CORPORATES HIT BY GROWING RISK MANAGEMENT CHALLENGE

A majority of corporate Chief Financial Officers (CFOs) say their company suffered reduced earnings in the last two years due to avoidable, unhedged FX risk, according to a global survey of 200 CFOs and nearly 300 treasurers.

The survey, conducted by HSBC and FT Remark, shows that more than half of all CFOs believe FX is a risk their company is least well-placed to deal with. These concerns reflect increasing volatility in currencies amid an uncertain macro-economic and geo-political outlook.

A shifting interest rate environment in many countries has also hit earnings with 60% of all CFOs reporting an impact, and 70% of CFOs in the Americas indicating their company suffered amid rising rates. However, almost half of CFOs say interest rate risk is an area they are best-placed to manage.

“The survey shows the importance of corporates having robust risk management frameworks in place given the financial risks of not getting it right, especially in an increasingly uncertain world,” said Frederic Boillereau, Head of Global FX & Commodities and Head of Global Markets Corporate Services at HSBC.

As CFOs have found their own roles evolving to one in which they become a partner to their company’s Chief Executive Officer (CEO), they have increasingly called on the leaders of their Treasury department to step up and provide greater strategic support, the survey shows.

But while 73% of CFOs say the risk management role of their treasurer has grown, 57% do not yet have complete confidence in their treasury having the required skills to step up to that new role. The job is made even more demanding for treasurers by the need to manage new challenges, with 53% saying changes in FX regulation will have a material impact on their risk management strategy in the next three years.

While 57% of treasurers do want to increase risk management expertise in their teams, only 32% of CFOs have increased resources for their treasuries in the last two years. However there is optimism that their call is being heard, with two thirds of CFOs expecting to provide extra resources to their treasuries in the next two years.

Digitalisation of treasury functions is seen as one trend that can help corporates deliver more effective risk management strategies. The survey shows 59% of treasurers say digitalisation is expected to have a significant impact on risk management strategy in the next three years and 57% say digitalisation is an area where they are keen to develop their team’s expertise.

“Banks have a role to play in helping corporates fulfil their risk management aspirations, by offering comprehensive risk management solutions; developing new digital tools; and supplying strategic insight, underpinned by established local and
global knowledge,” said Rahul Badhwar, Head of Global Markets Corporate Services, Public Side at HSBC.

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Notes for editors

About the survey
Methodology: During the first quarter of 2018, HSBC and FT Remark conducted two separate surveys. FT Remark surveyed 200 CFOs and equivalents (the most senior member of a finance department) from multinational corporates across a range of sectors. Half of these corporates had annual revenues of USD1-5bn, while the other 100 had revenues of more than USD5bn. Within each of these two revenue groups, 40 respondents were located in the EMEA region, 30 in the Americas and 30 in the Asia-Pacific region. HSBC’s survey was completed by 296 senior treasury professionals from multinational corporates across a range of sectors. The survey was conducted in a multiple-choice, online format and was open for a six-week period. The EMEA region generated 68% of participants, with 23% from APAC and 9% from the Americas. Some 39% of participants generated annual revenues of less than USD1bn in their latest financial year, 31% recorded revenues between USD1-5bn and 30% more than USD5bn.

About FT Remark
FT Remark produces bespoke research reports, surveying the thoughts and opinions of key audience segments and then using these to form the basis of multiplatform thought leadership campaigns. FT Remark research is carried out by Acuris Studios, an Acuris company.

HSBC Holdings plc
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HSBC Bank (Vietnam) Ltd.
HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank’s current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

1 70% of CFOs say their company experienced lower earnings due to avoidable unhedged FX risk.