

INTERNATIONAL

DEATH IN CUSTODY

Iran summons UK envoy over 'meddling in unrest'

Parisa Hafezi
Dubai

Iran summoned Britain's ambassador for the second time since nationwide protests erupted in September. Iranian media reported on Wednesday, stepping up accusations of Western meddling in persistent unrest sparked by a woman's death in police custody.

Iran has accused foes including the US of orchestrating the unrest, which marks the biggest challenge to the country's clerical rulers in years, with protesters calling for the downfall of the Islamic Republic.

People across Iran have joined protests since 22-year-old Mahsa Amini died in the custody of morality police who detained her in Tehran on September 13 for "inappropriate attire".

Videos shared on social media on Wednesday showed high school girls in Tehran taking off their headscarves and chanting "death to [Supreme Leader Ayatollah Ali] Khamenei". Reuters could not independently verify the videos.

The authorities are waging a deadly crackdown to suppress the unrest, suggesting concern at the scope of the protests even if observers do not believe the government is close to being toppled. Witnesses told Reuters that riot police were deployed in several cities, particularly around universities, a focal point of protests.

"There are lots of security forces around Tehran University. I am even scared to leave the campus. Lots of police vans are waiting outside to arrest students," a Tehran student said.

The British envoy, previously called in on September 24, was summoned again on Tuesday in reaction to "interventionist comments" from the British foreign ministry, the semi-official news agency Tasnim reported.

A senior foreign ministry official said "unilateral statements" by Britain showed it had "a role in the belligerent scenarios of terrorists active against the Islamic Republic", Tasnim said. The agency did not elaborate on the accusations, but the official said Tehran would consider possible options in response to unusual actions from Britain.

Britain's foreign ministry said on Monday it had summoned Iran's charge d'affaires over the crackdown, during which rights groups say thousands have been arrested and hundreds injured, and the death toll came to more than 150. The Basij, a volunteer militia, has played a big role in the crackdown alongside the police.

Authorities have reported numerous deaths among the security forces.

Iran has accused Washington of seeking to use the unrest to destabilise the country, blaming armed dissident groups – among others – for violence. But many Iranians, including celebrities, have taken part or offered support for the protests.

In footage said to be filmed at a school in Shiraz on Tuesday, about 50 female pupils surrounded a member of the Basij who had been invited to give a speech, shouting "Basij get lost" and "death to Khamenei".

Appearing to justify curbs on social media used to share videos, Iran's chief prosecutor said WhatsApp and Instagram are being used for classes in how to "commit crimes, indecency and promiscuity". He also criticised the Aminis' family lawyer for making statements "without evidence", after he was quoted as saying that "respectable doctors" believe she was hit in custody.

President Ebrahim Raisi has ordered an investigation into her death. Amini died after falling into a coma. The police have said she suffered a heart attack, but her father has held the police responsible and denied she had heart problems. /Reuters

No longer bank on banks, use corporates for stability

● Global financial system is centered increasingly around markets

Marcel Rubinstein

Back in the 20th century, banks formed the foundation of the global financial system. No more.

If there were any doubts about the shifts that have taken place in finance in the past several decades, recent events in the UK should dispel them.

The Bank of England made two important interventions in the past two weeks to support financial stability; neither of them directly involved banks. In response to violent moves in long-dated gilts – following the government's since discarded proposal to cut income taxes for the highest earners – the central bank hastily rolled out a programme to buy up to £65bn of the government bonds. And, in partnership with the UK Treasury, it announced £40bn of emergency funding for energy companies struggling to meet margin calls.

Together, they reflect the evolution at the heart of the global financial order: no longer is the system based around banks; rather, it is increasingly centered on markets. It is an important distinction, with wide-ranging implications.

When banks served as gatekeepers, central bankers had a simpler life. To fulfill their

obligation to ensure financial stability, they served as lenders of last resort to banks – a role they fulfilled extensively during the global financial crisis. By restricting the number of banking licences, they maintained control over the sector and by extension the financial system.

But over the years, lenders ceded market share to a diverse roster of financial institutions. Twenty years ago, banks held 46% of global financial assets, according to data from the Financial Stability Board; that is now down to 38%.

In contrast, nonbank financial institutions – comprising insurance companies, pension funds and others – make up 48%, up from 41% in 2002. While the trend was reversed briefly during the global financial crisis of 2008, it resumed its prior course at an accelerated rate shortly afterwards.

To fund their operations, nonbank institutions rely on wholesale markets and, in particular, government bonds, which serve as collateral allowing them to borrow. Many also use the same collateral to support hedging programmes.

The system has many merits, providing institutions ready access to financing and hedging solutions using the security of a safe, liquid asset. But it does



White Knight: The Bank of England in the London, UK. In order to help support stability it extended £40bn of emergency funding for energy companies struggling to meet margin calls. /Bloomberg

have an unfortunate tendency towards procyclicality: periods of market turbulence can drive sharply higher collateral requirements, which can prompt more turbulence if that leads to forced selling – as we saw in the UK last week.

In the past, banks may have stepped in to manage the fallout, but due largely to tighter post-crisis rules on trading and capital, their balance sheets have been left very small relative to the size of collateral

markets. In the UK, for example, the assets of UK government-bond market makers have fallen by 25% since 2008 at the same

time as the stock of UK government bonds outstanding has increased 2.7 times.

So, when the gilt market wobbled last week, there was no one left other than the Bank of England with the firepower to intervene.

Fortunately, the Bank of England had already laid the groundwork. In January 2021, its executive director for markets, Andrew Hauser, made a speech in London outlining a case for its role as "market

maker of last resort."

Central banks had already broadened their focus from backstopping banks to backstopping markets. But given the shifting sands under the overall system, he warned that the pace may increase:

"There is every reason to believe that, absent further action, we will see more frequent periods of dysfunction in the very markets increasingly relied on by households and firms."

When it came, that dysfunction did not show up only in gilt markets but in energy markets, too, where greater volatility strained funding among participating companies. Here, the bank had a ready-made solution borrowed from its traditional playbook: any energy company "in sound financial health" would be able to approach the bank as a lender of last resort.

All the features of Walter Bagehot's famous dictum are evident in the scheme: the bank will lend freely, to sound institutions, against good collateral, at rates materially higher than those prevailing in normal conditions. The only difference is that banks will not be the ultimate beneficiary of the funding (even though they may be used as conduits) – rather, it will be firms that "make a material contribution to the liquidity of UK energy markets".

While central banks have adapted to the new reality of

markets, other participants remain fixated by the old paradigm, where the vulnerability lies with intermediaries rather than markets themselves.

The widening of Credit Suisse credit spreads and the plunge in its stock price are not great news for its investors, but they are unlikely to presage a "Lehman moment".

Similarly, the sell-off in UK life insurance stocks when the UK government bond market sold off last week reflected their role as intermediaries. BlackRock, one of the largest managers of pension funds under pressure, put out a media release reminding investors that "we are not a trading counterparty to these risk-mitigation strategies".

For years, we got used to the concept of moral hazard in banking – the lack of incentive for banks to guard against financial risk given their protection from potential consequences. Postcrisis reform may have tamed that hazard among banks, but it could be spreading elsewhere. A recent regulatory review of the policy response to market turmoil in March 2020 concluded that clients "varied in their level of preparedness for margin calls".

In the event, even the ill-prepared benefited from central bank actions. If that is the lesson others take away, it will have the effect of incentivising risk not just in the UK, but everywhere. /Bloomberg

CAPITAL CONTROLS

Lebanese MP leaves bank with savings after sit-in

Maya Gebeil

Lebanese MP Cynthia Zarazir ended a protest at a bank on Wednesday after obtaining the funds she needed from her frozen savings to pay for surgery, her lawyer said, in the latest in a series of standoffs between individuals and lenders.

Zarazir, who was elected in May to represent Beirut, entered the Antelias branch of Byblos Bank unarmed on Wednesday morning with two lawyers, and staged a sit-in for four hours as a "last resort" to access her money, her lawyer said.

Fouad Debs, one of the lawyers, confirmed to Reuters that Zarazir got access to the \$8,500 she needed.

Cases of bank holdups and protests have snowballed across Lebanon recently as depositors have grown exasperated over informal capital controls that banks have imposed since an economic downturn began in 2019.

Depositors can only with-

draw limited amounts in dollars or the Lebanese pound, which has lost more than 95% of its value since the crisis began.

Most withdrawals of foreign currency are carried out at an exchange rate unfavourable to depositors, amounting to a roughly 80% haircut on their value.

"We've spent a few days going back and forth to the bank and bringing my [medical] reports and they don't answer us. I came to take my money," Zarazir said.

"I came as a regular citizen, not as an MP," she added.

A spokesperson for Byblos Bank was not immediately available for comment.

Zarazir's sit-in coincided with a separate holdup in a suburb of Beirut, where a man identified as Hussein Shukr demanded \$48,000 from his account.

"I'll stay here forever – a day, two days, three days... I want my right," said Shukr in a video published by the Depositors' Outcry Association, an advocacy group.

Depositors' Outcry also organised a protest outside Lebanon's Central Bank, where dozens of protesters briefly lit tyres and threw bottles over metal barricades at the building.

Further north in the town of Jbeil, an unidentified assailant fired shots at a Beirut Bank branch on Wednesday and then fled, a security source said.

The tension on Wednesday came after four holdups across the country the previous day, two of them involving armed men demanding their deposits, and another on Monday.

Lebanon's banking association has expressed outrage over the holdups. A similar spree in September prompted banks to close for about a week.

"The Depositors' Outcry Association on Wednesday threatened more holdups. "Either find a solution to the issue of depositors and start paying a portion of the deposits without a haircut, or we continue our open war against you, thieves," it said in a statement. /Reuters

AU INVITATION

Ethiopia–Tigray talks in question

Giulia Paravicini
Nairobi

Ethiopia's government has accepted an invitation by the AU to participate in peace talks aimed at ending a two-year conflict with rival Tigray forces, the prime minister's national security adviser said on Wednesday.

Tigray forces have yet to respond to the invitation for talks this weekend in SA, which would be the first formal negotiations between the two sides since the outbreak of war in November 2020, two diplomatic sources said.

The conflict has killed thousands of civilians and uprooted millions. Both sides have previously said they were prepared to participate in AU-mediated talks

but intense fighting has continued to rage across Tigray.

The Ethiopian government "has accepted this invitation which is in line with our principled position regarding the peaceful resolution of the conflict and the need to have talks without preconditions", Redwan Hussein, national security adviser to Prime Minister Abiy Ahmed, said on Twitter.




AU Commission chair Mousa Faki also invited Debretsiyon Gebremichael, who leads Tigray's ruling political party, to the talks in a letter seen by Reuters. The letter was dated October 1 but Getachew Reda, a spokesperson for Debretsiyon's Tigray People's Liberation Front (TPLF), said on Tuesday he was not aware of any talks.

Getachew did not immediately respond to a request for comment on Wednesday about the Ethiopian government accepting the AU invitation.

The TPLF said in September it was ready for a ceasefire and would accept an AU-led peace process after previously raising objections to AU proposals.

Olusegun Obasanjo, the AU high representative for the Horn of Africa, will lead the negotiations with support from former Kenyan president Uhuru Kenyatta and former SA deputy president Phumzile Mlambo-Ngcuka, according to the AU letter.

No formal talks between the two sides were held during a five-month ceasefire from March to August. Fighting resumed on August 24. /Reuters

In 2022, the South African Cities Network (SACN) celebrates its 20th anniversary

Established in 2002, the SACN has been the custodian of South Africa's urban story and is at the heart of urban research and practice through its flagship publications and urban conferences and events. The Urban Festival is the only city-centric conference hosted in South Africa during Urban Month. The festival attracts local and international industry actors and will take place from 26-28 October 2022 at The Empire Venue in Parktown, Johannesburg.

A range of diverse voices, from whole-of-government to all-of-society, will come together to discuss a spectrum of issues affecting all aspects of city decision-making and social and economic investments. The festival speakers will include experts and practitioners with extensive practical experience in the local and national government spheres, private sector and civil society actors. The Masterclass presenters include experts with local and international experience in managing and governing complex city contexts. At the same time, each panel discussion will consist of a range of stakeholders (from the whole of government and society) to foster collaborative approaches to urban challenges.

Through our Urban Month activities, partners receive an opportunity to extend their reach beyond our borders. The 2022 Festival includes exhibits and an urban cinema to cover the SACN thematic areas with sessions focused on City Governance, Municipal Finance, Climate resilience, City Economies, and Smart Cities.

What To Expect

Festival Masterclasses:

- 26 October - 22-Years on:**
 - Why spatial transformation cannot be achieved only by government Creating Capability in Cities
 - How the administration and executive should work to achieve results
- 27 October:**
 - An all-of-society approach to Just-Transition
 - Nothing Small About the Small/Medium and Micro Enterprises
- 28 October:**
 - City Branding and its importance in the development of cities

SACN and partners invite all civil society organisations, designers, planners, storytellers, civil servants, and city-dwellers to join the conversation so that stories, research, and voices are preserved and used to foster greater understanding and better solutions.

Join the festival by Registering here <https://www.sacities.net/urban-festival-2022/>

Note to editors: For more information about the Urban Festival 2022, press and interview requests, please contact:

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About South African Cities Network
The South African Cities Network (SACN) is an established network of South African cities and partners that encourages the exchange of information, experience and best practices on urban development and city management. Since 2002 the SACN's mandate has been to:

- Promote good governance and management in South African cities
- Analyse strategic challenges facing South African cities
- Collect, collate, analyse, assess, disseminate, and apply the experience of large city government in a South African context
- Encourage shared learning partnerships among all of society and spheres of government to enhance good governance of South African cities

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