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Capitalism's risky face

Private equity funds diversify. Analysis, Page 9

When it comes to CEO pay, drivel is in the detail

Lucy Kellaway, Page 14

World Business Newspaper

News Briefing

US regulator backs ringfencing proposals
US bank regulator Sheila Bair has suggested lenders ringfence their riskier investment banking operations with restrictions similar to those proposed by the Vickers report on UK banking. **Page 5; Tony Jackson, Page 18**

Unease over bail-outs
The populist True Finns anti-euro party made big gains in the Finnish general election in a mark of growing resistance across northern Europe to taxpayer-funded bail-outs for Portugal and other crisis-hit eurozone countries. **Page 7; Latest at www.ft.com/europe**

Japan nuclear plan
Japan's nuclear crisis may take nine months to resolve, according to the first timetable released by Tokyo Electric Power, the operator of the crippled Fukushima atomic plant. **Page 8; Lex, Page 16**

North Sea tax warning
Chevron chief executive John Watson warned there could be "unintended consequences" following the recent tax increase on North Sea oil and gas production. **Page 17**

Oil price slows demand
Signs are emerging that the high price of oil is beginning to restrain demand that had led to renewed prosperity for the biggest oil producers. **Page 5**

Policy-making attacked
The poor quality of Westminster policy-making comes under fire in a report from the Institute for Government that says civil servants do too little to

Loophole fears over Vickers bank rules

'Passport' system could help European groups

Lenders might escape proposals on capital

By Patrick Jenkins, Megan Murphy and Sharlene Goff

European banking groups could take advantage of a loophole to escape higher capital requirements recommended by the Vickers Commission report on UK bank restructuring, fuelling concerns they will secure a competitive advantage in high street banking.

European Union "passporting" rules allow banks from across the EU to operate in each other's markets as "branches" subject to regulations in their home-country, rather than full-blown subsidiaries that would have to play by UK rules.

"This is a big worry," said one person close to the Independent Commission on Banking, chaired by Sir John Vickers

notch core tier one capital equivalent to at least 10 per cent of their risk-weighted assets, compared with a 7 per cent minimum set by new Basel III global capital standards.

Banks such as France's BNP Paribas, Germany's Deutsche Bank and BBVA of Spain, which might be tempted to enter the UK retail banking market, would only be subject to their home market capital rules, likely to be in the 7-8 per cent range.

"Freedom of establishment is a fundamental right under the European treaty," said Bob Penn, a partner at Allen & Overy. "There is nothing that the [Vickers] commission or the government can do about it."

The loophole could be exploited by a European bank interested in buying branches from Lloyds, the part-nationalised bank that is the UK's biggest high-street lender. Lloyds has been ordered by EU state-aid authorities to sell 600 branches as punishment for its govern-

Ai Weiwei protests Chinese artist's release demanded

Police take away a demonstrator in Hong Kong yesterday during protests for the release of Chinese artist Ai Weiwei, who was arrested on suspicion of 'suspected economic crimes'. Protests were also held in cities across Europe, Australia and the US, with social network sites used to mobilise supporters.
Book review, Page 10 AP

Fed to signal end of monetary easing

By Robin Harding in Washington

An end to global monetary policy easing is on the horizon, with the US Federal Reserve set to signal it will cease asset pur-

term rates have been cut to zero. By buying securities such as Treasury bonds, a central bank can drive down long-term interest rates as well in an effort to stimulate the economy.

now appears to be rising rather than falling.

In recent testimony to Congress, Ben Bernanke, Fed chairman, noted evidence of "a self-sustaining recovery in con-

after a three-week delay, but they are being brought forward in a move likely to give them greater prominence.

However, the broad consensus that further asset purchases are

Hard times push shopping centres down-market

Value stores on rise to tempt consumers

Budget chains move from high street

By Claer Barrett, Retail Correspondent

Pound shops, "value" stores and fast-food outlets are springing up in Britain's shopping centres as they respond to consumer needs in an increasingly harsh retail environment.

Poundland, Peacocks and Greggs the bakers are among the fastest-growing tenants since 2008, according to a report from Trevor Wood Associates, the retail consultants.

The survey, which monitors the changing line-up in 500 shopping centres, shows that budget chains are increasingly moving off the high streets and into malls.

Although middle-market names still dominate, Poundland – 75 per cent owned by the US private equity firm Warburg Pincus – was seen as the fastest-rising retailer. Its rapid expansion has been aided by the demise of the Woolworth chain, as Poundland took many of the large units it left behind after its 2008 collapse.

Although New Look remains the most dominant fashion chain by number of stores, the value fashion retailers Peacocks and H&M have taken advantage of the weak market to expand, and both number among the top 10 fastest-rising stores. Lying just outside the top 10 are Shoe Zone, the budget footwear retailer, and Wilkinsons, the value household chain.

The down-market theme extends to food. Shoppers have less money to spend on snacks, allowing the value operators Greggs and Subway to seize the opportunity and move away from their typical high street locations. The coffee chain Costa is also on the rise, while McDonald's has fallen outside the top 50 tenants for the first time.

"Retailers and shopping centre owners are simply providing what the public wants," said Trevor Wood, senior partner of the firm that compiled the research. "What we're seeing reflects what's happening in the wider market."

Capital Shopping Centres, one of the UK's biggest landlords, whose assets include the Metrocentre in Gateshead and Lakeside in Thurrock, said shoppers were flocking to value entrants in the downturn.

"It happened in the early 1990s and it's happening now," said David Fischel, chief executive. Poundland was trading successfully in the group's Arndale centre in Manchester, and Mr Fischel said Greggs had been one of its most rapidly expanding stores over the past year.

"Retailers who would not traditionally have gone inside a shopping centre are starting to go in," said Mr Fischel. "Where high streets are looking tired, they would prefer to be inside a shopping centre."

Value retailers are not the only new entrants. Aspirational stores such as the perfumeries Jo Malone and Molton Brown, the fashion chain Reiss and accessories retailer Radley have typically taken prime high street shops, but are now prepared to move to shopping centres as rents become more competitive.

"Going back five years, you wouldn't have had many Primark stores inside shopping centres, but that's retail for you – moving on from losing formats to winning formats," said Nick Bubb, a retail analyst at Arden Partners.

The research also measured malls' popularity with retailers, shoppers and investors. Bluewater in Kent has regained the top spot, while Westfield in London has been ranked third.

Despite tough trading conditions, most of the top 27 shopping centres have plans to expand. "This will further consolidate the dominance of this premier division," said Mr Wood.

Vanishing acts

The influx of value traders has been made possible by some names vanishing such as Woolworths, Adams and Principles.

Out-of-town retail parks have suffered. Between 2008 and 2011, more than 20 per cent of the top 50 ceased trading, according to the survey.

The retail tycoon Sir Philip Green expects to exit up to 300 regional stores as leases end and Arcadia brands such as Dorothy Perkins and Burton are consolidated within larger BHS stores.

Mothercare, which owns the Early Leaning Centre, is quitting smaller stores and consolidating in giant out-of-town retail parks. HMV, Thorntons and Game Group have also announced plans to close stores when leases expire.

A bigger slice of the cake The fastest-rising retailers in malls

Source: Trevor Wood Associates

Survey Consumer sentiment

Customers drawn to the internet by high petrol prices

More than half of Britons plan to shop less often and more locally because of the high cost of fuel, according to the Institute of Grocery Distribution.

The UK food industry's research arm said its monthly analysis of grocery shopper sentiment showed that 52 per cent would shop less frequently if petrol prices continued to rise.

A similar proportion plan to drive less and use nearer shops while 41 per cent said they would do more shopping in supermarkets with petrol stations, as they offered cheaper fuel. Almost a third said they would consider shopping more online to save on motoring costs.

"Petrol prices have shot up in the past two years, forcing shoppers with cars to make tough decisions on how they spend their money. They are telling us they plan to prioritise groceries and petrol, while cutting back on other items," said Joanne Denney-Finch, chief executive of the IGD.

Shoppers with young children and those living in the north of England were most likely to be affected by high fuel prices, it said.

Supermarkets' non-food business has also been tough, as consumers choose not to drive to out-of-town hypermarkets. They also want to avoid the temptation of spending on non-essential items. Some 44 per cent said they would be more loyal to shops that gave discount petrol vouchers.

52%

would shop less frequently if cost of petrol rose further

44%

would be more loyal if a store gave petrol vouchers

"The high cost of fuel means that shoppers are thinking about using the internet more for their food and grocery shopping.

"They also plan to reward stores that give fuel discount vouchers and supermarkets with forecourts, as they are seen as offering cheap petrol," said Ms Denney-Finch.

Food retailers have traditionally been seen as more resilient than those selling more discretionary non-food items. However, J Sainsbury, the third biggest grocer by market share, said there had been "quite a significant step down by consumers" since Christmas. This is echoed by industry data, which show that sales growth in the grocery sector slowed from 4 per cent in the four weeks to February 20, to 2.8 per cent in the four weeks to March 20.

Andrea Felsted