New Year's Message from the ABA Chairman

I wish to convey my warmest New Year's greetings to all ABA members, friends, and readers of the ABA Newsletter. It is my ardent hope that the year 2016 continue to bring more success and prosperity to you, your businesses, and your families.

As we welcome 2016, I hope that every member remains committed to the objectives of the ABA and will contribute to the further growth of the Association. As we learned from the discussions at last year's 32nd ABA General Meeting and Conference in Taipei, we are now in a highly dynamic and volatile environment no longer characterized by hard and fast rules that kept order in the global market of yesterday. Today, we face fast-changing developments that require swift action and sometimes bold reaction. I am confident, however, that with the diversity of our members' expertise and resources, we will remain in a position to adequately meet the challenges that lie ahead.

With the unwavering support of all officers and members, I hope that in the incoming year, the ABA will assume an even more important and influential role in the region's banking sector, and continue to serve as the ideal forum for advancing the interest of our members. I and our colleagues from The Bank for Foreign Trade of Vietnam (Vietcombank) therefore look forward to seeing all of you in Halong Bay during the 33rd ABA General Meeting and Conference this year, for another opportunity to dialogue with one another on how best we can help our members, and the Asian region as a whole, achieve an even more rapid and sustainable growth.

During the incoming Year of the Monkey, let us try our best to emulate the traits that monkeys are known for – extremely inventive, noted for their intelligence in working out difficult problems for themselves and others, extremely curious and thirsty for knowledge, with considerable talent and extraordinary originality.

May all of you have continued success, prosperity, and the best of health in 2016.

Daniel Wu
ABA Chairman

Policy Advocacy

ABA issues position paper on "More Inclusive Micro, Small and Medium Enterprise Financing for Banking Growth and Business Sustainability"

The following is the full text of the position paper issued by the Asian Bankers Association at the end of the 32nd ABA General Meeting and Conference held on November 12-13, 2015 in Taipei.

In the rapidly changing Asian economic space, micro, small and medium businesses are acknowledged to be crucial for the growth and development of every country in Asia, from developing countries to developed countries. Further in past, the two distinct sectors that were focused on by all key stake holders for growth and development is Micro enterprises and Small and Medium Enterprises. But today the boundaries of these two sectors are getting blurred and inter- relationship is becoming very significant. This is mainly due to the entrance of technology savvy young people at the micro level and the rapid transition and the graduation of micro entrepreneurs to Small and Medium level compared to decade ago. Every year in Asia over 20 million micro and small businesses are emerging with fewer than five employees. In the light of this, a more holistic, inclusive and integrated access to finance strategy is essential for broader area covering Micro, Small and Medium. (MSME).

Capacity building for sustainable and successful enterprise creation at micro, small and medium level is vital for greater economic development and thereby opening opportunities for growth of banking and finance industry in the respective countries in Asia. Making Micro, Small and Medium Enterprises commercially bankable is the key challenge faced by all stake holders and by providing financial inclusivity all would stand to benefit their direct and indirect engagement. Though the role of the banks and finance institutions essentially involve lending to commercially viable businesses, in terms of creating a pipe line of future business opportunities, they have significant role to play in making these business entities commercially bankable through capacity building.

In the light of the huge potential pose by the MSME sector to the future of the banking industry in Asia, the banking industry need to initiate more holistic and inclusive institutional linkages and partnerships to make MSEMEs commercially bankable. One such linkage is to partner local business chambers and industry associations which are representative bodies of the individual MSMEs. These chambers and industry associations play a vital role in building the MSMES who are their members. Secondly the linkage between MSMEs with MSMPs. The MSMPs are the Micro, Small and Medium Professionals in the areas of

Accounting and Auditing, Legal, Process Engineering and Marketing etc. These professional individuals of institutions too play key role in making MSMEs more sustainable business entities where banks can very comfortably create access to their financial services. Thirdly for the business continuity and sustainability of MSMEs partnership between value and supply chain entities are very significant and the banks need to facilitate and encourage these supply and value chain entities who would on the other side of their client profile create workable frame work on buy back arrangements. This will mitigate the risk of lending to this sector to a considerable extent.

With MSME sector becoming a growing business opportunity for the banking industry in Asia, there is a need to take strategic initiative of repositioning and evolving products, services and solutions that can match the emerging financial needs of this sector. Locally the banks have to identify key locations where they need to make their financial services, solutions and products made available to this sector. Secondly, diverse financial services and solutions must be properly assessed and tailor-made to create greater accessibility to MSME sector. Thirdly, unlike corporate financing or high net-worth financing, this sector thrives on the concept of 'millions to million' which means offering financial services, solutions and product at affordable pricing in much larger scale which will enhance the 'Retail Banking' space. This is where banks have to invest in restructuring and evolving a strategic Retail and Development banking expertise and with proper risk assessment, risk mitigation and risk management professionals with specific industry and sectoral knowledge.

Providing financial services, solutions and products to MSME sector is a big business opportunity to Banks and Financial institutions in Asia. The business sustainability of next generation banks depends on how fast they assess the financial needs of this sector and how rapidly they evolve the appropriate products and solutions. The next generation of young entrepreneurs would emerge from MSME sector. The technology savvy young entrepreneurs would enrich the banks in the future, if the banking and finance solutions are made available, accessible and affordable at micro, small and medium levels. Today, in Asia, the diversity of the MSME sector is widening, and compared to more complex financial solution demanded in the corporate and high net worth sector, MSMEs require for straight forward yet simple banking solutions.

Understanding the importance of this sector, more and more governments in Asia are putting in place much needed, legal framework and regulatory mechanisms to facilitate the empowerment of MSMEs. Further respective central banks in Asia take a proactive role in urging the commercial banks for greater commitment to development of the MSME sector for business sustainability banking industry. In the light of this, the prominent role of an institution like ABA on policy advocacy and aligning its member banks is greatly felt in the current context. If the banking industry needs to blossom in the emerging frontier, where young technocratic entrepreneurs surface in numbers with innovative ideas and business solutions, it is in the fields of micro, small and medium sectors where they will blossom and the banks have to be there to capture that opportunity for their business continuity and sustainability.

Member Personality

Former ABA Chairman conferred Japan's Order of the Rising Sun

The Government of Japan announced former Philippine Trade Secretary Peter Favila as one of the foreign recipients of the 2015 Autumn Imperial Decorations. Favila is a member of the ABA Advisory Council and served as ABA Chairman from 1996 to 1998.

Favila received The Order of the Rising Sun, Gold and Silver Star in recognition of his valuable contribution to strengthening and deepening the Japan-Philippines bilateral relations.

Favila has earned three decades of expertise in the banking and finance industry. He led three local commercial banks and later chaired the Philippine Stock Exchange (PSE), after which, he was appointed as the Secretary of the Department of Trade and Industry (DTI) in 2005.

During his five-year term, Favila made his significant contribution to the conclusion of Japan-Philippines Economic Partnership Agreement (JPEPA) negotiations and its subsequent ratification.

As JPEPA is the first comprehensive bilateral trade agreement entered into by the Philippines, the negotiation process involved long periods of reviews, consultations and coordination efforts from both countries. With Favila's strong leadership as a Trade Secretary, JPEPA was finally ratified by the Philippine Senate in 2008. *Manila Times*

Education and Training

ABA invites members to Bancassurance Asia Summit 2016

The ABA is inviting members to the "Bancassurance Asia Summit 2016" to be held on April 12-14, 2016 in Hong Kong.

Equip Global, the event organizer, is offering 10% discount for ABA members joining the summit.

Targeting decision makers from sales and marketing and wealth management divisions, the three-day event will focus on: (1) How delegates can capitalize on opportunities in the Asian market with country-specific assessments; and (2) A platform whereby Bancassurance partners can meet, network and discuss working partnerships.

In addition, the summit will provide participants with practical information through real life case studies and interactive debates so that they can develop a 360 degrees review of effectively growing your Bancassurance market share in Asia.

For more information on the event, interested parties are encouraged to visit the official website http://www.equip-global.com/bancassurance-asia-summit-2016.

News Updates

China, euro zone and U.S. manufacturing suggest global economy still fragile

The global economy finished last year on a fragile footing, with factory activity in China shrinking for the 10th month running in December, while euro zone manufacturing picked up but U.S. activity slowed.

Coming on a day of volatility in Asian stock markets after China's central bank fixed the yuan at a 4-1/2 year low, the data point to sluggish economic growth and inflation globally to start the new year.

A building under construction is seen amidst smog on a polluted day in Shenyang, Liaoning province in this November 21, 2014 file photo. Reuters/Jacky Chen/Files

Mainland Chinese shares sank over 7.0 percent on the lower yuan fixing and shrinking factory activity.

European stock markets fell too, though the declines were less sharp as investors took note of the brighter data from the euro zone. At midsession, U.S. stocks were down nearly 3.0 percent, the biggest one day fall in more than three months.

China Factory Activity Contracts

The Caixin/Markit China Manufacturing Purchasing Managers' Index (PMI) slipped to 48.2, below a Reuters poll consensus of 49.0 and down from 48.6 in November.

That was the lowest since September and well below the 50-point level that separates contraction from expansion. It followed a fractional increase in the official PMI to 49.7.

The PMIs in South Korea and Taiwan edged above the 50 mark, though more thanks to a pick-up in domestic demand than any revival in exports.

Weighed down by weak demand at home and abroad, factory overcapacity and cooling investment, China will likely post its weakest economic growth in 25 years in 2015, with the rate of expansion slipping to around 7.0 percent from 7.3 percent in 2014.

Growth is forecast to slow to 6.5 percent this year and next, according to the latest Reuters poll.

The drag from industry comes as China makes gradual progress in its transformation to a more service-driven economy. An official survey on the services sector showed activity quickened in December, with its main index rising to 54.4, from 53.6 in November.

China has room to ease reserve requirements for banks and loosen government purse strings. It has also been steadily nudging its currency lower.

Euro Zone Manufacturing Expands

Manufacturing activity in the euro zone area improved last month in all the countries covered by the business survey from private data vendor Markit, suggesting factories performed better over last year as a whole compared to the previous three.

Markit's final manufacturing Purchasing Managers' Index (PMI) rose to a 20-month high of 53.2, just above a flash reading of 53.1 and of 52.8 in November. The PMIs suggest a pickup in activity, but in most countries still a mild pace of growth.

This year "is going to be a rerun of 2015 with added risks," said Peter Dixon, economist at Commerzbank. "The global economic story is based on weak fundamentals with China slowing further and policy uncertainties existing in developed economies."

While the PMIs point to improving activity in the euro zone, the European Central Bank would have to expand its policy arsenal to get inflation back up to its target, he added.

The ECB has already cut its deposit interest rate well below zero and is buying 60 billion euros a month of mostly government bonds to try and boost inflation. Price pressures are still subdued in the region, but a December Reuters poll suggests market expectations of bigger asset purchase program also remain low.

Data is expected to show euro zone inflation rose to 0.3 percent in December from 0.2 percent in November.

A regional bright spot was Italy, where manufacturing activity grew at its fastest pace in almost five years, auguring well for growth in the euro zone's third-largest economy.

British factory growth slipped however as new orders came in at the slowest pace in five months.

US Factory Activity Slumps

U.S. manufacturing activity slowed further in December, as the impact of a stronger U.S. dollar undermined export profitability.

Markit's purchasing managers' index (PMI) fell to 51.2 from 52.8 in November, the lowest since October 2012.

The new orders subcomponent fell to 50.2 from 53.1, the lowest since Sept 2009.

"A near-stagnation in new business volumes was the main factor weighing on the headline index in December," Markit's U.S. economist Tim Moore said.

"Export sales were also close to stagnation in December, with manufacturers noting that the strong dollar continued to act as a drag on demand from abroad."

An alternative reading from the U.S. Institute for Supply Management (ISM) said its index of national factory activity fell to 48.2 from 48.6 in November and is now at its lowest level since June 2009.

World Bank lowers 2016 global economic growth forecast

The World Bank slashed its growth forecast for the global economy in 2016 on January 6, citing "disappointing" growth in major emerging-market economies like China and Brazil.

The bank cut its June forecast for global economic expansion in 2016 by 0.4 percentage point to 2.9 percent, though that is still faster than 2015's sluggish 2.4 percent.

"Simultaneous weakness in most major emerging markets is a concern for achieving the goals of poverty reduction and shared prosperity because those countries have been powerful contributors to global growth for the past decade," the World Bank said.

In the midst of a deep economic transition, China should see economic growth slow to 6.7 percent this year from 6.9 percent in 2015, it said. The 2016 forecast for the world's second-largest economy is 0.3 point lower than six months ago and would mark its weakest performance since 1990.

Since mid-2014, China has endured bouts of financial turbulence, the latest on January 4 with a spectacular seven percent plunge in stock market indices.

The World Bank's growth revisions are even more drastic for two other big emerging-market economies already in recession: Brazil, down 3.6 points to a 2.5 percent contraction, and Russia, a 1.4-point drop to a 0.7 percent contraction.

Both countries have been hammered by falling prices for commodities such as oil and agriculture products.

"There is greater divergence in performance among emerging economies. Compared to six months ago, risks have increased, particularly those associated with the possibility of a disorderly slowdown in a major emerging economy," said Kaushik Basu, World Bank chief economist.

"A combination of fiscal and central bank policies can be helpful in mitigating these risks and supporting growth." Risks to the outlook included financial stress linked to the US Federal Reserve's launch in December of an interest rate hiking cycle, and heightened geopolitical tensions, the Bank said in its Global Economic Prospects report.

"The simultaneous slowing of four of the largest emerging markets -- Brazil, Russia, China, and South Africa -- poses the risk of spillover effects for the rest of the world economy," said Basu.

"Global ripples from China's slowdown are expected to be greatest but weak growth in Russia sets back activity in other countries in the region."

Developing countries were expected to expand by 4.8 percent this year, 0.4 point weaker than the prior estimate, the 188-nation institution said.

High-income countries on a whole fared better. The forecast for their growth in gross domestic product, the broad measure of output of goods and services, was lowered to 2.1 percent, a 0.3-point drop.

Only a 0.1 point dip in GDP was notched for the United States, the largest economy, and for the 19-nation eurozone, to 2.7 percent and 1.7 percent, respectively.

Hard-hit has been Sub-Saharan Africa, where growth stumbled to 3.4 percent in 2015, its weakest performance since 2009, on falling commodity prices.

But with commodity prices expected to stabilize this year, growth in the region, home to some of the world's poorest countries, was expected to pick up to 4.2 percent, the institution said, lowering its June forecast by 0.3 point.

The dimmer picture of the world economy painted by the World Bank' echoed concerns already expressed by the International Monetary Fund, which will update its own economic projections on Jan. 20. *Associated Press*

Special Feature

The Global Economy in 2016

An IMF Survey

The global economy in 2015 saw some economies strengthen, while others—particularly emerging and developing economies—were squeezed by plummeting commodity prices and by tightened financial conditions.

The IMF marked some big changes in 2015 as well: the U.S. Congress passed the 2010 quota reform and China's currency, the yuan, was added to the IMF's basket of official currencies.

On the personnel front, the IMF welcomed a new chief economist, Maury Obstfeld, former chair of the economics department at University of California at Berkeley. He arrived in September from the U.S. President's Council of Economic Advisors to succeed Olivier Blanchard as the IMF's Economic Counsellor and Director of Research.

IMF Economic Counsellor and Director of Research Maury Obstfeld: "The year will offer an abundance of challenges." (IMF photo)

Shortly before the start of the new year, IMF Survey sat down with Obstfeld to discuss the past year and to look ahead to 2016.

IMF Survey: What is your assessment of how the global economy turned out in 2015? What went better than you anticipated, and what does not look so good?

Obstfeld: There was good news and bad news. The U.S. economy continued its solid growth and job creation, while Europe generally picked up speed and Japan remained a question mark. But with some exceptions (such as India), emerging and developing countries continued to slow in the face of falling commodity prices and tighter financial conditions, and synchronized and sustainable global growth remained elusive.

In some countries, beyond these very general trends, there is an overlay of political or geopolitical tension that magnifies the purely economic challenges. How these tensions play out in 2016 will be a major determinant of regional and global macroeconomic outcomes. It comforts me to reflect, however, that the end of 2015 produced one piece of very good news on the international monetary system: the U.S. Congress finally approved the IMF quota reform originally agreed in 2010. Along several dimensions, that change will strengthen the IMF's capacity to meet future stability challenges, whatever they may be.

IMF Survey: What are the other key issues we need to pay attention to in 2016?

Obstfeld: China will remain high on the list. Its economy is slowing as it transitions from investment and manufacturing to consumption and services. But the global spillovers from China's reduced rate of growth, through its diminished imports and lower demand for commodities, have been much larger than we would have anticipated. Serious challenges to restructuring remain in terms of state-owned enterprise balance sheet weaknesses, the

financial markets, and the general flexibility and rationality of resource allocation. Growth below the authorities' official targets could again spook global financial markets—but then again, time-honored methods of enforcing growth targets could simply extend economic imbalances, spelling possible trouble down the road.

What else to watch? The crisis of refugees fleeing Iraq and Syria offers a major challenge to the absorptive capacity of EU economies and labor markets, but even more so to political systems. The project for common policing of the EU perimeter and the related tensions concerning free mobility of people within Europe bear watching. But we should not forget that countries such as Lebanon, Jordan, and Turkey are on the advanced front line of the refugee crisis. And even apart from refugee issues, Europe faces other political and economic challenges—from the Iberian Peninsula, to Greece, to Ukraine.

Obstfeld: "A predominantly advanced-economy lens for viewing the world economy has become ever more outmoded."

Climate change and the struggle to limit CO2 emissions is a slow-moving crisis but one that we ignore at our peril. The COP21 agreement in Paris was a triumph for international cooperation. In 2016 we will see how national capitals react and get an initial take on whether the agreement promotes effective international cooperation.

Finally, there is international trade—which has had setbacks in recent years as global trade growth has slowed relative to GDP growth. Will the Trans-Pacific Partnership (TPP) pass the U.S. Congress? We may know this spring. If so, will it be a prelude to a deal between the United States and the EU? The Doha round was effectively scrapped in Nairobi last month. If comprehensive multilateral trade agreements are off the table, can trade liberalization still proceed usefully on a more limited scale? The answers are important across the Fund's membership.

IMF Survey: Will 2016 be the year of Emerging Markets? Are capital outflows from emerging market countries a growing worry?

Obstfeld: The year will offer an abundance of challenges, but yes, emerging markets will be at center stage. Capital inflows are down, some reserves have been spent, sovereign spreads have widened, currencies have weakened, and growth is slowing sharply in some countries. Currency depreciation has proved so far to be an extremely useful buffer for a range of economic shocks. Sharp further falls in commodity prices, including energy, however, would lead to even more problems for exporters, including sharper currency depreciations that potentially trigger still-hidden balance sheet vulnerabilities or spark inflation.

The mood in financial markets is glum as 2015 ends, and susceptible to increased volatility, notwithstanding continuing accommodation by the European Central Bank and the Bank of Japan. Of course, the U.S. Federal Reserve launched in December what it intends to be a cycle of gradual interest-rate hikes. It will be critical how the Fed manages subsequent interest-rate increases during 2016 and how it communicates with the market—a task it seems to have commenced on the right foot at the end of 2015. But there is no doubt that

global financial conditions are tightening, and emerging and developing markets are especially sensitive to the effects, given other current woes.

IMF Survey: Building on this, what do you see as the main analytical challenges for the profession and for the Fund in particular?

Obstfeld: Emerging and developing economies should be an even more intense focus of research. During the 1980s, emerging and developing economies accounted for around 36 percent of global GDP (measured in purchasing power parity, or PPP, terms) and some 43 percent of global GDP growth (with PPP weights). For 2010-2015, the numbers were 56 percent and 79 percent, respectively. So a predominantly advanced-economy lens for viewing the world economy has become ever more outmoded. That research agenda for emerging and developing economies comprises classic issues related to the balance of payments—capital flows and their management, foreign exchange intervention, vulnerabilities in external balance sheets, and the determinants of current account balances, trade patterns, and trade volumes.

But there are many additional questions. What policies and policy frameworks are most conducive to higher potential output and its growth? Potential GDP growth seems to have declined throughout the world, as noted in past editions of the World Economic Outlook (WEO), but the reasons are not well understood. The April 2016 WEO will look at advanced-economy structural reforms in that context.

Trends in inequality also warrant attention. Despite considerable global convergence in national per capita incomes, a more equitable income distribution within countries has not necessarily followed. This inequality has implications for overall economic productivity (for example, through health outcomes) and for the political sustainability of market-friendly policies. How can growth be made more inclusive, and how might that, in turn, support higher growth?

Beyond these longer-term questions of growth and distribution, there are many economic stability issues calling for attention. For example, looking broadly across all economies, integration of the financial sector into our macro-policy frameworks remains an urgent research priority.

IMF Survey: What do you see as the research role of the Fund within the wider international policy community?

Obstfeld: The Fund combines a truly global scope of analysis with the ability to address rigorously live policy issues in real time. That capacity gives Fund research the nearly unique potential to lead global opinion through a simultaneous impact in academic and policy circles and in broader public debate. The Fund today engages with 188 member countries—that scope and 70 years' experience of multilateral surveillance, Article IV consultations, and

technical assistance give us a unique vantage point, and much of our research has flowed from that perspective.

From some of the earliest influential analyses of the effects of exchange rates on trade, to more recent work on global real interest rates, fiscal policy, capital flows, public infrastructure spending, and the investment accelerator, the Fund has been at the center of intellectual progress on policy-relevant topics. More recently, the Fund's willingness to reassess its doctrines and policies in light of both experience and research has lent our views added credibility. No one gets it right 100 percent of the time. Intellectual honesty means occasionally admitting mistakes and adapting to new realities, but it pays off in terms of long-run influence if people see you are working in good faith to reach the right answers.

IMF Survey: Is sufficient work being undertaken on traditional issues within the IMF (e.g., international monetary system)? Should we be getting into new topics (climate change, inequality) in terms of our analytical work?

Obstfeld: The international monetary system was much simpler in the early days of the Bretton Woods system, when the key issues were limited to exchange rates and balance of payments adjustment. In today's world of tightly linked but still nationally distinct capital markets, the issues have become much more complex. Questions about the link between the exchange-rate regime and financial stability, for example, are now central and will remain the subject of intensive research within the Fund.

In other respects too, the Fund's remit has broadened as the global economy has become more complex and interconnected. So, it is natural that the scope of research and policy will also expand.

Regarding so-called "new" topics: we have to be realistic about our resources, which are not unlimited. But the Fund has long (and rightly) been concerned with macro-critical issues like women's labor-force participation and labor-market institutions, which can also be quite relevant to some of our Article IV assessments. As other examples, the April 2008 WEO following up on the Stern review of climate change, featured a chapter on global CO2 emissions and the macroeconomic effects of carbon pricing, while the IMF's Fiscal Affairs department has done important recent work on energy subsidies and carbon pricing. Our Managing Director Christine Lagarde emphasized these topics in the lead-up to the Paris agreement of December.

The challenge will be to select those aspects of the newer topics where IMF staff members have a comparative analytical advantage and where the macroeconomic implications are most relevant among a large share of the Fund's membership. But in general, we are seeing that these topics are too important to ignore if we really want to understand the state and future of the global economy. They are critical to a truly member-focused approach.

Among Member Banks

- **BEA Foundation unveils Big Brother & Big Sister Program for Children in the BEA "High Five" Club -** The Bank of East Asia, Limited (BEA) announces that The Bank of East Asia Charitable Foundation Limited has introduced a Big Brother and Big Sister program for children in the BEA "High Five" Club for the 2015/2016 academic year. This is the second year that the BEA Foundation has served as title sponsor of the Club, which has been organized by St. James' Settlement and is held at the Kowloon Kindness Centre in Tai Kok Tsui. The Club has also received matching funds from the Partnership Fund for the Disadvantaged of the Social Welfare Department. A kick-off ceremony was held in November 2015 at the Kowloon Kindness Centre to mark the beginning of the 2015/2016 BEA "High Five" Club. A total of 24 staff volunteers have been recruited from BEA to take part in the Big Brother and Big Sister pilot program. *BEA News Release*

- **ICICI Bank launches online rail ticket booking on its website -** ICICI Bank Limited on December 23 announced the launch of a facility that allows users to book online rail tickets on its website www.icicibank.com. This facility is being offered in association with the Indian Railway Catering & Tourism Corporation Ltd. (IRCTC). ICICI Bank is the first bank in the country to offer such a facility on its website. Customers of any bank can use this service to book online rail tickets on the Bank's website itself, without visiting any other website. Commenting on the launch, Mr. Rajiv Sabharwal, Executive Director, ICICI Bank Limited, said: "ICICI Bank has been a pioneer in introducing innovative digital services for the convenience of its customers. Online rail ticket booking on the Bank's website for customers of any bank is yet another exciting service for the rapidly growing digitally savvy customer base in India. This service will soon be also available on the bank's mobile banking app, iMobile as well as on its digital bank on mobile phone, Pockets." *ICICI Bank News Release*

- **Saman Bank named as correspondent bank of Italian exporters -** A joint cooperation agreement was signed by Saman Bank and Sace Company of Italy (Italian Export Guarantee Fund) on November 30, 2015, after a meeting of Italian and Iranian economic actors and bankers held in the Central Bank of the Islamic Republic of Iran. Saman Bank's chairman of the board, Vali Zarrabieh, stated that the purpose of the meeting was to introduce and assess the economic and export cooperation potentials between the two countries to facilitate future business relations. Zarrabieh said that by signing the agreement, Italian companies will receive Saman Bank's services for exporting their goods to Iran. He added that the agreement is a turning point in the commercial and economic relations between Iran and European countries, particularly Italy. The meeting was attended by deputies of the Central Bank of the Islamic Republic of Iran, Economic Deputy of the Ministry of Economy of Italy, the chairman of the board of directors of the Association of Banks of Italy and managers of

11 Italian banks and a group of senior managers of Saman Bank. *Saman Bank News Release*

- **BTMU organizes "Fintech Challenge 2016- Bring Your Own Bank" -** The Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU) on December 16 announced that it is organizing the "Fintech Challenge 2016-Bring Your Own Bank!" Hackathon, an event for developers to focus on the possibilities of Open Bank Application Programming Interface (API) as BTMU utilizes information and communication technology to seek new ideas on the theme of making financial services closer and more convenient through ICT. In a world that is increasingly connected by the Internet, companies are making a range of services available online through APIs. An API economy is growing and creating new value, and the trend in the financial service industry is to expand business by disclosing APIs. Based on these environmental changes, BTMU held the "BTMU Fintech Challenge 2015" contest, which sought outstanding techniques and ideas in information and communication technology. Through this year's "Fintech Challenge 2016 Hackathon," the bank will seek to create new financial services through open innovation. *BTMU News Release*

- **MUFG Investor Services completes acquisition of UBS Asset Management's Alternative Fund Services business -** MUFG Investor Services, the global asset servicing arm of Mitsubishi UFJ Financial Group, has gained all regulatory approvals for its acquisition of UBS Asset Management's Alternative Fund Services (AFS) business and the acquisition has closed. The deal forms part of MUFG Investor Services' strategy to build a global industry-leading fund administrator. The AFS acquisition raises MUFG Investor Services' total assets under administration to $266bn across 2,300 funds. Junichi Okamoto, Group Head of Trust Assets Business Group, Deputy President, Mitsubishi UFJ Trust and Banking Corporation said: "AFS is a strategic addition to our business and demonstrates our commitment and ambitions within the fund administration industry. MUFG Investor Services is committed to supporting clients throughout the investment lifecycle by taking a partnership driven approach, underpinned by technological innovation." *MUFG News Release*

- **SMBC signs MoU with PBC School of Finance, Tsinghua University -** Sumitomo Mitsui Banking Corporation (SMBC) and Sumitomo Mitsui Banking Corporation China Limited (SMBCCN), a subsidiary of SMBC, announced on December 11 that they have signed a Memorandum of Understanding (MoU) with PBC School of Finance, Tsinghua University for the purpose of student education and personal exchange. PBC School of Finance, Tsinghua University, is an educational institution specializing in finance and has been producing high quality professionals who have become leaders in the Chinese financial industry. It became one of the institutions of Tsinghua University Graduate School in March 2012, and continues to educate and produce professionals who are well-versed in both advanced financial theories and practices and will lead the future of the financial industry. With the signing

of the MoU, SMBC and SMBCCN will further strengthen cooperation with the school, including establishing a new scholarship program and expanding the internship program, in order to further contribute to the development and growth of the Chinese economy and financial industry. *SMBC News Release*

- **Bank of Maldives Announces Major Hulhumale' Investment Strategy -** Bank of Maldives on December 14, 2015 announced plans to expand its presence in Hulhumale' as the city continues to rapidly develop as the residential, commercial and industrial heart of Maldives. Speaking at the ceremony held to celebrate the opening of its new 24-hour ATM Centre and refurbished branch at Huvandhumaa Higun, BML CEO and Managing Director Andrew Healy said"We are proud of this fine ATM Centre and of our new look branch but this is just the start of our investment in Hulhumale'. We recognize the city's growth trajectory and it is vital that Bank of Maldives is here on the ground to support this growth. Over the next year we will significantly step up our presence in Hulhumale'." Healy continued "During 2016 we will open a Business Center to support businesses that are setting up and expanding in Hulhumale'. We are also establishing a MVR 1 billion Home Finance Fund to help the growing population in the city obtain the necessary finance to get on the property ladder. And we will add more ATMs in convenient locations. Bank of Maldives looks forward to supporting the people and businesses of this fine city in a way that no other bank will match." *BML News Release*

- **PNB sells 51% of insurance company to Allianz SE -** Philippine National Bank (PNB) said it sold a significant share in PNB Life Insurance Inc. to German financial insurance company Allianz SE. In a filing with the local bourse, the Lucio Tan-owned bank said it sold 12,750 shares of stock of PNB Life Insurance Inc. to Allianz. This is equivalent to 51 percent of the issued and outstanding capital stock of PNB Life. The sale was finalized on December 21. PNB currently has 662 domestic branches and 76 overseas branches, and Allianz is present in over 70 countries. *GMA News*

- **DBS launches new innovative learning center -** DBS Bank on December 10 officially launched the DBS Academy, an innovative learning centre that will focus on building a strong talent pool that will help shape the future of the finance industry. Deputy Prime Minister and Coordinating Minister for Economic and Social Policies Tharman Shanmugaratnam and DBS Chairman Peter Seah officiated at the opening ceremony. Over the last five years, DBS has made significant investments in strategic technology initiatives to weave banking into the everyday life of its customers so that they can spend more time on people or things that they care about. As the digital revolution redefines the banking industry, DBS is also committed to equip employees with the relevant skills and mindsets to help them navigate a fast-changing landscape. Spanning 40,000 square feet, the DBS Academy sets a new benchmark for innovative learning spaces and approaches in the region. Employees will be encouraged to embrace a digital mindset through experiential learning and experimentation. *DBS News Release*

- **HNB bags gold at Annual Report Awards -** Hatton National Bank (HNB) won the Gold Award for Corporate Governance Disclosure and a Bronze Award for Banking Institutions at the 51st Annual Report Awards competition organized by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The CA Sri Lanka organized awards ceremony with the theme "Clarity Redefined" recognized the most cohesive, clear and customized annual reports that best reflect an entity's operations, while going beyond their statutory boundaries of reporting. Commenting on the performance of HNB at this competition HNB Chief Operating Officer, Dilshan Rodrigo said, "HNB is delighted to be recognized once again as the benchmark for Corporate Governance reporting. Whilst congratulating the team that made this possible, we will relentlessly pursue continuous improvement to deliver value to our stakeholders through a management ethos that lives our values day by day and provides clear, transparent and responsible reporting". *Nation Sri Lanka*

- **Taiwan Business Bank wins U.S. approval for New York branch -** Taiwan Business Bank (TBB) has won approval from the U.S. Federal Reserve to establish a state-licensed branch in New York, the Fed said on December 31. TBB, which has consolidated assets of approximately $45 billion, is a subsidiary of Bank of Taiwan, the largest bank in Taiwan that is wholly owned by the East Asian island's ministry of finance. It operates a state-licensed branch in Los Angeles and also has branches in Hong Kong, Shanghai, Sydney and Brisbane, the Fed said. *Reuters*

- **Taiwan Cooperative Bank opens representative office in Yangon -** Taiwan Cooperative Bank, the banking arm of Taiwan Cooperative Financial Holding Co., opened a representative office in Yangon, Myanmar on December 31, making the office the fifth foothold of the bank in the fast-growing Association of Southeast Asian Nations (ASEAN) market. The four other outlets in the ASEAN market consist of one branch located in Phnom Penh, Cambodia, two sub-branches located in Tuek Thla and Pur Senchey, also in Cambodia, and another branch located in Manila, the Philippines. The bank said that the office in Yangon is expected to help the bank to extend its reach in the ASEAN market and take advantage of the market's great growth potential. According to the bank, collectively, ASEAN is likely to become the fourth largest economy in the world by 2030, up from its current position in seventh place. *Focus Taiwan*

- **CTBC Financial leads charity drive for disadvantaged children in Light Up A Life campaign -** CTBC Charity Foundation on December 18 kicked off its 31st annual "Light Up A Life" charity drive, that aims to raise NT$100 million (US$3.035 million) to aid the nation's disadvantaged children. CTBC Financial Holding Co led the fundraising effort with a NT$2 million donation. "Although I was saddened to learn of the plight of disadvantaged children living in rural regions, I was also inspired by selfless compassion displayed of many individuals who have dedicated their life to helping disadvantaged children," foundation chairman Jeffrey Koo Jr. said at a press event. *Taipei Times*

Banking and Finance Newsbriefs

China

Norms for banks to seek bankruptcy protection soon

Chinese lenders may soon be able to seek bankruptcy protection legally, a top official at the banking regulator said.

A legal framework for the system will be put in place over the next five years, Shang Fulin, chairman of the China Banking Regulatory Commission, said in a recent article to the fortnightly China Finance.

Shan g said China will promote normalization and standardization of the financial market exit mechanism and the upcoming legal system will be in line with China's conditions.

Wu Qing, deputy director of banking research at the Development Research Center of the State Council, said: "Restructuring, mergers and acquisitions are likely to become the major choices for unhealthy banks to exit from the financial market."

Bankruptcy is also considered as an option, but it will not be prioritized due to the huge losses that would be brought by the stoppage of financial services once the liquidation procedure starts for a bank, he said. *China Daily*

Hong Kong

Caution urged for Hong Kong bankers as suitability rule enforced

Hong Kong banks selling risky investment products may now have more motivation to flag the worst possible outcome to their buyers.

That's the view of Ernst & Young LLP after the city's Securities and Futures Commission said on Dec. 8 it will require all registered institutions to include a clause in client agreements stipulating that the product they're selling is suitable for the investor. The rule will be exempted for some entities such as institutional and corporate professional investors.

"Even if you want to take the risks that may blow you up financially, the banks have a responsibility to try to stop you or at least not help," said Keith Pogson, a senior partner for Asia-Pacific financial services at Ernst & Young. For purveyors of financial products, this means being more cautious on what they sell and far more documentation in sales relationships, processes and identification of the nature of clients, he said. *Bloomberg*

India

India weighs fiscal stimulus in new budget despite fast economic growth

India claims to be the world's fastest-growing major economy, yet the government might break its budget deficit targets to stimulate demand, potentially undermining the central bank's fight against inflation.

Statistically, Asia's third-largest economy is outpacing China with above 7 percent annual growth. But Prime Minister Narendra Modi's economic advisers are complaining of a sharp slowdown that threatens their budget calculations.

In February, Finance Minister Arun Jaitley will present the budget for the fiscal year starting April 1. A senior official said the minister has been advised to increase its fiscal deficit target to 3.7 or 3.9 percent of gross domestic product (GDP) from 3.5 percent.

There is also a proposal to delay, by one year, a goal of lowering the fiscal deficit to 3 percent in 2017/2018, the official said. *Reuters*

Japan

Japan's finance body eyes more efficient management rules for banks

Japan's Financial Services Agency plans to strengthen the authority of local bank holding companies to make the management of bank groups, created by the business integration of local banks, more efficient.

By enhancing the effect of local bank business mergers, the agency aims to boost local bank reorganization further. Bills to revise the Banking Law and related laws are expected to be submitted to the ordinary Diet session next year.

Currently, the only business local bank holding companies are permitted to do is limited to "business management of subsidiary companies and pertaining business." It is not clear what kind of specific business is applicable to this category.

The revision bills aim to provide holding companies with new authority to manage the fund operations and information system of their groups. *The Yomiuri Shimbun*

Malaysia

Malaysia Nov exports, imports seen rising, trade surplus to fall slightly

Malaysia's November 2015 exports are forecast to increase from a year earlier at a slightly slower pace than the previous month's growth amid muted external demand, a Reuters poll showed.

The median forecast is for a 12.2 percent annual expansion in November, slowing from a 16.7 percent rise in October.

The poll also forecasts a 14.1 percent rise in November's imports from last year, a sharp swing from a 0.4 percent dip in October. The forecast hike is due a lower base in November 2014 when domestic demand was softer.

Malaysia's trade surplus in November was seen at RM12.00 billion (US$2.76 billion), slightly down from RM12.16 billion the previous month. Business Times

Oman

Oman sets plan to halve oil's role in economy

Oman's government has released a five-year plan to halve the economy's dependence on the oil industry as low crude prices pressure government finances.

The 2016-2020 plan, set out in a statement by the Supreme Council for Planning late on Saturday, said over 500 programmes and policies would seek to diversify the Omani economy into sectors such as manufacturing, mining, transport and tourism.

The plan aims to cut the oil industry's contribution to gross domestic product to 22 percent from 44 percent; the contribution of natural gas would drop to 2.4 percent from 3.6 percent. *Business Standard*

Philippines

Philippines joins China-led AIIB

The Philippines will officially join the China-led Asian Infrastructure Investment Bank (AIIB), becoming its last member before the end of the year 2015, the government announced on December 30.

"The Republic of the Philippines will be signing the Articles of Agreement (AOA) of the Asia Infrastructure Investment Bank before year-end, joining the newly created multilateral institution aimed at boosting infrastructure development and connectivity," the Department of Finance (DOF) said in a statement.

According to the DOF, Finance Secretary Cesar Purisima was given authority by President Aquino to sign the AIIB Articles of Agreement. If unable to do so, Erlina Basilio, Philippine ambassador to China will sign the pact on behalf of the Philippines.

The authority was just given on December 30, two days before the deadline for prospective founding members (PFMs) to sign with AIIB. *Philippine Star*

Russia

Russia ends 2015 with weekly oil production setting a record

Russia's oil output is poised to reach a post-Soviet record of 10.86 million barrels a day this week as the nation's producers continue to withstand the slump in prices, according to Energy Ministry data.

The country's crude and gas condensate production for the whole of December is on track to average 10.783 million barrels a day, almost matching November's record of 10.785 million, according to Bloomberg estimates based on the data.

Oil is poised for its biggest two-year loss on record in New York as an expansion in U.S. crude stockpiles and rising production from Russia and the Organization of Petroleum Exporting Countries exacerbate a global glut. Russian companies have been helped by a weaker ruble that reduced the cost of services such as drilling, and a tax system in which the state bears most of the risk and reward from price movements. *Bloomberg*

Singapore

Singapore GDP growth drops to 2.1% in 2015

Singapore's trade-dependent economy grew by an estimated 2.1% in 2015, its worst performance since the 2009 recession, as global demand for Asian exports slumped, official data showed January 4.

The gross domestic product expansion figure, down from 2.9% in 2014, was based on advance estimates that gross domestic product (GDP) in the fourth quarter of last year rose 2.0% year-on-year.

The 2015 growth estimate was in line with the government's latest revised forecast for GDP to expand close to 2%.

Singapore's GDP contracted by 0.6% in 2009 during the global financial crisis, but rebounded the following year with exceptional growth of 15.2%. *Agence France Presse*

Taiwan

Taiwan's financial sector outlook appears positive, say banking executives

The banking executive index (BEI) compiled by the Taiwan Academy of Banking and Finance (TABF) registered at 52.4 in December to signal a positive outlook for the financial industry.

The BEI, which the TABF released on December 30 for the first time, surveys banking executives for their views on the financial industry's outlook in the next three months. A score above 50 represents optimism while a score below indicates otherwise.

According to the TABF, which has collected data over the course of two years, December marks a turning point for the index's downward trend that began in July.

The BEI peaked at 63.2 in March, and reached the lowest point of 46.9 in November, according to the TABF.

The research institute attributed the December rebound to a number of factors, including the interest hike by the U.S. Fed, the interest cut by the central bank, a resurgence

in the stock market, the development of digital finance, appreciation in the Japanese yen and the industry's higher yield expectation in the first quarter of 2016. *The China Post*

Thailand

Thai banks set to broaden overseas presence as AEC implementation nears

Despite the proliferation of technology, Thai banks still see a necessity to establish a physical presence. In this regard, Thailand's largest bank, Bangkok Bank (BBL), is in the best position to cash in on the Asean Economic Community (AEC) with its presence in nine of the 10 countries in Asean.

BBL's international loans - those extended to businesses outside Thailand - account for 18-20 percent of its total lending.

Maintaining physical branches is a key strategy for BBL, and it has been ready to open more branches in each country if it sees significant activities from customers.

Its strategy for Indonesia speaks to this. After opening a branch in Jakarta, BBL scaled up its presence with the opening of two more in Surabaya and Medan to satisfy demand from Thai and multinational companies. A year after the opening of the two additional branches, Indonesia is now the bank's second-biggest overseas market in terms of loan approvals, of the 14 markets it has been operating in. *The Nation*

Vietnam

Vietnam economy grows at fastest pace in five years

Vietnam's economy in 2015 grew at its fastest pace in five years, official figures showed on December 26, shaking off regional economic worries with strong exports, record foreign investment and buoyant domestic consumption.

The communist nation recorded a GDP growth rate of 6.68 percent, easily surpassing the government's 6.2 percent target with a figure that looks set to be one of Southeast Asia's strongest showings for the year.

"This growth rate is very important for the Vietnamese economy in the coming years in the context of falling world oil prices and instabilities in the international financial markets," Nguyen Bich Lam, director of the General Statistics Office, told reporters in Hanoi.

Many Asian economies have been rattled by troubles in China, where the world's second largest economy has suffered with its worst annual growth rates in a quarter of a century. *Channel News Asia*

Publications

Southeast Asia and the Economics of Global Climate Stabilization

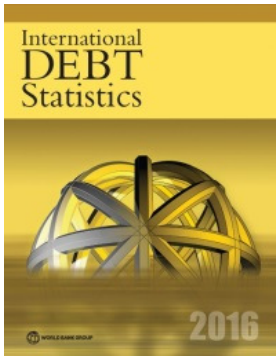
Southeast Asia is vulnerable to climate change, yet is also on a carbon intensive development trajectory.

The Asian Development Bank (ADB) has analyzed the potential role the region can play in climate change mitigation, focusing on the five countries of Southeast Asia that collectively account for 90% of regional greenhouse gas (GHG) emissions—Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.

The study uses global economic models to examine scenarios of regulating GHG emissions through 2050. Within the scenarios, the cost of climate change inaction, changes that achieve mitigation, costs of climate action, co-benefits of mitigation responses, and benefits of avoided climate change are assessed.

Contact for details: ADB Publishing
Website: www.adb.org/publications

International Debt Statistics



This year's edition of International Debt Statistics, successor to Global Development Finance and World Debt Tables, and the fourth in the series, is designed to respond to user demand for timely, comprehensive data on trends in external debt in low- and middle-income countries.

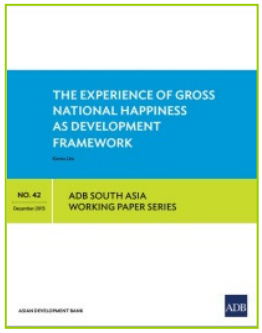
It also provides summary information on the external debt of high-income countries and public (domestic and external) debt for a select group of countries.

The World Bank's Debtor Reporting System (DRS), from which the aggregate and country tables presented in this report are drawn, was established in 1951. World Debt Tables, the first publication that included DRS external debt data, appeared in 1973 and gained increased attention during the debt crisis of the 1980s. Since then, the publication and data have undergone numerous revisions and iterations to address the challenges and demands posed by the global economic conditions.

Presentation and access to data have been refined to improve the user experience. The printed edition of International Debt Statistics 2016 now provides a summary overview and a select set of indicators, while an expanded dataset is available online (datatopics.worldbank.org / debt/ids).

Contact for details: World Bank Publications
Website: https://publications.worldbank.org

The Experience of Gross National Happiness as Development Framework



This paper explores Gross National Happiness (GNH) as a framework for socio-economic development in Bhutan by elucidating GNH principles that affect the way Bhutanese society and state interact.

The paper dwells more on how Bhutan is actually, in practice, doing - by assessing policy intentions versus policy outcomes and declarations. It concludes that Bhutan's experiment with GNH remains dynamic and evolving, and suggests that this whole policy process may also be of interest to those in the international community who have been intrigued by the original idea of GNH. It concludes that an outlook on whether GNH offers any realistic alternative toward higher well-being and lesser unsustainability in Bhutan.

Contact for details: ADB Publishing
Website: www.adb.org/publications

ASIAN BANKERS ASSOCIATION

The Asian Bankers Association (ABA) *serves as a forum for advancing the cause of the banking industry and promoting regional economic cooperation. Established in 1981, it provides a venue for an exchange of views and information on banking opportunities in the region; facilitating networking among bankers; and encouraging joint activities that would enhance its members' role in servicing the financial needs of their respective economies and in promoting regional development. With 100 members from 25 Asian countries, the ABA holds annual meetings and conferences on issues of concern to the banking sector, with the view to broadening its members' perspective on the situation and opportunities in the region. For more details, visit http://www.aba.org.tw*

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