International payment activity picks up

Businesses globally have seen a modest upturn in international trade volumes in the past year, indicating a similar rise in international payments activity according to research by Travelex Global Business Payments.

In the study just over one in four companies cited delayed confirmation of payments and/or receivables as the major concern when making or receiving international payments. One in five complained of lack of visibility on international payments and receipts, and 15% said being unprepared for exposure to currency fluctuations headed their list. Travelex adds that 65% of businesses participating in the survey were in North America, but 72% reported making and receiving international payments.

The top three factors in ensuring stability when doing business in other regions were cited as an increase in business volumes, the ability to manage international payment risks, and implementing a risk management strategy.

Private equity come-back in European deals

Buy-out activity supported by private equity revived in the first months of 2010, according to data compiled by Dealogic.

But while the number of deals trebled compared with the same period last year, they are very different to those concluded before the financial crisis. Transactions are generally smaller, utilise much less debt, often involve another private equity firm and typically are in defensive sectors like healthcare. An example is PAI Partners' €500m buyout of Cerba European Lab in June, a secondary buyout of a healthcare company using debt for only half the financing.

Separate data from investment banking boutique Hawkpoint showed 41 private equity deals in Europe between January and early June worth more than £100m, against an annual total of 57 last year. One in five was in healthcare, with the business services and retail industries also popular. Almost half the European deals recorded by Hawkpoint were secondary buyouts, with one private equity group selling to another. On average, the 41 deals were financed with only 35% debt, against as much as 80% during the credit bubble, and the remaining 65% comprising equity. More than 20% of these deals involved payment of more than 10 times EBITDA.

Wall Street expands its empire further

Trading and treasury systems group Wall Street Systems has made a second acquisition, following its recent takeover of electronic bank account management group Speranza. It has added corporate treasury specialist City Financials, whose corporate treasury business will be incorporated into its portfolio and will sit between Wall Street Treasury, which caters for medium-sized businesses, and Wall Street Suite, used by the top 200 multinationals and central banks.

"City Financials is a great fit for Wall Street," commented Larry Ng, Wall Street's managing director for corporate development. "The economic turmoil has clearly demonstrated the vital importance of treasury.

Ng: City Financials is great fit.

"Companies are demanding better access and control of their cash and liquidity,' he added.

' We are committed to helping our clients meet these new challenges for the long term by investing across all areas. We see our clients as partners, and therefore our success is tied to their success." ■

HMRC pensions slip-up 'ironic'

HM Revenue & Customs has revealed that some of its pensions systems are suffering "widespread" problems and some of the data it has provided "should not be relied upon".

The admission is ironic, given that the Pensions Regulator is urging trustees to improve their record-keeping, said Robin Simmons, a partner and governance expert at Sacker & Partners.

"It appears that HMRC is struggling under the burden of the complexity of the so-called 'simplification' of tax legislation – providing further evidence that the complexities of pensions legislation need to be addressed head on if expectations of problem-free pensions administration are ever going to come to fruition," he commented.

Simmons adds that the Pensions Regulator's new requirements on member data are intended to improve pension scheme administration and eradicate the data gaps that have led to scheme members getting incorrect benefits or information.

Simmons: HMRC is clearly struggling.

"The new requirements draw a clear time line in the sand," he said.

"Schemes are now to be required to clean up core member data by the end of 2012 – at a very high standard of 100% for new data and at a 95% level for all historic data collected before June 2010. The 'core' data is that which identifies the member – such as name, sex, date of birth, membership status and address details." ■

Pensions Regulator's guidance welcomed

The Pensions Regulator's draft guidance for pension trustees on best practice for monitoring the financial strength of an employer's scheme, issued last month, has been hailed as helpful in outlining methods to put in place flexible funding plans that can react to change.

"Although a lot of the themes included are not new, the guidance provides trustees with a more focused approach on how to conduct covenant assessment with specific examples of actions that they should carry out," commented Ben Harris, an associate of the firm Barnett Waddingham.

Porkolab: Trustees can't sit back.

A common pitfall has been for trustees to sit back following a covenant assessment and assume no more needs to be done until the next actuarial valuation, added senior consultant Lorant Porkolab, leader of the covenant advisory practice at Punter Southall Transaction Services. However, it is clear that the Regulator expects trustees to keep the covenant under regular review.

"We have seen lately how quickly the trading performance and financial positions can deteriorate," he said.

"Covenant monitoring and the triggers recommended by the Regulator will allow trustees to take appropriate action before the covenant weakens too far."

Porkolab said he was also expecting to see more trustees considering the impact of the covenant's strength on the scheme's investment strategy.

"The stronger the covenant, the more risk the trustees can take, since the employer can underwrite the risk to support the scheme in case of adverse outcomes." ■

Market airs views on transparency and liquidity

The International Capital Market Association (ICMA) has released its survey of members' attitudes on transparency and liquidity in the European corporate bond market.

Respondents were asked for their views on post-trade transparency, or the availability of prices on trades in corporate bonds done directly between two counterparties rather than on an exchange.

Asked at what point, post-trade, prices should be published, 57% of respondents chose end-of-day pricing as ideal, with high/low/median end of day prices strongly preferred to actual or aggregate trade prices. The survey also found that 77% of respondents agreed that while trading volume should be published, it should only be at the end of the day.

Asked which measures could improve liquidity in the corporate bond market, 83% of respondents cited pre-trade transparency as the most effective measure, against 57% who cited better post-trade transparency. An impressive 87% felt that liquidity would be improved by electronic trading but 80% said they didn't believe it would also be helped by regulatory intervention.

"While most of our members support the move towards supply of post trade data to regulators, major concerns remain that publication of post trade data to the market as a whole could have a negative impact on market liquidity," said ICMA's chief executive, Martin Scheck.

"Clearly the detailed configuration of any post trade publication framework, in terms of how large trades are dealt with, time delays and definition of bonds to be included, will be critical in the effect it has on our members and the market." ■

The survey can be downloaded in full from: http://tinyurl.com/3xs7rvk

ACT Digest

Below is a brief round-up of the issues the ACT has been working on in the last few weeks.

Policy & Technical

▪ OTC derivatives/Basel III

While the ACT has worked with EACT to win concessions to exempt non-financial companies from having to trade all derivatives via central clearing houses, real concern remains that capital weightings under Basel III could be penal. This could be a massive blow to funding flexibility.

▪ Bank regulation

In the last parliament the treasury select committee joined calls for radical changes in bank regulation. Breaking up the very biggest banks might still have to be considered as a last resort. We need to keep the emphasis on bank regulation and the ACT will work with the new government to achieve the best result.

▪ Non-bank lending

The Budget Book specifically highlighted the ACT as an organisation the government wishes to work with to increase awareness of the diverse sources of finance available and to improve bond market access for more issuers.

Visit www.treasurers.org/technical for the latest updates from the ACT policy and technical team.

ACT Middle East

▪ Conference targets local issues

Following the *talkingtreasury* event which took place in Abu Dhabi on 10 May, planning is under way for the ACT Middle East Annual Conference, which will be held in October in Dubai. It will focus on the latest issues facing treasurers in the region, including risk disclosure, corporate governance and the need for greater accountability as well as emerging trading opportunities and options in the Middle East.

For more information on ACT Middle East, visit www.treasurers.org/actmiddleeast