

Banking, Finance and Insurance

Tuesday, 09 Feb 2010

A product of Newsclip Media Monitoring. The information contained in this document is intended only for the recipient to whom it is addressed. Any retransmission or dissemination, electronically or otherwise, of information contained herein is prohibited.

isabeldn@bankseta.org.za

Compiled by Susan McFadzean

BANKING IN SHORT

In Banking news this morning, comments from Reserve Bank Deputy-Governor Xolile Guma, implying that South Africa's rate cutting cycle may soon be reversed, took economists by surprise yesterday; and Standard Bank's Group Chief Economist, Goolam Ballim, said in his address to a large group of guests from the KwaZulu-Natal business community at an event in Durban recently, that South Africa's export sector will lead the economic recovery in 2010, buoyed by trade with India, China and other developing markets. Looking at business, First National Bank (FNB) executives convened a fiery meeting yesterday morning following leaks on messaging system; and companies need to improve their oversight of risk management in the wake of the financial crisis, accounting analysts warned yesterday.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand continued to track euro-dollar play in the afternoon session yesterday amid very little action as markets looked to take a breather. At 15:42, the rand was bid at R7.767 to the dollar from R7.746. It was bid at R10.619 to the euro from R10.584 and was at R12.103 against the sterling from R12.095. The euro was bid at \$1 366 from \$1 364.

BUSINESS DAY (National), Companies & Markets

SA deficit 'close to the wind'

South Africa was financially "sailing closer to the wind" as it was set to run its first major deficit since 2006, Control Risks, one of the world's biggest global risk consultancies, announced yesterday. Anne Fruehauf, an African analyst, added that the country's financing requirements of its capital spending programme stood to increase debt financings pressure to levels not witnessed since the late 1990s. Control Risks provides information, advice and practical support to most of the Fortune Global 500 companies.

BUSINESS REPORT (Star)

Comments by Guma spark fears of rate hike

Comments from Reserve Bank Deputy-Governor Xolile Guma, implying that South Africa's rate cutting cycle may soon be reversed, took economists by surprise. According to reports from Sydney at the weekend, Guma said in an interview that local policy-makers were considering whether or not to maintain stimulus measures introduced to help the economy out of the recent recession. He is attending the 50th anniversary celebrations of the Reserve Bank of Australia. While central banks in many countries were forced to flood their financial markets with cash to keep them from stalling, this was not the case in South Africa. The key intervention in the local economy was to cut the bank's repo rate from 12% to 7%.

BUSINESS REPORT (Star)

SA export sector to lead economic recovery

Standard Bank's Group Chief Economist, Goolam Ballim, said in his address to a large group of guests from the KwaZulu-Natal business community at an event in Durban recently, that South Africa's export sector will lead the economic recovery in 2010, buoyed by trade with India, China and other developing markets, however domestic household income and expenditure will remain subdued this year. He said one of the main reasons is that South African trade is now strongly linked to India and China. Ballim added that households will not have such a strong year, because several consumers lost their jobs last year.

WITNESS

Provisional tax may be tougher

The payment of provisional tax could be tougher now that the South African Revenue Services (SARS) had changed the rules, BJM Private Clients said yesterday. Provisional taxpayers must make their second provisional tax payment of the tax year by the end of the month. "They have to apply new rules rather than depend on the old system whereby they could estimate their exposure based on previous assessment," said BJM Private Clients.

BUSINESS DAY (National)

NATIONAL BUSINESS

FNB to roll out Paypal

First National Bank (FNB) executives convened a fiery meeting yesterday morning following leaks on messaging system, Twitter, that it was bringing Paypal to South Africa by April. Twitter was abuzz with speculation on Sunday that PayPal would finally be gracing South Africa's shores later this year. PayPal is a service aimed at facilitating secure online trade and is viewed as a vital step in seeing South African web offerings become a bigger part of the global economy. Importantly, the service would make it easier for local retailers to receive payments from overseas customers. The technology has to date received a lukewarm reception from the South African Reserve Bank which is concerned it flaunts foreign exchange regulations. FNB declined to comment, but Fin24.com has learned the project to introduce Paypal is advanced.

FIN24.CO.ZA - FINWEEK ; TIMES Business Times

Bonitas contests curatorship

Bonitas principal officer Bafana Nkosi has left the ship while the fund, the third-largest in South Africa, is contesting the application for curatorship by the Council for Medical Schemes (CMS). A fortnight ago, the CMS lodged an urgent application with the South Gauteng High Court to have Bonitas placed under curatorship because of alleged mismanagement. The CMS has been investigating the fund since last year, following allegations that Bonitas invested some R80 million of members' funds in property developments. Allegations - such as financial support having been given by courier company Pharmacy Direct to ensure that certain trustees were elected, and that the fund's administrator, Medscheme, had not properly investigated payments - surfaced in the CMS's court papers.

FIN24.CO.ZA - FINWEEK

Banks work on listing this year

Investment banks were preparing Life Healthcare, one of South Africa's biggest private hospital operators, for a public listing, people familiar with the matter said yesterday. Credit Suisse and Morgan Stanley - as well as Nedbank - were working on a listing, they said. The step towards an initial public offering comes as private investors prepare to sell or list a string of medical and health care firms. Life Healthcare was not available for comment. Brimstone, Credit Suisse and Morgan Stanley declined to comment.

BUSINESS REPORT (Star) ; CITIZEN, Citi Business

Grant Thornton grows annual revenue

Auditing, tax and specialist advisory firm Grant Thornton SA grew revenue by 3% to R314 million for the year to September despite difficult economic conditions. Leonard Brehm, the national Chairperson of Grant Thornton said yesterday, "We're encouraged by our growth - although small - during a year when business has been dramatically hindered by a difficult global economy". Grant Thornton experienced 10.4% growth in revenue in its previous financial year.

BUSINESS DAY (National), Companies & Markets

Zurich SA's 'right-sizing' plan could see job loss

Zurich SA's General Insurance (Zurich SA) plans to transform its business to achieve its growth aspirations and improve operational capabilities, which means 15%-20% of positions in the business may be lost. Confirming that the company expected to lose the positions, Zurich SA CEO Guy Munnoch said, "These changes are all about right-sizing, not downsizing". The company employs about 1 000 people in SA. Zurich SA said recently it had experienced a number of non-recurring losses and it expects to make a 1 303c-1 642c loss per share in the 2009 financial year, compared with earnings of 1 728c per share in 2008. The effect of the weak trading conditions also influenced the decision for transformation, Munnoch said.

BUSINESS DAY (National), Companies & Markets

GENERAL NEWS

Absa may be drawn into SSF probe

The R1 billion lawsuit against Nedbank arising from single stock future (SSF) transactions that went awry in 2008 may also place Absa Capital's SSF activities under scrutiny. On Friday, Nedbank warned shareholders on the Stock Exchange News Service (Sens) that it was facing "lengthy legal proceedings" after three businessmen - Dave Mostert, Mervyn Key and Ivor Stratford - suffered serious financial losses trading SSFs in property group Acc-Ross (now renamed Pinnacle Point). Brian Kennedy, head of Nedbank Capital, dismissed the claim as being "vague and opportunistic." However, some analysts believe the businessmen are pursuing the claim not because it may be successful, but because it will force Nedbank to disclose further details around trading activities leading up to the collapse of SSF positions which sank broker Cortex Securities.

FIN24.CO.ZA - FINWEEK

News site for grantmakers and NGOs

Tshikululu Social Investments, the non-profit company that manages social investment grantmaking for Anglo American, De Beers, the FirstRand Group, and Discovery, among others, has launched a fresh, new website. Completely redesigned, from creative concept to content, the site uses current online and social media tools to provide corporate and NGO visitors with a clearer sense of Tshikululu's business offering, while serving as an ever-growing resource for information and opinion on the local CSI industry. "The re-imagining of our website presented a particular challenge," says Tshikululu Executive: Public Affairs, Paul Pereira. "Not only does the website need to present the company and our brand to prospective clients, it must also serve NGOs who may have limited online access."

NEWS REVIEWS

Lifestyle audit for Durban employees

High-flying Durban city employees will have to account for their snazzy cars, flashy lifestyles and newfound wealth in a new "lifestyle audit" being conducted to root out thieves fleecing the City of millions of rands. The audit, confirmed yesterday by Municipal Manager Michael Sutcliffe, will also be conducted on employees whose family members benefit from lucrative contracts. The move comes in the wake of revelations by the Auditor-General that the City lost more than R100 million through fraud and corruption last year.

DAILY NEWS (Deadline)

Risk management 'needs improving'

Companies need to improve their oversight of risk management in the wake of the financial crisis, accounting analysts warned yesterday. The market has adopted zero-tolerance to lapses in risk management, they said. Good management practices regarding risk were essential in reducing risk to shareholder value. Yusuf Dukander, project director for financial services at the South African Institute of Chartered Accountants (Saica), said that the global financial crisis highlighted the importance of individual aspects of risk management.

BUSINESS DAY (National), Companies & Markets

PROPERTY AND HOUSING

Muslim-friendly hotel launches in SA

The first in South Africa of a chain of Muslim-friendly hotels was launched officially in central Cape Town on Saturday. However, the ultra-luxurious five-star Coral International Hotel, developed at a cost of \$40 million, with 137 rooms, has been accepting visitors booked through the international marketing organisation of its management company, Dubai-based NMH Holdings, since November. According to its developer and owner, South African businessman Hamza Farroqui, the only difference in the way the hotel was run, making it attractive for Muslim guests, was that it did not serve alcohol and had a prayer room.

BUSINESS REPORT (Star)

Frail SA recovery causes concern

A timid recovery in business confidence is worrying the SA Chamber of Commerce and Industry (Sacci), which says that the recession has led to a reserved and cagey environment. Sacci's BCI - a composite weighted index of 13 sub-indices, dipped 2.3 index points to 81.2 in January 2010 from the month before. Compared to January 2009, the index is 1.2 index points lower. "The tentative recovery of business confidence in South Africa is cause for concern, especially among the peer group of emerging market economies," said Sacci after the release of its business confidence index (BCI) for January 2010. Sacci said a restoration in confidence is key to economic growth.

FIN24.CO.ZA - FINWEEK ; BUSINESS REPORT (Star)

Slow and steady growth in house prices to continue

House prices are continuing to improve. Absa Home Loans yesterday reported that the upward trend in nominal house price growth, which has been evident since the middle of last year, continued last month. Prices for middle segment houses grew last month by 5.1% year-on-year from 4.6% in December. Jacques du Toit, a senior property analyst at Absa, said yesterday that the results of the bank's latest price index definitely showed a positive trend, but the growth in house prices "is still very low compared to where we have come from". Du Toit said that nominal house price growth peaked during the most recent residential property boom at 35.7% in October 2004. The record for the monthly growth rate was set in May 1981 at 41.5%.

BUSINESS REPORT (Star) ; TIMES Business Times

Nedbank probed as Pinnacle minorities cry foul

The Securities Regulation Panel (SRP) will hold a hearing on allegations that Nedbank Group in 2006-2008 acquired a majority stake in AccRoss Holdings, now known as Pinnacle Point Group, without disclosing to other shareholders that it was a buyer. The Financial Services Board (FSB) also confirmed yesterday that it was investigating possible share price manipulation in AccRoss and Pinnacle. The SRP investigation suggests that Nedbank may have contravened JSE takeover regulations and it may be exposed to legal action that could result in it paying claimants more than R1 billion.

BUSINESS DAY (National)

OIL NEWS

Oil report

Energy prices climbed yesterday as more winter storms were expected to dump even more snow in the US and Europe. In London, Brent crude oil was trading at \$70.33 a barrel (R3.40 a litre), 74c stronger than on Friday. Sweet light crude oil for March delivery gained 73c to \$71.92 a barrel in New York.

BUSINESS REPORT (National)

INTERNATIONAL ECONOMY & BUSINESS

Bank boss Blankfein gets \$9 million bonus

Goldman Sachs Group gave Chairperson and CEO Lloyd Blankfein a \$9 million all-stock bonus for last year, about half the size of the award granted by JPMorgan Chase to CEO Jamie Dimon, even as profit reached a record high and the shares doubled. "This is certainly lower than my best estimate would have been," said Rose Marie Orens, a senior partner at Compensation Advisory Partners in New York. "There was a very definite decision that they weren't going to have the discussion be all about them and pay". Goldman Sachs this year cut the percentage of revenue earmarked for pay to the lowest in a decade as a public company.

BUSINESS DAY (National), Companies & Markets

Market alarmed by ICAP's profit outlook

ICAP stock plunged in London on Friday after the world's largest broker of transactions between banks reduced its outlook for full-year profit, saying new businesses were taking longer than expected to become profitable. Pretax profit, ICAP's preferred measure of performance, for the year ending 31 March would be £295 million - £315 million, down from the previous forecast of £309 million - £354 million, the London-based company said. The decision to change the forecast was made on Thursday at a board meeting in New York, Chief Operating Officer Mark Yallop said. "We're feeling a bit aggrieved," said Justin Bates, an analyst at Daniel Stewart Securities in Manchester.

BUSINESS DAY (National), Companies & Markets

Botswana expects growth in 2011

Botswana's economy should return to growth in the financial year to June 2011, helping to ease pressure on a budget deficit that has swelled to more than 15% of gross domestic product, Finance Minister Kenneth Matambo said yesterday. The world's biggest diamond producer has been hard hit by a slump in international demand for the precious stones, hitting government revenue and cutting jobs after some mines were forced to temporarily close. Matambo said the economy was predicted to expand 5% in 2010-11 after zero growth this year - better than some previous forecasts of a sharp decline.

BUSINESS DAY (National)

US banks keeps executive on despite lawsuit

Bank of America executive Joseph Price has already been moved from his job as Chief Financial Officer, but last week's lawsuit from New York's attorney-general raises questions about whether Price might need to be sidelined entirely. The consumer, small business and credit card units Price now heads are at the heart of the largest US bank. These units include most of the troubled loans that have triggered the bank to report two successive quarters of loss. The businesses need attention that Price may not be able to give as he deals with the lawsuit, according to analysts.

BUSINESS DAY (National), Companies & Markets

Doubts about value of Liberty splitting

Plans by UK-based property company Liberty International to split two separate businesses "makes sense", but were unlikely to create or unlock significant value for shareholders, an analyst said on Friday. This comes after the group confirmed it was considering reorganising by way of a de-merger of a London-focused entity from its shopping centre business. Liberty International's business is divided into the shopping centre portfolio, housed in Capital Shopping Centres, and the non-retail portfolio, housed in Capital & Countries. Grindrod Asset Management chief investment officer Ian Anderson said a de-merger would probably mean separate listings for Capital Shopping Centres and Capital & Countries.

BUSINESS DAY (National), Companies & Markets

Nepi eyes more expansion in eastern Europe

New Europe Property Investments (Nepi) said on Friday that it was well positioned to take advantage of investment opportunities in its markets and was set to continue expanding its retail asset base in Romania this year. The group, which has a primary listing on the AIM market of the London Stock Exchange and a secondary listing on AltX, said its investment portfolio would focus initially on Romania, but later also on other central and eastern European countries that were recent entrants to the European Union or considered to be on the accession path. In line with this strategy, the group invested in prior periods primarily in the high-quality office, retail and industrial property market in Romania.

BUSINESS DAY (National), Companies & Markets

Ministers aim to ease fears over debt contagion

Global economic leaders sought to reassure markets that the debt contagion spreading across southern Europe was under control, expressing confidence that Greece could bring down its debt levels without outside intervention. At the end of a Group of Seven (G-7) finance ministers' meeting in Canada, they also made the case for continued economic stimulus for their economies, adding that the global recovery remained fragile. "We are all agreed that continued stimulus is necessary," Jim Flaherty, Canada's Finance Minister, said after the meeting. He added, "There is a concern about deficit levels and, when stimulus ends, how we exit".

FINANCIAL TIMES (London)

Santander eyes IPOs in the UK and US

Santander, the eurozone's biggest bank by market capitalisation, is looking at following up the flotation of its Brazilian subsidiary last year with initial public offerings for its UK and US operations, according to people familiar with its intentions. They said that Santander began discussing the possibility of a 2010 flotation of its UK business soon after the Brazil IPO, which raised \$7 billion in October and was looking ahead to a possible flotation of its Sovereign Bancorp subsidiary in the US in 2011 or 2012. New global capital rules for subsidiaries proposed by the Basel Committee on Banking Supervision, however, are expected to make the IPO route financially less attractive than it has been in the past and have damped the initial enthusiasm of Santanders executives.

FINANCIAL TIMES (London)

Citi grapples to sell unwanted assets

The securitisation market's failure to recover from its slump during the crisis is complicating efforts by Citigroup and other troubled financial groups such as AIG to sell unwanted assets and repair their balance sheets, bankers and executives say. People close to the situation said that Citi had opened talks with private equity groups and hedge funds over the sale of \$3 billion worth of car loans as part of its efforts to cleanse its balance sheet of billions of dollars in troubled assets. To make the business more attractive, Citi is believed to have offered to provide the buyers of the loans with finance for a few years after the sale. Bankers said that the initial response from potential bidders was encouraging.

FINANCIAL TIMES (London)

Financial groups' risk and control costs soar

The world's 100 largest financial companies expect to spend \$100 billion on risk and control activities this year - double what they spent in 2006, the last full year before the financial crisis, a study by Deloitte has found. Deloitte surveyed chief risk officers at banks and insurance companies and found that 73% expected annual spending on compliance, risk, audit and other control functions to continue to rise. The study forecast that the 100 companies' total risk and control spending would reach \$111 billion by 2012. The risk officers estimated that about \$20 billion of the past and projected increase was a direct consequence of the financial crisis.

FINANCIAL TIMES (London)

Obama push poses threat to Goldman

The Obama administration's push for a separation of banking and "speculative" financial activities, such as private equity investing, is raising questions about Goldman Sachs' strategy for fending off competition from commercial banks, industry executives said. For all its recent success, Goldman has been plagued by worries about its lending abilities since the 1999 repeal of Glass -Steagall Act, which separated commercial banking activities, such as lending, from investment banking, such as underwriting.

FINANCIAL TIMES (London)

India banks plan to return to recruitment spree

Indian and foreign banks operating in the subcontinent are planning to hire at least 50 000 people in 2010, a further sign that Asia's third-largest economy is quickly recovering and returning to the hiring spree days seen before the financial crisis. State Bank of India, Citigroup, Credit Suisse, Barclays, ICIC Bank, Standard Chartered, HDFC Bank and Yes Bank have told the Financial Times that they have already hired or are actively searching for fresh talent in 2010. The heads of human resources of many of the banks said they were considering raising salaries - by between 10% and 20% - in 2010 as they feared attrition rates would go up as most groups tried to snatch the best employees.

FINANCIAL TIMES (London)

BES targets emerging markets with Execution

Banco Espirito Santo, one of Portugal's largest banks, is taking a 50.1% stake in Execution Noble, the UK securities group, in an effort to build a leading franchise in Brazil, India and other fast-growing emerging markets. The £50 million deal caps a period of frenzied activity for Nick Finegold, the former Deutsche Bank trader who set up Execution in 2001 as an agency stockbroker for institutional clients. Having ramped up capacity in London as well as internationally, Execution snapped up Noble, the mid-and small-cap Scottish investment bank, in December in order to broaden its research and product offerings.

FINANCIAL TIMES (London)

Deutsche Bank unveils plans for Asia growth

Deutsche Bank plans to expand aggressively its equity capital markets and merger advisory mark in Asia to help power regional revenues above €4 billion by 2011, according to the bank's top executive in the region. The move forms part of growth targets designed to broaden the European bank's regional platform, which is strongest in areas such as foreign exchange and derivatives trading. In his first interview taken since taking over last June as Chief Executive of the bank's regional operations, Robert Rankin told the Financial Times that he possessed a strong mandate to expand its key business units.

FINANCIAL TIMES (London)

Japan urged to stimulate IPO's with tax breaks

Atsushi Saito, President of the Tokyo Stock Exchange, is calling on the Japanese government to give new companies tax breaks to help them grow and reverse the dearth of initial public offerings on the country's equity markets. He also hit out at dark pools - where large blocks of shares can be traded anonymously off-exchange - calling for them to be "shut off". Saito framed his comments on taxation by referring to the proposal by US President Barack Obama, in his State of the Union speech, to end capital gains taxes on small businesses and investment. He said, "We have to think of a lot of strategies together with the government... one of the attractive or effective measures might be tax... a tax exemption or something like that".

FINANCIAL TIMES (London)

India's economy expected to grow 7.2%

The Indian economy is expected to grow 7.2% in the financial year through March, the federal government said in its advance estimate, as a surge in manufacturing and a rebound in services blunt the impact of a drop in farm output. While the rate of expansion would fall short of the average 9% growth clocked prior to the global financial crisis, the pace is quicker than the 6.7% increase in the previous financial year, firmly placing India as one of the fastest growing major economies in the world.

ONLINE.WSJ.COM

Australia seeks higher skill shift

Australia will dump 20 000 low-skilled migrant applications to re-focus its immigration intake on highly-skilled jobs, critical to the economy and help meet growing Chinese resource demand, the government said yesterday. The move was welcomed by Australia's mining sector, where major firms like BHP Billiton and Rio Tinto have been expanding to meet China's growing demand for resources, but is struggling with a shortage of skilled workers. "We need the people on the job now and the demand going forward will be even greater as these projects get off the ground," Australian Mines and Metals Association Chief Executive Steve Knott told Australian radio. However, the switch will be a blow to the Australia's overseas student education sector, the country's third largest export earner worth \$13 billion.

NEWS24.COM - NEWS 24

Greenback's real value has risen

For all the concern over the \$1.6 trillion US budget deficit and record debt load, the dollar is as valuable now as 35-years ago, figures show. Measured against a basket of currencies from the Group of 10 nations proportioned by how they trade against each other, the greenback is up about 3% since 1975, according to Bloomberg correlation-weighted currency indices. That was four years after the collapse of the Bretton Woods agreement, set up in 1955 to link currencies to the price of gold. The pound has dropped 34% and the Canadian dollar 6% in the same time.

BUSINESS DAY (National)

Greece launches wide tax overhaul

Greek officials put the final touches yesterday on the overhaul of the country's ineffective tax system - part of their urgent effort to fix a debt crisis that has taken the entire euro zone. The central-left government, elected in October, has pledged to fight endemic tax evasion and increase taxes on the rich, as well as taxes on fuel, cigarettes and alcohol. Finance Minister George Papaconstantinou has said that a new tax bill to be presented this week will expand the top 40% tax bracket to incomes below the €75 000 threshold.

BUSINESS DAY (National)

World stock markets fear Greek bond default

Global stocks extended losses yesterday on nervousness over budget deficits in Greece, Portugal and Spain, but the JSE bucked the trend by a slim margin. Markets might have a "hard time" until the fiscal situation in southern Europe was resolved, Christian Gattiker, Zurich-based head of research and strategy at Bank Julius Baer, said. He expected the first quarter, at least for Europe, to be dominated by the fiscal crisis. The MSCI world index of 23 developed nations' stocks fell 0.2%. Stocks in Asia fell for a third day, dragging the MSCI Asia Pacific index 10% below its January peak.

BUSINESS DAY (National), Companies & Markets

Market fears for Swiss Re's profit

Swiss Re, the world's second-largest reinsurer, slid the most in two months in Zurich yesterday on concern that it may post a bigger decline in property and casualty renewals than its larger rival Munich Re. The volume of renewed property and casualty business fell 6.7% to about €7.4 billion in the January renewals, while prices dropped 0.3%. Munich Re said last Tuesday. Swiss Re may post bigger declines after shifting exposure to property insurance from casualty.

BUSINESS DAY (National), Companies & Markets

Sumitomo Mitsui surprises on upside

Sumitomo Mitsui Financial Group, Japan's second-largest bank by market value, posted third-quarter profit yesterday that beat analysts' estimates as losses on shareholdings and bad-loan charges declined. Net income was ¥124.3 billion in the three months to 31 December, compared with a profit of ¥154 million a year earlier. Quarterly earnings were calculated by subtracting first-half profit from nine-month figures. bad-loan costs at Sumitomo Mitsui dropped 48% in the quarter as a recovery in exports and credit guarantees for small companies helped reduce bankruptcies in Japan.

BUSINESS DAY (National), Companies & Markets

INDICATORS

Rand - Dollar \$	7.6950	(+0.0008)
Rand - Sterling £	12.0173	(+0.0159)
Rand - Euro €	10.5198	(+0.0050)
JSE Allshare	26041.9	(+248.90)
Gold	1064.0	(+6.00)
Platinum	1477.0	(+2.00)
Brent Crude Oil	70.3	(+0.74)

The figures quoted are from the close of business yesterday, along with any movement, either up or down, from the previous day.