Hotline

Welcome to December Hotline. December brings Christmas and due reward for all diligent followers of Hotline who have kept up to date with ongoing developments and made full use of the ACT's CPD resources. If you've been good this year, Santa could be dropping down your chimney with a luxury hamper, courtesy of CPD sponsors, Standard & Poor's. See page 73 of this issue for details of our seasonal treasury competition or visit ACTonline. If you have any comments on any of the topics covered in Hotline, please contact technical@treasurers.co.uk. *Sheelagh Killen, Technical Editor. skillen@treasurers.co.uk.*

SHARE-BASED RENUMERATION

A costly option

The International Accounting Standards Board (IASB) moved on 7 November 2002 to address the lacuna in international financial reporting on the accounting treatment of share options granted to employees.

Despite the increasing popularity of share-based remuneration, especially in the new economy, until now there has been no clear guidance on the how the costs to shareholders represented by employee share option schemes should be reflected in financial reporting. The topic has been the subject of significant international discussion both leading up to and following the publication of the Discussion Paper in July 2000 by the 'G4+1' group of international accounting standard setters.

In arriving at the text of its new exposure draft ED2: *Share based Payment*, the IASB concluded that, "share-based payment transactions involving grants of shares or share options to employees should be accounted for in the same way as other transactions in which an entity receives resources as consideration for its equity instruments. The proposals therefore include recognising an expense for the consumption of the resources received, whether in the form of employee services, other services, or goods".

The key proposals contained in ED2 are that:

- All share-based payment transactions should be recognised in the financial statements, using a fair value measurement basis. An expense should be recognised when the goods or services received are consumed.
- In principle, transactions in which goods or services are received as consideration for equity instruments of the entity should be measured at the fair value of the goods or services received, or the fair value of the equity instruments granted, whichever is more readily determinable. For transactions measured at the fair value of the equity instruments granted (eg transactions with employees), fair value should be estimated at grant date. For transactions measured at the fair value of the goods or services received, fair value should be estimated at the date of receipt of those goods or services.
- To estimate the fair value of a share option, where an observable market price does not exist, an option pricing model should be used. The exposure draft does not specify which particular model should be used. The entity should disclose the model used, the inputs to that model and various other information about how fair value was measured. In particular, when employees are required to fulfil certain performance criteria before options are vested, this should be reflected in the value attributed to options.

In addition, the exposure draft covers other areas such as the recognition of additional remuneration where options are re-priced in favour of the employee, accounting for cancellation of share or >>

TAXATION

All the fun of the share

In a new boost to employee share ownership, the Inland Revenue has announced a fresh tax incentive for companies offering their employees an approved Share Incentive Plan (SIP).

The proposal, contained in the Employee Share Schemes Act 2002 (ESSA 2002) which will take effect from 6 April 2003, now offers companies a corporation tax deduction for money paid to an SIP trust, provided that:

- the SIP trustees use the money to acquire shares in the company. (Shares must not be acquired from a company and not less than 10% of the total ordinary share capital of the company must be acquired within a year of the initial purchase of shares made with this money. This allows time to administer and pay for a substantial acquisition of this sort. Shares already awarded to employees under the SIP, provided they are still held within the Plan, will count towards the calculation of the 10% holding of the trust); and
- at least 30% of the shares acquired with the payment are transferred to employees within five years, and all the shares are transferred within 10 years.

The Paymaster General, Dawn Primarolo, backed the scheme, commenting, "The Employee Share Schemes Act will encourage more companies to take advantage of the SIP and support employee participation particularly in smaller privately owned companies".

ESSA 2002 also encourages companies to involve their employees more closely in the operation of the Share Incentive Plan by providing a framework for a board of trustees for the Plan that includes both professional trustees and employee representatives. *SK*

*Further details on the proposals can be accessed at **www.inlandrevenue.gov.uk/shareschemes/news/index.htm***

This month in treasury

TECHNICAL AREA	WHAT'S HAPPENING	WHAT NOW?	WHEN?	WHAT NEXT?
GET INVOLVED				
SHARE OPTIONS	**NEW EXPOSURE DRAFTS.** IASB and ASB issue new proposals on share based payment	**DISCOVER THE OPTIONS.** Further details in Hotline and at **www.iasb.org.uk** and **www.asb.org.uk**	Comments by 7 March 03	**ACT WORKING GROUP.** If you are interested in contributing to an ACT response on share based payment, please contact **technical@treasurers.co.uk**
CONTINUING PROFESSIONAL DEVELOPMENT	**LIGHT RELIEF.** Enjoy the fruits of technical knowledge in the CPD Christmas quiz	**ENTER ONLINE.** All entries to be submitted via the CPD pages at **www.treasurers.org**	Closing date 15 Dec 02	**NO HAMPERING PROGRESS.** A seasonal hamper courtesy of Standard & Poors to our winner
FOR INFO				
DERIVATIVES ACCOUNTING	**ACT RESPONDS ON FRED30.** ACT DAWG backs move straight to IAS39	**READ ON.** See Hotline and the full ACT response on ACTOnline		**DERIVATIVES ACCOUNTING EVENT.** Please feedback your views on content for an ACT derivatives accounting conference
TAXATION	**TAX BREAK.** Fast acting relief on SIP contributions	**HOTLINE REPORTS.** Refer to Hotline for more details		**CONSENTING ADULTS.** This month in Treasury Practice, find out from Matthew Rose how to avoid the pitfalls of treasury consent
PENSIONS	**PLAYING THE NUMBERS.** FSA and ABI launch consumer pensions aid	**ASSESS YOUR FUTURE WEALTH.** Read this month's News and visit **www.pensioncalculator.org.uk**		**CLOSE ENCOUNTERS.** Tony Cunningham looks at managing a closed DB pension scheme in Treasury Practice
DERIVATIVES ACCOUNTING	**NEDs ARE HOT TOPIC.** Higgs consultation elicits widespread comment	**MORE.** Details in Hotline		**REVIEW.** For earlier UK governance moves, see September and November Hotline

<< option plans and the treatment of both share-based payment transactions settled in cash and transactions in which either the entity or the counter-party may choose whether the entity settles in cash or by issuing equity instruments.

Sir David Tweedie, IASB Chairman, said of the proposals: "Typically, transactions in which share options are granted to employees are not recognised in an entity's financial statements. As a result, the entity's expenses are understated and its profits are overstated. The time has come to close this gap in accounting standards. The IASB has taken a leadership role, with support from its partner national standard-setters, to develop a high-quality accounting standard that will provide a basis for international convergence of standards in this area of accounting."

This support from national standard-setters was fully apparent in the simultaneous release by the Accounting Standards Board (ASB) of its own exposure draft, FRED 31: *Share based payment*. FRED 31 proposes the adoption of the provisions of ED2 for both listed and non-listed UK companies from 1 January 2004, the implementation date put forward by the IASB for the new international standard on share based payment. It also confirms that the standard would apply in the UK, "to all share-based payment transactions, including all employee share option schemes, all Save-As-You-Earn (SAYE) plans and similar arrangements, and all share-based payment transactions involving the receipt of goods and non-employee services."

Copies of ED2 are available for download from the IASB website at **www.iasb.org.uk** or in hard copy (priced £15) from the IASB Publications Department at publications@iasb.org.uk or on 020 7246 6410. The full text of FRED 31 is available at £15 post-free from ASB Publications on 020 8247 1264, whilst the consultation questions on FRED 31 can be downloaded free of charge via the ASB website at **www.asb.org.uk**. The ACT briefing paper for members issued in Dec 2000 in light of the original 'G4+1' Discussion Paper can be accessed on the Technical Papers section of ACTonline. ■ *SK*

Comments on both ED2 and FRED 31 are invited by 7 March 2003. The ACT is proposing to establish a working group to prepare a response on this issue and all members and non-members who are interested in participating should contact technical@treasurers.co.uk.

ACCOUNTING STANDARDS

FASB-IASB convergence

The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have moved one step closer to bringing together US and international accounting standards with the release of a memorandum of understanding formalising their commitment to convergence. The memorandum, presented to global standards-setters at a conference in London, follows on from an agreement reached in September to adopt compatible solutions as future issues arise.
In addition, the IASB and FASB recently agreed a short-term convergence project to propose common solutions to some specific differences between the two sets of standards. An exposure draft of the proposals from the project is expected to be released by the end of next year. **www.iasb.org.uk**. **www.fasb.org**.
■ *Denise Bedell*

DERIVATIVES ACCOUNTING

ACT advocates single step approach

The ACT Technical Committee's Derivatives Accounting Working Group (DAWG) responded to the recent consultation on FRED 30, urging the Accounting Standards Board (ASB) to withdraw FRED 30 in favour of concentrating on improving IAS39 and IAS32 prior to their adoption by UK listed companies on 1 January 2005.

The response, submitted on 14 October 2002, strongly echoes the ACT proposals on FRED 23 and points to the weight and frequency of accounting change as a key risk to UK based international companies. This is a particularly grave concern, the paper argues, owing to the fact that many company finance functions are already reporting under multiple codes for statutory or regulatory purposes, whilst remaining under increasing pressure to improve the quality and frequency of internal management reporting following the Enron and Worldcom affairs. In addition to the increased risks of misstatement implied by additional complexity and continued change, the ACT also expressed the view that little value would be added for the users of financial statements: "We believe that there is insufficient justification to ask analysts, shareholders and other accounting stakeholders to understand two consecutive restatements of accounts and comparative figures in successive years, and fear that such frequent restatement of accounts may undermine confidence in the reliability of financial statements."

Other comments put forward by the ACT in their submission include:

- Support for the principles of recognition and de-recognition recognised in UK GAAP (for example in FRS5) and a call for these to be adopted by the IASB in IAS39.
- Concerns regarding the application of the IAS39 "continuing involvement" model of recognition and de-recognition to securitisation vehicles.
- Advocating the retention of the IAS 39 approach to 'recycling' items from equity to the profit and loss account but with the proviso that adoption in the UK be deferred until such time as the current IASB review of reporting financial performance (which may impact recycling) is complete.
- Endorsement of the EACT (grouping of euro-zone treasury associations) proposal to permit internal contracts of foreign currency risk to qualify as hedges in consolidated financial statements to the extent that these have been appropriately laid off externally, through a treasury centre or otherwise, on an aggregate or net basis (paragraph 134 IAS 39).
- Proposals on a number of operational issues and technical issues, including the availability of the FAS133 "short-cut method" for eliminating hedge effectiveness testing on matched transactions, permission to treat hedges of foreign currency denominated firm commitments as either cash flow or fair value hedges, easing of the total restriction on hedging of net positions and the taxation of unrealised gains.

The DAWG's response also confirms the continued support of treasurers for a number of proposals made by the ACT in its November 2001 paper on recommended amendments to IAS 39. ■ *SK*

The full text of the ACT consultation document on IAS39 is available on the Association's website at www.treasurers.org. The Technical Papers section of the site also contains copies of the November 2001 IAS 39 paper and the ACT's recent work on FRED 23. The ACT is currently looking at plans to organise a one-day event for members on 'Derivatives Accounting for the Treasury Professional'. Any member or non-member who would be interested in contributing to or attending such an event, or in joining the ACT DAWG, should contact technical@treasurers.co.uk

CORPORATE GOVERNANCE

Executive decisions

The DTI's Higgs Report on the role of non-executive directors (NEDs) has drawn widespread comment from a number of professional bodies.

The Institute of Directors (IOD) has advocated positive measures to spread best practice rather than legislation and called upon companies to make greater disclosures regarding the structure and operation of their Boards. Whilst the current review of non-executive representation comes in the wake of governance scandals such as Enron, IOD Director General, George Cox, sees "lost opportunities" as the first casualty of an ineffective non-executive process.

Cox added: "It's not the occasional catastrophic failure that affects pensions, savings and jobs; it's the vast number of organisations that fail to fill their potential".

Despite these concerns, an IOD survey found that as many as 81% of respondents believed that NEDs made either a substantial or very substantial contribution to UK Board effectiveness, citing objectivity, specific skill sets and strategic vision as primary benefits.

The Institute of Chartered Secretaries and Administrators (ICSA) submission highlighted the issue of multiple appointments for NEDs. ICSA proposed that company reports should disclose other directorships held by NEDs, that non-executives should not hold more than three or four such positions and that no individual should be Chairman of more than two listed companies. In cases where these guidelines were exceeded, companies would be required to offer explanations as to why they considered the arrangements practicable. ICSA also supported improved training for NEDs, tough new restrictions on investment in the employing company and regular assessments of Board "effectiveness".

The ACT's response to the consultation on the Higgs Report can be accessed at **www.treasurers.org**. ■ *SK*

For comments on Hotline or news, please contact Sheelagh Killen at **technical@treasurers.co.uk**.

News

CREDIT DERIVATIVES AND CDOs

Market explosion sparks wider use

Credit derivatives have become an integral element of the European collateralised debt obligation (CDO) market following the explosive growth witnessed in the sector, according to Stroma Finston, a director at Standard & Poor's European Structured Finance Ratings group. In addition, there is strong potential for corporate entities to adopt this technology. "Credit derivatives are a highly flexible product that could provide valuable hedging opportunities in the current economic environment," she said. "We're actively engaged in a program of education by providing greater market transparency about credit derivatives."

Speaking at a European credit derivatives and synthetic securitisation conference in London, Finston said that credit derivatives are being used more widely in European CDOs, as evidenced by their ever-increasing market share.

"Credit derivatives and credit default swaps are particularly well-suited as financial tools in the CDO market," she said. "These instruments provide market participants with the opportunity to distinguish between the two main objectives of securitisation, namely, risk transfer and alternative source of funding." **www2.standardandpoors.com**. ■ *bfinance*

(See article on p?? of this edition)

S&P tightens recovery rate assessment

In a separate report, S&P says it is considering undertaking a loan-by-loan recovery analysis in its recovery rate assessments for European CDOs of leveraged loans. Irene Ho-Moore, a group managing director, explains: "We've noted that recent transactions have considered covenants to higher levels of recovery rates than the indicative ranges we previously published."

To include higher recovery rates, the ratings agency must perform additional loan-by-loan analysis because previous ranges used a portfolio approach that did not take into account the individual features of each loan. She says: "After such a credit assessment of each loan, Standard & Poor's may feel comfortable in assigning recovery values that would be higher than the portfolio ranges."

As assessment of higher levels for recovery rate tests could mean lower credit enhancements, Ho-Moore says that the higher recovery rates do pose some challenges: "A manager must be able to meet an ongoing commitment to covenant to these higher levels," she explained. "Flexibility in loan selection and jurisdiction may therefore be limited. Nonetheless, if the manager is comfortable with the potentially more limited flexibility, Standard & Poor's will consider a loan-by-loan recovery analysis." **www2.standardandpoors.com**. ■

PAYMENTS

Easing SME clearing and settlement

Eight of the main UK clearing banks have said yes to a series of behavioural remedies designed to improve competition in the SME banking market. The remedies cover a range of issues, including measures to ease switching and increase transparency of bank charges.

Barclays Bank, Bank of Ireland, Bank of Scotland, AIB Group, HSBC, Lloyds TSB, National Australia Bank (through its subsidiaries Clydesdale Bank and Northern Bank) and the Royal Bank of Scotland Group have all agreed in principal to the changes.

Chancellor Gordon Brown said: "Once in place, these remedies will help to promote competition in this sector, which will benefit small businesses throughout the UK." The government said it would seek further undertakings from the banks on account switching after the publication of reports by the banks on the problems associated with originators of direct debits and on the more rapid transfer of security.

It has already secured undertakings from the four main clearing banks to pay interest on current accounts or provide free money transmission services to their SME customers in England and Wales. **www.hm-treasury.gov.uk**. ■ *bfinance*

E-PROCUREMENT

Vendors overstate

The stampede into e-procurement in Europe has not resulted in the expected savings, according Forrester Research. The firm says companies fail to achieve hoped-for cost savings due to fudged price comparisons and weak purchasing compliance. "Vendors of all stripes use claims of 10% average cost savings," says Forrester senior analyst David Metcalfe. "Forrester believes online sourcing offers firms the prospect of year-on-year average cost savings of less than 5%, not the 10% vendors claim."

To calculate cost savings from e-sourcing, says Forrester, firms must deduct license fees and consulting charges – additional fees that they didn't face before. Also, says the firm, many clients don't have the contract management functionality needed to enforce changes in purchasing behaviour. For instance, plant managers distributed across the world continue to buy from regional suppliers, short-circuiting e-sourced corporate deals.

"Firms took two years to discover that e-procurement requires process change to capture technology efficiencies; the redesign of the sourcing process adds additional change costs," says the report. "To maximise value creation, firms should drive compliance with accounts payable integration and enhance requirements gathering with shop-floor integration." **www.forrester.com**. ■

ACT DINNER

Sir Edward on the spot

Sir Edward George, Governor of the Bank of England, was the guest speaker at the Association's Annual Dinner on 13 November. His speech is reproduced on page 33.

Press coverage of his speech included: "Sir Edward George, the Bank's governor, promised: 'Like the Federal Reserve Bank, we at the bank of England remain vigilant and ready to ensure that monetary policy remains supportive to the extent that we sensibly can." *Financial Times*

"Sir Edward George, Bank Governor, highlighted the risks of overheating the consumer sector. 'The questions now are how far we need to sustain domestic demand by lowering interest rates and how far we can sensibly do so without excessive risk of overloading the domestic boiler." *The Times*

"Sir Edward George was in a more playful mood. He spun an economic speech last night around the plot of an opera. He ended with his own memorable line – 'On the spot with Turandot' – which he assured his audience has a happy ending..." *Daily Mail* ■

FORTHCOMING EVENTS

REGIONAL GROUPS:

4 December **South West - Pot Pourri of Treasury Topics**
Speaker: Richard Desmond. Location: Castrol, Swindon
For Regional Group Contacts see Inside Back Cover.

CONFERENCES:

04-05 Dec **Treasury Security and Controls**
10-11 Dec **An Introduction to the Corporate Finance Toolbox**
30-31 Jan **Introduction to Treasury**

For further information contact Makayla Rahman
mrahman@treasurers.co.uk

ACT PENSIONS CONFERENCE

Radical benefits plan needed

State pension provision must be revamped to take pressure off occupational pensions, claimed Pensions Reform Group (PRG) Chairman Frank Field (pictured, right) at the ACT's Pensions conference, sponsored by Lane Clark & Peacock.

Labour's former welfare reform minister said government had no sure-fire solution for the pensions crisis and urged it to take the "courageous" step of radical long-term reform. He pointed out that despite high profile issues over Iraq and terrorism, focus groups showed that the public's main concern is pensions provision. For this reason, the government should adopt the PRG's universal protected pension plan.

The UPP consists of a basic state pension, supplemented by member contributions, providing all members an equal pension equivalent to 25-30% of national average earnings throughout retirement. All members pay a similar proportion of their income for a pension that is the same for all. ■ *Isabelle Oderberg, Professional Penions magazine, official publication of the conference.*

OTHER HIGHLIGHTS OF THE CONFERENCE

- Tony Cunningham, Partner, Lane Clark & Peacock, on managing what's left behind from closed defined benefit (DB) schemes *(see article on page 18).*
- Bob Thorne of Barclays explored the practical ways of managing closed scheme risks.
- Graham Allen of ICI Investment management on the corporate view of scheme liabilities
- Willem Handels of Shell on pan-European issues and how EU proposals might affect the UK pensions industry.

PENSIONS

European corporates' disclosure

European pension information disclosure needs improvement, according to a report by Standard & Poor's which showed that corporate and infrastructure issuers need to increase the quality and frequency of their information on pensions and other post-employment benefits. With an ageing population and declining share prices, pension evaluation is ever-more important. The study looked at rated European companies with quantifiable, unfunded contractual pension obligations to evaluate the potential impact of these funding gaps on credit ratings.

It found that only a few companies are heavily affected, in terms of financial flexibility, by unfunded post-employment obligations. "Nevertheless, even in these cases, although credit metrics are stretched, this flexibility remains sufficient at current rating levels," said Emmanuel Dubois-Pelerin, a director of Standard & Poor's Corporate Ratings Europe. "Moreover, there is no systematic sectoral bias, and only Germany shows any geographical bias, posting a higher-than-average proportion of companies with significant unfunded commitments."

More than 500 corporates were evaluated in the study, which was based on financial year-end 2001 disclosures. The study also found that less than 5% of companies in Europe significant unfunded pension liabilities, and there are no rated companies in Europe, so far, where the deficits pose an immediate rating concern. This could be either because the liability exists without a correspondent legal obligation to fund it, or because the magnitude of the liability is small relative to the overall continued financial flexibility of the company, according to Standard & Poor's. **www.RatingsDirect.com.** ■

BASEL UPDATE

Securitisation

The treatment of securitisation was the topic of a recent working paper – the second on the subject – by the Basel Committee on Banking Supervision, as a result of the growing market for structured finance transactions across Europe. The first Basel Accord gave very little guidance on securitisation, according to the committee, and the new framework hopes to address that.

The paper describes the reasoning behind the proposed capital framework for securitisation exposures which is outlined in a quantitative impact study (QIS3) released in early November. This second working paper looks at changes made to the capital framework, including those made in relation to liquidity facilities and structures with early amortisation – all of which should improve the risk sensitivity of the of the minimum capital requirements, according to the committee.

"The information collected will play an important role in determining whether further modifications are needed. Such modifications may include refinements to existing proposals or adjustments to the way in which the proposed minimum capital requirements have been calibrated," it said. **www.bis.org/bcbs/**.

■ *bfinance*

Managing e-banking risk

The Basel Committee has also issued a consultation paper on management and supervision of international e-banking. The goal is to increase dialogue between the committee, supervisory entities and the banking industry on risk management and oversight of cross-border e-banking. The paper is intended to identify banks' e-banking risk management responsibilities, and to highlight the need for effective local supervision of cross-border e-banking activities while encouraging international co-operation between banking supervisors. **www.bis.org/bcbs/**. ■

BUSINESS CONTINUITY

Banks ignoring risk

Advance Galatrek, a UK power quality management solutions provider, says that many banks and financial institutions are failing to consider fundamental business continuity issues and are instead focusing on 'hot topics' such as online security and network intrusion. The group says this obsession with high-profile issues is diverting funds from core requirements, including the need to ensure that banks remain open for business in the event of a power failure. The cost implications of a system outage are high, and the effects for customers can be drastic. Just a few power interruptions during the year will occupy significant staff time, and will require significant data checking to make sure there were no corruptions by the mains failure, and also the time and cost of correcting anomalies. **www.advance-galatrek.co.uk**. ■

In brief...

Settlement members of **CLS Bank** are now authorised to provide continuous linked settlement to third-party corporate, bank and fund manager clients. The CLS service is the first global simultaneous and irrevocable settlement system. In the first eight weeks of its live operation, more than $5 trillion in foreign exchange transactions was settled through the system. The service now has 39 settlement member institutions and that number is expected to increase to 50 by year-end. **www.cls-services.com**. ■

Online trading portal **FXall** will offer straight-through processing of FX transactions to clients of treasury management system suppliers' Selkirk and SimCorp. SimCorp's IT/2 and TMS2000 and Selkirk's Treasury Manager clients now have online access to deal information and can execute and import deals from FXall into their treasury system and automatically confirm and settle transactions. SimCorp and Selkirk will also have links to 35 other treasury management system suppliers through FXall's Partner Channel. **www.fxall.com**. **www.selkirkfinancial.com**. **www.simcorp.dk**. ■

HSBC will offer Simplex's CLS consultancy services to its third-party CLS clients to help customers manage change to existing systems and make it easier for those clients planning to operate through several submission sites or those intending to offer their own CLS fourth-party services. Simplex's Third Party Implementation service helps organisations analyse the impact of CLS on systems, trade flows, processes and procedures. www.hsbc.com. www.simplexconsulting.com. ■

The Institutional Money Market Funds Association (IMMFA) has launched a new website, www.immfa.org, to give investors, government and regulatory bodies and the press access to information about member funds. The site provides regular performance statistics on IMMFA member funds, member details and news and information about global money market funds. **www.immfa.org**. ■

JMH Financial Services has made an unconditional offer for Demica. The acquisition will add to the Group's current liquidity management solutions and grow its presence in the UK. JMH Demica will maintain its customer support infrastructure in London. **www.jmhfs.com**. ■

JPMorgan and **ING** will partner to offer clients access to both group's treasury management solutions through referrals. The partnership builds on ING's presence in Central and Eastern Europe and JPMorgan Treasury Services' global position, and expands JPMorgan's global Banking Partner network. The joint service is already being implemented and is expected to enter pilot phase by year-end. Poland, Hungary and the Czech Republic will be live first, with five other CEE countries also going live in 2003. **http://ts.jpmorgan.com**. **www.ing.com**. ■

PeopleSoft has upgrades its Enterprise Performance Management (EPM) solution to support upcoming regulations proposed under Basel II. It helps banks measure all types of risk, including credit and operational risk. The new capital accord will require banks to measure risk and determine sufficient capital requirements through internally generated risk assessments. **www.peoplesoft.com**. ■

Reuters has launched a browser-based, remote wireless accessible, version of 3000 Xtra, the group's primary information service. Reuters 3000 Xtra Companion will be offered for free to existing subscribers. In addition to news, charts and prices, users can import quote lists and information stored on 3000 Xtra desktop to a home PC or PDA. **www.reuters.com**. ■

SAP has launched SAP Global Trade Services a trade finance system designed to help corporates manage trade risks. The system supports **>>**

<< trade regulation compliance and automates sanctioned party list screening. It also gives automation to import and export control through license management and embargo screening. The compliance management solution screens business partners as well as sales and purchasing counterparties. **www.sap.com**. ■ *bfinance*

State Street Corporation will now offer clients of SunGard Treasury Systems access to the bank's electronic FX trading platform, FX Connect, via SunGard's eTreasury eXchange (eTX). From within a SunGard treasury application, clients will be able to directly access the FX Connect platform to make FX deal requests access bid and offer prices, and execute trades. In addition, confirmation, settlement and back-office reporting is automated through the SunGard system. **www.statestreet.com**. **www.sungardtreasury.com**. ■

StreamVPN has launched Deal Network – an online project hosting space for executing investment banking deals. The goal is to reduce the time and cost of document-intensive multi-counterparty corporate deals, such as financings, mergers and acquisitions, and other capital markets transactions. **www.enargeia.com**. ■

SunGard Treasury Systems has launched AvantGard, a new group of whole-of-organisation treasury products and services. AvantGard Enterprise Treasury gives a real-time snapshot of the group financial position, including consolidated cash positions and financial risks. The service is powered by SunGard' s eTreasury exchange (eTX), which allows corporations and their banks to instantly exchange and reconcile financial information. AvantGard takes data from existing enterprise systems, combines it with real-time data from banks through eTX, and provides evaluation and reporting tools to analyse the information. It also has a shared service function to manage inter-company netting and centralise payment processing. **www.sungardtreasury.com**. ■

Online fixed-income platform **TradeWeb** has launched TradeXpress, a service that lets users to send electronic allocation information and ticket confirmations. Institutional investors can complete large block trades with fixed-income dealers and send each trade into multiple client accounts for settlement. **www.tradeweb.com**. ■

Wall Street Systems has added Full Spectrum Processing to its Wall Street System treasury engine – a corporate treasury solution which uses a single, scalable database to unify all business and transactional information across the group. The goal is to increase transparency across the organisation and create a single virtual office for global treasury operations. **www.wallstreetsystems.com**. ■

Treasury system supplier **XRT** has partnered with FXall to integrate the online FX trading platform into XRT's Treasury Management solutions. Through FXall's Partner Channel program, XRT customers have access to full FXall functionality and links with other Partner Channel participants, which now includes 35 treasury management system suppliers. **www.xrt.com**. **www.fxall.com**. ■

PENSIONS

Good tidings we bring

Are you confident of the income you are hoping to enjoy in your retirement? You can now double check your assumptions online using a new 'Pensions Calculator' launched jointly by the Financial Services Authority (FSA) and the Association of British Insurers (ABI).

The Pensions Calculator offers an illustrative calculation of how much retirement income individuals could receive in today's money based on their current and future savings patterns (and taking into account relevant state pension benefits). Visitors to the site enter key factors such as the age they will start saving, how much they might contribute and their proposed retirement age. They can then change their assumptions (eg choosing to save more, start earlier or retire later) to obtain information on how they might move towards the income levels to which they aspire.

The joint initiative is intended to meet the FSA's objectives on consumer education and awareness and supports the ABI's work to close the UK's £27bn a year savings gap. The assumptions used are consistent with the real value projections that have been introduced by the DWP and which pension scheme members will start to see on their annual pensions statements from April 2003. The Calculator is available at **www.pensioncalculator.org.uk** – **www.fsa.gov.uk** or **www.abi.org.uk**. ■ *SK*

ELECTRONIC BILLING

Plans for UK EBPP service

A cheque processing joint venture set up by Unisys, Barclays, HSBC and Lloyds TSB is in discussion with banks and utilities to create a national electronic bill payment and presentment service, known as Worldbills.

After payment organisation Apacs failed in a similar quest, the group hopes to successfully launch a bank-centric EBPP service through their joint venture, iPSL. The scheme calls for iPSL, or a specifically created bank-owned entity, to host an engine that aggregates online bills for consumers to view through their own bank's web platform. Charges for billers would depend on volumes, but should be much less than postal charges now estimated at 80 pence per bill. The group says that a number of banks, along with some of the bigger utilities, card companies and smaller billers, have already expressed interest. **www.unisys.com**. ■

Percentages…

Nearly all treasury and finance professionals in a recent survey by the **Association for Financial Professionals** reported using the internet for parts of the finance function, despite the tech slowdown over the past year.

86% of the respondents use the internet for cash management, and about 34% also go online for FX and investment services. Most internet usage involves information gathering and communicating with service providers, but 62% of respondents also use it to transact cash management business. The biggest barriers to internet usage continue to be security (84%), authentication of counterparties (79%), enforceability of contracts (57%), inability to integrate data with internal systems (54%), and credit quality of counterparties (52%), according to the survey. **www.afponline.org**. ■

Over a quarter of corporates said they have used their international cash management bank for more than five years, with either **Citibank** or **Bank of America** the likely recipient of their business, according to a survey of 275 US and European corporates. The findings, disclosed by information provider Treasury & Risk Management, revealed that one-in-ten said they either used Citibank or Bank of America, with 6% opting for **ABN AMRO**, for their international cash management solutions.

On the question of how many cash management banks were used per corporate, the majority opted for two or more providers. According to the survey's findings, 71% of corporates said they did not intend on consolidating their international cash management in the next 12 months.

Citibank, **JPMorgan** and Bank of America were viewed as the three best in international cash management. Of companies with assets greater than $500m, 31% had been with the same cash manager for more than five years, while around 22% of firms with assets of $500 million or less stayed loyal the longest. **www.treasuryandrisk.com**. ■*bfinance*

A **Deloitte & Touche** survey of board practice in FTSE 350 companies shows that most chairmen are now non-executive and the most common board position for women is that of finance director. The Board Composition and Non-Executive Director's Fees report found that a typical FTSE 350 firm now has a non-executive chairman and a chief executive, and the number of companies with an executive chairman is decreasing.

The report said that around 7% of FTSE 100 and 12% of FTSE 250 companies kept a joint chairman and chief executive role, although best practice guidelines of the Combined Code say there should be a clear division of responsibilities between the running of the board and the business. Boards of the largest UK companies are still unlikely to include women, found the report. Only 2% of executive directors in FTSE 350 companies are female and only four companies have a female chief executive. **www.dtonline.com**. ■

The Finance & Leasing Association has published its annual survey of business finance, showing that asset finance continued to account for 26.4% of the slow UK investment market during 2001, maintaining similar figures against the previous year. In 2001 FLA members provided £23.5bn in capital investment financing to businesses, which is down slightly from 2000 figures but in line with the fall in UK fixed capital investment (excluding real estate). **www.fla.org.uk**. ■

More than 51% of multinational corporations may outsource some part of treasury within two years, according to a survey by the **Royal Bank of Scotland**, **JMH Treasury** and website **GTNews**. One in five companies already do outsource some treasury activity, according to the survey, and 39% of those that do not now outsource have it on the agenda to look at in the next two years. In addition, 71% of those using outsourcing services have chosen the agency treasury services of a bank, although independent outsourcers are catching up. And 61% of respondents think outsourcing is an opportunity for treasurers to stop performing non value-added processes. **www.gtnews.com**. ■

DEBT INSTRUMENTS

Effect unknown for rating triggers

While rating triggers are widely used in European commercial and financial agreements – albeit to a lesser extent than in the US corporate debt market – their disclosure is unsystematic and awareness of the effects of rating triggers is low among European debt issuers, according to a new report by Moody's.

The report suggests that the low use of ratings triggers in Europe compared to the US is earlier developmental stage of the European corporate debt market.

Analysing the views of 345 European corporate debt issuers, the report says rating triggers are frequently contained in European swap, lease and bond agreements for low to mid-investment grade credits. But Moody's believes that the number of rating triggers may be understated in view of the unsystematic disclosure of ratings triggers in Europe and the fact that an awareness of potentially problematic ratings triggers is limited.

Rating triggers can exist at both ends of the spectrum, says the report, with a high occurrence of triggers with benign consequences as well as a high occurrence of with potentially severe consequences. **www.moodys.com/bfinance** ■

BANKING LEGISLATION

EC standardisation

The European Commission has launched a consultation on the implementation of banking legislation across the EU. The consultation will look at how EU entities draw up, adopt and put into effect legislation on financial services, including banks, financial conglomerates, insurance and pension funds.

Based on a report from the Economic and Financial Committee, the goals of the project are to speed up regulatory convergence, decrease the time needed for adaptation of financial regulation to reflect EU-wide changes and strengthen supervisory practices in Member States. Proposed structures to be considered in the consultation would be based on the framework already laid down by the EC for securities legislation.

Suggestions in the Economic and Financial Committee report were endorsed in October by the Council of Economic and Finance Ministers, and the outcome and implementation of the report will be finalised in early December. **www.europa.eu.int.** ■

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