On the move...

- **Christopher Attwood**, AMCT, previously Group Capital Planning Manager at HSBC Holdings, has joined Entertainment Rights as Corporate Treasurer.
- **Grace Billington**, AMCT, has joined National Australia Bank as Product Controller. Previously she was Business Area Controller at Deutsche Bank.
- **Malcolm Cooper**, FCT, has been appointed Non-Executive Director at CLS Holdings. He is Group Tax & Treasury Director of National Grid and President of the ACT.
- **Jeremy Dean**, AMCT, has joined Investec Bank (UK) to establish a marine financing practice within the bank's Capital Markets division. Previously he was a Director at the Western Group.
- **Guy Eastaugh**, AMCT, has been appointed Finance Director at Invista Real Estate Investment Management Holdings. Previously he was Head of Strategic Planning and Corporate Finance at GKN.
- **Mark Gibbard**, MCT, has been appointed Divisional Director of Risk Management at Nationwide Building Society. Previously he was at Portman Building Society as Group Finance Director.
- **Ian Loveys**, AMCT, previously Associate Director at Barclays Capital, has joined Abbey as Director of Real Estate Finance.
- **Lance Moir**, FCT, has joined Win as Finance Director. Previously he was at Cranfield School of Management as Senior Lecturer in Finance and Accounting.
- **Shyam Moorjani**, AMCT, has joined Stenham Advisors as Chief Operating Officer. He was previously at Key Asset Management as Head of Client Services.
- **Gráinne Nevin**, AMCT, previously Property Acquisition Manager at Ulster Bank Wealth, has joined Ocean Capital as Associate Director.
- **Tushar Patel**, AMCT, previously Treasury Manager at P&O Group, has moved to Dubai and transferred to DP World as Assistant Group Treasurer.
- **David Ryan**, AMCT, has joined Barclays Capital. Previously he was at Deloitte & Touche as Manager.

MEMBERS' DIRECTORY

Members' contact detai.ls are updated regularly at **www.treasurers.org**. *Email changes to Zoe Norris:* **znorris@treasurers.org**

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Corporates flee SOX and US stock markets

A host of non-US companies have announced plans to discontinue their US stock market listing so that they can deregister under the Securities and Exchange Act and avoid the requirements of the Sarbanes-Oxley Act.

Companies such as British Airways and Euro Disney made the decision to follow new rules unveiled by the US Securities and Exchange Commission in March that make deregistration easier for non-US companies, and will subsequently no longer have to comply with the financial controls of Sarbanes-Oxley (SOX).

The Act, introduced in 2002 in the wake of Enron and other financial scandals, aims to curb corporate excesses. Among other requirements, it imposes a duty on management to assess, document and personally certify that the company's accounts are accurate and that it has an effective internal controls system.

However, the Act has been criticised for imposing an overly heavy regulatory burden on companies and increasing their costs.

BA anticipates that deregistration will result in annual savings of around £10m.

Foreign companies previously had to have fewer than 300 US shareholders to be able to delist and deregister. Following the recent amendments a company can now do so after confirming to the SEC that the US trading volume in its shares represents no more than 5% of total trading worldwide.

According to the SEC, 63 UK companies had some form of US listing at the end of 2006.

See End of the Affair, page 31 ■

Covenant-lite not covenant-free

Covenant-lite loan agreements are not covenant free, John Grout, Policy and Technical Director for the ACT, told the House of Commons' inquiry into private equity. There has been a grave misunderstanding over the implications of the use of covenant-lite loans after it was clear that some speakers attending the Treasury Select Committee hearing on 12 June were under the impression that covenant-lite loan agreements were actually covenant-free.

In a letter to John McFall, MP and Chair of the Treasury Select Committee, Grout said: "Such loans do still have covenants and default provisions. These are in some ways more like those associated with (high yield) bonds rather than bank loans."

He said that press reports have been misleading or alarmist. He said: "The covenants and restrictions remaining are in most cases actually very restrictive: much more so than an investment grade borrower would agree to. The effect of covenant-lite loans is more nuanced than reported." Covenant-lite loan agreement are more relaxed than previous practice for highly levered loans, but significant covenants and restriction continue to apply.

John Grout: more nuanced

See Heavy issues, page38 ■

Euro mega deals in prospect

A flurry of cross-border consolidation may lead to one of the biggest acquisition deals in history, according to a recent report by Moody's Banking.

The report pointed out a new trend in European banking and forecast that increased assertiveness of shareholders could lead to bigger deals.

According to the report, the main question raised by the accelerated reconfiguration of national banking industries in Europe is whether consolidation is credit-positive and, specifically, whether size matters in determining a bank's financial strength.

The creation of the euro has not led to as much cross-border banking consolidation as initially anticipated, although there has been much more consolidation in Europe than generally perceived, and a notable recent acceleration in such activity.

Pierre Cailleteau, Senior Vice President and co-author of the new report, said: "Europe now has one of the highest levels of foreign banking ownership in the world compared with other large regions."

Many of the forces driving this development are not Europe-specific – nor are they specific to the banking world – but it seems that the obstacles to large cross-border transactions in Europe are fading away.

Pierre Cailleteau: cross-border hurdles fading

"As with other sectors, the urge to merge has delivered uncertain benefits, with in-market consolidation proving to be generally more successful than cross-border operations," Cailleteau said.

Moody's noted, however, that mergers and acquisitions are gradually becoming better managed. ■

S&P separates risk of default and loss in ratings framework

A new framework for speculative-grade recovery and issue ratings has been implemented by ratings agency Standard & Poor's. The aim is to provide the market with the opportunity to deconstruct the risks of default and loss as components of the rating.

The distinct recovery ratings focus solely on expected recovery in the event of a payment default of a specific issue and use a numerical scale that runs from 1+ to 6. The likelihood of default is already incorporated in the issuer credit rating.

These two elements are combined in the issue rating, which is based on the issuer rating adjusted up or down by up to three levels, dependent on recovery prospects.

Recovery ratings are initially being applied to speculative-grade secured issuers, but in time will be extended to cover unsecured speculative-grade issuers and secured debt of investment-grade issuers. In the first round of changes around two-thirds of currently rated speculative-grade secured issues will be upgraded.

£100bn wiped off pension deficits in four years

Pension fund deficits fell to their lowest month-end level in May at £3bn after spending a spell in surplus for the first time since FRS 17 was introduced six years ago.

Almost half of the largest 200 UK pension funds are now in surplus, rising from almost a third at the end of April.

Rises in equity markets and bond yields have combined to lift deficits well away from their peak of more than £100bn on 12 March 2003, according to research from Aon Consulting.

Aon Consulting said that, over the long term, the number of pension funds in surplus was expected to continue rising and that the aggregate surplus was expected to increase.

However, the consultancy said it did not expect the long-term increases in pension surpluses to prevent increasing number of pension schemes closing to future accruals, as identified in Aon's Employer Survey.

The consultancy warned that FRS 17 surpluses would need to top £100bn before pension promises could be fully secured with insurance companies.

Marcus Hurd, Senior Consultant and Actuary at Aon Consulting, said: "Companies should be mindful of their ability to recognise surpluses in their accounts.

"The use of contingent assets and careful wording in schemes' rules can be critical to ensuring that pension scheme surplus can be recognised by companies when producing annual accounts."

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