ACCELERATION OF LIQUIDITY MANAGEMENT

by **Joshua Cohen**

Acceleration of Liquidity Management

Never has managing the liquidity of cash been more crucial, and this shows up in research carried out recently by Coalition Greenwich. Certainly because of Covid, corporations are needing to scrutinise and act upon managing their cash and its availability much, much more than before. But Covid is accelerating a pre-existing trend rather than creating a new one.

This comes at a time when digitisation has similarly been accelerated: working from home, the inability to handle posts and the emphasis on digital signatures, have all thrown light on the urgency of digital transformation – whether you represent a corporate that has had a revenue uptick from the pandemic (pharmaceuticals, web conferencing), or your experience has been more challenging (hospitality, travel) – or, indeed, you work for a bank, whose digitisation maybe lags that of its own clients.

Eighteen months to invest or be leap-frogged

The clock is ticking …

More than at any other time over the last 15 years, banks globally are upgrading their Liquidity Management capabilities.

New capabilities that are in demand include broader investment choices, real-time cash visibility, and multi-everything capabilities.

It is a trend that is set to continue for some time – driven by the necessity to improve returns on equity in unprecedentedly low interest rate environments.

The latest research suggests that banks need to respond now to this acceleration in Liquidity Management expectations.

The value of being adaptable

Corporates surveyed indicated that the most valued bank responses during the pandemic centred on new solutions and workflows.

Corporations need their banks to adapt and deliver new tools as they grapple with adjusting to new ways of working and managing cash.

Surveyed responses from these 590 corporates during the pandemic indicated the paramount importance of Liquidity Management.

Integrating the TMS

As corporates strive to deliver greater efficiencies, they are increasingly looking for solutions that remove duplication of work and human error.

An increasing number of TMS platforms are ready for integration with banking applications.

Treasurers' demand for banks to meet this integration challenge is expected to grow.

Banks that deploy API-enabled Liquidity Management platforms stand to capitalise on New Opportunities.

Multibank Liquidity Management supported by funding and limit checks in real-time and integrated payment capabilities will increasingly be seen as normal.

Real-time and tailoring

Fintech prevalence is raising the expectations of corporate treasurers on how to manage cash balances.

Real-time Liquidity Management has staked a claim in the corporate treasurer's vocabulary.

Analytics, insights, contextuality and tailored tools can be determining factors.

Acronyms reveal how patterns of expectation have developed with AI and ML anticipated to deliver sophisticated new capabilities in Liquidity Management.

Who Wants Money?

Basel III changed the rules.

Banks don't always want your money – especially if it's non-operational cash.

Negative interest rates exacerbate the issue

We recognise that every dollar of client liquidity is a dollar of bank liability at different points in time.

However, changing rules and negative rates have forced banks to encourage clients not to leave excess liquidity on their bank balances.

Liquidity Management is much more than just sweeping and pooling.

Analysis of bank RFPs for Liquidity Management technology shows an increasing need to offer other capabilities.

It is possible now to offer solutions to corporations that manage money optimally.

The Bottom Line…

Like everyone, corporations are seeking to recover ground lost during the upheavals created by the pandemic.

To ensure recovery, there is a need to focus on what can impact the bottom line – quickly.

This requires that the right tools are available now.

Our most recent research demonstrates the need to accelerate Liquidity Management is now critical with only one-quarter of expected functionality commonly available from banks.

Meanwhile, a third of corporations are willing to migrate to providers that can help make a difference in their immediate finances.

The opportunity to gain and retain corporate clients is clear.