

# Brexit transition period desirable for UK, EU banks



A van is parked outside a bank in Loughborough, central England.

REUTERS, London  
The Bank of England said a transition period after the Britain leaves the European Union would give banks more time to make orderly changes as Brexit poses risks to financial stability. With UK due to leave the bloc in March 2019, the BoE's Prudential Regulation Authority (PRA) said it faces heavy demands from Brexit fallout on banks and insurers. BoE Deputy Governor and PRA Chief Executive Sam Woods said "some form of implementation period is desirable" between Britain leaving the bloc and start of

new trading terms to "give UK and EU firms" more time to make necessary changes. But he stopped short of saying what sort of transition he wanted in a reply to Nicky Morgan, new chair of parliament's Treasury Select Committee, who asked him this month for his views on the design of such a period. The UK government has not presented the EU with any firm request for a transition period as it still seeks internal consensus. UK-based firms are not waiting for clarity and are announcing new hubs in the EU27 to be sure of serving customers there after March 2019 - and avoid the destabilising ruptures in financial links

the BoE fears. Woods had asked banks to spell out how they would cope in particular with a "hard" Brexit where Britain crashes out of the EU with no transition or trading deal. In a letter to Morgan made public on Wednesday, he said 401 responses were received, which revealed "significant issues for many firms" and the BoE will reach a view on the plans in the autumn. The submissions provided "further evidence" of risks the BoE had already identified, specifically relating to the continued servicing and performance of existing contracts and restriction on data transfers.

There could be a sharp rise in the number of insurance policies shifted from one country to another, a switch that involves the courts, he said. The Association of British Insurers said insurers fear they will be left with a stark choice between breaking their promise on millions of policies with customers, or breaking the law regarding payouts on cross-border contracts still in force after Brexit. "Agreeing terms to allow insurers to service contracts after March 2019 needs to be part of the exit negotiations between the UK and EU," said Huw Evans, director general of the ABI. The BoE's Woods said that restructuring by financial firms to mitigate risks to their business will in general increase complexity, while dislocation and fragmentation of markets could bump up costs and cut activity. The BoE will need to ensure that supervising firms with links between the EU and a Britain outside the bloc, is still doable, he added. The PRA faces having to authorise and supervise a significant number of additional firms, which could place a material extra burden on resources, Woods said. London is home to branches of banks from continental Europe and they face having to become subsidiaries, meaning they would be directly supervised by the PRA. Woods said the issues set out in his response to Morgan "pose a material risk" to the PRA's objectives as a supervisor, and that this work is a top priority. "It is incumbent on us to manage this burden but we may have to make some difficult prioritisation decisions in order to accommodate it," Woods said.

# Get ready for first filing deadline, India's GST chief says

REUTERS, New Delhi  
MILLIONS of companies in India are still not ready to file their first returns under the new Goods and Services Tax (GST) ahead of an Aug. 20 deadline, a top official told Reuters, urging them not to leave things to the eleventh hour. Navin Kumar, chairman of the GST Network, also said barely half of the 34 service providers accredited to help firms bulk-file invoices online had received approval to go live. Yet he gave an assurance that the huge IT back end that is designed to crunch up to 3 billion invoices a month and calculate companies' taxes would be stable, even if there is a last-minute rush to file. "It will not crash," he told Reuters in an interview. "We are working on the assumption that 50 percent of the people will come on the last day." Billed as India's biggest-ever tax reform, the GST has replaced a slew of federal and state levies. It has also cleared barriers between India's 29 states, uniting its 1.3 billion people into a common market for the first time. Yet the complexity of the tax - which

has main rates of 5, 12, 18 and 28 percent and multiple exceptions - has raised concerns that companies will struggle to comply and file their monthly returns on time. Even before the GST filings kick in, business surveys showed both the services and manufacturing sectors contracting at their fastest rate in years, heralding a likely dip in indirect tax revenues. The government has allowed firms to file simplified, self-assessed GST returns by Aug. 20 for the month of July, when the tax was launched. They will have to file complete returns in early September that itemise and reconcile every single sales invoice under a regime that, by comparison with other countries, is labour- and data-intensive. More than 7 million existing taxpayers have activated accounts on the GST's portal - although around a third have yet to complete the form-filing required to file a full tax return, Kumar said. Another 1.3 million new firms have registered to pay GST. He waved away concerns that companies would not be able to cope, saying that those used to paying value-added tax - now abolished - were used to online filing.



A man holds a placard during a rally to support implementation of the Goods and Services Tax (GST) in Mumbai.

# US trade commission probing Qualcomm iPhone complaint



A man collects bags containing the iPhone 6, outside an Apple store in Hong Kong.

AFP, San Francisco  
THE US International Trade Commission on Tuesday said it will look into Qualcomm's complaint that Apple is violating its patents in some iPhones. The step, arguably procedural, means that the commission will assign Qualcomm's complaint to an administrative law judge for evidentiary hearings instead of dismissing it out of hand. Qualcomm last month escalated a legal battle with Apple, filing a patent infringement lawsuit and requesting a ban on the importation of some iPhones, claiming unlawful and unfair use of the chipmaker's technology. Qualcomm asked for an import ban on some iPhones with the US International Trade Commission, a quasi-judicial government agency which hears cases involving trade disputes. "Qualcomm is pleased with the ITC's decision to investigate Apple's unfair trade practices and the unauthorized importation of products using Qualcomm's patents," executive vice president and general counsel Don Rosenberg said in a release. The products at issue in the investigation are mobile devices such as the iPhone 7 and specific components including baseband processor modems, according to the commission. The complaint alleges that iPhones, which are made in China, should not be allowed to be brought into the United States if they infringe on Qualcomm's patents.

Apple referred AFP to comment it made in June, saying that Qualcomm's "illegal business practices" are harming the iPhone maker and the entire industry. Holders of standards-essential patents such as those at issue in Qualcomm's complaint have a responsibility to offer them at fair, reasonable, and non-discriminatory terms, Apple chief executive Tim Cook pointed out during a recent earnings call with analysts. "Qualcomm has not made such an offer to Apple," Cook said during the call. "I don't believe anyone is going to decide to enjoin the iPhone based on that." The ITC investigation will examine whether Apple has engaged in unfair trade practices by importing and selling mobile devices, including iPhones and iPads, that infringe on Qualcomm patents, the chipmaker said in a release. Qualcomm chief executive Steve Mollenkopf said last month that the chipmaker's legal war with Apple is about defending his company's business model, but predicted an eventual out-of-court settlement. "At its core it's really about the price... what to pay for technology," Mollenkopf told a forum at the Fortune Brainstorm Tech conference in Aspen, Colorado. "We have contracts and people want to pay less." But Mollenkopf said the disputes are likely to be resolved outside court and that the two tech giants will "move on to greener pastures."

# Tech-savvy farmers a new hope for Japan's shrinking agriculture sector

REUTERS, Japan  
A new breed of younger, business- and tech-savvy farmers are transforming Japan's shrinking agriculture sector with cutting edge techniques and marketing strategies, giving new hope to an industry in slow decline. Hiroki Iwasa, a 40-year-old IT entrepreneur with an MBA, grows strawberries in seven high-tech greenhouses where computers set the temperature and humidity to optimum growing conditions and ensure the rows of bushes are sprayed with water at precise times. He markets his "Migaki Ichigo" brand strawberries directly to fancy department stores in Tokyo, where they go for as much as 1,000 yen (\$9) apiece, as well as to customers in Hong Kong, Singapore, Taiwan and Thailand, where Japanese produce has an excellent reputation. Such changes, while small, come as Prime Minister Shinzo Abe pushes to reform Japan's hidebound farm industry where small-plot holdings still dominate, the average farmer is aged over 66 and the sector's contribution to the economy has fallen by 25 percent since its peak in 1984. They should also make Japan more resilient if the United States tries - as Trade Representative Robert Lighthizer has hinted - to pry open markets such as rice and beef that are protected by tariffs.

Iwasa was running an IT company and getting an MBA in Tokyo when his coastal hometown of Yamamoto in the northeastern prefecture of Miyagi, an area famous for strawberries, was hit by the March 2011 tsunami. He rushed to help with relief efforts and later saw an opportunity to combine his tech skills with the specialized know-how of a local farmer. He now heads 6-year-old GRA Inc, which has 20 full-time employees and 50 part-timers, including four dedicated to managing overseas orders. "Farmers' intuition and experi-

ence may not always result in a good harvest. So it's crucial that we capture that as explicit knowledge in technology and automation, and use that to increase productivity," Iwasa said. "Also nurturing professional farm managers is needed." By leasing surrounding land, Iwasa expanded his farm to two hectares (five acres), which is from 8,700 in 2005 to 20,800 last year. And the number of young people working in agriculture is slowly rising. The farm industry added just over 23,000 workers under the age of 49 in 2015, up from less than 18,000 five years ago. Ohizumi predicts that sales from large-sized farms - those

just as globally competitive as the country's famed car brands Toyota and Honda, Yokota said. "If you fail business management, you have to leave. It is the same in other industries," he said. "If you cannot lower production costs or secure clients, you will go bankrupt." When Yokota became a farmer after graduating from college 20



A farmer using planting machine conducts rice transplanting in Ryugasaki, Japan.

about 10 times the size of an average strawberry farm in Japan. Such larger-scale agribusinesses, many using new technologies, are the future of Japanese farming, says Kazunuki Ohizumi, professor emeritus at Miyagi University, who has been studying farming trends in Japan for decades. "Large-sized farmers are the ones to revitalize Japan's agriculture, which will be changed significantly," he said. "Of course, IT, robots and artificial intelligence are needed, which will generate jobs to handle such technologies." Japan is already seeing a shift toward company-run farms, whose numbers have jumped

with more than 50 million yen (\$450,000) in sales - will rise to about three-quarters of total sales by 2030, up from 41 percent in 2015. Shuichi Yokota, a 41-year-old rice farmer in Ibaraki prefecture, northeast of Tokyo, says Japan's rice farmers have been protected by government subsidies and tariffs for too long. Japan imposes a hefty 341 yen (\$3.09) per kg tariff on imported rice, outside of its World Trade Organization tariff-free obligations, while the government offers subsidies of up to 105,000 yen (\$950) per 0.1 hectare (0.25 acre). Farmers should aim to become

years ago, his family had about 16 hectares. As older farmers in the area retired, he started leasing their land. He now oversees a 140-hectare (346-acre) rice farming corporation, far bigger than the average three hectare (7.5 acre) farm. The company grows several different varieties so that planting and harvesting are spread out, and uses electronic sensors to measure water levels and temperature in the paddies as well as the condition of the rice. "Government subsidies will have to end eventually as it is not sustainable," Yokota said. "Farmers should produce goods that have a market."