

## General Meeting and Conference

### SBI releases 34th ABA General Meeting and Conference Brochure

Host bank State Bank of India (SBI) recently released the brochure of the 34th ABA General Meeting and Conference, which is scheduled to take place on November 16-17, 2017 in Mumbai, India.

#### What's the Agenda

Focusing on the theme “Asia's Turn To Transform”, this year's Conference will feature banking leaders, eminent speakers, and industry experts who will examine:

- How the current global downturn will impact on the outlook of the Asian economies;
- The economic consequences on the Asian region of the Brexit and the America-first policy of the incumbent US administration;
- The implications for Asian banks of the rapid adoption of new financial technologies;
- The impact of the so-called FinTech revolution on the customer experience, on other stockholders, and on the regulatory environment.

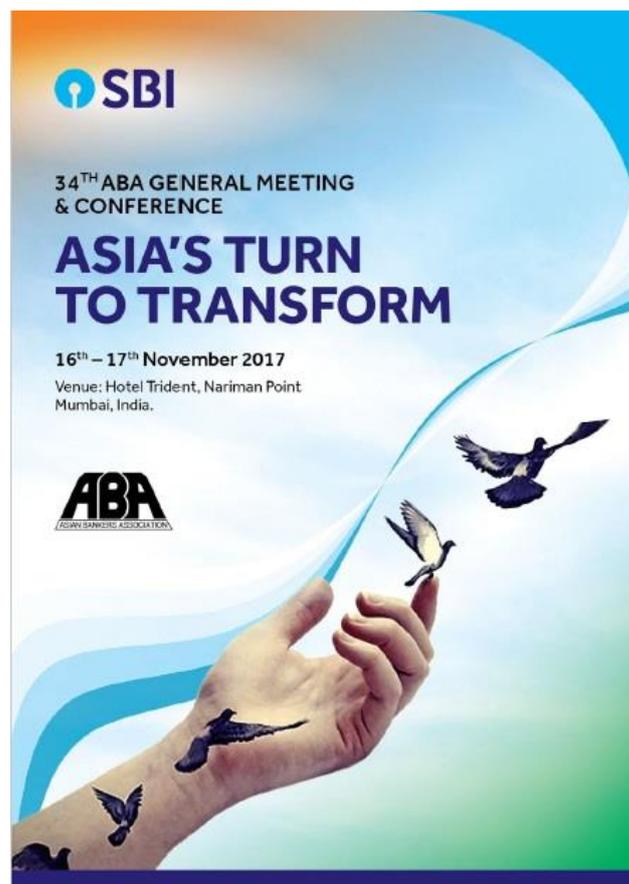
In addition, the Mumbai Conference will feature “Discover ABA” session during which country presentations will be made by selected ABA member banks on current economic conditions and growth prospects in the banking and financial markets of their respective countries, as well as on any of their new products, services or activities that may be of interest to other member banks.

#### Why You Should Attend

Aside from having the opportunity to learn from and exchange views with the invited speakers on the above issues, your presence will also allow you to:

- Establish new business relationships with banking leaders
- Gather actionable banking information
- Consolidate banking partnerships
- Promote your brand among banking leaders

Members' attendance will provide them with the opportunity not only to experience and enjoy the attractions of the city of Mumbai – the financial, commercial and entertainment capital of India - but also to meet with local bankers and exchange views with them on how to grasp the opportunities and challenges presented by the ongoing transformation in the country's banking industry.



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### ABOUT INDIA

India is one of the oldest civilizations of the world with a kaleidoscopic variety and rich cultural heritage. It has diverse terrain- stretching from the snow-capped Himalayas in the North to the Sun drenched coastal villages in the South.

In India you get to see many historical monuments, in the North-Mughal Empire landmarks include Delhi's "Red Fort", massive "Jama Masjid" mosque and iconic "TajMahal" mausoleum of Agra, in the East-Konark Temple, in West-Gateway of India, Elephanta caves, Ajanta Ellora caves, in south- Meenakshi temple, Mysore Palace, GoutubShahi tombs, Char Minar of Hyderabad, etc.

Religion in India is as diverse as its geography & culture and plays a very important role. Here-Hindus, Muslims, Sikhs, Christians, Jains, Buddhists, Jews and Parsis community live together happily and enjoy the variety of diverse festivals like Holi, Diwali, Ramjan, Eid, GurunanakJayanti, Christmas, etc.

### ABOUT MUMBAI

Mumbai, the capital city of the state of Maharashtra, which was initially a composite of seven marshy islands, is now a 5 km wide and 22 km long strips where millions of people reside. With a cosmopolitan nature, the city is the "melting point" wherein all sections of people co-exist happily under the common designation, the "Mumbaikars".

Situated at the western coast, Mumbai is not only the commercial capital of India but also the glamorous dream city for all, due to the presence of Hindi film industry "Bollywood". Bollywood is one of the biggest film industries in terms of number of films produced and number of people employed and represents the glamorous lifestyle of Indians.

On the Mumbai Harbour, explore the beauty of Gateway of India stone arch, built in 1924. Offshore is Elephanta Island, which holds ancient cave temples dedicated to the Hindu God Shiva.

The largest and most densely populated city in India, it is well connected with other parts of the country through rail, road and airways.

**Optional Tours**

The host bank will treat members to optional tour programs that will allow guests to experience and see the cultural landscapes of India.

*Option 1- Tour to Aamby Valley*

Aamby Valley is a township developed by the Sahara India Pariwar in Pune district in the Indian state of Maharashtra. It is about 23 km from Lonavala, 87km from the city of Pune and 120km from the city of Mumbai. It is independent India's first planned hill city. Spread over an area of 10,600 acres, it is positioned as a premium, self-contained city addressing the various socio-physical infrastructure requirements like school, hospital, captive utilities, shopping facilities, and recreational areas.

*Option 2- Mumbai City Tour*

Assemble in the lobby of the Trident, Nariman Point. Meet with your guide and proceed on your full day South Mumbai city tour. Drive along Marine Drive, Taraporwalla Aquarium and Chowpatty Beach onto a visit to Mani Bhavan. Mani Bhavan is a simple old-style, two-story building on Laburnum Road, Mumbai. It was from Mani Bhavan that Ghandi initiated satyagraha against Rowlatt Act and propogated the causes of Swadeshi, Khadi and Hindu-Muslim Unity.

Arrive at Churchgate station to watch the dabbawallas at work. The word "dabbawala" can be interpreted as "box-carrier" or "lunchpail-man". The concept of the dabbawala came into being when a person named Mahadeo Havaji Bachche started the lunch delivery service with about a hundred men. At the present time, Indian businessmen are the main customers for the dabbawalas, and the service often includes both cooking and delivery.

Continue the tour to the Gateway of India, Kala Ghoda, Horniman Circle, Fort Area, wherein you will develop an appreciation for the city's architecture and heritage monuments. The tour will end with a visit to the Price of Wales Museum.

## News Updates

### Former ABA Chairman Rajendra Theagarajah appointed as Ceylon Chamber of Commerce Chairman

**T**he Ceylon Chamber of Commerce appointed former ABA Chairman Mr. Rajendra Theagarajah as its new leader during its 178th AGM held at the Cinnamon Grand Hotel, Colombo on June 29, 2017.

Mr. Theagarajah, a veteran banker, succeeds the outgoing Chairman Mr. Samantha Ranatunga, who led the Chamber during the past two years.

Mr. Theagarajah is a veteran banker with a wealth of experience in the banking and financial services sector. He counts over 29 years in banking both locally and overseas.

He served as CEO of National Development Bank Sri Lanka, and was formerly CEO/Managing Director at Hatton National Bank PLC for 9 years. Mr. Theagarajah was also a past Chairman of Sri Lanka Bankers Association (Guarantee) Ltd., Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Director of Colombo Stock Exchange.

Mr. Theagarajah was ABA Chairman from 2010 to 2012.



### IMF maintains global growth forecasts; China, euro zone revised higher

**T**he International Monetary Fund kept its growth forecasts for the world economy unchanged for this year and next, although it revised up growth expectations for the euro zone and China.

In an updated World Economic Outlook released on July 23 in Kuala Lumpur, the IMF said global gross domestic product would grow 3.5 percent in 2017 and 3.6 percent in 2018, unchanged from estimates issued in April.

IMF Managing Director Christine Lagarde said in Washington that she thought the global recovery was “quite well anchored.”

“The fact that its sources are diversified around the world is also giving us expectations that it’s here to last longer than just 2017 and 2018,” Lagarde said at a Center for Global Development event.

If the United States, Europe and Japan make structural and fiscal reforms to boost their economies’ efficiency and invest in infrastructure, growth could be extended further, she added.

The IMF shaved its forecasts for U.S. growth to 2.1 percent for 2017 and 2018, slightly down from projections of 2.3 percent and 2.5 percent, respectively, just three months ago. The Fund reversed previous assumptions that the Trump administration’s planned stimulus measures would boost U.S. growth, largely because no details of those plans have been made public.

Maurice Obstfeld, the IMF's economic counsellor and director of research, said the global economy has been the subject of considerable protectionist rhetoric, such as President Donald Trump's threats to impose tariffs on steel imports, but such talk had yet to translate into action.

"What will happen in the future, we don't know. These threats are in our downside thinking. They're not built into our baseline

(forecast) because hopefully they don't happen, but there are risks," Obstfeld told a news conference in Kuala Lumpur.

The IMF said growth in the euro zone was now expected to be slightly stronger in 2018 and pointed to "solid momentum".

It upgraded 2017 GDP growth projections for the euro zone to 1.9 percent, up 0.2 percentage point from April. The IMF said euro zone growth would be slightly stronger at 1.7 percent, a 0.1-point change from just three months ago.

It said the expected higher growth in the euro zone indicated "stronger momentum in domestic demand than previously expected".

The IMF revised down its 2017 forecast for GDP growth in the United Kingdom by 0.3 percentage point to 1.7 percent, citing weaker-than-expected activity in the first quarter. It left its 2018 forecast unchanged at 1.5 percent.

The IMF said it expected slightly higher growth in Japan this year of 1.3 percent, revised up from a forecast of 1.2 percent in April. It cited stronger first-quarter growth buoyed by private consumption, investment and exports.

Its forecast for Japan's 2018 growth was unchanged at 0.6 percent.

For China, the IMF expected stronger growth of 6.7 percent in 2017, up 0.1 point from the April forecast. It said China's growth would still moderate in 2018 to 6.4 percent, but noted that estimate was up 0.2 percentage point from the April forecast on expectations that Beijing would maintain high levels of public investment.

But Obstfeld expected China's economic expansion to slow over the second half of 2017 as Chinese authorities looked to manage rapid credit growth and non-performing loans. "In the first two quarters of this year, growth has come in very high. Part of this is the general upsurge in world growth and the upsurge in trade in Asia. But there is also a component that has been fuelled by expanding domestic credit, and that's the part that worries us," Obstfeld said. *Photo and report by Reuters*



## Education and Training

### International Study Tour on MSME Finance and Development Programs and Policies of Taiwan



**A** sia-Pacific Institute of Development Finance (IDF) in cooperation with the Asian Bankers Association (ABA) is offering International Study Tour on MSME Finance and Development Programs and Policies of Taiwan to be held on October 30-November 3, 2017 in Taipei.

#### **RATIONALE:**

From a market that was considered too difficult to serve, micro, small and medium enterprise (MSME) banking has now become a strategic target of banks due to business development and income opportunities that abound, specifically in the cross-selling of products and services. In many developing countries, MSMEs serve as engines of economic growth and development. It constitutes the majority of business enterprises that are vital for employment generation and poverty reduction. National development finance institutions (DFIs), including microfinance institutions (MFIs) are the primary source of support to MSMEs both in terms of financial and technical assistance. However, constraints such as inherent risks, high transactional cost and lack of funds, among others, still exist and impede the full potential of the development of the microfinance sector. With this as background, this study tour program has been developed with particular experience of Taiwan since its government has invested substantial capital and human resources in the promotion and development of the MSME sector.

#### **OBJECTIVES:**

- a) To expose participants to international best practices of specialized DFIs/financial institutions by showcasing the host country's current approaches and strategies to address the various issues that confront MSME financing and development.
- b) To deepen the participants' knowledge and understanding of MSME management;
- c) To provide a platform for exchanging views and ideas on MSME development and the important roles that DFIs play in the promotion of MSME development in their respective countries; and,
- d) To enhance the participants' capabilities in providing better consultancy and advisory services for MSMEs.

By the end of the program, participants should have a better understanding of MSME financing and development programs and policies and their role in poverty reduction.

**TRAINING METHODOLOGIES:** The 5-day program has been structured to give a more relevant and practical perspective on MSME financing and development by incorporating different avenues of learning through lectures/briefings, visits to policy-makers, institutional visits to conduits of MSME funds, project visits and sharing of experiences by participants coming from different countries in the Asia-Pacific region. The program aspires towards providing a fuller understanding of the significant roles that financial institutions and relevant government agencies play in the development of a country's economy and its poverty alleviation efforts.

**PARTICIPANTS:** Recommended for senior officers and managers of banks and other financial institutions in charge of MSME lending and/or related services on MSME financing and development.

**PARTICIPATION FEE:** USD1,650 includes lunch and snacks for 5 days, learning materials, program-related trips, and certificate of attendance. Airfare and hotel accommodation will be for account of participant.

For inquiries, please contact: Ms. Liza Olvina/Sandra Honrado; Telephone: 632-8161672; email: [inquiries@adfiap.org](mailto:inquiries@adfiap.org)

## ABA members invited to attend “GTR Asia Trade & Treasury Week 2017”

ABA members are invited to join the **GTR Asia Trade & Treasury Week 2017** to be held on **September 5-8, 2017** in **Singapore**.

Global Trade Review, the event organizer, is offering a 15% discount for ABA members upon their registration should they wish to attend the event.

The four-day event, now in its 9<sup>th</sup> year, is expected to attract over 900 top-level trade and treasury experts from around the globe, fostering discussion and debate on trade and export priorities across Asia. Highlights of the event include technology and innovation, regional trends and headwinds, advice for trading companies, credit and political risk, and recovery in the commodity finance sector among others.

Highlights of the event include:

- Economist debate
- Trade and commodity finance
- Export and project finance
- GTR Fintech Showcase
- Supply chain finance, working capital and sustainability
- Corporate Treasury Workshop
- Export and infrastructure financing
- Africa-Asia trade flows



Interested parties may wish to visit the event website at: <https://www.gtreview.com/events/asia/gtr-asia-trade-treasury-week-2017/> for more details.

**Special Feature****Design Thinking: the New DNA of the Financial Sector**

*By Josemaria Siota, Project Leader at IESE Business School and  
Inigo Ania, Principal, Financial Services Practice at Oliver Wyman*



*The financial sector is fending off fintech startups with a new DNA: Design Thinking  
Photo: Diari La Veu/CC*

**T**he banking industry has become increasingly concerned over the challenge that emerging fintech startups pose to banks' traditional ways of doing business and the threat that they present to revenue streams. In response, many banks have created internal innovation labs to counter these risks. "Design thinking" has become an important tool in the effort and is being used to explore how banks can boost their growth by applying the approach in a rapidly changing environment and an era of de-banking.

***Innovation: A Promising Solution***

There is no easy answer to the threats facing banks. The industry faces multiple challenges: a wave of digital disruption, an increase in regulatory demands, and changes in customer preferences, to name a few.

For fintech startups and emerging technology firms, these challenges represent substantial opportunities, offering numerous technology solutions to various pain points along the value chain.

For legacy banks, the reaction has been more cautious, particularly as they try to assess specific fintech solutions and whether the technology represents a real trend or a fad. But whatever the assessment of the old guards in the banking sector may be—whether they think the new fintech players are to be trusted, or whether they believe the new trends are just a passing vogue—banks recognize that the risk of doing nothing is simply too great to allow for nonchalance.

The common response of the banking sector has been to seek innovation to face the disruptive challenges. A recent joint IESE-Oliver Wyman study found that 95 percent of the analyzed banks have created innovation labs within their organizations to adapt to a changing industry landscape. For example, JPMorgan Chase launched the Branch Design and

Innovation Center in the United States, while Citigroup has established its Innovation Labs in the U.S., Mexico, Ireland, Israel and Singapore.

Significant investment has gone toward attracting new talent, such as designers and artists—skills and professions not typically associated with the banking industry. This trend can be seen in industry hiring profiles. A LinkedIn job search using the term “design” within the financial services sector in the United States revealed that 15,403 related jobs were available, with 15,087 having been posted in the previous month, in September 2016.

The results suggest that while the financial services industry and design are not usually thought of in the same breath, that is changing, and firms are trying to use design thinking to adapt to a changing environment.

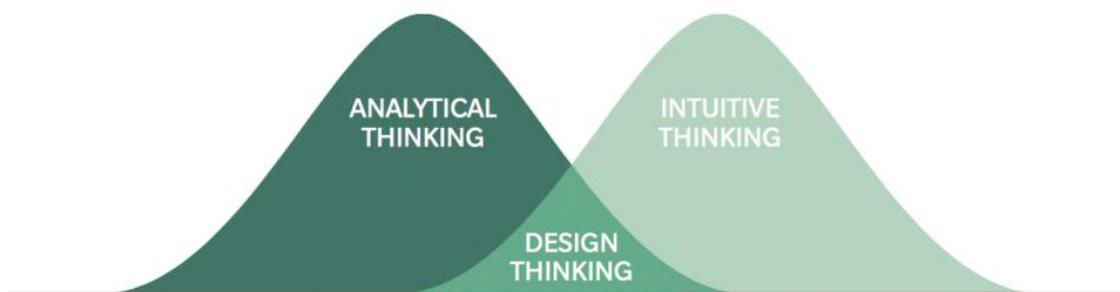
### ***Design Thinking: Not Simply Brainstorming***

Although many people believe that design thinking means going into a room with Post-it notes and having relaxed brainstorming sessions with no clear objective, the reality is very different.

## DESIGN THINKING AT THE CORE OF INNOVATION

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Design Thinking as the combination of analytical and intuitive thinking



Source: Adapted from Martin R., *The Design of Business: Why Design Thinking Is the Next Competitive Advantage*, Harvard Business Review Press, 2009.

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Design thinking is a tool for innovation, one that uses a consumer-centered approach to put nuanced consumer needs at the core of the innovation process. But along with considering the needs of the consumer, design thinking also takes into account the organization’s ability to deliver innovation in terms of its feasibility (do we have the necessary technological systems to implement this idea?) and its viability (is there a commercial market?).

Research has established a relationship between the use of design thinking and firm performance. According to the Design Management Institute’s Design Value Index, “a market capitalization-weighted index comprised of design-driven companies, shows 10-year returns of a remarkable 219% over that of the Standard & Poor’s 500 index (“S&P 500”) from 2004-2014.”

### ***De-Banking Is Not the End of Banks, It’s the Beginning of Design Thinking***

We found in our analysis of several banks—such as Deutsche Bank, BNP Paribas, Auckland Savings Bank, and OCBC Bank—that design thinking not only has a positive impact on customer relationships by improving the user experience but also can improve the bank’s value proposition, activities, cost structure, and revenue streams.

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Increasingly, companies are becoming better at measuring the impact of design on bank activities: Key performance indicators that in the past were difficult to identify—such as increases in visits, cost decreases, and sales increases—have become easier to isolate. However, further research is needed to better understand how design thinking is changing banks’ human architecture at the business-unit and individual level, and the barriers to implement design thinking in the sector.

While the banking sector is going through a time of clear disruption, this does not necessarily represent the end of banking, but rather the evolution and emergence of a new bank species, one with design thinking baked into its DNA. By enhancing its presence in banking, design thinking will not only have a positive impact on customer relationships but also add to the value proposition of the banks and lead to a sustainable source of revenue growth.



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## Among Member Banks

- **BEA offers HKD time deposit rate of up to 1.28% p.a. and auto-payroll rewards of up to \$1,900 for new customers-** The Bank of East Asia, Limited (BEA) announced on July 17 the launch of a promotion whereby new customers who open a SupremeGold Account or Supreme Account during the promotional period between now and January 31, 2018 can enjoy a preferential HKD time deposit rate of up to 1.28% p.a. The preferential time deposit rate applies to all 9-month HKD time deposits made with new funds from HK\$100,000 to HK\$ 10 million. During the promotional period, new auto-payroll customers can also enjoy rewards of up to HK\$1,900 and participate in the “Act to Win” Lucky Draw for a chance to win the latest smartphone. Customers are required to activate BEA’s Mobile Banking service and deposit their salary into a SupremeGold Account or Supreme Account through the Bank’s auto-payroll service in order to enjoy rewards of up to HK\$ 1,800. New auto-payroll customers who register online will receive an extra reward of HK\$ 100. *Bank of East Asia News Release*


- **SBI slashes interest rates on savings accounts, more banks might follow-** The State Bank of India slashed its interest rates on savings accounts deposits by 0.5 percent. For any account with balance below Rs 1 crore, the interest rate has been cut down by 0.5 percent, from 4 percent to 3.5 percent. For any account with balance Rs 1 crore or above, the bank will continue to provide 4 percent interest rate. The revised rates will be effective from July 31, 2017. An NDTV report said, after the announcement, the shares of SBI moved up to 3 percent. The reduction in savings bank deposits will also help lender’s margins, analysts said. “The decline in the rate of inflation and high real interest rates are the primary considerations warranting a revision in the rate of interest on savings bank deposits,” a bank official said in a statement. This change in the interest rates would help SBI to maintain its MCLR (marginal cost of funds based lending rate) or key lending rate at the current rates which will benefit retail borrowers in small and medium enterprises, agriculture and housing segments. Experts feel other banks might follow the move as well. *India Today*


- **MUFG signs Memorandum of Understanding with New Zealand Trade and Enterprise** - MUFG’s banking arm The Bank of Tokyo-Mitsubishi UFJ, Ltd. has signed a Memorandum of Understanding (MOU) with New Zealand Trade and Enterprise (NZTE) to further promote trade and foreign investment between Japan and New Zealand. NZTE is the New Zealand Government entity responsible for enhancing trade flow from and promoting foreign direct investment to New Zealand. It assists New Zealand government organizations, companies, educational institutions and tourism operators to develop international markets, promote international education, win productive direct foreign investment, and strengthen the New Zealand tourism industry. New Zealand and Japan have a longstanding economic and cultural relationship, strengthened most recently by the Joint Statement on a Strategic Cooperative Partnership between the two countries, which came into force in June 2013. Both



governments are committed to opening a new and more ambitious chapter in their bilateral economic relationship, and to cooperating to promote the stability, prosperity and integration of the Asia-Pacific region. MUFG opened a representative office in New Zealand in 1972, commenced operation of a full banking branch in 1996, and has supported many global corporations in their investments and growth in New Zealand. MUFG will leverage the MOU with NZTE, to provide robust support for further investment by providing advice and business information about the New Zealand economy and prominent infrastructure projects to customers exploring and expanding their business opportunities in New Zealand. *MUFG News Release*

 **SMBC announces establishment of Chicago representative office-**

Sumitomo Mitsui Banking Corporation announced the establishment of Chicago representative office in Chicago, Illinois, USA and the said representative office commenced its business operations on July 31, 2017. Chicago, a major city located in the Midwestern US, is known for having the concentrated manufacturing industry which has significantly contributed to the American economy and also is home to many diverse Japanese corporations. SMBC has been accommodating financial needs of many Japanese and major US corporations in Chicago area. As the major hub for domestic logistics in the US, Chicago is also where the head office of SMBC Rail Services LLC is located. SMBC Rail's railcar leasing business in North America is designated by SMBC as one of its strategic business sectors. *SMBC News Release*



 **Maybank issues inaugural RMB bonds in China interbank market -**

Malayan Banking Bhd (Maybank) has made its first issuance of renminbi (RMB) bonds in the China interbank bond market amounting to 1 billion yuan (RM634.4mil) in nominal value. In a filing with Bursa Malaysia, the country's largest financial services group said the issuance on July 24 followed the receipt of People's Bank of China's approval to issue RMB bonds of up to 6 billion yuan (RM3.8bil) in the republic's interbank bond market. These are to be issued in multiple tranches within two years from the date of approval. Maybank Investment Bank, on behalf of Maybank, had on June 30 lodged with the Securities Commission all required information and relevant documents relating to the RMB bonds. *The Star*



 **Bank of Maldives pledges to support tourism industry achieve its target of 2**

**million tourists a year by 2020** - Bank of Maldives on July 12 pledged to support the tourism industry to achieve its target of 2 million tourists per year by 2020. BML CEO and Managing Director, Andrew Healy, made this statement at the BML Hotelier Maldives Summit which is being held as part of the Travel Trade Maldives (TTM) Fair that commenced this morning. BML and American Express are the Platinum Partners of TTM, which is the first international tourism fair to be held in Maldives. The Fair, which is organized by Maldives Getaways, is being attended by over 200 delegates from the tourism industry, including a number of international tour operators. The BML Hotelier Summit brings together leading tourism industry stakeholders, including hotel owners, operators and general managers. Minister of Tourism, Mr Moosa Zameer was Chief Guest and the Secretary General of the Maldives Association of Tourism Industry (MATI),



**BANK OF MALDIVES**

Mr Ahmed Nazeer, delivered a keynote address. During his speech, Andrew Healy highlighted BML’s commitment to the industry. “We in Bank of Maldives are supporting your growth –funding you and providing you with card services, payment gateways and a whole lot more. Tourism-related loans account for more than MVR 3 billion of our loan portfolio and we have branches, ATMs and card terminals supporting you, your staff and your guests. We are fully committed to continuing to assist you in your efforts to attract 2 million tourists per year by 2020.” *Bank of Maldives News Release*

**DBS launches PayLah taxi QR code payment in Singapore**

- Those commuting via taxi in Singapore now have the option to pay using their smartphone’s QR reader, through an initiative launched by DBS in partnership with ComfortDelGro Taxi. Users of DBS PayLah -- the bank’s mobile wallet -- can now make instant QR code payments in 16,000 ComfortDelGro taxis across the city-state, as the finance giant edges towards its goal of boasting 60,000 QR code payment acceptance points by the end of 2017. “[Customers] are taking to cashless payment in increasing numbers, and are withdrawing lower amounts of cash and less frequently from our ATMs,” said Jeremy Soo, head of the Consumer Banking Group in Singapore at DBS Bank. “With the introduction of user-friendly digital payment modes such as the QR code for day-to-day activities such as taxi payments, we expect cashless payment adoption to accelerate.” According to DBS, contactless card transactions grew 82 percent from June 2016 to June 2017, while payment volumes rose by 76 percent. *ZDNet*



**UOB to expand in Vietnam as it becomes first Singapore bank to get subsidiary bank license**

- United Overseas Bank said on July 20 that it has received an in-principle foreign-owned subsidiary bank (FOSB) license from the State Bank of Vietnam.



The license will allow UOB to broaden and deepen its support for businesses and consumers in the country. UOB is the first Singapore bank to receive the in-principle license. The FOSB license would enable the bank to extend its branch network beyond Ho Chi Minh City and to offer its products and financial solutions to businesses and consumers located in other cities in Vietnam. The bank said it will also consider opening a branch in Hanoi, which it said is Vietnam’s gateway to fast-developing cities in the north such as Hai Phong, Quang Ninh and Hai Duong. *The Straits Times*

**Chang Hwa Bank to debut in the Philippines**

- The Chang Hwa Bank announces that it is opening a new branch in the Philippines after deciding to set up a new office in Myanmar this August. After receiving the approval from the Philippine government for the bank’s entrance to the country, they expect to operate their new branch by the end of the year. As a part to expand its presence overseas, the bank appreciates the potential in the fast developing market of the Philippines. Besides, the new policies amending the foreign banks law by removing the limit of only ten foreign banks in the country makes it more accessible for Taiwanese investment to enter the Philippine market. *Taiwan News*



**Land Bank of Taiwan eases rules on home purchase mortgages-**

Land Bank of Taiwan, one of Taiwan’s largest home loan providers, on July 4 said it has eased rules on extending mortgages to home buyers. The rules, which became effective this month, allow home mortgage applicants with NT\$600,000 (US\$19,666) or more in annual income to borrow 80 percent of their home’s value, the bank said. The previous minimum annual income for a home mortgage seeker for the same conditions was NT\$800,000. Clients who already own a home and want to buy more are also eligible for the eased mortgage rules, the bank said. However, the debt-to-income ratio for a single-home mortgage seeker with no other loans remained unchanged at 800 percent, while the ratio for a married couple applying for a home mortgage remained unchanged at 1,200 percent, the lender said. *Taipei Times*



**CTBC Financial Holding Co. earns 4 ISO certificates for green practices-**

The U.K.’s national standards body has awarded four ISO certificates to Taipei-headquartered CTBC Financial Holding Co., recognizing the group’s efforts in environmental protection and energy saving. At an event in Taipei, British Standards Institution Managing Director Peter Pu awarded four certificates to CTBC Financial Holding’s Chief Administration Officer Roger Kao, who received them on behalf of the group. Pu said that CTBC Financial Holding was the first in Taiwan’s finance industry to publish a dedicated corporate social responsibility (CSR) report with third-party accreditation. Over the years, the group has expanded the scope of its energy management certification as part of its commitment to being a green financial institution, he said. *The China Post*



**Bangkok Bank’s profits rise 12 percent year-on-year-**

Thailand’s largest bank by assets, Bangkok Bank, on July 20 posted net profit of 8 billion baht (\$238 million), a 12 percent increase from last year and in line with analysts expectations. Bank earnings have stagnated in recent years as Thailand’s economy has lagged others in Southeast Asia, although the central bank this month raised its economic growth forecast for 2017 to 3.5 percent. “With the Thai economy expected to expand at a modest rate amidst ongoing uncertainties over the global economic recovery, Bangkok Bank continues its prudent approach on financial management,” Bangkok Bank said in its statement. *Reuters*



**Vietcombank gets approval to open bank in Laos -**

The State Bank of Việt Nam (SBV) has approved the Bank for Foreign Trade of Việt Nam’s (Vietcombank) proposal to establish Vietcombank Laos Ltd in Laos. Vietcombank Laos, a wholly owned subsidiary of Vietcombank, will be headquartered in the Laotian capital of Vientiane, with a charter capital of US\$80 million. As per rules, the bank must be launched within 24 months of the central bank’s approval and Vietcombank has to submit a report to the SBV at least 14 days before the opening of the bank. Earlier, the SBV also approved the setting up of Vietcombank’s representative office in the US’ New York. *Vietnam News*



## Banking and Finance Newsbriefs

### **Rising private debt, high property prices leave Hong Kong banks with negative Moody's outlook**

The outlook for Hong Kong's banking sector over the next 12-18 months remains negative due to rising private sector indebtedness and high property prices, according to Moody's Investors Service.

It said most rated banks' problem loan ratios remain very low by global standards and should remain stable despite a gradual increase in interest rates.

Hong Kong banks have also bolstered their capitalization through retained earnings due to more stringent regulatory requirements.

Nevertheless, medium term risks remain amid high property prices and rising private sector leverage, which will weigh negatively on banks' credit profiles.

"Very accommodative monetary conditions have spurred property price increases and rising private sector leverage, which pose latent risks to the system. Meanwhile, the banks' growing mainland exposures also pose risks to their credit profiles," says Sherry Zhang, a Moody's Analyst. *South China Morning Post*

### **RBI plans to extend cyber audit to all banks**

The Reserve Bank of India (RBI) is planning to conduct a cyber-audit of all banks in the country instead of just a few bigger banks as it did in the past, a policy shift that comes in the wake of an increase in cyber-attacks.

The banks which do not have security measures in place as per the RBI standards will be given time to comply, failing which the regulator may initiate action, officials said.

"We had created a cyber-cell under the department of banking supervision and conducted a separate IT audit of three banks," an RBI official told ET. "Last year, we increased it to 30 banks and this year we are covering each bank for separate cyber-security and IT audit."

RBI is also expected to do a gap analysis on the basis of the reports and ask banks to bridge the gaps. Since last year, the RBI has been carrying out IT examination of banks separately from the regular financial examination of banks. Earlier, it used to conduct random cyber audits on banks and issue reports to them for remedial action. *Economic Times India*

### **Indonesia's July inflation eases to 3.88% on year**

Indonesia's inflation eased in July, which may indicate that price increases will slow for the rest of the year and give Bank Indonesia leeway to not raise interest rates.

The official Central Statistics Agency said on August 1 that the year-on-year inflation in July ebbed to 3.88% in July from 4.37% in June. Sequentially, inflation slowed to 0.22% from 0.69%.

The median forecast from a Wall Street Journal poll of 10 economists was for July's inflation to come in at 3.84% compared with a year ago and 0.22% from the month before.

The main drivers on inflation were education costs, which rose 0.62% month-on-month, and processed food prices, which rose 0.57% from June. *Fox Business*

### **BoJ slashes 2017 inflation forecast despite stimulus**

The Bank of Japan (BoJ) on July 20 slashed its annual inflation forecast and once again

delayed its timetable for hitting a 2 percent target as the economy struggles to gain traction despite years of stimulus.

Central bankers also decided to maintain the bank's ultra-loose monetary policy at a time when their counterparts in other major economies from the Americas to Europe consider ending the era of cheap cash.

Investors were relieved over the bank's decision. Tokyo's benchmark Nikkei 225 index rose 0.62 percent, or 123.73 points, to end at 20,144.59, while the TOAX of all first-section issues gained 0.69 percent, or 11.14 points, to 1,633.01.

The yen fell against other major currencies, a plus for Japanese exporters.

"Yenselling accelerated following the announcement as the delay in [achieving] the inflation target generally means the BoJ would have to continue its easing in sharp contrast to other major central banks moving to tightening," said Tomohiro Nishida, a dealer at Sumitomo Mitsui Trust Bank Ltd. *Agence France Presse*

### **Bank of Korea raises growth forecast, keeps rates steady**

South Korea's central bank held its benchmark interest rate unchanged on July 13 while raising its growth forecast as exports and plans for fiscal stimulus add to optimism for the economy.

The Bank of Korea's policy board voted unanimously to keep the seven-day repurchase rate at a record-low 1.25 percent, as forecast by all economists surveyed by Bloomberg. Governor Lee Ju-yeol said gross domestic product will expand 2.8 percent this year, exceeding the previous forecast of 2.6 percent, and close to the country's potential growth rate.

He added that fiscal stimulus from the government could further boost the economy and wasn't included in the GDP estimate. President Moon Jae-in is pursuing an 11.2 trillion won (\$9.8 billion) package as a key to generating more jobs, but the bill has made little progress in parliament.

The BOK needs to be sure the economy has clearly recovered before there can be any change in monetary policy, though the board agrees that the future bias is for its stance to become less accommodative, according to the governor. He also said that while changes made by key central banks overseas are an important consideration, the board needn't respond directly to moves by its foreign counterparts. *Bloomberg*

### **Malaysia in bid to lift Islamic finance**

Malaysia could become the first country to incorporate the International Financial Reporting Standards (IFRS) in Islamic finance, said the Malaysian Institute of Accountants (MIA).

The accounting body was looking into the prospect, said MIA president Datuk Mohammad Faiz Azmi, adding that Malaysia was well-known for its high standards in Islamic finance.

"In fact, only Malaysia, Singapore and Thailand have a high standard of accountancy in Asean. Malaysia is especially good at Islamic finance," he told NST Business recently.

MIA had received queries from Middle East countries on applying accounting standards in Islamic finance, he said, adding that there were many Malaysian accountants in Riyadh and Dubai.

"MIA will come out with a book on how to apply the IFRS in Islamic finance, as many countries have not adopted it yet," said Faiz.

On the proposed measures to upgrade accountants' skills in Islamic financing, Faiz said the

Malaysian Accounting Standards Board (MASB) had issued papers on how to implement IFRS in Islamic finance. *New Straits Times*

### **Philippine bank outlook stable with much of region**

Philippine banks can expect to operate in a stable regional environment in the next 12-18 months as Moody's Investors Service upgraded its outlook for the sector in Asia and the Pacific.

Moody's kept its "stable" outlook for the local banking sector across all indicators for the next 12-18 months, matching expectations for India, Malaysia, Mongolia, Sri Lanka, Thailand and Vietnam, although Indonesia bested all with a "positive" outlook -- meaning a rating improvement could be in the cards within the same time frame.

The July report, titled: Banks -- Asia Pacific: Stabilizing Credit Cycle, showed the Philippine banking system bagged "stable" scores in terms of operating environment, asset quality, capital, funding and liquidity, profitability and efficiency, and government support.

Soured debts held by local banks dropped to two percent of their total loans as of end-March from 2.24% a year ago, while the lenders saw cumulative profits slip by a tad to P38.347 billion from P38.731 billion, according to central bank data. *Business World Online*

### **Singapore bank lending up 0.4% in June: MAS**

Bank lending in Singapore rose 0.4 percent in June from the month before, preliminary data from the Monetary Authority of Singapore on July 31 showed.

This was a shade stronger when compared with the 0.3 percent growth in May 2017 from the month before. Loans through the domestic banking unit - which capture lending in all currencies but mainly reflect Singapore-dollar lending - stood at S\$636 billion in June, up from S\$633 billion in May.

From a year ago, bank lending in June was up 7.6 percent. This compared with the 6.8 percent year-on-year growth in May. *Business Times Singapore*

### **Private banks challenging state-run peers in expanding mortgage loans**

Private banks have been expanding their hold on mortgages, challenging the dominance of their state-run counterparts amid tepid home sales growth.

Data from the central bank showed that as of the end of May, the nation's five biggest mortgage lenders were, in descending order, the state-run Land Bank of Taiwan and Bank of Taiwan, privately run CTBC Bank, state-run Taiwan Cooperative Bank and private Taipei Fubon Commercial Bank.

Fubon Bank displaced state-run Hua Nan Commercial Bank from its fifth place ranking at the end of April, data from the Financial Supervisory Commission showed.

Fubon Bank on July 24 said that as of the end of May, its mortgage book rose 4.2 percent annually to NT\$385.9 billion (US\$12.71 billion). That placed it slightly ahead of Hua Nan Bank, which had NT\$384.9 billion for a 5.87 percent market share. *Taipei Times*

### **Bank of Thailand tightens consumer lending**

The Bank of Thailand announced a series of measures aimed at tightening personal unsecured lending, including credit limits for credit card holders with monthly incomes of less than THB50,000 (\$1,497) and reducing the maximum credit card interest rate to 18% from 20%.

These new measures take effect on September 1. The new credit limits are credit

positive for Thai banks because they strengthen underwriting standards and will moderate growth in the personal-loan segment, which has contributed to a high level of household debt and an increase in nonperforming loans (NPLs).

According to the Bank of Thailand's 2016 Financial Stability Report, household debt was 79% of GDP as of first-quarter 2017. Debt growth was slower in 2016 than in 2015, but still outpaced income growth, especially for low-income, agricultural households and households operating small and midsize businesses.

The new limits will discourage further leverage among these borrowers, and ease their debt servicing burden. *Thailand Business News*

## **Vietnam's commercial banks reduce interest rate for short-term loans**

Some commercial banks have announced their lending rate cuts as from July 10 in implementing the State Bank of Vietnam's decision on reducing maximum short-term interest rate for loans in VND provided by credit institutions to serve demand for capital in some economic sectors.

The Bank for Investment and Development of Vietnam (BIDV) announced its continued reduction of interest rates for short-term loans in VND for priority clients and fields.

The bank applies a ceiling interest rate of 6.5 percent per year for the priority customers as stipulated in the State Bank of Vietnam's regulations, while offering the maximum annual rate of 6.0 percent for loans in five priority areas: agriculture and rural development; export; small and medium-sized enterprises (SMEs); support industry; and high-tech businesses.

The preferential interest rate is also applied to startups and firms in the environment area, as well as businesses having regular credit relations with the bank from at least three years and strong financial capacity, and operating effective projects with the bank's loans.

*Vietnam Plus*

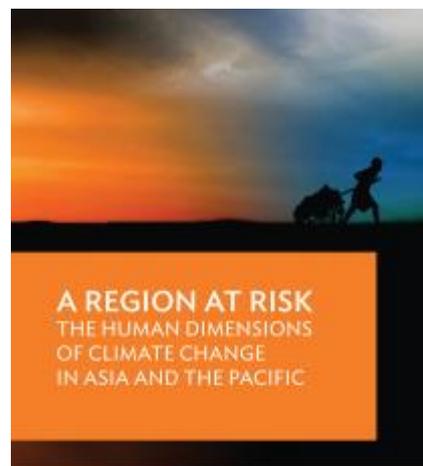
## Publications

### A Region at Risk: The Human Dimensions of Climate Change in Asia and the Pacific

**R**ecent regional climate change projections have consequences for human systems, particularly for developing countries in Asia and the Pacific.

Asia and the Pacific continues to be exposed to climate change impacts. Home to the majority of the world's poor, the population of the region is particularly vulnerable to those impacts. Unabated warming could largely diminish previous achievements of economic development and improvements, putting the future of the region at risk.

The report discusses the most recent projections pertaining to climate change and climate change impacts in Asia and the Pacific, and the consequences of these changes to human systems, particularly for developing countries. It also highlights gaps in the existing knowledge and identifies avenues for continued research.

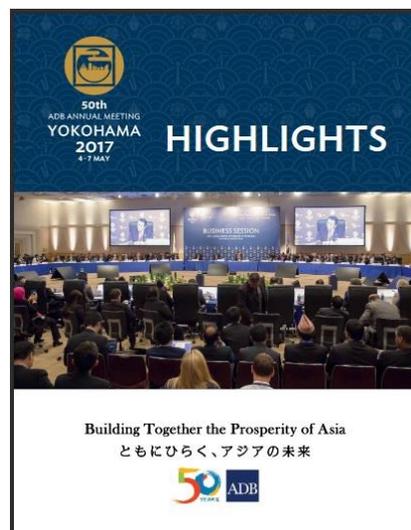


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### Highlights: ADB Annual Meeting - Yokohama 2017

More than 5,000 people from all over the world participated in the 50th Annual Meeting of the ADB Board of Governors in Yokohama, Japan to discuss sustainable development while ensuring the benefits of economic growth are shared by all.

The 50th ADB Annual Meeting featured numerous special events covering a variety of pertinent topics. One of the meeting's highlights was the book launch of *Banking on the Future of Asia and the Pacific: 50 Years of the Asian Development Bank*, a commemorative publication that provides a comprehensive account of ADB since 1966 through three historical narratives—Asia's economic development, the evolution of the international development agenda, and the story of ADB. President Nakao underscored the book's unique contribution toward understanding Asia's economic history through the lens of ADB's long-standing partnership with its members.



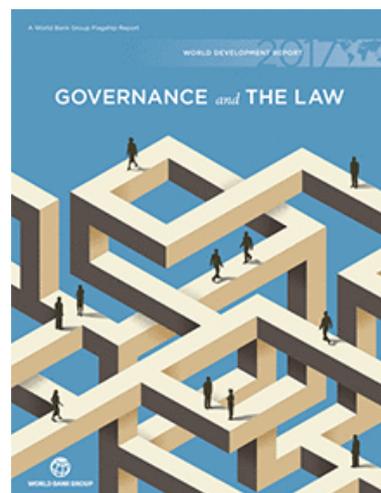
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**World Development Report 2017: Governance and the Law**

Why are carefully designed, sensible policies too often not adopted or implemented? When they are, why do they often fail to generate development outcomes such as security, growth, and equity? And why do some bad policies endure?

This World Development Report 2017: Governance and the Law addresses these fundamental questions, which are at the heart of development. Policy making and policy implementation do not occur in a vacuum. Rather, they take place in complex political and social settings, in which individuals and groups with unequal power interact within changing rules as they pursue conflicting interests. The process of these interactions is what this Report calls governance, and the space in which these interactions take place, the policy arena. The capacity of actors to commit and their willingness to cooperate and coordinate to achieve socially desirable goals are what matter for effectiveness. However, who bargains, who is excluded, and what barriers block entry to the policy arena determine the selection and implementation of policies and, consequently, their impact on development outcomes. Exclusion, capture, and clientelism are manifestations of power asymmetries that lead to failures to achieve security, growth, and equity. The distribution of power in society is partly determined by history. Yet, there is room for positive change.

This Report reveals that governance can mitigate, even overcome, power asymmetries to bring about more effective policy interventions that achieve sustainable improvements in security, growth, and equity.



Contact for details: World Bank Publications

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*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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