Message from the Secretary-Treasurer

Dear Colleagues,

The annual gathering of the Asian Bankers Association will take place in three months. The ABA Secretariat and our host bank, the Philippine National Bank, are working closely to make the 36th ABA General Meeting and Conference a success. We invite you to mark your calendars for the Conference on November 14-15, 2019 in Makati City, Philippines and register online as soon as possible to ensure your place in the Conference. More details can be found in the inside pages of the newsletter.

The ABA also wishes to congratulate Erste Group CEO Andreas Treichl who was named "Banker of the Year" by Euromoney. We also warmly welcome Mr. Timothy Sawyer, the new CEO of Bank of Maldives, to the ABA.

This issue features an article on "How banks in Asia-Pacific can survive in an age of declining profitability" published by the Asian Banking and Finance. We hope you find this piece informative, like those featured in the regular sections of the newsletter.

For contributions, please email us at aba@aba.org.tw

Sincerely yours,
Ernest Lin
Secretary - Treasurer

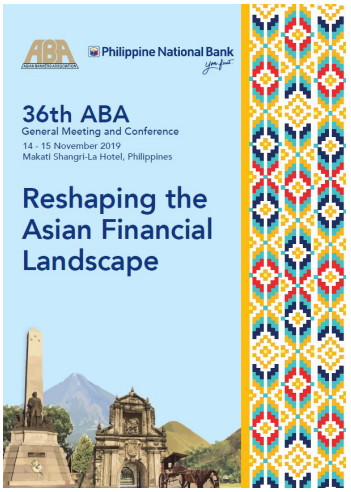
Table of Contents

ABA
ASIAN BANKERS ASSOCIATION

Table of Contents

General Meeting and Conference

PNB Releases 36th ABA General Meeting and Conference Brochure, Launches Conference Website



Philippine National Bank (PNB), host of this year's ABA General Meeting and Conference, has recently released the promotional brochure and launched the website of the annual event.

The brochure can be downloaded from the Conference website https://www.aba2019.com.ph

Featuring the theme "Reshaping the Asian Financial Landscape," the Conference which will be held at the Shangri-la Makati Hotel in Makati City, Philippines on November 14-15, 2019, will bring together bankers across the region to discuss and exchange views on the current trends and developments impacting the banking and financial sector. Experts from the banking sector, government regulators, multilateral and regional organizations, and the academe will be invited to share their views on timely and highly relevant topics, namely:

- Global Economic Outlook: What Lies Ahead for Asian Banks
- Financial Inclusion: Banking the MSMEs
- Is Asia Ready to Go Cashless?
- Role of the Regulator in Developing an Effective Digital Ecosystem

Members are encouraged to register early and avail of the early bird registration fee. For inquiries, please reach out to us by email at aba@aba.org.tw or visit the conference website.

About the host bank

Philippine National Bank (Philippine Stock Exchange: PNB) is one of the Philippines' leading private universal banks in terms of assets. In July 2016, PNB celebrated its centennial year with the theme, "A Century of Excellence", signifying a meaningful milestone for an organization that has served generations of Filipinos. PNB stands proud as an institution that offers stability and security for many Filipinos.

PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and a host of other financial solutions. Through its subsidiaries and affiliates, the Bank has full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses.

In April 2018, PNB issued USD300 million in Fixed Rate Senior Notes under its Medium Term Note (MTN) Programme, the Bank's debut issuance in the international debt markets. There was strong demand for the offering which reached approximately USD1.2 billion at its peak, equivalent to an oversubscription of 4x the issue amount. The Notes, rated Baa2 by Moody's, were issued at a price of PHP 99.532 per 100 with a coupon rate of 4.25% per annum and a tenor of five years and one day.

In September 2018, the Bank disclosed its integration with its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB). The integration highlights PNB and PNBSB's aim to strengthen its consumer and SME business, and improve synergy of its branch networks. With the integration, PNB now has a total domestic footprint of 711 branches and more

than 1,400 ATMs strategically located nationwide. The Bank maintains its position as the Philippine bank with the most extensive international reach with more than 70 overseas branches, representative offices, remittance centers and subsidiaries across Asia, Europe, the Middle East, and North America.

Backed by a legacy of service excellence, PNB is poised to move forward to become a more dynamic, innovative, and customer-focused bank – a dependable financial partner of Filipinos all over the world.

News Update

Global Economic Outlook Darkens Amid Escalating Trade Dispute, Ifo says

The economic outlook has deteriorated worldwide as the trade dispute between the United States and China escalates, a survey showed on August 12.

Germany's Ifo Institute for Economic Research said its quarterly survey among nearly 1,200 experts in more than 110 countries showed that its measures for current conditions and economic expectations have both worsened in the third quarter.

"The experts expect significantly weaker growth in world trade," Ifo President Clemens Fuest said, adding that trade expectations hit the lowest since the beginning of the tariff conflict last year.

"Respondents also expect weaker private consumption, lower investment activity, and declining short- and long-term interest rates," Fuest said.

U.S. President Donald Trump said on August 9 he was not ready to make a trade deal with China and even called a September round of talks into question, raising fresh doubts in financial markets that the dispute is unlikely to end anytime soon.

The United States and China are important export destinations for German manufacturers, so the tit-for-tat tariff dispute between the world's two largest economies is having a large impact on German goods producers.

The German economy, Europe's largest, is widely expected to have contracted in the second quarter, and sentiment indicators suggest hardly any improvement in the third.

"We're in the twilight zone of a marked economic slowdown and a recession," said Commerzbank economist Joerg Kraemer.

Reuters

Morgan Stanley: If the Trade War Escalates, a Recession will be here in 9 Months

Key points:

- Morgan Stanley thinks a global recession will come if the trade war escalates through the U.S. raising tariffs to 25% "on all imports from China for 4-6 months."
- "As we view the risk of further escalation as high, the risks to the global outlook are decidedly skewed to the downside," Morgan Stanley chief economist Chetan Ahya says.
- China has promised to retaliate to new tariffs that President Donald Trump said will begin on Sept. 1.

If the U.S. continues to raise a wall of tariffs on Chinese goods in the coming months and China responds, expect a global recession in three quarters, Morgan Stanley said on August 5.

"As we view the risk of further escalation as high, the risks to the global outlook are decidedly skewed to the downside," Morgan Stanley chief economist Chetan Ahya said.

The firm believes a global recession will come in about nine months if the trade war further escalates through the U.S. raising tariffs to 25% "on all imports from China for 4-6 months," Ahya said. "We would see the global economy entering recession in three quarters," he said in a note to investors.

President Donald Trump on August 1 unexpectedly announced that, beginning Sept. 1, the U.S. will add levies of 10% on the remaining $300 billion in Chinese imports that had not previously faced duties. These new tariffs "raise downside risks significantly," Ahya said.

"About two-thirds of goods tariffed in this round are consumer goods, which could lead to a more pronounced impact on the US as compared to earlier tranches," Ahya said. "Trade tensions have pushed corporate confidence and global growth to multi-year lows."

The Chinese yuan has already weakened below a key level, which Reuters reported came after the Chinese central bank set the midpoint of the yuan's price against the dollar at its weakest level since December. Trump and some analysts attributed the currency's weakening as retaliation by China, although the country's central bank denied that it made the move as an intentional response.

"Global central banks, in particular the Fed and ECB, will provide additional monetary policy support," Ahya said. "But these measures, while helpful in containing downside risks, will not be enough to drive a recovery until trade policy uncertainty dissipates."

CNBC

APAC Banks Face More Competition from Disruptors

Technology and e-commerce disruptors such as Google, Alibaba and Apple are considered the biggest threat to banks, followed by payment players and Neo-banks, says Asia's bankers.

In markets where mobile payments have already taken root, banks and payment processors are battling tech companies on two fronts. They are working to retain their own retail card and current-account customers and attract new users to their apps and e-wallets. They also need to get and keep merchants on their side if they are to reap the economies of scale from a high-volume, low-margin sector, according to a study by The Economist Intelligence Unit commissioned by Swiss software firm Temenos.

The survey, entitled "A Whole New World: How technology is driving the evolution of intelligent banking in Asia-Pacific", found that competition is intensifying between established retail banks and the technology and e-commerce disruptors that threaten to carve up the payment solutions market. Big tech giants Google, Alibaba and Apple are considered the biggest threat to banks (32 percent), followed by payment players such as PayPal, Ripple, and Alipay (28 percent) and Neo-banks such as Volt Bank, Varo Money and Monzo (25 percent).

With these threats top of mind, 37 percent of Asia-Pacific bankers see mastering digital marketing and engagement as their top strategic priority by 2020.

Asia-Pacific bankers are acutely aware of the race they find themselves in against technology giants that have the capital and scale to take market share from established players. Neo-banks are not far behind and have the flexibility to outmaneuver major banks on the margins. To remain relevant, retain customers and appeal to the evolving demands of younger generations, banks must master digital engagement, and quickly, said Martin Frick, Managing Director of APAC at Temenos, in a media statement on August 6.

To counter the possibility of losing customers to non-traditional banking competitors, some banks are following a "2 app" approach in order to counter non-traditional banking competitors. For example, Singapore's DBS bank has its traditional banking phone app and PayLah!, an app that is used for transactions and lifestyle services. With over 1 million users for its PayLah! app, DBS DBS believes more users would come on board for its trusted data privacy and security measures.

In contrast, big tech competition could struggle to ensure the trust of traditional bank users because of the high possibility of data leaks that have occurred in the past in the tech industry.

One of the main issues being brought forward from the survey is how to regulate banking effectively across the APAC region. The survey highlighted the dangers of a deregulated banking environment with the dominance of the WeChat Pay and AliPay duopoly in China. Sopnendu Mohanty of the

Monetary Authority of Singapore argues that a common data policy would be beneficial for the APAC region.

A regional regulatory banking policy would be effective in creating a balanced and transparent intelligent banking industry, the survey highlights. The European Union's General Data Protection Regulation could be an inspiration for how to push forward such regulatory oversight in the APAC region. These standards would be easier to implement in the digital economy than in the physical economy.

Regulation across the region has developed disparately. In Australia, open banking is being driven by the government to increase competition within established regulatory frameworks. In other parts of Asia-Pacific, such as Singapore, open banking is primarily being driven by the players themselves propelled by their desire to remain competitive and resulting in a need for retrospective regulation. In China, tighter licensing and data protection rules are set to diminish Alipay and WeChat Pay's duopoly across the broader region.

Retail News Asia

Authors of 2019 Geneva Report on World Economy Seeks Input from Market Participants

The topic of this year's Geneva Report on the World Economy will be "the future of banking."

The Geneva Report has been published every year since 1999 by the Centre for Economic Policy Research (CEPR) and is commissioned by the International Center for Monetary and Banking Studies (ICMB), a research foundation affiliated to the Graduate Institute of International and Development Studies in Geneva.

This year's report will consider how advances in information technology are changing the landscape of financial services provision and how those advances may be changing the optimal scale of banks. It will also consider whether banks traditional advantages of funding through deposits and information gathering area being eroded by the presence of market-based institutions with access to cheap funds and e-commerce platforms and by big tech firms with large established networks, which by analysing purchase and payments patterns, can gauge users' creditworthiness.

The authors of the report (Kathryn Petralia, Kabbage; Thomas Philippon, NYU Stern School of Business; Tara Rice, Bank for International Settlements and Nicolas Veron, Peterson Institute for International Economics and Bruegel) are asking for input from market participants.

To supplement the report, the authors are undertaking a short voluntary qualitative survey of market participants (banks, nonbank financial institutions and fintech firms). This short survey (which should take no more than 10 minutes) seeks to gather responses about technology disruption in financial services, and its impact on competition, product offering and pricing, and developments in financial institutions' relationships with customers.

The survey may be found here: https://bis.datacoll.net/iypxeyzyyo?l=en

More detailed instructions can be found on this link: https://bis.datacoll.net/uytdihbcyl?l=en The authors stress that all responses will be kept strictly confidential, and data handling arrangements are described on the sites linked above. For any questions: please reach out to tara.rice@bis.org. The authors would greatly appreciate market participants' input and would be happy to share the survey results and draft paper when it is ready.

Member Personality

Erste Group CEO Andreas Treichl named "Banker of the Year" by Euromoney

CEO of Erste Group Bank AG, Andreas Treichl

- Euromoney magazine recognizes Andreas Treichl for his contribution to the development of the banking sector in CEE
- Erste subsidiaries in Austria, Romania and Slovakia win "Best Bank" distinctions

Andreas Treichl, CEO of Erste Group Bank AG (Erste Group), has been named "Banker of the Year" for 2019 in the annual Awards for Excellence by Euromoney, one of the leading global financial publications. The jury recognized Andreas Treichl's contribution to the development of the banking sector in emerging Europe, the far-sighted digital strategy pursued by Erste with its platform George, and Treichl's commitment to financial inclusion.

In its decision, the Euromoney jury highlights that in the course of Andreas Treichl's 22 years as CEO, Erste Group has evolved from a traditional savings bank in Austria to a listed company with subsidiaries in six Central Eastern European (CEE) countries, more than 16 million customers and over 47,000 employees. From the beginning, Andreas Treichl focused Erste's efforts on providing retail banking to the region's rising middle class. A spotlight on financial inclusion coupled with an ambitious social banking programme is further strengthening this strategic focus and draws on the bank's 200 year-old roots as a financial services provider to the unbanked in order to promote prosperity. As a means of increasing access to prosperity, Andreas Treichl had already established plans for Erste to develop a pan-regional banking platform as early as 2012. Launched in 2015, the bank's digital platform George has advanced to become the largest pan-European banking platform and currently serves the better part of 5 million customers in four Erste markets.

Decisions about the winners of Euromoney's prestigious Awards for Excellence are made by a committee of the publication's senior journalists based on detailed submissions from market participants and extensive year-round research into the banking and capital markets in the region. The Awards cover global categories, best-in-class awards in all regions and the best banks in close to 100 countries around the world.

Best Bank in Austria, Romania and Slovakia

In line with the jury's reasoning for honoring Andreas Treichl, Erste Group's stand-out performance was acknowledged through "Best Bank" awards in a number of its core markets during the same awards ceremony.

Erste Bank Oesterreich earned the award "Best Bank in Austria". Slovenska sporitelna's win in the Euromoney Awards for Excellence 2019 marks the sixth time that it has received the publication's award for being the best bank in the Slovakia. Romania's Banca Comerciala Romana (BCR) was declared "Best Bank Romania" after being recognized as "Central and Eastern Europe's Best Bank Transformation" in 2017.

Member Personality

Bank of Maldives appoints new CEO

Bank of Maldives CEO, Mr. Timothy Sawyer

Bank of Maldives has announced the appointment of Mr. Timothy Sawyer as its new Chief Executive Officer. Tim has over 30 years of international experience in financial services, including 20 years at Executive and Board level. He joins Bank of Maldives from his position as the Chief Investment Officer at Innovate UK, the investment arm of the UK Government.

Prior to Innovate UK, Tim was the CEO of Start Up Loans, where for his services to the UK industry in developing small businesses and entrepreneurs, he was awarded Commander of the Most Excellent Order of the British Empire (CBE) by Queen Elizabeth. Tim has had the honour of leading several financial institutions including Cahoot and Kent Reliance, and was the Chairman at Banque Dubois of Switzerland as well as Folk2Folk, a lending organization based in UK.

Training & Education

ABA Short-Term Visiting Program to Maybank set on October 1-2 in Selangor

The Asian Bankers Association is inviting bank officers to participate in the short-term visiting program that the Malayan Banking Berhad (Maybank) will host on October 1-2, 2019.

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 and facilities of an advanced banking organization such as Maybank.

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 Maybank Program in October is being organized by the Maybank Group Human Capital and plans to cover (1) Maybank's Introduction; (2) Succession & Talent Development; (3) Learning & Development; (4) Workplace futurization in Maybank; (5) Six Future Ready Skills areas for today & tomorrow; and (6) Agility @ work.

This year's Program follows the highly successful and well-received Maybank's programs held in 2014, 2015, 2017 and 2018.

NO PARTICIPATION FEE

There is no participation fee. However, participants shall cover their airfare and hotel accommodation.

PROPOSED VENUE

The two-day Maybank Program will take place at the Maybank Academy at Jalan Ayer Itam 43000 Bangi Kajang Selangor in Malaysia.

REGISTRATION

To register, please contact the ABA Secretariat at aba@aba.org.tw

Training & Education

First Regional AML/CFT Summit on September 11-12, 2019 in Hanoi

ABA member banks are cordially invited to participate in the first regional Asia AML/CFT Summit 2019 to be held on September 11-12, 2019 in Hanoi, Vietnam.

Organized by Fintelekt Advisory Services Pvt. Ltd., the Asia AML/CFT Summit aims to provide the participants the valuable opportunity to understand, deliberate on and discuss important issues on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

As you may realize, the fight against money laundering and terrorism financing cannot be fought, or won, without a comprehensive approach from all stakeholders. The two-day Summit will bring together AML/CFT professionals and other stakeholders engaged in AML and CFT from across Asia.

Confirmed speakers include senior representatives of reputed international organisations such as Abu Hena Md. Razee Hassan, Co-Chair - Asia Pacific Group on Money Laundering (APGML); Liat Shetret, Program Manager, Egmont Centre Of FIU Excellence and Leadership (ECOFEL); Lindsay Chan, Former Director of Mutual Evaluations - Asia Pacific Group of Money Laundering (APG); Tom Keatinge, Director, Centre For Financial Crime And Security Studies - Royal United Services Institute (RUSI); Dr. John Coyne, Head of Border Security Program - Australian Strategic Policy Institute (ASPI); as well as AML Compliance Heads of leading banks and financial institutions across Asia.

For more information on the Summit, please visit the event website at https://summits.fintelekt.com.

ATM Innovation & Security Congress to be held on Nov 19-21 in Kuala Lumpur

Experts agree that a big part of the future of the ATM Industry lies in Asia, with more growth in terms of number of transactions and number of ATM units than any other region in the world. In order to harness the full potential of this, companies need to be aware of emerging trends and innovations, network with their industry colleagues and develop a clear path forward into the future.

ATMIA is leading the way with the ATM Innovation and Security Congress that will be held in Kuala Lumpur on 19th - 21st November, 2019. Over three days we will combine leading regional and global experts with the largest gathering of ATM Industry participants to share ideas, innovate and prepare for the future growth of ATMs for the region.

This congress will incorporate a focus on both physical and cyber security at ATMs and will also address ways to transform the future of customer experience at ATMs in the new digital world. ATMIA is leading the global Next Gen ATM project and will keep all delegates updated on the business case for embracing next gen ATMs to stay relevant for another generation.

ATMIA is the leading non-profit trade association representing the entire global ATM industry. ATMIA serves more than 11,000 members from over 650 companies located in 70 countries spanning the entire ATM ecosphere, including financial institutions, independent ATM deployers, equipment manufacturers, processors and a plethora of ATM service and value-added solution providers. Founded in 1997, ATMIA has active chapters in the United States, Canada, Europe, Latin America, Asia-Pacific, Asia, Africa, India and the Middle East to focus on the unique needs and issues of each region.

Visit https://www.atmia.com/conferences/asia/ for more information.

Special Feature

How Banks in Asia-Pacific can Survive in an age of declining profitability

SANDRA SENDINGAN, Asian Banking & Finance, Singapore

Joydeep Sengupta, Senior Partner, Singapore at McKinsey

Cutting down branches and migrating banking services to online and mobile channels are key to keeping costs down.

There was no way it could have lasted forever. After enjoying double-digit annual revenue growth from 2010-2014, banks in Asia-Pacific are starting to witness tapering growth trends with annual revenue growth slowing to 5% in 2014-2018 and growth in profit pools easing to 3% over the same period, according to McKinsey's annual banking review.

The average return on equity for Asia-Pacific fell from 12.4% in 2010 to 10.1% in 2018, signaling what some argue to be the end to the Asian miracle, although the region's profitability still ranks above the global average of 9.5%. The negative trend can be observed across developed and emerging markets in the region with only lenders in Singapore, South Korea and Vietnam turning the tide and posting improved ROAEs in 2014-2018.

In an interview with Asian Banking & Finance, Joydeep Sengupta, senior partner, Singapore at McKinsey, highlights best practices for banks in the region to survive the fintech threat as well as the four growth areas that banks can embrace the shift of the narrative in their favor.

ABF: The good years of strong banking profitability may already be behind us. The conversation has been shifting towards cost efficiency and brand rationalization with Japanese banks after we shutting down branches and Chinese using ATMs less amidst the popularity of AliPay and WeChat. How do you see this playing out over the next 12 months?

If you look at return on equity, the pressure on return has come largely from two factors: one is the declining margins across most product categories virtually across all markets and the other factor has really been deteriorating risk environment, where the risk costs have systematically gone up across many markets. So even though we've seen a lot of effort made by banks in containing costs or getting more cost efficient, in aggregate, the cost efficiency gains have not been sufficient to overcome the declining margins and the risk increasing risk costs - the reason why we've seen this kind of decline.

At the same time, there are obviously four new opportunities for growth. If you looked at retail and SME business, these are businesses which are quite underpenetrated in many parts of Asia, simply because it had been very difficult to access in the past. Part of the reason is the lack of data - banks couldn't underwrite as much. However, amidst the proliferation of the smartphone, plus other digital infrastructure being in place and data being available, I think these two segments are going to be massive growth areas, because the penetration level and the starting point across most markets are so low. If you look at retail lending in proportion of GDP, for example, it's in the early double digit in most of the Asian markets. Similarly, if you look at SME across markets, you can see that they are underserved especially in markets like China and India where around 70-90% are underserved. So, you do see massive opportunities in these two segments and the technology era is unlocking that opportunity.

Wealth, on the other hand, is a bit of a demographic trend. Across markets, there is a massive group of customers, in hundreds and millions, who are getting richer and moving away from the mass to the mass affluent, and then to the affluent segment. I would say this is probably the fastest growing opportunity from an asset accumulation and deposit gathering perspective. This is something which we see is unstoppable because it's not driven by any extraneous factor, but it is simply driven by demographics and wealth accumulation as economies developed.

Finally, transaction banking goes without saying that given the growth of trade - which represents the underlying growth in many of the Asian economies - we will see it being a big driver of that, and it will be linked to the opportunity

in transaction banking, foreign exchange, trade, which will come through. That's the reason why we call out these four opportunities, because from a penetration point of view as well as from a natural growth perspective that these opportunities are well placed for people to capture in the next few years.

ABF: How do you propose that lenders in Singapore, and by extension Asia, keep margin pressure at a sustainable area against challenges from non-bank entrants and heightened risk environment?

Productivity will continue to be a big area of focus. So continuing to, as you rightly pointed out, cost efficiency. We haven't seen a lot of improvement in aggregate for the banks as a whole over the last four or five years. As margins come under pressure, there will have to be much more emphasis in driving productivity. The second is looking at new avenues for growth because higher margin growth will be quite important, even as margins and the existing businesses come under pressure. I think these are the two levers: growth and productivity, which I think will be a focus for banks over the next few years.

ABF: How have banks utilized technologies to streamline the process for assessing creditworthiness and loan approval?

One of the challenges historically in many of the markets in Asia had been the lack of availability of quality data for underwriting. However, developed countries like Japan, Korea, Singapore, but also developing economies like India and Indonesia have seen a massive amount of investment to enhance the quality of the infrastructure on the technology side. Whether it's 4G infrastructure, 5G infrastructure, the digitization of the economies, enhancement of the credit bureaus, the ability to access a much better-quality information is much higher as a consequence. What this implies is that people can use much more technology-based analytical processes for underwriting whether it be for credit scoring, behavioral scoring and looking at transaction and behavioral data. So using several of these factors, we think that the ability to assess credit worthiness and approving loans has become much will become much better, which is why we believe opportunities in retail lending or SME lending will go up quite significantly.

ABF: What's the regulatory situation like and how do they weigh in on earnings outlook for banks across the region?

By and large, across most Asian markets, regulators have been largely very progressive, meaning there is a lot of encouragement for innovation such as regulatory interfaces, open banking, changes in payment systems, and regulators creating regulatory sandboxes, Singapore is a good example that is allowing new innovative companies to come in. There's one dimension. At the same time, we are also seeing regulators beginning to worry about systemic risk and the world that some of these players are creating and the disruption they bring to the environment. They're worried about data privacy, they're worried about cyber security.

The regulatory environment will continue being progressive although we will see more debate around ensuring that institutions are allowed to provide the best deal for the customer while making sure that the system itself is stable, right? I think that that is the fine line, which many of the regulators are beginning to walk at this point.

ABF: FinTech and BigTechs have proven their merit in targeted areas like digital payments and lending but they have yet to fully capture the full-credit cycle. How do you see this landscape developing, especially when the conversation is shifting towards a need for both competition and cooperation?

What is certainly true is that these players have had a profound impact on the market and the consumers especially with the very strong analytical tools and capabilities, which they bring for underwriting. They use data much more intelligently and profusely in their lending models than many of the banks historically have done. As a consequence, they have driven digital lending into retail and the small business segment, but at the same time, putting a tremendous amount of pressure on margins, because their cost of acquisition is much, much lower than many of the traditional banking models.

If you look at where most of the tech players are like K bank, Kakao or WeBank, they usually target the lower end of the consumer segment, which has not been penetrated by the banks. In this case, they have a very natural advantage over these players since their reach has been quite high where they were able to amass hundreds of millions of customers and their cost of acquisition and conversion has been much lower than traditional banking models. They also have much more information and data about these customers, unlike the banks. So in a way, they do have a significant advantage in this segment relative to the banks for sure.

We certainly think that this is a terrific trend, and we think it will continue but at the same time, the quality of the loans needs to be tested through a down cycle. Unlike the traditional banking model, which has gone through many up and down cycles over decades, I think this is a relatively new phenomenon that hasn't been tested in an economic down cycle. We're not saying that they won't hold true or they won't be solid but to confidently declare victory of this, it needs to have been tested through a down cycle.

ABF: You mentioned partnerships are inevitable in an

increasingly connected ecosystem. How do you think players will be able to manage interactions with fintechs that try to pose a direct threat to their operations? For instance, reports say that Grab is considering a virtual banking license in Singapore even though it already has existing payment partnerships with big banks. How do you see these types of interactions developing?

While I won't comment on Grab, per se, I think we will certainly see some element of coexistence between the two because what you will find, as people get into the virtual bank licenses, some of these existing partnerships might either morph or they will dissolve. That's one scenario, which we could see. From a banking point of view, the banks' ability to claim a segment will depend on the partnerships that it has with the FinTechs or the BigTechs, or other ecosystem players with whom it can access customers, and information at a much lower cost.

An alternative scenario we could see is people playing in different segments so you could imagine a scenario where there is a partnership operating for a different customer segment - let's say mass affluent - and an aspect in the partnership targeting the mass market which could actually be done through the virtual bank. We could see any of these scenarios play out but it's hard to predict because it will obviously depend on the strength of the incumbent in that domestic market, the platform player wants to leverage and the regulatory environment that sets what will be allowed to do versus not to. So in many of these markets, I think it's still a little bit unclear as to what the regulatory, you know, parameters are going to be and that will, in many ways, define the kind of approach that these players will take to partnerships.

ABF: What will be the role of branches in the age of digital banking?

If you go back historically, the role of the branches, to a large extent had been threefold. One is really acquiring customers, a second is enabling and helping the transactions that customers do and a third is offering advice and cross selling other products.

What's happening with the whole digital plays is that a large part of the transaction business is disappearing. In fact, most banks are seeing a sharp drop in transaction volume happening at their branches so many banks are trying to find a way of moving the transactions out to a call center, to digital channels or even to the ATM. For many banks, today, 95-98% of transactions are done outside of the branches.

What it implies is that in the less mature markets, the roles of branches for customer acquisition remains even as the digital channel proves to be a good channel for acquiring. In more mature markets, banks are also reorienting branches to focus on customer acquisition since there aren't that many new customers to acquire but are shifting towards advisory. This means that the look and role of the branch is shifting from an acquisition and a transaction point to advisory point.

You're beginning to see that the role of the branches change, which is why the configuration change and the kind of people that need those branches also change. That's the dynamic which we will see happen, as opposed to just a blind a shot at cutting the branches. The rationalisation of the physical network as part of banks' cost initiatives - whether it's the branch network, or the ATM network - I think those will continue as well as the continued rise of the adoption rate on the digital side.

ABF: The report is arguing for consolidation as a way to ensure growth although it identified the mature markets of Hong Kong, Singapore and Australia as less prone to consolidation. It also hailed upskilling as a method to future-proof the workforce against digital threats. Can you elaborate more on this report finding?

These three countries are also fairly mature markets. In Singapore, there are really three major banks and a couple of large other banks. If you sit back and say, 'Is there room for more consolidation?' The answer will be probably, but is it obvious and less so.

On the other hand, if you look at some of the markets like China, India, Indonesia and the Philippines, they are far more fragmented markets. Given the pressure on economics, we feel that many of the smaller players are unlikely to be able to withstand the pressure and economics and unable to make the necessary investments, which is why we feel that many of these markets are riper for consolidation than the others.

Certainly, upscaling and rescaling of the workforce is going to be quite important largely because the workforce of tomorrow is going to be quite different from the workforce today, in terms of the skills required. A lot of the work type will shift to advisory work as opposed to transaction related work because a lot of the transaction related work will largely get automated. So there is a big agenda for rescaling and upscaling either through collaborative mechanisms within the industry, cross industry or even within the institutions, there is a real imperative for institutions to train their workforce to meet the challenges of the times.

Clearly, there are two big imperatives. As we step back and look at this environment, one imperative is really to look at consolidation as a way to grow. One of the big growth factors for many of the banks is organic in the new areas we talked about, but it's also through acquiring portfolios and acquiring other weaker institutions.

The other is to have the right to be the bank that is

making the acquisitions by modernizing and reinvent yourself for productivity. So whether it's around your reorienting your technology, architecture, investing in data and analytics, or really thinking about investing in this rescaling and upscaling your workforce, I think that's going to be an equally important parallel initiatives and both of these will have to kind of go hand in hand as banks begin to make this transition over the next few years.

Among Member Banks

Bank of East Asia receives Best Frictionless Omni Channel Integration Award - The Bank of East Asia, Limited (BEA) has received the award for Best Frictionless Omni Channel Integration in Hong Kong at the inaugural Hong Kong Awards organized by The Asian Banker. The award follows another accolade from The Asian Banker, Payment Merchant Services of the Year in AsiaPacific, which BEA received at the International Excellence in Retail Financial Services Awards earlier in the year.

The Best Frictionless Omni Channel Integration Award recognizes the Bank's wide-ranging digital drive, including its "mobile first" strategy which culminated in a revamped version of the BEA App. The new BEA App involved a major interface redesign and enhanced functions to improve the user experience, and added new lifestyle features such as the i-Planner to extend convenience beyond traditional banking capabilities.

The Payment Merchant Services of the Year in Asia-Pacific Award was given to BEA in recognition of the i-Payment Hub, a convenient all-in-one terminal for merchants that supports credit card contactless payment, Alipay, and WeChat Pay. The i-Payment Hub also acts as a mobile terminal, allowing merchants to settle payments on the go (e.g. at mobile event booths and restaurant tables).

Ms. Shirley Wong, General Manager & Head of Personal Banking Division at BEA, welcomed the wins at one of the region's foremost financial services awards programs, saying, "BEA is delighted to receive these prestigious awards for the groundbreaking strides we have made over the last year. Our Bank is now pushing ahead with a range of fresh improvements, and will continue to launch innovative new services."

BEA News Release

State Bank of India cuts Benchmark Lending Rates by 15 bps - State Bank of India (SBI), India's largest lender by assets, on August 7 cut its benchmark lending rates by 15 basis points across all tenors, shortly after the central bank slashed interest rates by a larger-than-expected 35 bps to boost the economy.

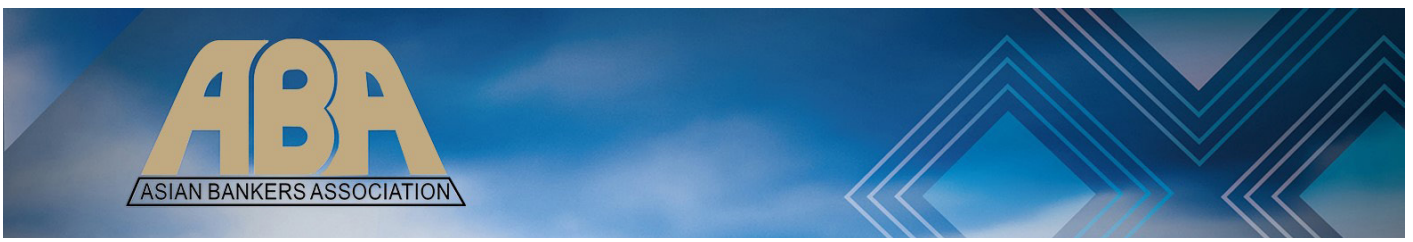
SBI's one-year marginal cost of fund-based lending rate, or the MCLR, will come down to 8.25% per annum from 8.40% earlier with effect from Aug. 10, SBI said in a statement.

The Reserve Bank of India (RBI) cut interest rates for a fourth straight meeting in 2019, taking advantage of mild inflation to expand its effort to boost an economy growing at its slowest pace in nearly five years, but there have been concerns over speedy transmission of these cuts to the economy.

"SBI has effected full transmission of repo rate cuts by RBI and has passed on the benefit of repo rate reduction by 85 bps during the current financial year to its CC/OD (cash credit and overdraft) customers with limits above 100,000 rupees," SBI said.

The lender added that after its fourth cut in MCLR for the year, home loans had become cheaper by 35 bps since April 10.

Reuters



Among Member Banks

MUFG Bank to Open 'Workation' Offices in Karuizawa and Singapore in Bid to Boost Productivity - MUFG Bank said on July 25 that it will open "workation" offices, designed to allow employees to balance work demands while enjoying a vacation, in the resort town of Karuizawa, Nagano Prefecture, and Singapore.

The core unit of Mitsubishi UFJ Financial Group Inc., one of the country's top three banking groups, hopes that the use of the offices will help boost its employees' creativity and productivity.

Workation, a combination of "work" and "vacation," is attracting attention as a form of telework. According to reports, the intention is for staff to spend only a limited amount of time catching up with work activities at the new facilities during the course of a longer vacation.

The Karuizawa and Singapore offices have a floor space of about 30 and 10 square meters, respectively, and include tables and chairs for workers. Users will need to make reservations in advance.

Japan Times

Mizuho Completes Full Banking System Integration - Japan's Mizuho Financial Group Inc. put its new banking system into full operation on July 16, marking the completion of its system integration efforts from 17 years ago.

The group, created through the merger of three major banks, resumed all its banking services, including through automated teller machines, at 8 a.m. (11 p.m. Monday, July 15 GMT) after a suspension during the three-day weekend from July 13.

The megabank group was launched in 2000 through the integration of Dai-Ichi Kangyo Bank, Fuji Bank and Industrial Bank of Japan.

The three were reorganized into Mizuho Bank and now-defunct Mizuho Corporate Bank in April 2002. On the very day of the reorganization, however, Mizuho Bank had a massive banking system failure.

Mizuho Bank had another massive system breakdown just after the March 2011 earthquake and tsunami that hit heavily the Tohoku northeastern region. At that time, Mizuho Bank used the three old systems of the predecessor banks.

The Jiji Press

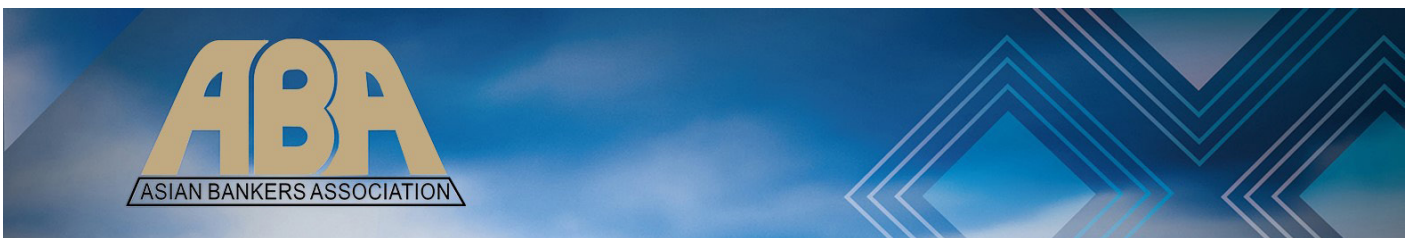
Sumitomo Mitsui Banking Corporation Selects NTT Data Getronics and Accuity to Advance Payments Screening in Asia - Sumitomo Mitsui Banking Corporation (SMBC) has selected NTT Data Getronics (NTTDG) and Firco Continuity, the market leading payments screening solution from Accuity, to advance its operations across Japan and Southeast Asia. The robust sanctions screening solution will strengthen SMBC's ability to meet international regulatory requirements, by helping the bank to detect the risk of potential sanctions violations.

Firco Continuity has replaced SMBC's previous solution for filtering SWIFT payment messages on behalf of its branches in Japan. SMBC has also implemented Firco Continuity across 16 countries in Southeast Asia to enhance its ability to filter trade-related financial transactions, greatly optimising its screening process in this area.

The integration of Firco Continuity will equip SMBC with a fully automated screening system that is capable of filtering transactions in real-time, using the latest sanctions and trade embargo data sets.

"We are delighted to be replacing our incumbent transaction and trade finance screening products with Firco Continuity. We are confident the new solution's false positive reduction capability will drive efficiency in our operations. Combined with NTTDG's implementation expertise, this solution will enhance our ability to protect our organisation and meet regulatory requirements, without compromising on performance," said a representative from the Sumitomo Mitsui Banking Corporation (SMBC).

Yahoo News



Among Member Banks

Maybank Launches Premier Banking Services in Philippines - Malayan Banking Berhad (Maybank) launched Maybank Premier, its premier banking services in the Philippines as it continues to develop its group wealth management (GWM) franchise to capitalize on the region's growth trajectory.

It opened its first premier center in the country at the Maybank Ayala Avenue branch, Makati City, according to its statement issued on July 25.

Maybank also partnered with Visa, the leading global payments solutions, to introduce the Maybank VISA Infinite Credit Card to provide its premier clients in the Philippines with distinct lifestyle privileges.

Datuk John Chong, group CEO, community financial services of Maybank said the banking group has been serving the community in the Philippines for more than 20 years.

"We are excited to officially launch Maybank Premier Banking there to better cater to our premier clients' requirements and provide them with priority service through our premier center.

"This is in line with the bank's focus to continue to develop our GWM franchise to capitalize on the region's growth trajectory, and the Philippines is one of the fastest growing economies in Asean with a burgeoning middle class."

The Star

BML Shareholders Receive MVR129 Million Record Dividend - Bank of Maldives'(BML) shareholders tonight voted to approve a dividend pay-out of MVR 129.17 million (MVR 24 per share) at the Bank's Annual General Meeting held at Hotel Jen, Male'. This is the highest dividend pay-out in the Bank's history.

The state, as BML's largest shareholder, will benefit from the increased payout and it was reported that when both taxation and dividend payments are taken into account, total state receipts will amount to MVR 390 million.

The Bank's Profit Before Tax was MVR 1.6 billion, an increase of 13% from 2017. This is a particularly positive result achieved notwithstanding the higher funding costs, and unlike in the previous year, performance did not benefit from any one-off gains. Profit After Tax has now surpassed the MVR 1 billion threshold for the past three consecutive years.

Addressing shareholders, CEO Tim Sawyer said, "We are pleased that our shareholders will benefit from our progress with the highest dividend pay-out in the Bank's history. Financial performance of the Bank has never been better nor loan book standards higher - factors that are of course inter linked in terms of the Bank's robust profitability and capital position at year end. This positive platform enabled us to significantly expand our community investments throughout the year and positions us to continue such investment moving forward".

BML News Release

RCBC Sees Double-Digit Profit Growth - Yuchengco-led Rizal Commercial Banking Corp. (RCBC) is on track to grow its bottom line this year by double digits, a senior official said, as the bank's net income climbed by almost a fourth during the first half.

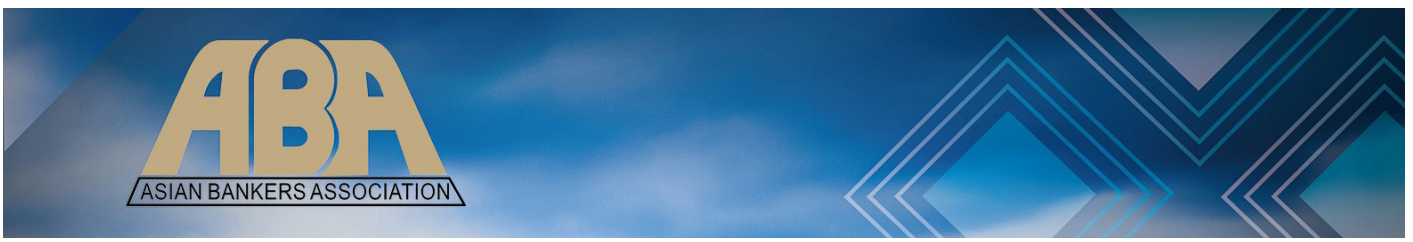
"There is a good probability that we're going to meet double-digit [net income growth] this 2019. With the things that we have been focusing on, the execution based on the plans that has been crafted over the past several years, the trajectory is…double-digit growth," Horacio E. Cebrero III, RCBC senior executive vice-president and treasurer, told reporters during the bank's first-half earnings briefing on August 7.

RCBC's consolidated net income ended flat at P4.321 billion last year.

In a disclosure to the local bourse on August 7, the listed bank said its consolidated net income went up by 23% to P2.7 billion in the first six months from the P2.2 billion booked during the same period in 2018.

RCBC attributed this performance to the growth of its core business, especially in its net interest income and fee-based income, which grew 10% and 23% year on year, respectively.

Business World



Among Member Banks

Free Training Program by Google, UOB to help SMEs Transform Digitally, Expand Overseas - As many as 400 leaders in small and medium-sized enterprises will get to go through a free new training program from Google and United Overseas Bank (UOB) by the end of next year to transform digitally and expand overseas, in a move to help them seize opportunities in the digital economy.

The SME Leadership Academy, supported by government agencies Digital Industry Singapore and SkillsFuture Singapore, will be a three-day program consisting of interactive discussions and lessons by business leaders from Google, UOB and other organizations.

It will be held at the Google office at the Mapletree Business City II in Pasir Panjang.

In a joint statement, Google and UOB said the program will take in cohorts in every quarter until the end of 2020.

Its first cohort will start on Aug 13, and interested parties can sign up for this program online. Each cohort is capped at 50 participants.

Ms Stephanie Davis, managing director of Google South-east Asia, said: "SMEs are the bedrock of Singapore's economy, and helping them succeed is paramount to building a bright future in the digital economy.

"Through the SME Leadership Academy, we are equipping business leaders with the knowledge, tools and connections to help them adapt to the changing markets and customer needs and grow profitably."

Straits Times

CTBC Ranks 148th Among the World's top 1,000 Banks - CTBC Bank Co ranked the 148th-largest of the world's top 1,000 banks this year, up three notches from last year, according to leading financial magazine The Banker.

CTBC has topped Taiwan's banking industry for three consecutive years, but it is the first time that a Taiwanese bank has been named among the top 150 in the world, evidence that CTBC's business performance, risk tolerance and sustainable development are among those of top international financial institutions.

In 2015, CTBC was selected as the highest-ranked bank in Taiwan's financial industry by the The Banker in terms of the strength of tier-1 capital.

With its tier-1 capital reaching US$9.752 billion this year, an increase of US$159 million from last year, the bank has been able to maintain a strong capital adequacy ratio and therefore saw its global ranking rise to 148th.

The Banker began its tally of the world's top 1,000 banks in 1970 and its survey is the only system in the world that gauges the scale and performance of banks, with the selection based on the size of tier-1 capital. This year's list covers more than 1,270 banks in 101 countries.

Taipei Times

Bangkok Bank, British Embassy ink MoU Granting Visa Privileges for Cardholders - The British Ambassador to Thailand, Brian Davidson and executive director and Bangkok Bank executive vice president Thaweelap Rittapirom recently signed an MOU which provides Bangkok Bank Visa Infinite cardholders access to special services and privileges when applying for a UK visa.

Cardholders need only their passports, their Bangkok Bank Visa Infinite credit card and to pay an extra fee of Bt4,000 to access the VIP lounge, and to apply for the visa at the VFS UK Application Centre without a reservation or the need to present any documents.

The MOU-signing ceremony, held recently at the British Embassy in Bangkok, was also joined by ML Radeethep Devakula, a representative of the Thai-UK Business Leadership Council (TUBLC). He is also the deputy vice president of the office of corporate communications at Thai Beverage Public Co Ltd.

Ambassador Davidson, said: "I was delighted to be able to sign this ground-breaking MoU. It is an exciting new initiative – first of its kind – both for the British Embassy and UKVI. And one which deepens the relationship with one of this embassy's closest strategic partners, Bangkok Bank, pointing the way to further stimulating business between the UK and Thailand."

Bangkok Bank's Thaweelap said the Bank aimed to enable their cardholders to conveniently apply for a visa with their passport and Bangkok Bank Visa Infinite credit card without having to provide evidence of their financial status or other documents.

The Nation

Among Member Banks

Vietcombank Named Best Bank of Vietnam by Euromoney - The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) has been named the best bank of Vietnam in 2019 by Euromoney.

This is the fifth consecutive year the bank has received this award from the Hong Kong-based magazine.

The "best bank" prize is one of over 20 international awards in the "Awards for Excellence" - the most prestigious banking and finance award system in the world selected by Euromoney.

The "Awards for Excellence" aims to honor the bank for its sustainable development capacity, business performance, risk management, application of information technology, management quality, and contributions to the domestic finance market.

Vietcombank was selected based on criteria such as total revenue and asset, pre-tax profit, net income.

Vietcombank recently has become one of the 30 strongest banks in the Asia-Pacific region in the recent rankings of The Asian Banker magazine.

Vietnamplus

Banking and Finance Newsbriefs

Hong Kong

Hong Kong Appoints Central Bank Veteran as Monetary Authority Chief

Hong Kong has appointed long-time policy insider Eddie Yue to lead its central bank, the Hong Kong Monetary Authority (HKMA).

Yue, currently one of the HKMA's three deputy chief executives, will become chief executive on Oct. 1, succeeding Norman Chan, who has completed two five-year terms.

The HKMA is responsible for Hong Kong's banking and monetary stability, and has a goal of maintaining currency stability under the city's linked exchange rate mechanism, which has seen the Hong Kong dollar pegged to the U.S. dollar since 1983.

"Eddie has worked at the HKMA for over 20 years; the HKMA's operations will not be affected by the management change," Financial Secretary Paul Chan said at a news conference on July 25 on Yue's appointment.

Yue, aged 54, joined the HKMA in 1993, the year it was founded, and has been deputy chief executive responsible for reserves management, external affairs and research since 2007.

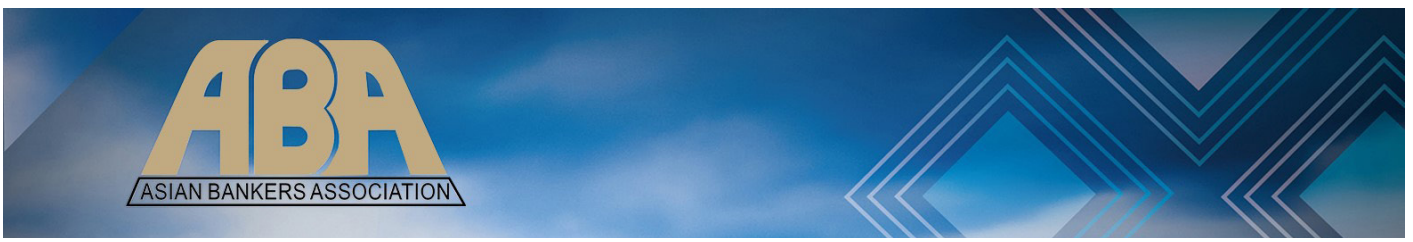
Reuters

36th ABA General Meeting and Conference

November 14-15, 2019

Shangri-La Hotel Makati, Philippines

Conference Website: https://www.aba2019.com.ph



Banking and Finance Newsbriefs

India

India Central Bank cuts Rates by 35 Basis Points to Speed Up Growth

The Reserve Bank of India on August 7 cut interest rates for a fourth straight meeting in 2019, taking advantage of mild inflation to expand its effort to boost an economy growing at its slowest pace in nearly five years.

The RBI maintained its "accommodative" stance adding that addressing growth concerns by boosting aggregate demand was their highest priority now.

The six-member monetary policy committee (MPC) cut the repo rate by 35 basis points to 5.40%, slightly more than the 25 basis point cut predicted by 80% of the 66 analysts polled by Reuters last month.

The reverse repo rate was reduced to 5.15%.

Four MPC members voted for a 35 basis points cut while two voted for a 25 basis point cut. All members voted for retaining the policy stance at "accommodative".

"Even as past rate cuts are being gradually transmitted to the real economy, the benign inflation outlook provides headroom for policy action to close the negative output gap," the MPC said in its statement.

"Addressing growth concerns by boosting aggregate demand, especially private investment, assumes the highest priority at this juncture while remaining consistent with the inflation mandate."

CNBC

Japan

Bank of Japan Flagged Need to Discuss Ideas on Easing, Meeting Summary Shows

Some Bank of Japan (BOJ) policymakers warned of risks to the economic outlook and called for discussion on ways to ramp up stimulus, a summary of views from the last rate review showed, a sign the central bank could loosen monetary policy as soon as next month, in September.

Others, however, advised against immediate stimulus due to the strain prolonged easing was inflicting on financial institutions, highlighting the rift in the nine-member board between those who favor more action and those against it.

At the July meeting, BOJ policymakers debated heightening overseas risks that one member said could tip Japan into recession.

"The BOJ must communicate more clearly its resolve to take additional monetary easing steps without hesitation if the momentum to achieve its price target is under threat," one of the members was quoted as saying.

"We must also consider in advance what steps we can take if we were to ease," the member added. The summary does not identify which members made the comments.

Several other opinions showed support for pre-emptive monetary easing to forestall risks. One said the BOJ must use both its interest rate targets and forward guidance to ease policy further, without elaborating, according to the summary.

Reuters

Malaysia

Malaysia Files Charges Against Current, Former Directors of Goldman Sachs Units

Malaysia has filed criminal charges against 17 current and former directors at subsidiaries of Goldman Sachs Group Inc in a multi-billion-dollar corruption investigation at state fund 1Malaysia Development Bhd (1MDB), the attorney general said on August 9.

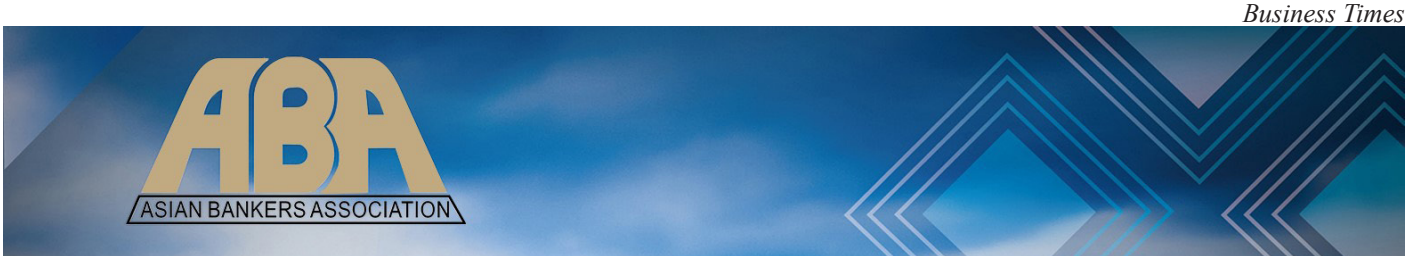
Goldman Sachs has been under scrutiny for its role in helping to raise US$6.5 billion through bond offerings for 1MDB, the subject of corruption and money laundering investigations in at least six countries.

The charges were brought under a section of the Malaysian Capital Markets and Services Act that holds certain senior executives responsible for any offences that may have been committed, Attorney General Tommy Thomas said.

"Custodial sentences and criminal fines will be sought against the accused ... given the severity of the scheme to defraud and fraudulent misappropriation of billions in bond proceeds," Mr Thomas said in a statement.

The individuals charged include Richard Gnodde, chief executive of Goldman Sachs International and Michael Sherwood, vice chairman of Goldman Sachs Group Inc and co-chief executive officer of Goldman Sachs international, Mr Thomas added.

Business Times



Banking and Finance Newsbriefs

Korea

S. Korean Lenders Rush to Offer Foreign Currency Wiring Services

South Korean lenders that have been actively seeking to making inroads into overseas markets are competitively introducing easy-to-use and foreign currency wiring services to better meet growing demand by foreign national residents in the country and Korean companies with operations in Southeast Asian countries.

KB Kookmin Bank, one of Korea's leading lenders, said on August 12 that it has launched a service that allows customers to directly transfer money from Korea to Vietnam in Vietnamese dong. Previously, customers had to transfer funds from Korea to Vietnam in U.S. dollars first and then exchange them into local currency. This process involved customers having to pay commissions twice.

The latest, simplified wiring service will enable customers to not only send funds directly to Vietnam in local currency but also save about 4,000 won ($3.29) in transfer fees including transit and payment fees thanks to the Korean lender's partnership with Vietcombank, a commercial bank in Vietnam.

KB Kookmin Bank said it has launched the new transfer service to cater to Vietnamese workers in Korea as well as Korean residents and companies in Vietnam.

In May, another top lender Shinhan Bank also commenced an overseas fund transfer service in its mobile app SOL. Its swift global payment innovation (GPI) service enables easier overseas fund transfers in less than a day. Users are also able to check fund movements in real time.

The mobile app service came after Shinhan Bank introduced the same service offline in December last year, for overseas fund transfers.

Pulse by Maeil Business News Korea

Philippines

Overseas Filipino Bank to Become First Digital Lender in PH by 2020

The government plans to convert the Overseas Filipino (OF) Bank into the country's first digital lender by mid-2020 to serve 10 million Filipinos living and working overseas.

"We're working to transform it into a branchless digital bank, and we are in close coordination with the BSP [Bangko Sentral ng Pilipinas]… Together with the BSP, we are crafting the rules [and regulations on digital banking] because there are no rules yet," LandBank of the Philippines president and chief executive Cecilia C. Borromeo said when asked about updates on the OF Bank established last year.

"Just exactly like those lenders online—there are a lot of them right? Some lend to businesses, some lend to individuals, but they have a salary-deduction scheme. [OF Bank will be] similar to that, but we will not be only lending—we will also be providing other financial services like insurance, like helping them invest their money, etc.," Finance Secretary Carlos G. Dominguez III, who chairs Landbank, said.

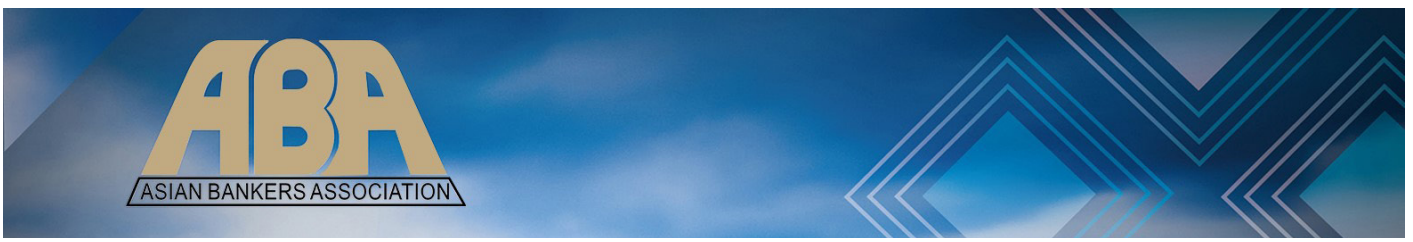
The digital OF Bank will also provide a platform for bills payment, Borromeo said.

For Dominguez, the shift to digital makes sense, given the lender's potentially massive reach.

"The potential customers of the OF Bank—overseas Filipinos—are more than 10 million already. If you're going to go to the traditional way of doing banking, of setting up a branch, getting permission from the different countries to set up a branch—it's going to take you forever. It's better to spend time on doing it digitally, and that's easier to reach all your potential customers," Dominguez explained.

Once established by June of next year, the OF Bank will "leap-frog every other banking institution in this country," Dominguez said.

Philippine Daily Inquirer



Banking and Finance Newsbriefs

Singapore

MAS Steps Up Scrutiny of Shell Companies to Combat Money Laundering

Singapore's central bank is raising its guard against money launderers increasingly using onshore shell companies to mask their transactions, a senior official said.

Valerie Tay, who heads the anti-money laundering department at the Monetary Authority of Singapore (MAS) said banks had closed accounts of several onshore shell companies over the past year, after detecting unlawful transactions.

"When we looked deeper into the risks, we realized that while criminals may still be using offshore companies, actually they have shifted to using onshore companies to evade detection," Ms Tay told Reuters in an interview, adding that this trend was also noticed in other financial centers.

"And that's when we started to be concerned. Because when the modus operandi of criminals shifts to evade detection and the industry isn't vigilant enough, the criminals can get their way," she said.

Singapore's position as one of the world's leading financial centers and a trade hub make it particularly vulnerable to money laundering due to large cross-border flows.

Traditionally, money launderers and tax evaders have used shell companies in offshore centers worldwide. But the relative ease of starting a business in Singapore renders it potentially more vulnerable to misuse of shell firms, which otherwise have many legitimate purposes.

Straits Times

Taiwan

Taiwan Joins Asia Digital Banking Push with Three New Online Licenses

Taiwan issued its first virtual banking licenses to three consortiums led by Taiwan and Japanese investors, its financial authorities said on July 30, following moves by regulators in other Asian markets to issue such licenses.

Asia's internet firms are challenging the region's traditional banks for consumer finances, hoping to increase competition and drive innovation in their markets, while non-banking companies are keen to challenge traditional banks by leveraging their technology and user databases.

The island's Financial Supervisory Commission said the digital banking licenses were granted to LINE Financial Taiwan, led by Japanese app operator LINE Group and including Taipei Fubon Commercial Bank and Standard Chartered, and to Next Commercial Bank, led by Taiwan telecom operator Chunghwa Telecom.

Another license was granted to Rakuten International Commercial Bank, which was operated by Japanese e-commerce firm Rakuten Inc and Taiwan's IBF Financial Holdings.

"We're likely to see these new players in Taiwan focusing on specific markets in need of specialized services and products," said Fergus Gordon, who leads Accenture's Banking practice in Asia Pacific and Africa.

Gordon said millennials in search of microloans and cheaper offerings that work around the clock, or SMEs that want more efficient corporate banking or speedier credit approvals would be likely targets.

Reuters

Banking and Finance Newsbriefs

Thailand

TMB Bank, Thanachart to Create Thailand's 6th-Largest Lender

Thailand's TMB Bank Pcl (TMB) and unlisted Thanachart Bank (TBANK) said on August 9 that they have agreed to create the country's sixth-largest lender with assets of $59 billion in a merger to better compete with rivals in Southeast Asia.

The deal comes as analysts expect the Thai banking sector to take a hit from a slowdown in the domestic economy amid rising global trade tensions, with fee income coming under pressure.

Banking sector consolidation in Asia is expected to pick up as economic growth across the region slows and the lenders grapple with thinning margins, worsening asset quality and rising costs, consultancy McKinsey said in a report last month.

The two Thai banks signed a non-binding agreement earlier this year after the government approved tax incentives for bank mergers.

That allowed Canada's Bank of Nova Scotia to divest its 49% stake in TBANK and record a C$300 million ($226 million) gain. The Canadian lender will own a 5.6% stake in the merged entity, the Thai banks said.

TMB said it plans to raise 42.5 billion baht ($1.4 billion) from existing investors to finance the acquisition of shares in TBANK from Scotiabank and financial holding company Thanachart Capital Public Company Ltd (TCAP), which owns the remaining 51%.

Reuters

Vietnam

Vietnam Banks Cut Priority Loan Interest Rates

Soon after the US announced a 0.25 percent cut in the benchmark interest rate on July 31 seven Vietnamese banks, including State-owned lenders, announced a cut in interest rates on Vietnamese dong loans of at least 0.5 percent to firms in the Government's priority sectors.

This is the second time this year that banks have cut lending interest rates to comply with the Government's instruction to support production and businesses.

The first was done early in the year.

Analysts said in addition to the US's rate cut and Government's policies to support businesses, the plentiful dong liquidity is also a key factor that has encouraged many lenders to cut loan interest rates.

Billions of dollars came into the market in the first six months through mergers and acquisitions.

The M&A deals have been worth almost $5.43 billion, 88 per cent of which involved foreign investors acquiring stakes in Vietnamese firms, according to data released at the 2019 Vietnam Mergers and Acquisitions Forum.

The State Bank of Vietnam (SBV) then pumped an equivalent amount in dong to mop up the dollars from the market.

In the first quarter alone this amount came to VND 150 trillion (US$6.52 billion).

The low inflation rate has also encouraged the lenders to cut their rates.

According to the General Statistics Office, in the first six months prices rose by only 2.64 percent.

Analysts said the rate cuts this time are expected to have a strong impact on the financial market thanks to the participation of many major banks.

They said lowering loan interest rates to support enterprises in particular and the economy in general is a must especially at a time when Vietnam's exports are showing signs of slowing down and many economies around the world have loosened monetary policy.

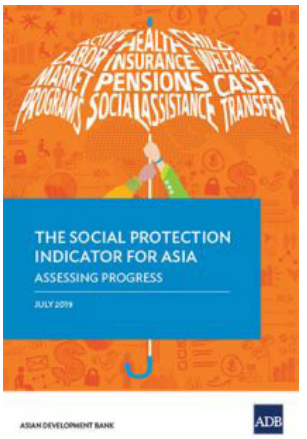
Vietnam News

Publications

The Social Protection Indicator for Asia: Assessing Progress

This publication provides updates on Social Protection Indicators of 24 countries in Asia, with an analysis of 2015 data on social protection programs.

It shows progress in expenditure, primarily driven by social insurance and coverage between 2009 and 2015. Spending on women has improved in several countries, yet others continued to favor the nonpoor over the poor, and men over women. The Social Protection Index—now the Social Protection Indicator—was developed by the Asian Development Bank and its partners as the first comprehensive and quantitative measure of social protection systems in Asia and the Pacific.



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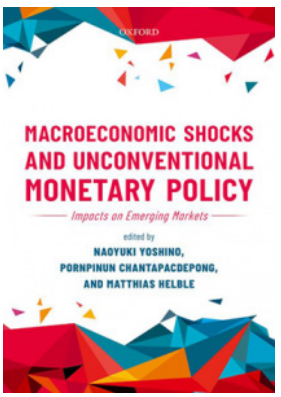
Macroeconomic Shocks and Unconventional Monetary Policy: Impacts on Emerging Markets



Shocks stemming from the global financial crisis have had wide-reaching effects on macroeconomic financial stability in emerging Asia.

Barely two decades after the Asian financial crisis, Asia was suddenly confronted with multiple challenges originating from outside the region: the 2008 global financial crisis, the European debt crisis, and finally developed economies' implementation of unconventional monetary policies. The implementation of quantitative easing, ultra-low interest rate policies, and negative interest rate policies by a number of large central banks has given rise to concerns over financial stability and international capital flows. Macroeconomic Shocks and Unconventional Monetary Policy: Impacts on Emerging Markets explains how shocks stemming from the global financial crisis have affected macroeconomic financial stability in emerging Asia.

Macroeconomic Shocks and Unconventional Monetary Policy: Impacts on Emerging Markets brings together the most up-to-date knowledge impacts of recent macroeconomic shocks on Asia's real economy; the spillover effects of macroeconomic shocks on financial markets and flows in Asia; and key challenges for monetary, exchange rate, trade, and macro prudential policies of developing Asian economies. It is authored by experts in the field of international macroeconomics from leading academic institutions, central banks, and international organizations, including the International Monetary Fund, the Bank for International Settlements, and the Asian Development Bank Institute.

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Publications

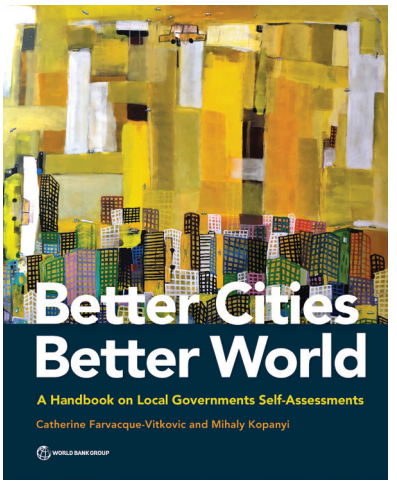
Better Cities, Better World: A Handbook on Local Governments Self-Assessments

The planet is becoming increasingly urban. In many ways, the urbanization wave and the unprecedented urban growth of the past 20 years have created a sense of urgency and an impetus for change. Some 54 percent of the world population—3.9 billion people—lives in urban areas today; thus, it has become clear that "business as usual" is no longer possible.

This new configuration places great expectations on local governments. While central governments are subject to instability and political changes, local governments are seen as more inclined to stay the course. Because they are closer to the people, the voice of the people is more clearly heard for a truly democratic debate over the choice of neighborhood investments and city-wide policies and programs, as well as the decision process on the use of public funds and taxpayers' money. In a context of skewed financial resources and complex urban challenges—which range from the provision of basic traditional municipal services to the "newer" agenda of social inclusion, economic development, city branding, emergency response, smart technologies, and green investment—more cities are searching for more effective and innovative ways to deal with new and old problems.

Better Cities, Better World: A Handbook on Local Governments Self-Assessments is at the heart of this debate. It recognizes the complex past, current, and future challenges that cities face and outlines a bottom-line, no-nonsense framework for data-based policy dialogue and action; a common language that, for the first time, helps connect the dots between public investments programming (Urban Audit/Self-Assessment) and financing (Municipal Finances Self-Assessment). It helps address two key questions, too often bypassed when it comes to municipal infrastructure and services financing: Are we doing the right things? Are we doing things right?

Better Cities, Better World: A Handbook on Local Governments Self-Assessments offers a bit of everything for everyone.



- Central governments will be attracted by the purposefulness and clarity of these tools, their impact on local government capacity and performance building, and how they improve the implementation of transformative actions for policy change.
- City leaders and policy makers will find the sections on objectives and content instructive and informative, with each issue placed in its context, and strong connections between data and municipal action.
- Municipal staff in charge of day-to-day management will find that the sections on tasks and the detailed step-by-step walk through the process give them the pragmatic knowhow that they need.
- Cities' partners — such as bilateral and multilateral agencies, banks and funds, utility companies, civil society, and private operators—will find the foundations for more effective collaborative partnerships.

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