Agenda

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{ CAPITAL MARKETS AND FUNDING }

TREASURERS MUST BE 'FAIR AND OPEN' WITH BANKS

Treasurers who want to stay in their banks' good books over the long term should be fair with them and avoid unexpected surprises, Balfour Beatty group treasurer Janet Hargreaves said last month.

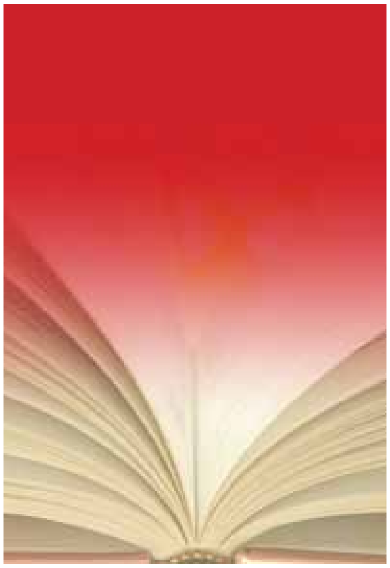
Speaking at the ACT corporate funding conference in London, Hargreaves told delegates that it was important they kept their banks informed of market developments affecting their businesses. "They don't want the first time they read of a large corporate event to be when they open the *FT* in the morning," she said.

Hargreaves also said treasurers should make time to meet their banks' product specialists and learn about new products. "You might not need them at the moment, but they might have an application in future," she pointed out.

When picking a bank, Hargreaves said it was important to look for "relationship-focused banks that support the company and its strategy regardless of the climate". She also emphasised that the relationship needed to work both ways.

"Don't drive down the pricing so much that you have unhappy bankers," she advised. "They will remember this when it comes to the next refinancing."

To find out more about upcoming ACT breakfast updates, see www.treasurers.org/events



WORDS

"There are a lot of rabbits staring in headlights at the moment in Brussels and elsewhere. Whether they're doing anything very effective, I'm not so convinced."

Richard Raeburn, chairman of the European Association of Corporate Treasurers, highlights the paralysis that is gripping European politics over SME funding.

SOURCE: ACT CORPORATE FUNDING CONFERENCE, 4 OCTOBER 2012

{ QUESTIONS YOUR FD IS LIKELY TO ASK THIS MONTH }

SEPA PAYMENT ERRORS

What's this I hear about businesses potentially being exposed to as much as €20bn in payment costs due to the Single Euro Payments Area (SEPA)?
A new report from information company Experian claims that European businesses could lose billions of euros by failing to tackle simple payment errors.

Really? But I thought SEPA was going to save us money...
The move to a single SEPA payment system is designed to simplify and streamline the processing of domestic and international payments, which should reduce costs. But Experian says it will also expose out-of-date account data and other errors that were previously overcome through locally implemented fixes.

Oh dear. Tell me more.
Experian's analysis of over 500,000 bank account records held by businesses around Europe has revealed that 12% of electronic payments made to and from businesses in euros currently contain data errors that could critically block the timely and cost-effective transfer of funds when the new legislation for SEPA payments takes effect in February 2014. It seems that only 65% of euro transactions are underpinned by fully accurate destination account data. Experian has also found that 45% of new SEPA-compliant IBANs stored by large European businesses do not have the valid corresponding BICs required to enable successful completion of transactions.

What are the financial implications for companies?
Experian has warned that these types of errors will result in payment failure when made through SEPA, costing businesses approximately €50 for each failed transaction, and leaving a total bill of more than €20bn a year. An average error rate of around one in eight equates to a potential cost of €600,000 for an organisation that transacts with 100,000 bank accounts.

So what should we do?
Experian advises us to analyse our account data, fix any errors and convert this information to the correct SEPA standard. This should ensure that our suppliers, partners and staff continue to get paid on time when the new rules kick in.

{ DELOITTE CFO SURVEY Q3 2012 }

UK FINANCE CHIEFS STAY ON THE DEFENSIVE

27% **believe one or more countries will leave the euro within the next 12 months**

Despite macro uncertainty and weak growth, only **one in five** CFOs expects revenues to decline over the next year

Corporate balance sheet strategies are more defensive than at any time in the past two years

43% of UK CFOs think the UK recession will probably continue or recur within the next two years

Nine out of 10 CFOs rate the economic uncertainties facing their business as being above normal

NUMBERS

71% the percentage of financial institutions surveyed by Deloitte that expect European bank deleveraging to take at least a further five years to complete

3,395.5t the gold reserves held by Germany in October 2012, as revealed by the World Gold Council. In comparison, the UK has 310.3 tonnes, less than Portugal and Venezuela

52% the top rate of income tax in Spain in 2012, up on 45% in 2011. Spain now has the fourth-highest top personal tax rate in the EU in a ranking by KPMG

£10.6bn the value of the deposits received by the Bank of England in September 2012, bringing total deposits to £262.3bn, an annual increase of 110.3%. The Bank finances its gilt-buying programme by creating reserves

43% the drop in financial services job opportunities in London in September 2012, compared with September 2011, according to Morgan McKinley

14.1% the tax paid by Republican US presidential candidate Mitt Romney in 2011

28% the drop in the value of UK merger and acquisition deals in the second quarter of 2012, compared with the first quarter, according to Ernst & Young – more than double the global rate of decline

{ CAPITAL MARKETS AND FUNDING }

OVERSEAS BUYERS SNAP UP UK PRIVATE EQUITY ASSETS

Private equity (PE) buyout activity in the UK has accelerated thanks to overseas trade buyers looking to gain a foothold in Europe while managing their exposure to volatility in the eurozone.

The value of PE exits via trade sales over the first three quarters of 2012 reached £7bn, its highest total since 2007, with a high proportion of acquirers coming from the US and Japan, according to the latest data published by the Centre for Management Buy-out Research, and sponsored by Ernst & Young and Equistone Partners Europe.

The data reveals that the value of UK buyouts in the first three quarters of 2012 reached £11.7bn, close to last year's overall total of £12.6bn.

But Christiian Marriott, partner at Equistone Partners Europe, warned that activity would tail off towards the end of 2012: "Although the market has shown signs of returning to more normal conditions, the pipeline for the final quarter of the year seems weak, reflecting continued economic uncertainty stifling a sustained recovery in the UK buyout market," he said.

"Wheatley is spot on. There will be a lot of detailed decisions to be made as his recommendations are implemented and we look forward to contributing to that process."
John Grout, the ACT's policy and technical director (above right)

"Bringing Libor under an independent regulator will take away the notion that this was a system run by banks for the benefit of banks. Focusing it on the most liquid trades will drastically reduce the scope for any manipulation, particularly at times of market stress. Stronger individual accountability, including through criminal sanctions, will provide a robust last line of defence."
Matthew Fell, Confederation of British Industry director for competitive markets (above left)

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{ LAW AND REGULATION }

ACT WELCOMES WHEATLEY PROPOSALS

Martin Wheatley's proposals to reform Libor have been welcomed by the ACT. The proposals, published at the end of September, set out a clear 10-point plan for reform, which include new and robust regulation; a fundamental overhaul of the way Libor is run, with the British Bankers' Association (BBA) no longer taking responsibility for it; a requirement for banks to back up their submissions with evidence of relevant transactions; and detailed technical changes to refine the way Libor is put together, to make it much harder to manipulate.

The ACT agreed with Wheatley's conclusions that Libor does not need replacing, but needs reform. In a statement, it said: "The Libor process has its weaknesses, but the existing set-up cannot be totally swept away without causing massive market disruption."

It added: "Libor is so embedded in countless financial contracts and arrangements that it must be refined and improved without jeopardising commercial contracts. The Wheatley proposals should achieve this."

The ACT also welcomed the decision to move operational responsibility for Libor from the BBA and to install a robust governance structure to supervise the process. It said: "Non-financial companies using Libor have had a real fear that banks might be unwilling to submit rates where good-faith judgements are necessary. To participate, the banks need a robust legal framework."

For more on Libor, see pages 11 and 18