JV listing rules under fire

Revised listing rules introduced this summer are putting quoted companies at a disadvantage to their non-quoted peers, treasurers claim.

On 1 July updated listing rules took effect, requiring companies to seek shareholder approval each time they want to carry out a joint venture with a business partner. The alternative for corporates to avoid asking shareholders to approve project plans is to wait 13 months before working with the same partner again.

Privately, treasurers say companies are backing away from certain ventures because of the rules. The change is particularly affecting the property sector, where on average, companies like Barclays carry out roughly 700 joint ventures a year.

"You have a problem now as you can only work on a project every 13 months with the same partner, when really you only want one or two joint venture partners. Once you know you can work together well you want to continue doing so," said one treasurer who declined to be named.

Under the old rules, shareholder approval was only necessary for class one transactions where a company owns more than 25% of the partner's profits.

Treasurers say that the new rules, which aim to protect investors, in fact reduce shareholder value because they limit a corporate's ability to obtain the best prices and conditions in joint ventures.

"It's destroying shareholder value. Frankly, I don't see how these rules protect shareholders," the treasurer said.

Bankers and corporates reject the option of seeking shareholder approval each time they want to carry out a joint venture as far too costly and time-consuming, as well as "troublesome" to shareholders.

The Financial Services Authority (FSA), which is responsible for listing rules, said that the rules had been clarified, rather than changed. "There are no new requirements on companies. The chapters have been clarified," said a spokesperson for the FSA. ■

Financial Services Authority: "Chapters have been clarified".

Hedging pensions is no panacea

Hedging is no panacea to plug the gaping holes in corporate pension schemes, transferring instead the shortfalls elsewhere, a leading UK economist has warned treasurers.

John Eatwell of Queens College Cambridge said hedging would only shift the problem, not solve it, leaving some pensioners well off and others impoverished.

Speaking to treasurers at the ACT's pension conference sponsored by Mercer and ABN AMRO, he said: "There are very significant risks which can't be hedged; in the same way that you can't hedge against nature. There's no way that anyone can hedge against the savings potential of the workforce in 30 years' time," Eatwell said.

For the government's part, increasing inward immigration and raising taxes were cited as ways of improving the current pensions crisis. Corporates could consider investing abroad, but Eatwell said this carried its own set of problems with it.

In the short term the Cambridge economist said a possible solution would be to bring in a "flexible decade of retirement" for both men and women. "We could allow people to retire between 60 and 70 years old with some actuarial adjustments," said Eatwell.

John Eatwell: significant risks which can't be hedged

He said: "Hedging will improve the lot of your pensioners relative to those of others. Whether it can be sustained is a different matter."

The years ahead look to give treasurers no respite from the pensions debate as John Hawkins – consultant and former Group Treasurer of British engineering group Invensys – outlined new and forthcoming developments affecting pension schemes.

Corporate treasurers involved in pensions management, as more treasurers increasingly are, will have to deal with issues stemming from the Pensions Act 2004 and the establishment of the new Pensions Protection Fund.

Hawkins also warned there were indications government would legislate to force trustees to comply with recommendations made in the 2001 Myners Report as evidence shows certain principles haven't been applied properly. ■

PPF levy is rough justice

The new Pension Protection Fund's "simplicity" in its risk-based approach to levying funds carries with it a "sort of rough justice", the PPF Chairman has conceded.

In July the PPF Board published proposals for the introduction of the risk-based levy for all pension schemes, whether they have a deficit or not, for the 2006/7 financial year, based on scheme underfunding and insolvency risk.

"We wanted to make this levy as simple as possible. Simplicity in the relative sense and not an absolute sense. We haven't tried to go ultra-sophisticated initially. It's sufficient for the purpose. We hope that people will support our drive," Lawrence Churchill, Chairman of the PPF Board told treasurers at the ACT's pension conference sponsored by Mercer and ABN AMRO.

But Churchill assured treasurers and bankers the PPF's methods would be transparent and urged them to respond promptly to its consultation on the risk-based levy, which will end in September, so "we can know your views early on".

Over the next few months, the PPF Board will be doing modelling work to determine its levy estimate for 2006/07, which is expected to be published by 30 November 2005, with a full description of the levy structure for 2006/07.

PPF Director of Investment and Finance Partha Dasgupta, said: "Our approach is groundbreaking and yet uses accepted capital market techniques on which we can build further sophistications if required in the years ahead."

The PPF became fully operational on 6 April 2005 to "protect the pensions promise" following a number of cases where companies have failed to fulfil long-term obligations to pensioners. It is a statutory corporation established under the provisions of the Pensions Act 2004.

See www.pensionprotectionfund.org.uk ■

Time to overhaul scheme asset allocation

Financial professionals should shake off conventional attitudes to asset allocation of pension schemes if they are to turn deficits into surpluses, say consultants Mercer Human Resources.

Frank Oldham, a Mercer partner, said that the financial cost of protecting yourself against a shortfall increases over time. "It doesn't decrease," he warned.

He also urged treasurers to get more involved in pensions management, as analysts and credit rating agencies are paying more attention to this area in their analysis of companies.

Emergency processes urged

The Loan Market Association (LMA) together with the ACT are encouraging banks and corporates operating in London's financial markets to review their loan agreements to ensure provisions are included to deal with emergencies, such as terrorist attacks.

The associations have suggested new wording be included in loan agreements that will offer all parties flexibility to deal pragmatically with the aftermath of an emergency should they be unable to communicate with the syndicate of lenders. A period of grace has also been suggested for payment failures in the event of a major operational disaster.

Clare Dawson, executive director of the LMA

Clare Dawson, Executive Director of the LMA said in the past the loan markets have tended to deal pragmatically with operational disruptions. What the new drafting does is to standardise the procedure.

Dawson said: "This wording aims to formalise it more in the loan agreement, so it's clear from the outset what the parties to a transaction can do, rather than them having to act on an ad hoc basis."

The LMA began looking at how markets would deal with an emergency in the wake of the 11 September terrorist attacks on the US.

On the move...

- **Susan Alexander** MCT has joined Michael Page International. Previously she worked for Cable & Wireless plc.
- **Andrew Canwell** AMCT has joined BNP Paribas in London as a Rating Advisor. Previously he was a Vice President – Senior Analyst at Moody's Investors Services Ltd.
- **James Cornell** MCT, formerly Assistant Treasurer at EMAP plc, has been appointed Treasurer at Arlington Securities plc.
- **Stephen East** FCT has been appointed Group Finance Director at Woolworths Group plc.
- **Philip Findlay** AMCT has joined British Energy plc as Financial Planning Accountant. He joins them from Standard Life where he was Development Accountant.
- **Reg Hinkley** FCT has joined BP Pension Trustees Ltd as Chief Executive Officer. He was previously Commercial Director for BP's Integrated Supply and Trading group.
- **Alistair Hynd** MCT has joined Baker Tilly's Corporate Finance advisory team as Director and Head of Financial Modelling. Previously he worked for Commerzbank Securities as Assistant Director in the leveraged finance team.
- **Ali Kazimi** AMCT has been appointed Director at Ernst & Young LLP. Previously he was Head of Investment Tax Services at Barclays Global Investors.
- **James Koh** MCT has joined Cendant Corporation Inc as Corporate Treasury Director. Previously he was Interim Treasurer at Burberry.
- **Andrew Koss** MCT, formerly Deputy Group Treasurer at Provident Financial plc, has been appointed Treasurer at Drax Power Ltd.
- **Paul Matthews** MCT has been appointed EMEA Treasury Manager for Acer Europe SA, based in Lugano, Switzerland. He was previously UK Treasury Manager at Siemens plc.
- **John Messore** AMCT has joined AT & T EMEA as Director of Tax. He joins them from Kraft Foods UK Ltd where he was Tax and Treasury Controller.
- **Warren Phipson** AMCT has been appointed Deputy Treasurer of CP Ships Ltd. Previously he was Assistant Group Treasurer at Cable & Wireless plc.
- **Edward Reed** AMCT has joined Deloitte as Associate Director in their health PFI team. Previously he was a manager at KPMG.
- **Nicholas Sanderson** AMCT, formerly Head of Internal Audit at Abbey National plc, has been appointed Head of Internal Control at Nationwide Building Society.
- **Paul Seagar** AMCT, formerly Assistant Treasurer at Land Securities Group PLC, has been appointed Assistant Vice President at Deutsche Bank AG.
- **Carl Sharman** AMCT has been appointed Group Treasury Manager at CP Ships Ltd, where he was previously in the Corporate Finance Team.

MEMBERS' DIRECTORY:

Members' contact details are updated regularly on: **www.treasurers.org** *Email your changes to Anna McGee:* **amcgee@treasurers.co.uk**

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