Balanced debate is needed on future of banking

CITY COMMENT
STUART FRASER

AS PEOPLE from across the City brave the wintry conditions let us hope that policy makers can help provide a brighter forecast for the financial services industry over the coming year.

The past 12 months have seen the business environment in a state of almost constant flux. A series of measures – most notably the bonus supertax and 50p income tax top band – caused widespread discontent across the City.

Despite this London is still home to unrivalled pools of talent and capital, with around 250 overseas banks basing operations in the Square Mile. However, the ongoing uncertainty surrounding the UK is only benefiting our rivals as firms weigh up their options.

We are fast approaching a tipping point where further changes to regulation and taxation could begin to seriously undermine our competitiveness and ability to attract top talent.

Driving away the internationally mobile parts of the financial services industry would have a disastrous effect on the country as a whole. The sector's importance to the wider economy is highlighted by how it generated 12.1 per cent of total tax revenues in 2008/09. Goldman Sachs alone paid £1.1bn in corporation tax last year, while its 5,000 London staff contributed hundreds of millions of pounds in income and indirect taxes.

This is money that can ill afford to be lost given the precarious state of the public finances.

We all acknowledge the real anger that exists as a result of the financial crisis, particularly when it comes to bankers' remuneration. However, in most cases high levels of pay reflect the high levels of wealth generated by people working in the industry.

This is precisely why we must not damage the UK's competitiveness by signalling that we do not welcome talented individuals and institutions from across the world. Only by retaining, and indeed building upon, the City's reputation for being home to an unrivalled cluster of professional skills will we be able to face up to the challenge from emerging and established centres.

In order to achieve this, however, we need a level playing field when it comes to regulation and taxation. If the UK instead continues to ignore the G20 principles by adopting a piecemeal, isolated approach the subsequent exodus of talent will slow any economic recovery.

The government could make a good start to restoring consistency, clarity and confidence to the business environment by making it clear that the bonus supertax will not be repeated again in future. This exceptional measure was described as a one-off and it must remain that way.

We cannot allow huge pay differentials to arise between staff working in London and other global financial centres. This makes transparency on pay all the more important as key industry players decide whether to commit their future to London and the UK.

As we move into 2010, let us hope that we can leave behind the pre-election political point scoring in favour of a more productive, balanced debate on the future of the industry. It is now time for policy makers to oblige.

Stuart Fraser is Chairman of the Policy and Resources Committee at the City of London Corporation.

City rents up for first time since 2007

▶ **PROPERTY**

BY RACHEL STEVENSON AND STEVE DINNEEN

CITY office rents rose for the first time in three years at the end of 2009, boosting confidence that office rents have bottomed out.

A report from Cushman & Wakefield reveals 41 per cent of the year's total take-up of office space took place in the last quarter of 2009.

The take-up of 2.6m sq ft across the capital is the highest quarterly figure since the collapse of Lehman Brothers in 2007. The Square Mile saw its first rental growth in three years, with prime rents rising 3.5 per cent to £44 per sq ft, up from £42.50 per sq ft.

London office rents hit their lowest point in the last quarter of the year, with prices on prime space standing at £75 per sq ft in the West End.

Speculative development activity, however, has fallen markedly and at the end of December there was just 5m sq ft under construction in the capital. This is down by 42 per cent compared with 12 months ago.

BlackRock announced it will snap up one of the few new buildings in the City. It will occupy occupy Canary Wharf Group and Exemplar Properties' 270,000 square foot office tower at Drapers Gardens. It will pay about £50 a sq ft on a 25-year lease.

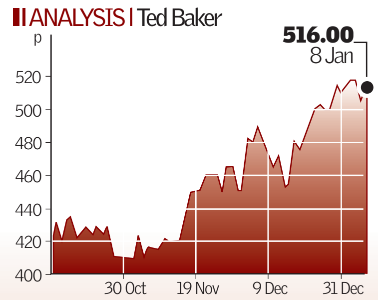
Other key deals that happened towards the end of the year included law firms Clyde & Co taking 145,000 sq ft at St Botolphs, and Pinsent Masons taking 189,000 sq ft at Crown Place.

Central London has an overall vacancy rate of 8.5 per cent. In the last recession, the peak vacancy rate was nearly 17 per cent.

C&W City office manager James Young said: "We turned the corner in the third quarter and in the fourth quarter we have seen a number of major transactions that have boosted the annual take-up.

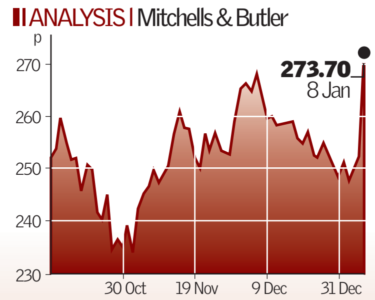
"Companies who have been biding their time on buying new space will see Blackrock's new deal and realise there is a narrowing window. The great deals we are seeing won't be here forever."

BEST OF THE BROKERS



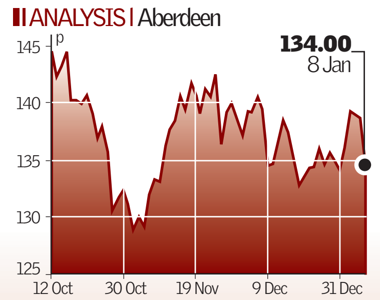
TED BAKER

Singer Capital maintains a "buy" rating for Ted Baker after strong trading from 1 November to 24 December. Retail sales growth for this period was 19.1 per cent and trading was up 14.3 per cent year-on-year. It says Ted Baker's collections are doing well and has revised its target price from 505p to around 530p.



MITCHELLS & BUTLERS

Astaire rates pub group Mitchells & Butlers a "buy", despite the likelihood of an eventful annual general meeting on 28 January because of its dispute with Elpida and Piedmont. Christmas trading was strong, and was up 4.9 per cent over the 10 days of Christmas. It adds that London and residential pubs performed strongly.



ABERDEEN ASSET MANAGEMENT

Evolution retains a "neutral" recommendation for Aberdeen Asset Management, which is acquiring £13.5bn of funds under management from Royal Bank of Scotland for £84.7m. Although the assets are being bought for less than one per cent of funds under management, 84m shares are set to be placed to fund the acquisition.

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UBS whistleblower begins jail sentence

▶ **BANKING**

THE chief whistleblower in the UBS tax secrecy probe has entered prison to serve a sentence he considered unfair, hours after a Swiss court ruled the bank should not have been forced to turn over client files to investigators.

Bradley Birkenfeld, a former UBS banker, entered a federal prison in Pennsylvania to serve a 40-month prison term, after attacking the government for the punishment in light of what he called his cooperation in helping expose thousands of US tax cheats. "The American taxpayer should be outraged," the 44-year-old told reporters in a snowstorm as he prepared to surrender to prison authorities. He said he was "proud" to have come forward and "expose the largest tax fraud in the world".

Last February, UBS accepted a $780m (£486.7m) penalty and admitted to criminal wrongdoing for helping US taxpayers hide accounts from the Internal Revenue Service. The Swiss bank later agreed to give the names of 4,450 American clients to government investigators.

CITY MOVES | WHO'S SWITCHING JOBS

Edited by Victoria Bates

Office of Fair Trading

The consumer watchdog has appointed Sheldon Mills, a senior associate at law firm SJ Berwin, as its new director of mergers, effective from 15 February. Mills joined SJ Berwin in 2006 from rival Jones Day.

Simon Holmes, head of EU and competition at SJ Berwin, said: "While we will miss him, Mills' appointment is a credit to the excellent merger experience he has had over the last few years."

UniCredit

Emmanuel Pezier is to join UniCredit's corporate and investment banking as a managing director for the financial institutions group (FIG) and financial sponsors in equity capital markets.

Prior to his appointment at UniCredit, Pezier was a principal and partner at alternative asset manager ACP, where he was responsible for raising capital for its various funds and managed vehicles.

He also previously worked as head of equity capital markets at Bear Stearns from 2004 to 2007.

WSP Environment & Energy

The risk solutions provider has hired Dr Isabel Boira-Segarra as a director in charge of its renewable energy team, based in London.

Boira-Segarra has joined as a renewable services director from Mott MacDonald, where she was most recently head of its renewable energy team.

She has 13 years of experience in the renewables industry, having advised on numerous complex infrastructure projects worldwide.

Pinsent Masons

The law firm has poached Matthew Morgan from rival DLA Piper to lead its banking team in Manchester.

Morgan has been a partner at DLA Piper for the past five years and has been a key adviser to the likes of RBS, Barclays and HSBC.

He has also worked on some of the largest corporate projects in the region in recent years, including discount retailer Matalan's £817m public-to-private transaction and the renegotiation of banking facilities for car dealership Lookers.

Santander Corporate Banking

The bank has hired Mark Lonsdale as a director for trade finance in the North of England region.

Lonsdale has 22 years of experience in commercial and corporate banking, having previously worked at Barclays as director of trade finance in the North.

Coutts & Co

The private bank has appointed Ian Copley as a senior private banker, based in its Leeds office.

Copley joins from Bank of Scotland Investment Service and brings with him over 20 years of experience within the financial sector, latterly advising private banking clients on their personal wealth management. Prior to that, he held the role of head of training, recruitment and professional development.

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