

Treasury Trends

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SUPPORTING COST EFFICIENCY

Amid the usual business strategy focus, many CFOs are adapting a new approach to cost cutting. The new stance extends beyond the reduction of staff numbers and general cost takeout - focusing more on 'value for money' as well as continuous improvement. Together, cost efficiency.

Opportunities for cash tidy up

The area of transactional banking, cash and liquidity is often seen by organisations as a 'want to tidy up' area but typically then struggles to get an appropriate amount of focus and resourcing; reduced to the 'too hard' basket.

In our experience, with a good plan, even a small amount of time can produce worthwhile results - addressing the amount of bank fees paid, interest earned/paid, efficiency of operations, enhancement of reporting and cash visibility and safeguarding of cash.

As would be expected, there is constant change in this area of treasury management and we summarise below some current developments which show both risk and reward for some - supporting the value for money concept.

ASB and Windcave separation

In New Zealand, ASB and Windcave (formerly Payment Express) have announced the termination of their partnership. Both parties have cited strategic realignment as the reason for the split. This decision marks the end of a collaboration which has facilitated seamless payment solutions for many businesses and customers. The separation impacts all those that use ASB's merchant services and payment solutions powered by Windcave - including payment terminals, online payment gateways and integrated payment systems.

We understand that all impacted parties have received notification of the timeline to find suitable alternative solutions - and some already embarking with us on a review of options available. Often a forced change to a business practice provides an opportunity for pause - to step back and review current practice against what might be seen as best practice or a 'better' fit-for-purpose setting.

Questions/actions

- Is there a focus on cost efficiency?
- Call for action if ASB/Windcave in place
- Opportunity to review new payment options
- How will/could open banking impact your business?
- Time to formalise the cash review process?

Such review would look at features, pricing and support for a new solution, as well as the path to migration (what has to be done, when, by whom) and, as appropriate, what the impact of the switch will have on payment processes. Some adjustments to workflows and other systems may be required, and thus time and resource needs to be allowed for this too.

NPP and PayTo

In Australia, the New Payments Platform ("NPP") has revolutionised the way payments are made. It allows instant and anytime (as in 24/7) payments, supported by data rich capabilities (ie making it easier to identify the source of funds). Corporates can make use of the NPP channel for faster vendor payment, improved cashflow management and enhanced customer service - subject to understanding the rationale for such payments and associated costs.

The most recent development, PayTo, enables corporates to manage direct debits, or any recurring payment more effectively, as well as providing a viable alternative to card payments for realtime online payments. PayTo provides greater control and real-time visibility over payment approvals and thereby making more robust the security and operational protocols.

While the initial roll out of PayTo has been slow, it has been labelled the next major watershed in the payments industry as it moves to a real-time, digital-first economy. Consumers and corporates have been waiting a long time for an instant and cheaper account to account payment rail, but it will take time for corporates and their accounts receivable teams to come to terms with this new product,



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which does have some quirks and operates quite differently to the current direct debit system. We are helping ensure clients have their eyes open to the possibilities but also the potential pitfalls when implementing such a new product to the Australian market.

Open Banking

Both in New Zealand and Australia there are advances being made in Open Banking – and the frameworks that facilitate such. The objective is to allow organisations to share their financial data securely with third party providers to access innovative services such as cashflow forecasting, enhanced analytics and other ‘tailored’ financial products.

In New Zealand, the milestone date of 30 May has passed when the four largest banks were required to make the API Centre’s Payment Initiation standard available to third parties. There are a number of fintechs that have been working in the background to be able to use the new bank APIs including the likes of BlinkPay, Qippay, Volley and Worldline, with products already in market or expected to be launched relatively quickly.

However there are some stumbling blocks to quick adoption, with the largest issue being the approval process for third parties to be accredited by banks to access the APIs developed. This has resulted in some fintechs currently only being approved to access one or two bank’s APIs making the end-user experience limited and unlikely to see a large uptake. From a corporate perspective this would mean a customer may be able to make a purchase if it banked with BNZ or ASB but not with Westpac or Kiwibank, as an example.

Payments NZ is now working with the Commerce Commission to make the accreditation process less cumbersome and time consuming by standardising the terms and conditions. This potentially means that once accredited and approved under the standard terms and conditions a third party will be able to access any of the banks’ APIs on behalf of its customers.

Other standard APIs are due for release over coming months and years, so we remain optimistic that there will be account to account

alternatives to the card scheme rails that will have a seamless user experience and be highly competitive.

AI and Data Analytics

Advanced data analytics tools are enabling corporates to predict cashflow needs more accurately. Banks (and others) offer services that analyse transaction histories and forecast future cash positions, helping organisations to optimise their liquidity management.

AI and machine learning are enhancing fraud detection capabilities in transactional banking. These technologies analyse patterns and anomalies in transaction data, allowing for early detection and prevention of fraudulent activities.

Conclusion

Transactional banking for corporate customers in New Zealand and Australia is undergoing significant transformation. Innovations in real-time payments, digital banking integration, advanced analytics, and payment solutions are enhancing efficiency, security, and customer experience.

As with other aspects of treasury there will be timing, resourcing as well as cost issues to address when assessing the interest levels in any one area but you would be advised to at least understand what you could do. A good governance process might be to ‘find’ time to undertake a gap analysis of what you do compared with what you could do and, usually of most interest, what would be seen as best practice.

If a positive change to business practices and customer experience comes with immediate cost savings, it is a hard topic to justify leaving in the ‘to do’ tray.

To Action

Please talk to your advisor as to whether such a review might be beneficial and how a regular structure of review, such as formalising the annual monitoring of success/opportunity, might fit with continuous improvement KPIs.

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