

# Bank consolidation worries

Outlawing the sale of banking packages to corporates would not be in the public interest, Tom Huertas, Director of wholesale firms division at the Financial Service Authority, told an audience of treasurers and bankers.

"We are agnostic in the form that this relationship should take. Banks and firms should be able to manage their relationships. Non-intervention is the way we want it," said Huertas, addressing the ACT 'Banking Relationships' conference in February.

"Our overriding interest is the same as yours; to ensure that the UK remains an orderly, safe marketplace in which to do business," said Huertas, who took on the FSA role in October last year.

But Angus MacLennan, seasoned banker and

former Chairman of the Association of Foreign Banks, warned about the dangers of consolidation.

"There will be more and more smaller players backing out of the market and more bigger players consolidating. In the long term, I don't think it's healthy for the market to lose its breadth and depth," said MacLennan.

"The London market will not be as rich a place in the future." But he said that intervention wasn't the solution. "We can't do anything; we have to let the market take its course."

MacLennan urged corporates to spread their wallet around to ensure choice remains an aspect of the market for treasurers. "In the short-term the corporates have all the strength, but they should also be concerned for the long-term and lack of future choice."

Sacha Kenny, Group Treasurer at global office space provider Regus and conference delegate, said: "Consolidation is not a problem for big corporates as big banks will be able to provide everything they need across the world. It'll be more of an issue for smaller companies."

David Swann, Group Treasurer of BAT and conference speaker, was more upbeat on the state of the banking market. "The one stop shop is good for corporates but the niche players will remain. There's room for them all."

In what was the first time that corporate treasurers and the foreign banking community met in London, Michael Kirkwood of Citigroup, who chaired the conference, said: "It's quite an achievement and reflects the maturity of the relationship." ■

## The Treasurer welcomes Deals of the Year winners



**The Treasurer was delighted to welcome more than forty treasurers and their advisers to the second Deals of the Year Awards lunch on 21 January, hosted this year by JPMorgan. Paul Spencer, Chairman of the Editorial and Publications Committee, presented the Awards to the winners. FROM LEFT TO RIGHT: Andreas Weber and Jürg Hess both of Swiss Re, Equity Linked Bonds; Tim Owen of Cadbury Schweppes, overall winner of Deals of the Year and winner of best Investment Grade bond; Andrew Vaughan of Mitchells & Butlers, Securitisation & Structured Finance; John Foldes of Vaillant, Loans; and Will Spinney – Invensys, High-Yield Bonds. PLUS INSET is Nick Mourant, Tesco, Equity Deal of the Year. The Treasurer's Awards are unique in that they are voted on by practising treasurers.**

## Treasurers come to the aid of children's charity

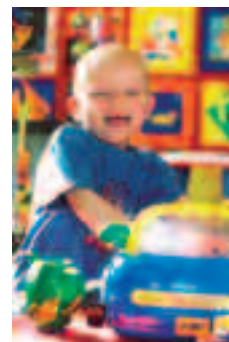
Donations raised at the ACT's annual dinner for Cancer and Leukaemia in Childhood (CLIC) will be put towards care grants that provide financial aid to families with children suffering from cancer.

As part of the ACT's fundraising efforts for CLIC, Dyson UK also donated equipment to CLIC care homes, which are used to house families of children who are undergoing treatment.

In a move that will further strengthen CLIC's work, the charity merged with Sargent Cancer Care, with which it already has a long-standing relationship, on 1 January 2005. The merger makes the charity, now called CLIC Sargent, the UK's largest cancer charity for children.

"Caring for a sick child not only puts tremendous emotional strain on the family, but it imposes a significant economic burden too. CLIC Sargent give grants to help families cope financially," the charity explained.

CLIC Sargent will be the chosen charity at the ACT's May conference at the prestigious Celtic Manor Resort Hotel. At the gala dinner a raffle has been organised to raise funds for CLIC Sargent services. Prizes to be announced soon. ■



**PATIENT: Alexander**

# Myners calls for more flexibility

Paul Myners, author of the government-commissioned report into pre-emption rights, has called for more flexibility in the existing system, but he held back from limiting the rights of existing shareholders.

In February, Myners, Chairman of Marks & Spencer, issued his long-awaited report that looked at the financial services system. He stepped back from recommending a complete overhaul of the rules, but said that share issues needed to be made more flexible.

The ACT welcomed Myners' recommendations. "We are delighted the Myners report has concluded that the existing pre-emption regime is a cornerstone of UK company law and should not be removed or eroded. This is totally in line with the views expressed by the ACT in its submission to the earlier consultation."

Pre-emption rights give existing shareholders in a company the right of first refusal to buy new shares. Companies, particularly those in the biotechnology sector, have been pushing for a shake up in the rules, which the sector claims restrict their ability to raise new finance to invest and compete with US rivals.

In his report, Myners said: "The perception held by many companies and their advisers is that the ability to select the most appropriate capital-raising method for their needs is being

unnecessarily constrained by the way that shareholders' rights are currently being applied.

"You will see from my report that, to a certain extent, I agree with them. That is why I am calling for more flexibility and a move away from a blanket approach by the institutional investor community. But I do not believe that the principle of pre-emption itself is a damaging one."

Myners suggested the government look at reducing the number of days it takes to gain shareholder approval for a rights issue and the establishment of a pre-emption group. It currently takes at least 21 days to gain approval for a rights issue.

The ACT said: "We also welcome the added flexibility being put forward on rights issues periods and the new emphasis on discussion between companies and shareholders over the application of the guidance. We hope we will be able to play a continuing role in the pre-emption group."

The ACT submitted a response to the Myners consultation on pre-emption rights which reiterates the ACT's strong support for the existing regime and the importance of offering new shares first to existing shareholders as a protection against dilution. See

[www.treasurers.org/technical/papers/resources/mynersnov\\_2004.pdf](http://www.treasurers.org/technical/papers/resources/mynersnov_2004.pdf) ■

## LETTERS

### Treasurers should re-draft IAS 39 rules

Being somewhat busy I am rarely driven to write to publications.

However, I have just read Alan Dick's letter (see *Marketwatch News*, page 08, Jan/Feb 2005, *The Treasurer*) regarding IAS 39 and cannot agree more with such a succinctly put critique of IAS 39. I am glad to find that I'm not alone (although I did speak to a FTSE 100 FD whose views on the subject could not be reproduced in *The Treasurer* for fear of offence) in thinking that it is probably the worst thought out, and demonstrates the least understanding of its subject matter, of any accounting standard.

The standard completely ignores both economic and financial reality. It has obviously been written by accountants. The problem is that the majority of accountants don't understand finance and financial risk (I am an ACA, but to understand finance had to undertake the ACT's study programme through to MCT).

The quote "Ashamed to be an accountant" could not be more accurate in summing up my views as well.

I believe the standard has a fundamental misconception about how companies operate financial risk management, how the market works and shows all the understanding of the relevant issues of a *Sun* journalist. As Alan expresses very clearly, this standard will not prevent those who wish to use financial risk management products speculatively but will distort the results of those who use them for genuine risk management purposes.

I am sure most treasurers have winced at some of the questions asked by auditors and their ignorance of how financing and risk management works. Their simplicity of view, in particular not understanding what really constitutes a hedge, is as astounding as it is dangerous. It is now time for the ACT to stand up and be counted and express the view the standard should be scrapped and completely rewritten by those who know what they are doing. The IASB should hand over the drafting to the treasurers.

**Gary Slawther, MCT**

If you have a comment on this or any other topic please email [editor@treasurers.co.uk](mailto:editor@treasurers.co.uk) or write to *The Treasurer* at ACT, Ocean House, 10/12 Little Trinity Lane, London, EC4V 2DJ

## Treasurers urged to co-operate

Treasurers must work together to improve transaction banking, according to Stephen Crompton, Deputy President of the ACT.

If corporates fail to co-operate, then banks and regulators will impose solutions upon them, delegates heard at a one-day ACT conference on *Cash Management, New Developments in Europe and the US*.

Richard Bottomley, Deputy Head, CIB Sales, HSBC, told delegates: "Europe has a long way to go before achieving its goal of allowing a corporate to connect to any bank, regarding any payment type, using the same data format, same channel and security, and reconciling bank charges automatically."

Adrian Bates, Assistant Treasurer – Operations at GlaxoSmithKline, explained the needs of his

organisation for standards and automation for accounts payable, accounts receivable and treasury function. He described himself as agnostic on the idea of becoming involved with SWIFT, saying "there are too many standards which equates to non-standards".

Ian Bryant, Senior Products Manager, payments and cash management, HSBC, said that multi-banking could be a challenge, but that banks can help with the goal of achieving end-to-end STP. As an example of the options available he explained the Member Administered Closed User Group concept.

In urging corporates to work together, Stephen Crompton, who chaired the conference, also added that bodies such as the ACT had a key facilitating role to play. ■

## IN BRIEF

■ **Treasurer's Handbook 2005**

This new edition includes articles on key issues such as the introduction of IFRS, cash management techniques, accounting for pensions and investor relations. The number of country profiles has increased to 48, including the key global financial centres.

The Treasury Services Directory provides a comprehensive list of major suppliers of key treasury services.

Distribution is in early March – Members with queries should contact

[amcgee@treasurers.co.uk](mailto:amcgee@treasurers.co.uk).

Non-members and additional member copies may be ordered by visiting

[www.treasurers.org/bookshop](http://www.treasurers.org/bookshop)

or phone 01730 233880.

A discounted rate is available until 18 March.

■ **SunGard releases AvantGard-GTM**

SunGard Treasury Systems, an operating group of SunGard, has launched AvantGard-GTM 8.0.

AvantGard-GTM helps treasury operations to tighten their controls in financial transactions management; increasingly needed given the new Sarbanes Oxley regulations, claims the company.

The product ties together user-defined transaction states and data access security to create self-securing financial transactions.

New functionality includes improved core capabilities in derivatives accounting, interest rate processing, FX and cash management.

[www.sungard.com](http://www.sungard.com)

## Moorhouse takes senior government finance post

Barbara Moorhouse has been appointed as the next Director-General of Finance at the Department of Constitutional Affairs.

Moorhouse, a treasurer and chartered accountant, replaces Simon Ball who leaves to join investment company, 3i.

Moorhouse, 46, takes up her new role on 7 March and will be responsible for the department's £3.3bn budget.

She has a wide knowledge of the private sector having held Chief Finance Officer roles at international technology companies Kewill Systems and Scala Business Solutions.

In 1997 she took up her first Group Finance Director role at construction company Mogan Sindall. Once in the position Moorhouse said she realised she needed "more support in my skills,



Barbara Moorhouse

so I did my treasurer exams".

"I found that as a chartered accountant the treasurer qualification added a great deal to my career. I found it invaluable as a sharpening up of my skills set," said Moorhouse.

Since February 2003 Moorhouse has been a Non-Executive Director with the Child Support Agency and is a member of the prestigious Financial Reporting Review Panel.

Moorhouse said she hoped to "draw on both my treasury and accountancy skills" in her new post at the DCA.

"This is a top drawer appointment for the department, and Barbara will be building on the considerable achievements of her predecessor Simon Ball," said Alex Allan, the DCA's Permanent Secretary. "She has an outstanding track record in improving financial performance and providing strategic guidance at board level. She will lead our relationship with the Treasury and others in Whitehall, and help us to focus on delivering high quality public services and achieving value for money." ■

## Forthcoming events regional groups

**19 April 2005**

**Title:** *'Weather Derivatives - Principles and corporate applications'*

**Speaker:** Gary Walker of Field Fisher Waterhouse

**Venue:** 35 Vine Street, London, EC3

**Time:** 6.30pm for 7.30pm start

**26 May 2005**

London City Group

**Title:** *The Prospectus Directive - how will implementation affect you?*

**Speaker:** Marc Hutchinson, Slaughter and May

**Venue:** Slaughter and May, One Bunhill Row, London, EC1

**Time:** 12.30pm

For more information, contact Anna McGee [amcgee@treasurers.co.uk](mailto:amcgee@treasurers.co.uk). Tel: 020 7213 0719.

Or visit our website at [www.treasurers.org/membership/rgoevents.cfm](http://www.treasurers.org/membership/rgoevents.cfm). ■

## On the move...

■ **Ian Burgess** AMCT has recently joined HSBC Bank plc as a Director in Debt Finance & Advisory covering investment grade corporates. He was previously a Director in Capital Markets Origination at Dresdner Kleinwort Wasserstein.

■ **Rona Chester** AMCT was formerly European Finance Director at Sotheby's and is now Finance Director at Ofcom.

■ **Nigel Cory-Wright** AMCT, previously Assistant Treasurer at Silicon Graphics Inc, has joined Fonterra Co-Operative Group as Treasury Systems Manager.

■ **Kathryn Grumball** AMCT, previously Executive Assistant, Director's Office – Financial Strategy and Risk Division at the Financial Services Authority, has been appointed Director, Risk Policy Group at UBS Investment Bank.

■ **Paul Hemingway** AMCT has joined the Co-Operative Group as Head of Tax and Treasury. He previously worked for Matalan plc as Group Treasurer.

■ **Mark Hudson** AMCT has joined the Royal Bank of Scotland plc as Group Treasury Book Manager. He previously worked for Lombard Group Treasury as Treasury Dealer/Analyst.

■ **Jonathan Konrad** AMCT, previously Treasury Manager at British Telecommunications plc, has been appointed Treasury Focal Point at Shell International Ltd.

■ **Richard Laphorne** FCT Chairman of Cable & Wireless plc, has been appointed non-Executive Chairman of New Look, the fashion retailer.

■ **Paul Spencer** has stepped down as ACT Editorial and Publications Committee chairman. He is succeeded by **Matthew Hurn**.

■ **AMCT PASS**

**Jonathan Luff** of Nationwide Building Society was omitted from the list of passes in the October 2004 AMCT examinations, published in the Jan/Feb 2005 edition of *The Treasurer*. Our apologies for the oversight and congratulations on his success.

**MEMBERS' DIRECTORY:**

Members' contact details are updated regularly on: [www.treasurers.org](http://www.treasurers.org) Email your changes to Anna McGee: [amcgee@treasurers.co.uk](mailto:amcgee@treasurers.co.uk)

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