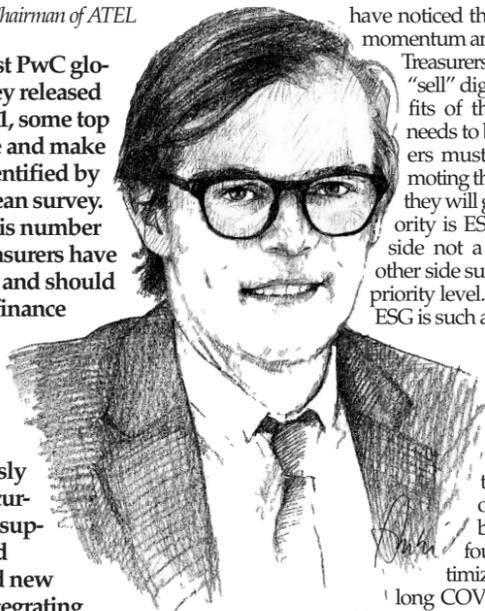


Trends on Treasury for 2022 and top priorities

By François MASQUELIER, Chairman of ATEL

According to the last PwC global treasury survey released in September 2021, some top priorities seem to emerge and make echoes with priorities identified by EACT in its April European survey. The business partnering is number one priority. It means treasurers have understood that they can and should play a key role between finance and operations and be a key partner for other departments. We can mention on FX by adapting the strategy to open markets usually and previously closed, by offering local currencies to customers and suppliers, by authorizing and enabling e-payments and new payment methods, by integrating payments and easing reconciliations, by creating virtual accounts, by enhancing dashboards and reports for internal and external stakeholders, etc.



have noticed that often the spirit, the momentum and vision were lacking. Treasurers must be convincing to "sell" digital projects and benefits of them. Not easy, but it needs to be addressed. Treasurers must be proactive in promoting their IT projects and ROI they will generate. The third priority is ESG. There, it is on one side not a surprise and on the other side surprising at such a high priority level. We are not convinced ESG is such a high priority.

Although the digital transformation contributes to enhance environmental performances. It is certainly the financing side of ESG that is addressed by respondents. The fourth priority is cash optimization and is key, after a long COVID period and uncertainties around businesses (e.g., disruptions in deliveries, increase of transportation and freight costs, commodity market price explosion, lack of goods and semi-conductors, bankruptcies, harbors closed, etc.).

Cash visibility has proven to be essential and lots of demands came from C-level for regular updates, simulations, stress-testing, etc. on cash-flow forecasts. How can we improve our working capital needs? What are the alternative sources of funding? What can we do with excess cash? Etc. All are important

questions to be addressed. All payment initiatives (e.g., GPI swift, instant payments, virtual currencies, etc.), eBAM, virtual accounts, in-house banking approaches are parts of this cash optimization improvement projects. The fifth priority is the financial risk, including FX risk. Although it has been positioned lower compared to the past survey, it remains a key risk. It may be explained by market high volatility, uncertainties and growing related political risks.

In such a complex environment and after trouble periods for about one year and half, it seems that treasurers have opportunities, according to PwC. Opportunities to reposition themselves and to move ahead to take/keep the lead in finance.

From this survey, it appears that priorities for CFO's and Treasurers are slightly different, although aligned. The ranking may be different and risk perception also. For example, cyber-risks and tax implications are less priorities for treasurers and more important issues for CFO's. The same comment on talent management, which doesn't seem to be priority of treasurers. However, the required skills for facing this digital transformation and revolution are different, more specific, more IT-oriented in terms of profiles and more diversified. It means treasurers should also consider ways of recruiting in future and adapt to current changes. It is time to stop always hiring the same profiles. Times have changed.

We understand why working capital and FX risks are better ranked by treasurers. Nevertheless, CFO's should not forget these two essential elements of finance risk management. Here again, it is surprising. After the lockdown periods, we could have expected these two risks higher classified and identified by

CFO's. We should recommend to treasurers to have sort of high-level road mapping to make a diagnosis of the current situation, what could be improved and where they want to move in the next years, in terms of organization and IT projects to prepare the ground for changes, to "sell" projects, to benchmark with peers, to become more resilient and to also recruit accordingly. The better use of existing "at hand" data is a must we all need to address.

Therefore, as always, such surveys help determining what should be treasury's priorities and projects. It should help convincing C-level of this largely accepted vision of treasury and where it should go to. We like these trends and surveys because it gives us the full picture (even if it varies from place to place), which help positioning a company and designing its projects and priorities.

We hope you will have a chance to read former EACT survey and this recent global PwC survey, which by its repletion every two years, give us after a decade, of trends and evolution. By interpreting results, by understanding the messages, we can ideally prepare and position treasury. For a long journey, everyone would be better inspired to have its own road map not to get lost.

For more details about this survey, please visit PwC website global survey treasury 2021, <https://www.pwc.com/us/en/services/consulting/fit-for-growth/global-treasury-survey.html>

* This article was prepared by François Masquelier in his personal capacity. The opinion expressed in this article are the author's own and do not necessarily reflect the view of the European Association of Corporate Treasurers (i.e., EACT) or the Luxembourg Corporate Treasury Association (i.e., ATEL).

La bourse dans le capitalisme d'une société solidaire

Par Prof. Aleksander SURDEJ, ambassadeur de la Pologne à l'OCDE

En 1989, humiliés par le gaspillage de l'économie communiste, les habitants d'Europe centrale et orientale se sont unanimement prononcés pour l'économie privée de marché dont la dénomination abrégée est capitalisme. 30 ans plus tard, domine la conviction que le choix a été judicieux.

La haute approbation du capitalisme s'accompagne de la conscience qu'il est un système économique complexe en constante évolution et que son efficacité dépend de l'exhaustivité et de la qualité de ses principales institutions. Depuis l'installation de l'économie de marché en Pologne et dans les autres pays d'Europe centrale et orientale, la bourse de Varsovie joue un rôle central. En 1991, son ouverture dans l'ancien siège du parti communiste symbolisait le rejet

de cette idéologie en déclin. Mais la bourse n'était pas qu'un symbole ; elle est devenue l'outil de la privatisation des entreprises d'État, tant en Pologne qu'en République tchèque et en Hongrie. À l'époque, l'entrée en bourse était aussi une occasion de réorganiser les mastodontes d'État, en mettant en œuvre des procédures de gestion plus efficaces.

Ces dernières années, la bourse de Varsovie a évolué d'une bourse où dominent d'anciennes grandes entreprises d'État vers une bourse ouverte aux PME. C'est ces entreprises-là qui, pour booster leur développement, ont besoin de financements par capitalisation.

La réduction des coûts d'introduction et de circulation des actions a fait que la bourse de Varsovie cote aujourd'hui 500 entreprises environ, dont de très nombreuses PME, y compris familiales. La bourse de Varsovie et l'Autorité polonaise de surveillance financière (KNF) œuvrent de concert afin de bâtir et

d'étayer la confiance en les vertus de la bourse. La preuve – plus de 1,5 millions de Polonais possèdent leur compte d'investissement et investissent une part de leurs économies dans les instruments du marché des capitaux.

Adoptée en 2019, la Stratégie gouvernementale de développement du marché des capitaux perçoit dans le renforcement de ses effets un important outil de création de conditions favorables à un accroissement des revenus des Polonais.

Réduire les obstacles à l'expansion du marché des capitaux permettra aux entreprises les plus innovantes d'obtenir des financements supplémentaires qui accéléreront leur développement, tout en offrant aux investisseurs une participation à leurs succès économiques. De même, se verra diminuée la dépendance des entreprises des crédits bancaires dont l'accessibilité et les coûts dépendent des garanties apportées. Le développement du marché des

capitaux crée aussi des encouragements à économiser chez les citoyens moyens qui comprennent le principe de base de l'économie de marché : plus le risque est élevé, plus le taux de rendement attendu est élevé. L'accroissement du nombre d'investisseurs individuels et de la liquidité favorisent l'orientation à long terme des investissements dans les instruments boursiers, en devenant ainsi pour beaucoup la voie pour créer des garanties financières complémentaires pour la vieillesse.

Un marché des capitaux effectif est l'un des éléments du «Nouveau Deal» économique mis en œuvre par le gouvernement polonais où les investissements en bourse sont conformes au principe de responsabilité individuelle pour les conditions de vie, principe réalisé dans le contexte de la fiabilité régulatrice et la solidarité sociale.

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Research in Finance

On the value of information

Information is obviously of high importance for economic decision makers. In financial economics, equilibria are typically analysed without frictions, namely taxes, transaction costs and asymmetry of information. The Efficient Market Hypothesis presumes that asymmetry of information is "limited" and information is rapidly integrated into asset prices. In a famous paper, Grossman and Stiglitz (1980) showed that financial markets cannot be fully efficient as information is costly to extract and process, thus some efficiency needs to exist for asset managers to make profit on the extracted information. This leads to the fundamental question of what information is and what its value is?

To make the concept of information operational, in finance the Efficient Market Hypothesis is built around three degrees of information that should be integrated into prices. The three degrees are past prices, public information, and private information. Efficiency with respect to past prices has been largely documented. With public information, at least conceptually the problem is already more complex. Typically, it is presumed that public information is statistical macroeconomic data. It is important, however, to note that the interpretation of information is model depend-

ent. Moreover, what about information about geopolitical events for which no statistical data exists. The information is difficult to translate into unique probability distributions and leads to what is called ambiguity. Finally, private information is information that is detained by a few decision makers, but not public. The strong form market hypothesis states that, even such private information, can be revealed by financial markets through the trading process and depends on the market microstructure. Interesting examples are documented in Lo (2017).

The different degrees of information mentioned above, however, do not answer the question of what information is and especially what the value of information is? If we want to understand the incentives for decision makers to feed information into prices, we need to understand the cost and the value of information. The notion of information is typically analysed through Generalized Information theory (Klir (2005)) and focuses on uncertainty-based information. Basically, information draws its value from the reduction in uncertainty gained for a decision maker. In economics, information is modelled with signals, which in principle are costly to access.

This problem was originally addressed by Blackwell (1953). Signals provide information about the likelihood of future possible states of the economy. To pin down the value of information, we need to evaluate how much a decision maker would pay to access it. The problem is that the value of information will depend on the decision

makers prior information, his preferences (his utility function) and the decision problem to which the information is applied.

More recently, Cabrales, Gossner and Serrano (2013) have analysed the value of information to investors facing non-arbitrage markets. They suggest that the value of information for most decision makers with different degrees of risk aversion is provided by a reduction in entropy given the information. From a decision-theoretic viewpoint, entropy is fundamentally a measure of uncertainty in a distribution. It takes value 0 when there is no uncertainty and the value is maximal when the distribution is uniform, meaning all possible states are equally likely. Information has the most value when the states are equally likely and the information (signal) sharpens the distribution by putting more probability on some events. The expected reduction in entropy, called *entropy informativeness*, thus provides a measure of information.

In a companion paper, Cabrales, Gossner and Serrano (2017) go further by analysing the information value and the price trade-off. They show that a decision maker's demand for information is characterized by risk aversion. Less risk averse decision makers have a stronger demand for information than more risk averse decision makers. To eliminate wealth effects, they characterize uniform levels of risk aversion, independently of wealth levels. This enables them to compare the value of information normalized by the price to average indexes of risk

aversion. More formally, the approach consists in ordering preferences for information and it is based on the duality approach developed by Aumann and Serrano (2008). In that sense, an information is deemed objectively more valuable if it is accepted by another decision maker who likes information more than the first, whatever his wealth level. The measure of value of information suggested by Cabrales, Gossner and Serrano (2017) is based on the cross-entropy between the distribution with prior information and the distribution with posterior information, given the signal from the purchase of information. The cross-entropy takes value 0 when the prior distribution is similar to the posterior distribution, thus the value of information is 0. The cross-entropy "explodes" when the states have very low (eventually 0) probabilities under the prior probability distribution and a much higher value under the posterior probability distribution.

The value of information provided by the signal is then very high as it indicates the likelihood of events that were supposed to be unlikely under prior information. The *normalized value of information purchases* is calculated by comparing a function of expected cross-entropy divided by the price of the information purchase. Interestingly, this normalized value of information purchases bears a direct link with risk aversion indexes of decision makers. This implies that the distribution investors' risk aversions in a market will condition the aggregate demand for information. The link between value of information and prices,

also in the sense of research costs, seems a missing equation to better understand the degree of efficiency of financial markets. Gârleanu and Pedersen (2018) provide an interesting analysis of the degree of efficiency with heterogeneous investors and asset managers. Further research on the value of information and also on information elicitation approaches such as those developed in Baillon and Xu (2021) thus seems highly promising to better understand degrees of market efficiency.

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