{ TREASURY INSIDER }

Is there enough pie to go around?

Well-funded corporates are enjoying a strong position with their bankers, but it may not take much to start to tip the balance

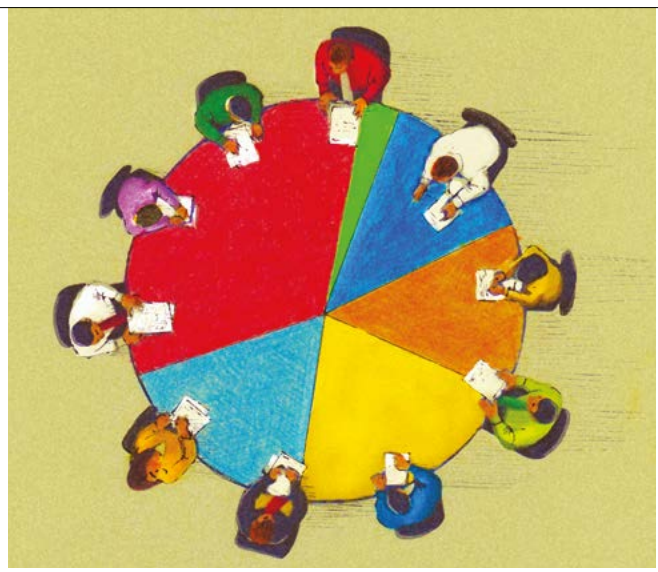
After agreeing the latest round of bank financing, we proposed that a series of annual review meetings with banks be set up. These were to be formal: the relationship managers would not just call in for a coffee, but would have to appear to be demonstrating to their credit and business committees that their funds were earning them a suitable return.

The reviews were duly set up, and a series of fairly senior London bankers trekked to our office. We did think of holding them at one of our sites, but decided we were likely to struggle to offer as much business to them so had better keep it local in London.

We were thoroughly prepared, with metrics on trades, drawdowns and responsiveness. I started a sweepstake on how many times during the meetings the phrase 'ancillary business' would come up – we needed to move to spread betting when it exceeded 100. I knew this would be the key topic.

The meetings all seemed to follow a similar pattern – review of the year, review of the business, summary and feedback on team members to flatter the relationship manager, and then the meaty questions:

- Why have we not had enough (ancillary) business?
- What do we have to do to win more (ancillary) business?
- We are really hurting due to pricing and regulation and capital costs – what can you do to help us gain more (ancillary) business?



GARY WATERS/IKON IMAGES

I donated my winnings to charity, in case you were wondering.

The reality is that there was not enough pie to go around. It sounded to me like each bank had promised their committees that they would get a bookrunner mandate in the first few years of the relationship, and to satisfy this we would have to do more debt capital market issues than needed, just to appease the banks. That was not going to happen in practice. How could this ever be possible in normal circumstances, and especially with credit markets looking as they are at present?

Relationship banking is now becoming a longer-term issue and, fortunately, at the moment, the reasonably well-funded corporate is in a better position than they may have expected. Most banks and especially relationship managers are keen not to be seen to drop out of syndicates – it is a sign of weakness to do so, but we corporate treasurers cannot take this for granted indefinitely.

However, there are a number of areas where banks are not as supportive as before. It seems to me that a number are narrowing their offerings and some have dropped out of certain markets that were well supplied a few years back. They should then hardly complain when corporates have to look outside their core syndicate in such circumstances – but it won't be that simple.

There will, in the coming years, be tough decisions to make. In my mind I was projecting forward, say, three years to think when we may need to roll the loans again as to how supportive banks would be in future. If we, like others, started to use the wider range of technologies that may lead to disintermediation away from the main banks, whether it be digital currencies or other fintech where traditional institutions might not be the main players, then revolving credit facility pricing may change.

That may be a very different conversation, and while there will need to be innovation from all and focus on the key value-adding services banks can provide and corporates really want, the whole future of relationship banking and pricing will surely remain in focus.

In future it may be the corporates having to eat humble pie! Will there be enough to go around?

The Treasury Insider has led corporate treasury functions inside a well-known company