General Meeting and Conference

News Updates

Former ABA Chairman Peter Favila named to the Philippine Monetary Board

Mr. Peter Favila, Former Chairman of the Asian Bankers Association and current member of the ABA Advisory Council, has recently been appointed member of the Monetary Board, the policy making body of Bangko Sentral ng Pilipinas, the Philippine central bank.

Mr. Favila – along with the other six members of the Monetary Board appointed by the country's President – will serve a fixed term of six years each as provided under the New Central Bank Act.

Mr. Favila is a returning member of the Monetary Board, having served as a member from 2008 to 2014. He was Secretary of the Department of Trade and Industry from 2005 ro 2010, and President of Allied Banking Corp. and Philippine National Bank. He had served as a consultant to the Bangko Semtral ng Pilipinas and CDC Holdings Inc. and as Chairman/President of the Philippine Stock Exchange from 2001 to 2005.

Mr. Favila obtained his Bachelor of Science in Commerce major in Banking and Finance from the University of Santo Tomas and completed Advanced Management Program of the Wharton School, University of Pennsylvania.

Mr. Favila was ABA Chairman from 1996 to 1998. He was President of the Philippine National Bank at the time.

Asia manufacturing picks up in June but momentum seen slowing into second half

Manufacturing activity in Asia's tech producing economies expanded in June, helped by growing global demand for electronics products, but headwinds in external markets could mean a moderation in growth in the second half of the year.

Private sector surveys of manufacturers in Asia showed the factory sectors of China, South Korea, Japan and Taiwan picked up in June, driven largely by a recovery in exports.

However, continued declines in energy prices, which weighed on manufacturing activity in Indonesia and Malaysia, could hurt these two economies going forward, analysts say. Meanwhile, in India, sluggish domestic demand offset strong foreign demand and led to a manufacturing slowdown in June.

Factory Purchasing Managers' Indexes for South Korea, Japan, Taiwan Vietnam and India all remained above the 50-mark that separates contraction from expansion on a monthly basis. And all of these indexes, except for Japan and India, rose from the previous month, indicating an acceleration in expansion.

"Overall, the cross above the 50 waterline is not in doubt," said Vishnu Varathan, Asia head of economics and strategy at Mizuho Bank's Treasury division.

"But the ability for manufacturers to continue to accelerate, or to maintain sharp surges in production, is in question given underlying demand, apart from some bright spots, doesn't seem to have permeated more widely across the different sectors," he said.

While manufacturing in June expanded at the fastest pace in three months in China, the world's second-largest economy, business confidence slumped to its lowest level this year amid a government crackdown on debt risks and tightening financial conditions.

"We believe cyclical momentum (in China) has likely peaked and will ease further due to tighter financial conditions," Yin Zhang and Helen Qiao, economists at Merrill Lynch in Hong Kong, wrote in a note.

"Looking ahead, since overall growth is still higher than the policy target level at around 6.5 percent for real GDP, we expect policy makers to maintain the tightening bias in (the second half), which is likely to impose downward pressure on growth until early 2018."

In Japan, confidence among big manufacturers hit its highest level in over three years in June, according to a survey from the central bank published on July 3.

But despite the recovery in some parts of Asia, stubbornly low inflation globally and other economic factors could weigh on the export-dependent region in the second half.

The Citi Economic Surprise Index, which moves in tandem with data beating or underclubbing expectations, has plunged for major industrial nations this year and is at negative levels not seen since 2011.

And with global debt now standing at a record $217 trillion, "roll over" risks will increase as central banks start raising interest rates, weighing especially on emerging markets that have borrowed in euros and dollars.

In southeast Asia, manufacturing in Vietnam was boosted by ramped up production by South Korea's Samsung Electronics. Vietnam's electronics output fell 1 percent in the first quarter from a year earlier on problems with Samsung's Galaxy Note 7, which the company scrapped last year, but recovered in the second quarter. Samsung is Vietnam's biggest foreign investor.

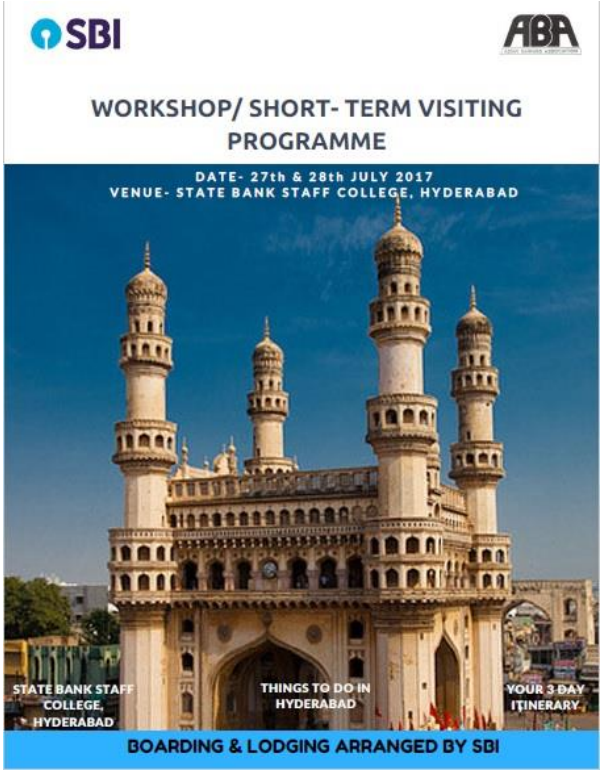
Despite the encouraging electronics-driven headline numbers for Japan, Taiwan and South Korea, signs of weakness are showing in other parts of these economies.

Household consumption remains sluggish in Japan, job creation in Taiwan was the weakest in 20 months and South Korea's factory output shrank for a 11th straight month and factory employment fell for a 10th.

"The larger story seems to be that a moderate recovery continues to be in place," Mizuho's Varathan said. "But for a virtuous cycle of wider household consumption that leads to a pickup in industries, we still have to wait for few more quarters before that to play out. And that's the optimistic view." *Reuters*

Education and Training

Program Brochure for State Bank of India Workshop on July 27-28, 2017 in Hyderabad



The State Bank of India prepared a program brochure for the Short Term Visiting Program it is hosting for the first time at the State Bank Staff College in Hyderabad on July 27-28, 2017.

The brochure includes information on Hyderabad-The Pearl City, the State Bank Staff College Hyderabad, famous attractions to explore, and the complete itinerary.

The primary objective of ABA's short-term visiting program is to provide member banks the opportunity to study and undergo training on specific aspects of the operations of member banks. The idea is to enable the visitors to: (i) enhance and upgrade their technical skills and knowledge in specific banking areas in the distinct and peculiar social, economic and business environment of the host country, and (ii) gain first-hand knowledge of the operations, systems and work procedures of the host bank's various line departments.

The SBI program will cover topics such as: Global Market/Treasury, New Business Initiatives - Digital Banking: Connecting with Customers, Reaching out: Financial Inclusion, Connecting with the Customers – Social Media and Data Analysis; Risk Management, KYC/AML/CFT/Money Laundering/FATCA Compliance and Challenges, Developing Future Leaders, e-Smart SME-MSME Lending/Supply Chain. Participants will also have the opportunity to visit a branch and the central processing cell of SBI.

The ABA encourages member banks to take advantage of this opportunity to learn from SBI's experience in several key banking operations. Interested parties may request for confirmation form by sending an email to the ABA Secretariat at aba@aba.org.tw

Postponement of RCBC Microfinance Appreciation Course

The RCBC Microfinance Appreciation Course originally scheduled on June 5-7 in Davao, Philippines has been postponed. Mindanao region in southern Philippines has been placed under Martial Law by Philippine President Rodrigo Duterte following a violent attack in Marawi City.

While Davao City – which is the venue of the Microfinance Workshop scheduled to take place on June 5-7, 2017 – is located some 250 kilometers from Marawi City, the local organizer and host Rizal Commercial Banking Corporation (RCBC) has recommended the re-scheduling of the program to a later date. They say that although the Philippine military has

announced that the situation in the affected region is now under control, it is advisable to postpone the workshop for now until such time that everything has stabilized.

The ABA sincerely apologizes for any inconvenience the postponement may have caused member banks and organizations.

Recognizing the importance of the workshop and the benefits that members can expect to derive from attending it, the ABA and RCBC still intend to conduct the workshop in the future and will advise member banks once the new dates and venue are decided.

ACRAA to conduct training workshop on "Indicators for Effective Macroeconomic Risk Analysis"

The Association of Credit Rating Agencies in Asia (ACRAA) is organizing a Training Workshop on Indicators for Effective Macroeconomic Risk Analysis to be held on July 27-28, 2017 in Kuala Lumpur, Malaysia.

Targeting executives up to intermediate levels, this two-day course provides a practical guide to understanding quantitative and qualitative macroeconomic indicators commonly used as signals for countries' economic health. It will also provide a basic framework that can be used to assess the prospects and the risks associated with the economy.

During the workshop, common macroeconomic indicators relating to a country's level of production – such as gross domestic product (GDP), gross national product (GNP) and gross national income (GNI) – and asset prices, capital flows and so on are not only described using textbook definitions but also explained through examples of countries that experienced unforgettable events because of their peculiar trends.

ACRAA was formed in 2001 as an initiative of the ABA (under the guidance of the late ABA Founder Dr. Jeffrey L. S. Koo and with the support of the Asian Development Bank) as part of ABA's efforts to promote a regional bond market. Its membership has now grown from the original 15 founding members from 10 countries, to the current 29 member agencies from 14 countries. Its Secretariat is based in Manila, Philippines, with Mr. Santiago Dumlao as Secretary-General.

For more information on ACRAA, interested parties may wish to visit its official website: **http://acraa.com/**

Special Feature

How AI will dominate banking in Asia

BANKING TECHNOLOGY | Asian Banking and Finance Staff Reporter, Singapore

Hillstone Networks, Latize, and Software AG Asia share why AI is the future of banking

Startup fintechs, e-commerce brands, and even established giants such as Google, Apple, Amazon, and Facebook are scrambling for their place in the money market, all driven by today's rapidly evolving technology. This disruptive, game-breaking factor spoils consumers with convenience and intuitiveness in all facets of their life, and banks that fail to deliver just that will see their clients walking out the door.

Fortunately, these alternative channels have not encroached that deeply into the traditional banking sector—yet. This gives banks a chance to step up their game, be more competitive, and hold their ground.

Alan McIntyre, senior managing director and head of banking practice at Accenture, in their Banking Technology Vision 2017 report, explains, "The more goals a bank helps people achieve, the more confident people will be in the partnership, yielding an ever-stronger relationship with each interaction."

Reflecting the same sentiment is Anneliese Schulz, vice president of Software AG Asia. She says, "With the digital revolution changing the rules of banking, exceeding customer expectations is the key to growth and remaining competitive."

One way to achieve this is through trends such as artificial intelligence. Schulz explains this, saying, "Banks have to adopt a cohesive digital strategy by leveraging disruptive technologies such as AI to reimagine the customer experience and offer customers choices of where, when, and how they bank."

The AI experience

"Elements of AI have been used in banking, finance, and insurance firms for quite some time now," says Tim Liu, CTO of Hillstone Networks. "Backed by machine learning and big data, AI can automate tasks previously done by humans to help us make better, more informed decisions."

These machine learning systems will drive AI applications towards the ease of interaction customers are craving for. Better yet, the longer they run and the more they gain experience from data, the more effective they will be in addressing various banking situations, streamlining processes, and supporting customers.

As it stands though, banks have only played on the fringes of AI's full potential. Vikram Mengi, co-founder and CEO of Latize, says that it's a huge missed opportunity. The data is there already, but "the problem with this is that the data is not necessarily in a form that can be easily utilized. However, by infusing the data with intelligence, one can transform all that data into a form that is easily usable."

Mengi sees the true success of AI in banking when these three aspects have been realized: a single knowledge base unifying all relevant diverse data sets; utilizing knowledge representation models to interrogate known facts and infer unknown truths; and using abstraction layers through continuous application and learning from diverse data sets. "Banks have access to vast amounts of data and practical alignment of the above mentioned three aspects will result in value generation for banks and conversely the customers they're serving," he adds.

In fact, 79% of banks surveyed in the Accenture report agree that AI will drastically improve their whole business and client relationships. Twenty-nine percent agree that it is critical for their products and services to be offered using centralized platforms, virtual assistants, and chatbots. Moreover, 76% foresee that most banks will have AI interfaces as their main customer touch points in the next three years, whilst a surprising 71% of them agree that AI can be the face of their business.

To further emphasize how fast technology is evolving, it's important to note that this AI-first mindset is quickly overtaking the relatively young mobile-first movement.

Fitting into the puzzle

"Moving forward, there are a number of areas in the industry where the implementation of AI can help streamline and improve processes," says Liu. He notes areas like customer-facing functions and targeted marketing as two areas where AI can make an immediate, noticeable impact.

Customer-facing functions involve the aforementioned robo-advisers, virtual assistants, and chatbots. In using AI applications for these services, "customer service can take a giant leap forward by eliminating the frustrating waiting time we are accustomed to," says Liu. "Poor performance in this area is also a reason many internet banks have difficulty scaling up. Banks have adopted automated response systems for customer service and the system has improved over the years." Besides being efficient time-wise, AI also frees customer service agents to focus more on complex situations where machines can't match human empathy and intuition.

Besides providing advice without human intervention, Schulz comments that the endeavor results in cost savings. "The key advantage of robo-advisers is that customers receive investment advice based on algorithm-based formula at a fraction of the cost of traditional financial advisors." She adds, "Banks will see more automation and consolidation in asset management through the adoption of robo-advisors to improve customer experience. Eight in 10 consumers in Singapore would welcome robo-advisory services for their banking, insurance, and retirement planning according to a study by Accenture."

Banks can also implement AI to better bring customers the products and services that fit their needs. Liu says that after all, BFSIs do have the transactional and personal data necessary to determine the spending patterns and financial health of their clients. "Based on personal and demographic data, the system can identify opportunities and patterns previously unidentifiable by the human eye. This helps to better profile and therefore personalize marketing efforts to consumers, enabling prompt decision-making on marketing efforts to maximize impact and returns."

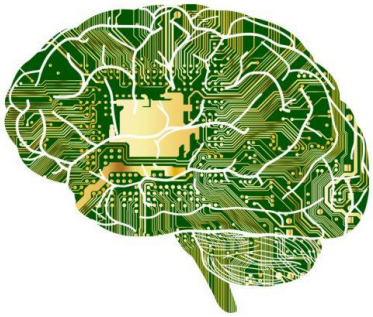
Schulz also points out that investment banks are researching how predictive analytics and machine learning can improve profitability through providing assisted decision-making in the sales and trading departments. “Banks are learning how to effectively use predictive analytics and machine learning to monetize customer data to create new capital from data sources and ultimately transform their business models,” she explains.

In addition, Mengi says that AI can better secure the banking environment through anti-money laundering and anti-fraud measures. Going back to the amount of data banks have, they can “sift through it to spot irregularities and patterns that point to money laundering activity instead of just looking for anomaly and irregular pattern detection based on statistical methods.”

“Augmenting statistical analytics with a deterministic semantic graph can help one to draw relationships between customer behavior, account activity, and historical trend comparison, and cross-reference for unusual or suspicious activity with more precision and less training data,” he adds.

According to the Accenture report, investments in these AI applications are expected to pay off significantly. Sixty percent of those surveyed pursue it for data analysis and insights; 59% for improved productivity; and 54% for cost benefit/savings.

A glitch in the banking matrix



Whilst there seems to be a unanimous appreciation for AI in the banking realm, implementing it will be an arduous process. Schulz explains, “The legacy architectures and organizational structures remain a challenge for many banks that are looking to integrate AI-based systems to help deliver an enhanced customer experience and drive profitable growth. Banks must not only adopt the best AI technologies, but also change their operating models and put more emphasis on talent development to take advantage of AI’s transformative capabilities.”

Liu also says that an automated system on a meaningful-enough scale poses plenty of inherent risks. “Can an AI system be ‘tricked’ into doing things by a hacker with the right tools and information? How can we first secure this entry point? These questions should be taken into consideration when implementing AI in the future. The security around the automation will likely be AI-driven moving forward.”

Lastly, 38% of those Accenture surveyed believe that AI will require banks to tackle privacy issues in AI-enabled user interfaces; 36% see integration capability issues between AI and legacy systems; and another 36% question the data quality from such systems.

Among Member Banks

- **SBI offers GST-ready solutions-** State Bank of India (SBI) on July 1 announced its Goods and Services Tax (GST) ready solutions, including the introduction of online payment through internet banking and debit card. Starting July 1, the SBI account holders can deposit GST of up to Rs. 10,000, in cash, cheque or draft form at any of the SBI branches across the country. Ending more than 11 years of hectic argument among the Centre and the states, the GST will implement from July 1 to completely transform the indirect taxation landscape in the country involving both the Central and State levies. In a departure from the normal practice, GST will be administered together by the Centre and States. The biggest tax reform since independence – GST – will pave the way for. The biggest tax reform since independence – GST – will pave the way for realization of the goal of One Nation – One Tax – One Market. It will benefit all the stakeholders namely industry, government and consumer as it will lower the cost of goods and services give a boost to the economy and make the products and services globally competitive, giving a major boost to 'Make in India' initiative. *Financial Express*

- **Bank Pasargad named "Best Bank in Iran" for 3rd consecutive year -** Bank Pasargad was once again named as the "Best Bank in Iran" for year 2017 at the Euromoney Magazine's annual ceremony held on May 17, 2017. This is the 3rd consecutive year that Bank Pasargad has obtained this prestigious award having also won for years 2015 and 2016. The selection criteria for the "Best Bank in Iran" Award were the financial results such as the profitability of the bank, revenues, amount of deposits held, financial facilities granted, low level NPL, Capital Adequacy Ratio (CAR), Return of Equity (ROE) and Return on Assets (ROA) as well as the new products and services offered by the bank, R&D, risk policies, corporate governance and future objectives and direction of the bank. This important award ceremony was organized by Euromoney at Dubai's Governor House Hotel in Dubai Marina, Dubai, UAE. 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*

- **SMFG picks Frankfurt as post-Brexit EU base-** Sumitomo Mitsui Financial Group has become the latest Japanese financial giant to confirm that its plans for a post-Brexit Europe are focused on Frankfurt. SMFG's decision involves both its core banking unit, Sumitomo Mitsui Banking Corp (SMBC), and investment banking arm, SMBC Nikko Capital Markets. Both subsidiaries' European headquarters are currently in London and will remain so, but, according to the company's own statement "could face future restrictions" in the services they provide after the UK leaves the European trading bloc in 2019. SMFG was among the first Japanese financial groups to signal, soon after the result of the UK's 2016 referendum on EU membership, that it was weighing its options in various European cities as it sought to offset the risk that companies based in London would be stripped of the "passport" that currently allows them to offer services across the EU. As a measure

against the potential disruption to client service caused by the UK's exit, SMFG plans to establish a wholly-owned subsidiary of SMBC in Frankfurt. It will do the same for SMBC Nikko. *Financial Times*

- **Maybank Islamic wins award from The Banker -** Maybank Islamic Bhd has been named "The Islamic Bank of the Year 2017 for Asia-Pacific and Malaysia" by London-based financial publication, The Banker. In a statement on June 13, The Banker acknowledged Maybank Islamic's leadership in Malaysia's Islamic finance market, claiming top position among syariah-compliant financiers nationwide. Maybank Islamic's dominance has translated into a strong set of financial results by total assets, total financing and total funding, including deposits and investment accounts, it said. "Tier 1 capital and total syariah-compliant assets also enjoyed notable growth, climbing 12% and 16%, respectively. "Maybank Islamic's return on equity for the year was 15.4%, while its cost-to-income ratio was at 36% and non-performing financing was only at 0.8%," Maybank said. *The Star*

- **BML supports communities with special Eid gift -** Bank of Maldives (BML) and its staff have supported people with impaired mobility in a number of local communities by providing them with a gift of motorized wheelchairs. These gifts were given under the banner of "Eid Vedhun," an annual community outreach activity. Each year BML staff raise funds to support an important social cause, and the Bank matches the total funds raised. This year's "Eid Vedhun" gift of motorized wheelchairs will benefit 15 mobility-impaired residents on 5 different islands. The outreach activity was launched at a small ceremony held on K. Maasufhi, where bank staff presented residents of the island with their gifts. BML Deputy CEO Aishath Noordeen commented, "We are really pleased to be able to make a difference to people's lives with these special motorized wheelchairs. We take our responsibility to the community very seriously and I would like to express my sincere thanks to our staff for this initiative, and for giving so generously." *BML News Release*

- **DBS named most valuable brand in Singapore for fifth straight year-** DBS Bank continues to be Singapore's Most Valuable Brand, according to Brand Finance's annual "Top 100 Singapore Brands" report. With a brand value of USD 5.4 billion, this is the fifth consecutive year the bank has retained its leadership position in Singapore. According to Brand Finance, DBS has a significant lead vis a vis the rest of the pack, with close to USD 1.8 billion of brand value between itself and the second-most valuable brand. Given this strength, it is "unlikely that DBS… will be dethroned from the top of the Brand Finance Top 100 Most Valuable Singapore Brands table", the London-based consultancy added. Samir Dixit, Managing Director of Brand Finance Asia Pacific said, "DBS is in a very strong position and it will continue to grow its brand strength and brand value given the ANZ acquisition. The strong and stable brand strength indicates that DBS is highly focused on their brand growth and makes concentrated efforts to build their brand and not just products to differentiate themselves. A strong brand further allows them to be competitive

regionally and not just locally." *DBS News Release*

- **Hua Nan Bank opens in the Philippines -** Hua Nan Bank, one of the oldest banks in Taiwan has officially opened its first branch in the Philippines after getting the nod of the Bangko Sentral ng Pilipinas (Philippines' Central Bank). The Philippines earlier signed a law that will allow foreign banks to operate in the country as long as they are able to comply with the requirements set by the government. The 98-year old Taiwan bank is the fourth Taiwanese bank to establish operations in the Philippines and it is the ninth bank in the country that is owned by foreign stockholders. Hua Nan Bank Chairman Wu Tang Chieh said that the management of the bank sees the Philippines as an important destination for its operations because of the growing bilateral trade relationship between Taiwan and the Philippines as Hua Nan Bank targets to be one of the leading regional banks in Asia. *International Business Times*

- **Bank of Taiwan to open offices in US, Philippines-** The Financial Supervisory Commission on June 8 approved Bank of Taiwan's applications to open representative offices in California's Silicon Valley and in the Philippines. The state-run lender's move runs counter to its privately owned peers, which began pulling out of the US market last year in anticipation of rising compliance costs, after New York regulators levied a heavy fine of US$180 million on state-run Mega International Commercial Bank for violating money-laundering regulations. "The US market remains an important market in terms of companies' global strategy, despite stringent financial regulations such as the Dodd–Frank Wall Street Reform and Consumer Protection Act," Banking Bureau Deputy Director-General Lu Hui-jung said. "For some companies, compliance is regarded as a one-time cost that can be absorbed by continued earnings in the lucrative US market." *Taipei Times*

- **Bank SinoPac launches online mortgage system -** Bank SinoPac on June 7 launched an improved online mortgage approval tool in a bid to provide clients with greater flexibility in financing when leveraging the value of their homes. A first in the industry, the service allows homeowners to adjust the amount of their monthly mortgage payments as needed so that cash-strapped borrowers can avoid dipping into more costly credit loans, the company said. The adjustments can go as low as paying just the interest, which lowers monthly installments to 30 percent, Bank SinoPac said, adding that installments may be deferred by a maximum of 24 months. Conversely, borrowers may pay up to three times the principal and interest to shorten the duration of the loan, the bank said. *Taipei Times*

- **CTBC foundation named top anti-drug organization-** The Executive Yuan has named the CTBC Anti-drug Educational Foundation an "exemplary anti-drug organization" for this year. The foundation is the only anti-drug group to have been funded and established by a

business and is also the youngest such charity to receive the award. Vice President Chen Chien-jen presented foundation chairman Jeffrey Koo Jr with the award at a ceremony in Taipei on June 3. Koo said that although the foundation's work is extremely challenging, it is essential that it is carried out today to ensure a better tomorrow. He is dedicated to becoming a "life-long anti-drug volunteer," Koo said. The Taipei Department of Education, which nominated the foundation for the award, said that the organization funded by CTBC Bank has thrown itself into anti-drug campaigning and preventative education, becoming an important front-line force in the war against illegal drug use. *Taipei Times*

- **Bangkok Bank to open 20 branches -** Bangkok Bank (BBL) is bucking the industry-wide trend of downsizing branch networks as it plans to open 20 more branches this year. This kind of service remains highly sought after by customers in certain areas, said BBL executive vice-president Thaweelap Rittapirom. The bank is now reviewing its service model to keep pace with the changing lifestyles and financial behavior of its customers, he said. Some of the bank's branches are changing their target customers from individuals to small and medium-sized enterprises (SMEs), he said. In other geographical areas, clients have shown a preference for making electronic payments so the bank must adjust to better serve their needs, he added. *Bangkok Post*

- **Vietcombank receives 3 awards from The Asian Banker-** The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) has been honoured with three awards from The Asian Banker at its annual summit held in Singapore recently. Vietcombank is the only bank in Việt Nam to receive these prestigious awards which evaluated the bank's achievements in cash management, payments and trade finance. Vietcombank has bagged many national and international awards. It is expected to become the No 1 bank in Vietnam in 2020. In the first quarter of this year, Vietcombank reported pre-tax profit of nearly VNĐ2.65 trillion (US$96.4 million), up 15 percent year-on-year. The bank aims to grow pre-tax profit by 8 percent year-on-year to VNĐ9.2 trillion and increasing total assets 11 percent to VNĐ874.6 trillion in the whole year. *Vietnam News*

Banking and Finance Newsbriefs

Hong Kong's banks are in better shape than 1997 to weather a property crash, regulator says

Hong Kong's banks are better prepared than 20 years ago for a crash in the property market – even amid the world's costliest apartments – because they are better capitalized and less exposed to real estate loans after the regulator forced them through eight rounds of mortgage tightening measures, the Hong Kong Monetary Authority's chief executive Norman Chan Tak-lam said.

"[While] nobody can predict when the next crisis will arrive, Hong Kong's financial sector is now well prepared for that," Chan said in an interview with the South China Morning Post.

The city's mortgages now make up 51 percent of property values on average, reduced from 64 percent in 2009 after eight rounds of tightening. Two decades ago, mortgages were 70 percent of property values while the developer would lend 20 percent.

"In 1997, many homebuyers only needed to pay 10 percent of the value of the property," Chan said. "When the property price dropped 10 percent, these homeowners fell into negative equity." *South China Morning Post*

Over 90% Indian customers still prefer branch over online banking: Report

While the government has been pushing people to go online when it comes to banking, the branch still continues to dominate banking channels in India, with 94 percent of retail banking customers having visited the branch/store at least once in the past 12 months, a new study revealed on July 3.

According to the 2017 Oracle J.D. Power India 'Retail Banking Study,' despite the impetus provided by demonetization, digital banking is not yet a pervasive experience in India.

"Most banking relationships still begin and continue at the branch. However, there is great potential for banks to move more into the digital space. Only 51 percent of retail banking customers have a reliable online banking experience with their main financial institution," said Gordon Shields, senior director, J.D. Power, a US-based global marketing information services firm.

The results were based on in-person interviews with 5,368 retail banking customers conducted between February and April 2017 across 14 states and included both private and public banks. *Economic Times India*

World Bank predicts bigger growth for Iran

The World Bank forecasts that recent developments in Iran point to the fact that the country's non-oil sector and investments are likely to play a bigger role in the next few years, which will spur Iran's growth to an average of 4.1% in 2017–19.

According to the global lender, this positive growth outlook hinges on the assumption that some of the agreements between Iran and major foreign companies in the oil, gas and other key sectors, including manufacturing, will materialize.

"This [new landscape] would create renewed confidence, validating the very positive expectations generated in the immediate aftermath of Joint Comprehensive Plan of Action (JCPOA) implementation in January 2016 and leading to gradually improving medium- to long-term growth dynamics as potential output starts to rise as well," WB said in its latest

report on Middle East's second-largest economy.

The bank cautions, however, that as Iranian banks face barriers in establishing correspondent banking relations with large international banks, foreign direct investment inflows to Iran and trade relationships with the rest of the world are restrained. *Financial Tribune*

Japan economic surveys show recovery in manufacturing

Japanese manufacturers are planning to increase investment as demand for exports recovers, surveys showed on July 3 in upbeat news for Prime Minister Shinzo Abe as he copes with a major political setback following his party's defeat in Tokyo metropolitan elections.

The Bank of Japan's quarterly "tankan" survey of business conditions showed the main index for business conditions of large manufacturers rose in the April-June quarter for the third straight quarter, from 12 to 17. Other large companies also were upbeat.

In other positive news for the world's third largest economy a separate survey of factory purchasing managers also indicated the outlook improved in June, for the 10th consecutive month.

Stronger demand from China and other Asian markets is driving a recovery in exports that has stretched the capacity of some manufacturers and other employers, though forecasts suggest conditions will deteriorate in coming months. *Associated Press*

Foreign banks upgrade S. Korea's economic outlook

Some foreign investment banks have raised their growth forecasts for South Korea's economy this year, thanks to better-than-expected exports and facility investment, a financial research institute said July 4.

The Bank of Korea has upgraded its growth forecast for the country to 2.6 percent from 2.5 percent, citing improving exports, the Korea Center for International Finance (KCIF) said.

The British bank Barclays also recently raised its outlook for South Korea's gross domestic product growth this year to 2.9 percent from 2.6 percent, it added.

Morgan Stanley also adjusted its growth forecast for South Korea's economy this year to 2.8 percent from 2.4 percent.

Deutsche Bank and Goldman Sachs increased their forecasts for South Korea's economic growth this year to 2.8 percent each, according to the KCIF.

The global economy is showing signs of a robust recovery, prompting domestic research institutes to raise their forecasts for South Korea's economic growth. *Yonhap News*

Bank Negara: Malaysia's headline inflation down to 3.9 pct

Malaysia's headline inflation declined to 3.9 percent from April's 4.4 percent.

In a statement on June 30, Bank Negara Malaysia attributed this decrease in inflation to lower fuel prices in May, saying that prices of RON95 petrol averaged lower at RM2.09 per litre in May compared with RM2.21 per litre in April.

Additionally, it said that with global oil prices trending lower in June, domestic fuel prices also averaged lower in June.

On another note, the central bank also observed that continued inflows into the domestic financial market had led to the ringgit's appreciation.

"Non-resident inflows into the government bond market amounted to RM9 billion in May, a second consecutive month of inflows. The inflows reflect positive developments

arising from measures to develop the domestic financial market.

"As a result, the 3-year, 5-year and 10-year MGS yields declined by 4, 13 and 17 basis points respectively," BNM wrote in its monthly highlights report for May 2017. *New Straits Times*

Espenilla takes over as Philippine central bank chief

As the Bangko Sentral ng Pilipinas (BSP or Central Bank of the Philippines) under his watch aspires to achieve "truly inclusive growth" through financial inclusion and a market-oriented monetary policy, Governor Nestor A. Espenilla Jr. in his first day as the top monetary official tasked to keep prices low and supportive of economic expansion pledged "continuity plus plus" in reforms and sought support from his central bank family.

In his first speech as BSP governor and Monetary Board chair for a six-year term until 2023, Espenilla expressed gratitude to his mentor and predecessor, the multi-awarded Amando M. Tetangco Jr., who served an unprecedented two six-year terms as BSP chief.

"Governor Say, I am truly grateful for your mentoring all these years. Yours are truly big shoes to fill and I am thankful that I am inheriting such an exemplary and world-class institution," Espenilla said, addressing Tetangco by his nickname.

Moving forward, Espenilla said: "I dedicate my term as BSP governor to building and leveraging on this legacy of excellence."

"We shall endeavor to fulfill our core mandates with greater vigor and integrity to ensure that both the economy and the financial system remain strong, stable and resilient so that they facilitate transformational opportunities for all," Espenilla said.

Philippine Daily Inquirer

Singapore mulls more bank investment options

Singaporean regulators have proposed rules that would make it easier for banks to conduct or invest in nonfinancial businesses such as e-commerce and digital-payment platforms, helping them to better compete with non-bank firms in these areas, Singaporean Minister of Finance Heng Swee Keat said on June 27.

According to the proposals, lenders would no longer need regulatory approval to invest in such businesses, Heng told a bankers' dinner.

The Monetary Authority of Singapore (MAS) is to cap the investment at 10 percent of a bank's capital funds, the regulator said in a statement accompanying Heng's speech.

"Banks are facing increasing competition from online and nonfinancial players that have leveraged their large user base to provide digital wallets, payments and remittance services," Heng said.

How the city-state navigates the urgency for innovation, while maintaining the safety and soundness of its financial sector "will be crucial to our future," he said.

Bloomberg

Taiwan 2017 GDP growth may top 2% but strength could weaken in Q3

Taiwan's gross domestic product (GDP) for 2017 is expected to grow more than 2 percent on the back of a global economic recovery, but may slow down in the third quarter of the year, according to Cathay Financial Holding Co.

Cathay Financial, one of the leading financial holding firms in Taiwan, said in a research paper that it was retaining its forecast of 2.1 percent economic growth in 2017.

Several other financial institutions and economic think tanks have also forecast that

Taiwan's GDP growth will top 2 percent in 2017, compared with a 1.52 percent increase in 2016.

The government, meanwhile, has upgraded its 2017 GDP growth forecast to 2.05 percent from 1.92 percent. *Focus Taiwan*

Bank of Thailand starts foreign exchange regulation reform

The Bank of Thailand has started reform of Foreign Exchange Regulations. The move is seen as a starting point for further reforms of other regulations to enhance ease of doing business.

Governor of the Bank of Thailand (BOT) Veerathai Santiprabhob stated that one of the most important impediments in enhancing the nation's competitiveness involves obsolete regulations that are not accommodative to business management.

Although the BOT has continually amended the regulations, certain rules are still not in line with the changing economic and financial environment.

Nevertheless, he said, the relaxation must not affect the Bank's responsibility to maintain financial stability or its ability to collect data for monitoring and analyses of capital flows to evaluate their impact on financial markets and the economy. *Thailand Business News*

Vietnam banks look to tap into big data

To successfully deploy big data in the banking sector, there must be a comprehensive strategy using professional teams who have deep understanding of both finance and technology, said Nguyễn Kim Anh, Deputy Governor of State Bank of Vietnam.

At a conference on June 13 in Hà Nội, Anh said that digital data was becoming a new resource and big data was playing an important role in the banking and finance sectors.

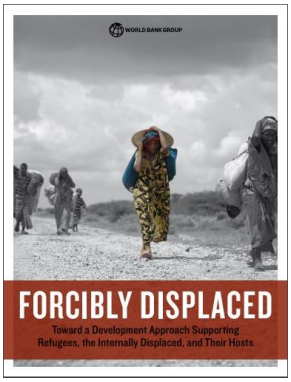
The conference, titled "Big data for banking and financial industry," was organized by the Banking Academy of Việt Nam.

At the workshop, participants focused on big data technology from a variety of perspectives. They discussed the latest technology and ways for banks and financial institutions to optimize the application of big data into information systems.

Through the discussion, experts shared hopes that they could identify the opportunities and challenges of big data to improve the productivity, quality and efficiency of financial and banking operations. *Vietnam News*

Publications

Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and their Hosts

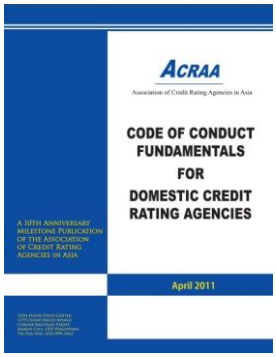


The Syrian refugee crisis has galvanized attention to one of the world's foremost challenges: forced displacement. The total number of refugees and internally displaced persons, now at over 65 million, continues to grow as violent conflict spikes. This report, Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts, produced in close partnership with the United Nations High Commissioner for Refugees (UNHCR), attempts to sort fact from fiction to better understand the scope of the challenge and encourage new thinking from a socioeconomic perspective.

The report depicts the reality of forced displacement as a developing world crisis with implications for sustainable growth: 95 percent of the displaced live in developing countries and over half are in displacement for more than four years. To help the displaced, the report suggests ways to rebuild their lives with dignity through development support, focusing on their vulnerabilities such as loss of assets and lack of legal rights and opportunities. It also examines how to help host communities that need to manage the sudden arrival of large numbers of displaced people, under pressure to expand services, create jobs and address long-standing development issues.

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

Asia Credit Rating Guidebook 2016



"For some time now, credit rating agencies world-wide have recognized the need to become fully compliant with the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, as this code is considered essential for a DCRA to establish its credentials. Keeping this in mind ACRAA's Best Practices Committee has prepared this ACRAA Code of Conduct Fundamentals for Domestic Credit Rating Agencies.

This code is based on the articles of the IOSCO code and builds on ADB's Handbook on International Best Practices in Credit Rating (December 2008), with a few modifications. Wherever deemed necessary, the articles have been further elaborated, so that this document can serve as a practical guide for ACRAA members, facilitating them in its proper implementation. All member DCRAs are expected to implement this code so that ACRAA can establish its credibility and commitment to best practices." *Foreword by Faheem Ahmad, Chairman, Best Practices Committee 2010-2011*

Contact for details: Association of Credit Rating Agencies in Asia
Website: http://acraa.com/publication.asp

Middle-Class Composition and Growth in Middle-Income Countries


ADBI Working Paper Series

MIDDLE-CLASS COMPOSITION AND GROWTH IN MIDDLE-INCOME COUNTRIES

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Asian Development Bank Institute

A growing middle class is often understood as good for the economy, but consumption capacity and wealth of the middle class in developing countries also matter. The impact of the expansion of the middle class in developing countries has been widely investigated in recent years. The middle class is generally apprehended by its overall demographic size, which, we believe, may hide crucial features and differences across nations because the composition of the middle class is not considered. We investigate the composition of the middle class by computing various statistical features of the distribution of income and of consumption: the incidence, the depth (the average consumption), and the heterogeneity of the middle class for a panel of 120 countries from 1985 to 2012. Furthermore, four subcategories of middle class are considered. The empirical investigation has been run on a reduced dataset of 52 middle-income countries using a two-step system GMM estimator.

The bulk of bottom middle classes is found to be negatively linked to growth, whereas the composition of the middle class in those countries reveals a still large share of floating and lower middle classes. Our results also confirm that the size of a unique middle class alone is not enough to comprehend the complex mechanisms through which the expansion of the middle class impacts on growth. For middle-income countries, the consumption capacity of the middle class is what matters most and a middle class that is large and wealthier is more likely to have greater impacts.

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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