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B2B PAYMENTS

Treasurers Can't Pass The Compliance Buck To Banks

By PYMNTS

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The heat is on for corporate treasury to grab hold of its role as a strategic part of the enterprise. But global growth ambitions of businesses large and small beware: Compliance is paramount for successful expansion, and regulations are getting tougher — and more complex.

Often, the corporate treasury becomes the face of corporate compliance. To help these professionals, treasury management firm **BELLIN** recently **collaborated** with compliance solutions provider Accuity, creating an integration that helps corporate treasurers ensure that payment and financial activity within the enterprise stays in line with the rules.

According to BELLIN CEO and Founder **Martin Bellin**: “The increase of regulatory requirements is more of a burden for banks than for corporates.” But that doesn’t mean treasurers can entirely depend on their FIs to handle compliance.
“Businesses need to include additional security measures in their workflows in order to avoid making illegal payments, which could lead to frozen payments, large fines and reputational damage,” the companies said when they announced their partnership late last month.

Bellin spoke with PYMNTS to discuss which regulations are placing the most pressure on corporates and how payments are a particularly tricky area for corporate treasurers when it comes to not only compliance but to security.

Mounting Pressure
According to Bellin, corporate treasurers are aware that the pressure is mounting to remain compliant with legislation aimed at ensuring the security and legality of enterprise financial practices. While those pressures are targeted **mostly at the banks**, regulation now requires FIs to ask more questions of their corporate clients and become less flexible in their offerings, the CEO said.
“For treasurers, this means more work that does not add any value to the business, as they need to provide the requested information and documentation to the banks,” he noted, adding that the challenge for treasury is compounded by rising banking costs associated with the need to remain compliant.

Bellin said he considers the biggest hurdle for corporate treasurers is to remain compliant across the entire enterprise, on an international level. Payments are one area that can be especially difficult to get right (and legal) across borders.

“For corporates using more than one platform for payment execution within the group, there is no way to control what happens outside of their field of vision on these invisible other platforms the central organization cannot monitor,” he warned.

A lack of visibility across the enterprise and across payment platforms can hamper a corporate's efforts to monitor compliance efforts. On the jurisdiction-by-jurisdiction level, payments can also make a company run into issues.

"What needs to be considered in countries like China, India, Brazil or Cuba when executing payments?" the executive asked, adding that treasurers need to be well-informed and need to take the initiative to educate themselves.

The Consequences

While it's true that banks may be hit hardest when they run out of compliance with local and international regulations, the enterprise also has a major stake in the compliance process.

Payments fraud, for instance, can be one consequence of a lack of visibility into the corporate payments and finance space. According to Bellin, these cases are difficult because they often involve some kind of insider.

"Even the '**fake president**' cases required a certain level of insider knowledge," the CEO said, referencing the scam, much like the Business Email Compromise, that sees a fraudster posing as an upper-level executive within the organization and convincing an employee to make an emergency bank transfer. According to Deloitte, these scams are on the rise.
Rule number one in combating payments fraud, Bellin argued, is transparency. But organizations also need to have a "centralized review of all payments leaving the company," he added.

Yet another payments-related threat to the enterprise is the risk of making an illegal payment, often the result of the firm remaining ignorant to particular regulations in a certain market.

"If they were aware of the illegality of such payments, these would either not be happening or be organized in a legal way," Bellin said.

Following The Rulebook

Today, corporate treasurers are taking on more of the burden to help their businesses remain compliant. But legislation is constantly evolving and multiplying throughout jurisdictions. Bellin pointed to Brexit as one scenario that will likely challenge corporates and their treasury departments to reevaluate and reexamine their adherence to local, regional and international rules. He also cited the Financial Markets Infrastructure Act (**FinfraG**) in Switzerland, which introduces new requirements for reporting and mitigating risk in derivatives transactions, but that's just the tip of the iceberg.

"Global treasuries need to be aware of all those changes impacting their workflows and reporting requirements," warned Bellin. "Sanction screening will become standard for all corporates. **ISO 20022** will become the standard payment basis globally. **SWIFT** will grow into the SME market with their powerful network."

His predictions mean big changes for how the enterprise and its treasury departments manage money, make payments, report their activity and ensure they remain compliant as they spread into new territories. All of this, Bellin said, means "constant changes for corporate treasury."

"Treasury will have more attention than ever," he added, "and will become a standard in every corporation — not only for multinationals."

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