

China provides \$10b credit line to Iran



Iranian President Hassan Rouhani shakes hands with Chinese President Xi Jinping (R) during a welcoming ceremony in Tehran in 2016.

AFP, Tehran

A Chinese state-owned investment firm has provided a \$10 billion credit line for Iranian banks, Iran's central bank president said Saturday.

The contract was signed in Beijing between China's CITIC investment group and a delegation of Iranian banks led by central bank president Valiollah Seif.

The Iran Daily said the funds would finance water, energy and transport projects.

Iran is vital to China's trade ambitions as it develops its trillion-dollar "One Belt, One Road" strategy aimed at dramatically boosting its ties to Europe and Africa.

In addition to the credit line, the Export-Import Bank of China committed to a further \$10 billion in loans, while the China Development

Bank signed preliminary deals with Iran for \$15 billion in infrastructure and production projects, Seif announced.

The contracts reflect "a strong will for continuation of cooperation between the two countries," Seif said.

In total, China has agreed to allocate \$35 billion in financing and loans for Iran's economy, state news agency IRNA quoted Seif as saying.

The credit line will use euros and yuan to help bypass US sanctions that have continued despite the nuclear deal between Iran and world powers in 2015.

China was a signatory to the deal that lifted sanctions in exchange for curbs to Iran's nuclear programme.

President Xi Jinping visited Iran a week after it came into effect, vowing to boost bilateral trade to \$600 billion within a decade.

Although trade was just \$31 billion

in 2016, it jumped more than 30 percent in the first six months of 2017. China is already Iran's biggest oil customer and accounts for a third of its overall trade.

Since the lifting of sanctions, Beijing has opened two credit lines worth \$4.2 billion to build high-speed railway lines linking Tehran with Mashhad and Isfahan, the Iran Daily reported.

The latest move follows an eight-billion-euro credit deal signed with South Korea's Exim bank last month.

European banks remain wary of penalties from Washington for working with Iran, but talks are said to be at an advanced stage for \$22 billion in credit deals with banks from Austria, Denmark and Germany.

China's new \$10 billion credit line will go to Iran's Refah Kargar, San'at va Ma'dan, Parsian, Pasargad and Tose'e Saderat banks.

Small creditors use India's new bankruptcy rules to put the squeeze on big players

REUTERS, Mumbai

IN late June, one of India's top wind power equipment makers, Inox Wind Ltd, was dragged into insolvency courts by a logistics handler over unpaid dues of \$88,000. Two weeks on, the matter was settled, with dues paid off.

The case illustrates how small creditors and vendors, previously at the mercy of large debtors, are now using India's new bankruptcy code as a pressure ploy to secure payment of dues that would earlier have been all but impossible to recover.

India overhauled bankruptcy laws last year with the main goal of helping banks tackle a \$150-billion bad loan issue that is crimping growth in the economy.

Less than a year on, insolvency professionals say it is vendors and small suppliers, also referred to as operational creditors, who are using the new rules as leverage to recover dues much more effectively than banks owed far larger sums.

"It is not necessarily a negative thing, but it was not the objective of the new code," said Ashish Chhahwaria, a partner at Grant Thornton who works on insolvency cases.

The new rules give any creditor owed 100,000 rupees (\$1,560) the right to drag a multi-billion dollar company to court.

They lay out a stringent timeline for resolution, or force debtors into automatic liquidation, giving outside influence to vendors and suppliers who would normally rank well below secured financial creditors, such as lender banks, in any bankruptcy process.

But they have also stirred fears of a tsunami of cases jeopardising the plans of banks with billions of dollars at stake, and which are forced to join such proceedings.

"If an operational creditor initiates a process, that basically brings in unwilling financial creditors, even

if they do not deem it the right time or course of action," said leading insolvency lawyer Sumant Batra.

The court that handles such bankruptcy cases, the National Company Law Tribunal (NCLT), should first test the intent of any operational creditor making a bankruptcy plea, he added.

"NCLT has to hold an enquiry at the beginning to determine whether this has been filed only for recovery of debt, or whether this has been actually filed for a resolution or a liquidation process."

Swedish telecom equipment firm Ericsson became the first high-profile foreign vendor to use the tool, filing a petition this week to drag Indian telecom carrier Reliance Communications to insolvency courts over unpaid dues of \$180 million.

By comparison, RCom, as the company is widely known, owes nearly \$7 billion to its banks, who have agreed to a standstill over its servicing obligations until year end, while the company attempts to restructure.

RCom said it plans to challenge the Ericsson plea.



An India Rupee note is seen in this illustration photo.

REUTERS/FILE

Facebook opens AI lab in Canada

AFP, Montreal

Facebook opened its first artificial intelligence lab in Canada on Friday, and Prime Minister Justin Trudeau was on hand to praise the impact of such cutting-edge research.

"Creativity is the driving force behind our prosperity, not just in Montreal but across Canada," Trudeau told a crowd of McGill University students gathered for the launch.

Joelle Pineau, a specialist in artificial intelligence at McGill, will head the research center. She said she hopes Facebook's investment in research here will lead to more AI study.

This is the fourth AI lab opened by Facebook. The others are in Paris, New York and Menlo Park, California.

Pineau's focus on enabling computers to talk to humans in a natural way is of key interest to Facebook, which is competing with Apple, Google and others to develop virtual assistants.

The company also announced Can\$7 million (US\$6 million) in seed money for local AI research firms.

Google and Microsoft already have so-called deep learning labs in Canada, which over the years has fostered a small but talented group of AI specialists.

The United States remains the global leader in AI, but much of its talent comes from abroad. Canada, with its less restrictive immigration policies, has become an attractive place to set up shop.

Ottawa has demonstrated a willingness to develop the field, earmarking Can\$125 million (US\$103 million) in its last budget for AI research.

"This new laboratory... will show that Canada is a leader in the economy of the future and an influential player in the field of artificial intelligence in the world," Trudeau said.

Brexit: tax perks tempt Italian bankers back to la dolce vita

REUTERS, London/Milan

ITALIAN financiers who handle some of their country's biggest deals out of London are moving to Milan, lured by bumper tax breaks at a time of deep uncertainty about Brexit, sources familiar with the plans said.

Investment bankers making the switch include Goldman Sachs' co-head of Italy Francesco Pascuzzi, who also co-heads the global power and infrastructure team, and is looking to move early next year, the sources told Reuters.

Goldman and JPMorgan have started looking for new offices in Milan as their current bases, in the bustling heart of Milan, behind La Scala theatre, are too small to house those seeking to relocate.

Goldman has about 20 people on its payroll in Milan - Italy's financial capital - but expects headcount to double by 2019 as a result of Italian bankers returning from London, said the sources who declined to be named as the plans are confidential.

JPMorgan, which has a much bigger presence of about 160 staff, aims to significantly increase that number, they added.

"Hiring bankers from London used to be hard, no one was too keen to relocate as London was the place to be in finance. But things have changed," said Leopoldo Atolico, the Italy country manager for Citi, which has 200 Milan staff and expects some workers to seek relocation from London.

"Now there is a sense of insecurity among non-UK nationals working in London and we have seen more interest in relocating to Milan,

also thanks to new fiscal incentives."

For those returning, Italy is offering significant perks, including a 50 percent income tax break. There is no mass exodus, however, with only dozens of Italians choosing to relocate so far.

But the shift points to a growing fragmentation of the European investment banking sector, which has been almost exclusively concentrated in London for the past 20 years.

As Brexit nears, more finan-

in February to join private equity firm Armonia SGR.

Antonino Mattarella, nephew of Italian president Sergio Mattarella, is also among bankers making the switch. In February the 38-year-old, who spent 12 years in London at Goldman Sachs, became Bank of America's Italy head in Milan.

Some private equity and hedge fund executives have shifted too.

Giuseppe Prestia, partner at Charterhouse, has just

left Italy due to a lack of work and career prospects, with London a favourite destination.

In a bid to reverse this brain drain the government has introduced the 50 percent, five-year income tax break for high-skilled Italian workers returning from abroad, as well as a flat tax rate of 100,000 euros on foreign income aimed at luring the wealthy of all nationalities.

Fabrizio Pagani, chief of staff for Italy's finance minis-

ter, while Italy lags Britain, France and Germany for investment banking fees.

But there are other attractions for affluent financiers.

Known as a hub for world-class design, fashion and food, the city of 1.3 million people boasts 17 Michelin-starred restaurants among about 7,000 bars, cafes and eateries. It is also marketing itself as a modern banking centre with the newly developed Porta Nuova financial district reshaping the skyline.

"More than 6 billion euros has been invested in office space in Italy over the past 24 months, a significant part of which went to Porta Nuova," said Manfredi Catella, CEO of real estate investment firm Coima.

Apartments in prime areas like the Brera district cost about \$12,000 per square metre versus an average of \$25,000 in London's exclusive Mayfair.

"For someone from London buying in Milan is like going to the supermarket," said Vincenzo Albanese, CEO of estate agency Sigest.

Albanese said financial-sector workers in London had been sounding out the Milan property market over the past year with top-floor terraced apartments in high demand. International schools are also reporting a pick-up in interest.

"We had a lot of interest from Italians working in London who decided it was time to come back. This has been a trend since Brexit," said Chris Greenhalgh, principal at the British School of Milan.

Greenhalgh said Milan's municipality recently gathered all international schools and asked them to provide details about their capacity as part of a pitch to lure people from London.

Russia cuts interest rate for fourth time this year

AFP, Moscow

Russia's central bank on Friday cut its key interest rate to 8.5 percent, the fourth reductions this year as inflation hits a record low.

The bank said it took the decision to slice 50 points off the rate after "inflation expectations resumed their decline".

In a statement, the Russian bank said it would "continue to conduct a moderately tight monetary policy" in order to maintain inflation close to 4%.

But it also said that "during the next two quarters, the Bank of Russia deems it possible to cut the key rate further."

The central bank is still struggling to breathe life into the Russian economy as it slowly emerges from the long-gest recession of President Vladimir Putin's rule on the bank of low oil prices and Western sanctions over Ukraine.

The bank dramatically increased its interest rates following the crash of the ruble in late 2014 and has been gradually chipping away at the key rate since then in bid to bolster the economy.

After three consecutive cuts, the bank chose to not lower them further during its last meeting in July due to a worries over inflation.

But those fears proved unfounded and inflation in August fell to a post-Soviet low of 3.3 percent.

That is far from the 15 percent seen in the months following the height of the monetary crisis at the end of 2014, but the bank warned it continues to see "medium term risks of inflation overshooting 4%".

Russia's economy is expected to grow by between 1.7 percent and 2.2 percent according to central bank estimates after two years of recession.



As Brexit nears, more financiers are expected to shift to their home countries or to other financial hubs like Frankfurt and Paris.

REUTERS/FILE

ciers are expected to shift to their home countries or to other financial hubs like Frankfurt and Paris. This would increasingly spell the end of a model that has allowed banks to streamline operations and costs by covering European markets out of Britain.

"You don't move back to Italy to get a tax break, but it's a good incentive when you're thinking about your next step," said former DBAY investment adviser Raffaele Petrone who returned to Italy

relocated to Milan after handling the private equity house's Italian investments out of London for 13 years, and his firm is considering opening its own base in Italy, according to the sources.

London-based buyout funds Civen and Advent have started beefing up their Milan subsidiaries, with Advent director Francesco Casiraghi being the first to relocate, they said.

Over the past two decades, thousands of graduates have

ter, has been organising international events to promote Milan as a financial centre. "We have seen a lot of interest around these new fiscal policies, especially the one offering a 50 percent tax holiday," he said.

Milan still has a long way to go to come close to rivaling London or New York. Its share of global foreign currency trading is 0.3 percent compared with 36.9 percent in London, according to the Bank for International