

Hotline

Welcome to the April Hotline. April heralds the 2003 UK Treasurers' Conference (UKT) hosted by the ACT, in conjunction with EuroFinance. The event will be held in Brighton from April 29 to May 1 and boasts an impressive range of presentations and workshops on core treasury topics. Keynote speakers include Mary Keegan, John Plender and Ronan Dunne. To book online, go to www.treasurers.org/ukt/ukt2003.cfm or, for telephone and e-mail bookings, contact 0207 213 9399 or ukt@treasurers.co.uk respectively. ACTonline is launching a new service this month, in partnership with Loan Pricing Corporation, to bring loan market news and data to www.treasurers.org. This is the first of a series of arrangements between the ACT and leading information providers which will introduce an enhanced range of treasury market data and news to ACTonline. For more detail, refer to the item in this month's News. 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. ■ *Sheelagh Killen, Technical Editor. skillen@treasurers.co.uk.*

SHARE-BASED PAYMENT

ACT backs FRED 31

The ACT has offered broad support for Financial Reporting Exposure Draft (FRED) 31 on share based payments. It also voiced a recommendation that a similar approach be developed in relation to bonds convertible into shares.

Whilst applauding the principles on which FRED 31 is based, the ACT expressed concern at the potential complexity of calculations to make the required estimates of the valuation of share-based payments, particularly where these would be required for non-listed companies. It suggests that consideration be given to the use of transitional arrangements which introduce the change for listed companies first in order to give other companies and the wider public more time to become familiar with the proposals and how they might affect a company's financial reporting.

Treasurers also pointed out that, as the cost of share-based remuneration schemes becomes more apparent under the proposed reporting standard, the changes could have real economic impact. For example, calling attention to the cost of employee schemes such as Save As You

Earn might lead some companies to reconsider them.

In addressing the details of the proposals, the ACT made a number of additional comments on the following aspects:

- *The principle in valuation that equity interests are not revalued.* The impact on shareholders which the Draft seeks to make clear may be better captured by revaluation in some cases;
- *The prescribed basis for time apportionment of expense.* A better estimate may be made by consideration of the circumstances in each case;
- *The expensing of lapsed options.* They do not represent a cost to the shareholders and should not be shown as such; and
- *The proposed difference in treatment of cash and equity settled transactions.* They are economically equivalent and should not be distinguished. ■

The full text of the ACT response to the ASB can be downloaded in pdf format at www.treasurers.org/about_us/ACT_response_fred31.pdf. For more on accounting for share-based payments, see David Creed's article in this month's Open Floor, p 17.

FINANCIAL ACCOUNTING

Recognising need for change

The Accounting Standards Board (ASB) has published an exposure draft in response to what it describes as "questionable practice" in the area of revenue recognition.

The exposure draft is of an Application Note to *FRS 5: Reporting the Substance of Transactions* and is concerned with the reporting of turnover – 'the top line' of the profit and loss account. Its aim is to ensure that entities report turnover in accordance with the substance of their contractual arrangements with customers, and at the point at which their performance entitles them to recognise either an increase in assets or a decrease in liabilities. The exposure draft sets out the basic principles of revenue recognition, and provides specific guidance on five types of transaction which give rise to turnover and have been subject to differing interpretations in practice:

- long term contractual performance;
- separation and linking of contractual arrangements;
- bill and hold arrangements;
- sales with right of return; and
- presentation of turnover as principal or as agent.

Mary Keegan acknowledges that the exposure draft is an "interim step" pending the development of a replacement for the existing international standard on revenue, IAS 18. As such, the ASB Chairman does not foresee the new guidance as having significant impact on UK financial reporting, except in areas where companies are seen to have "pushed the envelope" in interpreting the existing wording of FRS 5. A new IAS 18 will be developed in due course through a joint project between the ASB, the International Accounting Standards Board and the US Financial Accounting Standards Board. ■

Copies of the exposure draft are available £5 post-free from ASB Publications, 145 London Road, Kingston Upon Thames, Surrey, KT2 6SR (020 8247 1264).

RISK MANAGEMENT

The City never sleeps

The ACT is inviting treasury professionals to put forward their views on a recent HM Treasury Green Paper on improving the response of the financial system to major operational disruptions.

The consultation document published on 25 February 2003 considers how order in the financial markets could be maintained in the face of a range of major contingencies including terrorist attack, extreme weather conditions or a destructive computer virus. In particular, the Treasury are seeking input on whether the relevant

authorities should be granted new statutory powers to suspend operations or assume management of financial systems in extremis. There will also be a debate on strengthening existing private sector 'market-based' approaches to disaster recovery planning.

Financial Secretary, Ruth Kelly, explained, "The 11 September attacks on the United States caused terrible loss of life and physical damage. They also showed the problems that physical disruption on such a scale brings for the financial system – as

exemplified by the four-day closure of the New York Stock Exchange. Financial services play a vital role in the UK economy. This makes it particularly important to be sure that we have good arrangements in place to maintain the financial system's resilience during major operational disruption." Copies of the consultation paper can be downloaded either at www.financialsectorcontinuity.gov.uk/home/ or at www.hm-treasury.gov.uk/consultations_and_legislation/major_operational_disruption/consult_operationaldis_index.cfm. ■

Comments on the Green Paper are invited by 25 April 2003. The ACT is looking to compile a response on behalf of corporate treasurers who are one of the major end-user groups for the financial services sector. Any member or non-member wishing to express a view should contact the ACT at technical@treasurers.co.uk.

This month in treasury

TECHNICAL AREA	WHAT'S HAPPENING?	WHAT NOW?	WHEN?	WHAT NEXT?
■ GET INVOLVED				
UK TREASURERS' CONFERENCE	ACT event goes to Brighton. Keep up to date on the latest developments in the treasury profession	See conference preview. The 2003 UKT was showcased in the March Treasurer, p25	29 April to 1 May 2003	Booking information. Download the event brochure at www.treasurers.org/ukt/brochure.pdf
■ FOR INFO				
RATINGS	ACT responds to SEC. ACT's interim comment cites costs of management time as barrier to ratings competition	Hotline reports. For more information, refer to the Hotline		Looking back. To review current ratings issues, see March edition, p17. Also look out for a feature on ratings in May
SHARE-BASED PAYMENT	FRED 31 on right track. ACT gives in principle support to share based payment exposure draft	Read on. Find out more in Hotline, or access the full response to the ASB on ACTonline		Debate continues. Food for thought on this issue in Open Floor, p17
EQUITY FINANCE	Progress on treasury shares. DTI issues new draft regulations for treasury shares	Details. Download the new draft at www.dti.gov.uk		Essentials. Catch up on the basics of treasury shares in this month's Treasury Essentials, p27
RISK MANAGEMENT	Averting disaster. Green Paper issued on contingency planning for UK financial system	Latest developments. See Hotline for details of how to obtain your copy		Comments, please. If you wish to express a view on the proposals, including emergency powers for authorities, contact technical@treasurers.co.uk
FINANCIAL ACCOUNTING	Defining turnover. Application Note exposure draft clarifies computation of turnover	Substance and form. To update on the proposed interpretations of FRSS, refer to Hotline and visit www.asb.org.uk		Mary Keegan. The ASB Chairman will be presenting to treasurers at UKT
CORPORATE GOVERNANCE	Governance guidance. ICGN promotes new tool for shareholder protection	Have your say. If you wish to comment on the guidance, please contact technical@treasurers.co.uk		Governance focus. For more on corporate governance, review the February 2003 Spotlight

RATINGS

Time is money

The cost of corporate management time is a key barrier to ratings competition according to recent ACT comments to the US Securities & Exchange Commission (SEC).

In its initial response to the SEC Interim Report on the regulation of ratings agencies (see *The Treasurer*, March 2003, p17), the ACT points out that the time spent by key corporate executives in managing relationships with ratings

agencies and in preparing information for reviews constrains a company's ability to allocate its ratings business beyond one or two providers. In addition, the time which would need to be devoted to bringing a new ratings provider up to speed on its business is a significant bar to "switching" between ratings agencies.

To read the full ACT response, visit www.treasurers.org/news/sec_interimreport.cfm. ■

EQUITY FINANCE

Final countdown to treasury shares

The Department of Trade & Industry (DTI) has now issued revised draft regulations for the introduction of treasury shares in the UK. The new draft represents the culmination of detailed work by the DTI's legal team following the positive response to the September 2001 Consultation Paper (see September 2002 Hotline).

It is anticipated that the regulations for treasury shares will be put before Parliament in the Spring of 2003. The new regime will then come into force simultaneously with the related changes to tax legislation which will be included in the Finance Bill 2003. The draft regulations can be downloaded at www.dti.gov.uk/cld/holdingtreasury.pdf.

Copies of the ACT's response to the original consultation can be accessed via the Technical Papers section of ACTonline. The ACT welcomes any further comments from treasurers on this topic by contacting technical@treasurers.co.uk. The ACT is intending to issue best practice guidance on the use of treasury shares, in association with the Association of British Insurers and the National Association of Pension Funds, in advance of the new rules taking effect. ■

For an introduction to the concept of treasury shares, see Treasury Essentials on page 27.

CORPORATE GOVERNANCE

Empowering investors

The International Corporate Governance Network (ICGN) has released draft best practice guidelines designed to help shareholders benchmark corporate governance in companies in which they invest.

The ICGN Principles of Stewardship wants funds to allocate resources to corporate governance monitoring, to disclose how they exercise ownership responsibilities such as share voting, and to manage conflicts of interest to ensure that savers' interests come first.

The goal, according to ICGN, is to lend strength to investor stances on the governance of companies; to gird investor confidence in funds' representation of shareowner interests; and to contribute to the integrity of global capital markets. This, it argues, will help to prevent disasters on the scale of Enron and spur better performance.

Comments on the draft principles can be made at the ICGN website until 30 April 2003. Any treasury professional wishing to express a view should contact technical@treasurers.co.uk.

www.icgn.org. ■DB

For more information on the Hermes principles which have a similar agenda, see Colin Melvin's article in the February 2003 edition, p39.

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

News

EQUITIES

Returns to outperform bonds

The threat of deflation in the UK economy could mean equities should outperform bonds by about 4% this year. Speaking at a conference, Keith Wade, chief economist at fund manager Schroders, said investors can now buy equities and get the same income stream as generated on gilts.

The uncertainties surrounding the

geopolitical situation, coupled with oil prices falling, have increased the prospect of deflation, he said. "The UK equity market reached an important milestone this month as the dividend yield on equities rose into line with that available on UK government bonds – the last time we saw this was back in 1957," said Wade.

"The critical economic question facing investors is whether we are moving into a period of deflation where prices fall and dividends fail to rise for a sustained period."

He said that the UK housing market and economy should have a soft landing and despite high debt-income ratios, interest gearing is comfortable. "The biggest threat would come from robust global recovery or further falls in sterling, which would trigger higher interest rates," he noted.

www.schroders.com. ■bfinance

In brief...

The Bank of New York (BNY) has released its next generation letter of credit software. The BNY Trade Workstation allows importers to manage the banking side of their international trade business more efficiently, according to BNY. Importers can access information about their letters of credit processed around the world, enabling customers to input and transmit applications and instructions for letters of credit, to monitor letter of credit activity, and to generate reports via the web, BNY said. www.bankofny.com. ■ *bfinance*

Dow Jones Newswires EMEA has launched a suite of news integration tools to receive, integrate and store news and information directly into internal IT systems. Dow Jones says the set of three tools – news collector, news manager and news viewer – will integrate its full range of news feeds and store data in real-time in the customer's database system. www.dowjones.com. ■

UK's DST International (DSTI) has purchased State Street's risk management software firm, Askari. The system offers configurable investment risk analytics across all asset classes, and DSTI says it will allow clients to access advanced risk measurement tools without a major IT system investment. www.dstinternational.com. ■

Independent Audit, a new firm specialising in financial and corporate governance analysis, has been launched by two ex-partners of PwC in response to the Enron and Worldcom scandals. The firm will not be involved with the client business other than reporting to boards and audit committees. ■ *bfinance*

NASDAQ Deutschland - a joint venture between the US firm and Commerzbank, comdirect bank, Dresdner and the Berliner Bourse - launched on March 31. Stocks from the DAX, MDAX, TecDAX, Nasdaq 100 and Dow Jones 30 are traded at first, using a mix of marketmakers and direct execution over a version of Nasdaq's SuperMontage trading platform. www.nasdaqeurope.com. ■

NASDAQ has launched an internet portal targeted specifically at providing pension funds with access to additional information on NASDAQ-listed companies. Portfolio managers and brokers, on behalf of pension and insurance fund investors, can access this information in the Institutional Investor Center at <http://investors.nasdaq.com/>. ■ *bfinance*

Pegasystems has launched the latest version of PegaRules Process Commander, its corporate business processes management software. By automating business rules, the system helps companies implement and maintain best practices across the group. The system coplatform revolves around a rules-based engine that gathers relevant data and automates some existing manual tasks. It has interfaces to existing infrastructure and applications and operates in real time. www.pegasystems.com. ■

PeopleSoft will interface its Performance Management (EPM) system with FRS's FinancialAnalytics product to help financial institutions comply with Basel II reporting requirements. FinancialAnalytics will handle disclosure and reporting requirements and EPM will be further developed to support FRS's data requirements. www.peoplesoft.com. www.frsglobal.com. ■

Reval has launched the latest version of HedgeRx, its flagship derivative hedging management system. Version 3.0 includes a new General Ledger >>

CREDIT DERIVATIVES

Market to slow

The rapid advance of the credit derivatives market, which has taken place during a period of rapidly declining credit quality, could come to an equally abrupt halt, according to new research. A report by Financial Insights, a US consultancy, claims a number of key factors will conspire to constrain growth in credit derivatives. As a result, some electronic execution platforms could either fold or consolidate.

According to Financial Insights, the growth and volatility of credit derivative usage, coupled with the fact that the burgeoning market is lightly regulated make it eminently possible that either a counterparty blowup or major intentional malfeasance could occur.

The report also explores the different uses of the instruments, particularly credit default swaps. After discussing a number of potential threats to the growth of the market, it looks at several related technologies, such as information portals, trade execution platforms, and front- and middle-office trading and risk applications. www.financial-insights.com. ■

bfinance

FINANCIAL ACCOUNTING

Call for greater transparency

The Institute of Chartered Accountants in England & Wales (ICAEW) has called for greater clarity and transparency in accounting. Improving transparency in the accounting profession and providing clear explanations of what an audit actually does will help restore confidence in the world's capital markets, said Paul Druckman, vice-president of the ICAEW. Druckman said that the news that the largest accountants in the UK have agreed to publish an annual report with full accounts, and disclosures on their international structures, governance procedures and quality control processes was "a start and we hope that others will follow."

Druckman described the UK profession's recognition of the need to explain clearly to the

public "what the audit does and does not do and to stress the benefits and professional elements that underpin audit quality and, more widely, the quality of financial reporting." He said the purpose of the audit is to express an opinion with reasonable assurance that the financial statements give a true and fair view.

However, Druckman noted that professional opinion must be based on certain fundamental principles, including: accountability, integrity, objectivity and independence. He added: "If confidence is to be restored, the profession accepts it needs to demonstrate to the world that it does indeed subscribe wholeheartedly to these principles." www.icaew.co.uk.

■ *bfinance*

<< module for managing the accounting entries for activity in HedgeRx as well as significant enhancements to its commodities management, risk management and FAS 133/IAS 39 functionality. ■

SunGard Trading and Risk Systems has updated its credit risk management and control solution, Credient. Version 2.1 allows integrated credit portfolio analysis and exposure modeling, and has new CreditVaR calculations and support for issuer risk and credit derivatives. The system also includes workflow support, data aggregation and supports reporting under the Basel II Accord. www.sungard.com. ■

WISDOM's **CFO Strategist Finance** product has been added to SunGard's treasury management solutions in an attempt to provide a more complete set of technology solutions to large cap corporations. CFO Strategist Finance uses internal information such as cash position, market data, cash forecasting and treasury data. It then recommends an optimal investment or borrowing strategy that will help maximise returns or minimise costs while meeting corporate safety and liquidity requirements. www.wisdomcorp.com. www.sungard.com. ■ *bfinance*

Percentages...

Private equity fund of funds will see the end of a period of rapid growth, with a major shake-up over the next few years, according to research from AltAssets. The private equity information group predicts 40% or more of present managers will struggle to survive the current downturn.

According to AltAssets, about 4% of UK pension fund portfolios are invested in private equity, either through fund of funds or by directly investing in private equity vehicles. www.altassets.net. ■

The UK factoring and invoice discounting market has grown to over £100bn, with over 33,000 companies using factoring, according to 2002 figures from the Factors & Discounters Association (FDA): in the last year, numbers have risen by 10%, from 30,500 to 33,500. The use of invoice discounting compared with a year earlier has also risen by 22% which, according to the FDA, demonstrates that invoice discounting is continuing to increase in popularity with SMEs and corporates.

Across the channel in Europe, the growth of these financing techniques is slowing, according to data from Factors Chain International (FCI), a representative body for independent factors. Since 1996 there has been a decrease in percentage growth in European factoring turnover year-on-year. However it still rose 14.4% in 2001, partly because the launch of new companies and products has caused the cost of factoring services to fall. www.factors.org.uk. www.factors-chain.com. ■

A survey, conducted at the Softworld Accounting & Finance conference has found that improving the efficiency and speed of financial reporting is key for finance and accounting professionals. Delegates were asked to identify the most crucial issue currently affecting the finance function, and 85% of respondents rated speed and efficiency as number one. A majority of delegates said they use technology to help with reporting and planning and almost all of respondents felt that improving management information systems across the organisation was important in handling ongoing regulatory changes. www.softworld.co.uk/af/. ■

Deloitte & Touche has found that financial institutions are committed to achieving straight-through processing (STP), despite the postponement of the Securities Industry Association T+1 settlement deadline. In a >>

PENSIONS

Rating impact looms for pension deficit

Standard & Poor's has placed a number of major European corporates including the UK's Sainsbury's, Pilkington and Rolls Royce on creditwatch with negative implications following a review of unfunded pension liabilities at 500 rated companies. The review represents the most comprehensive credit analysis to date on the implications of unfunded post-retirement liabilities, according to the ratings agency.

The companies affected by the creditwatch negative listing were those for which deteriorating equity values may have created substantial pension deficits, or for which the flexibility under the existing ratings appeared insufficient to offset the negative impact of total post-retirement deficits, said S&P.

In addition to Sainsbury's, Pilkington and Rolls Royce, European corporates Michelin, Deutsche Post, Portugal Telecom and steel maker Arcelor have also been placed on ratings alert. The ratings of these firms vary from 'A+' to 'BBB'.

UK aerospace group GKN Holdings and German engineering companies Linde and ThyssenKrupp have also been warned of a potential ratings downgrade should their pension liabilities widen in the foreseeable future.

The ratings agency said that the risks arising from such liabilities have increased as a result of intense public debate on stricter funding rules, a continuing rise in health-care costs, ongoing deterioration in equity values, and a weakened global economic environment. www.standardandpoors.com. ■ *bfinance*

FINANCIAL MARKETS

Bolkestein seeks EU-US cooperation

Frits Bolkestein, speaking in Washington, called EU-US co-operation on financial markets development "a matter of necessity". He said that initiatives are already in place which look to exchange information on legislative and regulatory developments but that there is still a need to take immediate action to build confidence in the process and to show the markets that the dialogue really can solve problems.

Said Bolkestein: "The more we dismantle the remaining barriers to our businesses and service providers within Europe, the more it has thrown into sharp relief the greater barriers faced by companies looking to offer services into and beyond the EU."

He added: There is a long-term need to co-operate more closely and to converge on common principles and understandings. The fundamental issue for our long-term work, be it on auditing, disclosure standards, market stability, financial conglomerates or whatever, is one single concept: regulatory equivalence. Our mutual relations hang on whether each other's standards are equivalent to those that we have." <http://europa.eu.int>. ■

<< survey of senior executives at investment management firms, broker/dealers and custodian banks on their priorities in ongoing STP initiatives, most firms said they expect to continue to allocate funds to STP and to substantially achieve automated trade processing over the next few years.

Although they supported the importance of continuing STP initiatives, 53% of executives opposed a mandate, while 47% supported mandating T+1. In addition, 56% of executives believe shortening the settlement window to T+1 will increase overall risk.

Deloitte & Touche says the next phase will be to integrate functions and activities, from customer service to financial reporting, to better realise STP benefits. www.deloitte.com. www.sia.com. ■

Celent Communications has estimated that the 100 largest global financial institutions will spend more than \$14bn on replacing core banking systems by the end of 2005. The group says banks have realised that the benefits of replacing core banking systems far outweigh the price, so continued spending will occur regardless of the current economic uncertainties and cost-cuts elsewhere.

Spending should reach \$3bn in 2003, rising to over \$4bn in 2004 and over \$6bn in 2005. Financial institutions have been slow to replace legacy systems as they continue to be haunted by past failures. But banks are finding they have little choice now, say analysts at Celent.

www.celent.com. ■

Boutique financial institutions and retailers are in line to displace banks in providing payment services to business and personal customers, according to a new report from the **Boston Consulting Group**. Demanding customers, poor organisation, and high costs mean that banks face a growing threat from non-bank groups with lower overheads and slimmer organisational structures, says the BCG.

The report points to competition from retailers such as Tesco and Wal-Mart for traditional banking business in the global payments market, and BCG says the current challenge to banks' historical dominance in payments could be just the first step if banks fail to review pricing strategies, product ranges, infrastructure, and customer needs.

BCG estimates that the market for payments transactions will grow by 66% by 2010 – from \$1,800 trillion in 2000 to \$3,000 trillion. But average revenue will decline by over 30%, as growth in electronic payments methods continues. www.bcg.com. ■

European finance professionals believe that British companies receive worse terms of trade because the UK remains outside the eurozone, according to a survey by business process consultancy REL in conjunction with online treasury website GTNews. A whopping 76% of EU respondents cited this reason, and almost half of UK respondents agreed.

REL has also found, in other research, that this costs UK companies over €14bn in 2001. In addition, 88% of European respondents, versus 58% of UK respondents, felt British companies would be more competitive if the UK adopted the euro and 84% of European respondents, versus 62% of UK respondents, believe it is inevitable that Britain will join the euro. www.relconsult.com. www.gtnews.com. ■

European securitisation issuance grew to €157.7bn, up 2.7% from 2001, according to research by the **European Securitisation Forum** (ESF). This was aided by the increasingly attractive funding rates for European asset-backed securities (ABS) as the market grew in size and efficiency. In addition, says ESF, investors liked the relative safety of securitised debt in the face of the uncertainty and instability in the global equity markets. www.eurosecuritisation.com. ■

ACT SPRING PAPER

Asia set to boom

China and India are tiger economies with real teeth, according to Mervyn Davies, Group Chief Executive of Standard Chartered Bank.

Mr Davies, presenting the ACT's Spring Paper on 5 March 2003, put forward his belief that, within a decade, China will emerge as the world's leading manufacturing nation, with India paving the way in the service industries. Economic growth in Asia accounted for a quarter of worldwide growth last year (whilst constituting only 10% of the world's gross domestic product (GDP)) and the GDP of the region is expected to exceed that of the US by 2025. China already has the capacity to produce low cost, high quality goods and last year attracted some 53 billion dollars of foreign direct investment. Meanwhile, a highly educated, motivated English speaking workforce is establishing India's place in the knowledge economy.

Mervyn Davies predicted the possible emergence of an Asian trade block as other trading

nations such as Thailand and South Korea ally themselves with China. He anticipated the continued strengthening of Asian currencies, with a potential agenda including the flotation of the Chinese Renminbi and the introduction of a standard basket Asian currency unit. These moves could have major implications for the foreign exchange markets, particularly if the Asian Central Banks were to take the decision to transfer a portion of their reserves, presently made up of billions of US dollars, to Asian currencies.

In his closing remarks, Mr Davies advised treasurers to look afresh at emerging market opportunities and to consider the related risk implications. Today emerging markets might represent opportunities for increased investment yields but, tomorrow, a presence in these high growth markets could be the key to survival in the global economy.

An extract from the Spring Paper presentation is published on page 20. ■

CASH MANAGEMENT

New designation for ACT qualification

The ACT has announced that its Certificate in International Cash Management will now carry the designatory letters Cert ICM.

The change from the current Cert CM designation to the new Cert ICM reflects both the strong international focus of the qualification's syllabus and the global reach of Cert ICM which continues to attract significant demand from students and employers across three continents. The change in designatory letter applies to all existing holders of the qualification.

The ACT's commitment to internationalisation is reflected in its expansion of Cert ICM residential locations within Asia Pacific and Europe. For further information on these new venues please contact louise@treasurers.co.uk. ■

EU NEWS

Consultations on EU company tax reform

The European Commission (EC) will have open consultations for two projects on EU company taxation. The first covers the possibility of using International Accounting Standards (IAS) to develop an EU-wide consolidated tax base for companies and the second will consider a Home State Taxation pilot project for SMEs which, according to the EC, would allow an SME to account for its EU-wide profits in one tax declaration submitted to the Member State where it is domiciled.

Taxation Commissioner Frits Bolkestein explained: "These consultations aim to examine ways to tackle the tax obstacles hindering companies from benefiting fully from the Internal Market. The development of a common consolidated tax base for the EU-wide activities of companies is in our view the only really effective means of tackling these obstacles. We

would greatly welcome the views of stakeholders on these possible first steps towards achieving that goal".

On the issue of accounting standards, all listed companies, including banks and insurance companies, will be required to prepare their consolidated accounts in accordance with IAS from 2005 onwards. The challenge, according to the EC, is to plan how this development can be exploited for taxation purposes. The consultation document looks at issues such as whether the IAS are too investor-orientated for use as a source for determining the tax base; and whether the IAS principles of materiality, fair value and "substance over form" conflict with taxation principles.

The Home State Taxation project is looking at whether to allow businesses to have the choice of computing their consolidated tax base at EU level according to the rules of the Member State where their headquarters are based.

The EC will use the results as input into a report on progress on company tax reforms which is expected to be presented in October this year.

The EC is also involved in other company tax activities, such as an examination of methodologies that could be used to allocate an EU-wide tax base between different Member States, and research into a pilot scheme allowing a European company to apply a common consolidated tax base. http://europa.eu.int/comm/taxation_customs/taxation/consultations_en.htm. ■

FORTHCOMING EVENTS

REGIONAL GROUPS:

7 April 2003, 18.30 **Midlands – Securitisation**

Speaker: James Newman, Deloitte & Touche

Venue: Deloitte & Touche, 4 Brindley Place, Birmingham

14 May 2003, 18.00 for 18.30 **South East – Securitisation**

Speaker: Steff Gray, Royal Bank of Scotland

Venue: Royal Bank of Scotland, Lombard House, 3 Princess Way, Redhill, Surrey, RH1 1NP

4 June 2003, 18.30 **South West – Economic Update**

Speaker: Mark Berrisford, HSBC

Venue: Arval PHH, PHH Centre, Windmill Hill, Swindon.

For more information, contact Anna McGee on 020 7213 2004 or email amcgee@treasurers.co.uk

CONFERENCES & TRAINING:

Conference: 3 June 2003 **Living with IAS 39 – Implementation Challenges for Treasurers**

Training: 7 May 2003, **Getting the Most from Your Banks**

8 May, **Introduction to International Cash & Liquidity Management**

13 & 14 May, **Fundamental Accounting Principles**

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

ACT WELCOMES LPC

The ACT and Loan Pricing Corporation (LPC) are pleased to announce a new relationship whereby LPC will provide ACT members with recent news, data and analytical content on the European loan market via ACTonline.

LPC content to be available via www.treasurers.org includes:

- late-breaking news headlines in the European loan and high-yield bond markets;
- weekly loan market analysis covering trends and noteworthy deals;
- pricing grids and charts highlighting average spread and fees based on credit profile, industry and region; and
- quarterly European League Tables.

LPC is one of the premier providers of primary and secondary loan market news, data and analytics to the credit markets worldwide and offers a series of specially tailored products and services to assist corporate treasurers in business decision-making and the management of borrowing activities. www.loanpricing.com. ■

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