

# QUALIFICATION MATTERS



© Click Productions

**TRAINING** The world has rarely been so uncertain as now, and in turbulent times it is more important than ever that treasurers are properly prepared, writes Rod Newing

■ When Stuart Siddall sat his treasury qualification in 1985 he was one of only 17 students at the Association of Corporate Treasurers (ACT). “I needed to study because I couldn’t pick up everything that was going on in treasury just from my day job,” he says. “I needed the qualification to expand my knowledge fast enough to keep pace with the demands of the company I was working for.”

Now chief executive of the ACT, he has seen the Association experiencing record demand. Since December 2008 its student numbers have increased by 50 per cent. This growth has been boosted by the increased spotlight on treasurers as a result of recent turbulence in the financial markets.

Before the financial crisis in 2007, the markets had been quite benign for some time. The differential pricing of risk was very narrow and margins were very compressed. The transaction costs for a wide range of products had reduced to a level that did not reflect the differential in risks between the parties and it was quick and easy to get a competitive price for most transactions.

“It was easier for organisations to ‘muddle through’ some treasury products, because volatility was muted and the cost of mistakes was low,” says Siddall, “and the costs of trading for each party didn’t differ that much. The market was more forgiving for people who didn’t have huge technical knowledge, so the inexperienced or less well qualified were able to operate satisfactorily. However, the markets have now become more unforgiving.”

The treasury role is very technical, involving a broad range of subject areas, from capital and funding, derivatives markets, hedging commodities and currencies through cash and liquidity management to tax, legal and insurance. Even funding can come

from a number of sources, including private placements, bank loans, syndicated loans or supply chain finance. At the same time, the complexity of the instruments in the market is growing.

There is an increased focus on pricing of risk, especially counterparty risk, which has widened margins. Although they have declined from their post-crisis peak, the margin between the highest and the lowest credit has widened and is expected to stay much wider, increasing both the cost and complexity of transactions. Instead of a bank offering one all-in product, they might now break it down into several components, so a greater understanding of the products available from different suppliers becomes more important.

“Part of the problem with the financial crisis was said to be that neither banks nor companies understood some of the products they were signing up to,” says Siddall. “The crisis has demonstrated the need to make sure that every aspect of an instrument is well understood.”

He points out that after the Icelandic banking crisis, the Communities and Local Government select committee of the House of Commons highlighted the need for a qualification for local authority treasurers. Developed by the ACT in conjunction with CIPFA, the Chartered Institute of Public Finance and Accountancy, it has enrolled 300 students in two years.

“The committee suggested that anybody receiving advice must know how to challenge it and how to assess whether it is appropriate for their organisation,” says Siddall. “It is a hugely important point that applies equally to the private sector. Treasurers need to know how to evaluate advice, to know if it fits their risk profile and even whether the advice is inde-

pendent in the first place. There is a technical nature to treasury that treasurers cannot get just from experience. They need to be qualified.”

The ACT has over 4,000 members and 2,400 students. Eighty-seven per cent of the FTSE 100 companies employ circa 800 of its members. Twenty per cent of members and 40 per cent of students are now based outside the United Kingdom. One staff member is based in Dubai (to support ACT Middle East) and thought leadership events and tuition are carried out in twelve countries.

The ACT offers certificates in financial fundamentals, treasury management, treasury for the public services, corporate finance, financial modelling, cash management and risk management which each take four to six months to complete. These can be acquired individually, but taken in combination, also count towards the Diploma in Treasury (AMCT), which enables the student to become a technically qualified associate member of the Association, in about 12-18 months. The Advanced Diploma (MCT) takes 15 months in total and focuses on strategic financial knowledge and entitles the individual to become a full member.

**↳ Treasurers have to be qualified so they know how to evaluate advice, if it fits their risk profile and even whether the advice was independent in the first place**

Communication is vital to the role of treasurer

“The certificates cater for career finance professionals who want an introduction to treasury or knowledge of key treasury areas such as cash management,” says Siddall. “Associate membership is favoured by finance professionals that want a good understanding of treasury, whilst full membership attracts those aspiring to the most senior roles or who want a career in the treasury profession.”

Just under 70 per cent of members are qualified accountants, who enjoy a fast track onto the AMCT qualification. In the United Kingdom, most students are either accountants or have some other finance qualification. However, no formal qualifications are required and many overseas students do not have a degree.

“We cater for them by increasing the amount of face-to-face tuition we offer,” says Siddall. “The pass rate is not as good as for accountants in the UK, but it is improving.”

Many banks around the world send their staff to qualify in international cash management. It helps them to present solutions to their clients.

Mr Siddall says that it is not enough just to train a treasurer to be a good technician. Treasury staff must deal with business units, who sometimes take on financial risks without realising the implications.

“Treasurers must be good communicators, to make sure that business people understand the complexity by reducing it to simple explanations,” he says. “As they deal with a plethora of issues they come across from day to day, managers must know when they should seek help from the treasury function.”

The ACT has recently launched an annual global survey to benchmark treasury skills and education needs. The Association largely grew out of

- ALMOST 70% OF ACT MEMBERS ARE QUALIFIED ACCOUNTANTS
- THE ACT HAS 4,000 MEMBERS
- 900 WORK FOR FTSE 100 COMPANIES
- 40% OF ACT STUDENTS ARE BASED OUTSIDE THE UK

the treasury functions of the FTSE 100 companies in UK and wants to ensure that it still understands their education needs. Secondly, it wants to improve the way it addresses the needs of mid-tier and smaller companies, which may not have a dedicated treasury team. Thirdly, it wants to measure how professional treasury qualifications are gaining support overseas.

“It is vital that we keep ACT qualifications up-to-date and truly international,” says Siddall. “We will be able to measure success over the next five years, especially in countries where treasury is gaining traction, like the Middle East. Any profession needs and thrives on a benchmark.”

Meeting corporate needs is vital, as the ACT cannot afford to advertise widely. Word-of-mouth recommendation plays an important role, with members convincing employers that the qualification will enhance their treasury function and employees that it will improve their career prospects. “The good news is that as more people sit ACT exams and see the benefit to both the individual and the business,” says Siddall, “they become our best advertisement.”

Having experience in several financial products and several financial markets is no longer enough. Treasurers now need to understand a variety of products in a variety of countries with a variety of cash management approaches, what products are available and which are appropriate.

“All the metrics we have seen since the crisis indicate that professional treasury qualifications are gaining traction around the world,” concludes Siddall. “There are not many international treasury management qualifications and we are anticipating steady growth, because it is no longer enough to rely on experience alone.”