# The good, the bad and the complex

David Creed (*right*) shares coffee and a joke with delegates

Eyes down, full house

On Tuesday 4 July, the Hoare Memorial Hall at Church House Conference Centre overflowed into its gallery seating. Over 110 delegates listened to presentations on the massive tasks to be completed by 1 January 2001 for companies to achieve the FAS 133 compliance necessary for US listed companies under SEC regulations.

FAS 133 is said to become the single most onerous accounting standard anywhere in the world in terms of its impact on the treasurer's job. It requires a complete rethink of the way in which a company uses derivatives in hedging its financial exposures, a much greater clarity of thought than has been the common practice for many treasury departments in the past, widespread communication throughout the company on the reasons for the changes in approach to hedging, the retention of a vast amount of additional data and major changes for the way reporting systems operate and the accounts are prepared.

The length, depth and complexity of the preceding sentence merely shadows the task ahead for many multinationals in adopting the new standard.

**PricewaterhouseCoopers** kindly provided many of the speakers, led by Sebastian di Paola who treated us to a lucid explanation of the framework in which FAS 133 has developed and requires treasurers to report.

A cash study by an early adopter, **Air Products and Chemicals**, given by Brian Kirkpatrick and Charles Barlow, showed the depth of thinking and research necessary for a successful implementation of the standard.

The breakout sessions added flesh to the conceptual framework with a wealth of detail which reflected the need for cultural as well as procedural changes in the way a company manages its hedging programmes. The slides from all presenters were remarkably detailed, most notably those of Lynn Corsetti of **Deutsche Bank**. The post conference notes to be published to delegates, and others who have an interest, will be particularly useful for those wanting to examine the problems in depth.

The fact that the room was almost as full at the end of the day as at the start showed the close focus now being given by treasury departments on the problems of FAS 133 compliance.

The Association's thanks go to Deutsche Bank who kindly acted as sponsors to a practical and very successful conference which is likely to be repeated, at least in part, later in the year.

**DAVID CREED**

# Managing risk

Over 80 delegates attended the Introduction to Treasury Risk Management Conference at Church House, on 7 July.

Given the target audience, it came as no surprise to see that a significant number of delegates were relatively new to treasury. In addition, there was also a minority of more senior people from the general finance function of smaller companies trying to gain an understanding of what treasury risk management is about.

Judith Harris-Jones chaired the conference and did an excellent job of prompting questions when delegates seemed a little reticent. The proceedings opened with David Swann, soon to join **BAT**, giving an overview of risk management and a look forward to the impact that the internet will continue to have on companies' risk management. This was reinforced by the next two speakers from the sponsor, **JP Morgan**. Sandra Brown and Bertrand Damour looked at the challenges, both conceptual and practical, for companies and their banks.

Two breakout sessions covering currency risk followed. Ian Chisholm of **Shell** discussed transaction risk while Peter Russell of **Diageo** discussed translation risk. Both were highly practical and reflected the experiences of the individuals in their respective companies.

After lunch it was the turn of interest rate risk. Heather Bowley of **BP Amoco** held a plenary session discussing the nature of the risk and giving an insight into the company's approach to interest rate risk management.

There followed a choice of two further breakout sessions. Maria Head of **Powergen** described an approach to risk management in the context of a US acquisition and John O'Driscoll of **BG Group** discussed their group approach to managing interest rate risk.

The conference concluded with a new approach to managing credit risk within a company described by David Weekes of **Enron Credit.com** and an insight into operational risk from Dean Buckner of **FSA**. Several anonymous examples of real losses were given to reinforce the idea that operational risk is not something that only happens to others!

The conference was a great success. It achieved its objectives in discussing the key areas of risk management in an interesting and enjoyable way.

**IAN JAKEWAYS**
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