

The Association of Corporate Treasurers

**Comments in response to
Financial Services Authority
Private equity: a discussion of risk and regulatory engagement
November 2006**

March 2007

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. Further information is provided at the end of these comments and on our website www.treasurers.org.

Contact details are also at the end of these comments.

We have canvassed the opinion of our members through our monthly e-newsletter to members and others, our Ratings working group and our Policy and Technical Committee.

General

The ACT welcomes the opportunity to comment on this matter. Our comments reflect the considerations of a corporate that is not operating in the financial services sector , although such a company must nonetheless take account of the overall functioning of the capital markets.

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Response

We feel that you have addressed the main areas for consideration and in general would support the steps you are considering to ensure identification of the relevant risks and their effective and proportionate regulation.

The seven primary risk areas identified (Paragraph 1.14 & Chapter 4) reflect an accurate view of the activities of private equity although these risks also arise in other sectors of the financial markets. It is worth noting for example that other professional commentators – such as Standard and Poor's - have recently expressed their concerns on likely rising levels of corporate debt default albeit that the current level of corporate

default is at historic lows. We particularly share your concerns however regarding market transparency.

Our concern with amending the current regime would be that the relationship between risk and mitigation in the private equity sector is either viewed differently to other financial markets and /or the style and direction of regulation creates any suggestion of an alternative approach by the UK authorities. By the same token however, increasing oversight and understanding of, for example, the credit markets may well have positive regulatory benefits away from private equity

We believe it is important that any developments in regulatory oversight of these activities falls as near as possible to existing FSA practice in regulating financial markets irrespective of their particular nature. Thus there is no need for a separate private equity regulatory regime. That said the informal dialogue with private equity firms and market participants, the targeted fact finding, periodic reviews and other means of keeping an eye of the market would seem to be a prudent and proportionate reaction to market worries over the perceived influence of private equity. The dynamic nature of both the UK economy and its financial markets owes much to the existing regime and we would hope its extension into private equity would be equally well regarded and observed.

The Association of Corporate Treasurers

The ACT is the international body for finance professionals working in treasury, risk and corporate finance. Through the ACT we come together as practitioners, technical experts and educators in a range of disciplines that underpin the financial security and prosperity of an organisation.

The ACT defines and promotes best practice in treasury and makes representations to government, regulators and standard setters.

We are also the world's leading examining body for treasury, providing benchmark qualifications and continuing development through training, conferences, publications, including *The Treasurer* magazine and the annual *Treasurer's Handbook*, and online.

Our 3,600 members work widely in companies of all sizes through industry, commerce, financial institutions and professional service firms.

Our guidelines on policy and technical matters are available at <http://www.treasurers.org/technical/resources/manifestosept2006.pdf>.

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