Politicians begin to focus on real City issues

CITY COMMENT
NICK ANSTEE

Fresh from leading a City delegation to UAE and Qatar last week and before I head out to Bahrain and Saudi Arabia tomorrow, I see that the debate on reform of the financial services industry is slowly beginning to shift.

Talk of a global bank tax is rife following Gordon Brown's declaration that he expects an in-principle deal to be done by the G20 in June. This comes hot on the heels of President Obama's $117bn (£72bn) levy in the US and outlining radical industry reforms, including plans to limit the size of financial institutions.

So instead of focusing on bonuses, policy makers are now turning their attention to broader regulatory issues, particularly capital and liquidity adequacy, as they attempt to reduce systemic risk.

But the proposals currently being bandied about are far from perfect.

A Glass-Steagall separation of investment and retail banks would have done little to help the likes of Northern Rock, HBOS or RBS. Big banks are not automatically riskier than small banks. Therefore undermining the efficiency of the City by shrinking financial institutions could be a self-defeating exercise.

Sorting out the capital and liquidity issue is critical; a sound solution to this will also deal with the "too big to fail challenge" without going down the Glass-Steagall route.

We must get this right. A failure to do so will have serious consequences for the cost and availability of credit. This could lead to less lending – depending on the size and nature of such limits – as well as another downward spiral in property prices due to a lack of mortgage funding.

At a time when the fragile global economic recovery is threatened by burgeoning fiscal deficits, we can ill afford to constrain growth in the financial services sector through excessively punitive measures.

New regulation must be carefully considered and targeted in order to avoid potentially serious unintended consequences. A fine balancing act needs to be struck between curbing unnecessary risk-taking and allowing the industry to do business effectively. This has yet to be achieved.

During this crisis, it has been politically expedient to blame the banks as the sole architects of current economic woes and the public are understandably angry. But this has led to the regulatory environment becoming clouded by uncertainty as the US and the UK, among others, have outlined populist policies outside the G20 process.

Personally, I hope the summit in June will mark a return to closer cooperation between leading economies. London is Europe's international financial capital and our banks operate in an international marketplace for business and talent. Leaders in the EU and beyond should recognise this fact and engage with industry to deliver a unified vision on reform through the G20 forum.

Nick Anstee is the Lord Mayor of the City of London

London retail sales growth slows down

RETAIL

By John Dunne

RETAIL sales in London grew at their slowest rate for five years as the stronger pound made the capital less attractive for overseas shoppers.

Sales were 3.5 per cent up on the previous January, according to a report from the British Retail Consortium (BRC).

In January 2009 sales figures grew by 6.5 per cent compared with the same month the year before.

The number of visitors from Western Europe plunged last month as the euro weakened against the pound, the BRC said.

They had been flooding to London to take advantage of the exchange rate to snap up bargains.

Meanwhile, footfall fell in January compared with the previous year after the big freeze saw potential shoppers staying away.

However, food sales were up as shoppers stocked up on essentials while homeware struggled.

Clothing sales were fuelled by a clamber for warm accessories. BRC director general Stephen Robertson said: "After an exceptionally strong December this growth is disappointing, but not disastrous."

The wintry weather put people off going shopping in the first half of January and customers are becoming cautious again about spending when they don't have to.

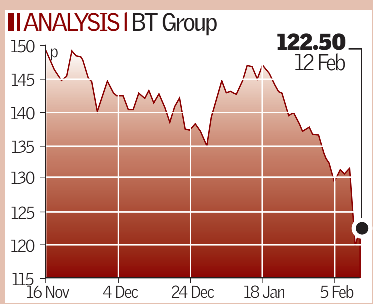
But London retail sales are still showing real terms growth and significantly outperforming the rest of the UK.

The capital's retailers will be hoping these results are mainly due to bad weather, rather than any long-term return to concerns about personal finances, keeping consumers away from shops. Some fear that concerns about the prospect of a double dip recession may be making shoppers more cautious.

London sales were stronger than those in the UK as whole, where like-for-like sales fell 0.7 per cent year-on-year against 1.1 per cent growth in January 2009.

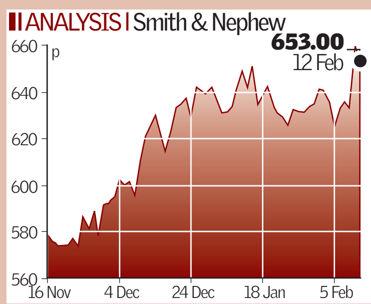
And the BRC also found that the number of visitors from China had continued to go up.

BEST OF THE BROKERS



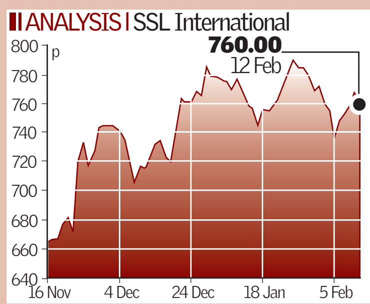
BT GROUP

Charles Stanley says last week's third quarter results from BT were positive, particularly for overall improvement in profitability, and a small uplift in full year cash flow guidance was also welcome. "However, overshadowing all this was the news on the pension fund, which was overall worse than expectations," Stanley said.



SMITH & NEPHEW

Edison Investment Research said the medical device manufacturer delivered strong earnings improvement in 2009, with adjusted earnings per share increasing by 18 per cent, largely because of efficiency gains and the absence of costs specific to 2008. "The comparison will be more challenging this year," Edison said.



SSL INTERNATIONAL

Evolution Securities said the decision by Durex-condom-maker SSL to split the acquisition of the half of Russia's BLBV it does not already own into two gives SSL more financial protection. "The cost to SSL remains the same if Russian profits do not grow in 2010 and reduces if 2009 Russian profits were unsustainably high," it said.

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Plantic signs with Germans for US push

MANUFACTURING

PLANTIC Technologies, the Aim-listed bio-plastics firm, has announced a new distribution agreement with Klockner Pentaplast as part of its plans to expand in the US.

Klockner Pentaplast is a producer of packaging materials for the pharmaceutical, medical device, food, and printing industries and will exclusively sell Plantic rigid sheet products in the Americas, replacing the current distributor Du Pont.

According to Plantic, Klockner Pentaplast's focus on biodegradable packaging products suits its plans.

President of Klockner Michael Tubridy said: "The Plantic product line compliments our portfolio of plastic packaging films by offering a unique end-of-life disposal option. Based on a renewable resource, this film offers our customers an option in helping meet their sustainable packaging goals."

Plantic announced a new range of eco-plastics this month.

Plantic chief executive Brendan Morris said: "We are excited about entering the next phase of Plantic rigid films expansion into the Americas. Klockner Pentaplast is an established global market leader ... and has extensive knowledge of the packaging markets."

CITY MOVES | WHO'S SWITCHING JOBS

Edited by Victoria Bates

Marriott Harrison

The City law firm has appointed Jill Andrew and Bob Cordran, pictured, as partners in its employment team.

Andrew joins from Dawsons and was also previously a senior partner at employment boutique Archon. Cordran formerly worked at Thomas Eggar, Simmons & Simmons and Olswang, and has particular expertise in advising on issues related to corporate, commercial and real estate transactions.

Renaissance Group

The Russian investment bank has appointed Nick Andrews as global head of equities, Ashar Qureshi as executive vice chairman, Mark Harris as global head of compliance and Michael Schulz as global head of risk.

Andrews joins from JP Morgan in Hong Kong, where he has been head of Asia Pacific and emerging markets equities since 2005. Qureshi has been a partner at Cleary Gottlieb Steen & Hamilton since 1999, while Harris was previously head of compliance for Europe and the Middle East at Lehman Brothers and Schulz ran the risk function at Hong Kong hedge fund CQS.

Atlantis Resources

Energy doyen James Forbes, a former chief executive of Scottish & Southern Energy and chairman of Thames Waters, has joined the tidal current turbine developer as a director.

Forbes also becomes chairman of Atlantis' UK-based marine power technology and project origination arm.

He was previously responsible for the £5bn merger of Scottish Hydro and Southern Electric in 1998, creating Scottish & Southern, which he ran until 2002. He also formerly held a non-executive board position at Firstgroup.

Chaucer Insurance

The insurer has hired Ken Hutchinson as its new head of e-commerce.

Hutchinson, who will develop electronic trading strategies for the group's personal and commercial businesses, joins from Groupama.

Pace

The digital TV technology group has promoted Andrew Ward to general manager for Pace Networks and Shane McCarthy as vice president of sales.

Ward has spent many years of his career at the group and will now be tasked with increasing revenues from clients such as Sky Deutschland and Sky Italia. McCarthy has been an account director for the group for the past three years.

United Business Media

The business media group has appointed Philip Chapnick, currently chief executive of UBM Think Services, as group chief representative for UBM in China.

Chapnick was previously responsible for fostering government support for the group's game developer events in China, and will build upon that experience by developing broader relationships with national authorities in the country when he relocates to Beijing later in the year.

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