

# HOUSE OF CARDS



Visa Europe's head of treasury, Janice Watson, talks about liquidity, low interest rates and why Monday means billions

Words: **Sally Percy** / Photos: **Charlie Best**

Life could have turned out very differently for Visa Europe's treasury head, Janice Watson, if she hadn't met Alfred Kenyon.

It was Kenyon, the former treasurer of electronics company Plessey and a founding member of the ACT, who introduced her to the joys of treasury when he lectured on her MBA course at City University in London in the late 1980s. "Of all the topics in my MBA, it was the one that grabbed my attention," Watson recalls. "I was fascinated by identifying risks and finding solutions."

Prior to the MBA, Watson had completed what she lightheartedly describes as a "pointless arts degree" in Arabic at Edinburgh University, followed by a three-year stint teaching English in the Middle East. "I knew the phrase 'to wring out a camel's intestines', but I couldn't ask for a cup of tea," she explains. "So I went off to learn some proper Arabic that I could communicate with." She enrolled for the MBA on her return because "teaching English was fun, but it wasn't a career".

Watson's first job in her newfound profession was treasury assistant at media giant Reuters. She worked her way up to group treasurer over five years, passing the ACT exams first time along the way. She found the exams "an extremely useful way to get a breadth of scope and exposure to the kinds of things that prepare you for the next job".

In early 2002, she decided to take a career break to spend time with her young family - "I made cupcakes and did the school run" - and stayed out of the workforce for nearly three years. But when her younger son started school, she decided to return to treasury and joined Visa Europe as its head of treasury in a newly created role in October 2004. "The timing was good because Visa was looking for someone and I was back. I hadn't been looking for long, but there is a lot of prejudice against mothers coming back into the workplace [after a career break]. I was very lucky. Visa is a very forward-looking and supportive organisation."

Visa Europe is owned and operated by banks and payment service providers from 36 countries across Europe. As a membership association that exists to create the technological services and infrastructure that support electronic payments, it is a not-for-profit organisation and surplus profits are reinvested

into the business. "To a large extent, Visa is here to serve the ecosystem," says Watson. "We're not a publicly listed company, and our customers are our shareholders. So we cooperate in driving their strategic agenda."

Despite sharing common origins with global payment technology giant Visa Inc, Visa Europe is independent of the San Francisco-based corporation. In 2004, it was incorporated in the UK and in 2006 it negotiated an exclusive, irrevocable and perpetual licence to use the Visa brand in Europe. Nevertheless, Visa Europe and Visa Inc continue to work very closely together. "A Visa cardholder should not be aware that there is any difference between Visa Europe and Visa Inc," says Watson. "Maintaining interoperability between our systems and their systems is a key priority for us and we share a common brand."

When Watson first arrived at Visa Europe, she oversaw a team of three in treasury. This has since grown to 14. The function is divided into corporate treasury (which undertakes more traditional treasury activities such as FX, managing the investment portfolio and maintaining banking relationships) and settlement and operations (which entails calculating positions and arranging daily payments between around 400 member banks across 14 different currencies). An outsourcing provider based in Dublin carries out Visa Europe's corporate treasury settlements along with most of the back office treasury work. Watson says outsourcing has been part of Visa Europe's treasury model since the very start. As a fledgling company, it had limited funds and infrastructure so it "couldn't justify having enough people to maintain segregation of duties and the correct control environment", according to Watson. It turned out to be a cost-effective solution that has worked well. "As we've grown, it's grown."

Given that the business exists to enable payments, liquidity is a massive priority for Visa Europe. It can make millions of euros in payments on any given day ("Billions on a Monday," says Watson). Certain times of year such as Easter, when the banks are closed, but people are still spending, also bring heightened liquidity demand. "We have to ensure that we have sufficient liquidity in >



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## JANICE'S TOP TIPS FOR SUCCESS:

◆  
**"My top tip for other treasurers is to keep it simple."**

◆  
**"Getting the MCT early in my career opened my horizons quite considerably. Once you have a theoretical background, you have a sound basis for anything else that might come along. You have a framework that means you can adapt and think about things in a sensible manner."**

◆  
**"My favourite gadget is my iPhone."**

◆  
**"The secret to my success is that I can keep calm in the face of impending disaster."**

◆  
**"The most difficult question my FD is likely to ask is: 'Didn't I tell you...?'"**

◆  
**"The best way to relax after a long day is to walk the dog."**



## JANICE'S CURRICULUM VITAE

**October 2004 to present**

Head of treasury, Visa Europe

**1994-2002**

Group treasurer, Reuters

**1992-1994**

Assistant treasurer, Reuters

**1990-1992**

Treasury executive, Reuters

**1989-1990**

Treasury assistant, Reuters

**Qualifications**

FCT, MBA, MA

case something goes wrong because our obligation is to pay the acquiring banks. We have our own funds [in the form of retained earnings sitting as cash on the balance sheet] and access to borrowed funds from syndicates," Watson explains.

Visa Europe had £752m in cash reserves as at 30 September 2012. Most of this stockpile is invested in money market funds, with some kept on bank deposit. Most funds are held in euros, not sterling, as revenues are also mostly in euros, but there are balances in US dollars and sterling, with the balance sheet exposure hedged back into euros. The low interest rate environment has inevitably presented investment challenges. "We have suffered on yield, but it's a sacrifice we have to make because liquidity and security of cash are so important," says Watson. Although Visa Europe is not regulated, it took the decision to increase its capital requirements to meet the 8% capital adequacy standard set out in the Basel II framework. "We've rarely needed to draw down on cash for liquidity requirements. But I need to be able to make sure I can draw down on it if I need to," Watson explains.

➤ Visa Europe has a syndicate of nine banks that it relies on for its credit facilities and it tries to use these same banks for its relationship banking. "Our cash management business is very attractive because we have lots of money going through the system," says Watson. "Our SPOT transactions are very high value because of the cardholder travel. It's low risk for banks and very small margins, but it's huge volumes every day."

The evolving regulatory landscape inevitably needs constant monitoring – for example, both the US Dodd-Frank Act and the European market infrastructure regulation (EMIR) on FX compliance affect Visa Europe. "As a corporate, we seem to suffer collateral damage some of the time," Watson observes. "We're not the actual target of some of the legislation, but as the legislation is drafted we need to make sure our voices are heard to avoid unintended consequences."

Visa Europe has a rolling hedging programme over three years for its FX exposures, which it uses to reduce the volatility of its cost base (its revenues are in euros while its costs are largely in sterling and US dollars). "It's getting harder and harder to hedge to those three-year dates, partly because of the capital charges that are being applied, partly because the banks are not sure what will happen on the reporting side," says Watson. She is, however, optimistic that "we'll get to a more balanced place", eventually.

Between 2006 and 2012, Visa Europe invested more than €1bn in building a robust and secure European payments platform for delivering the next generation of payment technologies. "Contactless really is taking off," says Watson. "By 2020, we estimate that half of our transactions will be on a mobile device." The company is also focused on minimising the risks of online

## VITAL STATISTICS

**€1.3trn**

the total spend by Visa cardholders in Europe for the financial year ending 30 September 2012

**€1.02trn**

the total spend on Visa debit cards in Europe in 2011/12

**€202bn**

the total spent online on Visa cards in Europe in 2011/12



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fraud. Last year it launched its digital wallet ‘V.me’ in a trial in conjunction with the Royal Bank of Scotland and NatWest. The technology allows customers who want to make purchases online to shield their full card details from the merchant by storing multiple payment card details online in one place (a digital wallet). The bank provides the wallet and the payment cards are then registered on V.me, with the customer able to log in and select which card they would like to pay with.

➤ Visa Europe’s treasury channels all its payments through SWIFT and receives SWIFT messaging during the day that shows its real-time cash positioning. “So we can tell at a glance how overdrawn are we? Who haven’t we paid? Who hasn’t paid us?” says Watson. “We have very well-established escalation procedures so we know what to do when.” All investigations, queries and resolutions also take place through SWIFT. “It genuinely is multi-banking,” says Watson. “If one bank had a system failure, we could switch to another supplier fairly easily in an emergency.”

The uncertain regulatory environment makes forward planning hard. “It’s not clear how much our traditional banking model will alter in the future,” says Watson. “We may have to look at ways of doing things differently with different parties.” For Visa Europe, the proposed ring-fencing of retail banks from the riskier activities of their investment arms could present some

interesting challenges. It provides card services for banks’ retail operations, yet it is their investment divisions that are more likely to provide the company with back-up liquidity facilities. What attitude are those investment divisions likely to take towards funding Visa Europe if they are more distanced from their retail cousins in future? “Where the convergence of interest lies is a little ambiguous,” observes Watson. “It’s something we’re watching and as things become clearer, we’ll modify our plans.”

Watson is positive about the opportunities that exist within the treasury profession and believes it offers some exciting options. “Treasury provides a good basis for being CFO if you’ve come from a core accounting background,” she says.

In her present role, Watson is right in the thick of the action although she acknowledges that this is by no means the norm. “Visa Europe’s unusual in terms of how treasury is embedded in the business,” she notes. “That’s because we provide a settlement service. We’re very integrated into the system infrastructure and the whole business proposition, which is a rewarding place to be. You’re not in an ivory tower here. You’re getting your hands dirty.”

Dirty, perhaps, but hopefully not as filthy as if she really had to wring out a camel’s intestines. ♥

Sally Percy is editor of *The Treasurer*

€1.11bn	€260m	13.2bn	466m	1,480	36
Visa Europe’s revenues in 2011/12	Visa Europe’s pre-tax surplus in 2011/12	the number of transactions processed by Visa Europe between January and December 2012	the number of Visa cards in Europe	the number of transactions processed by Visa Europe in the peak second of 2012, on 21 December	the number of countries in which Visa Europe operates