US banks to push for easing of money laundering rules

WASHINGTON/NEW YORK: America's largest banks are to propose a complete overhaul of how financial institutions investigate and report potential criminal activity, arguing that rules imposed in the years after the Sept. 11, 2001 attacks and strengthened during the Obama administration are onerous and ineffective, sources said. The Clearing House, a trade association representing the largest US banks including Goldman Sachs, JPMorgan Chase & Co and Bank of America, has long raised concerns about the effectiveness of the current rules, but this will be the first time the group has publicly called for them to be revamped.

The proposal, which could be published as soon as Thursday, will set the stage for an intensive lobbying effort targeting bank regulators and members of the Senate and House of Representatives finance committees. President Donald Trump has said he wants to cut costly regulations for Wall Street. To keep drug traffickers and terrorists from laundering money through the US financial system, federal law mandates that bank employees file a Suspicious Activity Report (SAR) with authorities if they suspect transactions could be part of a crime. Faced with record penalties in recent years over failures to alert authorities to criminal activities, banks say they now over-report, filing hundreds of thousands of SARs out of fear of later falling foul of regulators.

"Now we tell banks to file a (report) on everything that might be criminal," said Gary Shiffman, CEO of compliance software maker Giant Oak. "But when everything is a priority nothing ends up being a priority."

The number of suspicious activity reports rose from 669,000 in 2013 to almost a million in 2016, according to US. Treasury's Financial Crimes Enforcement Network (FINCEN), which enforces anti-money laundering rules and collects data on suspicious transactions from banks around the country.

Complying with anti-money laundering rules, including the manpower needed to file suspicious activity reports, costs US companies as much as $8 billion a year, the Heritage Foundation estimated in a report last year. The Clearing House will propose a new system under which banks do not investigate and report every transaction that could possibly raise a red flag, according to people involved in the effort.

Instead, banks would focus on investigating and reporting transactions based on specific concerns relayed to them by law enforcement. Under this approach, banks could shift their focus, as law enforcement priorities change. Institutions in different parts of the country may also watch out for certain types of criminal transactions, based on information from authorities. For example, law enforcement could warn banks in the southwest of the United States to look out for drug traffickers moving funds to Mexico, according to people involved in drafting the proposal.

The Clearing House will also call for the creation of an information-sharing platform that would allow banks to share data among themselves about possible criminal transactions. For international banks, the group will push for the US Treasury's FinCEN to be responsible for investigating compliance, rather than the Office of the Comptroller of the Currency, a main bank regulator. Since FinCEN is already responsible for sharing threat data with law enforcement agencies, the agency will be better able to determine if banks are making a substantial contribution to law enforcement efforts, the bank group will argue. —Reuters

FRANKFURT AM MAIN: Carsten Kengeter (C), CEO of German Stock Exchange operator Deutsche Boerse, poses with board members Jeffrey Tessler (L), Hauke Stars (2nd L), Andreas Preuss (2nd R) and Gregor Pottmeyer (R) prior to a press conference to present their company's business report yesterday in Frankfurt am Main. —AFP

Bond-buying boosts ECB net profits, balance sheet in 2016

Spike in inflation seen transient

FRANKFURT AM MAIN: The European Central Bank said yesterday it had increased net profits in 2016 largely thanks to its massive bond purchases, which also pushed its balance sheet to 3.7 trillion euros.

The Frankfurt institution earned 1.19 billion euros ($1.3 billion) profit last year, up from 1.08 billion euros in 2015, it said in a statement. The increase was "mainly owing to higher net interest income earned on the asset purchase program portfolio and the US dollar portfolio," the bank said.

The ECB's income comes from interest earned on its bond holdings, investing its foreign reserve assets and its own funds.

In 2016, the ECB responded to fears of deflation in the eurozone by expanding its bond-buying program. The move was just one of the interventions in the economy aimed at driving growth and pushing inflation towards the central bank's target of just below 2.0 percent.

A faster rate of monthly purchases from March saw the ECB more than double the amount of bonds the Eurosystem-made up of the ECB and the 19 national central banks in the eurozone-holds under the scheme, hitting 1.65 trillion euros by the end of the year.

Interest earned by the ECB from the flood of bonds grew to 435 million euros, helping push the bank's overall interest income to 1.6 billion euros, an 11 percent increase. The mass bond-buying also helped swell the Eurosystem's balance sheet by 32 percent to 3.7 trillion euros.

ECB president Mario Draghi said at a regular press conference in December that the mass bond-buying would go on until December 2017, although the pace will drop to 60 billion euros per month from the present 80 billion starting in April. On the costs side, the ECB spent more on staff and administration, as it continues to expand its bank supervision arm after it was made the top eurozone financial regulator in November 2014.

The ECB distributes its profits to the 19 national central banks that are part of the single currency. It shared out the first 966 million euros at the end of January, and plans to pay out the remaining 277 million on February 17.

Top European Central Bank officials viewed the current spike in inflation as "transient" as they decided last month to keep pumping newly printed money into the economy to support the strengthening economy.

A written summary of the Jan. 19 meeting shows members of the bank's governing council agreed they shouldn't overreact to inflation jumping to an annual 1.8 percent in January. On paper, that meets the bank's goal of just under 2 percent.

But the increase was mainly fed by higher oil prices, not by fundamental pressures such as wage increases for workers - which remain subdued. The officials decided they would "look through the volatility in short-term data if judged transient." The board decided to stress the bank would keep purchasing bond through the end of this year. — Agencies

Boeing union bid fails in South averse to organizing

NORTH CHARLESTON, SC: Production workers at Boeing's South Carolina plant have rejected an effort to unionize, maintaining Southern reluctance toward unionization and setting up a picture-perfect stop for President Donald Trump, who visits the facilities this week.

Vote totals weren't immediately available Wednesday, but the International Association of Machinists and Aerospace Workers' lead organizer said it's "the workers who dictate what happens next." National Labor Relations Board rules require workers wait a year before another union vote. Wednesday's balloting came just two days before Trump was slated to make the first visit by a sitting president to the sprawling North Charleston complex, where Boeing makes the 787 Dreamliner. On Friday, Trump is coming to town for the rollout of the first 787-10 model.

The presidential visit marks a photo finish for Boeing, which for weeks vigorously campaigned against the Machinists' effort. Billboards, radio and television ads blanketed the Charleston area, arguing to employees why they should not surrender their rights to the union.

In its campaign, Boeing didn't threaten to move its operations abroad if workers unionized - a tactic that often surfaces when collective bargaining efforts arise - perhaps abstaining from those threats because of its huge South Carolina plant investment and billions of dollars in federal defense contracts the company does not want to risk.

Trump himself engaged with the company during the presidential campaign, blasting Boeing for the cost of building a new Air Force One. "Costs are out of control," Trump tweeted in early December. "Cancel order!" Boeing CEO Dennis Muilenburg met with Trump two weeks later.

If successful, the balloting on whether employees should join the union would have sent a significant message to politicians in the region and Washington that workers here want the same protections and benefits as those in other areas. And, to leaders trying to recruit businesses by promoting their states' lack of union presence, it'd it would have made their jobs more difficult.

But this most recent test of Southern acceptance of collective bargaining movements was an uphill battle for the union and its backers. The global aviation giant, which came to South Carolina in part because of the state's minuscule union presence, did so with the aid of millions of dollars in state assistance made possible by officials who spoke out frequently and glowingly with anti-union messages.

"It is an economic development tool," Gov. Nikki Haley, now President Donald Trump's ambassador to the United Nations, said in a 2012 address of how she sold companies on coming to the state. "We'll make the unions understand full well that they are not needed, not wanted and not welcome in the state of South Carolina." At least that part of the tactic has worked. Only about 52,000 South Carolina workers have union representation, according to the U.S. Bureau of Labor Statistics' 2016 figures. Other major manufacturers in the state, including BMW and Michelin, aren't unionized or haven't experienced major campaigns to do so. — AFP