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Martin Wolf

Has the great bond bull run finally ended? — COMMENT, PAGE 11

Great barrier rift

Big Coal battles green movement over Australia's ailing reef — BIG READ, PAGE 9

Sauna revolution

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HSBC to charge banks for euro and Swiss franc cash holdings

Scandinavian currencies also face levy on countries with negative interest rates

MARTIN ARNO LD — LONDON
RICHA RD HILNE — GENEVA

HSBC has become one of the biggest global banks to say that it will begin charging clients on deposits in a range of European currencies.

The decision underlines the extraordinary measures banks are taking to prevent their profit margins being crushed in the record low-interest rate environment.

HSBC has written to other banks to warn that it will start charging them for deposits in euros, Swiss francs, Danish krone and Swedish krona — all currencies of countries that have negative interest rates — as its UK, German and Hong Kong operations from this summer.

It is the first UK bank to introduce such charges after similar announcements from Swiss, German and Nordic institutions.

"HSBC charges banks for deposits they hold with us in currencies where negative interest rates apply," the UK lender said. "Banks affected have been notified and we continue to monitor the situation."

The unusual step came after the ECB last year became the first big central bank to announce a negative deposit rate, in effect a penalty on banks parking their surplus cash.

Central banks in Sweden, Denmark and Switzerland also imposed negative deposit rates of between minus 0.25 per cent and minus 0.75 per cent as they battle deflation and currency pressures.

HSBC this week wrote to the banks

that will be affected and will introduce the negative interest rates on August 1. It will not affect the deposits of individual corporate customers.

German, Swiss, Danish and Swedish banks have been at pains to avoid subjecting the general public or small businesses to fees for depositing cash, preferring to impose levies only on the biggest corporate and institutional customers.

USBS introduced negative interest rates for interbank accounts in 2012 for balances in Swiss francs and in euros, a person familiar with the situation said. Credit Suisse said in January that negative deposit rates had "long applied to the credit balances of financial institutions".

More recently, in the wake of negative interest rates from the Swiss National Bank, both USBS and Credit Suisse have also applied negative interest rates to some corporate and other institutional accounts.

Only Erhvervsbank, a small Danish bank, and Skatbank, a regional German lender, have crossed the psychological Rubicon and announced plans to make net all customers pay to hold money in deposit accounts.

JP Morgan Chase said this year it would start charging some of its biggest institutional customers, such as hedge funds and foreign banks, to make "excess" deposits, which have become too costly under new liquidity rules.

Additional reporting by James Clutter in Frankfurt and Laura Noonan in London
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US arrests visiting professor in move against Chinese corporate 'spy ring'



Barack Obama and Chinese President Xi Jinping meet in Beijing last year. — AP/WIDE WORLD

GINA CHOM — WASHINGTON

The US has charged six Chinese citizens with economic espionage, claiming they stole sensitive US technology to help Chinese universities and state-controlled companies.

One of the six, Professor Hao Zhang of Tianjin University, was arrested on Saturday when he arrived at Los Angeles airport to speak at a conference. The others are still in China.

It is the latest US effort to counter China's alleged efforts to steal trade secrets through cyber or espionage attacks. Prof Zhang and fellow Tianjin professor Wei Pang are accused

of stealing information about a technology called FBAR used in smartphones and GPS devices from their US employers, Skyworks Solutions in Massachusetts and Avago Technology in Colorado. FBAR has military applications.

The charges follow the indictment of five Chinese soldiers in 2014 for cyber attacks and espionage on US companies. Yesterday's announcement marks the 11th time that prosecutors have leveled economic espionage charges since the relevant law was passed in 1996.

In the latest case, the stolen trade secrets include recipes, source code, design layouts and

other documents, according to the 32-count indictment.

Prof Zhang and Prof Pang met when they were doctoral students in California. Their research was funded by the Defense Advanced Research Projects Agency, which creates technology used by the military and national security agencies.

"The defendants leveraged their access to and knowledge of sensitive US technologies to illegally obtain and share US trade secrets with [China] for economic advantage," said John Carlin, an assistant attorney general. A lawyer for Prof Zhang did not respond to a request for comment.

Briefing

► **Cheaper air fares tip UK into deflation**
A fall in air fares, coming on top of the slide in oil prices, a surge in market prices and the strength of sterling, has finally pushed the UK into deflation. Analysts say it is good news rather than bad, but warn that it will not last long. — PAGE 3

► **Brussels deputy relishes Brexit debate**
Brussels vice-president Frans Timmermans, who is expected to get the role of point man in any talks, is relishing the chance to win over Britain before the EU referendum. — PAGE 7; REFERENDUM REPORTS, PAGE 2

► **Davos man Schwab plans succession**
World Economic Forum founder Klaus Schwab, 77, is preparing to pave the way for his succession at the helm of the group that organises the annual Davos conference in the Swiss Alps. — PAGE 6

► **Altiç in talks to gain US cable foothold**
Altiç, the European cable group, is in advanced discussions to buy Suddenlink Communications, the seventh-largest US cable operator, in a deal likely to be valued at more than \$6bn. — PAGE 15

► **Google to take long look through Glass**
Tony Fadell has said that every detail will be examined when Google reviews its Glass project, in his first comments since taking the helm of the group's review of its high-tech spectacles. — PAGE 19

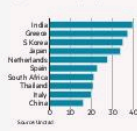
► **Wall St eyes revival of crisis derivative**
Banks and big investors are seeking to revive a derivative market blamed for fanning the financial crisis, as they seek ways to forestall volatility when interest rates rise. — PAGE 18; ANALYSIS, PAGE 28

► **Telecoms bundles halt Vodafone decline**
Vodafone has arrested the three-year decline in its core services revenues as more customers flock to superfast 4G services and bundles of telecoms, broadband and TV. — PAGE 20; SEE, PAGE 14

Datawatch

Fuel imports

As % of total merchandise imports
Gulf-coast countries, 2012



Oil prices are still much lower than last year despite a recent rebound. This is good news for countries such as India, Greece, Japan and South Korea where fuel accounts for more than a third of merchandise imports.



Black market for nannies feared over pension rules

New pension rules obliging all small employers to set up and pay into a pension for their staff will result in a black market for nannies, childcare agencies have warned. They say parents might be tempted to pay nannies in cash to save thousands in contributions — plus the hassle of setting up a scheme. One agency said: "A lot of parents may reduce the salary of the nanny or do a half-pay on the books and half-cash in hand." Report — PAGE 4

Skyscraper rooftop gym to separate high-flyers from the great unwashed

MALCOLM MOORE

"Never let them see you sweat," Gillette told the world in the 1980s.

Fitness First will in July make that aspiration a reality for chief executives, law firm partners and senior bankers in Asia.

The UK gym operator is building them a £4.7m facility atop a Singapore skyscraper where they can exercise in private, without having to share a changing room with the great unwashed.

"Chief executives do not want to be down there in the gym with a lowly clerk," said Fitness First. "This will be private and intimate."

If the invitation-only gym proves a success, the company said that it would roll out the idea in Hong Kong and then London.

The group said its surveys had shown that 94 per cent of executives were looking for a "private, premium and personalised environment to help them achieve their health and wellness goals".

Members will pay \$5,000, or £4,450, to join the Gravity gym and monthly fees of \$860, about five times the monthly membership fee for a regular Fitness First gym.

The cost is comparable to membership at Soho House Home House, the private members' clubs in London, the group said.

For their money, executives will be looked after by 20 staff, with specialists on hand to monitor their stress levels, how well they sleep and whether their joints are aligned.

A smartphone app will remind them to exercise more and connect them to

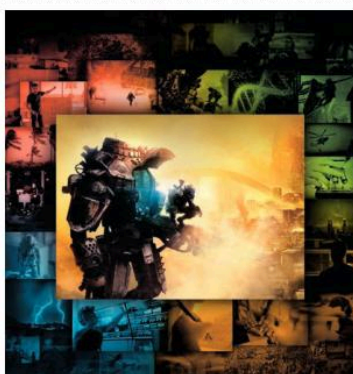
other members, if they have the stamina to network as well.

Gravity will be Fitness First's show pony as it tries to expand into new ideas it can bring in across its network, and a nudge to expand into health services and "wellness".

Fitness First said that while its first "chief executive" gym would be in Singapore, it hopes to expand.

But the concept is that it is atop of a skyscraper, with a million-dollar view. You cannot put it in a basement," said the group, which is looking for suitable sites.

Fitness First, which is owned by Oaktree Capital and Marathon, last year said that it would invest £64m in Asia to open 50 clubs in the region's fast-growing cities. Lombard page 20



This cloud turns gamers into Titans.

Microsoft Azure enables Respawn Entertainment to run the massive universes of Titanfall, delivering a real-time experience unlike anything that's come before. This cloud turns data into excitement. This is the Microsoft Cloud.

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STOCK MARKETS				CURRENCIES				INTEREST RATES			
	May 19	prev	%chg		May 19	prev	%chg		May 19	prev	%chg
DAX 30	11,076.7	11,024.2	+0.46	\$ per £	1.117	1.125	-0.80	US Gov 10 y	4.00	4.24	-5.67
Nikkei Composite	9,270.0	9,219.44	+0.54	\$ per ¥	1.590	1.583	+0.45	UK Gov 10 y	5.00	5.06	-1.20
Dow Jones Ind	19,712.38	19,588.88	+0.63	€ per \$	0.718	0.725	-0.97	Gov 10 y vt	5.11	5.06	+0.98
FTSE 100	6,888.00	6,916.82	-0.41	¥ per \$	120.705	118.940	+1.49	Jan 15 10 y	100.20	0.38	+60.00
Brazil Dow 30	24,785.02	24,689.22	+0.43	€ per £	1.07122	1.07095	+0.002	UK Gov 20 y	5.11	5.02	+0.17
FTSE 250	6,898.10	6,909.07	-0.16	€ per ¥	167.582	167.513	+0.04	Gov 20 y	103.52	0.22	+60.00
FTSE All Share	3,981.90	3,976.32	+0.14	\$ per €	1.044	1.045	-0.10				
DAX 40	5,117.30	5,012.31	+2.00					Fed Funds 5y	0.12	0.11	+0.91
Nifty 50	11,882.32	11,826.20	+0.47					US 3m Bill	0.02	0.01	+0.91
Nikkei	20,025.38	19,989.27	+0.18					S&P 500	0.02	0.02	0.00
HangSeng	21,825.04	21,791.29	+0.17	GBP/USD	1.242	1.222	+0.16	UK 2m	0.07	0.07	0.00
FTSE All World \$	281.22	280.21	+0.34	Gold \$	1,214.30	1,222.50	-0.67	Prime bank for 3m	0.07	0.07	0.00

ALWAYS LEARNING

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[Dodge Those RPI Contract Increases With Tesco Mobile](#)



The key to a happy family is communication, so whether you're buying your child their first phone or looking for family flexible contracts Tesco Mobile is here to The cost of Vodafone out-of-allowance calls and texts and other non-standard ... Vodafone raises out-of-bundle mobile prices – can you beat the hike? ... If you have a handset bundled as part of your contract, Vodafone has ... or above the rate of RPI will be given the right to leave without charge, in line with *Fair usage applies to unlimited tariffs - i.e. per 30 day period, up to 10,000 call minutes and 10,000 texts to landlines and mobile phones in the Republic of Ireland These things can start to add up. If you cap your bill you have complete control over how much you spend on them each month. So you can be happy in the These Tesco Mobile terms and conditions apply to Bill Pay Services only. ... at the point of sale and the selected Plan allowance will be detailed in your Contract Form. ... We may increase, decrease or remove your credit limit without notice.. Your first move should be to ring up and challenge the rise. ... are choosing to link price rises to the Retail Prices Index (RPI) measure of inflation ... fee that includes the cost of a mobile handset after their contract ends. ... Alternatively, you could try Tesco Mobile or O2 Refresh plans which split the cost of the Jump to Tesco Mobile - At the time of writing, Tesco Mobile is the only remaining mobile network to guarantee that your monthly subscription charge will Dodge those RPI contract increases with Tesco Mobile. ... They use the Retail Price Index, and although a 3.2% rise may “only” mean a 54p rise on a £17 per-month plan, it all adds up. 87b4100051

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