# Managing treasury risks during uncertain times

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Periods of armed conflict in or around the Middle East place corporate treasuries globally under acute pressure. Even when hostilities are geographically contained, their impact can be felt through market volatility, sanctions risk, payment disruptions, energy price shocks, supply chain interruptions, cyber threats, and liquidity stress.

These factors can materially affect balance sheets and operating cash flows. For treasurers, the challenge is not predicting geopolitical outcomes, but building resilience into treasury operations so the organisation can continue to fund, settle, hedge, and protect value under stress.

Some of the key areas to consider managing treasury risk during wartime conditions include:

**Reprioritise liquidity.** Cash is the primary defence, in periods of conflict, liquidity management should take precedence over yield optimisation. Corporate treasury teams should focus on:

- Increasing minimum liquidity buffers (both operational and strategic)
- Stress -testing cash forecasts under severe downside scenarios (delayed receivables, blocked payments, higher margin calls)
- Diversifying liquidity sources including committed bank lines, bilateral facilities, different forms of financing and capital market access where feasible
- Ensuring the availability of same day liquidity across key currencies (local currencies and trading currencies)
- Managing multi-jurisdictional cash pool to diversify risk exposure

**Strengthen FX and commodity risk management.** During periods of conflict, the availability of FX liquidity may be affected and commodities prices may increase, therefore, the treasurer needs to:

- Reassess hedge ratios and tenors, sometimes shorter tenors may provide flexibility during extreme volatility
- Validate hedge documentation and effectiveness testing (IFRS 9) to avoid P&L surprises
- Review natural hedging opportunities within the group
- Ensure that credit support annexes (CSAs) and margining mechanics are well understood to avoid unexpected liquidity drains

**Manage sanctions, counterparty, and country risk proactively.** Conflicts often trigger rapid changes in sanctions regimes, export controls, and restricted counterparties. To mitigate these risks, treasurers need to build multi-jurisdictional relationships to ensure they have access to local and regional clearing systems. They need to establish a cadence for:

- Daily sanctions screening of banks, customers, suppliers, and shipping routes
- Clear escalation protocols between treasury, legal, compliance, and trade teams
- Counterparty exposure limits by bank, country, and clearing system. Need to ensure that liquidity is maintained with highly rated and liquid banks
- Contingency payment routes if correspondent banks or currencies become restricted

**Reevaluate funding and debt portfolios:** During periods of conflict treasurers must ensure sufficient liquidity is available to support ongoing business operations, and that financing arrangements remain secure. Key considerations include:

- Bringing forward refinancing where possible, it could be at a slightly higher cost, but it will reduce the rollover risk
- Diversify funding instruments where possible (conventional, sukuk, export credit, private placements etc.)
- Review covenant headroom under stressed EBITDA and FX scenarios
- Align debt maturity profiles with liquidity buffers and asset lives

**Enhance operational and cyber resilience.** Modern conflicts increasingly involve cyber and infrastructure disruption. To mitigate these risk treasurers, need to:

- Validate business continuity plans for treasury operations, including remote dealing and payment approvals
- Ensure multifactor authentication and segregation of duties in TMS and ebanking platforms
- Test cyber incident response plans involving banks and payment service providers

- Maintain offline access to critical data such as; bank mandates, account structures, facility agreements.

**Governance, decision matrix and speed matters.** During times of conflict, delays in decision-making can themselves become a risk. As the situation evolves, treasurers should consider providing daily risk dashboard and reviewing governance structures to ensure faster and more effective decision-making. Practical adjustments may include:

- Temporary treasury crisis committee with CFO level authority
- Preapproved risk limits for FX, liquidity drawdowns, and counterparty exposure
- Faster approval thresholds for hedging and funding actions
- Clear board reporting focused on risk posture, not just performance

**Communicate early and credibly.** It is important for treasurers to communicate early with stakeholders, including markets, banks, rating agencies, and investors as they may react strongly to silence during times of crises. Communication should focus on the following areas (non-exhaustive):

- Liquidity and funding narratives to lenders
- FX, cash, and debt exposure
- Reassure banks through proactive engagement, strong relationships matter most during stress

**Thinking beyond survival.** Position for recovery, while conflict increases risks, it can also reshape supply chains, trade routes, and capital flows. Treasurers need to:

- Identify opportunities to renegotiate banking terms post volatility
- Reassess treasury centre locations and booking models
- Invest in digitisation and automation to reduce operational fragility
- Embed geopolitical risk permanently into treasury policy and stress testing frameworks

Conflict or war does not automatically translate into corporate failure, however unprepared treasuries can amplify its impact. Treasurer’s mandate during conflict should be clear: preserve liquidity, protect value, ensure continuity, and maintain stakeholder confidence.

Those who combine disciplined risk management, strong governance, diversified banking relationships, and operational resilience will not only weather the crisis but emerge stronger when stability returns.