

As a treasurer, I know that in my corporate life I must always be alert and never allow complacency to set in. Even if all market indices move in my favour, if all macro and micro data describe an ideal picture for my company, I always look for the small detail that might go wrong. When I started working as a treasurer, I knew most functions of group treasury would take place in an uncertain and volatile environment, but I never imagined an environment like the one that we have experienced in Greece in the past five years.

From the moment the eurozone countries, the European Central Bank and the International Monetary Fund launched the first bailout package to rescue Greece (also known as the starting point of the Greek Depression), a set of new variables came into the picture and had to be taken into account whenever a decision on cash or liquidity management, on a new investment or even on long-term funding, had to be made.

Big questions

First of all, we have had to consider whether Greece will still be a member of the eurozone in a couple of months' time. Will the country be in a position to pay its debts or will it have to default? And, if Greece defaults, will it remain in the eurozone or must a new currency be adopted? Will we be forced to adopt a parallel currency (where we would use the euro as a medium of exchange, but not necessarily as a store of value)? Will Greece still be a member of the EU after a sovereign default? All these questions are on everyone's minds and they affect the decisions

and actions that corporates take every day. Few readers will, therefore, be surprised to hear that in this framework, new investment schemes and proposals are usually rejected or postponed for the unforeseeable future.

The situation is even more devastating if you look at the Greek economy's macro and micro statistics. The country's debt-to-GDP ratio is a whopping 180% (even though it was 125% before the 'successful' rescue packages). Greece has lost more than a quarter of its GDP during this period and its unemployment

rate climbed to 25% (youth unemployment is greater than 50%). All the rates and statistics point to a country that has been at war in the past four to five years, and not to a democratic country within the EU, situated on a continent that has not experienced a major international war for 70 years.

To make matters worse, earlier in 2015, the government stopped paying all its obligations to third parties. Now the Treasury only executes payments for salaries and pensions, and to repay the loans that we received under the rescue packages. Additionally, all local banks have stopped giving out any new loans (to both corporates and retail customers), thus crippling investment and consumption in the country. Even those who have not seen any decline in their income over the past few years have become averse to excess spending. Many have stopped paying their loans and their obligations towards the



Greek tragedy

IF YOU THINK YOUR JOB IS HARD, TRY BEING A TREASURER IN A COUNTRY THAT MAY BE HEADING FOR A EUROZONE EXIT. CHRISTOS BALTOUMAS OUTLINES THE CHALLENGES

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government, either because they lack the necessary liquidity or because they think it is better to keep their cash outside the country until we have a solid solution. The latest data show that non-performing bank loans are more than €50bn.

Difficult times

In this uncertain environment, it is almost impossible to structure and adopt a cash management strategy. This is mainly because strategy means a set of long-term rules and policies, and planning your cash for the next five to seven days is not even close to the definition of corporate strategy. Our strategy is not to have a long-term strategy. Most corporates have shipped their cash to accounts in banks outside Greece. They fund their bank accounts in Greece with the necessary balance in order to meet their payments for the next five to 10 days. It is commonplace for all multinationals operating in Greece to keep the lowest amount of cash in-country and to send all their remaining liquidity to their headquarters outside Greece.

If you rely solely on sales inside Greece for generating cash, then it is highly likely that you will have to delay all your payments for several weeks. The measure for success now for all treasurers is to keep as little cash as possible inside Greece. Usually, every Friday we prioritise the payments for the following week and we calculate how much cash we are going to need. On Monday, we transfer the funds to Greece. The measure of success is how close your bank account balance is to zero the following Friday. Every Friday, you can sense a big anxiety in the atmosphere

and rumours circulating of possible capital controls imposed over the weekend.

Of course, this new situation is reflected to the attitude of the board in most corporations. The interest now has shifted to the management of cash. Now it is not only important how much cash you hold; the bank and the country that are holding it are even more important. It is commonplace for treasurers to be asked by the board to focus on managing liquidity and cash on a weekly basis. Since the trend is to just keep the cash that is absolutely necessary inside the country, it is essential to have contacts outside the country, especially with foreign banks. Furthermore, treasurers must keep track of government statements, economic news and policy reviews not only inside Greece, but in all EU countries. You have to be a reporter nowadays because you never know if the latest newsflash is the big truth or just another rumour. I know a lot of fellow treasurers and CFOs who have had to attend long meetings over weekends, with the main topics being if the banks will open on Monday or if we are closer to capital controls, and how we should respond if any of these events occur.

Banks' hands are tied

The banks in Greece have little to offer in this context; we all know that their hands are tied. As a treasurer, you are in a very difficult position, however. You must protect and secure your cash, which usually means that you have to transfer it abroad, preferably to a foreign bank and not to a Greek bank's subsidiary overseas. On the other hand, you know that this will create even more problems for the

Greek banks. Yet these Greek banks are the banks you deal with every day and they employ the bankers with whom you have worked for many years and with whom you will seek to work in the future when all this will be over one way or another. Living in a small country such as Greece means that you know your banker very well and, in many cases, you have become friends, sharing a social life outside work. So you are in a difficult position. You have to move your cash and create problems for the same people whom you will call the following day to arrange a Single Euro Payments Area transfer, or to ask for a couple of days' waiver on your next loan payment or when you have breached one of your loan covenants.

This situation has taught us a lot. Firstly, we have learned that it is really important to always stay alert and to expect the unexpected. This means that you should always allow room to manoeuvre. Also, you must not panic. Finally, you should not follow the herd, but remember not to stray too far behind it in case there is a small chance that it is right. 🍀

FINAL THOUGHT

As I was writing this article, I realised how important it is to know fellow treasurers in other countries. They can introduce you to a new bank or they may have experienced a similar situation in the past and have valuable lessons to share. This is one of the key roles that the ACT can play in helping treasury professionals.



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