

A body blow to Africa

HSBC's decision to walk away from its proposed \$8 billion acquisition of a controlling stake in Nedbank is little short of dramatic. It poses a plethora of questions: why did HSBC do it; what happens to Nedbank; what does it say about the attractiveness of South African banks to global players.

HSBC's announcement in August that it was in talks with Nedbank's primary shareholder Old Mutual about the sale of its controlling stake in Nedbank suggested it was gungho about the opportunities of a takeover. The Reserve Bank of South Africa and Nedbank itself were likewise rooting for HSBC. A massive inflow of funds into South Africa, a transfer of technology to Nedbank, a new global player in South Africa, that could march up into Africa were all apparently good reasons for the deal. Yes there were regulatory hurdles, but the regulators said they backed it.

HSBC's recent painful regime change provides the best explanation for its cold feet. When Stuart Gulliver and Douglas Flint pushed out old hands Michael Geoghegan, the chief executive and Stephen Green, the chairman, the new generation saw the chance to rebuild the bank without the baggage of their predecessors.

The way is now open for Standard Chartered Bank to have a tilt. StanChart had been rumoured to have talked privately to Old Mutual before HSBC came on the scene. They had made no secret of their interest.

Peter Sands, StanChart's chief executive, enters the fray, flushed with the \$5.2 billion funds from a rights issue. Nedbank is on the ropes and this will give Sands the chance to push the price down. Investors will like it as the fit with StanChart looks better. The bank has a much stronger position throughout African banking than HSBC even if it has less global reach and clout.

Confidence in South Africa's banking sector has been dashed by HSBC's surprise move. South African banks have been significant players in global markets for less than ten years. Their role in the global banking system was at best ill-defined, at worst very constrained. Questions will now be asked if South Africa, and indeed Africa generally, has the beef to play on anything but a very narrow regional stage. Gnashing of teeth can be heard today in Johannesburg banking circles.