NEWSLETTER JANUARY 2018

GREEK MARKET

1. More than 1 million Greeks are now trapped in programs to pay off their tax and social security dues in installments, a situation likely to continue for years to come. Citizens are resorting to various payment programs offered by the ministries of Finance and Labor because they would otherwise be unable to meet their obligations. In many cases taxpayers are forced to pay additional installments in order not to default on their plans. The million-plus taxpayers and businesses that are trapped in the various schemes they have entered to pay off the tax authorities and the social security funds have no other choice but to keep paying, otherwise they will have their assets confiscated.

2. Ten investment groups have expressed an interest in the concession of Alimos marina in southern Athens, including foreign and Greek companies such as Lamda Development, Aktor, Dogus, J&P Avax, Koc Holding, Intracom and Archirodon.

The tender that state sell-off fund TAIPED has called provides for the right of use and operation of the marina as well as the option of constructing an on-site hotel complex.

The world's biggest lender, the Industrial and Commercial Bank of China (ICBC), is poised to receive a license to operate in Greece. ICBC representatives have already held talks with officials at the Economy and Development Ministry, as well as taking the necessary steps with the Bank of Greece so that the bank can apply for a license as soon as possible.

3. Brussels bureaucracy has led to the 20-year contract extension of Athens International Airport grinding to a halt. The completion of the transaction has not only failed to meet the original deadline of end-2017, but it will also require another four or five months.

This means that besides the payment of 251 million euros to state privatizations fund TAIPED and another 117 million to the Finance Ministry in value-added tax, the start of the process for the sale of a further 30 percent of shares in AIA has also been delayed.

4. Greece welcomed on Saturday the upgrade of Greek economy's credit rating by Standard & Poor's to 'B' from 'B-' as one more sign that the hard times come to an end and the country is moving steadily on the recovery path.

5. Two-thirds (almost 65 percent) of chief executive officers at major Greek enterprises believe Greece will still need monitoring after the end of the bailout program this August, although their expectations as regards the course of the country's economy over the next 12 months are broadly positive, according to a survey by the Association of Chief Executive Officers (EASE) and ICAP. The survey also found that six in 10 corporate managers did not think that the country is particularly attractive to investments, including four in 10 who expressed the opinion that Greece is not at all attractive to investors, meaning the continued effort for reforms is absolutely essential for the country to regain its competitiveness.

6. French group Barnes International Realty is expected to seek a share of Greece's ever growing luxury homes market, which promises investors greater capital gains than rival markets abroad. That rise is attributed to two main factors: The gradual restoration of political and economic stability with the elimination of the risk of a Greek exit from the eurozone, and the realization by candidate buyers abroad that Greek luxury properties are available at particularly attractive prices, compared to other popular destinations, with no shortcomings in quality. Algean Property analyst Constantinos Sideris stresses that in many cases, Greek properties in this category are more luxurious and in much more privileged locations than similarly priced real estate abroad.

7. The Economy and Development Ministry is planning to introduce a fast-track process exclusively for investments in the industrial sector. The main pillars of the new licensing system for industrial investments are the following: The creation of a central licensing authority in the ministry's General Secretariat for Industry whose officials possess the necessary know-how; and the operation of a zoning office within the structure of the new licensing authority, so that there is rapid communication and cooperation that will avert any unnecessary bureaucratic delays.

GLOBAL MARKETS

Despite possessing one of the world's biggest economies, Germany ranked in the top 10 in the 2018 Financial Secrecy Index. Serious tax loopholes and lax enforcement contributed to their high ranking.

1. Germany was ranked seventh in the 2018 Financial Secrecy Index, a study published on Tuesday by UK-based financial advocacy group the Tax Justice Network. Germany's rank is largely unchanged from the last Financial Secrecy Index, which was released in November 2015. However, the continued financial secrecy may be disconcerting for some German lawmakers, who have increased their efforts to prevent tax evasion and money laundering.
Unsurprisingly, Germany's European neighbor Switzerland, a country notorious for banking secrecy, tops the index, followed by the US and the Cayman Islands.
The study also highlighted how tax enforcement authorities suffer from understaffing and inadequate means to deal with large tax payers. States like Bavaria have not increased the number of tax auditors it employs, and the number of tax audits among millionaires has declined significantly.
Perhaps more troubling is the lack of incentives to enforce taxes. After the Second World War, the Allied powers prevented Germany from creating a central tax administration. As a result, the 16 German states were responsible for their own tax collection, bearing the cost for a tax administration and tax audits but having to distribute the tax revenue to other states. That created a culture of lax tax enforcement as states had less incentives to collect taxes.

2. US authorities have fined Deutsche Bank and two other European finance institutions for manipulating markets. Germany warned its best-known bank not to overdo bonuses — it'd be bad for its already soured image.
Deutsche Bank was fined $30 million (€24 million), while UBS agreed to pay $15 million and HSBC took a $1.6 million hit.
Investigators looked into whether traders at the banks had worked to manipulate futures markets in precious metals.
Damaged reputation: Deutsche Bank has pledged to strengthen internal controls to prevent further illegal manipulation of markets, but the latest fine won't help its reputation in the US, where in recent years it paid $7.2 billion
in fines for toxic mortgages issued ahead of the housing market collapse of 2008, and was separately fined $2.5 billion for manipulation in the Libor scandal.
Deutsche Bank looks likely to post its third consecutive annual loss on Friday, when it releases the numbers for 2017, prompting some investors to rethink the future of CEO John Cryan.

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