EXECUTIVE BRIEF

Best practices: Prepare for instant payments and build true cash visibility

Financial services

Today, financial services organizations are more focused on what's necessary to safeguard business continuity and solvency. Much of this begins with greater visibility and reliability of key data to help drive critical business decisions, especially during critical market changes. Whether you call it faster payments, immediate payments, instant payments, or fast money, RTP technology has gained a solid foothold in the payment processing world.

Banks and other entities are being urged by global regulatory agencies to educate and ready themselves for the impending payment changes. From Pay.UK and Payments Canada to the Federal Reserve, agencies are encouraging financial institutions, fintech firms, and businesses to prepare to leverage and capitalize on the benefits of instant payments. The Federal Reserve in the US has recently launched web content, an education series, and a short overview video that offer information and guidance.

Improve visibility across the organization

For you to effectively manage liquidity risk with increased payment speed, you must consider how instant payments will be integrated into your processes. Internal systems and functions that are designed around the business day and batch process will need to adapt or be replaced. Contributing to this need for instant information is the push from many financial services organizations to transition from what was traditionally a stand-alone function to a more collaborative and strategic environment—where multiple entities need access to the same, shared information.

Financial services organizations should invest in monitoring tools that are specifically designed to help reduce cash and collateral buffers that are provisioned for business-as-usual operations, as well as stressed scenarios. With the increasing complexity of regulations, operations, and processes and unexpected crisis, achieving efficient and low-cost cash and liquidity management at minimal risk to the company should be an integral part of a financial services organization's global treasury functions.

5 steps and the path to cash visibility

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 also predict future flows and keep key stakeholders informed. Achieving improved cash visibility is possible by following these five steps.

1. Understand the impact of instant payments

Do you know what you need to know? The first step is to take a step back and look at the bigger picture.

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 creates opportunities and minimizes exposure to risk.

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.

3. Enhance cash and liquidity forecasting

Unfortunately, many companies struggle to achieve accurate forecasts. This can be for many reasons, with some of the more common challenges including a scarcity of accurate data sources, ineffective methodologies, and a lack of alignment with performance metrics.

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

Successful intraday liquidity management can help improve operations, level of risk, costs—and data visibility.

Banks and financial institutions bound by intraday liquidity regulations have an opportunity to build a stronger competitive position and reap numerous financial and non-financial benefits. 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 new technological tools that simplify these complex treasury functions. For true cash visibility, financial 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

A modern financial ERP system can transform the very core of an organization's internal 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.

Launch you new payments infrastructure

As our daily lives move at an increasingly quicker pace, people expect payments to move just as fast, even instantaneously. Now that the payments industry has an idea of what the initial capabilities will be, there are many steps industry participants can take to position themselves as drivers of innovation and successful builders of functionality that provide a strong foundation for innovation. A significant goal of this ongoing dialogue and interaction is to establish a strong and reliable ecosystem that drives development of instant payment capabilities across the value chain.

By following these steps, you can build true cash visibility, manage liquidity risk in real time, and be prepared for the new world of instant payments coming right around the corner.

Read the **Cash and treasury: Prepare for instant payments and build true cash visibility** guide for more information on cash and treasury visibility and how it can help your organization accomplish financial management goals.

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