



WORKS IN PROGRESS?

As in July/August, many of our topics here remain works in progress. At the time of writing, Grexit appears dead as funding for Greek banks is being negotiated to enable the local economy to resume activity. The ACT has responded to the EU on the European Market Infrastructure Regulation to call for single-sided reporting to trade repositories. Meanwhile, HM Treasury has called for input on card interchange fees, the CHAPS day is lengthening and lease accounting rules will change.



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{ IN DEPTH }

ACT COMMENTS ON TRADE REPOSITORY REPORTING

The ACT has lodged a response to the EU consultation document on the European Market Infrastructure Regulation (EMIR). In our response, we have argued for a single-sided reporting (SSR) obligation and for conformation of the collateralisation obligations of the EU with those of the US. This is because the current difference reduces the competitiveness of EU-based commodities businesses relative to those of the US. To see our response, visit www.treasurers.org/ACTmedia/EMIR_Consultation_Response_August_2015.pdf. To see the consultation document, visit <http://tinyurl.com/p2jurkm>

As discussed in our last Technical Briefing (see *The Treasurer*, July/August 2015, page 10), there is recognition that the transaction-reporting process has not produced data of a quality appropriate to its purpose and that SSR may provide cleaner data, which regulators can use more fruitfully. We are also

seeking the removal of the obligation for non-financial counterparties to report on their trades.

Meanwhile, the EU has readdressed the repo market through the Securities Financing Transactions (SFT) Regulation as part of a broader concern to understand the scope and depth of the markets in which securities are traded as collateral. Its concern is that the reliance on collateralisation to mitigate market risk would require pools of collateral to be available in order to be borrowed and lodged.

The outcome has been to place an obligation on SFT market participants to report their transactions to a trade repository. Only SMEs would be exempted and so those corporates that use the repo market to enhance their yields and counterparty diversification will need either to arrange to report their transactions into a trade repository or delegate the action, but not their obligation.



{ WATCH THIS SPACE }

SETTLEMENT DAY IS EXTENDED

The Real Time Gross Settlement infrastructure is the system through which the Bank of England fulfils its role as settlement agent for the main sterling payment systems. It does this by enabling direct participants in these systems (the CHAPS and CREST settlement banks) to settle their interbank obligations in central bank money. This includes banks making payments on behalf of corporate clients.

The Bank of England has announced that, from summer 2016, the CHAPS and CREST settlement day will be extended to align more closely with the business day. This should result in greater

flexibility for end users, given the greater time zone overlap with other important financial centres, and the opportunity to make high-value transactions later in the business day.

The ACT is already working with the Bank of England and the service providers to ensure that the potential benefit is passed on to end users, but we would like to hear from you if you have any specific concerns about how this may impact your ways of working going forward. Please contact Sarah Boyce at sboyce@treasurers.org

For further information, visit www.bankofengland.co.uk/publications/Pages/news/2015/059.aspx



YOUR SHOUT

If you have views on what you would like the ACT policy and technical team to take into account when responding to any of the subjects on these pages, or if you have your own submission that you are willing to share on these or other consultations, please email us at technical@treasurers.org



{ TECHNICAL ROUND-UP }

FOCUS ON FEES

Multilateral Interchange Fees for card payments (MIF Regulation (EU) 2015/751) entered into force on 8 June, with application from 9 December 2015. The ACT has responded to HM Treasury and the Payment Systems Regulator on the implementation of these new rules on the interchange fees element of credit and debit card transaction charges. See www.treasurers.org/ACTmedia and <http://tinyurl.com/oax9tgp>

Imposition of the new interchange charges may impact on those corporates that accept debit cards for transaction values in excess of £25 because these will have *ad valorem* interchange fees, whereas they have previously been a flat charge for many corporates, thereby reducing the long-standing advantage of debit cards over credit cards.

Regulation of benchmark users' fees has followed on from the Fair and Effective Markets Review. The Financial Conduct Authority has recently published a consultation paper on 'fair, reasonable and non-discriminatory access' to regulated benchmarks. The paper sets out proposals for benchmark administrators to charge users fees and licences, noting that different fees can be charged to different users only where this is objectively justified.

The ACT has responded to note that corporates do not use benchmarks for trading, but typically to agree periodic settlements and therefore object to onerous fees and the administrative processes foreseen by the review. See www.treasurers.org/FRAND-response-August2015



View the following technical updates and policy submissions at www.treasurers.org/technical and www.treasurers.org/events/webinars

USA Foreign Bank Account Reports regulation – for an update on changes to this reporting obligation on US businesses, including those owned by parties outside of the US, see <http://tinyurl.com/pd9zf2v>

UK Financial Reporting Council responds to European Commission's Recommendation on the quality of corporate governance reporting. See <http://tinyurl.com/qxztldr>

EACT report on regulatory issues 1 July 2015, including an update on the financial transaction tax, money market funds and bank ring-fencing. See www.treasurers.org/node/9894

A reminder of The Treasurer's Wiki: www.treasurers.org/wiki



MATT KENYON/IKON IMAGES

{ INTERNATIONAL }

IASB PRESSES AHEAD WITH LEASE ACCOUNTING

> The International Accounting Standards Board (IASB) has completed its re-deliberations regarding the new accounting standard on leases, which is expected to be issued before the end of 2015.

This new accounting standard will require lessees to recognise assets and liabilities for all identified leases, whereas IAS 17, *Leases*, only required assets and liabilities for finance leases to be recognised on the balance sheet.

For many companies, this will result in a grossing-up of the balance sheet, potentially impacting financial covenant ratios that include 'debt', 'net financial position' or similar indicators. EBITDA is also likely to increase and the interest cover ratio could potentially decrease because of the reclassification of the current operating lease expense.

Under the new standard, lease expense is split into two, with interest on lease liabilities classified as finance (interest

cost, and amortisation of lease assets as depreciation of property plant and equipment (generally in operating expenses).

Of course, financial covenants based on 'Frozen GAAP' (ie accounting standards effective at the date of the loan agreement) will not be directly affected.

The European Financial Reporting Advisory Group and the IASB, together with the National Standard Setters of France, Germany, Italy, Lithuania and the UK, are carrying out a public survey to understand the extent to which financial covenants are based on figures reported in accordance with IFRS.

Treasurers are encouraged to complete questions 1 and 10 of the survey, which closes on 30 September 2015. See <http://tinyurl.com/oj87jlv>

The IASB will issue a feedback statement in order to share the results of the public survey.