

# Banking, Finance and Insurance

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## BANKING IN SHORT

In Banking news this morning, dividend income funds will continue to exploit a complex loophole allowing them to avoid tax on interest invested, because the South African Revenue Service (SARS) has not yet taken any steps to stop the practice. Focusing on business, the market reacted enthusiastically on Monday to rumours that financial services giant Old Mutual is considering selling its US Life operations, with the share gaining 2% in morning trade; Renaissance Capital, the Russian investment bank that nearly collapsed during the financial crisis, is launching an operation in Johannesburg as it looks to leverage a pan-African franchise to build one of the world's leading emerging market banks; and Absa had laid a solid foundation to resume its growth over the next two financial years, said analysts commenting on the bank's recent full-year financial results.

NEWS REVIEWS

## NATIONAL ECONOMY

### Rand and dollar report

The rand continued its range bound trade in the afternoon session yesterday, lacking any clear direction. At 15:39, the rand was bid at R7.675 to the dollar from R7.629. It was bid at R10.467 to the euro from R10.398 and at R11.906 against the sterling from R11.794. The euro was bid at \$1.361 from \$1.362.

BUSINESS DAY (National), Companies & Markets

### Still hope for rate cut

The economic growth in the fourth quarter and this week's decision by the National Energy Regulator of South Africa (Nersa) on Eskom's tariff application could increase the slight chance of an interest-rate cut in March. Following the economy's emergence from the recession with growth of 0.9% in the third quarter of 2009, economists expect growth of 2.5% to 3.2% for the fourth quarter. The gross domestic product (GDP) is considered one of the key figures that could, say Standard Bank economists Danelee van Dyk and Shireen Darmalingham. But GDP growth would have had to be under 0.4%. That is unlikely, they believe, because demand-driven sectors - with further lows in the current cycle - would have had to fall to counteract the expected strength of the manufacturing, mining, electricity, construction and transport sectors.

FIN24.CO.ZA - FINWEEK

### Government targets more savings

Government has identified possible savings of R56.2 billion at national and provincial level over the next three years. It would seem that the gravy-train days of public officials are numbered. These are the findings of a task team put together, following the medium-term budget, to find areas where government can save money, especially in light of the almost R70 billion revenue shortfall. At provincial level, R15.4 billion can be saved within the next year. Savings of R8.4 billion have been identified at national level from October, which could bring total savings for the year to R23 billion. Real growth over the next three years will be about 2% a year, said Finance Minister Pravin Gordhan in his first budget address.

FIN24.CO.ZA - FINWEEK

### Business as usual for unit trusts

Dividend income funds will continue to exploit a complex loophole allowing them to avoid tax on interest invested, because the South African Revenue Service (SARS) has not yet taken any steps to stop the practice. SARS confirmed on Thursday it is looking into possible tax avoidance by dividend income unit trust funds, but could not confirm if or when any funds at fault would be closed down. "There are concerns that interest income is being transferred as dividend income," said SARS spokesperson Adrian Lackay. "SARS is actively engaging with the Financial Services Board (FSB) and the treasury regarding this issue." Dividend income unit trusts invest in a variety of preference shares, usually those of the big four banks, which provide tax-free dividends.

FIN24.CO.ZA - FINWEEK

## Economic data shows steady improvement

Economic data released yesterday showed that the outlook for the year continues to improve. The Reserve Bank's composite lead indicator, which points to growth about six to 12 months ahead, rose further in December - to 12.09 from 120 in November and a trough of 104.5 in March. In line with the index's turnaround in that month, gross domestic product (GDP) rose 0.9% in the third quarter - a quarterly change adjusted for inflation and seasonal factors and annualised (multiplied by four). Fourth-quarter data on GDP is due today. Annabel Bishop, the group economist at Investec, said the lead index was back to the level of June 2008, only 6.6 points off the high reached in the last economic upswing 0 127.5 in July.

BUSINESS REPORT (Star), BUSINESS DAY (National); TIMES Business Times

## Interest rates 'too high for too long'

Former Reserve Bank governor Tito Mboweni was heavily criticised by economics professor Brian Kantor yesterday for keeping interest rates too high for too long, strangling the economy. Kantor believes that the new mandate for the bank, agreed to by Finance Minister Pravin Gordhan and its new governor Gill Marcus, represented an implicit rebuke by the Treasury of previous monetary policy, which was too rigidly focused on keeping inflation within the target of 3% to 6%, regardless of the source of price rises and the effect on the economy. The new mandate, expressed in a letter sent by Gordhan to Marcus last week, gave the Bank more flexibility to consider factors such as growth, employment and the exchange rate when deciding on interest rates.

BUSINESS DAY (National)

## NATIONAL BUSINESS

### Consumers key to Absa recovery

Absa had laid a solid foundation to resume its growth over the next two financial years, said analysts commenting on the bank's recent full-year financial results. On Monday last week, Absa posted a 23.5% decline in full-year headline earnings of R7.6 billion and slashed its dividend a quarter. It also raised the prospect of continuing pain in the commercial sector which was bedevilled by bad debt. The R95 billion group's recovery, however, was dependant on a recovery in the economy and the resumption of consumer spending, which will raise demand for bank products like loans and instalment finance, analysts said. When this is likely to happen, however, was still unclear. Several obstacles could still be encountered this year such as bad debts that in terms of the provision of the National Credit Act still need to be provided for.

FIN24.CO.ZA - FINWEEK

### Old Mutual up on sale talks

The market reacted enthusiastically on Monday to rumours that financial services giant Old Mutual is considering selling its US Life operations, with the share gaining 2% in morning trade. Earlier yesterday, the Financial Times cited unnamed sources who claimed Old Mutual had hired investment banking group JP Morgan Chase to advise about the possible sale of the troubled subsidiary. Last week, managing partner at UK-based Cevian Capital, Christer Gardell, pushed Old Mutual's management to consider selling the US Life business, and to list the group's Nordic operations (Skandia) separately to unlock value. Cevian Capital holds a 5% share in Old Mutual Plc.

FIN24.CO.ZA - FINWEEK; CITIZEN, Citi Business

### RenCap sets up JHB unit to focus on Africa

Renaissance Capital, the Russian investment bank that nearly collapsed during the financial crisis, is launching an operation in Johannesburg as it looks to leverage a pan-African franchise to build one of the world's leading emerging market banks. RenCap announced yesterday that it has hired Clifford Sacks, a former Merrill Lynch senior banker, to head up its South African office as it continues to expand amid the nascent economic recovery. The outpost will focus on four key industries - metals and mining, oil and gas, financials and telecommunications - and is intended to serve as a conduit for South African-based companies looking to invest in other parts of sub-Saharan Africa.

FINANCIAL TIMES (London)

### Old Mutual expected to shun radical breakup

Insurer Old Mutual is expected to shun radical breakup strategies in favour of a more gradual makeover when it unveils a long-awaited revamp next month aimed at boosting its shares. The company, a sprawling Anglo-South African conglomerate with insurance, banking and fund management operations spanning 35 countries, is under pressure to slim down and refocus as investors fret that its complexity is holding back its stock price. "The owners of Old Mutual see some great businesses in the company, but they see a share price that is just not reflecting their value, and every day that passes while this continues is a problem," said one shareholder. Yesterday the shares closed 3.44% higher at R13.22.

*BUSINESS REPORT (Star)*

### Insurance supplement

Business Report contained a supplement 'Rating SA's top Insurance Brokers' with the following headings: "Review policy to avoid surprise"; "Consequences for personal liabilities too great to ignore"; and "Brokers play a vital role".

*BUSINESS REPORT (Star)*

### Economic recovery helps lift Makalani

Mezzanine financing company Makalani Holdings has lifted headline earnings for unitholders 44% to R82.5 million, or headline earnings per linked unit to 386c, in the six months to December. The early start of the easing of difficult market conditions saw an improvement in Fair-value losses in the company's portfolio, due to write downs the previous year. Makalani has proposed a delisting, which, according to CEO Keshan Pillay, might be completed by the end of April, depending on regulatory approvals. FirstRand, which owns about 40% of the company, would underwrite the delisting offer and Competition Board approval had been obtained should FirstRand end up with more than 50% of Makalani, said Pillay.

*BUSINESS DAY (National), Companies & Markets*

### Liberty board 'has 60 years experience'

Liberty Holdings said its executive board had more than 60-years in the industry, after UBS wrote that a lack of management experience was partly to blame for it underperforming rivals. The executive committee averages 2.8 years, UBS wrote as it cut Liberty to "neutral" from "buy", while Sanlam's was 5.3 years.

*BUSINESS DAY (National), Companies & Markets ; CITIZEN, Citi Business*

### Investors still cautious about equities - Sanlam

Short-term returns and valuations are among the main concerns shared by stock market investors at this juncture, according to a survey. The February Sanlam Investment Management (SIM) investor confidence index survey also showed the number of investors fearing a market crash had decreased and they were slightly more upbeat about a 12-month outlook for equities than they were a month ago. SIM head of asset allocation and macro research Frederick White said investors had reduced return expectations over all periods up to six months, which revealed concern about the short-term outlook. "The one-month expectation dropped from +1% to -1.2%, the three-month expectation from +2% to +1.7%," he said yesterday.

*BUSINESS DAY (National), Companies & Markets*

## GENERAL NEWS

### Cellphone banking on the rise

The rise of banking transactions through cellphones is giving a whole new meaning to pocket money in parts of the developing world that lack banks or cash machines. Mobile money applications are emerging as potent financial tools in rural and remote areas of the globe, allowing people with no bank accounts to get paid, send remittances or settle their bills. "One billion consumers in the world have a cellphone but no access to a bank account," said Gavin Krugel, the Director of mobile banking strategy at GSM Association, an industry group of 800 wireless operators. "We see it as very big opportunity," he said this week at the Mobile World Congress in Barcelona, Spain, the industry's annual four-day event that ended on Thursday. Cellphone banking began to emerge six years ago in the Philippines and South Africa, where 8.5-million and 4.5-million people, respectively, use such services.

*NEWS24.COM - NEWS 24*

### Coalition against loan to Eskom launched

A coalition of organisations launched a global campaign yesterday to block the World Bank from lending \$3.75 billion (R29 billion) to Eskom, the bulk of which is set to finance the Medupi coal-fired power station. They vowed to mobilise country directors within the bank to vote against the loan next month, and threatened to revive the World Bank "bond boycott", launched a decade ago to end lending to environmentally destructive projects. The bank secures the bulk of its funds by selling bonds to potential investors like pension funds and local governments. The latest campaign is driven by South African non-governmental organisations, among them Climate Justice Now; groundWork; and the Federation for a Sustainable Environment. It has the backing of both the National Union of Metalworkers of SA and the SA Council of Churches, as well as organisations in the US, India and Bangladesh, among others.

*BUSINESS REPORT (Star) ; MERCURY*

### Nersa to make decision on Eskom hikes tomorrow

The National Energy Regulator of SA (Nersa) will announce its decision on Eskom's tariff application tomorrow. A media briefing will take place at noon in Pretoria at which Nersa will give its view on the Multi-Year Price Determination 2010/11 to 2013/13. Business Unity SA (Busa) CEO Jerry Vilakazi told Nersa's haring in Gauteng that if the increase were accepted by the regulator, "we can wave goodbye to an immediate recovery for South Africa's economy". The Congress of SA Trade Unions (Cosatu), the SA Communist Party (SACP), the SA National Civic Organisation, the Young Communist League (YCL) and the Treatment Action Campaign all allege that Nersa has already decided to grant Eskom its 35% tariff hike and that the public hearings were simply to comply with the law. The SA Chamber of Commerce and Industry (Sacci) has estimated that the 35% hike could push inflation up by about 10%.

*CITIZEN (Second Edition)*

### Citadel acquires 49% of Sheltam

Citadel Capital, the leading private equity firm in Africa and the Middle East with \$8.3 billion in investments under control, confirmed yesterday that it had acquired a 49% stake in South Africa's Sheltam Railways Company, the largest single shareholder and lead investor in Rift Valley Railways of Kenya and Uganda. Sheltam owns 35% of Rift Valley Railways, which has a 25-year concession to operate the rail link between Mombasa in Kenya with the interiors of both Kenya and Uganda.

*BUSINESS DAY (National), Companies & Markets*

### Africa 'can become trading Mecca'

Over the next decade, Africa could become a global trading Mecca and demand hub, but a discussion is first needed on how sustainable economic growth can take place. What is more, the international perception of the so-called "dark continent" needs to change, requiring paradigm shifts. The continent could offer the solution to the world's problems, said Pravin Gordhan, Minister of Finance and chairperson of the Committee of Ten - consisting of African finance ministers and heads of central banks - at the committee's meeting in Cape Town on Sunday. Progress by the committee, which was created to shape the continent's response to the financial crisis, was assessed at the meeting. The biggest global challenge is the primary imbalance between China's overproduction and the excess consumption by the United States.

*FIN24.CO.ZA - FINWEEK*

### Gauteng can save R7 billion in contracts

The Gauteng government expects to save about R7 billion through the review of contracts this year, after a similar process resulted in multimillion-rand savings last year, Premier Nomvula Mokonyane said yesterday. The province cancelled several contracts last year in a bid to direct funds to the priorities of the new administration after the election. These included the cancellation of a R273 million contract the health department had with 3P Consulting to run the department's project management unit, and the winding down of the Gauteng Motorsport Company, which ran a R500 million motorsport programme.

*BUSINESS DAY (National)*

## PROPERTY AND HOUSING

### Property scheme ends in tears

Several leading property developers may be liquidated because they allowed themselves to be dragged into a massive, highly controversial property scheme. For 18 months, developers have been waiting for their money after a Ghanaian businessman offered to buy hundreds of properties for \$6.5 billion (R55 billion). It now appears that the promised funding is unavailable because it still has to be sourced. The worst of it is that the developers have to help carry the costs of sourcing the finance. The property developers have also been unable to proceed with selling stands and units in their developments because they have been waiting for the company. At the time developers thought that the scheme was their salvation amid serious pressure in the industry following the financial crisis.

*FIN24.CO.ZA - FINWEEK*

### Audit of World Cup hospitality launched

The Department of Tourism has appointed Grant Thornton to conduct a survey of World Cup accommodation prices to ensure establishments are not inflating prices rates excessively. Tourism Minister Marthinus van Schalkwyk said the auditing company had been mandated to benchmark South African accommodation prices against those of other nations that previously hosted the World Cup. "In recent weeks we have noted allegations that accommodation establishments in the tourism industry are not (acting) responsibly, and are inflating prices excessively. Until now our impression has been that this is not the case, but we believe it should be investigated and the results of the investigation made public". Van Schalkwyk said that price-gouging could be harmful to the reputation of the local tourism industry. *BUSINESS REPORT (Star)*

### City of Cape Town's property valuation causes concern

Concerned property owners have questioned the accuracy of the City of Cape Town's property valuation, with one claiming the council made 15 errors during an assessment of a row of 17 houses. City manager of valuations Emil Weichardt said that the accuracy problems could be attributed to the historical problem of getting access to the properties. He said that the city welcomed any feedback from property owners who picked up inaccuracies in the city's data. *CAPE TIMES*

### Valuations not translating into increases

About 45 000 properties have been added to the city's ratepayer database since the 2006 valuations, therefore increases in valuations will not translate into corresponding increases in rates. This is according to Deputy Mayor and Mayco Member for Finance, Ian Neilson. He said that they have more properties, so the net increase for each will be less. *CAPE ARGUS (City Late)*

### Redefine acquisitions grow property portfolio

Redefine, the listed property company, has boosted its R18.2 billion property portfolio with the acquisition of four A-grade properties for a total of R520 million. The company said yesterday that it has acquired Cape Town industrial property Linpac Packaging for R100 million and an Edgars retail property in Johannesburg for R105 million, while agreements had been signed to purchase the Deneys Reitz office building in Sandton for R127 million and Cornerstone House, an office complex in Crown Mines, for R182 million. Mike Flax, the Executive Director of Redefine, said the company's acquisition strategy was to focus on A-grade properties with value in excess of R50 million and located in core markets, which would enhance the quality of the portfolio, increase the average property value and diversify the fund's income base across different asset classes and core markets. *BUSINESS REPORT (Star) ; BUSINESS DAY (National), Companies & Markets*

### Hope for homes market

The property market is well and truly on the mend, according to the Reserve Bank's leading business cycle indicator. The indicator for December released yesterday, showed a month-on-month increase of 0.8% following an increase of 3.2% in November and of 3.6% in October. The business cycle indicator consists of 13 sub-indicators, including manufacturing sales, wholesaling, new passenger vehicle sales, retailing and mining production. According to FNB's property and mortgage market analysis department, the improvement in the economy is sure portent of recovery in the property market. *TIMES Business Times*

## OIL NEWS

### Oil Report

Brent crude for delivery in April lost 6c to \$78.13 a barrel (R3.78 a litre) in London.

In New York, sweet light crude fell 7c to \$79.74 a barrel.

*BUSINESS REPORT (Star)*

## INTERNATIONAL ECONOMY & BUSINESS

### IMF restores Zimbabwe's voting rights

The International Monetary Fund decided on Friday to restore Zimbabwe's voting rights after a seven-year suspension over failure to pay the \$1.3 billion it owes the organisation and other creditors. The decision by the IMF's executive board constitutes a first step toward endorsement of the economic policies of the coalition government formed a little more than a year ago by President Robert Mugabe and long-time rival Prime Minister Morgan Tsvangirai. The impoverished Southern African nation's economy has improved under the shaky coalition with 4.7% expansion of gross domestic product last year but a continuing political impasse makes its future uncertain. *MAIL & GUARDIAN*

### RBS chief turns down bonus amid outcry

Stephen Hester, Chief Executive of the Royal Bank of Scotland, has decided to turn down his bonus for 2009 amid a growing public outcry over the scale of rewards, piling further pressure on rivals at Lloyds Banking Group and HSBC to do the same. Hester's attempt to defuse the row brewing around the bank, stoked on Saturday by the business secretary, Lord Mandelson, comes as RBS prepares to pay £1.3 billion bonuses to its 22 000 investment bankers despite making a loss in 2009. Hester is believed to have told Sir Philip Hampton, Chairperson of the state-controlled bank, that he will reject any bonus he is offered – possibly as much as £1.6 million on top of his £1.2 million pay. Liberal Democrat Treasury spokesperson Vince Cable described Hester's decision as "very sensible". *GUARDIAN.CO.UK*

### Key African countries 'should set up investment fund' for continent

That no pool of investment capital exists is a structural difficulty in attracting foreign equity fund investment to Africa, says Noah Financial Innovation CEO Raymond Ndlovu. He said yesterday at a Frontier Advisory and JSE event that two or three key African country markets should come together and establish an Africa investment fund, similar to funds from other regions of the globe. *BUSINESS DAY (National), Companies & Markets*

### Multi-currency system has legs

The multi-currency system adopted by the Zimbabwean government early last year would remain in place until at least 2012, the Herald reported yesterday. "The multi-currency will be in place for the next two years," Economic Planning and Investment Promotion Minister Mangoma was quoted as saying. "Zimbabwe is the only country in the world that does not have foreign exchange risk," he added. After 2012, the government would decide whether to revert to the local unit, Mangoma said. *BUSINESS REPORT (National) ; STAR*

### Namibia to ban small inflows

Namibia will ban foreign investment in small- and medium-sized public transport businesses and in hair and beauty salons because of increased Chinese involvement in the industries. The government would enforce legislation and make foreign investors obtain permits to invest in any form of retailing. Trade and Industry Minister Hage Geingob said yesterday. The move came amid concern that foreigners were dominating small-scale business in the country, he said. *BUSINESS REPORT (National)*

### AfDB seeks injection to grow lending

The Tunis-based African Development Bank Group (AfDB) would be forced to downsize the level of lending to African countries if shareholders failed to heed its call for more, it was revealed on the weekend. This could be detrimental to the bank's efforts to provide development funding to African states that need money for infrastructure projects. Just more than 50% of the bank's business is in providing funding for its infrastructure projects. *BUSINESS REPORT (National)*

### Lloyds to reveal Halifax share in mortgages dropped

Lloyds Banking Group is expected to reveal this week that the market share of Halifax, traditionally Britain's biggest mortgage lender, has fallen significantly in the wake of its rescue takeover. Mortgage brokers said Halifax has virtually disappeared from the "best buy" tables for loans, overtaken by its long-time rival Abbey, which under Santander has become Britain's top lender. When Lloyds TSB acquired Halifax at the height of the 2008 banking crisis, the group had a share of the mortgage market of around 32%, but analysts believe it may have fallen to as low as 20% during 2009. It mostly lends through three brands – Halifax, Cheltenham & Gloucester and BM (Birmingham Midshires) Solutions – but it is understood that the decline in market share has been most severe at Halifax. *GUARDIAN.CO.UK*

### Osborne plans to sell cut-price RBS and Lloyds shares

The shadow chancellor, George Osborne, yesterday tried to conjure up the era of the great Thatcherite state privatisations of the 1980s by proposing that shares in state-owned RBS and Lloyds could be offered at discount rates to the public. The proposal was dismissed by Lord Mandelson, the business secretary, as "headline grabbing incoherence". He said it would be wrong to offer cut-price shares when the goal is to generate funds. The Liberal Democrats' treasury spokesperson, Vince Cable, said such a sale would not be possible for five to 10 years, and said it represented poor value for the taxpayer, as well as a risk to any purchaser. However, Osborne said the measure would be a reward for the £850 billion of public money used to prop up failing financial institutions. *GUARDIAN.CO.UK*

## Brown to pledge UK tax system attractive to multinationals

Prime Minister Gordon Brown yesterday pledged to make Britain's tax system attractive to large multinational companies in an effort to secure the backing of business leaders before the election. Brown's government will propose a set of principles that include promises to ensure new taxes aren't too complex and a commitment to hold consultations before introducing new corporate taxes. The plan will be published by Chancellor of the Exchequer Alistair Darling at a conference in London. "By maintaining a world-class environment for business to do business we can attract the investment that will underpin our move from recession to recovery to growth," Brown said. The Conservatives pledged yesterday to sell UK government stakes in RBS and Lloyds Banking Group to voters as their support continued to slip in opinion polls.

BLOOMBERG.COM

## Bank of Ireland to issue shares to state

The Bank of Ireland said that the state is to get a 15.7% stake in the lender as it issues shares instead of a dividend payment. The stock fell 4 euro cents, or 3.1%, to 1.26 euros.

BUSINESSWEEK.COM

## No bank should be a burden to the taxpayer - Diamond

Bob Diamond, the high-profile financier at the eye of the storm over City bonuses, is championing the creation of a bailout fund for banks to ensure that the industry never again needs multibillion-pound taxpayer handouts. The 58-year-old President of Barclays, who has personally banked more than £50 million in the past four years, believes a bank-funded bailout insurance scheme would head off calls to break up big names such as Barclays or restrict their trading activities, as proposed by US President Barack Obama. In a wide-ranging interview with the Observer following publication of Barclays's record £11.6 billion profits, Diamond insisted he had no ambition to become a chief executive and that he always rejected the approaches he regularly receives from rivals offering the top seat.

GUARDIAN.CO.UK

## US mortgage foreclosures rose in fourth quarter

A record number of Americans were in danger of losing their homes in the fourth quarter, even as new delinquencies declined, the Mortgage Bankers Association said. Loans in foreclosure rose to 4.58% of all mortgages, while those more than 90 days overdue - the point at which lenders usually begin the process of seizing a property - climbed to 5.09%, the Washington-based trade group said in a report today. "We have a hard-core block of unemployed who have been out of jobs for a long time, and that's keeping the long-term delinquencies high," Jay Brinkmann, the association's chief economist, said in an interview. "New entrants to the ranks of the unemployed have been falling, and that's why we see the early delinquencies dropping."

BLOOMBERG.COM

## Moody's may raise India rating on deficit-cut step

India's credit rating may be raised from junk if Finance Minister Pranab Mukherjee provides a comprehensive plan to roll back fiscal stimulus and cut the budget deficit this week, Moody's Investors Service said. "If we think the exit path is well articulated and well executed, the local currency rating could be upgraded," Aninda Mitra, a Singapore-based sovereign analyst at Moody's, said in a telephone interview on 19 February. India's long-term local currency debt is placed at Ba2 by Moody's, two levels below the investment grade and at par with Armenia and Turkey. Mukherjee has an opportunity to narrow the budget shortfall as accelerating economic growth boosts tax revenue and a stronger political mandate after last year's elections paves the way to resume asset sales. Rating changes have less impact on India than other countries like Greece, which borrow more from abroad.

BLOOMBERG.COM

## European banks need to issue \$327 billion annually

Twenty-four European banks may need to issue about €240 billion (\$327 billion) annually for the next three years to fund existing and new businesses, as well as to meet the new Basel stable funding requirements, Citigroup said. The volatility in bond markets have once again elevated the issue of funding for banks, Citigroup analysts said, adding that sovereign and interest rate risks could add further pressure to earnings. According to analysts, including Stefan Nedialkov, the 24 European banks, who account for 65% to 70% of the sector's assets, issued €56 billion of long/medium-term funding in January but investors' macro-economic concerns are restricting their appetite for new issuance in February. This could eventually drive up funding costs meaningfully, even as fears of crowding out by sovereign and corporate issuers appear overblown, the analysts said.

REUTERS.COM

## BoFA to hire ex-Merrill managers

Bank of America Corp. is hiring former Merrill Lynch & Co. executives Todd Kaplan and Samuel Chapin, who left amid last year's acquisition of the securities firm, according to a person with knowledge of the matter. Kaplan, 45, and Chapin, 52, will become vice chairpersons of global banking and report to Thomas Montag, president of global banking and markets, said the person, who declined to be identified because the appointments haven't been announced. Chapin left Bank of America last March, joining an exodus of more than three dozen senior Merrill bankers including former Chief Executive Officer John Thain and investment bank head Greg Fleming. Thain was appointed CEO of CIT Group Inc. this month, while Fleming joined Morgan Stanley as head of investment management and research.

BUSINESSWEEK.COM

## Debt alert for Kuwait investment companies

Most of Kuwait's multibillion-dollar investment company industry could be wiped out by debt repayments on the finance houses' leveraged investments made before the recession, senior international and local bankers have warned. Spurred by cheap credit, abundant liquidity and few other opportunities in the government-dominated economy, Kuwaitis have set up scores of investment houses to bet on international and regional real estate, private equity and stocks. At its peak, the industry had assets of more than \$50 billion. However, much of the spree was financed by short-term loans, and the financial crisis hit the local investment houses like a tsunami, one analyst said,

FINANCIAL TIMES (London)

## New rules hit US credit card issuers

US credit card issuers are facing a \$12 billion revenue shortfall this year from price limitations imposed by new rules that take effect today, according to an analysis by law firm Morrison Foerster. Over five years, the overall hit to the industry could be \$50 billion, analysts and industry groups said. The new rules, known as the Card Act, prohibited interest rate increases on existing balances and require card issuers to give 45 days' notice before raising rates on future balances. Also outlawed are automatic overdraft fees and surcharges for paying bills by phone. Card issuers are scrambling to offset that lost revenue with cost cuts, the easiest way being to weed out the riskiest borrowers.

FINANCIAL TIMES (London)

## Asian economies lead global recovery with GDP

Taiwan and Thailand exited the recession in the last quarter and Malaysia will probably follow suit, as Asian economies lead the global recovery. Taiwan's gross domestic product (GDP) rose 9.2% in the fourth quarter from a year earlier and the Thai economy expanded 5.8%, reports showed yesterday. Economists expect Malaysian data for the December quarter, due tomorrow, may show GDP increased by 3.4%. Asia is paving the way for a global recovery from recession, after central banks in the region slashed interest rates to record lows and governments increased spending by more than \$1 trillion.

BUSINESS REPORT (Star)

## UK household finances slump

The finances of Britons were worsening as price increases for goods and services outpaced income growth, Markit Economics and YouGov said yesterday. A gauge of household finances was 40.8 this month, the same as last month, a survey showed. A reading below 50 indicates contraction. The outlook for household finances over the next year deteriorated, with 34% of respondents expressing pessimism, compared with 26% feeling optimistic.

BUSINESS REPORT (Star)

## Progress in talks on failed Icelandic bank

The government of Iceland agreed yesterday on a response to new British and Dutch proposals regarding the failed Icesave bank, and expects to hold further talks with the two European Union (EU) states as it tried to avoid a national referendum. Iceland's finance minister said that talks with Britain and the Netherlands might be concluded successfully ahead of a planned 6 March vote, which opinion polls suggest could torpedo an existing deal on the country's debt. On Friday, Britain and the Netherlands offered easier terms for repaying more than \$5 billion they paid to savers who lost deposits when Iceland's banks collapsed in late 2008.

BUSINESS DAY (National)

## Goldman upbeat about Brazil

Brazil's economy will expand 6.4% this year, more than previously forecast, Jim O'Neill, Chief Economist at Goldman Sachs Group, said yesterday. "We are very optimistic for the cycle of the Brics economies in the next couple of years," O'Neill said at a conference in Rio de Janeiro. He coined the term Brics in 2001 to describe the economies of Brazil, Russia, India and China, which he said yesterday would grow at an average 9.3% this year.

BUSINESS DAY (National)

**Saudi Arabia inflation at 4.1%**

Saudi Arabia inflation was 4.1% last month, according to data on the website of the central department of statistics yesterday. The consumer price index was 125.5 last month compared with 120.5 in the same month a year earlier, it said.

*BUSINESS DAY (National)*

**Mexico's economy contracts**

Mexico's economy contracted 2.3% in the fourth quarter and 6.5% last year, the national statistics agency said yesterday. Economists had forecast that gross domestic product, the broadcast measure of a country's output of goods and services, would shrink 2.6% in the fourth quarter.

*BUSINESS DAY (National)*

**Dai-ichi to raise \$12 billion in offering**

Dai-ichi Mutual Life Insurance, Japan's second-largest life insurer, yesterday said it planned to raise about ¥1.1 trillion in an initial public offering. The insurer tentatively priced the shares at ¥150 000 each, according to a filing with Japan's finance ministry. Tokyo-based Dai-ichi Life would sell 4.6 million shares in Japan and 2.5-million shares overseas, the filing said.

*BUSINESS DAY (National), Companies & Markets*

**INDICATORS**

Rand - Dollar \$	7.7048	(-0.0035)
Rand - Sterling £	11.9432	(-0.0901)
Rand - Euro €	10.4754	(-0.0856)
JSE Allshare	27284.2	(+215.03)
Gold	1115.3	(+2.50)
Platinum	1535.0	(+22.00)
Brent Crude Oil	78.1	(-0.06)

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