

Crunch European bank tests fail to quell doubts

REUTERS, London/Madrid

Eight European banks have failed a test of their ability to withstand a long recession and will have to raise just 2.5 billion euros (\$3.5 billion) of capital, significantly less than expected.

The European Banking Authority said five banks in Spain, two in Greece and one in Austria flunked the "stress test", which made 90 lenders reveal for the first time their profit forecasts, a breakdown of their sovereign bond holdings and funding costs.

Expectations were for five to 15 banks to fall short and need to raise 10 billion euros or more in capital, prompting analysts to question how credible the test was.

It did not build in the impact of a sovereign Greek default, which most economists say will happen in some form.

"With only eight banks failing and the requirement for these banks to raise 2.5 billion in capital, it wasn't the solution to restore confidence. What was needed was for more banks to fail and for more capital to ultimately be raised," said Michael Symonds, credit analyst at Daiwa Capital Markets in London.

The euro hit a session high versus the dollar and safe-haven U.S. Treasury bonds pared gains in response to the report.

What the report does provide is a much greater level of detail on banks' exposures than previously, which may allow investors to take a sharper judgment next week.

The EBA said maximum transparency would allow ana-



AFP

A man walks in front of an office of Spanish bank Banco Pastor in Madrid. Five Spanish banks have failed the European Union bank stress tests, including Banco Pastor, making up the bulk of the eight failures in the bloc, the Bank of Spain said.

lysts to run their own tests and remove some uncertainty.

The banks had serious reservations.

"It was not politically palatable for the tests to consider an inevitable Greek default," said Jason Karaian, economist with The Economist Intelligence Unit.

"Analysts have no such qualms, and will be poring through the report and running their own tests over the weekend. These will be much tougher, and as a result there will be more failures and a larger capital shortfall."

Banks were deemed to have failed if they slid below a 5 per-

cent core capital pass mark in the face of a theoretical slide in stock, bond and property prices during a two-year recession.

A further 16 banks passed the 5 percent mark by a small margin and will also have to take action.

Failed banks must now plug capital shortfalls by the year-end, with their home government ready to step in with taxpayers' money if needed. Lenders that scrape through the test will also be expected to shore up their capital buffers. The "nearly failed" have until April 2012.

"Under a more realistic test, the actual capital shortfall is

likely to be at least ten times the official estimate of 2.5 billion euros," Karaian said.

The International Monetary Fund has warned Europe it is taking too long to rebuild its banking system and has lagged repair work done in the United States since the financial crisis, while the threat of the Greek debt crisis spreading to bigger countries such as Spain and Italy has rattled investors and dragged European bankshares to a two-year low.

Critics say the health check failed to reflect market expectations that Greece will default on its debt in some form, which

Murdoch lieutenant quits Dow Jones

REUTERS, New York

Les Hinton, the top executive of Rupert Murdoch's Dow Jones & Co, resigned on Friday after becoming a target of criticism for the phone-hacking scandal that occurred when he oversaw News Corp's British newspapers.

Hinton stepped down as the British phone hacking scandal surrounding News Corp began to spread to the United States. He is the highest ranking executive yet to resign over a crisis that closed down the News of the World tabloid and scotched News Corp's \$12 billion attempt to buy out BSKyB.

"I have watched with sorrow from New York as the News of the World story has unfolded," Hinton wrote in a memo to staff after resigning as chief executive of Dow Jones and publisher of The Wall Street Journal.

"That I was ignorant of what apparently happened is irrelevant and in the circumstances I feel it is proper for me to resign from News Corp, and apologise to those hurt by the actions of the News of the World," he added.

At the Wall Street Journal, news of Hinton's departure was greeted by gasps and a stunned silence, despite much speculation in both London and New York that he could be toppled by transgressions that occurred on his watch.

Hinton's resignation came on the same day that another top Murdoch confidante, Rebekah Brooks, stepped down as chief of News International, which is responsible for all Murdoch's British papers. Brooks worked under Hinton when she was News of the World's editor and he ran News International.

News Corp is attempting to quiet the storm surrounding revelations of telephone hacking at News of the World. The resignations follow News Corp's decision to abandon a \$12 billion plan to buy full control of pay TV operator BSKyB.

A person close to the company described Hinton as "the ultimate company man" who had come to the conclusion that someone had to take full responsibility for the hacking that occurred under his watch.

The decision was made over the past few days, following back-and-forth discussions with Murdoch, the person said, adding that the final say came down to Hinton.

Iran and China ink agreements totalling \$4b

AFP, Tehran

Iran and China on Saturday signed a series of agreements worth \$4 billion (2.8 billion euros) for infrastructure projects as part of a broader bid to boost trade volume between the two nations, Iranian state media reported.

The bilateral agreements span cooperation in water, mining, energy and industrial sectors.

As part of a \$500 million (354 million euros) deal, China agreed to provide Iran with 60 energy recovery incinerators, which are to be installed within a year in major cities and in Iran's northern tourism hub along the Caspian sea.

China also pledged to boost its imports of Iranian mineral products, state TV reported.

Iran's Vice President Mohammad Javad Mohammadi-Zadeh told the television that China was Iran's leading economic partner, with last year's trade volume reaching \$30 billion (21 billion euros).

The agreements were signed during a visit by He Guoqiang, a senior executive of the Chinese Communist Party, who heads a delegation visiting Iran. He was received by Iranian President Mahmoud Ahmadinejad.

"The main objective is to quickly bring our economic and trade exchanges to \$100 billion," Ahmadinejad said during Saturday's meeting, according to his website.

"China, with a strategic vision, wants to strengthen its cooperation with Iran, because it is in the interest of both nations as well as regional countries," He Guoqiang was quoted as saying by the website.

Oracle targets Larry Page in Google patent lawsuit

AFP, San Francisco

Oracle is asking a US judge to order Google co-founder Larry Page to undergo questioning in a patent suit pitting the business software titan against the Internet giant.

"(Page) reportedly made the decision to acquire Android Inc., and thereby develop and launch the platform that Oracle now contends infringes its patents and copyrights," Oracle lawyers said in a letter to the court.

"Oracle believes that Mr. Page's testimony will likely be relevant with respect to a number of other key issues in this case as well, including the value of the infringement to Google," the letter continued.

Oracle pointed out to US Judge Donna Ryu that Google has asked to depose its chief executive, Larry Ellison, in the case.

Oracle is accusing Google's Android software of infringing on Java computer programming language patents held by Oracle stemming from its recent purchase of Java inventor Sun Microsystems.

Google has denied the patent infringement claims and said it believes mobile phone makers and other users of its open-source Android operating sys-

tem are entitled to use the Java technology in dispute.

Oracle already deposed Google senior vice president of mobile Andy Rubin, a co-founder of the Android startup that Google bought in 2005.

Google opposes the bid to question Page and three other current or former executives in the final weeks of the discovery process, arguing that Oracle was "gnashing its teeth with an eleven-hour attempt to cram" in more depositions.

Page could wind up testifying, given a notice by District Court Judge William Alsup that he intends to dig into whether Google opted to infringe on Sun patents to avoid the cost of licensing the technology.

"It appears possible that early on Google recognized that it would infringe patents protecting at least part of Java, entered into negotiations with Sun to obtain a license for use in Android, then abandoned the negotiations as too expensive, and pushed home with Android without any license at all," Alsup said Tuesday in court documents.

Alsup advised Oracle and Google to be prepared to address the issue at a hearing in US District Court for the Northern District of California in San Francisco.

World's biggest diamond hub suffers hit in Mumbai blasts

A private security guard stands next to a sign that reads "Diamond market shut" at Opera house, one of the sites of Wednesday's triple explosions, in Mumbai.

REUTERS

REUTERS, Mumbai

One of this week's deadly Mumbai blasts scattered diamonds, possibly worth millions of dollars, onto the street but has not convinced traders to abandon their hub in the heart of the city for a purpose-built diamond bourse in the suburbs.

About 60 percent of the world's diamond processing passes through the Opera House area in south Mumbai, site of the most powerful of the three coordinated blasts, which killed 18 people and injured 133 others.

Generations of merchants, mostly from the Gujarati community that also dominates Mumbai stockbroking, have developed a unique culture of security over the years, using the area's dense crowds to their advantage.

"Diamonds move from office to office unseen. People carrying them are not identified and there is security in the anonymity," said Rajiv Popley, director of Popley Group, which has a store in the main building and a retail network in India and Dubai.

Traders carry the diamonds in their pockets, often rolled in tissue paper. They dress casually, blending with the thousands of commuters that pass through the nearby rail station.

Mumbai's diamond trade began

about 40 years ago in what is now the main building, Panchratna, which means five gems in Hindi. The bourse has since expanded into about 10 buildings, with up to 4,500 stores. All vaults are housed in Panchratna.

Traders from Belgium and Israel are often seen in the small shops with metallic shutters set along a cobblestone street.

The new Bharat Diamond Bourse complex, which opened in October, is spread over 20 million square feet in the Bandra-Kurla complex in suburban Mumbai, home to global banks and other multinationals, and nearly deserted after dark.

India's newer and larger National Stock Exchange is also housed in Bandra-Kurla; the Bombay Stock Exchange, Asia's oldest, remains in south Mumbai's traditional trading district.

Shaped like a diamond, the new bourse has 2,500 offices and formal security, including armed guards, a feature absent in the Opera House area, where merchants carry their diamonds every evening to the vaults at Panchratna, which close at 7 p.m.

"The new site will not allow such things moving in and out for security reasons, and that will hinder the security of the people if they have to

declare they are carrying diamonds. Also, it is not a crowded area and anyone entering or leaving can be a target for robbery," Popley said.

Wednesday's blast came just as most merchants were carrying their diamonds to the vaults. The site was sealed after the blast, and the fate of the diamonds is not known, traders said.

Diamonds are big business in India.

In the year through March 2010, India imported 150 million carats of rough diamonds and exported 59.9 million of cut and polished diamonds valued at \$18.24 billion.

India processes 7 in 10 of the world's diamonds, with 90 percent of those sold in the Opera House area.

Most traders live in south Mumbai and don't want to make the longer commute, often with their diamonds, to Bandra-Kurla.

"We don't have formal security here, but there is intelligence, and that is more valuable than armed guards. We know who is going in and out with what, but outsiders don't have to know," said Akshay Doshi, who owns a store in the Opera House area and does not want to move.

"The blast happened outside the bourse. Not inside."



AFP

Japan's auto giant Nissan Motor President Carlos Ghosn (C) signs his autograph as he inspects the Honmoku wharf facility, which has recovered from March 11 earthquake in Yokohama, suburban Tokyo yesterday. The facility has the company's largest parts supply and shipment centre and also vehicle shipment port.