Private equity proposes self-regulation

Private equity firms could be asked to comply with a best practice voluntary code of conduct after an industry body agreed to establish an independent working group.

The British Private Equity and Venture Capital Association (BVCA) has responded to calls from the government and trade union groups to tighten up regulation of the private equity industry.

The sector has been blamed for mass job losses and factory closures in companies bought up by private equity houses.

A working group, chaired by Senior Advisor at Morgan Stanley International, Sir David Walker, aims to produce a 'comply or explain' code addressing transparency of the industry and levels of disclosure.

Rod Selkirk, Chairman of the BVCA, said: "This initiative reflects the coming of age of the private equity industry as a mainstream asset class in the UK. We recognise that the industry's success has led to growing and legitimate interest in its activities."

The working group will invite the participation of representatives from a range of areas including the private equity industry, trade unions, financial institutions, pension funds and the investment community.

Selkirk: legitimate interest in sector's activities

Selkirk said: "We intend to build on our high standards of transparency and openness to our investors by increasing the level of disclosure to a wider group of stakeholders."

The working group will address key topics of concern such as narrative and financial reporting and whether reporting for private equity-backed companies should be increased.

Sir David said: "I will be seeking input from a broad spectrum of the industry and from all interested stakeholders in this important debate. We expect to complete the process by the autumn." ■

See Private equity comes under the microscope, page 08, and our cover story, The big bad wolf, page 24

On the move...

- **Karen Aldred**, MCT, previously Tax and Treasury Manager at Brother International Europe, has joined Swiss Reinsurance Company in Zurich as Tax Manager in the group tax department.
- **Nicholas Beattie**, AMCT, has been appointed Director, Oil and Gas, at Fortis Bank. Previously he worked for National Australia Bank as Associate Director.
- **Fiona Chan**, AMCT, previously at Cadbury Schweppes in Group Treasury, has joined Anglo American as Assistant Treasurer.
- **David Coulthard**, MCT, previously Assistant Treasurer at Filtrona, has joined AstraZeneca as Manager of Treasury and Corporate Finance.
- **James Gilmour**, MCT, previously Treasury Manager at Volvo Financial Services, has joined Tesco.com as Finance Manager.
- **Mark Hardy**, FCT, previously Director at XS Mutual, has been appointed Director at The Art of Capitalism.
- **Nicholas Harkins**, AMCT, formerly Management Accountant at HBOS, has joined Scottish & Newcastle as Treasury Accountant.
- **Shahram Jahanbani**, MCT, previously Senior Manager, Finance, at Halliburton Kellogg Brown & Root, has joined BG Group as Finance Manager Algeria.
- **Ian Kerr**, AMCT, has been appointed Group Treasurer at Peacock Group. Previously, he was Interim Treasurer there.
- **Rachael Kinder**, AMCT, previously Treasury Manager at Matalan, has joined Phones4U as Group Treasury Manager.
- **Philip Learoyd**, AMCT, previously Assistant Treasurer at O2, has been appointed Head of Funding and Treasury Risk at SABMiller.
- **Sally Marshall**, AMCT, has been appointed Budget Analyst at ConocoPhillips Canada. Previously she was Business Analyst at Tesco Stores.
- **Vinod Parmar**, MCT, has been appointed Group Treasurer at Ladbrokes. Previously he was Assistant Treasurer.
- **Melvin Pointer**, FCT, previously Chief Financial Officer at Hal Knowledge Solutions, has been appointed Executive Director at Goldman Sachs International.
- **Richard Smith**, MCT, has been appointed Deputy Group Treasurer at Carphone Warehouse Group. Previously, he was Assistant Treasurer at TI Automotive.
- **Francis Stewart**, MCT, previously Corporate Treasurer at the International Air Transport Association, has joined the World Health Organization as Treasurer.
- **Jason Tattum**, AMCT, previously Financial Accountant, Treasury and Depot Compliance, at Alra Foods UK, has joined Coventry University as Financial Controller.
- **Iain Torrens**, AMCT, formerlly Deputy CFO and Treasurer at CP Ships, has joined ICAP as Group Treasurer.
- **Jeanine Wilkinson**, AMCT, previously Treasury Manager at Deutsche Post, has joined Taylor Nelson Sofres as Group Treasury Manager.
- **Christopher Warner**, AMCT, previously Corporate Finance Manager at MFI Furniture Group, has joined Marks & Spencer as Finance Manager for Direct.
- **Amy Williams**, AMCT, has been appointed Assistant Manager in the Business Restructuring division of BDO Stoy Hayward. Previously, she worked for Royal Bank of Scotland as Assistant Relationship Director.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at **www.treasurers.org**. *Email changes to Anna Corr:* **acorr@treasurers.org**

CAREERS

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Doubts grow over achievability of SEPA roll-out timetable

A consumer retail company treasurer has criticised the timescale for implementing the Single Euro Payments Area (SEPA) as overambitious and unlikely to be achieved.

Martyn Smith, Group Treasurer at Dyson, said that with the start date of 2008 looming and the transition period for moving from legacy payments systems to SEPA due to end in 2010, corporates and banks had a huge amount still to do to make SEPA a success.

Speaking at the 2007 ACT Cash Management Conference, Smith said: "For something that is due to start in 2008, the lack of information available is astonishing. The transition period ends in 2010. This will not happen even if it starts on time in 2008."

The Payment Services Directive, the legal framework designed to implement SEPA, is under development, leaving uncertainty about what its requirements will be from 2008.

Smith conceded that SEPA might well be successfully adopted but warned: "An alternative scenario is that SEPA take-up is slow and corporates are reluctant to use SEPA products. In this case it is hard to imagine that companies would be willing to give up legacy systems so readily. This would make the end of the transition of 2010 unrealistic."

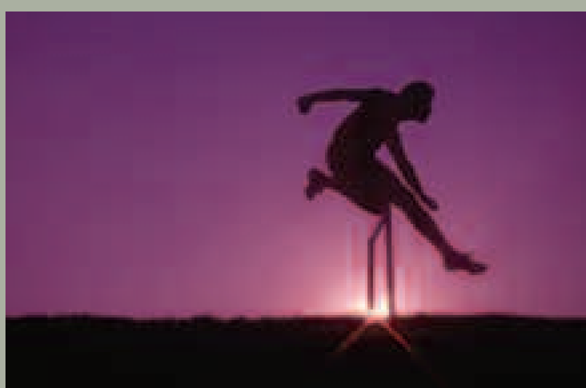
Bridget Cooke, SEPA Programme Manager at Barclays, argued that banks and corporates needed to collaborate and communicate more about what was needed in SEPA products. ■

See the conference report that accompanies this issue or visit www.treasurers.org

Corporate banking snags on fraud rules

The anti-fraud Know Your Customer (KYC) bank rules can cause problems for corporates opening bank accounts, especially in overseas jurisdictions, according to a senior treasurer.

Brian Welch, Group Treasurer at Halcrow, said: "We have experienced some difficulties when opening accounts because the information required complicates the process.



Barrier grief: opening accounts can be formidably complicated

"There have been situations when we have tried to open a bank account in an overseas jurisdiction and it has taken over a year because of the KYC rules."

In a recent consultation, the British Bankers Association described KYC as a requirement to obtain information beyond basic identity data that financial services entities are required to obtain for new customers or existing customers whose identity needs to be verified.

Welch said: "There is a difference between the banks' KYC and understanding the customer from the corporate perspective. Understanding the customer is about relationship banking. It can be frustrating when your key relationship banks ask you for detailed information when setting up an account for a subsidiary. They already have this information"

Sarah Jones, CEO of Supply Chain Finance and Former Director of Treasury at IT supplier Hewlett-Packard, said it was hard to ensure bank mandates were updated when the process was so complicated and corporates had so many accounts.

She added: "We had thousands of accounts at HP and when we tried to change the mandates after people had left the company we would have to complete loads of forms. Quite often, we would find that names we had asked to be removed years earlier were still on the mandates." ■

Regulatory impacts remain uncertain

The impact of Basel II and the Single Euro Payments Area (SEPA) initiative on corporate treasury is unclear, according to a City lawyer.

Speaking at the 2007 ACT Cash Management Conference, Dermot Turing, Partner at Clifford Chance, warned that corporates would have to address their status under the SEPA rules while details of the Payment Services Directive and the future of SEPA were still being fine-tuned.

Turing said: "Under the new rules, financial institutions will be considered payment institutions, but so will some other organisations depending on their cash activity. You will have to consider whether this will be your corporate."

While SEPA is still being finalised, the new capital adequacy rules of Basel II have already been implemented.

As of January this year, the standard risk model for calculating how much capital a financial institution should hold was put into practice.

Turing said: "The more advanced models for larger banks will be introduced from next year but corporates should be thinking about how this will affect loan pricing now and in the future."

Concerns that banks would pass extra costs onto corporates were not likely to come to fruition, he added.

Defaults at record low

The default rate among speculative-grade corporates fell from 1.80% in 2005 to 1.57% in 2006, marking the fifth consecutive annual decline and lowest year-end level since 1981, according to Moody's Investors Service.

The default rate for all Moody's-rated corporate issuers fell to a decade low of 0.54% in 2006 from 0.65% in 2005.

"2006 was an unexpectedly strong year for the riskiest corporate debt issuers," said David T Hamilton, Moody's Director of Corporate Default Research. "However, the credit quality pendulum appears set to swing in the opposite direction in 2007."

Moody's said a turn in the credit cycle, widely expected to occur in 2006, now appeared much more likely in 2007.

Moody's predicted that the pace of defaults would nearly double over the course of 2007 to 3.07%.