

# Agenda



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{ INSIGHT }

## CONFERENCE IS A “RIP-ROARING” SUCCESS

More than 1,000 delegates, speakers and exhibitors gathered at last month's ACT Annual Conference in Liverpool, which has been described as a “rip-roaring success” by ACT chief executive Colin Tyler.

Ignazio Angeloni, adviser to the European Central Bank (ECB) on financial stability, was the keynote speaker on the opening day of the conference. He argued that the UK is more integrated with the eurozone than is generally appreciated, but refused to comment on whether the ECB had mishandled the bailout of Cyprus in March. Addressing delegates on the second day of the conference, John Cummins, group treasurer of the Royal Bank of Scotland, revealed that the bank had substantially reduced its reliance on wholesale funding. Deposits comprised 74% of its primary funding sources in 2012, he said, up from 53% in 2009.

The conference closed with a lively Question Time session, hosted by *Newsnight* presenter Jeremy Paxman and with a panel that included Swedish futurologist Magnus Lindkvist (pictured, right).



For more on the ACT Annual Conference, see pages 13 and 18

{ QUESTIONS YOUR FD IS LIKELY TO ASK THIS MONTH }

### FINANCIAL TRANSACTION TAX

#### Remind me what the financial transaction tax is again.

The financial transaction tax (FTT) is a levy on trades in euro-denominated financial instruments and other transactions that involve the banks of 11 eurozone countries. From 2014, those 11 countries plan to impose the FTT, which also goes by the more romantic name of the Robin Hood tax.

#### The Robin Hood tax? Will the proceeds be going to the poor?

Not exactly. The tax authorities in each participating state will collect the proceeds and the money will be used to bolster the public coffers of the indebted eurozone sovereigns. In theory, the FTT is a penalty on the banking system for its part in the global financial crisis – it

is intended to discourage the type of speculative trading that contributed to the meltdown in the financial sector.

#### How will it work?

The purchase, sale and exchange of all shares and securities (with some exceptions including primary share issues) will be liable for the FTT. It will also affect derivative contracts. The rate is set to be 0.1% of the market value for financial instruments other than derivatives and 0.01% of the notional contractual amount for derivatives. It might not seem much, but the 0.1% fee is applied at each stage of a transaction, so the costs will quickly mount up, while the notional value of derivatives contracts can be extremely high.

#### How will the FTT affect us?

In two ways, probably. Firstly, we use derivatives to hedge our foreign currency risks, so we could find that our commercial hedging activities become more expensive and harder to execute. Also, the costs of the tax will probably feed through to the ‘real economy’ through higher banking charges. The UK will not be imposing the FTT, but politicians fear that the levy will discourage trades with the City of London. This is because the tax has a wide extraterrestrial scope and will encompass overseas branches of banks based in the 11 countries. It will also catch British financial institutions that are party to a transaction that was issued in one of those countries or involves an organisation based there.

WORDS

**“If you say in your job interview that you want a big challenge, be careful what you wish for.”**

John Cummins, group treasurer of RBS, who joined the bank in 2007 just after its acquisition of ABN AMRO.

**“One of our claims to fame is that we introduced football to Brazil. We’ve regretted it ever since.”**

Charles Barlow, group treasurer of sewing thread manufacturer Coats.

SOURCE: ACT ANNUAL CONFERENCE, 2 MAY 2013

{ HAYS CITY BONUS SURVEY 2013 }

## BONUS DISSATISFACTION

In 2013, more than half of bank workers in the City of London (55%) either got a smaller bonus than last year or they didn't receive one at all

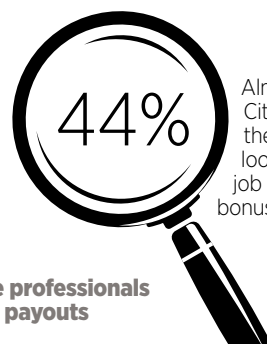
**44%**

of bankers with over 10 years' experience reported a decrease in their bonus



Men were more likely to be dissatisfied with their bonus compared with women

**36%** of corporate governance professionals were satisfied with their payouts



Almost half of all City workers said they would start looking for a new job as a result of bonus dissatisfaction

{ CAPITAL MARKETS AND FUNDING }

## THOMAS COOK SECURES £1.6BN REFINANCING

Travel giant Thomas Cook unveiled a £1.6bn refinancing package last month, which is intended to bolster its balance sheet and restore its fortunes. The package includes a £425m rights issue, a €525m (£443m) bond issue and €691m of new banking facilities. In securing the deal, the 172-year-old company has avoided a so-called 'wall of debt' in 2015, when some £1.5bn of outstanding debts are due.

Although Thomas Cook was on the brink of collapse at the end of 2011, its prospects have improved since the arrival of chief executive Harriet Green last July. Green embarked on an aggressive cost-cutting programme that resulted in 2,500 jobs being cut earlier this year.

In April, Thomas Cook reported a first-half loss before tax of £390.9m, down from £584.1m in the same period of 2012. The company hopes to return to dividend payouts in 2015.

Commenting on the refinancing package, Green said: "It will increase our financial headroom and flexibility by removing the wall of debt that we faced."

ACT fellow Joe O'Neill is group treasurer of Thomas Cook.



**6** the number of quarters in which the eurozone has endured economic contraction

**£2bn** the amount that rich Russians withdrew from Cypriot bank accounts after being tipped off about the government's forthcoming tax raid, according to the *Daily Express*

**5%** the fall in job availability in the City in April 2013, according to the Morgan McKinley London Employment Monitor

**\$45m** the amount stolen from two Middle East banks by a gang of cybercriminals that hacked into a database of prepaid debit cards and raided cash machines around the world

**£2.04bn** the profit made by Lloyds Banking Group in the first quarter of 2013

**£556m** the amount withdrawn from LINK, the UK cash machine network, on Friday 3 May, the busiest day of the first May bank holiday weekend. This was up £37m on 2012



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**"We want the best and the brightest to see banking as a credible career choice. This is vital for the industry's long-term viability."**

António Horta-Osório, chief executive of Lloyds Banking Group, worries that the negative reputation of the banking sector is harming its ability to hire top talent.

{ CASH AND LIQUIDITY MANAGEMENT }

## GRADUATES DON'T WANT TO WORK FOR BANKS

A quarter of students would be embarrassed to tell their friends if they were going to take a job in a bank, according to research by Lloyds Banking Group.

The research also found that 41% of students distrust banks and financial services providers, and 56% trust banks less than they did five years ago.

Overall, respondents were more likely to choose a career in the public sector (26%) rather than banking/financial services (2%).

Meanwhile, over half of students (58%) said that an organisation's reputation would influence their career decision.

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