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ABA
ASIAN BANKERS ASSOCIATION

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General Meeting and Conference

The 2020 Conference to be held on November 12-13 in Negombo, Sri Lanka

This year's 37th ABA General Meeting and Conference is scheduled to take place on November 12-13 at Jetwing Blue Hotel (www.jetwinghotels.com/jetwingblue) in Negombo, Sri Lanka. The dates and venue were confirmed by the ABA Planning Committee during its recent meeting held on February 28, 2020 in Negombo.

To be hosted by the Hatton National Bank under the theme "Asian Banks: Achieving Sustainable Growth In the Age of Disruption", the two-day event is designed to provide another valuable platform for ABA members not only to meet and network with each other, but more importantly to exchange views with invited experts on: (a) current trends and developments in the regional and global markets that are expected to have a significant impact on the banking and financial sector of the region, and (b) how industry players can address the challenges - and take full advantage of the opportunities - presented by these developments.

The Tentative Program and other relevant information (e.g., hotel accommodation, registration procedure, etc.) will be sent to all members very soon. In the meantime, members are requested to already block the dates in their calendar of events this year.

Planning Committee Meets in Negombo to Discuss Preparations for the November Conference

Members of the 2020 ABA Planning Committee met on February 28, 2020 at Jetwing Blue Hotel in Negombo, Sri Lanka, with the Hatton National Bank (HNB) as host organization.

Presided by ABA Chairman Mr. Jonathan Alles, Managing Director and CEO of HNB, the meeting was attended by 13 representatives of 5 banks from 3 countries, including India, Maldives, the Philippines, Sri Lanka, and Taiwan. Its primary agenda was to discuss preparations for the upcoming 37th ABA General Meeting and Conference, as well as to review the 2020 Work Program of the ABA, particularly the activities of the ABA Policy Advocacy Committee for this year.

With regards to this year's Conference, the Planning Committee endorsed the proposal of HNB to hold it on November 12-13, with Jetwing Blue Hotel as the venue. Following an exchange of views on the possible theme and topics of the 2020 Conference, the Committee agreed that this year's Conference will carry the theme **"Asian Banks: Achieving Sustainable Growth in the Age of Disruption"**, and discussions during the various sessions will touch on the topics: (a) *Addressing Emerging Challenges in a Changing Global Market Environment*; (b) *The Role of Technology in Sustainable Growth*; and (c) *Building a Sustainable Banking and Business Model.* In addition, the Committee also agreed to hold a CEO Roundtable on *"Navigating the New World Order: Implications for Banks and Regulators"*.

General Meeting and Conference

Furthermore, it was decided that, as in previous years, this year's Conference will feature the following three sessions: (a) the **Discover ABA Session** that will feature special country presentations by the host bank and selected member banks and knowledge partners on their products, services, programs or activities that may have created an impact on their businesses, their clients, or their communities and which they want to share with other member banks who may learn something of value for their own operations; (b) **Host Bank Session** that will feature invited speakers who will share their views on the topic "Promoting Sustainable Financing"; and (c) **Special Presentation Session** during which speakers will make presentations on topics which are of current interest to ABA members and the region's banking industry.

As regards the Conference speaker, the Planning Committee suggested inviting chief economists of multilateral organizations (such as the Asian Development Bank, the World Bank, and the IMF, among others); bank economists, regulators from Asian countries, senior bankers, CEOs of Fintech companies, representatives from ABA member banks, representatives from consultancy/research companies, solution providers, and social media representatives. The Committee also underscored the need to ensure speaker diversity by inviting representatives from several countries in the region, multilateral organizations, and commercial banks, and by having a good number of women speakers in order to have gender diversity as well.

As far as the format of the Conference sessions is concerned, the Committee agreed that each session would feature two or three speakers, followed by a panel discussion that would include at most three other panelists in addition to the two keynote speakers. Each session would have an experienced moderator who has the ability and expertise to guide the discussions and ask the right questions of the panelists. Each session will run for a total on 90 minutes, with each speaker given some 20 minutes to complete his/her presentation, and the panel discussion to run for at most 30 minutes.

Following the meeting, the Committee members led by ABA Chairman Mr. Alles conducted an ocular inspection of the Conference facilities of Jetwing Blue Hotel to check on the suitability of the meeting rooms and the social function venues, as well as the guest rooms. They also took some time to see the recreational facilities of the hotel.

ABA Planning Committee Members Call on CB Governor of Sri Lanka

Central Bank of Sri Lanka, Professor W.D. Lakshman

Members of this year's ABA Planning Committee led by ABA Chairman Mr. Jonathan Alles and other officers of Hatton National Bank (HNB) made a courtesy call on the Governor of the Central Bank of Sri Lanka, Professor W.D. Lakshman – along with four other Central Bank officials - on the afternoon of February 28 at the premises of the Central Bank in Colombo, Sri Lanka.

In his brief Opening Remarks, Chairman Alles expressed his appreciation to Governor Lakshman for receiving the ABA delegation and the other HNB officers. He then proceeded to give a brief introduction on the ABA and its activities, citing the following, among others:

a. The ABA was established in 1981 to provide a platform for networking and cooperation among bankers in the region
b. ABA's current membership includes some 80 commercial banks and financial institutions from 25 Asian countries and independent economies

General Meeting and Conference

c. Hatton National Bank is the current member from Sri Lanka in the ABA. It has been very active in the Association since it joined as member.
d. There have been two ABA Chairmen from Hatton National Bank – Mr. Rajendra Theagarajah, who served as Chairman from 2010 to 2012, and Mr. Jonathan Alles, 2018-2020.
e. HNB hosted a short-term visiting program for ABA member banks in 2016, sharing its expertise, experience and best practices on various banking operations, and is scheduled to host another one on May 21-22, 2020
f. HNB has hosted one ABA Conference in the past – in 2011, during the tenure of Mr. Theagarajah as ABA Chairman

Mr. Alles informed Governor Lakshman that the ABA will once again be holding its annual Conference in Negombo in November 2020, with HNB as host. He stated that a Planning Committee Meeting was held earlier that day to discuss preparations for the Conference, and expressed his hopes that Governor Lakshman and his Central Bank colleagues will attend the Conference in November, as speakers if possible.

He told the Governor that HNB looked forward to hosting the ABA Conference as will provide HNB the opportunity to learn from the experience and best practices of ABA member banks from other countries on how best banks can serve the banking needs of their respective communities, and to explore possible areas of cooperation and collaboration.

Mr. Dilshan Rodrigo, Chief Operating Officer of HNB and Chairman of the ABA Policy Advocacy Committee, proceeded to summarize the discussions made by the Planning Committee during its meeting earlier in the day, and outlined the theme and topics to be taken up during the various Conference sessions. He also highlighted some of the issues that the Central Bank of Sri Lanka might be interested to speak on.

Governor Lakshman said he and his colleagues would certainly consider participating in the ABA Conference in November, and that they look forward to receiving more details on the Conference – particularly the theme and topics – before they can to participate in the Conference and the topics and issues on which they may want to make presentations.

The other members of the ABA Planning Committee who joined the courtesy call on the Central Bank Governor were also given the opportunity to introduce themselves, the role they play in their respective organizations, and the issues that are of current interest to them and their banks.

Policy Advocacy

ABA Policy Advocacy Committee Approves Work Program for 2020

The ABA Policy Advocacy Committee, under the chairmanship of Mr. Dilshan Rodrigo, Chief Operating Officer of Hatton National Bank, approved its Work Program for 2020 during its recent meeting held in conjunction with the ABA Planning Committee Meeting on February 28, 2020 in Negombo, Sri Lanka.

As outlined in the Work Program, the Policy Advocacy Committee aims to focus its work during the year in achieving the following objectives:

1. **Encouraging cooperation in managing challenges associated with digital transformation through**: (a) Sharing of experience on process improvement efforts and results; (b) Sharing of experience on how to overcome challenges in driving change, including the people aspect; and (c) sharing of information and experience on digital banking infrastructure and solutioning
2. **Promoting cooperation in cyber security management by**: (a) Undertaking joint activities among banks aimed at information sharing and raising awareness about cyber risks and at encouraging good consumer practices; (b) Supporting and facilitating the activities of innovative banks in the area of cybersecurity; (c) Encouraging cooperation among banks and other financial institutions, governments, and technical bodies to strengthen cyber security; (d) Inviting member banks to share experience and practices on their continuing efforts to enhance adopted technology and cyber security; and (e) Promoting more active engagement from regulators across countries to facilitate more

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discussion on Cyber Security, Digital Banking, EKYC, and Compliance issues.

3. **Promoting cooperation in crisis and disaster preparedness and recovery by**: (a) Sharing of experience on crisis and disaster preparedness and recovery efforts and results (e.g., how banks have managed challenges associated with the Corona virus, US-Iran escalation of tensions, natural disasters, etc.); (b) Sharing of experience on how to overcome challenges in achieving crisis and disaster preparedness and recovery (e.g., Business Continuity Planning and Disaster recovery Plan, including the people aspect); (c) Obtaining and sharing of information and relevant materials from both bank regulators and non-bank associations on their experience and best practices for crisis and disaster preparedness and recovery; and (d) Conducting a survey among member banks on their level of readiness in achieving crisis and disaster preparedness and recovery and identifying areas for best practices and learnings.
4. **Promoting cooperation in achieving climate change by**: (a) sharing of experience and best practices of member banks' efforts and initiatives to help achieve the UN Sustainable Development Goals (SDGs) (e.g., business ethics, employment policies, conservation of the environment, financial soundness, etc.); (b) Sharing of experience in addressing challenges in implementing activities aligned with the SDGs; (c) Obtaining and disseminating information and relevant materials from regulators and other pertinent organizations on their programs aimed at achieving the SDGs.
5. **Promoting cooperation in collaborating with Fintech companies by**: (a) Sharing of experience of member banks' _efforts and initiatives at collaborating with Fintech companies; (b) Sharing of experience in addressing and overcoming challenges of collaborating with Fintech companies (e.g., how to manage culture clash and achieve win-win outcomes); and (c) Sharing of information on government policies and regulations aimed at promoting collaboration between banks and fintech companies
6. **Exploring the LIBOR transition after 2021 and Its implications for member banks by**: (a) Further monitoring the LIBOR situation and its impact on banks' _lending operations; (b) Considering alternative benchmarks following the non-availability of LIBOR in 2021 and how banks can prepare for it; (c) Identifying fundamental problems related to LIBOR (e.g., conflict of interests, low liquidity, and small volume of trade) and the current challenges and the potential solutions; and (d) Formulating recommendations on how banks can face the transition away from LIBOR.

Mr. Rodrigo suggested to the Committee that position papers need to be prepared for the policy issues identified in the Work Program, each of which are deemed to be relevant to the Conference theme. As much as possible, these papers should be case studies on relevant policy issues and should be research-based. The papers will be presented for discussion and finalization at the next meeting of the Policy Advocacy Committee which would be held in conjunction with the 37th ABA General Meeting and Conference on November 12, 2020.

He said that the preparation of the each of the policy papers could be done by a member bank or a Knowledge Partner of the Association. For this purpose, Mr. Rodrigo said that the ABA Secretariat has identified possible organizations that may be approached to help prepare the papers.

At the end of the meeting, ABA Chairman Mr. Alles took the opportunity to thank the members of the Policy Advocacy Committee for the excellent work they have done, and continue to do, in promoting the interest of ABA members and the banking sector of the region as a whole. He expressed his hopes that ABA members will remain supportive of ABA's policy advocacy efforts and that they will continue to extend their cooperation to Mr. Rodrigo.

Training and Education

Fintelekt-ABA Short-Term Program on AML/CFT Successfully Held in Mumbai

Fintelekt Advisory Services and the Asian Bankers Association jointly hosted the second Short-term Visiting Program on "Making AML/CFT Top Priority for Banks" in Mumbai, India on February 27-28, 2020.

The objective of the programme was to provide compliance officers of banks around the region with a strategic understanding of emerging risk factors and an opportunity to enhance and upgrade their management skills and knowledge in the area of AML/CFT.

Shirish Pathak, Managing Director, Fintelekt Advisory Services and Mig Moreno, Deputy Secretary, Asian Bankers Association opened the two-day programme with their remarks on the importance of AML/CFT and the goal of the short-term visiting programme.

The agenda for the two-days included presentations on:

- regulatory developments and trends around the region,
- emerging AML/CFT risk factors and their impact on banks,
- best practices in building governance frameworks,
- balancing business and compliance priorities in the organisation,
- making transactions monitoring more efficient,
- ultimate beneficial ownership, and
- use of technology and innovation in screening and financial crime compliance.

The interactive sessions were led by Pramod Khandelwal and Shafath Mujawar – both Fintelekt-empanelled faculty members, Debmalya Maitra – Chartered Accountant and Senior Director of Chokshi Group, Sharad Nair – MLRO of Axis Bank, Arpita Bedekar – Director of Fintelekt's Strategy and Planning, and representatives from technology companies Refinitiv and Accuity.

Participants represented banks from India, Nepal, Sri Lanka, Germany, Cambodia and Taiwan, providing opportunities for cross-border knowledge sharing and discussions.

Fintelekt and ABA to Conduct Webinar on "Managing AML Risk, Operations and Continuity During the COVID-19 Pandemic"

The Fintelekt Advisory Services and the ABA are inviting members to participate in an exclusive webinar on the very timely topic on "Managing AML Risk, Operations and Continuity During the COVID-19 Pandemic" scheduled to take place on March 26, 2020 from 11:00 am to 12:00 noon, India time.

During the one-hour webinar designed for AML compliance experts from Asia, Mr. Shirish Pathak, Managing Director, Fintelekt Advisory Services will speak on strategies to manage the risks from the Covid-19 outbreak and maintain business continuity.

Key discussion topics will cover the following issues:

Operational Issues:

- Dealing with expected and unanticipated disruptions due to the pandemic

- Staffing challenges during lockdowns
- Potential disruption in service from technology partners

Training and Education

Risk Issues:

- Operational: Is online fraud expected to increase and how are banks preparing for it
- Regulatory: Is there an increased regulatory risk due to challenges in monitoring and meeting reporting timelines
- Balancing risk issues within the bank: Will increased mindshare over higher credit risk dwarf the focus on AML?

Continuity Issues:

- Will BC become BAU
- Looking beyond the crisis – lessons for the future

After the webinar, a summary of key takeaways will be available for download. In addition, participants will be sent certificates of participation in pdf.

Interested parties may register for the webinar by visiting www.fintelekt.com/webinars. Participation is free of charge.

News Update

Libor Plunges Most Since 2008 as Rate Catches Up to Fed-Cut Bets

By Alex Harris

One of the world's most important short-term interest rates staged its biggest one-day drop in more than a decade on March 4 in a sign that markets are bracing for even lower U.S. borrowing costs in the face of the spreading coronavirus.

The three-month London interbank offered rate for dollars -- a benchmark for trillions of dollars in financial products globally -- sank 31.4 basis points to 1.00063%. That's the biggest one-day slide since October 2008, the height of the global financial crisis.

The move reflects a market that's catching up with front-end rates that had already begun pricing additional Federal Reserve rate cuts even after Tuesday's emergency half-point reduction. Fed officials have a scheduled meeting on March 17-18.

Futures traders are pricing in about 31 basis points of further Fed rate cuts by the end of March, assuming the fed effective rate will set at around 1.09% over the next day. Overnight index swaps settled under 1% Tuesday, also suggesting more easing is expected.

It's not just short-term rates that are indicating market concerns over the virus's impact. The 10-year Treasury yield sank below 1% Tuesday for the first time, and it stood around 0.99% Wednesday morning as stocks showed signs of stabilizing.

Bloomberg

News Update

IMF, World Bank Say Ready to Address Economic Challenges of Coronavirus

The International Monetary Fund and the World Bank on March 2 said they stood ready to help member countries address the human and economic challenges of the fast-spreading coronavirus outbreak, including through emergency funding.

In a joint statement, the two institutions said they were focused especially on poor countries where health systems are weakest, and urged member countries to strengthen their health surveillance and response systems to contain the virus.

"International cooperation is essential to deal with the health and economic impact of the COVID-19 virus," the statement said, referring to the acronym for the virus. It said both the IMF and World Bank were fully committed to supporting these efforts.

The outbreak is plunging the world economy into its worst downturn since the global financial crisis more than a decade ago, the Organization for Economic Cooperation and Development warned on Monday, urging governments and central banks to fight back to avoid an even steeper slump.

Finance ministers from the world's seven largest economies (G7) are expected to hold a conference call on Tuesday, March 3 to discuss measures to deal with the economic impact of the coronavirus outbreak, four sources told Reuters.

The IMF said it had an array of facilities and instruments in its tool kit to help countries respond to the economic impact of the coronavirus.

The Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI), which can provide emergency financial assistance to member countries that can be quickly disbursed, was used in 2016 to help Ecuador after a major earthquake.

The IMF can also augment existing lending programs to accommodate urgent needs related to the outbreak. For instance, it provided extra funds to Guinea, Liberia and Sierra Leone in 2014 to fight the Ebola outbreak.

It also has grants for debt relief that can help the poorest countries address disasters and can provide support through new stand-by financing arrangements. In addition, it can help countries expand their capacity to deal with the outbreak.

IMF spokesman Gerry Rice told reporters that the Fund had not received any requests for assistance.

Reuters

UNCTAD Reports on Impact of the Corona Virus Outbreak on Global FDI

The outbreak and spread of Coronavirus (Covid-19) will negatively affect global foreign direct investment (FDI) flows, the United Nations Conference on Trade and Development (UNCTAD) stated in its latest issue of "Global Investment Trends Monitor".

According to UNCTAD, depending on the scenario for the spread of the epidemic – ranging from short-term stabilization to continuation throughout the year- the downward pressure on FDI caused by Covid-19 is expected to be -5% to -15% (compared to previous forecasts projecting marginal growth in the underlying FDI trend for 2020-2021). Among the other highlights of the UNCTAD report are the following:

- The impact on FDI will be concentrated in those countries that are most severely hit by the epidemic, although negative demand shocks and the economic impact of supply chain disruptions will affect investment prospects in other countries.
- More than two thirds of the multinational enterprises (MNEs) in UNCTAD's Top 100, a bellwether of overall investment trends, have issued statements on the impact of Covid-19 on their business. Many are slowing down capital expenditures in affected areas. In addition, lower profits – to date, 41 have issued profit alerts – will translate into lower reinvested earnings (a major component of FDI).
- On average, the top 5000 →

News Update

MNEs, which account for a significant share of global FDI, have seen downward revisions of 2020 earnings estimates of 9% due to Covid-19. Hardest hit are the automotive industry (-44%), airlines (-42%) and energy and basic materials industries (-13%). Profits of MNEs based in emerging economies are more at risk than those of developed country MNEs: developing country MNE profit guidance has been revised downwards by 16%.

The IMF urges Governments to Roll Out Aggressive Support Measures for Virus-Affected Global Economy

The International Monetary Fund (IMF) on March 9 called on governments worldwide to join forces and roll out aggressive financial supports for the virus-affected global economy, including direct payments to workers and businesses.

However, while several nations have taken steps to cushion the blow to their economies and boost confidence, including the US, there has been little visible coordination among policymakers like there was at the height of the 2008 global financial crisis.

The rising concern about the global economy has been reflected in the continued collapse of global stock markets, with trillions in value wiped out in the past few weeks, a rout that continue

Given the "acute shocks" caused to economies, consumers and businesses, IMF chief economist Gita Gopinath said that "policymakers will need to implement substantial targeted fiscal, monetary and financial market measures to help affected households and businesses."

That includes "cash transfers, wage subsidies and tax relief," as well as interest rate cuts and financial market support by central banks.

Given the ties between global economies, "the argument for a coordinated, international response is clear," she said in a blogpost.

The IMF already warned that the effects of the COVID-19 outbreak would slow growth in the world economy to less than the 2.9 percent posted last year.

The virus has shuttered factories, disrupted travel, delayed conferences and sporting events and infected more than 110,000 people worldwide.

The impact effects are seen in production cuts hitting companies across the globe that depend on parts from China, where the outbreak originated, but would also hit consumption, as people are reluctant to go out and spend money.

Some nations have already taken steps, Gopinath said.

Italy, the country hardest hit in Europe, has extended tax deadlines and is preparing a 7.5 billion euro (US$8.53 billion) package aimed at helping out the devastated tourism industry and other sectors, while South Korea has introduced wage subsidies.

The US Federal Reserve in early March announced an emergency interest rate cut and on March 9 significantly increased its cash injections into money markets with US$150 billion per day in short-term loans to ensure ample liquidity amid the virus uncertainty.

That was just what Gopinath called for, saying that such moves "can lift confidence and support financial markets."

She added that "actions by large central banks [are] also generating favorable spillovers for vulnerable countries."

However, government spending measures to support economic activity have been slow in coming and economists are warning that rapid action is crucial to have the biggest effect.

Germany announced a 3 billion euro per year investment package, but it does not go into effect until next year and is spread over three years.

US President Donald Trump has signed a bill with US$8 billion in emergency funding, but that largely goes to medical equipment, medication and testing supplies for state and local governments.

White House advisers were reportedly preparing a menu of options for Trump that include paid sick leave and emergency help for small businesses.

French President Emmanuel Macron called for EU leaders to hold a videoconference yesterday aimed at coordinating their response to the coronavirus outbreak on the continent.

Gopinath said that governments can help workers who are laid off by business closures by extending and increasing unemployment insurance, as well as helping those that do not have paid sick leave.

The economic concerns can ripple into financial markets, causing borrowing costs to rise, which would in turn "expose financial vulnerabilities that have accumulated during years of low interest rates, leading to a heightened risk that debt cannot be rolled over," she said.

AFP Washington, Taipei Times

News Update

COVID-19 Outbreak to Have Significant Economic Impact on Developing Asia: ADB

The ongoing novel coronavirus (COVID-19) outbreak will have a significant impact on developing Asian economies through numerous channels, including sharp declines in domestic demand, lower tourism and business travel, trade and production linkages, supply disruptions, and health effects, according to a new analysis by the Asian Development Bank (ADB).

The magnitude of the economic losses will depend on how the outbreak evolves, which remains highly uncertain. The range of scenarios explored in the analysis suggests a global impact in the range of $77 billion to $347 billion, or 0.1% to 0.4% of global gross domestic product (GDP).

In a moderate scenario, where precautionary behaviors and restrictions such as travel bans start easing 3 months after the outbreak intensified and restrictions were imposed in late January, global losses could reach $156 billion, or 0.2% of global GDP. The People's Republic of China (PRC) would account for $103 billion of those losses—or 0.8% of its GDP. The rest of developing Asia would lose $22 billion, or 0.2% of its GDP.

"There are many uncertainties about COVID-19, including its economic impact," said ADB Chief Economist Yasuyuki Sawada. "This requires the use of multiple scenarios to provide a clearer picture of potential losses. We hope this analysis can support governments as they prepare clear and decisive responses to mitigate the human and economic impacts of this outbreak."

Estimated Global and Regional Impact of COVID-19, under Different Scenarios

	Best case		Moderate case		Worse case	
	As % of GDP	Losses in $ billions	As % of GDP	Losses in $ billions	As % of GDP	Losses in $ billions
World	−0.1	$77	−0. 2	$156	−0.4	$347
People's Republic of China	−0.3	$44	−0.8	$103	−1.7	$237
Developing Asia excluding the People's Republic of China	−0.2	$16	−0.2	$22	−0.5	$42
Rest of the World	0.0	$17	0.0	$31	0.0	$68
Source: ADB staff estimates.						

The analysis, The Economic Impact of the COVID-19 Outbreak on Developing Asia, presents full details on the scenarios considered. It also presents estimated impact on individual developing Asian economies—and on sectors within these economies—including under a hypothetical "worst case" scenario for a given economy in the event of a significant outbreak. These should not be interpreted as predictions that an outbreak will occur but are meant to provide guidance for governments as they consider appropriate responses.

ADB's response to COVID-19 to date includes $2 million announced on 7 February to enhance detection, prevention, and response in the PRC and the Greater Mekong Subregion; another $2 million announced on 26 February to support response in all its developing members; and a CNY130 million ($18.6 million) private sector loan, signed on 25 February, to Wuhan, PRC-based pharmaceutical distributor Jointown Pharmaceutical Group Co. Ltd. to support the continued supply of essential medicines and personal protective equipment.

ADB stands ready to provide further support to its developing members in their efforts to respond to the adverse impact of COVID-19. ADB will use appropriate means to address the identified needs including through existing and new financial assistance, emergency assistance lending, policy-based lending, private sector investment, and knowledge and technical assistance.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

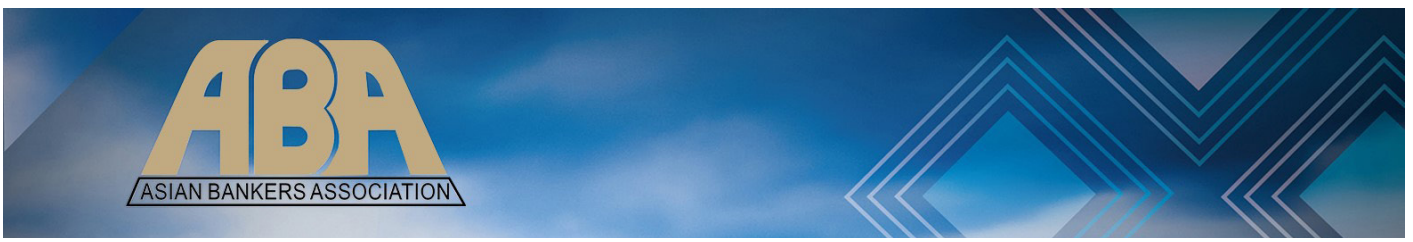
Asian Development Bank

BSP Tightens Rules on Correspondent Banking

The Bangko Sentral ng Pilipinas (BSP) has tightened the guidelines on correspondent banking relationships as legislation against money laundering and terrorism financing needed to avoid being included in the watchlist of the global watchdog have yet to be passed.

BSP Governor Benjamin Diokno said the BSP has approved amendments to the Manual of Regulations for Banks (MORB) to prevent correspondent banking activities from being utilized for money laundering or terrorist financing activities.

Diokno issued Circular 1078 stating that covered persons should designate an officer responsible in ensuring



The Bangko Sentral ng Pilipinas Governor Benjamin Diokno

compliance with the regulations as well as policies and procedures.

"Covered persons shall adopt policies and procedures to prevent correspondent banking activities from being utilized for money laundering or terrorism financing activities," the BSP chief said.

Diokno, who also chairs the Anti-Money Laundering Council (AMLC), said the regulator could deploy enforcement actions to promote adherence to the requirements and bring about timely corrective actions.

Diokno said the guidelines articulate the specific regulatory expectations with respect to different type of correspondent banking relationships to enable banks to have improved money laundering and terrorism financing risks associated with correspondent banking relationships.

"The inherent nature and structure of transactions and relationships in correspondent banking renders it vulnerable to money laundering or terrorist financing activities," he said.

Correspondent banks execute financial transactions on behalf of customers of another bank, while cross-border nature and amount of transactions involved pose material threat to financial institutions.

"The layers involved in transactions processed through correspondent banking relationships pose a challenge in monitoring transactions and in identifying suspicious transactions," Diokno said.

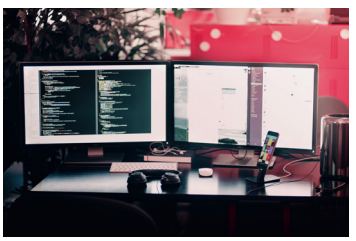
The Monetary Board and Diokno said banks should perform the applicable customer due diligence on accounts and relationships opened upon effectivity of the new guidelines and requirements of updating as part of the ongoing monitoring should be required for existing relationships.

Philstar

Special Feature

The Top 5 Killers of Banks' Technology Projects

By Deborah O'Neill, Partner and UK Head of Digital at Oliver Wyman



Financial institutions have a strong belief that technology holds the potential to kick-start growth after a decade of lackluster results. We see this both in annual reports, where 98% mention "digital," and in interviews with investors themselves, where 80% say digital transformations are important in investment choices.

But if stakeholders are convinced of the power of technology, why is it so hard to identify performance improvements generated by digital projects?

Our recent State of the Financial Services Industry report finds that only a quarter of broker reports on banks cite the word "digital" in any capacity, let alone one that differentiates one organization from its competition. Similarly, a third of the investors are skeptical that banks have effective digital transformation strategies in place.

Why are tech projects dying a slow death? We've identified five drivers of their demise and how they can be brought under control.

Killer #1: A Battle of Opposing Priorities

For any program to deliver, a compromise is needed between how much the leaders want to focus on the vision for the future versus revenue improvement in the short term. Without a balance of the two, projects fail, because either their scope is too narrow to create impact or leaders are so ambitious that they keep spending but never finish.

The Treasury Committee in the U.K. set boundaries in this area. It stated that if management teams are so ocused on the short term that customers become exposed to risks from old tech systems, then regulators must intervene.

Killer #2: An Absence of Experts at the Very Top

A clear differentiator between organizations that successfully deliver on technology projects and those that fail is a technical leader on the board or executive committee. A quick glance through the annual reports of the top 10 retail banks in the U.K. shows a clear absence of deep IT, technology or digital experience in most leadership teams. This must change.

There are many benefits to having a senior leader with business acumen and technical know-how. For

example, they can ensure new technology capabilities built in disparate parts of the business use standardized and compatible technologies.

Furthermore, a CIO who has influence only within the technology team is a wasted asset. Working at an executive committee level allows a chief information officer to collaborate with HR to ensure the technologies deployed across the business align with the level of technical skills within the existing workforce or establish a training plan.

Killer #3: No Plan for Crossing the Finishing Line

There have been cases where businesses are itching to launch a neat new data stack and a fancy app for customers, but missed one vital detail: how to move their millions of customers from the old system onto the new one.

With the excitement around developing a new product, it is easy to forget about what's needed at the very end, like data migration or scalability. It's a similar story for apps. More than half of app development time is needed just to get it working behind the scenes.

Leaders need to ensure their tech teams focus on what makes a real difference to the project's main objectives, such as security and reliability, and know what it takes to move from development to testing to launch.

Always sacrifice scope before quality.

Killer #4: The Risks of a Modular System Aren't Addressed

Technology changes so rapidly that committing to a large platform will only leave you behind the times again in another five or 10 years. That's why we advocate developing a modular system that cherry picks the best components available.

However, this requires a new approach where every component and link needs to be efficiently tested. In addition to resilience testing, which ensures applications provide an acceptable service level under real-life conditions like an attempted cyberattack, modular systems also need chaos testing. This is where components are deliberately disabled to see how the rest of the system responds.

Killer #5: Work Stops After the Launch

The challenge isn't over once the project has finished. The productivity benefits from most technology projects only come once old systems are decommissioned and staff are freed up from manual tasks to more value-adding activities.

Additionally, financial institutions must continue to assess whether a project's outputs remain fit-for-purpose as technology and their needs change. For example, as the U.K. Treasury Committee recommendations from October 2019 are applied by regulators, banks will be required to demonstrate the operational resistance of their technology, just as they are their own financial resilience.

After the launch of a customer-facing tech project, it's time to create a program of improvements and new features based on user feedback. This can be collected via interviews, social listening and the insights generated by the new systems.

Final Thoughts

Technology projects can be felled by anything from a mouse chewing through a cable to a fundamental oversight of the executive committee. By addressing these top-five project killers, however, banks will be taking a big step forward in creating a competitive advantage.

When Vision and Value Collide is Oliver Wyman's 23rd annual State of the Financial Services Industry report, featuring insights from a survey of investors, analysts and management teams and analysis of investment levels and progress.

About Author

Deborah O'Neill
Partner and UK Head of Digital at Oliver Wyman

Deborah O'Neill is UK Head of Digital and a partner at Oliver Wyman, where she leads complex digital transformations at the world's largest companies. An expert in untethering businesses from technology systems and approaches no longer fit for purpose, Deborah has recently worked on the build and launch of several Greenfield businesses.

How Governments Can Help Businesses Reach a Zero-Carbon Future

By Stephen Howard Co-Chair of We Mean Business

Sustainability is rising up the agenda of both businesses and governments. Hundreds of businesses now have ambitious emissions reduction plans, while several countries are declaring climate emergencies.

The key to getting to a zero-emissions future has to be a collaboration of business and government action, with bold government policies accelerating business progress toward emissions reduction goals. Getting those policies in place now will mean a scaling up of business innovation and investment in zero-carbon solutions.

10 Years Left

We have between seven and 10 years left at current levels of greenhouse gas emissions before we will have used

up the remaining carbon budget to ensure global temperature rise does not exceed 1.5 degrees Celsius. In other words, this is the decade when we must turn the tide on climate change.

The good news is that there is growing momentum in business. What we need to drive that forward is greater government ambition. Here are five signals of change that governments must get behind.

Set Bold Targets

Business is setting bold, science-based targets aligned with limiting global warming to 1.5 degrees Celsius, such as switching to 100% clean power and committing to 100% electric vehicle fleets.

A few years ago at IKEA, we used 100% targets widely, from sourcing 100% of our wood from Forest Stewardship Council (FSC)-certified forests to using 100% renewable energy and 100% LEDs for our lighting business. These targets created certainty about what success looks like.

Don't leave people confused about whether you're defending the status quo or backing the future. We need more governments to step up and align their policy ambition with climate science. This will give even more businesses the clarity and confidence they need to set ambitious enough targets and invest in the right ways to achieve them.

Business Can See Where the Future Lies

The future needs to — and will — look different from the past. It will be renewably powered with electric mobility, and we will be eating a more plant-based diet and living in smarter cities.

Businesses are innovating and investing in these growth areas, and the ones that scale innovation fastest will play a key part in creating this future. Governments should focus on stimulating the outcomes required to win the fight against climate change with clear, long-term and legal frameworks. Many large businesses can and will transition their businesses by embracing new technologies, but there are also many businesses and sectors that are simply too carbon- or resource-intensive to transition.

We cannot afford to defend legacy businesses through perverse subsidies and incentives; alongside clear long-term policies on climate, we need transition plans that support those workers and communities that will be affected.

Put a Price on Pollution

Most businesses welcome some form of carbon-pricing; many have voluntarily implemented their own internal carbon price to help drive their focus toward low-carbon solutions.

National carbon prices would help give a clear economic signal about the direction of travel and help shift investment flows in that direction.

Procurement Policies Drive Emissions Reduction

A growing number of businesses are using their procurement practices to drive emissions reductions and make their businesses more resilient to the impacts of climate change. More than 200 companies have committed to 100% renewable electricity through RE100. They are generating demand equivalent to the 21st largest electricity consumer in the world and using more power than South Africa.

Businesses are also supporting hundreds of millions of hectares of sustainably certified forestry through the FSC or are driving fair and living wages through their supply chains. Certification has become widespread, from the Marine and Aquaculture Stewardship Councils for fish to the Better Cotton Initiative.

The Sustainable Trade Initiative (IDH) has launched collaborative approaches to bring retailers and others together to improve wages in agricultural sectors. There is significant scope for more, and governments can lead by example by implementing procurement policies that favor low-carbon products and services.

Sustainable, Disruptive Businesses Are the Job Creators of the Future

Large incumbent businesses have significant power. Many use that to good effect (witness Google and Apple's commitments to renewable energy); however, throughout history, when threatened, businesses can fight hard to resist change. Tobacco is just one obvious example.

Governments need to find ways to back the sustainable innovators, as these will become the job creators of the future. We still have time to make the progress that is needed this decade. With bold and clear policymaking from governments coupled with growing action from business, we can accelerate the wholesale transformation of the economy. There's no time to lose.

About Author
Stephen Howard

Co-Chair of We Mean Business

Stephen Howard is the co-chair of the We Mean Business board and former chief sustainability officer at IKEA. Prior to IKEA, Steve was founder and CEO of The Climate Group, a global NGO that has built networks of cities, states, regions, and businesses committed to a net-zero carbon world.

Among Member Banks

Bank of East Asia Considers US$1 Billion Insurance Asset Sale - Bank of East Asia Ltd, the Hong Kong lender that has been besieged by activist investor Paul Singer's Elliott Management Corp, is considering options including a sale of insurance assets as part of its strategic review, according to people familiar with the matter.

BEA could seek more than US$1 billion from a sale of assets including its life and general insurance as well as its pension fund business in Hong Kong, the people said, asking not to be identified because the deliberations are private. A deal for the life insurance assets could include a so-called bancassurance partnership, in which an insurer typically pays an upfront amount for exclusive rights to sell its products at bank branches, the people said.

The disposals could attract interest from global insurers seeking to expand in the region amid increasing consolidation in the industry, the people said.

Bloomberg

State Bank of India reduces FD rates. Here are the latest ones - For the second time in less than a month, the State Bank of India (SBI) has cut interest rates on fixed deposits (FD) for certain tenors. Interest rates on short-term FDs with tenure of up to 45 days has been reduced sharply by 50 basis points or 0.50 percent. (100 basis point = 1 percent). The new rates are effective from March 10, 2020.

According to the newly effective interest rate, FD having tenor of 7 to 45 days will ern 4 percent instead of 4.5 percent earlier.

FD rates for tenure of on-year and above have been reduced by 10 bps. the one-year FD will now earn 5.9 percent instead of 6 percent earlier.

Economic Times

MUFG-Grab deal shows Japanese banks' growing interest in S-E Asia: Fitch - FITCH Ratings on March 5 said Mitsubishi UFJ Financial Group's (MUFG) US$706 million investment in ride-sharing firm Grab shows growing interest by Japanese banks to expand in South-east Asia and upgrade their technology capabilities.

The ratings agency's report said the deal has potential to deliver benefits for the lender. However, it will also mean taking higher levels of risk.

The trend comes as Japanese banks face challenges in generating revenue in a climate of persistently low domestic interest rates and high competition. Thus, one approach to growth is expansion into faster-growing markets.

However, this strategy may lead to higher costs, including credit and regulatory-related compliance costs which can place pressure on profitability, Fitch said.

Business Times

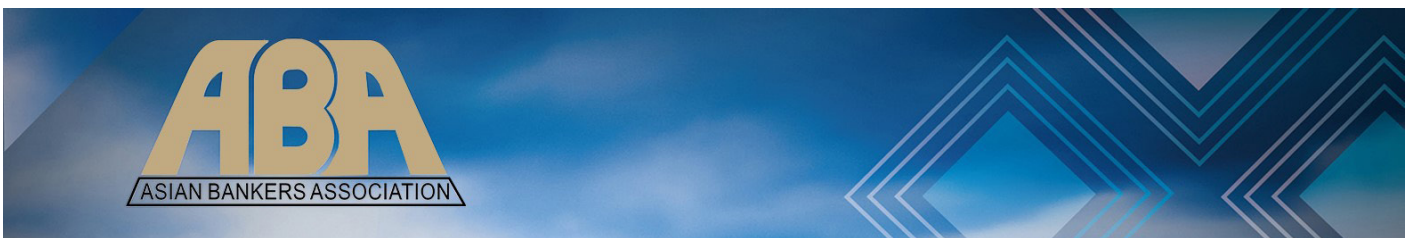
SMBC plans to issue 1 billion Yuan bonds in China - Sumitomo Mitsui Banking Corporation (SMBC) plans to issue one billion yuan ($144 million) of three-year bonds in China, two sources familiar with the transaction said on Friday March 6.

The issuer will price the deal between 40 and 60 basis points above China Development Bank bonds of the same tenor, said the sources. The company did not immediately respond to Reuters' request for comments.

SMBC would be the first Japanese financial institution to tap the market in two years.

Bonds issued in China by companies incorporated outside the country are also known as "Panda bonds". MUFG and Mizuho became the first Japanese Panda bonds issuers in 2018. ($1 = 6.9331 Chinese yuan renminbi)

Reuters



Among Member Banks

Maybank Offers Iranians Special Debit Card, After Some Have Accounts Closed - Maybank is offering Iranian customers in the country debit cards to use locally for ringgit transactions, a relief for them after other banks threatened to close their accounts.

In 2019, CIMB Group Holdings and RHB Bank sent closure notices to many Iranian clients, a sign that US sanctions were having far-reaching effects on citizens of the Islamic republic.

Former Prime Minister Tun Dr Mahathir Mohamad, after a Reuters story on the closures, said his government was forced to "make it difficult" for Iranians living in Malaysia.

Maybank has since January offered Iranians local debit cards that do not carry the usual Visa or MasterCard logos, meaning they are not meant for international transactions, many of those receiving the cards have told Reuters.

"It is issued to enable this group of customers to carry out banking and everyday transactions conveniently, and not be confined solely to branch services," a Maybank spokesman said.

Reuters

BML Introduces unsecured Business Financing Facility - Bank of Maldives (BML), on March 9, introduced a new unsecured Working Capital Finance facility, to provide businesses with access to financial resources to meet short-term funding and cash flow requirements.

Established under BML's commitment to supporting businesses, the Working Capital facility enables businesses to acquire up to 20 percent of their past 3 years' average annual sales, up to a maximum amount of MVR 3 million, with a repayment period of three years.

The facility can be utilised as a demand loan or as a credit line limit in the form of overdrafts, bank guarantee, letters of credit and trust receipt demand loans.

BML's CEO and Managing Director Tim Sawyer stated that, "the introduction of this unsecured facility, which is a first for this market, is part of our support to remain dedicated to the growth of the business sector in the country. We now have a competitive and comprehensive business product portfolio for our customers, and for the first time, a simple way to easily access capital to grow, innovate or even to boost short term cash flows".

The Edition

PNB Income rose to P9.8B in 2019 - The Philippine National Bank (PNB) reported that its net income increased to P9.8 billion for 2019, with strong growth in net interest income, fees and commissions as well as trading gains.

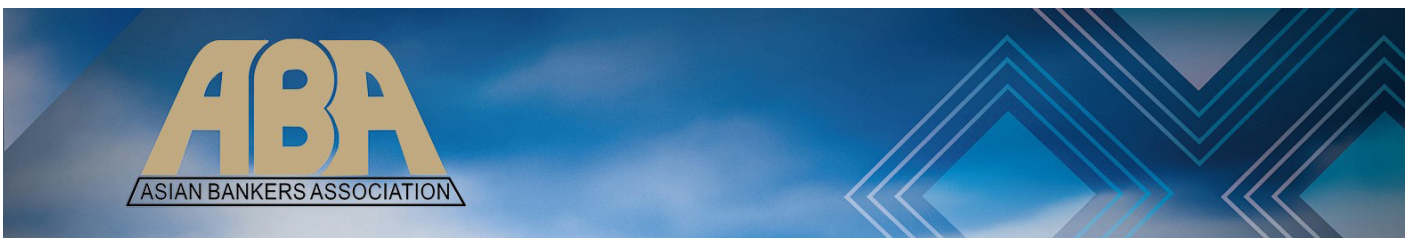
In a disclosure on March 9, the Tan-led lender said the figure was 2.08-percent higher than the P9.6 billion it netted in 2018.

Its total consolidated resources stood at P1.14 trillion, up P158.6 billion or 15.97 percent from the year-ago level of P983.6 billion.

PNB added its net interest income expanded by 19.9 percent year-on-year to P32.4 billion from P27 billion "on the back of improved earnings from loans to corporate, commercial and small and medium enterprises, and other interest-earning assets."

"I am pleased with the improvements in our core income for 2019. Excluding the impact of non-recurring gains from the sale of foreclosed assets, the bank's core net income grew by 57 percent year-on-year," PNB President and Chief Executive Officer Jose Arnulfo "Wick" Veloso stressed.

The Manila Times



Among Member Banks

RCBC Hosts Roundtable on Responsible Mine Investment - During the roundtable discussion hosted recently by the Rizal Commercial Banking Corp., participants focused on enhancing current mining-related policies in the Philippines.

The meeting was attended by representatives from the Chamber of Mines of the Philippines, Philippine Extractive Industries Transparency Initiative (PHEITI), Mines and Geosciences Bureau, as well as financial institutions working in close proximity with the local mining industry.

The event was organized by VBDO (the Dutch Association of Investors for Sustainable Development), in partnership with Bantay Kita, a national coalition advocating for enhanced natural resource governance.

RCBC Chief Risk Officer Jamal Ahmad said environment and social risk management is a cornerstone of the bank's sustainable finance strategy.

"RCBC is delighted to host this event and will continue to play a leading role by bringing the financial sector, civil society and public policymakers to support sustainable finance in the Philippines," Ahmad added.

VBDO Senior Manager Sustainability and Responsible Investment Jacqueline Duiker thanked RCBC for hosting the event and concluded that the roundtable discussion had "wonderful cooperation and good open discussion" among the attendees.

manilastandard.net

DBS Urges Firms to Go Digital in New Round of Reliefs - DBS Bank unveiled a second round of relief measures on February 26 amid the virus outbreak, including financial relief packages and digital initiatives for companies to fast-track their digital adoption to carry out transactions online.

It is offering a fee-waived collateral-free digital business loan of up to $50,000, to be disbursed within 24 hours of loan acceptance. It has also raised the number of free FAST (Fast and Secure Transfers) transactions to 50 a month from 30, to promote reduced physical handling of cheques.

To reduce the need to rely on physical over-the-counter trade processing, DBS has also digitalised 11 common trade financing processes including letters of credit, import bills, trust receipts, banker's guarantees and shipping guarantees.

Customers can now access a one-stop portal through the bank's platform IDEAL to upload all their trade financing applications and supporting documents. They will be able to get instant notifications of their application status through e-mail and SMS. Clients may also retrieve their historical supporting documents online and submit their documentation and applications round the clock.

From March 2, webinars and customised teach-ins to train customers on how to use and benefit from its new digital capabilities will also be rolled out, said the bank.

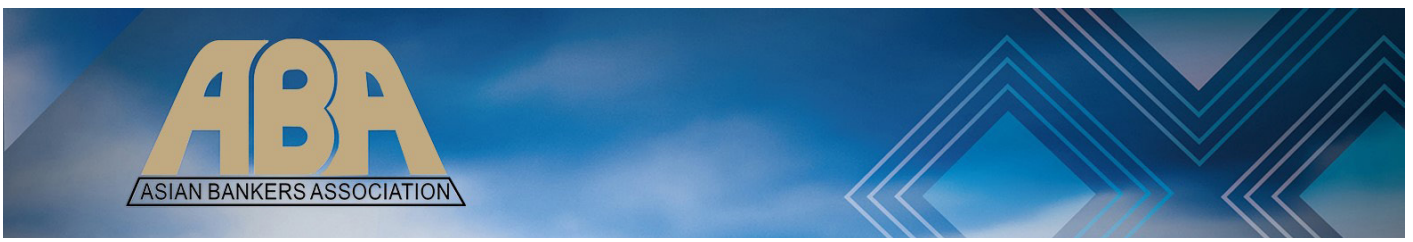
Straits Times

UOB, Prudential Launch Insurance-Bundled Product for Women - In celebration of International Women's Day, United Overseas Bank (UOB) and Prudential Singapore launched a savings product for women in Singapore that combines a savings account with complimentary medical insurance for six female-related cancers.

According to a statement by UOB, the product, UOB Lady's Savings Account, was designed for women who may not be placing enough emphasis on their own financial and health needs. This is shown by the 37% who put the needs of their loved ones before themselves, according to a 2017 survey by UOB and Prudential Singapore. Among married women, this figure went up to 52%. The survey also found that close to one in two women (45%) say they want a savings account that comes with free critical illness protection.

The female-linked cancers covered by the product are: breast, cervix uteri, uterus, fallopian tube, ovary, and vagina/vulva. The coverage amount is based on their monthly average balance over the past three months, the statement said. If the account's balance is between SG$50,001 to SG$75,000 on average over the past three months, the account holder will receive SG$75,000 in coverage. If the account holder saves more than SG$100,000 on average, the sum assured increases to SG$200,000.

Insurance Business Asia



Among Member Banks

CTBC to Deploy NTU's AI Tech to Improve Services - CTBC Bank and National Taiwan University (NTU) on Monday February 24 signed a NT$10 million (US$328,926) deal to utilize the school's artificial intelligence (AI) technology to enhance the firm's consumer banking services.

The bank is to provide anonymized data to NTU's AI Research Center and the IoX Center — which focuses on Internet of Things — for research on natural-language understanding, emotion recognition and microexpression reading, CTBC said.

The research on emotion recognition and microexpression reading could help bank staff read a client's feelings or emotional state to provide better services, CTBC president James Chen told a recent news conference in Taipei.

Analysis of microexpressions could help companies capture more nonverbal information about applicants during job interviews, he added.

CTBC hopes its cooperation with the university would provide a new language-understanding solution, chief technology officer Titan Chia said.

"We utilized language understanding to improve our consumer support service last year and found it helpful," Chia said.

CTBC, which receives more than 100,000 telephone calls from clients every month, has assigned a team to listen to phone records to check if employees managed to solve clients' problems or properly market its products, he said.

"We could not manually finish reviewing all phone records and had to work overtime, but last year, we had AI screen those files first, so our employees only had to listen to records that were controversial," Chia said.

"AI does not steal jobs from humans. Instead, new job opportunities emerge as we need people to train the machines to learn which marketing terms are appropriate," he said.

The bank plans to utilize the new technology in its lending business, to combat money laundering and for "know-your-customer" compliance, he said.

Taipei Times

Taishin, SinoPac stay cautious amid COVID-19 outbreak - Taishin Financial Holding Co and SinoPac Financial Holdings Co on March 4, said that they would remain cautious amid fears caused by the COVID-19 outbreak.

Taishin Financial, which has no subsidiary banks or branches in China, told an investors' conference that its operations in Taiwan remain unaffected, as its Chinese investments and lending account for less than 1 percent of its total liabilities.

However, its two financial leasing companies in China have seen their nonperforming loan ratio slightly increase to 3 percent since January, Taishin Financial president Welch Lin said.

"We are not worried about the situation, as our clients were willing to repay the money, but failed to do so due to their cities imposing a lockdown," Lin said, adding that the two units would keep in close contact with the clients.

The two units' nonperforming loans account for less than 0.5 percent of the firm's total, he said.

Banking arm Taishin International Bank, which ranks first in digital savings accounts with 1.79 million, is to launch new services on its Richard online platform to compete with three Web-only banks that are to begin operations in the second half of this year, Taishin Financial said.

"We are not afraid of our competitors offering higher savings rates to try to poach our clients. We believe that our customers will stay with us, as we have integrated multiple functions, such as payments and investments," Lin said.

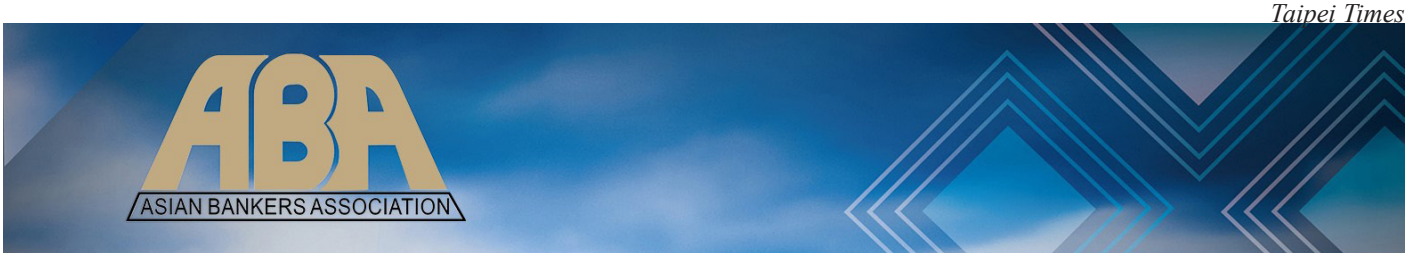
SinoPac Financial, which has one subsidiary in Nanjing, China, as well as three branches in Guangzhou, Chengdu and Shanghai, told an investors' conference in Taipei that it has not seen any increase in its nonperforming loan ratio.

As China in 2019 supplied less than 1 percent of its total profit, it expects limited effect even if the outbreak continues, Bank SinoPac president Eric Chuang said.

With a 42 percent jump in fee income from loans last year, the bank forecast that its lending momentum would slow in the short term, but recover later.

"We are cautious, but not pessimistic... We will continue concentrating on growth in fee income this year instead of investment returns amid a highly volatile financial market," SinoPac Financial president Stanley Chu said.

Taipei Times



Among Member Banks

Bangkok Bank Ltd. Seeks Digital Boost from Permata - Bangkok Bank Ltd. (BBL) is aiming for significant growth in the digital banking business in Indonesia after its acquisition of PT Bank Permata.

Permata, a leading digital banking service provider in Indonesia, can expand digital banking rapidly with a wide range of financial services, including 200 features, said BBL president Chartsiri Sophonpanich.

The Indonesian bank's digital lending has recorded strong growth, with 385,000 new loan approvals a month, of which 31,000 are home loans.

"Permata has a strong foothold in digital banking services and fintech, and BBL will support growth in this area," Mr Chartsiri said.

Permata, Indonesia's 12th-largest bank by assets at US$18 billion, launched its mobile banking app PermataMobile X 18 months ago with downloads hitting about 1 million.

The solid growth of Permata's digital banking business will aid BBL's business expansion in Southeast Asia's largest economy, which has high economic growth potential and low household debt, Mr Chartsiri said.

Bangkok Post

Intesa Sanpaolo Files UBI Banca Takeover Bid Document with Italy's Market Regulator - Intesa Sanpaolo SpA said on March 6 that it has filed an offer document related to its takeover bid for smaller rival Unione di Banche Italiane SpA with Italy's market regulator Consob.

The bid was launched last month, taking the market by surprise. It would create the eurozone's seventh-largest lender and Intesa, which is now Italy's second-largest bank by assets after UniCredit SpA, would become the country's largest bank.

Some shareholders of UBI Banca have voiced their opposition to the deal. A pact representing roughly 18% of the bank's capital, for example, said the offer was "unacceptable."

Intesa has offered UBI shareholders 1.7 newly issued shares of Intesa for every UBI share tendered.

Morningstar

Banking and Finance Newsbriefs

Hong Kong

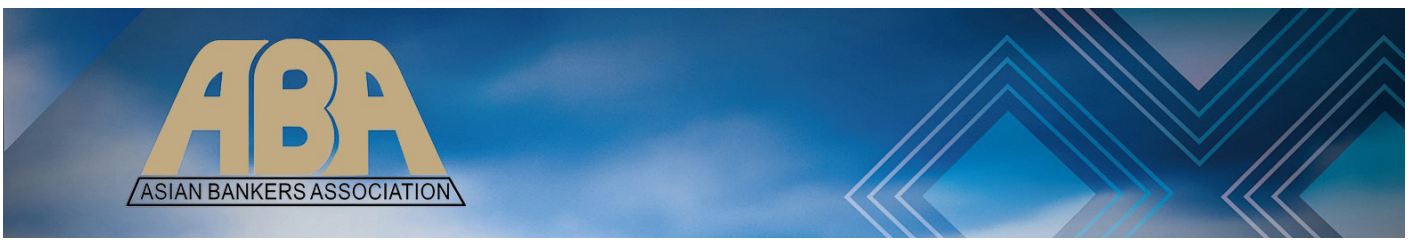
Hong Kong's Cash Handout could Boost the Economy by 1%, says Financial Secretary

The Hong Kong government's proposed cash handouts to residents could boost the city's flagging economy by around 1%, the city's Financial Secretary Paul Chan recently told CNBC.

Chan, in his budget speech, said the 10,000 Hong Kong dollars ($1,282) handouts is estimated to cost the Hong Kong government around 71 billion Hong Kong dollars. The initiative is expected to benefit about seven million permanent residents aged 18 and above.

The handout is part of a package of measures worth 120 billion Hong Kong dollars that the government has planned in its upcoming budget to support the flagging economy, which has been dragged down by months of pro-democracy protests and the new coronavirus outbreak.

CNBC



Banking and Finance Newsbriefs

Iran

Iran asks IMF for $5bn Emergency Funding to Fight Coronavirus

Iran has asked the International Monetary Fund (IMF) for emergency funding to help it fight the coronavirus outbreak that has hit the Islamic republic hard, Foreign Minister Mohammad Javad Zarif said on March 12.

The IMF managing director, Kristalina Georgieva, "has stated that countries affected by #COVID19 (coronavirus) will be supported via Rapid Financial Instrument (RFI). Our Central Bank requested access to this facility immediately", Zarif said in a tweet.

Iran's economy was already battered by United States sanctions that curb oil and gas exports crucial for government revenues. A slowdown in economic activity caused by the virus outbreak and a sustained closure of its borders are expected to lead to a contraction this year, analysts have said.

Aljazeera

Japan

Japan Plans to Tackle Economic Impact of Virus

Japanese economic officials are looking for ways to tame the turmoil in the financial markets caused by the coronavirus. Economic Revitalization Minister Yasutoshi Nishimura said on March 13 that government and central bank officials are sharing information about the economic impact of the coronavirus and have a sense of crisis.

He said the government will remain on the alert to take necessary and sufficient steps without hesitation. He added that unprecedented bold economic or fiscal measures may be necessary.

Nishimura said he would like the budget for the fiscal year that begins in April to be swiftly approved so the government can implement drastic economic measures.

The Bank of Japan announced on March 13 that it will buy Japanese government bonds worth 500 billion yen, or about 4.7 billion dollars, to inject money into the markets.

BOJ Governor Haruhiko Kuroda pledged last week to provide "ample liquidity" to ensure market stability.

NHK

Malaysia

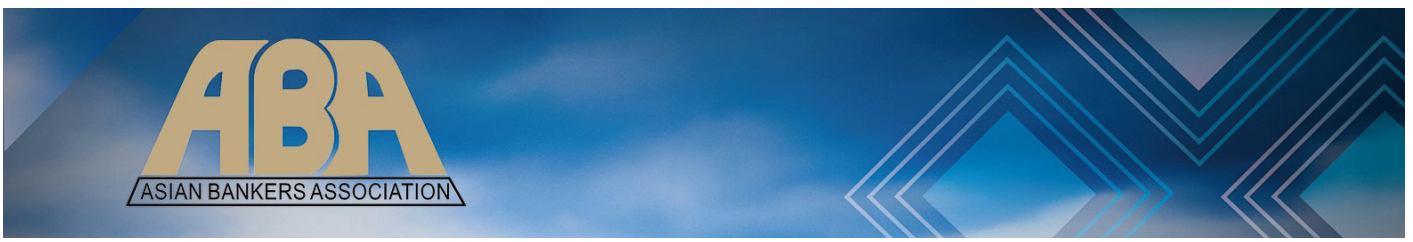
Malaysia's 2020 GDP growth to sink to 3.7% amid Covid-19

Malaysia's economic growth is expected to decrease to 3.7% this year, as the Covid-19 situation continues to weigh on tourism, supply chains and household spending.

However, growth is expected to spring back to 4.5% in 2021, supported by accommodative macro policies and fiscal stimulus, according to the Institute of Chartered Accountants in England and Wales' (ICAEW) latest "Economic Update: South-East Asia" report.

"Impact from the Covid-19 situation on China's economy will continue to spill over to Malaysia in the first and second quarters of 2020 through lower tourism flows, household spending and varying degrees of supply chain disruptions.

The Malaysian Reserve



Banking and Finance Newsbriefs

Philippines

TONIK to Launch the First Digital-Only Bank in The Philippines – And It's Powered By BPC

The Philippines is about to welcome its first digital-only bank. TONIK Digital Bank Inc, founded in 2018, received its banking license from Bangko Sentral ng Pilipinas (Philippines' Central Bank) in January 2020. Preparing for its launch, TONIK has selected BPC as its exclusive payment partner, leveraging BPC's payments processing centre and its SmartVista solution.

TONIK faces a significant challenge. The Philippines has a population of over 100 million, spread across a vast territory of 7,600 islands but 70% of that population is currently unbanked. TONIK intends to boost financial inclusion. Funded by Forum, a fintech venture capital firm in Southeast Asia, it will focus on retail banking products ranging from deposits to consumer loans. The bank estimates it is addressing an untapped market of USD 140 billion for retail deposits, and a USD 100 billion unsecured consumer lending opportunity.

TONIK has chosen BPC with its paytech Radar Payments as its exclusive partner for payments processing activities, delivered through a Software as a Service (SaaS) model. All payments activities such as payment switching, fraud management and card lifecycle management will be handled from BPC's global payment processing centre powered by its SmartVista range of digital banking solutions. This will enable TONIK to efficiently route transactions and provide a secure environment for its customers while gaining in speed to market and performance.

TONIK provides a great example of how fast neobanks can go to market – in just a matter of months – by using an agile approach. The bank will launch within the year using blocks of best-of-breed solutions to focus solely on delivering a hyper-compelling offer and experience to customers.

bpcbt.com

Singapore

Fed's Rate Cut Thrusts Singapore Banks Into Thicker Fog

The surprise rate cut by the US Federal Reserve overnight has only added to the skittishness about the strength of economic growth ahead, and with that, banks here have become enveloped in further uncertainty.

As it is, Singapore banks had warned last month of a revenue impact of just 1-2 per cent from the novel coronavirus outbreak, though with a caveat that it should break by the middle of this year.

Still, shares of banks here are down in the year to date. Interestingly, some 60 per cent of share buybacks recorded last month - already doubled over the month at S$68 million - came from share buybacks by DBS, Singapore Exchange (SGX) data showed. (Share buybacks can signal that a firm sees the shares as undervalued and so buys them for employee compensation plans or long-term capital management.)

Now, with the Fed pushing through an off-cycle rate cut of half a percentage point - the first unscheduled emergency rate cut since 2008 - investors should expect further drag on the banks' net interest margin.

The Business Times

Banking and Finance Newsbriefs

Sri Lanka

Sri Lanka Banks Should Invest in Fintech Start Ups: Senior Banker

Sri Lanka's banks and financial institutions are not doing enough to sponsor and promote fintech start ups, veteran banker Rajendra Theagarajah said as the island's banking regulator is on a drive to promoted digital transactions.

"At board level, there is no encouragement in banks for investing in incubation for the fintech sandbox," Theagarajah said addressing fellow bankers and regulators at a recent forum at the headquarters of Sri Lanka's central bank in Colombo.

"A lot of the incubation is happening in universities and in some of the corporates.

"Sadly, other than one or two players in this industry, we don't see active boardroom sponsorship at bank levels or even encouraging banks and financial institutions to invest in incubation to develop this whole thing."

He said it would be better for banks to get involved in the startup stage.

Sri Lanka's central bank has declared 2020 as the year of digital transactions to promote use of digital platforms for payments and settlements.

Theagarajah heads Cargills Bank, one of Sri Lanka's newest banks which is ready with a number of new technologies including QR code based payments. He served as ABA Chairman for 2010-2012 when he was Managing Director & CEO of Hatton National Bank and is currently a member of the ABA Advisory Council.

Sri Lanka's central bank is promoting digital transactions to cut costs, and make it easier for users in rural areas and small businesses to access banks and financial institutions.

Economy Next

Taiwan

Taiwan's Central Bank to Stabilise Forex Market After Fed Cuts Rates

Taiwan's central bank will act to stabilise the foreign exchange market after the US Federal Reserve cut interest rates in response to the fast-spreading coronavirus, a bank official told Reuters on Wednesday, March 4.

"We don't know how powerful this will be," said the central bank official, speaking on condition of anonymity, referring to the impact of the US decision on Taiwan's foreign exchange market.

The Taiwan dollar strengthened against the US dollar more than 0.7 per cent on March 4 morning.

Reuters

Thailand

Bank of Thailand Poised to Make Further Rate Cuts

The Bank of Thailand still has monetary policy space for further rate cuts to cushion the impacts from the Covid-19 outbreak and the central bank will take into account the US Federal Reserve's emergency rate cut at its upcoming meeting, says a senior official at the Finance Ministry.

The rate cut would support the Finance Ministry's recently launched relief measures and the second phase, which will be announced soon, said Lavaron Sangsnit, director-general of the Fiscal Policy Office (FPO).

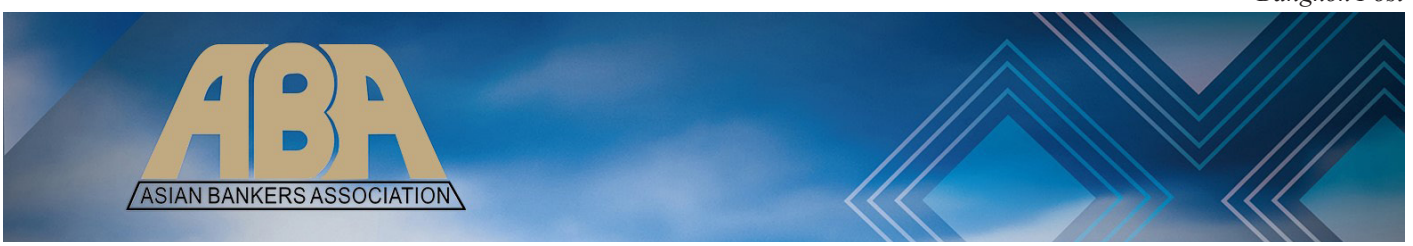
Mr Lavaron said the Finance Ministry will seek measures to aid those affected by the outbreak and grassroots people, who bear the brunt, are the ministry's focus.

The ministry is speeding up concluding relief measures for the second phase to bring before the cabinet in March, he said.

The central bank is expected to further cut the policy rate by at least 25 basis points at its March 25 meeting to help deal with the Covid-19 contagion following concerted emergency rate cuts by the Federal Reserve and some of its counterparts, said economists.

The Monetary Policy Committee (MPC) will likely trim the benchmark rate by 25 basis points or higher, and it could launch additional measures at the forthcoming meeting, said Yunyong Thaicharoen, chief economist of the Economic Intelligence Center (EIC) under Siam Commercial Bank, said.

Bangkok Post



Banking and Finance Newsbriefs

Vietnam

Central Bank to Cut Benchmark Interest Rate to Aid the Economy

The State Bank of Việt Nam (SBV) will soon make a decision on cutting the benchmark interest rate to support the economy amid the COVID-19 outbreak, the bank's Deputy Governor Đào Minh Tú revealed at a meeting on March 12.

Việt Nam made the last benchmark rate cut by 0.25 percentage points in September 2019.

The reduction of the benchmark interest rate, which would help lower discount, refinancing and open-market-operation (OMO) rates, was a solution to help credit institutions with abundant liquidity, thus put them in a better position to support businesses amid the COVID-19 pandemic, Tú said.

Experts also proposed the Government to cut the benchmark policy rate as many businesses in affected industries and sectors were shrinking production or even closing their doors.

Vietnam News

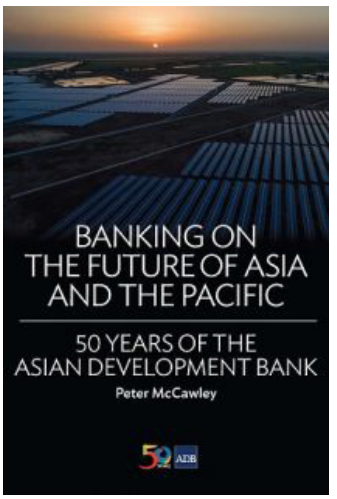
Publications

Banking on the Future of Asia and the Pacific: 50 Years of the Asian Development Bank

This book is a history of the Asian Development Bank (ADB), a multilateral development bank established 50 years ago to serve Asia and the Pacific.

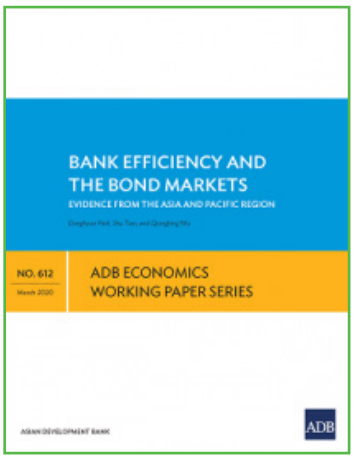
Focusing on the region's economic development, the evolution of the international development agenda, and the story of ADB itself, Banking on the Future of Asia and the Pacific raises several key questions: What are the outstanding features of regional development to which ADB had to respond? How has 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/50-years-adb



Publications

Bank Efficiency and the Bond Markets Evidence from the Asia and Pacific Region



This paper prepared by the Asian Development Bank examines the association between bond market development and profit and cost efficiency of commercial banks, based on bank-level data from 27 economies in the Asia and Pacific region.

The study finds that bond market size and structure are relevant to bank efficiency. A larger bond market is generally associated with higher profit efficiency and lower cost efficiency of commercial banks. Given bond market size, a larger share of corporate bonds will enhance both bank profit and cost efficiency. The policy implications of this paper are that balanced and well-developed capital markets will benefit banking sector operations.

Contact Details: ADB Publishing

Website: https://www.adb.org/publications/bank-efficiency-bond-markets-asia-pacific

About ABA

The ABA aims to provide a forum for advancing the cause of the banking and finance industry in the region and promoting regional economic cooperation. Its primary objectives include the following:

- To provide a venue for an exchange of views and information on banking opportunities in the Asia-Pacific region;
- To facilitate the meeting of bankers in the region in an atmosphere of fellowship and friendship;
- To encourage joint activities that would enhance the role of its members in servicing the financial needs of their respective economies and in promoting regional development; and
- To undertake projects that will encourage trade, industrial, and investment cooperation in the Asia-Pacific region.

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