

The view from Asia



COLIN TYLER REPORTS FROM THE FIRST EVER ACT CASH AND TREASURY MANAGEMENT CONFERENCE TO BE HELD IN HONG KONG.

With an audience of more than 100 delegates, entertained in a series of informative presentations and taking full advantage of the various networking breaks, this new event's popularity looks like turning it into an annual fixture in the ACT's global calendar. It was the first formal conference the ACT has held in conjunction with the Hong Kong Association of Corporate Treasurers and the International Association of CFOs and Corporate Treasurers (IACCT), with which the ACT has a relationship that dates back many years. Sponsored by JP Morgan Asset Management (JPMAM), the conference, held in January, was also supported by government trade agency UKTI and the local offices of ACCA and CIMA.

Travis Spence, MD and head of global liquidity Asia Pacific at JPMAM, opened the day with a review of the Asian regional economy. In his view, the painful austerity in Europe is in stark contrast to Asian emerging markets and he believes treasurers have become "battle-hardened" by the greater volatility in business and financial markets.

In cash investing there are a number of trends that were identified in the 2011 JPMAM global liquidity survey, which is run in conjunction with the ACT. First, there has been a move toward Canadian, Swiss, Nordic and Asian (Australia, Singapore, Japan and China) counterparties. Second, corporates are prepared to take some flexibility on seeking yield – via duration – rather than reducing credit quality. And third, as cash surpluses have built, the segmentation of cash strategies is emerging. In Asia generally, there are 38 banks at single A or higher, which the survey confirmed is the preferred minimum rating for treasurers depositing cash.

Allen Leung, treasury director Asia Pacific at PPG Industries International and IACCT president, gave a personal view on the integration of treasury with overall business operations. While treasurers often get the first call from the business when there is a problem (eg. a natural disaster interrupting a supply chain) demanding a high-quality responsive service, Leung's view was that treasurers could be much more proactive in making their organisations more flexible and responsive to volatility and change. He tempered his enthusiasm by warning treasurers of the need to understand the appetite for risk in senior management, but added that careful



analysis and old-fashioned attention to treasury detail could shape that view.

Other speakers offered insights into a range of contemporary treasury issues. There was considerable anxiety about banks' credit quality (have we seen the end of bank failures?) and the impact of Basel III and other regulatory initiatives on lending and derivatives. Some corporate speakers also questioned bank lending policies especially in preferred and less favoured industry sectors.

Technology issues are always a feature of ACT events. One speaker suggested that up to 50% of Asian finance management time is spent processing – in other words, not adding value. That said, many Asian corporate treasuries are investing in treasury management systems, accounts payable/receivable platforms and related systems, although there is some way to go before e-invoicing or even e-BAM is prevalent.

Bank relationship management was raised by a number of speakers and treasurers were urged to spend more time on this area to get the best out of their banks. Hong Kong had suffered from some overseas banks withdrawing from lending despite the greater business opportunities afforded by the growth in the Chinese economy. In particular, there is a need for treasurers to understand their bank's business model and service offering; discussing strategic as well as operational issues was recommended.

The closing keynote address was from Carmen Chu, executive director (external) at the Hong Kong Monetary Authority (HKMA), who focused on renminbi (RMB) internationalisation and Hong Kong as the offshore renminbi business centre. Annual trade settlements in renminbi are currently over RMB2 trillion, which offers plenty of room for growth as it accounts for only around 10% of Chinese trade. The numbers of banks, Chinese exporters and technology providers entering the renminbi market will drive its expansion and the majority of that business is likely to travel via Hong Kong. Hong Kong's role as the business conduit to China has successfully bridged the colonial era, the Cold War and the subsequent opening up of China to the world economy. HKMA is committed to driving this growth using technology, education and efficient regulation.

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