AnBradán Feasa SALMON SOFTWARE

BREXIT – THE TREASURY IMPACT

ALMOST A THIRD OF CORPORATE TREASURERS EXPECT AGREEMENT TO TAKE AT LEAST FOUR YEARS

BY JOHN BYRNE

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With the announcement that Prime Minister Theresa May will trigger article 50 on March 29th to activate beginning of negotiations to exit the EU, we wondered how UK based corporate treasurers were feeling about the impact of Brexit.

Salmon Software decided to take a snapshot of over 20 leading corporate treasurers in companies totalling revenues of approximately £50 billion. While the sample is far from definitive, it does provide useful anecdotal evidence and is an interesting insight into how a number of those in the treasury world currently view Brexit.

The biggest impact according to our sample is greater volatility in the sterling/Euro FX market cited by 68% of respondents. 41% also say that a re-evaluation of treasury policies will be required.

Over a quarter (27%) highlight that there will be greater demand for management information.

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Almost a quarter (23%) referred to changes in cash pooling structures. The same number referred to the likelihood of locational changes or decentralisation of group wide treasury operations. Despite this 91% are not considering relocating their full treasury operation.

However, almost a quarter (23%) say that they may have to change their UK banking partner or add an EU banking partner as a result of doubts over passporting rules.

Based on our sample, corporate treasurers do not share the Prime Minister's optimism on a speedy negotiation. 50% believe that agreement will take at least four years. And almost a third (32%) expect it to take five years or more. As a result, 73% believe that a transitional agreement will be required.

69% say that the fall in sterling has had a negative impact on their business. Almost a quarter 24%, probably benefiting from lower export prices, say that the impact has been positive.

From a treasury perspective, Brexit will place more demands on treasurers and emphasises the need for a seamless and automated TMS with advanced real time reporting.

The UK economy has performed strongly since the Brexit referendum. However, longer term, the process is clearly not without significant risks.

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