

US quashed prosecution of HSBC for laundering: lawmakers

AFP, Washington

The US attorney general quashed staff proposals to prosecute banking giant HSBC over money laundering in 2012 because of worries about the global financial system, a congressional report said Monday.

While the US did eventually fine the British bank \$1.92 billion for intentionally breaking US sanctions in doing business with Iran, Libya, Sudan, Cuba and Myanmar, it could have prosecuted HSBC criminally for "blatant" violations of US laws, the report said.

Entitled "Too Big to Jail", the report from the House of Representatives Financial Services Committee alleges that the London-based banking giant, ranked seventh in the world by Forbes, got off easily from the Department of Justice under then-attorney general Eric Holder.

The bank had been accused of allowing notorious drug traffickers and officials and organizations of regimes blacklisted by the US government to launder money through it.

Holder overruled an internal Department of Justice recommendation to prosecute the bank and bank officials "because of DOJ leadership's concern that prosecuting the bank would have serious adverse consequences on the financial system," the report said.

Instead, the bank negotiated a settlement which included a five-year "deferred prosecution agreement" (DPA) that required it to pay a \$1.92 billion fine and undertake



A taxi drives past a branch of HSBC bank in London.

REUTERS/FILE

organizational reforms that would ensure it does not repeat the offenses.

The shift to a deferred prosecution deal, the report said, came after pressure from Britain's finance minister, George Osborne, who warned in a September 2012 letter that prosecuting such a large bank could pose "very serious implications for financial and economic stability, particularly in Europe and Asia."

The report, mainly critical of the US justice and treasury departments in the case, also said that HSBC had been able to negotiate

the agreement to soften its impact on the bank and bank management.

"Significantly for HSBC and any of its executives or employees who may have, as internal Treasury records appear to show, knowingly and wilfully processed transactions during this time period with proliferators (of weapons of mass destruction), DOJ's final DPA appears to shield from prosecution both the bank and the individuals responsible for these transactions," the report said.

In reaction, Justice Department

spokesman Peter Carr said the department "is committed to aggressively investigating allegations of wrongdoing at financial institutions" including both the companies and individuals.

However, he added, "prosecutors take into account what potential substantial collateral consequences might result from a prosecution. This includes whether the prosecution may have substantial adverse consequences for innocent third parties, such as employees, customers, investors, pension holders and the public."

Citibank to close key Venezuela payment account: Maduro

AFP, Caracas

Citibank plans to close the account Venezuela uses to make international payments, President Nicolas Maduro said Monday, accusing the US-based bank of mounting a "financial blockade."

"Citibank, with no warning or communication, says that it is going to close the Central Bank and Bank Of Venezuela account. That is what you call a financial blockade," the embattled president said in televised remarks.

He said the move amounted to an "inquisition" by US President Barack Obama's administration.

Citibank did not immediately respond to a message by AFP seeking comment.

Maduro said his South American nation, a major oil producer, uses the account to make payments "within 24 hours, to other accounts in the United States and worldwide."

Maduro's socialist government has often claimed that US interests and local business elites were trying to undermine his state-led economy and prevent Venezuela's access to international credit.

"Do you think they are going to stop us by putting in place a financial blockade? No, ladies and gentlemen, nobody stops Venezuela! With Citibank or without it, we are moving forward. With Kimberly or without, we are moving."

Venezuela's government said just hours earlier that it would take over operations at facilities where US consumer goods giant Kimberly-Clark recently shut down, citing unworkable economic conditions.

The American company announced on Saturday it would cease production, saying that it was impossible to get enough hard currency to buy raw materials, and that inflation was surging.

"We are going to sign, at the workers' request... to authorise immediate occupation of the workplace known as Kimberly-Clark de Venezuela... by its workers," Labor Minister Oswaldo Vera said at the facility's plant in the central city of Maracay.

The country's economy has been hard hit by the plunging value of its main export, oil. Analysts also criticise its state-led economy of gross mismanagement leading to shortages of food and basic goods such as toilet paper and diapers.

Vera signed the document to loud cheers -- he said machines would be back in operation within hours.

Also Monday, Maduro announced that he and Defence Minister Vladimir Padrino were leading a new plan to reverse the severe shortages of basic goods in the country.

"All control of supply in the county is in my hands and the hands of Padrino," Maduro said, adding that other ministers would answer to the "presidential command" of the "civic-military union."

The project would concentrate on efficient production of commodities and new ways for distributing basics such as food and medicine.

In a sign of Maduro's concern at mounting social unrest, the president on Thursday replaced the head of the National Guard.

The Venezuelan opposition launched efforts to remove the president via a referendum after winning control of the legislature in January.

But Maduro has challenged his rivals through the Supreme Court, which the opposition claims he controls.

The government has already filed a case in the court against the referendum bid.

The national electoral board has said it will announce by July 26 whether enough signatures have been authenticated in an initial petition calling for the recall referendum.

Japan to cut inflation forecasts

REUTERS, Tokyo

Japan's government is expected to cut its consumer inflation forecast for the current fiscal year and produce an estimate for fiscal 2017 that is much lower than the central bank's 2 percent target, government sources told Reuters on Tuesday.

The gloomy government assessment may add to market doubts over the Bank of Japan's optimistic price forecasts and step up pressure on the central bank to expand stimulus this month as it struggles to fend off deflationary risks.

In draft forecasts to be finalised at a cabinet meeting on Wednesday, the government projects consumer inflation of 0.4 percent for the current fiscal year ending in March 2017, down from 1.2 percent projected in January, the sources said.

The downgrade likely reflects weaker-than-expected economic growth and the impact of external factors such as slumping oil prices and the strong yen, which is pushing down import costs.

Sources said the government projects consumer inflation of 1.4 percent for fiscal 2017, well below the 2 percent target the BOJ says will be met during that year. The government was not immediately available for comment.

Markets are simmering with speculation that the BOJ will cut its inflation forecasts and expand its already massive stimulus program at a rate review on July 28-29, as a hit to exports from a strong yen and weak consumption have added to downward pressure on the economy and prices.

Visiting former U.S. Federal Reserve Chairman Ben Bernanke told Prime Minister Shinzo Abe on Tuesday that the BOJ still had tools left available to beat deflation.

Easing policy now would coincide with Abe's plan to lay out a fiscal stimulus package this month to address weak growth.

"Mr. Bernanke said Japan should boost nominal gross domestic product with fiscal policy and, in coordination with that use monetary policy since the BOJ has various means available to ease policy," Japan's top government spokesman told reporters.

In the draft estimates, the government expects the economy to expand 0.9 percent in the current fiscal year, down sharply from 1.7 percent projected in January, the sources said.

The government usually produces economic and price estimates in January, which serve as a basis for compiling the state budget, and revises them around mid-year.

Tehran bazaar blends hope, caution a year after nuclear deal

AFP, Tehran

As a tailor in Tehran's famed Grand Bazaar for over 60 years, Mostafa Javedan has lived through coups, wars, a revolution -- and now the ups and downs of international sanctions.

His little store in the shade of the bazaar's high stone arches, established by his grandfather in the days of the 19th century Qajar dynasty, has weathered all these storms and remained firmly tied to global trends even when Iran was at its most isolated.

"The chicest and the best-dressed in the world are the French and then it's the Iranians, but the English produced the best fabrics," the 80-year-old told AFP, looking snappy in a pair of shades and blue slacks.

Times have changed, however.

These days, Mostafa sits back and lets his son Saeed do the work, and most of the fabrics come from China -- one effect of the international sanctions slapped on Iran in 2012 over its nuclear programme.

"The Europeans pushed us toward China. Ten years ago we never bought fabrics from China, but their quality has been improving," said Saeed.

"I think sanctions were a boost for the Chinese economy."

The bazaar is still the main centre for business in Tehran,



Iranians shop in Tehran's ancient Grand Bazaar on July 11.

AFP

packed with shoppers browsing everything from centuries-old carpets to the latest mobile phones.

When Iran's nuclear deal with world powers struck in July 2015 led to many of the sanctions being lifted in January, small family-run stores in general saw little obvious change.

They had already been forced to adapt, and in keeping with

Iran's long history as a central point of East-West trade, many of its merchants had simply shifted their focus towards Asia.

In one of the many kitchenware stores, most of the pots and pans are marked "Made in China".

"We have some goods from Italy and the United States, but very few," said Ali Masoumi, 30, whose father set up shop in the 1950s.

He said the real changes had to

come from within, and was sceptical the nuclear deal would make much difference.

"If there is going to be any change it must be from inside Iran. The government should have a will for change. That will doesn't exist," he said.

The moderate government of President Hassan Rouhani that came to power in 2013 has stabilised the runaway inflation and

currency collapse of previous years. Rouhani hopes the end of sanctions will help Iran attract \$30 to \$50 billion in annual investment needed to hit his target of eight-percent growth.

But a raft of US sanctions are still in place, related to Iran's human rights record and missile testing, leaving shoppers as well as businesses cautious.

"People still don't want to risk investing and spending. They want to be sure there won't be any more drastic changes in the dollar rate, banking, housing and everything else," said Masoumi.

Optimism and obstacles -- others say the positive atmosphere created by the nuclear deal is already paying dividends.

Esmail Ivazi, 35, was shopping for a carpet in the bazaar, on the back of a healthy few months for the toy factory he owns.

He said exports to neighbouring countries -- including Iraq, Uzbekistan, Georgia, Armenia and Tajikistan -- had risen sharply since January.

"Our relations with foreign companies have become better after the nuclear agreement, as they trust us more now," said Ivazi.

"I'm optimistic that the situation will continue to improve. People have hope for the future, and I believe that is driving people and markets to improve."

Eurozone warns on economic hit of Brexit

AFP, Brussels

Eurozone finance ministers assessed on Monday the impact of the British decision to leave the EU, warning that the country risked becoming "Little Britain" in the aftermath.

At their first talks on Brexit since the June 23 referendum, ministers from the 19 countries that use the euro urged swift action on an issue that they said was causing problems across the European economy.

In its bleakest scenario yet, the European Commission, the EU's executive arm, warned ministers that growth for the eurozone in 2017 could end up at just 1.2 percent, instead of the official forecast of 1.8 percent.

In a rosier scenario, the eurozone would grow by 1.5 per-



German Finance Minister Wolfgang Schaeuble (L) greets Portuguese counterpart Mario Centeno at the start of a euro zone finance ministers' meeting in Brussels on Monday.

REUTERS

cent next year.

"This is not a forecast, but a preliminary analysis," said Economics Affairs Commissioner Pierre Moscovici at a news briefing.

Moscovici welcomed news that Theresa May is set to be named Britain's next prime minister but said it was "essential" that the EU continued demanding swift clarification on the UK's relationship with the EU.

"The British government should notify as soon as possible its intentions with the EU under article 50," he said referring to the as yet triggered process for Britain to leave the EU.

Austrian Finance Minister Hans Joerg Schelling warned of the effect on Britain from its vote to end 40 years of membership of the European project.

"I think probably there will be a 'Brexit-light', so Scotland will not leave (the EU), probably Northern Ireland will stay in the union, and probably Great Britain becomes Little Britain," he told reporters.

Jeroen Dijsselbloem, the Dutch finance minister who heads the Eurogroup of his 19 counterparts, made a similar call for haste after May looked set to replace Prime Minister David Cameron imminently.

"The sooner we can sort out -- let me say it diplomatically -- this problematic situation, the better," Dijsselbloem told reporters.

"We look forward to working with whomever is coming out of this democratic process. And we will have to find solutions for the Brexit which has been causing a lot of problems, particularly for the UK but also for Europe."

Germania airline orders 25 Airbus A320neos worth \$2.6b

AFP, Farnborough, UK

German airline Germania on Tuesday ordered 25 single-aisle fuel-efficient Airbus A320neos worth \$2.6 billion (2.4 billion euros) at list prices in an announcement at the Farnborough air show.

The firm aircraft order, for delivery from 2020 onwards, will double the Germania Group's current fleet of aircraft, the pair announced on the second day of Farnborough.

Airlines typically negotiate sizeable discounts to catalogue prices so the actual cost of the aircraft is likely to be lower.

The contact was signed at the air show by Germania boss officer Karsten Balke and Fabrice Bregier, president and CEO of Airbus.

"We are delighted that Germania Group has renewed its confidence in Airbus to further expand its Airbus fleet," Bregier said in a statement.