



HIT REFRESH

Over three days, ACT members, finance professionals and commentators converged on Liverpool to hear the best in the business debate the core issues facing corporates today at the ACT Annual Conference 2016. Liz Loxton reports

Three economists, one futurologist, 92 panellists and speakers, and even two opera singers providing the evening entertainment: the *dramatis personae* assembled for this year's conference made for a stimulating and wide-ranging programme.

Opening the conference, heavyweight economist, broadcaster and author John Kay described the widening gulf between our modern-day financial and banking sector, and the corporates and individuals that need access to it.

Modern economies, Kay argued, need a financial sector that operates four key functions. Firstly, it must provide a basic utility by operating a payments system. Secondly, it should enable individuals to manage their wealth over their lifetime. Thirdly, it should assist with risk management and, finally, with the allocation of capital.

Modern corporates, he argued, such as Apple or Alphabet, have huge market capitalisations and are no longer reliant on markets, since they largely generate enough cash to fund themselves. The value in these large, knowledge-based businesses is very closely tied to the individuals who work for them. "That requires a very different relationship with existing shareholders and, in turn, changes the way we think about public markets," he said.

Today's finance and capital markets, with their complexity and vastly increased emphasis on intermediation, have become out of touch with the general public

and the real economy in the wake of the global financial crisis.

"We've pointlessly imposed large fines on the major banks in recent years, but the individuals responsible for their bad behaviour have largely avoided criminal prosecution," he said. "There is still a great deal of unfocused public anger among people who know that something went very wrong back in 2008."

Another financial crisis remains a genuine risk, Kay said, who would like to see a financial infrastructure made up of smaller, more focused institutions, with a more reasonable system of incentives and rewards. "If we have more specific institutions, they will have shorter, simpler chains of intermediation," he said.

Diversity

Study after study has shown that diversity within project teams, boards



Top to bottom: John Kay, Victoria Bell from Chatham Financial and Tim Harford all spoke at the conference. Right: Steve Ellis of Wells Fargo

PHOTOGRAPHY: LAURIE NOBLE



and companies results in more successful businesses. And yet diversity is something we struggle to achieve even in the face of the evidence. Practical experiences related by a panel discussion on diversity on day one suggested that reasons why individuals and businesses grapple with diversity is simply because negotiating our way through linguistic, cultural and personal nuances takes time. “We are hardwired to ignore difference,” said Rachel Short, psychologist and director of Why Women Work.

The rewards that come as a result of working through those challenges are clear, however. We work in a global context, Angela Potter, MD of global transaction banking at Deutsche Bank, pointed out. Deutsche Bank operates in more than 70 countries and 149 nationalities. “You have to reflect the client base on the ground. At the same time you need innovation. But diversity takes work and takes leadership,” she said.

“The big frustration is why we’re not getting there sooner,” said Russell O’Brien, group treasurer at

“How do we half the cost of a transaction or improve the flow of money exponentially?”

Shell. Setting up treasury operations in Singapore took time, he relayed, but working through operational difficulties in multicultural teams led to greater clarity in terms of how individuals would work going forward. “Diversity can’t just be a target; you have to go further than that,” he said.

Looking forward and looking back

Futurist Rohit Talwar dazzled the conference in a keynote presentation on the second day. He set out

CONFERENCE STATISTICS

1,098
attendees

16
different countries
represented

14
delegates from Chinese
multinationals and regulators

92
speakers

81
exhibitors

2
opera singers

a present we are far from getting to grips with (most of us check our mobile devices in the morning before checking on our family, he asserted) and a future where health advances and wearable and embedded technology will prolong our lives far beyond the 120 years, often mooted to 180, or even more.

The early effects of genuinely disruptive technologies developing at an exponential pace are all around us, he said. Artificial intelligence will have the greatest impact. Google’s DeepMind AlphaGo programme, for instance, stunned commentators when it beat a world-leading player of the Chinese board game Go earlier this year – a feat long-considered out of the reach of artificial intelligence due to the level of

intuition required. Hyperloop transportation systems are set to dramatically cut journey times by 2020, and – with the aid of 3D printing – buildings can be assembled in hours rather than days or weeks. “These are serious challenges to the value chains that exist in big businesses today,” said Talwar.

These developments will need to be matched by equally radical thinking about how we manage the world of work. The challenge he offered treasurers was to start conversations with real ambition. “How do we halve the cost of a transaction or improve the flow of money exponentially?” he asked.

In a presentation on interest rates, entitled ‘Lower still and lower’, RBS chief economist Stephen Boyle said that while Talwar looked to the future, he liked to look to the past for explanations of present trends.

When it comes to interest rates, Boyle demonstrated that the current trends towards persistently low rates had been in the making for some time. In fact, interest rates were in decline long before the 2008/9 global financial crisis prompted recent drastic cuts, and have their beginnings in the 1980s, he said. >



Futurist
Rohit Talwar

CONFERENCE TWEETS

Deutsche Bank GTB
@TalkGTB

Public fury about the lack of accountability of finance managers in causing the GCF is justified according to John Kay
@actupdate #actac16

Anna @BritBeagle

In the event of #Brexit there could be similar referenda in 10 other EU countries according to debate at #actac16 *EUref

Jamie Whiteway

@jamie_taulia
Next stop Liverpool #actac16 theme emerging of continued uncertainty in financial markets but certainty in #fintech

Brendan Flattery

@BPFlattery
Late payments can cripple #smallbiz – thank jpcstreasury for raising awareness of this important issue! #actac16

Michelle Price

Rohit, futurist states that Buenos Aires prefers to transact in Bitcoin. Virtual currencies will be part of the treasurer’s world. #actac16

Colin Tyler @ColinTyl

Terrific insight into “actively open-minded thinking”. Thank you Tim. “Science moves fwd one funeral at a time” #actac16



The Question Time panel (from left to right): Katinka Barysch, Peter Montagnon, Claire Emes and Tom Keatinge, Alan Halsall and host Mishal Husain

Financial leaders from organisations in China participated in a panel discussion



CHINA'S HARD HITTERS ON OUR DOORSTEP

For the many delegates interested in China's economy and the operation of its financial infrastructure, a panel session on day one of the conference offered the inside track.

The round table included a delegation of 14 senior financial leaders – executives from Shanghai Electric Group, China Petroleum & Chemical Corporation and China National Petroleum Corporation (CNPC). These were joined by the executive vice president of the China National Association of Finance Companies, Yanling Wang, which regulates China's finance companies,

Yi Qin, general manager of Shanghai Electric Group Finance Company, said that recovery and restructuring would take years rather than months. The biggest challenge, he said, would be achieving demand efficiency. Overcapacity and lack of demand were the significant issues, he said, which Shanghai Electric's finance function has addressed by looking closely at cash flow. "This is something our group has really concentrated on. We try to manage the number of days outstanding and the ways in which we receive cash, and we obviously try to manage our assets and debts. It's a

"In every aspect of the economy you can see limitations – on housing and on cars"

the special-purpose vehicles that include corporates' treasury functions.

Interpreting and facilitating the discussion, Jinny Yan, chief economist at London-based ICBC Standard Bank, pointed out that the corporates represented in the discussion were some of the biggest corporations in the world.

On the agenda for discussion were some of China's biggest economic questions and, by implication, some of the world's most significant commercial issues. China's debt levels, the expectation that currency depreciation will continue and the shift from an infrastructure-heavy economy to a more consumer-led one prompted discussion about how China will restructure to reflect that change and deal with a legacy of overcapacity.

very conservative approach, but very necessary in the context of China's recovery," he said.

Dr Zengye Wang, vice president, director, Finance and Accounting Research Institute, China Petroleum Finance Company, said Chinese consumers have a considerable collective spending power still, which will gradually be unlocked. "In every aspect of the economy you can see limitations – on housing and on cars. There are economic and administrative limitations on consumption. So there is a lot of room to rebalance from oversupply to consumption," he said.

"I see this low period in the Chinese economy as a trigger to reform how we operate. In my view, the economy will rebound after no more than two years," said Dr Wang.

The trend has continued because underlying growth in major economies has slowed while indebtedness has risen. "If we believe low interest rates are a long-term phenomenon, we should adjust our expectations of what projects will produce decent value," he said.

Where he did venture his own forward guidance was on the likelihood of negative interest rates for the UK. Boyle said he believes this to be unlikely. "Experience in Denmark and Switzerland, where the policy rate has gone negative, that policy hasn't loosened financial conditions," he said.

Nearer-term predictions made at the conference included a well-attended session on Brexit and the likely results of the referendum on the UK's continued place in the EU. In a delegate poll, an emphatic 85% said they were in favour of remaining in the EU and in a panel session on Brexit, Standard & Poor's global chief rating officer, Moritz Kraemer, said the UK would lose its AAA credit rating from S&P if the population votes to leave on 23 June.

In its own straw poll of infrastructure investors, S&P had found that around half of respondents would be less likely to invest in a UK disengaged from the EU, Kraemer said.

While the balance of polls in the UK still the 'stay' camp only a slight lead, David Marsh, MD of the Official Monetary and Financial Institutions Forum, argued that the remain camp will win out on 23 June with a reasonable margin. "The silent majority in favour of staying may only become evident on the day," he said.

In amongst IT

Delegates in search of discussion on treasury management systems and automation were well served by a session on integrating treasury functions. Royston Da Costa, group assistant treasurer at



ACT president Fiona Crisp spoke on day two



Opera singers Danielle Thomas and Jon Christos provided the entertainment during the evening



Left to right: Angela Potter, Russell O'Brien and Rachel Short discussed diversity



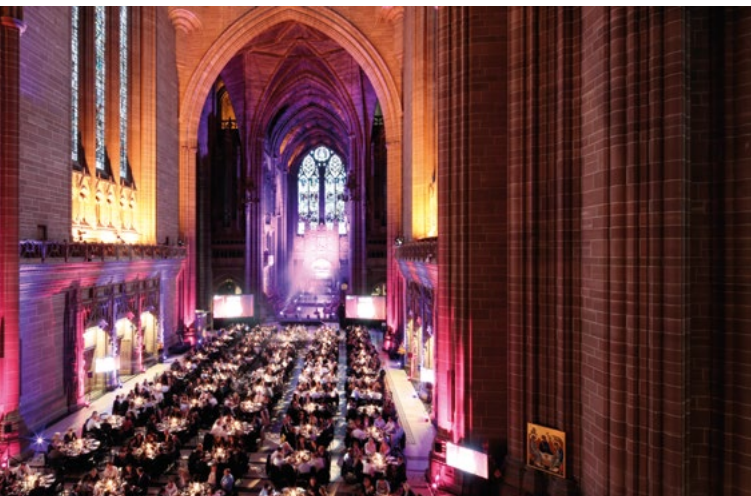
Lady Barbara Judge of the UK Atomic Energy Authority

Wolseley took his audience through the journey that the building and plumbing supplies group has made towards eliminating manual processes and improving treasury tasks.

Key issuers for Wolseley were weighing up a software-as-a-service versus plug and play, improving straight-through processing and achieving greater visibility, with due consideration for security and guarding against cybercrime, he explained.

On the issue of cybercrime, Steve Ellis, executive vice president and head of the innovation group at US bank Wells Fargo, sought to reassure his audience that cybersecurity advances and security procedures have made mobile and internet-based banking very secure. Within Wells Fargo's corporate banking, incidents of fraud on 60 million transactions per annum were extremely low – around 15 to 25 incidents of attempted fraud per month. Among the 24 million personal customers who bank online and the 17 million who bank solely using mobile technology, the numbers of successful frauds were similarly low. "There is much less stolen online than

Day two finished with dinner inside the atmospheric Liverpool Cathedral



Delegates arrive at Liverpool Cathedral for the sit-down dinner



Delegates enjoyed the opportunity to exchange notes

PASS NOTES

"The sessions that were best for me were the 'diversity' discussion on day one and 'The future of business' and 'Lower still and lower' on day two. They stood out as being thought-provoking and challenging. Exactly the kind of sessions that should be provided, and I thought were some of the best sessions I heard at the ACT conference."

Mary Tavener, FD, Advanced Medical Solutions Group plc

"The commodities session was very useful – seeing how other corporates are managing their fuel risk in what has been a very volatile market over the years."

Michael Payne, treasury manager, National Express

"The conference provided a great opportunity to meet new peers as well as acquaint with old friends and colleagues. The information gleaned from these conversations, along with interactions with the banks and vendors, is an invaluable and intangible benefit of the conference."

Richard Abigail, associate director, group treasurer, Arup

in face-to-face transactions," he said. "If you do this right, you can take a lot of risk out of the equation."

In a session on commodity risk, an audience poll found that just over half of those present hedge their exposure. More than nine out of 10 said they hedge FX risk; around two-thirds said they hedge interest-rate risk; while just over half said they hedge their commodity risk.

Delegates had a chance to engage with a panel of business leaders and commentators on day two in a Question Time session hosted by broadcaster and journalist Mishal Husain. The panel – Peter Montagnon, associate director of the Institute of Business Ethics, Claire Emes, chief innovation officer at Ipsos MORI, Tom Keatinge, director at the Centre for Financial Crime and Security, Royal United Services Institute, Katinka Barysch, director of political relations at Allianz SE and Alan Halsall, chairman of Silver Cross – squared up to questions on Brexit, Bitcoin, corporate taxation, trust in business and Donald Trump.

Day three of the conference finished with panel discussions on sustainability and career development, a memorable presentation from the *Financial Times'* undercover economist and columnist Tim Harford, and an illuminating talk on nuclear energy from Lady Barbara Judge, director of the UK Atomic Energy Authority, after which delegates headed off to airports and rail stations replete with new ideas, contacts and old acquaintances renewed. ♥

Liz Loxton is editor of *The Treasurer*