Banking giant HSBC announces mass job cuts

Chris Marsden
11 June 2015

HSBC Holdings bank has announced that 25,000 jobs, just under 10 percent of the workforce, are to be cut as part of a major global restructuring. A further 25,000 jobs are also under threat.

The plan focuses on selling HSBC's operations in Turkey and Brazil, which could mean losses of up to 25,000 jobs, with the same number targeted internationally. This includes 8,000 in the UK—one in six—with other losses unspecified. Turkey and Brazil are described in a 10-point action plan as the "biggest drags on the business."

Steps will also be taken to revamp the US and Mexican businesses. The bank will close 12 percent of branches in all its seven biggest markets. It has 5,800 branches globally.

Shifting IT operations to India and China, with far lower wage costs, will produce savings of $4.5 to $5 billion. These countries will account for 75 percent of IT functions, from current levels of 50 percent.

Since taking over in 2011, Chief Executive Stuart Gulliver has announced more than 87,000 job cuts, quit 78 businesses and reduced the number of countries the bank operates by 15 to 73. Only a month after becoming CEO, he announced 30,000 job losses.

The bank plans to cut its assets by about 25 percent, or $290 billion, making Risk Weighted Assets (RWAs) less than one third of total assets by 2017 and cutting $140 billion from its investment bank, which will make up less than a third of HSBC's balance sheet from its present level of 40 percent.

The plan to reduce RWAs is an indication that the bank fears being over-extended in potentially risky investments—considerations that point to the fragility of the entire financial system.

As well as savage retrenchment, HSBC—Britain's largest bank by market value—intends to rebrand its UK high street banks, with speculation that they will return to being called the Midland Bank. This is in line with government policy of separating consumer from investment banking.

HSBC has floated the possibility that it will shift its headquarters from London to Hong Kong. It was founded more than 150 years ago as the Hong Kong and Shanghai Banking Corporation, and only relocated to the UK in 1992 after buying the Midland Bank. It now aims to shore up its declining profit margins by accelerating investments in Asia. The group is seeking a return on equity of greater than 10 percent by 2017.

HSBC wants to develop its existing business in both the Pearl River Delta in China's Guangdong province, near Hong Kong, and ASEAN countries including Singapore, Malaysia, and Indonesia.

Tellingly, HSBC refers to its plans as a "pivot to Asia". Investments in China and the ASEAN region will eventually make up more than 40 percent of RWAs, up from 33 percent at present.

Gulliver detailed how HSBC expects Asia to play the leading role in trade and financial services in the near future. "We recognise that the world has changed and we need to change with it," he said. "The world is increasingly connected, with Asia expected to show high growth and become the centre of global trade over the next decade."

"We are uniquely positioned to take advantage of opportunities in Asia," Gulliver continued. He told analysts and investors that HSBC aims to become "China's international bank" by leveraging opportunities from its market-leading position in renminbi (RMB) internationalisation. By the end of 2014, RMB was ranked 5th as the world's most traded currency.

According to Reuters, a 27-page presentation by HSBC highlighted how the Pearl River Delta already "corresponds in size to a leading global economy," with an annual gross domestic product of $857 billion. By 2025, the region and Hong Kong would combine as a single megacity, overtaking Tokyo to become the world's biggest "banking city cluster."

The proposed focus on China by HSBC comes in the aftermath of a slew of countries, including the UK, Germany, France and Australia, signing up to the Chinese-backed Asia Infrastructure Investment Bank (AIIB) in May. They did so in defiance of the expressed wishes of the United States—whose own "pivot to Asia" is based upon escalating military and political pressure against Beijing.

The latest assault on its own workforce by HSBC demonstrates once again the ruthless and predatory character of the world's financial elite.

In 2005, HSBC was first accused of involvement in laundering Mexican drug money. In December 2012, HSBC admitted to laundering hundreds of billions of dollars for Mexican drug lords, but no one faced criminal charges.

Though its US arm was hit by the sub-prime mortgage crisis, HSBC did better than some of its competitors during the 2008 crash—though its speculative activity helped provoke the global economic and social disaster.

Since then it has been dogged by further scandals.

In November 2014, HSBC was one of five banks collectively fined a paltry $3 billion for fixing foreign exchange markets. To put this in perspective, the manipulation of the interbank lending rate, or LIBOR, involved a market that was worth close to $5 trillion a day.

In February this year, the *Guardian* and *Le Monde*, working with the International Consortium of Investigative Journalists (ICIJ), used leaked files to show that the Swiss private banking arm of HSBC acted for years as a tax evasion and money-laundering firm. This month, the bank agreed to pay a miniscule $40 million to close the investigation. Once again, no charges were brought.

The Swiss deal also involved an agreement not to publish details of the investigation. The US Department of Justice (DoJ) described HSBC's procedures to prevent money laundering, sanction-breaking and criminal activity as being so seriously deficient that to publicly disclose them would risk serious crime. A 16-page motion was filed in a US court by the DoJ seeking to keep confidential a 1,000-page report on HSBC relating to its earlier investigation into Mexican drug money.

Despite this record, HSBC continues to exercise massive influence and has objected strenuously to further checks on its operations.

Some have questioned the commercial wisdom of HSBC's moving its headquarters out of London, the world's second most important financial centre after New York. And there are reasons to speculate that the bank is in reality shaking down the British government to see what HSBC will be offered in return for keeping its operations in the UK.

HSBC complains of being hit disproportionately by the minimal new banking regulations imposed after 2008. It has opposed the demand by the Bank of England that the largest lenders separate their consumer banks from investment banking by 2019 in order to lessen risk. More importantly, it objects to the bank levy imposed since 2010 that cost it $1.2 billion last year and will cost an estimated $8.2 billion over the next five years.