

Walker Report released on Bank Remuneration

Derek Weigel

The Walker Review, which is a government-commissioned report into the banking industry and how these institutions are governed, was released on Thursday. It has called for more pay transparency amongst Britain's largest and most well-known banks.

A key aspect of the review calls for greater levels of disclosure of the number of employees earning over £1mn. Sir David Walker leads the review and has recommended 'extensive reforms' on the banks to tighten governance. Another point of importance included having all active

investors sign up to an independently monitored code and for directors to take a hands-on role in management and given greater powers in the analysis of transactions.

However, the report hasn't gone down well in all corners of the financial and political spectrum, and it has its fair share of critics. Vince Cable, Lib Dem shadow chancellor, believes the report didn't encourage transparency enough and felt it should call for even greater amounts of pay transparency. A major sticking point with critics is the £1mn level in which

transparency is recommended. Many feel this level should be reduced in order to better increase public knowledge. The British Bankers' Association has supported the proposals, stating its belief that the banks should take up the recommendations offered.

Angela Knight, chief executive, stated "The UK continues to show the way on reform, which means we now need the international community to take up [Walker's] recommendations, particularly on pay packages for senior staff."



The voice of banking & financial services

Markets

FTSE 100 Index closed at 5,252 Thursday, 2.69% below its 52-week high of 5,397, set on November 16, 2009. As at 16.00pm (GMT) the FTSE sat at 5243.

On Thursday, Dow Jones Industrial Average closed at 10,311, 1.75% below its 52-week high of 10,496, set on November 23, 2009. As at 16.00pm (GMT), the index was trading at 10311.

On Thursday, DAX Index closed at 5,680, 3.54% below its 52-week high of 5,888, set on October 20, 2009. As of 16.00pm (GMT), the DAX was trading 1.17% up at 5680.

Winners & Losers

Company	Price	Change
Royal Bank of Scotland	35.02p	6.14%
Thomas Cook	216.80p	4.99%
Xstrata	1071.0 p	4.79%
Barclays	302.00p	3.74%
Intertak Group	1178.00 p	1.34%
Fresnillo	840.00p	1.47%
Lloyds Banking Group	57.78p	2.32%
Inmarsat	631.00p	3.15%

RBS and HBOS's £62bn funding revealed

Stephanie Clarke

This week the Bank of England revealed for the first time that it had provided emergency funding to RBS and HBOS during the height of their struggles last autumn. The so-called 'secret' loans totalled £61.6bn and were "to prevent a loss of confidence spreading through the financial system as a whole," according to the governor, Mervin King. Addressing a committee of MPs, King also explained how the Bank was acting in its capacity as the lender of last resort and how the money was repaid in full in January this year.

It was also revealed that Alistair Darling, the Chancellor, promised to underwrite any losses which the Bank may have made on the loans provided.

The response to the news has been mixed, with many demanding explanations as to why this funding was covered

up. The Liberal Democrats have called on Darling to provide explanation to the House of Commons as to why the Treasury guarantees were kept secret.

The Bank of England however described the careful consideration of the public interest case for disclosure but the decision that the assistance should only be revealed "once the Bank considers that the need for secrecy has ceased."

Alistair Darling has defended the loans, stating it could have 'seriously jeopardised' the stability of the entire British financial system. British banks have received in excess of £500bn since the financial crisis broke in early 2007.

2007 saw the run on Northern Rock, that crippled its finances causing the government to intervene. Northern Rock, RBS and Lloyd's (now owner of HBOS) are all majority owned by the government.

Company Profile

Name: HSBC Hold- Shopay Ghesmat
ings (HSBA: LSE)

Share price: 705.60 (GB £) down
7.98% below its 52-week high of
766.80, dated on November 16, 2009.

Overview: HSBC Holding plc founded in 1959 is a regional bank offering banking and financial services and has more than \$2.5 trillion of assets under management. Its international network consists of nearly 10,000 properties in 80 countries in Europe; Hong Kong; other parts of Asia-Pacific, as well as the Middle East, Africa, North America and Latin America. Headquartered in London, the bank is one of the largest businesses listed on the LSE. However, the group chief executive plans to move to Hong Kong in February 2010 indicating a shift towards East.

HSBC Holdings and its subsidiaries (HSBC) have targeted four different customer groups and businesses. The services they provide to their clients are: Personal Financial Services (including consumer finance), Commercial Banking, Global Banking and Markets, and Private Banking. In September 2008, HSBC acquired a 2.09% stake in Amtek Auto Ltd. from Lehman Brothers. In the same time, E*Trade Mauritius Limited announced that it had sold 100% of its equity holdings in IL&FS Investsmart Limited to HSBC.

The firm refused any bail out money from the UK government. However some argue that HSBC indirectly benefited from \$3.5bn as a result of the AIG bail out.

Figures for 3rd quarter 2009: HSBC's semi-annual report beat analyst expectations with revenues of \$40.25bn, however the results were 6.21% down compared to the previous year's results.

Net operating income before loan impairment charges fell 12% lower than the first half of last year, to \$34,741 million.

Tier 1 ratio increased to 10.1%, as well as total capital ratio to 13.4%.

Any queries, comments or requests?
Please contact us at,

mail@strictlyBIF.com

S&P Report Raise Concerns over Banks

Sarah Lloyd

Standard and Poor's (S&P) have generated a fall in bank stock prices after releasing a damning report that claims that most global banks lack sufficient capital and risk further downgrades.

The S&P Banking report measures the risk-adjusted capital (RAC) ratio of 45 global lenders. This alternative ratio was used as critics of the Tier 1 and leverage targets claim these measures are easily manipulated and misleading.

UBS, who was amongst the worst in the S&P list, amongst other banks, has argued that the report fails to take into

account recent capital-raising efforts and achievements. Whilst S&P seem apologetic for adding to the negative opinion of banks, they have stood by their findings.

Japanese banks make up the majority of the list, with Mizuho Financial, Sumitomo Mitsui and Mitsubishi all sitting in the top ten of 'worst' performers. In total 45 global lenders fail the 8% safety level.

The Bank for International Settlements unveiled their tougher stance on capital ratios in September. The changing view of capital requirements is predicted to hit some banks very badly.

Strictly Bites

Sunny Shah

□□□

Dubai World, one of the emirate's biggest and best-known companies, asked the bondholders of the company and its most troubled subsidiary, Nakheel, to extend maturities from December to May 2010. Global indices have tumbled in response to the news, amid growing concerns over sovereign wealth funds.

□□□

Lloyds has been in the news this week with the announcement that it will deeply discount its rights issue, to the tune of 40% in a bid to entice shareholders to take up the offer. The bank later stated 99.75% of shareholders had taken up the offer, the government (a major shareholder) already stating it would support the issue.

□□□

The London Stock Exchange suffered the double humiliation of being hit by a three-hour trading outage and seeing a sharp drop in its share price of 8.8% on Wednesday as investors fretted over the status of its largest, Dubai-based shareholder.

□□□

The Japanese Yen reached a 14 year high, Y85 to the dollar, as traders piled into perceived havens and out of riskier assets in Asia.

□□□

China auctioned on Friday its first ever 50-year government bond worth Rmb20bn (\$2.9bn) at a yield of 4.3 per cent, mainly buoyed by demand from insurers and pension funds in the world's fastest expanding major economy.

□□□

The world's container ports industry is facing a sharp fall of 10.3%, which is the worst year since 1956, when container shipping started.

□□□

Anglo Irish Bank is suing its former chief executive David Drumm to recover what it says are unpaid loans of €8m (£7.3m), in what is likely to be the first of several legal actions by the state-owned bank against former directors.

□□□

Top Frontier Investment of the Philippines said on Friday it had bought 28 per cent of San Miguel, the food and industrial conglomerate, for 64.3bn pesos (\$1.36bn), sealing a deal it has long coveted.

□□□

Lloyds Banking Group has said it will ask local councils to dismiss thousands of overdraft charge cases, lodged against it for the return of overdraft fees. The cases have been on hold since 2007 when banks and the Office of Fair Trading started a test case over the fairness of bank charges.