REUTERS

GLOBAL REGULATORY BRIEFING

MARCH 17, 2011

WEEK IN BRIEF

Group of Seven financial leaders sought ways to calm markets roiled by Japans' earthquake, tsunami and nuclear-plant disaster. Five major banks faced an international probe into possible manipulation of LIBOR lending rates. Republicans in the U.S. Congress rolled out proposals to weaken provisions of last year's Dodd-Frank financial regulatory overhaul, and a blocking minority of EU states lined up to oppose a permanent ban on some derivatives trade.

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TELECOMS

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Obama housing aide to be mortgage banking lobbyist
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COMING UP

QUOTES

"If we put a stop to trading, it will be seen as a confirmation of the concerns among foreigners and could trigger panic,"

Senior official of the Tokyo Stock Exchange, via the Nikkei.

"I believe the commission already has an extremely effective tool at its disposal it could use to discourage excessive energy speculation and bring down gas prices -- the authority to impose higher margin requirements for oil futures contracts."

U.S. Senator Bill Nelson, in a letter to Senate colleagues urging the Commodity Futures Trading Commission to take action against speculation in oil futures markets

"With stricter rules for the regular banking sector there is a clear danger that more and more activities will flow around the newly erected dikes and add to the ocean of unregulated activity at our back, thereby increasing systemic risk."

Axel Weber, president of Germany's Bundesbank and European Central Bank policymaker, calling for more regulation of the “shadow banking” sector

"Very large financial institutions may now rationally decide to take inflated risks because they expect that, if their gamble fails, taxpayers will bear the loss."

Final report on the U.S. Troubled Asset Relief program, by Congressional Oversight Panel

"For those in the hedge fund world who are used to speaking without concern that anyone is overhearing them, there has been a bit of chill that's run through that community."

Richard Strassberg, a partner at law firm Goodwin Procter, discussing changes in industry practices in the wake of the Galleon hedge fund prosecutions

"That CIRC would coordinate closely with domestic Chinese insurance firms is no surprise, but the situation here appears to take this a step farther, with CIRC actively eliciting information from AIG that would be helpful to AIG's Chinese competitors in acquiring parts of AIG's business."

U.S. diplomatic cable, via WikiLeaks, complaining that the Chinese Insurance Regulatory Commission passed proprietary information about U.S. insurer AIG to its Chinese rivals during AIG’s collapse

“The idea we can regulate away problems that have more to do with public finances... is problematic."

Swedish Finance Minister Anders Borg, part of a group of EU members intending to block proposed legislation to permanently ban uncovered sovereign credit default swaps

TOP STORIES

JAPAN | REUTERS, MARCH 17

G7 aims to calm markets as Japan nuclear crisis deepens

Group of Seven finance leaders were to hold talks on Friday on ways to calm global markets roiled by Japan's nuclear plant crisis. The G7 talks were to address the impact of the crisis on economic growth, energy output, the supply chain and financial markets, a French government source said.

Rising alarm over the unfolding disaster in Japan following an earthquake and tsunami has sent shivers through world markets, spurred a rethink of nuclear power around the globe, with some countries including China and Germany moving to curb their reliance.

The yen soared in disorderly trading to a record high against the dollar on speculation Japan will repatriate billions of dollars in overseas funds to pay for massive reconstruction.

Estimates of the disaster's cost to Japan range up to $200 billion, but Fitch Ratings said it did not currently view the economic impact as sufficiently severe to warrant negative rating action.

The G7 financial ministers and central bankers were to hold a telephone conference call around 2200 GMT on Thursday (7 am Tokyo time Friday), Japan's finance minister, Yoshihiko Noda, said.

The triple disaster, unprecedented in a major developed economy, is already disrupting global manufacturing. Makers of equipment for mobile telephones to carmakers and chipmakers have warned of a squeeze on their businesses given Japan's crucial role in many supply chains.

China suspended approvals for new nuclear plants, effectively putting on hold the world's most ambitious expansion plan. Germany said it would shut down for at least three months all seven of its nuclear power stations that began operating before 1980, and would suspend a coalition agreement to delay closing its aging reactors. Switzerland put on hold some approvals for nuclear power plants. In the United States, the Obama administration has maintained its support for expanding nuclear power.

Economists fear an extended slump for the world's third-biggest economy with a recession possibly lasting two or three quarters.

Japan's central bank has pumped billions of dollars in cash into its banking system to help stabilise jittery markets and government leaders have called for calm.

UK | REUTERS, MARCH 17

Five banks in international Libor probe -source

Regulators are probing alleged manipulation of Libor rates, the benchmark for interbank borrowing costs, and focusing their efforts on five lenders, a person familiar with the matter said.

Bank of America, Barclays, Citigroup, WestLB and UBS are being investigated by regulators in Britain, Japan and the United States, said the source, who asked not to be named.

Swiss bank UBS said earlier it received subpoenas from Japanese and U.S. regulators regarding whether it made "improper attempts" to manipulate the London interbank offered rate.

The Financial Times reported Barclays, BofA, and Citi had all received subpoenas from U.S. regulators. Investigators had also demanded information from WestLB, but the German bank said it had not been subpoened, the paper said.

Some lawyers said the regulators, who are investigating the setting of dollar Libor prices in 2007 and 2008 faced a tough task establishing clear evidence of manipulation.

Libor rates spiked during the financial crisis but were widely criticised at the time for not reflecting true market prices.

The British Bankers' Association (BBA), which sets Libor prices each day, said Libor has a straightforward and transparent calculation method which excludes any rates that are significant outliers. It declined to comment on the investigation.

US | REUTERS, MARCH 15

Challenges to Dodd-Frank surface in U.S. Congress

The first targeted legislative challenges to 2010's Dodd-Frank financial regulation reforms are emerging in the U.S. Congress, with nine senators introducing a bipartisan bill to delay a proposed cap on debit-card interchange fees.

The cap, proposed by the Federal Reserve as required under Dodd-Frank, is opposed by card networks Visa and MasterCard, as well as big banks such as Citigroup and JPMorgan Chase.

Democratic Senator Jon Tester and eight other senators from both parties have introduced a bill to suspend implementation of the cap and study the fees for two years.

Less than a year after the passage of Dodd-Frank the financial industry is making some headway on trying to roll back reforms it opposes.

Republicans in the House of Representatives were to stage their first outright challenge to Dodd-Frank with a fistful of bills favoring private equity firms, derivatives end-users, credit rating agencies and corporate CEOs.

Republicans may be able to win House passage, with even Democratic support on some issues. But Senate action could be hard to come by, and President Barack Obama holds a veto pen.

In the House, one new Republican bill would exempt private equity firms from registering with the Securities and Exchange Commission, as required under Dodd-Frank.

Another bill would amend Dodd-Frank to shield end-users of over-the-counter derivatives from new central clearing requirements and the costs involved.

Another would repeal part of Dodd-Frank that requires public corporations to disclose the median pay of all employees, the total pay of the chief executive officer and a ratio comparing the two numbers.

A fourth bill would repeal a Dodd-Frank provision exposing credit rating agencies to legal liability in cases where their ratings were found to be inaccurate.

EU | REUTERS, MARCH 15

Several EU states block ban on "naked" derivatives

The European Union's member states and its parliament are headed for a showdown after several countries lined up to block a permanent ban wanted by lawmakers on the sale of some derivatives.

Italy, Britain, Sweden, the Netherlands, Spain and others said a permanent ban on uncovered sovereign credit default swaps would harm trading in underlying government bonds. The opposition creates a blocking minority that would require parliament to weaken its proposed ban for any measure to become law.

Swedish Finance Minister Anders Borg told EU finance ministers that the issue has more to do with public finance problems than regulation, and there was a risk any ban could be circumvented.

The EU's executive European Commission has proposed a draft law to regulate so-called naked selling of CDS contracts where the buyer does not own any of the underlying government bond being "insured" against default. Policymakers have accused hedge funds of exacerbating instability by using uncovered CDS contracts to bet that bonds of countries like Greece will fall

Michel Barnier, the EU's financial services chief who authored the measure, said it was important to keep sovereign debt in the scope of the regulation. He has proposed giving supervisors powers to only temporarily ban naked CDS in choppy markets.

A panel of lawmakers from the European Parliament, which has joint say with EU states, have voted to go a step further and permanently ban naked selling in most circumstances.

FINANCIAL SERVICES

REGULATORY REFORM

EU | REUTERS, MARCH 10

ECB's Weber says 'shadow banking' next target

Regulators want to target the "shadow banking" sector next as part of a wider reform of financial rules but countries are split over how to do this, European Central Bank policymaker Axel Weber said.

Regulators typically mean entities such as hedge funds, private equity, money market funds and special investment vehicles when referring to 'shadow banking'.

Weber, who is also president of Germany's Bundesbank, told students at University College London that the power of hedge funds and other parts of the so-called 'shadow banking system' was similar to the the force of the ocean on coastal defences. Basel III banking rules and special rules for systemically important institutions help the stability of the financial system, he said, but they also increase the risk that unregulated activity will grow and evade the controls, increasing systemic risk.

Weber said there is no consensus yet among G20 countries on the best way to regulate the sector. Members were split between direct regulation, which would mean imposing banking capital and liquidity requirements on shadow banking entities, and indirect regulation through placing higher capital requirements on banks with exposures to the shadow banking sector.

Learn more

US | REUTERS, MARCH 16

CFTC to miss July deadlines for Dodd-Frank -Gensler

The U.S. futures regulator will begin finalizing rules for the over-the-counter swaps markets starting in spring but will miss July deadlines in the Dodd-Frank law for many of the regulations, its chairman said.

The Commodity Futures Trading Commission will first finalize rules defining swaps dealers and major swaps participants -- who will be subject to the toughest scrutiny under the law -- as well as "end users" who will be exempt from requirements to clear trades, chairman Gary Gensler said.

But the CFTC still needs to define the types of swaps products covered by the sweeping regulations and capital and margin requirements for swap dealers and major swap participants, and won't likely finalize those rules until the fall, Gensler told a Futures Industry Association conference.

The CFTC, has been criticized as moving too fast to implement Dodd-Frank, and what some have called an "irrational" sequence of rules.

Gensler told the FIA the agency hopes to finalize rules in three clusters and may consider phasing in the effective dates of regulations by asset class.

Learn more

US | COMPLINET, MARCH 16.

Senate Banking chairman: debit-card fight could unravel Dodd-Frank

A Senate dispute over interchange-fee limits could lead to Congressional "mischief" and open the door to a broad move to repeal many elements of financial regulatory reform, Banking Committee Chairman Tim Johnson said.

Lobbyists are making the Federal Reserve's authority to restrict the amount of fees that debit-card issuers can charge retailers for transactions the most heavily attacked provision of the Dodd-Frank financial regulatory overhaul passed last year. Banks say the limits cut too much into profits and hurt smaller issuers, while retailers respond that the fees far exceed the banks' costs.

Johnson last year voted against the so-called Durbin amendment letting the Fed set fee limits. However, Johnson, whose home state of South Dakota has a heavy presence by major card issuer Citigroup, may be constrained in keeping to his earlier stance by the leadership role he has taken in supporting Dodd-Frank as chairman of the banking committee.

Efforts to bar the Fed's implementation of the transaction fees took a new turn with the introduction of a Senate bill, the Debit Interchange Fee Study Act, which would delay any limits for two years while undertaking a one-year study to assess the potential impact of the restrictions.

The bill gained immediate support from the American Bankers Association. But the Senate's assistant Democratic leader, Dick Durbin, who is a key to any new legislation on fees, countered that a delay would amount to a bailout for big banks.

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US | REUTERS, MARCH 11

U.S. banking groups join debit fee legal battle

U.S. banking groups representing firms of all sizes are getting behind a lawsuit challenging the constitutionality of a crackdown on debit-card processing fees.

The groups announced they had filed a friend-of-the-court brief in support of a lawsuit the banking unit of TCF Financial Corp filed in October against the Federal Reserve, which is charged with implementing limits on the fees under the Dodd-Frank regulatory overhaul.

Among those joining the filing are the American Bankers Association, the Financial Services Roundtable, the Independent Community Bankers of America, and the National Association of Federal Credit Unions.

The brief filed by the banking groups argues that the Fed proposal goes too far.

In its lawsuit against the Fed, TCF argued that the fee crackdown required by the law is unconstitutional because it applies only to about 1 percent of U.S. banks -- those with assets of $10 billion or more -- and because it will set a fee that takes into account only a narrow aspect of a service's cost.

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US | REUTERS, MARCH 17

Starving CFTC of funding puts billions at risk -Gensler

The chairman of the U.S. futures regulator told lawmakers he was sympathetic to their efforts to rein in spending, but warned it would be a mistake to withhold funding from the agency and could put billions of taxpayer dollars at risk.

Commodity Futures Trading Commission Chairman Gary Gensler told the House Appropriations subcommittee in charge of CFTC funding that the recent surge in prices for commodities, such as energy and agriculture, underscores the need of having an effective cop to oversee the markets. The commission is writing dozens of regulations to implement the Dodd-Frank financial overhaul, which gives the agency oversight of the $600 trillion global swaps market.

The Obama administration has proposed to give CFTC $308 million in fiscal 2012, up 82 percent from its current level. Republicans who now control the House of Representatives have questioned funding boosts for regulatory agencies as they look to cut government spending and slow enforcement of Dodd-Frank by starving regulators of additional funds.

US | REUTERS, MARCH 16

Bankers snort, groan as US regulator lauds reforms

Bankers guffawed and groaned at a top U.S. regulator when she told them they should embrace financial crisis-inspired reforms. She responded by portraying them as ungrateful.

In one of the most bitter exchanges between a top official and bankers since the financial crisis, Federal Deposit Insurance Corp Chairman Sheila Bair got exasperated when her appearance at an American Bankers Association event turned into a gripe fest.

Executives of mostly smaller banks complained about new restrictions on overdraft fees and about regulation in general, including the Dodd-Frank financial reform law. Bair responded by saying the industry needed to stop focusing on what it does not like, and try to work more with regulators on changes that could benefit the industry.

She said Dodd-Frank was good for community banks because, among other things, it drives down small banks' deposit insurance costs, while hammering larger firms with more restrictions.

Bair said bankers must acknowledge how regulators and the Dodd-Frank law helped stabilize the financial industry. When they loudly cheered approval for repealing Dodd-Frank, she said, “I really can’t believe this.”

Bair argued that the biggest threat to the industry is a reluctance to embrace reforms that could restore its badly-bruised reputation with the public and its proper role in the economy.

Learn more

US | REUTERS, MARCH 16

Consumer watchdog badgered by US House Republicans

Congressional Republicans hammered away at a U.S. consumer watchdog agency they have opposed since its creation last year, criticizing its budget autonomy and scope of authority at a hearing.

Elizabeth Warren, a Harvard Law School professor whom the White House named to lead formation of the new agency, defended its mission to protect consumers from predatory financial practices as mandated under the Dodd-Frank reforms. She called the Consumer Financial Protection Bureau “a cop on the beat that American families can count on."

As authorities move closer to a legal settlement involving a national mortgage foreclosure practices scandal, Republicans grilled Warren over her agency's role in settlement talks. Sources have said the consumer agency is pushing harder than some bank regulators for a big monetary settlement and for principal writedowns on mortgages.

The CFPB, Warren said, will not be a party to any formal settlement. But she added that she was glad the agency "has been able to provide assistance in this important matter."

Warren said she President Barack Obama is expected to make a nomination soon to head the bureau, a job which will require Senate confirmation. An outspoken critic of banks, Warren has been seen as a problematic nomination given banks' clout in Congress.

Learn more learn more

US | REUTERS, MARCH 17

Former U.S. law chief to lobby on anti-bribery act

The U.S. Chamber of Commerce has hired former U.S. Attorney General Michael Mukasey to lobby Congress to amend the Foreign Corrupt Practices Act, which bars U.S. companies from bribing foreign officials, an official of the business advocacy group said.

The Chamber believes the act may be making US businesses less competitive and would like Congress to overhaul the 34-year-old law. Tougher enforcement of the act by the Justice Department and the Securities and Exchange Commission has raised U.S. business concern over its impact, even as other countries move to tighten their own anti-bribery statutes.

Supporters of global anti-corruption efforts expressed concern that amending the U.S. law could signal a weakening of Washington's commitment, and suggested that instead of amending the law, the government could provide clearer information to companies about how to comply with it.

A chamber spokesman said Mukasey brings a "unique perspective" to the effort to amend the act, due to his experience as attorney general under former President George W. Bush and as a chief judge of the US District Court for the Southern District of New York.

Five months ago the chamber released a paper that called on Congress to amend the anti-bribery act to reduce its "onerous" impact on US businesses. Recommendations included that the FCPA's definition of a "foreign official" be clarified to distinguish from employees of state-owned companies, and that firms with top-notch compliance programs be permitted to fight the imposition of criminal liability based on the actions of rogue employees.

Learn more

AUSTRALIA | REUTERS, MARCH 15

Australia trade unions press for seat on central bank board

Australia's unions are pushing the government to give them a seat on the Reserve Bank of Australia's policy-making board this year to offset the heavy representation of big business, the Australian Council of Trade Unions said.

The unions' drive comes as the shrinking labour movement turns more vocal, with the jobless rate at a low 5 percent and industry pressing to hire more foreign workers to fill skills shortages in mining, energy, construction and infrastructure.

ACTU President Ged Kearney told Reuters in an interview the council would be speaking with the government and expected it to “look very critically” at the issue of the board’s composition. She said the council would love to have one of its members on the board, but at least wanted someone who “understands working people’s needs.”

The RBA board is chaired by the governor, whose deputy serves as deputy chairman. But six out of nine seats on the central bank's board are held by non-RBA or Treasury officials appointed by the federal Treasurer. Five seats are currently held by directors of blue-chip Australian companies, with one held by an economist.

Labour unions have not had a member on the policy-making board since 1997. The government will get the chance to appoint two new members this year and two in 2012.

US | REUTERS, MARCH 15

Geithner seeks quick foreclosure pact with banks

A comprehensive settlement between U.S. authorities and banks over alleged abuses of mortgage servicing needs to be reached quickly to help the housing market heal, Treasury Secretary Timothy Geithner said.

Geithner told the Senate Banking Committee that such a settlement would allow the government to focus more directly on repairing the damage to the broader housing market and will help dispel the legal uncertainty plaguing mortgage lenders.

A group of 50 attorneys general and 12 federal agencies are probing bank mortgage practices that burst into public view last year, including the use of "robo-signers" to sign hundreds of unread foreclosure documents a day.

The negotiators are struggling to reach a single broad agreement on financial penalties and higher standards for banks handling troubled home loans. A "global" settlement with the authorities would relieve a potentially large legal liability and reputational black eye for the banks, as they could face a myriad of lawsuits and fines without a universal agreement.

John Walsh, acting head of the Office of the Comptroller of the Currency said earlier that U.S. federal and state authorities still hope to reach a single settlement proposal they can present to the banks over alleged abuses.

On March 3, state attorneys general sent banks aspects of a proposed settlement endorsed by some federal agencies but not the OCC or the Federal Reserve, the main banking regulators involved in the discussions.

Critics of the disjointed settlement negotiations, including a group of House of Representatives Republicans, have argued the early proposal is an abuse of power that could harm markets.

Learn more

US | REUTERS, MARCH 17

Three U.S. states object to proposed mortgage pact

Three state attorneys general said they object to a proposed settlement with banks over alleged mortgage servicing and foreclosure abuses.

The letter was sent to Iowa Attorney General Tom Miller, who is leading the states' servicing probe, and was signed by attorneys general from Oklahoma, Nebraska and Alabama. The letter argues that proposals aimed at forcing servicers to reduce mortgage loan balances to help keep borrowers in their homes goes too far.

The three attorneys general, all of whom are Republicans, also say that some of the proposals would override state laws and that "policy considerations of this nature should be left to each individual state."

New York Attorney General Eric Schneiderman, a Democrat, has raised concerns about the proposal from a different point of view. He has said he does not want any settlement to prevent his office from taking further action against mortgage servicers.

US | REUTERS, MARCH 16

SIFMA pushes back on mortgage settlement proposal

The leading U.S. securities industry trade organization expressed strong reservations about a settlement proposal that state attorneys general have presented to five banks over allegations of widespread wrongdoing in servicing mortgages.

The draft proposal could lead to "unintended consequences" for the housing market and potentially harm investors in mortgage backed securities, the Securities Industry and Financial Markets Association said.

Randy Snook, a SIFMA executive vice president, said in a statement that the proposal would put into effect new servicing standards for the mortgage industry without adequate advance evaluation.

In recent weeks the state attorneys general have circulated a 27-page proposal intended to be the basis of settlement talks with the five biggest U.S. loan servicers, including Bank of America and Wells Fargo.

Although the proposal did not contain a dollar figure, regulators and industry officials have said they expect the state regulators to ask for penalties of at least $20 billion from the five banks.

The proposal omits many details, but calls for an increase in loan modifications based on reductions in principal, the basic amounts owed by homeowners. It also calls for new rules of conduct for servicers when dealing with homeowners.

Snook said the proposal contains provisions that could harm both the housing market and mortgage investors because it would greatly extend the amount of time homeowners who modify their loans would have to pay off their mortgages.

Legal aid lawyers and others who represent large numbers of homeowners in foreclosure proceedings have complained that the proposal doesn't go far enough to punish the banks for alleged illegal activity, and doesn't provide adequate assurances of fair treatment of homeowners.

Learn more

US | REUTERS, MARCH 15

U.S consumer finance adviser warns Congress on mortgage probe

Elizabeth Warren, the president's chief advisor on consumer financial issues, is warning against politicizing a probe by state and federal authorities into U.S. bank foreclosure practices.

Warren said on the eve of an appearance before Congress that “political attacks” against enforcement authorities were “dangerous" and raised the prospect of unfair or inconsistent enforcement of the laws.

Critics of settlement negotiations in the mortgage probe, including a group of House of Representatives Republicans, have argued an early settlement proposal is an abuse of power that could harm financial markets.

US | REUTERS, MARCH 14-15

Former Fannie, Freddie executives may face SEC civil charges

Daniel Mudd, chief executive of hedge fund Fortress Investment Group LLC, has been notified by U.S. regulators that he may face civil claims related to his previous position as president and CEO of government-sponsored mortgage firm Fannie Mae.

In a regulatory filing, Fortress said Mudd had received a "Wells notice" from the Securities and Exchange Commission, indicating that SEC staff would recommend a civil enforcement action against him related to his work at Fannie Mae. Mudd intends to make a 'Wells submission' response arguing that no such action should be commenced, Fortress said in the filing.

Fannie Mae and sister entity Freddie Mac have been under investigation since September 2008 for their role in the mortgage crisis, with authorities looking at accounting practices and possible corporate fraud.

The New York Times reported separately that the former chief executive of Freddie Mac, Richard Syron, may face a civil action as part of a wide probe into mortgage disclosure practices. It said Syron has also received a "Wells notice" from the SEC, and quoted his lawyer as saying any charged would be meritless.

US | REUTERS, MARCH 14

UBS, Credit Suisse client sentenced in tax dodge

A U.S. judge sentenced a wealthy client of both UBS AG and Credit Suisse to three years probation for hiding assets abroad, the latest case to involve a former Credit Suisse client in the government's tax-evasion probes.

Jeffrey Chatfield of San Diego will pay a fine of about $96,000 to end his civil liability for filing false tax returns from 2000 to 2008, according to the Justice Department.

U.S. officials say they are homing in on other banks after ending a years-long probe of UBS, which paid the government $780 million in 2009 to settle criminal charges after admitting it lured U.S. clients with the promise of tax secrecy. While the government has not named specific banks under investigation, in recent weeks, tax cases involving Credit Suisse bankers and a former client have moved forward in the U.S. courts.

The bank maintains it is not a target of any tax probe.

US | REUTERS, MARCH 15

SEC charges NY hedge fund founders with fraud

The founders of a New York hedge fund firm were sued by the U.S. Securities and Exchange Commission, which accused them of looting $1.8 million from a fund they run and inflating assets more than tenfold.

Eugenio Verzili, 44, and Arturo Rodriguez, 47, were charged with misusing client money at their firm Juno Mother Earth Asset Management LLC to pay for apartment rent, travel, meals, entertainment and department store purchases.

The pair inflated assets under management, once claiming that Juno oversaw $200 million though the total never exceeded $17 million, according to a civil lawsuit filed in Manhattan federal court.

Verzili is Juno's chief executive, and Rodriguez its chief investment officer, according to the SEC complaint.

The case is SEC v. Juno Mother Earth Asset Management LLC et al, U.S. District Court, Southern District of New York.

Learn more

US / CHINA | REUTERS, MARCH 11

U.S. courts confront China's involvement in price fixing

In a closely watched case that could test the reach of U.S. antitrust law, four Chinese companies face powerful evidence that they colluded to limit production and fix prices of vitamin C in the United States.

The defendants have not contested the allegations, but they still have a potentially solid legal defense: the Chinese government made them do it. It's a position that has been bolstered by the

Chinese government itself, which made an official appearance in the case -- believed to be its first in a U.S. court -- to file briefs in support of the defendants. After more than six years of litigation, a Brooklyn federal judge is expected to decide soon whether the case can be decided without a trial.

The legal theory underpinning the defendants' argument is known as the foreign sovereign compulsion doctrine, which protects foreign companies that were compelled by their own government to break U.S. law. As Chinese companies increasingly become the target of antitrust lawsuits in the United States, the doctrine is expected to undergo more legal scrutiny. In addition to the vitamin C case, Chinese companies have raised the sovereign compulsion defense in two other price-fixing cases.

US | REUTERS, MARCH 15

Con artists taking advantage of Facebook offering buzz

The wild popularity of Facebook and other social media sites has spawned a cottage industry of con artists promising average investors a chance to cash in on the frenzy through shares in the companies ahead of their initial public offerings.

While the pre-IPO offerings may be real, investors must be aware that the people touting them may be frauds, the U.S. Financial Industry Regulatory Authority (FINRA) said.

Gerri Walsh, FINRA's vice-president for investor education, said investors must understand that it is “extremely rare and extremely unlikely” that ordinary investors would ever have pre-IPO access to shares in social-media companies.

A simple search of the Internet reveals YouTube videos telling investors how they can get in on the ground floor of exciting investment opportunities in social media companies, as well as blogs that are devoted to thinly traded, unregistered securities.

FINRA is looking into potentially fraudulent schemes attached to social media.

US | REUTERS, MARCH 16

Law-firm study says better to fight FINRA, SEC than settle

Brokers accused by the Securities and Exchange Commission and the FINRA self-regulatory body can often reduce or avoid penalties by taking their fight all the way to a hearing, rather than settling, a securities law firm says.

Brokers that contest these regulators' charges can reduce or avoid sanctions, particularly for cases involving fraud, Sutherland Asbill & Brennan concluded, based on its study of cases brought by the two regulators against broker-dealers between October 2008 and September 2010.

Sutherland represents broker-dealers in litigation.

Financial Industry Regulatory Authority spokeswoman Nancy Condon played down the report, saying it was no surprise that a law firm would “advocate for more litigation."

SEC spokesman John Nester declined to comment.

Sutherland reports that out of 237 charges litigated by the SEC before an administrative law judge, or by the FINRA staff before a FINRA hearing panel, 31 were dismissed.

The success rate for brokers was higher at the SEC, where respondents succeeded in getting 28 percent of cases dismissed during the two-year period. Things were tougher at FINRA, where less than 8 percent of charges were dismissed.

US | REUTERS, MARCH 16

FBI chief defends mortgage fraud efforts

FBI Director Robert Mueller defended the Obama administration's efforts to prosecute Wall Street executives responsible for the U.S. mortgage meltdown amid criticism from some lawmakers that not enough has been done.

The agency has more than 3,000 open investigations into mortgage fraud alone, with 94 task forces and some 340 agents assigned, Mueller told the House of Representatives' Judiciary Committee.

Michigan Representative John Conyers, the committee's top Democrat, questioned whether the FBI was responsible for the lack of prosecutions related to financial and mortgage fraud and if anyone has been held responsible for the meltdown. Mueller disputed the contention, and said the FBI had made regular arrests and trials were under way.

He said there are 667 probes into corporate fraud by some 110 FBI agents. More than 55 are related to the subprime mortgage industry and most "are on Wall Street," Mueller said.

As for securities fraud, there are about 1,700 open cases with 233 agents, he said.

The Obama administration has brought few cases accusing senior executives at major companies tied to the housing and financial industry of fraud, and in some cases has found it has no support for criminal charges.

Learn more

FRANCE | REUTERS, MARCH 15

Renault says sorry to execs over false spy claims

Top Renault bosses made a public apology to three executives falsely accused of industrial espionage and pledged to forgo their bonuses after the Paris prosecutor said the case was unfounded.

Renault Chief Executive Carlos Ghosn and Chief Operating Officer Patrick Pelata promised to compensate the men and offer to reinstate them after firing them in January amid a spying probe that has now turned into a fraud investigation.

Ghosn told TF1 television he had refused to accept the resignation of his right-hand man Pelata over the "sorry episode," as he "didn't want to add one crisis to another."

He and Pelata will give up their 2010 bonuses and profits from 2011 stock options in a decision unanimously approved by the 15-percent state-owned carmaker's board, Renault said.

The three fired executives, Bertrand Rochette, Matthieu Tenenbaum and Michel Balthazard, had denied any wrongdoing from the start and have started legal action against the carmaker.

Renault pledged to learn lessons from the debacle and overhaul internal security measures.

Bank accounts in Switzerland and Liechtenstein, alleged to have belonged to the executives and seen as key to the case over Renault's electric car technology, did not exist, Paris prosecutor Jean-Claude Marin had earlier told a news conference.

The Paris prosecutor said the investigation was now focusing on whether Renault was the victim of fraud as no evidencehad emerged backing its complaint of espionage.

Marin said Renault had already paid 310,000 euros for false information and had 390,000 euros more to pay. A Renault security manager was on Sunday placed under investigation for suspected fraud concerning the spying allegations.

Learn more

JAPAN | REUTERS, MARCH 14-16

Tokyo Exchange says no plan to shorten trading hours -spokeswoman

Japan's main stock market will operate as usual in coming days as the country deals with the aftermath of its strongest earthquake on record, a spokeswoman for the exchange said.

"We have absolutely no plan to shorten hours or halt trading," said spokeswoman Yukari Hozumi of the Tokyo Stock Exchange.

Talk of a possible market closure began on Tuesday, when the Nikkei Stock Average plunged more than 1,000 points on the second trading day after the massive earthquake on March 11, the daily said.

The TSE's rules allow it to close at its own discretion if there is a chance that brokerages accounting for more than 20 percent of trading volume cannot do business. The law also gives the prime minister authority to halt trading in case of "harm to the public good or investor protections."

But TSE President Atsushi Saito said the exchange "will continue to provide investors with an opportunity to trade," calling it "an important piece of social infrastructure."

Financial Services Minister Shozaburo Jimi said that authorities would watch market activity closely to ensure against market manipulation.

GLOBAL | REUTERS, MARCH 15

Brokers say Japan quake to hurt insurers' capital

Losses from the Japanese earthquake will reduce insurers' capital reserves, insurance brokers said.

The cost of the quake to the industry, expected to range up to $35 billion according to AIR Worldwide, will be in addition to some $20 billion in catastrophe claims over the past six months, wiping out its budget for natural disasters, said David Flandro, global head of business intelligence at Guy Carpenter, the world's No. 2 reinsurance broker.

But at least one other broker said the events, while causing some losses, would not trigger higher prices, a source of heavy debate within the industry since last Friday.

The question of nuclear liability also is becoming clearer, but also remains a concern nonetheless for the industry.

A source familiar with the situation said that nuclear plant insurance contracts in Japan exclude coverage for damage from tsunamis and earthquakes. That is likely to limit the liability of the international pools that reinsure risk in Japan, the world's third-largest economy.

Whether plant operator Tokyo Electric Power Co Inc is liable for the problems at its plants remains an open question, depending on whether the Japanese government declares the magnitude 9.0 earthquake and subsequent tsunami an "exceptional" natural disaster.

TAIWAN | REUTERS, MARCH 17

Taiwan mulls tariff cuts on components after Japan quake

Taiwan' cabinet said it will consider cutting tariffs on components for electronic products if supply shortages develop following Japan's powerful earthquake and tsunami.

There were growing concerns in Taiwan and elsewhere in the world that the devastation in Japan will disrupt production of goods used by Taiwan's tech firms, many of which make PCs and electronics gadgets for U.S. brands such as Apple.

US | REUTERS, MARCH 15

SEC may have Republican ally in funding fight

A Republican lawmaker with budget oversight of the Securities and Exchange Commission broke with some of her colleagues seeking sharp cuts in SEC spending.

Jo Ann Emerson, who chairs the House Appropriation's financial services subcommittee, said it was “critical” that the SEC be able to “perform all the functions that they’ve been asked to do.” Emerson was speaking to reporters after a hearing where SEC Chairman Mary Schapiro urged more funding. Emerson said she would probably not support proposals by some Republicans to cut SEC spending back to the 2008 level of $906 million.

The Obama administration wants $1.407 billion for the SEC in fiscal 2012, to help it upgrade outdated technology and implement dozens of new rules required by 2010's Dodd-Frank Wall Street reform law.

But many Republicans are seeking cuts to both reduce the U.S. budget deficit and to limit the implementation of the Dodd-Frank financial overhaul, passed over Republican objections.

Schapiro told Emerson at the hearing that a return to 2008 funding levels would make it harder for the agency to do its job, saying it could lead to a loss of 1,000 staff jobs or 50-day furloughs, as well as to cutbacks on expert witness hiring and travel.

Learn more

US | REUTERS, MARCH 16

US Republicans question report on SEC operations

Two U.S. House Republicans have raised questions about the integrity of a report that found the Securities and Exchange Commission needs more resources to implement the Dodd-Frank Wall Street reform law.

The 263-page report by the Boston Consulting Group was released last week and examined such things as the SEC's internal operations, structure and funding. The report was made to fulfill a requirement in Dodd-Frank calling for a study of SEC operations.

In a letter, House Financial Services Chairman Spencer Bachus and House Financial Services oversight subcommittee chairman Randy Neugebauer ask the SEC to disclose "what editorial input, if any, the SEC had on the contents" of the report. They also ask for copies of earlier drafts.

According to a committee staffer, the lawmakers are inquiring about the report because they have concerns about its integrity and accuracy as well as the timing of its release.

The report was due to Congress by March 14, but it was released a few days early, on the same day that SEC Chairman Mary Schapiro made two appearances on Capitol Hill to pitch Congress for more funding. Schapiro has endorsed the report’s findings, which said Congress should either "relax funding constraints" to allow the agency to fulfill its regulatory role or require the SEC to adapt its role to conform with its budget.

Learn more

US | REUTERS, MARCH 16

U.S. Rep. Issa subpoenas Madoff trustee on ex-SEC lawyer

U.S. House of Representatives Oversight Chairman Darrell Issa said he has subpoenaed records from Bernard Madoff Trustee Irving Picard in his quest for more details about former Securities and Exchange Commission top lawyer David Becker's personal ties to the fraud.

Issa's committee is probing whether the former SEC general counsel should have recused himself from advising the agency on Madoff matters because he had received an inheritance from his mother that included Madoff funds.

An SEC ethics counsel cleared him to work on Madoff legal matters, including a recommendation on how Madoff's victims should be compensated.

The SEC voted in 2009 on the recommended method to compensate Madoff's victims, with some commissioners and staff unaware that Becker had received money from Madoff funds, sources have told Reuters. Picard is now suing Becker and his brothers to claw back $1.5 million in phony profits from their mother's estate.

Issa's announcement about the subpoena comes nearly one week after he held a hearing on the issue, at which SEC Chairman Mary Schapiro told lawmakers she now wishes that Becker had recused himself. Schapiro has asked the agency's inspector general to investigate the matter.

Learn more

UK | REUTERS, MARCH 16

UK sets out proposals for single competition body

Britain has set out proposals to create a single competition authority, and introduce an exemption for small deals from the merger-control regime.

The coalition Conservative-Liberal Democrat government opened a three month consultation period on its plans to merge the competition functions of the Office of Fair Trading with the Competition Commission.

Business secretary Vince Cable said consultation on the competition framework was a fundamental part of the government's growth agenda. Cable said the proposals were designed to increase business confidence in the predictability of competition decisions, help tackle barriers to entry, and give small business a better means of voicing concerns on certain market matters.

Legal firm Linklaters said the government should be careful not to undermine what is now a highly regarded system or increase costs.

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UK | REUTERS, MARCH 15

UK business lobby urges deregulation of small-scale mergers

UK government faced calls from the Confederation of British Industry (CBI) to make it easier for small-scale mergers to get clearance. The CBI, Britain's main business lobby group, wants mergers with a turnover of less than 5 million pounds ($8.1 million) to be deregulated. It said such a move would stimulate growth.

The CBI also backed the establishment of a single competition body to oversee mergers, in its response to a government review of how the UK probes competition and anti-trust issues.

At present, UK mergers can be examined by both the Office of Fair Trading and the Competition Commission although Britain is considering merging the competition functions of those two bodies.

Learn more

US | REUTERS, MARCH 11

U.S. Fed decision on bank dividends expected soon

The Federal Reserve could tell major U.S. banks within days whether regulators' stress tests show they're healthy enough to boost stock dividends.

Banks have been eager to reduce massive capital cushions they built up as they recover from the 2007-2009 financial crisis, but regulators have been nervous about letting them chip away at these reserves.

The Federal Reserve's most recent stress tests, which apply to the 19 largest U.S. bank holding companies, are wrapping up as European regulators are doing their own fresh battery of tests. Last year's European stress tests were widely criticized for a lack of transparency and credibility.

Banks and analysts are viewing a Fed decision to allow banks to boost payments to shareholders as a signal to markets the financial crisis is behind the industry.

The banks being stress-tested are the same group of companies the Fed tested in early 2009, in an exercise designed to shore up market confidence in their balance sheets. In guidance released in November the Fed said it planned to inform banks of their test results no later than March 21.

US | REUTERS, MARCH 15

SEC may scale back municipal adviser rule

Proposed rules for U.S. municipal advisers may be too broad and regulators are reviewing them to see if they should be scaled back, Securities and Exchange Commission Chairman Mary Schapiro said.

The draft rules would implement a provision in the Dodd-Frank financial reform law that empowers the SEC to oversee advisers who offer financial advice to cities, counties and other municipal entities that float public debt or manage public money. The proposal would require certain firms or advisers to register with regulators. It would also hold them to a fiduciary standard.

The proposal has been criticized by states, local governments, public pension funds and lawmakers who say it could kill volunteerism on local boards and burden on small banks.

Schapiro told lawmakers during a hearing before a U.S. House Appropriations panel that the agency may have “cast the net too widely” and it is reviewing the rules.

UK | REUTERS, MARCH 17

UK insurers face risks from weak life sales - FSA

Britain's insurers are financially strong but face potential risks from persistently weak demand for life products, low investment returns and rising claims, the Financial Services Authority (FSA) said.

Life insurers' profitability is under pressure because of subdued demand for long-term savings products, while low interest rates are weighing on general insurers' investment income, the regulator said in its prudential risk outlook report. General insurers face an added headwind from a steady rise in claims expenses, fuelled by increasingly frequent bodily injury claims, it said.

The FSA said the insurance industry had a sound capital position overall and had avoided liquidity or capital crises over the past two years. However, the watchdog highlighted links between insurers and the banking sector, noting bank shares and bonds accounted for about 14 percent of the total assets of eight large British insurers last year.

It also said it may intervene in large transactions where insurers help banks satisfy liquidity regulations by lending them government bonds, accepting residential mortgage-backed securities as collateral.

Learn more

BELGIUM | REUTERS, MARCH 15

Belgium's KBC fails to win approval for private bank sale to Hinduja

Belgian bancassurer KBC has cancelled a proposed 1.35 billion euro ($1.9 billion) sale of its private banking arm to Indian group Hinduja after it failed to get regulatory approval.

The sale of KBL European Private Bankers (KBL epb), part of a KBC restructuring plan required by the European Commission, failed to win clearance from the Luxembourg financial markets regulator CSSF, KBC said. It gave no specific reason for the rejection. Sources said Britain's Financial Services Authority had also raised objections to the deal and had encouraged Luxembourg not to approve it.

The collapse of the deal sets back KBC's plan to free up capital to pay back state aid and means any eventual sale could be done at a lower price.

The market has also been keen to learn when KBC will float a minority stake in Czech unit CSOB to help satisfy regulators after it received 7 billion euros state aid to help it through the global financial crisis.

ACCOUNTING & FINANCIAL STANDARDS

GLOBAL | REUTERS, MARCH 14

Watchdogs agree how to define systemic banks -Bafin

International banking supervisors have agreed on the methodology for identifying banks that might pose a threat to the financial system, German financial watchdog Bafin said.

The Basel Committee of banking supervisors agreed on five criteria to be used in drawing up a list of systemically important financial institutions, or SIFIs, a Bafin spokesman said. The criteria include size, inter-connectedness, global reach, complexity and substitutability, he said.

These large banks will be required not only to hold larger capital buffers to protect themselves against future downturns but also will be subject to more comprehensive regulation, the spokesman said.

EU | REUTERS, MARCH 15-16

EU banks must prepare for restructuring, open banking books -draft

European Union banks must disclose sovereign debt holdings on both their trading and banking books as part of stress tests, EU leaders will say at a summit on March 24-25, according to draft conclusions obtained by Reuters.

The draft document also says member states are to prepare “specific and ambitious strategies” for restructuring of vulnerable institutions, and government support if needed.

Separately an Italian financial sector source who has seen a questionnaire used in the test said national banking norms currently in force will be used to define capital and asset ratios in this year's European bank stress tests. The source said the tests would contain no reference to the new Basel 3 rules due to come into force in 2013, but they would include the so-called CRD2 changes to the Basel 2 structure to asses market and counterparty risks.

IRELAND | REUTERS, MARCH 13

Irish government says concerned over bank stress tests

Ireland's new government is concerned about what fresh stress tests will reveal about the health of the domestic bank sector at the end of this month, Justice Minister Alan Shatter said. Shatter told state broadcaster RTE that there was concern over not only what banks may have concealed but also over what information the previous government may have had that had not been revealed.

UK | REUTERS, MARCH 17

FSA says UK bank tests will be tougher than EU's

A pan-EU health check of banks currently underway will be useful and more consistent than last year's flawed exercise, but Britain's own stress-test is tougher, Financial Services Authority Chairman Adair Turner said. He told reporters the British test parameters would be “tougher and tighter” than the European ones.

The European Banking Authority is due to publish the economic shock scenario that some 88 banks across the European Union will have to test to see if they end up with enough minimum capital. The results of the EU test will be published in June but the UK won't publish the results of its own stress test.

Turner said that since November 2008, all UK banks have passed the FSA's rolling programme of stress tests.

The FSA said in its prudential risk outlook that Britain's banks are in better health than they were two years ago at the height of the financial crisis, but they still face risks like a possible debt restructuring in peripheral euro zone states.

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UK | REUTERS | MARCH 16

UK's FSA says big banks should triple core capital

Banks should roughly triple the amount of capital they are being asked to set aside from 2013 to make the financial system safer, Britain's banking watchdog said.

Adair Turner, chairman of the Financial Services Authority, said the Basel III bank capital accord that enters into force in two years' time is a major step forward but won't be enough.

Under this accord signed by world leaders last November a bank's core Tier 1 capital ratio, its most stringent measure of health, will have to be at least 7 percent, itself more than triple current requirements.

Turner told students at Cass Business School that in an ideal world, equity capital requirements would be set much higher at 15 to 20 percent though getting there quickly could hamper economic recovery.

Turner said Basel III and a further package of measures due this year from the global Financial Stability Board (FSB) to impose extra safeguards on systemically important financial institutions -- SIFIs or the biggest banks -- also won't be enough to keep the financial system safe. Turner signalled that a capital surcharge on SIFIs in the UK loomed.

Turner said it must be possible to wind up a failing bank quickly without major disruption to the broader financial system, and a restructuring of complex cross-border trading banks may be necessary to more clearly separate different businesses or geographies, he said.

Learn more

EU | REUTERS, MARCH 10

EU executive will "improve" rating of debt

The European Commission said it will propose laws to "improve" how sovereign debt is rated and boost competition in the concentrated sector.

Internal Market Commissioner Michel Barnier said he would put forward a package of proposals before the end of the summer to inject more competition in the sector, reduce overreliance on ratings, "improve" sovereign debt rating and deal with remaining conflicts of interest.

The moves came after Moody's Investors Service cut Spain's sovereign debt rating one notch to Aa2 and warned of further downgrades, estimating that restructuring savings banks will cost more than double the government's 20-billion-euro forecast. Earlier, Moody's cut Greece's credit rating by three notches, citing an increased default risk, to B1 from Ba1.

Athens issued an angry protest, saying reports by the EU and IMF, which have extended Greece a 110 billion euro bailout, had been positive on progress.

Barnier and Economic and Monetary Affairs Commissioner Olli Rehn said in a joint statement that recent events had underscored the need to improve oversight of the ratings industry.

Barnier has already opened a public consultation on a second crackdown on the sector to implement another global pledge, to weaken the role of ratings in the financial system, such as in determining levels of bank capital.

Learn more

EU | REUTERS, MARCH 11

Test shows insurers hold strong buffers -EU watchdog

A field test of future risk-capital rules for Europe's insurers shows them holding strong capital buffers, the EU's powerful new insurance watchdog said.

The fifth field test of the new rules, designed to better protect policy holders against financial crises, shows the solvency position of Europe's insurers and reinsurers remains sound, the European Insurance and Occupational Pensions Authority (EIOPA) said in a statement..

The field test, which was supposed to simulate as closely as possible the new Solvency II risk-capital rules before they come into effect in 2013, did show that insurers' capital surplus fell relative to current solvency rules.

Europe's insurance industry association CEA asked after the test for several changes to proposed new Solvency II risk capital requirement rules.

EIOPA said the test also showed its fine tuning of the rules had appeared to be appropriate, though it needed to carry out additional work in property-casualty and catastrophe insurance areas.

Insurance industry observers said that the changes being demanded by some major industry players were important but not fundamental, and that solutions could be found to allow Solvency II to launch on time.

Learn more learn more

US | COMPLINET, MARCH 16

U.S. regulator Walsh says works to overturn credit-rating reference ban

Acting U.S. Comptroller of the Currency John Walsh said he is working to overturn the Dodd-Frank financial overhaul’s requirement that bank regulators remove all references in their regulations to using credit ratings.

Addressing the American Bankers Association government relations summit in Washington, Walsh said regulations and investment standards will be unworkable if all references are removed, and he did not see a solution without a legislative fix by Congress. He said there is sympathy to his view among lawmakers and their staffs.

Walsh added that the increased costs of doing due diligence without credit ratings would be burdensome, particularly for smaller banks.

Learn more

DERIVATIVES

US | REUTERS, MARCH 16

CFTC's O'Malia – block-trade threshold is too high

A threshold for block trades for swaps proposed by the U.S. futures regulator is too high, and will make it difficult for traders to use, a top official at the Commodity Futures Trading Commission said.

The CFTC will need to revise its block trade rule, which exempts large trades from new requirements for transparent execution, said Scott O'Malia, one of five commissioners at the U.S. CFTC.

US | REUTERS, MARCH 17

CFTC's Dunn keeping "open mind" on position limits

A U.S. regulator whose support is key to determining the limits on commodity speculators said he is keeping “an open mind," even as soaring gas prices turn up the political heat to take action.

Michael Dunn, one of three Democrats at the helm of the five-member Commodity Futures Trading Commission, told Reuters he wants to review data to assess a plan to curb speculative positions in commodity markets.

CFTC Chairman Gary Gensler said he hopes to finalize the position-limits regulation this summer, part of the agency's massive task to implement the Dodd-Frank financial reform law.

The law mandated the CFTC to set limits across futures and swaps markets for 28 commodities "as appropriate," -- a qualifier which some say could give the agency flexibility in how it responds. Since the CFTC began accepting comments on the issue, oil prices have climbed, and its own data shows speculation has reached record levels. Hundreds of consumers have written to the regulator, asking for relief.

Dunn is seen as the swing vote on the issue after he expressed skepticism about the plan earlier this year.

US | REUTERS, MARCH 14

Lawmakers seek probe on CFTC swaps analysis

Two key Republican lawmakers asked the U.S. futures regulator’s top watchdog to investigate what they called the agency’s "vague and minimalist approach" to analyzing the costs of new rules for swaps traders.

The request is the latest in a series of efforts by Republicans to rein in the Commodity Futures Trading Commission as it creates new regulations for over-the-counter derivatives, worth about $600 trillion globally.

Two leaders on the House Agriculture Committee asked the CFTC's Inspector General A. Roy Lavik to review the accuracy of the agency's calculations of costs for four of its proposed rules by April 15, and assess whether the CFTC is living up to its legal obligations to perform due diligence on rules.

Frank Lucas, chairman of the Agriculture Committee, and Michael Conaway, who heads a subcommittee with oversight of the CFTC, said the staff should take an “objective, data-driven approach.”

The Dodd-Frank law requires that all swaps be reported, and many of the deals to trade in more transparent venues connected to clearinghouses.

The CFTC's rules target the large banks that dominate the markets, but businesses that use swaps to hedge their risks are worried that they too will face added costs.

Senate Republicans last month put the Treasury Department, Federal Reserve and other regulators on notice that they expect rigorous due diligence on Dodd-Frank rules

EXCHANGES & TRADING PRACTICES

GLOBAL | REUTERS, MARCH 15

Global circuit breakers could help prevent market crisis -U.S. CFTC

A harmonization of circuit breakers in other countries could help prevent a major market disruption worse than the U.S. “flash crash” last May, a top official at the U.S. futures regulator said.

Bart Chilton, a commissioner at the U.S. Commodity Futures Trading Commission, said in remarks for a trade and finance conference that perhaps circuit breaks should be globally harmonized.

Chilton, who has been an advocate for stronger oversight of the high-frequency trading market, also said other nations could benefit from the use of a so-called "kill switch" that would be activated when a trading program goes rogue and threatens to roil the market.

He said circuit breakers were put in place in some securities markets, but they need to be expanded and harmonized with other U.S. markets to avoid market arbitrage.

Gary Katz, CEO of Deutsche Boerse AG's international Securities Exchange, agreed and said eventually circuit breakers will be expanded to include all asset classes.

Learn more

US | REUTERS, MARCH 15

SEC reviewing private securities-trading rules

The U.S. Securities and Exchange Commission is reviewing the rules surrounding private securities trading and initial public offerings, SEC Chairman Mary Schapiro said.

Schapiro said in congressional testimony that the agency is looking into two specific areas to determine if the rules are outdated and need some upgrades.

One area involves rules determining when a company must go public and start filing periodic financial reports. The other area pertains to the rules on private placements and how firms can qualify for exemptions from registering their securities offerings with regulators.

These issues have jumped into the spotlight as Wall Street banks and electronic markets offer investors a chance to buy and trade stakes in hot Internet companies such as Facebook and Twitter before they go public.

Learn more

US | REUTERS, MARCH 15

U.S. CFTC stymied on ownership for clearing -Sommers

Commissioners at the helm of the U.S. futures regulator are at an impasse on a rule that would set limits on voting stakes for members of clearinghouses, exchanges and swap execution venues, Commissioner Jill Sommers said.

The ownership and governance rule was unveiled in October by the Commodity Futures Trading Commission as the first part of its plan to regulate over-the-counter derivatives under the Dodd-Frank regulatory overhaul, but it has deeply divided its five commissioners. A majority vote by the commissioners is required to finalize it.

Sommers told reporters on the sidelines of a Futures Industry Association conference that the commission lacks the three votes needed to adopt the rule, and a number of proposals have only two votes in support.

Wall Street has said the plan is too restrictive, but the Justice Department and advocacy groups have urged the CFTC to get tougher still, a direction some commissioners agree with.

Under the CFTC plan, there would be a 20 percent cap on voting stakes for members of clearinghouses, exchanges and swap execution facilities, to be phased in within two years. Banks, non-bank financial firms, swap dealers and major swap participants would not be allowed to collectively own more than 40 percent of a clearinghouse.

US | REUTERS, MARCH 16

ICE says it "loves" algo traders that trade 10 percent of softs

The head of the main U.S. soft commodity exchange said he "loved" high-frequency traders and lauded their liquidity despite complaints from other traders that they're wrecking the market.

The sugar, coffee, cocoa and cotton markets trading on ICE Futures US have emerged as an unlikely battleground in the war of words between market traditionalists and those who employ computer algorithms to make money.

Many veteran traders complain that computer-driven trading has caused dramatic and abrupt price swings in the softs, relatively small and illiquid markets. They also complain it causes prices to become disconnected from market fundamentals such as supply and demand.

But ICE chief Tom Farley said high-frequency traders make up only 10 percent of the soft commodities, the first estimate the exchange has ever provided and far less than the over 30 percent share in the New York Mercantile Exchange's crude oil contract. He said it was unfair to blame high-frequency traders for increasing volatility and said they actually served to dampen it.

EU | REUTERS, MARCH 14

EU share-clearing competition to start in Q2 -EuroCC

Four European clearing houses for share trading will launch a public consultation this week on linking up with each other in the second quarter to cut costs for users, one of the companies involved said.

Diana Chan, chief executive of EuroCCP, told Reuters he expected to be ready to launch interoperability by the second quarter of this year.

The four central counterparties (CCPs) -- LCH.Clearnet, EMCF, X-Clear and EuroCCP -- will consult on new rules that regulators from Britain, the Netherlands and Switzerland require them to introduce so hook-ups can go ahead. The new rules will ensure the coverage of additional risks from clearing houses linking up with each other. Chan said one such rule will be the establishment of an inter-CCP margin fund.

Top banks want interoperability so they only have to be a member of one clearing house instead of having to link up with several to offer comprehensive pan-European share trading.

While the European Union has been approving a draft law that includes a legal framework for interoperability across the 27-country bloc, a senior member of the EU Parliament has proposed deleting the provision on the grounds that it would create new centres of systemic risk and contagion in a crisis.

DUBAI | REUTERS, MARCH 14

Dubai may launch secondary IPO market for SMEs

Dubai may consider launching a secondary initial public offering (IPO) market and a bourse dedicated to trading of shares of small and medium-sized enterprises, a government official said.

Sheikh Ahmed bin Saeed al-Maktoum, chairman of Supreme Fiscal Committee, told reporters at a conference in Dubai that the new Dubai SME 100 ranking of top-performing small and medium enterprises would serve as a foundation for other initiatives. These could include the development of a secondary IPO market listing for small firms, and an equity market dedicated to SMEs.

Chief Executive Abdul Baset al-Janahi said the agency is still considering launching an IPO market for SMEs.

The UAE economy ministry said in December a new law to improve financing for SMEs would be issued this year.

UAE Economy Minister Sultan bin Saeed al-Mansouri said a draft law for SMEs has been reviewed by all federal and local partners and submitted to the Ministry of Justice. He added that the ministry would finalise a SME definition by June, before submitting the SME law to the cabinet

EGYPT | REUTERS, MARCH 14

Egypt considers more help for small margin investors

Egypt's government is reviewing a proposal to increase the size of a fund set up to help small investors who bought shares on margin or credit before political turmoil led to the bourse closing, a market official said.

The stock exchange has been shut since Jan. 27 amid a popular uprising that forced President Hosni Mubarak out of power after 30 years. The exchange said it would reopen before the end of the week but has not specified the date.

Analysts say the government has been reluctant to reopen the bourse out of concerns about the economic repercussions of shares tumbling and capital flight abroad.

Rules have already been put in place limiting how much a share can fall each session and many particularly small investors have petitioned officials for support.

A fund worth 250 million Egyptian pounds ($42 million) has already been set up to offer loans to small investors who were involved in margin trading or who used credit.

Mohamed Abdel Salam, chairman of the stock exchange's Clearing Settlement and Central Depositary, said the exchange was in talks with the finance ministry to increase the fund, but it had not yet succeeded. Prime Minister Essam Sharaf has approved changing rules to the country's Capital Markets Law to ease margin calls by brokerages, to limit volatility when the bourse opens.

When the client's debt reaches 70 percent of the shares' value at the end of trading each day, brokerages will require investors to pay margins or present more collateral, the Egyptian Financial Supervisory Authority (EFSA) said on its website.

Brokers had previously been required to make margin calls at 60 percent. Brokers can also now sell a client's shares when debt reaches 80 percent of their value, instead of 70 percent.

FUNDS MANAGEMENT

US | REUTERS, MARCH 10

Rajaratnam arrest spurred hedge funds to clean up

In the 17 months between the arrest of the Galleon Group co-founder Raj Rajaratnam and the start of his trial this week, the $1.9 trillion hedge fund industry has scrambled to change its image from a band of freewheeling traders to compliance-conscious businesses by putting new rules and practices into place.

Fund firms like Paulson & Co and Millennium Management have spent millions to hire former regulators as advisers. Others have restricted employees' personal trading and warned about the use of personal cell phones on the job. Still others have brought in lawyers and consultants to host seminars on how to keep data safe -- that includes always keeping a hand on company laptops loaded with client information and trading strategies while in airports.

And some are even shunning so-called expert networks as the government's probe intensifies into whether these middlemen might be passing along nonpublic information, hedge fund managers, investors, industry lawyers and consultants said.

While compliance lacks the sexy ring long associated with millionaire hedge fund managers making big and noisy bets, it is now the key to survival in an age where the tiniest whiff of scandal sends investors running for the exits.

INDIA | REUTERS, MARCH 11

India regulator to set norms for mutual fund investments by foreign nationals

India's stock market regulator said it is working on guidelines to allow foreign nationals to invest in Indian mutual funds.

K.N. Vaidyanathan, Executive Director of the investment management department at the Securities and Exchange Board of India, said SEBI is currently in discussions with the finance ministry and the country's central bank on the guidelines, which he expected within weeks.

The move was first proposed by Finance Minister Pranab Mukherjee in the 2011/12 Budget.

At present, only foreign institutional investors and sub-accounts registered with the SEBI, and non-resident Indians are allowed to invest in Indian mutual fund schemes.

US | REUTERS, MARCH 16

Watchdog says TARP helps perpetuate "too big to fail"

The watchdog panel for the $700 billion bank bailout faulted the U.S. government in its final report, saying the program reinforced a perception that federal authorities will always prevent troubled financial firms from failing.

The Congressional Oversight Panel attacked the government for not being transparent enough and not articulating clear goals for its foreclosure prevention program. It also said federal intervention transformed the notion of 'too big to fail' into reality, and that big financial companies have a rational basis for deciding to take “inflated risks” with the expectation that taxpayers would bear the brunt of any losses.

The Troubled Asset Relief Program, or TARP, used billions of dollars in taxpayer money to prop up major financial firms, including Citigroup and Bank of America.

Timothy Massad, the Treasury official in charge of TARP, said it was "simply wrong" to think that the government would bail out companies in the future. The Dodd-Frank financial reform bill "makes it clear that we should not use taxpayer funds for that," Massad told reporters.

The panel acknowledged that TARP helped provide critical support to markets by showing that the country would take any action necessary to prevent the collapse of the U.S. financial system.

The TARP's final cost to taxpayers is estimated to be about $25 billion -- far below previous estimates of around $350 billion. The watchdog panel concluded taxpayers would not likely recoup all of the $85 billion extended to the auto industry. Most of that went to restructure General Motors Co and Chrysler Group in bankruptcy.

Learn more

US | REUTERS, MARCH 10

Credit Suisse in $70 million accord over subprime risk

Credit Suisse Group has agreed to pay $70 million to settle U.S. litigation accusing the Swiss bank of misleading investors about its subprime exposure and ability to limit losses.

The settlement also covers several executives, including Chief Executive Brady Dougan. It allows recovery for investors who bought Credit Suisse's American depositary shares, and U.S. investors who bought Credit Suisse securities in Switzerland, between Feb. 15, 2007 and April 14, 2008, court papers show.

It resolves one of many securities fraud cases against banks to arise from the 2007 and 2008 financial crises.

Credit Suisse denied wrongdoing in agreeing to settle.

The case is Cornwell v. Credit Suisse Group et al, U.S. District Court, Southern District of New York, No. 08-03758.

EU | REUTERS, MARCH 16

EU company tax plan adds to pressure on Ireland

The European Union's executive published a blueprint to standardise corporation tax across the bloc, a move Ireland fears could push it into surrendering the country's ultra-low rate for companies.

Dublin is already under pressure to raise its 12.5 percent corporate tax rate, a magnet for foreign investment over the last decade, in exchange for better terms on its bailout loans.

The European Commission's proposal suggests a common approach in calculating tax by standardising company tax breaks across the 27-country bloc. Although its proposals are voluntary and leave countries free to set their own tax rates, many see it paving the way for a minimum rate of corporate tax.

Germany and France pressed new Prime Minister Enda Kenny at an EU leaders' summit last week to bring Ireland's corporate taxes into line with the rest of Europe.

But Ireland, which is seeking better terms on the EU loans in its 85 billion euro EU/IMF bailout, is resisting strongly, arguing that its economic recovery depends on the international firms that choose to locate there because of the low tax.

With only lukewarm support from business, and strong national political resistance to any interference from Brussels in tax, experts believe the bid to agree on what officials call the Common Consolidated Corporate Tax Base is likely to founder.

Learn more

INDIA | REUTERS, MARCH 15

India cabinet OKs goods and services tax bill

India's cabinet approved a bill to usher in a national goods and services tax (GST), and Finance Minister Pranab Mukherjee reiterated his commitment to send the proposed legislation to parliament during the current session that ends March 25.

The GST will cut business costs and boost government tax revenue, but will likely miss its April 2012 deadline for implementation due to resistance from several states and the main opposition Bharatiya Janata Party.The bill needs the approval of two-third of parliament and of half of India's 28 states to become law.

Learn more

UK | REUTERS, MARCH 14

UK opposition calls for new tax on bank bonuses

Britain's opposition Labour Party called on the government to impose a further 2 billion pound ($3.2 billion) tax on bankers' bonuses in next week's budget, but the government said it had no plans for more bank taxes.

"We are asking (finance minister) George Osborne to repeat the bank bonus tax for a second year ... and use the ... money to act now to build homes, to create jobs," Labour finance spokesman Ed Balls told a news conference the party wanted to use money from the proposed increase to build homes and create jobs. The 10-month-old coalition government has not repeated a one-off bank bonus tax imposed by the previous Labour government. Instead it has implemented a permanent bank levy designed to raise 2.5 billion pounds a year.

Labour is calling for the bank bonus tax, which brought in 3.5 billion pounds last year, to be repeated this year in addition to the bank levy.

CURRENCY

BRAZIL | REUTERS, MARCH 15

Brazil discards measures to cool currency for now

Brazil's government discarded the announcement of new measures for now to tame the appreciation of its currency, due to the uncertainty overhanging the global economy due to Japan's nuclear crisis, a source at the Finance Ministry told Reuters.

The government decided the situation in Japan, including the possible nuclear disaster, made this the wrong time to introduce major policy changes, said the source, who asked not to be named.

The deepening crisis in Japan pushed investors to dump riskier assets across the globe and has helped contain the real above the unofficial floor of 1.65 per dollar.

CHILE | REUTERS, MARCH 10

Chile relaxes peso bond rules to tame currency

Chile's central bank said it would allow more foreigners to issue bonds in pesos in the domestic market as it seeks ways to battle a sharp rally in the country's currency.

The government has rejected the idea of capital controls.

Finance Minister Felipe Larrain said his ministry had proposed the new measure and did not see a significant short-term impact from the so-called "huaso bonds." However he expected the measure to result in greater peso debt issues in the local market, increasing demand for dollars in the longer term.

Larrain said the measure was a key step in the internationalization of the peso as Chile seeks to position itself as a financial hub for Latin America.

The measure allows foreign governments and multinational organizations to issue bonds in pesos, as well as businesses in emerging markets which were previously excluded.

TRADE & CROSS BORDER

LIBYA / US | REUTERS. MARCH 15

U.S. freezes assets of Gaddafi family, officials, state firms

The U.S. Treasury Department, moving to boost pressure on Libyan leader Muammar Gaddafi, said it had extended asset-freeze sanctions to his wife, four of his children, senior officials in his government and state firms.

The Treasury said it added Gaddafi's wife, Safia Farkash, and four children, three of whom hold senior military and state-company positions, to its blacklist under new sanctions aimed at Libya. The action bans U.S. persons from conducting transactions with them and seeks to freeze assets that they may have under U.S. jurisdiction.

The department also said it was freezing the assets of Libyan Foreign Minister Moussa Koussa and 16 Libyan firms. The Treasury Department said Moussa Koussa formerly headed Libya's intelligence agency. It said that any of his assets that fall under U.S. jurisdiction will be frozen and Americans are prohibited from doing any business with Moussa Koussa.

Earlier, the White House had announced that it was exploring ways to tap into some of the billions of dollars of assets seized from Gaddafi's government to help the embattled Libyan opposition.

Learn more Learn more

ITALY | REUTERS, MARCH 14

Bank of Italy moves on UBAE over Libya asset freeze

The Bank of Italy said it had placed Banca UBAE in Rome under special administration following the European Council's decision last week to freeze Libyan banking assets.

It said the principal shareholders and financers of Banca UBAE were the Libyan Central Bank and the Libyan Foreign Bank.

It said the measures would ensure that the bank operated in conformity with international measures but it would continue its normal activities.

Learn more

SWITZERLAND | REUTERS, MARCH 11

Swiss check bank compliance in frozen asset cases

Swiss bank regulator FINMA is looking into bank compliance with anti-money laundering rules in connection with assets of former and current leaders of Northern African countries frozen by the Swiss government.

Switzerland has blocked assets of the former Tunisian and Egyptian leaders and their entourages as well as those of Libyan leader Muammar Gaddafi and his clan.

FINMA was checking about a dozen banks in connection with the reporting of assets to see if they respected their due diligence obligations, FINMA said in a report about obligations when dealing with "politically exposed persons".

The fact that assets had not been reported before the freeze did not automatically point to a breach of anti-money laundering regulations, FINMA said. A FINMA spokesman said the checks were part of the normal regulatory process and had not been triggered by signs of misconduct.

The report was published to explain the procedure after recent high profile cases had caused wide interest in the issue.

Learn more

CHINA / US | REUTERS, MARCH 11

WikiLeaks: As AIG crumbled, China shared data, stepped in as broker

U.S. officials believe China's insurance regulator passed on proprietary information about AIG to its Chinese rivals during the American firm's collapse in 2008, according to unpublished diplomatic cables.

The U.S. government bailout of American International Group Inc in 2008 sent shock waves around the world, and China seemed especially rattled.

The Chinese Insurance Regulatory Commission (CIRC) forced AIG's local operations to open their books on a daily basis after the company's Sept. 2008 rescue, according to a series of U.S. diplomatic cables obtained by WikiLeaks and provided to Reuters by a third party. The regulator then shared the confidential information with local competitors, in part to convince at least one of them to buy the troubled assets.

The cables were based on diplomats' repeated conversations with unidentified AIG executives.

While the regulator's efforts went for naught -- AIG's various Asian operations were ultimately sold in part to MetLife and in part to the public in the IPO of AIA Group -- the cables shed new light on the way the Chinese approach large and troubled foreign companies.

"CIRC appears to be mixing its role as a regulator of China-based insurance companies with intentions to support domestic Chinese insurers," the U.S. consulate in Shanghai wrote in an Oct. 22, 2008 cable.

CHINA / US | REUTERS, MARCH 11

WTO top court backs China in US duties dispute

The World Trade Organization's top court upheld some Chinese objections to a ruling that had backed the right of the United States to impose extra duties on Chinese goods that Washington said were unfairly priced and subsidized.

In particular, the appellate body supported China's argument -- rejected by the original dispute panel -- that the imposition of such a double penalty broke WTO trade rules.

The case turned on the treatment of goods from a country that is not a market economy and where the state influences prices.

China hailed the ruling and called on the United States to end the way it calculated anti-dumping duties on unfairly priced goods and countervailing duties on subsidized products.

It said the ruling confirmed its argument that the use of a non-market economy method to calculate anti-dumping duties resulted in an illegal double penalty when applied together with countervailing duties on subsidies.

U.S. Trade Representative Ron Kirk said he was disappointed with the appeal court's verdict.

Learn more

CHINA | REUTERS, MARCH 16

EU says joint action needed on China rare earths curbs

Top industrialised nations need to act in concert to challenge China's curbs on rare earths exports, and any restrictions by Beijing that could jeopardize manufacturing would be "deplorable", the European Union's Trade Commissioner Karel De Gucht told Reuters.

Manufacturers also needed to step up efforts to diversify their sourcing of rare earths to reduce reliance on China, which produces around 97 percent of the world's rare earths, minerals crucial to production of high-tech goods from fibreoptic cables to smartphones and electric cars, De Gucht said.

Four U.S. senators urged President Barack Obama this week to step up the fight against China for what they said was the "hoarding" of rare earths and Washington has said it could complain to the World Trade Organization about the restrictions.

China cut export quotas by 40 percent last year and reduced export quotas for the first half of 2011 by 35 percent compared to a year earlier due to what it said were environmental concerns over rare earths refining.

But De Gucht said the EU has extended a hand to China to solve its legitimate environmental issues, and putting entire industries into jeopardy was not acceptable.

He said the dispute highlighted the need to find alternative supplies and he would meet with Australian rare earth firms this week to discuss the framework of securing alternative supplies.

UK / INDIA | REUTERS, MARCH 14

Britain seeks transparency in business with India

Britain would like greater transparency for companies doing business in India and will raise specific concerns from British firms with the New Delhi government, Trade Minister Stephen Green said.

Green, on an India trip, will promote British expertise in areas such as railways as part of Prime Minister David Cameron's trade push to emerging giants like India and China.

But London has raised concerns over India's erratic and opaque business climate after regulatory delays over London-listed Cairn Energy's $9.6 billion asset sale to India's Vedanta Resources, and legal wrangling over India's $2.6 billion Vodafone tax demand.

Britain was also one of eight countries to complain to the Indian government about unpaid bills of more than $74 million owed to firms from their nations from contracts relating to the Commonwealth Games, the Hindustan Times reported.

Asked whether he would raise the Cairn-Vedanta deal and Vodafone tax issue, Green said he would discuss "specific business situations which are under examination." He said both sides needed predictability and transparency.

STATE ENTERPRISES

UK | REUTERS, MARCH 14

UK lawmakers ask for privatization revenue forecast

British legislators have asked for likely privatization revenue to be built into budget forecasts from the country's independent fiscal watchdog.

Britain's Office for Budget Responsibility will publish a new set of fiscal forecasts alongside the government's March 23 budget, and last week parliament's Treasury Committee asked for privatisation receipts to be included in this.

Finance minister George Osborne raised the possibility of sales of rail assets, Sstudent loans, the Tote gambling business, air traffic control services and the telecom spectrum in his June 2010 emergency budget, and said in November that decisions on some of this would be made by the 2011 budget.

SOLVAKIA | REUTERS, MARCH 11

Slovak ministry favours trade sale for Slovak Telekom

The Slovak Finance Ministry wants to sell the government's minority stake in telecommunications group Slovak Telekom (ST) to Deutsche Telekom, contradicting previous suggestions that a sale might be made via a public share offer, according to a government report.

The report, drafted by the finance ministry and the National Property Fund (FNM) said the sale to majority shareholder Deutsche Telekom was the “most likely and most effective option.”

The report is due to be discussed by the cabinet in the coming weeks. Slovakia plans to restart a privatisation drive, halted by the previous centre-left government, in order to boost competitiveness and raise funds.

COMMODITIES & ENERGY

US | REUTERS, MARCH 11

CFTC should hike speculative oil margins –U.S. senator

Speculators in oil futures markets are "profit-gouging" Americans at the gasoline pump, a Democratic senator said, urging his colleagues to help pressure the U.S. futures regulator to raise speculative margin requirements as fund investment hit record highs.

The Commodity Futures Trading Commission should use a new power granted by the Dodd-Frank financial reform law to call for higher margin requirements, said Senator Bill Nelson, who is one of a key group of Democrats who pushed the CFTC to take action on speculation amid the record run-up in prices in 2008.

Nelson, a member of the Senate Finance Committee, is gathering support for a letter to the agency in one of the first signs political pressure is building against speculators as oil prices rise amid turmoil in Libya and Egypt.

Dodd-Frank gave the CFTC the ability to establish margin requirements to protect the financial integrity of markets. Margins traditionally have been set by exchanges, who adjust requirements depending on volatility.

GLOBAL | REUTERS, MARCH 16

G20 nears farm-data deal, regulation harder

G20 nations are nearing a consensus on some French proposals to curb commodity market volatility amid fears surging food prices could spark more geopolitical unrest, France's agriculture minister said.

France, which chairs the Group of 20 economies in 2011, is close to a green light on plans to improve transparency on agricultural data and coordination on export policies, and to launching emergency wheat and rice stocks, Bruno Le Maire told the Reuters Global Food and Agriculture Summit.

However, an agreement to regulate financial commodities markets will be harder to reach, he said.

GLOBAL | REUTERS, MARCH 16

OECD says better info key for agriculture markets

Reliable and readily available information, rather than more onerous regulation, would improve the functioning of physical and financial markets in agriculture, an OECD official said.

France has made regulation of commodity markets a priority of its presidency of the G20 group of major economies this year, and is focusing on volatile agricultural markets.

Ken Ash, director of trade and agriculture at the Organisation for Economic Cooperation and Development (OECD), told the Reuters Global Food and Agriculture Summit that “for physical markets the short answer (to volatility) is information." There was scope for G20 progress on this issue, he said.

Consistent information was also important to avoid distortions in futures markets, he said, suggesting one possibility would be to roll out to other countries the kind of report on positions published by the U.S. commodity regulator.

The OECD was not in favour of strategic grain stocks, which had proved unmanageable in the past, or of tightly regulating futures markets which could hurt farmers needing to hedge, he added.

Learn more

ISLAMIC FINANCE

US | REUTERS, MARCH 15

US terrorism concern on UK sharia banks -WikiLeaks

U.S. authorities expressed concerns that Britain's growing sharia banking sector may be exploited to channel funds to terrorists, the Daily Telegraph reported, citing diplomatic cables released by WikiLeaks.

According to WikiLeaks, the U.S. State Department's concerns were such that it ordered diplomats in London to compile a report on the activities of sharia banks in Britain.

The report cited a cable sent from the office of Condoleezza Rice, former President George Bush's then Secretary of State, in June 2006. This cable requested information on "Islamic financial institutions' vulnerability to exploitation for illicit or terrorist purposes, such as structuring accounts to mask illicit activity or money laundering," the report said.

TELECOMS & MEDIA

TELECOMS

EU | REUTERS, MARCH 14

EU acts against French, Spain, Hungary telecoms taxes

The European Commission said it was taking France and Spain to court for taxing telecoms companies to offset the end of paid advertising on public TV, saying the practice breached EU rules.

France introduced the charge in March 2009, requiring telecoms operators to pay 0.9 percent of revenues above 5 million euros, generating an estimated 400 million euros in annual revenues for the state coffer.

Spain imposed a similar charge in September 2009 which was expected to raise about 230 million euros for the government last year.

EU regulations allow for specific charges on telecoms operators only if they are directly related to covering the costs of regulating the telecoms sector.

The Commission also opened infringement proceedings against Hungary for its telecoms tax introduced in October last year, with a rate of up to 6.5 percent of revenues.

INTERNET & MASS COMMUNICATIONS

US | REUTERS, MARCH 16

Obama administration seeks Internet privacy bill

The Obama administration is backing legislation to protect the personal data of Internet users, toughening its stance from a call last year for voluntary codes of conduct for data companies and advertisers.

At a hearing of the Senate Commerce Committee, Lawrence Strickling, an assistant secretary at the Commerce Department's National Telecommunications and Information Administration, backed creation of a bill of rights for Internet users with legally enforceable standards for the collection and sale of personal data gathered from Internet use.

Strickling steered clear of specific recommendations of what practices should be allowed or banned, saying that industry and consumer groups could do that work more nimbly.

Democratic Senator John Kerry, who has been circulating proposed privacy legislation drafted with Republican Senator John McCain, said he planned to introduce a commercial privacy bill of rights "in short order."

Advertisers and data aggregators defend their practices as necessary to give Internet users more relevant advertising.

Learn more

EU | REUTERS, MARCH 16

EU wants Facebook, Google to comply with new data rules

Social-networking sites such as Facebook, or search engines such as Google may face court action if they fail to obey planned EU data privacy rules, European Union justice chief Viviane Reding said.

Reding will propose an overhaul of the EU's 16-year-old laws on data protection in the coming months to enforce more safeguards on how personal information is used.

Much of the revamp would target sites such as Facebook, Google, Microsoft or Yahoo, because of rising worries about how they use information they collect about users' personal habits.

Reding wants to force companies to allow Internet users to withdraw any data held by the websites, calling it the "right to be forgotten", as well as make the firms provide more information on what data is collected and for what purpose.

With many of the companies based in the United States or holding data on servers there, she said agencies watching over privacy issues in EU countries should be given more powers to enforce compliance outside Europe.

Learn more

UK | REUTERS, MARCH 15

UK acts to halt libel tourism, help free speech

Britain is to overhaul its archaic libel laws to stamp out 'libel tourism' by wealthy individuals and corporations who flock to British courts to sue for defamation.

A draft of a bill put forward by government ministers proposes reforming current laws to allow courts to strike out trivial claims, and making it harder to bring to court overseas claims that have little connection to Britain. It also includes a new public interest defence and recommends a single publication rule, so that repeat claims for libel could not be made every time a publication is accessed on the internet.

Deputy Prime Minister Nick Clegg said that Britain's “outdated” libel laws served to stifle fair criticism, and that “scientists, journalists and bloggers” must not scared by fear of lawsuits out of tacking issues of public importance.

Scientists and academics in particular argue the current law allows powerful corporations to use the threat of civil action to suppress debate, and some argue that corporations and public bodies should be prevented from suing for libel altogether.

The draft bill did not recommend this and ministers said they focused on changing the "inequality of arms" that prevents the poor from suing over defamation or from publishing freely without fear of being unable to mount a defence against cases brought by the wealthy.

Learn more Learn more

US | REUTERS, MARCH 14

Hacker group releases BofA employee correspondence

Anonymous, a hacker group sympathetic to WikiLeaks, released emails that it obtained from someone who said he is a former Bank of America Corp employee.

In the emails dating from November 2010, people that appear to be employees of a Balboa Insurance, a Bank of America insurance unit, discuss removing documents from loan files for a group of insured properties. Neither the emails nor correspondence released by Anonymous indicate the reason behind the electronic-record keeping discussion.

A representative of Anonymous told Reuters the documents relate to the issue of whether Bank of America has improperly foreclosed on homes. The representative added that he had not seen the documents, but he has been briefed on their contents.

Consumer groups have accused major U.S. lenders of foreclosing on many homes without having proper documentation in place.

A BofA spokesman said the documents were clerical and administrative documents stolen by a former Balboa Insurance employee, and were unrelated to foreclosures.

INTELLECTUAL PROPERTY RIGHTS

US | REUTERS, MARCH 10

Lime Wire wins limit on damages to record labels

A federal judge limited the potential financial liability facing the operator of LimeWire, a once-popular file-sharing service found liable for copyright infringement, at an upcoming damages trial.

Rejecting an argument that could have led to "trillions" of dollars in damages, U.S. District Judge Kimba Wood agreed with Lime Group LLC that the 13 record companies whose works were infringed by LimeWire deserve one award per work infringed.

The record labels had argued they deserved one award for each infringement by individual LimeWire users. Wood's ruling allows the labels to recover between $7.5 million and $1.5 billion of "statutory" damages from New York-based Lime Group and other defendants, including LimeWire founder Mark Gorton.

This sum is based on $750 to $150,000 of possible damages for each of roughly 10,000 post-1972 recordings infringed through LimeWire. The labels are also entitled to "actual" damages for infringement of about 1,000 earlier works.

Wood had found last May that Lime Group wrongfully assisted users in pirating digital recordings. She shut down LimeWire in October. A trial on damages is scheduled for May 2.

The case is Arista Records LLC et al v Lime Group et al, U.S. District Court, Southern District of New York, No. 06-05936.

PEOPLE

US | REUTERS, MARCH 15

Obama housing aide to be mortgage banking lobbyist

A key advisor on housing policy to President Barack Obama has accepted an offer to head the Mortgage Bankers Association.

Federal Housing Administration Commissioner David Stevens, who announced his resignation from the Obama administration last week, confirmed to Reuters that he had accepted the trade association's offer.

INDONESIA | REUTERS, MARCH 16

Temasek executive director Israel to retire in July

Temasek's executive director and president Simon Israel will step down from July 1, paving the way for senior executives recruited over the past year to assume bigger roles at the Singapore state investor.

Israel, who is 58 and a member of Temasek's board since August 2005, said it had been his wish for some time to retire from a full-time executive role.

Temasek, which managed S$186 billion ($145 billion) as at end-March 2010, hired Greg Curl, who was once seen as a CEO candidate for Bank of America, in August last year as president to oversee the Singapore fund's financial services portfolio. Ex-Singapore Exchange CEO Hsieh Fu Hua joined Temasek as executive director and president on Aug 1, and former top lawyer Dilhan Pillay Sandrasegara started as head of portfolio management on Sept 1.

Israel joined Temasek in 2005.

Learn more

US | REUTERS, MARCH 15

Former FCC chair to head US cable lobby group

A major cable and telecom lobby group has hired Michael Powell, a former chairman of the top U.S. television and cable regulator, as its president and chief executive, the group said.

Powell, who was chair of the Federal Communications Commission from 2001 to 2005 and a commissioner for eight years, will head the National Cable and Telecommunications Association, the group said.

Powell is presently a senior adviser with Providence Equity Partners and Honorary Co-Chair of Broadband for America. He also previously worked at the Justice Department's antitrust division and as a policy adviser to the defense secretary.

He is the son of former Secretary of State Colin Powell.

The NCTA, whose members provide about 90 percent of U.S. cable service, is the primary U.S. cable trade association.

Learn more

COMING UP

MARCH

March 18 – G7 finance leaders told hold telephone conference on Japan crisis

March 18 – European Banking Authority due to publish economic scenario for current round of bank stress tests

March 18 – U.S. Federal Deposit Insurance Corp. holds stakeholder roundtable meeting on study of core and brokered deposits, required under Dodd-Frank

March 21 - Comments due to U.S. Commodity Futures Trading Commission on risk management for clearinghouses.

March 21 - U.S. banks will be notified by the Federal Reserve as to whether they are eligible to boost their dividends, based on stress-test results

March 21 – First day of Euromoney forum on Thailand's economy, will include keynote addresses by Bank of Thailand governor and possibly finance minister

March 21 - European Parliament's economic and monetary affairs committee meets. Hearing with ECB President Jean-Claude Trichet, public hearing on deposit guarantee schemes and vote on extra supervision of financial conglomerates

March 21 - Deadline for comments from U.S. advisory panel on May 6 flash crash

March 22 – (Tentative) Japan Bankers Association post-quake news conference

March 22 – U.S. SEC Chairman Schapiro delivers telecast speech before the Securities Industry and Financial Markets Association

March 22 – U.S. FDIC Chairman Sheila Bair and consumer agency advisor Elizabeth Warren to deliver remarks to Independent Community Bankers of America convention

March 22 – Comments due to UK Treasury for consultation on consumer credit regulation

March 23 – Malaysia central bank issues annual report, including outlook on sharia finance

March 23 – Regulators including Federal Reserve Chairman Ben Bernanke address Independent Community Bankers of America convention

March 24 – European Insurance and Occupational Pensions authority holds hearing on Solvency II standards

March 25 – Deadline for responses to UK Financial Services Authority/Bank of England consultation on code of practice for auditors and supervisors

March 28 – Comments due to SEC on new requirements for security ratings

March 28 - Comments due to CFTC on speculative position limits for commodities.

March 28 – Comments due on Federal Deposit Insurance Corp interim final rule on implementing its orderly liquidation authority

March 30 - House Financial Services Subcommittee on Oversight and Investigations holds hearing on cost of implementing Dodd-Frank regulations.

March 30 – U.S. CFTC to hold Dodd-Frank rulemaking hearing

March 31 – Deadline for comments to Federal Reserve on definitions of "predominantly engaged in financial activities" and "significant" nonbank financial company

March 31 – Deadline for U.S. Financial Stability Oversight Council action on criteria for designating systemically important non-banks for increased Fed supervision.

March 31 – Deadline for implementation of European Banking Authority guidelilnes on capital adequacy of cross-border groups

APRIL

April 1 – Deadline for responses to FSA consultation on fees and levies

April 4 – Comments due to SEC on registration of swap-execution facilities

April 4 - Comments due to CFTC on agricultural swaps proposal

April 7 – CFTC to hold Dodd-Frank rulemaking hearing

April 11 – UK Independent Commission on Banking to publish interim report

April 14 – Deadline for responses to UK Treasury regulatory reform consultation on Financial Policy Committee, Prudential Regulation Authority, and Financial Conduct Authority

April 19 – Deadline for responses to European Commission consultation on financial-sector taxation

April 20 – European Parliament economic committee to vote on regulation of OTC derivatives, central counterparties and trade repositories

April 25 – Comments due to SEC on proposed rules regarding references to credit ratings, and standards of creditworthiness

April 29 – Comments due to SEC on operation and governance standards for clearing agencies

(Coming Up calendar includes contributions from CMS Cameron McKenna LLP, via **www.complinet.com**, a Thomson Reuters company and leading provider of compliance information to the regulated financial services industry)

GLOBAL REGULATORY BRIEFING is produced by the ThomsonReuters division of Governance, Risk and Compliance (grc.thomsonreuters.com).
Editor: Randall Mikkelsen
22 Thomson Place, Boston, MA 02210 USA
For questions or comments about this report, or to subscribe, email us at: randall.mikkelsen@thomsonreuters.com
Contact: +1 617-856-4402
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