Cashing in on Trends in Brno
The 8th CEE Treasury Forum

The Central and East European Treasury Forum in Brno, Czech Republic was held on 3-5 October with the participation of 115 delegates representing 7 countries, with guests from other EACT (European Association of Corporate Treasurers) countries also in attendance.

A report by Kornél Zipernovszky.

Ivan Haco, President of the Czech Treasury Association and **Tamás Ónody, Chairman of the Hungarian Treasury Club** welcomed the participants, thanked the sponsors and organisers at the 8th event in the series of CEE treasury conferences. The national treasury associations of Austria, Croatia, the Czech Republic, Hungary, Slovakia, Slovenia and Romania have come together with the aim of exchanging ideas and to hear about market trends and technological innovations. Mr Ónody said that the perspective of the conference would start with the broad picture, a macro-economic view in the keynote lecture and would go on to discuss practical topics with a case study of one particular corporate group to end the sessions.

Chairman of IGTA (International Group of Treasury Associations) Helmut Schnabel, who is also the head of Association of Chief Financial Officers Germany (GEFIU) gave a careful and balanced assessment of what crises financiers have to face in the coming years. He underlined that free international trade would always be the driver of growth in the globalised world. Nevertheless the US President had a point when he challenged some customs, such as the one on agricultural exports to the EU, and that had indeed been reconsidered in a revised agreement. However the push for trade war on the part of the US administration would have to be ended to avoid the risk of a recession in the election year. Mr Schnabel said the recession that many analysts talk about, nobody expected to be really grave. He added there were no signs of an overheating, one of the main prerequisites to expect a recession. Moreover, inflation is around zero, and with full employment and interest rates not higher than average, if there would be a recession, it should be mild and short-lived. It is not so much the European Union, rather the Eurozone which could be facing a crisis. But he also said that current, negative interest rates were absurd and that could not go on for very long, quoting the chairman of Deutsche Bank, who also said this situation was destroying financial markets on the long run. After all, Mr Schnabel said, smaller crises would continue to appear but we'll be able to live with them. Answering questions from the audience he confessed his greatest worry of all the global hotspots that he mentioned in his lecture was the political crisis in Hong Kong.

The chairman also answered our questions regarding whether there was any chance of a reversal of Brexit. In his lecture he reminded his audience that the UK is still the second biggest economy of the Union. "It is not out of reality, but observers say that if there was a second referendum on Brexit it would bring about an extremely controversial campaign in the lead-up. And that could divide the country further. Whoever wins, the losing side will continue to spread opposition and even hatred, so many observers, including myself, hope that there won't be a second referendum. I think they should go ahead with the Brexit and if they are not happy with it, they'll have many years to come to correct it" – Mr Schnabel said.

We also asked his views about the economic and financial situation of CEE countries, whether the region could catch up soon with the more developed part of Europe. The phenomenon of countries or parts of countries being left behind can only be understood in historical context, he responded, adding: “Over time, they’ll catch up. The task of the people in these countries and the politicians of the EU was to try to achieve that. The EU is giving a lot of help to the not-so-wealthy states out of its total budget of 150 million €, and much of that goes to structural investment in the countries we mentioned. But it’ll continue. This alone is not doing that.”

Mr Schnabel also gave an example of the German automotive industry supplier Leoni. They produce cable beams for Boeing and for Airbus and have about 50 thousand employees. They decided to open up a factory in an East European EU member country because the wages were so low, investing a lot of money. They found out that the efficiency of the local labour was so low, that they completely closed the factory down. “The problem is really deeply rooted, when you are 100 years behind, you cannot catch up in five years. But these countries should never give up optimism. They will grow, they’ll catch up, even if some of them are catching up faster than the others” he concluded.

The next speaker, **Maciej Swiderek** represents **Proposition Sales at Refinitiv**, but he reminded everyone right away that this is the name given about a year ago to Thomson Reuters, in fact the oldest FinTech company there was. He alluded to the fact that the company started out in 1850 offering stock quotations utilising the Calais-Dover undersea cable. From among the OTC market (phone dealing, peer to peer platforms, anonymous ECNs, Multibank portals (D2C), Singlebank portals and Dark pools) he underlined those which allow the user to have a last look on the platform, such as the one they can provide: this way the price the client wants to go for is still visible on the screen.

Mr Swiderek observed that the financial world market is constantly growing: it reached 8.6 trillion $ per day in April this year, while it was 5.1 three years earlier. He underlined the significance of four trends: first that the USD retained its dominant currency status with 88% of all trades, second that emerging market currencies gained ground and reached about 25% of the overall global turnover, third that sales desks in five countries, the UK, Hong Kong, the US, Singapore and Japan facilitated 79% of all foreign exchange trading in April 2019. Finally he also stressed the growth trend that FX trade with “other” financial institutions (not banks) exceeded the volume of deals with interim dealers.

Another Silver Sponsor of the conference, **C2FO** was represented by **SVP EMEA Colin Sharp**, who promised not to try to address theoretical FinTech issues in his presentation, rather provide a few examples of their own real-life experience. The mission of their company, now boasting a list of 150 clients globally, is to liberate global working capital for all businesses, as they found that there often liquidity is locked up on corporate balance sheets, and they are trying to free that cash and make it work. Ideally some 20-25% of the final costs could be saved in the process. A lot of what they do optimises early payment of approved pay invoices and reduces the overall cost benefitting all parties. Some of the examples Mr Sharp shared with his audience included Amazon, who were able to reward their own suppliers, and Borealis, which was able to offer early payment in return for a discount. We also asked Mr Sharp after his presentation what the C2FO model is able to provide for CEE corporations where delayed payments constitute a major issue and a negative economic factor. “That is one of the reasons why governments around the world are really interested in what we are doing. Because often delayed payments hurt small businesses and most governments recognise that small businesses are the engines of growth for economies. Governments are concerned about increased length of payment terms and delayed payments. When you use us, you solve that problem, because we are paying suppliers much earlier. So the UK and the Dutch governments are very supportive of us because what we do has a beneficial impact on economies. If we can get that liquidity flowing to those that want it or need it, to roll and also stay in their businesses that means that there is an economic benefit” Mr Sharp concluded.

The afternoon session started by introducing the sponsors, following the representatives of **Refinitiv** and **C2FO,** as well as **EY,** whose representatives chaired the following round-table, **Theng Liu, Deputy General Manager of Bank of China;**

Gary Thomas, Executive Director of Salmon Software; Gerry Daley, Head of Sales and Marketing, UK, Cashforce as well as **Robin Page, CEO of TMI** have been introduced. **Richard Cordero, COO of European Association of Corporate Treasurers** gave a detailed description of EACT and its activities.

Next, a roundtable examined the current issues of financing for corporate in the CEE region. It was hosted by **Lászlo Haás, Head of Capital and Debt Advisory, EY Budapest and Jan Pilmaier, Senior Manager, Capital and Debt Advisory, Corporate Finance, EY Prague**. Mr Haás also had decades of experience in the banking sector, so he was eager to hear from participants how they viewed the availability of financial resources, tendering the banks and considering alternative ways of financing, especially bonds. Both Hungarian participants had first-hand experience considering bonds due to a recent program in Hungary that was launched by the National Bank in order to support this possibility of corporate financing.

Gábor Ormosy, CEO of AutoWallis underlined, that as a small company, probably the smallest represented at the round-table, they were following traditional business models in the past, after all many companies in the automotive business are still family-owned. No wonder their financing was also conservative. However the company shares have been entered onto the stock exchange earlier this year, as they are aware of the fact that the automotive industry is changing, and has to give viable answers to environmental, technological digitalisation challenges and they need to adapt. This is why they are now in process of considering to issue bonds, although they still have a very harmonious relationship with the banks but these possibilities are in some ways limited.

Lajos Dobai, the Financial Director of Pannonia Bio, the other Hungarian panelist told the conference that they are an Irish family-owned company financed by banks. They could be termed a single-aspect company, as they produce etanol from corn. Nevertheless they have already issued bonds this year, actually they were the first to make use of the new National Bank program, in order to be able to self-finance their diversification. The strategy is to buy up solar companies to create a bigger capacity. He added that ordinary bank loans are still used by them to finance their business. He underlined that one of the advantages of bond issuance is being able to learn a lot in the process of being rated. You could get a bit worse rating than expected, but he said independence of the rating company providing the report is a guarantee of it being useful in any case. **Ştefan-Alexandru Frangulea, the treasurer of Electrica SA**, Bucharest said that their group is on the stock exchange, nevertheless it is also looking at the possibility of issuing bonds, and they have already subordinated themselves to a rating, although their situation is somewhat different from the two already introduced. He still agreed, that they would issue bonds when they had a strategic business development plan in front of them, but they certainly eyed the possibility of just showing the banks that there was an alternative way of financing. Mr Haás remarked at this point that indeed the bond market made the banks try to match up with what bonds would be able to offer for their clients and could pursue to catch up.

The Prague company **NET4GAS**, represented in the panel by the **Head of Treasury Petr Jablonský** also shared this kind of experience. They were beginning to look around on the market when they were becoming better known in the business. They are also in the process of considering bonds because banks are not necessary able to provide answers to their special needs. **Stjepan Mandić representing the World Bank in Zagreb** agreed with the co-chairs of the panel, saying in his view there plenty of options to get capital on the market these days. As he is also sitting on the board of Allianz Pension Fund, he stressed, that there were a lot of possibilities regarding equities, and corporate financial leaders should not be afraid to investigate equities in this regard, the new viewpoint should be how to mobilise private capital. When the rating process was discussed by the panelists, answering the question whether rating would not make companies think twice before they go ahead with bonds, some of them said they had indeed been surprised by one or another statement regarding the activities and prudence of their company when they got the rating results, but thought those points were helpful for their own goals. Mr Mandić also agreed with had been said before that rating was actually crucial and supportive for the corporations.

Setting up an in-house bank operation at **MOL Group**, an international oil company with

headquarters in Budapest was the topic of the closing presentation, in fact a case study of a work in progress, presented by **Zoltán Balázs, Group Treasurer, Zoltán Szűcs, Head of Group Cash Management and Nóra Nemes, Project Manager**. MOL operates in 30 countries, 800 bank accounts and registers about a 200 billion € flow in more than ten currencies. In-house banking therefore was to achieve increased efficiency by the state-of-the-art technology of finances, re-engineer their cash management and centralize treasury operations. Ultimately it was supposed to release system cash of about 100 million €. Mr Szűcs added corporate in-house banking was the beaten path they chose to achieve these goals, and that they opted for a package that united all the operations in the frameworks of one software. Once they were able to cut their way through legally, such as acquiring banking licenses for some transactions, all other pieces of the puzzle seem to have been falling into place.

Later in the day we also asked **Chief Operating Officer of EACT Richard Cordero** to comment on what he heard in the conference and on the different position of economies and financiers in Western and Central Eastern Europe. First of all, he said, in the Eurozone it is very easy, as they only have one currency to finance, trade or convert foreign exchange rates. And as it was mentioned, he added, the Euro continues to occupy a significant share, about one third of the global FX market. Mr Cordero was most interested to hear the presentation of the MOL financiers about setting up in-house banking, as this was one of the areas where Western Europe is still ahead of the CEE countries, as there are many in-house banking solutions on the corporate group level. He thought this was a very progressive step, setting a good example in the region. Mr Cordero said the EACT, a federation of 23 national associations and the CEE group gathering in Brno actually had similar goals. His organisation's main aim, nevertheless, has been to advocate for corporate treasurers in Brussels vis á vis the European authorities, Parliament and the EU commission, while the conference serves more as a professional club meeting with a lot of friendly exchanges of experiences. He only had one remark regarding the gender equality for the next edition, there have to be more women on stage next year, he said.

At the closing of the conference the chairman of the **Slovak Association of Finance and Treasury, Andrej Révay** invited all participants to Bratislava to attend the 2020 edition.

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CAPTIONS
1
The Brno Palace Hotel, opened ten years ago, is in a 19th. century building by the architect Franz X. Fröhlich, a master of the Neo-Viennese renaissance.
2
The portal of the hotel.
#3
All set for the participants from over a dozen European countries.
#4
Chairman of the Hungarian Treasury Club Tamás Ónody welcomes the participants.
#5
Keynote address delivered by Helmut Schnabel, Chairman, IGTA
#6
Conference participants of the morning session
#7
Colin Sharp and Helmut Schnabel among the participants.
#8
Sponsors' desks were visited in the breaks.
#9
Co-host of the roundtable László Haás and the participants, seated right to left:
Stjepan Mandić – Zagreb, Gábor Ormosy – Budapest, Lajos Dobai – Budapest,
Petr Jablonský – Prague, Ştefan-Alexandru Frangulea – Bucharest
#10
Presentation of the MOL Group
#11
The MOL Group was represented by (l.-r.): Nóra Nemes, Payments Project Manager;
Zoltán Balázs, Group Treasurer, MOL; Zoltán Szűcs, Head of Group Cash Management
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Richard Cordero, of EACT and Helmut Schnabel of IGTA at the closing reception
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Sam Clarke of conference organisers Treasury Management International overseeing the closing dinner

More photos:

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