VANTAGE POINT

WHAT PRESSURES DO TREASURERS FACE SPECIFIC TO THE REGION THEY WORK IN? AS PART OF THE FUTURE LEADERS SPECIAL EDITION, WE ASKED FIVE TREASURY SPECIALISTS TO HIGHLIGHT KEY ECONOMIC, REGULATORY AND GEOPOLITICAL FACTORS AT PLAY IN THEIR LOCAL MARKETS. HERE IS WHAT THEY HAD TO SAY...

US

JONATHAN COHEN

DIRECTOR, US TREASURY PLANNING AND STRATEGY AT NATIONAL GRID

Jonathan Cohen's treasury career has taken him from managing bank relationships in London to developing the business-partnering capabilities and implementing strategic financing for National Grid in New York.

His current focus is to connect with the business and develop automated management information, as National Grid continues to grow in the US. Cohen is intent on combining his expertise in treasury with emerging technology trends.

The US utility industry is a complex business environment for treasury, largely due to the various regulatory bodies that oversee the industry at both the state and federal levels. National Grid owns and operates electric and gas businesses across multiple states, each of which has its own regulator, while a national commission oversees interstate commerce. This means different regulations exist in the states in which we operate, adding to the challenge of creating and managing a competitive portfolio.

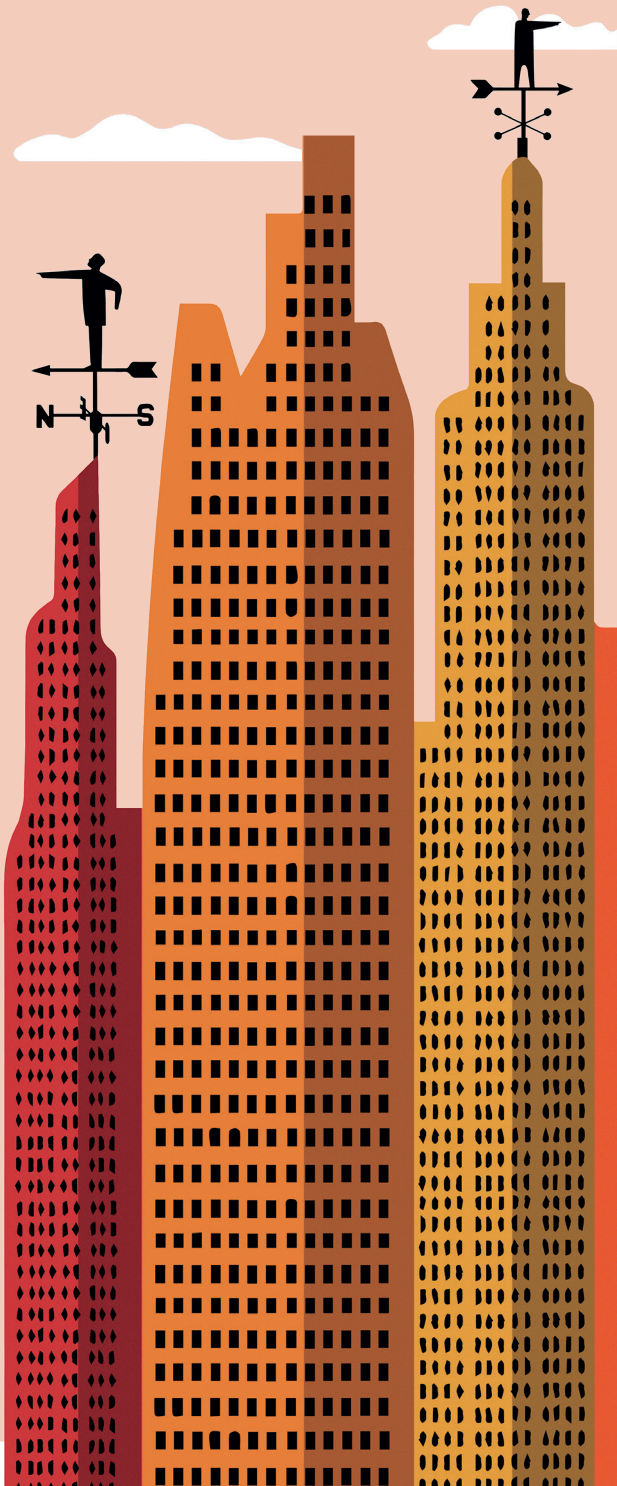
Business partnering is crucial in order to learn about each state's regulation and refine the financing strategy

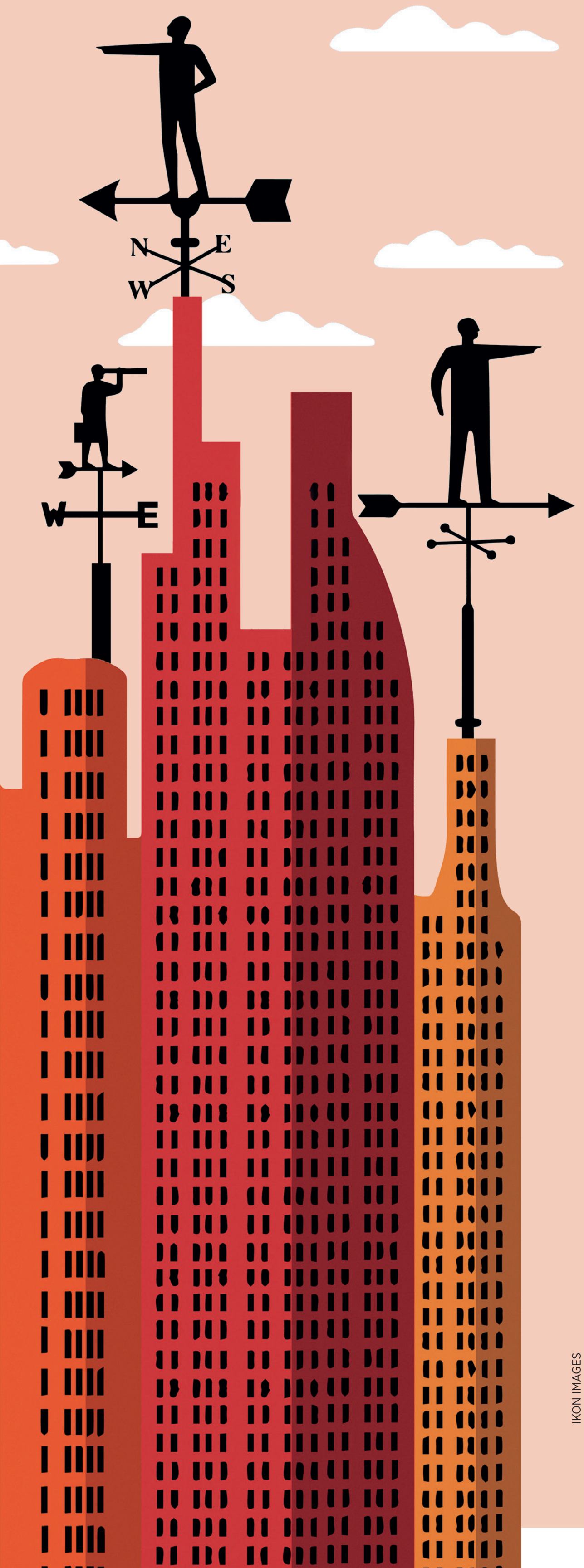
It means that, as a treasury team, we need to be nimble and adaptable to various regulatory requirements. While there may not be a 'one-size-fits-all' solution, there are two things that we focus on internally: upskilling our business-partnering capability and maximising our use of technology.

Business partnering is crucial in order to learn about each state's regulation and refine the financing strategy. There are different opportunities and risks, at both an operating company and group level. Business partnering requires a different skill set that goes beyond straight knowledge of finance. Key traits such as emotional intelligence and complex problem-solving are highly valued.

Technology and modelling capability are a secondary, but nonetheless important, area in which we are investing. The key aspects of each state and federal regulation work in a similar vein, so this can be modelled in innovative ways. Technology can help us with this, freeing up time to investigate the nuances of the diverse set of regulations and allowing us to use our judgement and decision-making skills for refining the financing strategy. The more time we spend on these activities, the more value we can bring to our stakeholders. Artificial intelligence (AI) and machine learning will improve the modelling of our business, while blockchain can improve information flow and present new opportunities and risks.

In the future US utility environment, the critical thinking capabilities of our team and our ability to leverage technology will ultimately drive business outcomes. This will result in greater efficiency and in greater customer outcomes to keep energy affordable.





IKON IMAGES

EUROPE

IAN COOPER

GROUP TREASURER AT 3i GROUP PLC

At FTSE 100-listed 3i Group, a leading international investor focused on mid-market private equity and infrastructure, Ian Cooper is responsible for financing, liquidity, FX and interest rate risk management. Cooper previously worked at Deloitte in investment management audit, where he qualified as a chartered accountant. An associate member of the ACT, Cooper holds a BA Hons in Finance from Nottingham University, Accounting and Management.

I would categorise the key issues facing businesses in the UK and Europe into the following:

Brexit – Clearly one of the biggest impacts for UK businesses is Brexit and the uncertainty around the future trade and regulatory regime. At 3i, we are subject to financial institution regulation and can't risk a transition phase not being completed, so we have started implementing our Brexit plans. Active steps have included setting up operations in Luxembourg and getting regulatory approvals. We are monitoring this situation and will adapt our plans as we find out more about the future relationship between the UK and the EU. An important factor is that Brexit uncertainty could lead to labour shortages for certain sectors of the UK economy if the availability of labour from the EU declines.

Market and wider geopolitical risks – Geopolitical risk seems to be increasing and this has become more evident this year with greater market volatility. The rise of populist parties in Europe, trade disputes, the instability with North Korea and Iran, and, of course, Trump tweets are all adding to the uncertainty. A sound hedging policy is more important than ever – and the hedging policies we have in place at 3i are designed to sensibly manage risk and look through periods of volatility. We manage treasury centrally, so there are no regional differences in this regard.

Interest rates in Europe and the UK continue to be anchored at historically low levels and have not been particularly volatile, but at some point interest rates will rise and businesses should be prepared for this.

Emerging technologies and cybersecurity – There is a lot of discussion regarding AI and blockchain, and these have the potential to significantly disrupt the existing technology landscape, including payments and investment products. While these continue to be discussed, I have been engaged in more substantive conversations with our portfolio company treasurers and CFOs around established systems and platforms. The focus here has been on implementing new treasury management systems and FX dealing platforms with the driver being efficiency gains and cost savings. As more systems and processes become automated, the risks from cyberthreats have increased, and cybersecurity has been more in focus among our businesses. We have recently rolled out a training programme to key personnel on mitigating those risks.

AFRICA

JOHN TUMWINE

HEAD, TREASURY AND CAPITAL MANAGEMENT AT STANBIC BANK UGANDA

John Tumwine, AMCT, is currently working as the head of treasury and capital management at Stanbic Bank Uganda, a subsidiary of Standard Bank Group. He has worked in Standard Chartered Bank in the dealing room, handling different roles spanning from trading to sales. He was the head of treasury at Equity Bank Uganda, serving both as a treasurer and head of the dealing room. He also set up and ran a treasury unit in the large local pension fund, National Social Security Fund.

Africa has been among the fastest-growing economies over the past two decades, transitioning from low-productivity economic activities, such as traditional farming, to high-productivity economic activities, such as manufacturing. It has registered increased trade activity both within Africa and across other continents where the Africa-China trade corridor has featured prominently. Africa has seen high population growth and increased urban migration. However, in all the above changes, the trend lines and context varies widely across the continent.

In supporting the above transition, the region has seen significant investment go into infrastructure development, with transport, energy and power as the leading sectors. The 2017 *Africa Construction Trends Report* by Deloitte puts the 303 projects in the region, whose individual value is above $50m that had broken ground in 2017, at a total value of $307bn. East Africa discovered recoverable commercial oil reserves, and a significant investment is being made in infrastructure and other oil-related sectors, including labour skills, to achieve commercial production by 2022. Structuring the financing, liquidity and capital management of such projects calls for deeper skills within the treasury teams.

Internet World Stats 2018 puts internet penetration in Africa at 35% versus the rest of the world, which is at 58%, as at 31 December 2017. Between 2000 and 2017, internet users in Africa have increased by 9,942% versus the rest of the world, where it has increased by only 89%. This remarkable growth in internet usage in Africa has eased (speed and mode) cash transfers across the range of large to very low-value transactions. For instance, in East Africa, transactions of as low as $1 equivalent can be settled by transfer of electronic money using mobile telephone platforms (Mobile Money in Uganda and M-Pesa in Kenya). In these economies, there is a shift from cash transaction-based settlement to electronic money settlement, as has been predominant on small-value transactions. Increased connectivity has facilitated trade and commerce across large and small transactions. Corporate treasury teams now have improved visibility across multiple accounts, which means they can deliver more efficient cash management across different currencies, which in turn provides improved liquidity and FX risk management.

Increased connectivity carries the risk of cybercrime, and there is a noticeable trend of investment by organisations into cybersecurity tools and skills.

Increased trade activity between Africa and the rest of the world increases the probability of contagion from the negative geopolitical and economic shocks that impact our trade partners.

ASIA

WILSON KOH

GROUP TREASURER AT GRAB

Grab Group head of treasury Wilson Koh is an accidental treasurer. Partway through his career with BP as a chartered certified accountant, he applied for a finance role in London and a treasury role in Hong Kong. The Hong Kong offer came first, and he has not looked back from treasury since. "Treasury offers strategic insight into what drives cash in and out of corporations and sharpens your risk focus," says Koh, who is now Singapore-based, working in a tech unicorn.

Grab is Southeast Asia's leading online-to-offline (O2O) mobile platform. It has adopted an open platform strategy to become an 'everyday super-app' that helps millions of users carry out routine activities. Southeast Asia is one of the most culturally diverse regions in the world. The numerous countries within it account for more than 620 million people and there are large economic realities separating the region – such as differing central bank regulatory frameworks. This makes treasury work challenging, yet exciting.

Core concerns include:

Financial risk management – Grab adopts a hyperlocal approach to businesses by setting up a local presence in each country and working

closely with tax and banking regulators. We collaborate with global and local banking partners, and manage any changes to rules, regulations and practices that may present risks (or opportunities) to our emerging currency exposures, counterparty credit risk or yields.

Data privacy – We exercise extreme care when handling any personal information, regardless of whether this belongs to drivers, passengers, merchants or even employees' personal information. This will then allow us to continue to earn the trust and respect of our partners.

Real-world transportation problems – One of our key principles is 'Disrupt or be Disrupted' and we see this trend sweeping across various industries. In early June 2018, Grab Ventures was launched, as we recognised that partnering with dynamic start-ups and helping them develop and scale technologies would accelerate the solving of mobility, O2O and payment challenges.

Partnerships with other Southeast Asian tech companies – We are working with companies that exhibit strong synergies with Grab to rise together and build an increasing ecosystem of services that will provide more income and growth opportunities for its network of driver, delivery and merchant partners. The Grab Ventures opportunities extend beyond transportation and payments to include logistics, food and financial services. This builds on and expands an existing ecosystem with greater access to everyday services for both consumers and businesses.

What Grab brings to the table are world-class engineering, a developed tech platform with valuable assets like our huge base of drivers, delivery partners, consumers and merchants, as well as products that will help partners scale faster – not to mention the usual capability development, market access and start-up facilitation, regulatory support and grants. Existing Grab Ventures projects include GrabCycle (a bike-sharing marketplace app for multiple personal mobility partners); Kudo (Indonesia's leading O2O platform); US-based Drive.ai (AI solutions for autonomous vehicles); and iKaaz (an emerging-markets mobile payments platform).

MIDDLE EAST

FADEY ABIDAOUD

INSTRUCTOR AT THE COLLEGE OF THE NORTH ATLANTIC

Fadey AbiDaoud is an accounting instructor at the College of the North Atlantic in Doha, Qatar, where he has been based since 2012. Prior to this, he was the treasurer of the Municipal Group of Companies where his role revolved around cash management, intracompany financing and credit administration. Before that, he was involved in commercial lending, first at Canadian Imperial Bank of Commerce in Canada and then at Barclays in the United Arab Emirates (UAE). He has an MBA from Saint Mary's University in Halifax, Nova Scotia, Canada, and a CMA designation through the Institute of Management Accountants.

The economies of the Middle East are driven by government spending, and government revenues are still driven by a dependence on hydrocarbons.

The Middle East has increased its dependence on non-renewable hydrocarbons, but there is still uncertainty on whether this is a good position to be in. The price of oil can change dramatically and I have witnessed the effects of $150 per barrel, as well as lows of $20 per barrel, brought about by the effects of the financial crisis in 2008. This in turn affects the credit available – and how quickly a credit line can vanish under adverse conditions.

There are two key areas that affect the price of oil: supply chain uncertainty and the rapidly rising US shale production. If oil prices plunge back into the $20 range, the region will need to look at how to raise debt and will look at both the equity and debt capital markets.

The bond capital markets seem to have an appetite for Gulf debt. As reported by Reuters, Qatar raised $12bn back in April, despite the blockade imposed by its neighbours. Saudi Arabia raised $11bn at the same time. Rates seem to be affordable, too, with rates close to 200 bps above US treasuries.

But there are other ways to finance government deficits. Everyone is aware of Saudi Arabia's plan to sell up to 5% of Aramco. The UAE has the Abu Dhabi National Oil Company and Qatar has Qatar Petroleum. Real estate is another option: investors like low-risk investments and the Gulf provides an opportunity for real estate investors.

Another area is the region's sovereign wealth funds, which possess the ability to manufacture economic growth and provide fiscal stimulus if required, albeit the funds remain opaque. They still possess the ability to manufacture economic growth and provide a fiscal stimulus if required. Additionally, insurance companies such as Qatar Insurance Company and Abu Dhabi National Insurance Company have available funds ready for input liquidity if required.

So, as a Middle Eastern treasurer, my concerns are about oil and gas prices. On a wider scale, I am also concerned about the US foreign policy and how it will affect all economies.

Bond capital markets seem to have an appetite for Gulf debt

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