



TREASURERS ARE RESPONSIBLE TO DIFFERENT CLASSES OF PEOPLE, WHOSE INTERESTS MAY SOMETIMES CONFLICT.
DOUG WILLIAMSON OFFERS SOME SOLUTIONS

➤ If we're an employed corporate treasurer, we have duties towards our employer, fellow employees, our employer's bankers and others. In self-employed roles we have analogous duties, most importantly to our clients.

The interests of the various diverse groups that treasurers are responsible towards can come into conflict. These conflicts of interest give rise to ethical challenges. They may also pose 'agency' risks to the business.

Agency risk

Agency risk arises whenever employed treasurers and other managers don't own the businesses they manage. This is usually the case in larger and more complex organisations, including almost all corporates that have a separate treasury function. Agency risk can lead to managers allowing their self-interest to interfere with their primary role of serving the organisation, and especially its owners, who are known in the agency model as the 'principals'.

Simple examples include fraud and excessive executive pay. More subtle examples include suboptimal capital structuring, especially with too much equity. Another agency risk is empire building, particularly through ill-advised acquisitions.

Requiring treasurers and other senior managers to follow appropriate codes of conduct and ethics can be an effective part of mitigating agency risks.

ACT Ethical Code

The ACT publishes a mandatory Ethical Code for all members and students. The Code establishes seven fundamental principles governing members' conduct, and referring to them can help us identify and resolve many ethical problems.

Ethics refresher

Remind yourself of your ethical responsibilities at www.treasurers.org/governance/ethicalcode

Integrity

The first fundamental principle is integrity. Integrity includes avoiding any conflict between our private self-interest and the interests of our employer or clients. Our employer or clients must come before our self-interest.

Conflicting principles

Integrity includes avoiding misleading external parties, including banks and other lenders. Misleading can mean

omitting material adverse information, as well as outright misstatements.

For this reason, integrity may require us to disclose such adverse information to our employer's lenders. However, we also have a fundamental duty of confidentiality (another of the fundamental principles) about our employer's affairs.

The duty to disclose may conflict with the duty of confidentiality. Common situations where these and other duties may come into conflict include M&As and turnarounds.

"Our ACT training on ethics should guide us to do what is best for the company and act according to our professional standards."

Nav Batish FCT MBA, group treasurer, Virgin

Seek advice

There may be occasions when we cannot resolve ethical problems on our own. We should take advice when appropriate. Advice can be from colleagues or independent legal advisers, or you can access the ACT's ethics resources at www.treasurers.org/cpd/ethics

ACT QUALIFICATIONS
A mark of professional distinction; see www.treasurers.org/professional-standards/qualifications/syllabi

What would you do?

How would you respond to the following situation:

Your fictional boss has just ordered you to do something you know to be a breach of the ACT's Ethical Code. (Check your answer here.)*

To help you with other dilemmas, you might want to consider the Understanding Business Ethics eLearning course (see ethics resources for more information).

Competence

Another fundamental principle of the Code is establishing and maintaining our professional competence. Our competence must be appropriate to our seniority and the responsibilities of our role. Use the ACT's Competency Framework to identify the level of competencies you need at www.treasurers.org/competencyframework

Grow your competencies by taking further relevant training or qualifications. Find out what the ACT offers at academy, treasurers.org/training

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*Ethics answer: 'Resign' is a popular initial response to the ethical problem described above. Better responses include you, as the treasurer, engaging in discussion with your fictional boss, ideally persuading them why we should comply with the Code