

{ CAPITAL MARKETS AND FUNDING }



G20 ENTREPRENEURS STARVED OF FUNDING

Nearly three-quarters (70%) of entrepreneurs across the G20 countries struggle to get funding in their country, new research has found.

This is despite the fact that half believe that improved access to funding is the most effective way to secure entrepreneurship.

According to the *EY G20 Entrepreneurship Barometer 2013*, which captures the views of more than 1,500 entrepreneurs throughout the G20, the US is the top-ranked country for funding, followed by the UK, China, Canada and Australia. But funding continues to be a significant challenge in many G20 countries, with 45% of entrepreneurs in Italy and 40% in Argentina describing it as "very difficult" to get hold of.

Bank lending remains the most important source of funding for entrepreneurs across most G20 countries, but few thought it was becoming more accessible. Similarly, access to venture capital is restricted, with just 34% of entrepreneurs across the G20 saying that it's getting easier to secure.

Entrepreneurs were pessimistic about initial public offerings (IPOs) as a source of funding. Just 19% of those surveyed thought that IPO market conditions were improving in their country, versus 32% who felt they were deteriorating.

Tax and regulation were other concerns for entrepreneurs, the survey found. More than half (56%) of entrepreneurs argue that reducing the corporate income tax burden on small businesses would improve the long-term health of entrepreneurship in their country. Meanwhile, 54% think that simplifying tax rules and regulations is vital.

Only a third of entrepreneurs (35%) believe it has become easier to start a business over the past three years.

{ KEY FINDINGS OF THE EY G20 ENTREPRENEURSHIP BAROMETER 2013 }



46%
of entrepreneurs who are aware of crowdfunding say that it has improved in their country

#1
the US is the world's leading country for funding entrepreneurs

84%
of entrepreneurs want tax systems to be simplified

15%
of entrepreneurs think their country has a culture that fully appreciates entrepreneurship

Argentina comes bottom in the ranking of G20 countries for providing access to funding

63%
of entrepreneurs in India believe that access to venture capital in the country has improved

#20

{ AROUND THE WORLD IN 30 DAYS }

RISK, RECEIPTS AND RECORD BOND ISSUE**Boards gloss over risk**

Communication between chief risk officers (CROs) and the board needs improvement, a survey of European risk managers by Harvard Business Review Analytic Services has found. According to the research, key risks are regularly conveyed to the C-suite at 70% of organisations, but just 17% of respondents described communication between the C-suite and the CRO as being comprehensive or almost so. More than one in four (29%) expressed concern about a 'good news culture' that meant management did not receive unvarnished information on risk.

Taiwan treasurers turn to CNY

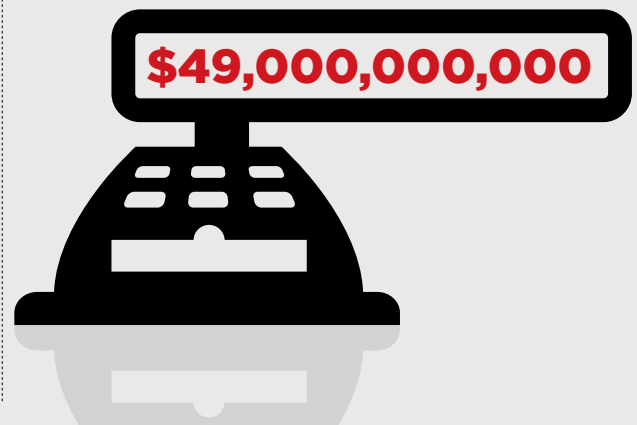
A quarter (24%) of treasurers in Taiwan are currently making payments and collecting receipts through an offshore renminbi (CNY) account, a poll by Bank of America Merrill Lynch and SunGard has found.

Significantly, the percentage of Taiwanese companies making payments and collecting receipts through a CNY account is greater than that of Hong Kong (23%), China (20%), Singapore (18%) and Japan (17%). Meanwhile, the regional average for companies in Asia-Pacific using CNY is just 16%.

Verizon sells record \$49bn in bonds

US communication company Verizon pulled off the largest bond sale

in history last month when it sold \$49bn in corporate debt. It will put the cash towards buying out Vodafone's 45% stake in the Verizon Wireless joint venture, which will cost around \$130bn. The bonds were sold in eight tranches, with maturities ranging from three to 30 years. For 10-year bonds, the coupon was 5.19%, climbing to 6.56% for the 30-year issue. Demand from investors resulted in an order book that reportedly approached \$100bn.



{ LETTERS TO THE EDITOR }

WHY TREASURERS MAKE GOOD CFOs

I, for one, believe that a treasurer can become a very good CFO given the nature of the work he/she does, which encompasses a lot of business-related operations. (See page 18 of *The Treasurer*, September 2013.) Take, for example, a treasurer in a bank, who will be well rounded in all forms of risk, cash, funding and the asset-liability committee. With appropriate professional qualifications, the treasurer can make a distinguished CFO.

Mudenda Syamujaye

Chief treasurer, Cavmont Bank, Zambia



PLOT YOUR PATH TO THE TOP

In a lot of companies, the CFO does anything that isn't operational, so HR, IT, even facilities management, managing the office manager, insurance – it's a long list.

Why not just express your ambition to the CFO and ask what skills you are deficient in? If they like you, they'll tell you and if they don't like you, they'll tell you anyway to get you out of their hair. Either way, you're in a no-loss position.

The problem is when the CEO decides to appoint a 'known' quantity from outside the company instead of promoting from within. There's nothing you can do then. It's too late and the decision will have been made with the knowledge that there will be collateral damage and some of the team will go. So, before you get to that point, make yourself invaluable and known to be resourceful. Then the decision will be closer, ie better the devil you know.

Andrew Pinto

Director, treasury and financial analysis, Terrace Hill Group

READERS MAIL



WHAT'S WRONG WITH EMIR?

A major point of contention for us with regard to the European Market Infrastructure Regulation (EMIR) has been what is classified as a hedge trade as opposed to 'speculative' for calculating gross notional volumes for the clearing threshold.

While most corporates will hedge certain balance sheet risks or cash flows, we have a number of scenarios where, while we are hedging an 'exposure', it is hard to really consider a specific trade as a hedge.

As a shipping company, we have exposures to interest rates due to some types of financing for our fleet. It is not unknown to enter into a 'pre-hedge' interest rate swap for an exposure that we know we will have in the future, but that we do not have final and exact details on. This could potentially cause an issue for us going forward since we may have to consider this scenario as a 'non-hedge' trade because, at time of trading, we do not have definitive exposures to hedge, just a broad idea.

Also, within FX, if we want to sell put options on USD/JPY or sell call options on EUR/USD, we believe that technically writing a put option cannot be considered a hedge against a specific cash flow. Why we would consider this a hedge is that with the premium received for trades such as this, once that is aggregated into the accounts against the physical cost of purchasing a foreign currency on the market, it brings down the average funding price across different currencies. This still seems to fall outside the remit of a 'hedge'

under the definition in EMIR, as writing an option does not mitigate a 'direct' or 'tangible' risk (matching volumes/delta/maturity dates, etc).

There are some other issues that no one has been able to help with. How does one account for the notional volumes on structured products such as target redemption forwards? Do we take the maximum notional volume being a*b for all fixings and add both the short puts and long calls in a structure like this? Or do we only count one side? Even though the delta on these products can, at times, be reasonably small, the potential notional volumes can be huge.

Then, of course, there are the costs – the costs associated with having to report trades, the costs associated with the initial adherence to EMIR, the costs associated (time and personnel) with having to backlog over a year's worth of trades to 12 August 2012 and reconcile and report these. There will be costs associated with clearing houses for any corporates that cross one of the 'thresholds'. Will our banking partners report trades on our behalf? Will they do this for free or is there a charge?

It all seems very messy and the fact that even market regulators seem to have little idea what is going on is cause for concern.

Julian Cafolla ACSI, AMCT
Assistant group treasurer,
d'Amico Shipping Group

The Treasurer always welcomes letters from our readers. Please email editor@treasurers.org