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ABA Announcements

ADB updates Assessment of the Potential Impact of COVID-19

The Asian Development Bank (ADB) has published an updated assessment of the potential impact of COVID-19, in which it presents new projections on the economic impact of COVID-19 and highlights policy implications.

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ADB BRIEFS

An Updated Assessment of the Economic Impact of COVID-19[1]

Table 3. GDP Impact (Excluding Policy Measures)—Deviation from the Non-COVID-19 Baseline

	GDP ($ million)		GDP (%)	
	Short Containment	Long Containment	Short Containment	Long Containment
Global	−5,796,893	−8,789,852	−6.4	−9.7
Asia	−1,667,824	−2,529,112	−6.2	−9.3
Australia and New Zealand	−91,156	−139,456	−4.6	−7.0
Central Asia	−21,070	−33,978	−3.4	−5.5
East Asia ex-PRC	−164,085	−256,741	−6.0	−9.3
PRC	−1,083,078	−1,623,381	−7.5	−11.2
Southeast Asia	−163,223	−252,899	−4.6	−7.2
South Asia	−141,938	−217,646	−3.9	−6.0
Pacific	−3,275	−5,010	−4.6	−7.0
G3	−3,528,842	−5,327,954	−7.3	−11.0
United States	−1,485,318	−2,226,466	−7.1	−10.7
Japan	−324,483	−491,035	−5.9	−8.9
European Union + United Kingdom	−1,719,041	−2,610,453	−7.7	−11.7

G3 = United States, Japan, and European Union plus United Kingdom; GDP = gross domestic product; PRC = People's Republic of China.
Note: Definition of regional and subregional groupings is online in Appendix 2: https://aric.adb.org/covid-gtap-appendix.
Source: Asian Development Bank estimates.

Key points are as follows:

- New analysis using the Global Trade Analysis Project model estimates that the global economic impact of COVID-19 could reach $5.8 trillion (6.4% of global GDP) under a 3-month containment scenario, and $8.8 trillion (9.7% of global GDP) under a 6-month containment scenario. This updates estimates published in the Asian Development Outlook 2020 on 3 April, which predicted global COVID-19 losses of between $2.0 trillion and $4.1 trillion.
- The potential economic impact on Asia and the Pacific is estimated at $1.7 trillion (6.2% of regional GDP) under a 3-month containment scenario and $2.5 trillion (9.3% of regional GDP) under a 6-month containment scenario, with the region accounting for 30% of the overall decline in global output.
- Government policy responses —such as direct income and revenue support—could soften the COVID-19 impact by as much as 30%–40%, reducing the global economic loss to $4.1 trillion–$5.4 trillion (4.5%–5.9% of global GDP).
- Policy makers should work together to quickly limit the pandemic—the longer the containment period, the more difficult and prolonged the recovery will be. Strong income and employment protection are critical to support the most vulnerable and avoid long-term economic scarring.

The brief likewise highlights that policy interventions could reduce the impact of COVID-19 by 30% under the short containment scenario and by 40% under the long containment scenario. It notes that strong income and employment protection are crucial.

Bank Pasargad Shares Measures on Tackling the COVID-19 Crisis

With the global economy greatly disrupted due to COVID-19 pandemic, financial institutions worldwide have been adopting different approaches and practices based on their unique situation and requirements.

Iran's Bank Pasargad is sharing their experience during the pandemic, along with the measures they undertook to tackle the crisis. The bank says they did so in the hopes that it may inform other members and colleagues, adding that it would be highly informative if other financial institutions could share the same.

Bank Pasargad said that in the initial stages of this outbreak, it established that its first and foremost

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concern was the health and safety of employees and staff. In consultation with physicians and healthcare experts, they put in place many structural, operational and processing measures as well as healthcare procedures and guidance to help contain the spread of the outbreak in Iran.

At the same time, the Bank implemented specific measures to help stimulate the economy, provide relief to clients, and enable Iranian citizens to execute banking transactions from the safe environment of their homes without physically contacting branches.

Measures adopted by Bank Pasargad to enable continuity of financial transactions and providing of banking services to clients include:

1. Reducing mandatory employee attendance to 50% and gradually returning to full staff on May 23, 2020 through a phase by phase approach as per guidelines of the Iranian National COVID-19 Supreme Committee;
2. Reducing daily working hours for all staff;
3. Enhancing and promoting Digital and Mobile Banking with all clients of the bank;
4. Augmenting capabilities of ATMs at 26 branches in accepting cash deposits (other branches in progress);
5. Increasing ceiling on fund transfer by bank cards;
6. Accommodating and assisting clients and business owners (specially SMEs) in repayment of financial facilities;
7. Postponing repayment schedule of loans up to 3-months for those borrowers in financial difficulty;
8. Temporary lifting of restrictions with regards to bad checks;
9. Providing financial facilities to 99.264 low-income individuals;
10. Opening deferred payment domestic letters of credit in Iranian Rials in order to extend non-cash credit to companies working within the national supply chain process;
11. Providing preferential "low-rate" financial facilities as working capital for corporate clients;
12. Providing short-term financial facilities as working capital for corporate clients based on total resources at the bank, past history and credit rating with a favorable view.

Vietnam Agribank Appoints New Chairman

Vietnam Bank for Agriculture and Rural Development (Agribank) has appointed Mr. Pham Duc An as the new Chairman of the Board of Directors. Mr. Pham took office on May 1, 2020. He was previously Vice Chairman of the Bank, serving from 2014 to 2018.

Mr. Pham Duc An has a solid background in the banking sector, having worked for a number of major financial institutions in Vietnam during his professional career. He was with the Legal Department of Bank for Investment and Development of Vietnam (BIDV) from 1994 to 2009, beginning with the position of Officer to Director of the Department. He was then assigned to be Director of Hung Yen Branch, BIDV from 2009 to 2011, and subsequently served as Deputy General Director of BIDV from 2011 to 2012, and 2013 to 2014.

From 2012 to 2013, Mr. Pham held the position of General Director at the Vietnam–Russian Joint Venture Bank. He was Director General of the Office of State Bank of Vietnam (SBV) from 2019 to 2020.

Training and Education

Fintelekt Virtual AML/CFT Asian Summit Set for July

Fintelekt Advisory Services, in partnership with the Asian Bankers Association (ABA), will be hosting the Fintelekt Asia AML/CFT 2nd Annual Summit 2020, which will virtually bring together a variety of financial soldiers – subject matter experts, regulators, practitioners and suppliers - to share knowledge and insights, best practices and guidance over an entire week from July 20 to 24, 2020.

The summit is a call on the AML CFT community to continue the fight against money laundering and terrorism financing virtually, even as the pandemic continues to disrupt economies and lives across the world. Several themes will be tackled during the summit. Among them:

- The role of intelligence in effective supervision
- Mitigating AML Risks from Virtual Assets
- Beneficial Ownership and Transparency of Transactions

- Compliance with Economic Sanctions
- Trade-based Money Laundering
- Detecting Human Trafficking through Transactions Monitoring
- Fintech/Regtech
- AML/CFT Risk Assessment
- KYC and Due Diligence
- Terrorism Financing

Speakers at the Summit include, among others, Abu Hena Md. Razee Hassan, Co-Chair of the Asia Pacific Group on Money Laundering (APG) and Head of the Bangladesh Financial Intelligence Unit (BFIU); Hari Kumar Nepal, Deputy Director of Nepal Rastra Bank & Head AML Cell at Nepal's Ministry of Finance; Tom Keatinge, Director of the Centre For Financial Crime And Security Studies at the Royal United Services Institute (RUSI); Russell Wilson, Non-Executive Director of Transparency International Australia, and Special Counsel Maddocks & Former General Counsel at AUSTRAC; Nicholas Turner, Of Counsel at Steptoe & Johnson; Archana Kotecha, Asia Region Director and Head Of Legal at Liberty Shared, Hong Kong; Ravi Lahoti, Chief Audit Executive at Bandhan Bank; and Hala Bou Alwan, Founder & CEO of HBA Consultancy.

Registration is free for all participants for all sessions. Participation Certificates may be purchased at a small fee of USD 15 per person for the entire Summit.

ABU HENA MD RAZEE HASSAN
Co-Chair, Asia Pacific Group on Money Laundering (APG) & Head, Bangladesh FIU

TOM KEATINGE
Director, Centre for Financial Crime and Security Studies, Royal United Services Institute

RAVI LAHOTI
Head Audit – General Banking
Bandhan Bank

HARI KUMAR NEPAL
Deputy Director, Nepal Rastra Bank
AML Cell, Ministry of Finance Nepal

ARCHANA KOTECHA
Asia Region Director and Head of Legal
Liberty Shared, Hong Kong

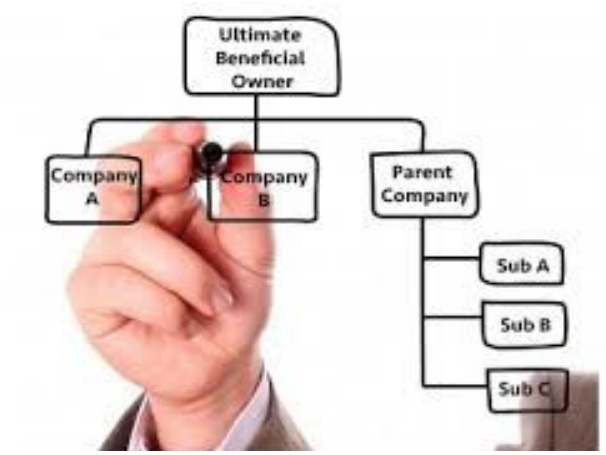
RUSSELL WILSON
Non-Executive Director, Transparency International AU, Special Counsel Maddocks & Former General Counsel, AUSTRAC

HALA BOU ALWAN
Founder & CEO, HBA Consultancy

NICHOLAS TURNER
Of Counsel, Steptoe & Johnson

Training and Education

ABA-Fintelekt Hold Webinar on Ultimate Beneficial Ownership



The joint webinar on "Ultimate Beneficial Ownership Identification: Challenges and Best Practices" hosted by Fintelekt Advisory Services and the Asian Bankers Association on June 10, 2020 stressed on both the challenges and best practices in the area of Ultimate Beneficial Ownership.

The webinar was moderated by Shirish Pathak, Managing Director, Fintelekt Advisory Services. Two expert speakers Debmalya Maitra, Senior Director – BFSI, Chokshi Group & Chua Choon Hong, Head of Compliance Solutions shared their views on:

- Trends in misuse of corporate vehicles for illicit activities
- Common typologies and recent cases
- Customer due diligence challenges
- UBO identification best practices

News Updates

The COVID-19 Pandemic Unravels the World Economy: UN DESA

As nearly 90 % of the global economy came under some form of lockdown in the second quarter, the world faces the grim prospect of the most severe recession since the Great Depression of the 1930s. This is according to the World Economic Situation and Prospects (WESA) as of mid-2020, published by the United Nations Department of Economic and Social Affairs (UN DESA). Per the report, the world output is projected to contract sharply by 3.2% in 2020 with the pandemic disrupting global supply chains, depressing consumer demand, and putting millions out of work. By 2021, cumulative output losses worldwide are expected to $8.5 trillion, wiping out nearly all gains of the previous four years.

Photo: World Bank / Sambrian Mbaabu

The unprecedented crisis portends significant setbacks for sustainable development. Low-skilled low-wage workers – economically marginalized and vulnerable who cannot work remotely – have been disproportionately affected by job losses, which will inevitably exacerbate poverty and income inequalities. An estimated 34.3 million people are projected to fall into extreme poverty this year, with the bulk of this increase occurring in Africa. By 2030, about 130 million more people may live in extreme poverty than previously expected, dealing a huge blow to

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global efforts to eradicate poverty and hunger.

Facing an unprecedented health, social and economic crisis, governments in developed economies have rolled out massive stimulus packages to minimize the fallout of the pandemic. The picture is different for most developing economies, as they are saddled with chronic fiscal deficits and already high levels of public debt, which constrain their ability to implement much-needed support measures. Notwithstanding bold fiscal measures, the depth and severity of the crisis presage a slow and painful recovery.

Stronger global cooperation is critical to contain the pandemic and extend economic support to countries hardest hit by the crisis. To protect jobs and prevent a further rise in income inequality, governments need to ensure that the monetary and fiscal support measures boost productive capacities, rather than simply driving up asset prices. At the same time, the crisis presents a window of opportunity for "recovering better". Renewed global solidarity can help strengthen public health systems, build resilience to withstand economic shocks, improve social protection systems, and address the climate change emergency.

UN Desa Voice

Is Monetary Easing Getting Tighter as Use of Debt Soars?

Monetary policy could be tighter than it looks as the pace of government borrowing eclipses the record stimulus of central banks.

The Federal Reserve's massive asset-buying program hasn't been matching the surge in U.S. government debt issuance, Goldman Sachs Group Inc. calculates. And it's much the same with other nations, with only New Zealand set for a net decline in publicly held debt outstanding.

That suggests — low as they are — sovereign bond yields in developed economies are higher than they otherwise would be if central banks were buying more. If sustained, that'll mean a growing proportion of bonds end up in private hands, rather than central bank or foreign official holdings, as governments continue to rack up their deficits.

"Central bank buying should absorb a substantial amount of upcoming issuance, though we expect increases in 'free float' across most markets, most notably in the U.S.," according to Goldman analyst Avisha Thakkar. That "adds to the medium-term case for higher yields and steeper curves," she wrote.

Photo: The U.S. Federal Reserve (Flickr / futureatlas.com)

The current arrangement is a contrast with the quantitative easing that followed the financial crisis, when European Central Bank and Bank of Japan purchases far outstripped what their governments were then borrowing. Though the Fed's buying didn't exceed Treasury issuance, the U.S. bond market benefited from the largesse of others as European investors in particular were pushed out of their home market and loaded up across the Atlantic.

Some parts of the U.S. money markets this month have suggested bets that the Fed will need to adopt a negative interest-rate policy, in the face of repeated doubts raised about that option by central bank Chairman Jerome Powell and other global peers. While a variety of causes have been identified for the pricing, there are plenty of central bank watchers who see the likelihood of further action.

"Central banks do not have a lot of policy space left and are not moving quite as fast as we would like to add monetary accommodation," Evercore ISI analysts including Krishna Guha wrote in a May 11 note. "We hope that June will see another wave of aggressive monetary policy action" in the U.S., euro region and U.K., they wrote.

Calls for more coincide with forecasts suggesting a longer-term hit than the v-shaped recovery envisioned by many back in February. The coronavirus pandemic could cost the world economy as much as $8.8 trillion, or almost 10 % of global gross domestic product, depending on the outbreak's length and the strength of government responses, according to the Asian Development Bank.

Not everyone sees an

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inexorable ramp-up in central bank moves. Torsten Slok, chief economist at Deutsche Bank Securities, said monetary authorities will be looking for an exit from their current balance-sheet ramp up when conditions calm.

"Once the emergency situation is over the Fed and ECB would likely prefer to not be active in the long end of government bond markets because it blurs the line" between fiscal and monetary policy, he said.

Even so, others see the prospect of widespread adoption of the yield-curve control policies adopted by central banks in Japan and Australia — putting an explicit cap on yields, and therefore borrowing costs, as government deficits keep swelling.

"This appears to the same direction that other central banks are moving in," rather than negative rates, according to a note by Jane Foley, senior foreign-exchange strategist at Rabobank in London.

Bloomberg

World Retail Banking Report 2020: 57% of Consumers Prefer Internet Banking in the COVID-19 Era

Retail banks are facing pressure to transform as new entrants focused on customer experience gain significant market traction, according to the World Retail Banking Report 2020 (WRBR) published by Capgemini and Efma.

As the pandemic environment is moving consumers to interact more digitally with their banks, platform models offer agility and scalability during uncertain times. The report found that platform-based banks find it up to two-times easier to increase operating profits, unlock new sources of value, and improve operational efficiencies.

The report reveals that the global financial sector is in the midst of an historic transformation as nimble, digitally native non-traditional players continue to champion customer experience and redefine long-held principles to gain significant market traction. With over half (57%) of consumers now preferring internet banking, up from 49% pre-COVID-19, and 55% preferring banking mobile apps, compared with 47% previously, the stakes have risen further as the COVID-19 context continues to move consumers towards digital banking.

The report suggests that banks need to evolve into platform-based models to fuel the growth and innovation needed to stay competitive and that embracing Open X1 will be critical to long-term success. While COVID-19 has accelerated the urgency for digital transformation, banks may need to take a more pragmatic approach to transformation to pursue their journey towards Open X given these uncertain times.

"Consumers expect a seamless digital experience from their financial providers, as they've grown accustomed to BigTechs2 in other parts of their lives. Traditional banks are being challenged to meet these expectations given that digitally native new entrants focus on customer experience from day one," says Anirban Bose, CEO of Capgemini's Financial Services and Group Executive Board Member. "Banks that invest now

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in modernizing their core technology and evolve it to a platform-based experience will simultaneously delight customers and grow profitably."

"COVID-19 has put a spotlight on the digital banking experience," says John Berry, CEO of Efma. "The modernization of legacy systems must be prioritized by banks looking to accelerate their growth as customer expectations are ever increasing and those that neglect this risk falling behind."

Evolving legacy systems will transform the core

Having prioritized near-term profits over long-term sustainability, some banks have an accumulation of legacy systems in place. This situation makes it a challenge to integrate emerging technologies, which is affecting customer experience and operational excellence. Yet, despite legacy system challenges and the advantages of a modern core, banks are reluctant to take transformative action because of the levels of resource required and the risks associated with inefficient implementation.

Bank executives recognize the obstacles to moving to a platform model. The report found that 80% of bank executives cited cybersecurity and privacy concerns, outdated data management (68%) and identifying the right partners (73%) as primary barriers to moving to a platform system.

Partnership and Open X are key ingredients for transformation

Capgemini's report outlines how banks can overcome their challenges and approach core banking transformation through strategic, integrated and collaborative orchestration. Research3 shows that progressive modernization is the

preferred evolution method (54%) among bank executives, allowing banks to upgrade the most critical functions and incrementally transform legacy systems.

Partnership is also a clear accelerant for banks' success. Two-thirds (66%) of bank executives say it takes 1-2 years to innovate and launch a new concept when working alone; 58% reported that it takes less than a year to launch a product in collaboration with FinTechs/BigTech partners. Regulatory and compliance issues (72%) and poor IT compatibility (72%), however, are identified as barriers to effective collaboration. The Open X model acts by helping banks lower operational costs and move from a high fixed investment in IT development to a more cost-effective and flexible cost model that incorporates specialized players in the ecosystem.

Platform models diversify sources of revenue and create a new digital ecosystem

Banks that embrace platform models can expand their market reach, improve operational efficiencies, increase business profitability and offer differentiated, personalized products and services over their traditional competitors. By shifting to a platform-based model, banks that were experiencing incremental customer growth can create new business models to monetize some of their strengths.

The report outlines three main options for transforming into a platform-based model: banks can either buy and integrate a new platform, build their own, or share ready-to-use ones. Barriers to a platform-based model include security, legacy core banking systems, outdated data management, inherent risk-averse culture, identification of the right partners and budget constraints.

The World Retail Banking Report 2020 draws on research insights from the 2020 Global Retail Banking Executive Survey, executive interviews and the Capgemini Open X Readiness Index. The report includes insights from focused interviews and surveys with over 80 senior executives of leading banks across regions.

Business Wire

News Update

World economy to shrink at least 6% in 2020: OECD

The global economy will contract at least 6% this year due to economic shutdowns to contain the coronavirus outbreak, the OECD said on June 10, warning that recovery will be "slow and uncertain."

In the case of a second wave of contagion later in the year, world economic output could shrink by as much as 7.6% in 2020, it said. This would be followed in 2021 by GDP growth of between 2.8% and 5.2%.

"By the end of 2021, the loss of income exceeds that of any previous recession over the last 100 years outside wartime, with dire and long-lasting consequences for people, firms and governments," the Organisation for Economic Co-operation and Development said in its latest outlook, entitled "World Economy on a Tightrope."

"Private debt levels are uncomfortably high in some countries and business failure and bankruptcy risks loom large."

In a previous report in March, by when the outbreak had hit China but not yet the world's other large economies, the OECD slashed its global growth forecast by half a percentage point to 2.4%, which would have been the worst performance since the 2008 financial crisis.

As long as there is no vaccine or treatment against the coronavirus, which has killed more than 400,000 people worldwide to date, policymakers will continue walking a tightrope, the report said.

Physical distancing to prevent contagion, testing people for the virus and tracing and isolating those infected will be the main instruments to fight the pandemic.

"But those sectors affected by border closures and those requiring close personal contact, such as tourism, travel, entertainment, restaurants and accommodation, will not resume as before."

It further warned that these steps may not even be enough to prevent a second outbreak. "Governments will need to adapt support and accompany the transition, allowing fast restructuring processes for firms. Global cooperation to tackle the virus with a treatment and vaccine and a broader resumption of multilateral dialogue will be key for reducing doubt and unlocking economic momentum."

AFP

World Bank Forecasts Worst Recession in Eight Decades as Virus Persists

The global economy will contract the most since World War II this year due to the COVID-19 pandemic, reducing incomes and sending millions of people into poverty in emerging and developing nations, the World Bank said.

Global gross domestic product will probably shrink 5.2% in 2020, the Washington-based development organization said in its semiannual Global Economic Prospects report. That compares with a January projection for a 2.5% expansion, and would be the fourth-deepest recession of the past 150 years after 1914, 1930 to 1932 and 1945 to 1946, the World Bank said.

Per capita output will contract in more than 90% of countries, the largest percentage since 1870. The economy will rebound in 2021, growing

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4.2%, according to the report.

Economic activity among advanced economies is anticipated to shrink 7% in 2020 as domestic demand and supply, trade, and finance have been severely disrupted. Emerging market and developing economies (EMDEs) are expected to shrink by 2.5% this year, their first contraction as a group in at least sixty years. Per capita incomes are expected to decline by 3.6%, which will tip millions of people into extreme poverty this year.

Photo: Alex Proimos (Wikimedia Commons CC 2.0)

Those with limited health care capacity, deeply integrated global value chains, heavy dependence on foreign financing and extensive reliance on international trade, commodity exports, and tourism are likely to be the hardest hit.

The World Bank report showed contractions in 2020 of 6.1% for the United States and Japan, a 9.1% contraction for the Eurozone, 8.0% for Brazil and 3.2% for India. China is expected to maintain growth of 1.0% in 2020, down from a January forecast of 6.0%.

World Bank officials said their baseline scenario assumes that social distancing lockdowns and temporary business closures begin to ease at the end of June. But the report shows a downside scenario in which lockdowns are extended by three months this year. Should that occur, the 2020 contractions would deepen to 8% to 10% in advanced economies and 5% in emerging markets, with far more permanent business closures, a bigger collapse in global trade flows, layoffs and deep cuts in household spending.

"The global recession would be deeper if bringing the pandemic under control took longer than expected, or if financial stress triggered cascading defaults," the World Bank said.

Most central banks have cut interest rates to about or below zero to buffer the effect of the novel coronavirus, with the Federal Reserve starting an unprecedented range of emergency programs that provide as much as $2.3 trillion (¥249 trillion) in loans. Fiscal stimulus packages have varied. The U.S. is providing about 15 % of GDP in support and Germany about 4.7%, while Japan's program is worth about 42% of GDP, according to Bloomberg Economics.

Japan Times

Special Features

A COVID-19 Debt Shock in Asia?

By Paola Subacchi of Queen Mary University of London and University of Bologna

Even before the outbreak of COVID-19, the level of global debt was high by historic standards. According to the Institute of International Finance, by late 2019 global debt (including private and public debt) was more than US$250 trillion. Public debt, in particular, has increased everywhere since the global financial crisis of 2008.

IMF calculations show that public debt ratios in almost 90 % of advanced economies are higher than before 2008. Emerging markets on average have seen such ratios increase to levels similar to those seen during the crises of the 1980s and 1990s. Public debt has also built up in low-income countries with two-fifths at high risk of debt distress.

How much global debt has been added on the

Special Features

back of the COVID-19 health emergency? Focusing only on low-income and emerging economies, IMF Managing Director Kristalina Georgieva reckoned that US$2.5 trillion was a 'very conservative, low-end estimate' of their financing needs.

Where does Asia stand in all this? The two largest Asian economies, China and Japan, have some of the highest levels of debt in the world — at the end of 2017 Japan's total debt stood at 395 % of GDP and China's at 254 %. But there are some significant differences in their debt composition.

In Japan debt is mainly public — approximately 237 % of GDP in 2019 — and is mostly held domestically. Around 70 % of this debt is held by the Bank of Japan. Under normal conditions the combination of domestic–public debt holdings and very low interest rates considerably reduces the risk of default.

But will things change now? Japan's emergency stimulus package announced in April 2020 — a mix of cash handouts to households and firms, concessional loans and deferrals on tax and social security premiums — will widen the budget deficit to approximately 7.1 % of GDP from 2.8 % in 2019. This will bring the debt to around 252 % of GDP. Japan's already limited fiscal space has significantly narrowed as a result of the pandemic, pointing to some fiscal tightening and debt stabilisation when the economy gets onto a firm recovery path. This is especially necessary given Japan's ageing population.

In China, on the other hand, debt is mainly corporate with ramifications in the banking and shadow banking sectors. The rate at which it has grown in recent years is a cause of concern domestically as well as internationally. Capital controls, that were tightened in 2017 on the back of the renminbi's weakening, are ensuring that individual and family savings remain in the country and continue to feed into the banking and the shadow banking sector, keeping China's debt sustainable.

The COVID-19 crisis and its impact on China's economic activity — real GDP is expected to grow by 1–1.2 % this year — created significant bottlenecks and increased the risk of financial instability. There are a number of areas of potential stress.

Small- and medium-sized banks are exposed to the potential insolvency of small private firms and private borrowers. Larger banks face credit and liquidity risks due to their exposure to the heavily indebted real estate sector. The shadow banking sector, where there are significant liquidity and maturity mismatches, is vulnerable to outflows that could be driven by savers withdrawing their money — either because they need their savings to face the economic crisis or because they panic amid falling equities prices and rising bond defaults.

China has responded to the crisis with an increase in welfare spending — such as unemployment insurance payment to support households — and temporary tax relief and deferral of tax payments for businesses in affected sectors and regions. Having significant fiscal space, China can extend its safety net to effectively mitigate the risk of personal and corporate bankruptcies, creating a buffer between banks and insolvent debtors.

Asia's emerging economies show remarkable differences in levels of total debt. Some have entered the COVID-19 crisis with significant overall debt. Among the most indebted countries are Vietnam, India and Cambodia — with 189, 126 and 116 % of GDP respectively — followed by the Philippines (99 %), Pakistan (89 %), Bangladesh (75 %), Malaysia (73 %) and Indonesia (69 %).

The sharp decline in economic activity coupled with the risk of capital outflows — and a sudden increase in borrowing costs — could be particularly unsettling for countries with limited scope for fiscal policy measures,

Special Features

such as, for example, India where state-owned banks are saddled with a significant stock of bad loans.

Other countries, like Indonesia and Thailand, have resorted to foreign currency interventions to mitigate the impact of capital outflows on their currencies. During the few weeks until the end of April, portfolio outflows from emerging markets amounted to approximately US$100 billion. Both Indonesia and Malaysia also implemented exceptional fiscal measures amounting to 1.8 and 2.8 % of GDP respectively.

Despite being at the epicentre of the COVID-19 outbreak, Asia (and East Asia in particular) has been more successful than Europe and the United States in containing the health emergency. Asian economies are due to recover earlier and faster — there has already been a rebound in Chinese exports (8.2 % up in April after a negative first quarter) due to stronger demand in Southeast Asia.

The international financial safety net has been extended in response to COVID-19, offering enough support for small- and medium-sized economies to avoid them falling into liquidity or, worse, a solvency crisis on the back of the currency emergency. The IMF's lending capacity has been stretched to US$1 trillion through the New Arrangements to Borrow and the Bilateral Borrowing Arrangements. This is four times the amount that was deployed during the global financial crisis.

Concessional lending has tripled while the G20 agreed to suspend government loan repayments for developing countries. This makes the IMF the most significant provider of emergency funding in Asia while regional arrangements, such as the Chiang Mai Initiative Multilateralization (CMIM), can provide further contributions. Of course, any IMF intervention needs to be set against the bigger global debt problem, while this is not the case for the CMIM. But the CMIM remains too small and untested.

Strong growth should eventually help Asia reduce its debt — at least the portion added as a result of the current crisis. Strengthening the CMIM and other regional financial arrangements, however, remains the best way to underpin financial stability.

East Asia Forum

What is the Low Touch Economy?

By Jennifer Tsitsopoulos, Board of Innovation

Contributions To Low Touch Economy	Expected Impact In Societal Behaviors	Expected Impact In The Economy
› Social distancing regulations	› Precautions against physical contact	› Businesses undergo forced pivots
› Temporary lockdowns	› Trepidation of inclosed spaces	› Divide between essential and non-essential workers
› Travel restrictions	› Avoidance of large groups	› Short and long-term aftershocks
› New hygiene guidelines	› A turn to all things remote / digital	› ...
› ...	› ...	

Forced isolation and social distancing restrictions, put into place during the Covid-19 health crisis, are expected to have a lasting effect on the world as we know it. Or should I say, once knew it.

In just a few weeks' time, society has already undergone a major overhaul in the way companies and citizens live and work. It's truly impressive how adaptable human-kind can be when it needs to.

But with every passing day and with every bit of extra time added to our confinement, it is becoming harder and harder for us to return to the way things were before.

That's not to say this new world will be better or worse. Just different. With many isolation-induced behaviors becoming ingrained habits that usher in a whole new set of societal norms. During this period of influx, some businesses will thrive in this change and reach accelerated success, while others will struggle to find their footing in all of the chaos.

No matter what. We are all in store for a period of rapid learning, marked by plenty of ups and downs and economic uncertainty. Welcome to the Low Touch economy.

The next years will be shaped by the current

Special Features

crisis

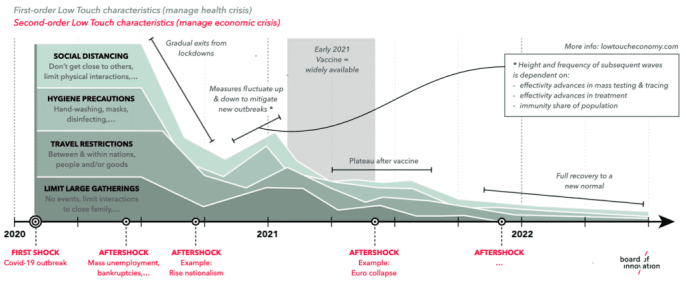
Remember back when a handshake was the standard form of greeting? For as long as we can remember, the handshake has been used as a way to convey trust between friends, colleagues and even strangers. But in the midst of the current global health crisis, maybe it's time to examine a new standard gesture.

The Low Touch Economy will go far beyond shaking up the standard handshake. We can expect that the regulations driving change, will also have both short and long-term impacts on consumers and the economy.

And with a vaccine still far off in the horizon, we shouldn't be getting too comfortable. Buckle up. It's going to be a rollercoaster ride of trial and error, as our governments try to navigate society to a place where we are ready for recovery.

18-24 months to get back to a new normal. Brace yourself.

The health crisis triggers a series of aftershocks that will affect how consumers and businesses interact with each other. We can expect a series of subsequent waves of measures. The scenario below gives one example of what the next period could look like.



So what should companies do in the meantime?

The economy needs to improvise to keep businesses, both big and small, afloat, and in order to do so, we need to rethink and redesign the value that is exchanged between companies and consumers.

STEP 1 – ASSES THE IMPACT

Don't jump straight into predictions that no one can be sure of. Start by taking a hard look at all the ways in which your business has felt the effect of the Low Touch economy to date. Then start to understand the impact it has had on your supply chain, your industry, your consumers, and lastly society at large.

STEP 2 – DEVELOP THE STRATEGY

They say history repeats itself. Start by understanding how similar economic crises have played out in the past for your industry, and then use those learnings to envision the many potential scenarios that could play out in today's current context. Ask yourself 'what do I need to do to grow in each of these scenarios" and "what aspects of my portfolio should I lean into?". The below framework from Board of Innovation can help you in the development of these future scenarios and act as a starting point for your preferred strategies.

STEP 3 – GO ON THE OFFENSE

We realize that there's a lot of pressure to mitigate current risks, but we strongly advise you to begin planning for the next phase. Especially as we can safely assume that the next few years will be punctuated by aftershocks to the economy which will need to be continuously factored in. Many of the industries that have been stable for decades are now wide open to turn around. Fast and decisive movers will ultimately be the ones to win. Which quick pivots can you make? How can you fill your innovation pipeline? What does your M&A roadmap look-like to capture non-organic growth in the market?

STEP 4 – MAKE IT HAPPEN

Take advantage of the new world order to question all of the previous business norms. All rules are off. Try a more agile way of working by running weekly sprints with remote teams, launch a new proposition or business model, hire a growth lead with the skills needed to execute on your strategic plan.

Uncertainty will remain, but so will opportunity.

No one can predict the future; we can only prepare for it. Which is why we are cautioning you to map out several scenarios—the good, the bad, and the ugly, while navigating a path towards what's most likely to occur.

Remember that the Low Touch economy will continue to grow and shift, especially as we brace ourselves for the next waves of uncertainty (e.g. global warming, oil price wars, rise of nationalism, an impending recession). There will also be aftershocks to the macro economy and geopolitics that will need to be taken into account.

But if this crisis has taught us anything, it's that even in our darkest moments, when we are forced to avoid our need for connection and touch—humans are resilient and the world will always find a way to shine through.

Among Member Banks

Bank of East Asia Refreshes SupremeGold Service

The Bank of East Asia announced a major enhancement to its SupremeGold brand. At the forefront of this new initiative are five key features that expand product and service offerings and provide digitally enhanced wealth management solutions that help customers grow their wealth and address their aspirations at different life stages.

Key SupremeGold features include:

- Diversified wealth management solutions by a team of experts.
- Overseas property mortgage services.
- An extensive network throughout the GBA.
- New digital mobile banking functions.
- SupremeGold World Mastercard privileges.

Furthermore, new customers who open a SupremeGold account through BEA Flash by June 30, 2020 may receive a welcome reward of up to HK$6,910.

MUFG Bank to slash branches 40% by March 2024

Mitsubishi UFJ Financial Group Inc. said its MUFG Bank unit plans to expand its scaling back of domestic branches to cut fixed costs, and is now eyeing a 40% reduction to around 300 branches by March 2024 compared with 515 as of March 2018.

MUFG Bank initially planned a 20% reduction and then revised the target to 35% a year ago. It is undergoing major structural reforms at a time when the Bank of Japan's prolonged monetary easing policy is squeezing profitability in the banking sector.

With customer visits to the branches also declining, MUFG said it will focus on increasing users of its online banking services by enhancing its smartphone applications.

The number of branches offering full banking services will be slashed to some 170, or about one-third of the March 2018 total. The remaining branches will be mostly staff-free outlets equipped with ATMs where customers will also be able to receive consulting services on housing loans and other issues by videolink.

Branches specializing in certain services, such as personal asset management advice, meanwhile, will be increased.

Japan Times

Mizuho signs MOU with Southern Taiwan Science Park Bureau and StarFab Accelerator

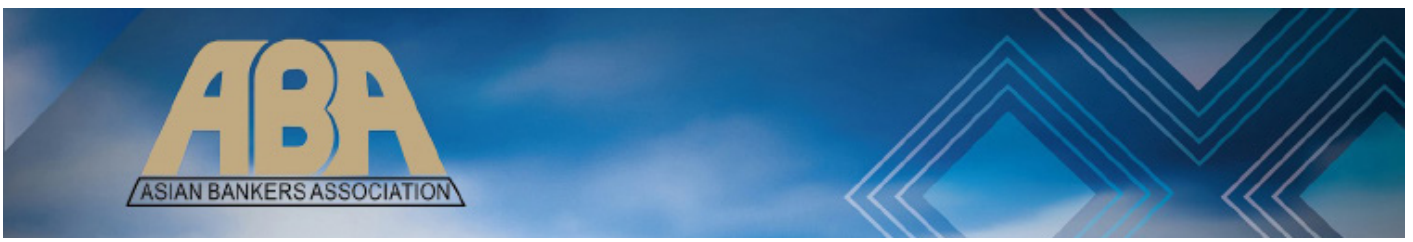
Mizuho Bank, Ltd. has signed a memorandum of understanding (MOU) with the Southern Taiwan Science Park (STSP) Bureau and StarFab Accelerator related to startup support.

STSP is a government agency established in 1996 for the purpose of attracting and nurturing high–tech industries, mainly in electronics fields such as semiconductors, to create a "Silicon Valley" in Taiwan. The industrial park houses some of the most innovative factories of major Taiwanese companies, as well as a number of Japanese manufacturers supplying parts to these companies, thereby supporting the growth of core industries in Taiwan.

StarFab supports startups as an accelerator. It collaborated with STSP to launch the Taiwan AI Robotics Accelerator (TAIRA) aimed at supporting startups in the AI and robotics industries. During the first demonstration event held under this program, StarFab committed to support TWD 110 million worth of investment.

Based on this MOU, Mizuho will collaborate with STSP and StarFab to identify startups with promising technological innovations in areas such as 5G, AI, and medicine, and support the business growth of such startups through financing, business matching, provision of research labs, and other means.

Mizuho Bank News



Among Member Banks

SMBC Expands Coronavirus Funds to 1 Trillion Yen

Sumitomo Mitsui Banking Corp. has expanded two funds to support companies hit by the coronavirus crisis to 1 trillion yen in total.

The Japanese bank used the Bank of Japan's new fund-supplying program set up in March to help banks lend more. One of the funds, designed to help major companies maintain their supply chains, was boosted to 600 billion from the initial 200 billion yen.

Another for smaller businesses was increased to 400 billion yen from 100 billion yen to finance their operations and capital spending.

The BOJ introduced the fund-supplying program in March to extend zero interest loans to financial institutions, helping them to lend at lower interest rates.

The Jiji Press

KDB Issues Eurobonds Worth US$1 Billion

Korea Development Bank said on May 28 that it has raised US$1 billion by issuing dollar-denominated Eurobonds to Asian and European investors.

The bonds are five-year fixed-rate bonds. The Bank will extend the money raised through the bond issuance to Korean companies that have been suffering from the COVID-19 crisis.

The bond's interest rate was set at 90bp over the five-year Treasury bills, which was lower than that of the three-year foreign currency bonds (LIBOR+145bp) issued in early April. The issuance rate was 35bp lower compared with that offered by the Initial Price Guidance (five-year U.S. government bonds + 125bp area).

KDB expects the issuance to help grasp overseas investors' response to Korean papers and present a benchmark interest rate for five-year bonds, thereby creating an environment favorable to local institutions ahead of the issuance of overseas bonds.

BusinessKorea

Maybank named among world's best banks

Malayan Banking Bhd (Maybank) has been named as one of the world's best banks by the Global Finance magazine.

Maybank joins other Asia Pacific (APAC) counterparts such as Australia's Commonwealth Bank, China's ICBC, Indonesia's Bank Mandiri, Singapore's DBS and South Korea's Hana Bank.

Global Finance said amid challenging external environment, APAC banks had posted a steady performance. This was rooted in ample capital buffers, a low cost of credit, funding largely by deposits rather than capital markets and a willingness to meet the challenges of digitisation with innovation. This bodes well for the post-Covid-19 era, some market observers argued.

Global Finance said Maybank had presence throughout ASEAN, China, the United States, and United Kingdom. The bank offers conventional and Islamic banking services, including commercial and investment banking, insurance, wealth management, mortgages, auto financing and credit cards. Maybank Group's brokerage arm Maybank Kim Eng, meanwhile, engages in equity and bond underwriting, mergers and acquisitions, project finance and syndicated lending.

For the sixth successive year, Global Finance said Maybank was rated A by MSCI ESG Research.

New Straits Times

Among Member Banks

TDB donates anticontamination health products package to 10,000 children

With COVID-19 continuing to spread through the world, it is paramount that governments to take "all appropriate public health measures" to keep people safe from the deadly disease, with a particular focus on vulnerable groups and children. Children and families who are already in a vulnerable group are particularly high-risk.

Therefore, in these challenging times, to overcome this pandemic safely, Trade and Development Bank (TDB), Mongolia's biggest corporate bank, has donated 100 million MNT worth of anticontamination health products package to 10,000 children staying at home.

The health products package was co-distributed by local development program staffs of World Vision Mongolia and TDB employees to low-income families in eight districts of Ulaanbaatar city and rural areas. These families and children were selected on the basis of World Vision International's detailed analysis of low-income families and special needs children.

TDB News

PNB is 1st Philippine bank to be certified as gender-equal

Philippine National Bank (PNB) became the first universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) Certification. This recognizes the commitment of the bank to foster gender equality in the workplace. PNB committed to undertake the EDGE Certification in 2019 when it became the first local bank-member of the Philippine Business Coalition for Women Empowerment (PBCWE). EDGE is the leading global assessment methodology and business certification standard for gender equality. It measures where organisations stand in terms of gender balance across their pipeline, pay equity, effectiveness of policies and practices to ensure equitable career flows, as well as inclusiveness of their culture.

PNB Chairperson Florencia Tarriela said, "Our membership in PBCWE signifies our serious commitment to gender equality. We aim to identify and develop solutions to address gaps and challenges on gender equality in our employment practices and in the workplace. This is in line with our thrust to uphold the sustainability of our business through inward-looking initiatives."

PNB received its EDGE Assess Certification (first of three levels) on March 30, 2020, joining a global community of companies and organisations that are committed to workplace gender equality.

A major component of the assessment was an employee survey conducted and participated in by more than 40% of the employee population, which numbers about 8,266. The survey had a similar number of male and female respondents. The respondents rated their own employee experience and their perception of the Bank's policies in relation to gender equality.

96% of the respondents believe that men and women are given equal opportunities to be hired. 74% of the respondents believe that they are given fair opportunities to be promoted.

Meanwhile, 62% of female respondents and 69% of male respondents consider themselves to be paid fairly for the work that they do. It is also generally perceived by both genders that PNB gives equal access to career-critical assignments.

Another factor that added merit to PNB's certification was its adoption of the Anti-Sexual Harassment Policy, pursuant to Republic Act (R.A.) No. 7877, otherwise known as the Anti-Sexual Harassment Act of 1995, and Republic Act No. 11313, also referred to as the "Safe Spaces Act" of 2019. Approved in October 2019, this policy covers all bona fide PNB employees and provides the definition of gender-based harassment in the workplace.

PNB intends to revisit its policies and to continuously study possible improvements in the areas of talent management, rewards and remuneration, succession planning, recruitment, and other related fields. The Bank also aims to explore alternative work arrangements that would allow employees to remain productive while taking care of their unique life and family conditions.

PNB News

Among Member Banks

RCBC brings more comprehensive mobile app to adapt to the new normal

Rizal Commercial Banking Corporation's (RCBC) mobile banking app has enabled more banking services to help clients manage their finances amidst the COVID-19 pandemic.

Among these innovative solutions are the Send Cash service, a facility that can be used to remit money to unbanked recipients in case of emergency; cardless withdrawals, so clients who have misplaced their ATM cards don't need to worry about getting cash at any RCBC ATM; e-wallet reloading for GCash and PayMaya; and a split bill feature, which allows customers to request payment transfers from other RCBC clients.

Moreover, these features are also available in the web version of RCBC Online Banking which is now integrated in the mobile app for wider availability.

Revitalized just last January, the RCBC mobile app's interoperability and enhanced user experience make it more suitable for heavy digital banking transactions. The updates that have proven essential these days are the interbank fund transfers through PESONet and InstaPay, online check deposits for RCBC-issued checks which eliminates branch visits, and QR code capability which enables secure and faster payments.

Since the lockdown, RCBC has seen a surge in digital transactions of up to 821%. Digital banking enrollment grew by 167%, an evidence that customers are slowly migrating to digital channels.

"All these features have become important and essential in empowering RCBC clients to do their banking transactions in the new norm," said Lito Villanueva, RCBC Executive Vice President and Chief Innovation and Inclusion Officer.

RCBC

IBEC receives European credit rating

On May 29, 2020, rating agency ACRA Europe a.s announced the assignment of a long-term foreign currency rating at "BBB" with a stable outlook to International Bank for Economic Co-operation (IBEC).

The agency in its release notes a significant expansion of IBEC's activity due to the update of the Bank's development strategy in 2018, as well as the arrival of a new team of highly qualified top managers with international experience in business, banking and finance. The loan portfolio in 2019 grew by almost 125%.

Agency analysts also emphasize that the new Bank team is implementing a policy of diversifying sources of raising capital. Thus, in 2019, IBEC placed a 10-year issue of ruble bonds worth 7 billion rubles, thereby significantly reducing its dependence on short-term financing.

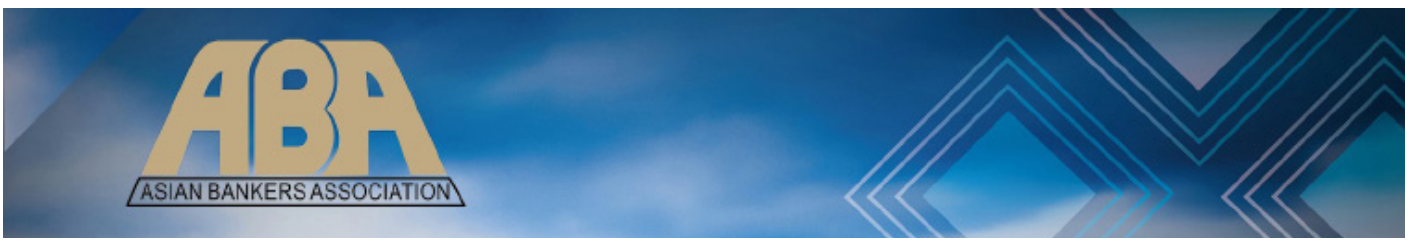
ACRA Europe a.s. draws attention to the Bank's strong position in terms of capital. So, the core capital adequacy ratio (Tier-1) at the end of 2019 amounted to 50.4%.

The agency considers the risk management quality to be "satisfactory", due to the Bank's improved risk management procedures in accordance with the international best practices. According to ACRA Europe a.s., the Bank's credit risk is mitigated to an extent by the structure of risk distribution (more than half of the loans volume was issued to quasi-sovereign borrowers) and sound backing of its loan portfolio (approximately 75%). The agency also emphasizes that the Bank does not have non-performing loans after the Bank has decided to completely write off all toxic assets in 2018.

Nevertheless, analysts of the rating agency indicate a concentration of credit risk, which is relatively high both from the borrowers / issuers / counterparties point of view, and from a geographical point of view.

In assessing the liquidity, ACRA Europe a.s. analytics noted a significant amount of highly liquid assets (more than 10%) and a moderate coverage of short-term liabilities with liquid assets, which in 2019 remained in the range of 1-1.5. This indicates a significant decrease in the Bank's dependence on short-term financing due to the placement of a bond loan of 7 billion rubles and a noticeable increase in client deposits. Nevertheless, the Bank remains dependent on short-term financing in the form of bank loans, which in 2019 amounted to 38% of all liabilities.

IBEC News



Among Member Banks

DBS to hire over 2,000 in Singapore despite pandemic

DBS Bank announced that notwithstanding the economic downturn caused by the COVID-19 pandemic, it is committed to hiring over 2,000 people in Singapore this year. Of this, over 1,000 roles are new, which comprise a mix of apprenticeships for fresh graduates as well as more specialised roles for seasoned professionals. The bank's annual internship programmes also continue unabated.

The announcement follows an earlier pledge by the bank of protecting the livelihoods of its 12,000-strong workforce in Singapore. The bank has reassured staff that there will be no layoffs. All employees, including branch staff who are unable to perform their duties because of temporary branch closures amid Circuit Breaker restrictions, continue to remain on full pay. In addition, employees facing a lull in work activity are encouraged to take the opportunity to upskill themselves through a comprehensive e-learning programme that DBS has in place.

In line with DBS' ongoing digitalisation efforts, among the new roles being created, more than one-third or over 360 jobs are for seasoned professionals in growth technology areas. They comprise of over 300 new jobs in the areas of UX/ UI, data science, fraud detection compliance, as well as consumer and institutional banking technology.

The bank is looking to train and hire over 60 people in artificial intelligence, cloud computing, full stack development and data analytics through a range of specialised talent development programmes, namely the Technology in Finance Immersion Programme (TFIP) and the TechSkills Accelerator (TeSA) Mid-Career Advance, respectively. Both programmes aim to help seasoned professionals kickstart a technology career in financial services, with the TeSA Mid-Career Advance going a step further by reskilling those without a prior background in technology.

IBS Intelligence

HNB successfully concludes Sri Lanka's first hybrid virtual AGM 2020

Sri Lanka's second biggest private lender in assets, Hatton National Bank PLC (HNB), successfully concluded the country's first-ever hybrid virtual Annual General Meeting (AGM) on May 29.

The 51st AGM was hosted at the HNB Towers Auditorium and Conference Room in addition to being streamed live for shareholders over Microsoft Teams.

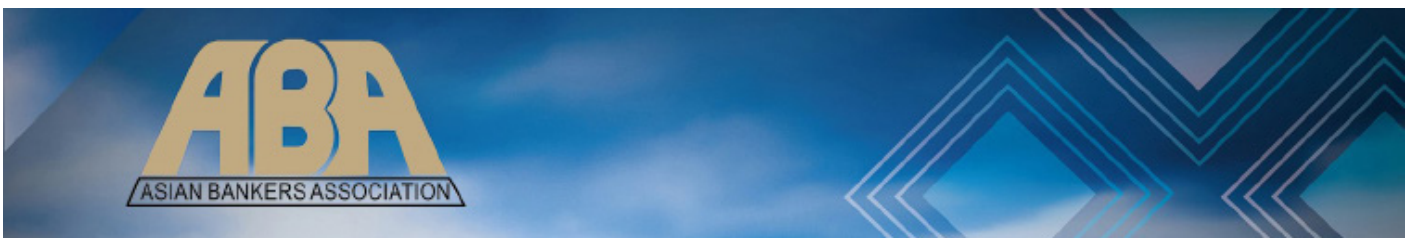
In total, over 100 HNB shareholders registered to participate at the meeting and up to 50 of them were in attendance at HNB Towers, after practicing social distancing and intensive hygiene and sanitization measures at the bank's headquarters, in compliance with all directives of health authorities to protect attendees against the transmission of COVID-19. Notably close to 30 shareholders were also able to view and participate in proceedings, including voting on matters tabled in the agenda via Microsoft Teams.

All attendees were able to view and participate in proceedings – either in person or virtually – including the ability to vote on decisions taken. Resolutions for the meeting and voting were conducted via the secure chat function of Microsoft Teams. The votes were then collated and projected on screen and announced by HNB Chairman Dinesh Weerakkody.

The Q&A session followed accepted processes for participants physically present at the event, while questions from online participants were forwarded to the Chairman and Company Secretary, which in turn directed it to the relevant panelist.

Specialists in event management AV Productions coordinated with the Legal, IT and Marketing teams of the bank for the event.

Daily Mirror



Among Member Banks

SinoPac picks economist to be Taiwan's first-ever female chair of privately owned bank

The SinoPac Financial Holdings board of directors appointed the scholar Chen Shi-kuan as its chair, marking the first time in Taiwan's history that a woman has held a leadership role at a privately-owned bank.

Chen, a National Taiwan University professor and outgoing president of the Chung-Hua Institution for Economic Research (CIER), is a graduate of Yale University with a doctoral degree in economics.

Chen was elected to succeed Philip Ong, the former Chunghwa Post Co. chairman and a man dedicated to corporate governance issues, who will now teach at National Chengchi University's Department of Finance as a professor.

She is no stranger to Taiwan's banking industry, having previously worked as an independent director at DBS Bank Taiwan and Mega Holdings.

Chen's father is Chen Chau-nan, a noted economist and the first Taiwanese to earn a doctorate in economics from the University of Chicago.

In addition to picking Chen as its chair, Sinopac also appointed Soochow University President Pan Wei-ta to the board as an independent director. Pan and other newly appointed directors will bring expertise in investment banking, fintech, and law to the boardroom table.

SinoPac is making efforts to transition from a family-run to a family-owned business, recruiting more outsiders to upper-management positions so as to improve the group's corporate governance. It is paying off, as in 2019 the group recorded its highest after-tax revenue in history, with 30% annual gains.

Taiwan News

Taishin International Bank to use facial recognition in online banking services

Facial recognition technology has begun making its way into Taiwan's banking sector, with more automated teller machines (ATMs) being equipped with facial recognition software. Taishin International Bank yesterday announced that it would expand the application into online banking services.

Taishin, which has installed ATMs with facial recognition software at four of its local branches and three convenience stores, said it adopted the technology for wealth management services last month.

The bank installed a facial recognition-equipped camera at its branch in Taipei's Neihu District, which can identify its VIP members when they walk into the branch, it said in a statement.

Only clients who agree to create a facial ID and allow the bank to take photographs of their face would be recognized by the machine, Taishin said, adding that the system would not detect new clients or passers-by. Upon recognizing a VIP client, the system would automatically notify the bank's financial consultants, who would greet the clients and offer services.

The bank is to tap the technology for online banking service from the third quarter of this year to make its services more convenient. Clients using Apple Inc's iPhone X smartphone can log into the bank's Web site using the device's facial recognition feature. The bank said it would provide an update to extend the service to all of its clients.

Taipei Times

Among Member Banks

Bangkok Bank acquires majority stake in Bank Permata for $2.3B

Bangkok Bank has acquired an 89.12% stake in privately owned Bank Permata from diversified conglomerate PT Astra International and British lender Standard Chartered Bank (SCB).

The Thailand-based bank completed the transaction for US$2.3 billion, equal to 1.63 times Bank Permata's book value, as agreed by the sellers and buyers in March, Bangkok Bank said in a statement.

Following the acquisition, Bangkok Bank will apply to the Financial Services Authority (OJK) for approval to conduct a mandatory tender offer for the remaining 10.88 % stake in Bank Permata. It will also merge its Indonesian branches with Bank Permata's.

"Bank Permata will give Bangkok Bank a stronger presence in Southeast Asia's two largest economies, reinforcing our position as a leading ASEAN bank," Bangkok Bank president director Chartsiri Sophonpanich said in the statement.

He added that the bank would support Bank Permata to grow its retail, small and medium enterprise (SME) and corporate businesses, while also enhancing its customers' access to growth opportunities in Indonesia.

Jakarta Post

Microcreditbank wins international award

Microcreditbank from Uzbekistan won the "Customer Satisfaction and Happiness" award at the Global Banking & Finance Awards 2020.

Global Banking & Finance Review is a leading Online and Print Magazine, which has evolved from the growing need to have a more balanced view, for informative and independent news within the financial community.

Alongside Microcreditbank, more than 10 organizations and financial institutions of Uzbekistan have won the Global Banking & Finance Awards 2020 in various nominations.

Microcreditbank Press Centre

Vietcombank among Forbes' top 1,000 listed companies worldwide

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) found a place among the 1,000 largest companies in Forbes' recent "The World's Largest Public Companies 2020" report, released in its Global 2000 annual rankings.

The bank, the only one from Vietnam to be ranked among the largest 1,000, was listed 937th, up 159 places from 2019. Its ranking in 2015 was 1,985.

Vietcombank posted strong profit growth last year, with profit before tax reaching 23.16 trillion VND (994 million USD), up 24% year-on-year and surpassing the targeted 12 %. The result put it among the top 200 banking institutions in the world in terms of profit.

Vietcombank is currently the only Vietnamese bank to possess total assets of 50 billion USD and is the most valuable company on the country's stock market.

Vietnam has three other representatives on Forbes's top 2,000 largest companies: the Bank for Investment and Development of Vietnam (BIDV), Vingroup, and Vietinbank.

Forbes's Global 2000 ranks the 2,000 largest publicly-listed companies worldwide. Ratings are based on scores for revenue, profit, assets, and market capitalisation.

VNA

Among Member Banks

JP Morgan grants P33 million to foundation to help women microentrepreneurs in the Philippines

J.P.Morgan

Global financial services company JP Morgan Chase is giving $650,000 or around P33 million to international nonprofit Grameen Foundation to help 3,500 women running microenterprises in the Philippines whose livelihoods were affected by the COVID-19 crisis.

The program will provide immediate relief and longer-term recovery support to 3,500 women entrepreneurs running microenterprises in Metro Manila and Cebu City.

"Here in the Philippines and through our partnership with Grameen Foundation, we are tackling inclusive recovery with a focus on supporting the most vulnerable individuals as they go through these difficult times," said Carlos Mendoza, senior country officer of JP Morgan in the Philippines.

Women microentrepreneurs have found it challenging to sustain their incomes due to the lockdowns imposed to check the spread of COVID-19, Grameen said. Microfinance institutions (MFIs) that traditionally support microentrepreneurs are also facing difficulties sustaining their businesses because of the COVID-19 crisis.

"J.P. Morgan understood early that relief and recovery of individual entrepreneurs, especially women, would be a critical step to ensuring the economic resilience of the Philippines in this time of crisis, and we are proud to partner with them on this important initiative," said Steve Hollingworth, president and CEO of Grameen Foundation.

Grameen said it would work with selected partner MFIs to reach these entrepreneurs and deliver non-cash vouchers for medicines and groceries. The foundation will also train MFIs and women microentrepreneurs on financial literacy and how to be more resilient during the COVID-19 crisis and beyond.

ABS-CBN News

Banking and Finance Newsbriefs

India

Indian central bank cuts rate to lowest since 2000

The Reserve Bank of India (RBI) cut interest rates in an unscheduled announcement on May 22, ramping up support for an economy that it expects will contract for the first time in more than four decades.

RBI Governor Shaktikanta Das reduced the benchmark repurchase rate by 40 basis points to 4 %, the lowest since 2000, when the measure was introduced. The reverse repurchase rate was cut to 3.35% from 3.75%. The monetary policy committee, which met ahead of its scheduled meeting early next month, kept its "accommodative" stance, implying that it could ease further.

The central bank expects the economy to contract in the fiscal year through March next year as the impact of the COVID-19 pandemic and measures taken to contain it severely affect domestic activity.

Das also outlined the following measures: A moratorium on bank loans was extended for another three months; rules for withdrawal of funds by states were relaxed; a limit on banks' group exposure to companies was raised to 30 % from 25 %; pre- and post-shipment credit rules for exporters were eased; foreign portfolio investors were given an additional three months to meet investment needs.

The RBI's previous cut of its benchmark rate was on March 27 following an emergency policy meeting.

Bloomberg

Banking and Finance Newsbriefs

Iran

Iran's Central Bank to Merge Several Military-Owned Banks Amid Economic Crisis

The Governor of the Central Bank of Iran (CBI) announced on May 25 that two banks owned by the country's armed forces will be merged into Sepah Bank in the next ten days.

According to Abdul Nasser Hemmati, Mehr Eghtesad Bank and Hekmat Iranian Bank will be merged into Sepah Bank, and three other armed forces banks will gradually join the process.

Mehr Eghtesad Bank was initially established under the name Basijian Fund in 1993 and was supposed to provide banking services to paramilitary Basij (mobilization forces) members, but soon its range of services expanded to the public. Furthermore, three police-owned banks, Ghavvamin, Ansar, and the Samen Institute of the Islamic Revolution Guards Corps, are set to be merged with Sepah Bank.

Charged with providing commercial and financial facilities for Iran's missile program, Sepah Bank is under U.S. sanctions.

Radio Farda

Japan

Japan to ease rules on public funding for banks

The Japanese government will make it easier for financial institutions to receive public funding in an effort to bolster support for lenders in the wake of the coronavirus pandemic.

Conditions requiring financial institutions to clarify management responsibility for poor performance and set profit targets will be dropped, and repayment deadlines will be abolished. The government sees increasing local banks' capital reserves as leading to greater lending to boost the economy, as well as more financial support for cash-strapped small and medium enterprises.

The government will submit a bill to the current session of parliament with a goal of bringing the changes into force sometime after summer.

Though no Japanese financial institutions are at immediate risk of bankruptcy, the government wants to bolster the financial against the shocks created by the pandemic.

A key feature of the proposed bill is looser conditions on state aid. In the past, top management was forced out in responsibility for failed goals after receiving public funding. The new scheme will create a more forgiving environment.

Deadlines for public funding applications will be extended to March 2026 from March 2022 to allow financial institutions to take advantage of exemptions. Public funding will increase from 12 trillion yen ($111 billion) to 15 trillion yen.

The move follows the same special treatment that was applied to financial institutions in areas affected by the 2011 earthquake and tsunami.

The repayment deadline for public funds -- which was previously up to 15 years -- will be scrapped while the mechanism for injecting funds will be expanded, such as using subordinated bonds that come with less management involvement. The dividend payout rate of shares that financial institutions pay to the government will also be reduced.

Nikkei Asian Review

Banking and Finance Newsbriefs

South Korea

South Korea economy to shrink faster in Q2: Central bank

South Korea's economic contraction will worsen in the current quarter, the central bank forecast on June 2, as the coronavirus outbreak hit consumer demand and economic activity even harder.

The Bank of Korea (BOK) predicted the world's 12th-biggest economy will shrink at least 2.0% in the April-June period over the previous three months. It already declined 1.3% quarter-on-quarter in the first three months, it said - a slight improvement from its first announcement in April of a 1.4% contraction, but still the biggest drop in gross domestic product since the 2008 global financial crisis.

South Korea endured one of the worst early outbreaks of the coronavirus outside mainland China, and while it never imposed a compulsory lockdown, strict social distancing was widely observed from March until it started loosening restrictions last month.

Private consumption decreased 6.5% in January-March from the previous quarter "as expenditures on goods and services both decreased", the BOK said.

The country appears to have brought its epidemic under control thanks to an extensive "trace, test and treat" programme and life is beginning to return to normal. But the BOK forecast last week that the economy will shrink 0.2% in 2020, a dramatic downgrade from its February forecast of 2.1% growth, and cut interest rates to a record low.

The Straits Times

Malaysia

Malaysia's "Big 3" banks face growing pressure from Covid-19

Malaysia's three largest banks by assets face growing pressure on profitability from the coronavirus-led downturn, Moody's Investors Service said. This was because their asset quality was likely to deteriorate from 2021 as loan repayment moratoriums expire.

The three banks are Malayan Banking Bhd (Maybank), which is rated A3 stable by Moody's, CIMB Group Holding Bhd (Baa1 stable) and Public Bank Bhd (A3 stable).

Moody's latest assessment follows the release of the three banks' first quarter results recently.

Moody's vice president and senior credit officer Alka Anbarusa said a sharp increase in credit costs and contracting net interest margins (NIMs) would weigh on the profitability of all three banks this year.

According to Moody's, the impaired loans would increase as macroeconomic conditions weaken. It said in the three months through the end of March, impaired loans ratios increased 36 basis points to 3.4 % at CIMB Group and 7.0 basis points to 2.7 % at Maybank. This was largely driven by new impairments in Singapore and Indonesia.

By contrast, asset quality at Public Bank, which is more focused on the Malaysian market, was more stable. But Moody's said that was also because about 80 % to 90 % of Public Bank's loans were under loan repayment moratoriums.

The firm said profitability would weaken as credit costs increase and NIMs contract. It said increases in credit costs amid deteriorating asset quality and the contraction of NIMs as a result of policy rate cuts would weigh on profitability. NIMs will contract at most banks in 2020 as policy rate cuts by the central bank lead to declines in lending rates.

Apart from that, it said capitalisation would remain stable as capital generation would outpace capital consumption due to weaker loan growth.

New Straits Times

Banking and Finance Newsbriefs

Maldives

Maldives defers resort lease payments by six months

Maldives President Ibrahim Mohamed Solih on May 20 announced the decision to defer lease payments for resorts for the upcoming six months, as a relief measure to cushion the economic blow due to the COVID-19 pandemic.

In an address to the nation regarding the COVID-19 situation, President Solih revealed the government's intention to reopen its main Velana International Airport (VIA) and plans to kickstart the economy by resuming tourism industry operations in July of this year.

Speaking about the economy, the president further outlined plans to revive other economic sectors, including plans to offer similar relief options for farmers. "The government has also decided to defer rent payments for islands leased for agricultural purposes for the next six months", he said. He also declared plans to defer rent payments for land plots leased out by the finance ministry, by a similar 6-month period.

Noting that economic stimulations requires new ways of thinking, President Solih highlighted the importance of adopting an environmentally friendly lifestyle and ensuring a decent standard of living for migrant workers as the country worked to overcome the impact of the pandemic.

Estimates show that the country will face a shortfall of approximately USD 450 million (MVR 6.9 billion) in foreign currency, while projected state deficit would reach MVR 13 billion this year.

In a bid to counteract the economic impact of the COVID-19 pandemic on the local economy, Maldives' government introduced a financial relief package with MVR 2.5 billion intended to mitigate the closing down of local businesses and the loss of jobs.

As part of the government's economic recovery plan to minimise the negative financial impact, Bank of Maldives (BML) has agreed to push back its loan repayment period by six months, along with a 20 % discount on repayment amount, while Housing Development Finance Corporation (HDFC) and SME Development Finance Corporation (SDFC) also extended loan repayments by six months.

The Edition

Mongolia

Mongolia meets all requirements to be removed from FATF "grey list"

Mongolia has met all requirements to be removed from the Financial Action Task Force's (FATF) grey list, the country's finance minister Chimed Khurelbaatar said on May 29.

The FATF is an intergovernmental organization founded in 1989, whose aim is to combat global money laundering and the financing of terrorism.

"The FATF has recently concluded that Mongolia has complied with all six recommendations to combat money laundering and terrorism financing crimes," Khurelbaatar told a news conference.

The next official meeting of the FATF will decide whether to remove Mongolia from the list, according to Byadran Lkhagvasuren, governor of the country's central bank. Mongolia was added to the list by the FATF last October, after the country failed to pass requirements to combat money laundering and the financing of terrorism.

Xinhua

Banking and Finance Newsbriefs

Philippines

Philippine banks' bad loans surge to P253 billion

Philippine banks' bad loans went up by 18.3% to P252.64 billion as of end-April from P213.51 billion in the same period last year amid the sharp rise in past due as well as restructured loans due to the coronavirus disease 2019 or COVID-19 pandemic, according to the Bangko Sentral ng Pilipinas (BSP), the country's central bank.

Data from the BSP showed the increase in non-performing loans (NPLs) held by banks was faster than the 8.1% rise in the industry's loan book to P11 trillion from P10.17 trillion. NPLs or bad debts refer to past due loan accounts where the principal or interest is unpaid for 30 days or more after due date.

As a result, the banking industry's gross NPL ratio increased for the fourth straight month to 2.3% of total loans as of end-April compared to a year-ago level of 2.1%.

Past due loans referring to all types of loans left unsettled beyond payment date surged by 41% to P414.41 billion from P293.63 billion, while restructured loans increased by 20.2% to P47.5 billion from P39.52 billion.

Month-on-month, past due loans jumped by 21.5% to P414.14 billion as of end-April from P341.12 billion a month ago as the government imposed the enhanced community quarantine in Luzon on March 16 to limit the spread of COVID-19.

This prompted banks to jack up the allowance of credit losses to P235.78 billion as of end-April, 19.6% higher than the P197.17 billion earmarked in the same period last year. This translated to a higher NPL coverage ratio of 93.33% from 92.34%.

The BSP data showed the NPL ratio of universal and commercial banks increased for the fourth straight month to 1.91% as of end-April from 1.56% a year ago, while the NPL ratio of thrift or mid-sized banks improved to 5.58% from 5.81%.

BSP Governor Benjamin Diokno said earlier the country's banking system is in a strong financial position and capable of managing the crisis even if the NPL ratio is increased to five percent. "We have prepared our banking system well," he said.

Philippine Star

Russia

Russia's BCS Global Markets brokerage still aims for 2023 IPO

BCS Global Markets, the investment banking division of Russia's BCS Financial Group, is pushing ahead with plans for an initial public offering in 2023, but it said on June 11 it would not disclose major details at this early stage.

BCS is one of the largest brokerages in Russia, which has seen massive private investment inflow to its stock markets in the past two years as bank deposit rates declined during a period of central bank monetary easing.

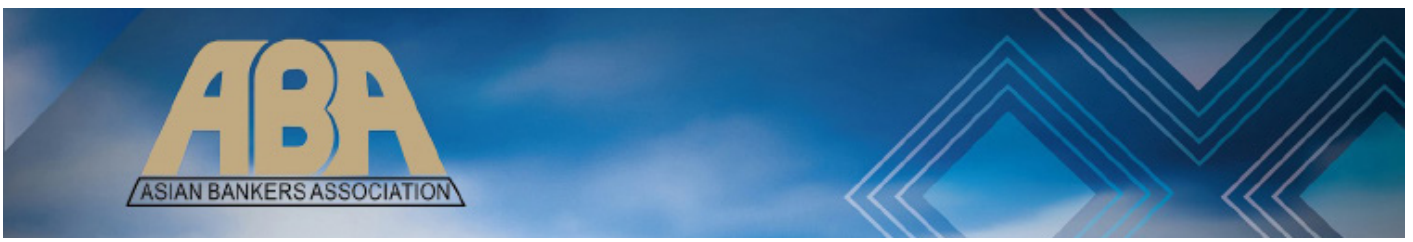
The number of private investors could reach 7 million by the end of the year, according to analysts at Promsvyazbank, while the Moscow Exchange saw a surge in retail investors in March.

The group's strategy is to achieve a $1 billion valuation for BCS Global Markets by the end of 2022, before going public, according to an article by the daily Kommersant in December 2019.

BCS Global Markets on June 11 told Reuters it was too early to talk about any details and configurations of the deal. "The new strategy also depends in large part on external factors, which now regularly demonstrate their unpredictable nature," BCS Global Markets CEO Alexei Gonus said.

BCS Group's owner and president Oleg Mikhasenko previously said the investment bank was looking to expand into emerging markets beyond Russia. "All EM markets are very interesting. The strategy involves intensive development into these markets, we will see how the new team does it," he said, also adding that their goal was to launch an IPO of the investment bank in 2023.

Reuters



Banking and Finance Newsbriefs

Sri Lanka

CBSL committed to keep public deposits safe – Governor

The Central Bank of Sri Lanka will use all available tools at its disposal to maintain financial system stability and it is committed to keep the deposits of the public safe from the economic and financial fallout of COVID-19 and similar unforeseen events, Central Bank Governor Prof. W.D. Lakshman stated in a special statement released on June 7.

"The banking sector remains strong with total capital adequacy ratio above 16%, net stable funding ratio above 130%, liquidity coverage ratio above 175% and statutory liquid asset ratio above 32%. With these performance indicators, I do not think anyone needs an additional assurance on the current strength of the banking system, which accounts for 62% of Sri Lanka's financial sector," the Governor said.

Corrective regulatory action taken in respect of a few institutions does not mean that the entire non-bank financial institutions sector is in trouble. Therefore, I would like to urge the public not to be distracted or misled by baseless comments and malicious speculations expressing doubt about the health of our non-bank financial institutions sector as a whole, he noted.

"In respect of the non-bank financial sector, the Central Bank message is the need for consolidation. The smaller should consider consolidating with the stronger. Sri Lanka has too many financial institutions given the size of its economy. We urge financial institutions to diversify their business models, particularly to support domestic production activity, rather than being driven purely by short term gains through financing imports and other business activities familiar to them."

Daily News

Taiwan

Taiwan registers highest Q1 GDP growth of Four Dragons

Despite the COVID-19 pandemic, Taiwan registered 1.54% economic growth during the first quarter, the highest of any of Asia's Four Dragons and one of the highest in the world, Premier Su Tseng-chang said on May 28.

The government is well prepared for the onslaught of the virus and therefore managed to reduce its impact on the economy, CNA quoted the premier as saying at a briefing by the National Development Council (NDC).

While unemployment is rising, its increase of 0.36 % in April compared to the same month last year was lower than the increases of 0.8% in South Korea, 2.1% in Hong Kong, and a staggering 11.2% in the United States, NDC officials said.

According to Su, Taiwan's democratic way of countering the coronavirus pandemic has won applause across the world, giving business more confidence that investing in Taiwan is the right thing to do. While the global economy is suffering its worst setback since the 2008 financial crisis, Taiwan has still managed to see its Gross Domestic Product grow during the first quarter of the year at one of the fastest paces seen anywhere in the world.

Taiwan News

Banking and Finance Newsbriefs

Thailand

Thailand's Central Bank will act to restrain soaring baht

Thailand's central Bank has said it's concerned about a recent rapid appreciation of the Thai Baht and it's ready to take steps to curb its climb. The rise of the Baht could imperil an already fragile economy, the central Bank said.

The Thai baht has risen 2% against the dollar in the past month is among the steepest in Asia. Its rise has been aided by dwindling Thai coronavirus cases, an easing national lockdown. Furthermore, a shallower-than-expected first quarter economic contraction.

This backdrop may attract short-term capital flows to the Thai baht, and its performance may be out of line with economic fundamentals, the central bank said in a statement on June 1.

"The Thai central bank is ready to take necessary steps to ensure baht strength doesn't aggravate the fragility of the economy," deputy governor Mathee Supapongse said in the statement, adding it will also scrutinise gold trading as that may have contributed to the currency's performance.

Thailand's economy relies on tourism and trade, both of which have been badly damaged by the novel coronavirus pandemic. Officials expect an economic contraction of as much as 6% this year and are sensitive to currency strength that could hamper competitiveness.

The government has started loosening a lockdown, though incoming flights are still banned for the tourism-dependent economy.

"We are wary that the pace of any recovery could disappoint," says Irene Cheung, foreign exchange strategist at Australia and New Zealand Banking Group. She sees the baht weakening to 33.50 per dollar by end-June.

The baht's rally may also face headwinds from technical factors. The currency breached resistance around 32.00 per dollar but further gains have been limited by its 100-day moving average. Slow stochastics, a momentum indicator, also shows that the baht is in the overbought territory.

Chiang Rai Times

Publications

Asia and the Pacific Renewable Energy Status Report

This report by the Asian Development Bank (ADB) provides a comprehensive overview of renewable energy developments in Asia and the Pacific. It covers 18 countries in the region considered fundamental to the clean energy transition.

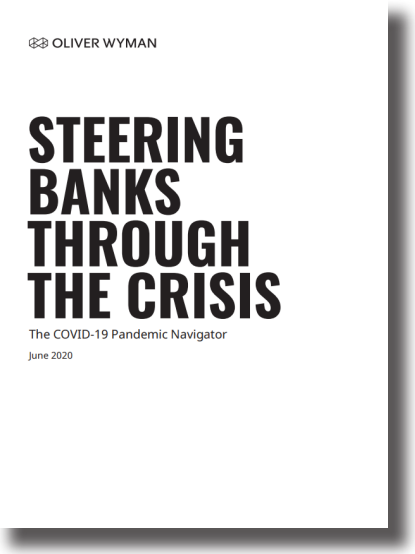
Covering five subregions in Asia and the Pacific, the report presents the current status of renewable energy by examining the policy landscape, investment flows, and how renewables are increasing energy access. The report was produced by REN21 in collaboration with the Asian Development Bank and the United Nations Economic and Social Commission for Asia and the Pacific.

Contact Details: ADB Publishing

Website: https://www.adb.org/publications/asia-pacific-renewable-energy-status-report

Publications

Steering Banks Through the Crisis



The third installment of Oliver Wyman's Pandemic Navigator Series shares some of the insights gleaned from the firm's work with leading financial institutions, and then looks more broadly at the likely impacts on bank financial returns and capital.

The banking industry has a crucial role to play in helping the global economy weather the coronavirus (COVID-19) pandemic and return to growth. Yet banks face an enormous challenge in supplying the economy with credit: dealing with the uncertainty of future credit-worthiness and how this will be affected by the course the pandemic takes.

Critical decisions need to be made now based on an understanding of the increased risk across the economy, differentiating across individual businesses and consumers, and understanding which effects are temporary and which are permanent. This won't be like a normal recession; the impact will be highly asymmetric and influenced by public policy decisions.

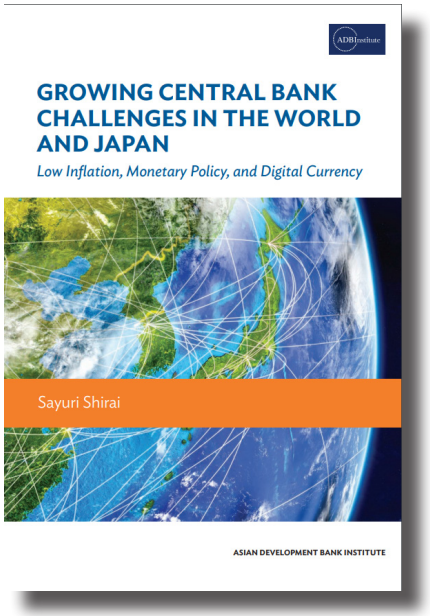
As a result, banks face four challenges in supplying credit. First, how to incorporate all the new and constantly changing information on the pandemic and manage against a nuanced set of scenarios. Second, understanding the impacts of COVID-19 over time across each corporate sector, given their financial condition and future consumer demand. Third, managing consumer credit portfolios when traditional indicators of payment behavior are distorted and payment capacity is highly uncertain. Finally, banks must upgrade their models to support loan loss provisioning and capital requirements with only intermittent regulatory guidance.

Contact Details: Oliver Wyman

Website: https://www.oliverwyman.com/our-expertise/insights/2020/jun/covid-19-oliver-wyman-pandemic-navigator-steering-banks-crisis.html

Publications

Growing Central Bank Challenges in the World and Japan: Low Inflation, Monetary Policy, and Digital Currency



Central banks are facing a range of growing challenges that have arisen from recent trends in aging populations, low productivity, and new technology and innovation.

This book by the Asian Development Bank (ADB) offers insights for central banks looking to tackle the most pressing challenges under the global spotlight, starting with low inflation and its related impacts on unconventional monetary policy and policy coordination, including fiscal stimulus. It also provides important insights into issues related to central bank money, private money, the emergence of crypto assets, and the prospect of central bank digital currency.

Part I focuses on examining the persistently low inflation in advanced economies and reviews various unconventional monetary easing tools. It summarizes recent discussions on new monetary policy frameworks that could become alternatives to existing flexible inflation targeting, such as average inflation targeting and price-level targeting, as well as policy coordination, including helicopter money and modern monetary theory.

Part II sheds light on issues related to money, crypto assets, and central bank digital currency in advanced and emerging economies. It highlights the global rise in cash in circulation and gives an overview of the recent movements in private money, including bank deposits and e-money payment tools. It also examines the latest developments in crypto assets, including various types of "stablecoins" and Facebook's Libra, reviews central bank digital currency proposals, and discusses the recent views expressed by regulatory authorities while incorporating new perspectives based on the coronavirus disease (COVID-19) outbreak.

Contact Details: ADB Publishing

Website: https://www.adb.org/publications/growing-central-bank-challenges-world-japan-low-inflation-monetary-policy-digital-currency

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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