{ REGULATION }

RICHARD RAEBURN

Treasurers must continually challenge the reshaping of the financial system

Some with long or perverse memories may just recall that when I retired at the end of 2008 as chief executive of the ACT, I had already taken on chairing the European Association of Corporate Treasurers (EACT). Earlier in that year – before the financial crisis plumbed its depths – I saw the core challenge for the EACT as one close to my heart given what we had been doing in the ACT: to build the internationalisation and potential of the treasury profession through sharing education and best practice.

And then the implosion of the global financial system changed everything. In 2009, we started to see how the G20 leaders planned to reform the system. A new – and by implication, necessarily more effective – approach to financial regulation was mandated at the highest political level possible. So it became the responsibility of legislators and regulators at EU and national levels to implement this expeditiously.

Since 2009, we have seen a veritable tsunami of proposals for financial regulation. None of this would have mattered terribly to the EACT and the treasury community had the proposals focused exclusively on global systemic financial risk without any direct relevance to the world outside the financial sector. This is not a trivial statement, I should add, since on many occasions I have argued in Brussels that regulators should take care in claiming that systemic risk in

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the crisis had any provable link with the best practice activities of corporate treasurers.

The global regulatory change campaign has, of course, kept the reduction of systemic risk as a central theme in its work, while also seeking to move away from the tarnished culture of 'light-touch', an approach so associated with the UK pre-crisis.

As soon as we saw the first draft regulatory proposals, it became clear that the real economy, represented by 'non-financial counterparties', faced a huge problem. A recurring theme in all the proposals has been regulators' abject lack of consideration for the impact on the users of the financial system as opposed to the impact on those whose business is contained within and limited to that system. There are many potential explanations of that neglect. In my view, these range from the limited experience of those doing the drafting or preparing to implement (in the latter, if regulators have any 'real-world' background it will tend to be from within the financial sector) to the huge pressure of the deadlines they face. And the power of the banking lobby in Brussels and Washington should never be underestimated.

So the story of what we have been doing as the EACT since 2009 is dominated by one fundamental concern: to ensure that proposals for financial regulation take proper account of their impact on the real economy. Our core focus has been around the regulation of derivatives (the European Market Infrastructure Regulation), the implementation of Basel III (Capital Requirements Directive IV and Capital Requirements Regulation) and the financial transaction tax. I am proud of the success we have had in opening the debate on each of these and achieving better outcomes for the real economy. I am also proud of the way we have been able to work on this alongside major companies and national associations such as the ACT.

There is more still to be done, both on the regulatory areas noted above and on the emerging issues such as the regulation of money market funds contained within the EU's shadow banking initiatives. Although the language of debate – at least in Brussels – has changed and, I would argue, improved over the past four years, it should be an overriding priority to ensure that treasurers continuously challenge the reshaping of the financial system. Without such a challenge, unintended (or intended) consequences may hobble the contribution that the real economy has to make to economic recovery and growth. This is not a battle that the EACT will win on its own, but so long as I defer real retirement, I will be working to ensure that at least one voice is heard.

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