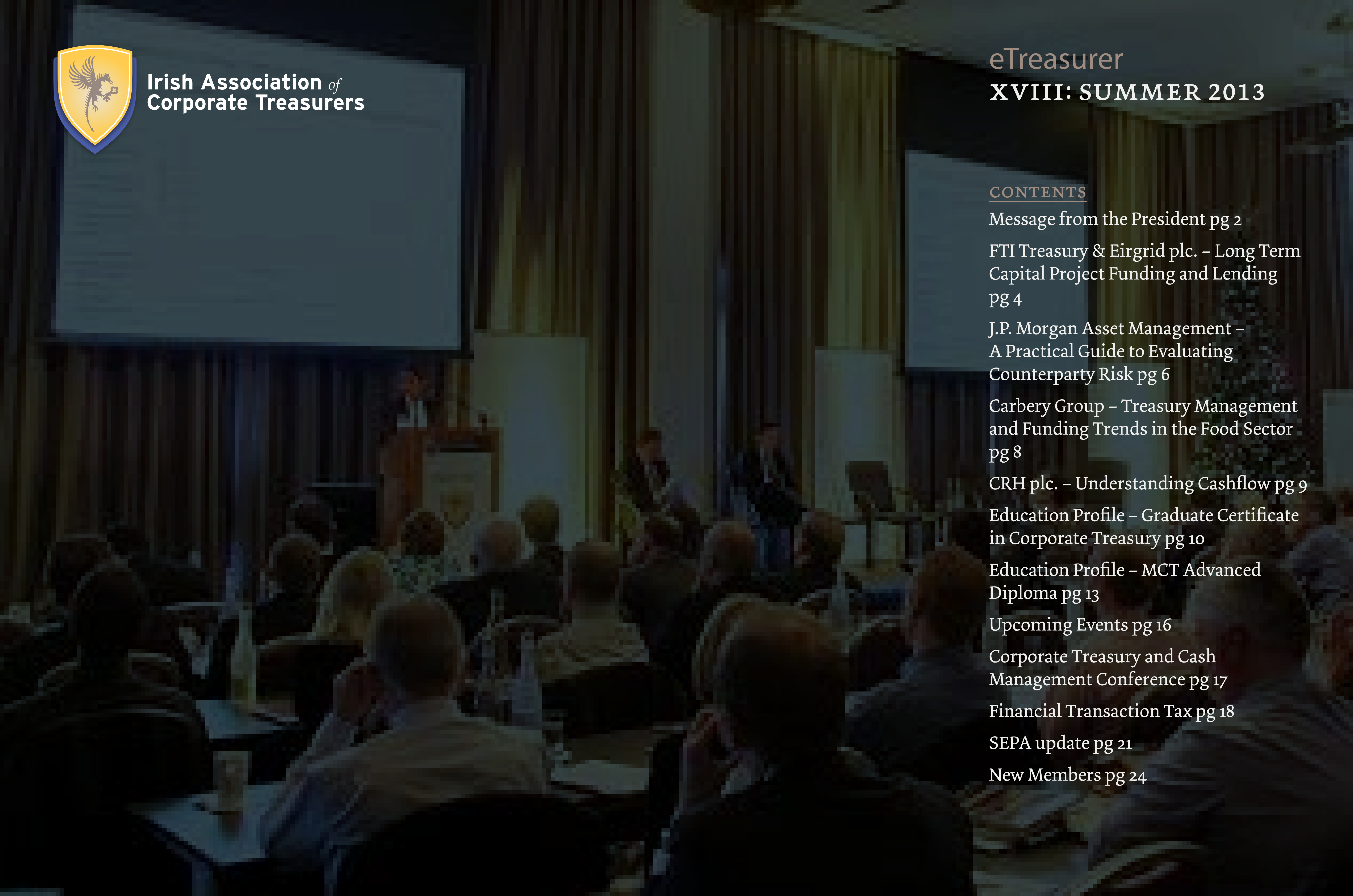

Irish Association *of* Corporate Treasurers

eTreasurer

XVIII: SUMMER 2013

CONTENTS

A message from the President

Patrick Corkery *President, IACT*

Well, first quarter over and we have a packed e-Treasurer to reflect what has been a very busy time for the Association. On behalf of the Committee, welcome to the second edition of the e-Treasurer for 2013.

Since the year began, there have been some headline events both at home and abroad that have managed to keep treasury related matters centre stage.

The summer may be only beginning (hopefully!), but we are nearly at the end of Ireland's European Presidency, already. A number of initiatives have been taken to try and improve the country's financial position, such as re-entering the bond market, exchange of promissory notes for long term bonds and attempts to extend the maturities on the bailout loans. We have also seen the ending of the bank guarantee and sales of Irish Life and other financial assets.

The liquidation of IBRC caused headlines and headaches, in equal measure. The reaction to the re-introduction, after an absence of nearly 2 decades, of a property tax and the rejection by the unions of the Croke Park 2 pay deal and a nationwide bus strike, shows us the appetite is not there for all the decisions of this Government.

The stirrings of dissent about austerity may be tempered somewhat, if the new lowest-ever ECB base rate of 0.5% has the desired effect of kick-starting growth in the Eurozone economy, which is currently experiencing unemployment at record levels in many countries, including our own. However many have noted that this may not offer solace to those on variable rate mortgages.

While last year, talk of Greece was to the fore, the situation in Cyprus has shown us that deposits in Eurozone banks are not necessarily sacrosanct, highlighting in a very real way the *topic du jour*, counterparty risk, which was the subject of our February briefing.

We have had three Dublin breakfast briefings and an evening meeting in Cork. A number of our patrons were involved in these presentations and this is invaluable in sourcing and hosting topics relevant to our members.

The year started with the Association co-hosting a briefing with the Financial Executives Association (FEA) and the ACT, which was a great opportunity for the IACT to showcase ourselves to the members of these other finance associations. One of our patrons, FTI Treasury, paired with Eirgrid plc to look at Long Term Capital Funding, while this was quickly followed in February by a look at Counterparty Risk, with another patron JP Morgan.

In March, a number of Dublin based members braved the snow to travel to Cork where Carbery Group presented to a joint IACT and CIMA audience taking a close look at the group's use of Reverse Invoice Discounting in conjunction with the Irish Dairy Board. In our most recent briefing in April, that old treasury staple, Cashflows, was examined by CRH plc, Ireland's largest company by valuation.

Upcoming events include long-standing patron Salmon Software looking at treasury management systems in our northside venue, the Gibson Hotel (May 21st), followed in June (Fri 28th) by a comprehensive look at SEPA from patron Danske Bank, new patron Sentenial and IPSO, the Irish Payments Services Organisation, in the Marker Hotel, Grand Canal Square.

The Association's golf day returns to Dun Laoghaire GC (June 14th) after being weathered out last year, when again the Perpetual trophy is up for grabs along with some great prizes.

Planning for the Annual Dinner in the Shelbourne Hotel (October 11th) and Annual Conference (November 20th) in the Gibson Hotel is well under way and anyone looking for further information on the conference should visit the conference website, www.corporatetreasury.ie .

In addition to the normal briefings, the Committee has been working on a new style evening event. While the details are still to be fully worked out, it is hoped to be both informative and entertaining as well as giving members a great chance to meet, away from the typical rushed itinerary that is the breakfast briefing. Keep an eye out on the website (www.treasurers.ie) and for mailshots on this new event over the coming months.

This edition of the e-Treasurer showcases a number of our members who have been very active recently with exams. Having undertaken the Graduate Certificate in Corporate Treasury course in DCU myself, the piece by Cormac Caslin, the current IACT Student of the Year has particular resonance with me.

As a companion piece we have an article from 2 of my classmates on that DCU course, Andrew Lunt and Peter Fehily, who this time last year were two of just six people to complete the full MCT Advanced Diploma with the ACT, which is a great achievement. Congratulations to all three on their success.

For any members thinking of undertaking further study, both these articles give a great personal insight into the courses and I am delighted that they have all shared this with us.

My thanks to the members, patrons and Committee who continue to support the Association, attend events and provide feedback, so that, like the Japanese management technique, *kaizen*, we can strive for continual improvement. I hope the recent change to warm weather augurs well for the remainder of the year!

Patrick Corkery *President, IACT*

Breakfast Meeting – FTI Treasury & Eirgrid plc.

22ND JANUARY 2013 – RADISSON BLU ROYAL HOTEL

Long Term Capital Project Funding and Lending

Justin Callaghan, executive Director at FTI Treasury and Aidan Skelly, CFO of Eirgrid were the main speakers at our first breakfast briefing of 2013, co-hosted with the Financial Executives Association (FEA) and the ACT Ireland branch and held on 22nd January in our usual venue, the Radisson Hotel, Golden Lane.

They gave a very insightful presentation on how Eirgrid and FTI worked together on a major capital project undertaken by Eirgrid. While the project presented many strong engineering challenges to its construction team, it also presented a series of complex financing and treasury challenges to the Eirgrid financial management team. They decided to ask FTI to work with them on these issues.

In 2008, Eirgrid started the development of the East West Interconnector (EWIC), a project which would provide a 500megawatts capacity link between the grids of Ireland and Britain - enough to power 300,000 homes. The benefits of this project to Ireland are multiple, including energy security for the Irish population, promotion of competition in the electricity sector, encouraging the growth of renewable energy in Ireland and allowing Irish companies to sell power to Great Britain and vice-versa.

The total project cost was €600 million with a 25 year time horizon.

The project was funded through a split funding model comprised of €460m in debt and €140m in equity and grants. Eirgrid secured €300m of the required debt via a European Investment Bank 25 year annuitised facility. The remaining debt of €160m was secured from the commercial banking partners of Eirgrid.

A number of key treasury issues faced Eirgrid on the basis of this project. Having secured the necessary funding, the main treasury challenges involved Commodity Exposure, Interest Rate exposure, and Treasury Administration/Systems. Eirgrid recognised the specialist nature of these treasury challenges and for these reasons they decided to engage FTI Treasury to assist with their management.

John Moclair, ACT, Justin Callaghan, FTI Treasury, Tom Barrett, FEA, Aidan Skelly, Eirgrid and Patrick Corkery, President IACT

The development of the East West Interconnector required a significant volume of Copper, Lead and Aluminium to be acquired by the project team. Whilst ABB were the contracted builder of the EWIC, the negotiated agreement included a commodity claw back clause which meant that Eirgrid would bear the full exposure to movements in commodity prices. FTI Treasury worked with Eirgrid to develop and implement an option based hedging programme to neutralise the exposure to commodities and ensure that the project could be brought to completion within the budgeted pricing requirements.

The long term nature of the commercial bank and EIB funding meant that Eirgrid would have a considerable interest rate exposure over the life of the project. FTI worked with Eirgrid to develop a suitable interest rate hedging strategy and to implement this with Eirgrid's banking partners. The historically low levels on long term swap rates made it attractive to eliminate interest exposure using plain vanilla float to fixed swaps. By implementing this strategy Eirgrid were able to lock in considerable savings against budgeted interest costs over the life of the project.

As a result of the EWIC project, Eirgrid's treasury operations moved from a relatively straight forward position with limited debt and derivatives, to a far more complex position. A key consideration for Eirgrid was the ongoing management of the debt portfolio, associated interest rate derivatives and hedge effectiveness testing. FTI Treasury proposed an outsourced solution to these issues whereby the treasury front office staff at Eirgrid access FTI's web enabled treasury systems for deal input and reporting. FTI provide expert back and middle office services to Eirgrid to ensure that adequate segregation of duties is maintained. This solution proved to be a cost effective way of managing treasury systems and staffing requirements.

The EWIC project was successfully completed on budget and Eirgrid continue to manage their treasury operations with the assistance of the outsourced services provided by FTI Treasury.

Jimmy Doyle, IACT Committee

Breakfast Meeting – J.P. Morgan Asset Management

20TH FEBRUARY 2013 – RADISSON BLU ROYAL HOTEL

A Practical Guide to Evaluating Counterparty Risk

J.P.Morgan

Jimmy Doyle, EACT representative, Laura Bender and Jason Straker, JPMorgan, and Patrick Corkery, President IACT

If you owe the bank $100 that's your problem. If you owe the bank $100 million, that's the bank's problem. This quote, attributed to the American industrialist J. Paul Getty, was often cited during the financial crisis and is perhaps indicative of a revitalised interest in counterparty risk, which is traditionally part of the corporate treasurer's remit. Over 80 treasury professionals attended the IACT's breakfast briefing, hosted by the IACT's patrons J.P. Morgan, to hear from Jason Straker and Laura Bender how J.P. Morgan Asset Management ('JPMAM') practically evaluates their counterparty risks.

Jason first defined credit risk as the risk that arises when an investor enters into a transaction with some form of payment from another party. The opposite party in the transaction may not fulfil their contractual obligation, which is default risk and a subset of credit risk. If such a situation occurs, the investor will most likely face delays in receiving payment, which also introduces liquidity risk as the expected payment may now have to be funded from alternative sources. At the beginning of the credit crisis, this liquidity risk was the main concern causing banks not to lend to each other. Lastly, the investor may also be exposed to execution risk as repayment may happen in another form, e.g. another currency or another instrument.

When assessing credit risk from the point of view of an Asset Manager, headline risk also needs to be taken into account. When investors read headlines about a certain investment that is part of the fund, there can be flight risk from the investor out of the fund. This creates liquidity risk for the fund manager as a fund often aims to hold investments to maturity.

How is this risk then translated? JPMAM operates a matrix that is dependent on the Moody's ratings, which are classified into an internal scale. Then for each of the internal rating levels a separate limit is determined for (a) the days to maturity, whereby the worse the rating gets, the shorter the limit becomes, and (b) a concentration limit as a percentage of the total portfolio. This concentration limit is not set on a mark-to-market basis. If the credit quality of an investment deteriorates, both exposure and time to maturity will be shortened.

Attendees at the JPMorgan breakfast briefing

In order to assess credit risk effectively, JPMAM have classified investments into 14 sectors. Each investment is assessed by analysts specialising in that sector. To illustrate the different attributes of these different assessments, Jason showed how sector specific considerations would apply to evaluating sovereign risk, corporate (non-financial) risk and banking risk. Each of the components for assessing these sectors were very different from each other. For example, when assessing sovereigns it is not only the ability to repay that needs review, but also the willingness to repay. For assessing the credit quality of a bank, the results of stress tests contribute towards establishing the credit quality. However, a consistent element of evaluating credit risk across all sectors is understanding your place in the queue when things go wrong.

Many thanks to Laura Bender and Jason Straker for sharing their valuable insights with us.

If you are interested in hearing more about this or would like a copy of the slides, please contact Laura Bender on +44 (0)20 7742 4943 or laura.n.bender@jpmorgan.com

Remco de Vries, IACT Committee

Southern Region Evening Meeting – Carbery Group

27TH MARCH 2013 – RIVER LEE HOTEL, CORK

Treasury Management and Funding Trends in the Food Sector

CARBERY

Ray O'Connell, Carbery. John Finn, Treasury Solutions, Susan Burke, CIMA, and Patrick Corkery, President IACT

IACT and CIMA held a return of the Spring meeting for the first time in 2 years in the Southern Region on March 27th last. In keeping with previous events of this nature, it was a presentation by a large corporate operating in the Munster area. The company in question is Carbery Group which is a major international manufacturer of food ingredients, flavours and cheese, headquartered in Ballineen West Cork with manufacturing, R&D and marketing capabilities in Europe, North America, South America and South East Asia. Carbery is owned by four Irish co-operatives and currently employs over 500 people globally and in 2011 had a turnover of €257m.

The presentation was delivered by Ray O'Connell (FCA) Group Treasurer Carbery Group. In his role, Ray not only specialises in the area of treasury management but also includes financial reporting and strategic tax planning and working on M&A teams including Carbery's most recent joint venture in South America with Brasil Foods (BRF). Ray gave a detailed presentation on the company, the recent acquisitions and Joint Venture in Brazil and financing of the operations. In particular he gave an insight into the operation of the industry Reverse Invoice Discounting (RID) arrangement which operates between the Irish Dairy Board and the ten co-ops that work with the Dairy Board.

The event was "bookended" by Susan Burke, Chair of Cork/Kerry CIMA and Patrick Corkery, President IACT.

Over 40 people attended on the evening, continuing to underline both the attraction of an event of this nature and the successful partnering with CIMA in an area of mutual interest to respective members of IACT and CIMA.

We look forward to hosting the now obligatory Winter Briefing in November and are examining the possibility of co-hosting regional events in other parts of the country on the back of the success of the arrangement in the Southern region.

John Finn, IACT Southern Region Organiser

Breakfast Meeting – CRH plc.

16TH APRIL 2013 – RADISSON BLU ROYAL HOTEL

Understanding Cashflow

Dimitris Karagiorgis, CRH and Patrick Corkery, President IACT

Brian Wallace, Keith O'Leary and Mona Shaker of Barclays

The latest breakfast briefing event hosted by the IACT was a well received event with upwards of 90 enthusiastic and interested attendees. The audience was a good mix drawn from both the corporate treasury and banking communities and the splendid breakfast service provided by the staff at the Radisson Hotel in Golden Lane ensured that this discerning crowd was properly fuelled for the morning's main event.

The keynote speaker was Dimitris Karagiorgis, Group Treasury Accountant at CRH plc., who provided a very interesting insight into the cashflow management and analysis approach at CRH with much for both accountant and treasury professional to appreciate. Of particular note was the increasing importance that is not only placed on analysing cashflow but also in utilising these flows as effectively as possible in attaining that right mix in terms of managing the costs of debt facilities.

In addition, Dimitris touched upon other factors that inform the treasury and cash management process at CRH, including considerations around the credit rating and the impact of such ratings on access to, and cost of, debt finance.

Over the course of fifty minutes the audience were given an in-depth analysis of the reported cashflow of CRH over the past year. This was followed by a question and answer session where the audience were particularly interested in the debt management approach of CRH as well as the steps CRH have taken in the past year to mitigate exposure to EUR deposits over weekends.

All in all the event was a great success leaving the audience with quite some food for thought.

Lorcan Travers, IACT Committee

Graduate Certificate in Corporate Treasury, Dublin City University

Cormac Caslin, IACT Student of the Year 2012

I completed the Graduate Certificate in Corporate Treasury in Dublin City University (DCU) last year and would have no hesitation in recommending it to you, or anyone in your team, if any of the following apply:

- Do you want to get into treasury or have you started in this area?
- Do you need to broaden your knowledge of treasury beyond the confines of your current role in order to take on the challenges of a wider treasury function?
- Do you seek to understand what your organisation is striving to achieve in Corporate Treasury?
- Do you struggle to see the bigger picture in the global currency and funding markets?
- Do you want a postgraduate university qualification with the industry's professional body stamp of approval?

This course does a great job in delivering on all of the above and it will certainly fulfil all CPD needs.

It is run by DCU in conjunction with the IACT, but it is certainly not delivered by old fashioned academics, rather a mix of enthusiastic lecturers and over a dozen industry guest speakers.

DCU is an attractive proposition for the executive. It provides a compact campus with all the facilities you would expect from a good university, for example:

- You won't learn a great deal in the glass library building but you can borrow a text book to check the detail of a VaR calculation. More often, I made full use of the online resources which are accessed through the university website, which provides further relevant reading and lecture presentation copies.
- It is easily accessible from the M50 and has convenient on-campus parking.
- You can visit the gym or go for a swim after a Saturday morning lecture.
- Best of all, you can escape for a few hours to the relaxed environment of the 'Executive Centre' upper floor of the modern DCU Business School with like-minded treasury people.

With a class size of only twenty-five and small groups for project work, there is plenty of interaction and cross-pollination of ideas and debate. As participants come from the spectrum of corporates and banks and typically have a few years of 'finance' work under their belt, there is a real melting pot of experiences.

The course runs from September to May, however it effectively consists of twenty-four Saturday mornings and twenty-four Wednesday evenings. It is split over two semesters with formal written examinations at the end of each.

If like me, you are new to treasury and have a busy day job, you will appreciate the course structure which is designed to allow you to absorb topics at a reasonable pace.

- Semester I is more academic and delivered in a traditional lecture format. It progressively lays the foundations for the practical content to come in Semester II. While all the Semester I material is certainly interesting, some sections appear a little distant with working reality (e.g. CAPM). Nevertheless I recommend you take the most personally relevant sections of the course at this time and explore them further, during these early weeks. I developed what we learned from the FX section, which today remains one of the cornerstones of my daily work.

- Semester II is a mixture of academic lectures and a series of industry guest speaker presentations. These experts provide up-to-date and practical advice on a wide range of treasury topics, calling a spade a spade and not shirking the hard questions thrown during the spirited concluding Q&A sessions. The speakers ranged from bankers, venture capitalists, corporate treasurers, partners at Big 4 auditing and law firms and even a Finance Director from an Irish FTSE250 plc.

The course content is good. It covers the key corporate treasury disciplines, namely corporate financial management, cash and working capital management, international financial markets, funding and risk management. The University responded to our request for training in the use of the faculty's Bloomberg terminal with additional classes. I hope this can be expanded for future students, as I am certain some would appreciate getting designated 'hands on' access to the terminal. Furthermore as the IACT select the guest speakers each year, the content will always remain live and relevant.

The examinations do require preparation and if, like me, you are out of practice, please remember the old advice of strict time management and legible handwriting for the series of two hour written exams (closed book).

The exception is the module based solely on a Corporate Treasury group case study which is assessed upon students' written reports and oral presentations. It is devised by Irish treasury industry practitioners to reflect current issues facing Irish corporate treasury departments. Success in the case study depends upon your application of what your group has learned from the course and your work experience.

The course awards a Graduate Certificate in Corporate Treasury, which along with membership of the IACT allows use of the 'MIACT' letters. If you wish to deepen your knowledge in the area, there are two good opportunities for further study: For those working in the financial services area, DCU offer a two year part-time M.Sc. in Investment, Treasury and Banking. For those working in corporate treasury, the UK Association of Corporate Treasurers offer a fifteen month part-time MCT Advanced Diploma.

In summary, this will be a rewarding year for any aspiring treasurers. You will understand both the big issues in treasury and the practical application of treasury fundamentals. It won't give you all the answers in the fast moving and complex world of treasury, but it will explain all the fundamentals, challenge you to apply them and tell you where to get help. Your classmates will become friends and you will develop a valuable network of treasury professionals.

Former IACT President Barry Dempsey presenting Cormac Caslin with the DCU Student of the Year award.

The course fee is approximately €4,000 and further information is available at the DCU Business School website: www.dcu.ie/dcubs

On a final note, I would like to thank my boss and Glen Dimplex for providing the opportunity to undertake, and covering the cost of, the course.

Cormac Caslin achieved first place in May 2012 on the Graduate Certificate in Corporate Treasury in DCU and was awarded the IACT Student of the Year. He is the Group Risk Manager for Glen Dimplex, based in Dublin.

Founded in 1973, Glen Dimplex is now the world's largest electrical heating business and holds significant market positions in the domestic appliance industry worldwide. With an annual turnover of €1.5 Billion, the Group employs 8,500 people.

LEARN MORE

MCT Advanced Diploma in Treasury, Risk and Corporate Finance (MCT)

Andrew Lunt and Peter Fehily, Securitas

Having both completed the Graduate Certificate in Corporate Treasury at DCU in 2007 we were looking for further courses that would build on the Treasury knowledge already acquired, hopefully allowing us to further our own career opportunities.

The UK Association of Corporate Treasurers (ACT) offer a number of subject specific Treasury courses covering varying topics such as International Cash Management, Financial Modelling and Risk Management. These Certificates can be studied on an individual basis or as elective subjects as part of the AMCT Diploma in Corporate Treasury. The AMCT Diploma is viewed as being on a similar level and covers a similar syllabus to the Graduate Certificate in Corporate Treasury offered by DCU.

The DCU qualification (as well as certain other professional qualifications) offered fast track entry to the MCT Advanced Diploma in Treasury, Risk and Corporate Finance (MCT), the highest level qualification offered by the ACT.

This course assumed a good understanding of the fundamentals of treasury, risk and corporate finance gained through your previous study or experience before commencing. It is a qualification that would build an understanding of the strategic impact of treasury decisions and how they affect shareholder value. The demanding study programme is specifically focused on corporate finance, the starting point for treasury, and gives a holistic view of the commercial and financial challenges facing a business.

> *The attraction of the syllabus, for us, was that it took the base knowledge obtained from the DCU course with a view to being able to apply to specific situations. There was less emphasis on learning new facts, more on the application to real world scenarios. It emphasised the strategic implications of decisions not only within Treasury but also the wider company.*

> *The MCT is primarily a distance learning course, therefore offering a certain flexibilty as to scheduling the study, with no set requirements to attend (UK based) lectures etc. With a young family this flexibility was ideal.*

The course is split into 5 study units :

Study Unit 1 – Treasury Strategy

Begins with a review of corporate strategy and goes on to establish the context for treasury as part of that strategy. The investor's view of risk and return is then considered, looking at the implications for financial management. The construction of financial strategy is explored with its implications for financial risk and how this might be undertaken.

Study Unit 2 – Treasury Applications

Taking the knowledge and skills developed in study unit 1 and applying them to the problems that arise in modern treasury in today's firm, understanding and then solving, multi-faceted problems. The exercises require evaluation of issues while understanding the relationships between treasury, management, finance, business operations and the external world.

Study unit 3 – Strategic treasury solutions

Development of analytical and practical skills and professional judgement, enabling you to engage with any real-world finance or treasury issue with confidence. Study Unit 3 consists of two case studies which are based on real-life organisations, providing an opportunity to examine theory in practice.

Study unit 4 – Revision and examination

In this unit, you will revise the knowledge and skills gained during the course, work through past paper exam questions, and take part in a revision tutorial. The two examinations are designed to test understanding and strategic application of knowledge.

Study unit 5 – Project

Undertake an individual project on a subject of your choice. This provides an opportunity to apply the knowledge and skills developed to a subject of particular interest to you, and to deal with a current issue that involves in-depth research and planning.

MCT is delivered via an e-learning website which contains all your study materials plus access to a tutor guided forum. The structured e-learning site takes you through the course step-by-step with a clear timetable for each unit. During each study unit there are two tutorials where exercises are completed and submitted – discussion will either take place via the online forum or in classroom (at the ACT offices in London).

The course notes were clear, concise and well structured. The tutors were accesible, with any questions or requests for clarification answered promptly and effectively.

One of the main disadvantages of taking this course, whilst based in Ireland, is that although the online forums offer good interaction, you do miss out on the social and networking opportunities that a local classroom based course may offer. Also, undertsanding of certain topics may benefit from face-to-face tuition. It was useful having a colleague completing the same course as this allowed discussion and exchange of ideas to help each other along.

Assessment is by the following :

– Two tutor marked assignments (set questions) – completed after the Study Units 1 and 2 (each 2.5% of final mark)

– Online contribution to Case Study module (5%)

– Two 3 1/2 hour exams – General and Case Study (35% per exam)

– Individual Project (approx 10,000 words) (20%).

Both exams are testing in different ways. For the General exam, knowledge of the entire course material is assessed. The questions do not look for the student to regurgitate information but test the student's ability to apply knowledge thus demanding a real understanding of each topic.

The Case Study exam is quite unique in that background materials including company, industry and other information are provided one week in advance. This tests your ability to apply knowledge gained to a real life scenario. It also provides an opportunity for students to interact and exchange ideas on the on-line forum.

All questions in both exams are compulsory, demanding an in-depth knowledge of the entire course.

For both of us, the Project was the most daunting aspect of the course. The short time frame (c. 10 weeks) in which to research and write a 10,000 word document was challenging. The topic was agreed by a project supervisor who provided ongoing feedback and direction throughout the module. This feedback was invaluable.

Duration of the course is 15 months with a suggested study time of 10-12 hours per week

In our opinion, one would find it challenging to complete the full course in 15 months. It is possible to defer study units / exams to allow for individual circumstances. The only proviso is that you must complete the course within 4 1/2 years of your original start date.

From start to finish it took us both a little over 2 1/2 years to complete – during this time we both had new additions to our families. Juggling the study with work commitments and sleepless nights was a tricky combination.

The recommended study time is a large commitment when factoring in work and family life. The 10-12 hours was the average over the duration of the course – with more time being spent leading up to exams / project submission.

Keeping up momentum was important. To lose ground on the timetable would mean that it would be difficult to catch up. Also, during the various modules, tasks were to be completed and posted onto the online forum to promote discussion. These discussions were very useful in improving our own understanding.

The current cost of the course is GBP 7,560 +VAT. This could be seen as prohibitive in the current economic

Andrew Lunt and Peter Fehily, Securitas

climate. We are therefore thankful to our employer, Securitas, who agreed to reimburse the cost, on successful completion. Such an incentive was very much needed during the long days and nights revising for the exams or writing up the Project!

In summary, this was a challenging but very worthwhile course in which we broadened our theoretical knowledge whilst improving our strategic thinking. It was also useful to gain experience in writing a thesis. Distance learning can make it difficult to maintain enthusiasm and discipline. The course is quite specialised and in our view is really only of interest to those who wish to further pursue a career in treasury and finance.

The next course starts in September 2013 with an enrolment deadline of 15th August 2013. Further details regarding the course and the various exemptions can be found at *www.treasurers.org/qualifications/mct*

SECURITAS

Peter Fehily is a Treasury Accountant working at the Securitas Group Treasury Centre, in the IFSC. He has been in the role for 12 years. Prior to joining Securitas he worked with Citibank.

Andrew Lunt is a Treasury Dealer also working at the Securitas Group Treasury Centre. He has been in the role for 7 years. Prior to joining Securitas he held roles with MBNA and KPMG in the UK.

Securitas is a global knowledge leader in security. From specialised guarding, technology solutions and consulting and investigations, we customise offerings that are suited to the individual customer's needs. The size of our customers varies from the "shop on the corner" to global multi-billion dollar industries. We employ 300,000 people in 51 countries in North America, Europe, Latin America, Asia, the Middle East and Africa.

The Securitas Group Treasury Centre is responsible for management of the treasury activities of the Parent Company and the Group from its offices in the IFSC, Dublin. The staff of nine treasury professionals manages, among other things, external and internal funding, interest rate risk, FX risk, cash management, capital structure and treasury accounting.

21ST MAY 2013

Breakfast Meeting

Topic: Selecting and Implementing a Treasury Management System

Presenter: Salmon Software

Venue: The Gibson Hotel, 02 Village, Dublin 1

Time: 7:30am – 9:00am

28TH JUNE 2013

Breakfast Meeting

Topic: Corporate SEPA readiness; the current state of play and how to get ready

Presenters: IPSO, Danske Bank and Sentenial

Venue: The Marker Hotel, Grand Canal Square, Dublin 2

Time: 7:30am – 9:00am

14TH JUNE 2013

IACT Golf Outing

Venue: Dun Laoghaire Golf Club

Format: 3 ball Team event and 18 hole Stableford Competition for our Perpetual Trophy followed by BBQ and prize giving

Cost: €75 per person

11TH OCTOBER 2013

Annual Dinner

Venue: The Shelbourne Hotel, St Stephen's Green, Dublin 2

20TH NOVEMBER 2013

Corporate Treasury & Cash Management Conference

Venue: The Gibson Hotel, 02 Village, Dublin 1

For details visit our website *www.corporatetreasury.ie*

For bookings and further information of all events, contact Michele at *info@treasurers.ie*

Corporate Treasury & Cash Management Conference 2013

2013
Corporate Treasury & Cash Management Conference
Presented by: Irish Association of Corporate Treasurers and Summit Focus Ltd

20TH NOVEMBER 2013 –
THE GIBSON HOTEL

The 2013 website will be available shortly but meanwhile, soak up some of the 2012 event atmosphere **here**.

This successful annual conference – www.corporatetreasury.ie – provides **treasurers, finance directors and CFOs** with the opportunity to enjoy keynote addresses by leaders from the worlds of treasury, finance, business and regulation – sharing their expert opinion on current challenges, industry best practices and innovative strategies.

This year's event promises yet another challenging line up of treasury relevant topics including **Investing In A World Of Change** examining how to maximise your investment strategy in a low yield environment; **Alternative Funding Options For Treasurers** including supply chain financing, factoring etc.; **Bench Marking & Treasury KPIs** exploring what today's treasurer is focusing on such as treasury governance; expert analysis on **Liquidity Funds In The Emerging Markets**, careful exploration of the ongoing **Changing Regulatory Landscape & Its Implications For Treasurers** including SEPA, EMIR, CRD4, banking union and many others; a new look at **What Treasurers Are Doing With Pensions** and some innovative approaches as well as sessions on **Cash & Liquidity Management Strategies**, the ever popular **Treasurers' Opinion** session and the **Leader's Chair** closing session.

While benefitting from in-depth technical sessions on core treasury topics, delegates join in the debates, exploring treasury specific issues arising from the current challenging banking landscape & economic environment.

And of course the annual conference continues to provide an excellent one day opportunity for the Association and its members to **meet with Ireland's treasury sector leaders and their local and overseas based service providers**. The conference continues to help build existing relationships while also helping to develop new industry connections.

Join our LinkedIn Conference group today for updates and contribute to the discussions online **here**.




Financial Transactions Tax (FTT)

Implementation by the EU11 – Impact on Irish Treasury Operations

Denise Peppard, Manager, Ernst & Young

Paschal Comerford, Director, Ernst & Young

The Financial Transaction Tax (FTT) that is being introduced collectively by a number of EU States (the EU11) under the enhanced co-operation mechanism will have world-wide repercussions and will impact companies, like treasury operations, in unexpected ways. The purpose of this article is to help Irish treasury operations start to think through how it might impact them.

In summary, Irish treasury operations will need to be aware of this tax in their dealings with:

- EU11 based financial institutions;
- EU11 based non-financial institutions where the Irish company is itself a financial institution (as defined in the Directive); and
- Non-EU 11 counterparts where the transaction is over an instrument issued within the EU11, again where the Irish company is itself a financial institution.

The establishment rules are broadly defined and, for example, can deem a financial institution outside the EU11 (such as certain treasury companies) as established in the EU11 where they transact with an EU11 counterparty. Non-EU 11 financial institutions may therefore have concerns around the territoriality of the proposed directive.

What kinds of transactions are in scope?

This new tax applies to all financial transactions over financial instruments where a financial institution established (or deemed established) within the EU11 is a party to the transaction. Financial instruments include transferable securities, money-market instruments, units in collective investment undertakings, options, futures, swaps, CFDs, etc.

The types of financial transactions that are in scope include:

- Purchase, sale and transfer of a financial instrument before netting or settlement;
- Conclusion of derivatives contracts;
- Repurchase agreement or a securities lending and borrowing agreement;
- Exchange of financial instruments; and
- Material modification of any of the above.

Spot currency transactions are out of scope, as are insurance contracts, the making of loans, payment services, and the issuance of debt and equity transactions. Transactions with central depositaries as well as central banks of Member States, the ECB and various other EU bodies are also specifically excluded from the tax.

For the in scope transactions, there are no exemptions. Therefore intra-group financial transactions may be taxable. Also, the definition of financial transaction is not limited to on-market transactions.

How much?

Instrument	*Taxable amount*	*Minimum tax rate*
Derivatives	Notional amount being the underlying nominal or face amount that is used to calculate the payment made on a given derivative contract.	0.01% (1 BPS)
All transactions other than derivatives	Consideration paid (or market price if higher).	0.1% (10 BPS)

Establishment rules supplemented by an issuance principle

The establishment rules mentioned above are also supplemented by an 'issuance principle'. This principle deems both parties to a financial transaction to be established in the EU11 where neither party is already regarded as, or deemed to be, established in the EU11 in relation to certain transactions. The relevant transactions include transactions in financial instruments (such as shares, money-market instruments, derivatives, etc.) which are 'issued' within the EU11. For example, an Irish company sells shares in a German company to a US company. The Irish and US companies are deemed to be established in Germany and the contract is taxable for both parties.

'No link'

Where the person liable for payment of FTT proves that there is no link between the economic substance of the transaction and the territory of any EU11, that person shall not be deemed to be established within the EU11. This exclusion would seem to have a number of difficulties particularly given the real time nature of the tax, the complexity of the financial markets and implied high burden of proof.

'A little tax with global reach'

The lack of market maker exemption (which has been included in the French and Italian FTTs) means that there will be at least double taxation on each transaction. The actual tax cost is likely to be significantly higher than the minimum rates set particularly where a transaction involves brokers, etc., (known as the 'Cascade Effect').

The following examples illustrate how the tax is expected to apply:

1. An Irish treasury company uses a French broker to enter into a forward agreement with a bank in Germany. The treasury company is deemed to be established in France and FTT is due twice in France at national rates on the first leg of the transaction and once in France and once in Germany on the second leg of the transaction at their respective national rates.

2. An Irish treasury company enters into a share transaction with the French branch of a US bank. The French branch is deemed to be established in France and as a result so is the Irish treasury company. FTT is due twice in France at national rates.

3. An Irish treasury company lends money to a Spanish associate. The making of loans is outside the scope of FTT.

4. An Irish treasury operation hedges the interest rate on group external borrowings used to finance the operations of a Portuguese associate through an interest rate swap with a UK bank. The Irish treasury company would need to prove there is no link between the economic substance of the transaction and Portugal in order for the tax not to apply.

What next?

– The proposed directive will now be subject to further discussion and negotiation between all EU Member States, but needs only the unanimous approval of the EU11 in order to be adopted.

– The non-EU11 jurisdictions and other interested parties are expected to press to protect their interests.

– The proposed directive envisages that the EU11 will adopt domestic law and administrative provisions by 30 September 2013. Implementation is proposed for 1 January 2014. These deadlines seem ambitious.

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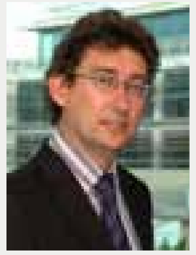

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SEPA – Are you Ready yet?

Brendan Sweeney, Corporate Sales Manager, Sentenial

The Irish Corporate Readiness Experience

It is still quite evident that preparations and readiness for SEPA across the Irish Corporate marketplace is quite low. Sentenial are working closely with many of Ireland's large corporate Direct Debit Originators across the Insurance, Telecoms, Utilities and other sectors as they prepare for the upcoming SEPA deadline, 1st February 2014. For sure, the landscape has been mixed, some Companies have very established in-house development programmes long underway and their preparations are well advanced. Others to an extent remain 'at the starting gate' and have been slow in making plans for SEPA. The SEPA project is complex and really can go way beyond the perception that it is mostly around the need to develop perhaps a new file format for delivery to my bank. The reality is that adopting SEPA within your business is a very significant business transformation change project that is likely to permeate and impact across many parts of the business.

About Sentenial

Sentenial Ltd was founded in Ireland in 2003 to provide payment management solutions to Corporates and later to Banks. Sentenial has thus always had its product focus on payment services and especially Direct Debit origination. The company began to grow rapidly servicing several hundred corporate customers across Ireland and the UK.

With the announcement of SEPA, a key business decision was made to make SEPA payment and transition services for both corporate and banks its single product focus.

Sentenial is the specialist provider of SEPA payment solutions for Pan European banks and corporates.

Sentenial has to date been selected by five of Europe's top ten Banks for the provision of hosted white-labelled SEPA Origination services to their pan-European Corporate clients.

In addition to that, Sentenial has also been selected and is being used by many banks across Europe in the provision of clearing services.

With the experience of implementing and supporting live enterprise SEPA solutions across 19 countries, combined with a proven track record in the on-going provision of Payment Management services to Corporates in domestic payment schemes, this led Sentenial to its natural next phase, SEPA solutions for Corporates.

In November 2012 Sentenial announced a further expansion programme based on a €20million investment which further underpins the Sentenial commitment to the delivery of SEPA services prior to the SEPA end date of 1st February 2014.

The SEPA Project

Even though the SEPA deadline date for readiness is the 1st February 2014, the reality is very different. Most Companies consider their own internal deadline date somewhere around 31st October 2013 at the very latest. This is driven by the fact that Companies typically enter into IT change freeze periods in the latter months of the year coupled with the fact that, with year- end reporting deadlines, January is very much focussed solely on that challenge.

Given that SEPA is a complex undertaking, some Companies, without having the in-house systems infrastructure or the required knowledge or experience, are looking at alternative approaches. In this regard organisations may consider engaging with a third party provider like Sentenial, who provide expertise in delivering SEPA solutions. It is also important to fully understand the many benefits SEPA can offer and approach this migration as a business opportunity and not solely a compliance issue. It is critical that Corporates develop a clear project plan for SEPA that fits their own needs and requirements.

An in-house impact assessment may initially be beneficial to identify all business aspects that will require change.

How to progress with the SEPA project will then very much depend on your business dynamics. The requirements for Corporates can vary considerably. To bring clarity to your SEPA strategy many key internal business drivers will need to be considered:

– **In-House Systems** - the extent of internal ERP and in-house systems capabilities, are the Company willing to invest further on in-house legacy systems. Is there a likelihood of replacing existing systems at some future point?

– **The Business Model** - channels available to customers to purchase your product/service, presence of an on-line, call centre, retail store channels

– **Transaction Volume** – levels of SEPA Direct Debit Mandate & Transaction volumes being processed

– **Level of Integration** – requirement for a web serviced integrated solution

Your business dynamics will dictate the appropriate strategy in terms of a SEPA solution for your organisation. It is important to understand that, as SEPA is extremely immature within the market, the “SEPA Rule Book” is constantly evolving and changing. What was applicable last year may now be different this year.

Sentenial SEPA Solutions and Services for Corporates

Sentenial’s aim is to allow any organisation become SEPA ready with minimal change required to existing processing systems. This applies to the needs of both corporate and bank clients. Sentenial has been developing an award winning product suite since 2003 to meet these objectives. Within SEPA the needs for banks and large corporates are quite different, this has led to the development of sister products Origix Corporate and Origix IP.

Origix Corporate, Sentenial’s corporate product suite, is a complete SEPA Direct Debit compliant payment processing solution. Origix Corporate is made up of three integrated modules that can be deployed as required, covering every aspect of the SEPA-migration process from initial migration (including migration of existing legacy mandates and full paper handling services), to on-going management and transaction processing.

Origix Corporate allows a business-as-usual approach to the SEPA Direct Debit scheme, leveraging all of the benefits offered by SEPA, while avoiding typical pitfalls and additional costs. Sentenial has developed a suite of products, tools and services to assist corporates to migrate their payment processing to SEPA in a manner that best suits their business requirements. Sentenial’s most used offering is a managed service that allows a corporate to become SEPA-compliant while making virtually no change to their existing systems and processes.

Sentenial working in the Market place

Outside of Ireland, Sentenial has operations in London, Frankfurt, Paris, Amsterdam and Brussels to meet the rapid growth of market demand for SEPA solutions. These Sentenial local offices are servicing some of Europe's largest bank and corporate clients.

Sentenial is experiencing many wide ranging customer interactions, with different requirements. From the US-based Corporate that has extensive business activity across most countries within the SEPA zone and even perhaps utilising many different in-house systems across these countries, to the domestic sports Club that has Direct Debit origination on the scale of less than two hundred monthly collections.

For SEPA migrations there is no "one size fits all" approach. For larger corporate clients with high transaction volumes, the project can be extremely complex and if you have not started your migration plan you are running the risk of missing the migration deadline.

For Irish corporates with small transaction volumes, Sentenial is rolling out an on-board solution for the SME sector from July that will enable lower volume Direct Debit Originating clients achieve the necessary SEPA standards via a self-service online GUI interface to the Origix service.

Not long left

Delays will happen, as with any development, as the rate of corporates migrating to SEPA steadily increases, demand for specialist assistance and bank resources will become an issue. Early migration is essential, if you have not begun your SEPA migrations, it is important to get started without delay.

With less than 200 business days to the SEPA Migration end date – the clock really is ticking! If you have not started your SEPA project or researched a viable route for your migration speak with a SEPA solutions provider today, to identify a migration path that works for you. Sentenial's SEPA experts are available to offer assistance, tried and tested solutions to ensure complete compliance.

If you would like to contact Sentenial to understand more about our SEPA services do not hesitate to contact us.

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Sentenial

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