

MANAGING RISK IN CHALLENGING ECONOMIC TIMES

In July-August 2016 The Economist Intelligence Unit (EIU), on behalf of Deutsche Bank, surveyed 150 senior corporate treasury executives and 150 CFOs from across the world to find out how they are managing risk in challenging economic times. Based on these survey findings, this infographic explores what the evolving risk and regulatory landscape means for the day-to-day role of corporate treasurers, their skill set and technological trends within corporate treasury.

1 Macro risk environment: Lack of growth is top risk



Most serious macro and financial risks to company's finances over the next three years:

Concerns about Brexit are bigger in the medium term rather than short term:



40% Global economic growth



25% Regulatory and tax risks

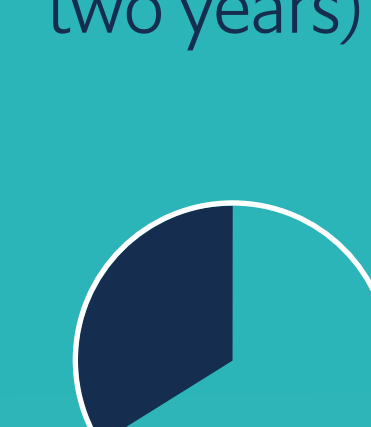


21% Currency risks

Percentage of respondents that expect (very) negative / unfavourable effects on their firm's finances

Short term
(over the next two years)

Medium term
(in 3-5 years from now)



34%



43%

Impact on treasury



55% acknowledge that their company's treasury department struggles to keep pace with the rapidly changing macroeconomic climate

2 Managing cash in a zero interest-rate environment



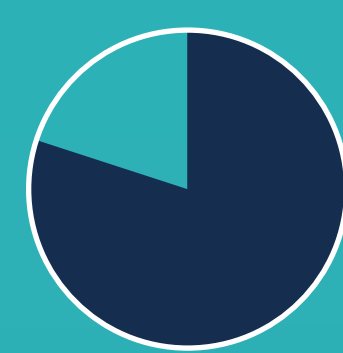
Impact of low/negative interest rates:



69%

are expanding or modifying investment strategies for excess cash

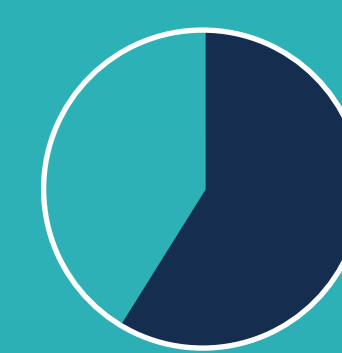
Cash hoarding remains an issue:



80%

have either fair or large amounts of excess cash (the same percentage as last year)

Lack of investment opportunities:



59%

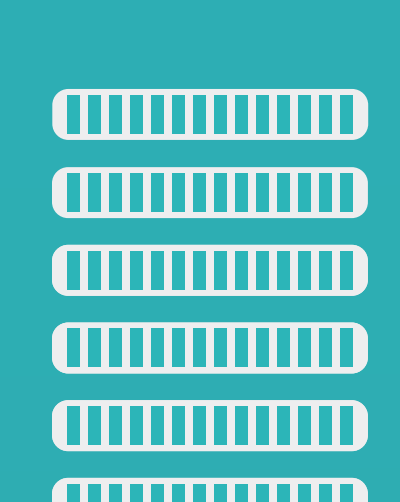
of those holding excess cash are "waiting for future investment opportunities"

3 Regulatory challenges



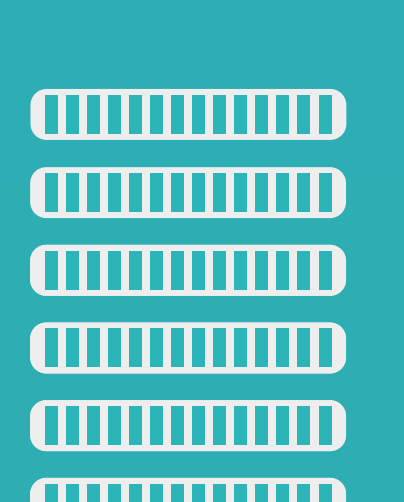
Treasurers and CFOs continue to spend a lot of time and resources on regulatory and/or tax changes:

Globally, two regulatory/tax developments stand out as requiring particularly more time and resources:



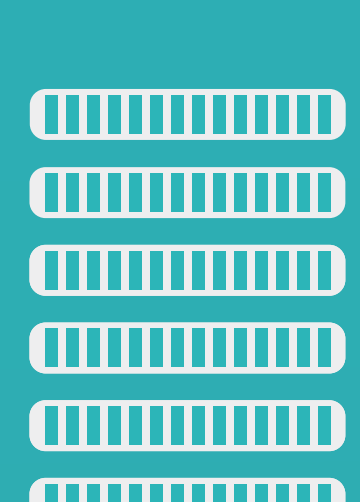
40%

expect to spend more time/resources over the next 12 months



39%

expect to spend "about the same" time/resources



22%

expect to spend less time/resources



base erosion and profit shifting (BEPS)



new accounting standards

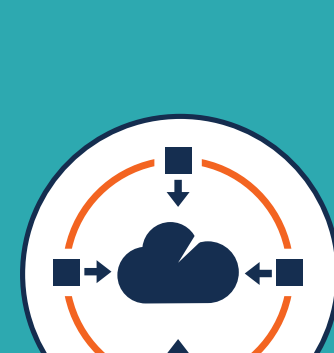
Ongoing concerns about the indirect effects of financial-sector regulations on treasury, including for example

- Know-Your-Customer (KYC)
- Payment Services Directive (PSD)
- European Market Infrastructure Regulation (EMIR)
- The Dodd Frank Act
- Basel III

4 Technological change



Technological momentum:



73%

agree that the adoption of new technologies is gaining momentum in their company's treasury department (up from 68% in last year's survey)

Concerns about cyber risk:



69%

Almost 7 in 10 surveytakers are concerned about external technological risks, such as cyberattacks

Excitement, but also concerns, about partnering with financial technology (fintech) companies:

But less than one-third think technology can automate processes in their company's treasury department.



58%

will reduce reliance on traditional banks (down from 62% last year)



72%

are risk-averse about partnering with fintech (up from 65% last year)



30%

5 The changing role of treasury



CFOs recognise the growing value of corporate treasury for the company

At least 8 in 10 agree that...



89%

...the CFO and the treasury department are working well together in their companies



83%

...leadership teams increasingly consult corporate treasurers on strategic questions



80%

...their companies' treasury functions fully understand long-term strategic goals

But, corporate treasurers still see major challenges to extending their role



73%

face difficulties in communicating the treasury's strategic value to the wider business



59%

do not think their treasury departments are well integrated into the wider business



37%

think their treasury departments are ill-equipped to deal effectively with their growing role

Skill requirements: areas with biggest room for improvement in corporate treasury



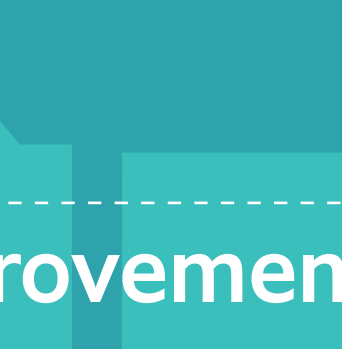
24%

Financial technical skills



21%

Ability to deal with evolving technology



20%

Leadership/strategic skills