FINANCIAL TIMES

THURSDAY 30 MARCH 2023 ASIA

Brazilians braced for Bolsonaro's return

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Britain's new stability rests on shaky ground

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FT investigation How organised crime helped shift illicit oil and evade sanctions. Big Read, Page 15

Illustration: Steve Bernard

Ermotti returns as UBS chief to steer $3.25bn Credit Suisse rescue mission

● Hamers ousted ● Chair hails 'best person' for job ● Biggest bank tie-up since 2008 ● Shares rise 4%

OWEN WALKER — LONDON

UBS has ousted its chief executive and brought back former boss Sergio Ermotti to steer the takeover of Credit Suisse less than two weeks after the announcement of the contentious $3.25bn rescue deal.

Ermotti, UBS chief executive for nine years before stepping down in 2020, will lead the effort to merge two of the world's biggest banks after Ralph Hamers was pushed aside. "I cannot emphasise how big a deal this is in terms of financial history and financial engineering that's required," UBS chair Colm Kelleher said. "It's about having the best person in our opinion to effect the execution of this merger."

He added that he had initially called Ermotti to see if he was interested in the job on Monday last week — the day after Hamers gave a fumbling performance on an analyst call on the takeover.

Hamers said he was "stepping aside in the interests of the new combined entity and its stakeholders, including Switzerland and its financial sector . . . I am, of course, sorry to leave UBS but circumstances have changed in ways that none of us expected."

The takeover, orchestrated by Swiss authorities, will create the world's fourth-largest bank, with 120,000 staff and $5tn of assets under management.

But it is politically divisive, with more than three-quarters of Swiss voters calling for the combined mega bank to be split up by new legislation.

Bondholders are also preparing legal proceedings against the Swiss government after $17bn of high-risk securities were wiped out in the transaction.

Kelleher said Ermotti's work in scaling back UBS's investment bank a decade ago and his experience of operating at a global level were essential for overseeing the biggest bank merger since 2008. He added that Hamers, chief executive since November 2020, had put the bank "in a position to stabilise Credit Suisse and ensure a successful integration", but that Ermotti would "hit the ground running".

Ermotti will start next week, while Hamers will remain as an adviser for a transition period.

UBS shares closed nearly 4 per cent higher, with some investors welcoming the change. "As a shareholder and bondholder, we are very happy," said Davide Serra, chief executive of Algebris, who added that Ermotti would reduce integration risk and "serve [the bank's] clients and not . . . investment bankers".

Since leaving UBS, Ermotti has chaired the reinsurer Swiss Re as well as a special purpose acquisition company that bought Italian luxury fashion group Ermenegildo Zegna.

Mark Diethelm, an analyst at Vontobel, said Ermotti's experience in transforming UBS after the financial crisis would be crucial, noting that the bank was "already facing significant political pressure due to its large size and importance for the country".

Hamers joined UBS from ING after 25 years at the Dutch lender, seven as chief executive. He was a surprise choice for the UBS job, despite having been handpicked by then-chair Axel Weber.

Critics pointed to his lack of experience in wealth management and investment banking, UBS's two biggest businesses. He was viewed as a digital expert who could help cut back the bank's cost base, but his ideas took time to implement. It was more than a year before he unveiled his plan for the business, which consisted of targeting wealthy clients in the US and Asia.

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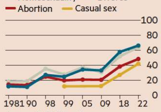
The FT has won both the National Newspaper and Weekend Newspaper of the Year, and FT Weekend magazine won National Magazine of the Year, at the UK's 2023 Newspaper Awards.

Datawatch

Broadminded Britain
% who say the following are justifiable



Sources: World Values Survey; King's College London

The UK is becoming more liberal, according to the latest World Values Survey. Since 2018 there have been double-digit increases in tolerance of divorce, abortion and casual sex. Support for homosexuality also increased

Musk backs tech industry call to halt AI arms race

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Crypto exchange Binance concealed extensive links to China for years

SCOTT CHIPOLINA — LONDON

Binance hid substantial links to China for several years, contradicting executives' claims that the crypto exchange left the country after a clampdown on the industry in late 2017, according to internal company documents seen by the Financial Times.

Chief executive Changpeng Zhao and others holding senior positions repeatedly instructed Binance staff to hide the company's presence in China. This included an office in use until at least the end of 2019, and one Chinese bank that was used to pay some employee salaries.

"We no longer publish our office addresses . . . people in China can directly say that our office is not in China," Zhao said in a company message in November 2017, seen by the FT.

The documents underscore the extent to which Binance, the world's largest crypto exchange, has sought to obscure the extent and location of its operations as regulators scrutinise crypto-related activity. Zhao has said that most Binance staff, other than "a small number of customer service agents", left China after 2017 when Beijing intensified its crackdown on crypto.

The exchange was sued by US regulators this week over allegations that it had illegally served American clients.

The Commodity Futures Trading Commission also alleged that Binance "intentionally" did not disclose the location of its executive offices and that statements that its headquarters were wherever Zhao was located reflected "a deliberate approach to attempt to avoid regulation".

In late 2019, employees at the company discussed a media report that claimed Binance was opening an office in Beijing. "Reminder: publicly, we have offices in Malta, Singapore and Uganda," one message said. "Please do not confirm any offices anywhere else, including China."

Binance told the FT: "It is unfortunate that anonymous sources are citing ancient history (in crypto terms) and dramatically mischaracterising events. This is not an accurate picture of Binance's operations."

Zhao was born in China but has Canadian citizenship and has publicly denied that Binance is a Chinese company.

"The original founding team members that were based in Shanghai left China just two months after the company was organised," Binance said, adding that it had "never been registered or incorporated in China", nor did it have any technology in the country.

World Markets

STOCK MARKETS

	Mar 29	Prev	%chg
S&P 500	4014.14	3971.27	1.08
Nasdaq Composite	11876.06	11716.08	1.37
Dow Jones Ind	32628.77	32394.25	0.72
FTSEurofirst 300	1782.03	1760.07	1.25
Euro Stoxx 50	4226.88	4168.21	1.41
FTSE 100	7564.27	7484.25	1.07
FTSE All-Share	4116.63	4072.46	1.08
CAC 40	7186.99	7088.34	1.39
Xetra Dax	15328.78	15142.02	1.23
Nikkei	27883.78	27518.25	1.33
Hang Seng	20192.40	19784.65	2.06
MSCI World $	2704.76	2702.42	0.09
MSCI EM $	970.69	964.01	0.69
MSCI ACWI $	627.48	626.52	0.15
FT Wilshire 2500	5146.21	5152.97	-0.13
FT Wilshire 5000	40143.29	40196.24	-0.13

CURRENCIES

Pair	Mar 29	Prev	Pair	Mar 29	Prev
$/€	1.083	1.083	€/$	0.923	0.923
$/£	1.231	1.233	£/$	0.812	0.811
£/€	0.880	0.879	€/£	1.137	1.138
¥/$	132.505	130.965	¥/€	143.516	141.881
¥/£	163.121	161.448	£ index	78.947	78.839
SFr/€	0.996	0.998	SFr/£	1.132	1.135

CRYPTO

	Mar 29	Prev	%chg
Bitcoin ($)	28346.30	27267.50	3.96
Ethereum	1802.31	1772.99	1.65

COMMODITIES

	Mar 29	Prev	%chg
Oil WTI $	72.98	73.20	-0.30
Oil Brent $	78.14	78.65	-0.65
Gold $	1962.85	1946.25	0.85

GOVERNMENT BONDS

Yield (%)	Mar 29	Prev	Chg
US 2 yr	4.07	4.04	0.02
US 10 yr	3.56	3.56	0.00
US 30 yr	3.78	3.77	0.01
UK 2 yr	3.40	3.36	0.04
UK 10 yr	3.62	3.61	0.01
UK 30 yr	3.79	3.83	-0.03
JPN 2 yr	-0.08	-0.06	-0.01
JPN 10 yr	0.30	0.31	-0.01
JPN 30 yr	1.20	1.25	-0.06
GER 2 yr	2.63	2.58	0.06
GER 10 yr	2.32	2.29	0.04
GER 30 yr	2.40	2.36	0.04

Prices are latest for edition
Data provided by Morningstar

Australia	A$7.00(inc GST)
China	RMB30
Hong Kong	HK$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S$5.80(inc GST)
Taiwan	NT$140
Thailand	Bht140
Vietnam	US$4.50

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Financial crackdown

German agency to chase white-collar crime

Berlin reacts to criticism with tougher body to tackle money laundering

GUY CHAZAN — BERLIN

Germany is to establish a new beefed-up anti-money laundering authority, after widespread criticism of its failure to crack down on white-collar crime.

The new agency will be called the Federal Authority for Fighting Financial Crime, or BBF in German. It will be guided by the principle of "follow the money", said a senior official.

The move follows a critical report issued last August by the Financial Action Task Force, a Paris-based intergovernmental agency that sets standards for limiting money laundering and the financing of terrorism.

It said Berlin needed to "do more to proactively and systematically investigate and prosecute money laundering activity, in line with [its] risk profile".

The creation of the agency also follows the fall of payments giant Wirecard, whose collapse in 2019 turned into the biggest accounting scandal in Germany's postwar history.

Laws passed in the wake of Wirecard's collapse granted financial watchdog BaFin extensive powers to probe the accounts of Germany's most important listed companies and tightened rules for auditors. Germany's existing anti-money laundering agency, the Financial Intelligence Unit, will be integrated into the BBF, which will also be responsible for enforcing international sanctions.

The FIU has long been under fire for its slowness in dealing with reports of suspicious financial activity. German media reported last year that it was sitting on a backlog of more than 100,000 such reports. Officials said that by March 21, that had been cut to 30,000.

"The aim of the new agency . . . is to strategically realign the fight against money laundering in Germany," a senior official said. The authority would "concentrate on meaningful cases of international money laundering . . . large-volume, complex, systematically organised [crimes] . . . that are planned from Germany or have some kind of German connection", he said.

"Where we see suspicious activity on financial markets, in payment flows, in carousel or securities transactions . . . we will investigate it along the money flows."

Money laundering has long been seen as a serious problem in Germany, where cash is used in many transactions that in other countries would occur digitally.

In its report last year, the FATF said domestic co-ordination across Germany's 16 states was a "challenge" and called for better co-operation between its supervisory and law enforcement agencies. "Priority should also be given to mitigating the risks associated with the high use of cash in the country and the use of informal money or value transfer services," it said.

The head of the FIU, Christof Schulte, resigned last December after the government admitted that the FATF had been kept in the dark about the extent of the backlog of cases at the agency.

Schulte will be succeeded by Daniel Thelesklaf, a Swiss citizen whom finance minister Christian Lindner has said is a "proven expert in the fight against money laundering".

The finance ministry will submit a bill on the creation of the new authority to the Bundestag in the coming months.

Retirement. Reforms

Spain asks young to pay for pensions shortfall

Madrid to raise contributions rather than cut benefits as population ages and costs soar

BARNEY JOPSON — MADRID

Spain is forging ahead with pension reforms that include a contentious fix for years of expensive promises to retirees: making younger people pay more.

While France is in revolt over plans to lift the minimum retirement age from 62 to 64, Spain's has been at 65 for decades, leaving it searching for other ways to shore up a creaking pension system while being fair to young and old.

Having repealed 2013 reforms that became politically intolerable for cutting the benefits of today's retirees, the Socialist-led government will today ask lawmakers to approve a package that seeks more from younger generations.

José Luis Escrivá, pensions minister, said the measures would move from "the traditional paradigm of pension reform", calling France's bid to raise the retirement age an old-school approach.

Adopting measures eschewed by France, Spain will pull new money into the pensions pot from companies and employees, especially the highest-paid, then use it to reduce injustices such as the punitive impact of missed contributions on women who gave up jobs to look after children.

"We have created revenue-generating measures that will strengthen the system so that we can finance additional spending increases," Escrivá said.

But there is controversy over one source of revenue called the "intergenerational equity mechanism". Although its name hints at redistribution from older to younger people, it involves people in work having to contribute more to the social security system.

"Most experts think the title of this mechanism is perverse. It is just the opposite," said Rafael Domenech, an economist at bank BBVA who advised on the repealed 2013 reforms, which were passed by a conservative People's party (PP) government.

Escrivá says Spain's efforts exemplify the impossible dilemmas faced by many European countries: how to balance decent pensions for existing retirees, intergenerational fairness for young people and financial sustainability.

Achieving two of these goals tends to be manageable. Securing all three is hard. Certain features of Spain make its challenge tougher, starting with the urgency of reducing its public debt, equal to 116 per cent of gross domestic product.

Another is that Spain has not fostered a competitive market for 401(k)-style private pensions seen in the US or employer-based plans. That means the elderly's dependence on state pensions, with active workers financing the benefits of retirees, is higher than elsewhere.

Partly for this reason, the benefits of existing pensioners are comparatively generous. The size of their pensions equates to 80 per cent of net pre-retirement income, ahead of France's 74 per cent and an average of 62 per cent in the OECD club of countries.

The European Commission has made a fairer and healthier pensions system a prerequisite for getting billions of euros of EU recovery funds. Brussels has yet to review the latest reforms.

Airef, Spain's fiscal watchdog, last week said the reforms would not pay for themselves and would increase Spain's budget deficit by 1.1 percentage points of GDP by 2050. The demographic pressures are stark. Today in Spain, there are three people of working age for each pensioner; by 2050 that dependency ratio will be just 1.7 to one. Spain's high life expectancy of 83 is behind the fall, and the fact its baby boom came late.

Although its civil war ended in 1939, Spain did not experience the surge in pregnancies that followed the end of the second world war elsewhere. Instead, the birth rate in the first years of Francisco Franco's military dictatorship did not climb until the economy began to take off in the late 1950s. Spain's first baby boomers are just starting to retire.

Politicians have given today's pensioners an immovable promise, limiting options for reform. In a letter to them last year, Escrivá wrote: "Whatever the circumstances, you must be sure that the purchasing power of your pension is always guaranteed."

His sentiments reflected a consensus over the 2013 reforms on the political left. To limit costs, they had introduced mechanisms to cap monthly pension payments when the system was in deficit and reduce benefits as the average lifespan increased. These reforms had been due to come into force in 2019 but as soon as it came to cutting the pensions of 10mn who vote, the Socialist-led government voted to scrap them in 2021, but the PP opposed the decision.

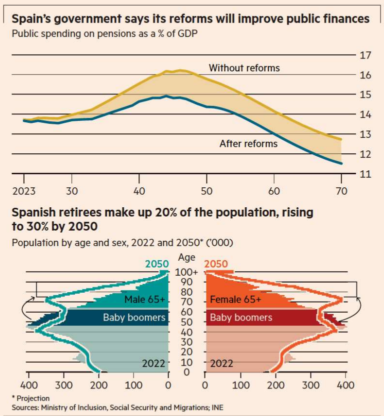
That left pensions linked just to inflation. As such, they rose 8.5 per cent in January, better than the average rise of about 3 per cent for salaried workers. The average payment is now €1,191 per month and the maximum €3,059.

"It's not about being generous. It's about making sure pensioners have a dignified life," said Fernando Luján of the UGT union.

The CEOE, Spain's business lobby, complains not only about employers having to make more social security contributions, but also highlights the raw deal for the young. Rosa Santos, labour relations director at the CEOE, described the intergenerational equity mechanism as a tax. Young people "are going to have to work more years [for] the same pension as current pensioners, and that's the best-case scenario . . . having contributed more to the system".

Madrid calculates the reforms would add €5,300 to the pension of someone who is 60 today but give a 25-year-old an extra €20,000. As long as the benefits of current retirees are untouchable, it may be the best deal young people can get.

Demonstration: a pensions protest this month in Barcelona. Unlike France, Spain will pull new money into the retirement pot from companies and employees
Ximena Borrazas/SOPA Images/LightRocket/Getty Images



* Projection
Sources: Ministry of Inclusion, Social Security and Migrations; INE

'It's not about being generous. It's about making sure pensioners have a dignified life'

Russian invasion

Kyiv suspects China 'testing ground' on role to play in peace process

BEN HALL AND GIDEON RACHMAN
KYIV

China is still "testing the ground" on whether it wants to engage fully in a peace process to end Russia's war against Ukraine, the Ukrainian foreign minister has said.

Dmytro Kuleba said Beijing had not yet decided whether to invest fully in brokering a negotiated end to the war or to intensify its support for Moscow, including through the supply of weapons.

"China is testing the ground, in terms of the peace process, whether the moment has come for them to play a role or not," Kuleba said.

Beijing has still not agreed to Ukrainian president Volodymyr Zelenskyy's request for a talk with Chinese leader Xi Jinping despite China's attempt to position itself as potential peacemaker. The leaders have not spoken since Russia's full-scale invasion in February last year.

Western capitals have expressed scepticism about China's statement of principles for ending the war, which it issued last month. But officials in Kyiv are keen to engage with Beijing.

Kuleba said China foreign minister Qin Gang earlier this month assured him that China would not provide weapons to Russia. Kyiv has seen no evidence it is already doing so.

But Kuleba said he made clear to Chinese officials "it is very inappropriate to try and put on the same footing the military support provided to Ukraine and military support provided to Russia".

He added: "Ukraine is exercising its right to self-defence to protect its territorial integrity. And therefore countries who provide weapons to Ukraine, they help to defend the UN Charter."

Countries providing arms to Russia would "become accomplices in the crime of aggression and in the violation of the territorial integrity of a sovereign country," he said.

"If the fundamental principle of the Chinese foreign policy is respect for territorial integrity, then we don't see any kind of rational explanation or argument why it is legitimate to provide weapons to Russia."

Days before the invasion, China's president referred to a "no limits partnership" with his Russian counterpart, Vladimir Putin, and Xi visited Moscow on a state visit last week in a show of support for the Kremlin. But Kuleba said Ukraine's intelligence assessment was that Russia was "completely furious with Chinese attitudes and the lack of support coming from China".

China "will not allow Russia to collapse" but "they need a weak Russia to make concessions to China, to provide their resources", he added. Russian oil and gas exports to China have rocketed over the past year as western markets have been all but closed off.

Ukraine is gearing up for a counter-offensive later this spring to drive Russian troops out of the south and east of the country. For many, it is seen as a key moment for Kyiv to achieve a breakthrough or risk leaving a stalemate that deters further US and European support. Kuleba said the narrative of a make-or-break moment was dangerous for Ukraine, as if it failed, it would help those in the west who want to push Kyiv into a compromise with Moscow.

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Europe

Ukraine's neighbours grapple with glut of tariff-free grain

STEPHEN MCGRATH — BUCHAREST
BARBARA ERLING — WARSAW

Ukraine's tariff-free access to the EU has caused a grain glut in neighbouring countries, leading to complaints that Brussels is offering farmers too little compensation.

The flow of cheap imports began after the invasion last year when the EU scrapped customs duties and quotas on Ukrainian grain and rerouted some shipments Russia had been blocking in Black Sea ports via the Polish and Romanian road and rail networks.

"Farmers in Romania are the most impacted by the transit of grain coming in from Ukraine," said Alexandru Baciu, who farms about 2,200 hectares in south-east Romania. "They have deposits of unsold wheat from last year's harvest . . . We have three months left and we have not managed to sell last year's harvest because of this transit issue."

At a European Council meeting in Brussels last week, the European Commission proposed that affected EU farmers receive a total of €56.3mn to mitigate the effects of an "excessive supply" of Ukrainian grain imports. Bulgaria would be offered €16.7mn, Poland €29.5mn and Romania €10mn.

In late January, Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia pressed Brussels for an "urgent response" to address the impact of a "significant increase" in Ukrainian grain on local markets.

Romanian president Klaus Iohannis said Brussels was ignoring the "huge sacrifices" being made in facilitating Ukraine's exports and asked for more than €10mn, which was "tiny, if not to say a mockery of the issue we face".

Romanian trade groups echoed this sentiment. The Forum of Professional Farmers and Processors has threatened nationwide protests next month over what it called a "derisory" offer.

During a visit to Bucharest on Monday, Charles Michel, European Council president, praised the role Romania had played in setting up export routes and bringing vital revenue to Ukraine. "But I know this has adversely affected Romanian farmers," he said. "We should look into increasing this amount."

Mateusz Morawiecki, Poland's prime minister, who was visiting Bucharest yesterday, said the offer was "inadequate" and called on Brussels to "help us more". EU members are set to vote on the farmers' aid package today.

In Poland, Ukrainian imports have been particularly destabilising in the south-east. "Neither the Polish government nor the EU is aware of the seriousness of the situation," said Michał Kołodziejczak, leader of Agrounia, a farmers' movement. Poland should admit Ukrainian grain only if it was bound for other markets, he said.

Ukrainian imports had driven down local grain prices. "Last year grain prices were around 1,500 zlotys ($346) a tonne, today prices are well below 1,000 zlotys, they even reach 750 zlotys."

Constanța: grain lorries have been queueing around the Romanian port

Lech Sprawka, governor of Lublin region, which borders Ukraine, said Poland was failing to re-export most of the Ukrainian grain. Sprawka told TOK FM radio that of 800,000 tonnes that entered Poland this year, only about 4,000 tonnes were re-exported outside the EU, to Africa and elsewhere.

Farmers recently pelted Henryk Kowalczyk, Poland's agriculture minister, with eggs, calling him a traitor and accusing him of destroying their livelihoods. Opposition lawmakers have called for his resignation. The ministry was yesterday scheduled to hold talks with farmers on issues including subsidies for deliveries of grain to seaports.

Logistics has become a pressing issue in Romania, where ports handling Ukrainian grain were "full of goods" they cannot handle, said Cezar Gheorghe, an adviser to the agriculture ministry. Drone footage shot near the Romanian Black Sea city of Constanța shows lorry queues stretching around the port. "In my 20 years of career in agribusiness, I did not see [queues] like that," said Gheorghe.

American Jews in backlash over Netanyahu's judicial reforms

Group that is politically diverse but normally supportive criticises Israeli PM

FELICIA SCHWARTZ AND JAMES POLITI
WASHINGTON

Benjamin Netanyahu's attempt to overhaul Israel's judicial system has sparked a backlash among some of the country's most ardent backers in the US, straining support that has been at the core of its security strategy for decades.

The recent criticism is remarkable in that it is coming from a politically diverse group of American Jews that has for the most part been steadfast in its defence of Israel, even as the country faced mounting condemnation of its treatment of Palestinians.

What has shaken the US Jewish community so much this time is the sense that Netanyahu is trying to undermine Israel's democratic institutions.

"We love Israel but we're not going to watch as Israel's democratic foundations are weakened, if not undermined," said Rabbi Rick Jacobs, president of the Union for Reform Judaism, dubbing recent events as a "key inflection point".

He added: "We can't imagine a Jewish state that isn't democratic and yet there are people who can."

Netanyahu has bolstered his leadership credentials in Israel by touting his sophisticated understanding of US political dynamics, frequently suggesting his rivals at home might mishandle relations with Washington when polls show many Israelis have security issues uppermost on their minds.

But critics argue he planted the seeds of the recent break with American Jews by overtly inserting himself into an increasingly polarised US political scene, by showing contempt for then president Barack Obama, then by embracing his successor, Donald Trump.

Among the high-profile defenders of Israel who have spoken out recently is former New York mayor Michael Bloomberg, who said Israel's government was "courting disaster". Miriam Adelson, wife of the late US casino magnate and mega Republican donor Sheldon Adelson, said Netanyahu's hasty rush to enact changes was "naturally suspect" and that "bad motivations never bring good outcomes".

Zeke Emanuel, an oncologist and bioethicist at the University of Pennsylvania and a prominent Jewish American whose brother is Rahm Emanuel, the US envoy to Japan, said he saw eroding support for Israel within his own family.

"A lot of American Jews don't identify with this regime . . . and I think that's a real problem," said Emanuel, at the weekend's protests while visiting Israel.

Emanuel, a former government health official, added: "I look at my daughters, my nieces and my nephews. Unlike me, we were clamouring to come to Israel, we felt free in Israel, they don't. They're not clamouring to come, they're not taking their children, they don't see it as essential."

David Friedman, the US envoy to Israel during the Trump administration who is close to Netanyahu, described the past few days and weeks as "one of the hardest things I've had to watch".

"We see the whole of Israel as a miracle and as something that is at the core of our Jewishness, and watching that social fabric disintegrate was more painful than if Israel were attacked by an enemy from the outside," Friedman said. He supports some of the changes but called the implementation process "botched".

A protest at the Israeli consulate in New York on Monday. Below, 2016, Benjamin Netanyahu and Barack Obama
Leonardo Munoz and Jim Watson/AFP/Getty Images

Four top American Jewish organisations have also weighed in. The Conference of Presidents of Major American Jewish Organizations, the Anti-Defamation League, the American Jewish Committee and the Jewish Federations of North America this week called the last three months "painful" and urged Israel's parliament to build consensus in the months ahead.

This week, Israel's prime minister said he would suspend the reforms following widespread protests, saying he wanted "to avoid civil war through dialogue". But many concerns remain. Jacobs of the Union for Reform Judaism pointed out: "I was relieved, but not entirely. There was a commitment to delay but not a commitment to discard."

The crisis peaked after Netanyahu fired his defence minister, bringing tens of thousands on to Israel's streets as the country temporarily shut down amid mass strikes. But tensions with American Jews had already been mounting.

When Netanyahu returned to power late last year, he formed what is arguably the most rightwing government in the country's history, including ministers from far-right and ultra-Orthodox parties. This further hurt ties with American Jews who largely identify as liberal and vote Democratic.

> 'Watching that social fabric disintegrate was more painful than if Israel were attacked by an enemy from the outside'

Adding to the schisms were provocative statements by government ministers such as Bezalel Smotrich in the defence ministry who said Israel should "wipe out" the Palestinian town of Huwara. More than 120 Jewish leaders signed a letter opposing his planned visit to the US. It went ahead, but he was shunned by major Jewish groups.

"Most of the American Jewish community has deep reservations on Netanyahu's politics," said Jon Alterman, director of the Middle East program at the Center for Strategic and International Studies. "The American Jewish community tends to skew left and the Israeli Jewish polity is moving right."

In Congress, there has been bipartisan pressure on Netanyahu to back off. Mitt Romney, the Republican senator from Utah, joined Chris Murphy, a Connecticut Democrat, this week welcoming the reforms' postponement. President Joe Biden said of them on Tuesday: "I hope he [Netanyahu] walks away from it."

Pre-election pledge

Erdoğan slashes Turkey's energy bills

ADAM SAMSON — ANKARA

Recep Tayyip Erdoğan has said his government will cut energy bills for consumers and companies in the Turkish president's latest attempt to ease the cost of living crisis weeks before a hotly contested election.

Residential and business electricity rates will be cut by 15 per cent next month, while industrial groups will receive a 20 per cent discount on their natural gas bills, Erdoğan said in parliament yesterday.

The stimulus measures come as consumers face a squeeze from severe inflation that has caused the price of everything from groceries to housing to soar. Erdoğan's unconventional economic policies have inflamed the inflation crisis and weakened the currency, which has weighed heavily on his popularity.

He is set to face his toughest election during his two decades in power on May 14. Several of Turkey's leading opposition parties this month chose Kemal Kılıçdaroğlu as a common candidate to battle Erdoğan.

The state of the economy and the government's sometimes stuttering response to the February 6 earthquake, which killed more than 50,000 people in Turkey, are expected to dominate the campaign in its final weeks.

Consumer prices were up 55 per cent in February compared with the same month in 2022, while the domestic producer price index was up 77 per cent over the same period, according to official data.

Erdoğan pushed the central bank to slash interest rates last year, in contrast to most countries, which boosted them to combat inflation. The lira has tumbled 62 per cent against the US dollar since the start of 2021, as many foreign investors have fled the country over concerns about its economic trajectory.

Recep Tayyip Erdoğan: set to face his toughest election in two decades

The government has attempted to dull the blow from runaway inflation with a series of measures, including a 55 per cent rise in the minimum wage at the start of this year and increases to pensions for public servants.

It has also attempted to shore up the lira with the introduction of bank accounts that protect against exchange rate fluctuations and tight controls on the movement of foreign currency by companies.

While Erdoğan's appeal has been wounded by the economic malaise, he remains popular in many constituencies, particularly in the more pious parts of society that he has championed during his time in power. He has also received a boost on the international stage since early 2022 for acting as a mediator between Russia and the west.

His pushback against Sweden's bid to join Nato, over claims that it had harboured individuals Turkey considers to be terrorists, also gained Erdoğan favour among some groups.

Kılıçdaroğlu's opposition coalition, which is composed of six parties, has promised to return Turkey to a more orthodox economic model if it wins.

Bern-Brussels relations

Switzerland to restart talks on closer EU ties

SAM JONES — ZURICH
ANDY BOUNDS — BRUSSELS

Switzerland has announced plans to restart diplomatic talks with the EU after a two-year hiatus that raised doubts on the nation's future economic and political relationship with the bloc.

Bern said it was authorising diplomats to prepare a formal negotiating mandate to reopen talks this summer on a deal that could stabilise trading ties in exchange for concessions on Swiss sovereignty. "There is a positive momentum in the talks between Switzerland and the EU at the technical, diplomatic and political levels," the government said yesterday.

Swiss officials are proposing a "package" agreement bundling multiple treaties rather than a universal framework. Efforts to forge a comprehensive "framework agreement", which reworked a series of treaties with Brussels into a single text, foundered in May 2021 when Bern abruptly announced it was abandoning the process.

The breakthrough came earlier this month after a visit to the Swiss capital by European Commission vice-president Maroš Šefčovič, responsible for relations with Switzerland. He agreed to ditch the overarching talks format.

"We welcome the positive momentum towards modernising EU-Swiss relations," Balazs Ujvari, a commission spokesman, said yesterday. "Our objective remains the same: to upgrade EU-Swiss relations in a way that reflects Switzerland's deep integration into the EU single market, with a level playing field as its cornerstone."

The 2021 breach set the stage for a "slow motion Swexit", as individual agreements in areas such as medical regulation, financial equivalence and engineering standards lapsed.

The framework negotiations, which had dragged on for seven years, were regarded by many in Bern as an attempt to strong-arm Switzerland into big concessions as the EU sought to consolidate its authority with neighbouring states. In a 2020 referendum, 38 per cent of Swiss voters supported pulling out of the passport-free Schengen zone.

In Brussels, the talks were seen as a way to streamline EU-Swiss relations and rectify disproportionate concessions granted to the country as a result of previous piecemeal negotiations.

A country of just under 9mn people, Switzerland is the fourth largest economic partner of the EU, after China, the US and UK, with annual bilateral trade worth €280bn last year.

Switzerland is in urgent need of an electricity and power-trading agreement with Europe, economists point out, as highlighted by extreme energy price fluctuations this year, and Swiss universities are clamouring for access to the EU's Horizon funding programme.

Šefčovič warned there were still big differences between the two sides.


CARTIER

Techs take off Sector's shares surge as Alibaba's six-way break-up plan boosts hopes of end to China crackdown ● MARKETS, PAGE 10

Companies & Markets

Credit Suisse violated 2014 plea deal over secret accounts

- Senate panel says tax evasion persisted
- Bank failed to disclose nearly $100mn

OWEN WALKER — LONDON
STEFANIA PALMA — WASHINGTON

Credit Suisse violated a 2014 plea deal with the US government for the Swiss bank's role in helping wealthy Americans evade tax, according to an investigation by the Senate finance committee.

The two-year probe claimed that the bank, which is being taken over by rival UBS, failed to disclose nearly $100mn in secret offshore accounts belonging to a single family of US taxpayers.

"At the centre of this investigation are greedy Swiss bankers and catnapping government regulators, and the result appears to be a massive, ongoing conspiracy to help ultra-wealthy US citizens

'At the centre of this [probe] are greedy Swiss bankers and catnapping government regulators'

to evade taxes and rip off their fellow Americans," said Senator Ron Wyden, who chairs the committee.

Under the 2014 Department of Justice deal, Credit Suisse was fined $2.6bn, but settled for $1.3bn after agreeing to comply with disclosure rules. But in March 2021, several ex-Credit Suisse bankers who originally blew the whistle on the bank urged US authorities to reopen the case, stating that the tax evasion continued "well after the plea agreement and sentencing".

The release of the committee's investigation comes less than two weeks after UBS agreed to buy Credit Suisse for $3.25bn in a deal orchestrated by Swiss regulators in the face of a deepening crisis at the bank.

Following the launch of the investigation, whistleblowers in 2021 informed the committee that Credit Suisse also held undeclared accounts worth nearly $100mn for a family of dual US-Latin American citizenship, the report says.

The bank "intentionally" hid the clients' US citizenship on internal paperwork and helped them "quietly close" the accounts and transfer the assets elsewhere, the report said, citing the whistleblowers. This may lead to one of the largest penalties for violations of foreign bank account registration rules in US history, the committee said.

The 77-page report also set out Credit Suisse's alleged efforts to help Dan Horsky, a wealthy Israeli-American economics professor conceal $220mn in offshore accounts from the government. In 2017, Horsky was sentenced to seven months in prison for tax evasion.

Staff at the Swiss bank were aware of Horsky's potential compliance issues at least three years before declaring one of his accounts after being contacted by the DoJ in 2015, the report found.

The report said that Credit Suisse informed the committee that it had disclosed thousands of undeclared accounts worth more than $1.3bn to US authorities since its plea deal. But in response to the panel's inquiries, the bank found 23 more client relationships valued at more than $20mn with potentially undeclared accounts, the report said. The DoJ did not immediately respond to a request for comment.

Credit Suisse has faced fines from European regulators over similar issues, including a €238mn deal with France to resolve claims that it broke laundering laws by luring clients to Switzerland.

In a statement yesterday, Credit Suisse said: "In its core, the report describes legacy issues, some from a decade ago, and we have implemented extensive enhancements since then to root out individuals who seek to conceal assets from tax authorities."

Credit Suisse staff poached page 9
AT1 wipeout to cost banks page 10

Flight cancelled Airbus drops Atos unit deal after pressure from hedge fund chief Hohn

TCI chief Chris Hohn said Airbus should focus on hitting aircraft delivery targets — Patricia Huchot-Boissier/abacapress.com

SYLVIA PFEIFER — LONDON
LEILA ABBOUD — PARIS

Airbus bowed to pressure from billionaire hedge fund manager Chris Hohn and yesterday pulled its bid to buy a minority stake in a unit of French IT services company Atos.

Shares in Atos plummeted 17 per cent to €10.62 in Paris after the company confirmed the European plane maker would no longer pursue talks to take a 29.9 per cent stake in Evidian, its digital and big data arm.

The loss of that option will pile pressure on Atos, something that will concern the French government because the company owns sensitive quantum computing assets and cyber defences that Paris considers to be strategic.

The investment would have helped Atos carry out a planned split after a period of heavy losses.

Airbus had begun talks with Atos because it was interested in boosting digitalisation and technology development, said a person familiar with the matter, but decided buying a roughly 30 per cent stake in Evidian was not the best way forward.

Airbus would not have been able to run the business, which is in the middle of a turnround, even after having invested a significant amount.

But the two companies said in separate statements they would continue to discuss other ways they could work together. Airbus stressed that a partnership had "the potential to create significant value for both companies", something Atos repeated.

Atos said it would "explore other options with Airbus and keep working on a strategic and technology partnership for the long term".

Airbus stressed that withdrawing the bid was "an independent decision by our board of directors and management which was not influenced by outside pressure or parties".

Guillaume Faury, Airbus chief executive, had said the company would only progress with a deal if it made sense "from a financial standpoint".

The decision not to progress comes after Hohn, whose TCI fund is one of the largest shareholders in the European plane maker, demanded it drop its interest, describing the proposed deal as a "bailout of Atos, a company that is burdened with unsustainable levels of debt and other liabilities".

Hohn also questioned the use of management time on the transaction, arguing Airbus should be focusing on meeting aircraft delivery targets.

TCI, which has a more than 3 per cent stake in Airbus and has been a shareholder since 2012, had filed a motion for the group to answer 16 questions on the transaction at its annual meeting next month.

Atos in June last year said it planned to split in two, a process it aimed to complete by mid-2023 at the earliest.

JPMorgan's Dimon forced to testify in Epstein cases

JOE MILLER AND JOSHUA FRANKLIN
NEW YORK

Jamie Dimon, the longtime chief executive of JPMorgan Chase, will be interviewed under oath over his bank's decision to retain the late sex offender Jeffrey Epstein as a client, said people familiar with the matter.

The sworn deposition, to take place behind closed doors in May, is the latest development in two high-profile cases brought against the US bank by an alleged Epstein victim and by the US Virgin Islands, where the disgraced financier had a home.

The lawsuits claim JPMorgan, where Epstein banked for 15 years from 1998 to 2013, benefited from human trafficking and ignored internal warnings about its client's illegal behaviour. The lender has described the claims as meritless.

The pre-trial process unearthed communications between JPMorgan staff that referred to a "Dimon review" into the bank's relationship with Epstein.

The bank denied that its chief executive had any knowledge of such a review.

A person familiar with the bank's internal probe said there was no record found of Dimon being in direct communication with Epstein or being included in any discussion over retaining him as a client. JPMorgan declined to comment.

Lawyers for JPMorgan had previously resisted attempts to depose Dimon and tried to limit the range of documents handed over in the pre-trial process.

Last week, Judge Jed Rakoff, who is presiding over the cases, denied in part JPMorgan's request to dismiss the lawsuits and allowed some claims against the bank — and some against Deutsche Bank, which is being sued separately by an alleged Epstein victim — to proceed.

He later ordered JPMorgan to hand over documents containing communications involving Dimon and former general counsel Steve Cutler from before 2006, the year that Epstein was first arrested. A provisional trial date for both cases has been set for October.

Former JPMorgan executive Jes Staley is also set to be deposed by his former employer's lawyers in April after the US bank countersued him for any potential damages. JPMorgan's complaint claims Staley witnessed and participated in sex crimes at Epstein's residences, and alleges he did not disclose this "despite having a fiduciary duty" to do so.

Staley has denied any involvement in Epstein's illegal activities.

Industrials have much to gain by abandoning 'forever chemicals'

INSIDE BUSINESS
EUROPE

Peggy Hollinger

In 1987, the world decided to ban chlorofluorocarbons, just two years after discovering that they were depleting the ozone layer. Industry warned of dire economic consequences should the ban go through. Fast forward 36 years and 99 per cent of ozone-depleting substances have been phased out and the ozone is recovering.

To anyone following the so-called "forever chemicals" debate, the tale is familiar. But there is no guarantee of a happy ending this time unless industry adapts its approach.

Last week Europe launched a public consultation on one of the most radical pieces of chemical legislation ever proposed: a phased ban on up to 10,000 substances known as PFAS.

These molecules, which have a chain of linked carbon and fluorine atoms, are used in millions of applications, from cookware to cosmetics, batteries and semiconductors to medical devices.

They are valued for their high resistance to oil, water and heat. But as their use has grown, scientists have worried about health risks. PFAS do not break down easily, accumulate in the environment and human organs, and are linked to cancers and other health issues. The US Environmental Protection Agency has warned that even near-zero levels of PFAS could pose a threat.

Yet the international chemicals industry is up in arms, declaring that Europe's proposal threatens global growth, makes the green transition impossible and jeopardises thousands of jobs by classing all PFAS as harmful.

In some cases, such as chipmaking, alternatives are unavailable or costly to develop. Meanwhile, at least one law firm is advising its chemical clients to "step up advocacy activities" — or lobbying — to kill the proposal.

It is a predictable reaction. But it is misguided. The global trend is clear and it is not in PFAS's favour.

Two of the most toxic variants have already been banned under a UN convention. Concern is now growing over their PFAS replacements and, with so many, it is hard to judge toxicity on a case-by-case basis.

So European regulators are considering a broader restriction unless safety can be proved. Even in the US, where the approach is more targeted, PFAS curbs are growing. Some 30 US states have either implemented or are considering restrictions on forever chemicals.

The global trend is not in PFAS's favour. Two of the most toxic variants have already been banned under a UN convention

The number of US lawsuits is also rising, while in Europe 3M's $581mn settlement with Belgium last year over PFAS pollution could signal more environmental lawsuits, insurers have warned.

3M, one of the world's largest PFAS producers, certainly thinks that the risk is not worth it. It has said it will stop producing or using the compounds by the end of 2025.

Investors, too, are concerned. Managers of $8tn in assets last year wrote to the biggest chemical companies to demand that persistent chemicals be phased out.

Some, like 3M, have set out road maps for action. Others are pulling information on their troublesome chemicals from public view. And yet others such as Chemours — a company spun out of DuPont — and Japan's Daikin are even opening new production lines to serve chipmakers and other industries.

There is a case for exempting vital industries such as chipmaking, where the high specifications required make alternatives more difficult to find. But this should be paired with stricter regulation on use and disposal.

There is less justification for continued use in discretionary areas, such as cosmetics, rainwear and dental floss.

Without the pressure of regulation it is doubtful that producers or users will be inclined to find alternatives. Industry has known of the toxic effects of some PFAS for decades, yet they are still in use and accumulating in the environment.

Any EU ban is still years away and the proposals are sure to be revised before then.

But for industry to get the best outcome, it needs to engage more actively with the emerging concerns. For example, there is a distinct lack of transparency.

After three years of work, the researchers drafting the EU plan still struggled to identify who produces what and where in Europe.

Companies should be more open about their PFAS products. They should disclose independently verified assessments of safety and their investment in alternatives.

Replacing PFAS will be harder than the global effort to replace CFCs. But that experience shows the industry is capable of achieving the seemingly impossible. And for those that do, there is considerable business to be won.

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Technology

Chatbot labs urged to delay projects

Musk among those to sign letter seeking a six-month hiatus on 'dangerous' race

TIM BRADSHAW AND IAN JOHNSTON
LONDON

Elon Musk and more than 1,000 tech researchers and executives have called for a six-month "pause" on the development of advanced artificial intelligence systems, such as OpenAI's ChatGPT, to halt what they call a "dangerous" arms race.

An open letter, published yesterday by the Future of Life Institute, a non-profit campaign group, had been signed by more than 1,100 individuals from across academia and the tech industry within hours of its publication.

"Recent months have seen AI labs locked in an out-of-control race to develop and deploy ever more powerful digital minds that no one — not even their creators — can understand, predict or reliably control," the letter stated.

Signatories include AI professors Stuart Russell and Yoshua Bengio, the co-founders of Apple, Pinterest and Skype, and the founders of Stability AI and Character.ai. The FLI, which published the letter, counts Musk among its top funders and is led by Max Tegmark, a Massachusetts Institute of Technology professor and AI researcher.

"We call on all AI labs to immediately pause for at least six months the training of AI systems more powerful than GPT-4. This pause should be public and verifiable, and include all key actors. If such a pause cannot be enacted quickly, governments should step in and institute a moratorium," the group added.

The letter follows a rush of ground-breaking AI launches over the past five months, including Microsoft-backed OpenAI's ChatGPT in November and this month's release of GPT-4, the model that underpins the chatbot.

Companies such as Google, Microsoft and Adobe are also adding new kinds of AI features to their search engines and productivity tools, in a move that has put AI into the hands of millions of everyday users. That accelerating pace of development and public deployment has worried some AI researchers and tech ethicists about the potential impact on employment, public discourse — and humanity's ability to keep up.

The letter urged the creation of shared safety protocols that are audited by independent experts to "ensure that systems adhering to them are safe beyond a reasonable doubt".

"AI systems with human-competitive intelligence can pose profound risks to society and humanity," it stated.

Top of the growing list of signatories to the letter are noted AI researchers Bengio, professor at University of Montreal, and Berkeley professor Russell. Musk, who was a co-founder of OpenAI but left in 2018 and has since become critical of the organisation, also signed the letter.

Others include Apple co-founder Steve Wozniak, author Yuval Noah Harari and former US presidential candidate Andrew Yang.

Nobody identifying themselves as an employee of OpenAI was among the first 1,000 people to sign the letter.

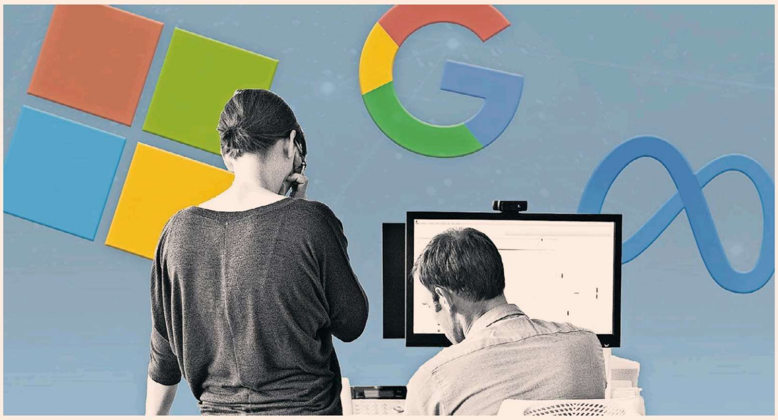
The intervention comes as governments around the world are racing to formulate a policy response to the rapidly evolving field of AI, even as some Big Tech companies are cutting back their AI ethics teams.

Technology. Governance

Silicon Valley curtails 'responsible AI' oversight

Critics voice safety concerns after Google, Microsoft and rivals lay off ethics advisers

CRISTINA CRIDDLE AND MADHUMITA MURGIA — LONDON



Cost cutting: Meta, Amazon, and Twitter are among the tech groups whittling down teams that were set up to safeguard users
FT montage/Dreamstime/Getty Images; SOPA Images

Big Tech companies have been slashing staff from teams dedicated to evaluating ethical issues around deploying artificial intelligence, leading to concerns about the safety of the new technology as it becomes widely adopted across consumer products.

Microsoft, Meta, Google, Amazon and Twitter are among the companies that have cut members of their "responsible AI teams", who advise on the safety of consumer products that use artificial intelligence.

The numbers of staff affected remain in the dozens and represent a small fraction of the tens of thousands of tech workers eliminated in response to a broader industry downturn.

The groups said they were dedicated to rolling out safe AI products. But experts said the cuts were worrying, as potential abuses of the technology are being discovered just as millions of people begin to experiment with AI tools.

Their concern has grown since the success of the ChatGPT chatbot launched by Microsoft-backed OpenAI, which led other techs to release rivals such as Google's Bard and Anthropic's Claude.

"It is shocking how many members of responsible AI are being let go at a time when arguably, you need more of those teams than ever," said Andrew Strait, former ethics and policy researcher at Alphabet-owned DeepMind and associate director at research organisation Ada Lovelace Institute.

Microsoft disbanded all of its ethics and society team in January, which led the company's initial work in the area. The tech giant said the cuts amounted to fewer than 10 roles and that Microsoft still has hundreds of people working in its office of responsible AI.

"We have significantly grown our responsible AI efforts and have worked hard to institutionalise them across the company," said Natasha Crampton, Microsoft's chief responsible AI officer.

Twitter has slashed more than half of its headcount under Elon Musk, including its small ethical AI team. Its past work included fixing a bias in the Twitter algorithm, which appeared to favour white faces when choosing how to crop images. Twitter did not respond to a request for comment.

Twitch, the Amazon-owned streaming platform, cut its ethical AI team last week, making all teams working on AI accountable for issues related to bias, according to a person familiar with the move. Twitch declined to comment.

In September, Meta dissolved its responsible innovation team of about 20 engineers and ethicists tasked with evaluating civil rights and ethics on Instagram and Facebook.

Meta did not respond to a request for comment.

"Responsible AI teams are among the only internal bastions that Big Tech have to make sure that people and communities impacted by AI systems are in the minds of the engineers who build them," said Josh Simons, former Facebook AI ethics researcher and author of *Algorithms for the People*. "The speed with which they are being abolished leaves Big Tech's algorithms at the mercy of advertising imperatives, undermining the wellbeing of kids, vulnerable people and our democracy."

Another concern is that large language models, which underlie chatbots such as ChatGPT, are known to "hallucinate" — make false statements as if they were facts — and can be used for nefarious purposes such as spreading disinformation and cheating in exams.

"What we are beginning to see is that we can't fully anticipate all of the things that are going to happen with these new technologies, and it is crucial that we pay some attention to them," said Michael Luck, director of King's College London's Institute for Artificial Intelligence.

The role of internal AI ethics teams has come under scrutiny as there is debate about whether any human intervention into algorithms should be more transparent, with input from the public and regulators.

In 2020, the Meta-owned photo app Instagram set up a team to address "algorithmic justice" on its platform. The "IG Equity" team was formed after the police murder of George Floyd and a desire to make adjustments to Instagram's algorithm to boost discussions of race and highlight profiles of marginalised people.

> 'It is shocking how many are being let go when arguably, you need more of those teams than ever'

Simons said: "They are able to intervene and change those systems and biases [and] explore technological interventions that will advance equity . . . but engineers should not be deciding how society is shaped."

Some employees tasked with ethical AI oversight at Google have also been laid off as part of broader cuts at Alphabet of more than 12,000 staff, according to a person close to the company.

Google would not specify how many roles had been cut but said that responsible AI remains a "top priority at the company, and we are continuing to invest in those teams".

The tension between the development of AI technologies within companies and their impact and safety has previously emerged at Google. Two AI ethics research leaders, Timnit Gebru and Margaret Mitchell, left in 2020 and 2021, respectively, after a highly publicised row with the company.

"It is problematic when responsible AI practices are deprioritised for competition or for a push to market," said Strait from the Ada Lovelace Institute. "And unfortunately, what I am seeing now is that is exactly what's happening."

Additional reporting by Hannah Murphy in San Francisco

Automobiles

VW wants to pay members of executive board up to 25% more

PATRICIA NILSSON — FRANKFURT

Volkswagen wants to pay members of its executive board up to 25 per cent more, sparking wider concerns over Oliver Blume's role as chief executive of both VW and Porsche.

Blume, head of Porsche since 2015, stepped into the dual role in September after Herbert Diess was ousted as boss of VW by shareholders and union leaders following repeated clashes with the group's powerful works council.

Some investors have criticised Blume's unusual position as head of both companies, particularly given his plans to overhaul VW at a difficult time for the group and car industry as it switches to electric technology.

"The dual role of CEO Blume and the resulting capacity restrictions for his job at VW raise the question whether it is the right time to increase his maximum pay," said Janne Werning, head of ESG capital markets and stewardship at Union Investment, one of the company's top 15 shareholders.

VW's supervisory board proposed raising maximum pay for members of the executive board up to 25 per cent from €12mn to €15mn, which shareholders must approve in a vote in May.

Supervisory board members are also in line for a significant pay rise under the proposals, with fixed pay increasing from €100,000 a year to €175,000, while the cap on maximum pay would grow from €7mn to €8.5mn.

> Some investors have criticised Blume's unusual position as head of both Volkswagen and Porsche

The plan, which was developed with the help of a "renowned and independent external remuneration consultant", kicks in retroactively from the start of 2023.

Under the German system, there are two boards. The executive board is the main decision-making body that manages the company, while the supervisory board oversees the work of the former and advises on strategic planning.

Werning said that Union Investment would engage with VW on the underlining targets of the proposed executive remuneration strategy, which would see long-term incentive schemes play a relatively more important role.

"A raised ceiling should not lead to excess pay because of unambitious targets," he said.

The decision comes against a backdrop of strikes in Germany and other European countries as workers press for higher pay because of the rising cost of living, while companies warn the demands will fuel further inflation.

VW last year agreed to increase staff pay for 2023 by 5.2 per cent, following talks with unions.

Blume has not yet fully laid out his plan for VW, which has struggled with its software strategy and decided to venture into battery manufacturing to support its transition into electric vehicles.

VW said two weeks ago that it would lift investments to expand in the US and also in China on which the group relies for a large portion of its profits, committing €180bn over the next five years.

The carmaker also has a notoriously complex ownership structure, but is ultimately controlled by the Porsche-Piëch family, heirs of Porsche's founder.

Automobiles

Tesla loses ground in China after price war

EDWARD WHITE — SEOUL
GLORIA LI — HONG KONG

Tesla's move to slash prices in China has backfired as Elon Musk's company loses market share to Warren Buffett-backed BYD, putting Chinese carmakers on track to sell more passenger vehicles than their foreign rivals for the first time in 2023.

Tesla last year started cutting prices in a bid to reclaim lost ground in the cut-throat Chinese market, sparking a price war in the country that has hit European, Japanese and other US carmakers.

Chinese consumers responded by favouring cheaper, newer models by BYD. In the first two months of the year, the Shenzhen-based group sold more than five times the number of units that Tesla did in China.

The US carmaker's decision to cut prices in October was a "nuclear" option that triggered most of the industry to follow suit, said Bill Russo, founder of Shanghai-based consultancy Automobility and the former head of Chrysler in China.

"Foreign brands are clearly bleeding market share and we therefore expect 2023 to be the first full calendar year in which local brands outperform global brands in terms of sales volume," Russo said.

Last year, Chinese carmakers accounted for 47 per cent of total passenger vehicle sales, according to Automobility data.

BYD's strong performance heralds the Chinese conglomerate's ascendancy. The group's vertically integrated structure — from mines to batteries and chips — has given it an advantage as the global car industry works to transition away from the combustion engine.

BYD chair Wang Chuanfu said yesterday he expected first-quarter sales to jump 80 per cent year on year and weak competitors to be "eliminated" after the group reported a more than 400 per cent surge in net profit for 2022 to Rmb16.6bn ($2.4bn).

In January and February, BYD's share of plug-in hybrid and battery car sales in the world's biggest car market increased to more than 40 per cent from 34 per cent last year, while Tesla's eased slightly to 7.8 per cent.

Tesla's price cuts and the ensuing price war among major electric vehicle brands in China come at a time when Beijing is removing generous state subsidies after spending more than $120bn since 2009 to support the industry.

China boasts one of the world's most advanced EV markets. However, car sales are generally down as the country emerges from pandemic restrictions that have slowed economic growth.

The China Association of Automobile Manufacturers warned last week that the sector now faced "sharply rising inventories and mounting operational pressure" with the slump in sales worsening over the past month.

Technology

Apple opens buy now, pay later service in US

PATRICK MCGEE — SAN FRANCISCO

Apple launched its buy now, pay later programme in the US on Tuesday in a further expansion into finance and challenge to incumbents including Klarna and Affirm.

The iPhone maker unveiled plans for Apple Pay Later at its developers' conference in June. After several months of delays, "select" US consumers were being invited to use the finance tool, said the $2.5tn tech giant.

Apple Pay Later is built into the Wallet function of the iPhone and lets users pay for online goods and in-app services in four payments spread over six weeks. Zero-interest loans of $50-$1,000 will be made through Apple Financing, a wholly owned subsidiary.

Goldman Sachs, with which Apple launched its credit card in 2019, will play a role by allowing Apple access to Mastercard's network since the iPhone maker lacks a licence to issue payment credentials directly. The scheme features "no fees and no interest" and was designed to let customers "make informed and responsible borrowing decisions", said Jennifer Bailey, who heads Apple Pay.

The service will be embedded in the iPhone operating system, which accounts for more than 50 per cent of smartphones in the US, according to data from Counterpoint Research.

Apple Pay Later follows in the footsteps of Klarna, Afterpay and Affirm, pioneers of the buy now, pay later model, which have struggled to retain their momentum as the economy has slowed and interest rates have surged.

Apple's finance aims have drawn the interest of Wall Street and regulators

When Apple announced its plans, Sebastian Siemiatkowski, Klarna chief executive, hailed a "great win for consumers", adding on Twitter: "Plagiarism is also the highest form of flattery."

Apple's finance ambitions have drawn attention from Wall Street and regulators. Jamie Dimon, JPMorgan chief executive, has said he saw Apple as a long-term challenger. "That's a bank . . . If you move money, hold money, manage money, lend money, that's a bank. There's a lot of competition coming."

Rohit Chopra, director of the Consumer Financial Protection Bureau, said in July that his agency would "have to take a very careful look [at] the implications of Big Tech entering this space".

Apple is the only large tech company to launch such a product in the US.

Ermotti answers 'call of duty' with UBS return

Banker embraces opportunity to reclaim chief executive role and integrate a rival lender that had long been in his sights

OWEN WALKER AND STEPHEN MORRIS
LONDON

Corporate comeback: Sergio Ermotti was invited back to UBS to lead the complex integration of domestic rival Credit Suisse — Michael Buholzer/Keystone via AP

The day after agreeing to rescue Credit Suisse in the most significant banking deal since the financial crisis, UBS chair Colm Kelleher called Sergio Ermotti to see if he wanted his old job back.

Kelleher had watched his current chief executive, Ralph Hamers, fumbling questions from analysts at a hastily arranged call the night before. The performance had underscored concerns the board had over the Dutchman's ability to oversee such a huge and complicated transaction.

Kelleher was also becoming spooked about the magnitude of the challenge UBS had taken on in striking the $3.25bn deal, which would create the world's fourth-largest bank, with 120,000 staff and $5tn of assets under management.

The bank's shareholders and regulators were also raising concerns, sharpening the appeal of bringing back Ermotti, who ran UBS for nine years before stepping down in 2020.

On the call with Ermotti, the Monday after the deal was signed, Kelleher proposed that the 62-year-old return as CEO and marshal the integration of Switzerland's two biggest banks, in the first-ever combination of two global systemically important financial institutions.

The pair knew each other well and had spoken regularly about the plight of Credit Suisse for several months, but the call was the first time Ermotti's return was officially discussed.

They had dinner on the Tuesday evening, and six days later, on the following Monday, UBS's board signed off on one of the most stunning corporate comebacks in recent years.

"I cannot emphasise how big a deal this is in terms of financial history and financial engineering that's required," Kelleher said of the Credit Suisse takeover yesterday as UBS announced Ermotti's return.

"It's about having the best person in our opinion to effect the execution of this merger," he added.

While the decision to replace Hamers was taken quickly, his position as UBS CEO had never seemed secure.

Hamers had been a surprise choice to replace Ermotti in late 2020, having spent the majority of his career at the much smaller Dutch bank ING. His lack of experience in UBS's two main business lines, investment banking and wealth management, was criticised by analysts and UBS staff.

But he was chosen by former chair Axel Weber to help cut costs and develop a stronger digital strategy for a bank whose roots stretch back 161 years.

On the surface, Hamers' time at the helm of UBS appeared a success, with the bank notching up a series of record-breaking quarterly profits. Yet it took time for him to make his mark and it was more than a year into his tenure before he presented his grand vision for the bank.

The plan, which was focused on developing UBS's wealth management business in the US and Asia, was laden with references to tech initiatives. Much of the communication around the strategy was muddled by explanations of how the business would adapt to an "agile working" model.

Critics derided Hamers' strategy and his description of UBS as a "Netflix for wealth" in media interviews.

A key pillar of his strategy was the $1.4bn acquisition of US robo-adviser Wealthfront, the first time UBS had agreed a takeover since the financial crisis. But the start-up's customers — mostly younger, digitally savvy savers — seemed an odd fit with the wealthier client base UBS was looking to attract in the US.

By the time Kelleher replaced Weber as chair a year ago, the board and long-serving UBS staff were already starting to lose patience with Hamers, according to several people with knowledge of internal discussions. Kelleher initially took Hamers under his wing and attempted to brush up his communications skills. Hamers was banned from using his favourite buzzwords such as "purpose" and "ecosystems" in their weekly meetings.

The pair set about trying to convince international shareholders to invest and close UBS's valuation gap with US peers.

Kelleher had been willing to give Hamers time to prove he was capable of leading the business and carrying out its growth strategy. But when UBS aborted the Wealthfront acquisition in September, questions began to be asked about Hamers' authority within the bank.

Hamers, who will remain at UBS as an adviser during a transition period, did not respond to a request for comment.

By the turn of the year, when the situation at Zurich rival Credit Suisse was looking increasingly perilous, the UBS board stepped up plans for a potential rescue, anticipating that Swiss authorities would eventually ask them to move.

For UBS, Kelleher drove the takeover talks, with Hamers playing a back-seat role, according to people involved in the negotiations.

After the takeover was announced on March 19, and while Kelleher was in discussions with Ermotti over his return, the bank's senior management team started putting together a plan for integrating the two banks.

The task was handed to Mike Dargan, the bank's chief digital and information officer, though other executives have been feeding into the process, according to people with knowledge of the plans.

Given the lack of experience of transformative M&A deals among the bank's executive ranks, UBS invited consultancies to pitch for work on the takeover.

At a meeting of UBS's executive committee last week, senior managers tried to persuade Hamers against granting McKinsey too big a role in the process due to the level of influence the 97-year-old consultancy has had over both banks in recent years, according to people with knowledge of the talks.

Throughout his time in charge, Hamers had increasingly relied on McKinsey to help push through changes at the group. This rankled with senior managers at the bank as well as board members, according to people involved in the discussions. Hamers had also served on McKinsey's advisory council.

For Ermotti, the chance to come back to UBS at a time when it was taking over its rival proved too good to turn down.

During his nine years at UBS, Ermotti had drawn up plans to acquire Credit Suisse "three or four times", according to two people familiar with his thinking. But discussions with the Credit Suisse board never progressed as they were not interested in a deal.

After officially joining next Wednesday, Ermotti will take stock of the technical aspects of the deal before deciding if he needs to make changes to the executive board — including the possibility of bringing back other former UBS staff — or to the integration plans.

"Coming back to manage this situation is a challenge, but also . . . I felt a call of duty," Ermotti told journalists on Wednesday.

"I always felt that the next chapter [for UBS was] a transaction like this one. It would be a bit of a contradiction from me not to accept the job to execute on what I believe was the right next move for UBS."

See Lex

Strategy test
Boss who prizes instinct re-enters financial fray

In bringing back Sergio Ermotti as chief executive, the UBS board has gone for someone who knows the bank well. Ermotti held the role from 2011-20 and won plaudits for leading its recovery from the financial crisis.

Born in Switzerland, the 62-year-old is a career banker, having completed stints at Citigroup, Merrill Lynch and UniCredit before moving to UBS.

As chief executive, his main task was to solidify the bank after a SFr6bn ($6.5bn) bailout by the Swiss government during the financial crisis and a $2.3bn rogue trading scandal.

Ermotti scaled back the investment bank — but did not close it altogether, despite some calls for him to do so — and built the core wealth management operation.

"My best decision was not to follow consensus . . . I'm sure I wouldn't be the CEO today if I had done it," he told the Financial Times in an interview in 2020. "As a leader, your first instinct is usually the right one."

The share price was at about the same level when he left the job as it was when he started, but that compares favourably with a drop of almost 60 per cent in the value of Credit Suisse over the same period.

Ermotti stood down in 2020, saying: "After nearly a decade as CEO, now is the right time to write my next chapter. UBS is in great shape, enjoys maximum strategic flexibility and is well positioned for sustainable growth."

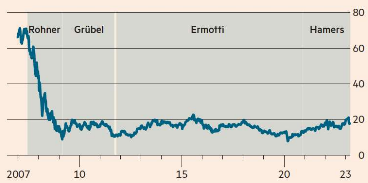
Ralph Hamers took over from Ermotti in 2020 and will stand aside now as the Swiss banker takes back the reins.

Since stepping away from UBS, Ermotti has kept himself busy with board seats at fashion group Ermenegildo Zegna and at Innosuisse, the Swiss innovation agency.

He has also been chair of reinsurance group Swiss Re, although his time there has not been without controversy. Last year, proxy adviser Institutional Shareholder Services recommended that investors vote against Ermotti's re-election because of a lack of gender diversity on the board.

Despite these distractions, he is relishing his return to the top job at UBS. "The task at hand is an urgent and challenging one," Ermotti said in a statement, promising to deliver "the best possible outcome for our clients, our employees, our shareholders and the Swiss government". *Oliver Ralph*

Performance of UBS stock under four leaders
SFr



Source: Refinitiv

Financials

Rivals seek to poach senior Credit Suisse staff

SAM JONES — ZURICH
OWEN WALKER — LONDON

Switzerland's private banks are seeking to poach key staff and clients from Credit Suisse as steep job and bonus cuts force bankers into the market following the takeover by UBS.

Julius Baer, Pictet, Lombard Odier, EFG and LGT are among Swiss wealth managers sounding out disgruntled Credit Suisse bankers, people familiar with continuing conversations have told the Financial Times, offering job stability and attractive sign-on packages to make up for bonuses blocked or wiped out by the government-backed UBS takeover.

Credit Suisse employees saw hundreds of millions of francs worth of deferred bonuses erased by the emergency takeover this month, while the Swiss government has ordered a freeze on future bonus payments. Many are also anticipating swingeing job cuts, as UBS seeks to integrate its biggest rival into its own successful franchise.

"The best people don't wait," said one senior executive at a top-five Swiss bank that is negotiating with individuals at Credit Suisse. "This is a highly competitive environment. All UBS has to offer is five years of insecurity."

A board member at another rival said he knew of an entire Credit Suisse team, of 10 to 15 people, that was looking for an exit. "They will move in a block. [It's] in a location where UBS already has a team . . . Things are going very fast."

Credit Suisse's operations in Asia are a focus, several rival bankers said. The region has been the main driver of profit growth in Swiss private banking over the past decade but the spoils have been unequally shared. Many midsize Swiss banks have, until now, been outcompeted by the two big banks.

While most analysts have been positive about what the takeover of Credit Suisse will mean for UBS, the loss of key employees will have a significant impact on what the banks' combined wealth management franchise eventually looks like, some have warned.

"In the end this is a relationship business," said Andreas Venditti, analyst at Vontobel, a large Swiss private bank. He said he expected senior bankers to take major clients with them when they depart. In some respects, he said, they would be pushing at an open door.

Jumping ship: top Credit Suisse bankers are being courted by rivals

"You have a lot of ultra high net worth individuals who were clients of both UBS and Credit Suisse, because they value diversification," he said. "UBS has tried to play down the overlap of clients but I would be very surprised, frankly, if it was that low." He also pointed to an existing trend of outflows: rich clients took a net SFr95.7bn ($104bn) out of Credit Suisse accounts last year.

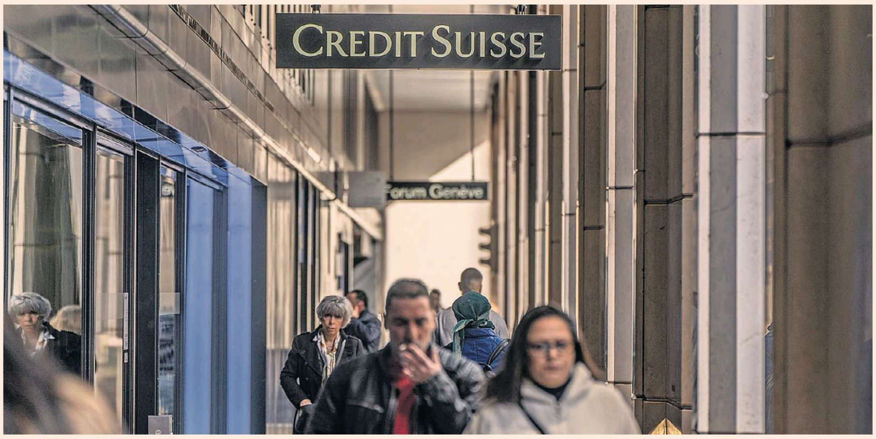
Nicole Curti, chief executive of Capital Y, an adviser to ultra-rich families and president of the Alliance of Swiss Wealth Managers, said clients were worried "about where this is going".

She added: "The advice we have been giving to clients is to diversify — to the private banks like Pictet, Lombard Odier and, of course, Julius Baer, but also to the Swiss cantonal banks, which have good online payment systems for custody of cash."

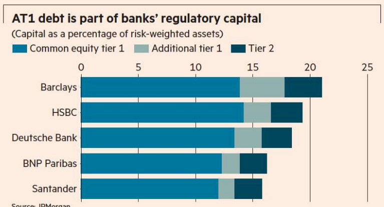
An adviser to UBS said retention was now the "number one" issue for management as it grapples with digesting its rival. The combined bank will have a balance sheet of close to SFr5tn, with SFr3.3tn of assets managed for the rich. "Credit Suisse private bankers are being called left, right and centre," he said.

Fixed income. Aftershocks

Credit Suisse AT1 wipeout tipped to cost banks dear



Investors warn Swiss decision to write down $17bn of bonds 'forever impairs' new issuance



Source: JPMorgan

NIKOU ASGARI AND OWEN WALKER
LONDON
HARRIET CLARFELT — NEW YORK

Some banks will struggle to issue a form of risky bonds used to bolster their capital and others will pay a much higher price for them after similar debt held by Credit Suisse was wiped out in its forced sale, investors have warned.

Swiss regulators' decision to write down $17bn worth of Credit Suisse's additional tier 1 (AT1) bonds as part of the bank's purchase by UBS, rather than wipe out shareholders, has called into question the future viability of the $260bn segment of debt markets.

Greg Peters, co-chief investment officer of PGIM Fixed Income, said the fallout from the decision for banks "forever impairs the ability to issue AT1s". He added: "There will be a continued risk premium repricing in that space."

Stephen Ehrenberg, a portfolio manager for Barings' investment-grade fixed income group, warned that higher costs could well lead to a segmented market. "You could see some of the strong UK banks and the Nordic banks continue to be able to access that market [while] some of the weaker banks find that either they can't access new issue or that the cost of doing so is too expensive."

In a sign of smaller banks opting not to refinance at higher rates, Deutsche Pfandbriefbank, a lender that specialises in real estate lending, decided not to call its AT1 bond last week, citing "market conditions and economic costs".

Kian Abouhossein, European banking analyst at JPMorgan, noted recently that most banks were paying 8 to 10 per cent coupons for AT1 bonds but should brace themselves for this "potentially rising into double digits".

If some banks are effectively locked out of the market for AT1 bonds, they could be forced to rely more heavily on other sources of capital, such as equity, to meet regulatory requirements.

Mark Holman, co-founder of TwentyFour Asset Management, said he did "not expect anybody to issue at current levels". "I don't see why they would pay that much when they can grow equity in other ways such as through retained earnings," he said.

Some banks have issued AT1 bonds at less than 4 per cent coupon. "Looking at the underlying risks, that just doesn't make sense," said Rob Thomas, a credit research analyst at T Rowe Price.

AT1 bonds are a product of the global financial crisis, born out of regulators' desire for banks to shift risk away from depositors, and to have greater capital requirements in case of failure. Also known as contingent convertibles, or Cocos, the bonds can be converted into equity if capital ratios slide below a certain level, or written down entirely.

Investors typically earn high interest in return for bearing these risks.

The bonds form part of a bank's tier one capital, which also includes common equity and is the core measure of a lender's financial strength. CET1 and AT1 capital must comprise more than 6 per cent of a bank's risk-weighted assets under Basel regulations. Tier 2 capital is the second layer of a bank's capital and comprises assets such as hybrid debt.

While debt typically ranks above equity in a restructuring, Swiss financial regulator Finma upended the order of priority by giving SFr3bn ($3.3bn) back to Credit Suisse shareholders while wiping out AT1 bondholders. Joost Beaumont, head of bank research at ABN Amro, said the decision "will definitely leave its mark on the AT1 instruments", adding: "I definitely think it will increase the cost of capital for banks."

AT1 bonds are perpetual, meaning the borrower has no obligation to repay investors. However, banks typically refinance the bonds with new issuance once an initial "non-call period" has expired — giving valuable flexibility to investors, who can decide whether to invest in the new debt.

Some banks may have to rely heavily on equity to meet regulatory requirements
Jose Cendon/Bloomberg

'In the short term we're suffering from contagion and we're suffering from a confidence issue'
Mark Holman, TwentyFour Asset Management

More than $37bn worth of AT1 debt issued globally has call dates in April alone, according to Refinitiv data. If many banks decide not to call their debt, yields in the AT1 market could be driven even higher, analysts say.

An Invesco exchange traded fund tracking AT1 debt has fallen 19 per cent this month, underscoring the loss of confidence in the market.

"In the short term we're suffering from contagion and we're suffering from a confidence issue," said Holman.

Reassurances from other European authorities that they would not follow in Finma's footsteps have provided little comfort. On Tuesday, Bank of England governor Andrew Bailey distanced the UK from the Swiss actions, saying: "In any resolution, we will always abide by the creditor hierarchy because that's a cardinal principle."

The European Central Bank previously said "common equity instruments are the first ones to absorb losses". They "really wanted to show in Europe this will never, ever happen . . . But then the question is, will investors really believe this?" asked Beaumont.

One person involved in negotiating the Credit Suisse deal for UBS said the Swiss decision to change the rules was "rushed out to avoid a [winding down of Credit Suisse] and massive global contagion". They added: "The AT1 market will reprice and we will pay a higher price for a while . . . At the moment, we are well capitalised and well buffered and we'll be OK."

Ehrenberg agreed it would take time for the market to settle. "People come away from something like this and say 'yeah, we've got these rules, but over a weekend a government can change the rules'. So I think there will be a need to regain some of that trust."

Additional reporting by Laura Noonan

Regulation

Carbon credit watchdog calls for 'step up' in offset quality

CAMILLA HODGSON — LONDON

The independent task force that is set to police the carbon credit market announced initial rules yesterday, with its chair stressing "everyone has to step up" to improve the quality of offsets.

The Integrity Council for the Voluntary Carbon Market, whose board members include representatives of the private sector and non-profit groups, said that it planned to raise the bar on the quality of credits, which buyers, largely companies, use to compensate for their emissions.

The market for carbon offsets — which are supposed to represent a tonne of carbon avoided or removed from the atmosphere — has been hit by concerns about a lack of integrity and regulation.

"Not everybody consistently meets all [criteria for best practice] . . . Everybody is going to have to step up," said Annette Nazareth, chair of the ICVCM and a former commissioner of the US Securities and Exchange Commission.

There was "not enough consistency in the quality" of credits, she added.

The first batch of offsets with the ICVCM stamp of approval are set to be available before the end of the year. The ICVCM, which grew out of an initiative spearheaded by former Bank of England governor Mark Carney, marks the first big attempt to regulate the growing industry, though Nazareth said that the group was more of a "self-regulator".

The market for carbon offsets has been hit by concerns about a lack of integrity and regulation

She said that she was talking to regulators, including the US Commodity Futures Trading Commission and the International Organization of Securities Commissions, which are interested in the growing market.

The ICVCM will have the power to approve groups such as Verra, a non-profit organisation that is the largest issuer of credits from environmental projects that are used by companies to offset their emissions. The body will also be able to remove its approval in cases of serious non-compliance.

Under the plan, approved groups will be required to label individual credits that meet all the rules, with the ICVCM undertaking periodic spot checks. Those issuing credits must also publicly disclose important information, including the names of the projects linked to the credits that companies purchase.

The initial rules from ICVCM came as the chief executive of Verra said that the group was working to improve the assessments of carbon-credit projects by its third-party auditors.

"We're streamlining [the process], we're improving systems, we're training the auditors, bringing in technology" and making sure that "the rules and the requirements are fit for purpose", said David Antonioli.

Nazareth said it was "incumbent" on groups such as Verra to ensure that their auditors were "doing a good job".

Equities

Alibaba's break-up plan spurs tech sector rally on hopes of end to China crackdown

HUDSON LOCKETT AND
WILLIAM LANGLEY — HONG KONG

Alibaba's plan to split into six business units has spurred a rally for Chinese technology groups, with traders seeing the move as the latest sign that Beijing's rolling crackdown on the sector was coming to a close.

Alibaba's Hong Kong-listed shares rose more than 12 per cent yesterday, after similar gains for the stock on Wall Street, while the Hang Seng Tech index tracking the largest techs listed in Hong Kong climbed 2.4 per cent. Shares in Japanese tech investor SoftBank, one of Alibaba's key early investors, rose more than 6 per cent in Tokyo.

Analysts said the radical shake-up to Alibaba's structure, which people familiar with the matter said had received positive feedback from regulators prior to the announcement, reflected a shift by internet groups to become more responsive to Beijing's priorities.

The move would also serve to bolster profits in the wake of a long share price slump for the sector's biggest names.

"Big internet firms appear to be changing strategy, from expanding platforms across verticals to downsizing and focusing," said Winnie Wu, China equity strategist at Bank of America. "[Alibaba's] break-up may be an important experiment."

Wu said such splits "may help insulate the impact of [regulatory] risks" for the newly independent units, since "different subsidiaries can have varied data disclosure and auditing arrangements, and US investors can invest in ecommerce without touching the AI part".

Shares in Chinese tech groups had already received a boost this week after Alibaba founder Jack Ma on Monday appeared publicly in mainland China for the first time in a year, as Beijing seeks to boost investor confidence in its support for the country's private sector.

The moves reflect sector efforts to be responsive to Beijing's priorities

Under its new plan, Alibaba will install a separate chief executive and board at its business units, which can each "pursue independent fundraising and IPOs when they are ready", Alibaba chief executive Daniel Zhang said.

Analysts have responded positively to the new structure, with some voicing hopes that spinning off these businesses will help mitigate what they describe as a "conglomerate discount" by the market, which values Alibaba as a whole less than the sum of its parts.

"We think reorganisation empowers different business units to respond quickly to market changes and enhance decision-making," analysts at Jefferies wrote in a note.

"In our view, this is an important organisational change, and [the new structure] leads to flexible and leaner management, supported by its middle and back-end infrastructure."

See Lex

Fixed income

US label maker is first to tap junk bond investors since SVB-led flight to safety

HARRIET CLARFELT — NEW YORK

A US labelling company has become the first to break a weeks-long drought of issuance in the $1.4tn US junk bond market after banking sector turmoil dented investor appetite for risky debt.

Labl, operating as Multi-Color Corporation, completed a $300mn bond issuance on Tuesday, with the debt set to mature in 2028. Proceeds from the deal, which priced with a yield of 9.5 per cent, according to people familiar with the details, will be used in part to fund a potential acquisition.

While the transaction was not particularly large, Multi-Color — which makes labels for food, drinks and other consumer products — was the first US borrower with a subinvestment-grade credit rating to tap the market since the failure of Silicon Valley Bank.

The fallout from the lender's collapse had derailed a strong start to the year for sales of high-yield bonds. Issuance halted after SVB's collapse and the crisis at Credit Suisse led investors to flee into safer assets, such as government bonds.

The high-yield market had "for all intents and purposes been shut down for new issuance activity", said Mike Chang, a bond portfolio manager at Vanguard, in a "reversal of trends that we saw in the first couple of months of this year".

Tuesday's deal brought some relief to a market that had been on ice following issuance of $34bn in January and February combined, greater than the total for the second half of 2022.

'In the past we've seen the underwriters try to reopen the market with a known name to test the waters'

But John McClain, portfolio manager at Brandywine Global Investment Management, warned against reading too much into the Multi-Color deal. He predicted a few "high quality" high-yield issuers would follow the label maker with their own junk bond offerings in the next few weeks.

Marty Fridson, chief investment officer at Lehmann Livian Fridson Advisors, described the offering as "kind of a gutsy move" by the label maker and its bankers. He added: "A lot of times in the past we've seen the underwriters try to reopen the market with a high-end, well-known name to test the waters."

After the drought of recent weeks, corporate borrowing for the first quarter stands at $37.5bn as of March 28, the lowest figure in seven years.

By contrast, companies with stronger credit ratings have maintained greater access to bond markets. High-grade borrowing has exceeded $374bn in 2023, with investors continuing to buy into large deals, such as last week's $6.5bn bond issued by UnitedHealth.

Investors said the disparity between junk and investment grade-rated issuance underscored the very high borrowing costs low-grade issuers face, with interest rates averaging almost 9 per cent for risky US bonds. This is up from less than 6 per cent just over a year ago, before the Federal Reserve embarked on the most aggressive campaign of monetary policy tightening in decades.

The spate of US bank failures has shaken markets and exacerbated worries about an economic downturn this year that could lead to defaults at some highly indebted companies.

The day in the markets

What you need to know

- Wall St gains as banking turmoil eases
- Alibaba's HK stock rises on split plan
- Real estate boosts FTSE 100

Alibaba's break-up plans boost local tech stocks
Hang Seng Tech index

Source: Bloomberg

US stocks rose yesterday as fears of further turmoil in banking eased, while Asian equities were buoyed by Chinese ecommerce giant Alibaba's plans to splinter into six business units after years of pressure from domestic regulators.

Wall Street's S&P 500 and the tech-heavy Nasdaq Composite added 1 per cent and 1.3 per cent respectively, leaving both on track for modest monthly gains despite the recent collapse of three mid-sized US lenders. The KBW Bank index rose 1.5 per cent, while shares in First Republic Bank climbed 6.1 per cent.

"Banking system stress remains high but there are some signs of stabilisation," said analysts at Bank of America, with lenders on Tuesday borrowing roughly $5.7bn from the Federal Home Loan Banks, down from $156.4bn borrowed from the liquidity provider on March 13, when stresses in the sector emerged.

Bond markets traded between gains and losses throughout the day, with the two-year US Treasury yield down 0.01 percentage points at 4.04 per cent and the yield on the 10-year Treasury down 0.01 percentage points at 3.56 per cent in New York. Yields fall when prices rise. The dollar advanced 0.3 per cent against a basket of six other currencies.

Figures out yesterday showed US home sales rose for the third consecutive month in February, up 0.8 per cent on January. Economists polled by Refinitiv had expected a decline of 2.3 per cent.

Alibaba's Hong Kong-listed shares rose more than 12 per cent, following similar gains on Wall Street the day before, while the Hang Seng Tech index tracking the largest technology companies listed in the city climbed 2.4 per cent to its highest level since late February. China's CSI 300 rose 0.2 per cent.

The moves came after Alibaba announced a radical restructuring that would mean it separating into business groups dedicated to cloud computing, ecommerce, local services, logistics, digital commerce and media. Long under pressure from domestic regulators, Alibaba's stock has fallen almost 70 per cent from its peak in October 2020.

Europe's Stoxx 600 index added 1.2 per cent, with shares in UBS up 3.7 per cent after the bank said it would bring back Sergio Ermotti as CEO to steer its takeover of Credit Suisse. Europe's Stoxx 600 Banks index gained 1.9 per cent.

London's FTSE 100 rose 1 per cent, helped by real estate stocks after UK February mortgage approvals edged up to 43,500 from January's 39,600.

Prices for Brent crude gave up earlier gains to slip 0.6 per cent to $78.38 a barrel, but still up from roughly $73 a barrel two weeks ago. **George Steer**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4014.17	1782.03	27883.78	7564.27	3240.06	101283.08
% change on day	1.08	1.25	1.33	1.07	-0.16	0.10
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	102.597	1.083	132.505	1.231	6.888	5.147
% change on day	0.163	0.000	1.176	-0.162	0.039	-0.606
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.559	2.322	0.302	3.617	2.874	12.426
Basis point change on day	-0.090	3.700	-0.770	0.500	-0.200	-15.400
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	418.19	78.14	72.98	1962.85	23.05	4033.70
% change on day	0.99	-0.65	-0.30	0.85	0.68	0.52

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

S&P 500 index

Eurofirst 300 index

FTSE 100 index

Biggest movers

%	US		Eurozone		UK	
Ups	First Republic Bank	5.84	Oci	15.34	Ocado	7.66
	Micron Technology	5.71	Infineon Tech	6.75	Prudential	4.26
	Paychex	5.26	Erste Bank	4.60	M&g	3.68
	Mosaic (the)	4.38	Adidas	3.44	Barclays	3.53
	Cf Industries Holding	4.22	Kbc	3.18	Land Securities	3.36
Downs	Ross Stores	-1.75	A.p. Moller - Maersk B	-23.60	Next	-4.34
	Bath & Body Works	-1.66	Tenaris	-0.53	Smith & Nephew	-1.10
	Target	-1.33	Grifols	-0.45	Pershing Square Holdings Ltd	-0.54
	Intuitive Surgical	-0.98	Brenntag	-0.32	Pearson	-0.51
	First Solar	-0.90	Dsm	-0.27	Associated British Foods	-0.44

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

Wall Street

Upmarket "athleisure" group **Lululemon Athletica** jumped after assuaging fears about excess stock.

"Those worries appeared overdone," said UBS, which noted that Lululemon's inventory rose "only" 50 per cent in the fourth quarter, below the 60 per cent the broker said was problematic.

Gross margin also beat UBS's estimates, with the group's chief executive telling analysts "we do not drive our top-line growth through discounts or promotions and we have no intentions to".

Near the top of the S&P 500 index was **PayChex**, the human resources provider, which posted earnings of $1.29 per share for its fiscal third quarter, 5 cents above the Refinitiv-compiled consensus.

Joining PayChex at the upper end of the blue-chip benchmark was chipmaker **Micron Technology**, which unveiled several belt-tightening measures.

Sanjay Mehrotra, chief executive, said capital expenditure would be reduced to $7bn, down more than 40 per cent from last year, amid slowing demand growth.

Micron plans to cut headcount by 15 per cent alongside executive salary cuts and a suspension of bonuses.

IT management tools company **N-able** rallied in anticipation of joining the S&P SmallCap 600 index next week. *Ray Douglas*

Europe

France's **Atos** dived on news that Airbus no longer planned to acquire a minority stake in Evidian, the IT services group's cyber security and big data arm that was set to be spun off.

Jefferies, commenting on rumours of such a deal earlier this year, said: "We fail to understand the rationale of taking a minority stake, as it would limit any synergies that Airbus could extract from this."

OCI rose sharply after Inclusive Capital Partners, a US activist investor, said the fertiliser maker was trading at a significant discount to its intrinsic value. In-Cap, which has a 5 per cent stake in the Dutch group, proposed strategic options to unlock value, which reportedly included asset sales.

OCI, in response, said it would "evaluate the merits of the views and ideas of our stakeholders, including In-Cap".

A lack of dividend alongside weak guidance weighed on Germany's **Encavis**. The renewable energy group, having benefited from "exceptionally high electricity prices" last year, said it expected earnings of "more than €0.60" per share in 2023, 3 per cent below the consensus estimate.

A payout was also put on hold as Encavis pursued "a highly ambitious capacity expansion from our own resources". *Ray Douglas*

London

Next sank to the bottom of the FTSE 100 index after chair Michael Roney said it had "prepared (and budgeted) for a difficult year" ahead.

The fashion retailer reiterated its 2023 outlook that pointed to sales declining 1.5 per cent and a pre-tax profit of £795mn, which was slightly below the £805mn analysts had expected.

In the bottom half of the FTSE's smaller peer, the mid-cap FTSE 250 index, was **Digital 9 Infrastructure**, which was downgraded by Jefferies. The investment group's rating was lowered from "hold" to "underperform" owing to its "stretched fund-level balance sheet".

Investment group **Phoenix Spree Deutsch** fell sharply on news that it was suspending its dividend. This was done in order to "preserve cash and support its core business", which revolves around Berlin's residential property market.

Robert Hingley, chair, said: "During 2022, the real estate industry has had to adjust to the combined effects of global inflationary pressures and higher interest rates." These were trends PSD had "not been immune from".

Component provider **Essentra**, which sells electronic, hardware and fastener products, rallied on announcing it would be returning £150mn to investors via a special dividend and share buyback. *Ray Douglas*

Reality check for venture capital after a magical decade

Michael Casey

Markets Insight

Venture capital blossomed from an artisanal strategy into a behemoth over the past decade, raising $163bn last year in the US alone. But the run on Silicon Valley Bank is raising questions about the industry and its prominent voices.

While levitating on the vapour of tantalising valuation mark-ups, many of these leaders mistook the advantages of low interest rates and globalisation for their skill, and anointed themselves prophets of innovation.

In truth, the wall of cash in recent years led many VC funds to rely less on discrimination and judgment and more on playing a numbers game, investing in an array of start-ups in the hope that one delivered a vertiginous return. This has always been part of the VC playbook but it became more gamified, descending into an undisciplined play on the momentum of industry and market trends. The standards of due diligence deteriorated.

Rising rates and the collapse of SVB have laid bare that reality. Yet some persist in the belief that VC's problems may disappear if we return to a world of falling interest rates and cheap money — that the assets in VC portfolios will return to their high-water marks; that a buyer will pay a price as dear as SoftBank's Vision Funds have in the past.

These sentiments are delusional. The real problems are broader. We are living in a world of deglobalisation, geopolitical competition and the elevation of resilience over efficiency. These conditions demand rapid advances in science and technology for markets that are sub-global in scale. For many US VC firms, executing a pivot is not so simple.

Why? First, the industry over-indexed on capital-light software and consumer start-ups, which rose from 39 per cent of capital invested in the US in 2012 to 49 per cent in 2021, according to PitchBook data. The attractions of software were obvious: big markets, *de minimis* marginal costs. This orientation benefited from tailwinds in a world where the globalisation of services and intangibles, such as data, was accelerating. Software will remain very important, particularly with the development of artificial intelligence. But, alas, we already see a splintering of the internet, and governments are likely to exercise greater control over the flow of data and intellectual property across borders. The European Commission's recent decision to ban its staff from using TikTok over security concerns is but an early example.

> The wall of cash in recent years led many VC funds to rely less on judgment and more on a numbers game

In addition, while software may have eaten the world and disrupted many industries, most software is riddled with bugs and vulnerabilities. Cyber crime has exploded. The FBI has revealed that financial losses from cyber crime quintupled to $6.9bn between 2017 and 2021. In a heightened threat environment, companies and countries are likely to emphasise information security over efficiency. This is likely to shrink the potential to sell across markets while increasing the development costs for many software products.

Second, VC firms wishing to reorientate towards critical sectors such as agriculture, computation, energy and life sciences are likely to fail. Many eschewed such sectors: only 12 per cent of deals in the US over the past decade were in the "hard" sectors of energy, hardware, biotech and pharmaceuticals. Ironically, analysis from In-Q-Tel reveals two-thirds of the funders for US growth-stage hardware companies between 2015 and 2017 were foreign.

Many US VC firms lack the expertise and networks to originate and evaluate deals in deep tech. They mostly do not have relationships with universities and technology transfer offices that can facilitate the commercialisation of groundbreaking scientific discoveries. Nor do they have the experience navigating labyrinthine regulatory pathways to bring novel technologies and therapies to market. Moreover, their value-creation tool kits are deficient for capital-intensive businesses.

Finally, the sources of early-stage and growth capital are likely to shift. States are likely to expand concessionary financing to start-ups in priority sectors, creating competition for deals. And valuation multiples are likely to be hit by restraints on deep-pocketed foreign investors. In addition, dual-use technologies — particularly those in aerospace, biology, computation and materials — are likely to face more stringent export controls.

Venture capital prospered in a magical decade that placed a premium value on storytelling — perhaps because the price of money had none. If it wishes to retain relevance, VC will need more than a software update.

Michael Casey is the founder of Portico Advisers

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
1.08%	1.37%	0.72%	1.07%	1.25%	1.33%	2.06%	0.99%	No change	-0.162%	1.176%	0.114%	1.13%	0.85%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

AMERICAS

Mar 01 - - Index — All World

S&P 500 New York: 3,982.24 – 3,971.27
Day 1.08% Month 1.10% Year -13.34%

Nasdaq Composite New York: 11,466.98 – 11,716.08
Day 1.37% Month 3.65% Year -16.20%

Dow Jones Industrial New York: 32,889.09 – 32,394.25
Day 0.72% Month -0.12% Year -7.58%

Mar 01 - Mar 29

S&P/TSX COMP Toronto: 20,260.13 – 19,657.53
Day 0.81% Month -2.02% Year -10.29%

IPC Mexico City: 52,686.24 – 53,223.77
Day 0.24% Month 1.12% Year -4.93%

Bovespa São Paulo: 105,711.05 – 101,276.91
Day -0.20% Month -3.72% Year -15.82%

EUROPE

Mar 01 - Mar 29

FTSE 100 London: 7,935.11 – 7,484.25
Day 1.07% Month -4.05% Year 0.26%

FTSE Eurofirst 300 Europe: 1,824.49 – 1,760.07
Day 1.25% Month -2.05% Year -1.35%

CAC 40 Paris: 7,295.55 – 7,088.34
Day 1.32% Month -1.20% Year 8.98%

Mar 01 - Mar 29

Xetra Dax Frankfurt: 15,381.43 – 15,142.02
Day 1.17% Month 0.86% Year NaN%

Ibex 35 Madrid: 9,314.30 – 8,944.30
Day 1.41% Month -3.45% Year 8.43%

FTSE MIB Milan: 27,444.31 – 26,329.46
Day 1.56% Month -2.69% Year 8.88%

ASIA

Mar 01 - Mar 29

Nikkei 225 Tokyo: 27,453.48 – 27,518.25
Day 1.33% Month 1.47% Year -0.34%

Hang Seng Hong Kong: 19,943.51 – 19,784.65
Day 2.06% Month 1.91% Year -7.01%

Shanghai Composite Shanghai: 3,258.03 – 3,245.38
Day -0.16% Month -1.21% Year 0.79%

Mar 01 - -

Kospi Seoul
Day 0.37% Month 1.29% Year -10.46%

FTSE Straits Times Singapore: 3,263.24 – 3,255.54
Day 0.22% Month 0.03% Year -4.91%

BSE Sensex Mumbai: 59,463.93 – 57,613.72
Day 0.60% Month -1.50% Year 51071.16%

Country	Index	Latest	Previous
Argentina	Merval	242385.97	219276.74
Australia	All Ordinaries	7236.00	7219.40
	S&P/ASX 200	7050.30	7034.10
	S&P/ASX 200 Res	5962.40	5888.60
Austria	ATX	3122.09	3063.33
Belgium	BEL 20	3743.39	3667.16
	BEL Mid	9823.23	9713.13
Brazil	IBovespa	100983.42	101185.09
Canada	S&P/TSX 60	1190.84	1180.28
	S&P/TSX Comp	19817.03	19657.53
	S&P/TSX Div Met & Min	1475.97	1483.67
Chile	S&P/CLX IGPA Gen	27511.26	27334.65
China	FTSE A200	10492.61	10465.66
	FTSE B35	9000.71	8988.96
	Shanghai A	3396.17	3401.73
	Shanghai B	291.70	291.90
	Shanghai Comp	3240.06	3245.38
	Shenzhen A	2200.47	2201.51
	Shenzhen B	1184.59	1185.55
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1321.17	1297.49
Denmark	OMXC Copenahgen 20	1988.71	1964.95
Egypt	EGX 30	15906.42	15950.09
Estonia	OMX Tallinn	1864.11	1867.02
Finland	OMX Helsinki General	10495.72	10426.50
France	CAC 40	7182.10	7088.34
	SBF 120	5479.35	5408.30
Germany	M-DAX	26914.82	26562.42
	TecDAX	3258.43	3224.77
	XETRA Dax	15319.03	15142.02
Greece	Athens Gen	1030.00	1023.44
	FTSE/ASE 20	2496.07	2476.09
Hong Kong	Hang Seng	20192.40	19784.65
	HS China Enterprise	6878.93	6729.76
	HSCC Red Chip	3967.05	3960.81
Hungary	Bux	42333.82	42119.85
India	BSE Sensex	57960.09	57613.72
	Nifty 500	14345.60	14211.80
Indonesia	Jakarta Comp	6839.44	6760.33
Ireland	ISEQ Overall	8223.43	8124.73
Israel	Tel Aviv 125	1768.22	1736.44
Italy	FTSE Italia All-Share	28901.55	28458.63
	FTSE Italia Mid Cap	42955.54	42251.35
	FTSE MIB	26739.01	26329.46
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27883.78	27518.25
	S&P Topix 150	1708.99	1685.86
	Topix	1995.48	1966.67
Jordan	Amman SE	2503.10	2589.58
Kenya	NSE 20	1566.94	1564.16
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1166.11	1183.89
Lithuania	OMX Vilnius	995.13	997.15
Luxembourg	LuxX	1531.53	1509.49
Malaysia	FTSE Bursa KLCI	1420.35	1409.09
Mexico	IPC	53338.16	53209.10
Morocco	MASI	10492.32	10404.52
Netherlands	AEX	744.34	733.81
	AEX All Share	1017.64	1000.84
New Zealand	NZX 50	11736.75	11771.27
Nigeria	SE All Share	53750.77	54892.53
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	39879.89	40082.37
Philippines	Manila Comp	6630.97	6603.15
Poland	Wig	57116.62	56770.00
Portugal	PSI 20	5891.60	5835.62
	PSI General	4436.57	4404.24
Romania	BET Index	12053.45	12137.95
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Idx	10463.61	10459.36
Singapore	FTSE Straits Times	3262.54	3255.54
Slovakia	SAX	317.24	316.94
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	76480.11	76047.34
	FTSE/JSE Res 20	66658.28	66459.47
	FTSE/JSE Top 40	70864.87	70444.91
South Korea	Kospi	2443.92	2434.94
	Kospi 200	317.01	316.36
Spain	IBEX 35	9070.70	8944.30
Sri Lanka	CSE All Share	9272.43	9233.40
Sweden	OMX Stockholm 30	2149.36	2115.61
	OMX Stockholm AS	813.95	800.48
Switzerland	SMI Index	10963.31	10839.11
Taiwan	Weighted Pr	15769.76	15701.48
Thailand	Bangkok SET	1610.52	1606.91
Turkey	BIST 100	4872.64	4811.45
UAE	Abu Dhabi General Index	9272.93	9251.11
UK	FT 30	2612.10	2608.20
	FTSE 100	7564.27	7484.25
	FTSE 4Good UK	6841.42	6761.60
	FTSE All Share	4115.63	4072.46
	FTSE techMARK 100	6523.38	6490.44
USA	DJ Composite	10937.95	10841.45
	DJ Industrial	32628.77	32394.25
	DJ Transport	14059.55	13934.44
	DJ Utilities	928.59	914.21
	Nasdaq 100	12795.09	12610.57
	Nasdaq Cmp	11876.06	11716.08
	NYSE Comp	15085.15	14949.35
	S&P 500	4014.17	3971.27
	Wilshire 5000	39736.63	39318.14
Venezuela	IBC	29030.16	28946.24
Vietnam	VNI	1056.33	1054.29
Cross-Border	DJ Global Titans ($)	447.45	442.83
	Euro Stoxx 50 (Eur)	4226.88	4166.21
	Euronext 100 ID	1336.24	1317.69
	FTSE 4Good Global ($)	10077.19	9966.56
	FTSE All World ($)	418.19	414.08
	FTSE E300	1782.03	1760.07
	FTSE Eurotop 100	3533.04	3490.35
	FTSE Global 100 ($)	2669.69	2640.92
	FTSE Gold Min ($)	1922.57	1890.07
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2787.77	2787.74
	FTSE World ($)	759.78	752.49
	FTSEurofirst 100 (Eur)	4801.19	4741.09
	FTSEurofirst 80 (Eur)	5735.27	5650.44
	MSCI ACWI Fr ($)	627.48	626.52
	MSCI All World ($)	2704.76	2702.42
	MSCI Europe (Eur)	1808.34	1806.34
	MSCI Pacific ($)	2696.27	2670.03
	S&P Euro (Eur)	1876.56	1849.64
	S&P Europe 350 (Eur)	1826.86	1803.77
	S&P Global 1200 ($)	3026.08	2995.77
	Stoxx 50 (Eur)	3884.88	3841.79

(c) Closed. (u) Unavaliable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	68.5	190.29	1.10
Nvidia	30.8	267.74	3.64
Apple	20.0	159.80	2.15
Advanced Micro Devices	16.2	95.27	0.71
Microsoft	15.2	279.76	4.53
Amazon.com	15.1	99.30	2.06
Micron Technology	12.6	62.67	3.39
Meta Platforms	8.5	202.93	2.25
Alphabet	8.2	101.28	0.25
Alphabet	7.2	101.62	0.26

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
First Republic Bank	14.29	0.79	5.84
Micron Technology	62.67	3.39	5.71
Paychex	114.71	5.73	5.26
Mosaic (the)	45.56	1.91	4.38
Cf Industries Holding	73.24	2.97	4.22
Downs			
Ross Stores	101.33	-1.81	-1.75
Bath & Body Works	37.41	-0.63	-1.66
Target	157.64	-2.13	-1.33
Intuitive Surgical	247.04	-2.45	-0.98
First Solar	208.13	-1.88	-0.90

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Shell	141.1	2298.00	35.00
Astrazeneca	124.2	11166.00	32.00
Bp	121.9	510.50	2.70
Prudential	105.6	1089.00	44.50
Barclays	103.6	142.02	4.84
Hsbc Holdings	103.5	554.00	12.90
Unilever	85.2	4207.00	-6.00
Glencore	81.3	465.55	6.65
Anglo American	76.7	2634.00	66.50
Relx	66.6	2592.00	23.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Ocado	478.00	34.00	7.66
Bellway	2187.00	146.00	7.15
hcape	752.50	48.00	6.81
Hammerson	22.80	1.39	6.49
Synthomer	116.10	6.60	6.03
Downs			
Next	6434.00	-292.00	-4.34
W.a.g Payment Solutions	88.60	-3.90	-4.22
Abrdn Private Equity Opportunities Trust	418.00	-14.00	-3.24
Syncona	145.00	-4.20	-2.82
Aston Martin Lagonda Global Holdings	225.70	-6.30	-2.72

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Bbva	455.7	6.48	0.14
Roche Gs	434.0	259.91	1.91
Novartis N	387.4	83.34	-0.47
Nestle N	369.9	112.46	1.75
Ubs N	366.6	18.48	0.66
Intesa Sanpaolo	295.9	2.33	0.03
Unicredit	253.5	17.25	0.10
Asml Holding	219.4	602.60	14.90
Zurich Insurance N	169.2	433.17	6.43
A.p. M__ller - M__rsk B A/s	158.0	1579.93	-487.94

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Vonovia Se Na O.n.	16.57	0.92	5.88
Cs N	0.80	0.03	4.03
Ubs N	18.48	0.66	3.72
Adidas Ag Na O.n.	146.04	4.86	3.44
Dsv A/s	179.40	5.64	3.24
Downs			
A.p. M__ller - M__rsk A A/s	1551.74	-504.72	-24.54
A.p. M__ller - M__rsk B A/s	1579.93	-487.94	-23.60
Siemens Health.ag Na O.n.	50.54	-1.02	-1.98
Neste	44.73	-0.71	-1.56
Alcon N	62.27	-0.68	-1.08

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank .	925.8	5190.00	302.00
Mitsubishi Ufj Fin,.	692.4	844.00	4.40
Toyota Motor	679.5	1852.00	46.50
Nippon Yusen Kabushiki Kaisha	610.9	3263.00	-30.00
Mitsui O.s.k.lines,	593.9	3540.00	-20.00
Tokyo Electron	585.2	48320.00	-270.00
Kawasaki Kisen Kaisha,	516.4	3365.00	-5.00
Keyence	471.3	63320.00	830.00
Sony	456.3	11495.00	165.00
Sumitomo Mitsui Fin,.	429.4	5309.00	36.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Softbank .	5190.00	302.00	6.18
J.front Retailing Co.,	1260.00	46.00	3.79
Isetan Mitsukoshi Holdings	1422.00	46.00	3.34
Nippon Sheet Glass ,	619.00	20.00	3.34
Jtekt	1009.00	30.00	3.06
Downs			
Rakuten .	616.00	-11.00	-1.75
Nippon Yusen Kabushiki Kaisha	3263.00	-30.00	-0.91
Mitsui O.s.k.lines,	3540.00	-20.00	-0.56
Tokyo Electron	48320.00	-270.00	-0.56
Daiichi Sankyo ,	4640.00	-10.00	-0.22

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Mar 29 price(p)	%Chg week	%Chg ytd
Winners			
Ocado	478.00	10.3	-
Endeavour Mining	1917.00	7.1	9.5
Melrose Industries	164.45	6.7	22.3
3i	1658.50	5.7	23.6
Taylor Wimpey	121.35	4.6	19.4
Barratt Developments	460.20	4.6	16.0
Beazley	571.00	3.9	-
Burberry	2455.00	3.6	20.9
Glencore	465.55	3.4	-
Halma	2166.00	3.2	9.7
Dcc	4502.00	3.2	10.3
Bae Systems	986.40	3.0	15.2
Losers			
Standard Chartered	603.40	-7.5	-3.1
Kingfisher	255.20	-5.9	8.1
Next	6434.00	-5.7	10.8
Ashtead	4832.00	-5.3	2.4
Smith & Nephew	1120.50	-4.8	1.0
British American Tobacco	2875.00	-3.8	-
Crh	3980.00	-3.6	20.6
Schroders	449.40	-3.0	3.1
Informa	673.80	-2.7	8.7
B&m Eur Value Retail S.a.	469.50	-2.5	14.2
Intercontinental Hotels	5204.00	-2.4	9.7
Jd Sports Fashion	168.20	-2.3	33.3

FTSE 250	Mar 29 price(p)	%Chg week	%Chg ytd
Winners			
Tui Ag	704.40	81.2	90.6
Wetherspoon (J.d.)	700.00	16.5	55.3
Energean	1286.00	15.1	-1.8
Softcat	1255.00	11.3	6.0
Puretech Health	221.00	8.9	-
Vanquis Banking	236.40	8.2	23.6
Integrafin Holdings	271.00	7.4	-
Games Workshop	9380.00	6.8	9.5
Bellway	2187.00	6.7	14.7
Petershill Partners	156.00	6.4	-7.7
Crest Nicholson Holdings	219.40	5.7	-7.3
Moneysupermarket.com	255.80	5.3	33.0
Losers			
Cmc Markets	175.40	-25.9	-
hcape	752.50	-13.2	-8.2
Molten Ventures	262.80	-12.6	-
Nb Private Equity Partners	1415.00	-8.8	-
Synthomer	116.10	-8.0	-
Direct Line Insurance	135.90	-7.9	-
Digital 9 Infrastructure	65.90	-7.5	-
Barr (a.g.)	505.00	-7.2	-5.3
Playtech	511.50	-6.8	0.5
Tritax Eurobox	57.70	-6.2	-6.0
Osb	470.20	-6.1	-2.0
Auction Technology	597.00	-6.0	-

FTSE SmallCap	Mar 29 price(p)	%Chg week	%Chg ytd
Winners			
Xaar	193.00	13.5	-0.5
Zotefoams	388.00	10.9	14.1
Moonpig	113.60	9.0	3.0
Hochschild Mining	79.10	8.1	12.6
Pod Point Holdings	75.03	6.5	21.3
Augmentum Fintech	99.00	5.3	-12.0
Aptitude Software	367.00	4.7	8.6
De La Rue	55.90	4.5	-
Lsl Property Services	271.00	4.2	8.4
Up Global Sourcing Holdings	136.50	4.2	-
Trifast	75.00	4.2	3.3
Kenmare Resources	477.00	3.6	8.8
Losers			
888 Holdings	52.55	-15.8	-
Petrofac	49.06	-15.3	-
Phoenix Spree Deutschland	195.00	-14.8	-
Kin And Carta	79.20	-13.4	-
Seraphim Space Investment Trust	38.15	-11.1	-
Superdry	100.00	-10.2	-21.9
The Gym	88.50	-9.7	-
Pendragon	14.90	-8.6	-
Pantheon Infrastructure	76.80	-8.6	-
Funding Circle Holdings	51.60	-8.2	-6.2
Fisher (james) & Sons	293.00	-8.0	-
Abrdn Eur Logistics ome	66.60	-7.8	-2.8

Industry Sectors	Mar 29 price(p)	%Chg week	%Chg ytd
Winners			
Mining	10876.18	4.4	-2.4
Household Goods	11105.87	3.8	12.1
Personal Goods	34303.39	3.7	11.7
Gas Water & Multiutilities index	6057.96	2.0	7.0
Industrial Metals	6847.70	1.9	-12.7
General Financial	12577.32	1.9	8.8
Industrial Engineering	14761.76	1.6	6.8
Electronic & Electrical Equip.	9559.97	1.6	10.4
Aerospace & Defense	6254.85	1.4	21.9
Food & Drug Retailers	4278.51	0.9	3.8
Automobiles & Parts	1674.32	0.8	13.0
Life Insurance	6747.69	0.7	-4.3
Losers			
Industrial Transportation	3523.01	-5.0	1.5
Tobacco	31557.71	-3.3	-11.6
Construction & Materials	8090.00	-2.9	18.0
Banks	3366.21	-2.0	2.3
Beverages	27395.73	-1.3	-1.8
Support Services	9867.64	-1.2	-0.8
Equity Investment Instruments	10827.15	-1.1	-4.0
Mobile Telecommunications	2349.52	-1.1	9.9
Media	9981.34	-1.0	9.8
Real Estate & Investment Servic	2182.50	-1.0	2.9
Food Producers	6550.01	-0.7	15.1
General Retailers	3508.53	-0.6	4.1

Based on last week's performance. †Price at suspension.

CURRENCIES

Mar 29	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	208.2391	0.4082	225.5427	0.3884	256.3542	0.1492
Australia	Australian Dollar	1.4962	0.0036	1.6205	0.0035	1.8419	0.0019
Bahrain	Bahrainin Dinar	0.3771	0.0000	0.4084	-0.0002	0.4642	-0.0007
Bolivia	Bolivian Boliviano	6.9100	-	7.4842	-0.0018	8.5066	-0.0117
Brazil	Brazilian Real	5.1473	-0.0314	5.5751	-0.0353	6.3367	-0.0475
Canada	Canadian Dollar	1.3586	-0.0044	1.4714	-0.0051	1.6725	-0.0077
Chile	Chilean Peso	788.3000	-10.4500	853.8038	-11.5246	970.4424	-14.2222
China	Chinese Yuan	6.8878	0.0027	7.4602	0.0011	8.4793	-0.0084
Colombia	Colombian Peso	4623.6500	-30.1500	5007.8548	-33.8552	5691.9797	-45.0246
Costa Rica	Costa Rican Colon	542.8550	-1.4300	587.9636	-1.6893	668.2855	-2.6856
Czech Republic	Czech Koruna	21.7667	-0.0471	23.5754	-0.0566	26.7961	-0.0951
Denmark	Danish Krone	6.8781	0.0005	7.4497	-0.0012	8.4674	-0.0111
Egypt	Egyptian Pound	30.9507	0.0746	33.5226	0.0728	38.1021	0.0393
Hong Kong	Hong Kong Dollar	7.8499	0.0000	8.5022	-0.0020	9.6637	-0.0133
Hungary	Hungarian Forint	351.7035	0.3858	380.9283	0.3271	432.9670	-0.1223
India	Indian Rupee	82.3425	0.1487	89.1848	0.1399	101.3683	0.0434
Indonesia	Indonesian Rupiah	15065.0000	-21.5000	16316.8338	-27.1749	18545.8909	-52.1169
Israel	Israeli Shekel	3.5786	0.0349	3.8760	0.0369	4.4055	0.0369
Japan	Japanese Yen	132.5050	1.5400	143.5155	1.6342	163.1212	1.6732
..One Month		132.5045	1.5389	143.5152	1.6334	163.1206	1.6721
..Three Month		132.5032	1.5365	143.5144	1.6318	163.1193	1.6695
..One Year		132.4984	1.5268	143.5106	1.6243	163.1206	1.6650
Kenya	Kenyan Shilling	132.1000	0.3000	143.0769	0.2909	162.6226	0.1453
Kuwait	Kuwaiti Dinar	0.3067	0.0003	0.3321	0.0002	0.3775	-0.0002
Malaysia	Malaysian Ringgit	4.4185	0.0170	4.7857	0.0173	5.4394	0.0134
Mexico	Mexican Peso	18.1165	-0.1520	19.6219	-0.1693	22.3024	-0.2182
New Zealand	New Zealand Dollar	1.6066	0.0045	1.7400	0.0045	1.9778	0.0028
Nigeria	Nigerian Naira	460.7500	-	499.0361	-0.1189	567.2096	-0.7831
Norway	Norwegian Krone	10.4243	0.0282	11.2905	0.0279	12.8328	0.0171
Pakistan	Pakistani Rupee	283.5000	-0.1500	307.0575	-0.2357	349.0047	-0.6668
Peru	Peruvian Nuevo Sol	3.7540	-0.0115	4.0659	-0.0134	4.6213	-0.0206
Philippines	Philippine Peso	54.4525	-0.0075	58.9772	-0.0222	67.0341	-0.1018
Poland	Polish Zloty	4.3292	0.0097	4.6890	0.0094	5.3296	0.0047
Romania	Romanian Leu	4.5815	0.0112	4.9622	0.0110	5.6401	0.0060
Russia	Russian Ruble	77.2500	0.5000	83.6691	0.5217	95.0992	0.4851
Saudi Arabia	Saudi Riyal	3.7550	-0.0004	4.0670	-0.0015	4.6226	-0.0069
Singapore	Singapore Dollar	1.3291	0.0013	1.4395	0.0011	1.6362	-0.0007
South Africa	South African Rand	18.0838	-0.0900	19.5864	-0.1022	22.2621	-0.1417
South Korea	South Korean Won	1302.6500	3.6000	1410.8939	3.5639	1603.6368	2.2240
Sweden	Swedish Krona	10.4128	0.0601	11.2780	0.0625	12.8187	0.0565
Switzerland	Swiss Franc	0.9195	-0.0014	0.9959	-0.0018	1.1320	-0.0034
Taiwan	New Taiwan Dollar	30.4365	0.0535	32.9656	0.0501	37.4691	0.0142
Thailand	Thai Baht	34.1325	-0.1550	36.9687	-0.1767	42.0191	-0.2491
Tunisia	Tunisian Dinar	3.0639	0.0072	3.3184	0.0070	3.7718	0.0037
Turkey	Turkish Lira	19.1395	0.0333	20.7299	0.0312	23.5618	0.0086
United Arab Emirates	UAE Dirham	3.6725	-0.0001	3.9777	-0.0011	4.5211	-0.0064
United Kingdom	Pound Sterling	0.8123	0.0011	0.8798	0.0010	-	-
..One Month		0.8124	0.0011	0.8797	0.0010	-	-
..Three Month		0.8125	0.0011	0.8795	0.0010	-	-
..One Year		0.8126	0.0011	0.8786	0.0010	-	-
United States	United States Dollar	-	-	1.0831	-0.0003	1.2311	-0.0017
..One Month		-	-	1.0829	-0.1497	1.2311	-0.0017
..Three Month		-	-	1.0825	-0.1497	1.2313	-0.0017
..One Year		-	-	1.0813	-0.1497	1.2314	-0.0017
Vietnam	Vietnamese Dong	23483.5000	-13.5000	25434.8727	-20.7187	28909.5882	-56.5244
European Union	Euro	0.9233	0.0002	-	-	1.1366	-0.0013
..One Month		0.9231	0.0002	-	-	1.1365	-0.0013
..Three Month		0.9227	0.0002	-	-	1.1363	-0.0013
..One Year		0.9215	0.0002	-	-	1.1354	-0.0013

Rates are derived from WM Reuters Spot Rates and MorningStar (latest rates at time of production). Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.FT.com/marketsdata

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Mar 29	Day's chge%	Euro Index	£ Strlg Mar 28	£ Strlg Mar 27	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7564.27	1.07	6704.51	7484.25	7471.77	7537.25	3.66	2.37	11.54	79.96	7853.11
FTSE 250 (250)	18632.81	1.28	16514.98	18396.69	18529.62	21491.97	3.31	1.07	28.15	106.46	15604.92
FTSE 250 ex Inv Co (170)	19245.16	1.68	17057.73	18927.70	19066.99	22229.15	3.41	1.68	17.51	100.05	16438.01
FTSE 350 (350)	4160.28	1.10	3687.41	4115.04	4113.29	4238.07	3.61	2.20	12.58	41.18	8565.46
FTSE 350 ex Investment Trusts (267)	4111.48	1.13	3644.17	4065.53	4062.09	4154.26	3.66	2.39	11.42	41.53	4375.71
FTSE 350 Higher Yield (135)	3563.48	1.14	3158.45	3523.35	3509.54	3536.24	5.03	2.42	8.23	47.29	8307.75
FTSE 350 Lower Yield (215)	4337.30	1.06	3844.31	4291.87	4305.41	4583.93	2.16	1.68	27.44	27.87	5376.43
FTSE SmallCap (230)	6026.35	0.48	5341.39	5997.84	6016.85	6989.46	3.60	-0.73	-37.99	40.81	10216.03
FTSE SmallCap ex Inv Co (122)	4833.43	0.49	4284.06	4809.75	4843.09	5909.44	3.69	1.96	13.81	26.16	8506.12

FT 30 INDEX

	Mar 28	Mar 27	Mar 24	Mar 23	Mar 22	Yr Ago	High	Low
FT 30	2612.10	2608.20	2587.10	2626.00	2631.60	0.00	2784.10	2454.10
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2608.2	2619.9	2610.1	2602.3	2603.7	2603.1	2599.8	2604.9	2608.6	2635.1	2597.4

FT30 constituents and recent additions/deletions can be found at www.ft.com/ft30

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	21.90	Gas Water & Multi	6.94	Health Care	-0.94
Fixed Line Telecomms	20.44	Financial Services	6.83	Pharmace & Biotech	-0.94
Construct & Material	17.54	Mobile Telecomms	5.82	Health Care Eq & Srv	-0.97
Food Producers	14.45	Utilities	4.76	Electricity	-1.12
General Retailers	13.48	Banks	2.33	FTSE 250 Index	-1.17
Oil Equipment & Serv	13.00	Personal Goods	1.54	Beverages	-1.58
Automobiles & Parts	12.48	Oil & Gas	1.52	Chemicals	-3.30
Food & Drug Retailer	12.30	FTSE 100 Index	1.51	FTSE SmallCap Index	-3.42
Consumer Services	11.01	Real Est Invest & Se	1.49	Equity Invest Instr	-3.60
Electronic & Elec Eq	10.53	Oil & Gas Producers	1.44	Technology	-4.00
Travel & Leisure	10.36	NON FINANCIALS Index	1.32	Life Insurance	-4.29

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1658.5	48.00	Jd Sports Fashion PLC	168.20	0.45
Abrdn PLC	208.70	3.00	Johnson Matthey PLC	1953.5	18.00
Admiral Group PLC	2018	23.50	Kingfisher PLC	255.20	4.00
Airtel Africa PLC	106.90	1.70	Land Securities Group PLC	596.60	19.40
Anglo American PLC	2634	66.50	Legal & General Group PLC	236.80	7.20
Antofagasta PLC	1557	23.00	Lloyds Banking Group PLC	47.13	0.73
Ashtead Group PLC	4832	57.00	London Stock Exchange Group PLC	7864	70.00
Associated British Foods PLC	1943.5	-8.50	M&G PLC	185.95	6.60
Astrazeneca PLC	11166	32.00	Melrose Industries PLC	164.45	2.20

UK STOCK MARKET TRADING DATA

Data provided by Morningstar | www.morningstar.co.uk

UK RIGHTS OFFERS

There are currently no rights offers by any companies listed on the LSE.

UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Tencent	384.80	378.20	6.60	1.75	34.60	12.0	11.41
Netflix	328.62	323.52	5.10	1.58	29.62	11.8	1.98
Sanofi	100.90	100.00	0.90	0.90	9.14	11.0	13.44
Carnival	9.88	9.33	0.55	5.89	0.34	9.9	-7.00
Accenture	278.06	275.00	3.06	1.11	21.73	9.8	4.68
Regen Pharm	820.95	826.97	-6.02	-0.73	75.67	9.3	8.05
Novartis	83.00	83.47	-0.47	-0.56	7.27	8.9	4.69
Intel	30.48	29.29	1.19	4.06	1.16	8.4	22.34
Activision Bli.	84.29	84.35	-0.06	-0.07	5.71	7.2	10.51
UnionPac	198.92	196.58	2.34	1.19	10.86	7.1	-4.12
Softbank	5190.00	4888.00	302.00	6.18	37.00	7.0	-6.13
Hitachi	7254.00	7137.00	117.00	1.64	354.00	6.9	5.12
GenMills	85.40	84.77	0.63	0.74	4.90	6.9	7.42
AIA	83.10	81.85	1.25	1.53	4.00	6.7	-0.18
Workday	196.30	189.68	6.62	3.49	5.39	6.5	5.60
Bridgestne	5351.00	5224.00	127.00	2.43	196.00	6.4	2.26
Nissan Mt	490.20	479.40	10.80	2.25	17.70	6.2	-7.39
SouthCpr	75.28	73.82	1.46	1.98	2.86	6.1	2.18
Nomura	511.30	503.60	7.70	1.53	21.50	6.1	-8.87
Fuji Hvy Ind	2126.50	2091.50	35.00	1.67	85.00	6.0	-2.90

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

[illegible]

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

[illegible]

	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
Poland	04/26	3.25	-	A2	A-	111.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Baa1	BBB-	149.00	1.61	0.00	-0.12	0.56
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

BONDS: GLOBAL INVESTMENT GRADE

[illegible]

	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

INTEREST RATES: OFFICIAL

Mar 29	Rate	Current	Since	Last
US	Fed Funds	4.75-5.00	22-03-2023	4.75-4.50
US	Prime	7.75	23-02-2023	7.75
US	Discount	4.75	02-02-2023	4.75
Euro	Repo	2.396	21-03-2023	2.396
UK	Repo	4.25	23-03-2023	4.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

Mar 29 (Libor: Mar 28)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	4.80886	0.002	0.253	-0.015	4.83057	5.10143	4.98729	4.80886
Euro Libor	-0.64957	-0.064	0.000	0.001	-0.61943	-0.58057	-0.55600	-0.48571
£ Libor	0.18063	-0.005	0.000	0.016	4.19870	4.35380	4.59880	0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.06005	-0.02617	0.07165	0.04867
Euro Euribor				0.002	2.90400	2.99000	3.26900	3.54200
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.020	4.90000	5.06000	5.10000	
Euro CDs				0.000	2.88000	3.01000	3.21000	

Mar 29	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	2.64	2.94	2.62	2.92	2.73	3.03	2.86	3.16	3.06	3.36	3.22	3.52
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	4.63	4.83	4.65	4.85	4.80	5.00	4.96	5.16	5.00	5.20	4.90	5.10
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.15	0.05	-0.10	0.10	-0.05	0.15	0.00	0.20

Libor rates come from ICE (see www.theice.com) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: [illegible]

BOND INDICES

[illegible]

VOLATILITY INDICES

	Mar 29	Day Chng	Prev	52 wk high	52 wk low
VIX	19.11	-0.86	19.97	36.64	17.97
VXD	18.33	-0.54	18.87	37.57	3.27
VXN	23.87	-0.63	24.50	44.02	5.85
VDAX	19.69	-1.50	21.19	93.30	-

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	-	-	-	-	-	-	-	-
	05/32	1.25	83.99	3.29	0.10	0.11	-0.56	0.38
	02/50	1.00	101.81	1.49	0.05	0.04	-0.29	0.62
Austria	02/29	0.50	87.75	2.78	0.08	-0.02	-0.37	2.07
	02/47	1.50	73.75	3.07	0.08	0.07	-0.23	1.95
Belgium	06/27	0.80	92.75	2.63	0.08	-0.01	-0.40	2.11
	06/47	1.60	71.53	3.33	0.09	0.06	-0.23	1.85
Canada	03/25	1.25	95.63	3.62	0.08	-0.02	-0.50	1.21
	06/30	1.25	89.44	2.89	0.05	0.04	-0.47	0.39
	12/48	2.75	93.97	3.09	0.04	0.07	-0.18	0.57

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Interactive Data Pricing and Reference Data LLC, an ICE Data Services company.

GILTS: UK CASH MARKET

Mar 29	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
Tr 0.75pc '23	98.96	4.08	0.49	-0.97	1.24	223.81	99.56	97.34	34.36
Tr 0.125pc '24	96.96	3.84	0.79	-2.29	-4.95	174.29	98.11	94.34	35.55
Tr 2pc '25	96.47	3.52	1.15	-1.95	-5.63	155.07	102.39	93.15	39.93
Tr 0.125pc '26	91.28	3.37	0.60	-2.88	-7.67	145.99	95.84	86.33	35.32
Tr 1.25pc '27	91.72	3.33	0.91	-2.63	-10.48	134.51	99.59	85.65	40.99
Tr 0.5pc '29	84.53	3.45	0.58	-1.15	-9.21	128.48	95.84	78.21	24.54
Tr 1pc '32	81.87	3.39	0.00	-0.88	-9.60	105.45	125.20	78.92	35.96
Tr 4.25pc '36	106.74	3.59	-0.28	-0.55	-9.57	100.56	131.49	94.91	31.68
Tr 4.5pc '42	109.80	3.79	-0.79	-1.56	-8.67	105.98	147.79	93.79	28.35
Tr 3.75pc '52	99.20	3.80	-0.78	-2.06	-7.77	113.48	149.35	82.51	25.11
Tr 4pc '60	106.76	3.66	-1.35	-3.43	-8.27	116.57	169.63	87.32	25.13

Gilts benchmarks & non-rump undated stocks. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Mar 29	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	81.71	-0.06	2364.14	0.99	-2.19	3.50
2 5 - 10 Years	150.49	-0.05	3205.81	2.89	-8.85	3.34
3 10 - 15 Years	160.40	0.09	3736.70	4.13	-14.25	3.60
4 5 - 15 Years	151.83	-0.01	3333.28	3.29	-10.45	3.45
5 Over 15 Years	220.76	0.68	3832.22	6.18	-28.79	3.74
7 All stocks	137.74	0.21	3096.38	3.41	-15.65	3.64

Index Linked	Mar 29	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	326.70	0.20	1.51	1.80	2771.90	1.54	2.99
2 Over 5 years	569.85	1.81	7.28	-29.42	4350.84	7.36	-29.05
3 5-15 years	468.05	0.91	4.56	-10.17	3796.24	4.61	-9.43
4 Over 15 years	647.81	2.44	9.20	-37.91	4798.21	9.30	-37.69
5 All stocks	536.50	1.55	6.31	-25.85	4180.00	6.38	-25.39

Yield Indices	Mar 29	Mar 28	Yr ago		Mar 29	Mar 28	Yr ago
5 Yrs	3.29	3.27	1.40	20 Yrs	3.80	3.83	1.86
10 Yrs	3.46	3.46	1.66	45 Yrs	3.57	3.63	1.62
15 Yrs	3.70	3.71	1.82				

Real yield	inflation 0% Mar 29	Dur yrs	Previous	Yr ago	inflation 5% Mar 29	Dur yrs	Previous	Yr ago
Up to 5 yrs	0.37	2.48	0.45	-3.82	-0.05	2.50	0.02	-4.31
Over 5 yrs	0.28	19.74	0.37	-1.92	0.25	19.80	0.34	-1.95
5-15 yrs	0.01	9.43	0.10	-2.43	-0.09	9.45	0.01	-2.53
Over 15 yrs	0.34	26.41	0.43	-1.85	0.33	26.42	0.42	-1.86
All stocks	0.28	16.96	0.37	-1.94	0.24	17.05	0.33	-1.97

See FTSE website for more details www.ftse.com/products/indices/gilts

[illegible]

Tradeweb

All data provided by Morningstar unless otherwise noted. [illegible]

Data provided by Morningstar | www.morningstar.co.uk

POWERED BY MORNINGSTAR

COMMODITIES

[illegible]

BONDS: INDEX-LINKED

[illegible]

BONDS: TEN YEAR GOVT SPREADS

[illegible]

Complicité back at full throttle

Drive Your Plow Over the Bones of the Dead
Barbican, London
★★★★☆

Accidental Death of an Anarchist
Lyric Hammersmith, London
★★★★☆

THEATRE
Sarah Hemming

The house lights are still up when a woman in her sixties, clutching a plastic carrier bag, wanders on to the stage and taps the microphone speculatively. The audience shifts apprehensively. Is she here to make some sort of emergency announcement?

It seems not. "I want to tell you a story," she says, before offering some tangential details about washing her feet. So it is that this magnificent Complicité adaptation of Olga Tokarczuk's 2009 novel **Drive Your Plow Over the Bones of the Dead** opens. Simon McBurney's staging immediately sets the tone, finding a supple theatrical equivalent of Tokarczuk's dazzling, slippery narrative style.

What's true and what's not true are soon very much open to question, as Janina (a name she hates) embarks on her wildly idiosyncratic yarn — part murder mystery, part parable, part blazing political manifesto. Her quiet backwater on the Polish-Czech border has become a crime scene, we learn: bodies are mounting up with the frequency of a lurid TV cop show. And Janina has a theory. The victims, all men, all belonged to the local hunt club. It's obvious to her that the animals are taking revenge. This is a view she has shared with the police — to no avail: they simply reckon she is crazy — and now wants to share with us. How reliable a narrator she is remains to be seen.

Tokarczuk's brilliant novel is every bit as enigmatic as its protagonist: under cover of a crime thriller, she slips in a subversive slicing and dicing of the patriarchy and a rallying cry for greater environmental awareness. But you barely notice she's doing it as you fall into stride with her marvellous central character. This is a woman who scarcely registers with those in power, but who is drily funny and sardonic and who articulates a profound, urgent call for a rethink of humanity's place on the earth. Her affinity with local wildlife, her fascination with astrology, her passion for the work of William Blake and her love affair with an entomologist all add up to a deep sense of the interconnectedness of life.

In McBurney's production, that inner life leaps out on to the stage, with Dick Straker's gorgeous video work drenching Rae Smith's set in star-studded skies, astrology charts and dappled, beetle-inhabited forest floors. We are seeing the world as Janina sees it. Meanwhile a

'Drive Your Plow' is part murder mystery, part parable, part blazing political manifesto

wonderfully versatile ensemble plays both the neighbourhood residents and the local fauna — statuesque, watchful deer; slinky foxes; strutting magpies. The practice of having humans portray animals neatly embodies Janina's view that the two are equal.

Christopher Shutt's sound design and Richard Skelton's music can be menacing, suspenseful or tenderly lyrical. The blurred borders in the novel — between territories, species, literary genres, interior and exterior worlds — translate to stage as a multi-faceted, fourth-wall-breaking spectacle.

At the centre is Janina, eccentric, insistent, mordant, fearless. She's superbly played by Amanda Hadingue (Kathryn Hunter, with whom she has been sharing the part, was taken ill before the official London opening). The role is a feat of memory to begin with, but Hadingue delivers it with crisp

matter-of-factness underscored by burning outrage. There is standout work too from César Sarachu as Janina's gawky but loveable neighbour, Oddball (very funny when stoned), Tim McMullan as the oleaginous priest and Alexander Uzoka as the gentle student Dizzy with whom Janina translates Blake.

It's great to have Complicité back at full throttle, with a prime piece of compelling storytelling that uses comic ingenuity, sharp physicality and clever technology to lift a complex, multi-layered novel into vibrant stage life. There's a sag in energy before the interval, when the weight of incident begins to slow the show's momentum. And one big narrative twist feels less shocking than in the book.

But this is a beguiling, imaginative piece of theatre, as strange, dark and mischievous as the book. And it demonstrates how powerfully theatre can advocate through artistry. In the book, Janina has a platform; on stage, she has a microphone. A solo read becomes a communal experience, so amplifying the call for a different way of thinking about who is important and about our place in the world.

To April 1, barbican.org.uk, then on UK and European tour, complicite.org

Another mysterious casualty, another eccentric story and another unconventional narrator and arbiter of justice. But the mood in **Accidental Death of an Anarchist** is very different. This 1970 farce by Dario Fo and Franca Rame is based on a real-life scandal: the murky death during police interrogation of an Italian railway worker and anarchist.

Tom Basden's riotous new version brings the satire right up to date and could not be more topical: Daniel Raggett's staging (a co-production between the Lyric and Sheffield Theatres) arrived in London at the same time as the publication of a scathing independent review of the Metropolitan Police.

The laughs, which are plentiful, come edged with rage: a statistic emblazoned on the set wall at the end informs us that 1,850 people have died in police custody or following contact with the police in England and Wales since 1990. And Basden's script is sprinkled with all too recognisable outrages: officers taking selfies with murder victims; dodgy WhatsApp groups.

It's comedy that is the tool of interrogation here, however, and Raggett and his cast wield it mercilessly. The agent of truth is "the Maniac", an enigmatic individual who fetches up in a police station accused of impersonation and who proceeds — by impersonating a judge — to run rings round everybody, all the while delivering a running commentary to the audience.

Donning a ludicrous wig, half-moon spectacles and a gargantuan air of confidence, he manages to hoodwink the none-too-bright officers that he is investigating the suspicious plunge of the anarchist from a fourth-floor window. The more he appears to collude with their ludicrous cover-up, the more he exposes it as a sham. Pretence uncovers pretence, the whole thing delivered with the flourish of a barrister dropping a killer piece of evidence mid-trial. And the grand irony is that, on moral grounds at least, he is indeed their judge.

The linchpin of Raggett's staging is Daniel Rigby as the Maniac: a human tornado whose pratfalls, clowning and one-liners, delivered at blistering speed, simultaneously stitch up the coppers and leave the audience in stitches. He is well supported by Tony Gardner's pompous superintendent, Jordan Metcalfe's bullishly stupid detective and Shane David-Joseph's hapless constable. A good week for eccentric narrators.

To April 8, lyric.co.uk

Above: Amanda Hadingue in Complicité's 'Drive Your Plow Over the Bones of the Dead'. Left: Howard Ward, left, and Daniel Rigby in 'Accidental Death of an Anarchist'
Alex Brenner; Helen Murray

Jazz stripped down to core values

JAZZ

Lakecia Benjamin
Jazz Café, London
★★★★☆

Mike Hobart

Lakecia Benjamin draws on the intense wellspring of classic John Coltrane and adds the sonics and history of her main instrument, alto sax. That core aesthetic was established even before she took the stage at Ronnie Scott's. Cymbals swished, pianist Zaccai Curtis sprayed modal block chords and bowed double bass rumbled and scraped around the tonic key. Benjamin joined, full-throttle and focused, with tumbling pentatonics, warbles and long-sustained notes crying in the upper range.

Scene set, the night's first theme, "Trane", was cued by a brief sway of Benjamin's alto sax. Whiplash rhythms alternated with walking bass swing and ebb-and-flow solos moved inexorably to a high. It took a while before the piece ended with a final phonic from Benjamin's alto sax. Audience nailed, it was time for a brief chat. "I like to talk, but now's the time for playing," said the warm and welcoming Benjamin.

The set was based on her recently released, guest-laden album *Phoenix* (on

Lakecia Benjamin at the Jazz Café

Whirlwind Recordings) — voiceovers, samples and electronica are in that spirited mix. Here, the music was presented by a stripped-down acoustic sax and rhythm quartet steeped in the core values of mainstream modern jazz. Fast, spidery piano came with two-handed thrust, bassist Ivan Taylor held the fort and drummer EJ Strickland delivered a chattering dialogue of bass drum and snare. The band stretched out, themes re-entered on cue, and Benjamin, the focus, drew on a swathe of jazz history — that first number referenced a key inspiration; soon the music would draw on hip-hop and the blues.

On the album, "Amerikkan Skin" features the recorded voice of Angela Davis, but in this unadorned acoustic set, the sentiments were expressed by Benjamin's spoken word and elaborated with rhythmically sharp fast-paced rap.

"New Mornings" delivered a change of vibe and the sinuous playout of "Blast" was accented with the blues. Then "Amazing Grace", played instrumentally and channelling 1950s gospel R&B in the style of Ray Charles: Benjamin's phrases curled round the chords and slurred, sighed and moaned; Curtis supported with gospel voicings and occasional shakes and trills.

"Jubilation", written by Patrice Rushen, one of the album's guests, returned to the band's core style. Tough syncopated sax drew a cheer, the thunder and crash of unleashed drums got a roar. Then the house was plunged into darkness. "Either it's time to go, or they haven't paid their bills," said Benjamin, launching a sharp-edged extended version of the Coltrane classic, "My Favorite Things".

Wayne Shorter's "Footprints" segued into the spiritual "Wade in the Water". Still time for one more, "Moods", a Latin-tinged romp from her latest CD.

thejazzcafelondon.com

GAMING

Storyteller
PC and Nintendo Switch
★★★☆☆

Lewis Gordon

"An honest tale speeds best being plainly told," says Queen Elizabeth in *Richard III*. It's a surprisingly modern attitude — that the most effective yarns favour clarity and brevity. *Storyteller*, a new puzzle game based around building narratives, seems to have taken the monarch's advice to heart. It packs 51 headscratchers into just a few hours, while attempting something strikingly ambitious: the deconstruction and remixing of western literature's most famous tales.

It does so by fusing together two relatively young forms: the comic strip and the video game. At the start of each puzzle, you are given a title, "Seeing the Ghost of a Lover" for example, and a number of panels, characters and scenes to manipulate. For example, you place the wedding scene down and then drop Adam and Eve into it. They fall in love. Next, you select the graveyard, with "Adam" on the tombstone and Eve kneeling next to it. She mourns her late husband. Finally, you create another wedding scene featuring the biblical duo; however, this time Eve sees the spirit of her deceased partner. Et voilà! The story is thus complete.

Beginning with three panels, the puzzles eventually ramp up in complexity to panels spanning eight. All the good stuff is here: the aforementioned love, death, heartbreak and ghosts, as well as resurrection, amnesia, jealousy, revenge, monsters and even Oedipal incest. Some of the most satisfying puzzles are those grouped under "Secrets", whose comic strips involve demanding royalty, resentful butlers and good old-fashioned detective work. Indeed, there is a joy in working backwards like a detective during these plot-driven conundrums, arriving at solutions that often playfully subvert the tropes on which they are based.

Beyond a handful of characters who possess immutable traits — chivalrous knight, treacherous usurper and a malevolent dwarf named Hatey — *Storyteller* offers an enjoyably flexible approach to classic sagas.

Yet by the time credits roll, it feels as if *Storyteller* hasn't quite capitalised on the rich possibilities of its premise. The game is undeniably funny, but lacks a few punchlines. Moreover, its tour of the world's most beloved stories is whistle-stop to a fault and ends too abruptly. What's arguably missing is a rip-roaring crescendo where all the elements — plot, character, form and style — coalesce. As it stands, *Storyteller* lacks the closure of its greatest forebears.

'Storyteller' fuses comic strips and video games

FT BIG READ. EAST ASIA

Triads, ghost ships and underground banks: an investigation shows how regional business figures linked to organised crime have helped facilitate illicit deliveries of hundreds of thousands of barrels.

By Christian Davies, Primrose Riordan and Chan Ho-him

Inside North Korea's oil smuggling

At 10.39am local time on September 25, 2022, an oil tanker called the Unica sat alongside a vessel in waters just west of the North Korean port of Nampo.

Tied together by cables, the two ships sat side-by-side for just under three hours, conducting what appears to be a ship-to-ship transfer of oil in violation of UN sanctions on North Korea.

The Unica is one of just three foreign vessels that still sails straight to North Korea. It has made at least 23 journeys to the country or its exclusive economic zone since 2019.

Illegal shipments to Pyongyang have been well documented. Less well known, however, are the individuals behind the shadowy networks that have enabled the regime of Kim Jong Un to finance a new generation of ballistic missiles and nuclear warheads.

Now, a joint investigation by the Financial Times and the Royal United Services Institute think-tank shows how business figures in east Asia linked to organised crime have helped facilitate illicit deliveries of hundreds of thousands of barrels of oil.

Documents show that the Unica conducted deliveries to North Korea while co-owned by Gary To, a Hong Kong oil trader with links to the triads, a syndicate of organised crime groups with roots in southern China.

To is a former business partner of Alvin Chau, one of Asia's leading gambling tycoons, who was recently jailed for organised criminal activities.

While the oil and petroleum products delivered by the Unica and other vessels offer a critical lifeline to North Korea, the regime also needs middlemen to source and pay for the cargo.

Tens of millions of dollars' worth of oil was bought by companies operated by a Macau-based businessman named Sun Tit Fan, according to documents seen by the FT. The purchases were made through the subsidiary of a North Korean bank placed under sanctions by the US for assisting Pyongyang's nuclear weapons programme. Like Gary To, Sun is a former business partner of Chau.

The investigation is a complex tale traced through shell companies, triad networks, underground financing channels and sprawling family connections.

But it sheds new light on how the shattered economy overseen by North Korean dictator Kim Jong Un has been propped up by murky intelligence and financing operations in the Chinese special administrative regions of Hong Kong and Macau.

It also helps explain how Kim's regime can continue to build increasingly sophisticated nuclear weapons in defiance of tough international sanctions. Last week, Kim attended a missile test that simulated a nuclear attack on the US and South Korea.

"This is the most detailed evidence ever put into the public domain to show how North Korea uses people with high-level connections to criminal networks like the triads to evade sanctions and finance their weapons programmes," says James Byrne, director of the open-source intelligence and analysis research group at Rusi.

"These networks are central to North Korea's ability to continue to function and threaten the world with nuclear war."

The oil smugglers

Sanctions experts describe the Unica's deliveries of oil and petroleum products to North Korea as a flagrant violation of UN Security Council resolution 2397, passed in December 2017 after Pyongyang's most recent nuclear test.

The resolution imposed a cap on permitted oil transfers to North Korea of 500,000 barrels a year, far below its energy needs. All transfers are supposed to be reported to the UN, but only a fraction ever are. An unreported transfer constitutes a violation of the sanctions.

Hugh Griffiths, a former co-ordinator of the UN panel of experts monitoring violations of sanctions on North Korea, says that even before the sanctions were imposed, Pyongyang relied on shipments from a network of Asian oil traders whose principal business was smuggling untaxed petroleum products into mainland China.

But after the sanctions were introduced, less hardened offenders fell away as rogue companies and ships were identified and brokers arrested.

"What you're left with after all this pressure are networks that are habitually accustomed to breaking the law," says Griffiths. "People who can secure the acquiescence of the crew with the threat of physical violence, who can be sure that anyone who is arrested is not going to talk, and crucially, who have the means to launder the proceeds."

At the centre of a web of connections to the Unica tanker are Asian gambling tycoon Alvin Chau, far right, and Hong Kong oil trader Gary To. Macau-based businessman Sun Tit Fan, below, is also connected to Chau and the oil trade

FT montage/Suncity Facebook page. Tanker illustration by Steve Bernard from satellite imagery

'This is the most detailed evidence ever put into the public domain to show how North Korea uses people with high-level connections to criminal networks to evade sanctions'

'In North Korea, it is not only the leadership that is hereditary... It is good for the new boss to grow up in the environment they will be operating in'

SCAN ME

Reporting team

Steven Bernard, Dan Clark, Sam Joiner and Caroline Nevitt. Additional work by Justine Williams and Irene de la Torre Arenas

To read the full, interactive version of this investigation, scan the QR code

The oil deliveries expose the difficulty of preventing violations even after individual entities have been identified. The Unica has continued to deliver to North Korea even after the vessel was placed under sanctions by the EU in December.

That so many deliveries are facilitated through Hong Kong and Macau also raises questions about China's commitment to enforcing UN sanctions on North Korea.

"We would often notify China of potential breaches of the sanctions regime," says Aaron Arnold, a Rusi counter-proliferation expert who also served on the UN panel. "It was common not to receive a response."

In a statement, the Chinese government said it implemented UN resolutions and fulfilled its international obligations, but added: "Political settlement and diplomatic channels are the only viable way to resolve the [Korean] peninsula issue, not sanctions."

The Hong Kong government said it "attaches great importance" to implementing UN sanctions, adding that its law enforcement agencies tracked suspected violations "vigorously". The governments of Macau and North Korea did not respond to requests for comment.

A single ship can make a difference. Researchers from Rusi have calculated that if it was fully laden during each of its 14 suspected transfers to North Korea between August 2021 and September 2022, the Unica could have delivered approximately 489,166 barrels of oil — equivalent to 98 per cent of North Korea's entire permitted annual quota — all by itself.

The North Korean regime has a long history of engaging in criminal activity as a means to accumulate foreign currency. Propping up this illicit shadow economy are foreign organised criminal groups such as the triads, who assist in the regime's overseas financing and procurement activities. Hardened criminals offer the North Koreans access to global smuggling, distribution and money laundering networks.

"Imagine your missile engineers need some equipment for their ballistic missile navigation systems," says Andrei Lankov, professor of history at Kookmin University in Seoul and a leading authority on North Korea. "You can't just visit the factory that makes it — you need to rely on people who, for a good commission, are ready to do pretty much everything."

A key figure connected to businesses and individuals doing business with North Korea across east Asia is disgraced gambling tycoon Alvin Chau, the former chair of Hong Kong's Suncity Group.

Chau's conviction and imprisonment in January on charges including involvement in a criminal organisation has shone a spotlight on the illicit activities centred around Suncity.

One expert says the Hong Kong-based conglomerate became an "underground bank", and court documents show how its influence stretched from mainland China across Asia.

Suncity began in 2007 as a "junket", or gambling promoter responsible for shipping high rollers from mainland China, where gambling is illegal, into Macau where it is legal.

But the company has since diversified into a variety of other businesses, generating hundreds of billions of US dollars in revenue.

According to the judgment issued in Chau's conviction, Suncity used legitimate businesses to conceal a host of illegal activities, accumulating assets and equity in development projects from gamblers who became indebted to the group back in the mainland.

The Macau court authorities estimate Suncity's illegal gambling turnover was HK$823.7bn (US$105bn) between March 2013 and March 2021. "Suncity became an underground bank of a huge scale," says Steve Vickers, a former Hong Kong policeman.

A regional law enforcement official and former casino executives told the FT that Suncity was involved in money laundering across Asia, as well as assisting wealthy citizens from the mainland to move money out of China.

Suncity group's listed entity has since been renamed LET Group. The group distanced itself from its previous chair, Chau, and said the gambling promotion business that was the subject of the Macau court proceedings was contained in a private company run by Chau. The allegations were "not relevant to our organisation", LET Group said. Chau did not respond to a request for comment.

A 2022 report by the government of the Australian state of New South Wales also suggested Chau was a triad associate, referencing due diligence documents citing "ongoing connections with triads and the facilitation of organised crime by Suncity".

Chau previously served as an executive at a gold-trading affiliate of the Suncity Group run by Gary To, the co-owner of the Unica.

To also had a connection to the 14K triad, an organised crime syndicate prevalent in Hong Kong and Macau, through a onetime executive of his gold company identified as a 14K member by the Australian authorities.

To denied any connections to triad groups. He told the FT in a statement that he had acquired the gold-trading affiliate from Suncity to deal in precious metals, and had only met Chau "once or twice".

"[I] hope that my name and my company will not relate to Suncity or Mr Chau again," he says. "I have never been involved in any triad-linked operations to ship oil to North Korea."

He said that he had sold out of Prospera Pacific International, the company that owns the Unica, in October 2018 — the same month the company was established.

Shadowy networks have enabled the regime of Kim Jong Un to finance a new generation of nuclear weaponry

But an official document seen by the FT shows that To was one of two ultimate beneficiary owners of the company as recently as early 2020, by which time the PPI-owned Unica had already visited the North Korean port of Nampo in defiance of UN sanctions on at least five occasions.

When asked for evidence that he had sold his stake in PPI, and to whom, To did not respond.

It's not known who paid for the oil on the Unica. But North Korea has relied on covert networks overseas to act as middlemen for generations.

An examination of the business activities of Macau-based businessman and racing car driver Sun offers an insight into how the regime may have facilitated such purchases.

Like Gary To, Sun has connections to Alvin Chau. They appear together in the company records of a luxury car showroom in Macau registered in 2014.

Sun also appears to have triad connections. He is named in the records of a Macau-registered company, San Sing Sai Investment, alongside two former business partners of the leader of the Shui Fong triad.

But it is Sun's connection to a suspected North Korean operative called Suen Chuen Pun — and an apparent dynasty suspected of carrying out North Korean financing operations over several decades — that raises pressing questions about his business activities.

The 'family network'

Defector testimonies and company and property records suggest that Suen, who died in 2008 at the age of 89, was an "overseas agent" dispatched from North Korea to Macau in the 1950s, charged with investing money in the territory's casino industry on behalf of the Pyongyang elite.

Macau, a Portuguese territory until its handover to China in 1999, has long proved fertile soil for North Korean operations. "As early as the 1950s, Macau was a place where North Korean operatives, whether spies or business people raising money for the regime, could go about their business more or less unnoticed," says Lankov of Kookmin University.

Beginning in the 1960s, Suen and his descendants acquired multiple properties and established dozens of companies in both Macau and Hong Kong, many of which are known or suspected to have been involved in business with or on behalf of North Korea.

According to a member of his family who spoke to the FT, Sun Tit Fan is Suen Chuen Pun's grandson. The two were listed as co-owners in two development companies based in Hong Kong through which illicit payments to North Korea appear to have been made.

Between 2007 and 2014, the two companies paid close to $34mn in 90 transactions for oil purchases through DCB Finance, a subsidiary of North Korea's Daedong Credit Bank. The transactions continued even after Daedong Credit Bank and DCB Finance were sanctioned by the US in 2013.

Company and property records also connect Sun and Suen to a North Korean national called Son Kon Hwa, who was involved in the illicit overseas drugs trade on behalf of the regime.

Ri Jong Ho, a former senior North Korean official who defected in 2014, says that Son Kon Hwa was dispatched to Macau by North Korean foreign intelligence in the 1990s. Defector testimonies and official records suggest that Son could be the son of Suen — and the father, or uncle, of Sun.

"The records indicate they are a closely interlinked family network that have been engaged in business with North Korea for a long time," says Rusi's Byrne.

According to Lankov, it is common for North Korea's overseas trade and financing networks to be passed down over generations. "In North Korea, it is not only the leadership that is hereditary," says Lankov. "From an efficiency point of view, it is good for the new boss to grow up in the environment they will be operating in."

Sun Tit Fan could not be reached for comment. His wife, Si San San, confirmed to the FT that she and her husband had done business with North Korea, but she denied they had violated any sanctions. She denied that Suen Chuen Pun was Sun's grandfather, calling him a "father figure" to her husband.

Si says that "all of Macau has accused my husband of being part of the 14K [triad] and said he's linked to the Shui Fong [triad]" but it is "nonsense".

She says the connections identified by the FT and Rusi did not constitute a family network. Asked why so many of the people co-owning multiple companies and properties over decades had variations of the same surname, she said it was a coincidence.

The ability of North Korea's criminal-linked networks constantly to adapt and reconstitute themselves has led some experts to argue that identifying and imposing sanctions on individual companies makes little sense.

But Arnold, the former member of the UN panel on North Korea sanctions, argues that the concerns raised by this investigation go far beyond the issue of North Korea itself.

"The same loopholes and vulnerabilities that North Korea exploits to hide a lot of its sanctions evasion activities are used by all kinds of other types of criminal actors — hackers, kleptocrats, tax avoiders, narco traffickers and human traffickers," says Arnold. "It's all part of the same system."

This investigation was produced in partnership with the Royal United Services Institute in London

The FT View

FINANCIAL TIMES
'Without fear and without favour'
ft.com/opinion

How to avoid a debt crisis in the developing world

China's rescue lending surge shows need for co-operation on restructuring

Revelations this week that China is ramping up its bailout lending to poorer countries serve to highlight a potential debt crisis in the developing world. A new study shows China's rescue lending surged to $104bn between 2019 and the end of 2021 to participants in its Belt and Road Initiative, the world's largest-ever transnational infrastructure programme.

This figure, while striking, is minor compared to the overall debt levels in emerging markets. The Institute of International Finance, a financial industry association, estimates that total developing world debt rose to a record of $98tn at the end of 2022, after governments and corporations filled their boots in recent years.

With so much debt weighing on the world's weakest economies, it will not take much to push several into default. Pressures are building. A stronger US dollar is increasing the domestic currency valuation of external debts. Higher interest rates, required to fight inflation, are also raising debt service costs. The war in Ukraine is exacerbating uncertainties.

Heading off a developing world debt crisis should be a top priority. But as strategic discord between China and the US-led west intensifies, a dearth of co-operation among big creditors is prolonging the agony for several developing world defaulters. A solution to emerging market debt problems is further complicated by the explosion in private sector debt over the past two decades.

This explosion has meant that between 2000 and 2021, the share of public and publicly guaranteed external debt of low and lower-middle income countries owed to bondholders jumped from 10 to 50 per cent of the total.

The impact of lagging co-ordination is clearly visible. Fitch, a rating agency, says there have been nine sovereign defaulters since 2020, including the unresolved situations in Sri Lanka and Zambia. The competing demands between the multilateral organisations, China, other bilateral creditors and private bondholders are so complex that it now takes three times as long to resolve a default as it did on average in the two decades before 2020, according to Fitch.

It is now time for western creditors and China to make concessions and reach a bold new framework. All parties — China, multilateral lenders, other bilateral lenders and the private sector — need to be ready to take losses.

A new institutional framework is required. If Beijing feels allergic to the Paris Club of creditors, then the new framework could potentially be constructed around the G20, which is often China's preferred international forum.

Stakeholders should be clear, however, that the objective should not be simply to revive the G20's debt service suspension initiative, which expired at the end of 2021. The DSSI performed a valuable function in providing relief on debt interest payments for 73 of the world's low-income countries. What is needed now is more ambitious: an agreed framework for the restructuring of developing world debt.

> Beijing should realise that a framework in which haircuts are spread evenly is its best hope to limit eventual losses and preserve its reputation

Opposition to such a scheme will no doubt be strong. But failure to grasp the nettle now will only exacerbate eventual losses for all creditors further down the track. Beijing should realise that a framework in which haircuts are spread evenly among creditors is its best hope not only to limit eventual losses but also to preserve its reputation in lower-income countries.

Unresolved defaults in the developing world are already making life a misery for people in countries such as Sri Lanka. Many more could suffer unless China and the west find a path to co-operation on what is clearly a moral imperative.

Opinion Media

Fox's populist mask has slipped in defamation case

Ben Hickey

Jemima Kelly

Fox News was meant to be a TV channel for the man on the street. Sure, its prime-time anchors might be able to live lives of luxury on their multimillion-dollar salaries, but that didn't matter: this was a channel that told it straight and reported the real facts that "they" — the metropolitan liberal "ruling class" — didn't want "you", ordinary Americans, to hear.

This was not, of course, a view that everyone subscribed to — least of all Democrat voters, fewer than one in five of whom trust Fox News, according to a YouGov poll last year. But it was a narrative that the network and its star anchors have pushed relentlessly. Anchor Tucker Carlson, for instance, invoked the "ruling class" in more than 800 of 1,150 episodes of his show, according to analysis by the New York Times last year.

> The network's real motives have suddenly become embarrassingly transparent

Over the past month or so, however, this narrative has unravelled spectacularly — via a trove of texts, emails and depositions made public as part of a $1.6bn defamation case brought against Fox by Dominion Voting Systems. The company alleges that the network knowingly aired false claims that the 2020 election had been stolen from Donald Trump, partly because of the use of Dominion machines.

The aspect of the communication between Fox News hosts and executives that I found most repugnant was the gap between what was being said among themselves and what was said on air. In November 2020, Carlson sent a text to his producer referring to claims that voting software had been manipulated to rig votes. "The software shit is absurd," he wrote. Later that night, he told viewers of his show: "We don't know anything about the software that many say was rigged. We don't know. We ought to find out." In another text to one of his team, in January 2021, Carlson, who has been a major supporter of Trump on his show, said about the then president: "I hate him passionately." In another, he called Trump "a demonic force, a destroyer".

This isn't the first time Fox has itself ended up accidentally revealing that viewers should not take what it says seriously. In another defamation lawsuit in 2020, a lawyer for the network successfully defended Fox by arguing that the "general tenor" of Carlson's show should inform viewers that he was "not 'stating actual facts' about the topics he discusses and is instead engaging in 'exaggeration' and 'non-literal commentary'".

Carlson and co might have been exaggerating, sure, but they were still on the viewers' side — any "reasonable viewer", argued the lawyer, watched Carlson "with an appropriate amount of scepticism" about the statements he makes.

This time, a Fox anchor was seemingly conspiring against his own viewers. In a text message to fellow primetime hosts Sean Hannity and Laura Ingraham about a Fox News reporter who had tweeted that there was "no evidence" for Trump's claims that the election had been stolen by Dominion's voting machines, Carlson wrote: "Please get her fired. Seriously . . . What the fuck? I'm actually shocked. It needs to stop immediately, like tonight. It's measurably hurting the company. The stock price is down. Not a joke."

Fox's real motives have suddenly become embarrassingly transparent. As Brian Stelter, CNN's former chief media correspondent and the Walter Shorenstein Media and Democracy Fellow at Harvard, tells me: "Fox presents itself as a family, and Fox wants viewers to feel like they are part of the Fox family. But the gap between the imaginary family and the capitalist reality is really clear in these messages . . . It's actually just a cold, hard, calculating business."

It's not yet obvious what the impact of all of this will be on Fox's viewing figures. In a survey conducted earlier this month by Maru Group for Variety Intelligence Platforms, 21 per cent of Fox viewers said they trust the network less after the revelations. But while 10 per cent of those aware of the case said they were watching the channel less now, Fox actually saw a slight increase in viewers on the day after chair Rupert Murdoch's deposition was revealed

Neither is it clear that Dominion — which is seeking to call Murdoch and Carlson to testify — will win the case, which is expected to go to trial next month; Fox is arguing that its executives and anchors were not directly involved enough in the coverage of the election fraud claims to be held liable, and the fact the network has not settled suggests they are confident they can win.

But what is clear is that the mask has come off. The idea that Fox News is a channel of the people has been shown to be a lie, just like the claims of technology-enabled election fraud peddled to its loyal viewers.

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Optimism around AI productivity is premature

Like Monsieur Jourdain, the Molière character who had been speaking prose all his life without realising it, we have for years been using artificial intelligence, unobtrusively embedded in a range of goods and services, but the emergence of "generative" artificial intelligence has stirred up optimism to a level that I feel is premature.

Goldman Sachs's latest research, which is cited in Delphine Strauss's article ("AI predicted to put 300mn jobs at risk in big economies", Report, March 28), concludes that its application could raise global gross domestic product by 7 per cent over a decade.

But we have been here before, during the computer revolution, that swept away whole swaths of clerical jobs, from typing pools to telephonists, but prompted economist Robert Solow's famous remark that "you can see the computer age everywhere but in the productivity statistics".

What was the missing factor? Schumpeter's "Creative Destruction". In other words, the transition from existing working practices to new ones is not seamless nor frictionless. It takes time to install the new systems and to train workers, and the dislocation this creates drags down overall productivity growth.

Only once the new systems are bedded in can productivity move to a higher level. I suspect this will happen again for AI. Goldman Sachs may well see the GDP growth it expects, but happening a decade later than planned.

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A different interpretation of Sino-Russian relations

In "China, Japan and the Ukraine war" (Opinion, March 28), Gideon Rachman cites Harvard professor Graham Allison's observation that the Russia-China axis is "the most consequential undeclared alliance in the world".

But if it is, how can Allison and Rachman explain the total contradiction between the decision to deploy nuclear weapons in Belarus and the Sino-Russian communique, which explicitly states that "all nuclear-weapon states should not deploy nuclear weapons abroad and should withdraw nuclear weapons deployed abroad".

It also shows that the relationship, if not on the Russian side, is largely transactional. And everything suggests that Beijing has no interest in Ukraine and Taiwan being thought of as similar situations.

Vladimir Putin must have been disappointed by the modest commitments offered by the Chinese president, Xi Jinping, standing at his side. Certainly China has no interest in the collapse of Russia. And their common hostility to western values cements their relations. But to speak of an alliance is simply an abuse of language, contradicted by the latest developments. A transactional relationship is not an alliance.

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Defence spending is not the priority for Europeans

Your leader on the end of the peace dividend (FT View, March 27) understates the problem facing western governments seeking the support of their populations for a new military build-up.

An eight-nation European survey I conducted with Berlin colleagues, found that less than half the 12,685 respondents thought military threats were a fairly big or big risk to their country's security. In Britain only 51 per cent saw a risk; in Germany 48 per cent. By contrast, 88 per cent saw the global economy as a risk and 80 per cent similarly viewed climate change.

Among those who did see a risk, 64 per cent chose Nato or the US as the best source of help for dealing with military threats. In short, leaders do not need to convince their citizens about what needs doing, but to wake them up to the need to act.

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Imprudent pension ploys?

While it is true that final salary pensions have been "horrible" for UK companies for the past two decades, they were very nice indeed for many of the same companies in the decade before that (Report, March 28).

Jonathan Eley's analysis does not take into account the "pension holidays" taken by many companies in the 1990s. These companies stopped contributing to their pension schemes on the basis that rising share values meant they did not need to contribute. For example, Unilever took a seven-year pension holiday during this time. The Inland Revenue estimates that £17bn in contributions to pension schemes were not made as a result of this.

Many companies actually took money out of their pension schemes on the basis of actuarial valuations showing these funds to be "surpluses". It is not clear how much money was taken out of pensions on this basis. It is also not clear if any of this money was used for wage growth, investment, takeovers, etc or whether it was simply paid to shareholders as dividends.

All of this was, of course, completely legal and reasonably public, but it may not have been wise or prudent. How much of the £500bn paid into UK pension schemes in the past two decades, according to Eley, could have been saved if companies had not stopped contributions or extracted surpluses in the 1990s?

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Correction

● An article in a Watches and Jewellery Special Report on March 27 regrettably referred to "the late" Vanessa Redgrave. We sincerely apologise to Dame Vanessa for the error.

OUTLOOK

ENGLAND

Time is money and it's being wasted in the north

by Jennifer Williams

Because I'm a regional policy nerd, the part of Jeremy Hunt's March Budget speech that caught my attention was not about pension rule changes, but the promise of "12 potential Canary Wharfs" outside London, via the creation of new investment zones.

The chancellor's analogy inadvertently highlights the chronic policy failure holding back UK cities beyond the capital: transport.

The seeds of the London dockland development's success may have originated in Michael Heseltine's low-tax "urban enterprise zone". But it benefited from the wildly expensive Jubilee line extension, completed in the late 1990s. The bill for the Tube project was more than £3bn.

Leeds, which has been earmarked for one of these new Canary Wharfs, remains the biggest city in Europe to lack a mass transit system. When Boris Johnson, then prime minister, unveiled his integrated rail plan in November 2021, he promised the city that ministers would finally work up a plan for a network, in exchange for removing Leeds from England's scaled-back and delayed high-speed railway.

But while a plan is being worked on, a funding mechanism with which to deliver the Leeds equivalent of the Jubilee line boon remains elusive.

Such issues underpinned last week's report on local funding by the Northern Powerhouse Partnership, which suggested a French-style hypothecation of national insurance: retain 1p at local level and put it towards mega-projects. A long-term guaranteed income stream would give mayors something to borrow against; it is why the mayors of Greater Manchester and the West Midlands argued for business rates retention for "levelling-up zones" over 25 years, an argument they won in the Budget.

Nevertheless, even though for people in the north the argument seems self-evident, there is a battle to convince government that major transport investment outside London is economically desirable.

Perhaps it is because the bleak reality and economic impact of transport connections serving Leeds and other northern cities are hard to appreciate if you're not using them. The performance of Transpennine Express, the operator serving the north of England, is now so appalling that it has become a running joke. This month, West Yorkshire mayor Tracy Brabin was late for a conference about the state of northern transport after a string of trains from Leeds to Newcastle were cancelled overnight.

A government decision on TPE's contract is due imminently but in the meantime Tom Forth, head of data at Leeds-based Open Innovations, has done some calculations to quantify the cost of the chaos.

The effective population of Leeds would, he estimates, have been 44 per cent larger if TPE wasn't cancelling nearly one in four of its trains, as it did in January, and its economy would be 5.5 per cent larger. "Time is money," he says. Every hour someone stands on a platform has a cost for Leeds, northern England and UK plc.

In a report on regional economic inequality last month, the academics Anna Stansbury and Dan Turner, along with former shadow chancellor Ed Balls, identified poor urban transport as one of four key barriers to better productivity. The state of urban infrastructure outside the capital "stands out in international context", they wrote, and not in a good way. "Spending data suggests more can be done," they added.

So it is against this backdrop that the government is talking about creating its new Canary Wharfs. The £80mn — spread over five years — that comes with the new zones has to be split between tax incentives and other investment such as infrastructure. That isn't going to build Leeds a Jubilee line.

A picture paints a thousand words though, so when geographer Alasdair Rae posted a map this month showing what London's new Elizabeth line would look like if you picked it up and plonked it in the north of England, it unsurprisingly went viral.

It's not that northern England necessarily begrudges London its rail links. It's that the growth argument for also investing properly in transport outside the capital feels so obvious. So obvious, indeed, that even the chancellor's own rhetoric agrees.

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Opinion

Banks face a tough choice over crypto

BUSINESS
Brooke Masters

When First Citizens Bank agreed over the weekend to buy most of what is left of Silicon Valley Bank, there was one thing it absolutely did not want.

Though SVB, whose March 10 failure shook the global banking sector, was best known for serving venture capitalists and techies, First Citizens' purchase agreement went out of its way to exclude cryptocurrencies and loans backed by crypto from the deal.

The North Carolina lender is not alone in its aversion to digital assets. New York Community Bank, which snapped up the remnants of Signature, the lender that failed right after SVB, refused to touch Signature's substantial digital banking arm. The US Federal Deposit Insurance Corporation is having to return $4bn in deposits directly to those customers.

Former US congressman Barney Frank, who was on Signature's board, argued to me that the banks were responding to growing regulatory hostility to cryptocurrencies in the wake of last November's implosion of digital exchange FTX. He even went so far as to blame concerns about crypto for what he thought was a hasty government takeover of Signature.

"I cannot think of any other reason for the New York regulator shutting us down," he said. "They shoot one man to discourage the others [and say] stay away from crypto."

Boosters of bitcoin and other digital assets agree. Online chats and Twitter are full of speculation about what they see as a concerted effort by the US government to ban crypto completely. Dubbed "operation chokepoint 2.0", the theory includes the collapses of Signature and Silvergate, a smaller lender that also did a lot of digital assets business, and a string of regulatory actions.

Regulators insist that they are just trying to ensure that banks are stable and cryptocurrencies do not enable money laundering and other crime. Signature's shut down "was not crypto related", said the New York Department of Financial Services. The bank lost 20 per cent of its total deposits within hours of SVB's collapse, depleting its cash, and withdrawal requests were continuing, the FDIC said.

> Official attitudes towards the currencies have hardened since FTX's collapse. They had to

"We have not lost sight of the potential transformative effect that these technologies could have on our financial system," Michael Barr, the US Federal Reserve's vice-chair, said in a recent speech about crypto. "But the benefits of innovation can only be realised if appropriate guardrails are in place."

However, the crypto bros have a point: official attitudes have hardened since FTX's collapse. They had to. In the years while US regulators engaged in endless consultation and hand-wringing, massive risks had built up.

FTX, once valued at $40bn, was considered the crypto industry's responsible player. Yet it turned out to be so lacking in basic financial controls that millions of customers' assets were allegedly plundered by its executives. The scandal and falling cryptocurrency prices undermined Silvergate: depositors pulled out $8bn in the fourth quarter, forcing it to sell securities at a steep loss. That prompted a further run and ultimately liquidation.

Now US watchdogs are clamping down. The Fed and other regulators officially warned banks in January to be careful of "fraud and scams" and "significant safety and soundness concerns" when working with crypto companies.

The enforcement cases are also coming thick and fast. US-listed crypto exchange Coinbase has been warned that it might be charged with securities violations. On Monday, the Commodity Futures Trading Commission sued Binance, alleging that it illegally allows Americans to trade crypto derivatives. The watchdog contends that Binance also facilitates illegal activities. "Like come on. They are here for crime," its chief compliance officer is quoted as saying of some customers. (Coinbase and Binance reject the allegations.)

Jeremy Allaire, chief executive of stablecoin issuer Circle, which had parked $3bn in reserves at SVB, has warned that the crackdown is driving crypto enthusiasts on to "platforms with no oversight, totally opaque bank and risk exposures . . . this doesn't end well".

That's a little overdone. Some banks are still serving digital asset companies in limited ways. Circle has big deposits at custody bank BNY Mellon and a partnership with New Jersey bank Cross River.

But no one is openly bidding to replace Signature and Silvergate as the main crypto-focused banks. The time has come for the industry to make tough choices about digital assets. Lenders such as First Citizens are signalling which side they want to be on.

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Britain's new stability rests on shaky ground

Ewan White

POLITICS
Robert Shrimsley

Jeremy Corbyn is on his way out of the Labour party and probably parliament. Boris Johnson is facing suspension from the Commons. The last election's prime ministerial candidates are now embarrassments to their parties, men the current leaders define themselves against. The Sunak government has prioritised financial stability and even compromised over Brexit in Northern Ireland, while in Scotland the separatist cause is losing ground after the departure of Nicola Sturgeon as first minister. Pragmatism is giving populism a run for its money. Could the UK's years of political turmoil be over?

The discrediting of Corbyn and Johnson — the most dismal choice ever presented to a British electorate — is striking. After a disastrous election for Labour, Corbyn's leadership was doomed but few would then have foreseen his successor, Sir Keir Starmer, barring him as a candidate next time around. Yet the rapid and ruthless marginalisation of the hard left is the main evidence for the party's return to electoral viability.

Johnson's eclipse owes less to his politics than his character flaws. But this too is a victory for stability, standards and readiness to face hard choices over his premiership's dishonesty, rule-breaking and impossible promises. The next election will be a contest between two recognisably mainstream and serious leaders. More urgent concerns like the cost of living and the state of public services have deepened the national fatigue with political upheaval.

Brexit's malign effects linger. It polarised politics, destabilised Northern Ireland and revived Scottish nationalism. But while most voters now consider the decision a mistake, there is less appetite for reversing it. Both main parties are committed only to improving the terms.

To the outside world Britain begins to look more dependable. The Ukraine invasion has forced the UK to reappraise the cost of sour relations with EU neighbours. The bloc now even merits positive mentions in the recently revised foreign and defence strategy.

In Scotland, unionists expect the replacement of Sturgeon with the affable but unproven Humza Yousaf to offer a respite from fears of a UK break-up. Even a modest Labour revival will undercut the case for a fresh independence referendum. Sympathisers may find it harsh to lump this "progressive" nationalism with other populisms but it too feeds on anger, a "foreign" enemy and sketchy details of how the rupture might work.

Tory stonewalling of demands for a fresh independence vote has temporarily paid off. Nationalism thrives as a campaigning movement. But after a brutal leadership contest, a long spell in power in Holyrood and still no prospect of another referendum, momentum is faltering and the factional poisons are seeping out. Support for independence has fallen from an occasional majority to the low 40s.

The UK has found a new stability — yet it stands on soft foundations. The country has not fallen back in love with centrist smoothies. Sunak and Starmer are tolerated, rather than embraced by their parties. Defeat might quickly see the Tories revert to their aggressive early-Brexit manifestation. Much of Britain's media has augmented partisan bias with a new and paranoid hostility to institutions, populist prejudices fortified by business models which reward strong views.

Many of the underlying conditions which fuel populism and separatism remain. Growth is low and productivity poor. Real household incomes are expected to fall by nearly 6 per cent over two years. Income inequality is among the highest for an OECD nation. Austerity has hollowed out public services. Without growth, small-state Tories will struggle to reconcile their desire for significantly lower taxes with the lack of public support for spending cuts, a reality Labour is also reluctant to acknowledge. On top of this are the enormous economic and social challenges of the AI and green industrial revolutions.

> Nationalism thrives as a campaigning movement, but it is faltering and the poisons are seeping out

Immigration — a canary in the populist coal mine — is again a focus for voters. One can blame self-serving agitators for ramping up anger at the small boats crossing from France, but liberals have seen the cost of ignoring these issues.

Populism thrived in the UK, as it is still thriving elsewhere, where leaders lost sight of or dismissed the concerns of their own citizens. It happened especially where they hollowed out the state, focused on national rather than regional income and on the asset-rich over the asset-poor. It is why a sustained focus on levelling up and regional democracy remains essential.

Nor is ending the turmoil the same as reversing its impact. Brexit will hold for at least a generation. The nation is still working through an immense change which remains a faultline in politics and among the nations of the UK.

As to Scotland, close to half of Scots have shown a past readiness to back independence and support is stronger among under-50s. Continued SNP success is a prerequisite for a new referendum so a slump in party support eases pressure for a break-up. But demographic forces mean unionists would be foolish to assume victory.

For all this the UK looks more stable. While it may be premature to call the end of upheaval, politicians have a chance to show the value of pragmatic over dogmatic government. One worry is that parties are too campaign-focused and reactive in the face of so many societal challenges. But there is a moment, if leaders have the confidence to grasp it.

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Biden's awkward democracy summit

AMERICA
Edward Luce

If the US has taken to heart one big lesson in the 21st century, it is that democracy is not created at gunpoint. The 20th anniversary of the Iraq invasion reminded Americans of that. It does not follow that the safe space of Zoom will fare better.

President Joe Biden's second summit for democracy, which is taking place this week, is both virtual and surreal. Among the participants are India, which is in the process of jailing opposition leader Rahul Gandhi on a trumped up defamation ruling; Israel, whose leader, Benjamin Netanyahu, wants to shut down judicial independence; and Mexico, whose leader, Andrés Manuel López Obrador, is trying to end free and fair elections. With friends such as these, democracy hardly needs enemies.

Biden's aims are noble, and it is noteworthy that neither Hungary nor Turkey, regarded in Washington and western Europe as illiberal democracies, was invited. But the president's means are open to doubt. According to V-Dem, a Swedish research institute, almost three quarters of the world's population now live in autocracies against less than half a decade ago. That vertiginous shift justifies the term "democratic recession".

It is difficult to believe a liberal democratic Russia would have invaded Ukraine. It is equally hard to imagine the people of an autocratic Ukraine fighting as fiercely for their freedom as they are doing now. It is thus reasonable for the US to think that spreading democracy is in its national interest. The problem is that America is not very good at it.

Nowhere has the US expended more guns and butter than in the Middle East. The democratic returns have been almost uniformly negative. The Arab world's only recent convert, Tunisia, was recently lost to a coup d'état. Israel's democracy, meanwhile, hangs in the balance. That is without mentioning the fact that the Jewish nation state is not exactly democratic with the Arab territories it occupies.

Sarah Margon, whom Biden named to lead his administration's efforts on democracy and human rights, withdrew her name in January after senators objected to her criticisms of Israel. Having a record of arguing for democracy seems like an odd rap against the person whose job that will be.

> Since the fate of the system will be settled in the global south, it would be sensible to ask what they think

The only unqualified success in US democracy promotion was the Marshall Plan for postwar Europe. Since the fate of democracy will largely be settled in the so-called global south — the parts of the world that are neither in the west, nor the emerging China-Russia axis — it would be pragmatic to ask them what they think.

To judge by their UN voting record, many care little about the fate of Ukraine. Their retort is that the west seems not to care much about other conflicts. During a two-year civil war in northern Ethiopia, some 600,000 people lost their lives. Although accurate estimates of the death toll from Russia's full-scale invasion of Ukraine are hard to come by, it is roughly a quarter of Ethiopia's figure. The Ukraine war is daily front-page news; Ethiopia's troubles might get mentioned on page 14 every couple of months.

As India's foreign minister, S Jaishankar, put it last year: "Europe has to grow out of the mindset that Europe's problems are the world's problems, but the world's problems are not Europe's problems." What Jaishankar really meant, of course, was the west as a whole. But he was careful to exclude the US, just as Biden is careful not to mention India's democratic backsliding. Each needs the other to counter China.

Here it gets even muddier. India's treatment of its Muslim minorities is arguably as bad as China's policies in Xinjiang. The US State Department has labelled the latter "genocide" — the gravest charge possible. Yet barely a peep is heard from Washington about what is going on in Kashmir.

When the west can be bothered to listen, the global south's consistent refrain is for more dollars to help their shift to clean energy, better infrastructure and modern healthcare. Which of the two great powers, China or the US, helps the most is likeliest to shape their political future and foreign policy alignment. One of the by-products of Russia's invasion of Ukraine is that it has brought this pressing question to the fore.

Biden's White House is trying to come up with a coherent US approach to the global south, but officials admit it is a work in progress. China has pumped more money into the developing world than all the west combined — with both good and bad effects. Whether the Malis, Cambodias and Bolivias of this world become democracies lies in their hands. The best way of nudging them down that path is to lecture less and listen more.

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Make it easier for people to invest directly in US Treasuries

Robert Hockett

One of the crowning ironies of the collapse of Silicon Valley Bank is that it was, by and large, doing what we *want* banks to do — lending to productive industries and managing its asset portfolio prudently. SVB lent to promising start-up companies, while investing its *non*-loan holdings in the safest assets there are: US Treasury securities.

For well over 50 years now, US Treasuries have been the "gold standard" in both American and global financial markets. They never default, and they pay guaranteed returns well in excess of the minimal interest that individuals and businesses earn on their bank deposits. Banks' profits derive from the "spread" between low-interest borrowings — that is, client deposits — and higher-yield investments — in SVB's case, Treasuries.

But any business or individual in America can already invest directly in Treasuries, through web-accessible personal accounts held at the Treasury. The aptly named TreasuryDirect system already cuts out the middleman by enabling anyone, to open an account at the Treasury in minutes. In effect, this is e-banking with the US's own Treasury — a means by which individuals' treasuries become part of the national one.

But why doesn't *everyone* do this? I think it's due to a certain cumbersomeness in the TreasuryDirect digital architecture — an issue that Treasury secretary Janet Yellen could resolve with the stroke of a pen.

Apart from the need for a social security number, the sole impediment to TreasuryDirect's operating as a universally accessible savings and payments platform right now is the fact that to use it one must also maintain a separate account at a bank, out of which one can pay for Treasuries at TreasuryDirect, and into which one can receive cash on redemption of those securities.

> These are the 'gold standard' in domestic and international markets — they never default

Three years ago, when the US was looking for ways quickly to get money into the hands of its citizens locked down by Covid-19, I contacted officials at the Treasury and at the US Digital Service. How long, I asked, would it take to convert the system of web-accessible TreasuryDirect accounts into a nationwide network of smartphone-accessible digital wallets for all citizens and businesses in America.

The answer? About three months. Within a matter of months, all American citizens and businesses could have interest-bearing digital savings and transaction accounts on their phones and all similar devices. This information formed the basis for the "Digital Greenbacks" plan that I then developed — in honour of our nation's first paper currency, which for its first 50 years was issued not by the Federal Reserve, but by the Treasury.

Think about some of the transformative changes this simple expedient would make to our banking, commerce and finance. For a start, the problem of America's "unbanked" and "underbanked" would be solved more or less overnight. Moreover, banking would be safe for all — both because Treasuries never default and because we'd need no middleman to stand between us and our investments. And, also thanks to cutting out the middlemen, these digital Treasury bank accounts, provided they are held to maturity, would pay far more interest than ordinary bank accounts do.

Finally, by facilitating and speeding up transactions, TreasuryDirect wallets would accelerate economic growth — for our principal measure of growth, gross domestic product, takes transaction volume as its denominator.

President Joe Biden is often said to be dead-set on outdoing his former boss, Barack Obama. One way he could do this is to set USDS the task of safely and remuneratively banking all businesses and individuals in America, thereby enabling all of us to share in the nation's annually growing wealth.

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UBS/Ermotti: old guard, new reality

Switzerland's Sergio Ermotti has replaced Dutchman Ralph Hamers as chief executive of UBS only 10 days after the bank's shotgun marriage to Credit Suisse. But this is not a "Swiss solution", chair Colm Kelleher insisted.

The phrase "Irish intervention" may be more apt. Ermotti has better credentials to handle one of the most critical integrations in banking history. This serves Swiss national interests, invoked by politicians in forcing UBS to absorb its failing rival.

But Irishman Kelleher is responsible for the switch. He has shown judicious ruthlessness. Last year, he scrapped Hamers' ill-advised $1.4bn takeover of US robo adviser Wealthfront. If rising interest rates had not helped UBS to post record profits, the deal might have finished Hamers then.

Ermotti was the UBS chief for nine years. He restructured a bank bailed out by the Swiss government. Cutting down the investment bank to a service division triggered fury that turned to plaudits. Expect Ermotti to follow the same playbook, with his powerful chair at his elbow. This will be the first tie-up of two globally systemically important investment banks. Execution risks will also be systemic.

A target reduction in pro forma risk-weighted investment bank assets from 30 per cent to 25 per cent is a starting point. Credit Suisse's non-core side already accounted for about a quarter of total divisional RWAs of $80bn. Securitised products, which Apollo is buying, represents another $20bn. These alone should take UBS to its immediate goal

Fixed income will feature in the cull. Equities are a better fit with wealth management clients. That did not stop Credit Suisse fuelling an Asian expansion with cheap loans to Asian tycoons in the 2010s. Ermotti will inspect these assets gingerly.

UBS will dispense with the bulk of the markets division, worth another quarter of investment banking RWAs. Combined with a 10 per cent loss of asset-based fees the hit to revenues might be $5bn from a total of $13bn for Credit Suisse, thinks Citigroup.

US financier Michael Klein now has little chance of resurrecting the Credit Suisse First Boston brand. He may still be able to field some assets on the cheap. Integrating these would be a walk in the park compared with what Ermotti faces. As Hamers clears his desk, he may comfort himself by imagining what he has been spared.

US natural gas prices: hope springs infernal

This time was supposed to be different. Last summer, the price of US natural gas hit a high of $10 per million British thermal units. The worry then was that Europe would run short of winter supplies as Russia cut its output in protest at sanctions.

Today, the price has fallen to just $2/mmbtu. Gas consumption in the US has hit a five-year low thanks to a mild winter. The US Energy Department says the country will finish March with more than 1.9tn cubic feet of gas in storage, a quarter more than the five-year average.

A massive production boom in the 2010s led to a glut, low prices and eventually financial distress for some businesses. Oil and gas drillers were forced into austerity by shareholders. The Ukraine war followed. The US gas industry envisaged a golden era where output growth would be supported by sustained high prices and profitability. It is turning into a long wait.

One optimist is Chesapeake Energy, a pioneer of shale drilling. It went bankrupt in 2020 but re-emerged and pivoted away from oil and towards gas. Its shares have fallen more than a quarter from their peak last summer. Chesapeake's chief executive Domenic Dell'Osso told investors last month that the company had to manage through price volatility this year, but that the secular trends supported natural gas as a winning commodity.

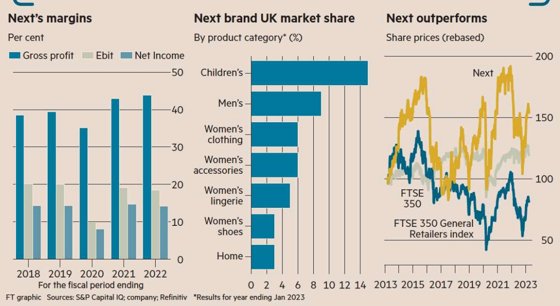
His thesis depends in part on the volume of LNG export capacity the US is adding. The US began exporting natural gas only in 2016 and its current shipment capacity has already reached 14bn cubic feet per day, a figure set to jump to about 20bn with the addition of three new export terminals.

The US Energy Department admits that its forecasts did not anticipate the scale of the current chill in prices.

It may turn out to be no more than a quirk of the weather. But investors have been burnt before by prophecies of secular tailwinds and new production discipline. They should retain their hard-won scepticism.

Next: size down

The British fashion retailer has delivered higher than expected profits, despite the cost of living crisis. Next's disciplined approach to discounting yielded higher margins than many peers achieved. But chief executive Lord Simon Wolfson says that cost inflation will make the next year challenging.



FT graphic Sources: S&P Capital IQ; company; Refinitiv *Results for year ending Jan 2023

Higher than expected annual profits sound like a good excuse for a shopping spree.

In the UK retail sector, however, purse strings are tightening. Over the past eight years, UK fashion retailers such as Next have adapted to the shift to online sales and dealt with pandemic lockdowns. The cost of living crisis adds to their woes.

Strong full-year results are therefore overshadowed by fears over whether Next's growth has peaked.

There are several signs that the business has reached maturity. The shares fell yesterday as longstanding chief executive Lord Simon Wolfson warned that inflation would drive a near 9 per cent drop in pre-tax profits this year to £795mn. Labour costs are the biggest contributor. Full-price sales are also expected to dip 1.5 per cent as consumers tighten belts.

Given the profits guidance was first issued in January, Wolfson could be forgiven if he felt that yesterday's share price reaction was overdone. Yet Next's long-term outlook invites caution.

In the past 20 years, Next has delivered a compound annual growth rate of 14.1 per cent in pre-tax earnings per share (assuming dividends are reinvested). More recently growth has been flattening out. Compound annual growth in EPS will be closer to 5.4 per cent over eight years if the profit forecast for 2023/24 is correct.

Wolfson has tried new tricks. For example, in 2020 Next launched a "Total Platform" service as an online host for other retailers. Yet many of these ventures are immature. Total Platform accounted for £16mn out of a total pre-tax profit of £870mn in the year ending in January.

Wolfson believes there may still be room for market share growth in the group's core business. But he cautions that opportunities to expand are "less numerous than they were".

Next trades at a higher multiple than peers Marks and Spencer and Frasers Group, at 13 times forward earnings versus 10.8 times and 9.2 times, respectively.

Next's disciplined discounting has allowed it to maintain enviable margins. Poorer growth prospects mean investors should still think twice before filling their baskets.

Alibaba: small poppies syndrome

Jack Ma has returned to China after a year's absence. His arrival coincides with the decision to divide Alibaba, the $255bn ecommerce group he co-founded, into six. Alibaba's share price rose 12 per cent in response.

There is little reason to think the split will make these businesses more competitive. The revamp may, however, placate politicians and regulators intent on cutting China tech groups down to size. Six small poppies make a less tempting target than one large one.

The new units encompass domestic ecommerce, cloud computing, services such as food delivery, digital entertainment, international ecommerce, and logistics. Each will have its own chief and the flexibility to raise funding, including via market listings.

Shareholders hope rejigs unlock value. There are hazy promises of greater efficiency. But the split will not yield hidden treasures. Logistics is fast-growing but unprofitable. Revenue growth in cloud computing was 3 per cent in the last quarter, down from 62 per cent in 2019.

Google's creation of holding company Alphabet in 2015 offers clues to what may happen. Google claimed it would support new tech ventures. Yet Alphabet's main unit remains online ads. A show of greater transparency soothed twitchy US regulators, though.

Alibaba has accepted more oversight. Yet the shares are off nearly 70 per cent from their 2020 high. The stock trades at 8 times forecast ebitda, a third below Amazon. Blame nimble rivals and a slow economy. Alibaba has posted three straight quarters of negative customer management revenue — money paid by merchants for services.

Tencent also looks like a candidate for a break-up, which could split apart its financial and entertainment units. But the danger in aping Alibaba is that it would inspire further cynicism.

Defensively creating independent businesses in a familiar wrapper does not count as a radical overhaul.

Jefferies: direct approach

As the first investment bank to report results, Jefferies is often seen as a preview of what is to come for the rest of Wall Street. On that basis, there is good news and bad.

First, the good. The trading boom that began during the pandemic is still going strong. Uncertainty caused by rising interest rates engenders volatility — honey to a bear for risk takers. At Jefferies, first-quarter trading revenues surged by a third from a year earlier to $639mn.

Fixed income trading had a particularly strong run, with revenue up 63 per cent, as clients raced to place big bets or hedge against risks.

Next, the bad news. Business remains in the doldrums for dealmakers handling mergers, acquisitions and initial public offerings.

In the US, the total value for M&A deals is down about 45 per cent this year, according to Refinitiv. IPO deal proceeds are down 18 per cent from a year ago. Overall, investment banking revenue at Jefferies fell 42 per cent to $567mn. Debt underwriting revenues collapsed during the quarter. They plummeted 67 per cent, compared with a 20 per cent fall for equity underwriting. This could be a sign that more companies are getting their loans from private credit funds and other direct lenders.

Recently, struggling US lender Pacific Western Bank turned to investment firm Atlas SP Partners for a $1.4bn financing facility.

Elsewhere, alternative asset groups Apollo and Blackstone are among those in talks to provide a $5.5bn loan for the buyout of health-technology company Cotiviti. If successful, it would be the largest buyout financing deal ever arranged by private credit firms.

This does not bode well for US banks that make lucrative fees from underwriting and syndicating loans. JPMorgan, Bank of America, Citigroup, Goldman and Morgan Stanley were the top five bookrunners last year.

This year, new entrants will do their best to chip away at that franchise.

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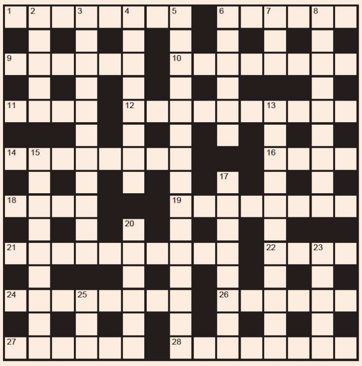
CROSSWORD

No 17,372 Set by ARTEXLEN



ACROSS

1 Exiled bishop disappeared scratching head (8)
6 Wild herb carpets outside of villa (6)
9 One has shot with iron between hands (6)
10 Hid case of some diamonds on island (8)
11 Pronounced conceited streak (4)
12 Controlling hens with grains scattered around (10)
14 Choose to accept period in charge of musical show (8)
16 Fine book many regularly ignored (4)
18 Out of shape needing runs to be brought forward (4)
19 Entertainer in street not alien in 1050 (8)
21 Great pub I recalled in mind, bar close to heart (10)
22 River crossed by unclothed local swimmer (4)
24 Nobbled gaoler receiving pressure; fellow's opening vault (8)
26 Maybe diamonds and gold interested chap (6)
27 Olympian great, he naturally boxes (6)
28 Was monarch bearing son passive? (8)

DOWN

2 A sprinkler came into activity (5)
3 Youngster army trained, new soldier (11)
4 Protective covers shielding road in excavation with stone coming up (4,4)
5 Regional boss of detective, comparatively tough, catching guy with silver (8,7)
6 Label with time passing becomes weaker (6)
7 Endlessly wind angled object (3)
8 Fruit not mature? Check, we're told (9)
13 Failing torch in smog faulty (11)
15 Manuscript pieces found under church in passage (9)
17 Review disrupted Malaysians after mother leaves (8)
20 I'm uncertain on second-class express to north Italian region (6)
23 Inlet encloses tip of lugged bulb section (5)
25 Pierre's wrong to skip meal (3)

JOTTER PAD

Solution 17,371

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B	A	C	K	S	L	I	D	E	R		A	L	S	O
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