ACT names new chief executive

The ACT has appointed as its new chief executive Colin Tyler, who took up the position from 16 September.

Tyler served as director of treasury, tax and risk management and then business services director for Rentokil Initial from 1997 until earlier this year and joined the company's City Link business in 2007 as divisional finance director. His previous positions have included treasury roles at Guinness and Amersham International.

He has a first class degree in medical biochemistry and, in addition to being a member of the ACT and an MCT prizewinner, is a member of the Institute of Chartered Accountants in England and Wales.

Tyler said: "The ACT has established the treasury profession in the UK and made excellent progress in taking its qualifications and training to many companies and countries. I look forward to extending the ACT's footprint and contributing to the development of the treasury profession internationally."

ACT president James Douglas added: "The ACT is very well positioned to continue its strong growth and Colin has the broad experience necessary to take the ACT forward. He is joining the ACT at a critical time as non-financial companies consider how they absorb the consequences of the tougher regulatory regime that is emerging for the financial services sector."

A profile of the new ACT chief executive will appear in next month's issue of The Treasurer.

Tyler: ACT's incoming chief executive

Counterparty risk is the toughest one to manage

Senior risk managers from global banking operations struggle to calculate market and credit risk in real-time, according to a recent survey.

The Risk in Global Banking report was compiled by business intelligence and analytics technology specialist Quarter FS, which asked senior risk managers to rate the difficulty of managing different types of risk. Counterparty risk was cited as the most difficult to manage by 68% of respondents, followed by liquidity (59%) and credit risk (54%).

Bellouard: "stale, inaccurate data"

Asked whether the financial crisis had boosted the influence of risk management, 86% of respondents agreed, while 81% said their board now took a much greater interest in risk. 63% strongly believed that risk management processes were now more widely used in the front office, and the same percentage said that new processes had been introduced since the crisis broke. 54% thought the crisis had led to more collaboration between traders and risk managers.

Regulatory pressures, cited by 68%, were seen as the main reason to innovate in risk management, followed by the need to better manage risk (50%).

Although market risk was regarded as the least difficult risk to manage, half of the respondents wanted market risk calculations for any new deal to be conducted in true real-time, or under 10 seconds. Yet only one in five were currently managing to do so and only two in five said they could conduct the calculations overnight.

"If one lesson has been learnt from the experiences of the past few years it is that navigating today's markets without the ability to understand and manage risk intraday is the biggest risk of all," said Xavier Bellouard, co-founder of Quartet FS. "The business implications of these findings are clear: most financial institutions cannot calculate the true risk of new deals to their business intraday, which means that they continue to work with stale, inaccurate data." ■

National Grid taps retail investors

Power supplier National Grid has launched £140m of index-linked debt through a corporate bond, targeted at retail investors concerned about persistently high inflation. The issue, led by Barclays Capital and Evolution Securities, is the first of its kind for the UK retail investor market from a non-financial company, according to the London Stock Exchange (LSE).

Grid's bond targets high-inflation fears

The bond, which was marketed to retail stockbrokers and wealth managers last month, requires a minimum £2,000 investment and has a term of between five and 15 years, with both capital and income linked to the retail price index.

Henrietta Podd, director of debt advice at Evolution Securities, said: "People are still very nervous, especially with the use of monetary tools such as quantitative easing." She said retail clients still thought inflation a bigger risk than deflation.

The LSE, which launched its special order book for retail bonds (ORB) in February 2010, has indicated that it expects National Grid's offering to be followed by more retail corporate bond issues from other companies over the coming months. ■

See The Wisdom of Crowds, The Treasurer, September, p20

Big pension shake-up passes employees by

More than half of Britain's workforce are unaware of the pension reforms that take effect from October 2012, which automatically enrol them into workplace schemes, says the Chartered Institute of Personnel and Development (CIPD).

The HR professional's body's Employee Outlook: Focus on Pay and Pensions report revealed that 53% of respondents to a survey said they had no knowledge of what has been described as the biggest reform to pensions in 100 years.

The survey concluded that automatic enrolment would have the greatest impact on the private and voluntary sectors, where 46% and 42% respectively said they were aware of the change. Awareness in the private sector was highest among employees in the finance industries (57%), construction (54%) and professional services (50%).

Younger workers showed least knowledge of the reforms. In the 18–24 age group just 31% of private and voluntary sector workers knew about the reforms. For those aged 25–34 the figure rose to 40%. In the 45–54 age group it was 45%. The highest percentage (57%) was for those aged 55 and over. Those in managerial roles were also more familiar with the changes than non-managers.

"These findings suggest that both the government and employers need to take a nuanced approach to communicating pension reforms to employees," said Charles Cotton, the CIPD adviser for performance and reward. "With just over a year to go, employee awareness is generally quite low."

A more targeted approach to communicating the changes to younger workers was particularly important, he added. The CIPD also believes that all workers will benefit from a move towards a non-means-tested flat-rate pension. ■

Shadow banking task force picks up the pace

The Financial Stability Board (FSB), the task force established by world leaders to strengthen regulation, is stepping up work on a new regime to supervise the shadow banking sector.

Turner: faster progress to new regime

It will set out in more detail its recommendations for strengthening the oversight and regulation of shadow banking in a report for the G20 this month. Its advice has been developed by its shadow banking task force, co-chaired by Adair Turner and Jaime Caruana. Its initial recommendations for a stronger monitoring framework were set out in a background note entitled Shadow Banking: Scoping the Issues, published in April.

The FSB says that it has identified five areas for possible closer supervision and has set up workstreams to focus on them. They are:

- regulation of banks' interactions with shadow banking entities;
- regulatory reform of money market funds (MMFs);
- regulation of other shadow banking entities;
- regulation of securitisation; and
- regulation of activities related to securities lending and repurchase agreements (repos).

"The workstreams will develop preliminary work plans shortly and report their progress as well as the proposed policy recommendations to the FSB by July 2012, or end-2012 for securities lending/repos," the FSB promised.

Comments received to date on the recommendations issued in April are posted on the FSB's website and further input is invited from interested parties. ■

Tesco puts dim sum bond on HK menu

Tesco mall in Shenyang, north-east China

Tesco has followed Unilever, HSBC and RBS in issuing debt in the Chinese currency.

The retailer, which now has more than 100 stores in China, issued an offshore renminbi-denominated bond (a so-called dim sum bond) in Hong Kong to raise around £70m to help fund its expansion. Tesco appointed HSBC and Standard Chartered to help market the three-year bonds, which have a semi-annual coupon of 1.75%.

"China is an important market for us and represents a great growth opportunity," said Tesco's chief financial officer Laurie McIlwee. "This is a new and innovative way of funding our business as it continues to grow."

More than 50 companies have sold renminbi bonds in Hong Kong in 2011. Because borrowing costs in the offshore renminbi market are significantly lower than onshore, they have proved an attractive funding means for many.

Corporates pay down £57bn of debt

Continued economic uncertainty has seen the UK's biggest companies reduce their overall debt burden by £57bn in the past two years.

Data compiled for the Financial Times by analysis group Capital IQ showed aggregate net debt of the FTSE 350's non-financial companies had fallen by 16% between 2008 and the end of 2010, when it stood at £290bn.

Separate research by London Business School suggests that the gearing of these companies, or the ratio of net debts to total assets, shows an even steeper decline over the period, with a fall of 30% back to the lowest level since 1993. Analysts generally regard the reductions as symptomatic of companies' reluctance to borrow rather than banks' unwillingness to lend.

ICSA predicts paper-free boards

Corporate board meetings could be totally paper-free by 2014, according to the Institute of Chartered Secretaries & Administrators.

The institute's specialist business software company, ICSA Software, launched its iPad app, Blueprint BoardPad 2 in June, and is confident it will win rapid take-up in UK boardrooms.

"There has been a move towards paperless board meetings in recent years, but Blueprint BoardPad 2 will rapidly speed up the change," said ICSA Software's group chief executive Mike Evans. "No other app can guarantee the same security of data and offer so many features that save time, reduce waste and cut the huge cost of board meetings for large companies.

"In the future, every large company will move to a system like this, but, currently, Blueprint BoardPad 2 is far and away the most advanced."

European CMBS perform poorly

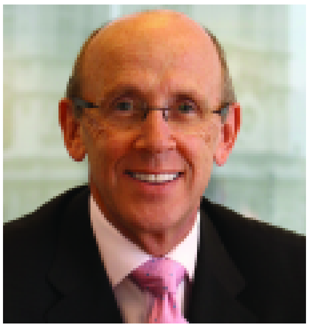
European commercial mortgage-backed securities (CMBS) maturing loans showed poor performance in July, reports Standard & Poor's.

The ratings agency said the month's European CMBS loan maturity concentration was 2011's highest and fewer than one in three of the loans scheduled to mature had been repaid. European CMBS have continued to struggle this year and loan troubles are shifting from the UK to continental Europe, with German loans particularly showing signs of pressure.

This year began with 59 loans in delinquency, 77 in special servicing and 141 facing maturity over the 12 months ahead. By the end of July the delinquency count had risen to 78, the number of loans in special servicing had surpassed 100, with non-monetary breaches playing an increasing role in transfers, and only one in three loans had met their maturity obligations in full.

IBE sets out diversity case

The Institute of Business Ethics (IBE) has set out the case for greater diversity in the boardroom and is offering practical advice on how best to achieve it. Its latest briefing on diversity follows the publication of Lord Davies' Women on Boards review, which recommended that FTSE 100 companies should aim for a minimum of 25% female board representation by 2015. Lord Davies called on aspirational gender diversity goals to be announced by September 2011.



Lord Davies: 25% minimum

The IBE noted that there was evidence to support the case for gender diversity as it made "sound financial and management sense for companies".

The first of a series of reports by McKinsey, entitled Women Matter, found that companies with three or more women in senior management positions scored more highly against critical organisational measures than those with no women at the top, and had better financial performance.

A recent report by law firm Eversheds also found that better performing companies tended to have a higher percentage of female directors, and particularly so in the UK.

The McKinsey report identified the four most effective gender diversity measures as:

- visible monitoring by the CEO and team of the progress of gender diversity programmes;
- skill-building programmes aimed specifically at women;
- encouraging or mandating senior executives to mentor junior women; and
- performance evaluation systems that can neutralise the impact of parental leave or flexible work arrangements. ■

Borrowing costs 'unlikely to derail M&A deals'

Recent financial markets volatility has sparked fears in the US that it might affect the billions of dollars of debt sales needed to raise money for buy-outs and other deals struck in 2011.

When merger and acquisition activity picked up earlier this year, private equity groups took advantage of buoyant credit markets to sign up for several buy-outs to be marketed to investors. Banks that committed to underwriting the financing for these deals believe that higher interest and fees may now be needed if they are to attract investors.

Johnson: debt markets remain open

Bankers reported that up to $20–$25bn in loan offerings and junk bond issues was tabled over the coming months and tied into M&A deals.

Robin Johnson, city corporate partner at law firm Eversheds, said: "Long-term structural debt, particularly so-called private placements or high-yield debt issue to the US institutional investors, and commercial paper issues are the life blood of multinationals. Yields and deal terms have been very favourable for insurers in recent times, although rating agencies have been under pressure to review the procedures used to classify ratings.

"Under current market conditions we may well see the cost of borrowing moving from record lows towards levels which are more historically normal, having the effect of potentially reducing M&A valuations. However, it is important not to overdramatise the severity of the situation. A strong cashflow issuer is still well placed to access the markets. While it is true that highly leveraged situations could be adversely affected, M&A remains buoyant, with a number of mid-market deals in process, which would imply the market is not yet frozen as it was in 2008–09." ■