

# Banks can support UK economy in disorderly Brexit: Bank of England

AFP, London

Britain's lenders could support the economy through a "disorderly" Brexit, the Bank of England said Tuesday, as the sector passed its latest round of stress tests.

The central bank ruled however that the nation's seven top retail banks must hold another £6.0 billion (\$8.0 billion, 6.7 billion euros) in combined capital reserves to safeguard against crisis.

The BoE added Tuesday that all seven -- comprising Barclays, HSBC, Royal Bank of Scotland (RBS), Lloyds, Nationwide, Santander and Standard Chartered -- passed its stress assessments for the first time since it began testing in 2014, and are "resilient" to recession.

"The stress-test scenario ... encompasses a wide range of UK macroeconomic risks that could be associated with Brexit," read a statement from the BoE's Financial Policy Committee (FPC).

"As a result, the FPC judges the UK banking system could continue to support the real economy through a disorderly Brexit."

BoE governor Mark Carney, speaking at a press conference, warned however that a messy Brexit was "in nobody's interest" and would have "an economic impact on households and businesses".

Britain will leave the European Union in March 2019 after the nation voted last year to leave the bloc, but the terms of its exit and future trade relationship are under negotiation. There are concerns a deadlock in the talks could see Britain leave without a trade deal in place, potentially causing severe disruption to its economy.

Carney added that a disorderly Brexit -- one in which no trading relationship is arranged -- is "not a good scenario". "It is one we are all working to avoid as it has some quite material economic costs -- even if the financial system continues to operate through it," he noted.

The BoE added that, in order to preserve the continuity of existing cross-border insurance



AFP/FILE

**A recently painted mural depicting a workman chipping away one of the stars on a European Union themed flag is pictured in southeast England.**

and derivatives contracts, British and EU legislation would be required following Britain's departure.

Some six million UK policyholders, 30 million European Economic Area (EEA) policyholders, and around £26 trillion of outstanding uncleared derivatives contracts could otherwise be affected, the central bank warned.

The stress assessments were meanwhile designed to see whether the banking sector can weather a fierce worldwide recession, crashing house prices and soaring unemployment. However, the BoE cautioned that both a chaotic Brexit and a global recession -- combined with misconduct costs -- could result in "more severe" economic fallout than the tests anticipate.

The FPC regulator, established after the global financial crisis and tasked with safeguarding Britain's financial system, added it would lift

its capital buffer rate from 0.50 percent to 1.0 percent by November 2018.

That will give Britain's retail lenders combined capital reserves of £11.4 billion.

"The combination of a disorderly Brexit and a severe global recession and stressed misconduct costs could result in more severe conditions than in the stress test," the FPC said in its Financial Stability Report.

"In such circumstances, capital buffers would be drawn down substantially more than in the stress test and, as a result, banks would be more likely to restrict lending to the real economy."

Barclays and RBS fared the worst in the tests, struggling in the central bank's severe economic stress scenario.

However, the pair passed because they have already taken action to strengthen their balance sheets since the end of last year.

# Global crypto-currency crackdown sparks search for safe havens

REUTERS, New York

When US entrepreneur Bharath Rao looked around for the best place to raise money for his crypto-currency derivatives trading business, the United States did not make his list. Instead he chose the East African island nation Seychelles to sell the trading platform's tokens.

Rao, a San Diego-based technology veteran who has worked for major Wall Street banks, is not alone.

Confronted with national regulators' intensifying scrutiny of digital currency fund-raising, known as initial coin offerings, many entrepreneurs are moving businesses to locations more welcoming to crypto-currencies and known for low taxes.

Dozens of start-ups have flocked to Singapore, Switzerland, Eastern Europe and the Caribbean this year, according to interviews with entrepreneurs and company registration data made available to Reuters.

Like bitcoin, the best-known crypto-currency created in 2009, the coins use encryption and a blockchain transaction database enabling fast and anonymous transfer of funds without centralized payment systems.

The numbers compiled by crypto-currency research firm Smith + Crown show how national regulators' attempts to curb coin sales may just shift business elsewhere.

The United States leads with 34 digital currency start-up registrations so far this year, but that reflects Silicon Valley's role as a technology hub and the depth of US financial markets rather than a welcoming regulatory climate.

Singapore registered 21 entities, up from one in 2016, followed by 19 in Switzerland, up from three last year, according to Smith + Crown. Central Europe saw 14 companies

registered this year, compared with one in 2016 and the Caribbean hosted 10, up from two last year.

"The data affirms our sense that Switzerland and Singapore remain go-to locations, but the US could remain for companies raising large amounts of money," said Matt Chwierut, Smith + Crown's research director.

Switzerland does not have specific rules on digital coin sales, but some parts of an offer may fall under existing regulations, the Swiss Financial Market Supervisory Authority (FINMA) said in September.

So far, four of the five largest token sales, raising a total of over \$600 million, were carried out by firms registered in Zug, a low-tax region south of Zurich known as the "crypto-valley" of the world.

In contrast, China and South Korea banned digital coin sales this year and regulators in the United States, Malaysia, Dubai, United Kingdom and Germany warned investors that current scant oversight exposed them to risks of fraud, hacking or theft.

Soaring registrations in "friendly" jurisdictions show how hard it is for national watchdogs to regulate digital coin sales. It is a challenge regulators begin to recognize.

"We are talking to other regulators, and we know that there are a lot of bilateral discussions taking place," the Dubai Financial Services Authority said in an email to Reuters.

The US Securities Exchange Commission declined to comment about the migration of coin issuers to remote jurisdictions.

The United Kingdom's Financial Conduct Authority and Securities Commission Malaysia reiterated their stance that digital coin sales are high-risk, speculative investments and that retail investors should be aware of that.



BRAC BANK

**Kaiser Tamiz Amin, deputy managing director of United Finance Ltd, and AK Joaddar, deputy managing director of Brac Bank, attend a deal signing ceremony at the bank's head office in Dhaka on Sunday. The bank will provide salary disbursement and all sort of retail loan facilities to United Finance employees.**



BANK ASIA

**Md Arfan Ali, president and managing director of Bank Asia, and MAN Ka Kit, CEO of CCRManager Pte Ltd, a Singapore-based financial service provider, exchange documents after signing a deal at Westin Dhaka on Sunday. The bank will utilise CCRManager's financial technology platform for facilitating trade finance and working capital assets in the city.**

# Japan keeps view that moderate economic recovery continuing

REUTERS, Tokyo

The Japanese government stuck to its moderately upbeat view on the economy in November, its monthly economic report showed on Tuesday, saying it remained on a recovery path helped by consumer spending and business investment.

"Japan's economy continues to recover moderately as a trend," the Cabinet Office said in the report, maintaining that assessment for a sixth consecutive month.

The report is the first since the government announced this month that the economy had grown for a seventh straight quarter in July-September - its longest expansion in 16 years - although private consumption had suffered a rare decline.

But the government said in Tuesday's report that private consumption was "picking up moderately", unchanged from the

wording it used last month, with the consumer confidence index hovering at four-year highs.

The government maintained its assessment that capital expenditure was "picking up", supported by machinery orders and an increase in spending on construction work.

It also kept intact its view that exports and industrial output were "picking up" and were expected to continue doing so on the back of solid overseas demand.

The government maintained its assessment that consumer prices remained flat, but said "changes in the move towards an escape from deflation can be seen", citing factors including Japan's deep labor shortage and record corporate profits.

Still, it noted that service prices were weak when compared with other countries as Japanese wage increases remained modest.

# China to set up system to monitor its firms overseas

REUTERS, Beijing

China's state planner issued guidelines on Tuesday for monitoring the overseas activities of Chinese firms and individuals to prevent tax fraud, money laundering, illegal financing, and activities damaging to the country's reputation.

In a statement on its website, the National Development and Reform Commission (NDRC) warned that the government will record and tally instances of laws and regulations being broken in China or abroad, and offenders would be punished.

The plan is part of efforts to regulate firms' overseas investments and business activities as China's influence in the global economy grows, especially through its Belt and Road initiative.

In addition to illegal activities, the guidelines specifically say actions that "violate international conventions and United Nations resolutions, or that disrupt foreign economic cooperation, adversely impact the Belt and Road initiative, or harm China's reputation", will be recorded.

The guidelines also focus on monitoring cross-border capital flows by insisting overseas deals are reasonable and disclosures are accurate.

# US new home sales rise to 10-year high

AFP, Washington

US sales of new single-family homes quickened for the second straight month in October, rising to the highest level since the housing bubble, according to data released Monday.

The increase points to a recovery in sales after what had been a sluggish year amid tightening supply and rising prices.

But the monthly gain was boosted by the storm-damaged southern US, which continued to see robust sales.

Sales of new homes rose 6.2 percent compared to September to an annual rate of 685,000 units, seasonally adjusted, the fastest pace since October 2007, the Commerce Department said in its monthly report.

The result overshoot the expectations of analysts, who had been expecting a 2.5 percent decline.

The estimates are subject to a high

degree of uncertainty, however. Sales in September, which originally were reported as a 10-year record, were revised down.

Patrick Newport of IHS Markit said it is more useful to focus on trends over several months.

"It takes about six months to establish a trend -- the six-month moving average shows sales moving up gradually nationally," he said in a client note. "The prognosis going forward is for further steady growth over the next two years."

Analysts have said the tight housing market is weighing on sales and pricing houses beyond the reach of many would-be homeowners.

And yet sales in the South, which suffered back-to-back hurricanes at the end of the summer, rose to 383,000 units -- the highest level since October 2007 -- even though it was an increase of just 1.3 percent from the

prior month.

Sales soared in the Northeast, jumping 30.2 percent, also a 10-year record, while sales in the Midwest surged 17.9 percent.

Jim O'Sullivan of High Frequency Economics said despite frequent revisions and ups and downs, the figures show an improvement over recent years.

"Through the volatility, sales have averaged a 613,000 annual rate so far this year, up from 561,000, on average, in 2016, 503,000 in 2015 and 440,000 in 2014," he said in a research note.

"The data are highly volatile but sales appear to have regained some momentum after some slowing earlier."

The brisk sales pace drew down the supply of available new homes to 4.9 months, a 5.8 percent decline, but in raw numbers the pool of houses for sale changed little at 282,000, the highest since May 2009.



ATHENA'S FURNITURE

**Officials of Athena's Furniture and Home Décor along with models cut a cake to inaugurate a wedding festival in the company's Gulshan 1 branch in the capital. Customers will get 25 percent discount on all products throughout November and December.**



IBCCI

**M Shueb Chowdhury, vice president of the India-Bangladesh Chamber of Commerce and Industry, hands over a crest to Najma Heptulla, governor of Manipur, on the sidelines of North-East Development Summit at Raj Bhavan in Imphal, India.**