Message from the Secretary Treasurer

Dear Colleagues,

The Bank of Maldives successfully hosted the 35th ABA General Meeting and Conference last November 15-16, 2018. It was such a pleasure to once again meet our member banks' representatives and listen to our conference speakers share their knowledge and expertise with us during those two days. I'm certain that you have learned much from the conference and have brought with you fond memories from the beautiful island of Maldives.

The December 2018 issue contains summary report from our Maldives Conference and a special feature on our member, The Bank of East Asia, as they celebrate their 100th anniversary. An interesting article on "Five Innovation Trends That Will Define Banking in 2019" is also included in this edition, as well as an insightful report on "Our Shared Digital Future" by the World Economic Forum.

I hope you will find our last issue of the ABA Newsletter for the year 2018 informative and engaging. I would like to take this opportunity to greet you and your families a very merry Christmas and a bright, prosperous 2019!

Best Regards.

Ernest Lin

Secretary-Treasurer

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General Meeting and Conference

Asian Bankers Discuss Impacts of New Banking Technologies in Maldives Conference

Over 100 bankers from Asia-Pacific, the Middle East and other regions- composed mainly of members of the Asian Bankers Association (ABA) led by ABA Chairman Mr. Daniel Wu, President of the CTBC Financial Holding Co. from Taiwan- gathered in Maldives on November 15-16, 2018 for the 35th ABA General Meeting and Conference. Hosted and organized by the Bank of Maldives under the leadership of its Managing Director and CEO Mr. Andrew Healy, the 2018 gathering of ABA members was held at Kurumba Resort. It was the first time that the ABA held its annual gathering of members in Maldives.

This year's Conference carried the theme "Banking in Asia: The Next Frontier". The two-day event discussed trends and developments in the global markets that are expected to have a significant impact on the banking and financial sector of the region, and how industry players can address challenges and take full advantage of the opportunities presented by these developments.

Opening Statements

Bank of Maldives CEO and Managing Director Andrew Healy (left) and ABA Chairman Daniel Wu (right) make their welcoming statements at the 35th ABA General Meeting and Conference in Maldives on November 16.

Bank of Maldives Managing Director and CEO Mr. Andrew Healy in his welcome statement noted that over the past decade, new technologies have dramatically transformed the delivery of financial services. At the same time, incredibly innovative technology firms have catapulted themselves into the financial industry, creating new value and choice for the customers, he added. "No one disputes the pressure that exists for traditional banks to adapt and collaborate. But what will be just as critical is managing the risks associated with these new technologies. As we move forward, striking a balance between technological advancement, risk management, and sustainability will be critical," said Healy.

ABA Chairman Mr. Daniel Wu in his opening statement said that holding the ABA Conference in Maldives provides members a valuable opportunity to gain a better understanding of the country's market – its economy, its trade and investment potentials, its banking and financial sector, and its people and manpower resources. Furthermore, it serves as an occasion for us to establish contact with important decision makers in business and government, and with the important players in Maldives' banking and financial industry, thereby helping our members in their effort to seek and identify business opportunities in the country.

Keynote Address

The keynote speech was delivered by Mr. Ahmed Naseer, Governor of Maldives Monetary Authority (MMA), the country's central bank. In his address, Gov. Naseer stated that Maldives, with its nationwide telecommunication coverage, has reached a milestone of financial inclusion, in the fields of telecommunication and mobile finance payment services.

Gov. Naseer noted that the improvements in innovations in regards to cryptocurrency, big data and artificial intelligence have taken the traditional banking industry to a "whole new level," adding that "It has allowed financial institutions to be connected to customers, anytime anywhere through digital channels."

Mr. Ahmed Naseer, Governor of Maldives Monetary Authority (MMA) receives a token of appreciation from Andrew Healy and Daniel Wu.

The governor highlighted the importance of utilizing upcoming technologies to break geographical barriers and to

General Meeting and Conference

address the underserved populations, citing 33 percent of adult Maldivians have yet to open a bank account. In spite of these hurdles, Gov. Naseer said the MMA has a very ambitious plan to upgrade and modernize the country's financial system which includes the development of a safe and robust payment infrastructure, to embrace and implement FinTech (Finance Technology) solutions and to strengthen institutional capacity as it acts as a "key ingredient in catalyzing the benefits of the supporting infrastructure."

However, he stressed that the implementation of FinTech requires a "major overhaul in the current regulations" as these issues exist outside the current regulatory standards. Further, the governor said that much of the ongoing narrative on the emergence of cryptocurrency and blockchains amount to a growing lack of trust in the financial system. "The financial sector requires as a whole to be more vigilant to the potential risks along with the technological advancements."

Audience listen to the keynote address being delivered by MMA Governor Mr. Ahmed Naseer.

ABA Elects New Officers, Board Members

New ABA Chairman and Vice-Chairman

(Left) Newly-elected ABA Chairman Jonathan Alles waves the ABA flag during the Installation Ceremony in Maldives on November 16. (Right) Newly-elected ABA Vice Chairman Mohamed Shareef takes his oath of office.

Mr. Jonathan Alles, Managing Director and CEO of Hatton National Bank (Sri Lanka) and Mr. Mohamed Shareef, Deputy CEO and Director of Operations of Bank of Maldives, were elected as Chairman and Vice-Chairman, respectively, of the Asian Bankers Association for the 2018-2020 term.

The elections took place at the recently concluded 35th ABA General Meeting and Conference held on November 15-16, 2018 in Maldives. Mr. Alles assumed the chairmanship from Mr. Daniel Wu, President of CTBC Financial Holding Co., who held the position from 2014 to 2018.

The new ABA Chairman has participated in many ABA activities for over a decade, and takes the helm of the Association with many objectives in mind, and chief among them is "the need to formulate a plan to get Central Banks of different countries together to address some of our pressing issues."

New Chairman of the ABA Advisory Council

ABA Immediate Past Chairman Daniel Wu was elected as the new Chairman of the ABA Advisory Council. He was elected to the position by other members of the Advisory Council during the sidelines of the ABA Conference in Maldives on November 23.

Mr. Wu replaces Mr. Dong-Soo Choi, who has retired after serving as Advisory Council Chairman since 2013.

The Advisory Council is composed of former ABA chairmen and eminent persons in banking and finance as selected by the Board who are willing and able to give time for the purposes of the Council. It gives advice to the officers and to the Board to ensure continuity and stability of policies and activities that would redound to the benefit and improvement of the Association and which would achieve its objectives and purposes. It may initiate such advice or render it in response to the request of the Chairman, the Board and the General Meetings.

Mr. Wu was ABA Chairman from 2014 to 2018, while Mr. Choi was Chairman from 2004 to 2006. Both Mr. Wu and Mr. Choi were presented Distinguished Service Awards during the 35th ABA General Meeting and Conference in recognition of their important contribution to the efforts of ABA in promoting the interest of the region's banking sector during their tenure as ABA Chairman and Advisory Council Chairman, respectively.

New Board Members

The 23 newly-elected members of the ABA Board of Directors who will serve for the next two years include the

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following:
* Bank of Bhutan
* The Bank of East Asia, Ltd. (Hong Kong)
*State Bank of India
* EN Bank (Iran)
* Bank Pasargad (Iran)
* MUFG Bank, Ltd. (Japan)
* Mizuho Bank, Ltd. (Japan)
* Sumitomo Mitsui Banking Corp. (Japan)
* Malayan Banking Berhad (Maybank) (Malaysia)
* Bank of Maldives
* Capital Bank of Mongolia
* Philippine National Bank
* Rizal Commercial Banking Corporation (Philippines)
* DBS Bank (Singapore)
* Hatton National Bank (Sri Lanka)
* Bank of Taiwan
* CTBC Bank (Taiwan)
* The First Commercial Bank (Taiwan)
* Mega International Commercial Bank (Taiwan)
* Bangkok Bank Public Company Limited (Thailand)
*Join-stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)
* Vietnam Bank for Agriculture & Rural Development
* Erste Group Bank AG, Hong Kong Branch (Austria)

ABA Recognizes Members, Officers at the 35th General Meeting and Conference

New ABA Chairman Jonathan Alles presents Distinguished Service Award to Mr. Dong-Soo Choi in recognition of his outstanding accomplishments, as Chairman of the Asian Bankers Association (ABA) from 2004 to 2006 and as Chairman of the ABA Advisory Council since 2013.

During the Gala Dinner of the 35th ABA General Meeting and Conference, the Association gave recognition to its members and officers who have demonstrated their strong support for and commitment to the objectives of ABA. Certificates of appreciation were presented to the following:

Representatives of ABA Board members who attended more than five annual meetings of the ABA since 2008. The awardees included:
* Daniel Wu, ABA Chairman
* Susan Chang, Member, Advisory Council
* Rajendra Theagarajah, Member, Advisory Council
* Peter Yuen, Bank of East Asia Ltd.
* Dilshan Rodrigo, Hatton National Bank
* Vahid Soud, EN Bank
* Nghiem Xuan Thanh, Vietcombank
* Mostafa Beheshti Rouy, Bank Pasargad
* Thanatphong Pratheepthaweephon, Bangkok Bank
* Shing Shiang Ou, Bank of Taiwan

Officers of member banks who served as Chairman of the ABA Policy Advocacy Committee during the 2008-2018 period. The awardees were:
* Shing-Shiang Ou, Bank of Taiwan (2008 - 2010)
* Dilshan Rodrigo, Hatton National Bank (2010 – 2012)
* Elbert Zosa, Rizal Commercial Banking Corp. (2012 – 2014)
* Prudence Lin, CTBC Bank (2014 - 2018)

Member banks who hosted ABA Short-Term Visiting Programs over the past ten years. The awardees included:
* Malayan Banking Berhad
* Rizal Commercial Banking Corp.
* Sumitomo Mitsui Banking Corporation
* Hatton National Bank
* State Bank of India
* United Overseas Bank Ltd.
* CTBC Bank

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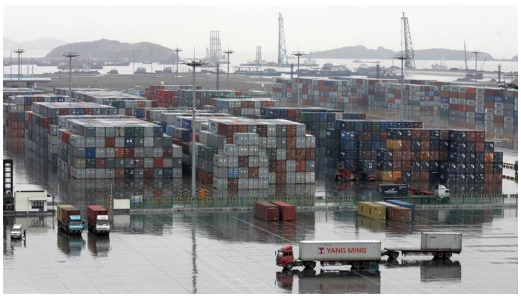
The ABA presented a Distinguished Service Award to Mr. Dong-Soo Choi in recognition of his outstanding accomplishments, as Chairman of the Asian Bankers Association (ABA) from 2004 to 2006 and as Chairman of the ABA Advisory Council since 2013, in serving the interest of ABA member banks and the Asia-Pacific banking and financial community as a whole, and for his valuable contribution in promoting the growth and development of the Association. Mr. Choi has retired as the Advisory Council Chairman and has been replaced by the Immediate Past ABA Chairman Mr. Daniel Wu.

News Updates

World economy to slow down in 2019 due to trade wars: OECD



Non-OECD countries are expected to see the sharpest slowdown (File: Greg Baker/AP)

* ***Global economic watchdog says growth is past its peak and faces risks from trade disputes and higher interest rates.***

The global economy has passed its peak and faces a slowdown driven by trade disputes and higher interest rates, according to a global economic watchdog.

The Organisation for Economic Cooperation and Development (OECD), which advises many of the world's richest economies, on November 21 said it has cut its 2019 global growth forecast to 3.5 percent from 3.7 percent as predicted earlier.

The OECD also warned that if the United States were to hike tariffs to 25 percent on all Chinese imports, as Trump has threatened, the world economic growth could fall to close to 3 percent in 2020.

US President Donald Trump slapped tariffs on many trade partners and escalated a tit-for-tat dispute with China.

The growth slowdown is expected to be worst in non-OECD countries, with many emerging-market economies likely to see capital outflows as the US Federal Reserve gradually raises interest rates.

The OECD cut its outlook for countries at risk such as Brazil, Russia, Turkey and South Africa.

"We're returning to the long-term trend. We're not expecting a hard landing, however, there's a lot of risks. A soft landing is always difficult," OECD chief economist Laurence Boone told Reuters news agency.

Global slowdown

The Paris-based agency said that while labour markets are in good health in major economies like the US, trade and investment have taken a hit from higher tariffs.

"Trade conflicts and political uncertainty are adding to the difficulties governments face in ensuring that economic growth remains strong, sustainable and inclusive," OECD chief Angel Gurria said.

A full-blown trade war and the resulting economic uncertainty could knock as much as 0.8 percent off global gross domestic product by 2021, the OECD estimated.

Trimming China's forecast, OECD said its growth would slow from 6.6 percent to a 30-year low of 6.0 percent in 2020 in the face of higher US tariffs.

It warned that "a much sharper slowdown in Chinese growth would damage global growth significantly, particularly if it were to hit financial market confidence".

Though at the source of the current tensions, the US economy was expected to fare better than most other major economies.

The OECD's 2018 and 2019 forecast for the US remained unchanged. It said growth in the world's biggest economy would slow from nearly 3.0 percent this year to slightly more than 2.0 percent in 2020.

In Britain, the OECD forecast growth would pick up from 1.3 percent this year to 1.4 percent in 2019.

Aljazeera

News Updates

With 60% of the Global Economy Forecast to be Digitised by 2022, There Remains Huge Potential to Lift More People Out Of Poverty, Here's How

By World Economic Forum, published online by CNBC Africa

- The digital world is facing a crisis with slowing internet growth and declining levels of trust that urgently need to be addressed
- 60% of global GDP is expected to be digitized by 2022, with very little distinction between the digital economy and the economy, or between digital society and society
- The Forum highlights six priority areas for action: Access and adoption, identity, positive societal impact, security, governance, and data

Building a digital economy and society that is trusted, inclusive and sustainable requires urgent attention in six priority areas according to a new report, Our Shared Digital Future, published by the World Economic Forum.

The report represents a collaborative effort by business, government and civil society leaders, experts and practitioners. It follows an 18-month dialogue aimed at restoring the internet's capacity for delivering positive social and economic development.

The report comes at a historic moment on the day when, for the first time, more than one-half of the world's population is now connected to the internet. At the same time, less than one-half of those already online trust that technology will make their lives better.

With 60% of the global economy forecast to be digitized by 2022, there remains huge potential for the Fourth Industrial Revolution to lift more people out of poverty and strengthen societies and communities. However, success depends on effective collaboration between all stakeholder groups. The authors of the paper, in addition to unveiling six key areas for action, also highlight several existing efforts at global and local levels where collaboration is helping to restore trust and deliver broad-based societal benefits.

The six priority areas for multistakeholder collaboration identified in the paper are:

§ Internet access and adoption Internet access growth has slowed from 19% in 2007 to 6% in 2017. At the same

time, we have reached the milestone of 50% of the world's population being connected to the internet. To close the digital divide, more investment is needed to not only provide access, but also improve adoption.

§ Good digital identity by 2020, the average internet user will have more than 200 online accounts and by 2022, 150 million people are forecast to have blockchain-based digital identities. However, 1 billion people currently lack a formal identity, which excludes them from the growing digital economy. Good digital identity solutions are key to addressing this divide, empowering individuals, and protecting their rights in society.

§ Positive impact on society by 2022, an estimated 60% of global GDP will be digitized. In 2018, companies are expected to spend more than $1.2 trillion on digital transformation efforts. Yet, only 45% of the world's population eel that technology will improve their lives. Companies need to navigate digital disruption and develop new responsible business models and practices.

§ Cybersecurity Cyberattacks result in annual losses of up to $400 billion to the global economy. More than 4.5 billion records were compromised by malicious actors in the first half of 2018, up from 2.7 billion records for the whole of 2017. A safe and secure digital environment requires global norms and practices to mitigate cyber-risks.

§ Governance of the Fourth Industrial Revolution Policy-makers and traditional governance models are being challenged by the sheer magnitude and speed of the technological changes of the Fourth Industrial Revolution. Developing new and participatory governance mechanisms to complement traditional policy and regulation is essential to ensure widespread benefits, close the digital divide and address the global nature of these developments.

§ Data: The amount of data that keeps the digital economy flowing is growing exponentially. By 2020, there will be more than 20 billion connected devices globally. Yet there is no consensus on whether data is a type of new currency for companies to trade or a common public good that needs stricter rules and protection. The digital economy and society must bridge this gap by developing innovations that allow society to benefit from data while protecting privacy, innovation and criminal justice.

"The digital environment is like our natural environment," said Derek O'Halloran, Head, Future of Digital Economy and Society, the World Economic Forum. "We all – governments, businesses, individuals – have a duty to ensure it remains clean, safe and healthy. This paper marks a step forward in offering a blueprint for a better internet we can all work towards: One that is inclusive, trustworthy and sustainable."

The paper is part of ongoing work by the World Economic Forum to provide a platform to accelerate, amplify or catalyse collaborative efforts from business, government, academia and civil society to advance progress towards an inclusive, trustworthy and sustainable digital economy. The paper provides an overview of key issues for the digital economy and society, establishes priorities for multistakeholder collaboration for the year ahead, and highlights existing key initiatives and resources. The issues explored in the paper can be found here.

"Our existing institutions, mechanisms and models are struggling to effectively respond to the pace of digital change and its distributed nature. This report identifies critical areas of focus for public-private partnerships to help restore trust in an inclusive and prosperous digital future," said Jim Smith, Chief Executive Officer, Thomson Reuters and Co-Chair, World Economic Forum System Initiative on Shaping the Future of Digital Economy and Society.

"While recognizing that digital developments fuel many opportunities in political, commercial and social spheres, a key point of this paper is the need to focus on inclusion and addressing digital divides; only through incorporating more voices and views – in the development of political and commercial policies – will we be able to create a society that truly benefits all," said Lynn St. Amour, Chair of the UN Internet Governance Forum (IGF)'s Multistakeholder Advisory Group, and Co-Chair, World Economic Forum System Initiative on Shaping the Future of Digital Economy and Society.

Special Feature

As Bank of East Asia turns 100, Chairman David Li Plots Digital Future, Says He'll Stay On Until March 2021

By Enoch Yiu, South China Morning Post

David Li Kwok-po, chairman and chief executive of the Bank of East Asia, photographed at the BEA Building in Central. Photo by Winston Wong

* BEA chairman David Li Kwok-po, 79, says he has no plans to step down before his contract ends in March 2021
* The bank, Hong Kong's oldest, celebrated the 100th anniversary of its founding on November 14

David Li Kwok-po, the third-generation scion of Hong Kong's oldest home-grown bank, Bank of East Asia, said he will remain active in managing the bank's 200 global outlets at least until 82 years old, showing no signs of handing the reins over to the next generation for the next three years.

Li, 79, is the longest serving and one of the highest

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paid bankers in Hong Kong, taking home HK$46.9 million (US$5.99 million) in compensation last year. His contract as chairman and chief executive of BEA will end on March 31, 2021, when he turns 82.

"I have a retirement plan in my head but I have not received approval from my wife. As such, I cannot disclose anything," Li said, during a lighthearted moment on Wednesday, as his bank celebrated the 100th anniversary of its founding.

"It does not matter when I will retire. The bank's management has succession planning on all important roles. The management reviews succession planning from time to time subject to the approval by the board," Li said.

Li declined to say if his two sons – Adrian Li Man-kiu, 45, and Brian Li Man-bun, 44 – who are both deputy chief executives of the bank, will take on either of his two roles at the bank.

"It would be up to the board, and not me, to decide the future roles of my two sons at the bank," Li said.

By 2021, he will have worked at the bank for 52 years – including 40 years as chief executive and 24 years as chairman.

"We do not believe there would be any negative impact to the bank if Mr David Li retires as both Adrian and Brian have been managing the bank for quite some time," said Michael Wu, senior equity analyst of Morningstar, an independent research firm headquartered in Chicago.

"There are many challenges for the succession planning of family business in Hong Kong," said Joe Ngai, McKinsey's managing partner for Greater China.

"A McKinsey study showed family run business could have smooth succession as long as the family find the right personnel. In many cases, family businesses run by shareholders have more stable management," Ngai said.

Li faces a set of complex challenges as he enters his sixth decade at the bank that was co-founded by his grandfather Li Koon-chun, great uncle Li Tse-fong and seven others on November 14, 1918, just three days after the end of the first world war.

In addition to furthering its growth strategy and the roll out of the next generation of digital technology, Li will need to address criticism by activist hedge fund Elliott Management that top management has suffered corporate governance failings.

Elliott Management, an activist investor with an 8.37 per cent stake in BEA, has been mounting a campaign since 2015 to reform the bank's shareholding structure, describing it as "sclerotic" and unresponsive to change. A dispute involving the two parties was last heard in Hong Kong's High Court in October, with the verdict pending.

At present, Sumitomo Mitsui Financial Group has a 19 percent stake in BEA and Criteria Caixa a 17.3 percent stake. Li owns 3.25 per cent while other Li family members own almost 3 per cent. The bank's third largest shareholder, Malaysian conglomerate Guoco owns a 14.15 percent stake.

Li declined to comment about the allegations made by Elliott Management.

Li started work at BEA in 1969 at the age of 30, earning a monthly salary of HK$2,400 as a junior accountant.

"I rejected three other offers as I believed in the future of the bank," Li said.

Li was among the first group of businessmen to visit the mainland in 1974 – four years before major economic reforms following the Cultural Revolution.

The bank now has 100 branches and over 5,000 staff in the mainland, making it one of the largest foreign banks. The lender also has about 70 branches in Hong Kong, employing 4,600 staff. Beyond China, the banks maintains offices in the US, Canada, UK, Singapore, Malaysia, and Cambodia.

"When we toured the mainland by train in 1974, we never imagined that the country could achieve what it has done in terms of infrastructure projects and economic growth," he said.

Li oversaw two acquisitions to expand the bank's operational footprint, taking over the United Chinese Bank in 1995 and First Pacific Bank in 2000.

"If I could have bought more other lenders, Bank of East Asia would be much bigger," he said.

"Now I would not buy any other banks but I would prefer to set up an alliance with technology companies to boost our fintech. The future of banking is all about digital," he said.

"When I first joined the bank, there were no computers. Some accountants still used an abacus. We computerised our branches in the 1970s. Now we need to offer mobile phone apps and the internet to serve our customers," he said.

Last year, Li's sons led a push to team up with Tencent Holding's WeBank and online travel provider Ctrip to offer credit related services.

In August, the bank teamed up with Australia's Airwallex and Sequoia Capital China to apply for a virtual bank licence in Hong Kong.

"It is now in the hands of the Hong Kong Monetary Authority to decide if Bank of East Asia will have a new virtual bank licence," Li said.

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While adding new mobile apps and other tech services, the bank has trimmed its Hong Kong branch network from 92 to 70 by closing unprofitable outlets.

The bank reported first half earnings of HK$3.99 billion, reflecting a rise of 26 per cent year on year. This came after the bank's net profit peaked in 2017 at HK$9.35 billion.

BEA shares have fallen 2.8 percent in the past month, becoming the biggest loser out of 20 Hong Kong-listed bank stocks, compared with 0.2 percent average gain. The share has fallen by almost 23 percent during the past year.

Of the 15 analysts who cover the bank, only one has a buy recommendation while six recommend investors sell the share.

"BEA has material exposure to mainland private companies and individuals, where non-performing loans have slowed but remain elevated, " said Anil Agarwal, an analyst of Morgan Stanley. He has an underweight rating on the bank and a target price of HK$22.

J.P. Morgan analyst Jemmy Huang also said: "Unfavourable operating performance in China would cap earnings upside and there is limited chance for a meaningful increase in the cash payout ratio or dividend yields despite a strong capital position."

Morningstar's Wu has a hold recommendation and a target price of HK$28.60.

Five Innovation Trends That Will Define Banking in 2019

By Jim Marous, Co-Publisher of The Financial Brand and Owner/Publisher of the Digital Banking Report

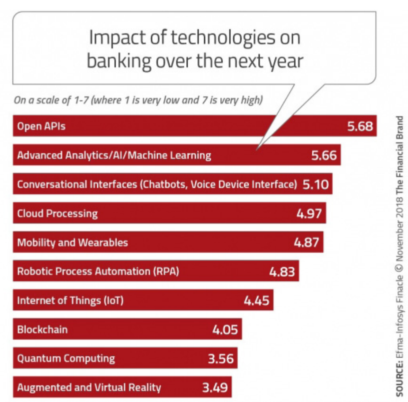
(Below article is re-printed with permission from the author and publisher)

The banking industry is beginning to incorporate the traits and practices that were once the domain of fintech startups. Banks and credit unions have become more comfortable with a faster pace of innovation, using data and analytics more extensively and digitizing processes as opposed to simply turning paper into PDFs.

The global banking sector is becoming both more strategically focused and technologically advanced to respond to consumer expectations while trying to defend market share against an increasing array of competitors. A great deal of emphasis is being placed on digitizing core business processes and reassessing organizational structures and internal talent to be better prepared for the future of banking. This transformation illustrates the increasing desire to become a 'digital bank'.

The importance of innovation and developing new solutions that take advantage of data, advanced analytics, digital technologies and new delivery platforms has never been more important. We are seeing organizations innovate in targeting, expanding services, re-configuring delivery channels, delivering proactive advice, integrating payments and applying blockchain technology.

These efforts will only increase in 2019, as global financial and tech giants revolutionize the financial services arena. As part of these mega-trends, banks will also experiment with new mobile applications and voice-enabled gadgets to enhance both delivery and contextual personalization. Ultimately, the consumer will be front and center. As technologies continue to evolve, the banking sector will continue to accelerate its investments in innovation and digital enhancements.

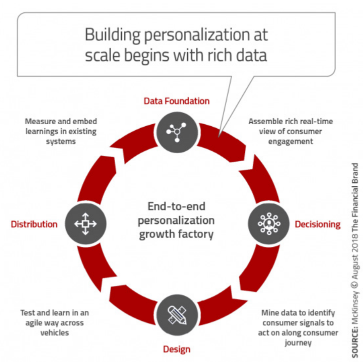


1. Serving a Segment of One

According to Accenture, "Many banks have initiatives aimed at targeting demographic-based clusters such as young people, Millennials or older people, but some banks are now targeting customers based on lifestyles, values, aspirations, mindsets and underserved needs." In 2019, many banking organizations will go beyond personalization by segment, to develop individualized communication and experiences for the segment of one. This is the ultimate level of innovative personalization allowed through data, advanced analytics and digital technologies.

This level of personalization involves clustering a customer base with advanced criteria, where human-centric, design-thinking pillars and CRM tools help banks and credit unions match needs to solutions in real-time. One of the forgotten keys to success with segment-of-one personalization is estimating the potential customers' willingness to pay for this added value. Or maybe, the key to success is a financial services organization's willingness to monetize value in the way that Amazon sets pricing on delivering the value of Amazon Prime. Consumers must be ready to recognize the value behind a personalization solution and be willing and able to pay for it.

Innovation and serving a segment of one is not limited to individual consumers. Banks and credit unions should also focus their efforts on the small and medium enterprise (SME) segment and the needs of individual businesses. Many financial services organizations are taking a 'GAFA' (Google/Amazon/Facebook/Apple) approach, leveraging insights and data derived from services and individual organizations to boost their core business.

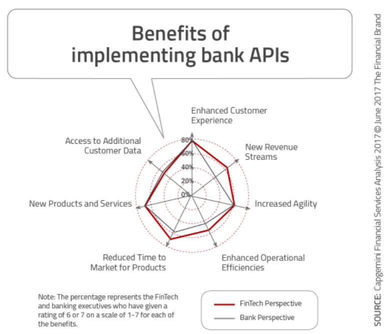


2. Expansion of Open Banking

More and more regulatory bodies globally are requiring banking organizations to enable customers to share their data securely with third parties to power new financial services and increase competition in the banking industry. By making account and payment data available through secure application programming interfaces (APIs), consumers have greater freedom and control in how they interact with their financial service providers.

Open banking APIs accelerate innovation and collaboration, leading to expanded banking ecosystems that could include more than just financial services to make a consumer's lifestyle better. What is exciting about open banking is that making consumer consent a central part of open banking strategy places an increased emphasis on consumer value propositions. In other words, if improved value isn't part of the open banking consumer proposition, the customer will not allow the sharing of their data. Alternatively, those firms that provide the best consumer value proposition will be the relationship winners.

The understanding and leveraging of the innovation potential of open banking will allow legacy financial services organizations to build on their existing customer relationships. By giving customers choice and control of their own data, first-mover banks and credit unions can become leaders in an era of increasingly personalized financial services. The expansion of open banking also will encourage non-traditional financial firms to collaborate with traditional banks or go solo with the same intention … innovating on behalf of the consumer.



3. Commitment to "Phygital" Delivery

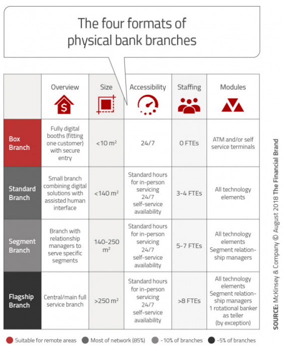
With the high cost of a traditional branch network and the increasing number of transactions moving to digital channels, more and more traditional financial services companies are introducing digital-only banking entities. Some banks are launching digital-only banks to collect deposits, while other financial firms are using digital platforms to provide lending, investing and specialty services. In each instance, the focus is on innovative customer experiences and increased value to the consumer, supported by customer data and advanced analytics that can personalize engagement.

Some of the organizations that will move in this direction in 2019 will do so to protect their current customer base, while other firms will be trying to expand (or generate) market share. In all cases, the desire will be to introduce first-to-market products that are consumer-focused. This focus on innovation is empowered through Open Banking APIs and cloud technologies.

Special Feature

The pressure to create an alternative delivery model is driven by the cost of maintaining branches. Obviously, the raw cost of operating a branch is high, which makes return on assets significantly stronger for a branchless bank. While new entrants will usually pay an increased cost for funding with brokered or online deposits, existing organizations that build a digital-only "sub-brand" benefit from already having a low cost of deposit funding.

As in the retailing industry, consumer expectations and the cost of alternative forms of delivery are redefining the way the banking industry is structured and the importance of innovative new delivery models. The challenge will be in determining the right mix of physical and digital in 2019 and beyond.



The four formats of physical bank branches

	Overview	Size	Accessibility	Staffing	Modules
Box Branch	Fully digital booths (fitting one customer) with secure entry	<10 m²	24/7	0 FTEs	ATM and/or self service terminals
Standard Branch	Small branch combining digital solutions with assisted human interface	<140 m²	Standard hours for in-person servicing 24/7 self-service availability	3-4 FTEs	All technology elements
Segment Branch	Branch with relationship managers to serve specific segments	140-250 m²	Standard hours for in-person servicing 24/7 self-service availability	5-7 FTEs	All technology elements Segment relationship managers
Flagship Branch	Central/main full service branch	>250 m²	Standard hours for in-person servicing 24/7 self-service availability	>8 FTEs	All technology elements Segment relationship managers 1 rotational banker as teller (by exception)

Suitable for remote areas · Most of network (85%) · -10% of branches · -5% of branches

SOURCE: McKinsey & Company © August 2018 The Financial Brand

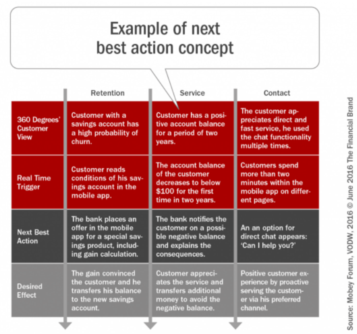
4. AI-Driven Predictive Banking

One of the most exciting innovation trends in 2019 will be the continued movement to predictive banking. For the first time time, the banking industry can consolidate all internal and external data, building predictive profiles of customers and members in real time. With consumer data that is rich, accessible and financially viable to deploy, financial institutions of all sizes can not only know their customers, but also provide advice for the future.

This enhanced use of data will enhance the consumer experience, while increasing security and efficiency. By moving from a rear-view-mirror perspective of customer communication to services deployed by robo-advisors and AI-driven chatbots, financial institutions will provide consumers with value through 'next-best actions' as opposed to blind selling of products. The real innovation will occur when financial institutions integrate this capability with the expanded services of open banking and connected devices.

The reach of banks and credit unions can be expanded as virtual agents work on behalf of the consumer to find the best mix of solutions for each individual in real time. This transformation may also result in the elimination of specific traditional products (checking, loans, payments) with the emergence of universal cash management solutions that address all needs in an integrated service.

In the end, the focus is no longer on putting together good information and waiting for someone to look at it; information is now shown with the goal of proactively changing customers' everyday behaviors, with figures and insights contextually delivered.



Example of next best action concept

	Retention	Service	Contact
360 Degrees' Customer View	Customer with a savings account has a high probability of churn.	Customer has a positive account balance for a period of two years.	The customer appreciates direct and fast service, he used the chat functionality multiple times.
Real Time Trigger	Customer reads conditions of his savings account in the mobile app.	The account balance of the customer decreases to below $100 for the first time in two years.	Customers spend more than two minutes within the mobile app on different pages.
Next Best Action	The bank places an offer in the mobile app for a special savings product, including gain calculation.	The bank notifies the customer on a possible negative balance and explains the consequences.	An an option for direct chat appears: 'Can I help you?'
Desired Effect	The gain convinced the customer and he transfers his balance to the new savings account.	Customer appreciates the service and transfers additional money to avoid the negative balance.	Positive customer experience by proactive serving the customer via his preferred channel.

Source: Mobey Forum, VODW, 2016 © June 2016 The Financial Brand

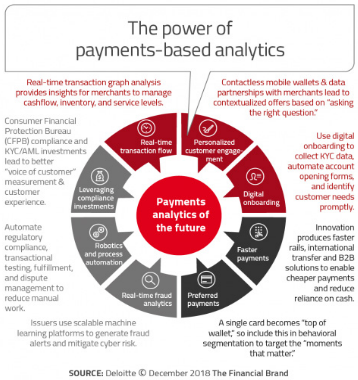
5. Payments Everywhere

The payments industry has been, and will continue to be, one of the most dynamic areas of innovation in the banking industry. Impacted by changing consumer expectations and driven by technological advances, innovation will continue to come from traditional financial institutions, fintech firms and big tech players.

As the infrastructure of payments continues to evolve, innovation will move the payments industry from a series of specific products to part of everything consumers do. Differentiation will be driven by data, technology and delivery, changing the dynamics of how and where we pay and receive payments. Payment innovation trends will occur in conjunction with the Internet of Things (IoT), point of sale (POS), mobile wallets, cryptocurrencies, and the blockchain.

The impact of this innovation in payments will be a decrease in the ability to differentiate on back-office capabilities, a decrease in transaction fees, and an increase in the importance of differentiated user experiences and the application of a vast array of data. Payment insights provide the foundation of consumer and small business behavior, positioning those organizations capable of processing vast amounts of payment data as the best to serve consumers in the future.

Special Feature



Innovating for Tomorrow

To be able to compete and grow where margins are thin, competition is fierce, regulations are changing and technology has an increasing impact, financial institutions must place innovation as a top priority. Organizational cultures must be shifted to support innovations that will impact increasingly outdated business models. Banks and credit unions must also anticipate consumer needs and innovate in ways that will prioritize the most effective mix of capabilities, processes and people.

About the Author

Jim Marous

Co-publisher of The Financial Brand and publisher of the Digital Banking Report, a subscription-based publication that provides deep insights into the digitization of banking, with over 150 reports in the digital archive available to subscribers. You can follow Jim on Twitter and LinkedIn, or visit his professional website.

Among Member Banks

Bank of East Asia Extends Trade Finance Partnership with Finastra - The Bank of East Asia Limited (BEA) has extended its partnership with Finastra to enhance its end-to-end digital trade capabilities and customer services for its corporate and personal banking services.

The move includes SME customers in Hong Kong, China and overseas. Integrating Finastra's technology and support services, BEA has upgraded to the latest version of Fusion Trade Innovation to drive efficient inter-bank settlements and stay SWIFT compliant.

Mr. Daniel Lo Wai Sang, General Manager & Head of Operations Support & Services Division at BEA said, "Finastra is an essential partner in our digitalization journey, helping us to provide reliable banking services to better serve our customers. At BEA, we are committed to developing and applying new technologies to enhance the customer experience. This latest investment in upgrading our digital trade finance capabilities will allow us to increase our trade transaction volumes, design and roll out new trade solutions to the market faster and more efficiently, as well as seamlessly scale up operations to keep pace with our customers' aspirations in the region."

Finastra

Among Member Banks

State Bank of India Bets Big on Retail-Expansion Strategy - India's largest lender, State Bank of India, is betting big on its retail growth story. The bank's retail advances, which have grown nearly 14 percent so far during this fiscal, is likely to grow close to 16-17 percent in FY20.

According to PK Gupta, MD, Retail and Digital Banking, the higher growth would be supported by the bank's digital banking initiatives. The bank is also looking to buy portfolio of assets from NBFCs in housing, MSME and microfinance space, which will help boost its loan book. SBI has already bought close to INR 5,000 crore of portfolio from NBFCs, and has a pipeline of portfolio worth close to INR 15,000 crore, which is currently being 'evaluated'.

"Retail story continues to be strong. We expect the year 2019-20 to be an even better year. We are looking to ramp up our digital offering and delivering more number of retail loans on this platform," Gupta told BusinessLine.

SBI's retail loan book, which includes personal, agriculture and MSME loans, currently accounts for nearly 59 percent of its total advances, and is likely to grow to 60-61 percent by the end of this fiscal.

The Hindu Business Line

Line and Mizuho Plan New Mobile Bank in Japan - Line and Mizuho Financial Group are planning to establish a new smartphone-based bank in Japan.

The duo has agreed to establish a joint venture to start discussions on making the bank through their subsidiaries (Line Financial and Mizuho Bank).

No exact date for launch has been decided yet but the "tentative" name for the entity is "Line Bank Preparatory Company". That'll need more work.

It will have capital and capital reserves of JPY 2 billion ($17.5 million). Line will own 51%, while Mizuho Bank will have 49%.

Line already has Line Financial – providing an investment service (Line Smart Invest) and non-life insurance service (Line Insurance) through its messaging app, "while preparing for other financial services including other securities and loan services".

Mizuho has plenty of financial expertise and together with Line's app they will seek to tap into Japan's smartphone generation.

According to the pair, there are over 78 million monthly active users in the country. Japan's total population is 126.8 million.

Banking Tech

CEO: Maybank Prepared for Uncertainties Ahead - Malayan Banking Bhd (Maybank) says it is well-equipped to weather uncertainties arising from the geopolitical situation, due to its solid franchise in the region and strong fundamentals.

The group, which saw its net profit for the third quarter ended Sept 30 slipping 3.4% to RM1.96bil from RM2.03bil a year ago, said the prolonged geopolitical situation remained a key concern, as it would influence global growth, including in Asia, where most of Maybank's operations are based.

"We will remain agile to adjust to rapid market changes, while at the same time look for opportunities for growth, such as in infrastructure financing, wealth management, digital banking and Islamic banking.

"We will ensure that we grow responsibly as well as maintain strict discipline in pricing and managing costs," group president and CEO Datuk Abdul Farid Alias said in a statement.

Maybank chairman Datuk Mohaiyani Shamsudin also noted that the period was marked by significant global uncertainty and market instabilities, resulting in its customers being more cautious, particularly corporates.

"Nevertheless, we remained focused on sound risk management as well as maintaining a robust capital and liquidity position, which helped us withstand much of the headwinds that persisted, particularly in the third quarter," she said.

The Star

Among Member Banks

PNB Reports 67% Jump in 9-month Net Income - Philippine National Bank (PNB) grew net profit in the first nine months by 67 percent year-on-year to P7.5 billion from P4.5 billion on higher core earnings and gains from the sale of foreclosed assets.

Accounting for almost two-thirds of total operating income, PNB's net interest income rose by 24 percent year-on-year to P20 billion in the first nine months, mainly due to the growth in the loan and investment securities portfolio.

The bank expanded its loan book by 10 percent year-on-year to P550.7 billion, while total deposits were higher by 9 percent to P692.8 billion.

Other income surged to P7.1 billion compared to P2.9 billion for the same period last year mainly due to higher net gain on sale or exchange of assets amounting to P4.1 billion.

Trading and foreign exchange gains, however, dropped by P400 million to P1.42 billion given muted trading opportunities brought about by the continuing upward movement of interest rates.

Philippine Daily Inquirer

RCBC Merger with Thrift Arm to be Completed by July 2019 - Rizal Commercial Banking Corporation (RCBC) expects to absorb the operations of its thrift arm by the second half of 2019, which will provide the lender a bigger retail base while reducing operating costs.

In a plan of merger posted on the local bourse on November 27, the Yuchengco-led RCBC said its merger with RCBC Savings Bank (RSB) shall become effective on July 1, 2019, with the former assuming all assets and liabilities of the latter.

After the effective date, "RSB shall cease to exist and its legal personality shall be terminated," with RCBC as the surviving company.

"Any net income earned by RSB from 1 January 2019 until the Effective Date shall be declared and paid as dividends to RCBC and any net loss incurred by RSB during the same period shall be absorbed and for the account of RCBC," it said in a statement.

The plan of merger shall be subject to the approval of the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Philippine Deposit Insurance Corp., as well as the Bureau of Internal Revenue.

In September, the universal bank announced it will absorb RSB for "more efficient capital deployment" and "operational cost efficiencies." In particular, RCBC said consolidating the two entities would mean "more efficient compliance with the Basel 3 liquidity ratios" set by the central bank.

The thrift bank is wholly owned by RCBC, with paid-up capital worth P3.19 billion.

Business World Online

DBS Named Global Bank of the Year by FT publication - Singapore's largest lender, DBS, has been named Global Bank of the Year by The Banker, a publication of the Financial Times.

DBS was also chosen as the publication's Asia-Pacific Bank of the Year and the Singapore Bank of the Year.

The awards assess the world's leading financial institutions on their ability to deliver returns, gain strategic advantage and serve their markets.

Editor of The Banker, Brian Caplen, noted that DBS is a "world leader in digital transformation", and has "successfully shown how banks must change culture - as well as technology - to counter the threat to their business from big tech companies".

On the win, DBS CEO Piyush Gupta said in a media release: "Winning the Global Bank of the Year caps off a year of global accolades for the bank. This is testament to our strengths not just in Asia, but among banking leaders worldwide.

"In particular, I am very pleased that our commitment to reimagining banking is clearly setting us apart as a different kind of bank, one that is leading the way amid a time of rapid change and industry disruption. All of us at DBS are honoured to fly the Singapore flag high once again."

Business Times

Among Member Banks

Grab and UOB Partner to Accelerate Use of Digital Services in ASEAN Markets - United Overseas Bank (UOB) and Grab have entered into an alliance in a bid to accelerate the use of digital services among ASEAN's growing base of digital consumers. The alliance will enable UOB to deliver financial services to Grab's ASEAN-wide user base and to accelerate the bank's efforts to meet the needs of the region's 'mobile-first' and 'mobile-only' consumers. As such, Grab will also be able to offer directly from its app a number of payment solutions from the bank's suite.

Under the alliance, UOB will become Grab's preferred banking partner in Singapore and a credit card partner for Grab in markets such as Singapore, Indonesia, Malaysia, Thailand and Vietnam. Consumers will be able to receive special privileges when paying for Grab services with UOB cards, as both companies aim to explore launching co-branded credit cards in ASEAN.

Grab will also tap the bank's cash management services to provide consumers the convenience of topping up their GrabPay wallet directly from their bank account. Through this, Grab looks to increase the number of ways consumers can add money to their GrabPay wallet, which include topping up through credit and debit card or Grab's network of drivers, agents and merchants. The bank is also working with Grab to embed features of its upcoming digital bank within Grab's mobile app, enabling users to access banking services "quickly and conveniently", it said in a statement.

Marketing Interactive

Bank of Taiwan launches commemorative banknote for the 90th anniversary of Mickey Mouse - The world's favorite and most instantly-recognizable cartoon mouse is celebrating his 90th birthday this year, and Bank of Taiwan has issued a special commemorative bank note, available from November 14, to mark the occasion.

Mickey Mouse first caught the public eye after appearing in the 1928 black-and-white cartoon Steamboat Willie, in which he duels with his adversary, Pete, over captaining a vessel along a river. Since then, the happy-go-lucky character has exploded into an international phenomenon, starring in over 120 shorts and feature-length films along with an array of friends and foes from the Disney world.

To celebrate the birthday of the globally-influential cartoon superstar, Bank of Taiwan has launched a "Disney's Mickey Mouse 90th anniversary silver banknote." Only 50,000 pieces are available worldwide, each selling for NT$1,596. Each banknote is made entirely of pure silver and weighs 5 grams.

One side of the Disney note features various colorful images of the lovable cartoon sprite inspired by his transformation throughout decades on screen. Meanwhile, the other side is printed with the image of Queen Elizabeth II, as the banknote was authorized by the Pacific island state of Niue and minted in New Zealand, both of which are members of the Commonwealth of formerly British-ruled nations.

Taiwan News

Among Member Banks

CTBC Supports Rural Communities with 'Taiwan Dream Project' - On the second day of the Global Corporate Sustainability Forum in Taipei on November 23, a representative from the Taiwanese bank CTBC's Charity Foundation introduced an excellent example of a corporate social responsibility (CSR) program.

CTBC Charity Foundation's Deputy Executive Director, May Lin, introduced the "Taiwan Dream Project," which was created to improve education and nutrition among children in rural communities throughout Taiwan.

The program began three years ago when CTBC was considering the best way to serve communities in Taiwan via CSR projects. Surveys conducted by the Child Welfare League Foundation indicated some worrying statistics in rural Taiwanese communities.

It was reported that 44 percent of children prepare their own meals, 23.2 percent had no options for after school activities, and 56.9 percent suffered from low self-esteem.

Recognizing the situation of these low-income communities, and their need of support programs, the "Taiwan Dream Project" was born. According to Lin, the program is currently engaging with 26 communities across the country, with 499 school-children participants, and a support network of 510 volunteers.

CTBC has invested NT$2.14 million into the project to provide various aspects of support to communities, including providing meals and options for afterschool activities for children. The end goal is to promote healthy children that can pursue their education without undue burdens.

Taiwan News

Fubon Financial, Xiamen Bank to Sign MOU on Deeper Cooperation - On the second day of the Global Corporate Sustainability Forum in Taipei on November 23, a representative from the Taiwanese bank CTBC's Charity Foundation introduced an excellent example of a corporate social responsibility (CSR) program.

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Taiwan News

Among Member Banks

Bangkok Bank Predicts Digital Normal - Bangkok Bank (BBL) expects most basic banking transactions to be made over the digital channel within the next three years.

With the online banking boom, 90% of the bank's basic transactions, including fund transfers and payments, are expected to be done through mobile apps within that period, said Prassanee Ouiyamaphan, executive vice president of BBL.

BBL's digital banking transactions recorded growth of 130% after transaction fees were waived in late March. Such transactions represent 60% of BBL's total.

Transactions via the bank's brick-and-mortar branches fell by about 10% after digital banking transaction fees were scrapped.

Even though growth of transactions via ATMs remains flat, money transfers and bill payments through this channel experienced a sharp decline.

"As more people go cashless, ATM transactions are expected to fall and the number of terminals will exceed the saturation point soon," Mrs Prassanee said.

Bangkok Post

Vietcombank Reduces Holdings at Other Banks - Vietcombank (VCB) has recently announced it sold a large number of Military Bank (MBB) and Eximbank (EIB) shares on the stock markets to reduce its ownership ratios at the banks to 5 percent in each as regulated by the central bank.

Accordingly, VCB sold 23.7 million MBB shares from November 16 to 30, reducing its holding at MBB from 6.97 percent to 5.87 percent. MBB shares were traded at VND ?20,000-21,000 each on the HCM Stock Exchange (HoSE) during that time.

More than 35 million EIB shares were also sold by VCB on December 4, when EIB shares were traded at nearly VND 15,100 apiece on HoSE. The sale moved VCB's holding at EIB to 5.39 per cent from 8.24 percent.

The average prices of the sales were higher than the starting prices of VND 19,641 for MBB shares and nearly VND 14,500 for EIB shares.

VCB will have to continue selling MBB and EIB shares until its holdings at the banks reduce to 5 percent to meet the central bank's regulation on holding shares at other credit institutions. Under the central bank's Circular 36, commercial banks are allowed to hold shares in a maximum of two other credit institutions, with the stake in each not exceeding 5 per cent of the total charter capital of that institution.

Vietnam News

Banking and Finance Newsbriefs

Hong Kong

Hong Kong Puts Insurtech on Fast Track

Hong Kong is issuing the first licence for an online-only firm next month, as it ups its fintech game. Clement Cheung, CEO of Hong Kong's Insurance Authority (HKIA), told Reuters it is planning to issue its first licence next month as a result of its fast-track system.

This is the first licence issued through HKIA's fast-track system, which follows the example of Singapore's equivalent.

This fast-track system is HK's way to counter the criticisms that it hasn't kept up with financial technology developments as well as other geographies. According to the HKIA's Annual Report 2017-18, this fast-track system was launched in September 2017.

Throughout the past year, the regulator estimated the release date of the first licence as early as late 2018/early 2019. Pretty accurate prediction.

The name of the insurer hasn't been revealed, but it is estimated the city's insurance market has $63 billion in premiums, with players like AIA Group, Prudential and Sun Life Financial.

Currently, most insurance products in Hong Kong are sold via intermediaries such as agents, banks and brokers.

As part of Hong Kong's fintech push, the banking regulator is also expected to issue the first batch of licences to online or "virtual" banks by end of this year.

Banking Tech

India

India Names Banking Reforms Expert as Top Economic Adviser

India named Krishnamurthy Subramanian, a banking sector expert and backer of Prime Minister Narendra Modi's demonetization exercise, as the government's chief economic adviser.

Subramanian, a professor of finance at one of India's leading management schools who earned his doctorate from the University of Chicago Booth School of Business, will hold the position for three years, the government said in a statement on December 7. He succeeds Arvind Subramanian, who quit the position in June 2018 to return to the U.S.

His appointment comes at a time when India is grappling with slowing growth, a crisis in its shadow banking sector and risks to its budget deficit amid tardy revenues. His expertise in banking may come in handy for the government, which is locked in a bitter dispute with the central bank over handling of the nation's weak banking sector.

"A refreshing change" is how Subramanian described Modi's controversial decision to invalidate 86 percent of currency notes in late 2016. "In a rare instance, the government has taken an action that resonates well with the sentiment among common, law-abiding citizens," he wrote in a newspaper column days after the cash ban was announced.

Bloomberg

Banking and Finance Newsbriefs

Japan

Japanese Megabanks bolstering services in Southeast Asia

Japan's three megabanks — MUFG Bank, Mizuho Bank and Sumitomo Mitsui Banking Corp. (SMBC) — are ramping up services for local companies and Japan-affiliated firms in Southeast Asia amid expectations economic activity in the region will get a shot in the arm from the abolition, in principle, of tariffs among members of the Association of Southeast Asian Nations this year.

The megabanks' approach also reflects forecasts that the trend of businesses shifting factories from China to ASEAN members as a spillover effect of U.S.-China trade friction will accelerate.

On November 28, MUFG held a "business matching fair" that brought together corporate clients in Bangkok. There is strong appetite among the service sector as it expects expanding domestic demand due to the growth of Thailand's middle class.

More than 200 firms, including ones from countries such as Thailand, Cambodia, Myanmar and Laos, and Japan-affiliated companies and businesses, participated in the fair, making it the largest such event the bank has held overseas.

At the event, the bank introduced clients and brought them together.

"This business practice is exactly what would be expected in the Asia region, where face-to-face, direct business talks are considered so important," said Makoto Kobayashi, a managing executive officer at the bank.

Although the business matching fair will not directly lead to profits for MUFG, the megabank aims at uncovering future demand for funds by using its growing network in Southeast Asia created through the acquisition of local banks and other investments.

The Japan News

Korea

Greatest Threat for Malaysian Banks - Property Loans

Korea's central bank said it sees the prospect of rising interest rates in the US as a threat to economic stability in emerging economies and will increase its monitoring of such risks.

Rate increases and a strong dollar have driven up volatility and capital outflows in emerging markets, adding to uncertainties related to the trade dispute between the US and China, the Bank of Korea said in a report released on November 18. A stronger dollar increases the costs for servicing dollar-denominated debt.

Argentina, Turkey, Brazil and South Africa are more vulnerable because of their risk-sensitive currencies and volatile credit default swap premiums, according to the report. Mexico and Southeast Asian nations including Thailand, the Philippines and Vietnam are relatively stable, the central bank said.

Bloomberg

Malaysia

Greatest Threat for Malaysian Banks - Property Loans

The latest report by Moody's Investors Service has set off alarm bells over the direction of Malaysia's financial system, after the ratings agency called property loans the greatest threat for Malaysian banks.

The worrying remark in Moody's 2019 outlook report for Asia-Pacific banks came after Bank Negara's constant assurance that the domestic property loans are sound, with the industry's gross impaired loans kept under control.

Citing the latest stress test findings, the central bank said in September that the Malaysian financial sector would likely remain resilient under severe macroeconomic and financial strains.

Moody's report has also brought the Housing and Local Government Ministry's plan to ease home financing requirements under scrutiny, raising further questions on the relevance of such a move.

The Star

Banking and Finance Newsbriefs

Philippines

Philippines Gets Closer to Finalising Legal Framework for Islamic Banking

The Philippine government is currently working on a legislation for the development of Islamic finance and a framework that would allow the country to set up more Islamic banks, reach out to its underbanked 10mn-plus Muslim community and issue government and corporate Islamic bonds, or sukuk, in line with President Rodrigo Duterte's economic reform agenda to push the Islamic finance industry in the nation.

According to Benjamin Diokno, budget secretary in the Philippines' Department of Budget and Management, the administration's financing strategy aims at "continuously diversifying the country's investor base" and to seek ways to fund Duterte's multi billion "Build, Build, Build" infrastructure programme. Most of all, the issuance of sukuk would enable the country to tap funds from the 57 member-countries of the Organisation of Islamic Co-operation.

The initiative is supported by the Asian Development Bank, which earlier this year granted "technical assistance" to develop Islamic finance in the country. The Philippine central bank has been tasked in April 2018 to contribute to the development of a regulatory framework for Islamic finance and to strengthen regulatory and market capacity to deliver Islamic financial services. Plans are that the central bank shall exercise regulatory powers and supervise the future operations of Islamic banks. The target is to have this completed by December 2019.

The new legislation, in general, seeks to provide greater inclusion and to promote financial opportunities to the underserved Muslim population by authorising the establishment of more Islamic banks, including the entry of foreign Islamic banks to operate in the Philippines and conventional banks to establish Islamic banking windows with comprehensive banking services for retail and corporate clients. It also would provide a legal framework for the issuance of sukuk, Shariah-compliant financing contracts, commodity financing and to issue shares, among others. This would also enable Muslim investors to participate in the domestic capital market.

Gulf Times

Singapore

Singapore Bank Lending Turns Positive in October on Recovery in Business Loans

Bank lending in Singapore rose in October from a month ago, reversing from a slight contraction in September, preliminary data from the Monetary Authority of Singapore showed on November 30.

Loans through the domestic banking unit - which captures lending in all currencies, but reflects mainly Singapore-dollar lending - stood at $672 billion, up from $670 billion a month ago. This represents a 0.3 percent expansion from September, reversing from a 0.1 percent fall a month ago.

Business lending was up 0.5 percent to $406 billion in October from September, again reversing from a contraction in September over the previous month.

Total consumer loans were up 0.1 percent to $266 billion in October, compared to the 0.2 percent growth in the previous month.

From a year ago, total lending rose 3.4 percent, weaker than the 4.5 percent gain posted in September.

Straits Times

Banking and Finance Newsbriefs

Taiwan

Taiwan's Central Bank to Issue More NT$10 Coins to Cope with Claw Crane Craze

Taiwan's Central Bank on December 6 announced that it has increased its 2019 budget to issue more NT$10 (US$0.32) coins to cope with the massive claw machine craze that has gripped the country in recent years, reported CNA.

During a meeting held by the Finance Committee of the Legislative Yuan, Central Bank Governor Yang Chin-long announced that the budget for the issuing of coins was to be raised to NT$1.7 billion, 60 percent of which will be NT$10 coins.

When questioned by Democratic Progressive Party Legislator Chiang Yung-chang why the budget had been raised so dramatically in one year, Yang said from his understanding, arcade claw machines are very popular now, and the explosion in the use of NT$10 coins is because that is the base price to play.

Chiang said that the government should not underestimate the social phenomenon that the claw machine fad has become. He said there are now 3,353 claw machine companies in Taiwan and more than 10,000 claw crane arcades have popped up, which is more than all the 7-Eleven and other convenience store chains combined in the country.

Taiwan News

Thailand

Bank of Thailand Treads Gently on Fee Charges

The Bank of Thailand will take into account access to banking services and familiarity with technology before making a decision on banks' proposal to charge fees for cash transactions at branches and ATMs, a senior official says.

The central bank must also consider the readiness of financial services across the country, said Chantavarn Sucharitakul, assistant governor for corporate strategy and relations.

"It's an issue that must be pondered and assessed thoroughly," she said.

Local media recently reported that banks have talked to the central bank about charging for cash transactions made at branches and ATMs in a bid to discourage customers from using traditional payment methods.

According to the proposal, banks might initially reduce the frequency of free cross-bank transactions via ATM from the current five times allowed per month.

The plan to charge fees for cash transactions at branches and ATMs has stoked concerns and public outcry, even as digital banking transactions soar.

Predee Daochai, chairman of the Thai Bankers' Association and president of Kasikornbank (KBank) has also rushed to soothe jitters, saying the proposed fees for cash transactions have not been finalised.

Bangkok Post

Vietnam

Vietnam's Central Bank Props Up Banking Sector Liquidity

The State Bank of Vietnam (SBV) withdrew a total VND 18.87 trillion (nearly US$829 million) from the market in the week of November 26-31.

That was the first week SBV net-withdrew money from the market after it had net-pumped a total VND 856.65 trillion the previous three weeks to support liquidity in the banking system.

The liquidity in the banking system is clearly not as abundant as it was earlier.

Interest rates on bank loans were also up significantly, especially for short-term loans.

Analysts from Saigon Securities Inc said the interest rates on the inter-bank market had remained steady for rather long but have been on an upward trend since October.

Interest rates for overnight ranged from 4.7 percent to 4.9 percent in November and reached the five-year high of 4.96 percent.

Meanwhile, the interest rate for three-month loans exceeded 5 percent in November and is currently at 5.2 percent – 30 percentage points lower than the interest rate limit for six-month deposits.

Vietnam News

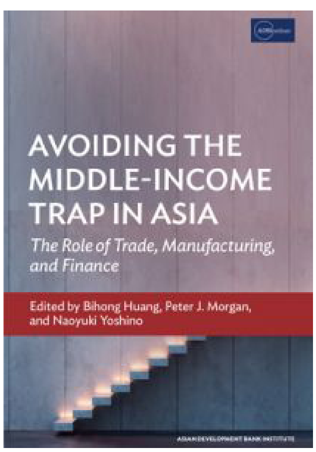
Publications

Together We Deliver: Results Achieved, Lives Improved

This publication showcases stories of successful partnerships between the Asian Development Bank (ADB) and its member countries in Asia and the Pacific and reflects on the enduring partnership of the ADB with its developing member countries. These 10 stories illustrate how ADB, working with government and development partners, helps citizens respond to the varied needs of each country such as climate change mitigation, access to economic opportunities and social services, and disaster recovery. ADB's approach to development continues to evolve with the needs of its regional members. Through innovation and strong partnerships, ADB remains committed to helping its members achieve the Sustainable Development Goals.

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

Avoiding the Middle-Income Trap in Asia: The Role of Trade, Manufacturing, and Finance



This ADB publication presents recent research related to the middle-income trap, with a focus on the experience of the People's Republic of China, whose policy makers show great interest in the question.

Growth in high-income countries differs qualitatively from that of middle-income countries, and hence requires different factor endowments, industrial structures, and policies.

Avoiding the "middle-income trap" has become a major topic in the economic literature and a key concern for policy makers, even though a precise definition of it and empirical evidence for it remain elusive. The basic argument is that growth in high-income countries differs qualitatively from that of middle-income countries, and hence requires different factor endowments, industrial structures, and policies.

Increased capacity to innovate and economic reforms are seen as vital to support higher value-added production. Since achievement of high-income status is a key goal of many policy makers, understanding the factors that hinder or support this transition becomes important.

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

Publications

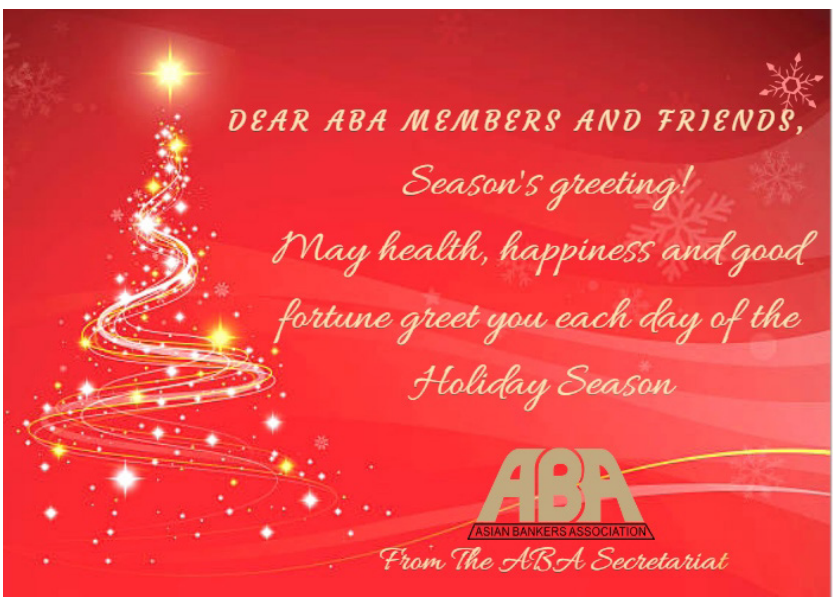
Doing Business 2019

Doing Business 2019: Training for Reform, a World Bank Group flagship publication, is the 16th in a series of annual reports measuring the regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies—from Afghanistan to Zimbabwe—and over time.

Doing Business measures regulations affecting 11 areas of the life of a business. Ten of these areas are included in this year's ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures labor market regulation, which is not included in this year's ranking.

Data in Doing Business 2019 are current as of May 1, 2018. The indicators are used to analyze economic outcomes and identify what reforms of business regulation have worked, where and why.

Contact for details: World Bank
Website: https://www.worldbank.org/en/research



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