Irish Association *of* Corporate Treasurers

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A message from the President

Colm Moriarty *President*, *IACT*

Welcome to the Irish Association of Corporate Treasurers' eTreasurer magazine. Having served on the committee in recent years I'm delighted to take up the role of the President for 2014 and look forward to what the year holds for us. For the first time in several years the Irish, British and US economies are all in growth mode. Could 2014 see a return to a normal economic outlook?

When you look at the other big picture details there are many signs of a move to normality; Central Banks have started scaling back emergency policies, crushing private debt levels continue to be slowly paid down, government budget deficits have closed a great deal and are closing further, banks are becoming profitable, job creation is evident, new sovereign crises have stopped popping up and governments are privatising rather than nationalising.

We seem to have arrived at a better place. Furthermore inflation is very low, which is particularly helpful given interest rates are at all-time lows, and will inevitably rise from here. With low inflation we can hope that the return to normal (higher) interest rates will be slow, gradual and not a significant issue for the coming year.

But before basking in optimism should we consider what normal means? It is certainly not the crisis of the immediate past, but neither is it the preceding boom. In the last rate-rising cycle Central Bankers searched for the Goldilocks economy (not too hot and not too cold) and they didn't find a fairytale ending.

The global financial system is just recovering from an economic emergency where improvising policy makers used 'whatever means necessary' to steady the ship. This included states buying huge amounts of their own government bonds to artificially reduce long term interest rates (Quantitative Easing) and providing enormous loans to banks to artificially lower interbank borrowing rates. Having achieved reasonable success they are now giving more control back to the free market. In the free market Adam Smith's 'invisible hand' is thought to guide interest rates and capital allocation in an optimal way through competition. Removing interference from officials gives more power to the world's 'hot money'; a swell of private money that is larger and moves faster than ever before. It flows from country to country, and asset class to asset class, lifting and lowering prices.

Policy makers have also changed their view of the wisdom of protecting this speculative money from losses. Elements of the 'too big to fail' conundrum have been traced back to the Long Term Capital Management crisis of 1998, where speculative money was treated as risk-free capital and ultimately fully protected. In recent years state rescues have provided similar safe harbours for impaired speculative investments. We've moved on from that and the new EU bank resolution rules are intended to allow the orderly failure of financial institutions. Unsecured capital (bond investors and corporate depositors) will no longer be sheltered from burden sharing and financial institutions will be allowed sink in future.

In Ireland, the state finances and the local banks are on a slow journey back to normal and that in itself should be considered a success. For Irish companies just being back on course with international peers is a vast improvement. While we get to grips with what 'normal lending' means and what 'normal tax and spend' means for the economy, we hope to see Irish business thrive. Normal should be companies backing themselves, investing and implementing their strategies. Normal should be profits, growth and new jobs in well run and innovative companies. Normal should be great products and services providing that success in healthy markets. Individual successes accumulate to a growing economy.

Business is challenging and that is normal too. We have come a long way in the last year and 2014 should be a year of catching up. Even before the inevitable volatility thrown up by international events, Irish business will need every bit of hard work, help and luck in 2014. We in the IACT look forward to helping Irish treasurers in the coming year and will keep our focus on supporting treasurers in their day job.

Colm Moriarty
IACT President

RECENT EVENTS

20TH NOVEMBER
GIBSON HOTEL, DUBLIN

Corporate Treasury & Cash Management Conference 2013

Colm McCarthy, Senior Economist, Lecturer and Journalist, Patrick Corkery, IACT President, David Haugh, Senior Economist OECD

On 20th November the annual conference once more served up a full programme to meet the appetite of a sell-out capacity crowd. The buzz around the conference builds each year and as usual we had national media attention, world-leading institutions giving their view of Ireland and industry practitioners tackling the toughest nuts to crack in treasury today.

The IACT President Patrick Corkery opened the event early in the day. The FAI's John Delaney travelled overnight from Poland to be with us for breakfast kick off at 7.30am. David Murphy then chaired the scene-setting morning sessions and by the 11 o'clock coffee break he had brought us through:

– the OECD and Colm McCarthy's view of the Irish economy

– Treasury regulation brass-tacks in Brussels with the EACT and the Central Bank and the perspective of one Ireland's finest global players Kerry Group

– Cash investment with JP Morgan

Not bad for a Wednesday morning!

The high tempo continued through to lunch as we covered short, medium and long term money with money market funds (HSBC and the Irish Funds Industry Association), debt capital markets (Danske Bank) and pensions (IFG) respectively.

After a quick time out for lunch, we launched into a central issue for all treasury departments: cash management. Barclays and Danske Bank brought us on a deep dive of what is available as well as recent innovations. The treasurers then took the reins for the home straight.

Antony Barnes, from FTSE 100 company Experian, showed us what he discusses with his Board. Trevor Horan from Kerry Group came back on stage to join Antony, along with David Morgan from National Grid and Anthony Fitzgerald from CRH, for the treasurers panel discussion. IACT Vice President Colm Moriarty chaired the session which touched on conference topics and other live issues in high profile treasury departments.

The leader's chair is a much-anticipated feature of each year's conference and this year Bobby Kerr (from *Dragon's Den* and many other ventures) stamped his personality on it. It is fair say nobody has done powerpoint like Bobby at our conference. Having maintained a full house throughout, all that was left was for Patrick Corkery to close the day's discussion, or rather, adjourn it to the bar.

IACT COMMITTEE

RECENT EVENTS

26TH NOVEMBER 2013

ROCHESTOWN PARK HOTEL, CORK

IACT Evening Meeting, Cork – Breaking from Bad: An Economic Update 2014

THE BANK OF YOU KBC

The Southern regional group held its winter event in Cork on Tuesday, November 26th. The speaker was Austin Hughes, Chief Economist, KBC Bank Ireland. The presentation was a joint event with CIMA with over 60 attendees at what is now a fixture of the events calendar in the South.

Austin last presented at this event in November 2008 and he started with a few of his slides from his summary five years ago to remind us of how we envisioned events unfolding at that time.... not surprisingly a vision that proved to be overly optimistic!

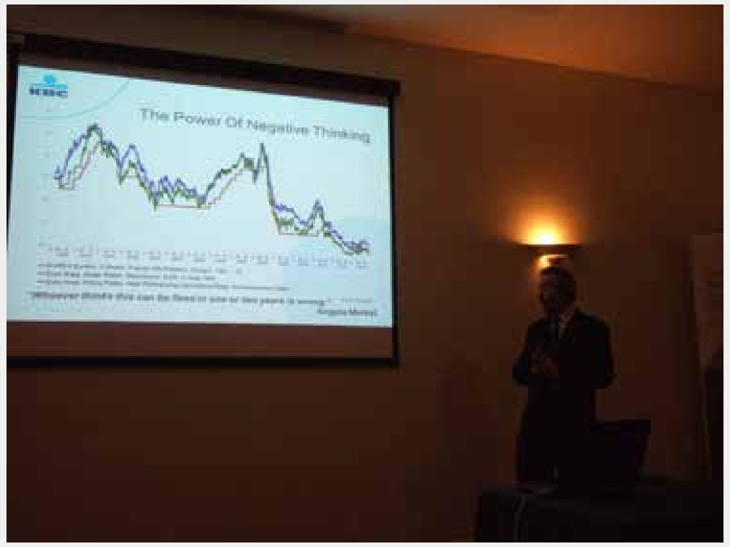
He followed with a very detailed analysis of where we are at before laying out his forecasts for the year ahead – with a key message that the corner has finally been turned. There followed a lively Q&A session before we wrapped up the event for another year "down South".

Plans are already afoot for 2014 events but we continue to welcome ideas and feedback from members on speakers and topics.

IACT wishes to acknowledge the contribution of KBC Bank Ireland in co-sponsoring the event yet again.

John Finn

Southern Region Organiser



Austin Hughes, Chief Economist, KBC Bank

John Finn, Treasury Solutions, Karen O'Shea, CIMA, Patrick Corkery, IACT, Austin Hughes, KBC Bank and Denis McCarthy, CIMA

RECENT EVENTS

12TH DECEMBER 2013
GIBSON HOTEL, DUBLIN

IACT EMIR Breakfast Meeting – Meet the EMIR reporting solution providers

IACT President, Patrick Corkery, Damien Gillespie (REGIS-TR), Martin Cox (Misys), Cian O'Braonain (Sapient), Erin Hunzeker (DTCC) and Derek Flanagan (DTCC)

With ESMA's announcement of four Trade Repositories on 7th November, the clock started ticking for many treasury departments to get a reporting solution in place. The imminent EMIR requirement is to start reporting to one of the Trade Repositories (TR) on 12th February 2014. Given the urgency, and the remaining uncertainty, the IACT hosted an extended breakfast briefing so solution providers could present their EMIR offerings to members before Christmas.

The event was oversubscribed reflecting the difficulty EMIR reporting presents for the treasury community in Ireland. Close to one hundred professionals found themselves back in the same Gibson conference room as the IACT Annual Conference, which was held less than one month previously.

Derek Flanagan, DTCC

After Patrick Corkery (IACT President) opened the event he handed over to Colm Moriarty (IACT Vice President) to chair the session. Colm noted, given the high turnout, he wasn't alone in viewing EMIR as worth getting out of bed for.

Derek Flanagan of DTCC, one of the ESMA mandated Trade Repositories (TRs), pointed out that DTCC already accepts reports for the vast majority of derivatives in the US where DTCC has been appointed by Commodity Futures Trading Commission (CFTC) as repository for Dodd-Frank reporting. Therefore they already have a lot of experience with on-boarding clients and the implementation of new rules. DTCC is able to offer reporting across multiple jurisdictions where other reporting requirements can be switched on and off to work from the same reported data set. Derek noted much of the regulation emanating from the financial crisis seemed to be based on the view that derivatives are weapons of mass destruction. But in his view the extent of regulation now has the effect of bringing a Sherman tank to a hand grenade problem.

Cian O'Braonain, Sapient

Martin Cox, Misys

Damien Gillespie, REGIS-TR

Cian O'Braonain of Sapient gave an overview of their solution which is more of an overlay reporting system that works in conjunction with the existing Treasury Management System. The Sapient solution also allows clients to present the data in any format desired with their CMRS solution taking care of the conversion to the TR. Multiple jurisdictional reporting is also supported.

Martin Cox of Misys noted that regulations and standards are still evolving and that therefore a flexible approach was required. Many corporates are already using the Confirmation Matching Service (CMS) of Misys. The Misys Regulatory Reporting Service would simply sit on top of the CMS data and serves to enrich and translate the data into a reportable data set.

Damien Gillespie of Regis-TR echoed the thought that other regulation is coming down the track and therefore a longer term view should be taken than the imminent February deadline. It may well be possible that clearing will also become an obligation. Damien generally advised corporates that are multi-banked and have intercompany trades, to sign up with one of the TRs as soon as possible.

The panel of speakers was then able to answer all the burning EMIR questions that the attendees had for them. And many were posed! Patrick Corkery closed the morning as his final formal act as President of IACT for 2013, thanking the speakers and organisers for a very informative morning.

Remco de Vries
IACT Vice President

Tips for managing EMIR reporting

Planning & timing are everything: the desired outcome is achieving full compliance but with the least effort and at the lowest cost. EMIR is challenging in that the timelines and potential solutions have been constantly evolving and not certain from the outset. There are still unanswered questions. To this end it is important to get the timing of your project right and to invest in upfront planning. Use your judgement – you will save time in the long run by determining the final projection direction once in possession of all of the facts as opposed to making sub optimal decisions early on in order to get the project started.

Manage expectation and educate: Colleagues working in the same company outside of the treasury department may never have heard of EMIR nor appreciate the far reaching impacts on treasury activities. Ensure that you educate senior management as to the legislation itself and the impact on your business. Secure the necessary resources and a realistic budget for a successful EMIR implementation.

Network, network, network: Reach out to your peers and contacts in the corporate treasury world to discuss and share the potential solutions. Attend industry events and take on board advice given by your fellow corporate treasury professionals. There are many different parties out there with a vested interest in EMIR but the best advice will likely come from a corporate treasury contact.

Leverage your banks and vendors: To the extent possible look to see whether your banks and your existing vendors can provide you with a solution. We should all be pushing our banks to provide us with delegated reporting and asking our specialised treasury vendors what they are doing to help. Utilising a standardised solution provided by a third party may well be a better way to go than developing your own bespoke solution.

Susan Webb
Managing Director
Pfizer Dublin Treasury Centre

IACT Treasury Workshops... reaching out with a helping hand

The difficulties of the downturn in the past number of years have thrown up some interesting developments. One could argue for instance that the challenges posed by the banking crisis/ property crash and subsequent recession have led to an increase in volunteerism and community spirit, with groups like the "Men's Sheds Association" sprouting up in order to address the social difficulties presented by the experience of recession and loss. This sense of community and common purpose can be seen to reach back to something that was an intrinsic part of Irish life, up until the recent boom at least, with the ancient Irish word "Meitheal" used to describe this trait.

Another distinct development has been the focus on fostering an enterprise spirit with individuals and groups looking to their own initiative in very difficult economic circumstances to grow ideas and develop businesses. In a sense this invokes the entrepreneurial credo of not looking for employment but creating it. This is something that certainly didn't receive the same attention during the boom times when jobs created by large companies in the dominant sectors of Construction and Finance were flourishing. However, the circumstances of a global financial crisis and the ensuing economic crash, coupled with the enforced austerity of the Troika, created a strange mix of it being both the best and worst time to start a business. The best in the sense that many people simply had nothing left to lose by taking such a chance – the worst in the sense that the conventional credit environment and explicit government support would be relatively thin on the ground –something many of our members would be keenly aware of as treasurers.

It is the view of many commentators that in order to ensure a sustainable recovery in this country the small and medium enterprise sector (both start ups and established businesses) should and ultimately will form the backbone of the recovery. There has been much talk of the 'smart economy' in political and academic circles based on knowledge and enterprise. Promotion of the smart economy is not helped by the conditions imposed by the Troika – but this needs to be accepted as a consequence of the circumstances in which the country found itself in 2008 –something which can't be changed at this point. In addition the availability of credit in normal circumstances is aligned with the prevailing economic conditions.... (I am not sure we can call the economic conditions normal as yet but hopefully things are heading in the right direction). So, how can the enterprise sector be helped and how can a smart economy begin to grow? There are a number of factors other than credit that can play a part....Shared Knowledge, Supportive Networks and Experience.

Now the question you may ask at this point is: what has any of this got to do with the IACT? Well all of the above is closely related to an initiative that has been developed by the IACT and rolled out to very positive feedback from those that participated. The initiative is that of Treasury Management Workshops that are targeted at start up enterprises and entrepreneurs, particularly those that have no finance or treasury background. The rationale of this initiative is that one of the primary root causes of business failure – particular to start ups in the early growth phase - is mismanagement of cashflow. The workshops offer the IACT an opportunity support the growth of the new enterprise sector by providing pointers in cash and treasury management that will

IACT Treasury Workshops... reaching out with a helping hand — cont

hopefully encourage these burgeoning entrepreneurs to incorporate good cash management habits into their business operations.

Some of the key objectives of the Treasury Management Workshop are as follows:

- Provide an introduction to fundamental treasury and cash management practices that have proven useful in successful businesses of all sizes.
- Encourage an interest in further developing Treasury knowledge among entrepreneurs.
- Promote the concept of "Business Experience Networking" among entrepreneurs in terms of sharing varied experiences in tackling the challenges of growing and sustaining a successful business. This supports the simple credo that "Advice has a price... but Experience is priceless"
- Encourage those entrepreneurs to see the IACT as part of that network of professionals and peers that can add value in terms of growing their business...back to that positive concept of "Meitheal".
- Encourage the spirit of enterprise out of respect for those with the courage to build these new businesses.

The approach taken in the last year has been to reach out to a variety of enterprise hubs and business incubator academies in the universities with a view to identifying groups that would benefit from the workshop. To date two very successful workshops have been held, the first in August at the Trinity College Launchbox program with a group of undergraduates developing new commercial and social enterprises. The second workshop was in October at the DCU Invent Hub to a group of 30 IT start ups. The key to the success of these workshops has been that the participants have seen the relevance of the presentations in terms of their businesses and there has been active engagement and interest from the audience in both cases by way of asking questions and sharing experiences.

The aim for this year is to continue to develop this concept by reaching out to a range of business networks that might see the benefit of what the workshop can offer. To paraphrase a sometimes bitterly remembered political slogan...Much done, more to follow...

Lorcan Travers
IACT Committee

MEMBER INFO

New Members

John Madigan — Espirito Santo Investment

Lorcan Murtagh — James Hardie International Finance

Laura Cunningham — KBC Bank

UPCOMING EVENTS

10TH OCTOBER 2014

Annual Dinner 2014

Venue: Shelbourne Hotel

Irish Association of Corporate Treasurers

© 2014, IACT
P.O. Box 10104
Lucan
Co. Dublin

web: www.treasurers.ie
email: info@treasurers.ie
Telephone: 01 610 8574
Facsimile: 01 621 3494

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