

Crisis-proof

THE POLITICAL TURMOIL ERUPTING IN A FEW PARTS OF THE MIDDLE EAST AND NORTH AFRICA HAS MADE LIFE DIFFICULT FOR TREASURY DEPARTMENTS IN LOCAL FIRMS AND MULTINATIONAL CORPORATIONS, BUT CITI HAS HELPED KEEP THE WHEELS OF COMMERCE TURNING, AS **STEVE DONOVAN** AND **SANJAY SETHI** EXPLAIN.

The unrest and conflict afflicting a few countries in the Middle East and North Africa (MENA) has had an adverse effect on business activity throughout the region. Local companies and the subsidiaries of multinational corporations have suffered disruption to their operations. In some cases, banking systems and financial markets have closed down, making it difficult or impossible for corporate treasurers to carry

out financial transactions, manage cash and liquidity, collect receivables, pay staff, settle suppliers' invoices and arrange trade finance.

Despite their best intentions and concern for their clients, banks have struggled to cope. Some have managed better than others. Where electronic banking systems have shut down, or operated erratically, some banks have been quick to set up duplicate operations in contingency sites or nearby countries to manage the needs of their multinational corporate customers. Where ATMs have dried up and cash has been in short supply, some banks have been able to transport cash – in local currency or US dollars – to clients so they can pay their employees.

Citi, through its Global Transaction Services (GTS) division, is one of these banks. GTS provides treasury and trade solutions – as well as securities and fund services – to companies, financial institutions and public sector entities around the world. We have been active in the Middle East since the 1950s, and have offices in seven countries: Bahrain, Egypt, the UAE, Lebanon, Jordan, Qatar and Kuwait. We have offices in the North African countries of Algeria, Morocco and Tunisia as well as one in Pakistan, which we include within our Middle East operations. We cover countries in the region where we do not have an office, such as Iraq, by partnering with local banks.

HOW CITI KEPT TRANSACTIONS FLOWING Although most countries in the MENA region have remained free of turbulence and conflicts, they have been indirectly affected in some way. Each country has a different story to tell, and what happened in Egypt provides a good example of the sorts of problems that have faced corporate treasurers throughout the region, and how Citi GTS has been able to mitigate and even resolve those difficulties.

At the height of the turmoil in Egypt, the country's banking system closed down for a prolonged period. Transaction flows through the banking system, both domestic and international, ceased. The immediate problem for treasurers was how to pay staff. The only way was with cash, but that was in short supply, especially as bank ATMs soon ran out of notes.

Many banks were unable to provide cash to their corporate customers in any meaningful amounts, but Citi was able to access and provide funds in Egyptian pounds and US dollars and deliver it to our customers so they could pay their employees. This ensured that families were supported and necessities purchased. We were



also able to help some non-Citi clients in Egypt whose own banks were unable to help.

We worked closely with the Egyptian central bank to make sure we had enough money and did not have to turn clients away. As it was dangerous to transport cash to branches and ATMs in cities and towns, we delivered it to branches of other banks, working closely with security companies where we could.

The Egyptian stock market also closed for nearly two months, but Citi provided direct custody and clearing services to clients who needed to complete the fixed income, equity and other trades they had conducted in the days before closure.

Once corporate treasurers had begun to resolve their payroll needs, attention turned to pending collections and payments. Treasurers wanted to ensure that all the cash that was getting collected from customers was quickly banked once banks re-opened.

When the banking system and financial markets re-opened, the Egyptian central bank and other regulators introduced a number of measures, such as restrictions on cross-border transactional flows and thresholds on domestic transfers. Citi worked closely with the regulators to help explain to clients what to expect in terms of the timings of their payments and receivables.

BUSINESS CONTINUITY PLANNING PROVES ITS WORTH We do business in more than 100 countries, and are very experienced in emerging economies, so our ability to manage an emergency and maintain continuity of business operations has been tried and tested on many occasions. We are well prepared.

We have implemented processes and procedures to deal with serious crises. One of our main priorities is to communicate with our clients, the regulators and other financial institutions that we have dealings with. We carefully check and manage all the issues, and make sure our operational processes and physical infrastructure – branches, offices, IT systems – remain intact.

Such meticulous planning proved its worth in Egypt. We were able to communicate with our clients on a daily basis. In the case of multinationals which were finding it difficult to communicate with their Egyptian subsidiaries, we were able to bridge that gap. That had a calming effect on the parent companies, because they knew the situation could be managed by working with us.

Perhaps our most significant action in this respect was to set up a special response team in another country to mirror the Egyptian operation. It was up and running within a couple of hours of the decision being taken. The team consisted of a wide range of people to handle customer relationships, products, operations and technology to deal with all the requirements of the parent companies of our multinational clients. The IT systems and processes in Egypt were mirrored so we could track all the transactions and identify those that were delayed.

Where global treasurers of these multinationals were not able to transact, or even communicate in some cases, with treasurers in Egypt, they were able to contact our offshore team for news and assistance. This team kept in touch with our own people in Egypt – and with our multinational clients' staff in Egypt – and was able to obtain a good picture of what was happening and in most cases take effective action.

If a salary, a collection or a supplier payment was held up, we

Box: Transaction banking solutions for MENA companies

Citi uses its own network where possible but works with local banks in countries where it has no presence to achieve the desired results for clients. The bank has around 3,000 large corporate clients in the Middle East – domestic companies and subsidiaries of multinational corporations – and an even larger number of clients that are small and medium-sized enterprises (SMEs). It also counts many public sector entities and financial institutions among its client base; the latter use Citi for multi-currency clearing and international payments, as well as trade services and finance.

could inform our clients and try to resolve the situation.

We still had a functioning team in Egypt working from offices and contingency sites; many operated from home using their mobile phones and laptops. This dispersed team operated in tandem with the response unit.

BRIGHT FUTURE Despite the recent geopolitical events that have affected parts of the region, making the short-term future unpredictable, Citi remains bullish about the medium to long-term growth story in this part of the world. Before the crisis took hold, a number of the GCC countries, for example, had published forward-looking budgets designed to diversify their economies away from the heavy reliance on hydrocarbons towards infrastructure and private sector growth, in line with their long-term stated ambitions. The diversification includes investment in housing, airports, roads, drainage canals, bridges, power stations and telecoms. This will create new business opportunities for local companies as well as major multinationals.

Recent measures will accelerate a number of these projects. One example is the \$20bn that Saudi Arabia, Qatar, the UAE and Kuwait are providing to support significant housing development projects for Bahrain and Oman – the two GCC countries most affected by the recent turmoil. We expect to see entrepreneurialism encouraged and significant new jobs created as a result.



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