



# NewsWatch

▪ October 2018

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The first and only Bank Governance data provider for comprehensive benchmarking and comparative analysis. Improving governance decisions for compliance with best practice and meeting supervisory expectations.



## ABOUT THE NEWSWATCH

### Objective

We gather current corporate governance news related to banks to assist our clients in staying up to date on current topics and trends in Corporate Governance. This is essential for the content of our database, reports and publications. We follow the banks in our database closely to keep informed about any corporate governance changes they may go through in order to give our clients the most relevant and useful information possible.

### Area coverage

- Europe
- Oceania
- North America
- Central and South America
- Russia
- Japan
- China
- South East Asia
- India
- MENA
- Central and South Africa

### Scope

- Our primary focus is on corporate governance news related to banks
- We may also include major news events concerning leading banks
- If there are no relevant news related to bank governance from a region, major corporate governance news related to leading companies in other industries may be included

## □ Europe

### Nordea accused of money laundering by Hermitage Capital Management

<https://www.ft.com/content/d2a0ca0a-d16a-11e8-a9f2-7574db66bcd5>

- The accusation regards money going into 365 accounts in Nordea with a value of \$230 million.
- Nordea is aware of the report but does not want to comment on it.
- The bank is collaborating with authorities in the countries they operate in.

### Danish regulator stops suggested CEO candidate of Danske Bank

<https://www.ft.com/content/bf504b62-d1ea-11e8-a9f2-7574db66bcd5>

- The board had unanimously suggested Jacob Arup- Andersen as new chief executive.
- He is the bank's head of wealth management and former chief financial officer.
- The financial regulator did not approve the new candidate on the basis that he has too little experience in relevant business areas.
- The board is therefore continuing their search of a new CEO of the bank.

### American cyber security firm has a monopoly in Dutch banking sector

<https://www.dutchnews.nl/news/2018/10/three-biggest-dutch-banks-too-dependent-on-one-cyber-security-firm/>

- The three biggest Dutch banks (ABN Amro, Rabobank and ING) all rely on American technology company Akamai for their cyber security.
- This monopoly leaves the Dutch banking sector vulnerable should Akamai be hacked or collapse.
- Experts fear further that the European banking sector is becoming too dependent on US providers of cyber security services, which leads to a loss of expertise in Europe and a strategic advantage for US companies in case of a potential cyber war.

### UBS on trial for tax fraud and money laundering in France

<https://www.reuters.com/article/us-france-ubs-trial/swiss-bank-ubs-on-trial-in-france-over-alleged-tax-fraud-idUSKCN1MIOJK>

- UBS and six of its executives are accused of money laundering and helping wealthy clients avoid tax in France.
- Investigations into UBS have been going on for 7 years and settlement negotiations failed after UBS turned down a settlement offer of 1.1 billion.
- If found guilty UBS could have to pay up to 5 billion euros in fines plus 1.6 billion euros in damages for missed tax revenue.
- This is not the first time UBS faces allegations of tax fraud and money laundering. The bank previously had to pay 780 million dollars in the US and 300 million Euro in Germany.

## Major banks target \$1.5tn coverage gap with trade finance platform

<https://www.ft.com/content/a886eb72-d274-11e8-a9f2-7574db66bcd5>

- Several large banks (such as Santander, BNP Paribas, Deutsche Bank, HSBC, and Standard Chartered) are intending to co-operate on a project called the "Trade Information network".
- The network is intended to lower the risk and costs associated with financing smaller companies as trade information would be verified within the system.
- The move follows several fines levied against banks for violating sanctions and other regulations.

## Does UK Companies Act place too much weight on promoting shareholders' interests?

<https://www.ft.com/content/ecf32384-c275-11e8-95b1-d36dfef1b89a>

- Andy Haldane, The Bank of England's chief economist, spoke at the Institute for Government Thursday 27<sup>th</sup> of September, saying that UK corporate governance code should take into account the various stakeholders of a company.
- Directors should not only act on behalf of shareholders, but also in the interest of employees, customer and society.
- Haldane also suggested that workers should be more involved in decision- making in companies.
- John McDonnell, a British Labour Party politician, has proposed that 10 percent of equity should be set aside for employees, and one third of boards should be made up of employee representatives.

## CMA launches immediate review of audit sector

<https://www.gov.uk/government/news/cma-launches-immediate-review-of-audit-sector>

- The Competition and Markets Authority (CMA) has launched a detailed study on the audit sector to examine concerns regarding whether the sector is working well for the economy or investors.
- If the CMA finds evidence that the market is not working well it will then move to evaluating proposals for making improvements in the sector.
- The CMA has invited interested parties (such as audit firms, audited companies, shareholders and investors) to provide commentary.

## Bramson faces his toughest test to win over Barclays shareholders

<https://www.ft.com/content/8c127e24-d2e3-11e8-a9f2-7574db66bcd5>

- Activist investor Edward Bramson (CEO of Sherborne) became one of Barclay's biggest shareholders in March when he acquired 5.4% of the share capital.
- He criticised the Barclay's board for governance failures, lack of experience in core banking expertise and failure to address the steadily declining share price.
- However, according to the FT, Bramson is failing to win support for his plans with other shareholders.

### Schroders and Lloyds confirm wealth management deal talks

<https://www.ft.com/content/5f0ab2fa-cac0-11e8-b276-b9069bde0956>

- Schroders and Lloyds Banking group are in talks to launch a joint venture within the wealth sector.
- Lloyds expected to take 50.1% of the joint venture, with the remaining being owned by Schroders.
- Furthermore, Lloyds would also take a 19.9% stake in Cazenove Capital, a wealth management division of Schroders.
- The venture comes at a time when Lloyds is currently looking for a new asset manager to administer a portfolio worth £109bn (one of the largest mandates in Europe), and the joint venture is thought to be a sweetener to the deal.

### CYBG completes Virgin Money Acquisition

<https://www.cybg.com/media-relations/news/2018/cybg-complete-virgin-money-acquisition>

- CYBG announced on the 15 October 2018 that it has completed the acquisition of Virgin Money creating the UK's sixth biggest bank and the "first national banking competitor to the status quo".
- "The combined group has over six million customers, c.£84 billion of assets and c.£70 billion of customer loans, including c.£58bn of mortgages – double the size of any other challenger bank."

### HSBC turns to former JPMorgan veteran as investment bank co-head

<https://www.ft.com/content/a25982b6-cd4f-11e8-b276-b9069bde0956>

- HSBC hired Greg Guyett to co-head its investment banking division as it seeks to address concerns that the division is underperforming.
- Recruitment effort comes after an anonymous memo was written by HSBC executives citing performance as "appalling" and that the unit strategy had "utterly failed".
- Mr. Guyett previously worked at JP Morgan where he has held a variety of roles including head of investment banking in Asia pacific and CEO of greater china.

### British banks risk ratings downgrades in disorderly Brexit: S&P

<https://www.reuters.com/article/us-britain-eu-banks/british-banks-risk-ratings-downgrades-in-disorderly-brex-it-sp-idUSKCN1ML28E>

- S&P have stated that British banks could have their credit ratings downgraded if Britain leaves the EU in a disorderly manner.
- Derivatives market could face disruption unless the EU allows EU customers to continue using LCH (part of the London Stock Exchange), that clears the bulk of Euro denominated swaps.

UK Consultation paper: Enhancing banks' and insurers' approaches to managing the financial risks from climate change

<https://www.bankofengland.co.uk/prudential-regulation/publication/2018/enhancing-banks-and-insurers-approaches-to-managing-the-financial-risks-from-climate-change>

- Prudential regulation authority (PRA) launched guidelines for consultation on 15 October with the aim of setting out how effective governance, risk management, scenario analysis, and disclosures may be applied by firms to address the financial risks from climate change.
- PRA has stopped short of providing rules on how firms should deal with the issue, instead opting for high level guidance.
- Consultation closes on the 15<sup>th</sup> of January 2019.

## ▣ North America

### BlackRock experiences lowest intake of funds in two years

<https://www.ft.com/content/cfa2724e-d157-11e8-a9f2-7574db66bcd5>

- Long term net inflows of \$10.6bn was reported for the third quarter, the lowest since 2016.
- That is a stark contrast to the \$94 bn reported in the second quarter of 2017.
- Consequently, BlackRock shares decreased by 4.4 %, its lowest since May 2017.
- Investors have withdrawn money from BlackRock's institutional stock index funds, while investing in lower-risk bond funds and iShares exchange-traded funds.

### Petition for rulemaking on better ESG disclosures by public companies in the US

<https://www.pionline.com/article/20181002/ONLINE/181009935/sec-urged-by-institutions-to-mandate-esg-disclosure>

<https://www.sec.gov/rules/petitions/2018/petn4-730.pdf>

- Institutional investors, with representing more than \$5bn in assets are calling on the Securities and Exchange Commission to “develop a comprehensive framework requiring issuers to disclose identified environmental, social, and governance (ESG) aspects of each public-reporting company’s operations”.
- The petition, filed on Monday 1<sup>st</sup> of October, has the aim of increasing quantity and quality of information on the matter, making it easier to compare data with a standardised method of reporting.
- This will in turn hopefully lead to increased ESG awareness by companies.

## □ Asia

### UK fund Merian Global Investors signed a partnership with China's Ping An

<https://www.ft.com/content/ca13d94e-d65c-11e8-a854-33d6f82e62f8>

- The partnership will allow the subsidiary of China's largest insurance company to distribute Merian's funds in China.
- Merian's knowledge of European markets can ease Ping An's expansion overseas.
- Many EU and US asset management firms plan to expand to China, to take advantage of the large amounts of capital flowing in the economy.
- Richard Buxton, Merian's chief executive, partnered with the private equity firm TA Associates earlier in the year, to buy the business from Old Mutual Global Investors.

### HSBC will be the first foreign company to be listed in China

<https://www.ft.com/content/e9b519b8-d28b-11e8-a9f2-7574db66bcd5>

- HSBC will receive Chinese Depositary Receipts through the stock exchange link between London and Shanghai, after talks that lasted for over a decade.
- London-Shanghai stock connect, which will go live at the end of 2018, will allow international investors to buy shares in Chinese companies and Chinese investors to buy shares in LSE-listed companies.
- Huatai Securities, a leading securities group in China, announced that it plans to sell global depositary receipts on LSE amounting to \$500 million.

### Attitudes on ESG issues in East Asia are slowly changing

<https://www.ft.com/content/c6264b0f-e326-37fa-b398-70ff5b1dee7f>

- Asset Owners Disclosure Project, who ranks the 100 largest public pension funds on their efforts in tackling climate change, only featured 14 Asian pension funds, most of them Japanese, and only one Chinese.
- The corporate governance standards, including those related to transparency and gender diversity, are generally lower in Asian economies, compared to the Western markets.
- There has been an uptick of ESG engagement in the region. For example, the Japanese Government Pension Investment Fund (GPIF), the world's largest pension fund, announced that 3% of its portfolio will be allocated to three ESG indices.



## ABOUT AKTIS

Aktis is the first and only bank governance data platform. The Aktis data universe provides accurate and trustworthy insight to levels previously unavailable for corporate governance. Aktis is rapidly expanding beyond the banking sector to bring high quality data and valuable insight to all businesses in all sectors.

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 [www.aktisintel.com](http://www.aktisintel.com)  
 [info@aktisintel.com](mailto:info@aktisintel.com)  
 +44 20 37 510 513