IN BRIEF

The ACT has published a paper in conjunction with the Institute of Chartered Accountants in Australia (ICAA). The document, entitled 20 Issues on the Increasing Significance of Corporate Treasury, is intended to educate senior business leaders, such as FDs, CFOs and lawyers, on the challenges and complexity of the treasury role. Treasurers should also find it a helpful document when explaining treasury issues to colleagues, accountants and their board. It contains a useful checklist, which may highlight some of the key treasury issues where further questions and/or action should be taken.

A copy of the paper can be found at: **www.treasurers.org/node/7895**

When negotiating facility agreements where borrowers include "endeavours" clauses as a way of qualifying their performance obligations, treasurers should be aware of the ruling by the Court of Appeal in the case of Jet2.com vs Blackpool Airport. This case highlights that clauses such as "best endeavours" and "all reasonable endeavours" are difficult to interpret and have no clear-cut legal meaning. A court will assess the meaning based on the relevant facts of each case, so previous case law should not necessarily be relied on.

Further details can be found in the court papers at: **http://bit.ly/KSg678**

Although it is now clear that the UK will not impose, or be required to impose, a **financial transaction tax (FTT)**, this has not deterred other EU members from pushing the measure forward. A recent report by the Centre for Policy Studies highlights that if an FTT was introduced, as is currently planned by France and Germany, UK branches of French and German banks would be liable for FTT and even bank subsidiaries could be affected if it were shown that the risk in any transaction had been passed back to the parent company.

The report also states that if an FTT were introduced across the EU along the lines of the current proposals, nearly half the sum raised would come from the UK. The European parliament supports an FTT, with the Economic Committee (ECON) having voted 30 to 11 in favour.

INTRODUCTION

By Michelle Price
Assistant policy and technical director

While regulatory updates and consultation emails continue to fill my in-box, accounting changes and funding initiatives such as supply chain finance still trickle in. However, the one topic that has flooded in recently has been a Grexit (Greek exit) from the euro zone. The will they or won't they debate continues to occupy dinner party conversation and office banter.

If you haven't done so already now is the time to dust off your copy of the ACT-Deloitte euro contingency paper or reprint it from the ACT website and refine your euro crisis plan. As Sir John Harvey-Jones, former CEO of ICI, said: "Planning is an unnatural process; it is much more fun to do something. The nicest thing about not planning is that failure comes as a complete surprise, rather than being preceded by a period of worry and depression."

Compulsory audit tenders in the works

The Financial Reporting Council (FRC) has issued a consultation paper on proposed revisions to the UK corporate governance code and its guidance on audit committees, and has also proposed updates to the stewardship code.

The corporate governance code sets out good practice for UK-listed companies on issues such as board composition and effectiveness, risk management, audit committees and relations with shareholders. The proposed changes include:

- putting external audit contracts out to tender at least every 10 years (this would apply to FTSE 350 companies);
- asking boards to explain why they believe their annual reports are fair and balanced;
- encouraging more meaningful reporting by audit committees; and
- providing more guidance on explanations to shareholders when a company chooses not to follow the code.

The stewardship code sets out good practice for institutional investors on monitoring and engaging with investee companies and reporting to clients and beneficiaries. The FRC's proposed changes include:

- clarifying what is meant by stewardship, and the respective responsibilities of asset owners and asset managers; and
- asking investors to disclose their policy on stock lending, and whether they recall lent stock for voting purposes.

The FRC is also consulting on changes to the guidance for audit committees. It proposes requiring the auditor:

- to communicate information to the audit committee that will help it understand the significant professional judgments made in the audit; and
- to report, by exception, if the board's statement of why the annual report is fair and balanced is inconsistent with knowledge that has been acquired by the auditor in the course of performing the audit.

A copy of the governance code and audit committee guidance consultation document can be found at: **http://bit.ly/Mn4X0s**

The revisions to the stewardship code are in a separate consultation document at: **http://bit.ly/JUU6sL** ■

The FRC requests comments on all the proposed changes by 13 July 2012.

The undercover economist
For an interesting and often entertaining UK economist's take on the modern world, visit the website of author Tim Harford.
http://timharford.com

IASB tweaks IFRS

The International Accounting Standards Board (IASB) has proposed amendments to 11 International Financial Reporting Standards (IFRS) in an exposure draft with comments requested by 5 September 2012. The following changes may be of particular interest to treasurers involved in the financial reporting of treasury activities:

■ **IAS 1: Presentation of Financial Statements** The board proposes clarifying that a liability should be classified as non-current if an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility with the same lender, on the same or similar terms.

■ **IAS 7: Statement of Cash Flows** The board proposes adding paragraph 33A (interest and dividends) to IAS 7 to clarify that the classification of interest that is capitalised should follow the classification of the underlying asset. It also wants to amend paragraph 16 (investing activities) to add capitalised borrowing costs as an example of a cashflow arising from investing activities.

■ **IFRS 13: Fair Value Measurement** This is not an amendment as such but a clarification that prior amendments to IFRS 9 and IAS 39 were not intended to change practice in the measurement of short-term receivables and payables. Hence the previous amendments have not removed the ability to measure short-term receivables and payables at the invoice amount without discount when the effect of not discounting is immaterial.

■ **IFRS 2: Share-based Payments** For equity-settled share-based payments, the board proposes adding the definitions "service condition" and "performance condition", and amending "vesting condition" to include both of these terms.

■ **IAS 24: Related Party Disclosures** The board proposes extending the definition of related party to include management entities and that the transactions for the provision of key management personnel services should be separately disclosed.

The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2014. The date for IFRS 9 changes is 1 January 2015. A copy of the exposure draft can be found at **http://bit.ly/KBWftn** ■

The ACT welcomes any comment from treasurers at technical@treasurers.org

Rules put steel in financial infrastructure

New international standards for systemically important payment systems, central securities depositories, securities settlement systems, central clearing houses and trade repositories have been issued.

The Committee on Payment and Settlement Systems (CPSS) and the technical committee of the International Organization of Securities Commissions (IOSCO) have published the standards in a report entitled Principles for Financial Market Infrastructures.

Financial market infrastructures (FMIs), as these systems are collectively known, clear, settle and record transactions in the financial markets.

The new standards (called "principles") are designed to support the G20 strategy to ensure the infrastructure supporting global financial markets is robust and that FMIs are resilient to financial shocks.

The standards replace the three existing sets of international standards: the core principles for systemically important payment systems (CPSS, 2001); the recommendations for securities settlement systems (CPSS-IOSCO, 2001); and the recommendations for central counterparties (CPSS-IOSCO, 2004).

CPSS and IOSCO have strengthened and harmonised the three sets of standards by raising minimum requirements, providing more detailed guidance and broadening their scope to cover new risk management areas and FMI types.

CPSS and IOSCO expect members to begin implementing the new standards immediately, with full implementation by the end of 2012.

IN BRIEF

▸ **Corporate insolvencies** for Q1 2012 have fallen 1.8% on the same period a year ago, according to government statistics. However, Lee Manning, president of insolvency trade body R3, recently said: "Insolvency numbers are historically low compared to previous recessions. R3's latest Business Distress Index found that 37% of businesses say they have seen a reduction in sales volumes and 36% say they are experiencing decreased profits, both up on the previous quarter. This indicates that corporate insolvencies may well rise."

▸ **The British Bankers' Association** has announced the next steps in its review of LIBOR (London Interbank Offered Rate). The review will consider three broad areas: the financial instruments included to define the rate; a rigorous code of requirements for all contributors; and strengthening the statistical underpinning of the contributions. The Independent Foreign Exchange and Money Market Committee (on which the ACT is represented) supports the review and will be playing an active role in the consultation.

▸ The Bank of England's latest quarterly publication of **Trends in Lending** has highlighted a £9bn fall in lending to businesses by all UK-resident banks and building societies in the three months to February 2012. It also notes that corporate lending by UK-resident foreign lenders has slowed sharply since the financial crisis began. Their contribution to the contraction was greater than major UK lenders for most of 2010 but has eased over the past year. Net bond issuance was positive for the 12 months to February 2012, while net equity issuance was negative. Total net funds raised from banks and the capital markets by UK businesses in aggregate was negative over this period. The report is available at: **http://bit.ly/L9m00q**

▸ **SME optimism** in the UK economy has increased significantly since the low point of Q4 2011, according to BDRC Continental's Business Opinion Omnibus. This is consistent with Deloitte's latest Q1 2012 CFO Survey findings, which show a strong improvement in business confidence among the UK's largest companies. The results are at: **www.smefinancemonitor.co.uk** and **http://bit.ly/KFFcrS**