

TREASURY COMES *of* AGE

The ACT Middle East Annual Conference 2013 revealed that treasurers are becoming increasingly confident about what they can offer to both their employers and the region as a whole. Peter Matza reports



The ACT Middle East has been a work in progress for nearly six years, while its Annual Conference has been around for four years. Both have had unprecedented success and now set the standard for treasury management in the Middle East and, more specifically, the Gulf states or Gulf Cooperation Council (GCC). Thanks are due to all our sponsors and exhibitors, our speakers and panellists, and our nearly 500 delegates who registered in 2013 – this is a record and more than 12% higher than 2012.

A broadening role

In the previous years of the conference, we concentrated at various times on the issues and ideas that are the building blocks of treasury: governance, process and achieving operational stability. But 2013 was different, which suggested that delegates had a new and confident sense of maturity. All the evidence says corporate treasury has come of age in the Middle East and it is ready to make itself an indispensable part of corporate financial and business development.

How do we know?

A poll of the audience at the conference revealed that 86% had seen an increase in board and executive management focus on corporate treasury activities. In the same poll, 37% of delegates said strategic cash management was their highest priority, with risk management the next most critical issue, cited by 22%. In other words, the treasurer's role is broadening. These results suggest that treasury and treasurers now have the recognition and visibility they deserve. Indeed, one of our senior (non-treasurer) speakers was sufficiently impressed to comment: "I never realised that treasurers had so much to manage nor how well prepared they had to be. It's been a real eye-opener."

What, then, prompted his comment and evident admiration? The answer is quite clear: treasurers and finance managers in the region are placing themselves in a local, regional and international context. This means they are looking to understand the impact of global banking regulation, the changes that are taking place in international

**The ACT Middle East Annual Conference
enjoyed a record-high number of attendees**

trade flows and payments, and their options in capital markets, whether conventional or Islamic.

Rules and regulations

Regulation was a consistent theme throughout the conference. Aside from realising that working in banking regulation or compliance could be an 'interesting' career move, regional treasurers have to undertake deep analysis of the impact of the work of global banking regulators on their businesses, whether that is intended or not. As Neil Jones, head of corporate banking, Middle East and Africa, RBS, commented: "The net effect on treasurers will be most likely less bank lending, but equally and importantly, treasurers need to be aware that all banks are rationalising their product suites and their overall business exposures."

The pervasive impact of regulation was debated and discussed in sessions



covering funding, corporate finance strategy, trade finance and even treasury systems. Clearly, there are some beneficial changes in policy, for example, the United Arab Emirates' (UAE's) attempts to create a more debtor-friendly 'rescue and rehabilitation' regime through insolvency legislation. Overall, however, uncertainty was the main talking point. How will the main international banks in the region adapt to regulation? What will the larger regional players do in response? And so on... The impact on funding and finance clearly then becomes key to a treasurer.

Financial markets

The developing role of the regional financial markets was also a talking point. This was regarding how those markets' own regulatory structures will develop – and how they will interlink

it. Indeed, the conference heard from Luciano Poli, CFO of Saudi Arabian chemical company Sadara, which issued a SAR 7.5bn 16-year floating rate sukuk in early 2013. This was to part-finance the development of Sadara, a joint venture between Saudi Aramco and Dow Chemical that will build, own and operate a world-scale integrated chemicals complex in Saudi Arabia.

Poli's view was that, in this instance, Islamic finance offered the right mix of value to his shareholders and effective benefit to his investors and sponsors. By definition, given the size of this transaction, liquidity also exists in considerable institutional volume for the right business story. Other delegates and speakers took the same generic view: treasurers should use the financing options that suit their business best and, unless required by particular circumstances, Islamic finance offers

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across the region will place pressure on banks to lend to governments and related entities, squeezing the private sector. The increasing role GCC countries are playing in 'South-South' trade also requires trade and supply chain finance facilities, whether from regional or international banks. As one treasurer put



Delegates at the ACT Middle East Annual Conference 2013



The ACT's CEO, Colin Tyler



Almost 400 people attended the conference in Dubai



Neil Jones, head of corporate banking, MEA, at RBS



Ahmed Alsayegh, head of group treasury at UAE telecoms company Du

with global standards – as well as the capital-raising opportunities that regional treasurers will need to source as bank facilities become more scarce. Islamic finance was therefore a key element of the conference. Unlike previous years, however, it has now taken on a much more complementary role in the treasurer's toolkit.

That's not to say there is a lack of ambition for Islamic financiers; far from

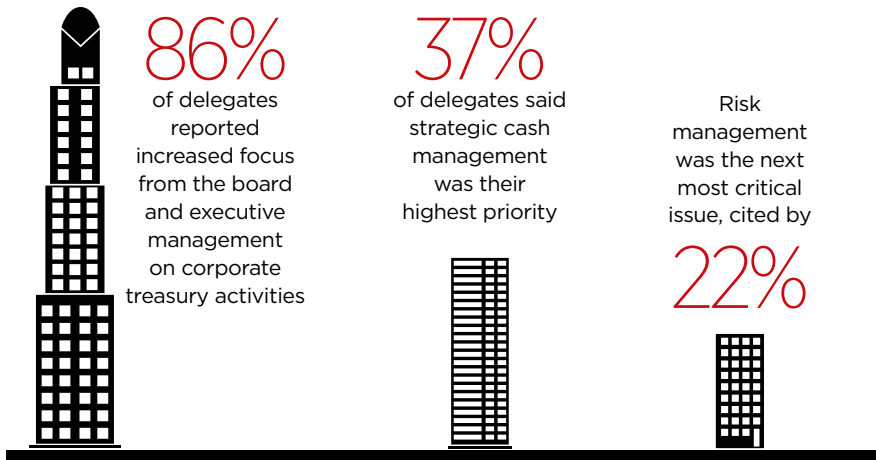
no more or less than conventional finance, whether bank- or market-led. Price, liquidity and suitability will be the buzzwords for treasurers in 2014.

The bank market in the GCC has remained liquid and strong, and banks are managing their assets conservatively. But experienced treasurers are very aware of the need to keep sources of funding diversified and to spread their maturities. Huge domestic infrastructure spending

it: "Treasurers are involved in a regional and international competition for capital, irrespective of their domicile or organisation."

Stakeholders and sustainability

As the treasurer's role widens beyond traditional functions associated with treasury, treasurers need to show that they appreciate the concerns of their external stakeholders, whether they



are investors, regulators or partners in the organisation's supply chain. Some of the discussions centred on whether treasurers need to be able to communicate better and more effectively and, especially, in more straightforward terms. Investors, in particular, are increasingly knowledgeable about the value of an integrated financial and business strategy. Regionally, there is focus on sustainability, both in an environmental sense as well as at an individual organisational level.

The conference heard from Stuart Anderson, managing director and regional head, Middle East, at ratings agency Standard & Poor's. He pointed out that a joined-up approach to sustainability is also a key element of a ratings process since it helps analysts to take a view of management capabilities. Debt service remains key – and the Sharia elements of Islamic structures are ignored under this approach – with Middle Eastern corporates being assessed no differently to corporates in other parts of the world. While ratings may not necessarily be appropriate for every size and type of organisation, they are another item in the treasurer's ever-expanding toolkit.

Discussions around IT systems further reinforced the increasing professionalism of treasury management in the region. Corporates and other organisations need to know where their money is, what payment systems can do and how they can manage risk exposures with the aid of technology. This is leading to increased demands on local and regional banks to either offer their own best-in-class solutions or to partner with international institutions that can help, even down to a local level, with products such as procurement cards. For treasurers, this can present cultural

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challenges in their own organisations when they are trying to redefine business unit responsibilities and understand local and regional processes.

Successful projects undertaken by our team award winners in the ACTME Deals of the Year Awards, Dubai Aluminium and Easa Saleh Al Gurg Group (see www.treasurers.org/node/9681), show the importance of treasury design and systems implementation. The key message repeated by many speakers, and in many of the panel discussions, is that to be successful, treasurers must understand their businesses – most obviously, where the money comes from and where the money goes to. Without that understanding, financial planning will be adrift of the business

strategy. Ahmed Alsayegh, head of group treasury at UAE telecoms company Du, emphasised that this would compromise treasury flexibility and, potentially, the health of any business.

Question Time is always a popular element of the conference and this year's panel, chaired by local journalist Francis Matthew, the editor at large of *Gulf News*, was no exception. The panel debated questions from the floor on the *rapprochement* between the US and Iran, the impact in the UAE of potentially winning its bid for Expo 20/20 (which was subsequently confirmed) and the serious business of developing local talent at all levels in the public and private sectors. In general, the health of the region and its bright prospects outweighed any concerns over an exposure to oil prices holding at around \$100 per barrel. One interesting fact that came up was that Dubai's traditional gold-trading role remains intact: more than 25% of the world's physical gold trades annually pass through Dubai. Some traditions never change.

All in all, the ACT Middle East Annual Conference 2013 was a highly successful event. It revealed a newfound, but well-based, confidence among treasurers in the region and a growing appreciation of what treasurers and treasury can offer. These are excellent signs for the future. Roll on the Middle East Annual Conference 2014.



Laura Ford,
senior treasury
manager
at Majid Al
Futtaim Group



Peter Matza,
engagement
director at the ACT



The conference sparked lively debate



Delegates enjoying the networking