

GTS Look Ahead 2021

Host: Jonathon Traer-Clark, GTS Managing Director

Co-hosts:

- Matthew Davies, our Head of Global Transaction Services, EMEA
- Fernando Iraola, Head of Latin America Transaction Services

Jonathon:

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You're listening to the Treasury Insights Podcast. This podcast is part of our broader objective to foster a treasury relationship that prepares you for the future, supports more strategic decision-making, creates efficiencies and helps manage risk. Put it another way, we want to give you the power to see what's next. For the pandemic, the shutdown of the global economy, a recession, social unrest, and the U.S. Elections, 2020 has been an unprecedented year. Now with 2021 approaching the outlook is hard to predict, but the story so far is a vaccine, hopes of economic growth and a digital economy that continues to advance. I'm Jonathon Traer-Clark, Managing Director of Global Transaction Services, and with me today, I'm delighted to introduce Matthew Davies, our Head of Global Transaction Services, EMEA, and Fernando Iraola, Head of Latin America Transaction Services, Matthew and Fernando, are also our Global Co-heads of Corporate Sales. We will explore what treasurers are likely to be focusing on in 2021, as COVID-19 continues to bring widespread disruption to people and businesses around the world. Hi Matthew. Hi Fernando. Good Morning, gentlemen. Matthew, perhaps let's start with you. For treasurers the challenges of the past year have been extraordinary. How do you see 2021 shaping up from a treasury perspective?

Matthew:

[01:29](#)

It's a great question. Without going over all of the ground of what's happened in 2020, it really does set the tone for 2021 and the year ahead. And I kind of split it into three distinct areas or themes if you like. There's going to be the priorities that are, i.e. direct result of COVID-19. Then there's going to be the priorities that are a byproduct of COVID-19 and then there's the priorities, but I would put under the heading of business as usual the regular roles and tasks around risk management, working capital management, rationalizing banking structures, et cetera. Taking those first two, some of the priorities that are direct result of COVID-19. There's one thing that we've all learned this year or experienced this year is the importance of really digitalizing everything that we do to dematerialize all of our processes. We invested very heavily in a digital transformation, which we started that journey several years ago. As that evolves into 2021, there is going to be that focus around digital transformation of treasury, for which in some companies that's very far advanced, other companies it's at the early stages, but how does that continue, and how can they look at every process end to end within treasury, but beyond treasury, where treasury extends into other parts of the organization to dematerialize those processes and make sure that they have a robust digital infrastructure instead of processes. I mentioned some of the priorities that will come as a result of COVID-19, and a good

example would be the wider macro-economic environment that we're now living in. As we go into 2021, there's still a lot of uncertainty remaining, we don't know the timing of a vaccine rollouts. We don't really know how effective they're going to be. We know from an economic perspective, though, that there's going to be a sustained period of uncertainty. They've got to make sure that the companies are prepared for that. And that brings us back to traditional focuses on risk management ensuring a stability of supply chain and working capital management solutions always come to the fore when you were in these periods of a macro economic uncertainty.

Jonathon:

[03:44](#)

Thank you. To recap, so you're saying there are things that have happened as a direct result of COVID the acceleration, the digital transformation and then you talked about the byproducts, i.e., macro-economic environment, whether it be vaccine rollouts and the effectiveness of those vaccines, which is to your point, we still don't know, and then, of course, the sustained economic performance and what that means in a lot of uncertainty around that, which then drives towards the continuation of activities around risk management, working capital and supply chain management. Fernando, if I might switch to you. Matthew mentioned that he seeing changes varying by industry. I wondered if you could give us some insight, perhaps in what you've seen across the various different sectors and industries that you cover.

Fernando:

[04:26](#)

Thank you, Jonathan. Corporates around the world and treasurers around the world, they already had strategies around digital transformation and executing upon those, but clearly this health crisis has accelerated the need to really execute and transform their treasury operations and digitize them. It has become a business critical strategy to be able to continue to deliver services to their clients in a digital fashion, but also to continue to operate digitally and interact digitally with their multiple service providers, counter parties, including financial institutions. That is common across all industries. There is one factor that is also shaping and driving treasury management and treasury operations, which is the rapid adoption of those digital tools by the customer base. It has also become very clear that new business models are emerging as a consequence of the crisis and as a consequence of operating virtually, and therefore that also drives the need for flexibility, particularly in the e-commerce space. There several capabilities that we have been working on and we will be going into the market at a global scale just to mention two virtual accounts, as well as real-time payments. And the combination of those two capabilities at a global scale will certainly continue to enable these trends with very dynamic business models coming into the market and the ability of corporates and treasures to be able to create that flexible infrastructure, to deliver products and services to their clients, while again, making sure that the commercial flows and the financial flows that are generating throughout those business models are properly managed, whether it is

from a settlement perspective, as well as from a risk management standpoint.

- Jonathon: [06:34](#) Thanks, Fernando. You both have actually mentioned digitalization, or the move towards more electronic means of executing business. We commonly refer that as paper to electronic. Have you seen that trend accelerating this year? And if so, what are the sorts of tools that our clients are deploying and how do you see them using them more next year to accelerate that transformation?
- Matthew: [06:56](#) Yes is the simple answer. We certainly see the way companies want to interact with their banks. They really do not want paper in the process. All of the work that we've done building our digital e-signature capability, digital document exchange, that's very much in tune with the demand that we're seeing from our client. Beyond that, there is the ongoing push to look more broadly as well. How can you take paper out of the day-to-day processes? They're looking at invoicing as a great example depending on the company and the real shift towards electronic invoicing. Depending on jurisdiction, there's still high check usage in a number of different markets. And there continues to be a strong uptake of solutions to move away from paper and towards electronic means of payment.
- Fernando: [07:48](#) I would add one example that I think could share more light on how do we see these trends accelerating? In Brazil, 30% of the invoices and collections are still done through a very local instrument that is called Boletos, a physical invoice that customers will receive across multiple industries to pay for the services that they were being provided by a given corporate. As the emergence of e-commerce and online platforms continue to accelerate over the past years. And it really boomed as a consequence of the pandemic, and the need to buy products and services online. Clients had the need to digitize that boleto capability and put it online, so as to provide that customer base that is very familiar with utilizing these payment method, but now move it from the physical world into the digital world. And I think that going into 2021, the theme of embracing digital, not just from a customer experience perspective, but from an efficiency play point of view given the fact that everybody in this microeconomics scenario will have to be very smart and very efficient when it comes to managing expenses.
- Jonathon: [09:15](#) Thank you, both of you. It's kind of striking to me. There are many similarities between the events of this year and the events of the financial crisis a decade ago, where from the treasury department, I think, they were suddenly thrust into the limelight, as if you like, a concentration, not just of capital and obviously liquidity, but also frankly, information, something that both of you have mentioned several times. Is there anything else that you see them sort of focusing on other than the digital transformation? I think of working practices, but also what about things

like capital and maybe more forward-looking processes such as cashflow?
Perhaps Matthew, if I come to you first?

- Matthew: [09:54](#) I think a lot of companies are stepping up their investment in technology as we head into 2021. And that does force a focus on cost. Cashflow forecasting consistently comes up in the top three. And what we have definitely seen in the last few years is how technology can help solve some of those more gnarly challenges. You look at some of the Fintechs that have developed very, very good capabilities in this regard, leveraging AI and machine learning to really help with that cashflow forecasting piece. That's all good and well, but it's only as good as the quality of the data that is fed into it. We do see a lot of demand for some of these types of solutions, but delivered under that relationship umbrella, I expect to see that as a theme that continues.
- Jonathon: [10:47](#) What about you, Fernando? Any thoughts on that?
- Fernando: [10:51](#) As Matthew very well said. In fact, I am looking at a survey that was conducted in Latin America across our client base. And he was spot on to say that, visibility control and cashflow forecasting is the number one priority because the challenge has not yet been solved and yes, the adoption of multi-bank information systems and connectivity with Fintechs continues to be critical to be able to solve for something that has remained a challenge from a treasury perspective over the years. We are definitely playing in that space, but it's the combination of tools and solutions that will enable the global treasurer to be able to have that visibility control and forecasting, which includes cashflow forecasting, intelligent receivables, virtual accounts and the combination of that set of tools that will enable that, on a real-time basis, that capability for treasurers to be able to make decisions based on accurate and timely information in a world that has pretty much moved to an online posture. The one thing that we cannot forget in all of this is the risks associated with cybersecurity - which is obviously not new.
- Jonathon: [12:05](#) Thanks, Fernando. From a GTS perspective, we've talked about some of the investments that we're making, but how are you lining up your teams and the franchise to support our client's needs in 2021?
- Matthew: [12:19](#) We used to, if we go back several years, many of our clients would buy different regional solutions from different banks and the different regions and that sort of worked well, and it matched the way that they were organized, some of them were organized very locally. Some of them organized on a regional basis. Very few were organized on a global basis. That has changed significantly over the last few years. And it's much more global now, in terms of how they organize their treasury operations across the different geographies. And they're looking for globally consistent solutions. Virtual accounts would be a great example of that. Over time

we had developed different regional flavors, according to specific regional needs. What we've been doing over the last couple of years is making sure that we actually have a single, globally consistent virtual account solution. But also one that has the flexibility to cater to those local needs and local requirements where they exist. That sounds a very easy thing to say is actually quite a challenging thing to deliver, but it's been very much driven by the demands of our clients to be much more globally consistent. I think you both mentioned the real time environment and that's an interesting one because it depends on the company and the nature of the business of that company. The companies that are much further away from a consumer have less and less interest in real-time payments. If you speak to the treasurers of those companies, they'll say, "Yeah, I want to get paid in real-time, but I don't have so much appetite for paying in real-time." But when you get those businesses that are much closer to the consumer, there is significant demand for full access to those real-time payment networks. And with that comes a whole suite of solutions that need to sit underneath and support that. Depending on your business model, it could be more or less relevant. Fernando, any other thoughts on that?

- Fernando: [14:24](#) Spot on my friend. I think again that proximity to the consumer and the client base, and the one that is driving the need for several industries to be able to enable that real-time capability, and clearly we have seen that accelerating over the course of 2020 and that is here to stay and will continue to accelerate in 2021. And I think our investments are squarely aligned and positioned towards addressing that opportunity and continue to lead in that space, as we have done so far. We are excited about the roadmap of capabilities and innovation ahead of us. Certainly one of the things that collectively we will be working on across the franchise from an external perspective is driving the commercialization of those investments.
- Jonathon: [15:16](#) Thank you both, incredibly informative. Matthew, Fernando, I just want, thank you both for an incredibly informative outlook, not just your retrospective view on opportunities created as a result of the events of this year, but also what our clients can expect sort of going next year. Are there any other thoughts that you want to leave our audience with in terms of how you see the bank adding value, and what we can do for our customers?
- Matthew: [15:41](#) We really appreciate it when clients push us, and some of our most demanding clients are the clients that also make us better at what we do. Don't assume that we've thought of everything - we like to think that we have, particularly as it relates to technology and technology development. That's not something that either party should do in isolation. We are going to be hugely more successful, together. We certainly like to involve our clients right away, through our innovation processes from early stage through to the proof of concept and the piloting of some of these capabilities. We do that because we just don't believe that we have all the

answers. We need to be working hand in hand as we consider these different technologies, and how those technologies can make all of us better at what we do. We will continue to innovate together and we will make each other more efficient. And we will make sure that ultimately, we get our respective organizations better prepared for what lies ahead.

Jonathon: [16:44](#)

Thanks, Matthew. Fernando, any thoughts from you?

Fernando: [16:47](#)

The only additional thought I would add is the relevance of environmental social governance agenda. This has obviously continued to evolve over the past years, but again, particularly in 2020, it has increased in the stock ranking of prioritization, certainly of Bank of America, but also of our clients. I see that there is a tremendous opportunity in that space to begin with because there is a huge alignment in terms of what our priorities are as an institution from that perspective, which is completely connected with our responsible growth strategy, where we can bring a lot of content idea generation to our client's ESG programs and agenda. There is a particular opportunity to bring the ESG framework and initiatives and product capabilities into the treasury space. As such 90%, if not more of our client base do have an ESG strategy and program and initiative and engagement, but that initiative and engagement has not necessarily trickled into the treasury management space. There is an opportunity in that space to drive business impact, but more importantly, as we all know, to drive social impact, which is so much needed these days going into 2021 and beyond. That's an opportunity that we are committed to, and we are certainly going to be putting resources and ideas and content and solutions at the disposal of our global treasurers and their teams around the world.

Jonathon: [18:25](#)

Thank you, both. I think it's a beautiful place to end this fascinating conversation. I'd like to thank you both Matthew, Fernando for your insights. I think everyone will be watching what happens over the next coming weeks, so thank you both very much.

Matthew: [18:40](#)

Thanks, Jonathan.

Fernando: [18:41](#)

Thank you.

Jonathon: [18:42](#)

You've been listening to Treasury Insights. I'm Jonathon Traer-Clark, Managing Director of Global Transaction Services, and my co-host today where Matthew Davies, Head of Global Transaction Services for EMEA and Fernando Iraola, Head of Global Transaction Services for Latin America. And they're also the Co-heads of our Global Corporate Sales. As each day brings innovation and opportunity, we are dedicated to working with you to turn technological advances into intelligent treasury.

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