Welcome to the September Hotline. This month, treasury professionals are invited to attend the fifth annual ACT/AIRMIC conference on credit and liquidity risk management which takes place on the 25th of the month in London. The event, which is sponsored by Zurich, looks at the challenges for treasurers posed by the current liquidity environment and some of the techniques which are being developed to counter them. For more details, visit the Events area of the ACT website or contact mrahman@treasurers.co.uk. If you have any comments on any of the topics covered in Hotline, please contact technical@treasurers.co.uk.■

Sheelagh Killen, Technical Editor, skillen@treasurers.co.uk.

CORPORATE GOVERNANCE

Coded message

The Financial Reporting Council has now issued the text of a new Combined Code which will come into effect for reporting years beginning on or after 1 November 2003.

According to FRC Chairman, Sir Bryan Nicholson: "The Code represents a positive and sensible advance in corporate governance in the UK and gives us a leading position internationally. It will foster far-reaching changes in British boardroom practice and help to develop further the professionalism of non-executive directors (NEDs)." The revised Code is based on the recommendations contained in the Higgs and Smith reports, but the new text reflects amendments arising out of the subsequent additional consultation period. Changes incorporated into the final version include:

- modification of the Code's structure to include not only main 'principles' and 'provisions' but also 'supporting principles', allowing companies greater flexibility in implementation;
- the board chairman being able to chair the nomination committee;
- clarification of the roles of the chairman and the senior independent director (SID), emphasising the chairman's role in providing leadership to the NEDs and in the communication of shareholders' views to the board;
- for smaller listed companies below the FTSE 350, relaxation of the rule on the number of independent NEDs to 'at least two' instead of 'at least 50%'; and
- particularly rigorous review rather than special explanation when NEDs are re-elected beyond six years.

The intention is that provisions should be as clearly defined and verifiable as possible, so that companies can report unambiguously whether or not they have complied. ■

The Code can be downloaded at www.frc.org.uk/combined.cfm. A printed volume can be ordered from CCH Information (tel 0870 777 2906; email customerservices@cch.co.uk).

FINANCIAL ACCOUNTING

Two of a kind

Two recent consultations launched by the ASB seek the views of UK users of financial statements on proposals put out by the International Accounting Standards Board (IASB).

The ASB's Financial Reporting Exposure Draft (FRED) 32: *Disposal of Non-current Assets and Presentation of Discontinued Operations* presents proposals for a UK accounting standard based on the IASB's ED 4, (which is also generally consistent with current US GAAP treatment for the relevant items). However, the ASB expresses reservations about the proposals, for example, questioning the suspension of depreciation on assets awaiting disposal that continue to be used. There is also concern that some confusion may arise from the early identification of businesses or assets held for sale which may in due course remain as part of continuing operations.

Key proposals in FRED 32 include:

- the classification as 'held for sale' for non-current assets meeting certain criteria, including management's commitment to a sale;
- the concept of a disposal group;
- the requirement that assets and disposal groups held for sale should be measured at the lower of carrying value and fair value less costs to sell;
- non-depreciation of assets held for sale, either individually or within a disposal group (even if the assets are still in use);
- separate presentation on the face of the balance of assets held for sale and the assets and liabilities within a disposal group; and
- the definition of discontinued operations.

The ASB has also issued a consultation paper seeking views on the IASB's ED 5: *Insurance Contracts* and explaining how the international proposals fit within the present UK regulatory structure for insurance accounting.

The IASB's proposals in ED 5 (labelled 'Phase I') are an interim step towards a radical reshaping of accounting for insurance contracts. Under 'Phase II' proposals which are currently being developed, fair value accounting for insurance contracts is likely to be eventually introduced. However, while work on this second phase continues, the IASB is now proposing both additional disclosure requirements and an exemption for issuers from certain existing guidance (including the requirement that accounting information should be relevant and reliable) for accounting periods beginning before 1 January 2007.

The ASB has chosen to consult on the proposals for a number of reasons. Firstly, whilst the ASB is of the view that the proposed Phase I standard would enhance international transparency of insurance accounting during the interim phase, the Board is keen to receive input on the proposed disclosures and the costs of complying with them. This will facilitate consideration of how some, or all, of the disclosures proposed by the IASB could be incorporated into UK GAAP.

In addition, although supportive of the IASB's proposed move to a principled, comprehensive insurance model, the ASB has some concerns that the proposed exemption for financial reporting of insurance contracts under ED 5 would potentially allow undue flexibility in the timing of the recognition and measurement of related profits during the transitional period.

Comments on FRED 32 are invited by 24 October 2003 and on the insurance accounting consultative document by 31 October 2003. ■

FRED 32 and the ASB Consultation Paper on Insurance Contracts are available (for a fee) at www.asb.org.uk. FRED 32 can also be obtained for £6 post-free from ASB Publications, 145 London Road, Kingston-upon-Thames, Surrey, KT2 6SR (020 8247 1264).

COMPANY LAW REFORM

Working on commission

The ACT has expressed its concern that current proposed changes in UK company law could increase costs of finance for companies and undermine London's position as a leading corporate finance centre.

The Law Commission has put forward plans to narrow the scope of exemptions from liability enjoyed by trustees under UK law (Consultation Paper 171) and to introduce new restrictions on terms in business contracts which could be construed as 'unfair' (Consultation Paper 166). The ACT's concerns centre on the impact on 'corporate finance (CF) trustees' and CF contractual arrangements respectively.

In relation to trustee exemptions, the ACT urges exemption for 'CF trusts'. This is in response to proposals to subject restrictions on trustees' duties and discretions to a 'reasonableness' test which may cause unacceptable levels of uncertainty and make trustees unwilling to take on CF trusteeships. Whilst appreciating the need to protect beneficiaries of settlements and charitable trusts, the ACT maintains that the removal of trustee exemptions is not appropriate in CF trusteeships, including those used in bond issues and in asset and project finance. These trusteeships are vital to the efficient operation of the capital markets as they both allow bond issuers to deal with one focal point rather than numerous, often anonymous, investors (eg to propose an amendment to the terms or to discuss a breach of covenant) and also facilitate the influence of debt-holders being brought to bear on the issuer (through the trustee), for example, in the case of a workout. Under UK practice, trustees usually have discretion on various points prior to default whereas other trustees, eg New York trustees, are passive until default.

In the opinion of the ACT, beneficiaries of CF trusts already enjoy adequate protection under the Companies Act 1985, s.192 (and other similar provisions incorporated in trusteeships for issues not falling under this section), particularly when it is taken into consideration that the users of capital markets are habitually professional, well-advised parties. The Law Commission proposals suggest that protection for trustees withdrawn by the restriction of trust deed wordings could be substituted by the purchase of indemnity insurance. This may be available for private and charitable trusts, but its availability for CF trusteeships is doubted. In any case, it would inevitably lead to increased costs of and delays in establishing capital markets programmes etc. This would ultimately impact on the attractiveness of London as an issuer jurisdiction. Accordingly, the ACT has put forward clear representations to the Law Commission that any changes made to trustee exemptions should specifically exclude those relating to CF trusteeships.

On the related issue of the unfair contract terms proposals, the ACT maintains that CF arrangements, including CF trusteeships, should be specifically excluded from the reasonableness tests discussed in Consultation Paper 166. This would again prevent the introduction of uncertainty which could be extremely damaging to the efficient operation of the wholesale markets. ■

The Law Commission consultation papers can be downloaded at http://www.lawcom.gov.uk/files/cp171.pdf and www.lawcom.gov.uk/files/cp166.pdf respectively, whilst the ACT consultation responses to the Law Commission are available from the loan documentation section of the Technical Papers area of the ACT website at http://www.treasurers.org/technical/papers/index.cfm.

MONEY MARKETS

Further disruption

HM Treasury has established a taskforce under the leadership of Sir Andrew Large to review responses to the recent Green Paper on Operational Disruption in the Financial System.

Copies of the responses are now available via the HM Treasury website at **www.hmtreasury.gov.uk/consultations_and_legislation/major_operational_disruption/consult_operationaldis_index.cfm**. Amongst the respondents, the ACT was the sole organisation representing the interests of the issuer community (see June Hotline, p10). ■

The ACT response is available online at www.treasurers.org/technical/papers/index.cfm#business.

EQUITY FINANCE

Treasury shares latest

The ACT has maintained its close involvement in consultations linked to the introduction of the UK regime for treasury shares.

Responding to the Accounting Standards Board (ASB) Urgent Issues Task Force (UITF) draft Abstract on accounting for treasury shares (Information Sheet 59), the ACT argues that clear disclosure is needed to ensure that the shareholder value implications of transactions in treasury shares are fully transparent. The ACT points out that whilst the buying-in and re-issue of treasury shares and Employee Share Ownership Plan (ESOP) shares does not create a gain or loss for the entity, it may do so for shareholders. Companies should thus be required to disclose their 'stock' of treasury shares and ESOP shares, the price at which the stock was bought and the prices and quantities at which any transactions have taken place during the year, on a FIFO basis. This would allow shareholders to see if the transactions in these shares were creating or destroying shareholder wealth.

Treasurers may also be interested to note that the ASB has issued a clarification in relation to the draft Abstract. *Information Sheet 62* sets out that, in consolidated accounts, the scope of the Abstract should cover all interests in the holding company's shares (ie shares held by the holding company itself as treasury shares and any shares held by subsidiaries).

The ACT has also responded to the Financial Services Authority Consultation Paper 182 (CP182) on amendments to the UK Listings Rules to take account of treasury shares. In this regard, the ACT requests additional clarification on the applicability of requirements set out in CP182 for treasury share-related disclosures in shareholder circulars for companies who hold existing shareholder approval for share repurchases.

A significant number of companies will have taken buyback authorities during their AGM this year and many would have taken a 'wait and see' approach to the introduction of the treasury shares regulations. Therefore, when the regulations come into force, these companies and their corporate treasurers may wish to take advantage of an existing buyback authority in order to hold shares in treasury, but are unsure of how this would be regarded under the Listing Rules.

Treasurers interested in learning more about the UK treasury shares regime (which will take effect from 1 December 2003) are invited to a half-day ACT briefing, supported by Cazenove. Limited places for the briefing which will take place on 17 September are still available by contacting mrahman@treasurers.co.uk. ■

A summary of UITF59 can be accessed via the ASB website at www.asb.org.uk/publications/publication412.html and the FSA's CP182 is available at www.fsa.gov.uk/pubs/cp/182/. The ACT responses on both these issues are at www.treasurers.org/technical/papers/index.cfm#share.

RATINGS

Fair play

Increased competition amongst credit rating providers, and some limited regulation, are essential to protect the interests of issuers and users alike, according to ACT comments on the recent US Securities and Exchange Commission (SEC) concept release on the role and function of credit rating agencies.

In its response to the consultation, the ACT expresses concern that issuers generally have no effective economic power in agreeing contracts and tariffs with rating agencies for solicited ratings, comparing rating agencies to "utility operators with a local monopoly". Issuers also have no economic leverage to ensure that agency reports deal fairly with their situation. These circumstances are exacerbated by the fact that, where there are only a minute number of practically useable rating agencies, anti-competitive collaboration between agencies is not necessary to prevent price competition. The ACT recommends that, at the very least, unnecessary barriers to entry to new agencies should be avoided.

Furthermore, the ACT contends that unsolicited ratings must be clearly distinguished from ratings based on confidential, non-published information and discussions with management. Published ratings usually fall into three main categories, namely:

- ratings issued based purely on published information without contact with the issuer;
- ratings based on published information where the issuer has been contacted for clarification needed to interpret published information for the purposes of the ratings provider's evaluation model, and the skills necessary to make the necessary judgements have been deployed; and
- ratings based on extensive discussion with management of the issuer and disclosure of confidential, non-published information.

For regulatory capital requirement assessments, while for large diversified portfolios ratings in the first category may be appropriate, for narrow portfolios the ACT considers only ratings in the second and third categories should be used. For investment purposes, of course, the last category should be superior.

Therefore, the ACT is of the opinion that the current practice whereby the basis on which a rating has been prepared is only indicated on its initial release is inadequate and that this information should be available whenever and wherever ratings are published or quoted. This would also prevent unacceptable pressure being brought to bear on issuers to engage a ratings provider following the publication of an unsolicited rating.

Whilst the introduction of adequate competition and issuer choice into the ratings arena was a key objective for corporate treasurers, the ACT response also makes recommendations in relation to improved transparency, comparability of published ratings and the conduct of agencies in relation to confidential information.

The ACT would not be in favour of regulation which would prescribe methodology or drive harmonisation of approaches across different agencies. However, it would be strongly supportive of moves to require ratings providers to publish detailed methodologies and to establish systems which would ensure that these were understood and followed. There is also a strong belief that any particular published methodology (and compliance with it) should produce comparable ratings regardless of the country in which the related work is carried out. A common basic rating scale amongst the various providers would also facilitate comparability, particularly if the number of recognised rating agencies was to increase. This should not stop ratings providers from issuing additional ratings classifications to further refine their opinion.

The ACT calls for greater regulation of rating agencies in relation to their handling of confidential issuer information. The ACT points out that credit analysts with unique access to management and information are in a very privileged position and are regarded as "insiders" to the business. Accordingly, rating agencies need to have systems in place to ensure confidential treatment of this information, including restrictions on relationships with other parts of the same agency (or related businesses) which might deal with equities and with journalists and other outsiders (including ratings subscribers). Analysts and other rating agency staff who have had access to such information should also be prohibited from working in areas such as relevant securities markets for a reasonable period.

In addition to their general comments on the role of ratings agencies, the ACT also submits detailed responses to specific questions posed by the concept release. The full ACT response to the consultation can be downloaded in pdf at **http://www.treasurers.org/technical/papers/resources/actcommentssec.pdf**. ■

The SEC concept release, which was published on 4 June 2003, came in response to a requirement in the Sarbanes-Oxley Act 2002 and followed on from the Interim Report issued earlier this year (see April Hotline, p12, and the article by John Grout in March edition, p17). The text of the SEC concept release can be accessed at www.sec.gov/rules/concept/33-8236.htm.

MONEY MARKETS

Something in the air

ACT representatives on the Bank of England's Financial Markets Committees have urged corporate treasurers to ensure they are familiar with new arrangements for trading electronic money market (MM) instruments.

From mid September 2003, dematerialised MM instruments to be known as "eligible debt securities" (EDS) will be available in the UK markets. EDS will be issued in electronic form, with title to them being recorded in an electronic register. Settlement will be via the CREST system. An EDS can be issued on terms which correspond to physical Certificates of Deposit, Commercial Paper or bankers' acceptances. The aim is to increase efficiency through straight-through processing.

The ACT has representatives on both the Sterling Money Markets Liaison Group and the Foreign Exchange Joint Standing Committee at the Bank of England. Further information on dematerialised MM instruments, which includes guidance notes for issuers, can be found in the Financial Markets section of the Bank of England website at **www.bankofengland.co.uk**. ■

IN BRIEF

The Accruals Bureau & Credithouse (AB&C) has released Delivery, a pure cash facility which enables businesses to pull forward future income, drawing on a banking syndicate's resources. **www.abandc.co.uk**.

The wholesale banking and treasury services functions that previously formed **Abbey National Treasury Services (ANTS)** are being separated into two different business units. The treasury functions underpinning Abbey National's Personal Financial Services business are now part of the central division and the remaining wholesale businesses have moved to the newly-formed Portfolio Business Unit (PBU). The restructuring includes the progressive run-off and exit of the PBU businesses. **www.abbeynational.co.uk**. *bfinance*

FIDES Information Services has set up a partnership with **SunGard Treasury Systems** to provide corporate clients of SunGard with direct access to the FIDES Account Reporting System ARS. In addition, through the AvantGard eTreasury eXchange secure messaging network, clients will have access to the FIDES electronic fund transfer service. **info.fides.ch www.sungardtreasury.com**

Financial Objects has set up an alliance with **City Networks** to allows users of the IBIS/S2 back office solution access to their CLS Gateway product. The partnership will let third-party participants in CLS – through IBIS/S2 – become CLS-compliant. IBIS/S2 clients will be able to communicate directly with their CLS member bank to advise them of CLS eligible trades for routing to the CLS Bank. **www.finobj.com**. **www.citynetworks.co.uk**

Financial Sciences Corporation has released ATOM Affiliate Loan Manager for automating corporate inter-company lending and borrowing processes. The system tracks loans and deposits between a group's corporate funding entity and its global affiliates and subsidiaries. **www.fisci.com**

FXpress has launched GEM, an online solution for global exposure management. The new system is fully integrated with the main FXpress system and provides global access through the internet. **www.fxpress.com**

JPMorgan Treasury Services has announced a partnership with **Vastera** to provide clients with Global Trade Management (GTM) solutions encompassing physical and financial supply chain management worldwide, to facilitate more efficient corporate trade activity on a global basis. The Vastera systems automate required GTM processes for moving goods across international borders. **www.jpmorgan.com/ts www.vastera.com**

ACCOUNTING STANDARDS

IFRS integration

The European Commission's decision to endorse most existing International Financial Reporting Standards (IFRS) has met with mixed reviews, with some consultancies showing concern over the lack of a complete endorsement. KPMG suggests more effort is needed to reach a compromise on IAS 39, the standard that was left out.

The Accounting Regulatory Committee did not endorse IAS 32 and IAS 39, both of which deal with the presentation and measurement of financial instruments. After a number of consultations with European banks, the IASB is revising the controversial standards to appease banks' fears that they do not properly reflect how banks use hedging. **http://europa.eu.int/ www.kpmg.co.uk** ■

ACT NEWS

Cert CM: New chair

Catherine Adair-Faulkner, head of international cash management solutions at The Royal Bank of Scotland, has been appointed as Chairman of the ACT Examinations Board for the Certificate in International Cash Management (Cert ICM) programme.

As Chairman, Adair-Faulkner will be responsible for the management, delivery and evaluation of the examination process, and will report to the membership in *The Treasurer* following exam sessions. She is now an examiner for the Examinations Board and will continue in this role, alongside her new responsibilities. ■

New rules for AMCT

On 30 July members of the ACT approved a special resolution to amend the Articles of Association giving AMCTs a vote at both general meetings and in Council elections and the ability to stand for up to four seats on Council. This is an important step forward in ensuring the ACT is truly representative of its membership. Council, as the governing body of the ACT, should consist of an appropriate balance of individuals covering all grades of membership, levels of seniority and experience.

Notice of the forthcoming Council elections and nomination forms for the four vacancies arising for the term commencing 1 January 2004 will be sent out in September. There are also a number of other opportunities for becoming more involved with the ACT and helping it to achieve its goals and objectives. If you would like to discuss how you could make a valuable contribution to the future development of your association, perhaps by joining a committee or working group or by standing for Council election then please contact Richard Raeburn on +44 (0)20 7213 0734 ■

RISK MANAGEMENT

Fresh hedges

Traditional foreign exchange (FX) hedging strategies are potentially becoming "myopic" and "questionable" in light of other options, according to new research from Merrill Lynch (ML).

"Corporates are looking beyond translation and transaction risks and questioning the use of traditional strategies" said Alex Patelis, Senior FX Strategist at ML.

Typically, analysts and companies measure transaction risk by presenting a breakdown of sales or earnings by region and using a variety of instruments and tenors to hedge translation or transaction risk. The ML study argues that such strategies may be flawed as companies typically hedge over a one- or two-year horizon implicitly, assuming, incorrectly, that FX trends are reversed within that period. Second, hedging through the application of foreign exposure percentages is too rigid as it often ignores competitive impacts of currency movements and therefore falls short of providing a true economic hedge. **www.ml.com**

■ *bfinance*

FORTHCOMING EVENTS

REGIONAL GROUPS

South West – Managing Risk, Joint meeting with AIRMIC
3 Sept 2003, 18.30 Royal Bank of Scotland Account Management Centre, 740 Waterside Drive, Aztec West, Bristol.

For more information, contact Anna McGee at amcgee@treasurers.co.uk, tel. 020 7213 0719 or check our website at www.treasurers.org/membership/rgoevents.cfm. See p11 for events listing.

IN BRIEF

The 2003 ACT/JPMorgan Fleming Asset Management International Cash Management survey is still available for treasurers to complete. The survey provides a greater understanding of, and insight into, current cash management practices of corporate treasurers and trends in liquidity management.
The survey has become the definitive benchmark for providers in understanding their market position and how they want to position themselves in the future. A hard copy can be obtained by calling JPMorgan Fleming on 020 7742 5982 or by visiting **www.jpmorganfleming.com/liquidity** or **www.treasurers.org**, where copies of previous years' surveys are also available.

JPMorgan Treasury Services has announced enhancements to its Trade Origination Process (TOP) and Trade Information Exchange (TIE) products. The two provide online initiation, execution and management trade activity from global locations. **www.jpmorgan.com/ts**

Trade finance firm **LTP Trade** has upgraded Trade Edge, a web-based application that manages overseas sales financing, provides the front-end, allowing the global network of 240 banks and 800 individuals who have access the ability to exchange financial products online. Trade Edge is plugged into a salesforce.com back-end, enabling, LTP Trade hopes, the management of its customer and partner relationships more easily. **www.ltptrade.com**

Reuters will add GFI Group's credit default swap data and FENICS Credit pricing tools to its range of solutions. The FENICS products and GFI's credit reference page will now be accessible to subscribers of Reuters desktop products. **www.reuters.com**. **www.fenics.com**. **www.gfigroup.com/portal/index.jsp**

SimCorp has released the latest version of its investment management system, Dimension. Advances include increased front-office solutions, such as a Client Manager function and Portfolio Modelling and Rebalancing, in addition to other new processes and support systems. **www.simcorp.com**

TradeCard has set up a partnership with Maersk Logistics to offer TradeCard's financial supply chain services to Maersk Logistics clients. The systems will be integrated to allow cargo receipts from Maersk Logistics' internal systems to be electronically forwarded to the TradeCard Platform. **www.tradecard.com. www.maersk-logistics.com**

ASSET-BACKED SECURITIES

Europe calls

Corporate and governmental interest in securitisation is growing as other forms of funding become more expensive or hard to arrange, according to Standard & Poor's (S&P).

Their research found that as established players in Europe continue to securitise more frequently and use increasingly diverse assets, new countries are preparing to enter the market. Greece, for example, passed a new law governing securitisation this year which should help increase use of structured finance products and interest is growing in eastern Europe and Scandinavia.

Funded European ABS issuance rose to €14.9bn in the first half of 2003, from €12.9bn in the corresponding period of 2002, according to S&P. The group said Italy is still the leading European ABS market, accounting for almost 50% of all European issuance.
www.standardandpoors.com

Hybrids growing

'Hybrid' corporate securitisations are growing across boundaries, time horizons and asset classes, according to another report by S&P, which found that the development of hybrid transactions is expanding rapidly in Europe and the US. These types of transaction transcend legal boundaries, posing interesting challenges for the originator and rating agencies, said S&P. From a ratings standpoint, it continued, agencies assess the underlying business risks, along with the financial risks, so that any significant improvement or deterioration in the business may lead to a rating change.
www.standardandpoors.com

BANKING

SMEs let down

UK banks are failing the small- and medium-sized enterprise (SME) finance market, and banks on mainland Europe should be given the chance to offer their services, according to a report by the Association of Certified Chartered Accountants (ACCA), *Can European Banks Plug the Finance Gap for UK SMEs?*.

According to the report, increased competition from European banks would improve access to finance and potentially lower pricing for smaller UK companies. Few European banks have access to the UK SME market, with most mainland European banks barred from providing finance to UK SMEs and only 10 banks serving the lucrative and liquid market – the top four UK clearing banks share 89% of the market.

The ACCA also said that the short-termism of UK banks was not in evidence among most of the European banks, who showed evidence of a greater degree of knowledge of the business sectors, as a result of specialisation, than is typical in the UK.
www.acca.co.uk

UPC loan ruling good for stability

The recent verdict of an English court on whether minority lenders under a syndicated credit facility were bound by a decision of the majority lenders to waive a borrower's default has brought certainty to the lending market, according to law firm Linklaters. The case of Redwood Master Fund Ltd and Others v. TD Bank Europe Ltd and Others concerned a three tranche credit facility for Dutch cable company United Pan European Communications (UPC). The verdict of Mr Justice Rimer was that the majority lenders negotiated a restructuring with UPC in good faith.

The verdict "brings certainty to the market," said Marc Isaacs of Linklaters. "A finding in favour of the claimants (minority lenders) could have paralysed restructurings of syndicated loans, enabling a disgruntled lender to hold its co-lenders to ransom wherever an amendment to a loan was required."

He added that although majority lenders have an advantage over minority lenders, they still need to demonstrate that they have acted in good faith "in pursuit of a greater purpose."
www.linklaters.com *bfinance*

PERCENTAGES

PRIORITIES FOR TREASURERS
Treasury Strategies, Inc.'s annual Corporate Treasury Survey for 2003 suggests that the slow economy has been the single largest factor to influence corporate treasurers' priorities for 2003. Among the key findings, six points stand out: liquidity management tops the list of issues; treasurers have limited influence on working capital management decisions; treasury staffing levels are stabilising; Sarbanes-Oxley is a key corporate concern, but not driven by treasury; the trend toward centralisation continues; and, use of treasury technology is expanding. **www.treasurystrategies.com**

DIP IN USE OF TMS
The use of treasury management systems (TMS) by corporates and financial institutions has seen a slight dip, but generally stabilised, according to research conducted by Greenwich Associates. Of 1,300 institutions polled, 43% said they used TMS systems, down from 46% a year earlier. **www.greenwich.com**

IMPROVING GOVERNANCE
Research carried out by KPMG among CFOs and FDs has shown that companies are actively getting behind the need to improve governance. Around 44% stated that "achieving genuine improvements" was the most important driving factor in their approach. **www.kpmg.co.uk**. *bfinance*

MONEY MARKET FUNDS
Part 1. Asset values of offshore money market funds (MMFs) have risen for the second year in a row, although growth slowed in 2003, according to research by iMoneyNet. **www.imoneynet.com**
Part 2. Following the relaxation of the rules governing cash management for local authorities (LA) in April 2002, LA treasurers have embraced both MMFs and the government's debt management account deposit facility (DMADF), according to a survey by JPMorgan Fleming. But about half of LAs think the new rules are still too restrictive, particularly in terms of the 364-day limit on security duration. **www.jpmorganfleming.com/institutional**

OUTSOURCING PRIMED FOR GROWTH
The outsourcing of the corporate finance function, whether offloading a basic payroll mandate to the more extreme case of outsourcing the entire treasury, is primed for growth, according to a worldwide survey by Accenture. While cost savings and increased productivity are key motivators for outsourcing, finance and accounting outsourcing is increasingly being used as a catalyst for business transformation. **www.accenture.com**. *bfinance*

COMPLIANCE-RELATED RISKS
A new study by PricewaterhouseCoopers and the Economist Intelligence Unit shows that companies leave themselves vulnerable to reputational damage with their customers, the regulators and other stakeholders by falling down on compliance issues. **www.pwc.com/financialservices**

EC NEWS

Single payment area takes effect

On 1 July, the EC regulation on cross-border payments took effect for low-value euro transfers between bank accounts. The EC regulation requires that banks in the EU offer cross-border credit transfers in euro at the same price as corresponding domestic transactions.

However, he said, for these objectives to be achieved, the market for goods and services must be able to rely on efficient, cheap and secure payment systems and instruments.

The EBA has announced that 31 banks are now live on its Step 2 pan-European automated clearing house which enables banks to automate low-value, high-volume bulk payments in euros within the EU. **www.abe.org**. **www.europa.eu.int** ■

For more on this, see article on p36.

Single passport nears

The EU's Council of Ministers has now adopted the EC directive on prospectuses, which should make it easier and less expensive for companies to raise capital throughout the EU. Under the directive, a prospectus will require approval from only one country's regulatory authority to be valid across the EU. The EC said this will reinforce protection for investors by guaranteeing that all prospectuses, wherever in the EU they are issued, provide them with the clear and comprehensive information they need to make investment decisions. The directive forwards the plan for a 'single passport for issuers', making securities available to investors either through a public offer procedure or by admitting their shares to trading. **www.europa.eu.int/comm/internal_market/en/finances/mobil/prospectus_en.htm** ■

For more on this, see article on p26.

Capital adequacy

A third consultative paper on the proposed new capital requirements framework for banks and investment firms has been published by the Commission. The goal is to ensure that the revised EU Directive is of the highest quality. The framework is expected to come into effect at the end of 2006, in line with Basel II. **www.europa.eu.int/comm/internal_market/en/finances/capitaladequacy/index.htm** ■

E-BANKING

BIS launches paper

The Basel Committee on Banking Supervision has published its final paper on management and supervision of cross-border electronic banking activities, which was initially released for consultation in October 2002 and complements the Committee's Risk Management Principles for Electronic Banking. According to the group, the final papers do not differ significantly compared with the consultative versions. **www.bis.org** ■

SOURCES • bfinance.co.uk • **The News section was compiled by Denise Bedell** • **Press releases should be addressed to mhenigan@treasurers.co.uk.**