

Post-Brexit, the markets were in a flap. Money markets were twitchy, equity markets punted on winners and losers, FX markets behaved like a San Andreas seismograph.

Mr Treasurer suddenly realised he was humming to himself. To him, market volatility was simply bullet point number two in his job description. Training, experience and preparation all meant that, really, there just wasn't a great deal to be fussing about. It was all under control.

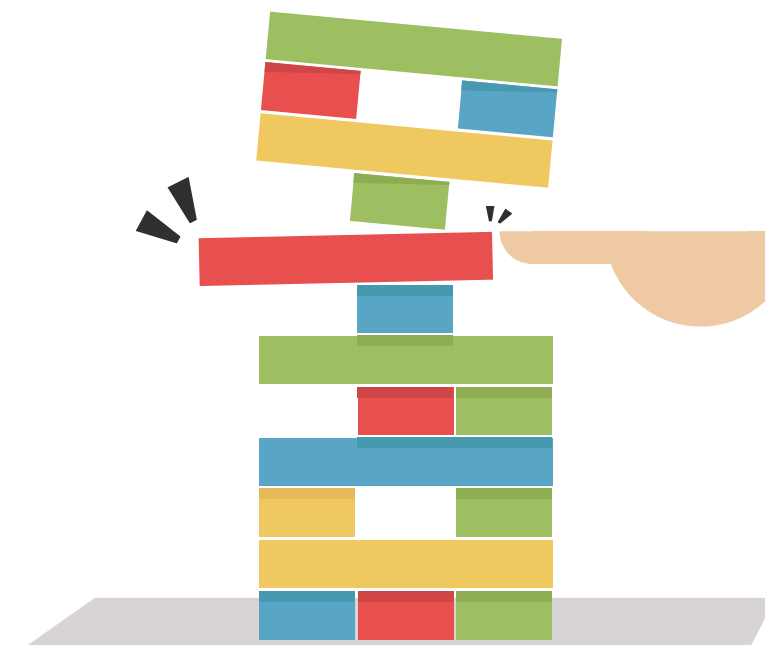
But despite his essentially good demeanour, he was feeling bothered – not because the markets were in a flap, but because the CFO was. “This is madness! Unprecedented! Uncharted territory!” exclaimed the CFO. “The chances of any of this were one in 10<sup>9</sup>!”

The CFO's propensity to combine numeracy and exaggeration gave Mr Treasurer the sort of headache you get when you eat ice cream too quickly. He winced.

“Who knew any of this could happen?” said the CFO.

“Well, um, actually...” said Mr Treasurer – but the CFO was in full flow and could not be interrupted.

“We must prepare for every eventuality! Every risk!” Mr Treasurer winced again, because he knew what was coming. “No matter how improbable, I want to know what it is, what the chances are and what we're going to do about it! Mr Treasurer, get your entire team on to this and let me have a report for the board by 8am tomorrow.”



# RISK IS EVERYWHERE

In the face of countless potential threats, Mr Treasurer keeps a steady nerve

He glanced over at his treasury dealer, the person who single-handedly comprised Mr Treasurer's “entire team”. Tearing up his diary for the day, Mr Treasurer set to work. The next morning, he walked into the CFO's office with his report. It contained some of the most dire scenarios the CFO had ever laid eyes on. “Oh, my God,” said the CFO. “You're serious about all this?”

“Fraid so,” said Mr Treasurer, as he silently congratulated himself for remaining completely deadpan.

The CFO read aloud from Mr Treasurer's report: “Risk that the only trade

deal the UK can negotiate in the next five years is with Greenland'; risk that London declares independence and builds border crossings at every junction of the M25 motorway'; risk that Scotland declares independence and asks Donald Trump to rebuild Hadrian's Wall'; and 'risk that nuclear war breaks out in Antarctica, melting the polar ice caps overnight'”

The CFO slumped. “This is all quite awful. Unbelievable, in fact.”

“Any more unbelievable than what we've just been through, the past three weeks?” asked Mr Treasurer.

SHUTTERSTOCK

“Good point,” said the CFO. “But wait. You haven't put any probabilities beside any of these.”

“Quite irrelevant!” exclaimed Mr Treasurer. “Your chances of being killed by a rogue asteroid might very well be one in a billion – but if it happens, you will be 100% dead – not one billionth dead.”

“Good point,” said the CFO again. “We must prepare for every eventuality, Mr Treasurer! Every one! And this very minute! Um, what do you suggest, exactly?”

“A twin-track strategy,” said Mr Treasurer.

“I like that! I can take that to the board. What is it?”

“Track one,” said Mr Treasurer. “Prepare for the possibility that things get worse than we expect. And track two, prepare for the possibility that things get better than we expect.”

And with that succinct boiling down of countless, improbable random events to just a manageable handful of possible outcomes, Mr Treasurer left the CFO's office – humming to himself again. ♥



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## IN THIS ISSUE:

The highlights of the September 2016 issue of *The Treasurer* include: **Winy Li**, senior director of treasury at PPD, talks about her treasury role, on page 22. Our careers special section starts on page 27. Learn how reputational issues are affecting fundraising and refinancing, on page 38. Read about the challenges treasurers face when dealing with FX strategy, on page 40. What effects will Brexit have on the financial world? Find out on page 48.