

Fewer than 10 UK-based banks have asked for EU licence as Brexit looms

REUTERS, Frankfurt

Fewer than ten of the approximately 40 banks that conduct EU business out of London have applied so far for a licence to continue banking in the bloc after Britain leaves, regulatory sources told Reuters.

The slow pace of applications is raising concern at the European Central Bank, the EU's top banking supervisor, that some lenders are not doing enough to prepare for Brexit, or may even avoid its watch through a gap in the rules.

The past two months have seen a pick-up in the number of banks saying they plan to set up new EU subsidiaries after Brexit, with most major US, British and Japanese banks saying they will establish units in Frankfurt or Dublin.

But supervisory sources say they have still seen few formal applications for licences.

"We're having lots of meetings but not enough concrete action," one supervisor said.

While Britain does not leave the EU until March 2019, bank executives have said time is already running out: it could take 18 months or more to set up a new subsidiary, given the need to relocate staff, get the requisite technology and change contractual arrangements with EU clients.

The location of investment banks' European headquarters is a major issue during Britain's negotiations to leave the EU. Companies across the bloc depend for financing on global banks whose European arms are now mainly based in London. The Bank of England estimates that half of all the debt and equity issued in the EU involves financial institutions in Britain.

Big banks have warned a "hard Brexit" could trigger financial instability if they were to suddenly lose access to EU markets. On Friday, Europe's banking industry group said central banks would need to be ready to inject cash into financial markets to help keep them stable.

The application for a banking licence, to an EU member state's national regulator and to the ECB, can take 6-12 months, and possibly longer if many banks apply at the same time. Three sources at different EU banking watchdogs told Reuters the total number of banks that had submitted applications so far across Europe was still in single digits.

The ECB declined to comment on the number of applications made, but has previously expressed concern that banks are behind in their preparations.

"A number of the larger banks have made progress in their planning," Sabine Lautenschlaeger, who represents the ECB's supervisory arm on the board, said last month.



REUTERS

The City of London is seen from Canary Wharf, Britain.

"But we have not seen many final decisions yet."

A spokesman at German regulator Bafin said it had received some applications and expected this to swell into double-digits eventually. The Central Bank of Ireland did not receive any applications in the first half of the year, its mid-year report shows. According to Lautenschlaeger, there are around 40 banks that now conduct business in other EU countries from UK bases. These include UK lenders, the big Wall Street investment banks and smaller groups from Asia and the Middle East.

To receive permission to operate new or expanded subsidiaries in the EU, they would have to subject their business plans, safety and the fitness of managers and investors to national and ECB banking supervisors.

Most major international and UK banks already operate small licensed subsidiaries in at least one other EU country, but would still need expanded regulatory approval to transfer big chunks of their London business to them.

In at least five cases -- Barclays, Citi, HSBC, JPMorgan and State Street -- European subsidiaries are already big enough to be directly supervised by the ECB, although they may need further permission to expand their operations.

Barclays has said it plans to secure an expanded licence for its subsidiary in Ireland. Among other big banks, Royal Bank of Scotland is negotiating with Dutch supervisors about moving some of its staff and business to its subsidiary in the Netherlands, while Lloyds and

Standard Chartered plan to make formal submissions this year.

The ECB has complained that some firms could avoid its supervision by setting up market divisions, known as broker-dealers, rather than full-blown banks.

A gap in EU financial rules means brokers do not need to be approved by the ECB, only by the national market supervisor of the country they base themselves in.

Bank subsidiaries that obtain only a broker-dealer licence, rather than an EU banking licence, would not be able to take deposits or write loans for EU clients, but they could still deal in securities. The ECB worries that if banks avoid their supervision it could bring additional risks.

Global investment bank Morgan Stanley may be among those taking this route. A source has told Reuters the US firm, which already has a licensed bank in Germany, has applied for a brokerage licence from German market and banking supervisor Bafin.

The ECB has asked EU lawmakers to close the loophole that allows banks to obtain brokerage licences without ECB supervision, but this has yet to happen. Another factor keeping some banks from moving too fast in their Brexit plans is the challenge of negotiating with staff about moving out of London.

"The delay in applications could also be due to considerations not to lose top-level employees," a German supervisor said.

Egypt's Sisi eyes \$1b in trade on Vietnam visit

AFP, Hanoi

Vietnam and Egypt agreed Wednesday to nearly triple trade to \$1 billion including with ship-building and IT contracts, as Egypt seeks to kickstart its sputtering economy and forge ties with fast-growing Asian nations.

Egyptian President Abdel Fattah al-Sisi is in Hanoi for a two-day visit -- the first ever by an Egyptian leader -- aimed at drumming up business ties with the country.

"We discussed means to reinforce bilateral ties in many areas, in particular in economics, especially in light of Vietnam's achievements in the fields of industry and commerce," Sisi told reporters.

Egypt's economy tanked after a 2011 revolution that toppled longtime president Hosni Mubarak, and though growth has steadily recovered, reaching 4.3 percent last year from 1.8 percent in 2011, it is still hampered by high inflation.

Last year the International Monetary Fund approved a \$12 billion loan to prop up the ailing economy.

Ctg port faces fresh congestion

FROM PAGE B1
Mahbubul Alam, president of Chittagong Chamber of Commerce and Industry, also said vehicular shortage slowed down the delivery.

He said all should utilise the next few working days to speed up the delivery activities to decongest the port.

Eastland Insurance's founding director passes away

STAR BUSINESS DESK

M Nurul Islam, one of the founding directors of Eastland Insurance Company Ltd, passed away in Chittagong on Saturday.

In a statement, the board of directors of the company and its employees expressed profound grief at the sad demise of Islam.

A founding director and former chairman of National Bank, Islam also held top positions at Eastern Fashion Ltd, Islam & Company Ltd, and Nishi Green Fields Ltd.

He was the vice-president of the Chittagong Chamber of Commerce and Industry, and a senior member of Chittagong Club Ltd.

His Qulkhani will be held at the GEC Convention Centre in the port city tomorrow.



New MD for Krishi Bank

STAR BUSINESS DESK

Bangladesh Krishi Bank has recently appointed Mohammed Ismail Hossain as its managing director, the bank said in a statement.

Prior to the new role, he was a deputy managing director of Agrani Bank.

Hossain started his banking career at Investment Corporation of Bangladesh as a senior officer in 1983.

He also worked for Rupali Bank, Ansar-VDP Unnayan Bank and Agrani Bank in various capacities.

Hossain obtained post-graduation degree in finance from Dhaka University.



New CEO for Meridian Finance

STAR BUSINESS DESK

Iteza Ahmed Khan has recently been promoted as the CEO of Meridian Finance and Investment Ltd, the company said in a statement yesterday.

Prior to the promotion, he was the acting managing director of the company. He also served the company as deputy managing director and company secretary.

Before joining meridian finance, he served IDLC Finance as general manager and head of the consumer division.

Khan started his career in Delta Brac Housing Finance Corporation Ltd in 1999. He obtained his MBA degree from North South University.



Institutional investors give stocks a new lease of life

FROM PAGE B1

Banks' loans to subsidiaries are counted as capital market exposure. But now banks have more space to lend to the stockmarket because their capital base has widened, which boosted their exposure limit, the banker said.

The Dhaka Stock Exchange (DSE) also gained momentum in the middle of 2016 after retail investors started to move funds from banks to stocks after being buoyed by a fall in interest rates. The DSEX, the benchmark index of the premier bourse, reached 4,525 points at the end of July last year but it rose 34 percent to 6,069 points yesterday.

During the same period, market capitalisation surged 26 percent to Tk 4,050,503 crore. Daily average turnover climbed to Tk 1,000 crore in recent months from Tk 700 crore to Tk 800 crore at the end of last year.

The weighted average deposit rate stood at 4.89 percent in July this year from 5.48 percent in the same month last year. Lending rate came down to 9.51 percent from 10.32 during the same period, according to BB data.

Total capital in the banking system was Tk 83,758 crore in December last year, up from Tk 75,352 crore in the same month the previous year, according to central bank data.

The banking sector's exposure to the stockmarket came down to about 20 percent in June this year from over 23 percent in last December. Yesterday, stocks at the DSE ended in the red, breaking an eight-day gaining streak. The broad index lost 13.83 points compared to the previous day.

However, market participation was higher as turnover increased 30.5 percent to Tk 1,369 crore.

Janata lenient over Beximco misconduct

FROM PAGE B1

In response to another email, it said: "We have not defaulted on any of the restructured loans."

The group said that the CAG has cleared the audit objection. A clearance letter of the CAG was also attached with the e-mail. The letter said that the issue was resolved as the payment of the loan was regular.

The objection was settled as the party diverted the fund upon consent from Janata Bank, said a senior officer of the CAG. An executive of the bank said the fund was allowed to be diverted in order to help the client carry out its business activities. In January 2015, the BB introduced the large loan restructuring facility following the demand from Beximco.

Under the policy, 11 business groups have had their loans of Tk 15,000 crore restructured. Janata alone restructured loans more than Tk 5,000 crore.

Remittance rises in August, thanks to Eid

FROM PAGE B1

Loan facilities for apartment purchase in Bangladesh can also be marketed more actively to attract the savings of migrant workers.

Remittance is a major source of foreign currency for Bangladesh and its descent since fiscal 2015-16 has progressively become a matter of concern for the government.

Remittance inflow in fiscal 2016-17 has been the lowest in six years. Migrant workers sent home \$12.77 billion last fiscal year, down 14.47 percent year-on-year.

EU contaminated eggs scandal spreads to 45 countries

AFP, Tallinn

A scandal involving eggs tainted by the insecticide fipronil has spread to 45 countries worldwide, including 19 beyond the European Union where the scare began, a top EU official said Tuesday.

"The impact of the illegal use of this product has reached an EU-wide dimension with today hundreds of farms blocked for production, 26 (EU) member states and 19 third countries involved," European health commissioner Vytenis Andriukaitis told a press conference in Tallinn.

The figure has increased from the 35 countries reported last week, with millions of eggs pulled from supermarket shelves to limit the risk from

a product that can harm human health in high doses. The only two of the 28 EU countries not hit by the scare are Croatia and Lithuania, said a spokesman for the European Commission, the EU executive.

The 19 non-EU countries affected are Norway, Lichtenstein, Switzerland, Hong Kong, Lebanon, Qatar, Liberia, Russia, South Africa, Angola, Iraq, the Netherlands Antilles, Turkey, the United Arab Emirates, the United States, Saudi Arabia, Singapore, Israel and Canada. Debate on the tainted eggs was added to the agenda of a meeting of EU agriculture and fisheries ministers meeting in Tallinn, which currently holds the rotating six-month EU presidency.

Andriukaitis also told reporters

that experts would travel to the "most affected countries" of Belgium, the Netherlands, Germany and France in late September or October to "establish the facts" behind a scandal that erupted publicly on August 1.

EU ministers are scheduled also to meet in Brussels on September 26 to discuss how to improve food safety and prevent fraud in light of the scandal, the commissioner said.

The European Commission said last week that the illegal use of fipronil started as far back as September 2016.

The problem is believed to stem from a substance used by a Dutch company, Chickfriend, which farmers in the Netherlands and Belgium say they hired to treat their chickens.

NBR seeks Tk 50cr from 4 top hotels in unpaid taxes

FROM PAGE B1

The hotels have been paying the supplementary duty since mid-2012. Cases involving Tk 50 crore of unpaid supplementary duty for periods till mid-2012 are pending in courts, including the Appellate Division, the official said. "We expect the verdicts will be in favour of the government as the cases are similar to the previous ones," he added.

The official said the apex court's verdict would be instrumental in making other field offices realise such arrears.

Bangladesh has about 2,000 hotels and guest houses covering the basic amenities. Of them, 50 to 60 may have arrangements for floor shows and alcoholic beverage sale, said James Babu Hazra, general secretary of the Bangladesh Hotel and Guest House Owners Association.

Hackers gain entry into US, European energy sector, Symantec warns

REUTERS, Washington

Advanced hackers have targeted United States and European energy companies in a cyber espionage campaign that has in some cases successfully broken into the core systems that control the companies' operations, according to researchers at the security firm Symantec.

Malicious email campaigns have been used to gain entry into organisations in the United States, Turkey and Switzerland, and likely other countries well, Symantec said in a report published on Wednesday.

The cyber attacks, which began in late 2015 but increased in frequency in April of this year, are probably the work of a foreign government and bear the hallmarks of a hacking group known as Dragonfly, Eric Chien, a cyber security researcher at Symantec, said in an interview.

The research adds to concerns that industrial firms, including power providers and other utilities, are susceptible to cyber attacks that could be leveraged for destructive purposes in the event of a major geopolitical conflict.

In June the US government warned industrial firms about a hacking campaign targeting the nuclear and energy sectors, saying in an alert sent by Reuters that hackers sent phishing emails to harvest credentials in order to gain access to targeted networks. Chien said he believed that alert likely referenced the same campaign Symantec has been tracking.

He said dozens of companies had been targeted and that a handful of them, including in the United States, had been compromised on the operational level. That level of access meant that motivation was



REUTERS

A man poses inside a server room at an IT company.

"the only step left" preventing "sabotage of the power grid," Chien said. However, other researchers cast some doubt on the findings.

While concerning, the attacks were "far from the level of being able to turn off the lights, so there's no alarmism needed," said Robert M. Lee, founder of US critical infrastructure security firm Dragos Inc, who read the report. Lee called the connection to Dragonfly "loose."

Dragonfly was previously active from around

to 2011 to 2014, when it appeared to go dormant after several cyber firms published research exposing its attacks. The group, also known as Energetic Bear or Koala, was widely believed by security experts to be tied to the Russian government.

Symantec did not name Russia in its report but noted that the attackers used code strings that were in Russian. Other code used French, Symantec said, suggesting the attackers may be attempting to make it more difficult to identify them.