

{ AROUND THE WORLD IN 30 DAYS }

INTEREST RATE HIKE, EUROPE ATTRACTIVENESS, ICELAND



Snæfellsjökull National Park, Iceland

Central bankers increase rates

Positive employment data in the US helped the Federal Reserve towards a hike in its interest rate, a move that it had previously flagged. The Fed lifted its benchmark interest rate by one quarter of a percentage point from 0.75% to 1%, only the third interest rate rise at the US central bank since the global financial crisis began.

Announcing the rate increase, Federal Reserve chair Janet Yellen said: "The simple message is, the economy is doing well, the unemployment rate has moved way down and many more people are feeling more optimistic about their labour prospects."

China's central bank followed suit, in a move designed to limit capital flight to the US, while president of the European Central Bank (ECB) Mario Draghi maintained rates at 0%,

but said that the ECB no longer had a sense of urgency in terms of taking more action on stimulus.

Europe's powers of attraction

A survey into Europe's attractiveness to outside investors in the wake of the UK's decision to leave the EU has found that investors remain committed to Europe. The 2017 *European attractiveness survey – Plan B for Brexit* from accountants EY found that 56% of global investors plan to grow their presence in Europe, compared with 36% last May.

However, more than 70% reported an impact following the UK referendum vote, with currency, commodity and capital markets scoring as high-risk factors.

Iceland lifts restrictions

Iceland lifted capital controls imposed

during the 2008 collapse of its banking industry, signalling a return to financial normality and international financial markets. The country's GDP rose 11.3% for the last quarter of 2016.

The controls were put into effect to stabilise a volatile krona after the country's three biggest banks – with assets three times the size of its economy – collapsed. One of the successors to those banks, Arion, is due to list on its stock exchange. Finance minister Benedikt Johannesson told the *Financial Times* that the government would now examine whether the currency should be stabilised by pegging it to the euro.

Concerns remain as to whether Iceland is at the top of its current tourism-led boom and whether the economy may be on the point of overheating.

{ CORPORATE FINANCE }

INDUSTRY GROUP CALLS FOR ACTION ON RISK CAPITAL

> A report from the Association for Financial Markets in Europe (AFME) has identified a shortage of risk capital available for high-growth enterprises and significant structural barriers to expansion.

The report's authors said factors, including a fragmented start-up market across Europe, a lack of awareness of risk capital benefits among ambitious high-growth companies, insufficient venture capital funding and sluggish primary markets combine to limit European firms with high-growth potential. They also said there was an unfavourable environment in terms of businesses accessing public markets. Improving access would help growth companies access the information needed to initiate long-term growth-financing strategies.

Director-general at the European Commission's department for financial stability and capital markets Olivier Guersent said the inadequate supply of risk capital has been a long-standing constraint on ambitious European firms. "Under CMU, the Commission has tabled several initiatives to improve the functioning of these markets. However, there is no quick fix. European policymakers need to stay focused on this structural challenge in the years ahead."

Simon Lewis, chief executive of AFME, said: "Europe's shortage of risk capital for high-growth businesses is a pressing issue, particularly given the enduring low-growth environment."

{ KEY FINDINGS FROM THE ASSOCIATION FOR FINANCIAL MARKETS IN EUROPE'S REPORT ON RISK CAPITAL FOR HIGH-GROWTH FIRMS }

THE STATS

€1.3m – average venture capital (VC) investment received by European companies compared with €6.4m in the US

5% – amount of VC-backed EU companies that also obtain venture debt capital

€4.1bn – amount that VC funds invested in European high-growth companies between 2007-15 compared with €26.4bn in the US

44% – proportion of EU VC investments that went to later-stage businesses compared with almost two-thirds of all VC investments in the US

MAKING THE NEWS

12-sided £1 coin ready to go

With security features including micro-lettering around the rim, a distinctive shape and use of a hologram-type latent image, the new £1 coin goes into circulation this month. Retailers, including vending machine operators, have spent millions on staff training and adaptations to equipment.

Most are fully prepared. However, the UK Automatic Vending Association, which predicts the changes will cost its industry £100m, says there may be a short period when some machines will still accept only the old coin. However, most retailers have welcomed the new issue due to the high numbers of counterfeit old-style coins in circulation. According to the Royal Mint, around one in 30 are fakes, although some commentators suggest the real figure is closer to one in 10.

Kenya's mobile bond

Kenya, a pioneer in the use of mobile phones for payments, has become the first country to exclusively sell government



The new £1 coin is now in circulation

bonds via mobile phones. Kenyans can buy government bonds for around 3,000 Kenyan shillings (around £23), according to the central bank, which is using the country's track record in mobile transactions to reinforce this new means of raising funds.

In Kenya, the main provider of mobile transactions, M-Pesa, has around 20 million users, and M-Pesa kiosks outnumber ATMs by 100 times. Finance minister Henry Rotich says the initial offer will

be limited to 150 million shillings. If successful, a second bigger issue will take place in June. The bond, M-Akiba, can be bought by phone users without the need for a bank account and will pay an estimated 10% in interest. Kenya's bond market backs an ambitious infrastructure programme.

Trade policy debate

Economic officials from Germany hit back at US criticisms of its trade policy in the wake of the G20 meeting of finance leaders

that took place in Baden-Baden last month. A group of top economists, advisers to Germany's federal government, rejected criticism that the country's foreign surpluses were too big and mounted a counter-attack, suggesting America's trade deficits were too large.

"Problems can arise on both sides – surpluses and deficits," said Jochen Andritzky, secretary general at Germany's Council of Economic Experts.

SHUTTERSTOCK

{ CONTEXT OF TREASURY }

LACK OF CYBER AWARENESS A GROWING PROBLEM IN THE FACE OF CYBERATTACKS

> In spite of mounting evidence to the contrary, global corporates are failing to grasp the level of threat posed by CEO frauds or 'whaling' attacks carried out by cybercriminals, according to a recent report.

Cybersecurity specialists Trend Micro surveyed more than 2,400 enterprise IT decision-makers in Europe and the US, and found that just 12% of respondents consider this kind of attack a threat. However, this lack of awareness is at odds with increasing accounts of their prevalence.

Findings published by cybersecurity firm Proofpoint indicate that in the final quarter of 2016, CEO frauds and similar business email compromise (BEC) attacks jumped



by 45% among companies in the US, UK, Canada, Germany, France and Australia.

Sophisticated social engineering is a characteristic of these attacks, which come in the form of emails from cybercriminals purporting to be CEOs or other senior executives requesting the release or transfer of significant sums. To be successful, the emails have to be highly plausible, and cybercriminals often manipulate recipients by suggesting the matter is sensitive and confidential.

The steep rise demonstrates that BEC presents a very real risk to global corporates, which are losing an average \$140,000 per incident, the report found.

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