

Banks pay for past sins as US, Europe levy record fines

REUTERS, London

US and European regulators fined banks record amounts this year, imposing penalties and settlements of more than \$43 billion as authorities work more closely across borders to clean up the financial sector.

Banks in the United States and Europe are paying for misconduct that includes mis-selling US mortgage bonds, rigging interest rates, and risky transactions such as JPMorgan's "London Whale" trades.

Regulators across the globe are making banks dig far deeper than in the past for their misdeeds, led by US authorities who have long been more aggressive and imposed penalties more than 10 times those meted out in Europe.

Fines and settlements paid to US federal and state authorities have cost banks more than \$40 billion this year, according to Reuters estimates, led by JPMorgan's record \$13 billion payout last month to a number of regulators for mis-selling mortgage bonds.

European authorities handed out record fines of more than \$3 billion. The bulk was due to the European Union's anti-trust regulator's record 1.7 billion euro fine this month against six financial firms for manipulating Libor and Euribor benchmark interest rates.

Two trends are clear: regulators are slapping bigger fines on banks in an effort to clean up standards; and regulators appear to be working better with each other as they all strive to get a piece of any payouts.

"The level of cooperation and coordination between international regulators is an increasing threat to regulated firms," said Richard Burger, partner at British law firm RPC.

"There is enormous political pressure on every single regulator to be seen to be taking their pound of flesh when there is a regulatory failing that crosses borders," he said.

Many firms are also more willing to settle early to avoid political or public backlash and there is more reporting of misconduct and whistleblowing, industry sources said.

That is likely to leave banks facing the prospect of more big fines and settlements next year.



REUTERS

The headquarters of JP Morgan Chase & Co in New York.

Banks still face scrutiny over a long list of issues in the United States, and when the European Commission imposed its interest rate settlement it vowed to keep probing rate-rigging.

Britain has fined banks and other financial firms and individuals 472 million pounds this year, up 50 percent from 2012 and the third consecutive record year.

Almost three-quarters of the payments stemmed from investigations conducted with overseas regulators, mainly in the United States, who also imposed hefty penalties.

Britain fined 45 firms or individuals, the lowest since 2009, but the average payment jumped to 10.5 million pounds, almost double a year ago and nine times the average of 2011.

Tracey McDermott, the British regulator's head of enforcement and financial crime, said firms had been told they needed to take a long term view about how to serve customers and markets and the fines levied were part of achieving that goal.

"The financial services industry has to move on from a culture where it rewards revenue generation above all else," she said.

Few other European countries levied fines. The Swiss financial regulator brought in 6.1 million Swiss francs from the disgorgement of profits from two cases, and the Dutch Public Prosecutor fined Rabobank 70 million euros alongside a settlement with US and UK authorities for the manipulation of Libor.

Rabobank's payouts showed how countries differ. The bank paid out 774 million euros in fines - three-quarters sent to US

regulators, 16 percent sent to Britain and 9 percent was for its home regulator.

Payments in the United States are swelled by the large number of watchdogs involved, including national authorities such as Fannie Mae and Freddie Mac, the National Credit Union Administration (NCUA) and the energy market regulator, as well as individual states.

JPMorgan's mortgage bond settlement, for example, included a \$2 billion civil penalty with the Justice Department, \$1.4 billion to the NCUA, \$4 billion in relief for consumers, and payouts to five states, including \$299 million for California and \$20 million for Delaware.

Its US rivals Bank of America and Wells Fargo have also paid out billions of dollars and European rivals UBS, Deutsche Bank and Royal Bank of Scotland have also had

US cites 'many concerns' over China business practices

AFP, Washington

The United States said Tuesday it harbored "many concerns" over China's business practices, despite significant progress since the country's 2001 accession to the World Trade Organization.

The United States Trade Representative (USTR) issued its findings in its annual report to Congress on China's compliance with WTO regulations.

"While progress was made on some meaningful issues ... many issues of concern remain," the USTR report said.

The United States has denounced Beijing's practices before the WTO on numerous occasions since China was admitted to the WTO, regularly accusing it of limiting foreign companies' access to its domestic market or illegally subsidizing its own industries.

The USTR called on China to "reduce the role of the state in planning the economy, reform state-owned enterprises, eliminate preferences for domestic national champions and remove market access barriers currently confronting foreign goods and services."

The report welcomed an announcement by the Chinese Communist Party in November that the free market should be "decisive" and "dominant" but said Washington wanted to see the rhetoric "translate into changes."

The USTR meanwhile called on Beijing to overhaul its legal structure in order to better protect intellectual property.

"Critical changes to China's legal framework are still needed in several areas, such as further improvement of China's measures for copyright protection on the Internet," the report said.

"Counterfeiting and piracy remain at unacceptably high levels and continue to cause serious harm to US businesses across many sectors of the economy." Indeed, in a study released in 2011, the US International Trade Commission estimated that US businesses suffered a total of \$48 billion in lost sales, royalties and license fees due to IPR infringement in China in 2009.

The USTR called on China to "eliminate the use of unauthorized software at all levels of government and to discourage the use of unauthorized software by enterprises, including

China unveils anti-graft plans, focus on protests, reforms

REUTERS, Beijing

China's ruling Communist Party unveiled on Wednesday a five-year plan to fight pervasive graft, with particular attention on corruption that triggers protests or happens in the course of economic reforms.

President Xi Jinping has launched a sweeping crackdown on corruption since taking power, pursuing high-flying "tigers" as well as lowly "flies" in the government, military, state-owned enterprises and universities.

The party's anti-graft watchdog, the Central Commission for Discipline and Inspection, said in November it would target all senior officials as part of a deeper war on graft, a problem so serious Xi has said it threatens the party's survival. The five-year plan was approved in late August but has only now been released in full, by the official Xinhua news agency.

The commission said the party faced tests in governing, in reform and opening up and danger from being too distant from the people as well as the danger of corruption.

The party must "deepen the struggle for party governance and clean government and fighting corruption to ensure that it always maintains the firmness of its core leadership".

The lengthy statement was full of jargon but short on specific steps the party would take, only outlining areas that would get particular focus, such as protests and accidents like mine disasters which happen because of corrupt officials.

"Sternly probe and handle corruption incidents which are behind mass incidents and major accidents where responsibility can be laid," it said.

About 90,000 "mass incidents" - a



Xi Jinping

euphemism for protests - occur each year in China, of which some two-thirds are triggered by disputes over land. The government has vowed repeatedly to crack down on illegal land grabs, but to little apparent effect.

Forced evictions and land requisitions are widely thought to enrich officials at the expense of residents, as the land is often sold off for huge profit to developers.

The commission also said the party would pay particular attention to corruption which happens in the course of economic reforms, which include the reorganization of powerful state-owned industries.

"Sternly probe and handle commercial bribery and increase punishments for giving bribes," it said.

Xi has not only targeted corrupt practices like bribe-taking, but also extravagance and waste, as he seeks to

assuage public anger over graft in the civil service and Communist Party offices.

While many of those caught up in the anti-graft sweep have been relatively junior, authorities have begun to take on more significant figures.

Last week, the party announced that a deputy minister in the powerful Ministry of Public Security was being investigated for "suspected serious law and discipline violations", which normally means corruption.

Xinhua said on Wednesday that he had been stripped of his posts.

Still, the party has shown no sign of wanting to set up an independent body outside party control to fight corruption, which many experts say is the only way China can really deal with it.

Indeed, the party has gone after activists who have pressed for officials to publicly reveal their wealth. One of

American Express to pay \$75.7m for overbilling

AFP, New York

Credit-card giant American Express Tuesday announced a \$75.7 million settlement to resolve charges that it overbilled consumers and misled customers on services provided.

American Express, a Dow component, will pay \$16.2 million in fines and at least \$59.5 million in customer remediation, the company said.

The customer remediation will go to more than 335,000 customers, said the US Consumer Financial Protection Bureau in a statement. The action also involved the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency.

"We first warned companies last year about using deceptive marketing to sell credit card add-on products, and everyone should be on notice of this issue," said CFPB Director Richard Cordray.

"Consumers deserve to be treated fairly and should not pay for services they do not receive."

The settlement resolves a variety of allegations over AmEx's management of various supplementary products to customers, such as "identity protection".

In some cases, AmEx charged consumers for identity protection services without the written authorization necessary to provide services, the CFPB said.

In other cases, consumers were misled about the benefits of an "account protector" program intended to offer relief after a major life event, such as unemployment or temporary disability.

AmEx said most of the costs associated with the settlements were already accounted for in previous quarters.

Gold-hungry traders tap Indians living abroad

REUTERS, Mumbai

Non-resident Indians are bringing gold into the country by taking advantage of rules that allow each individual to carry 1 kg of the metal, helping traders cope with restrictions on imports during the peak wedding season.

India, vying with China to be the top buyer of gold, has choked imports to narrow its trade gap and curb the outflow of dollars. The measures included raising the import duty to a record 10 percent and making it mandatory to export as jewellery 20 percent of all gold imports.

But non-residents who have stayed abroad for more than six months can bring in gold on payment of the import duty, irrespective of end use. Such is the demand that some traders are paying passengers' air fares if they agree to carry gold.

About 80 kg of gold was brought in by non-resident Indians (NRIs) this month on a flight from Dubai to Calicut in the southern state of Kerala, said an airport official who did not want to be identified.

Travel agents typically book about 20-30 tickets on a flight on behalf of NRIs, who are accompanied by people working for traders, said Bachhraj Bamalwa, director of the All India Gems and Jewellery Trade Federation, an umbrella body of more than 300,000 jewellers.

"These NRIs pay the duty, so there is nothing illegal about it," Bamalwa said. "These people are mainly labourers from Tamil Nadu or Kerala, who are given a free ticket."

Government officials estimate NRIs have imported a tonne of gold since mid-November, compared to nearly nothing in previous months. That's a boon for jewellers, many of which have been operating at half capacity due to a lack of stock.

Official gold imports fell to about 21 tonnes in November, less than half the monthly requirement, data from metals consultancy Thomson Reuters GFMS showed.

Gold premiums in India rose to a record \$160 per ounce on London prices earlier in December.

"To take advantage of high premiums, agents have been increasingly successful in scouting for NRIs, and pay for their partial or full air fare," said Sudheesh Nambiath, an analyst with Thomson Reuters GFMS.

NRIs can save 125,000 to 150,000 rupees per kg on premiums even after paying the import duty, industry officials said.

The import curbs are also encouraging smuggling, with customs officials between April and September seizing nearly double the amount of smuggled gold nabbed in all of 2012, according to the customs department.



REUTERS

A craftsman makes a gold necklace at a workshop in New Delhi.

Apple fined in Taiwan for fair trade violation

AFP, Taipei

Taiwanese authorities on Wednesday slapped a fine of Tw\$20 million (\$667,000) on US tech giant Apple for violating a fair trade law over local iPhone pricing.

The Fair Trade Commission said an Apple unit in charge of Taiwan sales had interfered in the pricing and mobile phone payment rates of three local telecom service providers,

despite selling them the distribution rights to the phones.

It said investigations found that Chunghwa Telecom, Far Eastone Telecommunication and Taiwan Mobile had submitted their pricing plans to Apple for approval or confirmation before new models hit the market, while Apple had also asked the Taiwanese companies to change or adjust prices.

"Apple deprived the telecom

operators of liberty to decide on the prices based on their own cost structures and competitive market situation, to restrict competition ... and violate the fair trade law," the commission said in a statement, urging Apple to immediately stop its illegal actions.

Apple, which can appeal the ruling, could face an additional fine of up to Tw\$50 million if it fails to comply, the commission said.