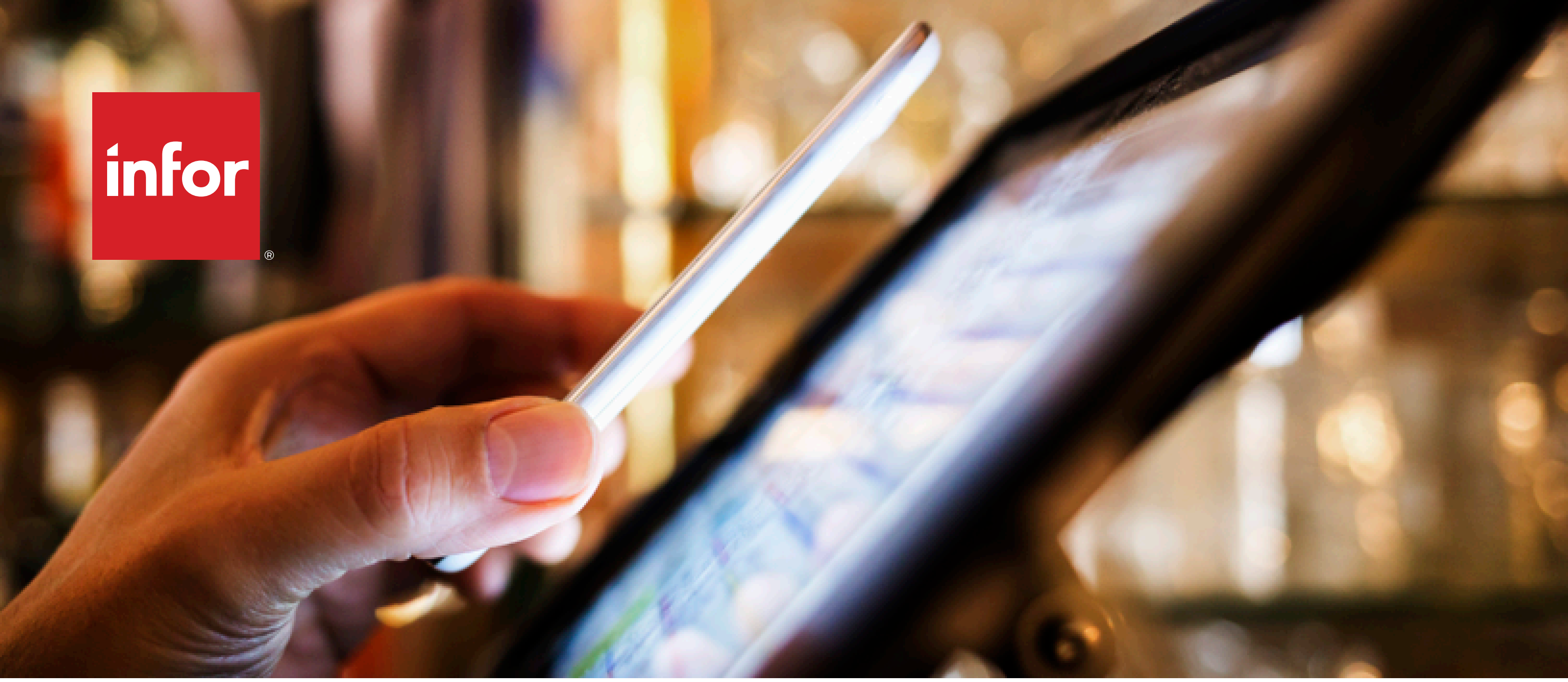

HOW-TO GUIDE

5 steps to prepare for instant payments and build true cash visibility

Financial Services

Achieve cash visibility with best practices

Whether a treasurer is seeking to pay down external borrowing or maximize return on investments, the first step is to know what cash is currently available. Secondly, treasurers must predict future flows and keep key stakeholders informed. Achieving true cash visibility is possible by following five key steps based on best practices.

1. Understand the impact of instant payments

As new payment innovations come online from around the world, treasurers should deepen their understanding of the impact of these faster, instant payments. Treasurers might be wondering: How are these different instant payment transactions processed? According to the **US Federal Reserve**, treasurers might also be asking: “What do payers, payees, and their financial services providers need to do to make these kinds of payments; and why is now the right time to consider adopting some type of faster payment option?”

2. Generate cash positioning

Effective cash positioning provides predictive views into a company’s cash position at any moment in the current and coming hour(s) and day(s) by consolidating multiple sources and matching actuals to forecasts (replacing “old” data in real time or near-real-time) to speed up daily reconciliation. This also helps deploy cash throughout an organization more quickly and accurately. Effective cash positioning reduces idle cash and creates opportunities to earn immediate yield, while minimizing the risks to which that cash is exposed. Building cash positions typically involve combining data from these sources: prior-day balance, intraday bank reporting, expected payables and receivables, and open treasury transactions. After the initial step of building the cash position, it’s necessary to maintain and reconcile it. For many organizations, this process can be time consuming. Rules-based automation and artificial intelligence (AI) **can help simplify the process**.

3. Enhance cash and liquidity forecasting

While cash positioning can be used to predict accurate cash flows in the coming hours and days, cash forecasting looks further ahead to the coming weeks and months. Cash forecasting provides a gateway to an organization's FP&A group's cash budgeting—which typically looks forward several years. To achieve highly accurate cash forecasting, organizations need to evolve from Excel® spreadsheets and other stand-alone tools that provide a limited snapshot of data. **Without complete confidence in projected forecasts, the cash forecast can't support corporate treasury's goal of improving cash utilization**. Organizations should implement best practices and tools that are specifically designed to provide highly accurate, real-time cash forecasting.

4. Establish intraday liquidity monitoring capabilities

Banks and financial institutions bound by intraday liquidity regulations have an opportunity to build a stronger competitive position. According to consulting firm **Oliver Wyman**: "Analysis indicates that a 25–50% reduction in intraday liquidity costs is well within reach. Further, banks will also stand to benefit from optimal efficiency, improved risk management, and timely decision-making around this scarce resource." There are numerous financial and non-financial benefits to consider, as well as new technological tools that simplify these complex treasury functions. For true cash visibility, financial services organizations need to be able to monitor all intraday activity. Analytical tools for liquidity management and real-time intraday control also provide guidance for maintaining compliance with emerging regulatory requirements.

5. Modernize the core of financial management

Legacy ERP and ledger systems might lack the needed abilities to achieve complete cash visibility. A modern financial ERP system, however, should come with the necessary functionality already built in—or at least be part of a digital ecosystem that's designed for seamless integration with other financial tools. A modern ERP system should also provide dynamic scalability that allows businesses to adjust to changes in processing volume as demands fluctuate. Modern ERP systems should be intuitive and easy-to-use, with access to cloud services that deliver a highly resilient, fault tolerant, scalable, and secure environment that serves as the foundation for an organization's entire enterprise ecosystem.

To discovery more about this topic and gain practical information about steps your financial services organization can take to improve cash and liquidity, review this **best practice guide.**

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