Hotline

Welcome to February Hotline. To complement this month's Spotlight on Corporate Governance, Responsibility & Ethics, on page 11 we review briefly the Higgs and Smith reports. Also, the ACT CPD team has prepared a new focus quiz on compliance issues for the treasurer. The quiz will be available from the end of the month on ACTonline. In the meantime, in Treasury Essentials this month, Brian Welch takes a closer look at the Codes of Market Conduct which are relevant to treasury practitioners. 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.*

FINANCING ACCOUNTING

The truth is out there

Transparency is at the heart of the Accounting Standards Board (ASB) revised Statement on the Operating and Financial Review (OFR). According to ASB Chairman, Mary Keegan, "For many companies, the OFR is already an important element of their communication with the capital markets, complementing as well as supplementing the accounting data. The ASB is encouraging boards of directors of all UK listed companies to provide, in their annual reports, a clear analysis and explanation of corporate performance."

The Statement makes clear that the directors' discussion should include the main influences on performance, including the expected effect of known trends and the potential effect of risks facing the business. Particular changes include recommendations:

- to highlight accounting policies which have required the particular exercise of judgement in their application and to which the results are most sensitive; where information from the financial statements has been adjusted for inclusion in the OFR (often called 'pro forma information'), to highlight that fact and provide a reconciliation; and
- to identify and comment on the measures that are used by the directors as key performance indicators in managing the business.

Under the present Company Law Review, the Government is currently considering proposals which would make the publication of an OFR mandatory for large companies. Meanwhile, the ASB's Statement is a formulation and development of best practice, intended to have persuasive effect. The text of the revised Statement is very similar to the exposure draft previously featured in Hotline which received considerable support from respondents to the consultation. Copies of the Operating and Financial Review Statement are available £5 post-free from ASB Publications, 145 London Road, Kingston Upon Thames, Surrey, KT2 6SR (020 8247 1264). **www.asb.org.uk**.

COMPLIANCE

Model behaviour

A recent consultation paper (CP164) issued by the Financial Services Authority (FSA) includes a proposed change to the Listing Rules' Model Code on Directors' Dealings in shares.

The document clarifies that directors should be precluded from placing spread bets, entering contracts for difference or undertaking transactions in other synthetic instruments based on their company's performance. Michael Foot, FSA Managing Director, said: "There is no doubt in my mind that while Directors dealing in spread bets and other synthetic products relating to their company is currently not against the letter of the Model Code, it is certainly in breach of the spirit. Therefore, we propose extending the Code to cover such products." **www.fsa.gov.uk**.

PENSIONS

The simple life

Hand in hand with the Government's Green Paper on Pensions, the Inland Revenue has produced its own consultation document on simplification of the tax regime governing provision for retirement.

The consultation document entitled, *Simplifying the taxation of pensions: increasing choice and flexibility for all* will sweep away the existing eight tax regimes for pensions with their associated annual limits on contributions and benefits, replacing them with a single, lifetime limit on the amount of pension saving that can benefit from tax relief. The limit will initially be set at £1.4m, with annual indexation thereafter. The Revenue estimate that the new tax rules would allow 99% of people to save more in a pension than the current tax rules allow, with only the highest earners being disadvantaged.

Other keynotes of the proposals include streamlined administration processes, increased flexibility governing the transition from work to retirement, with employees being allowed to move to part-time work whilst drawing down part of their pension, and the introduction of a number of new options for the purchase of annuities. The minimum retirement age for occupational schemes would however rise from 50 to 55.

Ruth Kelly, Financial Secretary to the Treasury, said: "These proposals for radical simplification will help people to make clearer and more confident decisions about pension saving. They will mean far greater individual choice and flexibility and will reduce administrative burdens on employers and pension providers alike." However, some commentators believe that the proposals do not go far enough with the compulsory purchase of annuities remaining in place and significant doubts being raised as to the accessibility of innovative annuity products to those with smaller pension pots.
www.inlandrevenue.gov.uk.

LOAN DOCUMENTATION

LMA confidentiality letters

The LMA has recently published revised versions of its secondary market documentation, for use as from 2 January 2003. Borrowers will be concerned that the LMA secondary market confidentiality letters continue to present a number of problems for them, as does the LMA primary syndication confidentiality letter. The publication of a new LMA Master Confidentiality Undertaking, designed to govern all loan trades between the two bank parties, is also a concern for borrowers, as it presents the same problems for them as the existing confidentiality letters.

LMA CONFIDENTIALITY LETTERS FOR SECONDARY TRADING AND PRIMARY SYNDICATION. The LMA secondary market confidentiality letters set out the prospective purchaser's confidentiality undertaking in relation to information about the borrower group. The new versions are the same as the previous ones. Also, no change has been made to the LMA primary syndication confidentiality letter, which sets out the confidentiality obligations of each prospective syndicate member. As a result, the LMA confidentiality documentation continues to present a number of problems for borrowers, and these are discussed in the Association's Guide to the LMA Agreements (available on the website at **www.treasurers.org**).

IN OUTLINE. The confidentiality undertakings fall away when the loan facility or transfer document is signed, a situation which has not been regarded as market practice in the past. Borrowers are recommended to ensure that the confidentiality obligations persist until (say) 12 months after the later of the date on which the lender sells its participation, and the date on which all confidential information is returned.

The borrower has the right to enforce the confidentiality undertakings, but is denied the right to veto amendments. A confidentiality undertaking which can be altered by the banks without the borrower's consent is of limited value, at best.

LMA MASTER CONFIDENTIALITY UNDERTAKING. As its name suggests, the new LMA Master Confidentiality Undertaking is designed for use between banks in the secondary market, to govern all purchases and sales of interests in loans between them. As the text is effectively the same as the secondary market confidentiality letters, it presents the same disadvantages for borrowers. However, being a master agreement, it is not transaction-specific, so that borrowers will not have the opportunity to request amendments.

NEGOTIATIONS. Banks naturally want to use confidentiality documentation that is regarded as broadly representative of market practice. Borrowers may however derive support, when requesting amendments, from the fact that the reason for the existence of the confidentiality undertakings is to protect the borrower's interests. Borrowers may also like to bear in mind that the LMA confidentiality documents do not carry the endorsement of the ACT. ■

This update for Hotline was prepared by Andrew Balfour, Partner at Slaughter and May and member of the ACT Technical Committee and by Jane Hands, Assistant at the same firm.

DERIVATIVES DOCUMENTATION

New master agreement

The International Swaps and Derivatives Association (ISDA) has announced the publication of its 2002 ISDA Master Agreement. The new Master Agreement was the product of a two-year long process of consultation and revision (see May 2002 Hotline, p15).

Originally published in 1987 and last revised in 1992, the ISDA Master Agreement is the most widely adopted standard documentation form in the international derivatives market. According to ISDA, revised provisions in the 2002 ISDA Master Agreement include:

- the introduction of a single measure of damages standard or 'Close-out Amount';
- the existence of Force Majeure Termination Event;
- the reduction of the grace periods associated with several Events of Default, including Failure to Pay, Default Under Specified Transaction and Bankruptcy Events of Default; and
- the introduction of a set-off provision under which a non-defaulting party can explore whether there are other assets such as a deposit account that can be attached and then set-off against the amount the defaulting party owes the non-defaulting party.

The new Master is now being introduced in the inter-bank markets but it is unlikely that bank providers will wish to conclude the revised Master with end-user treasury customers before summer 2003. The May issue of *The Treasurer* will feature an update on the implications for the treasurer as part of the Risk Management Spotlight. ISDA is also expecting to produce its own user guides later in 2003 and will be running a series of educational seminars to explain the amendments.

To accompany the issue of the 2002 Master, ISDA has also revised its Equity Derivatives Definitions. The new Definitions "respond to industry innovation" and incorporate expanded product coverage (including barrier instruments, barrier options and forwards), greater customisation in selecting the consequences of merger events (where the equities underlying the equity derivative transaction have disappeared or have been significantly changed as a result of a merger) and significant amendments to provisions relating to the disruption of trading activity with a view to facilitating the efficient valuation of affected equities. New definitions for credit derivatives are also on the horizon with ISDA already anticipating the publication of the 2002 ISDA Credit Derivatives Definitions. These, it claims, will offer significant enhancements for documenting credit default swaps, including amendments to incorporate the three Supplements published in 2001 and new settlement guarantee and sovereign credit default swap provisions.

Further information on all these developments can be obtained at **www.isda.org**. ■

CORPORATE GOVERNANCE

Excellence, not prescription

Derek Higgs, in his recently published report on the effectiveness of non-executive directors, has rejected legislation as the best route to maintaining standards in UK Boardrooms.

In contrast to the US reaction post-Enron which has led to the Sarbanes-Oxley Act (see page 50), Higgs advocates continued reliance on the "comply or explain" approach of the Combined Code. "Effective boards depend on the best people and on their behaviours and relationships", he maintains, "My recommendations reflect this. My hope is that, taken together, the recommendations of this Review will significantly raise the bar for board practice and corporate performance in the UK."

The Higgs report includes a range of significant enhancements to the framework for non-executive directors, including proposals:

- to promote meritocracy in the boardroom through an open, fair and rigorous appointments process and to widen the pool of candidates;
- to set a new, clear description of the role of the non-executive director;
- that the roles of chairman and chief executive should be separated, and that the chief executive should not go on to become chairman of the same company;
- to set out a new definition of 'independence' to address both relationships that would affect a director's objectivity and also those that could appear to do so. (At least half the board would need to meet the new test, as would all members of the audit and remuneration committees and a majority of the nomination committee);
- to promote closer relationships between non-executive directors and major shareholders;
- to significantly improve induction and professional development for directors;
- recommending that the performance of individual directors and of the board as a whole should be evaluated at least annually;
- to clarify the liabilities of non-executive directors;
- recognising that some of the new Code provisions may be less relevant or manageable or take longer to achieve for smaller companies.

A number of the proposals adopted in the Report mirror those supported by the ACT in its comments during the consultation phase of the review, in particular the move to separate the responsibilities of chairman and chief executive. "The Higgs recommendations substantially advance the corporate governance framework," commented ACT Chief Executive, Richard Raeburn. He however stressed the continuing need to respond to the challenge of equipping NEDs to be effective in monitoring and challenging risk management. "NEDs can only be as effective as their experience, background and the information made available to them allows. The ability to exercise judgment about the adequacy and robustness of a company's overall risk management is at the centre of the role of NEDs. They must be able to assess the overall risk in the company and ensure it is fairly dealt with in communications with the market and the wider public."

The Financial Reporting Council (FRC) will now move to incorporate the suggested revisions into the Combined Code on Corporate Governance. Sir Bryan Nicholson, Chairman of the FRC confirmed. "For a twelve-week period, until Monday 14 April, we invite commentators to bring to our attention any fatal flaws in the proposals and any specific drafting matters; thereafter the FRC will issue the definitive version of the revised Code, whether as currently drafted or as amended in the light of comments received; the new Code will come into effect on 1 July 2003." ■

Copies of the Higgs Report can be obtained at ***www.dti.gov.uk/cld/non_exec_review****.*

CORPORATE GOVERNANCE

Audit report

In a double-barrelled boost to corporate governance, publication of the Higgs Report on non-executive directors was accompanied by the announcement of the findings of Sir Robert Smith's review of Audit Committees. The Smith Group was established last year by the Financial Reporting Council (FRC) to clarify the role and responsibilities of audit committees and to develop the existing Combined Code guidance. The role of audit committees in reinforcing the independence of the auditor was a major concern.

Key aspects of the review include recommendations that:

- the Audit Committee includes at least three members, all independent non-executive directors;
- at least one member of the Committee is to have significant, recent and relevant financial experience, and suitable training is to be provided to all;
- the Committee should monitor the integrity of the financial statements of the company, reviewing significant financial reporting judgements;
- the Committee should review the company's internal financial control system and, unless expressly addressed by a separate risk committee or by the board itself, risk management systems; it should also monitor and review the effectiveness of the company's internal audit function; and
- the Committee should make recommendations to the board in relation to the external auditor's appointment; in the event of the board's rejecting the recommendation, the committee and the board should explain their respective positions in the annual report; it should also monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements and develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

In addition, the Smith report proposes that the new Combined Code will require that >>

<< the committee should be provided with sufficient resources, that its activities should be reported in a separate section of the directors' report (within the annual report) and that the chairman of the committee should be present to answer questions at the AGM. Sir Robert said: "The report ... develops and codifies the role of audit committees, building on current best practice. I believe its implementation will raise British corporate governance standards and help to maintain our position among the leaders in the field." The incorporation of his recommendations into the Combined Code will follow the same timetable as that for the Higgs proposals (see related Hotline item). ■

The Smith report "Audit committees: Combined Code guidance" is available at www.frc.org.uk. Hard copies are also available free of charge from the Financial Reporting Council, Holborn Hall, 100 Gray's Inn Road, London WC1X 8AL, tel 020 7611 9710.

PENSIONS

Evergreen

The long awaited Green Paper on pensions reform *Simplicity, Security and Choice: Working and Saving for Retirement* has now been published. Whilst inviting comment on a range of proposals designed to overhaul the pensions sector and fill the widening "savings gap", it is not the radical re-think of pensions strategy for which many pressure groups had been hoping.

Copies of the Green Paper can be downloaded at **www.dwp.gov.uk/consultations/consult/2002/pensions/index.htm** and comments are invited by 11 April 2003. It is anticipated that the government's final position will be enacted via the Finance Bill 2004. Hotline will of course be covering reaction to the proposals over the coming months. A brief summary of the key Green Paper proposals is available at www.treasurers.org.

The ACT Technical Committee will be also commenting to the government on the proposals contained in the Green Paper. Ted Hoefling, Group Treasurer at Taylor Nelson Sofres plc, who leads the Pension Working Group would welcome any comments or points which you feel the ACT should be making, or, indeed, volunteers to make a larger contribution. ■

Please contact Ted direct at edward.hoefling@tnsofres.com or email technical@treasurers.co.uk.

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

This month in treasury

TECHNICAL AREA	WHAT'S HAPPENING?	WHAT NOW?	WHEN?	WHAT NEXT?
GET INVOLVED				
PENSIONS	**Green Paper launched.** Government and Revenue proposals for future of pensions announced	**More.** Details of the Green Paper and tax consultation document in this month's Hotline	Comments by 11 April 03	**ACT response.** The ACT Pensions Working Group will respond on the proposals. Please contact Ted Hoefling at edward.hoefling@tnsofres.com
TREASURY OPERATIONS	**ACT operations survey.** ACT launches treasury operations survey, in conjunction with Ernst & Young	**Take part.** Please find time to complete your copy	Launches February 03	**Results.** Survey outcomes will be featured in a future issue
SHARE OPTION ACCOUNTING	**Exposure drafts in issue.** For details of ED2 and FRED31, see December Hotline 2002	**ACT Working Group.** The ACT share options working group is now in place. Contact Stephen Pugh at stephenpugh@econoimist.com	ASAP	**Action.** the ACT will respond on the exposure drafts by 7 March 2003
FOR INFO				
CORPORATE GOVERNANCE	**Alias Smith and Higgs.** Reports on NEDs and Audit Committees published	**Summaries.** Checklists of the key findings are provided in Hotline	Changes to Combined Code to be introduced by 1 July 03	**ACT on Higgs.** Copies of the ACT submission on Higgs are still available at ACTOnline
FINANCIAL ACCOUNTING	**New OFR guide finalised.** ASB issues Statement on Operating and Financial Review	**Hotline reports.** More details in Hotline		**Company Law Review (CLR).** For ACT comments on OFR as part of the CLR, see January Hotline
LOAN DOCUMENTATION	**LMA confidential.** Treasurers should negotiate carefully on terms of confidentiality agreements	**Update.** Slaughter and May give the latest position in Hotline		**ACT guide.** The ACT guide for borrowers to LMA primary documentation can be accessed at **www.treasurers.org**
DERIVATIVES DOCUMENTATION	**ISDA Master revised.** 2002 Master Agreement now in issue	**Definitions.** Also look out for 2002 Equity Derivative and Credit Derivative Definitions		**Coming up.** The May issue of The Treasurer will feature guidance for treasurers on adoption of the new Master

News

In brief…

Citibank e-Business, has become a SunGard eTreasury eXchange (eTX) participant, and is the first bank to offer a full range of services for cash and treasury management through the portal. With the partnership, SunGard's global customers can access Citibank services through eTX. The first user, a logistic services company, is already live with bank account balance information integrated into their cash positions to allow cash concentration and automated transaction processing. **www.citibank.com/e-business/homepage www.sungard.com**. ■

Technology provider **e-portals** has announced the first release of x-Treasury – a trading, treasury and risk system based online. The system, which is geared for SMEs as well as larger corporates, integrates different aspects of front and middle offices – including trading and management of treasury and risk functions. Real-time risk information – which conforms to FSA, CAD 3 and Basel II regulations – is produced as trades are entered. According to e-portals, the time-sensitivity will allow management and trader alike to see the positions, potential profits and risks before a trade is confirmed. **www.x-treasury.com**. ■*bfinance*

Fortis Bank will use Cognotec's FXall CONNECT platform to deliver prices to clients via FXall, the multi-bank dealing platform. Three other banks have also joined the list of providers on FXall. Commonwealth Bank of Australia, SvenskaHandelsbanken and WestLB join the 40 other banks linked to the FXall system. **www.fortis.com**. **www.fxall.com**. ■

Lloyds TSB is introducing a new e-invoicing service to its Windows-based corporate website. The bank said it was utilising the technology of supply chain software provider Causeway Tech for the development of Tradex, its online electronic platform for the exchange of invoices and other trading documents. The service is designed to offer clients an online, secure trading service that allows documents such as invoices to be uploaded, viewed, downloaded, archived and integrated in to any accounting application. **www.lloydstsb.com/homepage/**. **www.causeway-tech.com**. ■*bfinance*

Irish treasury consultancy **Matrix** has expanded into continental Europe by signing a joint venture with Roland Kraus & Partners. The partnership will see the development of Finance Tuner – a cash management and bank relationship knowledge base that benchmarks clients banking costs by industry and bank. Finance Tuner identifies potential cost savings within the bank-corporate relationship which can then be implemented, with the agreement of the client. **www.matrixtreasury.com**. **www.rolandkraus.at/englisch/framestart.htm**. ■

MB Risk Management (MBRM) has bought the rights to the intellectual property of Cygnifi Derivative Services – JPMorgan's derivative technology spin-off that filed for bankruptcy protection in October 2001. The systems developed by Cygnifi include derivatives pricing, portfolio valuation, credit risk management, and collateral management software. MBRM plans to build onto its existing Universal range of software and services with the top applications developed by Cygnifi. **www.mbrm.com**. ■

BANKING RELATIONSHIPS

Driven by credit

Credit has become a powerful consideration for companies when it comes time to award transactional and product mandates to banks, according to new research published by Greenwich Associates. As a result of the tough economic climate, coupled with fewer banks offering competitive pricing to needy corporate treasurers, a quid pro quo environment has sprung up, says the research firm, and corporates are increasingly directing other business to their relationship banks in order to keep open access to much-needed bank financing. In addition, this has trickled down into capital markets transactions, with increased business going to relationship banks in the form of operations and debt capital raising mandates.

While many corporates are willing to reward reliable providers of credit with certain types of additional business (like cash management), there is evidence other companies are "chafing against the concept of coercive capital", according to the report.

Corporates are also taking an increasingly transactional view of their business, as shown by the fact that there is significant turnover in lead relationships year-on-year, suggesting that corporates are rotating their business among top relationship banks to optimise the services they receive for the fees they pay. Greenwich concludes that one way that corporations accomplish this is through their review processes. Just under 40% of the companies interviewed have a review process in place for awarding new business. **www.greenwich.com**. ■*bfinance*

Forthcoming events

REGIONAL GROUPS:

10 February, 6.30pm **Midlands Regional Group meeting – Cash, FX, Derivative and Repo Transactions.**
Speaker: Gary Walker, Wragge & Co Solicitors. Venue: Wragge & Co Solicitors, 55 Colmore Row, Birmingham

*For more information, contact John Messore on **01242 284647** or email **jmessore@krafteurope.com***

CONFERENCES:

4 March – **Fundamental Treasury Topics – Managing Treasury Risks In An Acquisition Environment**. The Motor Cycle Museum, Birmingham

5 March – **The ACT Spring Paper 2003 – Emerging Markets Challenges & Opportunities**. The Law Society, WC2A

20 March – **Ratings Agencies: Prophets, Judges or Mere Mortals?** The Royal Society of Arts, London, WC2

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

TREASURY TECHNOLOGY

ERP turn-off

According to a new report from IDC financial services, corporates are turning to treasury management systems for their IT support, having had their fingers burnt with "disappointing and expensive enterprise resource planning integration". The finding is released in a report entitled *Smashing the Treasury Swivel Chair: Integrated Information Management*. It argues that corporates will move to using TMS solutions for integrated, straight-through, and real-time information management.

It says that banks can play a central role in enabling full integration, but this is a difficult task. Real-time information delivery from within the bank or collected from other banks is difficult to achieve, especially on a global basis. According to IDC, banks must be able to model, abstract, and tie business processes together; connect partners and outlying banks; and normalise multiple information formats and standards. In addition, it must have a vehicle for delivery. **www.idc.com**. ■*bfinance*

TREASURY TECHNOLOGY

Looking to mid-caps

Treasury management and cash management service providers are looking to mid-cap companies for new revenues in what has become a slow-growth sector, according to a new report by Meridien Research. The report examines treasury management solutions for mid-cap companies, and finds that hard-pressed suppliers view ASP solutions and application technology as the most promising avenues to middle-market adoption.

"Armed with web-based cash management, corporate portal, and spreadsheet tools and with low transaction volume, many middle-market companies do not see a compelling value proposition for expensive treasury management workstations," says Maggie Scarborough, a Meridien senior analyst. The report says that consolidation of treasury operations in the upper corporate tier has led to a waning of enthusiasm for workstations. Instead, corporates are looking to add new bits of treasury kit to existing platforms. Says Scarborough: "Suppliers must develop highly configurable and modular solutions at a very low price and tune value propositions to appeal to a less-sophisticated treasury management consumer that is more focused on credit than on trading." **www.meridien-research.com**. ■*bfinance*

INTERNATIONAL CASH MANAGEMENT

Survey results

The results of the ACT/JPMorgan Fleming International Cash Management survey have been published. The survey is conducted annually to gain an insight into the current cash management practice of treasurers and to identify global trends in liquidity management. A summary of the results is published in this edition on page 21. ■

Oracle has announced additions to its Oracle Financials range, including risk management and financial planning add-ons. The latest version of Oracle Financials integrates budgeting and planning information with company results. Other features include a profit and loss portal and an expense management portal. The risk management offering provides a set of pricing and analysis tools and is designed to help with such tasks as calculating prices and sensitivities of financial instruments, and analysing a portfolio of treasury deals for market risks. **www.oracle.com**. ■*bfinance*

SimCorp has renamed and relaunched its flagship investment management solution, TMS2000. The system, now called SimCorp Dimension, includes a restructuring of the software orientation, which the company says is more appropriate to the way investment managers work. The menu structure of SimCorp Dimension has changed from division by front-, middle-, and back-office function to division by specific operations, such as portfolio management, performance or client management, with all related functionality in one location. It also includes new fund-accounting functionality and an integration tool, Communication Server, to support transaction-based interfaces to third parties. **www.simcorp.com**. ■

Risk management solutions group **Sophis** has launched a new version of Convertibles On-Line, its data services with integrated pricing library for convertible bonds. Sophis says the new version includes better analytics and enhanced convertibles pricing using partial differential equations (PDE). Sophis is the first fixed income software provider to have integrated a 'PDE solver engine' in a convertibles pricing tool. **www.sophis.net**. ■

StreamVPN has launched its latest specialised collaboration platform, the Board Network. The system is designed to facilitate company information access for Boards of Directors. The browser-based system includes an electronic archive of Board and company documents – such as presentations and broker reports – individual work areas for sub-committees and projects, and, when needed, restricted access for lawyers, remuneration advisors, accountants, and other relevant parties. **www.streamvpn.com**. ■

SunGard Trading and Risk Systems has launched the Credient Portal, which provides Web-based access to Credient, the group's real-time, credit risk solution for global exposure aggregation and limits management, credit risk analytics and collateral management. **www.risk.sungard.com**. ■

The trading and risk unit of **SunGard** has added Financial Engineering Associates' Natural Resources module, and other FEA energy modules, to its Panorama suite of energy risk products. Panorama handles standard energy risk modelling, and is scalable for more complex risk modelling. **www.risk.sungard.com/credient/ www.fea.com**. ■

Trema has gone live with version 6.0 of its flagship product, Finance KIT. Enhancements are focused on improving the usability of applications to make it easier to drill-down into data. Version 6.0 allows more personalisation of start-up parameters or applications. The upgrade also includes Limit Monitor – an enhanced limits structuring tool with real-time monitoring functionality – and includes a number of new features in its Report Generator module. **www.trema.com**. ■

Velocity Systems has released version 4 of its web based e-treasury software, V-Banking. The company says that while most functionality has been upgraded, the new release is primarily a technical upgrade designed to deliver enhanced portability, scalability, legacy integration and deployment options. **www.velsys.com**. ■

GOVERNANCE

Recent views and news

PRESSURE AT THE TOP. Fears over personal legal liability, financial liability and increasing red tape may be driving UK directors to cut short their time at the top, according to research by law firm Eversheds. In a survey of 100 directors from high-cap UK companies, the group found that as many as 50% were concerned over their growing personal exposure to legal risk – more than 25% of those surveyed were not covered by Directors and Officers Liability insurance – and almost 60% were worried about increasing red tape. **www.eversheds.com**. ■

US TRENDS. According to a recent study by the Investor Responsibility Research Center (IRRC), US companies fall short when it come to meeting corporate responsibility requirements set out by various stock exchanges. However, the picture is improving. Only 51% of companies have corporate governance committees set up, however most companies do meet the requirement for at least 50% of board members to be independent. With talks of stricter requirements to be implemented, many candidates are shying away from the greater responsibilities under the new regulations, partly from a fear of increasing litigation against boards. This could create problems for smaller companies that are not able to offer big compensation packages to potential independent board members. **www.irrc.org**. ■

COMPANIES MISS THE MARK. According to a survey of 547 companies by Pension Investment Research Consultants (Pirc), only 20% of large-cap companies follow best practices in corporate governance in the UK. The biggest danger areas are in contract lengths for executives and the independence of board remuneration committees. **www.pirc.co.uk**. ■*bfinance*

S&P'S GOVERNANCE INITIATIVES. Standard & Poor's (S&P) has announced two governance initiatives designed for corporates and the investment markets. S&P has launched a US-based Governance Services Unit, to mirror the UK/European version which has been live since 2000. The service gives investors corporate governance scores, evaluations and customised research services. In addition, corporates can use the research to benchmark against the marketplace.

The group has also launched a white paper containing its global Transparency and Disclosure (T&D) study , which highlights how companies differ in disclosing financial and non-financial information. The group has now published the list of questions for its Company T&D Study 2003-2004. The questions, available on S&P's website, have been publicly released to attract the widest possible feedback. **www.standardandpoors.com**. ■

AUDIT COMMITTEE TO HELP WITH GOOD GOVERNANCE. KPMG has launched a UK Audit Committee Institute (ACI) to help members of audit committees meet the increasing governance demands placed upon them. The group says the ACI is the first UK institute of its kind and will act as a forum and information resource for audit committee members. According to KPMG, audit committees have been largely left on their own to keep pace with changing information related to governance, audit issues, accounting and financial reporting, and even legal issues. **www.kpmg.co.uk**. ■ *bfinance*

CORPORATE CREDIT

European weakness

The creditworthiness of European companies and institutional borrowers was weak in 2002, and defaults were at all-time highs, according to Standard & Poor's annual review of credit trends in Europe, the Middle East, and Africa. The past year was grim for bond markets in the region: issuance volumes were down and rating downgrades sharply up. There were 27 defaults among rated corporates and financial institutions up to 30 November, the highest for the region since S&P began ratings in Europe in the 1970s. This is up from 14 for all of 2001.

However, problems in the high-yield markets are getting better, primarily because most defaults by speculative-grade issuers happen in the first three-to-four years of the life of the bond, and high-yield issuance has declined substantially since 2000. Which means the worst of the bad news has now passed.

Although 2003 is expected to show some improvement, a broad recovery in corporate creditworthiness remains some way off. The high proportion of issuers assigned a negative outlook (17%) is not a good sign for 2003. **www.standardandpoors.com**. ■

Percentages...

The **Ernst & Young** annual survey of cash management (CM) service providers in the US has revealed that the vast majority of respondents are online with their products, although 38% said their cross-border or international CM services were limited.

Most banks said they provided information reporting via the web (95%), a 10% improvement over last year. Over a third of CM banks in the survey said they offered electronic bill presentment. In addition, automated clearing house/electronic data interchange (ACH/EDI) took centre stage with a 14.5% rise. Large corporates, expectedly, accounted for 31% of the banks' CM revenues, with middle market (28%), small business (21%), and financial institutions (12%) following. Ernst & Young estimated that total CM revenues for this year would be around $13.2bn for the top 100 bank providers. **www.ey.com**. ■*bfinance*

A study of CFOs, treasurers and risk management professionals from Fortune 1000 companies has painted a fascinating picture of the perceptions of risk and how it can disrupt a company's top earnings driver. According to the National Association of Corporate Treasurers' (NACT) *Protecting Value Study*, participants report "real differences" in perspectives between themselves and their firm's senior management regarding the risks threatening their firm, their level of preparation for risks, and the impact a major disruption would have on their firm's earnings and shareholder value. **www.nact.org**. ■*bfinance*

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