# ABI creates fund for non-complex MMFs only

The Association of British Insurers (ABI) has set up a new investment fund sector, called deposit and treasury.

The ABI's classification system helps consumers and advisers to choose suitable investment funds.

Each ABI-categorised fund sector sets out clear criteria that must be followed by the funds that wish to belong to that sector. There are currently 34 different sectors, containing more than 7,000 funds.

The ABI's new deposit and treasury sector will have strict limits on the type of instruments that funds can invest in and on their maturity. The category will accept only those money market funds (MMFs) that invest exclusively in relatively simple instruments, such as time deposits or government bonds. All instruments held by funds in the sector must be denominated in sterling and have a maximum duration of 12 months.

Whether the move provides welcome flexibility or just adds confusion to the term MMF remains to be seen.

■ In a separate move Deutsche Bank, through DWS Investments, plans to launch a US money fund with a floating share price. The bank's proposed DWS Variable NAV Money Fund will allow its net asset value to fluctuate rather than try to maintain a stable $1 share price, but will still conform to the rules governing money funds regarding liquidity and credit quality.

# WoCUs groomed for world currency status

Mid-September saw the debut execution and settlement of a trade conducted in World Currency Units, called WoCUs, which developer and sponsor WDX Organisation aims to launch in a commercially viable form on or before 1 January 2010.

WDX said that as long as international trade was conducted in dollars or euros, a sharp change in exchange rates would cause high differentials and complicate both risk management and forward planning.

The emergence of Russia, China and India as economic powerhouses has further exacerbated the need for a less volatile world currency.

WDX has designed WoCUs to act as a more effective international trade currency. WoCUs are a derivative of the exchange rates of the world's top 20 currencies as measured by GDP.

At the launch of the WoCU, fund manager and politician Howard Flight, who was a Conservative MP between 1997 and 2005, addressed the question of who would use the new currency.

He said: "WDX commercial arrangements are lining up major banks to both trade in and settle international trade transactions on behalf of corporate clients in WoCUs. Banks and interdealer brokers will also trade WoCU derivatives for clients.

"Corporate treasurers and ACT members really like the WoCU concept as it reduces volatility and exchange rate risk, and the concept of the WoCU is happily straightforward."

WDX said that the new currency had advantages over special drawing rights, the international reserve assets that were created by the IMF 40 years ago.

It pointed out that the WoCU will be reweighted by an independent institute every six months, when the IMF releases its GDP figures, while special drawing rights, although "a valuable tool", is based on only four currencies and reweighted only every five years. ■


**The value of the WoCU fluctuates according to how the currencies of the world's biggest economies are faring**

# On the move...

■ **Roy Adams**, AMCT, has joined Royal Liver Assurance as investment strategist. He was previously investment manager at Surrenda Link Investment Management.

■ **Robert Farrow**, MCT, previously group treasurer at GE Energy, has joined Alghanim Industries as corporate treasurer.

■ **Patrick Flynn**, MCT, previously chief financial officer, insurance, for HSBC, has joined ING Group as chief financial officer.

■ **Richard Garry**, MCT, has been appointed treasurer, operations, at Inchcape. He was previously assistant global treasurer and head of treasury, Europe and Africa, at Toyota Financial Services.

■ **Mark Ibison**, AMCT, has left his position as vice president, finance, at Filtrona Extrusion, and has joined Moss Plastic Parts as financial controller.

## MEMBERS' DIRECTORY

*Members' contact details are updated regularly at* **www.treasurers.org**. *Email changes to Matthew Trickey:* **mtrickey@treasurers.org**, *or phone +44 (0)20 7847 2557.*

## CAREERS

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

■ **Marian Ivascu**, AMCT, has joined Quantrix Data as director. He was previously with KPMG Corporate Finance.

■ **Paul Minness**, AMCT, previously senior manager at KPMG, has joined Ernst & Young as a transfer pricing director in the Midlands region.

■ **Bhagwant Singh**, MCT, has left his position as head of credit and risk at Cantor Fitzgerald International and joined EuroCCP as head of risk.

■ **Jason Tattum**, AMCT, has left his position as financial controller at Coventry University and joined Galliford Try Services as financial accounting manager.

# WellChild named the ACT charity of the year

The ACT has selected WellChild as its charity of the year, starting with the ACT annual dinner on 11 November.

The annual dinner is the ACT's major fundraising event and it is hoping that everyone attending will give generously to support WellChild's ground-breaking Children's Nurse programme, which has been developed to ensure that families of children living with serious illness get the support they deserve.

Mother, daughter and WellChild children's nurse

WellChild, the national charity for sick children, launched its Children's Nurse network three years ago, having identified that some critical services simply weren't available to families of children with long-term, complex healthcare needs. WellChild children's nurses are now working in England, Scotland and Wales, and are proving vital in preventing unnecessary long stays in hospital and ensuring that as many children as possible can be cared for at home with their family, where they belong.

WellChild has invested more than £1m in funding nine nurses so far, and the charity's vision is for every sick child in the UK to have access to a WellChild children's nurse. Your support can help make that happen. To find out more, go to: **www.wellchild.org.uk** ■

# ACCA slates the standard setters over IAS 39 reform

The world's two main accounting standard setters should be liaising more closely in developing a vital new standard on fair value, says the Association of Chartered Certified Accountants (ACCA).

In its response to a draft on proposed changes to IAS 39 (the accounting standard that covers the classification and measurement of financial instruments), ACCA said it supported a joint development of new standards between the International Accounting Standards Board (IASB) and its US counterpart, the Financial Accounting Standards Board (FASB). But it criticised the "lack of co-ordination on this, the most critical project for a new accounting standard".

ACCA's head of financial reporting, Richard Martin, said: "The two boards seem to be moving at different speeds and towards different positions. There are highly significant differences in the proposals, which cannot be skated over.

"It also seems possible that IASB will have issued the first part of its new standard on financial instruments before FASB has consulted in the US on any proposals. This outturn of events continues the problem of demands for a level playing field, which have prompted adverse developments in financial reporting over the last year."

He added that the current proposed version of the standard could tip more financial instruments into fair value accounting, despite an apparent lack of support for the FASB's model.

Valuing more assets and liabilities according to their market price could result in more volatile balance sheets, producing a pro-cyclical result as the market tends to overshoot on both the falls and the gains.

Martin also warned that a phased introduction of the new standard would create problems of jointly co-ordinating parts of the old with the new. This would lead to problems for those who prepare or use accounts, as many preparers would await the whole package before making choices and setting their new policies. ■

## LMA qualms over insolvency proposals

The Loan Market Association (LMA) has expressed its concern over several of the Insolvency Service's proposals for changes to corporate insolvency law.

"The proposed disregard of standard negative pledge language and the ability of new security to rank ahead of any existing security in the proposals erode the established hierarchy of priority in the UK," the LMA declared. "This would create uncertainty at a time when banks are looking to strengthen their credit standards and is likely to be controversial with lenders."

It added that uncertainty over the definition of "adequate protection" for existing creditors was unsettling for lenders and threatened to have adverse consequences for the availability and cost of finance. The LMA warned that commercial banks could be more reluctant to lend because of "increased perceived risk and potentially higher loss-given default". The potential erosion of security would most affect lending to weaker companies.

Addressing the issue of super-senior lending, the LMA said that banks already stepped up with new money when "the proposition looks economically viable and assists in protecting outstanding debt", as is the case in most successful restructurings.

Despite its concerns, the LMA said it supported the aims of freeing up assets and attracting rescue finance, but wanted more detail. On moves to encourage greater use of company voluntary arrangement (CVA) procedures, it saw "limited benefit" in extending a moratorium to larger companies for a period of 28 days or, under court sanction, to three months unless they proved more efficient than schemes of arrangement or pre-pack insolvency.

"Changes cannot be made to the existing insolvency regime without further consultation and thought, particularly if trying to bring larger corporates within the scope of the amendments," said LMA managing director Clare Dawson. "The greater complexity of their financial structures and the multijurisdictional nature of their operations need to be considered and require an integrated approach with other countries' insolvency legislation regimes.

"The improvement of the insolvency regimes in our members' markets is an area on which we will continue to consult with our members."

# Gloom mounts over PSD and SEPA prospects

There is widespread confusion over national interpretations and implementation ahead of Europe's adoption of the Payment Services Directive (PSD) and the Single Euro Payments Area (SEPA) for direct debits in November, according to the Financial Services Club.

A survey of more than 350 global payments professionals by the networking organisation revealed increasing frustration among policymakers, banks, corporates and infrastructure providers on progress towards "a transparent, harmonised and integrated market for payments and payment processing". Responses showed that 58% thought the directive was being implemented inconsistently and 63% put this down to differing interpretations at country level. Only 13% felt the directive was being transposed correctly.

The report concluded that both the drafting and transposition of the directive are flawed, with the 23 additional optional services (AOS) creating inconsistencies in the classification of small businesses as consumers or corporates, and in the definitions of payments accounts and direct debit products. "Every country is using AOS to protect historical products, services and infrastructures," the report added.

A revision of the directive is anticipated in 2012, eliminating AOS and other anomalies such as multilateral interchange fees on cross-border direct debits.

The report concluded: "The PSD will not support an integrated and harmonised European payments marketplace until 2013 or beyond."

The survey also struck a downbeat note on SEPA, which it said was progressing too slowly to be convincing, with strong support from within the banking community not extending to corporates and other end-users.

The 32 members of the SEPA zone

# Pension fund trustees up the ante

Pension fund trustees have become more proactive in safeguarding schemes against possible corporate insolvencies, figures from consultancy Mercer suggest.

At the same time, companies are co-operating with greater trustee scrutiny of their ability to continue contributing to schemes.

"Generally, employers have agreed to stronger technical provisions for funding, while trustees are seeking assets outside the scheme and longer recovery plans to cover any shortfall," concluded a Mercer survey.

Pollock: higher profile for covenants

Mercer's SFO Valuations Survey for 2009 noted that 60% of the 257 pension schemes analysed (with average assets of £149m) had a regular employer covenant monitoring regime in place – an indication that they were willing and able to contribute to the pension scheme.

The covenant was being reviewed annually by 27% of schemes, compared with 23% in the 2008 survey, and 26% (17% in 2008) had increased the frequency of review.

"Recent company insolvencies have given the covenant a much higher profile," said Alison Pollock, a Mercer principal and author of the survey report. "Trustees and employers involved with the schemes in the survey commented on how the valuation process had helped them understand the importance of the covenant to the scheme's funding position."

The survey also noted an increased use of contingent assets and other forms of security required by trustees to provide explicit reassurance in the employer covenant. The number of respondents who said they were in use rose from 14% in 2007 and 17% in 2008 to 24% this year. Parent company guarantee, utilised in 88% of cases, was most popular but letters of credit, escrow accounts, contribution insurance, and charges over property and other assets were also used.

The impact of the recession is evident, as 45% of pension schemes planned to go beyond the statutory requirement to produce annual actuarial reports, and to request more frequent or detailed funding updates. ■

# Ratings agency forecasts default rates to peak

A total of 15 Moody's-rated corporate debt issuers defaulted in August 2009, bringing the figure for the first eight months of 2009 to 205 compared with just 50 over the same period in 2008.

Moody's issuer-weighted speculative-grade default rate in the US rose to 12.2% in August from a revised 11.9% the previous month and 3.0% in August 2008, to equal the peak rate recorded back in 1991.

Globally, the August rate finished at 11.5% in August, compared with a revised 11.0% a month earlier and 2.5% a year earlier, while the respective rates for Europe were 8.2% from 6.7% and 0.7%.

Of the 15 defaulters in August, 11 were based in North America, where E*Trade completed a distressed exchange on $1.7bn of debt, and the remainder in Europe.

The Moody's distressed index, which measures the percentage of rated issuers with debt trading at distressed levels, actually fell in August to 30.1% against 34.4% in July, although in August 2008 the index stood at 20.4%.

Default counts for each month have also fallen from a peak of 44 in March this yar. The average default count was 17 per month for July and August compared with 29 per month from January to June.

Moody's now expects the global speculative-grade default rate to peak at 12.6% in the fourth quarter of 2009 and then to decline sharply to 4.3% by August 2010.

Over the coming year, default rates are predicted to be highest in the advertising, printing and publishing media sector in the US and the durable consumer goods sector in Europe.

**See Sign of Strength, p22**