

35th ABA General Meeting and Conference

November 15 & 16 in Maldives



Message from the Secretary Treasurer

Greetings from ABA!

I am pleased to present the September 2018 issue of the ABA Newsletter to all our colleagues in the banking and finance sector.

In this issue, readers would gain first-hand information on our preparations for the 35th ABA General Meeting and Conference to be held on November 15-16, 2018 in Kurumba Resort, Maldives, including the policy papers to be discussed at the Policy Advocacy Committee Meeting, the release of the conference brochure and more details on the special “Discover ABA” Country Presentations. Furthermore, we include the stories on World Bank’s stance on blockchain bond sale as well as how Fintech transforms the access to finance.

Readers can also find articles regarding the latest news on ABA members, as well as highlights on the banking industry in the Asia-Pacific region.

We hope that you will find the articles included in this Newsletter of great value, and look forward to your contribution to and comments on the future issues of the Newsletter.

Best Regards.



Ernest Lin

Secretary-Treasurer

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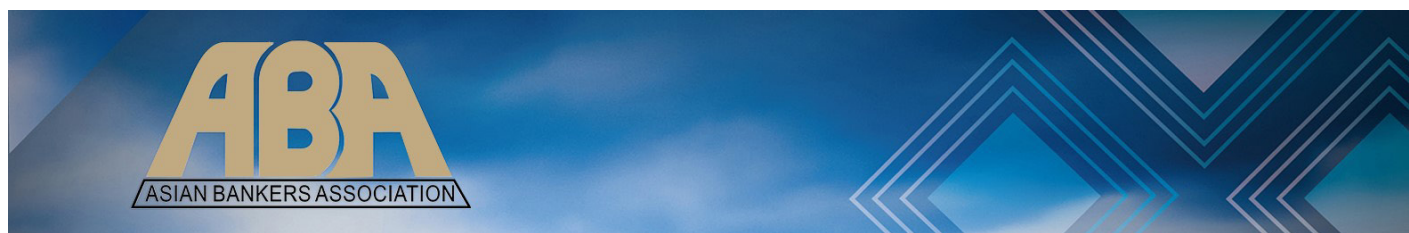
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General Meeting and Conference

ABA Policy Advocacy Committee to Consider Various Policy Papers at its Maldives Meeting



ABA Policy Advocacy Committee Held in Mumbai, India in 2017

The ABA Policy Advocacy Committee has invited a number of ABA member banks and other experts to present papers on various policy issues during the Committee's next meeting scheduled to take place on November 15, 2018 in Maldives in conjunction with the 35th ABA General Meeting and Conference.

To be chaired by Committee Chairman Ms. Prudence Lin from CTBC Bank of Taiwan, the Maldives meeting of the Committee will feature the following presentations:

1. Mr. Chandula Abeywickrema, Chairman of CSR Lanka, will present a paper summarizing the results – or the progress – of the project conducted by CSR Lanka with the Durham University UK on the “South/Southeast Asian Business Society Models “ focusing on sustainable SMEs”.

2. A representative from Maybank will summarize the paper sharing the Bank's experience in Islamic banking, particularly in promoting cooperation among relevant regulatory authorities, among banking units within both conventional and Islamic banking systems, and among Islamic banking sys-

tem units and supervisory bodies in Islamic banking and conventional banking activities.

3. A representative from the Japanese Bankers Association (JBA) will summarize a paper sharing the program and activities of the JBA aimed at enabling its members to rapidly adopt new financial technologies.

4. Mr. Shirish Patak, Managing Director at Fin-telekt Advisory Services Pvt. Ltd., will summarize the results of the studies his organization has done on the experiences of financial institutions in South Asia and Southeast Asia in facing the cross-border challenges of AML/CFT compliance requirements, and what actions have been taken by them to execute the implementation throughout their respective organizations.

After each of the four presentations, the Committee will discuss recommendations on steps to take with regard to the policy issues concerned.

The Committee will also consider and exchange views on possible issues for future policy advocacy work of ABA.

Bank of Maldives Issues Conference Brochure



Bank of Maldives (BML) has recently issued the promotional brochure of the 35th ABA General Meeting and Conference to be held on November 15-16, 2018 at Kurumba Resort in Maldives.

The brochure highlights the activities lined up during the two-day event. It also features the optional tour programs

open to the participation of delegates on November 17, which include the Local Island Tour to Huraa, the Male City Tour, and water sports activities.

The brochure likewise highlights the Spouse Program organized by BML for the enjoyment of accompanying spouses. This includes the Himafushi Island Tour on November 15, which is a half-day trip that allows participating spouses to experience local Maldivian life, culture, and crafts, as well as the opportunity to do some souvenir shopping. Day two will consist of a visit to two coral reefs perfect for snorkelers, with lunch on a sandbank.

The promotional brochure features the Dhoni as key visual. The traditional seafaring vessel locally known as Dhoni is one of the most recognizable symbols of the Maldives. Built from locally sourced coconut palm timber, Dhonis, which are unique to the Maldives, are built by master craftsmen who rely on their innate sense of design than formal blueprints. Fitted out with lateen sails, Dhonis were used for centuries as fishing vessels and transport. A mechanized variant continues to be, by far, the most popular mode of sea transport in the country. Its timeless functionality, proud heritage and resilience having continued to weather seas both calm and rough is the reason why the Dhoni epitomizes Maldivian way of life and why the Dhoni was adopted as Bank of Maldives’ logo several decades earlier.

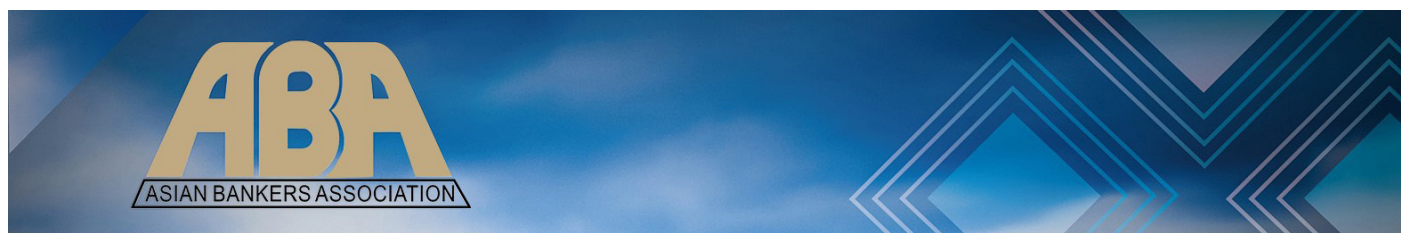
ABA Members Invited to Make Country Presentations in Maldives

Member organizations of ABA have been invited to participate at the “Discover ABA” during the 35th ABA General Meeting and Conference on November 15-16, 2018 in Maldives.

The “Discover ABA” session is designed to provide member participants the opportunity to make country presentations to the delegates. The country presentations are intended to provide the delegates the opportunity to obtain more information on the economy and the financial markets in the countries of the presenting banks, or on special programs, projects, products or services of the presenting banks that have benefited their customer base or the community they serve and may be adapted by member banks from other countries.

The three ABA members who have agreed to make country presentation include the following:

1. Rizal Commercial Banking Corporation (RCBC) – The Philippine-based RCBC has been invited to share its experience, best practices, and expertise in the area of microfinance. The presentation is intended to provide the presenter and the delegates the opportunity to exchange views and share knowledge on microfinance as one business activity that ABA members can undertake in order to sustain and grow their banking operations.





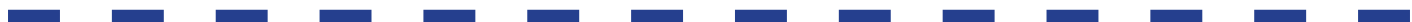
2. Khan Bank – The member bank from Mongolia is expected to make a presentation on its experience in SME financing as a way of promoting financial inclusion in Mongolia. As a winner of “The Best SME Bank of Mongolia” award in 2016, Khan Bank sets a good example for other banks in the region to learn from and to emulate for its sustainable operations and social responsibility efforts.

3. The Banks Association of Turkey – The Association has been invited to make a presentation on the current trends

and latest developments in the Turkish economy and banking sector, as well as the Turkish experience on implementing reforms for sustainable growth.

Each of the country presenters is allocated 20 minutes to complete their presentations, followed by 10-minute Q&A session.

Delegates to this year’s Maldives Conference can therefore look forward to an interesting and informative two-day sessions with fellow bankers, financial experts and regulatory authorities.



News Updates

World Bank breaks ground with blockchain bond sale



The World Bank is using blockchain technology for the first time to sell a bond, in a sign that the technology, whose advocates say has the potential to disrupt capital markets, is attracting greater interest.

The Washington-based lender has mandated Commonwealth Bank of Australia (CBA) to arrange the sale of the bond, which will be known as Bondi, or Blockchain Offered New Debt Instrument. It is also a nod to the famous Bondi Beach in CBA’s hometown of Sydney.

“We believe that emerging technologies equally offer transformative yet prudent possibilities for us to continue to innovate, respond to investor needs and strengthen markets,” said Arunma Oteh, World Bank treasurer.

Investor interest in the bond has been “strong,” said the World Bank, which is aiming to raise about A\$100m from the sale later in August.

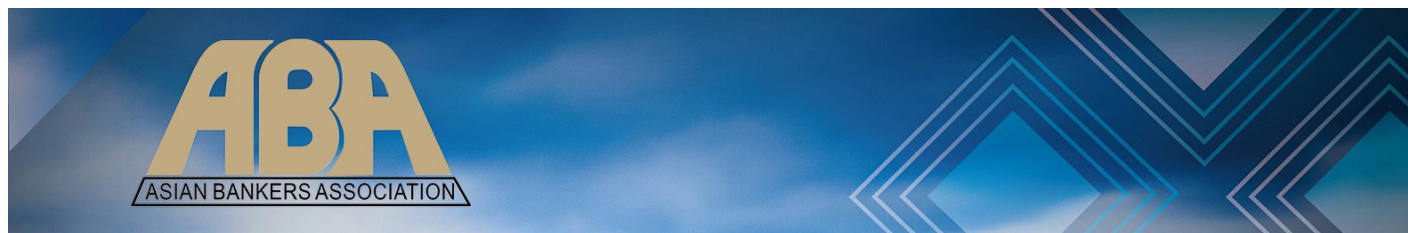
The merits of the new technology include the ability

to reduce the time it takes to settle such securities from five days to a few seconds. But at the same time, the potential for full transparency and a reduction of fees that should eventually become part of the attraction of such distributed ledger technology has yet to be realised.

Blockchain technology is expected by its advocates to eventually upend institutions that have provided the traditional infrastructure of the capital markets, including depository institutions, clearing entities, custodians and other intermediaries. But that is expected to take a few years and involve regulatory and legal changes.

“We expect to see other issuers come to market soon,” said Paul Snaith, the World Bank’s manager of treasury asset and liability operations. “Already some central banks are assessing how they can use blockchain for settling transactions.”

Financial Times



Special Feature

How Fintech Is Transforming Access to Finance

By Arup Kumar Chatterjee, Principal Financial Sector Specialist, Sustainable Development and Climate Change Department at Asian Development Bank



A grape and tomato farmer inputs some data through his mobile device. Fintech is changing the face of rural lending. Indranil Mukherjee/AFP/Getty Images

The sales and profit margins of many micro-, small-, and medium-sized enterprises (MSME) are highly vulnerable to seasonality, input and labor costs, late payments, natural calamities, unexpected expenses, and myriad other factors that result in lumpy cash flows. Without collateral or sufficient credit information, banks are often reluctant to lend them money, so these MSMEs face the additional risk of nonperforming assets.

Enter Fintech

Thanks to new technology, the mindset of financial institutions is changing in ways that are enabling MSMEs to access loans. There is a growing trend of cash flow-based financing backed by current and projected future cash flows.

These loans are entirely different from traditional asset-backed loans, where the valuation of collaterals offered to the lender decides the loan amount and tenor. The reticence of conventional banks to lend to MSMEs hinges on the fact that they do not possess fixed assets as collateral.

Emerging financial technology players around the world are reshaping how MSMEs can access working capital and cash flow finance. Having acknowledged that MSMEs lack the capacity to produce financial reports to enable financial institutions to assess their repayment capacity and default risk, they are deploying nimble and agile technologies to get an accurate understanding of their cash conversion cycle.

The cash conversion cycle is the time MSMEs need

to convert investments in inventory and resource inputs into cash through sales of goods and services that can help establish the cash generation terms of the business and, thereby, help to determine their repayment capacity and enhance price transparency. After all, cash is the only factor that can repay a loan; collateral is only the second way out if money cannot be generated.

A good example is the Kenyan merchant cash advance service Grow, which helps MSMEs access capital by factoring their cash flow cycles while simultaneously encouraging them to move away from cash and toward electronic payments accounts via the Kopo Kopo transaction platform.

A percentage of the digital transactions that merchants receive are set aside to repay their advances. This arrangement keeps repayments fluid, bite-sized, and in line with cash flow.

In India, Capital Float, a nonbank finance company, provides instant decisions on collateral-free loans for small entrepreneurs. A risk profile assessment is carried out in real time by analyzing MSMEs' cash flows using data from Paytm, an e-commerce payment system and digital wallet company, mobile financial services firm Payworld, and smartphones.

Capital Float customers carry out electronic know-your-customer authentication, receive the loan offer, confirm acceptance, and sign the loan agreement on a mobile app. The loan amount is credited to their account on the same day, with nil paperwork.

Cash flow loans help MSMEs seize opportunities when they arise and are an excellent example of the targeted, niche innovation that enables fintech to compete with more prominent—but slower—traditional banks. They are well-suited to businesses that maintain very high margins, but lack enough hard assets to offer as collateral.

These loans typically cater to MSMEs in retailing and marketing, where managing and generating better cash flow is crucial given their higher cost of debt and lower return on capital compared to large corporations.

Rural lending is also shifting toward cash flow-based lending, which would lower costs and attract big banks and financial institutions. Fintech solution providers, such as India's CropIn Technology, are bringing data, artificial intelligence, and machine learning to banks to help them better assess credit risk.

Helping MSMEs and Mitigating Risk

Farmer data on KYC, geo-coordinates of farms, history of crops they have sown, crop size, yield and potential earnings factor into the partner bank’s digital platform. This information is collated with remote-sensing data to predict a farmer’s productivity, estimates of the yield, and selling price.

The last step is plotting risk scores for farmers using a machine-learning algorithm. By assessing the cost of input/output, positive cash flow and profitability, instant credit disbursal can be made in rural areas.

After the loan has been issued, satellite imagery helps the bank conduct remote monitoring and evaluation by providing periodic data on whether the farmer has used the disbursed loan for the intended purpose. When the crop approaches the harvest stage, the bank is alerted to get in touch with the farmer to initiate the repayment process.

Insurance companies looking to offer crop protection to smallholder farmers can also leverage such technology for underwriting and claims administration. In the dairy sector, insurance firms are now able to finance cash flows by determining the amount of compensation payable to a farmer based on both quantity and quality of milk produced.

More frequent repayments align with the nature of cash flow lending and the risk policies of fintech lenders. It involves real-time cash flow-based underwriting and monitoring of highly leveraged balance sheets, using current account and merchant settlement data on large volumes of small payments. The loan size and pricing are based on the level and stability of cash flows.

Since MSMEs typically have a single bank account, using highly automated pricing and decision engines provides a clear electronic footprint for tracing the history of the cash flows. By analyzing the net cash flows, an accurate and real-time risk assessment of the short-term financial health of MSMEs can be made on their repayment capacity and liquidity position.

Access to real-time information helps to manage risk, as it allows the lender to identify the defaulting MSME quickly and ring-fence the cash flows or suspend payments before overdue fees accrue. This leaves no room for manipulation of funds—a root problem of asset-backed lending strategies that suffer diversion of cash flows through multiple bank accounts.

With a new generation of digital-savvy MSME owners emerging in developing Asia, traditional players may soon find themselves playing second fiddle to fintech. The only way to survive is to innovate in the MSME finance space and accelerate investment in technology to future-proof their platforms and retain and grow their nontraditional customers.

Brink Asia

This piece first appeared on the Asian Development Blog.

About the Author

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With over two decades of experience in this area, Mr. Chatterjee is responsible in his current role for leading financial sector development initiatives in the areas of insurance, private pensions and con-

tractual savings, and financial inclusion. Previously, he worked at the Bank for International Settlements in Basel, Switzerland, and the Insurance Regulatory and Development Authority in his native India.

Among Member Banks

BEA Launches Consolidated Payment Platform: i-Payment Hub - The Bank of East Asia, Limited (“BEA”) announced on August 13 the official launch of the i-Payment Hub. As the first consolidated payment platform for merchants in the industry, i-Payment Hub provides a comprehensive solution for accepting multiple payments and managing different types of transaction records. It supports not only physical credit card payments, but also a series of digital payment methods popular among Hong Kong and Mainland Chinese consumers, including WeChat Pay, Alipay, Apple Pay, Google Pay and JETCO Pay. It brings merchants greater convenience and enormous business opportunities in catering to the rapidly increasing demand for everyday person-to-merchant (P2M) payments.



The i-Payment Hub’s Smart Point of Sales (“Smart POS”) terminal has a wide range of capabilities. It supports magnetic stripe credit cards, chip cards, contactless payment, barcodes, QR code scanning, and more, and it can connect to the Internet through 4G and WiFi. This flexibility enables the terminal to serve as a “mobile cashier”, allowing restaurant customers to settle payments at their table for better experience. The Smart POS terminal supports various payment scenarios such as takeaways, sales at fairs, conventions and mobile booths.

The Smart POS terminal uses the Android operating system and can accommodate downloaded mobile apps from authorised vendors to provide extended functionalities such as managing online orders, inventory, and logistic controls, which can enhance operational efficiency.

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Bank of East Asia News Release



Among Member Banks

Mizuho profit rises as banks get little respite from BOJ - Mizuho Financial Group Inc.'s first-quarter profit rose, as gains from fee businesses and sales of its shareholdings helped the Japanese lender offset the effects of the central bank's continuing monetary stimulus program.



Net income climbed 36 percent to ¥161 billion in the three months ending June 30 from 2017, the Tokyo-based bank said in a statement on July 31.

The statement disappointed investors who had been looking for monetary policy adjustments that might have helped to ease the pressure on banks.

At a policy meeting on July 31, the central bank did say it will allow larger movements in long-term interest rates, a tweak that may do little to alleviate pressure on lending profitability.

BOJ Gov. Haruhiko Kuroda said the central bank doesn't conduct policy to improve lenders' profits.

The introduction of so-called forward guidance "means the harsh environment and painful situation is going to continue," said Nana Otsuki, chief analyst at Monex Inc. in Tokyo.

"Unless short-term rates rise, it will absolutely not improve profit for banks."

The BOJ decided to apply negative interest rates on fewer bank reserves, which represents a "slight consideration" of lenders' plight, Otsuki said.

The Japan News

Japan's MUFG posts best Q1 in 7 years, helped by stock holdings sale - Mitsubishi UFJ Financial Group reported the best first-quarter profit in seven years on August 2, helped by sales of equity holdings and gains from clawing back provisions that had been set aside in the past for potential bad loans.



Bank of Tokyo-Mitsubishi UFJ

Japan's largest lender by assets said its net profit came in at 315 billion yen (\$3.85 billion) for the quarter, up from 289 billion yen in 2017 and the biggest since April-June in 2011. The bottom line was buoyed by a hefty 62.3 billion yen gain from selling stocks of corporate clients.

Japanese banks, as a traditional business practice, pick up small stakes in corporate clients. But MUFG and its rivals have been trying to cut these holdings as the practice has come under criticism for amplifying banks' risk exposure to market swings and hindering greater corporate governance at issuer companies.

MUFG also booked a 24.5 billion yen gain from clawing back provisions it had set aside in the past for potential bad loans as borrowers' creditworthiness improved.

The bank had reported 20 billion yen in costs related to bad loans in the first quarter of the previous financial year.

The Business Times

Bank of Maldives Again Ranked Among Asia's Best Employers - Bank of Maldives' progressive human resources policies have once again earned the Bank the coveted "Asia's Best Employer Brand" award from the World HRD Congress and the Employer Branding Institute.



BANK OF MALDIVES

At the official awards ceremony held on July 31 in Singapore which was attended by more than 300 human resources professionals from across the Asia-Pacific region, BML was recognized for its commitment to people excellence and its progressive policies in the areas of recruiting, developing and retaining talent.

The award was accepted on behalf of Bank of Maldives by Director of People and Change, Sahar Waheed and Internal Communications Manager, Fathimath Maisha Adam. Sahar commented, "We are delighted to have won the Best Employer Brand award again this year. As an organization, we realize the critical importance of having a motivated, capable and customer-focused workforce. I would like to thank the Bank's HR team who have worked tirelessly to bring this award back to the Maldives again. Their professionalism is second to none and they are assisted greatly by our team of managers and staff in BML who understand the importance of teamwork and collaboration in creating the right work environment in our organization".

Bank of Maldives News Release



Among Member Banks

PNB's profit doubled to P5.4-billion in 6 months - Philippine National Bank, the fifth-largest lender and controlled by airline and tobacco tycoon Lucio Tan, said consolidated net income in the first half of 2018 doubled to P5.4 billion from P2.7 billion in 2017 on the strength of core businesses.

The bank said in a statement the 50-percent growth in total operating income provided the momentum for the strong performance, as core income combined with higher non-recurring revenues significantly increased.

Comprising almost two-thirds of the total operating income, the bank's net interest income jumped 27 percent to P13.1 billion from the year-ago level of P10.3 billion, driven by higher loan volumes and improving net interest margins.

Net service fees and commission income reached P1.68 billion, up to P61 million from the year-ago level, boosted by improvements in credit, deposit, and bancassurance fees, which offset the lower underwriting and investment banking revenues.



Manila Standard

UOB to launch digital bank in key Asean markets - UOB on Aug 3 said it will launch a digital bank in its key Asean markets, tapping the surging base of "mobile first" and "mobile only" customers, with an aim to grow a base of three to five million customers in the next five years.

It is expected to look at the five markets of Singapore, Indonesia, Malaysia, Thailand and Vietnam.

The digital bank will be operated at a "steady-state" cost-to-income ratio of 35 per cent, it said.

In its media statement, it said it would use a "unique data-centric business model", that taps the entire customer life cycle comprehensively. UOB will rely on its in-house digital technology development, as well as its collaboration with fintech partners such as its recent joint venture with credit assessment firm Avatec.ai, and its investment and partnership with data analytics firm Personetics.

Wee Ee Cheong, UOB's chief executive officer, said: "The group's digital bank is our latest initiative to deepen engagement with our customers, especially the mobile savvy. It will also help scale up our customer franchise across South-east Asia and positions us well for the future."



The Straits Times

Hua Nan turning to consumer banking to stay competitive - TState-run Hua Nan Commercial Bank on July 12 announced plans to shore up its wealth management and consumer banking operations to stay competitive.

The goal is to make retail banking a main profit driver on a par with corporate banking, the bank said.

Toward that end, another 30 employees won certified financial planner designations in September 2017, raising the total number to 80, Hua Nan said, demonstrating its commitment to bolstering its consumer banking business.

The bank launched in July a new-generation premier membership program to deepen its relationship with affluent customers, with tiered services for those who have assets of more than NT\$3 million (US\$98,225), NT\$10 million and NT\$30 million, it said.

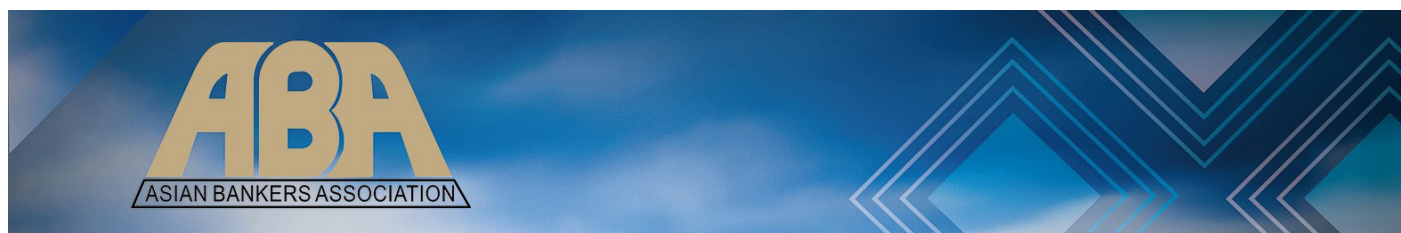
The program offers a slate of services and privileges available only to those customers that cover asset allocation, investment, wealth management, travel bonuses, tax savings and legacy planning, Hua Nan said.

The bank has partnered with accounting and legal firms to provide professional advice on tax savings and legacy planning, it said.

Over the years, Hua Nan has cultivated close connections with the nation's small and medium-sized enterprises and is now endeavoring to extend the relationships to retail clients, it said.



Taipei Times



Among Member Banks

CTBC Bank tops banking competitiveness list in Taiwan - CTBC Bank, the flagship banking entity of CTBC Financial Holding Co., took first place in the latest competitiveness rankings for the local banking sector for 2017, the organizers said on July 24.



中國信託銀行
CTBC BANK

The competitiveness rankings for 2017 were released by the Center for the Study of Banking & Finance (CSBF) under National Taiwan University and the Banking Education Association of Taiwan (BEAT).

CTBC Bank scored 87.81 points, higher than any other bank registered in Taiwan, in the competitiveness evaluation, ahead of King's Town Bank (86.35 points) and E. Sun Commercial Bank (85.55 points).

In a news conference, Hwang Dar-yeh, honorary chairman of the CSBF, said the evaluation, which covered all 38 Taiwanese banks, looked into not only their financial strength but also non-financial factors such as management views of development strategies and expansion overseas.

Hwang said the evaluation also focused on how the banks pushed for mergers under the guidelines of the Financial Supervisory Commission (FSC), the top financial regulator in Taiwan.

Central News Agency

Agribank helps farmers access high-tech agricultural machines - Farmers who purchase agricultural machines of Tata International Vietnam Company Limited will be supported by the Vietnam Bank for Agriculture and Rural Development (Agribank).



AGRIBANK

An agreement to this effect has been recently signed by Agribank and Tata International Vietnam, a subsidiary of India's Tata International.

Besides, customers will be provided a package of equipment insurance from the Agriculture Bank Insurance JSC (ABIC) throughout the loan period.

Pham Toan Vuong, Agribank Deputy General Director, said the deal will provide farmers with access to high-tech agricultural machines, along with financial assistance from Agribank, while contributing to tightening relations between Vietnam and India in various fields.

Len J Brand, Executive Director and Head of the Distribution Vertical of Tata International, said ensuring credit support to farmers helps increase productivity and agricultural growth, thus improving the livelihoods of farmers.

By signing the cooperation agreement, Agribank is actively contributing to materialising the Government's policy on industrialisation and modernisation of agriculture and rural areas, focusing on agricultural mechanisation, and high tech and clean agriculture.

Vietnam News Agency

Austria's Erste Bank provides euro 9.5mn interest-free loan for health sector development - Erste Bank of Austria has provided euro 9.5 million (approx. Rs.1, 810 million) interest-free credit facility to Sri Lanka to enhance the access to quality and modern healthcare facilities in local hospitals.



The government expects to use the loan proceeds to equip a few identified local hospitals with anaesthetic machines, ICU ventilators, blood gas analyzers, endoscopes, operation theatres and mobile lights.

"The objectives of the project are to reduce the hospital acquired infections, ensure access to modern healthcare equipment so as to provide immediate care to the patients, whilst reducing the recurrent costs and expenditure to the government," a Finance and Mass Media Ministry Communiqué said.

Daily Mirror

Banking and Finance Newsbriefs

India

PM Modi launches India Post Payments Bank on August 21

Prime Minister Narendra Modi on August 21 launched long-awaited India Post Payments Bank (IPPB) that will have at least one branch in every district and focus on financial services in rural areas, a senior official said.

“The Prime Minister has given time on August 21 to launch IPPB. Two branches of the bank are already operational. Rest of the 648 branches will be launched across country in every district,” a senior official of the communications ministry told PTI.

IPPB will leverage reach of 1.55 lakh post office branches to provide banking and financial service to people in rural area.

“Government is trying to link all the 1.55 lakh post office branches with IPPB services by the end of this year,” the official said.

This will create the country’s largest banking network with direct presence at village level.

In early August, IPPB CEO Suresh Sethi said that IPPB will go live with 650 branches in addition to 3,250 access points co-located at post offices and around 11,000 postmen both in rural and urban area will provide doorstep banking services.

IPPB has permission to link around 17 crore postal savings bank (PSB) account with its account.

The Economic Times

Iran

Iran swaps central bank chief as economy falters

Iran replaced its central bank chief on July 25, amid fallout over banking scandals and the crisis facing the country’s economy, local media reported.

Valiollah Seif, who had served as the bank’s governor since Iranian President Hassan Rouhani took power in August 2013, was replaced by Abdolnasser Hemati following a Cabinet meeting, the official Islamic Republic News Agency (IRNA) reported.

Hemati, 61, previously served as head of Central Insurance of Iran, as well as Sina Bank and Bank Melli. He had been slated to become ambassador to China until he was recalled at the last minute.

Seif has been criticized particularly over his handling of a currency crisis that has seen the rial lose more than half its value against the US dollar in 2017.

An attempt in April to enforce a fixed rate for the rial sparked a boom in black market exchanges, forcing the central bank to backtrack as the currency’s street value crashed to record lows in June.

The crisis coincided with Washington’s announcement in May that it was pulling out of the 2015 nuclear deal and reimposing full sanctions on Tehran, exacerbating the run on the rial.

Taipei Times

Japan

Letting JGB yield fluctuate makes stimulus impact stronger, not weaker: BOJ deputy Masayoshi Amamiya

Bank of Japan Deputy Gov. Masayoshi Amamiya said on August 2 the central bank’s monetary policy tweaks earlier this week (July 31) strengthened the impact of its stimulus measures rather than weaken them.

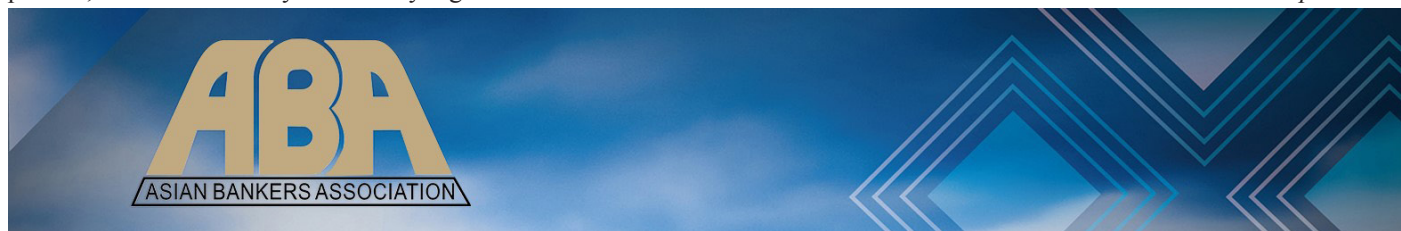
At a two-day meeting that ended on July 31, the BOJ’s Policy Board voted to maintain its target for the yield on the benchmark 10-year government bond at around zero percent while allowing it to “move upward and downward to some extent,” an acknowledgment that its massive JGB purchases, aimed at keeping the yield at zero, are distorting the market.

“The aim of these policy measures is to strengthen the sustainability of the powerful monetary easing, taking into account the side effects,” Amamiya, who along with Gov. Haruhiko Kuroda voted for the tweaks, said in a speech in Kyoto.

“The bank recognizes that the effects of monetary easing will be strengthened as a whole, in consideration of this sustainability,” he said.

Despite the BOJ’s assurances, the decision has been seen by some as weakening the impact of the radical stimulus because it effectively allows long-term rates to climb higher. By noon of August 2, the JGB’s 10-year yield had risen as high as 0.145 percent, a one-and-a-half year intraday high.

Japan Times



Banking and Finance Newsbriefs

Korea

Bank of Korea moves to allow payment with QR codes

South Korea's central bank on July 31 unveiled plans to create an equivalent to China's Alipay or WeChat Pay by the first half of 2019, in a move to cut "social costs" of consumers and merchants caused by card networks here.

The new infrastructure for smartphone-based mobile wallet service will allow an online payment to be settled between customers and vendors without intermediaries like a card network, where card companies, payment gateway providers and virtual account number payment solution providers are involved.

Using a mobile app, cash from the user's bank account will be withdrawn and sent to the merchant via scanning a QR code, while a user authentication system using passwords or fingerprints of consumers will be attached, officials of the Bank of Korea said in a press conference.

"A multilayered process for payment and settlement will be minimized, so that commission fees can be lowered," said Lee Jong-yeol, director of the e-finance division at the BOK, adding the commission fee from merchants is projected to be lower than 1 percent.

The BOK plans to come up with a set of technology standards for the mobile wallet service, also known as a third-party online payment service, by September 2018.

The Korea Herald

Philippines

BSP rate hikes likely to continue until 2019

The series of interest rate hikes by the Bangko Sentral ng Pilipinas (BSP) to curb rising inflationary pressures is expected to continue until 2019, global banks said over the weekend of August 4.

The research arm of Fitch Ratings said tightening of monetary conditions in the country would continue with three more rate hikes in 2019 amid the normalization path being undertaken by the US Federal Reserve, the weak peso, as well as the full-blown trade war between the US and China.

Fitch Solutions said rising inflationary pressures would prompt the BSP's Monetary Board to raise benchmark rates by another 25 basis points before the end of 2018.

The BSP sees July inflation ranging from 5.1 to 5.8 percent from a five-year high of 5.2 percent in June due to higher power and water rates, oil price and fare hikes, higher excise tax on tobacco products, and rising food prices particularly rice.

The consumer price index averaged 4.3 percent in the first half of 2018 exceeding the BSP's two to four percent target.

The Philippine Star

Singapore

Singapore's financial sector to undergo IMF's comprehensive assessment for 3rd time

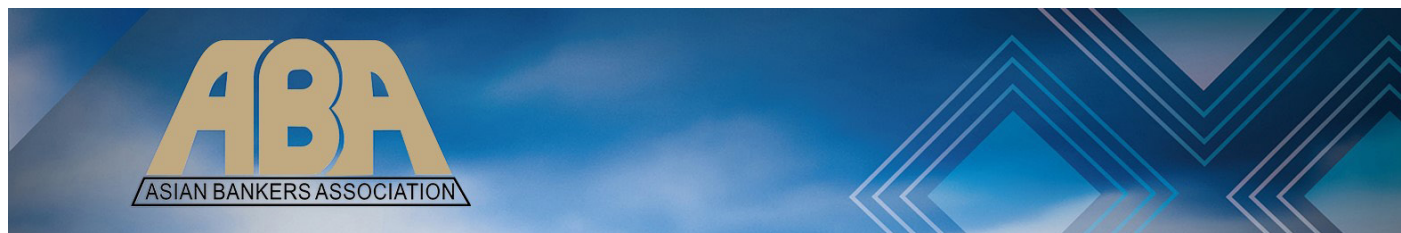
The Monetary Authority of Singapore (MAS) announced on August 1 that the Republic will undergo the International Monetary Fund (IMF)'s Financial Sector Assessment Programme (FSAP) in 2018, its third such test.

The FSAP will assess the resilience of Singapore's financial sector, the quality of MAS' regulatory framework and supervision, and the capacity of the authorities to manage and resolve financial crises. This will be Singapore's third FSAP assessment, following the last one done in 2013.

MAS said that Singapore, along with 28 other jurisdictions, is judged by the IMF to be a systemically important financial centre given its size and global connectedness. Such systemically important financial centres are required to undertake a financial stability assessment every five years. The FSAP will include a stress test of the financial system under hypothetical macroeconomic scenarios; MAS' regulatory and supervisory approaches covering fintech and cyber security, as well as MAS Electronic Payments System (MEPS+), which is a local electronic inter-bank payment and settlement system; Singapore's macroprudential policy framework to mitigate systemic financial risk; and MAS' regime for managing crises and resolving banks in an orderly manner.

The IMF FSAP delegation will visit Singapore in November 2018 and February 2019 to perform the assessment.

The Straits Times



Banking and Finance Newsbriefs

Sri Lanka

Central Bank keeps policy rates steady

The Monetary Board of the Central Bank of Sri Lanka (CBSL) on August 2 decided to maintain policy interest rates at their current levels amidst monetary policy tightening in the United States and other major economies, strengthening of the US dollar, pressures on currencies of many emerging market economies and escalating trade tensions.

Accordingly, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank will remain at 7.25 per cent and 8.50 per cent, respectively.

CBSL Governor Indrajith Coomaraswamy said, “The global interest rates are easing up. We see particularly the benchmark US bond yields going up recent days once again, which is a factor for policy tightening in advanced countries. So if we allow the differential between our rates and the benchmark rates, particularly US to be reduced, then clearly there is an incentive for foreign investors in government securities to move out. There has been already some outflow, but if that differential gets squeezed, you could see acceleration of that outflow.”

The net rupee denominated government security market has experienced a net outflow of US\$229 million by foreign investors up to first of August 2018. Despite an outflow of US\$16.3 million from the secondary market, the Colombo Stock Exchange (CSE) attracted a net inflow of US \$44.7 million as a result of primary market transactions.

Daily Mirror

Taiwan

Line unveils plans to set up bank

Line Corp, creator of the Line messaging app, announced on July 26 plans to set up a preparation office for Line Financial Taiwan Corp, which is seeking to team up with local lenders to create a digital bank.

Line regional chief Liu I-cheng announced the plans at a news conference in Taipei, one day after the technology firm agreed to sell a 30 percent stake to two Taiwanese lenders.

“We aim to join hands with local financial institutions to set up Line Bank, a Web-only bank that will offer new financial services and products,” Liu said.

Line Financial would not own more than 50 percent of Line Bank and will limit the number of partners to five in keeping with local regulations, he said.

The bank is to take deposits, provide loans, and sell mutual funds and insurance policies, but will not issue credit cards, launch new financial products or establish its own securities units, he said.

The Financial Supervisory Commission (FSC) has indicated room for two Internet-only lenders in the nation and is drafting rules on their requirements and operations so interested parties can file applications later in 2018 and start services by the end of next year.

Taipei Times

Join the 35th ABA General Meeting and Conference

Kurumba Resort, Maldives

November 15 & 16



BANK OF MALDIVES



Banking and Finance Newsbriefs

Turkey

Turkish banking regulator plans loan, credit card limits to help financial stability

Turkey's banking watchdog plans to limit consumer loans and borrowing on credit cards to support financial stability and the macroeconomic balancing process.

In a bid to achieve these goals, the Banking Regulation and Supervision Agency (BDDK) prepared a draft of regulations and opened it to review on August 2.

BDDK President Mehmet Ali Akben said the draft "mainly aimed at reducing the inflation rate."

The country's annual inflation hit 15.4 percent in June, according to official data.

The BDDK draft envisages the reduction of the maximum repayment of dues for consumer loans from 48 months to 36 months with the exception of some cases. The repayment dues for automotive loans will also be allowed to stand 48 months maximum, according to the draft.

Payment in installments via credit card to buy mobile phones and computers will not exceed 12 months, it added.

Credit card installment schemes are also planned to be banned for jewelry again. Such schemes for electronic item purchases are also set to be reduced from six months to three months, if the BDDK draft comes into force.

The watchdog announced tighter rules on credit card payments and loans as part of the government's plan to regulate banking services and limit the debt burden of households in 2013.

Hurriyet Daily News

Vietnam

Central bank to tighten lending regulations

The maximum ratio of short-term funds used for medium- and long-term loans will be reduced from the current 45 per cent to 40 per cent from January 1, 2019, according to a new State Bank of Việt Nam (SBV) circular released on August 1.

Under Circular No 16/2018/TT-NHNN, which revised Circular No 36/2014/TT-NHNN on regulating prudential ratios for credit institutions and foreign bank branches, the SBV also stipulates that the ratio applied to non-banking credit institutions from the beginning of next year will remain unchanged at 90 per cent.

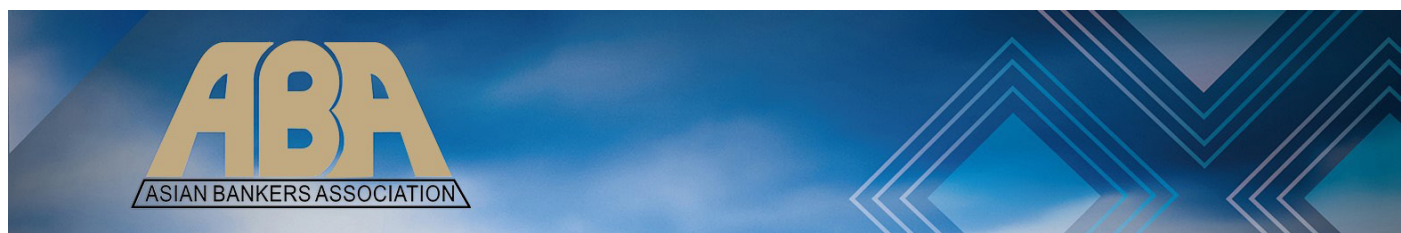
According to the SBV, the medium and long-term capital source should be supplied via the securities channel, but in Việt Nam, this source of capital is still mainly mobilised via the banking channel.

SBV's statistics in 2017 revealed that medium and long-term loans still accounted for 53-55 per cent of the total loans, while medium- and long-term mobilised capital was only 13-15 per cent of total mobilised capital.

SBV was concerned it was a risk for the banking industry if there were an imbalance in the ratio of short-term capital for medium- and long-term loans.

It was estimated that credit growth of all credit institutions by the end of July was around 8 per cent, so that it won't be hard to meet the 17 per cent credit growth target set for 2018 as lending often surges sharply in the third and fourth quarters.

Viet Nam News



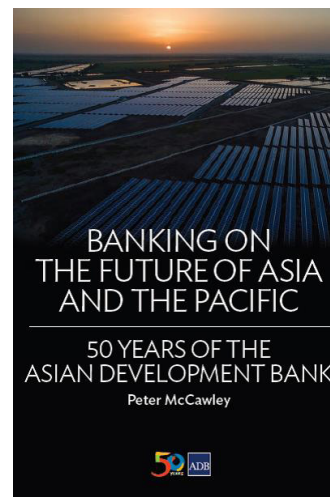
Publications

Banking on the Future of Asia and the Pacific: 50 Years of the Asian Development Bank (second edition)

Focusing on the region's economic development, the evolution of the international development agenda, and the story of ADB itself, *Banking on the Future of Asia and the Pacific* raises several key questions: What are the outstanding features of regional development to which ADB had to respond? How has the bank grown and evolved in changing circumstances? How did ADB's successive leaders promote reforms while preserving continuity with the efforts of their predecessors? ADB has played an important role in the transformation of Asia and the Pacific over the past 50 years. As ADB continues to evolve and adapt to the region's changing development landscape, the experiences highlighted in this book can provide valuable insight on how best to serve Asia and the Pacific in the future.

Contact for details: ADB Publishing

Website: <https://www.adb.org/publications>



Connecting to Compete 2018: Trade Logistics in the Global Economy



This is the sixth edition of *Connecting to Compete*, a report summarizing the findings from the new dataset for the Logistics Performance Index (LPI) and its component indicators. The 2018 LPI also provides expanded data on supply chain performance and constraints in more than 100 countries, including information on time, distance and reliability, and ratings on domestic infrastructure quality, services, and border agencies. The 2018 LPI encapsulates the firsthand knowledge of movers of international trade. This information is relevant for policy-makers and the private sector seeking to identify reform priorities for “soft” and “hard” trade and logistics infrastructure. Findings include:

- Gaps in logistics performance between the bottom and top performers persist.
- Supply chain reliability and service quality are strongly associated with logistics performance.
- Infrastructure and trade facilitation initiatives still play an important role in assuring basic connectivity and access to gateways for most developing countries.
- The logistics policy agenda continues to broaden, with growing focus on supply chain resilience, cyber security, environmental sustainability, and skills shortages.

Contact for details: World Bank Open Knowledge Repository

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

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