

Audi boss arrested in VW “dieselgate” scandal

Audi faced suspicions its engineers helped create software used in the VW scam

● The dramatic development comes a week after Munich prosecutors raided Stadler's home

AFP | Frankfurt

Audi chief executive Rupert Stadler was arrested yesterday in connection with parent company Volkswagen's (VW) “dieselgate” emissions cheating scandal, with prosecutors saying they feared he might try to destroy evidence.

The dramatic development comes a week after Munich prosecutors raided Stadler's home, accusing him of fraud and the falsification of documents that allowed diesel vehicles equipped with cheating software to be sold to European customers.

Prosecutors in the Bavarian state said the arrest was justified because of the “risk of concealment of evidence”.

Audi confirmed the arrest to AFP, declining to give further details.

“For Mr Stadler, the presumption of innocence continues to apply,” a spokesman said in a statement.

Stadler is the most senior executive yet to be detained in the dieselgate crisis, which started when the Volkswagen group admitted in 2015 to installing so-called “defeat devices” in some 11 million diesels worldwide that made them seem less polluting in lab tests than they actually were on the road.

The affected vehicles in-



Rupert Stadler

involved VW's own-brand cars, but also those made by Audi, Porsche, Skoda and Seat.

VW's luxury subsidiary Audi has long faced suspicions that its engineers helped create the software used in the scam.

Audi's former head of engine development, Wolfgang Hatz, was taken into custody in Germany in September 2017 and remains behind bars.

A manager at VW subsidiary Porsche was also detained in April. He was identified by German media as Joerg Kerner, an engineer in charge of Porsche's engine division who was working at Audi when the diesel scandal broke.

‘New start’

In a separate setback for Audi, German authorities earlier this month ordered the recall of some 60,000 Audi A6 and A7 cars across Europe to remove illegal emissions control software -- using a different technique however than the one at the heart of dieselgate.

Auto industry expert Ferdinand Dudenhofer of the CAR research centre called the al-



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legations against Stadler “very serious”.

“Audi needs a new start,” he said.

Stadler, 55, who joined Audi in 1990 and has been its CEO since 2007, has enjoyed the full

backing of VW's top brass so far.

But Dudenhofer said VW's supervisory board may want to reconsider its stance when it meets today.

“VW supervisory board chairman Wolfgang Porsche has to be careful that he doesn't ‘burn’ the hand with which he is shielding Stadler.”

Stadler's arrest is the latest blow to the Volkswagen group, which has struggled to shake off the dieselgate crisis and continues to face a litany of investigations at home and abroad.

Two former VW chief executives -- Martin Winterkorn and his successor Matthias Mueller -- have both landed in the sights of German prosecutors.

They are suspected of knowing earlier than they have admitted about the cheating, meaning they may have failed in their duty to inform investors in the car giant about the financial risks.

US prosecutors also indicted Winterkorn last month, saying he knew of the company's emissions cheating as early as May 2014 but decided to continue.

Current boss Herbert Diess has been accused of knowing about the scam before it became public -- an allegation rejected by the firm last month.

Admitting ‘responsibility’

The diesel scandal has so far cost the VW group more than 25 billion euros (\$29 billion) in buybacks, fines and compensation, mainly in the United States where the cheating scam was first uncovered.

But pressure has been mounting on the auto giant to make amends in Europe too.

UK's CYBG bank buys Virgin Money for £1.7bn



The new group will have a combined customer base of 6.1 million people

● The deal worth \$2.3 billion will see the combined group adopt the Virgin Money brand over the next three years

AFP | London

Britain's Clydesdale Yorkshire Banking Group yesterday said it had bought Richard Branson's Virgin Money for £1.7 billion, as it seeks to challenge the dominance of top lenders.

The all-shares deal, worth the equivalent of \$2.3 billion or 1.9 billion euros, will see the combined group adopt the Virgin Money brand over the next three years, the pair said in a statement that indicated about 1,500 job losses. The new group, offering retail services like home loans, savings accounts and credit cards, brings together two so-called “challenger” or smaller banks with a combined customer base of 6.1 million people. It will be better placed to compete with established British bank names like Barclays, HSBC, Royal Bank of Scotland, Lloyds Banking Group and Santander.

“The combination of CYBG and Virgin Money will create



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DAVID DUFFY
CYBG CHIEF EXECUTIVE

the first true national competitor to the status quo in UK banking, offering a genuine alternative for consumers and small businesses,” said CYBG chief executive David Duffy.

“By combining two of the UK's leading challenger banks, we will create a national, full-service bank with the capabilities needed to compete effectively with the large incumbent banks.” CYBG investors will hold a majority 62-percent stake with Virgin Money shareholders the rest. The pair warned that it could axe as many as 1,500 jobs of its combined workforce, following completion of the deal.

US imports push Japan into trade deficit in May

AFP | Tokyo

Imports of US aircraft helped push Japan to a trade deficit in May, official data showed Monday, but experts said it was a temporary effect not linked to ongoing trade tensions.

Japan's imports rose 14.0 percent in May from a year earlier, according to finance ministry data.

Exports also enjoyed an 8.0 percent rise but the overall effect was a net deficit of 578.3 billion yen (\$5 billion).

The deficit was nearly three times the size of the figure last year and came after two consecutive months of surplus.

“The deficit came from a surge in imports from the United States,” said Takeshi Minami, chief economist at the Norinchukin Research Institute, noting a quadrupling of Japan's purchases of US aircraft.

He also noted that crude oil prices rose strongly, pushing Japan's import bills higher.

“It's a temporary rise and is not linked to trade policies,” he said, ruling out the possibility that Japan was boosting purchases of US products as Wash-

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TAKESHI MINAMI, CHIEF ECONOMIST
NORINCHUKIN RESEARCH INSTITUTE

ington adopts an increasingly protectionist trade policy.

“Exports will keep growing for a while but we should be cautious against protectionist moves, a possible slowdown in the robust US economy, and how emerging markets are faring in light of hikes in US interest rates,” Minami told AFP.

Overall Japanese imports from the US rose nearly 20 percent year-on-year, meaning its politically sensitive trade surplus with Washington fell 17.3 percent.

Bitcoin could ‘bring internet to a halt’: BIS

● The BIS has warned in a report published on its website that cryptocurrencies cannot be trusted the way sovereign currencies can

AFP | Zurich

The Bank for International Settlements (BIS) in a report warned digital currencies like bitcoin could overwhelm and break the internet if they continue to grow.

The BIS, often described as the central bank for central banks, also warned, in a 24-page report published on its website on Sunday, that cryptocurrencies cannot be trusted the way sovereign currencies can.

Unlike central bank-issued denominations, virtual currencies are produced, or “mined,” by banks of computers solving complex algorithms, and then freely traded online.

The other key difference with typical currencies is that the number of bitcoin in existence can never exceed 21 million. There are currently some 17 million bitcoins in circulation. Bitcoin's surge in value from a few cents to a peak in December



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2017 of \$19,500 turned some of its first investors into billionaires.

In a theoretical scenario where a country's entire population turned to a digital currency like bitcoin, “the size of the ledger would swell well beyond the storage capacity of a typical smartphone in a matter of days, beyond that of a typical personal computer in a matter of weeks and beyond that of servers in a matter of months,” the BIS said.

Trust fragile

“But the issue goes well beyond storage capacity, and extends to processing capacity: only supercomputers could keep up with verification of the incoming transactions,” the BIS said.

“The associated communication volumes could bring the internet to a halt.”

The BIS, which has previously warned of the fraud risk in cryptocurrencies, noted that

21m

is the number beyond which bitcoin can never exceed

there was “a fragile foundation of trust” in such systems.

“In mainstream payment systems, once an individual payment makes its way through the national payment system and ultimately through the central bank books, it cannot be revoked. In contrast, permissionless cryptocurrencies cannot guarantee the finality of individual payment,” the report said.

Furthermore, the BIS pointed to the “unstable value” of currencies such as bitcoin.

“This arises from the absence of a central issuer with a mandate to guarantee the currency's stability,” it said.

More broadly, the BIS raised long-standing regulatory concerns over the use of cryptocurrencies, particularly with regards to money-laundering and financing of terrorism.