DHAKA BANK

Emranul Huq, deputy managing director of Dhaka Bank, and Moinuddin Mohammed Rahgir, chief financial officer and company secretary of bKash Ltd, exchange the signed papers of a deal at a programme at the bank's corporate head office in Dhaka yesterday. The bank will provide bKash and its distributors with privileged banking services. Syed Mahbubur Rahman, managing director of the bank, was also present.

NY Fed, Bangladesh central bank to resume normal money transfers

REUTERS

The Federal Reserve Bank of New York and Bangladesh's central bank have agreed to withdraw additional payment security measures put in place after one of the world's biggest cyber heists, the theft of $81 million from Bangladesh Bank's account at the Fed, two sources said.

The decision comes after SWIFT, the global financial messaging platform, promised in May to strengthen security on software tools used by its clients and to develop new tools that would spot a compromised account and raise a red flag when a payment instruction deviates from normal patterns.

The decision was taken at a meeting in New York this week between officials from Bangladesh Bank, the New York Fed and SWIFT, said a source close to Bangladesh Bank who has direct knowledge of the matter. They have agreed on a tentative timeline to withdraw the additional security measures but the source declined to give details.

"(The New York Fed and Bangladesh Bank) want to use (only) SWIFT for secure communication," said the source, declining to be named as he was not authorised to brief the media. "We are talking about normalising our communication channels as soon as possible."

The New York Fed and SWIFT could not immediately be reached for comment.

In early February, hackers used stolen Bangladesh Bank credentials to send three dozen SWIFT messages to transfer nearly $1 billion from its Fed account, eventually managing to route $81 million to a bank in the Philippines. Most of the money was laundered through casinos in Manila and remains missing.

Following the heist Bangladesh Bank initiated a new protocol under which the Fed could only clear any SWIFT request from Dhaka after a voice authentication. Fed officials had to call one of two or three Bangladesh Bank officials whose voice samples were shared with the Fed.

A senior Bangladesh Bank official in Dhaka, who declined to be named, said more time was needed "to improve the system" before moving back to a SWIFT-only transfer mechanism.

Both sources said the New York Fed wanted to do away with the additional measure as it delayed genuine transfer instructions. SWIFT has told Bangladesh Bank its system was secure and that the Asian bank needed to tighten its own defences to prevent criminals from hacking into their computer systems.

Bangladesh Bank spokesman Subhankar Saha said he was not aware of the agreement and would comment only after the bank's delegation came back from the United States.

The bank said in a statement on Wednesday that its officials discussed with the New York Fed and SWIFT "certain technical details" of the heist to enhance their understanding of how the fraud occurred and "steps that have been and will be taken to remediate the event".

Asian funds pile into alternative assets as traditional returns slide

REUTERS, Singapore

As returns on traditional assets have nosedived or turned more volatile in Asia, conservative investors such as pension funds and insurers have been pouring cash into alternative investments that bring the yield they need, but at significantly higher risk.

Many countries in Asia only started to cut interest rates in 2015 or 2016, but they are now at or near record lows and expected to fall further; India, South Korea, Indonesia, Taiwan and Thailand are all likely to see rate cuts this year, according to economists at Nomura.

The resulting decline in bond yields has hit the region later than many other parts of the world, but is now forcing a strategy rethink for investors who need predictable income to match their fixed commitments.

Zurich Insurance's Asian division, for example, is considering investing in private debt including collateralised loan obligations and commercial real estate and infrastructure debt.

"We simply have to accept that returns going forward will be lower than what they have been historically," said Michael Vos, Asia-Pacific investment manager at Zurich. "There is no free lunch - if you want higher returns, you need to take more risk."

Risks include a dearth of buyers when you want to sell, a greater chance of loan defaults, and lower levels of disclosure about the underlying assets.

Credit Suisse said it, too, was increasing allocations to hedge funds and senior secured bank loans on behalf of Asian institutional clients.

Swiss private bank Union Bancaire Privee (UBP) said it was switching more of its high-net-worth clients' money from low-yielding bonds and volatile stocks into hedge funds, real estate debt and insurance-linked securities.

"There is no doubt that the risk/reward of equity and fixed income markets have deteriorated dramatically over the last six to 12 months," said Ted Holland, Hong Kong-based Asia-Pacific head of business development for UBP.

"Finding 'low-risk' yield in this environment has been particularly difficult."

This rapid change in climate is demonstrated by GIC Pte, Singapore's biggest sovereign wealth fund.

Its portfolio return slowed to 3.7 percent per annum over the five years through March 2016, from 6.5 percent in the five years ended in March 2015, and it warned difficult investment conditions would persist for a decade.

A survey by State Street Corporation in July found that 44 percent of 72 Asian pension funds, which must keep a steady income flowing to pensioners, are seeking higher-risk, higher-return strategies.

South Korea's National Pension Service, facing lower domestic bond yields than U.S. Treasuries, plans to increase its alternative holdings to 35 percent of assets by 2020 from 10.7 percent in 2015, and will begin investing in hedge funds this year. It reported preliminary returns of 4.6 percent for 2015, down from 5.25 percent in 2014.

The trade-off in this hunt for yield is an increase in risks that require careful management.

Chief among them is a lack of liquidity. Many alternative investments, such as property or private equity, can't be readily turned to cash, so investors can't get their money out in a hurry. In a falling market, buyers for such assets become yet more scarce, exacerbating the falls.

They are also typically unlisted, so they are much less transparent than traditional investments, which are priced in real time on formal exchanges that typically demand more stringent governance and disclosure requirements.

"There are also not many reliable or accepted benchmarks out there, so how do you measure the performance of your portfolio versus the performance of the market?" said Beng-Eu Lim, Asia Pacific head of asset owner sector solutions at State Street.

TUSHIN

AH Biswas, managing director of Tushin, shakes hands with Christopher Ng, managing director of Rigel, after signing a distributor deal between Tushin-Bangladesh and Rigel-Singapore, at the corporate office of Rigel, a sanitary ware manufacturer.

Nestle bets on innovation, price hikes to revive sales growth

REUTERS, Zurich

Nestle, the world's largest packaged foods maker, is counting on new products and price increases in the second half of the year to meet its full-year sales growth target after a weaker than expected first half, the company said on Thursday.

The company has missed its long-term target of 5-6 percent annual sales growth for three years but it said it still expects organic growth this year will be in line with the 4.2 percent seen last year.

The shares were up 1 percent at 79.1 Swiss francs by 1000 GMT.

Organic sales growth, which excludes the impact of acquisitions, divestitures and currency, slowed to 3.1 percent in the second quarter, hit by weakness in China and deflation in Europe, while growth in the first half was 3.5 percent.

Analysts had been expecting a rise of 3.6 percent in the second quarter and 3.8 percent for the full six months, according to a Reuters poll.

But Chief Financial Officer Francois-Xavier Roger said he thought pricing had hit the bottom in the second quarter and, to underscore the importance of innovation, explained that a third of Nestle sales came from products new to the market in the last two years.

New products often fetch higher prices, which in turn boost profit margins.

The maker of Kitkat chocolate bars and Maggi noodles has also been cutting costs, shedding underperforming businesses and expanding its presence in the more profitable and faster-growing market for healthcare products.

Liberum analysts, who have a "hold" stock rating, said that "may lead to upside surprise although current progress is slow" and the shares remained "an attractive defensive haven".

Faced with more demanding consumers asking for fresh, healthy products, makers of packaged foods are reformulating recipes, cutting sugar, salt and fat.

To accelerate its health push, Nestle recruited Ulf Mark Schneider from German healthcare group Fresenius as its next chief executive.

"In our view, the Nestle investment case hinges on incoming CEO Ulf Mark Schneider, who takes over on 1 January 2017. In the meantime, though, we regard this as a competent set of results," RBC Europe analyst James Edwardes Jones said in a note.

Asked whether Nestle would increase its dividend this year, Roger only said Nestle had done so in the past despite the strong Swiss franc.

Singtel pumps $1.8b into Thai, Indian partners in emerging markets bet

REUTERS, Singapore

Singapore Telecommunications is investing S$2.47 billion ($1.8 billion) for bigger slices of the top mobile operators of Thailand and India, as Southeast Asia's largest telecoms firm raises its bet on emerging markets to spur growth.

Singtel said on Thursday it is buying 21 percent of Thai telecoms firm Intouch Holdings PCL for S$1.59 billion and 7.39 percent of India's Bharti Telecom for S$884 million. The stakes are being bought from Singapore state investor Temasek, which owns more than half of Singtel.

Intouch is the largest shareholder in Advanced Info Services PCL (AIS), Thailand's biggest mobile operator, in which Singtel already holds 23.3 percent. Bharti Telecom is the holding company of Bharti Airtel, India's largest telecoms firm and Singtel's existing partner.

The stake purchases will increase Singtel's exposure to the high growth telecom sectors in Thailand and India that are being driven by rising mobile data usage. India is the world's second-biggest mobile phone market by customers, after China.

"Strategically, they are positioning to be a natural buyer of any other stakes that could potentially come into play," said Daiwa analyst Ramakrishna Maruvada.

Singtel, Singapore's most valuable company on the stock market, has assembled over more than a decade a portfolio of stakes in regional mobile associates outside its small home market, as a result of which overseas businesses now contribute 75 percent to its revenues and core earnings.

The company also operates in Australia through subsidiary Optus. In an attempt to speed up growth, Singtel has been broadening its sphere of operations, spending more than a $1 billion since 2012, mainly to build its cybersecurity and digital businesses.

The new deals will help boost its growth pace. Singtel's economic interest in AIS will rise to 31.8 percent and in Bharti Airtel to 36.2 percent.

The deals will be funded by issue of 386 million Singtel shares to Temasek totaling S$1.605 billion, and cash and short-term debt.

Singtel said the acquisitions and share placement are interdependent. Temasek's stake in Singtel will rise to 52.27 percent from 51.1 percent prior to the share issue.

"This is a package deal that we have negotiated with Temasek that gives us the additional exposure to India and Thailand, financed in a way that allows us to maximise our capital structure," Singtel group CEO Chua Sock Koong told reporters.

UK labour market shows little sign of immediate Brexit hit

REUTERS, London

The number of people claiming unemployment benefit in Britain unexpectedly fell in July despite the shock decision by voters to leave the European Union, suggesting little immediate impact from Brexit on the labour market.

Benefit claimants fell by 8,600 in the month, compared with an increase of 900 in June, and there was only a small fall in the number of jobs employers were trying to fill, the Office for National Statistics said on Wednesday.

Economists taking part in a Reuters poll had expected the number of claimants - a potential early warning sign of an economic downturn - to rise by 9,500 as employers responded to the uncertainty caused by the referendum.

The figures represented the first official measure of the labour market since the June 23 vote. The ONS data also showed the pace of job creation remained strong in the run-up to the referendum.

"The labour market data for July — the first 'hard' figures since referendum - suggest that the economic recovery is slowing, but do not give a resounding recession signal," Samuel Tombs, an economist at Pantheon Macroeconomics, said, pointing to the fall in vacancies.

The value of sterling rose briefly against the dollar and the euro. It later gave up those gains.

A survey published on Aug. 5 by a body representing the recruitment industry had suggested employers cut hiring in July as the number of permanent jobs placed by staffing firms fell at the fastest pace since 2009.

The Bank of England expects unemployment to rise sharply in the coming years as a result of the uncertainty caused by the Brexit vote. It cut interest rates to just 0.25 percent earlier this month and took other measures to cushion the economy.

The July claimant count figure was measured on July 14, three weeks after the referendum, meaning it might not reflect the full extent of any post-Brexit fall in hiring. British rules on how long employers must give notice to workers they intend to fire may also mean there is a delayed impact from the vote. The ONS also said the number of vacancies in the three-month period to the end of July fell by 7,000 from the three months to the end of April to 741,000. Tombs of Pantheon Macroeconomics said a fall of more 20,000 vacancies would suggest a recession.

There was another sign on Wednesday that the immediate economic impact of the Brexit vote would not be as bad as some had feared.

Households recovered from a loss of confidence about their finances in August, a survey showed, suggesting consumers were taking the referendum result in their stride.

REUTERS/FILE

Brexit scarecrows depicting former British Prime Minister David Cameron, *left*, and Foreign Secretary Boris Johnson are displayed during the Scarecrow Festival in Heather, Britain.