STILL CAMPAIGNING FOR TRUE FAIR VALUE

We have been contributing throughout the debate over the introduction of fair value-based accounting standards for the use of derivatives. This has included extensive submissions to the Accounting Standards Board (ASB) and the International Accounting Standards Board (IASB); these have been produced with valuable input from our derivative accounting working group, set up by the Technical Committee and working under the leadership of Jon Boyle.

IAS CONCERNS. Our position has been consistent and unequivocal. We support the underlying principles of fair value accounting and specifically the overall initiative on derivatives by the IASB. We do, however, have material concerns over the consequences of implementing IAS 32 and 39 in their current format. These concerns are such that unless the IASB amends the drafting we will not support the application of the standards.

The issue on which we have focused our work is simple. IAS 32 and 39 will, unless the IASB responds to what we, other treasury associations and a number of major multinational organisations have been saying, threaten the established practice of centralised netting of group transactional currency exposures. To make matters worse, the proposed standards are at odds with FAS 133 and 138, which reflect the Financial Accounting Standard Board's (FASB) acceptance that their original drafting needed amendment to support centralised netting – or 'net hedging', as we have described the practice to the IASB.

The detail of what we have argued with the IASB can be found at www.treasurers.org/technical/index.cfm, but, in essence, the new standards, as they remain drafted at the time of writing, will make it substantially more difficult for a company to achieve hedge accounting and thereby insulate the profit and loss account from misleading volatility. If firms wish to hedge account for the exposures managed through net hedging they may be required to unbundle the netting and hedge gross amounts externally. This will bring extra costs without any offsetting benefit, raise the level of operational risk and pose systems challenges for any organisation that elects to follow this route. Faced with this burden, we are convinced there will be examples of firms that opt to forego the benefits of hedge accounting and to accept the resulting additional volatility in their profit and loss accounts. We see this as completely contrary to the IASB's commitment to greater transparency in financial reporting.

Our concern over the direction of the IASB's work was reported by the *Financial Times* in late August, which brought the issue to wider attention. We continue to argue the case and it is important that no opportunity is lost to convey the issues to the standards setters. In all this, we have acted in close co-operation with the euro zone grouping of treasury associations. I am hopeful the umbrella grouping of treasury associations, the International Group of Treasury Associations (IGTA), will issue a media statement on derivative accounting following its annual meeting, and that this will make quite clear that there is unanimity of view on the part of ourselves and our peers throughout Europe, America and Australasia.

PROGRESS REPORT. By the time this edition of *The Treasurer* appears, ACT members and many other readers will have received our Annual Review. We set out to put together a document that is attractively produced and provides the level of information about the progress of the ACT you expect. We are, as ever, keen to have feedback and any views on how we can further improve the Review for next year will be well received.

APPLY TO THE ACT. The search for a new person to contribute to the ACT's technical work continues. If you are technically interested in treasury, corporate finance, law and regulation and able to communicate, please contact Ria Robinson on +44 (0)20 7213 0709 or by email, as noted in the next paragraph.

COUNCIL VANCANCIES. Finally, I should plug the Council elections. These are immensely important, as it is Council that sets the strategic framework for the ACT. There are four vacancies this year and, as I mentioned last month, we can now welcome AMCTs onto Council. I know there are many enthusiastic AMCTs with whom I would be delighted to work on Council; I hope to see their names on the ballot form. For further information contact our Company Secretary, Ria Robinson, on rrobinson@treasurers.co.uk or me directly on rraeburn@treasurers.co.uk. **RICHARD RAEBURN**

ON THE MOVE

■ **David Daniels AMCT,** previously Financial Analyst at Ikano Financial Services, has moved to InterContinental Hotels Group, where he is Treasury Manager.

■ **Jonathan Hodgson AMCT,** previously Vice President of Professional Services at SunGard Treasury Systems, has been appointed Director of Business Development at the Financial Market Consultancy, Adsatis.

■ **Katy Liles-Edwards AMCT,** formerly Financial Planning Manager at Virgin Mobile Telecoms, has been appointed Assistant Group Treasurer at Vodafone Group.

■ **Craig Marks AMCT** has moved from Electrocomponents, where he was Assistant Treasurer, to Treasurer for Halfords.

■ **Matthew Robbins AMCT** has been appointed Vice President at Dresdner Kleinwort Wasserstein. Previously he was an Executive at WestLB.

Please send items for inclusion (including daytime telephone number) to Anna McGee, ***amcgee@treasurers.co.uk***.