Hotline

Welcome to the February Hotline. In response to member comments, the Hotline this month includes two new features, 'This Month in Treasury' and 'Committee Matters'.

'This Month in Treasury' is a tabular summary providing an 'at-a-glance' checklist of the month's main technical developments, with indications of any required actions for the treasurer and sources for additional information either within Hotline or elsewhere. Please let us know if you find the table useful and if there are improvements which might enhance its value to you going forward.

'Committee Matters' aims to give members a greater insight into the valuable work of the Technical Committee. It reports on the latest decisions taken in Committee and forthcoming technical projects. Again any comments on this feature are welcome at **technical@treasurers.co.uk**.☐ Sheelagh Killen, Technical Officer, **skillen@treasurers.co.uk.**

DERIVATIVES ACCOUNTING

IASB debates proposed changes

Following the close of the initial consultation period on proposed changes to "IAS39: Financial instruments: Recognition and measurement" in which the Association participated, the International Accounting Standards Board (IASB) met in December to debate revisions to the standard.

The focus of discussions for this meeting was on conditions for 'de-recognition' and on accounting for collateral. These topics fell largely outside the scope of the ACT response which dealt primarily with practical implementation issues. Tentative decisions were however reached on the following:

- Provisions governing the circumstances whereby entities can cease to recognise financial instruments in their financial statements (de-recognition) will be clarified. These will adopt the guiding principle of 'continuing involvement', whereby de-recognition will be precluded if the transferor of a financial instrument may be obliged to either reacquire the asset or pay compensation based on the subsequent performance of the asset transferred. The guideline listing the transferee's "right to sell or re-pledge" a transferred asset as a prerequisite for de-recognition in the transferor's accounts will also remain.
- New guidance will be included on de-recognition for transferors in 'pass-through' arrangements.
- Special rules governing transfers where fair value cannot be reliably measured are to be eliminated.
- Guidance will be included on accounting for collateral. It is suggested that: if the transferee has the ability to sell or pledge collateral received, the transferor will reclassify the asset given as collateral in the balance sheet, eg as receivables pledged; the transferee will record a liability to return collateral if the collateral is sold; and, in the event of default by the transferor, collateral retained is recognised by the transferee and de-recognised by the transferor.
- New disclosures on securitisations will be considered.

IAS39 issues are once again tabled for discussion at the January meeting of the IASB and we hope to provide more news on adopted amendments in next month's Hotline, together with detailed feedback from the ASB and IASB on the ACT's specific proposals. Further information can also be obtained at **www.iasb.org.uk**.

An exposure draft of IAS39 revisions is expected towards the end of the first quarter or in early April 2002 and the Association expects to also fully participate in the public consultation in the second quarter of 2002. Any member or non-member who has an interest in contributing to the existing Working Group should contact **technical@treasurers.co.uk**. ☐*SK*

TAXATION

'Mixed blessings' of new phase in tax consultation

Consultation on proposed changes to the taxation of corporate debt, financial instruments and foreign exchange gains and losses entered a third phase on 19 December 2001 with the issue of an Inland Revenue Technical Note.

The key points for treasurers are:

- new anti-avoidance provisions are introduced covering 'reset' bonds and certain intra-group convertible and exchangeable securities from 19 December 2001;
- the start date for the new rules is pushed back, with the amended legislation now set to apply for accounting periods commencing on or after 1 October 2002;
- there is some relaxation to the anti-avoidance rules announced in the July consultative document covering convertibles, exchangeables and asset-linked securities with the intention to facilitate 'normal commercial financing transactions'.

The Note follows the Consultative Document on the subject dated 26 July 2001 and the Technical Note issued 7 November 2000. The accompanying press release highlights the Government's intention to include the proposed revisions in the Finance Bill 2002. Responses to the Note are invited by 15 February 2002.

ANTI-AVOIDANCE. The Inland Revenue state that the intention of changes in the 19 December 2001 Technical Note relating to the use of intra-group convertibles and exchangeables is that all such securities should be taxed "within an income regime". Changes are also put forward to limit the tax effectiveness of 'reset' bonds (described as bonds which initially carry a market rate of interest but contain clauses subsequently resetting the interest to a much higher or lower rate). The new rules apply from 19 December 2001.

These areas of taxation are complex and treasurers from companies and groups utilising these types of instruments should

LOAN DOCUMENTATION

Negotiate on 'mandatory costs'

The FSA's new supervisory fee regime for banks is expected to announce a is expected to be significantly cheaper, with the result that many banks will get a credit from the FSA which will give them a 'fee holiday' effective from 1 December 2001 until at least 1 April 2002.

Sterling loan agreements have for many years included 'mandatory costs' provisions. These require the borrower to make a contribution to the banks' cash ratio deposit and supervisory fee costs. While the Bank of England was the banking supervisor there were no explicit supervisory fees, so the mandatory costs schedule did not include these fees as an item. The transfer of banking supervision to the FSA in 1998 triggered the introduction of a supervisory fee by the FSA based on the size of a bank's 'eligible liabilities'. As a result, the mandatory costs schedule in loan agreements started to include an element in respect of this fee. Since the fee was computed (at different rates) on both sterling and non-sterling liabilities, the mandatory costs schedule started to appear in non-sterling loans. In practice, however, banks have generally opted not to collect mandatory costs in respect of these fees, at least not in respect of non-sterling loans.

The new fee regime will mean that some changes will be needed to the mandatory costs schedule in loan agreements. The LMA is expected to publish amendments to its documentation in due course. In theory, existing loan agreements will also need to be changed but few banks are likely to make the changes since these fees are generally not being collected as part of mandatory costs.

Treasurers negotiating new loan facilities may want to take the opportunity to suggest that the parties should revert to the pre-1998 position in which banks did not have the right to charge for their supervisory costs. It is possible to argue that they are an overhead for lenders, which should not be separately recoverable from borrowers. This approach is helped by the fact that not only are the fees are being reduced and, even before that reduction, were not actually being collected by banks. Alternatively, treasurers may ask banks to confirm that while they have an FSA fee credit, they will not include supervisory fees in any computation of mandatory costs. If banks insist on the fees being included in the documentation, the mandatory costs schedule should make it clear that the amount recoverable should be computed using the new rates of supervisory fees which apply with effect from 1 December 2001. ☐

This item was prepared for Hotline by Andrew Balfour, Partner at Slaughter & May and a member of the ACT Technical Committee, and by Jane Hands, Assistant at the same firm. Further LMA guidance from the Association in conjunction with Slaughter and May is also available through the Association's website.

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review current arrangements and take professional advice as necessary.

NEW IMPLEMENTATION DATE. The Association response to the 26 July 2001 Consultative Document requested that the Inland Revenue look again at the proposal to introduce the revised regime for accounting periods beginning on or after 1 January 2002. The Association therefore welcomes the Inland Revenue's move towards a more appropriate implementation timetable. However, the effective date for changes in anti-avoidance provisions will remain as 26 July 2001. This start date will also be applied to the most recent Technical Note's relaxation of the rules relating to convertibles, exchangeables and asset-linked securities intended to prevent the hindrance of normal commercial financing transactions.

Treasurers are also reminded that the revised start date for the new regime (to apply to accounting periods beginning on or after 1 October 2002) is subject to the provision that the rules will apply from the previous accounting period where a company seeks to gain a tax advantage by changing its accounting date.

The full text of the Technical Note can be viewed on the Inland Revenue website at **www.inlandrevenue.gov.uk/consult_new/index.htm**. ☐*SK*

Committee matters

☐ **PENSIONS AND EURO CASH POOLING IN 'GUIDANCE' SPOTLIGHT.** Two new Working Groups will be formed by the Association's Technical Committee to provide up-to-the-minute practical guidance to corporate treasurers. The groups will work on Pensions and Euro Cash Pooling.

At the Technical Committee meeting in December 2001, the focus was to set the main technical agenda for the Association in the first two quarters of 2002. The views of members on topics on technical interest had been invited both in The Treasurer and in ACTOnline and were presented to the Committee. Euro Cash Pooling and Pensions emerged as being of overwhelming interest to treasurers based on member responses, enquiries and queries received by the Association and emerging practice.

The aim of the Pensions Working Group (PWG) will be to provide practical guidance to corporate treasurers on the potential implications of FRS17 in the period leading up to full implementation, and to monitor a wider range of developments in areas linked to the introduction of the standard such as the structure of pension fund investments, balance sheet management and funding.

The Euro Cash Pooling Working Group (ECPWG) will look at the opportunities and products available to maximise cash management leverage in the euro-zone, the EU and beyond. As the new single currency hits the streets, treasurers of international organisations are increasingly looking to leverage efficiencies and cost savings which can be achieved as a result of the Euro's introduction and other legislative and technological developments. This forum will allow both members and non-members at the 'cutting edge' of pan-European cash management to share their expertise with fellow treasury professionals.

In addition to the formation of the new Working Groups, the Technical Committee also agreed that it was paramount for the Association to continue to represent members by responding actively to current developments considered relevant to the treasury profession. This work will involve the use of member consultation and work groups, following the model established for the IAS39 response which produced a very successful outcome.

Any member or non-member who is interested in getting involved with either the Euro Cash Pooling or Pensions Working Groups in any capacity should contact the ACT at **technical@treasurers.co.uk** by 22 February 2002. ■*SK*

THIS MONTH IN TREASURY

TECHNICAL AREA	WHAT'S HAPPENING	WHAT NOW?	WHEN?	WHAT NEXT?
ACTION				
TAXATION	**NEW TAX ANTI-AVOIDANCE RULES.** From 19 December 2001, the Inland Revenue introduced new anti-avoidance rules for 'reset' bonds and certain intra-group convertible and exchangeable securities in its latest Technical Note on "Corporate debt, financial instruments and the taxation of foreign exchange gains and losses"	**REVIEW AND TAKE ADVICE.** Treasurers of companies or groups using 'reset' bonds and relevant intra-group arrangements should review the position and take professional advice as necessary. Further details on this and the revised implementation timetable for other changes are contained in Hotline. A full text of the Note is available on the Inland Revenue website at: **www.inlandrevenue.gov.uk/consult_new/index.htm**	From 19 December 2001	**SHARE YOUR VIEWS.** The ACT Technical Committee is not currently planning to contribute further to consultation on this topic. However, if you have issues with this most recent Note which you feel are important for treasurers, please let us know on **technical@treasurers.co.uk**.
GET INVOLVED				
PENSIONS	**NEW ACT PENSIONS WORKING GROUP (PWG).** The ACT Technical Committee has established a Pensions Working Group for Q1/Q2 2002 to look at issues including FRS17, the future of defined benefit schemes and managing changes in pensions investment strategies	**BE PART OF IT.** If you would like to join the PWG or contribute to its work on a consultative basis, please contact Sheelagh Killen at **skillen@treasurers.co.uk**.	By 22 Feb 2002	**KEEP UP TO DATE.** Look out for a series of articles on pensions-related topics in *The Treasurer* during 2002
CASH MANAGEMENT	**NEW ACT EURO CASH POOLING WORKING GROUP (ECPWG).** The ACT Technical Committee has also set up a Working Group to operate over a similar timeframe to review issues and opportunities connected with cash pooling across European operations	**'POOLING' RESOURCES.** If you would like to join the ECPWG or contribute to its work on a consultative basis, please contact Helen Wilkinson at **hwilkinson@treasurers.co.uk** or **technical@treasurers.co.uk**.	By 22 Feb 2002	**SUPPLEMENTARY BENEFIT.** Look forward to a special 'Euro Cash Pooling' feature in *The Treasurer* in Autumn 2002.
ONE TO WATCH				
DERIVATIVES ACCOUNTING	**IASB DELIBERATES ON IAS39 AMENDMENT.** The IASB expects to issue an exposure draft on proposed changes to IAS39: 'Financial Instruments: Recognition and Measurement' in late March-early April. Deliberations continued at the December 2001 IASB meeting and the item is tabled for further progress in January 2002.	**NEWS FROM THE FRONT.** Please see the item in Hotline above for further detail or visit the IASB website at **www.iasb.org.uk**.	Await exposure draft by April 2002	**NOT TOO LATE.** The ACT extends its thanks to all those who have already contributed to the Association's work on derivatives accounting. Any member or non-member still interested in getting involved should contact **technical@treasurers.co.uk**.
FOR INFO				
TREASURY SHARES	**CORPORATES BACK MOVE TOWARDS TREASURY SHARES.** DTI responses show strong support for share buy backs which allow shares to be held in treasury.	**COMPARE CORPORATE VIEWS.** Review other responses on **www.dti.gov.uk/cld/bybak157.htm**.		**WATCH THIS SPACE.** With consultations now closed, Hotline will keep treasurers updated on government progress on this issue.
LOAN DOCUMENTATION	**LMA'S 'MANDATORY COST' CLAUSE AWAITS REVISION.** LMA documentation clauses on 'mandatory fees' have not yet been updated to reflect the latest position, resulting in borrower uncertainty.	**MORE FOLLOWS.** For guidance on what to do, see this month's Hotline.		**LMA DOCUMENTATION HELP.** For other LMA aspects, refer to newly updated LMA documentation assistance from the ACT, and in conjunction with Slaughter & May, at **www.treasurers.org**.
GENERAL ACCOUNTING	**UK GAAP DEVELOPMENT.** ASB issues new financial reporting standard for smaller entities; UITF Abstract on employee benefit trusts; and Draft Abstract for consultation on pre-contract costs.	**READ ON.** See further details in this month's Hotline.		**MAKING THE NEWS.** Have you heard of any breaking developments which might interest members? Let us know on **technical@treasurers.co.uk**.

FINANCIAL ACCOUNTING

UK GAAP round-up

FINANCIAL REPORTING STANDARD FOR SMALLER ENTITIES (FRSSE). The Accounting Standards Board (ASB) issued the revised text of the FRSSE on 6 December 2001. The FRSSE has been updated to incorporate the requirements of recently issued Financial Reporting Standards (FRSs) and Urgent Issues Task Force (UITF) pronouncements, as modified and simplified to apply to the smaller entity. The new FRSSE will apply from accounting periods ending on or after 22 June 2002, although early adoption is encouraged.

The FRSSE can be adopted by companies qualifying as small under companies legislation (or by certain other entities with turnover under £2.8m) in preference to applying all other accounting standards and UITF Abstracts. The principal amendments to financial reporting which are incorporated in the revised FRSSE are set out below:

- FRS 16 – current tax;
- FRS17 – retirement benefits;
- FRS 18 – accounting policies;
- FRS 19 – deferred tax;
- UITF Abstract 24 – accounting for start-up costs;
- UITF Abstract 28 – operating lease incentives; and
- withdrawal of UITF Abstract 20 on Year 2000 issues.

Treasurers working with companies reporting under the FRSSE can obtain the full text (at a cost of £16, post free) from ASB publications on 01908 230344.

UITF ABSTRACT 32 – 'EMPLOYEE BENEFIT TRUSTS AND OTHER INTERMEDIATE PAYMENT ARRANGEMENTS'. A UITF pronouncement issued on 13 December 2001 clarifies the timing of expense recognition for accounting purposes of monies paid by an employer to an employee benefit trust. The Abstract is effective for accounting periods ending on or after 23 December 2001.

The Abstract clarifies the guidance of FRS5 – "Reporting the Substance of Transactions", stating that, where a payment is made to an employee benefit trust or other intermediary, the employing company effectively exchanges one asset (eg cash) for another (eg cash with restrictions on its use). Therefore, no expense should be recognised in the profit and loss account until such time as a liability for employee costs arises. Accordingly, in practice, the assets (liabilities) of an employee benefit trust should usually be regarded as assets (liabilities) of the employing entity until, for example, cash or other benefits are unconditionally vested in an identified beneficiary.

DRAFT UITF ABSTRACT ON PRE-CONTRACT COSTS (UITF INFORMATION SHEET 51). Consultation takes place during January on a draft UITF Abstract dealing with the treatment of costs incurred in bidding for and securing contracts. The proposed treatment is that pre-contract costs directly attributable to obtaining a contract should be recognised as an asset, where a "high degree of certainty" that a contract will be awarded is evidenced. Otherwise costs should be written off as incurred.

Further information on the FRSSE, UITF 32 and the draft Abstract on pre-contract costs (UITF Info Sheet 51) can be obtained from the ABS website at **www.asb.org.uk**. ☐*SK*

DTI CONSULTATION

Corporate support for treasury shares

The DTI announced that over 73% of respondents to its consultative document on share buy-backs supported a change in legislation to allow shares to be held in treasury. Of the 72 replies received, 53 supported the move, 6 were opposed and 13 were either neutral or did not comment.

A more detailed overview of the responses received is available on the DTI website at **www.dti.gov.uk/cld/bybak157.htm**. For those wishing to review the ACT contribution to the consultation in the context of the survey as a whole, the Association's response can still be viewed on the website at **www.treasurers.org/treasury_resources/technical_papers.cfm**.☐*SK*

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

News

ASSET & LIQUIDITY MANAGEMENT

Skansa's pension fund does a Boots in reverse

UK-based construction giant Skanska's £100m pension fund is to be entirely invested in equities, in a reverse of the decision by Boots, who in October of last year said it planned to invest 100% in bonds (see *The Treasurer*, December 2001).

The Skanska fund, part of struggling Anglo-Norwegian steel firm Kvaerner, was set up in June and hastily bought by the Swedish construction company. The £100m equities fund is to be co-managed by Edinburgh-based fund manager Baillie Gifford, with a £50m active UK equity mandate, and Legal & General, securing a £50m passive UK and international equity mandate.

According to Skanska, because its workforce is fairly young it can afford to be entirely equity based. Typically most funds with a mixed-aged workforce will invest in a range of investments with variable maturities, based on the likelihood that they will have to pay out to pensioners in the short-term, as well as in the next 15-30 years. ☐*bfinance*

MANAGEMENT & STRATEGY

Valuing companies on "gut feeling"

The majority of analysts and fund managers value companies according to subjective criteria that makes, according to research published by the Institute of Chartered Accountants in England & Wales (ICAEW) today.

The ICAEW found that up to 60% of analysts and fund managers base investment decisions on gut feelings or other "soft factors", such as stakeholder relationships and quality of staff.

It is particularly difficult to value firms in information and service sectors where measurable physical assets that can feature on balance sheets make up less of the overall picture, said ICAEW. Companies have shown eagerness to provide details of their intangible assets to justify the gap between balance sheet values and their market values, found the study. However, they were opposed to new statutory formal reporting systems.

"Many analysts have little faith in the transparency of balance sheets, often seeing them as an opportunity to obscure the true state of affairs," said Caroline Vance, co-author of the report.

An alternative to formulating new rules, said the ICAEW, is encouraging companies to improve their internal measuring and reporting systems and be more open with investment analysts. "Long-term, the external investor community will look for those who recognise the central nature of intangible assets, and manage the area wisely," said research chief Paul Ormerod. **www.icaew.co.uk**. ■*bfinance*

ASSET FINANCE

FLA attacks CP3 plans

Leasing industry trade body, the Finance & Leasing Association (FLA), has again criticised the Basel Committee on Banking Supervision's consultation on specialised lending (CP3) for its exclusive focus upon lending products that are primarily limited or non-recourse. The FLA argues such emphasis is of little relevance to lessors because residual value risk is not given explicit consideration in CP3 and should not therefore form part of the new Basel Accord.

Furthermore, the FLA is concerned about the exclusion of suitable assets from qualifying as collateral in support of lease exposures. At present, only property is recognised as collateral. The FLA argues this exclusion creates the potential for a significant distortion in market pricing between debt and asset finance.

OBJECT FINANCE. The leasing industry trade body maintains that asset finance should have a separate category for supervision purposes. The FLA's stressed that its response applied only to CP3 in relation to object finance. Examples of finance that are clearly object finance include fleet wholesale finance (excluding contract hire) and loans secured on receivables, not including factoring.

According to the FLA, the following key characteristics should be considered when assessing if assets are suitable for object finance status:

- flexibility of use in a variety of sectors (or sub sectors);
- quality, reputation and longevity of the manufacturer, enabling continuing support for maintenance and repair;
- the depth of the market for the asset compared to the contracted lease period; and
- the number of similar assets requiring re-marketing in any one year (ie a portfolio maturity profile) and the geographical location of same.

In addition, the FLA argued that a portfolio view of residual risk is also necessary, since it is inevitable that there will be both profits and losses on re-marketing in any one year. **www.fla.org.uk**.
□*bfinance*

BASEL II

UK banks set to win

UK banks are set to benefit most from the proposed new regulatory capital accord in Basel II, according to results from the Basel committee's quantitative impact study 2.5 (QIS2.5).

The research, which assessed the level of capital banks would be required to set aside under the foundation credit approach in Basel II with the existing eight per cent rule in Basel I, concluded that UK banks would be 28% better off.

UK banks benefit from more favourable treatment because of their relatively large retail portfolios; while in contrast the high probability of default on large Japanese corporate loans has had a negative impact on Japanese capital requirements.

Financial Services Authority (FSA) Credit Risk Manager, Richard Boulton said: "In many countries retail banking is done by smaller banks. In this respect, these countries are in a similar position to that of the UK 30 years ago, when building societies had a strong presence in consumer lending. In contrast major commercial banks in the UK now comprehensively service this retail sector."

QIS2.5 results were determined as confidential by the Basel Committee, which has been reluctant to publicly release international banking comparison statistics. The results were based on proposed changes to the credit risk calibration curve set out in a Basel paper on 5 November. They are only part of ongoing impact studies, with a fourth survey, QIS3, which was set to be sent to banks in the New Year. This study will include data for the standardised and advanced internal ratings-based approaches for credit risk, along with advanced, foundation and standardised approaches for market and operational risk.

The results from QIS2.5 were more favourable for all financial institutions in all nations, compared with a previous study, QIS2, that used a steeper risk-weighting curve, provoking banker condemnation. **www.bis.org/bcbs**.
□*bfinance*

Percentages...

New evidence suggests UK companies are paying their bills earlier. Research from the **Credit Management Research Centre (CRMC)** reveals a significant decline in the time taken to pay outstanding invoices.

CMRC polled over a thousand smaller companies and found that those with a turnover of less than £1M are experiencing a significant decline in payment delays from their customers, with the average number of days overdue falling from 25 to 19 over the last six months. Companies with a turnover greater than £10m also revealed improvement with the average number of days overdue falling from 14 to 12.3 over the same period.

Some small business representatives believe the figures demonstrate the impact of recent late payment legislation on UK industry. "The late payment legislation has recently come under scrutiny because it had not resolved all of the UK's late payment problems at a single stroke. But critics are misguided," said Stuart Blake from the Forum of Private Business (FPB), "the evidence shows that many small firms are using the Act as part of their credit management procedures."

The FPB, which waged a 15-year fight for late payment legislation, welcomed CMRC's research: "UK businesses used to have the reputation for being one of the worst bill payers in Europe. But as envisaged, the business environment is being changed," said head of policy Garry Parker. **www.crmc.co.uk**. ■*bfinance*

There are serious systems deficiencies in the finance function of UK companies, particularly in integrating information from different systems, according to research published by **Chartered Institute of Management Accountants**. The Strategic Enterprise Management (SEM) survey found 78% of respondents regarded managing information systems a major challenge for the finance function.

In the area of performance reporting, 57% rated their systems as average or poor. Controlling costs was considered challenging for 83% of firms and long-term strategy for 73%. SEM is designed to improve the effectiveness of strategic management processes by providing managers with business performance monitoring, consolidation, and data warehousing/business intelligence capability.

CIMA has launched a round table including corporates such as Unilever, BBC, Powergen, AIB Group and Consignia, to make recommendations about SEM and its integration into organisations. According to the Institute, successful firms have long realised that excelling at strategic management tasks such as business intelligence and decision-making is a competitive advantage in itself. Yet most FDs say their biggest problem is lack of time to address the opportunities and challenges. CIMA is finding ways for FDs to actually do that rather than manage yet another piece of software, concluded the research. **www.cima.org.uk**. ■*bfinance*

THE PEOPLE ANGLE

The super-CFO in 2010

CFOs over the next decade will need the best communication and strategy skills to manage the transition from advanced bookkeeper to super-CFO. In a new publication from the International Federation of Accountants (IFAC), leading CFOs from across the globe revealed that their role would shift over the next ten years from manager of the finance function to becoming the "guardians of the corporate conscience".

In CFO in the Year 2010, Robert Bruce of *The Times* newspaper conducted in-depth discussions with CFOs from the US, South America, Europe and Asia. The frank replies revealed that CFOs are placing an increasing emphasis on the interpretation and delivery of complex information to the board and shareholders, and this presented the greatest challenge going forward.

"As a result of the demands placed on companies by shareholders, regulators and public for financial information, the CFO's role is shifting to communicator and strategist," said Bill Connell, chairman of IFAC's Financial and Management Accounting Committee.

Other areas in which CFOs see their roles expanding include investor relations, risk management, corporate governance, and having a more defined role within the treasury function.

Robert Bruce concluded: "In addition to CFOs requiring strong communication skills, over the next decade they will also require a broad knowledge of global economic markets and cultural issues." **www.ifac.org**. □*bfinance*

RATINGS

Assessment of rating agencies' methodology

Moody's investors Service is to run an independent study comparing rating agencies' methodology. Moody's has hired international consulting firm, National Economic Research Associates (NERA), to conduct the study, which will compare the rating practises of different agencies in the structured finance sector.

The study will analyse the ratings process from a number of perspectives including differences in rating meanings, methodologies, transitions, monitoring, and default and investor loss experiences. Moody's recently solicited advice from market participants for a research firm to conduct the study. Market participants, academics and regulators will be asked to provide data and assess the results.

Moody's Managing Director for ratings, Richard Cantor, told bfinance: "It is a formal study to increase transparency in the process of credit rating across different agencies to inform both ourselves and investors about the meaning and performance of ratings on structured finance. The benefit will be an enhanced picture of the historical differences that differentiate levels of credit quality." The review is expected to be ready in the second half of next year. **www.moodys.com**. **www.nera.com**.
■*bfinance*

SOCIAL RESPONSIBILITY

FTSE 100 falling down

The quality of information on the thorny topic of social responsibility from the UK's top firms is still questionable, according to a survey by Environmental Resources Management (ERM). The environmental consultancy said however that FTSE 100 companies are "making significant progress" in reporting on the social impacts of their activities. From the FTSE 100, 79 firms are in the midst of producing information pertinent to SRI either online or via company reports, said the survey. Yet the ERM survey said there remained "serious doubts over the quality of the reporting of SRI issues to shareholders." Only 79 of the FTSE 100 use quantitative indicators to support their proclaimations regarding social investing, said ERM. The advent of 'FTSE4Good', an attempt to raise the importance of SRI within the FTSE's participants, began this summer, with those firms striving to include SRI within their corporate agendas given space at the top of FTSE4Good's index. **www.erm.com/erm/news.nsf**. ☐*bfinance*

Technology, treasurers and financial markets in 21st centrury

As part of a new series of lectures on *Strategic Issues for the 21st Century Board*, Daniel Hodson will be joined by Angela Knight of APCIMS and Gareth Jones, formerly of Abbey National, at Gresham College on 19 February, at 6pm. More details from enquiries@gresham.ac.uk, 020 7831 0575. **www.gresham.ac.uk**. ☐

ASSET & LIQUIDITY MANAGEMENT

Pension funds get corporate governance assistance

The National Association of Pension Funds (NAPF), and Deminor, a rating agency in corporate governance research, have teamed up to promote shareholder voting within Europe's top firms. Institutional investors can access the voting and research services of NAPF's Voting Issues Service (VIS) and ratings provided by Deminor, covering major companies in 16 European countries.

It is believed that this new service will assist institutions in challenging corporate management to provide better value for the investor.

NAPF's VIS is used by investment management firms, pension funds and company secretaries and engages UK companies on Socially Responsible Investment and provides help to investors on this subject. **www.deminor.org**. **www.napf.co.uk**. ☐*bfinance*

SOURCES		
bfinance	www.bfinance.co.uk	bfinance.co.uk
SK	Sheelagh Killen is Technical Officer of The association of Corporate Treasurers.	

In brief...

Atriax has launched a new information product, AtriaxInsight. AtriaxInsight combines real-time streaming news and market data from Reuters, with research and currency forecasts from over 30 leading banks. It provides a range of sophisticated search and analysis tools and a seamless interface to the Atriax Dealing system. AtriaxInsight allows users to move from monitoring the markets to an executed deal in only two keystrokes. **www.atriax.com**. ■

Online FX trading platform **Currenex** has announced it can now supply straight-through processing (STP) of FX transactions to clients of XRT, the supplier of integrated finance and treasury software solutions. The Currenex platform will integrate with XRT's Collaborative Treasury Management solutions through Currenex's FXintegrate programme. The announcement is the latest collaboration between the leading online FX trading platforms and treasury system vendors to automate the front and back offices processes of FX transactions.

Currenex's FXintegrate is suite of open, standards-based integration solutions designed to support the complete FX trading lifecycle and workflow process.

The Currenex-XRT integration is based upon the interface developed by the Treasury Workstation Integration Standards Team (TWIST). TWIST, a working group of 17 companies including Currenex and XRT, was established to create standards to facilitate an efficient, controlled and open-dealing marketplace for FX and other cash market instruments. **www.currenex.com**. **www.twiststandards.org**. **www.xrt.com**. ■*bfinance*

Currenex has joined forces with three leading banks to release Enhanced Market Access (EMA), a new online service aimed at giving corporate and institutional investors improved access to liquidity in currency markets. ABN AMRO, Barclays and Standard Chartered are acting as 'hub' banks, taking on the credit risk and using inter-bank credit lines, thereby giving treasurers and fund managers trading access to any of the 45 banks on Currenex's online trading service.

By eliminating the credit constraints on entering new trading relationships EMA aims to expand the number of market participants, thereby increasing the available pool of liquidity in the online FX market. Currenex argue that the current structure of foreign exchange trading limits corporations and other 'buy-side' institutions to dealing only with banks offering an established line of credit. **www.currenex.com**. ■*bfinance*

Trema is taking big steps to retain key pension fund manager clients. Trema's latest technology software aimed at asset managers, version 5 of its Finance KIT, has front-to-back office functionality with STP. Version 5's launch coincides with industry calls (via the Myners report) for pension fund trustees to look harder at what their fund is investing in, and that may mean using technology to improve investor transparency. Version 5 monitors credit risk and asset allocation limits. With regard to instruments, an emphasis has been placed on fixed income, equities, money market funds and FX to cover exposure of foreign currency denominated instruments. **www.trema.com**. ■*bfinance*