



PRESS STATEMENT – 13 April 2004

The Association of Corporate Treasurers supports IAS 39 on Financial Instruments..

The Association of Corporate Treasurers (ACT) has now written to the International Accounting Standards Board (IASB) supporting IAS 39 and urging the EU to adopt the standard together with other international financial reporting standards for use from 2005. This follows an extensive involvement in the consultation processes that took place prior to the formal release of IAS 39.

The ACT strongly supports the key principle in the standard that derivatives should be valued at their fair market value. It recognises that while the standard is not perfect and it does throw up some anomalies, it would be far from ideal to abandon or delay a standard which is overall helpful in clarifying an area of accounting that has been without formal guidance for too long. The ACT welcomes the commitment from the IASB to engage in further review and consultation on IAS 39 following its initial implementation in its current form.

The Association of Corporate Treasurers Chief Executive, Richard Raeburn, commented: "While aspects of the effects of IAS 39 are regrettable, we think that there is more at stake and it is important to press on with implementing international standards now as a base from which to move forward. Adopting IAS will address issues and fill gaps in national standards which have remained pending the introduction of international standards. This is very important for capital markets in Europe and around the world."

----- Ends -----

NOTES TO EDITORS

The ACT has been a long time supporter of the principle of marking-to-market certain financial assets and liabilities. Typically corporates use derivatives and financial instruments to manage their risk exposures to currencies, interest rates, commodities and credit risk. Their transactions are designed to hedge the risks arising from their underlying businesses. It is the definition of what, in accounting terms, can be treated as hedges that has been the subject of most debate. During the evolution of IAS 39 the ACT has been able to represent to the IASB the views of the corporate treasury profession from a non-financial services perspective.

The major remaining issue is in connection with achieving hedge accounting treatment for currency deals done by a treasury netting centre to hedge the forecast net FX exposures of a group, and this needs to be solved by the IASB early in its review of IAS 39 post adoption. To achieve hedge accounting, companies would need, under IAS 39 as now published, to deal on a gross basis thus adding significantly to their admin, costs and counterparty risks, while the accepted best practice is currently to hedge only the net exposures. Gross dealing (i.e. external deals netting to zero) would normally flag the attention of internal audit and security departments as symptomatic of some 'scam' as well as raising the eyebrows of tax authorities. For some companies (and subject to further clarification in the guidance notes) there may be a further problem in getting hedge treatment for forecast *inter-company* transactions.

For further information, please contact:

Richard Raeburn (Chief Executive, ACT) on +44 (0)20 7213 0734 (direct line) or +44 (0)20 7213 9728 (switchboard). Email: rraeburn@treasurers.co.uk

John Grout (Technical Director, ACT) on +44 (0)20 7213 0712 (direct line) or +44 (0)20 7213 9728 (switchboard) Email: jgrout@treasurers.co.uk

Louise Michalowicz (PR Manager, ACT) on +44 (0)20 7213 0726 (direct line) or +44 (0)20 7213 9728 (switchboard). Email: lmichalowicz@treasurers.co.uk