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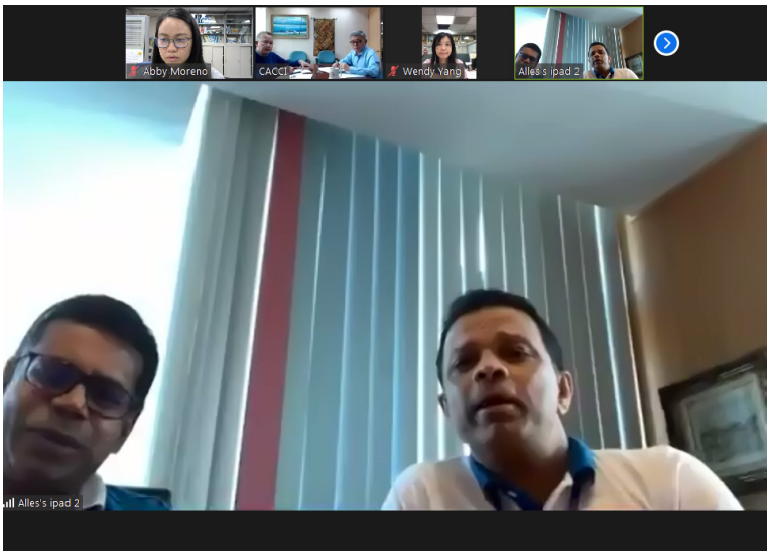
ABA Announcements

ABA General Meeting and Conference Postponed to August 2021

The 37th ABA General Meeting and Conference, which was originally scheduled to take place on November 12-13, 2020 in Negombo, Sri Lanka, has been postponed to August 2021. The decision was made by the majority of the ABA Board members based on their assessment of the ongoing COVID-19 pandemic.

The venue of the 2021 Conference, which will still be hosted by Hatton National Bank, remains to be Negombo, Sri Lanka. The final dates of the two-day event, along with other relevant information, will be announced in due course.

ABA Chairman Alles Holds Online Meeting with ABA Secretariat



ABA Chairman Mr. Jonathan Alles, Managing Director/CEO of Hatton National Bank (HNB), and ABA Policy Advocacy Committee Chairman Mr. Dilshan Rodrigo, Chief Operating Officer of HNB, conducted a videoconference with the officers and staff of the ABA Secretariat on June 19, 2020.

It was the first time that Mr. Alles and Mr. Rodrigo held such a virtual meeting with the Secretariat officers and staff, mainly to discuss the activities that the ABA could undertake during the Covid-19 pandemic and thereafter.

Among the items that were discussed during the June 19 videoconference included:

a. the proposed dates and venue for the 37th ABA General Meeting and Conference, which was originally scheduled to take place on November 12-13, 2020in Negombo, Sri Lanka but later postponed to 2021 due to the Covid-19 pandemic;
b. status of membership fee payments;
c. schedule of upcoming webinars organized by ABA Knowledge Partners and offered for free to ABA member banks;
d. proposal for the ABA to conduct its own webinars over the next few months on topics of current interest to members featuring panelists from selected member banks; an
e. the introduction of a dedicated section in the ABA website to provide a platform for ABA members to share information, experiences and best practices with other members, colleagues, associates, and the public in general.

ABA Announcements

Mr. Ryuji Nishisaki is new SMBC representative on ABA Board

Sumitomo Mitsui Banking Corporation (SMBC) has appointed Mr. Ryuji Nishisaki as its new representative on the ABA Board. He will be replacing Mr. Kenichi Hosomi.

Mr. Nishisaki is the Senior Managing Executive Officer, Deputy Head of Global Banking Unit for SMBC. He is also the Senior Managing Executive Officer, Deputy Head of Global Business Unit for Sumitomo Mitsui Financial Group, (SMFG).

Mr. Nishisaki is an experienced international banker with previous assignments in Hong Kong, Singapore, Bangkok and London. During his career, he has been responsible for many aspects of SMBC's business, including investment banking, structured finance, syndication and asset distribution. In addition, Mr. Nishisaki led the strengthening of SMBC's business in Asia and deepened its investments in the region in his previous roles as Head of The Asia Pacific Division and Asia Growing Markets Division, as well as Deputy Head of Emerging Markets Business Division. Mr. Nishisaki was appointed to his current positions in April 2020.

Mr. Nishisaki joined the bank in 1985. He holds a Bachelor of Laws degree from Kyoto University and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Training and Education

ABA, Fintelekt conduct Webinar on ML/TF Banking Risk

The Asian Bankers Association (ABA) and its Knowledge Partner, Fintelekt Advisory Services, jointly presented a webinar on Money Laundering and Terrorist Financing Risks in Correspondent Banking on July 8, 2020.

The webinar was hosted by Fintelekt Managing Director Shirish Pathak, and featured three panelists:

- Dilani Sooriyaarachchi, Head of Compliance, Seylan Bank
- Theresa Karunakaran, Director Compliance – Regulatory Affairs, Deutsche Bank AG
- Saurabh Nagar, Director, Business Solutions Group, APAC, Accuity

The panelists discussed the importance of correspondent banking to the overall economic development, especially for developing economies.

However, correspondent banking is considered inherently high-risk for a variety of reasons: A detailed view of the customer's customer is not always available in a correspondent banking relationship and banks have to rely on the partner bank's ability to know their customer, conduct due diligence and put in place adequate internal controls.

Because of the high-risk nature of the correspondent banking business, enhanced due diligence at regular frequency is recommended.

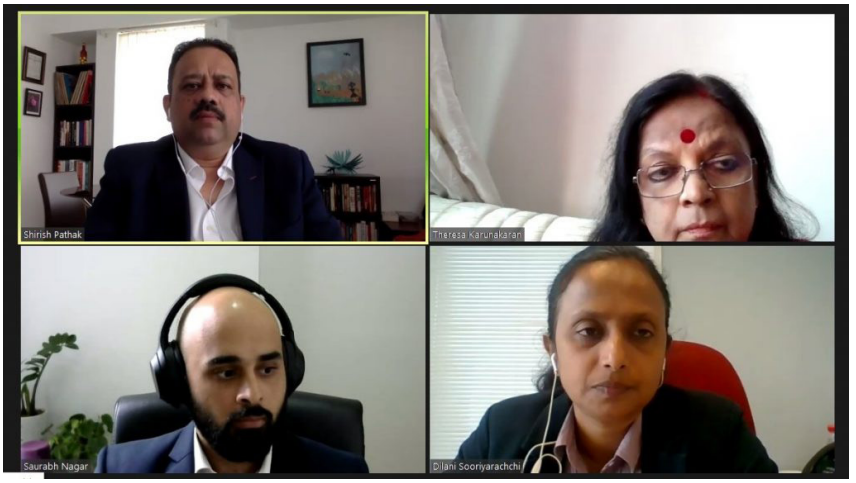
The new Wolfsberg Correspondent Banking Due Diligence Questionnaire (CBDDQ) which was introduced in April 2020 is quite exhaustive and has expanded the scope of due diligence significantly by introducing a lot of granularity.

Banks in countries that do not have equally stringent AML measures may find it difficult to meet the standards expected by correspondent banks and may get subjected to de-risking.

De-risking and its Impact

Financial institutions terminate relationships based on

Training and Education



reasons such as risk appetite of the organisation, profitability, reputation risk, regulatory burden on AML/CFT compliance, penalties and criminal prosecution.

De-risking is detrimental to the growth of trade. Countries that are completely de-risked and desperate to transact will find other means such as unregulated channels. Other negative consequences on financial institutions as well as economies include reduced payment transparency and ultimately lead to financial exclusion.

Adopting a Risk-Based Approach

Several international bodies such as the Financial Action Task Force (FATF) and the Basel Committee on Banking Supervision have been working to develop robust mechanisms to improve the transparency of international transactions.

In 2016, FATF issued guidelines on correspondent banking focusing on de-risking urging banks to adopt a risk-based approach and to conduct due diligence on correspondent banking customers including assessments of regions, and the products/ services being offered.

Pressure from Correspondent Banks

The fear is that correspondent banking could be used as a channel to move illegal funds to respondent banks in countries with relatively weaker AML policies as they depend on the correspondent bank's reputation to process the funds. Hence correspondent banks put their respondent partners through higher degree of scrutiny and monitoring to establish the integrity of financial transactions.

Correspondent banks should put in place a mechanism to reach out to the respondent bank when there is a suspicion on the nature of the transaction and get information about the transactions quickly.

The risk-based approach can help eliminate the need for blanket de-risking. The use of latest tools and technology and all available data points can help banks make more efficient decisions.

Responsibilities of Correspondent Banks

As part of the overall financial community, banks on both sides must share the responsibility towards fostering economic opportunity, increase financial inclusion and fight financial crime together.

Due diligence should not be a mere paper-gathering exercise. Banks have a responsibility to use due diligence to adopt a risk-based approach in a holistic manner while making their decisions.

Regulators in jurisdictions with stronger AML controls often advise extra caution when banks enter cross border transactions, however they do not advise blanket de-risking. Often times they are open to and willing to support efforts to bring AML processes in respondent banks up to speed.

Best Practices for Correspondent Banking Due Diligence

- **People** – invest in skilled personnel and provide on-going training
- **Risk assessment** – maintain a strategic profile of the respondent bank with on-going monitoring to provide a holistic risk assessment. This should consider the country risk, sector or industry risk, name screening on institutions, check beneficial owners, check for nested relations, check against negative lists
- **Technology** – use technology to reduce time consuming and manual work which is prone to human errors
- **Work together** – have a hand-holding approach with the partner bank – including having pragmatic and reasonable processes that match the need of the respondent bank's country.

Training and Education

ABA to Hold Webinar on "Managing Business Continuity and Recovery During Covid-19 and Beyond"

The Asian Bankers Association (ABA) is inviting members, associates and friends to participate in the complimentary webinar on "Managing Business Continuity and Recovery During Covid-19 and Beyond" to be held on July 29, 2020 from 2:30 PM to 04:30 PM, Taipei time.

The Covid-19 pandemic is not only a health crisis of immense proportion, but it has also impacted businesses of all sizes and in all industry sectors across the Asian region and globally. Indeed, the implications are profound, and the steps taken by businesses and financial institutions will have an impact on customers, employees, and the economy at large.

The July 29 webinar will feature representatives of selected ABA member banks and Knowledge Partners who will share their views on the following issues:

a. The impact of the pandemic on their respective economies
b. What the bankers and government authorities in their country are doing to mitigate the impact on their economy and the financial industry
c. What measures are currently being set in place as part of efforts to put back the economy and the banking industry on the road to recovery.
d. What their organizations are doing to assess their risk and vulnerability from both an operational and financial standpoint
e. What actions are they taking to mitigate risks and plan for recovery scenarios and associated impacts on liquidity
f. How are their organizations achieving business transition towards digitalization as part of its effort to adopt to the "new normal"

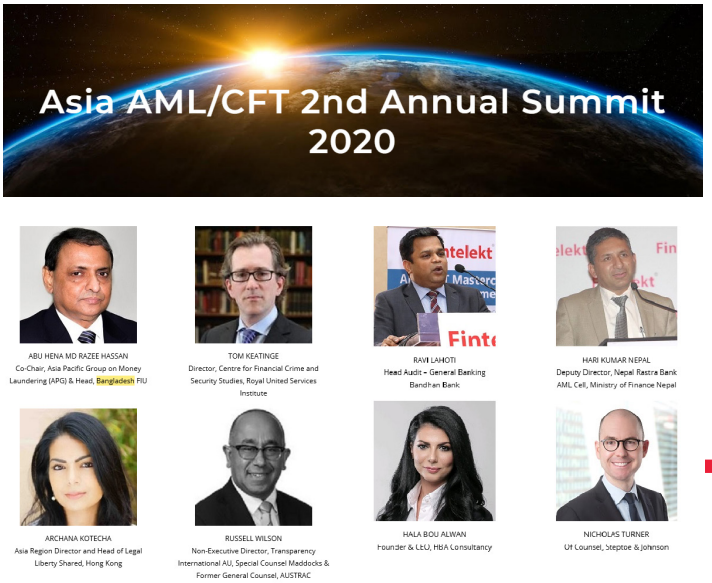
Members are encouraged to register for the webinar, which aims to provide participants the opportunity to explore what the new normal might look like and prepare for it, to better understand the current landscape they are operating in, and to know what they need to do to resume operations and achieve business recovery.

Fintelekt Holds Asia AML/CFT 2nd Annual Summit 2020 from July 20 to 24

Fintelekt Advisory Services, in partnership with the Asian Bankers Association (ABA), is hosting the Fintelekt Asia AML/CFT 2nd Annual Summit 2020 from July 20 to 24, 2020.

Despite the continuous disruption created by the pandemic,

Training and Education



ABA continues supporting the AML CFT community in their effort to fight against money laundering and terrorism financing virtually, partnering with Fintelekt Advisory Services in offering the Summit for free.

The Summit will virtually convene 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.

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.

Fintelekt webinar on Fine-Tuning AML Transaction Monitoring set for August

Fintelekt Advisory Services, a Knowledge Partner of ABA, is inviting participants from across Asia to join a webinar on "Fine-Tuning

AML Transaction Monitoring." The webinar, to be held on August 5, 2020 at 11:00am India Standard Time, will feature insights from industry experts Douglas Wolfson, Director of Financial Crime Compliance at Asia, LexisNexis Risk Solutions; and Asyraf Rifaei Assrangkhuun, Group Head of AML/CFT Transactions Monitoring and Investigation Operations at AmBank Malaysia. Fintelekt Managing Director will serve as moderator.

Training and Education

Some of the key points to be discussed during the event include:

- Key issue of AML in APAC: An insight from the 2019 LexisNexis Risk Solutions True Cost of AML Compliance Study
- Compliance challenges
- Compliance risks vs. operational effectiveness
- Data protection and information security
- Key technology components to consider in the financial crime compliance strategy
- Implementing red flag indicators & scenarios
- Technology and vendor selection
- Best practices for reducing false positives
- Dealing with challenges such as data integration, training, staffing

Webinar sign-up and attendance is free. Interested parties who wish to register may do so here.

News Updates

IMF Deepens Forecast for Economic Slump to 4.9%

The International Monetary Fund said on June 24 it expects the global economy to decline 4.9% from the previous year, raising its April estimate by 1.9 points to reflect the worsening economic fallout from the coronavirus pandemic.

IMF Chief Economist Gita Gopinath (Bloomberg)

With the pandemic triggering the worst global recession since the Great Depression in the 1930s, the IMF projected in an update to its World Economic Outlook for 2020 that Japan's economy will slump 5.8%, 0.6 point more than earlier forecast and sharper than in 2009 at the height of the global financial crisis.

The United States, one of the nations hardest hit by the virus first detected in China late last year, will see its economy shrink 8.0%, 2.1 points more than the earlier estimate and its worst contraction since 1946.

"The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast," the IMF said in the report.

First-quarter gross domestic product was generally worse than expected, though countries like China, India and Japan were exceptions. Economic indicators point to a more severe contraction in the second quarter, except in China, where most of the country reopened by early April, the IMF said.

Growth in consumption, in particular, was downgraded for most economies as demand shock has been triggered by social distancing measures and lockdowns to slow the virus, as well as by a rise in precautionary savings.

Global activity is expected to trough in the second quarter, with growth in 2021 projected to strengthen to 5.4%, 0.4 point lower than the April estimate, according to the report.

Global trade in goods and services was also revised downward by 0.9 point to a contraction of 11.9%, reflecting considerably weaker demand in areas including tourism. A gradual pickup in domestic demand is expected to push trade growth up to 8.0% in 2021, the IMF said.

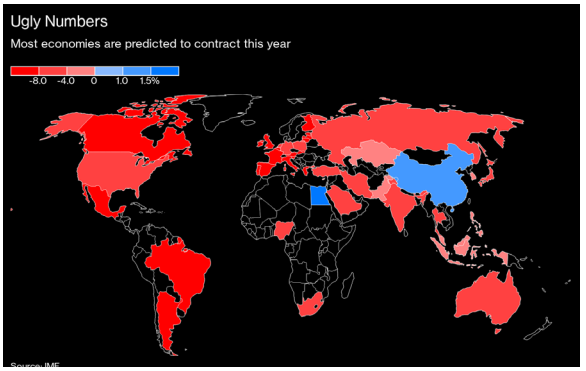
Japan and the United States are expected to see their economies post growth of 2.4% and 4.5%, respectively, in 2021, but these estimates as well

News Updates

were lowered from the earlier estimates.

China's economic growth forecast was revised downward by 0.2 point to 1.0% for 2020, and by 1.0 point to 8.2% for 2021.

The Euro area was forecast this year to log a contraction of 10.2%, down 2.7 points from April's report. But the outlook for the region was upgraded by 1.3 points to 6.0% growth for 2021.



Based on the latest projections, the cumulative output loss for the global economy from the pandemic will be over $12 trillion across 2020 and 2021, the Washington-based institution said, warning that "pervasive uncertainty," including the length of the pandemic, will continue to haunt its latest forecast.

Kyodo

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

Asia's loss of economic output due to the deadly coronavirus will likely persist until 2022, according to the International Monetary Fund (IMF).

The assessment is a warning about the prospects for a global recovery after the pandemic tipped the world economy into its worst collapse since the Great Depression. The Asia region contributed about 68% of global growth in 2019.

While regional growth is tipped to rebound to 6.6% next year, that won't be enough to replace all of the output lost due to the crisis.

"We project Asia's economic output in 2022 to be about 5% lower compared with the level predicted before the crisis; and this gap will be much larger if we exclude China," according to Chang Yong Rhee, director of the IMF's Asia and Pacific Department.

"Even when lockdown measures are fully relaxed, economic activity is not likely to return to full capacity, due to changes in individual

behaviors and measures put in place to maintain physical distancing and reduce contagion," Rhee said.

The fund earlier said it expects global gross domestic product to shrink 4.9% this year, more than the 3% contraction predicted in April. For 2021, the fund sees growth of 5.4%, down from 5.8%. Asia is tipped to contract by 1.6% this year -- the first such outcome in living memory according to Rhee and a downgrade from the fund's April projection of output being unchanged.

Still, Asia continues to provide ballast. If the region's growth was as negative as the rest of the world, then global growth forecasts would be at about -7.6%, according to Rhee.

Close coordination between central banks and finance ministries will be an important part of the policy response given the limited room to borrow that many emerging economies in Asia face.

Policy options include making more use of central bank balance sheets to funnel lending to smaller firms. Temporary capital controls may be needed in the event of large outflows.

While portfolio outflows from the region have stabilized, Rhee said net outflows compared to the global financial crisis remain high.

Governments will also need to keep an eye on their borrowing even as more crisis spending is needed.

"They must use fiscal stimulus in the short term, but complement it with a credible medium-term reform plan to mitigate debt overhang concerns," said Rhee. "That will help to maintain sovereign credit ratings."

Bloomberg

News Update

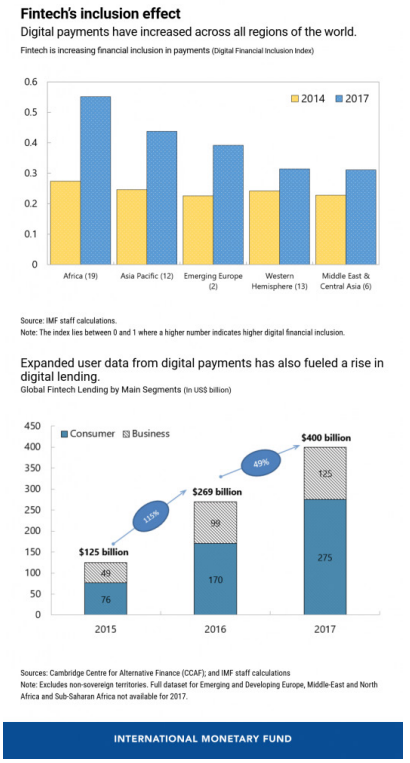
Digital Financial Inclusion in the Times of COVID-19

The COVID-19 pandemic could be a game changer for digital financial services. Low-income households and small firms can benefit greatly from advances in mobile money, fintech services, and online banking. Financial inclusion as a result of digital financial services can also boost economic growth. While the pandemic is set to increase use of these services, it has also posed challenges for the growth of the industry's smaller players and highlighted unequal access to digital infrastructure. Several actions will need to be taken to ensure maximum inclusion going forward.

The shift towards digital financial services was already helping societies advance financial inclusion before the pandemic started, benefiting many low-income households and small firms with typically little access to traditional financial institutions. Lockdowns and social distancing are accelerating the use of digital financial services, just as the SARS epidemic in 2003 hastened China's launching of digital payments and e-commerce.

Many countries (for example, Liberia, Ghana, Kenya, Kuwait, Myanmar, Paraguay and Portugal) are supporting this shift with measures such as lowering fees and increasing limits on mobile money transactions.

In a new IMF study, study authors introduced an index of digital financial inclusion that measured the progress in 52 emerging market and developing economies. They found that digitalization increased financial inclusion between 2014 and 2017, even where financial inclusion through traditional banking services



was declining. This is likely to have progressed more since then.

Africa and Asia lead digital financial inclusion, but with significant variation across countries. In Africa, Ghana, Kenya, and Uganda are front runners. In comparison, the Middle East and Latin America tend to use digital financial services more moderately. In some countries, such as Chile and Panama, this likely reflects a relatively higher level of bank penetration.

In most countries, digital payments services are evolving into digital lending, as companies accumulate users' data and develop new ways to use it for credit worthiness analysis. Marketplace lending, which uses digital platforms to directly connect lenders to borrowers doubled in value from 2015 to 2017. While so far concentrated in China, the United Kingdom, and the United States, it appears to be growing in other parts of the world, such as in Kenya and India.

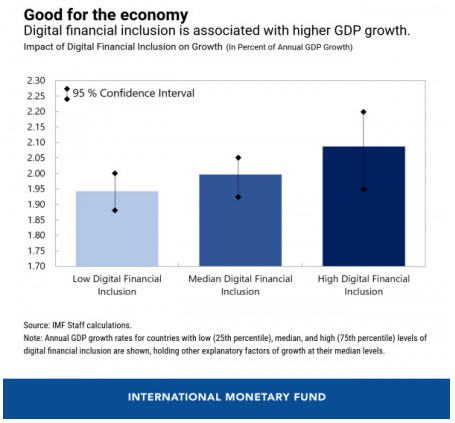
Financial inclusion benefits economies and societies as a whole. Previous studies have found that extending traditional financial services to low-income households and small firms goes hand-in-hand with increasing economic growth and reducing income inequality. Our analysis finds that digital financial inclusion is also associated with higher GDP growth.

During the COVID-19 lockdowns, digital financial services are enabling governments to provide quick and secure financial support to "hard-to-reach" people and businesses, as demonstrated in Namibia, Peru, Zambia, and Uganda. This will help mitigate the economic fallout and potentially strengthen the recovery.

To tap the high potential of digital financial services in the post-COVID era, many factors need to fall into place. Equal access to digital infrastructure (access to electricity, mobile and internet coverage, and digital ID); greater financial and digital literacy; and the avoidance of data biases are necessary for a more inclusive recovery.

A global survey that was conducted with more than 70 stakeholders—fintech firms, central banks, regulatory bodies, and banks—revealed that regulators need to keep up with fast-paced technological

News Update



changes in fintech to ensure consumer and data protection, cybersecurity, and interoperability across users and national borders. Fintech firms also indicated a global shortage of "coders"—software developers and programmers.

At the same time, it is important to ensure that the fintech landscape remains sufficiently competitive to maximize the gains from digital financial services. The COVID-19 crisis has presented potential benefits for the sector but also poses challenges for smaller fintech companies: tightening of funding, rising non-performing loans, decline in transactions and credit demand. Some halted new lending since the onset of lockdowns. Widespread consolidation and retrenchment of start-ups would lead to greater concentration in the sector and could set back inclusion. In the public's interest, this points to accelerating the creation of governance frameworks for big fintech companies.

The pandemic shows that the trend towards greater digitalization of financial services is here to stay. To build inclusive societies and address rising inequalities during and after the ongoing crisis, global and national leaders must close the digital divide across and within countries to reap the benefits of digital financial services. This means finding the right balance between enabling financial innovation and addressing several risks: insufficient consumer protection, lack of financial and digital literacy, unequal access to digital infrastructure, and data biases that need action at the national level; as well as addressing money laundering and cyber risks through international agreements and information sharing, including on antitrust laws to ensure adequate competition.

IMF Blog

AmCham Mongolia, EuroChamber Host Online Roundtable on Banking Sector Resilience & Reform

The American Chamber of Commerce in Mongolia (AmCham Mongolia), in partnership with EuroChamber Mongolia, organized an online roundtable on banking sector resilience and reform, bringing together a pool of prominent experts to discuss the existing challenges and define ways forward for banking sector development in Mongolia.

The roundtable had around 100 attendees, including AmCham members and representatives from domestic and international businesses. They discussed a range of critical issues, including the macroeconomic outlook of the country considering the significant impact of the COVID-19 pandemic on the economy and banking sector, as well as the government's economic stimulus package and the central bank's responses, the status of Mongolia's IMF program enrollment, and banking sector risks and reforms.

The event began with opening remarks by O. Adiya, AmCham Mongolia's Executive Director, who noted that this was the first event AmCham Mongolia had jointly organized with EuroChamber.

ADB Senior Economics Officer S. Bold then started off the panel discussion by providing an update on the macroeconomic outlook of Mongolia in light of the COVID-19 pandemic.

XacBank CEO G. Tsevegjav talked about how XacBank had "started bank reform in-house by cutting unnecessary expenditures, investing in digital technology, and managing risks to make ready for an economic rebound." He also said that a bank's transparent communication with customers is essential during this pandemic, as it allows for win-win solutions for customers and the bank.

Mongolian Bankers' Association (MBA) CEO L. Amar noted that the ongoing credit crunch has severely accelerated, and that without the intervention of policymakers, the banks can't fulfill their role as financial intermediaries in this situation. He further noted that banking sector reform is mostly focused on the concentration of shareholder stakes and making the banks transparent. Several other issues are being proposed, but it seems as if policymakers can't reach a consensus on how to proceed with reforms.

Chairman of the Board of Mandal Insurance, U. Ganzorig, stated,

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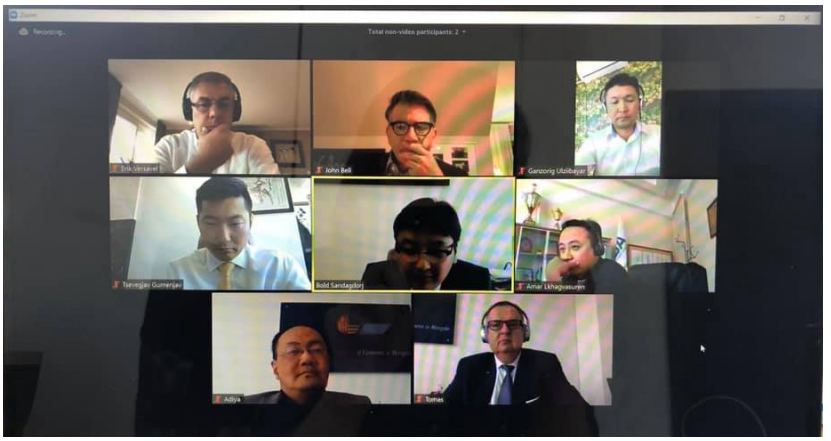
"A critical part of financial and banking reforms is to undertake pension reform since Mongolia's social insurance system is very outdated. The draft legislation on pension reform is to be discussed by Parliament."

CEO of Khan Bank, John Bell, meanwhile, related how Khan Bank is implementing teleworking, allowing staff to work remotely using modern technologies to ensure speedy work processes and service delivery to customers.

Following the panel discussion, the panelists took part in a Q&A session and answered questions from the virtual audience.



After the roundtable, Executive Director of EuroChamber Tomas Bravenec thanked the panelists and participants for their informative and straightforward discussions, and thanked AmCham for a great partnership, noting that similar dialogues should be held in the future.

Taiwan ranks as 5th largest net creditor worldwide

Taiwan ranked as the fifth largest net creditor in the world at the end of 2019, holding a strong net international investment position (NIIP), according to the central bank.

Data from the central bank showed Taiwan had US$2.25 trillion in total external assets as of the end of 2019, up US$202.66 billion, or 9.9%, from a year earlier. Taiwan's total external liability was US$910.02 billion, an annual increase of US$151.45 billion, or 20.0% , according to the data.

As a result, Taiwan's NIIP -- the difference between its external financial assets and liabilities -- was at US$1.34 trillion at the end of last year, the fifth largest in the world, after Japan (US$3.43 trillion), Germany (US$2.75 trillion), China (US$2.12 trillion) and Hong Kong (US$1.56 trillion), the central bank said.

The growth of Taiwan's total external assets resulted from increased investments in foreign bonds by mutual fund managers and insurances firms.

Meanwhile, Taiwan's external liabilities also increased, due to bigger securities holdings by foreign investors and higher equity prices, the bank said.

In 2019, the value of securities held by foreign investors rose US$143.2 billion from a year earlier, as local equity prices soared 23.3%.

Tsai Chiung-min, deputy head of the central bank's economic research department, told reporters that Taiwan's higher NIIP is expected to boost its credit ratings, which in turn will attract more foreign investments.

As of the end of 2019, the United States was the largest net debtor nation in the world, with a negative NIIP of US$10.99 trillion, followed by Spain (US$1.04 trillion) and the United Kingdom (US$732.2 billion), according to the central bank.

CNA

News Update

ASEAN small businesses count on technology to beat COVID-19

Small businesses across ASEAN are counting on technology to help them overcome the impact of the COVID-19 pandemic on their operations. Technology was ranked the top investment priority for 2020 by two in three (64%) small businesses, including those who currently have cash flow concerns. This is according to a recent survey of 1,000 ASEAN small businesses conducted by United Overseas Bank (UOB), Accenture and Dun & Bradstreet. The research sought to understand how the small firms were adapting to the business environment given the changes brought on by the pandemic.

Photo: Costin33 (Wikimedia Commons CC 4.0 International)

Across ASEAN, Thailand had the highest proportion (71%) of respondents prioritising technology investments in 2020, followed by Indonesia (65%), Vietnam (63%), Singapore (60%) and Malaysia (59 per cent).

The survey also found that small businesses across ASEAN are persevering in their efforts to invest in technology even when faced with the prospect of declining revenue. Although close to nine in 10 (88 per cent) of these businesses have lowered their revenue expectations in 2020, almost half of them (44 per cent) still plan to increase their overall technology budget. This suggests that ASEAN small businesses are looking beyond the present challenges and are set on adopting technology to improve their competitiveness and sustainability.

By industry sector, small businesses from the food and beverage (F&B), information and communications technology and healthcare sectors (50%) indicated the strongest desire to boost their technology investments, followed by those in construction (48%) and retail trade (46%).

Beyond technology, ASEAN small businesses are looking to invest in developing their employees' skills (51%) and in machinery or equipment (40%). Their lowest investment priority is in motor vehicles (18%).

As small businesses across ASEAN embrace technology as a means of ensuring a more sustainable business model for the long term, they recognise that technology can also help them better manage their cash flow. Eight in 10 (81%) small businesses across the region ranked the use of digital solutions as their most preferred cash flow management method. For instance, digital solutions such as UOB BizSmart enable small businesses to issue electronic invoices to manage their account receivables more promptly.

ASEAN small businesses are also easing their cash flow pressures by seeking deferment on their loan repayments (75%) and renegotiating the terms of their contracts with suppliers and landlords (75%). Small businesses also look to increase their working capital through COVID-19-related financing schemes (73%).

Audrey Chia, Chief Executive Officer, Dun & Bradstreet Singapore, said, "Despite the uncertainties on the trajectory of COVID-19, the long-term growth potential for ASEAN remains given the region's favourable demographics and rising consumption. While ASEAN small businesses are facing current challenges brought about by COVID-19, we can see that they are still taking practical steps to increase their business' resilience to prepare for the future. Firms which transform their business models for the long-term, even after COVID-19, will be better poised to tide through these current challenges and to create new business opportunities."

The full survey findings will be available in the ASEAN SME Transformation Study 2020. The study aims to help ASEAN small businesses understand how they can transform their businesses to adapt to the changes ahead and to participate in the region's long-term growth.

UOB Newsroom

News Update

ADB to Hold Second Stage of 2020 Annual Meeting as Virtual Event

The Asian Development Bank (ADB) will hold the second stage of its 53rd Annual Meeting as a virtual event on September 17 to 18. The event will include a formal business session and selected knowledge events.

"As the coronavirus disease (COVID-19) pandemic continues to evolve, with travel restrictions impacting many ADB members and continued health risks, ADB and the Government of the Republic of Korea have agreed not to proceed with a physical meeting in Incheon," said ADB Secretary Eugenue Zhukov.

The Republic of Korea has offered to host ADB's 56th Annual Meeting in Incheon in May 2023. ADB's Board of Governors will consider this proposal when it convenes virtually on September 18.

The first stage of the 53rd Annual Meeting was held on May 22, and comprised a reduced-scale meeting of the Board of Governors at which Governors approved ADB's financial statements and net income allocation in line with ADB institutional requirements.

ADB News Release

ICC Calls on G20 Finance Ministers to Extend Debt Relief to Developing Countries

The International Chamber of Commerce (ICC) is calling on the G20 to take a coordinated action to avoid sovereign debt burdens compounding the human and economic toll of the ongoing coronavirus crisis.

In a letter issued just before the G20 Finance Ministers meeting held during the second week of July, the ICC – working in close partnership with the International Trade Union Confederation (the global voice of the world's working people) and Global Citizen (a movement of engaged citizens who use their collective voice to end extreme poverty by 2030) – told the G20 that its aim is to ensure that debt burdens do not compromise the ability of governments to protect lives and livelihoods in the face of COVID-19, for instance, by ensuring that they have sufficient fiscal capacity to provide emergency support to help businesses to survive the health crisis.

To this end, the ICC letter calls on G20 Governments to build on commitments made in April 2020 - which reflects concerns articulated by many national ICC committees and chambers in light of the worsening outlook for the global economy over the next 18 months – to:

•Extend the suspension of debt payments to 30 April 2022, commensurate with the anticipated economic uncertainty and scarring caused by the pandemic;

•Enable lower-middle and middle-income countries to obtain relief on their external debts in appropriate circumstances;

•Replenish IMF facilities to enable the suspension of loan repayments to the Fund through April

News Update

2022;

•Create and fund mechanisms at other multilateral development banks to facilitate the provision of debt relief to eligible countries;

•Establish new institutional mechanisms to enable full participation from private creditors in the provision of debt forbearance in accordance with any expansion to the DSSI; and

•Address any potential barriers to the full participation of private creditors in official debt relief efforts by providing coordinated clarification on the implementation of applicable regulatory frameworks

Looking to the mid-term, the ICC also calls on G20 Governments to chart a path to ensure that debt overhangs do not inhibit the prospect of robust growth returning to the global economy in the aftermath of the pandemic. It explains that extending the window of emergency suspension and relief until April 2022 should provide sufficient time to create an appropriate process to enable fair, comprehensive and binding settlements in cases of debt distress—and design debt relief for countries in need that is aligned with the Sustainable Development Goals.

"Removing the spectre of sovereign debt from pandemic containment and the economic crisis is an absolute imperative to business, workers and citizens throughout the world. The required investment from the world's leading economies is minute compared to the social and economic costs of inaction," the ICC points out.

Special Features

Does National Debt No Longer Matter? How Economists' Views of Debt Have Changed

A BRINK interview with Caroline Atkinson, Senior Advisor at RockCreek investment firm

In June, the IMF warned that global public debt will exceed 100% of global GDP. Yet it also urged some governments to spend more — increasing their debt levels even further — to stimulate growth.

Caroline Atkinson is a former director at the IMF and was President Barack Obama's deputy national security adviser for international economics. BRINK began by asking Atkinson whether the IMF's views on the dangers of excessive government debt has changed?

ATKINSON: There has been a turnabout in the IMF's thinking about government debt over the last half-dozen years. They've shifted from the traditional position that debts and deficits have big costs, to support fiscal stimulus in many — but not in all — cases.

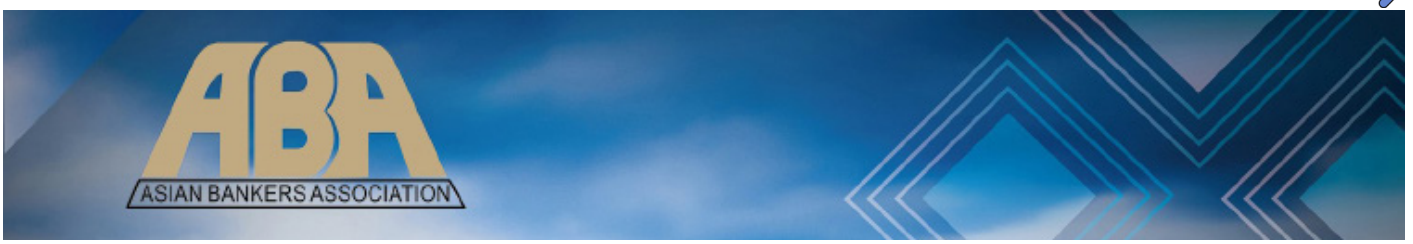
It depends on other economic conditions, but their broad advice to Europe, in particular, for some while has been that some European countries, notably Germany, have room to spend more (and tax less), which would boost demand and economic activity in the whole EU area.

The Danger of Too Much Austerity

BRINK: So, has something changed in the makeup of the global economy that now makes the IMF think that government debt is less important? Or has the IMF's thinking just evolved?

ATKINSON: That's a great question. I would say there are two things. Obviously, right now there are massive changes going on. But even before COVID-19, the shock to the global economy from the financial crisis was more severe than was understood for some years. When many countries, including the U.S., began to rein in their deficits quite soon after the crisis, this led to slower growth and recovery — and another recession in Europe.

That began to change economists' thinking because the faster an economy grows, the easier it is to support a given level of debt. The measure that we look at is debt in relation to GDP — so if you have more GDP, you can manage more debt. When the economy is crimped instead by austerity policies, deficits and debt loom larger.



Special Features

A Very Different Global Economy

ATKINSON: The second important change in the global economy, which is more fundamental, is that we have moved into a world with lower inflation and lower interest rates — perhaps that's because of globalization, perhaps because of demography; there are different theories. Ben Bernanke was one of the first who talked about an imbalance between savings and investment, and a savings glut that was tending to push down interest rates without stimulating economies to full employment.

Larry Summers, the former treasury secretary, has also pointed to the dangers of secular stagnation, where the private sector simply doesn't invest and spend enough to provide sufficient growth and jobs. So governments need to fill the gap, and because they will find plenty of savers who want to invest in their debt, government borrowing doesn't push up interest rates.

This is a very different global economy from the one in the 1970s or 1980s, or even the 1990s, when central banks in particular were concerned that governments would borrow too much and spend too much, leading to inflation and higher interest rates, which would crowd out private sector investment. So, yes, the IMF has changed its thinking, but so have many others. With interest rates staying down, inflation staying down and having more and more clarity about the fact that this is a long-term phenomenon, many economists have started to think, "well, actually, debt is not so bad."

Debt Is a Different Issue in the Developing World

BRINK: Isn't there a distinction to be made between the impact of government debt in a developed economy and its impact in a developing world economy?

ATKINSON: Yes, that's correct. If you're the United States, it's actually pretty easy to borrow, and you're going to be taxing and spending in the same currency. If you're a developing country, it's usually much more difficult to borrow in your own currency. If capital stops flowing in, your exchange rate is likely to go down and that will make repaying your debt — that is now more expensive in local currency terms — much more difficult.

The history of sovereign debt crisis from Latin America in the 70s, 80s, to Asia in the 90s and Russia and Eastern European countries after that, was because of that dependence on foreign currency borrowing, what has been called the original sin of countries borrowing in a currency

other than their own.

Now, in the last decade or so, many emerging market countries at a government level have started to be able to borrow in their own currencies and have deliberately done that. However, their corporations and their banks have borrowed overseas themselves, and when there's a crisis, that's another vulnerability.

Last year, ahead of the COVID crisis, the average debt of the 70 or so lowest-income countries was a little over 40% of their GDP. Whereas in the United States, it was approaching 100% of GDP. And in Japan, it was well over 200% of GDP. So that gives you a sense that it is much easier to support a lot of debt if you're an advanced economy, because your economy is more flexible and you can typically borrow in your own currency.

The Value of Automatic Stabilizers

BRINK: One use of debt has been to provide emergency relief and unemployment extensions in this crisis. Given this more benign view of debt, do you think that these programs might become permanent support programs, like universal basic income in some form, which would presumably result in debt levels being permanently higher?

ATKINSON: I'm not sure that the temporary increase in unemployment insurance will be extended in the U.S., and obviously a lot depends on what happens in the U.S. elections in November, but I certainly think it's a good idea to have more of what are called automatic stabilizers in the economic system.

In Europe, when there's a recession, governments' deficits automatically go up because the governments are

Special Features

automatically spending more to take care of people through what's called social insurance schemes. That happens a little bit in the U.S., but not much. It would be much better, in fact, if there were more automatic stabilizers like this built into the budget.

I am not a fan of universal basic income. It would cost too much and not everyone needs it, so much of the spending would be unnecessary or wasteful. I would focus instead on providing generous income support for those who need it. But as an economist, I would prefer to have a simple system of income support than a complicated array of different programs — whether on food, on rent or on higher education — but that's not so politically attractive.

Looking long term, you also need to have more tax revenue in the U.S. to support spending that we urgently need on social programs, education and so on to help to address the enormous inequities and systemic racism that more and more Americans are aware of. The U.S. raises 10 percentage points of GDP less than the average in the OECD. That means the U.S. has to curb its spending more than other advanced economies in order to hold its deficit at the same level.

Brink News

How Insurers Can Better Serve Retirees in Asia Post-Crisis

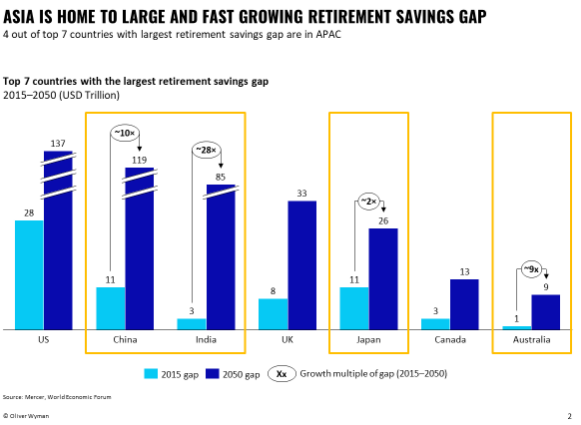
By Angat Sandhu and Ajit Rochlani, Oliver Wyman

The elderly have been severely impacted by COVID-19: Their mortality rates have been the highest, clusters have quickly spread in retirement homes and aged care facilities and the financial impact from the investment market disruption is acutely felt by those in or approaching retirement.

Caring for the more vulnerable isn't just a positive social action and government policy imperative, private sector organizations stand to gain financially and enhance their reputation by serving this population in a holistic way. With the status of retirees in Asia changing, there is an opportunity for insurers to respond.

The Opportunity

Approximately a quarter of the population in the Asia Pacific Region is expected to be over the age of 60 by 2050, reaching close to 1.3 billion people. Analysis from Marsh & McLennan Companies reveals that four out of the seven largest retirement savings gap countries are in Asia, and that this gap is expected to increase multifold by 2050.



The Challenge

The needs of retirees are diverse and not very well-understood, typically including a combination of affordable non-clinical care, comfortable accommodation, independence, maintenance of social connections and desired lifestyle, liquidity of assets and financial security, and wealth transfer after their time.

But the products that exist in the market today are quite narrow and are provided by a diverse set of players, each with a different degree of understanding of and focus on the retiree population. Providers from each sector have taken an existing product-led view, serving a limited need,

Special Features

DISPARATE PROVIDERS, EACH WITH OWN LIMITED PRODUCT VIEW

Level of success varies depending on multiple factors

Provider	Typical key offerings	Level of Customisation	Customer trust	Segment focus	Customer data
Bank	Savings products	◔	◕	◔	Financials
Insurer	• Savings and protection • Limited decumulation • Limited long-term care	◔	◑	◔	Basic profile
Wealth and Asset Manager	• Savings • Legacy and estate planning • Tax, Advisory	◕	◕	◑	Financials
Aged care and retirement homes	Specialist physical facilities	●	●	●	Health, behavioral
Healthcare specialists	Health needs	●	●	●	Health
Other specialists	In-home care specialists, travel and leisure, multiple others	◕	Variable	●	Lifestyle, social

© Oliver Wyman 3

based on limited data.

For some sectors and providers, for example, retirement homes and health professionals, this business model has been quite successful, given the large extrinsic demand, typically high barriers to entry and government or policy support. However, many financial services providers, particularly insurers and wealth and asset managers, have struggled to serve this population in an economic manner. Reasons for that are numerous and include limited understanding of the true customer need, reduced internal focus, short-term investment horizon and limited willingness to collaborate with other players.

The Way Forward

Today's new senior consumers are very different: They are aspirational, more aware and better-prepared, but despite that, they are still worried about their multiple unmet needs. Insurance companies in Asia can economically serve this population, but they need to go beyond the traditional product-led approach. They need to better understand the broader customer needs, innovate on propositions, stress-test the economics and partner with a range of providers to be able to own the segment.

Innovate: Traditional retirement products have had multiple challenges. For the customer, they have been addressing a narrow need and are often expensive. For insurers, they have been uneconomical and hard to sell. The combination of both has stymied innovation. But we are already starting to see some innovation: In China, multiple insurers are investing in retirement care community living projects with end-to-end services, including medical care and entertainment facilities that address multiple key needs of the senior population.

In Japan, insurance products and services like dementia insurance, home care services, lifestyle support desks and customer quizzes on dementia are being used to tackle the challenges of Japan's aging population and help the senior population live with a sense of security. Other insurance companies are forming partnerships with asset managers, health care providers, service vendors and others to address the needs of this population by forming an ecosystem of products and services.

Partner: Retiree needs may be broad and diverse, but given that their dependency on the external world is significantly high, most of the needs are core needs and not just good to have. For example, retirees have advisory needs for broader financial and asset management beyond insurance and that has implications for core product offerings as well; similarly, they have needs for health care. Insurers can serve some of the financial needs via the products they manufacture, but a holistic approach requires more than just the core insurance and retirement products. A range of partnership options are now available across asset management, health care, service providers and more, and the partnership models are rapidly evolving. At the core of this is the operating model, which insurers need to reshape and perfect.

Stress-test the economics: Players need to take a holistic view of the economics of serving this segment rather than just purely focusing on traditional standalone product economics. Many insurers and wealth managers may completely lose these customers as they enter retirement and cancel traditional products, but there is a significant opportunity to retain these customers longer.

The COVID-19 crisis will increase awareness among retirees on the need to reassess how their financial and health needs will be met in the future. They will be looking for greater security and may value it to a greater extent than they did in the past. Governments and health care players will re-examine the effectiveness and sustainability of their services. Insurance players have the opportunity to not only create material financial value, but also to provide peace of mind to those who need it most.

Brink News

Among Member Banks

BEA Launches GBA Cross-boundary Mortgage Loan

The Bank of East Asia (BEA) has announced the launch of its new cross-boundary mortgage loan service that helps customers looking to purchase properties in the Guangdong – Hong Kong – Macau Greater Bay Area (GBA).

Assisted by a team of professional consultants, customers will be able to handle their mortgage application from Hong Kong. The Service, which is available now, offers an accelerated, streamlined process that can see applicants receive pre-approval in just 10 working days. The Service covers four Mainland cities in the GBA (Guangzhou, Shenzhen, Zhuhai and Foshan) in its first phase.

"The improved connectivity of the GBA has sparked a growing demand for residential property in the region," said Ms Christine Lo, Head of Retail Lending Department at BEA. "Buying property in the GBA will, for many, be the first step to prepare for the future, and BEA is ready to cater to customers' near and long-term plans. We plan to further extend the Service to other Mainland cities, and collaborate with property developers to offer mortgage plans tailored to individual needs."

To be eligible for the GBA Cross-boundary Mortgage Loan, customers must be Hong Kong residents holding a Hong Kong Identity Card and a Mainland Travel Permit for Hong Kong and Macau Residents. The property to be purchased must be residential— first-hand (for selected property projects) and second-hand (for refinancing and mortgage-free properties). The loan amount can cover up to 50% of the purchase price or appraised property value, at a maximum of HK$10 million. Interest rate will follow the BEA Prime Rate (5.25% p.a. as of June 30, 2020) minus 1.5%, while maximum loan tenor is up to 20 years.

BEA News Release

State Bank of India to invest up to Rs 1,760 crore in Yes Bank's FPO

India's largest lender, State Bank of India (SBI) said on July 8 it may invest up to Rs 1,760 crore in private lender YES Bank's upcoming follow-on public offer (FPO).

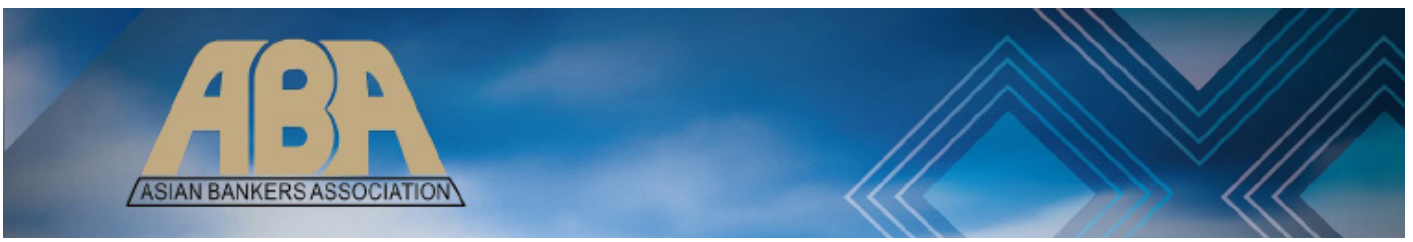
In an exchange filing, SBI said its executive committee of central board (ECCB) of state has accorded approval for a maximum investment of up to Rs 1,760 crore in the YES Bank FPO.

Late on July 7, YES Bank said its capital raising committee (CRC) of the Board of Directors has approved raising funds by way of an FPO. The FPO may be launched later this month, a person aware of the matter told ETMarkets.com.
YES Bank said the meeting of its CRC is scheduled to be held on or after July 10 to consider and approve the price band and discount, if any.

On March 5, the Reserve Bank of India had superseded the board of YES Bank and put it under moratorium. This moratorium was lifted on March 18 and the central bank handed over the charge to a new set of board members. Prashant Kumar was appointed the new MD and CEO of the bank.

Investors led by SBI, including Housing Development Finance Corporation (HDFC), Axis Bank, ICICI Bank, Kotak Mahindra Bank, Bandhan Bank, Federal Bank and IDFC First Bank invested Rs 10,000 crore in YES Bank.

Business Standard



Among Member Banks

MUFG to issue its own Stablecoin in late 2020

Mitsubishi UFJ Financial Group (MUFG) is reportedly planning to issue its own digital currency in the second half of 2020.

Initiated back in 2015, the digital currency project was originally designed to run on a blockchain network and facilitate instant peer-to-peer transactions. Following multiple delays, the initiative is now scheduled to be rolled out no later than 2020.

Hironori Kamezawa, president and CEO at MUFG, announced the new plans on July 13 to local news agency, the Mainichi Shimbun. As part of the upcoming launch, MUFG is reportedly planning to launch mobile retail payments powered by the digital currency in collaboration with its partner, the Recruit Group.

According to the report, Kamezawa said that nearly 1 million Recruit member stores have already signed up for this collaboration. "We think that everyone will be able to use it openly," the CEO noted, adding that MUFG token will be available to non-Recruit stores in future as well.

The MUFG token is designed as a blockchain-based stablecoin pegged 1:1 to the Japanese yen.
MUFG is the largest financial company in Japan. It was prospectively set to become the first Japanese bank to issue a digital currency. In September 2019, MUFG participated in a $14 million investment round for Coinbase-backed token issuance protocol, Securitize, alongside Banco Santander and Nomura Holdings.

Coin Telegraph

Mizuho to deploy billions in riskier funding to help Japan's firms with virus fallout

Mizuho Financial Group Inc. is ready to deploy "several billion dollars" in riskier funding to companies that need more capital to cope with the fallout from the coronavirus outbreak.

Japan's third-largest bank is in talks with corporate clients to provide financing via subordinated loans and purchases of preferred shares totaling more than ¥100 billion ($930 million), and is prepared to supply several times more, Chief Executive Officer Tatsufumi Sakai said.

Such transactions are a key growth area for Mizuho, which has been building its mezzanine and equity financing business to make up for shrinking profitability on regular loans at a time of low domestic interest rates. The pandemic is likely to fuel demand for such funding from struggling companies that need to beef up their balance sheets.

For lenders, subordinated credit and preferred shares are riskier than senior loans because they have less chance of recouping the money in case of default. For borrowers, they can count toward capital, helping them maintain or improve their credit ratings.

Even companies that have faced limited damage from the coronavirus-fueled recession are likely to seek this type of finance, according to Sakai, 60. Some may use it to grasp acquisition opportunities stemming from sharp declines in asset values, while others may need funds to reorganize their global supply chains, he said.

Mizuho has also been responding to a surge in demand for conventional loans in the wake of the pandemic. Sakai said the bank received requests for loans and other forms of financing totaling about ¥17 trillion, including ¥4 trillion overseas, and has provided ¥10 trillion.

Sakai said the bank will use money freed up by selling so-called cross-shareholdings — typically passive stakes in companies. Mizuho reduced those holdings by ¥147.8 billion last fiscal year and plans to offload a similar amount by March 2022.

Such financing tends to have better returns for lenders to reflect the bigger risks, and Sakai said it will give the bank better access to customers' strategic decision-making than the cross-shareholdings.

Bloomberg

Among Member Banks

Maybank, CGC jointly launch market-first hybrid loan facility for SMEs

Malayan Banking Bhd (Maybank) and Credit Guarantee Corporation (CGC) have launched a new financing facility worth a cumulative RM1 billion to assist small and medium enterprises (SMEs) in their cash flow management, especially for those facing liquidity issues after months of disruption to their business.

The SME Clean Loan/Financing Plus is a hybrid loan facility which combines overdraft (30%) and term loan (70%), with no collateral required as 70% of the total loan is guaranteed by CGC.

This financing facility is the first in the market and it is available in both Islamic and conventional financing schemes, according to the joint statement. It added that the financing amount offered ranges from RM250,000 to RM1 million for a minimum tenure of three years up to seven years.

Maybank and CGC are targeting to disburse the first RM300 million within the first year to benefit as many SMEs as possible. The SME Clean Loan/Financing Plus is available to all of Maybank's customers as well as those new to the bank.
As part of its commitment to support the country's SMEs, Maybank has approved RM4.9 billion financing to SMEs with an approval rate of 85% as at May 31, 2020. About 88% of its SME outstanding loan is currently on six-month moratorium from March to September 2020.

In addition, earlier this year, Maybank also introduced its instant online account opening services for SMEs via its online banking platform, Maybank2U, as part of its continuous effort to leverage digitalisation to provide greater convenience to SMEs.

Edge Markets MY

BML introduces online token system for branches, service centres

The Bank of Maldives, on July 10, introduced a virtual queueing system for its services rendered by Male' based branches and service centres via online queue tokens.

In a press release, BML noted that customers can utilize the 'QueeBee app' to request for the Bank's services that are unavailable via its ATM or online channels. Online tokens will be distributed from 8:00am to 12:00pm on banking days.

"While we encourage customers to bank from home, the introduction of online queuing will help save time and provide a better service experience for those customers who are required to visit a branch", said BML's CEO and Managing Director Tim Sawyer.

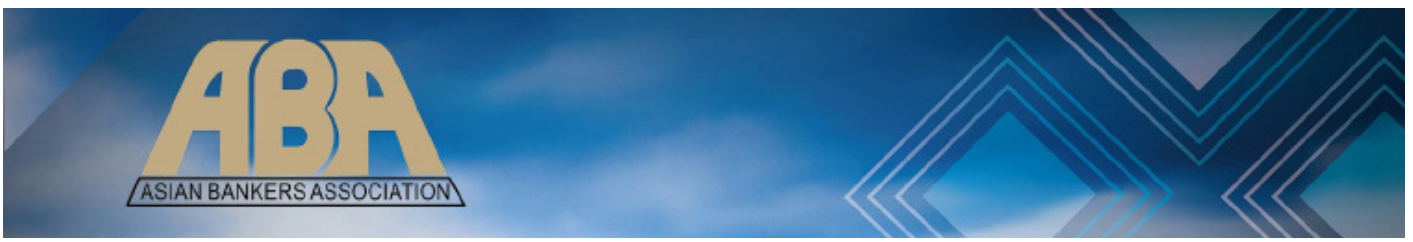
The services available through the app will be limited to BML's branches in the Greater Male Region, including its branches in capital Male', Vilimale' and reclaimed suburb Hulhumale'. However, customers seeking its services at BML's Account Opening Centre, Loan Centre, and business centres are required to make prior appointments via the Appointment Portal on the Bank's website.

As part of the company's social distancing measures, customers will only enter the premises when there are two customers remaining ahead in the "waiting position" indicated on the App

Elderly customers and those requiring special assistance will be served at BML's branches and service centres without the need for online tokens or prior appointments.

Reiterating its commitment to safeguarding the health and safety of customers and employees, BML encouraged users to bank from home for everyday banking, and to use the services available online.

The Edition



Among Member Banks

Mongolia's Trade and Development Bank merges with Ulaanbaatar City Bank

Mongolia's Trade and Development Bank (TDB), the country's oldest bank with 30 years of history, announced on June 29 that it would be merging with the Ulaanbaatar City Bank (UBCB).

The Bank of Mongolia approved the merger on June 23, 2020. All assets, liabilities, equities and branches of UBCB will be consolidated into TDB, taking effect from June 29. TDB will further serve all UBCB clients starting from this day.

Ulaanbaatar City Bank, named after the Mongolian capital, had been operating successfully for 21 years since 1999. The bank has been making the list of the TOP-100 enterprises, announced by the Mongolian National Chamber of Commerce and Industry (MNCCI) every year, and is one of the six systemically important banks in the banking system, as defined by the Bank of Mongolia.

According to a statement issued on the TDB website, "As a result of the merger of two systemic banks, TDB strengthened its capacity by 400 experienced employees, 33 branches and settlement centers, and over 1,900 merchants. Strengthened human resources, expanded customer base and adequacy of bank branches significantly contribute to achieving our strategic goal of closely serving our customers."

t"Moreover, the merger increases the total assets, shareholders' equity of TDB and improves profitability, liquidity and other key financial ratios and measures. We believe that we will continue to meaningfully contribute to the prosperity of the country through current and future business activities, values we create for our customers, as well as through innovative products and services we will introduce to the market."

Mongolian News Agency

PNB and Ninja Van build safer and faster remote payment collection

The partnership of Tech-enabled express logistics company Ninja Van Philippines and Philippine National Bank (PNB) is making it easier and safer for small and medium business customers across the country to receive payments and manage cash flow during COVID-19 and beyond.

Launched in Singapore in 2014, Ninja Van Philippines provides hassle-free delivery services for businesses of all sizes across Southeast Asia. It started operating in the Philippines in 2016. To date, Ninja Van has some 7,000 motorcycle riders all around the archipelago.

Ninja Van Philippines has been a partner of PNB for its Corporate Remote Collection Settlement service since August 2019. PNB serves as a settlement bank for client payments to Ninja Van coursed through Palawan Pawnshop – Palawan Express Pera Padala (PPS-PEPP), one of the country's leading pawnshop and remittance service companies.

PNB CEO Wick Veloso said the bank is accelerating its digital transformation as it adapts to more "new normal" banking strategies. PNB will continue to provide customized financial solutions and help customers move forward during this difficult period.

Through its institutional banking business, PNB is helping corporate clients like Ninja Van by partnering with non-bank financial institutions like PPS-PEPP to strengthen the client's value chain.

PNB's sector head for Institutional Banking, EVP Cenon "Jun" Audencial, Jr., said that, "Beyond branch banking, PNB is committed to take care of our clients' entire ecosystem – from funding their projects to managing their assets to providing access to suppliers and service providers that will enhance their operations."

Part of PNB's Institutional Banking business is the Ecosystem Division. This team manages the end-to-end requirements of the clients from creating, developing, selling and marketing customized and innovative financial solutions. It creates credit programs, innovative solutions, trade and customized cash management products. Currently, special focus is given to developing digital financial solutions and customized credit programs.

PNB News

Among Member Banks

RCBC unveils financial inclusion 'super app'

Rizal Commercial Banking Corp. (RCBC) has entered the mobile banking race with the launch of "DiskarTech," touted as a financial inclusion "super app" that offers in sachet format vital services needed by "unserved" and "underserved" consumers.

Apart from deposit-taking, the app facilitates cardless automated teller machine (ATM) withdrawals as well as cash-out from thousands of agent partners nationwide, fund transfers, bills payments, purchase of airtime load and gaming pins, quick response (QR) code transfers and even telemedicine, or offsite medical consultation. More services are expected to be introduced, including microinsurance and a marketplace for enterprising Filipinos.

DiskarTech allows users to quickly create their own basic deposit accounts through one-time registration via an electronic know-your-customer (eKYC) digital process. It does not require an initial amount or maintaining balance. The interest rate on the deposit account is offered at 3.25% per annum.

A goal-oriented digital savings feature also allows users to set their life goals, reminding them when to top up their savings to meet such goals, like saving for a motorcycle downpayment, or a laptop or mobile phone purchase.

The new app uses the backroom of parent bank RCBC itself but the bank is set to apply with the Bangko Sentral ng Pilipinas (BSP) for a rural bank license for a digital-centric banking business model, under which Diskartech will be folded into.

According to DTI (Department of Trade and Industry) Secretary Ramon Lopez, DiskarTech's will benefit micro, small and medium enterprises. He added that the department will promote DiskarTech through training programs across DTI's more than 1,000 Negosyo Centers nationwide.

Philippine Daily Inquirer

Doha Bank bids to bring in more financial firms from Japan to invest in Qatar's capital market

Doha Bank is strengthening operations in its rep office in Japan to bring in more financial institutions from there to invest in Qatar's capital market, especially through its exchange traded fund (QETF), as the two countries will celebrate the golden anniversary of bilateral relations next year.

Addressing a webinar on 'Bilateral and Synergistic Opportunities between Qatar and Japan', Doha Bank chief executive Dr R Seetharaman said Japanese investors can get easy access to Doha's growth through investing in the domestic equity market via its QETF and also financing Qatar mega infrastructure projects and via direct investments.

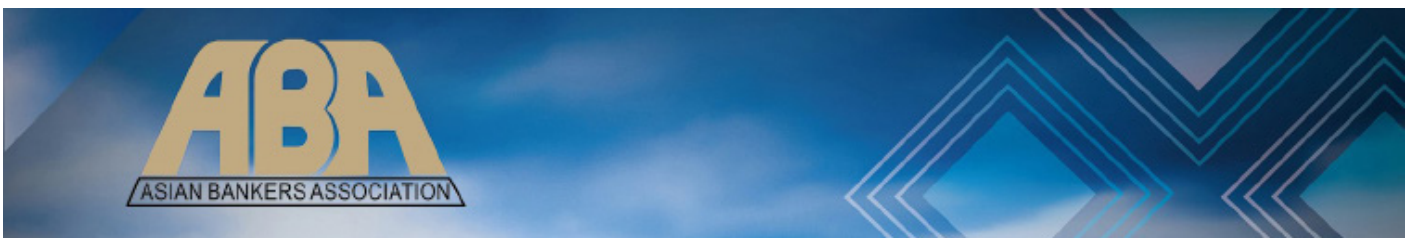
"We should invite the Japanese banks to use Doha Bank as an ultimate opportunity in this part of the world and we will further strengthen it through our representative office," he said in the presence of Japanese ambassador Kazuo Sunaga. Gudni Stiholt Adalsteinsson, Head of Treasury and Investment, Doha Bank said if one looks through the lens of global investment, then Qatar's capital market represents strong fundamentals and good relative value.

For the fixed income investors, Qatar's bonds offer "very good" returns, he said, highlighting that in dollar terms it was 2% and in the local currency terms, it was 3.5%. ETFs, which offer lot opportunities for the global investors, have reported returns in excess of 16% since its inception.

Seetharaman said Qatar is the number one trade partner of Japan and liquefied natural gas (LNG) forms major part of this trade.

On the SME (small and medium enterprises) sector, he said opportunities exist in cluster-based development and in the SME equity fund to support startups/emerging large corporates. "The bilateral relations between the two countries, which will complete 50 years next year, have reached new heights," he said, adding Qatar can look for investment opportunities in Japanese equities, infrastructure projects and retail space.

Gulf Times



Among Member Banks

DBS announces pandemic care packages

DBS Bank Taiwan announced plans to donate NT$25.42 million (US$857,191) to distribute more than 50,000 food and care packages to those seriously affected by the COVID-19 pandemic in Taiwan.

The donation comprises S$1 million (US$717,379) from the bank and NT$2.92 million from its 934 employees and 338 clients, DBS general manager Lim Him-chuan told a media briefing in Taipei.

DBS would spend the money purchasing goods such as organic rice, dried noodles, fish floss, corn snacks and sanitizer from social enterprises for the packages, each of which would be worth NT$500, Lim said.

The Singaporean lender, which concentrates on providing loans to social enterprises in Taiwan, is supporting local businesses by buying their products, as sales have diminished as consumers turned conservative amid the coronavirus outbreak, he said.

The bank would hand out a total of 50,850 food and care packages to elderly people and low-income households in the nation's 22 counties in cooperation with the Alliance of Taiwan Foodbanks, Lim said.

Taipei Times

UOB's The FinLab launches online platform to help more ASEAN SMEs transform their business digitally

The FinLab, United Overseas Bank's (UOB) innovation accelerator, has launched The FinLab Online, a digital platform to help SMEs and start-ups across ASEAN implement digital solutions to transform their businesses.

Since its launch in 2015, The FinLab has received interest from more than 2,000 businesses in Singapore, Malaysia, and Thailand who want to embark on or further their digitalisation journey. In bringing its innovation programmes online, The FinLab is creating the opportunity for more ASEAN business owners and entrepreneurs to access The FinLab's tried and tested business transformation programmes.

SMEs will be able to tap the expertise of industry mentors through video tutorials and webinars, as well as sign up for The FinLab Online Programme to conduct a free self-assessment of their technology needs based on The FinLab's proprietary business analysis tools. They will then be guided on digitalisation strategies and solutions to address immediate business challenges and be matched with relevant technology solution providers.

For example, The FinLab Online's community network will enable SMEs and start-ups to tap relevant digital solutions specific to their business and operational needs such as e-commerce, marketing, human resources, administration and customer relationship management. Members will also be able to learn from and leverage additional resources provided by The FinLab Online's ecosystem of partners such as the Malaysia Digital Economy Corporation (MDEC).

Membership to The FinLab Online community is free and registration is open to all SMEs and start-ups in ASEAN.

UOB Newsroom

Among Member Banks

HNB announces exclusive partnership with myfees.lk

Hatton National Bank (HNB PLC) has announced the beginning of an exclusive partnership with Sri Lanka's first and only local education payment platform, myfees.lk.

Powered by HNB, the payment platform offers parents and educational institutes alike a seamless collection and reconciliation process for payments at the click of a button. Specifically targeting the education sector, this new partnership offers a secure, convenient and easy payment facility for all.

"The COVID-19 pandemic saw the education sector shift to digital platforms to ensure its uninterrupted continuation during the lockdown period. As a private sector bank continuously making headway in the digital spectrum we are happy to power this innovative and convenient payment platform to facilitate parents and educational institutes," HNB Deputy General Manager- Retail and SME Banking, Sanjay Wijemanne said.

Users simply need to log in to myfees.lk, fill in the relevant information and pay with the click of a button, saving time and the hassle of travelling. With payments accepted via all major credit and debit cards, the platform requires zero paperwork and has a record of all past payments.

"The significant number of educational institutes which have onboarded the MyFees platform is very encouraging in terms of the shift to digital platforms in Sri Lanka. Our partnership with HNB further cements the trust placed on us and offers us the flexibility to add new value-added services for students and institutions. We are excited about the growth of MyFees and we are evaluating the regional expansion of the platform which we feel has tremendous potential," MyFees Director Faiq Faaiz said.

HNB Media Center

Bank SinoPac touts NT$1bn solar power financing deal

Bank SinoPac is set to lend NT$1 billion (US$33.8 million) to GreenHarvest Co Ltd for the construction of a 5-megawatt rooftop solar power station in Hsinchu County, the bank said on July 7.

GreenHarvest would then sell the energy to Nanzong Construction Developments Co Ltd through electricity retailer Mr. Watt Co Ltd..

It is Bank SinoPac's first project financing for a renewable energy company that sells power to private firms rather than to state-run Taiwan Power Co, SinoPac senior executive vice president Stephen Ou Yang told a news conference in Taipei. It is also the first project financing for solar energy in the nation.

The risks of financing solar power companies selling electricity to Taipower are low, as Taipower tends to buy electricity at fixed prices, using feed-in tariff (FIT) rates that are maintained for 20 years, which provides companies with a stable source of revenue.

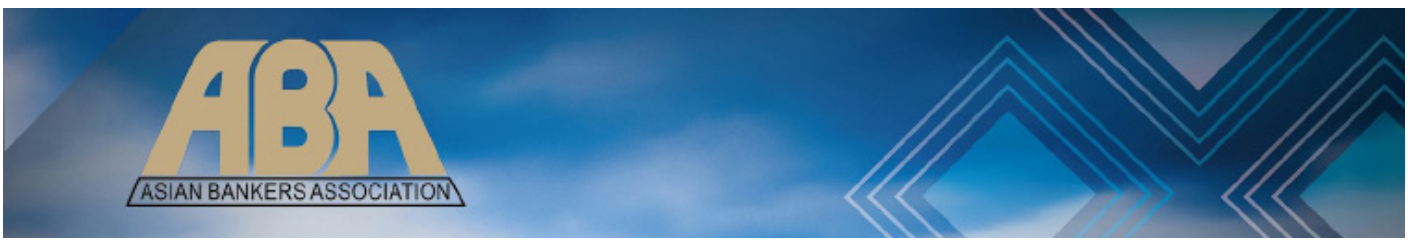
Given that Nanzong Construction, a unit of Nankang Rubber Tire Corp, has decent financial strength and should be able to honor its promise to purchase the energy for a decade, the risks for this project are not predicted to be high.
The interest rate for the loan is "competitive," as the bank hopes to lend money to more renewable energy companies, Ou Yang added.

Bank SinoPac expects more renewable energy companies to choose to sell their power to private companies, as the Ministry of Economic Affairs has been reducing FIT rates over the past few years.

While most renewable energy buyers in Taiwan are technology companies, because of the requirements of foreign clients such as Apple Inc, Nanzong Construction decided to buy the energy for use in its pre-sale housing complex, the Global One.

The power station is expected to generate 6 million kilowatt-hours of electricity per year, meaning that renewable energy would make up 20% of the power used in the complex.

Taipei Times



Among Member Banks

CTBC named Taiwan's Best Domestic Bank, Best Corporate and Investment Bank by Asiamoney

CTBC, Taiwan's largest private sector bank, has been named Best Domestic Bank, and Best Corporate and Investment Bank by Asiamoney— a financial publication in the Asia-Pacific region.

Each year, Asiamoney, a division of the global media group Euromoney Institutional Investor PLC, identifies banks in each market that have excelled across a range of core banking activities over 12 months for the Asiamoney Best Bank Awards.

CTBC, run by chief executive James Chen, has a dominant position in its home market and a growing overseas network. The bank has already built a network covering 14 countries, which it continues to expand: earlier this year it opened a new Chinese branch in Shenzhen. It also fared well in the first quarter of 2020 despite the impact of the coronavirus.

The Asiamoney Private Banking Awards 2020 also named CTBC the Best Domestic Private Bank and Best for HNW. Special mention was given to CTBC's 'Private Privilege' division, which has the aim of offering world-class wealth management services to upper high and ultra-high net-worth customers, from relationships managers with at least 15 years' experience in the financial industry. Asiamoney notes that the quality of service compares keenly with those on offer at any global private bank, ranging from wealth transfer and succession planning to family offices and trusts.

Euromoney

BBL to apply Bank Permata model globally

Bangkok Bank Ltd. (BBL) is conducting a feasibility study on applying the retail business model of its Indonesian subsidiary PT Bank Permata to the bank's international network.

The strong digital banking platform of Permata could open more opportunities in retail banking business for BBL in the regional market, said BBL's executive vice-president Suwatchai Songwanich.

BBL Thailand's most extensive international banking business network with 32 offshore branches in 15 economies. In Indonesia the bank has a branch in Jakarta and two sub-branches in Surabaya and Medan. It acquired an 89.1% stake in Permata for 73.7 billion baht in May, and is making a mandatory tender offer for the remaining 10.9% stake. Mr. Suwatchai said Permata would revise some business plans in response to impacts from the coronavirus outbreak. For its retail banking business, however, digital banking would be the key area to facilitate business growth.

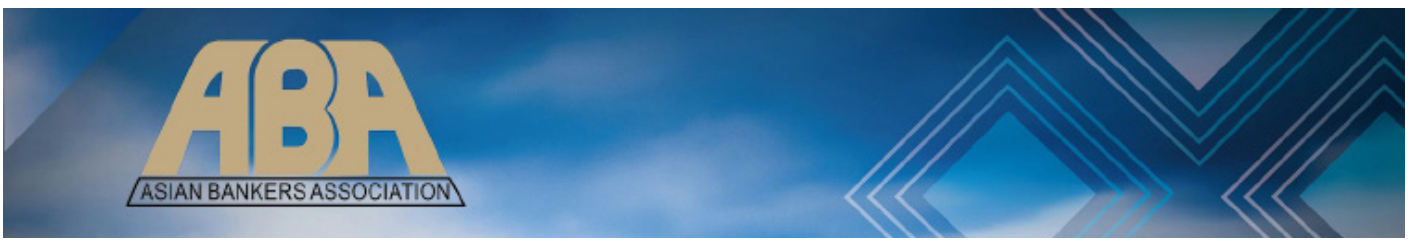
Permata's mobile banking app, PermataMobile X, is the most popular mobile banking service in Indonesia with more than 1 million downloads. Given the strong brand of both Bank Permata and PermataMobile X, BBL will keep their existing names unchanged for business operations there.

With consumers' changing digital lifestyle, platform development of the retail banking business of Permata could generate larger income in the long term, said Mr Suwatchai.

The income structure breakdown of Permata has corporate and small and medium-sized enterprise (SME) businesses contributing the largest income portion at 40% each, with retail business making up the rest.

Despite impacts from the pandemic, Permata has high business potential in the long run thanks to Indonesia's economic growth, which is expected to be flat or a marginal expansion of 1%. By comparison, the Thai economy is forecast to have a 8-10% contraction.

Bangkok Post



Among Member Banks

Vietcombank to maintain lending standards

Vietcombank, Vietnam's largest bank, will not lower lending standards in the post-pandemic stage to keep capital healthy in 2020, chairman Nghiem Xuan Thanh has said.

The bank will raise the quality of credit to cope with the country's economic development after the COVID-19 pandemic is over, he said at the bank's annual shareholder meeting on June 26.

Vietcombank will overhaul business activities to reduce the quantity of lending and increase retail sales, which include service charging and capital investment. The bank will look for new customers, review wholesale credit policy, increase investing in financial bonds and improve its banking investment division.

In 2020, Vietcombank eyes total assets rising 7% year-on-year to 1.3 quadrillion VND (55.9 billion USD). Raised capital is projected to gain 8% year-on-year to 1 quadrillion VND and outstanding loans are forecast to increase by 10% year-on-year to 815.5 trillion VND. The bad debt ratio is set to be kept below 1.5% in 2020, with the dividend rate 8% for this year and the bonus paid in cash or shares.

Vietcombank did not set a specific earnings target for 2020. The performance will be decided upon Vietnam's economic development in the post-virus stage and the earnings plan will have to be pending for the central bank's approval, chairman Thanh said.

At a meeting in mid-April, deputy governor of the State Bank of Vietnam Dao Minh Tu asked all State-controlled banks to cut at least 40% of total profit to help local businesses deal with COVID-19.

Vietcombank recorded little annual change in its six-month profit. The figure in the first half of 2019 was 11.3 trillion VND. In 2020, the bank will raise its charter capital by issuing bonus shares and selling shares in a private deal to raise its capital adequacy ratio (CAR) to the minimum 9.24% under Basel II standard.

Vietcombank will issue dividend shares at an 18% ratio to up charter capital by 6.67 trillion VND to 43.76 trillion VND in the third or fourth quarter of the year.

In addition, a maximum of 241 million shares or 6.5% of the bank's capital, will be sold in a private deal to raise some 2.41 trillion VND for charter capital. The bank also plans to hire more than 2,200 new employees in 2020.

VNA

Commerzbank board meets amid leadership void after top resignations

Commerzbank's supervisory board formally accepted the resignation of its chief executive at a meeting on July 8 amid a continuing leadership vacuum at the top of Germany's No. 2 bank.

Management also presented strategic options to the board, which included 10,000 job cuts, 500 branch closures, and restructuring costs of 1.5 billion euros ($1.7 billion), two people with knowledge of the matter said.

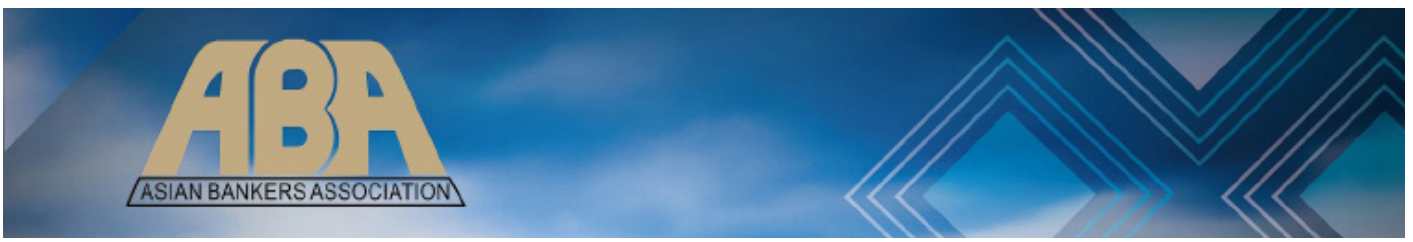
On July 3, chief executive Martin Zielke and supervisory board chairman Stefan Schmittmann said they would step down to give the bank a fresh start. This followed a public campaign for change by a top investor, the U.S. private equity firm Cerberus, which holds a 5% stake in the bank.

The board tasked a committee headed by Schmittmann to look for external candidates for both the CEO and supervisory board, the people said, adding that they are expected to vote on a new chairman at a meeting on August 3.

The board rubber-stamped a recommendation to accept Zielke's resignation by year-end. "Zielke has declared his willingness to continue to perform his duties until a successor has been appointed," Commerzbank said.

A priority for some top investors was to identify a new chair before moving forward with a CEO search and restructuring. However, sources say some obvious candidates for the chair already on the board have signaled they do not want the job.

Reuters



Banking and Finance Newsbriefs

Hong Kong

Hong Kong launches US$15.5 million subsidy plan to encourage hiring of fintech professionals

Hong Kong has launched a new HK$120 million (US$15.5 million) wage subsidy plan that will encourage companies in the financial sector to hire 1,000 financial technology professionals over the next 12 months.

The government will subsidise the salary of one full-time new hire with HK$10,000 every month for a year as part of the FinTech Anti-epidemic Scheme for Talent Development (FAST), and companies can apply for the funds from July 2, according to Christopher Hui Ching-yu, the city's Secretary for Financial Services and the Treasury.

FAST is the latest in a series of plans launched by the Hong Kong government to prevent more job losses and to create new jobs. The city's unemployment rate hit 5.9% in the three months from March to May, its worst in 15 years. The rate of unemployment among those aged 15 to 25 stood at 18.2%. The scheme is part of the government's HK$6 billion Anti-epidemic Fund, which aims to create about 30,000 jobs in the next two years, according to Hui.

Candidates qualifying for FAST jobs must be Hong Kong residents with qualifications such as a university degree or other accredited certification in artificial intelligence, blockchain, information technology, accounting or business management. Companies applying for FAST funds must be registered in Hong Kong and commenced business before January 1, 2020. They must also be conducting substantive fintech activities at a fixed physical office in the city.

Government-owned Cyberport has been appointed to administer the scheme. Companies will have six months to hire candidates upon approval of funding.

"The subsidy is not particularly high, but it will encourage companies to hire," said Gordon Tsui Luen-on, chairman of the Hong Kong Securities Association.

South China Morning Post

India

India loan moratorium may continue for select sectors post August

India's finance ministry has started consulting with various industry leaders and the banks about the necessity of extending the loan moratorium beyond August, when the second three-month long respite ends. According to industry sources, the government wants to continue the moratorium for companies in most affected sectors such as automobile, steel, hospitality and real estate for another three months until November.

It is also considering the one-time loan restructuring demand of the industry bodies. Finance minister Nirmala Sitharaman earlier said, "We are in intense engagement with the RBI for a one-time restructuring of debt and finances for businesses." The idea is to help businesses to exit the crisis honourably, she added.

However, the government is worried with the way some of the corporates are making use of the moratorium scheme to preserve their liquidity, though they didn't face any cash flow crisis. It is not clear how the government and RBI will be able to tweak it to avoid exploitation of the scheme.

The RBI had, on March 27, allowed commercial banks, co-operative banks, financial institutions, and non-banking finance corporations (NBFCs) to offer a moratorium on payment of installments of all term loans outstanding as of March 1 to help alleviate hardship of borrowers. A total of 3.2 crore account holders in state-owned banks availed the moratorium on loans, the Finance Minister's Office tweeted in May.

Business Today

Banking and Finance Newsbriefs

Japan

Japan Finance Ministry names new top bureaucrat, currency diplomat

Japan's Finance Ministry reshuffled its top brass on July 14, with Budget Bureau chief Mitsuru Ota promoted to the highest-ranking bureaucrat and International Bureau head Kenji Okamura to the currency diplomat.

Ota, 60, who has been leading the bureau with compiling state budgets since July 2018, will replace Shigeaki Okamoto, 59, as vice finance minister.

During Ota's tenure as Budget Bureau chief, Japan raised the consumption tax rate from 8% to 10% last October. Prior to that, Ota was chief of the Financial Bureau.

Okamura, 58, named as new vice finance minister for international affairs, will be succeeding Yoshiki Takeuchi, 60. At the Financial Services Agency, Ryozo Himino, 60, vice minister for international affairs, will lead the financial watchdog, taking over from current commissioner, 61-year-old Toshihide Endo.

The Mainichi

Korea

South Korea Unleashes New Property Curbs Amid Soaring Prices

South Korea's government said it will raise property taxes for multiple-home owners, marking the latest action to curb excessive house price gains that have fueled public discontent over inequality and property speculation.

In a July 10 statement, Finance Minister Hong Nam-ki said real estate taxes will be raised for short-term home sellers, and for those who own more than one residential property.

The government said in a separate release it will seek to increase home supply by considering measures including the easing of regulations on urban development and the use of state-owned land to build new houses.

Affordable housing has been one of President Moon Jae-in's key policy objectives since taking office in May 2017. Yet a mismatch of supply and demand in popular neighborhoods and widespread investment purchases have seen prices soar in Seoul. Record-low interest rates aimed at supporting the virus-hit economy have also contributed upward pressure on prices.

The Moon administration has already unleashed a series of measures that have cooled price increases in many parts of the country. The challenge is to come up with further steps that can address the remaining pockets of soaring prices without buckling the wider property market or limiting potential stimulus for a sputtering economy.

Bloomberg

Malaysia

Malaysia drops key interest rate to a record low

Bank Negara Malaysia, Malaysia's central bank, cut its benchmark interest rate by 25 basis points to the lowest on record and warned of lingering downside risks to the reopening economy, following months of lockdown to contain the COVID-19 pandemic.

The overnight policy rate was reduced to 1.75%, the lowest in records dating back to 2004, as predicted by 14 of 25 economists surveyed by Bloomberg. Four had forecast a 50 basis-point cut, while seven had expected no change.

The rate cut "provides additional policy stimulus to accelerate the pace of economic recovery," the central bank said in a statement. Policymakers "will continue to assess evolving conditions and their implications on the overall outlook for inflation and domestic growth."

Bank Negara Malaysia's fourth straight rate cut comes hours after the Malaysian finance minister alluded to the fiscal and monetary policy space available to continue supporting the economy amid the worst unemployment in decades and three straight months of deflation.

Bloomberg

Banking and Finance Newsbriefs

Nepal

Nepal Central Bank plans to refinance all 753 local bodies

Nepal Rastra Bank (NRB), the Central Bank of Nepal, is preparing to refinance all the 753 local bodies through the upcoming Monetary Policy. It is preparing to do so with an aim to uplift the economy which has been hammered by the coronavirus contagion.

Speaking at the Finance Committee under the Federal Parliament on July 13, NRB Governor Maha Prasad Adhikari mentioned that providing such loans to the local levels will increase employment opportunities. He said that it would also help boost self-employment and economic activities at the local level.

A provision will be made in the Monetary Policy for institutions to get such loans at up to 3% interest and businesses run by women can avail them at 5% interest rate, he informed.

Governor Adhikari also stated that loans can go up to Rs 200 billion in the next fiscal year, and said the refinancing system will remain in place as long as the coronavirus effect remains.

"If a person comes to the market with an innovative and saleable business idea but a bank refuses to provide loans then the central bank will look into the issue," he said.

Adhikari added that NRB has also held discussions with the Securities Board of Nepal, Nepal Stock Exchange and banks and financial institutions regarding the Monetary Policy.

Adhikari also informed that NRB is planning to take Agricultural Development Bank forward by making agricultural credit its top priority. Similarly, for the development of small and medium enterprises, the idea of handing over the responsibility of providing industrial loans to a single bank has also been discussed.

Himalayan Times

Philippines

Philippine central bank defers new compliance rating system for banks

The Bangko Sentral ng Pilipinas (BSP), the Philippines' central bank, has deferred by six months the deployment of a more forward-looking compliance rating system in assessing the compliance of banks and other financial institutions in mitigating business risk.

BSP Deputy Governor Chuchi Fonacier said that the Monetary Board has issued a resolution approving the revised timeline for the adoption of the Supervisory Assessment Framework (SAFr) to Jan. 1, 2021 instead of July 1, 2020.

The new framework would replace the CAMELS (capital adequacy, asset quality, management earnings, liquidity, and sensitivity to market risk) and the ROCA (risk management, operational controls, compliance and asset quality) rating systems implemented in 2013.

Under the new compliance rating system, supervisory attention continues to be proportionately focused on financial institutions that are of greater impact and higher risk, while prompt and calibrated enforcement actions are deployed to reinforce prudent risk-taking behavior.

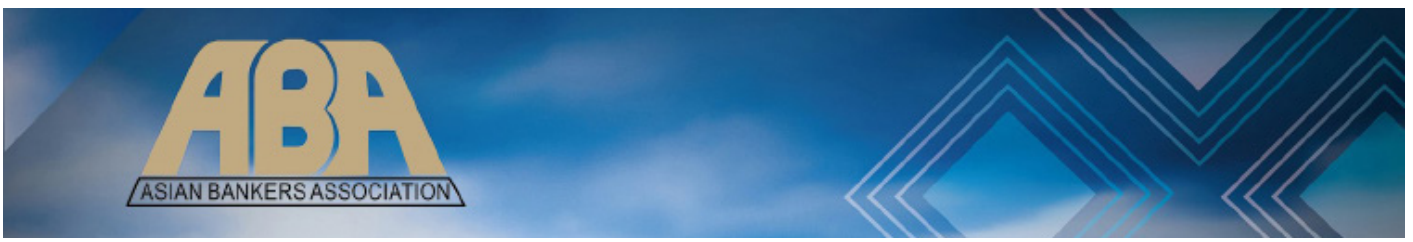
The principles, concepts and processes of the SAFr apply to all BSP-supervised financial institutions, regardless of size and risk profile. It also facilitates the conduct of consolidated supervision, where impact and risks are viewed on a group-wide basis.

It uses a four-point rating scale instead of five and is more forward looking compared to the CAMELS.

The proposed framework will be used as an assessment tool to comprehensively evaluate during on-site examination the effectiveness of banks and the supervised financial institutions' compliance system in mitigating business risks.

The BSP has the flexibility to determine the frequency of examinations, unlike the previous central bank charter that requires bank examination once every 12 months.

The Philippine Star



Banking and Finance Newsbriefs

Singapore

Singapore plummets into a recession

Singapore's economy shrank more than 40% in the second quarter as the COVID-19 pandemic plunged the Southeast Asian financial hub into a recession for the first time in more than a decade, official data showed on July 14.

The 41.2% quarter-on-quarter drop was the worst ever recorded in the city-state. On an annual basis, the economy contracted 12.6% in the first six months of this year, data released by the Singaporean Ministry of Trade and Industry showed.

It marked the second consecutive quarter of contraction, meaning that the city-state has entered a recession for the first time since 2009, when it was battered by the global financial crisis.

The trade ministry said that the huge contraction was because of restrictions imposed from early April to early June to stem the spread of COVID-19, which included the closure of many businesses. It also attributed the shrinkage to weak external demand, as other countries imposed strict lockdown measures.

The figures showed that the construction sector shrank 54.7% year-on-year and 95.6% from the previous quarter and services, including tourism-related businesses and air transport, fell 13.6% year-on-year, but manufacturing expanded 2.5% from the same period a year earlier, mostly because of an output increase in the biomedical sector.

The country's government has announced about S$100 billion (US$71.72 billion) in stimulus packages, but the poor data could pile pressure on leaders to do more.

AFP

Sri Lanka

Sri Lanka Central Bank Selects Shortlist for Blockchain Proof-of-Concept

Sri Lanka's central bank has selected a shortlist of three firms to develop a proof-of-concept (PoC) for a shared Know Your Customer (KYC) facility using blockchain.

The project was initiated in fall 2019, according to a report from Sri Lanka's Daily Mirror on July 2. The central bank is looking to establish a blockchain-based facility that would enable the government and the banking sector to securely share and update customer data nationwide.

According to D. Kumaratunge, the central bank's director of payments and settlements, the bank received 36 applications for the project, from both local and international firms, from which it whittled down its choices to a shortlist of three. One of the three is reported to be an unnamed foreign tech firm.

The three shortlisted firms will now proceed to develop the PoC — a process that is expected to take between six to nine months. Once it has been completed, the developers will submit their report on the PoC to be evaluated by the payments and settlements department, the National Payment Council, and finally the Monetary Board.

Several Sri Lankan banks have already agreed to join the project, Kumaratunge said. The central bank expects the potential benefits of the shared KYC facility to include the more efficient onboarding of new customers, lower administrative costs and therefore, it hopes, improved financial inclusion in the country.

Coin Telegraph

Banking and Finance Newsbriefs

Taiwan

Taiwan NDC unveils four-year economic development plan

Taiwan's National Development Council (NDC) on July 13 unveiled a four-year economic development plan with an aim to pursue GDP growth of 2.6 to 3.4% backed by 5G wireless communication, artificial intelligence and technology supply chain realignment.

The council mapped out economic goals that also seek to bring the jobless rate down to 3.5 to 3.8%, with increases of 1 to 1.5% in consumer prices.

Investment pledges of more than NT$1 trillion (US$33.8 billion) from companies returning from China to cope with the COVID-19 pandemic and US-China trade tensions would fuel economic growth in the coming years and help build Taiwan into a global high-tech hub.

From semiconductors to servers, and from data centers to critical electronic components, the related sectors have been benefiting from a boom in demand for remote learning and working arrangements amid the outbreak.

Acording to NDC Minister Kung Ming-hsin, "The virus will remain a threat to the global economy until the development of vaccines." He added that vaccines would be developed eventually. In the meantime, the government would continue to shore up the "five plus two" industries and take steps to overcome expected declines in consumer activity due to Taiwan's fast-growing aged population.

An NDC committee proposed a public works budget of NT$141.46 billion for next year to prop up the nation's economy. Public works intended to improve the transportation infrastructure account for 47.36% of the budget, followed by environment enhancement spending at 22.17%, and funds to protect forestry and water resources, as well as disaster prevention at 12.46%, the council said.

Taipei Times

Foreign investment in Taiwan has risen 40%, ministry says

Foreign investment in the first quarter increased 40% and local procurement by foreign companies surged 109% year-on-year, Taiwan's Ministry of Foreign Affairs said in a statement.

The ministry, in cooperation with economic agencies, through its more than 100 overseas offices helped attract foreign investment totaling US$350 million in the first three months of the year, compared with US$250 million in the same period last year, it said.

Local procurement by foreign companies totaled US$230 million in the first quarter, up from US$110 million a year earlier. Trade with the nations targeted by the government's New Southbound Policy increased 5% year-on-year from US$26.09 billion to US$27.37 billion, the ministry said.

The policy was launched by President Tsai Ing-wen in 2016 to enhance exchanges with the 10 ASEAN members, as well as Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka, New Zealand and Australia.

The ministry's overseas offices promoted economic and trade relations with the policy's target nations, and their efforts helped Taiwanese companies win the bids for five projects worth about US$1.65 million. Demonstration farms were also set up in Indonesia and Vietnam, as well as a model mushroom farm in the Philippines.

To strengthen bilateral economic relations, the ministry helped facilitate the passage of 16 Taiwan-friendly resolutions and laws in the US, including the Taiwan Allies International Protection and Enhancement Initiative Act, which encourages the US trade representative to improve trade and economic relations with Taiwan.

It also facilitated the signing of 12 economic agreements or memorandums of understanding with several other nations, such as an agreement on mutual recognition of organic products between Taiwan and New Zealand, as well as the Taiwan-Australia Organic Equivalency Arrangement.

Taipei Times

Banking and Finance Newsbriefs

Thailand

Thailand's financial system more vulnerable, says BoT

The Thai financial system has become more vulnerable due to the more-than-expected contraction of the economic outlook in light of the COVID-19 situation, according to the Bank of Thailand's (BoT) monetary policy committee's latest update.

The Committee assessed that the Thai economy would contract by 8.1% in 2020 but would expand at 5.0% in 2021 in tandem with a gradual improvement in both domestic and external demand.

However, the Bank of Thailand warned that the Thai economy would contract this year more than the previous assessment due to the more-severe-than-expected COVID-19 pandemic which could lead to (1) sharp correction of asset prices in global financial markets, (2) defaults by businesses and households in many countries including Thailand, and (3) corporate bonds being downgraded to non-investment grade.

Additionally, the Committee deemed it important to prepare financial measures to continuously alleviate impacts on household and business borrowers, especially after the phase-outs of the batch of financial and credit measures.

The Committee assessed that the overall financial institution system remained sound. Commercial banks had robust capital funds and loan loss provision levels, capable of absorbing the impacts of COVID-19.

It also deemed it necessary for the Bank of Thailand and other related regulatory agencies to prepare measures for coping with increasing risks if debt servicing capability of borrowers were to deteriorate significantly more than expected.

Fiscal policy would still have capacity to restore and restructure the economy. The government, meanwhile, would need to focus on supply-side policies to support economic restructuring after the COVID-19 pandemic subsides.

Bank of Thailand

Uzbekistan

Uzbekistan Announces Tenders for 1.4 GW of Solar Projects

The Government of Uzbekistan has announced tenders for solar projects with a cumulative capacity of 1.4 GW.

Under the first tender, 1 GW of solar projects will be developed with the support of the Asian Development Bank (ADB). A site situated in the Sherabad district of the Surkhandarya region has been selected for the construction of the project. The bid submission deadline for the 1 GW tender is August 25, 2020.

Under the second tender, 400 MW of projects are slated to be developed. Sites situated in the Gallaorol district of Jizzakh region and Kattakurgan district of Samarkand region have been selected for the construction of the projects. These projects will be developed with the assistance of the International Finance Corporation (IFC), the financial arm of the World Bank.

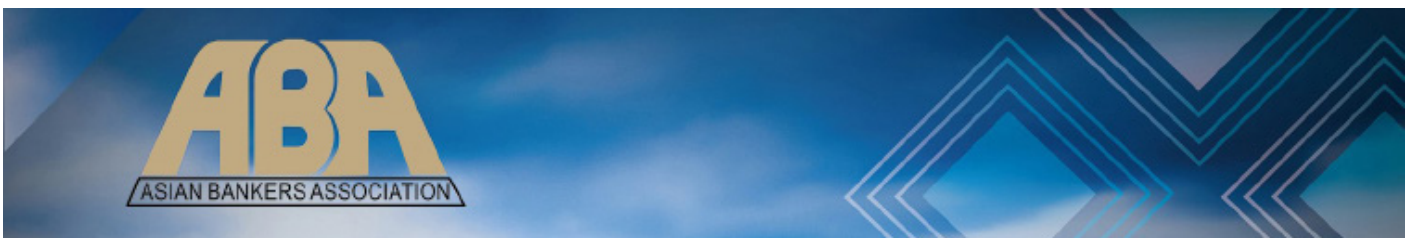
Interested companies and associates need to submit their applications by September 26, 2020.

Previously, the country had invited Expressions of Interest from international investors to develop 400 MW of solar independent power producer projects in the regions of Samarkand and Jizzakh.

The government has announced all three tenders intending to attract qualified private developers-investors for the projects under its new Public-Private Partnership law. Various ministries of the Uzbekistan government, like the Ministry of Foreign Trade, the Ministry of Energy, and the Public-Private Partnership Development Agency under the Ministry of Finance, will support all three projects, the press statement added.

Despite having significant solar potential, Uzbekistan is highly dependent on natural gas for its electricity generation. The government aims to develop renewable energy to diversify the country's energy mix and attract private investment in the sector. The country is in the process of implementing an ambitious renewable energy strategy to deploy 5 GW of solar capacity in the next ten years.

Mercom India



Banking and Finance Newsbriefs

Vietnam

Vietnam tightens corporate bond regulations

The Vietnamese government has issued a new decree that effectively limits companies to no more than two bond issuances a year.

They may now only issue bonds six months after the previous issue is completed, and an issuance must be completed within 90 days from the date of public announcement of the issue, the recently issued decree, which comes into effect from September 1, stipulates.

Transfers of corporate bonds are also restricted now to 100 times in the first year, though transactions between professional securities companies or done on the order of a court and inheritance do not count toward this limit. Corporate bonds issued on the international market are exempt from these restrictions.

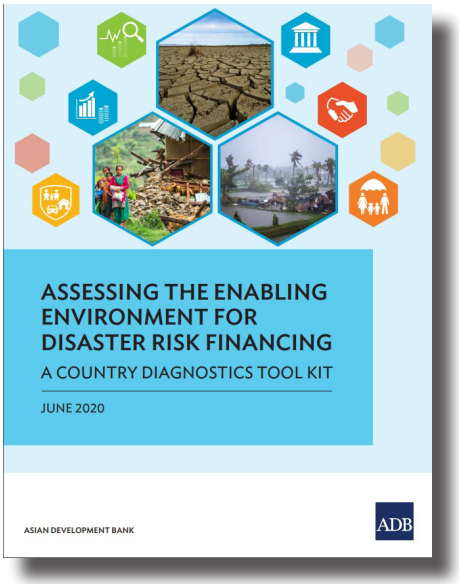
Another important new regulation is a new issuance plus existing bonds should not exceed 500% of the equity value as reported in the latest financial report.

The new decree comes amid a corporate bond boom. According to newly released data by the Hanoi Stock Exchange (HNX), in the first six months there were 130 issuances totally worth over VND156 trillion ($6.73 billion), a 50% increase year-on-year. Financial institutions accounted for 30.29% of the value, and the property sector for 29.16%.

VN Express

Publications

Assessing the Enabling Environment for Disaster Risk Financing: A Country Diagnostics Toolkit



This diagnostics toolkit published by the Asian Development Bank (ADB) is designed to help countries assess the financial management of disaster risk and to provide a basis for them to enhance financial resilience through insurance and other risk transfer instruments.

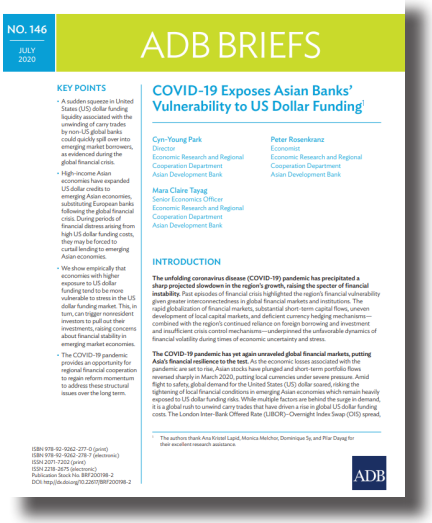
Disasters damage and destroy infrastructure and disrupt economic activities and services, potentially delaying long-term development and hampering efforts to reduce poverty in the region. Countries require a strong enabling environment for disaster risk financing to ensure the timely availability of post-disaster funding. In the report, the framework examines the state of the enabling environment and incorporates lessons from country diagnostics assessments for Fiji, Nepal, Pakistan, and Sri Lanka.

Contact Details: ADB Publishing

Website: https://www.adb.org/publications/disaster-risk-financing-country-diagnostics-toolkit

Publications

COVID-19 Exposes Asian Banks' Vulnerability to US Dollar Funding


NO. 146
JULY 2020

ADB BRIEFS

KEY POINTS

- A sudden squeeze in United States (US) dollar funding liquidity associated with the unwinding of carry trades by non-US global banks could quickly spill over into emerging market borrowers, as evidenced during the global financial crisis.
- High-income Asian economies have expanded US dollar credits to emerging Asian economies, substituting European banks following the global financial crisis. During periods of financial distress arising from high US dollar funding costs, they may be forced to curtail lending to emerging Asian economies.
- We show empirically that economies with higher exposure to US dollar funding tend to be more vulnerable to stress in the US dollar funding market. This, in turn, can trigger nonresident investors to pull out their investments, raising concerns about financial stability in emerging market economies.
- The COVID-19 pandemic provides an opportunity for regional financial cooperation to regain reform momentum to address these structural issues over the long term.

COVID-19 Exposes Asian Banks' Vulnerability to US Dollar Funding[1]

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INTRODUCTION

The unfolding coronavirus disease (COVID-19) pandemic has precipitated a sharp projected slowdown in the region's growth, raising the specter of financial instability. Past episodes of financial crisis highlighted the region's financial vulnerability given greater interconnectedness in global financial markets and institutions. The rapid globalization of financial markets, substantial short-term capital flows, uneven development of local capital markets, and deficient currency hedging mechanisms—combined with the region's continued reliance on foreign borrowing and investment and insufficient crisis control mechanisms—underpinned the unfavorable dynamics of financial volatility during times of economic uncertainty and stress.

The COVID-19 pandemic has yet again unraveled global financial markets, putting Asia's financial resilience to the test. As the economic losses associated with the pandemic are set to rise, Asian stocks have plunged and short-term portfolio flows reversed sharply in March 2020, putting local currencies under severe pressure. Amid flight to safety, global demand for the United States (US) dollar soared, risking the tightening of local financial conditions in emerging Asian economies which remain heavily exposed to US dollar funding risks. While multiple factors are behind the surge in demand, it is a global rush to unwind carry trades that have driven a rise in global US dollar funding costs. The London Inter-Bank Offered Rate (LIBOR)–Overnight Index Swap (OIS) spread,

[1] The authors thank Ana Kristel Lapid, Monica Melchor, Dominique Sy, and Pilar Dayag for their excellent research assistance.

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ADB

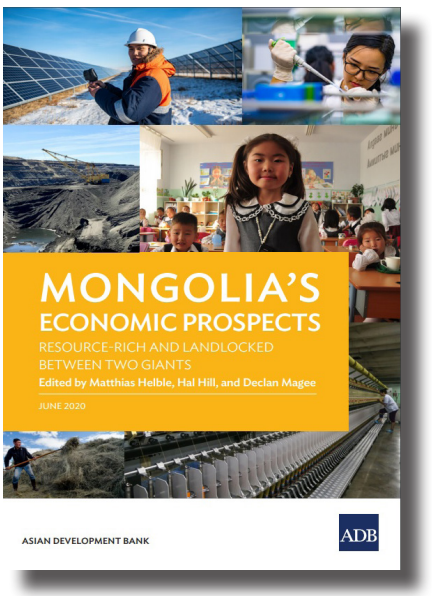
This brief by the Asian Development Bank (ADB) examines the US dollar funding exposure of Asian banks and suggests how policy makers in the region could support financial stability.

The coronavirus disease (COVID-19) pandemic has put pressure on emerging Asian financial markets and currencies, highlighting their vulnerabilities to US dollar funding risks. This brief explores the role of the US dollar as the dominant currency for international trade and financial transactions and the rise in Asian banks' US dollar funding activities since the global financial crisis. It looks at the implications of Asian banks' exposure to US dollar funding and highlights considerations for policy makers.

Contact Details: ADB Publishing

Website: https://www.adb.org/publications/covid-19-asian-banks-vulnerability-us-dollar-funding

Mongolia's Economic Prospects: Resource-Rich and Landlocked between Two Giants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RESOURCE-RICH AND LANDLOCKED BETWEEN TWO GIANTS
Edited by Matthias Helble, Hal Hill, and Declan Magee
JUNE 2020
ASIAN DEVELOPMENT BANK
ADB

This book published by the brief by the Asian Development Bank (ADB) examines Mongolia's recent economic development and outlines reforms that would help the country take advantage of its many opportunities.

Mongolia is a resource-rich country that, despite being landlocked, is well-placed to take advantage of trade with its two giant neighbors. To maximize the country's potential, the government can improve macroeconomic management, enhance the skill base, and provide hard and soft infrastructure to promote trade and efficient logistics. Governance and institutional reforms are also crucial.

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