On the move...

- **Stephen Carter**, MCT, previously Director of Unilever House Transformation Project at Unilever and Finance Director of Unilever UKCR, has been appointed Director of Finance at Southampton Solent University.
- **Matthew Hurn**, AMCT, previously Group Treasurer at DSG International, joins Mubadala as Group Treasurer. Mubadala is an investment arm of the Abu Dhabi government.
- **Tim Parsons**, MCT, has been appointed Assistant Treasurer for Risk at Anglian Water Services. He was previously Treasury Operations Manager at Smiths Group.
- **Jo Reed**, AMCT, formerly Treasury Manager at MyTravel Group, has joined DWF as Treasury Projects Manager.
- **Harjinder Sohal**, MCT, previously Senior Treasury Risk Manager at Aviva, has joined Insurance Australia Group as Group Treasurer for Europe.
- **Martin Whiteley**, AMCT, has been appointed Head of Group Non-Traded Market Risk at National Australia Bank. He was previously Basel Programme Leader at Investec Bank.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at **www.treasurers.org**. *Email changes to Tolu Babatola:* **tbabatola@treasurers.org**

CAREERS

For up-to-date treasury vacancies and careers articles, log onto: **www.treasurers.org/careers/index.cfm**

MPC member predicts pain for whole economy

Companies and the wider economy have so far been spared the worst effects of the credit crunch, but will increasingly feel the pain over the coming months, a member of the Bank of England's monetary policy committee (MPC) has warned.

Tucker: gloomy outlook

Paul Tucker, guest speaker at the Institutional Money Market Funds Association's annual dinner at the beginning of April, also warned UK businesses not to expect the Bank to emulate the US Federal Reserve and cut interest rates sharply.

Tucker said there was an "unusual combination of significant downside and upside risks to the medium-term inflation outlook", principally because of sterling's fall against currencies other than the US dollar and the sharp rise in commodity prices. The consumer price index (CPI) measure of inflation, already above its 2% target in recent months, was set to rise "materially above" this figure, he said, which meant that further changes to interest rates would have to be gradual.

He added that while the data suggested that real demand had "held up reasonably well" since the advent of the credit crunch last summer, it would be misleading to attach too much weight to the figures.

"Whatever path monetary policy takes in the UK in the months ahead, it is clear that the process of deleveraging in the financial system is not complete," Tucker said.

Tucker was also gloomy on credit conditions, which he said had clearly worsened in February and March.

"Some asset prices embody a hefty discount for the current illiquidity in markets, which feeds into the accounting measure of financial firms' capitalisation and so into the perceptions of counterparty credit risk and money market conditions.

"In consequence, there remains a risk that credit creation – the lubricant that the financial system provides to the real economy – will be further impaired."

Lending weight to recent suggestions that the Bank might be poised to step in and acquire many assets from banks' books, Tucker said that, having underpriced risk for so long, the financial markets were now overpricing it on at least some products. A longer-term challenge would be whether the authorities could manage to "tame the credit cycle" without incentives to enterprise becoming a victim.

Banks will also have to adapt to a new risk and regulatory environment. At more than a few, said Tucker, risk management had apparently become separated from balance sheet management or funding, with an assumption that the financing markets would remain open. This raised the question "of whether treasury management should somehow be insulated from the pressures of a profit centre". ■

Directors warned on corporate killing law

Directors and senior managers of companies will find themselves under increasing scrutiny if work-related deaths happen as a result of gross corporate failures.

The Royal Society for the Prevention of Accidents (RoSPA) has issued the warning ahead of the introduction of the Corporate Manslaughter and Corporate Homicide Act.

The Act, which came into force on Sunday 6 April, makes it clear that the full weight of criminal law will be brought to bear on organisations in which standards have fallen far below what could have been reasonably expected.

Although individuals will not be liable under the new law, prosecutions for corporate manslaughter (in England, Wales and Northern Ireland) and corporate homicide (in Scotland) will look into management systems and practices across the organisation in question.

The behaviour of managers in senior positions will be scrutinised, and a substantial part of the health and safety failure must have been at a senior level for a prosecution to be successful.

Individual directors and senior managers are also coming under greater scrutiny in investigations carried out under existing health and safety laws.

Roger Bibbings, RoSPA's Occupational Safety Adviser, said: "If anyone dies as a result of gross corporate failings, directors who do not take safety seriously enough will find themselves in the firing line.

"Those organisations that have not assured themselves that they have proper corporate governance of safety in place need to take action.

"Although the government has said that corporate manslaughter prosecutions will be reserved for the very worst cases only, just how serious corporate offending will have to be is yet to be determined.

"While directors themselves will not be prosecuted for the new offence, it is highly likely that there will be parallel action against both companies and their directors and senior managers under health and safety legislation." ■

Disaster recovery plans ineffective

Although almost all UK companies back up their critical IT systems and data, more than a quarter still do not have a disaster recovery plan in place. And of those companies that do have plans, half fail to test them, while 15% do not take their backups offsite. This is despite the fact that 92% of businesses now consider disaster recovery planning an important driver of their IT expenditure.

These are among the early findings of the 2008 Information Security Breaches Survey. The survey was carried out by a consortium, led by PricewaterhouseCoopers, on behalf of the Department for Business, Enterprise & Regulatory Reform.

The survey shows that 58% of UK businesses would suffer significant business disruption if their IT systems were not available for a day; this is the highest figure recorded since the survey was first held. The figure rises to 70% for large companies.

Chris Potter, Partner at PwC, said: "The number of companies with a disaster recovery plan has gone up.

"However, experience shows that plans are only effective if regularly tested. It is a concern that only half of plans have been tested in the last year."

Some 68% of companies polled by the survey said that business continuity in a disaster situation was a very important driver of their information security expenditure, and a further 24% said it was important.

Only 2% said it was not very important.

However, 28% of companies did not have a disaster recovery plan in place and almost half of the disaster recovery plans had not been tested in the last year.

Martin Sadler, Director of HP's Systems Security Lab at HP Labs Bristol, one of the consortium members responsible for the survey, said: "Increasingly, businesses need to back up their data more frequently.

"One in five large companies now automatically replicates transaction data to an offsite location as those transactions occur. Companies of all sizes are now using storage area networks to organise their data better.

"Taking backups offsite poses its own security risks.

"Historically, backups have tended to be unencrypted to minimise the effort involved in restoring data. More companies are now considering whether they ought to be encrypting their backups."

Pension schemes show little interest in hedging

Pension schemes are not using matching or hedging strategies to reduce pension risk, according to research for the Pension Protection Fund (PPF).

Commissioned by the PPF as part of its commitment to monitor the implications of investment risk for its levy payers, the survey looked at how much schemes used hedging strategies to manage their exposure to risks such as inflation and interest rates.

Dasgupta: no headlong rush

It was carried out by KPMG on 95, mainly large, pension schemes with assets worth more than £190bn.

PPF Chief Executive Partha Dasgupta said: "Our survey found that there has not been the headlong march into hedging as people first thought. During the next year, our survey shows that there will not be much activity in this area although it will increase during the next 10 years, possibly as schemes realise the recovery plans they put forward to the pensions regulator.

"We do not have a view about how pension schemes should invest. It is up to individual schemes to assess how much risk they want to take. But we would encourage schemes to fully understand the impact that their strategies may have on the total levy, and what they might do to reduce that impact."

Investment risk was ruled out of the levy calculation last year as most schemes were investing in much the same way and this would not affect the way the levy was distributed.

Dasgupta added: "We now want to ask the question: will investment strategies differ to such a degree as more funds use hedging strategies that they should be taken into account when we calculate the pension protection levy? We also want to highlight the impact that investment risk has on our own funding and therefore on people's levy bills."

The issue will be addressed in a consultation on the future of the PPF levy later this year. ■

KEY SURVEY FINDINGS

- **Many pension schemes estimated that only a small proportion of their liabilities had been matched or hedged by investments in bonds (and/or derivative overlays).**
- **Where a scheme hedged a large proportion of liabilities, funding tended to be nearer 100%. Where funding was significantly above or below 100%, the proportion of liabilities hedged was significantly lower.**
- **38 schemes used swaps. Half allowed their active bond manager the freedom to enter into swaps to manage the portfolio better. Only 12 of the 38 employed swaps specifically to hedge interest and inflation risks.**
- **Of the remaining 57 schemes, 28 had formally considered the use of swaps in managing exposure to interest rates and inflation.**

Pension funds improve governance

European pension funds are paying more attention to effective governance structures that will let them navigate the growing complexity of the investment landscape, according to a new survey by Mercer's investment consulting business.

The survey of over 1,100 European pension funds with assets of €538bn found that, to ensure investment objectives were met and market opportunities seized, more trustees were setting up investment committees, conducting formal interim investment strategy reviews and putting resources into managing investment arrangements in a more dynamic way.

Results also show trustees are more comfortable with delegating short-term investment strategy and implementation to asset managers and consultants. This allows them to adapt more easily to market-related factors affecting their investment strategy.

Nick Sykes, European Director of Investment Consulting at Mercer, said: "The potential advantage of establishing solid governance structures is becoming apparent to pension schemes in terms of improved performance." ■