

# Media attention

HOW DOES A MEGA MEDIA CORPORATION WITH AN INTERNATIONAL PRESENCE ARRANGE ITS CASH MANAGEMENT POLICIES? CBS CORPORATION EUROPE'S TREASURER CATHERINE FIRTH EXPLAINS ITS POLICIES TO **GRAHAM BUCK** AND SAYS SEPA HAS NOT LIVED UP TO EXPECTATIONS.



## Executive summary

With a business spread across the globe, corporate mergers and demergers, regulation, technology, oh and of course the credit and liquidity crisis to deal with there is a plethora of issues for companies like CBS Corporation Europe to deal with when managing their cash management policies.

In the world of international media, CBS may be a US conglomerate but its presence is global. The broadcasting, publishing, outdoor advertising, music and television production giant has operations in the majority of countries around the world.

The group has had a fairly complex recent history. CBS's television syndication division Viacom was spun off from the group in the early 70s but acquired its former parent at the end of the 90s. However, three years ago Viacom's board agreed to split the company into two separate firms and the CBS Corporation name was revived for the television

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businesses, which separated from the MTV Networks cable business.

Following the demerger, CBS Corporation Europe relocated its main corporate office from London to Amsterdam, although it retains several London-based operations, including CBS Outdoor in Camden, North London, a news bureau in Chiswick, West London, and CBS Television in the West End.



**THE TEAM IN AMSTERDAM** The Amsterdam corporate office has a team of four: two accountants, a paralegal and Treasurer Catherine Firth, who joined the company in 2005 prior to the demerger.

In addition to handling transactions in Europe, Firth also assists with the group's cash management in Australia, while North American, South American and Canadian transactions are handled from the New York office.

While these regions still account for the bulk of the company's cash management transactions, activity is picking up sharply in the emerging markets, where Firth reports that the company's popular and long-running TV series CSI (Crime Scene Investigation) has garnered huge interest. Amsterdam acts as the centre for CBS's pan-European television operations.

**SHARP FLUCTUATIONS** Firth says that many businesses within CBS Europe have cashflows that can fluctuate sharply, resulting in correspondingly large variations in volume. The company's sterling pool is managed through LloydsLink, but otherwise it uses JP Morgan's Insight as its main cash management system. The relationship with both banks is long-standing, negotiated some years back and "there has never been any talk – at least not over the past two or three years – of possibly changing it".

The company is considering a possible switchover to JP Morgan's web platform, JP Morgan Access, but negotiations are likely to prove lengthy and involved due to its very different pricing structure by which the fee payable depends on the length of history provided by the service.

For its payments systems, it usually uses same day settlements for trade settlements and investments, while a couple of its local subsidiaries release BACS payment runs on a weekly basis.

The company is hoping that the advent of the Single Euro Payments Area (SEPA) will bring efficiencies, but Firth says that the introduction of the first phase at the end of January has yet to make much difference. As yet, it has not proved possible to make same-day payments across European borders and they continue to be next-day.

Offering one example, she reports having recently sent funding to Spain from a London account indicating that they would get same day value as she had used a CHAPS payment method, but in fact they confirmed delivery the next day.

"Cross-border same-day payments in Europe will benefit our cash management policy, by building confidence within the regions to sweep their surplus funds into the cash pools knowing that we can fund any requirement they have back without delay."

**INVESTMENT POLICY** Firth reports that for investing cash, CBS policy is usually to pool as much as possible and to invest surpluses. "Just where these are invested depends very much on the rates being offered by the various investment funds and also which particular entity has a positive balance."

While competition between the various investment funds is keen, CBS Europe has two favourites that it tends to use

## FOLLOWING THE NEAR-COLLAPSE IN FEBRUARY OF BEAR STEARNS, THE NEW YORK TEAM CHECKED WHETHER THE CREDIT RATINGS OF CBS'S INVESTMENT FUNDS HAD BEEN AFFECTED, BUT FOUND THAT THERE HAD BEEN LITTLE OR NO OVERALL IMPACT.

regularly for cash investments: Fidelity and JP Morgan Asset Management.

Does she feel there is enough competition for business between the banks? Firth believes that, overall, there is a fairly healthy level but adds that there is a noticeable difference between the UK, which has five major high street banks in contention, and the Netherlands where ABN AMRO and Rabobank are the only major national players. Even Germany, which offers a variety of local banks, is hampered by a plethora of regulation that tends to restrict choice.

"CBS uses quite a number of different banks, depending on the particular expertise needed in the country or division in question, but we are continuing to streamline the number of local banks and use JP Morgan where possible," she adds. However, whilst JP Morgan is a major global player it does not yet offer full cash management services in all countries.

**TEAMWORK** The company also uses investment funds, such as Dreyfus, Lehman Bros and Morgan Stanley, but credit risks are handled by CBS's main corporate treasury department in New York. In all cases, policy is to use only AAA-rated funds and entities.

"I'm essentially an extension of the New York treasury team," explains Firth. "Having someone on the ground in Europe covers us for all time zones and helps us manage sterling and euro transactions in a timely manner and manage the group's European banking relationships more effectively."

"While most of the investments are carried out from here, my New York colleagues also have full access and will manage the pools in my absence."

Following the near-collapse in February of Bear Stearns, the New York team checked whether the credit ratings of CBS's investment funds had been affected, but found that there had been little or no overall impact.

Nor has the credit crunch had much impact on the company's banking relationships, although Firth comments "since we are US dollar-denominated, we have been 'feeling it' since the dollar weakened."

"That said, there is ample cash – we are just hurting from the foreign exchange rates when we repatriate to US dollars."

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