ACT

LEADING TREASURY PROFESSIONALS

CASH MANAGEMENT CONFERENCE REPORT

AN UPDATE ON CASH MANAGEMENT / **SPRING 2015**

Sponsored by

BARCLAYS

Cash and change

Since cash management is a core responsibility of treasurers everywhere, it is no surprise that the ACT Cash Management Conference continues to be one of the most highly regarded events in the industry. It is the largest conference of its kind in Europe, and this year it welcomed more than 200 delegates from around the world.

Attendees gathered at a central London venue in February for two days to debate the most pressing cash issues, learn from experts and network with their peers and exhibitors. More than 40 experienced treasury practitioners shared their knowledge through case studies, panel discussions and workshops. Best practice was celebrated and innovations were explored.

On the topic of innovation, one of the strong themes that stood out for me at this conference was the power of technology as an enabler. The treasurers who addressed the conference repeatedly emphasised how technology had helped them to become more efficient, which then meant that they had more time to offer extra value to their businesses in terms of giving input to strategy or proposing new ideas. For this reason, it is vital that treasurers work with their banking partners to drive the technological agenda going forward.

Another familiar theme of the conference was that of regulation. Treasurers continue to be concerned by the side effects of regulatory change, for example, the impact of Basel III on the attractiveness of short-term deposits to banks. It was clear from the nature of the discussions that the banking community could do more to explain the impact of regulation on our customers.

Emerging markets can both excite and perplex treasurers. There is always plenty to consider when your company expands its operations into a territory that you are not familiar with – not least the new bank relationships that you need to form and the alien regulations and currency controls that you must negotiate. Unsurprisingly, then, the sessions on emerging markets attracted considerable interest from delegates.

This year's conference provoked plenty of interesting and stimulating debate, as you will discover over the coming pages. The quality of the speakers was very high and they offered lots of insightful comment. I hope that you will enjoy reading this report and following the discussions that took place. ◆

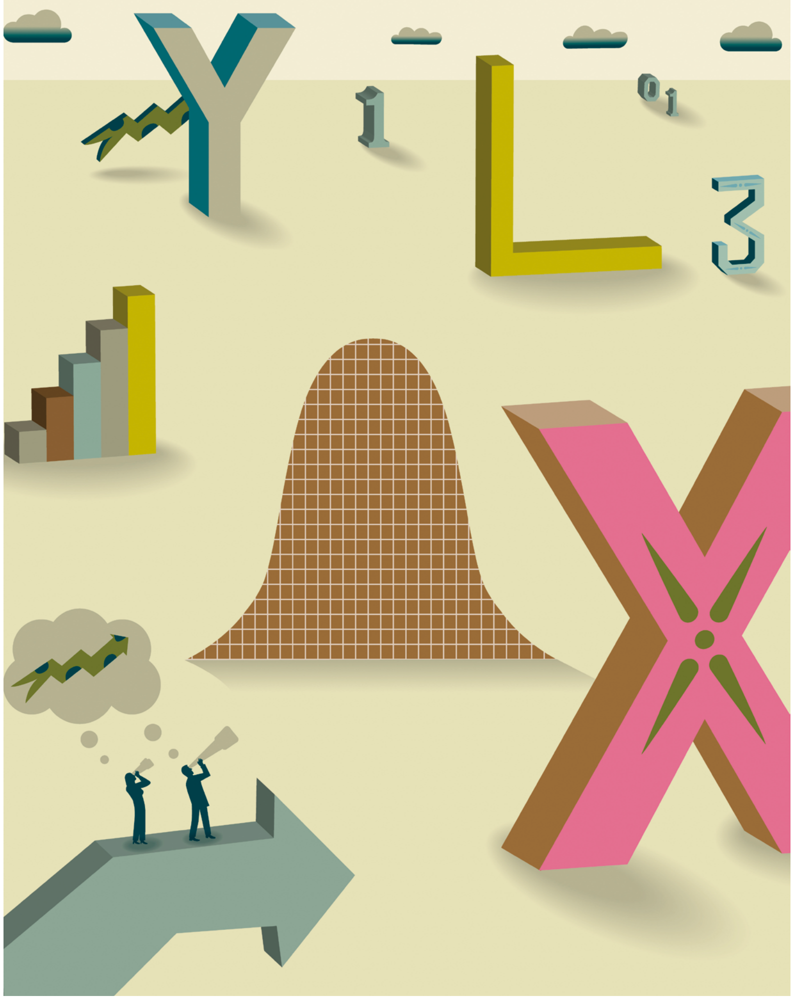
James Allan, head of UK cash management, Barclays

BARCLAYS

CONTENTS

ACT LEADING TREASURY PROFESSIONALS

WORDS: SALLY PERCY / CONFERENCE PHOTOS: WILL AMLOT / ILLUSTRATIONS: IMAGE SOURCE



Today and tomorrow

Treasurers must balance thinking about the present with planning for the future

A lively panel discussion hosted by ACT CEO Colin Tyler on the morning of the first day of the conference addressed the issue of how treasurers can future-proof their cash management strategies.

The discussion kicked off with a debate on how far treasurers can connect the challenges presented by the ongoing economic and political uncertainty with how they manage cash.

The case for cash

Andrew Beaumont, group treasurer of Thames Water, said that the utility company is perceived as being low business risk, but it still has a large capital programme with some big projects that have significant risks attached to them. "We do have to try to marry short-term priorities – ensuring that we manage our business as efficiently as possible to protect the interests of our customers – with a capital programme that goes out well into 25 or 30 years," he explained.

He added: "We try to take a long-term view and we're lucky because of our regulatory environment that we can do that. But, equally, we have seen regulators set challenging targets, which put pressure on us in terms of cash flow and our cash-flow ratios. We have to make the best use of cash."

Beaumont explained that in recent years Thames Water has carried more cash than ever before because of the political and regulatory uncertainties it has faced. As a result, its key priorities are to look to reduce the cost of holding cash and to manage cash more efficiently. He added: "We are living in a constrained environment regarding what we can expect our customers to pay. So we have to spend significant time looking at how we manage working capital and at the management of our cash."

Nick Feaviour, group treasurer of packaging company DS Smith, told delegates that his treasury team has

ACT CEO Colin Tyler (left) with the panellists

TOP TIPS

What was the panel's advice on future-proofing to other treasurers?

1. "Keep it simple." – Nick Feaviour, DS Smith
2. "Be very clear on your short-term and long-term objectives. You'll never be able to deal with everything, so build in some flexibility." – Andrew Beaumont, Thames Water
3. "Put in place very good planning and cash forecasting. If you know what's coming, you can be prepared." – Alison Stevens, Phoenix Group
4. "If you're working with multiple banks and looking to increase the efficiency of the way that you manage your cash balances, look at SWIFT." – Neil Gray, SWIFT

some public key performance indicators, particularly with regard to leverage ratios, working capital and average working capital. "These drive our hunger to use cash efficiently," he explained.

Holding cash is a necessity for closed life consolidator Phoenix Group, deputy group treasurer Alison Stevens told delegates: "As a financial services company, we have to hold a set amount of capital, which the regulator imposes, and we have to hold a certain amount of that in cash." Furthermore, the group has an acquisition strategy and so it may need cash in future for acquisition financing.

Neil Gray, senior sales manager, corporates business EMEA, at messaging provider SWIFT, said that businesses usually approached him because they were rolling out a wider, overarching project. "Usually it's on the back of a new system implementation, maybe a new treasury management system," he said. "Or maybe they've gone out to tender with their banks and they are changing the mix of their banking partners." Gray said that corporates opt for SWIFT when they are looking for a more efficient way to communicate with their banks.

Long-term strategies

Thames Water takes a long-term view of financing and Beaumont said that it is "very lucky" that it can tap long-term markets. "We try to get maximum value for that to create long-term stability of financing for our business." He emphasised that his team aims to be flexible and not assume that the next 10 years will be the same as the last 10 years. At present, Thames Water carries around £1bn of cash on its balance sheet.

Feaviour said that DS Smith does not have surplus cash; it uses a revolving credit facility. He added: "Given the spread of our operations, we do have cash in the system of £50m to £80m from time to time, but we sweep it back."

Phoenix Group holds around £1bn in cash at group level, which it uses as a liquidity buffer because all its bank facilities are fully drawn.

While draw stops on revolving credit facilities were a big issue in 2008/9 due to banks being unable to fund, that pressure has diminished considerably over the past few years, Feaviour noted. He added: "We like the revolving credit facility as an efficient capital structure. Holding cash is as risky at this point as holding undrawn commitments on revolving credit facilities. While the revolving credit facility is available and a liquid form of financing for us, it's something that we will continue to use."

Gray highlighted that sanctions are leading to change. "There's so much pressure from regulators on anti-money laundering and sanctions screening. That's largely been managed by the banks, but we are starting to see corporates wanting to screen their transactions before they go to the banks."

Dealing with uncertainty

Summing up, the panel agreed that treasurers should take a balanced approach when it came to planning for the short term and the long term. Beaumont said it was important to be flexible. "We would have other things to worry about if there was a complete implosion of the banking market," he noted. He emphasised the importance of diversification.

"There is great uncertainty, but we have to do things today," Feaviour observed. "Do you set up structures that allow you to cope with anything that might happen in the future? What we do is to keep things simple, which allows us to adapt to changes." ◆

SPEAKERS

James Allan
Head of UK cash management
Barclays

Andrew Beaumont
Group treasurer
Thames Water

Leander Bindewald
Researcher/project manager, complementary currencies
New Economics Foundation

Margaret Bingham
Cash forecasting manager
Premier Foods

Richard Brown
Executive architect, banking and financial markets
IBM

Angela Clarke
Head of treasury
Misys

Simon Clarke
Assistant treasurer
Arqiva

Matt Cornwall
Assistant treasurer
Capita

Tomasz Czerkawski
European treasury manager
Coveris Group

Michael Evan
Managing director
BlackRock

Nick Feaviour
Group treasurer
DS Smith

Neil Gray
Senior manager, corporates business EMEA
SWIFT

John Grout
Policy and technical director
ACT

Lucie Harwood
Group treasurer
Laird

Andrew Hilton
Director
Centre for the Study of Financial Innovation

Katherine Horrell
Group treasurer
Centrica

Guy Ingram
Regional treasurer
SABMiller

James Kelly
Head of treasury
Rentokil-Initial

James Lockyer
Development director
ACT

Pedro Madeira
Assistant treasurer
Heathrow Airport

Peter Matza
Engagement director
ACT

Christopher McConnachie
Vice president, US treasury
National Grid

Simon Neville
Group treasury director
Reckitt Benckiser

Michael Pechner
Director, head of international cash management, global corporates
Barclays

Joseph Peka
Head of UK treasury
Willis

James Piper
Group treasurer
Danwood Group

Karlien Porré
Director, treasury advisory
Deloitte

Michelle Price
Associate policy and technical director
ACT

David Quirke
Group treasurer
Tullow Oil

Stewart Rodd
Deputy treasurer – operations
Omnicom Finance

Bente Salt
Group treasurer
Ceona

Will Spinney
Associate director of education
ACT

Alison Stevens
Deputy group treasurer
Phoenix Group

Terence Trench
Director, mobile solutions specialist
Barclays

Colin Tyler
Chief executive
ACT

Neil Wadey
Group treasurer
British American Tobacco

Peter Walker-Smith
Treasury manager (front office)
AstraZeneca

Stephen Wheatcroft
Group treasurer
BBC

Jonathan Williams
Director of payments strategy
Experian

Sally Willis
Head of treasury
Wincanton

Liquid asset

Some basic principles apply when it comes to having cash in the right place, at the right time

ABOVE PHOTOGRAPH: SHUTTERSTOCK

"We spend a lot of time thinking about liquidity in the energy industry," Centrica group treasurer Katherine Horrell told delegates in her presentation on liquidity strategy. When the weather grows colder, energy companies have to pay out more for commodities before they are able to adjust direct debit collections.

Horrell said that "the whole point of liquidity" was that it should enable a business to meet its immediate requirements. "We think about all the possible liquidity stresses that could hit the company and assume that they all happen at the same time," she said. "And we make sure that we have back-up lines for them."

The kind of concerns that would affect Centrica's liquidity include big price movements that adjust its variation margins and its collateral or a credit-rating downgrade that would lead to it potentially having to put up more collateral. Stresses that other treasurers might need to consider when planning a liquidity strategy might be litigation or company performance, she suggested.

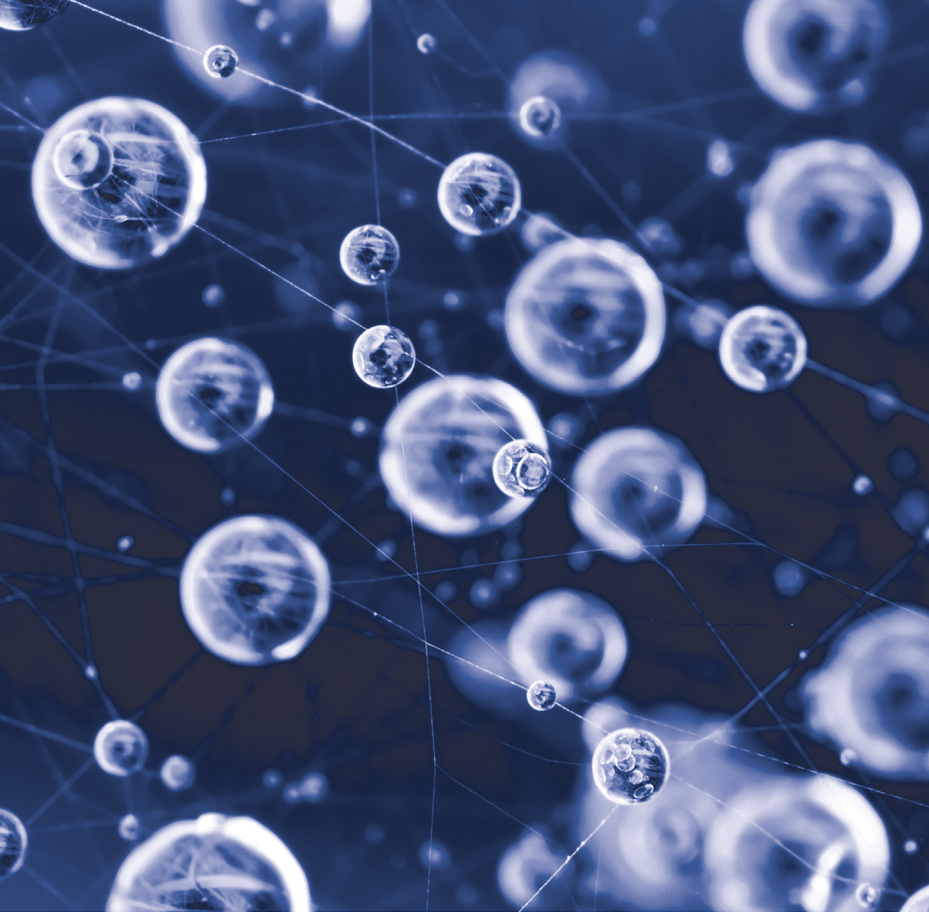
Centrica's Katherine Horrell discussed liquidity

Sharing her own take on managing cash, Horrell observed: "For me, the most sensible way of managing my cash is not to have any of it. If you've got no cash, you've got no counterparty risk. And saving on the cost of carry usually returns more than any investment." Horrell revealed that she was a bit nervous about money market funds and she does not always treat them as being AAA-rated. Some banks seem to be looking for deposits, but paying very low rates, Horrell noted. "Using deposits has some relationship benefits, depending on which bank you're talking to."

For liquidity provision, Centrica relies on commercial paper and over £4bn in back-up lines provided by 26 different banks. "I spend a lot of time managing bank relationships," she said. "The advantage of having 26 is that if one or two get into difficulty and drop out, we still have others. We think about banks all the time. But if we lost all 26, there would probably be bigger problems than me managing my liquidity. It is a constant concern, though, as I'm sure it is for anybody."

Horrell revealed that she had looked at using tri-party repos and "saw value" in them. But she added: "The kind of collateral that I tend to get offered in those kinds of arrangements doesn't excite me that much. I'm still thinking about it in terms of the counterparty risk of the immediate deposit taker. The practical issue is the term. If I had a lot of cash that I could put out for three months at a time, I would probably be a lot more interested in that. Commodity prices can drive cash calls and there is no way

> "We think about all the possible liquidity stresses that could hit the company and assume they all happen at the same time"



CASE STUDY: GLOBAL CASH POOLS

Tomasz Czerkawski, European treasury manager at plastics packaging company Coveris Group, and Karlien Porré, treasury advisory director at Deloitte, presented on Coveris Group's experiences of putting in place a global cash pool.

The pool was part of Coveris Group's strategy of centralising control of cash at the centre in order to meet the group's liquidity requirements. The group wanted to gain visibility of its European cash balances at HQ level. It also wanted to automate the mobilisation and concentration of cash across countries and entities, to reduce – and simplify – the number of intercompany loans it had, and reduce debt-servicing costs while optimising interest return.

Coveris opted for a cash-pooling solution with one European provider. It had a multi-currency notional pool in one location with a mirror account per entity/currency opened with the pooling bank in the country of the pool. The solution offered automated two-way sweeping based on target balances and trigger balances. It also provided multi-bank reporting through the pooling bank to report balances for non-pooled accounts.

of predicting that. So I find it hard to lock up cash for longer than a month at a time."

Lots of banks give Horrell presentations on different investment structures. "They can be valuable. There are some things I have seen work. And I have been able to go to the banks and get them to do something that deals with our concerns." She gave an example of a relationship deposit that she has with one bank where the yield increases the longer the money is left with the bank, but there is an offsetting money market line where she can draw it down again.

Centrica's board has a sophisticated approach to managing FX risk, Horrell said, because it is used to managing commodity prices. "It's a slightly odd situation to be in as a treasurer because our interest rate risk and our FX risk are tiny compared with our commodity risk. We do have board members who have good financial and markets backgrounds." ◆

Below: Forecasting is important, said Margaret Bingham of Premier Foods

THE POWER OF COLLABORATION

Margaret Bingham, cash forecasting manager for Premier Foods, presented a case study on using forecasting to aid cash-flow optimisation. "Cash flow is the key to any company's cash management system," she explained.

"In terms of liquidity management, we need to know that we have enough cash to meet our obligations and, like most large companies, we need to ensure that we manage our working capital efficiently. We need to understand the FX requirements and any natural hedges that incur, and we need to manage our cost of funds. If we're going to have surpluses, or if we are going to have shortfalls, the sooner we predict them, the sooner we can react to them."

Bingham outlined the approach that Premier Foods had taken to improve its cash forecasting. Before the company created its shared service centre (SSC) in Manchester back in 2008, treasury would issue a template and the divisions would populate the template with their cash-flow forecasting. "The degrees of accuracy and complexity were very, very different across the divisions," she explained. "Some divisions would forecast currency requirements in the currency that they actually wanted. Others would forecast it in sterling."

Over an 18-month period, the cash management for the different divisions was moved to the SSC in Manchester, where there were the same systems, procedures and business requirements. "With a view to the SSC owning and managing the cash position, we took control for the cash off the divisions. So they were no longer in a position to influence when they wanted to make payments and when they wanted to receive receipts." Meanwhile, treasury worked with the IT teams of the divisions to come up with some bespoke reports that would relate the electronic bank statements to the activities of the source divisions.

Bingham told delegates: "Now we have come to a point where we have a daily 13-week forecast, which we can reasonably flex up to 26 weeks if we need to. We have monthly information that we receive from the commercial finance team – sales that are expected over the next 12 months by customer. We have weekly accounts payable (AP) and accounts receivable (AR) updates and we have collaboration meetings with AP and AR. In addition, we have weekly meetings with senior management."

It is very important to have good treasury policies in place, Bingham explained. "A treasury policy sets out the risks delegated to treasury and how those should be managed and reported. Treasury cannot just take speculative risks." She added: "There's no point treasury sitting in a glass tower and saying that this is what we're going to do. The policy needs to be known, it needs to be agreed and it needs to be accessible."

Oiling the wheels

There are some practical options for driving working capital improvements

Guy Ingram, regional treasurer for Europe at brewer SABMiller, told delegates that when it comes to working capital, the company's treasury team tends to focus on financial solutions, rather than traditional working capital solutions.

Traditional solutions encompass ensuring that the operating units manage their inventories to low levels, bring down customer payment terms and manage customer credit. The group's procurement team also looks to extend suppliers' terms.

Meanwhile, treasury aims to take some of SABMiller's inventory that is on balance sheet, off balance sheet where it can. It also looks at invoice factoring on the receivables side and at three solutions on the accounts payable side. These three solutions are supplier financing (also known as reverse factoring), dynamic discounting (offering of early payment discounts on approved invoices awaiting payment) and procurement cards.

The off-balance sheet inventory financing is used for the barley that goes into SABMiller's beer. "Our suppliers probably have a higher cost of financing than we do, so we will be looking for ways to get our lower borrowing costs through to our suppliers," said Ingram.

He pointed out that the hurdles for favourable accounting treatment are very high with off-balance sheet inventory financing. "We are working very closely with our finance departments and auditors to ensure that we can achieve off-balance sheet treatment. The scrutiny that auditors are placing on this type of solution is only getting deeper."

Ingram said that SABMiller tends to work with its auditors to get schemes approved upfront before it enters into them. "The last thing we'd want is to have to unwind a solution and restate our financials," he explained.

Turning to receivables, Ingram said that invoice financing (also known as factoring) was expensive compared with SABMiller's normal financing methods. "We do use it sometimes where it is cost-effective and funding is required," he explained.

But he said that supply chain finance (SCF) has a lot of advantages for both SABMiller and its suppliers. SABMiller benefits from longer payment terms from its suppliers, while its suppliers enjoy accelerated cash flow, the ability to tap a new credit source and visibility of invoice approval on the system. SCF has no balance sheet impact if it is managed carefully. Meanwhile, enrolment is easy and there are no upfront or ongoing costs for the supplier to worry about. ◆

AVOIDING A CASH CRUNCH

Bente Salt, group treasurer of oil services company Ceona, gave an overview of how treasurers could avoid a 'cash crunch'. She pointed out that having cash is crucial if companies want to pay their employees and suppliers.

Salt explained that while spreadsheets are widely used for cash reporting, a treasury management system (TMS) is a better tool. This is because a TMS is more accurate (data is being imported from the bank, so there are no rekeying errors) and information is provided in a timely manner, which means that the organisation knows where its cash is.

Ceona uses cash pooling and it has two cash pools in two different locations. But Salt did note that there could be issues with cash pools, including the requirement for cross-guarantees.

Concluding, Salt advised delegates that accuracy in forecasting is essential to avoiding a cash crunch.

DISCUSSION AND DEBATE

Delegates were able to pick from three interactive workshops in order to benefit from further discussion and debate. SEPA one year on – facilitated by ACT development director James Lockyer and addressed by Jonathan Williams, director of payments strategy at information group Experian – reviewed the Single Euro Payments Area.

Meanwhile, ACT associate policy and technical director Michelle Price explored the world of repos with Michael Evan, managing director of investment management company BlackRock, Jayesh Patel, head of money markets at National Grid, and Peter Walker-Smith, treasury manager (front office) at pharmaceutical company AstraZeneca.

A separate event, entitled *talkingtreasury*, examined the issues that concern corporate treasurers in a confidential setting.

Dream scenario

What technological advance would treasurers most like to see? The ability to port bank accounts tops the list

A panel of treasurers joined ACT engagement director Peter Matza to discuss how technology is revolutionising cash management.

Stewart Rodd, deputy treasurer – operations, at Omnicom Finance, a subsidiary of marketing company Omnicom Group, explained that his treasury operates as an in-house bank, using technology for reasons of scale and future proofing.

He told delegates that banking providers have two main drivers with regard to offering technology to their customers. "The first is to provide you with the technology that differentiates them from other banks. The second is to provide technology that locks you into that bank." Omnicom Finance is looking to become more bank-agnostic, he added, and it wants to benefit from greater automation.

Pedro Madeira, assistant treasurer at Heathrow Airport, said that his business does not have lots of large-volume payments. It uses CHAPS for the high-value payments that it makes and BACS for its low-value payments. As a result, technological innovation in the payment space was not necessarily a huge driver for him. But he revealed that he was conscious of the risks associated with being dependent on a single bank.


James Kelly (left) from Rentokil-Initial shares a joke with the ACT's John Grout

It is difficult for corporates to change banking provider, observed James Kelly, head of treasury at industrial services specialist Rentokil-Initial. "I'm keen to see a way of dealing with this."

Rodd agreed. "The idea of a PAC code where you port your bank account to another bank would be of value," he said. He also commented that, ideally, he would like all 1,000 of his operating units to have the same bank account.

Talking about how investment in treasury technology fits into company strategy, Kelly said it was key to understand the strengths and weaknesses of the business. "You need to be quite cognisant of where the priorities of the organisation are at any point in time."

As an entrepreneurial business, Omnicom imposes few requirements on its subsidiaries, Rodd explained, because it does not want to stifle them. He added: "We are very conservative in our approach to business. We strive for visibility and control."

Commenting on how technological investment is approached at Heathrow Airport, Madeira said: "If we think something will work and we take it to the right people, it generally has a life of its own after that."

He continued: "Where possible, I like to own my own solutions rather than let the bank own the solutions. I have a bias towards in-house."

When the panel was asked what technological developments they would like to see in the future, Rodd mentioned electronic bank account management. "It's been coming for ever, but it's still not here," he said.

Kelly favoured having the ability to "pick up and move bank accounts around", as well as having greater visibility of "who you're paying". He noted: "You're never sure that who you're paying at the other end is who is on the invoice."

Madeira said: "I love the concept of keeping your account number and sort code in the way that you keep your mobile phone number. It's just information at the end of the day." ◆

TWITTER CHATTER

John Wilson @johndwilson
Great presentation on treasury activity in RMB, onshore & offshore, from Laird treasurer at #cashman15 noting RMB is 33% of their cost base

alexandra foster @ALF05TER
"Could #Blockchain effectively provide global RTGS?" @actupdate #cashman15 – answer YES & MORE !!! @BT_GBFM #fintech #BTRadianz

FINTECHNA @fintechna
RT ALF05TER: #WhatIsLoveIn4Words : Secure, non-repudiable message exchange ! #BTRadianz actupdate #fintech #cashman15 @BT_GBFM

CashAnalytics @cashanalytics
Great couple of days at #cashman15 thanks to everyone who dropped by our stand to say hi.

Search for sophistication

Broadcasting infrastructure provider Arqiva is enjoying the benefits of its new TMS

Every company will have unique requirements when implementing a treasury management system (TMS) for the first time. This was the view of Simon Clarke, assistant treasurer at broadcasting infrastructure provider Arqiva, who addressed delegates at the start of the second day of the conference.

Arqiva decided to implement its own TMS after going through a large refinancing that resulted in a whole business securitisation a couple of years ago. Following the refinancing, there was a material increase in the company's debt, cash and derivative transactional volumes. "It brought more complexity to the treasury team," Clarke told delegates. "We had previously used spreadsheets, but we needed somewhere to house our transactions securely." So, following a selection process, Arqiva chose the Salmon Treasurer software system, produced by Irish provider Salmon Software.

Clarke revealed that Arqiva's key requirements for the TMS included the ability to interface with Bloomberg, greater automation and the option to create journals that could be uploaded to the company's enterprise resource planning system.

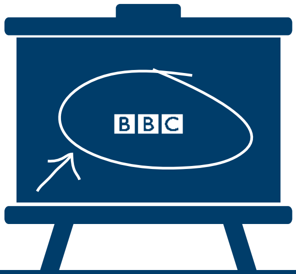
"Reporting is where a TMS comes into its own," Clarke observed. "We have started to see more added-value reports. We use the TMS to produce accrued interest journals, and that's been a big help."

He suggested a number of considerations for treasurers to think about when implementing a new TMS. These included weighing up whether they want to replicate their current processes or use the TMS to change how they do things; evaluating what kind of system they want – hosted by an application service provider (ASP), on-premise or software as a service (SaaS) – and assessing how much resource is available during the implementation. "A TMS implementation is quite time-intensive," said Clarke. "It's important to consider which other treasury-related activities are going on at the time."

Clarke highlighted that Arqiva's internal audit team was involved in the TMS implementation throughout the process. Furthermore, treasury requested an internal audit as soon as the system went live to check that the appropriate controls were in place.

The main benefits that Arqiva secured by implementing a TMS included automation of payment processing and account reconciliation; improved processes; minimisation of errors; and reporting that offered enhanced cash visibility in both the short and the long term. Clarke revealed that it also offered greater security of information, while minimising operational risk. "It allowed us to be more valued-added to the business," he said.

When asked if there was anything he would have done differently, Clark responded: "We should have put more trust in the system's capability. When you move from spreadsheets



to systems, you're not sure how it will all work. When you have done the testing, you can rely on the automation."

Simplifying complexity

The way in which treasury is perceived within organisations has changed a lot over the past four to five years as a result of the economic crisis, BBC group treasurer Stephen Wheatcroft told delegates. "The treasurer's profile in the boardroom has been raised."

This trend towards boards seeking more strategic advice from treasurers relates to why the broadcaster decided to implement SWIFT connectivity in 2012. "It feeds into the need to be more efficient at an operational level so that there is time to focus on value-added strategic activity," Wheatcroft explained. "SWIFT is about having a single infrastructure with our banks for our operational activity rather than trying to maintain multiple platforms."

The BBC's objectives in implementing SWIFT were to provide a robust single platform for its operational banking activity, to improve its visibility over cash balances, to consolidate its banking and accounting interfaces, to facilitate process efficiencies and to gain future flexibility by having a bank-agnostic system.

Wheatcroft explained that the BBC uses a service bureau for its SWIFT connectivity because the bureau offers benefits, such as configuring files to work with its accounting system. But he said that whether an organisation chooses to go direct to SWIFT or to use a service bureau will depend on the volumes and values of the transactions that they undertake and whether they have the technical infrastructure to develop and maintain the SWIFT connectivity in-house. You need to do a cost analysis of the two alternatives," he said.

Some of the banks had still been learning when it came to SWIFT, Wheatcroft explained, which introduced some additional challenges, including the fact that the contractual formalities were not straightforward.

"We've come across a lack of knowledge as we've gone into overseas accounts with banks," he explained. Nevertheless, he noted that banks in general are now more prepared when it comes to SWIFT compared with two years ago.

Rolling out SWIFT was like a marathon, Wheatcroft said, with the project lasting up to three years from when the business case was first started. He observed that the implementation had taken longer than he expected, but acknowledged that this was "partly due to scope changes". He added: "In a way, SWIFT is a project that never comes to an end. There is always something else to be done." He said that electronic bank account management could be a logical extension in terms of using SWIFT once the functionality is there "because it streamlines processes and improves controls".

Overall, Wheatcroft was pleased with the BBC's decision to implement SWIFT. When asked if he would do it again, his simple response was: "Yes, we would."

His advice to other treasurers was to "embrace the technology if it's right for you".

Electronic FX trading platforms

Joseph Peka, head of UK treasury at insurance broker Willis, outlined his experience of implementing an electronic FX trading platform in an engaging case study. He explained that the driver for the implementation was to reduce the amount of time that the treasury team spent trading and that he had been looking for an end-to-end solution.

According to Peka, electronic FX trading platforms offer a number of notable advantages. They are efficient because they save the dealers time and they also offer transparent pricing. They implement limits on how much a trader can trade by value and by day. They also provide a full audit trail of transactions, as well as detailed technology reports. Onboarding of banks onto the platform was straightforward, Peka revealed.

Looking ahead, Willis is evaluating the use of trading algorithms and it is also considering trading money market funds and repos through the platform. ◆

SWIFT LESSONS LEARNED BY THE BBC

- **Define your scope at the outset of the project and be really clear about what is in and out of scope. Ensure that you have the right resources in place to support the project.**
- **Think about what your resourcing is like. Can you take a SWIFT project on in the context of your business-as-usual activity? Consider using a specialist resource to assist you.**
- **Be mindful that different banks have different capabilities when it comes to SWIFT.**
- **Ensure that you engage fully with the third parties involved in the SWIFT implementation, for example, outsourced IT and finance providers. Keep them informed and manage them well.**
- **Ensure that the delivery is robust and always check that the contingency plans are adequate.**

ARQIVA'S TOP TIPS FOR IMPLEMENTING A TMS

1. Know who you're dealing with. Are the people who sell the system to you the same people who will come in and build it? If not, who will?
2. Don't underestimate how much time it takes to implement a TMS. Arqiva hired a contractor to help with the implementation.
3. Engage with all the affected areas of the business, especially IT and internal audit.
4. If you use the ASP-hosted or SaaS solution, consider how you will be protected if the data gets lost and how long you could cope if the system went down. Check what sort of cover you have under the service level agreement.
5. Don't just think about what the system can do for you now. Think about what the system can do for you in future.

Push and pull

Mobile technology has the potential to transform the payment landscape in exciting ways

The discussion on mobile payments is one of the most eagerly anticipated sessions at the ACT Cash Management Conference each year – and for good reason. Treasurers are always keen to find out about the innovative technologies that are coming down the line and the session tends to be interactive and engaging.

This year's discussion did not disappoint. Terence Trench, director, mobile solutions specialist at Barclays, took to the podium to explain about push and pull payments. In particular, he highlighted the opportunities that mobile phones offer to make push payments more attractive to customers.

At present, most payment methods are pull payments, Trench explained. These include cheques, direct debits and credit cards, where the customer hands over sensitive information to a third party. Since there is a risk that pull payments can be abused by either the payment giver or the payment receiver, "a lot of work goes into maintaining trust in the payment system". Not only that, but pull payments can be targeted by criminals.

Trench told delegates that pull payments are underpinned by the paper-based systems that existed when they were created. Push payments, on the other hand, are borne out of today's technology. A push payment is where a customer pushes money directly from their bank account to the party whom they wish to pay. Push payments have been growing in popularity in the UK since the launch of the Faster Payments Service in 2008 and they are even more popular in northern Europe.

Push payments have two clear advantages over pull payments for both businesses and customers, said Trench. "Firstly, the bank is authenticating the customer, so no sensitive payment details need to be exposed to the business. This means that businesses do not need to worry about data security and handling sensitive information, which, in turn, saves them money. Secondly, with a push payment the cash can be transferred in real time."

Despite the advantages of push payments, issues with the online banking user experience have limited take-up of them until now. Trench explained that, for many people in the UK, making a push payment today involves "bumping their kids off the PC late at night, and typing in an account number and sort code, only to discover that if you miskey that data, your money will have been sent to the wrong place and good luck with getting it back without a struggle".

The user experience

Advances in mobile technology are changing the user experience for the better, however. Mobile phones are secure electronic devices that allow for push payments to be made easily, Trench explained. As physical devices secured with an app passcode, they have the same function as the chip in debit and credit cards. They authenticate the user through something that only the user should have and something that only they should know. Plus these apps can be updated overnight if security concerns warrant it.

In addition, push payments can replace sensitive account details with a phone number – something people are familiar with and do not need to protect.

The apps can ensure that a business gets the reference details it requires in order to understand what a particular inbound payment refers to. This means that the accounts department gets the information it needs, he said. “It’s simple for the customer and good for businesses because there is less risk and cost.” He added that it also offered the possibility of businesses benefiting from cheaper transaction fees from their banks.

Treasurers need to promote the benefits of push payments within their organisations, delegates heard. It is especially important to ensure that the sales and marketing teams are aware of what they can offer so that they can encourage customers to make greater use of them. Trench said that the opportunity to benefit from mobile payments is considerable thanks to Paym, a mobile payment system in which 16 UK banks and building societies participate.

There is a perception that mobile payments are primarily used for small payments – to buy a coffee, for example. But Trench said that the average transaction value for corporates was actually £418. As an extreme example, two houses were bought at a property auction using Barclays’ mobile app, Pingit, in 2014. Even a business that only issues monthly invoices could benefit, he added, because the convenience of mobile payments could help non-direct debit customers to pay more quickly.

“This is a faster, simpler, more convenient transaction for your customers.”

Look to the future

While mobile payments have much to offer, Trench acknowledged that their full promise “may not transpire”. He noted that some of the advantages that push payments have over pull payments could erode over time. “Push payments are not affected by the same rules and regulations as pull payments,” he said, “because the market hasn’t developed. So there may be additional regulations that cause costs to rise.”

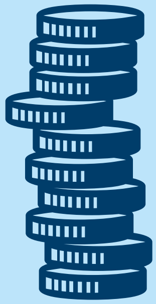
Another issue relates to getting retail customers to use push payments in bulk. Trench highlighted that point-of-sale devices in stores have extensive hardware requirements that could be prohibitive to the take-up of mobile technology. “I’m not convinced that mobile phones will displace cards at the point of sale in high-volume locations,” he commented. “Point of sale will be very challenging, especially for low-value transactions.

Furthermore, interoperability (the ability for systems and organisations to work together) will be key to mobile payment systems fulfilling their true potential. Hence, Trench urged treasurers to demand interoperability from their banking partners. “No one is going to develop interoperability if you don’t demand it,” he said.

Then there is the question of counterparties. Customers clearly will not be able to make a payment if the party that they want to make a payment to is not set up to receive payments via mobile methods.

Overall, the session gave delegates plenty to think about in terms of the potential that mobile technology offers their businesses and how effectively they are using it at present. ◆

BARCLAYS



PAYMENT MILESTONES

700-600BC – coins were invented in Lydia (south-west Turkey), India and China

1659 – the first cheque for making a payment was written in the UK

1891 – the traveller’s cheque was invented in the US

1961 – the first plastic Diner’s Club card was introduced in the US

1966 – the first debit card hit the market in the US

1967 – the first ATM in the world was installed in a branch of Barclays in London

1968 – BACS, formerly known as Bankers’ Automated Clearing Services, was launched in the UK

1981 – online banking first appeared in the US

2008 – the UK launched the Faster Payments Service

WHAT IS PAYM?

- Paym, which was launched in April 2014, is a way to send or receive money using just a mobile phone number in the UK. To make a payment, a customer just needs to register for Paym and link their mobile number with their bank account. Not only is it a way to pay other people without having to withdraw cash, it’s also a way to be paid by others without having to disclose bank details.
- By 31 January 2015, nearly two million people had registered to receive payments through Paym, and 85% of the people who had used it would recommend it. More than £26m had been sent using Paym in 2014 with almost half of payments being sent on a Friday, Saturday or Sunday. The average value of a Paym payment across the whole of 2014 was £53.65.
- A statistical update issued by Paym in January 2015 revealed that individuals aged between 16 and 34 account for nearly three-quarters (71%) of Paym users. Overall, 66% of consumers are aware of mobile payments and, of these, 54% are aware of Paym.
- Theoretically, Paym is available on more than nine out of 10 current accounts in the UK, covering in excess of 40 million customers.

Into the unknown

Emerging markets present both challenges and opportunities for treasurers

A panel discussion facilitated by Peter Matza, ACT engagement director, examined the challenges faced by treasurers in emerging markets. In particular, it focused on issues of releasing cash in highly regulated markets, relationships with banking partners, and risk management.

Operational issues

Simon Neville, group treasury director of Reckitt Benckiser, explained that the fast-moving consumer goods company has sales in nearly 200 countries and it also has an "asset-light" business model. This naturally affects its cash management strategy. "We look at how we can flow cash through the system and how we can get those profits out," he said. "We all know that there are some places where you can never get money out. But there are other places where you can, if you put the right structures in place upfront, get the tax team on board, and make sure that tax and treasury are totally aligned."

Neville explained that Reckitt Benckiser has treasury personnel in its hubs in Amsterdam, Dubai and Singapore, which act as "eyes and ears on the ground". Central treasury also has regular calls with the regional CFOs, the area controllers and FDs. "There's a healthy dialogue," he said. "It is treasury's job to help the business to facilitate sales when the company expands into new markets."

David Quirke, group treasurer at Tullow Oil, explained that the oil and gas exploration company specialises in Africa and is present in 22 countries. "When we go into a country, we go in at the early, exploration phase," he said. "We agree with the host countries that if we do go through with development and production, that will involve revenues being denominated in dollars and kept offshore."

Quirke continued: "Getting the FX out of the country is not something that we generally have to deal with. We're more concerned with issues such as, can we fund our operations onshore and have we got the right cash management partners? And can they do everything that we need from a cash and trade finance perspective?" He added that Tullow Oil has a 27-bank syndicate with expertise around the world.

Tullow Oil's treasury is centralised in London so, in the early days of moving into a new market, treasury would be a part-time role for a finance manager based in that market. Once the operation has become more established, the company would then recruit for dedicated treasury professionals. "As we expand, we tend to select a cash management partner," he explained.

"It is important for us to have one person within that institution who is responsible for rolling out a programme across the country. Having a finance manager knock on the door of a local branch doesn't work for us. We need someone who is accountable at the relationship level so that they can help us to clear the hurdles that we encounter."

The bank perspective

Michael Pechner, head of international cash management, global corporates, Barclays, explained that from an international emerging markets' perspective, the bank is particularly focused on Africa. Barclays can leverage its strong presence to strategically align itself with, and follow its corporate client base, throughout the region. "We see a lot of clients, especially multinationals, looking at Africa as a region. But that is a bit of a misconception to start with. Africa consists of 55 separate countries with very, very different regulations, and exchange and currency controls."

Pechner explained that the bank talks its clients through the differences that exist between countries. "You have to manage your head office perceptions," he told delegates. "You have to take culture into account and you have to allow for restrictions, such as payment capability or sanctions screening. These are not the things that are top of the mind when a business is thinking of launching in a new country."

He continued: "We try to help and guide our clients with the knowledge that we have. That's on-the-ground knowledge and it's key. You need to understand who you're going to be partnering with when you set up those businesses, and look at what can be done on a regional level, versus what needs to be done on a local level."

Businesses are still very interested in entering emerging markets despite the geopolitical uncertainties that exist, Pechner said, although Russia may currently be an exception. "They are looking at how they can deliver to

The ACT's engagement director, Peter Matza, discussed emerging markets

shareholders and customers. These are growing markets and they are following consumer trends. You do look at Africa and you see an area of growth."

From a bank's point of view, Pechner explained that financial institutions tend to focus on particular geographies when it comes to taking risk.

Relationships matter

Neil Wadey, group treasurer at British American Tobacco, highlighted that banks were redefining their global footprint, exiting certain markets and entering new ones. "Don't rely on one bank," he advised. "If you're a smaller company with one strong banking relationship, it always pays dividends to be talking to more than one." He revealed that he deals with 22 core banks and draws on those relationships to get "best advice across the board".

Wadey said that he did not always agree that Africa was "55 separate countries". He said that he sometimes wanted to manage it as "one area, with one shared-service location in Romania". He explained that it was important "to challenge, to look at multiple suppliers and to understand their strategy". With this in mind, he always sits down with each of his 22 banks for a meeting once a year to find out what they are doing.

"I think you just have to be agile and alert," Wadey advised. "Whether that's a central function, or people sitting in hubs, you have to get the right knowledge somehow. Banks are great at giving it to you, but you have to ask the correct questions and ask them of more than one person."

Pechner said that banks want to understand what corporate treasuries are trying to achieve. "We want to be relevant and to help make things happen," he noted. But he added that there are challenges due to a lack of standardisation across different markets in Africa, although the situation is changing. This is a recognised issue that is being addressed, whether through SWIFT formats or message types, or regional trade areas.

"You need to understand who you're going to be partnering with and look at what can be done at a regional level, versus what needs to be done locally"

Evaluating performance

Quirke observed that cash management business is highly sought after by banks in emerging markets. "The banks are all keen to secure that business and to get their names on the door." He said that the nature of Tullow Oil's business means that it is not necessarily looking for standardisation, although, in certain areas, it may ask one bank to look after four or five countries.

Supervision is important when operating in emerging markets. Quirke revealed that either he or his treasury manager visit the group's key countries once or twice a year. They speak to their banks in those markets and assess the quality of the people they employ and how keen they are to have the group's business. "It's never a case that 'this is your piece of business and you've got it for the next 10 years'," he said. "You've got to constantly evaluate performance."

Pechner emphasised that for a bank such as Barclays, working with its local branches and having access to central banks was a crucial part of how it does business in emerging markets. He also observed that banks should understand their clients' particular needs, for example, freeing up trapped cash or managing liquidity. "Our clients look to us to assist with that," he added. "So it's very important for us to have access to decision makers."

Neville explained that Reckitt Benckiser will give business to a bank that is not in its banking group if "the banking group can't match the pricing or service our business", provided the bank in question has a similar credit rating to those in the group. "There are banks out there that we would love to have in our group, but we don't have room for them all," he said. "We have to feed all our banks and we need to allocate our wallet where our banks are strongest."

Although Wadey has a core group of 22 banks, he actually uses between 100 and 200 banks in total. "We have core banks and we have banks that may not be supporting us centrally, but they are supporting us locally."

He pointed out that a treasurer's banking requirements will depend on what they are trying to achieve in a market. "If I go into Brazil, I'm collecting cash every day from 300,000 outlets. If I go to Mexico, I'm collecting cash from 500,000 outlets. If my bank group doesn't have that branch infrastructure or the payment systems aren't developed enough in those markets, then I have to use the local banks."

Wadey added: "It's finding how to best match those local banks with our international banks. I'm always going to use my core, international banks. But I'm also always going to use local ones judiciously in order to meet the business's objectives."

Pechner pointed out that emerging markets present both opportunities and challenges to treasurers. "On the one hand, you have a payment market that is what it is; it may not accept SWIFT standards, for example. On the other hand, it's an opportunity to overlay all of that with new technology and tie that in with the way the payment market is evolving, especially in Africa."

He emphasised that the mobile payments space in the region offered a lot of potential, but he said it was very important to get it right. He added that the corporates are challenging their banks to move away from looking at what the constraints are to looking at what the opportunities are.

Summing up the discussion on how emerging markets can impact treasurers, Pechner observed that while "lots of things can go wrong, lots of things also go right". ◆

> "Working with its local branches and having access to central banks is a crucial part of how Barclays does business in the emerging markets"

GOVERNANCE

Governance is a crucial consideration for treasurers when their company moves into a new market. During the panel discussion, Neil Wadey, the group treasurer of British American Tobacco, explained that he keeps tight control over the banking relationships that the group enters into.

"Nobody can open a bank account, take a credit line or begin a discussion with a bank anywhere in the world without me saying so," he said. "That's pretty onerous and it takes up quite a lot of my time. But it means that I know exactly who we're talking to."

Sanctions screening is a significant issue, Wadey added. "It's a whole new world that we have to stay on top of."

Reckitt Benckiser's group treasury director, Simon Neville, said that he pays a lot of attention to the company's banking relationships.

"We review every bank account and we go through and rationalise those. We will close some 20% of our bank accounts on a rolling basis because they've become dormant or can be consolidated. Dormant accounts are a risk from our perspective."

David Quirke, group treasurer at Tullow Oil, emphasised the importance of having a strong treasury policy in place and "rolling it out across the business on a regular basis". He said that it was essential that people with treasury responsibilities are kept informed of changes in policy.

Quirke also said that there would inevitably be some markets where treasurers would have to go outside their core banking syndicate, but they could work with their compliance functions to make sure that the right checks are in place.

Michael Pechner, head of international cash management at Barclays, highlighted the fact that corporates need to think carefully about the structures that they use to enter emerging markets – joint ventures, for example – because "banks will not be able to deal with certain types of entities".

The view from Asia

Developments in China present some good opportunities for treasurers

"We don't talk about trapped cash, we explain it as extra liquidity," is how Lucie Harwood, group treasurer of technology company Laird, opened her conference session on the view from Asia.

Laird, which employs 7,000 people across Asia, has 27% of its sales and 33% of its costs denominated in renminbi. Harwood explained that the company was able to set up onshore cash pools in China. But she warned that regulations change quickly and there is a lot of paperwork involved with making payments in China. "We have a team that understands that," she added.

Having strong branch relationships is key in China, Harwood explained, particularly for negotiating regulation and compliance. Local banks can be "more comfortable with the rules" than global banks, she noted. "It's important to talk to all your banks. It is often the bank that brings a non-English-speaking team and has to use a translator at your meeting that gives you a solution that works and is appropriate for your business."

On the topic of invoicing in renminbi, Harwood said: "In the past, it wasn't possible to invoice offshore and it wasn't possible for companies outside of China to invoice in renminbi. It is now." She noted that Laird's treasury was working with the operations and sales teams to push renminbi as an invoicing currency.

Harwood revealed that she undertakes offshore trading of renminbi through the deliverable CNH market in Hong Kong. She puts forward contracts in place, has the money put into a Hong Kong bank account and then directs it to the group's entities in China. She is also looking at setting up a renminbi-denominated bank account in London.

Reputation and relationships matter a huge amount in China, according to Harwood, and she emphasised the importance of saying 'thank you'. She added: "If you're engaged with a Chinese bank in London, its key decision-makers may be in China. So if you have a good relationship with the branches in Shanghai or Beijing, that will pay dividends."

Harwood urged treasurers to embrace the redback, saying: "Whatever you call the currency, it's here. It's one of the top five world payment currencies." ◆

PHOTOGRAPHS: SHUTTERSTOCK

CONFERENCE IN NUMBERS

52.5%
of treasurers say that increased political and economic uncertainty is prompting their organisation to hold more cash, according to an ACT survey from September 2014

2012
was the year in which the People's Bank of China allowed international companies to settle trade using renminbi, subject to local restrictions

£26.6bn
was Centrica's revenue in 2013

1.2%
is the eurozone's predicted growth rate in 2015, according to the International Monetary Fund

70,000+
people are employed by Capita

140,000+
bottles of SABMiller beer are sold every minute of every day

THE VIEW FROM THE US

Christopher McConnachie, vice president, US treasury with transmission network National Grid, shared his perspective from across the pond. He told delegates that bank regulation in the US has both a direct and an indirect impact on treasury. "We've seen banks interpret new regulations in different ways," he said. "This has resulted in both a shift in the services offered and a greater disparity in how products are priced."

Regulation has changed the way in which treasury needs to operate and the skill set within the team, McConnachie explained. "As a treasury team, we probably spend between 20% and 40% of our day on regulatory compliance." McConnachie said that it is important for treasurers to establish an environment of continuous improvement and advised delegates to embed themselves in their businesses.

Why cash is still king

Corporates are stockpiling capital for some very good reasons, according to CSFI director Andrew Hilton

Keynote speaker Andrew Hilton, director at the Centre for the Study of Financial Innovation (CSFI), opened the conference with a thought-provoking overview of the global macroeconomic situation and how that impacts on cash.

He highlighted that a survey conducted by the ACT in September 2014 suggested that, as of the middle of last year, UK private non-financial corporates were holding around £500bn in cash. Furthermore, 43% of the organisations polled said that they planned to hold more cash than in the past.

Addressing the issue as to why corporate cash had piled up, Hilton identified five reasons why corporates might be consciously holding cash:

- To take advantage of low interest rates to lock in funding for some known future outlay.
- To provide for higher working capital needs.
- They fear the willingness of banks to provide on-demand finance.
- Regulatory uncertainty, particularly regarding the regulatory requirements around derivative positions.
- A hedge against deflation (although he didn't believe that one).

He also suggested a couple of 'unconscious' reasons for a cash build-up, including the 'lumpiness' of bond-type funding and the irregular nature of M&A activity.

Future outlook

Hilton suggested that, going forward, UK corporates' attitudes to their cash reserves would be influenced by political uncertainty, regulatory uncertainty, economic policy and the outlook for interest rates, as well as the structure of modern industry in terms of its capex requirements.

Talking about Europe, Hilton suggested that the situation was the worst it had been since the days of the Cold War. Furthermore, he predicted that the Middle East could explode at any time – "and might well do so, given the general ineptitude with which we in the West treat it". Then there was the 'arc of instability' from Lebanon to Sri Lanka and the possibility of a flare-up between India and Pakistan, "each of which has (and is prepared to use) nuclear weapons". He also noted that opinion polls suggested that the most likely outcome of the UK general election would be a Labour-Scottish National Party coalition, which would "reopen the issue of Scottish independence and push Labour sharply to the left".

On the topic of regulation, Hilton emphasised that capital requirements for banks were getting ever more onerous and expensive. They were also subject to higher and higher fines and penalties. Banks were very scared of their regulator, Hilton noted, adding: "But one has to wonder if the penalties aren't becoming excessive."

He continued: "The regulators in the US hit banks for $65bn in fines and penalties last year – with foreign banks among the hardest hit. The result is that banks (many of whom are already operating under deferred prosecution agreements with the US) are less and less willing to take on any client or any deal that might result in regulatory exposure. It also means that the fastest-growing areas in banking are compliance and legal."

The problem, said Hilton, isn't just that we have too many regulations. "We have too many *dumb* regulations," he concluded.

BREAKOUT SESSIONS

A choice of three interesting breakout sessions were offered to delegates. In a session hosted by ACT associate director of education Will Spinney, two treasurers discussed the challenges associated with integrating cash management functions during M&A activity. The treasurers in question were Angela Clarke, head of treasury at software company Misys, and Matt Cornwall, assistant treasurer at outsourcing company Capita.

Meanwhile, ACT development director James Lockyer explored the intriguing world of Bitcoin and other cryptocurrencies in a separate session. Leander Bindewald, researcher/project manager, complementary currencies with the New Economics Foundation, and Richard Brown, executive architect, banking and financial markets at technology company IBM, debated the practical applications of cryptocurrencies.

Finally, ACT chief executive Colin Tyler focused on cash management issues among UK SMEs in his session. Joining him were James Piper, group treasurer of print and document specialist the Danwood Group, and Sally Willis, head of treasury at logistics firm Wincanton.

Skyscanner Offices, Edinburgh
Shane Corstorphine, CFO, Skyscanner
Paul McAuslan, Relationship Director, Barclays

As a fast-growing technology company, Skyscanner needs a far-sighted financial partner. Our understanding of their vision enabled us to fund an equity release scheme, providing the impetus to grow their business. They've now opened seven new international offices since the start of 2013. As CFO Shane Corstorphine says, "We have a true partnership with Barclays because they understand the complexities of our business and share our ambition."

Call 0800 015 8642* or visit barclays.com/corporatebanking to find out how we can help your business succeed.

BARCLAYS