

Deutsche deals in Brussels' sights

Chinese and Qatari stakes spark ECB interest • Inquiry likely to strain ties with Beijing

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Europe's top banking regulator is considering an investigation into Chinese conglomerate HNA's purchase of a stake in Deutsche Bank, a move that could further strain relations between the EU and Beijing.

The Single Supervision Mechanism, a watchdog that operates under the European Central Bank, is also considering a review of share purchases in Germany's largest lender by Qatar's royal family.

If it went ahead, the investigation would first consider whether HNA and Qatar could wield significant influence over the company as its largest share-

holders, according to people briefed on the situation, and whether they are fit to do so.

The preparatory work by the SSM comes amid deepening concern in Beijing that Germany and the EU are seeking to clamp down unfairly on Chinese purchases of companies in the region.

Germany last week announced plans to block takeovers of the country's companies because of fears over the scale of Chinese dealmaking in recent years, although those fears have in the past focused on high-tech companies.

EU rules require supervisors to carry out an investigation of an investor when it buys more than 10 per cent of a bank. The investigation involves ensuring

investors have no links to terrorist financing, have a solid reputation and offer sound medium and long-term plans for their investment. The probe was reported by Sueddeutsche Zeitung.

HNA's stake, at 9.9 per cent, is just below the threshold and the Qatari investments are also just below 10 per cent. But the SSM and BaFin, Germany's financial supervisor, are allowed to assess whether the shareholders have "significant influence" even if their stake is less than 10 per cent.

An assessment on whether to launch an investigation is now under way, said two people briefed on the situation. They added that the probe in relation to the Qatari funds focused on whether

Any probe would consider whether HNA and Qatar could wield significant influence

they were acting in concert. Any investigation into HNA would focus on issues such as its financing structure and medium-term strategy.

If the SSM and BaFin decide there is a possibility of the two shareholders having a significant influence, they will start a formal investigation. A decision is likely in the next few weeks, the person said. The SSM has the authority to withdraw investors voting rights.

Deutsche and the ECB declined to comment. HNA and the Qatari government did not respond to a request for comment.

Additional reporting by Lucy Hornby in Beijing

Lex page 12