

Business

Investors left exposed as Trump's SEC gives America Inc helping hand

Clayton measures could help reverse a 20-year decline in company listings

WASHINGTON: The United States' top market cop is slowly taking the shackles off corporations. Since becoming head of the Securities and Exchange Commission (SEC) in 2017, Jay Clayton has presided over more than two dozen measures which make life easier for America Inc, according to a Reuters analysis of SEC announcements and interviews with more than a dozen lawyers, academics and advocacy groups.

The changes — 17 implemented so far with a further nine proposed—are part of a broader push to help reverse a 20-year decline in US public company listings by modernizing disclosures and cutting regulatory costs for firms. But a majority of them will weaken investor safeguards or diminish their rights, according to lawyers, consumer and investor groups and SEC sources.

"Under Clayton's leadership, the Securities and Exchange Commission has been quietly chipping away at an array of rules, many quite technical in nature," said Anna Pinedo, a partner at law firm Mayer Brown. "Although individually these haven't gotten much attention, in aggregate the SEC's rulemaking agenda under Clayton adds up to positive changes for public companies."

Clayton declined to be interviewed for this story but his spokeswoman said protecting the interests of Main Street investors was a top priority. "The initiatives advanced under his leadership maintain or enhance investor protections, including by ensuring today's investors receive the material information necessary to make investment decisions," Natalie Strom said in a statement.

Appointed by President Donald Trump with a mandate to entice more companies to go public, Clayton pledged to boost jobs and pension pots by making it more attractive for small companies to sell shares on stock exchanges while also protecting mom-and-pop investors. Corporations led by the US Chamber of Commerce, the country's biggest business group, have said red tape is partly to blame for a 50 percent decline in the number of listed companies over the past two decades.

"Clayton recognizes that the decline of public companies is a threat to the long-term competitiveness of the American economy," said Tom Quaadman, executive vice president of the Chamber's Center for Capital Markets Competitiveness. "Clayton has taken a holistic step-by-step approach to reverse this situation." But trimming companies' disclosure requirements, for example by giving them more leeway over how and what they divulge in regulatory filings, and more freedom to make redactions, mean investors will get less information, say critics. It is still too early to see the full effects of most of the changes but corporate governance experts worry that they swing

the balance in favor of companies and make public markets more treacherous for both institutional and retail investors. "The deregulatory agenda now advancing at the SEC is too often driven by lobbyist intuition rather than hard facts about the markets we oversee," Robert Jackson, one of five SEC commissioners, told Reuters. He has opposed several of the measures.

One of Clayton's most contentious proposals would relax a requirement, created by Congress in 2002 following the Enron accounting scandal, for companies with less than \$100 million in revenues to get their internal financial reporting controls signed-off by an independent auditor.

Another controversial proposal to cap financial rewards for whistleblowers could reduce the incentive for company insiders to come forward with evidence of wrongdoing. After fierce attacks by corporate governance advocates, that proposal may be softened as Clayton tries to get it across the line in coming months. This week, he proposed changes that would limit the ability of shareholders to submit proposals on items like executive compensation to company management.

To be sure, Clayton has toughened market oversight in some areas. Some of the measures aimed at simplifying financial disclosures make it easier for investors to identify material information and give them more information on certain topics, such as how company employees deal in their stock. Cryptocurrency offerings have slumped after Clayton said they should be regulated like stock offerings, and he passed a package of measures this year requiring stockbrokers to disclose potential conflicts of interest, and the commissions they earn, when giving financial advice. The broker rules, however, were heavily criticized by advocates for mom-and-pop investors who said they still left investors exposed to conflicted advice.

Real costs for real people

Going public is expensive. Investment bankers, lawyers and auditors collectively charge millions of dollars to prepare companies for their stock market debut and it can cost millions more to comply with ongoing regulatory requirements. But there are other reasons why companies are staying private, denying ordinary investors the sort of investment opportunities they traditionally rely on to fund their retirement.

For one, deregulation in the private market since 1996 has made it easier for firms to raise money from private investors, cutting most Americans out of the equation. Record low interest rates in recent years have spurred those wealthy individuals and institutions to put more cash into start-up investments. Over the past five years, there



NEW YORK: Traders work on the floor of the New York Stock Exchange (NYSE) on Monday in New York City. — AFP

has been at least \$150 billion raised in private equity and debt placements, compared to \$90 billion over the previous period, according to data from Dealogic. The overall figure is likely to be far larger as data on such private deals is not comprehensive.

And while the total number of public companies is lower than 20 years ago, the total value of public companies has doubled, partly due to mergers and acquisitions. The IPO market has improved this year. As of the end of October, there had been 37 small-cap company listings, each raising between \$300 million and \$1 billion, on track to beat last year's 39 listings and in line with 2017.

Bankers said this was largely due to a buoyant stock market, boosted by record low interest rates, rather than any regulatory changes introduced by the SEC. "Although these new tools have been put in place and positively received, the continued strength of the broader market has been the primary factor driving IPO volumes," said Jim Cooney, head of equity capital markets for the Americas at Bank of America. A former Wall Street deals lawyer who

has represented a roster of big banks and hedge funds, including Goldman Sachs and Deutsche Bank, Clayton initially disappointed Republicans and corporate lobbyists who had hoped he would hand them quick big wins. Instead, Clayton focused on building consensus with the four other commissioners who decide on rule-making and enforcement actions at the SEC. Two of the five current commissioners were picked by the Democratic party. The rest, including Clayton, are Republican appointees. Over the past year, though, Clayton has proved more willing to push through changes despite dissent from the Democratic commissioners, most notably Jackson, who has voted against several measures since joining in January 2018. Jackson, an academic who has studied the reliability of corporate disclosures, said reducing the frequency and substance of information companies had to publish, "comes with real costs for real people". Allison Lee, the other Democrat commissioner, declined to comment. Republican commissioners Hester Peirce and Elad Roisman, did not respond to requests for comment. — Reuters

KFH Takaful: Discounts up to 50% for insurance cardholders

KUWAIT: Kuwait Finance House (KFH) Takaful Insurance Company has added new and exclusive benefits to its health insurance policy, offering discounts of up to 50 percent to health insurance card holders. The offer includes many health clubs, medical clinics and nutrition and health centers. This comes as part of the company's efforts to distinguish its customers and encourage them to manage a healthier lifestyle.

KFH Takaful said in a press release, that insurance card holders will benefit from first-of-kind discounts in insurance market, confirming the company's interest in offering new and exclusive services to its customers. In order to benefit from the discount, customers can reveal the valid KFH Takaful health

insurance card to the related entities involved in the discount offer.

Meanwhile, KFH Takaful, through health insurance policy, seeks to meet the needs of companies and institutions by reducing the medical burdens and expenses incurred by the participant for receiving treatment in private and government hospitals according to the terms and coverage of the contract. The program includes hospital accommodation, related check-ups, outpatient consultations, prescription medications and treatments, as well as routine dental check-ups and pregnancy and childbirth expenses. To learn more details about the participating companies and benefits and promotions that KFH Takaful offers, customers can visit KFH Takaful website.

Jazeera Airways launches direct flights to Kathmandu

KUWAIT: Jazeera Airways, Kuwait's leading low-cost airline, operating regionally and internationally, yesterday announced the launch of flights to Kathmandu's Tribhuvan International Airport (KTM), serving the Nepalese capital with four return flights weekly starting from November 17, 2019, and is scheduled to increase to daily flights in January 2020. The launch marks the first direct commercial flights to be operated between Kuwait and Kathmandu, Nepal, with a duration of around 5 hours and 45 minutes. The direct flights offer connecting flights to cities in the Middle East and Europe.

Jazeera Airways CEO, Rohit Ramachandran, said: "We are glad to be serving the world's 19th top destination for the year as per Trip

Kuwait-Kathmandu Flights Schedule

Flight Number	Frequency	From	To	Departure (Local Time)	Arrival (Local Time)
J9 539	Monday, Wednesday, Friday and Sunday	Kuwait	Kathmandu	09:05 am	4:20 pm
J9 540	Monday, Wednesday, Friday and Sunday	Kathmandu	Kuwait	5:05 pm	8:00 pm

Advisor and open a direct flight for travellers to enjoy the wonderful landscape and culture that Nepal has to offer. The new route also supports efforts to strengthen economic trade between both countries and opens a new low cost option from Nepal to the Middle East and Europe through Kuwait."

The Kuwait-Kathmandu route is operated by return flights on Monday, Wednesday, Friday and Sunday. The departing flight number J9 539 from Kuwait to Kathmandu is scheduled at 09:05 am local time and arrives at 4:20 pm local time of these days, while the return flight number J9 540 from Kathmandu to Kuwait is scheduled at 5:05 pm local time and arrives at 8:00 pm local time. Bookings for Kuwait-Kathmandu

flights are now open and available on jazeeraairways.com. Fares start from KD65 for a one-way flight on Economy Class and KD129 for a return flight on the same class. Business Class fares start at KD154 for a one-way flight and KD313 for a return flight.

Jazeera Airways flies to 31 popular destinations across the Middle East, India and Europe comprising high-demand business, leisure, family and weekend destinations including London, Dubai, Bahrain, Doha, Beirut, Amman, Alexandria, Cairo, Sharm El Sheikh, Assiut, Luxor, Sohag, Jeddah, Riyadh, Taif, Najaf, Mashhad, Kochi, Mumbai, Hyderabad, Ahmedabad, New Delhi, Lahore, Istanbul, Bodrum, Baku, Tbilisi and Kathmandu.

Adidas has eyes on 2019 finish line after Q3 profit slip

FRANKFURT: German sportswear maker Adidas said yesterday it remains confident of hitting full-year financial targets after a profit slip in the third quarter, buoyed by fast-rising sales. In July-September, Adidas' bottom line fell back 1.8 percent year-on-year, to 646 million euros (\$715 million), slightly beating forecasts from analysts surveyed by Factset.

But revenues surged 9.1 percent to 6.4 billion euros. Double-digit growth in China and North America was Adidas' biggest sales driver, while Europe inched up more tentatively.

Its flagship brand with the three stripes sold six percent more even in a year without mammoth sporting events, while struggling US subsidiary Reebok also lifted sales slightly.

Meanwhile growth in online sales slowed to 14 percent in the third quarter, compared with 76 percent a year before. Despite the growth, operating, or underlying profit at Adidas also fell back, shedding 0.3 percent to reach 897 million euros.

The operating result was weighed down by advertising costs as the company looks to rev up sales in the second half of the year. "We confirm our full-year outlook and remain confident about a significant top-line acceleration during the fourth quarter," chief executive Kasper Rorsted said in a statement.

The Bavarian group expects to make net profits between 1.88 and 1.95 billion euros this year, up between 10 and 14 percent on 2018's result. — AFP

Rosneft's Q3 profit jumps after pipeline cleanup

MOSCOW: Russia's Rosneft energy giant yesterday announced a large jump in third quarter year-on-year net income due to sales growth and clean-up of contamination of a strategic pipeline.

Between July and September, Russia's largest oil producer posted net income of 225 billion rubles (around \$3.5 billion), up 58.5 percent on the same period last year and up 16 percent on the previous quarter. In the third quarter, the state-controlled group "was able to increase liquids production" quarter on quarter and "partially compensate" for production decline in the second quarter as a result of restriction of oil intake into trunk pipelines, said Rosneft chief

South Africa's Ramaphosa gets \$13.5 billion of investment pledges

JOHANNESBURG: South African President Cyril Ramaphosa secured about 200 billion rand (\$13.5 billion) of investment pledges, mainly from domestic companies, yesterday as part of his drive to boost flagging economic growth. Ramaphosa announced the investments during his opening speech at a forum aimed at drawing sorely-needed direct investment into the economy.

"The new investments over five years are with the view of addressing low economic growth and reducing unemployment," Ramaphosa said. "It is pleasing to see that

Igor Sechin. He added in a statement the increase in income was also due to sales growth amid falling crude prices. In April, a key pipeline to Europe named Druzhba, or Friendship, was shut down due to contamination with chlorine compounds.

The pipeline takes oil to a number of countries including Poland, Germany and Slovakia. On Tuesday, Rosneft reported that its liquid production rose 2.1 percent from the second to the third quarter due to the contamination being cleared up. "We restored crude oil refining throughput and strengthened our positions in the traditional markets," Sechin was quoted as saying.

The group's liquid production figure was nevertheless down 1.4 percent year-on-year, which the company attributed to Russia's agreement with OPEC to reduce production. Rosneft announced in late October it will price its oil exports in euros, not dollars, to reduce the impact of US sanctions.

Russia is seeking to wean its economy off the dollar and has cut the currency's share in its international reserves. — AFP

investors still consider South Africa as a country that has much to offer." At last year's forum, Ramaphosa had set a goal of attracting \$100 billion of new investments over a five-year period and he quickly secured more than half that amount in pledges. But many of those promises are yet to translate into projects that could make a meaningful dent in the country's 29 percent unemployment rate or lift the growth rate above last year's level of 0.8 percent.

The scale of the challenge Ramaphosa faces was underlined by Finance Minister Tito Mboweni's bleak medium-term budget speech last week, which slashed this year's growth forecast to 0.5 percent and showed government debt would shoot up to more than 70 percent of gross domestic product by 2023.

Moody's placed South Africa's last investment-grade credit rating on a "negative outlook" after Mboweni's updated budget projections, giving the country up to 18 months when it could be downgraded. A downgrade could trigger billions of dollars of outflows from South African government debt.

Despite a modest pickup in foreign direct investment

last year, investment by local firms has remained weak during Ramaphosa's presidency as cash-rich companies continue to send money offshore.

Domestic firms like telecoms firm MTN and paper company Sappi made some of the largest pledges at Wednesday's conference, with other large investments promised by state freight company Transnet and the state airports management company.

MTN pledged to invest 50 billion rand over the next five years and Sappi pledged 14 billion rand over several years. The new pledges would be a "shot in the arm" to the local economy, Ramaphosa said.

Ramaphosa has promised reforms from the energy to telecoms sectors, but progress has been slow due to opposition from labor unions and parts of his ruling African National Congress party. His investment conference last year secured nearly 300 billion rand of investment pledges from firms like miner Anglo American. During that conference, countries including China, Saudi Arabia and the United Arab Emirates made a further \$35 billion in pledges. — Reuters



MOSCOW: Russia's Rosneft energy giant yesterday announced a large jump in third quarter year-on-year net income due to sales growth and clean-up of contamination of a strategic pipeline. — AFP