Agenda

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{ TECHNOLOGY }

SEPA DEADLINE PUSHED BACK

The long-awaited implementation of the Single Euro Payments Area (SEPA) has been pushed back by six months because member states were too slow to adopt it. In January, the European Commission announced that SEPA would not be fully implemented before 1 August 2014. It had been due to take effect at the start of this month.

In a statement, EU internal market and services commissioner Michel Barnier chastised EU member states for not doing enough to keep migration to SEPA on track. "I call once more on member states to fully assume their responsibilities and accelerate and intensify efforts to migrate to SEPA," he said. He added that the transition period would not be extended beyond August.

The Commission and the Eurosystem, the eurozone monetary authority, had been monitoring the progress of all stakeholders in migrating to SEPA. These included banks, payment institutions, national and local administrations, corporates and consumers. But migration rates had only reached 64.1% for the SEPA credit transfer and 26% for SEPA direct debit by November 2013.

Banks specifically have been blamed for the delay. Following the announcement, the Irish Small and Medium Enterprise Association (ISME) criticised "lazy banks in Ireland and across the EU for their lack of preparedness in not ensuring SEPA solutions were in place for the business community and the SME sector in particular".

{ QUESTIONS YOUR FD IS LIKELY TO ASK THIS MONTH }

BASEL III LEVERAGE RATIO FRAMEWORK

What's this I hear about the Basel III leverage ratio framework and disclosure requirements being published?
International banking supervisor the Basel Committee issued the framework and disclosure requirements last month after they were endorsed by its governing body. They include amendments to the consultative version of the framework and requirements that were previously published in June 2013. Essentially, regulators have softened their rules on banks' leverage ratios so that they can report lower levels of overall risk.

What are these amendments?
This framework allows banks to do limited netting of securities financing transactions (including transactions such as repos) with the same counterparty in order to reduce their exposure under the leverage ratio where specific conditions are met. Also, instead of using a uniform credit conversion factor (CCF) that converts an off-balance-sheet exposure to an on-balance-sheet equivalent, the leverage ratio will use the same CCFs as those in the Basel framework's standardised approach for credit risk under the risk-based requirements, subject to a floor of 10%.

Is that all?
No, there's more. Banks can use the cash variation margin associated with their derivative exposures to reduce the leverage ratio's exposure measures in certain circumstances. For banks with written credit derivatives, the notional amounts included in the exposure measure may be capped at the level of the maximum potential loss. Furthermore, a clearing member's trade exposures to qualifying central counterparties (QCCPs) that are associated with client-cleared derivative transactions may be excluded when the clearing member does not guarantee the performance of a QCCP to its clients.

So what does this mean for us?
It should be good news since banks have been saying how expensive it is for them to comply with Basel III. The biggest winners are likely to be the banks involved in the securities and derivatives markets. But it could mean that banks are not as safe as they would have been under the original drafting.

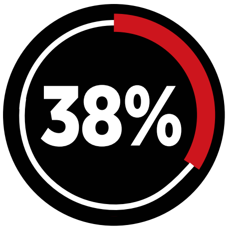
WORDS

"I regret having to do this, but it is a measure of prudence to counter the possible risk of disruption to payments and potential consequences for individual consumers and SMEs in particular."

EU internal market and services commissioner Michel Barnier comes to the uncomfortable conclusion that switching to SEPA on 1 February 2014 would unleash market chaos.

SOURCE: EUROPEAN COMMISSION, JANUARY 2014

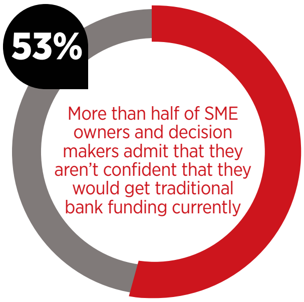
{ RESEARCH BY PEER-TO-PEER BUSINESS LOAN WEBSITE FUNDINGKNIGHT }



of SMEs say that alternative methods of funding, such as crowdlending, will be the future for businesses to access finance

6 out of 10 business owners have either used crowdlending or would consider doing so

Nearly one in five SME owners or decision makers has already used crowdlending



33% of SMEs believe borrowing will remain difficult

Almost a third of businesses view external funding as vital for them to grow

{ CORPORATE FINANCIAL MANAGEMENT }

RBS FEELS MORE BONUS PRESSURE

Bankers' pay hit the headlines again last month after Labour leader Ed Miliband called for Royal Bank of Scotland (RBS) to be banned from paying bankers bonuses that are up to twice their annual salary.

As the UK government owns 80% of RBS, it could block the bank from paying large bonuses. But while the government is prepared to veto attempts by RBS to increase its overall pay and bonus bill, it appears to be steering clear of involvement in individual pay awards.

New EU rules that take effect in 2015 will limit bonuses to up to 100% of bank employees' salaries, rising to 200% with shareholder approval. But the UK government launched a legal challenge with the European Court of Justice in September, claiming that the legislation is not fit for purpose.

Last year the European Banking Authority revealed that more bankers earning over €1m lived in the UK than any other EU country in 2012. The UK had 2,188 investment bankers earning seven-figure sums, compared with France, which had 117, Germany, which had 100, and Spain, which had 37.

Miliband has also vowed to break up the UK's large high-street banks to improve competition should the Labour Party win the UK general election next year. "We will establish, for the first time, a threshold for the market share any one bank can have of personal accounts and small business lending," he said in a speech to the University of London.

WHAT THEY SAID

"Many working in the financial sector find it very insecure and unsatisfying, but are willing to trade this for high pay. As the job becomes less lucrative, banks need to find ways to make jobs more stable and more satisfying for employees."
Andre Spicer, professor of organisational behaviour at Cass Business School.

"[The prime minister] should be able to say to people earning £1m that a bonus of £1m should be quite enough."
Ed Miliband, leader of the UK Labour Party.

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NUMBERS

¥2.5bn
the value of the bond launched in London by the Bank of China in January

93.4%
France's national debt as a percentage of the country's GDP, as announced by its public audit office last month

$393bn
the market capitalisation of all Brazilian companies, scarcely more than Google's market capitalisation of $380bn, according to Michael Hartnett, chief investment strategist at Bank of America Merrill Lynch

7.3%
the fall in JPMorgan's profits in the fourth quarter of 2013, compared with a year previously

$17m
the amount companies lose daily due to cheating employees connecting with lovers online, infidelity site Victoria Milan claims

315.9m units
the total number of PC shipments in 2013, according to analyst Gartner

¥14.5bn
the sum of renminbi deposits in London in June 2013, as revealed by the City of London Corporation

€965m
Deutsche Bank's net loss in the fourth quarter of 2013

{ INSIGHT }

US EXPECTS GROWTH

US corporate treasurers and CFOs expect business conditions to improve in 2014 and the US economy to grow by 2.1%.

According to research by the Association for Financial Professionals (AFP), more than half (52%) of finance executives expect the business climate to improve in 2014, with growth concentrated in the second half of the year.

An optimistic 11% even expects to see US GDP growth of more than 3% in 2014.

Nevertheless, there was a consensus that 2014 would have a bumpy start. Just 29% of finance executives expected improvement in the first two quarters.

Overall, more than 60% of respondents anticipated that their company's revenue would grow, with 57% expecting 'somewhat more' revenue in 2014 and 5% predicting significantly more.

The survey showed that finance executives now expect their companies to begin hiring for their operations both inside and outside the US. Some 43% thought their business would expand its US payroll. Meanwhile, 41% of respondents working for companies with employees outside the US thought that their organisation would expand its non-US payroll.

"With corporate revenue growth, the jobs will follow," said Jim Kaitz, AFP's president and CEO. "Companies have pent-up demand for positions that had been put on hold in the past few years."

Half the responding companies said they had acted to take advantage of historically low interest rates, such as refinancing long-term debt or issuing new debt. And while finance executives do not anticipate a significant change in their company's near-term borrowing costs, nearly half (47%) plan to capitalise on low interest rates before they are hiked.