

2017 New Year's Message from the ABA Chairman



I sincerely and warmly wish all ABA members, friends, and readers of the ABA Newsletter a very Happy New Year. May you achieve all the goals that you have set for yourself in 2017.

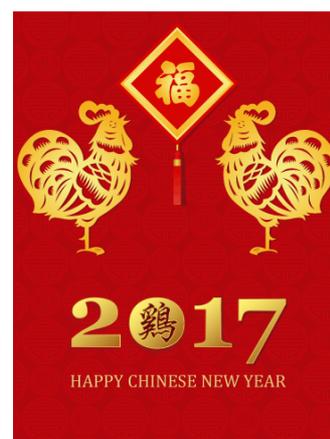
I certainly look forward to the incoming year as I embark on my second term as ABA Chairman. Thank you once again for supporting my re-election for another two years. I am indeed honored with the trust you continue to bestow upon me and the CTBC Financial Holding Co. It is a great privilege for me to be heading the ABA for the next term, and I hope to receive your suggestions on what we need to do to further the success of our Association.

As we learned from the discussions at last year's highly successful 33rd ABA General Meeting and Conference that was excellently hosted by Vietcombank in Ha Long Bay, Vietnam, the banking sector has entered a period of many new challenges and opportunities. A number of developments taking place in many of the advanced economies are having significant implications on Asia's financial markets and the global economy as a whole. I am therefore counting on your continued support and would like to call on you to play an active part in our efforts to make the ABA play a greater role in advancing the interest of the region's banking industry.

During the incoming 2017 – which is the Year of the Rooster in the Chinese calendar - I hope that we will all imbibe ourselves with the most important attributes associated with those born in the year of the Rooster, namely, hardworking, observant, resourceful, confident, open and courageous.

Wishing you continued prosperity, success and good health in 2017, and I look forward to seeing you again at the 34th ABA General Meeting and Conference in Mumbai, India.

Daniel Wu
ABA Chairman



General Meeting and Conference

ABA sets date for Planning Committee Meeting in Mumbai

The ABA and the State Bank of India, host organization for the 34th ABA General Meeting and Conference, have set the date for the Planning Committee Meeting in Mumbai on March 10, 2017.

To be chaired by ABA Chairman Mr. Daniel Wu, President and CEO of CTBC Financial Holding Co., the meeting will have the following primary objectives:



- To discuss preparations for the 34th ABA General Meeting and Conference tentatively scheduled sometime in November 2017 in Mumbai. Discussions will focus on the final dates and venue of the Conference, theme and topics for the Conference, suggested format and program, possible line-up of speakers, and other related matters.
- To review the progress of activities under the ABA Work Program for 2017-2018, including in the area of policy advocacy

Further information on the meeting – exact venue, annotated agenda, discussion papers, hotel accommodation, etc. – will be sent to all members as soon as these are available. To confirm your participation, please email the ABA Secretariat at aba@aba.org.tw



ABA announces venue and host bank for 34th Annual Meeting

The ABA agreed to hold its 34th ABA General Meeting and Conference in Mumbai, India with the State Bank of India as host organization.

Headquartered in Mumbai, the State Bank of India (SBI) has more than 14,000 branches including 191 foreign offices spread across 36 countries, and had assets of US\$300 billion from 2014-2015, making it the largest banking and financial services company in India by assets. The State Bank of India is ranked 232nd on the Fortune Global 500 list of the world's biggest corporations as of 2016.

Mumbai, formerly Bombay, is India's financial powerhouse and the country's largest city. Mumbai accounts for slightly more than 6.16% of India's economy contributing 10% of factory employment, 30% of income tax collections, 60% of customs duty collections, 20% of central excise tax collections, 40% of foreign trade and Rs 40,000 crore (US \$10 billion) in corporate taxes to the Indian economy. Mumbai is the world's 29th largest city in terms of GDP size and was ranked among the top fastest cities in India for business start-ups in 2009.

Discover ABA Session in Hanoi featured four country presentations

The Discover ABA Session held on November 10, 2016 at the 33rd ABA General Meeting and Conference featured four country presentations from member banks- Commerzbank from Germany, Bank Pasargad from Iran, Bank of Bhutan and Vietcombank from Vietnam.

Mr. Thomas Debelic, Director and Chief Representative for Vietnam, Laos and Cambodia at Commerzbank represented Commerzbank and gave an overview of Europe's current economic condition. He reported that European banks are facing major challenges and provided a background of the current interest rate, regulative, political and competitive environments in Europe.

Dr. Mostafa Beheshti Rouy, Executive Board Member, International Affairs, Bank Pasargad presented Iran as a land of opportunities. It is the world's 18th largest economy, and the second largest economy in the Middle East and North Africa (MENA) region with 2016 Gross Domestic Product (GDP) estimated at US\$ 425.9 billion. He discussed the provisions of the Foreign Investment Promotion and Protection Act (FIPPA) which allows foreign investment in all sectors opened to Iranian private companies.

Mr. Pema Nadik, Chief Executive Officer, Bank of Bhutan, introduced his country as a land-locked nation with a small population of 776,442. Bank of Bhutan, according to Mr. Nadik, was established in 1968 and acted as central bank until 1982. It is the only existing bank until 1997. 80% of the shares are owned by Druk Holding & Investments and 20% by the State Bank of India. He added that the production, manufacturing and services industry contributes to the country's economy. In 2015, Bhutan has a GDP of US\$ 1.96 million with an annual GDP growth of 3.25%

Mr. Pham Thanh Ha, Deputy CEO at Vietcombank talked about Vietnam's economy and its restructuring toward stability and higher growth quality. Vietnam's banking sector as discussed by Mr. Pham shows a high growth potential. Only 35% of country's population currently has a personal bank account, but favorable demographics presents growing levels of urbanization, young population and rising income.

The Discover ABA Session was moderated by Mr. Andrew Healy, Managing Director & CEO, Bank of Maldives.

The Discover ABA Session was first started five years ago – during the 28th ABA General Meeting and Conference held in Colombo, Sri Lanka in 2011. Its primary aim is to provide ABA members the opportunity to know, understand, and learn more about each other.

Every year, selected member banks are invited to make country presentations focusing on each other's economies and financial markets, as well as to introduce their respective organizations and their activities.



(Left photo) Discover ABA Session Speakers answer questions from the floor; (Right photo) Session moderator and speakers are joined by Vietcombank Chairman Mr. Nghiem Xuan Thanh for a group photo after handing out plaques of appreciation.

Policy Advocacy**ABA calls for inclusive MSME financing for banking growth and business sustainability**

The Asian Bankers Association (ABA) stresses the need for banks and financial institutions to play a significant role in making micro and small and medium enterprises (MSMEs) commercially bankable through a diversity of capacity building initiatives.

In a position paper issued at the end of the 33rd ABA General Meeting held on November 10-11, 2016 in Ha Long Bay, Vietnam, the ABA pointed out that MSMEs are acknowledged crucial for the growth and development of every developing and developed country in Asia.



(Left photo) ABA Chairman Daniel Wu opens the meeting of the ABA Policy Advocacy Committee; (Right photo) Committee Chairperson Ms. Prudence Lin takes over the discussions after Mr. Wu's remarks.

In light of the huge potential offered by the MSME sector to the future of the banking industry in Asia, the ABA says that banks need to initiate more holistic and inclusive institutional linkages and partnerships to make MSMEs commercially sustainable and bank ready for long journey with the banks.

- a. One such linkage is to build partnership between 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 that are their members.
- b. Second, it is important for banks to take the lead role in creating linkage between MSMEs and the micro, small and medium professionals (MSMPs), particularly those in the areas of accounting and auditing, legal, process engineering, and marketing, among others. The MSMPs are professional individuals or small and medium institutions who also play a key role in making MSMEs more sustainable business entities, through the professional services they provide in the areas of accounting, project management, auditing, human resource development and marketing, among others. To commercially access banks for obtaining services, this is a key requirement for MSMEs.
- c. 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 to create, on the other side of their client profile, a workable framework on buy-back

arrangements. This will mitigate the risk of lending to this sector to a considerable extent. One of the major issues for business sustainability of the MSMEs is the lack of integration in the supply and value chain for resourcing and market creation. In view of this, it is essential for bigger business entities to evolve partnerships between both supply and value chain business entities with MSMEs for mutual benefit.

With the MSME sector providing growing business opportunity for the banking industry in Asia, there is a need to take a strategic initiative of repositioning and evolving financial products, services and solutions that can match the emerging financial needs of this sector.

- a. First, the banks have to identify key locations in their local areas where they need to make their financial services, solutions and products available to this sector.
- b. Second, there is a need for a proper assessment of the diverse financial services and solutions and having them appropriately tailor-made to create greater accessibility to the MSME sector.
- c. Third, unlike corporate or high net-worth financing, this sector can thrive on the concept of 'millions to million', which means offering financial services, solutions and products at affordable pricing and in a 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 who have specific industry sector knowledge.

In summary, the ABA says that MSMEs are the future of retail banking space in Asia, in light of significant economic growth momentum that is envisage in the next decades. Commercial banks in Asia need to take a lead role in investing and harnessing in the future of their business. Commercial banks that have strong commercial and corporate business advantage by virtue of expertise and strong client relationships cannot continue to believe these captured businesses are their future sustainability. It is through the graduation process embedded into MSMEs that are created through the multiple stake holder engagement that will create the pipeline and feeder for the development of next generations of their commercial and corporate clientele. It is in view of this that the commitment of commercial banks for greater engagement in investing today in the emerging MSME sector is important for their sustainable business for tomorrow.

Bank Pasargad leads the way in promoting financial literacy in Iran

Bank Pasargad has been promoting financial literacy throughout Iran through its financial education and green banking initiatives. Its efforts in this regard are elaborated in the Bank's report discussed during the meeting of the ABA Policy Advocacy Committee held in conjunction with the 33rd ABA General Meeting and Conference on November 10, 2016 in Ha Long Ba, Vietnam.

The Iranian Banking Market

According to Bank Pasargad's Report, the banking system in Iran is the largest Islamic Financial system in the world. The sector has deepened extensively over the past decade through the licensing of private banks. Private Banks are well capitalized with the largest commercial banks privatized in 2008.

At present the Iranian banking sector consists of 32 banks with over 20,600 branches and 221,000 bank employee, over 410 million bank accounts of which 10 million are corporate and legal entity accounts. Large amount of financial inclusion took place when the Iranian Government cut subsidies for commodities and energy products in September 2010 and started depositing 440,000 IRRials (\$40) per month for every individual citizen to the bank accounts of the household principals to compensate the cut in subsidies. This has led the banked population to rise to a significant 95%.



ABA Policy Advocacy Committee listens intently to presentations on inclusive MSME financing for banking growth, financial literacy, and undertaking business process re-engineering initiatives aimed at achieving transformational change.

Bank Pasargad's Public IT Literacy Program

Bank Pasargad has been one of the pioneers in delivering financial education to the masses in Iran to increase financial inclusion, boost the economy, and improved the lives of the Iranian citizens. One of the objectives was to deliver affordable financial services to the under privileged and low-income segments of the society and at the same time educate the middle and the privileged class. Innovation in banking products based on IT, and increasing public awareness for applying the modern banking services has been its core objective in enhancing Financial Inclusion, which led the Bank to design and implement the Public IT Literacy Program (PITLP).

Using IT to good effect

Bank Pasargad is a very technology oriented bank with its in-house technology operations that provide the bank with the latest and the greatest tools for banking and payments. Its IT operations are also responsible for setting up the required network for effective communications between the branches, data centers and all the customer touch points. More than 96% of all Bank Pasargad transactions take place outside of the branches, making Bank Pasargad one of the highest digital banks in Iran.

Relying on its expertise, Bank Pasargad decided to use its IT team for the purpose of upgrading public's IT knowledge and awareness in banking services, in a way that had never been done before in Iran. It designed simple, seamless, and user-friendly websites where multiple videos were uploaded for all the available banking products. In addition, the Bank made power point slides available to the online audience along with text files with a wide variety of knowledge and data to make the people smarter in their financial matters.

When the Bank initiated the PITLP almost 6 years ago, it decided to provide Dial-up LAN cards to the people who did not have internet access and educated them on the use of basic Internet effectively. It later replaced the Dial-up cards with the Wi-Max GPRS based dongles to better serve the people who showed interest in learning through internet.

The Bank's policy was to leave no one behind so it provided tailored videos, contents, slides, text files for different age groups and different literacy segment. It decided to invest in people from a young age, and started a website for people as young as 3 years old. A dedicated website was launched (www.kids.bpi.ir) where young audience from toddlers, preschoolers to young adults could go online and learn through fun. Kids.bpi has online stories, games and activities which help kids get familiar with the financial world.

Bank Pasargad's intent on using IT to good effect in delivering financial education was not only to educate the people but was also to benefit the environment. Bank Pasargad has been working closely with the ministry of environment to raise awareness of green banking in Iran. The fact that its branches only process a small fraction (less than 4%) of its large volumes of transactions allows the Bank to save on natural resources like energy, water, space and above all paper. While using IT in financial education, the Bank ended up benefiting the environment a great deal as well. As a result, the Bank Pasargad has been awarded the 'green bank' award three times.

Use of branches to good effect

Bank Pasargad is not a branch-focused bank unlike many other banks in Iran. With just 327 branches, it has relatively less number of branches as compared to other banks in Iran. But being a technology driven bank, it has been able to use its Training Center as well as its branches (after official working hours) effectively to educate people in "class room" style trainings.

Under the PITLP, Virtual and Electronic Banking training materials were designed in very simple formats for different category of audiences and even elderly and less knowledgeable people. To this end, the Bank held class room type trainings for different category of audience who might not even have been customers of Bank Pasargad at that time. Classes were held during banking hours in its Education Center and also after working hours in the branches. Age, gender, social status did not matter, Individuals even could bring their families and everyone was well looked after with constant confectioneries being offered to all in the form of drinks and sweets. Under this program, the Bank concluded over 7,400 sessions and educated more than 78,000 individuals.

The after-hours sessions helped the Bank network and connect with people. While they were able to focus on training during after-hours training, their colleagues dedicate time to get to know each individual and their needs.

The participants in PITLP shared their learning and knowledge with their acquaintances and they themselves became new promoters of the Bank's banking products. This networking resulted in establishing a great deal of trust between the attendees and the teachers/mentors, and has been a driving force in promotion of the Bank's electronic banking services and products.

Conclusion

Bank Pasargad says that the PITLP led its clients to demand and use credit/debit cards, internet banking and mobile banking services to easily purchase goods, make bill payments, remittances, and online purchases. This also led Bank Pasargad to increase its banking channels and deploy ATMs, POS terminals and Kiosks in diverse areas. Its PITLP not only helped the citizens of Iran but also the environment by focusing on green banking. With the economy expected to grow with a 6% increase in GDP by 2020, the Bank has plans to enhance this program to continue serving the masses in Iran. Under this program has been able to significantly increase the access to cash through different loan and micro finance

programs by introducing Credit Cards and in turn increase corporate sales to the urban and the large untapped rural population.

HNB shares business process re-engineering initiatives, calls for information sharing and collaboration

Hatton National Bank (HNB), the second largest private commercial bank in Sri Lanka, has established an Operational Excellence committee and a Process Improvement and Change Management (PICM) unit as part of its efforts to address the heightened competition from non-banks particularly in the payments and remittances businesses.

In 2016 the bank intensified the efforts by creating a number of cross functional teams to fast-track the transformation efforts, where a Lean Committee was also formed to closely review processes across the bank from multiple fronts. The Bank’s recently concluded 2020 Strategy Sessions gives significant emphasis to Digital Transformation.



Strategy formulation

HNB has set in place a three-strategy pillar as the cornerstone of its program aimed at remaining ahead of the competition. This includes developing a

Sales Culture, driving Operational Excellence and aggressively deploying Digital Banking Solutions. The strategy is to reorient branches as customer sales and service centers whilst creating centers of excellence for Credit, Credit Operations and General Operations, to further improve the Direct to Indirect Staff ratio. Centralization remains a key priority with more functions being identified and reviewed for centralization.

A. Developing a Sales Culture

The key initiatives include:

- Moving staff from fixed to variable pay – A strong sales teams is now in place with dedicated sales staff from permanent cadre as well as outsourced teams with target driven incentives.
- Restructuring / Clusterizing Branches – Assessment of branches by Business Potential which determines product mix and resourcing accordingly. .
- Driving Quality vs. Quantity in Sales Efforts – Focused on driving sales in key focus areas
- Commenced a Brand Transformation Project with a view to strengthening the Sales and Service proposition and goal congruence across the bank

B. Driving Operational Excellence

The key initiatives include:

- Centralized Credit Operations and Security Repository - A centralized team has been established to manage disbursement, security document checking and storage. Further efforts being made to centralize collections and general inquiries management through a one-number Contact Centre.

- General Operations Centralization - Account Opening, Inward Clearing, Credit Card Operations, Standing Order processing, Card Issuance, Interest Rate Review processes have been reviewed and partially or fully centralized.
- Automation - Automated workflows to facilitate Paperless office for both customers and internal correspondence. Process improvement initiatives are in progress to facilitate Paperless Audit. All these initiatives, including solar conversion of 60 branches to date, contribute to our efforts in halving our Carbon Footprint by 2020.
- Outsourcing - ATM Loading and Cash Management, Recoveries are recent additions
- Consultancy - Commenced consultancy to assist us in setting up a shared services center for support services. This entails separation of routine repetitive tasks to be entrusted to non-permanent staff thereby benefiting from specialization, standardization, speed and cost efficiencies.

C. Driving Digital Banking

Initiatives include:

- Implementing a fully-fledged Electronic Banking system to serve Retail, SME and Corporate Segments with Financial Planning, Trade, Cash Management, Supplier and Distributor Financing and Alerts functionalities
- Procuring Deposit Acceptance Machines to complement extensive ATM Network
- Plans are in place to establish Digital Branches.



Collaborative measures to overcome challenges based on learnings of ABA Community

HNB encourages collaboration and cooperation among ABA member banks in the achieving transformational changes through the following measures:

- Sharing of insights / experiences on members' own journey given the unique market pressures experienced in your country/region
- Fast tracking the implementation of change initiatives to achieve faster result
- Exchanging views on continuing internal team efforts vs. hiring consultants/ resultants to support transformational change – when, whom to select, experiences, learnings and expected cost benefits
- Forming an “ABA Discussion Group” for an ongoing structured dialogue for sharing of best practices and developing specific learning forums on transformational change through Business Process Re-engineering efforts.

News Updates

IMF sees subdued global growth

Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017, the IMF said in its October 2016 World Economic Outlook. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States.

These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer. Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain.

Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices.

But prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp lowdown.

In advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent, with anti-integration policy platforms gaining more traction.

Several emerging market and developing economies still face daunting policy challenges in adjusting to weaker commodity prices.

These worrisome prospects make the need for a broad-based policy response to raise growth and manage vulnerabilities more urgent than ever.



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Member Personality**Veteran banker Cecilia Borrromeo is new DBP chief**

The board of directors of state-owned Development Bank of the Philippines (DBP) elected veteran banker and former Land Bank of the Philippines (Landbank) officer Cecilia Borrromeo as its president and chief executive officer (CEO).

The DBP said Borrromeo took her oath of office as a member of the DBP board of directors before Finance Secretary Carlos Dominguez III at the bank's head office in Makati City in early January.

Borrromeo replaced Gil Buenaventura, who has been serving as president and CEO of Rizal Commercial Banking Corporation since July 1, 2016.

Borrromeo, who had served since August last year as Landbank officer-in-charge, has 27 years of banking experience.

She joined Landbank in 1989 and rose from the ranks as a project assistant at its Program Management Department to later handle various core banking operations.

Borrromeo then became executive vice president, first for Landbank's Institutional Banking and Subsidiaries Sector in 2009, and later for its Agricultural and Development Lending Sector in 2012.

Under her leadership, the DBP said Landbank's agricultural lending sector achieved an 89% total loan portfolio growth from P233.1 billion in July 2012 to P421.5 billion in June 2016.

Borrromeo also managed the bank's treasury and investment banking operations, which covers foreign exchange and foreign securities investment portfolios.



Philippine Finance Secretary Carlos Dominguez III (right) swears in new DBP President and CEO Cecilia Borrromeo.

Special Feature**How resilient are banks in emerging Asia against negative shocks?**

RETAIL BANKING | Staff Reporter, Philippines
Asian Banking and Finance

Emerging Asian banks outperform other regions in Moody's stress tests. Banks in Emerging Asia are well-prepared to withstand negative shocks, according to the results of Moody's Investors Service stress testing. The banks' cost efficiency, strong income generation and good levels of general loan reserves would help them to resist the conditions set out in the ratings agency's tests.

On average, banks in the region would see their capital ratio fall by 5.7 percentage points over the two-year testing period, down from 11%. Their non-performing loans would rise to 12.5% from 3% at the end of 2015. These are better results than the average of the near 80 banking systems that Moody's covered in its regular stress tests.

"There are a number of reasons that explain why Emerging Asian banks outperform other regions in our stress tests," said Jorge Rodriguez-Valez, a Moody's Vice President and co-author of the report. "Emerging Asian banks stand out in terms of cost efficiency and they have a strong income generation, as well as significant levels of general reserves, giving them an extra cushion to absorb losses.

"Finally, their asset composition is also favourable, in particular due to low exposure to equity securities, which tend to have high expected losses during periods of financial distress," Mr Ellis added.

However, within the results, there are some differences across countries. Philippines and Thailand outperform their peers. Banks in Indonesia benefit from very high levels of capital, which gives them enough buffer to withstand the stress test.

Conversely, banks in Pakistan, Mongolia, Sri Lanka and Vietnam remain vulnerable to stressed conditions. Their current levels of capitalization are low and their levels of non-performing loans high. They would also be severely hit by their exposures to government bonds with low ratings that would carry high expected loss rates if a stress scenario were to materialize.



Moody's stress tests are calibrated to broadly represent a "1 in 25 year" event. It consisted of a common benchmark based on loss rates, multipliers and haircuts. This global, consistent approach allows comparability in results across banks and national banking systems for our rating purposes. The latest stress test involved 97 banks in the Emerging Asia region.

Among Member Banks

BEA announces Stock Connect securities trading offer - The Bank of East Asia, Limited (BEA) on December 5 announced a

new securities trading offer for customers who trade China A-shares through Stock Connect Service. From December 5 to February 28, 2017, new and existing holders of all-in-one accounts (Supreme Gold Account, Supreme Account, i-Account, or CorporatePlus Account) who trade eligible Shanghai and Shenzhen A-shares through the Stock Connect Service will receive a commission rebate of up to CNY 3,000. To enjoy the offer, all-in-one account holders should register for the Stock Connect Service at any BEA branch or through Cyberbanking. Once registered, customers will be able to receive real-time A-share stock quotes. *BEA News Release*



Bank Pasargad named once again as “Bank of the Year” in Iran - On December 7, 2016 during a black-tie dinner ceremony at London’s Hilton Bankside Hotel, Bank Pasargad was once again named as Bank of the Year in Iran for the year 2016 by The Banker magazine. This is the 6th year during the past 7 years that Bank Pasargad has obtained this prestigious award. Bank Pasargad has been named as Bank of the Year in Iran by The Banker for years 2010, 2012, 2013, 2014, 2015 and 2016. Bank Pasargad is Iran’s largest private bank providing a full range of banking and financial services to private, corporate and government clients. *Bank Pasargad News Release*



Saman Bank foreign exchange transactions hits high - The volume of foreign exchange transactions in Saman Bank has exceeded \$3.8 billion for the first nine months of Iranian calendar (beginning 20 March, 2016). According to the announcement made by International Affairs Department of Saman Bank, the bank has been successful in preparing the ground for easing the trade ties of Iranian businessmen with

the world in post-sanctions era and the opportunity to re-establish brokering ties with international banks. “Foreign exchange transactions volume in Saman Bank has reached high record of over \$3.8 bn in a nine-month period, from 20 March – 20 December 2016, in fields of issuing credit, bills and exchange transfer,” the report states. All transactions, according to report, are based on international standards and the legal rules of Islamic Republic of Iran and are operated via foreign banks that have brokering ties with Saman Bank and in all common currencies. *Saman Bank News Release*



Mizuho Bank eyes expanding its footprint in the Philippines - One of Japan’s largest commercial banks has expressed interest in expanding its footprint in the Philippines, particularly in the field of infrastructure where the Duterte administration has pledged to accelerate spending to create jobs and



reduce poverty. In a meeting with Finance Secretary Carlos Dominguez III, Nobuhide Hayashi, the President and CEO of Mizuho Bank, Ltd. said the recent state visit of President Rodrigo Duterte to Japan was an important development in the bilateral relations between Japan and the Philippines that “sent positive signals” to Japanese investors. “We want to expand our business here, and we ask for your support,” Mr. Hayashi said during the meeting. His comment was in response to Dominguez’s explanation of the Duterte administration’s three priority goals which are: reducing poverty, promoting and developing a society that is law-abiding and ensuring that the country is at peace with itself and with its neighbours. Dominguez said that in implementing this goal, the government has “been quite successful, especially in making people safer.” *Philippine Information Agency*

 **SMBC to buy U.S. freight car leasing firm for \$2.8 billion** - Sumitomo Mitsui Banking Corp. said on December 20 that it will buy U.S. freight car leasing firm American Railcar Leasing LLC for roughly \$2.8 billion, eyeing a boost in its earnings on the brighter U.S. economic outlook. The Japanese bank plans to acquire all shares in the Missouri-based company from an investment fund by June 2017. It is considering merging American Railcar Leasing with another freight car leasing firm it bought in December 2013. The U.S. economy is gaining momentum with the election of Donald Trump, who has vowed to boost spending on the nation’s infrastructure. Sumitomo Mitsui is hoping for a profit boost in the leasing business as logistics activity tends to ramp up in conjunction with economic growth, according to the bank. *Japan Times*



 **Maybank launches the first mobile money transfer service in Malaysia with Western Union** - Maybank and Western Union, a leader in global payment services, on December 21 announced the launch of the first digital remittance service in Malaysia via its Maybank2u (“M2u”) mobile banking App. The mobile App service enables Maybank customers to transfer money to more than 500,000* Western Union® Agent locations in over 200* countries and territories. The money transfer service which is available 24 hours a day, seven days a week including public holidays, allows customers to transfer up to RM10,000 in a day. Recipients are able to receive money quickly after it is wired by the sender. The digital remittance service is also available on the Maybank2u website. *Maybank News Release*



 **Bank of Maldives introduces convenient new dollar system for travelers** - Following the recent successful handling of dollar sales for Maldivian travelers by MMA over the busy holiday period, Bank of Maldives



has announced the introduction of a convenient new system from January 8, 2017 onwards. Travelers will now be able to use an online portal to purchase up to USD 500 per traveling passenger. They can then simply collect their notes – after check-in – at the Bank’s dedicated collection area at Velana International Airport. For those who do not have access to online booking, they can come along to any BML branch in Male’ and pay for their dollars which again will be ready for collection at the airport at the time of traveling. Passengers departing from other international airports within the

country will be able to pick up their dollars from the BML branch located closest to that airport. The new process is well documented on the Bank’s website which also contains a short, explanatory video. *Bank of Maldives News Release*

 **DBP supports solar power project** - The Development Bank of the Philippines (DBP) has approved a P1.355-billion loan to Enfinity Philippines Renewable Resources Inc. (EPRRI) for the refinancing of its 22.326 MW solar powered electricity generation project in the Clark Freeport Zone, Pampanga. The project is a joint venture of Mabalacat Solar Philippines Inc. and two Singapore-based firms, Sindicatum Renewable Energy Company Pte. Ltd. and Armstrong Asset Management. Successfully constructed and commissioned, and operational since 10 March 2016, the project is expected to generate approximately 32,000 MWh/year of “clean” electricity. Financing the proposed project will contribute to the National Government’s thrust of achieving energy independence through the development of renewable energy resources. *DBP News Release*



 **DBS/POSB boosts banking footprint with POSB Cash-Point** - In its drive to extend banking beyond traditional touchpoints, DBS/POSB on December 7 announced the addition of some 60 SPH Buzz newsstand outlets to its POSB Cash-Point network. With this expansion, DBS/POSB has effectively increased its POSB Cash-Point locations to around 880 islandwide. Together with DBS/POSB’s network, the bank now has over 2,400 withdrawal touchpoints in Singapore. Introduced in 2013, POSB Cash-Point is a complimentary service that allows customers to withdraw up to SGD200 (in multiples of SGD10) with any item purchase, using a DBS/POSB card linked to their deposit account. POSB Cash-Point is already available at 7-Eleven, Cold Storage, Giant, Guardian, Jasons, Market Place, SingPost and Sheng Siong. POSB Cash-Point’s retailer mix is specifically focused on key shopping stops (newsstands, supermarkets, convenience stores, health & beauty stores) so customers need not go out of their way to access cash withdrawal services. The service also benefits retail businesses as it helps reduce their outlets’ cash holdings and in turn, the effort involved in handling cash – which includes the counting, transportation and depositing of notes. *DBS News Release*



 **UOB launches Singapore’s first banking solution to give millennials a headstart on building their wealth through investments** - With 90 percent of Singapore’s millennials in the workforce, United Overseas Bank Limited (UOB) launched on January 3 Singapore’s first banking solution to help these young professionals start building their wealth earlier in life. UOB’s Young Professionals Solution was designed for emerging affluent millennials between 24 and 35 years old and comprises three components- the UOB One Account, UOB YOLO credit card, and the United SGD Fund (the Fund). The solution helps millennials to invest by “sweeping” into the Fund earned interest from each customer’s One Account and rebates from spending on the YOLO card. UOB is the only bank in Singapore to offer the sweep function tied to a current account, credit card and unit trust enabling its customers to invest their earned interest and credit card rebates in a unit trust. With the Young Professionals Solution, the Bank has waived the two percent online sales charge and has also reduced



the minimum initial investment amount required to \$10, instead of the usual \$1,000. These changes make it more attractive and effortless for millennials to start investing sooner as they address concerns that the millennials say they have. *UOB Group News Release*

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CTBC launches credit cards to tap into Line Pay - CTBC Financial Holding Co. launched on December 19 a co-branded credit card with Line Corp in a bid to tap into sales



CTBC HOLDING
中國信託金控

opportunities from Line Pay, the popular messaging app's mobile payment service. The bank aims to issue 1.2 million credit cards within one year, garnering sales of NT\$66 billion (US\$2.06 billion) in spending during the same period, it said. Line has about 17 million users in Taiwan, of which 1.3 million have signed on to Line Pay since the payment service was launched, said Wu Meng-chih, who directs Line Pay's operations in Taiwan. Regarding rival payment services offered by Google, Apple Inc and Samsung, Wu said that Line Pay's prospects would be boosted by its large user base. *Taipei Times*

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First Bank opens Branch in Philippines - Taiwan-based First Bank has been issued a permit by Bangko Sentral ng Pilipinas (the central bank of the Philippines) to open its first branch in the Philippine capital city of Manila on



December 16, according to a statement released by the bank. The Manila branch will initially provide savings, loans, import and export trade financing and foreign exchange services. In the future, it looks forward to helping create high economic growth opportunities through the use of its global channels, digital-cross border financial services, and localized business strategy to provide convenient and diversified financial services to Taiwanese-funded Philippine enterprises, foreign-funded enterprises and local customers, said the bank. *Taiwan News*

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Vietcombank successfully issues non-convertible bonds worth \$88m - The Bank for Foreign Trade of Vietnam (Vietcombank) on December 5 announced it successfully issued non-convertible bonds worth



VND2 trillion (US\$88 million). According to the bank, it sold out all 20 million bonds to the public at par value of VND100,000 per unit, of which foreign investors hold 0.81 percent of the total value. With the successful issue, charter capital of the Vietnam's largest lender by market value increases to VND 28.65 trillion. Previously, in early August, the State Bank of Vietnam (SBV) approved Vietcombank's plan to issue bonds worth VND 8 trillion in 2016. The central bank asked Vietcombank to use the funds raised from the issue of bonds for appropriate purposes and with efficiency. *Vietnam News*

Banking and Finance Newsbriefs**Hong Kong****Hong Kong Monetary Authority implements measures to improve ethnic minority access to basic financial services**

Concerns are growing that a “banking underclass” is emerging in Hong Kong due to the combined effects of racial discrimination and a system of redress so cumbersome that people have given up complaining.

In a move to address the problem – which has become increasingly difficult to quantify due to a falling number of formal complaints – the Hong Kong Monetary Authority has introduced a series of measures aimed at improving ethnic minority access to basic financial services which the rest of the population take for granted.

Both the authority – a de facto central bank for the city – and a respected ethnic minority advocacy group have urged people from the ethnic minority community, which numbers more than 350,000, not to lose faith in the complaints system.

Last year, advocacy group Hong Kong Unison received just seven complaints about possible discrimination against ethnic minority people who tried to open a bank account or access financial services while Equal Opportunities Commission said it received only one such complaint under the Race Discrimination Ordinance. The monetary authority said their 2016 figure was zero. *South China Morning Post*

India**Bank of India revises lending rates on retail loans**

State-run Bank of India on January 8 said it has decided to reduce its interest rates on retail loans, including home and vehicle loans, with effect from January 9.

The bank earlier reduced its minimum lending rates or marginal cost of funds based lending rates (MCLR) by up to 90 basis points, effective January 7, it said in a release here.

“The revision in rate of interest on retail loans is a consequence of reduction in MCLR,” it said.

The rate on home loans has been lowered to 8.65 percent for women borrowers, while for others the rate has been set at 8.70 percent.

The bank has reduced the interest rates for vehicle loans to 9.35 percent.

For loan against property, the new rates are set in the range of 10.50-11 percent. *Economic Times India*

Japan**Japan’s megabanks consider a pivot to America**

Japan’s megabanks may shift their overseas focus away from Asia and onto the U.S., where they believe that aggressive fiscal stimulus promised by the incoming Donald Trump administration will offer new business opportunities. But the prospect of protectionism could hobble their ambitions.

Mired at home under a zero-interest rate policy, Japanese banks have been forced to look abroad for growth opportunities.

“If the U.S. economy is buoyed, then our business opportunities will increase,” said Koichi Miyata, president of Sumitomo Mitsui Financial Group, who thinks the U.S. is the most promising region in 2017.

The infrastructure investment and large tax cuts touted by the Trump campaign would

offer his administration a chance to boost U.S. economic growth. To tap this, Sumitomo Mitsui looks to increase lending to local and Japanese businesses as well as bolster brokerage services such as M&A advising. *Nikkei Asian Review*

Korea**South Korea banks cut 3,000 jobs in 2016**

South Korean banks cut almost 3,000 jobs last year, many through lay-offs, data showed on January 2, with the job-reduction trend expected to continue this year amid an economic slowdown and growing risk management pressure from US rate hikes and massive household debt at home.

The number of employees at banks in Korea totaled 115,516 at the end of September, down 1,507 from nine months earlier, according to the Financial Supervisory Service's financial data information system, Yonhap reported.

That of KB Kookmin Bank fell by 551 to 19,795, which represents 36.6% of the total number of jobs lost during the January-September period in the country's overall banking sector.

KEB Hana Bank and Woori Bank also cut their workers by 271 and 243, respectively, with 87 and 302 workers leaving Shinhan Bank and NH Bank. On the other hand, the number of employees at the state-run Korea Development Bank fell by only 12. *Financial Tribune*

Malaysia**Malaysia to phase out 9-month Klibor rate**

Malaysia's central bank on December 29 said it will phase out the nine-month tenure of its interbank benchmark rates, effective January 2018.

The decision to scrap the nine-month Kuala Lumpur Interbank Offered Rate (Klibor) was taken due to "limited market demand, relevancy and sufficiency of transactional data to support the rate setting process," Bank Negara Malaysia said in a statement.

Malaysia also offers 1-month, 2-month, 3-month, 6-month and 1-year Klibor rates.

"During the transitional period beginning 1 January 2017, all market participants with existing contractual agreements referencing the 9-month KLIBOR are expected to review their contracts to provide customers with alternative mechanisms," the central bank said, adding that new contracts should no longer use nine-month Klibor. *Business Times*

Philippines**BSP orders banks to shoulder fraud losses from old cards**

Banks that fail to install their debit and credit cards with more secure technology by January 1 will be held responsible for any fraud losses incurred, the Bangko Sentral ng Pilipinas (BSP) has announced.

This announcement comes as banks are likely to miss the year-end deadline to shift all their cards from the old magnetic strip at the back to the new EMV chips at the front, which promise better protection against skimming and counterfeiting.

EMV stands for Europay-Mastercard-Visa, the three companies that developed the latest global standard in ensuring more secure transactions through the use of a microprocessor chip.

Banks are already at "90 percent compliance" when it comes to updating their software, card terminals and automated teller machines (ATM) for the EMV chips, BSP Deputy Governor Nestor Espenilla, Jr. said in a news conference on December 28. *CNN Philippines*

Singapore**Singapore asks banks to establish clients' tax residency status under new rules**

Singapore has asked financial institutions to establish the tax residency status of all their account holders and report some of the financial data to authorities, as new rules on financial data sharing kick in to fight tax evasion.

Singapore from Jan. 1 began complying with the Common Reporting Standard (CRS), an internationally agreed standard which would allow countries to automatically exchange financial data for tax purposes.

Offshore wealth centers Singapore, Switzerland and Hong Kong are among the over 100 jurisdictions who have committed to start exchanging information to combat tax evasion by 2018, in an initiative led by the Organization for Economic Cooperation and Development (OECD).

Singapore's tax authorities said account holders of financial institutions such as banks and insurance firms, should provide the institutions with information to establish their tax residency status when asked. *Reuters*

Taiwan**Taiwanese prefer personal banking experience: survey**

The majority of people in Taiwan prefer to conduct banking transactions in person rather than online, a survey by global information technology company Unisys said.

The survey, conducted in September last year, found that 74 percent of consumers preferred visiting a bank in person, while 19 percent preferred to bank online, 5 percent would rather use a mobile banking app and 2 percent would opt for telephone transactions.

Among seven Asia-Pacific regions questioned in the survey, Taiwan and Hong Kong had the highest preference for in-person banking (74 percent), followed by the Philippines with 73 percent, Malaysia 67 percent, Australia 53 percent and New Zealand 42 percent, according to the survey.

The majority of people in all seven nations said that they were likely to make payments, research banking products and check their account balances via a bank's Web site, Unisys said. *Central News Agency*

Thailand**Thailand's central bank warns banks about insurance sales**

The Bank of Thailand has renewed its call for banks to comply with its rules when selling insurance policies to customers.

Bank staff must not force the sales of insurance products by packaging them with basic banking products such as deposits or loans, the central bank said in a circular letter sent to commercial banks on January 6.

Any sale pitch for insurance products should be in line with the demand and affordability of customers.

When general insurance is sold as part of a package with deposits, the staff should explain the benefits and conditions that may put customers at a disadvantage in an accurate, comprehensive manner. The explanations should be made in a jargon-free language that ordinary people can easily understand.

Moreover, insurance policies can be sold only by certified bank staff, who must introduce themselves as such before beginning a sales pitch, it said. *Bangkok Post*

Vietnam

Central Bank of Vietnam sets credit growth at 18 percent for 2017

At a conference to review the performance of the banking industry in 2016 and targets for 2017 on January 5, SBV Deputy Governor Nguyen Thi Hong said that credit growth controlling measures are aimed to ensure the safety and efficiency of the banking sector and the economy.

“They will also be used to ensure that loans go to the business and production sectors prioritised by the Government and prevent over-lending in risky sectors,” she said.

The central bank will continue implementing an active and flexible monetary policy this year--in close co-ordination with fiscal and other macro policies--to stabilise the interest rate level, just as it successfully did last year, and reduce lending interest rates if possible, Hong added.

In 2016, short-term lending interest rates now hover around 6-9 percent per year while medium and long-term rates stand at 9-11 percent. Particularly, by the end of September last year, some institutions reduced their deposit rates by 0.3-0.5 percentage points and cut their lending rates by 0.5-1 percentage points. *VN Express*



Publications

Asian Economic Integration Report 2016

With the continued anemic global economic recovery, trade growth in Asia and the Pacific decelerated in 2015, falling further behind growth in gross domestic product.

Asia’s trade growth by volume decelerated to 2.3% in 2015, below the 2.7% growth in global trade, and falling further below the region’s gross domestic product (GDP) growth rate of 5.3%. Developing Asia’s exports grew 3.0% in 2015, on par with advanced economies. But imports grew a meager 1.7% compared with 4.5% in advanced economies.



Financial integration continues to increase gradually in the region but lags far behind trade integration. With greater financial openness, Asia’s cross- border portfolio investment and bank claims increased from \$3.0 trillion in 2001 to \$11.0 trillion in 2015. However, Asia’s share in global cross-border portfolio investment and bank claims remained a modest 16.2% in 2015, slightly up from 14.1% in 2001.

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Financial Inclusion in the Digital Age

Key issues and policy suggestions for promoting financial inclusion are discussed in this new policy brief.

Financial systems have been expanding, offering more services for savings, credit, investment, insurance, and retirement. However, much remains to be done to provide quality services at low cost to people and small businesses in both urban and rural areas as well as in poorer regions where there are fewer profitable opportunities. The development of information and communication technology applied to financial services provides new opportunities to increase financial inclusion but also requires greater financial awareness and literacy. As the finance sector reaches new consumers who are inexperienced with financial services, consumers need to be fully informed of the costs and risks of the financial products on offer. Meanwhile, traditional commercial and retail banks are finding that digitized finance is disrupting their usual approaches to handling savings and lending; they need to adapt and find ways to provide electronic services to meet the growing demands of their customers.



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

Risks and Returns: Managing Financial Trade-Offs for Inclusive Growth in Europe and Central Asia

Financial sector development must go beyond improving access to bank credit. Financial systems should develop in a balanced way through both bank and non-bank subsectors, including capital markets, the insurance sector, and other nonbank financial institutions to properly support inclusive growth in Europe and Central Asia, says a new World Bank report.



Risks and Returns: Managing Financial Trade-Offs for Inclusive Growth in Europe and Central Asia, launched on December 6 at the National Bank of Poland in Warsaw, notes that financial system in emerging countries in the Europe and Central Asia region is significantly less developed and less diversified than the financial system of their closest benchmark, Western Europe, and many of its middle-income peers.

Contact for details: World Bank Publications

Website: <https://publications.worldbank.org>



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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