

Major banks mark first-ever international trade using blockchain tech



A woman walks past teller machines of Wells Fargo in San Francisco, US.

REUTERS, Sydney

The first cross-border transaction between banks using multiple blockchain applications has taken place, Commonwealth Bank of Australia and Wells Fargo & Co said on Monday, resulting in a shipment of cotton to China from the United States.

Australian cotton trader Brighann Cotton Marketing bought the shipment bound for the port city Qingdao from U.S. division Brighann Cotton in Texas, the companies and their banks said in a joint statement. The blockchain trade, for 88 bales, totalled \$35,000, Commonwealth Bank told Reuters.

Blockchain is a web-based transaction-processing and settlement system whose efficiency banks say could slash costs. It creates a "golden record" of any given set of data that is automatically replicated for all parties in a secure network, eliminating any need for third-party verification.

"Existing trade finance processes are ripe for disruption and this proof of concept demonstrates how companies around the world could benefit from these emerging technologies," Michael Eidel, Commonwealth Bank's executive

general manager for cash-flow and transaction services, said in the statement.

The transaction is not the first involving the decentralised database, used since 2009 for the digital currency bitcoin. But it is a milestone for the traditional banking industry which at first shied away from the technology, partly because it makes money flows harder for law enforcement agencies to track.

Led by a consortium of over 70 of the world's biggest financial institutions - called R3 - the banking industry has been researching ways to harness the speed, accuracy and efficiency afforded by blockchain.

One of its benefits is removing people from transaction processing. That has been seen as especially appealing for cross-border trades, which are typically held up by duplication of payment processing and time zone differences.

R3 has been researching ways to expand the use of blockchain to include "smart contracts", or payments triggered when certain conditions are met. The cotton transaction, for instance, involved automatically making payments when the shipment reached certain geographic locations, the statement showed.

The shipment is currently between Singapore and Hong Kong, and is due to arrive in early November, Commonwealth Bank said. The bank also said that R3 - of which it and Wells Fargo are members - did not play a part in the trade.

Brighann Cotton was not available for comment when contacted by Reuters.

Wells Fargo's head of international trade services, Chris Lewis, said in the statement that his bank was committed to new technology. He also said "significant regulatory, legal and other concerns remain to be addressed."



Md Shafiqur Rahman, managing director of Social Islami Bank, attends a business review meeting with the officials of the bank's 12 branches in the northern region.

China firm to buy US insurance giant Genworth for \$2.7b

AFP, Shanghai

A Chinese conglomerate has agreed to buy New York-listed US insurance firm Genworth Financials for \$2.7 billion, the latest in a Chinese buying spree of foreign assets.

China Oceanwide Holdings, the founder and key shareholder of China Minsheng Bank, offered \$5.43 per share for all outstanding shares of Genworth in an all-cash transaction, according to a joint statement Sunday.

There have been a flurry of overseas acquisitions this year by Chinese firms seeking better returns and industrial know-how, with targets ranging from Hollywood studio Legendary to leading German robotics firm Kuka and Swiss seed giant Syngenta.

Genworth, founded in 1871, has nearly four million life insurance customers and also offers mortgage insurance products, according to its website.

The offer represents a 4.22 percent premium on its Friday closing price.

"Genworth is an established leader in both mortgage insurance and long-term care insurance," Oceanwide chairman Lu Zhiqiang said in the statement.

"We are providing crucial financial support to Genworth's efforts to restructure its US life insurance business."

The Beijing-based firm also promised to offer an additional \$600 million to Genworth to address its debt that will mature in 2018 and a \$525 million cash injection into its life insurance business.

Tom McInerney, president and chief executive officer of the Virginia-based insurer, called the Chinese firm "an ideal owner" and said the investment was in the best interests of Genworth's stockholders.

Oceanwide controls several financial companies including Shenzhen-listed Minsheng Holdings.

It has also invested in several mega-properties on the US west coast, including a tower that will soon be San Francisco's second tallest and a billion-dollar condominium and hotel development in Los Angeles, according to its website.

Lu is China's ninth richest man with a net worth of 85 billion yuan (\$12.5 billion), according to the latest ranking of luxury magazine publisher Hurun Report.

Upon completion of the deal, Genworth will become a standalone subsidiary of Oceanwide and will retain its current management team.

Investors cheered the news in Monday afternoon trading, with Oceanwide Holdings rising more than two percent on the Shenzhen market. It was flat in Hong Kong trade.

The deal, which is still subject to shareholder approval among other closing conditions, is expected to be closed by mid-2017.

Chinese state-owned banks seen selling dollars to shore up yuan

REUTERS, Shanghai

China's yuan exchange rate stabilised after plumbing fresh six-year lows on Monday, as large state-owned banks sold dollars in an apparent effort to slow the decline in the currency's value against the dollar.

The yuan has fallen about 1.5 percent since the end of September, a slide driven partly by a resurgent dollar and worries about slowing economic growth.

Sentiment toward the yuan has also been hurt by growing market confidence in the likelihood of a U.S. interest rate rise in December with a recent Reuters poll showing the largest bearish positions in the currency since late July.

Spot yuan was trading around 6.7709 per dollar as of 0706 GMT, hitting a low of 6.7770 per dollar at one point in morning trade, compared with Friday's 6.7655 late session close.

Three traders said big state-owned banks were selling dollars in the domestic foreign exchange market to help stabilise the yuan in morning trade.

"Dollar demand was very strong today. And dollar purchases by individual residents also went up today," said a trader at a Chinese bank in Shanghai, adding that state banks sold dollars as a result to prop up the Chinese currency.

Some traders suspect that state-owned banks occasionally sell dollars on behalf of the central bank to keep the yuan from sliding too quickly, while others believe big banks trade on their own behalf.

The Chinese bank trader and a Shanghai-based trader at a foreign bank speculated that the People's Bank of China might want to stabilise the yuan around its current level.

Before the market opened on Monday, the central bank fixed the midpoint at 6.769, easier than the previous fix of 6.7558 and its weakest since September 2010. Traders said Monday's fixing came in weaker than their models had



A customer walks past the company logo of China CITIC Bank, at a branch in Hangzhou, China.

REUTERS/FILE

suggested, and that accelerated the yuan's falls in the morning.

"The market consensus is that the yuan would fall to 6.8 per dollar by the end of this year, which is just 200 pips from the current level," said another trader at a Chinese bank.

She said some investors joined the big state banks and sold their long positions in dollars, as they turned cautious amid the dollar's rapid ascent and wanted to lock in profits.

"The yuan could possibly be traded to that level (6.8) in a day."

The dollar, meanwhile, hovered near a nine-month high, buoyed by expectations the U.S. Federal Reserve would raise interest rates in December.

The global dollar index rose at one point to 98.846, its loftiest since Feb. 3, and up from

98.695 previously.

The latest China Foreign Exchange Trade System (CFETS) data showed that the index for the yuan's value based on the market's trade-weighted basket stood at 94.30 on Friday, down 0.4 percent from the previous week.

In line with onshore yuan, its offshore counterpart also slipped to a fresh six-year low against the dollar in morning trade. As of 0706 GMT, offshore yuan was trading 0.09 percent weaker than the onshore spot at 6.7773 per dollar.

Ken Cheung, Asian FX strategist at Mizhuho Bank Ltd in Hong Kong, wrote in a note on Monday that the central bank would be unlikely to allow the yuan to breach 6.83 per dollar level, at which is regarded as "the pegged level of USD/CNH during the global financial crisis from mid-2008 to mid-2010."

Banks readying to leave Brexit Britain: lobby group

AFP, London

International banks based in Britain are readying to relocate some operations outside of the country in 2017, fearing post-Brexit uncertainty, the director of a powerful banking lobby said Sunday.

"Their hands are quivering over the relocate button," Anthony Browne, chief executive of the British Bankers' Association, wrote in The Observer newspaper. He said banks were uncertain about whether they would be able to offer services across Europe once Britain leaves the EU in 2019, so were readying for all eventualities.

Britain has said it will trigger the two-year negotiations clock before leaving the EU between the New Year and the end of March. Banks have called for transition arrangements to be put in place after Britain leaves the EU.

Browne said banks based in the UK were lending £1.1 trillion (\$1.3 trillion, 1.2 trillion euros) to companies and governments in the rest of the European Union, "keeping the continent afloat financially".

Free trade in financial services between Britain and continental Europe was worth more than £20 billion, he said.

If Brexit is bungled, that trade is at risk, "and the public and political debate is taking us in the wrong direction", he wrote.

Browne said banking was probably more affected by Brexit than any other sector of the economy, as it is easily Britain's biggest export industry.

"The problem comes -- as seems increasingly likely, judging by the rhetoric -- when national governments try to use the EU exit negotiations to build walls across the Channel to split Europe's integrated financial market in two, in order to force jobs from London," he wrote.

He said it was irrational that the EU wanted to reduce trade barriers with the United States and Canada and impose them on Britain, "their biggest trading partner".

"Banks might hope for the best but have to plan for the worst," he wrote.

He said most international banks now have project teams working out which operations they need to move to ensure they can continue serving customers.

"Their hands are quivering over the relocate button. Many smaller banks plan to start relocations before Christmas; bigger banks are expected to start in the first quarter of next year.

Eurozone business activity picks up: survey

AFP, Brussels

Eurozone business activity picked up strongly in October to a 10-month high, recovering from a dip in September, as economic powerhouse Germany led the way, a closely watched survey showed Monday.

Data monitoring company IHS Markit said the October figures were encouraging, after months where the economy has bumped along the bottom and was then badly rattled by Britain's shock vote to quit the European Union in June.

It said its preliminary October Composite Purchasing Managers Index (PMI) for the 19-nation eurozone jumped to 53.7 points from 52.6 in September.

The PMI measures companies' readiness to spend on their business and so gives a good idea of how the underlying economy is performing. Any reading above the boom-bust 50 points line indicates the economy is expanding.

By sector, the PMI for services rose to 53.5 points from 52.2 in September while manufacturing hit 53.3 points after 52.6.

IHS Markit said a strong performance in Germany helped offset continued softness in France, the second largest eurozone economy. "The eurozone economy showed

renewed signs of life at the start of the fourth quarter, enjoying its strongest expansion so far this year with the promise of more to come," IHS Markit chief business economist Chris Williamson said in a statement.

"With backlogs of work accumulating at the fastest rate for over five years, business activity growth and hiring look set to accelerate further as we head towards the end of the year," Williamson said.

He said the figures were consistent with growth of 0.4 percent in the last three months of 2016, with Germany now expected to gain 0.5 percent.

While France will be slower at an estimated 0.2-0.3 percent, "there are various indicators which suggest that France will enjoy stronger growth in coming months," he said. In all, "policymakers will be encouraged by signs of both stronger economic growth and rising price pressures," which could see the European Central Bank ease back on its massive economic stimulus programme.

The eurozone economy grew 0.3 percent in the three months to June, down sharply from 0.6 percent in the first quarter.

Third-quarter data is expected next week and most analysts believe it will be in line with the second quarter's 0.3 percent.

Philips holds firm on 2016 outlook after healthy quarter

AFP, The Hague

Electronics giant Philips posted a jump in third-quarter net profit Monday on robust sales in its health businesses, where the Dutch company has shifted its focus.

Philips said it was maintaining its forecasts for the full year as it expected a good last quarter but warned it remained concerned about volatile markets.

Net profit surged by 18 percent to 383 million euros (\$417 million) in

the third quarter, while sales inched up by one percent to 5.9 billion euros, the company said in a statement.

Philips in 2014 announced it was selling off its lighting business -- a mainstay for more than a century -- to focus more on medical equipment, where margins are stronger and less vulnerable to competition from emerging markets.

Philips Lighting successfully listed on the Amsterdam stock exchange at the end of May and

Philips currently holds a majority 71-percent share.

Philips said third-quarter sales in its core health technology business grew by five percent with order intake up 8 percent on a currency comparable basis.

"Our outlook for 2016 remains unchanged, as we expect further earnings improvements in the fourth quarter of the year," chief executive Frans van Houten said in the statement.

"Going forward, we remain con-

cerned about risk due to volatility in the markets in which we operate."

The Amsterdam-based company said sales in western Europe were stagnant, when the effects of currency fluctuations were stripped out, grew by one percent in North America, but were strongest in China, Latin America and central and eastern Europe.

Founded in the southern Dutch city of Eindhoven in 1891, Philips employs 112,000 people worldwide.