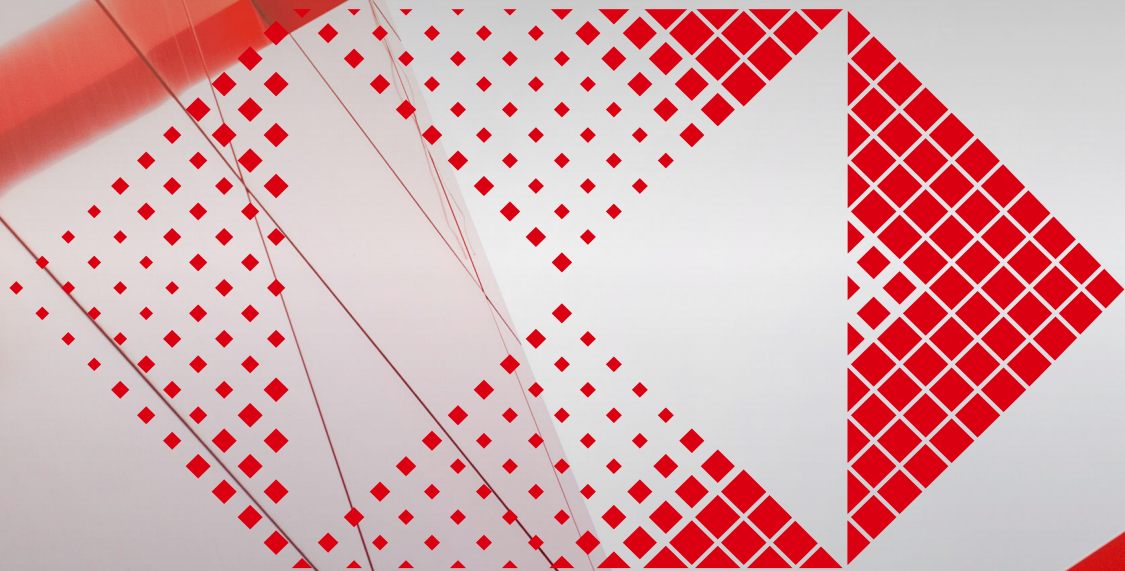


# Redefining Treasury in MENAT

Voices of Treasury Report



HSBC

Opening up a world of opportunity

# Executive summary

Over the course of 2024, HSBC brought together treasurers and finance directors at a series of events across the Middle East to share best practices and insights, and to learn from one another. At each of these events, treasury professionals were invited to discuss the themes that occupy their jobs today, and how they are expected to develop.

The result is a uniquely detailed insight into the views and concerns of senior treasury and finance experts, with first-hand experience of their subject matter. This report synthesises their views, preserving their anonymity while also making widespread use of their insights and comments.

## THE BIG PICTURE

- ◆ Treasurers' roles have expanded beyond traditional tasks and are now expected to be enablers of growth.
- ◆ While technology exists to assist them in growing their roles, management need to be convinced of the bottom-line benefits of additional investment.
- ◆ Now is a good time for treasurers to speak up and explain the ROI of investment in treasury.
- ◆ Geopolitics and financial market volatility keep treasurers awake at night more than cybersecurity, system outages or bank failures.
- ◆ Trade policies, both tariff and nontariff, are evolving between major trading partners, which has an impact on treasurers.
- ◆ The financial volatility affect hedging costs and funding differentials is complicating the outlook for treasurers.
- ◆ Liquidity and the availability of affordable hedging are key concerns.

## TECHNOLOGY AND TREASURY

- ◆ For all the fanfare around artificial intelligence (AI), the bulk of its use today is at the machine learning/ robotic process automation (RPA) end of the spectrum.
- ◆ Treasurers hope AI will prove itself in more accurate cashflow forecasting.
- ◆ In all cases, AI and automation still require a human check. Embracing AI requires treasurers to get comfortable with data security.
- ◆ Another challenge around AI is convincing management that it is sufficiently useful to bother investing in. Linking outcomes to KPIs will help.
- ◆ Real-time treasury is a goal well worth pursuing – but it requires investment and effort to ensure the quality, cleanliness and governance of the underlying data.

## RESILIENCE

- ◆ Return on and reallocation of capital are the biggest priorities for treasurers today.
- ◆ Capital issues matter more in an environment of high and changing rates.
- ◆ Liquidity management is increasingly key.
- ◆ Many treasurers want increased regionalisation– not in place of global centralisation but to support it.
- ◆ Treasurers believe there is value in on-the-ground knowledge enabling them to be quick and nimble in a complex and highly diverse environment.
- ◆ Cyberattacks are a threat, and for all that companies invest in firewalls and enterprise-wide technology, the greatest vulnerability is the individual. Training is the best defence.



# THE BIG PICTURE:

ROLES, RATES AND  
ROILING GEOPOLITICS

# The role of treasurers has evolved

The expectations of treasury departments have changed significantly. Treasury professionals today are expected to do more than simply manage cash and financial market risks. They must contribute to company growth and profitability – roles more in keeping with the C-suite.

We asked treasurers at our events to estimate the split of their working hours between traditional treasury roles and driving change to achieve growth. Universally, the most

popular answer was a 70:30 split between the old and the new.

While this expectation elevates the importance and influence of treasury, it also brings with it a burden. Treasurers must fight for resources, and interact with other company departments for the best overall outcome. Perhaps the visibility of treasury issues today – in an environment where rates and inflation are at the forefront of executives' minds, and soon after a pandemic that caused people to rethink realities

around cashflow and trade – means this is the ideal time for them to speak up.

Changed expectations also create a talent shortage. Employees increasingly need to be capable not only across treasury but new technologies. Amid this shortage, companies report a gap between what employees want to do and what they should be doing, with a generational gap in attitudes towards life balance and hybrid working arrangements.

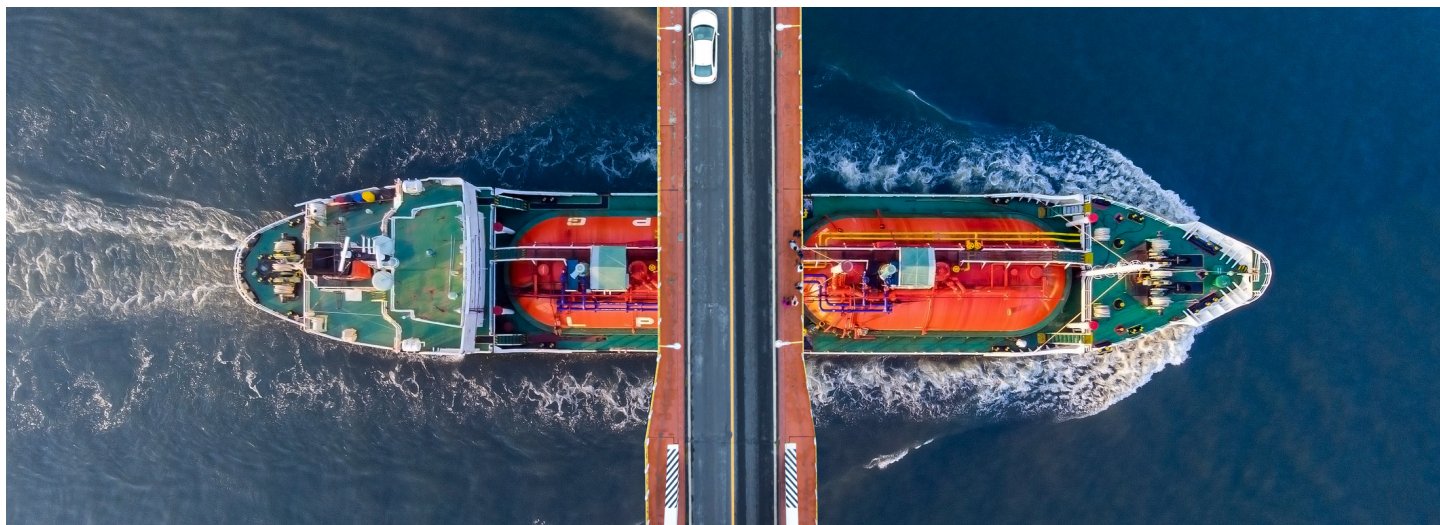


In the case of Egypt we faced a lot of issues getting access to liquidity in the past two years.



We bring all our cash together in the UAE and through that HSBC can put in a mechanism where cash can be concentrated into US dollars. It effectively becomes dollar funding for us. So, instead of T+2 trading, like in Saudi Arabia for example, you just convert it automatically end of day. You set up an automated sweep and roll up whatever excess cash daily.

# Battling external shocks in a fractious world



Geopolitical tension impacts trade corridors and funding options. Volatility in the financial markets brings hedging costs. The peaking of the rates cycle, and its pace of change, raise questions of timing and agility. All of these things present challenges for treasurers around the world.

Our survey of treasurers at our events shows that geopolitical events and financial market volatility are by a distance the top-of-mind issues among treasurers. Both were highlighted by more than 60% of respondents when asked the top risks their treasury

functions were concerned about – dramatically ahead of cyberattacks (cited by 23.1% and discussed later in this report), system outages (28.8%) and banking crises (18.2%).

It is notable that the potency of these issues varies. Those in the freight and logistics field who see disruption to shipping through the Red Sea speak of rising freight rates and a consequent shift in their need for working capital.

Others note that trade protectionism affects the skill set that treasurers require. It

brings a need for both big-picture strategic foresight and an understanding of complex tax and treasury functions.

High-quality banking partners with on-the-ground presence are essential. The biggest practical impact of geopolitics is volatility, particularly in FX movements. Hedging is more important than ever, but it comes at a cost.

Where classic FX hedging is prohibitively expensive, treasurers need to find new solutions for FX risk, with the assistance of banks.



Accessing cash on a day-to-day basis is time consuming [in KSA], with having someone go into a bank to access the cash in your bank account. Combining this with the fact the KSA is a cash intensive market, you need to extract cash to pay your suppliers. It adds up.

# Dealing with fluctuating rates



While linked, interest rate cycles move at different speeds in different markets, requiring agility and awareness in treasury functions in which ever region they are operating.

Many treasurers report that increased rates have led to a corresponding expectation of higher yields on cash. This was a new challenge to younger professionals who had gone through a decade of extremely low interest rates.

The changing environment around inflation and rates has had an impact on funding. But in all cases the liquidity and availability of affordable hedging must be considered. Overall, treasurers have maintained a keen awareness of the external environment and remain nimble around their financing strategies.

Many companies have had fixed rate financing over the past three years, enabling them

to minimise the impact of high interest rates, which they would have had to manage if they had opted for floating rate debt.

Amid a continued uncertain landscape, treasurers are constantly evaluating the macro environment and are exploring opportunities to optimise financing.



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In the region, we have treasury and finance centralised in the UAE. Decision making in Saudi is done by calls and sometimes even that is difficult with certain local banks who don't have the capability for a Zoom call.



# DIGITAL TREASURY AND AI

# The use cases for AI

There is enormous hype about artificial intelligence (AI), but a common finding throughout our dialogues with treasurers was that its utility today is more at the machine learning end of the AI spectrum than tactical approaches such as ChatGPT.

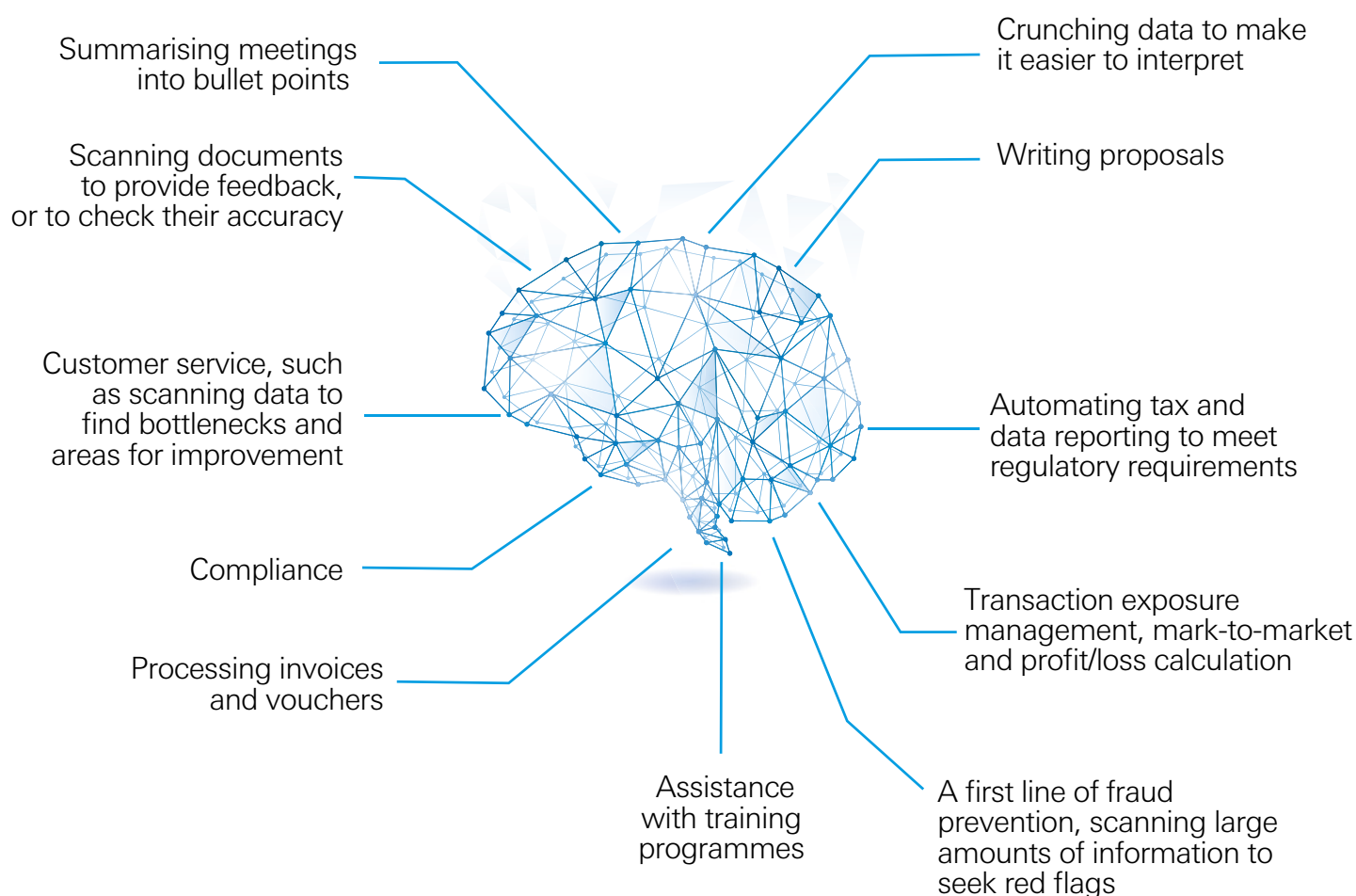
Universally, treasurers are using machine learning and

robotic process automation (RPA) to make mundane processes easier. This clearly has value: in tackling low-hanging fruit, it frees resources and makes life easier for treasury teams.

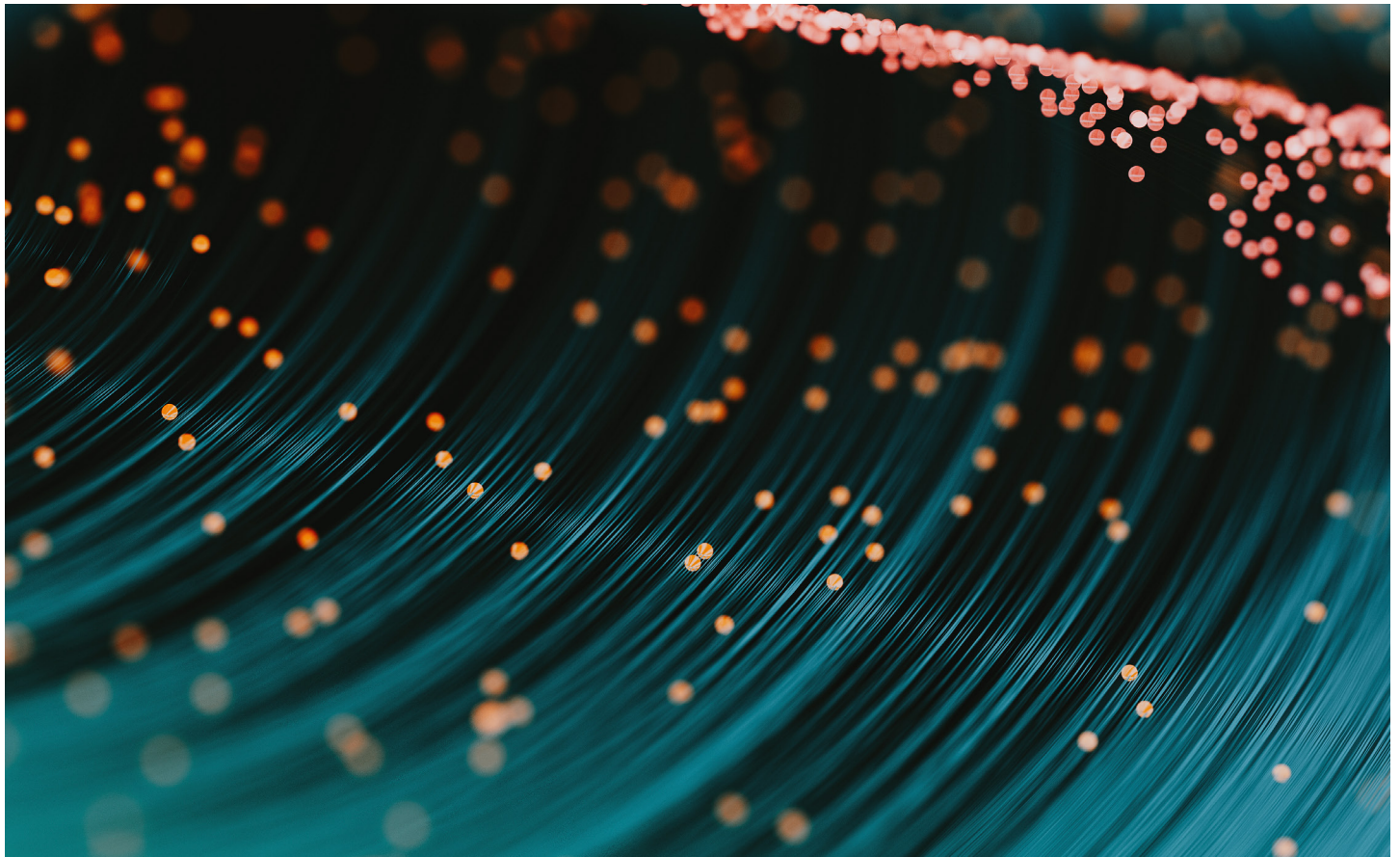
At this point many treasurers raise a question of definition: are these things AI, or simply

digital labour-saving solutions? They do not yet appear to meet the bar of some sentient technology that can think on a human's behalf: in almost all areas, for reasons of security, risk management and accuracy, a human check is still required until AI learns all possible scenarios that today require human insight.

## Some examples of practical uses of AI technology cited by treasurers at our events include:



# AI and cashflow forecasting



An interesting question is where AI goes next, and there is widespread hope among treasurers that it can assist with more accurate cashflow forecasting.

This has become increasingly important in an environment of

high and fluctuating rates. Global volatility has made it harder still: companies in the travel industry, for example are affected by unpredictable tourism numbers.

There is a clear need for technology, and more

specifically AI, to assist.

Initially, AI is more likely to be useful in short-term forecasts than anything medium to long term involving corporate strategy.



Technology is a big enabler for us. If you have a good forecasting process, and the right APIs set up, you can have good visibility on your flows and your payments, which is what we all want. This means we can handle treasury with less resources where required.

# AI and security



A separate issue is security around AI, and the questions around how much access a company grants AI to visit its core systems, where open

source authorisation sits, access granted to suppliers and partners, and in-house development versus the leverage of existing platforms.

A robust infrastructure must be built around the use of AI – including legal considerations.

# Getting funding support for AI



Using AI is only part of the challenge for treasurers. Getting top management to believe in it, and fund it, is another.

Senior management want to see a clear path to an improvement in their bottom line from an investment in AI and other technologies. This presents a problem for treasurers: they know they

must embrace technology to keep pace with the treasury departments of competitors, but they must also present a compelling case for the investment in that technology.

One suggestion is to anchor an investment in AI to a company's overall KPIs and strategy rather than just to the intricacies of treasury processes.

Investment is required not only in new tools and systems but in training, data security and fit-for purpose IT. Many treasurers report the successful gathering of quality data but lack clarity on the right tools to conduct meaningful analysis. Success requires not just those tools but the infrastructure around it – otherwise there's no point.

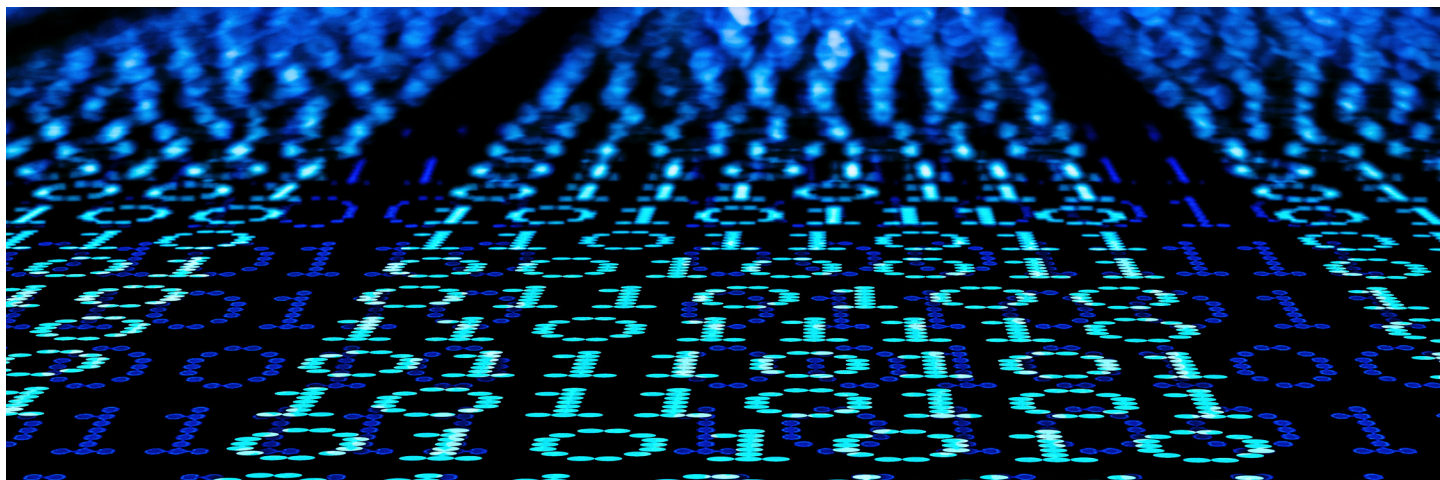


Budget restrictions are in the way of treasurers being able to undertake a digital transformation.



When it comes to treasury-specific digital transformation, it would be great if there was a product that we could use to show the return on investment to our board.

# Data and real-time treasury



Treasurers are excited about the potential of real-time data to transform their operations, particularly in improving cash management and forecasting. Real-time capabilities allow treasurers to make quicker, more informed decisions.

The rates cycle has increased the urgency of real-time treasury. Teams are being more tactical to optimise their interest costs. That requires better and faster visibility to inform better decisions.

But real-time, like AI, faces the challenges of budget constraints for technological investment in treasury, plus integration concerns and issues of data security and regulation.

If data is making a difference in the issues raised above – chiefly more accurate cashflow forecasting and optimising returns in a period of high and fluctuating interest rates – then treasurers must be able to

extract and interpret this data on a real-time basis. This journey must start with the basics: ensuring clean, extractable data with good governance around it.

Standardisation of data is critical for meaningful and accurate analysis. Many treasurers report work behind the scenes to develop this standardisation and provide clean data as an input for analysis.

One counterpoint to this debate is whether all companies really need realtime treasury. Many are content with getting cash reports once a day unless their business is involved in activities that require them to act immediately. Some, advisors report, therefore don't know what to do if they have real-time data. It is incumbent upon banks and other partners to assist them in finding the benefits of real-time treasury.

In the Middle East, the wider treasury industry is coming together to create an environment in which the benefits of realtime and data can be realized. Regulatory initiatives such as SEPA, BUNA, ISO20022 and Swift GPI allow for digital solutions to many of the pain points that treasurers are facing. A key driver for this going forward will be the ability to combine the data that comes from digital treasury with the data that companies have on their customers.

Furthermore, the region's banks and their clients are both aligned on the benefits of digitisation, as it means more automation, faster processing time, fewer problems and less paper. Central banks and regulators are now much more supportive of digital transformation than they might have been in the past.

# Digitising Treasury



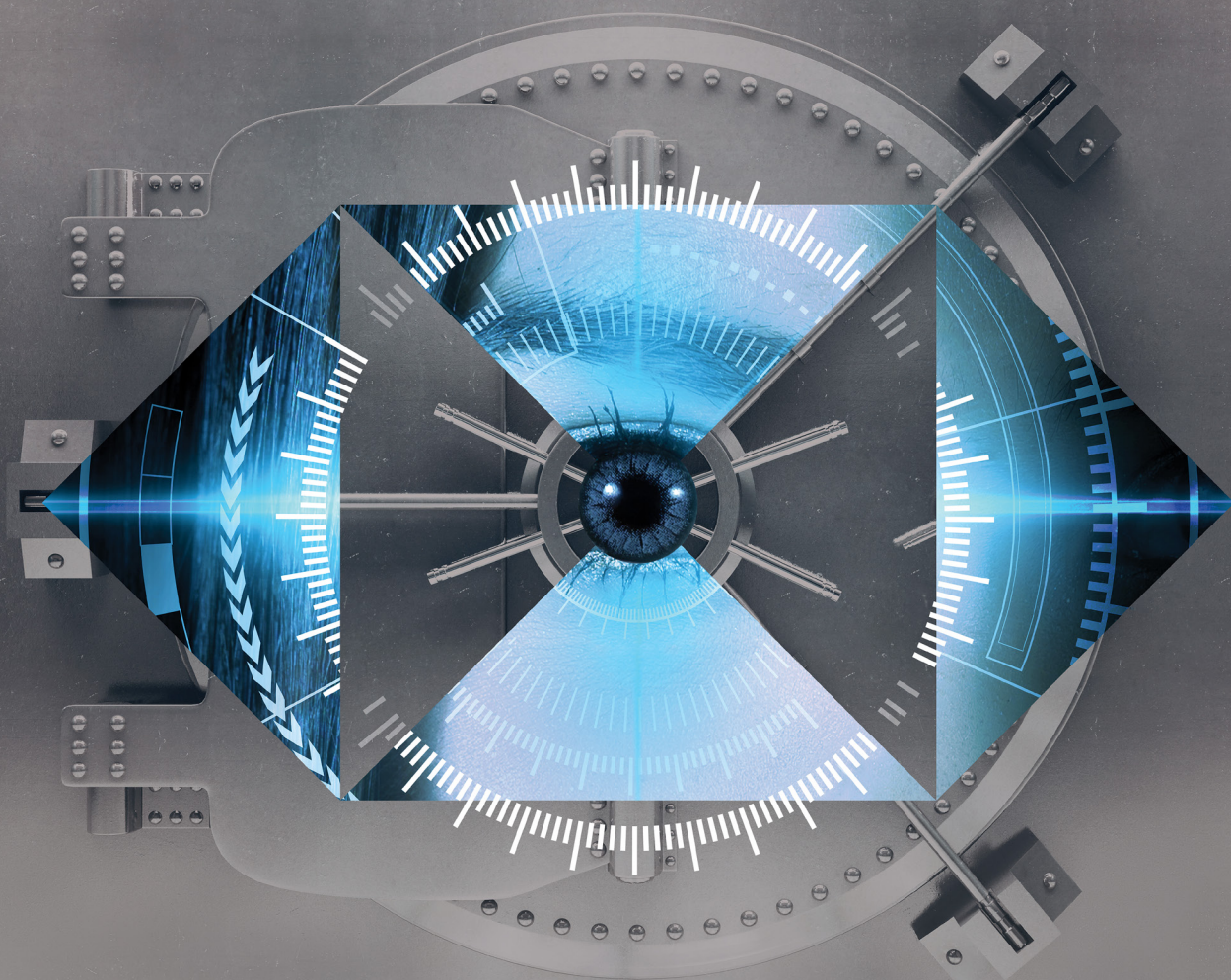
Key to overcoming the challenge of securing the budget needed to invest in digital treasury, AI and real time treasury, is having better ways to measure the ROI of such a project.

The cost of implementation needs to be balanced against all the other positives that will accrue: reduction of time and money spent on correcting manual errors; reduction in numerous risks, including

fraud; and potential new revenue streams that will be opened up with a digital business line, which is entirely dependent on a digital treasury.



Open banking, 24/7 banking, and AI come hand in hand. If you start with one of the banks with which you work in multiple markets where you have truly open banking, you could unlock your funding needs and excess cash problems in just a second.



RESILIENCE

# Treasurers' priorities



We asked treasurers for the top business drivers shaping their treasury priorities. In aggregate, the most important was improving return on capital, and capital re-allocation. Next came firm-wide adoption of new technologies, and growth into new markets, followed by industry changes - such as the growth of Commerce, new competitive entrants, and changing customer behaviour - and supply chain realignment.

However, the varying degrees of importance attached to these drivers varies from country to country.

Building resilience plays a key role in helping companies achieve their treasury priorities and long term objectives. The adoption of digitalisation and automation supports faster payments and treasury management. This enables companies to grow their

business while ensuring sound risk management.

It should not be a surprise that capital reallocation and returns are a key issue. The returns side is important in an environment of high, and fluctuating, interest rates.



The treasurer is no longer someone who is in a hidden corner on the floor just doing liquidity reconciliation or payment. They must be a strategic partner.

# Capital reallocation



Capital reallocation reflects the development of liquidity management opportunities around the world. Crossborder pooling mechanisms are a key area of continuing focus for multinational companies.

Such pooling mechanisms remain complicated, with issues to consider including fungible and non-fungible cash,

and transfer pricing. Some companies are looking to rationalise their bank accounts and replace cash pooling activities with POBO/ROBO (payables-on-behalf-of/ receivables-on behalf-of) in an effort to drive further centralisation. This can reduce costs and make better use of resources.

That said, many companies are applying limits to bank rationalisation: they prefer to work with more than one core bank to mitigate counterparty risks. Rising geopolitical tensions have increased the need for this diversity.



It is unclear how you can collect consumer data from a payment. Our customer datasets and those from our bank are quite separate. Most of the time, we do not have access to the detailed data collected by the payment provider or the bank.

# Tackling cyber risk



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# Conclusion

From managing geopolitical and financial uncertainty, to balancing digitalisation and cybersecurity risks, to understanding complexities across markets – treasurers must stay ahead of megatrends and regulations if they are to execute their jobs effectively. And while the treasury function has traditionally focused on cash and financial risk management, expectations today call for treasurers to contribute to growth and profitability. This requires them to strike a fine

balance between strategic and operational duties.

Treasurers can benefit from working more closely with their banking partners to navigate the volatile environment and stay nimble. Partnering with an international bank with an extensive global footprint and innovative suite of capabilities can simplify the banking process while helping organisations build a resilient treasury to power growth and thrive in the face of constant change.

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