

IF TREASURERS RULED THE WORLD...

At this year's ACT Annual Conference, treasurers' minds were focused on the big picture. Sally Percy reports

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Treasurers may not rule the world, but they certainly ruled the Scottish Exhibition and Conference Centre (SECC) in Glasgow from 14 to 16 May 2014. More than 600 delegates from 30 countries and 75 exhibitors attended the conference, whose co-lead sponsors were Deutsche Bank, HSBC and RBS.

Reflections on the crisis

The theme of the conference was 'If treasurers ruled the world...' and it was a theme that inspired many of the conference sessions. The first plenary speaker was not a treasurer, however, but the Rt Hon Alistair Darling, the former UK chancellor, who shared his unique insight into being in government at the time of the financial crisis in 2007/8.

Reflecting on his experiences, Darling said that nothing could have prepared him for having to manage the "worst financial crisis that anyone had seen in modern times". Unsurprisingly, he identified 7 October 2008 as his least favourite day in office. On that day, he received a phone call from the then chairman of RBS,

Tom McKillop, to say that the bank was haemorrhaging money and it needed urgent help. Conscious that RBS was arguably the world's biggest bank at that time, Darling said: "How long can you last?" McKillop's response was: "Maybe two or three hours."

Although the UK's economic recovery is good news, Darling warned that confidence was still fragile and many risks remained. He pointed out that the recovery was uneven and there is political uncertainty around the Scottish independence referendum and a possible future referendum about the UK leaving the EU. He added that it was uncertain how long it would take the eurozone to recover from recession. "Just because things appear to be going well doesn't mean that they are going well," he said. "The seeds of what could be the next crisis are being sowed in our housing market."

The world in 2050

After Darling came Karen Ward, senior global economist at HSBC, who gave delegates an outline of what they could expect

The Rt Hon Alistair Darling cautioned that, although recovery is under way, many risks remain

from the world in 2050. She argued that contrary to suggestions that China's development is slowing, it is in fact at the start of a rapid transformation to becoming a service-based economy. "China looks like Japan in 1950, which is just before it had 30 years of fantastic growth," she said.

Ward argued that the rise of a new economic power would not necessarily lead to the downfall of other powers, although she acknowledged that there would be challenges in terms of sharing global commodities, particularly water. "The rising wealth of the middle classes is the story you need to think about," she said. "You need to position your business for that."

Credit and risk

Track sessions on the topics of creditworthiness and risk followed the plenary sessions. At the track session on risk, which was hosted by Crédit Agricole CIB, a panel of treasurers and bankers debated the different types of risks that their countries face in this climate, including counterparty, economic, financial, FX and interest rate risk, and the ways these can be addressed.

Sasha Ilinskaia, MD, head of FX research and development, London, at Crédit Agricole CIB, told delegates that treasurers need to take into account both the macro and the micro view when they hedge risks. But James Kelly, head of treasury at industrial services company Rentokil Initial, noted: "Treasury can't make big macro decisions alone. There is a strong basis for macro hedging, but it has to be embedded in the organisation. Decisions have to be taken at CEO or CFO level."

Pedro Madeira, assistant treasurer at Heathrow, revealed that the airport uses £11.4bn in derivatives to hedge its debt. These include interest rate swaps, index-linked swaps and cross-currency swaps. But he noted that derivatives are expensive, so it is sensible to offset as much as possible.

Christian Nelson, corporate risk management at Crédit Agricole CIB, explained that treasurers were becoming more adventurous about using new hedging tools. "On the FX side, we're seeing people use instruments that they historically hadn't used," he said.



Shaun Kennedy

@ShaunKennedyUK

Agree with others, great conference @actupdate really grown and developed since the last one I made it to at Celtic Manor. #actac14

Dr Tessa Hartmann

@TessaHartmann

Thanks to @actupdate for including myself on such a distinguished panel today - brilliantly chaired by @KirstyWark - really enjoyed it.

Neil Hannaford

@neilhannaford

Well done @actupdate on a quality panel #actac14

Brian Welch @usercare

talkingtreasury breakfast briefing - worth attending #actac14 just for that. Brilliant! Well done technical team.

Deutsche Bank GB

@TalkGTB

ACT's Colin Tyler at #actac14 says shape of banks in future is on many people's minds. Know your bank as important as 'know your customer'.

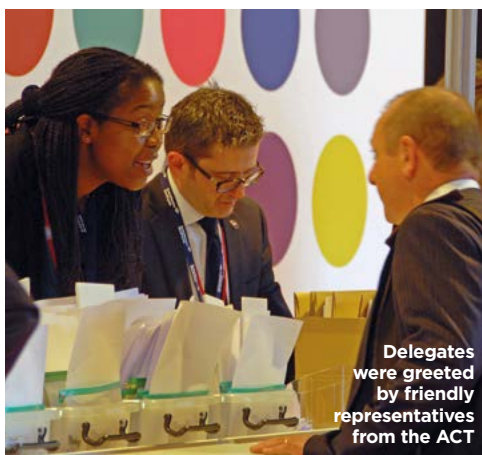


The treasurers on the panel did not appear to be fazed by the possibility of Scotland becoming an independent nation. "Our only concern is, will our assets and liabilities move in some way?" Madeira said. "If not, we don't really care."

View from RBS

Sir Philip Hampton, chairman of RBS, kicked off the second day of the conference by outlining his views on where the banking sector is heading. He acknowledged that the 2008 financial crisis will ultimately cost "hundreds of billions", with most losses being the result of poor credit decisions. But on an upbeat note, he said: "The worst now looks to be properly behind us."

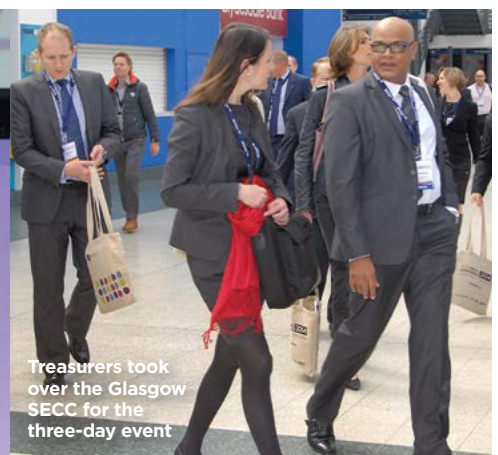
Hampton explained that UK banks now hold £150bn more capital than they did in 2008, while their liquid assets have trebled and their leverage has more than halved. He also noted that there was a "retreat from globalisation" within the banking sector. In 2007, cross-border lending was 55% of global GDP; now, cross-border lending has fallen to around a third of global output - a similar level to the turn of the century. Overseas lending by UK banks alone has fallen by 22% in the past five years - although, interestingly, UK banks' exposure to China has increased by 73% in the past three years. The foreign exposures of European banks as a whole have fallen by one trillion euros since 2010. "I think you will have some very large banks that are able to



Delegates were greeted by friendly representatives from the ACT



Karen Ward, senior global economist at HSBC, explained what the world would look like in 2050



Treasurers took over the Glasgow SECC for the three-day event



Delegates enjoyed a range of workshops and roundtables

Former ACT president Jono Slade had some points to make

THE AGE OF THE CUSTOMER

The conference offered a host of breakout workshops and roundtables for delegates, covering topics ranging from diversity in treasury through to supply chain finance and investing in repos.

At the workshop on how technology trends are shaping the future, hosted by RBS, delegates learned that big corporates are no longer calling the tune: the age of the customer has arrived. By definition, customers are always connected, technology-savvy, trusting of crowds, value-conscious, opinionated and willing to share their opinions, and looking for immediacy. Brigid Whoriskey, head of research

and innovation, strategy and architecture at RBS, revealed that every minute a staggering 128 million emails are sent and 3.5 million search queries are undertaken. Four big trends are emerging, she said. These are the digital society, integrity and security, making use of big data and ensuring everything joins up.

Robert Grimes, senior director, solution management at SAP Financial Services Network, and a panellist at the workshop, predicted that the cloud would become the “fourth utility”. “Cloud is going to enable change,” he said. “Over the next two to three years, cloud will become normal.”

to entertain treasurers with an engaging talk on how they can innovate in business. Delegates were crying with laughter as he talked through his opening presentation, but then he got down to serious business.

“Creativity is thinking new things,” he said. “Innovating is making them happen. The key is to keep it simple. You keep innovating till it is simple, then it is worth taking to market.” He also advised treasurers that it’s essential to be sensitive to the feelings of others when communicating new ideas. “However good your idea is, if you stand on someone else’s sensitivity, it will never see the light of day.”

Strategy and M&A

‘If treasurers ruled the world... the treasurer would have a regular voice in the boardroom’ was the theme of a compelling track session hosted by ACT CEO Colin Tyler. Delegates heard that, since the financial crisis, their roles had become more complex, but this brought opportunities. Mark Elliott, MD and co-head of strategic client solutions at Lloyds Bank, said: “It’s a great time to be a treasurer, and those that act as a strategic partner to the business will progress much further in their careers than those who focus on the operational aspects of the role.”

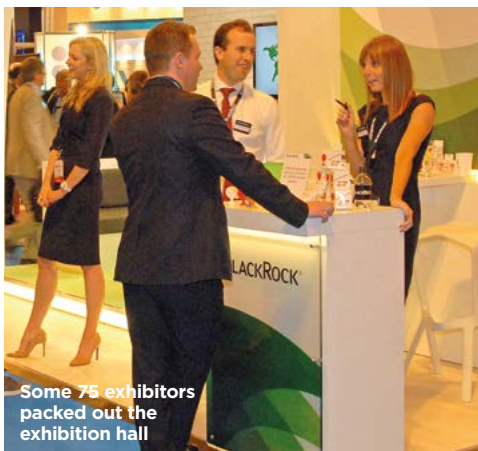
Being able to communicate and partner the business were highlighted as essential skills for strategic treasurers, along with the ability to distil complex analysis and issues for the CFO and the board. Antony Barnes, director of tax and treasury at credit reference agency Experian, commented: “Internally, treasury should link to strategic development and operating functions. Externally, there’s a strong role for treasury around external relations.” He added: “The route to the boardroom is the CFO; if you want to get into the boardroom, you’ll only get there if the CFO is interested in having you there.”

The treasurer’s role in M&A was debated in a track session hosted by ACT policy and technical director John Grout. Tom Greene, group treasurer of pharmaceutical company Shire, said it was essential that treasurers are “well linked in” with the acquisition process. “The earlier the involvement, the better,” concurred Dennis Sweeney, treasury solutions executive at Bank of America Merrill Lynch. Ian Brimicombe, group head of tax and treasury at pharmaceutical giant AstraZeneca, said that managing the relationship with rating agencies is very important during an acquisition process. Philip Learoyd, head of funding and treasury operations at brewer SABMiller, also noted that companies with a high cash balance were more likely to become the target of an acquisition.

deal with you in markets in multiple countries, but there will be fewer banks operating really internationally,” he said.

Voodoo treasury

Guy Browning, humorous columnist, film director and creative director for innovation agency Smokehouse, took to the floor



Some 75 exhibitors packed out the exhibition hall



ACT CEO Colin Tyler asked probing questions



Delegates and exhibitors mingled during break sessions

CFO panel

Some high-flying CFOs, along with Misys group treasurer Angela Clarke (one of our treasury talents in *Ones to Watch* – see www.treasurers.org/onestowatch), joined Tyler on the panel for an interactive discussion about the issues on CFOs' to-do lists right now. Fred Maroudas, former CFO of Eversholt Rail, highlighted regulation as a big problem, while David Thomas, CFO of technology company Invensys, explained that globalisation was the issue keeping him awake at night. He added that the best piece of advice he had been given when he made CFO was to get his team right. Martyn Smith, CFO of Weybourne Partners, which manages the Dyson Family Office, admitted that his biggest concern at present was taking over as president of the ACT, while Keith Nichols, CFO of paint maker AkzoNobel, said that people development was a perennial concern.

Questioned as to what makes a good CFO in this climate, Maroudas said: "You get some appallingly risk-averse CFOs and some very gung-ho CFOs. CFOs are no different from anyone else in this respect. We're coming out of a world where caution was the default option and no one was criticised for being cautious. That world is changing and it's a test for CFOs."

Thomas commented: "You can't go on saying 'no' to acquisitions. At some point you have to say 'yes' and you have to make that judgement at the time." Nichols, who has acted as CEO at AstraZeneca, said he didn't find it hard to switch mode from being a CFO to a CEO. "When you become CEO, you don't suddenly start saying 'yes' to everything," he said.

There are three important things to remember when planning your career, Thomas advised. These are to be professional, use your common sense and keep things simple. He added that treasurers who want to become CFO need to "plan a campaign" and seize the opportunities when they come. Clarke's advice to treasurers looking to progress was this: "You're not expected to know everything, but you are expected to know where to go to find the answers."

The second day concluded with an evening of food, music and networking in the atmospheric surroundings of The Arches in central Glasgow.

Funding

Matthew Rose, tax and treasury director at Royal Mail, talked delegates through his company's initial public offering (IPO) in a lively track session on the third day of the conference, hosted by ACT engagement director Peter Matza. (See also www.treasurers.org/blogs/petermatza) Rose said it was vital not to underestimate the amount of time that carrying out an IPO consumes and emphasised that communication with stakeholders is vital. Bob Cartwright, group treasurer of waste management company Shanks Group, also shared his experience of issuing a Belgian retail bond and arranging a bank refinancing. With the refinancing, he explained that he gave a presentation to each of the banks, which was invaluable. He added that the importance of the "ancillary wallet" came up many times.

The conference closed with the usual lively Question Time debate (see right), then delegates piled on buses to the airport, talking to new contacts and exchanging views on the event. Treasurers may not yet rule the world, but perhaps this year's ACT Annual Conference gave them some ideas on how to go about doing it. 📍

Sally Percy is editor of *The Treasurer*



The Question Time panel debated the big issues of the day, hosted by journalist Kirsty Wark (pictured below)

QUESTION TIME

It wouldn't be the ACT Annual Conference if it wasn't for

Question Time. This year's event was hosted by Scottish journalist Kirsty Wark, who fielded questions to a panel comprising entrepreneur Dale Murray CBE, Tessa Hartmann, MD of Hartmann Media, Bob Williams, regional FD with house builder Barratt, and Trevor Williams, chief economist with Lloyds Bank.

Given the location of the conference, it wasn't surprising that the prospect of Scottish independence was a major point of discussion. Hartmann said: "I believe we are better as part of the UK. There are so many inconsistencies in the Scottish National Party's arguments. We've got too much to lose. Our biggest customer is England." She said those in favour of independence were "being driven along by *Braveheart* ideology", adding: "The revenues are not going to be there in an independent Scotland."

Bob Williams observed that the biggest risk would be what will happen with Scotland's currency, while Murray pointed out that jobs are threatened. English employers with operations based in Scotland are already planning to bring them south of the border in the event of a 'yes' vote, she said.

The topic of diversity in the C-suite also attracted hot debate. Murray said there had not been sufficient innovation by co-chairs and directors in terms of making the board more diverse. Trevor Williams added: "Common sense tells us that the more open you are, the more successful you are."



Lots to talk about: Trevor Williams (left) and Tessa Hartmann

Next year the ACT Annual Conference will take place in Manchester from 20 till 22 May. To find out more, visit: www.treasurers.org/annualconference