A decade of excellence in treasury

The 10th Deals of the Year Awards have launched, with a brand-new category of Treasury Team of the Year. The main Awards categories focus on structured finance, bonds, loans and equities. We are delighted to have once again a strong judging panel comprising issuers and other experts.

At this stage, we are inviting banks and advisers to nominate deals and prepare their pitches – please ensure that your marketing team is aware of the Awards and submits nominations in time. ACT members and *The Treasurer* readers will be involved in the Awards process in November.

For more detailed information, see **www.treasurers.org/thetreasurer/doty.cfm**.

The 2007 Deals of the Year Awards are supported by LloydsTSB Corporate Markets. ■

THE TREASURER Deals of the Year ACT

Emerging markets close gap in the race for international acquisitions

Deal flow between emerging and developed economies is beginning to converge as companies in the BRIC nations (Brazil, Russia, India and China) start to ramp up their mergers and acquisitions activity.

Ian Gomes: crossover imminent

According to a study which analysed deal flows between nine selected emerging economies and 11 key developed markets, companies from emerging nations are fast closing the cross-border M&A gap on their counterparts in developed nations.

While the number of deals involving a developed economy buying into an emerging economy is still much larger than that of emerging-into-developed, the gap is narrowing rapidly. China and India have been some of the most prolific of the emerging economies in terms of overseas acquisitions for some time now, but other nations appear increasingly determined to play catch-up.

M&A activity in Russia in particular has accelerated over the course of the past two years. Russian firms undertook 23 overseas transactions in 2006, with another 11 completing so far this year. As well as the obvious market share gains, these deals can help geographical diversification and lessen Russian companies' dependence on their own domestic market. This could be interpreted as an indication of more long-term strategic thinking on behalf of Russian companies.

Ian Gomes, Chairman of KPMG's New and Emerging Markets practice in the UK, said: "Four years ago, the emerging-into-developed deals were outnumbered by four to one. By the end of 2006, that ratio was down to just under three to one, and already in the first half of 2007, that gap has narrowed even further, with the ratio now being less than two to one. This begs the question as to when one will overtake the other. Certainly, looking at current trends, it's feasible that this crossover could happen within the next two to three years."

More on emerging economies in next month's *The Treasurer*. ■

On the move...

■ **Emma Best**, AMCT, has been appointed Group Financial Controller of Great Portland Estates. She was formerly Financial Controller at Admiral Taverns.

■ **Kevin Collett**, AMCT, previously Manager at Royal Bank of Scotland, has been appointed Director of Finance and Administration at Greater Pacific Capital.

■ **Alan Drew**, AMCT, has been promoted from European Treasury Manager to Assistant Treasurer at DSG International.

■ **Chris Fell**, MCT, has joined Macquarie Global Property Advisors as Treasury Manager for Europe. He moves from his previous role of Treasurer at SCER Management.

■ **Marcia Lant**, AMCT, previously Head of Business Processes at ENTEC UK, has joined Newcastle University Business School as a lecturer in Business Accounting and Finance.

■ **Brian Marks**, MCT, has joined Genesis Lease, a global commercial aircraft leasing company, as Group Treasurer.

■ **Libhin Nic Gabhann**, AMCT, has been appointed Treasury Director at ICON. She was previously Treasury Manager at Bristol Myers Squibb International.

MEMBERS' DIRECTORY

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

CAREERS

For up-to-date treasury vacancies and careers articles, log onto: **www.treasurers.org/careers/index.cfm**

■ **Lindsay Ray**, AMCT, formerly Group Tax Accountant at EMI Group, has joined Cadbury Schweppes as International Tax Manager.

■ **Fathima Razak**, AMCT, previously Finance Manager at Refugee Housing Association, has been appointed FD at Solon South West Housing Association.

■ **Keith Richardson**, AMCT, has been appointed Relationship Director for Retail at LloydsTSB Corporate Markets. Previously he held the position of Deputy Group Treasurer at Tesco.

■ **Douglas Stevenson**, AMCT, formerly Retail Area Manager at Tesco, has been appointed Regional Treasurer EMEA at Cadbury Schweppes.

■ **Chris Sweeney**, AMCT, formerly Financial Controller EMEA at Rolls-Royce Power Ventures, has joined Kazakhmys as Head Office Finance Manager.

OBITUARY
Derek Bonham
1943-2007

Derek Bonham made his reputation as Finance Director of Hanson, a position he held from the 1980s until he was made the company's first Chief Executive in 1992, *writes Paul Spencer, Chairman of the ACT Advisory Board*.

While Lord Hanson was the commanding officer and Gordon White the deal maker, it was Derek's financial control that made Hanson's reputation as the best-controlled international conglomerate through the 1980s and 1990s.

In the mid-1980s Hanson's takeover of SCM in the US and Imperial Tobacco in the UK trebled the size of the company and pushed it into the FTSE top 30. It was at that moment the small Hanson treasury department was born under Derek's guidance.

While regarded as a hard taskmaster, and a stickler for detail in loan documents, Derek ensured that Hanson was at the centre of many developments in tax and treasury.

As well as having £10bn in cash offshore, Hanson was at times the largest issuer of US commercial paper, a founder and largest issuer of UK commercial paper, and a major issuer of debt instruments in the UK, US and European markets.

The company was also one of the largest issuers in the syndicated bank market, borrowing a total of £25bn in this period.

When Hanson broke itself up in 1996, Derek became a very successful non-executive. He was Chairman of Eastern Electric, Imperial Tobacco, Songbird (owner of Canary Wharf) and took on the difficult chairmanship of Marconi when it got into trouble.

From 1979 Derek was a member of the ACT. He was a major influence in the development of treasury and will be missed.

Ethical standards high, say private equity fund managers

UK private equity houses do have principles despite recent media questioning of the industry's ethical standards, according to a recent survey.

The survey of 100 private equity fund directors and managers found that 73 respondents thought the industry's ethical standards were high, 23 thought they were mixed, and only three branded them poor.

Mat Bhagrath: clear message

The results are part of Grant Thornton Corporate Finance's quarterly private equity barometer.

While ethical conduct is deemed high by the majority of the industry, formalised codes of ethics are in place at only 24 organisations. Sixty-six claimed they had an informal ethical code, and seven admitted having no written ethical code.

Asked about which sector they would not invest in for ethical reasons, 50 respondents cited pornography, 48 cited firearms/military and 28 cited gambling investments.

Tobacco investments were sidestepped by 22% of private equity houses, while a further 10% would not invest in companies dealing with alcohol.

Mat Bhagrath, Partner at Grant Thornton Corporate Finance, said: "The clear message is that the private equity industry believes its ethical standards are far higher than it is being given credit for.

"While it is recognised that a few isolated cases have given the industry a bad name, it is arguable that private equity and the corporate finance market at large should work towards communicating their ethical policies more effectively to give confidence to investors, regulators and the general public that the industry is a force for good, generating wealth and jobs." ■

Venture capital deals just get bigger and

European venture capital investment climbed to €1.14bn in the second quarter of this year, despite a 20% drop in deal flow to 213 compared with the second quarter of 2006.

The 5% increase in the amount invested was a result of bigger deal sizes, according to the figures from Ernst & Young.

Year-on-year, investment was up and deals down in nearly every industry. Healthcare saw the biggest change, raising 10% more capital, while IT attracted the bulk of capital overall (€690m).

"The European venture capital market saw an explosion in early-round investing as €600m was poured into 126 early-stage deals," said Jessica Canning, Director of Global Research for Dow Jones VentureOne. "The median amount invested in a first round was €3.2m, by far the highest on record."

"Investors are providing greater sums to fewer companies, allowing them to better compete globally and build critical mass for an IPO or M&A," said John De Yonge, Research Director for the Ernst & Young Global Venture Capital Advisory Group. ■

Brown calls for more City transparency

His unexpected praise for former political foe Margaret Thatcher may have drawn most of the attention, but Prime Minister Gordon Brown also used his latest monthly press conference to call on the City to publish more information about the risky financial instruments behind the recent credit crunch, *writes Graham Buck*.

"The issue about transparency in relation to some of the financial instruments has been raised and is going to be discussed widely in the international community. We would support greater transparency," said Brown following a summer when many European banks were shown to be vulnerable to the collapse in the credit market caused by the US sub-prime crisis.

The PM's words came after the rate of interest that banks charge to each other – the three-month Libor (the London Interbank offered rate) – rose to nearly 6.8%, a level last seen at the end of 1998 following the collapse of the Long-Term Capital Management hedge fund.

Brown spoke before the Bank of England had revealed its emergency standing facility as lender of last resort was needed by mortgage lender Northern Rock, whose woes became evident as savers rushed to withdraw their money.

Brown's comments have been echoed by other European leaders. French President Nicolas Sarkozy and German Chancellor Angela Merkel used their September summit to press for the EU to agree measures by March 2008 to promote transparency in financial markets and currency exchange rates.

German Finance Minister Peter Steinbruck said he expected that Britain would be forced to adopt a tougher approach to hedge funds.

Brown: publish more information

Commissioner guns for ratings agencies

The EU's Commissioner for Internal Market and Services, Charlie McCreevy, added his voice to mounting criticism of the credit ratings agencies' role in the recent market turmoil.

In a recent address to the European Parliament's Committee on Economic and Market Affairs, he suggested that the main agencies – Fitch, Moody's and Standard & Poor's – had been very slow in downgrading their credit ratings, and that their methodology had proved weak and had been poorly explained.

He added that the agencies also faced a potential conflict of interest: "On one hand, credit rating agencies provide objective ratings to investors of asset-backed securities; on the other, they provide advice to banks on how they should structure their lending to get the best rating. The role of credit rating agencies needs to be clearer."

The Commissioner said it was vital to establish what rating agencies do as their ratings are used for calculating banks' regulatory capital. This demanded "clear, robust methodological rules and principles, rigorously applied".

McCreevy said he would be pursuing these issues with the Committee of European Securities Regulators (CESR), which groups national regulators from the EU's 27 member states, and the EU's international partners. McCreevy's office confirmed he had met with CESR chairman Eddy Wymeersch to request that it investigate the quality of ratings and how they are compiled.

The agencies have made some response to criticisms. Fitch's Chief Executive Stephen Joynt said analysts could not have anticipated just how swiftly or sharply the US real-estate sector would deteriorate, nor the level of potential fraud in individual mortgages.

Dearer borrowing ahead, warns Governor

The Bank of England's move to provide struggling Northern Rock with emergency funds came only two days after Governor Mervyn King suggested that central banks should resist bailing out mortgage lenders that had made poor business decisions. "The provision of large liquidity facilities penalises those financial institutions that sat out the dance, encourages herd behaviour and increases the intensity of future crises," he told MPs.

King said the turmoil in the financial markets was due to investors' reluctance to purchase financial instruments backed by loans. As a result, liquidity in asset-backed markets had dried up and banks would have to put more emphasis on their traditional role of taking deposits and lending them. The process was "likely to be temporary, but it may not be smooth," he warned.

He said the greater demand for liquidity had led to a "substantial" rise in inter-bank rates that was likely to lead to a rise in effective borrowing rates for both companies and homeowners.

The City took his statement as an indication that the deterioration in credit conditions effectively ruled out a further increase in the base rate above the current 5.75%. ■