{ AROUND THE WORLD IN 30 DAYS }

ITALY CUTS, DODD-FRANK, UKRAINE GOVERNOR RESIGNS

An extra €3.4bn of budget cuts is on the way in Italy

SHUTTERSTOCK

Italy approves budget cuts

In April, the Italian government approved €3.4bn in extra budget cuts in an effort to meet EU demands. The centre-left government, led by Paolo Gentiloni, approved the extra measures to reduce the Italian government deficit in a cabinet meeting that also approved the country's annual economic planning and confirmed an increase in forecast growth from 0.9% to 1.1% in 2018. Italy's finance minister, Pier Carlo Padoan, said the extra cuts would come from more efficient tax collection and policing of tax evasion, along with spending reductions.

Dodd-Frank replacement unveiled

In an ambitious plan to undo the US Dodd-Frank financial reform law, the head of the US House of Representatives banking panel has released a second draft of a replacement act.

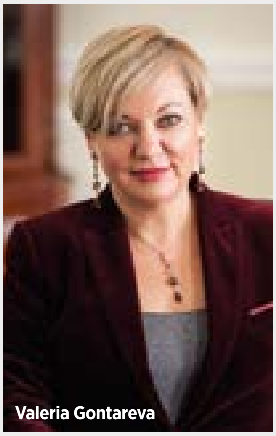
Jeb Hensarling, chair of the House Financial Services Committee, said the new bill will end the Dodd-Frank "mistake", while holding Wall Street and Washington accountable, and enabling the US banking and commercial sectors to perform better. Republicans including President Trump believe Dodd-Frank, which has not been fully enacted, is unduly burdensome on banks and businesses, and restricts lending.

Ukraine central bank's governor resigns

Valeria Gontareva stepped down as governor of the Ukrainian central bank in April after nearly three years at the helm.

Gontareva said that her resignation did not herald changes in central bank policy or other changes to the bank's governing board.

She has been credited with stabilising the economy in Ukraine in the wake of Russia's annexation of Crimea in 2014.


Valeria Gontareva

WIKIMEDIA

{ BREXIT }

BANKS MAY FACE SIX-MONTH LICENCE WAIT

UK-based banks relocating to Europe following Brexit may need to wait six months for a licence, the European Central Bank (ECB) has said.

Applications to operate in the eurozone must be submitted to the ECB, via the bank's national supervisors, for assessment by the ECB's supervisory board and ratification by its governing council. The time taken to process applications will depend on their complexity, completeness and quality, the ECB has said, but all applications must be resolved in 12 months.

The criteria for attaining a licence include appropriate governance procedures, fit and proper management bodies, and suitable levels of capital, liquidity and solvency.

The ECB has said it remains neutral regarding the location chosen by banks applying to operate in the euro area. "All significant institutions are supervised directly by the ECB, using a single set of supervisory standards, irrespective of the country in which they operate," it said.

The loss of the UK's passport to operate across the single market is estimated to affect around 40 UK-based banking groups.

Meanwhile, the Bank of England has asked all banks with cross-border activity to set out their contingency plans for the period following Brexit.

THE STATS

{ FINDINGS FROM THE DELOITTE CFO SURVEY Q1 2017 }

30% – proportion expecting Brexit to cause them to reduce their level of hiring, down from 66% immediately following the referendum last year

26% – amount expecting it to hit investment, down from 58% over the same period

11% – those expecting M&A activity to lower as a result of Brexit

60% – proportion still expecting a worsening in economic conditions as a result

42% – amount that rated reducing costs as a strong priority for their business

MAKING THE NEWS

More stringent UK stress tests
The UK's central bank showed its hand on stress tests for the nation's banking groups in March when it announced that banks would be assessed on their longer-term risk, including their potential resilience to the UK's departure from the EU.

The UK's seven largest banks will go through a test designed to demonstrate how they would perform in the face of a severe economic shock. The additional test will be applied at the end of 2017, and annually thereafter.

New Zimbabwe borrowing rules
The government in Zimbabwe has proposed laws that will enable borrowers to use assets such as cars and livestock as collateral for bank loans in a move aimed at freeing up credit and promoting financial inclusion. Under the proposals, borrowers would be able to register 'moveable' assets as collateral.

Commercial banks would then be required to recognise the assets as security for loans. However, bankers are reported to be concerned about the rapid depreciation of such assets.

Other African countries that accept such assets as security to back loans include Ghana, Malawi and Nigeria.

Death knell for stock exchange merger
Officials at the European Commission have given their final say in blocking the £21bn merger between the London Stock Exchange and Deutsche Börse.

On the same day that the UK government triggered Article 50, signalling the start of its Brexit negotiations, EU competition regulator Margrethe Vestager said the tie-up would create a "de facto monopoly in the crucial area of fixed income instruments".

The stock exchanges have attempted mergers on two previous occasions, in 2000 and 2005, and the latest proposals also foundered on where the merged exchange would be located.

{ ACT NEWS }

ACT EUROPE TALKS BREXIT AND TECH

The ACT's Peter Matza takes questions from the floor. Inset: Rando Bruns, head of group treasury at Merck

At the start of last year's ACT Europe Conference in Düsseldorf, we asked delegates about Brexit, writes Peter Matza, ACT speakers' chair. Overwhelmingly, they wanted the UK to stay in the EU and didn't want anyone else to think about leaving. A lot of water has passed under quite a few bridges since then. Treasurers, though, have to be prepared to help their businesses prosper in all circumstances, and for that they need to understand the issues that matter.

Aside from political developments, the theme at this year's ACT Europe Conference in Düsseldorf quickly became apparent: process automation and technology will drive efficient and effective financial and business strategy. Delegates heard from speakers from Merck, Swiss Federal Railways and Airbus on substantial investments of time and resources in digitising treasury operations (a project with a 2025 horizon); liquidity challenges in cash and pensions in an environment of negative interest rates; and running a $100bn-plus FX risk management programme, respectively. Common to all their presentations was a need to understand business data at a fundamental level.

ANDI WERNER

With a deeper appreciation of the nuts and bolts of a business, a treasurer should be able to craft a financial strategy that supports overall business development. A financial strategy panel gave clear advice that treasurers should engage with stakeholders and their boards in clear, concise and definitive terms that make plain the relationship between risk assessment and value creation. A fascinating presentation on cybercrime came to much the same conclusion – treasurers need to be clear about the risks they see, and what they can and cannot address in their roles.

Perhaps unsurprisingly, Brexit was an undercurrent. Much of the comment was of a regretful nature; it was hoped that the UK's relations with Germany and the rest of the EU will remain positive and substantive. Many expressed dissatisfaction with politicians on all sides. The ACT, meanwhile, is seen as a positive voice in the profession and appreciated by German corporates.

Overall, the message for treasury was bright, but the challenges of automation, robotics, data management, regulation and the changing nature of financial services remain formidable.