for decision-making. This does not necessarily require every part of a treasury to operate 24/7. Rather, it requires an ‘on-time’ treasury perspective, fit for more rapid forms of communication and commerce, with the quality of data that comes from well-thought-out infrastructure and supporting processes.

The limits of prediction highlight the value of automation

Managing risk inherently involves a level of uncertainty. When a risk management process includes forecasting, that, by definition, adds an element of inaccuracy. Additionally, if the data feeding a forecast is limited, then the adage of ‘garbage in, garbage

out’ ends up crippling the decision-making process. In the past, these issues have hindered liquidity management and balance sheet hedging, requiring larger, costly buffers for treasuries with multiple currency positions.

Nevertheless, data improvements and automation mean we are now at a point where liquidity can be managed down to the pennies. With a modern pooling structure and a few sensible overdraft lines, the use of cash can be far more efficient, with a high degree of confidence. This type of automation reduces reliance on forecasts, supporting companies where customer behavior intrinsically limits forecasting with certainty. (We will discuss the details of on-time pooling structures in the next article in this series.)

Still, the speed of automation does introduce a level of complexity. With increasing speed, core treasury tasks have become more complex, requiring more transparency and data to manage. The opportunity here is massive. Data unites functions across the business. Timely and accurate insights accessible to all staff at the right decision trigger point can shift the mindset from backward-facing scorecards to out-front opportunities.

Data that supports on-time decision-making

The actual objective is not solely to increase the speed of all data flows but to make decisions as needed, support automation or human strategy and relieve pressure on key treasury decision-makers. In this context, 'on-time' is a concept individual to each organization.

There is clearly an element of speed, and in-memory databases are gaining traction as a solution to this challenge, particularly for larger amounts of data feeding advanced analytics. APIs are also part of the solution, although their application is often misunderstood.

In many cases, their value-adding application is specifically suited to enriching or improving existing data quality rather than replacing scheduled data flows. This enrichment and data reliability is a crucial point and a hard lesson learned for some who have attempted to overlay various cash forecasting tools on less-than-credible data infrastructure.

That doesn't mean standing still. As stewards of cash, treasurers should regularly ask what the acceptable level of inaccuracy is and whether existing processes can be enhanced through advanced analytics, artificial intelligence or machine learning. The choices are numerous, and some may struggle to decide the right level of technology. Yet, delaying is not an option. The fundamental question is: Do you need it, and what problem is it solving for a group of users and customers?

A change of perspective

In the past, organizations were wrapped around various systems. However, this model has quickly become outdated. New paradigms have emerged to meet current business needs. The treasury data warehouse must now wrap around the organization, enabling a data-centric treasury.

Core systems and data infrastructure do remain limiting factors for many treasuries. In the past, technology investment has gone to design and sales, with treasury, as a cost center, an afterthought. Regardless, the acceleration of treasury and financial technology has been much quicker than most would have expected, with the business and executives increasingly ready for change.

Without a doubt, the tipping point is here. With the right pitch for resources, treasury can move from being a cost center to a solution-focused business center.

The interconnectedness of treasury data systems also requires a change in perspective from solution providers and banking partners. Successfully implementing treasury technology requires solving multiple problems at once. At Bank of America, we believe that offering single products can often be a distraction. Each capability can be an enabler along a longer path to transformation, from leveraging bank data for cash flow forecasting insights to allowing users to initiate payments. Even so, only a clear, holistic perspective and platform can accelerate the impact of change, shifting focus from cash application to improving the whole order to cash cycle.

The daily tasks of a treasurer are changing. With higher levels of complexity and competitive innovation, waiting is not an option, and just because a process isn't broken doesn't mean it can't be improved. With the right partners, treasurers can escape the entrapment of traditional daily tasks and change the treasury perspective and mindset. 'On-time' treasury is not the end of the line for the daily cash position; it's the beginning of a cultural shift that puts treasury at the heart of decision-making. Avoid waiting to solve a problem once it arises. Take a proactive approach to reimagine the possibilities before it's too late.

This series of articles and podcasts will highlight the key misconceptions and opportunities of on-time treasury. We trust you will find this frank approach refreshing. Speak to a Bank of America representative to understand our practical approach to on-time treasury, led by our treasury advisory group.



"Bank of America" and "BofA Securities" are the marketing names used by the Global Banking and Global Markets divisions of Bank of America Corporation. Lending, other commercial banking activities, and trading in certain financial instruments are performed globally by banking affiliates of Bank of America Corporation, including Bank of America, N.A., Member FDIC. Trading in securities and financial instruments, and strategic advisory, and other investment banking activities, are performed globally by investment banking affiliates of Bank of America Corporation ("Investment Banking Affiliates"), including, in the United States, BofA Securities, Inc. and Merrill Lynch Professional Clearing Corp., both of which are registered broker-dealers and Members of SIPC, and, in other jurisdictions, by locally registered entities. BofA Securities, Inc. and Merrill Lynch Professional Clearing Corp. are registered as futures commission merchants with the CFTC and are members of the NFA.

Investment products offered by Investment Banking Affiliates: **Are Not FDIC Insured** **Are Not Bank Guaranteed** **May Lose Value**

©2023 Bank of America Corporation. All rights reserved. 5427842 01-23-2205