How 2011 unfolded

POLITICALLY AS WELL AS ECONOMICALLY, THIS HAS BEEN AN EVENTFUL YEAR. **GRAHAM BUCK** LOOKS BACK AT HOW THE TREASURER REPORTED SOME OF THE KEY EVENTS IN THE WORLD OF TREASURY IN 2011.

JANUARY: 2011 will be marked by more "sluggish recovery" as most economies avert double-dip recession, but sovereign debt problems will continue to limit economic growth, predicts ratings agency Moody's.

The ACT reports that Basel III heads the list of significant influences on the banking markets: "There is not much scope for modifying the proposals given the international consensus that exists, so planning for the effects is the only way for treasurers to mitigate the downsides."

FEBRUARY: The syndicated lending market enjoyed a resurgence in 2010 and the loan markets appear better placed to provide funding than they have for several years, writes Ian Fitzgerald of Lloyds Bank Corporate Markets.

The ACT expresses "serious concerns" over proposals in the European Commission's Markets in Financial Instruments Directive (MiFID), which include forcing all over-the-counter (OTC) derivatives capable of being put through central clearing to be dealt with on an exchange.

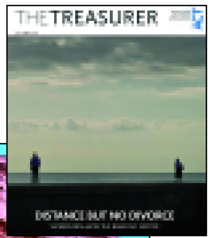
MARCH: The Treasurer highlights the topic of rights issues and the steadily escalating fees charged by the banks, both for underwriting and for the whole package including advice.

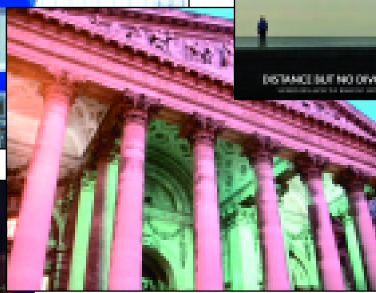
APRIL: The European Central Bank should expand its armoury by guaranteeing to indemnify bondholders if it seriously wishes to address Europe's debt crisis, suggests Bloomberg's London bureau chief Mark Gilbert.

Treasury professionals attending the ***talkingtreasury*** forum rank bank sector stability (77%) as of more importance than greater bank competition (19%) or increased regulation (4%).

MAY: The EU agrees a €78bn bailout for Portugal, which agrees to slash its budget deficit from 9.1% of GDP to 3% by 2013.

The ACT's joint survey with FTI Corporate Finance finds that businesses are seeking to refinance well in advance, to beat the "mountain of refinancing" due 2012–14.





JUNE: Increasing signs of austerity in UK high streets as Habitat, TJ Hughes and Jane Norman go into administration, and Homeform, Thorntons and Carpetright announce store closures. They follow Focus DIY, Oddbins HMV and Mothercare, which all announced cutbacks the previous month.

Incoming ACT president James Douglas warns that the focus on treasury is slipping and CFOs are at risk of complacency as financing conditions have eased.

The credit crisis cuts UK banks' ranking in the global top 10 of bank lenders providing liquidity, reports Lloyds Bank Corporate Markets. In the year to May 2010, UK lenders provided 35.08% of total volume in the loan market – this fell to 26.32% in the year to May 2011.

JULY: After two postponements that delayed its introduction for nearly one year, the UK Bribery Act finally comes into force. The first change to UK bribery laws in over 100 years, it tightens the regulatory framework and sets out unlimited fines on companies that make improper payments, with offending directors facing prison sentences of up to 10 years.

AUGUST: Growing fears over the European sovereign debt crisis combined with the publication of sluggish economic growth figures in the US trigger sharp falls in stock markets around the world.

SEPTEMBER: The Independent Commission on Banking, chaired by Sir John Vickers, publishes its final report and recommends that banks ring-fence their high-street operations from their "casino" investment banking operations. It sets a 2019 deadline for reforms to be implemented. The ACT offers a provisional welcome to the findings.

The European high-yield bond market has financed progressively riskier credits during 2011, reflecting investors' search for yield in a low interest rate environment, reports Chetan Modi of Moody's.

OCTOBER: The Bank of England initiates a second round of quantitative easing by adding a further £75bn to its initial two asset purchasing moves of £100bn each.

As the euro zone crisis deepens, economist Stephane Deo of UBS Investment Research suggests that a euro break-up is "all but impossible".

NOVEMBER: Italy joins Greece, Ireland and Portugal on the euro zone casualty list as its bond yield passes the crucial 7% level.

The Bank of England maintains base rate at 0.5% for the 32nd month in succession.

Graham Buck is a reporter on The Treasurer.
editor@treasurers.org