# FINANCIAL TIMES

Thursday May 13 2010 | **£2.00**


## THE COALITION CABINET

**News, analysis and comment, Pages 2, 3, 4 and 5**


- Geoffrey Wheatcroft, Page 13
- Editorial Comment, Page 12
- Lex, Page 16
- Visit www.ft.com/election



World Business Newspaper


## News Briefing


**Litany of failures led to BP oil catastrophe**
Failures in a safety device led to the spill from BP's Gulf of Mexico well, a Congressional panel revealed, suggesting that officials overlooked warning signs then disagreed on what to do about them. **Page 17; www.ft.com/bp**

**US-Iceland lawsuit**
One of the main figures behind Iceland's banking bust, has been hit by a lawsuit that accuses him of a "sweeping conspiracy" that contributed to the collapse of Glitnir. **Page 10**

**Pru-AIA back on track**
Prudential hopes to launch its delayed $21bn (£14bn) rights issue next week after agreeing changes to the financing of its proposed $35.5bn takeover of AIA, the Asian businesses of stricken US insurer AIG. **Page 17; Lombard, Page 18**

**US climate bill set out**
A draft bill setting out sharp cuts in US greenhouse gas emissions was unveiled in the Senate, without the Republican who had provided crucial bipartisan support. **Page 10**

**Facebook censured**
Facebook has been strongly criticised by European data protection officials for risking users' privacy with changes to its default settings that they called "unacceptable". **Page 17; John Gapper, Page 13**

**Thai protests squeezed**
The Thai military tightened the noose around protesters in central Bangkok, reinforcing checkpoints designed to prevent supplies reaching the demonstrators. **Page 7**

**Trade gap widens**
The US trade gap grew to its highest level in more than a year in March, as rising consumer demand and higher oil prices fuelled imports, official figures showed. **Page 10**

**US takes aim at banks**
The US Senate approved an amendment to ban "liar loans", mortgages that allowed borrowers to overstate their incomes, as the financial regulation bill debate hit at one of the crisis's causes. **Page 7**

**Cisco in bullish profits**
Cisco reported stronger than expected sales and profits, completing what its chief executive called "probably the strongest quarter we've had in our history". **www.ft.com/it; IBM sets out strategy, Page 23**

**Netherlands mourns**
The crash of an aircraft in Libya that killed all but one of the 104 people on board left the Netherlands in shock as it emerged that 61 of the dead were Dutch tourists. **Page 10**

**Oil price divergence**
The prices of Brent and WTI, the two main oil benchmarks, diverged by the widest amount since the depths of the financial crisis after a rise in crude stocks at a US pipeline hub. **Commodities, Page 34**

**Separate section**

**Executive Appointments**
Top jobs in business and finance

Business welcomes new government ● Economic team prepares for painful rehabilitation

# Leaders see dawn of 'new politics'

**By George Parker, Political Editor**

David Cameron and Nick Clegg stood together in the Downing Street rose garden and pronounced the dawn of a "new politics" yesterday, as they assembled a coalition cabinet about to be tested by Britain's biggest post-war fiscal crisis.

Mr Cameron, prime minister, launched his Conservative-Liberal Democrat coalition with a burst of optimism, claiming it could represent "a historic and seismic shift in our political landscape".

Mr Clegg, deputy prime minister, said the coalition would "be a new kind of government" whose members would put the national interest above party interest: "We are united by a common purpose for the job we want to do in the next five years."

While the two leaders joked and answered questions from reporters, the triumvirate of men they picked to oversee Britain's painful economic rehabilitation was getting to work.

George Osborne, Tory chancellor, was applauded into the Treasury by scores of officials, and was soon joined by David Laws, the Lib Dem chief secretary now responsible for cutting billions of pounds of public spending. Mr Laws, a millionaire former investment banker, is regarded as economically liberal. His task of cutting the £163bn deficit, starting with a tough public spending round in the autumn, could make him highly unpopular.

Other Lib Dems had suggested that it would be better to avoid the post. "Who wants to be George Osborne's hatchet man?" asked one Lib Dem MP.

The third key member of the economic team was confirmed as the Lib Dems' Vince Cable, who becomes business secretary and whose brief will include boosting the supply of credit to small companies.

Mr Cable proposed in 2004 that his new department – the Department of Trade and Industry – should be scrapped. Mr Clegg said the Lib Dems now believed it had a key role to play in rebuilding the British economy.

With an emergency Budget scheduled in June, Mr Osborne and Mr Laws jointly addressed Treasury staff to explain the task ahead.

The Liberal Democrats have five cabinet posts. Mr Clegg, who takes charge of political reform, will also be joined around the table by Chris Huhne, climate change secretary, and Danny Alexander, Scottish secretary.

Mr Cameron's enthusiastic embrace of the Lib Dems has caused anxiety in his own party, with rightwingers fearing he is dragging the party into an ideologically murky centre ground.

Meanwhile, his insistence on referring to the coalition as a "Liberal-Conservative government" – not the other way round – has reinforced fears in Mr Clegg's party that Mr Cameron is embracing the party before trying to smother it.

In other senior appointments, Mr Cameron confirmed William Hague as foreign secretary and sent Theresa May to the Home Office. Ken Clarke becomes justice secretary and Liam Fox goes to defence. There was also a comeback for Iain Duncan Smith, the former Tory leader, who has the task of overhauling the welfare state as work and pensions secretary.

Business broadly welcomed the new coalition government, especially its emphasis on "a significantly accelerated reduction in the structural deficit".

Mr Cameron will complete the formation of his government today and will then begin preparing for his first Queen's Speech legislative package on May 25.

David Miliband, the former foreign secretary, confirmed he would be fighting to replace Gordon Brown as Labour leader. He is seen as the frontrunner in a contest that could include his brother Ed Miliband and Ed Balls, former schools secretary.

Garden party: Nick Clegg and David Cameron field questions outside Number 10 yesterday Charlie Bibby

**Nick Clegg:** 'We have been rivals: now we are colleagues. That says a lot about the scale of the new politics'

**David Cameron:** 'We have a shared agenda and a shared resolve to tackle the challenges our country faces'

## King backs plans to cut deficit

Mervyn King, governor of the Bank of England, has given strong support for the new coalition government's plans for faster deficit reduction, starting with upfront spending cuts this year, writes **Chris Giles**.

The planned £6bn of spending cuts this year "would diminish some of the downside risks because of action to deal with the deficit . . . I think they are desirable to remove the risk of an adverse market reaction," he said as he outlined the Bank's quarterly inflation report.

Mr King's comments, which were much less guarded than usual, came after George Osborne, the incoming chancellor, asked him to comment on the advisability of faster spending cuts.

Mr King responded positively, saying they would have no visible negative impact on the economic recovery and "will be swamped by news we get on domestic demand".

By late afternoon, the sometimes frosty relationship the Bank had with Alistair Darling's Treasury was shunted into history. A Treasury official who once regularly complained privately about the governor exceeding his remit, praised the wisdom of Mr King.

But hidden beneath the governor's support for fiscal cuts lay a warning that global action is needed. Countries with trade surpluses must expand their economies at the same time that countries such as Britain are cutting borrowing, "in order that we don't end up in a downturn in the world economy", he said.

"The financial crisis is far from over. The banking crisis has turned into a potential sovereign debt crisis," he added. "It is imperative our own fiscal problems are dealt with sooner rather than later."

**Lombard, Page 18**

# Until May 7 2015 do us part

**Matthew Engel**
SKETCH

Downing Street has a notorious micro-climate: a shaft of sunlight hits the pavement first thing in the morning and then vanishes, leaving the place prey to every breath of chill wind. It's a metaphor for the normal course of a British government.

The pay-back is that the garden of Number 10 is a suntrap, and yesterday the new prime minister and his deputy stood alongside each other in the springtime air in a setting they would have rarely even visited before. To repeat, in case anyone may have missed recent episodes of this increasingly far-fetched soap opera, their names are David Cameron and Nick Clegg.

To all appearances, they might have been brothers – twins, indeed. Same age, same build, same eyes, same fresh face, same slightly supercilious facial expression, same hair conditioner probably. They still wore their team-colour ties: blue for Mr Cameron and yellow for Mr Clegg. But they seemed far more fraternal than the Miliband brothers, evidently about to fight each other for the Labour leadership.

Yet this had to be more like a wedding. Oh, the innocence of young love. Something like one British marriage in eight ends in divorce before five years are up. And in most of those cases the couple at least like each other a bit a week before the wedding. They throw the crockery later.

Yet here they were, swearing to love, honour and cherish each other, if not until death do them part, then at least until May 7 2015 which – they insist – is to be the date of the next election. 262 weeks is a hell of a long time in politics.

Five years? Some doubt it can last five months, when the activists hit the party conferences, where they will not be whispering sweet nothings. You can hear doubts in the tones of some newly appointed Tory ministers, saying through gritted teeth how much they are looking forward to working with the "Liberals". The postponed vote in Thirsk and Malton takes place in two weeks. What are Lib Dem supporters there meant to think?

The honour of the leaders' intentions does not seem in doubt. "For five years we can act for the long term and make the big decisions," said Mr Cameron. There will, he promised, be "compromise, give and take, reasonable civilised grown-up behaviour".

"It's a new government, a new kind of government," said Mr Clegg, "clean, open, plural politics . . . the change we need . . . a government that will take power away from politicians".

It looked and smelled like springtime, too, with the magnolia in bloom and the scent of the wallflowers wafting across the lawn. Here it is then, not the false dawn of 1997, but the real thing.

"In short, there's simply not/ a more congenial spot/ for happy-ever-aftering/ than here in . . . Camelot."

But in this latitude, spring and summer tend to be brief and fickle, and are followed by dank autumns. Good luck, lads.

Oh, the innocence of young love. Something like one British marriage in eight ends in divorce before five years are up


**Notebook, Page 12**




**Subscribe now**

**In print and online**
Tel: 0800 298 4708
www.ft.com/subscribenow

Selling price in Irish Republic €2.50

## World Markets

**STOCK MARKETS**

| | May 12 | prev | %chg |
|---|---|---|---|
| S&P 500 | 1171.67 | 1155.79 | +1.37 |
| Nasdaq Comp | 2425.02 | 2375.31 | +2.09 |
| Dow Jones Ind | 10896.91 | 10748.26 | +1.38 |
| FTSEurofirst 300 | 1048.56 | 1035.0 | +1.31 |
| DJ Euro Stoxx 50 | 2764.31 | 2730.48 | +1.24 |
| FTSE 100 | 5383.45 | 5334.21 | +0.92 |
| FTSE All-Share UK | 2780.91 | 2751.43 | +1.07 |
| CAC 40 | 3733.87 | 3693.2 | +1.10 |
| Xetra Dax | 6183.49 | 6037.71 | +2.41 |
| Nikkei | 10394.03 | 10411.1 | -0.16 |
| Hang Seng | 20212.49 | 20146.51 | +0.33 |
| FTSE All World $ | 195.23 | 193.0 | +1.16 |

**CURRENCIES**

| | May 12 | prev | | May 12 | prev |
|---|---|---|---|---|---|
| $ per € | 1.268 | 1.269 | € per $ | 0.789 | 0.788 |
| $ per £ | 1.486 | 1.487 | £ per $ | 0.673 | 0.672 |
| £ per € | 0.853 | 0.853 | € per £ | 1.172 | 1.172 |
| ¥ per $ | 93.1 | 92.7 | ¥ per € | 118.0 | 117.6 |
| ¥ per £ | 138.3 | 137.8 | £ index | 79.4 | 79.5 |
| $ index | 86.3 | 86.4 | € index | 95.10 | 95.23 |
| SFr per € | 1.405 | 1.407 | SFr per £ | 1.646 | 1.649 |

**COMMODITIES**

| | May 12 | prev | chg |
|---|---|---|---|
| Oil WTI $ Jun | 75.65 | 76.37 | -0.72 |
| Oil Brent $ Jun | 81.20 | 80.49 | 0.71 |
| Gold $ | 1,232.55 | 1,218.75 | 13.80 |

**INTEREST RATES**

| | price | yield | chg |
|---|---|---|---|
| US Gov 10 yr | 100.45 | 3.57 | 0.04 |
| UK Gov 10 yr | 107.32 | 3.85 | -0.05 |
| Ger Gov 10 yr | 100.41 | 2.95 | 0.00 |
| Jpn Gov 10 yr | 99.90 | 1.31 | -0.01 |
| US Gov 30 yr | 102.42 | 4.48 | 0.06 |
| Ger Gov 2 yr | 100.77 | 0.58 | -0.02 |
| | **May 12** | **prev** | **chg** |
| Fed Funds Eff | 0.20 | 0.20 | - |
| US 3m Bills | 0.16 | 0.16 | - |
| Euro Libor 3m | 0.62 | 0.63 | 0.00 |
| UK 3m | 0.58 | 0.58 | - |

Prices are latest for edition

**In your FT today**

**Islamic finance**
Rich potential in emerging markets
**Separate section**




**Printed in** London, Liverpool, Dublin, Frankfurt, Brussels, Stockholm, Milan, Madrid, New York, Chicago, Dallas, Los Angeles, San Francisco, Atlanta, Orlando, Washington DC, Tokyo, Hong Kong, Singapore, Seoul, Abu Dhabi, Sydney, Johannesburg

# Pain of deficit reduction is still hidden

**Chris Giles**

"Deficit reduction and continuing to ensure economic recovery is the most urgent issue facing Britain," states the coalition agreement between the Conservatives and the Liberal Democrats. The rest of the document does not live up to the billing.

Compared with budget plans the government has inherited from its Labour predecessor, the agreement included no specific new spending cuts, lots of public spending pledges, copious tax cuts and a commitment to faster deficit reduction.

Unless there are huge spending cuts or tax increases planned but not yet announced, the deficit, far from contracting, is about to deepen.

It is not that the Conservatives and Lib Dems are deliberately misleading the public by saying they want "a significantly accelerated reduction in the structural deficit". Rather, their plans for specific – and uncontentious – spending increases and tax cuts are well defined, while the broader objective of large net spending cuts and tax increases remains cloaked in secrecy.

Day one for George Osborne consisted of phone calls to foreign finance ministers and British business groups. The chancellor also rammed home to officials, who clapped him into the building, the importance of David Laws, a Liberal Democrat and chief secretary to the Treasury. This was intended to send a message: that the coalition is real and Mr Laws is locked into the deficit-reduction plan, Treasury insiders said.

But Treasury officials, whose job it is "to speak truth to power", did not say whether the induction of Mr Osborne and Mr Laws had included an outline of the full implications of the government's aim to reduce the budget deficit faster – at the same time as offering new spending pledges and tax cuts.

First, the Treasury's existing plans for public spending already imply cuts to government departments of £37bn (2.5 per cent of national income) a year by 2013-14.

Added to this, the coalition agreement is committed to increases in spending on overseas aid with an annual cost of £4bn; fresh income tax cuts with a price tag of about £5bn, as a downpayment on the Lib Dem plan to raise income tax thresholds; £3bn a year for avoiding some Labour tax increases; faster deficit reduction, which implies additional spending reductions of about a further £8bn; a jobs package at £600m; more funding for poor school pupils at £2.5bn; and higher old-age pensions costing about £2bn.

Set against this are near-term plans to raise taxes on aviation of £3bn and capital gains tax of about £2bn. Put this together and Mr Osborne will have to announce public spending cuts of £57bn a year by 2013-14 from a non-protected budget of about £260bn – cuts of about 22 per cent. It goes without saying that this will prove a sharp test of political will.

The next few months will see the government progressively coming clean on these figures, blaming its predecessor for the mess it has inherited, and softening up the public for the brutal cuts to come.

First, a newly created Office for Budget Responsibility will present fresh forecasts for growth and borrowing, which are likely to show that the underlying problem is worse than thought. Then an emergency Budget by the end of June will set out the government's ambitions for faster deficit reduction. And in the autumn, detailed spending cuts will be outlined in a spending review covering the next three years.

This will be the defining moment of the new parliament. Britain's public sector will face similar austerity measures to those seen in Ireland, Greece, Portugal and Spain.

It is only when the chancellor announces the pain, rather than the gain, from the new government, that we will know whether this coalition will stick.

**Editorial Comment, Page 12**
**Strange rebirth, Page 13**
**Lex, Page 16**

**Class of 2010: most of the 232 new MPs pose for a photograph in Westminster Hall yesterday. There is agreement that borrowing must be brought down quickly to avoid a British sovereign debt crisis** Getty

## Just the facts the new politics

| | The deficit | Tax | Banking | Political reform | Pensions | Europe |
|---|---|---|---|---|---|---|
| **What has been announced** | The Con-Lib coalition agreement announces "a significantly accelerated reduction in the structural deficit", much the same language as in the Conservative manifesto. In 2010-11, spending budgets will be cut by £6bn although the specifics of these cuts have not been announced. There will be an emergency Budget within 50 days and "the parties note that the credibility of a plan on deficit reduction depends on its long-term deliverability, not just the depth of immediate cuts". | **Help for low and middle-earners will come from a "substantial increase" in the income tax threshold next April, to be funded by a rise in capital gains tax along with dropping the Conservatives' planned rise in employee national insurance thresholds. Further increases in the income tax threshold will partly be funded by some of the revenues from a per-aircraft rather than per-passenger duty on air travel. The Tories' planned rise in employer NI thresholds will go ahead.** | Reform of the banking system. Key planks include a levy on the banking industry, a tougher stance on City bonuses, boosting lending to small businesses and forming an independent commission to investigate whether big banks should be forced to separate their riskier investment banking activities from their more pedestrian retail banking operations. The coalition has pledged to bring forward proposals to give the Bank of England full control of maintaining the system's overall stability. | **Legislation to establish fixed five-year terms in parliament. A binding motion will be passed setting the date of the next election for May 2015. A later bill will introduce five-year terms into law. It will require a 55 per cent Commons vote to dissolve parliament early, giving a measure of security to the junior partner of a minority or coalition government. The reform will end the right of a prime minister to call an early election without consultation.** | Pensions will rise in line with the higher of earnings, prices or 2.5 per cent a year starting in April next year. The policy is partly a compromise between the Liberal Democrats' desire to restore the earnings link immediately and the Conservatives' promise to do it from 2012. Maintaining the value of the basic state pension reduces means-testing and provides a platform on which to save. But the "triple guarantee" that pensioners will not lose out is pure Liberal Democrat policy. | **The Conservatives have dropped some of their proposals on the EU. Their manifesto said the UK should demand a "full opt-out" from the Charter of Fundamental Rights, which gives guarantees to employees. All mention of the charter has been left out. The manifesto also said a Tory government would seek to "restore national control over those parts of social and employment legislation which have proved most damaging to our businesses and public services". This is now modified.** |
| **What critics say** | The Labour party spent the election campaign warning that the Conservative plan to cut £6bn from spending this year would risk derailing the recovery. The Liberal Democrat manifesto said that it was dangerous to cut spending before 2011-12. Everyone agrees, however, that borrowing must be brought down quickly to avoid a British sovereign debt crisis. | **Lack of detail over the capital gains tax changes will trigger a rush to sell. Growing businesses will be hit if the exemptions for entrepreneurs are not extended to employees owning shares in their company. The planned change to aviation tax could prove tricky. Accepting the Liberal Democrats' plan to increase income tax thresholds will make it harder to balance the books.** | The coalition's plans are thin on detail, particularly on their proposal for some yet-to-be-determined levy and on what taking "robust action to tackle unacceptable bonuses" will mean in practice. Bankers in the City claim that any unilateral move to separate investment banking from retail banking would spell disaster for the UK economy, as big universal banks would move their headquarters elsewhere. | **The exact wording of the bill will be crucial. The 55 per cent level is an arbitrary figure that merely reflects the present breakdown of the Con-Lib majority in the Commons. It also breaks the principle of a simple majority being sufficient to pass legislation. It is likely to be strongly opposed in the Lords. The measure will also give no protection to the Conservative government.** | Critics will note that the triple guarantee produces a "ratchet effect" – not only do pensioners not lose out, on the state pension they do better in the long run than those in work. Their pension matches earnings growth when earnings rise, but they do better if price rises outstrip earnings. The guaranteed 2.5 per cent, if both prices and earnings are lower, only compounds that. | **These concessions gloss over fundamental differences between David Cameron and Nick Clegg. During an April 22 televised debate, Mr Clegg expressed fury over Mr Cameron's decision to pull the Conservatives out of the main centre-right alliance in the European parliament. He called Mr Cameron's new allies "a bunch of nutters". Yet the withdrawal will not be reversed.** |
| **FT verdict** | The new government will reassure markets that borrowing will fall faster than previously planned and it now has the support of the Bank of England. There are risks to this strategy, but the biggest danger is political. So far, the new coalition has avoided taking any of the difficult decisions to cut the deficit. Commitments without policies will not reassure markets for very long. | **Big questions are left unanswered by this carefully worded document. The initial horse-trading has blunted the more controversial aspects of both parties' programmes but maintained the air of unreality that surrounded the election debate on deficit reduction. The new government must now get down to creating a credible plan in which hefty increases in taxation will be hard to avoid.** | A politically savvy plan that appears to be taking a tough line on "fat cat" bankers, while giving the new government plenty of room to manoeuvre on the most important structural reforms. Both parties appear to have softened their stance on splitting up the big banks. Ensuring the Bank of England has full control of "macro-prudential" supervision plugs the biggest gap in Labour's system of financial regulation. | **A degree of trust between partners is essential to sustaining a coalition government, particularly given the political strains of imposing severe public spending cuts. But if poorly drafted, the changes run the risk of distorting the sound principle of a simple majority in the Commons.** | Potentially a hugely expensive policy if serious inflation returns or there is a prolonged spell of deflation. The cost of simply restoring the earnings link depends on earnings growth but could exceed £2bn a year by 2015. The last time pensioners enjoyed "the better of earnings or prices", the policy lasted six years. It will be interesting to see how long it survives this time. | **Mr Cameron wants to minimise any rifts over the EU and was already sounding pragmatic on Europe before the coalition was formed. However, rightwing Conservatives will be anxious that the new Tory position surrenders ground to the UK Independence party. Differences on Europe are likely to be driven by events.** |

Compiled by Chris Giles, Vanessa Houlder, Megan Murphy, Alex Barker, Nicholas Timmins, James Blitz

**More analysis at** www.ft.com/coalition

**Who's who in the coalition**
Interactive graphic: new ministers' backgrounds and their likely priorities in office
**www.ft.com/cabinet**

**The 'Clameron' dilemma**
Blog: five questions on how the government will work
**www.ft.com/westminster**

**Soul searching**
Video: Lord Razzall says the Lib Dems have not sold out by entering government with the Conservatives
**www.ft.com/coalition**

**Growth and deficit focus**
Video: business leaders call on the new government to promote sustained growth
**www.ft.com/govbiz**

**Brussels watch**
Every step you take, David, EU will be watching you
**www.ft.com/brusselsblog**



# Old pledges end up on bonfire

**Policies**

**By Alex Barker, Political Correspondent**

A bonfire of overambitious pledges amassed through long years in opposition has helped to forge an ambitious Con-Lib policy programme, according to negotiators involved.

Faced with the challenge of shaping a policy programme with "common purpose", both Conservative and Liberal Democrats finessed, quietly dropped or completely recast a host of old proposals.

Some changes are genuine policy concessions, not least dropping the Lib Dem "mansion tax", agreeing to impose a limit on immigration or toning down a Tory pledge to repatriate powers from Brussels.

But both party leaders have also found the need for "compromise" to be a convenient reason to lighten the load of policy pledges that are often more cherished by party activists than the nation at large.

"It was a fantastic moderating influence on us all," said one moderniser.

The amendments gave negotiators space to push through a raft of tax changes akin to a mini-Budget, including plans to increase capital gains tax, raise income tax allowances, and reform air passenger duty.

More imprecise language in the coalition agreement has also given George Osborne, the new chancellor, some more room for manoeuvre on tax and spending. The Tories, for instance, did not reiterate a promise to reduce 80 per cent of the structural deficit through spending restraint or protect benefits spending.

Robert Chote of the Institute for Fiscal Studies said: "It . . . leaves open the option of tougher action to cut social security spending and does not rule out the possibility of significant net tax increases in the forthcoming Budget."

One of the most obvious sacrifices was a pledge to cut inheritance tax – a totemic proposal made in fairer economic times, which helped the Tories to stave off an early election in 2007.

While the tax break was seen as too high profile to drop, senior Conservatives were convinced long ago it was proving more of a burden than a vote winner.

Similarly, Nick Clegg has shelved a pledge to offer some illegal immigrants a route to "earned citizenship" – a policy that turned off many potential supporters during the election campaign.

> The parties' challenge was to shape a policy programme with 'common purpose'

Other concessions were readily made in areas where policy pledges in opposition may have outstripped what is feasible in government.

This particularly applies to the promise to water down plans that would have scrapped the Financial Services Authority as part of a drive to hand over banking supervision to the Bank of England.

The compromise, which gives the Bank macro-prudential control while sparing it from regulating individual banks, significantly reduces the risks of a time-consuming bureaucratic upheaval.

"We were a good influence on each other," said one person involved in the talks. "It involved getting across the purpose of a policy without being tied to the practical difficulties of a statement in opposition."

Careful compromises have been agreed on some policies dear to party activists. The Lib Dems have won the right to abstain in any votes on Tory plans for nuclear power and a marriage tax break. But this symbolic move is still likely to permit the measures to be passed. A further agreement is expected in coming days on the detail of less controversial policy areas.



**FINANCIAL TIMES**
Number One Southwark Bridge, London SE1 9HL Tel: +44 20 7873 3000

**SUBSCRIPTIONS**
Tel: 0800 298 4708
www.ft.com/subscribenow
**ADVERTISING**
Tel: 020 7873 3181 ukads@ft.com
www.ft.com/advertising
**CUSTOMER SERVICE**
Tel: 020 7873 4211
reader.enquiries@ft.com
subscriptions@ft.com

**LETTERS TO THE EDITOR**
Fax: +44 20 7873 5938
letters.editor@ft.com

**BACK ISSUES**
Tel: 0844 770 7684
Fax: 01582 469 248
info@backissuenewspapers.co.uk
www.backissuenewspapers.co.uk

**Published by:** The Financial Times Limited, Number One Southwark Bridge, London SE1 9 HL United Kingdom. Tel: +44 (0) 20 7873 3000; Fax: +44 (0) 20 7407 5700; Editor: Lionel Barber

**Printed by:** Newsfax (Bow) Ltd, London, Newsprinters (Knowsley) Limited, Merseyside and Midland Tribune Printing Limited, Birr, Ireland

# Cameron risks his career, Clegg his party

**Philip Stephens**

Political dance: Lib Dem Vince Cable (left) meets his Tory cabinet colleague Andrew Lansley in Downing Street Charlie Bibby

David Cameron has taken a gamble. Nick Clegg has bet the ranch. The Conservative and Liberal Democrat leaders both deserve plaudits for their audacity. The advantages, however, are asymmetric; and so are the risks. If it all ends in tears, two political careers will be on the line; but so too may be the very future of the Liberal Democrats.

There was nothing of such scepticism, of course, as the prime minister assembled his government by offering five cabinet seats to his new allies.

Instead, amid surreal scenes in Downing Street, one could have been forgiven for forgetting that this was a marriage of necessity. When the two men spoke in the No 10 Rose Garden – a seismic shift in the political landscape, Mr Cameron called it – the thought occurred that perhaps all this had been part of a grand plan.

Even as they had slogged it out in the campaign debates, Messrs Cameron and Clegg had known that the national interest would demand they join forces after polling day. The tortuous post-election negotiations, the wheeling, dealing and double-dealing had been nothing but a ploy to secure the acquiescence of Tory swivel-eyes and Lib-Dem sandal-wearers.

The rapport between the two leaders is the new coalition's strength. From the way they shared questions and jokes at their joint press conference it seems genuine. "If I was George Osborne, I'd be jealous," one of Mr Cameron's MPs quipped as he waited for the call from Downing Street that would summon him to a ministerial post.

The various policy agreements on which the coalition has been built provides an important framework – not least in persuading Conservatives and Liberal Democrats that they can live with the necessary compromises and that irreconcilable differences will be properly managed. Ultimately, however, the bargain has a chance of surviving only if the two leaders continue to demonstrate the political will. Small fissures at the top could quickly become yawning chasms lower down.

The gains for Mr Cameron are strategic. The support of 57 Lib Dem MPs gives him an unassailable majority and useful leverage against the radical right in his own party; and political cover in imposing painful economic decisions on parts of the country – Scotland most obviously – where the support for the Conservatives is weak to minimal.

The price, judging by the text of the coalition agreement, is relatively modest, even if many Tories hate the idea of a referendum on the voting system. Few tears will be shed in Number 10 about the Lib Dems' insistence the government drop plans to give a large inheritance cut tax for the rich.

Mr Clegg can claim the new government will implement a raft of his party's cherished policies – notably, but not exclusively, on civil liberties, political reform and the environment.

The coalition will act also as welcome brake on the instinctive Euroscepticism of Mr Cameron's party.

The big prize for the Lib Dems, though, is the promised plebiscite on limited voting reform. The problem is that the Conservatives will campaign against change. Mr Clegg judged he would not get a better offer. At some point, he has always said, the third party had "to get serious".

The danger is that, like the junior partner in most all coalitions, the Lib Dems will be squeezed once the first flush of enthusiasm fades and airy talk of a new politics gives way to unpalatable choices. Mr Clegg's party will share the blame for searing cuts in public spending; it may not get the credit for any successes.

So the risks are uneven. The many, albeit for now quiescent, Tory critics of the coalition say the deal with the Lib Dems has pushed them into the mushy centre.

The doubters on Mr Clegg's side have graver fears: the arrangement may allow Labour to reclaim a monopoly on the centre-left. As one Lib Dem grandee put it, the danger is of being left with responsibility without power.

Perhaps the two leaders will be repaid for their audacity. But even amid the Rose Garden euphoria, plenty of people at Westminster were betting against them.

**Key moments**

**09:34** Nick Clegg arrives at Downing Street and is greeted by David Cameron, marking their first day running the country as a team
**10.41** Alistair Carmichael, the Liberal Democrats' election campaign manager, says the new government would transfer more powers to the devolved Scottish parliament
**11.45** Cabinet announcements continue; Theresa May is to become home secretary and minister for women and equality, Ken Clarke will become justice secretary and lord chancellor, Michael Gove is schools secretary and Vince Cable will be business secretary
**13.06** David Laws will become chief secretary to the Treasury
**13.16** Former Tory leader Iain Duncan Smith is the new work and pensions secretary
**13.27** Mr Clarke says he thinks Mr Cable will "slot in well"
**14.15** The full text of the coalition agreement is released. Highlights include no third runway at Heathrow and that the UK will not join the euro. Mr Cameron and Mr Clegg also begin a joint press conference in Downing Street's Rose Garden. Mr Cameron says the new government will be united
**17.14** Baroness Warsi is to become Conservative party chairman. She will be the first Muslim woman to hold a cabinet position
**17.27** David Miliband announces that he will stand in Labour's leadership contest

# Stability lies in mutual policing, not fine print

**Protocol**

**By Nicholas Timmins, Alex Barker and Andrew Bolgar**

The agreement between the Conservatives and Liberal Democrats is likely to prove tougher and more binding than a traditional manifesto, leading constitutional experts said yesterday.

"This is a programme for government agreed between two parties, not a promissory note issued to the electorate in an attempt to persuade it to vote for you," said John Curtice, professor of politics at Strathclyde University.

While elements of manifestos can often be quietly forgotten, or even broken, "you have your coalition partner watching over you and able to cause considerable discomfort if the agreement is breached".

The two parties appear to have learnt at least some of the lessons from elsewhere for forming a lasting coalition, said Robert Hazell, director of the constitution unit at University College London. That applied particularly to the Lib Dems, who have experience of negotiating two coalitions with Labour in Scotland in 1999 and 2003, as well as a negotiation in Wales.

"One important lesson is that the deputy prime minister should not take a departmental brief, however attractive," Prof Hazell said. Unlike for previous deputy prime ministers at Westminster – John Prescott and Michael Heseltine, for example, where the title was more or less honorific – "the job of a deputy prime minister in a coalition is a real, real job".

> 'The human factor, whether people get on, is enormously important'
>
> **Robert Hazell University College London**

"The burden is immense," he said, "because the job involves ensuring that information flows, that people are properly consulted and that the coalition is held together. A key question to watch will be which cabinet committees Nick Clegg gets to chair."

The parties have already set out areas – on Trident, campaigning on the alternative vote, and nuclear power, for example – where they can "agree to disagree", Prof Hazell said. While that has not been a feature of the Scots and Welsh coalitions, "it happens fairly often elsewhere and is an important safety valve".

One key issue, he said, will be how much further the parties go in agreeing a more detailed programme. The half-dozen pages so far published compare with 20 pages and 80 points of policy for the first Lib-Lab coalition in Scotland, and 50 pages and more than 400 points for the second.

"Scottish officials say the latter was too detailed and too inflexible, making it difficult to respond to events," Prof Hazell said, "and that's a risk to be avoided."

There are no details yet on information sharing and dispute resolution. "That is fundamental to making it work. It is very difficult to get the balance right. The risk is that all disputes get referred to the centre, rather as they did under Gordon Brown, when nothing came back out again."

But while protocols matter, "everyone will tell you that the human factor – whether people get on – is enormously important," he said.

Associates of Donald Dewar and Jim Wallace, the Labour and Lib Dem leaders of Scotland's first coalition, say problems were often solved over "whisky and late-night chats" rather than by the fine print.

**Q&A**

## How the pact will work at Westminster

**Will there be a joint whips' office?**
No. Each party will keep its own whips and was keen to stress yesterday that the two parties will remain separate. But there will be one chief whip in the cabinet: the Conservative MP, Patrick McLoughlin.

**Will the parties run against each other in by-elections?**
Yes, and soon. The by-election in Thirsk and Malton, delayed when the Ukip candidate died, will be contested on May 27 by both Tory and Lib Dem candidates. David Cameron and Nick Clegg were keen to make light of the contest yesterday, with Mr Cameron joking that it would be an "intensely reasonable campaign". The fact that it is a safe Tory seat might lessen the sting.

But it is difficult to imagine that local candidates and activists will be happy to pull punches against another party – even though each may struggle to distinguish itself from its coalition partner if the parties will not oppose each other in the Commons.

**What about Mr Clegg's role at prime minister's questions?**
As normal with the deputy prime minister, Mr Clegg will answer questions when Mr Cameron is away. That is not necessarily a gain for Mr Clegg, who loses his voice at PMQs weekly, although Mr Cameron joked: "I'm looking forward to a lot of foreign travel."

**Where will Mr Clegg sit?**
Mr Clegg will be based in the deputy prime minister's office in the Cabinet Office but will be connected to Mr Cameron's office in Number 10 by a corridor. Mr Cameron said: "This isn't the kind of administration where Nick will need to phone to book an appointment."

**Can Mr Cameron sack Lib Dem ministers?**
This was the first mix-up of the coalition. The Lib Dems briefed that, since Mr Clegg was in charge of Lib Dem appointments to the cabinet, he alone would have the power to sack his own people. However, later Number 10 made clear that was not the case. To deny Mr Cameron that authority would have opened up the possibility of two power bases within the administration.

**Will MPs from both sides take collective responsibility for decisions?**
Yes, except for those on which the Lib Dems have achieved an opt-out, allowing them to abstain in the Commons. Those include nuclear power, the replacement of the Trident nuclear weapons system, Conservative tax breaks for married couples and possibly the decision reached by Lord Browne on tuition fees. But it is unclear how Lib Dems will respond when challenged on those issues by the media or wider public.

**Kiran Stacey**

# Gasps at speed of strangers' embrace

**Political marriage**

The ardour of the Tory leader for his new partners has brought surprise and alarm, writes **George Parker**

David Cameron was once asked what his favourite joke was. He replied: "Nick Clegg."

Yesterday the joke was on the new prime minister, standing alongside the same Mr Clegg – now his partner in a daring five-year experiment in British politics.

"Did you really say that?" asked Mr Clegg, when the Conservative prime minister was reminded of his quip by a reporter in the Downing Street garden.

"Yes, I did," a beaming Mr Cameron admitted.

Last week's election has thrown together in government two virtual strangers. "They don't know each other at all socially," admitted one Tory official.

Yet upon this relationship rests the future of Britain's first coalition government for 65 years and the stability of an administration facing a £163bn deficit.

British coalitions are so rare that Mr Cameron revealed yesterday that he had sought advice on tactics from Angela Merkel – although the German chancellor's experience of working with liberals in government is hardly a happy one.

However, senior Conservatives and Liberal Democrats have expressed amazement at the speed with which the two parties have been able to forge a working relationship since last Thursday's general election.

While coalition agreements in some European countries can take months to hammer out, Mr Cameron has managed to assemble a joint programme for government and a cabinet in six days. The apparent ease of this process – from a standing start – has prompted speculation that this could be the beginning of a lasting re-alignment of British politics that could outlast the planned five-year term of the coalition.

On a personal level, it is easy to see that senior figures from the two parties might be natural partners in a progressive and "liberal" government.

Of the five Lib Dems in the cabinet, four have City or business backgrounds – Mr Clegg, Vince Cable, Chris Huhne and David Laws. Working with the Conservatives, the self-styled party of business, is not an alien concept.

While the Lib Dem leadership has moved towards the

> Some on the right fear Cameron may see the deal as a way to anchor the Tories in the centre

right on economics, the socially liberal Mr Cameron has led his party towards traditional Lib Dem territory on causes such as civil liberties, equal rights and the environment.

"The Conservatives and Liberal Democrats have enjoyed working together," said William Hague, the new Tory foreign secretary, with a note of surprise.

The ardour with which Mr Cameron has embraced his new partners has aroused suspicion among some on the right of his party, who fear he may see the coalition deal as a way of anchoring his party in the political centre.

Rather than being a partnership of necessity, the 43-year-old prime minister said, the coalition would be "a new progressive partnership", based on free enterprise, curbing the power of the state, civil liberties and the environment.

Mr Cameron's refusal during the election to campaign on issues beloved of the Tory right – Europe, immigration and crime – fuelled antipathy among some in his party. If the coalition hits trouble, they could become vocal critics.

The Lib Dems, for their part, were amazed at the extent to which Mr Cameron was prepared to co-opt large parts of their manifesto, abandoning policies that appealed to the Tory right, such as the promised cut in death duties for millionaires.

In the tearoom of the House of Commons, some Tory MPs speculated whether that might lead to an eventual pact between the two parties or – more likely – the Conservatives squeezing the smaller Lib Dems out of existence.

Lib Dem activists, much more left-leaning than the party leadership, often regard the Tories as enemies on the ground. They fear losing their identity in a coalition in which Mr Clegg will be tied to Mr Cameron in making big public spending cuts.

Behind the bonhomie in the Downing Street garden, Mr Clegg is as aware as his party members of the risk of the Lib Dems being suffocated in Mr Cameron's warm embrace.

**Notebook, Page 12**

## The new cabinet

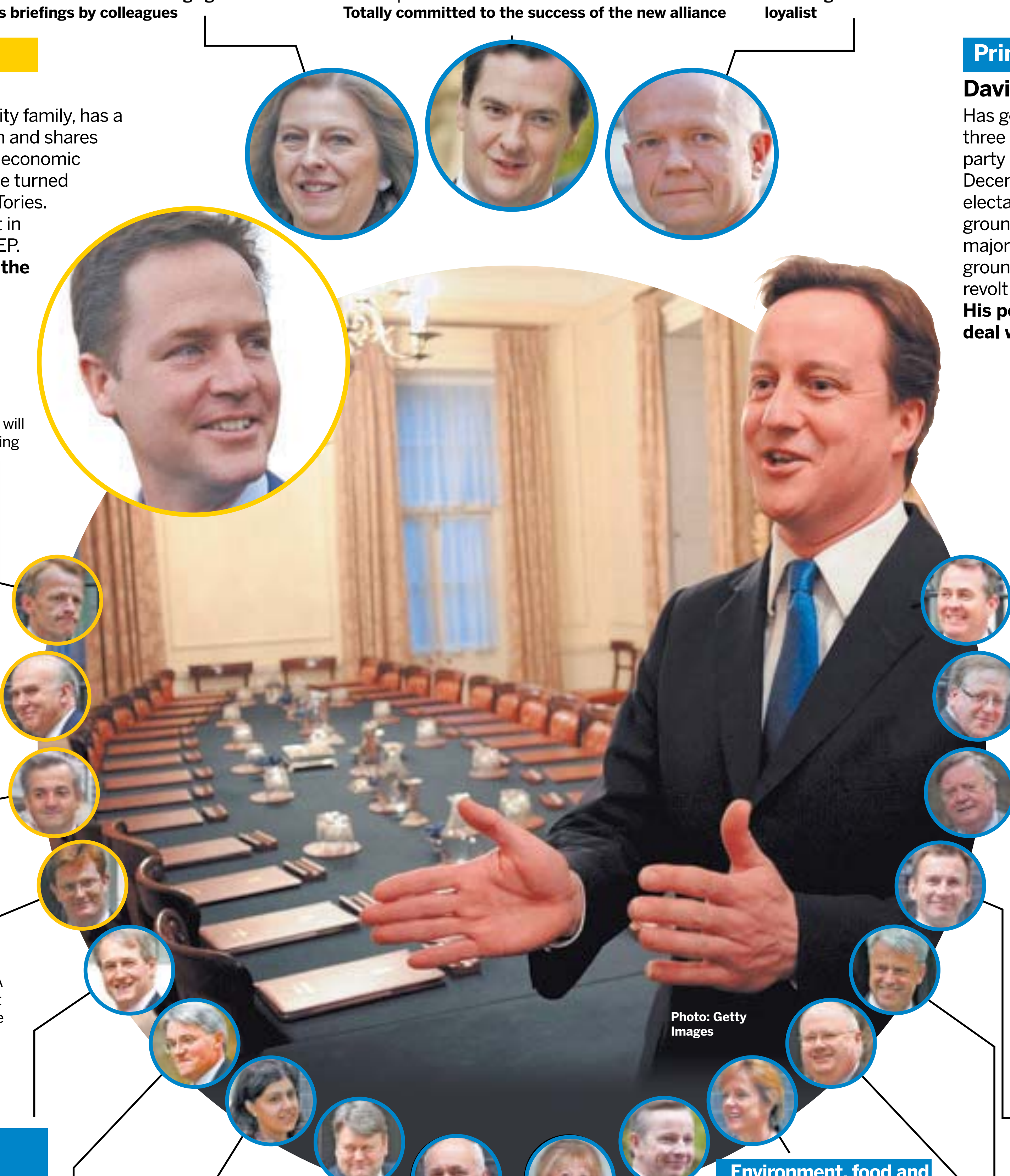


Photo: Getty Images

**Home secretary**
**Theresa May, 53**
Her promotion was one of the biggest shocks yesterday. With a brief to sort out a shambolic immigration system and probably slash police numbers, she will have a hard job keeping the party faithful happy. Has displayed some Lib Dem-friendly tendencies by calling the old Tories the 'nasty party' but opposed all-women shortlists.
**A loyalist who has avoided retaliating against hostile anonymous briefings by colleagues**

**Chancellor of the exchequer**
**George Osborne, 38**
David Cameron's closest political ally, his remit in opposition extended beyond his Treasury post to overseeing the election campaign and strategy. His tenure at Number 11 will be judged on his success in cutting the deficit without provoking social unrest or costing his party the next election. He is a pragmatic Eurosceptic.
**Totally committed to the success of the new alliance**

**Foreign secretary**
**William Hague, 49**
The former party leader is a strong Eurosceptic who lost the 2001 election after campaigning on a platform to 'save the pound'. Quick-witted and a gifted orator, he is respected by the party leader and admired by its rank-and-file. Priorities in his new role include setting a foreign policy framework for the strategic defence review.
**To the right of the Cameron modernisers, but a party loyalist**

**Deputy prime minister**
**Nick Clegg, 43**
Public school educated, born into a City family, has a similar background to David Cameron and shares his easy self-confidence. A social and economic liberal with a pro-European outlook, he turned down various approaches to join the Tories. Elected as an MP in 2005 after a stint in Brussels as a trade negotiator and MEP.
**The fate of his party could rest on the coalition being a success**

**Prime minister**
**David Cameron, 43**
Has gone from MP to PM in the space of three elections. Elected Conservative party leader on a modernising platform in December 2005, he made his party electable by moving it to the centre-ground. But his failure to win a working majority and decision to cede policy ground to usher in the coalition could fuel revolt on the right of his party.
**His political future rests on making the deal work**

**Chief secretary to the Treasury**
**David Laws, 44**
A former high-flying fixed-income banker. He will now oversee the details of most fierce spending consolidation in 30 years.
**A true economic liberal and fiscal hawk**

**Business secretary**
**Vince Cable, 67**
A former Shell chief economist. Priorities in his new job include boosting bank lending and the green economy.
**Mr Cable speaks for the Lib Dem wing that is instinctively uncomfortable with the Tories**

**Energy and climate change secretary**
**Chris Huhne, 55**
A classic economic liberal who courted the Lib Dem centre-left in the leadership race against Nick Clegg. Likely to take a hard-nosed but pragmatic approach to reform. **Seen as likely successor to Mr Clegg if Con-Lib pact turns sour**

**Scottish secretary**
**Danny Alexander, 37**
Stands on the centre-right of the Lib Dems. A canny political fixer who is Mr Clegg's closest political adviser. Will be keeping an eye on the forthcoming Scottish executive elections, in which the Lib Dems fear being punished for their association with the Tories.
**A bellwether for the mood of Mr Clegg**

**Defence secretary**
**Liam Fox 48**
An authentic voice of the Tory right in the new cabinet, he is a hardline Eurosceptic. As shadow defence secretary, attacked the government over inadequate funding of troops.
**Now needs to oversee a strategic defence review that will be the precursor to inevitable spending cuts. Potential channel for dissent from the Tory right**

**Chief whip**
**Patrick McLoughlin, 52**
An MP for 24 years, and in the whips' office since 1995, his encyclopedic knowledge of the Conservative party should prove invaluable in his new role of imposing discipline in the unknown terrain of a coalition government.
**An ultra-loyalist**

**Lord chancellor and secretary of state for justice**
**Ken Clarke, 69**
A political heavyweight who has served in most of the important roles in government. His appointment will provide a powerful counterfoil to Nick Clegg in the drive to reform Britain's constitution.
**Remains to be seen whether he will share the liberal instincts of some of his Tory colleagues on slashing prisoner numbers, but his love of Europe will please Lib Dems**

**Culture, Olympics, media and sport secretary**
**Jeremy Hunt, 43**

**Northern Ireland secretary**
**Owen Paterson, 53**

**Transport secretary**
**Philip Hammond, 54**

**Leader of the Lords**
**Lord Strathclyde, 50**

**Welsh secretary**
**Cheryl Gillan, 58**

**Environment, food and rural affairs secretary**
**Caroline Spelman, 52**

**Communities secretary**
**Eric Pickles, 58**
Cuts a distinct figure among the Notting Hill Tories with his northern vowels and a penchant for plain-speaking that masks a keen intellect. His challenges will include tightening funding to local government while avoiding a detrimental impact on services.
**Popular among grassroots Tories and with centre-right instincts, he may not be an easy bedfellow for more left-leaning LibDems**

**Health secretary**
**Andrew Lansley, 53**
Has travelled from the Tory right to modernising centrist. As shadow health secretary, he argued successfully for the NHS budget to be ring-fenced from spending cuts. Will now seek to deepen the internal market in the NHS.
**A social liberal who abstained on the Iraq war vote, he is fully signed up to the Cameron modernising project**

**International development secretary**
**Andrew Mitchell, 54**
A former minister under Margaret Thatcher with substantial City experience, one of his priorities will be to increase private sector involvement in overseas aid.
**A moderate Eurosceptic, not expected to be a source of coalition tension**

**Conservative party chairman**
**Baroness Warsi, 39**
The first Muslim woman to serve in a British cabinet, she has impressed David Cameron with her impressive media presence, particularly in taking on the British National party.
**Feisty and opinionated, loyal but relatively inexperienced, there is a risk of unguarded comments that upset Lib Dem sensibilities**

**Work and pensions secretary**
**Iain Duncan Smith, 56**
Former party leader, has subsequently championed radical reform of the welfare system to encourage people back to work.
**A standard-bearer of the Tory right, could be a focus for Lib Dem angst over policies such as the marriage tax break**

**Education secretary**
**Michael Gove, 42**
A leading member of David Cameron's inner circle. Now charged with delivering one of the highest Tory policy priorities - bringing in a Swedish-style voucher system for schools.
**An arch-moderniser; shares many of the Lib Dem aims for his portfolio**

# Miliband throws hat into ring for leader

**Labour succession**

**By Jim Pickard, Political Correspondent**

David Miliband broke cover and declared that he would stand for the leadership of the Labour party less than 24 hours after Gordon Brown stepped down from the role.

Support has been growing across the parliamentary Labour party for Mr Miliband, former foreign secretary, who is widely seen as a telegenic and intelligent politician, able to reach out beyond the core vote.

By pre-empting other figures who may stand, Mr Miliband's allies believe he can gain unstoppable momentum ahead of a leadership contest that may still be months away. Labour's national executive committee is meeting next Tuesday to set out a time frame for the race.

Flanked by 14 MPs, Mr Miliband said the Lib Dem coalition with the Tories had given Labour an opportunity to dominate the left and centre-left. Announcing that his formal launch would be in his north-east constituency of South Shields on Monday, he said he would first travel around the country to find out why some voters had abandoned Labour.

The former cabinet minister had been under pressure to show decisiveness after having previously agonised over whether to join rebellions against Mr Brown last summer and a year earlier. Those involved in his camp are understood to include Bob Ainsworth, former defence secretary, Alan Johnson, former home secretary, James Purnell, who stepped down as an MP last summer, and D.J. Collins, a Labour fixer who now works for Google.

Mr Johnson had been touted by many in his party as a future leader, but had previously denied he was interested in the job.

While Mr Miliband is the bookies' favourite, some Labour insiders believe they could yet be proved wrong. Surprise contestants such as Andy Burnham may still emerge.

Ed Balls, one of Mr Brown's closest confidants, is biding his time before he throws his hat into the ring, saying it would not be "seemly" to demonstrate leadership ambitions at the moment. His friends have laughed off the idea that the former schools secretary could struggle to get the necessary 32 names for the ballot.

Meanwhile, speculation grows that David Miliband's younger brother Ed is poised to mount a bid of his own. The prospect of a "Kane and Abel" clash between the two metropolitan centre-left brothers has delighted the media. Yet Harriet Harman, deputy leader, told a private gathering of Labour MPs in the House of Commons yesterday that she wanted the race to be a dignified "contest within a team".

David Miliband, echoing that sentiment, said he wanted a "warm, generous, comradely" contest.

Memories still linger of the left-right schism of the early 1980s and, in more recent years, the bad blood that followed the Brown-Blair "Granita pact", when Mr Brown stepped aside for his friend but expected to succeed him within years.

# Delicate team-building task seeks to offer reassurance to party sceptics

**Appointments**

**By Jean Eaglesham, Chief Political Correspondent**

The new cabinet represents a delicate balancing act by David Cameron and Nick Clegg.

The two leaders have sought to reassure the Tory right and Liberal Democrat activist base while assembling a competent team that can work together.

The resulting line-up – 18 Tories and five Lib Dems, with only four of the 23 women – emerged slowly yesterday as MPs trooped in the black front door of 10 Downing Street to be told their new jobs by Mr Cameron.

The Conservative leader handled the new appointments, including roles for his coalition allies, and will have the right to sack Mr Clegg's four Lib Dem cabinet colleagues.

The potential for policy ruptures within the coalition was immediately apparent with the decision to appoint a Lib Dem, Chris Huhne, as energy and climate change secretary.

Despite his power base in his party's centre left, he will be charged with building new nuclear power stations – a policy the Lib Dems have vociferously opposed.

The formulation adopted yesterday to try to bypass this ideological clash – allowing Lib Dem MPs to attack government policy and abstain from the Commons vote required to approve new power stations – may not prove adequate to protect Mr Huhne from accusations of political expediency.

Other Lib Dem posts appear to be a more comfortable fit for the party, although they will lock the Lib Dems into the looming multibillion-pound spending cuts.

The choice of David Laws as chief secretary to the Treasury – dividing the two Number 11 cabinet jobs between the two parties – will make it impossible for the Lib Dems to avoid any political fallout from the fis-

> The potential for policy ruptures within the coalition was immediately apparent

cal reduction. Vince Cable's new job as business secretary will have as its "core priority" the increasing of lending to small and medium-sized enterprises, officials said – a shared Con-Lib Dem policy.

Mr Cameron has largely stuck by his pledge to avoid undue ministerial churn by keeping people in jobs at which they are experienced. It is a promise set to be tested by the pressures of government.

But the need to squeeze two front-bench teams into one cabinet has given the leadership duo the latitude to discard some people who were out of political favour or simply seen as below-par performers.

Theresa Villiers, the former shadow transport secretary, is missing from the new cabinet. The demotion of Chris Grayling, perceived as a hapless shadow home secretary, was widely expected. But the decision to fill his Home Office post with Theresa May took Westminster by surprise.

Some attributed her promotion to the scarcity of women in senior jobs. Mr Cameron has made a better gender balance a central theme of his mission. But Mrs May's new job may also be a reward for her steadfast loyalty to the Cameron leadership.

The appointment of Baroness Warsi as Conservative party chairman is both historic – she is the first Muslim woman to serve in a British cabinet – and canny politics, giving the coalition a rebuttal to accusations that a cohort of "stale pale males" is running the country.

Mrs May's promotion dashed the hopes of David Davis, who resigned as shadow home secretary to fight for civil liberties, that he would be recalled to the post.

However, the Tory right has other champions in the new cabinet. Iain Duncan Smith's appointment as work and pensions secretary completes the political rehabilitation from his disastrous spell as Tory leader that he has achieved through his work on poverty and welfare reform.

The decision to keep two leading Eurosceptics, William Hague and Liam Fox, in their foreign and defence jobs respectively should also help to assuage fears on the party's right that the tie-up with the Lib Dems might presage concessions to Brussels.

# Coalition softens stance on banks

Finance sector

## Measured approach to reforms indicated

## Business secretary is fat cats' scourge

By Megan Murphy and Sharlene Goff

Holding the keys to the Treasury: David Laws (left), the new chief secretary to the Treasury, with George Osborne, the incoming chancellor AFP

Bankers uneasy at the prospect of the relatively untested George Osborne becoming chancellor of the exchequer must have shuddered yesterday afternoon at the news that Vince Cable, chief scourge of City "fat cats", was taking up Lord Mandelson's mantle as business secretary.

The former Liberal Democrat spokesman for the Treasury has been one of the Square Mile's fiercest critics after the financial crisis, calling for a break-up of big banks such as Barclays and Royal Bank of Scotland and virtual elimination of bankers' bonuses.

But the proposals for banking reform announced by the new coalition government appear to take a much more measured approach to the task of reshaping Britain's bloated banking sector.

Both the Conservatives and the Liberal Democrats have softened their stance on the issues that will have a lasting impact on Britain's competitiveness as an international financial centre: first, the imposition of some sort of levy on the banking industry, and, second, whether the big banks should be broken up.

While the coalition agreement paves the way for introduction of a bank tax, the lack of detail offered suggests a final proposal is likely to take into account the continuing international dialogue on the ideal form for any such levy.

That is good news for a sector that is desperate to avoid so-called regulatory arbitrage across different jurisdictions, with the UK's big groups disadvantaged compared with its European or US rivals, or vice versa.

On the potentially explosive issue of breaking up the banks, and forcing them to separate their riskier investment banking activities from their more pedestrian retail banking operations, there now appears to be much less urgency to the parties' manifesto pledges.

While both the Tories and the Lib Dems initially supported a full-scale break-up of the big universal banks, the coalition government has instead agreed to establish an independent commission, which will be given a year to investigate how banks could be broken up in a "sustainable way".

Industry analysts have long warned that pressing ahead with a large restructuring of big diversified banks such as Barclays, HSBC and RBS without international agreement would carry significant risks for the industry.

"There is enormous tension between the interest in London having world leading banks that can play in the international field versus all of the arguments for splitting casino banks from deposits takers," said Jonathan Herbst, head of financial services law at Norton Rose.

"It is difficult to believe a Conservative-led government that wishes to be credible in the City and retain a thriving financial services sector would do this."

Perhaps more of a surprise was the unexpected

£2,000

**Cash bonus limit apparently sacrificed by the Lib Dems**

reprieve granted to the much-maligned Financial Services Authority, which the Tories had threatened to scrap as part of a radical overhaul of regulation.

By retaining the City watchdog while bringing forward proposals to give the Bank of England full control of overall financial stability as well as greater oversight of day-to-day issues confronting individual banks, the coalition appears to have addressed one of the biggest criticisms of Labour's tripartite system of regulation: that there was no single body in charge of protecting the integrity of the system when the crisis unfolded.

Little detail was provided in the coalition agreement regarding a possible inquiry into competition in the retail banking sector – one of the Conservatives' core campaign pledges – or the party's plans to sell off stakes in the two part-nationalised banks, RBS and Lloyds Banking Group.

There is no question, however, that a new government with Mr Cable in a prominent role is still likely to hit bankers where it hurts most – in their wallets.

The Lib Dems may appear to have sacrificed their most extreme pledges on bonuses, such as limiting cash bonuses to £2,000, but the agreement retains ominous language on taking "robust action to tackle unacceptable bonuses".

There are likely to be far fewer champagne corks popping next bonus season.

Lombard, Page 18

# Jobs recovery remains fragile, 'dire' data show

Unemployment

By Brian Groom, Business and Employment Editor

The new government was faced with stark evidence of the labour market's fragility yesterday after unemployment rose by 53,000 to 2.51m in the three months to March, the highest for more than 15 years.

In a gloomy set of figures, there were fewer people in work, an increase in redundancies, a fall in job vacancies, a rise in youth and long-term unemployment and a record number of economically inactive people.

The only bright spot was a fall of 27,100 last month in the number of people claiming jobseeker's allowance to 1.52m, the lowest since April last year. The claimant count has now fallen in five of the past six months.

The figures are a problem for Iain Duncan Smith, the new work and pensions secretary, and show a jobs recovery has yet to begin, even though some economists think unemployment may be nearing its peak. They also suggest the jobless total is being held down by workers leaving the workforce or taking part-time jobs instead of full-time ones.

John Philpott, chief economist at the Chartered Institute of Personnel and Development, said the figures were "dire" and a "sober reality check" for the Conservative-Liberal Democrat government, which faces the task of trying to stimulate growth while cutting the fiscal deficit.

Average weekly earnings, including bonuses, rose by 4 per cent compared with last year in the three months to March, up from 2.5 per cent in the three months to February, as workers caught up from very low bonus levels in the depths of the recession.

Excluding bonuses, earnings were up by a more modest 1.9 per cent, up from 1.7 per cent, suggesting the underlying trend remained subdued.

Unemployment was 8 per cent of the workforce, up 0.2 points on the previous quarter, compared with 9.9 per cent in the US and 10 per cent in the eurozone.

Later, Mervyn King, the Bank of England governor, unveiled little-changed economic forecasts for the UK economy as he published the Bank's quarterly inflation report.

The main forecast for

The figures are a problem for Iain Duncan Smith, the new work and pensions secretary

growth this year is still about 1.3 per cent – and 3.3 per cent in 2011 – as loose monetary policy, a global recovery and a weak pound all boost the economy in the coming quarters.

"The recovery is likely to gather pace over the next year," said Mr King.

But that forecast is mitigated by a greater risk of sub-par growth because of the rumbling crisis in the eurozone and because it does not take into account the Con-Lib coalition's plans for faster fiscal consolidation.

Inflation is now seen rising even more from its current rate of 3.4 per cent because oil prices have increased since the previous forecast and sterling has fallen further.

# Air tax angst mars business delight

### Protests from aviation industry

### Employer groups positive on pact

**By Pilita Clark and Brian Groom**

Outcry over airline policy marred what was otherwise a warm welcome from business for the coalition deal between the Conservatives and Liberal Democrats, particularly its emphasis on accelerated reduction in the fiscal deficit.

The coalition's aircraft tax plans provoked protests in the aviation industry, while business groups criticised a ban on new runways at the country's three biggest airports: Heathrow, Gatwick and Stansted.

Virgin Atlantic branded the tax "unworkable" while British Airways said there was no guarantee it would be used to benefit the environment. FlyBe, one of the largest regional carriers, branded it "illogical" and unfair.

Business jet and air freight operators were critical of the government's adoption of the Lib Dems' pre-election pledge to replace air passenger duty with a "per-plane duty", which the party said would ensure "pollution is properly taxed". Aircraft flown by these groups do not pay the existing air passenger duty.

"It's colossal from our perspective," said Anne de Courcy, secretary-general of the Association of International Courier and Express Services, which represents air freight operators in the UK such as Fedex and DHL.

Business jet operators warned the move could have a heavy impact on UK corporate work. "It's always tempting to see this kind of aviation as toys for the rich," said Guy Lachlan, chief executive of the British Business and General Aviation Association. "But in fact it's an enabler for business, and if those enablers fly somewhere else the business migrates as well."

However, low-cost airlines such as EasyJet, which have modern, fuel-efficient aircraft they aim to keep full at all times, welcomed the move. Abta, the travel trade association, also backed the shift.

Some tax experts predicted the change might not have as big an impact on passenger airlines as feared, but said there were questions about whether other Lib Dem election promises would also be implemented, such as a tax on short domestic flights where a land-based alternative taking less than six hours was readily available.

> 'We welcome the emphasis on accelerated deficit reduction'
>
> **Richard Lambert**
> **CBI director-general**

Jim French, chief executive of FlyBe, said the new tax "will particularly hurt the regions, where aviation is already playing a vital role in dragging the UK out of recession".

London First, representing big business in the capital, said the government must come up with a "plan B" if it were ruling out expansion of London's three airports, and insisted high-speed rail was no substitute for international air links.

However, Paul Kehoe, chief executive of Birmingham airport, said scrapping proposals for Heathrow's third runway "will mean a more equitable solution for the country as a whole, and more jobs and prosperity in the regions".

Overall, business response to the Con-Lib agreement was positive. "We welcome the emphasis on accelerated deficit reduction and also the idea that the emphasis should be on reduced spending rather than increased taxes," said Richard Lambert, director-general of the CBI employers' group.

UK bond markets strengthened, although sterling fell against the dollar as worries about growth in the quarterly inflation report undermined the currency.

Business fears on nuclear power plans were partly assuaged, in spite of a clause allowing Lib Dem MPs to abstain on plans for new stations. Business leaders calculated the plans would be backed by Labour.

Miles Templeman, director-general of the Institute of Directors, said the commitment on deficit reduction was "just what the economy needs", but insisted this should mean the four-to-one ratio of cuts to tax rises proposed in the Tory manifesto.

The British Chambers of Commerce warned that Vince Cable, the business secretary, must ensure that reforms of the banking system "do not lead to an upheaval for businesses".

*Additional reporting: Ed Crooks and David Oakley*

# Goodwill faces test as hedge fund law looms

### Europe

**By Joshua Chaffin in Brussels, Ben Hall in Paris and Quentin Peel in Berlin**

European leaders publicly embraced David Cameron yesterday as France and Germany headed for a showdown with the prime minister over hedge fund legislation opposed by the City of London.

Angela Merkel, the German chancellor, and Nicolas Sarkozy, the French president, both joined a chorus of well-wishers following Mr Cameron's victory, expressing a desire to work closely with him in spite of his party's traditional hostility to the European Union.

But that early goodwill could be tested as soon as Tuesday, when European finance ministers are set to consider a draft directive that would require greater transparency from hedge funds and private equity groups. The directive is highly unpopular in the UK, home to 80 per cent of Europe's hedge funds.

Officials in Paris said that the French and German governments were determined to push the issue to a vote, which Britain is almost certain to lose.

"No one is giving any quarter to a new government," said one official.

Mr Sarkozy and Ms Merkel have in recent weeks vowed to step up their drive to tighten financial market regulation in Europe and clamp down on speculators. They are also keen to show that Paris and Berlin can work together following tensions over the Greek and eurozone rescue plans.

For Mr Cameron, repairing personal relations with the leaders of the EU's two biggest member states ranks as one of his most pressing European tasks. He alienated both following his decision last June to remove Tory MEPs from the European parliament's dominant group, the European People's party, to forge his own anti-federalist coalition.

Europe's fears about the new prime minister have been tempered by his subsequent promise to take a "pragmatic" approach to the EU as well, as his move to form a coalition with the ardently pro-European Liberal Democrats.

Under terms of the deal, the UK will not seek to join the euro, nor will it sign up to any fresh European treaty without a referendum.

At the same time, the incoming government will drop Mr Cameron's campaign promise to try to "repatriate" powers over social, employment and home affairs policy already ceded to Brussels.

The prevailing view in Brussels was that Mr Cameron's desire to remain prime minister would trump the demands of his party's most strident anti-European elements.

# Change likely to spur flood of asset sales

### Capital gains tax

**By Vanessa Houlder, Matthew Vincent and Alice Ross**

Private investors are expected to start selling shares and second homes in the coming days to escape an increase in capital gains tax that could come as early as next month.

Tax advisers said the rise for non-business assets from 18 per cent to rates "similar or close to those applied to income", as signalled by the Con-Lib coalition yesterday, was likely to be introduced at the start of the next tax year.

But it could be introduced immediately after the emergency Budget expected next month.

Investors would probably try to lock in gains at current tax rates, advisers said. "We are likely to see people scramble to take gains, prompting a rush of sales of second homes and share portfolios," said Ronnie Ludwig, a partner at chartered accountants Saffery Champness.

> **18%**
> **Current CGT rate for non-business assets**

> **£1.9bn**
> **Sum the Lib Dems say changes will raise**

Jason Hollands, of fund manager F&C, predicted "a flurry of investors" cashing in long-standing holdings. Rathbones said it was revising private client portfolios to suggest taking profits and crystallising capital gains at the current rate, while Deloitte said it expected "lots of clients" to seek to lock in the gains by selling assets.

The Institute for Fiscal Studies, an independent think-tank, said it was unclear whether the tax changes outlined in the coalition agreement would raise the £1.9bn a year claimed by the Liberal Democrats, because they made no mention of a cut in capital gains tax allowances or reintroducing indexation for inflation, which had been proposed in the manifesto. Bill Dodwell, of Deloitte, said the changes were unlikely to raise more than £1bn.

Advisers said the main revenue-raising impact of the capital gains tax rise might be on income tax, because the move would hinder tax-planning aimed at reclassifying income as capital. They warned that the Lib Dems' proposal to reduce to £1,000 the annual capital gains tax allowance – currently £10,100 – would increase Revenue & Customs' administrative burden by requiring many basic rate taxpayers who do not currently pay the tax to file returns.

Advisers expressed concern at how the business assets in line for "generous exemptions" would be defined. Mr Dodwell urged the government to extend them to include employees. "Employee tax breaks help to make a big contribution towards getting good people to take reasonable risks with growing businesses."

Chris Sanger, of Ernst & Young, said the government should consider allowing the existing entrepreneurs' relief, which taxes the first £2m of lifetime gains at 10 per cent, to apply to each investment rather than over a lifetime, to avoid damaging investment and encourage entrepreneurs to stay in Britain.

Bradley Phillips, of law firm Herbert Smith, said: "The proposals to broadly align the capital gains tax rates with income tax rates will be of real concern to entrepreneurs, other individuals and investors in funds. The key issue will be how 'business assets' are defined in the legislation."

Alex Thomas, head of tax at Denton Wilde Sapte, said entrepreneurs would be relieved that sales of business assets would be taxed at a lower rate.

But property entrepreneurs would be adversely affected because sales of property investment companies were likely to be taxed at the higher rate, he warned.

"It's another hit for an industry trying to get back on its feet," he said.

### Key CGT facts

Non-business capital gains will be taxed "at rates similar or close to those applied to income", **writes Vanessa Houlder**.

This implies variable rates of up to 50 per cent, but it would mean taxing capital gains more heavily than income unless there had been a tax credit for the corporation tax already paid.

Entrepreneurial business activities will benefit from "generous exemptions". This could involve a return to the pre-2008 taper relief system, which gave a preferential capital gains tax rate to business assets. It could mean the retention or extension of the existing entrepreneur's relief, under which a 10 per cent tax rate is applied to the first £2m of lifetime gains.

There have been no details about whether the capital gains tax allowance would be controversially reduced from £10,100 to £1,000, as proposed by the Liberal Democrats, which critics say would create a big administrative burden.



**Back in cabinet: William Hague, foreign secretary, arrives at Downing Street** Reuters

# Rapport with Obama given early outing

### US relationship

**By Edward Luce in Washington**

The day after the general election, P.J. Crowley, the US state department's spokesman, may have spoken out of turn. When asked what a David Cameron-led government would mean for the US-UK "special relationship", he said: "It *is* special. I know my counterparts in other parts of the [US] government have different views of that."

Since Barack Obama visited the UK in July 2008 during a Europe tour when he was still fighting the presidential election, there has been speculation in Britain on whether Mr Obama is cool, or even disdainful, towards the British.

Media reports have focused on a few stray lines in Mr Obama's autobiography, *Dreams from My Father*, in which he depicts a snotty-nosed British schoolboy who he sat next to on a flight, or makes reference to British colonial officers in Kenya called the US president's Kenyan grandfather "boy".

Yet, shortly after Mr Cameron moved into Downing Street on Tuesday evening, Mr Obama telephoned the new prime minister with precisely the words he was seeking.

"I reiterated my deep and personal commitment to the special relationship between our two countries – a bond that has endured for generations and across party lines," said the president in a statement.

Analysts point out Mr Obama is the first US president whose world view naturally looks across the Pacific rather than the Atlantic – partly because he was born and brought up in the Pacific state of Hawaii. Many US conservative critics have argued that Mr Obama, who has shown great interest in dealing with the rise of the new great powers in the east, particularly China and India, has a tendency to "make nice" with America's enemies while abjuring traditional friends, such as the UK, Japan and Israel.

There is little evidence to justify such assertions. Among the hyper-sensitive allies of the US, however, the UK may be particularly alert to any suggestions it has been downgraded.

> 'The media in its febrile way focuses way too much on personal chemistry'
>
> **UK diplomat**

For example, the UK media focused on an alleged snub when Mr Obama chose to return to the UK embassy a bust of Sir Winston Churchill, which had been sitting in the Oval Office since September 11 2001. White House officials insist Mr Obama had no such intention.

"I think there is a feeling in Europe, including Britain, that President Obama doesn't have much cultural affinity with Europe or any deep ties of affection," says Reginald Dale, a senior Europe fellow at the Center for International Strategic Studies in Washington.

The media have also speculated that the White House turned down Mr Cameron's request, as opposition leader, to visit Mr Obama in search of a helpful photo opportunity – a request the Tories and the British embassy in Washington deny was ever made. In fact, Mr Cameron has twice met Mr Obama and on both occasions they struck up more of a rapport than Mr Obama did with Gordon Brown.

In the next few weeks Mr Cameron will visit Washington. The success of that visit will depend far more on shared interests than personal chemistry. If Mr Cameron decides the UK should cut its military presence in Afghanistan – considered unlikely – the trip could go badly, and vice versa.

"This is a multi-layered and institutionalised relationship," says a UK diplomat. "The British media in its febrile way focuses way too much on questions of personal chemistry – often inaccurately."

# Diplomat named as top security adviser

### National council

**By James Blitz, Defence and Diplomatic Editor**

David Cameron has appointed Sir Peter Ricketts, a leading diplomat, as the government's national security adviser, a powerful post that will cover defence, foreign affairs and counter-terrorism issues.

On his first day in office, Mr Cameron announced the appointment of Sir Peter, the former permanent undersecretary at the Foreign and Commonwealth Office. He also convened the first meeting of what he is calling the national security council, a body that will meet regularly to take decisions on policy in Afghanistan and other military and diplomatic issues.

The appointment of the national security adviser is seen by Whitehall officials as a more significant move than the creation of the national security council. The NSC appears to be little different to a cabinet committee called national security and international development that operated during Gordon Brown's premiership.

Whitehall officials came to the view in the final months of the last government that the prime minister did not have a single figure in his team who could stand up to the service chiefs – in particular the army – over the running of the war in Afghanistan.

By creating a single national security adviser, who covers the gamut of foreign and defence policy, it may be easier for Number 10 to avoid the kind of open clashes that occurred between Mr Brown and General Sir Richard Dannatt, the former head of the army.

Sir Peter was seen as the most likely figure to get the NSA job, for which the Whitehall machine found few qualified candidates. A former UK ambassador to Nato, he was also political director at the FCO, in charge of negotiations on the main diplomatic issues.

The appointment of Sir Peter was made as the Conservatives conceded a modest change to their position on the nuclear deterrent as part of their agreement with the Lib Dems.

The Conservatives have always been committed to a like-for-like replacement of the four submarines that would launch the Trident D5 missile and have said they would exclude any discussion of the issue from the forthcoming strategic defence review. The Lib Dems have argued that while the UK should maintain a deterrent, it should look for cheaper alternatives.

**Sir Peter Ricketts: advice on foreign and defence policy**

The Con-Lib document contains a slight shift of Conservative policy in the Lib Dems' direction. The document states that "the renewal of Trident should be scrutinised to ensure value for money". That suggests that the question of whether the deterrent is submarine-launched could be included in the review.

One of the issues that Mr Cameron may have to resolve in the next few weeks is how the new Con-Lib coalition will pursue policy on Iran, an issue that was not touched upon in the policy document.

Mr Cameron and William Hague, the new foreign secretary, have left open the possibility of military action against Iran over its nuclear programme, but the Liberal Democrats have rejected that option.

## News digest

### Crime fears end €500 note trade

British bank wholesalers have withdrawn €500 notes from sale because they are fuelling organised crime, according to the Serious Organised Crime Agency.

The decision to end trading was made after police found nine out of 10 of the notes in circulation were linked to crime, tax evasion and terrorism. It closed an annual €500m (£424m) trade in the note among UK businesses.

The Serious Organised Crime Agency, which co-ordinated the voluntary industry move, said there was "no credible legitimate use" for the note in Britain. Officials have been expecting to see drug smugglers, people traffickers and other top-level crime gangs struggling to launder their profits as a result.

The pink and purple note is a favourite with criminals because it takes up less space than other currencies and is accepted across the Continent.

**Press Association**

### Veterans prone to alcohol abuse

British forces who served in Iraq and Afghanistan are more likely to have serious alcohol problems than other troops, says a new study.

The research, funded by the Ministry of Defence, showed troops sent to Iraq and Afghanistan were more than a fifth more likely to have alcohol problems that put their health at risk. Almost 10,000 troops answered a questionnaire about their deployment and their health.

**Press Association**

### National Gallery staff to strike

Workers at the National Gallery will stage the first strike since the formation of the new government when they walk out today in a row over pay. Warders and shop staff at the London gallery will take action for two hours as part of a campaign for the so-called London Living Wage of £7.60 an hour.

**Press Association**

China reaches out

# Beijing deepens South Africa ties

## Groups to invest in $200m plant

## Deal comes ahead of leaders' meeting

**By Richard Lapper in Johannesburg**

China will today announce its largest investment in South Africa for two years, entrenching its position as the continent's most important economic and commercial partner.

The China Africa Development Fund and Jidong Development Group will help build a cement plant worth R1.5bn (£136m), the Financial Times has learnt.

The announcement lays the ground for an August visit to Beijing by Jacob Zuma, South African president, who has made deepening economic and political ties with China a foreign policy priority.

China emerged as South Africa's largest trading partner last year, partly owing to a large rise in iron ore exports, mirroring a trend in other countries on the continent, which have been courted by Beijing for their resources and growing markets.

The latest agreement will see the two Chinese development groups working with Continental Cement, a local enterprise, and Women Investment Portfolio Holdings, a South African company dedicated to empowering black women. They will build the plant in Gauteng province, outside Johannesburg.

The plant is designed to make up a recent shortfall of domestic building products, such as cement, much of it caused by the infrastructure programme from construction for the football World Cup.

Congested roads and railways make it relatively costly for South Africa to import cement, so investment in local production is more attractive.

Stronger economic ties with China and other big emerging markets have paved the way for closer political ties, especially since Mr Zuma took over from former president Thabo Mbeki last May.

A $5.5bn (£3.7bn) investment by Industrial and Commercial Bank of China in South Africa's Standard Bank, agreed in October 2007, remains by far the largest Chinese investment in Africa to date, accounting for about a quarter of the funds Beijing has dedicated to the continent.

Much of that investment has concentrated on roads, power plants and other infrastructure, but analysts say more Chinese companies are beginning to buy building and other materials locally.

They are also eyeing Africa's fast-growing consumer markets.

For example, FAW, a Chinese carmaker, last month announced a $100m investment in South Africa.

"Chinese companies are coming to the party," said Martyn Davies, chief executive of Frontier Advisory Services, a Johannesburg-based consultancy.

"They have a high level of confidence in the continent and see South Africa as a springboard for expansion elsewhere."

Mr Davies predicted that the China African Development Fund would probably provide the backing for much of this investment.

CADF, which eventually expects to have $5bn available, established an office in South Africa in March last year.

"They have a lot more deals in the pipeline," Mr Davies said.

**For more reports and analysis of the relationship: www.ft.com/chinafrica**

BEYOND BRICS

For more on the rise of emerging economies, go to **www.ft.com/bb**

# US Senate eyes ban on housing 'liar loans'

**By Tom Braithwaite in Washington**

The US Senate yesterday approved an amendment to ban "liar loans", mortgages that allowed borrowers to overstate their incomes, as debate on the financial regulation bill targeted one of the causes of the crisis.

The amendment to require income documentation proposed by Jeff Merkley, a Democratic senator from Oregon, and Amy Klobuchar, a Democratic senator from Minnesota, was passed with some Republican support in a rare example of bipartisan agreement on housing policy.

"This outlaws no-documentation liar loans on income," Mr Merkley said, adding that bonuses for originators who steered borrowers to expensive loans would also be banned.

The practice of selling mortgages to borrowers who had little hope of repaying, coupled with the explosion in securitisation, helped to spread bad loans across the financial system in what is recognised as a key cause of the crisis.

The parties are divided on how the housing market should look, with Republicans criticising Democrats for skirting the issue of how to deal with Fannie Mae and Freddie Mac, the loss-making quasi-government entities that guarantee mortgages.

A Republican amendment to change underwriting standards failed. "It no longer is the American dream that someone owns a home – it's the American entitlement," said Bob Corker, the Republican from Tennessee, after Democrats voted down his bid to impose a minimum 5 per cent down-payment on mortgage borrowers.

The National Association of Realtors opposed the change on the grounds it would choke a housing market recovery. "Realtors are cognisant that lax underwriting standards brought us to this point, and must be curtailed," the trade association wrote to senators. "However, we caution that swinging the pendulum too far in the opposite direction may reverse our fragile recovery."

The Senate is in the final stages of modifying the financial regulation bill, with a final vote expected next week. Mr Merkley said there was "momentum building" for an amendment to prevent speculative behaviour by banks, which could come to a vote later this week.

> The amendment to require income documentation was passed with some Republican support

"We need to make sure that when people go hog wild in high-risk investing they don't damage our economy," he said.

In other changes, the Federal Reserve won its attempt to retain supervision of small and medium-sized banks with an amendment to remove a provision that would have stripped its oversight of banks with less than $50bn (€40bn, £34bn) in assets. Presidents of the regional Fed banks had lobbied heavily for the change.

Senators also rejected an amendment that would have changed a new rule that would force most over-the-counter derivatives to pass through clearing houses and to be traded on electronic exchanges.

# Consumers in Asia start to open their wallets

News analysis

## Rising domestic demand is driving the recovery but, asks **Kevin Brown,** is this a temporary phenomenon?

In a glamorous television advertisement made for the Chinese market, Lin Chi-ling, a Taiwanese supermodel, is shown delivering books to the rural poor in a swish Mercedes-Benz GLK.

The advert captures China's stark mix of urban sophistication and widespread poverty. But it also illustrates the emergence of the world's biggest exporter as a consumer.

Private consumption accounts for only 37 per cent of gross domestic product in China, compared with 71 per cent in the US before the world financial crisis, according to McKinsey Global Institute. But with Ms Lin's help, Mercedes more than doubled car sales in China in the first quarter, compared with a year ago.

The German car company is not alone. A 66 per cent imports surge in March led to China's first monthly trade deficit for six years.

Other Asian countries are also reporting big rises in domestic consumption. The Asian Development Bank says domestic demand has been behind a regional economic recovery that it expects to deliver 7.5 per cent growth this year.

Economists differ on whether this marks a shift from Asia's reliance on exports to the US and Europe, or just a temporary response to the depressed state of western demand.

David Carbon, chief economist of DBS, south-east Asia's biggest bank, says the increase in consumption is a long-term change, driven by a surge in sustainable and self-generating domestic demand on the back of economic growth.

"Two big misconceptions about Asia's recovery are that it has been driven by inventories [restocking by businesses] and that consumption continues to lag [behind]," said Mr Carbon. "In fact, consumption has played the major role in Asia's recovery, both directly and indirectly via its impact on inventories."

The effect is most pronounced in China, where domestic demand increased $180bn (€142bn, £122bn) in 2009, compared with about $90bn in the US, according to DBS estimates.

The picture is similar in the rest of Asia, with private consumption in its 10 biggest economies, excluding Japan, more than 7 per cent above September 2008 levels.

"In sharp contrast to all the analysis claiming that Asia does not consume enough, it is buying up a storm," said Mr Carbon.

The ADB says it expects Asia's trade surplus to continue to narrow in the next two years, as US households save more – leading to a fall in consumption and lower demand for Asian exports. But Jong-Wah Lee, chief economist, says he is sceptical about the sustainability of Asian consumer demand once the benefit of emergency monetary and fiscal measures begins to dissipate.

According to ADB research, central banks in the 10 biggest Asian developing states slashed an average of 234 basis points from policy interest rates from the third quarter of 2008 onwards, injecting massive liquidity into their economies.

Governments, meanwhile, introduced fiscal stimulus packages.

This "fiscal experiment" was important in stimulating domestic consumption, says Mr Lee. But it remains unclear whether it signals a decisive shift from the export model.

For this to happen, governments would have to make strategic efforts to cut Asia's high savings rates – the cause of low consumer spending – and find sustainable ways to stimulate private investment.

In some countries, there are signs of this happening. Xi Jinping, China's vice-president, said recently China "must develop the economy mainly by relying on the domestic market and attach great importance to domestic demand, especially consumption demand".

Yukio Hatoyama, Japan's prime minister, has also set out a growth strategy shifting economic policy emphasis from output to welfare and new sources of domestic demand such as health services and tourism.

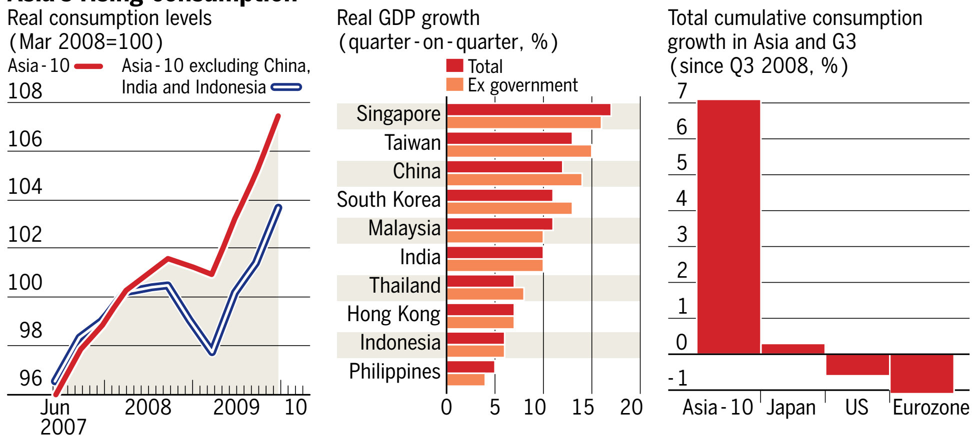
However, doubts about the extent of government commitment remain in both cases.

"The question is whether these structural issues have been handled appropriately by . . . governments," said Mr Lee. "The answer is: not really. There are some temporary measures developed to mitigate the collapse in demand for exports, but I think once the crisis is over there is a risk they will go back to the old ways."

**David Pilling, Page 13**


**Seduction power: a building worker pauses in front of an advertisement for a luxury brand on the front of a shop on a Shanghai street. Domestic demand in China increased by $180bn last year** Reuters

**Asia's rising consumption**




Source: DBS

# Pressure increases on Thai protesters

**By Tim Johnston in Bangkok**

The Thai military tightened the noose around thousands of anti-government protesters camped out in central Bangkok yesterday, building up checkpoints designed to prevent supplies and reinforcements reaching the demonstrators.

The government has been raising the pressure on the demonstrators to leave their sprawling encampment in the heart of Bangkok's commercial district since attempts to reach a negotiated agreement stalled this week.

"If the protest does not end, we have to fully enforce the law, which may involve using force to reclaim the area," said Colonel Sansern Kaewkamnerd, the army spokesman.

The protesters rejected the ultimatum, saying they would remain behind their stockades of tyres and sharpened bamboo staves until the government bowed to their demands.

The military has threatened to cut off water and electricity, although it appeared to back away from this last night.

The increased tension has dented hopes that the eight-week protest, which has led to 29 deaths and paralysed Bangkok's shopping and hotel district, might be drawing to an end.

> 'If the protest does not end, we have to fully enforce the law, which may involve using force'

Abhisit Vejjajiva, the prime minister, last week went some way towards meeting protesters' demand for his immediate resignation by offering to hold a general election on November 14, more than a year before his mandate ends.

Although it initially welcomed the offer, the amorphous leadership of the protesters seems to have sunk into confusion, issuing a cascade of "final" demands and qualifications that have fed suspicion among some analysts that hardliners among the leadership are seeking confrontation.

Korbsak Sabhavasu, the secretary-general of the prime minister's office, said yesterday that Mr Abhisit had withdrawn his election offer, but Panitan Wattanayagorn, Mr Abhisit's spokesman, declined to confirm the claim.

However, Mr Panitan did say that the sooner the protesters joined the prime minister's reconciliation plan, the sooner elections could be held.

Denying the protesters the ability to resupply themselves will increase the hardship in the camp, but is likely to compound disruption to traffic and businesses in the city.

It is not clear how much difference it would make should the army cut off water and power.

# Backlash stirs in Frankfurt


A banner in Athens reading 'Stop them!' pictures, from right, Jean-Claude Trichet, ECB chief, Germany's Angela Merkel, and Greece's George Papandreou and George Papaconstantinou epa

## The ECB

### As Trichet nears his final year, German alarm over bank's action is widening EU divisions, writes Ralph Atkins

Germans are clear about the job of a central banker: to fight inflation, and nothing else. So the backlash in Europe's largest economy against the European Central Bank's decision this week to buy government bonds as part of a eurozone rescue plan has been severe.

Capturing the national alarm, Tuesday evening's ZDF news showed film of Germany during the hyperinflation of the 1920s, and interviews with Germans convinced that prices will soar again soon. And their fears appeared to have official backing.

Axel Weber, the Bundesbank president, has taken the rare step of criticising publicly a decision by the ECB's 22-strong governing council, on which he sits. Buying government bonds poses "significant" risks to price-stability policies, Mr Weber told the Börsen Zeitung newspaper on Tuesday.

The German reaction shows that these are revolutionary times in Frankfurt, the ECB's home town. The bank's actions this week have not only altered its relationship with the German public. They have also widened the divisions in the contest to succeed Jean-Claude Trichet, ECB president, whose non-renewable eight-year term ends in October next year.

With the race informally under way, Mr Weber – backed strongly by Angela Merkel, German chancellor – had appeared the front-runner. But his comments are likely to have alienated Paris. Nicolas Sarkozy, the French president, argued forcefully for a bold ECB intervention at the Brussels eurozone leaders' summit at the weekend. Support could build in France and other eurozone countries for Mario Draghi, Italy's central bank governor, and Mr Weber's rival for the ECB presidency.

What is certain is that the German backlash presages a bumpy final year in office for Mr Trichet. On ZDF, he explained how intervention in government bond markets was restoring their proper functioning after investor panic levels last Friday approached those seen after the collapse of Lehman Brothers in late 2008. The ECB's focus on price stability was undiminished, Mr Trichet insisted.

But no amount of French charm could hide the scale of the ECB's policy U-turn. In the past, it has fiercely resisted any move that risks its independence by blurring fiscal and monetary policies. Only last Thursday, Mr Trichet said ECB purchases of government bonds had not been discussed by the governing council.

The conservative Frankfurter Allgemeine Zeitung described the turnround – announced at 3.15am on Monday after a late-night meeting of European finance ministers – as the "Americanisation of monetary policy". Mr Trichet would prefer to describe it as confirming the ECB's ability to react swiftly.

After becoming ECB president in November 2003, Mr Trichet, a former Banque de France governor, cultivated a reputation for Bundesbank-style conservatism and independence. The ECB's actions became highly predictable.

That image changed on August 9 2007. Spotting the severity of erupting financial market tensions before other global authorities did, the ECB pumped €95bn in emergency overnight funds into the financial system. The move revealed another side of Mr Trichet – crisis manager.

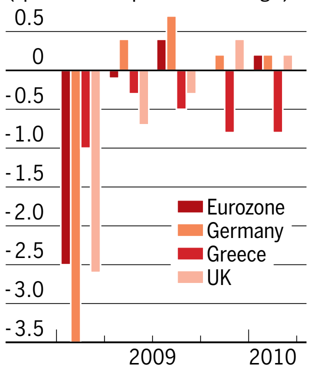
The past few weeks have highlighted Mr Trichet's passionate support for the "European project" – economic integration – and for better economic management of Europe's 11-year-old monetary union. Back in the late 1980s, when preparations for the euro's launch picked up and Mr Trichet was at the French Treasury, the country's civil servants believed strongly in public action – a trait that may have resurfaced at the ECB.

"If there is an existential crisis, he is willing to accept the primacy of the political will as being stronger than the sheer technocratic will of an independent, non-elected central bank," says David Marsh, author of *The Euro*, a history of the currency.

The ECB's actions nevertheless entail risks. It has promised that government bond purchases would be "sterilised" by operations to remove inflation risks. "We are not running money printing presses," Mr Trichet told French radio yesterday. But details have yet to be announced. Nor in the rush of decision-making has the ECB decided what details it will publish of the programme.

The ECB's hard-won credibility will be at stake if the eurozone crisis flares up again or if its actions have to be stepped up once more. Germans will watch carefully for any slip.

**Eurozone GDP growth**
Real GDP
(quarter-on-quarter % change)




*Source: Thomson Reuters Datastream*

**Axel Weber: sees risks to ECB inflation policy**

**Editorial Comment, Page 12**
**European power, Page 13**
**www.ft.com/lex**

### Bitter winter chills output

The eurozone managed only modest economic growth in the first quarter this year, with Germany's performance, held back by the bitter winter, failing to drive a wider recovery in the 16-country region, **writes Ralph Atkins in Frankfurt**.

Eurozone gross domestic product expanded by just 0.2 per cent compared with the previous three months, said Eurostat, the European Union's statistical office.

Germany surprised by also reporting a 0.2 per cent increase, in spite of fears the exceptionally cold weather had stalled its recovery. Italy's economy also fared better than expected, boosted by 0.5 per cent. But France and Spain reported rises of only 0.1 per cent – although that at least marked the end of Spain's recession. Greece's economy contracted by 0.8 per cent – the same pace as at the end of 2009, suggesting its recession remained intense.

The data highlight how Europe's largest economies are struggling after the worst downturn since the second world war, with prospects clouded by the crisis over public finances and dependent on growth elsewhere in the world. In contrast, the US reported a 0.8 per cent rise in first-quarter GDP.

"The eurozone is being left behind by the US, which is experiencing a strong V-shaped recovery," said Nick Kounis, an economist at Fortis Bank in Amsterdam. The US fiscal stimulus would be bigger this year than in 2009 but aggressive controls on public finances as a result of the Greek crisis would hit eurozone growth, he said.

**For the full story, www.ft.com/europe**

# History has warned about slippery slope of monetisation

**Wolfgang Münchau**

The €440bn rescue fund for the eurozone and the extension of the balance of payments facility to €110bn caught the news headlines, but the single most important decision taken in Brussels last weekend was a different one.

It was to force the European Central Bank to monetise the debt of several European countries. It is hard to overstate its potentially destructive importance. It is clearly an object lesson in the limits of central bank independence.

But the really scary bit is not so much that the decision was taken at all, or how it was taken, but the almost total absence of a quid pro quo. If European leaders had agreed to a multi-annual programme of fiscal tightening, to resolve the bad debts in their national banks, reform their labour markets, reshape the eurozone's defunct governance model, and create a single European government bond market, there would have been no question about the legitimacy of the ECB's support operation.

It would have sent a strong signal that all parties agreed to do "whatever it takes" to save the eurozone. But that is not what happened. It was decided that the ECB would have to do the heavy lifting. Beyond some token commitment to minuscule fiscal measures, there was no quid pro quo.

Instead of solving the problem the European Council decided to obfuscate and throw money at it. This follows a depressingly familiar pattern. Remember what happened in October 2008 when an emergency eurozone summit decided to guarantee the liabilities of the entire banking system, forcing the ECB to prop up the banking sector through infinite liquidity support.

Two years later, Spain and Germany have still not resolved their banking sectors. The EU's backstop agreement last weekend is an exact mirror-image of that decision. Hailed as historic, it is a mix of government guarantees, and ECB money.

Will it lead to inflation? The ECB says no, because the bond purchases will be "sterilised". This means the ECB will try to extract excess liquidity from the banking sector, such as through term deposits.

The total amount of central bank money should be thus unaffected. However, we should not for a minute be fooled into thinking that such sterilisation is really neutral. If the ECB buys Greek bonds, which it did last week, and if, as seems likely, Greece will eventually default on part of its obligations, the ECB will take a very large loss.

This shortfall would either have to be financed through fiscal measures – a big increase in the debt of the ECB's shareholders, notably Germany – or through the printing presses.

Most likely is some combination of the two, but that would mean inflationary pressures are likely to increase.

The history of monetary unions has taught us that once you get on to the slippery slope of debt monetisation the monetary union is starting to unravel. Remember the hostile German reaction to what was then a puny €5bn ($6.4bn, £4.3bn) package of loan guarantees to Greece? Imagine what would happen if the German taxpayer had to bail out the ECB. While it is not very common, central banks can indeed go bust. Or, imagine what would happen if inflation were to go up. Very quickly, pressure would grow inside Germany for them to leave the eurozone.

> We should not be fooled for a minute that the ECB's bond purchases can be neutral

In view of this risk, my sense is that the ECB will be even more vigilant about inflationary pressures than usual. Like so many observers, I was a little surprised last Thursday to hear Jean-Claude Trichet, president of the ECB, talk about rising commodity prices as a potential threat to price stability. Surely he did not indicate an imminent shift in ECB monetary policy; or did he?

I would not be surprised if the ECB's badly bruised governing council were to conclude that the blend of a strong recovery, rising commodity prices and a weakening euro would indeed justify a rate rise, not now, but perhaps much earlier than the consensus presently believes to be the case.

And the more people believe monetisation of debt leads to inflation, the earlier that moment may arrive.

### Portugal has strongest EU growth

Portugal recorded the strongest economic growth in the European Union in the first quarter of this year, lifting the prospects of recovery in a country struggling to control gaping public deficits, **writes Peter Wise in Lisbon**.

Gross domestic product expanded by 1 per cent compared with the previous three months, the National Institute of Statistics reported. It was Portugal's highest quarterly growth since 2005 and compared with an EU average of 0.2 per cent.

The Portuguese economy grew 1.7 per cent compared with the first quarter of last year, against an EU average of 0.3 per cent. Slovakia was the only EU country with higher year-on-year growth, at 4.6 per cent.

**Fernando Teixeira dos Santos: exports led growth**

Fernando Teixeira dos Santos, Portugal's finance minister, said the growth was driven by exports and reflected the capacity of companies to respond to increased global demand.

Portugal's minority Socialist government forecasts annual GDP growth of 0.7 per cent this year after a contraction of 2.7 per cent last year. The European Commission expects the Portuguese economy to grow 0.5 per cent this year.

Mr Teixeira dos Santos said austerity measures designed to cut Portugal's budget deficit from a record 9.4 per cent of GDP last year to 2.8 per cent in 2013 would not necessarily have a negative impact on growth.

"The deficit-reduction programme will strengthen our credibility and remove uncertainties about risk that will lift confidence in the Portuguese economy and support growth," he said.

The government is shortly to announce details of new austerity measures designed to accelerate deficit cuts in response to intense pressure from Portugal's eurozone partners. They are expected to include an increase in value added tax to 21 or 22 per cent and cuts in holiday bonuses.

# Spain deepens its austerity drive

## Surprise 5% cut in civil service pay

## Obama urges 'resolute action'

**By Victor Mallet in Madrid**

José Luis Rodríguez Zapatero, Spain's prime minister, angered his trade union allies but cheered financial markets yesterday when he announced a surprise 5 per cent cut in civil service pay to accelerate cuts to the country's budget deficit.

The new austerity drive – echoing moves by Ireland and Greece – followed intense pressure from Spain's European neighbours, the International Monetary Fund and the US for budget cuts to raise the credibility of a €750bn emergency plan to shore up the eurozone.

President Barack Obama had urged Mr Zapatero in a telephone call on Tuesday to take "resolute action".

In what he acknowledged was one of the hardest speeches of his life, Mr Zapatero told parliament how Spain planned to reduce its deficit by an extra 0.5 per cent of gross domestic product this year and 1 per cent of GDP in 2011, a total of €15bn.

The new measures should help bring the deficit down from 11.2 per cent of GDP in 2009 to just over 6 per cent of GDP in 2011.

His decision to cut civil service salaries by 5 per cent from June, and then freeze them next year, underlined the seriousness of the challenge facing Spain.

Analysts had said that such a move would be anathema to Mr Zapatero and his Socialist party. Ministers will take a 15 per cent pay cut.

Other measures included a €6bn cut in public sector investment, €1.2bn in savings by regional and local governments, a pension payments freeze, abolition of a €2,500 childbirth allowance from next year, a €600m cut in foreign aid and savings on the cost of pharmaceuticals in the public health system.

Trade unionists were outraged at what they said were harsh measures. One regional leader of the small United Left political party called for "rebellion and a general strike".

"The situation is difficult and it would be nonsense to hide it," Mr Zapatero said.

The measures were essential, he said, "to achieve now the promised deficit reduction, to reinforce confidence in the Spanish economy and to contribute to the financial stability of the eurozone."

As he spoke, the European Commission was proposing tougher rules to enforce fiscal discipline in the eurozone and the establishment of a permanent crisis management mechanism to prevent sovereign debt disasters.

The eurozone managed only modest economic growth in the first quarter of the year. Output expanded by only 0.2 per cent compared with the previous three months, official figures showed.

*Additional reporting by Tony Barber in Brussels and Ralph Atkins in Frankfurt*

Serious measures: José Luis Rodríguez Zapatero addresses the Spanish parliament yesterday in one of the hardest speeches of his life Bloomberg

**Key figures**

| | |
|---|---|
| €15bn<br>**Reduction in deficit planned over next two years** | 6%<br>**Level of deficit in 2011 under planned cuts** |
| €6bn<br>**Planned reduction in public sector investment** | €1.2bn<br>**Planned regional and local government savings** |

# Brussels sets out tough rules to crack whip on borrowing

## Measures

**By Tony Barber in Brussels**

The European Commission yesterday proposed tougher rules to enforce fiscal discipline in the eurozone and a permanent crisis management mechanism to prevent sovereign debt disasters.

The initiatives, if approved by national governments, would represent the most significant advance in eurozone economic governance since the euro's launch in 1999.

They were prompted by a debt crisis that erupted last October in Greece, spread across world financial markets and resulted on Monday in the creation of an emergency €750bn facility to protect eurozone governments in severe difficulties.

José Manuel Barroso, the Commission president, said: "We must show we are serious about the more fundamental reforms that are needed. We must now get to the root of the problem."

The €750bn facility is designed to last only three years, and Mr Barroso said the latest initiatives showed that the EU was moving beyond ad hoc solutions to the euro area's problems.

Among the key proposals is the idea that national governments assess each other's annual budgets in greater detail and much earlier. They would lack the power to force a country to rewrite its budget but could exert pressure to make assumptions about growth, inflation and interest rates as realistic as possible.

The stability and growth pact would be tightened so that countries failing to put their budgets in balance or surplus when growth is healthy would have to place interest-bearing deposits with the Commission.

More emphasis would be placed on public debt. For example, any country with a debt of about 100 per cent of gross domestic product would be told to keep its annual budget deficit so far below 3 per cent of GDP that it produced a steady reduction in the debt level.

Greece and Italy have debts far above 100 per cent of GDP, and the 16-nation eurozone's average debt is expected to hit 88.5 per cent next year.

Olli Rehn, the EU's monetary affairs commissioner, acknowledged that the pact, drawn up at German insistence in the mid-1990s, had fallen short of expectations.

"Peer pressure lacked teeth. Good times were not used for reducing debt," he said. However, the Commission opposed the idea, floated by Germany, of changing EU treaty law to permit the expulsion of countries that violate fiscal rules persistently.

The Commission's proposed mechanism would build on the emergency arrangements set up last weekend by including a provision that no country could draw loans from its partners unless it committed itself to cleaning up its public finances.

Details of the mechanism remain to be fleshed out, but Mr Rehn said it would be a "last-resort mechanism of . . . loans, with interest rates that would be so unattractive that no one would want to use it voluntarily".

The lesson from Greece was that "it's better to be safe than sorry and prepare for worst-case scenarios".

# Asia jittery over western woes

## Global impact

**By Kevin Brown in Singapore and Geoff Dyer in Beijing**

The European Union made a rare appearance on Asia's front pages this week, grabbing the headlines with its €750bn bail-out fund for Greece and other debt-burdened eurozone countries.

The sudden surge of interest did not last long – the story was back on the inside pages the following day, competing for space with Asia's dramatic economic recovery, forecast by the Asian Development Bank to deliver growth of 7.5 per cent this year.

Yet there are real grounds for concern about the impact of the European crisis in the region, especially if uncertainty is prolonged. Most dramatically, it could delay the expected revaluation of China's currency, the renminbi, against the US dollar.

There had been speculation that Beijing was on the verge of acting, but the crisis has given support to the commerce ministry and other parts of the government that oppose an appreciation because of its possible impact on exports.

Qian Wang, an economist at JPMorgan, says the revaluation is likely to happen eventually. But the crisis in Europe "may cause the Chinese policymakers to wait a bit and watch for clearer signs of the fallout on the global economy".

There are concerns, too, about the impact on Asian exports to Europe. Sheng Laiyun, spokesman for the National Bureau of Statistics, admitted on Tuesday the Greek crisis would hit exports, although the extent of the impact was unclear.

Suzlon Energy, India's largest wind-turbine maker, said yesterday that buyers in Europe were postponing orders because of the impact of the debt crisis on fundraising for renewable energy projects.

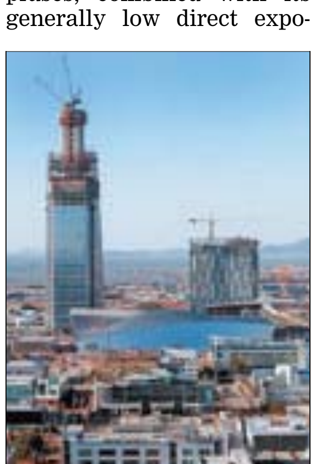
Asian monetary policy may already have been affected. The Bank of Korea yesterday held its base rate at 2 per cent, even though Kim Choong-soo, the governor, said the country's output gap had "almost closed" and forecast upward price pressures in the second half of the year.

This suggested that rates might have gone up but for the governor's observation that "downside risks are emerging" from Europe.

Malaysia's central bank, which meets today, may provide a further indication of how central bankers are viewing events.

The crisis may also be having an impact on government fundraising. Indonesia this week trimmed a planned bond issue from $750m (€590m, £505m) to $500m, suggesting that market volatility was the cause. Investors are carefully monitoring other planned sovereign issues, including a M$3bn ($933m, €734m, £627m) offer from Malaysia expected next month.

Officials are apt to dismiss suggestions that these could be harbingers of wider problems, arguing that the region will be protected by its enormous foreign currency reserves and substantial current account surpluses, combined with its generally low direct exposure to southern Europe.



**Incheon in Korea: exporters fear hit in European markets**

Amando Tetangco, governor of the Philippine central bank, told the Financial Times that Asian nations had learnt the lessons of the 1997-98 Asian financial crisis, setting up mechanisms such as the Chiang Mai Initiative Multilateralisation agreement, a $120bn network of bilateral currency swaps deals.

Yang-Myng Hong, credit analyst at Nomura in Hong Kong, says one risk factor is the potential withdrawal of $1,800bn of interbank claims held by European banks. Mr Hong says he thinks Asian banks have enough liquidity to offset such fund flows, pointing out that the system withstood the withdrawal of close to $600bn by European banks in the two quarters to March 2009.

However, Viktor Hjort, credit analyst at Morgan Stanley in Hong Kong, has warned investors to steer clear of senior debt from Korean banks.

The bottom line for Asia is that rapid growth is not a complete defence against contagion. As Wayne Swan, Australia's treasurer, put it this week: "Greece is a really stunning reminder there are still risks in the global economy."

*Additional reporting by Roel Landingin and Peter Smith*

# Estonia set to join embattled currency

## Monetary union

**By Andrew Ward in Stockholm, Tony Barber in Brussels and Ralph Atkins in Frankfurt**

Provisional approval for Estonia to enter the eurozone in 2011 was given yesterday, signalling a commitment to further expansion of the single currency in spite of the sovereign debt crisis roiling Europe.

The European Commission said Estonia, a former Soviet state of 1.4m people, was ready to become the 17th member of the currency bloc after fulfilling the Maastricht criteria for joining the euro.

Olli Rehn, the European Union commissioner for economic and monetary affairs, said: "Estonia has achieved a high degree of sustainable economic convergence and is ready to adopt the euro on January 1 2011." The country's application, which needs final approval from the European Council this summer, is viewed as a test of the EU's appetite to expand the eurozone deeper into the former communist countries of central and eastern Europe.

There had been speculation Estonia's entry could be delayed as the EU battles to prevent the Greek debt crisis from spilling into other eurozone countries.

José Manuel Barroso, European Commission president, said the decision to admit Estonia "shows confidence in the future of the euro". He said: "Let's remember, nobody wants to leave the euro. Others are seeking to join."

Estonia, which joined the EU in 2004, was the only country attempting to enter the euro next year. The Commission said other candidates – Bulgaria, the Czech Republic, Latvia, Lithuania, Poland, Hungary, Romania and Sweden – had made "uneven progress" towards convergence.

Mr Barroso said the approval for Estonia was based on objective economic criteria, not "political circumstances or other considerations". Mr Rehn said the country's exceptionally low level of public debt and its exchange rate stability over many years had been key factors in the Commission's decision.

But the ruling was tempered by a more sceptical assessment of Estonia's readiness from the European Central Bank.

The ECB expressed "concerns regarding the sustainability of inflation convergence", warning that inflationary pressures could rise as the country's economy caught up with more affluent eurozone members.

Current low rates reflected temporary factors, it said.

The ECB does not make formal recommendations on whether countries should join the eurozone, but often sees its job as to warn of possible dangers.

Andrus Ansip, Estonian prime minister, told the Financial Times recently that euro membership would promote trade and increase financial stability.

## World news

# Ex-Glitnir investor faces $2bn action

### Conspiracy alleged against shareholder

### PwC accused of 'facilitating' fraud

**By Andrew Ward in Stockholm**

One of the main figures behind Iceland's banking boom and bust has been hit by a $2bn (€1.6bn, £1.3bn) US lawsuit that accuses him of a "sweeping conspiracy" that contributed to the collapse of Glitnir bank.

Jon Asgeir Johannesson, the former top shareholder in Glitnir and once a big investor in the UK retail sector, is alleged in the lawsuit to have conspired with associates to "fraudulently drain over $2bn out of the bank to fill their pockets and prop up their own failing companies".

The lawsuit, filed in New York by the winding-up board overseeing Glitnir's liquidation on behalf of creditors, also targets PwC, the bank's former accountant, for "facilitating" the fraud by overlooking "clear" violations of Icelandic law and bank policies.

"There is evidence supporting the allegation that Glitnir bank was robbed from the inside," said Steinunn Guobjartsdottir, who chairs the Glitnir winding-up board.

Mr Johannesson has denied the allegations. "It's just politics," he told Bloomberg. "I have full proof that we were repaying loans that were maturing 20 to 40 days later. This was just the refinancing of older loans."

PwC said it stood by the opinions it gave on Glitnir's accounts "based on information and data the accountants had access to at that time".

The lawsuit adds to pressure on the so-called Viking Raiders who controlled Iceland's three main banks – Glitnir, Kaupthing and Landsbanki – and a range of high-profile foreign assets until their empires crumbled in October 2008.

Icelandic authorities last week arrested Hreidar Mar Sigurdsson, former chief executive of Kaupthing, on suspicion of offences including embezzlement, falsifying documents and stock and bond trading violations, in the most high-profile move so far by prosecutors investigating possible wrongdoing in Iceland's banks. An arrest warrant was this week issued for Sigurdur Einarsson, Kaupthing's former chairman, and circulated by Interpol.

> 'There is evidence supporting the allegation Glitnir bank was robbed from the inside'

Glitnir said its lawsuit was based on a year-long probe by Kroll, the corporate intelligence company. It has passed on its findings to Icelandic prosecutors.

The lawsuit was filed in the Supreme Court of New York state, where Glitnir said many of its creditors were based. Central to the case is a $1bn bond issue in 2007 in which US investors were allegedly misled over Glitnir's financial exposures.

Simultaneous legal actions were launched in the UK and Iceland, including a freezing order from the High Court in London against Mr Johannesson's worldwide assets. He had 48 hours to provide an exhaustive list of his assets or risk jail, Glitnir said.

Mr Johannesson was founder of the defunct Baugur investment group, which once controlled parts of the UK retail sector including Hamleys toy store and the Iceland frozen food chain. He remains a non-executive director of House of Fraser, the clothes retailer, and is believed to be based in the UK.

The lawsuit claimed Mr Johannesson rode roughshod over Glitnir's risk control policies and filled the board with "willing accomplices".

The fraud occurred at the "worst possible time" by leaving the bank "heavily exposed to the global credit crunch".

# Climate bill faces rough ride in Senate

**By Anna Fifield and Kevin Sieff in Washington**

A draft bill setting out sharp cuts in US greenhouse gas emissions was unveiled in the Senate yesterday, offering new incentives for nuclear power and offshore drilling at a time when the BP spill in the Gulf of Mexico makes support for oil exploration politically difficult.

The draft, however, includes several new protections against spills, including one that allows states to veto drilling plans up to 75 miles from their shores or if they stand to suffer significant adverse impacts in the event of an accident.

The bill, presented by John Kerry, a Democrat, and Joe Lieberman, independent, aims to cut emissions by 17 per cent by 2020 and 83 per cent by 2050.

But Lindsey Graham, the Republican senator from South Carolina who had given a bipartisan sheen to the legislative effort, was conspicuously absent following a dispute about legislative priorities.

Mr Kerry remained optimistic the bill could pass. "This is a bill for energy independence after a devastating oil spill – a bill to hold polluters accountable, a bill for billions of dollars to create the next generation of jobs, and a bill to end America's addiction to foreign oil," he said.

The bill will face a difficult passage through the Senate, where it will require the support of some Republicans to make up for the anticipated opposition from Democrats from industrial or agricultural states opposed to what they see as a tax on local businesses.

The bill will need 60 votes to overcome any filibuster – the Democrats have 59.

The legislation creates a cap-and-trade system for power plants, and for large industrial facilities at a later date, but it does not cover transport emissions.

It also contains incentives for energy companies seeking to build nuclear plants, including $54bn in loan guarantees for new plants. Several Republicans support nuclear power as an alternative energy source.

Climate change had been one of the top priorities of President Barack Obama's administration in its first year, but the legislation has stalled due to the difficult domestic environment and the lack of progress on the world stage. But Gary Locke, commerce secretary, will travel with 29 US energy companies to China and Indonesia next week in an effort to break into clean energy industries in Asia.

"Innovative companies like these, bringing emerging technologies to a dynamic new market, are going to play a big role in meeting President Obama's ambitious goals," Mr Locke said yesterday.

**For more on climate change: www.ft.com/climate**

# Designer of clean-up ship rues missed opportunity

### Oil spill

**By Harvey Morris in New Iberia, Louisiana**

A project to build a rapid-response "oil spill battleship" that could have helped clean up the Deepwater Horizon leak was presented to US politicians and oil companies 20 years ago but rejected on cost grounds, according to the man who designed it.

Herman J. Schellstede is an oil man's oil man. He assigns no blame for the potential pollution disaster threatening four US states. He says BP, which leased the rig, is "a first-class oil company" and Transocean, which built it, is among the best in the world.

He also has no truck with "those people in Washington who say 'stop drilling' ". He added: "There's a lot of history here in the Gulf. You don't just eradicate it because BP had a bad day."

However, Mr Schellstede, 72, believes the industry and the inhabitants of the Gulf of Mexico coast would be facing less of a crisis today if the oil companies had taken him up on a proposal he believes would have limited the impact of a deepwater blowout. As head of Herman J. Schellstede and Associates, which he founded in the 1960s in the Louisiana town of New Iberia, he was called in after the Exxon Valdez spilled 10m gallons of crude off the Alaskan coast in 1989 in what was one of the biggest oil pollution disasters.

Mr Schellstede's task was to devise systems for incinerating oil-polluted waste. "I saw how inept we were at that time. I've never seen anything like it. They had housewives scooping up oil from small boats."

The Alaska disaster persuaded him and his design team to turn their attention to the problem of pollution from a deepwater leak, at a time when deepwater drilling was still in its infancy.

They drew up a plan and a prototype for a 275ft by 217ft, 33-storey-high vessel that could be deployed to a spill site within 18 hours, encircle the slick with 20ft-high booms as used in the turbulent North Sea, sweep and clean 20,000 barrels of oil every 24 hours via three circular sweepers 40ft in diameter, return the water to the sea and transfer the salvaged crude to barges moored alongside.

The prototype model, housed in the gymnasium of the former New Iberia school where Mr Schellstede has his offices, resembles a semi-submersible oil rig, like the offshore fire ships that have been deployed in the North Sea since the 1980s.

Extra efforts: the national guard deploys a helicopter to help build a sandbank dam to protect the Louisiana coast from the approaching slick AFP

**MORE ON FT.COM**

Updates from the BP oil spill House hearings
**www.ft.com/energysource**

Latest news and analysis
**www.ft.com/bp**

The detailed prospectus for the so-called Sea Clean project, a copy of which he provided to the Financial Times, was presented to some 300 government officials, industry leaders and the press at a meeting in Anchorage, Alaska, in 1990.

It was also presented to congressmen in Washington, including Al Gore – then a senator – with whom Mr Schellstede had a two-hour meeting. "I don't think I ever got over to him what was wrong – that it was a deepwater problem. Deepwater was just starting. I looked for government support to propose it to the oil companies. I told them, 'We've a got a different frontier here. It's a different ball game and we need other tools.' "

Exxon and other oil companies expressed enthusiasm for the project but turned it down on cost grounds, according to Mr Schellstede, and because it addressed a problem they did not believe existed.

"They concluded it was a wonderful design but they couldn't invest $100m in it. They might have been right. We went a long time without any problems."

He estimates that such a vessel would now cost $220m to build.

In 1990, Lieutenant Commander P.A. Tebeau of the US Coast Guard wrote to the federal environment engineering office, saying of the Sea Clean project: "We believe this proposal shows technical merit and ingenuity but would require additional research and development."

As a project manager and designer in the oil industry for 43 years, Mr Schellstede believes companies have gone as far as they can in terms of safety. However, a standing fleet of rapid-deployment vessels would act as an insurance policy.

When his father, Herman "Blackie" Schellstede, worked on the first offshore rig in Louisiana's Ship Shoal Block 32 in 1947, there were no regulations governing the industry. That has changed, but the response to the latest crisis had still been piecemeal.

"Everything they've had to piece together, we would have had on site."

# Oil imports and rising demand widen US trade deficit

### Shortfall grows by 2.5% to $40.4bn

**By Alan Rappeport in New York**

The US trade gap grew to its highest level in more than a year in March, as rising consumer demand and higher oil prices fuelled imports, official figures showed yesterday.

The trade deficit grew by 2.5 per cent to $40.4bn in March, according to the commerce department. That was in line with projections of Wall Street analysts and was the largest gap since December 2008.

America's trade gap has grown by 40 per cent in the past year as trade volumes accelerated and the global economy has emerged from recession. In March, volumes rose to their highest levels since October 2008.

"Not all trade deficits are created equal – the underlying import and export flows matter as well," said John Ryding and Conrad DeQuadros, economists at RDQ Economics. "This report speaks to the recovery in both the US and overseas."

The trade deficit has been edging higher since it bottomed last June at $27bn. Although this reflects renewed strength in the global economy and greater domestic demand in the US, the wider gap will provide less of a boost to gross domestic product.

Economists expect output to grow at an adjusted annual rate of 3.2 per cent in the second quarter. In the first quarter, consumer spending picked up the slack as the impact of trade and a cyclical boost from an inventory swing waned.

Export growth outstripped that of imports in March, rising 3.2 per cent to $147.9bn. The US exported more industrial supplies, consumer goods and food.

Imports climbed by 3.1 per cent to $188.3bn as Americans spent more on televisions, furniture, fruit juices and oil. Steven Ricchiuto, chief economist at Mizuho Securities, noted that when excluding petroleum imports, the US trade deficit fell by 1.1 per cent.

The cost of crude oil imports rose from $20.1bn in February to $23.7bn in March.

"With final demand on the mend and most businesses consequently looking to stabilise or modestly boost inventories, underlying demand for imports has picked up substantially," said Joshua Shapiro, chief US economist at MFR.

Meanwhile, the US deficit with China, its biggest trading partner, expanded from $16.5bn to $16.9bn.

Last month, a US government report accused China of using an array of dubious measures to prevent US companies from competing fairly in its market. However, the study acknowledged that China had reduced its official trade tariffs and quotas.

Trade deficits with the European Union, Japan and Mexico also widened.

## News digest

### Dutch shock as air crash kills 103

The crash of a Libyan airliner in Tripoli, killing all but one of the 104 people on board, put the Netherlands in shock yesterday as it emerged that 61 of the dead were Dutch tourists. The sole survivor was a young boy who suffered broken bones and other injuries that Libyan officials said were not life-threatening.

The cause of the crash was not known, although Libyan officials ruled out terrorism. The eight-month-old Airbus A330-200 run by Afriqiyah Airways crashed 10 minutes before it was due to land on a flight from Johannesburg. Its final stop was London.

**Michael Steen, Amsterdam**
**Heba Saleh, Cairo**

### Russia to build Turkey's N-plant

Dmitry Medvedev, Russia's president, yesterday sealed a $20bn (€15.7bn, £13.5bn) deal for Russia to build Turkey's first nuclear power plant, furthering Moscow's ambition of carving out a bigger role in the renascent international market for nuclear energy. Energy co-operation is the core of a rapidly developing partnership between Moscow and Ankara, former cold war rivals.

**Delphine Strauss, Ankara**

### ANC youth leader fined

The controversial leader of the governing African National Congress's Youth League has been fined and ordered to attend anger management classes after clashing repeatedly with senior party figures.

At an ANC disciplinary hearing Julius Malema pleaded guilty to "behaving in such a way as to provoke serious divisions or a breakdown of unity in the organisation." Mr Malema publicly supported Robert Mugabe, the president of Zimbabwe, at a time when South Africa was seeking to negotiate an agreement between the factions of Zimbabwe's coalition government.

**Richard Lapper, Johannesburg**

# Primary threats highlight extent of Republican shift

### US politics

### The wave engulfing even staunch conservatives shows a uniform move to the right, says Edward Luce

Next Tuesday, Republican activists in Kentucky look set to deliver the latest in a series of shocks to their party's establishment when they select Rand Paul, a darling of the Tea Party movement, as their Senate candidate.

A victory for Mr Paul, whose father, Ron Paul, leads the libertarian wing of the Republican party, would be a slap in the face to Mitch McConnell, the Senate Republican leader, who has endorsed the candidacy of Trey Grayson, Kentucky's secretary of state.

The fact that Mr Grayson has also been endorsed by, among others, Dick Cheney, the former vice-president, is one measure of how far to the right the Republican grassroots has shifted.

"In the current environment, if you're running as a Republican it helps if you're not an incumbent and if you are, it helps if you're to the right of Attila the Hun," says Mark McKinnon, a Republican consultant, who advised John McCain in his presidential bid. "The real casualty in this climate is compromise."

Yesterday, Lindsey Graham, the embattled Republican senator from South Carolina, provided the latest example of what the grassroots insurgency means for bipartisan co-operation in Washington when he allowed his colleagues John Kerry, a Democrat, and Joe Lieberman, independent, to launch a climate change bill without his name on it.

Mr Graham, who is thought to have withdrawn his support from the bill because of constantly menacing pressure from activists, sounded almost philosophical about walking away from a document he had co-written.

"We should move forward in a reasoned, thoughtful manner and in a political climate which gives us the best chance at success," Mr Graham said in a statement. "Regrettably, in my view, this has become impossible in the current environment."

Both Republican and Democratic lawmakers are facing primary challenges to their candidacies from activists driven by an unusually high disdain for Washington – even by recent standards. But only the Republicans face an anti-incumbency wave that is uniform in its ideological direction.

The wave is even engulfing otherwise staunch conservative figures, such as Bob Bennett, the three-term senator from Utah, who was ejected in a primary last weekend.

Others, such as Mr McCain, who has gone from being a sponsor of bipartisan immigration reform in 2007 to a supporter of Arizona's draconian recent anti-immigration law, which permits the police to stop and search suspected "illegal aliens", are fighting for their life.

Mr McCain faces a challenge for the Arizona Senate nomination from J.D. Hayworth, a rabble-rousing former lawmaker and talk radio host.

Rand Paul: a favourite of the Tea Party movement

"What has happened to Senator McCain is very sad," says Dana Perino, who was George W. Bush's White House spokeswoman. "But if you look at Senator Bennett, he was in Washington for 18 years and replaced his father in that position, so it is unsurprising what has happened to him. This is an anti-Washington year."

Perhaps the biggest focus is on the race in Florida, where Charlie Crist, the state's Republican governor, quit his party last month to become an independent in the election for a Senate seat in November. Mr Crist, whose sin was to embrace Florida's portion of Barack Obama's $787bn in stimulus money last year, will square off against Marco Rubio, the 38-year-old icon of the Tea Party movement.

Mr Bennett's principal sin was to have voted in favour of the $700bn troubled asset relief programme for banks in 2008. Mr McCain's was to have once been a moderate on immigration.

"Most parties go through big soul-searching after election defeats but for the Republicans it came with real speed," says Bill Galston, an analyst at the Brookings Institution. "The Republicans have decided that they were punished because they deviated from the pure ancestral faith of supporting limited government."

It is too soon to tell what effect the great Republican purge will have on voters in the mid-term elections. But it is already clear what effect it will have on Capitol Hill. "We were already looking at 2010 as a bad year for co-operation but 2011 will be as bad if not worse," says Norm Ornstein from the conservative American Enterprise Institute. "No matter how conservative your record as a Republican, if you co-operate with the other side you will be punished. That is the chilling message."

# A bigger bite

**Insider trading** The quest to restore faith in markets is leading to a more co-ordinated and increasingly aggressive approach by the world's leading watchdogs, write **Kate Burgess** and **Brooke Masters**

March 23 was Julian Rifat's birthday. At 5.30am he should have been in the car that took him every morning from Oxford to the offices in London's West End where he worked as a trader for Moore Capital, one of the world's biggest hedge funds. Instead he was trying on a dressing gown given to him by his wife and thus running late.

Ten minutes later the dawn silence was broken by yells and urgent thumping on his front door. When he opened it, a stream of unsmiling officers from the Serious Organised Crime Agency, two in uniform and the rest in jeans and leather jackets, burst in accusing Mr Rifat of insider dealing and demanding that he wake up his children and turn over their computers and iPhones. Within half an hour, about 20 officers, from both Soca and the Financial Services Authority, chief regulator for the City of London, were rummaging through his house.

At almost exactly the same time, more than 100 officers from both organisations bashed on the doors of 15 premises linked to nine individuals the regulator suspected of insider trading. By midday the FSA had issued a press release stating it had arrested six people – two from prominent City banks and one from a hedge fund – in its "largest ever operation against insider trading".

A day after the raids and arrests, including that of Mr Rifat, US authorities arrested Igor Poteroba, a UBS healthcare banker, charging him with leaking information about pending deals to two friends in a ring that allegedly netted $1m over four years.

Linking all these cases is the issue that concerns all regulators as they strive to maintain the integrity of

**'I give the FSA credit. They've just discovered that they can enforce insider-trading laws if they want to'**

financial markets: insider trading.

Trading on the use of privileged, or not public, information is as old as any stock market. The battle to stamp it out has, however, in recent years become an important goal of regulators of major financial centres. Leading regulators believe that getting a grip on the problem is central to re-establish confidence in financial systems after the battering they took during the financial crisis.

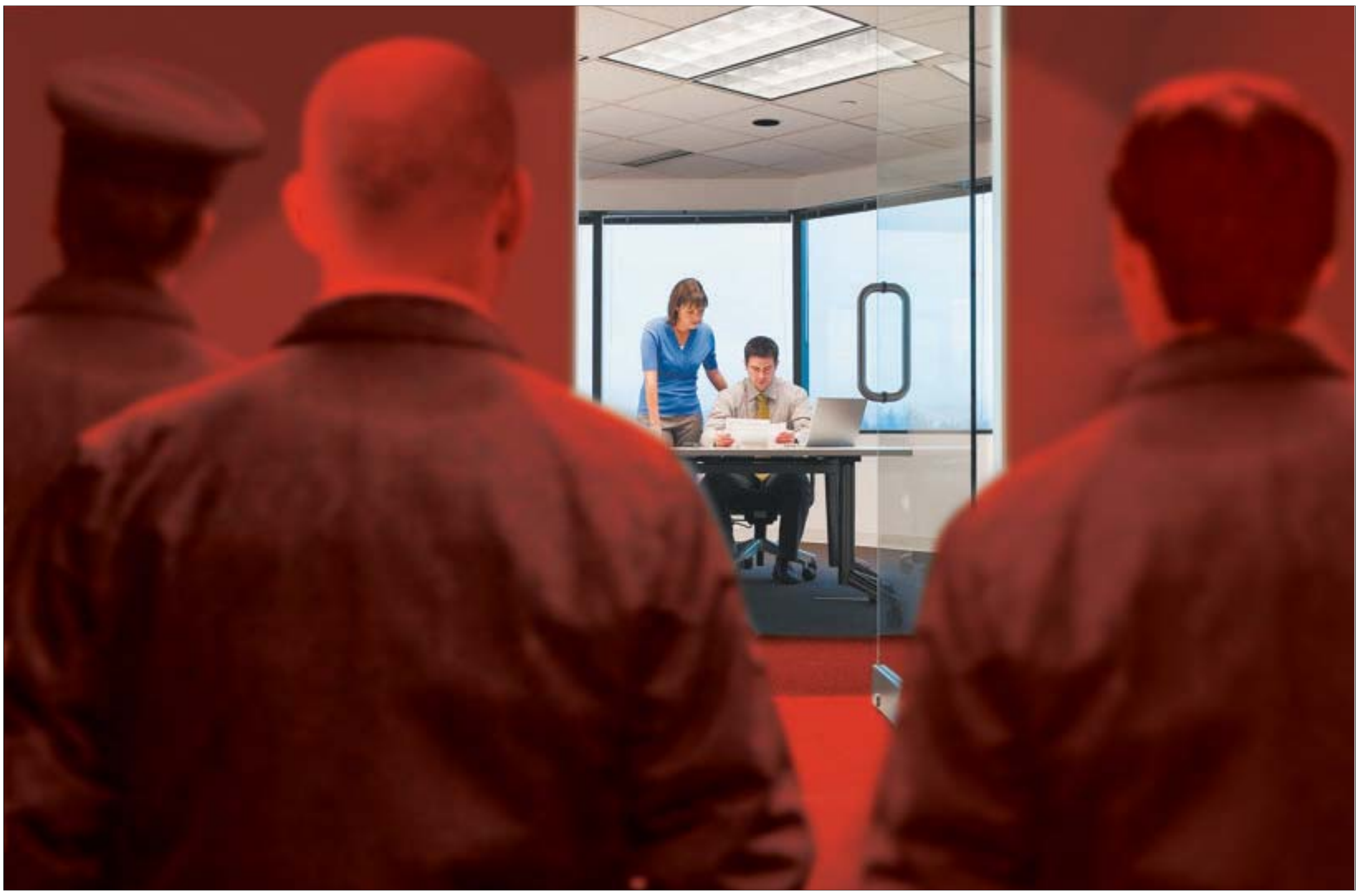
However, the world's leading regulators – the Securities and Exchange Commission in New York and the FSA in London – have historically taken different approaches. In the US the emphasis has been enforcement. Wrongdoers are aggressively and swiftly pursued, using the full armoury of the law, and then hefty fines and prison sentences are used to make examples of them.

In London the approach used to be lighter touch and principles-led. The regulator largely relied on firms to police themselves and their staff according to generally accepted codes.

But recently the FSA has dramatically changed its approach, moving towards that of the US. It is now bent on setting examples to deter market abuse – deploying all available measures in the process, as Mr Rifat discovered. This has not been uncontroversial. Indeed, some critics describe it as a politically motivated last-ditch attempt – denied by the FSA – to save itself from being disbanded by a Conservative party that, in opposition, had promised to hand many of its powers to the Bank of England.

Now the FSA appears to have been given a reprieve. The new Conservative-Liberal Democratic coalition of Prime Minister David Cameron signalled this week that the authority could yet survive. While it awaits the final decision on its future Hector Sants, its chief executive, says it is determined to continue the fight against insider trading, and as publicly as possible.

Mr Sants says: "We do want publicity. We do want people to be afraid, to say, 'Hold on, maybe I don't want to do this. Maybe the FSA will catch me'."



Serious and organised: the UK City regulator is increasingly using US-style tactics such as raids against market abusers

FT montage

The case against Mr Rifat and the six others arrested in the UK will be a test case of this resolve. The FSA told them it suspected them of being part of a sophisticated ring of individuals who had made £21.6m trading on privileged information related to about 10 companies including Scottish & Newcastle, the Edinburgh brewer, and Barclays, the British bank. Then the suspects were sent home. No one expects charges to be laid for months, possibly even a year.

Contrast this with the case of Mr Poteroba. The US Department of Justice immediately made public a 17-page criminal complaint laying out specific trades in half-a-dozen securities, and details of coded e-mails and bank transfers that it says supports its case. At a hearing a day later, a prosecutor told the presiding judge that Mr Poteroba had admitted wrongdoing to investigators. Mr Poteroba's attorney did not respond to requests for comment.

The case, still pending, is nothing special for US enforcers. In the 25 years since the arrest for insider trading of Ivan Boesky, resulting in an early high-profile conviction for the US enforcers, the DoJ and SEC have locked up dozens of people for insider dealing, including bankers and traders at virtually every major Wall Street group.

Few doubt the ability of US authorities to put together compelling market abuse cases, and draconian sentencing guidelines put pressure on the accused to cut deals. Seven months after authorities unveiled their high-stakes case involving the Galleon hedge fund in October 2009, 11 of 22 defendants have pleaded guilty, though a judge has yet to rule on the admissibility of the wiretaps on which the government's case is based.

By contrast, many in the City still question whether the FSA has the skill and nerve to tackle market abuse by true insiders. The regulator has won three criminal cases. Only one touched a major UK firm. This year it secured a 21-month jail term – relatively light by US standards – for Malcolm Calvert, a retired partner of Cazenove, stockbroker to the Queen, for insider dealing. But the FSA never identified his information source and the case rested upon a co-operating witness.

**11**

**Defendants, out of 22, who have pleaded guilty in Galleon hedge fund case**

**29**

**Percentage of takeover deals preceded by suspicious trading in UK in 2008**

The raids that took place on March 23 shocked the Square Mile precisely because the FSA for the first time seemed to be going after people well known in the City and working for high-profile institutions. Those arrested alongside Mr Rifat were real City players, including executives at Deutsche Bank and Exane BNP, part of BNP Paribas. All have denied wrongdoing.

Martyn Dodgson, a corporate financier at Deutsche Bank, is an insurance specialist who was part of a team of bankers advising the government. Clive Roberts, head of sales trading at Exane BNP and before that at ABN Amro, is a well-known and well-connected City figure often seen at the races or at Lord's cricket ground.

Messrs Rifat, Dodgson and Roberts would have been given access to restricted information on hundreds of deals in any one year, and Messrs Rifat and Roberts would have dealt in billions of pounds in trades for many of the UK's leading fund managers.

"This isn't the usual FSA arrest of a fringe operator," says one fund manager. "We know these guys." As word of the arrests spread, traders throughout the Square Mile put in calls to their compliance officers to ask what the offence might have been.

Many continue to doubt the FSA's ability to make cases stick, however. The regulator's record is patchy when it comes to prosecuting regular traders – lawyers say it is much harder to convince a jury that particular trades were improper when they are part of a wider pattern of trading.

It also has fewer investigative tools at its disposal. The FSA only this month announced plans to require banks and brokers to record their employees' mobile phone conversations, too late to help the current investigation and years after the US.

US white-collar crime investigators use techniques honed in gangster cases, such as phone taps and wire-wearing moles, as illustrated by the Galleon case. The FSA, meanwhile, obtained formal power just last month to grant immunity from prosecution to people co-operating with them.

It might surprise some to find that, on paper, UK laws against improper dealing are broader than those of America. Under British law it is market abuse to trade while in possession of any market-moving non-public information; US enforcers must show that the information was stolen or leaked in violation of a duty to keep it confidential.

In theory it should also be easier for the FSA to bring cases because it has both civil and criminal authority, while the SEC can only bring civil cases and must enlist prosecutors at the DoJ if it believes traders should go to prison.

The real difference has been one of attitude: the SEC has viewed itself as an enforcement-led agency for decades, and the US public supports tough penalties for white-collar criminals as a deterrent to misbehaviour.

"You have to keep after it and hammer the message home for every generation," says one former US prosecutor, adding that the need for constant enforcement came home to him when he interrogated a group of young bankers caught for trading ahead of merger announcements. "They didn't even know who Ivan Boesky was."

Although the FSA's powers are broader than those of the US regulator, historically it has been more reticent to use them. But the stakes have been rising. A recent FSA study of market cleanliness found that suspicious trading preceded 29 per cent of all announced takeover deals in 2008, up from 24 per cent in 2005.

**Public pressure: the 1980s conviction of Ivan Boesky (above) for insider trading was an early high-profile success for US enforcers. Hector Sants (below left), head of the UK regulator, argues that his pursuit of publicity in similar cases will help deter market abuse**

Lawyers have noticed the change in attitude at the UK regulator. They attribute it first to the financial crisis, which made clear that most markets are not self-policing. They also point to the leadership at the authority, particularly Margaret Cole, director of the enforcement division, and Mr Sants, who put elimination of insider trading at the top of his agenda when he joined in 2005. Both are strong proponents of using enforcement cases to deter market abuse.

"They have recognised that the US model is more effective in terms of deterrence and punishment," says Lord Goldsmith, a former UK attorney-general.

Under Mr Sants and Ms Cole, the FSA has restructured and expanded its enforcement division, increasing its budget and recruiting more staff with significant City experience. Ms Cole has also embarked on a multi-year campaign to improve the quantity and quality of cases brought by the watchdog, an effort that she says is now bearing fruit.

"I give them credit. They've just discovered that they can enforce insider-trading laws if they want to. It suggests that their prior lack of success had more to do with passivity and indifference than problems gathering evidence," says John Coffee, Columbia University law professor.

The FSA's tough new attitude coincides with an equally big push in the US, where the SEC and DoJ are both anxious to show they can be tough on Wall Street misbehaviour in the wake of the financial crisis.

Companies and lawyers on both sides of the Atlantic are seeing sharply increased regulatory activity and co-operation. The FSA recently went to court to defend its ability to gather information for the SEC; the two regulators now meet regularly to share information and ideas.

"We really have seen a shrinking of borders and regulators working together," says Bob Jossen, a US lawyer with the international firm Dechert.

This will provide small comfort for Mr Rifat. He and the others accused will spend the summer gathering evidence and information that they hope will counter whatever charges the FSA may eventually lay against them. All deny wrongdoing and some hope that, in the absence of concrete evidence, the regulator will drop its case. Meanwhile the legal bills are mounting and their futures look uncertain.

Mr Rifat might find some consolation in the knowledge that the UK regulator's future remains unclear, despite this week's news. A few doors down from him in Oxford, Mr Sants – who plans to step down from the FSA this summer – will also be contemplating his future.

## The global approach

### Regulators around the world take tougher action with mixed results

The US and the UK are not the only countries turning to tougher enforcement in an effort to deter insider dealing, *writes Brooke Masters.*

The Hong Kong Securities and Futures Commission secured its first insider trading conviction in July 2008 and has notched up nearly a dozen more since then, including that of Du Jun, a former Morgan Stanley banker, who was sentenced to seven years in prison.

Canada also recently won its first criminal case, resulting in a 39-month prison term for Stan Grmovsek, who pleaded guilty last year to trading ahead of deals being worked on by a law-school classmate over a 14-year period. Saudi Arabian authorities, too, handed down their first prison sentence for insider trading last year. Najm-Eddine Ahmad Najm-Eddine Dhafer, chairman of Bishah Agricultural Development, was given a three-month term and a fine.

Crossborder co-operation is also at an all time high, reflecting the globalisation of financial markets and the desire by regulators and prosecutors to follow the evidence wherever it leads.

"I've seen an increase in the number of regulators across Europe who say, 'I'd like to take a look at your records in London because something has happened in our exchange here,' " says Richard Frase, a UK-based lawyer with the international firm Dechert.

Twenty years ago, US authorities were virtually the only ones that routinely brought insider-trading cases. Now they have plenty of company and assistance.

The US Securities and Exchange Commission and the Hong Kong SFC worked together closely on the high-profile case against David Li, a Hong Kong-based director of Dow Jones who paid $8.1m to settle SEC allegations that he leaked news of a secret bid for the US media group.

Over the past five years, regulators in more than 100 countries have signed up to share information about market abuse through the International Organisation of Securities Commissions. Information is now flowing at a record rate. In 2008, the most recent year for which figures are available, securities enforcers made 867 requests for information from fellow Iosco members, up from just 307 in 2004.

French enforcers have had a tougher time putting together high-profile cases. In December, the enforcement committee of the Authorité des Marchés Financiers cleared 17 bosses and former bosses at aerospace group EADS of insider dealing. The ruling ended a three-year probe.

FINANCIAL TIMES

*"Without fear and without favour"*

Thursday May 13 2010

# Cameron changes the landscape

*Con-Lib deal is courageous in scope, risky in execution*

Having played it safe during the British election campaign, David Cameron has now revealed a truly audacious streak. The coalition deal the Conservative leader has finally struck with his Liberal Democrat opposite number, Nick Clegg, is more ambitious in scope than seemed possible even a few days ago. This really is an attempt to try a new style of collaborative politics.

It is far from being some minimalist pact. The deal is intended to last for a full parliament, brings five Lib Dems into the cabinet, and involves significant political reform – including a referendum on changing the voting system.

The political stakes are high for both leaders. Failure would wreck Mr Cameron's career, while Mr Clegg is gambling that a successful coalition could sell electoral reform to the British public.

The leaders have talked a lot about the national interest in recent days. But this is not some sort of starry-eyed union between Mr Cameron and Mr Clegg. The deal is the product of cold-eyed political calculation on both sides to gain power. That is all to the good. If it is to last, it must be built on realistic foundations.

On policy, understandably, there has been some give and take. This is on balance positive. The good bits of both parties' programmes have largely survived the process intact, while some more suspect ones have been jettisoned. The coalition's programme is strong on restoring civil liberties for instance. The Tories attractive plans to reform education remain in place, as do proposals to look at structural reform of the banking system.

Meanwhile, the Tories have neutralised some of the Lib Dems' woolier pledges. The nuclear deterrent will be maintained, and Britain will continue to look to nuclear power for its civil energy. For their part, the Lib Dems have toned down some of the more anti-European aspects of the Tory programme. Plans to confront Brussels with demands to repatriate powers have been shelved.

The biggest challenge for the new government is, of course, to tackle Britain's yawning deficit. The five-year term of the deal, and the majority the new administration enjoys in the House of Commons, certainly makes tough action possible.

The coalition document does not explain how the deficit is to be closed. That will be set out when the government announces its emergency budget in the summer. This newspaper endorsed the Conservatives principally because we felt that they were most likely to trim back the bloated state bequeathed by Labour. They would place the burden of deficit reduction on spending cuts rather than tax rises. While we hope that the coalition will continue with this course, it is disappointing that the two parties did not take the opportunity to show more resolve to shrink the state. It would have been more encouraging had they not pledged to ring-fence NHS spending or pared back some of their proposed tax cuts.

Putting together a common programme is one thing. Actually enacting it in government is quite another. The coalition will be tested. The chemistry between Mr Cameron and Mr Clegg, so apparent at yesterday's Downing Street press conference, may wear thin as the administration is forced to make hard and unpopular choices.

It is encouraging that the two sides have assembled their team quickly. The combined talent pool has produced a stronger cabinet than would have been the case with the Conservatives on their own. The decision to put representatives of both parties in each department is good in that it cements co-responsibility as a principle. But how well the two sides will rub along when the going gets tough remains an open question.

**Whether it succeeds or fails, the Con-Lib coalition deal will change British politics**

Lastly, there are the back benchers and the grass-roots members of both parties. Many of them will be extremely suspicious of the deal that has been struck and the compromises required. Some will have had their hopes for office frustrated. The well-organised Tory grass-roots are already grumbling about the lacklustre campaign Mr Cameron fought. On both sides the activists remain a potent and combustible source of potential discord in the years ahead.

It will take real leadership to keep the coalition on track. Both sides will need to deal with the inevitable disagreements in the same mature spirit that they exhibited when constructing the deal. It will not be easy. British politics is traditionally majoritarian and adversarial. But the course is now set. Whether it succeeds or fails, this deal will change British politics.

# Zapatero finally wields the axe

*Forced into toughness, Madrid must pursue real reform*

Spain, long protesting that it does not deserve to be put in the same category as Greece, has finally realised that this is a distinction markets, not politicians, get to draw. Yesterday's budget cuts should help convince investors that Madrid's effort to rein in its deficit has moved from cheap talk to painful actions. But the time wasted resisting the need to prove that public finances are sustainable delayed the task of securing sustainability of a more important kind: that of the Spanish economy.

José Luis Zapatero, Spain's prime minister, has a point. Public finances were reasonably sober during the boom. The government ran a surplus and owed less than 40 per cent of national income. But the growth that supported this was based on a mirage, as the government rode on the back of a private sector intoxicated by foreign capital. Had the huge private sector deficit been invested to make the economy more productive, it might not have been a bad thing. Instead it financed house-building – which creates jobs and tax revenue, but only so long as the going is good.

The vacuum left behind when the credit flows stopped made both employment and public finances implode. One in five is now without a job. The deficit reached 11.2 per cent of output last year. Spanish real estate, and the banks exposed to it, stand as monuments to a barren economic strategy. Spain's most urgent task now is to gain credibility with bondholders, without losing sight of the need to reform a rigid labour market that hinders growth from taking root.

Last February, Madrid presented a radical plan for cutting the budget deficit. But it did not rein in the credibility deficit, the most acute contagion which has spread from Greece. Mr Zapatero's earlier nonchalance made markets doubt his commitment to the plan and the realism of its growth forecasts. The one percentage point spread of Spanish 10-year yields above German ones is nearly double what it was at the start of the year.

Mr Zapatero had no choice but to undergo the welfare-state equivalent of trial by ordeal. He demonstrated he could take the political pain by announcing he would cut civil service pay by 5 per cent. In total, the new measures amount to a cut in public spending of 1.5 per cent of output more than the earlier plan of bringing the deficit to 7.5 per cent of output in 2011.

It is not certain this will work. The last quarter brought the first glimpse of even anaemic growth since the crisis began. Independent forecasts see Spain growing at only 1 per cent next year, just over half the official assumption, and expect a 2011 deficit of nearly 9 per cent. If the new cuts kill off the sickly recovery, the risk is that the deficit will end up wider than hoped.

They are nevertheless indispensable signals of political will. After last week's market panic and the eurozone's extraordinary response, Spain had to prove that it would not go the way of Greece. Now that Mr Zapatero has belatedly found his tough core, he should hesitate no further to launch the structural reforms that can bring his country on to a less illusory growth path.

# Letters

## Greeks must wonder who will share their woe

*From Mr Jacob R. Freudenthal.*

Sir, All the triumphalist accounts about the brilliant success of the European Union in putting a €500bn band aid on the festering wound of Greek sovereign debt may be useful in giving a temporary boost to the stock market. But would it not also be helpful to ask a few questions about how this Mount Olympus of debt was allowed to accumulate in the first place?

The easy answer, of course, is to blame those profligate Greeks, who, just as Penelope's suitors did, were living the good life without expecting that they would ever have to pay for it ("Europe is unprepared for austerity", Gideon Rachman, May 11). But while the suitors had Telemachus to warn them against the consequences of helping themselves to his father's meat and wine, the modern day profligates had an ample supply of German and French banks that were willing to provide them with seemingly endless food and drink in the form of billions of euros worth of loans.

Why were these banks so willing to lend to Greece? That country's financial problems were not exactly unknown, but were years in the making and, according to an FT article last year by Prof George Pagoulatos, the result of several structural weaknesses.

Since banks are not eleemosynary institutions, they must have been expecting to get some benefit from making these loans. Was this in the form of charging higher interest rates for loans that, as explained by Gillian Tett, were deemed "zero-risk weighted"? Were the bankers expecting from the beginning to be bailed out by European taxpayers when nemesis finally arrived?

Are ordinary Greeks being singled out for blame, just as subprime mortgage borrowers were initially, in what later came to be recognised as a major American lending scandal ("Countrywide in $624m class action deal", May 8)?

Penelope's suitors were ultimately forced to take some rather uncomfortable haircuts. The people of Greece, who may have to endure as many years of austerity as Odysseus took to return to Ithaca, might be forgiven for asking whether the European banks should not be required to do the same.

**Jacob R. Freudenthal,**
**New York, NY, US**

## Australian minerals belong to the people

*From Prof Ken Coghill.*

Sir, Critics of Australia's resource-rent tax ("Uproar grows over Australia's super-profits tax", May 12), speak as if the nation's mineral estate is *terra nullius* (land belonging to no one).

However, Australian minerals are the common property of the people, as in most countries except the US. Mining companies now pay no more than 5 per cent of minerals' market value as royalties to Australian state governments. After paying exploration, extraction and transportation costs, standard 30 per cent corporate tax rates and benefiting from special tax breaks, high commodity prices leave miners with massive profits that dwarf the royalties received by the original owners.

The new tax is a belated move to give a fair share of net proceeds back to the Australian people.

**Ken Coghill,**
**Director,**
**Monash Governance Research,**
**Department of Management,**
**Monash University,**
**Melbourne, Australia**

**The new breed of Tinkerbell MBA is in for a nasty surprise** Walt Disney

## Asia will relish touchy-feely graduates

*From Mr Scott Guthery.*

Sir, In the On Management column of May 11, regarding the appointment of Dr Nitin Nohria as the dean of the Harvard Business School, the secret delight of Asian businesses by the appointment went unmentioned ("The dean poised to shake up business").

Harvard Business School will henceforth turn out mindless touchy-feelies that Pacific Rim tigers will happily teach the reality of doing business, free of entrance exams and tuition fees, no less. Will the smug self-righteousness that is prescribed for US managers be any solace to them in their state of indentured servitude? I doubt it. But once this new breed of Tinkerbell MBA makes a serfdom of the US economy, it will be difficult to undo the unintended consequences of Harvard's latest better idea. If history is any guide, it took a bubonic plague the last time around.

**Scott Guthery,**
**Boston, MA, US**

## After being ill with indecision, the recovery can begin

*From Mr Paul Dare.*

Sir, The agreement that the new Conservative party government has made with the Liberal Democrats in return for its support includes a change to fixed-term parliaments in the UK.

This is new and was not properly presented to voters during the election campaign.

The ability of a prime minister to call a general election at any time has been a strength of the British political system. It has proved to be a remedy when a hung parliament has found itself unable to govern. It has given confidence to those investing in British government securities, since they have known that, when a government is failing and there seems no way forward for the existing parliament, action can be taken swiftly to replace it with a new elected parliament and government.

I suggest that any change to fixed-term parliaments in the UK be subject to the proviso that the prime minister may nevertheless ask the Queen to dissolve parliament if the government loses a vote of confidence in the House of Commons or fails to get its budget approved by parliament. This should go a long way to preserving market confidence during fixed-term parliaments.

**Paul Dare,**
**London SW13, UK**

*From Mr William Burns.*

Sir, I am no visionary, but here lies the script: we are all going to get spoiled over the next few months, only to illustrate how generous the new coalition government is. Thereafter, another general election will be called, so that the Conservatives get an overall majority in the Commons for their generosity. We will then all suffer.

Politically, the Liberal Democrats will agonise more than any other party. They will be dropped like a hot potato once the Tories get the overall majority they seek.

The Liberal Democrats will be out the window and they will have done irreconcilable damage to their standing with their own supporters for their opportunism.

I hope and and pray that I will be shot down for being wrong. However, in the meantime, pay attention!

**William Burns,**
**Edinburgh, UK**

*From Mr Jake Brahms.*

Sir, A hung parliament is the best possible outcome for Britain. The air of apathy in the UK electorate is slowly receding and people are beginning to take an interest in politics once again. Instead of gaining one weak government from the election, Britain has benefited enormously as the three main parties tried to put aside their differences.

As Cicero once said of the Roman republic, Britain is ill with indecision. The road to recovery will be slow; however a hung parliament will find the necessary remedy to cure its illness. All qualms aside, the recovery can finally begin.

**Jake Brahms,**
**London, UK**

## Masochistic unions leading the charge to self-immolation

*From Mr Saveen Kumar.*

Sir, There was a time when unions stood up against exploitation and injustice. Not any more, it seems. The 20-day strike action by the BA union is a case in point. Driven by a self-righteous sense of entitlement, Unite seems to be in a relentless, suicidal campaign to destroy economic value. It seems that it is taking a sadistic pleasure in killing the source of its bread and butter, without taking into account the current economic situation.

One fears that mayhem will be unleashed once the new government tries to introduce austerity measures. I completely agree with Gideon Rachman's assertion (May 11) that Europe in general, and the UK in particular, are not prepared for the impending hard times, and unions such as Unite will lead this charge to self-immolation. I wonder what lies ahead.

**Saveen Kumar,**
**London E18, UK**

## Leave free market capitalism alone so it can do its job

*From Mr Bruce Goodwin.*

Sir, I am somewhat amused by Robert H. Wade's description of Sir Samuel Brittan's call for light touch capitalism as being "academic" (Letters, May 11). As we are well aware, Labour party policy and academia are united in their inability to leave free market capitalism to do its job.

I would certainly agree that Britain needs to respecialise, but why would Prof Wade be so doubting of private enterprise's ability to deliver the goods, especially with sterling now competitive? He conveniently misses the point that the finance, housing and construction boom was directly the result of misallocation of resources brought about by manipulation of, and interference in, free markets.

Housing receives preferential tax treatment and is conveniently left out of inflation calculations. The government turned a blind eye to – nay encouraged – loose mortgage lending and consumer credit. Political pressure was put on Mervyn King when he tried to cool the housing boom. Consumption is seen as the measure of strength in the economy rather than being a direct consequence of production.

At the same time, policies have been put in place that discourage traditional saving and therefore the investment that is needed in developing private production in the new industries that are so sorely needed. Large swathes of the tax system work in favour of non-productive sectors and have suppressed the real economy to the benefit of those that are supposed to serve it.

Let's bury for good the myth that the financial crisis both here and elsewhere was a failure of free market capitalism. Loose regulation may have been a contributing factor, but the financial crisis was and continues to be the result of the egregious manipulation of markets. The outsized UK financial sector is a direct consequence of this intervention.

**Bruce Goodwin,**
**Gerrards Cross, Bucks, UK**

## We get paid in dollars, not IOUs

*From Mr Charles Mullinaux.*

Sir, Clive Crook asserts in "America has good reason to worry about Greece" (May 10) that California is effectively in default because the state is "paying its workers with IOUs rather than money".

California is certainly experiencing financial woes. In response to the budget crisis, most state workers are furloughed without pay for three days each month. This amounts to nearly a 15 per cent pay reduction. While the reduction in income has been challenging, the furloughs are scheduled to end in June 2010 and our pay throughout the budget crisis has been issued in US dollars – not IOUs.

**Charles Mullinaux,**
**California Department of Child Support Services**
**Rancho Cordova, CA, US**

COMMENT

**Who's who in the UK coalition cabinet**
An interactive graphic detailing the key new ministers' backgrounds
**www.ft.com/cabinet**

**Government must focus on growth**
Richard Milne gauges companies' reaction to Britain's Con-Lib coalition
**www.ft.com/govbiz**

● To contribute please e-mail: letters.editor@ft.com or fax: +44 (0) 20 7873 5938 Include daytime telephone number and full address ● For corrections e-mail: corrections@ft.com

# Notebook

**Robert Shrimsley**

## An awfully civil partnership

Downing Street's rose garden was tastefully arranged as if in readiness for a wedding; though in this case it was more of a civil partnership.

The grass was verdant; the sun shone; the blossom was in full bloom. The two young men were nicely turned out and full of sweet things to say about each other. Oh yes, this is a going to be a *very* civil partnership.

This was just the kind of thing Lord Tebbit has been warning about. We'd seen them earlier on the steps of Number 10 and – well, frankly, they couldn't keep their hands off each other. (Cynics might say each was power-handshaking, Bill Clinton style, but we've seen *He said, She said* and we can read the signals.)

It is true that there were rather more people on the groom's side than, er, well, on the other groom's side. Mr Cameron had the Mail, the Express, the entire Murdoch press, the Telegraph. Poor Mr Clegg had only the Guardian and the Independent and – to be frank – they were not altogether happy. Many of Mr Clegg's family had stayed away. They are somewhat traditional and don't approve of these sort of things. Still, at the last minute Uncle Vince had agreed to be an usher and a couple of other loyal cousins had joined the retinue.

The two grooms sauntered out, past the wisteria and on to the grass, proudly to declare their mutual affection and admiration. They were breaking with convention by eschewing matching suits and ties but they were wearing the same winsome smile. As Nick said, they aimed to be "radical but reassuring".

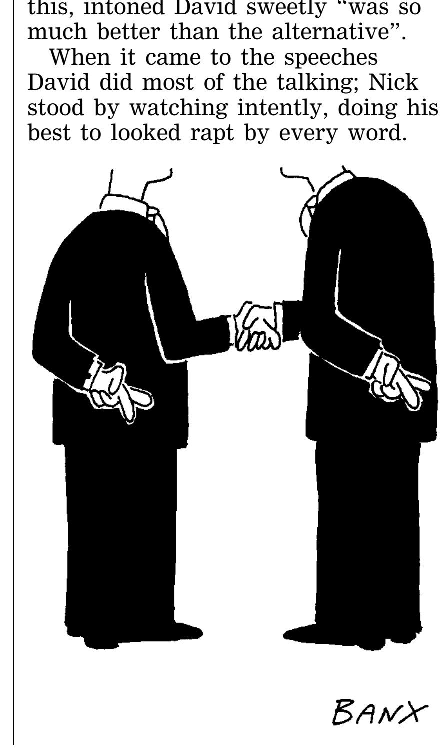
Copies of the pre-nup – or the "Conservative-Liberal Democrat coalition negotiations agreements", to use its full legal name – had been handed out to guests in advance. In the event of a split, it would seem Mr Cameron gets to keep the nuclear power stations. They've also agreed to a joint bank account – although, worryingly, some chap called Osborne will be administering it day to day.

What "Gord" had joined together let no man cast asunder. Some of the domestic arrangements remain a little vague: Mr Clegg said he hadn't even seen where he would be living, but that he believed a corridor connected their two rooms and the door was never locked.

Right up to the end there had been doubts about getting hitched. Nick, it was said, had been sniffing around old haunts right up until yesterday. It did make you wonder about his commitment. David told us that they had been tempted to stick with a more casual, free-and easy arrangement; "confidence and supply" as the young people call it. But, as they discussed it over the weekend, they had realised that they wanted this to be for keeps. Well at least for the next five years, which perhaps is all you can ask of any relationship these days.

"We could do it, it might last for a month or six months. We both looked at each other and said, 'this is really uninspiring'." Besides which this, intoned David sweetly "was so much better than the alternative".

When it came to the speeches David did most of the talking; Nick stood by watching intently, doing his best to looked rapt by every word.





Every now and then, however, there flicked across his face a look that showed he was just grasping that he was about to spend the best years of his life standing by in mock admiration while his partner wittered on. Indeed, he resembled one of those wives who is actually way smarter than her husband but who just sits there, quietly letting the spouse ramble. Mary Archer came to mind; can't think why.

There was a moment when one of the guests – there's always one at every wedding – brought up some inappropriate moment from David's past, some mean quip he'd made about Nick during one of their tiffs. It was a bit off; after all, it's the best man's job to bring up past indiscretions. But nothing was going to ruin the Clamerons' day.

We tried to find out about the honeymoon but apparently it's just a quiet weekend at Chequers; well, what with the ash cloud and the BA strike it's hard to get away, and it can be dashed tricky finding a B&B.

And then, with a couple more smiles and words from the new PM, the Ant and Dec of modern politics ambled off to . . . but, like a Barbara Cartland novel, perhaps it's best to leave this at the bedroom door.

Before the election Mr Cameron had promised tax-breaks for married couples. Of course to be eligible only one partner can be in work. Does deputy prime minister count as a job? Either way, it all seemed a bit much for £3 a week.

**robert.shrimsley@ft.com**

# A waning Europe matters less to America

**Richard Haass**

It is more than a little ironic that Nato has committed itself to defining a new strategic concept at precisely the moment the transatlantic relationship counts for less than at any time since the 1930s.

In part this development reflects Europe's success. While Europe was the central arena for much of 20th-century history and a principal theatre for both world wars and the cold war, it now is mostly at peace. The Franco-German rift has been replaced by a broader integration of the continent inside the European Union, with France and Germany at its core. Europe is to a large extent whole and free. What happens within it will not determine the arc of the 21st century.

But Europe's loss of centrality also reflects its failings. The European project is foundering. Greece is the most pronounced problem, one brought about by its own profligacy and a weak EU leadership that permitted it to live beyond its means and violate the terms under which the euro was established. But the crisis was made worse by German dithering, and initially timid responses from European institutions and governments. The euro could be one of the casualties.

Already there are signs the crisis is spreading to other countries that, having also lived beyond their means, are suffering from insolvency but are unable to do much about it given their domestic politics and membership of the euro. This week's €750bn rescue package will buy time, but will not address the insolvency at the core of the problem. Europe's recovery will be anaemic in absolute and relative terms. Europe is now the world's largest economy, slightly larger than the US, but will not be for long.

Even before this economic crisis, Europe was weakened by a political crisis. Many Europeans have been preoccupied with revising European institutions, but repeated rejections of the Lisbon treaty demonstrate that a united Europe no longer captures the imagination of many of its residents. Lacklustre leadership of European organisations is both a cause and a result of this loss of momentum.

Behind this drift is the stark reality that Europeans have never quite committed to Europe, largely because of the continued pull of nationalism. If Europeans were serious about being a major power, they would trade the British and French United Nations Security Council seats for a European one. This is not about to happen.

**Nato will no longer be the default partner for US foreign policy. Instead, Washington will forge coalitions of the willing**

Europe's drift also manifests itself militarily. Few European states are willing to devote even 2 per cent of their budgets to defence; and what they spend their money on makes little sense. National politics and economics dictate expenditures, so there is much replication of what is not relevant and little investment in what is needed. The whole is less than the sum of its parts.

Afghanistan is a case in point. The European contribution there is substantial, with more than 30,000 soldiers from EU countries. But the involvement is uneven, with nearly a third of the troops coming from the UK. In many cases the roles are diluted by governmental "caveats" that limit missions, a lack of equipment and commitments of uncertain duration. European political culture has evolved in ways that make it harder to field militaries willing to bear the cost in blood; the US secretary of defence describes this as "the demilitarisation of Europe – where large swaths of the general public and political class are averse to military force and the risks that go with it". All this limits Nato's future role, as Nato mostly makes sense as an expeditionary force in an unstable world, not as a standing army on a stable continent.

Time and demographics will not improve the situation. Europe's population has levelled off at about 500m and is rapidly ageing. By mid-century the percentage of Europe's adults who are older than 65 is projected to double. Fewer will be of military age; a smaller number will be working to support the retired.

History is at work here as well. US-European ties and Nato were destined to become weaker given the end of the cold war. Alliances tend to be created and to thrive in eras of predictability and consensus over threats and obligations. The post-cold war, post-9/11 world is much more fluid than this.

The combination of structural economic flaws, political parochialism and military limits will accelerate this transatlantic drift. A weaker Europe will possess a smaller voice and role. Nato will no longer be the default partner for American foreign policy. Instead, the US will forge coalitions of the willing to deal with specific challenges. These clusters will sometimes include European countries, but rarely, if ever, will the US look to either Nato or the EU as a whole. Even before it began, Europe's moment as a major world power in the 21st century looks to be over.

*The author is president of the Council on Foreign Relations and author of War of Necessity, War of Choice: A Memoir of Two Iraq Wars*

# Facebook's open disdain for privacy

**John Gapper**


Facebook is among the most powerful internet companies – maybe the most powerful together with Google – in the world.

It has 400m users, 35m of whom use it at least once a day. It is the most visited website in the US. Its initial public offering, which is expected within a year or two, would be the biggest Silicon Valley event since Google's IPO in 2004.

Facebook is thus important not only to investors but to everyone interested in the future of the internet, which is practically all of us. If it decides, in Google's phrase for deceiving or messing around with its customers, to "be evil" then millions feel the effects.

Unfortunately, Mark Zuckerberg, the 25-year-old who founded Facebook as a private social network for Harvard students, has recently been displaying a disregard bordering on disdain for Facebook users' right to maintain control over personal information.

Not only has Facebook gradually eroded the privacy rights of its users, but it has done so in a confusing and opaque way. Facebook's privacy controls are now so complex and hard to understand that many have been nudged into "sharing" a lot, just as Mr Zuckerberg wishes.

"We are building towards a web where the default is social," he declared to a developers' conference last month. In practice, he meant that Facebook will share users' data with some websites, initially including Pandora, the music service, and Yelp, a small business recommendation site, unless they jump through hoops to stop it.

Mr Zuckerberg was at least speaking plainly, unlike last December, when he wrote in an open letter that "our work to improve privacy continues today". He failed to mention that, eight days later, it would turn six aspects of each user profile, including gender, location and the friends list, into "publicly available information".

If Facebook users were allowed a free choice, they might well tick the box to accept anyway. His vision of the "open graph", in which Facebook's users engage more with websites they visit and applications they use because the services are tailored to them, has allure.

For the sites in its pilot programme, that means Facebook users will, for example, automatically see restaurants recommended by friends when they visit Yelp, or hear music from bands they like when they go to Pandora. The software "cookie" placed on their computers by Facebook will automatically identify them to partner websites.

Facebook users might in future find books that have been read by their friends or gifts based on their location recommended when they visit an online retailer such as Amazon. If Facebook does not encounter too many protests, this pilot is likely to expand.

Some will find this useful and others abhorrent, depending on their view of software surveillance and data sharing. What is indisputable is that consumers need to be given a clear, comprehensible choice about how their personal information is used, so they can decide.

By this standard, Facebook is failing dismally. It is arguably complying with the law (although several privacy groups have argued to the Federal Trade Commission that it is not) since no private data are being provided to advertisers, but it is being far from transparent.

Apart from the difficulty of keeping information private and the barriers to doing so, it is breaching former understandings by getting millions hooked on its services with a promise of strict privacy controls, and then informing them that stuff happens and they must adapt.

The Electronic Frontier Foundation has published a good timeline of how Facebook's privacy policy has weakened from its pledge in 2005 not to share data with anyone but a defined set of friends and groups, to today's Orwellian warning that "when you connect with an application or website, it will have access to General Information about you".

Mr Zuckerberg has defended this by claiming that privacy standards online are changing and young people want to share more than in the past. This is at best disingenuous and does not justify a failure to inform and consult people.

Even if Facebook users invest the considerable amount of time and effort needed to understand Mr Zuckerberg's gradual changes of policy and decide to trust him with their data, how can they be sure he will not alter the rules again with similar insouciance?

He is not alone in Silicon Valley. Social networks and internet companies often give away services free to users and only retrospectively address the challenge of "monetising" their users in order to satisfy the venture capitalists that have funded them.

Even highly-profitable Google used dubious tactics this year when it tried to compete with Facebook and Twitter by launching its Google Buzz social network. At launch, it set the default to link G-mail users to people they had frequently e-mailed, and it only backed down under protest.

Facebook needs to do basic things to act responsibly and regain trust. It should provide simpler and more intuitive privacy controls, and retain them. It must explain clearly how it will distribute "publicly available information" and what the limits on that use will be, not until it changes its mind but for good.

As it is, Mr Zuckerberg, who turns 26 tomorrow, gives the impression of not caring a hoot about privacy. Whether by protest, legal action or regulation, he should be made to.

john.gapper@ft.com

JOHN GAPPER'S BLOG

Read and post comments on this column by going to **www.ft.com/gapper**
To follow John's blog. go to **www.ft.com/gapperblog**

# Unruffled Asia resumes its economic ascent

**David Pilling**

The pillars of the Parthenon may be crumbling. But half a world away, the stone slabs of the Great Wall of China, the basalt arches of the Gateway of India, and even the Twin Towers of Petronas have rarely looked in better shape. As Europe grapples with glacial growth and cavernous deficits, Asian states have rather different problems. Awash with cash and thundering along at a pre-crisis clip, they are, if anything, in danger of overheating.

The term "decoupling" was never the right one to describe economies that, in the years leading up to the financial crisis, became ever more closely hitched to the west's shopping cart. In the 10 years preceding the Lehman shock, Asian exports as a share of output actually rose, from 37 per cent to 47 per cent, making their economies more, not less, dependent on external demand. Yet, even though much of that demand vanished overnight when credit markets froze at the end of 2008, Asian economies barely drew breath before resuming their ascent. If not exactly decoupled, Asia has certainly been unruffled.

Asia ex-Japan – as brokers like to refer to Asia minus the slow, lumbering bit – are likely to grow by more than 8 per cent this year. Twelve months ago, that would have seemed improbable. Some of the most open Asian economies were winded by the sudden loss of external demand. But they have recovered with impressive speed. Singapore, which shrank 2 per cent last year – less than originally feared – will grow above 6 per cent in 2010. Malaysia, which lost 1.7 per cent of output in 2009, will find at least 5.5 per cent this year. Even Thailand, for all its tourist-scaring pitched battles, will grow by nearly 5 per cent in 2010, after contracting 2.3 per cent last year.

These are the exporting economies that – along with Hong Kong, Taiwan and Japan – were hardest hit by the global shock. Others barely wavered in the first place. China grew a remarkable 8.7 per cent last year – admittedly a bit of a comedown from the nearly 13 per cent of 2007. But in the first quarter of this year, growth was already back up to 11.9 per cent, prompting concerns that it was expanding too fast. India, more self-contained than most of its neighbours, managed a very respectable 7.2 per cent last year and should comfortably clear 8 per cent in 2010.

How has Asia done so well? The main reason is the huge stimulus packages it mustered, led by China's gargantuan monetary and fiscal effort. Beijing subsidised purchases of electronic goods and revved up its already mammoth building programme; Taipei gave everyone, even convicts, spending vouchers; Singapore, which now has more jobs than it did before the crisis, dusted off public-work schemes and paid employees to keep on staff. Because fiscal positions were sound, there was less of what economists call Ricardian equivalence. In other words, consumers spent windfall money rather than saving it in the expectation that a flat-broke government would claw it back later.

**Awash with cash and thundering along at a pre-crisis clip, the region is, if anything, in danger of overheating**

Partly as a result of stimulus measures, trade patterns have begun to shift as Asia seeks alternative sources of growth. Commodity-producing economies, such as Brazil, Indonesia, Russia and Australia, and commodity-consuming ones, such as China, Japan and South Korea, are reinforcing each other. South Korea, for example, sells 70 per cent of its finished goods to emerging markets. China is sucking in iron ore, bauxite, oil, timber and other commodities. That gives suppliers of those inputs more money to buy manufactured goods, many made in China itself.

One should not exaggerate the scale of such feedback loops. China is not yet nearly big enough to carry the world on its shoulders. But it can carry parts of it. Just as once, at the end of many supply chains, there was an American shopper dropping a DVD player into his cart, now there is a Chinese local government official planning a road or a steel plant. In some cases, there is even a Chinese consumer, who – no matter how elusive he is supposed to be – continues to increase spending by double-digits. Last year, the Chinese bought more cars and mobile phones than did Americans. China's import volumes are a fifth higher than its pre-Lehman peak and its exports 6 per cent higher, according to Richard Jerram at Macquarie Securities. Asia, overall, is producing and exporting more than ever before.

If the region has an overriding problem, says Frederic Neumann, regional economist at HSBC, it is that monetary policy too closely tracks that of weak western economies. Because of a perceived need to keep currencies competitive, average Asian interest rates are 200 basis points below where they should be, he estimates. That is despite a number of tightening measures across the region in recent months. Australia and India are among those that have raised rates, Singapore has let its currency appreciate and China has already increased bank reserve requirements three times this year. Mr Neumann fears these might turn out to be too timid to prevent runaway inflation or the emergence of asset bubbles in some countries. This is certainly something to worry about. But, one suspects, most European finance ministers would kill for such problems.

david.pilling@ft.com

# The strange rebirth of Tory England

**Geoffrey Wheatcroft**

By the beginning of this year, David Cameron and the Conservatives were riding high in the polls. They were fortified by much more money than the other parties, notably the funds Lord Ashcroft had poured into marginal constituencies. After 13 years of a flailing and often failing Labour government, with an electorate that grimaced at the memory of Tony Blair and squirmed at the clumsy ineptitude of Gordon Brown, "time for a change" was powerful sentiment.

All in all, the Tories expected to win the coming election comfortably. And yet in the event they ended 30 seats short of the number needed for an absolute parliamentary majority. They have indeed taken office, and Mr Cameron is at Number 10, but only thanks to a potentially fraught coalition cobbled together with Nick Clegg and his Liberal Democrats.

Today the watchword among MPs of both parties is "don't rock the boat", and the less said the better. But you may be sure that in private there is much Tory bitterness, soul-searching and recrimination. How had it gone wrong, and when, and why? Is it too much to say that Mr Cameron blew it?

Westminster aside, there are already Tory constituency workers and bloggers ready to accuse the party leadership of conducting a very poor campaign: nearly two out of three party workers polled online said just that. The Cameron group – one of the problems is that the party has been run by a small clique surrounding the leader – bombarded the electorate with new initiatives and policies day by day. And yet none of them caught the voters' imagination.

Something called "the big society" was going to be the Tories' chief selling proposition, and it fell flat as could be, maybe because few ordinary people understood what it meant (I certainly didn't). This was one of those bright ideas that come up in marketing meetings, and which a seasoned executive will shoot down with a gently humorous phrase. The Tory team seems to lack such wise heads nowadays.

**In private there is much bitterness, soul-searching and recrimination. Is it too much to say that David Cameron blew it?**

But the problem goes back further, to the beginning of Mr Cameron's leadership. He was cunningly jockeyed into place by Michael Howard, his patron and predecessor, sealing the deal with an eloquent conference speech. Having become party leader, "Dave" then gave the impression of wondering why he had, and what he was going to do next.

Not everyone took to him, but the attacks on him were misplaced. When Labour spin-doctors wanted to deride Mr Cameron's background, Mr Blair sensibly reminded them that he himself had been to Fettes, "the Eton of Scotland", and then to Oxford, like Mr Cameron, and that such a line would be ridiculous. But Mr Brown could not resist feeble gibes about the playing fields of Eton. Other assaults came from the unreconstructed right in Mr Cameron's party and in the Tory press, but they got it wrong too, calling him a cryto-progressive or a closet liberal.

Funnily enough, this exactly mirrored the mistake the left made years earlier when they denounced Mr Blair. Because the left think incorrigibly in ideological terms, they saw Mr Blair as a rightwing infiltrator, which entirely missed the truth. The point about "Blairism" was not that it was ideologically leftwing or ideologically rightwing, but that it had no ideological substance at all.

And "Cameronism"? There were days when Mr Cameron wanted to "hug a hoodie" and days when he wanted to be tough on crime. One week he was saying that the UK should not be a client state of Washington and the next he was presenting Barack Obama with a copy of *A History of the English-Speaking Peoples* (Winston Churchill's worst book, as it happens).

Or he wanted tax policies that encouraged the family, or, then again, he didn't. Altogether it was possible to see Mr Cameron as the last Marxist politician – in the sense, that is, of Groucho's: "Those are my principles, and if you don't like them . . . well, I have others."

No one supposes that a party leader will act like a bishop or think like a professor, but we are entitled to expect a degree of sober judgment, consistency and gravitas. Mr Cameron is a clever fellow, he is a fluent speaker, he is a good husband and father. Now he has become prime minister at a time of grave crisis, and we shall learn the answer to another question: is he an *homme sérieux*?

*The writer's books include The Strange Death of Tory England and Yo, Blair!*

Business Life

# Big pharma aims for reinvention

Leading drug companies have long focused on blockbuster medicines to drive their profits, but the model is changing, writes **Andrew Jack**

With some of his most profitable medicines going off patent, and the uncertainty of replacement drugs continuing to rise, US healthcare reform has been the least of Andrew Witty's recent worries.

When the chief executive of GlaxoSmithKline presented his company's most recent financial results last month, he gave a sense of how the UK's biggest drugmaker – and the industry more generally – is responding to structural pressures: diversify to survive.

For his company, he says, this means a shift away from "white pills in western markets", with the proportion of traditionally core patent-protected, chemically based drugs, which are sold mainly in North America and western Europe, falling to just more than a quarter of total sales.

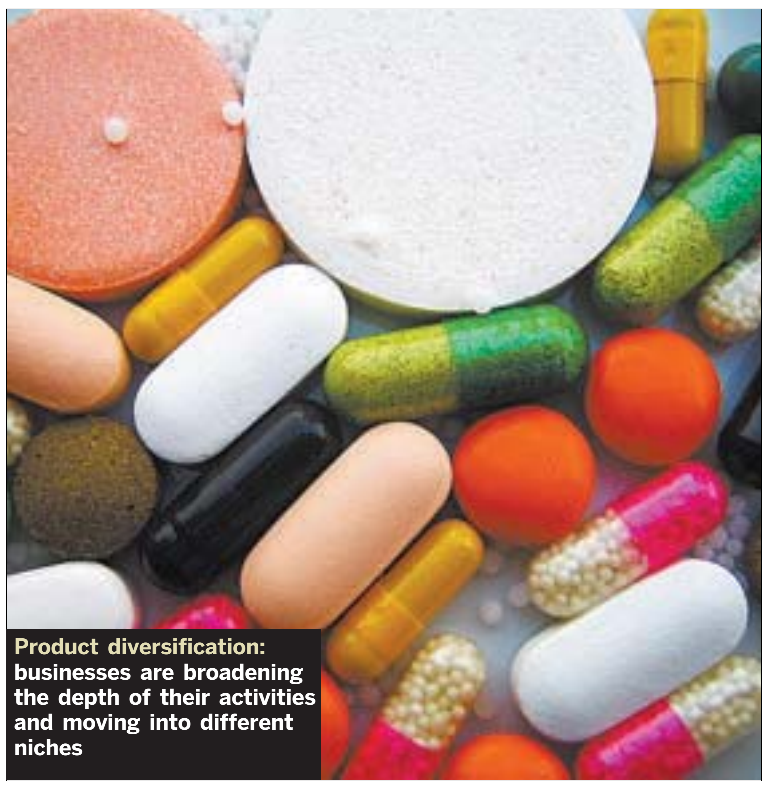
For many years, large companies such as GSK have relied on a handful of typically high-priced, mass-market "blockbusters" that generate billions of dollars a year in sales. But as patents expire on drugs such as Lipitor, Pfizer's anti-cholesterol medicine that is the biggest selling medication in history, big pharma is having to rethink its business model.

Most large pharmaceutical companies have adopted four principal strategies to diversify. First, expand the range of products in the research and development pipeline and the use of external as well as in-house scientists to discover them. Second, expand geographically, especially into emerging markets. Third, increase sales of products other than patented prescription medicines. Fourth, experiment with greater flexibility in pricing in different countries and with ways to ensure drugs provide value for money.


Research & development: groups are restructuring in an effort to boost innovation and create drugs more quickly


New markets: companies are expanding into new regions, notably big emerging markets such as India, China and Brazil


Value and pricing: organisations are becoming more flexible on pricing and trying to add value for healthcare providers


Product diversification: businesses are broadening the depth of their activities and moving into different niches

## Improve R&D

As John Lechleiter, head of Eli Lilly, put it recently: "At a time when the world desperately needs new medicines . . . we're taking too long, spending too much and producing far too little. Re-powering pharmaceutical innovation is an urgent need."

The most widespread tactic to change this is to restructure in order to boost innovation. Chief executives talk about adopting a more entrepreneurial approach, simulating in-house the incentive-based, smaller-scale, science-based environment of biotech companies, finding external partners and broadening their portfolios.

Merck, once proud of its go-it-alone approach, has started to tap research conducted by other companies and academics. Last year, it helped fill holes in its own pipeline with the purchase of Schering-Plough.

GSK last year spun off its HIV work entirely into ViiV Healthcare, a joint venture with Pfizer to share the expertise, costs and benefits of new product development. As Jeff Kindler, Pfizer's chief executive, put it at the time: "The new company can reach more patients and accomplish much more for the treatment of HIV globally than either company on its own."

Most companies have also diversified their research portfolios, shifting from their traditional reliance on chemical-based drugs to biological ones including vaccines. AstraZeneca cemented such a move with its purchase of biological medicine-focused companies such as CAT and MedImmune. Roche's full takeover of Genentech last year re-emphasised its focus on biological products to treat cancer.

Perhaps the biggest trend in recent months has been removing a taboo on cutbacks in R&D, which had previously been largely spared when marketing and other costs were trimmed instead. For example, one rationale behind Pfizer's takeover of Wyeth last year was to defer the pain of patent expiries. That has allowed it to pare back in-house research, freeing up resources to forge partnerships with external researchers instead.

**'When the world desperately needs more medicine . . . we're taking too long and producing too little'**

**John Lechleiter**
Eli Lilly

But even if overhauling R&D boosts innovation, the benefits for some companies will not come fast enough. "There's a lot of talk about the patent cliff," says Nils Behnke, a partner with Bain, the consultancy. "The problem could maybe have been solved 10 years ago. But now there is going to be a gap."

He estimates that $100bn (€79bn, £67bn) in sales from medicines will be lost in the next five years as intellectual property protections expire, while the value of drugs in development in the industry's collective pipeline that could be launched during that period are worth just $30bn.

## New markets

Given both the time pressures and the difficulties of innovation, another means of diversification has been to expand into new geographical regions to boost income from existing medicines.

Some companies remain wedded to traditional markets, such as Bristol-Myers Squibb, which still relies on the US for more than 60 per cent of its sales. Others – notably European pharmaceutical companies with relatively small domestic markets and strong historical links abroad – have made efforts to increase sales in emerging markets.

Many companies have sealed deals to expand through acquisitions – such as Abbott's purchase of Solvay, a European company with a strong presence in emerging markets. Others have stepped up their own organic growth by investing in everything from clinical trials to manufacturing facilities and marketing.

**$100bn**

**Estimated amount of lost sales in the next five years due to patent expiry**

**$30bn**

**Value of drugs in development in the industry's collective pipeline that could be launched in that period**

## Product diversification

Pharma companies are expanding the breadth of their own activities, and buying up or forging partnerships with others in different niches.

Last year, Sanofi-Aventis acquired Zentiva in Slovakia, Medley in Brazil and Kendrick in Mexico. Pfizer, by contrast, has so far opted for partnerships, agreeing to license medicines from Aurobindo and Claris Life Sciences in India, as did GSK with Aspen in South Africa.

Novartis has moved into eyecare products with its acquisition of Alcon; GSK has strengthened its position in consumer healthcare by purchasing Stiefel for dermatology; and Sanofi-Aventis and Merck have invested in an expanded version of Merial, their joint venture for animal health.

Such businesses typically provide a more stable, long-term flow of income than patented medicines. But the markets are often smaller, the margins lower, the competition more intense and the techniques beyond the traditional expertise of the pharmaceutical companies.

Geographical expansion compounds these challenges in fragmented, uncertain markets. Daiichi Sankyo of Japan found that out to its cost, when it bought Ranbaxy in 2008 just ahead of intensifying troubles with US regulators over manufacturing forced the Indian generic-drugmaker to post large losses.

Andrew Baum, pharmaceuticals analyst with Morgan Stanley, cautions that even in a country like China, which currently reimburses many innovative drugs at western levels, the situation could deteriorate. "I wonder about the sustainability of prices," he says.

## Value and pricing

A final option for drug companies has been to diversify their commercial approaches. Some – such as Novo Nordisk and Roche – remain focused on a single global price for their drugs to maximise returns and reduce the risk of "leakage" from lower to higher priced markets. Others continue to justify high prices by pointing to high development costs.

But as healthcare systems increasingly seek ways to save money, the emphasis is shifting. GSK and Pfizer have sought to boost volumes in poorer countries by offering deeper discounts. Novartis, Sanofi-Aventis and Merck have recently negotiated prices in Europe and North America linked to the performance of their drugs.

Others are forging partnerships with doctors, nurses and other specialists to encourage better compliance among patients for whom their medicines do work, but are often not taken as prescribed.

In the long term, as Gary Pisano from Harvard Business School puts it: "Real innovation is the source of true long-term advantage in the industry."

In the short term, diversification by product and region may at best provide the testing ground to develop new skills that are applicable globally. At worst, it may be one of the few ways for those with the greatest pipeline problems to buy themselves some time.

## Martin Lukes

You heard it here first – Lib-Lab pact now looking a certainty. . .
three days ago from twitterfeed

**FROM: Martin.Lukes@IF.co.uk on 10/05/2010**
**TO: Nitin.Nohria@HBS.edu**
**SUBJECT: Congratulations**

Dear Professor Nohria
First up, apologies for not getting in earlier with my congrats on yr new position – I've been rather tied up with trying to sort out the mess that we call British politics!!

Even though I'm not an alumnus myself of your august institution – mine's an MBA from the school of Vita Veritas!!!! – I feel your appointment marks a global step-change for bus ed.

As you'll know, in the past I have tirelessly stuck my neck above the parapet to campaign against "bullshit" and management jargon. That's why I've been pushing the idea of a Hippocratic oath for all managers – which I gather you support too. It is totally relevant to our times and just what is needed to deliver a new ethical paradigm. I have ideas around how to escalate this further and would appreciate a window in which to share them.

On a more personal note, I'm delighted to see an individual hailing from the great subcontinent appointed to the role of dean of Harvard Business School. I have the most profound respect for your forebears – and have always enjoyed a nice hot curry!!!
All my very bestest,
Martin Lukes

Sodding cyclists! One nearly drove into my car as I was driving into the NCP under Berkeley Sq – felt like punching him
three days ago from twitterfeed

**FROM: Martin.Lukes@IF.co.uk on 10/05/2010**
**TO: Oliver.Warner@IF.co.uk**
**SUBJECT: Scene in carpark**

Oh, it was you! I didn't see you . . . you look different in your Lycra!! A tip: make sure you look out for cars turning right into the carpark going forward!!!
Martin

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: Sherril.Lukes@gmail.com**
**SUBJECT: Our gorgeous girls!!!!**

Darling – That's amazing!!! When's the shoot?? I always knew they had the X factor. It runs in families. Your looks and my star quality!!
Mart xxx

Tiger, Edelweiss and Martina Lukes talent spotted in Tesco and are about to land their first major TV role!!!!!!!!!!!
two days ago from twitterfeed

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: Oliver.Warner@IF.co.uk**
**SUBJECT: Compliance 3pm**

Hi Oliver – I'm not going to be able to attend the compliance meeting this afternoon as, for my sins, I'm taking my girls to a TV audition to appear in an ad for SayCheeze Snax. Can you cover? Basically, we just need to document their ethical compliance levels.
Devil's in the detail, etc.
Bestest, Martin

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: Oliver.Warner@IF.co.uk**
**SUBJECT: Re: Palm oil and SayCheeze**

Why have you forwarded me all this stuff about palm oil and gorillas??

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: Oliver.Warner@IF.co.uk**
**SUBJECT: Re: Palm oil and SayCheeze**

Well, I'm impressed at the speed of your research, but really I think you're getting a tad ahead of yourself. For a start, this is only an audition. And it goes without saying that I will of course conduct a full ethical check on SayCheeze before I allow my daughters to lend their personal brands to the product. Bestest, Martin

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: Sherril.Lukes@gmail.com**
**SUBJECT: Ethics of SayCheeze**

Oliver is getting on my proverbial tits. Not only holier than thou about cycling, now tells me that SayCheeze conflicts with ethical brand values of IF . . . Jesus wept

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: Nitin.Nohria@HBS.edu**
**SUBJECT: Re: Congratulations**

Thanks for reverting! Yes, in a nutshell, my idea is to kick the Hippocratic oath concept up a notch. Why stop with managers??? Surely, every single employee should state that they are setting their moral compass in the direction of true north? At KTT, I am rolling out an ethical standard called Starting WIth Myself (SWIM™) that has every single co-colleague take ownership of their own moral journey in the workplace. It's a very powerful tool and I believe could make a powerful "case study" for yourselves at Harvard.
Bestest, Martin Lukes

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: M.Bayley@KTT.com**
**SUBJECT: Harvard Case Study!!!**

Hi Matthew – Just a quick heads-up: I've been in talks with the new Harvard Business School dean – and he's looking at making KTT into an ethical case study!!! Would be a sensation for the brand! Martin

Oh my god – just heard the news – I knew it all along – a Con-Lib pact, this is a dream ticket . . .
two days ago from twitterfeed

**FROM: Martin.Lukes@IF.co.uk on 11/05/2010**
**TO: CameronD@parliament.uk**
**SUBJECT: A new era!**

Dear David
Good things come to he who waits!! What can I say?? Let me join with Obama and Merkel in offering congratulations!!!! I teared up to see you and Sam outside Number 10 and I hope I don't need to tell you that I stand ready to serve.
All bestest, Martin

## The review

# A capital guide to how entrepreneurship really happens

**Mastering the VC Game**
A Venture Capital Insider Reveals How to Get from Start-up to IPO on Your Terms
**By Jeffrey Bussgang**
Portfolio, $25.95

This book, written by an entrepreneur turned venture capitalist, is aimed at company founders who want to raise money for their business. More specifically, it is targeted at US entrepreneurs chasing finance for a technology or healthcare project.

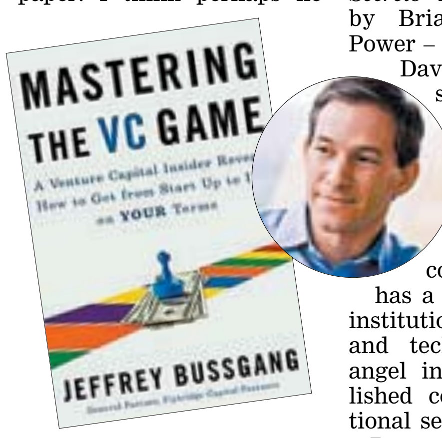
Jeffrey Bussgang writes from experience. In 2001, he co-founded a business called Upromise, a sort of loyalty marketing club that helps consumers save for their children's college education; later the company was successfully sold to Sallie Mae. For the past seven years he has been a partner at Flybridge Capital Partners, a Boston investing firm that backs early-stage technology companies. So, he should know what he's talking about.

*Mastering the VC Game* is a fairly practical volume, covering in detail subjects such as how to find a venture capitalist, deliver a pitch, structure a deal, manage a board and finally how to cash out.

There are plenty of real examples from Bussgang's own experiences, combined with the sort of optimism and confidence you might expect from a Harvard Business School graduate who became a paper millionaire at the age of 26. That was as a result of Open Market, the internet start-up he worked at before Upromise, which went public with a valuation of more than $1bn (in spite of having just $1.8m in revenue).

Naturally, I like writers who are business practitioners. Rather than just observe and comment, they have participated, and really know what it is like to close a sale, score a big win – and back a flop.

So three cheers to the author for taking the effort to put his advice down on paper. I think perhaps he had some ghost writing help – but why not; he's obviously a busy man, and this book wasn't the day job.



**Inside knowledge: Bussgang draws on his experience**

I have quite a library of similar volumes. There is *Zero Gravity* by Steve Harmon, *Financing Your Business with Venture Capital* by Frederick Lipman, *Inside Secrets To Venture Capital* by Brian Hill and Dee Power – and, best of the lot, David and Laura Gladstone's *Venture Capital Handbook*.

Compared to Bussgang's guide, the latter is more user-friendly, more comprehensive, and has a broader focus than institutional venture capital and tech deals, covering angel investing and established companies in traditional sectors.

Bussgang's book, however, has the advantage of being bang up-to-date. For anyone out there looking for professional capital for their idea, it is a great investment.

However, only a tiny number of early-stage businesses receive venture capital financing since many more get money from angel investors. In the US, and increasingly in Britain, there are thousands of wealthy individuals who put their savings into new private companies. As with all such angel investing, most such ventures fail, but occasionally they get a hit – where the returns might be 10 or even 50 times the original stake. Venture capital investing is all about such big, big successes.

If our economies are truly to recover from the recession, we need fresh commercial breakthroughs in areas such as technology and energy. Most research shows that in the past couple of decades, almost all new private sector job creation has come from companies that are less than five years old.

The only real way to defeat unemployment and tackle endless state deficits is to fuse entrepreneurs and intelligent capital in a formidable combination that is capable of generating spectacular tales such as those of Apple, Google, Intel and FedEx.

This needs enlightened government policies on issues such as capital gains tax and employment legislation. Politicians would be advised to read more books like this and see how wealth creation actually takes place.

**Luke Johnson**

*The writer runs Risk Capital Partners, a private equity firm, and is chairman of the Royal Society of Arts*

# A view from the gun turret

The week's new film releases: **Nigel Andrews** admires Samuel Maoz's semi-autobiographical tale of war, while **Leo Robson** assesses Ridley Scott's take on Robin Hood

It was the toast of Venice after every other contender became toast. Samuel Maoz's **Lebanon**, Israeli winner of last year's Golden Lion, is two hours inside a military tank, a grimy, sweat-soaked, oil-streaked, panic-besieged coffin on caterpillar treads, grinding and anguishing through the heart of battle. Two framing shots apart, the entire movie is set inside the tank or is seen – in murky, juddery, sometimes night-visioned images – through its gun sights.

Brilliantly crafted, this part-autobiographical film is set during the 1982 Lebanon war, in which Maoz was a tank gunner, and is itself an act of war. It challenges and combats the cinematic tradition that presents war as entertainment, or even as redemptive drama. Despite the title, it isn't about the Lebanon conflict so much as about all battle and what it does to the insides of men's heads. The tank itself, a cramped shell where delirium is incubated, is an expressionist vision of a soldier's brain.

The oil-and-water-puddled floor, the grimy faces, the imagined stink of bodies, the darkness, the wrench and grind of the turning gun turret (the film's only "music"): claustrophobia never had such an outing before. There is wit too, lethal and economical. A scared Syrian prisoner is dumped in the tank for a brief spell while his Phalangist captor menaces him in Arabic with a litany of threatened torture. The captor then turns to the Israelis and says in their language: "Treat him well, he's a prisoner of war."

In the last scenes even the irony runs out. The tank crew is trapped in a ruined, enemy-prowled town, their only hope to choke the tank's dying engine into final action and thunder down the nearest maze of alleys into escape or disaster. By then we are no longer looking at the characters from outside, we feel we have become them. We dwell, like battle victims ourselves, in the annihilated space between witness and spectacle.

It is an unrelenting week for cinephiles. After a day in the field hospital after *Lebanon*, you should sally forth to see **Vincere**. Forty-five years ago Marco Bellocchio made an epoch-defining film called *Fists in the Pocket*. Little since from this Italian director has matched that masterly cry of generational dissent. But this historical epic comes close. In black, white and a chiaroscuro of rationed, subtly voluptuous colours, Bellocchio tells the tale of the young Benito Mussolini's cast-off lover Ida Dalser (Giovanna Mezzogiorno) – who claimed to have wedded him, though no marriage document was ever found – and the son she bore him, both to die in the years of ostracism they suffered after Mussolini became Il Duce.

Benito the son ended his days in a psychiatric asylum like that in which his mother wasted away. Her last years were spent penning letters to her ex-lover, who had moved on from the socialist firebrand of their first meeting to another life, another wife, another level of power and fame.

The film's stylistic explosiveness extends from its powerful music (Carlo Crivelli) to the graphics hurled out from the screen with the panache of a Mussolini-era newsreel. Some scenes are actually set in movie theatres, those generating houses of Fascist propaganda, including a dazzlingly staged battle between political factions, as stroboscopic as the flickering screen images behind them.

While Mussolini as a main character (played young by Filippo Timi, who returns to play Benito the son) retires from the story, to be replaced by his "real" image intermittently invoked in newsreels, Giovanna Mezzogiorno takes Ida into the realms of human tragedy, leaving behind one indelible image of her character, hugging the high bars of an asylum window as she throws her messages out into a snowy midnight.

Of the week's two documentaries, **Petropolis: Aerial Perspectives on the Alberta Tar Sands** is 43 minutes of awesome landscape photography. From a helicopter, director Peter Mettler, commissioned by Greenpeace, maps the hell created by oil-collecting in a patch of Canada the size of England. This is the world's second-largest oil reserve. Peeled-back forests; outflow lakes black with bitumen; valleys eczema'd by excavation; it is at once scary, nightmarish and oddly beautiful. And silent until a late voice-over appends – even here obliquely – the message.

**American: The Bill Hicks Story** celebrates the cancer-curtailed career of a renegade US stand-up comic. Scenes of cut-out animation are the novel visual approach – *South Park* gone non-fiction – while the vocal panache is supplied by Hicks, blithely shooting down anything that sports or supports the Stars and Stripes and dares to brag about it.

**Eyes Wide Open**, the week's second Israeli feature, is a conflicted gay romance set in orthodox Jewish Jerusalem. Married butcher falls for new assistant; their flesh is willing and their spirit of resistance weak; soon the community comes together in outrage and doom walks the land. Worthy in theme, honourable in intent, oddly bloodless in execution. **NA**

Lethal wit: Samuel Maoz's 'Lebanon' is set during the 1982 war

**Lebanon (15)** ★★★★★
Samuel Maoz

**Vincere (15)** ★★★★☆
Marco Bellochio

**Petropolis (NC)** ★★★★☆
Peter Mettler

**American: The Bill Hicks Story (15)** ★★★☆☆
Matt Harlock & Paul Thomas

**Eyes Wide Open (12A)** ★★☆☆☆
Haim Tabakman

**Robin Hood (12A)** ★☆☆☆☆
Ridley Scott

MORE ARTS ONLINE

'Amelia', Seattle;
'Manon', Hong Kong
**www.ft.com/arts**

## Robin Hood

If Ridley Scott's aim was to bewilder, then **Robin Hood** must be counted a storming success. From the opening scene, we are offered little idea of who is doing what to whom. As for why: forget it. The plot is strewn across a handful of locations, and things are further obscured by Ann Scibelli's irrational sound design, with its thunderous trudging and muttered exchanges. Russell Crowe, Scott's favourite leading man, holds forth in a coarse medieval growl. Of all the possible areas of historical authenticity, accent is one we wouldn't miss.

The dialogue (by Brian Helgeland) offers the odd shaft of illumination. "The king is dead," announces one of Robin's undifferentiated sidekicks. "Dead?" he asks. "Dead," comes the reply. More often the characters join the technical team in frustrating our desire for comprehension. "How long will your business take?" asks another sidekick. "Stay safe," Robin replies, "be safe y'all." But then time-keeping is not his strong suit. Asked how long he will remain in Nottingham, he explains: "I could stay for a day, or more."

Pieces of parchment stained with back-story help us along. Robin Longstride has been fighting in the crusades for King Richard the Lionheart (Danny Huston). With enough squinting and straining, you can deduce the rest. The king is then killed in France on the journey home and replaced by his churlish younger brother (Oscar Isaac), whose closest ally, Godfrey (Mark Strong), is a traitor in the pay of the French. Robin, nifty with a bow and a sword, and a natural leader, is England's only hope against Norman invasion.

Unfortunately, he is holed up in Nottingham, having accepted a dying man's request to return a treasured sword to his blind, blathering father (Max von Sydow). Robin wasn't asked to shack up with his feisty widow, Marion (Cate Blanchett), but he does so regardless. The people of Nottingham have been pauperised by taxation, though this has done little to curb their hedonism. The film would be a good deal shorter without all the shots of grubby extras roasting hogs and dancing sweatily in chain-mail hoodies.

Those who struggled through Scott's medieval blockbuster *Kingdom of Heaven* will remember the mix of pomposity and bloody chaos. No amount of fast cutting can disguise the prevailing sense of inertia. When the gorgeous animated end-credits roll, Robin Longstride has still not become Robin Hood. A film that exists solely to breed sequels ought to leave you wanting more. **LR**

Russell Crowe in 'Robin Hood'

## This Evening's Television

### BBC 1

Auntie Angela and her new husband pay a visit, 9.30pm

**6.00 BBC News.**
**6.30 Regional News Programmes.**
**7.00 The One Show.**
**7.30 EastEnders.**
**8.00 Watchdog.** Investigations into slimming pills sold to children, new homes riddled with defects, and a car-clocking rogue trader. Anne Robinson presents.
**9.00 Have I Got News for You.** Chris Addison and Julia Hartley-Brewer join Martin Clunes and team captains Paul Merton and Ian Hislop.
**9.30 Outnumbered.** Auntie Angela visits the family with new husband in tow.
**10.00 BBC News.**
**10.25 Regional News and Weather.**
**10.35 Question Time.**
**11.35 This Week.** Andrew Neil, Diane Abbott and Michael Portillo discuss political developments.

### BBC 2

**6.00 Eggheads.** Quiz.
**6.30 Great British Menu.**
**7.00 Monty Halls' Great Hebridean Escape.** R
**8.00 Bill Oddie's Top Ten Aliens.** The naturalist presents countdowns of the flora and fauna that have been introduced to the country.
**9.00 History Cold Case.** Professor Sue Black examines a child's mummified body and discovers a trail that leads to 19th-century body snatching.
**10.00 Never Mind the Buzzcocks.** R
**10.30 Newsnight.** Presented by Gavin Esler.
**11.20 I'm in a Rock 'n' Roll Band!** Mark Radcliffe narrates a celebration of the guitarist, examining the relationship between musician and instrument. With Jeff Beck, Johnny Marr and Slash. R

A mummified child offers clues to the past, 9pm

### ITV1 London

Bradley Walsh sets off on a sailing tour at 9pm

**6.00 London Tonight.**
**6.30 ITV News and Weather.**
**7.00 Emmerdale.**
**7.30 Afraid to Be Gay: Tonight.** Gareth Thomas investigates attitudes to homosexuality. Postponed from March 25.
**8.00 Emmerdale.**
**8.30 Coronation Street.**
**9.00 All at Sea.** New series. Celebrities take a sailing tour of the south coast.
**10.00 ITV News at Ten and Weather.**
**10.30 London News and Weather.**
**10.35 Greatest Cities of the World with Griff Rhys Jones.** The writer and actor visits New York. R
**11.35 Supersize Teens: Can't Stop Eating.** Documentary following morbidly obese American teenagers. R

**Regional variations apply**

### Channel 4

**6.00 The Simpsons.**
**6.30 Hollyoaks.**
**7.00 Channel 4 News.**
**8.00 Location, Location, Location.** New series.
**9.00 How the Other Half Live.** A Hampshire couple who want their daughter to learn to appreciate her life on their 10-acre estate help a family of seven living in a two-bedroom house in south London. Postponed from April 29.
**10.00 You Have Been Watching.** Charlie Brooker invites David Mitchell, Victoria Coren and Andy Nyman to take part in the comedy quiz.
**10.55** FILM **The Sum of All Fears.** CIA agent Jack Ryan uncovers a terrorist plan to attack America. Thriller based on Tom Clancy's novel, starring Ben Affleck and Morgan Freeman.

Phil Spencer and Kirsty Allsop hunt for property, 8pm

### Five

**6.00 Home and Away.**
**6.25 Live from Studio Five.**
**7.30 Zoo Days.** Tejas the lion cubs' keeper bids farewell to the animals. R
**8.00 Britain's Greatest Machines with Chris Barrie.** The actor examines the technology of the 1920s, including the R101 airship, articulated lorries, and motor racing.
**9.00** FILM **Pistol Whipped.** A former cop turns hitman to clear his debts, but suspects his employer is hiding something. Action thriller, starring Steven Seagal and Lance Henriksen. Including Five News Update.
**11.05 Shops, Robbers & Videotape.** Investigation into how shoplifting and drugs are linked, meeting a man who sells stolen goods to feed his £60,000-a-year crack cocaine addiction. R

### Cable & Digital

**BBC3**
7.00 Top Gear. 8.00 Blood, Sweat and Luxuries. 9.00 Autistic Superstars. 10.00 EastEnders. 10.30 Russell Howard's Good News. 11.00, 11.20 Family Guy. 11.45 Junior Apprentice.

**BBC4**
7.00 World News Today. 7.30 South Africa Walks. 8.00 Sacred Music. 9.00 Behind the Scenes at the Museum. 10.00 Wallander. 11.30 Stevie Wonder: Live at Last.

**E4**
6.00, 6.30 Scrubs. 7.00 Hollyoaks. 7.30 My Name Is Earl. 7.55, 8.35 Friends. 9.00 The Big Bang Theory. 9.30 How I Met Your Mother. 10.00 The Inbetweeners. 10.30 Facejacker. 11.00 Glee.

**More4**
6.35 Deal or No Deal: Cops and Robbers. 7.25 Grand Designs. 8.30 The Daily Show with Jon Stewart. 9.00 The Good Wife. 10.00 Brothers & Sisters. 11.00 The Closer.

**Film4**
6.50 Flight of the Phoenix. 9.00 The Simpsons Movie. 10.45 Water Lilies.

**TCM**
9.00 Romeo Is Bleeding. 11.10 Blue Sky.

**Sky Sports 1**
8.30 Live ICC World Twenty20 Cricket.

**History**
6.00 Mega Movers. 7.00 The Nostradamus Effect. 8.00 Egyptian Book of the Dead. 10.00 Ancient Apocalypse. 11.00 Vanishings. 11.30 Once We Had a Rocket.

**Sky Arts**
6.00 Hay Sessions. 7.00 The Book Show. 8.00 Songbook. 9.00 Freddie Mercury: The Tribute Concert. 10.30 Video Killed the Radio Star. 11.00 Best of The Tube. 11.30 Freddie Mercury: Tribute Concert Documentary.

**Discovery**
6.00 Bear Grylls: Born Survivor. 7.00 Mythbusters. 8.00 How Do They Do It? 8.30 How It's Made. 9.00 Heli-Loggers. 10.00 Deadliest Catch. 11.00 I Was Bitten. 12.00 Extreme Engineering.

### Pick of the Day

The terrible paradox of autism – physical nearness and mental isolation – emerges in television's latest look at the subject, **Autistic Superstars** (BBC3 9pm). DJ Reggie Yates assembles youngsters for a show, including Carly, prone to tantrums without warning, and non-verbal Martin, obsessed by routine and timetables. Both surmount the communication barrier by singing. The incredible patience of Yates, voice coach Jo Price and the devoted families is heroic.

**The Constant Gardener** (ITV3 11.10pm), le Carré's political thriller-cum-love story, is filmed and acted with haunting distinction.

**Martin Hoyle**

# THE LEX COLUMN

Thursday May 13 2010



## A liberal dose of conservatism

Three decades ago, Margaret Thatcher entered 10 Downing Street quoting St Francis of Assisi; David Cameron grimly promised "hard and difficult work". The clear priority given by the UK's new governing partnership to deficit reduction has boosted sterling and gilts. A Conservative-Liberal Democrat coalition is the best outcome markets could have hoped for after last week's inconclusive election.

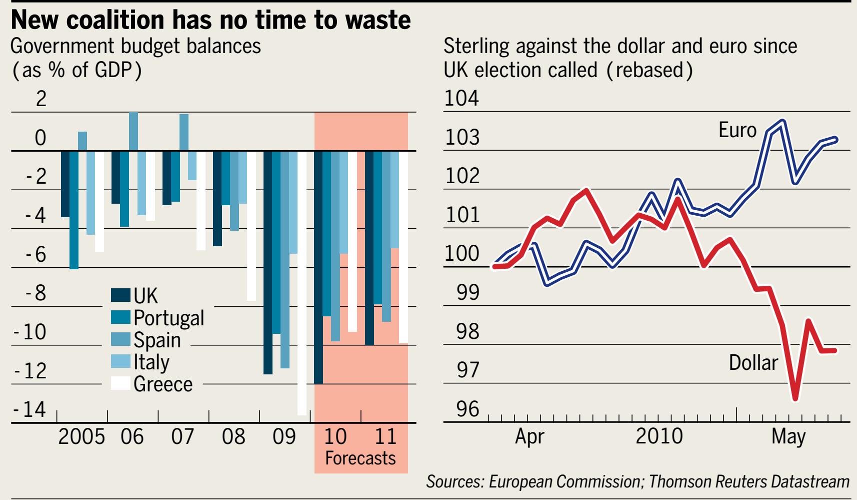
It commands a parliamentary majority and – unusually for the UK – more than 50 per cent voter support, giving it political "cover" for tough measures. It will need it. Taming the budget deficit of 11 per cent of output by 2015-16, as the Conservatives intend, will require deeper, more prolonged spending cuts than under Mrs Thatcher.

The Lib Dems have made a significant concession in backing Tory plans for £6bn of cuts in "non-frontline services" in this financial year. This immediate, if modest, move may preserve the UK's triple A rating. In return, the Tories have accepted the Lib Dems' policy of moving towards a £10,000 lower threshold for income tax. An initial step in that direction will be funded by dropping Tory plans to raise thresholds for employees' social security payments. Other taxes, including on non-business capital gains, will rise – and the Tories will sideline plans to restrict inheritance tax to millionaires.

Yet beyond this initial horse-trading, tens of billions of pounds of annual spending cuts still have to be made during the parliament, detailed in neither party's manifesto. The UK will have to consider Greek or Spanish-style steps – cuts in public sector pay, capping public pensions.

Creating an independent Office of Budget Responsibility to review public finances is a deft way of shifting blame for such measures. But they will inevitably weigh heavily on the new government's popularity. Forming the UK's first coalition since the second world war was one thing. Holding it together through the storms ahead will be quite another.

**New coalition has no time to waste**




Sources: European Commission; Thomson Reuters Datastream

### Banking reform

The Conservatives and Liberal Democrats have their guns trained on the banks. They are clearly in touch with the zeitgeist. So the appointment of Vince Cable, the self-styled scourge of bankers, to a cabinet post should have struck fear into the hearts of UK bank chiefs. Yet the coalition's anticipated reform measures are surprisingly tame.

Although a banking levy was a priority for both parties, the new government is no clearer on reach or structure. Would a levy be confined to domestic deposits? Action on "unacceptable bonuses" was always on the cards. Yet "unacceptable" was not defined. Meanwhile, moves to increase bank competition are merely worthy: a few sub-scale new entrants are unlikely to alter the status quo. Likewise, increased lending to small- and medium-sized business depends on a recovery in demand. Loan guarantees might help but net lending targets might be imprudent. Returning macro prudential regulation and "oversight" of banking supervision to the Bank of England shows a lack of faith in the Financial Services Authority. Yet Labour's regulator survives.

The coalition's biggest policy fudge is its commission to investigate the separation of retail and investment banking. It has a whole year to produce its first report. Unless manned by revisionist historians, the commission can only conclude that Northern Rock, a reckless mortgage lender, triggered the UK banking crisis. The subsequent collapse of pure investment bank Lehman Brothers merely worsened it. Not surprisingly, shares in universal banks Barclays and HSBC brushed off the coalition's break-up threat.

Away from the vote-grabbing rhetoric of the election trail, the coalition's watered-down plans are unlikely to jeopardise London's role as a global financial centre. For now, the coalition's guns are better deployed on public spending.

### Capital gains tax

It is easy to imagine that the new coalition government's plans to increase capital gains tax might extract a chunk of cash from the rich to help plug the budget deficit. If only it were that simple. After the annual exemption of £10,100 weeds out small gains, only about 225,000 people pay CGT each year. Even if non-business CGT is increased from the current rate of 18 per cent to 40 per cent, George Osborne, the chancellor, will only have an extra £1.3bn to play with, according to Capital Economics, the research group – less than 1 per cent of the budget deficit.

Crucially, concessions for entrepreneurs – their current rate is 10 per cent – will be maintained in some form. So fears that a higher CGT rate will harm investment and stifle the economic recovery are mostly misplaced. Buy-to-let property investors, for example, will probably absorb the extra tax rather than leave the market. After all, it was growth expectations not lower tax rates that drove real estate skywards before 2007, when CGT was slashed from a top rate of 40 per cent.

The government's plan, though, is still just that. Politicians have done little more than "agree to seek a detailed agreement". And that is where the devil may lurk. Mr Osborne should, for example, consider an indexation system. This would, in effect, decrease a capital gain by the amount of inflation over the period the asset was held to ensure the equitable treatment of investors across different time frames.

But right now, investors' thoughts are short-term. Mr Osborne will reveal his budget within 50 days. The possibility that a higher CGT rate could be imposed on the spot will mean that for the next six weeks investors will have their fat fingers firmly on the sell button.

### GM seeks lender

Why buy the cow when you have the milk? American taxpayers should ask the US Treasury this basic business question after unconfirmed reports that General Motors might buy back GMAC, its former financing subsidiary, or develop one internally. The supposed rationale is that GM would thus fetch more in an initial public offering. But this is robbing Peter to pay Paul. As Uncle Sam owns a majority in both, a share swap would result in a larger company but adds no value and probably destroys it.

Rebranded as Ally Financial, the former GMAC just reported its first operational profit in three years and is now financing a third of GM's sales on an arms-length basis while providing working capital to 88 per cent of GM dealers. GM remains free to offer lavish financing incentives but must compensate Ally for this transparently. GM was able to obfuscate these costs when it controlled GMAC – using, for example, sanguine assumptions on residual lease values. GMAC expanded to become the carmaker's main profit centre, moving disastrously into mortgages.

Other than expanding the empire of Ed Whitacre, the chief executive, it is hard to see why GM's owners should condone buying or building a financing subsidiary. Even if GM does not abuse the privilege again, Ally seems more valuable as a fully fledged bank. Without deposits, a captive financing subsidiary must rely on the more fickle wholesale funding market – a thorny issue for junk-rated GM. This was one reason it sold most of GMAC to Cerberus, the private equity firm, in 2006. Furthermore, Ally now finances an even larger share of Chrysler's sales than GM's and could do the same for others. GM should be able to put money back into shareholders' pockets without taking even more from their wallet.

### EU bond market

The euro-denominated sovereign bond market is a mess. Since the birth of the single currency, investors have treated this €7,300bn behemoth as a homogenous, highly rated entity. They merrily drove spreads down as if there were no material difference in the creditworthiness of Germany and Greece. Yet the underlying economies were diverging. The reversal of spreads recently looks like a belated acceptance that the punt on convergence was a mistake.

The eurozone is a multi-tiered economy and a multi-tiered sovereign bond market. The challenge is to reduce the impact of diverging creditworthiness among its 16 sovereign issuers on borrowing costs.

Bruegel, a think-tank in Brussels, suggests an answer. It argues the 16 should pool their national debt up to 60 per cent of gross domestic product, creating a core market of "blue" bonds that would attract a triple A rating because of its size and liquidity, and by making all members liable for each other's debt. Borrowing beyond the 60 per cent threshold would be on a national basis.

This structure would incentivise issuers to keep borrowing to within 60 per cent of GDP by ensuring the best terms up to that level, helped by the market's size and liquidity. That should make the market more attractive to big sovereign bond investors, and could help reverse a worrying flight from euro-denominated sovereign issues over the past few months. But there is no mechanism for creating this type of market structure, and it would require an independent stability council to propose annual allocations. Imagine the bureaucratic wrangling over that.

The European Central Bank's seemingly open-ended role as buyer of last resort of eurozone debt illustrates the market's structural problems. The blue bond proposal may not address all of them but it asks some smart questions.

LEX ON THE WEB

For Lex notes on **Macy's**, **Gome** and **EU enlargement**, go to **www.ft.com/lex**
For e-mail, go to **www.ft.com/nbe**
For BlackBerry, go to **www.ft.com/mobile**

## TODAY ON FT.COM

### Energy weekly

Podcast: topics under discussion include the US inquiries into the BP oil spill as well as Iranian exports of crude oil and imports of petrol
**www.ft.com/energypodcast**

### Coalition cabinet: a who's who

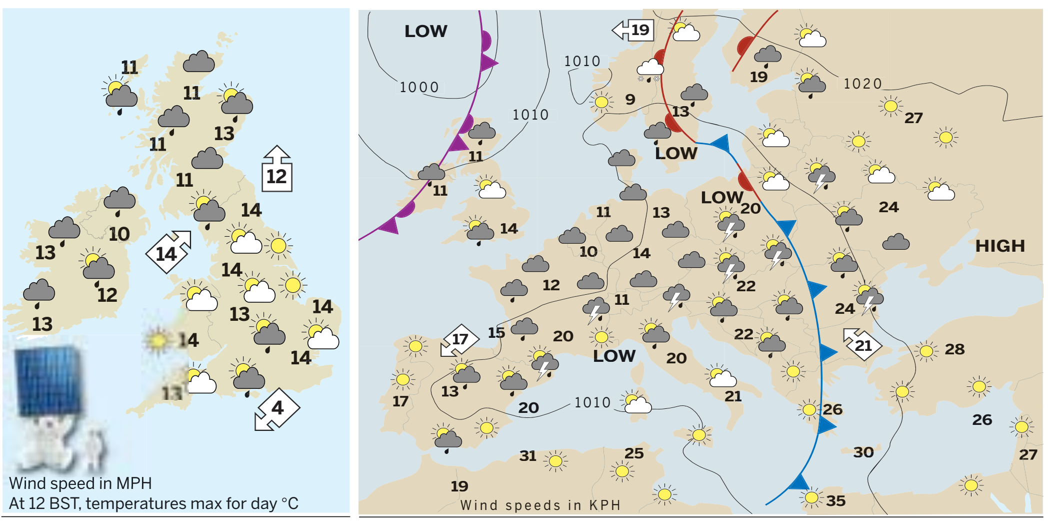
Interactive graphic: we take a look at the new cabinet's key ministers, focusing on their backgrounds and their likely priorities in the next government
**www.ft.com/cabinet**

### Most read

1 Gold hits record high as investors seek haven
2 Backlash over UK stance on euro bail-out
3 Coalition plans capital gains tax increase
4 Gideon Rachman: Europe is unprepared for austerity
5 Cameron moves into Number 10

## WEATHER






Forecasts by MeteoGroup

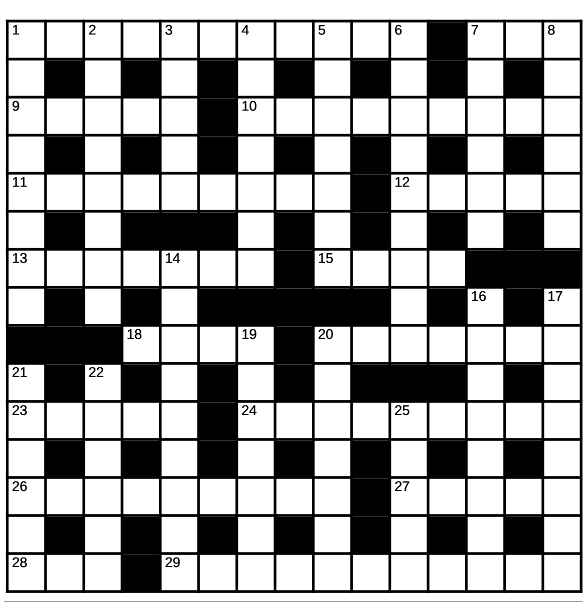
**Today's temperatures** Maximum for day °C & °F — Warm front, Cold front, Occluded front

| | | | |
|---|---|---|---|
| Abu Dhabi | Sun | 40 | 104 |
| Amsterdam | Cloudy | 11 | 52 |
| Athens | Sun | 26 | 79 |
| B'ham | Shower | 13 | 55 |
| Bangkok | Shower | 36 | 97 |
| Barcelona | Shower | 20 | 68 |
| Beijing | Sun | 24 | 75 |
| Belfast | Drizzle | 11 | 52 |
| Belgrade | Shower | 22 | 72 |
| Berlin | Cloudy | 13 | 55 |
| Brussels | Cloudy | 10 | 50 |
| Budapest | Thunder | 22 | 72 |
| Buenos Aires | Sun | 21 | 70 |
| Cardiff | Sun | 14 | 57 |
| Chicago | Rain | 22 | 72 |
| Cologne | Cloudy | 12 | 54 |
| Copenhagen | Cloudy | 11 | 52 |
| Delhi | Sun | 42 | 108 |
| Dubai | Sun | 39 | 102 |
| Dublin | Drizzle | 11 | 52 |
| Edinburgh | Cloudy | 12 | 54 |
| Frankfurt | Cloudy | 14 | 57 |
| Geneva | Cloudy | 14 | 57 |
| Glasgow | Drizzle | 11 | 52 |
| Hamburg | Cloudy | 11 | 52 |
| Helsinki | Rain | 19 | 66 |
| Hong Kong | Fair | 28 | 82 |
| Istanbul | Sun | 28 | 82 |
| Jersey | Sun | 12 | 54 |
| Lisbon | Sun | 17 | 63 |
| London | Fair | 14 | 57 |
| Los Angeles | Fair | 22 | 71 |
| Luxembourg | Cloudy | 11 | 52 |
| Lyon | Cloudy | 15 | 59 |
| Madrid | Shower | 13 | 55 |
| Manchester | Fair | 14 | 57 |
| Miami | Fair | 29 | 85 |
| Milan | Shower | 19 | 66 |
| Montreal | Sun | 17 | 63 |
| Moscow | Sun | 27 | 81 |
| Mumbai | Sun | 34 | 93 |
| Munich | Rain | 12 | 54 |
| New York | Fair | 17 | 62 |
| Nice | Fair | 18 | 64 |
| Paris | Cloudy | 13 | 55 |
| Prague | Cloudy | 16 | 61 |
| Reykjavik | Drizzle | 9 | 48 |
| Rio | Sun | 26 | 79 |
| Rome | Shower | 20 | 68 |
| San Francisco | Sun | 20 | 67 |
| Stockholm | Shower | 13 | 55 |
| Strasbourg | Cloudy | 14 | 57 |
| Sydney | Shower | 20 | 68 |
| Tokyo | Fair | 19 | 66 |
| Toronto | Rain | 12 | 53 |
| Vancouver | Sun | 17 | 63 |
| Vienna | Thunder | 18 | 64 |
| Warsaw | Thunder | 21 | 70 |
| Washington | Cloudy | 19 | 66 |
| Zurich | Rain | 11 | 52 |



### CROSSWORD

No. 13,384 Set by ALBERICH

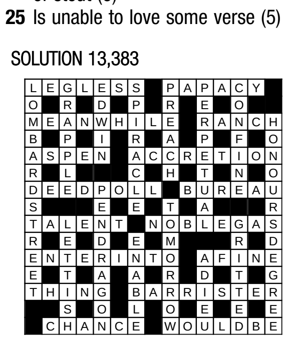


JOTTER PAD

**ACROSS**
1 Empty promise is bad news for 13 (3,8)
7 Boxer dog (3)
9 Expert's disheartened after a month with the rowing team (5)
10 Funny northern comedian shows mastery (9)
11 One defending a game point (9)
12 Put pound into special account finally? Yes and no (5)
13 What PC needs to get motorists (7)
15 Intense police activity but con man's not caught (4)
18 100 square metres, one concludes, a way of representing it? (4)
20 Leak an incomplete cross-reference? (7)
23 Czech's tender care of wine is regularly ignored (5)
24 One opposing government charter without hesitation is an eccentric (9)
26 Retaliation could create almost total rift, given time (3,3,3)
27 Sound technology? Not at all (5)
28 Boat from Scottish island (3)
29 One with an interest in Van Helsing at work? (11)

**DOWN**
1 Danger presented by wild animal left abandoned in front of junk yard (8)
2 Remarkably quick to head off escalating crime wave (8)
3 In goalless draw United excel (5)
4 Establishes river's risen in old sewers (7)
5 Mum has to wear gag for return fixture (7)
6 Beaufort perhaps making pile in the past (9)
7 After losing heart, joker gets better (6)
8 Carrying drug, arrive at poor area (6)
14 Wrong copy is retained by flustered user (9)
16 US sect member had meal outside when very hungry (8)
17 One offering gifts is the one who pays debts soonest? (8)
19 One with sloping position has stunted spine (7)
20 Surprise Symphony's first movement performed by Rattle (7)
21 Crush the spirit (6)
22 Trainee's brought in to drink yard of stout (6)
25 Is unable to love some verse (5)

SOLUTION 13,383



FINANCIAL TIMES

# COMPANIES & MARKETS

Thursday May 13 2010

**Gilt appeal** UK debt seen as haven amid Europe's crisis **Page 35**

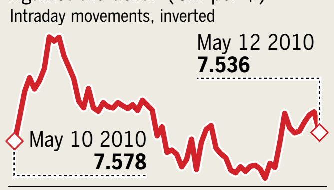


Week 19

## News Briefing

**Swedish krona**

Against the dollar (Skr per $)
Intraday movements, inverted




Source: Thomson Reuters

**Estonia's eurozone green light lifts Swedish krona, Page 34**

### UK companies

**M&S bridges gap**
Cash and property injection to close retail chain's £800m pension deficit. **Page 18**

**Jobs optimism grows**
Financial services recruitment nears a return to pre-crisis levels **Page 19**

**ITV rebuffed**
Regulator says protection still needed as it rejects advert rule change. **Page 20**

*Lombard*
Coalition's compromise on banking regulation needs refining. **Page 18**

### International companies

**Legal traffic jam**
Lawyers queue up for place in US class action against Toyota. **Page 15**


**Hint at container revival**
Swing to profit for AP Møller-Maersk. **Page 24**

**SAP snaps up Sybase**
German software maker agrees $5.8bn deal to acquire US rival. **Page 22**

**IBM goes shopping**
Tech company to spend $20bn on acquisitions until 2015. **Page 23**

*European View*
Lafarge pioneer looks small for growth. **Page 24**

### Markets & Investing

**London**
Wall Street rally helps FTSE 100 close marginally higher. **Page 36**

**El Niño farewell**
Rains set to return as Pacific warming effect dissipates. **Page 34**

**Lure of Portugal bonds**
Buyer interest raises hopes about averting eurozone crisis. **Page 35**

*Insight*
Broad-brush securitisation reform will hit small lenders. **Page 34**

# Litany of failures led to BP spill

## Warning signs were ignored, hints Congress

## US probe reveals oil well failed safety test

**By Anna Fifield in Washington**

A litany of failures led to the catastrophic spill from BP's Gulf of Mexico well, a powerful US Congressional investigations panel revealed yesterday, suggesting officials from numerous companies overlooked many warning signs.

The revelations, gleaned from 100,000 pages of documents from the companies involved, including Transocean, the operator, also showed that the BP well had failed a key pressure test only a few hours before a gas surge led to the explosion.

With efforts to contain the spill and protect the Gulf environment continuing with little success, the claims have the potential to further damage the reputations of the companies involved.

"The more I learn about this accident, the more concerned I become," Henry Waxman, chairman of the House energy committee, told a hearing of the oversight and investigations subcommittee, which had requested the documents.

"This catastrophe appears to have been caused by a calamitous series of equipment and operational failures."

Executives from BP, which owns the well; Transocean, which operated the rig; Halliburton, which cemented around the well equipment; and Cameron, which made the blow-out preventer, sat solemn-faced. Bart Stupak, head of the subcommittee, said he uncovered at least four significant problems with the blow-out preventer on the rig, which was meant to shut off the well in an emergency.

These included a leak in a hydraulic system, which was supposed to provide emergency power to the shear rams that would cut through the drill pipe and seal the well. There was also insufficient power in the blow-out preventer to propel the shear rams through the drill pipe. Furthermore, the blow-out preventer had been extensively modified, something that BP did not realise for at least a day after trying to activate an underwater control panel.

Also, at least one of the batteries in the "deadman switch" that was supposed to provide the final back-up was flat.

"The safety of its entire operations rested on the performance of a leaking and apparently defective blow-out preventer," Mr Stupak said. The documents also revealed that the well failed several pressure tests on the day of the explosion, but that at 8pm – two hours before the disaster – BP decided operations could resume, with Transocean apparently disagreeing.

**Missed opportunities, Page 10**
**Shell's Alaska risk, Page 19**

Fallout: the Deepwater Horizon burst into flames after a 'calamitous series of equipment and operational failures' AP

## The Short View
### James Mackintosh

Gordon Brown's final gift to the British nation was a sharp jump in sterling. His resignation on Tuesday prompted an immediate two-cent rise against the dollar, taking the pound almost back to $1.50. But relief was short-lived, even when the markets got what they wanted: David Cameron at the helm of a Conservative-led government.

Markets reverted to type yesterday. Rather than listening to politicians, they followed the words of the central banker. The Bank of England's dovish inflation report suggested that interest rates would remain lower for longer, leading sterling to fall and gilts to rise. If the new government follows through on Mr Cameron's promise to reduce the deficit faster than Mr Brown planned, that could further hurt sterling and help gilts, by slowing the economy.

However, there is another, conflicting, pressure: confidence in the UK, particularly in light of the eurozone's troubles. Since the Greek crisis hit, what has been good for sterling has been good for gilts, as interest rates – set to remain low beyond the time horizon of most traders anyway – were ignored. Barring wobbles with the coalition government, this trade could reassert itself.

George Osborne, the new chancellor of the exchequer, has promised a Budget within 50 days to lay out plans to reduce the deficit, giving time for markets to forget about planned cuts. History suggests that this is possible: the last time Labour handed over the keys of 10 Downing Street to the Tories, in 1979, the pound traded marginally down against the dollar during the 39 days before Geoffrey Howe raised taxes in his first Budget.

The new government faces the worst peacetime deficit in history and an untested new form of government. The trick it has to pull off is to push through enough fiscal tightening to retain confidence in sterling but not so much that it plunges the country back into recession. Not easy.

**The writer is the new Short View columnist**

# Pru's AIA deal on course after funding shake-up

**By Paul J Davies and Neil Hume in London and Helen Thomas and Francesco Guerrera in New York**

Prudential hopes to launch its delayed $21bn (£14bn) rights issue early next week after agreeing to changes to the financing of its proposed $35.5bn takeover of AIA, the Asian businesses of the stricken US insurer AIG.

The UK company, which declined to comment, was forced to delay the launch of its rights issue at the final hour last week after the Financial Services Authority refused to sign off on the proposed capital buffer of the enlarged company.

Prudential's acquisition of AIA would make it the biggest foreign group in the fast-growing Asian insurance market and transform the Pru into the world's biggest life assurer outside China.

The Pru still has to win final approval on its prospectus from the UK Listing Authority.

Some people with knowledge of the situation were hopeful the approval would not take more than 24 hours, meaning there was a chance that the rights issue could be launched tomorrow. But others said once the Pru had the UKLA's approval, it would still have to ensure it had time to price its rights issue and communicate the launch timing to investors and the media.

In recent days, the Pru has struck deals with AIG and its banks that have satisfied the UK regulator's higher capital requirements for the group.

AIG will now take $2bn of junior debt instruments – or hybrid capital – instead of cash as part of its $35.5bn payment. The new junior debt is part of a $5bn slug of such instruments, which will add to the Pru's capital base and are in place of $5bn of senior debt that would have funded a cash payment to AIG.

The UK life assurer has also arranged a special £1bn backstop facility that can be drawn down in the event of extreme financial stress.

Shareholders have been waiting for the prospectus before deciding whether to support the deal in a vote, which had been scheduled for May 27 but is likely now to be in early June. Last week's delay to the launch of the rights issue unnerved investors. Some were concerned about the amount of money required in the rights issue, the valuation put on AIA and the risks attached to the deal.

Before the planned launch last week, the issue was expected to be priced in a way that would let investors realise a significant amount of money if they sold rights on to Asian investors.

**Lombard, Page 18**
**Benmosche bullish, Page 22**

# European officials call changes to Facebook settings 'unacceptable'

**By Maija Palmer in London**

Facebook has been sharply criticised by European data protection officials for putting users' privacy at risk with changes to its service.

Officials advising the European Commission said in a letter to the social networking company that changes to its default settings in December were "unacceptable".

It is the strongest rebuke yet for the US company from European data protection officials and indicates an increasing willingness to crack down on privacy violations.

Officials said Facebook needed default settings that ensured only selected contacts could see user profiles. Users should be able to choose explicitly whether their information could be accessed by search engines.

Facebook's changes in December meant that users' profiles were made accessible to others by default and certain aspects – such as lists of friends – were impossible to keep private.

Richard Allen, Facebook's director of public policy in Europe, said he was considering the company's response to the letter. Facebook has made a few adjustments to address privacy concerns raised by European regulators in the past, but he said there could be some areas where the company would be unwilling to compromise.

For example, European data authorities have wanted users to be able to log on to social networking sites under pseudonyms – something that is enshrined in German law. However, this went against Facebook's principles, which require all users to register under their real names, Mr Allen said.

"We would argue that it is not appropriate for us to allow this," he said.

Facebook is trying to encourage users to share increasing amounts of information as it competes with sites like Twitter and seeks advertising deals.

The social networking site, which has more than 400m users, has faced a barrage of criticism from privacy and data protection advocates on both sides of the Atlantic.

**John Gapper, Page 13**



## Companies and sectors in this issue

### Companies



### Sectors

# Coalition's compromise on regulation needs refining

**Andrew Hill**
LOMBARD

Optimists think Conservatives and Liberal Democrats will save each other from their own worst excesses. That could well be true when it comes to banking reform.

The banking industry will, in the words of one non-executive, be "in for a few collisions" with the crusading Vince Cable if, as new business secretary, he imposes net lending targets on nationalised banks. But what was an urgent goal for the pre-poll Lib Dems is now merely a topic for "consideration" by the coalition. That's as it should be: forced lending could undermine the deficit-reduction priority of selling our stakes in banks at a profit.

Compromises over banking regulation are even more welcome. By promising to give the Bank of England "control of macro-prudential regulation" but "oversight" over regulation of individual companies, the coalition is rowing back from George Osborne's grandiose pre-election plan to restructure the Financial Services Authority under the Bank.

Mr Osborne's radical proposal went further than David Cameron's earlier catchy pledge to "restore the power of the governor's eyebrow" and beyond what even the governor himself wanted. Mervyn King asked for a few more tools to prevent concerns about instability turning to crisis; Mr Osborne said he would give him the whole cluttered shed-full – whatever the consequences and cost of tidying it up.

The new control-and-oversight model still needs refining. Some additional Bank oversight can be achieved just by flicking a switch or two so central bankers can see what supervisors see. Who precisely sets the national rules is not a huge issue now that the framework is decided in Basel and Brussels rather than Threadneedle Street or Canary Wharf.

The tricky part is control. Inside the Bank, many would prefer direct lines of command. But outside, plenty of others still think Mr King should simply have shouted his warnings more loudly. The Con-Libs should grant the FSA a reprieve. But when it comes to ensuring financial stability, they still have a way to go before they can give a clear and confident answer to the crucial question "Who's in charge?".

## EMI: headbangers wanted

*There's unlimited supply*
*And there is no reason why*
*I tell you it was all a frame*
*They only did it 'cos of fame*

Fast forward 30-odd years from the Sex Pistols' seminal outburst against their erstwhile record label and investors are picking up the refrain. Guy Hands' Terra Firma paid £4.2bn for EMI in 2007, presumably on the grounds he would have an unlimited supply of debt and willing investors. Alas, there really was no reason why the latter should have stumped up; most have written their investments down to precisely zero. So it is surely tempting, now Mr Hands is back asking for another £360m, to view it all as a frame. Heavens, even if you get to party with Roll Deep, who needs that kind of fame?

Mr Hands hopes they all do. He wants them to dip into their pockets for £105m, enough to cure breached covenants with a bit over for good measure. He then needs them to part with another £255m, possibly in pretty short order, to keep EMI humming along through to 2015. The potential internal rate of return on this cash injection is 58 per cent a year; juicy enough unless experience triumphs over hope or you are pedantic enough to add in the sunk £1.75bn that went before.

But is it still just a frame? EMI is bleeding rockers, with Queen the latest to bite the dust. It operates in a world where artists have more ways to distribute their music than Johnny Rotten could ever have dreamt of. Come 2015, even the fuddy-duddiest of fund managers may be file sharing. Sure, the group has trebled earnings before interest, tax, depreciation and amortisation in the three years under Terra Firma. But ebitda of £330m in the year to end-March pales beside the £200m drain to service debts. As the song goes, *I do not need the pressure (EMI).*

## Prudence and the Pru

If Prudential goes ahead with its delayed rights issue in the coming days, it will do so having learnt two important lessons from its stand-off with the Financial Services Authority. First, what looks prudent and sensible to a board and management that have convinced themselves about the merits of a deal may not look prudent and sensible to a cautious watchdog. Second, negotiations with a determined post-crisis regulator are not the same as negotiations with rival bankers, boards or customers. These days, when the FSA names a figure for capital requirements, it is not so much an opening bid in a round of haggling as a final take-it-or-leave-it offer.

**EMI: louise.lucas@ft.com**
**andrew.hill@ft.com**
**To comment, visit www.ft.com/lombard**

# M&S acts to reduce pension shortfall

GENERAL RETAILERS

Review turns up gaping deficit

No plan to close final salary scheme

**By Elizabeth Rigby**

Marks and Spencer is to put £800m into its pension scheme after a review found it had a yawning deficit, but the retailer insisted yesterday it had no plans to close its final salary scheme to existing members.

M&S's triannual valuation found that the retailer's deficit stood at £1.3bn in March 2009. To stem the shortfall the company is putting cash into the fund over the coming eight years plus an immediate injection of property.

It will put £35m of cash into the fund each year for the next three years, increasing that amount to £60m a year until 2018.

M&S is also putting £300m value in property in a partnership with the fund while providing a further £124m by transferring assets from US debt hedge contracts.

The retailer, which has 123,000 pension fund members, will have a £500m funding shortfall, according to the latest valuation. But the company said it was not a problem given that the markets have rebounded since that valuation was carried out.

"The £500m difference between the valuation deficit and the funding plan is expected to be met by investment returns on the pension scheme's existing assets," M&S said.

The clothing and food chain, which has 20,000 current members in its defined benefits scheme, said it would not be following the growing band of companies – such as Alliance Boots, Wm Morrison and Vodafone – who are closing the final salary schemes to existing members.

It closed the scheme to new members in 2002.

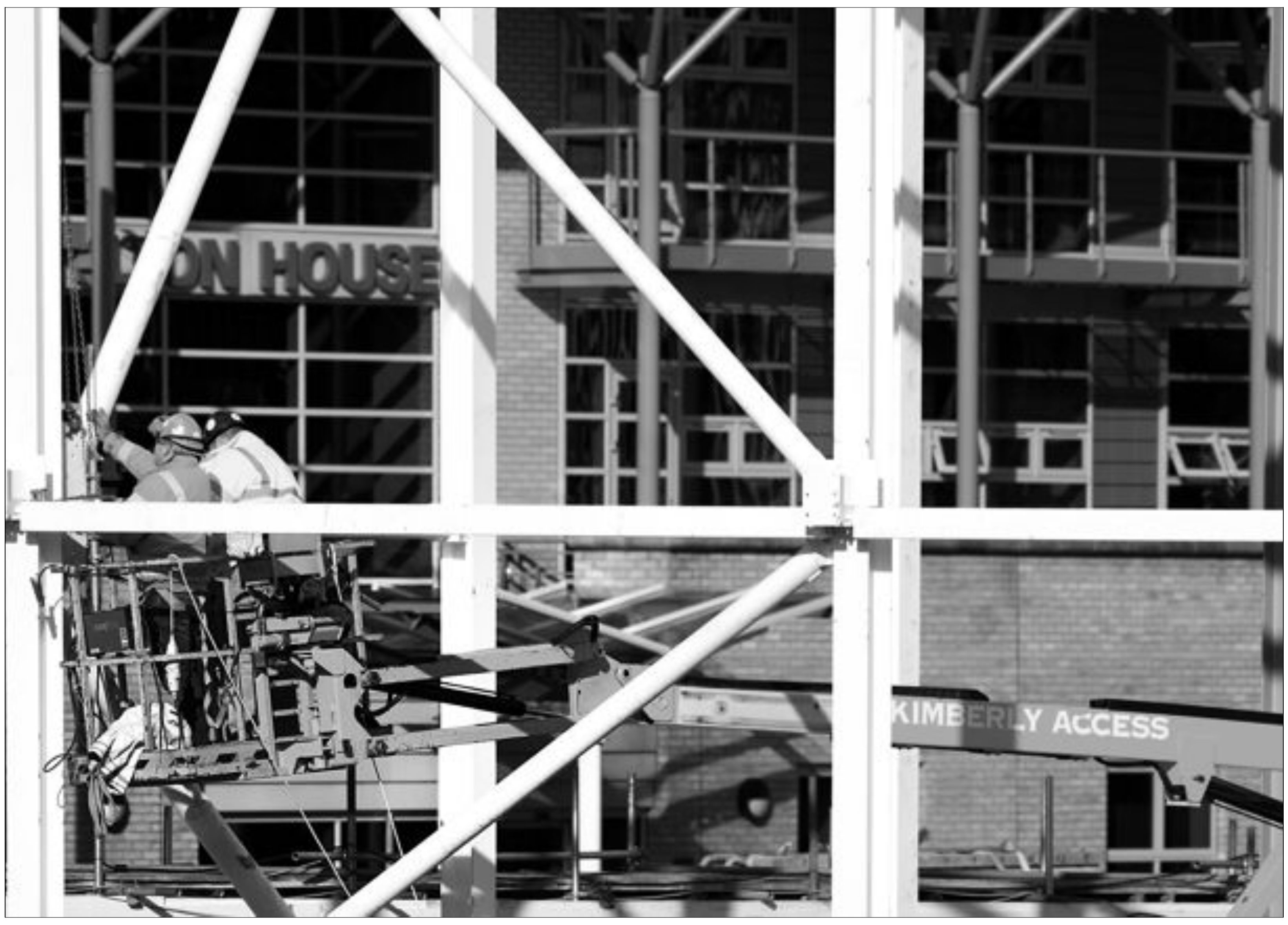
Analysts expressed relief that M&S did not have to launch a rights issue or put bigger sums of cash into the pot in the short term.

However, Credit Suisse warned that the £1.3bn deficit was larger than it had expected, pointing out that the fund was only £600m in the red at the last valuation in 2006.

"There may be some relief here that the huge deficit has not resulted in a more punitive funding requirement.

"One is left with the impressions, however, that this is just the next phase in this saga (next valuation due as at March 2012) and that the attempt to cover off the liability is to a significant extent being deferred rather than addressed to protect short-term cash flows."

M&S shares rose 6.7p to 351.3p.




Firmer foundations: leading chains have aggressive expansion plans and are keen to cash in while land is available — Alamy

# Supermarket building checks in at £328m

CONSTRUCTION

**By Ed Hammond**

Construction of new supermarket developments has more than doubled this year, offering a much-needed pool of work to the UK's beleaguered building industry.

The value of work on constructing new supermarkets and extending existing sites jumped to £328m during the first quarter of the year, according to a report published today by Glenigan, the economics group.

The figure is more than double the £150m spent over the same period in 2009 and includes work on stores for Tesco and Wm Morrison. However, J Sainsbury awarded the largest contract during the period – a £25m supermarket development in the centre of Bury St Edmunds.

"A lot of the big supermarket chains have very aggressive expansion policies and are keen to cash in while the land is available," said Allan Wilen, economics director at Glenigan.

"However, the trend is likely to gather momentum later in the year as smaller players, such as Lidl and Aldi, look to grab a bigger slice of the market," Mr Wilen added.

Construction, which last year accounted for 9 per cent of the UK's gross domestic product, has been one of the hardest-hit industries during the recession. And now, with sharp cuts in public spending expected, many groups are focusing on winning work from private sector clients instead of government.

The UK Contractors Group warned that, while there were signs that workloads were improving, the building market was still faced with aggressive competition and pricing pressure.

"There are one or two things to suggest things are getting better, but a lot of builders are really struggling to win work at prices which they are able to make a sensible profit margin at," said Stephen Ratcliffe, chief executive of the UKCG.

The strong growth in demand from the retail sector was bolstered by a sharp rise in private housing starts, which rose 41 per cent compared with the same period a year earlier. The pick-up helped the overall value of construction projects in the UK to rise 10.5 per cent.

However, demand for new work in the industrial and office sectors continued to decline.

# Stake sale talk lifts Old Mutual

BANKS

**By Sharlene Goff and Paul J Davies**

Shares in Old Mutual rose on rumours that the insurance group may look to sell its stake in Nedbank, the South African bank, to Standard Chartered.

A number of Old Mutual's investors have long called for a break-up of the group and a sale of its 52 per cent stake in Nedbank.

Analysts said Nedbank could be a good fit for Standard Chartered, given the bank generates about 10 per cent of its profits in Africa. But StanChart, which would not comment on the speculation, is understood to be prioritising organic growth and is focused on Asian markets, where it derives most of its profits. The bank will today start formally marketing its plans to list in India to local investors.

Analysts noted that any bid from the UK-based bank would face a number of obstacles, including gaining approval from the South African government.

Old Mutual declined to comment and said it would make no strategic announcement with its first-quarter sales update today.

One leading activist investor, Cevian Capital of Sweden, which holds about 5 per cent, is known to have been disappointed with the strategic review announced in March.

Julian Roberts, chief executive, said Old Mutual would sell its US life assurance business and pursue a partial flotation of its US asset management unit.

Old Mutual's shares rose 4.6p to 119p, while StanChart firmed 1p to £17.03p.

# People

EDITED BY
**Emiliya Mychasuk and Emiko Terazono**

## Political minds on Unilever board

The newest Unilever director **Sir Malcolm Rifkind** and the retiring Unilever director **Lord Brittan** both had part of their minds elsewhere yesterday as investors in the consumer group quizzed the board down to deodorant ingredients.

Sir Malcolm, the Tory MP for Kensington and Chelsea – who had some making up to do after accusing the party's new Liberal Democrat partners of two-timing – rushed off after the annual meeting to do media interviews.

He was as safely elected to his new Unilever role as he was to his west London seat, where there was a 5 per cent-plus swing in his favour.

However, it prompted one investor to lament the departure from the board of Infosys founder **Narayana Murthy**.

"I have nothing against Sir Malcolm Rifkind," she said, "but it does seem a backward step that we are losing an Asian director and gaining a Scottish one."

It might have also been noted that Unilever was swapping one senior Tory for another. Sir Malcolm is the second cousin, once removed, of Lord Brittan, who retires from Unilever after 10 years.

The new deputy prime minister Nick Clegg's one-time mentor in Brussels, Lord Brittan could not help looking at his watch towards the end as complaints arose from the floor about the absence of hot food from lunch. He was then occupied on his mobile phone for a while, ahead of the new team's Number 10 debut press conference.

## King uses stealth

New defence secretary **Liam Fox** could be forgiven if he thinks he will get an easy ride from the Defence Industries Council, the powerful industry lobby group, under its low-key new chairman **Ian King**, the BAE Systems boss.

His predecessor was **Mike Turner**, chairman of Babcock International and also ex-BAE Systems. A Manchester United fan, Mr Turner sometimes deployed a combative style that became well known in Whitehall corridors.

Mr King, a Portsmouth supporter who succeeded Mr Turner at both the lobby group and BAE, is much quieter. But ministers and mandarins shouldn't rejoice just yet, according to defence insiders. The ride may be quieter, but not necessarily any easier.

## Heavey pay drill

Investors in Tullow Oil sent chief executive **Aidan Heavey** a small message of protest against the remuneration report. An increase in the maximum level of bonus pay saw just under 10 per cent vote against the pay report, giving **Claire Spottiswood**, the Aviva policyholder advocate, something to think about as head of the remuneration committee.

## Davis's Bric build

Former McKinsey managing partner **Ian Davis** is adding to his portfolio as he prepares for life after retiring from the consulting group in July. Following on from his appointment to the BP board at the start of April, he is joining private equity group Apax Partners chief **Martin Halusa** as a senior adviser. Apax, which has made an investment in Brazil and opened an office in China, will rely on Mr Davis for counsel on its global growth strategy.

## UBS tech switch

UBS global head of technology **Dominic Lester** has switched to Jefferies, the US investment bank aggressively expanding its London business. It is the latest swoop on UBS staff by Jefferies, after a hiring spree last summer that included the UBS healthcare banking team.

Mr Lester led the UBS London-based tech team from 2006, advising UK companies such as CSR, Autonomy and Sophos, the IT security company bought by Apax. At least one member of the UBS tech team is expected to move with Mr Lester.

Jefferies took advantage of the fallout at the banks after the financial crisis to more than double its size in London in two years, from 250 to 550 employees.

**people@ft.com**

## Bringing New Jersey style to the City

POWER PLAYER

**Joe Plumeri**
Willis chief executive

The charismatic boss of global insurance broker Willis Group, Joe Plumeri, is going to treat the audience to his inimitable New Jersey style as he plays host at the British American Business Council annual conference in London today.

An entertainer who paces the stage and works the crowd, the former Citigroup veteran is also speaking at next week's Barclays Capital financial services event.

The 66-year-old Willis Group chairman and chief tells a story of being hired in 2000 by KKR founder

Henry Kravis in Paris when he was attending the French Open and by chance ran into Willis's then owner.

A sharp-dressing Italian-American, the grandson of Sicilian immigrants, he shook the staid UK broker. He is famous for a blue neon sign in his office that reads: "The boss is happy".

His perceptions of the financial crisis are acute, and he recently said he told Goldman Sachs boss Lloyd Blankfein he was wrong about the need for regulation in building trust.

He studied history and economics and became a gofer at Carter, Berlind, Potoma & Weill in 1968 when he was looking for part-time work in law school. In his 32 years at Citigroup, he worked at Travelers, Shearson Lehman and ran Smith Barney and Citibank North America, as well as Primerica, the life assurer.

He is married to Nancy, with three children and numerous grandchildren, and owns two minor league baseball teams and a Tribeca Italian restaurant.

# Investors receive £10m Gala pay-off

TRAVEL & LEISURE

UK's biggest loss on private equity deal

**By Anousha Sakoui and Martin Arnold**

Shareholders in Gala Coral will receive just £10m to walk away from the debt-laden betting and bingo company into which they pumped £1.2bn of equity, in the UK's biggest loss on a private equity deal.

Gala will become the biggest European company to be taken over by holders of mezzanine debt – borrowing that ranks below senior bank loans.

The three main owners, Permira, Candover and Cinven, are expected to divide the meagre pay-off equally with other shareholders. The damage is likely to be felt most by Permira, which lost its entire £370m investment in Gala, a victim of the smoking ban and betting regulation changes.

Candover and Cinven both invested £416m but recouped £248m each from refinancings and the sale of part of their stakes to Permira. Two years ago, the three shareholders lifted their stakes by injecting an additional £125m of equity to avoid breaching banking covenants.

The loss is manageable for the three groups because the Gala shares were held by their older funds, which have returned a profit to investors by selling other, more successful investments. The shareholders had been offered a 2 per cent equity stake in the restructured business, but requested a cash payment, according to people familiar with the situation.

Mezzanine creditors will write off their £550m of debt claims and provide £200m in new funds, which will cut the debt to £1.75bn. In exchange they will receive all of Gala's equity.

They include Apollo Management, which will have a 25 per cent stake post-restructuring, Cerberus with 18 per cent and Park Square Capital with 8 per cent. Goldman Sachs is expected to have a 5 per cent stake, according to a person familiar with the situation.

A further 20 per cent of the equity will be held by US hedge funds including York Capital, Strategic Value Partners, Varde Partners, Third Point and Sankaty Advisors.

# City recruitment nears a return to pre-crisis levels

GENERAL FINANCIAL

News analysis

**Optimism that financial services can lead UK out of recession, writes Gill Plimmer**

With City bonuses for 2009 taxed and banked, the traditional spring hiring season for financial institutions is in full swing.

And figures from recruiters suggest it will be the busiest period since the downturn began in 2008.

Cheap credit, a rapid recovery in financial markets and a wave of mergers has helped many banks enjoy a far better-than-expected start to the year. As a result, there were twice as many vacancies last month as there were in April 2009, according to figures from recruitment consultancy Morgan McKinley.

Iraj Ispahani, global head of client strategy for financial services at Korn/Ferry Whitehead Mann, says the recruitment merry-go-round is definitely getting faster.

"It's certainly whirring, though it's not as fast as it was three years ago because of increased regulatory scrutiny and a more considered approach from banking leadership," said Mr Ispahani.

With unemployment at a 15-year high of 2.5m, there are hopes the financial services sector could lead Britain out of the recession, much as it led the country into the downturn after the collapse of Lehman Brothers in 2008.

But the picture is uneven. Royal Bank of Scotland, for example, is still cutting jobs, while Nomura and Barclays Capital are building their London businesses.

Boutiques such as Greenhill and Moelis may look to expand further, while other houses may have gaps to fill, such as Bank of America Merrill Lynch, where Bank of America's takeover of Merrill was followed by several senior departures.

Niche financial groups, particularly those focused on emerging markets, are also fuelling the hiring spree. Renaissance Capital, Troika Dialog and Religare, for example, are all gathering staff.

Andrew Evans, managing director of Morgan McKinley's financial services division, said: "We're not taking anything for granted . . . but it's a very different world from last year. The appetite to hire has recovered; the willingness to move jobs is also on the upswing."

The recruiter says there has been a 69 per cent increase in professionals looking for new jobs this April compared with the same period last year.

> 'It's a very different world from last year. The appetite to hire has recovered'

The time taken for job hunters to find a new position – a key indicator of the health of the jobs market – fell from 60 to 53 days on the same month a year ago.

Headhunters say the biggest change in the past two months has been the rise in hiring by investors – the so-called "buy-side".

While broking (or "sell-side") operations, such as equity research, gained ground in the second half of last year, pension funds, institutional asset management firms, hedge funds and private equity have started to recruit more actively in the past eight weeks.

There has also been an increase in hiring in some specialised areas of investment banking.

"The most coveted staff are in areas such as restructuring and leveraged finance, a sector that was drastically pared back when the credit crunch hit," said Mr Ispahani.

"Senior executives are also being sought after in risk management, legal, compliance and control functions, while wealth management will continue to be buoyant."

While banking staff and financial services workers in London are now paid an average basic salary of £50,734, according to Morgan McKinley, star players are paid much more.

Recruiters say that while there's no blank cheque, the market seemed to turn in February when premiums returned for the most hard-to-find talent. Multiple offers also made a comeback for the first time since 2007, while more employers are starting to offer improved deals to keep staff from defecting to rivals.

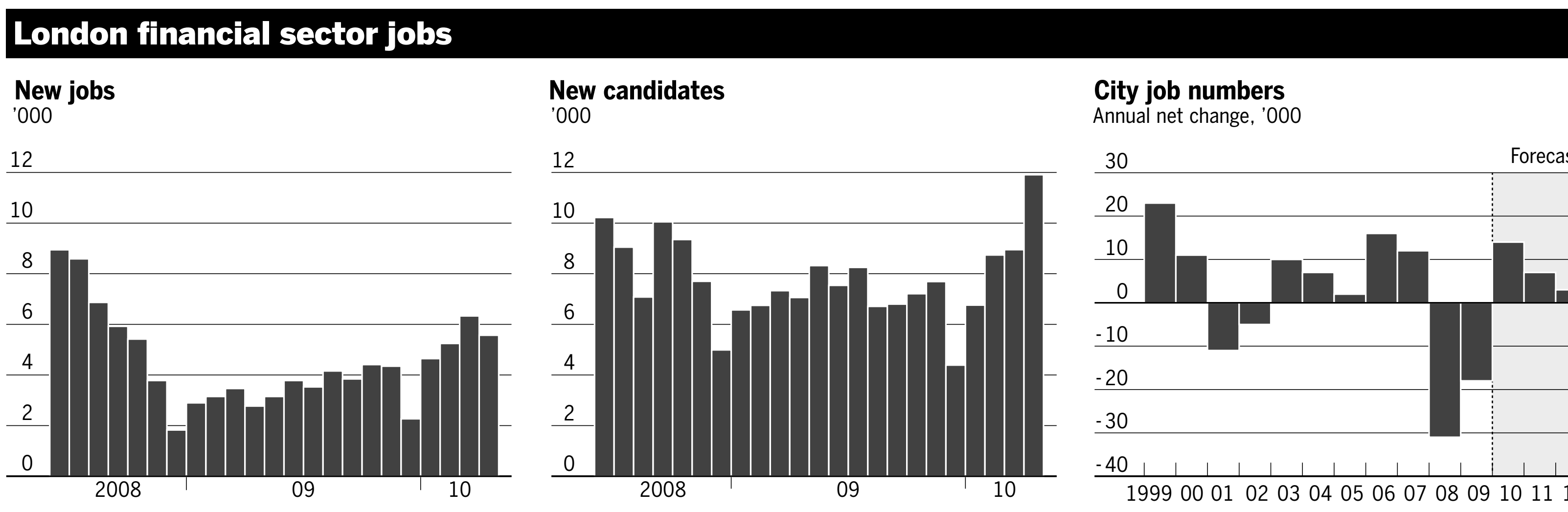
However, employers are starting to react to the outcry about City bonuses. While some firms have stuck with traditional salary packages including bonuses, others are offering higher bases to compensate for smaller – but more media-friendly – bonuses. Base salaries at investment banks have increased rapidly, with managing directors typically commanding between £250,000 and £350,000 a year.

"We are seeing . . . long-term incentive plans based on actual as opposed to anticipated delivery, and with clearer performance metrics," said Mr Ispahani.

David Peters, managing partner of the chief executive and board practice at Heidrick & Struggles, also says its financial services hiring is nearly back to 2008 levels, and that it should soon feed through to other parts of the economy such as business services.

"We've seen significant increase in demand in corporate finance, advisory services dedicated to deals and a lot of specialised financial services such as broking. The square mile is actively recruiting again," Mr Peters said.

The most positive indicator of all may be the return of the personal assistant – a luxury that was retained for only the most important chief executives in the recession. According to Joslin Rowe, another City recruiter, they are now being recruited on salaries of £50,000 or more.




Sources: Morgan McKinley; CEBR

Photo: Getty Images

# Shell's Alaska oil drilling put at risk by Gulf of Mexico spill

OIL & GAS

By Sheila McNulty in Houston

Royal Dutch Shell's $3bn (£2bn) investment in looking for oil in Alaska is at risk after the massive oil spill in the Gulf of Mexico.

After four years grappling with more than 10 lawsuits to stop or restrict the drilling, on April 1 the Anglo-Dutch oil group received the final air-quality permit required to start drilling in July. While the permit was being appealed against, Shell still expected the process to move forward.

But the April 20 explosion on the BP-contracted rig in the Gulf of Mexico and subsequent oil leak has led the Obama administration to ask Shell to explain by May 18 how it would modify its plans to ensure against such an incident in Alaska.

The US administration is under pressure from environmentalists to delay the drilling plans of Shell, the largest leaseholder in offshore Alaska.

Ken Salazar, US secretary of the interior, said more would be known about any changes to drilling plans in Alaska "in the days ahead".

ConocoPhillips is the other company preparing to drill in Alaska, but it does not plan to do so until 2012.

"There is just so much at risk in the Arctic," said Marilyn Heiman, US arctic program director for the Pew Environment Group, which has joined with Audubon Alaska, Oceana, and Ocean Conservancy in asking for a moratorium.

"It would be irresponsible for the administration to approve exploration drilling this summer in the Arctic Ocean, given the serious concerns raised by BP's Deepwater Horizon oil explosion and spill in the Gulf of Mexico," Ms Heiman said.

"Winds can exceed 33 knots and there can be 20ft seas in the Arctic Ocean in the summer," she added. "They halted clean-up in the Gulf last week at 8ft seas."

Yet Pete Slaiby, Shell's vice-president for Alaska, said Shell's drilling plans for the Arctic have been scrutinised by not only regulators but the courts since it returned to the area in 2005 to begin acquiring leases in the Beaufort and Chukchi Seas.

"We have looked through this proposal from top to bottom," he said. He declined to say what tweaks might be made to the proposal by May 18, but did acknowledge: "I'm sure there is going to be some learning from this incident."

Nonetheless, he said Shell's experience in Alaska dates back to the 1960s, when it began drilling in the Cook Inlet. Of the 30 wells drilled off Alaska, Shell drilled 12 of them and partnered in seven without incident. "We were the ones who pioneered offshore drilling in Alaska," Mr Slaiby said.

He acknowledged there were always risks, likening it to flying in an aircraft in spite of the occasional accident. But Mr Slaiby said the wells Shell is proposing to drill in Alaska are simpler than anything it has done in the deepwater Gulf. They are in 150ft of water, compared with 5,000ft in the Gulf. The pressures are about 5,000 pounds a square inch, against 15,000 psi in the Gulf.

Shell could easily stop a flowing well under these circumstances, he said, noting even if it lost its riser and blow-out preventer, Shell's well would not flow because of the weight of its drilling mud and the relatively benign pressures.

"These wells do not have the mechanical complexity of a deepwater well," Mr Slaiby said. While there is ice, he added, Shell has much experience with that in Alaska, as well as the North Sea and Canada.

"It's important for us to get in there and demonstrate that we can do it safely," he said.

Shell's Frontier Discoverer in Alaska's Dutch Harbor AP

## Legal Notices

**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| In re Old Carco LLC (f/k/a Chrysler LLC), *et al.*, Debtors. | Chapter 11<br>Case No. 09-50002 (AJG)<br>(Jointly Administered) |

**NOTICE OF (A) ENTRY OF ORDER CONFIRMING SECOND AMENDED JOINT PLAN OF LIQUIDATION OF DEBTORS AND DEBTORS IN POSSESSION, AS MODIFIED AND (B) OCCURRENCE OF EFFECTIVE DATE**

PLEASE TAKE NOTICE OF THE FOLLOWING:

**1. Confirmation of the Plan.** On April 23, 2010, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered the Order Confirming Second Amended Joint Plan of Liquidation of Debtors and Debtors in Possession, as Modified (Docket No. 6875) (the "Confirmation Order") in the chapter 11 cases of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). By the Confirmation Order, the Bankruptcy Court confirmed the Second Amended Joint Plan of Liquidation of Debtors and Debtors in Possession, as Modified, attached to the Confirmation Order as Annex I (without exhibits thereto) and as further modified by the Order of the Bankruptcy Court dated April 28, 2010 (Docket No. 6923) (collectively and including all exhibits thereto, the "Plan"). Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Plan and the Confirmation Order.

**2. Occurrence of the Effective Date.** The Effective Date of the Plan occurred on April 30, 2010, and, effective as of this date, the Debtors: (a) have transferred the assets remaining in their Estates to the Liquidation Trust in accordance with the Plan; and (b) have taken, or are taking, such actions as may be necessary or appropriate to transfer, merge, dissolve or terminate the corporate existence of the Debtors consistent with the Restructuring Transactions.

**3. Liquidation Trust.** As of the Effective Date, the Liquidation Trust was established pursuant to the Plan and the Liquidation Trust Agreement for the purpose of, among other things, liquidating the assets contributed by the Debtors to the Liquidation Trust, resolving all Disputed Claims, pursuing any Recovery Actions (including the Daimler Litigation), making all distributions to holders of Allowed Claims in accordance with the terms of the Plan and otherwise implementing the Plan.

**4. Termination of Certain Subordination Rights and Settlement of Related Claims and Controversies.**

a. Termination. The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any distribution made pursuant to the Plan. All subordination rights that a holder of a Claim may have with respect to any distribution to be made pursuant to the Plan are released and terminated, and all actions related to the enforcement of such subordination rights are permanently enjoined. Accordingly, distributions pursuant to the Plan to holders of Allowed Claims are not subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights. Nothing in Section III.E.7.a of the Plan affects the Liquidation Trust's rights to pursue any Cause of Action preserved by the Plan, subject to Section III.E.1 of the Plan.

b. Settlement. Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights that a holder of a Claim may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order constitutes the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

**5. Release of Liens.** Except as otherwise provided in the Plan, the Winddown Orders or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the treatment provided for Claims and Interests in Article II of the Plan, all mortgages, deeds of trust, Liens or other security interests against the Assets of any Estate were fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, Liens or other security interests, including any rights to any collateral under the Plan, are enforceable solely against the applicable Liquidation Trust Assets in accordance with and subject to the terms of the Plan or the Winddown Orders, *provided that*, for the avoidance of doubt, (a) the First Lien Agent's Lien on the First Lien Collateral remains fully perfected, non-voidable and enforceable after the Effective Date; and (b) the Government DIP Lenders' Lien on the DIP Collateral remains fully perfected, non-voidable and enforceable after the Effective Date.

**6. Termination of All Employee, Retiree and Workers' Compensation Benefits.** All existing employee benefit plans, retiree benefit plans and workers' compensation benefits not previously terminated by the Debtors, or assumed by the Debtors and assigned to New Chrysler, were terminated on or before the Effective Date, except as otherwise expressly provided in the Confirmation Order.

**7. Termination and Cancellation of Instruments, Securities and Other Documentation.**

a. Bonds. On the Effective Date, the Bond Indenture and the Bonds issued thereunder were deemed terminated, and of no further force and effect, with respect to the Debtors. Subject to Section IV.L.1.a of the Plan, the holders of the Bonds have no rights against the Debtors arising from or relating to such instruments and other documentation, or the deemed termination thereof. The Debtors do not have any continuing obligations or rights under the Bond Indenture and the Bonds issued thereunder, except with respect to any obligations to the Bondholders as holders of Allowed Claims in Class 3A and as otherwise set forth in the Plan, *provided that* such deemed termination with respect to the Debtors does not affect any rights and obligations arising from and in connection with the Bond Indenture and the Bonds by or among the Indenture Trustee, the Bondholders, Daimler, the Paying Agent and any other non-Debtor Entity such that the Bond Indenture and the Bonds are unaffected and continue with respect to such Entities for all other purposes, including, without limitation:

(i) as necessary to preserve, pursue or administer the rights, claims, liens and interests of the Indenture Trustee and the holders of Bondholder Claims under the Bond Indenture against non-Debtor third parties (including to preserve and pursue the claims, rights and interests of the Indenture Trustee and the Bondholders against Daimler, as guarantor, under the Daimler Bondholder Guaranty); and

(ii) to the extent necessary to allow the Indenture Trustee to receive distributions on behalf of the holders of Allowed Bondholder Claims pursuant to the Plan, and make distributions under the Bond Indenture, on account of Allowed Bondholder Claims.

For the avoidance of doubt, nothing in the Plan affects the obligations of Daimler under, and the terms of, the Bond Indenture and the Daimler Bondholder Guaranty.

Nothing in the Plan impairs the rights of the Indenture Trustee to enforce its charging liens, created in law or pursuant to the Bond Indenture, against property that otherwise would be distributed to the Bondholders. Without further action or order of the Bankruptcy Court, the charging liens of the Indenture Trustee shall attach to any property distributable to the holders of Allowed Bondholder Claims under the Plan with the same priority, dignity and effect that such Liens had on property distributable under the Bond Indenture.

b. Equity Interests. Except as set forth in Section II.B.9 of the Plan, the Equity Interest of all Debtors were deemed cancelled and of no further force and effect on the Effective Date. The holders of or parties to such cancelled securities and other documentation have no rights arising from or relating to such securities and other documentation or the cancellation thereof.

**8. Releases.**

a. General Releases by the Debtors and the Liquidation Trust. Without limiting any other applicable provisions of, or releases contained in, the Plan, as of the Effective Date, the Debtors, the Liquidation Trustee on behalf of the Liquidation Trust, the Litigation Manager, the Estates and their respective Debtor and non-Debtor successors, assigns and any and all Entities who may purport to claim by, through, for or because of them, forever released, waived and discharged all Liabilities and Claims that they have, had or may have against any Released Party; *provided, however*, that the foregoing provisions do not affect (i) any rights to enforce the Plan, the Liquidation Trust Agreement, the Litigation Manager Agreement, the Winddown Budget, the Winddown Orders or the other contracts, instruments, releases, agreements or documents to be, or previously, entered into or delivered in connection with the Plan or the Sale Order; (ii) any objections by the Debtors or the Liquidation Trust to Claims or Interests filed by any Person or Entity against any Debtor and/or the Estates, including rights of setoff, refund or other adjustments, *provided, however*, that the Debtors and the Liquidation Trust have no further right to object to or challenge the Liens of the Government DIP Lenders and the lender under the TARP Loan Agreement; (iii) claims for Tax refunds or adjustments; or (iv) the claims and Causes of Action referenced in Section III.E.5.f of the Plan.

b. General Releases by Holders of Claims or Interests. Without limiting any other applicable provisions of, or releases contained in, the Plan, and subject to Sections III.E.5.c and III.E.5.d of the Plan, as of the Effective Date, in consideration for the obligations of the Debtors, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each holder of a Claim or Interest who voted in favor of the Plan, to the fullest extent permissible under applicable law, is deemed to forever release, waive and discharge all Liabilities in any way relating to a Debtor, the Chapter 11 Cases, the Estates, the Plan, the Plan Exhibits or the Disclosure Statement that such Entity has, had or may have against any Released Party (but excluding, and not releasing, any right to enforce the obligations of Released Parties under the Plan, the Liquidation Trust Agreement, the Litigation Manager Agreement, the Winddown Budget, the Winddown Orders and the other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan or the Sale Order); *provided that*, for the avoidance of doubt, the foregoing provision does not affect any of the claims and causes of action referenced in Section III.E.5.f of the Plan.

c. Release of Released Parties by Other Released Parties. From and after the Effective Date, to the fullest extent permitted by applicable law, and subject to Section III.E.5.d of the Plan, the Released Parties release each other from any and all Liabilities that any Released Party is entitled to assert against any other Released Party in any way relating to any Debtor, the Liquidation Trust, the Chapter 11 Cases, the Estates, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any of the Plan, or the property to be distributed under the Plan, the Plan Exhibits, the Disclosure Statement, any contract, employee pension or other benefit plan, instrument, release or other agreement or document related to any Debtor, the Chapter 11 Cases or the Estates that was created, modified, amended, terminated or entered into in connection with either the Plan or any agreement between the Debtors and any Released Party; or any other act taken or omitted to be taken in connection with the Debtors' bankruptcy; *provided, however*, that the foregoing provisions do not affect (i) the liability of any Released Party that otherwise would result from any act or omission to the extent that act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct; (ii) any rights to enforce the Plan, the Liquidation Trust Agreement, the Litigation Manager Agreement, the Winddown Budget, the Winddown Orders or the other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan or the Sale Order; or (iii) the claims and causes of action referenced in Section III.E.5.f of the Plan; and *provided, further, however*, that nothing in Section III.E.5.c of the Plan or any other provision of the Plan or the Confirmation Order released the Released Parties from any liability to the United States or Canada relating to the criminal, environmental, internal revenue, securities, fraud, labor, employment (including ERISA) or antitrust laws of the United States or Canada, or otherwise limit, preclude, bar or enjoin any actions taken by the United States or Canada pursuant to its respective police or regulatory authority, except as and to the extent that the United States and Canada are limited under the Plan and under the Bankruptcy Code in actions that may be taken or rights that may be asserted or pursued against the Debtors, their Estates, the Liquidation Trust, the Liquidation Trustee and their respective Assets and properties with respect to liabilities that constitute pre-Confirmation Claims in the Chapter 11 Cases, in which case such Claims will be treated as provided in the Plan.

d. Limitations as to the United States and Canada. Notwithstanding any other provision in the Plan or in the Confirmation Order, as to the United States and Canada acting as releasing parties in their respective capacities as Government DIP Lender or otherwise, the provisions of the Plan, including Sections III.E.4.a, III.E.5.b, III.E.5.c and V.K thereof, are subject to the following:

(i) nothing in the Plan or the Confirmation Order discharges, releases, enjoins or otherwise bars or limits (A) any liability of the Debtors, the Estates, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager to the U.S. or Canada arising on or after the Confirmation Date; (B) any liability to the U.S. or Canada that is not a "claim" within the meaning of section 101(5) of the Bankruptcy Code; (C) any valid right of setoff or recoupment of the U.S. or Canada (and all such setoff and recoupment rights are preserved and not waived regardless of whether such right was asserted in a timely filed proof of claim); (D) any police or regulatory action of the U.S. or Canada; or (E) any environmental liability to the U.S. or Canada that the Debtors, the Estates, the Liquidation Trust or the Liquidation Trustee, or any other person or Entity may have as an owner or operator of real property or otherwise, unless in the case of (D) or (E) such liability or obligation is a pre-Confirmation Claim in the Chapter 11 Cases, in which case such Claim will be treated as provided in the Plan; and

(ii) nothing in the Plan or the Confirmation Order discharges, releases, enjoins or otherwise bars or limits any liability to the United States or Canada on the part of any persons or Entities other than the Debtors, the Estates, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager, except with respect to the other Released Parties to the extent set forth in Section III.E.5.c of the Plan.

e. Plan Does Not Affect Liability and Obligations Relating to Sale Order. Notwithstanding anything to the contrary in the Confirmation Order or the Plan, nothing in the Confirmation Order or the Plan (including, without limitation, the injunctions, releases and exculpations provided in Sections III.E.4, III.E.5 and III.E.6 of the Plan) affects (i) any obligations set forth in or established by the Sale Order and (ii) the transactions and agreements executed in connection with the Sale Order and/or approved by the Sale Order, including the Purchase Agreement.

f. Provisions Relating to Daimler.

(i) Notwithstanding anything in the Confirmation Order, the Plan or the Winddown Orders to the contrary, nothing in the Confirmation Order or the Plan (including, without limitation, the injunctions, releases and exculpations provided in Sections III.E.4, III.E.5 and III.E.6 of the Plan) releases Daimler, its current or former directors and officers or any other defendant in the Daimler Litigation with respect to any claims and causes of action asserted (or that properly may be asserted) in the Daimler Litigation. For the avoidance of any doubt, Daimler is not a Released Party under the Plan.

(ii) Notwithstanding anything in the Plan or the Confirmation Order to the contrary, nothing in the Plan (including, without limitation, the injunctions, releases and exculpations set forth in Sections III.E.4, III.E.5 and III.E.6 of the Plan and the vesting of assets free and clear of all Liens, Claims and Interests under Section IV.A.1 of the Plan): (A) affects, enhances or restricts the rights or obligations of Daimler, its current or former directors and officers or any other defendant in the Daimler Litigation, under or in connection with (1) Settlement Agreement III, (2) the Tax Settlement Agreement or (3) the Daimler Litigation; (B) modifies Settlement Agreement III or the Tax Settlement Agreement; or (C) modifies, expands, limits or otherwise alters (1) any right of setoff or recoupment by Daimler, its current or former directors and officers or any other defendant in the Daimler Litigation or (2) the rights of the Debtors or the Liquidation Trust to contest any alleged setoff or recoupment rights of Daimler, its current or former directors and officers or any other defendant in the Daimler Litigation on any or all available grounds, including pursuant to or in connection with section 502(d) of the Bankruptcy Code.

**9. Injunctions.** On the Effective Date, except as otherwise provided in the Plan or in the Confirmation Order:

a. All Persons who have been, are or may be holders of Claims against or Interests in a Debtor are enjoined from taking any of the following actions against a Debtor, its Estate, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager, or the respective Assets or property of the foregoing, including the Liquidation Trust Assets, with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under the Plan, the Winddown Orders and appeals, if any, from the Confirmation Order):

(i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against a Debtor, its Estate, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager, or the respective Assets or property of the foregoing, including the Liquidation Trust Assets; *provided that*, with respect to any suit, action or other proceeding pursued by the Liquidation Trust, nothing in the Confirmation Order or the Plan limits any defense a party involved in such suit, action or other proceeding from asserting or pursuing in such suit, action or other proceeding (A) all arguments in or objections or defenses to such suit, action or other proceeding and (B) all such claims and counterclaims that relate in any way to the facts, circumstances, transactions or occurrences that are the subject of such suit, action or other proceeding (each referred to as a "Related Claim"), to the extent such Related Claims have not been released, or are otherwise prohibited, by the Plan or the Confirmation Order, and *provided further* that, notwithstanding anything in the Plan or the Confirmation Order to the contrary, any Claims that are Related Claims asserted by any adverse party in any suit, action or other proceeding pursued by the Liquidation Trust (Y) may be, to the extent permitted by applicable law, asserted defensively in such suit, action or other proceeding, including, without limitation, for purposes of setoff, recoupment, reduction of damages or otherwise, without limitation under the Plan or the Confirmation Order; and (Z) may be, to the extent permitted by applicable law, liquidated in such suit, action or other proceeding and Allowed, subject to receiving the treatment provided to such Claims under the Plan and subject to the rights of the Debtors and the Liquidation Trust to contest such assertions, arguments, objections, defenses and/or claims on any grounds;

(ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against a Debtor, its Estate, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager, or the respective Assets or property of the foregoing, including the Liquidation Trust Assets;

(iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any Lien against a Debtor, its Estate, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager, or the respective Assets or property of the foregoing, including the Liquidation Trust Assets, other than as contemplated by the Plan or the Confirmation Order;

(iv) except as provided in the Plan or the Confirmation Order, asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due a Debtor, its Estate, the Liquidation Trust, the Liquidation Trustee or the Litigation Manager, or the respective Assets or property of the foregoing, including the Liquidation Trust Assets; and

(v) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth in the Plan and approved pursuant to the Confirmation Order.

b. On the Effective Date, except as otherwise provided in the Plan or the Confirmation Order, all Persons that have held, currently hold or may hold any Liabilities released or exculpated pursuant to Sections III.E.5 and III.E.6 of the Plan or the Confirmation Order, respectively, are permanently enjoined from taking any of the following actions against any Released Party or its property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any Lien; (iv) except as provided in the Plan, asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order.

c. By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section III.E.4 of the Plan (subject to the other terms of the Plan and the Confirmation Order).

**10. Exculpation.** From and after the Effective Date, the Released Parties will neither have nor incur any liability to any Person for any act taken or omitted to be taken in connection with the Debtors' Chapter 11 Cases, including the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation or approval of the Plan, the Plan Exhibits, the Disclosure Statement or any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; *provided, however*, that the foregoing provisions are subject to Sections III.E.5.c and III.E.5.d of the Plan and do not affect the liability of any Person that otherwise would result from any such act or omission to the extent that act or omission is determined in a Final Order to have constituted fraud, gross negligence, willful misconduct, *ultra vires* acts, criminal conduct or the unauthorized use of confidential information. Any of the foregoing parties in all respects are entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing in Section III.E.6 of the Plan limits (a) the releases provided in Section III.E.5.a of the Plan or (b) the liability of the Professionals to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility, 22 N.Y. Comp. Codes R. & Regs. § 1200 Rule 1.8(h)(1), and any other statutes, rules or regulations dealing with professional conduct to which such Professionals are subject.

**11. Rejection of Executory Contracts and Unexpired Leases.** On the Effective Date, each Executory Contract or Unexpired Lease entered into by a Debtor prior to the Petition Date that had not previously expired or terminated pursuant to its own terms was rejected pursuant to section 365 of the Bankruptcy Code, with the exception of any Executory Contract or Unexpired Lease that (a) was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court or (b) is listed on Plan Exhibit II.E.2. The Confirmation Order constitutes an order of the Bankruptcy Court approving such rejections pursuant to section 365 of the Bankruptcy Code, as of the Confirmation Date. Any party that wishes to object to the proposed rejection of any Executory Contract or Unexpired Lease under the Plan, and that did not previously raise such objection in connection with the confirmation of the Plan, must file with the Court and serve on counsel to the Debtors or the Liquidation Trust, as applicable, a written objection no later than 14 days after service of this Notice (*i.e.*, by May 24, 2010 at the latest)[1] and in accordance with the Contract Procedures Order (Docket No. 6415).

**12. Bar Dates.**

a. General Bar Date Provisions. Except as otherwise provided in paragraph 12.b or 12.d below or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed or Allowed pursuant to the Plan, each holder of an Administrative Claim must File a request for payment of such Administrative Claim and serve such request on the Notice Parties pursuant to the procedures specified herein, no later than 30 days after the Effective Date (*i.e.*, by June 1, 2010). Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claim and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the Debtors, the Liquidation Trust or the Liquidation Trustee, or their respective property, and such Administrative Claims will be deemed waived and released as of the Effective Date. Objections to such requests must be Filed by the Liquidation Trust and served on the Notice Parties and the requesting party by the latest of (i) 150 days after the Effective Date (*i.e.*, September 27, 2010), (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically established by a Final Order for objecting to such Administrative Claims. For the avoidance of doubt, nothing in the Plan modifies any requirement to File any Administrative Priority Claims as set forth in the General Bar Date Order by the applicable Bar Date, and any holder of such an Administrative Priority Claim that failed to comply with the requirements of the General Bar Date Order or section 546(c) of the Bankruptcy Code is forever barred from asserting such Administrative Priority Claims against the Debtors, the Liquidation Trust or the Liquidation Trustee, or their respective property, and such Administrative Priority Claims are deemed waived and released.

b. Bar Dates for Professionals' Fee Claims. Professionals or other Entities other than Ordinary Course Professionals asserting a Fee Claim for services rendered or expenses incurred before the Effective Date must File and serve on the Notice Parties, and such other Entities who are designated by the Bankruptcy Rules, the Interim Compensation Order, the Confirmation Order or other order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 60 days after the Effective Date (*i.e.*, by June 29, 2010); *provided, however,* that any Ordinary Course Professional (i) must submit a Final OCP Statement no later than 30 days after the Effective Date (*i.e.*, by June 1, 2010) and (ii) may continue to receive payment of compensation and reimbursement of expenses for services rendered to the Debtors without further Bankruptcy Court review or approval (except as provided in the Ordinary Course Professionals Order). Objections to any Fee Claim must be Filed and served on the Notice Parties and the requesting party by the latest of (i) 90 days after the Effective Date (*i.e.*, July 29, 2010), (ii) 30 days after the Filing of the applicable request for payment of the Fee Claim or (iii) such other period of limitation as may be specifically determined by a Final Order for objecting to such Fee Claims. To the extent necessary, the Confirmation Order amends and supersedes any previously entered order of the Bankruptcy Court regarding the payment of Fee Claims. For the avoidance of doubt, Contingency Fee Counsel need not file any Fee Claim for Contingency Fees earned after the Effective Date, and any such amounts will be subject to the terms of the Plan and the Contingency Fee Counsel Agreement.

c. Bar Date for Rejection Damages. Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, if the rejection of an Executory Contract or Unexpired Lease pursuant to Section II.E.1 of the Plan gave rise to a Claim by the other party or parties to such Executory Contract or Unexpired Lease, such Claim will be forever barred and will not be enforceable against the Debtors, their Estates, the Liquidation Trust, the Liquidation Trustee or any of their respective Assets or property, including the Liquidation Accounts and other Liquidation Trust Assets, unless a proof of Claim or request for payment of Administrative Claim is Filed and served on the Liquidation Trust, pursuant to the procedures specified in this Notice or an order of the Bankruptcy Court, no later than 30 days after the Effective Date (*i.e.*, by June 1, 2010), in which case such proof of Claim or request for payment of Administrative Claim will be subject to treatment in accordance with the Plan.

d. Administrative Tax Claims. Notwithstanding anything in Section II.A.1.d.i of the Plan or any other provision of the Plan or the Confirmation Order, a governmental unit is not required to file and serve a request for payment of an Administrative Claim with respect to any administrative expense of the type described in section 503(b)(1)(B) or section 503(b)(1)(C) of the Bankruptcy Code as a condition to such amounts being an allowed administrative expense.

e. Procedure for Filing Proofs of Claim. Proofs of Claim arising from the rejection of Executory Contracts or Unexpired Leases must be served on the Liquidation Trust's claims and noticing agent, Epiq Bankruptcy Solutions, LLC ("Epiq"), either by (a) mailing a copy of the original proof of Claim to Old Carco LLC (f/k/a Chrysler LLC) Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5014, New York, New York 10150-5014 or (b) by delivering the original proof of Claim by hand or overnight courier to Old Carco LLC (f/k/a Chrysler LLC) Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, 757 Third Avenue, 3rd Floor, New York, New York 10017. Proofs of Claim submitted by facsimile or email will not be accepted. Proofs of Claim will be deemed filed only when actually received by Epiq at the addresses set forth in this paragraph on or before the applicable Bar Date. If a creditor wishes to receive acknowledgement of Epiq's receipt of a proof of Claim, the creditor also must submit to Epiq by the applicable Bar Date and concurrently with submitting its original proof of Claim (i) a copy of the original proof of claim and (ii) a self-addressed, postage prepaid return envelope. Copies of a proof of claim form may be obtained as set forth in paragraph 15 below.

**13. Bankruptcy Court Address for Filing Request for Payment of Administrative Claim.** For purposes of Filing requests for payment of Administrative Claims and applications for allowance of Fee Claims, the address of the Bankruptcy Court is One Bowling Green, New York, New York 10004-1408. Pleadings may also be filed on the Court's Document Filing System (ECF) by completing and submitting the Electronic Filing Registration Form, available at http://www.nysb.uscourts.gov. Any requests for payment of Administrative Claims or applications for Fee Claims also must be served on the Notice Parties identified in paragraph 14 below.

**14. Notice Parties' Service Addresses.** For purposes of serving requests for payment of Administrative Claims and applications for allowance of Fee Claims on the Notice Parties, such requests for payment should be served, as applicable, on: (a) the Liquidation Trustee, RJM I, LLC, Robert J. Manzo, Sole Manager, c/o CAPSTONE ADVISORY GROUP, LLC, Park 80 West, 250 Pehle Avenue, Suite 105, Saddle Brook, New Jersey 07663; (b) counsel to the Liquidation Trust, JONES DAY, 222 East 41st Street, New York, New York 10017 (Attn: Corinne Ball, Esq. and Veerle Roovers, Esq.), JONES DAY, North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114 (Attn: David G. Heiman, Esq. and Carl E. Black, Esq.), and JONES DAY, 1420 Peachtree Street, N.E., Suite 800, Atlanta, Georgia 30309 (Attn: Jeffrey B. Ellman, Esq.); (c) counsel to the Liquidation Trustee, KAYE SCHOLER LLP, 425 Park Avenue, New York, New York 10022 (Attn: Michael Solow, Esq. and Andrew A. Kress, Esq.); (d) the First Lien Agent on behalf of the First Lien Lenders, Susan Atkins, JPMORGAN CHASE BANK, N.A., 277 Park Avenue, New York, New York 10172; (e) counsel to the First Lien Agent, SIMPSON THACHER & BARTLETT LLP, 425 Lexington Avenue, New York, New York 10017-3954 (Attn: Peter V. Pantaleo, Esq. and Nicholas Baker, Esq.); (f) the U.S. Treasury, THE UNITED STATES DEPARTMENT OF THE TREASURY, 1500 Pennsylvania Avenue, NW, Washington, District of Columbia 20220; (g) counsel to the U.S. Treasury, CADWALADER, WICKERSHAM & TAFT LLP, One World Financial Center, New York, New York 10281 (Attn: John J. Rapisardi, Esq.); CADWALADER, WICKERSHAM & TAFT LLP, 700 Sixth Street, NW, Washington, District of Columbia 20001 (Attn: Douglas Mintz, Esq.); and Jeannette A. Vargas, Esq., Assistant United States Attorney of the Southern District of New York, United States Department of Justice, 86 Chambers Street, Third Floor, New York 10007; (h) EXPORT DEVELOPMENT CANADA, 151 O'Connor Street, Ottawa, Ontario, Canada K1A 1K3 (Attn: Loans Services and Asset Management/Covenants Officer); (i) counsel to Export Development Canada, VEDDER PRICE P.C., 1633 Broadway, 47th Floor, New York, New York, 10019 (Attn: Michael J. Edelman, Esq.); (j) the Litigation Manager, Alan R. Brayton, Esq., BRAYTON & PURCELL LLP, 222 Rush Landing Road, P.O. Box 6169, Novato, California 94948-6169; and (k) the United States Environmental Protection Agency, Jeannette A. Vargas, Esq., Assistant United States Attorney of the Southern District of New York, United States Department of Justice, 86 Chambers Street, Third Floor, New York 10007.

**15. Copies of Confirmation Order and Proof of Claim Form.** Copies of the Confirmation Order and other pleadings filed in the Chapter 11 Cases, as well a proof of claim form, may be obtained free of charge at http://www.chryslerrestructuring.com or from Epiq Bankruptcy Solutions, LLC by calling **1-877-271-1568** (for callers in the U.S. and Canada) or **+1-503-597-7708** (for international callers outside the U.S. and Canada).

Dated: May 1, 2010 BY ORDER OF THE COURT

| | | |
|---|---|---|
| Corinne Ball<br>Veerle Roovers<br>JONES DAY<br>222 East 41st Street, New York, New York 10017,<br>Tel: (212) 326-3939,<br>Fax: (212) 755-7306 | David G. Heiman<br>Carl E. Black<br>JONES DAY<br>North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114,<br>Tel: (216) 586-3939,<br>Fax: (216) 579-0212 | Jeffrey B. Ellman<br>JONES DAY<br>1420 Peachtree Street, N.E., Suite 800, Atlanta, Georgia 30309-3053,<br>Tel: (404) 581-3939,<br>Fax: (404) 581-8330 |

ATTORNEYS FOR OLD CARCO LIQUIDATION TRUST

[1] Assumes service by May 10.2010 consistent with the Confirmation Order.

# Regulator rejects ITV ad rule change

MEDIA

## Commission still sees protection need

## Investors eye gains from coalition

**By Ben Fenton, Chief Media Correspondent**

Competition authorities rebuffed ITV's efforts to lift restrictions on what it charges advertisers, but the broadcaster's shares rose as investors took the view that it would benefit under a Conservative-led government.

Adam Crozier, chief executive, condemned as "out of touch" a decision by the Competition Commission not to alter its initial findings published in September on the contract rights renewal (CRR) system, which was introduced in 2003 when Carlton and Granada joined forces to become ITV.

The broadcaster's ability to attract mass audiences, through shows such as *The X Factor* and *Britain's Got Talent*, remained unique and so advertisers and media buyers still needed protecting, the commission said.

CRR allows advertisers to renew their deals with ITV on the same terms as they had in 2003. Under a complex formula known as the "ratchet", it also links the rates ITV can charge to its ratings.

The regulator yesterday said it would go no further than suggested in September, when it said that it would allow ITV's ITV1+1 channel, yet to be launched, and ITV HD to be included in those ratings.

Analysts have estimated that ITV would benefit to the tune of between £40m and £55m a year if CRR was scrapped altogether.

Archie Norman, the new chairman of the UK's largest commercial broadcaster, has made removal of restrictive regulation one of his priorities.

Diana Guy, deputy chairman of the commission, said the power of the company's flagship channel remained undimmed.

"ITV1 remains a 'must have' for certain advertisers and certain types of campaign," she said.

"So the essential reason for the CRR undertakings remains: to protect advertisers and other commercial broadcasters from the enhanced market position created by the merger of Carlton and Granada."

The commission said ITV had overstated the cost of CRR and the distorting effect it had on the market.

Mr Crozier said: "Today's ruling is out of touch and damaging for the interests of creative Britain. UK media is over-regulated and this has to change if we value and want to sustain a vibrant independent broadcasting sector that can rival the BBC and compete on a global stage."

Nonetheless, ITV shares rose sharply at the opening of the market and closed up 3.95p, or 6.9 per cent, at 61.45p, with analysts saying that investors saw a Conservative-led government as a positive factor for ITV's medium-term future. Mr Norman is an ex-deputy chairman of the Conservative party.

However, Toby Syfret, broadcasting specialist at Enders Analysis, said that he could see little that a government could do without producing a Communcations Act to reshape the advertising market.

"I can't see that as being a priority in the first couple of years of any government in these circumstances," he said.

Mr Syfret estimated the net gain of scrapping CRR as only £30m annually.

Last year, ITV's net income from advertising was £1.29bn.

# Delayed results show big losses at Cattles

GENERAL FINANCIAL

**By Adam Jones and Sharlene Goff**

Cattles, the subprime lender, has unveiled worse-than-expected losses for the years prior to its financial crisis.

It emerged last year that the group had underestimated the provisions it should have made in relation to bad debts. Yesterday it said the losses made in 2007 and 2008 were much worse than it envisaged six months ago.

Cattles delayed the publication of its performance figures for 2008 in February last year so it could perform a thorough review of its impairments. At that time it warned it had probably overestimated the value of its loan portfolio.

The group yesterday released the audited results for 2008, and they made worse reading than expected.

The pre-tax loss was £745.2m, reflecting a loan loss charge of £794.3m. The deficit was significantly worse than the £555.3m unaudited loss Cattles had announced in November.

This figure was released before Grant Thornton started work as its new auditor, replacing PwC. Cattles said the larger-than-envisaged loss partly reflected additional loan impairments and provisions.

**£745.2m**

**Cattles pre-tax loss for 2008, revealed yesterday**

The lender also announced a further restatement to its 2007 figures. These revealed a pretax loss of £96.5m during the period instead of the £22.7m unaudited profit it had been expecting.

When Cattles published the unaudited figures for 2008 and 2007 last November, it said they were subject to material change.

Trading in the group's shares and bonds was suspended in April and the shares are now deemed to have little or no value.

The group has revealed that it owes more money to creditors than it would be able to claw back from existing customers.

The business is now under new management and has ceased lending in its main subsidiary, Welcome Finance, though it is still collecting payments from this business. Last November, Cattles announced that it had reached a standstill arrangement with its own lenders.

Cattles is still providing small loans through Shopacheck, its door-to-door lending business, which are being funded through collections made from existing borrowers. Its debt collection business, Lewis, is still operating, though it is loss-making.

Cattles intends to release its 2009 results "in the near future", adding that this would involve another substantial loss. Its shares will be suspended until at least the publication of last year's results, after which it will make a decision whether to relist or delist the shares.

It is also the subject of a Financial Services Authority investigation, which is focusing on whether the company's executives lived up to their obligations to make timely and accurate announcements about its financial situation.

# Kesa hails input from Darty as Comet tails off

GENERAL RETAILERS

**By Hannah Kuchler**

Sales at Comet have fallen further as Darty, its sister electrical retail chain in France, continued to outperform Kesa Electricals' UK division.

Like-for-like sales in the period from January 9 to April 30 rose 0.5 per cent at Darty compared with a drop of 4 per cent at Comet.

Kesa's group like-for-like sales fell 1.2 per cent. However, revenue rose 1 per cent on a constant currency basis, reflecting the opening of new stores.

**1%**

**Rise in revenue on a constant currency basis**

**£76m**

**Average expected adjusted profit for full year**

Sales at Comet have fallen faster since January than in the full year, when like-for-like sales fell 1.4 per cent. Comet maintained its market share but the market for electrical goods has suffered as shoppers put off big-ticket purchases.

Thierry Falque-Pierrotin, chief executive, said: "We expect adjusted profit before tax for the full year to be significantly ahead of last year and in line with the average of current market expectations of £76m."

He added that profit would rise because of an increase in gross margin.

For the year to April 30, group like-for-like sales were down 1.5 per cent but total revenue rose 0.9 per cent on a constant-currency basis. At Darty sales were up 0.2 per cent but revenue grew 2.7 per cent. Comet's 1.4 per cent drop in full year like-for-like sales translated into a fall in revenue of 0.4 per cent.

The chief executive said he was pleased with the progress in turning around the Spanish operation and developing Italian and Turkish start-ups. Their sales rose 10.9 per cent.

Kesa shares firmed 4.7p to close at 119.3p.

**● FT Comment**

Darty thrives because of its market position as the best place to go for good service and quality electrical goods. Comet faces much more competition than its French counterpart; in the UK electricals are sold on promotion in supermarkets and in megastores such as Currys and the newly arrived Best Buy. Its attempt to brand itself as the quality retailer has so far fallen on deaf ears and it trades at a discount to both the sector and its electricals competitors, at about 12 times earnings. Management is due to update on strategy in June but it is increasingly clear that the brightest future for Kesa lies outside the UK. Investors should, at the very least, expect a lull in growth before it can fully exploit its operations in southern Europe.

Recession bites: the intercity Greyhound business, buses for which were introduced to the UK last year, performed poorly in the US Getty Images

# Higher fuel costs weigh on FirstGroup

TRAVEL & LEISURE

**By John O'Doherty**

A fall in passenger numbers and higher fuel costs dented full-year profits at FirstGroup, although the rail and bus operator was cheered by strong cash generation and raised its dividend 10 per cent.

"The recession in the UK and North America impacted our passenger demand businesses and created pressure on our contracted businesses [municipal bus services] in North America where lower tax receipts have led to public spending constraints at both state and local level," said Moir Lockhead, chief executive.

"In addition, our hedged fuel costs increased by about £90m across the business and finally, as if that wasn't enough, the severe weather conditions that disrupted transport across the vast majority of the UK and North America during our fourth quarter has also impacted these results."

However, while passenger volumes did decline in some markets, the group was able to maintain margins and revenue per mile by cost actions and a reduction in the number of total miles travelled.

For the year to March, pre-tax profits fell 10 per cent to £180m on revenue that rose 2 per cent to £6.3bn.

Earnings per share fell from 30p to 27.3p; the total dividend is lifted 10 per cent to 20.65p following a proposed final of 14p.

The group has now committed to raising its dividend by 7 per cent a year.

FirstGroup generated net cash of £136m and is now targeting cash generation of £150m for next year.

The cash was used to reduce the group's net debt, which fell from £2.5bn to £2.3bn over the course of the year.

Shares in FirstGroup rose 12p to 384p yesterday.

**● FT Comment**

FirstGroup is exposed to the recession at both ends: penny-pinching consumers cut back on intercity bus and rail travel, while tax-starved cities with empty coffers trim their local bus services. As highlighted by the poor performance of the US intercity Greyhound business, the pain has so far come largely from the consumer side – the daily school bus run is less discretionary than a weekend visit to see family in Minneapolis. FirstGroup shares trade on about 9 times 2011 earnings, a slight discount to its smaller peer Go-Ahead on 11. With both companies sitting on forward dividend yields of about 6 per cent, income-hunting investors may see marginally better value in FirstGroup.

# Compass to dish up more sales on 'optimistic' outlook

TRAVEL & LEISURE

**By Alistair Gray**

Compass Group has signalled that a sluggish sales performance in key areas over the past year would soon recover, helping lift shares in the world's biggest caterer to a nine-year high.

In interim results, the FTSE 100 company, which employs 360,000 people in 50 countries and serves about 4bn meals a year, said like-for-like volumes – in the red for more than a year – were beginning to stabilise.

Although feeding "captive" customers in hospitals, schools and prisons proved a relatively resilient business during the downturn, more cyclical areas – such as staff canteens and stadium catering – have suffered.

But in a sign of mounting confidence in the outlook, Compass yesterday lifted its interim dividend 13.6 per cent to 5p (4.44p).

"We are not going to get cocky but we are quite optimistic," said Richard Cousins, chief executive.

"I wouldn't want to call it too strongly – it's still a tough economy out there."

Pre-tax profits rose from £387m to £459m in the six months to the end of March on sales of £7.1bn (£6.93bn), although the figures were flattered by the weakness of sterling.

Revenue improved by a modest 0.9 per cent, assuming currencies had been constant.

Cost-cutting, such as sounder ingredient sourcing and better labour management, has also helped the company withstand the downturn, and the operating margin improved a further 50 basis points in the first half to 7 per cent.

"We do see loads more to go for in the margins," Mr Cousins said.

Compass, which feeds workers at the Bank of England, fans at Chelsea Football Club and concert-goers at London's $O_2$ arena, is also looking to expand into supplementary services such as cleaning and laundry.

Shares in Compass rose 28p to 557½p.

**● FT Comment**

Shares in Compass have bounced back since Richard Cousins took the chief executive's chair four years ago, much of the rally driven by his efficiency programme. Sceptics' concerns have been two-fold: room for further margin improvement, and for top-line growth. Yesterday's figures go some way to addressing both. The shares have risen by more than a quarter since the turn of the year, outperforming Sodexo. That leaves Compass trading at 17 times forecast earnings per share of 33p: hardly cheap, but a discount to its French rival (on about 19 times) that seems hard to justify.

# Stobart moves up a gear despite dents to trade

INDUSTRIAL TRANSPORT

## Revenue and profit rise amid recession

## Poor weather costs group £500,000

**By Michael Kavanagh**

Dents to trading caused by harsh winter weather and the financial collapse of a customer failed to prevent a jump in full-year revenue and profits at Stobart Group, the trucking company that is reinventing itself as a "multi-modal" logistics provider.

Revenue at the company, still dominated by its Eddie Stobart trucking operation, increased from £431m to £448m in spite of recessionary pressure on volumes in the road haulage sector.

"Most of our deliveries are for the foods and drink sector, and that is more recession-proof than most other forms of transport delivery," said Andrew Tinkler, chief executive, pointing to recent contract wins with Unilever and AG Barr.

The company calculated that poor winter weather – which disrupted road transportation across Britain – cost Stobart Group £500,000 in profits, while it also wrote off £300,000 in debts as Jarvis, the York-based rail maintenance group, went into administration.

Nevertheless, Mr Tinkler pointed to progress in its integrated transport strategy.

That included the development of facilities at Southend and Carlisle airports and the completion of a distribution centre and chilled food warehouse facility in Widnes on the Mersey, backed by Tesco, during the year.

Pre-tax profits jumped from £22m to £34m for the year to February 28.

However, lingering distortions from losses caused by the merger of the company with Westbury Property in 2007 saw its post-tax outcome, including discontinued operations, jump from a loss of £8.7m to a profit of £28m.

The full-year dividend is unchanged at 6p, after a 4p final, payable from earnings per share of 11.58p.

**● FT Comment**

It is steady as she goes for Stobart Group. Its shares ticked up 4.9p to 155p yesterday as it delivered on expectations of a maintained dividend and an improvement in adjusted profit from £23m to £28.6m, once property exceptionals are stripped out. With its shares trading on a forward price/earnings ratio of 15 times, there is little to suggest a mid-life crisis at the 40-year-old business – whose fleet of 1,800 vehicles famously sport girls' names. The FTSE 250 company's story of intermodal transformation, including its airport acquisitions and the opening of a rail route from Spain, attracts plenty of attention. But 85 per cent of sales still come from the trucking part of the business, which is heavily tied to the macroeconomic environment. As a result, the shares are unlikely to do much more than track the FTSE 250 index. Truck-loving tracker investors should enjoy the ride.


Airport acquisitions aid Stobart's reinvention Daniel Jones

## More news at ft.com/companies/uk

**● Barratt looks to black**
The UK's largest volume housebuilder said a return to profit during the first six months of the year would give it "the best defence possible" against a takeover bid from a rival.

Barratt said it was on track to report its first profit for two years after the "slow motion" revival in the property market had pushed up prices and sales volumes

**● D1 Oils board call**
Principle Capital, the biggest shareholder in D1 Oils, has requisitioned a meeting to remove all directors of the biofuels company except Nicholas Ward, who was appointed as a non-executive a fortnight ago

**● BAE wins contract**
BAE Systems has won a £150m contract to provide a repair and support service for avionic equipment on the Eurofighter Typhoon fleets for the German, Spanish and UK air forces.

Europe's largest defence contractor was awarded the five-year contract from Eurofighter GmbH. Under the contract BAE will provide a range of repair services that are expected to lead to reduced support costs and greater equipment reliability

**● Vertu aims for growth**
Vertu, which has grown in three years to become the UK's ninth-biggest motor retailer, sees a strong pipeline of potential acquisitions that it can assimilate, helping to achieve future earnings growth

**RESULTS**

| Name | | Turnover | Pre-Tax | EPS (p) | Div (p) | Pay day | Total |
|---|---|---|---|---|---|---|---|
| Cattles | Fin* | **847** 912.2 | **745.2L** 96.5L | **156.38** 25.56 | **nil** 6.2 | – | **6.51** 13.1 |
| Compass | Int | **7,104** 6,927 | **459** 387 | **17.9** 15.3 | **5** 4.4 | Aug 2 | **–** 13.2 |
| Dimension Data $ | Int | **2,166** 1,950 | **104.4** 87.2 | **4.2** 3.9 | **–** – | – | **–** 1.9 |
| Emed Mining € | Fin | **–** – | **10.4L** 17.1L | **3L** 8L | **–** – | – | **–** – |
| FirstGroup | Fin | **6,319** 6,187 | **179.6** 200 | **27.5** 30.2 | **14** 11.7 | Aug 20 | **20.65** 18.75 |
| Hambledon Mining | Fin | **12.8** 5.55 | **0.245L** 7.06L | **0.01** 1.65L | **–** – | – | **–** – |
| OMG | Int | **14.4** 13.6 | **1.25** 0.922 | **1.24** 0.96 | **–** – | – | **–** 0.15 |
| Stobart | Fin | **447.7** 431.1 | **34.1** 22.1 | **11.74** 4.07L | **4** 3.3 | June 21 | **6** 6 |
| Strategic Thought | Fin | **8.24** 6.04 | **0.767L** 2.09L | **3L** 7.8L | **nil** nil | – | **nil** nil |
| Thalassa $ | Fin | **0.651** – | **0.155** 0.274L | **2** 10L | **–** – | – | **–** – |
| Vertu Motors | Fin | **818.9** 760.8 | **4.63** 0.068 | **2.23** 0.83 | **–** – | – | **–** – |

Figures in £m. Earnings shown basic. Figures in light text are for corresponding period. *Results for 2008.
For more information on dividend payments visit www.ft.com/marketsdata

# SAP to buy Sybase in $5.8bn deal

SOFTWARE

## Acquisition biggest in nearly three years

## German group to pay $65 per share

**By Daniel Schäfer in Frankfurt**

SAP, the world's largest enterprise software maker, has agreed to buy US rival Sybase in a deal worth $5.8bn, its biggest acquisition in almost three years.

The German software group will pay $65 per share in cash for Sybase, SAP said in a statement yesterday evening.

That represents a 44 per cent premium to the three-month average stock price of the fourth-largest provider of database software.

The move extends the rivalry between SAP and US rival Oracle, where Oracle has been the leading database company but is number two to SAP in business management software.

Bill McDermott, SAP's co-chief executive, said the company would benefit hugely from Sybase's database and mobile application technology.

"We see a great potential in combining the leader in enterprise software with the leader in mobility," Mr McDermott said.

The deal marks a fast foray into dealmaking by Mr McDermott and Jim Hagemann Snabe, SAP's co-chief executives.

SAP's last big acquisition was the takeover of rival Business Objects for €4.8bn ($6.1bn) in late 2007.

Sybase's share price shot up more than 35 per cent yesterday, giving the US-based company a market value of just below $5bn. The group specialises in business intelligence and trading software for financial institutions, as well as solutions for mobile devices, matching SAP's requirement that any takeover should move the company forward in terms of new technology.

"This is a growth story," Mr Snabe said.

Mobile, "on device" software is one of three key areas for growth in SAP's strategy. But it is also one where the group, which is by far the biggest seller of traditional enterprise software, is lagging behind competitors such as Sybase.

Sybase would not have been a target for its acquisitive Bay Area neighbour Oracle, according to Yvonne Genovese, business applications analyst with the Gartner research group.

"From a database perspective, Oracle thinks it's got it all sewn up, so they have no need to go buy another database vendor," she said.

The software maker aims to expand its enterprise software market leadership while at the same time moving into the new areas of mobile software and on demand software, which is being used remotely rather than being installed and licensed.

Mr Snabe said Sybase would be run as a fully owned subsidiary, with John Chen, its chief executive and chairman, staying at the helm of the company as well as joining SAP's management board.

SAP is financing the deal with a €2.75bn loan facility provided by its advisers on the deal, Deutsche Bank and Barclays Capital. Bank of America Merrill Lynch advised Sybase.

# Crédit Agricole in Greek bank rethink

BANKS

**By Megan Murphy in London**

Crédit Agricole said it was "reassessing" its plans for its Greek retail banking unit after the €750bn ($948bn) bail-out plan announced by eurozone finance ministers this week.

The French lender is viewed as one of the banks most exposed to Greece's debt crisis owing to its majority stake in Emporiki, its Greek subsidiary.

"Triggering of the emergency bail-out plan for Greece launched by the European Union and the International Monetary Fund has led Crédit Agricole to consider reassessing Emporiki's restructuring and development plan," the group said yesterday in announcing its first quarter results.

Crédit Agricole last week pegged its exposure to Greek sovereign debt at €3.8bn as European banks scrambled to reassure investors that the potential fallout from the spiralling crisis was manageable.

That figure did not include Emporiki's exposure to the souring climate for retail customers.

Crédit Agricole said that loan provision charges had a €254m impact on its Greek operations in the first quarter amid a broad restructuring effort to stem further losses.

Bertrand Badré, Crédit Agricole's chief financial officer, said that while Emporiki's loan portfolio would certainly be hit by a severe deterioration in the Greek economy, a recession would likely make restructuring the unit "easier and cheaper".

"I urge you not to jump to conclusions too rapidly," Mr Badré said.

"It's much more complicated than it looks . . . I don't know what the outcome will be yet."

Across the group, Crédit Agricole reported a first quarter profit of €470m, slightly lower than analysts' consensus estimates but more than double the profit the lender posted for the first quarter of 2009.

BNP Paribas and Société Générale both reported better-than-expected results this month, which might put pressure on Crédit Agricole's share price when the French stock market opens this morning, analysts said.

Within the bank's corporate and investment banking business, which has been dramatically scaled back since racking up big losses in the financial crisis, revenues rebounded to €1.3bn, up 20 per cent from a sluggish fourth quarter.

They were still down nearly 9 per cent year on year, owing to what Crédit Agricole termed an "unusually high basis of comparison".

Total group revenues increased 19 per cent to €4.82bn from €4.06bn, while provisions for future loan losses, declined slightly to €1.07bn from €1.09bn.

# M Stanley 'surprised' by CDO probe

BANKS

**By Francesco Guerrera and Henny Sender in New York**

Morgan Stanley's chief executive said yesterday that the Wall Street bank had "no knowledge whatsoever" of a US government investigation into it, as its shares fell following a report that federal prosecutors were looking at mortgage-related deals.

James Gorman said the US Department of Justice had not asked the bank about two collateralised debt obligations – securities backed by mortgages – mentioned in an article in The Wall Street Journal yesterday.

> 'If they are going after Morgan Stanley, they are going after everyone'

"We have not been contacted by the Justice Department about any transactions that were raised in The Wall Street Journal article," Mr Gorman said at a press conference in Tokyo.

"We have no knowledge whatsoever about the Justice Department investigation."

However, Mr Gorman's words did not appear to be enough to allay investors' fears of a legal battle between the authorities and Morgan Stanley.

At the close of trading in New York yesterday, the bank's shares were down by 2 per cent to $27.80.

The DoJ declined to comment.

A probe into Morgan Stanley's CDO activities prior to the financial crisis would deepen the market's fears of a Wall Street-wide investigation into the market for mortgage-backed securities.

Last month, the Securities and Exchange Commission filed civil fraud charges against Goldman Sachs, accusing the bank of misleading investors in a CDO.

Federal prosecutors are also believed to be looking at Goldman, which has denied the SEC charges against it.

"If they are going after Morgan Stanley, they are going after everyone," said one senior executive at a competing group.

"It is a way to keep compensation down and make the regulators look good."

Morgan Stanley was not a big participant in the CDO market prior to the crisis and the bets that it took on the direction of the housing market have cost it more than $8bn.

People close to the situation said that the bank's executives and lawyers had been taken by surprise by the article in the Wall Street Journal and were scrambling to establish if there was any active probe into its CDO activities.

"We have senior lawyers who are in very close contact with Justice and there has been no indication to us," a senior Morgan Stanley official said.

Last month, Morgan Stanley said that, unlike Goldman, it had not received a "Wells notice" – a formal warning that the SEC was preparing to file charges.

**www.ft.com/usbanks**

Witness: Josef Ackermann, Deutsche Bank chief, said he had tried for days to get information from IKB about risk positions AFP

# German financial crisis plays out in court

BANKS

News analysis

## Deutsche Bank chief Josef Ackermann gives evidence in trial of former IKB head, says **James Wilson**

Public scrutiny of Germany's costly financial crisis moved to the courtroom yesterday when Josef Ackermann, chief executive of Deutsche Bank, appeared before a judge to explain Deutsche's relationship with a smaller rival days before its near-collapse.

In 2007, IKB was the first German bank to need a government bail-out ahead of the financial crisis that would culminate in the collapse of Lehman Brothers and, in Germany, the nationalisation of Hypo Real Estate.

Stefan Ortseifen, IKB's former chief executive, is accused of misleading investors in IKB with reassurances about its finances only days before its rescue.

Mr Ortseifen's trial is the first in Germany of a bank executive in connection with the financial crisis. The appearance as a witness of Mr Ackermann, the country's most famous banker, was brief but is still the country's biggest piece of legal theatre to have arisen from the crisis.

The fact that IKB was already partly owned by the German government as its troubles mounted added a political dimension to its near-collapse.

The case has also highlighted the relationships between lenders such as IKB, which were eager buyers of structured credits, and the global investment banks that supplied them.

IKB invested heavily in US subprime credits through an off-balance sheet "conduit" called Rhineland. In an unrelated case, Goldman Sachs has been charged with fraud by the US Securities and Exchange Commission in connection with a portfolio that it sold to Rhineland in 2007, which caused $150m of losses for IKB.

Deutsche has faced criticism of its relationship with IKB, in part because of the multiple roles it played. It was a seller of securities to IKB, as Mr Ackermann said in court. Later, as Mr Ackermann also said yesterday, he alerted Bafin, Germany's regulator, to IKB's problems, leading to its bail-out over the last weekend of July 2007.

Mr Ortseifen has previously suggested that Deutsche Bank's decision to cut a credit line to IKB earlier that month harmed his bank's reputation and contributed to its need for a bail-out only 48 hours later.

Yesterday Mr Ackermann denied this, saying there had already been indications of problems at IKB.

In a 40-minute appearance in a Düsseldorf court, Mr Ackermann said Deutsche had tried for days to get information from IKB about its risk positions after credit spreads for IKB widened considerably.

"The market's assessment of IKB got dramatically worse," Mr Ackermann said.

Sitting a few metres from Mr Ortseifen, Mr Ackermann said Deutsche had requested more information about IKB's portfolio on July 20, the same day IKB issued a press release about its financial situation that is at the heart of the case against Mr Ortseifen.

Deutsche had realised that IKB's valuations of the Rhineland portfolio were too optimistic, Mr Ackermann said. "We could tell that IKB was already in a very problematic situation."

Adding to the interest in the case was Mr Ackermann's reappearance in front of the same judge who acquitted him in Germany's Mannesmann trial in 2004, when Mr Ackermann and other former board members faced charges of breach of trust over bonus payments.

The judge has already said she considers the IKB press statement of July 20 misleading. Mr Ortseifen denies a charge of market manipulation.

The trial continues.

### IKB's woes

IKB was one of the first banks to be hit by the global financial crisis.

Seen as a conservative lender to German industry, it also ran a large off-balance sheet conduit called Rhineland that invested in subprime US mortgage credits.

The conduit ran into funding problems in 2007 and forced IKB to turn to the German government and rival banks for an emergency bail-out.

Stefan Ortseifen, former chief executive, is the first banker to face trial in Germany for his role in the financial crisis.

The lossmaking bank is now owned by Lone Star, the US financial investor.



# AIG chief says group will stay in profit

NON-LIFE INSURANCE

## Benmosche vows to pay back bail-outs

**By Suzanne Kapner in New York**

Robert Benmosche, AIG chief executive, told shareholders at yesterday's annual meeting that the beleaguered insurer would continue to earn a profit and pay back all of its obligations, including the $101.6bn it owes taxpayers.

The shareholders meeting was the first for Mr Benmosche, who replaced Edward Liddy after he resigned in 2009 amid a political row over AIG's policies on bonuses for senior staff.

AIG's past losses mainly stem from derivatives contracts to insure investors against house price declines. Once prices fell, AIG owed billions of dollars it could not pay.

The company's near collapse threatened to bring down its trading partners and destabilise the global financial markets.

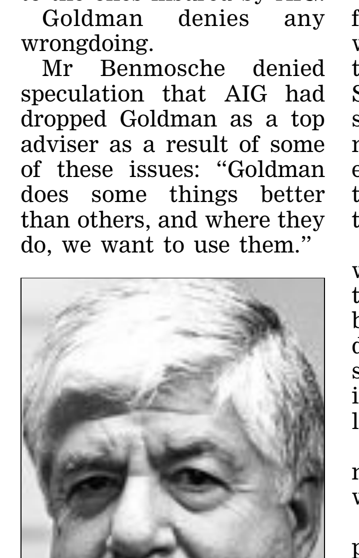
Since taking the helm, Mr Benmosche has reached agreements to sell $51bn of assets, including a deal that is pending to divest AIG's Asian life assurance division to Prudential of the UK. At the same time, business at the company's core property and casualty underwriting units has improved, helping AIG to record a $1.45bn first-quarter profit, compared with a loss of $4.35bn a year ago.

Some of AIG's problems stemmed from mortgage securities it insured for Goldman Sachs.

Goldman now faces civil fraud charges filed by the US Securities and Exchange Commission that allege the bank misrepresented the role played by a hedge fund in selecting subprime mortgage assets for a collateralised debt obligation similar to the ones insured by AIG.

Goldman denies any wrongdoing.

Mr Benmosche denied speculation that AIG had dropped Goldman as a top adviser as a result of some of these issues: "Goldman does some things better than others, and where they do, we want to use them."



Robert Benmosche: first AIG shareholders meeting

But Mr Benmosche confirmed that AIG lawyers were combing through contracts it had with Goldman Sachs and other firms to see whether they can recover any funds. "To the extent we find anything that was done wrong, we'll take action," he said.

Compared with last year, when investors expressed their disapproval of AIG's ballooning losses, yesterday's meeting was calm and short, a sign AIG is putting its most troublesome problems behind it.

All of the 11 directors nominated for re-election were voted in by a majority.

Four other measures supported by the company passed, while not one of the three shareholder proposals, including a requirement that senior executives retain 75 per cent of all equity based pay for at least two years after they leave the company, received the necessary majority.


## More news at ft.com/companies

● **European banks**
Latest results, news and analysis of how the sector is recovering from the financial crisis:
**www.ft.com/eurobanks**

● **Bank bonuses**
Latest news and analysis of the controversy over bonus season payments at financial institutions bailed out by taxpayers during the financial crisis:
**www.ft.com/bankbonuses**

● **Goldman Sachs**
News, comment and analysis of the Wall Street bank's attempts to rebuild its public standing:
**www.ft.com/goldman**

● **UniCredit options**
UniCredit said yesterday it was exploring "all strategic options" for its Pioneer asset management unit:
**www.ft.com/banks**

● **BP oil spill**
Latest news and analysis – including video, podcast and audio slideshow – of the progress of the clean-up, the economic and environmental impact of the oil spill in the Gulf of Mexico and the hearings on Capitol Hill into the disaster:
**www.ft.com/bp**

● **Tech blog**
Nokia's designs on Apple:
**www.ft.com/techblog**

● **Beyondbrics**
India: capital controls gain ground, by Louise Lucas. Rating agencies have more digging to do:
**Blog: www.ft.com/bb**

● **Toyota**
Latest news and analysis of the company's struggle to restore its reputation following the massive vehicle safety recall in the US and Europe:
**www.ft.com/toyota**

● **US Daily View**
Macy's parade: A small profit but a long way yet to march, says Dan McCrum:
**Video: www.ft.com/usview**

# IBM sets out bold buying strategy

SOFTWARE

## Five-year plan for $20bn in purchases

## Core businesses for group have matured

**By David Gelles and Chris Nuttall in San Francisco**

IBM will spend $20bn on acquisitions over the next five years, Sam Palmisano, chief executive, said yesterday.

"In five years we will spend more in acquisition than we did in the previous 10," Mr Palmisano told analysts gathered for the company's investor day.

IBM has already stepped up the pace of acquisitions in recent months.

During the first quarter it spent $1bn in cash, buying mostly smaller companies and putting it on track for the $4bn a year it would need to spend to hit Mr Palmisano's target.

> 'In five years we will spend more in acquisition than in the previous 10'
>
> **Sam Palmisano IBM chief executive**

Acquiring new companies would provide IBM with additional paths to growth, good news for a company whose core businesses of consulting and software are largely matured.

Software, analytics and software as a service (SAAS) are expected to be a focus of IBM's buying spree.

The company talked about its evolving "cloud" strategy at its annual software conference in Las Vegas last week. Its customers are showing more interest in having their applications and services run remotely for them over the web – so-called cloud computing.

Last week, it bought privately held Cast Iron Systems to help integrate different cloud applications and service providers.

A buying spree would also relieve IBM of the more than $14bn in cash and marketable securities it had amassed in recent years.

Other large tech companies, including Microsoft, Cisco and Oracle, have also hoarded cash through the downturn.

Mr Palmisano said the aggressive buying strategy would be made possible by what he expected to be "at least $20" earnings per share by 2015, which would generate $100bn in free cash flow during the same period.

The chief executive's forecasts were part of a "five-year roadmap" IBM presented to investors that assumed 5 per cent compound revenue growth over the five-year period.

The timeline continues IBM's habit of making detailed forecasts. In May 2007 it introduced a three-year plan to achieve $10 per share by the end of 2010. It hit that target one year early, at the end of 2009. The group now expects EPS of $11.20 for the full fiscal year.

Mr Palmisano has overseen more than 100 purchases during his time as chief executive. The largest of those was the $3.5bn purchase of PwC Consulting in 2002, a deal that bolstered IBM's services division but has been marred by choppy integration and a more competitive outsourcing market.

The second-largest purchase under Mr Palmisano was also for a services company, the $1.3bn purchase of Internet Security Systems in 2006.

It spent $1.5bn in the 2009 calendar year, with $1.2bn of that spent on SPSS, the business analytics group.

IBM will be 100 years old next year. From its origins as a vendor of meat slicers and scales, it has become the world's largest consulting group and third-largest software company.


IBM has built up holdings of $14bn in cash and securities


Sparks fly: US private equity firm Bain Capital viewed Gome as a rare opportunity to buy a strategic stake in a leading Chinese consumer group Bloomberg

# Gome mogul's detention is no bar to opposition of foreign directors

GENERAL RETAILERS

**By Tom Mitchell and Sundeep Tucker in Hong Kong**

An incarcerated Chinese billionaire temporarily unseated three directors representing foreign investors in his Hong Kong-listed flagship, suggesting that prison is no barrier to corporate influence in China.

Two holding companies controlled by Huang Guangyu, ranked as China's richest man in 2008, voted his shares against the re-election of three directors at Gome, one of the country's largest electronics retailers.

Mr Huang has been in detention since November 2008 and was put on trial in Beijing last month for insider trading, bribery and illegal business dealings. A verdict is pending.

The unseated directors represented Bain Capital, which invested $418m in convertible bonds last year that would give it a 10.8 per cent stake in Gome upon conversion.

After the result, Gome's board immediately reappointed the three directors – Zhu Jia, Ian Reynolds and Wang Lihong. The company said their initial ousting did "not represent the will of the majority of ordinary shareholders" and added their removal would force the company to pay Bain $352m. "We also believe our strategy is better pursued with the support of Bain Capital as board directors and financial partners," the board said.

The board added that Bain intended to convert its convertible bonds into stock before Gome's next shareholder meeting, given the private equity firm's "strong belief in the solid fundamentals of Gome and confidence in the management team".

Mr Huang, Gome's founder, resigned his position as chairman in January 2009. At the time, the company said he had left "in view of his inability to perform his duties as a director of the company".

Mr Huang, however, continues to control 34 per cent of Gome through two holding companies, Shining Crown Holdings and Shine Group, and his detention has not prevented him from trading and voting his shares.

In July 2009, while under detention in Beijing, he sold 235m Gome shares at HK$1.70 each. A week later he subscribed to 816m new Gome shares for HK$0.67 each.

Hong Kong's market regulator later accused Mr Huang of organising a separate and fraudulent share buy-back scheme in 2008 that allegedly cost Gome and its shareholders HK$1.66bn ($205m).

"His rights as a shareholder are intact," said one person familiar with the investigations into Mr Huang. "But the question is how he is actually exercising his voting power given where he is right now."

Mr Huang could not be reached for comment yesterday.

The disclosure of another corporate spat within Gome will serve as a brutal reminder of the risks to foreign groups that invest in China. Mr Huang's absence rocked the company, sending its Hong Kong-listed shares tumbling. Gome searched for an outside investor to help steady the ship, and last summer Bain agreed its investment.

The US private equity firm was convinced Gome could turn round sales and saw it as a rare opportunity to buy a strategic stake in one of China's leading consumer companies.

However, the investment appeared fraught with risk, given that nobody could ascertain whether Mr Huang was happy with Bain's involvement.

The fears were brushed aside by Jonathan Zhu, head of China for Bain.

Industry executives say China's corporate landscape is littered with disputes involving foreign private equity and local companies over strategy, governance and influence.

Kohlberg Kravis Roberts has had its share of headaches after investing $112m in 2007 in China's Tianrui Cement, amid well-publicised squabbles with the company's founder.

The FT reported in 2008 that TPG became embroiled in a legal dispute with the China-based managers of a mainland subsidiary of Japan's Nissin leasing group. During one heated episode, local managers called the police to the company's Shanghai offices, prompting the TPG-led entourage to leave.

www.ft.com/lex

### From poor beginnings to fortune and bribery charges

Huang Guangyu was born to a poor Catholic peasant family in southern Guangdong province, **Tom Mitchell reports.** Also known by his Cantonese name, Wong Kwong-yu, the high school drop-out migrated to Beijing in the mid-1980s. There, he and his brother opened an electronics repair stall.

At a time when the electronics market was dominated by ration coupons and myriad government middlemen, Mr Huang showed his capitalist instincts by buying goods directly from the factories in his Guangdong home town and selling them in Beijing.

Mr Huang established Gome, an electronics retail chain, reaching the peak of his career in 2008, when he was ranked China's richest man with a fortune estimated at $6.3bn. That year, however, he attracted the attention of Chinese investigators and was arrested.

**Huang Guangyu: founder of electrical retail chain**

Last month he was tried on charges of insider trading, bribery and illegal business dealings. His wife, Du Juan, was tried on related charges. The verdict is awaited.

Hong Kong regulator, the Securities and Futures Commission, has charged Mr Huang and Ms Du with organising a fraudulent share scheme that allegedly cost Gome and its shareholders HK$1.66bn. In September it emerged that Chinese authorities had not confirmed whether the Hong Kong summons had been passed to the couple.

# Indian telecoms groups protest at charges

MOBILE AND TELECOMS

**By Joe Leahy in Mumbai**

India's telecoms companies have raised the alarm over a threat of retrospective charges for using the mobile spectrum that analysts warn could cost them hundreds of millions of dollars.

The move by the Indian telecoms regulator has provoked protest from Bharti Airtel and Vodafone Essar, the industry leaders.

Analysts estimate that the recommendations from the Telecoms Regulatory Authority of India (Trai) could cost Bharti about $700m and Vodafone about $650m at a time when they are facing billions of dollars in outlays on third-generation mobile spectrum.

Bharti, controlled by Indian telecoms entrepreneur Sunil Mittal, yesterday described the recommendations as "shocking, arbitrary and retrograde". It said: "These are against all existing global norms for spectrum allocation and efficiency." The group's shares fell 8.3 per cent to Rs261.55 while the broader market was higher.

Vodafone Essar, a joint venture led by the UK-based mobile group, described the proposals as "opaque, illogical and discriminatory".

The move comes as a blow to most operators in the fastest-growing large mobile market at a time when they are grappling with competition and raising money to acquire new spectrum. The government began auctioning 3G spectrum early last month.

Bidding for pan-India allocations had reached $3.21bn last night, more than 50 per cent higher than most had predicted.

Bharti is under pressure to begin integrating its $10.7bn purchase of the African networks of Zain of Kuwait. It is India's biggest acquisition by a telecoms operator.

India is adding nearly 20m subscribers a month and is second only to China in total users, with about 600m.

Trai is proposing that operators be charged a one-off fee for any spectrum they have been given above 6.2 Megahertz. The fee will be based on the 3G auction prices.

Analysts said the proposed rules will require providers to return any spectrum above 8 Mhz to the government and to pay for the 6.2 Mhz of spectrum when their licences come up for renewal.

The moves, combined with recommendations in the same paper restricting the size of mergers between operators, seemed aimed at limiting consolidation.

If approved, the policy would force Bharti to pay $684m for the excess second-generation mobile spectrum it already owns, according to a note from Rajiv Sharma at HSBC India. He said Idea, a smaller operator, would have to pay $242m.

Vodafone said: "The recommendations would place a critical industry in jeopardy, and seriously undermine the goal of extending telecom and internet services to the poorest across the country."

# Free-to-air television bullish on prospects for advertising

MEDIA

**By Ben Fenton in London**

Prospects for free-to-air television are rising amid bullish reports on advertising from major European broadcasters, executives and analysts said yesterday.

The better advertising outlook comes amid reassessments of how badly the internet will affect the sector. Mediaset in Italy and TF1 in France beat analysts' expectations on revenues and profits on Tuesday, while last week ITV in the UK, Telecinco in Spain, and ProSiebenSat1 in Germany all gave a similarly upbeat picture.

Bertelsmann, Europe's largest media group, released a trading statement yesterday saying it was "profiting from the revival in advertising revenues," including those of the pan-European free-to-air broadcaster RTL.

A senior executive at a large European media company told the Financial Times: "If a few months ago I had put down my best-case scenario for the first five months of the year, then the reality would have beaten it. The key is the second half, because at the moment we do not have any idea what will happen."

The sector had been subject to some major devaluations in the past year as investors concluded that, lacking the resilience of the pay-television model, free-to-air broadcasters might not recover from the most serious advertising recession in history.

Added to that, the growth of internet television and on-demand viewing from platforms similar to the Hulu venture in the US was expected to cannibalise advertising from established television companies.

The executive said: "Our research suggests that catch-up TV on the internet is actually additive to our linear [traditional] TV. And we charge the same CPT [cost per thousand viewers rates for advertisers], so that is a big positive for us."

Mediaset reported advertising sales up 5.2 per cent in the first quarter of the year, while ProSieben rose 5 per cent. TF1 reported 11 per cent revenue growth and doubled its forecast for the year to 4 per cent growth, while ITV said its second quarter was currently up 22 per cent. All urged caution though, as visibility remains very low.

Nick Bertolotti, analyst at Credit Suisse, said: "Everyone is more optimistic, but also cautious. In the last couple of weeks, FTA broadcasters have been marked down very hard, but the bounceback has surprised people in the market."

Filippo Lo Franco, of JP Morgan, said: "If the second half of the year is as good as the first – and the comparables with 2009 are tougher – I could see these companies [shares] growing 15 to 20 per cent."

One word of warning came from Sir Martin Sorrell, chief executive of WPP, which controls several of the world's largest advertising agencies, who said yesterday that western European markets were "depressing".

## News digest

### Acciona profits in sharp drop

Acciona, the Spanish infrastructure and energy group, yesterday unveiled a sharp year-on-year drop in net profits, as one-off items masked a solid underlying result.

The company, Spain's second-largest wind energy producer, said net profits for the three months to the end of March were down 75 per cent to €37m ($47m).

However, the result was distorted by the inclusion last year of Acciona's share of profits from Endesa, the Spanish electricity utility in which it held 25 per cent. This was later sold to Enel, the Italian energy group that now controls 92 per cent of the generator.

On a comparable basis, according to Acciona, net profits from continuing operations climbed 17 per cent, to €39m, on sales ahead 9 per cent to €1.5bn.

Earnings before interest, tax, depreciation and amortisation were ahead 44 per cent to €275m.

**Mark Mulligan, Madrid**

### Four-fold rise as Emirates soars

Emirates, the Dubai government-owned airline, has bounced back to strong profit as its chairman forecast double-digit growth in passenger numbers and capacity in the coming year.

The airline said that profits soared four-fold to $964m for the year to the end of March over the previous year's $267m, when it was hit by high jet fuel prices. There was not a press conference that year, when profits tumbled 80 per cent.

Lower fuel prices, reduced staff costs and an improved load factor of 78 per cent boosted earnings, Sheikh Ahmed bin Saeed Al Maktoum, chairman of Emirates, said.

**Simeon Kerr, Dubai**


**Emirates predicts growth in passenger numbers** Alamy

### Middle-class cash bolsters Macy's

Macy's, the US department store chain, reported first-quarter results that it said exceeded its expectations, supported by recovering spending by its mainly middle-class shoppers.

Terry Lundgren, chief executive, said the company's first-quarter earnings of $23m, or 5 cents per diluted share, were "well ahead of what we originally expected", crediting the impact of a store localisation initiative launched two years ago.

A year ago, Macy's reported an $88m loss as consumers cut discretionary spending at its 800 Macy's and Bloomingdale's stores.

**Jonathan Birchall, London**

### SocGen and GDF part company

Société Générale and French utility group GDF Suez yesterday said they were ending a partnership in natural gas and power trading, a decade after they brought their businesses together.

SocGen said it would sell its 49 per cent in the joint venture for an undisclosed amount.

The French bank signalled that "different ambitions" in gas and power trading had triggered the rupture.

SocGen, which is expanding into commodities, plans to rebuild its trading capacity in gas and power by the end of the year.

**Javier Blas, London**

# Lafarge seeks out the new frontiers of housing growth

**Paul Betts**
EUROPEAN VIEW

Bruno Lafont, the understated chief executive of Lafarge, considers himself a modern-day pioneer chasing business in some of the world's last great frontiers. Like many of his rivals in the cement industry, he is looking for growth not only in the big emerging markets but in what he calls the underdeveloped economies.

Countries such as Ethiopia, Peru, Zambia and Bangladesh, will all be the motors for his growth, as well as the large emerging economies of China, which accounts for half of the demand for world cement, India, Brazil and Russia. After all, Mr Lafont's business is to provide the cement and other aggregates that the people in these countries need to build affordable housing.

Like his main competitors such as Switzerland's Holcim, Germany's Heidelberg Cement and Mexico's Cemex, he is relying on small homebuilders in emerging markets to help pull his group – the world's largest cement maker – through one of the worst slumps in the construction industry. At the same time, the strategy is also designed to secure long-term growth for Lafarge. For Mr Lafont believes that emerging markets, including those in what he calls the last frontier, will account for about 90 per cent of future housing.

But building a presence, especially in smaller underdeveloped countries, takes time, and Mr Lafont knows that. It has taken Lafarge about 10 years to develop a presence in many African countries that is only now beginning to pay dividends. Perhaps that is one of the reasons why he has been so quiet of late. But perhaps his modesty also reflects the fact that he has had to keep his head down to tackle the impact of the global crisis that has hit his company particularly hard.

As the crisis broke, Mr Lafont found himself with a heavy burden of debt. This was the result of a €10bn ($12.6bn) gamble to expand in Egypt and the Middle East through the acquisition of Orascom Cement. So he has had to spend the past two years divesting non-core assets and cutting costs in an effort to reduce the debt to more manageable levels. At €14.5bn net debt at the end of the first quarter this year, there is still a long way to go.

But arguably it is that acquisition – together with other deals in India and Brazil – that has helped support sales badly hit in the company's mature developed markets. In turn, this has given him the necessary breathing space to carry out his balance sheet restructuring – of course, last year's €1.5bn capital increase also helped.

Lafarge has continued to invest in innovation and expand in emerging markets. But clever as this strategy may look – 52 per cent of group sales now come from emerging regions – the company is still reliant on a recovery of the construction markets in a handful of key mature markets such as the US, the UK and France.

Recent political developments in Europe have certainly clouded the picture. But Mr Lafont argues that there are now signs of a revival in the US where the housing construction market has fallen to such low levels that a pick-up is inevitable. But he also concedes that the recovery in the US and in the housing market of other developed countries hinges on two key factors – available financing and a rebound in general public confidence. In both cases, it is still far too early to say we have finally turned the corner. In the meantime, Lafarge's pioneer will have to keep seeking out new frontiers in the quest for growth.

### Luxurious parallels

Surprisingly, the same rules that apply to the most unglamorous of industries such as cement can equally be used to deliver growth in the more glittering world of luxury goods.

In the 1980s and 1990s, the US and Japan represented the new frontier for the European luxury goods industry. But these days, emerging economies are accounting for a growing share of the business and not just some of the big Bric member countries such as China, India and Brazil.

Much like Mr Lafont's economically underdeveloped countries, Sanford Bernstein luxury analyst Luca Solca argues that the so-called South-East Asian Five – Indonesia, Malaysia, the Philippines, Thailand and Vietnam – could jointly account for about 500m potential luxury goods customers.

These aspiring luxury hubs, he says, may start from an economically-backward position in relative terms, just as South Korea did in the 1960s, and present all sorts of cultural challenges. But the Korean experience has also shown that long-term success and the acceptance of overseas luxury brands can be achieved in the context of rapidly-rising income levels in these potentially promising markets.

**european.view@ft.com**

# Maersk hints at container revival

INDUSTRIAL TRANSPORT

## Company reports $639m profit

## Hapag-Lloyd also returns to black

**By Robert Wright in London**

Denmark's AP Møller-Maersk, owner of the world's largest container shipping line, announced yesterday a sharp swing back into profit in the first quarter and predicted full-year results would be better than expected.

Maersk's figures provided the latest evidence of the sector's revival and came as Germany's Hapag-Lloyd, one of the container lines worst hit by the slump, also claimed it had returned to profitability.

Tui, the tourism group that owns 43 per cent of the operator, said Hapag-Lloyd had recorded underlying earnings before interest, tax and amortisation of €13m ($16.4m) for the January to March quarter, against a €222m loss last year, on revenue up 13 per cent to €1.3bn.

Maersk's container shipping and related activities division – dominated by the Maersk Line container shipping operation – carried 20 per cent more containers in the first quarter of 2010 than in 2009. It produced net profits of $168m, compared with a $581m loss last year, on revenue up 23 per cent to $5.75bn.

For the group as a whole, first quarter net profits were $639m, against a $373m loss last time, on revenue up 20 per cent to $13.2bn.

The figures pushed Maersk's B shares up 8.95 per cent to Dkr48,680.

Maersk suffered the worst year in its 106-year history in 2009, reporting a $1.02bn net loss as a result of a $2.09bn loss in container shipping.

The improved results – which were also helped by net profits up 76 per cent to $450m at Maersk Oil and Gas – prompted the company to say it now expected a profit for the year, rather than a "modest profit", as it said in March.

Nils Andersen, chief executive, said the first quarter result had been much better than expected a few months ago.

But he went on: "The underlying economic situation is just so uncertain that we have decided not to give any real guidance."

The continuing risks were underlined by poor figures from Maersk's tankers, offshore and other shipping operations division, whose Maersk Tankers arm is the world's largest operator of oil product tankers. The division saw net profits improve 40 per cent to $115m on revenue up 8 per cent to $1.39bn, but Mr Andersen said tankers' underlying result remained loss-making for the quarter.

The main risk for the company was still that large scheduled deliveries of new ships – particularly in container shipping – or reactivation of the hundreds of ships still laid up out of use could bring on a fresh collapse in rates.

However, Mr Andersen insisted that operators understood the dangers.

"It doesn't serve a purpose to bring in a lot of capacity when the market is the way it is," he said.

Maersk Line carried 20 per cent more containers in the first quarter of 2010 than in the same period a year earlier Bloomberg

### Hapag-Lloyd helps shrink Tui losses

The improved trading at Hapag-Lloyd contributed to a reduction in losses for Tui, its largest shareholder, over the six months to March 31.

Earnings before interest, tax and amortisation in continuing businesses fell to €426m ($539m), from €452m in the same half of last year.

Hapag-Lloyd's losses for the first half fell to €8m from €230m in the same half last time, while the group said that underlying losses in tourist operations fell nearly 17 per cent to €229m, from €274m the previous year.

The overall first-half figures – where comparisons are distorted by last year's gain on the partial sale of Hapag-Lloyd – showed a €430m net loss on revenue down 11 per cent to €5.83bn, against a €419m net profit last time.

Michael Frenzel, chief executive, said that the company had reduced capacity in Tui Travel during 2009.

"This strategy is paying off," he said.

# Lawyers flock to join Toyota class action

CARS

**By Bernard Simon in Toronto**

Scores of lawyers are expected to converge on a courtroom in Santa Ana, California, today in the hope of persuading a US District Court judge to include them in the legal team that will spearhead a massive class-action lawsuit against Toyota.

The Japanese carmaker faces 327 separate federal and state claims, based on a report filed with the court in late April. The claims, which total billions of dollars, are for deaths, injuries and economic damage that were allegedly caused by unintended acceleration in Toyota vehicles.

The plaintiffs include individuals, car rental operators, car dealers and insurance companies.

Toyota recalled millions of vehicles this year to fix defective accelerators and out-of-place floor mats that could cause accelerators to jam. It instructed dealers to halt sales of eight popular models for more than a week while a slim piece of steel was inserted in the accelerator mechanism.

A panel of federal judges ruled last month that the acceleration claims should be consolidated in one jurisdiction on the grounds that they involve common questions of fact.

"Centralisation will eliminate duplicative discovery, prevent inconsistent pretrial rulings . . . and conserve the resources of the parties, their counsel and the judiciary," the panel concluded.

The stakes for the plaintiffs' lawyers are high. In a typical class-action lawsuit the court sets aside a percentage of any award or settlement for the lawyers leading the case. If the case fails, they receive nothing.

"The amount the lawyers will have to invest will be very, very significant," said Steve Sheller, partner in a Philadelphia law firm that has sent two lawyers to the hearing. He described the Toyota case as "immensely complicated".

But with the prospect of a huge award or settlement, lawyers are competing aggressively for a role in the case. Jim Carter, a Georgia attorney who has joined forces with lawyers in 13 other states to pursue their clients' cases against Toyota, said: "There's plenty of [legal] talent to go around. We don't know who the judge is actually going to suggest in the end."

Mr Carter, who has lobbied for a role in the discovery stage of the case, said he expected a decision within two weeks.

Toyota has been careful not to acknowledge any legal liability for the defects

'There's plenty of [legal] talent to go around. We don't know who the judge will suggest'

that led to the recalls. It paid a record $16.4m fine to the US government last month for failing to notify the authorities promptly about the unintended acceleration problem. But it said it decided to pay "to avoid a protracted dispute and possible litigation".

In agreeing the fine, Toyota denied it had violated the US Safety Act or other safety regulations.

"We have acknowledged that we could have done a better job of sharing relevant information within our global operations and outside the company," Toyota said, "but we did not try to hide a defect to avoid dealing with a safety problem."

**www.ft.com/toyota**

# New Eon chief makes his mark in management shake-up

ELECTRICITY

**By James Wilson and Daniel Schäfer in Frankfurt**

Eon's new chief executive yesterday asserted control over Germany's largest energy company with a wide-ranging management shake-up.

Only two weeks into his job, Johannes Teyssen brought two company outsiders onto an expanded six-person management board while Eon parted company with two of the four members of its existing team.

Mr Teyssen and Marcus Schenck, chief financial officer, are the only survivors from the management board headed by Wulf Bernotat, who stepped down as chief executive on May 1 when his contract ended.

The overhaul demonstrates Mr Teyssen's desire to get closer control of the energy group's operations. The board of management "will be more closely involved in steering and managing the company's operational businesses", Eon said yesterday.

The new appointments also show the trend towards increasing diversity on German management boards.

Jørgen Kildahl, a Norwegian and a managing director at Statkraft, the Norwegian energy company, will fill a new post overseeing electricity and gas production, global trading and energy management.

Regina Stachelhaus, who was head of Hewlett-Packard in Germany before working for Unicef in Germany for the past 18 months, has been named as industrial relations director, in charge of personnel as well as IT, procurement and legal affairs.

Women are under-represented in German boardrooms and senior management. Eon is only the third of 30 German blue-chip companies to add a woman to its management board.

The corporate governance commission, guardian of Germany's non-binding corporate governance rules, made the promotion of diversity on supervisory boards one of its main topics for this year.

Klaus-Dieter Maubach, head of Eon Energie, will become head of technology on the board, overseeing research and development as well as Eon's global investments, while Eon said it would appoint another new board member to manage the group's country subsidiaries. Christoph Dänzer-Vanotti and Lutz Feldmann are to leave.

The appointments were announced a day after Eon revealed a 7 per cent year-on-year fall in first-quarter net income, although underlying earnings rose 20 per cent. Eon said it expected annual net income at the same level as 2009.

# Markets | Managed funds service

Init Notes Selling Buying + or
Chrge Price Price - Yield

## SYZ & CO 3A Alternative Investments (LUX)

Regulated

| Fund | Price | + or - | Yield |
|---|---|---|---|
| 3A Multi Strategy USD | $2008 | .... | 1.39 |
| 3A Multi Strategy EUR | €1291.73 | .... | 1.36 |
| 3A Multi Strategy CHF | SFr1147.16 | .... | 1.22 |
| 3A Multi Arbitrage USD | $1379.01 | .... | 2.29 |
| 3A Multi Arbitrage EUR | €1218.44 | .... | 2.33 |
| 3A Multi Arbitrage CHF | SFr1190.89 | .... | 2.18 |
| 3A Long/Short USD | $1219.25 | .... | 0.59 |
| 3A Long/Short EUR | €971.61 | .... | 0.52 |
| 3A Long/Short CHF | SFr909.52 | .... | 0.40 |
| 3A Asia USD | $919.92 | .... | .... |
| 3A Asia EUR | €913.97 | .... | .... |
| 3A Asia CHF | SFr836.11 | .... | .... |
| 3A Trading Fund USD | $902.18 | .... | .... |
| 3A Trading Fund EUR | €903.73 | .... | .... |

## 7IM (UK)

7IM, Ibex House, 42–47 Minories, London, EC3N 1DX

Authorised Inv Funds

Order Desk: 08459 220044 Enquiries: 0870 607 2555

Authorised Corporate Director – Capita Financial Managers

## Abbey Life Assurance Co Ltd (UK)

80 Holdenhurst Road, Bournemouth BH8 8ZQ 0845 9600 900

## Abbey Life Assurance Co Ltd - Contd.

## Absolute Return Fund Trust

## Adelante Guernsey Limited (GSY)

Trafalgar Court, Admiral Park, St Peter Port, Guernsey

## Adelante Exotic Debt Fund Limited (GSY)

## Adelphi Capital LLP (CYM)

## Aquila Capital

## Alceda Fund Management S.A. / Member of Aquila Capital Group

36, avenue du X Septembre, L-2550 Luxembourg Phone: 00352 / 248 329-1

Fund information: www.aquila-capital.de

## Algebris SICAV (LUX)

## AllianceBernstein (LUX)

## ACPI FM Limited (JER)

## ARN Investment Partners Pte Ltd

## Allianz Global Investors - Contd.

## Allianz Global Investors Luxembourg S. A.

6A, route de Trèves, L-2633 Senningerberg

## Allianz Global Investors Ireland Limited (IRL)

## Allianz Global Investors (UK) Ltd (1200)F (UK)

155 Bishopsgate, London EC2M 3AD Investor Services 0800 317 573

## Allied Dunbar Intl Fund Mgrs (1600)F (IOM)

43-51 Athol Street, Douglas, IOM

## American Century Sicav (LUX)

## Amundi Funds

5 Allee Scheffer L-2520 Luxembourg+ 44 (0)20 7074 9332

## Aniket Investment Management Plc (IOM)

## Antares Investment Management Ltd

## Apollo Investment Management Ltd (GSY)

## Archipel Fund Plc (IRL)

## Argus Fund (LUX)

PICTET & CIE (EUROPE) S.A.

## Arisaig Partners

## Artemis Fund Managers Ltd* (1200)F (UK)

57 St. James's Street, London SW1A 1LD 0800 092 2051

## Artemis International SICAV (LUX)

## Artemis Investment Management Ltd (CYM)

## Ashburton Fund Managers Limited (JER)

17 Hilary Street, St Helier, Jersey JE4 8SJ 01534 512000

## Ashmore Investment Mgmt Ltd (CYM)

## Ashmore Management Company Ltd (GSY)

## Ashmore SICAV (LUX)

2 rue Albert Borschette L-1246 Luxembourg

## Aspect Capital Ltd (UK)

## Asset Value Investors Ltd (LUX)

54 St James's Street UK-LONDON SW1A 1JT00 44 207 647 29 00

## Atlantas Sicav (LUX)

## Atlantis Investment Mgmt (Ireland) Ltd (IRL)

## Atlantis Fund Management (Guernsey) Ltd

## Atlas Capital SA

## AXA Framlington (1200)F (UK)

155 Bishopsgate, London EC2M 3FT Dealing: 0845 602 1952

## AXA Investment Managers UK Limited (1400)F (UK)

PO Box 365, Bristol BS99 5SN

## Bache Commodities Limited (JER)

## BDT Invest LLP (UK)

## BLME Asset Management (UK)

## BNP Paribas Investment Partners (UK)

10, Harewood Avenue, London NW1 6AA

## BNP Paribas Investment Partners (LUX)

## BNP Paribas Private (UK)

10 Harewood Avenue London NW1 1AA

## BNY Mellon Fund Managers Limited (1200)F (UK)

## BNY Mellon Global Funds (IRL)

160 Queen Victoria Street EC4V 4LA +44 (0) 131 305 3131

## Bank of America Cap Mgmt (Ireland) Ltd (IRL)

## Banque Safdie SA

## Baring Fund Managers (1200)F (UK)

## Baring International Fd Mgrs (Ireland) (IRL)

## Barings (International Funds) (GSY)

## Barmac Asset Management Ltd

## Barclays Investment Funds (CI) Ltd (JER)

## Bedlam Funds Plc (IRL)

## BlackRock (UK)

## Blairmore Holdings Inc

## Blakeney Management Ltd (LUX)

## BlueBay Asset Management plc (LUX)

## Bonfield Asset Management Limited

## BONHOTE

## Boyer Allan Investment Mgmt LLP (CYM)

## Braemar Group PCC Limited (GSY)

## British Property Opportunities Fund (CYM)

## Butterfield Fund Services (Guernsey) Ltd (GSY)

## Scottish Widows Investments Partnership

## CAF Investment Services (UK)

## CCLA Investment Management Ltd (UK)

80 Cheapside, London EC2V 6DZ 0800 022 3505

## CG Portfolio Fund Ltd (UK)

## CIS Unit Managers Ltd (1200)F (UK)

PO Box 105, Manchester M4 8BB 08457 464646

## CACEIS Fastnet (Suisse) SA

## Capita Financial Managers (UK)

Ibex House, 42–47 Minories, London, EC3N 1DX

## Capital International Funds (LUX)

6 C, route de Trèves, L-2633 Senningerberg, Luxembourg

## Castlefield Investments (1200) (UK)

## Cavendish Asset Management Limited (1200)F (UK)

## Caxton Global Investments Limited

## Cazenove Inv Fd Mgmt Ltd (CIFM) (UK)

12 Moorgate, London, EC2R 6DA 020 7155 5600

## Cedar Rock Capital Limited (IRL)

## CGP Capital Partners LLP (CYM)

## Charities Property Fund (UK)

## Chartwell Common Investment Fund (UK)

## The Charlemagne Fund (CYM)

## Charlemagne Capital (IOM) Ltd

## Magna Umbrella Fund PLC

## Charles Schwab Worldwide Funds Plc (IRL)

## Chartered Asset Management PTE Ltd

## Cheyne Capital Management (UK) LLP (IRL)

## Cheyne Capital Management (UK) LLP

## Church House Inv (Bahamas) Ltd

## Citadel Guernsey Ltd

## City Financial Investment Company Limited (UK)

## City of London Inv Mgmt Co Ltd (IRL)

2nd Floor, Guild House, Guild Street, Dublin 1 00 353 1 448 5033

## Clariden Leu (LUX)

funds.ft.com/funds/clariden/bank

## Clariden Leu (CH)

## Clariden Leu Finl Products (Guernsey) Ltd (GSY)

## Clariden Leu (Lie)

## Clerical Medical Inv Fd Mgrs Ltd (1200)F (UK)

## CMI Asset Mgmt (Luxembourg) SA (LUX)

## CMI Fund Managers (IOM) (IOM)

## Close International Asset Mgt Ltd (JER)

## Close Investments Ltd (UK)

10 Exchange Square, Primrose Street, London, EC2A 2BY 020 7426 4000

# Managed funds service

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|

## Cohen & Steers SICAV (LUX)
**Regulated**

| | | | | | | |
|---|---|---|---|---|---|---|
| Asia Pacific Real Estate Securities | | | $6.4536 | | ..... | – |
| AsiaPac.RealEst.Sec. IX.. | | | $6.7838 | | ..... | – |
| European Real Estate Securities | | | €12.1301 | | ..... | – |
| Europ.RealEstate Sec. IX | | | €14.0361 | | ..... | – |
| Gbl RealEstate Sec. I ...... | | | $7.7809 | | ..... | – |
| Gbl RealEstate Sec. IX .... | | | $8.3347 | | ..... | – |

## Collins Stewart Investment Funds plc (IRL)
www.ft.com/funds/collinsstewartgroup

**FSA Recognised**

| | | | | | | |
|---|---|---|---|---|---|---|
| CS Alternative Strategies A | 5 | | £1.0052 | | ..... | – |
| CS Continental Europe Focus A | 5 | | £256.6154 | | −3.2195 | – |
| CS Total Return Bond .. | 5 | | £93.1366 | | −0.1222 | – |
| CS US Equity Focus A .. | 5 | | £145.2310 | | +0.2911 | – |
| CS UK Focus A ............ | 5 | | £89.4882 | | −0.5686 | – |
| CS Select Opportunity . | 5 | | £1.3151 | | +0.0111 | – |
| CS Select Global Opportunity . | 5 | | $1.2416 | | +0.0133 | – |
| CS Select Affinity B ..... | 5 | | £1.1381 | | +0.0094 | – |
| CS Select Global Affinity B | 5 | | $1.0056 | | +0.0113 | – |
| CS Select Diversity B... | 5 | | £1.1355 | | +0.0074 | – |
| CS Select Global Diversity B | 5 | | $1.0314 | | +0.0110 | – |
| CS Select Income B..... | 5 | | £1.0351 | | +0.0036 | – |

## Comgest SA (LUX)
17 square Edouard VII – 75009 Paris www.comgest.com
funds.ft.com/funds/Comgest/ComgestSALux

**FSA Recognised**

| | | | | | | |
|---|---|---|---|---|---|---|
| Comgest Asia F........... | 5 | | $3178.77 | | ..... | – |
| Comgest Europe F....... | 5 | | SFr3809.86 | | ..... | – |

## Comgest Far East Limited (LUX)
funds.ft.com/funds/Comgest/ComgestFarEastLtd

**Regulated**

| | | | | | | |
|---|---|---|---|---|---|---|
| Comgest Panda............. | | | $2285.46 | | ..... | – |

## Comgest SA (FRA)
17 square Edouard VII – 75009 Paris
funds.ft.com/funds/Comgest/ComgestSAFrance

**FSA Recognised**

| | | | | | | |
|---|---|---|---|---|---|---|
| Comgest Magellan ........ | | | €1533.52 | | ..... | – |

## Comgest AM International Ltd (IRL)
Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland
funds.ft.com/funds/Comgest/ComgestAMInternationalLtd

**FSA Recognised**

| | | | | | | |
|---|---|---|---|---|---|---|
| Comgest Gth Asia ex Jap DIS F | 5 | | $11.98 | | ..... | – |
| Comgest Gth Emerging Mkt DIS F | 5 | | $27.04 | | ..... | – |
| Comgest Gth Europe DIS F | 5 | | €10.08 | | ..... | – |
| Comgest Gth GEM PC DIS F | 5 | | €10.34 | | ..... | – |

## Concord Misr Inv (Guernsey) Ltd (GSY)
**Regulated**

| | | | | | | |
|---|---|---|---|---|---|---|
| Egyptian Growth May 3 .. | | | $12.11 | 12.29 | ..... | – |

## Consistent Unit Tst Mgt Co Ltd (1200)F (UK)
PO BOX 10117, Chelmsford, Essex, CM1 9JB
Dealing & Client Services 0845 0264281

**Authorised Inv Funds**

| | | | | | | |
|---|---|---|---|---|---|---|
| Consistent UT Inc ........ | 5 | | 46.65 | 49.71 | ..... | 4.53 |
| Consistent UT Acc ....... | 5 | | 84.70 | 90.25 | ..... | 4.53 |
| Practical Investment Inc | 5 | | 147.69xd | 159.27 | +0.88 | 4.65 |
| Practical Investment Acc.. | 5 | | 569.38xd | 614 | +3.40 | 4.65 |

## Consulta Limited
**Other International Funds**

| | | | | | | |
|---|---|---|---|---|---|---|
| Canadian Oil Sands BV Mar 31 . | | | C$19.11 | 19.50 | ..... | – |
| Global BV Mar 31 .......... | | | $20.48 | | ..... | – |

## Coupland Cardiff Funds Plc (IRL)
31/32 St James's Street, London, SW1A 1HD

**FSA Recognised**

| | | | | | | |
|---|---|---|---|---|---|---|
| CC Asia Alpha Fd – Cls A Euro . | 5 E | | €10.39 | | ..... | – |
| CC Asia Alpha Fd – Cls B USD.. | 5 E | | $10 | | ..... | – |
| CC Asia Alpha Fd – Cls C GBP.. | 5 E | | £9.858 | | ..... | – |
| CC Japan Alpha Fd – Cls A Euro | 5 E | | €5.989 | | ..... | – |
| CC Japan Alpha Fd – Cls B GBP | 5 E | | £6.511 | | ..... | – |
| CC Japan Alpha Fd – Cls C JPY. | 5 | | Y594.514 | | ..... | – |

## Coutts (UK)
PO Box 23873, Edinburgh EH7 5WJ 0800 085 0808

**Authorised Inv Funds**

**Series 3 (Investment Management clients only)**

| | | | | | | |
|---|---|---|---|---|---|---|
| United Kingdom Equity Index Fund May 11 ‡ F | 5 | | £9.943 | | −0.09 | 2.50 |

**Series 4 (Investment Management clients only)**

| | | | | | | |
|---|---|---|---|---|---|---|
| UK Specialist Equity Prog Inc (Susp) ‡ F | 5 | | £12.770 | | (z) | 0.98 |
| United Kingdom Equity Index Fund ‡ F | 0 | | £9.923 | | −0.09 | 2.73 |
| Contl European Specialist ‡ F | 0 | | £11.020 | | ..... | 0.75 |
| Series 4 US Specialist Fund ‡ F | 0 | | £8.128 | | +0.07 | 0.38 |
| Japan Specialist Fund ✠ F | 0 | | £7.713 | | −0.05 | 0.19 |
| Pacific Basin Equity ✠ F | 0 | | £19.540 | | −0.26 | 1.07 |
| UK Sov Bond Index Fund S4 ‡ F | 0 | | £9.341 | | +0.01 | 4.48 |
| UK Specialist Equity Income Series 4 (Susp) ‡ F | | | £8.003 | | (z) | 2.22 |
| Global Investment Grade Bond Fund GBP (Susp) | | | £10.560 | | (z) | 4.82 |
| Global Emerging Markets Fund ✠ F | | | £11.360 | | −0.17 | 0.75 |
| Inflation Linked UK Sovereign Bd Ser 4 (Susp) ‡ F | | | £9.808 | | (z) | 1.70 |

## Coutts (IRL)
RBS Asset Management (Dublin) Limited
Guild Hse, P.O. Box 4935 Guild St IFSC Dublin 1 00 353 1 642 8400

**FSA Recognised**

**Coutts Investment Programmes**

| | | | | | | |
|---|---|---|---|---|---|---|
| Cont EUR Spec Equity Ser 1 F.. | | | €75.53 | | +0.40 | 0.28 |
| Cont EUR Spec Equity Ser 2 F.. | | | €76.78 | | +0.41 | 1.24 |
| Cont EUR Spec Equity Ser 5 F.. | | | €76.84 | | +0.42 | 1.43 |
| US Specialist Equity Ser 1 F.. | | | $16.91 | | +0.01 | 0.20 |
| US Specialist Equity Ser 2 F.. | | | $17.54 | | +0.01 | 0.21 |
| US Specialist Equity Ser 5 F.. | | | $17.57 | | ..... | 0.41 |
| UK Equity Index Programme Ser 1 F | | | £20.97 | | −0.18 | 2.44 |
| UK Equity Index Programme Ser 2 F | | | £21.26 | | −0.19 | 2.77 |
| UK Equity Index Programme Ser 5 F | 0 | | £21.45 | | −0.19 | 2.96 |
| UK Specialist Eqty Pro Ser 1 F. | | | £14.22 | | −0.08 | 1.01 |
| UK Specialist Eqty Pro Ser 2 F. | | | £14.43 | | −0.08 | 2.05 |
| UK Specialist Eqty Pro Ser 5 F. | | | £14.46 | | −0.08 | 2.24 |
| US Equity Index Programme Ser 1 F | | | $39.37 | | −0.12 | 0.71 |
| US Equity Index Programme Ser 2 F | | | $40.06 | | −0.13 | 1.02 |
| US Equity Index Programme Ser 5 F | 0 | | $40.16 | | −0.12 | 1.22 |
| Contl Eurp Eqty Index Prog Ser 1 F. | | | €261.17 | | −0.90 | 1.85 |
| Contl Eurp Eqty Index Prog Ser 2 F. | | | €266.29 | | −0.92 | 2.13 |
| Contl Eurp Eqty Index Prog Ser 5 F | 0 | | €266.76 | | −0.91 | 2.33 |
| US Sovereign Bond Index Prog Ser 1 F. | | | $22.69 | | ..... | 2.68 |
| US Sovereign Bond Index Prog Ser 2 F. | 2½ | | $22.78 | | +0.01 | 2.87 |
| US Sovereign Bond Index Prog Ser 5 F. | | | $23.08 | | +0.01 | 3.12 |
| Continental Eurp Sovereign Bond Index Prog Ser 1 F | | | €120.93 | | +0.11 | 3.45 |
| Continental Eurp Sovereign Bond Index Prog Ser 2 F | | | €121.43 | | +0.12 | 3.62 |
| Japan Specialist Equity Programme Series 1 F. | | | Y3698.00 | | +40.00 | 0.00 |
| Japan Specialist Equity Programme Series 2 F. | | | Y3936.00 | | +43.00 | 0.47 |
| Japan Specialist Equity Programme Series 5 F | 0 | | Y3944.00 | | +43.00 | 0.68 |
| Swiss Equity Pro Ser 1 F.. | | | SFr220.56 | | +0.14 | 0.18 |
| Swiss Equity Pro Ser 2 F.. | | | SFr225.30 | | +0.15 | 0.43 |
| Swiss Equity Pro Ser 5 F | 0 | | SFr225.53 | | +0.15 | 0.61 |
| Pac Basin Eqty Pro Ser 1 F. | | | $43.99 | | −0.05 | 0.98 |
| Pac Basin Eqty Pro Ser 2 F. | | | $45.00 | | −0.05 | 1.15 |
| Pac Basin Eqty Pro Ser 5 F. | 0 | | $45.24 | | −0.04 | 1.34 |
| UK Sovereign Bond Index Prog Ser 1 F. | | | £12.71 | | +0.01 | 3.85 |
| UK Sovereign Bond Index Prog Ser 2 F. | | | £12.76 | | +0.01 | 4.05 |
| UK Sovereign Bond Index Prog Ser 5 F. | 0 | | £12.87 | | +0.01 | 4.30 |
| Swiss Franc Pro Ser 1 F | | | SFr102.95 | | ..... | 1.90 |
| Swiss Franc Pro Ser 2 F | | | SFr104.18 | | +0.01 | 2.09 |
| Euro Liquidity (Dist) Pro Ser 1* F. | | | €201.52xd | | ..... | 0.03 |
| Euro Liquidity (Dist) Pro Ser 2* F. | | | €201.77 | | ..... | 0.03 |
| Euro Liquidity (Dist) Pro Ser 5* F | 0 | | €201.94 | | ..... | 0.01 |
| Sterling Liquidity (Dist) Pro Ser 1* F | | | £101.67xd | | ..... | 0.18 |
| Sterling Liquidity (Dist) Pro Ser 2* F | | | £101.59 | | ..... | 0.18 |
| Sterling Liquidity (Dist) Pro Ser 5* F | 0 | | £101.69 | | ..... | 0.18 |
| US Dollar Liquidity (Dist) Pro Ser 1* F. | | | $202.84xd | | ..... | 0.10 |
| US Dollar Liquidity (Dist) Pro Ser 2* F. | | | $203.04 | | ..... | 0.10 |
| US Dollar Liquidity (Dist) Pro Ser 5* F. | | | $203.20 | | ..... | 0.10 |
| US Dollar High Yield Bond Programme – Series 5 GBP F | | | £66.12 | | −0.11 | 7.86 |
| US Dollar High Yield Bond Programme – Series 5 USD F | | | $97.38 | | −0.19 | 7.86 |
| USD High Yield Bond Ser 1 F. | 2½ | | $95.44 | | −0.19 | 7.29 |
| USD High Yield Bond Ser 2 F. | 0 | | $96.00 | | −0.19 | 7.60 |
| US High Yield Bd EUR Ser 2 F. | | | €95.59 | | −0.15 | 7.60 |
| US High Yield Bd GBP Ser 2 F. | | | £65.98 | | −0.11 | 7.60 |
| Coutts Equator Emerging Markets 1 F. | | | $31.54 | | −0.07 | 0.79 |
| Coutts Equator Emerging Markets 2 F. | | | $31.63 | | −0.07 | 0.84 |
| Coutts Equator Emerging Markets 5 F. | | | $31.67 | | −0.07 | 0.99 |
| Global Investment Grade Programme USD S1 F | | | $102.64 | | −0.31 | 3.51 |
| Global Investment Grade Programme EUR S1 F | | | €101.70 | | −0.26 | 3.51 |
| Global Investment Grade Programme GBP S1 F | | | £106.58 | | −0.29 | 3.51 |
| Global Investment Grade Programme CHF S1 F | | | SFr96.79 | | −0.29 | 3.51 |
| Global Investment Grade Programme USD S2 F | | | $103.68 | | −0.31 | 3.74 |
| Global Investment Grade Programme EUR S2 F | | | €102.93 | | −0.27 | 3.74 |
| Global Investment Grade Programme GBP S2 F | | | £105.79 | | −0.29 | 3.74 |
| Global Investment Grade Programme CHF S2 F | | | SFr97.52 | | −0.29 | 3.74 |
| Global Investment Grade Programme USD S5 F | | | $103.85 | | −0.31 | 4.00 |
| Global Investment Grade Programme GBP S5 F | | | £106.25 | | −0.29 | 4.00 |
| UK Specialist Equity Income Ser 1 F | | | £7.71 | | ..... | 3.44 |
| UK Specialist Equity Income Ser 2 F | | | £7.77 | | +0.01 | 4.58 |
| UK Specialist Equity Income Ser 5 F | | | £7.78 | | +0.01 | 4.79 |
| Absolute Rtn Multi Asset Prog SER 2 GBP. | | | £9.94 | | ..... | – |
| Absolute Rtn Multi Asset Prog SER 5 GBP. | | | £9.94 | | ..... | – |
| Absolute Rtn Multi Asset Prog SER 2 EUR. | | | €9.96 | | ..... | – |
| Absolute Rtn Multi Asset Prog SER 5 GBP. | | | £9.95 | | ..... | – |

* 30 day average yield

## Coutts (IRL)
**Regulated**

**Coutts Liquidity Fund Plc**

| | | | | | | |
|---|---|---|---|---|---|---|
| Dollar Ser 1 .................. | | | $1.00 | | ..... | 0.05 |
| Dollar Ser 3 .................. | | | $68.93 | | ..... | 0.05 |
| Dollar Ser 4 .................. | | | $67.37 | | ..... | 0.05 |
| Dollar Ser 5 .................. | | | $1.00 | | ..... | 0.08 |
| Sterling Ser 1 ................ | | | £1.00 | | ..... | 0.18 |
| Sterling Ser 3 ................ | | | £59.84 | | ..... | 0.18 |
| Sterling Ser 4 ................ | | | £58.44 | | ..... | 0.18 |
| Sterling Ser 5 ................ | | | £1.00 | | ..... | 0.33 |
| Euro Ser 1 .................... | | | €1.00 | | ..... | 0.00 |
| Euro Ser 3 .................... | | | €73.15 | | ..... | 0.00 |
| Euro Ser 4 .................... | | | €71.46 | | ..... | 0.00 |
| Euro Ser 5 .................... | | | €1.00 | | ..... | 0.07 |

## CQS Cayman LP (CYM)
**Regulated**

| | | | | | | |
|---|---|---|---|---|---|---|
| Conv & Quantitative (Final) | | | $2632.35 | | ..... | – |
| Directional Opportunities | | | $2770.61 | | ..... | – |
| ABS.............................. | | | $3426.16 | | ..... | – |
| Diversified (Final) ........ | | | $1377.79 | | ..... | – |
| Asia ............................. | | | $1156.25 | | ..... | – |

# Managed funds service

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|
| **IT Asset Management** | | | | | | |
| **Other International Funds** | | | | | | |
| IT Funds Info Tech UK Dist | | | £475.18 | | +2.9 | 0.12 |
| **Impax Asset Management** (IRL) | | | | | | |
| 37–43 Sackville Street, London W1S 3EH 020 7434 1122 | | | | | | |
| **FSA Recognised** | | | | | | |
| Environ Mkts (Ire) Sterling A H | | | £1.799 | | ..... | – |
| Environ Mkts (Ire) Sterling B H | | | £1.752 | | ..... | – |
| Environ Mkts (Ire) Euro A H | | | €1.445 | | ..... | – |
| Environ Mkts (Ire) Euro B H | | | €1.144 | | ..... | – |
| Environ Mkts (Ire) US Dollar A H | | | $1.401 | | ..... | – |
| Environ Mkts (Ire) US Dollar B H | | | $1.254 | | ..... | – |
| **INDIA VALUE INVESTMENTS LIMITED (INVIL)** | | | | | | |
| www.invil.mu | | | | | | |
| **Other International Funds** | | | | | | |
| NAV May 11 | | | £4.83 | | ..... | – |
| **Ingenious Asset Management Ltd** (IRL) | | | | | | |
| 15 Golden Square, London, EIF 9JG + 44 20 7319 4000 | | | | | | |
| **FSA Recognised** | | | | | | |
| UK Equity Retail Acc | | | £167.16 | | +3.04 | – |
| UK Equity Instl Acc | 5 | | £91.53 | | +1.66 | – |
| **Intrinsic Value Investors (IVI) LLP** (IRL) | | | | | | |
| 1 Hat & Mitre Court, 88 St John Street, London EC1M 4EL +44 (0)20 7566 1210 | | | | | | |
| **FSA Recognised** | | | | | | |
| IVI European Fund EUR | 0 | E | €10.41 | | –0.010000 | – |
| IVI European Fund GBP | 0 | E | £12.46 | | –0.060000 | – |

Invesco Perpetual

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|
| **Invesco Fund Managers Ltd** (UK) | | | | | | |
| 30 Finsbury Square, London, EC2A 1AG | | | | | | |
| Dealing : 0800 085 8571 | | | | | | |
| Investor Services: 0800 085 8677 | | | | | | |
| Broker Services: 0800 028 2121 | | | | | | |
| Administration Enquiries : 0800 085 8677 | | | | | | |
| www.invescoperpetual.co.uk | | | | | | |
| **Authorised Inv Funds** | | | | | | |
| **Invesco Perpetual Funds** | | | | | | |
| Asian Acc ♦F | 5 | | 333.96 | | –3.38 | 0.59 |
| Asian Inc ♦F | 5 | | 311.35 | | –3.15 | 0.59 |
| Childrens Acc ♦F | 5 | | 214.1 | | +3.23 | 1.96 |
| Corporate Bd Acc (Gross) ♦F | 5 | | 147.4 | | +0.6 | 5.24 |
| Corporate Bd Inc (Gross) ♦F | 5 | | 79.97 | | +0.33 | 5.24 |
| Corporate Bond Acc ♦F | 5 | | 137.86 | | +0.56 | 5.24 |
| Corporate Bond Inc ♦F | 5 | | 79.95 | | +0.33 | 5.24 |
| Distribution Acc ♦F | 5 | C | 74.06 | | +0.29 | 6.52 |
| Distribution Acc (Gross) ♦F | 5 | C | 79.8 | | +0.32 | 6.52 |
| Distribution Inc ♦F | 5 | C | 55.03 | | +0.22 | 6.52 |
| Distribution Inc (Gross) ♦F | 5 | C | 55.05 | | +0.22 | 6.52 |
| Emerging Countries Acc ♦F | 5 | | 219.03 | | –2.41 | 1.07 |
| Emerging Countries Inc ♦F | 5 | | 205.5 | | –2.26 | 1.08 |
| Emerging European Acc ♦F | 5 | | 42.64 | | +0.38 | 0.91 |
| Emerging European Inc ♦F | 5 | | 42.08 | | +0.38 | 0.92 |
| European Equity Acc ♦F | 5 | | 549.1 | | +4.46 | 1.8 |
| European Equity Inc ♦F | 5 | | 508.87 | | +4.14 | 1.84 |
| European Equity Income Acc F | 5 | | 45.12 | | ..... | – |
| European Equity Income Inc F | 5 | | 41.56 | | ..... | – |
| European High Income Acc ♦F | 5 | | 56.81 | | –0.09 | 4.6 |
| European High Income Inc ♦F | 5 | | 50.96 | | –0.09 | 4.71 |

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|
| **Invesco - Contd.** | | | | | | |
| Invesco Pan European Equity A EUR Cap NAV | | | €10.74 | | +0.24 | – |
| Invesco Pan European Small Cap Equity A | | | €10.98 | | +0.12 | – |
| Invesco Pan European Structured Equity A | | | €8.44 | | +0.14 | – |
| Invesco UK Investment Grade Bond A | | | £0.84 | | +0.01 | – |
| Invesco US 130/30 Equity Fund A dist | 5¼ | | $8.11 | | +0.02 | – |
| Invesco US Structured Equity A | | | $13.07 | | –0.01 | – |
| Invesco USD Reserve A | | | $87.00 | | ..... | 2.69 |
| **Invesco Global Asset Management Ltd** (IRL) | | | | | | |
| Dublin 00 353 1 439 8100 Hong Kong 00 852 2842 7200 | | | | | | |
| **FSA Recognised** | | | | | | |
| Invesco Stlg Bd A QD F | | | £2.36 | | ..... | 6.48 |
| Invesco Sterling Rerserve F | | | £1.71 | | ..... | 2.78 |
| Invesco US Equity A | | | $12.39 | | –0.04 | – |
| Invesco Asian Equity A | | | $4.73 | | ..... | – |
| Invesco ASEAN Equity A | | | $82.87 | | +0.73 | 0.00 |
| Invesco Bond A | | | $26.46 | | +0.04 | 2.24 |
| Invesco Continental Eurp Small Cap Eqty A | | | $102.98 | | +1.24 | 0.00 |
| Invesco Emerging Markets Equity A | | | $34.25 | | –0.02 | 0.00 |
| Invesco Emerging Markets Bond A | | | $19.81 | | –0.04 | 5.83 |
| Invesco Continental European Equity A | | | €5.23 | | +0.1 | – |
| Invesco Gilt A | | | £12.54 | | +0.09 | 2.67 |
| Invesco Global Small Cap Equity A NAV | | | $76.39 | | +0.65 | 0.00 |
| Invesco Global High Income A NAV | | | $12.25 | | –0.02 | 7.04 |
| Invesco Gbl R/Est Secs A GBP F F | 5¼ | | £5.45 | | –0.05 | – |
| Invesco Global Health Care A | | | $63.73 | | +0.08 | 0.00 |
| Invesco Global Select Equity A | | | $8.89 | | +0.05 | – |
| Invesco Japanese Small/Mid Cap Equity A | | | $19.34 | | –0.05 | 0.00 |
| Invesco Jap Eqty Core A | | | $1.57 | | –0.01 | – |
| Invesco Japanese Equity A | | | $17.20 | | –0.03 | 0.00 |
| Invesco Korean Equity A | | | $18.98 | | –0.27 | 0.00 |
| Invesco PRC Equity A | | | $45.65 | | –0.25 | 0.00 |
| Invesco Pacific Equity A | | | $36.61 | | –0.06 | 0.00 |
| Invesco Global Technology A | | | $9.64 | | –0.01 | 0.00 |
| Invesco Global Telecom A | | | $14.78 | | +0.03 | 0.00 |
| Invesco UK Eqty A | | | £4.71 | | +0.06 | – |

For Invesco Gbl Distributors Ltd see Invesco Global Asset Management Ltd

Out of the Ordinary™ Investec Asset Management

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|
| **Investec Fd Mgrs (1200)F** (UK) | | | | | | |
| 2 Gresham Street, London, EC2V 7QP | | | | | | |
| Broker Support 020 7597 1900 Dealing 020 7597 2300 | | | | | | |
| www.investecassetmanagement.com | | | | | | |
| funds.ft.com/investec | | | | | | |
| **Authorised Inv Funds** | | | | | | |
| **OEIC Series i,ii,iii, & iv** | | | | | | |
| Africa & Middle East P Acc * | 6 | | 123.03 | | –0.29 | 0.94 |
| American A Acc | 4½ | | 170.47 | | –1.64 | 0.44 |
| Asia ex Japan A Acc | 4½ | | 288.54 | | –3.81 | 0.74 |
| Balanced Managed A Inc | 4½ | | 103.53 | | +0.99 | 1.21 |
| Capital Accumulator A Acc | 4½ | | 161.9 | | +0.5 | 0.0 |
| Cautious Managed A Inc | 4½ | | 202.92 | | +1.15 | 1.97 |
| Cautious Managed A Acc | 4½ | | 292.6 | | +1.66 | 1.95 |
| Emerging Markets Debt A Inc | 4½ | C | 143.17 | | –0.58 | 6.92 |
| Emerging Markets Debt A Acc | 4½ | C | 174.46 | | –0.71 | 7.28 |
| Emerging Markets Debt Gross I Acc | 0 | C | 182.37 | | –0.73 | 6.92 |
| Enhanced Nat Resrcs P Acc | 4½ | | 117.81 | | –0.94 | 0.02 |
| European A Acc | 4½ | | 274.82 | | +2.75 | 1.64 |
| Global Bond A Inc | 4½ | | 95.51 | | –1.16 | 2.84 |
| Global Bond A Acc | 4½ | | 111.48 | | –1.35 | 2.84 |
| Global Bond I Gross Inc | 1 | | 1021.38 | | –12.42 | 3.09 |
| Global Equity A Acc | 4½ | | 74.59 | | –0.61 | 0.55 |
| Global Energy A Acc | 4½ | | 233.13 | | –3.39 | 1.12 |
| Global Free Enterprise A Acc | 4½ | | 384.58 | | –4.93 | 0.78 |
| Global Gold A Acc | 4½ | | 191.23 | | +7.44 | 0.0 |
| Global Dynamic A Acc | 4½ | | 71.07 | | –0.82 | 0.82 |
| Glob Spec Situat IV A Acc GBP | 4½ | | 124.6 | | –0.35 | 1.17 |
| Managed Distribution A Inc | 4½ | C | 76.55 | | +0.4 | 2.91 |
| Managed Distribution A Acc | 4½ | C | 220.39 | | +1.16 | 2.91 |
| Managed Growth A Acc | 4½ | | 114.76 | | +0.67 | 0.54 |

# Managed funds service

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|

MARFIN CAPITAL PARTNERS

**Marfin Capital Partners Limited (IOM)**
12 Hay Hill London W1J 8NR 0207 054 9257

| | | | | |
|---|---|---|---|---|
| Marfin Diversified Strategy Fund – USD A.. | $81.5604 | | ..... | – |
| Marfin Diversified Strategy Fund – Euro A.. | €76.8839 | | ..... | – |
| Marfin Diversified Strategy Fund – Euro B.. | €74.1669 | | ..... | – |

**Margetts Fund Management Ltd (UK)**
PO Box 23705, Edinburgh, EH7 5NJ
Order Desk: 0845 607 6808 Enquiries: 0845 607 6808

| Authorised Inv Funds | | | | | |
|---|---|---|---|---|---|
| Select Strategy GBX Acc ✠. 5 | 258.88 | 272.49 | ..... | 0.22 |
| Venture Strategy GBX Acc ✠ . 5 C | 294.79 | 310.17 | ..... | – |
| International Strategy GBX Acc ✠ . 5 | 192.24 | 202.27 | ..... | – |
| Providence Strategy GBX Acc ✠ 5 C | 239.02 | 251.52 | ..... | 3.08 |
| Providence Strategy GBX Inc ✠ . 5 C | 137.18 | 144.35 | ..... | 3.08 |
| Opes Growth GBX Acc ✠ . 5 | 197.33 | 207.71 | ..... | – |
| Opes Income GBX Inc ✠ 5 | 137.01 | 144.21 | ..... | 1.28 |
| Opes Income GBX Acc ✠ . 5 C | 172.23 | 181.29 | ..... | 1.28 |
| **Margetts Greystone ICVC** | | | | |
| Greystone UK Equity GBX Inc . 3⅞ | 105.31 | | ..... | – |
| Greystone UK Equity GBX Acc 3⅞ | 111.15 | | ..... | – |
| Greystone International Equity GBX Acc 3⅞ | 140.77 | | ..... | – |
| Greystone Cautious Managed GBX Inc . 3⅞ | 89.06 | | ..... | – |
| Greystone Cautious Managed GBX Acc 3⅞ | 95.32 | | ..... | – |
| Greystone Total Return GBX Acc 3⅞ | 82.78 | | ..... | – |
| **MGTS Roger Harris & Co ICVC** | | | | |
| MGTS Roger Harris & Co Sagacious Fund 5 | 92.35 | | ..... | – |
| **MGTS Frontier ICVC** | | | | |
| MGTS Frontier Cautious Fund A Acc .. 5 | 107.1 | | ..... | – |
| MGTS Frontier Cautious Fund A Inc 5 | 96.68 | | ..... | – |
| MGTS Frontier Cautious Fund B Acc .. 5 | 105.92 | | ..... | – |
| MGTS Frontier Cautious Fund B Inc... 5 | 95.4 | | ..... | – |
| **MGTS Future Money ICVC** | | | | |
| MGTS Future Money Real Value 5 | 112.34 | | ..... | – |
| MGTS Future Money Real Growth . 5 | 118.47 | | ..... | – |
| MGTS Future Money Dynamic Growth 5 | 119.19 | | ..... | – |
| MGTS Future Money Income Acc .. 5 | 115.88 | | ..... | – |
| MGTS Future Money Income Inc 5 | 111.73 | | ..... | – |
| **MGTS St Johns Realistic Core Fund ICVC** | | | | |
| MGTS St Johns Realistic Core Fund Acc . 5 | 102.33 | | ..... | – |
| MGTS St Johns Realistic Core Fund Inc .. 5 | 102.32 | | ..... | – |

**Kuwait Financial Centre 'Markaz'**
www.markaz.com Enquiries: info@markaz.com

| Other International Funds | | | | |
|---|---|---|---|---|
| Markaz Investment & Development Fund .. | KD3.176 | | ..... | – |
| Markaz Fund for Excellent Yields .. | KD4.226 | | ..... | – |
| Markaz Islamic Fund ...... | KD1.660 | | ..... | – |
| Markaz Gulf Fund ........... | $2.74 | | ..... | – |
| Markaz Real Estate ........ | KD1.327 | | ..... | – |
| Markaz Energy Fund ...... | KD0.906 | | ..... | – |
| Forsa Financial Fund ...... | KD1.055 | | ..... | – |

**Marlborough Fd Managers Ltd (1200)F (UK)**
Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP 0808 145 2500
www.marlboroughfunds.com

| Authorised Inv Funds | | | | |
|---|---|---|---|---|
| Balanced ................. 5¼ | 120.71 | 128.07 | +0.52 | 0.75 |
| Bond Income............... 5 | 45.65 | 48.31 | +0.08 | 5.07 |
| Cautious Inc............. 5¼ | 71.98xd | 75.95 | +0.06 | 2.4 |
| ETF Absolute Return Fund A .. 4½ | 122.19xd | | +0.21 | 1.14 |
| ETF Global Growth A.... 5 | 117.31xd | | –0.1 | 0.96 |
| ETF Commodity A........ 5 | 119.01xd | | +0.18 | 0 |
| ETF Global Income A. 4½ | 89.71xd | | +0.3 | 2.63 |
| Ethical A Inc............ 5¼ | 86.76 | | +0.72 | 1.9 |
| Ethical B Inc ................ 1 | 86.51 | | +0.77 | 2.66 |
| Extra Income ............... 5 | 61.21xd | 64.77 | +0.4 | 5.65 |
| Far East Growth A Inc. 5¼ | 171.58 | | –2.22 | 1.44 |
| Global..................... 5¼ | 134.3 | 141.45 | +0.75 | 0 |
| Global Bond Inc ........... 5 | 128.32 | 135.79 | –0.83 | 4.5 |
| High Yield Fixed Interest . 5¼ | 81.18xd | 86.13 | –0.6 | 10.15 |
| Special Situations A Acc 5 | 459.94 | 486.71 | +3.12 | 0.56 |
| UK Equity Income A..... 5 | 40.62 | 42.98 | +0.45 | 6.23 |
| UK Large Cap Growth A 5¼ | 103.21 | | +1.57 | 1.12 |
| UK Leading Cos ........... 5 | 120.69xd | 127.71 | +2.07 | 1.57 |
| UK Micro Cap Growth A . 5 | 175.38 | 185.59 | +0.3 | 0 |
| UK Primary Opportunities A Inc .. 5¼ C | 271.44 | | +2.73 | 1.7 |
| UK Primary Opportunities B Inc . 0 | 272.61 | | +2.75 | 2.15 |
| **MFM – Third Party Funds** | | | | |
| MFM Bowland ............ 7 | 94.41xd | 102.07 | –5.56 | 0.59 |
| MFM CFS Balanced Opps A Inc . 7 | 74.57 | | +0.32 | 0.41 |
| MFM CPI Defensive Man A Inc .. 5¼ | 110.97xd | | –0.07 | 2.7 |
| MFM CPI Global Opps A Inc 5¼ | 118.39xd | | +1.59 | 2.53 |
| MFM Firecrest Consistent Gth A. 5½ | 100 | | ..... | 0 |
| MFM Glendevon King Global Bond A Acc . 4 | 100.77 | | +0.06 | 0 |
| MFM Hathaway Inc...... 4 | 71.37xd | 74.73 | –1.66 | 1.8 |
| MFM Maze Balanced Managed A Acc 5 | 91.44xd | | –0.11 | 0.74 |
| MFM Maze Cautious Managed A Inc.. 5 | 86.47xd | | –0.03 | 1.27 |
| MFM SGWM Managed A Acc . 7 | 92.52 | | +0.5 | 0.62 |
| MFM Slater Growth.. 5¼ | 147.01 | 155.98 | +0.41 | 0.81 |
| MFM Slater Recovery. 5¼ | 96.49 | 102.38 | +0.57 | 0.65 |
| MFM Tait Walker Balanced A Inc .. 5 | 54.28xd | | +0.06 | 1.16 |
| MFM Tait Walker Cautious A Inc 5 | 55.68xd | | +0.06 | 2.53 |
| MFM Techinvest Special Situations Acc.. 5 | 62.89xd | | –0.55 | 0 |
| MFM Techinvest Technology Acc.. 5 | 171.94xd | | –2.86 | 0 |
| MFM W H Ireland UK Gth A Acc . 5¼ | 78.87xd | 83.68 | +1.33 | 2.43 |
| Junior Mining C Acc. 5¼ | 131.89 | | +1.15 | 2.27 |

**Martin Currie Unit Trusts Ltd (1200)F (UK)**
Saltire Ct, 20 Castle Terrace Edinburgh Inv Ser:0808 1002125
www.ft.com/funds/martincurrie

| Authorised Investment Funds | | | | |
|---|---|---|---|---|
| **Martin Currie Investment Funds (OEIC)** | | | | |
| **Class A (Retail)** | | | | |
| Japan 5 | 120.4 | | –1.8 | 0.0 |
| Japan Alpha 5 | 92.5 | | –1.58 | 0.2 |
| Emerging Mkts 5 | 202.4 | | –1.9 | 0.1 |
| Asia Pacific 5 | 92.59 | | –0.94 | 0.8 |
| European 5 | 246.6 | | +2.5 | 0.7 |
| UK Equity Income 5 | 86.26 | | +0.94 | 4.8 |
| North American 5 | 158 | | –1.9 | 0.0 |
| North American Alpha 5 | 108.8 | | –1.2 | 0.0 |
| UK Growth 5 | 180.5 | | +1.8 | 1.7 |
| Global 5 | 184.9 | | –2 | 0.5 |
| UK Equity Income Acc 5 | 90.3 | | +0.98 | 4.7 |
| Global Alpha 5 | 99.5 | | –0.8 | 0.2 |
| Global Energy 5 | 128.5 | | –1.7 | 0.6 |
| China 5 | 97.35 | | –1.58 | 0.0 |
| **Class B (Institutional)** | | | | |
| Japan 0 | 130.8 | | –1.9 | 0.6 |
| Japan Alpha 0 | 94.64 | | –1.61 | 0.5 |
| Emerging Mkts 0 | 215.4 | | –2 | 0.7 |
| Asia Pacific 0 | 97.72 | | –1 | 1.4 |
| European 0 | 261.2 | | +2.7 | 1.3 |
| UK Equity Income 0 | 91.46 | | +1 | 4.7 |
| North American 0 | 167.6 | | –2 | 0.2 |
| North American Alpha 0 | 110.9 | | –1.2 | 0.0 |
| UK Growth 0 | 191.5 | | +1.9 | 2.3 |
| Global 0 | 196.1 | | –2.1 | 0.8 |
| UK Equity Income Acc 0 | 92.99 | | +1.01 | 4.6 |
| Global Alpha 0 | 102.6 | | –0.8 | 0.9 |
| Global Energy 0 | 130.1 | | –1.7 | 1.2 |
| China 0 | 97.52 | | –1.58 | 0.0 |
| **Class H (Institutional)** | | | | |
| North American 5 | 113.9 | | –0.2 | 0.1 |
| North American Alpha 5 | 112.6 | | –0.1 | 0.0 |
| Japan 5 | 108.3 | | +0.3 | 0.0 |
| Japan Alpha 5 | 116.3 | | –0.2 | 0.0 |

**Marwyn Investment Management LLP (CYM)**
Regulated
Marwyn Value Investors . £186.15 ..... –

**Mayfair Capital Investment Management Limited (UK)**
23 Bruton Street, London, W1J 6QD 020 7495 1929
Property & Other UK Unit Trusts
Property Income Trust for Charities.. 73.9 77.8 ..... 8.5

**McInroy & Wood Portfolios Limited (UK)**
Easter Alderston, Haddington, EH41 3SF 01620 825867

| Authorised Inv Funds | | | | |
|---|---|---|---|---|
| Balanced ♦ F 0 C | 2879.1xd | | ..... | 1.90 |
| Income ♦ F 0 C | 1935.0 | | ..... | 3.10 |
| Emerging Markets ♦ F. 0 C | 1517.8xd | | ..... | 1.40 |
| Smaller Cos ♦ F 0 C | 2245.5 | | ..... | 1.40 |

**Meditor Group Limited (BMU)**
Regulated
European Hedge Fd (B) (Est) $546.25 ..... –
European Hedge Fd (C) (Est) €275.58 ..... –

**Melchior Hedge Funds (CYM)**
Regulated
Melchior European Fund Ltd EUR Class €125.62 ..... –

**Melchior Investment Funds (UK)**
Ibex House, 42–47 Minories, London, EC3N 1DX
Order Desk:08459 220044 Enquiries: 0870 607 2555

| Other International Funds | | | |
|---|---|---|---|
| Melchior Asian Opps GBP B ✠.. 5 | 195.29 | –2.38 | 0.01 |
| Melchior Asian Opps USD B ✠.. 5 | $2.9133 | –0.01 | 0.01 |
| Melchior Japan Advantage GBP B ✠ . 5 | 116.69 | –1.39 | 0.00 |
| Melchior Japan Advantage JPY B ✠.. 5 | Y159.67 | +0.42 | 0.00 |
| Melchior Japan Opps B GBP ✠ . 5 | 108.37 | –2.35 | 0.01 |
| Melchior Japan Opps B JPY ✠.. 5 | Y151.79 | –1.05 | 0.01 |
| Melchior Nth Amer Opps B GBP ✠ 5 | 145.63 | –0.56 | 0.01 |
| Melchior Nth Amer Opps B USD ✠ 5 | $2.1721 | +0.01 | 0.01 |
| Melchior UK Opps B GBP ✠ 5 | 83.19 | +0.61 | 0.08 |

**Meridian Fund Managers Ltd**
Other International Funds
Global Gold & Resources Fund.. $579.934 ..... –
Global Energy & Resources Fund . $117.06 ..... –

**Metage Capital**

| Other International Funds | | | |
|---|---|---|---|
| MGS (Est) Apr 30 | $216.27 | ..... | – |
| MEMO (Est) Apr 30 | $441.82 | ..... | – |
| MGS Redemption (Est) Apr 30 | $189.98 | ..... | – |
| MEMO Redemption (Est) Apr 30 | $368.01 | ..... | – |
| MSE (Est) May 7 | $66.46 | ..... | – |

**Ministry of Justice Common Investment Funds (UK)**
Property & Other UK Unit Trusts
The Equity Idx Tracker Fd Inc. 1020.00 1020.00 +9.00 2.6

**Mirabaud Unit Trust Mngrs Ltd (1200)F (UK)**
25 Moorgate, London, EC2R 6AY 020 7131 4951
Authorised Inv Funds
MIR GB Fund Income... 5 139.5 +1.70 1.25
MIR GB Fund Acc ........ 5 145.5 +1.80 1.23

**Montanaro European Smaller Cos Plc (IRL)**

| Regulated | | | |
|---|---|---|---|
| GBP NAV May 12 | £2.23 | +0.06 | – |
| EUR NAV May 12 | €2.59 | +0.07 | – |
| USD NAV May 12 | $1.85 | +0.04 | – |
| Euro Equity Income EUR May 12.. | €0.68 | +0.02 | – |
| Euro Equity Income GBP. | £0.98 | +0.02 | – |
| European Smaller Cos EUR Acc | €2.39 | +0.06 | – |

**Morant Wright Management Ltd (CYM)**
Regulated
MW Japan Fd Ltd A May 7 $18.34 ..... 0.00
MW Japan Fd Ltd B May 7 $18.86 ..... 0.00

Morgan Stanley

**Morgan Stanley Investment Mgmt Ltd (UK)**
The Morgan Stanley Funds (UK) OEICS (1200)F
PO Box 6065, Basildon, Essex SS15 5WZ
Phone: 0800 096 1962 (Enquiries)

| Authorised Inv Funds | | | |
|---|---|---|---|
| **Equity** | | | |
| Europe Ex UK Equity A Acc ♦. 5 | 965.29 | +8.43 | 0.94 |
| Global Brands A Acc ♦ 5 | 2746.98 | +6.81 | 1.16 |
| Global Value Equity A Acc ♦.. 5 | 1156.01 | –6.17 | 3.14 |
| UK Equity A Acc ♦....... 5 | 1084.13 | +10.99 | 2.29 |
| **Fixed Income** | | | |
| Sterling Corporate Bd A Inc ♦ 5 | 1219.57 | +6.77 | 4.03 |
| Sterling Corporate Bd A Acc ♦.. 5 | 1536.77 | +8.53 | 4.03 |

**Morgan Stanley Investment Funds (LUX)**
6b Route de Trèves L–2633 Senningerberg Luxembourg (352) 34 64 61
www.morganstanleyinvestmentfunds.com

| FSA Recognised | | | |
|---|---|---|---|
| US Advantage A F .... 5¾ | $27.53 | +0.28 | – |
| Asian Equity A F....... 5¾ | $36.56 | +0.31 | – |
| Asian Property A F ... 5¾ | $13.81 | +0.05 | – |
| Asian Property AX F . 5¾ | £9.08 | ..... | – |
| Commodities Active GSLE A F 5¾ | $18.55 | –0.02 | – |

# Managed funds service

## Saracen Fund Managers Ltd (1000)F (UK)
Burlington House, 183 Bath St, Glasgow G2 4HU 08456 081464
**Dealing: 0845 608 1463**
Saracen Investment Funds ICVC (OEIC) Enq. 0141 248 2277
**Authorised Inv Funds**

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|
| Saracen Growth Fd Alpha Acc | 5 | | 198.61 | | +1.91 | 1.22 |
| Saracen Growth Fd Beta Acc | 5 | | 308.50 | | +2.97 | 1.64 |

SARASIN

## Sarasin Investment Funds Ltd (1200)F (UK)
Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU
**Dealing: 0870 8708430**
**www.ft.com/funds/sarasin**
**Authorised Inv Funds**
**Sarasin Funds (OEIC)**

| | Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|---|---|
| AgriSar Fund Inc A | 5 | C | 104.3 | | –1.0 | 0.10 |
| AgriSar Fund Acc A | 5 | C | 104.1 | | –1.0 | 0.15 |
| AgriSar Fund Inc B | 5 | C | 104.8 | | –1.0 | 0.47 |
| AgriSar Fund Acc B | 5 | C | 104.8 | | –1.0 | 0.41 |
| AgriSar Fund Inc X | 5 | C | 103.4 | | –1.0 | 0.28 |
| AgriSar Fund Acc X | 5 | C | 102.7 | | –1.0 | 0.46 |
| EquiSar Inc A | 5 | | 569.8 | | –1.7 | 0.45 |
| EquiSar Acc A | 5 | | 601.2 | | –1.7 | 0.43 |
| EquiSar Inc B | 5 | | 560.9 | | –1.6 | 0.78 |
| EquiSar Acc B | 5 | | 651.9 | | –1.8 | 0.78 |
| Equisar Gbl Thmtc Stg Hgd A Inc | 5 | | 122.3 | | +0.6 | 1.91 |
| Equisar Gbl Thmtc Stg Hgd A Acc | 5 | C | 122.4 | | +0.6 | 0.20 |
| EquiSar IIID Inc A | 5 | | 113.0 | | –0.2 | 0.65 |
| EquiSar IIID Acc A | 5 | | 116.8 | | –0.3 | 0.66 |
| EquiSar IIID Inc B | 5 | | 114.1 | | –0.2 | 0.77 |
| EquiSar IIID Acc B | 5 | | 118.9 | | –0.2 | 0.75 |
| EquiSar IIID Inc X | 5 | | 114.1 | | –0.2 | 0.68 |
| EquiSar IIID Acc X | 5 | | 116.5 | | –0.3 | 0.67 |
| EquiSar UK Thematic Acc A | 5 | C | 102.8xd | | (z) | – |
| EquiSar UK Thematic A Inc | 5 | C | 102.8xd | | (z) | – |
| EquiSar – UK Them Opp Acc A | 5 | C | 103.7 | | +1.1 | – |
| EquiSar UK Them Opp Inc A | 5 | C | 103.7 | | +1.1 | – |
| Gbl Eqty Inc Stg Hgd A Inc | 5 | C | 116.7xd | | +0.5 | 1.16 |
| Gbl Eqty Inc Stg Hgd A Acc | 5 | C | 119.1xd | | +0.5 | 0.28 |
| GlobalSar IIID Inc A | 5 | | 819.9 | | +2.4 | 1.45 |
| GlobalSar IIID Acc A | 5 | | 1239.0 | | +3.0 | 1.43 |
| GlobalSar IIID Inc C | 5 | | 100.5 | | +0.4 | 1.35 |
| GlobalSar IIID Acc C | 5 | | 108.0 | | +0.4 | 1.32 |
| GlobalSar IIID Inc X | 5 | | 100.7 | | +0.3 | 1.36 |
| GlobalSar IIID Acc X | 5 | | 108.4 | | +0.4 | 1.34 |
| Intl Equity Income Inc A | 5 | | 102.0xd | | –0.4 | 4.69 |
| Intl Equity Income Acc A | 5 | | 119.5xd | | –0.5 | 4.56 |
| Sterling Bond A Inc | 5 | | 98.40xd | | +0.34 | 0.72 |

## Sarasin Investment Funds Ltd (UK)
**Specialist Charity Funds Tel: 0870 870 8430**
**Property & Other UK Unit Trusts**

## Yuki International Limited (IRL)
Tel +44–207–269–0203 www.yukifunds.com
**Regulated**

| | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|
| **Yuki Mizuho Umbrella Fund** | | | | |
| Yuki Mizuho General Japan III | Y4368.0 | | +4.0 | – |
| Yuki Mizuho Japan Dynamic Growth | Y4543.0 | | –9.0 | – |
| Yuki Mizuho Japan General | Y8715.0 | | –8.0 | – |
| Yuki Mizuho Japan Excellent 100 | Y6781.0 | | +10.0 | – |
| Yuki Mizuho Japan Growth | Y6179.0 | | +4.0 | – |
| Yuki Mizuho Japan Income | Y7811.0 | | +2.0 | – |
| Yuki Mizuho Japan Large Cap | Y5141.0 | | +2.0 | – |
| Yuki Mizuho Japan Low Price | Y12190.0 | | –39.0 | – |
| Yuki Mizuho Japan Pure Gwth | Y7653.0 | | –13.0 | – |
| Yuki Mizuho Japan Small Cap | Y7025.0 | | –78.0 | – |
| Yuki Mizuho Japan Value Select | Y5718.0 | | +14.0 | – |
| Yuki Mizuho Japan Young Companies | Y2800.0 | | –25.0 | – |
| **YMR Umbrella Fund** | | | | |
| YMR N Growth May 12 | Y9301.0 | | –50.0 | – |
| YMR N Small Cap May 12 | Y6945.0 | | –62.0 | – |
| **Yuki Chugoku Umbrella Fund** | | | | |
| Yuki Chugoku Japan General | Y6769.0 | | +13.0 | – |
| Yuki Chugoku Japan Low Price | Y8322.0 | | +14.0 | – |
| **Yuki 77 Umbrella Fund** | | | | |
| Yuki 77 General | Y5980.0 | | +2.0 | – |
| **Yuki Shizuoka Japan Umbrella Fund** | | | | |
| Yuki Shizuoka General Japan | Y5491.0 | | –4.0 | – |
| **Yuki Hokuyo Umbrella Fund** | | | | |
| Yuki Hokuyo Japan General | Y4615.0 | | +1.0 | – |
| Yuki Hokuyo Japan Income | Y5357.0 | | –15.0 | – |
| Yuki Hokuyo Japan Small Cap Fund | Y5033.0 | | –46.0 | – |

## Zebedee Capital Limited (CYM)
**Regulated**

| | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|
| Emerging Market (EMEA) Fund Limited EURO Shares (Final) Mar 31 | €106.21 | | ..... | – |
| Emerging Market (EMEA) Fund Limited USD Shares (Final) Mar 31 | $105.92 | | ..... | – |
| Zebedee Focus Fund Limited Class A EURO Shares Apr 30 | €135.49 | | ..... | – |
| Zebedee Focus Fund Limited Class B USD Shares Apr 30 | $152.76 | | ..... | – |
| Zebedee Focus Fund Limited Class A USD Apr 30 | $136.41 | | ..... | – |

# Money Market Trusts and Bank Accounts

| | Gross | Net | Gross AER | Int Cr |
|---|---|---|---|---|
| **AMC Bank Ltd High Interest Cheque Account** | | | | |
| AMC, Charlton Place, Charlton Road, Andover SP10 1RE 01264 334747 | | | | |
| £5.000+ | 0.10 | 0.08 | 0.10 | Qtr |
| **CAF Bank Ltd** | | | | |
| PO Box 289 Kings Hill, West Malling, Kent ME19 4JQ 03000 123456 | | | | |
| CAF Gold £1 – £249,999 | 0.20 | | 0.20 | Qtr |
| CAF Gold Balances £250,000 – £499,999 | | | | |
| CAF Gold Balances £500,000 – £1,999,999 | | | | |
| CAF Gold £2 Million and above | 1.00 | | 1.00 | Qtr |
| **CAF Cash Cheque Acc** | | | | |
| Cafcash Balances from £1–250k | 0.10 | | 0.10 | Qtr |
| Cafcash Balances from £250,001 – £1M | 0.10 | | 0.10 | Qtr |
| Cafcash Balances > £1M | 0.10 | | 0.10 | Qtr |
| **CCLA Investment Management Ltd** | | | | |
| 80 Cheapside, London EC2V 6DZ 0800 022 3505 | | | | |
| CBF Church of England Deposit Fund | 0.50 | | 0.50 | 3Mths |
| COIF Charities Deposit Fund | 0.50 | | 0.50 | 3Mths |
| **Close Brothers Limited – Treasury Services** | | | | |
| 10 Crown Place, London EC2A 4FT 020 7655 3407 | | | | |
| **14 Days Notice Deposit** | | | | |
| £20,000 to £99,999 | 1.25 | 1 | 1.26 | 6Mthly |
| £100,000 to £4,999,999 | 1.50 | 1.20 | 1.51 | 6Mthly |

# Exchange Traded Funds

## UBS

| | Notes | Price | Chng | 52 week High | 52 week Low | Yld | Nav | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| DJEurSTX50A € | | £24.01 | +0.51 | £27.71 | £20.24 | 3.5 | - | 21 |
| DJEurSTX50I € | | £23995.14 | +740.31 | £27,625.71 | £20,650.71 | 3.7 | - | 0 |
| FTSE 100 SFr | | £52.57 | +1.28 | £56.62 | £40.59 | 3.5 | - | 6 |
| MSCI Can A C$ | | £20.77 | +0.48 | £20.77 | £15.99 | 0.4 | - | 19 |
| MSCI EMU € | | £74.20 | +2.07 | £84.10 | £60.96 | 2.8 | - | 37 |
| MSCI EMU VA € | | £30.52 | +0.84 | £34.87 | £27.50 | 0.2 | - | 26 |
| MSCI Eurp A € | | £37.36 | - | £41.60 | £31.14 | 0.3 | - | - |
| MSCI Eurp I € | | £37475.33 | - | £41,017.75 | £36,435.66 | 0.3 | - | - |
| MSCI Japan SFr | | £21.25 | +0.13 | £21.95 | £17.16 | 1.4 | - | 28 |
| MSCI PexJp $ | | £25.39 | +0.11 | £27.43 | £22.29 | 0.5 | - | 6 |
| MSCI USA SFr | | £74.41 | +0.35 | £75.42 | £51.17 | 1.1 | - | 1 |
| MSCI USA I $ | | £73827.31 | +59.57 | £75,868.37 | £60,130.02 | 0.3 | - | - |
| MCSI World SFr | | £78.68 | +1.59 | £81.30 | £57.41 | 1.3 | - | 0 |

Net asset values supplied by Morningstar Ltd as a guide only (www.morningstar.co.uk)
See guide to Financial Times Share Service.

## Guide to Data

The fund prices quoted on these pages are supplied by the operator of the relevant fund. Details of funds published on these pages, including prices, are for the purpose of information only and should only be used as a guide. The Financial Times Limited makes no representation as to their accuracy or completeness and they should not be relied upon when making an investment decision.

The sale of interests in the funds listed on these pages may, in certain jurisdictions, be restricted by law and the funds will not necessarily be available to persons in all jurisdictions in which the publication circulates. Persons in any doubt should take appropriate professional advice. Data collated by **Interactive Data (Europe) Limited**. Telephone **+ 44 (0)207 417 1200**. For other queries contact **reader.enquiries@ft.com +44 (0)207 873 4211**.

The fund prices published in this edition along with additional information are also available on the Financial Times website, **www.ft.com/funds**. The funds published on these pages are grouped together by fund management company and shown in alphabetical sequence. Within each group funds are displayed in the following order: **Authorised Investment Funds & OEICs (authorised in the UK by the Financial Services Authority), Property & Other UK Unit Trusts, FSA Recognised funds, Regulated funds, International Insurance Funds, Other International Funds**.

Prices are in pence unless otherwise indicated. The change, if shown, is the change on the previously quoted figure (not all funds update prices daily). Those designated $ with no prefix refer to US dollars. Yield percentage figures (in Tuesday to Saturday papers) allow for buying expenses. For FT fund ratings see Monday's FTfm, where available, or **www.ft.com**. Prices of certain older insurance linked plans might be subject to capital gains

# Market data

## FT500 - World's Largest Companies

| Stock | Price | Day Chng | 52 Week High | 52 Week Low | Yld | P/e | MCap m$ |
|---|---|---|---|---|---|---|---|
| 3M | 86.44 | 1.4 | 90 | 55.23 | 2.38 | 17.12 | 61,638 |
| ABB | 21.13 | 0.6 | 24.08 | 15.35 | - | 16.90 | 44,429 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## STOCK MARKET - WORLD MARKETS AT A GLANCE

| Country | Index | May 12 | May 11 |
|---|---|---|---|
| Argentina | Merval | 2300.50 | 2289.63 |
| Australia | ALL ORDINARIES | 4599.73 | 4573.18 |
| | S&P/ASX 200 Res | 4952.20 | 4906.15 |
| | S&P/ASX 200 | 4572.95 | 4547.99 |
| Austria | ATX | 2555.29 | 2486.58 |
| Belgium | BEL 20 | 2540.36 | 2483.53 |
| | BEL Mid | 3519.79 | 3437.91 |
| Brazil | Bovespa | 65223.63 | 64424.89 |
| Canada | S&P/TSX Met & Min | 973.29 | 948.66 |
| | S&P/TSX 60 | 716.83 | 704.99 |
| | S&P/TSX Comp | 12196.08 | 12000.61 |
| Chile | IGPA Gen | 18138.34 | 18008.30 |
| China | Shanghai A | 2784.82 | 2775.98 |
| | Shanghai B | 216.86 | 221.06 |
| | Shanghai Comp | 2655.71 | 2647.57 |
| | Shenzhen A | 1061.95 | 1075.11 |
| | Shenzhen B | 553.72 | 555.56 |
| | FTSE/Xinhua A200 | 7595.00 | 7522.28 |
| | FTSE/Xinhua B35 | 7535.36 | 7606.60 |
| Colombia | CSE Index | 12341.01 | 12312.45 |
| Croatia | CROBEX | 2095.41 | 2082.84 |
| Cyprus | CSE M&P Gen | 1299.53 | 1290.68 |
| Czech Republic | PX | 1235.50 | 1207.10 |
| Denmark | OMXC Copenhagen 20 | 403.87 | 393.52 |
| Egypt | EGX 30 | 6836.48 | 6822.79 |
| Estonia | OMX Tallinn | 593.27 | 594.10 |
| Finland | OMX Helsinki General | 6786.81 | 6647.49 |
| France | CAC 40 | 3733.87 | 3693.20 |
| | SBF 120 | 2768.09 | 2732.08 |
| Germany | M-DAX | 8459.71 | 8173.60 |
| | XETRA Dax | 6183.49 | 6037.71 |
| | TecDAX | 789.82 | 769.98 |
| Greece | Athens Gen | 1749.59 | 1735.29 |
| | FTSE/ASE 20 | 859.37 | 853.13 |
| Hong Kong | Hang Seng | 20212.49 | 20146.51 |
| | HS China Enterprise | 11510.30 | 11509.22 |
| | HSCC Red Chip | 3734.35 | 3752.57 |
| Hungary | Bux | 23524.32 | 23254.28 |
| India | BSE Sens | 17195.81 | 17141.53 |
| | S&P CNX 500 | 4263.90 | 4250.00 |
| Indonesia | Jakarta Comp | 2847.62 | 2812.89 |
| Ireland | ISEQ Overall | 3213.54 | 3175.82 |
| Israel | Tel Aviv 100 | 1091.28 | 1076.05 |
| Italy | FTSE MIB | 21029.48 | 20874.65 |
| | FTSE Italia Mid Cap | 24065.19 | 23618.83 |
| | FTSE Italia All-Sh | 21626.38 | 21445.97 |
| Japan | Nikkei 225 | 10394.03 | 10411.10 |
| | Topix | 932.83 | 932.10 |
| | S&P Topix 150 | 797.83 | 796.70 |
| | 2nd Section | 2282.66 | 2290.47 |
| Jordan | Amman SE | 5364.38 | 5348.30 |
| Kenya | NSE 20 | 4241.79 | 4226.63 |
| Latvia | OMX Riga | 361.32 | 358.86 |
| Lithuania | OMX Vilnius | 312.89 | 312.48 |
| Luxembourg | Luxembourg General | 1155.77 | 1185.48 |
| Malaysia | FTSE Bursa KLCI | 1344.10 | 1340.72 |
| Mexico | IPC | 32379.63 | 32119.11 |
| Morocco | MASI | 12189.55 | 12188.48 |
| Netherlands | AEX | 336.90 | 333.48 |
| | AEX All Share | 525.89 | 520.88 |
| New Zealand | NZX 50 | 3156.08 | 3167.02 |
| Nigeria | SE All Share | 27816.29 | 27686.29 |
| Norway | Oslo All Share | 425.20 | 417.61 |
| Pakistan | KSE 100 | 10222.04 | 10208.81 |
| Peru | Lima Gen | 15577.36 | 15505.65 |
| Philippines | Manila Comp | 3269.41 | 3262.93 |
| Poland | Wig | 41896.60 | 41453.12 |
| Portugal | PSI General | 2609.36 | 2544.89 |
| | PSI 20 | 7380.66 | 7174.10 |
| Romania | BET Index | 5289.24 | 5175.22 |
| Russia | RTS | 1485.36 | 1420.54 |
| | Micex Index | 1391.87 | 1334.15 |
| Singapore | FTSE Straits Times | 2880.33 | 2857.67 |
| Slovakia | SAX | 227.32 | 223.76 |
| Slovenia | SBI 20 | 3764.06 | 3766.76 |
| South Africa | FTSE/JSE All Share | 28178.23 | 27513.98 |
| | FTSE/JSE Top 40 | 25131.33 | 24523.20 |
| | FTSE/JSE Res 20 | 49237.33 | 48338.30 |
| South Korea | Kospi | 1663.03 | 1670.24 |
| | Kospi 200 | 216.78 | 217.63 |
| Spain | Madrid SE | 1043.75 | 1034.91 |
| | IBEX 35 | 10089.80 | 10008.60 |
| Sri Lanka | CSE All Share | 4229.40 | 4215.22 |
| Sweden | OMX Stockholm 30 | 1010.25 | 993.04 |
| | OMX Stockholm AS | 317.62 | 312.10 |
| Switzerland | SMI Index | 6575.05 | 6509.00 |
| Taiwan | Weighted Pr | 7602.70 | 7608.44 |
| Thailand | Bangkok SET | 773.72 | 772.09 |
| Turkey | IMKB Nat 100 | 57976.46 | 56461.72 |
| UK | FTSE 100 | 5383.45 | 5334.21 |
| | FT30 | 1965.00 | 1928.20 |
| | FTSE All Share | 2780.91 | 2751.43 |
| | FTSE techMARK 100 | 1852.30 | 1814.09 |
| | FTSE4Good UK | (u) | 4471.70 |
| USA | S&P 500 | 1171.67 | 1155.79 |
| | FTSE Nasdaq 5000 | 6264.44 | 6142.65 |
| | Nasdaq Cmp | 2425.02 | 2375.31 |
| | Nasdaq 100 | 1975.58 | 1940.48 |
| | Russell 2000 | 716.11 | 695.48 |
| | NYSE Comp. | 7316.36 | 7221.66 |
| | Wilshire 5000 | 12252.40 | 12059.95 |
| | DJ Industrial | 10896.91 | 10748.26 |
| | DJ Composite | 3765.93 | 3711.17 |
| | DJ Transport | 4657.86 | 4561.05 |
| | DJ Utilities | 384.84 | 382.40 |
| Venezuela | IBC | 61625.76 | 61283.86 |
| Vietnam | VNI | 519.60 | 534.36 |
| Cross-Border | DJ Stoxx 50 € | 2506.17 | 2484.01 |
| | DJ Euro Stx 50 € | 2764.31 | 2730.48 |
| | DJ Global Titans $ | 165.93 | 164.37 |
| | Euronext 100 ID | 670.62 | 661.86 |
| | FTSE Multinatls $ | (u) | 1012.15 |
| | FTSE Global 100 $ | 899.90 | 891.82 |
| | FTSE4Good Glob $ | (u) | 3964.54 |
| | FTSE E300 | 1048.56 | 1035.00 |
| | FTSE eXT All Share € | 166.06 | 162.63 |
| | FTSEurofirst 80 € | 3559.05 | 3512.14 |
| | FTSEurofirst 100 € | 3259.81 | 3228.90 |
| | FTSE Latibex Top € | 5430.80 | 5411.00 |
| | FTSE Eurotop 100 | 2206.34 | 2184.71 |
| | FTSE Gold Min $ | (u) | 3434.72 |
| | FTSE All World | 195.23 | 193.00 |
| | FTSE World $ | 340.16 | 336.27 |
| | MSCI All World $ | (u) | 1144.89 |
| | MSCI ACWI Fr$ | (u) | 292.97 |
| | MSCI Europe € | 1107.12 | 1092.93 |
| | MSCI Pacific $ | 1990.47 | 1991.38 |
| | S&P Global 1200 $ | 1297.39 | 1285.02 |
| | S&P Europe 350 € | 1054.41 | 1041.49 |
| | S&P Euro € | 1122.21 | 1106.16 |

(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 - MOVERS and SHAKERS

### AMERICA

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Citigroup | 92.1 | 4.18 | +0.01 |
| Intel | 83.0 | 23.09 | +0.81 |
| Cisco Systems | 61.5 | 26.74 | +0.78 |
| Microsoft | 47.0 | 29.44 | +0.56 |
| Comcast | 46.9 | 18.18 | +0.10 |
| Baidu | 41.7 | 78.21 | +6.79 |
| Huntington | 37.6 | 6.77 | +0.29 |
| BM&FBovsp | 35.7 | 11.50 | +0.80 |
| E TRADE Fin | 33.9 | 1.60 | +0.01 |
| AppliedMat | 32.9 | 13.77 | +0.41 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Ups | | | |
| Eastman Kodak | 6.29 | +0.55 | +9.58 |
| Baidu | 78.21 | +6.79 | +9.50 |
| XL Capital | 19.52 | +1.58 | +8.81 |
| BM&FBovsp | 11.50 | +0.80 | +7.48 |
| Downs | | | |
| ElectArt | 17.71 | -1.09 | -5.80 |
| AmerIntGrp | 41.40 | -1.49 | -3.47 |
| Morgan Stanley | 27.80 | -0.58 | -2.04 |
| Walt Disney | 35.13 | -0.63 | -1.76 |

Based on the constituents of the S&P500 and the Nasdaq 100 index

### LONDON

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| LlydsBkg | 326.4 | 59.51 | -0.79 |
| RBS | 264.0 | 48.40 | -1.60 |
| Vodafone | 128.4 | 137.95 | +1.10 |
| Barclays | 98.2 | 328.80 | +3.40 |
| ITV | 59.6 | 61.45 | +3.95 |
| BP | 53.0 | 541.60 | -3.90 |
| BT | 52.7 | 120.50 | +1.60 |
| Old Mut | 43.3 | 119.00 | +4.60 |
| HSBC | 35.4 | 666.70 | +5.30 |
| TaylorWm | 33.9 | 37.54 | +0.66 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Ups | | | |
| ChimeCm | 204.00 | 23 | +12.71 |
| TT Elect | 107.00 | 11.25 | +11.75 |
| Soco Int | 1,761.00 | 143 | +8.84 |
| Minerva | 116.00 | 7.75 | +7.16 |
| Downs | | | |
| SthnCross | 54.00 | -6.75 | -11.11 |
| JohnstnP | 27.75 | -2.50 | -8.26 |
| BritPoly | 236.75 | -20 | -7.78 |
| Costain | 219.25 | -10.50 | -4.57 |

Based on the constituents of the FTSE All-Share index

### EURO MARKETS

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Unicredito SpA | 681.4 | 1.93 | +0.01 |
| TelcmItalR | 335.1 | 0.88 | +0.03 |
| TelecomItal | 223.8 | 1.07 | +0.00 |
| IntSanPaolo | 216.0 | 2.38 | +0.00 |
| BcoSantdr | 84.4 | 9.22 | +0.04 |
| ING Group CVA | 64.9 | 7.03 | +0.29 |
| ENI | 64.4 | 16.57 | +0.02 |
| ENEL | 58.9 | 3.86 | +0.01 |
| BBVA | 46.7 | 9.60 | +0.10 |
| Alcatel-Lucent | 39.5 | 2.16 | +0.07 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Ups | | | |
| Natixis | 4.00 | 0.25 | +6.67 |
| Safran | 22.48 | 1.25 | +5.89 |
| PortTlcm | 7.95 | 0.42 | +5.53 |
| KBC Group | 33.49 | 1.64 | +5.15 |
| Downs | | | |
| APRR | 50.59 | -1.31 | -2.52 |
| HelTel | 7.89 | -0.16 | -1.99 |
| Aegon NV | 5.11 | -0.09 | -1.81 |
| SocieteGen | 39.19 | -0.61 | -1.52 |

Based on the constituents of the FTSEurofirst 300 Eurozone index

### TOKYO

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Mizuho Fin | 286.2 | 161 | -2 |
| Mitsub UFJ FG | 148.8 | 449 | -11 |
| Hitachi | 130.5 | 400 | +18 |
| TOSHIBA | 53.2 | 499 | +4 |
| ISUZU MOTORS | 50.8 | 302 | +18 |
| NomuraHld | 48.9 | 595 | -11 |
| FUJI ELECTRIC HD | 46.3 | 250 | +2 |
| NIPPON STEEL | 31.9 | 330 | -3 |
| SANYO Electric | 30.6 | 139 | -3 |
| Kobe Steel | 25.9 | 201 | -7 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| Ups | | | |
| NTT DATA | 357000 | 34k | +10.53 |
| NITTO BOSEKI | 220 | 19 | +9.45 |
| ISUZU MOTORS | 302 | 18 | +6.34 |
| HINO MOTORS | 488 | 26 | +5.63 |
| Downs | | | |
| OLYMPUS | 2418 | -202 | -7.71 |
| Trend Micro | 2925 | -175 | -5.65 |
| Mitsui Eng & Shp | 218 | -12 | -5.22 |
| Shinsei Bank | 108 | -5 | -4.42 |

Based on the constituents of the Nikkei 225 index

## MARKET VOLUME

MAJOR MARKET VOLUMES

| | May 12 | May 11 | 5 day average |
|---|---|---|---|
| NYSE | 1274 | 1457 | 1915 |
| NASDAQ | 2296 | 2484 | 3216 |
| UK | 4787 | 4397 | 5769 |
| France | 312 | 300 | 420 |
| Germany | 311 | 270 | 394 |
| Japan | 2070 | 2173 | 2125 |

Volumes are rounded to nearest million.

NYSE RISES AND FALLS

| | May 12 | May 11 | May 10 |
|---|---|---|---|
| Issues Traded | 3161 | 3149 | 3183 |
| Rises | 2661 | 1706 | 2988 |
| Falls | 437 | 1355 | 157 |
| Unchanged | 63 | 88 | 38 |
| New Highs | 99 | 54 | 42 |
| New Lows | 10 | 8 | 7 |

## STOCK MARKET - RATIOS

| | May 11 Yield | May 11 P/E | May 10 Yield | May 10 P/E | Week ago Yield | Week ago P/E |
|---|---|---|---|---|---|---|
| Argentina | 6.3 | 13.5 | 6.3 | 13.5 | 6.1 | 13.8 |
| Australia | 3.9 | 15.8 | 3.9 | 16.0 | 3.8 | 16.5 |
| Austria | 2.8 | 19.8 | 2.7 | 20.2 | 2.7 | 20.4 |
| Belgium | 4.1 | 13.7 | 4.1 | 13.8 | 4.2 | 13.5 |
| Brazil | 3.2 | 16.1 | 3.2 | 16.3 | 3.3 | 16.5 |
| Bulgaria | 4.9 | 8.0 | 5.0 | 7.9 | 5.2 | 8.1 |
| Canada | 2.7 | 19.6 | 2.7 | 19.6 | 2.7 | 21.1 |
| S&P/TSX | 3.1 | 17.3 | 3.1 | 17.3 | 3.0 | 19.1 |
| Chile | 3.5 | 18.5 | 3.5 | 18.4 | 3.4 | 18.5 |
| China | 2.8 | 13.5 | 2.7 | 13.8 | 2.7 | 13.9 |
| Colombia | 2.9 | 21.9 | 2.9 | 21.8 | 2.8 | 23.0 |
| Cyprys | 4.4 | 8.3 | 4.4 | 8.4 | 4.5 | 8.2 |
| Czech Rep. | 5.5 | 10.9 | 5.4 | 11.0 | 5.7 | 11.1 |
| Denmark | 1.0 | 27.2 | 1.0 | 27.3 | 1.0 | 27.9 |
| Finland | 3.8 | 18.5 | 3.7 | 18.7 | 3.7 | 18.8 |
| France | 3.6 | 17.8 | 3.6 | 17.9 | 3.6 | 18.2 |
| Germany | 2.8 | 17.1 | 2.8 | 17.0 | 2.8 | 17.4 |
| DAX 30 † | 3.3 | 13.5 | 3.3 | 13.5 | 3.2 | 13.9 |
| Greece | 3.4 | 10.8 | 3.3 | 11.1 | 3.5 | 10.8 |
| Hong Kong | 2.8 | 14.8 | 2.8 | 15.0 | 2.7 | 15.4 |
| Hang Seng † | 3.1 | 14.4 | 3.1 | 14.4 | 3.0 | 14.7 |
| Hungary | 1.7 | 14.4 | 1.7 | 14.7 | 1.7 | 14.6 |
| India | 1.0 | 20.7 | 1.0 | 20.9 | 1.0 | 20.9 |
| Indonesia | 2.0 | 17.8 | 2.0 | 18.0 | 2.0 | 18.7 |
| Ireland | 1.4 | 20.8 | 1.4 | 21.1 | 1.4 | 21.4 |
| Israel | 3.6 | 17.9 | 3.5 | 18.2 | 3.5 | 18.1 |
| Italy | 3.9 | 14.1 | 3.8 | 14.2 | 3.9 | 14.0 |
| Japan | 1.7 | 28.9 | 1.7 | 29.5 | 1.6 | 32.5 |
| Topix † | 1.7 | 18.2 | 1.7 | 18.2 | 1.6 | 19.0 |
| Luxemburg | 3.2 | 18.3 | 3.2 | 18.0 | 3.3 | 18.0 |
| Malaysia | 2.7 | 17.9 | 2.7 | 17.8 | 2.6 | 18.0 |
| Malta | 5.2 | 4.8 | 5.2 | 4.8 | 5.2 | 4.9 |
| Mexico | 1.9 | 14.0 | 1.9 | 14.1 | 1.9 | 14.0 |
| Netherland | 3.3 | 22.5 | 3.3 | 23.0 | 3.3 | 23.0 |
| AEX † | 3.0 | 18.8 | 3.0 | 18.8 | 3.0 | 19.2 |
| New Zealand | 4.9 | 20.2 | 4.9 | 20.2 | 4.7 | 20.8 |
| Norway | 2.5 | 15.9 | 2.3 | 17.5 | 2.2 | 17.3 |
| Pakistan | 5.1 | 10.1 | 5.1 | 10.2 | 5.0 | 10.4 |
| Peru | 3.2 | 30.8 | 3.3 | 30.5 | 3.3 | 30.2 |
| Philippines | 2.5 | 16.9 | 2.6 | 16.3 | 2.5 | 16.9 |
| Poland | 2.0 | 16.4 | 2.0 | 16.5 | 2.0 | 16.6 |
| Portugal | 4.1 | 12.5 | 4.0 | 13.0 | 4.1 | 12.6 |
| Romania | 1.4 | 13.0 | 1.3 | 13.7 | 1.3 | 13.5 |
| Russia | 1.7 | 10.1 | 1.8 | 9.7 | 1.6 | 12.5 |
| Singapore | 2.8 | 15.0 | 2.8 | 15.0 | 2.8 | 18.3 |
| Slovenia | 1.6 | 17.5 | 1.6 | 17.6 | 1.5 | 19.3 |
| South Africa | 2.4 | 16.4 | 2.5 | 16.3 | 2.4 | 16.9 |
| South Korea | 1.3 | 18.3 | 1.3 | 18.4 | 1.3 | 19.6 |
| Spain | 5.2 | 10.4 | 5.0 | 10.7 | 5.2 | 10.3 |
| Ibex 35 † | 5.2 | 9.8 | 5.2 | 9.8 | 5.5 | 9.4 |
| Sri Lanka | 1.7 | 23.4 | 1.7 | 23.3 | 1.7 | 23.4 |
| Sweden | 2.9 | 12.5 | 2.9 | 12.6 | 2.8 | 13.0 |
| Switzerland | 2.7 | 15.4 | 2.7 | 15.6 | 2.7 | 15.7 |
| Taiwan | 2.7 | 15.1 | 2.7 | 15.2 | 2.6 | 16.5 |
| Thailand | 3.4 | 13.3 | 3.3 | 13.4 | 3.2 | 14.1 |
| Turkey | 2.4 | 12.5 | 2.4 | 12.5 | 2.4 | 12.7 |
| UK | 3.3 | 11.6 | 3.3 | 11.7 | 3.2 | 11.8 |
| USA | 1.9 | 18.2 | 1.9 | 18.2 | 1.8 | 18.8 |
| Dow Jones † | 2.8 | 15.1 | 2.8 | 15.1 | 2.6 | 16.1 |
| S&P 500 † | 2.4 | 16.1 | 2.4 | 16.1 | 2.2 | 17.2 |
| Venezuela | 19.3 | 0.4 | 19.2 | 0.4 | 19.1 | 0.4 |

Country yields and P/E's relate to a sample of stocks that cover at least 75% of each markets capitalisation. † Losses are excluded from the P/E calculation on country indices. Source: ThomsonReuters

## INTEREST RATES www.ft.com/bonds&rates

## INTEREST RATES - MARKET

| May 12 | Over night | Change Day | Change Week | Change Month | One month | Three month | Six month | One year |
|---|---|---|---|---|---|---|---|---|
| US$ Libor* | 0.29875 | -0.014 | 0.033 | 0.071 | 0.33813 | 0.43019 | 0.62231 | 1.09750 |
| Euro Libor* | 0.27750 | -0.001 | - | -0.003 | 0.38625 | 0.62438 | 0.93125 | 1.23000 |
| £ Libor* | 0.54875 | -0.001 | 0.001 | 0.008 | 0.56469 | 0.69875 | 0.96063 | 1.39875 |
| Swiss Fr Libor* | 0.03333 | -0.002 | -0.005 | -0.015 | 0.06833 | 0.22417 | 0.30583 | 0.60750 |
| Yen Libor* | 0.12500 | 0.001 | 0.008 | 0.008 | 0.16313 | 0.24375 | 0.45000 | 0.67063 |
| Canada Libor* | 0.33667 | 0.063 | 0.084 | 0.071 | 0.36000 | 0.52500 | 0.83167 | 1.61083 |
| Euro Euribor | - | - | - | - | 0.42 | 0.68 | 0.98 | 1.24 |
| Sterling CDs | - | - | - | - | 0.54 | 0.66 | 1.13 | 1.21 |
| US$ CDs | - | - | - | - | 0.31 | 0.39 | 0.59 | 1.10 |
| Euro CDs | - | - | - | - | 0.30 | 0.50 | 0.80 | 1.10 |
| US o'night repo | 0.27 | -0.010 | 0.010 | 0.020 | | | | |
| Fed Funds eff | 0.20 | - | - | 0.010 | | | | |
| US 3m Bills | 0.16 | 0.010 | - | 0.005 | | | | |
| SDR int rate | 0.27 | - | - | 0.010 | | | | |
| EONIA | 0.31 | -0.034 | -0.033 | -0.018 | | | | |
| EURONIA | 0.26 | 0.013 | 0.014 | 0.011 | | | | |
| SONIA | 0.49 | -0.008 | 0.010 | 0.017 | | | | |
| LA 7 Day Notice | 0.45-0.40 | | | | | | | |

| | Over nigh t | One Week | One months | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank £ | 0.55-0.30 | 0.55-0.45 | 0.55-0.45 | 0.63-0.53 | 0.95-0.85 | 1.40-1.30 |

*Libor rates come from BBA (see www.bba.org.uk) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: dealers; SDR int rate: IMF; EONIA: ECB; EURONIA & SONIA: WMBA. LA 7 days notice: Tradition (UK).

| May 12 | Short term | 7 days notice | One month | Three month | Six month | One year |
|---|---|---|---|---|---|---|
| Euro | 0.37 - 0.24 | 0.37 - 0.26 | 0.44 - 0.34 | 0.71 - 0.54 | 1.06 - 0.71 | 1.24 - 1.14 |
| Danish Krone | 1.12 - 0.62 | 0.99 - 0.49 | 0.78 - 0.68 | 1.20 - 0.70 | 1.45 - 0.95 | 1.55 - 1.05 |
| Sterling | 0.55 - 0.45 | 0.56 - 0.46 | 0.82 - 0.50 | 1.00 - 0.63 | 1.31 - 0.94 | 1.36 - 1.06 |
| Swiss Franc | 0.16 - 0.01 | 0.12 - 0.01 | 0.20 - 0.12 | 0.24 - 0.06 | 0.48 - 0.33 | 0.74 - 0.62 |
| Canadian Dollar | 0.50 - 0.30 | 0.66 - 0.39 | 0.81 - 0.54 | 0.64 - 0.54 | 0.95 - 0.75 | 2.10 - 1.83 |
| US Dollar | 0.32 - 0.20 | 0.30 - 0.25 | 0.40 - 0.35 | 0.50 - 0.45 | 1.20 - 1.00 | 1.48 - 1.33 |
| Japanese Yen | 0.30 - 0.03 | 0.29 - 0.25 | 0.33 - 0.23 | 0.45 - 0.38 | 0.55 - 0.34 | 0.87 - 0.74 |
| Singapore $ | 0.13 - 0.01 | 0.38 - 0.20 | 0.31 - 0.06 | 0.50 - 0.42 | 0.65 - 0.54 | 0.96 - 0.66 |

Source: Reuters. Short term rates are call for the US Dollar and Yen, others: two day's notice.

## INTEREST RATES - OFFICIAL

| May 12 | Rate | Current | Since | Last | Mth ago | Year ago |
|---|---|---|---|---|---|---|
| US | Fed Funds | 0.00-0.25 | 16-12-2008 | 1.00 | 0.00-0.25 | 0.00-0.25 |
| US | Prime | 3.25 | 16-12-2008 | 4.00 | 3.25 | 3.25 |
| US | Discount | 0.75 | 18-02-2010 | 1.25 | 0.75 | 0.50 |
| Euro | Repo | 1.00 | 07-05-2009 | 1.25 | 1.00 | 1.50 |
| UK | Repo | 0.50 | 05-03-2009 | 1.00 | 0.50 | 0.50 |
| Japan | O'night Call | 0.10 | 19-12-2008 | 0.30 | 0.10 | 0.10 |
| Switzerland | Libor target | 0.00-0.75 | 12-03-2009 | 0.00-1.00 | 0.00-0.75 | 0.00-0.75 |

Source: ThomsonReuters

## INTEREST RATES - FUTURES

| May 12 | | Open | Sett | Change | High | Low | Est. vol | Open int |
|---|---|---|---|---|---|---|---|---|
| Euribor 3m* | Jun | 99.23 | 99.26 | +0.03 | 99.27 | 99.23 | 144,342 | 903,635 |
| Euribor 3m* | Sep | 99.15 | 99.17 | +0.04 | 99.18 | 99.13 | 398,958 | 850,038 |
| Euribor 3m* | Dec | 99.08 | 99.10 | +0.03 | 99.11 | 99.07 | 179,423 | 527,253 |
| Euribor 3m* | MAR1 | 99.01 | 99.03 | +0.03 | 99.05 | 99.01 | 123,311 | 440,756 |
| Euroswiss 3m* | Jun | 99.81 | 99.80 | -0.01 | 99.81 | 99.79 | 2,482 | 56,513 |
| Euroswiss 3m* | Sep | 99.75 | 99.76 | -0.01 | 99.77 | 99.75 | 4,327 | 80,185 |
| Euroswiss 3m* | Dec | 99.69 | 99.69 | -0.01 | 99.72 | 99.68 | 6,843 | 67,954 |
| Sterling 3m* | Jun | 99.18 | 99.22 | +0.05 | 99.23 | 99.17 | 49,672 | 340,441 |
| Sterling 3m* | Sep | 99.04 | 99.09 | +0.07 | 99.11 | 99.02 | 95,756 | 415,741 |
| Sterling 3m* | Dec | 98.83 | 98.93 | +0.11 | 98.96 | 98.81 | 143,943 | 367,141 |
| Sterling 3m* | MAR1 | 98.59 | 98.74 | +0.15 | 98.77 | 98.57 | 156,955 | 236,246 |
| Eurodollar 3m† | Jun | 99.455 | 99.49 | +0.025 | 99.495 | 99.445 | 219,082 | 1,187,685 |
| Eurodollar 3m† | Sep | 99.340 | 99.38 | +0.040 | 99.395 | 99.330 | 224,286 | 1,066,925 |
| Eurodollar 3m† | Dec | 99.200 | 99.23 | +0.040 | 99.250 | 99.180 | 254,724 | 1,044,897 |
| Eurodollar 3m† | MAR1 | 98.975 | 99.01 | +0.035 | 99.025 | 98.950 | 207,364 | 754,410 |
| Fed Fnds 30d‡ | MAY0 | 0.000 | 99.79 | +0.00 | 0.000 | 0.000 | - | 66,327 |
| Fed Fnds 30d‡ | Jun | 0.000 | 99.79 | +0.01 | 0.000 | 0.000 | - | 68,073 |
| Fed Fnds 30d‡ | Jul | 0.000 | 99.77 | +0.01 | 0.000 | 0.000 | - | 58,293 |
| Euroyen 3m‡‡ | Jun | 99.620 | 99.625 | +0.005 | 99.625 | 99.615 | 9,287 | 314,705 |
| Euroyen 3m‡‡ | Sep | 99.640 | 99.645 | +0.005 | 99.645 | 99.640 | 4,869 | 271,943 |
| Euroyen 3m‡‡ | Dec | 99.640 | 99.645 | +0.005 | 99.645 | 99.640 | 2,618 | 214,869 |
| Euroyen 3m‡‡ | MAR1 | 99.635 | 99.640 | +0.005 | 99.640 | 99.635 | 3,364 | 120,601 |

Contracts are based on volumes traded in 2004. Sources: * NYSE LIFFE. † CME. ‡‡ TIFFE

## INTEREST RATES - SWAPS

| May 12 | Euro-€ Bid | Euro-€ Ask | £ Stlg. Bid | £ Stlg. Ask | SwFr Bid | SwFr Ask | US $ Bid | US $ Ask | Yen Bid | Yen Ask |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 year | 1.04 | 1.09 | 0.92 | 0.95 | 0.34 | 0.40 | 0.64 | 0.67 | 0.43 | 0.49 |
| 2 year | 1.24 | 1.29 | 1.53 | 1.57 | 0.57 | 0.65 | 1.09 | 1.12 | 0.45 | 0.51 |
| 3 year | 1.55 | 1.60 | 2.01 | 2.05 | 0.86 | 0.94 | 1.60 | 1.63 | 0.51 | 0.57 |
| 4 year | 1.89 | 1.94 | 2.42 | 2.47 | 1.13 | 1.21 | 2.08 | 2.11 | 0.58 | 0.64 |
| 5 year | 2.20 | 2.25 | 2.76 | 2.81 | 1.36 | 1.44 | 2.48 | 2.51 | 0.68 | 0.74 |
| 6 year | 2.47 | 2.52 | 3.04 | 3.09 | 1.58 | 1.66 | 2.81 | 2.84 | 0.79 | 0.85 |
| 7 year | 2.70 | 2.75 | 3.26 | 3.31 | 1.76 | 1.84 | 3.06 | 3.09 | 0.93 | 0.99 |
| 8 year | 2.89 | 2.94 | 3.44 | 3.49 | 1.92 | 2.00 | 3.26 | 3.29 | 1.07 | 1.13 |
| 9 year | 3.04 | 3.09 | 3.59 | 3.64 | 2.06 | 2.14 | 3.42 | 3.45 | 1.22 | 1.28 |
| 10 year | 3.17 | 3.22 | 3.70 | 3.75 | 2.18 | 2.26 | 3.55 | 3.58 | 1.35 | 1.41 |
| 12 year | 3.38 | 3.43 | 3.87 | 3.94 | 2.34 | 2.44 | 3.75 | 3.78 | 1.57 | 1.65 |
| 15 year | 3.58 | 3.63 | 4.02 | 4.11 | 2.48 | 2.58 | 3.95 | 3.98 | 1.82 | 1.90 |
| 20 year | 3.67 | 3.72 | 4.04 | 4.17 | 2.55 | 2.65 | 4.10 | 4.13 | 2.06 | 2.14 |
| 25 year | 3.64 | 3.69 | 4.02 | 4.15 | 2.51 | 2.61 | 4.17 | 4.20 | 2.15 | 2.23 |
| 30 year | 3.55 | 3.60 | 3.98 | 4.11 | 2.44 | 2.54 | 4.22 | 4.25 | 2.19 | 2.27 |

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 month Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 month Libor. Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: ICAP plc.

## Market data on the web

Much more data, including many tables not shown in the paper and stock quotes updated during the day, are available on the market data pages of www.ft.com. Either click on the 'market data' link on the home page or go to www.ft.com/marketsdata. Bond data can be found at www.ft.com/bonds&rates.

UK gilt prices can be found at www.ft.com/gilts. A full commodity data service with hundreds of price quotes can be found at www.ft.com/commoditiesdata.

For additional currency data visit www.ft.com/currencydata.

Please send any comments to reader.enquiries@ft.com. 020 7873 4211

## FTSE GLOBAL EQUITY INDEX SERIES

| May 12 Countries & regions | No of stocks | US $ indices | Day % | Mth % | YTD % | Total retn | YTD % | Gross Div Yield |
|---|---|---|---|---|---|---|---|---|
| FTSE Global All-Cap | 7365 | 331.07 | 1.3 | -5.7 | -0.2 | 393.23 | 0.8 | 2.3 |
| FTSE Global Large Cap | 1157 | 299.36 | 1.0 | -6.4 | -2.1 | 359.86 | -1.0 | 2.5 |
| FTSE Global Mid Cap | 1591 | 418.07 | 1.7 | -4.7 | 2.2 | 478.44 | 2.8 | 2.0 |
| FTSE Global Small Cap | 4617 | 434.48 | 2.0 | -3.3 | 6.4 | 495.53 | 7.1 | 1.6 |
| FTSE All-World (Large/Mid Cap) | 2748 | 195.23 | 1.2 | -6.0 | -1.1 | 243.48 | -0.1 | 2.4 |
| FTSE World (Large/Mid Cap) | 2287 | 340.16 | 1.2 | -6.0 | -1.2 | 569.76 | -0.1 | 2.4 |
| FTSE Global All Cap ex UK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Global All Cap ex USA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Global All Cap ex Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Global All Cap ex Eurobloc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-World Developed | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Developed All-Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Developed Large Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Developed Europe Large Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Developed Europe Mid Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Developed Europe Small Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE North America Large Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE North America Mid Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE North America Small Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-World North America | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-World Dev ex North Am | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Japan Large Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Japan Mid Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Japan Small Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Japan (Large/Mid Cap) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Asia Pacific Large Cap ex Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Asia Pacific Mid Cap ex Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Asia Pacific Small Cap ex Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-World Asia Pacific ex Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All Emerging All-Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All Emerging Large Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All Emerging Mid Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All Emerging Small Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-World All Emerging Europe | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Latin Americas All-Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Middle East Africa All-Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE UK All Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE USA All Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Europe All Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Eurobloc All Cap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE RAFI All-World 3000 Index | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE RAFI US 1000 Index | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Countries & regions | No of stocks | US $ indices | Day % | Mth % | YTD % | Total retn | YTD % | Gross Div Yield |
|---|---|---|---|---|---|---|---|---|
| Oil & Gas | 152 | 391.76 | 1.2 | -7.7 | -5.5 | 505.30 | -4.6 | 2.9 |
| Oil & Gas Producers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Oil Equipment & Services | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Basic Materials | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Chemicals | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Forestry & Paper | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mining | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Industrials | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Construction & Materials | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Aerospace & Defense | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| General Industrials | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Electronic & Electrical Equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Industrial Engineering | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Industrial Transportation | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Support Services | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Consumer Goods | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Automobiles & Parts | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Beverages | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Food Producers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Household Goods | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Leisure Goods | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Personal Goods | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tobacco | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Health Care | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Health Care Equipment & Services | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Pharmaceuticals & Biotechnology | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Consumer Services | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Food & Drug Retailers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| General Retailers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Media | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Travel & Leisure | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Telecommunication | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fixed Line Telecommunications | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mobile Telecommunications | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Utilities | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Electricity | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Gas Water & Multiutilities | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Financials | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Banks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nonlife Insurance | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Life Insurance | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Financial Services | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Technology | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Software & Computer Services | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Technology Hardware & Equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All-Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World index Series (large/mid cap). [illegible]

## FTSE 100 SUMMARY

| FTSE 100 | Closing price | Day's change |
|---|---|---|
| 3i | 268.20 | +6 |
| Admiral Group | £13.15 | +0.27 |
| Aggreko | £12.76 | -0.03 |
| [illegible] | [illegible] | [illegible] |
| Legal & General | 83.35 | +2.25 |
| CapShopCn | 361.70 | +6.10 |
| Lloyds Banking G | 59.51 | -0.79 |
| [illegible] | [illegible] | [illegible] |

Source: ThomsonReuters

## NEW UK 52 WEEK HIGHS AND LOWS

Data based on intra-day share trading in those companies listed on the London Share Service.

NEW HIGHS (36).

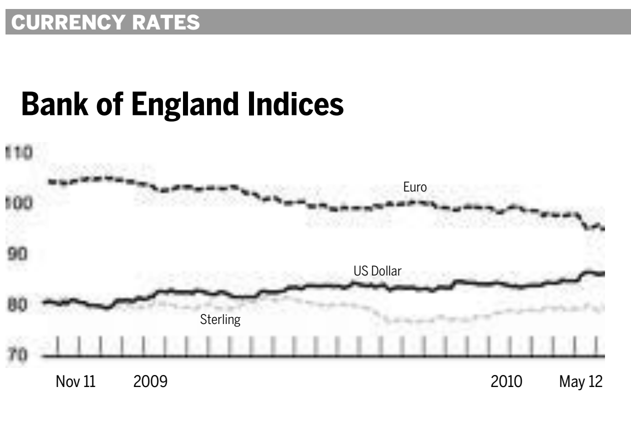
Aerospace & Defence (3) Construction & Materials (1) House, Leisure & Pers Goods (1) Industrial Transportation (1) Insurance (1) Media (1) Mining (1) Retailers (1) Support Services (2) Tech - Software & Services (1) Travel & Leisure (1) Conventional (Ex Private Equity) (6) Exchange Traded Commodities (2) VCTs (1) AIM (13) Electronic & Electrical Equip (1) Financial General (2) Industrial Engineering (1) Mining (3) Oil & Gas (2) Real Estate (2) Tech - Software & Services (1) Investment Companies (1)

NEW LOWS (12).

GILTS (2) Construction & Materials (1) Health Care Equip & Services (1) Industrial Engineering (1) Oil & Gas (1) Pharmaceuticals & Biotech (1) AIM (5) Oil & Gas (2) Support Services (2) Tech - Hardware (1)

## CURRENCY RATES www.ft.com/currencydata

## Bank of England Indices




## FX - EFFECTIVE INDICES

| | May 12 | May 11 | Mth ago | | May 12 | May 11 | Mth ago |
|---|---|---|---|---|---|---|---|
| Australia | 100.3 | 100.4 | 102.4 | Sweden | 78.9 | 77.9 | 78.7 |
| Canada | 112.5 | 111.8 | 111.8 | Switzerland | 125.5 | 125.1 | 124.1 |
| Denmark | 108.7 | 108.9 | 110.5 | UK | 79.4 | 79.5 | 78.7 |
| Japan | 156.0 | 156.7 | 151.5 | USA | 86.3 | 86.4 | 83.8 |
| New Zealand | 105.2 | 105.3 | 102.4 | Euro | 95.10 | 95.23 | 99.65 |
| Norway | 106.6 | 106.0 | 105.4 | | | | |

Source: Bank of England. New Sterling ERI base Jan 2005 = 100. Other indices base average 1990 = 100. Index rebased 1/2/95. for further information about ERIs see www.bankofengland.co.uk

The data and prices listed are indicative and, while believed to be accurate at the time of publication, the FT does not warrant or guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the information.

## VOLATILITY INDICES

| | May 12 | Day Chng | Prev. | 52 wk high | 52 wk low |
|---|---|---|---|---|---|
| VIX † | 25.52 | -2.80 | 28.32 | 42.15 | 15.23 |
| VXD † | 22.76 | -2.51 | 25.04 | 37.36 | 15.64 |
| VXN † | 27.00 | -2.59 | 29.59 | 42.03 | 15.53 |
| VDAX ‡ | 20.63 | -3.53 | 24.16 | 33.35 | 16.23 |

† 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.

## ADVERTISED BASE LENDING RATES

| | % |
|---|---|
| B.B.V.A | 0.50 |
| Marfin Popular Bank | 3.00 |
| Habib Bank AG Zurich | 0.50 |
| Investec Bank (UK) | 0.50 |

● Members of London Investment Banking Association

For further information on any of these rates please contact each bank directly.

# Financial Times Share Service



## Financial General

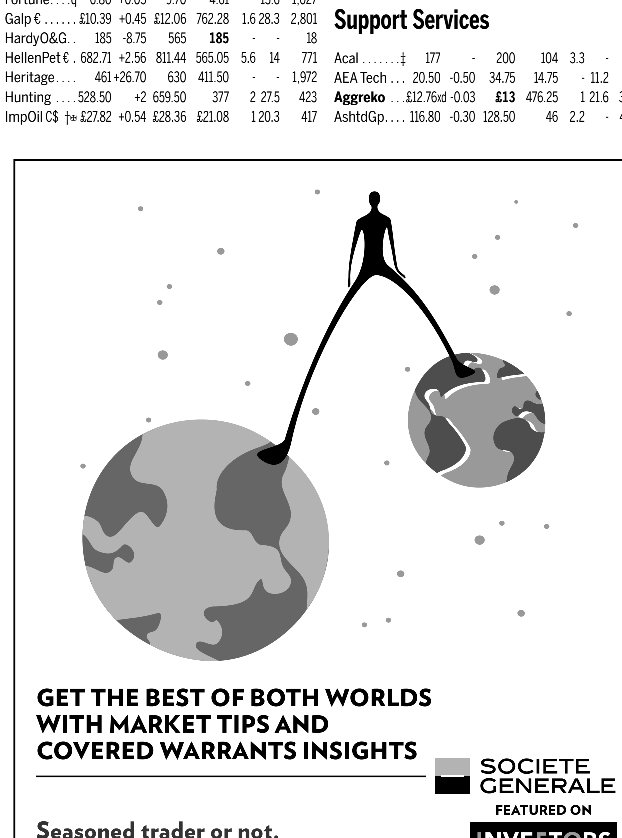
| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| 3i | ‡ | 268.20 | +6 | 314.80 | 216.75 | 0.4 | - | 4,823 |
| AberAsM | † | 140.90xd | -3.10 | 155.60 | 111 | 4.5 | 36.1 | 9,313 |
| AccidEx | | 9.13 | +0.25 | 25.50 | 6.25 | - | - | 400 |
| Ashmore | | 265.30 | +3.60 | 311.20 | 183.25 | 4.5 | 12.5 | 564 |
| BlueBay | † | 361 | +17.20 | 393 | 178.25 | 3.4 | 19.7 | 501 |
| BrewDlph | | 138.80 | - | 172.60 | 117.25 | 5.1 | 18.4 | 336 |
| Camellia | | £73.75 | +1.02 | £77.75 | £62 | 1.3 | 10.5 | 0 |
| Cattles | q | 6.88# | - | - | - | 257.6 | - | - |

## Industrial Engineering

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| 600 Group | | 20.75 | - | 23.50 | 14 | - | - | 28 |
| Bodycote | | 212.70 | +3.20 | 246 | 104.25 | 3.9 | - | 1,232 |
| Castings | | 209.50 | +2 | 215 | 136 | 4.8 | 56.8 | 271 |
| CharterInt | | 775.50 | +16 | 855.50 | 395.25 | 2.8 | 8.9 | 2,629 |
| Delta | ♦ | 184.75 | - | 210 | 111 | 3.9 | 8.1 | 44 |
| Fenner | † | 219.30 | +3.60 | 237.10 | 74.25 | 3.1 | 27 | 487 |
| Goodwin | | £12.05 | +0.07 | £13.19 | 810.76 | 2.3 | 10.9 | 2 |
| Hill&Sm | | 354 | +4.75 | 379.75 | 188 | 3.2 | 9.7 | 233 |
| IMI | | 698xd | +4 | 742 | 275.25 | 3 | 16.9 | 3,486 |
| Mangans | | 54 | +0.50 | 240 | 53 | - | - | 4 |

## Mining

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| Anglesey | | 36 | +1 | 44.75 | 4 | - | - | 282 |
| **AngloAmer** | ✠ | £26.91 | +0.14 | £30.16 | £14.08 | - | 17.2 | 10,828 |
| AngloPac | | 251xd | +5 | 270.50 | 122 | 3.3 | 18.4 | 128 |
| AnGoldA R | | £29.57 | +1.05 | £29.86 | £20.36 | 0.4 | - | 1,211 |
| **Antofgst** | | 945.50xa | +12 | £10.89 | 527.59 | 1.7 | 22.4 | 4,931 |
| 5%Pf | | 75 | - | 75 | 75 | 6.7 | - | - |
| AquarsPl | † | 415.60 | +5.30 | 490 | 172.75 | 0.3 | 9.9 | 2,788 |
| ArcExplor A$ | | 2.41 | +0.13 | 3.93 | 0.45 | - | 0.5 | 10 |
| Barrick C$ | ✠ | £31.23 | +0.43 | £31.78 | £19.12 | 0.9 | - | 3,728 |




| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| JKX Oil | q | 252xd | +0.60 | 313.60 | 184 | 2 | 6.7 | 921 |
| Lamprell | | 240.10xd | +6.80 | 280 | 92.75 | 1.2 | 27.2 | 889 |
| Lukoil $ | | £36.01xd | +0.37 | £42.57 | £24.81 | 3.2 | 6.5 | 7 |
| MelroseR | q | 299.90 | +1.90 | 375 | 236 | 1 | - | 51 |
| OGX Petroleo R$ | ✠ | 609.35 | -14.49 | 701.13 | 262.26 | - | - | 9,218 |

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| AtknsWS | † | 683 | +6 | 730 | 511.50 | 3.9 | 8.2 | 530 |
| Babcock | q | 601 | +13 | 660.50 | 407 | 2.9 | 13 | 7,466 |
| Brammer | | 138.50 | +3 | 155.75 | 73.06 | 3.9 | - | 5 |
| BSS | | 313.70 | -7.10 | 320.80 | 231.10 | 2.4 | 11.1 | 63 |
| **Bunzl** | | 754xd | +19.50 | 784.50 | 478.50 | 2.9 | 16.2 | 2,450 |

## Real Estate Investment & Services (continued)

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| Lon&Assc | | 45.25 | - | 53.50 | 34.25 | 2.5 | 1.9 | 4 |
| Medicx | ‡ | 74xd | -0.50 | 85 | 66 | 6.5 | - | 67 |
| Mntview | | £41.75 | - | £44.50 | £27.50 | 3.7 | 12.3 | 0 |
| MWB Gp | | 39.50 | +0.25 | 70 | 37.50 | - | - | 51 |
| PnthrSec | | 352.50 | - | 362.50 | 237.50 | 6.2 | 24 | - |
| Plaza | | 120 | +3 | 193.75 | 68 | - | - | 22 |
| Q'tainEst | | 52 | +1 | 117.49 | 17.91 | - | - | 1,526 |
| RealEstO | | 16.75 | - | 25.50 | 13 | - | - | - |
| CULS | | 25.75 | - | 49 | 21.50 | - | - | - |
| Safestre | | 135.50 | +2.50 | 165 | 71 | 3.4 | - | 322 |
| Savills | | 336.90 | +1 | 385 | 251 | 2.7 | 32.9 | 216 |
| Smart(J) | | 447.50xd | +10 | 472.50 | 300 | 3.1 | - | 2 |
| StModwn | | 184 | +8.30 | 268.50 | 153 | - | - | 361 |
| StewrtW | † | 570 | - | 605 | 550 | 3.5 | 7.6 | - |
| Unite | | 210 | -0.80 | 311.90 | 103 | - | - | 827 |
| Wichford | | 9 | +0.03 | 14 | 4.51 | 12.8 | - | 130 |

## Tech - Hardware (continued)

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| Vislink | | 20.75 | -0.25 | 32 | 18 | 6 | - | 96 |
| Xaar | | 122 | +2.50 | 128.50 | 73 | 2 | 73.4 | 14 |

## Tech - Software & Services

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| Alterian | | 168.50 | -2 | 214 | 85 | - | 11.7 | 258 |
| Anite | | 33 | +0.25 | 40 | 26.25 | 2.9 | 41.9 | 28 |
| AVEVA | † | £11.67 | +0.41 | £12.37 | 561.50 | 0.8 | 21.3 | 321 |
| Computcnt | | 328 | +4.90 | 345 | 157 | 3.4 | 13.4 | 212 |
| Dimensn | | 100.50 | +6.50 | **100.70** | 45.25 | 1.3 | 17.8 | 10,060 |
| DRS Data | | 15 | - | 16.50 | 10.25 | - | - | 13 |
| Elecdata | | 44.50 | -1.50 | 49.50 | 38.50 | 6.1 | 26.5 | 3 |
| **Invensys** | † | 319.20 | +10.50 | 350.30 | 195.50 | 0.8 | 18.1 | 5,492 |
| Kewill | † | 100 | +1 | 112.75 | 59 | 1.1 | 44.4 | 1 |
| Kofax | | 235.50 | +2.50 | 255 | 112.50 | - | - | 154 |
| MicroFoc | † | 502 | -11 | 550 | 300.90 | 2.5 | 23.9 | 2,087 |
| Microgen | | 86.50 | - | 94 | 54.50 | 2.7 | - | - |

## Investment Companies (continued)

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| EdinDragn | | 209.70 | +0.20 | 216.90 | 136 | 0.8 | 232.6 | 9.8 |
| Edin Inv | | 385 | +4.60 | 412.40 | 297.50 | 5.3 | 382.9 | -0.5 |
| Edin UK | | 236.25xd | +1.50 | 255.75 | 181 | 3.3 | 256.7 | 8 |
| Edin US | | 621.50xd | +10 | 628 | 436.50 | 1.6 | 653.8 | 4.9 |
| Edin WWd | | 260.75 | +2 | 276.50 | 160.36 | 0.8 | 301 | 13.4 |
| EgyptTst $ | | £21.62 | +0.02 | £21.88 | £13.57 | - | £21.3 | -1.3 |
| Elec&Gen | † | 368 | +2.25 | 399 | 289.41 | 2.2 | 443.2 | 17 |
| EP Global | | 175 | +1.50 | 186.50 | 132.50 | 1.4 | 182.7 | 4.2 |
| Estabmt | † | 186 | +1 | 191 | 122 | 1.8 | 204.1 | 8.9 |
| Euro Ast | † | 565xd | -7 | 622 | 458 | 6.8 | 630.7 | 10.4 |
| EuroInvT | | 519 | +4 | 573.50 | 384.53 | 2.6 | 623.6 | 16.8 |
| F&C Cp&I | † | 200.50 | +1.50 | 221 | 162.49 | 4.1 | 202.5 | 1 |
| F&CMgdG | | 93 | - | 95 | 66 | - | 90.4 | -2.9 |
| F&CMgdI | | 93 | - | 97.50 | 71 | 4.7 | 89.7 | -3.7 |
| F&CGblSmlr | | 450 | +11.25 | 461 | 310 | 1.1 | 503.2 | 10.6 |
| F&C UK Sel | † | 82.75 | - | 89.50 | 55.50 | 1.5 | 85.4 | 3.1 |

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Welsh | | 270# | - | 275 | 155 | 2.2 | 353.9 | 23.7 |
| Witan | | 464 | +5 | 487 | 329.50 | 2.3 | 530.6 | 12.6 |
| WitanPac | | 188 | - | 197.75 | 127 | 1.1 | 226 | 16.8 |
| WorldTst | | 174 | - | 176.50 | 75.15 | - | 194.9 | 10.7 |

## Conventional - Private Equity

| | Notes | Price | Chng | 52 Week High | 52 Week Low | Yld | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Candover | | 787.50 | -12 | 920 | 154.25 | - | £10.1 | 22.2 |
| Dun Ent | | 264.50 | -2 | 352 | 247.25 | 0.9 | 400.5 | 34 |
| Electra | | £13.38 | -0.37 | £14.58 | 861.50 | - | £16.1 | 16.8 |
| Electra | | £13.38 | -0.37 | £14.58 | 861.50 | - | £17 | 21.1 |
| F&C PvtEq. | u | 134 | +2 | 140 | 76 | 0.6 | 202 | 33.7 |
| F&C PvtEq. | | 134 | +2 | 140 | 76 | 0.6 | 175.1 | 23.5 |
| Res Vtg | | 5.13 | +0.13 | 7 | 3.25 | 19.5 | 5.6 | 7.7 |
| GraphEnt | | 307.50xd | -2.50 | 360 | 245 | 0.7 | 453.2 | 32.1 |
| Hen PvEq. | q | 136.50 | - | 170 | 96.75 | - | 295.4 | 53.8 |

Net asset values and splits analytics supplied by Fundemantal Data Ltd as a guide only (www.funddata.com).
See guide to Financial Times Share Service.

Market data provided by THOMSON REUTERS

**TRADED VOLUMES IN THE FT SHARE SERVICE**

The volume figures shown on the Financial Times Share Service pages are aggregated totals from the following exchanges and trading platforms: The London Stock Exchange, PLUS Markets, Markit BOAT, BATS, Nasdaq OMX Europe, Instinet Chi-X and Turquoise.

# FTSE ACTUARIES SHARE INDICES

**UK SERIES**

Produced in conjunction with the Faculty and Institute of Actuaries

www.ft.com/equities

| | £ Stlg May 12 | Day's chge% | Euro Index | £ Stlg May 11 | £ Stlg May 10 | Year ago | Div. yield% | Cover | P/E ratio | Xd adj | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 (100) | 5383.5 | +0.9 | 4926.9 | 5334.2 | 5387.4 | 4331.4 | 3.49 | 1.99 | 14.36 | 85.53 | 3457.93 |
| FTSE 250 (250) | 10186.9 | +2.1 | 9323.0 | 9976.9 | 10004.7 | 7371.2 | 2.42 | 2.17 | 19.04 | 107.44 | 6094.19 |
| FTSE 250 ex Inv Co (204) | 10702.0 | +2.3 | 9794.4 | 10463.4 | 10487.7 | 7674.2 | 2.49 | 2.27 | 17.73 | 114.70 | 6501.83 |
| FTSE 350 (350) | 2842.2 | +1.1 | 2601.2 | 2812.0 | 2837.4 | 2256.7 | 3.35 | 2.01 | 14.84 | 43.18 | 3705.26 |
| FTSE 350 ex Inv Co (303) | 2830.0 | +1.1 | 2590.0 | 2799.9 | 2825.4 | 2247.8 | 3.38 | 2.02 | 14.67 | 43.34 | 1897.08 |
| FTSE 350 Higher Yield (98) | 2892.6 | +0.6 | 2647.3 | 2875.0 | 2893.9 | 2509.1 | 5.05 | 1.73 | 11.46 | 57.89 | 3614.59 |
| FTSE 350 Lower Yield (252) | 2544.4 | +1.4 | 2328.6 | 2508.2 | 2535.8 | 1869.5 | 2.03 | 2.56 | 19.23 | 29.12 | 2390.06 |
| FTSE SmallCap (270) | 2884.5 | +0.9 | 2639.90 | 2860.05 | 2885.85 | 2217.62 | 2.77 | 0.23 | 80.00† | 30.61 | 3413.77 |
| FTSE SmallCap ex Inv Co (167) | 2384.7 | +1.0 | 2182.41 | 2361.55 | 2376.97 | 1876.23 | 3.35 | 0.12 | 80.00† | 30.62 | 2933.22 |
| FTSE All-Share (620) | 2780.9 | +1.1 | 2545.06 | 2751.43 | 2776.32 | 2206.29 | 3.34 | 1.98 | 15.15 | 41.96 | 3671.72 |
| FTSE All-Share ex Inv Co (470) | 2762.3 | +1.1 | 2528.05 | 2732.94 | 2757.76 | 2193.27 | 3.38 | 1.99 | 14.86 | 42.21 | 1883.40 |
| FTSE All-Share ex Multinationals (557) | 794.3 | +1.5 | 602.51 | 782.20 | 788.46 | 636.67 | 2.98 | 1.53 | 21.93 | 8.73 | 1130.69 |
| FTSE Fledgling (164) | 4216.8 | +0.4 | 3859.20 | 4200.67 | 4230.26 | 3203.73 | 3.07 | ‡ | ‡ | 40.56 | 6590.71 |
| FTSE Fledgling ex Inv Co (106) | 4972.2 | +0.4 | 4550.51 | 4953.29 | 4990.07 | 3761.93 | 3.24 | ‡ | ‡ | 48.88 | 7570.09 |
| FTSE All-Small (434) | 1984.4 | +0.8 | 1816.12 | 1968.52 | 1985.87 | 1521.89 | 2.80 | 0.10 | 80.00† | 20.85 | 3016.34 |
| FTSE All-Small ex Inv Co (273) | 1758.8 | +0.9 | 1609.66 | 1742.85 | 1754.40 | 1374.73 | 3.34 | ‡ | ‡ | 22.02 | 2744.00 |
| FTSE AIM All-Share (875) | 710.7 | +1.5 | 650.4 | 700.0 | 705.7 | 505.6 | 0.73 | ‡ | ‡ | 3.09 | 724.91 |
| **FTSE Sector Indices** | | | | | | | | | | | |
| **Oil & Gas (25)** | **8278.5** | **+0.1** | **7576.39** | **8268.66** | **8320.35** | **7525.68** | **4.79** | **2.01** | **10.40** | **197.39** | **5642.56** |
| Oil & Gas Producers (17) | 7881.4 | - | 7212.92 | 7878.22 | 7927.83 | 7228.16 | 4.91 | 1.99 | 10.25 | 191.96 | 5543.25 |
| Oil Equipment Services (6) | 17719.2 | +2.7 | 16216.39 | 17259.14 | 17367.05 | 11656.29 | 1.37 | 3.93 | 18.52 | 148.98 | 11167.21 |
| **Basic Materials (28)** | **6555.4** | **+0.6** | **5999.42** | **6514.97** | **6653.21** | **4023.36** | **1.10** | **7.12** | **12.83** | **44.51** | **5449.20** |
| Chemicals (5) | 5521.5 | +1.3 | 5053.23 | 5452.83 | 5509.49 | 3312.20 | 2.18 | 1.61 | 28.49 | 33.46 | 4169.37 |
| Forestry & Paper (1) | 5183.3 | +2.8 | 4743.71 | 5041.09 | 5050.49 | 2021.61 | 1.89 | 1.62 | 32.58 | 72.14 | 4559.91 |
| Industrial Metals & Mining (3) | 6877.4 | +4.0 | 6294.12 | 6610.45 | 6762.60 | 4339.65 | 0.82 | 3.35 | 36.31 | 18.06 | 5541.94 |
| Mining (19) | 20704.9 | +0.6 | 18948.93 | 20591.04 | 21038.79 | 12758.99 | 1.05 | 7.62 | 12.46 | 140.50 | 8951.53 |
| **Industrials (119)** | **2759.3** | **+2.6** | **2525.26** | **2690.21** | **2689.71** | **1959.29** | **2.58** | **2.45** | **15.81** | **30.57** | **2374.99** |
| Construction & Materials (11) | 3625.8 | +2.7 | 3318.29 | 3529.76 | 3554.87 | 3523.32 | 4.28 | 1.85 | 12.61 | 83.87 | 3018.28 |
| Aerospace & Defense (10) | 3493.6 | +3.3 | 3197.34 | 3383.14 | 3367.15 | 2651.19 | 3.24 | 3.41 | 9.03 | 45.63 | 3176.29 |
| General Industrials (7) | 2091.1 | +2.7 | 1913.72 | 2036.79 | 2038.11 | 1301.65 | 2.43 | 1.47 | 28.02 | 27.80 | 1899.54 |
| Electronic & Electrical Equipment (11) | 2253.9 | +2.3 | 2062.71 | 2203.46 | 2206.25 | 1416.52 | 2.63 | 1.17 | 32.59 | 14.91 | 1744.58 |
| Industrial Engineering (13) | 5205.1 | +2.3 | 4763.64 | 5088.98 | 5108.39 | 2704.79 | 2.76 | 1.94 | 18.69 | 91.62 | 5334.15 |
| Industrial Transportation (9) | 3231.5 | +1.5 | 2957.39 | 3183.82 | 3167.26 | 2229.72 | 3.72 | 1.50 | 17.96 | 43.54 | 2194.92 |
| Support Services (58) | 3953.5 | +2.3 | 3618.15 | 3865.62 | 3869.79 | 2870.77 | 2.03 | 2.26 | 21.84 | 30.53 | 3461.11 |
| **Consumer Goods (35)** | **9519.0** | **+0.8** | **8711.65** | **9441.77** | **9456.40** | **7294.11** | **3.24** | **1.93** | **16.02** | **171.64** | **5607.28** |
| Automobiles & Parts (1) | 3343.8 | +2.6 | 3060.22 | 3259.92 | 3185.61 | 1937.32 | | - | ‡ | | 2664.04 |
| Beverages (4) | 8703.8 | +1.6 | 7965.62 | 8563.40 | 8613.18 | 6113.31 | 2.62 | 1.75 | 21.80 | 61.62 | 5103.49 |
| Food Producers (12) | 4935.4 | -0.4 | 4516.78 | 4955.26 | 4967.30 | 3681.80 | 3.10 | 3.46 | 9.32 | 86.59 | 3475.76 |
| Household Goods & Home Constructi (11) | 5504.4 | +1.5 | 5037.55 | 5421.85 | 5447.26 | 4481.82 | 2.36 | 1.30 | 32.75 | 71.39 | 3232.45 |
| Leisure Goods (2) | 2029.3 | +0.8 | 1857.21 | 2012.38 | 2033.07 | 1137.50 | 0.45 | 14.23 | 15.54 | 9.18 | 1373.99 |
| Personal Goods (3) | 10639.1 | +3.7 | 9736.82 | 10260.91 | 10328.78 | 5820.92 | 1.55 | 2.46 | 26.20 | 49.79 | 6083.28 |
| Tobacco (2) | 24706.8 | +0.1 | 22611.38 | 24685.17 | 24589.30 | 20775.21 | 4.60 | 1.62 | 13.40 | 805.99 | 11914.79 |
| **Health Care (20)** | **6081.4** | **+0.8** | **5565.63** | **6032.71** | **6050.69** | **5281.18** | **4.59** | **2.05** | **10.62** | **168.04** | **3515.25** |
| Health Care Equipment & Services (6) | 3643.5 | +1.6 | 3334.49 | 3586.57 | 3650.41 | 2635.33 | 1.43 | 2.55 | 27.45 | 32.15 | 2800.65 |
| Pharmaceuticals & Biotechnology (14) | 8400.0 | +0.8 | 7687.60 | 8336.41 | 8354.26 | 7367.13 | 4.77 | 2.04 | 10.26 | 241.35 | 4276.47 |
| **Consumer Service (93)** | **3275.1** | **+2.3** | **2997.37** | **3202.53** | **3223.26** | **2571.15** | **2.77** | **2.48** | **14.57** | **46.94** | **2505.37** |
| Food & Drug Retailers (6) | 4845.7 | +1.4 | 4434.71 | 4778.33 | 4829.77 | 4229.96 | 3.22 | 2.00 | 15.50 | 94.12 | 4561.61 |
| General Retailers (28) | 1698.4 | +1.7 | 1554.33 | 1670.28 | 1687.48 | 1397.06 | 2.96 | 2.54 | 13.31 | 7.84 | 1564.36 |
| Media (24) | 3885.7 | +3.0 | 3556.11 | 3774.19 | 3801.53 | 2803.75 | 2.68 | 2.28 | 16.34 | 63.70 | 1945.99 |
| Travel & Leisure (35) | 4569.9 | +2.9 | 4182.35 | 4442.82 | 4438.60 | 3354.06 | 2.27 | 3.34 | 13.18 | 59.37 | 3621.93 |
| **Telecommunications (9)** | **2140.3** | **+1.0** | **1958.80** | **2120.16** | **2142.11** | **1899.17** | **5.27** | **2.13** | **8.92** | **1.74** | **1671.86** |
| Fixed Line Telecommunications (7) | 1794.7 | +1.0 | 1642.51 | 1777.29 | 1751.81 | 1558.10 | 3.68 | 0.45 | 60.60 | 1.44 | 1233.88 |
| Mobile Telecommunications (2) | 3203.7 | +0.9 | 2931.98 | 3173.69 | 3221.16 | 2852.91 | 5.56 | 2.34 | 7.69 | 2.61 | 2178.36 |
| **Utilities (9)** | **5846.2** | **+2.0** | **5350.40** | **5731.73** | **5757.88** | **5488.06** | **5.28** | **1.28** | **14.76** | **75.93** | **4646.96** |
| Electricity (3) | 6348.0 | +2.6 | 5809.59 | 6189.19 | 6236.68 | 6311.56 | 5.29 | 1.11 | 16.97 | 89.32 | 6170.95 |
| Gas Water & Multiutilities (6) | 5414.1 | +1.8 | 4954.96 | 5320.30 | 5337.77 | 4957.03 | 5.28 | 1.35 | 14.01 | 67.81 | 4355.89 |
| **Financials (250)** | **3817.9** | **+1.1** | **3494.06** | **3778.10** | **3836.02** | **2975.12** | **2.93** | **0.69** | **49.78** | **49.50** | **2760.58** |
| Banks (5) | 4857.9 | +0.3 | 4445.86 | 4841.02 | 4927.19 | 3757.08 | 2.32 | 0.17 | 80.00† | 44.75 | 2771.28 |
| Nonlife Insurance (12) | 1570.7 | +2.5 | 1437.52 | 1532.43 | 1547.15 | 1397.94 | 4.81 | 2.26 | 9.18 | 48.29 | 2110.97 |
| Life Insurance/Assurance (9) | 3684.6 | +3.5 | 3372.06 | 3560.31 | 3623.12 | 2819.82 | 4.46 | 2.46 | 9.13 | 110.93 | 2704.77 |
| Real Estate Investment & Services (27) | 1705.1 | +1.5 | 1560.49 | 1680.46 | 1704.58 | - | 3.24 | ‡ | ‡ | 21.43 | 3830.97 |
| Real Estate Investment Trusts (16) | 1631.5 | +1.8 | 1493.11 | 1602.43 | 1614.97 | - | 4.71 | 0.40 | 53.26 | 26.02 | 1568.39 |
| Financial Services (31) | 4267.6 | +1.9 | 3905.61 | 4189.29 | 4244.49 | 3432.88 | 4.58 | ‡ | ‡ | 52.33 | 3726.03 |
| Equity Investment Instruments (150) | 5471.1 | +0.9 | 5007.05 | 5420.16 | 5463.22 | 4228.99 | 1.97 | 1.13 | 45.00 | 47.22 | 2525.27 |
| **Non Financials (370)** | **3188.4** | **+1.1** | **2918.03** | **3154.46** | **3176.96** | **2540.62** | **3.46** | **2.31** | **12.51** | **50.12** | **3687.29** |
| **Technology (32)** | **586.9** | **+2.2** | **537.08** | **574.42** | **577.12** | **382.47** | **1.22** | **3.50** | **23.35** | **4.74** | **679.49** |
| Software & Computer Services (23) | 725.5 | +2.4 | 663.94 | 708.20 | 711.55 | 491.96 | 1.36 | 3.50 | 21.10 | 6.72 | 854.19 |
| Technology Hardware & Equipment (9) | 560.4 | +1.3 | 512.91 | 553.18 | 555.74 | 318.46 | 0.81 | 3.50 | 35.22 | 2.38 | 612.78 |

| Hourly movements | 8.03 | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5292.55 | 5346.51 | 5340.41 | 5322.95 | 5333.26 | 5359.61 | 5364.73 | 5383.35 | 5384.97 | 5400.94 | 5285.17 |
| FTSE 250 | 9970.08 | 10089.15 | 10097.55 | 10083.66 | 10073.93 | 10108.36 | 10113.60 | 10146.98 | 10168.67 | 10187.11 | 9952.06 |
| FTSE SmallCap | 2863.74 | 2865.56 | 2874.43 | 2872.27 | 2871.85 | 2872.33 | 2871.81 | 2871.37 | 2874.53 | 2884.54 | 2862.15 |
| FTSE All-Share | 2733.03 | 2760.87 | 2758.72 | 2750.49 | 2754.60 | 2767.44 | 2769.86 | 2779.18 | 2780.72 | 2788.24 | 2730.12 |

Time of FTSE 100 Day's high: 15:07:00 Day's low: 07:06:15 FTSE 100 2009/10 High: 5825.01(15/04/2010) Low: 5060.92(05/02/2010)
Time of FTSE All-ShareDay's high: 15:07:00 Day's low: 07:06:00 FTSE 100 2009/10 High: 2989.13 (15/04/2010) Low: 2596.72 (05/02/2010)

 † Sector P/E ratios greather than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

# INVESTMENT COMPANIES:

**SPLIT CAPITAL INDICES**

| Share Class | Method | May 12 | 1 day % chg | 1 mth % chg | 1 yr % chg | 3 yrs % chg | 5 yrs % chg | No of stks |
|---|---|---|---|---|---|---|---|---|
| Capital | Capital Ret | 193.26 | 0.86 | 2.47 | 7.05 | -61.83 | -12.63 | 6 |
| Income | Capital Ret | 23.30 | 0.23 | -0.01 | 8.68 | -28.94 | -5.41 | 8 |
| | Total Ret | 106.60 | 0.23 | 1.35 | 22.62 | -6.90 | 47.72 | 8 |
| Ord Income | Capital Ret | 23.49 | -0.45 | -0.80 | 21.71 | -55.72 | -25.99 | 14 |
| | Total Ret | 68.62 | 0.10 | 0.70 | 26.86 | -46.82 | -1.80 | 14 |
| Zero Dividend | Capital Ret | 203.83 | -0.43 | -0.32 | 15.24 | 19.64 | 41.62 | 22 |

Sources: **www.morningstar.co.uk, www.theaic.co.uk.** Start date 1 January 1997 = 100. All figures are in GBP. Indices are calculated daily on a capital return basis for all share classes. For share classes which receive income, total return indices are calculated and assume income recieived is reinvested on the ex-dividend date. 

# UK STOCK MARKET TRADING DATA

| | May 12 | May 11 | May 10 | May 07 | May 06 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 1,203,118 | 1,051,786 | 1,269,326 | 1,411,050 | 1,113,255 | 729,839 |
| Order Book Turnover (m)† | | 6052.2 | 9187.9 | 10993.7 | 8048.7 | 8716.1 |
| Order Book Bargains † | | 741,042 | 997,477 | 1,206,160 | 899,154 | 739,581 |
| Order Book Shares Traded (m)† | | 1751.0 | 2716.0 | 3350.0 | 2311.0 | 1706.0 |
| Total Mkt Bargains ‡ | | 786,993 | 1,061,684 | 1,267,089 | 948,187 | 762,534 |
| Total Equity Turnover (£m)‡ | | 13798.4 | 16861.1 | 18780.8 | 14112.3 | 19848.0 |
| Total Shares Traded (m)‡ | 2233.0 | 3112.0 | 4182.0 | 4768.0 | 2223.0 | 2986.0 |

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

# RISES AND FALLS

| | Rises | Falls | Same |
|---|---|---|---|
| Gilts | 48 | 14 | 2 |
| Basic Materials | 37 | 9 | 6 |
| Consumer Goods | 38 | 9 | 8 |
| Consumer Services | 67 | 23 | 15 |
| Financials | 93 | 20 | 25 |
| Health Care | 13 | 15 | 3 |
| Industrials | 115 | 30 | 22 |
| Oil & Gas | 28 | 8 | 1 |
| Technology | 18 | 10 | 7 |
| Telecommunications | 8 | 2 | 0 |
| Utilities | 8 | 0 | 1 |
| Others | 326 | 248 | 369 |
| Totals | 799 | 388 | 459 |

# Financial Times Share Service

## FTSS continued - AIM

Aerospace & Defence · Automobiles & Parts · Banks · Basic Resource (Ex Mining) · Chemicals · Construction & Materials · Electronic & Electrical Equip · Financial General · Food & Beverages · Health Care Equip & Services · House, Leisure & Pers Goods · Industrial Engineering · Industrial General · Industrial Transportation · Insurance · Media · Mining · Oil & Gas · Pharmaceuticals & Biotech · Real Estate · Retailers · Support Services · Tech - Hardware · Tech - Software & Services · Telecommunications · Travel & Leisure · Utilities · Investment Companies

### Oil & Gas (end of section)

| | Notes | Price | Chng | 52 week High | Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| Plexus | † | 37 | - | 48 | 27 | 1.9 | 26.9 | 1 |
| PresidentPt | | 66 | -1.50 | 78.75 | 32 | - | - | 301 |
| Providence | | 2.98 | - | 5.10 | 2.88 | - | - | 1,324 |
| Quadrise | | 2.88 | - | 6 | 2.38 | - | - | - |
| RegalPtlm | q | 34.75 | -0.25 | 125.50 | **33** | - | - | 5,765 |
| Resaca $ | | 45.43 | +0.04 | 61.50 | 23.50 | - | - | 430 |
| Rockhop | | 220 | +25 | 275 | 17.50 | - | - | 11,738 |
| Roxi Pet | | 8.63 | - | 14.20 | 7.38 | - | - | 813 |
| SeaEnergy | | 39.25 | +1 | 86.50 | 36 | - | - | 343 |
| Serica | | 94 | +5.50 | 97.75 | 47 | - | - | 555 |

### Real Estate (end of section)

| | Notes | Price | Chng | 52 week High | Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| RugbyEst | q | 327 | +7.50 | **327** | 210.77 | - | 63.4 | 2 |
| Safeland | | 17 | - | 23.50 | 12.30 | - | - | - |
| SA PropOp | | 60 | - | 73 | 59 | - | 5 | - |
| SiriusRE € | | 22.19 | - | 36.79 | 13.18 | - | - | - |
| SofiaProp | | 4.13 | - | 9.75 | 4.13 | - | - | 75 |
| Songbird | | 155 | +3 | 360 | 100.78 | - | - | 726 |
| SpeyDtlm € | | 9.60 | +0.64 | 39.70 | 7.81 | - | - | 255 |
| SpeyMac $ | | 49.80 | +0.04 | £21.65 | 24.96 | - | 5.6 | - |
| TaliesinPr € | | 640.04 | - | 703.98 | 556.46 | - | - | - |
| TerraceH | | 22.25 | - | 25.50 | 14.50 | - | - | - |



## PLUS

| | Notes | Price | Chng | 52 Week High | Low | Yld | P/E | Vol '000s |
|---|---|---|---|---|---|---|---|---|
| AH Medcl. | † | 30 | -5 | 36.50 | 16 | 4.8 | - | - |
| All Star Min | | 0.50 | - | 3.20 | 0.25 | - | - | - |
| ArsenalFC | | £9,750 | - | £9,950 | £6,750 | - | 13.7 | 0 |
| GtWstnMng | | 13.50 | - | 18 | 12.25 | - | - | - |
| GSC Prop | | 98.50 | - | 108.50 | 73.50 | 3.6 | - | - |
| NewburyR | | 575 | - | 792.86 | 575 | - | - | 2 |
| RangersFC | | 42.50 | - | 52.50 | 35.50 | - | 10.7 | 0 |
| ShephdNm | † | 765 | - | 990 | 705 | 2.9 | 14.4 | 1 |
| Sprue Aegis | | 36.50 | -1 | 39.50 | 17.50 | 1.4 | 7.8 | - |
| Thwaites | | 143 | - | 197 | 143 | 0.8 | 4.6 | 0 |
| Webb Cap | | 24.50 | - | 24.50 | 24.50 | - | - | - |
| WessexExp | | 2.50 | - | 2.63 | 1.50 | - | - | - |

Market data provided by THOMSON REUTERS





### Guide to FT Share Service

Data from **ThomsonReuters**, except UK Companies' earnings data which is supplied by **Hemscott** (Contact 020 3194 1200 for further information).

For all queries about data on the London Share Service pages, e-mail reader.enquiries@ft.com 020 7873 4211. A full set of these notes can be found at www.ft.com/lssnotes.

Company classifications are based on the ICB system used by FTSE, see www.icbenchmark.com. FTSE100 constituent stock names are shown in bold type.

Closing mid-prices are shown in pence unless otherwise indicated.

Highs and lows are based on intra-day trading over a rolling 52 week period. A new 52 week high or low attained in the latest day's trading is marked in bold type. Saturday's edition shows current year highs and lows.

Yields are based on mid-prices and allow for the value of declared distribution and rights. Yields are only quoted when a full years figures are available and are shown in net terms. Dividends on UK companies are net of 10 per cent tax, overseas companies are shown gross.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. Earnings used in calculations are based on the CFA 'Headline Earnings' formula (formerly UKSIP), details of which can be found on the publications section of www.cfauk.org.

Trading volumes are end of day aggregated totals, rounded to the nearest 1,000 shares. Dashes indicate that either no trade has taken place during the day or the data is not available. Zeros indicate that less than 500 shares were traded. AIM volume figures include aggregate risk trades. Volume figures reflect trades on the LSE. PLUS Markets, Markit BOAT, BATS, NASDAQ OMX Europe, Instinet Chi-X and Turquoise. Volumes shown for foreign securities are based on trading on the principle market.

A currency symbol after the stock name shows those priced in currencies other than sterling. Prices shown for those foreign securities are converted into sterling from latest available local stock exchange prices.

The data shown in the Monday version of these pages is different, including the week's change in price, dividend, dividend cover, market capitalisation and last xd date. Investment Companies have different column headers from other securities shown.

* Highs and lows marked thus have been adjusted to allow for capital changes.
† Interim since increased or resumed.
‡ Interim since reduced, passed or deferred.
\# Price at time of suspension.
Merger, bid or reorganisation in progress.
FT Global 500 company
c Cents
d Fair value NAV is more than 3% different to par value NAV.
q Earnings based on preliminary figures.
u Undated
P Dividend adjusted for consolidation or share split.

**Abbreviations:** xd ex dividend; xc ex scrip dividend; xr ex rights; xa ex all; xR ex capital distribution.

The prices listed are indicative and , while believed to be accurate at the time of publication, the FT does not warrant or guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed price information. The London Share Service is a paid-for print listing service and may not be fully representative of all LSE listed companies. This service is available to companies, subject to the Editor's discretion. Contact Listings@ft.com for further information.

## UK RIGHTS OFFERS

| Issue price p | Amount paid up | Latest renun. date | High | Low | Stock | closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 100 | Nil | 13/05 | 26 pm | 3.25 pm | Faroe Petroleum | 5.63 | 3.37 |

pm premium

## UK RECENT EQUITY ISSUES

| issue date | issue price p | Sector | Stock code | Stock | Close price p | +/- | High | Low | Volume 000's | Mkt cap (£m) |
|---|---|---|---|---|---|---|---|---|---|---|
| 10/5 | - | Real | CAPC | Capital & Counties Prp | 122 | -1 | 138.50 | 100 | 145,222 | 758.6 |
| 4/5 | §420 | OilG | ESSR | Essar Energy | 399 | 5 | 424 | 358.50 | 52,855 | 1,208.1 |
| 30/4 | §- | IvCo | AGIT | Aberforth Grd Inc | 99.50 | - | 101.25 | 99.25 | - | 44.8 |
| 30/4 | §- | IvCo | AGIZ | Aberforth Grd ZDP | 105 | - | 105 | 104.50 | - | 31.5 |
| 29/4 | 9.5 | PLUS | TEKP | Teknomining | 10.75 | 1.25 | 14 | 10 | - | 4.3 |
| 28/4 | §- | IvCo | IEV2 | Ingenious Ent VCT2 | 70 | - | 70 | 70 | - | 7.1 |
| 28/4 | §100 | IvCo | BSRT | Baker Steel Res Tst | 104.75 | - | 107 | 100 | - | 69.2 |
| 28/4 | §- | IvCo | BSRW | Baker Steel Res Tst Sb | 35 | - | 40 | 34 | - | 4.6 |
| 27/4 | §15 | AIM | KIBO | Kibo Mining | 2.25 | -0.25 | 4 | 1.88 | 1,122 | 5.7 |
| 26/4 | §- | IvCo | JPB | JPM Brazil Inv Tst | 99.75 | 1.75 | 108 | 99.50 | 939 | 46.6 |
| 26/4 | §- | IvCo | JPBS | JPM Brazil Sb | 30.25 | 1.25 | 35 | 12.50 | 12 | 2.8 |
| 22/4 | §- | | AEV1 | Acuity Env VCT | 100 | - | 100 | 100 | - | 6.4 |
| 22/4 | §- | | AEVA | Acuity Env VCT A | 25.25 | - | 100 | 25.25 | - | 1.3 |
| 19/4 | §- | PLUS | CMRP | Central Asian M & R | 53.50 | - | 53.50 | 50 | - | 1.2 |
| 19/4 | §100 | IvCo | FCSS | Fidelity China Sp Sit | 96.50 | - | 102.25 | 93.50 | 7,640 | 443.9 |
| 12/4 | §100 | AIM | SQB | Squarestone Brasil | 104.50 | - | 104.50 | 103.50 | - | 41.3 |
| 12/4 | §- | AIM | SQBW | Squarestone Brasil Wts | 17 | - | 17 | 15 | - | 4.5 |
| 9/4 | - | PLUS | JCAP | Japanese Turn Cap | 19.50 | - | 19.50 | 19.50 | - | 2.0 |
| 9/4 | §6 | FinG | QRES | QResrces | 16.75 | -0.25 | 22.75 | 7 | - | 9.1 |
| 8/4 | §100 | IvCo | ISP | Investec Strct Prod | 99.50 | - | 99.50 | 99.50 | - | 3.1 |
| 7/4 | 198 | PLUS | BVXP | Bioventix | 195 | - | 195 | 195 | - | 9.8 |

§ Placing price. * Introduction. ‡ When issued. Annual report/prospectus available, see London Shares Page. For a full explanation of all other symbols please refer to London Share Service notes.

## BONDS

www.ft.com/bonds

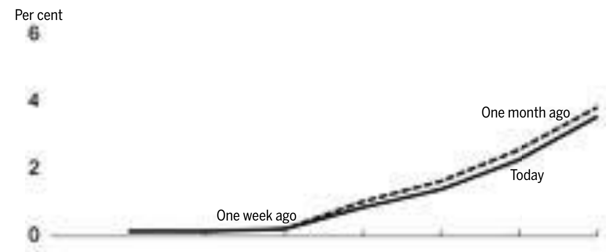
## BONDS - BENCHMARK GOVERNMENT

| May 12 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 04/12 | 5.75 | 101.83 | 4.74 | -0.10 | -0.25 | -0.27 | 1.27 |
| | 04/20 | 4.50 | 92.56 | 5.48 | -0.10 | -0.27 | -0.34 | 0.42 |
| Austria | 07/12 | 5.00 | 108.76 | 0.89 | -0.04 | -0.05 | -0.36 | -0.19 |
| | 07/20 | 3.90 | 104.63 | 3.35 | -0.03 | 0.03 | -0.17 | -0.68 |
| Belgium | 03/12 | 2.00 | 101.81 | 1.02 | - | 0.02 | -0.14 | -0.61 |
| | 09/20 | 3.75 | 103.00 | 3.40 | -0.04 | -0.09 | -0.17 | -0.54 |
| Canada | 06/12 | 1.50 | 98.98 | 2.01 | 0.09 | 0.27 | 0.18 | 0.92 |
| | 06/20 | 3.50 | 99.25 | 3.59 | 0.00 | 0.04 | -0.06 | 0.48 |
| Denmark | 11/12 | 4.00 | 107.05 | 1.11 | -0.01 | -0.09 | -0.44 | -0.73 |
| | 11/19 | 4.00 | 107.28 | 3.10 | 0.00 | 0.04 | -0.14 | -0.50 |
| Finland | 09/12 | 4.25 | 108.01 | 0.77 | -0.04 | -0.13 | -0.42 | -0.64 |
| | 04/20 | 3.38 | 102.06 | 3.13 | -0.05 | -0.06 | -0.15 | -0.75 |
| France | 07/12 | 3.75 | 105.29 | 0.55 | -0.04 | -0.14 | -0.39 | -0.77 |
| | 01/15 | 2.50 | 102.68 | 1.89 | -0.01 | -0.11 | -0.47 | -0.79 |
| | 04/20 | 3.50 | 102.39 | 3.22 | -0.01 | -0.01 | -0.25 | -0.52 |
| | 04/41 | 4.50 | 108.37 | 4.02 | 0.06 | 0.17 | -0.05 | -0.31 |
| Germany | 06/12 | 1.00 | 100.77 | 0.58 | -0.03 | -0.13 | -0.42 | -0.82 |
| | 04/15 | 2.25 | 102.30 | 1.76 | -0.03 | -0.16 | -0.44 | -0.76 |
| | 07/20 | 3.00 | 100.41 | 2.95 | 0.01 | -0.02 | -0.21 | -0.42 |
| | 07/40 | 4.75 | 117.77 | 3.75 | 0.04 | 0.13 | -0.12 | -0.42 |
| Greece | 05/13 | 4.60 | 91.66 | 7.82 | -1.27 | -8.66 | 0.72 | 4.87 |
| | 06/20 | 6.25 | 91.61 | - | -8.26 | -9.79 | -7.10 | -5.07 |
| Ireland | 01/14 | 4.00 | 103.23 | - | -4.02 | -4.05 | -2.92 | -3.88 |
| | 04/20 | 4.50 | 98.88 | - | -4.70 | -5.30 | -4.50 | -5.05 |
| Italy | 07/12 | 2.50 | 101.34 | - | -1.91 | -2.02 | -1.57 | -1.66 |
| | 04/15 | 3.00 | 101.37 | - | -2.89 | -2.95 | -2.64 | -3.17 |
| | 09/20 | 4.00 | 100.72 | - | -4.06 | -4.04 | -3.89 | -4.22 |
| | 09/40 | 5.00 | 102.15 | - | -4.78 | -4.89 | -4.78 | -5.15 |
| Japan | 05/12 | 0.20 | 100.07 | 0.17 | -0.01 | -0.01 | 0.00 | -0.23 |
| | 03/15 | 0.50 | 100.16 | 0.47 | -0.03 | 0.00 | -0.08 | -0.38 |
| | 03/20 | 1.30 | 99.90 | 1.31 | 0.00 | 0.02 | -0.06 | -0.15 |
| | 03/30 | 2.10 | 100.21 | 2.09 | 0.01 | 0.02 | -0.03 | 0.02 |
| Netherlands | 01/12 | 2.50 | 103.25 | 0.54 | -0.02 | -0.11 | -0.38 | -0.63 |
| | 07/20 | 3.50 | 102.95 | 3.16 | 0.01 | 0.01 | -0.24 | -0.65 |
| New Zealand | 11/11 | 6.00 | 103.96 | 3.96 | -0.06 | 0.01 | 0.18 | 0.26 |
| | 05/21 | 6.00 | 101.53 | 5.81 | -0.07 | -0.15 | -0.21 | 0.04 |
| Norway | 05/15 | 5.00 | 111.40 | 2.54 | -0.04 | -0.29 | -0.60 | -0.43 |
| | 05/19 | 4.50 | 108.71 | 3.36 | 0.00 | -0.18 | -0.42 | -0.73 |
| Portugal | 06/12 | 5.00 | 103.87 | 3.05 | 0.29 | -1.48 | 1.21 | 1.30 |
| | 06/20 | 4.80 | 100.95 | 4.68 | -0.20 | -1.07 | 0.31 | 0.52 |
| Spain | 04/12 | 2.75 | 101.16 | 2.14 | -0.14 | -0.07 | 0.93 | 0.59 |
| | 04/20 | 4.00 | 100.31 | 3.96 | -0.03 | -0.16 | 0.09 | -0.43 |
| Sweden | 10/12 | 5.50 | 109.90 | 1.26 | -0.10 | -0.20 | -0.30 | 0.07 |
| | 12/20 | 5.00 | 119.40 | 2.84 | -0.05 | -0.11 | -0.40 | -0.62 |
| Switzerland | 06/12 | 2.75 | 105.15 | 0.24 | -0.01 | -0.05 | -0.15 | -0.27 |
| | 07/20 | 2.25 | 104.30 | 1.78 | -0.01 | -0.01 | -0.16 | -0.28 |
| UK | 03/11 | 4.25 | 102.98 | 0.60 | -0.05 | 0.00 | -0.07 | -0.09 |
| | 01/15 | 2.75 | 102.57 | 2.07 | -0.09 | -0.02 | -0.15 | -0.22 |
| | 03/20 | 4.75 | 107.32 | 3.85 | -0.01 | 0.01 | -0.20 | -0.19 |
| | 09/39 | 4.25 | 96.36 | 4.47 | -0.04 | 0.01 | -0.15 | -0.03 |
| US | 04/12 | 1.00 | 100.27 | 0.86 | 0.01 | -0.09 | -0.20 | -0.11 |
| | 04/15 | 2.50 | 101.03 | 2.28 | 0.02 | -0.11 | -0.36 | 0.25 |
| | 02/20 | 3.63 | 100.45 | 3.57 | 0.03 | -0.04 | -0.32 | 0.39 |
| | 02/40 | 4.63 | 102.42 | 4.48 | 0.04 | -0.04 | -0.16 | 0.43 |

London close. Source: ThomsonReuters
Yields: Local market standard Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by non residents.

The data and prices listed are indicative and, while believed to be accurate at the time of publication, the FT does not warrant or guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.

## US yield curve




## BONDS - GLOBAL INVESTMENT GRADE

| May 12 | Red date | Coupon | S* | M* | F* | Bid price | Bid yield | Day's chge yield | Mth's chge yield | Spread vs Govts |
|---|---|---|---|---|---|---|---|---|---|---|
| **US$** | | | | | | | | | | |
| Citigroup | 01/11 | 6.50 | A | A3 | A+ | 102.64 | - | -2.48 | -1.75 | 2.20 |
| Morgan Stanley | 04/12 | 6.60 | A | A2 | A | 107.07 | 2.72 | 0.25 | 0.08 | 1.87 |
| Household Fin | 05/12 | 7.00 | A | A3 | AA- | 108.44 | 2.65 | 0.27 | 0.04 | 1.80 |
| HBOS Treas UK | 06/12 | 5.50 | A+ | Aa3 | AA- | 104.19 | 3.38 | 0.09 | 0.10 | 2.51 |
| Verizon Global | 09/12 | 7.38 | A | A3 | A | 113.32 | 1.46 | 0.07 | -0.35 | 0.61 |
| Abu Dhabi Nt En | 10/12 | 5.62 | NR | A3 | - | 103.63 | 4.04 | -0.17 | 0.12 | 2.98 |
| Bank of America | 01/13 | 4.88 | A | A2 | A+ | 104.15 | 3.24 | 0.15 | -0.04 | 1.90 |
| Goldman Sachs | 07/13 | 4.75 | A | A1 | A+ | 102.50 | 3.90 | 0.05 | 0.30 | 2.56 |
| Hutchison 03/33 | 01/14 | 6.25 | A- | A3 | A- | 110.53 | 3.20 | -0.11 | -0.27 | 1.86 |
| Misc Capital | 07/14 | 6.13 | A- | A3 | - | 107.23 | 4.27 | - | - | 1.92 |
| BNP Paribas | 06/15 | 4.80 | AA- | Aa3 | AA- | 104.57 | 3.81 | -0.19 | -0.21 | 1.56 |
| GE Capital | 01/16 | 5.00 | AA+ | Aa2 | - | 105.12 | - | -3.94 | -4.15 | 1.71 |
| Erste Euro Lux | 02/15 | 5.00 | AA+ | - | - | 99.71 | 5.05 | 0.09 | -0.29 | 2.74 |
| Credit Suisse USA | 03/16 | 5.38 | A+ | Aa1 | AA- | 106.26 | - | -4.11 | -4.18 | 1.33 |
| SPI E&G Aust | 09/16 | 5.75 | A- | A1 | A- | 107.19 | 4.43 | -0.04 | -0.18 | 1.47 |
| Abu Dhabi Nt En | 10/17 | 6.17 | NR | A3 | - | 101.00 | 6.00 | - | 0.16 | 2.92 |
| Swire Pacific | 04/18 | 6.25 | A- | A3 | - | 106.77 | 5.20 | - | -0.03 | 1.90 |
| ASNA | 11/18 | 6.95 | A | A3 | A+ | 105.66 | 6.09 | - | -0.46 | 2.43 |
| Codelco | 01/19 | 7.50 | A | A1 | A | 119.24 | 4.76 | 0.04 | -0.03 | 1.23 |
| AT&T Wireless | 03/31 | 8.75 | A | A2 | A | 131.35 | 6.07 | 0.10 | -0.17 | 1.64 |
| GE Capital | 03/32 | 6.75 | AA+ | Aa2 | - | 109.71 | 5.97 | - | - | 2.75 |
| Goldman Sachs | 02/33 | 6.13 | A | A1 | A+ | 93.31 | 6.70 | - | 0.45 | 2.42 |
| **Euro** | | | | | | | | | | |
| GE Cap Euro Fdg | 05/11 | 4.00 | AA+ | Aa2 | - | 102.52 | - | -1.68 | -1.54 | 1.10 |
| HSBC Fin | 06/12 | 3.38 | A | A3 | AA- | 102.81 | 1.97 | 0.01 | -0.15 | 1.52 |
| Xstrata Fin CA | 06/12 | 4.88 | BBB | Baa2 | - | 105.68 | 2.06 | -0.16 | -0.26 | 1.47 |
| CCCI | 10/12 | 6.13 | A | A1 | A+ | 106.17 | - | -3.39 | -2.62 | 2.94 |
| Amer Honda Fin | 07/13 | 6.25 | A+ | A1 | - | 112.40 | 2.16 | 0.05 | -0.25 | 0.90 |
| SNS Bank | 02/14 | 4.63 | A- | A3 | A- | 99.95 | 4.63 | 0.15 | -0.46 | 1.89 |
| JPMorgan Chase | 01/15 | 5.25 | A+ | Aa3 | AA- | 109.47 | 3.04 | 0.38 | -0.10 | 1.13 |
| Hutchison Fin 06 | 09/16 | 4.63 | A- | A3 | - | 106.47 | 3.56 | 0.06 | -0.29 | 0.68 |
| Hypo Alpe Bk | 10/16 | 4.25 | A- | A2 | - | 100.50 | 4.16 | -0.04 | -0.39 | 2.01 |
| GE Cap Euro Fdg | 01/18 | 5.38 | AA+ | Aa2 | - | 107.69 | - | -3.70 | -4.14 | 1.42 |
| Unicredit | 01/20 | 4.88 | A | Aa3 | A | 101.40 | 4.19 | -0.70 | -0.08 | 2.72 |
| ENEL | 05/24 | 5.25 | A- | A2 | A- | 106.76 | - | -4.39 | -4.52 | 3.31 |
| **Yen** | | | | | | | | | | |
| ORIX 106 | 03/11 | 1.46 | A- | - | - | 100.49 | 0.87 | 0.00 | -0.66 | 0.73 |
| Amer Int | 04/12 | 1.40 | A- | A3 | BBB | 93.83 | 4.86 | 0.02 | -1.55 | 4.80 |
| Citi Group 15 | 09/12 | 1.11 | A | A3 | A+ | 96.08 | 2.91 | -0.20 | 0.03 | 2.74 |
| ACOM 51 | 06/13 | 2.07 | BBB | Baa2 | A- | 95.56 | 3.69 | 0.00 | -0.48 | 3.47 |
| Deutsche Bahn Fin | 12/14 | 1.65 | AA | Aa1 | AA | 102.69 | 1.04 | -0.01 | -0.10 | 0.57 |
| Nomura Sec S 3 | 03/18 | 2.28 | - | - | - | 98.09 | 2.57 | 0.00 | -0.29 | 1.62 |
| **£ Sterling** | | | | | | | | | | |
| Morgan Stanley | 04/11 | 7.50 | A | A2 | A | 103.88 | 3.09 | 0.02 | 0.69 | 2.43 |
| HSBC Fin | 03/16 | 7.00 | A | A3 | AA- | 107.29 | 5.49 | -0.07 | -0.06 | 1.85 |
| Slough Estates | 09/15 | 6.25 | - | - | - | 104.36 | 4.81 | -0.02 | -0.08 | 2.78 |
| ASIF III | 12/18 | 5.00 | A+ | A1 | A- | 89.51 | 6.53 | -0.01 | 0.03 | 2.93 |

US $ denominated bonds NY close; all other London close. S* - Standard & Poor's, M* - Moody's, F* - Fitch. Source: ThomsonReuters

## BONDS - HIGH YIELD & EMERGING MARKET

| May 12 | Red date | Coupon | S* | M* | F* | Bid price | Bid yield | Day's chge yield | Mth's chge yield | Spread vs US |
|---|---|---|---|---|---|---|---|---|---|---|
| **High Yield US$** | | | | | | | | | | |
| HSBK Europe | 05/13 | 7.75 | B+ | Ba2 | B+ | 99.85 | 7.81 | -1.70 | 1.15 | 5.11 |
| Kazkommerts Int | 04/14 | 7.88 | B | Ba3 | B- | 94.00 | 9.76 | -0.66 | 0.27 | 7.56 |
| Bertin | 10/16 | 10.25 | NR | B1 | - | 106.78 | 8.83 | 0.04 | 0.70 | 6.01 |
| **High Yield Euro** | | | | | | | | | | |
| Royal Carib Crs | 01/14 | 5.63 | BB- | Ba3 | - | 94.42 | 7.39 | -0.58 | 0.78 | 6.12 |
| Kazkommerts Int | 02/17 | 6.88 | B | Ba3 | B- | 93.00 | 8.26 | -0.64 | 0.06 | 5.96 |
| **Emerging US$** | | | | | | | | | | |
| Bulgaria | 01/15 | 8.25 | BBB | Baa3 | BBB- | 114.00 | 4.86 | -0.01 | 0.38 | 2.58 |
| Peru | 02/15 | 9.88 | BBB- | Baa3 | BBB- | 126.13 | 3.78 | 0.04 | 0.16 | 1.50 |
| Brazil | 03/15 | 7.88 | BBB- | Baa3 | BBB- | 118.50 | 3.64 | -0.11 | -0.12 | 1.37 |
| Mexico | 09/16 | 11.38 | BBB | Baa1 | BBB | 138.75 | 4.31 | -0.38 | 0.11 | 1.32 |
| Argentina | 01/17 | 11.38 | DEF | Ca | D | 39.70 | 35.37 | 35.37 | -0.18 | 32.43 |
| Philippines | 01/19 | 9.88 | BB- | Ba3 | BB | 131.88 | 5.25 | -0.07 | -0.16 | 1.68 |
| Brazil | 01/20 | 12.75 | BBB- | Baa3 | BBB- | 160.50 | 4.84 | -0.01 | -0.04 | 1.27 |
| Colombia | 02/20 | 11.75 | BBB- | Ba1 | BB+ | 145.50 | 5.63 | -0.03 | 0.02 | 2.06 |
| Russia | 03/30 | 7.50 | BBB | Baa1 | BBB | 114.13 | 5.16 | -0.12 | 0.19 | 2.16 |
| Mexico | 08/31 | 8.30 | BBB | Baa1 | BBB | 129.50 | 5.85 | -0.18 | -0.07 | 1.38 |
| Indonesia | 02/37 | 6.63 | BB | Ba2 | BB+ | 101.50 | 6.51 | -0.20 | 0.04 | 2.03 |
| **Emerging Euro** | | | | | | | | | | |
| Brazil | 02/15 | 7.38 | BBB- | Baa3 | BBB- | 116.50 | 3.51 | -0.06 | 0.10 | 1.74 |
| Poland | 02/16 | 3.63 | A- | A2 | A- | 98.89 | 3.84 | -0.58 | 0.33 | 1.83 |
| Turkey | 03/16 | 5.00 | BB | Ba2 | BB+ | 101.88 | 4.62 | -0.08 | 0.33 | 2.60 |
| Mexico | 02/20 | 5.50 | BBB | Baa1 | BBB | 105.00 | 4.84 | 0.19 | 0.32 | 1.89 |

US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch. Source: ThomsonReuters

## BOND INDICES

| | | Index | Day's change | Month's change | Year change | Return 1 month | Return 1 year |
|---|---|---|---|---|---|---|---|
| **Markit iBoxx** May 12 | | | | | | | |
| Overall (£) | 1093 | 204.49 | 0.30 | - | 3.07 | 1.39 | 9.88 |
| Overall ($)† | 3262 | 184.89 | -0.01 | 0.35 | 2.96 | 0.35 | 2.96 |
| Overall (€) | 2276 | 168.68 | 0.14 | 0.48 | 2.75 | 0.36 | 8.09 |
| Global Inflation-Lkd† | 97 | 196.17 | 0.08 | -1.74 | -2.72 | -1.12 | 8.13 |
| Gilts (£) | 33 | 206.01 | 0.27 | 0.40 | 2.35 | 1.88 | 3.89 |
| Emerging Mkts ($)† | 703 | 202.46 | 0.41 | -1.00 | 4.51 | 0.29 | 25.58 |
| Corporates (£) | 2111 | 190.82 | -0.09 | -0.23 | 3.86 | -0.23 | 3.86 |
| Corporates ($)† | 1196 | 164.59 | 0.23 | -0.31 | 3.61 | 0.30 | 15.74 |
| Corporates (€) | 156 | 181.80 | 0.02 | 0.69 | 2.87 | 0.69 | 2.87 |
| Treasuries ($)† | 261 | 169.48 | 0.12 | 0.93 | 2.53 | 0.44 | 5.96 |
| ABF Pan-Asia unhedged | 541 | 145.99 | -0.10 | -0.79 | 4.56 | 0.28 | 9.58 |
| **FTSE** May 12 | | | | | | | |
| Sterling Corporate (£) | 97 | 101.53 | 0.12 | 0.45 | 8.15 | 0.93 | 14.15 |
| Euro Corporate (€) | 359 | 103.21 | 0.02 | 0.95 | 5.72 | 1.32 | 10.54 |
| Euro Emerging Mkts (€) | 19 | 91.92 | 0.09 | -1.02 | 7.05 | -0.49 | 13.65 |
| Eurozone Gov't Bond | 242 | 103.62 | 0.01 | 0.18 | 1.91 | 0.54 | 6.18 |

## CREDIT INDICES

| | Index | Day's change | Week's change | Month's change | Series high | Series low |
|---|---|---|---|---|---|---|
| **Markit iTraxx** May 12 | | | | | | |
| Europe 5Y | 94.39 | -7.41 | -11.67 | 16.62 | 141.93 | 75.75 |
| Crossover 5Y | 459.77 | -31.63 | -26.99 | 49.41 | 602.90 | 395.70 |
| HiVol 5Y | 133.22 | -10.70 | -13.67 | 17.87 | 191.91 | 111.00 |
| Japan 5Y | 116.10 | -0.19 | 17.10 | 27.77 | 134.08 | 85.14 |
| **Markit CDX** May 12 | | | | | | |
| Emerging Markets 5Y | 242.54 | 2.91 | 10.89 | 27.14 | 292.69 | 204.26 |
| Nth Amer Inv Grade 5Y | 100.46 | 0.80 | 2.87 | 16.62 | 127.57 | 82.03 |
| Nth Amer High Yld 5Y | 558.43 | 6.87 | 43.52 | 64.73 | 632.28 | 469.07 |
| Nth Amer Hi Vol 5Y | 158.29 | -3.05 | 9.29 | 24.45 | 174.00 | 130.42 |

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names. ‡ May 11

## GILTS - UK CASH MARKET

www.ft.com/gilts

| May 12 | Price £ | Red Yield | Change in Yield Day | Week | Month | Year | 52 Week High | Low | Amnt £m |
|---|---|---|---|---|---|---|---|---|---|
| Tr 4.75pc '10 | 100.29 | 0.52 | -0.02 | +0.00 | +0.01 | -0.16 | 104.52 | **100.18** | 21,285 |
| Cn 9pc Ln '11 | 109.62 | 0.70 | -0.07 | +0.00 | -0.12 | -0.71 | 116.56 | 99.40 | 7,312 |
| Tr 5pc '12 | 107.13 | 1.03 | -0.08 | -0.03 | -0.14 | -1.06 | 108.50 | 106.56 | 26,867 |
| Tr 8pc '13 | 120.17 | 1.81 | -0.09 | -0.03 | -0.19 | -0.83 | 122.91 | 119.17 | 8,377 |
| Tr 5pc '14 | 110.90 | 2.33 | -0.06 | +0.01 | -0.21 | -0.17 | 113.49 | 108.74 | 28,057 |
| Tr 4.75pc '15 | 110.06 | 2.71 | -0.06 | +0.01 | -0.24 | -0.13 | 112.34 | 107.64 | 29,548 |
| Tr 4pc 4 '16 | 105.58 | 3.02 | -0.06 | +0.02 | -0.26 | +0.02 | 107.98 | 102.39 | 25,827 |
| Tr 4.75pc '20 | 107.36 | 3.84 | -0.05 | +0.05 | -0.28 | +0.05 | 111.18 | 103.57 | 27,818 |
| Tr 8pc '21 | 136.89 | 3.87 | -0.06 | +0.02 | -0.32 | +0.09 | 143.00 | 98.74 | 22,686 |
| Tr 5pc '25 | 107.98 | 4.27 | -0.04 | +0.07 | -0.24 | +0.02 | 114.21 | 103.18 | 22,099 |
| Tr 6pc '28 | 121.06 | 4.34 | -0.03 | +0.09 | -0.19 | +0.04 | 130.05 | 116.44 | 17,932 |
| Tr 4.25pc '32 | 97.70 | 4.41 | -0.02 | +0.10 | -0.16 | +0.10 | 105.60 | 93.22 | 24,618 |
| Tr 4.25pc '36 | 96.81 | 4.46 | -0.02 | +0.10 | -0.16 | - | 104.70 | 92.54 | 20,227 |
| Tr 4.75pc '38 | 104.78 | 4.45 | -0.02 | +0.10 | -0.14 | +0.02 | 113.74 | 94.82 | 22,759 |
| Tr 4.25pc '55 | 96.75 | 4.42 | -0.01 | +0.10 | -0.10 | -0.01 | 106.02 | 92.00 | 20,147 |
| War Ln 3.5pc | 73.80 | 4.74‡ | -0.01 | +0.10 | -0.15 | +0.17 | 109.91 | 70.46 | 1,938 |

xd Ex dividend. Closing mid-prices are shown in pounds per £ 100 nominal of stock. Red yield: Gross redemption yield. This table shows the gilts benchmarks & the non-rump undated stocks. A longer list appears on Mondays & the full list on Saturdays, and can be found daily on ft.com/bond&rates.
Source: ThomsonReuters

## GILTS - UK FTSE ACTUARIES INDICES

| Price Indices Fixed Coupon | May 12 | Day's chge % | Total Return | Return 1 month | Return 1 year | Yield |
|---|---|---|---|---|---|---|
| 1 Up to 5 years (12) | 107.89 | +0.17 | 2126.81 | +0.54 | +3.64 | 1.88 |
| 2 5-10 years (8) | 165.00 | +0.35 | 2421.47 | +2.00 | +3.41 | 3.43 |
| 3 10-15 years (3) | 174.32 | +0.43 | 2576.53 | +2.85 | +3.53 | 4.07 |
| 4 5-15 years (11) | 167.24 | +0.37 | 2461.80 | +2.24 | +3.39 | 3.66 |
| 5 Over 15 years (13) | 218.16 | +0.30 | 2561.20 | +2.57 | +4.07 | 4.42 |
| 6 Irredeemables (1) | 318.11 | +0.28 | 3069.03 | +3.59 | +0.86 | 4.74 |
| 7 All stocks (37) | 153.59 | +0.28 | 2337.42 | +1.77 | +3.76 | 3.98 |

| Index-Linked | May 12 | Day's chge % | Month chge % | Year's chge % | Total Return | Return 1 month | Return 1 year |
|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (2) | 313.68 | +0.13 | +0.63 | +8.43 | 2154.32 | +0.63 | +10.99 |
| 2 Over 5 years (15) | 369.20 | -0.16 | +0.02 | +8.25 | 2561.01 | +0.02 | +10.04 |
| 3 5-15 years (5) | 341.99 | -0.12 | +0.89 | +9.21 | 2384.58 | +0.89 | +11.30 |
| 4 Over 15 years (10) | 410.34 | -0.20 | -0.77 | +7.19 | 2828.09 | -0.77 | +8.70 |
| 5 All stocks (17) | 363.15 | -0.11 | +0.12 | +8.17 | 2534.06 | +0.12 | +10.07 |

| Yield indices | May 12 | May 11 | Yr ago | | May 12 | May 11 | Yr ago |
|---|---|---|---|---|---|---|---|
| 5 yrs | 2.62 | 2.68 | 2.62 | 20 yrs | 4.41 | 4.44 | 4.30 |
| 10 yrs | 3.81 | 3.86 | 3.66 | 45 yrs | 4.42 | 4.44 | 4.45 |
| 15 yrs | 4.26 | 4.30 | 4.11 | Irred | 4.74 | 4.76 | 4.57 |

| Real yield | Inflation 0 % May 12 | Dur yrs | May 11 | Yr ago | Inflation 5 % May 12 | Dur yrs | May 11 | Yr ago |
|---|---|---|---|---|---|---|---|---|
| Up to 5 yrs | 0.00 | 2.36 | 0.00 | 1.43 | 0.00 | 2.36 | 0.00 | 0.65 |
| Over 5 yrs | 0.79 | 16.36 | 0.78 | 1.12 | 0.70 | 16.51 | 0.69 | 1.01 |
| 5-15 yrs | 0.78 | 8.83 | 0.76 | 1.34 | 0.56 | 8.86 | 0.55 | 1.13 |
| Over 15 yrs | 0.79 | 23.14 | 0.78 | 1.05 | 0.75 | 23.22 | 0.74 | 0.98 |
| All stocks | 0.75 | 14.23 | 0.74 | 1.14 | 0.64 | 14.44 | 0.63 | 1.00 |

Stocks with 0 - 1 year to maturity are excluded from the yield indices. † Corrected values.
www.ft.com/ftsegiltindices. Copyright, FTSE International 2010.

## BONDS - INDEX-LINKED

| | Price May 11 | Yield May 11 | Yield May 10 | Month return | Break even inflation* | Value Stock | Market | No of stks |
|---|---|---|---|---|---|---|---|---|
| Can 4.25% '21 | 131.70 | 1.29 | 1.29 | -0.27 | 2.45 | 5.2 | 46.9 | 5 |
| Fr 2.25% '20 | 110.69 | 1.13 | 1.17 | 0.91 | 2.02 | 19.9 | 166.6 | 11 |
| Swe 4% '20 | 158.50 | 1.10 | 1.13 | 1.60 | 1.74 | 43.2 | 242.8 | 4 |
| UK 2.5% '16 | 303.52 | 0.22 | 0.25 | -0.37 | 2.86 | 8.0 | 223.8 | 17 |
| UK 2.5% '24 | 270.43 | 0.88 | 0.90 | -0.23 | 3.42 | 6.8 | 223.8 | 17 |
| UK 2% '35 | 157.63 | 0.83 | 0.85 | 0.29 | 3.65 | 9.7 | 223.8 | 17 |
| US 3% '12 | 107.88 | -0.59 | -0.58 | -0.13 | 1.49 | 23.0 | 574.8 | 29 |
| US 3.625% '28 | 127.24 | 1.84 | 1.84 | 0.21 | 2.38 | 16.8 | 574.8 | 29 |

Representative stocks from each major market. Source: Merrill Lynch Global Bond Indices
* Diff between conventional and IL bond. † Local currencies. ‡ Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

## BONDS - TEN YEAR GOV'T SPREADS

| May 12 | Bid Yield | Spread vs Bund | Spread vs T-Bonds | | Bid Yield | Spread vs Bund | Spread vs T-Bonds |
|---|---|---|---|---|---|---|---|
| Australia | 5.48 | +2.53 | +1.91 | Netherlands | 3.16 | +0.21 | -0.41 |
| Austria | 3.35 | +0.40 | -0.22 | New Zealand | 5.81 | +2.86 | +2.24 |
| Belgium | 3.40 | +0.45 | -0.17 | Norway | 3.36 | +0.41 | -0.21 |
| Canada | 3.59 | +0.64 | +0.02 | Portugal | 4.68 | +1.73 | +1.11 |
| Denmark | 3.10 | +0.15 | -0.47 | Spain | 3.96 | +1.01 | +0.39 |
| Finland | 3.13 | +0.18 | -0.44 | Sweden | 2.84 | -0.11 | -0.73 |
| France | 3.22 | +0.26 | -0.35 | Switzerland | 1.78 | -1.17 | -1.79 |
| Germany | 2.95 | - | -0.62 | UK | 3.85 | +0.90 | +0.28 |
| Greece | - | -2.95 | -3.57 | US | 3.57 | +0.62 | - |
| Ireland | - | -2.95 | -3.57 | | | | |
| Italy | - | -2.95 | -3.57 | | | | |
| Japan | 1.31 | -1.64 | -2.26 | | | | |

Yields: annualised basis. Source: ThomsonReuters Selection made by ThomsonReuters.

# Markets & Investing

**Stephen Lange Ranzini**
INSIGHT

## Broad brush securitisation reform will hit small lenders

When it comes to reporting the US Senate's financial regulatory restructuring legislation, most of the media have focused on the new consumer protection agency, the regulation of derivatives, and provisions to eliminate the "too big to fail" problem.

The detrimental impact this legislation may have on the securitisation process and community banks in particular is rarely considered. But the proposed new limits on securitisation alone will devastate my bank and cause me to have to fire 75 per cent of our employees. These new limits will require retention of some of the risk, which could trigger accounting and capital rules that make it difficult for banks to sell loans.

The law would require a 5 per cent risk retention on all loans sold. Under GAAP accounting rules, that would prevent a sale so we would immediately have to stop originating mortgages for the secondary market as the loans we originate could never leave our balance sheet and my bank would immediately run out of capital to support our mortgage business.

> **The proposed new limits on securitisation alone will devastate my bank and cause me to have to fire 75 per cent of my employees**

Even if that problem is fixed, the requirement to retain 5 per cent means that within a year we would run out of cash to hold those assets and we would be forced to shut down our mortgage origination operations. Moreover, it is very unlikely for it to ever be a financially prudent activity for a bank to invest in fixed rate 15- and 30-year assets, except with a tiny percentage of a bank's capital.

Denying my bank direct access to secondary market securitisations means we would be forced to sell the mortgages we originate to one of the four remaining US mega-banks. Since they all have both wholesale and retail origination operations that compete directly with my bank they will have the opportunity to price and squeeze us out of business. This provision will increase the market share of new mortgage originations of these four "too big to fail" banks from 50 per cent towards 100 per cent. This would cause the availability of mortgage credit to be diminished and cause mortgage interest rates to rise and the value of homes to decline once again.

My bank did not make subprime loans or do anything else that helped cause the financial crisis. All we are trying to do is serve our community and make credit available to consumers and businesses in a very difficult economy. Yet, this bill would subject my bank to numerous new and costly regulatory requirements, often on issues that have nothing to do with the financial crisis.

The Dodd bill creates an unworkable regulatory structure that will impose heavy new regulatory requirements on traditional banks, pushing business to less regulated or unregulated non-banks, some of which contributed to this crisis and will be lightly regulated under the Dodd bill.

The bill creates a new Consumer Financial Protection Bureau that would subject all banks, regardless of size, to new rules. I support strong consumer protection and believe improvements should be made, but the creation of this new regulatory bureau for consumer products is the wrong approach. Enforcing truth in advertising rules on non-banks would be a better approach as their false and deceptive advertising, effectively unregulated by any entity in the US, is a root cause of the problem that the supporters of the CFPB claim it would fix. This, together with the new Federal Reserve Bank regulations on ensuring minimum underwriting criteria for residential loans, if effectively enforced, would close most of the remaining loopholes among the unregulated sector participants that caused the problem.

> **The bill creates a new Consumer Financial Protection Bureau that would subject all banks, regardless of size, to new rules**

In spite of what you may have heard, community banks such as mine would be subject to this new consumer bureau's rules, allowing the CFPB to basically determine what products my bank can offer, on what terms, and under what settings and circumstances. The new CFPB would be required to mandate expensive new reports from my bank and is authorised to mandate others. These reports have nothing to do with the financial crisis and would not be required from many non-bank competitors.

Community banks support reform, but it really needs to be done right. While there are good provisions in this bill, it still:

– does not adequately address "too-big-to-fail" because it does not lead to a path towards restricting the growth of and the mandatory breaking up of the mega-banks;
– it greatly increases the costs of community banks;
– it does not extend adequate regulation or require a level playing field of non-banks;
– and it undermines the ability of traditional banks to make more loans.

This legislation will determine the future of my bank and how we serve our community. The Dodd regulatory reform legislation needs substantial changes to make reform workable.

*Stephen Lange Ranzini is president and chief executive of University Bank, a community bank based in Ann Arbor, Michigan*

# 'Flash glitch' fears force SEC hand

**News analysis**

**The US regulator is looking at circuit breakers to prevent re-run of last week's volatility, writes Michael Mackenzie**

The Dow Jones Industrial Average suffered its biggest intraday fall last Thursday Bloomberg

The fragmented US equity market – where shares are traded via rapid-fire computers across some 50 different venues – faces a raft of new rules after last week's wild swing in prices.

Chief among them is the introduction of circuit breakers for individual stocks.

As exchanges try to discover what exactly sparked the so-called "flash glitch", when equities slumped and rebounded inside a period of 20 minutes, the industry is braced for a regulatory overhaul.

"I believe we . . . must consider the various types of time-out mechanisms that can be applied to individual stocks," said Mary Schapiro, Securities and Exchange Commission chairman, in testimony this week to a Congressional hearing.

Foremost is an industry-wide circuit breaker – it is suggested that the SEC will implement a brief trading halt in a stock if its price falls 10 per cent inside a five-minute period.

In the highly competitive world of US equity trading, however, there are plenty of opinions as to what kind of circuit breaker should be calculated and enforced across the array of exchanges, private platforms at broker/dealers and dark pools.

James Angel, professor of finance at Georgetown University, says the current system of trading halts in a stock ahead of a news announcement is a good place to start as all trading venues respect that rule.

Currently, the floor of the New York Stock Exchange enforces a system of curbs on stocks, which sprang into action last week.

That sparked complaints from other exchanges but the NYSE floor did not execute any erroneous trades.

Hence it had no need to cancel any trades, unlike at other electronic exchanges, including NYSE's own Arca platform.

Any limits on cash equities need to be replicated across futures, options and the realm of exchange traded funds, which follow the prices at which individual stocks trade.

"You need circuit breakers in all markets and, while it's feasible, there are a lot of moving parts and it will be harder to implement than people think," says Anthony Conroy, head of trading at BNYConvergEx, an electronic brokerage.

Knight Capital Group, another electronic brokerage, proposes that once an individual stock drops 25 per cent from the previous day's close, then trading should be halted for five minutes and that such a circuit breaker be uniformly applied across all areas of the market.

But individual stocks differ in terms of their liquidity and support by market makers – and not everyone thinks an industry-wide standard can be applied.

Nasdaq OMX Group told the Congressional hearing that they favour "a flexible approach that recognises that stocks trade in different ways, rather than a one-size-fits-all approach that treats all stocks identically".

The introduction of circuit breakers may also not address the main lesson drawn by many from the trading "glitch".

Justin Schack, director at Rosenblatt Securities, says the real issue is the amount of erroneous orders that flooded the market last week. As stocks fell, many traders stepped away from providing prices to buy them while sell orders kept arriving from investors with a mandate to execute a trade at the "market" or prevailing price.

In extreme cases, token 1 cent bids that were left on some exchanges by market makers were the only bid in the system and they were duly executed by computers.

"Maybe we need to place some type of limit on market orders so that they don't trade at a price significantly different from the previous sale," says Mr Schack.

That view is shared by Ms Schapiro, who told the hearing that the SEC will consider placing a "collar" on the price of a market order and limit aggressively priced orders.

# El Niño declared to be over

**By Javier Blas in London**

El Niño, the weather-altering Pacific warming that has hit the price of commodities from sugar to natural gas, has dissipated, the closely watched Australian Bureau of Meteorology said yesterday.

"The event of 2009-10 has concluded, with all the major indicators now below El Niño thresholds," it said.

The current El Niño event has been the strongest since the 1996-97 episode and the dissipation is set to impact on the commodities markets in multiple ways.

On the one hand, analysts said that the recurring phenomenon, caused by a rise in the water temperature in the tropical Pacific that affects weather patterns, inflated the cost of agricultural raw materials such as sugar, rubber and palm oil because of extreme droughts. The return of the rains is set to lower prices.

On the other hand, El Niño helps to keep down oil and natural gas prices as it contributes to a lower number of hurricanes in the energy-rich US Gulf of Mexico. The 2009 hurricane season was the quietest in a decade, but meteorologists are now forecasting an active season this summer.

## Market reports

# Warsaw lifted by PZU listing

EUROPE

**By Anjli Raval**

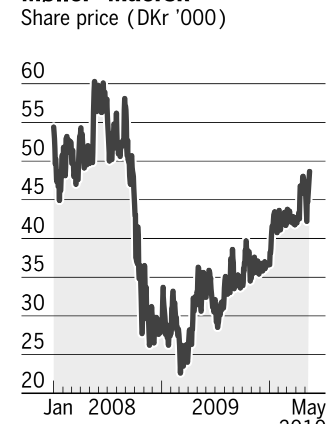
**PZU**, Poland's largest insurer, jumped on its trading debut on the Warsaw Stock Exchange yesterday after investors bid for nine times more shares than were offered in Europe's biggest initial public offering since 2007.

The company climbed 15.2 per cent to 360 zlotys in an IPO at the top of the price range, at 312.5 zlotys a share.

The IPO is part of the Polish government's programme to raise a record \$10bn from asset sales this year to help cut its budget deficit.

State-owned Tauron Polska Energia, the country's second-largest power producer, will hold an IPO next month.

**Møller - Maersk**
Share price (DKr '000)




Source: Thomson Reuters Datastream

The benchmark WIG index closed 1.1 per cent higher at 41,896.60.

European shares bounced back after Spain announced a package of tough austerity measures, helping ease fears about eurozone debt markets.

Overall, the FTSE Eurofirst 300 index rose 1.3 per cent to 1,048.56.

The Ibex 35 in Spain rose 0.8 per cent to 10,089.8, Portugal's PSI 20 added 2.9 per cent to 7,380.66 and the Athens General index gained 0.8 per cent to 1,749.59.

A series of strong earnings news from the financial sector chimed with the improving mood, with three large eurozone banks all posting better-than-forecast earnings.

**ING** of the Netherlands climbed 4.3 per cent to €7.03, Italy's **UniCredit** rose 0.4 per cent to €1.94 and **KBC** in Belgium added 5.2 per cent to €33.49.

**AP Møller-Maersk**, the Danish shipping and oil group, was one of the biggest winners on the FTSE Eurofirst after forecast-beating first-quarter numbers. Recovering freight rates and higher oil prices pushed the company's shares up 9 per cent to DKr48,680.

Luxury goods makers were winners on the FTSE Eurofirst after **Swatch Group** said it had seen strong first-quarter growth and earnings numbers. Its shares added 4.9 per cent to SFr333.20.

# Euro slides on quantitative easing fears

CURRENCIES

**By Peter Garnham**

The euro fell close to a 14-month low against the dollar yesterday on concerns that the European Central Bank's plan to buy eurozone government bonds could lead to quantitative easing.

The ECB has said the purchases, designed to prop up ailing sovereign bond markets, would be sterilised. This means they would not increase money supply in the eurozone and hence did not constitute quantitative easing.

But analysts remained sceptical with Jean-Claude Trichet, ECB president, giving no detail of the central bank's bond purchases.

"There remain no details in regard to sterilisation of purchases with the markets quite rightly concluding that there is no sterilisation taking place," said Derek Halpenny, of Bank of Tokyo-Mitsubishi UFJ.

He added that the financial markets were well aware that both the US Federal Reserve and the Bank of England started their asset purchase programmes by insisting that the purchases would be sterilised.

"However, of course, in both cases it became abundantly clear that the amount of purchases required would make sterilisation impossible," said Mr Halpenny. "Not long ago, we were led to believe by the ECB that the idea of quantitative easing in the eurozone was preposterous but not so now, and this dramatic shift will ensure that the euro continues to drift lower over the coming months."

The euro lost ground in early trade, falling to a low of \$1.2604 against the dollar, less than a cent above the 14-month trough of \$1.2520 that it hit last Thursday.

The euro recovered from early losses to fall just 0.3 per cent to \$1.2627 in late New York trade.

The euro rose 0.6 per cent to £0.8517 against the pound as sterling fell after the Bank of England struck a dovish tone in its quarterly inflation report, warning it could not rule out further quantitative easing. The Bank said inflation would come in below its 2 per cent forecast in two years.

The pound had risen to a high of \$1.5044 against the dollar earlier in the session as the confirmation that the UK's Conservative and Liberal Democrat parties had formed a ruling coalition raised hopes that the country would get to grips with its record budget deficit.

But sterling pulled back to stand down 0.9 per cent at \$1.4827 against the dollar.

Elsewhere, the dollar was 0.6 per cent higher at Y92.18 against the yen.

The Swedish krona rose 0.7 per cent to SKr7.560 against the dollar after the European Commission recommended that Estonia be allowed to adopt the euro next year. The krona benefited given the exposure of the of Swedish banks to the Baltic region, with analysts reasoning that it lessened the chance of a devaluation of the Estonian kroon.

**CURRENCY RATES** www.ft.com/currencydata

| May 12 | Currency | DOLLAR Closing Mid | DOLLAR Day's Change | EURO Closing Mid | EURO Day's Change | POUND Closing Mid | POUND Day's Change |
|---|---|---|---|---|---|---|---|
| Argentina | (Peso) | 3.8955 | 0.0045 | 4.9397 | 0.0019 | 5.7882 | 0.0018 |
| Australia | (A$) | 1.1179 | 0.0022 | 1.4176 | 0.0018 | 1.6610 | 0.0019 |
| Bahrain | (Dinar) | 0.3770 | - | 0.4781 | -0.0004 | 0.5602 | -0.0005 |
| Bolivia | (Boliviano) | 7.0200 | - | 8.9018 | -0.0069 | 10.4307 | -0.0088 |
| Brazil | (R$) | 1.7716 | -0.0113 | 2.2465 | -0.0161 | 2.6323 | -0.0191 |
| Canada | (C$) | 1.0162 | -0.0067 | 1.2886 | -0.0095 | 1.5099 | -0.0113 |
| Chile | (Peso) | 529.250 | -1.6750 | 671.116 | -2.6549 | 786.386 | -3.1524 |
| China | (Yuan) | 6.8273 | -0.0017 | 8.6574 | -0.0090 | 10.1444 | -0.0111 |
| Colombia | (Peso) | 1965.95 | -15.5000 | 2492.92 | -21.6361 | 2921.11 | -25.5073 |
| Costa Rica | (Colon) | 530.445 | -7.2050 | 672.632 | -9.6740 | 788.163 | -11.3774 |
| Czech Rep. | (Koruna) | 20.0639 | -0.0200 | 25.4420 | -0.0455 | 29.8119 | -0.0549 |
| Denmark | (DKr) | 5.8680 | 0.0040 | 7.4410 | -0.0008 | 8.7190 | -0.0014 |
| Egypt | (Egypt £) | 5.6040 | 0.0010 | 7.1062 | -0.0043 | 8.3267 | -0.0055 |
| Estonia | (Kroon) | 12.3391 | 0.0098 | 15.6465 | - | 18.3340 | -0.0010 |
| Hong Kong | (HK$) | 7.7808 | 0.0005 | 9.8665 | -0.0071 | 11.5611 | -0.0090 |
| Hungary | (Forint) | 215.484 | -1.2919 | 273.245 | -1.8550 | 320.178 | -2.1905 |
| India | (Rs) | 45.1150 | -0.1650 | 57.2081 | -0.2545 | 67.0341 | -0.3018 |
| Indonesia | (Rupiah) | 9085.00 | -10.0000 | 11520.2 | -21.7755 | 13498.9 | -26.2270 |
| Iran | (Rial) | 9945.00 | - | 12610.8 | -9.9450 | 14776.8 | -12.4312 |
| Israel | (Shk) | 3.7510 | -0.0115 | 4.7565 | -0.0183 | 5.5734 | -0.0218 |
| Japan | (Y) | 93.0800 | 0.3900 | 118.030 | 0.4019 | 138.303 | 0.4636 |
| One Month | | 93.0558 | 0.0048 | 118.017 | 0.0039 | 138.253 | 0.0062 |
| Three Month | | 92.9834 | 0.0035 | 117.965 | 0.0022 | 138.124 | 0.0000 |
| One Year | | 92.4710 | 0.0178 | 117.580 | 0.0172 | 137.312 | 0.0683 |
| Kenya | (Shilling) | 77.7500 | -0.1500 | 98.5909 | -0.2681 | 115.525 | -0.3202 |
| Kuwait | (Dinar) | 0.2897 | -0.0002 | 0.3674 | -0.0005 | 0.4305 | -0.0007 |
| Malaysia | (M$) | 3.2085 | -0.0040 | 4.0686 | -0.0083 | 4.7674 | -0.0100 |
| Mexico | (New Peso) | 12.4294 | -0.1120 | 15.7611 | -0.1546 | 18.4683 | -0.1821 |
| New Zealand | (NZ$) | 1.3963 | 0.0035 | 1.7705 | 0.0030 | 2.0747 | 0.0035 |
| Nigeria | (Naira) | 150.730 | 0.1800 | 191.133 | 0.0777 | 223.962 | 0.0793 |
| Norway | (NKr) | 6.1315 | -0.0468 | 7.7751 | -0.0655 | 9.1105 | -0.0772 |
| Pakistan | (Rupee) | 84.1500 | 0.2300 | 106.706 | 0.2077 | 125.034 | 0.2368 |
| Peru | (New Sol) | 2.8395 | -0.0083 | 3.6007 | -0.0133 | 4.2191 | -0.0158 |
| Philippines | (Peso) | 45.0550 | 0.0475 | 57.1320 | 0.0153 | 66.9450 | 0.0143 |
| Poland | (Zloty) | 3.1284 | -0.0382 | 3.9669 | -0.0516 | 4.6483 | -0.0606 |
| Romania | (New Leu) | 3.2913 | -0.0007 | 4.1735 | -0.0042 | 4.8904 | -0.0053 |
| Russia | (Rouble) | 29.9554 | -0.2501 | 37.9850 | -0.3474 | 44.5092 | -0.4094 |
| Saudi Arabia | (SR) | 3.7502 | -0.0001 | 4.7554 | -0.0039 | 5.5722 | -0.0049 |
| Singapore | (S$) | 1.3794 | -0.0035 | 1.7492 | -0.0058 | 2.0496 | -0.0069 |
| South Africa | ( R) | 7.4835 | -0.0782 | 9.4895 | -0.1068 | 11.1194 | -0.1257 |
| South Korea | (Won) | 1143.65 | 7.9500 | 1450.21 | 8.9454 | 1699.29 | 10.3929 |
| Sweden | (SKr) | 7.5346 | -0.0933 | 9.5543 | -0.1260 | 11.1953 | -0.1482 |
| Switzerland | (SFr) | 1.1078 | -0.0009 | 1.4047 | -0.0023 | 1.6459 | -0.0028 |
| Taiwan | (T$) | 31.6435 | 0.0500 | 40.1256 | 0.0318 | 47.0175 | 0.0348 |
| Thailand | (Bt) | 32.2950 | -0.0450 | 40.9517 | -0.0894 | 47.9856 | -0.1073 |
| Tunisia | (Dinar) | 1.4758 | 0.0009 | 1.8713 | -0.0004 | 2.1928 | -0.0005 |
| Turkey | (Lira) | 1.5254 | -0.0106 | 1.9343 | -0.0149 | 2.2665 | -0.0176 |
| U A E | (Dirham) | 3.6730 | - | 4.6576 | -0.0037 | 5.4576 | -0.0046 |
| UK (0.673)* | (£) | 1.4859 | -0.0012 | 0.8535 | 0.0000 | - | - |
| One Month | | 1.4857 | - | 0.8537 | - | - | - |
| Three Month | | 1.4855 | -0.0001 | 0.8541 | 0.0000 | - | - |
| One Year | | 1.4849 | 0.0004 | 0.8563 | -0.0003 | - | - |
| Ukraine | (Hrywnja) | 7.9255 | 0.0010 | 10.0500 | 10.0500 | 11.7761 | -0.0084 |
| Uruguay | (Peso) | 19.1000 | -0.4000 | 24.2198 | 24.2198 | 28.3798 | -0.6187 |
| USA | ($) | - | - | 1.2681 | -0.0010 | 1.4859 | -0.0012 |
| One Month | | - | - | 1.2682 | 0.0000 | 1.4857 | - |
| Three Month | | - | - | 1.2687 | 0.0000 | 1.4855 | -0.0001 |
| One Year | | - | - | 1.2715 | -0.0001 | 1.4849 | 0.0004 |
| Venezuela † | (Bolivar Fuerte) | 4.2947 | - | 5.4459 | -0.0043 | 6.3812 | -0.0054 |
| Vietnam | (Dong) | 19000.0 | -20.0000 | 24093.0 | -44.3810 | 28231.2 | -53.4900 |
| Euro (0.7886)* | (Euro) | 1.2681 | -0.0010 | - | - | 1.1718 | 0.0000 |
| One Month | | 1.2682 | 0.0000 | - | - | 1.1715 | 0.0000 |
| Three Month | | 1.2687 | 0.0000 | - | - | 1.1709 | 0.0000 |
| One Year | | 1.2715 | -0.0001 | - | - | 1.1678 | 0.0004 |
| SDR | - | 0.6740 | 0.0006 | 0.8546 | 0.0001 | 1.0015 | 0.0001 |

Rates are derived from WM/Reuters at 4pm (London time). * The closing mid-point rates for the Euro and £ against the \$ are shown in brackets.The other figures in the dollar column of both the Euro and Sterling rows are in the reciprocal form in line with market convention. † Rate shown is 'petro-dollar' rate, preferential rate is fixed at 2.6 to the US Dollar. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at **http://www.FT.com/marketsdata**

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Cyprus 0.585274, Finnish Markka 5.94572, French Franc 6.55957, German Mark 1.95583, Greek Drachma 340.75, Irish Punt 0.787564, Italian Lira1936.27, Malta 0.4293, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Slovenia Tolar 239.64, Spanish Peseta 166.386

# Cushing spurs wider spreads of Brent and WTI

COMMODITIES

**By Gregory Meyer**

The price of the world's two main crude **oil** benchmarks yesterday diverged by the widest amount since the depths of the financial crisis after a relentless rise in crude inventories at a US pipeline hub.

Brent, the European oil benchmark, traded at \$5.90 a barrel more than US-based WTI at one point, a spread last seen in February 2009. Brent crude normally trades at a discount to WTI.

The blend of crudes from the North Sea made rare gains on its US counterpart a month ago as inventories at the WTI delivery point of Cushing, Oklahoma, began to grow sharply.

The US Department of Energy yesterday reported that Cushing inventories had risen for an eighth straight week to 37m barrels, an all-time high, damping spot prices as traders contemplated the reaching of storage limits there.

The International Energy Agency put Cushing's operable capacity at about 41m-42m barrels, citing market sources.

The energy watchdog for western countries said that oil storage levels at Cushing along with fresh flows of Canadian crude into the central US "pressured prompt WTI prices".

The temporary shutdown of a North Sea oil field called Buzzard has, meanwhile, kept Brent prices relatively steady, the IEA said.

WTI has also traded at an extreme discount to Light Louisiana Sweet, a US crude grade of a similar quality that is less subject to Cushing storage issues.

It was precisely because of erratic price movements in WTI that Saudi Arabia decided in October to drop the US benchmark as a reference for its sales in the US for the first time since 1994. It replaced it with a basket of crudes produced in the US Gulf of Mexico.

The increase in Cushing stocks pushed Nymex June WTI down by 72 cents to settle at \$75.65 a barrel while ICE June Brent rose 71 cents to \$81.20 a barrel.

Nymex June WTI futures were hit the hardest, pushing them more than \$4 below the July contract, the widest discount since February 2009.

For investors who buy and hold commodity indexes such as the oil-heavy S&P GSCI, this discount is costly.

While many investment managers have devised strategies to work around this so-called roll-cost, "with a curve this steep, you can only minimise it, you cannot eradicate it. It clearly is a drag on returns while this persists", said Sean Corrigan, at Diapason Commodities Management in Switzerland.

The steepness of the futures curve is, meanwhile, a windfall for operators of storage at Cushing as they can buy US oil at relatively low prices and lock in gains by selling futures. June 2011 WTI was yesterday at \$87.70.

Elsewhere in the commodities markets, **gold** and **silver** prices soared on strong investor demand.

The rally has been supported by a rush of demand for coins and small bars from European investors, particularly in Germany, where there are fears of inflation in the wake of the €750bn eurozone bail-out agreed on Sunday night.

Spot gold hit an all-time high of \$1,244.70 a troy ounce, up 1 per cent on the day. Silver rose 1.8 per cent to \$19.61 an ounce, its highest level since March 2008.

**Gold loses glister in India: www.ft.com/indiangold**

**COMMODITY PRICES**

| Energy | | Price* | Change |
|---|---|---|---|
| WTI Crude Oil † | Jun | 75.65 | -0.72 |
| Brent Crude Oil ‡ | Jun | 81.20 | 0.71 |
| RBOB Gasoline † | Jun | 2.2104 | +0.0152 |
| Heating Oil † | Jun | 2.1591 | +0.0190 |
| Natural Gas † | Jun | 4.284 | +0.153 |
| Ethanol ◆ | Jun | 1.643 | +0.005 |
| Uranium | | 41.50 | -0.25 |
| Carbon Emissions ‡ | Jun | €15.62 | +0.05 |
| Diesel (French) | | 691.25 | +5.25 |
| Unleaded (95R) | | 746.00 | nc |
| globalCOAL RB Index | | 90.61 | -0.42 |
| **Base Metals (♠ LME 3 Month)** | | | |
| Aluminium | | 2124.50 | +68.50 |
| Aluminium Alloy | | 2000.00 | +60.00 |
| Copper | | 7120.00 | +210.00 |
| Lead | | 2050.00 | +55.00 |
| Nickel | | 22950.00 | +800.00 |
| Tin | | 17750.00 | +300.00 |
| Zinc | | 2099.00 | +56.00 |
| **Precious Metals (PM London Fix)** | | | |
| Gold | | 1237.50 | +15.00 |
| Silver | | 1959.00 | +117.00 |
| Platinum | | 1703.00 | +14.00 |
| Palladium | | 537.00 | +16.00 |
| **Agricultural & Cattle Futures** | | | |
| Corn ◆ | May | 371.75 | +2.00 |
| Wheat ◆ | May | 482.75 | -1.00 |
| Soyabeans ◆ | May | 959.50 | +1.25 |
| Soyabeans Meal ◆ | May | 281.30 | -1.00 |
| Cocoa ❖ | May | £2265 | +13 |
| Cocoa ♥ | May | 2.959 | +0 |
| Coffee (Robusta) ❖ | May | 1368 | +17 |
| Coffee (Arabica) ♥ | May | 136.80 | +1.55 |
| White Sugar ❖ | Aug | 471.00 | +19.80 |
| Sugar 11 ♥ | Jul | 14.67 | +0.76 |
| Cotton ♥ | Jul | 80.37 | -0.16 |
| Orange Juice ♥ | Jul | 140.95 | -0.90 |
| Palm Oil | Dec | 815.00 | -5.00 |
| Live Cattle ♣ | Jun | 95.700 | -1.100 |
| Feeder Cattle ♣ | May | 111.500 | -0.600 |
| Lean Hogs ♣ | May | 88.450 | +0.525 |
| Frozen Pork Bellies ♣ | May | 102.000 | nc |
| Baltic Dry Index | | 3888 | +66 |

Sources: † NYMEX, ‡ ECX/ICE, ◆ CBOT, ❖ NYSE Liffe, ♥ NYBOT, ♣ CME, ♠ LME/London Metal Exchange. * \$ unless otherwise stated. London Closing prices.

**INDICES**

| | May 11 | % Chg Mnth | % Chg Year |
|---|---|---|---|
| S&P GSCI Spt | 516.82 | -4.4 | 25.6 |
| DJ UBS Spt | 130.30 | -2.7 | 7.8 |
| R/J CRB TR | 264.72 | -3.7 | 9.1 |
| Rogers RICIX TR | 3114.20 | -4.4 | 13.7 |
| M Lynch MLCX Spt | 436.53 | -3.3 | 25.4 |
| UBS B'berg CMCI TR | 1087.32 | -4.5 | 14.2 |
| LEBA EUA Carbon | 15.57 | 15.6 | 2.2 |

# Buyers support Portugal debt sale

Eurozone still fragile, warn strategists

**By David Oakley**

Investors flocked to buy new Portuguese bonds yesterday in a sign that the €750bn ($950bn) international rescue package and central bank debt purchases are helping to avert the eurozone's gravest crisis.

However, strategists warned investors not to pin too much hope on the success of one auction, an early test of the market following the announcement of the international support package at the weekend.

Gary Jenkins, head of fixed income research at Evolution, said: "There is still a long way to go in this crisis. So far so good, but there are still a lot of bonds that the eurozone countries need to raise.

"If the economic situation deteriorates and puts further strain on fiscal consolidation efforts, then markets could come under pressure and countries could have difficulty issuing bonds."

Mr Jenkins warns the international rescue plan could unravel should any of the countries with the weakest public finances – Italy, Spain, Ireland and Portugal – struggle to raise debt in the markets.

This is because between them, he estimates they must guarantee €180bn of the European Union's €500bn portion of the support programme. The International Monetary Fund is expected to contribute the rest of the money.

Separately, Portugal needs to raise another €10bn this year, Spain €60bn, Ireland €10bn and Italy €100bn. If there are any problems in selling this debt to investors, it could undermine the EU's rescue package as these countries would find it harder to guarantee loans.

Other strategists warned that the European Central Bank and other eurozone central banks will have to buy a lot more bonds than they first envisaged to stabilise the markets, putting the rescue plan under further strain. This is because investor confidence could fall sharply in the eurozone should the ECB be forced to buy large amounts of bonds, many of which are junk-rated in the case of Greece, that would weaken its balance sheet.

Many investors think the ECB will have to buy up to €600bn in government bonds to keep the markets steady. Eurozone central banks have bought about €25bn, mostly in short-dated bonds of Portugal, Greece and Ireland, so far.

Portugal, however, confounded the pessimists by issuing €1bn of 10-year bonds with a bid to cover ratio of 1.8 and an average yield of 4.523 per cent. This was only 18 basis points more than the yield on its previous 10-year auction in April, which is relatively impressive given the near meltdown in the market last week.

Italy is next in the frame with two bond auctions today. It will issue five-year and 15-year bonds and is expected to raise between €3bn and €5bn. Italy raised money in 12-month debt earlier in the week.

# UK gilts show their attraction in times of crisis

News analysis

Unique factors help boost the market despite problems in the eurozone, says **David Oakley**

A strange thing has happened in recent months. The UK, with its record budget deficit and uncertain political and economic outlook, has become a haven.

Indeed, in the past week as the eurozone crisis heightened, the UK even displaced Germany as a safe place to park money.

It seems a far cry from the start of the year when Pimco, the world's second-biggest bond fund manager, colourfully described the gilts market as "resting on a bed of nitro-glycerine" because it was so unstable.

However, the world has changed since then as the eurozone crisis has deepened, prompting a vast international rescue package that has made the UK look like a beacon of stability in comparison.

Strategists say this is the one key factor that has shored up the gilts market, overwhelming worries over the 12 per cent budget deficit and the potential pitfalls of a coalition government.

As one trader put it bluntly yesterday: "The UK is the cleanest dirty shirt and the winner of the least ugly competition."

Jonathan Cloke, director of bonds at Legal & General Investment Management, agrees: "There has only been one story for most of us in the bond markets and that has been the problems of the eurozone. The UK looks in good shape by comparison."

But the UK has several other unique factors supporting the gilt markets.

First, interest rates are likely to remain low in the UK for a long time. This view was reaffirmed in the Bank of England's quarterly inflation report, which pointed to inflation falling below its 2 per cent target in the next two years.

Some analysts suggested the report leaves the door open for more quantitative easing, which would be likely to boost the gilts market further. The Bank of England has bought £200bn ($297bn) of gilts through its QE programme, which has helped depress yields to historic lows.

Second, the UK has an independent currency in sterling, which has weakened sharply in the past year, encouraging overseas investors to buy gilts as they are cheaper.

Third, foreign investors only hold 30 per cent of the £800bn in outstanding gilts, much lower than eurozone countries. More than 80 per cent of Irish debt is held externally. In Greece and Portugal it is 75 per cent and 72 per cent respectively.

This means the UK market is not subject to the more capricious nature of overseas buyers that are more likely to take flight in the event of negative news flow or poor economic data.

In the UK, a large number of gilts are held by insurance companies and pension funds. The UK Debt Management Office estimates they held £253.8bn at the end of 2009. These funds have to buy gilts to match their liabilities, which gives the UK a steady supply of buyers that other countries do not enjoy.

Of the big industrialised nations, only Japan has more of its debt owned domestically, at 95 per cent.

Fourth, the UK has a much longer average debt profile than other countries. At nearly 14 years, it is one of the longest in the industrialised world, compared with just more than five years for Ireland, six years for Portugal and eight years for Greece.

This is important as it means the so-called rollover risk for the UK is much lower. In other words, with average debt maturities relatively long, the UK does not face the immediate refinancing pressures that other countries do.

Fifth, the yield curve between two years and 10 years is one of the steepest in the industrial world providing what traders call very good "positive carry", whereby they can sell short-dated debt and buy long-dated gilts and make money from the difference. This has the effect of depressing longer dated gilt yields. At the moment, the yield spread between two year and 10 year bond yields is 3 percentage points – a big premium in the current low interest rate environment.

However, there are still big risks for the UK and it is significant that big investors are still mostly underweight gilts as they expect market prices to fall and yields to rise.

30%

**Foreign investors' holding of £800bn in outstanding gilts**

Consensus forecasts suggest 10-year gilt yields will rise from 3.84 per cent today to 4.5 per cent by the end of the year as analysts warn that concerns over the size of the borrowing requirement are likely to rise. Others say improving economic data is likely to raise the likelihood of rate rises – bad news for all sterling fixed-income investments, including gilts.

Mr Cloke says: "We are still underweight gilts as we think yields will rise from here to about 4 per cent over the coming months. We have more money in cash as there are still a lot of uncertainties."

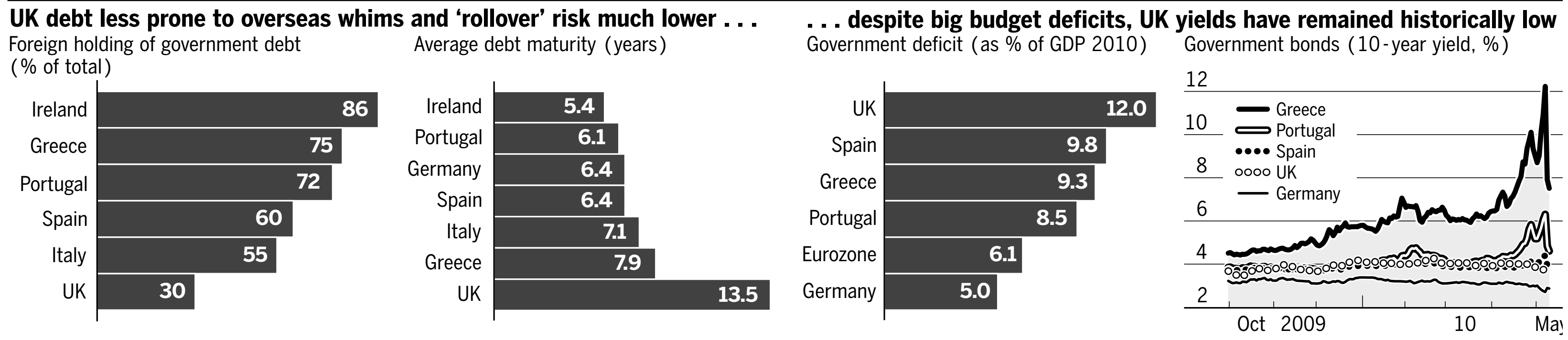
John Wraith, fixed-income strategist at BofA Merrill Lynch, adds: "My forecast for 10 year yields is 4.9 per cent by the end of the year. My bearish leaning comes from concerns about the sheer scale of the borrowing requirement and the difficulty of reducing it."

Other investors remain cautious as a coalition government of the Conservatives and Liberal Democrats does not instill much confidence on some trading floors.

David Cameron, the Conservative leader, and Nick Clegg, his Liberal Democrat counterpart, do not look like obvious bedfellows, which could lead to delays in budget action, even in spite of yesterday's pledge to accelerate reduction of the £163bn deficit.

There are also fears that the sovereign focus will shift towards the UK as eurozone markets stabilise, helped by the vast international rescue plan and eurozone central banks buying government bonds of the bloc's weaker economies.

**UK debt less prone to overseas whims and 'rollover' risk much lower . . . . . . despite big budget deficits, UK yields have remained historically low**




A detail from the Bank of England doors
Photo by Bruno Vincent

**A large number of gilts are held in the UK by insurance companies and pension funds, providing a steady supply of buyers**

Big holders of gilts (as of end 2009, £bn)


*Sources: Thomson Reuters Datastream; European Commission; Barclays Capital*

## View of the Day

**Julian Jessop**
Capital Economics

The price of gold is likely to retreat sharply from current record highs by the end of the year, believes Julian Jessop, chief international economist at Capital Economics.

"Gold's performance has been impressive but should perhaps have been even better. Widespread fears over levels of public debt, the integrity of policymaking and the health of the financial system are an ideal scenario for an asset whose value is not dependent on the creditworthiness of any government or bank," he says. "In spite of this, gold has only now breached the highs seen last December, held back by the resilience of the dollar."

Mr Jessop acknowledges that gold is still not particularly expensive, on a historical basis, when compared to other assets such as oil or equities. As such, forecasts of a near-term rise to $1,400 an ounce are not implausible – but are a big stretch.

"The EU rescue package has averted an imminent financial meltdown in the eurozone, while at the same time the required fiscal tightening will keep inflation subdued.

"With global growth and commodity prices also set to fall as the policy stimulus fades in other key economies, including China, gold should lose the support it has gained as an inflation hedge.

"Unless the government of a major economy actually defaults, or the dollar collapses, we expect gold to drop back to $1,000 by the end of 2010."

# Seoul warms to naked short selling

**By Kevin Brown in Singapore and Christian Oliver in Seoul**

South Korea's top financial regulator has decided in principle to allow naked short selling of bonds as part of a drive to increase the depth and liquidity of the market and bring the country more into line with international markets.

Naked short selling – the process of selling a financial instrument that is neither owned nor borrowed by the vendor – is allowed under Korean law but effectively barred through guidance from the Financial Services Commission, which sets policy implemented by the Financial Supervisory Service.

Under new rules, market makers will be required to meet tough new regulatory and prudential requirements to reduce settlement and reputational risks, Kwon Hyouk-se, vice-chairman of the FSC, told the Financial Times.

"The direction of the Korean government is moving towards allowing naked short selling, but not in full scope at once. We think there must be prerequisite conditions before we allow this," Mr Kwon said in an interview in Singapore.

"Once these conditions are met we will allow naked short selling step by step."

Nicholas de Boursac, managing director of the Asia Securities Industry and Financial Markets Association, a lobby group, said the move would bring South Korea in line with other debt markets.

In the industrialised world, naked short selling of bonds is considered healthy for the market as it encourages liquidity and offers dealers more flexibility in funding. Regulators in the west are, however, considering bans on naked trading of credit default swaps, which protect investors against bond defaults. Naked short selling of stocks has been banned on occasions in some equity markets too.

Mr Kwon said the ban on naked short selling of bonds would be lifted first for sales of Treasury bonds, which have the greatest liquidity.

The commission is understood to be considering allowing such sales within six months. It would then be extended gradually to other bonds.

The decision to allow naked short selling is regarded as an important step in the bond markets because it is a move towards inclusion in the Citigroup World Government Bond index, widely tracked by global investors.

### Samsung Life makes strong debut

Samsung Life, South Korea's biggest life insurer, jumped on its debut after raising $4.4bn in the world's second-largest initial public offering this year.

Shares of the company began trading at Won119,500 yesterday, up 9 per cent from the listing price of Won110,000, but later retreated to Won114,000.

Samsung Life is taking advantage of the country's busiest IPO market in more than a decade. Its listing drew huge investor interest amid record low interest rates and a flagging property market.

The offering was priced before the recent rout in global equities, which forced more than 10 companies worldwide, including Americold Realty Trust of the US and Hong Kong's Swire Properties, to scrap or delay IPOs last week.

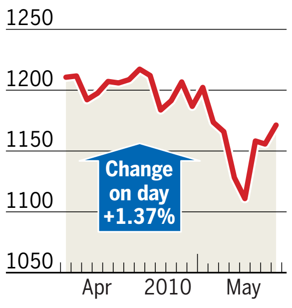
Goldman Sachs was the global co-ordinator of Samsung Life's IPO.



# MARKETS

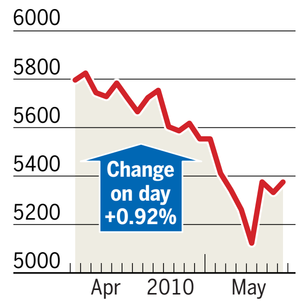
Thursday May 13 2010

### S&P 500 index



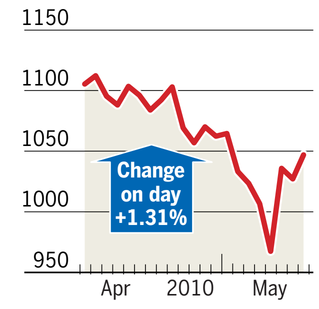

**US equities**
Technology and multinational stocks moved higher on Wall Street as worries about sovereign debt defaut in the eurozone eased. IBM led the way, with Intel not far behind and Caterpillar also gaining ground

### FTSE 100 index



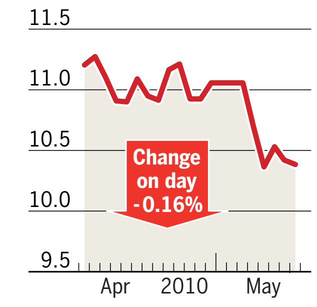

**UK equities**
Rolls-Royce gained as the composition of the coalition government bolstered hopes that military spending would be protected. But some financials fell on fears that bank taxation would move up the political agenda

### FTSE Eurofirst 300 index




**European equities**
Encouraging earnings from the financial sector and optimism about Spanish austerity measures helped drive the Eurofirst 300 higher. Polish insurer PZU debuted strongly in Europe's biggest flotation since 2007

### Nikkei 225 Average
'000




**Asian equities**
Positive earnings news helped limit the Nikkei's decline while bargain-hunting pushed Shanghai and Hong Kong higher. Sydney rose 0.6 per cent as gold miners gained on the back of a record high for the metal

Source: Thomson Reuters Datastream

Markets updated at www.ft.com/markets

# Spanish austerity measures boost sentiment

GLOBAL OVERVIEW

## Corporate earnings soothe investors

## Fears of eurozone debt default remain

**By Dave Shellock**

A mood of guarded optimism spread through US and European equity markets yesterday as confidence was buoyed by positive newsflow on sovereign risk and some encouraging corporate earnings news.

However, gold's rise to a record high, along with renewed pressure on the euro, underlined that genuine fears about a eurozone debt default continued to bubble under the surface.

But Spain's announcement yesterday of tough public spending cuts to rein in the country's budget deficit helped alleviate worries about contagion from the Greek crisis.

"Investors are keenly watching for European economies to spell out how they are going to fix their leaking roofs to maintain recovery efforts," said Giles Watts, head of equities at City Index.

The mood was further helped by news that Portugal had successfully auctioned €1bn ($1.3bn) of 10-year bonds.

And the positive news continued as data showed the eurozone economy expanding by 0.2 per cent in the first quarter of the year – slightly more than expected – after stagnating in the final quarter of 2009.

Carsten Brzeski, economist at ING, said second-quarter growth should also be good – although he warned that the outlook beyond the "spring sprint" was less rosy. "Against great odds, the eurozone recovery continues," he said. "However, with fiscal consolidation and strong export-dependency, the recovery will remain two-speeded."

Meanwhile, the formation of a coalition government by the UK Conservatives and Liberal Democrats provided further encouragement to those looking for signs of reduced sovereign risk in Europe.

"The markets have responded positively to the news of the coalition, presumably because, first, with the Conservatives the deficit will be cut more quickly, thus reducing the possibility of a ratings downgrade. And, second, a Conservative coalition will have a larger majority in parliament and thus be potentially more stable," said George Buckley, chief UK economist at Deutsche Bank.

But sterling lost early gains as a dovish quarterly inflation report from the Bank of England encouraged the view that UK policy would not be tightened any time soon. The pound ended the European session 0.5 per cent lower against the dollar.

Elsewhere in the **currency markets**, the euro fell to within a cent of last week's 14-month low against the dollar before rallying to stand little changed against the US currency.

The single currency has been under pressure recently by concerns about the European Central Bank's purchases of peripheral eurozone government bonds – a move agreed as part of the €750bn eurozone bail-out plan but in direct contradiction to its previous stance. "It is becoming increasingly clear that the far reaching aid programme agreed over the weekend is to the detriment of the euro," said Ulrich Leuchtmann at Commerzbank.

"Even if officials are taking exercises in damage limitation the credibility of the ECB has obviously suffered considerably on the markets. Moreover, it is becoming increasingly clear that the eurozone has not solved its budget difficulties with the European stability mechanism."

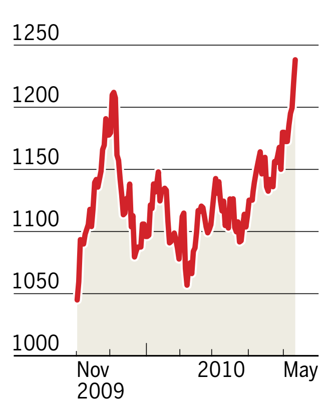
One sign that investors shared those fears came from gold's rise to a record high of $1,244.70 an ounce.

Elsewhere in **commodities**, the US benchmark oil price fell below $76 a barrel, although Brent crude rose above $80 – the biggest divergence since the peak of the financial crisis – due to a steady inventory rise at at a big US pipeline hub.

**Equities** had a strong session on both sides of the Atlantic. In New York, the S&P 500 closed up 1.4 per cent, while the pan-European FTSE Eurofirst 300 index rose 1.3 per cent. Asian stocks were less sanguine, with the Nikkei 225 in Tokyo down 0.2 per cent.

US and German **government bonds** were steady as their peripheral eurozone counterparts saw fresh gains. The 10-year Treasury yield was up 6 basis point to 3.58 per cent after a $24bn auction of 10-year paper. The Greek-German 10-year yield spread fell to 453bp, its lowest in three weeks. The cost of insuring peripheral sovereign debt against default was lower across the board.

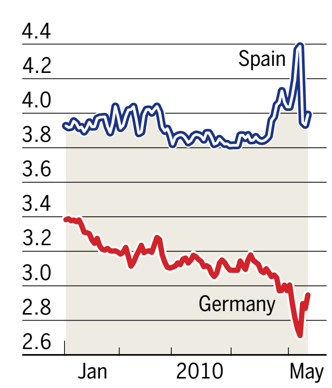
**Gold price**
$ per troy ounce




◀ Gold reached a fresh record high above $1,240 an ounce amid persistent concerns about eurozone sovereign debt and the potential impact of the ECB's decision to buy government bonds

▶ The yield spreads between German and peripheral eurozone government bonds continued to narrow after Spain announced tough austerity measures

**Government bonds**
10-year yields (%)




Source: Thomson Reuters Datastream

# Rolls-Royce driven higher by prospect of share buy-backs

LONDON

**By Bryce Elder and Neil Hume**

Share buy-back hopes helped lift **Rolls-Royce** yesterday as the London market continued its see-saw performance.

The jet engine maker closed up 5.4 per cent to 611p, taking its gain since the start of the week to 11.5 per cent. The move reflected expectations that military spending budgets in the UK and US would be protected, dealers said, as well as hopes of the cash return to shareholders.

"We estimate Rolls has scope to spend £2.2bn of cash before it runs the risk of a credit downgrade," JPMorgan Cazenove said in a recent note.

Analyst John Middleton forecast the engine maker to spend £500m a year on share repurchases from 2012 onwards. This would boost peak-cycle earnings from 65p per share to 76p, he said.

A rally on Wall Street helped lift the wider market, with the FTSE 100 closing up 49.24 points, or 0.9 per cent, to 5,383.45. In spite of the domestic political dramas over the previous 48 hours, the index was barely changed on a two-day view.

Tour operators led the blue-chip risers, with **Tui Travel** up 6.5 per cent to 265p as brokers including Merrill Lynch kept "buy" advice following its results on Tuesday, while **Thomas Cook** ran 6 per cent higher at 232p.

**Prudential** led the financial stocks, up 4.5 per cent to 565½p, amid rumours it was nearing an agreement with the Financial Services Authority over its proposed bid for AIG's Asian arm. The insurer was said to be aiming to publish its rights issue prospectus by Friday.

**Old Mutual** climbed 4 per cent to 119p following reports that **Standard Chartered** was in the early stages of examining a potential offer for Nedbank, its South African arm. Chartered closed flat at £17.03.

Other lenders weakened to profit-taking after the formation of a Con-Lib coalition government moved unilateral bank taxation up the political agenda.

**Royal Bank of Scotland** slipped 3.2 per cent to 48½p, leading the blue-chip fallers, while **Lloyds Banking Group** was down 1.3 per cent to 59½p.

Publisher **Reed Elsevier** added 4 per cent to 508½p after Dutch peer Wolters Kluwer said its US market was improving. Meanwhile, Citigroup raised its earnings forecasts for Reed and repeated "buy" advice.

**Tullow Oil** rose 5 per cent to £11.42 and **Soco International** gained 8.8 per cent at £17.61 after Goldman Sachs added the stocks to its "buy" list. "Tullow's recent underperformance has left an attractive buying opportunity in a stock with world-class assets and oil-price leverage," said Goldman. On Soco, it said the shares "could almost double this year" if its exploration portfolio delivers.

**Compass Group** was 5.3 per cent higher at 557½p after a trading update from the caterer showed it had returned to growth in the first half.

**Inmarsat** rose 3.9 per cent to 789p as its results on Tuesday helped encourage theorising about a possible bid from Harbinger Capital, its biggest shareholder.

In the mid-caps, **ITV** rose 6.9 per cent to 61½p on news it had been included in MSCI's indices as part of its bi-annual review.

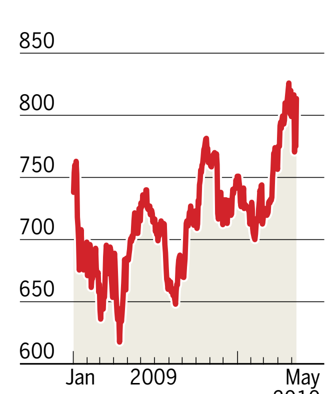
Insurance broker **Jardine Lloyd Thompson** gained 5.5 per cent to 585½p amid renewed speculation about a break-up bid. Aon, the Chicago-based insurer that last year bought Benfield, was once again rumoured to be interested.

An upgrade to "buy" from Numis also aided JLT shares. "With the full benefits of recent investment in staff still to emerge and stronger global collaboration across the group driving further contract wins, we believe that mid-single digit organic revenue growth is sustainable without a return to more favourable trading conditions," Numis said.

**Kesa Electricals** gained 4.1 per cent to 119¼p after the retailer reassured on full-year targets.

**Tullett Prebon** edged up 1.7 per cent to 362p ahead of its annual shareholder meeting and trading update due today. The inter-dealer broker said two months ago it was in sale talks, triggering speculation of interest from private equity and the Middle East. However, dealers played down talk that CVC might make an offer.

**Capita**
Share price (pence)




Source: Thomson Reuters Datastream

▲ Capita rebounded by 4.8 per cent to 812½p, having underperformed during the hung parliament negotiations on concerns that contracts would be delayed. KBC Peel Hunt argued that the Con-Lib government was more likely to bring forward projects for outsourcers

**Key indicators**

| FTSE 350 | Closing price | Day's change | Day's chng% |
|---|---|---|---|
| **Rises** | | | |
| Soco Intl | £17.61 | +143 | +8.8 |
| Hochschild Min | 279.50 | +18.50 | +7.1 |
| Dimension Data | 100.50 | +6.50 | +6.9 |
| ITV | 61.45 | +3.95 | +6.9 |
| Petropvlsk | £12.79 | +79 | +6.6 |
| **Falls** | | | |
| Provident Fin | 832 | -37 | -4.3 |
| Royal Bank Scot | 48.40 | -1.60 | -3.2 |
| Electra Pvt Eqty | £13.38 | -37 | -2.7 |
| JD Wetherspoon | 466.70 | -11.40 | -2.4 |
| Enterprise Inns | 136.20 | -3.10 | -2.2 |

| Indices | Close | Day's change |
|---|---|---|
| FTSE 100 | 5383.5 | +49.3 |
| FTSE 250 | 10186.9 | +210 |
| FTSE 350 | 2842.2 | +30.2 |
| FTSE All-Share | 2780.91 | +29.48 |
| FTSE All-Share yield | 3.34 | 3.37 |
| FTSE 100 Fut Jun | 5312.5 | - |
| 10 yr Gilt Yield | 3.81 | 3.86 |
| 20yr Gilt All-Share Ratio | 1.32 | 1.32 |

### Tax change helps airlines advance

No-frills airlines gained after the Conservative-Liberal Democrat coalition agreed to replace Air Passenger Duty with a per-plane tax.

Deutsche Bank said the change was "simply a redistribution of taxation in favour of airlines with higher passenger load factors such as EasyJet, Ryanair and Tui Travel".

EasyJet ended 2.9 per cent higher at 435¾p, while Ryanair gained 1.1 per cent to €3.46.

**Markets Live**
Read Neil Hume and Bryce Elder every weekday from 11am
www.ft.com/alphaville

# North Sea hopes lift Xcite

SMALL CAPS

**By Neil Hume and Bryce Elder**

**Xcite Energy**, which is looking to exploit reserves of heavy oil in the North Sea, added 18 per cent to 78½p on the back of a "strong buy" recommendation from house broker Arbuthnot Securities.

"If, as expected, the Bentley field is 200m barrels in size, then Xcite will be on par with Premier Oil and Dana Petroleum [in the North Sea]," said Arbuthnot.

The house broker set a new target price of 123p.

It also said Bentley would benefit from a new annual tax field allowance of £160m.

**Emis Group**, a supplier of patient record software systems to general practitioners, added a further 10.1 per cent to 377½p following a key contract win in Scotland.

Emis will replace the current clinical software system used by GPs in the greater Glasgow area.

**ZincOx** firmed 1.1 per cent to 47¾p after non-executive director Rod Beddows declared the purchase of 30,000 shares at 51.5p each.

**D1 Oils** dipped 2.5 per cent to 5¼p after activist investor Brian Myerson called a shareholder meeting aimed at replacing the current management team.

Last week, the biofuels company said two bidders were working on possible offers.

**Chime Communications** climbed 12.7 per cent to 204p after the marketing services group said it was trading ahead of expectations.

"We are particularly encouraged that first-quarter new business is up over 30 per cent year-on-year and 77 per cent of 2010 forecast operating income is now committed," said Numis Securities.

**Zamano**, the text message marketing group, dropped 13.7 per cent to 11p following a profit warning.

The company blamed tighter regulations, particularly in Ireland, as well as weaker-than-expected demand both in the UK and Australia.



# Dow strengthens as investors regain composure

WALL STREET

**By Masa Serdarevic in New York**

US stock prices climbed steadily higher yesterday as investors took comfort in signs of receding European sovereign debt risk following the resolution of the UK election and Spain's announcement of a new austerity plan.

After the closing bell, the S&P 500 was up 1.4 per cent at 1,171.67, the Dow Jones Industrial Average gained 1.4 per cent to 10,896.91 and the Nasdaq Composite was 2.1 per cent higher at 2,425.02.

The Vix index, a measure of volatility, was down 9.2 per cent to 25.71.

**Morgan Stanley** lost 2 per cent to $27.80 on reports that US investigators were probing whether the bank misled investors about mortgage derivative products it sold and sometimes bet against. The bank said it had not been contacted by any investigators.

**Bank of America** fell 0.5 per cent to $17.07, **AIG** lost 3.5 per cent to $41.40, but **Goldman Sachs** was 3.7 per cent higher at $147.20.

Department store chain **Macy's** rallied 3.4 per cent to $24.70 on strong first-quarter results, boosted by rising revenues.

**Disney** pulled back 1.8 per cent to $35.13, in spite of its first-quarter results beating analyst expectations.

Its television business recorded lower-than-expected results but the movie division was stronger-than-expected, boosted by the success of its *Alice in Wonderland* 3D blockbuster. The group's second-quarter net income was $953m, or 48 cents per share, compared with $613m, or 33 cents a share, in the previous year. It topped average analyst expectations of 45 cents per share.

**Intel**, the microchip maker, rose 3.6 per cent to $23.09 after a bullish investor day on Tuesday. The company said it expected to double its earnings in the next few years as it pushes into new fast-growing segments, namely smartphones and TVs.

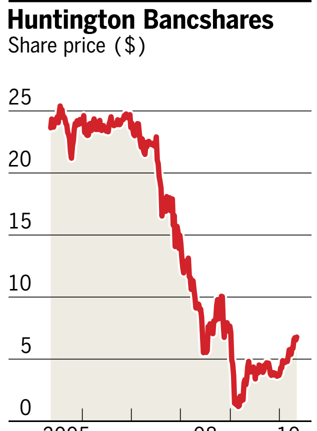
**Electronic Arts** retreated 5.8 per cent to $17.71, making it one of the day's biggest fallers, after the video game company lowered its first-quarter and full-year outlook for 2011 in a restatement, disappointing some investors who had expected a rise.

Industrials stocks performed well. **Caterpillar**, which makes construction and mining equipment, was up 3.2 per cent to $68.15 and **Deere & Co**, the maker of agricultural equipment rallied 2.8 per cent to $61.14.

**Huntington Bancshares** strengthened 4.5 per cent to $6.77 as the Ohio-based lender was upgraded to "overweight" from "equal-weight" at Morgan Stanley.

Consumer staples stocks were higher. **Tyson Foods**, a meat production company, rose 0.6 per cent to $18.13. **Conagra**, which supplies vegetables to restaurants added 1.6 per cent to $24.74 and **Mead Johnson**, which makes children's food, rose 2.3 per cent to $52.42.

**Huntington Bancshares**
Share price ($)




Source: Thomson Reuters Datastream

We're growing.
Shouldn't you?

# EXECUTIVE APPOINTMENTS

FINANCIAL TIMES Thursday May 13 2010

Grow your career in consultancy.
For Performance and Technology read growth and opportunity.
www.kpmg.co.uk/growthandopportunity
AUDIT • TAX • ADVISORY
KPMG

www.exec-appointments.com

## Big-Money Opening for Big-Money Closer

### Alternative Investment Sales, London

**Outstanding Opportunity** — **Seven-digit Earnings Potential**

**Can you close for big-money without blinking? Think you can but don't have the opportunity in your current sales role? If you are a truly talented sales professional and a real deal-closer this could be your opportunity to earn what you're really worth.**

This is a unique opportunity for a dynamic, motivated sales professional to move into Investment Management Sales with an ambitious, High-Performing, UK regulated Alternative Investment Management Company offering a program which yields high absolute returns over the medium- to long-term in rising or falling markets. The Program harnesses volatility for the investor rather than avoiding it – by taking a truly long-term macro approach to maximise trend-capturing opportunities while minimising transaction costs. Strong risk-management is integral to the investment process.

The success of the approach is demonstrated by the Program's 10 year performance track record. Being non-correlated with traditional asset classes it delivers powerful diversification benefits to a wide range of investors.

**The Opportunity**

My client has developed a structured marketing and sales strategy for the Program and now seeks a highly motivated, energetic sales professional to sell this compelling story to astute investors seeking to diversify their portfolios. The position is based at the Manager's City of London office and will involve UK and International travel. The successful candidate will spearhead the marketing effort by proactively targeting and raising assets from Funds-of-funds, Wealth-Managers, Pension Funds, HNWIs, IFAs, Family Offices, etc.

**Your Profile**

No previous experience of fund-raising is required. However, you will have a solid understanding of financial markets and a flair for selling - evidenced by your track-record in a high-value sales role. You will possess the initiative to identify new sales opportunities and the communication skills to connect with, influence and convince sophisticated investors.

Contacts within the Investor community would be an advantage but not essential as your sales ability will be the key to your success. Above all you will be highly-motivated with a "can-do" attitude and hungry to maximise earnings while following strict ethical standards in a highly regulated environment.

Successful candidates will be rewarded with a competitive base salary and an exceptional commission structure based on a generous share of management fees, together yielding potential seven-digit annual earnings for real closers.

**For initial interview call and sell yourself to me, David Rickford, on 01892 514774 or 07768 502569.**

D.R. CONSULTING
Financial Markets Selection

WALKER HAMILL
105 Jermyn Street
St. James's
London SW1Y 6EE

Tel: +44 (0) 20 7839 4444
Fax: +44 (0) 20 7839 5857

www.walkerhamill.com

REXAM

## Corporate Development Manager

LONDON • ATTRACTIVE PACKAGE

**Rexam is a leading global consumer packaging company. We are one of the leading global beverage can makers and a major global player in rigid plastic packaging. We are business partners to some of the world's most famous and successful consumer brands. Our vision is to be the best global consumer packaging company. Rexam's sales from ongoing operations are in the region of £4.8 billion. We have 105 plants in more than 20 countries and employ around 23,000 people.**

The business is seeking a talented and commercial individual to join the Head Office Corporate Development team. Reporting to the Business Development Director, you will play a pivotal role in:

- The group strategic planning process
- Business performance measurement and management, including balanced scorecard
- Benchmarking and competitor analysis
- Shareholder value and business portfolio analysis
- Joint venture and M&A origination, evaluation, structuring and execution

Important attributes include good commercial judgment, and a sound understanding of how strategy is formulated and implemented. The successful candidate will also be numerate with excellent verbal and written communication skills, and have the ability to build effective working relationships at all levels within the group.

Well suited backgrounds might include a graduate qualified accountant and/or MBA with previous experience gained in a corporate development or in-house strategy team, or strategy consultants. Packaging or Consumer Goods sector experience would also be useful.

The work will be stimulating and varied with sound prospects for career development.

**Please reply, with full career and salary details, to Andrew Steele or Hannah Gorman at Walker Hamill, quoting reference AS 36593. E-mail: rexam@walkerhamill.com**

Walker Hamill is an Executive Search & Selection business.

Bostik
*The Adhesive Company*

## FINANCE & ADMINISTRATION DIRECTOR

**Stafford/Leicester, Midlands** — **£Excellent Package**

Bostik, a wholly-owned business of Total, is one of the world's leading providers of adhesive and sealant solutions. The organisation's relentless pursuit of excellence lies at the heart of everything it does. The company has grown significantly in the past decade, from a turnover of £20 million to £125 million plus in 2009.

Reporting directly to the Managing Director, the Finance & Administration Director is a senior member of the executive team and plays a full part in the strategic management of the business. Reporting on historic performance is a given, but greater importance is placed on identifying trends that may impact on the future performance of the company.

Key responsibilities include:

- directing and controlling the activities of finance & administration, IT, human resources and providing skilled judgement and advice in order to achieve key objectives
- as a member of the executive, prepare budgets, reports and forecasts as directed by the VP Western Europe
- taking a full and active role in the company operations, responding to business imperatives with effective strategic and operational initiatives
- playing a key role in commercial decision-making

The successful candidate will be a qualified accountant and have the ability to forge strong business relationships with the management team and group departmental heads. In addition, you will have the confidence to present persuasively to the board. To apply for this outstanding role, please contact **Martin Cullinan** at **Robert Walters** on **+ 44 (0) 121 698 2313** or send your Curriculum Vitae, including current remuneration to **martin.cullinan@robertwalters.com Robert Walters, 3 Brindley Place, Birmingham B1 2JB**. Web: **www.robertwalters.co.uk**

ROBERT WALTERS

AUSTRALIA BELGIUM CHINA FRANCE HONG KONG IRELAND JAPAN LUXEMBOURG MALAYSIA NETHERLANDS NEW ZEALAND SINGAPORE SOUTH AFRICA SPAIN SWITZERLAND THAILAND UK USA



# Sharpen your competitive edge.
# Join us.

## Grow your career in consultancy.

**For Performance and Technology read growth and opportunity.**

With your client focus, intellect and drive, you deserve more. With our Performance and Technology practice that's exactly what you'll get: more autonomy, more responsibility and more opportunities to grow. In just four years, we've quadrupled our consultancy business in the UK, with the entrepreneurial culture and scope to take your consultancy skills and client focus to the next level. Visit **www.kpmg.co.uk/growthandopportunity**

AUDIT ▪ TAX ▪ ADVISORY

KPMG

HAYS Recruiting experts in Taxation

## GROUP TAX MANAGER
## DEVELOP GLOBAL TAX FUNCTION

**Greater London, Croydon**
**c.£100,000 package + share scheme + pension**

A top 10 Sunday Times Best Big Companies to Work For, Mott MacDonald is a dynamic and innovative management, engineering and development consultancy working on landmark projects worldwide. As an independent employee owned company, it passionately supports long-term staff retention and career development, offering a stimulating working environment.

Reporting directly to the group chief financial officer, you will have full management responsibility for the group's effective rate of tax, tax compliance and provision of tax services to internal global customers.

Leading an in-house team of three you will develop group tax strategy and advise on many areas of taxation including; corporate tax, CFCs, tax relief, transfer pricing, tax structuring and employee remuneration. You will also impact on bids and lead tax due diligence for acquisitions and strategic initiatives.

With a proven in-house track record, you will be a fully qualified ACA with experience of working for an international organisation. You will also be an excellent communicator, able to present practical ideas to colleagues at all levels using non-technical language. **Ref: 1108580**

**To discuss in more detail, contact Greg Dadson at Hays Taxation at greg.dadson@hays.com or call 020 7520 5959. The closing date is Friday 28 May 2010.**

All applications are open to candidates with an overseas equivalent qualification, if applicable.

Mott MacDonald

**hays.co.uk/taxation**

HAYS Recruiting experts in Corporate Governance

## SENIOR AUDIT MANAGERS/AUDIT MANAGERS
## DEVELOPING GOVERNANCE EXCELLENCE

**Bristol, Halifax, Cardiff, Edinburgh**
**and London with UK travel**
**Competitive salary + bonus +**
**car allowance + excellent benefits package**

Lloyds Banking Group are leaders in financial services incorporating retail, wholesale, insurance, wealth and international businesses. The group audit function within this fast moving and significantly changing business is offering outstanding career opportunities to highly qualified audit professionals.

With the key objective of driving governance excellence and making a significant and tangible contribution to the success of the group, you'll be developing close working relationships across the business. Leading by example and getting to the heart of business plans and objectives, you will provide value-added assurance by focusing on the highest risk areas.

For either role, ideally, you will be a graduate ACA from a Big 4 background with financial services audit experience and expert knowledge of the key risks facing the industry.

As a senior audit manager, you will lead multiple, large audits which will require leadership, project management and communication skills, as you will be interacting with key stakeholders.

Strong team development and technical auditing skills are essential for the audit manager positions. **Ref: 1071832**

**To discuss this opportunity in more detail, contact Katy Walker at Hays Corporate Governance at katy.walker@hays.com or call 01256 721824. The closing date is Friday 21st May 2010.**

All applications are open to candidates with an overseas equivalent qualification, if applicable.

**hays.co.uk/internalaudit**

# Outstanding Treasury Opportunities in Financial Services

Our client, an established UK bank, is seeking to expand their Treasury function. Treasury has undergone significant transformation as a result of a changing competitor and customer environment. A new structure has been introduced in order to adapt to both these internal and external changes. The key focus going forward will be to expand and manage what is already a sizeable franchise of corporate and institutional investors to fund the business lending activities of the Bank. In addition, Treasury make a strong contribution from income derived from the sale of foreign exchange and interest rate products as well as the provision of risk management solutions. The bank has ambitious plans providing successful candidates with opportunities for career development.

## Manager, Institutional Dealing Team

**London ◆ £ Competitive**

Working closely with Business Lending Account Managers this role will be responsible for:

- Identifying, managing and executing interest rate management solutions for customers
- Providing support and guidance to Lending Managers and customers
- Maximising funding and fee income from an existing customer portfolio
- Building and maintaining strong relationships with customers
- Identifying and developing suitable new products for customers

Required:

- Proven interest rate structuring, foreign exchange and money market liabilities products sales experience with corporate and institutional customers
- FSA CF30 registered

## Manager, Institutional Sales Team

**London ◆ £ Competitive**

The successful candidate for this role will be responsible for:

- New business development through the sale of money market liabilities, foreign exchange and interest rate products to corporate and institutional customers
- The provision of risk management solutions to customers
- Identifying key market segments for new business sales
- Achieving strong representation of the bank in the market generally through industry groups and trade associations

Required:

- Excellent business development experience with a proven track record in Treasury Sales
- Extensive knowledge of all Treasury products including money market liabilities, foreign exchange and interest rate products
- FSA CF30 registered

## Treasury Officer

**London ◆ £ Competitive**

This position is for a key member of a team focussed on providing specialised services to the Dealing and Sales teams. The range of activities includes:

- Business analysis
- Marketing
- Performance measurement and monitoring
- Product structuring
- Training coordination
- Project delivery

Required:

- Previous experience of working in a Treasury/Financial Services environment
- Understanding of Treasury products
- Flexible approach to work and good interpersonal skills

**Interested candidates should send a full CV, quoting reference MPFI13103545 to Paul McMahon by emailing paulmcmahon@uk.michaelpage.com or call 020 7776 5963 for a confidential discussion. Closing date: 27th May 2010.**

**Specialists in Treasury Recruitment**
136 offices in 28 countries | www.michaelpage.co.uk

Michael Page TREASURY

# SSC Financial Accounting Manager

Hasbro, Inc. is a worldwide leader in children's and family leisure time products and services. The business has experienced its fifth consecutive year of growth and 2009 saw revenues in excess of $4 billion. Our newly created multi-lingual Finance Shared Service Centre will equip local European subsidiaries to further enhance customer serviceability and execute future growth plans by simplifying working practices and realising improved operating efficiency.

**Middlesex ◆ £ Competitive + Car Allowance + Bonus + Excellent Benefits**

The SSC Financial Accounting Manager will play a critical role in overseeing the transition of all European business unit financial accounting and statutory accounting process into the SSC. Furthermore, the role has direct responsibility for five team supervisors and 17 staff in total to:

- Establish financial discipline and controls to safeguard company assets and ensure financial integrity of reported results
- Promote best practice across accounting teams
- Direct and control the production of monthly, quarterly and annual reporting requirements in line with US GAAP
- Direct and control preparation of Statutory Accounts

Applicants must have:

- Professional accountancy qualification
- Strong technical skills
- Experience gained managing a team of financial accounting reports for a company T/O £100 million+, ideally FMCG sector
- P&L responsibility for an entire business
- Experience of establishing or improving an ERP Finance System, ideally SAP
- Fluency in English and a second European language
- Experience within an SSC would be an advantage

You will be a customer focused, proven people manager with drive and energy to lead others to deliver results against very tight deadlines. The role requires strong organisation, planning and analytical skills, with the capacity to anticipate problems and create solutions in a multi-cultural environment.

**Interested candidates should send their CV to Rashi James quoting reference MPFI13095650, by emailing rashijames@uk.michaelpage.com All direct and third party applications will be sent to Michael Page Finance.**

**Specialists in Finance Recruitment**
136 offices in 28 countries | www.michaelpage.co.uk/finance

Michael Page FINANCE

# Regional Financial Controller

MillwardBrown

Millward Brown Group is part of Kantar, WPP's information, insight and consultancy division. WPP are the world's largest communications services group with revenues in excess of £8.5 billion and over 100,000 employees. Millward Brown is one of the world's top ten full-service marketing research agencies, with more than 78 offices in 51 countries and a variety of speciality practices. The MB UK and Ireland region accounts for some 20% of the total MB Group revenue.

**Warwickshire ◆ Circa £75,000 + Excellent Benefits**

You will report into the CFO for the UK and Ireland and be part of the UK Finance Leadership team. As Regional Financial Controller you will manage a team of 15-20 people responsible for business performance measurement, financial control and reporting, and transaction processing, and you will also be expected to influence the strategic and operational direction of Millward Brown UK. Duties will include, but not be limited to, the following:

- Management and development of a high performing finance team
- Performance measurement – including production of financial management accounts, reforecast and annual budgeting
- Contribution to the development and execution of Millward Brown's strategic plan
- Providing commercial support to individual units, including ad hoc project work
- Responsibility for the delivery and development of Millward Brown's financial transaction processing and finance systems

Millward Brown is looking for a high achiever who has highly developed communication skills, the ability to make difficult decisions and to find creative ways to effect positive change. You will need to be emotionally intelligent, comfortable dealing with non-finance professionals and thrive within in a fast paced, commercial environment.

In return, Millward Brown and the wider WPP Group will offer the successful candidate excellent career development.

**Interested candidates should send their CV to our retained consultant, Daniel Yates at danielyates@uk.michaelpage.com quoting reference number MPFI13092007. All direct or third party applications will be forwarded to Michael Page.**

**Specialists in Finance Recruitment**
136 offices in 28 countries | www.michaelpage.co.uk/finance

Michael Page FINANCE

# Senior Credit Research Manager

Our client is one of the largest financial institutions in the Gulf. This diversified financial institution was established with the objective of providing a range of financial services supporting economic growth within the GCC. The business is split into Principal Investments and Asset Management.

**Kuwait ◆ Attractive Tax Free Salary + Benefits Package**

Focusing on GCC credit instruments and optimising returns on its existing proprietary portfolios, the Senior Credit Research Manager will primarily:

- Lead the research efforts on GCC credit analysis including formulating and developing macro, thematic and sector views from a fixed income investor's point of view
- Help formulate and implement the DCM GCC investment process and credit analysis function, as well as setting up and maintaining the credit monitoring process of the GCC portfolios
- Have input on determining the GCC fixed income investment strategy based on market fundamentals, credit, and investment selection and further develop a robust and sellable investment process
- Interact with existing and prospective clients and support the efforts of the sales team through market related and product presentations

Core Competencies:

- Experience in the MENA or GCC Capital Markets especially in Fixed Income, with extensive experience in analysing financial institutions, especially commercial banks with an emphasis on credit quality
- Combination of people management skills as well as a hands-on approach to direct responsibilities
- University degree and an MBA and/or a CFA charter (or an overseas equivalent) is ideal
- Good oral and written English. The ability to speak Arabic is highly desirable

**Interested candidates should send their CV to Ben Ewbank at benewbank@ae.michaelpage.com quoting reference number MPFI5504.**

**Specialists in Finance Recruitment**
136 offices in 28 countries | www.michaelpage.ae

Michael Page FINANCE

# Head of Financial Services

a2dominion

The A2Dominion Group was formed in October 2008 as a result of A2 and Dominion merging and is one of the UK's leading providers of high quality homes. They need astute and highly motivated people to drive their ambitious plans to achieve even better performance and further growth. The Group now provides over 33,000 homes across London and Southern England with thousands in development. It offers a range of housing options, including affordable rented, temporary, student, sheltered, shared ownership, supported and key worker accommodation, as well as homes for sale.

**London, Staines ◆ Circa £65,000**

Reporting to the Deputy Group Finance Director you will take responsibility for the management of the Group's financial services including Income, Reconciliations and Banking, Payments and Payroll teams. A large part of this post will focus on driving efficiencies through the department and ensuring all processes, systems and resources are of the highest possible standard.

You must be a fully qualified Accountant with proven success in a similar role and experience of the following:

- Identifying barriers to change and overcoming them
- Process improvement and financial control monitoring
- Excellent people management
- Improving systems and procedures that impact both financial and operational performance

We are keen to receive applications from candidates with experience gained in a commercial environment that are looking for a demanding and challenging next role.

All third party applications will be forwarded to Michael Page.

**Interested candidates should send their CV to James Campion at jamescampion@uk.michaelpage.com quoting reference number MPFI13098212.**

**Specialists in Finance Recruitment**
136 offices in 28 countries | www.michaelpage.co.uk/finance

Michael Page FINANCE

# Senior European Credit Manager

A rapidly expanding global business, based in the Greater Glasgow area, renowned for promoting internal development throughout the business is recruiting a Senior European Credit Manager to be responsible for their EMEA territories.

**Greater Glasgow Area ◆ Highly Competitive Salary + Benefits Package**

Located at the European Shared Service Centre, you will be responsible for:

- Leading and building a high performing, diverse, pan European credit and collection team
- Ensuring business objectives and targets are continuously met by leading the credit and collection activities of a pan-European business with an annual turnover in excess of $1 billion
- Providing pro-active business support to the European sales teams in their pre-sales activities
- Ensuring that all credit and collection activities in Europe are compliant to relevant company policies, and Sarbanes Oxley controls
- You will be instrumental in the process definition in order to continuously improve the processes and quality of credit collection in Europe

You will have worked within a multinational organisation with a demonstrable track record in a similar role, ideally within a shared service centre.

You will be a driven and motivated individual who knows the value of relationships to impact quality decision making and possess first rate communication and inter-personal skills with experience in developing and leading a high quality finance team.

It is essential that you hold a professional qualification in credit management or the equivalent and that you are familiar with multi-national companies' accounting standards and guidelines.

Lastly, you will have highly tuned analytical and conceptual skills and be able to extract relevant information and investigate anomalies in a manner which drives the process improvement initiative.

**Interested candidates should send their CV to Claire Gillespie at clairegillespie@uk.michaelpage.com quoting reference number MPFI13088165.**

**Specialists in Finance Recruitment**
136 offices in 28 countries | www.michaelpage.co.uk/finance

Michael Page FINANCE

# Head of Risk Management

Our client, a large building society, is seeking a Head of Risk Management to take responsibility for the recommendation and implementation of risk management policy across the firm.

**East Midlands ◆ £80-100,000 + Benefits**

As Head of Risk Management you will be responsible for the delivery of all risk management reporting and risk consultancy throughout the firm. You will work with Senior Management to produce risk management techniques and systems to meet the stated objectives of the firm as a whole. Reporting to the Finance and Risk Director, your key responsibilities will be:

- Recommendation and implementation of agreed risk policies covering credit and market risk
- Lead the Capital Adequacy and Liquidity Adequacy assessments
- Manage rating agency relationships
- Produce information summarising the risk profile of the firm, including commentary, forecasting and stress testing
- Management of a small team of risk managers and analysts
- Attendance at Board and Management Risk Committees, and Board meetings, where required

Requirements:

- Strong knowledge and experience of balance sheet, liquidity and market risk management
- Experience of statistical modelling and its use within risk management
- Retail banking experience is an advantage but non-retail backgrounds are welcomed where the above skills can be demonstrated

**If you are interested in this role, please contact Tom Smith on 020 7776 5952 or email your CV to: tomsmith@uk.michaelpage.com quoting reference number MPFI13107655.**

**Specialists in Financial Services Recruitment**
136 offices in 28 countries | www.michaelpage.co.uk/financialservices

Michael Page FINANCIAL SERVICES

Executive Appointments

## Treasury Manager

aggreko

**Glasgow ● £Excellent + bonus + benefits**

Aggreko plc, a FTSE 100 company, is the global leader in the rental of power generation, temperature control and oil-free compressed air systems. Operating 24/7 in more than 100 countries across the world, we can be found at power plants in Kenya, mines in Australia, on Hollywood stage sets, in fact anywhere across the globe, from the Olympic Games in Beijing to deep-sea rigs in the North Sea.

We are currently seeking a Treasury Manager to take a leading role in the group treasury function. Supporting the Group Treasurer your main responsibilities will include:

- To manage day to day treasury operations including debt management and treasury dealing
- To manage, monitor and execute treasury policies, with particular responsibility for interest rate hedging and debt mix
- To support the power projects business across some 60 countries; advise on credit and country risk, issuance of bonds and guarantees
- To support the Group Treasurer on funding and relationship management

Potential candidates will need to be treasury qualified and preferably possess an accountancy qualification, with a track record within the treasury function of an international corporation. To succeed in this role you will need to have excellent communication and influencing skills, be flexible and adaptable, and possess strong analytical skills to deliver in a responsive and nimble environment.

This is an excellent opportunity for a treasury professional to develop their career in a fast moving international organisation.

For further information please contact our retained consultant Mark Pryor at Brewer Morris on +44 (0)20 7332 2128 or email **markpryor@brewermorris.com**.

**Company information at www.aggreko.com**

All direct or third party applications will be forwarded to Brewer Morris.

BREWER MORRIS
TAX & TREASURY RECRUITMENT

aggreko : we'll go further

## Finance Director

ja.net

**Attractive salary + benefits** **Oxfordshire**

JANET(UK) is the company responsible for the operation and development of the UK's world leading network (JANET) serving over 18 million users in the research, education, training and cultural sectors. Our turnover is nearly £70m, substantial funding coming from the UK education and research funding councils. We continually push the boundaries of network design and service delivery to provide a premium service to all our users, so reducing costs for all and creating significant value.

We are now seeking an experienced finance professional to be our new Finance Director and to work closely with the Chief Executive and other senior colleagues to realise the company's strategic goals and objectives including the delivery of effective and innovative solutions based on sustainable funding models. Management responsibilities include not just the Finance team but the internal IT support team and the Facilities team. This is an exciting time to join JANET(UK) as we engage with new challenges including rapidly changing technologies, a broadening user base, increased demand for bandwidth and a constrained funding environment.

**Key requirements will be**

– A professional finance qualification
– Experience of running a finance and accounting function, ideally within both the private and public sectors
– Experience of working at senior manager or director level
– Management experience and the ability to motivate teams
– Innovative approach with demonstrable experience of adding value to a business
– Experience of dealing with public sector bodies

**For further information including details of how to apply please visit www.harveynash.com/janetfinance or telephone Imogen Wilde on +44 (0)20 7333 1503 or 07791 938 533 or Jozsef Marton on +44 (0)20 7333 1538. Closing date 24 May 2010. Reference HN5681FT.**
**Harvey Nash is a global executive search consultancy.**
Complying with the BERR: We are an Employment Agency.

HARVEY NASH
The Power of Talent
www.harveynash.com

# SENIOR OPERATIONAL RISK MANAGER

**London** **Up to £90k**

A leading wealth manager is looking to hire a business facing Senior Operational Risk Manager at VP level to ensure that best practice is adhered to within the organisation. The team is responsible for managing and mitigating operational risk across a specified business area, promoting an internal controls culture of excellence and contributing to the minimisation and efficient use of economic and regulatory capital.

Responsibilities will include:

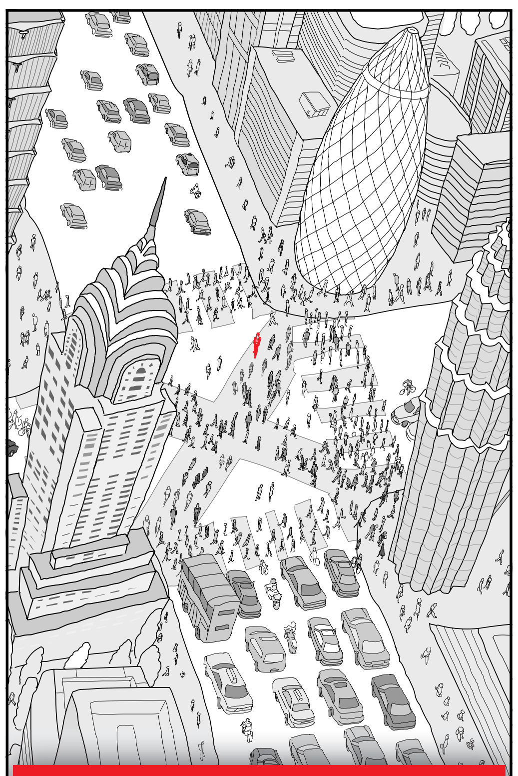
- implementing and embedding the Operational Risk Framework (ORF) in accordance with the ORM project plan
- ensuring consistency of the Risk and Control Assessment (RCA) process
- designing and implementing a standard and documented control framework
- integrating operational risk information whilst producing a comprehensive risk landscape
- creating and maintaining a centralised operational risk inventory
- delivering ad-hoc reviews and controlling deep dives as required by the global head of operational risk
- completing new product sign offs and post launch risk reviews

The ideal candidate will have an outstanding track record within the financial services industry and will ideally be from a private banking/asset management or investment banking background. An in-depth knowledge of operational risk management and product risk is essential, as is the ability to work autonomously through the development and proactive delivery of your own agenda. The growth plans of the organisation present unique challenges and opportunities; the right individual must have the ability to lead and influence within this challenging environment.

To apply for this outstanding role please forward your Curriculum Vitae to **Hannah Jeffery** at **Robert Walters, 55 Strand, London WC2N 5WR**. Email: **hannah.jeffery@robertwalters.com** or call for a confidential discussion on: **+ 44 (0) 20 7379 3333**.
Web: **www.robertwalters.co.uk**

ROBERT WALTERS

AUSTRALIA BELGIUM CHINA FRANCE HONG KONG IRELAND JAPAN LUXEMBOURG MALAYSIA NETHERLANDS NEW ZEALAND SINGAPORE SOUTH AFRICA SPAIN SWITZERLAND THAILAND UK USA



**WHERE THE FINEST GLOBAL TALENT MEETS THE WORLD'S BEST JOBS**

Experience a superior search, an intuitive jobs shortlist, fully customised daily job alerts and much more.

**Register** for free and explore a world of the finest executive jobs.

**exec-appointments.com**
*global executive jobs*

Part of Financial Times Recruitment Solutions

Formed in 1986 and comprising 24 European member states, EUMETSAT's role is to establish, operate and exploit European meteorological satellite systems. Data from these systems are essential for precise and accurate weather forecasting; they also assist global earth observation and climatological programmes and directly benefit national economies by enabling marine, agricultural, aviation and other industries to plan and act more effectively.

Currently the systems include two generations of geostationary Meteosat satellites whose global overview is now complemented by the detailed observations provided by polar orbiting MetOp satellites and Jason-2.

## Contracts Officer

As part of an interdisciplinary team, you will take commercial responsibility for the management of contracts, in particular for satellite/ground segment hardware and for software systems and their maintenance. You should have a University degree or equivalent in law, economics or business studies, as well as 5 years' experience preferably in the legal profession, with focus on international business contracts and transactions, or alternatively in the commercial management of contracts for satellite, aerospace or high technology products.

**Based in Darmstadt, Germany, the post is offered on an initial four-year contract. We offer an attractive remuneration package including a highly competitive salary, private social security and health coverage, generous allowances, as well as financial support and practical assistance in relocating your family (where applicable).**

**EUMETSAT is committed to providing an equal opportunities work environment for men and women. Please note that only applications from nationals of EUMETSAT Member States can be considered.**

**Further information on the position, salary and benefits, and how to apply can be found on the EUMETSAT web site: www.eumetsat.int**

**Closing date: 9 June 2010 (Reference: VN-10/11)**

EUMETSAT

*Member states: Austria, Belgium, Croatia, Denmark, Germany, Hungary, Finland, France, Greece, Ireland, Italy, Latvia, Luxembourg, The Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom*

## Positions Available

**FT EXECUTIVE APPOINTMENTS**
Wednesday: Business Leaders
Thursday: Global Executive, C-suite and Business Leaders
Every day: online at www.exec-appointments.com

Classified Appointments Advertising
UK: +44 20 7873 4909 | US: +1 212 641 6500 | ASIA: +852 2905 5554 | ONLINE: +44 845 458 9850

NEPTUNE INVESTMENT MANAGEMENT

# DEPUTY FINANCE DIRECTOR/ HEAD OF OPERATIONAL RISK

**Competitive remuneration package**

Neptune Investment Management Limited is widely recognised as one of the exciting growth stories of the fund management industry. Founded in 2002, it now manages over £5bn across more than 30 long-only equity funds and, with staff numbers passing 80, has recently moved to larger premises in Hammersmith to provide for its next phase of growth. The FD is looking for an experienced and versatile professional to work closely with him across all aspects of the finance and administration functions, including all risk and regulatory issues.

**Main responsibilities**

- Management of accounting function
- Overview of other operational functions, including HR
- Statutory (IFRS) and management accounts, including cash flow and tax
- FSA financial reporting, including ICAAP and Pillar disclosures
- Overview and coordination of AAF reporting
- Risk and internal control analysis for all operational departments
- Involvement with ad hoc projects (systems reviews, corporate events etc)

**Personal qualities and qualifications**

- Qualified accountant
- Proven experience of operations within the financial services industry
- Experience with an asset manager an advantage
- Understanding of risk assessment and internal audit
- Proven initiative and ability to find solutions to operating challenges as they arise
- Leadership potential to grow with the continuing development of Neptune
- Willingness to adopt 'rolled-up-sleeves' approach within a small team
- Strong attention to detail and ability to produce high quality work under pressure

Please send your CV, with a covering letter including your current remuneration package, to: The Company Secretary, Neptune Investment Management Ltd, 3 Shortlands, London W6 8DA, or by email to **cosec@neptune-im.co.uk**, no later than 28 May 2010. Neptune is authorised and regulated by the Financial Services Authority and more information about the Company is available at **www.neptunefunds.com**

neptune
Invest in depth

# *Introducing* Eton Bridge Partners

An executive search and interim management partnership founded by Ashton Ward and John Archer where clients, candidates and colleagues can expect a culture of impeccable standards and a distinct personal touch.

**Ashton Ward**
Partner: Interim Management
ashton.ward@etonbridgepartners.com

**John Archer**
Partner: Search
john.archer@etonbridgepartners.com

**Finance**
**Human Resources**
**Business Transformation**

For further information please call Ashton Ward on 07796 952 778

etonbridgepartners.com

Eton Bridge Partners
Search & Interim

Take your job search mobile
m.exec-appointments.com

# APPOINTMENTS

Take your job search mobile
m.exec-appointments.com

## Interim Special Feature

24 June 2010

The Financial Times proposes to publish an editorial special feature on the Interim sector. This feature will examine the Interim recruitment industry, including an analysis of the market and current trends.

**Booking deadline: 4 June 2010**

To advertise please contact **Mehran Malik** on **+44 (0)207 873 4909** or **mehran.malik@ft.com**

*We live in* **FINANCIAL TIMES®**

The European Investment Bank

A career in the heart of Europe!

The EIB is one of the world's largest issuers in the international capital markets and has a borrowing program of up to EUR 80 billion in 2010. It issues debt in some twenty currencies every year, giving its Capital Markets team a panoramic view of the global financial markets. The EIB is now looking to recruit a:

## Capital Markets Officer

in its Americas, Asia and Pacific Capital Markets Division. The incumbent will be part of a dynamic team identifying, negotiating and executing funding opportunities in the Division's currencies. He/she will also investigate and develop new markets and new products as well as participate in meetings with the investor community across the globe.

***Qualifications***

- University degree, preferably in business or finance
- Three years of relevant professional experience in a bank or financing institution
- Knowledge of capital markets and associated instruments (bonds, derivatives)
- Ability to value financial structures with a solid understanding of the underlying derivatives
- Knowledge of standard financial software, data services and financial information systems
- Good drafting skills
- Very good command of English and a sound grasp of French.

For more details and to apply, please go to **www.eib.org/jobs** and select reference **FI10WWW07**.

The EU Bank | **European Investment Bank**

## Strategic focus, global outlook

We have worldwide internal audit opportunities for experienced professionals with a life or general insurance background.

**Salary: Range £40,000 – £70,000 per annum plus an excellent flexible benefits package**
**Location: Worldwide**

Group Audit's main objective is to support the business in the achievement of its strategic goals. With this in mind we focus on the most significant risks that could threaten the achievement of the Group's business and control objectives.

We employ over 200 professional staff in major locations across the US, the UK, Germany, Switzerland, Latin America and Asia Pacific. We have opportunities for international assignments and our team members regularly move into business roles building on the experience and profile they have developed whilst with Group Audit. If you are looking for an exciting environment, challenging roles and broad experience within a global business,then this might be your opportunity. We are currently looking for:

- life insurance professionals to work in the UK
- general insurance professionals to work in South Africa
- both life and general insurance professionals for roles in Latin America and the Asia Pacific region.

You will be proficient in written and spoken English, happy to travel and, depending on the geographic region you apply for, able to communicate in at least one other language spoken in the region (such as Spanish, Portuguese, Mandarin or Cantonese). You may have worked as a suitably qualified accountant or auditor in the insurance sector. Alternatively, you may have experience in the life and/or general insurance industry, specialising in areas such as insurance product portfolios, core processes such as underwriting, servicing or claims and/or experience in the regulatory environment. We would particularly like to hear from you if you have distribution and marketing expertise.

**To apply, please email your CV to: job_25640@zurich.recruitmail.com or write to Ruth Perry, Zurich Financial Services, Zurich Resource Centre, Station Road, Swindon, SN1 1EL.**

**If you would like to know more, please call Ruth on 01793 405874.**

We do not accept unsolicited CV's from recruitment agencies

Zurich Financial Services Group (Zurich) is an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. Founded in 1872, the Group is headquartered in Zurich, Switzerland. It employs approximately 60,000 people serving customers in more than 170 countries.

ZURICH®
*Because change happenz®*

Boots
A member of Alliance Boots

## Strategic Development Team

NOTTINGHAM • £65K-£130K + CAR AND BONUS

**Alliance Boots is the result of the successful merger of Boots Group Plc and Alliance Unichem Plc in 2006. The combined business was taken private in 2007, in a deal backed by KKR, in what was Europe's largest MBO. The business has performed extremely well since the MBO and continues to seek to achieve its stated goal to become the world's leading pharmacy-led health and beauty group.**

We now want to strengthen our Strategic Development Team to drive the future growth of our business with the creation of a number of key roles at both Head of Business Development and Business Development Manager level.

This team identifies and evaluates a diverse range of commercial growth opportunities to create new business strategies that will deliver future value consistent with our ambitious vision for our organisation. This is a wide ranging activity which may involve, for example, evaluating potential acquisition targets, developing new retail formats, and identifying opportunities for further growth in our chosen markets. Successful candidates will work on high profile strategic issues in both healthcare and retail sectors, and have a significant degree of involvement and influence across our business.

We are looking for people with a strong track record of delivering new initiatives in a highly commercial environment, who combine strong strategic thinking with deep customer understanding. Candidates will be highly motivated, able to work collaboratively with a wide range of stakeholders, and be capable of bringing structure and direction to the most complex projects and issues. You will probably have an MBA, ACA or equivalent qualification and experience with either a leading strategy consulting practice or similar experience within a large company. We are seeking to recruit individuals at both the lower and upper ends of the salary parameters stated.

This is an outstanding opportunity to join a major retail organisation, within a private equity backed environment, in what are both operational and strategic roles. Rapid career progression is envisaged, with the potential to move into a general or functional management role in a business unit.

**Please reply, with full career and salary details, to David Craig, Justin Dünner or Mark Richards at Walker Hamill, quoting reference DC 35686. Email: boots@walkerhamill.com**

All direct responses to Boots will be forwarded to Walker Hamill Executive Search and Selection.

WALKER HAMILL
105 Jermyn Street
St. James's
London SW1Y 6EE

Tel: +44 (0) 20 7839 4444
Fax: +44 (0) 20 7839 5857

www.walkerhamill.com

BUSINESS LEADERS

## BREAK THROUGH TO YOUR NEXT APPOINTMENT

AGM WILL GIVE YOU A HEAD START

**Need to move on and secure new employment?**

**Come and talk to us and let us discuss what can be done to help.**

**We have an extensive and influential network, including personal contacts within all leading Headhunters, Private Equity and our own Alumni in order to source opportunities for you.**

**You will find that actions speak louder than words and what we promise – we deliver.**

**AGM Transitions is the leading career accelerator for High Flyers and Business Leaders.**

AGM TRANSITIONS

Strategic Solutions for Powerful People

Call Harriet Colthurst on: +44 (0)20 7409 5020
or email: enquiries@agmtransitions.com
or visit us at: www.agmtransitions.com

AGM Transitions plc 42 Berkeley Square London W1J 5AW
LONDON - NEW YORK - FRANKFURT - PARIS - SYDNEY

C-LEVEL EXECUTIVES
CONFIDENTIAL MARKET ACCESS

INTEREXEC

InterExec, with a well connected board-level team, has been advancing the careers of top executives since 1976.

We act for busy executives, who wish to achieve real career enhancement without undertaking a job search in the shortest timescale, maintaining confidentiality.

InterExec accesses more top unadvertised roles than any other UK organisation.

UK AND INTERNATIONAL HQ
+44 (0) 844 561 0531

IF YOU EARN £125K TO £1M+,
CALL FOR AN EXPLORATORY MEETING.

ENQUIRIES@INTEREXEC.NET
WWW.INTEREXEC.NET

NetworkRail

## *Hold the Network Rail Board to Account*

Network Rail runs Britain's rail infrastructure with a mandate to improve the safety, reliability and efficiency of the railway network. The rail network is the busiest it has ever been in over 60 years and is the fastest growing railway in Europe. The company is committed to making the railway even safer, providing capacity for more trains on the network and to further gains in punctuality. It also has to deliver a £24 billion programme of investment and to reduce costs by over a fifth. These are significant challenges.

Being in the private sector, it is a company limited by guarantee. Whilst not publicly listed, it has a board of directors directly accountable to approximately 100 Members. Those Members have similar rights to those of the shareholders of a listed company but without any equity interest.

The company operates in line with the highest corporate governance standards required of a listed company.

Network Rail is seeking to appoint around 25 Public Members to be part of a vital group of Members with diverse skills and experience able to hold the Board to account on its delivery against the company's targets on safety, reliability and efficiency.

A Public Member has real influence on a private sector company providing an important public service. The position requires a strong understanding and experience of good corporate governance and accountability. It is an unpaid role, but reasonable travel expenses will be met. Public Members spend on average 4-5 days a year attending meetings/events.

To find out more visit ***www.nrpublicmembers.co.uk***

For a confidential discussion call our advising consultants, **Peter Reichwald** or **Euan Frizzell** on *+44 (0)20 7153 5614*. Please quote reference *HN5510FT*.
Closing date for applications is Friday, 11th June 2010.
Harvey Nash is a global executive search consultancy. Complying with the BERR: We are an Employment Agency.

HARVEY NASH
The Power of Talent
www.harveynash.com

FINANCIAL TIMES
NON-EXECUTIVE DIRECTORS' CLUB

## Risk, Fraud and Corruption

**Central London Networking Workshop:**
**10 June and 15 September 2010**

Practical and interactive workshop for experienced non-executives.

**Agenda:**
- **Setting the scene** ■ **Risk** ■ **The Competition Act**
- **Panel & round table discussion on Bribery & Corruption**
- **Minimising Fraud and Corruption Risk - a real life example**

Followed by a networking drinks reception.

13.30 to 19.30. Venue details on registration.
Non member fee £345 + VAT. Exclusive fee to members £295 + VAT.

Attendance may count towards CPD requirements.

**Register at www.non-execs.com/events**
**+44 (0)207 873 4909 or info@non-execs.com**

In association with Grant Thornton

# ISLAMIC FINANCE

FINANCIAL TIMES SPECIAL REPORT | Thursday May 13 2010

www.ft.com/islamic-finance-2010 | twitter.com/ftreports

# Rich potential in emerging markets

As more of the world's 1.6bn Muslims start to use banks, many will want to do so in line with their religion, says **David Oakley**

Islamic finance is taking tentative steps towards regaining its mantle as one of the fastest growing asset classes in the world. In spite of the continuing aftershocks of the financial crisis and the Dubai debt standstill, the industry is expanding in many emerging markets and introducing new standards that should help develop products and attract investors.

Although it is not seeing anything like the growth it experienced before the financial crisis, the sector has expanded, even as other markets have been swamped by Europe's sovereign debt crisis.

Assets in Islamic finance rose to $822bn by the end of 2009, an increase of 29 per cent compared with the end of 2008, according to Maris Strategies, the research and advisory group. Anecdotal evidence suggests it has continued to grow this year, as more institutions gain Islamic licences.

The driver of this growth is retail banking, which is attracting more interest not just in the world's two biggest hubs of Islamic finance in the Middle East and south-east Asia, but in China, Russia and Africa.

Joe DiVanna, managing director of Maris Strategies and one of the foremost experts in *sharia*-compliant finance that bans interest payments in line with Islamic law, says growth is inevitable in these emerging market countries.

This is because vast numbers of their populations do not use banks, which makes them ideal potential customers for a relatively new form of banking that started out as an experimental venture in the 1960s.

As an indicator of this potential, Mr DiVanna points to the fact that of the 1.6bn Muslims in the world, only 14 per cent use banks. By comparison, 92 per cent of US households use banks: in the UK it is 95 per cent.

Figures from the Statistical, Economic and Social Research and Training Centre for Islamic Countries (Sesric), support this thesis too. While Islamic finance represents just 1 per cent of the global financial system, the Muslim world accounts for 7.6 per cent of nominal gross domestic product. Growth among the 57 Muslim nations is also much higher than in the rest of the world, Sesric adds.

As these Muslim and emerging nations become more sophisticated, more of their citizens are bound to start using banks and financial institutions, with many wanting to do so in line with their religion.

Khalid Hamad, chairman of the International Islamic Financial Market and another leading figure in the industry, agrees with Mr DiVanna's optimism, although he emphasises that the industry is still in its early stages of develop-

Continued on Page 2

**Financial Markets** series

# Islamic Finance

## In This Issue







**Front Page Illustration** Meeson

## Contributors


**David Oakley**
Capital Markets Correspondent

**Robin Wigglesworth**
Gulf Business Correspondent

**Sam Jones**
Hedge Funds Correspondent

**Anousha Sakoui**
Capital Markets Correspondent

**Stephanie Gray**
Commissioning Editor

**Steven Bird**
Designer

**Andy Mears**
Picture Editor

For advertising details, contact:
**Chris Nardi** on:
+44 020 7873 4311;
fax: +44 020 7873 4296;
e-mail: chris.nardi@ft.com or your usual representative.




# Plenty of room for growth

**Continued from Page 1**

ment. Mr Hamad, who is also executive director of banking supervision at the Central Bank of Bahrain, says: "Islamic finance has made progress, but it has only been around in a meaningful way for about 30 years and its possibilities have not yet been fully explored."

However, there has been progress in the market in a number of economies. First, China, the new powerhouse of the global economy, which has 83m Muslim residents, is starting to wake up to the opportunities that could present themselves in this field of finance.

It awarded its first licence for Islamic banking to Bank of Ningxia in September last year and now a number of the country's biggest conventional banks are also reported to be looking at how they can create or offer Islam-compliant products.

Second, Russian investors and financiers are increasingly looking at ways to develop sharia-compliant products and develop the industry.

Finally, Africa, which has long posed the biggest challenge for investors, is starting to look as if it could even challenge the main centres of the industry, although this is probably a long way off.

Mr DiVanna says: "There are great hopes for growth in Africa. This is a continent where people are starting to open bank accounts for the first time. For example, Kenya is looking to expand its banking system and Islamic finance. About 80 per cent of customers have never used banking services before."

This month, Njuguna Ndung'u, governor of the Central Bank of Kenya, said the country had made adjustments to its banking sector to let Islamic finance institutions set up and prosper. However, analysts are mindful of the setbacks since the financial crisis, which has stalled the corporate and investment banking side of many Islamic financial groups.

The fallout from the Dubai debt standstill and debate over the evolution of the *sukuk*, or Islamic bond, market also raise uncertainties. Although many commentators expect the *sukuk* market to see further growth this year, hopes that more western issuers might consider raising money through these bonds have failed to materialise.

Many analysts say the market needs more sovereign *sukuk* to give it some impetus. Although this is happening in the traditionally strong Islamic finance centres of Bahrain and Malaysia, other governments are failing to issue these bonds.

Certainly, progress on this front among the western economies appears to have stalled, with doubts that the UK will introduce a sovereign *sukuk* and few western companies seeking to issue *sharia*-compliant debt. The UK government needs to rediscover its appetite for developing this market. Should the UK issue a sovereign *sukuk*, this would almost certainly encourage corporates to turn to this market too.

General Electric, the US conglomerate, launched the first Islamic bond by a western industrial company at the end of last year, but since then there has been very little activity.

However, London still remains the main hub for this kind of finance outside of the Muslim world. Germany, France and Luxembourg are also keen to develop Islamic finance, but are a long way behind London.

**Bank branch: London is the main hub for Islamic finance outside the Muslim world** Alamy

A big growth area is likely to be in the small-to-medium business market (SMEs), which could give Islamic finance a fresh vibrancy and pave the way for more entrepreneurs in the developing world. "This is one area we need to develop," says Mr DiVanna.

> One of the most important developments has been the creation of standardised documentation

Mr Hamad adds: "Providing financial services for SMEs can open up huge business opportunities for Islamic finance."

On a more technical front, one of the most important developments has been the creation of the first worldwide standardised documentation for privately negotiated Islamic derivatives. This paves the way for much greater use of hedging in Islamic finance.

The move by the International Swaps and Derivatives Association in March should help codify individual transactions that need approval by *sharia* scholars.

Such a pan-Islamic document should also help consolidate interpretations of Islamic law. This would make hedging easier and accelerate product development.

The failure to standardise has been a drag on growth and highlights the industry's infancy compared with conventional finance.

Mr Hamad says: "This took almost two years of sometimes complex discussion between banks and authorities in several countries to standardise definitions and terms and overall documents."

The next step should be the launch of the first proper *sharia* hedging products. That would represent a landmark. "Significant interest is being shown in this because Islamic finance has now reached the stage where it really needs hedging instruments," he says.

These would not be used for speculation, but for managing risk, which is vital to help the sector expand further.

# Industry 'strays too far from its roots'

By the book: experts expect innovation will be cautious and new products will adhere more closely to Islamic law Alamy

## Products

**Innovation slows after backlash from scholars, says Robin Wigglesworth**

Modern Islamic finance has come a long way since it started as a modest, experimental venture in the Egyptian town of Mit Ghamr in the 1960s. It encompasses a wide range of products and services that aim to reconcile conventional finance and Islamic law.

Innovation has exploded in the past five years in particular, but rather than being led by "indigenous" Islamic banks, most products have been developed by the structured finance teams of western investment banks such as Deutsche Bank and the Islamic arms of institutions such as HSBC, Standard Chartered and Citigroup.

Many have then licensed their inventions to fully Islamic banks, particularly in the Gulf, where few have had the capacity to structure their own product range.

From profit-sharing accounts and crude products, Islamic finance now spans derivatives, bonds, fund management, credit cards, car loans and even basic hedge funds – all of which use often complex structures to circumvent the Islamic ban on interest.

While the industry has a product range comparable in many areas to conventional finance, Islamic bankers say that there are still gaps in some crucial areas.

The main shortfalls are in derivatives and fixed income, bankers say. Product development in these areas has been complicated by a prohibition on interest by *sharia* (Islamic law) and its requirement for real assets to be transferred as part of any transaction.

Some progress has been made. Longer-dated debt – in the form of Islamic bonds, or *sukuk* – is a staple of many *sharia*-compliant financial institutions' portfolio, even though maturities seldom stretch further than five years and the market has recently been rattled by several defaults.

The International Swaps and Derivatives Association (ISDA) and the Bahrain-based International Islamic Financial Market (IIFM) have recently launched a standardised master agreement for Islamic derivatives which could pave the way for the greater use of hedging in the sector.

"Given the growing nature of the Islamic finance industry, the institutions operating on *sharia* principles can no longer afford to leave their positions unhedged," Khalid Hamad, chairman of the IIFM and executive director of banking supervision at the Central Bank of Bahrain, said at the time of the launch. "Hence, some key hedging products are becoming common across jurisdictions to mitigate risk."

> Bankers say the industry would benefit from more homogenous documentation and structures

But more needs to be done, bankers concede. It will take time before the ISDA-IIFM documentation is widely adopted and derivatives remain tricky and expensive to structure in accordance with *sharia*.

Shorter-term Islamic money markets also remain crude and underdeveloped, at least outside Malaysia, which stands somewhat apart from the rest of the industry due to an often more lenient *sharia* interpretation, experts say.

"Most [Islamic] bankers you talk to would say that liquidity management is their number one concern," says Daud Vicary Abdullah, head of Islamic finance at Deloitte. "There is no silver bullet. [Islamic money markets] just require time, hard work and political willingness to develop."

Yet innovation has slowed down significantly recently. The financial crisis coincided with a backlash from some senior *sharia* scholars in the Middle East, who felt that the industry had strayed too far from its roots and was mimicking conventional structures too closely, particularly in the *sukuk* sector.

"No one wants any fancy, exotic instruments any more, so innovation has slowed down," says Hussein Hassan, head of Islamic finance at Deutsche Bank. "People are now structuring products and transactions in line with more conservative *sharia* standards."

Bankers are focusing more on simplifying and standardising the vast swathe of existing products rather than conjuring up innovative ones.

Because of differences in *sharia* interpretation in many countries and regions – and competition between banks that were keen to make names for themselves as innovators – the Islamic finance market is highly fragmented.

Divergent views on Islamic law are inevitable, given Islam's global span and different schools of thought, but bankers say the industry would benefit greatly from more homogenous documentation and structures.

"We are no longer a niche industry. However, without standardisation we will not achieve scale," says Razi Fakih, deputy chief executive of HSBC Amanah, the British bank's Islamic arm. "Islamic finance would also benefit from more standardisation, not only in *sharia* but in the documentation of products."

Nonetheless, experts expect that innovation will continue – albeit more cautiously – and they predict that new products will adhere more closely to Islamic law.

"The industry is still on a learning curve, but I think equity-based products are going to lead the way now, as they fit better with the substance of Islamic finance," says Mr Abdullah.

"There is a genuine concern that the industry strayed too far from its roots and mimicked conventional finance too closely."

Islamic Finance

# Industry once more at centre of attention

## Hedge funds

**But fundamental difficulties have yet to be resolved, writes Sam Jones**

For the past two years, the development of a *shariah*-compliant hedge fund industry – once one of the hottest topics at alternative investment conferences – has been on hold.

But as the asset management industry – and wealthy institutions and individuals in the Middle East – pick themselves up from the damage wrought by the financial crisis, the issue of whether an Islamic hedge fund industry is viable, or indeed even desirable, is being taken up again.

The notion is attractive not least because the past few months have seen a series of developments in *shariah* finance that go some way to overcoming many of the obstacles that had faced hedge funds looking to comply with Islamic strictures.

Secular trends in the asset management industry seem to be on the side of some form of Islamic hedge fund market too.

The field of *shariah* finance remains one of the fastest growing areas in the global finance industry, with estimates from analysts varying between 20 and 40 per cent growth annually for the next five years at least.

Furthermore, interest in hedge funds and alternative products in the Middle East in particular is on an upward trend.

According to a recent survey of institutional investors in the region by the consultancy Capintro, 36 per cent of respondents said they were planning to increase their hedge fund allocations, while a further 53 per cent said they intended to hold allocations steady.

If anything, the recent Dubai debt crisis, has made interest in hedge funds more pronounced. Many institutional investors in the region have seen property-linked holdings fall sharply in value and are looking to reallocate portfolios.

A comprehensive report on the hedge fund industry conducted by the consultancy Casey Quirk and Bank of New York Mellon in April last year projected that money invested in hedge funds by Middle Eastern investors would rise to $194bn by 2013.

Fundamental problems remain, however.

By definition, a hedge fund is an unregulated investment vehicle open only to qualified investors that has free reign to pick and choose across the gamut of financial instruments and securities indiscriminately to reduce risk while delivering high returns.

Islamic finance, however, can be strictly prohibitive on certain types of financial practice.

Most notably, as far as hedge funds are concerned, shorting – a bet that aims to make money from the decline in value of a security – is banned.

Shorting is fundamental to almost every hedge fund strategy and is the main means by which hedge funds look to fulfil their generic mandate – as an investment class – delivering returns uncorrelated to regular markets.

Collecting interest, known as *riba*, is also proscribed, again reducing the investment universe open to hedge funds. And more generally, investments determined to be *maysir* or *gharar* – that is, speculative or involving unavoidable uncertainty – are to be shunned too.

Palm Island developer Dubai World's debt crisis has made interest in hedge funds more pronounced as investors seek to get out of property and look to reallocate portfolios

As a result, successful *shariah*-compliant hedge funds have been almost exclusively focused on commodity markets. Funds that trade in commodities – tangible assets – face fewer restrictions under *shariah* law than those trading in more abstract financial instruments.

Such *shariah*-compliant commodity funds have, however, been successful.

Dubai Shariah Asset Management Kauthar runs four commodity funds, all of them *shariah*-compliant.

The company's flagship multi-strategy fund, which blends investments in its four underlying funds, has been one of the most successful fund-of-fund structures so far this year.

Uniform sharia standards may unlock hundreds of previously prohibited markets to funds

In 2009, the DSAM Kauthar commodity fund was up 41 per cent, not only marking it out as one of the best *shariah*-compliant investments that year but also one of the best hedge fund performers globally. The average hedge fund returned just over 20 per cent in 2009, according to industry indices.

Replicating such *shariah*-compliant successes in hedge funds that trade in assets other than commodities may not be as far off as many believe, however.

On 1 March, the International Swaps and Derivatives Association, the global trade body responsible for standard-setting in the derivatives market, issued the ISDA Ta'Hawwut agreement that will allow market participants to enter into derivative contracts that are *shariah*-compliant – and do so on a level playing field.

Such uniform standards, potentially open to a host of different types of financial trade, may finally unlock hundreds of previously prohibited markets to funds planning to make *shariah*-compliant investments.

The key in every instance will be for fund managers to persuade Islamic scholars that their investments are hedges rather than outright speculative positions.

One big question for investors must remain, however: even if it is possible to construct an Islamic hedge fund, will it be possible to run one that performs?

# Sustained recovery expected in second half of the year

## Sukuk

**Anousha Sakoui reports on a slow return of confidence**

When Dubai World, the state-owned conglomerate, asked creditors for a debt standstill last November, it shook global markets.

The announcement froze debt markets across the region. As negotiations between the debt-laden conglomerate and its international and local creditors have unfolded, confidence has started to rebuild.

It has, however, taken until recent weeks for the debt markets to reopen to Dubai-based issuers.

"There are a number financial and*sukuk* [Islamic bonds] restructurings going on in the region at the moment, with Dubai World being the most prominent," says Farmida Bi, a partner at Norton Rose, the international law firm.

"Investors are keen to see how these restructurings are concluded. In particular, the *sukuk* defaults last year gave rise to investor anxiety over whether they have taken credit risk on the asset or on the originator."

Spurred by progress over the Dubai World debt restructuring and the improving investor sentiment in the region, the state-owned Dubai Electricity and Water Authority (Dewa) was the first to reopen the bond market for issuers from the region last month.

The sale of $1bn of five-year bonds, yielding 8.5 per cent, attracted more than $11bn worth of orders. Dewa was able to price the deal lower than initially expected.

"This time last year, bond issuance by both Abu Dhabi and Qatar, kick-started capital markets issuance in the region after the financial crisis," says Anzal Mohammed, head of Islamic finance at Allen & Overy, the law firm.

He says: "It seems we have come full circle since the announcement by Dubai World in November regarding its restructuring."

*Sukuk* specialists now question what the future holds for the Islamic finance market. "We have yet to see high-profile *sukuk* issues from the Gulf," says Mr Mohammed.

"There are a number of potential issues being worked on that we hope will restart the market, from sovereigns and sovereign-related issuers. The market remains nervous and somewhat uncertain as to where it goes from here."

Mr Mohammed is positive on the outlook for the market. "We believe that we will see a sustained recovery in the *sukuk* market in the second half of this year," he says.

Up to May 3, there was $2bn of Islamic issuance globally. Islamic bond issuance hit a high of $27.17bn internationally in 2007, with 100 issues.

The majority of issuance, however, this year has come from Malaysia with 13 deals.

There have only been a few deals from the Gulf, with Dar Al-Arkan Real Estate Development Company and Saudi Hollandi Bank issuing Islamic bonds.

Most recently, Saudi Electricity Company issued a *sukuk*. "The strong Islamic investor interest for Gulf Co-operation Council credits is evidenced by the Saudi Electricity Company transaction that has generated significant investor interest," says Mohammed Dawood, director in the global markets department of, HSBC, the UK bank.

However, iniatives to develop new markets for *sukuk* issuance outside the Gulf have stalled.

"There was speculation last year about a French *sukuk*, but we have had no formal announcements yet," says Ms Bi.

"We will also have to wait and see if the newly elected UK government will reconsider the *sukuk* issuance which was considered in 2008 but did not happen."

'We have come full circle since the Dubai World November restructuring announcement'

**Anzal Mohammed, Allen & Overy**

She adds that there has been comparatively little innovation in the Islamic capital markets in the last couple of years, because there have been fewer deals as a result of the financial crisis.

"What I am hoping for this year is that there will be steady growth. It would be nice to see a few corporate deals as well as sovereign rated issues," says Ms Bi.

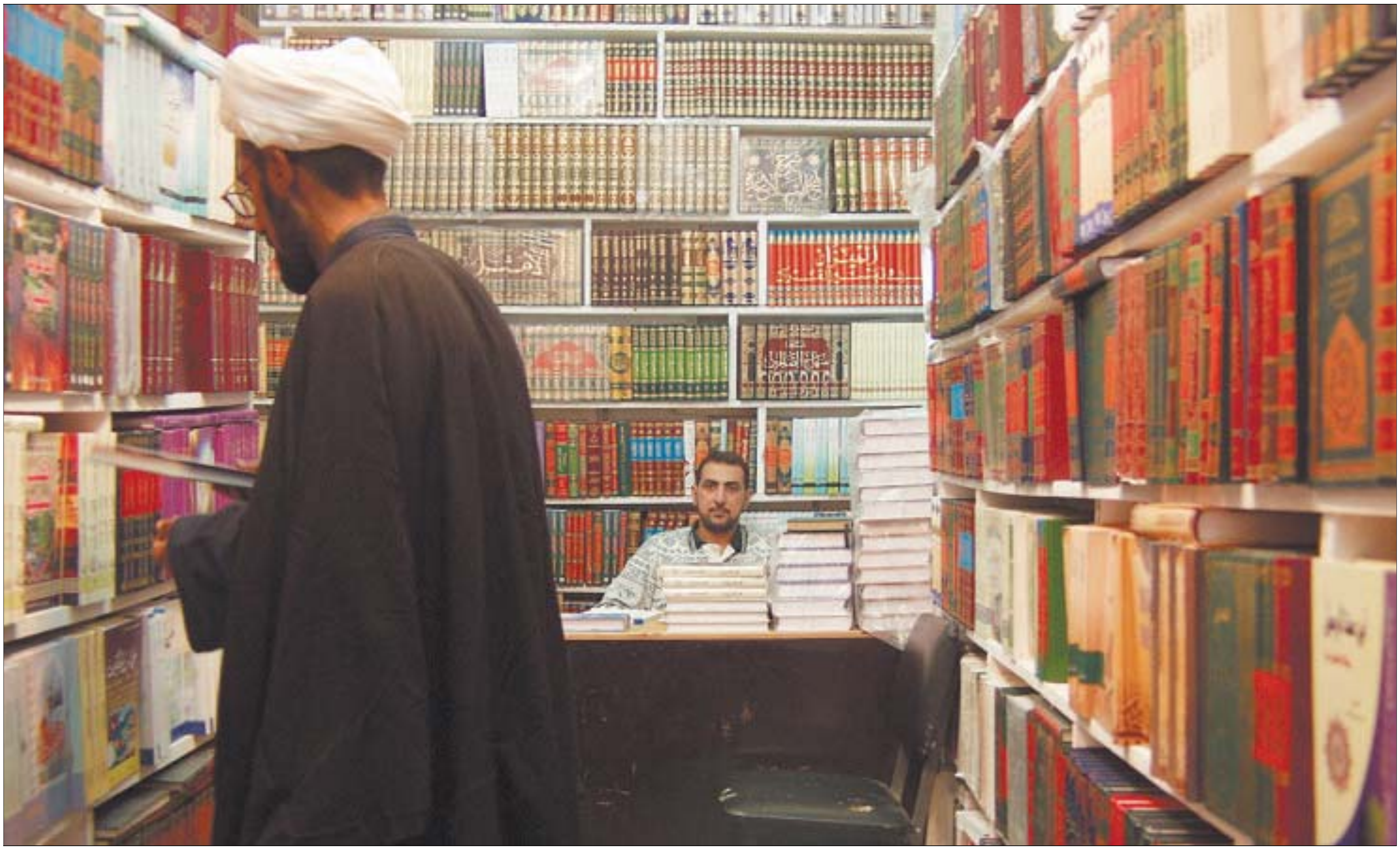
Mr Dawood says financial institutions have a very sizeable amount of refinancing to be done. "There is about $26bn of Gulf Co-operation Council [financial institution] debt to be refinanced over the next 12 to 18 months.

Corporates and sovereigns are looking to the *sukuk* market for access to capital. We have several mandates and we see a strong outlook for the market this year. Liquidity in the region among Islamic investors is strong."

The spread on *sukuks* of some borrowers in the region are lower than their conventional bonds, indicating that the *sukuk* market offers companies lower costs.

"There is a lot of pent-up demand for strong credits," says Mr Dawood.

Another dynamic that will support supply is that several regional banks are converting to Islamic institutions and in certain regional jurisdictions these could soon outnumber conventional banks, says Mr Dawood.



Different documents: the International Swaps and Derivatives Association (ISDA), recently drafted a master agreement with standardised documentation for Islamic derivatives AFP

# 'In need of robust architecture'

**Derivatives**

**Robin Wigglesworth** reports on efforts at standardisation of documents

Structuring derivatives that comply with the principles of *sharia* has long been one of the most complex niches of Islamic finance. But it is an increasingly important one, as the industry continues to grow and risk management becomes vital.

Sharia scholars, who have to bless all products and services offered by Islamic banks, have often been reluctant to approve derivatives, because of Islam's bans on interest, speculation and unnecessary risk – *riba, maisir* and *gharar* in Arabic – and the requirement for real assets to underlie all transactions.

"The varying scholarly opinions in the world of Islamic jurisprudence on the legitimacy of derivatives has so far translated into a total ban on these instruments in some countries and actual implementation – albeit on a limited scale – in others," Moody's, the rating agency, noted in a recent report.

Nonetheless, while innovation has slowed in the wake of the international financial crisis and clerical criticism of some high-profile instruments, the structuring and use of Islamic derivatives is gradually gaining ground, experts say.

"There was a time when 'derivatives' was a dirty word for scholars, but they've come round to accepting them, as long as they are for hedging and not speculation," says Harris Irfan, head of Islamic products at Barclays Capital.

"They're still in their infancy, but we're starting to see them used more and more."

The most common Islamic product used to structure *sharia*-compliant derivatives are *wa'ad*, a type of unilateral promise, and *murabaha*, one of the most popular, which can be likened to a conventional "sale and deferred payment" structure.

"You use Islamic finance products such as *murabaha* and *wa'ad* like Lego to build derivative instruments that comply with *sharia*," says Priya Uberoi, director of Islamic derivatives at Clifford Chance.

"About half of Islamic derivatives use *murabaha*, and the rest are based on *wa'ad*, but there are other products out there that can be used. They just haven't been tapped yet."

Other products include *arbun*, which is similar to a conventional option, and *bai salaam*, which resembles forward contracts.

Existing types of Islamic derivatives include cross-currency swaps, foreign exchange options, total return swaps and profit rate swaps, the Islamic equivalent to an interest rate swap.

Lawyers, bankers and scholars have even managed to engineer Islamic credit default swaps, a *sharia*-compliant version of the popular conventional fixed income insurance product.

Islamic banks are banned from speculating in a credit default, but can in theory protect themselves against an Islamic bond failure.

> 'There was a time when derivatives was a dirty word for scholars but they've come around to accepting them'

Ms Uberoi says: "Islamic CDSs are still controversial, and the structures aren't perfect, but you can, with innovative thinking, probably replicate most conventional derivative structures."

However, the complexity, cost and disparate standards of Islamic derivatives – almost every industry institution uses its own structures and documentation – hampers their frequent use, experts say.

To stimulate the use of Islamic derivatives, the International Islamic Financial Market (IIFM), a Bahrain-based Islamic capital markets industry body, and the International Swaps and Derivatives Association (ISDA), recently drafted a "Tahawwut Master Agreement" with standardised documentation for Islamic derivatives.

In Malaysia, Bank Islam and Bank Mumalat Malaysia executed a pro-forma derivative master agreement for documentation of Islamic derivatives in 2006.

But Asian *sharia* standards are often seen as too lax for Middle East clerics, and the IIFM and ISDA hope their new documentation can be more widely adopted.

The Tahawwut Master Agreement has been blessed by the IIFM's board of *sharia* scholars, which includes some of the industry's most prominent and widely-respected clerics.

These include Sheikh Nizam of Bahrain and Sheikh Hussein Hamid Hassan from Egypt.

"The ISDA-IIFM documentation will bring more rigorous and robust architecture to the development of Islamic derivatives," says Ms Uberoi.

"It's a very new development, but a lot of Islamic banks are looking at how they can tailor their existing derivatives platform to fit with the master agreement," she says.

Bankers warn that it will take time before the Tahawwut documentation is widely adopted, as most banks have already spent a lot of time and effort on their own agreements and structures.

Hussein Hassan, head of Islamic finance at Deutsche Bank, explains: "If lot of banks move over to the IIFM-ISDA standards, it will help us toward some standardisation, but there will have to be a lot of effort on getting banks to use it."

Nonetheless, the implications of more widespread use of Islamic derivatives could be significant, experts say.

*Sharia*-compliant institutions would be able to hedge against currency movements, credit exposures, interest rate movements or even commodity inflation – all risk management tools that conventional banks take for granted.

"The golden principle of the *sharia* in human dealings is that all is permissible except that which is specifically prohibited," says Muddassir Siddiqui, a *sharia* scholar and head of Islamic finance at Denton Wilde Sapte, the law firm.

"There is a need for these products, and God would not give us a need without a way to fulfil it."

# Ahead of the game in local contest

## Malaysia

**But this is no time for complacency, says Kevin Brown**

**Kuala Lumpur's big role: Malaysia's total outstanding Islamic bonds amounted to $66bn at the end of last year** AFP

Malaysia, which has a substantial lead in the competition to emerge as Asia's primary centre for Islamic finance, is facing increasing competition from Indonesia, the world's most populous Muslim nation, and other countries in the region.

However, experts say Malaysia's lead is so great and its ambitions so extensive that it is more likely to benefit than to lose from the attention being paid to the sector in other Asian capitals.

"Malaysia has a very internationalist view of its role in the financial system," says Hooman Sabeti-Rahmati, an Islamic finance expert in the Singapore office of the international law firm Allen & Overy.

"I think they have the ambition, they are developing the institutions, and they are far ahead of some of the people in the Gulf and elsewhere," he adds.

According to Bank Negara, the central bank, Malaysia's total outstanding *sukuk* amounted to $66bn at the end of last year, or 62 per cent of global outstanding issuance.

About 19 per cent of banking assets are *sharia*-compliant, as are 88 per cent of listed stocks on Bursa Malaysia, the Kuala Lumpur stock exchange.

The sector has strong government support, including a friendly tax regime and predictable regulation, which have provided a high degree of legal certainty for issuers and investors.

This mix, combined with government encouragement to state institutions to use Islamic financing whenever possible, has helped make Malaysia significantly more innovative than other jurisdictions.

Last year, for example, Bursa Malaysia launched the world's first *sharia*-compliant commodity trading platform, intended to provide a mechanism for Islamic banks to manage their liquidity.

Malaysia faces considerable potential competition, however. Neighbouring Singapore is much better established as an international finance centre and, while Muslims are in a small minority in the city-state, the Singapore government is keen to expand into Islamic products.

It changed its regulations last year to allow banks to undertake *musharaka* and *murabaha* transactions, and more recently issued guidelines on *istisna*, or project finance deals, and officials in both Hong Kong and South Korea have talked of facilitating Islamic financial instruments, especially *sukuk*.

Indonesia, the biggest economy in south-east Asia, also has ambitions to build an Islamic finance sector, and will be taken seriously because of its sheer size. "Indonesia has seen a renewed focus on Islamic finance and is building momentum," says David Vicary, global Islamic finance leader at Deloitte in London.

However, much of this activity may be less significant than it appears.

Few think Hong Kong and South Korea are likely to amount to more than niche players in Islamic finance, while Singapore's motivation is mainly to ensure that its growing financial centre has the capacity to deal with transactions of all sorts, conventional and Islamic.

Indonesia is a more powerful and long-term competitor, says Mr Sabeti-Rahmati, but the diffusion of authority that has grown up in the vast archipelago since its democratic revolution in 1998 militates against the rapid introduction of an effective Islamic financial system alongside the conventional one.

> The sector has strong government support, including a friendly tax regime and predictable regulation

"If this were happening 15 years ago and there was a central decision to facilitate Islamic finance it would just happen very readily. But nothing happens very quickly now in Indonesia because of the diffusion of authority there," says Mr Sabeti-Rahmati.

"That's why we have seen more of a piecemeal approach, he adds.

"For example a new law came into effect at the beginning of April to remove some of the tax impediments for *murabaha* transactions, but not for *sukuk*.

"There is no reason to remove it for one but not the other, but it just didn't happen in this particular round and no one knows when it might happen."

Raja Teh Maimunah, global head of Islamic markets at Bursa Malaysia, says the increasing activity in the sector in other south-east Asian countries is a "good" development.

"We need more players in the market, because we aspire to become an international financial centre and we can't quite be international if we're doing something on our own, so we need everybody to subscribe to this as well," she says.

"It assists Malaysia in a few ways. If you look at Indonesia, a number of our banks are there and our banks would have Islamic windows or branches. Growth and activity there would mean heightened business for our Malaysian banks.

"We don't look at Malaysia being a financial centre whereby [business] has to come and physically be present in Malaysia – the whole exportation of the technology of Malaysian Islamic finance is what we are looking at really."