The Treasurer

TREASURY EXCELLENCE AS STANDARD

THE MAGAZINE OF THE ASSOCIATION OF CORPORATE TREASURERS

ISSUE 2 2024

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DOING THE BUSINESS

Two years is a very long time in the treasury world – for some, even two weeks can feel like an age – but, at the same time, it can go by in a flash. Well, it has been two years since we last published the ACT's landmark survey *The Business of Treasury*, now in its 11th edition – so what are the latest findings?

For a start, the treasury community has continued to demonstrate its resilience during some economically shocking times. Inflation and interest rates leapt up, and for many in the profession this was the first real experience of inflationary pressures. At the same time, security came to the fore, amid an ultimately averted banking crisis.

The survey reveals how treasurers are playing to their strengths of professional excellence, calmness and resilience in these 'interesting' times. It also indicates that some key challenges – artificial intelligence, ESG and geopolitical risk – are business-focused rather than treasury-specific, demonstrating how treasury is increasingly embedded within our organisations.

Our cover feature looks at how the role of the treasurer is now incorporating other aspects of the business. As some fundamental tasks have become automated, we have seen the treasurer occupying a more strategic role within the team, incorporating corporate finance, investor relations, insurance and ESG. This reinforces the treasurer's brand of understanding their organisations and having the ability to take on an increasingly large array of responsibilities. This really could be the key to unlocking the future career trajectory of those in the profession.

The prospect of the bond market being opened up to a wider range of investors is creating a stir. The Financial Conduct Authority is consulting on whether changes to disclosure requirements could encourage corporates to issue smaller-denominated bonds that are attractive to retail investors. We spoke with several interested parties – corporates and brokers – to gauge the temperature; read their views on page 26.

Private credit is also having a moment, so we look at the pros and cons of this small, but rapidly growing, sector of the funding market (see page 18). In addition, we ask what the view is like for a treasurer in the private equity (PE) sector. Working for a PE house offers a unique perspective: not only are you looking after treasury for your own house, but you are also advising on the treasury for your portfolio companies. Read all about it on page 32.

Finally, for those of you who may be reading this at the ACT's annual conference in Liverpool, I hope you enjoy the carefully curated programme of practical advice and horizon-widening insight. We will be publishing reports from the conference in our next issue, as well as online at **treasurers.org/thetreasurer**, but nothing beats 'being in the room'. Treasury is a tight-knit community, and I am sure this support network is helping the profession's reputation for calm and resilience – long may that continue.

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UNLOCKING THE FUTURE

Treasurers are known for their broad understanding of their organisations and an ability to take on an increasingly large array of responsibilities. Liz Loxton talks to treasurers about how their roles are set to diversify in the future

In her more than two decades as a treasury recruitment specialist, Rachael Crocker, partner at Brewer Morris in the Netherlands, has seen a marked evolution in the role of the treasurer. "It's a definite trend, no question," she says. "I've noticed it over many years. The treasurer's role is continually evolving and moving along its journey quite quickly."

The past 10 years, in particular, have seen a move towards a more strategic role for treasury professionals. "As a lot of more fundamental tasks have become automated, we've seen the treasurer occupying a more strategic role within the team. What we have then seen happening is CFOs and others asking: what else can sit under this person, given their strategic mindset and the fact that they are so well connected across the business," Crocker says.

Their professional training, along with their tendency to be well connected across their organisations, often sees treasurers segue into corporate finance, investor relations, insurance and ESG – a huge current area.

Sustainability: new area for treasurers

"Treasurers, because of the links to green financing, tend to be quite knowledgeable on ESG and quite skilled in that area – and because they're so plugged in and strategically minded, this area is a natural fit," Crocker says. "We certainly have seen more treasurers in London and within Europe moving into the CSO role, and picking up the ESG mandate more and more.

"To do the job, you have to have an understanding of the operational direction of the organisation – how it works, how it's structured. So, it sets them up to be quite well positioned to take up these wider responsibilities – particularly if it's a new area, where you are going to have to navigate new information and new ways of doing things. Being that plugged into how the organisation works and what the key relationships are just makes treasurers the obvious person to do that," says Crocker.

Joanna Bonnett, Immediate Past President of the Association of Corporate Treasurers, is one of those whose role has evolved into sustainable finance and beyond. She is currently flourishing as an independent chief sustainability officer, having recently moved from Page Group, where she was group treasurer and chief sustainability officer.

The treasurer's role has undergone a remarkable evolution, Bonnett says. They can now expect to be at the forefront of finance leadership.

Rachael Crocker

In her own treasury career, she has witnessed treasurers expanding their horizons beyond traditional boundaries. "Some have taken on tax, risk management, insurance, pensions, investor relations, and sustainability initiatives."

The common ingredient, she argues, is a willingness to lean into their own development, because doing so opens up a vast array of possibilities: "Those who invest in themselves and their teams unlock a world of personal growth and fulfilment. Engaging in groundbreaking work – often collaborating with banks to co-develop pioneering products – breeds leadership and opens doors to diverse career paths within the senior leadership team and beyond finance."

Undoubtedly, technological advances have played a role. "A lot of the things we would consider traditional treasury tasks have been automated," says Crocker. "The teams are structured differently now. The operational element is less time-consuming, so there is just more capacity for valued-added activity."

The study of complex forms

One of the advantages of the treasurer's role for individual development – and for the evolution of the treasury profession – is the organisational vantage point it affords.

Richard Garry, director of group treasury, insurance and pensions at Informa, believes that the roles occupied by senior treasury professionals give them an insight into their organisations' reach and activities – insight that is invaluable when it comes to cultivating the kind of strategic outlook that leadership roles require.

As part of his CFO's management team, for instance, Garry has gained perspectives on the business's activities and its reach.

> **"Those who invest in themselves and their teams unlock a world of personal growth and fulfilment"**

"The treasurer is a senior management team member, so, by nature of being in that position, you get to see a bit more than your role. You see, and are exposed to, more than just treasury. That's a natural first step into seeing the wider picture and not just being a specialist."

There is a choice at this point. Does the individual head for senior leadership roles or diversify? Diversification may come from looking for adjacencies – keeping an eye out for opportunities in parallel disciplines, Garry says. Depending on the skill set an individual has, opportunities may well present themselves. This was how he came to lead on insurance and pensions.

"From my perspective, both [insurance and pensions] came up as needing management and the view was taken that, as I look after financial risk within financial products all the time, they naturally sat in my area. That was quite welcome, because it was familiar and yet new," he says.

Depending on their personal ambitions for their career, other treasurers might, Garry suggests, look for tax or corporate finance roles, or other central financial management responsibilities – particularly if they see themselves heading towards the role of CFO.

Investor relations

Having a role with more than one mandate brings opportunity and challenge, says Adam Richford, who, until recently, was director of investor relations, treasury and insurance, at Renewi in the Netherlands.

Richford spent eight years at Renewi, initially as group treasurer, adding responsibility for investor relations to his brief in 2019. Having got a treasury

CASE STUDY: EXPANDING ROLE AT EUROSTAR NOW INCLUDES INSURANCE

Naomi Thornton is another treasurer who has found herself with wider responsibilities. As group head of treasury and insurance at Eurostar, she has recently been acquainting herself with the insurance arrangements of the newly merged Thalys and Eurostar International.

Thornton joined Eurostar International 18 months ago. Once the Eurostar and Thalys merger was finalised in October 2023, she became head of treasury and insurance for the group.

Apart from rubbing shoulders with insurance and procurement teams in former roles, Thornton was new to dealing with insurance, so she quickly began a discovery exercise to establish the scope and nature of existing cover – and quickly realised that automatically renewing would not be the right approach.

Two sets of insurance programmes existed, one for each company, with the Thalys cover coming from the Belgian insurance market. Thornton found differences in risk appetite, as well as differing maturity dates on cover and varying costs.

For the most part, however, tackling the insurance role as a treasury professional makes sense. "It fits very well with my role in treasury, as it is another area of risk to monitor. I'm in the process of looking at it holistically. What can we merge? What can we change? Can we align maturity dates for the policies?"

Thornton expects to make headway converging policy dates and some lines of insurance over the course of this year and a strong relationship with the London broker makes her optimistic of success.

What has the professional qualification and mindset brought to this exercise?

"In treasury, I have to manage bank relationships and other shareholder relationships, and that has just naturally extended to our insurers and our broker. So that feels like a natural progression. Always having an eye for risk makes it a good fit. With a contract to buy uniforms, I'll consider whether there is an FX risk on the contract, but with the insurance perspective, I'll also ask: how much is it worth, do we need to store it, is it adequately protected?"

Naomi Thornton

Looking after insurance also lifts the lid on parts of the business she might not otherwise see. "We did some refurbishments to the catering facility. Because we are in St Pancras, which is a listed building, our insurers had to be really conscious that there would be very limited risk. I previously had no idea about the logistics of moving food onto the trains. It helps me understand the business better."

Eurostar's treasury function is currently organising a green loan, which also fits with her new knowledge of the insurance programmes, and the shared knowledge set and data gathering around consideration of flood risk and other environmental questions in terms of how they might damage expensive assets. New areas of crossover emerge.

"We are thinking about the insurance there, as well as our impact and sustainability. It's an area that needs spotlighting and it really does matter that there is someone who ensures everything is covered just as it should be."

"The treasurer is a senior management team member, so, by nature of being in that position, you get to see a bit more than your role"

function up and running at Renewi, he embraced the core investor-relations tasks: writing trading statements, results presentations, and coordinating capital-markets events. Site tours, talking to analysts, and conducting a request for proposals for brokers also fell to him, as did overall responsibility for a secondary listing for Renewi in Amsterdam in 2020.

Investor relations activities have a distinct timetable, with quarterly reporting – which, in practice, tended to mean finding space for mainstream treasury activities, such as RCF renewals or bonds, in the gaps between. "It's perfectly manageable if you have a great team on both sides," says Richford, who believes investor relations is a natural progression for treasurers.

"Essentially, you do debt-investor relations in your treasury role. So, you're telling the story of the company to debt investors and banks. Their perspective is different, and their objective is to get their money back without too much downside risk. So, it's a different narrative to other stakeholders.

"Investor relations is exactly the same, but telling the company's story to other stakeholders – shareholders, analysts. Actually, the treasurer is very capable of supporting that role, because you have to understand the company very well to talk to stakeholders on the debt-investor side. (see, The view from: investor relations, *The Treasurer* Issue 3 2023 p30)

"Compared with treasury, it is a profession, but not quite so well studied. There is not such a strong professional qualification around investor relations, because the skills are more around communicating and coordinating."

Housing associations

Another way to exercise new or wider skill sets is to look outside the business for non-executive roles in organisations such as housing associations. That is, as Garry points out, quite a well-established path for treasurers. Housing associations have large balance sheets and large borrowing requirements – familiar challenges for treasurers.

"It's a natural step into a non-executive role, which gives you a broader perspective of a different business," adds Garry, who has been a non-executive committee member at Sovereign Housing Association since 2019. "It's not an extension of what I do here at Informa, but it is an extension in terms of my own career."

When it comes to managing and cultivating the treasury professionals on his team, Garry is in a position to encourage them to engage with finance opportunities within the wider finance function, or look abroad for openings that might, in turn, give them wider responsibilities and strategic insight.

"To allow people to be more rounded, we can allow people to move into roles overseas. One individual left to become the regional treasurer in Singapore, which meant she was, effectively, treasurer for that office. She went from being a very focused treasury manager to having to think about the whole raft of treasury topics," Garry says.

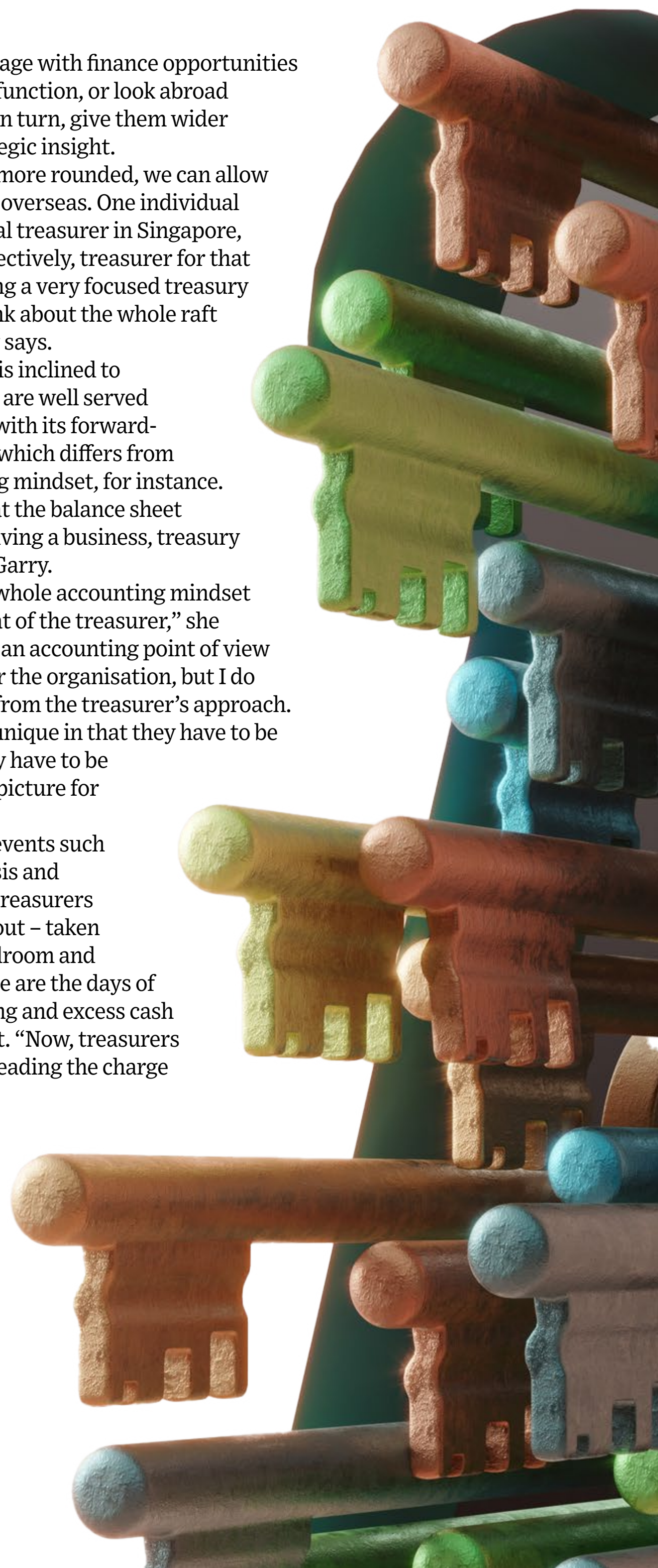
However an individual is inclined to manage their career, they are well served by the treasury mindset, with its forward-looking outlook, he adds, which differs from the accountancy reporting mindset, for instance. "As a treasurer, you look at the balance sheet differently. In terms of driving a business, treasury is a real value-add," says Garry.

Crocker agrees. "That whole accounting mindset is quite different from that of the treasurer," she says. "Looking back from an accounting point of view is obviously important for the organisation, but I do think it is quite different from the treasurer's approach.

"Treasurers are fairly unique in that they have to be forward-facing – and they have to be able to look at the bigger picture for the organisation."

In the wake of seismic events such as the global financial crisis and the COVID-19 pandemic, treasurers have – as Bonnett points out – taken to presenting in the boardroom and CEO offices globally. "Gone are the days of merely managing financing and excess cash in isolation," says Bonnett. "Now, treasurers are catalysts for change, leading the charge towards automation and innovation."

Lix Loxton is a freelance journalist and former editor of *The Treasurer*



Art of the big reboot

A major treasury project requires not only effective planning and resourcing, but also high levels of communication to deliver the right outcome, say experts

When it comes to undertaking a major treasury department overhaul, there is plenty of comfort to be had from knowing you have made the right moves at every turn.

One of those key decisions, how and when to reboot, may well come at a time of great change for an organisation, says Gary Slawther, who has held senior treasury roles at firms including Jarvis and Matalan.

"No business stands still. The treasury function, like any other part of the organisation, needs to be prepared for change. It's good practice to review treasury policy every year. You then have to ask, 'do we have the organisation and structure to fulfil that policy?'" says Slawther.

He believes that a COVID-imposed standstill has been replaced by a desire to improve efficiency by companies in the face of growing cost pressures, driving transformation in many treasury functions.

"Increasingly, questions being asked of treasury include: 'Are your processes and systems set up to be efficient? Are they still relevant to your business and your cash flows? Could we manage this business much better with a new treasury management system?'" he says.

But although there might be an instinctive impulse to spend big to get a state-of-the-art treasury system, Slawther says it may not always be the right approach. "You've got to think, what does the business actually need? Why go for a really great system, when actually what you need is something simple and effective?"

It is vital to understand the trade-off between what a new treasury management system can deliver and the new processes that may be needed to deliver that system, say experts.

At the planning stage, they suggest looking at different systems, going to events where systems are presented, and reading articles about people who've done something similar to find out what their pain points were and what they found worked and didn't work.

"A major overhaul could involve anything from implementing a new treasury management system to automating processes to make things more streamlined, something that can be at the forefront of treasurers' minds when they come in [to a new position]," says Nathanael Wood, a recruitment consultant at Hays specialising in treasury.

Winning buy-in

When a decision has been reached, the potential biggest hurdle needs to be addressed – gaining buy-in from the most senior decision-makers in the organisation. That can mean pitching the idea to a company board, and very often specifically the CFO, who holds the purse strings as well as having oversight of the treasury function.

For Aga Nalaskowska, implementing a cash concentration strategy to consolidate various cash positions across Cardinal Health, where she was head of treasury for EMEA and APAC, required considerable communication skills.

Aga Nalaskowska

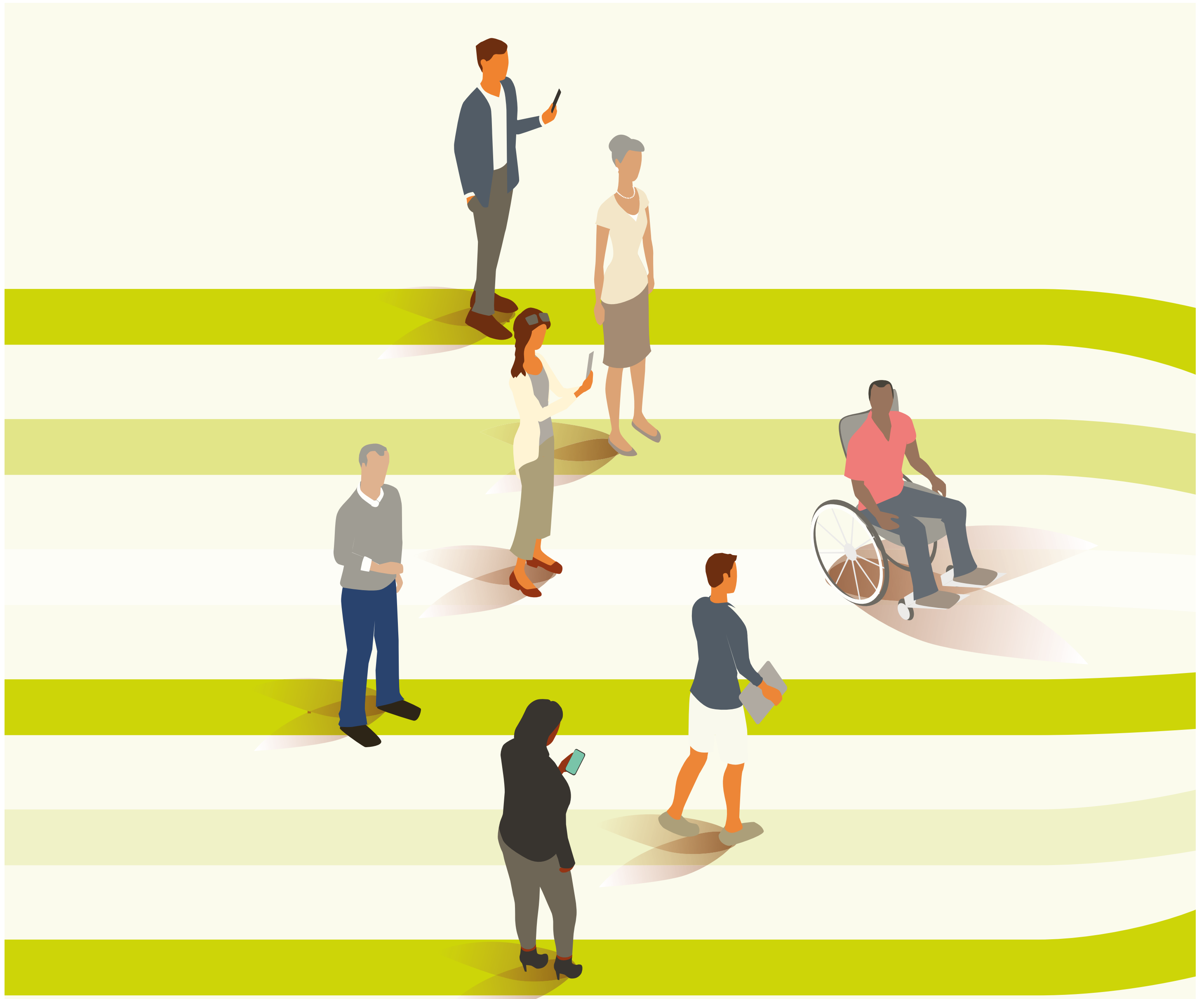
Although her predecessor had spent three years planning the move, including an extensive request for proposal (RFP) process, Nalaskowska still encountered challenges when it came to bringing stakeholders on board.

"There was initial pushback from tax and accounting, because of not knowing what it would mean, and what the implications would be," says Nalaskowska, now head of treasury for EMEA at Parexel, a provider of biopharmaceutical services.

In order to win over hearts and minds at Cardinal Health, Dublin-based Nalaskowska conducted an engagement programme using workshops enabling other parts of the business to understand how the new approach would work.

She says the key to its success was making sure everyone involved understood what the benefits would be, because there was a shared fear of the unknown from various parties. The result was that within a year the new cash concentration strategy, including global cash pooling structure, had been implemented.

The success of that first project enabled Nalaskowska to push through implementation of a new treasury management system later, having invested time and effort building support for treasury from across the organisation. By reinforcing the idea of treasury as the beating heart, pumping cash through the bloodstream of an organisation, she says she was able to break



"We try to hire people with the correct skills, but we will often promote people from within the team where it makes sense"

CULTURAL FIT

In order for a treasury function to become more agile, aligning with its organisation's ambitions, it has to have a culture that fits, say industry specialists.

Colin Evans, who runs consultancy Elite Treasury Services, says a treasury function's culture could be optimised by establishing clear messaging that the team culture is inclusive, that comments and suggestions are encouraged when thinking about areas such as problem-solving, process improvements or sharing knowledge. "The best decisions come from knowing the strengths and weaknesses and specific knowledge areas of the team members. This includes having open team meetings to encourage the flow of ideas and opinions, especially if this involves technical areas of treasury where junior team members may learn by sharing specific subject matter knowledge of colleagues," says Evans.

"Most importantly, there should be a culture where it is clear that any member of the team can put up a hand if they feel that there is a problem with any process or policy, and that this will be discussed to determine if there is an issue and what corrective action is needed to correct any problems," he adds.

Major projects, such as implementation of a new treasury management system, may be seen as one-off events, requiring upgrading of resources in the short term. But successful execution may often depend on the continual development of staff and culture behind the scenes.

the "visceral resistance to change".

Winning over board-level approval required a carefully honed approach, concentrating on what the benefits of the new system would be and how soon they could be delivered. A personal touch was also required, "so that people could feel close to it, that it was their baby".

Nalaskowska says soft skills are not only vital to treasurers' success when seeking board-level buy-in, but also for gaining support from across the organisation through the period of implementation.

Experts advise managing expectations and not promising too much too soon, speaking to relevant parties as early as possible to warn them of the possible disruption, so that they are aware of how it will impact them.

When it comes to technical aspects of a transformation it can be better to spare the detail if it is not relevant, caution experts, because some parts of IT systems' implementation and treasury won't make any difference and won't be visible to anyone else.

"Everybody has to be involved, all steps have to be followed"

In order to ensure any new project delivers, Nalaskowska recommends as much testing as possible to ensure things go smoothly on day one. "I believe in testing to address any possible scenarios as any change in a system could have an adverse effect on other processes," she says. "Everybody has to be involved, all steps have to be followed."

The people factor

When it comes to deciding how and when to implement a major project, it is often important to be sure that you have the right staff in place to deliver change and manage the new system, says Slawther. "You should be asking: 'do I have the right resources? Can I develop my team or am I going to need to hire people with the potential to take on new skills or with the right technical skills already in place?'

"I wouldn't say that getting a new system is necessarily a trigger point for evaluating the team, but you should always be looking 12 months or two years ahead in how everything sits together," he says.

Katarzyna Stefanska-Balos, head of front office European treasury at consumer goods giant Colgate-Palmolive, says that she has been honing her team in order to meet the needs of changing systems.

That has mainly involved upgrading different versions of SAP, but she says the group's whole treasury team is now focused on delivering the biggest project yet – a treasury digitalisation programme using a designated team from across the group's global treasury operation.

Katarzyna Stefanska-Balos

"Although we are changing our system completely, I have huge confidence that the team, supported by external consultants, is able to implement it," says Warsaw-based Stefanska-Balos.

"We try to hire people with the correct skills, but we will often promote people from within the team where it makes sense, especially if they know SAP well. After all, it would be very hard to find a person that would know all the systems we work with," she adds.

Sometimes that has involved hiring from across the organisation to bring in a skill set that is specific to treasury's changing requirements, tapping the group's talent planning programme.

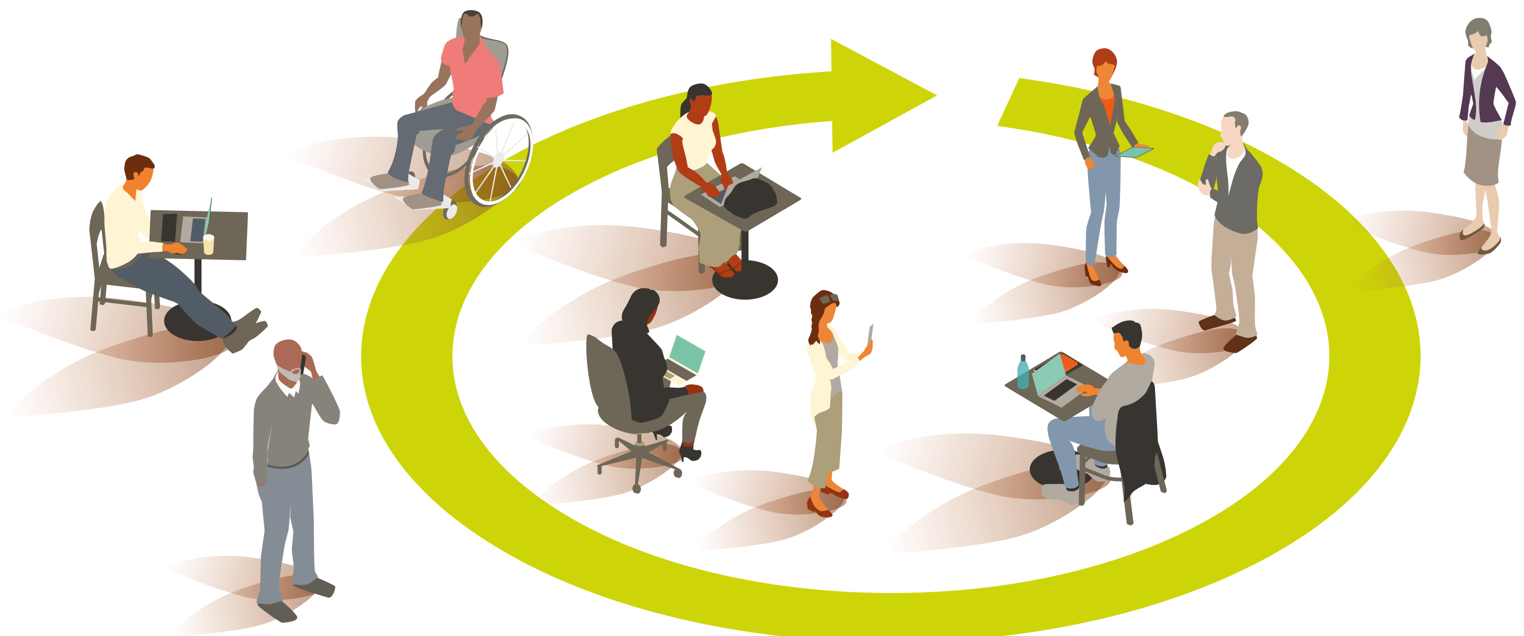
Wood says when it comes to staffing for major projects, smaller teams will generally try and make do with what they've got by upskilling team members, while larger teams in bigger companies will invest in new staff to meet the needs of a major overhaul.

Finding replacements with the right kind of knowledge and understanding could take some time, so an alternative might be to bring in contractors for the duration of a project, says Wood.

"They may come in for anything between six and 18 months to oversee or assist in an implementation of a system to make sure that it is fit for purpose," he says.

When it comes to bringing in talent, treasurers should also be thinking about how flexible candidates can be. Elina Beale, treasurer of Tideway, says she likes to ask a few questions to test their general awareness and knowledge about an area in treasury that's not necessarily covered within the role they are being interviewed for. "I'll ask some situational questions primarily to assess what the candidate is like as a person, how they act in certain situations and ultimately whether they'd fit into the team, and how they would deal with change in the workplace."

Lawrie Holmes is a freelance business and finance journalist



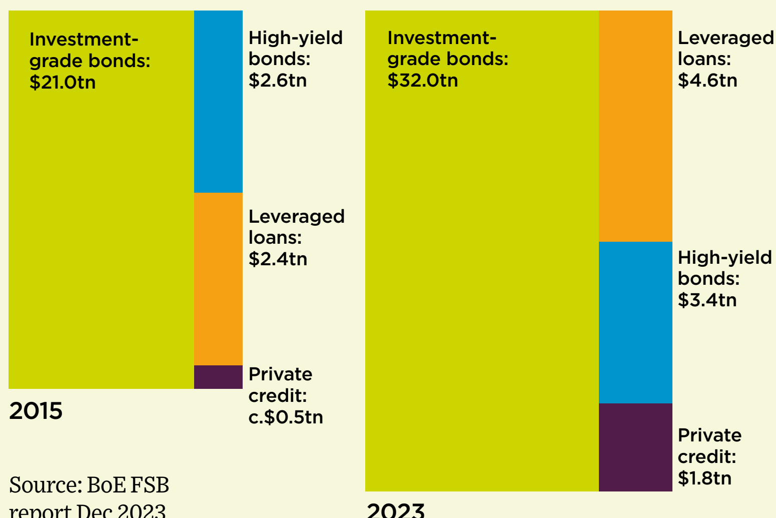
Giving credit to private finance

The small but rapidly growing private credit market is proving a useful source of alternative finance for many corporates. Permjit Singh FCT weighs the options

According to the ACT's treasury wiki, 'private credit' is a loan to a business that is originated by a lender other than a bank or other traditional financial institution, and is not tradable in a public market. It is also sometimes known as direct lending, alternative lending, non-bank lending or private debt.

However, private credit is similar to bank lending: bilateral, private, held to maturity, and on flexible terms.

Although the private credit market has tripled since 2015, and has grown much faster than other forms of alternative debt, the market is relatively small: according to the Bank of England FSB report (December 2023) it has grown from around $0.5tn in 2015 to $1.8tn by 2023 (see graph below).



Source: BoE FSB report Dec 2023

"Private credit's USP has always been the direct relationship with the borrower and ability to shape the terms of transactions," said Jiri Krol, deputy chief executive of the Alternative Investment Management Association.

Let's look at an example of private credit in action. In August 2021, RSK took on a £1bn direct loan package from asset manager Ares Management to refinance credit facilities, invest in its existing businesses, develop new business lines and fund acquisitions. Margins payable on the new debt are reviewed annually, are set according to RSK's performance on ethics, health and safety, and carbon intensity, and are anticipated to save it £0.5m per annum in interest. To illustrate the complementary nature of private credit, the funding package included a £40m revolving credit facility (RCF) from NatWest bank.

Another example: private credit investor Hayfin provided a €410m unitranche loan to enable TV company HSE24 to pay a dividend to its private equity (PE) owner, Providence. The unitranche format is typically more expensive than individual lines of credit, but not the most expensive.

Private credit also differs from conventional bank lending by taking on riskier credit, such as investing in distressed debt, venture capital, mezzanine and other subordinated debt, or in instruments with equity features. For example, Hayfin also provided HSE24 with a PIK bridge loan. A PIK, or payment in kind, is a type of high-risk loan or bond that allows borrowers to pay interest with additional debt, rather than cash. Bridging loans are expensive by design, but allowing HSE24 to defer payment with a PIK almost certainly ratcheted-up the bridge's all-in cost.

Exemplifying the wide use of private credit along the credit curve, and the close relationships it can forge, private credit lender Oak Hill Advisors provided $500m of preferred equity to Bluesource, a corporate climate and energy adviser. The joint venture aims to use the funds for acquisitions and co-investments that accelerate the evolution of sustainable forestry and the ongoing development of the carbon credit markets.

Electric vehicle manufacturer TrueGreen Mobility

obtained a AUS$110m two-year senior secured term loan from Tor Investment Management to refinance debt, to fund capex and for working capital.

Why invest in private credit?

There are a number of reasons why investors might look at private credit. These can include: to get the premium for illiquidity (bespoke, private placements); diversification from a mix of assets, credit risks, tenors, and income-capital combinations; and a reduction in principal-agency risk by closer control and monitoring of borrowers.

As the private credit market develops, and becomes more diverse, investors will find it easier to adjust, hedge, or fine-tune their strategies, relationships, and portfolios.

Who borrows from private credit?

SMEs and mid-market companies are the typical private credit borrower, but asset managers will also borrow for a company in their portfolio. The majority of private credit is to companies owned by PE sponsors, however, non-sponsored private credit is growing. Borrowers are mostly from the US, but increasingly also from Europe and across Asia, according to the Bank of England FSB report Dec 2023.

Why borrow from private credit?

Again, there are a number of reasons why a business might borrow from private credit:

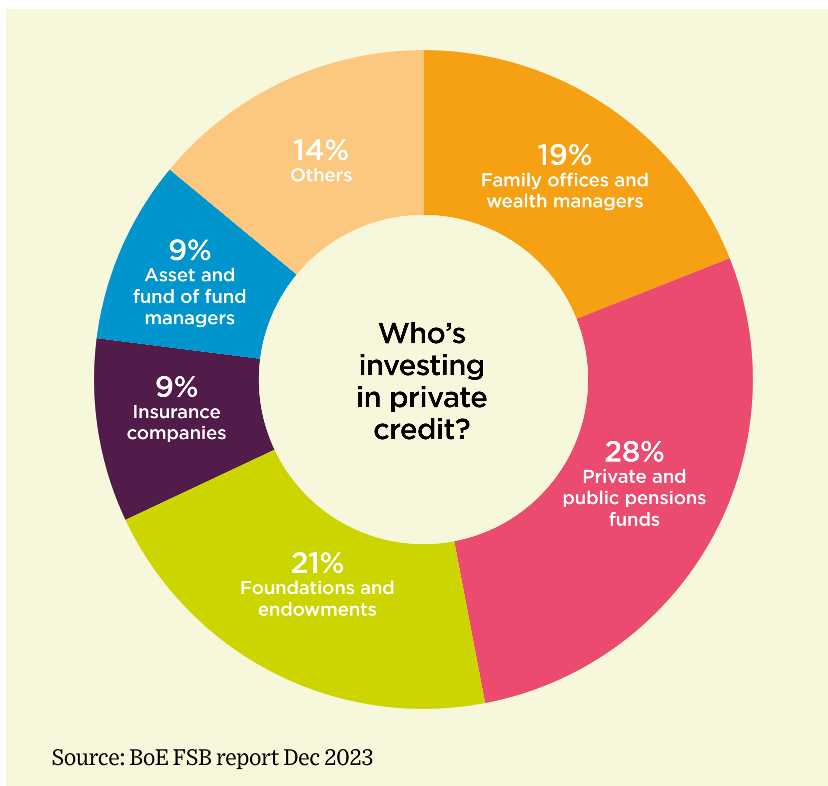
- For the flexibility and speed of execution, even if that means higher costs, and because banks simply won't lend or only on onerous terms
- Private credit complements bank credit so preserving bank lines of credit needed for other activities
- Popular and conventional markets, such as the IPO and leveraged loan markets, have been subdued
- For SMEs, public equity or debt markets are not an option because they don't fit the necessary profile (they're too small, or too young, or not profitable)
- Loans are typically five to seven years, and at a floating interest rate
- Private credit can in principle be used to plug any imaginable funding gap, at any point of the credit curve and capital structure.

What is the market outlook?

Though default rates in the private credit markets are low, interest coverage ratios have been falling, which could make it harder for companies to raise debt, or less favourable.

'Higher-for-longer' official rates, if inflation persists, will prolong the corporate agony of servicing expensive variable rate private credit. On the other hand, continued economic growth in some markets, falling official rates, and a soft-landing for economies, will provide welcome relief for indebted corporates.

Significant amounts of corporate debt are to be refinanced in the near future. Though some of these maturities have been postponed by 'amend and extend' loans, such extensions are not a free lunch, and refinancing problems could still arise where lenders cut back their exposure to highly geared borrowers.



Source: BoE FSB report Dec 2023

The drag of reduced economic activity on leveraged loan and M&A markets has driven PE investors to tap the private credit markets. The stresses occurring in the commercial property markets will, according to alternative credit firm Värde, provide an abundance of lending opportunities along the credit curve for private credit.

Banks continue to grapple with restrictive regulations and capital requirements, and de-risking their balance sheets (Barclays recently off-loaded $1bn of its credit card loans to insurers with lower capital costs).

Reduced bank lending will present opportunities for private credit, but banks are fighting back, at least for low-risk, simple, jumbo loans. For example, KKR snubbed private credit to take a cheaper $5bn LBO loan from a banking syndicate.

Higher market interest rates and the risk of loan defaults, have made some pension funds reduce or slow down their funding to private credit funds.

Falling interest rates would allay such concerns but could lessen the relative attractiveness of private credit versus bond investing.

Permjit Singh **FCT PhD**

Scan the QR code below to access the full BoE report

Scan the QR code below to access the IMF Report

Refinancing costs rocket

With £500bn of corporate debt looking to be refinanced in the UK between now and 2027, companies could face an additional £25bn-a-year burden in the current high-interest environment

Corporate UK is facing an increase of up to £25bn in the annual cost of its debt, as a wall of refinancing builds up in the next three years. This could then have a knock-on effect for future valuations for many listed companies, consultants are warning.

According to an analysis by Big Four firm EY, the cost of debt financing has increased, on average, by three to six percentage points since January 2022, the point just before central banks began to increase their bank rates. The firm calculates that, between 2024 and 2027, £500bn of private and corporate debt will need to be refinanced by UK listed companies, costing an additional £20-25bn in annual debt-service costs.

In 2024 alone, the firm reckons that more than £100bn will need to be refinanced.

The root cause of the issue is well known. As Luke Reeve, head of debt advisory at EY, says: “The post-pandemic surge in inflation, followed by rapid tightening of interest rates, has led to economic stagnation since late 2021. While rates are easing, the markets anticipate the cost of debt will be between three and six percentage points higher for the average company, or even greater for more leveraged businesses, compared with only two years ago.”

Defaults on the rise

The UK is not alone – Fitch Ratings is also warning that, in the US, it anticipates that leverage loan and high-yield bond defaults will increase, reflecting the pressures of greater interest expense burden and the challenges stemming from an expected slowdown in economic growth. The credit ratings agency says 2023 saw an increase in credit defaults, with US institutional leveraged loans and high-yield bonds defaulting at 3.3% and 3.0% respectively.

“Although outstanding syndicated leveraged loan volume remained flat and the size of the high-yield market contracted, issuance volumes for each were up in 2023 compared with the previous year,” Fitch reports. “Repricing and refinancing activity rebounded, with borrowers coming to market to address looming maturity walls. M&A and LBO activity also fell as higher rates depressed appetite for new issuance, amid uncertainty surrounding an economic slowdown.”

In Europe, Fitch says it has found that the trailing 12-month (TTM) European leveraged loan default rate rose to 3.8% in February 2024, from 3.3% in January 2024. “We expect bond default rates to rise from 2Q24 towards our 4% YE24 forecast for both loans and bonds,” it says.

Slow road to cuts

But if corporates were relying on reductions in interest rates, and so the cost of capital, this year to ease their refinancing concerns, they could well be disappointed. Earlier in 2024, many economic commentators expected central banks to begin cutting bank rates in the second quarter of the year. Now, this is looking more likely to begin in the summer months or even later.

And, according to EY, inflation may not fall in a linear way, meaning rates may not be cut as quickly as markets expect. In particular, renewed geopolitical disruption – including in the Red Sea, Israel-Gaza and around Taiwan – risks feeding through to rising oil prices and supply chain bottlenecks, in turn adding new fuel to inflation.

Even with the 100-125bps of reductions that have been priced by markets for 2024, and absent further external shocks, interest rates will be well above the levels that businesses have grown accustomed to since 2008. Also, it should be remembered that many businesses took advantage of government support and ultra-low interest rates to raise finance in 2020 and 2021, on fixed deals, and hence have been largely insulated from rate increases so far.

Valuations challenge

EY also warns that a more negative economic outlook, rise in cost of capital, higher discount rate and softening demand are now putting pressure on valuations. As the UK and global economies emerged from the pandemic

in spring 2021, there was a fair amount of optimism about the economic trajectory. GDP rebounded rapidly, and confidence was high. Finance in many cases was raised on expectations of continued economic growth and stable price levels — the actual outturn since 2022 has of course been very different.

As Mats Persson, partner at EY-Parthenon, says: "A combination of higher financing costs, challenging trading conditions and discount rates means a valuation gap is now emerging."

This is particularly relevant for the £300bn of deals transacted in the UK in 2021 – often financed on ultra-low rates, with valuations at record levels, and with exit multiples based on assumptions of continued recovery and stable margins. The economics on some of these deals may well start to unravel.

"To protect their balance sheets, companies should be looking for opportunities to deleverage ahead of refinancing events and explore strategies to improve liquidity and access to working capital," Persson says. "It's also critical that companies continually conduct stress tests and scenario plan to understand the resilience of their business, and develop a strategy to mitigate risks."

PwC adds that the ceiling on how much businesses can borrow is likely to be lower because of the increased cost of debt and more prudent appetite from lenders. For example, a company that could previously achieve a five-times levered arrangement may now be looking at three-four times.

But the firm adds that private credit funds still have plenty of dry powder that they're motivated to put to work. "We estimate this to be more than €50bn across Europe at the latest count," the firm says. "We've seen them offering finance to some of the larger corporates as an alternative to the high-yield bond and leveraged loan markets. By clubbing together, private credit funds can provide significant levels of finance to large clients, while sticking within their individual credit ceilings."

Philip Smith is editor of *The Treasurer*

A FOUR-STEP PLAN

What should corporates that are looking to refinance their debt do? PwC suggests four steps to take to ensure they are not caught out when they come to refinancing their debt.

1. Act now and stay ahead

Businesses that are slow or late to act may reduce the options available to them.

As arrangements come up for maturity, refinancing should be agreed well before the next set of year-end accounts are finalised. This avoids the risk that uncertainty over future funding could make it difficult to sign-off accounts, but means preparations for refinancing may need to begin at least 18 months before current agreements mature.

2. Consider all the options

Understanding the funding options that are available and most appropriate is key. Consider a greater quantum from a different lender or different debt structure.

If revenues and profits are currently constrained, target asset-based lenders who will base loan approval on the value of debtors, plant, inventory and other assets, rather than solely on cash flows.

3. Have a credible business plan

Lenders will want to deal with any further shocks and uncertainty ahead by identifying the worst-case scenarios and mitigation plans. This includes detailed cash-flow forecasting, contingency planning, and demonstrating the ability to respond with agility and speed. The numbers and scenarios also need to be realistic and justifiable.

4. Prepare the story

Clear articulation of plans, funding requirements and trading performance are all hugely important to get lenders buy-in. It's become more apparent through COVID that it's not just a solid business plan that lenders need to back; it's the strength of the management team and the ability to adjust and adapt to situations. Good preparation ahead of lender meetings may be a clinching factor in securing debt financing.

COMMENT

One year on: lessons from the banking crisis

Laurent Descout reminds treasury teams why bank diversification should be high on their list of priorities in the wake of last year's failures

It's hard to believe it's one year on from the biggest US bank failure since the 2008 global financial crisis. On 10 March 2023, regulators closed Silicon Valley Bank (SVB) and the US government-backed fund that protects depositors was stretched to its lowest level since 2015.

The crisis spread and banks such as First Republic, Signature Bank and Credit Suisse were caught off guard and suffered deadly consequences. This was a stark reminder to treasurers that banks can fail, and it's crucial to have a diverse pool of banking partners.

In recent times, issues have flared up again, this time in the US regional banking sector. New York Community Bancorp has disclosed major losses and customers are withdrawing deposits, fuelling fears of renewed weakness in the sector, which was hit so hard last year.

This is a timely reminder that treasurers need to take action to ensure they too don't get caught off guard should banking partners fail. Don't put all your eggs in one basket, as the adage goes.

Last year's banking crisis showed that a failure can cause serious short-term liquidity issues that can affect vital expenditures, such as payroll and supplier invoices, even if it's only for a few days. By relying on one or two banking partners, treasurers can leave themselves at serious risk.

Diversify

In my view, treasury teams should look to deposit with a minimum of three banks. This means that, should a bank get into difficulty, they have cash elsewhere and can make vital payments, while not having to manage too many banking partners, which we all know can be resource-intensive.

The positive news is that the majority are taking this lesson on board, with 75% of businesses considering diversifying their bank pool. This saga has also dented treasurers' trust in the banking sector and, as a result, an increasing number of businesses are looking at other solutions – with 92% having conversations about virtual account solutions.

To make sure each of their banking partners has balance-strong sheets and is risk averse, treasury teams must regularly question their banks and fintech partners, particularly regarding their investment policies. This was a critical error in the Silicon Valley Bank case. A bank serving start-up tech firms shouldn't be investing in longer-term US government bonds that take a decade to yield results. If businesses had investigated this more closely, they probably would have seen the risk and moved deposits elsewhere before the trouble started.

Our research shows that only half of businesses always enquire about the name and or credit rating of their provider's safeguarding partner, while 47% said they sometimes enquire, but not always, and only 3% said they don't do it at all. Treasurers must always ask, to enable a better understanding of their bank or fintech's investment policies.

Further, treasurers should be more suspicious of banks offering above-the-market yields. Silicon Valley Bank was offering positive yields on euro accounts when interest rates were negative. This should have raised suspicion, as there is no such thing as a free lunch. When offered yield above risk-free assets, you are most likely taking on additional risk.

Knock-on effects

Last year's crisis highlighted that a bank failure can have a knock-on effect for other banks and businesses across the globe. It should serve as a timely reminder to corporates to spread their risk.

Treasurers should continue to follow the markets. If a situation were to arise where a bank's share price drops by 50% on a Wednesday, they should act as if that bank would be closing on Saturday and withdraw their money.

If you haven't made moves to diversify banking partners or tighten due diligence, reading up on the impact of last year's crisis on corporates will change your position.

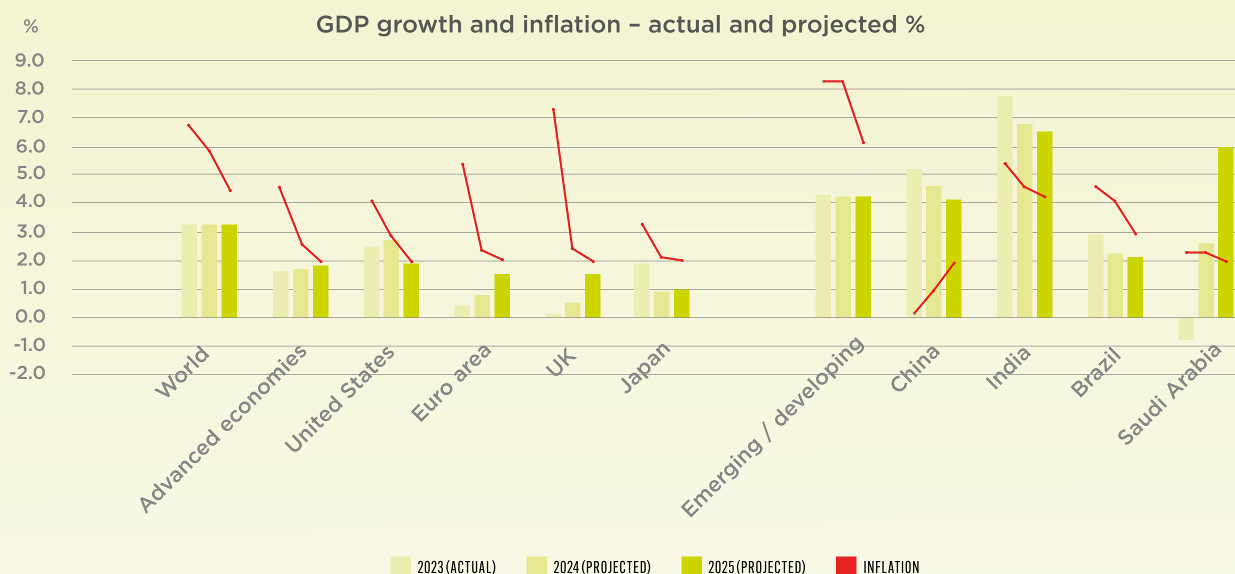
"Treasurers need to take action to ensure they don't get caught off guard"

Laurent Descout is the founder and CEO of Neo

IN DETAIL:

FIGHT AGAINST INFLATION NOT WON YET AS GROWTH STEADIES, IMF WARNS

Price rises might be slowing, but regional disparities are muddying the picture, with interest rate cuts likely to be pushed back further in 2024



Source: International Monetary Fund, April 2024

The International Monetary Fund is predicting that the world economy will continue growing at a steady 3.2% GDP during 2024 and 2025, the same pace as 2023, but there are likely to be regional variations and differences between advanced and developing economies.

At the same time, global inflation is forecast to decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. The IMF has found that the global economy has been surprisingly resilient, despite significant central bank interest rate hikes to restore price stability. The question now is when will interest rates begin to fall, given the varying rates of growth projected by the IMF?

Pierre-Olivier Gourinchas, the IMF's economic counsellor, is cautious about cutting interest rates. He says: "Bringing inflation back to target should remain the priority. While inflation trends are encouraging, we are not there yet. Somewhat worryingly, progress toward inflation targets has somewhat stalled since the beginning of the year. This could be a temporary setback, but there are reasons to remain vigilant.

"Most of the good news on inflation came from the decline in energy prices and in goods inflation. The latter has been helped by easing supply-chain frictions, as well as by the decline in Chinese export prices. But oil prices have been rising recently in part due to geopolitical tensions and services inflation remains stubbornly high."

Gourinchas adds that the resilient global economy also masks stark divergence across countries. "The strong recent performance of the United States reflects robust productivity and employment growth, but also strong demand in an economy that remains overheated," he says. "This calls for a cautious and gradual approach to easing by the Federal Reserve."

Gourinchas predicts that growth in the euro area will rebound but from very low levels, as past shocks and tight monetary policy weigh on activity.

IF YOU'RE
NOT SEEING
IT IN FULL
COLOUR
YOU'RE
NOT SEEING
THE FULL
PICTURE.
With credit markets evolving so rapidly in this new era, issuers and investors need a complete picture. Fitch adds colour to the picture with context and analysis for a more complete view.
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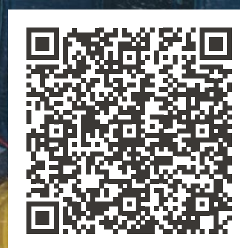

TREASURY EXCELLENCE AS STANDARD

TOMORROW'S TREASURER:

Thriving in an uncertain world

The Business of Treasury 2024 • 11th edition

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Key insights

- Treasurers are playing to their strengths of professional excellence, calmness and resilience in an uncertain business environment
- Treasurers' key challenges of artificial intelligence (AI), ESG and geopolitical risk are business-focused rather than treasury-specific, demonstrating how treasury is increasingly embedded in organisations
- The rise and role of technology – automation, AI and cybersecurity all present opportunities and challenges
- Funding sources continue to be diversified, but there's a slowdown in adoption of sustainable finance solutions
- Treasurers sense a lack of career opportunities and are starting to create their own pathways
- The treasurer is now an established key strategic partner for businesses in developed markets; the role continues to evolve in emerging markets, though the direction of travel is positive
- Boards are more engaged with treasury at times of stress; treasurers need to prove their worth over the long term

Introduction

Welcome to the 11th edition of *The Business of Treasury*. This report reflects the views and insights of almost 200 working treasurers, gathered through in-depth interviews during January and February 2024. It provides both a snapshot of current treasury practice in action, and important indicators of the priorities for treasury and the wider business landscape over the coming years.

Now that *The Business of Treasury* research is undertaken every two years, we will be diving into specific treasury areas in greater depth. In this edition, we look at technology, sustainable finance, and operating in times of increasing uncertainty. Organisations, along with society more widely, have faced a series of geopolitical, economic and environmental crises, and there is no sign that this will ease in the future. As Thimon de Jong told last year's ACT Annual Conference: "In a normal crisis, you go into the depth of the crisis, and then you climb out of it, and move through a reconstruction phase so you are ready for when the next crisis hits. But with a polycrisis, we start to reconstruct, but then fall into the next crisis. This affects human behaviour and decision-making, and how we work together."

In times of crisis and uncertainty, the critical role of treasury in delivering positive business performance is valued even more highly, and we are seeing this in the continued engagement by boards in core treasury areas, and in the view of treasurers as strategic business partners.

Technological change is also increasing at pace, and our respondents expect this to be the dominant factor in their work over the coming five years. This is something that has been on the ACT's radar for some time, but the increased expectation of technological change that we've noted in the current report is marked. Of course, there can be a difference between anticipation and reality, and we will certainly be tracking this in future research, as well as in our editorial and technical content.

Sustainability and diversity

Two topics that are a particular focus for the ACT are sustainability and diversity. That's why last year, we developed the *Guiding principles for diversity and inclusion*, along with banking and corporate partners, and, this year, we have launched the Diversity & Sustainability Awards. This research shows considerable growth in sustainability-linked finance, reflected in the growing proportion of funding put forward to boards that is linked to sustainability. Concerns over diversity and inclusion continue to be a factor, but it is encouraging that this is less of a concern this year, which I hope is a reflection of the initiatives many organisations are implementing.

Worry over career progression in treasury continues at all levels, and we have seen a need for training and education to develop careers – with the top five subjects being risk management, cash management, ESG, technology, and treasury management. This is where the ACT is uniquely placed to help, with a suite of treasury and cash management qualifications and training courses that offer technical knowledge and management skills. We are working hard to improve and evolve our offering even further, so keep an eye out for new developments.

As the treasury profession continues to evolve, agility and resilience are qualities that provide treasury excellence as standard today, help prepare well for the future and allow treasurers to thrive in an uncertain world – as the report's title suggests.

Annette Spencer

chief executive of the Association of Corporate Treasurers

Learn about the ACT's *Guiding Principles*

Read about the Diversity & Sustainability Awards

CHAPTER 1

Thriving in uncertainty – responding to geopolitical risk

"Geopolitical risks and shocks may continue to create uncertainty, making the management of treasury functions even more challenging. Furthermore, the ever-changing regulatory landscape, particularly from an ESG perspective, will add to the existing pressures"
CFO, Middle East

It has been a challenging two years since the Association of Corporate Treasurers (ACT) last tested the temperature in treasury. Having helped guide their organisations through the lockdown periods of COVID-19, treasurers were then plunged into a period of geopolitical and economic uncertainty. This led to rising energy prices and supply chain strains, which helped drive up inflation. As a consequence, central banks increased interest rates to levels not seen since 2008.

For many treasury professionals who had only worked in a low-interest, low-inflation environment, this was a new experience. For other, more experienced treasurers, this may have felt like a return to the 'old' normal. Either way, the uncertain environment has called for a calm approach, with greater flexibility and agility, and an ability to move at speed if required, such as during the banking turbulence in the US and Europe in the early part of 2023.

The ACT's *Business of Treasury* survey highlights how, throughout this period, treasury operations and controls, together with capital and liquidity management, remained the primary focus for treasurers. More than half of the respondents said they spent most of their time on one or other of these areas (see Fig 1).

Corporate finance and risk management were the next big consumers of treasury time, while work on business strategy has continued to rise in recent years, with 6% of treasurers saying this took up most of their time.

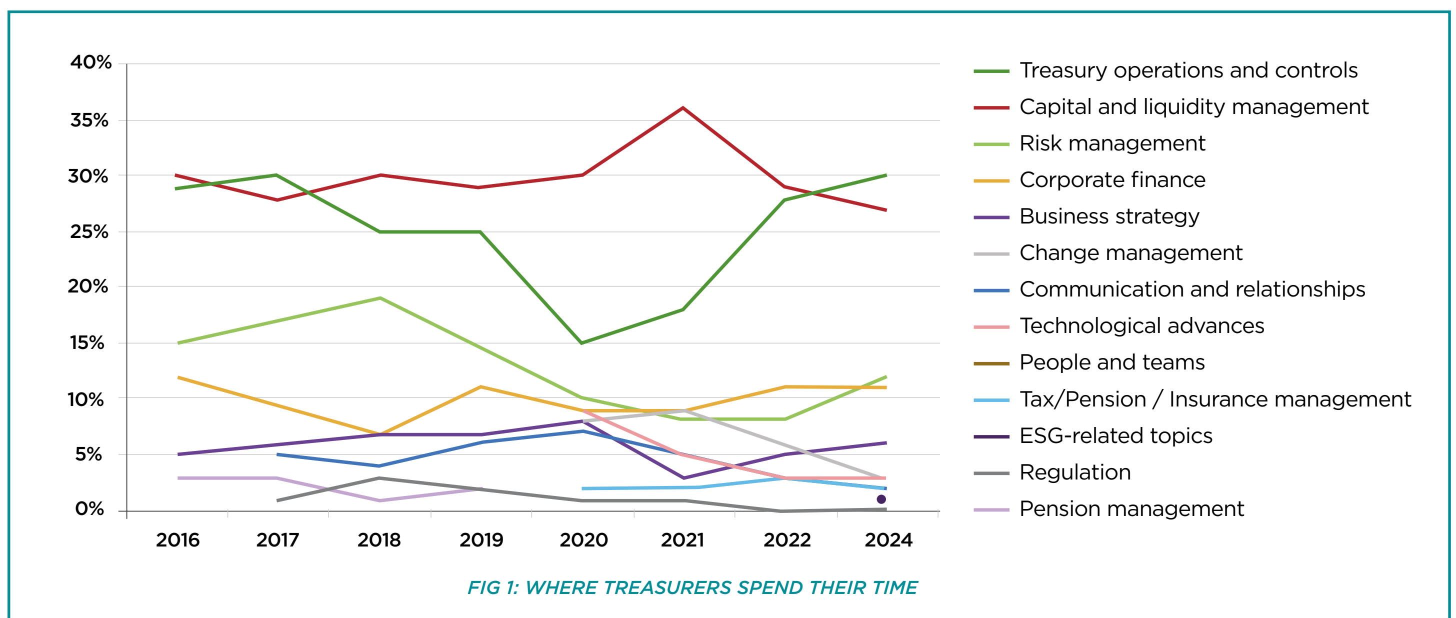


FIG 1: WHERE TREASURERS SPEND THEIR TIME

Future focus on technology

While in the short term (next 12 months) treasurers say they will continue to spend their time focused on capital and liquidity management, they anticipate that the picture will be different five years out. At that point, treasurers expect to be spending significantly more time focused on technological advances (see Fig 2).

Over the next 12 months, nearly seven out of 10 (69%) expect to be spending more time on technological advances, followed by change management (48%), business strategy (47%) and risk management (46%). Interestingly, although a significant number (43%) expect to spend more time on environmental, social and governance (ESG) issues, this is noticeably down from the 65% in 2022 (see Fig 3). This is despite the growing interest in sustainability issues, with many financing and funding options being based around ESG metrics.

As one treasury professional observes, there is an "opportunity, definitely, with all the emerging technologies like AI and machine learning, [creating] more availability to automate treasury". Another states there is a "big opportunity to harness generative AI to identify and manage risks".

But a further treasurer sounds this warning: "As the technology is continuously evolving, AI is emerging in business modules – there will

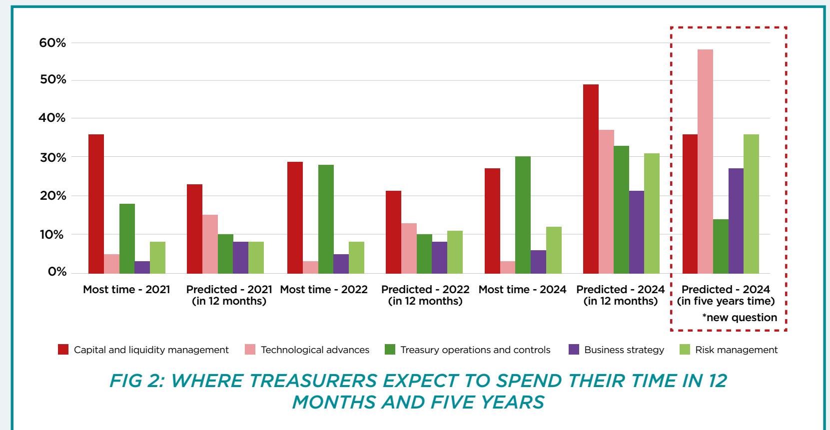


FIG 2: WHERE TREASURERS EXPECT TO SPEND THEIR TIME IN 12 MONTHS AND FIVE YEARS

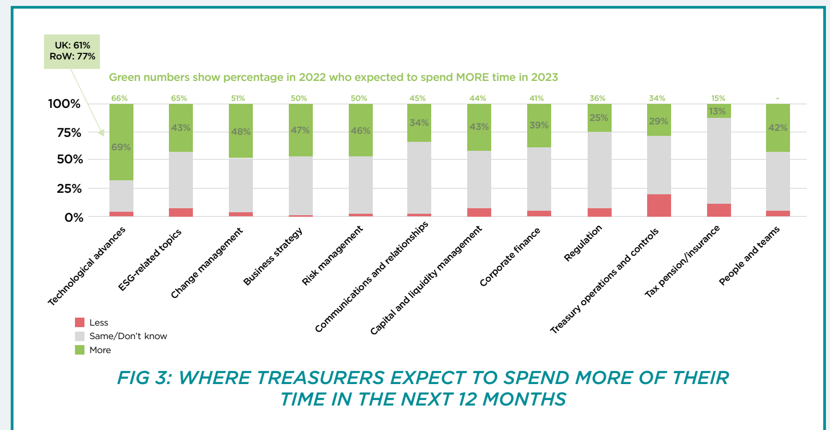


FIG 3: WHERE TREASURERS EXPECT TO SPEND MORE OF THEIR TIME IN THE NEXT 12 MONTHS

be more challenges regarding risk management, automation and controls over treasury operations."

Cyberthreats

There is, of course, a flipside to technological advances – the growing threat of cyberattacks and fraud. The treasury community is fully aware of this threat, and has been for some time, with the issue consistently topping their list of external concerns. Even so, the survey reveals an uptick in concern over this issue compared with the 2021 and 2022 surveys, suggesting that treasurers remain vigilant to the increased threat (see Fig 4). In 2024, nearly all those asked cited cyber security as a concern.

As one UK treasurer says: "[With] all the news about cybersecurity and cyberattacks on large corporations, it's much more in the forefront of trying to protect ourselves. [For example], it's changed... the way you would normally log onto your laptop; we're using biometric readers and authenticators just to help secure ourselves."

ACT comment: Increasingly, we are having conversations about 'when' not 'if' an organisation will fall victim to a cyberattack. Treasurers are not only thinking about defence, but also what they will do in the event of a successful attack.

After cyber, the biggest external concerns for treasurers are the trinity of geopolitical, economic and financial markets uncertainty. Again, just as cybersecurity was of greater concern this year, so are these three areas. This is perhaps not surprising, given the number of events that treasurers have experienced recently – such as the Russian invasion of Ukraine, the Israel/Gaza conflict, and attacks on shipping in the Red Sea, alongside the collapse of Silicon Valley Bank, material increases in interest

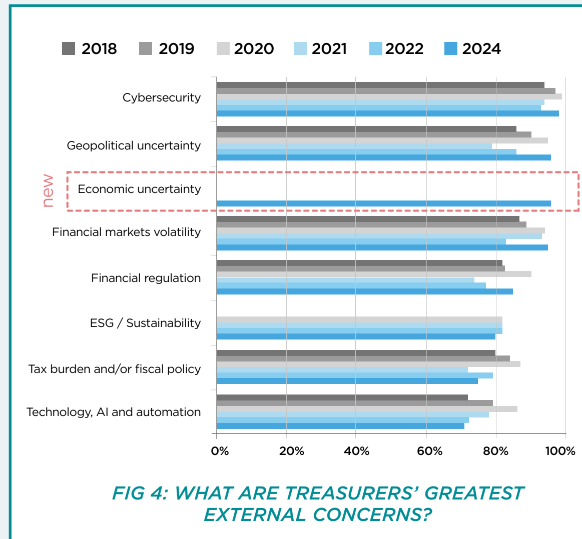


FIG 4: WHAT ARE TREASURERS' GREATEST EXTERNAL CONCERNS?

"[The] biggest opportunity will be technology and the ability to automate and increase efficiency and reduce human input. I think the biggest challenges will be how people and people development fit around that, and then balancing what I call new risk. So, ESG, cyber; I think those two topics will massively increase in the next five years"
Treasury function leader, UK

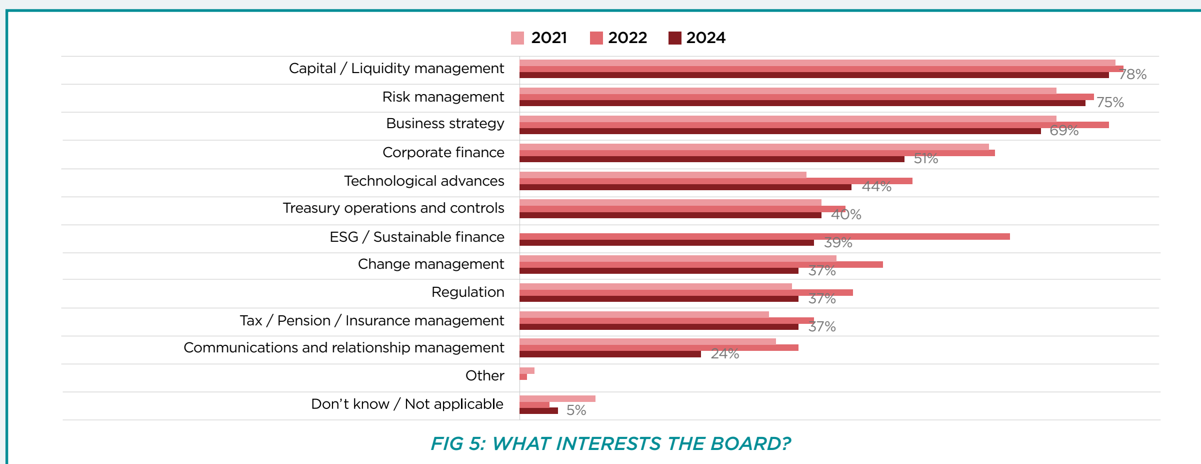


FIG 5: WHAT INTERESTS THE BOARD?

rates and 'sticky' inflation figures. This reflects the vigilance that treasurers have over market conditions given the impact they can have on managing currency, commodity, funding and interest rate risks.

Board engagement

The 2024 survey demonstrates that treasurers believe their boards remain engaged around the core subjects of capital and liquidity, alongside risk management. Nearly eight out of 10 (78%) treasury professionals say their boards have shown an interest in capital and liquidity over the previous six months, and only slightly fewer (75%) engaged with risk management.

Although almost seven out of 10 (69%) indicate the board has engaged with them over business strategy, it is notable that this topic has shifted from second to third place compared with the 2022 survey (see Fig 5).

What is even more notable, however, is the apparent drop in engagement over ESG and sustainability matters. In the 2022 survey, this was third highest on the list of engagement subjects; by 2024, this had dropped to seventh on the list.

ACT comment: While the largest, well-capitalised businesses will traditionally always have access to funding, risks for others are increasing, with reports that access to capital is becoming constrained. Financial resilience across the value chain will make companies much more sensitive about their own access to capital, and boards will want reassurance from their treasurers.

With the adaptions to business strategy as a result of COVID-19 now largely implemented, a 'more normal' order has been restored.

The drop in engagement over ESG and sustainability matters could be due to a number of factors, including the establishment of specialised sustainability teams in organisations, stakeholder priorities, and concerns over greenwashing/reputational risks resulting in some organisations taking a more cautious approach.

Strategic partner

Ultimately, treasurers continue to see themselves as a strategic partner for their organisation – 60% strongly agree with this sentiment, the highest level on record, while the proportion who neither agree nor disagree with this has moved up from 2022's figure (see Fig 6).

So, amid a continuing uncertain and volatile business environment, treasurers are increasingly convinced of their value to the organisation – their resilience, agility and ability to focus on core financial risk management skills, while understanding the wider business strategy, remain core. They can see opportunity and challenge in equal measure and their ability to adapt to changing demands will continue to be recognised as a valuable resource for the organisation

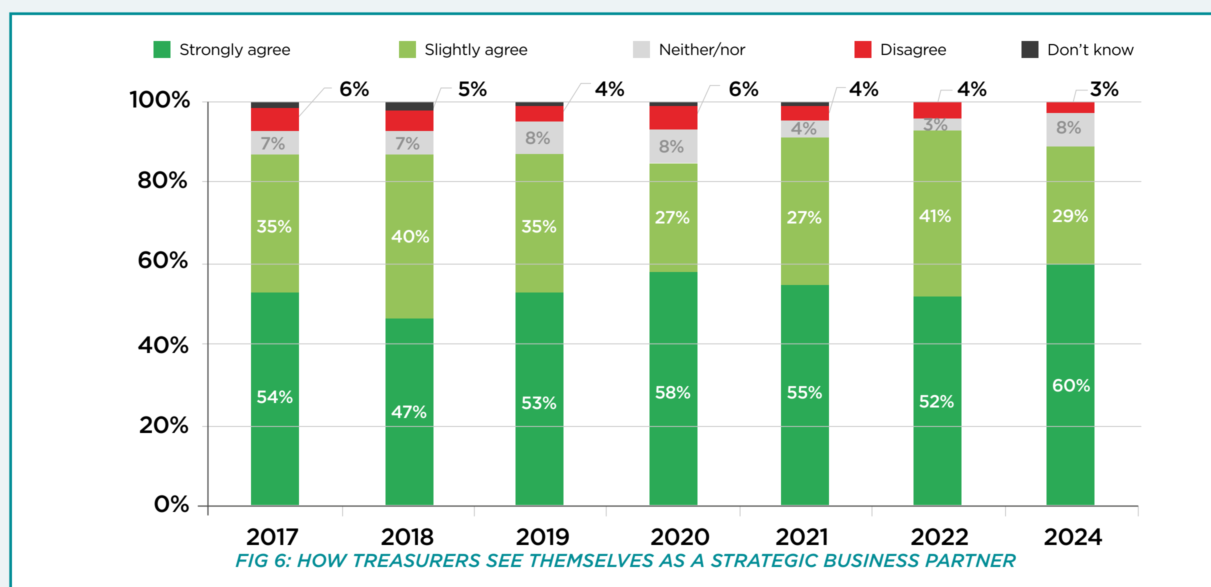


FIG 6: HOW TREASURERS SEE THEMSELVES AS A STRATEGIC BUSINESS PARTNER

CHAPTER 2

Has technology's time come?

"We are constantly being told that technology will change our world. If I look back 10 years, I was told that the payments landscape was changing – nothing has changed!"
Treasury leader, UK

As noted in the previous chapter (Fig 2), the treasury community is expecting that technology will take up most of its time and attention within the next five years. Even in 12 months' time, treasurers expect the time spent on technology will be second only to capital and liquidity management.

To put this in perspective, treasurers are saying that today (2024) they spend more time on operations and control, capital and liquidity management, risk management and business strategies than on technology. In fact, the amount of time currently spent on technological advances has declined since 2020, and flatlined between 2022 and 2024 (see Fig 1).

So, clearly, treasurers are expecting a big shift in favour of technology in the coming one to five years. What does this mean in practice?

Treasurers are expecting to spend less time on virtually every other aspect of treasury management compared with the previous two years. In 2022, 66% said they expected to spend more time on technological advances; this increases to 69% in this year's survey. Fig 3 shows how today's figure is lower for areas such as business strategy, risk management, and even capital and liquidity management compared with 2022.

Growing investment

The treasurers in the survey list a number of areas within technology in which they are planning to invest:

- Cybersecurity
- Automation
- Working from home
- Treasury management systems
- AI and generative AI.

As Fig 7 shows, 80% say they are either investing a great deal or had started to invest in cybersecurity measures. This compares with 69% just two years ago.

It is also interesting to note that the investment figures for treasury management systems (TMS) have fallen from the 45% in 2022 who said they are either investing a great deal or have started to invest in a TMS, to 39% in 2024. AI and machine learning have seen a similar fall, although this year's survey also asked about generative AI, with 25% saying they have now started to invest in this new technology.

Of course, these various aspects of technology should not be seen in isolation. While investment in working from home (WFH) technology may have decreased over the past two years, for instance, the focus could have shifted to ensuring the ongoing security of those logging into the enterprise's network.

As one treasurer puts it: "Remote working – I think that's really the primary reason, and cybersecurity as well. The impact is that it's allowing people to work comfortably at home, and securely."

Another says: "I see an opportunity more than a challenge, but the issue will be with the increasing cyberthreats."

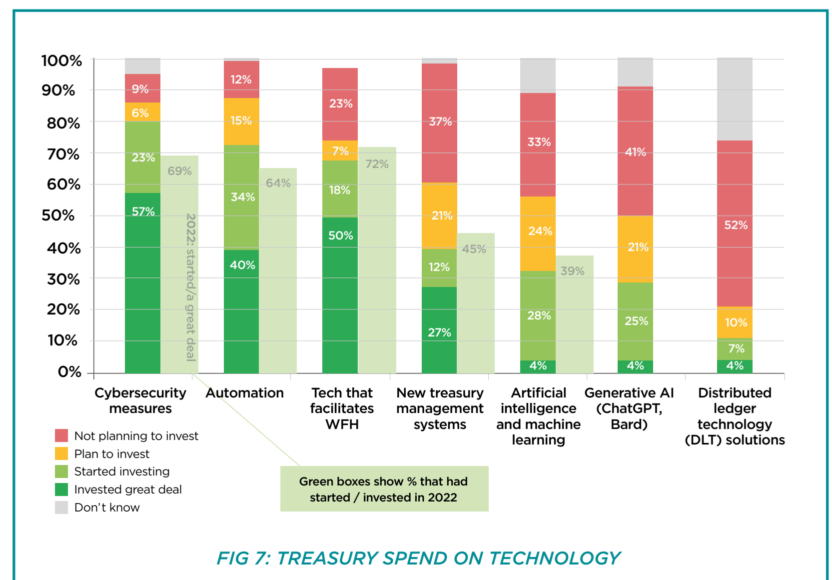


FIG 7: TREASURY SPEND ON TECHNOLOGY

ACT comment: There are also the demands from the wider business. If an organisation’s leadership believes in automation and that it can boost efficiency and improve data flows, there is no reason to believe that treasury will be immune to this pressure. Arguably, this could be a case of using technology to free up a treasurer’s time for greater value-adding activities.

Impact on jobs

Concerns are being expressed about the impact of this rise in technology on job security. One treasurer recognises the potential for greater efficiencies and the impact that could have on team size: “Incorporating AI and streamlining processing [will lead to a] reducing head count with more automation.”

Predictions v reality

It should be noted, however, that there is an apparent mismatch between the amount of time a treasurer predicts will be spent on technology and the subsequent reality.

Since 2020, the survey has found that time spent on technological advances was lower than predicted in the previous survey. Meanwhile, the time spent on capital and liquidity management was predicted to fall, but remained higher in reality (see Fig 8).

But there is no denying that there has been a significant increase in sentiment between 2022 and 2024 – this is perhaps driven by the very public arrival of generative AI and increased understanding of what the technology is capable of achieving.

Regional split

It is interesting to note that there are differences in attitude, between regions and size of organisation, towards how much resource advances in technology will consume. As noted in Fig 3, 77% of those outside the UK expect to be spending more time on technology in the future, but this figure drops to 61% for the UK.

ACT comment: There are two possible scenarios at play here. Either the UK has developed sufficiently that it is already reaping the benefits and efficiencies of technology, or there is a degree of realism that, having experienced investment in technology before, it rarely delivers the level of automation promised. Time will tell.

“I think the biggest challenge will be using the appropriate technology, because it’s not just going to be one solution for everything, so how do you anticipate what the right set of tools to use is going to be? I think the opportunities [will be in] better data and more automation of data flow”
Treasury function leader, UK

Importance of size

There is also an apparent difference in attitude between small and large organisations. Nearly two in five treasurers from companies with turnovers of £10bn or more expect to be spending the majority of their time on technology in 12 months' time. This figure is significantly lower among treasurers from smaller companies, where only a quarter (24%) anticipate spending more time on technology in the future (see Fig 9). Anecdotally, this may be because of the availability (or absence) of budget or resources that help with technology implementation.

It should also be remembered that treasury functions are inevitably competing with other departments in the organisation for a share of a finite budget. So, even though treasurers may be expecting to see an increase in technology, the reality may be that the budget is simply not available.

ACT comment: Ultimately, it will be down to treasurers to identify the opportunities and challenges that are being presented by advances in technology. They will need to have a clear understanding of their own strategies, the wider business strategy of the organisation, and how technology can act as an enabler to achieve the goals set out in the strategy.

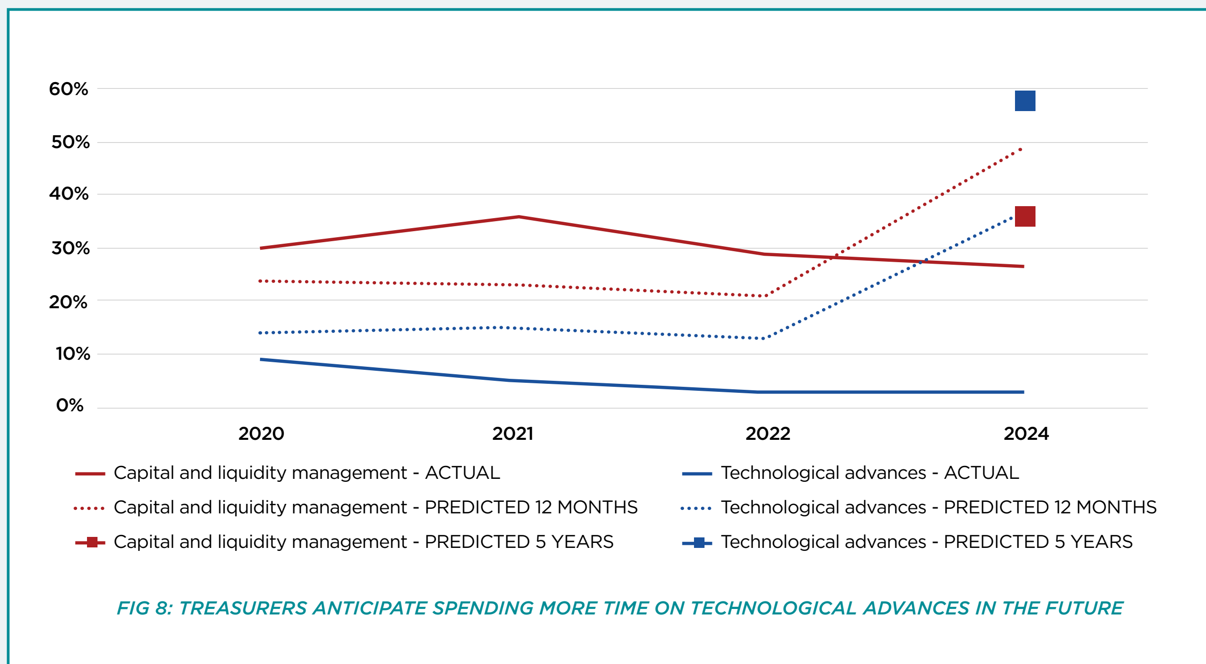


FIG 8: TREASURERS ANTICIPATE SPENDING MORE TIME ON TECHNOLOGICAL ADVANCES IN THE FUTURE

	Currently Most Time Spent on Technology	12 Months Predicted Most Time Spent on Technology
<£1bn turnover	3%	24%
>£10bn turnover	4%	39%

FIG 9: SIZE BREAKDOWN OF TREASURERS' TIME SPENT ON TECHNOLOGY

CHAPTER 3

Sustainable finance – business as usual?

Despite the turmoil seen in the financial markets over the past two years, treasurers report that sources of funding remain similar to previous years, with debt capital markets (28%) and bank finance (24%) continuing to be the most popular forms of funding globally (see Fig 10). Within this, however, the UK shows a higher proportion of funding coming from debt capital markets (34%), primarily at the expense of improving working capital (see Fig 10a).

Beyond the UK, treasurers have placed much greater importance on improving working capital over the past 12 months (see Fig 11).

ACT comment: One reason for this may be that many UK treasurers have already optimised working capital – especially as a source of finance. This is still a 'work in progress' in many jurisdictions.

Sustainable financing

Over the past two years, there has been considerable growth in sustainability-linked finance, particularly in bonds (SLBs) and loans (SLLs). This is reflected in the growing proportion of funding being put forward to boards that is linked to sustainability. What is also interesting is that, while ESG-related financing is growing, levels of concern with ESG issues in general are falling (see Fig 12).

This does not mean ESG will be slipping down the treasury agenda, however, as evidenced by some of the comments collected during the survey (see below).

ACT comment: This apparent inconsistency may be a result of many organisations now having a clear strategy in place and the shine coming off sustainability-linked finance. Three or four years ago, ESG-related financing was very popular as a way of demonstrating an organisation's green credentials. With the development of sustainability teams and organisation-wide sustainability strategies, the need to demonstrate ESG credentials through financing has declined significantly, particularly given the considerable challenges or disincentives to the use of such products for many organisations.

"Access to capital will always be a potential challenge, given there is more ESG-related focus on lenders. Companies where ESG is lagging will start to find they will get a lot of pressure from lenders, and it will be harder to access funds or in the way they want it"
Head of treasury, Asia Pacific

"The biggest opportunities could be ESG and sustainability. It is still developing, people pay more and more attention to that, and they want their company to be more 'green', to care about the planet and contribute to developing technology or procedures that will help to lower the carbon footprint"
Head of treasury, Europe

"ESG is certainly keeping me awake, and probably the commercial funding solutions and making sure we are not behind our competitors on this"
Head of treasury, UK

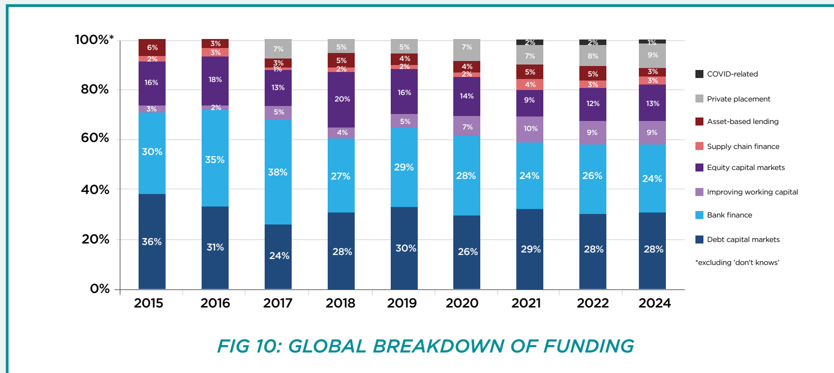


FIG 10: GLOBAL BREAKDOWN OF FUNDING

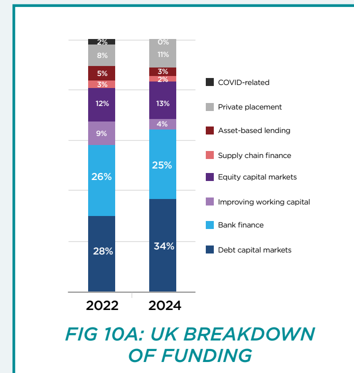
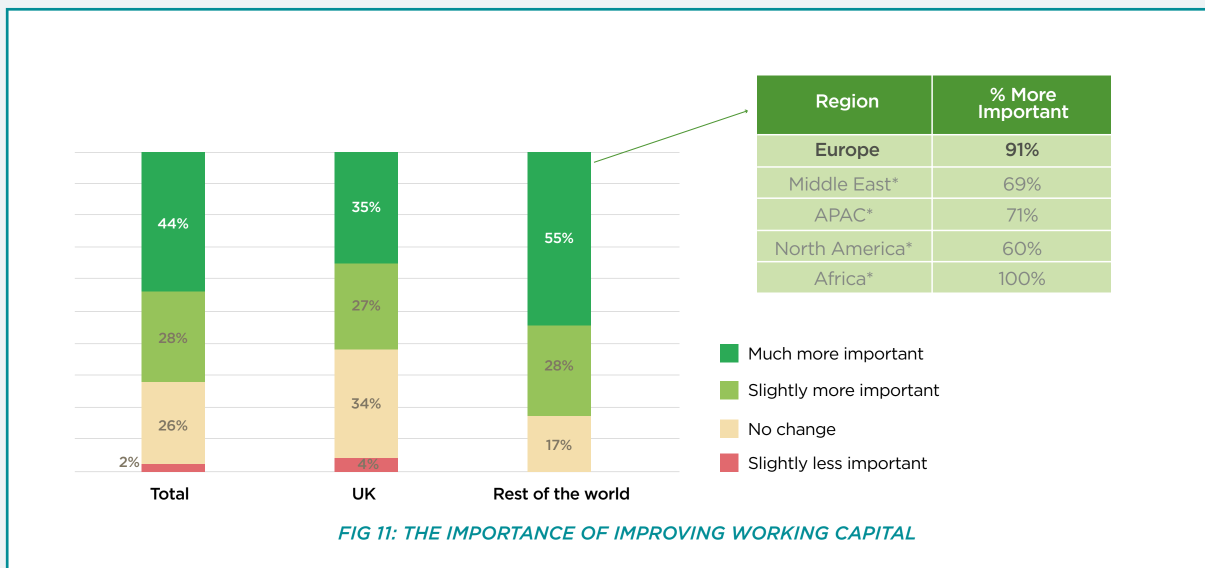


FIG 10A: UK BREAKDOWN OF FUNDING



Region	% More Important
Europe	91%
Middle East*	69%
APAC*	71%
North America*	60%
Africa*	100%

FIG 11: THE IMPORTANCE OF IMPROVING WORKING CAPITAL

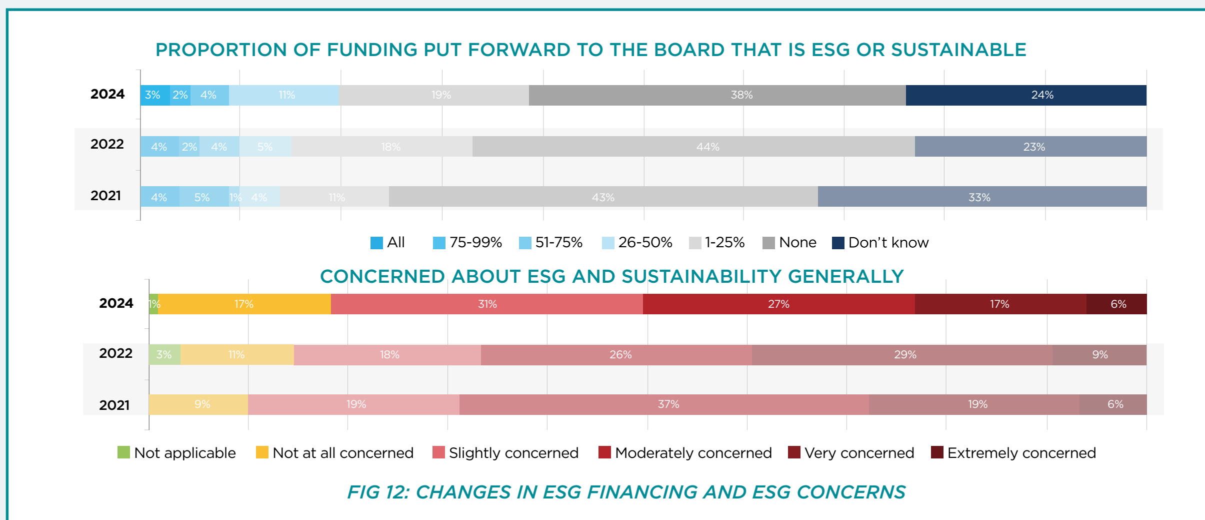


FIG 12: CHANGES IN ESG FINANCING AND ESG CONCERNS

CHAPTER 4

Helping the team to thrive

"There is headcount pressure on the wider business. As a result, people leaving might not be replaced" Finance professional, UK

The greatest challenge?

Working in an uncertain and volatile environment inevitably takes its toll on individuals and teams. So, it is perhaps not surprising that mental health and wellbeing should again top the list of internal concerns that treasury professionals say they face in 2024 (see Fig 13).

Recruitment and resource planning are now a very close second, however, having been third in the list until the previous survey (overtaking concerns about data quality in 2022). Concern in this area has been rising steadily in recent years.

Concerns over diversity and inclusion have risen since 2022, but do not match the figures seen in 2021. This may reflect the various initiatives that many organisations are implementing to address this issue.

It is also interesting to note that concerns over flexible working have dropped significantly (from 78% in 2022 to 68% in 2024).

ACT comment: Anecdotally, this could be because organisations have adapted to new ways of working largely implemented as a result of lockdowns in 2020/21.

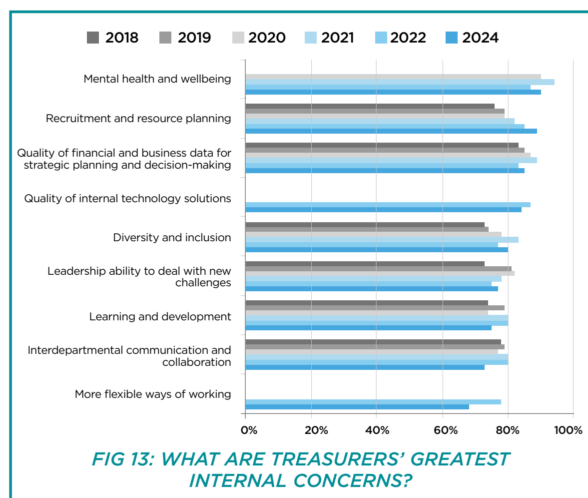


FIG 13: WHAT ARE TREASURERS' GREATEST INTERNAL CONCERNS?

Values and strategies

What is also clear is that treasurers have a very good understanding of their organisation's values and strategies, and how they contribute to these. In fact, nine out of 10 are aware of these aspects (see Fig 14). When asked whether they agree with a set of wellbeing statements, however, there is an overall downward trend, with only the statement on work/life balance remaining as well supported as in the 2022 survey. This statement, though, consistently garners the lowest level of support (71% in 2024).

ACT comment: Treasurers traditionally seem to struggle with work/life balance – changes in traditional ways of working do not appear to have mitigated this concern, and this is reflected in ongoing concern about mental health and wellbeing across the treasury team.

Team size

Overall, treasurers report that their team size has largely remained unchanged, and that they expect this situation to continue for the next 12 months (see Fig 15).

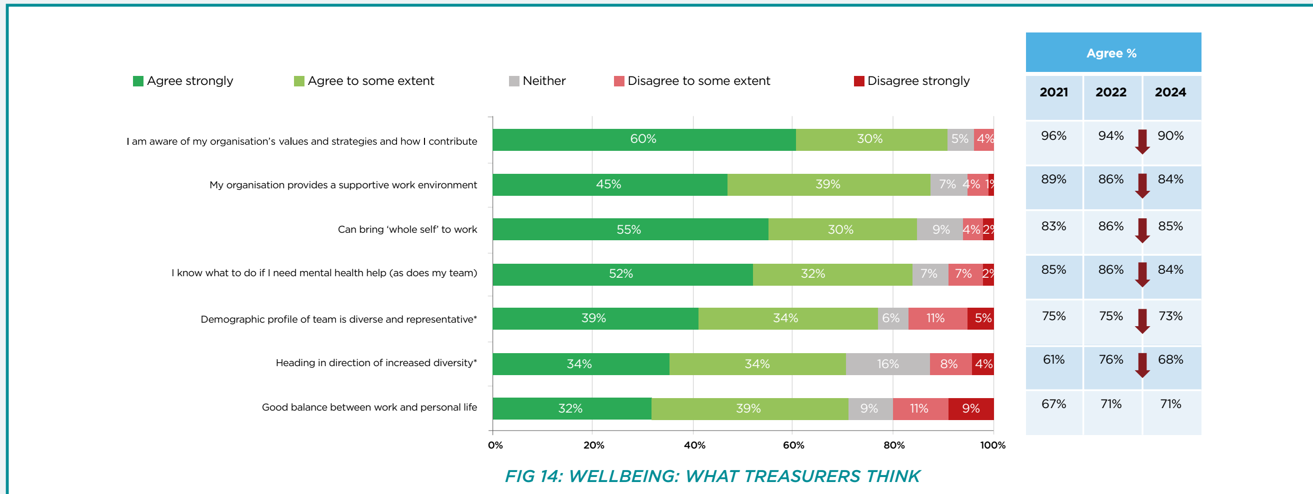
However, the summary hides considerable variation across organisations, with nearly a third predicting that their team will grow, while only 5% expect their team to shrink. There is also a split between small and large teams – the survey finds that large teams have increased in the past year, and expect to increase more than small teams in the next 12 months (see Fig 16).

ACT comment: This may be a reflection of the treasurer and their position within an organisation, with those growing their teams having been able to argue successfully for an increase in responsibilities and, therefore, team size. In many cases though, an increase in size will not result in less work per person.

Barriers to career progression

While the size of the team may have an impact on career progression, in this year's survey a more generic lack of career opportunities is cited as the number one barrier to progression (see Fig 17).

In the previous survey, 'effective working skills' was named as the biggest barrier, but that has dropped to fourth place, behind 'leadership and strategic skills' and 'understanding wider business opportunities and strategy'.



Agree %		
2021	2022	2024
96%	94%	90%
89%	86%	84%
83%	86%	85%
85%	86%	84%
75%	75%	73%
61%	76%	68%
67%	71%	71%

FIG 14: WELLBEING: WHAT TREASURERS THINK

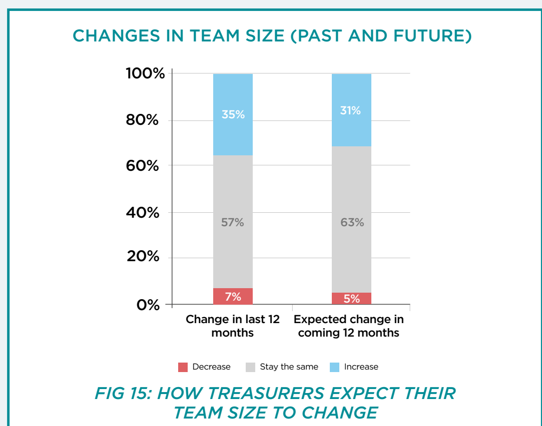


FIG 15: HOW TREASURERS EXPECT THEIR TEAM SIZE TO CHANGE

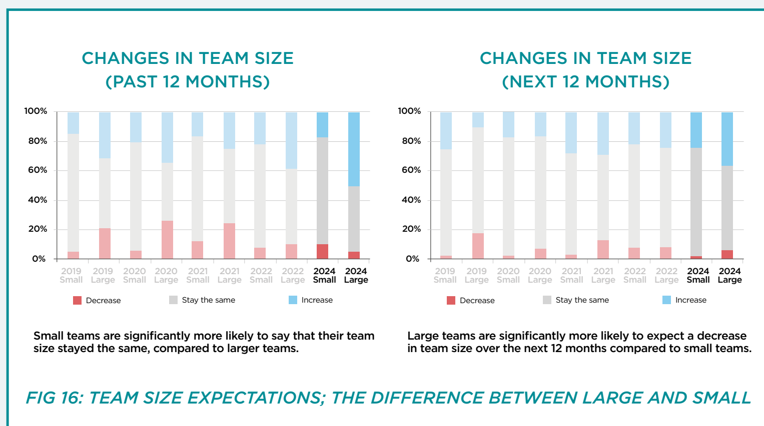


FIG 16: TEAM SIZE EXPECTATIONS; THE DIFFERENCE BETWEEN LARGE AND SMALL

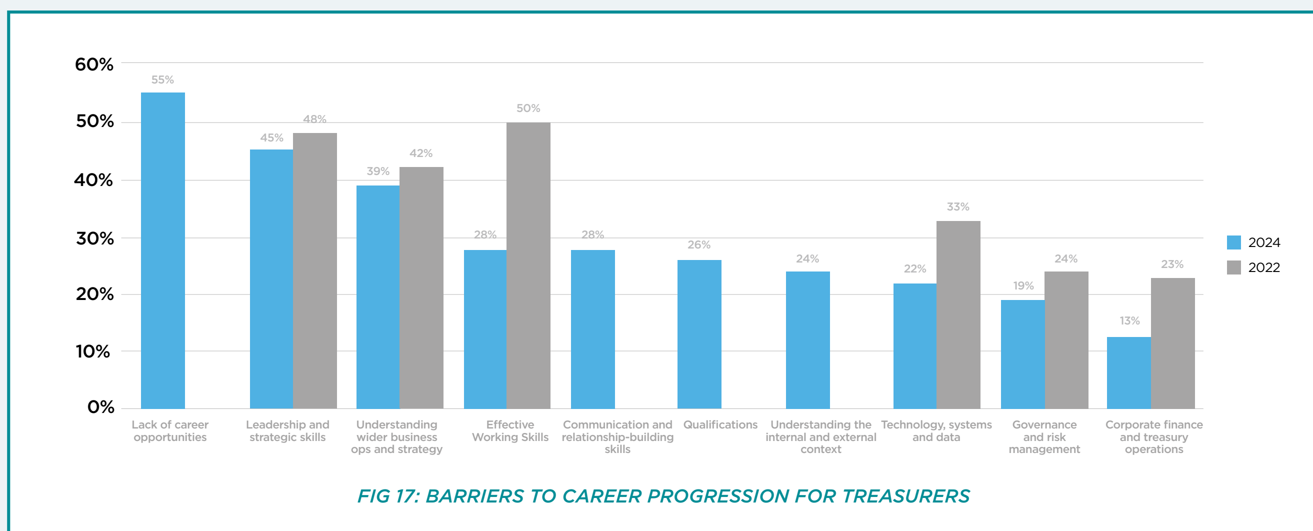


FIG 17: BARRIERS TO CAREER PROGRESSION FOR TREASURERS

Split this down by length of time in the treasury function, and it is possible to see how there is a direct correlation between length of service and lack of career opportunities. In fact, those who have served fewer than five years see leadership skills as a bigger barrier (see Fig 18).

ACT comment: This continues to reflect the need for the treasurer to be a good all-rounder, with strong technical skills, but also able to apply softer skills to be effective. The ACT's Competency Framework is a reminder that successful treasurers need a mix of technical, behavioural and business skills.

Training and development

Treasurers are, however, taking matters into their own hands as they look for additional training to help develop their careers – the top five subjects identified for training are risk management, cash management, ESG, technology, and treasury management. One Asia Pacific treasury leader says: "For the people that work for me, I would look for broader treasury skills such as risk management and leadership coaching to give them more confidence. For me [I am] looking for more strategic management at a corporate level."

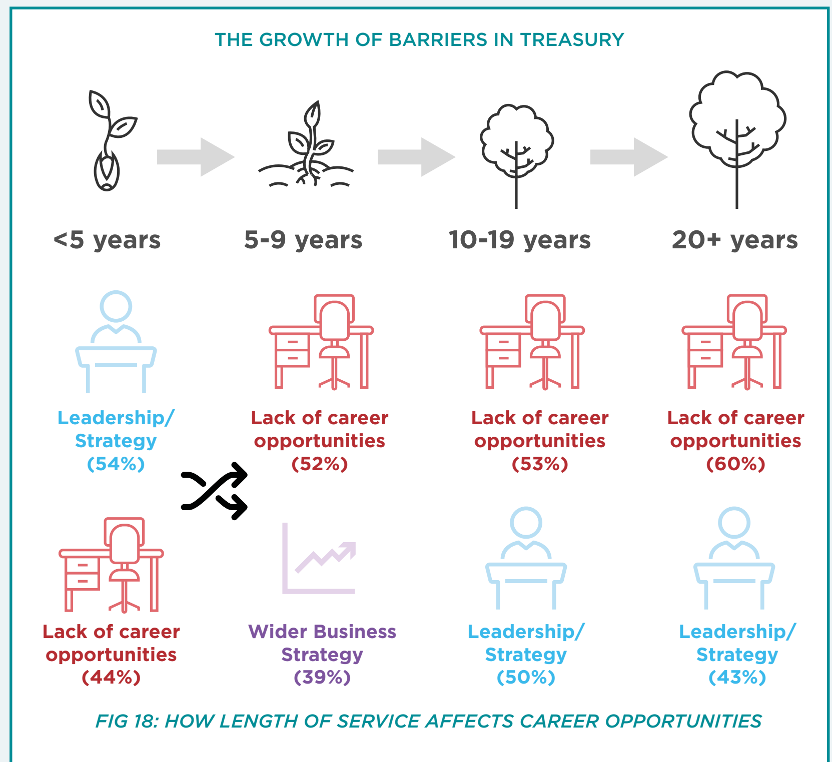


FIG 18: HOW LENGTH OF SERVICE AFFECTS CAREER OPPORTUNITIES

"I already have training planned around relationship management and interpersonal skills"
Head of treasury, Middle East

CHAPTER 5

Conclusion: Setting the direction for tomorrow's treasurer

The environment in which treasurers operate today requires them to play to their strengths – to be calm, resilient, knowledgeable and closely involved with the rest of the business. But that does not mean they can stand still. Many recognise the need for further training and development, not just in technical skills, but also in broader business skills. Clear communication and influencing skills are vital, particularly for those looking to develop their career, while wider strategic skills are already a significant part of the job for many treasurers (Fig 19).

There is no doubt that technology will continue to play an important role in how treasury operates. What is not so clear is how this will translate into demands on time.

Looking ahead, there is still a great deal of economic and geopolitical uncertainty: how long will interest rates remain at current levels? Will inflation rates continue on their downward trajectories, or will they creep up again? Where will the next geopolitical hot spot be, and what impact could this have on supply chains and other costs? How will the business perform?

What is certain, and has been borne out by this latest study, is that treasurers have the agility and flexibility not just to cope with the business environment, but also to thrive, and anticipate today what tomorrow may bring.

You could say that tomorrow's treasurer is already here.

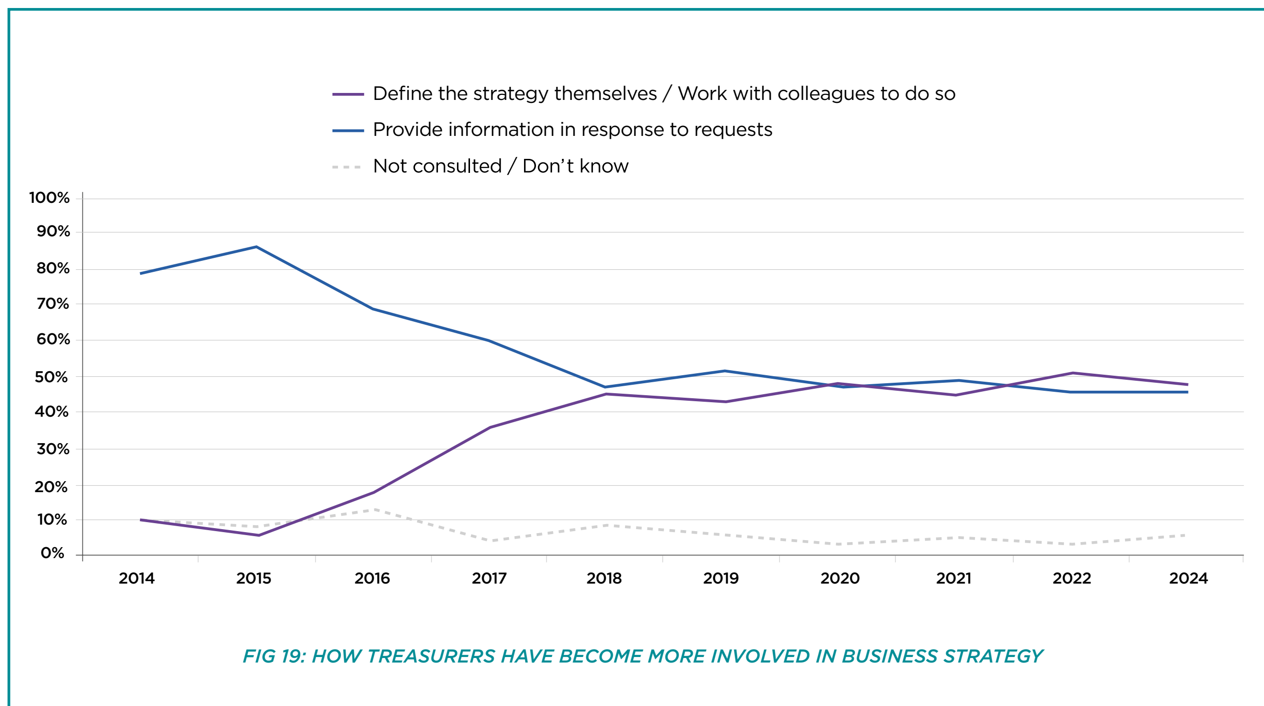


FIG 19: HOW TREASURERS HAVE BECOME MORE INVOLVED IN BUSINESS STRATEGY

Survey and methodology

This is the 11th edition of the ACT's research, *The Business of Treasury*. It is the only international survey of qualified treasurers by a professional treasury association.

The Business of Treasury aims to understand the treasurer's role and how this is evolving over time. The research addresses current and future hot topics and areas of concern, so that the ACT and the treasury community are better equipped to face the challenges ahead.

The survey, conducted by Critical Research, took place between 19 January and 17 February 2024, using online and telephone methodologies. A total of 188 individual treasurers from across the globe completed the survey. Among respondents, 52% describe themselves as leading the treasury function, 32% hold another treasury role, and the rest hold other roles, such as CFO.

On average, respondent treasurers have spent 5.1 years in their current role. The average turnover of respondents' organisations was £7.58bn. (In some cases, figures may not sum 100% because of rounding differences.)

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TREASURY
EXCELLENCE
AS STANDARD

ABOUT THE ACT

The ACT is committed to helping treasurers at every stage of their career with both personal and professional development. As the only chartered professional body for treasury, the ACT helps treasurers navigate a world of shifting priorities, and supports treasury professionals around the world throughout their career.

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Widening access to the bond market

The Financial Conduct Authority is proposing to adopt a single standard for bond disclosure – but what do issuers and retail investors think of this possible change?

Retail investors used to have access to low-denomination corporate bonds until a change in the regulations nearly 20 years ago. According to the UK's Financial Conduct Authority (FCA) in an engagement paper released in September 2023, those changes incentivised the issuance of £100k denomination bonds and, as a result, retail involvement has been sidelined.

To redress this situation, the FCA is now considering changes to the regulations designed to encourage issuers' use of low denominations (£1,000 or less) again. To do this, it is proposing to remove the dual-disclosure standard that favoured £100k denomination bonds and, instead, adopt a single standard for bond disclosure. The thinking is, if the bond document is the same irrespective of denomination, why wouldn't issuers use a lower denomination?

While regulation sends an important message about change, low denominations won't be imposed – but, the FCA notes, it can play a part in incentivising the type of behaviour that it would like to see. So, to incentivise a reduction in denomination sizes, the FCA has outlined a scheme that would require less disclosure (even from current wholesale levels) for seasoned issuers.

The FCA published a summary of the feedback to this consultation in December 2023, which was strongly supportive.

It is a subject close to the heart of debt capital markets specialist Michael Smith, who heads up the function for Winterflood – one of the leading UK market makers in securities and founder of the Investor Access to Regulated Bonds working group. "The proposed regulatory amendments are welcomed by investors, who see this as a great opportunity for issuers to tap into their latent demand," says Smith. "The key challenge in all of this will be getting issuers to see the benefits of using low denominations."

To test these assertions, we interviewed three well-known issuers and three major retail investors from the UK debt capital markets for their thoughts on these proposals.

James Leather FCT CGMA is founder of Corium, a provider of interim and advisory corporate treasury services

ISSUERS

Karen Sheedy, head of treasury, and Donald McKenzie, director of corporate finance, at Metropolitan Thames Valley Housing Association (MTVH)

MTVH is one of the UK's largest housing associations, with 57,000 homes under management across London, the South East, the East Midlands, and the East of England. The mission of MTVH is to give people a safe, secure and affordable home. This means significant annual investment in existing homes and maintaining a strong development programme to deliver new homes.

Karen Sheedy

Donald McKenzie

Our £4bn balance sheet means we have significant annual capital requirements of around £250m. Current debt levels are around £2bn, comprising public bonds, private placement bank and building society debt. We have strong investment grade credit ratings of A- (S&P) and A (Fitch) that we seek to maintain to facilitate capital market access. In 2021, we launched an EMTN Programme and sustainability framework, under which we issued a £250m bond. All our new funding is now linked to sustainability, which is important to investors and lenders.

Our high-denomination public bonds have worked well, supported by long-term buy and hold institutional investors. Our advisers have not really promoted the inclusion of retail investors – we haven't seen retail investors widely used in our sector.

It's helpful to understand that retail investors comprise a wide spectrum – from quasi-institutional wealth managers to execution-only platforms – and that it's not just 'mums and dads'. It makes this source of capital a lot more attractive, particularly with respect to the pricing tension it could provide. We're therefore supportive of the FCA's proposals.

"It's helpful to understand that retail investors comprise a wide spectrum – from quasi-institutional wealth managers to execution-only platforms – and that it's not just 'mums and dads'"

Bente Salt, group treasurer, Rentokil Initial

Rentokil Initial is the world's leading provider of pest control, hygiene, and plants and scenting services. We're exceptionally international, with most revenue earned overseas. In 2022, we acquired North American pest control business Terminix, making us the biggest pest control business in the US and the world.

Bente Salt

Because of our scale and cash-generative nature, we favour the bond markets for funding. Gross debt now totals £4.7bn, of which £3.7bn is in bonds. Our credit rating is investment grade (BBB with S&P and Fitch), which underpins our access to the capital markets. Historically, we've favoured the EUR debt capital markets, because of their depth and our EMTN Programme, and then swap to USD as needed. This may change, but, in principle, we'll go wherever is most cost-effective to raise funds (post swaps).

The UK debt capital market is not as deep as the EUR or USD markets. This has tended to make it more expensive, which is why we've not issued much there. Enabling retail investors – who are more sophisticated than many realise – to access the market through lower denominations could increase demand substantially, improve pricing, and allow for smaller issue sizes, which may suit us in the future. I can actually see it helping banks meet issue targets and earn fees, rather than hinder.

Group treasurer of a FTSE 100 plc

We have around £0.8bn in gross debt, including two bonds – a euro and a sterling. The sterling bond was issued as an ESG bond, and we have an investment grade rating with two rating agencies.

We favour bond markets for funding because they're flexible, without covenants and liquid, compared with private placement (inc US). However, options are limited if you wish to raise smaller amounts (e.g., £100m) and sterling investors tend to comprise a few homogenous institutions, which take large 'buy and hold' positions. This doesn't support secondary market liquidity, from where pricing is derived.

The FCA's proposals are attractive, particularly from the perspective of diversifying funding sources and broadening investor interest, which, ultimately, could bring new equity investors in, as well as debt investors. It will be useful if the documentation and disclosure is simplified, as this should help with the cost – and, of course, smaller bond issues become more feasible.

If the demand from retail investors is as high as indicated, they could quite easily fill 10% of an issue – this is meaningful and will get noticed. The additional liquidity would be welcome. Bond issues involve various stakeholders, and it will be important to get them on board if the market is to move back to lower denominations. Retail investors and their agents will need to work alongside wholesale to make this work. I think a cultural change will be required for some retail investors to align with current bond-issue timelines.

INVESTORS

Bryn Jones, head of fixed income, Rathbones Group

Bryn Jones

I've worked in fixed income (bonds) for more than 25 years. Prior to Rathbones, I managed a £2bn discretionary wealth bonds' book at Merrill Lynch, when lower £1k denominations were the norm. These worked just fine.

Since the Prospectus Directive (2005), bond denominations among EU issuers have risen, while the legacy low-denomination bonds have fallen as they have matured, with few available today on the LSE Main Market.

At Rathbones (the UK's largest wealth manager with c£105bn under management), we look after the assets of private clients, trustees, professional partners, and charities. We have £2.6bn from our funds business in direct fixed income. The group-wide total is c£12bn, the vast majority of which is in funds. With higher £100k denominations, very few individuals can invest in a bond and achieve diversification. Thus, most clients are steered towards diversified bond funds. Increasingly these are passive funds, which is creating concentration risk, a by-product of this regulation and non-competitive consumer duty rules.

While some bonds do have low denominations, they tend to be in niche areas such as charity bonds, which are not suitable for a lot of investors because of poor liquidity, higher investment risk, and limited reporting.

We therefore welcome the FCA proposals. If implemented effectively, I can see the amount allocated to direct bonds at Rathbones increasing to around 10% of funds under management, which could be between £2bn to £5bn over time. On a typical benchmark investment grade deal, we may then be able to fill around 10-20%.

"Most clients are steered towards diversified bond funds. Increasingly, these are passive funds, which is creating concentration risk"

Tim Jacobs, primary markets manager, Hargreaves Lansdown

Hargreaves Lansdown is the UK's largest 'execution-only platform', with £134bn held on behalf of 1.82 million clients. Over the past five years, we have seen client holdings of corporate bonds decline from respectable levels to 'miniscule'. Older low-denomination bonds have matured and there has been no supply. Corporates now use high denominations that are inaccessible to our clients. Today, most of our clients'

funds are in equities.

Our clients want access to fixed income, but they've only got funds and gilts. We've seen a 315% increase in gilts bought in the past year. Demand is there – a well-known investment grade brand could raise £100m to £200m with us alone. Issuers just need to reduce their denominations to £1k, that's all.

We'd need a few days to get to those levels. Our clients have jobs and lives that do influence how and when they invest. We understand that issuers will still want to execute in a few hours, so we will need to make every effort to align with this practice. The more notice we can get, the greater the demand. At the moment, with a three to four-hour bookbuild, we would be looking at £5-10m before considering secondary activity.

Hargreaves is supportive of the FCA's proposals, but we'd like to see things move more quickly. Frustrated clients are finding other investments – often unsuitable – and we are even seeing a rise in fraud (e.g., a fake corporate bond issuance).

> "Frustrated clients are finding other investments – often unsuitable – and we are even seeing a rise in fraud"

Mateusz Malek, head of bond research, Killik & Co

Mateusz Malek

Killik & Co is a privately-owned wealth management firm with c20,000 retail clients and around £9bn of assets under management.

Our view is that the existing wholesale disclosure regime works well. We think the FCA should extend it to retail investors and encourage issuers to apply low denominations. Investing alongside sophisticated institutional investors who can scrutinise the final terms of a bond would provide much better protection for retail investors than having a market exclusively for retail.

In terms of demand, we are three times bigger than we were 10 years ago, when we used to place orders in excess of £10m for some of the bigger ORB bonds. Smaller denominations will improve demand because more investors can get involved. We run discretionary money, so we're able to work with fast bookbuilds.

Our clients like buying bonds directly rather than via bond funds. Bond funds don't have the same characteristics as direct bond investments, which offer visibility over the timing and amount of income, as well as the principal repayment.

Secondary market access is important to us – we may start with a relatively small position and increase it over time through secondary market purchases if a bond continues to offer value. When bonds trade below par and funds are selling because of redemptions, retail can become the natural buyers – this is because qualifying bonds are exempt from capital gains tax, making low-price bonds more attractive to retail investors. We believe the inclusion of private investors in bond markets can have a stabilising impact on secondary pricing.

> "We believe the inclusion of private investors in bond markets can have a stabilising impact on secondary pricing"

PERCEPTIONS "ROOTED IN THE PAST"

These views support Winterflood's assertion that the FCA's proposals will bring material and positive change for issuers and investors. For the investors, low denominations would allow access to investment-grade bonds, resolving the current situation of lopsided, equity-heavy portfolios and bond funds, which don't perform as bonds. For issuers, a huge pool of capital will be unlocked that could be accessed with smaller issue sizes, with positive implications for liquidity and pricing – should they choose to opt for low denominations.

"In my opinion, there is nothing to stop issuers choosing low denominations right now", says Michael Smith. "Sure, there are a few differences, but nothing material, and it looks as though those will be removed as part of the FCA's proposals. The scale and sophistication of the retail investor base, which includes wealth managers and execution-only platforms, has grown in scale over the past decade – it's not just 'mums and dads', that's for sure. The investors we talk to can move at speed and at scale. Just look at the recent gilt issue that was made available on the Hargreaves Lansdown and Interactive Investor platforms – they received five times more demand than expected. I've met more than a dozen FTSE issuers recently and they have all been surprised at that.

"Caution remains, though. Many issuers have a perception of retail that is rooted in the past. The FCA proposals are 100% required to tackle that, but there is also a broader need for engagement with the time-poor issuers, to update them on the new reality."

Anatomy of a deal: ensuring the odds are in your favour

When FTSE 100 group Entain set about acquiring Poland's leading sports-betting brand last year, the treasury and corporate finance team made sure there were no gambles

Charlie Sutters, Entain's group corporate finance director (second from right), with (from left) Deals of the Year judges chair Lynda Heywood, Neil Cotter (Entain's director of treasury) and ACT chief executive Annette Spencer

Sports betting and gaming group Entain plc is best known as the owner of gambling brands such as Ladbrokes, Coral and bwin. In fact, it now has more than 30 physical and online brands, a number of which have been acquired over the past five years. Its acquisition of the leading Polish betting brand last year is one such example.

In a relatively short period of time last summer, Entain announced, negotiated and completed a £750m deal to bring Poland's STS into the group. It was a complex deal that involved a strategic venture company, foreign exchange risks, an equity placing, and regulatory requirements. It took just three months from announcement, in June 2023, to completion, in August, and demonstrated what can happen when the various teams involved – treasury, M&A and investor relations – pull together.

"The deal was part of a wider business strategy to expand into a broader number of territories, a deliberate diversification to make the business more resilient to economic and regulatory changes," explains Charlie Sutters, Entain's group corporate finance director, who has responsibility for the treasury team. "We only want to go into markets that are regulated, and one of the regions that stands out as a good opportunity is central and eastern Europe."

With this in mind, Entain formed a strategic venture, Entain CEE, with Emma Capital, a European investment fund that had the relevant regional knowledge through its ownership of SuperSport in Croatia – SuperSport was subsequently merged into Entain CEE, which was then 75% owned by Entain and 25% owned by Emma Capital. Poland was then identified as an attractive option, with STS the clear market leader at around 40% market share.

Takeover rules

It was not going to be a straightforward acquisition. For a start, the deal effectively needed to be financed twice – this was the result of Polish takeover rules that required Entain CEE to provide a bank guarantee for 100% of the tender offer value or place cash on deposit with a Polish broker. The second option was not viable, as the deal was going to be financed through an equity placing, which would not be launched until after the offer announcement.

So, to get the bank guarantee in place, Entain turned to Santander, which is one of the leading corporate banks in Poland and a relationship bank for Entain. Santander was able to offer attractive terms, and the guarantee was then partially cash collateralised using the proceeds from Entain plc's equity placing.

The placing was led by Sutters' colleagues in Entain's investor relations team, emphasising how effective cross-department teamwork can be.

Then, the strategic venture needed to incorporate a third shareholder, the Juroszek family, who were the largest shareholder of STS, which itself was listed on the Warsaw stock exchange. As Sutters explains: "The family were going to reinvest some of their proceeds into Entain CEE, because they still wanted to be part of the operation, so the structure needed to accommodate the three sources of funding from three different types of investor."

FX risks

Overlaying this were the foreign exchange risks – Entain was dealing in sterling and Emma Capital in euros, while the purchase price was agreed in Polish złoty. There were two clear risks here; the first was that, because the deal required regulatory approval in Poland, there was a chance that the deal wouldn't win approval. The second was that, because STS was a listed company, the price for the acquisition could change depending on the take-up of the offer. And, in the meantime, exchange rates could change.

"The way we covered this was through a deal-contingent forward for the amount of Polish złoty that we knew we would definitely need if the deal went ahead," explains Sutters. "Then, as certainty built through the M&A process, we layered on more forwards to deal with the FX risk."

STS is Poland's largest sports betting group

Managing these areas of risk was a task in itself, but the team needed to ensure that the thinking behind the strategy was clearly articulated to a number of different stakeholders.

Developing and explaining the financing and FX risk management strategy required careful management of four groups of stakeholders with very different requirements: Entain plc's colleagues (especially M&A, legal and tax) and the board of directors, strategic venture partner Emma Capital, the Juroszek family (majority shareholders in STS, who would reinvest into Entain CEE), and the banks.

Complex

Sutters says that the deal was one of the more complex ones that Entain has put together. Over the course of the past few years, as part of its business strategy at the time, the group has completed 11 deals – but as this deal was at the end of this strategic phase, the core teams involved at Entain were prepared for the challenges.

"The good thing about Entain is that, although we are a large company, the corporate head office sometimes has the feel of family office – we all sit together, we work incredibly closely together, so the team gelled incredibly well," Sutters says. "Everyone was saying that this was the most complicated deal that we had done and we were grateful this came after we had worked together for some time.

"It is a tight central team and we understand how each other works. One thing that I really love about my team is that we are super-connected to the business, even though we have a presence in more than 40 countries."

Sutters leads the treasury team, as well as the tax, insurance and subsidiary statutory accounting teams. His own professional background is in tax. "Leading this combined team has massive benefits, as we all work very closely together," he says.

Aside from Sutters, there are six in the treasury team, including a treasury director and another team member in Gibraltar, three in London, and one who works remotely.

Finger on the pulse

The deal may have completed in August last year, but that was not the end of the process. Since then, the teams have been busy with integration work, ensuring clearer visibility of the treasury framework throughout the organisation.

As an aside, Sutters says the business is unusual in that, sometimes, it pays out more to its customers than they pay in – which can have quite an impact on liquidity and cash management. "We have had four weeks in the past five years when, on football, we paid out more to our customers than they paid us – two of those weeks were the last two weeks of October last year," he says, adding, "which just goes to show what an up-and-down business it can be – and that makes the treasury team being as close to the business as it is even more important. We really do need to have our finger on the pulse of where the cash is."

IN NUMBERS

£4.8bn
net gaming revenue (2023)

£445m
group underlying pre-tax profit (2023)

130+
licences across 40+ territories

30+
betting and gaming brands

20+
offices worldwide

29,000
colleagues

The view from: **private equity**

Private equity firms own many businesses across all sectors, but what is it like to work as a treasurer in a portfolio company? 3i's group treasurer Ian Cooper gives the inside line

The private markets have grown considerably over the past 10 years, and it is estimated that private equity (PE) firms have around $2.4tn of capital ready to invest globally, often known as 'dry powder'. In the UK, the number of PE-owned or 'sponsor-backed' businesses is estimated at more than 12,000, with these companies employing some 2.2m people.

This means many treasurers and ACT members will be reporting to boards that are controlled or influenced by a PE investor.

PE investors will have a clear investment case on how they intend to create value during their anticipated ownership, which will typically be for four to seven years.

The PE investor will aim to create value via various levers, which could include:

- Driving international growth through acquisitions
- Generating operational improvements in all areas of the business (for example, sales effectiveness, cost efficiency, controls and reporting)
- Improving executive/management teams and setting up appropriate incentivisation structures
- Developing corporate strategy
- Optimising capital structure through adding leverage.

These value levers will have an impact on treasury, so how does being PE-owned impact each core element of a treasurer's role?

1. Funding

PE investors will aim to optimise the capital structure, which typically means having debt of between three to six times the earnings before interest, tax, depreciation and amortisation (EBITDA). The target level of leverage will depend on a range of factors including the quality and sustainability of earnings, free cash flow (FCF) generation, business size and maturity, sector cyclicality, risk appetite and interest rate levels.

PE investors will typically take the lead on raising debt in the leveraged finance market (banks, non-bank direct lenders, high-yield bonds) due to the complexity and specialisation required to assess the appropriateness of a given capital structure and negotiate the terms. They may have specialised teams in-house or use external debt advisers. Given the complexity, there is often considerable input from lawyers in negotiating PE debt financing.

The treasurer will need to have a good understanding of the key aspects of the financing documents with focus on monitoring and reporting financial covenants, e.g. interest cover and net leverage.

Intercreditor and security arrangements can be complex. The treasurer will need to understand the group structure (e.g. banking group entities, guarantors, restricted subsidiaries), perimeter of the security and permitted products/activities (e.g. baskets to allow for secured hedging and working capital facilities). Moving cash around the group especially across jurisdictions, and cash pooling arrangements need careful consideration. Critical requirements should be discussed early in a financing process.

Clear documentation that summarises key terms and processes is vital in addition to good lines of communication with the appropriate contacts at the PE firm and lawyers who have the expertise to assist in navigating the financing documentation.

2. Liquidity and cash management

Treasurers in a PE-owned company should expect focus on optimisation of working capital, especially in a higher interest rate environment where optimisation can generate significant value.

PE-owned companies are unlikely to sit on large amounts of surplus cash to maintain an efficient capital structure.

Accurate cash forecasting and effective liquidity management is essential to facilitate growth via capital expenditure or acquisition and/or dividend payments. PE investors will expect regular cash flow forecasts and the ability to promptly sensitise the forecasts in different scenarios. This also supports covenant monitoring.

Working capital products (for example, factoring or letters of credit), cash pooling structures and intercompany arrangements need to be assessed for compliance with financing documentation.

3. Market risk management

a. Interest rate risk

PE-owned companies can often have relatively high levels of floating rate debt so interest rate risk management is key. The financing documents may include minimum hedging requirements (e.g. more than 50% of debt hedged for more than two years). In today's higher and more volatile rate environment, higher hedge ratios, longer tenors and a preference for swaps over caps has been observed.

Treasurers will be expected to provide input to the hedging decision alongside the PE investor and in some cases hedge advisers. Hedge advisers can be especially valuable on larger, more complex transactions that involve cross-currency swaps, which are more credit intensive for banks.

To enable execution of interest rate products with any credit risk for the bank (i.e. swaps or deferred caps) an International Swaps and Derivatives Association (ISDA) agreement linked to the financing documentation will need to be negotiated, the earlier the better to ensure trade readiness close to signing financing.

b. Foreign exchange risk

Like all corporates, PE-owned companies need to assess the costs and benefits of hedging foreign exchange risk from overseas operations. A well-structured operational FX hedging programme can help to smooth the impact of FX rate movements on financial performance to provide more certainty around budgets/ forecasts and buy time for decisions/ negotiations on purchasing and pricing. This can be especially important where covenants and/or liquidity are tighter.

PE investors prefer to present a business for sale that has shown steady growth without material fluctuations from FX so hedging can help with this but hedging comes with associated costs (e.g. bank charges, resource) so the decision to hedge is carefully considered.

The treasurer will be responsible for owning the FX risk and any associated hedging with regular reporting to management expected. It's important to understand if banks are hedging under secured ISDAs and how this impacts pricing, especially as PE financing is increasingly being provided by non-bank lenders who can't offer hedging.

c. Counterparty risk management

The collapse of SVB in March 2023 increased the focus on bank counterparty risk and PE investors required greater detail on their portfolio companies' bank exposures and counterparty risk policies. Treasurers will be expected to maintain this enhanced monitoring discipline.

> "Working as a treasurer in a PE-owned company is likely to be fast paced"

Fast pace

Working as a treasurer in a PE-owned company is likely to be fast paced, with regular good quality reporting required (e.g. treasury KPIs and policies), with opportunities to add significant value and experience big corporate events including mergers and acquisitions or even an IPO, international expansion and debt related transactions.

Larger PE investors have extensive knowledge and expertise, in addition to a deep network of relationship banks and advisers. Treasurers in PE-owned companies are encouraged to benefit from this by seeking opportunities to learn and develop networks.

Ian Cooper is group treasurer at 3i Group

What will the next payments revolution look like – and how will Open Banking play a role?

With businesses focused on providing the optimal customer experience, attention is now turning to Open Banking's role in 'embedding' the payment process into the fabric of the customer journey

Embedded payments, powered by application programming interfaces (APIs), are becoming crucial components of a business's toolbox – allowing it to provide its customers with a frictionless payment experience. In parallel, consumers are beginning to expect immediacy and ease when making payments.

This technology is beginning to mature as more businesses make the switch to embracing frictionless payments. So what's on the horizon for Open Banking in 2024 and beyond, and how will it fuel the next payments revolution?

Open Banking landscape in 2024

Embedded payments are possible because of Open Banking, an initiative that enables the safe and secure sharing of financial data, born out of the European Commission's second Payment Services Directive (PSD2). As of 2024, there are now 8m active users – both consumers and businesses – of Open Banking-powered financial management apps and payment tools in the UK.

According to Open Banking Ltd, in November 2023 alone, UK users made 12.85m payments via Open Banking technology – representing an increase of 78.5% compared with the 7.2m payments made during the same month in 2022. It's now estimated that 14% of all digitally-enabled consumers are active users of at least one Open Banking service. What's more, 74% of digital consumer payments globally will take place via platforms owned by non-financial institutions by the year 2030, according to market research firm IDC.

This growth has also been witnessed by Lloyds Bank. Across our suite of API-powered embedded payment solutions, we saw a 25% increase in users between 2022 and 2023, and a further increase of 42% between 2023 and 2024. The momentum behind this rise shows that businesses across the UK are placing value on speed and convenience in the payment experience.

Innovation through legislation

2024 will be a pivotal year for Open Banking and collaboration between industry stakeholders will be crucial to drive innovation.

Key pieces of legislation will play a central role in influencing the future of Open Banking technology. The Data Protection and Digital Information Bill, for example, intends to shape the processing of – and access to – digital information. The bill will update and strengthen the UK's current data protection framework, drawing on themes such as data collection, data portability, and the right to erasure. Additionally, it will improve data security with the establishment of a Digital Verification Services (DVS) register, making proving identity easier, cheaper and more secure. It will also create new use cases for Open Banking – approved providers will be able to use Open Banking, among other data sources, to verify an individual's identity. The bill will therefore foster the development of a trusted digital identity market in the UK which, in turn, will make verification processes – from starting a new job to buying a house – simple and secure.

Further afield, the European Commission's next Payment Services Directive (PSD3), a new and updated iteration of the EU's landmark payments legislation, is expected to be finalised and available by the end of 2024, with an 18-month transition period for EU Member States. Among other factors, the legislation is expected to introduce more robust security measures to the payments space, while strengthening the concept of Open Banking. Although PSD3 will only directly affect Member States, there will certainly be ramifications for the financial services sector in the UK as firms aim to match the pace of change in Europe. New legislation is likely to create opportunities for industry stakeholders to collaborate and embrace new technologies – the impact of which is likely to shape the future of frictionless payments.

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LLOYDS BANK

Return to sender

As the technology matures, new capabilities are being developed. Lloyds Bank's PayFrom Bank is one example of a solution that has benefited from developments. PayFrom Bank enables users to make payments directly from their bank accounts, without the need to enter their payment details. As a result, the customer is able to experience a fast, frictionless and secure payment journey. On the merchant's side, benefits can include lower fees and faster reconciliation, improving cash flow and visibility.

PayFrom Bank has been gaining considerable traction in a variety of sectors, including real estate, transport, hospitality and higher education. The addition of the one-click refund capability, introduced in March 2024, will open the technology to use cases in a wide range of new sectors – most notably retail. The opportunity for retailers to offer their consumers an easy and secure way to make account-to-account payments with the option of providing a refund via the Faster Payments Service is transformative.

The development of refund capability also echoes many of the recommendations made in the retail-focused *Future of Payments Review*. The report, published in November 2023 and to which Lloyds Bank was a contributor, highlights the need for retail payment methods to be resilient, secure, adaptable, fast and convenient. It also reaffirms the need to improve the consumer payment experience and fully exploit the opportunities that Open Banking presents.

The next leap forward

Experts in the payments industry are focused on how the Open Banking ecosystem will evolve, with emphasis placed on the future of non-sweeping Variable Recurring Payments (VRPs) as the next big development to use Open Banking technology. VRPs enable a consumer to set strict parameters, including the maximum value and frequency of payments, enabling them to control how much a merchant can take and when. This allows for frictionless transactions without the need to input any card or account details for future transactions, while retaining the ability to cancel permissions at any time. As a result, non-sweeping VRPs could possess the potential to transform payments in sectors such as utilities, enabling customers to cap the maximum value of payments that can be taken. In addition they have the potential to streamline the process of paying tax. They could also be instrumental in helping consumers make regular e-commerce transactions such as grocery shopping or ordering a taxi, removing the need to store card details.

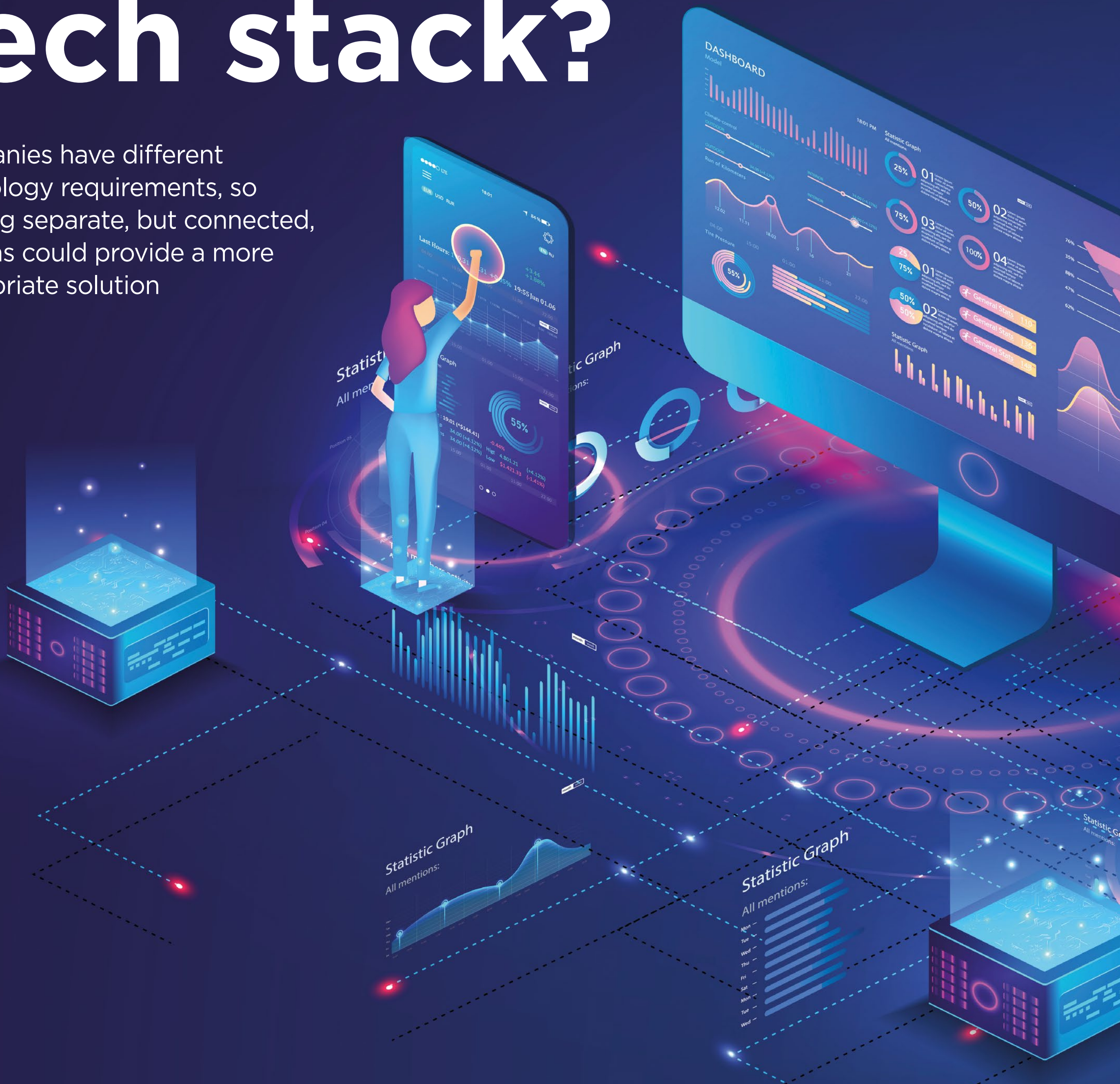
In December 2023, the Variable Recurring Payment Working Group published a blueprint proposing a delivery plan to enable a phased rollout of the technology. The Joint Regulatory Oversight Committee responded with a call for an initial rollout to take place in the third quarter of 2024. Despite this progress, there are many challenges left on the road to the full implementation of non-sweeping VRPs, and they will require collaboration between regulators and the industry to overcome. What's clear is that the successful, secure and sustainable implementation of Open Banking-enabled VRP technology, when used as part of a toolkit of other payment methods, could boost customer choice and spark a new wave of innovation in the payments landscape.

Open Banking-enabled technology requires an equilibrium of security, speed and efficiency to be effective. Working with our clients to identify new and innovative use cases, Lloyds Bank is at the forefront of this innovation and change. Our Embedded Payment products fully harness the potential of Open Banking and represent a secure and powerful method of providing your customers with the ability to offer a frictionless payment experience. With further payment revolutions on the horizon, now is the time to invest.

Sarah Saigol, managing director, cash management & payment solutions, Lloyds Bank Corporate & Institutional

What's in your tech stack?

Companies have different technology requirements, so building separate, but connected, systems could provide a more appropriate solution



In recent years, technology has become ever-more critical for corporate treasuries. Today's treasury professionals have a wealth of cutting-edge solutions and technologies available to them, alongside tried and tested solutions such as treasury management systems (TMSs). So, how are treasurers connecting these different systems and technologies together?

Evolution of treasury technology

"Technology is a game-changer for treasuries, offering new opportunities for tackling age-old challenges more efficiently," observes Steve Wiley, vice-president of treasury solutions at FIS. "Investing in the right technology can simplify processes, improve security, and reveal insights that drive strategic decisions, making it an indispensable asset for forward-looking treasuries."

Wiley notes that TMSs have evolved significantly over the past two decades, becoming increasingly capable of addressing a treasury's every operational need. "From workflow automation to improving decision-making controls, TMSs have truly become incredibly powerful solutions," he adds. "For more sophisticated payment requirements, payment hubs play a crucial role in addressing increasing transaction volumes, as well as enhancing fraud mitigation and cybersecurity measures."

Meanwhile, the technology available continues to evolve – and Wiley regards artificial intelligence (AI), machine learning and robotics as some of the most interesting developments currently.

"These technological advances will redefine how treasuries operate, especially in areas such as cash forecasting, technology setup and enablement, and payments, ensuring more efficient and secure financial operations," he predicts.

"One of the things you've got to remember is that these solutions are all separate – in other words, we're connecting to them individually"

Moving parts

For many treasuries, the TMS is just one part in a wider landscape of platforms and inputs. Royston Da Costa, assistant treasurer at Ferguson, explains that the company uses a number of systems in conjunction with its TMS, ranging from market-data platforms to dealing and bank-confirmation tools. "We obviously don't tend to interact with all these systems physically every day, but they do operate in the background," he observes.

In future, Da Costa predicts that this landscape could become a lot less busy. "One of the things you've got to remember is that these solutions are all separate – in other words, we're connecting to them individually. At some point, I'd like to see a lot of the solutions we use being on the same platform, so you only have to log in once – that would be much more powerful."

He points out that there has long been a disconnect between the online banking user experience for consumers and corporate users, although the gap has narrowed somewhat (see Open Banking six years on, p38). "But if you look at your smartphone, you've got all these apps that you can engage with very easily in one place. In many ways, I feel that's the way the corporate experience should go.

"Another good example is a solution I am aware of that operates rather like the comparison websites, and offers term deposit rates, as well as RCF on demand, on the same platform."

All singing, all dancing?

That's not to say treasurers are necessarily looking for a single system with the ability to meet all their needs. As Da Costa says: "What TMS would want to invest in an all-singing, all-dancing solution, when the majority of customers are probably only going to use 20% of their products?"

Opinions have evolved over time. Bob Stark, global head of market strategy at Kyriba, reflects that there was previously a

perception that treasurers wanted a system that could do everything they needed. "But today, people don't want to be limited by a closed system – they want to inject the tech they need, and do what they want with their data."

When it comes to including additional apps, Stark says that one of the most significant use cases is around payments. Kyriba provides payment connectivity between a company's ERP and bank, over and above its treasury and payment capabilities. Twenty years ago, the main focus for this model may have been on the approvals needed to validate and release a payment – but today, the number of checks needed is significantly greater.

"For example, there could be sanctions screening checks – yes, the banks might do that after the fact, but more and more corporates want to have that understanding upfront, in line with their payments policy," says Stark.

While Kyriba can be coded to carry out rules-based validations, Stark explains that the platform can also connect to external services via application programming interfaces (APIs) in order to check payments against certain criteria, such as confirming that the beneficiary owns the bank account in question, or checking it against external lists supported by apps.

"These are all steps that need to be part of today's internal compliance," Stark says. "So, should a TMS do all of these things within its workflow? In my opinion, it shouldn't. Some capabilities you can build yourself, but others can be connecting via API. Either way, you need to be bringing apps into the discussion on a real-time basis."

OPEN BANKING, SIX YEARS ON

Open Banking, the system that allows third-party developers to access financial data in traditional banking systems through application programming interfaces (APIs), recently celebrated its sixth year of operation in the UK. It allows businesses to access up-to-date financial data at any time, while also offering alternative ways to make and receive account-to-account payments.

In its latest impact report, Open Banking Limited (OBL, the organisation implementing the Open Banking Standard in the UK) revealed that the proportion of digitally active banking customers using Open Banking has continued to rise, reaching 14% in January 2024. This means that 1 in 7 digital customers now has an active Open Banking connection or has made a payment using Open Banking. The corresponding figures in June 2023 were 11% and 1 in 9.

OBL said this level of penetration is significantly higher than many other European markets – PwC has estimated that, in the key European markets of France, Spain, Italy and Germany, around 2% of digital consumers used Open Banking in 2022. The comparable figure in the UK at this point was 9.2%. PwC estimates the total number of API calls in Germany, Italy, France and Spain was 6.4bn, compared with 14bn in the UK alone in 2023.

Philip Smith **is the editor of *The Treasurer***

No TMS? No problem

Different companies have different technology needs – and, in some situations, a more individualised approach may be preferable. One treasurer explains that he was looking to achieve a central view across a large number of bank accounts, but that a TMS was deemed too expensive and time-consuming to implement because of the company's structure. He therefore approached his IT team with a simple business problem: how could all of the bank balances be accessed in one place, with bank data available on a weekly basis?

"The conclusion was that we could combine the use of a front-end app with a data warehouse, and use Power BI to sit across the top of it to do the reporting," the treasurer explains. "The reporting we get through Power BI is consistent, clear, and easy to manipulate and derive bespoke reports from – and way cheaper than using a TMS." In addition, the company is now working to connect to a key UK banking provider using APIs, to eliminate the need for manual intervention.

Facing the future

For treasurers, it's important to consider not only how the technology landscape is evolving, but also how their own skills can be developed to make the best use of the solutions available. "What's also critical is development in terms of learning," argues Da Costa. "For example, I've been using a platform called FutureLearn, which includes short courses by the ACT on ESG. It also includes a variety of other courses on anything from AI and machine learning to learning a new language."

Looking forward, Wiley emphasises the expected shift towards cloud-native products and services that promise to automate every aspect of technology deployment, "from financial transactions to system maintenance".

Additionally, he says that the integration of AI into treasury operations is expected to become standard practice, simplifying tasks ranging from basic cash positioning to complex risk management. "This evolution signifies a future where technology not only supports, but enhances the strategic role of corporate treasuries."

Stark, meanwhile, predicts that generative AI could eventually replace certain workflows in treasury and finance systems. "At some point, your relevance is dictated by how you support your customer's data strategy, and what sort of value-added tools they want to support," he adds. "Any vendor that architects themselves to support this vision will be in a position to stay relevant and survive."

"People don't want to be limited by a closed system – they want to inject the tech they need"

Rebecca Brace is a freelance business and technology journalist

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Former Grosvenor group treasurer reflects on 35 years of change and progress

|brewer morris

Taking the next career step

Treasury professionals need to have the right skills to step up to the next level, explains Eliot Bates, head of the treasury team at specialist finance recruitment consultancy Brewer Morris

LEADERSHIP & CAREER

Some positive signs have been emerging recently that appear to hint at both a market and economy that are improving. We seem to be on our way out of the shallow recession we found ourselves in at the start of the year, and inflation rates have fallen to their lowest levels for more than two years. However, with an unprecedented number of national elections taking place across the globe this year, it will be tough to predict what the rest of 2024 and 2025 has in store. Some economists are even forecasting that we may experience deflation in the economy.

Off the back of this, many conversations I am having with aspiring treasurers, and treasurers who are looking at upskilling, is around what they can do to take that next step in their career and what can really set them apart from their peers.

Many businesses are also asking the question of what they can do to upskill their current department and reduce the risks they are facing – the solution for which could be around upskilling their current treasury team, implementing a new system, or hiring their first treasury professional.

> “What can really set you apart from your peers?”

One of the main skills in demand for current treasurers is the ability to handle a range of diverse stakeholders, both internally and externally. This involves being able to think and work strategically, while looking ahead and proactively identifying where they can add value or reduce risk. This is incredibly important, and something CFOs often speak about to me when they begin a new search for a treasurer; it is one of the key attributes they are looking for. It is also a quality that many treasurers convey, and it is one that can really propel career growth.

However, aspiring treasurers need to ensure that they have exposure to financing and/or strategy. Many professionals at this level should be strong in operational experience; however, financing/strategy know-how will be required in order to take the next step into larger roles. So, one of the main questions being asked is: “How can I get this exposure?”

It is important to note, certain sectors and businesses will have a greater and more frequent need for these types of skills. Many treasurers I speak to allow their ‘number twos’ to assist them with any financing needs they may have, building up their experience towards playing a critical role – which, in turn, can be crucial in enabling them to secure those larger ‘number one’ roles when they are ready.

Over the past 18 months, we have seen a large increase in businesses hiring their first treasury professional. This can be anyone from a treasury analyst helping out with the day-to-day responsibilities up to a senior treasury consultant, building out a function or leading on a piece of financing.

I have just published a document (bit.ly/TT2recruit) explaining why now is the right time for many businesses to make their first treasury hire, highlighting the expertise these candidates can bring to an organisation and the ability to upskill the treasury function at a very important time. This hire is extremely important, so ensuring they get it right is paramount. The main areas a business need to consider when looking into this are: the size of company and complexity of treasury issues that need to be dealt with; the long-term ambitions of the function; the remit of the role; and the anticipated growth in the company/level of M&A activity. Finding the right professional with the requisite skills, and experience, is therefore vital.

Eliot Bates is head of practice, UK – treasury, at Brewer Morris. Please contact him on eliotbates@brewermorris.com for a confidential chat about your career or any hiring needs you have

Conference speaker Liz Leather, from the Bank of England

Keeping your cash safe and secure

TREASURY OPERATIONS

How treasurers fight fraud, manage their MMFs and adapt to new payment standards were some of the questions posed at this year's ACT Cash Management Conference

1. Make fighting fraud a priority

Emma Wilkinson, fraud risk director for corporate and private banking at Barclays, reminded us that fraud is big business, and that fraudsters were putting in as much effort, if not more, than those who were fighting them. Wilkinson urged everyone in the room to remember to 'take five' when they suspected they were a victim of a scam. "Stop, challenge and protect" was her mantra.

"Educate and reinforce your processes; your people are your first line of defence, ensure they are trained and understand the process, and empower them to be comfortable with challenging [a payment request]," she said. "Be suspicious, don't succumb to pressure and always carry out verbal checks."

2. Money market funds reform

Representatives of the Financial Conduct Authority (FCA) gave an update and answered questions on the regulator's proposals to reform money market funds (MMFs). James Silverston, FCA's manager for institutional investments policy, said the proposals, which would increase the proportion of highly liquid assets held by the funds and provide a buffer during times of rapid redemptions, aimed to strengthen those MMFs that are UK domiciled – all of them currently sterling – and it was important that [the FCA] had the views of its users as well as its fund managers. The second headline measure was 'delinking' for Stable NAV MMFs – to remove a cliff-edge effect of regulation that may drive negative investor behaviour.

James Ridgwell, a technical specialist on institutional investments policy at the FCA, added the current model worked well as long as an MMF does not run out of liquidity with which to meet redemptions in a stress. Its aim was to make it even less likely that this would happen. A Bank of England analysis found that to prevent such a situation, minimum daily liquidity requirements for MMFs should rise to 15% from about 10% at present, and the weekly level should increase to 50% from about 30% currently. Ridgwell said that the move should increase confidence in MMFs, though there might be a slight impact on yield.

It was put to the FCA that it could adopt a phased approach to raising liquidity minimums to a new level, to help UK MMFs adapt and possibly to enable a review of the impact of the smaller rise first. "We want to hit the right numbers in the rules," Ridgwell said. "We could take a phased approach or use different numbers but our preference is to get it right first time."

Silverston added that, although the consultation period had closed, the FCA was still keen to hear from the treasury community.

3. ISO 20022 adoption gathers pace

2025 could prove a key year for ISO 20022, the international payments standard, as more systems adopt the data-rich messaging standard. Liz Leather, ISO 20022 payments policy manager for the Bank of England, reported there would be a grace period in 2025 when the use of unstructured addresses was originally to be turned off. "There will be a system of structured addresses or alternatively hybrid addresses, which will be two lines of unstructured data, but you will still need to separate out town and country," she told the audience. "It is a half-way house on the way to fully structured.

"If you want the full benefits of ISO 20022 then structure your information, but there are always steps to get to where you need to. [The ability to input fully] unstructured addresses data will be left open until 2026, but this grace period recognises that not everyone has structured addresses that fit into the set up." However, Leather urged corporates to start structuring their data "as we are moving to the cliff edge". As Brice Goemans, corporate product lead at SWIFT, said: "Hybrid makes sense, as it is about getting the data right, so the [data] clean up exercise needs to be started."

Philip Smith is editor of *The Treasurer*

Click on the QR codes to read more coverage for the ACT Cash Management Conference and visit the ACT's Cash Management Hub

Saudi briefing: maximising opportunities in a transforming economy

The importance of integrating digital technologies and strategies into treasury functions when working in Saudi Arabia's diversifying and growing economy was stressed at a recent ACT briefing in Riyadh

BIG PICTURE

Conference speakers James Adams, Alanoud Alhudaif and Annette Spencer

Attended by senior financial executives from the Kingdom of Saudi Arabia and across the Gulf region, a recent ACT Treasury Briefing in Riyadh heard how the government's Vision 2030 development policy had jump-started digital transformation in a wide range of sectors.

Speakers at the event discussed how best to seize the resulting opportunities and challenges for treasurers, providing practical solutions and highlighting treasurers' pivotal role.

1. Key skills

Preparation and training are key in a demanding business environment, said Annette Spencer, ACT chief executive, who led a session on exploring the skills that modern Saudi treasurers should develop. Alanoud Alhudaif, Middle East treasury manager for Lucid Motors, stressed how treasurers working in such a changeable environment should invest in themselves, by proactive, continuous learning and skills development. Sharing ideas and tips between colleagues is particularly important to helping keep them abreast of new professional trends. Open dialogue between banks and corporates also helps solve problems and clear potential misunderstandings, minimising risk for both sides, she said.

James Adams, VP treasury for Chalhoub Group, a hybrid luxury goods retailer in the Middle East, added: "Coaching is a great way to discover yourself. By working with a coach, you can discover what you need to work on."

2. Cash management

In Saudi's transforming economy, treasurers need to maintain efficiency in their core functions of cash management and payments, embracing the latest good practice and technological developments. Examples include how recent changes to Companies Law can provide opportunities for cash pooling.

Speakers discussed how regulation and technology are increasingly working together to enhance payment security and efficiency. Automated cash concentration solutions, where the holding company manages the balances of the whole group, were highlighted, enabling treasurers to leverage incentives and balances and better mitigate deficits.

Mariya Bulsara, head of global transaction banking liquidity management at First Abu Dhabi Bank, said consolidated balances can deliver "greater returns because of greater funds. You can also reduce your internal cost of borrowing because you can utilise those funds."

3. Cloud technology

A Qatar case study from Lars Nevalainen, CEO of Finnish treasury platform ZenTreasury, explained how it empowered a Qatari-based family-owned group treasury department to achieve operational excellence through a private cloud. Nevalainen stressed how such systems deliver cash-management efficiency and strategic decision-making capabilities.

The cloud technology gives business managers and partners secure and swift access to data, helping them benefit from scalability and flexibility. The Qatari group had learned the value of remote access during COVID-19, he said, noting how the pandemic had impeded access to offices and company branches, where data was previously accessed. But with the pandemic blocking this off, a private cloud solution saved the company. Today, it is a key solution for any international business worldwide, said Nevalainen.

4. Business funding

Michael Nissyrios, director of corporate finance for Riyadh Air, led a session on funding businesses in expansionary times – panellists shared their experiences in funding and cash management within their enterprises and with partners among banks, vendors, customers and shareholders. Abdullah Al-Ameel, head of corporate banking for MUFG, Basem Waheed, CFO of Golden Chicken Farms, and James Osun-Sanmi, senior associate for Dentons, each explained how fintech advances and strengthened banking relationships had helped Saudi-based businesses use debt and equity capital markets. Digitisation of bank services has helped cut costs, notably through more online payments and less cash handling for immediate deposits, eliminating manual accounting errors.

5. Working capital

Daniel Tromans, VP of treasury at Riyadh Air, led discussions on how using trade finance and working capital solutions can deliver success in Saudi, given its comparatively long working capital cycles and increased opportunities for treasurers. Panellists discussed how the size and age of organisations affects their utilisation of working capital, with established businesses able to draw on more experience.

Attendees also heard about the importance of rationalising and reducing differences within internal accounting systems and procedures within organisations. Given the change Saudi Arabia is now witnessing in its financial ecosystem, such internal rationalisation helps companies face these challenges through optimising management and financial processes, lowering the risk of errors.

6. Supply chain disruption

Continuing supply chain disruptions pose particular problems for SMEs, which need efficient and sustainable operations to avoid financial risks. Technology can help optimise cash management, said Ana Guyatt Del Rio, head of global transaction banking overdrafts at First Abu Dhabi Bank, with blockchains offering major efficiencies, by logging all steps within a transaction, allowing lenders to verify movements of goods and helping SMEs secure financing.

She said: "Banks can get more comfortable when lending to an SME even if they don't have a lot of experience with them. You know that the goods have been received because they are there in the blockchain, and you can check it. You know that the invoice has been accepted and you know the quality was OK."

Hani Drave is a freelance journalist based in Riyadh

ACT SAUDI ARABIA TREASURY BRIEFING: AT A GLANCE:

- Invest in yourself: the briefing emphasised the importance of continuous learning and skill development for treasurers.
- Regulation and technology: these are friends, not foes. The discussion highlighted how regulations and technology are increasingly working together to enhance payment security and efficiency.
- Funding choices and communication: treasurers have various funding options, and open communication with banks simplifies decision-making.
- Working capital management: practical tips and guidance are available for managing payments, trade finance and bank relationships. Use them.
- Rapid change in Saudi Arabia: local clouds and other advances are highlighting the rapid transformation in Saudi Arabia's financial landscape.
- Demystifying banking language: the briefing supported initiatives to simplify banking terminology for everyone.

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DIARY DATES

The ACT's Annual Conference is a highlight of the year

ACT EVENTS

20 MAY 2024 | ACC LIVERPOOL, LIVERPOOL UK

BLOCKCHAIN FOR CORPORATE TREASURY TRAINING

Join us and our training partner, Zanders, at the ACC Liverpool, the day before the ACT Annual Conference, for an in-person half-day introduction to Blockchain for Corporate Treasury.

treasurers.org/actac24training

21-22 MAY 2024 | LIVERPOOL, UK

ACT ANNUAL CONFERENCE

The ACT Annual Conference returns to the ACC Liverpool. Join us to hear from expert speakers, discover innovative solutions and network with your peers.

treasurers.org/actac24

24-25 SEPTEMBER | DUBAI, UAE

ACT MIDDLE EAST TREASURY SUMMIT

In a region emerging as a global hub, this event will bring together over 700 treasury and finance professionals for two days of innovative content, insightful discussions and networking opportunities.

treasurers.org/mets24

16 OCTOBER | LONDON, UK

ACT DIVERSITY & SUSTAINABILITY AWARDS

Submit your nominations by 7 June for the inaugural ACT Diversity & Sustainability Awards to recognise the outstanding organisations and individuals that have championed positive change.

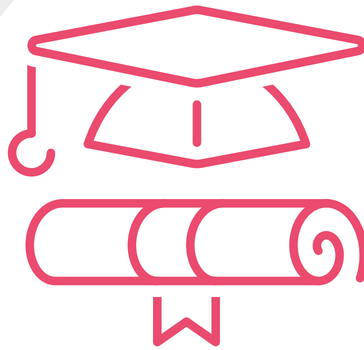
treasurers.org/deiawards

13 NOVEMBER | LONDON, UK

ACT ANNUAL DINNER

Join the treasury community for an unforgettable evening of sophisticated dining, philanthropy and entertainment at the ACT's flagship social event.

treasurers.org/andin24



Focus on life-long learning

A continuous pursuit of knowledge supports you in both your working and home environment, helping to structure your development and highlight the skills you have and want to develop

LEADERSHIP & CAREER

Whatever stage you're at in your career, continuous professional development can help you plan for, manage and meet your career goals. If you're new to treasury, it can help you keep track of the skills and knowledge you develop along the way. If you're an experienced practitioner, it is relevant to add to your skills, update your knowledge and support others.

Many ACT members will have completed a qualification, and our professional development scheme is designed to build on the knowledge you already have and to help you take small steps in your learning to develop your career.

The American philosopher Ralph Waldo Emerson said: "Life is a journey, not a destination." As you start a new membership year, it provides an opportunity to reflect and think about your own career journeys, what you have achieved in the last year and what you want to do in the coming year.

Benefits of professional development

There are a number of benefits to looking at your professional development, including:

1. Focus

When we assess what we want to achieve and then put together a plan on how to do this, it helps us to focus on the areas most important to us. This has the added benefit of giving us control – we can decide what we need to do, how to get there, how long it will take and what methods we will use.

2. Motivation

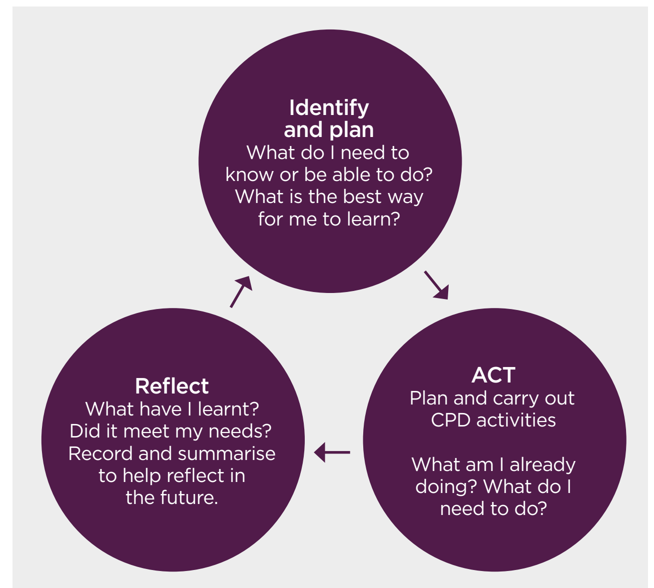
If you have a plan, with checkpoints and milestones, it can help you to visualise what you want to do, which can increase your motivation. Having a time plan can also help to steer your learning as it can break things down into manageable pieces.

3. Confidence

Being able to show what you have achieved – and knowing that you have put in the time to complete a task – not only increases your knowledge and skill set but also gives a sense of accomplishment.

4. Additional skills

There are often additional benefits – learning how to



develop your presentation skills can, for example, also develop your PowerPoint skills, or your relationship skills if you work with others to achieve this goal.

How does the ACT CPD scheme work?

The ACT has an output-based system for Continuing Professional Development (CPD), which focuses on the outcomes of your learning and not on hours or points. It is designed to put CPD in your hands – you should use your professional judgement to assess what activities you should be undertaking. The objective is to ensure that you meet your personal development goals and needs.

We ask members to work through a three-stage cycle (see diagram opposite):

Step 1: Identify and plan – identify your skill gaps and plan how to fill in those gaps
Step 2: Act – research and undertake your learning
Step 3: Reflect – evaluate the CPD activities undertaken and record your experiences.

Who needs to complete CPD?

All active FCT and AMCT members are asked to undertake and record CPD activity and submit a declaration as part of their annual renewal. Even if you are no longer working in treasury, on a career break or working part time, you will need to evaluate your needs and record what is appropriate for your professional development. However, our CPD resources are available to any member so, even if you are not an Associate member or Fellow, you can access the resources available.

What activities count towards CPD?

People learn in different ways and the ACT's CPD programme is designed to be as flexible as possible. Members may stay up to date with developments by:

- Reading *The Treasurer* magazine and the financial press
- Attending and/or participating in ACT conferences, for example the ACT Annual Conference
- Attending workshops, treasury networks, seminars, breakfasts etc.
- Learning about new developments in daily interactions with markets
- Researching a new topic.

Please visit **www.treasurers.org/cpd** or scan the QR code for more examples

New for May 2024

ACT members will be able to access the Community Hub, a space designed to enable you to connect and network with other members, tutors, guest speakers, and ACT staff.

The hub provides access to live online sessions, refresher courses and an ever-growing forum and resource library. Access:

- hot topics and masterclass sessions: join live sessions and Q&As with guest speakers
- our resource library: discover and learn new topics with our comprehensive library
- the discussion forum: a space for you to ask and answer questions and network with other members.

Find out more at **https://learning.treasurers.org/community-hub**

ACT CPD Accredited Employer Scheme

The ACT Accredited Employer scheme is designed to ensure that the commitment provided by employers to learning and development is acknowledged within the ACT CPD process. We know that many organisations provide structured and supportive professional and personal development programmes. The ACT accreditation scheme recognises this commitment.

Applying for CPD accreditation is straightforward and the scheme is free to join. Accreditation allows ACT members to automatically meet their CPD requirements through their company's in-house development programmes, with other benefits including organisation-wide CPD accreditation for all members, the use of a CPD marque, and a discount for members of the team who want to complete an ACT qualification.

To find our more visit **www.treasurers.org/membership/cpd-accredited-employers**

A day in the life: Equifax

Equifax, the consumer credit group, was named small treasury team of the year at the ACT's Deals of the Year awards. Here, international treasury manager Paul Fannon talks through a typical day at the New York-listed company

LEADERSHIP & CAREER

Paul Fannon (right) with Gabe Bonfield (Equifax treasurer) at this year's Deals of the Year Awards

How does a typical day begin?

The day begins in Dublin with a large pot of tea and dealing with anything urgent that came in from APAC or late US time. Mostly, the time before US opening hours involves project work, business-as-usual tasks and meetings with the EMEA/India teams. Once the US opens, the US team starts with their cash management tasks including commercial paper (CP) issuance, etc. Most cash forecast, tax, team and project meetings take place in the US morning/EMEA afternoon.

Gabe Bonfield, the treasurer, and me are in regular contact during the week as we're both involved in multiple work streams. We have a formal one-to-one meeting on Tuesdays where we coordinate and set goals for the week. There's a wider team meeting fixed on Wednesday where we catch up on what the whole team is up to and where we can support each other.

The team is made up of the treasurer, the assistant treasurer and a treasury analyst, all based in Atlanta. As the international treasury manager, I report to the treasurer and sit in Dublin. The team in this form has been together for about 18 months. Kinley Stubbs, the treasury analyst, was on a graduate rotational programme within the company and we were all delighted when she accepted to stay in treasury.

The assistant treasurer and treasury analyst focus on North American cash management, debt management and our US CP programme. They're also very much involved in a number of ongoing projects we have there. They also support the international treasury manager in administering the international cash pool and support international liquidity movements.

I focus on managing the company's intercompany loan portfolio, coordinating monthly cash forecasting calls between corporate and regional stakeholders, international liquidity movements, managing the cash pool and supporting our international businesses in their treasury needs. I also work on projects ranging from ensuring compliance to the treasury policy, to implementing the TMS, M&A due diligence and integration among others.

How does treasury fit in with the wider organisation?

The treasury team works hand in glove with the tax team, controllership and finance organisations. We meet quite regularly and always try to keep each other in the loop with anything relevant on the horizon. One consequence of such a lean treasury team is that we prioritise our relationships across the business as it's absolutely key to getting things done. This also creates a feedback loop where we're very clued up on where the business is going, its priorities and how we can support that.

We rely on local finance and controllership teams to do a lot of the day-to-day work of local treasury and we keep close to them and meet regularly to support them.

Just how important is it for treasury to be plugged into the overall business strategy?

Huge credit has to go to Gabe Bonfield on this who, as part of the key global leadership team, is very clued in to the business strategy, priorities and whose expertise is very valued by the executive team. He sought to establish treasury as a key facilitator of growth within the organisation through a number of key steps, big and small, that have been compounding over the last few years and continue to gain momentum and drive efficiency. This, coupled with our close relationship to the local business leadership gives us a global and local insight into the business.

Which projects are keeping you busy at the moment?

At the beginning of 2024, we signed contracts with Kyriba to supply our treasury management system (TMS). This is Equifax's first TMS, so we are all excited to get it

"We prioritise our relationships across the business as it's absolutely key to getting things done"

implemented and see what we can do with it. We're using our newest business in Brazil as our proof of concept before rolling it out to the rest of LATAM and then globally. We expect to derive huge value from Kyriba in terms of centralising cash management, improved controls, reporting, cash visibility, automation, as well as host of other KPIs.

A TMS is key to our treasury and business strategy of becoming a cloud native, scalable and growth-orientated organisation.

Security is our primary consideration in everything we do across the business and the treasury team has to be and is a leader in this within the organisation. I don't think Kyriba realised what that entailed until we got into the nitty-gritty with them. But we got it over the line. We have a number of security KPIs that we will be monitoring closely and the TMS is key to closing 'windows and doors' for potential security threats for the business.

After the TMS, we will look to expand the cash pool a bit further and we hope to centralise the treasury function some more and build on the potential of the TMS in terms of automation and AI.

Have there been any recent fund-raising and acquisitions activities?

Our key priority for 2024 is bringing our net debt levels back in line after a number of acquisitions in previous years. We have one bond rollover coming due in December, which we're actively looking at, and we're ensuring that we finish integrating our new Brazil business and setting it up for success with a number of capital investments there.

Finally, how does the day finish?

The day usually ends with a last scramble through my inbox to ensure nothing was missed, handing over anything that needs to be with my US colleagues and making a plan for the next day.

Equifax Inc. is a US multinational consumer credit reporting agency headquartered in Atlanta, Georgia. Equifax collects and aggregates information on over 800m individual consumers and more than 88m businesses worldwide. In addition to credit and demographic data and services to business, Equifax sells credit monitoring and fraud prevention services directly to consumers. Equifax was founded by Cator and Guy Woolford as Retail Credit Company in 1899.

IN NUMBERS

125
years old

24
countries

15,000
employees worldwide

$5.265bn
operating revenue

$717.9m
consilidated income before income taxes

14
acquisitions since 2021

On reflection

LEADERSHIP & CAREER

Ian Chisholm is a non-executive director and former group treasurer at Grosvenor

As I move to the next phase of my career – leaving full-time employment and starting my plural portfolio/non-executive phase – it seems an opportune time to reflect on the past 35 years of working life. The year 1989 really doesn't seem that long ago to me but when you are starting to recruit people into your team who were born in a different millennium, then you realise you must be getting on a little bit.

1989 was a momentous year in geopolitics – the fall of the Berlin Wall and the 'end of history' (copyright Francis Fukuyama). It seemed as if the world was moving in an inexorable direction towards liberal democracy – and this, coupled with the globalisation of trade, the opening up of China, the rise of global financial markets and the advent of connected technology, all seemed to point to a brighter, more prosperous future.

We had The Great Moderation in the UK in the 1990s and early 2000s – a period of above-trend growth, declining inflation and improving living standards – and perhaps 'boom and bust' had indeed been consigned to history books.

All this meant that those of us who had found their way into treasury at this point, whether by accident or by design, had following winds – although perhaps we didn't realise it at the time. With cross-border transaction costs reducing and communication improving, treasury centralisation was the name of the game as companies looked for financing and cost efficiencies. Our banking partners became more innovative (not always a good thing...) and took more risk, with lighter regulation, and we all know where that ended up.

Treasurers were certainly tested during the Global Financial Crisis, and for me, managing a large pension fund in the aftermath was a huge challenge and one of my most rewarding roles. It didn't feel like the early 2010s were a stable period, with austerity, euro crises, the Arab Spring and perhaps the dawning realisation that history had not finished, and the world order of the 2000s wasn't working for everyone.

However, I cannot deny that 12 years of desperate attempts to restart the world's economies with ultra-low interest rates and quantitative easing provided an unprecedentedly cheap funding regime for corporate treasurers (and investors in any financial assets). It was certainly an interesting time to be managing the funding part of the balance sheet in two large corporates.

Neither Brexit nor Trump significantly disturbed the financial markets' status quo even if they have had meaningful longer-lasting impacts in other ways.

And then, just when we thought it wasn't 'lower for longer' but 'lower for ever', along came COVID-19, shortly followed by Russia's invasion of Ukraine, and everything we thought we knew about interest rates and inflation was turned on its head. Those of us who got their first mortgage at a cost of 11% and lived through Black Wednesday the following year (16 September 1992 to be precise) were perhaps a little more prepared than our younger colleagues, but the shock to the financial system has been considerable.

So, what do I conclude from this mere scratch of the surface of recent history and my career in corporate treasury?

1. The past is not always a good guide to the future. So always do your scenarios and your stress tests, and understand your tail risks.
2. I echo the comments of the ACT's new chief executive in the last edition of *The Treasurer* – stay curious. Treasury is uniquely placed at the boundary between company and its cash flows and the financial markets, and to be the most effective in your job, you need to understand both.
3. Follow the money: always try to understand the incentives in any commercial transaction, and try to understand what behaviour this drives. Sometimes, not doing any transaction is the right decision, even if it doesn't generate any fees for your counterparty!

"Just when we thought it wasn't 'lower for longer' but 'lower for ever', along came COVID-19"

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