

Moody's backs down on transforming events

Ratings agency Moody's has decided not to press ahead with its proposals to change its methodology for downgrading companies affected by sudden transforming credit events such as a takeover.

Instead, Moody's has announced that it will "generally place the long-term and issuer-level ratings under review at the time of announcements or credible information regarding an event-driven transaction likely to change the credit profile of the company".

The move – which will be welcomed by the treasurer community – had been opposed in a formal response by the ACT. Moody's was proposing to change ratings before the

transforming event had actually happened, which the ACT said did not make sense.

Moody's – which said in its announcement that credit ratings "necessarily involve a trade-off between ratings security and stability" – concluded that investors' strong desire for value ratings stability outweighed the rush for accuracy.

Moody's said debt-financed acquisitions and buyouts could lead to sizeable ratings changes sometimes from solid investment grades to low speculative. "It may appear reasonably probable long in advance of closing that the assigned rating may no longer represent a best opinion of the credit risk based on all available information," the agency said. "In fact, it may differ by several rating grades from a probability-weighted risk assessment, thus the question of when to reflect the information in the rating is pertinent."

Although long-term ratings won't move while an event is developing, prime ratings on commercial paper may be lowered and placed on watch for further downgrade. Moody's promised that it would explain its actions in particular circumstances.

Moody's milestones

- Approval by directors or shareholders.
- Expiration of last date for an alternative bid.
- Completion of purchaser due diligence.
- Disclosure of specifics of post-closing capital structure and treatment of each rated instrument.
- Approvals by regulatory authorities.
- Puts and change of control provisions have been fully analysed.

The ratings agency will now conclude its review and its approach will be to move ratings to a final level once a transaction is complete or substantially complete (see box for milestones).

As part of its evaluation of transforming events Moody's assesses the existence and quality of protective covenants and/or non-legally binding offers to buy securities out at par. It said it might differentiate between well-protected and less well-protected covenants.

See Moving up a Notch, page 28. ■

UK IPO market still depressed

The UK IPO market has failed to recover after the fall and instability in global equity markets which led to a round of cancelled or delayed floats in May and June this year.

In the third quarter of 2006, the mainstay of activity occurred in July. Standard Life demutualised and issued an IPO (raising £2,235m) while Southern Cross's rescheduled debut raised £220m. Two overseas trading company entrants arrived – Colt Telecom of Luxembourg (raising £304m) and US-based Napo Pharmaceuticals (raising £10m). Since July, the main market has been devoid of new trading company entrants.

David Simpson, Corporate Finance Partner in KPMG's Capital Markets Group, said: "The third quarter is a traditionally quiet time in the IPO calendar, although we would have expected the market to reopen in September following the recovery in equities. It has now become apparent that the setbacks experienced earlier this summer have yet to be fully overcome."

UK main market activity levels for the year to date total 44 IPOs raising a combined £5,760m compared with 50 companies raising £4,489m over the same period last year. In addition, there is a growing trend for global depository receipt (GDR) listings as more overseas companies seek a primary listing on the UK main market.

PS Don't forget to vote for Deals of the Year – see bound-in voting card plus see page 20 for more background on Deals of the Year. ■



ACT forges fast track with ICAS

The ACT has formed a strategic alliance with the Institute of Chartered Accountants of Scotland (ICAS) to fast-track ICAS members into the treasury profession.

Under the agreement, ICAS candidates are to benefit from exemptions to the ACT's associate membership examinations. Material covered in the ICAS syllabus will not be re-examined by the ACT.

The first sitting of fast-track exams will be available for students in April 2007.

The fast-tracking deal is the latest initiative between ICAS and the ACT, two of the world's most respected financial member bodies, which have been working together for the past 14 years.

ICAS Executive Director for Education, Mark Allison, said: "This fast-track route will be of real benefit to chartered accountants who want to gain an edge in corporate finance.



Allison: gives edge in corporate finance.

"The AMCT is an excellent qualification from a world-class body."

Treasury management is becoming an increasingly important part of the skills portfolio of senior finance managers.

Associate membership of the ACT will offer chartered accountants practical skills and knowledge in treasury, risk and corporate finance issues and enhance their professional development.

Richard Raeburn, Chief Executive of the ACT, welcomed the accelerated route to ACT membership for ICAS members.

He said: "Chartered accountants with a complementary treasury qualification will be particularly well placed to deal with the many challenges facing organisations operating in the international marketplace. I am delighted that the co-operation between our two educational bodies has led to a fast-track route for ICAS members to join the ACT."

See www.treasurers.org/amct/icas ■

Company disclosure liability review

The government is to undertake a formal review to examine whether a statutory liability regime for financial disclosures is necessary. Its decision follows a consultation by HM Treasury on the desirability of putting on a statutory footing the regime for liability in damages for loss arising from disclosures made under the Financial Services Authority's (FSA) disclosure rules.

There is a consensus for consistency of the regime across all disclosures and greater certainty as to liability rules that would result from a statutory regime but no agreement on the scope and form of any liability regime.

Up to now the civil liability has always been considered a common law issue but this could change with increasing regulation of financial disclosures.

However, the government has decided to extend the liability regime to cover preliminary announcement on the grounds that prelims contain practically the same information as

annuals and other reports required by the Transparency Directive.

Some investors fear that if the liability regime was not extended, then issuers might cease to publish interims and this would be "undesirable as investors regard them as highly useful". This move was supported by the ACT.

See The Treasurer October 2006, page 06. ■



Government is to review disclosure regime.

ACT appoints MCT as Deputy Chief Executive



Richard James, an MCT-qualified member, is joining the ACT as Deputy Chief Executive from 1 November.

James will have particular responsibility for the strategic development of the ACT's qualifications, events, training, editorial and publishing.

ACT's Raeburn: delighted with new deputy.

Richard Raeburn, ACT Chief Executive, said: "We are delighted that Richard has joined us. His background in treasury and investor relations will strengthen further the practitioner expertise that has been built up within the executive team at the ACT and will help ensure that our commercial activities and qualifications continue to be successful and relevant to the treasury community." ■

On the move...

■ **James Ardouin**, AMCT, previously a Senior Manager in Deloitte's Financial Services Group, has joined Rathbone Brothers as Head of Financial Reporting for the group.

■ **Patrick Barr**, AMCT, has been appointed Chief Financial Officer at Fairfield Energy. Previously he was Director at ANZ Investment Bank where he headed the oil and gas team.

■ **Simon Brailey**, AMCT, formerly Head of Finance Market Development at Boots Healthcare International, has been appointed Head of Business Management for Civil Aerospace at Rolls-Royce.

■ **Paul Bramley**, MCT, previously Partner at Kinetic Partners, has joined specialist investment banking group Climate Change Capital as Group Finance Director.

■ **Anthony Buchanan**, AMCT, previously Treasury Manager at Hewlett-Packard, has been appointed Regional Treasurer for the Americas at SAB Miller.

■ **Conrad Dempsey**, AMCT, formerly Group Financial Accountant at Namdeb Diamond Corporation, has joined Xtrata Services as Manager Strategy and Group Business Development.

■ **Julian Herbert**, AMCT, previously Head of Financial Services at Colchester Borough Council, has joined the Suffolk Primary Care Trust as Director of Finance and Performance.

■ **Robert Johnson**, AMCT, has been appointed Treasury Accountant at Cable & Wireless. Previously he was Banking Administration Manager at Value Retail.

■ **Katy Liles**, MCT, previously Associate Director at Royal Bank of Scotland, has started her own company, Touchpaper Managements, and is acting as a consultant on several projects in the film, telecoms and media sectors.

■ **Kim Suan Lim**, AMCT, previously Manager at KPMG, has been appointed Senior Manager at Lloyds TSB.

■ **Bisrat Marcos**, AMCT, has been appointed Assistant Treasurer at Vetco International. Previously she was Treasury Analyst at Inmarsat.

■ **Peter Matza**, FCT, previously Senior Manager for Corporate Finance at RWE Thames Water, has joined The Association of Corporate Treasurers as Policy and Technical Officer.

■ **Antonis Rouvas**, AMCT, has been appointed Partner for Banking Services at KPMG Advisory Services. Previously he was Director at Credit Suisse.

■ **Carolyn Schuler**, AMCT, formerly Programme Development Manager at the Prince's Trust, has joined Tesco as Business Development Manager.

■ **Paul Smith-Edmonds**, AMCT, formerly Head of Finance at Boots Healthcare International, has been

appointed Corporate Development Manager at Reckitt Benckiser.

■ **Anthony Walford**, AMCT, has been appointed Senior Consultant at Results International Group, specialising in M&A advisory and negotiation for marketing communications businesses. Previously he was Finance and Commercial Director at Corporate Edge Group.

■ **Martin Whiteley**, AMCT, has been appointed Basel II Programme Leader at Investec. Previously he worked for SunGard Systems as Professional Services Director.

■ **Anthonia Williams**, AMCT, previously Financial Accounting Manager at Britvic, has joined Barclaycard International as Financial Reporting Manager.

■ **Anthony Woolhouse**, MCT, previously Assistant Director of UniSdirect at the University of Surrey, has joined Aileron Associates.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at www.treasurers.org. Email changes to Anna.Corr@treasurers.org

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