In the picture

PETER MATZA REVIEWS THE HIGHLIGHTS OF A EUROPEAN SURVEY INTO CORPORATE TREASURERS' LATEST THOUGHTS ON FUNDING, BANK RELATIONSHIPS AND REGULATION, AND HOW BANKS REMAIN AN IMPORTANT PART OF THE FUNDING PICTURE.

Over the past few months the European Association of Corporate Treasurers (EACT) has run a comprehensive survey of corporate treasurers to gauge their mood on funding, bank relationships and regulation. The EACT provides a unifying focus for issues that, on a European level, affect how the members of national treasury associations can operate. 2012 marks the 10th anniversary of the EACT's foundation and with its 562 respondents the survey shows the tremendous value in treasury associations from across Europe working together. This collaboration has deepened over the past three or four years as the impact of the financial crisis and the likely regulatory and governmental response have become clearer in the real economy.

Company size (measured in turnover) was equally representative, with 53% of respondents working for companies worth less than €1bn and 34% for companies worth over €2bn. As expected, the largest numbers of responses came from treasurers in the largest economies – Germany, France, the UK, Italy and Spain. The survey gives a detailed picture of the issues confronting treasurers in 2012.

In terms of bank funding, almost 50% reported that banks have increased margins on uncommitted lines of credit; more than 17% of those experiencing increases reported margin rises of between 100 and 300 basis points (see Figure 1). Almost 60% of those responding suggested that at least some part of the increase was due to a change in the credit position of the lender.

Even on committed lines, margins have been driven higher, albeit the large majority, around 85%, reported these increases as 100 basis points or lower. To be fair, those treasurers who have asked for increased facilities – at whatever margin – have had their requests acceded to in more than 60% of cases on an uncommitted basis and more than 70% of cases on a committed basis.

The issue of how banks and corporates work together in these new credit conditions was also addressed, with perhaps surprising results (see Figures 2 and 3).

Treasurers reported that fewer than a third of banks had asked for some form of additional security (such as covenants in documentation). This, however, raises an interesting question: if credit is going to be priced at or near its true cost to the bank in regulatory terms, what happens to other business between banks and corporates? Treasurers might consider that credit and ancillary business could become "divorced" but a clear majority of respondents suggested that banks were working harder to tie in ancillary business opportunities with credit commitments. By a clear majority, however (56% to 44%), respondents accepted that their banks were behaving flexibly when dealing with corporate clients. The pricing issue is highlighted by an equally clear majority (57% to 43%) saying they had not been approached by their banks with explanations of the potential impacts of Basel III and other regulatory initiatives (see Figure 4).

Banks remain important to corporates, however, with more than a third of treasurers saying that more than two-thirds of their financing was provided by banks (see Figure 5).

Treasurers were also asked an open-ended question to find out what they thought they had learnt from the financial crisis in terms of managing their bank borrowings. The large number of responses give a fascinating insight, with the overwhelming majority confirming they had learnt from the financial crisis in terms of management of their bank borrowings. A few individuals suggested they had lost trust in their banks and many had taken some steps to diversify their approach to financing their business. Overall, treasurers have reassessed the practicalities of these relationships and are spending time on understanding what services they need and what they pay for them.

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Fig 1: If banks have increased the margin on your uncommitted short-term credits, how big is the increase?

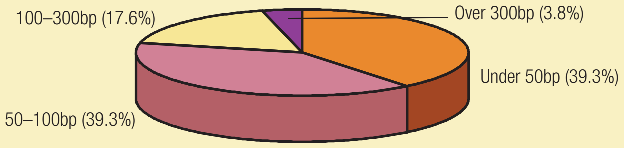

Fig 2: Has any of your banks sought additional securities in return for lending or other credit commitments?

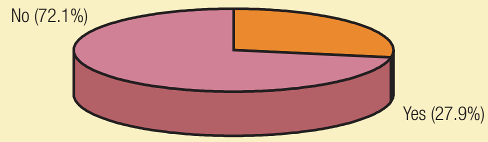

Fig 3: Are banks actively seeking to tie ancillary operational business to lending commitments?

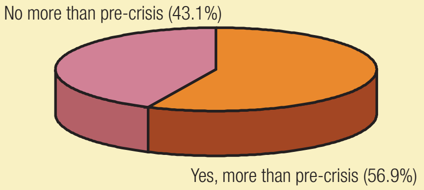

Fig 4: Have your banks informed you of the likely price impact of implementing Basel III and CRD IV?

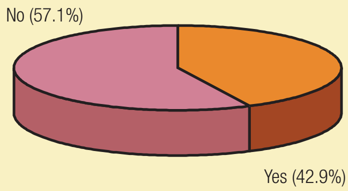

Fig 5: What percentage of your financial loans are covered by your banks?