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U.S. Banks Back Out of Some Chinese IPOs

By Dave Sebastian
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International investors have soured so much on Chinese initial public offerings that investment banks are backing out of potential listings and even small deals have become a tough sell.

Goldman Sachs Group has given up several mandates for IPOs in Hong Kong this year, including deals for a dermatology company and an online marketplace for pharmaceutical products, according to filings with the city's stock exchange. Bank of America has left its role in the coming IPO of Growatt **Technology**, which makes inverters for solar panels.

Banks seldom relinquish IPO mandates after receiving them. The moves reflect how difficult the market is for Chinese companies that want to go public on international stock exchanges. Nearly 90 companies have active listing applications for the Hong Kong exchange's main board, according to official figures as of May 31. But falling stock prices, heightened political tensions between Washington and Beijing and China's sputtering economic recovery have been turnoffs for many global investors.

New and secondary listings in Hong Kong have raised $2.05 billion this year, down 12% from a year earlier, a far cry from the city's IPO volumes in years past. The average deal size so far in 2023 has been about $80 million, according to Dealogic data.

Hong Kong's Hang Seng Index rallied in January, after investors bet on a rapid economic recovery following the end of China's strict zero-Covid policies. But the index, which includes many of China's largest companies, has fallen more than 14% since closing at its highest level this year on Jan. 27.

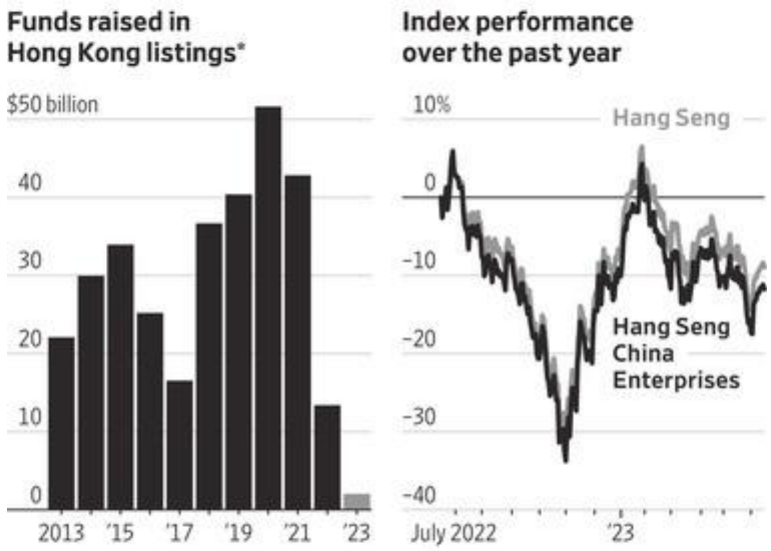
Even small listings with an obvious sales pitch have faltered recently. Star Plus Legend Holdings, which makes a type of diet coffee, postponed its $101.8 million Hong Kong IPO last week after launching its stock sale. The company was co-founded by the mother of Taiwanese pop star Jay Chou and owns intellectual-property rights to a reality show he stars in, as well as other events and content centered around him.

Goldman chose to back away from the IPOs of YSB, a Chinese company that operates a pharmaceutical marketplace for businesses, and Shanghai-based Cutia Therapeutics, which specializes in skin treatments. The New York bank viewed the current market demand to be too weak for the listings to do well, according to people familiar with the matter. In April, Goldman stepped back from its role as an overall coordinator in the IPO of Beijing Fourth Paradigm **Technology**, an artificial-intelligence company that was added to an export blacklist by the U.S. Commerce Department in March.

Goldman advised YSB and Cutia to wait until market conditions improve, the people said, but the companies ultimately chose to push ahead. Cutia raised $59.4 million from a Hong Kong listing that priced last week. It came in near the bottom of its price range. YSB is planning to launch a deal this week.

Shenzhen-based Growatt **Technology**, the solar-products company, last year postponed its listing plans and is planning to relaunch its IPO. Bank of America Merrill Lynch had been coordinating Growatt's listing attempt, but is no longer involved in the deal.

Many deal makers have a gloomy outlook for the IPO market this year, after starting 2023 with a sense of optimism following the end of zero-Covid. They say policy stimulus from China, a continued rise in stock prices elsewhere and more clarity about U.S. interest rates are among the prerequisites for deals to return.



*Includes primary and secondary listings, 2023 data is through June 14.
Sources: Dealogic (funds); FactSet (performance)

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The New York Times

National Desk; SECTA
U.S. Intends to Take Over Faltering Bank and Sell It Before Monday

By Lauren Hirsch and Maureen Farrell
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JPMorgan, PNC and Bank of America are said to be interested in acquiring the troubled lender after it is seized by the Federal Deposit Insurance Corporation.

Federal regulators were racing on Saturday to seize and sell the troubled First Republic Bank before financial markets open on Monday, according to several people with knowledge of the matter, in a bid to put an end to a banking crisis that began last month with the collapse of Silicon Valley Bank.

The effort, led by the Federal Deposit Insurance Corporation, comes after First Republic's shares tumbled 75 percent since Monday, when the bank disclosed that customers had withdrawn more than half of its deposits. It became clear this past week that nobody was willing to ride to First Republic's rescue before a government seizure because larger banks were worried that buying the company would saddle them with billions of dollars in losses.

The F.D.I.C. has been talking with banks that include JPMorgan Chase, PNC Financial Services and Bank of America about a potential deal, three of the people said. A deal could be announced as soon as Sunday, these people said, cautioning the situation was rapidly evolving and might still change. Any buyer would most likely assume the deposits of First Republic, eliminating the need for a government guarantee of deposits in excess of $250,000 -- the limit for deposit insurance.

It's possible that an agreement won't be reached, in which case the F.D.I.C. would need to decide if it would seize First Republic anyway and take ownership itself. In that case, federal officials could invoke a systemic risk exception to protect those bigger deposits, something they did after the failures of Silicon Valley Bank and Signature Bank in March.

The bank regulator started sounding out potential buyers late last week as it became clear that there were few options outside a government- takeover, one of the people said. By Friday, the F.D.I.C. asked potential bidders to submit binding offers by Sunday, this person said. Those potential bidders have been given access to detailed information on First Republic's finances, one of the people said.

The people requested anonymity because the process is confidential. Bloomberg and The Wall Street Journal reported the talks earlier. The F.D.I.C. declined to comment. The F.D.I.C. is working with the financial advisory firm Guggenheim Partners on the process, according to three people with knowledge of the situation.

Regulations preclude JPMorgan Chase and Bank of America from acquiring another deposit-taking bank because of their size, and regulators would have to grant an exemption if one of those banks were to acquire First Republic.

Progressive Democrats were not thrilled about having JPMorgan or Bank of America take over the bank, given that such a deal would make the already huge institutions larger, and that probably tilted things slightly toward PNC, another person familiar with the situation said. Some other smaller regional banks also showed some interest in First Republic, this person said.

JPMorgan Chase, PNC and Bank of America were part of a consortium of 11 large banks that temporarily deposited $30 billion into First Republic last month as part of an industry effort to prop up the bank. But that lifeline did little to put to rest concerns about First Republic's viability.

First Republic, which is based in San Francisco and has most of its branches on the coasts where it serves affluent customers who work in industries like **technology** and finance, has been considered the most vulnerable regional bank since the banking crisis began unfolding in March with the sudden collapse of

Silicon Valley Bank. First Republic spooked investors and customers anew by revealing on Monday that it had lost $102 billion in customer deposits, much of it in just three weeks in March, not including the $30 billion in deposits it received from the 11 big banks. The outflow was well over half the $176 billion it held at the end of last year.

Like Silicon Valley Bank, First Republic has also suffered losses on its loans and investments as the Federal Reserve rapidly raised interest rates to fight inflation.

First Republic had been hoping to strike a deal before being put into F.D.I.C. receivership, because a government seizure would mean shareholders of the company and some of its bondholders would probably lose all or most of their investment. Until Thursday night, the bank and its advisers remained in conversation with the government, some banks and private equity firms about a potential deal. But neither the government nor the banks, were ultimately interested in such an arrangement, one of the people said.

By Friday morning, it was clear to everybody involved that First Republic had no option other than a government takeover, the people said. First Republic's stock closed Friday down another 43 percent and continued falling in extended trading.

First Republic was worth just $650 million as of Friday afternoon, down from more than $20 billion before the March crisis, a reflection of investors' realization that shareholders could be wiped out.

A sale to a larger bank would likely mean that all of First Republic's deposits are protected since they would become accounts at the acquiring bank. That includes uninsured deposits, which stood at $50 billion at the end of March -- a sum that includes the $30 billion from the 11 big banks.

By seeking to line up a buyer for First Republic before formally putting the bank into receivership, regulators appear to be hoping to avoid the tumult that characterized the fall of Silicon Valley Bank. It took several weeks for government officials to sell that bank's remnants to First Citizens BancShares, in a deal that included about $72 billion in loans at a deeply discounted price.

And the government appeared to be learning from the fall of Silicon Valley Bank in another way: The information it provided on First Republic's financial situation to potential buyers was much more detailed than what it provided in the case of Silicon Valley Bank, according to one of the people. Government officials spent additional time putting together a more cleaned-up set of facts that mapped out the bank's relationships and risks.

The government prefers to find a buyer for a failed bank as quickly as possible to minimize losses to the government's deposit insurance fund. The longer it takes to find a buyer, the more likely that customers and employees will abandon a failed bank, leaving behind a rapidly withering business.

PNC, one of the country's largest regional banks that is based in Pittsburgh, had previously considered buying First Republic. But PNC couldn't make a deal work because it would have to take on large losses from First Republic's relatively low-rate home mortgages and other loans, according to one of the people. The challenges of accounting for First Republic's loans put off other potential buyers, too.

JPMorgan's chief executive, Jamie Dimon, was a key architect of the plan to inject $30 billion into First Republic Bank. During the 2008 financial crisis, Mr. Dimon led the rescue of two banks -- Bear Stearns and Washington Mutual.

Jeanna Smialek contributed reporting.

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First Republic Bank's shares have tumbled since it disclosed that customers had withdrawn more than half of its deposits. (PHOTOGRAPH BY JIM WILSON/THE NEW YORK TIMES) This article appeared in print on page A22.

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PERSONAL JOURNAL

How a Bank App Knows It's You --- The big U.S. consumer banks run multiple layers of tools behind the scenes to thwart hackers

By Dalvin Brown
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If we've learned one thing from years of hacks and phishing, it's this: A username and a password alone aren't strong enough to protect our most precious accounts.

So why don't our bank apps require us to pile on extra security settings?

Security experts (and our own columnists) have long urged people to turn on two-factor authentication or other tools to secure their apps. Banks, arguably the most sensitive apps on our smartphones, don't often make you use any of that.

Instead, banks run a lot of software in the background to make sure you're really you. Among several factors considered during logins are: the time of day, location, device IP address, mobile carrier and if any links prompted users to open the app. If anything differs from your unique "fingerprint," your bank might suspect a hacker or a phishing attempt, and prompt you to take more steps to verify your identity.

The four biggest U.S. consumer banks by deposits, Bank of America Corp., Citigroup Inc., JPMorgan Chase and Wells Fargo & Co., say they run multiple layers of authentication and monitoring tools from the moment users open the app until they log out.

"We have multiple and redundant controls that are not always visible to our end user," said Tami Hudson, Wells Fargo's executive vice president and **cybersecurity** client officer. "Those things really help us to proactively identify login attempts that we would define as risky or potentially risky."

What the banks do

In the past, you might have been asked to answer security questions -- "What was the name of your first pet?"

Now, newer behind-the-scenes measures take precedence, say security experts and banking software providers. Some compare a user's password-typing speed and cadence with that person's prior attempts. Others analyze the pressure with which credentials are entered by checking how many pixels are covered when the user taps each key.

This melange of authentication practices is found largely in banking apps because the stakes are higher. Banks know if customers have any concerns about the safety of their money, they'll go elsewhere. On top of that, banks must abide by federal regulations to use secure data management practices, such as end-to-end encryption.

All of that weighs on a bank's decision to approve a login or transaction, said John Buzzard, lead fraud and security analyst at Javelin Strategy & Research, which assesses risks in **digital banking** security.

"If there is a sudden about-face somewhere, there's an opportunity for banks to stop it, pause it or request more information," he added.

These tools aren't failproof. If you have your login credentials stored on your smartphone, a phone thief who also knows your passcode may still be able to use autofill to log in. "But the secret sauce determines how far they go once they get through," Mr. Buzzard said.

Even if these defenses are breached and money is stolen -- more often through victim manipulation than actual hacking -- the funds are generally protected in other ways, too.

What you can do

The four banks we spoke to say protecting users from swindlers means not revealing every tool they have at their disposal. Still, each shared information about its techniques.

All four support Face ID and Touch ID for Apple devices, and fingerprint sign-on for Android phones. Biometrics can make signing in easy for you and harder for people who aren't you, Mr. Buzzard said. The apps also automatically log you out after a short period of inactivity.

There might be other security layers, such as transaction alerts, two-factor (aka two-step) authentication and single-use passwords, that you choose to activate. Banks don't turn everything on by default because they don't want to create too much friction, Mr. Buzzard said.

If you do want to do more, here are security options offered by the individual banks:

Bank of America: The bank will ask to verify your identity via two-factor at various times, like when you're making a transfer or using an unrecognized device. But you can have it prompt with a code via text or email every time you log in on the mobile app.

Find the tool in the bank's Security Center, which has a checklist detailing other ways to improve your account's security.

Chase: When you log on for the first time, or use a device the bank's servers don't recognize, Chase sends an authentication code to the customer via phone, text or email.

Chase customers can also opt into extra security in settings. You can require the entry of a one-time passcode delivered by phone, text or email alongside the username and password for every website login attempt.

Citibank: The Citi Mobile app doesn't automatically ask users to turn on two-factor authentication. Go to Profile > Security Center > 2-Step Authentication and turn the setting on. Once you do, logging in will require a one-time code sent via text or call. Note: Citi is in the process of updating its mobile app, so the process may vary.

Customers can also activate account alerts, which will text or email you when anything unusual happens with your balance, payments spending and account activity.

Wells Fargo: Go to the app's Security & Profile section to turn on two-step authentication. Once activated, customers will be prompted via text, email, call or push notification to enter an access code every time they sign-on. (You can also opt for this requirement to be waived when you're logging into your phone's app.)

Even if you haven't activated two-step authentication, Wells Fargo might send a one-time password to authenticate you during logins, or when transferring and receiving money from new non-Wells Fargo accounts.

For extra login protection, you can buy a $25 portable security device from Wells Fargo. It generates and displays unique random passcodes every 60 seconds. But if you lose it, you'll have to call customer support.

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