

Agenda



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“I believe it truly is a moronic policy that stands head and shoulders above most of the stupid economic policies I have seen implemented during my 30 years in this business.”

Albert Edwards, a strategist with Société Générale, delivers his scathing assessment of chancellor George Osborne's 'Help to Buy' scheme, which is intended to boost the UK housing market by providing a state guarantee for up to 20% of a mortgage.

“It is essential that eurozone countries do not unravel their efforts to reduce government budget deficits.”

European Central Bank president Mario Draghi warns indebted eurozone countries that benign market conditions do not mean they can shy away from making important reforms.



{ CAPITAL MARKETS AND FUNDING }

SCF SHOULD BE 'BUSINESS AS USUAL'

Supply chain finance (SCF) should be 'business as usual' for every major company with a supply chain, especially if it has supply chains around the world. This is because it's a 'win-win' for buyers and suppliers, treasurers heard at an ACT breakfast update that took place in London at the end of May.

At the event, which was held under the Chatham House Rule, treasurers were told that SCF helps suppliers by freeing up their working capital and providing them with cheaper funding that is based on their buyer's credit quality. SCF also makes credit insurance redundant and is an efficient way of lending to SMEs, which still find it harder to access finance than larger companies.

Buyers benefit from SCF because they have more resilient supply chains at zero cost. In addition, SCF is a good incentive to get suppliers to agree to extended payment terms, which then improves the buyer's working capital.

In addition, delegates learned that it is important to have a good communication strategy in place to explain SCF to their suppliers and other stakeholders, such as procurement.

For more on the SCF briefing, see www.treasurers.org/node/9099



{ QUESTIONS YOUR FD IS LIKELY TO ASK THIS MONTH }

MARK CARNEY

I've been hearing about Mark Carney for months, but when does he actually start as governor of the Bank of England?

Well, he takes up his post at the start of this month (July). I agree there's been a lot of build-up about his appointment and expectations are running high. The government hopes that somehow he will be able to work some monetary magic that helps to stimulate more economic growth in the UK.

What's his background again?

He's just stepped down as governor of the Bank of Canada and is one of the world's most respected central bankers, which is why chancellor George Osborne was so keen to recruit

him. He has also done stints with Goldman Sachs and the Canadian Department of Finance.

So what's he actually going to do, do you think?

Many experts believe that he is going to restart the Bank of England's quantitative easing (QE) programme, which has pumped £375bn into the economy to date by creating money to buy government debt. Carney appears to be a fan of QE and has described Japan's attempts to use QE to combat deflation as a "bold policy experiment".

Is there anything else?

He is also expected to issue forward guidance, which is a pledge to individuals and

businesses that interest rates will stay low. The idea is that making this commitment will encourage them to invest.

What about inflation?

Well, that doesn't appear to be top of the government's priorities right now, but it is undoubtedly squeezing real incomes and eroding savings and pensions. Inflation in the UK has been as high as 5.2% during the past two years and it remains persistently above the government's 2% target. Carney will need to balance the trade-off between economic growth and inflation, and make a gradual adjustment to monetary policy as to when he thinks the UK is emerging from its on-off recession.

1 in 15 18% of European companies have had their credit lines reduced by their lenders

43% reported that their banks have increased the margin that they apply to their company's uncommitted short-term credits

31% of banks are seeking additional securities (for example, pledges, guarantees, raising the level of covenants) in return for lending or other credit commitments



of companies are funding themselves by making more use of the financial and capital markets (for example, commercial paper and bonds) and less use of their banks

18% of respondents reported that their banks had stopped financing in some currencies

RECKLESS BANKERS THREATENED WITH JAIL

Senior bankers who are guilty of reckless misconduct could be jailed and bankers' bonuses should be deferred for up to 10 years to ensure that long-term performance objectives are met.

These are two of the hard-hitting recommendations made in the long-awaited final report on reforming the banking industry, which was published last month by the Parliamentary Commission on Banking Standards.

The report, entitled *Changing banking for good*, outlines a number of other radical measures for improving standards within the industry. These include giving senior bankers clear personal responsibilities and enhancing regulators' powers so that they can cancel all outstanding deferred remuneration for senior bankers in the event their institution needs a taxpayer bailout.

The plight of the 'unbanked' was also highlighted in the report, which said: "Banking the unbanked should be a customer service priority for the banking sector." The commission stressed that greater competition could help to improve standards within the banking sector and increase innovation and choice. It said that regulators needed to be less resistant to new entrants looking to enter the market.

Commenting on the final report, commission chair Andrew Tyrie MP said that the banking sector was guilty of "shocking and widespread malpractice". Justin Welby, the ACT's confidential adviser on ethical and personal issues and the archbishop of Canterbury, is also a member of the commission.



£16.9m

the pay packet of Burberry CEO Angela Ahrendts, which made her the best-paid CEO in the UK in 2012

26.8%

the record-high unemployment rate in Greece in March 2013

\$235.4bn

will be the total value of worldwide mobile payment transactions in 2013, up 44% on 2012, according to Gartner

\$1m

the winning bid to secure a private lunch with billionaire investor Warren Buffett on online auction site eBay

54%

the percentage of all payments in the UK made by cash over the past 12 months, according to research by the Payments Council and LINK

0

the amount of corporation tax paid by Thames Water, the UK's biggest water company, in the financial year ending 31 March 2013

£260.7m

the value of Barclays stock sold by Japanese bank Sumitomo in June



"Senior personnel in banks have a huge responsibility to set the right tone and culture. It is important to have a vigorous vetting procedure in place."

John Cridland, director-general of the Confederation of British Industry, backs the Parliamentary Commission on Banking Standards for suggesting that senior bankers need to take personal responsibility for the activities of their organisations.

What do you say?

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TREASURERS ARE MORE LOYAL THAN MOST

Treasurers are more loyal to their employers than most other professionals in the UK.

According to a survey by recruiter Robert Walters, nearly two-thirds of treasurers (64%) think they should stay with each of their employers for at least three years, compared with 58% overall.

Fewer accountants (59%), compliance specialists (52%), IT workers (51%), HR professionals (48%) and risk experts (45%) believe they should stay with a company this long.

Treasurers also rate overseas experience, with 72% saying it is either 'important' or 'very important' to their career development. This is significantly higher than the overall figure nationally (47%) and also of any category surveyed, with tax professionals (66%), marketers (54%) and accountants next most likely to favour a stint abroad.

Commenting on the results, Stuart Ridley, manager of treasury recruitment at Robert Walters, said: "It makes sense that the majority think overseas experience is key to their career development. Businesses value professionals with wide-ranging experience, particularly at the senior level."