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President François Hollande of France, center, and Chancellor Angela Merkel of Germany at the Brussels summit meeting on Thursday. The two leaders made significant compromises.

E.U. leaders reach accord on bank supervision

BRUSSELS

E.C.B. will exercise control over 100 to 200 big euro-zone institutions

BY JAMES KANTER

E.U. leaders gathering here Thursday for their year-end summit meeting hailed an agreement to place euro zone banks under a single supervisor, calling it a concrete measure to maintain the viability of the currency as well as a step in laying the groundwork for a broader economic union.

The pact was hashed out in an all-night session of finance ministers that ended Thursday morning after France and Germany made significant compromises. Under the agreement, between 100 and 200 large banks in the euro zone will fall under the direct supervision of the European Central Bank.

A round of talks a week earlier broke up amid French-German discord over how many banks in the currency union should be covered by the new system.

In a concession to Germany, the finance ministers agreed that thousands of smaller banks would be primarily overseen by national regulators. But to satisfy the French, who wanted all euro zone banks to be held accountable, the E.C.B. would be able to take over supervision of any bank in the region at any time.

The agreement by the finance ministers, which still requires the approval of the European Parliament and some national parliaments including the German Bundestag, made it possible for E.U. leaders arriving here later Thursday to gather in a spirit of unity.

"It's a good day for Europe," said François Hollande, the French president. "The crisis came from the banks, and mechanisms have been put in place that will mean nothing is as it was before."

Angela Merkel, the German chancellor, said the agreement was "a big step toward more trust and confidence in the EURO, PAGE 18

Consensus grows that Assad's hold is fading fast

MOSCOW

Russian diplomat casts rare doubts; NATO chief says it's a matter of time

BY ELLEN BARRY
AND RICK GLADSTONE

Russia's top Middle East diplomat and the leader of NATO indicated in separate remarks on Thursday that they believed that President Bashar al-Assad was losing control of Syria after nearly two years of conflict and that his government's demise was only a matter of time.

The bleak and strikingly similar appraisals added new pressures on Mr. Assad, who has in recent days resorted to increasingly desperate measures, according to U.S. officials, by using Scud ballistic missiles to try and beat back an armed insurgency encroaching on the Syrian capital, Damascus.

The remarks from the Russian diplomat, Deputy Foreign Minister Mikhail Bogdanov, were a particularly stinging blow, coming from one of Mr. Assad's staunchest backers. They offered one of the first and clearest indications that Russia believed that its longtime ally could lose a war that has already cost an estimated 40,000 lives. Moscow has been Mr. Assad's principal arms supplier.

"Unfortunately, it is impossible to exclude a victory of the Syrian opposition," Mr. Bogdanov said in remarks to the Public Chamber, a Kremlin advisory group, according to the Interfax news agency. "We must look squarely at the facts, and the trend now suggests that the regime and the government in Syria are losing more and more control and more and more territory."

In another sign of its dimming faith in Mr. Assad, Russia, he said, is preparing plans in case it has to evacuate its citizens.

Separately, in comments to reporters in Brussels, the secretary general of NATO, Anders Fogh Rasmussen, also predicted the demise of Mr. Assad's government.

"I think the regime in Damascus is approaching collapse," he said after a meeting with the Dutch prime minister at NATO headquarters. "I think now it is only a question of time."

Together, the diplomats' remarks reinforced a growing consensus — among Mr. Assad's opponents and supporters alike — that the Syrian leader's options for remaining in power had been all but exhausted.

Throughout the Syria crisis, as it has grown from peaceful protests in March 2011 to engulf the country in civil war, Russia has acted as Syria's principal international shield, protecting Mr. Assad diplomatically from Western and Arab attempts to oust him and holding out the possibility of his staying in power during a transition.

Only in recent days has Russia's view seemed to shift, while Mr. Assad's opponents, grouped in a newly minted and still uncertain coalition, have garnered ever broader international support as the legitimate representatives of the SYRIA, PAGE 5

Portrayal of torture strikes nerve in U.S.

WASHINGTON

Film on Bin Laden hunt revives debate on C.I.A. interrogation techniques

BY SCOTT SHANE

Even before its official release, "Zero Dark Thirty," the new movie about the hunt for Osama bin Laden, has become a Rorschach test in the United States on

the divisive subject of torture.

The film's unflinching portrayal of the C.I.A.'s interrogation of Al Qaeda prisoners hews close to the official record, offering a sampling of methods like the near-drowning of waterboarding.

What has already divided the critics, journalists and activists who have watched early screenings is a more subtle issue: the suggestion that the calculated infliction of pain and fear, graphically shown in the first 45 minutes of the film, may have produced useful early clues in the quest to find the terrorist

leader, who was killed in May 2011.

Such a claim is anathema to outspoken critics of the Bush administration's decision in 2002 to resort to methods that the United States had for decades shunned as illegal. And a new, 6,000-page report on C.I.A. interrogations by the Senate Intelligence Committee, based on a study of some six million pages of agency documents, finds that brutal treatment was not "a central component" in finding Bin Laden, said the committee's chairwoman, Senator Dianne Feinstein, Democrat of California.

But the report, which the committee was to decide whether to approve on Thursday, remains classified, with little likelihood that any of it will be public for months. It has already become fodder for a partisan fight, with Republicans denouncing it as flawed and incomplete.

Nearly a decade after the C.I.A. is last known to have waterboarded a suspect, the U.S. argument over torture remains unresolved and has lost little of its emotional potency, whether the spark is a blockbuster movie or a Senate report. TORTURE, PAGE 7

From pub pastime to the world: Great expectations from darts

BY STEVEN COTTON

The former world champion made his way to the stage, wielding a light saber and flanked by Princess Leia and a posse of Stormtroopers. The sell-out crowd, merry on Christmas cheer and liters of beer, roared in approval.

Over the public address system, "The Imperial March" — Darth Vader's theme — played at ear-shattering volume. The fans, many dressed as Mr. Incredible, pirates, animals or the Jamaican bobsleders from the film "Cool Runnings," had scrawled messages on placards, hoping the television cameras would spot them.

These scenes played out at world championship sporting events in recent

years. Specifically, the World Darts Championship.

A game once considered a pub pastime has become a major industry in Europe. Over the holiday season, Premier League soccer is the only sport that will attract more television viewers in Britain than the Professional Darts Corporation's championship, the higher-quality and better-attended of darts' two world championships.

The World Darts Championship begins Friday in London, with 72 players from 21 nations competing for \$1.6 million in prize money. The winner of the final on Jan. 1 will take home \$321,000, crowned as the first world champion of 2013 in any sport. DARTS, PAGE 12



A change in uniform Jatenderpal Singh Bhullar on Thursday at Buckingham Palace. He is the first guardsman to parade in a traditional Sikh turban.

WORLD NEWS

Judges uphold rendition claim

After years of legal struggles, a German man mistaken for a terrorist and abducted and held captive for months won a measure of redress on Thursday when the European Court of Human Rights ruled that Macedonia had violated his rights by arresting him and turning him over to the C.I.A. PAGE 4

A senator with an ax to grind

Senator Bernard Sanders, the brusque Vermont independent who calls himself a socialist, has carved out a place for himself as the antithesis of the Tea Party. He is also becoming a thorn in the side of President Barack Obama on the issue of deficit reduction. PAGE 7

Life expectancy improves

A sharp decline in deaths from malnutrition and diseases has caused a shift in global mortality patterns over the past 20 years, a report said, with more of the world's population living into old age and dying from diseases more associated with rich countries. PAGE 7

BUSINESS

Web impasse snarls treaty

Fearing curbs on free speech and the upsetting of the existing form of Internet oversight, the United States rejected a telecommunications agreement negotiated by more than 190 countries in Dubai in talks that often pitted Western governments against developing countries. The U.S. announcement was seconded by Canada and several European countries. PAGE 16

Fracking gets go-ahead in U.K.

The British government's decision, which imposes stringent controls on exploratory hydraulic fracturing, potentially opens the way for the development of a shale gas industry in Western Europe. PAGE 16

S.&P. puts Britain on watch

Standard & Poor's put Britain's triple-A credit rating on negative watch, falling into line with its two main rivals after the government announced it would miss one of its debt-cutting goals and extend austerity measures. PAGE 19

ONLINE

Claim of looting of Khmer art

A civil complaint filed by the United States says a Bangkok collector bought a 10th-century statue knowing it had been looted. global.nytimes.com/arts/design



U.S. ATTORNEY'S OFFICE, VIA AP

VIEWS

Roger Cohen

If you need consoling about America's prospects, look beyond the cliff a few years to an energy independent United States whose capacity for reinvention is far from exhausted. PAGE 9

Better days in Hong Kong?

Displays of nostalgia in Hong Kong are not for colonial rule, but for the freedoms its people once enjoyed and for a government that left them to get on with their lives, writes Verna Yu. PAGE 8

COMING THIS WEEKEND

Miraculous survivors: Books

Has the literary night life of New York City faded? A reporter sets out to determine why a writer's Manhattan seems to have lost wattage.

Fracking's gift to U.S. steel

The U.S. steel industry has received the economic equivalent of a gift from the heavens: natural gas extracted by means of hydraulic fracturing.

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CURRENCIES	NEW YORK, THURSDAY 1:30PM	PREVIOUS
— Euro	€1= \$1.3070	\$1.3070
▼ Pound	£1= \$1.6100	\$1.6150
▼ Yen	¥1= ¥83.480	¥83.250
▲ S. Franc	₣1= SF0.9240	SF0.9260

Full currency rates Page 19

STOCK INDEXES	THURSDAY
▼ The Dow 1:30pm	13,189.69 -0.42%
▼ FTSE 100 close	5,929.61 -0.27%
▲ Nikkei 225 close	9,742.73 +1.68%

OIL	NEW YORK, THURSDAY 1:30PM
▼ Light sweet crude	\$86.47 -\$1.06

When investors put profit before principles

Window on Wall Street

JESSE EISINGER
PROPUBLICA

NEW YORK To have one employee tied to insider trading might be regarded as a misfortune. But, with apologies to Oscar Wilde, to have six looks like carelessness.

That is the position Steven A. Cohen, the powerful hedge fund manager who heads SAC Capital Advisors, finds himself in. People he employs have been swept up by an insider trading investigation that has spanned years. In addition to six people having been linked to insider trading activities while employed at SAC, at least six others became ensnared in insider trading investigations after leaving the company.

The most recent charges, against Mathew Martoma, a pharmaceutical industry analyst, are the first that tie Mr. Cohen to trades the U.S. government says were illegal.

Neither Mr. Cohen nor SAC Capital is named in the criminal complaint.

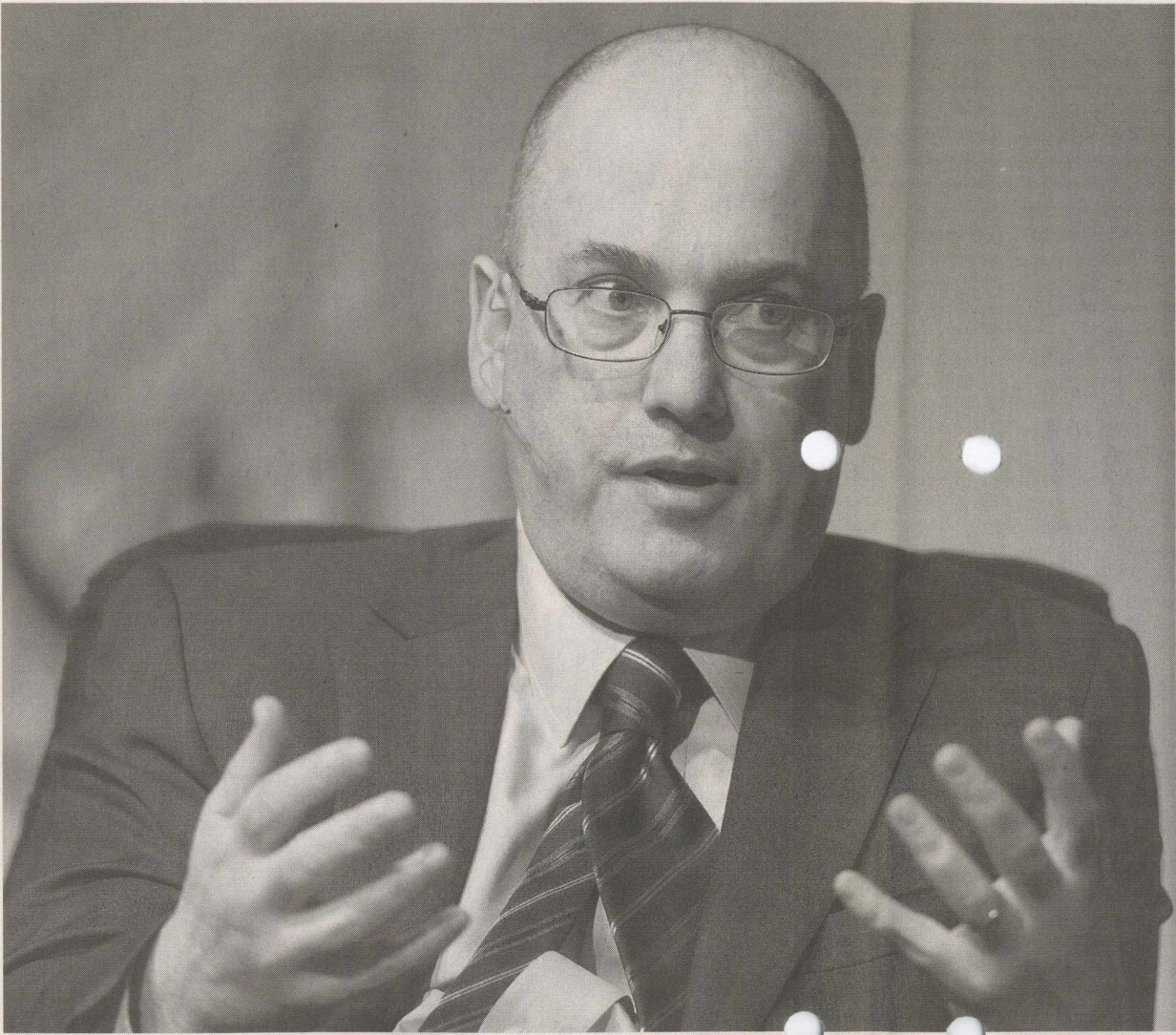
"Insider trading isn't acceptable in our culture of compliance," said an SAC spokesman, who declined to make Mr. Cohen available for comment. "We don't give a wink or nod to the contrary."

In the United States at least, one is innocent until proved guilty, even when one generates amazing returns on investment. But one wonders whether Mr. Cohen's returns come not only through trading brilliance but also through a culture of cutting corners and pushing employees to the edge of the law.

Those questions do not appear to bother investors much. They added as much as \$1.6 billion in new capital to SAC's flagship fund from 2010 to the end of 2011, when the insider trading investigation was in full bloom, according to Absolute Return, an industry publication.

Some big institutions have begun to contemplate withdrawing money from Mr. Cohen's fund, however. The private banking unit of Citigroup has advised its clients not to put in new money, according to Bloomberg News, but has stopped shorting of asking its clients to disengage from SAC completely.

A spokeswoman for Citigroup explained that the unit "typically puts funds on watch when there is signifi-



Steven A. Cohen, the head of SAC Capital Advisors. Investors added about \$1.6 billion to SAC's flagship fund from 2010 to the end of 2011.

cant news around a company; that is not a recommendation to move or keep money in the fund." She declined to comment on Citigroup's relationship with SAC.

Blackstone Group is also weighing its options with SAC, according to news reports. Blackstone representatives declined to comment.

Several prominent funds of funds still have money with Mr. Cohen. The French bank Société Générale decided to redeem its money only after the latest round of allegations. But given all that is known, what explains major institutional investors' still keeping money with Mr. Cohen?

The biggest, most sophisticated in-

Many institutional investors have perfected the art of looking the other way.

vestors certainly put an enormous amount of pressure on hedge funds. But almost none of it is about ethics and clean culture. Instead, it is about performance. A fund that runs a few ticks lower than its peers for several consecutive months can go out of business.

But investors demonstrate little interest in whether an investor is ethical and trustworthy. Should their threshold be a tiny bit higher? After all, such institutions are mainly investing other

people's money.

Many institutional investors have perfected the art of looking the other way.

The operating standard is to allow fund managers, or affiliated businesses or employees, to go as far as they can until the moment they are caught doing something wrong. Through their actions, Citigroup, Blackstone and others are sending a message that they will forgive skewed ethics in exchange for greater returns.

That is a longstanding custom on Wall Street. Citigroup and JPMorgan Chase helped Enron manipulate its financial statements and commit accounting fraud in the 1990s, according

to the U.S. Securities and Exchange Commission. The two banks did not admit or deny their involvement when they settled with the regulator.

There is a point where willful blindness turns to complicity. Investors benefit from any extra profit that SAC might gain, whatever its source. And if Mr. Cohen were to face charges, they would pay no price.

Major banks and investors around the world entrusted money to Bernard L. Madoff despite doubts about the methods that could generate such spectacular returns. Some thought that Mr. Madoff was using his brokerage firm to profit from front-running customer orders, buying stocks that were about to have big buy orders and then selling them at a profit. In other words, they thought he was cheating on their behalf, not ripping them off. And that was an enticement.

The recent arrests and bad trades in the United States are hitting close to SAC, but there is nothing new about the questions surrounding Mr. Cohen's business. He was always one of the most aggressive traders on Wall Street. Speculation that he might have tapped into legally dubious information was not just whispered in private but was splashed across the pages of The Wall Street Journal in 2006, in a profile that raised questions about whether his firm had traded improperly.

In SAC's defense, a person familiar with the company pointed out that two of the employees charged with insider trading had started their actions before joining the fund and had admitted taking extraordinary steps to circumvent SAC procedures. Another was trading on his personal account.

"We expect our people to play by the rules and act with integrity," the SAC spokesman said.

The company has more than 30 legal and compliance officials in addition to a dedicated technology team devoted to compliance, said the person familiar with the firm.

But given how forgiving institutional investors are, one wonders why Mr. Cohen even bothers.

Jesse Eisinger is a reporter for ProPublica, an independent, nonprofit newsroom that produces investigative journalism in the public interest.

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UBS said to accede to big fine for rate rigging

LONDON

BY MARK SCOTT AND BEN PROTESS

The Swiss financial giant UBS is close to finalizing a settlement with the authorities over the manipulation of interest rates, a deal that is expected to include at least \$1 billion in fines.

UBS is in discussions with the U.S., British and Swiss authorities, and an announcement could come as early as Monday, according to people briefed on the matter who spoke on condition of anonymity because the talks were private.

The settlement would be a big victory for the authorities in their global investigation into banks' rigging of the London interbank offered rate, or Libor. The UBS penalty would represent the largest total penalty in the inquiry. In June, the British bank Barclays agreed to pay \$450 million to settle accusations that it reported false rates for financial gain.

A spokesman for UBS declined to comment, as did the British Financial Services Authority and the Swiss Financial Market Supervisory Authority.

The authorities around the world are speedily assembling several civil and criminal cases in connection with the manipulation of Libor, the benchmark rate that underpins trillions of dollars of financial products, including mortgages and credit cards.

The Royal Bank of Scotland has indicated that it could announce penalties before its next earnings release. Deutsche Bank also has set aside money to cover potential fines.

On Tuesday, Britain's Serious Fraud Office arrested three men in connection with the Libor case. One of them was Thomas Hayes, a former trader at UBS who is expected to be a central figure in the case against the bank.

In an effort to gain leniency, UBS has been eager to cooperate with the authorities. The bank has reached a conditional immunity deal with the antitrust arm of the U.S. Justice Department but the agency's criminal division could still take action against the bank. UBS also has said it is also cooperating with the Canadian authorities by handing over documents implicating other banks.

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Leaders reach accord on E.U. bank controls

EURO, FROM PAGE 1
euro zone." The summit meeting could now focus "on strengthening economic coordination" and "set out a road map for the coming months," she added.

In another measure to shore up the euro, the finance ministers approved the release of nearly €50 billion, or \$65 billion, in further aid to Greece, including long-delayed payments, support that is crucial for the government to avoid defaulting on its debts.

"Today is not only a new day for Greece, it is indeed a new day for Europe," Antonis Samaras, the Greek prime minister, said ahead of the summit meeting.

But threatening to spoil the upbeat atmosphere were questions over the future leadership of Italy, where the economy is contracting, debt levels are rising, and Silvio Berlusconi, the former prime minister, has threatened to try to reclaim the office in an election next year.

It remained unclear Thursday whether Mr. Berlusconi would run and, if that were to happen, whether he would campaign on promises to reverse reforms put in place by Mario Monti, the current prime minister. Even so, the re-emergence of Mr. Berlusconi — who attended a summit meeting of center-right parties in Brussels on Thursday — could destabilize markets and even rekindle the financial crisis.

The bank supervision plan was first discussed in June and wrapped up in a matter of months — record time by the glacial standards of E.U. rulemaking. The agreement should serve as a springboard for leaders to weigh further steps toward economic integration during their meeting.

Such measures could include a unified system, and perhaps shared euro area resources, to ensure failing banks are closed in an orderly fashion. This could be followed, in time, by measures intended to reinforce economic and monetary union, including, possibly, the creation of a shared fund that could be used to shore up the economies of vulnerable members of the euro zone.

Mario Draghi, the president of the European Central Bank, said the agreement on banking supervision "marks an important step towards a stable economic and monetary union, and toward further European integration." But he noted that governments and the European Commission still had to work on the details of the supervision mechanism.

The new system should be fully operational by March 2014, but ministers left the door open for the E.C.B. to push that date back if the central bank would "not be ready for exercising in full its tasks."

A series of compromises were needed for finance ministers to reach agree-

ment on banking supervision.

Initially, France and the European Commission had asked that all 6,000 banks in the euro area should be closely regulated by the central bank. But in a concession, France agreed that only banks holding more than €30 billion in assets, or assets greater than 20 percent of their country's gross domestic product, would be directly regulated by the E.C.B.

Germany, facing pressure from a powerful domestic banking lobby trying to shield many small savings banks from closer scrutiny — and seeking to make the E.C.B.'s job more manageable — sought a reduced remit for the bank. But Germany agreed to let the E.C.B., at its discretion, to step in and take over supervision of any euro zone bank.

The Germans and Swedes also had concerns that the central bank could be tempted to alter its decisions on monetary policy to make its supervisory job easier. As a compromise, member states are to be given greater scope than originally foreseen to challenge central bank decisions.

Britain, which is not a member of the euro zone, sought assurances that the

"It's a good day for Europe," President François Hollande of France said. "Nothing is as it was before."

new banking supervisor would not have influence over British banks operating abroad or banks operating in the City of London. Britain agreed to a formula that should allow it and other E.U. members outside the euro zone to counteract most — but probably not all — rulemaking by the E.C.B. These countries will also be able to challenge E.C.B. decisions pertaining to cross-border banking.

For countries including Spain and Ireland, the supervisor is a prerequisite for a new European bailout fund, the European Stability Mechanism, to provide aid directly to their troubled banks. That would allow those governments to avoid weighing down their national balance sheets with yet more debt. Those countries, along with France, successfully lobbied for direct recapitalization of banks to be mentioned in the agreement.

But in a concession to Germany, wary about spending more money on bailouts ahead of national elections in late 2013, and to assuage similar concerns by the Dutch and Finns, the agreement underlined the need for unanimity among states contributing to the bailout fund before any such measures can go ahead.

Niki Kitsantonis contributed reporting from Athens.

Britain gives go-ahead on fracking

FRACKING, FROM PAGE 16

Egan, said in a statement, "Today's news is a turning point for the country's energy future."

Cuadrilla set back the shale gas cause in Britain and Europe when fracking on one of its wells triggered two small earthquakes, in April and May 2011. A subsequent study commissioned by the British government found that the fracking fluid had destabilized a fault in the earth, causing it "to fail repeatedly in a series of small earthquakes."

The tremors did some damage to the well but did not compromise its integrity and were not strong enough to cause structural damage outside, the study said. But the government said Thursday it had concluded "that the seismic risks associated with fracking can be managed effectively with controls."

Cuadrilla ceased fracking operations after the quakes, although it has been doing preparatory drilling at a site called Anna's Road.

Mr. Egan said that based on Cuadrilla's work, the company thought there could be 200 trillion cubic feet of shale gas in the thick rock layers beneath the company's 900 square-kilometer, or 347 square-mile, concession in Lancashire. If only 10 percent were recoverable, that could be enough gas to supply Britain for around seven years.

Whether gas will flow in commercial quantities has yet to be established, although the early tests were encouraging. To find out, Cuadrilla wants to fracture at least three wells, some of which have already been drilled.

Before it starts fracking, Cuadrilla still needs to clear various hurdles, including local permission. A Cuadrilla spokesman, Neil Cameron, said that the earliest the company was likely to be able to go ahead was March 2013.

Fracking is likely to stir stiff opposition from environmental activists. Last year three people from a small group called Frack-off entered a Cuadrilla site and chained themselves to the equipment. They were found guilty of trespassing and fined. Frack-off says it worries that huge swathes of the British Isles are going to be opened up to various types of mineral exploitation including shale gas and coal bed methane, another unconventional gas technique.

"This now threatens our landscape, and local people are going to be in the firing line," said Andrew West, a Frack-off campaigner, by telephone. "The resistance is growing."

Melissa Eddy contributed reporting from Berlin.