



ACT president
Yann Umbricht



Sir Richard Shirreff,
NATO's former
deputy supreme
allied commander

WHERE TREASURY MINDS MET

Business, public-sector and finance leaders wrestled with some of the biggest issues facing the world at the ACT Annual Conference 2015. Sally Percy reports

Treasurers rubbed shoulders with soldiers, spies and celebrities at the ACT Annual Conference, which took place in Manchester last month.

The conference covered a wide range of topics – from more traditional treasury matters, such as cash investment, credit ratings and currency risk, through to careers, cybercrime and the potential threat of war in Europe. Delegates were also able to visit the vast array of stands on display within the largest-ever exhibition at an ACT Annual Conference.

Business with purpose

In the opening session, ACT member Ronan Dunne, who is CEO of telecommunications giant Telefónica UK, highlighted that when we are building our careers, our output and capacity is finite, but our influence is potentially infinite. “It’s not about what you do; it’s about what you make happen,” he said.

Dunne revealed that he is an avid social media user and he sees social media as the “modern equivalent of walking the shop floor”. This led him on to the topic of trust and how businesses can build up trust with their customers. “Businesses need to be clear what they stand for and, in doing that, they need to be consistent in their behaviours and in their narrative,” he said.

Talking about management and leadership, Dunne’s advice was to ensure “that everyone around the table is better at doing their jobs than you would be”. He also recommended keeping an open mind on issues for as long as possible.

PHOTOGRAPHY: ROGER HARRIS

Looking to the future, he observed that the biggest issue that the UK economy faces is a skills shortage. “Schools are teaching young people skills that are needed for jobs that no longer exist in our economy,” he said. “Over the next five years, the UK economy will grow 745,000 new jobs in the digital sector, but there is nobody qualified to take them.”

The runaway dollar

David Bloom, global head of FX research at HSBC, transfixed delegates with an energetic presentation on whether the US



Telefónica
UK CEO
Ronan Dunne
(right) with
conference
chair
Peter Matza

dollar's dramatic bull run is about to run out of steam. Addressing some of the downsides of the greenback's strengthening, including hits to company profits as a result of earnings translation and volatility in the emerging markets, he said: "The dollar rally has gone from something beautiful, something fantastic to something dark, something dangerous."

Bloom said a hike in the US interest rate, which is expected later this year, is already factored into the price of the dollar, and he wished that the US Federal Reserve would get a rate rise "over with". Once the rate rise happens, Bloom expects the currency to weaken.

Turning to the issue of the UK leaving the EU, Bloom said that a vote on Brexit would be destabilising for the UK currency, whatever the outcome. "Sterling should be cheaper because we are now carrying political risk that we didn't have before," he argued.

Corporate credit risk

The topics of risk and uncertainty were further explored in a track session on credit ratings chaired by Paul Watters, senior director, head of corporate research at rating agency Standard & Poor's.

Watters pointed out that a wide range of uncertainties affect treasurers. While financial risk management can be applied to some of these

"The UK economy will grow new jobs in the digital sector, but there is nobody qualified to take them"

uncertainties, others require a planned response from management. Meanwhile, risk of all kinds can also have an impact on corporate credit.

Talking about how corporates can convey the effectiveness of their risk management to their rating agencies, James Kelly, head of treasury at environmental services company Rentokil Initial, said: "It's really important to understand the framework that they're working from. The danger is that if you don't manage communication and understand what the drivers are, the only message they will get is what's happened in the past three

months – what's up, what's down. It's really important to rebase that from time to time."

"You have to be honest, so there are no surprises," observed Alan Dick, director of tax and treasury at engineering consultancy Amec Foster Wheeler. "It's naïve to think that they [credit rating agencies] don't model the downsides of the oil price."

Getting the basics right

Alison Rose, CEO, commercial and private banking at RBS, kicked off the second day of the conference by explaining what the bank is doing to improve its customer service experience.

She told delegates that calls were taking longer and customer services staff have more power to resolve the issues that they face, which has resulted in the overall volume of calls from customers going down and customer satisfaction levels going up.

"We are trying to put a brilliant polish on the basics of banking," she said. "It's enabling us to create magic moments that transform the customer experience."

The risks on our doorstep

Sir Richard Shirreff, NATO's former deputy supreme allied commander, gave a thought-provoking overview of the wide range of political risks that threaten peace and stability at present. "The reality is that the world is a dangerous place," he said. "There is a real sense that the Four Horsemen of the Apocalypse – Conquest, War, Famine and Death – are on the march."

In particular, Shirreff highlighted Russian aggression in Ukraine as a particular concern, observing that it was only a matter of time before the ceasefire was likely to be broken.

Furthermore, he said, Russia could potentially end up on a collision course with the West over the Baltic states of Estonia, Latvia and Lithuania, all of which have significant Russian-speaking minorities. Since these states are members of NATO, every other NATO member is treaty-bound to fight for them, which means "general war, including nuclear war".

As a result, he noted: "The West faces a greater threat of war in Europe than probably any time since the Soviet invasion of Czechoslovakia in 1968."

Comparing the present situation to the 1930s, Shirreff said that "weak-willed Western nations" were facing "the ultimate opportunist" in Russia's President Putin.



#THE CONFERENCE IN TWEETS

Colin Tyler @ColinTyl

Will we have a bank account in the future? Possibly not for the Millennials so it seems #actac15

Jon Barrett

@JonBarrettUK

Hats off to @actupdate for a wonderful 3 days. Insightful, thought-provoking content, great attendees & a lot of fun! Thanks all! #actac15

Remco de Vries

@deVriesTweets

Enriched with fresh ideas and many new contacts from #actac15. Well done to all the team at @actupdate for another great conference!

Moneycorp @moneycorp

Great to host rugby star Jason Leonard on our stand at the @actupdate conference today #actac15

Jeff Ando @jeffando79

"Be bold, demanding and willing to change your banking partners regularly, too many are lazy and idle." Strong words at #actac15 @actupdate

Deutsche Bank GTB

@TalkGTB

"It's a challenging time for the banking industry," says de Ploey of McKinsey. "They have rediscovered client centricity." #actac15



REDEFINING TREASURY

Treasury strategy was the topic of a track session hosted by RBS on the second day of the conference.

Ian Peake, group treasurer of FTSE 100 outsourcing company Capita, explained that his treasury strategy is built on the business strategy “which is a strategy of growth”. In 2014, Capita undertook 17 bolt-on acquisitions and it has done a further seven this year. Peake said that half the work carried out by his team of nine is “related to the bolt-on acquisition programme and integration of it”.

There is a big focus on working capital at Capita and the company has 100% cash conversion as a key performance indicator. Peake also revealed that the treasury function provides support to Capita’s customers.

Nick Feaviour, group treasurer of packaging company DS Smith, said that it was important to have sensible treasury policies and that these are only effective if the users of the policies actually understand them. “I always have an exception mechanism in my policies because I know there will be things that don’t fit,” he said.

Asked about horizon scanning, Peake said he tries to keep up with what is happening from a wider perspective throughout the organisation. Feaviour said that resource constraints meant his treasury team tends to be focused “on the here and now, and wait for things to happen”, but he acknowledged that this was not ideal.



Gala dinner at Emirates Old Trafford

Shirreff emphasised the importance of countering Russian government propaganda so that ordinary Russians learn “the bloody, venal truth about Putin”. He also highlighted the need for international diplomacy and strong deterrents to combat the Russian threat. Right now, sanctions are the “only effective weapons we’ve got”, Shirreff said, and they are hitting the Russian economy hard.

Sounding a warning to treasurers, Shirreff said: “The last thing you need in your business is strategic shock and market disruption. So, you must look at the extent to which NATO puts up the stop sign. Ask yourself, is the rhetoric matched by reality?” He urged treasurers to closely monitor events in Ukraine as well as the impact of the low oil price and sanctions on the Russian economy.

Question Time

A lively Question Time debate, hosted by BBC business presenter Steph McGovern, topped off the second day. McGovern was joined by a panel consisting of Peter Hahn, senior lecturer at Cass Business School, Tim Harford, a senior

columnist at the *Financial Times*, Sir Richard Leese, leader of Manchester City Council, and Trevor Williams, chief economist at Lloyds Bank Commercial Banking.

The debate began with a discussion as to whether there are two UK economies – a northern-based manufacturing economy and a southern-based services economy. Williams pointed out that the south does have manufacturing and that the success of the south helped to bring wealth to the rest of the UK. Leese argued the case for fiscal devolution, saying that tax-raising powers and tax-spending powers need to go together in the regions.

Moving on to the possibility of the UK leaving the EU following a referendum, Harford said: “There’s no obvious advantage to leaving and we stand to lose a tremendous amount.” He added: “Even the uncertainty of the argument is going to cause some damage. Businesses that are pro EU membership need to make the case as early as possible.” Hahn said the UK benefits from a lot of investment as a result of its membership of the EU, but he said that the EU’s biggest failing “is not connecting with the



Question Time panel, from left to right: Tim Harford, Steph McGovern, Trevor Williams and Peter Hahn

TREASURY TALENT

On the last day of the conference, panellists offered some practical advice relating to recruitment and career development in an engaging track session hosted by ACT associate director of education Will Spinney.

David Morgan, senior treasury manager at National Grid, said it was important to keep an open mind when recruiting treasury talent. Jiameng Teah, assistant treasurer at Vodafone, concurred, saying: "A person can come from lots of different backgrounds and pick up

treasury. But to be good, you need to work hard and apply the knowledge that you learn."

Pedro Madeira, interim director of treasury at Heathrow Airport, emphasised the importance of being AMCT-qualified. "I would say, do the AMCT as soon as you're interested in a career in treasury." He also said it was important not to be afraid to take risks.

Jessica Timelin, manager at Michael Page Treasury, said that more graduates are being directly recruited into treasury. She also disputed the

prevailing view that treasury is a London-based profession, revealing that around half of the mandates she gets are in the capital, with the other half being in the regions.

Discussing how treasurers should prepare to get their next role, Morgan advised "networking, both internally and externally".

Timelin's three key tips for treasurers looking to progress in their career were: get qualified; pick up more responsibilities; and be willing to have awkward conversations with your boss around career development.



Jiameng Teah from Vodafone

average citizen". Leese also said that there was "an issue about the accountability of the EU".

Addressing the topic of the \$5.6bn in fines that had been handed down to six banks over FX-rigging, Hahn said: "There's a huge governance problem in banks. Lots of people on the boards of banks still don't really understand what they do to make their money."

Following the Question Time debate, conference delegates headed off to Emirates Old Trafford, the home of Lancashire County Cricket Club, for a gala dinner. After being treated to cocktails on arrival, they enjoyed a sit-down meal, followed by a show from award-winning stand-up comedian Susan Calman. The evening closed with a spectacular fireworks display.

View from the Bank of England

Minouche Shafik, deputy governor markets & banking at the Bank of England, was the first plenary speaker on the last day of the conference.

In her talk, she addressed the topic of long-term borrowing rates and low bond yields. While some market



Alison Rose of RBS

participants believe that we are entering a period of secular stagnation, she said that it was "overly pessimistic" to believe that the UK economy would be afflicted by negative economic headwinds for decades to come.

Instead she emphasised that there are signs that some of the headwinds are already starting to ease. Corporates are beginning to invest more heavily again while a return to productivity growth would result in higher output growth in the longer term.

Leadership lessons

The conference concluded with a keynote address from Baroness Manningham-Buller, the former head of intelligence agency MI5.

Focusing on the topic of leadership, Manningham-Buller said that there wasn't a formula for it. "You play to your strengths," she said. "It's easier for extroverts, but I have seen leaders who are good and who are shy."

When she took the top job at MI5 in 2002, the agency was under enormous pressure and the expectations made of it were "completely unreasonable", she recalled. Terrorist attacks may be seen as intelligence failures, but she pointed out that all organisations make mistakes and all organisations have failures.

Manningham-Buller managed to persuade the prime minister to double the agency's budget and she set about transforming the organisation, seeking out help from the private sector along the way. "We aimed to do six times as much with twice the budget, and to ensure that the customers of our service regarded it more highly," she said.

She also paid greater attention to the morale of the agency's intelligence officers, thanking everyone who was promoted and making contact with anyone who was sick or bereaved. She also introduced 'family days' to thank the families of intelligence officers.

Manningham-Buller's final thought on the topic of leadership, a salient point for delegates to take home with them, was this: "It's important in leadership not to take yourself too seriously because if you do, you can be certain that your staff won't take you too seriously." ♡

Sally Percy is editor of *The Treasurer*



The dazzling fireworks display