US gives nod to Russian default ins payouts

REUTERS, *Washington*

The US Treasury issued a special waiver on Friday to allow investors with insurance against a Russian default, known as Credit Default Swaps, to receive their payouts.

The normally straightforward process of CDS payouts was thrown into chaos in June when Washington said its sanctions on Russia represented a total ban on buying Moscow's debt.

An investor who buys a CDS contract usually hands over the underlying bond to the bank or fund that sold them the CDS when a default happens. It traditionally involves an auction to determine the price, but under the sanctions that exchange effectively became illegal.

The license authorizes US persons to purchase or receive Russian bonds starting two days before the announced date of the auction, and up to eight business days after the auction takes place.

Analysts estimated that roughly $2.5 billion worth of Russia sovereign debt CDS had been held up

The committee that sets the auction date has a scheduled meeting on Monday at 1300 GMT after having met three times this week.

"OFAC has issued two General Licenses (waivers) to help US and other global investors more cleanly exit their exposures to Russia," a Treasury spokesperson said, referring to the Office of Foreign Assets Control which enforces US sanctions.

The move also authorizes financial institutions "to facilitate, clear, and settle" the newly-authorised transactions, the Treasury's website added. Analysts had estimated that roughly $2.5 billion worth of Russia sovereign debt CDS had been held up by the problems.

"This is an example of the fine tuning of a sanctions apparatus that the United States has had significant experience with through the years," said Jamal El-Hindi, a counsel at law firm Clifford Chance.

"Specific licenses, general licenses, are used to make sure that the overall impact of the sanctions is doing what they want it to do, and not blocking things that they don't want it to block," he said.

Russia was declared in default last month although it had already tripped in May by failing to pay an additional $1.9 million of interest that had built up on an earlier overdue payment as Western sanctions shut off payment channels.

A farmer brings his harvest of spiny gourd for sale in Gudia Bandar area of Barishal's Uzirpur upazila, seeking Tk 35 per kilogramme or Tk 1,400 per maund (around 37 kilogrammes). Around 31,910 tonnes of spiny gourd were produced around the country in fiscal year 2019-20, according to the Bangladesh Bureau of Statistics. The photo was taken recently. PHOTO: TITU DAS

Why is the world worried about China's property crisis?

AFP, *Beijing*

China's troubled property sector suffered another blow this month when frustrated homebuyers stopped making mortgage payments on units in unfinished projects.

The boycott came with many developers struggling to manage mountains of debt, and fears swirling that the crisis could spread to the rest of the Chinese -- and global -- economy.

How big is China's property sector?

Colossal. Property and related industries are estimated to contribute as much as a quarter of China's Gross Domestic Product (GDP).

The sector took off after market reforms in 1998. There was a breathtaking construction boom on the back of demand from a growing middle class that saw property as a key family asset and status symbol. The bonanza was fuelled by easy access to loans, with banks willing to lend as much as possible to both developers and buyers.

Mortgages make up almost 20 per cent of all outstanding loans in China's entire banking system, according to a report by ANZ Research this month.

Many developments rely on "pre-sales", with buyers paying mortgages on units in projects yet to be built.

Unfinished homes in China amount to 225 million square metres (2.4 billion square feet) of space, Bloomberg News reported.

Why did it plunge into crisis?

As property developers flourished, housing prices also soared.

That worried the government, which was already concerned about the risk posed by debt-laden developers.

It launched a crackdown last year, with the central bank capping the proportion of outstanding property loans to total lending by banks to try to limit the threat to the entire financial system. This squeezed sources of financing for developers already struggling to handle their debts.

A wave of defaults ensued, most notably by China's biggest developer, Evergrande, which is drowning in liabilities of more than $300 billion.

On top of the regulatory clampdown, Chinese property firms were also hit by the Covid crisis -- the economic uncertainty forced many would-be homebuyers to rethink their purchase plans.

How have homebuyers reacted?

Evergrande's decline had sparked protests from homebuyers and contractors at its Shenzhen headquarters in September last year.

In June this year, a new form of protest emerged: the mortgage boycott.

People who had bought units in still-unfinished projects announced they would stop making payments until construction resumed. Within a month, the boycott spread to homebuyers in more than 300 projects in 50 cities across China.

Many of the unfinished projects were concentrated in Henan province, where mass protests in response to rural bank fraud broke out and were suppressed.

Chinese lenders said last week that the affected mortgages account for less than 0.01 percent of outstanding residential mortgages, but analysts say the fear is how far the boycotts will spread.

Why is there global concern?

China is the world's second-largest economy, with deep global trade and finance links.

If the property crisis spreads to China's financial system, the shock would be felt far beyond its borders, analysts say.

"Should defaults escalate, there could be broad and serious economic and social implications," Fitch Ratings wrote in a note on Monday.

This echoed a warning by the US Federal Reserve, which said in May that while China has managed to contain the fallout so far, a worsening property crisis could impact the country's financial system too.

StanChart wins Asiamoney Best Bank Awards

STAR BUSINESS DESK

Standard Chartered Bangladesh has won the Asiamoney Best Bank Awards 2022 as the "Best International Bank" in Bangladesh.

The bank was recognised for its focus on sustainability, driving economic empowerment and greater financial inclusion, and demonstrating a continued commitment to powering economic and social growth.

Standard Chartered won the award in sixth consecutive time, a press release said.

"This achievement is a testament to how, despite the challenges of the past year, we have continued to push boundaries for our clients and have marshalled our strength and resilience to support our communities," said Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh.

Established in 1989, Asiamoney, a financial publication in the UK, focuses on publishing content related to business and finance. It provides stakeholders with insights, reports, and analyses.

Hyundai subsidiary has used child labour at US factory

REUTERS, *Luverne, Alabama*

A subsidiary of Hyundai Motor Co has used child labor at a plant that supplies parts for the Korean carmaker's assembly line in nearby Montgomery, Alabama, according to area police, the family of three underage workers, and eight former and current employees of the factory.

Underage workers, in some cases as young as 12, have recently worked at a metal stamping plant operated by SMART Alabama LLC, these people said. SMART, listed by Hyundai in corporate filings as a majority-owned unit, supplies parts for some of the most popular cars and SUVs built by the automaker in Montgomery, its flagship US assembly plant.

Canada may extend timeline for oil emission targets

AFP, *Montreal*

Canada, the world's fourth-largest oil producer, is considering pushing back its greenhouse gas reduction timeline for its oil industry, the environment minister told media Saturday.

The government recognizes that "some of the measures that will be needed to achieve those deep emission reductions might require more time than what we have between now and 2030," observed Canadian Environment Minister Steven Guilbeault in an interview with CBC's "The House."

HBM Iqbal, chairman of Premier Bank, attends the bank's half-yearly "Business Conference-2022" at the Renaissance Dhaka Gulshan Hotel in the capital yesterday. Moin Iqbal, vice-chairman of the bank, Abdus Salam Murshedy, Shafiqur Rahman, Mohammad Imran Iqbal, directors, Kaiser A Chowdhury, independent director, Muhammed Ali, adviser, M Reazul Karim, managing director, were present. PHOTO: PREMIER BANK

Leadership agenda

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their fast-changing behaviours amid disruptions. Having strong insights about customers helps organisations innovate faster and create meaningful values for their customers. A transformative organisation keeps itself relevant by harnessing strong insights about its customers beyond their journey of digitalisation.

The only way an organisation can develop and enhance its insights is by continuously engaging with them. In a brick-and-mortar business environment, meticulous business leaders observe their customers thoroughly and try to understand what kind of needs are driving their behaviours, within the store or outside.

In the digital realm of the same business, the leaders rely on the digitalised techniques such as A/B testing to understand customers' behaviours and develop insights about them.

In fact, successful leaders rely more on the digital techniques and data to create insights instead of their gut-feeling and make decisions.

The best way to execute a transformation successfully beyond digitalisation is to adopt a citizen-led approach. An ideal citizen-led approach of an organisation empowers its employees to continuously innovate and contribute to creating values for its stakeholders.

A citizen-led approach helps employees to identify themselves more with the purpose of the organisation and align their efforts towards achieving organisational goals.

Having said that, a citizen-led approach is not suggestive to run an organisation without business leaders as they are an integral part in championing such citizen-led approach and to lead by example.

Finally, business leaders must disrupt their own leadership style. Leadership is no longer a top-down approach when an organisation looks beyond digital.

Modern leaders must demonstrate their capabilities in developing strategy for the business as well as their ability to execute it successfully. They must be tech-savvy, should be as comfortable as their teams in navigating through the digital realm, including social media and metaverse.

At the same time, they must possess deeply humane skills to understand their stakeholders, and be adept at making adjustments without compromising with their integrity and the core organisational values.

Leadership agenda of a truly transformative organisation should set the right tone at the top and enable the teams to take risks in building complex digital capabilities for the new world.

At the same time, the tone at the top must be right. Leaders must demonstrate that they understand data produced out of the digital realm of the business and society, and they make decisions based on data.

They should also define certain path-breaking journeys such as their goals towards net zero. Only then they will be able to proactively encourage their people to behave in the same way.

As organisations in Bangladesh are rapidly transforming themselves with new products and services, and new capabilities, the leadership agenda should be reset with this new paradigm of perpetual disruptions. It's also the time for the business leaders to reinvent themselves.

The author is a partner at PwC. Views are personal.

Fed set for another hike

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"It's a very complicated, multi-dimensional issue," Kohn told AFP, especially due to the ongoing supply chain uncertainty.

After flooding the world's largest economy with support during the pandemic -- zero interest rates and a steady stream of liquidity into the financial system -- Fed policymakers were congratulating themselves on how quickly the economy recovered, regaining millions of jobs in a matter of months.

But they were caught flat-footed by the rapid run-up in prices, as Americans flush with cash due to massive government aid went on a spending spree, buying up cars, houses and other goods at a time when the global supply chain was still bogged down by pandemic lockdowns that continue in China.

The Fed finally began liftoff -- taking the policy interest rate off zero -- in March, starting with a 25-basis-point increase, followed by 50 in May and 75 in June.

Higher lending costs make it more expensive to borrow funds to buy cars and homes or expand businesses, which should cool demand, while also making it more attractive to save rather than spend. Other major central banks have followed suit, including the European Central Bank that made its first move last week.

Fed Chair Jerome Powell last month said the policy-setting Federal Open Market Committee would consider either a 50 or 75 bps hike at the July meeting, and most economists expect a repeat of the June three-quarter-point increase.

Fed Governor Christopher Waller recently floated the idea of a mammoth 100-bps hike, which would be the first since the US central bank started using the federal funds rate for policy in the early 1990s.

The equivalent amount of tightening in a single move hasn't been seen since the early 1980s, when then-Fed chief Paul Volcker was on a crusade to crush a wage-price inflationary spiral.

Shakib Al Hasan, cricketer and brand ambassador of DBL Ceramics, cuts the ribbon to inaugurate DBL Ceramics' exclusive display centre at the CJKS Market (MA Aziz Stadium) in Chattogram recently. Abdul Wahed, chairman of DBL Group, MA Jabbar, managing director, MA Rahim, vice-chairman, MA Quader, deputy managing director, and Md Bayazed Bashar, general manager of DBL Ceramics, were present. PHOTO: DBL CERAMICS

Mohammed Haider Ali Miah, managing director of Exim Bank, virtually inaugurates the bank's half-yearly "Business Development Conference-2022" recently. Mohammad Firoz Hossain, Md Humayun Kabir, Shah Md Abdul Bari, additional managing directors of the bank, and Jashim Uddin Bhuiyan, and Maksuda Khanam, deputy managing directors, joined the event. PHOTO: EXIM BANK

Ahsan-uz Zaman, managing director of Midland Bank, inaugurates the bank's half-yearly "Business Review Conference-2022" at its head office in Gulshan, Dhaka recently. Md Zahid Hossain, deputy managing director of the bank, Md Javed Tarek Khan, head of institutional banking, and Nazmul Ahsan, head of treasury, were present. PHOTO: MIDLAND BANK