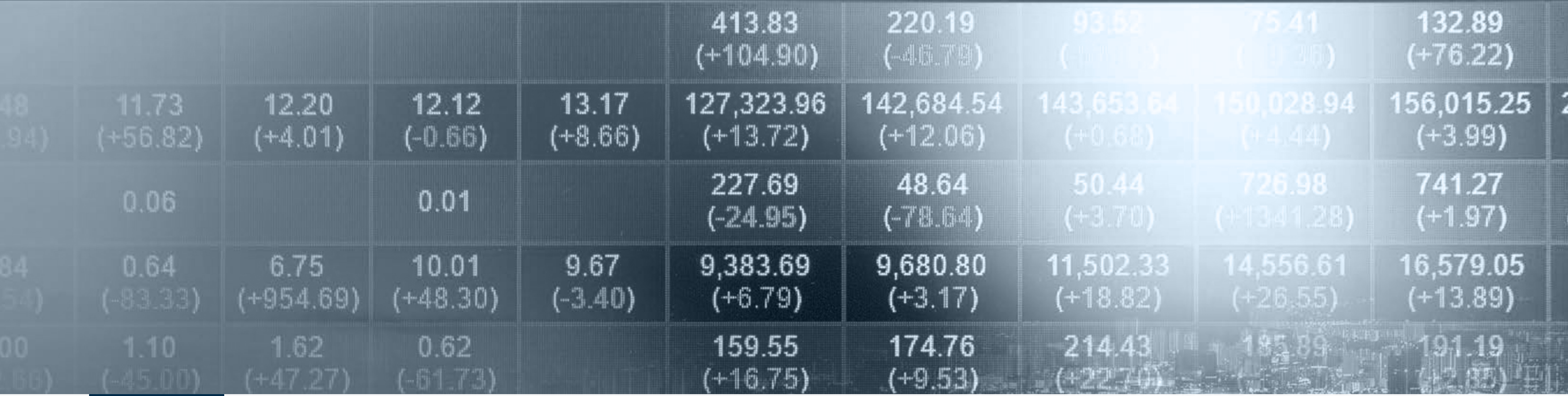


ASSOCIATION FOR FINANCIAL PROFESSIONALS

2019 AFP®

RISK SURVEY REPORT

The Evolving Treasury Ecosystem

KEY FINDINGS

Supported by
MARSH & McLENNAN INSIGHTS

Table Of Contents

MARSH & McLENNAN
INSIGHTS

According to nearly 400 treasury professionals surveyed, strategic and financial risks, along with cybersecurity, will dominate the risk landscape for the next three years.

This view reinforces the findings from global surveys such as the World Economic Forum's (WEF) annual Executive Opinion Survey which noted malicious action from cyber attackers and data fraud/theft as the top risks to doing business in the US and Canada. Further, financial risks are increasingly complicated by the economic frictions between major powers, as highlighted by 90% of respondents to the 2019 WEF Global Risks Report 2019.

In the face of these external challenges, this year's Risk Survey continues to examine how the treasury department is supporting the broader organization. Last year's survey examined the function's use of transformative technologies and this year's survey examines how the treasury ecosystem is evolving its use of non-traditional vendors.

The survey data suggests despite the growth in "fintech", the treasury ecosystem is slow to evolve. Two-thirds of treasury professionals report that their treasury departments have no plans to supplement banks and other entrenched vendors with non-traditional vendors in the immediate future. This is driven by both a degree of risk aversion and limited capacity to identify, evaluate and build relationships with non-traditional vendors of treasury solutions.

That said, changes are afoot as one-third of departments, especially in larger organizations, anticipate using more non-traditional vendors. Treasury departments may be cautious in using non-traditional vendors, but our survey suggests they could offer treasurers credible and effective solutions. Non-traditional vendors have brought innovations to market that are disrupting existing solutions. This data reinforces that the adoption of innovative new technologies and processes can rapidly accelerate once they have demonstrated proven and reliable benefits.

We hope this survey provides your treasury group with valuable data to benchmark its approach to developing an approach to navigating this rapidly shifting environment.

Alex Wittenberg
Executive Director, Marsh & McLennan Insights

Introduction

Organizations—regardless of their industry—are currently functioning in an environment which is changing rapidly. There are several reasons for this. Emerging technologies are being considered, planned and, in some cases, implemented. Business units are actively looking to streamline their operations. Automation is becoming increasingly necessary in order to maximize efficiencies. Treasury leaders are realizing they need to adapt their function accordingly and ensure they are up to speed.

At such times of transition, treasury professionals look to their banking partners and vendors for advice, resources and support. They have fostered relationships with their long-standing partners over time and have come to rely on those vendors. Because those partners are very familiar with the functioning of organizations' treasury departments, they can step in when necessary.

However, all the pieces do not always fit together. Treasury professionals may need their vendors to offer more flexible and/or customized approaches since operations at an organizational level are transforming, and more established vendors may be limited in their ability to meet an organization's requirements. It is possible that non-traditional vendors (vendors other than banks that are offering niche services—technology providers, payment providers, fintechs, task-oriented contract employees, etc.) could step in and customize their offerings and resources so an organization's treasury function can stay on task. There is bound to be apprehension among team leaders about when to use non-traditional vendors as they are often an unknown and there is uncertainty about their reliability and credibility. Additionally, the deep relationship they have with entrenched vendors will be absent and treasury professionals and their partners would need to start with a clean slate.

Against this landscape, the *Association for Financial Professionals® (AFP) 2019 AFP Risk Survey – The Evolving Treasury Ecosystem*, examines the use of non-traditional vendors by treasury departments globally, the pros/cons of using them and, most importantly, highlights the risks that might arise as a result and notes the approaches organizations are taking to minimize those risks. This survey is the eighth in the series and also provides insights into the greatest risks impacting organizations currently and through the next three years. Responses from 391 treasury practitioners form the basis of this report.

The *2019 AFP Risk Survey* is once again supported by Marsh & McLennan Insights. AFP thanks Marsh & McLennan Insights for its support of the survey, for help in crafting the survey questions and for sharing its insights into current risk issues. The Research Department of the Association of Financial Professionals® is solely responsible for the content of this report.

01 HIGHLIGHTS

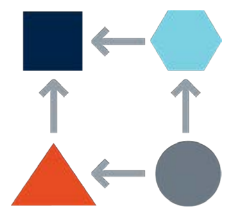
Risk Landscape

STRATEGIC (cited by **60%** of respondents)
CYBERSECURITY (**51%**) and
FINANCIAL RISKS (**39%**)
are seen as key challenges
over the next three years.

TREASURY SERVICES TECHNOLOGIES
(**46%** of respondents) and
MERCHANT-SERVICE TECHNOLOGIES (**33%**)
are using non-traditional vendors
more than other operational areas.

MITIGATING RISK with
non-traditional vendors
is done by conducting
DUE DILIGENCE (**76%**) and obtaining
CUSTOMER REFERENCES (**62%**).

A smaller percentage of treasury professionals
report their organizations are
EXPOSED TO GREATER UNCERTAINTY
compared to three years ago (**37%** vs. **49%**).

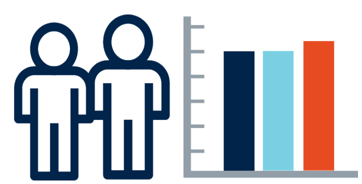


Treasury functions appreciate the
FLEXIBILITY AND ADAPTABILITY (**58%**)
of non-traditional vendors.

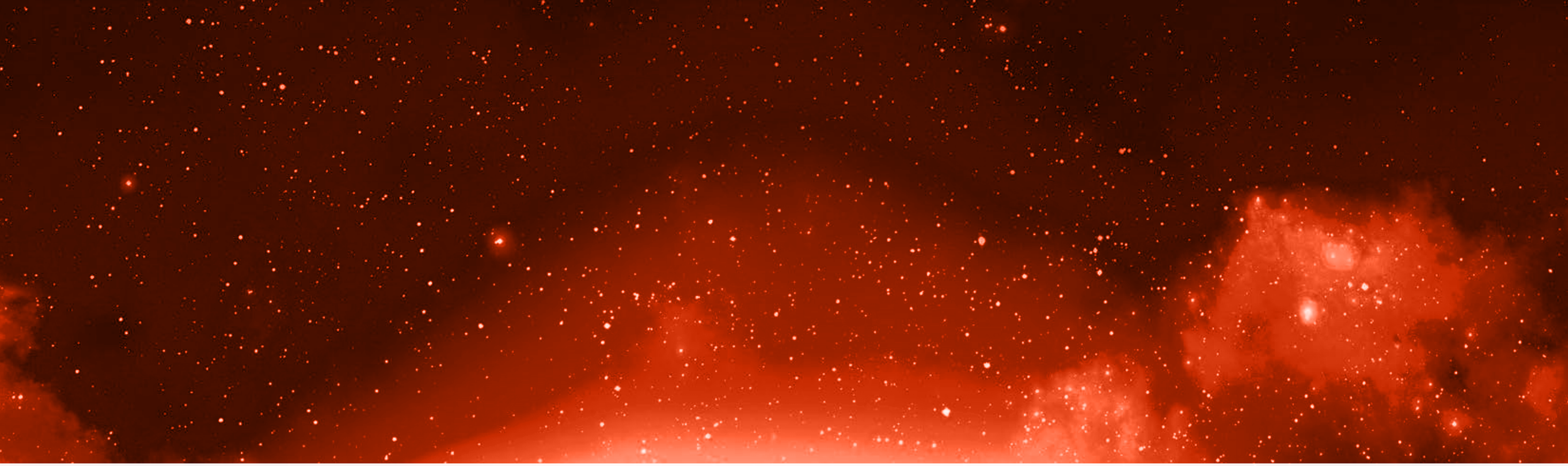
A large share of organizations (**81%**)
are **NOT** fully confident that they are
PREPARED TO USE
NON-TRADITIONAL VENDORS.

Treasury departments have
YET TO EMBRACE NON-TRADITIONAL VENDORS;
only (**34%**) of organizations plan to
increase their use of non-traditional vendors.

LACK OF RELATIONSHIPS (**32%**)
and **INSUFFICIENT EXPERIENCE** (**29%**)
with an organization are primary
DRAWBACKS OF NON-TRADITIONAL VENDORS.



Despite increased concerns of risks
TREASURY DEPARTMENTS are **EXPECTED
TO MAINTAIN THE SAME LEVEL OF FTEs**
or see a modest increase in the next three years.



02 KEY FINDINGS

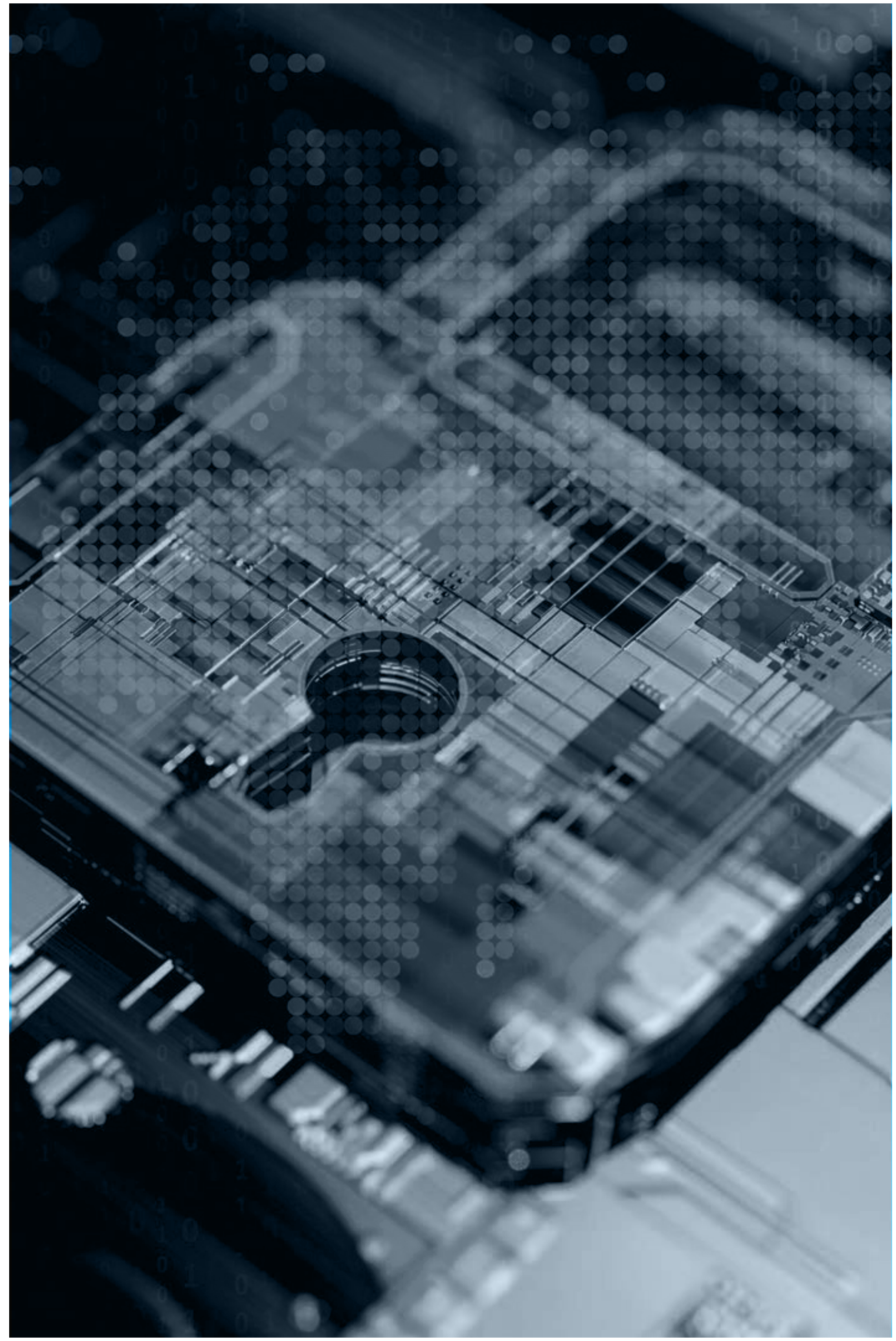
KEY FINDING 1

Strategic Risks and Cybersecurity Risks Continue to be of Significant Concern

Treasury professionals are well aware that their organizations are increasingly exposed to a myriad of risks. As companies' scope of operations widens, their risk profiles will become more complex. The majority of respondents (60 percent) ranks strategic risks (which include competitor and industry disruptions) as the top risks impacting their organizations. This percentage is slightly lower than the 62 percent that reported the same in last year's *2018 AFP Risk Survey*. Just over half (51 percent) report that cybersecurity risks need to be watched closely, a result similar to the 52 percent last year. Ranked third is financial risks, cited by 39 percent of respondents, followed by political risks and regulatory uncertainty in the U.S. (34 percent). In last year's survey, political risks and regulatory uncertainty was ranked third followed by financial risks.

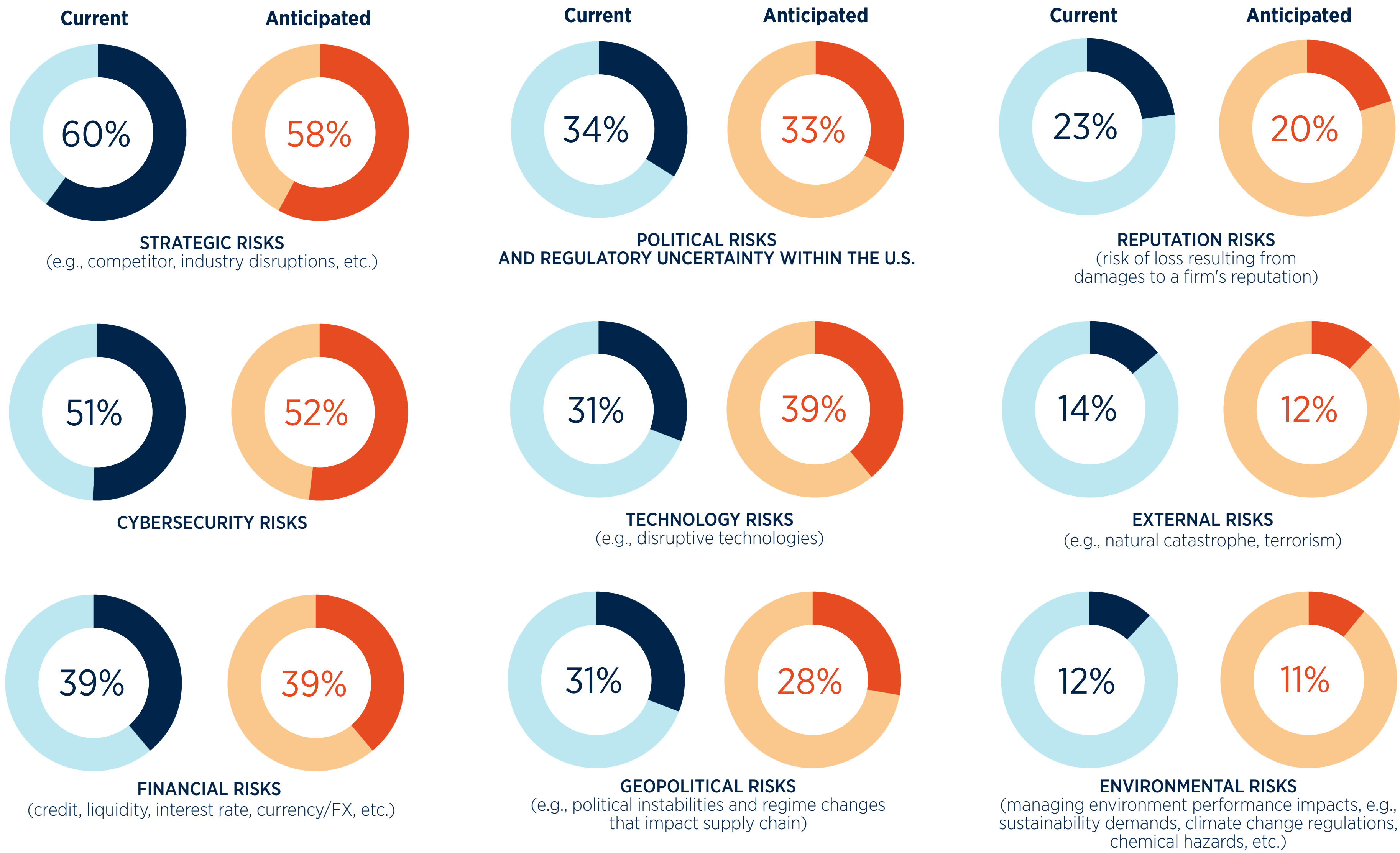
Looking Ahead: Strategic, Cybersecurity and Financial Risks will Dominate

Looking ahead, survey respondents reveal that strategic, cybersecurity and financial risks remain the top areas of concern for the next three years. Based on this, treasury departments can expect their partnerships across their organizations to expand. As risks evolve, treasury will be working with other departments to support them in managing risks. Providing cash flows to support such growth, the capital structure required to finance it and, more importantly, the efficiency in treasury technology will be necessary to be effective in managing strategic and cybersecurity risks. Indeed, focusing on treasury technology will become a key element supporting an ongoing exercise of "doing more with less"—a constant theme within treasury.



Strategic Risks and Cybersecurity Risks are of Significant Concern

Current Risks and Anticipated Concerns for Risks over the Next Three Years
(Percent of Respondents Who Rank Risks in Top Three)



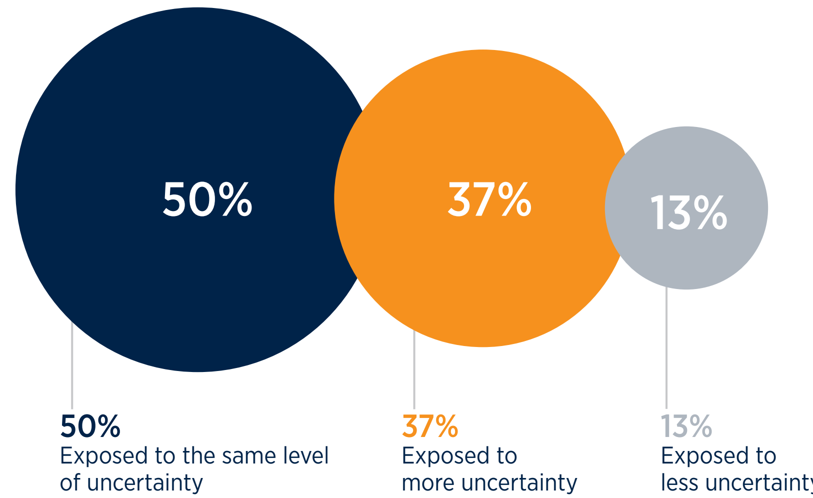
KEY FINDING 2

Fewer Treasury Professionals Report Being Exposed to Less Uncertainty

Sentiments about the risk landscape are evolving. Compared to results in last year's survey, a lower percentage of treasury professionals report their organizations are exposed to greater uncertainty compared to three years ago (37 percent vs. 49 percent). At the same time, half of respondents report no change in the level of uncertainty, a larger share than last year's 40 percent.

For an explanation for the decrease, we should perhaps look back three years. In that time frame, interest rates rose, businesses expanded, and more business-friendly regulations were reviewed, revamped or enacted. The Tax Cuts and Jobs Act of 2017 might have reduced uncertainty as well, as its provisions resulted in a decrease in tax rates for corporations. Looking forward, more uncertainty might be on the horizon as trade negotiations with China continue, Brexit plays out and LIBOR moves to its final resting place. Uncertainties from structurally oriented events such as these, as well as European elections, cut across various risks and could result in an "amplified confluence" of risks—e.g., strategic, financial and geopolitical risks. Looking forward, 87 percent of treasury professionals expect earnings uncertainty to be same or higher compared to three years ago.

Earnings Uncertainty Today versus Three Years Ago (2015)
(Percentage Distribution of Organizations)



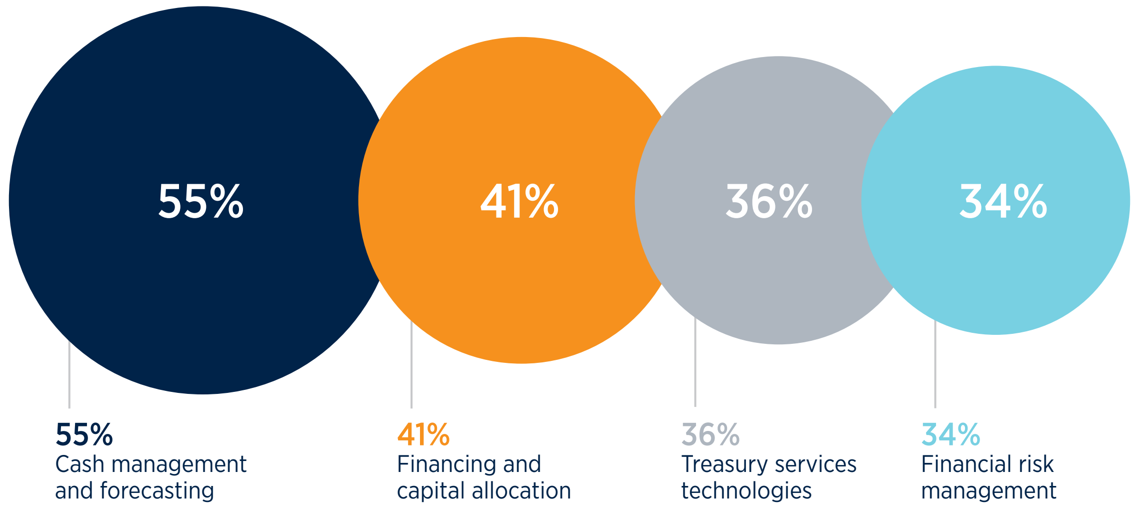
KEY FINDING 3

Cash Management and Forecasting Will be the Focus of Treasury Operations over the Next Three Years

A majority of treasury professionals (55 percent) cites cash management and forecasting as the greatest focus for organizations' treasury operations over the next three years. Cash management and forecasting is a greater priority for those organizations with annual revenue less than $1 billion and those that are privately held. Financing and capital allocation are the second most-often cited areas of focus, reported by 41 percent of survey respondents. Treasury services technologies ranks third at 36 percent.

Effective forecasting requires that treasury and finance understand an organization's underlying business and then become partners across the organization. While technology can be an enabler for this, it is *internal relationships* that treasury and finance will need to develop in order to be efficient in the process. This is also a factor in forecasting business needs going forward and ensuring there is a capital structure in place that fulfills an organization's underlying goals. Forecasting and effective working capital management will be key to these directives. At the time of this report, corporate debt levels are at all-time highs—perhaps signifying a call to action by regulators for companies to trim back leverage or possibly use repatriated earnings to pay down debt. Regardless, highly leveraged companies will have a stronger need for forecasting going forward in a rising interest-rate environment.

Greatest Focus for Organizations' Treasury Operations over the Next Three Years
(Percent of Respondents)



KEY FINDING 4

The Evolving Treasury Ecosystem: A Slow Evolution

The treasury ecosystem is composed of people, technology and vendors. The survey results highlight the view that macro-changes to the treasury ecosystem can be expected to be slow to evolve—there will not be significant changes in staffing, technology or vendors.

For example, in terms of people, few departments are expected to change their overwhelming use of full-time treasury employees in the next three years. Last year's survey examined how treasury and finance teams were gearing up to adopt emerging technologies such as APR, AI and blockchain, revealing that although interest in emerging technologies was high, they had yet to be implemented extensively. This year's survey examines how treasuries are embracing non-traditional vendors, and two-thirds of treasury professionals report that their organizations' treasury functions have no plans to increase their use of non-traditional vendors.

However, these numbers mask the changes in processes and activities within the departments as staff remain focused on increasing efficiency and doing more with less. In this context, treasury services technologies is the third-ranked focus area for treasury groups and this is the area where non-traditional vendors are most-often used. Those vendors that can provide flexibility, subject matter expertise and value will be selected to join corporate treasurers' ecosystems.

A Vast Majority of Personnel within Treasury Functions are Full-Time Employees

On average, full-time employees (FTEs) account for 95 percent of personnel within organizations' global treasury departments and regional treasury centers. Treasury practitioners do not expect this share to change within the next three years.

It's interesting to note that consultants contribute to many treasury department functions. This takes the form of IT consultants, management consultants or treasury consultants in particular. With the large number of enterprise resources planning (ERP) installations/upgrades/migrations, it is generally believed that the majority of the consultants are devoted to IT projects. Going forward, publicly owned companies anticipate outsourcing more of their treasury function through contract/temporary staff.

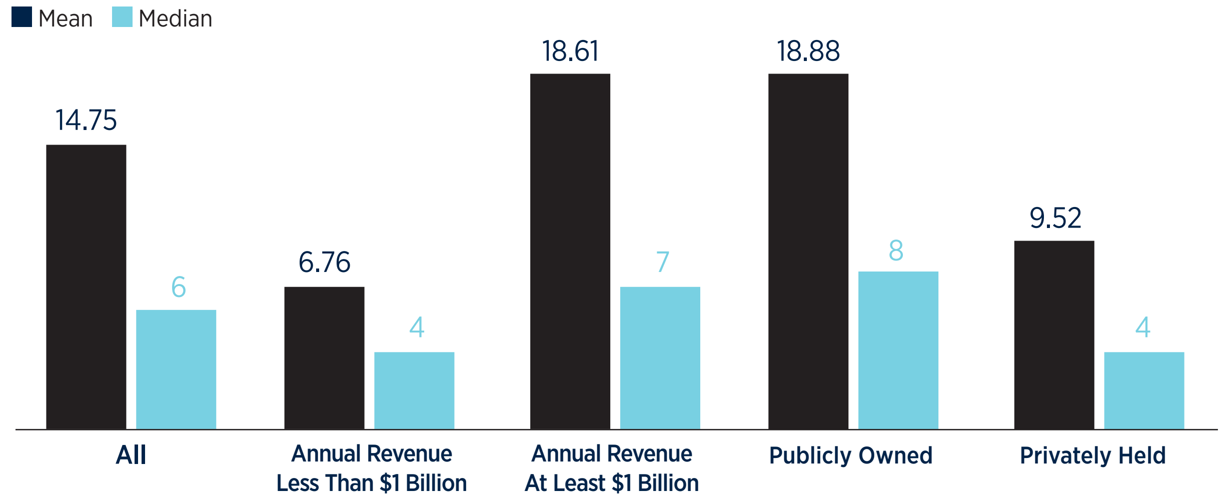
The Current Mix of Personnel Working within Global Treasury Departments, including Regional Treasury Centers
(Mean Percentage Distribution)

The Projected Current Mix of Personnel Working within Global Treasury Departments, including Regional Treasury Centers, in Three Years
(Mean Percentage Distribution)

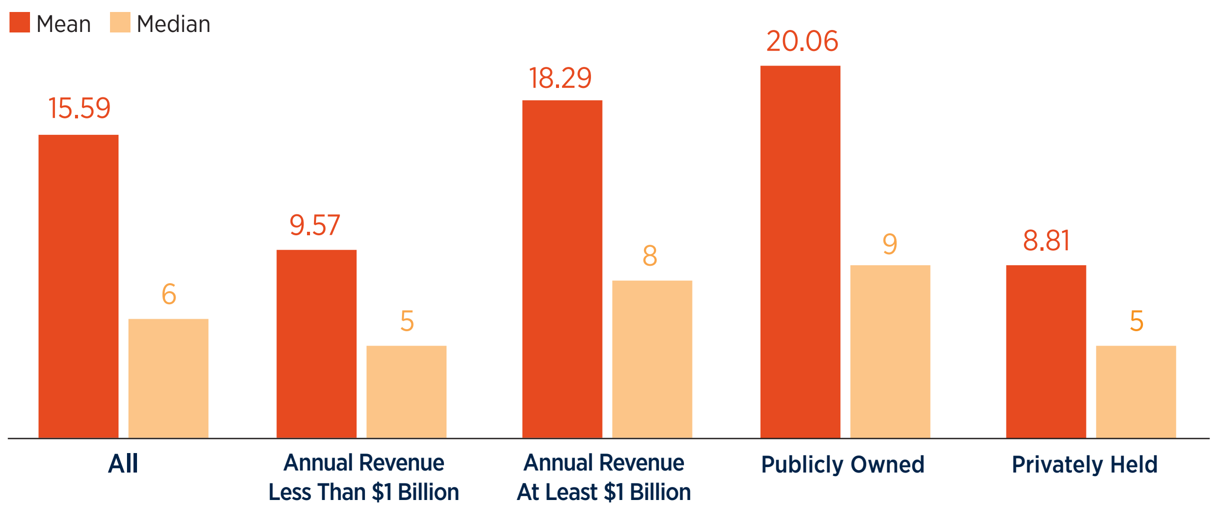
Key Finding 4

The typical organization currently has six FTEs (median) in its treasury department, on average has 14.75 FTEs and anticipates only a slight increase in the number of FTEs over the next three years. Larger organizations with annual revenue of at least $1 billion and publicly owned companies have on average 18.61 and 18.88 full-time employees, respectively. Smaller organizations with annual revenue less than $1 billion have on average 6.76 FTEs on their treasury teams, while respondents from privately held organizations report an average of 9.52 FTEs in their treasury departments. Within three years, organizations estimate the average number of FTEs in Treasury will be 15.59.

Current Number of FTEs in Treasury



Estimated Number of FTEs in Treasury, in Three Years



KEY FINDING 5

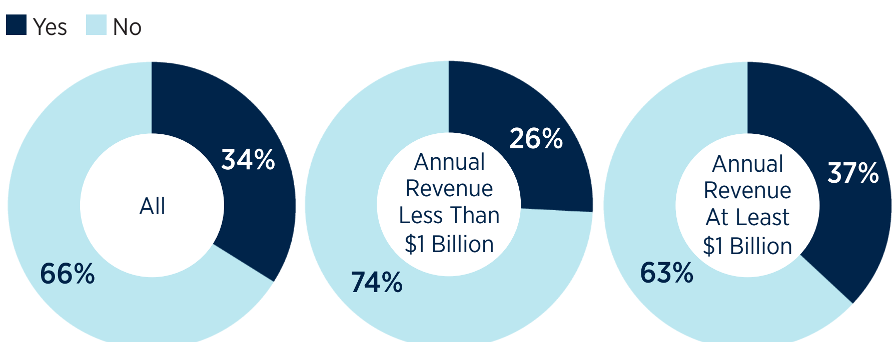
Treasury Departments Have Yet to Embrace Non-Traditional Vendors

What is a Non-Traditional Vendor?

Non-traditional vendors are providers other than banks that offer niche services. They include technology providers, payment providers, fintechs, task-oriented contract employees, etc. This year's survey examined the use of non-traditional vendors, the drivers, benefits and risks of using non-traditional vendors, as well as examining plans to use non-traditional vendors instead of traditional vendors such as banks.

The majority of treasury departments has no plans to increase the use of non-traditional vendors. Larger organizations with annual revenue of at least $1 billion are more inclined to use non-traditional vendors than are smaller organizations (37 percent versus 26 percent). Larger corporations have long used "traditional" non-bank providers for payroll, FX hedging, electronic invoicing, supply chain finance, payables automation, etc. Larger firms have the sophistication to select, manage and integrate "best of breed" solutions from multiple providers.

Anticipated Increase in Use of Non-Traditional Vendors within Treasury Departments
(Percentage Distribution of Organizations)



Key Finding 5

Treasury Service Technologies and Merchant Service Technologies Using Non-Traditional Vendors

Non-traditional vendors are being used most often within the following areas for specific functions:

Treasury services technologies
(cited by 46 percent of survey respondents)
- Treasury Management System (TMS)
- Payments
- Cash management

Merchant services technologies
(33 percent)
- Credit card purchasing
- Payments processing
- Third-party vendors

Efficiencies through robotic process automation, AI, blockchain
(25 percent)
- Robotics
- Transactions

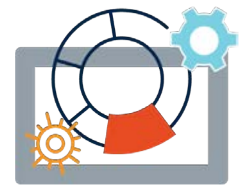
Cash management and forecasting
(21 percent)
- Forecasting
- Payments

As more technology moves to the Cloud or SaaS model, economies of scale are being developed. Consequently, having one true source for information will be important to maintain—much like having one instance of an ERP installed. Non-traditional vendors can serve a niche segment that has a high barrier/cost of entry into the market or perceived to have a limited return on investment (ROI) in terms of product deployment from traditional vendors. This helps protect market share in those categories. General examples of solutions represented by non-traditional vendors are bank fee management, bank connectivity, payables solutions, TMS solutions and gateway processing, as well as "know-your-customers" (KYC) compliance.

In the wake of the Durbin Amendment—which was part of Dodd Frank and implemented interchange reform—new providers have entered the marketplace to offer more efficient solutions in interchange management for treasury departments. As the cost of fraud in terms of EMV (Europay, Mastercard and Visa) has shifted to the retailer, more focus on chargeback technology as a non-traditional vendor is employed to reduce the extra burden on staff and to streamline the process. In this case, the ROI from the solution helps the business case for the niche segment in which the non-traditional vendor plays.

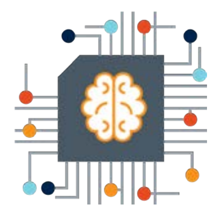
In terms of emerging technologies, robotics shows promise in reporting, reconciling and routine data entry. Artificial intelligence (AI) is utilized in A/R (Accounts Receivable) decisioning and cash application, and credit card transaction screening. Blockchain is not a solution currently utilized.

Areas within Treasury Using Non-Traditional Vendors
(Percent of Organizations)



46%
TREASURY SERVICES TECHNOLOGIES

33%
MERCHANT SERVICES TECHNOLOGIES



25%
EFFICIENCIES THROUGH ROBOTICS PROCESS AUTOMATION, AI, BLOCKCHAIN

21%
CASH MANAGEMENT AND FORECASTING

KEY FINDING 6

Treasury Functions Appreciate the Flexibility and Adaptability of Non-Traditional Vendors

For those situations in which each company and its treasury department has a unique perspective based on industry, geography, ownership structure and sales size, a one-size-fits-all approach in terms of technology doesn't typically work. For example, many treasury departments deploy Excel for cash forecasting for this reason—it is a flexible solution that can be readily adapted to suit unique perspectives. But subject-matter expertise/specialty expertise is often not shared when a person leaves the department and the process must start anew. In a way, Excel while not highlighted in this study as a solution, is one of the ways utilized by many treasury departments as a non-traditional vendor to deliver the functional capabilities required.

The main advantages of using non-traditional vendors as cited by treasury professionals are:

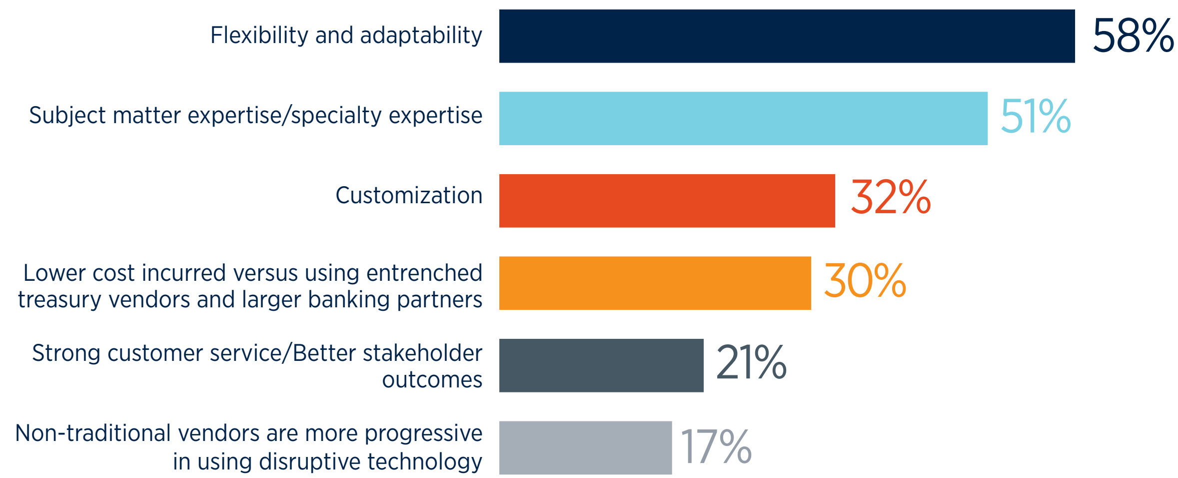
— Flexibility and adaptability (cited by 58 percent of respondents). Non-traditional vendors often have a "digital mindset and focus" and employ emerging next generation technologies that enable them to be more nimble and responsive to the changing needs of their customers. Notably, respondents from larger organizations are more likely to note the benefits of this feature of non-traditional vendors than are respondents from smaller companies. Non-traditional vendors are able to offer larger organizations the economies of scale.

— Subject-matter expertise/specialty expertise (51 percent)

— Customization (32 percent)

— Lower cost incurred (30 percent)

Primary Reasons Motivating Treasury Professionals to Use Non-Traditional Vendors
(Percent of Organizations)



KEY FINDING 7

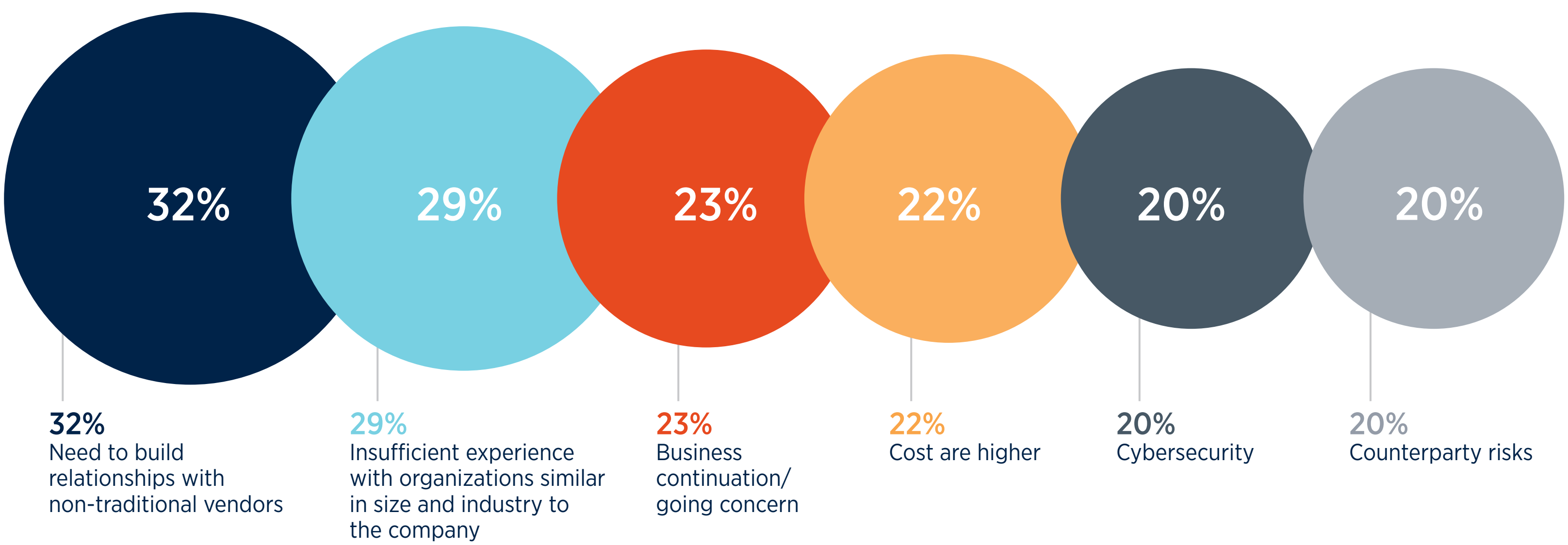
Lack of Relationships and Insufficient Experience with an Organization are Primary Drawbacks of Non-Traditional Vendors

Over time, treasury professionals have built strong relationships with their organizations' banking partners and other entrenched vendors. Building new relationships requires keen effort and hard work from all parties involved—and that can be time consuming.

As such, is it not surprising that one-third of survey respondents indicates that the need to develop relationships with non-traditional vendors is the greatest drawback in using one. Furthermore, non-traditional vendors may have limited experience. Financial leaders are primarily concerned about whether these vendors have the necessary and relevant experience when partnering with organizations of their size—a concern cited by 29 percent of survey participants.

Among the drawbacks to using non-traditional vendors is establishing relationships that cannot be leveraged across other products (much like a traditional bank vendor could), which leads to higher costs. In addition, organizations may also face the challenge of being "a big fish in a small pond;" this is because some non-traditional vendors do not have customers with similar characteristics due to their limited size and capabilities. As a result, an organization could become a very important client for a non-traditional vendor, while the vendor's credibility remains a concern.

The Risks/Drawbacks Either Anticipated or Experienced as a Result of Using Non-Traditional Vendors
(Percent of Respondents)



Key Finding 7

Looking beyond relationship management and process issues, 20 percent of survey respondents cite cybersecurity as a risk/drawback of using non-traditional vendors. The fear of exposing confidential data that can make organizations and their customers more vulnerable to attacks by hackers has spurred companies to actively implement measures to manage their cybersecurity postures when using both traditional and non-traditional vendors.

Managing cybersecurity with non-traditional vendors can be more stringent as these vendors may be smaller or less experienced and may not have the full cybersecurity capacities as do larger, more established vendors. As the treasury ecosystem evolves, treasury departments should have clear, written policies specifying vendor access and responsibilities regarding data usage. Treasury should also keep a running list of who has access to the data.

Over 70 percent of organizations maintain a list of third parties/vendors that have access to/process critical data. A large majority (71 percent) has a clear written policy specifying vendor access and responsibilities regarding the handling of organization data.

Measures Used to Manage Respondents' Cybersecurity Posture when Engaging Third Party Vendors
(Percent of Organizations)

71%
Maintain a list of third parties/vendors that have access to/or process our critical data

71%
Have a clear written policy specifying vendor access and responsibilities regarding our data

59%
Conduct ongoing cyber assessments (manual or using external cyber assessment solutions)

29%
Require vendors to have cyber insurance

12%
Conduct onsite security visits for the most critical vendors

KEY FINDING 8

Conduct Due Diligence and Obtain Customer References to Monitor and Mitigate the Risks Involved in Working with Non-Traditional Vendors

Non-traditional vendors are still a novel concept for organizations, and treasury professionals have yet to be convinced of their efficiency, effectiveness and reliability. Over three-quarters of treasury departments conduct due diligence prior to working with non-traditional vendors and 62 percent utilize customer references. They need to be convinced of the credibility of vendors prior to partnering with them and taking these measures help mitigate risks that might arise as a result.

Treasury departments continue to play their role as a key business partner in this capacity. This role is expected to expand moving forward. More than half of survey respondents are confident that their departments are somewhat ready to take on this task.

Approaches Organizations are Taking to Monitor and Mitigate the Risks Involved in Working with Non-Traditional Vendors
(Percent of Organizations)

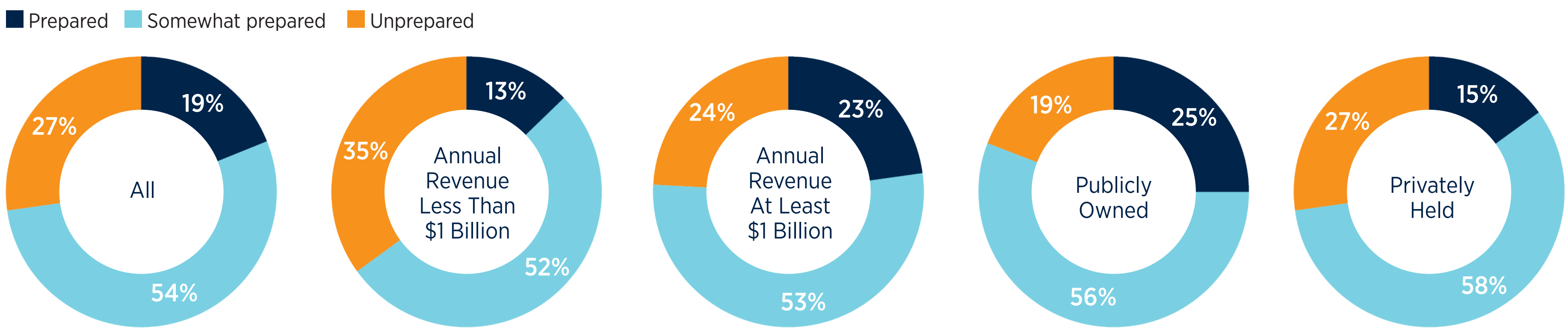
	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE AT LEAST $1 BILLION	PUBLICLY OWNED	PRIVATELY HELD
Conducting due diligence	76%	72%	77%	76%	83%
Customer references	62	45	69	67	56
Determining credibility	43	34	47	40	42
Third-party reviews	41	48	34	36	44
Buying insurance	10	24	3	9	8

KEY FINDING 9

Organizations Are Not Fully Confident that They Are Prepared to Use Non-Traditional Vendors

Although organizations appear to be taking the necessary measures to mitigate risks that might arise as a result of using non-traditional vendors, less than 20 percent of respondents are confident their companies are prepared to use non-traditional vendors. Fifty-five percent report being somewhat prepared while 27 percent indicate their organizations are unprepared. Larger organizations with annual revenue of at least $1 billion and publicly owned ones are more prepared to use non-traditional vendors than are other companies.

Preparedness of Organizations' Treasury Functions to Manage the Challenges in Working with Non-Traditional Vendors
(Percentage Distribution of Organizations)



KEY FINDING 10

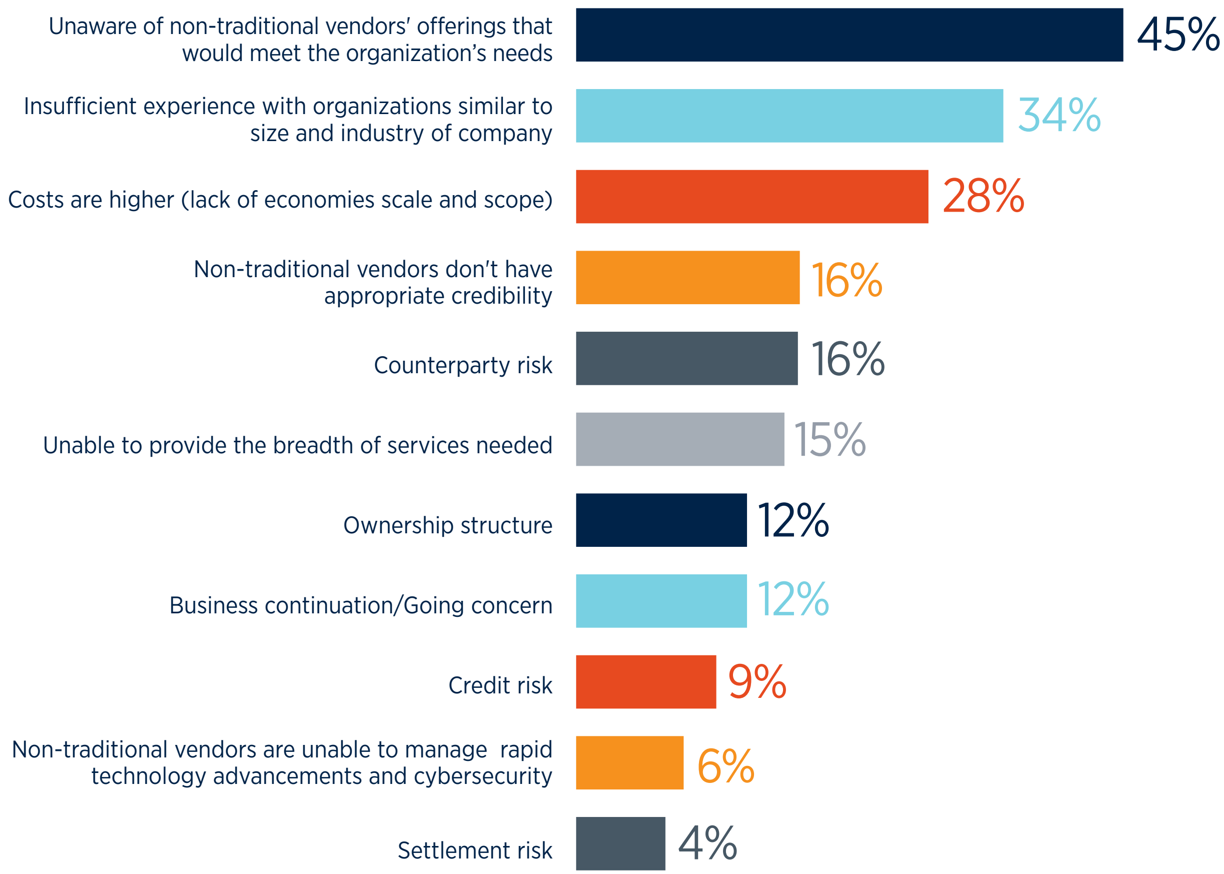
Insufficient Knowledge of Non-Traditional Vendors is Preventing Treasury Professionals from Using Them

While treasury leaders are aware of the advantages of using non-traditional vendors, there is hesitancy on their part to use such vendors more extensively. Non-traditional vendors are relatively unknown and treasury teams are unsure of the scope of vendor offerings. In addition, and more importantly, a significant share of treasury professionals is unaware if those vendors will meet their organizations' needs (a concern cited by 45 percent of survey respondents). On their part, non-traditional vendors need to convince their potential corporate partners of what they can do for organizations and assure their clients that they will be able to deliver as their corporate partners expect.

Additionally, non-traditional vendors have limited experience with specific industries or organizations of specific sizes. Consequently, they may lack sufficient knowledge of or experience with a particular industry or organizations of certain sizes, factors that companies value when looking for partners. This is a concern shared by one-third of treasury professionals. About 28 percent of treasury professionals also admit that non-traditional vendors' inability to offer economies of scale is another important reason not to use them, as this might impact an organization's bottom-line directly.

Organizations often have a procurement group that approves all vendors or approves vendors for a particular service/product. When procurement leads these efforts, other functions such as treasury have limited participation in this selection process, even though treasury has the expertise needed to assess credibility, conduct due diligence and determine product viability to build the business case for a non-traditional vendor. All those facets must be proven and done with support from key stakeholders throughout an organization, including treasury. Treasury will need to work closely with procurement departments on the selection of non-traditional vendors.

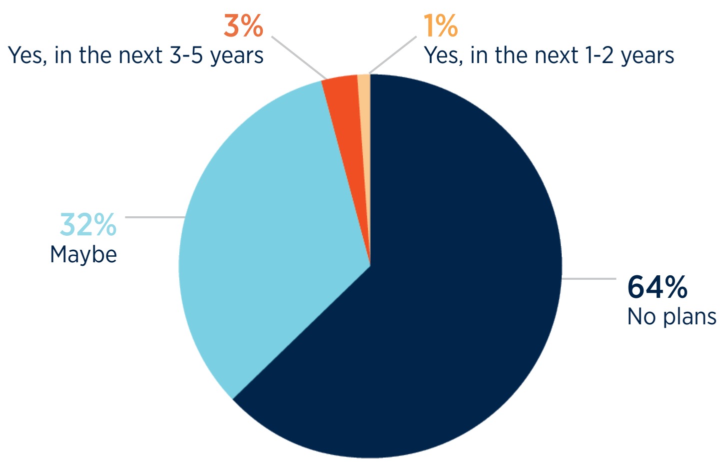
Reasons Why Treasury Functions Are Not Using Non-Traditional Vendors
(Percent of Respondents)



Key Finding 10

The majority of treasury professionals (64 percent) reports their organizations have no plans to supplement the resources of their banking partners and other entrenched vendors with non-traditional vendors. Nearly one-third indicate their companies are considering using non-traditional vendors but are unsure of the timing. Less than five percent of treasury professionals state their companies have plans to adopt this strategy within the next five years.

Plans to Supplement Banks and Entrenched Vendors with Non-Traditional Vendors in the Future
(Percentage Distribution of Respondents)



KEY FINDING 11

Banks/Entrenched Vendors versus Non-traditional Vendors

As treasury practitioners weigh the pros and cons of using non-traditional vendors, they certainly will consider the benefits of their banking partners and other entrenched vendors before making any major decisions to either alter or supplement their current vendor framework. Treasury managers are tasked with various key responsibilities; they need to maintain an efficient and effective treasury operation while remaining accountable to executive management for treasury and cash management issues. They are, therefore, cognizant that any partnership with external vendors needs to be built on trust and mutual understanding in order to have the utmost confidence in their partners. In times of crisis, treasury professionals may need additional resources; if their own personnel are being stretched to the limit, they may have no alternative but to turn to external vendors for assistance. Consequently, it is critical they have fostered a relationship and partnership on which they can confidently rely. Survey results reflect the importance of this: about 78 percent of respondents readily admit that one important benefit that led them to choose entrenched vendors and banking partners over non-traditional vendors is their stronger existing relationships.

Treasury practitioners are also more certain about the credibility (cited by 72 percent of respondents) and stability/reliability (74 percent) of their banking partners and entrenched vendors as compared to non-traditional vendors. They recognize these factors as important reasons to continue existing partnerships with established vendors.

Benefits of Using Banks/Entrenched Vendors versus Non-Traditional Vendors
(Percent of Respondents)

	SIGNIFICANTLY HIGHER	HIGHER	SIMILAR	LOWER	SIGNIFICANTLY LOWER
Stronger existing relationships	42%	36%	17%	4%	1%
Greater credibility	30	42	23	3	2
Stability/reliability	29	45	18	7	1
Avoid the complexity of changing vendors	27	37	27	8	1
Stronger experience within treasury services	26	40	28	6	–
Breadth of services	20	45	22	12	1
Lower costs (economies of scale)	8	37	37	16	2

Key Finding 11

Ensconced in relationships as treasury teams are with their entrenched vendors, 54 percent of respondents note that non-traditional vendors are relatively more flexible and adaptable—features that organizations are actively seeking as emerging technologies are adopted and the need to enhance efficiencies becomes urgent. As methodologies are altered and the scope of organizations' operations expands, practitioners are fully aware that a one-size-fits-all approach will not work effectively. Instead, they are seeking a customizable approach within the treasury function. More than half of survey respondents do believe that non-traditional vendors can deliver on this aspect.

The Benefits/Services that Non-Traditional Vendors Offer versus Banks/Entrenched Vendors
(Percent of Respondents)

54%
FLEXIBILITY AND ADAPTABILITY

51%
CUSTOMIZATION

29%
LOWER COST INCURRED

22%
BETTER EQUIPPED TO MANAGE TECHNOLOGY ADVANCEMENTS

19%
KNOWLEDGE AND EXPERTISE

14%
STRONG CUSTOMER SERVICE

Conclusion

This year's *AFP Risk Survey* results reveal that strategic risks continue to be of significant concern to finance leaders at organizations, and these risks will continue to be a top concern in the next three years. Also on the radar of these leaders are the risks associated with cybersecurity—treasury and finance professionals are currently tracking this risk and believe it will still be a priority three years from now. Regardless of how aware finance professionals are of strategic risks, those risks are difficult to plan for and challenging to control. As advancement in technology sweeps across organizations, data is going to be even more vulnerable to cyberattacks, and risks arising from cybersecurity will be difficult to stay ahead of.

Fewer treasury professionals report being exposed to greater earnings uncertainty than they were three years ago. This result is reassuring, although the percentage of respondents who report earnings uncertainty is unchanged from three years ago has increased. This could be a sign of treasury departments "future-proofing" their organizations' balance sheets from any rising interest rates and continuing political uncertainty. Companies are responding to earnings uncertainty by building their cash balances as a liquidity buffer.

While the survey findings clearly indicate that the use of non-traditional vendors is not extensive, financial professionals are cognizant of the advantages of non-traditional vendor partners. They also note that in the current business environment, features and offerings from those non-traditional partners may be essential.

The credibility and reliability of the more-established vendors are high priorities, and these qualities have strengthened the relationship between these vendors and companies over time. At the same time, treasury professionals are stretched, and few treasury departments have the resources or time to invest in new vendor relationships. As laborious it may be to work with a non-traditional vendor, organizations might be compelled to do so. This may require supplementing current partnerships with established vendors with non-traditional vendors so organizations and treasury operations can benefit from the advantages non-traditional vendors offer. Similarly, non-traditional vendors on their end may want to convince potential clients of their value by sharing customer references and examples of their credibility and reliability.

In order to mitigate risks involved with using non-traditional vendors, organizations are using approaches such as conducting due diligence, speaking with the vendors' other customers and assessing vendors' credibility and reliability. They will have to commit time and resources to discern these factors so they won't be negatively impacted at a later stage of any partnership. The survey results suggest that organizations are not, yet, fully prepared to work with non-traditional vendors. While it is always a risk going with a new, untested vendor, with the right amount of due diligence, companies may find that is the best risk mitigation tool.

03 ABOUT SURVEY PARTICIPANTS

About the Survey Participants

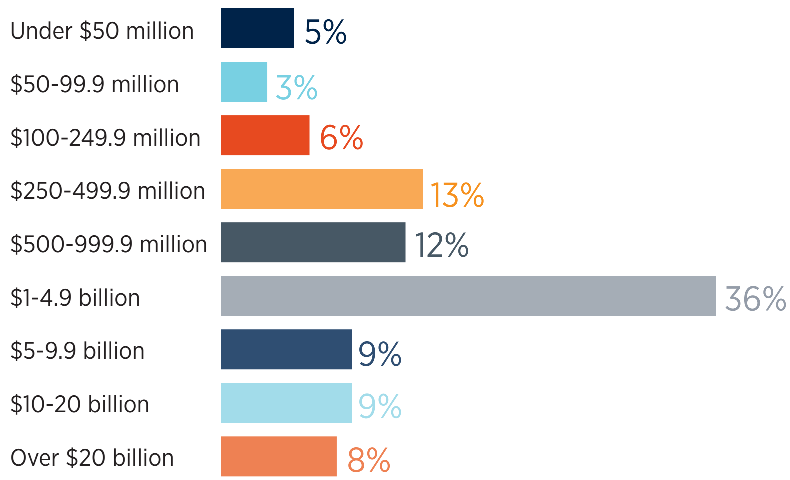
In October 2018, the Research Department of the Association for Financial Professionals® (AFP) conducted the *2019 AFP Risk Survey: The Evolving Treasury System,* surveying treasury professionals.

This year's survey results provide insights on the greatest risks impacting organizations currently as well as in the next three years. The survey also delves into the use of non-traditional vendors within treasury functions and the associated risks of using such vendors.

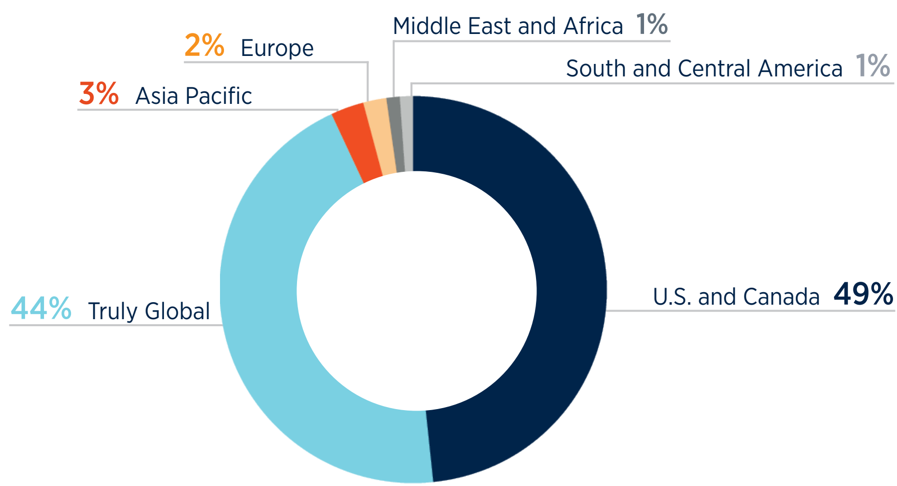
The survey was sent to AFP members and prospects who held job titles of CFO, Treasurer, Controller, Cash Manager, Vice President and Treasurer, and Assistant Treasurer. Responses from 391 professionals form the basis of this report. The respondent profile closely resembles that of AFP's membership and is presented below.

AFP thanks Marsh & McLennan Insights for being a valued partner and for its continued support of the AFP Risk Survey series, including sharing subject matter expertise for the design of the questionnaire and for the final report. The Research Department of the Association for Financial Professionals® is solely responsible for the content of this report.

Annual Revenue (U.S. dollar)
(Percentage Distribution of Organizations)



Geography
(Percentage Distribution of Organizations)

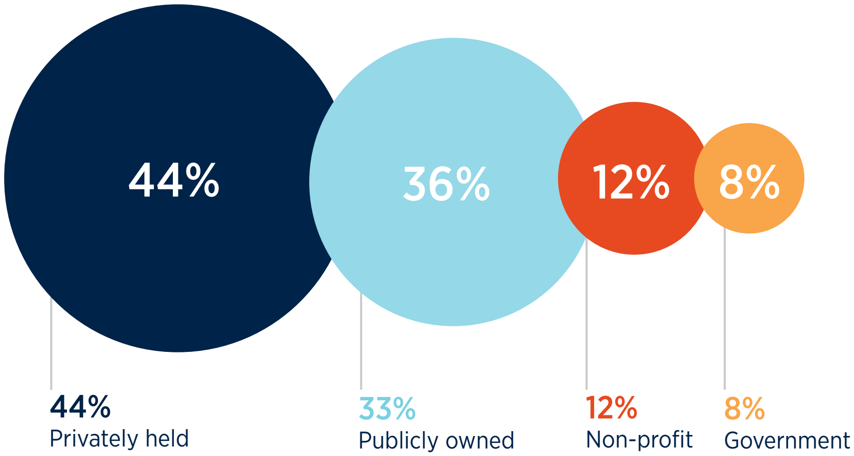


About the Survey Participants

Industry
(Percentage Distribution of Organizations)

Agriculture, Forestry, Fishing and Hunting	2%
Banking/Financial Services	9
Administrative Support/Business Services/Consulting	3
Construction	2
Education	3
Energy	5
Energy (Utilities, Oil, etc.)	7
Government	4
Healthcare and Social Assistance	8
Hospitality/Travel/Food Services	1
Insurance	6
Manufacturing	22
Mining	1
Non-profit (including education)	5
Professional/Scientific/Technical Services	1
Retail Trade	5
Wholesale Distribution	4
Software/Technology	6
Telecommunications/Media	4
Transportation and Warehousing	5
Utilities	6

Ownership Type
(Percentage Distribution of Organizations)



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

AFP Research

AFP Research provides financial professionals with proprietary and timely research that drives business performance. AFP Research draws on the knowledge of the Association's members and its subject matter experts in areas that include bank relationship management, risk management, payments, and financial accounting and reporting. Studies report on a variety of topics, including AFP's annual compensation survey, are available online at www.AFPonline.org/research.

About AFP®

The Association for Financial Professionals (AFP) is the professional society committed to advancing the success of its members and their organizations. AFP established and administers the Certified Treasury Professional and Certified Corporate FP&A Professional credentials, which set standards of excellence in finance. Each year, AFP hosts the largest networking conference worldwide for over 6,500 corporate finance professionals.

4520 East-West Highway, Suite 800
Bethesda, MD 20814
T: +1 301.907.2862 | F: +1 301.907.2864

www.AFPonline.org

MARSH & McLENNAN
COMPANIES

Our businesses are global leaders in risk, strategy and people. Together, we help our clients meet the challenges of our time.

MARSH
Insurance broking and risk management solutions

GUY CARPENTER
Reinsurance and capital strategies

MERCER
Health, wealth and career consulting and solutions

OLIVER WYMAN
Strategy, economic and brand consulting

Learn more about us: mmc.com | @mmc_global | LinkedIn

MARSH GUY CARPENTER MERCER OLIVER WYMAN