

The most recent poll we have conducted for members about Brexit was to take a temperature check on preparations and to reflect on the last couple of years. Whilst the political framework remains unclear, Treasurers have been busy preparing for a variety of outcomes. As they share their experiences of the last three years we can reveal how they feel it's been and what lessons can be learned to inform the next stages of Brexit.

How helpful were your advisors?

Not a day goes by without an invitation to a Brexit event and our own events team has played its part in supporting members¹. However, we were keen to understand how effective these were to our members and across the range of advisors – banks, lawyers and accountants, who helped more and what they could have done differently.

We asked about the level of general proactiveness and also how well the advisors provided specific advice on specific issues. The results show that on average the respondents gave a score of only 6 out of 10 with a spread that was similar across all advisors. Analysing the data further, the highest scores by group were the legal firms, followed closely by accountants and consultants, with banks coming a close third. The highest scores were for lawyers responding to specific questions.

Talking with treasurers and reading some of the comments in the poll the results do not seem so unusual.

Much of the discussions about Brexit have been about the legal landscape – how legal agreements (such as ISDAs) could be affected, the fate of existing derivatives and bonds, the restructuring of banking relationships, etc. Generic advice (as well as a view on the political landscape) was seen as useful but many treasurers were looking for specific advice on particular issues relevant to them (including how to incorporate the advice alongside the overall business restructuring).

The accountancy and consulting firms were the next most regarded followed by the banks. We know that the banks have invested significant resources across the UK to provide insights. However, as we will see from some of the comments, a number of the issues (such as access to SEPA) were not agreed until late in the day and many banks could only therefore work on a range of hypothetical situations. This may be why the banks were seen as slightly less helpful than the legal and accountancy firms.

Some of the feedback comments are below:

“Barclays and HSBC have been very good at organising client calls to provide updates and possible scenarios which have been helpful for planning”

“HSBC - very good webinars and proactive BREXIT planning”

“EY - combination of technical, financial and strategic advice”

“Advisors who work for the regulatory bodies. They have an understanding of the parameters and how we should be meeting them”

“ACT briefings have been helpful”

What more could your advisors have done?

¹ <https://www.treasurers.org/brexitbriefing>

Brexit is clearly an event with little precedent to fall back on and as a result, institutions have adopted different strategies to their outreach programmes. Many advisors (banks, legal firms and accountancy bodies) have had to restructure their own business at the same time as advising clients more broadly. Given the continuing political uncertainty and the complexity of the changes, many advisors have focused their events on general views and advice on areas such as cash and liquidity management, contract continuity and FX risk management. Although members have found this useful, there seems to have been a lack of specific advice and guidance. In addition, there was felt to be a greater focus on risks and issues and a lack of practical solutions for risk mitigation. This resonates with the excellent feedback from the ACT cash Management Conference in February on the detailed explanation provided by Robin Terry and Nicola Coyne of Barclays Bank on the specific impact of Brexit on cash pooling cross border.

There was a consensus that more detailed scenario planning would have helped corporates understand the risks in more detail and help them build their own risk analysis.

The other key message was that advisors should have engaged with corporates at a much earlier stage and in more detail.

Some of the comments we heard were:

“Main clearing banks could have been more proactive to advise scenarios to mitigate impacts to our pan European banking structure”

“More effectively link up with different divisions of their own organisation”

“Been more forward thinking and engaging. Little thought leadership occurring”

“The law firms have been very busy, after a slow start. The banks hold conference calls - but are thin on actions”

The word cloud on the right highlights that “specific” was the most used phrase, after Brexit.



Lessons learned

One area of research was to understand what treasurers would have done differently upon reflection. Although few could have foreseen how the political landscape has developed, one clear message is that treasurers, in general, feel they should have prepared earlier and with greater

earnest. Whilst many did prepare for Brexit – this was typically on the basis of an agreed deal with a long transition period.

As our regular monthly polls found, there seemed to be a big step change around December as a hard Brexit seemed much more likely. I recall sitting with a neighbour from a law firm on the train in January who had just received an email from a client asking about the costs and timeframe to set up a subsidiary in the EU27!

Another theme was the range of situations and scenarios that treasurers planned for. It is clear from a number of comments and conversations held that many had put together high-level plans but without detailed planning, some of the potentially more impactful, but less likely events were missed (such as **as** impact of currency volatility on 31/3 year end numbers, building robust liquidity risk appetite models and the loss of key staff in existing or new locations).

Understandably, main efforts were dedicated to the impact on UK based businesses. One corporate reflected that they had ignored the impact of Brexit on their Irish business.

Some of the comments we heard were:

“More active hedging. Acceleration of certain funding transactions”

“I would have engaged with my banks to open up a bank account sooner”

The word cloud on the right highlights that words related to starting earlier were the most common response.



How has being a Treasurer been valuable to your organisation?

As the ACT we are always advocating why our profession continues to play a valuable role in business. The final section of our poll asked what skills and qualities treasurers felt they had brought to the table.

A number of responses reflected that treasurers have built broad relationships across their entire organisation. This has made them almost uniquely placed to take a holistic view in the planning and execution of changes across their firms – especially given that many of the changes are of a tax or regulatory nature. Others noted that treasurers have a clear understanding of the practical way the business is run and are able to overlay appropriate risk mitigation strategies.

A few commented on liquidity and working capital management. Whilst some treasurers had been focusing on cash forecasting to ensure that any slowdown in sales could be monitored from a funding perspective. Others were using the forecast to identify movements in the working capital dynamics of their customers and suppliers and the financial implications of stock building by them and their customers.

Some of the comments we heard were:

“Ability to scan across the organisation”

“Ability to consider wider issues, openness to what if situations, ability to think through downstream consequences of business/treasury strategy”

“Deconstructing financial documentation exposures to Brexit impacts”

“Ability to manage change in treasury spectrum/technology”

“Sense of calm and a degree of pragmatism”

“Ability to distil complex political and market issues for senior management”

The word cloud on the right highlights that words related to risk and business insight were the most common responses.



What's next?

Based on various discussions, including a recent presentation to PwC clients, many treasurers are now focused on moving from business ready to operationally ready. Structures that have now been put in place need time and effort to become firmly set and controls need to be made more robust. Skills shortages are becoming more apparent as existing talent becomes spread across the UK and EU27 businesses compared to when it was combined in a single team in the UK.

Liquidity structures, cash pooling and payment hubs need optimising so that they aren't just ready but are efficient and subject to strong controls.

Reporting and governance frameworks need to be reviewed to make sure that they are fit for business and not just a "copy and paste" of previous structures.

So, for the Treasurer, lots achieved, but still lots to do.... and that's on top of the day job!