Talented people, compliance key to bank's sound finance

StanChart's Group CFO says

MD FAZLUR RAHMAN

HIRING and retaining high-quality people, using a robust risk management system and complying with regulatory requirements are some of the key areas that can help a bank attain a sound financial health, said a top banker.

"I think a combination helps," Andy Halford, group chief financial officer of Standard Chartered, told The Daily Star in an interview in Dhaka last week.

Halford was appointed group chief financial officer of Standard Chartered plc in July 2014 and CFO of Standard Chartered Bank in April 2019.

He has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets.

He worked as finance director at East Midlands Electricity plc, as financial director for Vodafone, and as CFO for Verizon Wireless in the US.

As the group CFO at Standard Chartered, he is responsible for the finance, treasury, corporate development, strategy, investor relations, property and supply chain management functions.

"Standard Chartered operates in about 60 markets and Bangladesh is among the markets which are growing very fast."

Speaking about the underlying factors behind Bangladesh's steady run of growth, he cited the examples of a number of Asian countries where skilled workforce is increasing, education standards are rising and there is an increasing sense of entrepreneurialism.

The products that are made are also of high quality and they are being sought after in other parts of the world as the prices are competitive.

"And we see all of those ingredients present here at this point in time. There is also a strong sense that these conditions are well-managed as the country moves forward."

For any bank operating in a country where the economy is growing fast is a great opportunity and the bank saw very significant growth in Bangladesh, according to Halford.

The opportunities really come from businesses that are growing, so there are also new parts of the economy that are taking off. There are opportunities in the digital space.

"Hence, we are delighted that we have a presence in the country and we have had a presence in the country for well over a century. We, genuinely, are very enthused by the growth outlook for the country which is a good thing for us and our business."

"In turn, hopefully we can help in our own small way with the future growth of the country."

Halford preferred not to comment about the conditions of the other banks in Bangladesh.

Rather, he said: "I think every country has got a wide range of banks. It is important for us to run a high quality business that our clients recommend to their friends, that we apply high ethical standards and that we are good citizens in the country in which we operate."

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Andy Halford

Speaking about the future of banking, Halford said: "We do see the future as being a very digital bank and supplemented by select branch locations. And that is what we are doing in most of the countries in which we operate."

Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, who accompanied Halford during the interview, supplemented the CFO, saying the adoption rate of online banking is actually quite encouraging in Bangladesh.

On the retail banking, there are a lot more opportunities coming up.

Halford said Standard Chartered is a universal bank and serves consumers, small businesses and large businesses.

"Therefore we really cover the whole range of customers and products. And we believe we are very well-positioned to provide a full suite of services to businesses as they progressively grow over time."

He said he does not think Brexit will have meaningful first order impact on the bank's operations globally and especially in Bangladesh.

"In fact globally, most of our activities are in Asia, Middle East and Africa. So, although we do have a head office in the UK and we do have corporate activities in the UK, overall our activities in between Europe and the UK are relatively quite a small part of our business."

Speaking about the US-China trade war, he said: "We watch out with as much interest I think as many others do."

Standard Chartered is a significant bank in China and has been operating in the country for more than 160 years and its business is doing very well. It is the seventh largest clearer of US dollars in the US.

However, only a small part of the trade that the bank finances is actually between the US and northern Asia. There might not be a significant direct impact on the bank although the secondary impacts on the supply chains is clearly of some relevance, according to Halford.

Some of the trade flow from China to the US may divert to within Asia. "And given that we have a presence in most Asian countries, we are uniquely well-positioned to be able to assist even if the trade flows do change the pattern."

As a large bank in China it is in touch with many large businesses.

When asked whether Chinese companies are interested to invest more in Bangladesh, Halford replies: "I think that it varies by sector. Those sectors that are potentially impacted by the tariffs obviously are having to give it more thoughts."

Some clients are looking at whether there are other locations that they could use as a manufacturing base and that include a number of Asian countries. Bangladesh is one potential country that manufacturers could move to.

Bijoy added: "Some clients are looking for options to have China plus one and it can be Bangladesh or Vietnam or others. So, we need to be more competitive to get that share."

However, if the global economy slows down, there could be a potential for Chinese operators to look at alternative markets such as the EU, which is also a big market for Bangladesh.

"So, we may face more competition in those markets than what we are facing now," Halford added.

British Airways faces record $230m fine over data theft

REUTERS, London

BRITISH Airways-owner IAG is facing a record $230 million fine for the theft of data from 500,000 customers from its website last year under tough new data-protection rules policed by the UK's Information Commissioner's Office (ICO).

The ICO proposed a penalty of 183.4 million pounds, or 1.5 percent of British Airways' 2017 worldwide turnover, for the hack, which it said exposed poor security arrangements at the airline.

BA indicated that it planned to appeal against the fine, the product of European data protection rules, called GDPR, that came into force in 2018. They allow regulators to fine companies up to 4 percent of their global turnover for data-protection failures.

The attack involved traffic to the British Airways website being diverted to a fraudulent site, where customer details such as log in, payment card and travel booking details as well as names and addresses were harvested, the ICO said.

Information Commissioner Elizabeth Denham said: "People's personal data is just that – personal.

"When an organization fails to protect it from loss, damage or theft it is more than an inconvenience. That's why the law is clear – when you are entrusted with personal data you must look after it."

BA's chairman and chief executive Alex Cruz said he was "surprised and disappointed" by the proposed penalty.

"British Airways responded quickly to a criminal act to steal customers' data," he said.

"We have found no evidence of fraud/fraudulent activity on accounts linked to the theft."

Willie Walsh, CEO of parent company IAG, said BA would be making representations to the ICO about the proposed fine.

"We intend to take all appropriate steps to defend the airline's position vigorously, including making any necessary appeals," he said.

Shares in IAG fell 0.8 percent to 452.7 pence by 0810 GMT.

Analyst Gerald Khoo at broker Liberum said the proposed fine equated to about 9 pence per IAG share.

"While IAG has more than adequate liquidity to cover the fine (Dec 2018 cash 3.8 billion euros, total liquidity 6.3 billion euros), the penalty is still substantial," he said.

The ICO, which could impose fines up to 500,000 under previous rules, had also investigated BA on behalf of other European regulators.

The ICO fined Facebook 500,000 pounds in 2018 for serious breaches of data protection law. It said the penalty would have "inevitably have been significantly higher under GDPR".

REUTERS/FILE

Commuters pass a British Airways advert on the tube at Canary Wharf station in London.

The high-tech trade dispute rooted in Japan's wartime history

REUTERS, Tokyo/Seoul

JAPAN has tightened curbs on exports of high-tech materials used in smartphone displays and chips to South Korea, upping the ante in a decades-old dispute with Seoul over South Koreans forced to work for Japanese firms during World War Two.

The export curbs highlight how Japan, the world's third-largest economy, continues to hold sway over a vital corner of the global supply chain. It remains a major player in specialised chip components, even though it was overtaken as a chipmaker years ago by South Korea.

Below are some details about the materials targeted, the companies involved, the outlook for further curbs and the row itself:

The tighter export curbs target three materials: fluorinated polyimides, used in smartphone displays; photoresists, used to transfer circuit patterns on to semiconductor wafers; and hydrogen fluoride, used as an etching gas when making chips.

Japan produces about 90 percent of fluorinated polyimides and about 70 percent of etching gas worldwide, Japanese media have said. It produces around 90 percent of photoresists, according to a government report. That makes it difficult for South Korean chipmakers to find alternative sources of supply.

REUTERS/FILE

A labourer works in a container area at a port in Tokyo, Japan.

South Korea imported $144 million of the three materials from Japan in the first five months of this year, accounting for 94 percent of its fluorinated polyimides, 44 percent of its etching glass and 92 percent of its photoresist, Korean industry data showed.

A source at one of South Korea's top memory chipmakers said chipmakers would have to try to build stockpiles.

South Korean tech giants such as Samsung Electronics, SK Hynix and LG Display are all expected to be hit.

Japanese suppliers include JSR, Tokyo Ohka Kogyo Shin-Etsu Chemical and Stella Chemifa. Other suppliers include Showa Denko KK and Kanto Denka Kogyo, analysts say.

South Korean chip giants Samsung Electronics and SK Hynix rely on Japan for most of the materials, although they source some hydrogen fluoride from China.

They have up to four months of stockpiles for some of the materials, according to experts.

"The materials are hard to build stockpiles of because photoresists, for example, can deteriorate over time," said Nomura analyst Shigeki Okazaki. Likewise, etching gas is hard to store in high volumes, he said.

Japan is stopping preferential treatment for shipments of these three materials to South Korea and will require exporters to seek permission each time they want to ship, which takes around 90 days, a government official said.

South Korean chipmakers are now seeking to buy more from elsewhere, such as China or Taiwan, where Japanese jurisdiction can't reach, according to Park Jea-gun, a semiconductor engineering expert who heads the Korean Society of Semiconductor & Display Technology.

Japan also plans another round of export curbs for South Korea that could target a broader range of items applicable to weapons production, including machine tools, the government says.

Specifically, it plans to remove South Korea from a "white" list of countries with minimum trade restrictions, requiring Japanese exporters to go through a lengthy permit application process each time they want to export restricted items to South Korea, it said.

Deutsche Bank says to slash 18,000 jobs by 2022

AFP, Frankfurt

GERMANY'S biggest lender Deutsche Bank said Sunday it would cut 18,000 jobs by 2022, as the former leading light of the country's financial sector looks to escape years of turmoil.

The slashing of around one in five of its workforce, to 74,000 employees, is an unprecedented round of departures for Deutsche.

The bank said the layoffs would reduce annual costs by six billion euros ($6.7 billion) over the same period.

"Today we have announced the most fundamental transformation of Deutsche Bank in decades," chief executive Christian Sewing said, dubbing the scheme "a restart for Deutsche Bank". The lender did not immediately make clear where the axe would fall.

But with executives looking to find synergies in the integration of subsidiary Postbank and central infrastructure roles, many jobs are likely to go in home country Germany.

The new round of job cuts comes on top of some 6,000 already carried out over the past year.

Bosses expect the restructuring plan to sap second-quarter results by some three billion euros this year, making for a net loss of 2.8 billion.

Over the whole year, Deutsche is likely to plunge back into the red after a brief flirtation with profitability in 2018.

The bank does not plan to pay out dividends this year or next.

The restructuring could be a last chance for Deutsche after much-hyped merger talks with crosstown rival Commerzbank fell through earlier this year.

Negotiations collapsed despite the backing of the finance ministry in Berlin, which feared seeing a vital link in the financing of the country's economy bought up from abroad.

Over the past four years, the firm's market capitalisation has fallen by 75 percent, making it a potential target for takeovers by bigger fish.

As markets closed Friday, Deutsche was worth 15 billion euros ($17 billion), placing it firmly at the back of the pack in a European industry dominated by the likes of HSBC (165 billion euros), Spain's Banco Santander (69 billion) and France's BNP Paribas (54 billion).

"Deutsche plays in the first division, and should lay the foundations for things to stay that way" over the weekend, urged economy minister Peter Altmaier in the tabloid-style Bild's Sunday edition.

Since he took the helm in early 2018, Sewing has attempted to refocus the sprawling group on stable revenue-generating business areas, including retail banking and so-called transaction banking for businesses.