GLITTERING PRIZES
All the award winners from the Middle East Treasury Awards

STAYING SAFE AND SECURE
Risk mitigation in the age of the cybercriminal

LEARNING AND ADAPTING
Why a growth mindset is essential for leaders

The Treasurer

THE MAGAZINE OF THE ASSOCIATION OF CORPORATE TREASURERS ◆ DECEMBER 2018/JANUARY 2019

ACT CELEBRATING 40 YEARS OF ENGAGING TREASURERS

THE YEAR AHEAD

The challenges and trends facing the profession

The Treasurer December 2018/January 2019 The Magazine of The Association of Corporate Treasurers www.treasurers.org/thetreasurer

ACT

LEADING TREASURY PROFESSIONALS

READER SURVEY
Give us your views on *The Treasurer* by completing our online survey. Turn to page 7 for details

Editor's letter

Welcome to our final edition of 2018 and first of 2019. We are at that stage in the year when our calendars become heavily committed, not least with the ACT's own programme of events.

Front of my mind is the recent ACT Forum and Annual Dinner. The forum, which brought together senior treasury professionals, gave delegates a chance to examine in detail the political and regulatory turbulence that never seems to abate and which affects treasurers wherever they are in the world. In-depth discussions on Brexit, cybersecurity, the evolving technology scene and the demise of Libor took place, as we record in our report on page 12.

Later that day, more than 1,500 guests converged on the Grosvenor House Hotel, London, for the excellent ACT Annual Dinner to exchange news and views with friends and colleagues, and share great food and wine. After-dinner entertainment from the inimitable Sandi Toksvig will live long in the memory, and it can only be a point of great satisfaction that the ACT's charity partner, Hand in Hand, far exceeded its fundraising target for the evening, bringing in more than £60,000 via a silent auction and raffle. Hand in Hand is an international charity that provides training and assistance to those living in poverty as they launch businesses, support themselves and employ others. Funds raised at the Annual Dinner will help the charity establish an ACT village in Kenya and provide financial and entrepreneurial training for more than 390 people – a highly productive day all round.

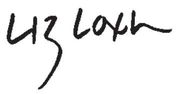
These are not the only recent ACT events we record in this edition. We report on the Asia Treasury Leaders' Forum on page 11 and from page 26 we celebrate the success of this year's Middle East Treasury Awards winners.

Staying on the subject of high achievers, on page 16 we profile Yazzy Tanjutco Moya, corporate treasurer at LA talent agency Creative Artists Agency and a former treasurer at Save the Children. In a career spanning 30 years, Moya has moved from continent to continent and from one industry sector to another. Fully committed to giving her all in whichever role or setting she finds herself, it is her experiences as CFO of Save the Children Japan that are most inspiring, as she witnessed first-hand the devastation caused by the 2011 earthquake and tsunami, while dedicating herself to setting up an infrastructure that would deliver funds and aid.

At this time of year, we ask treasury professionals to look up from their desks to give us their read on key challenges. Their thoughts on some of today's thornier issues can be found on page 22.

Finally, we're honoured to be able to include a Christmas message from the ACT's ethical adviser, the Archbishop of Canterbury, Justin Welby, who reflects on page 46, on the issues that keep us awake at night.

I hope you enjoy the issue.



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THIS ISSUE'S CONTRIBUTORS

Naresh Aggarwal is the newest member of the ACT's policy & technical team, joining in September as an associate director. A treasury professional with more than 30 years' experience, including nine years at PwC as a consultant, three years at Fujitsu Services and two at Cable & Wireless, he writes on cybersecurity, on **page 30**

Dr Pete Jones is a chartered psychologist and chartered scientist, specialising in bias in decision-making with a particular focus on social biases. Jones, who gave a presentation on subject of unconscious bias at an ACT Diversity and Inclusion event earlier in the year, gives strategies for avoiding it on **page 40**

Jo Owen is an author, keynote speaker and social entrepreneur with a focus on leadership. He has set up eight non-governmental organisations, including the UK's largest graduate recruiter, Teach First. He has written for *Fortune*, the *Financial Times* and the BBC. His article on growth mindset can be found on **page 44**

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For the latest news and comment in the treasury world, follow us on Twitter **@thetreasurermag**

PROTECTIONISM BLIGHTS CORPORATE OUTLOOK

Firms are upbeat about their prospects for the immediate future – but many are reworking their strategies to account for protectionism, says a new HSBC report. Based upon a poll of more than 8,500 companies in 34 markets, *Navigator: Now, next and how for business* notes that 78% of those organisations feel broadly positive about the current trading climate.

However, 63% think that governments are becoming more protective of their home economies, up 2% since Q1 2018. For firms with a negative outlook on their prospects, tariffs and the US-China trade dispute are the primary reasons for gloom (31% each). As a result, many corporates are turning their attention from interregional to intra-regional trading opportunities.

On the question of future-growth targets, the number of EU firms citing Asian markets as desirable fell from 26% in Q1 to 13% now. North American firms citing Asia fell from 33% to 15%, and Asian companies citing North America slipped from 29% to 21%.

HSBC chief executive of Global Commercial Banking Noel Quinn said: "We expect technology, digitisation and data to play an increasingly important strategic role by enabling businesses to develop their products and services, reach new customers and cut costs by improving operational efficiency."

FIRMS' FUTURE EU STRATEGIES 'LACKING'

Almost half of global treasury and cash management leaders consider their firms' strategic groundwork for post-Brexit Europe undernourished, according to a poll of 85 senior treasury figures at JPMorgan's recent 2018 EMEA Cash Management Forum. Regulation is the top concern that attendees' firms have with doing business in a changed Europe (51%), while 42% think there is a 50/50 chance of a global recession hitting in either 2019 or 2020.

JPMorgan treasury services senior executive Tristan Attenborough said: "Global treasurers and cash managers are shifting to execution when it comes to the changing face of Europe and regulatory change. This audience sits at the intersection of corporate strategy and how that gets delivered financially every day. They want more control of this – and it's clear from our conversations with them that they also want technology to play a bigger part."

VOLTRON PLATFORM POWERS UP FOR LAUNCH

Blockchain-powered trade finance project Voltron has announced that it will launch an open platform for documentary trade in 2019. Founded by eight major banking groups in partnership with the R3 blockchain consortium, Voltron promises corporate customers, their trading partners and banks a single, simplified channel for the issuance of letters of credit – plus the presentation and/or exchange of documents – across an open network.

R3 CEO David E Rutter said that, while many of today's trade

THE TREASURER READER SURVEY – TELL US WHAT YOU THINK

Whether you are a long-time reader or new to the world of *The Treasurer*, we are keen to hear your views on the ACT's flagship membership title.

To let us know your thoughts about both print and online versions of the magazine and to be in with a chance of winning a £150 Amazon voucher, please visit www.surveymonkey.co.uk/r/thetreasurer

The data collected will be used to inform future content – so we want to know your ideas and thoughts.

The deadline for completing the survey is midnight on 11 January 2019, and the survey will take around 10 minutes to do.

You can find out more about the ACT's privacy policy at www.treasurers.org/termsandconditions/privacypolicy

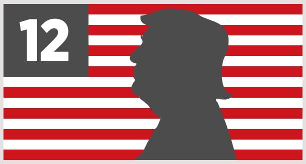
finance solutions were "built in silos", adding significant risk, inefficiencies and costs, "our focus on industry collaboration and open networks uniquely positions Voltron to scale by leveraging [our] Corda Network to ensure interoperability with other global trade initiatives and other networks – including supply chain, cash, insurance and identity."

MAS SHELVES ONE-STOP KYC SCHEME

Ambitious plans to create a centralised know your customer (KYC) service for Singapore have been put on hold amid budgetary woes. Announced in the spring of 2017 as a joint pilot programme from the Monetary Authority of Singapore (MAS), the Ministry of Finance and leading, national data strategy agency GovTech, the scheme aimed to provide a one-stop shop for customer verification across the entire financial services spectrum.

However, speaking at the Singapore Fintech Festival 2018 on 12 November, MAS managing director Ravi Menon said: "The economics did not work out. Our proposed solution was going to cost more than the savings that banks would be going to get out of it. We tried, we failed, we will learn – and we will do better next time." Menon noted that KYC verification for corporate customers is far more complex than it is for private individuals.

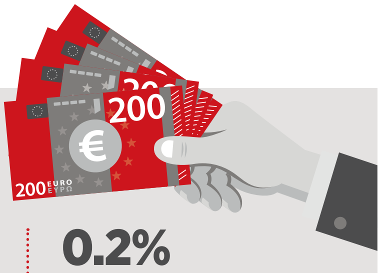
NUMBERS



12
the number of US recessions Donald Trump has lived through

1%
the proportion of global GDP that the Energy Transitions Commission believes can counter climate change

$104m
the amount of money the Liberian government announced it had lost in September

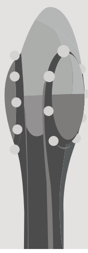


0.2%
the rate the euro area economy grew in Q3, its slowest pace since 2014

$100bn
the amount lost by leading US tech companies – the FAANGs – in a November sell-off

3.1%
UK wage growth year-on-year in October, its highest level in nearly 10 years

305m
the height of the Tulip, London's newest planned skyscraper, almost a metre shorter than The Shard



IN THE NEWS...

European Central Bank headquarters in Frankfurt, Germany

EBA HAILS BANKS' RESILIENCE

A recent stress test of EU banks has found them to be in hardy condition, the European Banking Authority (EBA) has confirmed. In a November statement, the regulator revealed that the trial had covered 48 banks from 15 EU and European Economic Area countries: around 70% of the EU banking sector's assets.

EBA director of economic analysis and statistics Mario Quagliariello said: "The outcome of the stress test shows that banks' efforts to build up their capital base in recent years have contributed to strengthening their resilience and capacity to withstand the severe shocks and material capital impacts [that we presented in this] exercise." Authorities, he added, will use the results as part of their broader assessment of banks' vulnerabilities, contributing to their supervisory decisions.

The EBA report noted: "The adverse scenario has an impact of -395bps on banks' CET1 fully loaded capital ratio (-410bps on a transitional basis), leading to a 10.1% CET1 capital ratio at the end of 2020 (10.3% on a transitional basis)."

Days later, governors at the European Central Bank chose EBA chair Andrea Enria to lead the Single Supervisory Mechanism: the powerful licensing authority covering the eurozone's top 118 lenders. Enria's appointment is now awaiting European Parliament approval.

SWIFT LINES UP WITH US-IRAN SANCTIONS

In a move that could dent EU trade hopes, global payments network SWIFT has announced that it will honour and comply with US sanctions against Iran. In a November statement, the operator said: "In keeping with our mission of supporting the resilience and integrity of the global financial system as a... neutral service provider, SWIFT is suspending certain Iranian banks' access to the messaging system. This step, while regrettable, has been taken in the interest of the stability and integrity of the wider, global financial system."

It remains to be seen whether SWIFT's move will scupper or galvanise EU plans revealed in September to set up a special-purpose vehicle (SPV) for conducting trade finance deals with Iranian counterparties – an initiative poised deliberately to circumvent US curbs. Endorsed by the French, German and UK governments, the SPV plan was proposed as a means of supporting oil trades amid President Trump's restoration of blocks on commercial ties with Iran. While SWIFT's decision could strengthen EU resolve to establish the platform, any such move would likely strain relations with the US. It is also unclear how the SPV could work securely as a standalone resource outside SWIFT's infrastructure.

FIVE MINUTES ON...

THE ACT CELEBRATES ITS 10TH YEAR IN THE MIDDLE EAST

The 10th ACT Middle East Summit attracted a record-breaking 467 delegates to the Madinat Jumeirah in Dubai in mid-October.

With sessions on Islamic banking, cybersecurity and leadership, the summit presentations and discussion groups reflected a fast-evolving treasury scene.

A session on Islamic banking, for instance, noted its widening impact not just within its traditional remit of trade finance, but also across wholesale banking and capital markets funding. Treasury transformation was a recurring theme, with Fatih Tokkal, treasury director at Turkish conglomerate Yildirim Group, providing an overview of how the treasury function within Yildirim has evolved to support the development of the business to the point where it has become a strategic partner within the business, building capacity in systems and qualified treasury professionals along the way.

On the eve of the summit, the ACT held its awards dinner (see page 12 for details on all the award winners). For only the second time, The John Grout Award for Treasury Excellence was given to Matthew Hurn FCT, CFO, alternative investments & infrastructure, at Mubadala Investment Company, in special recognition of his work promoting and supporting both the ACT and the treasury profession in the Middle East.

SURVEYS & REPORTS

Cash conundrums

WITH MONETARY POLICIES TIGHTENING WORLDWIDE, WORKING CAPITAL OPTIMISATION IS MORE CRITICAL THAN EVER. PwC'S ANNUAL SURVEY OF THE WORLD'S BIGGEST COMPANIES FOUND ONLY MARGINAL ANNUAL IMPROVEMENTS

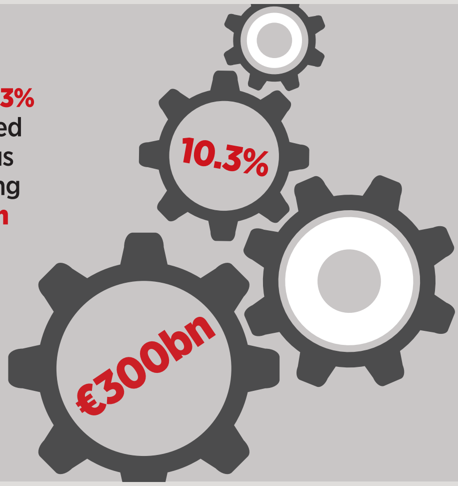
Cash is the lifeblood of any company and the cheapest source of financing. If all the companies in PwC's study were to improve working capital efficiency to the next performance quartile, collectively, they would release €1.3 trillion, enough to boost capital investment by 55%.

Improvements over the past year have been slight.
- days sales outstanding improved by **0.1 days**
- days inventory on hand performance improved by **0.7 days**
- days payable outstanding improved by **0.7 days**...

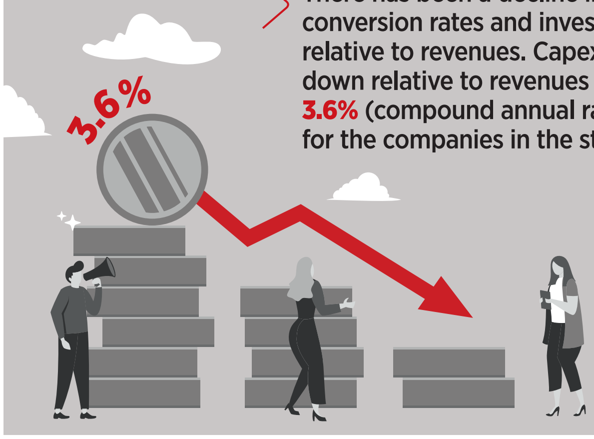
...the first improvement in five years.

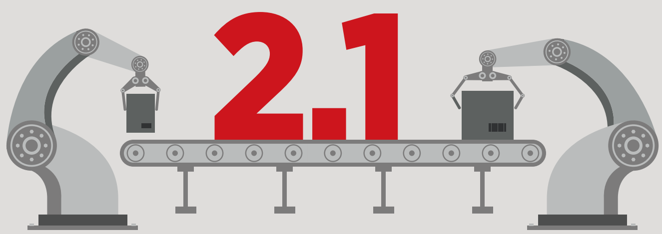
While headline working capital has improved, gains can largely be attributed to performance in the oil and gas sector. Factor those companies out of the study and the outcome is actually a deterioration of **0.1 days** payables outstanding.

Net operating working capital increased by 10.3% in 2017, compared with the previous year, representing an extra €300bn consumed by working capital.



There has been a decline in cash conversion rates and investment relative to revenues. Capex is down relative to revenues by 3.6% (compound annual rate) for the companies in the study.





11 out of 17 sectors studied have improved working capital performance since 2016. Energy and utilities and industrial manufacturing both showed a **2.1 day** reduction in net working capital days **(-2.1 days)**.

WINDS OF CHANGE

PETER MATZA CHARTS A COURSE THROUGH THE EVOLUTION IN TECHNOLOGY AND TREASURY REFLECTED AT THE ASIA TREASURY LEADERS' FORUM

Delegates and presenters interact at the forum

As Typhoon Mangkhut blew through East Asia causing all kinds of disruption and damage, the ACT events team flew into Hong Kong for our 10th year of events. More than 220 treasury professionals turned up on a lovely, sunny and very warm day to debate the future of treasury and to explore innovation. The format this year was dominated by shorter, punchy sessions on all the issues that a contemporary treasurer has to contend with.

The $5bn question that dominates the region currently is the game being played out between China and the US over trade and its knock-on effects on the Belt and Road Initiative, regional security, the Korean peninsula issue and the role of institutional bodies such as the World Trade Organization. There are no clear answers, but a sense of having to work around the politics was pervasive. One treasurer commented to me that: "It's Hong Kong; it's what we do."

Tech drivers

Without being as dominant as China-US relations, the impact of technology on business, finance and treasury was an equally compelling subject. Technology is on the one hand a positive enabler of treasury activities, aiding information flow and faster liquidity management. On the other hand, it can be seen as a potential threat to relationship management – who wants to talk to an artificial intelligence robot? – and even to some types of treasury role. This matters in an Asia where treasury isn't a recognised discipline everywhere, and where the pace of technology change can be faster than the growth in a local economy. Undoubtedly, there will be rich pickings for first movers on the technology front, but the introduction of some of these innovations represents real challenge to treasurers, regulators and even educators.

With all the big-picture talk you might think the day job was being overlooked. Not a bit of it. Having their moments were: tips and hints to more effective FX trading; how to deliver and then manage short-term cash; simple steps to successful M&A; and a host of other topics. Nettles were clearly being grasped, judging by the chat during the refreshment breaks. After all, where and when better to learn from how others deal with their treasury challenges than over coffee and prawn dumplings?

My sense from meeting so many treasurers in Singapore and Hong Kong in the past month is that treasury is being recognised as a key player in business in Asia. More than that, though, is that talented and diverse young professionals are making their way into the profession. More power to them.

Peter Matza is speakers' chair at the ACT

TALKING POINTS

BREXIT PREPARATIONS, THE OUTLOOK FOR TRADE AND NEW TECHNOLOGY WERE ON STAGE AT THE ACT FORUM, WITH SPEAKERS HOMING IN ON TREASURY CONCERNS. LIZ LOXTON REPORTS

In November, senior treasurers gathered at the invitation of the ACT to discuss the issues uppermost in the profession's collective mind. This year, the ACT Forum, held in London and sponsored by HSBC, captured some of the business world's most pressing topics. Given considerable political and economic volatility, and regulatory and technology challenges, speakers, panellists and delegates did their best to unravel the issues and seek practical solutions. Here are some of the positions they explored.

TRADE WINDS

In a far-reaching assessment of the global economic outlook, Doug Lippoldt, chief trade economist at HSBC, argued that emerging markets could prove pivotal for the UK in a post-Brexit world.

The trade recovery that began in the wake of the financial crisis, only to be derailed by political uncertainty and a slowdown of investment activity in China during 2015–16, may find some support via policy measures such as China's Belt and Road Initiative, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Post-Brexit, the UK may benefit from participation.

When we look at where trade is coming from, argued Lippoldt, much of the growth is concentrated in Asia-Pacific.

> Longer term, the global economic outlook appears more encouraging

The UK, meanwhile, offers a stark contrast and lags the eurozone currently. The growth outlook for UK GDP for 2018 is expected to be 1.3%, rallying to 1.6% for 2019 as the form that Brexit will take eventually emerges.

Longer term, the global economic outlook appears more encouraging, he said. China's engagement in world markets is positive. And the comparatively low integration of other emerging economies along key trade corridors is changing, with India and the ASEAN economies expected to anchor larger trade routes over the next 20 years.

TECHNOLOGY IN THE FOREGROUND

In 'Treasury in the digital age', a panel explored how close the profession may be to adopting the new technologies that have been in development in recent years – blockchain, machine learning and artificial intelligence (AI) among them – and discussed how viable and how secure they might prove to be.

A poll suggested the audience were yet to be persuaded about how applicable these new technologies were to treasury or their businesses. Around half said AI, machine learning and blockchain would have no impact over the next three to five years.

However, Mark Williamson, global COO of FX cash trading and risk management at HSBC, said that 90% of banks are now at proof-of-concept stage for distributed ledger technology (DLT) applications, with HSBC having settled billions of dollars of internal FX transactions on a DLT solution since February 2018. He argued that DLT is the most persuasive of new technologies and potentially a huge catalyst for change. Far from being a threat to treasury roles, Remco de Vries, group treasurer at Experian, argued that blockchain and other new tech would help remove manual processes and make jobs more interesting.

And Royston Da Costa, assistant group treasurer at Ferguson, said treasurers must engage with the evolution occurring in the technology landscape – partly to help manage growth and partly to counter the considerable security risk that businesses face.

One security challenge with real-time payments is the rapidity with which monies can move through multiple bank accounts and across borders

REGULATION, COMPLIANCE AND GEOPOLITICS

A discussion on regulation, compliance and geopolitics identified plenty of issues to trouble businesses and their treasury functions. Geopolitical turbulence around Brexit, the potential fallout from trade wars and sanctions were debated, as were regulatory and compliance issues. Boards are calling on their treasurers to provide analysis on these issues more frequently, and treasurers in the room agreed that the prevailing mood was one of uncertainty.

Libor, in particular, is starting to weigh heavily on people's minds. Sarah Boyce, associate director, policy & technical at the ACT, confirmed that one of the challenges the association faces is to educate regulators on how corporates use Libor. They also face a significant workload in terms of quantifying and managing contracts that extend beyond the cut-off date for Libor in 2021 and there is a significant risk that any solutions that address the interbank risk will disadvantage corporate treasurers.

CASH MANAGEMENT GONE VIRTUAL

The potential for virtual accounts to enhance receivables reconciliation, by allocating separate recognisable 'accounts' that would group and direct payments from different customer groups, has been long awaited and much debated.

As a group discussion at the forum discussed at length, however, it is an innovation that is far from free of regulatory impact. The effective intermingling of funds within an entity may create a loan position and attendant tax issues.

And a current driver for virtual accounts – the impact of the liquidity coverage ratio (LCR) on notional netting practices – also has its nuances. Where banks used to be able to risk-weight overdrawn balances in a pool, the LCR does not enable risk-weighting. Judicious use of virtual accounts could potentially reduce costs around this, but there are restrictions depending on the prevailing tax regime. Interestingly, some participants posited a future with bank-agnostic virtual account setups – an interesting development to some ways of thinking.

PAYMENTS – SEIZING OPPORTUNITIES

Innovation around payments is not a new phenomenon. Faster Payments and cheque imaging are just two examples. But the EU's payments directive, PSD2, is serving to stimulate fintech activity and encourage more new developments. Participants could readily see benefits in the form of greater transparency and near-instant settlements. The treasurers taking part in the payments discussion were also persuaded that three-way checks through confirmation of payee would help reduce, if not eliminate, CFO fraud.

One security challenge with real-time payments is the rapidity with which monies can move through multiple bank accounts and across borders – highlighting the need for corporates and their banks to increase the level of education and awareness on cybercrime. Facilities such as the track-and-trace functionality within SWIFT gpi, due to be made available to corporates, were also discussed as an example of functionalities that will help reduce the time and effort treasurers spend asking: 'Where is my money?' or 'Is it there yet?' Increased speed should also prompt banks and asset managers to develop liquidity solutions and support for treasurers receiving or paying money at times currently considered to be out of hours.

AGILE TREASURER

In a session entitled 'The agile treasurer', panellists' discussion focused on two main themes: whether the golden age of funding might be coming to an end and risk management.

If central banks move away from quantitative easing, if banks come under further capital pressure and if interest rates start to rise, the ease with which treasurers have secured debt funding may start to lessen. As panellists pointed out, the situation calls to mind the ACT's mantra: fund early, fund often and fund long.

To an extent, these were words of warning rather than firm sightings of changing conditions. Most treasurers attending the session said they had yet to see signs of tighter terms. Equally, most said they were aware that tides might well be changing.

Turning to risk, the discussion took the form of a primer: 'Do we understand real risk – whether financial or non-financial?' 'What are the new risks, such as the coming demise of Libor?' 'Will we see restrictions on access to financial products or increased counterparty risk?'

On a show of hands, most treasurers felt that, given the uncertainty, now might be a good time to review and improve their risk policies.

Liz Loxton is editor of ***The Treasurer***

A LOSS OF MOMENTUM

SOFT MARKETS ARE UNLIKELY TO LEAD TO A SUSTAINED DOWNTURN, BUT THE UPS AND DOWNS ARE TROUBLING

Financial markets are driven by animal spirits. Sentiment among market participants can quickly turn from bullish euphoria to bearish pessimism – and back again. This is normal. Typically, the ups and downs of markets do not have much of an impact on the broader economy, but from time to time major trends in one direction or another can matter.

After sustained strong gains in 2017 on the back of synchronised global economic growth, equity markets in the advanced world have experienced major swings in 2018. Following two major market sell-offs, in February and in October, European equity markets have fallen by around 10% year-to-date, while US stocks have largely moved sideways.

On their own, equity market sell-offs do not typically show up in economic data much. Scary charts coupled with strong adjectives on the front pages of the newspapers may deter spending for a day or two, but as long as the market settles down, things should get back to normal quickly.

However, when the market does not settle, but continues to switch foot – as in 2018 – we need to ask two questions: what is causing the swings in markets, and what are the implications?

Today, two key trends are causing problems for investors: the global upswing has lost momentum and is no longer synchronised, and political risks have grown.

In 2017, the three titans of the global economy – the US, the eurozone and China – all grew at a decent clip. The US and the eurozone enjoyed growth well above the average of prior years. Rising profits and confidence pushed the valuations of risky assets, such as equities, higher. This year, while US growth has remained strong thanks to President Trump's expansionary fiscal policy, both China and the eurozone have lost momentum.

Some controlled deleveraging in China and the fallout from the US-Chinese trade war have exacerbated a slowdown in Chinese demand growth that may well be more pronounced than the country admits in its official GDP statistics. Markets struggle to grasp the extent to which China's problems may be structural rather than cyclical.

From time to time, major trends in one direction or another can matter

Meanwhile, an unusually potent cocktail of risks – trade wars, Italy, Brexit and elevated oil prices – has restrained eurozone growth.

Amid this divergence, global demand for safe US assets has grown. In 2018, the dollar has recovered most of the 12% loss that occurred in 2017 when risk-on investors dared to search beyond the US for high returns.

Financial markets can be a harbinger of major changes in economic momentum. But for now, the chance the softness in markets could, on its own, restrain economic growth significantly is small.

When the rises in asset prices are coupled with excessive gearing, such that the fall in the values of assets exceeds the value of the associated liabilities, this can have strongly negative balance sheet and wealth effects that can matter. This is not a major risk today.

After more than nine years of the post-Lehman recovery that started in the spring of 2009, advanced economies have not yet developed any of the serious credit, investment or inflation excesses that would require a cleansing recession any time soon. As a result, the risk that the weakness in equity markets could cause a temporary economic slowdown to turn into something more sinister remains small. It would take a very pronounced financial shock to cause a major economic slowdown.

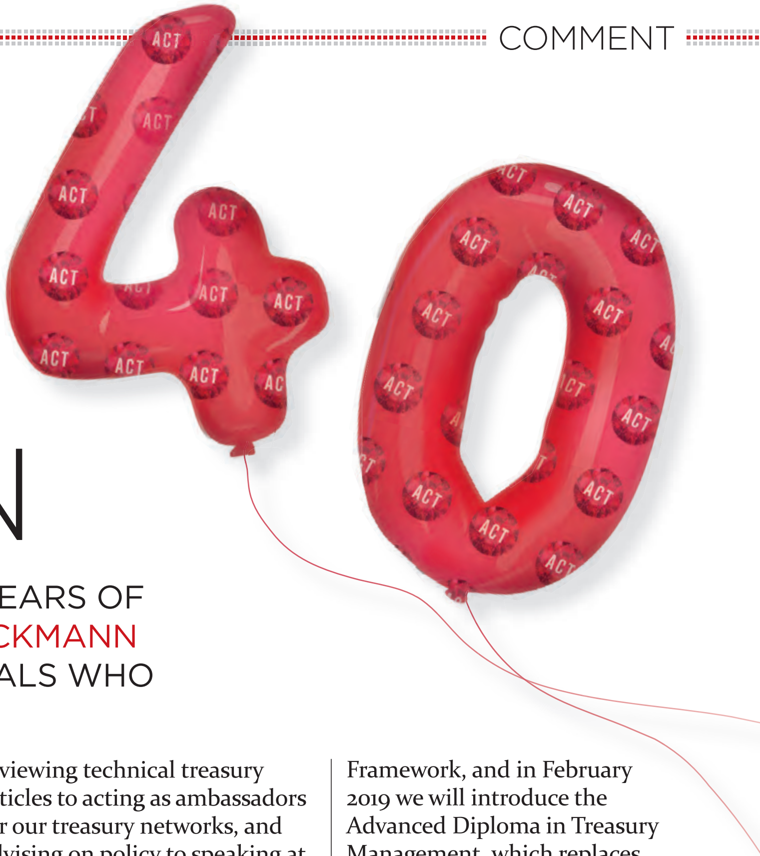
Next year, the fading of some political risks, stronger gains in real disposable incomes at stable rather than rising oil prices and a lesser drag from net exports will allow eurozone GDP growth to rebound. Meanwhile, Chinese policymakers have started to turn on the taps bit by bit to stimulate demand growth. Eventually, China will stabilise and markets will relax about such risks.

On balance, we need to brace ourselves for some further volatility in global markets and weaker economic data in the eurozone near term. Trade tensions, Brexit, Italy and even German politics look set to make further headlines. It may also take a little time for China worries to fade.

But, unless the political risks were to get out of hand, the soft markets are unlikely to be the prelude to a major global downturn. With luck, along with continued firm growth in the US, improving fortunes in the eurozone and China can support return to risk-on mode in markets.

Kallum Pickering is senior economist at Berenberg Bank

CELEBRATING 40 YEARS OF ENGAGING TREASURERS



CAUSE FOR CELEBRATION

IN 2019, THE ASSOCIATION CELEBRATES 40 YEARS OF CHAMPIONING TREASURERS. CAROLINE STOCKMANN ACKNOWLEDGES THE FARSIGHTED INDIVIDUALS WHO CONCEIVED AND FORMED THE ACT

The year 2019 will be very special for the ACT and our members: we are looking forward to celebrating the 40th anniversary of the ACT. It's difficult to believe it's actually been 40 years since the ACT was founded by a small group of forward-thinking treasurers who recognised that the growing significance of treasury management made the need for a professional association paramount.

A book that sets out the first 15 years of the ACT says of the 1970s: "The tasks of interfacing with financial markets and the banking system became the job of the corporate treasurer, although most people could not have said in 1970 what a treasurer was." The book also states: "There was no professional body offering [treasurers] a chance to get together and share their knowledge, which at that time was state of the art, but not reported in any useful way in publications read by accountants, and certainly not to be learned from any textbook." We've come a long way.

Without those founders and their foresight, the ACT wouldn't have achieved all it has over the past four decades. There would be a serious gap in terms of our mission, which embeds the highest standards of professionalism and integrity in the treasury world, at the same time as we act as its leading advocate. In the past decade, this has been further acknowledged by the granting of our Royal Charter. And without our members, we wouldn't be able to continue evolving the work that we carry out in so many different areas.

Working together

At the ACT we are tasked with setting the global benchmark for treasury excellence and leading the profession through our internationally recognised qualifications, by defining standards and by championing continuing professional development. And we welcome your help! We have a small team of hard-working staff, which looks after our events, training, qualifications, and policy and technical guidance, and they would love to hear from you if you can lend your time and expertise.

ACT members and volunteers help us make a lot of great things possible – this year, more than 500 members have been actively involved in all sorts of areas, from reviewing technical treasury articles to acting as ambassadors for our treasury networks, and advising on policy to speaking at ACT events. We would welcome even more involvement, so please get in touch. You can find out more at www.treasurers.org/getinvolved/volunteer

ACT members and volunteers help us make a lot of great things possible

Meeting future challenges

There is nothing as certain as change, and the ACT's policy and technical team is working on some of the biggest issues facing treasurers to ensure that you have all the information and tools that you need. The ACT supports the development of professional standards and best practice in treasury. We do this through our Competency Framework, which defines the skills and competencies needed by treasury professionals to operate successfully in today's challenging business climate, and underpins our professional qualifications and accredited programmes.

We are committed to continuing professional development, and to helping treasurers and those with treasury responsibilities be more effective in their jobs and perform the vital role they play in business today. As part of our own continuing development, we regularly review and revise our qualifications in line with the Competency Framework, and in February 2019 we will introduce the Advanced Diploma in Treasury Management, which replaces the MCT Advanced Diploma and will equip a new generation of treasurers at the highest level of the profession. (For more on qualifications, see page 42.)

At ACT events, members can not only get up to speed on the latest industry developments, but also network with other treasurers. From our flagship UK Annual Conference in May and sellout dinner in November to international conferences in the Middle East, Asia and Africa, as well as smaller local events across the globe and our newest series, our Diversity and Inclusion Calendar, we have your interests at heart.

As we look forward to supporting treasurers through the next 40 years, the ACT will continue to strive to be the authentic voice of the treasury profession, representing the interests of the real economy and educating, supporting and leading the treasurers of today and tomorrow.

Caroline Stockmann is chief executive at the ACT

"YOU HAVE TO BE OPEN TO LEARNING"

Yazzy Tanjutco Moya, corporate treasurer at Creative Artists Agency, has travelled the world for her career. But she has never stopped learning, as she tells *The Treasurer*

Words: Liz Loxton / Photography: Kyle Grillot

Yazzy Tanjutco Moya, corporate treasurer at Creative Artists Agency (CAA) in Los Angeles, California, has a track record that proves how truly global work in treasury can be. Over her 30-year career, she has made nine intercontinental moves and accrued experience across an enviable set of industry sectors.

Moya has had considerable experience working in Asia, beginning with a stint in Tokyo, Japan, at IBM World Trade Asia Corporation in the late 1980s, when the technology giant was testing its reach in the region. She has also presided over a development company in Subic Bay Freeport Zone in her native Philippines. Perhaps most notably, however, was the period she spent as CFO of Save the Children Japan, securing the flow of funds that would underpin the charity's emergency response to the devastating 2011 earthquake and tsunami that destabilised the country's northeastern region and left thousands homeless.

RETURN TICKET TO ASIA

Moya graduated with a degree in engineering in Manila, and took up a position with ABN AMRO in Amsterdam straight out of university. It was a job that would prove to be a springboard into treasury. A business trip to Asia resulted in a meeting with the corporate treasurer of IBM World Trade Asia Corporation, who offered her a treasury role.

Situated in the business district of Tokyo, the IBM Asia hub provided a fascinating vantage point for a young professional. Japan's success was technology-driven, just as China's is today. "At that time, Tokyo was a big draw," Moya says. "People wanted to be in Tokyo to figure out how it was that a country without a lot of natural resources could be such a powerhouse."

In the late 1980s, with mainframe computing and PCs holding sway, technology giants were going head-to-head for market share in a competitive environment. As well as the immense sales drive, IBM was highly acquisitive. The work ethic was, as Moya says, unbelievable. Japanese employees would start early, finish late and return to work after dinner. However, it remained tough for women to reach leadership positions. The only way to break through was to learn Japanese, and in doing so Moya forged relationships with revenue generators and senior managers.

The role also taught her the fundamentals of treasury. "That's where I learned how to mitigate risks – sovereign, counterparty and interest rate risk," Moya says. "It was really about trying to understand the business environment we were competing in and then providing the salespeople in our business units with what they needed."

There was also the problem of protecting the value of cash, an issue she has returned to throughout her career. "In 1988, the Japanese yen was very strong against the dollar – but with sales coming from the Philippines, Malaysia or Indonesia, we had to make sure that we protected the value of the yen, so we did a lot of hedging."

That was the beginning of her education in derivatives. IBM was also big on performance indicators and dashboard metrics. Early on in her career, Moya learned to use key performance indicators that were well-defined, clearly measurable and frequently circulated to key stakeholders. "Communicating the metrics that define success to teams

CAREER PATH

2018-present
Corporate treasurer, Creative Artists Agency, California, US

2006-2017
Various roles, including corporate treasurer in the US, and CFO in Japan, Save the Children

2001-2006
CFO, Summa Kumagai Construction Corporation, Manila, Philippines

1998-2001
Consultant, The Coca-Cola Company, London, UK

1996-1998
President, Freeport Services Corporation, Subic Bay Freeport Zone, Philippines

1993-1996
Director, global treasury, Save the Children, Connecticut, US

1990-1993
Senior treasury manager, The Coca-Cola Company, Atlanta, US

1987-1988
Treasury manager, IBM World Trade Asia Corporation, Tokyo, Japan

1986-1987
Manager, Asia-Pacific, Correspondent Banking, Asia-Pacific, ABN AMRO, Amsterdam, the Netherlands

QUALIFICATIONS

Fordham Graduate School of Business, New York
MBA, Finance and International Business
(**1989-1990**)

Ateneo de Manila University
BSc Management Engineering
(**1986**)

enables them to determine whether they are on track, and empowers them to modify their plans accordingly. IBM's ethos was all about making data accessible from the business units to the headquarters. Even now, I still appreciate that discipline and wish that companies in the 21st century were as transparent."

COKE IS IT

Moya's next career step was a move to the US, after the associate treasurer at IBM suggested graduate school. Moya attended Fordham Graduate School of Business in New York. Instead of working part-time with IBM, she decided to attend full-time, graduating within a year. Seeking employment in 1990 would prove to be tough. While her fellow graduates were looking for appointments with blue chips and multinationals, Moya found herself looking for the greatest learning opportunity. Turning down a job offer from JPMorgan in Japan, she took up a position at Coca-Cola's corporate headquarters in Atlanta, which would turn out to be one of her best career-development experiences.

Moya worked closely with senior leadership, including the late CEO Roberto Goizueta, who was involved in the share-repurchase programme of the company at that time. He set about turning around the company from a sprawling giant that had been losing market share over a 15-year period into a lean, value-focused operation. Goizueta turned out to be an inspirational colleague. An engineer himself, he hailed from Cuba, emigrated to the US and worked his way up from the factory floor to become the leader of a global corporation.

"Nothing was impossible for him, and not just in terms of sales – what he did in terms of streamlining processes and penetrating new markets was formidable. What I learned was to look for the lowest cost of capital and put it into acquisitions or invest in new markets. Where can you put your money to work?" Moya says. "I soaked up everything I could learn about treasury – from doing rolling three- and five-year business plans to trading [commercial paper and FX], among others."

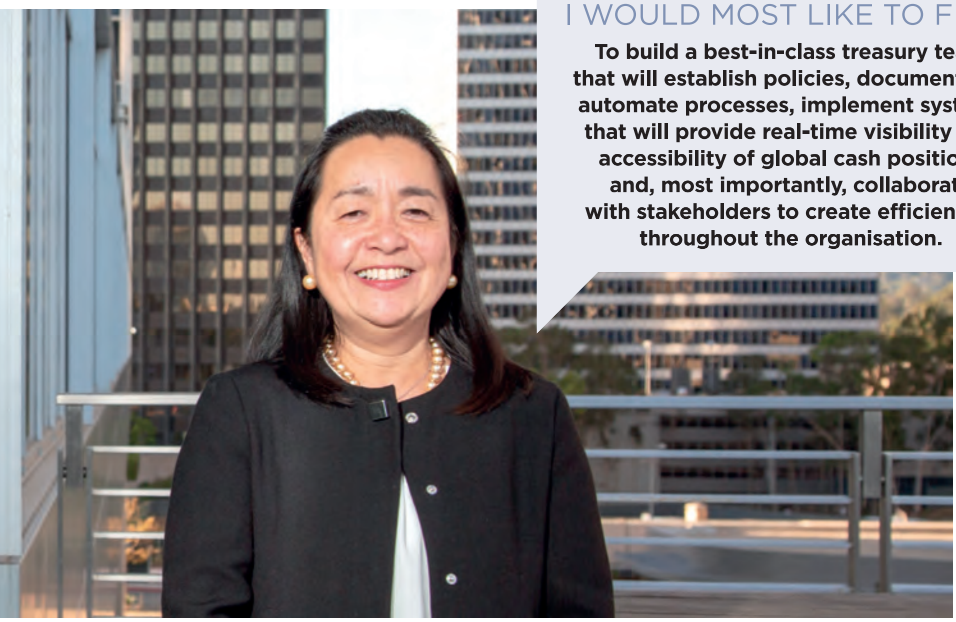
TIME TO GIVE BACK

After six years of corporate life, Moya decided it was time to share what she had learned about treasury in a not-for-profit environment and joined Save the Children. Her relationship with the charity would last over 15 years, albeit interspersed with other job moves. Her experiences at Save the Children, however, still required adherence to the treasury principles she had previously learned.

"My job was to make sure every dollar of contribution was spent according to what the donor designated it for. I basically followed the money. So, if there was an emergency response, I was there. I travelled to Haiti after the earthquake, to Ethiopia during the hunger crisis, and to Bangladesh and Pakistan throughout the floods."

THE WORK CHALLENGE I WOULD MOST LIKE TO FIX IS...

To build a best-in-class treasury team that will establish policies, document and automate processes, implement systems that will provide real-time visibility and accessibility of global cash positions and, most importantly, collaborate with stakeholders to create efficiencies throughout the organisation.



Besides following the money, Moya also actively participated in teaching finance to non-finance leaders across the globe, mainly to bridge the gap between finance and programming.

"Decisions made in the field without properly understanding the financial implications could have led to disallowed costs by donors and less money for the children and communities we served," Moya says.

As director of global treasury at Save the Children, she oversaw the introduction of modern and rigorous processes, and established rolling cash-flow forecasting that enabled field offices to predict cash needs accurately and in a timely way. She also streamlined bank accounts from 1,000 down to 300, and introduced just-in-time delivery of funds to the charity's country offices.

"Country offices were used to being funded based on their budgets, whether they were in a risky area or not," Moya says. Just-in-time funding allowed a centralised treasury to invest and protect against currency movements, which could be stark, particularly in disaster-hit territories, such as Indonesia following the 2004 tsunami. Although country office directors initially pushed back on this different approach to cash management, Moya would eventually roll out just-in-time funding to all 40 US Save the Children locations.

It was very important for Moya to have a good relationship with not only internal stakeholders, but also donors. The better donor funds were managed, the more donors would trust and give for Save the Children's mission.

SUBIC BAY METROPOLITAN AUTHORITY

While she would return to Save the Children later in her career, Moya moved back to the Philippines in 1996 when her husband secured a job in Manila. Her role as president of Freeport Services Corporation in Subic Bay Freeport was indirectly facilitated by an introduction forged when she worked at Coca-Cola.

Goizueta hosted a breakfast event for the delegation from the Philippines (one of the top markets of Coca-Cola), including the then president of the Philippines, Fidel V Ramos, and the then chairman of the Subic Bay Metropolitan Authority, Richard Gordon. During that event, Moya met Gordon, who was recruiting young staff for a development corporation to open the Philippines to

WHAT I LIKE BEST ABOUT TREASURY IS...

I appreciate how treasury has become a true strategic partner, because you get to understand the business. At the heart of treasury management is understanding and managing the risks that are inherent in any company. A good treasurer has not only financial capabilities, but also the managerial courage and breadth of understanding to do bigger things by helping others succeed. At the end of the day, you must love what you do and lead by example. What has given me a feeling of fulfilment and achievement is knowing that I have added value – either to another person's life or to my company.

international trade and compete with Malaysia and Singapore for investors.

"Singapore was his benchmark," Moya says. "Coming from Coca-Cola and Save the Children, I still wanted to learn new things in a different industry from a position of leadership. Gordon was hiring, Subic Bay was his home, and he was very passionate about ensuring it made its mark."

Again, Moya found herself working for an energetic boss with a strong vision. The 1996 Asia-Pacific Economic Cooperation Summit was held in Subic Bay Freeport Zone and hosted by Gordon. Moya worked with him to make the Freeport Zone attractive to tourists and overseas multinationals alike.

In the years that followed, Moya would return to Coca-Cola, this time based in London. She then moved back to the Philippines as CFO of a Philippine-Japanese construction company before heading back to the US in 2006 to Save the Children.

KON'NICHIWA, NIHON

In 2011, Moya's willingness to put herself on the front line was put to the test. A 9.1 magnitude earthquake hit Japan, followed by a tsunami. The effects were felt around the world. Nearly 16,000 people died, around 120,000 buildings were destroyed and thousands were displaced. The tsunami caused a cooling system failure at the Fukushima Daiichi nuclear power plant, which released radioactive material into the environment. Japan, famously self-sufficient and previously a donor rather than a recipient of aid, had to open its doors to the international community for help.

Given her previous stint in Japan for IBM, Moya was prepared for her role on the front line, setting up a financial infrastructure to deliver funds and aid where they were needed. She responded by moving to the disaster area with a colleague initially for two-week stints, calling and FaceTiming her children from remote and vulnerable areas.

"I wanted to [move] for a lot of reasons. We were literally there during the first few weeks after the earthquake hit. The devastation was unbelievable. I still have pictures in my mind. After three months, you begin to see how powerful a human being is," Moya says. "The military rebuilt the airport. The government mobilised the prefectures. We provided child-friendly spaces so kids could play, socialise and learn as they rebuilt their lives, connected kids to their parents and began to establish a network for aid."

Save the Children was able to raise significant funds for this emergency. "The CEO of Save the Children Japan and I would meet with donors. We received money from every multinational for whom Japan was a market. My job was the same – account for and communicate to donors where their money was going."

CREATIVE JOURNEY

In January 2018, Moya returned to the corporate world when she began as corporate treasurer at CAA, one of the leading entertainment and sports agencies in the world, at its headquarters in Los Angeles. The focus was similar – ensure the best way to manage cash by minimising risks and maximising returns for private equity investors, as opposed to donors and aid agencies. "What I like about working at CAA is the feeling of positivity and energy that you feel as soon as you walk in. It inspires and motivates you to do your best each day," Moya says. "There is a very collaborative spirit that is promoted and encouraged. At CAA, it's most important to be a team player and be the best you can be."

In her 10 months thus far at CAA, Moya has embraced the spirit of helping others succeed. According to Moya, the difference between a great team player and a great leader is recognising how you can relate to others' reactions and behaviours.

"CAA is a leader in our field because our partners have led the team to places where we might not otherwise have gone before. Be adventurous. Be creative. Take the road less travelled, because it can lead you to truly amazing opportunities and experiences. Step out of your comfort zone and take a trip of discovery."

Every month during all staff meetings, CAA executives from different divisions are given a chance to share their moments of triumph, lessons learned and discoveries with their clients or business partners.

Moya's environments and geographies may have been diverse, but there have been commonalities throughout. "It's important to be open to opportunities, to try new things and to never stop learning," she says. "If you don't, you're going to get left behind."

WHAT I VALUE MOST ABOUT THE ACT CONFERENCE...

The networking and learning opportunities. You must continuously improve, which builds success.

Liz Loxton is the editor of *The Treasurer*

MEASURE FOR MEASURE

AS THE TREASURER'S ROLE BECOMES MORE STRATEGIC AND OUTWARD-FACING, ASSESSMENT OF THEIR CAPABILITIES IS EVOLVING. REBECCA BRACE LOOKS AT THE MOVE TO MORE HOLISTIC MEASURES OF TREASURY PERFORMANCE

Measuring performance is an essential part of the management process: if you want to make improvements, you first need to gauge how well you are currently performing so that you can identify any areas where adjustments are needed. Performance measurement is also an important tool when it comes to demonstrating the value of what you do to others within the organisation, and demonstrating that you are on track to meet your stated goals.

Using the right key performance indicators (KPIs) and metrics is therefore important. But where treasury is concerned, there are no hard and fast rules about what exactly should be measured. Research carried out by the ACT for *The Business of Treasury 2018*, found that 14% of companies do not measure treasury performance at all, while complex entities are more likely to measure treasury performance than less complex and non-FTSE companies.

Even for less complex companies, demonstrating the effectiveness and the value-add from treasury functions is always going to be much easier if treasury performance is measured. Consequently, most treasuries do measure performance – and the metrics that they use can vary considerably, covering everything from operational efficiency and controls to risk management and hedging effectiveness. Commonly used KPIs include visibility over cash, the use of counterparty limits, forecasting error rates and portfolio value at risk. The chosen metrics will reflect the company's industry sector and business model, as well as the goals of the treasury.

FROM RISK MANAGEMENT TO COST OF CAPITAL

Take Pearson, for example. James Kelly, the company's group treasurer, explains that the company uses KPIs focusing on key risks, such as "debt maturing in any period, liquidity so many months out, cash balances held overseas, interest charge, the percentage of FX balances hedge accounted/hedged, value of overseas loans and confirmation that all balances are with acceptable counterparties."

In addition, a number of operational efficiency KPIs are used, he says, including the number of interest-rate swaps (which are kept low), the number of banks used, the number of bank accounts held, bank charges and the percentage of transactions made through a dealing platform. "We also use organisational KPIs like days sales outstanding and days payable outstanding to track how the organisation is doing," he explains.

For other companies, a different set of KPIs may be appropriate. Rick Martin, group treasurer of GasLog, says he believes that treasury should be structured more in terms of risk mitigation than as a profit centre. "I view our most important performance metrics in the first instance as our financial covenants. Providing adequate liquidity and maintaining a prudent capital structure come first for me," he says.

Martin also says that treasury must work to optimise the company's cost of capital. Likewise, he says it is important to compare the company's cost of capital to that of competitors. While this can be a challenging task, it bears tracking and analysis, nonetheless, he says.

RISE OF HOLISTIC METRICS

Alongside the more traditional treasury metrics, treasurers are increasingly drawing upon broader business-based measurements. For example, Martin says that the general and administrative cost of the treasurer's remit should also be considered. "All employees have a role to play in personnel cost and optimisation, and treasury needs to set a good example in this regard," he notes.

Indeed, *The Business of Treasury* report noted the emergence of more holistic measures of treasury performance. The survey found that in those companies that measure treasury performance, 42% of treasurers are measured against project delivery, 25% are measured against improvements in overall business profits, and 23% are measured against cost savings to the business. Meanwhile, only 6% are measured against meeting budgets or targets.

"There is definitely a move away from financial benchmarks," comments Naresh Aggarwal, associate director, policy & technical, at the ACT. "This is partly driven by a cultural approach, which says that if you set performance based on financial targets, this may lead people to do whatever they can to meet those targets – and history has shown that this can end up leading to misreporting and fraud."

Most treasuries do measure performance – and the metrics that they use can vary considerably

Over time, treasury performance metrics have become more aligned to broader project delivery, with greater reference to how treasury connects to the rest of the business, he goes on. "We have also seen treasurers being benchmarked against other parts of the business in areas such as employee engagement, retention and compliance topics, such as GDPR training," he says. "They may set KPIs around operating costs and their ability to automate processes using smarter ways of working and new technology."

Comments made by respondents to *The Business of Treasury* report further illustrated the wide range of metrics and KPIs used within treasury. The metrics cited by respondents, including efficiency, cost savings, liquidity management, cash management efficiency, transaction costs, governance and risk, and the reduction of intercompany loan balances – but they also included completion of projects, adding input to business strategy and the value added by the function in the achievement of organisational goals.

STRATEGIC ROLE

The adoption of more business-based metrics is perhaps unsurprising given that recent years have seen treasury teams shrink in headcount terms, with treasury staff more likely to be seated in open-plan offices alongside colleagues from other departments, rather than residing in their own offices. This has contributed to higher levels of integration between treasury and the rest of the business, as well as a greater focus on collaborating with, and supporting, other departments within the organisation.

The more strategic role of the treasurer within the organisation is another consideration, as Aggarwal notes: "Increasingly, treasurers are being measured as a business leader, rather than as a treasurer." The vast majority of respondents to *The Business of Treasury* report – 87% – agreed that treasury has a strategic role within the organisation. And 45% said that they either define strategy for the organisation or work with colleagues to define strategy, up from 36% in 2017.

Nevertheless, while the KPIs used within treasury may evolve over time, companies are unlikely to change them too frequently. "The chances are, your KPIs won't be reviewed unless a new treasurer arrives, or an internal report specifies that the treasury is weak in certain areas that may require new KPIs," Aggarwal concludes. "Otherwise, reviewing KPIs is unlikely to feature high on a treasurer's radar."

Board visibility

Alongside KPIs and metrics, analysing the treasury's level of engagement with the board provides revealing insight into the profile of treasury within the organisation.

The Business of Treasury report found that 92% of UK treasurers have prepared reports or presentations to their boards in the past 12 months. These reports cover the key areas managed by treasury, namely capital and liquidity management, risk management and treasury operations.

At a global level, 58% of treasurers said they prepare or present reports to the majority of board meetings. And 35% undertake board reporting for all board meetings, although non-UK respondents were more likely to do so than their UK peers (39% compared with 30%). Board-level activity tended to be higher in companies with a turnover of more than £1bn, non-FTSE companies and companies with no operations in the UK or EU.

The Business of Treasury report can be found online at www.treasurers.org/business-of-treasury/2018

Rebecca Brace is a freelance journalist specialising in corporate treasury and banking

2019: IN THE BALANCE

As the new year looms, challenges old and new facing the treasury profession are exercising the best minds. We ask a panel of experts about their preoccupations, threats and challenges

Currencies move, commodity prices shift and political figures precipitate ripples and sometimes waves in international relations and markets. Factor in the unevenness of technological advances and adoption, and the impact on those technologies and innovations on the world of work and treasury, and you end up with an unenviable cocktail of variables. To grapple with these challenges is the lot of the corporate treasurer. As we head towards 2019, here's what our panel of treasury professionals had to say about the issues and events that are keeping them up at night.

THE GEOPOLITICAL CHALLENGE

Christos Baltoumas
Treasury senior manager at LAMDA Development

In our highly interconnected world, the efficiency of information in markets has increased hand in hand with such speed that the geopolitical events and their risks are being felt. I am expecting a lot of anxiety and volatility in the markets in view of the challenges that lie ahead of us.

In Europe, we have the new government in Italy and the country's place in the eurozone; the result of Brexit negotiations; the migration saga and its effects on the political spectrum, especially in Germany; the never-ending story of Greece's problems; not to mention that, in May 2019, citizens in all 27 EU member states will elect 705 MEPs for the new House.

In the rest of the world, the Trump administration and its relations with its allies; potential trade wars between the leading economies of our planet; the tensions between east Mediterranean countries for the exploration of the oil and gas reserves of the region; along with the effects of climate change and the gradual building of political consensus, are only a few of the issues that will shape the world in years to come.

Treasurers will have to react quickly and accurately to protect against all these risks. More crucially, we must be ready to make strategic decisions that will lead our organisations in the years to come.

The efficiency of information in markets has increased hand in hand with such speed that the geopolitical events and their risks are being felt

LEVERAGING GROWTH THROUGH TECHNOLOGY

Joanne Bates
International treasurer, Worldpay

As Worldpay nears its first anniversary since the Vantiv takeover, our thoughts are turning to how we continue to leverage the business, and this includes treasury. The company continues to grow in double digits and treasury has to keep pace. For that reason, we have been examining our processes to make them as efficient as possible, challenging the status quo.

Our task for the next year is to harness technology wherever possible to further drive operational leverage. We are taking a two-pronged approach. We are examining our treasury management system (TMS) to ensure we are using every module to automate, monitor and control treasury operations, aiming for an end-to-end process that has as little human intervention as possible.

We are also working to implement robotics to automate simple manual processes. Why use a person to move data from system A to system B when a robot can do it? We are looking at all processes to assess where robots will work – this might include collection of bank statements; collecting in forecast data from various systems; and executing FX trades, and that's just the beginning.

This will save time, improve controls and will allow the team to focus on value-add. As the company continues to grow, we have no desire to grow the team, and that means working smarter and harnessing technology.

Why use a person to move data... when a robot can do it?

UNWINDING QUANTITATIVE EASING

Anthony J Carfang
Managing director, Treasury Strategies, a division of Novantas, Inc

The post-crisis quantitative easing (QE) by major central banks has ended. Now, the return to normal central bank balance sheets could have serious consequences for corporate treasurers.

To effect QE, central bankers inflated their balance sheets with longer-term debt instruments. This pushed up bond prices, lowering rates, resulting in years of zero or negative interest rates on the short end of the yield curve – and historically low rates at the long end. Now that is reversing, and the common questions are: When? How far? At what pace will rates rise? There is a hope that the unwind won't set off any financial calamities.

Corporate treasurers are just beginning to grapple with the implications. Years of zero interest rates essentially meant there was no opportunity cost to poor treasury management. So we see many treasuries with outdated or obsolete technology. Cash-forecasting systems have atrophied and either must be recalibrated or rebuilt entirely. Investment policies must be updated to reflect the effects of financial crisis regulation. Money funds, rating systems and bank offerings have all been impacted. We even see corporate 'investment' departments staff with professionals who have never operated in a positive interest rate era.

In 2019, treasurers must get this right or risk destroying shareholder value. Positive real interest rates and an upwards sloping yield curve can be a treasurer's best friend. But that requires the right treasury system, sound cash forecasting, updated investment policies and a seasoned team.

REGULATORY IMPACTS

Joanna Bonnett
Group treasurer, PageGroup

It would be difficult for anyone to argue the intent behind government regulation is not positive. In a post-financial crisis world, regulation is a critical part of the financial landscape and is very much here to stay. On the front line of financial regulation, however, the treasury profession has found itself caught in a tsunami of red tape imposed by banks and businesses alike.

Banking regulation is no longer a cottage industry or side show to the financial services industry, but rather it now mirrors the scale of the 18th-century Industrial Revolution. Not so long ago, we were adapting TMS reporting to comply with European Market Infrastructure Regulation (EMIR) and changing liquidity structures for Basel III. More recently, we migrated bank accounts for UK ring-fencing and now have to consider the implications of the Payment Services Directive (PSD2), Libor and Brexit.

To feel the true pain of regulation, or perhaps simply the banks' interpretation, one only has to open a bank account and review the required KYC checklist. The requests for KYC cause endless frustration due to the inconsistent interpretation, not only by different banks, but from within the same bank.

Increasingly, the sanctions compliance function is brought under treasury due to our ability to manage enterprise-wide risk. In order to do so, we are forced to lean on legal counsel and delve ever deeper into the organisation only to discover another topic called General Data Protection Regulation (GDPR). Our mind flicks back to the bank's personal KYC request, convinced we have provided it several times before.

As a profession, we need to stand together, champion change and one day we will see harmonisation of compliance across banks and jurisdictions.

TECHNOLOGY IMPACT AND FUTURE-PROOFING TREASURY

Royston Da Costa
Assistant group treasurer, Ferguson

Technology has had a major impact on treasury functions, and I believe it is vital in future-proofing treasury processes. Here are four areas I would highlight:

Automation has provided us with: full visibility of all our treasury transactions, including all our bank accounts across the group; full connectivity to 13 cloud-based systems (SaaS) we use; improved security using SaaS-based solutions, including authorising treasury payments from our mobile phones; and improved efficiencies resulting in time and costs saving.

Compliance achieved in the following areas: regulatory – ISO 27001, Type 2 SOC 1 certification for cloud-based solutions, EMIR, GDPR, foreign bank account report; external audit – reconciliation of bank account data using our TMS; and internal audit – compliance achieved for seven different key areas using our TMS.

I see huge potential for further automation and improved efficiencies in some of our treasury processes using **artificial intelligence**, for example, for reporting. I believe in automation replacing processes, so we have more time to analyse and understand the data.

Blockchain technology is already being used in up to 50 different industries today. The potential for this technology in treasury will be significant, especially if it is used to solve the KYC issue.

EMERGING-MARKET CURRENCY RISK

Frances Hinden
VP treasury operations, Shell

For the past year, we've had so much news about Brexit, Russia and Donald Trump's views on international trade that we may not have been thinking so hard about emerging-market currencies. The Argentine's peso abrupt slide (50% depreciation just in August and September), Turkey's recent troubles and a lot of volatility in Brazil have reminded us that things can change very quickly. There are also changes in currency regulation in China and Malaysia among others.

We need to have our networks in place to find out fast if a subsidiary is about to get into cash-flow trouble and why. The solutions will depend on the cause and the chance of it getting resolved in days, months or years. We also need to remember basic economics: it may sound painful to borrow in peso at a 60% interest rate rather than USD at a 6% rate, but that could be cheaper in the long run.

Finally, recent volatility is a reminder to maintain all our bank relationships and keep them aware of what's happening in our businesses. If we need local funding at short notice, it will be much simpler if the relationship manager isn't taken by surprise and already knows the company.

CASH REPATRIATION — THE TREASURER'S ROLE

Winny Li
Group treasurer, PPD

In today's global economy, multinational corporations will often need to consider prompt repatriation of their cash back from international investments or subsidiaries. This may be motivated by reasons such as corporate M&A transactions, debt repayment and further investments.

Treasurers have a key role in facilitating successful cash repatriation and must stay on top of the continually changing landscape in order to provide technical expertise to navigate their company through complex laws, taxation issues and regulations, and provide strategic direction.

For US companies, an example of a recent change to incentivise cash repatriation back to the US is the enactment of the Tax Cuts and Jobs Act of 2017, which, for a limited transition period, has cut corporate repatriation tax from 35% to as low as 8%. Consequently, it was noted that more earnings have been repatriated in the first six months of 2018 than in the three previous years combined.

Treasurers can evaluate these opportunities and build a solid team with other leaders to analyse challenges and requirements. Considerations are wide-ranging: company liquidity projections, working capital demands, FX risk measures, hedging requirements, country-specific banking restrictions, and credit and debt limitations may be relevant. Other typical cash-repatriation factors include countries' dividend policies and regulations, central bank approvals, timing for finalising local statutory legal reserve positions, audit approvals, and tax obligations at individual entities and group level.

A cash-repatriation project plan should be drafted with sufficient lead time to accommodate all key requirements and achieve the project goals and timelines.

Be mindful that frequent changes mean potential pitfalls. But there will also be many opportunities and, by working with others, treasurers can make a positive difference.

STANDARDISATION OF PAYMENTS

Yann Umbricht
PWC partner, treasury and commodity trading group and Thomas Knudsen
PWC senior manager

Corporates continue to pursue standardisation of payments to make processes more efficient and reduce costs. Clearing systems are moving to faster payments and more standardised payment and reporting formats (for example, ISO 20022), along with better remittance data and the ability to trace important payments using SWIFT gpi. This allows organisations to aim for higher matching rates in cash allocations and more efficient processing of priority payments.

Growth in e-commerce means card payments are also being reviewed in more detail by many organisations. This is due to the ever-increasing proportion of sales margins that card and associated FX costs take up. It is also prompted by recent outages in the card systems exposing the risk of over-reliance on cards. Alternatives to cards are becoming more common, and open banking driven by PSD2 will continue to bring new solutions to market that corporates should consider.

Treasurers should lead the organisation to reap benefits of a changing payments landscape by helping to reduce fees, choosing the right services, and maintaining correct cash reporting and controls as new services are implemented. A must-do is to understand how faster payment clearing and new payment types will impact working capital, and how treasury teams manage day-to-day liquidity.

THANKS TO ALL OUR PARTICIPANTS

AT THE PINNACLE

NOW IN ITS 10TH YEAR, THE ACT MIDDLE EAST TREASURY AWARDS APPLAUD THE REGION'S HIGH ACHIEVERS

WORKING CAPITAL MANAGEMENT: Alfahim

Alfahim, which has a portfolio of companies across the automotive, real estate, energy and hospitality sectors, took this year's ACT Middle East Treasury Award for Working Capital Management.

Seeking to diversify the company's funding base, group treasurer Nader Aboushadi led Alfahim's treasury in securing an innovative export credit-backed $100m working capital revolving financing facility – the first such deal in the region.

Alfahim's treasury team worked tirelessly to bring together all the required components, from working with Euler Hermes to understand the nature of the product to selecting a suitable financing partner for the transaction. The team likewise worked closely with Daimler AG and Standard Chartered, with communications facilitated by the bank's German-speaking export credit specialist.

Alfahim's decision to tap export credit for working capital, rather than opting for a more traditional working capital funding strategy, makes this deal particularly noteworthy. This structure has brought with it a number of advantages, from providing a more cost-effective solution in a rising interest rate environment to enhancing competitiveness by sharing much of the trade risk.

ALFAHIM الفهيم

Deal highlights

Winner: Alfahim
Provider: Euler Hermes; Daimler AG; Standard Chartered UK
Structure: Revolving credit facility

The judges said:
"This impressive working capital deal demonstrated considerable innovation and was clearly worthy of an award."

Highly commended Daman

United Arab Emirates-based healthcare insurance provider Daman was highly commended by the judges for improvements to its cash management function. Daman's treasury team worked with ADCB on a programme that streamlined payments and receivables processing, improved overall visibility and reduced costs by AED 1m.

CORPORATE FUNDING: Oman Telecommunications Company

Deal highlights

Winner: Oman Telecommunications Company
Provider: Citi; Credit Suisse
Structure: Syndicated facilities and dual-tranche senior secured offering

The judges said:
"This deal demonstrated a lot of inventiveness and really stood out in light of its sophistication."

This year's Corporate Funding award was taken by Oman Telecommunications (Omantel). By securing the necessary funding, the company was able to finance the acquisition of a 21.9% minority controlling stake in Kuwaiti telecoms company Zain – thereby enabling Omantel to realise potential synergies while taking its place as a regional player in the Middle East and North Africa.

The deal included syndicated facilities comprising a $1.45bn 12-month bridge facility and a five-year $800m term loan. The transaction was initially underwritten by Citi and Credit Suisse, with Bank ABC, Bank Muscat, HSBC and Standard Chartered joining prior to general syndication. The facilities were then syndicated to a group of international and Middle Eastern banks, which proved highly successful, despite Omantel's downgrading by S&P during syndication.

Subsequently, Omantel successfully priced its inaugural $1.5bn dual-tranche senior secured offering – the largest ever corporate offering from Oman. The deal, which included a $600m 5.5-year tranche and a $900m 10-year tranche, refinanced the bridge loan portion of the Zain stake. Citi and Credit Suisse were global coordinators for the deal, which attracted a diversified range of investors.

Highly commended Almarai Company

Also in this category, Almarai Company drew the judges' attention for an interesting and complex funding structure achieved largely by the in-house team and in support of an ambitious expansion plan across challenging locations such as Egypt, Jordan, Libya and Pakistan.

LARGE CORPORATE TREASURY TEAM OF THE YEAR: Almarai Company

The award for Large Corporate Treasury Team went to Almarai, a leading food and beverage manufacturer and distributor, and the world's largest vertically integrated dairy company.

In its quest to move from a transactional-based treasury to a more strategic and analytical function, Almarai's treasury team has set out to achieve a centralised cash and liquidity management structure to enhance cash visibility and accessibility. The judges were impressed by Almarai's wide-reaching programme of improvement in building an in-house bank setup, which included implementing a payment factory and payment on behalf of structure for Saudi Arabian entities – an unusual approach for corporates in the region. Consequently, Almarai has streamlined its bank account structure and freed up idle cash and reduced cash-in-transit cycle.

Almarai's treasury team also adopted SWIFT in order to improve automation and efficiency in execution, as well as optimising bank fees and rolling out a treasury management system (TMS) in Argentina, Egypt and Jordan. Other initiatives include the successful implementation of a hedging strategy for FX and commodity exposures.

The judges said:
"Almarai has really gone the extra mile to pull its treasury into place, with some notable achievements around the optimisation of liquidity and cash."

MEDIUM CORPORATE TREASURY TEAM OF THE YEAR: Aldar Properties

The judges said:
"Aldar's achievements are particularly notable in light of challenging market conditions – a well-deserved win."

Aldar Properties' treasury team was named 2018 Medium Corporate Treasury Team of the Year. The team's many achievements include supporting the organisation during a period of challenging market conditions by securing the funding needed for key projects to proceed.

At the same time, effective cash management enabled the organisation to acquire a number of key assets, including large-scale hospitality and leisure assets, a school and a district-cooling facility.

The judging panel was impressed by the way Aldar's treasury team drew upon effective cash management and risk analysis to support the organisation in entering the neighbouring emirate for a project worth over $2bn.

Highly commended Arabtec Construction

Highly commended in this category was Arabtec Construction's four-strong treasury team. The judges said the team had contributed strongly to sustaining cash-flow management and company operations within a tough industry sector.

SMALL CORPORATE TREASURY TEAM OF THE YEAR: OiLibya

The award for Small Corporate Treasury Team of the Year went to African energy company OiLibya, which has operations in 18 countries.

In the past, a decentralised structure with manual position keeping, forecasting and reconciliation had made it difficult for the company's treasury team to obtain a consolidated view of the group-wide cash position. This resulted in operational inefficiencies and a heightened risk of error, while the need for urgent financing solutions led to unforeseen bank fees.


Caroline Stockmann and Matthew Hurn celebrate OiLibya's achievements

Group treasurer Abdessalem Lassoued turned this around, drawing up a TMS business case with quantifiable return on investment and tangible business benefits before selecting Kyriba's cloud-based solution. As a result of this project, the treasury team has secured a number of improvements, including better cash visibility, a more reliable cash-forecasting process and greater control over bank charges and trade finance management.

The treasury automation and centralisation project should also result in a 10% reduction in costs and an 80% improvement in operational efficiency.

The judges said:
"OiLibya's treasury team has addressed a number of challenges effectively in a tough environment."

TREASURY PROFESSIONAL OF THE YEAR – PRIVATE SECTOR: Nader Aboushadi

The judges said:
"Nader is the complete treasurer, operating at the strategic heart of the business."

The award for Treasury Professional of the Year in a private-sector organisation went to Nader Aboushadi, group treasurer of Alfahim.

Aboushadi joined Alfahim in 2016, following a successful treasury career at Mansour Group and Orascom Construction Industries. Previously, he spent 10 years in the banking sector, holding roles at Barclays Bank Egypt and HSBC Bank Egypt.

In his current role, Aboushadi is responsible for managing the group's capital structure and funding strategy, as well as managing cash and reporting any risks and opportunities to the board.

In addition to the important task of building a new team of back- and front-office treasury professionals, Aboushadi has also led key acquisitions and divestments for Alfahim, and spearheaded the company's groundbreaking initiative to set up a $100m working capital revolving financing facility.

Highly commended Riyad Hammad

The judges highly commended Riyad Hammad, treasury director at Arabtec Construction, for his achievements in supporting the business through tough conditions. Drawing upon his banking background, Hammad has led major financing projects while overseeing liquidity management and playing an active role in the region's treasury community.

TREASURY PROFESSIONAL OF THE YEAR – PUBLIC SECTOR: Bisrat Marcos

Bisrat Marcos, head of corporate finance at Abu Dhabi National Energy Company (TAQA), was named Treasury Professional of the Year in a public-sector organisation. Marcos moved to TAQA in 2008 and previously held treasury roles at Vetco Gray/GE Oil and Gas, and Inmarsat.

Drawing upon her track record in operational treasury management and strategic corporate finance in roles in Europe as well as the Middle East, Marcos is responsible for developing financing strategies, managing debt issuances in the bank and debt capital markets, and maintaining effective relationships with stakeholders. She has also played an instrumental role in setting up TAQA's centralised global treasury function. She is a seasoned negotiator with a focus on building and developing relationships.

The judges were impressed with Marcos' extensive experience, her deep knowledge of the capital markets and her achievements in refinancing large corporate revolver facilities, particularly when operating under tight deadlines. In addition, Marcos was recognised for her interest in mentoring younger members of the treasury team and her positive influence on the wider financing team.

The judges said:
"Bisrat's effective leadership and focus on innovation made her a clear winner in this category."

PROFESSIONAL OF THE YEAR – FINANCIAL SERVICE PROVIDER: Lana Al Shawa

The judges said:
"Lana understands the importance of building a long-term relationship and going the extra mile."

The award for Professional of the Year at a financial service provider went to Lana Al Shawa, executive director, contracting, corporate banking, at First Abu Dhabi Bank. Al Shawa has a deserved reputation for developing strong relationships and providing excellent customer service.

Particularly notable is her ability to understand customers' challenges and personally champion their objectives, as well as her willingness to work around the clock to support clients.

Lana Al Shawa's award, collected on her behalf by a colleague

PROFESSIONAL OF THE YEAR – TREASURY SUPPLIER: Roger Baroutjian

Roger Baroutjian, managing director, Direct & Channel Sales at Kyriba was named Professional of the Year – Treasury Supplier.

With a career spanning over 30 years, Baroutjian is well known in the market for his comprehensive knowledge of the Middle East, together with his detailed understanding of the challenges facing finance and treasury professionals. He has also drawn accolades for his people skills, his ability to complete challenging implementations and his commitment to ensuring success for every customer.

The judges said:
"Roger is right there at the centre of the treasury community and has a genuine interest in making sure treasury functions operate effectively."

Highly commended Chris van Dijl

The judges also highly commended Chris van Dijl, managing director of treasury advisory firm Cugavadi, for his work developing the treasury profession in the region. Van Dijl, who has spent a decade working in the Middle East, was applauded also for his contribution to the ACT and his involvement teaching and training treasurers.

In addition to the main treasury awards, to commemorate its 10 years in the Middle East, the ACT gave special recognition to 10 of its supporting organisations: 360T, ADCB, Barclays, BNP Paribas, Citi, Emirates NBD, FAB, HSBC, Kyriba and Swift.

WAKE-UP CALL

CYBERSECURITY IS KEEPING BANK OF ENGLAND GOVERNOR MARK CARNEY AWAKE AT NIGHT. BUT ARE TREASURERS WORRIED? NARESH AGGARWAL GIVES AN OVERVIEW OF COMMON METHODS OF ATTACK

We all know that cyber risk is a feature of our world that is unlikely to disappear. However, how many of us have really thought about it in any depth? What would happen if our treasury data was maliciously corrupted or amended? What effect could that have on our ability to manage financial risks and settle our corporate obligations?

Mark Carney, governor of the Bank of England, is worried enough about it to have identified a catastrophic cyberattack as one of the top four risks that could potentially trigger the next financial crisis.

In this article we will explore why it is particularly relevant to treasurers, what you can (and cannot) do to manage the risk, and why insurance is not the answer.

What does the terminology mean?

Term	Definition
CEO fraud	Often initiated by email, a team member may be contacted by someone impersonating the CEO or another executive to bypass existing authorisation and payment controls, and pay a new beneficiary.
Ransomware	A type of malware that prevents users from accessing their system or files. Attackers then demand a ransom payment to regain access.
Hotspot sniffing	Software enables eavesdroppers to intercept data sent between your web browser and web servers on the internet. Any email, web search or file transferred between computers or opened from network locations on an unsecured network can potentially be captured by hackers. Sniffing software is readily available for free on the web and there are even videos on YouTube showing how to use them!
Sidejacking	An attacker uses ‘packet sniffing’ to steal a ‘session cookie’ from a website you just visited. These cookies often contain usernames and passwords, and are generally sent back unencrypted, even if the original log-in was protected via https. These are then used to gain unauthorised access to your systems.
Social media profiling/ identity theft	Cybercriminals collect information from social media platforms, such as Facebook and Twitter, and use it to create a composite profile, which they use to commit identity theft and fraud.
Phishing	The fraudulent attempt to obtain sensitive information, such as usernames, passwords and credit card details (and money), often for malicious reasons, by someone purporting in an email to be a trustworthy party.
Man in the middle	Any device that lies between you and a server can execute man-in-the-middle attacks, which intercept and modify data exchanged between two systems. To you, the man in the middle appears to be a legitimate server, and to the server, the man in the middle appears to be a legitimate client.

Cybersecurity is the role of the CIO, surely?

We’re all busy people and as treasurers we have a responsibility for managing financial risks for our organisations. We don’t worry too much about firewalls (unless they stop us doing our job) and expect our IT team to protect our technology infrastructure.

However, if we ask the right question, we may be unlucky enough to find that our IT teams are focusing on company-wide applications and have assumed that the treasury team looks after its own specialist software. It is these third-party applications that can sometimes present the greatest risk to the organisation (as Target Corporation found to its cost in a pivotal attack in part brought about through vulnerabilities in the way the retailer connected to third-party vendors). Has anyone looked at the vulnerabilities at the intersection between internal networks and these applications? Has your legal team understood your responsibilities and liabilities as data moves across your network and those of third parties?

> We may initially be unaware of the fact that our data has been compromised

If it turns out that safeguarding specialist treasury applications is the responsibility of the treasury team, we often hear that this is an area too complex and expensive to deal with. However, as the treasurer of a FTSE 20 company mentioned recently, a breach “will happen to us at some point” – and we have no choice but to be prepared.

What’s the worst that can happen?

Whether we are specifically targeted by fraudsters or affected by an attack on a wide range of organisations, as with a distributed denial of service attack, for example, changes to, or loss of, our data can have serious consequences for our business. At the very least, it can distract us from normal activities as we seek to restore the integrity of our systems and data. At the very worst, we may initially be unaware of the fact that our data has been compromised and miss interest payments or currency exposures with all of the serious repercussions that can potentially entail.

Banks have invested significant sums to protect us from hacks into our payment systems through data encryption, transaction authentication, dual-key access and so on. However, we need to ensure the integrity of these key controls and understand how they could potentially be compromised if we’re using mobile devices in public wi-fi locations to process payments, for example (see hotspot sniffing and sidejacking in the terminology table, above).

It’s not just the corrupted data that cybercrime can expose us to. Our reputations are also at risk. After all, no one wants to appear on the front pages. While it’s probably right to rely on the CIO, can you afford to damage your internal reputation and the reputation of your treasury team?

What can I, in treasury, do?

Ideally, we should encourage the IT department to take ownership of the treasury department’s IT infrastructure. This would consolidate the risks, effort and skills in one team. If this proves impossible, we should at least follow any internal guidance on managing cyber risk, including dealing with CEO fraud, ransomware, phishing and man-in-the-middle attacks (see table, above).

The best way to prepare for an attack is to create a ‘what to do in the event of a cyberattack’ plan and then test it.

Cybersecurity is a responsibility for all of us – do not assume your IT team is looking after all your applications

A cyberattack is probably not like anything you've faced before and requires a change in mindset. I've been lucky enough to witness a cyberattack 'war game' and I was surprised how people responded when they felt under attack. Normal protocols (such as not sharing passwords) fell away, demonstrating how weak operating controls can be when put under pressure.

This highlights how many of the risks stem not from technology, but simply from human behaviour. Whether it's opening an unusual attachment or providing the IP address for a market news server to a stranger, it is often our human curiosity or desire to be helpful that lets us down.

What measures can treasuries formalise and put in place to mitigate cyber risk?

1. Understand your treasury IT landscape:

• Map out all systems used within the treasury function and highlight all the external connection points – these are the points of weakness;

• Speak to your vendors to understand how they protect your data while they receive, store and transmit it (either back to you or onwards to third parties). This may include ISAE 3402 controls assurance reports;

• Ensure you get regular updates of the steps your vendors have taken to protect your data; and

• Identify a point person (ideally in the team) who will monitor these updates and liaise with the IT department regarding group-wide security protocols.

2. Develop a planand test it:

• Identify different scenarios and develop plans to address them. This may include the need to restore back-up data or a particular software application (such as a treasury management system, banking software or a visualisation tool like Citrix), or a slowdown in the network that triggers a bank's response time limits and prevents payments being released;

• Identify who needs to be contacted internally and externally (noting that in some cases that might be the Information Commissioner's Office) and what their roles are;

• Test your plans on a regular basis, ideally both at the office and from remote locations;

• Review regularly to ensure the plans stay current; and

• Consider whether it is possible to run a war-room scenario.

3. Take out insurance:

• Note that insurance will not prevent an attack, but it will help with the clean-up; and

• As the cost of insurance is proportional to the risks, the more you can do to assess and mitigate the risks, the lower the premium.

4. Use people as a defence:

• Support group-wide cyber initiatives and reinforce good controls across the treasury team; and

• Build a human firewall through education and by encouraging the treasury team to identify and communicate any unusual activity (such as unexplained data delays) to the IT department.

Above all

In our brave new world, cybersecurity is a responsibility for all of us – do not assume your IT team is looking after all your applications. If you're unlucky enough to experience a breach, ensure you have a clear mitigation plan in place. We know treasury is all about risk management – in a way, this is no different.

Keeping up to date

City of London Police cybercrime advice and support
www.cityoflondon.police.uk/advice-and-support/cybercrime/Pages/default.aspx

EACT CyberSecurity Working Group
www.eact.eu/news/108/is-your-company-protected-from-cyber-threats

Bank of England, HM Treasury and the Financial Conduct Authority
(guidance on making sure the UK financial sector runs smoothly, efficiently and effectively)
www.bankofengland.co.uk/financial-stability/financial-sector-continuity

The UK National Cyber Security Centre
www.ncsc.gov.uk

Useful articles

Article	Weblink
Insurance – guidance and advice on what's available	www.cio.com/article/3065655/cyber-attacks-espionage/what-is-cyber-insurance-and-why-you-need-it
Augmented risk in a digital world (page 22)	www.journeystotreasury.com/thankyou.php?token=dfb4048ebd285e5680576305fbfa6d38&year=2017-18
Combatting Treasury Fraud	www.gbm.hsbc.com/insights/technology/combatting-treasury-fraud#2-celent-report
Cyber Fraud – the Impact on Treasury, by Bellin	www.bellin.com/company/resources/guides
How to address cyber vulnerabilities in corporate treasury	www.thepaypers.com/expert-opinion/how-to-address-cyber-vulnerabilities-in-corporate-treasury/770761
2018 AFP Risk Survey (requires membership to access full results)	www.prnewswire.com/news-releases/survey-32-of-treasury-and-finance-pros-are-unprepared-for-new-tech-risks-300586222
Treasury Executives Can Lead the Way in Cyber	www.securityroundtable.org/deutsche-bank-roundtable-cyber

Naresh Aggarwal is associate director in the ACT's policy & technical team

HARNESSING
THE POWER OF DIGITAL

THE TECHNOLOGICAL TRANSFORMATION TAKING PLACE ACROSS THE MENAPT REGION IS CREATING TOUGH TIMES FOR MANY CORPORATES. BUT BY EMBRACING DIGITAL, COMPANIES CAN NOT ONLY OVERCOME THEIR CHALLENGES, BUT CREATE NEW OPPORTUNITIES, WRITES EMRE KARTER

Companies across the Middle East, North Africa, Pakistan and Turkey (MENAPT) region face myriad challenges, all of which compel them to find ways to improve efficiency in their business and treasury. Some countries in the region suffer from sluggish economic growth and an unsettled geopolitical situation, and the prospects of a trade war between some of the world's largest economies – the US and China – are creating further powerful headwinds. At the same time, regulatory pressure continues unabated, increasing compliance costs.

Perhaps most significantly, technological disruption and increased competition challenge corporates across all sectors in MENAPT; innovation and new business models have levelled the playing field for new entrants. In many instances, established companies are playing catch-up – with a consequent need to invest significantly in new technology – at the same time as these leaner and more nimble players erode their margins and market share.

Embracing digital is key to growing and prospering in this dynamic environment. Innovations such as the cloud, big data, artificial intelligence (AI) and machine learning offer huge opportunities for all companies. From a business perspective, digital can be used to preserve margins by automating back-end processes, digitising sales processes, enhancing collaboration across business silos, such as between manufacturing and sales, and improving decision-making (by leveraging data that already exists in the organisation via analytics).

All companies need to investigate the potential of such technologies and invest in appropriate solutions in order to protect their business and lay the foundations for future growth. Corporates also need to be aware that while digital brings new opportunities, it also creates risks: cyberthreats are multiplying rapidly in both number and sophistication. Given the potential damage they can do to a company and its reputation, pre-emptive security and rapid-response capabilities should breaches occur must be priorities.

The implications of digital are as wide ranging for treasury as they are for the business. Technological innovations can provide new tools for reporting and faster payments, for example, and accelerate centralisation to improve efficiency and control. Application programming interfaces (APIs) will revolutionise the speed of many treasury functions, such as payments and collections, and facilitate seamless integration with enterprise resource planning (ERP) and other systems. APIs can also deliver benefits to areas that have previously been impervious to innovation, such as trade flows.

> Technological innovations can provide new tools for reporting and faster payments, for example

Working capital is the lifeblood of treasury: by combining analytics and information flows from ERP systems, treasury can make better-informed decisions about working capital, supply chain management or risk management, and then execute effective strategies by leveraging existing products. Crucially, these solutions, which together form the building blocks of a digital treasury, are not hi-tech concepts – they are already possible using today's technology.

Transforming trade

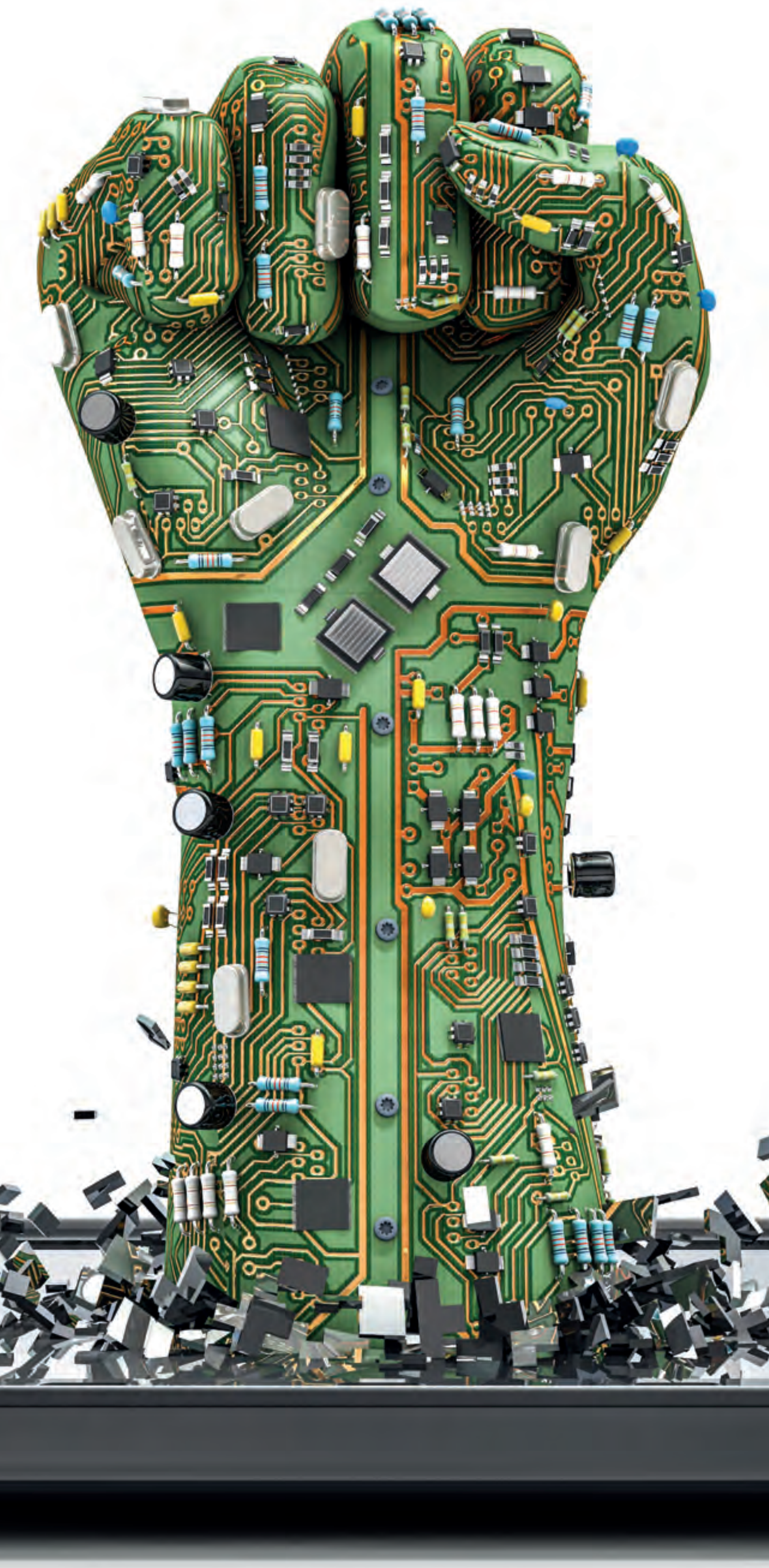
Over the past few years, there has been a move by banks towards greater digitisation and automation of trade products, such as letters of credit (LCs), that have traditionally been manually intensive, and which increase the risk of fraud and the potential for errors. The move towards digital platforms will mitigate risk and help lower transaction costs.

Citi is part of a consortium of global banks, major commodity traders and large commodity producers that has created a blockchain-based platform for financing commodity trading called komgo. The platform will digitise contracts, invoices, LCs and other documents to accelerate transactions and improve security. Buyers, sellers and other parties have unique IDs to access documentation; any attempt to change records is visible to all participants in the blockchain. Activity on komgo, which is due to go live next year, will initially focus on energy, but will later include other commodities, including agriculture and metals.

Similarly, Citi is working on the automation of shipping information, to facilitate the tracking of containers or vessels. The goal of the project is to prevent delays caused by lack of clarity regarding the whereabouts of cargoes.

Leveraging banks' investment

Global banks invest heavily in new technology; corporate clients should seek to leverage it where possible in order to optimise their returns on investment and free up



investment budget for other projects. Banks' technology investments can play a major role in enhancing companies' own value propositions, especially in payments and collections. For example, banks can provide real-time information and omnichannel access to improve productivity and efficiency.

In an era when information is king, banks can provide insights by combining data and AI to discover how corporates can improve their day-to-day activities and functions. For example, analysis might reveal potential fee savings, and visibility gains are possible by streamlining account structures. Equally, big-data analysis and machine learning could be used to identify and tackle outlier payments – which are misdirected or potentially fraudulent – in real time.

More specifically, Citi has invested in request-to-pay (RTP) functionality that is due to go live in early 2019. For consumer companies, this solution will enable them to present an invoice to the end customer directly. The recipient simply has to click the link, enter their credentials and the payment is completed in real time. RTP can also be used in a business-to-business environment. The United Arab Emirates will be the first country in MENAPT to go live with RTP, followed by Jordan, Pakistan, Turkey and Egypt by the end of 2019.

For treasury, RTP – along with other new e-commerce ecosystems, which are rapidly taking hold across MENAPT – promises to not only improve payment and collection efficiency and lower costs, but it can also positively impact the entire working capital management cycle. By collecting, reconciling and allocating cash faster, companies gain better visibility of cash, improving forecasting capabilities and, ultimately, potentially lowering funding costs.

Working with the right partner

There are enormous opportunities available to corporates as a result of digital. Companies should embrace the many tools available to drive growth and manage risk in today's fast-moving environment of new business models, such as platforms and e-commerce. Digital is the only way corporates can put themselves at the heart of emerging business ecosystems and take advantage of new ways of engaging with buyers and suppliers.

To succeed, companies need an experienced partner that understands their business priorities and can help them make the most of digital.

Emre Karter is Citi's treasury and trade solutions head for the Middle East, North Africa, Pakistan and Turkey

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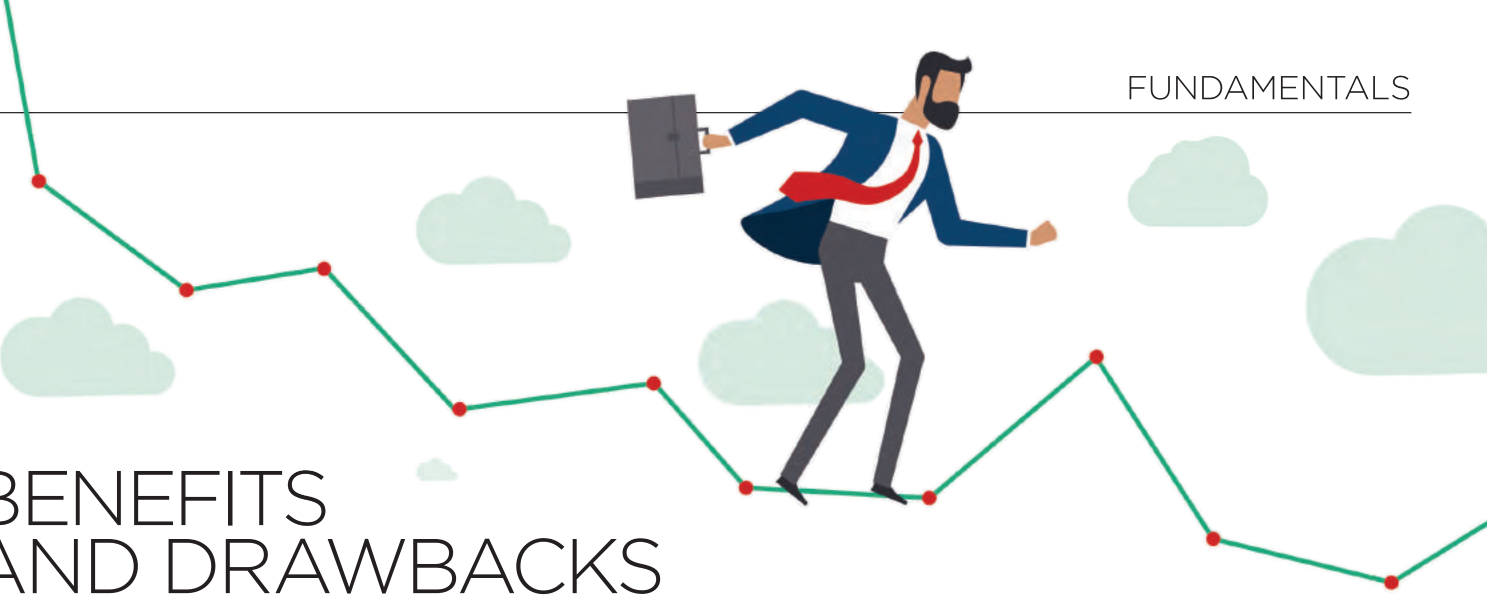


BENEFITS AND DRAWBACKS OF CORPORATE DEBT

DEBT CAN ADD CORPORATE VALUE, BUT TOO MUCH WILL DESTROY IT. DOUG WILLIAMSON EXPLAINS HOW TO FIND THE RIGHT BALANCE

Like most important aspects of treasury, corporate debt has its benefits and drawbacks. The main benefit is saving tax. The main drawback is added risk for all the company's stakeholders.

Corporate value is optimised when these offsetting factors are appropriately balanced. Finding this balance is a fundamentally important challenge for companies and corporate treasurers.

Debt and tax

Many companies are financed by debt as well as equity. Interest and related costs will normally be tax-deductible, while equity dividends are not.

All other things being equal, debt-financed companies normally pay less tax than all-equity financed ones. This is because taxable profits are sheltered, or 'shielded', by tax-deductible interest and related costs.

Tax shields

Let's say we are a profitable non-financial company, paying corporation tax at 19%. All of our debt interest is tax-deductible. This means every £10m of debt interest reduces our taxable profits by £10m.

The saving in tax is £10m x 19% = £1.9m. When our tax bill falls by £1.9m, cash flows available for our investors rise by £1.9m. This gain for investors is known as a 'tax shield'.

Drawbacks of debt

The essential difference between debt and equity is that debt repayments are mandatory.

Any failures by a debt issuer can potentially lead to corporate insolvency. Carillion and many other corporate failures have been triggered by the risks of too much debt.

The costs of excessive debt are sometimes known as 'financial distress costs' or 'bankruptcy costs'. They increase sharply as debt levels increase.

Equity dividends, on the other hand, are discretionary. Under financial stress, companies can cut or skip equity dividends (though they aim to avoid doing so in practice). This is why equity is lower risk for issuers.

	Issuer's risk
Debt	High
Equity	Low

Sweet spot

An appropriate level of debt depends on the stability of our profits and cash flows, our risk appetite and any tax or other regulation. In practice, companies may target a particular credit rating or other financial measure, or a tax limit.

Before borrowing, we need to assure ourselves that we can service all our company's debt safely, even under any future financial stress. Then we must provide our investors and the markets with the right information in the right way, so they can be confident about this, too.

Inspire confidence

If investor confidence is lost, all is lost. In my experience, many finance managers know astonishingly little about investors' legitimate expectations.

Without treasury training or experience, they often haven't the foggiest notion of how investors look at the company. Nor how to present financial information in a way that informs and inspires the potential investor.

James Lockyer ACA FCT, Funding and Risk Management Solutions

Investors' perspective

Our investors' risk profile is the other way round. Debt transfers risk from the investor to the issuer. So debt investments are lower risk for investors, and equity is higher risk for the investor.

	Investor's risk
Debt	Low
Equity	High

Learn and develop

Treasury learning reduces risk for your organisation and enhances investors' confidence. ACT qualifications equip you with knowledge and tactical 'hands-on' skills. See www.treasurers.org/professional-standards/qualifications/syllabi

As a qualified treasurer, you will play a key role in debt investor relations (IR) in particular. Deepen your understanding of debt IR at wiki.treasurers.org/wiki/Building_a_Debt_IR_function

Doug Williamson FCT is a treasury and finance coach

WHAT I'VE LEARNT

OPEN FOR BUSINESS

THE UK'S FIRST SONIA-LINKED CORPORATE BOND REQUIRED A PIONEERING SPIRIT AND A WILLINGNESS TO BUILD SHARED UNDERSTANDING ACROSS THE MARKET

Benchmark reform prompted by the phasing out of Libor has become a key focus for the treasury community ever since the Financial Conduct Authority announced in 2017 it would not compel banks to contribute Libor rates beyond 2021.

In September, Lloyds Banking Group became the first commercial lender to price a bond using the sterling overnight index average (SONIA) as its reference rate. The issue comprised a three-year sterling-covered bond priced at 43 basis points (bps) above the SONIA rate. The offer attracted an order book of £1.4bn and raised £750m from institutional investors.

While there is an active SONIA swap market in the UK, issuers have been slow to link the sterling overnight reference rate to bonds, says Sharn Hawkins, manager, senior funding and covered bond market issuance at Lloyds.

With many differences between SONIA and Libor, and no set market conventions, the transaction required a considerable amount of planning and advance work, particularly on trading systems, before it went ahead.

"With Libor, there are term rates available from which you can set against future periods. For SONIA, for each day in the reference period, we are taking the daily SONIA rate from five days previous (five-day look back) and compounding it, so a challenge that we needed to overcome was to make sure that our internal systems could handle those complexities, and that settlement counterparties could also cope with the changes," says Hawkins. It also meant building a shared understanding on parameters with parties such as calculation agents, issuing and paying agents, and institutional investors.

Other preparatory work included: working with legal teams to amend debt programmes to accommodate SONIA and ensure fallback language in new contracts would be robust; and with finance and middle-office colleagues to ensure that the bond could be correctly valued and recorded. There was also the need for approvals in respect of setting up SONIA-linked notes.

Once these questions had been explored and systems tested, the Lloyds capital markets team readied itself for the issue. The game plan for the day, 3 September, was similar to that for an ordinary bond. However, Lloyds decided to go out with the trade, with a two-day consultation period to provide investors with an opportunity to ensure they had sufficient time to prepare.

Once price guidance was released, investor appetite proved strong, with the offering almost twice oversubscribed. "We announced the trade at 8.30am at SONIA plus 45bps. By 10am, the book was at over £1bn. By 11am it stood at over £1.2bn. We priced the deal at £750m and at £3m SONIA plus 43bps, which is roughly equivalent to £3m Libor plus 27bps.

"The fact that we were able to price it there shows the market is assessing value in line with Libor notes," Hawkins says.

The London Stock Exchange marked the occasion by inviting the Lloyds capital market team to open trading at the exchange, and SONIA-linked bonds have since been issued by a number of other issuers, including the Royal Bank of Canada and Santander.

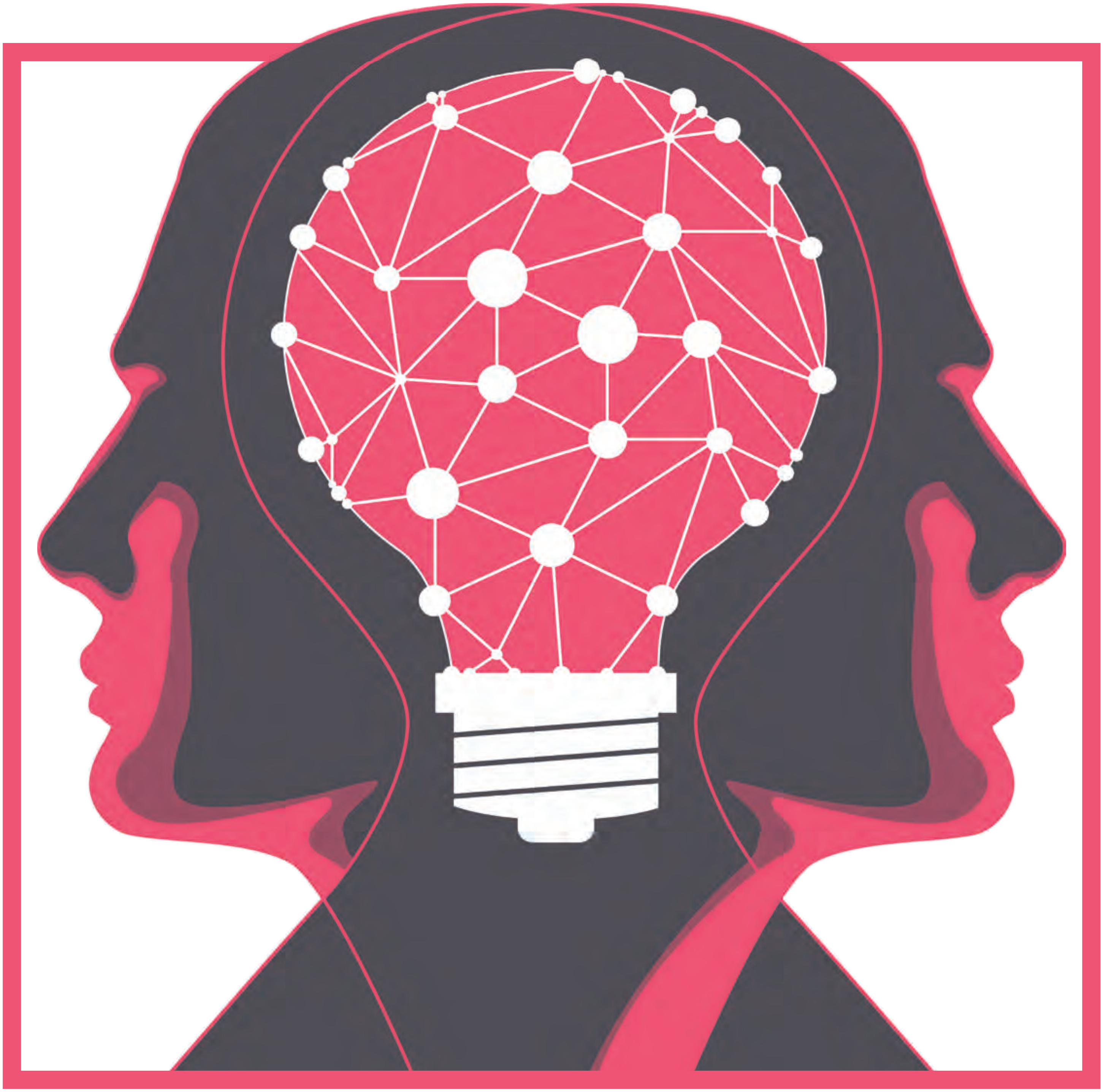
KEY LESSONS

1. **Optimism is a must-have:** lenders, corporates and the wider market must begin to move out of the 'wait and see' stage on alternative rates.
2. **Building a shared understanding and approach** can go a long way to assuaging nerves around the novelty of a pioneering issue.
3. **Goal setting:** working through clearly defined project stages is crucial.

Above all
Realise that the market is definitely open to SONIA-linked bonds and that they have wide potential as a fundraising instrument.

Lessons learnt

While the issue would not have been achieved without considerable preparations and consultation both within the bank and with external stakeholders and investors, many of the lessons the capital markets team has derived were around mindset, says Hawkins. The two-day consultation period was a good example of that spirit of cooperation.



MIRROR MIRROR

THE INNATE WIRING IN OUR BRAINS INCLINES US TO PREFER SHORTCUTS TO RATIONAL DEBATE AND TO SEEK OUT PEOPLE AND EXPERIENCES SIMILAR TO OUR OWN. DR PETE JONES LOOKS AT WHAT THIS CAN DO TO OUR DECISION-MAKING

Research has identified more than 150 cognitive biases or distortions in our daily decision-making processes. In situations where we are lacking or have ambiguous information, have too much information causing cognitive overload or are forced to decide quickly or are reliant on flawed memory, we can make poor decisions.

Old versus new brains

Dominant logical decision-making is largely a myth; we convince ourselves that we are making reasonable decisions, when in reality, we simply rationalise the intuitive reactions of our brains to random stimulus. While we are vested with impressive cognition in the brain's neocortex, which has developed quite recently in evolutionary terms (neocortex simply means the new brain), most routine processing takes place in our ancient limbic system, developed to respond to risk and stimulus.

Our intuitive, automatic and unconscious mind can handle 200,000 times more processing than our effortful, intentional conscious mind largely vested in the neocortex. Our brain likes to minimise the amount of work it does (the miserly brain) and will make use of cognitive shortcuts where possible, allowing cognitive resources to be directed at the things demanding our immediate attention in the neocortex. To enable this, the unconscious processes of the brain utilise our previous exposure to patterns as the basis for future rapid decisions, for example, we draw upon patterns of male leadership, extroverted sales staff or the familiar dress codes to make rapid and intuitive judgements about people.

First impressions

For example, the notion that we make interview decisions in the first 10 seconds is an overstatement. Processing underpinning decision-making can be complete within 100 milliseconds, three times faster than our eyes can even process an interviewee's image and make sense of it. We then rationalise the decision of our ancient, innate brain with our modern and underpowered new brain, and convince ourselves it is based on logic.

One area where our innate cognitive biases can have the greatest impact on our business is in the way we unconsciously view and treat people. Such social biases can underpin a good number of the long list of cognitive biases.

Our unconscious brain is a very efficient pattern-matching machine. It does this automatically, whether or not we are directing our attention to the pattern. Repeated exposure to social patterns (for example, female receptionists, white leaders in expensive suits, introverts in data-processing roles) leads to the neural pathways between those groups and roles being strengthened within the brain. It lays myelin, a superconductor, along that neural pathway, making it faster and stronger. The more dominant the pattern, the more we use that pathway, the stronger that association becomes, and the more we use it. And repeat. As we do this, we add valence to the associations: we are more likely to ascribe positive value to people like us, and less positive associations with people less like us. We have a 'love prejudice' for people like us.

The process can then use those patterns and valences for future decision-making, notably who we trust, recruit, support and believe. People who match the pattern are an easy choice for the miserly brain.

Our love prejudices are better described as affinity biases, and affinity bias can underpin and drive the many other biases.

● AFFINITY BIAS
Affinity bias can steer the direction of many other types of bias and is one of the building blocks of other biases and effects. It can lead us to favour people from groups for whom we have developed more positive associations, usually people like us, and thus disadvantage people less like us. If people look like us, sound like us, share our background or interests, we are more likely to lean in their favour in areas such as listening, recruiting, work allocation, performance management and our informal networks.

● BANDWAGON BIAS
Once a body of opinion begins to roll in one direction, we seem less able to contradict the prevailing view and tend to acquiesce.

● CHOICE SUPPORTING BIAS
We tend to remember our decisions as better than they were, excluding from memory events or effects that were less positive. We are then doomed to repeat poor decisions.

● CONFIRMATION BIAS
We see what we expect to see. We begin with a notion of how a person is, and seek out information to confirm that view, ignoring information, which contradicts that view.

● OPTIMISM BIAS
We tend to be overly optimistic as to the likely success of our ideas and intentions.

● REACTANCE BIAS
In some circumstances, people do the opposite of what we want them to do out of a desire to retain their personal agency, or to resist constraints on your freedom. For example, objecting to a policy constraining the capacity of a manager/leader to appoint the staff they want in the way they want.

● SOURCE BIAS
Sometimes the source of information becomes more important than the information itself, and avoids any serious challenge, doubt or scrutiny.

● SELF-INVESTMENT BIAS
When we have shown support for an idea, project or person, we can be reluctant to call a halt to that support. We can continue support or investment, long after logic suggests we call a halt.

Suggested actions

● SLOW DOWN
When people are less like us, taking a few seconds to consider alternatives can be enough to disrupt biased thinking.

● PERSPECTIVE TAKE
When people are less like us, we can struggle to see the issue from their perspective. We can miss the risks or opportunities to tailor a product or policy. Stopping to actively see things from other perspectives and involve a range of people in decision-making can reduce biased thinking.

● USE ROLE MODELS
Actively reminding ourselves of people we have admired from a group can subdue our biases in the short term; long enough to carry out a CV sift, run a meeting or allocate a project.

● GET BIAS TESTED AND TRAINED
Research suggests just one hour of thoughtful training, coupled with testing and review of test results, may mitigate bias. It works best when carried out in teams, with longer training, and the tone of the training needs to be right. An e-learning module may not be enough!

● USE DEBIASING CHECKLISTS
Debiasing checklists are designed to force us to go through the thinking processes that mitigate bias. They are often simple yes/no questions that force us to talk about and consider factors in our decision-making.

By giving consideration to biases and deploying strategies to counteract them, we can go a long way to undercut the actions of the miserly brain.

Dr Pete Jones is a psychologist with Shire Professional Chartered Psychologists

ACT

RESOLUTIONS FOR THE NEW YEAR

IF YOU HAVEN'T LOOKED AT TREASURY QUALIFICATIONS FOR A WHILE, IT COULD BE TIME TO TAKE A NEW LOOK AT WHAT'S AVAILABLE

As the leading global professional body for treasurers, the ACT offers internationally recognised benchmark qualifications for individuals who operate within the treasury function and those with treasury responsibilities in their roles.

The ACT is committed to upholding the professional standards of treasurers, and those with treasury responsibilities, to help them be more effective in their jobs. As the world's markets change, it is important that our qualifications continue to reflect the needs of the profession. The changes are a natural part of our ongoing education programme and the ACT's commitment to be the global standard bearer for treasury.

How the qualifications have changed

We regularly revise our syllabi to ensure the ACT qualifications are the most up-to-date and relevant qualifications for real-world treasury practice.

Certificate in Treasury Fundamentals
This is a perfect first step into treasury and corporate finance that equips you with the knowledge and tactical 'hands-on' skills to better understand and support business.

Certificate in Treasury
You'll become a trusted treasury professional, relied upon for your operational competencies and technical know-how. You'll add value to the business or your clients by offering practical guidance to colleagues, while driving continuous improvements.

Diploma in Treasury Management
You'll become a confident professional across all areas of treasury management, and become the go-to person for in-depth technical treasury expertise. Respected for your ability to solve problems, you'll enable your business or clients to meet their objectives.

Advanced Diploma in Treasury Management
Regarded as forward-thinking, you'll be a respected senior finance professional with significant influence, who shapes business strategy to deliver success for corporate organisations and business clients alike.

New for 2019

We have reviewed all of our qualifications over the past three years, and the final part of this work, the new Advanced Diploma in Treasury Management (replacing the MCT Advanced Diploma) launches in February.
The Advanced Diploma reflects the growing demand in the UK, and internationally, for a flexible, practical qualification aimed at those working in senior financial roles. The syllabus is built around real problems that arise in modern treasury. Students will develop their ability to make strategic-level recommendations, gain useful tools to deal with real-life complex issues in corporate finance, and will grow in confidence to become an influencer of boards, markets and wider business.

There is a face-to-face element in the new course, including a three-day residential school, made up of two days focusing on leadership and influencing skills, and one day focusing on development and work on the dissertation topic. A presentation of the dissertation will be given to a panel made up of one to two practising treasurers: the ACT chief executive, the director of awarding body, and the ACT chief assessor. Students will also join masterclasses and hear from practising treasurers who will share valuable insight into real-life case studies.

Janet Legge, director of awarding body, says: "The new Advanced Diploma is a really exciting opportunity for the ACT to deliver a master's level qualification that brings together the highest levels of treasury knowledge with leadership and influencing skills. The residential school, masterclasses and networking opportunities are fantastic, and we hope our students will complete the qualification with all the skills and knowledge necessary for them to excel in their careers. As we launch the qualification in our 40th year, I look forward to welcoming all the students joining us in this inaugural year."

KEY FACTS

- 15 months' study time
- Two units
- Three-day residential school / three masterclasses

Assessments
- One exam
- One dissertation
- One presentation

Fees
- Online course: £10,800*
- Exam: £500*
- Dissertation: £500*
- Presentation of dissertation: £200*

Booking deadline
1 February 2019

Course starts
11 February 2019
academy.treasurers.org

*FEES ARE SUBJECT TO A LOCAL RATE OF VAT WHERE APPLICABLE

DON'T MISS YOUR CHANCE TO JOIN THE INAUGURAL ADVANCED DIPLOMA CLASS OF 2019

Switzerland's Limmat River runs through Zurich's Old Town

ACT DIARY DATES

ACT TRAINING COURSES

Our face-to-face training programme helps to address immediate skills gaps, allowing you to apply your knowledge as soon as you return to your desk.

The ACT will be running the following courses in 2019. Look out for new dates at academy.treasurers.org/training

Treasury in a Day
An introduction to corporate treasury and the role of a treasurer, in just one day. This programme provides a broad understanding of key treasury concepts and introduces the purpose of treasury within the context of business. It's the perfect introduction to treasury for anyone who is new to the subject.
academy.treasurers.org/training/treasury-in-a-day

The Nuts and Bolts of Cash Management
A one-day course covering the basic principles and practices of cash and liquidity management, and its importance to the business and treasury function. Ideal for those who are new to the treasury function and responsible for managing cash and liquidity.
academy.treasurers.org/training/cash-management

Advanced Cash Management
This highly interactive two-day course is delivered by seasoned practitioners from both banking and corporate treasury, offering the unique ability to see both the demand and supply sides of cash management. It has been broken down into modules on each important aspect and there will be exercises and real-life case studies for delegates to participate in.
academy.treasurers.org/training/advanced-cash-management

The A-Z of Corporate Treasury
Our most comprehensive training course, it will provide you with an in-depth introduction to the corporate treasury function in international markets, over four days.

Covering everything from strategy and organisation to cash management, risk management and corporate finance, the programme combines theoretical knowledge and insights into all aspects of the treasury function and activities with real-life case-study examples so that you can really relate the core principles to your own work.

It's the ideal course for both those who are new to the treasury profession as well as those who require an overview of the whole treasury function.

2019 dates confirmed:
28-31 January | Zurich
25-28 March | London
7-10 October | London
26-29 November | Amsterdam
academy.treasurers.org/training/corporate-treasury

+ To view more ACT training courses or to book online, visit academy.treasurers.org/training. For more information, contact academy@treasurers.org or call +44 (0)20 7847 2529

• *Members of National Treasury Associations benefit from special rates on ACT-led training courses.*

ACT EVENTS

7 February, London
Deals of the Year
This year's event marks 22 years of celebrating the outstanding achievements of corporate treasurers and their teams who have shown innovation and excellence across the treasury spectrum. These highly respected awards, judged by our panel of senior treasury practitioners, recognise those individuals and organisations that have shown excellence and innovation in corporate treasury over the past 12 months.
www.treasurers.org/doty2018

12 February, London
ACT Cash Management Conference 2019
The ACT's flagship cash management event of the year provides a unique opportunity to share best practice, hear practical case studies from leading corporates and network with fellow cash management and treasury professionals, all in just one day.
www.treasurers.org/cashmanagement

21-22 May, Manchester
ACT Annual Conference 2019
The most powerful treasury and finance debate returns to Manchester Central in what will be the 40th year of the ACT! Join more than 1,100 of your peers at the UK's largest conference designed specifically for treasury and finance professionals.
www.treasurers.org/annualconference

+ To attend an ACT event or webinar, book online at treasurers.org/events. For more information, email events@treasurers.org or call +44 (0)20 7847 2589

ADAPT TO THRIVE

THE BEST LEADERS ARE ALWAYS LEARNING, GROWING AND ADAPTING. JO OWEN EXPLAINS THE DYNAMICS OF THE GROWTH MINDSET

What works today may not work tomorrow – or in another place. Merely very good leaders can become prisoners of their own success: they cling on to a formula until the world changes and they become irrelevant.

We should want to grow and improve, but our minds get trapped in one or more of four prisons that stop us growing. They are deadly, invisible prisons of the mind. So, how can you spot your prison?

The prison of success

This is the gilded prison. The more successful we are, the stronger the prison walls become. If you become a CEO with a good track record, you will not take kindly to an expert coming along and telling you that you need to learn how to improve. But then the world changes: you may have to move from growing to cutting. If you cannot adapt, you leave.

If you want to escape your personal prison of success, you need to start preparing for your next role. Understand what you will have to do and the skills you will need to learn. Start preparing and adapting.

The prison of the past

Most people let themselves slowly fossilise. We do not even realise that we are getting set in our ways. Think about your favourite music, films and books. The more we play our favourite music, the more we encode memories and emotions. But emotions are not a reliable way to remember or to learn. We are attached to the past, but the past is a poor guide to the future.

The prison of performance

Performance means different things to different people. Here is one version: meet your targets; stick to the process; don't mess up; give appraisals; ensure compliance; improve. This may not be the most inspiring culture, but it is likely to be effective. It will deliver and it will perform. But it may not help you learn or change – or outperform very well. Here is an alternative view of performance:

STABLE WORLD	DYNAMIC WORLD
▶ Meet your targets	▶ Outperform
▶ Stick to the process	▶ Focus on the goals, flex the process
▶ Don't mess up	▶ Try, learn, adapt
▶ Give appraisals	▶ Encourage development
▶ Ensure compliance	▶ Build commitment
▶ Improve	▶ Change

Most of the world is moving from being stable to being dynamic, but performance requirements stop us moving, learning or improving. We get better and better at a way of doing things that is becoming increasingly irrelevant. Swathes of Western industry were decimated in the 1980s and 1990s by the Japanese. They succeeded in consumer electronics, cars, office equipment and more because they changed the rules of the game. The performance prison is beguiling. Focusing on performance sounds like what all managers should do. But in a dynamic world it risks making us redundant as competitors change the rules on us.

The prison of fear

The prison of fear is the fear of failure, which even has its own name: atychiphobia. There are three sides to this prison: praise, perfectionism and competition.

Praise can be as damaging as criticism. Teachers know that if you praise the achievement of a small child, the child will keep on doing the same thing. If instead, the teacher praises the effort the child has put in, then the child will learn that effort gains praise. Effort is more likely to lead to growth and learning, rather than simply repeating what has worked before. To knock down this wall, praise the effort, not the achievement, and recognise that this is how you can also grow.

GRANT PEARCE

The biggest ideas may lead to the biggest improvements, but often have the biggest obstacles

Perfectionism can be healthy: Michelangelo did not take any shortcuts in completing the Sistine Chapel or his other masterpieces. But there is a difference between high standards and extreme perfectionism – normal versus neurotic. Neurotic perfectionism leads to loss of confidence and self-esteem when you do not achieve perfection and avoidance of challenges.

Competition – we do not want to lose and, what's more, we like to think that we are better than our peers. So anything that tells us that we are not as good can be devastating. Corporate evaluation systems recognise this and routinely rate 80-90% of staff as above average. This is statistically impossible, but emotionally inevitable. The result is we avoid competition and often avoid learning.

Knowing that these prisons exist at least alerts us to their risks. But to escape the prisons and to keep out of them, we need to establish positive routines for ourselves. We need to hone our growth mindset.

Building a growth mindset

All mindsets are matters of habit and the growth mindset is no different. You can think of it as a cycle of growth with four steps: challenge, test, learn and adapt.

The first step is to **challenge** yourself – not to climb Mount Everest necessarily. It is more modest, but absolutely constant. Ask yourself: how can I stretch to a new goal? How can I improve? How can I change? How can I try something new?

Once you have your challenge, you need to find a way to meet it. You will look in vain to find a textbook answer to the ambiguous and messy challenges of life at work, so you have to discover a workable solution in practice. You may want to **test** different ways of dealing with a difficult boss, for instance. You might look at how other team members or colleagues interact with him or her. Start trying different approaches. Keep testing until you find a way that works consistently.

The growth mindset is about constant **learning**, and the lessons we value the most are things we discover for ourselves. There are two questions we can ask ourselves at the end of any meeting, call or at the end of the day:

- What went well? (WWW)
- Even better if... (EBI)

WWW is essential in good times and when things go awry. In the face of setbacks, it is natural to focus on what went wrong. That quickly gets into blame, which helps no one. Focus on silver linings that may help you in the future.

EBI is the antidote to the normal inquest question of 'what went wrong?'. It forces you to think about how you could do things better in future.

There is not much point in learning unless you put your learning into practice and **adapt**. Knowing you will put your learning into practice puts a hard edge on your learning and debriefs with your team. So, when you have gone through your WWW/EBI, take your debrief to the next level and ask:

- What are the one, two or three things we will continue to do more of?
- What are the one, two or three things we will do differently in future?

This sorts the wheat from the chaff. You may have a mixture of radical ideas and easy-to-do ideas. Take on the easy ideas anyway. Build your confidence by finding some early wins – actions that lead to improvement fast.

The temptation is to put the radical ideas into a special file called 'too difficult' or the one next to it called 'too risky'. That is a waste. The biggest ideas may lead to the biggest improvements, but often have the biggest obstacles: time, effort and risk. If you find a big idea, focus on it. Start by looking at all the benefits of the idea – if this idea works the way you want it to work, how much better will things be? Size the prize: if the prize is big enough, it is worth putting in the effort to make it happen.

Jo Owen is a leadership author, speaker and social entrepreneur. This article is taken from his book *The Mindset of Success* (Kogan Page, 2017)

ON SLEEPLESSNESS

THE THINGS THAT KEEP US AWAKE ARE SELDOM IN OUR CONTROL. WE SHOULD CONCERN OURSELVES MORE WITH THE THINGS THAT ARE

One of the things I quite often get asked is what keeps me awake at night. Strangely enough, it's not a difficult question to answer: I keep myself awake at night.

In the days when I was a corporate treasurer, almost nothing kept me awake at night. I do remember a particularly sharp movement of the dollar after a meeting of finance ministers in New York in the late 1980s, but even then, since I didn't know about it till the next day, it didn't worry me.

For most of us, lying awake at night is not the result of things beyond our control. Some people have a clear sense of what they can change and what they can't, and a good discipline of not worrying about the latter.

On one occasion, when I was in the church, but working on some conflict issues in sub-Saharan Africa, I was held for a night by a militia group. They said they would decide in the morning whether to send me home safely, or something more drastic. Fortunately, although I was well beyond getting any direct help, I did have a satellite phone, and was able to ring my wife. I told her the story trying to sound calm and collected. Clearly, they were bluffing, as here I am writing to you. But when I got back, I said to her, "I hope you weren't too worried." To which she replied, "What was the point of worrying? I couldn't change anything. I prayed, and then went to sleep."

For most of us, lying awake at night is not the result of things beyond our control

She is exceptional, but most of us know within reason what we can control and what we can't. External events have some impact and cause some anxiety, but they are things we're trained to deal with. (Like most people, I am very aware that mental or emotional ill health alters the capacity to deal with all sorts of things, which others might not see as a concern.)

Currency movements, even uncertainties around Brexit are all 'known unknowns'. There are risk mitigations we can undertake. It's part of the job, and most people in treasury are really rather good at this.

But those things that come from within are different. For me, it's my own weaknesses and failures. It's the meeting where I was unnecessarily vehement. It's the uncharitable thought. It's the sense that I am not doing the job as well as I would like.

Everyone will have their own difficulties that come from deep within. They may be concerned with home, with children or parents, friends or partners. They may be the result of bullying or harassment. In each case, there is an element of shame, of wanting to keep it hidden – and yet it emerges at some point. As a priest, I have sat and listened to such stories.

For me as a Christian, there is an absence of magic wands, but there is one great source of peace. As Christians, we believe that roughly two thousand years ago, a baby was born in Bethlehem. We believe that baby was God completely, and also human completely. We believe that God took on all the frailty and insecurity and anxiety of human life, and lived it to the full, and offers that life abundantly.

For some of you, this is all about fairies at the bottom of the garden. For others, it is a familiar story. But for all of us, it says two things. At the most: that there is a story that says something about the inner secrets of the heart and about the uncertainty of the world. A story that comes from a being who, if true, knows everything about us, and yet accepts and loves us if we turn towards it.

At the very least: it tells us that deep within the human story is the need to be able to trust and love someone else, who one knows one is loved by. That's pretty complicated in many circumstances. But the building up of community and the ability to trust and be transparent, and to listen confidentially and transparently to others, is a great source of hope and comfort.

This Christmas, I hope that wherever the sleepless nights come from, they can be changed when we are close to one another – and, as you would expect me to say, when we are open to the peace and hope and comfort of God.

I hope and pray that you will all have a wonderful Christmas, a happy New Year, and that the possible turbulence of the next few months is mitigated by your skills, and overcome in our national life.

The Most Reverend Justin Welby Hon FCT is the Archbishop of Canterbury and confidential adviser to ACT members on ethical and personal issues

ALAMY