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ASIAN BANKERS ASSOCIATION

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New Year's Message from the ABA Chairman

The year just passed has been a period of unprecedented challenges for the Asia-Pacific region and the world as a whole. The COVID-19 pandemic was considered a global threat with countries worldwide unprepared to deal with its social, economic and political impact.

For the banking industry, the economic consequences of the health have been significant. As many analysts have pointed out, in addition to the financial fallout, the health crisis is reshaping the global banking industry on various levels, ushering in a new competitive landscape, stifling growth in some traditional product areas, prompting a new wave of innovation, recasting the role of branches, and accelerating digitalization in almost every sphere of banking and capital markets.

Faced with these realities, banks should think of ways of continuously executing their operations smoothly, ensuring their employees remain productive, keeping regulators reassured, deploying technology effectively, and demonstrating agility and resilience. To achieve these objectives, banks need to create more agile workforces. Analysts suggest that banks develop new talent models to facilitate flexible, self-organizing teams that come together for a common purpose. Institutions should also focus on workplace redesign to help strike the right balance between in-person work environments and remote arrangements, which should be based on the specific needs of various roles or jobs. The goal of these changes should be to boost productivity, creativity, and collaboration.

The ABA will try to help members, in any way it can, in meeting the current extraordinary circumstances by assisting and learning from each other as we face almost identical challenges across the region, and by maintaining communications with our members to keep them informed. I am therefore counting on your continued support and would like to call on you to play an active part in our efforts to make the ABA play a greater role in advancing the interest of the region's banking industry amidst these difficult times.

Wishing you the best of health, continued prosperity and happiness in the New Year!

Jonathan Alles

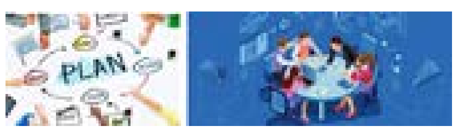
ABA Chairman

ABA Announcements

Online Meeting of ABA Planning Committee Meeting Scheduled for February 25

The ABA Planning Committee Meeting is scheduled to take place virtually on February 25, 2021, from 2:30 to 4:30 PM Taipei time.

The meeting, to be chaired by ABA Chairman Jonathan Alles, Managing Director and CEO of Hatton National Bank (HNB), will discuss preparations for the 37th ABA General Meeting and Conference to be held later this year. Discussions will focus on the final dates and venue of the Conference, theme and



topics for the Conference, suggested format and program, possible line-up of speakers, and other related matters. The Planning Committee will also review the program of ABA activities in 2021.

To register in advance for the meeting, please click here.

The ABA Conference had originally been scheduled for August 26 to 27. During the last Planning Committee meeting held in Negombo, Sri Lanka last February 2020, the proposed conference theme of "Asian Banks: Achieving Sustainable Growth in The Age of Disruption" had originally been agreed upon. The proposed topics for sessions would have included:

- Addressing Emerging Challenges in a Changing

Global Market Environment
- The Role of Technology in Sustainable Growth
- Building a Sustainable Banking and Business Model
- CEO Roundtable - Navigating the New World Order: Implications for Banks and Regulators

ABA Members are encouraged to send in their thoughts and suggestions on whether or not to push through with the originally scheduled dates, themes, and topics, as well as their preferred format duration in the event that the Conference may have to be conducted online.

Position Paper on Cyber Security Preparedness

A Policy Paper Prepared for the Asian Bankers Association by Mr. Suresh Emmanuel, Chief Information Security Officer, Hatton National Bank PLC

Background

Cyber Security preparedness for a Bank would always be a challenging journey. Managing risks of People, Process and Technology becoming more thought-provoking with today's digitalized Banking context. Banks are becoming more prominent life style partner for customers. Different layers of digital channels have been opened to facilitate demanding customer needs and also to improve customer experience. With digitization, there are set of new technology risks opened for Banks which were not existed before. This risk exposure has resulted in new ways and means for hackers to explore. As a result, cyberattacks are becoming more innovative, complex and advance day by day. Hackers always

able to find a way out from safeguards in place. A small weakness could be leveraged by an attacker to do a significant damage to an organization. There's a famous saying "An attacker only needs to be successful at occasion". A Bank should have systematical approach to improve its Cyber resilience. Cybersecurity can be an important and amplifying component of a Bank's overall risk management. A Bank shall consider to position itself based on below preparedness principles against its actual implementation.

Any organization should realize that there's no "Silver bullet" for Cyber and Information security while it's a journey of achieving different maturity levels over a period of time. Below systematical approach is prepared to improve Cyber resilience in a Bank. A Bank shall build a strategy to strengthen its Cyber Security preparedness in line to below principles;

- Identify;
- Protect;
- Detect;
- Respond; and
- Recover.

Below is detailed elaboration above principles and what's recommended to be in place.

Identify

01 Setting up Business Environment
- Establish Cyber security vision, mission and objectives
- Identify Priorities for Bank's Cyber security mission, objectives, and activities
- Identify dependencies for Bank's Cyber security mission, objectives, and activities
- Establish Cyber and Information security strategy
- Identify regulatory, statutory and contractual obligations
- Identify critical business processes and their resilience requirements
- Identify critical success factors for Cyber and Information security

02 Establishing Governance
- Appointment of Chief Information Security Officer
- Establishing Information Security Steering Committee
- Establishing Security Policies, Procedures and Practices
- Aligning information security practice as per a global standard
- Establish Information and Cyber security roles and responsibilities
- Establishing Information and Cyber Security annual activity plan

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- Establishing Information and Cyber Security KPI’s

03 Asset Identification
- Identification of Bank wide physical and systems within
- Identification of Bank wide software platforms and applications
- Identification of Bank wide communication channels
- Identification of Bank wide data flows
- Identification of Bank wide external connectivity’s and systems
- Identification of Bank wide suppliers and their services
- Identification of external facing systems and services
- Identification of Bank wide interested parties
- Identification of Bank wide user access and their access rights
- Identification of Bank wide data types

04 Risk Management
- Establishing Bank wide Cyber and Information Security risk management process
- Establishing dedicated roles for Technology and Cyber risk management
- Establishing Board risk committee reporting hierarchy for Cyber and Information security related risks
- Establishing periodic Information and Cyber risk control assessments
- Establishing KRIs and related dashboards for Cyber and Information security risks
- Establishing Bank wide Cyber and Information security Risks tolerance criteria
- Bank wide Information and Cyber asset-based threats, vulnerabilities and risks identified and documented
- Bank wide Information and Cyber asset-based impacts and likelihoods are identified and documented

Protect

01 Identity and Access Management
- Establishing Bank wide user access matrices for all information assets
- Bank wide unique and secure user authentication is established
- Bank wide user access rights are documented and implemented
- Bank wide physical access is controlled and monitored
- Bank wide access is granted on least privilege and need to have basis
- Bank wide information asset access anomalies are tracked and actioned
- Bank wide remote access is managed
- Bank wide network access is controlled, authenticated and authorized
- Bank’s privilege access to information assets are tracked and monitored
- Multi factor authentication is used for all critical information assets logins
- Bank’s information assets Non repudiation is established
- Periodic user and privilege access review are performed
- Remote access is secured, controlled and managed
- Supplier access is secured, controlled and managed
- All privilege access is controlled through Privilege access management solution

02 Network and Communication Security
- Availability of next generation firewalls in network perimeter and internal network segments
- Ensuring threat protection, SSL Offloading, IPS and state full inspection is enabled in firewalls
- Availability of Next generation malware protection in firewalls
- Network is segmented into granular level segments and traffic between segments are controlled via firewall
- Firewall changes are tracked and controlled
- All web applications are protected with web application firewalls
- Inbound and outbound communication is encrypted
- Firewall and network communication security devices are configured alert anomalies
- Email security gateway is established with malware, phishing and next generation malware protection
- DOS and DDOS protection is established external facing web applications and network communication channels
- Periodic firewall rule review and cleansing process is established

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- All network security devices are patched time to time
- Direct access to network security devices is eliminated, controlled via privilege access management or firewall management solution
- Controls to detect unsanctioned devices or service to network

03 Data Security
- Establishing of Bank wide data inventories, flow maps and dictionaries
- Ensuring Bank wide data at rest and transit are secured
- Bank wide data is classified and security controls are defined against each classification levels
- Protections against data leaks are implemented – E.g. Automated data classification, Data leakage prevention, Digital rights management, etc.
- Bank wide removable media access is controlled, monitored and protected
- Integrity checking mechanisms are used to verify software, firmware, and information integrity
- Ensure supplier data sharing is governed, controlled, secured and monitored
- The development and testing environment(s) are separate from the production environment
- Integrity checking mechanisms are used to verify hardware integrity
- Data communication is encrypted in all digital channels
- User awareness training to protect data, policies, procedures, etc

04 Vulnerability Management & Threat Protection
- Establishing Bank wide vulnerability management process
- Establishing all applications, operating systems, platforms, databases, software systems, etc. are patched for security vulnerabilities periodically.
- Ensure virtual patching solutions and compensative controls are available for systems with limitations
- Keeping systems that cannot be patched are placed in secure highly controlled network segments
- Establish Bank wide patch calendar
- Ensure malware protection is installed for all computer systems in the Bank
- Ensure group policies are enforced to all computers of the Bank to control execution, services, ports, etc.
- Ensure approved annual security testing plan in place and executed
- Ensure software baselining is implemented across the Bank
- Ensure Bank vendor released patches are tested and applied periodically
- Ensure all vulnerabilities are documented, classified and tracked for closure

05 Cryptographic controls
- Ensure all critical databases are encrypted
- Ensure all laptops are encrypted
- Ensure all removable media in use are encrypted
- Ensure confidential data across the Bank is encrypted
- Ensure all communication channels are encrypted with strong algorithm
- Data in mobile devices are encrypted
- API communication is encrypted
- Data between all web services are encrypted
- Mobile application data is encrypted
- All passwords are hashed and hashing iteration count is in line with a standard
- All Cryptography keys are securely stored, access controlled and managed
- Availability of Cryptographic key disposal and life cycle management process

Detect

01 Anomalies and Events
- Establishing Security event and information management system – SIEM and integrating all critical data sources
- Implementing effective and impactful correlation rules in SIEM
- Establishing 24*7 monitoring Security Operating Center – SOC
- Detected events are analyzed to understand attack targets and methods
- Event data are collected and correlated from multiple sources and sensors
- Impact of events is determined
- Incident alert thresholds are established
- The network is monitored to detect potential cybersecurity events
- The physical environment is monitored to detect potential cybersecurity events

- Personnel activity is monitored to detect potential cybersecurity events
- Malicious code is detected
- Unauthorized mobile code is detected
- External service provider activity is monitored to detect potential cybersecurity events
- Monitoring and detection for unauthorized personnel, connections, devices, and software is performed
- Vulnerability scans are performed to detect vulnerabilities on periodic manner
- Roles and responsibilities for detection are well defined to ensure accountability
- Detection activities comply with all applicable requirements
- Detection processes are tested – RED team testing, Penetration testing, etc.
- Event detection information is communicated to relevant stakeholders
- Detection processes are continuously improved
- Incident management process is adopted for all detected events which are converted into incidents
- All detection-based intelligence are used for management reporting and analysis
- Compromise assessments are done based on defined frequency
- Ensure predictive analysis is conducted on detected cyber security events
- Deep and dark web analysis to detect any compromised Bank's information assets or data
- Social media scavenging monitoring performed to detect and compromise.

Respond

01 Analysis, Mitigation and improvements

- Establishing Cyber security incident response plan
- Testing Cyber security incident response plan at least annually
- Forensic investigations are performed
- Ensure root cause analysis and lessons learnt in place to avoid repetitive incidents
- Ensure 100% remedial actions for all detection-based incidents
- Incidents are categorized consistent with response plans
- Processes are established to receive, analyze and respond to vulnerabilities disclosed to the organization from internal and external sources (e.g. internal testing, security bulletins, or security researchers)
- Public and media response procedure in a Cyber-attack are documented and tested
- Consider analysis output as input to Information security strategy, risk management, security budgeting and prioritization
- Continual improvement adopted in a systematical approach such PDCA cycle

Recover

01 Analysis, Mitigation and improvements

- Recovery processes and procedures are executed and maintained to ensure restoration of systems or assets affected by cybersecurity incidents.
- Recovery planning and processes are improved by incorporating lessons learned into future activities.
- Restoration activities are coordinated with internal and external parties (e.g. coordinating centers, Internet Service Providers, owners of attacking systems, victims, other CSIRTs, and vendors
- Recovery strategies are updated periodically
- Cyber insurance could be considered as one of risk mitigation and recovery option
- Emergency contacts and parameters are up to date maintained
- Public relations are managed

Conclusion

Above parameters would provide a Bank to assess its positioning in identifying their current maturity level. A Bank should start its current state assessment and based on results shall build up a strategy towards a journey to achieve different levels of maturity over a period of time. Above positioning parameters Identify, Protect, Detect, Respond and Recover would cover actions to be taken holistically at ground level for a Bank in implementing effective security parameters. Periodic review and continual improvement should be done in a systematic approach through steering committees and top management to ensure safeguards are in place and effectively functioning. Enterprise level risk management function should include Cyber security and regular discussion item and it's also should be a regular discussion point in Board agenda. Top to bottom, bottom to top and across the organization with effective communication and awareness training are important aspects for a Bank to position itself in a comfortable place.

Member Personalities

Oberthur is New ABA Associate Member

Oberthur Cash Protection (OCP), a manufacturer of intelligent cash protection systems and security solutions, is the newest Associate Member of the Asian Bankers Association.

Based in France, the company designs and manufactures Intelligent Banknote Neutralisation Systems for the Cash-In-Transit, ATM & Retail markets throughout the world. OCP systems employ technology to detect an attempted attack or theft, and then uses Intelligent Banknote Neutralization Systems to protect the cash by permanently marking it with ink as stolen, rendering it valueless.

Oberthur Cash Protection

OCP has over 60,000 systems installed in over 35 countries, and is recognized as a worldwide leader in cash protection. It is also renowned for innovation, with an extensive R&D program that can provide users the solutions to meet local requirements.

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World Bank sees subdued rally for this year

The global economy is to have a subdued recovery this year from the COVID-19 pandemic, but the near-term outlook is highly uncertain and growth could be imperiled if COVID-19 infections and delays in the rollout of vaccines continue, the World Bank said on January 5.

In its new Global Economic Outlook, the World Bank forecast 4% growth this year following a 4.3% decline last year, the biggest plunge in global output since a contraction of 9.8% in 1945, as nations demobilized at the end of World War II.

By comparison, the global recession triggered by the Great Depression of the 1930s saw growth shrink by 4.8% on average from 1930 through 1932. The 2008-2009 financial crisis triggered a 1.8% drop in global output in 2009.

"If history is any guide, the global economy is heading for a decade of growth disappointments, unless policymakers put in place comprehensive reforms," the bank said, citing the global pandemic layered over economic trends already in play.

"While the global economy appears to have entered a subdued recovery, policymakers face formidable challenges in public health, debt management, budget policies, central banking and structural reforms," World Bank president David Malpass said.

The bank said that global growth this year would be aided by a recovery of 3.5% in GDP growth in the US and an even bigger 7.9% rebound in China, the world's two biggest economies.

For last year, the World Bank expects GDP in the US to fall by 4.3 percent, while it predicted a modest 2% increase in China.

Because of the uncertainty caused by the rise in COVID-19 cases and initial problems in distributing vaccines, the World Bank said that its forecast is highly uncertain. Under a scenario where virus cases continue to rise and the rollout of vaccines does not accelerate, global growth could be reduced to a meager 1.6% this year.

The new report increased global growth for last year by 0.9 percentage points from its June forecast, reflecting in part better-than-expected performance in China and the US, but the forecast trimmed the outlook for this year by 0.2 percentage points.

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For the US, the decline for last year was revised upward by 2.5 percentage points to a smaller decline of 3.6 percent, and the 3.5% rebound for this year was lowered by half a percentage point.

To combat the sharp downturn, the World Bank has made US$160 billion available to help more than 100 countries protect the poor, support firms and bolster the recovery.

Malpass told reporters that the World Bank is making US$12 billion available to provide 1 billion COVID-19 vaccinations in poor countries.

"People at the bottom of the income scale were hardest hit by the shutdowns and recession, and will most likely be the slowest to regain jobs and get vaccinations," Malpass said.

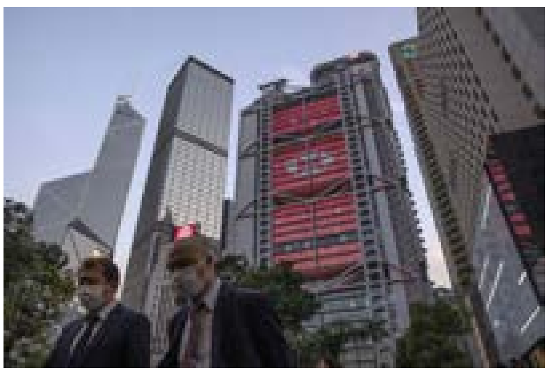
The World Bank expects the eurozone to have a 7.4% drop in growth for last year followed by a 3.6% this year, while growth in Japan is expected to fall 5.3% last year and then rebound by 2.5% this year.

For all advanced economies, the World Bank predicted a drop of 5.4% last year and a rise of 3.3% this year.

For emerging markets and developing countries, the bank said that when all figures are reported, growth is expected to have declined 2.6% last year and increased 5% this year.

Associated Press

An Epic Year of Market Events Shook China, Hong Kong, Taiwan



China, Hong Kong and Taiwan's economies were among the first to suffer from the virus pandemic. They were also home to some of the most dramatic events in global financial markets this year.

Take China's equity market, whose value topped $10 trillion for the first time since the 2015 crash and where a liquor maker became the country's most valuable stock. The yuan tested a record low offshore before commencing a rally that some say could take the currency to levels not seen since 1993.

In Hong Kong, colonial stalwart HSBC Holdings Plc fell to its lowest price since 1995 before becoming one of the city's best trades. Record foreign inflows into Taiwan's technology shares were so intense that the central bank had to intervene almost daily to rein in its strongest currency in more than two decades.

Here are some of the year's biggest financial-market events in China, Hong Kong and Taiwan, a region at the forefront of the global recovery.

Comeback Currency

Concern over the impact of Covid-19 on China's economy triggered a slump in the yuan from mid-January. The currency tested its all-time low in offshore trading just four months later. But in the half-year since, it has surged to near the 6.5 mark, with Citigroup Inc. chief China economist Liu Li-gang predicting it could rally past 6 next year –- a level it hasn't breached since 1993. Capital inflows into stocks and bonds are also boosting the yuan, posing a challenge to China's central bank, which doesn't want a stronger currency to harm an export-driven recovery.

Ant Squashed

Days before Ant Group Co. was due for the biggest stock market debut ever seen, Chinese regulators abruptly halted the $35 billion initial public offering. Many observers concluded that the move was aimed at humbling both the Alibaba Group Holding Ltd. behemoth and its founder, billionaire Jack Ma, who at a Shanghai conference in October criticized China's state-owned banks. The immediate reaction in the financial market reduced Ma's fortune by almost $3 billion. Beijing last month also issued rules to root out monopolies in the internet sector and began scrutinizing investments in new energy vehicles.

Bust to Boom

Resuming trade after an extended Lunar New Year break as the coronavirus outbreak worsened, Chinese equities were hit by a brutal wave of selling in February. More than 3,000 stocks went limit down in their worst day since the 2015 bubble burst. At that point it would have taken a strong stomach to

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predict that only five months later, China's recovery in the face of the virus would propel a frenzy that would add $1 trillion to the market's value in an 8-day period. That rally set the stage for the stock market to finish out the year stronger than it started.

Chinese Defaults

A spate of defaults by China's state-linked firms took investors by surprise in November, after months of support to curb the fallout of the coronavirus helped prevent a wave of payment failures earlier in the year. A focus on state-owned enterprises marks a shift away from private firms to the mammoth state sector -- these borrowers dominate the nation's onshore bond market and were once considered guaranteed to receive a bailout. The historic repricing of risk among weaker-rated SOEs has some investors now seeing 2021 as a potential inflection point for the emergence of a genuine credit risk mechanism in the world's second-largest bond market.

HK Markets Steady

Beijing's passing of a sweeping national security law in June elicited global condemnation, but it has been mostly business as usual for markets in the former British colony. While the benchmark Hang Seng Index is down by 6% this year, capital inflows have remained steady and a record number of companies raised $1 billion or more from initial public offerings, including JD Health International Inc.'s $3.5 billion December listing. The Hong Kong dollar has remained strong in the face of economic and political pressure, including when Trump aides aired the idea of undermining its peg to the greenback. The city's de-facto central bank undertook a record intervention to prevent the Hong Kong dollar strengthening past the permitted range with its U.S. counterpart.

Taiwan Tensions?

Concerns about a possible Chinese military invasion were heightened, but you wouldn't know it from looking at Taiwan's markets. Chipmaker Taiwan Semiconductor Manufacturing Co. briefly entered the world's top 10 companies by market value and its shares are up more than 50% this year. The domestic benchmark stock index has been hitting record highs since July, surpassing the 14,000-point level for the first time in early December. The Taiwan dollar has recently reached its strongest level against the U.S. dollar since 1997, with the central bank apparently shifting from its previous "smoothing" strategy to a managed appreciation.

Bloomberg

Indonesia Could be Asia's Next Islamic Finance Hub

Indonesia ended 2020 with record highs in Islamic finance development, with the State of the Global Islamic Economy Report (SGIER) 2020-2021 raising the ranking of Indonesia's Islamic finance industry to 4th from 5th, after Malaysia, Saudi Arabia and the UAE.

The Islamic finance development indicator (IFDI) for 2020 revealed that Indonesia's rankings also rose from 4th to 2nd in Islamic finance development and from 8th to 7th in Islamic financial assets, with the latter increasing 15% to US$99 billion.

The National Islamic Economics and Finance Committee (KNEKS), which acts as the conductor of a giant orchestra that comprises Indonesia's Islamic economics architecture, has developed an integrated map of the country's Islamic economics and finance ecosystem that gives an eagle's eye view of the roles and positions of stakeholders, players, regulators, infrastructures, IT, human resources and the public.

It has done a tremendous job in encouraging every aspect of the ecosystem to make considerable improvements, despite its modest political power. In Islamic commercial finance, Indonesia entered 2021 with a plan for a grand transformation: the megamerger of the country's three largest Islamic banks, Bank Syariah Mandiri (BSM), BNI Syariah and BRI Syariah, to establish the state-owned Islamic bank Bank Syariah Indonesia (BSI) in February 2021.

Creating a bank with Rp 21.5 trillion ($1.5 billion) in equity (as of November 2020), the BUKU III category BSI will have strong capital to compete in Indonesia's Islamic banking sector. The merger will scale up its capability and capacity to compete at both national and international levels and thereby step up the sector's game, which has long been deemed as having snail's pace growth.

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While it will be the only Indonesian Islamic bank in the BUKU III category (the rest are still BUKU II or BUKU I), BSI plans to step up to the highest rank of BUKU IV by the second quarter of 2022. With Rp 232.5 trillion in assets, amounting to almost half of Indonesia's total Islamic banking assets, BSI will be counted among the top 10 banks in Indonesia as well as the top 10 Islamic banks in the world. Stronger capital, wide-ranging and substantial transformations in IT infrastructure and digitalization of products and services, as well as significant employee upskilling, are some critical points BSI should be aware of to win the battle.

In Islamic social finance, Indonesia has tons of potential in faith-based social funds for zakat (obligatory alms) and voluntary charitable donations like waqf, infaq, and sadaqah. While struggling to collect zakat (realizing only 4.4 percent of potential zakat in 2019), Indonesia has been giving more attention to waqf. Indonesia is estimated to have Rp 180 trillion in potential cash waqf and 11,000 hectares in current land waqf. Recently, it introduced waqf sukuk, or cash waqf-linked sukuk (CWLS), an Islamic bond financed by waqf.

The government in March 2020 issued CWLS SW001, its first CWLS, through a private placement scheme with the Indonesia Waqf Board (BWI). In Islamic microfinance, micro waqf bank (BWM) is the current trend, with Vice President Ma'ruf Amin recently asking the industry to boost their development. BWM is not a bank, but waqf-based microfinance. Mirroring Bangladesh's microfinance pioneer, Grameen Bank, BWM follows the basic microfinance model of financing micro-enterprises excluded from formal financial institutions because they lack physical collateral.

The group lending model based on peer pressure (if one member defaults, the other group members will not get their loans) acts as social collateral that substitutes physical collateral. Unfortunately, Indonesia's Islamic microfinance institutions (IMFI) have less favorable reputations due to mismanagement as a result of a lack of regulation and oversight.

Despite President Joko Widodo's support for this alternative economic system through establishing the KNEKS, legislative support is still critical to the industry's development, such as by approving the Islamic economics bill.

An umbrella legislation, this bill is urgently needed, as it regulates all activities in Islamic economics, incorporates significant fiscal and non-fiscal incentives to provide a level playing field and encourages stakeholders to actively take part in the Islamic economics and finance ecosystem.

Jakarta Post

IMF projects full recovery for Vietnam, Indonesia and Malaysia in 2021

Out of the six leading economies in Southeast Asia, three countries are expected to expand in 2021, while others will struggle to recover.

The projected recovery patterns of the six countries were based on the International Monetary Fund’s country-based projections for real gross domestic product, with 2019 figures as a baseline of 100, compiled by Nikkei Asia.

Vietnam, Indonesia and Malaysia all scored above the 100 mark, meaning their economies are projected to see expansion in 2021 compared with levels before the pandemic outbreak in 2019.

Vietnam scored the highest with a projected growth index of 108.4. The Vietnamese economy is expected to expand 10.9% in real terms in 2021, more than any other country in the Asia-Pacific, following a 2.91% uptick this year, according to S&P Global.

Vietnam was also the only one of the six to log real economic growth in 2020, thanks to its quick success in curbing the coronavirus pandemic. Its leadership also bolstered effective demand through public projects ahead of the Communist Party Congress that begins there in January.

Indonesia came in second with a growth index of 104.5. The so-called omnibus law on job creation signed by President Joko Widodo last November is expected to give companies greater freedom and help attract foreign investment when it takes effect.

Malaysia, with an index of 101.3, could also see exports of mainstay products like electronics recover once the global

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economy stabilises.

On the other hand, Singapore, the Philippines and Thailand are not expected to cross the 100 mark until 2022.

Thailand's tourism sector, which accounts for about 20% of GDP, is seen struggling next year as well, with no clear end in sight for entry restrictions on foreign travelers. Auto exports, a key driver for growth, are also unlikely to recover to 2019 levels.

The Philippines' outlook on consumer spending is murky, given a slowdown in sales of cars and other durable goods.

Singapore's tourism sector will likely also see a slow recovery.

Despite differences in their individual forecasts, all six countries would be affected by global developments pertaining to the coronavirus and US policies under President-elect Joe Biden once he takes office.

HRM Asia

A Bullish Outlook for Asia in 2021

There are sound reasons to be upbeat about Asia's prospects for the coming year. Several countries in the region have managed to subdue COVID-19 and have left the worst behind.

The Asian Development Bank (ADB) forecasts that China, Taiwan and Vietnam will all register positive growth for 2020, something that will elude all G-20 economies, other than China. Across developing Asia as a whole, ADB expects growth in gross domestic product of around 7% in the coming 12 months.

Business leaders in the biggest Asian economies exude confidence about the near-future. A December 2020 survey of executives found that a larger share of respondents from both Greater China and India say that things will be better in six months than those from Europe, Latin America and North America.

Bloomberg News reports that official data from China show that 2020 may be a record year for new foreign investment in the country. Exports have been surprisingly resilient for many Asian countries, due in part to great demand for computers and other IT equipment by professionals working from home.

However, while prospects for an accelerating rebound are bright, there are several uncertainties that could tarnish the picture. Here are seven risks that investors, businesses and policymakers should keep in mind as they plan for the new year.

1. Vaccines Don't Deliver

Great hope surrounds the various COVID-19 vaccines that were quickly developed and are now being distributed. Many loss-making businesses will not be back in the black until a sizable share of the population is vaccinated, and Asian governments will maintain measures to uphold social distancing and limit mingling with people across borders well into the new year.

This will put a continued damper on the airline and tourism sectors, causing continued pain in tourism-dependent economies like Macau, the Maldives, Thailand and several Pacific island states. India has recorded more than 10 million confirmed cases of COVID-19, second only to the United States, and has not been nearly as successful in containing the virus as other Asian countries.

Developing Asian countries are far behind OECD member countries in the number of pre-ordered vaccine doses. And when people finally get the chance to receive an injection, history shows that not everyone reacts to a vaccine in the same way. Illnesses or deaths attributed, rightly or wrongly, to one of the new COVID-19 vaccines could lead to a pause in delivery. The complex vaccine distribution chain is also vulnerable to a myriad of failings, including intentional disruption by antivaxxers or others seeking to create chaos. With so much riding on the success of this grand effort, effective distribution of COVID-19 vaccines is the most consequential risk confronting Asia (and the world) in 2021.

2. China and the US Tensions Deepen

President-Elect Joe Biden is expected to maintain his predecessor's tough stance on China's trade, subsidies, intellectual property rights protection and other business practices, while more vocally condemning Beijing's human rights violations and undemocratic practices. Taiwan, Hong Kong and the South China Sea will remain flashpoints.

For his part, Chinese President Xi Jinping intends to encourage domestic consumer demand, strengthen internal

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supply chains and intensify self-reliance in critical technologies, thereby contributing to gradual decoupling of the world's two biggest economies. China's "wolf warrior" diplomacy will ensure defiance in the face of criticism about violating international norms. The rest of Asia will suffer if the United States and China settle into a post-pandemic cold war, compel third countries to choose sides and fail to find common ground on serious global problems requiring cooperation.

3. Deprivation Spurs Unrest

The pandemic has wreaked havoc on economies and labor markets and increased poverty, hunger and inequality. World Bank economists estimate that COVID-19 could force 164 million people into poverty in South Asia and East Asia and the Pacific. The International Labor Organization reports that the crisis has led to the loss of more than 80 million jobs in Asia and the Pacific.

Before the pandemic, most people in the region were living in countries where income inequality had been growing. The IMF warns that the ongoing crisis risks exacerbating inequality in the region and is having especially negative impacts on younger workers, women and people who are more vulnerable.

Frustration with authoritarianism, corruption and joblessness, and lack of opportunity, could inflame passions and lead to violent civil disturbances in some Asian countries. Regional research and data show that conditions in South Asia and Southeast Asia are ripe for social unrest stimulated by food shortages, rising prices and reduced incomes due to lost livelihoods and remittances.

4. Negative Impacts of Climate Change Multiply

The International Federation of the Red Cross and Red Crescent Societies has reported that the Asia and Pacific region faced a record number of climate-related disasters in 2020, affecting tens of millions of vulnerable people already hit hard by the pandemic. The relief agency reported that it had responded to 24 climate-linked events this year in the region, one-third more than in the previous year. The environmental incidents included floods, typhoons, extreme cold and drought.

While brutal weather events are annual occurrences on the Earth's most disaster-prone continent, the negative impacts of climate change are growing year-by-year, making this a perennial risk to economies and human well-being across the Asian continent.

5. Domestic Debt Stifles China's Strong Recovery

China's emergence from the pandemic and expected strong growth next year could spur a successful regional and global rebound. Yet this hopeful scenario is threatened by a faltering Chinese property market. According to data from China's court system, 228 real estate companies went bust in the first half of this year.

Separately, Fitch Ratings reported that between January and October 2020, state owned enterprises in different lines of business defaulted on a record 40 billion yuan ($6.1 billion) worth of bonds — about as much as in the previous two full years combined. A collapse in real estate prices, or acceleration of defaults among SOEs, could leave the domestic financial system vulnerable and slow the pace of economic growth, with implications for Asia as a whole.

6. Cybercrime Soars

Fraud, theft and extortion carried out through computers have become a growing source of concern to private and public organizations. Microsoft has estimated that cyberattacks are costing the Asia and Pacific region 7% of its gross domestic product.

A survey of more than 2,000 business leaders in Asian and Pacific countries by the Australian research firm StollzNow between late May and early June 2020 found that seven in 10 respondents were more concerned about cyberattacks than before the pandemic. Cybercrime risks have grown as corporate computer systems are linked with remote workers whose IT security arrangements are less stringent than at the office, and hackers are attempting to benefit from the changed circumstances.

7. Developed Countries Stumble

While several Asian economies have come back to life, large swaths of Western Europe and North America are struggling to gain control over the deadly virus. The never-ending Brexit saga poses an economic risk not only to the United Kingdom, but also to the European Union.

The unhealthy partisan political divide in Washington, D.C., could lead to gridlock that prevents further actions that would help the battered economy, like direct aid to budget-strapped American states and infrastructure investments. Slow recovery of demand in key non-regional export markets for Asian manufacturers would constrain the pace of growth in Asia.

In conclusion, so long as COVID-19 vaccines are rapidly and widely distributed — and prove to be as effective as early testing has shown — the accompanying rise in the confidence of consumers, businesses and investors would likely overwhelm the potential impact of other risks to Asia's rebound.

Brink News

ASIAN BANKERS ASSOCIATION

News Updates

IMF Chief sees 'High Degree of Uncertainty' in Global Outlook

The head of the International Monetary Fund on January 19 said the global lender needed more resources to help heavily indebted countries, citing a highly uncertain global economic outlook and a growing divergence between rich and poor countries.

IMF Managing Director Kristalina Georgieva, who has long advocated a new allocation of the IMF's own currency, Special Drawing Rights (SDRs), said doing so now would give more funds to use address both the health and economic crisis, and accelerate moves to a digital and green economy.

Under outgoing President Donald Trump, the United States, the IMF's largest shareholder, has blocked such a new SDR allocation, a move akin to a central bank printing money, since it would provide more resources to richer countries since the allocation would be proportionate to their shareholding.

Swedish Finance Minister Magdalena Andersson, the new chair of the IMF's steering committee speaking at an online news conference with Georgieva, said it was clear the need for liquidity remained great, and she would consult with member countries on options for expanding liquidity.

Georgieva said the IMF had rapidly increased concessional financing to emerging market and developing economies, including through donations by member countries of some $20 billion in existing SDRs. That would continue to play an important role, but further steps were needed, she said.

"It will continue to be so important, even more important, for us to be able to expand our capacity to support countries that have fallen behind," Georgieva said.

She said a new SDR allocation had never been taken off the table by IMF members, she said, adding that some members continued to discuss it as a possible move. A possible sale of gold from the IMF's reserves would have "some opportunity costs" for the IMF, but would be up to members, she said.

She said she expected the Group of 20 major economies to extend the current moratorium in official debt service payments by the poorest countries, now slated to end in June, but much would depend on the pace of vaccinations in coming months.

Reuters

Special Features

What is Driving Asia's Technological Rise?

By Jonathan Woetzel and Jeongmin Seong, McKinsey Global Institute

Asia is a technological force to be reckoned with. Over the last decade, the region has accounted for 52% of global growth in tech-company revenues, 43% of startup funding, 51% of spending on research and development, and 87% of patents filed, according to new research by the McKinsey Global Institute (MGI). How did Asia get here, and what lessons does its success hold for the rest of the world?

Of course, Asia is not a monolith, and technology gaps within the region remain significant. India, for example, has fewer large tech companies than other major economies. Still, four of the world's top 10 technology companies by market capitalization are Asian.

China, home to 26% of the world's unicorns (startups valued at $1 billion or more), leads the way in tech entrepreneurship in Asia, though it still relies on foreign inputs in core technologies. By contrast, advanced

Asian economies like Japan and South Korea have large tech firms and a significant knowledge base, but relatively few unicorns. Asia's emerging economies still invest relatively little in innovation, but they do provide growing markets for the goods and services produced by Asia's tech leaders.

Against this background, Asian countries have had to make a virtue out of collaborating to overcome fragmentation and close technology gaps. And they have made considerable progress in recent years. Notably, they have invested heavily in regional tech startups—about 70% of such investment comes from within Asia—and robust regional technology supply chains.

While Asia's technology supply chains continue to be reconfigured as they develop, the shifts have occurred largely within the region. (For example, the region's developed economies and China have expanded investment in emerging economies' manufacturing sectors.) This went a long way toward supporting Asia's relative resilience during the COVID-19 crisis. The just-signed Regional Comprehensive Economic Partnership could foster even closer intraregional ties.

Collaboration among countries is only part of the equation. Asian governments have also worked with local tech companies to advance goals in domains like renewable energy and artificial intelligence. During the pandemic, such partnerships have been essential to South Korea's track-and-trace strategy, and to national health QR-code programs in China and Singapore. Asia is also developing new models for collaboration across digital ecosystems to help enterprises and societies share resources and information more effectively.

To be sure, Asian economies may find it difficult to catch up and compete in some well-established technology sectors—such as semiconductor design or operating system software—where others have a commanding market position. But there is no denying Asia's tremendous progress in new technologies, often facilitated by its existing strengths in manufacturing and infrastructure.

For example, more than 90% of the world's smartphones are made in Asia. So, the region's economies have focused significant innovative capacity in this area, such as to design mobile application processors and develop new types of hardware. Last year, the Chinese company Royole released the world's first flexible smartphone. Early this year, Samsung went a step further, launching the first foldable smartphone with a foldable glass screen.

Similarly, Asian firms have capitalized on the region's well-developed infrastructure to establish themselves at the cutting edge of 5G development and deployment. Of the five companies that hold the majority of 5G patents, four are Asian. Likewise, the region's strong position in next-generation electric-vehicle batteries—more than half the world's patents for solid-state batteries were filed in Asia—resulted from leveraging its existing strengths.

New opportunities are also opening up for Asia. While the region's consumer markets are expanding and digitizing rapidly, there is still a great deal of room for growth and innovation in consumer-facing technologies.

Similarly, Asia can expand its role in the growing market for digital information-technology services, such as big data and analytics, digital legacy modernization, and "Internet of Things" system design. After all, the region has a huge pool of tech talent: India alone produced three-quarters of the world's science, technology, engineering, and mathematics graduates between 2016 and 2018.

Vulnerability to the effects of climate change, from deadly heatwaves to large-scale flooding, is also driving progress in the region. Asia already has the largest share of installed renewable capacity—45 percent—compared to 25% in Europe and 16% in North America. The International Energy Agency expects that share to rise to 56% in 2040. With the support of investments in R&D and new infrastructure, Asia stands to make its mark on the world with technological solutions to climate risk.

Asia's rapid development as a global technological leader over the last decade is a testament to the power of collaboration. And yet, in much of the world, the tide is turning toward isolationism and protectionism. Indeed, after years of relative openness, rising trade barriers threaten to disrupt global flows of technology and intellectual property.

This will sap potential in many frontier sectors. According to MGI's simulation, $8-12 trillion of economic value could be at stake by 2040, depending on the quality and level of technology flows between China and the rest of the world. Many high-tech markets—including electric vehicles, battery storage, and advanced displays—depend on Asian investment and market growth to achieve global scale.

Asia is likely to continue to forge ahead with its technological development. But to make the most of its progress—and the strides that have been made elsewhere—enhancing technological collaboration within, and among regions, remains a priority for Asia and the rest of the world.

Project Syndicate

Special Features

Which Developing Economies Will Rise After the Pandemic?

By Ruchir Sharma, Morgan Stanley Investment Management

After 2000, globalization and surging commodity prices astronomically boosted economic growth among nations with emerging economies. Over the next decade their share of the global economy nearly doubled, growing to 35%. By 2007, 107 of the 110 developing economies featured in the Penn World Table were catching up to the United States in average income, helping millions to escape poverty. The celebratory mood was captured in a popular phrase: "The rise of the rest."

Then came the crisis of 2008. Trade and capital flows plunged and commodity prices tanked, while slowing global population growth started to shrink work forces. Instead of rising again, developing economies saw their share of the global economy stagnate in the 2010s. Half the countries in the Penn World Table fell behind the United States in average income. Recently hyped stars like Brazil and Russia are growing slower than the U.S. economy is. With the exception of China, "the rest" have fallen off the radar of the global media and financial markets.

This would be more disheartening if it weren't normal. In most decades after World War II, developed and emerging economies grew at a similar pace. Since nations with emerging economies tended to have populations that were growing faster, their per capita income was in fact often falling behind. These nations might leap forward for a decade or two, and possibly rise up an income class, only to stumble into crisis and find themselves back where they started.

Of 195 economies tracked by the International Monetary Fund, only 39 are "advanced," and most of those were already advanced by 1945. The few that rose out of poverty and into the developed class are celebrated as "miracles," such as Japan, South Korea and Taiwan. Their secret: export manufacturing, which by bringing in revenue from all over the world can sustain growth rates that would be impossible in a domestic market alone.

Today, however, manufacturing and exports are shrinking as forces in the global economy, so it can be hard to imagine what would power the next growth miracles. This explains the silence that engulfs emerging economies.

But in economies, as in nature, nothing is created, nothing is destroyed — everything is transformed. And the transformations of the pandemic are already providing energizing possibilities for at least a few emerging economies. Those transformations include an accelerating digital revolution, economic reform and a revival of commodity prices.

The pandemic is accelerating the adoption of digital technology, which has a particularly strong effect on immature economies. Digital technology is unlikely to generate double-digit growth because its impact is largely limited to domestic economies, with no added boost from exports. But it can simultaneously and sustainably transform domestic emerging economies.

Countries with developing economies are less attached to a "legacy infrastructure" of brick stores and land lines, so they are adopting wireless tech faster than countries with developed economies. Despite trouble in its old state-run industries, China is still growing significantly faster than the United States, catching up in average income, thanks to the rapid emergence of its cashless "new economy."

New internet companies are rising quickly outside China as well, from Russia and Poland to Argentina and Kenya. With deep knowledge of local tastes and languages, they are expanding access to a wide variety of services such as banking and back-office operations, making it easy for start-ups to get going. On average, digital revenue is rising, and the cost of starting a business is falling, faster in countries with emerging economies than in countries with developed ones.

From the steam engine to cars, the economic effect of tech revolutions has tended to gain momentum over time and peak decades after the original invention. The digital revolution is young; its biggest influence on the growth of emerging economies is most likely still to come.

Another major development is economic reform. One of the biggest drags on the long-term prospects of these nations is that they tend to get stuck in a cycle of success and failure, reforming only when forced to in a crisis, frittering away the gains during the ensuing boom, then falling back into crisis. A crisis as big as the pandemic could be relied on to force major

Special Features

reforms — and it has.

The United States and other nations with developed economies are ramping up spending to ease the financial pain of the pandemic, but there will be negative consequences for growth in the future. Lacking the means to spend, poorer countries are pushing reform that, while often unpopular, should boost productivity and promote growth. India is relaxing labor laws and rules that have protected farmers from market forces for decades. Indonesia is cutting taxes and red tape to generate investment and jobs. Brazil is pushing ahead with plans to downsize its unaffordably generous pension system. Saudi Arabia is overhauling its immigration rules to open labor market competition. Similar campaigns are underway in Egypt, the United Arab Emirates and other nations.

Unfortunately, many emerging economies depend on exports of oil, metals, farm products and other commodities, so their prospects shift with the prices of those commodities. Long booms and busts have left commodity prices essentially flat in inflation-adjusted terms since records began in 1850. That explains why so many economies are stuck in the developing stage. The per capita income of Brazil, a major commodity exporter, is no higher today, relative to the United States, than it was in 1850. Most leading oil exporters are no richer today, relative to Western nations, than in the year they discovered oil.

Still, in decades when commodity prices rise, the number of developing economies catching up to their developed counterparts spikes. Now, after a down decade, which forced producers to cut back on excess supply, market forces point to a revival for commodity prices in the 2020s. That in turn should lift the fortunes of emerging markets like Brazil, Russia and Saudi Arabia, at least until the commodity cycle turns again.

It's also worth noting that although the path to prosperity through manufacturing is narrowing, it hasn't closed. In the past, manufacturing accounted for more than 15% of G.D.P. in export powerhouses. Today the economies in this class include Vietnam, Bangladesh, Poland and the Czech Republic. They are among the big winners as companies seeking lower wages and shorter supply lines move factories out of China.

The transformative effect of manufacturing is visible in a country like Poland, where multinational corporations are now making cars, light fixtures and other goods. Before the pandemic, a quarter century of unbroken growth had increased Polish incomes nearly tenfold to almost $16,000 — on the cusp of the advanced economic class. A similar transformation is underway in Vietnam, which is investing not only in new factories, roads and ports, but also in programs to eliminate poverty.

If only a few nations stand to gain from export manufacturing, many more have a chance to thrive on the back of economic reform, a possible revival in commodity prices or the accelerating digital revolution. These growth engines won't bring back the "rise of the rest," which lifted virtually every developing economy in the 2000s. But they will be enough to power a few growth stars. In the 2020s, some of the rest will likely rise again.

New York Times

Among Member Banks

Bank of Bhutan introduces American Express to Bhutan

Bank of Bhutan Limited (BoBL), announced its partnership with American Express on December 18. The partnership will allow local merchants to accept American Express (Amex) cards across the country as well as enable Amex cardmembers to access the bank's ATM network for cash withdrawals.

BoBL's chief executive officer, Dorji Kadin, said that the partnership would not only provide a fast, secure and convenient payment solution to the Amex cardholders, but also bring lock merchants closer to high spending customers.

"We are very happy to announce our partnership with American Express in Bhutan. Our partnership with American Express is based on our mutual belief and commitment in bringing unparalleled value to our merchant partners."

Vice president and business head of Global Network Services, South Asia, American Express, Divya Jain, said, "Our partnership with Bank of Bhutan, will expand American Express merchant acceptance in the country and give local merchants access to high spending travellers from our global cardmember base allowing them to experience the powerful backing of American Express".

BoBL is the exclusive network partner of American Express Cards in the country. The oldest bank in the country, BoBL serves over 385,000 customers, with a network of 54 branches and 114 ATMs. The bank also provides mobile banking, agency banking and QR payment facilities to its customers.

Kuensel Online

Among Member Banks

SBI raises $600 million from overseas bonds

State Bank of India (SBI), India's largest bank, on January 7 raised $600 million through bonds issued to international investors at a coupon of 1.8%, which is the lowest pricing for such an issue.

The bank said that on the back of strong demand, the price guidance was revised from T+175 basis points to T+140 basis points. The issuance of bonds will happen through SBI's London branch. The bonds will also be listed on Singapore Exchange and India International exchange at Gujarat International Finance Tec City (GIFT).

"SBI has concluded the issue of $600 Mio Senior Unsecured Fixed Rate notes having maturity of 5.5 years and coupon of 1.8% payable semi-annually under regulation S," SBI said in a stock exchange filing. Regulation S provides an SEC (Securities Exchange Commission) compliant way for non-US companies to raise capital.

The issue was oversubscribed by 2.1 times as per lender. The bond issue was priced at 140 basis points (bps) over the US treasury. The lender also claimed that it was lowest pricing for any such issue. The notes are expected to carry a final rating of Baa3, BBB- and BBB- from Moody's, Standard & Poor's and Fitch respectively, SBI said.

The bond issuance was a part of SBI's $10 billion medium term note programme. As the rationale for voluntarily withdrawing the ratings on the $10 billion foreign currency bonds of SBI, Moody's said it has decided to withdraw the ratings for its 'own business reasons'. The rating agency, however, clarified all other ratings of the bank and its branches are unaffected by its action. BofA Securities, Citigroup, HSBC, JPMorgan, MUFG, SBICAP and Standard Chartered Bank were the Joint bookrunners for SBI's bond offering.

The bank said strong demand helped it tighten pricing by 35 bps from initial guidance of T+175 bps to T+140 bps, arriving at a coupon of 1.80 per cent per annum, which it said is the lowest coupon achieved by a domestic issuer for a 5.5-year issuance to date.

The Indian Express

MUFG's next banking unit chief, targets Asia for growth

Mitsubishi UFJ Financial Group Inc.'s next banking unit chief has vowed to target business in Asia, while signaling the potential for cutbacks in developed markets as plunging interest rates dent profitability.

"In Asia, we will pursue growth," Junichi Hanzawa, 55, told reporters on December 24 after being appointed president of MUFG Bank Ltd. "In Europe and the U.S., where interest rates are very low, we need to get leaner." Hanzawa will replace Kanetsugu Mike, 64, on April 1, the company said in a statement.

Japan's biggest bank has been aggressively expanding in Asia, where it has spent about $15 billion buying stakes in lenders in Indonesia, Thailand, Vietnam and the Philippines. While MUFG will continue to seek growth in the region, Hanzawa stressed that it's done with acquiring lenders there, reiterating recent remarks by Chief Executive Officer Hironori Kamezawa.

As well as shrinking rates at home and abroad, Hanzawa inherits the task of digitizing operations and curtailing bad-loan costs after the pandemic. The banking group is crafting a long-term strategy to be announced early in the fiscal year starting April.

MUFG has been suffering from low profitability at its domestic retail business, where keeping a costly branch network is becoming more difficult to justify. Under Kamezawa, 59, the lender is now on a drive to expand digital services and reach younger customers who are more inclined to do banking on their phones.

"In an ultralow interest rate environment, our revenues are constantly declining and our cost structure is not matching that environment," said Hanzawa, who is currently chief compliance officer.

An immediate challenge is dealing with the fallout from the coronavirus-hit economy. In November, MUFG raised its annual estimate for bad loan costs to ¥500 billion, citing the need to make more provisions for possible defaults. Massive government and central bank stimulus have helped to prop up businesses so far, but it remains uncertain how long the aid can sustain weak companies.

Bloomberg

ASIAN BANKERS ASSOCIATION

Among Member Banks

Mizuho to Hire Moelis Technology Banker Zach Righellis

Mizuho Financial Group Inc. has hired Zach Righellis from Moelis & Co. to cover hardware and semiconductor investment banking in San Francisco, according to people familiar with the matter.

Righellis will start the role in February, the people said, asking not to be identified because the matter is private.

In addition to chip companies, he will advise clients in automotive technology, communications hardware and Internet of Things, which refers to connected devices, they added.

Representatives for Moelis and Mizuho declined to comment.

Righellis was a managing director at Moelis for about five years, according to his LinkedIn profile. At Moelis, he helped advise on transactions including Luminar Technologies Inc.'s merger with Gores Metropoulos Inc. and KKR & Co Inc.'s sale of Kokusai Electric Corp. to Applied Materials Inc., the people added.

Righellis joins as Mizuho has been looking to its bolster U.S. investment banking franchise through hiring. Earlier this week, it hired Jay Broaddus from Royal Bank of Canada as a consumer and retail head.

Mizuho appointed Michal Katz from RBC to lead the U.S. division about a year ago.

Bloomberg

Hana Bank pushes for English-language documentation

Hana Bank will introduce documents written in both English and Korean in the latter half of 2021, as part of a group-wide globalization vision, the lender said on January 15.

Under the plan, the bank will translate most Korean-language documents into English. Hana Financial Group's other subsidiaries will follow suit afterwards, according to the group.

"Nothing specific is confirmed over when the process will be finished, but Hana Bank will start carrying out the drive sometime in the latter half of the year," an official from the bank said.

This comes as Hana Financial Group Chairman Kim Jung-tai has underlined the importance of the lender's aggressive globalization drive. In a New Year speech, he urged employees to pay more attention to expanding the group's global business with a focus on the Asian market.

Currently, the group's overseas business accounts for around 20% of the total. Kim pledged to establish a stable business portfolio by increasing its global profile steadily.

Earlier, the Hana chief introduced an English-language nickname campaign among the firm's employees for the first time. The step was aimed at expanding horizontal corporate culture, thereby seeking new changes and innovation, according to the group.

Korea Times

Maybank temporarily closes 69 branches due to MCO

A total of 69 Malayan Banking Bhd (Maybank) branches across Malaysia will not be operational temporarily from January 14, due to the re-enforcement of various levels of the nation's movement control order (MCO) to curb the spread of the Covid-19 pandemic.

Maybank said via Twitter that the temporary closure of the branches is to ensure the safety of its customers and employees.

According to the list, the 69 branches comprise 20 each in Kuala Lumpur and Selangor, 10 in Johor, nine in Penang, five in Sabah, three in Negeri Sembilan and two in Melaka.

The Malaysian government, on January 11, reinstated the MCO in Penang, Selangor, Melaka, Johor and Sabah as well as the federal territories of Kuala Lumpur, Putrajaya and Labuan for a two-week period until January 26.

In a national address, Prime Minister Tan Sri Muhyiddin Yassin said these states and federal territories were considered high-risk areas following a risk assessment as well as the evaluation of health services by the Ministry of Health (MoH).

The Edge Markets

Among Member Banks

BML Islamic launches Education Financing for higher studies

Bank of Maldives (BML)'s Islamic branch announced an Islamic Shariah compliant facility, offering financial assistance for Maldivians pursuing higher education.

Based on the Islamic banking and finance product 'Ijarah', BML Islamic's 'Education Financing' allows customers to obtain up to 75% of the cost of education, for certificate level courses up to doctorates in any country.

The facility's coverage includes tuition fees, living and other expenses, at a rate of 11%, to be repaid within maximum 10 years. BML's Education Financing is available with an equity contribution of 25% and a security of 150% of the financing amount, while the repayment period will begin once the customer completes their studies.

“Our Education Financing facility is an opportunity for many potential students who are seeking Islamic financing facilities to fulfill their higher education dreams and achieve personal goals", said BML’s Islamic Banking Director Suri Hanim Mohamed.

"BML Islamic products are Shari’ah compliant and have been developed according to international best standards of Islamic banking and finance.”

Customers can submit their applications for Education Financing at BML Islamic’s branch in capital Male', and at all BML branches in the atolls.

The Edition

PNB moves to foster use of digital banking

Philippine National Bank (PNB) announced it is extending the waiver of electronic fund transfer fees in its digital platforms until the first quarter of 2021.

In a statement on December 29, the bank said that it will not be charging fees to money transfers via InstaPay and PesoNet until March 31, 2021, to promote the use of digital banking channels.

PNB President Jose Arnulfo A. Veloso said the bank is supporting the call of the Bangko Sentral ng Pilipinas, the Philippines’ central bank, to accelerate the shift to digital platforms in accomplishing banking transactions.

While its physical branches are open, the bank said that transacting online is the safer option to minimize exposure to the virus. This has been a trend, PNB said, citing the recent uptick in digital enrollment among customers. “Customers have become more comfortable in using these digital applications through their computers and smartphones,” Veloso said.

In a news briefing last October, the bank said it was studying moves to hike its budget for information technology (IT) projects in the next two years. PNB Chief Financial Officer Nelson C. Reyes said that the bank was still deciding how much budget increase is needed for its IT allocation.

The listed bank allotted around P2.5 billion of capital expenditures for IT initiatives this year, which is 15-percent higher than 2019 budget.

The bank said it is allocating 30 percent of the IT budget for digital payments and e-wallet, among others.

The PNB has around 696,000 digital banking platform users as of September, which is over 30 percent more than last year.

Business Mirror

Among Member Banks

Risk-averse investors flocking to short-term instruments, says RCBC

Cash-rich domestic investors are flocking to short-term investment instruments to protect themselves against market volatility amid a prolonged coronavirus pandemic.

This is according to Rizal Commercial Banking Corp. (RCBC) trust and investments group head Robert Ramos, who reported that unit investment trust fund clients have mostly been subscribing to products with less volatility, such as money market funds and short-term funds. “It is very intuitive; investors don’t want to take added risks. Thus, they invest in the two,” Ramos said in a press statement on January 4.

He reported that the volume of RCBC’s money market products for both peso and dollar had risen to P9.4 billion in October from P6.2 billion in December 2019. In the same period, Rizal Peso Money Market Fund had grown to P5.1 billion from the previous P2 billion.

Likewise, Rizal Dollar Money Market Fund saw an increase in volume to P703.9 million from P321.5 million in the same period.

Ramos said that any reversal of interest rate trajectory would affect all fixed-income securities, taking into consideration factors such as inflation, low-interest rates environment, investment terms and hopes for economic recovery.

Likewise, short-term funds can be used to temporarily park funds to earn reasonable interest income as they can provide higher potential returns than traditional time deposits.

RCBC Rizal Peso Money Market is invested in short term fixed income securities such as government securities, and corporate bonds, providing potential higher returns than traditional deposit products. As of end-December, its year-on-year return stood at 3.78%.

Philippine Daily Inquirer

Doha Bank announces the launch of Doha Bank Easy Pay Wallet

Doha Bank, one of the largest private commercial banks in Qatar, has announced the launch of Doha Bank Easy Pay Wallet. Customers can enjoy quick, safe, and seamless payments by adding their Doha Bank Credit or Debit Cards to their Doha Easy Pay bringing a new dimension to their wallet.

Customers can download Doha Easy Pay App from the Apple Store or the Google Play Store which enables them to perform quick, safe, and seamless payments for their retail purchases by simply scanning the QR Code. In addition, Doha Easy Pay also enables the users to make fund transfers to beneficiaries instantly by linking their Doha Bank Debit Card to Doha Easy Pay wallet.

Dr. R. Seetharaman, Group CEO of Doha Bank, said: “We are excited to announce the launch of our latest innovation, Doha Easy Pay Wallet. Our commitment is to provide our clients with the latest technological advancements. We have an unrelenting commitment to always provide our customers with easy, safe and secure banking.” Mr. Braik Al-Marri, Chief Retail Banking Officer, commented; “We are proud to surpass expectations by providing unrivalled banking methods to our dear clients. We will continue to seek new ways satisfy our customer’s needs.”

Gulf Times

Singapore’s DBS Bank picks Taiwan for third technology development center

Singapore-based DBS Bank has chosen Taiwan as the site for its third technology development center after Singapore and India, reports said on January 12.

The company was planning to recruit at least 30 information technology experts before the second quarter of 2021, CNA reported. Taiwan would become the financial group’s third IT center after its home base of Singapore and the Indian city of Hyderabad.

As the pandemic has caused a surge in the use of digital financial services, local talent can join in to create new technologies to provide customers with even more advanced services, DBS Bank Taiwan CEO Lim Him Chuan said.

Other executives praised Taiwan for its handling of the pandemic and for the presence of a world-renowned high-tech manufacturing base.

The employees of the new center will be specialists in software development; in programming languages such as Java, C#, and Python; and in smartphone apps.

Taiwan News

Among Member Banks

HNB launches A Banker for every Sri Lankan

In a bid to celebrate the achievements of unique and exceptional local entrepreneurs, HNB PLC announced the launch of ‘A Banker for every Sri Lankan'.

Launched across all of HNB’s social media handles, the campaign will showcase the achievements and journey of exceptional entrepreneurs across its substantial SME client base.

"As a sector that produces for more than half of all GDP and accounts for 45% of all employment, SMEs are the lifeblood of this nation’s economy. Given that HNB holds one of the largest portfolio of SME clients and has the longest running engagement among private sector banks in this space, we felt it was our responsibility to provide as much assistance as possible.

“With this campaign, our intention is to create a virtual space to showcase the journey of some of Sri Lanka’s most successful enterprises, so that we can elevate their brand awareness and help these businesses to sustain their growth, while also holding them up as an inspiration to others with dreams of starting their own business. These are challenging times, but the SMEs that can find their feet in this moment could well be this nation’s next generation of blue-chip corporates. And we will be with you every step of the way,” HNB DGM Retail and SME Banking, Sanjay Wijemanne stated.

In 1989 HNB became the first private sector bank to establish dedicated products and services specifically catered to the SME sector under the banner of HNB ‘Gami Pubuduwa’.

While extending vital financial services to underserved communities across the island, the bank also sought to empower its SME clients with the knowledge and skills necessary to sustain their businesses over generations.

In addition to advisory services, the bank also offers further support for clients to capture business from local and export markets alike.

In the wake of the COVID pandemic, HNB launched a Rs. 5 billion relief fund to provide SMEs with working capital support. The fund complemented the Saubagya COVID-19 Refinance Loan set up by the government to assist enterprises.

Applicants who were unable to secure government-funded loans were offered the option of securing a working capital loan from the HNB COVID relief fund at a concessionary interest rate.

Recently, the bank also announced a landmark agreement with Proparco, the private sector funding arm of the French development bank, Agence Française de Développement (AFD), to secure US$ 60 million in funding for SMEs.

HNB Media Center

Among Member Banks

CTBC Financial beats its own record for accolades

CTBC Financial Holding Co not only remained stable during a trying year last year, but also outperformed itself, setting a new record by winning 230 major accolades, including 33 leading international and regional awards.

The firm's banking and insurance arms, CTBC Bank and Taiwan Life Insurance Co, performed particularly well, winning awards from various international institutions for being among the best 20 banks and insurers respectively in the Asia-Pacific region.

As Taiwan's largest bank, CTBC Bank is dedicated to the digitization of financial services, which has proved particularly important during the COVID-19 pandemic.

By using innovative technologies to improve the application process, the bank last year processed more than 280,000 relief loans to help people affected by the pandemic. It topped all other local banks in terms of applications received and loans approved, which enabled CTBC Bank to earn six awards from the Financial Supervisory Commission for its efforts in distributing pandemic relief quickly.

The bank also improved its key digital financial services — including trust administration, wealth management, personal credit, payments, green finance and money laundering prevention — by using high-level digitalization, artificial intelligence, operational innovations and more.

These achievements earned CTBC Bank six awards at the 10th Taiwan Banking and Finance Best Practice Awards last month, including the Best Trust Finance Award.

Internationally, CTBC Bank was picked as the best bank in Taiwan by five foreign institutions last year: Euromoney, Asiamoney, FinanceAsia and The Asset magazines, as well as International Data Corp.

In its Leadership During COVID-19 Awards, The Asian Banker magazine named CTBC as not only the best-managed bank in Taiwan, but also tapped its chairman, Morris Li, as Taiwan's best chief executive officer, recognizing his success in utilizing the firm's strengths and digital prowess to enable nimble performance.

CTBC Financial has also been recognized for its continued efforts in environmental, social and corporate governance (ESG). It was not only listed on Morgan Stanley Capital International's ESG Leaders Indexes for six years running, but also the FTSE4Good Emerging Index for four years in a row.

In the Dow Jones Sustainability Indices released in November, CTBC Financial was again selected for inclusion in the World Index and the Emerging Markets Index.

Notably, CTBC Financial in June became the first financial institution in the world to receive the UN Industrial Development Organization's prestigious Award of Excellence in Energy Management.

Meanwhile, CTBC Financial president Daniel Wu has also received high praise from The Asset for his precise policies to stabilize business during the pandemic, earning him the title CEO of the Year in banking and finance for a second consecutive year.

Taipei Times

Among Member Banks

E. Sun, Huanan aim to have all branches bilingual by 2026

E. Sun Commercial Bank and Hua Nan Commercial Bank, two major Taiwanese banks, said that they will make all of their branches bilingual by 2026, with their employees proficient in English.

E. Sun Financial Holding Co., which wholly owns E. Sun Bank, said that all of its 139 branches in Taiwan will be English-proficient by 2026, while Hua Nan Financial Co., which owns Hua Nan Bank, said that by 2026, all of its 186 branches will also be bilingual.

The two banks are among local banks that are eyeing the goal of becoming bilingual, a push that has been ongoing since 2019 by the Financial Supervisory Commission (FSC), Taiwan's top financial regulator, to boost the banking sector's competitive edge.

The FSC's efforts fall under the Taiwan government's "2030 Bilingual Country" policy. The policy was initiated by Vice President Lai Ching-te in 2018 when he was serving as premier.

According to the FSC, 15 banks in Taiwan have made a total of 69 branches bilingual.

E. Sun Bank is one of the 15 banks to follow the government's initiatives. Magi Chen, president of E. Sun Financial, said the bank has 17 bilingual branches so far.

According to E. Sun Bank, the bank has 28 outlets in nine foreign markets, with 2,663 employees possessing foreign language proficiency certificates.

For its part, Hua Nan Bank has 11 bilingual branches in Taiwan, a number that is expected to rise to 100 in two years before achieving its goal of having 186 bilingual branches by 2026, Hua Nan Financial Chairman Chang Yun-peng said.

In addition to bilingual employees, Chang said, Hua Nan Bank has installed the first artificial intelligence (AI) smart clerk in Taiwan that speaks English to communicate with foreign clients. It can also provide services outside business hours.

Chang said Hua Nan Bank is forming a bilingual seed team, with the aim of dispatching suitable employees to central, southern and eastern Taiwan to train their colleagues there and help them become better-positioned in market competition.

CNA

Fubon net profit surges 55% on bullish stock market

Fubon Financial Holding Co on January 11 reported net profit of NT$90.85 billion (US$3.19 billion) for last year, up 55% from 2019 and hitting a new high, on the back of rising contributions from its subsidiaries amid a bullish stock market.

The nation’s second-largest financial conglomerate by asset said that Fubon Life Insurance Co, Fubon Insurance Co, Fubon Securities Co and Fubon Bank (China) Co Ltd all reported record profits for last year.

Fubon Life reported a record profit of NT$8.22 billion for December 2020, which boosted its full-year profit to NT$61.04 billion, up 130% from a year earlier, Fubon Financial said in a statement.

The high growth could be attributed to rising profits from the sale of high-margin insurance products and improving investment gains in the local stock market, it said.

Fubon Securities’ profit last month was NT$460 million, up 365% from a year earlier, due to growing fee incomes, while its full-year profit expanded 64% to NT$4.22 billion, Fubon Financial said.

Fubon Insurance posted an annual rise of 30 percent in profit to NT$5.7 billion for last year, due to its steadily growing insurance business and investment gains, while Fubon Bank (China) registered an annual gain of 32% in profit to NT$1.88 billion on the back of rising net interest income, it said.

However, Taipei Fubon Commercial Bank reported that profit last year dropped 6.6% annually to NT$18.78 billion, due to interest rate cuts and higher provisions for bad loans.

Overall, Fubon Financial reported earnings per share of NT$8.59 for the whole of last year, setting a record and topping its 14 local peers, company data showed.

Taipei Times

Banking and Finance Newsbriefs

Hong Kong

Hong Kong online banks to spread wings, offering business loans and wealth management

Hong Kong's new online-only banks plan to venture into business lending and wealth management, seeking more lucrative avenues beyond basic savings accounts and transfer services, senior executives said.

Eight such banks started in 2020 and as of November had taken more than $1 billion in deposits and attracted nearly 300,000 customers.

ZA Bank, operated by a unit of ZhongAn Online P&C Insurance Co Ltd, has set itself the goal of breaking even in five years. It aims to branch out beyond personal loans to lend to small and medium-sized firms next year as larger loans are more profitable, and will also offer insurance and investment services to retail customers.

Mox Bank, whose backers include Standard Chartered and local telecoms firm PCCW, says it plans to add credit card, personal loans and wealth management services by mid-2022.

The new banks are betting they can win over customers with more attractive interest rates on savings and loans - which they are able to offer in the absence of costly branch networks - as well as with more user-friendly customer apps and other advantages developed by their backers.

Livi Bank, which plans to offer personal lending and wealth management services next year, is one such example. Its mobile app has been partly developed by shareholder JD Digits, the fintech unit of China's JD.Com, said CEO David Sun.

The bank has also become a partner in a loyalty programme that will offer its customers cashbacks and points and which is operated by retail and restaurant chain Dairy Farm, a unit of Jardine Matheson Group, another Livi shareholder.

Traditional banks have responded by slashing fees and investing heavily in upgrading and launching new digital platforms. HSBC has said it will spend $5.8 billion on technology globally this year, while this month Citi launched new digital-only banking services in Hong Kong.

Reuters

India

RBI report: Loan losses at banks could double by Sept 2021

Loan losses in the banking sector, as measured by the gross non-performing asset (GNPA) ratio, could nearly double to 13.5% by September 2021 in a baseline scenario, and to as high as 14.8% in a severe-stress scenario resulting from the pandemic, the Reserve Bank of India (RBI) said on January 11. The GNPA ratio stood at 7.5% in September 2020.

Were the scenario of severe stress to materialise, the bad loan ratio of the banking system could be the highest since March 1997, when it stood at 15.7%, according to historical data from the RBI.

"Domestically, corporate funding has been cushioned by policy measures and the loan moratorium announced in the face of the pandemic, but stresses would be visible with a lag," the central bank observed in the December 2020 edition of its financial stability report (FSR).

The GNPA projections are indicative of the possible economic impairment latent in banks' portfolios, with implications for capital planning.

RBI governor Shaktikanta Das observed India's banking system faced the pandemic with relatively sound capital and liquidity buffers built assiduously in the aftermath of the global financial crisis and buttressed by regulatory and prudential measures.

In addition, banks will be called to meet the funding requirements of the economy as it traces a revival from the pandemic," Das said. Consequently, maintaining the health of the banking sector remains a policy priority and preservation of the stability of the financial system is an overarching goal.

With stress tests pointing to a deterioration in asset quality of banks, early identification of impairment and aggressive capitalisation is imperative for supporting credit growth across various sectors alongside pre-emptive strategies for dealing with potential NPAs, the report highlighted.

Financial Express

Banking and Finance Newsbriefs

Japan

Japan prepares for digital currency, in line with China and others

Japan is gearing up its preparation for the issuance of digital currency in both the public and private sectors following swift moves by China and other countries to do the same.

Virtual money issued by central banks around the world is called “central bank digital currency” or CBDC, and is used for cashless payments via smartphones or electronic cards. Some private companies, including one established by Facebook Inc., also plan to introduce their own digital currencies.

Digital currencies differ from credit cards and cashless payment services as they are expected to provide retailers commission-free payment systems. Users are able to not only settle payments at stores but also quickly send money to others via smartphone apps.

The People’s Bank of China is one of the leading issuers of CBDC. It has accelerated its efforts to create the digital yuan this year, rolling out pilot programs that provided 200 digital yuan (about ¥3,200) to each of 150,000 citizens selected by lottery in Shenzhen in October and Suzhou earlier this month.

Major central banks including the BOJ, the U.S. Federal Reserve and the European Central Bank as well as the Bank for International Settlements released a joint report in October, saying the group of central banks will collaboratively explore potential promotion of innovative payments.

The BOJ has said it will launch a feasibility study on its digital currency in fiscal 2021 starting in April. “The bank considers it important to prepare thoroughly to respond to changes in circumstances in an appropriate manner,” it said in a separate report.

“Demand (for a CBDC) could be suddenly strong. We aim to be well-prepared to respond to changes in our environment,” BOJ Gov. Haruhiko Kuroda told business leaders in Osaka in September when asked about digitalization for Japan’s payment systems.

Kyodo

Korea

Foreign residents left out of digital-oriented banking service

Foreign residents are being left out of enhanced digital services, indicating Korea's much-touted digitization drive has yet to fully include a demographic which has been increasing in size and relevance in the country over the past few years.

"I'm having a hard time understanding why expats should go to a bank in person to open an account, when Koreans can do it through the simple click of a button on a mobile app," said a woman from overseas in her 20s who declined to be identified. She teaches English at a private cram school.

This is an experience shared by many foreign nationals living in Korea. It occurs due to the lack of a real-time identification verification system, an integrated system among government ministries and agencies put in place for Koreans to help speed up administrative processes that involve financial transactions or the handling of personal data.

The Financial Services Commission (FSC) revised a related rule in late 2019 to allow foreigners to open a bank account online using an alien registration card, the Korean equivalent of a resident registration card.

But full implementation of the rule is unlikely to occur any time soon because necessary follow-up measures are not being carried out. Related ministries have yet to reach an agreement on the details of how to verify the identity of foreign residents online.

"Koreans can have their identity verified by a real-time verification service managed by the Ministry of Interior and Safety among others, but that process does not extend to foreign nationals," an official from a local bank said. "Unless the process is updated to include foreign customers — such as allowing a passport as a valid form of identification — in-person visits will be needed for them to open a bank account," he said.

Korea Times

Banking and Finance Newsbriefs

Malaysia

Banks Continue to Offer Repayment Aid

Malaysian banks will continue to extend repayment assistance, including an extension of existing moratorium to individuals affected by the current movement control order (MCO).

In a joint statement, the Association of Banks in Malaysia (ABM) and Association of Islamic Banking and Financial Institutions Malaysia (AIBM) said the banking industry stands ready to assist borrowers in light of the new MCO and will also extend repayment assistance to victims of the recent floods in recent states.

The extension will apply to all Targeted Repayment Assistance schemes announced previously. In particular, borrowers/customers who lost their jobs in 2020 or 2021 can apply for payment relief for a period of three months any time on or before June 30,2021.

Individuals who are still in employment but have experienced a reduction in income due to the pandemic may apply to lower their instalment amount in line with their income reduction.

Specifically for those in the M40 group who are recipients of the Bantuan Prihatin National, banks have agreed to allow for self-declarations.

Individuals in the B40 category who are registered in the Bantuan Sara Hidup or Bantuan Prihatin Rakyat database may request for either a three-month deferment of instalment, or to reduce their instalments by 50% for six months.

Microenterprises with loans/financing where the original facility amount is up to RM150,000 may request for either a three-month deferment of instalment, or to reduce their instalments by 50% for six months.

The repayment assistance for B40, M40 and microenterprises are applicable for loans/financing approved before Oct 1,2020, and are not in arrears for more than 90 days on the date the request for repayment assistance is submitted to the bank.

"All other borrowers/customers facing difficulties in making loan/financing repayments are also welcome to contact their banks to discuss suitable repayment assistance packages that meet their specific circumstances," said the associations.

The Star

Philippines

Philippine central bank governor sees solid 2021 growth, policy support sufficient

The worst is over for the pandemic-hit Philippine economy, and a 'remarkable rebound' is expected this year, the central bank chief said on January 12, adding that the current accommodative monetary stance is sufficient for a revival in growth.

"The worst is behind us. The recovery phase has begun," Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno told the Reuters Next conference, citing 'green shoots' such as improvements in remittances and foreign direct investments.

Speaking ahead of the release of the 2020 GDP data on Jan. 28, Diokno said he also expected 'solid' growth in the December quarter and 'double-digit' growth in the second quarter of this year.

Gross domestic product growth is forecast between 6.5%-7.5% this year, after last year's projected contraction of 8.5%-9.5%, he said.

The consumption-driven Philippine economy was one of Asia's fastest growing until the pandemic prompted President Rodrigo Duterte to impose one of the world's strictest and longest lockdowns, triggering a dramatic slowdown in domestic spending.

Remittances by Filipinos abroad, a life blood of the economy, dropped 0.9% in the first 10 months of 2020 from a year earlier.

To revive growth, the BSP delivered five interest rate cuts totalling 200 basis points last year, with the benchmark overnight reverse repurchase facility rate at a record low of 2%, making it among the world's most aggressive in policy easing.

It also cut banks' reserve requirement ratio by 200 basis points and provided extra liquidity support by purchasing government securities and extending loans to the government.

In sum, the BSP has injected about 2 trillion pesos ($41.6 billion) into the financial system, equivalent to 10% of the country's GDP.

Diokno said inflation, which averaged 2.6% in 2020, will remain within the 2%-4% target range this year and in 2022, providing space for the BSP to further support growth, if necessary.

Reuters

Banking and Finance Newsbriefs

Russia

Digital ruble could be still vulnerable to fraud, Russian banks warn

Russia's central bank digital currency, or CBDC, could contain a number of risks related to cybersecurity and fraud, according to several local financial institutions.

The Association of Russian Banks (ARB) has released its official feedback on Russia's digital ruble project on Jan. 13.

The study included 17 ABR credit institutions in Russia accounting for 58% of the total assets of the domestic banking system. According to the report, the majority of ARB members believe that risks associated with the digital ruble are similar to those of cashless transactions powered by banking accounts and cards, as well as cryptocurrencies.

The ARB specifically outlined the risks related to cybersecurity, warning that online settlements are often vulnerable to attacks like unauthorized access to customer accounts as well as client data and operations. There are risks of identity theft or digital ruble theft through hacking a personal account or identification errors, the association noted.

According to the ARB, these cybersecurity risks are associated with all models of a digital ruble proposed by the Bank of Russia so far.

The association also pinpointed some risks related to the offline implementation of a digital ruble, including risks associated with the inability of regulators to trace fraudulent transactions. "Offline payments significantly reduce the possibility of detecting and preventing fraudulent payments, and this digital ruble model would be especially dangerous," the ABR wrote.

Cointelegraph

Singapore

Singapore sets out new banking rules to mitigate cyber risks

The Monetary Authority of Singapore (MAS) has announced new rules that seek to better mitigate risks to banks from cyberattacks.

On January 18, Singapore's financial regulator released the new Technology Risk Management Guidelines, which will apply to all banking, insurance, brokerage and payment services firms.

The new guidelines stipulate that banks and other financial institutions must secure the development of so-called application programming interface (API) codes (which allow applications to communicate with each other) and encrypt sensitive data transmitted to prevent leaks or hackers injecting malicious codes in the APIs.

In a statement MAS explained that a spate recent of cyber-attacks on supply chains, which targeted multiple IT service providers through the exploitation of widely-used network management software, is a clear indication of a worsening cyber threat environment.

The revised Guidelines set out to establish a robust process for the timely analysis and sharing of cyber threat intelligence within the financial ecosystem, and conduct cyber exercises to allow firms to "stress test" their cyber defences by simulating the attack tactics, techniques, and procedures used by real-world attackers.

According to Tan Yeow Seng, MAS chief cyber security officer, said, "Technology now underpins most aspects of financial services. Not only are financial institutions adopting new technologies, they are also increasingly reliant on third party service providers."

"The revised Guidelines set out MAS' higher expectations in the areas of technology risk governance and security controls in financial institutions," he added.

Banking and Finance Newsbriefs

Sri Lanka

Sri Lanka to encourage bank mergers, expand to region: CB Governor

Sri Lanka will help smaller banks to merge with stronger ones and large commercial banks will also be encouraged to go abroad, Central Bank Governor W D Lakshman said.

Delivering a policy roadmap for 2021, Governor Lakshman said that “large commercial banks will be encouraged to continue looking into avenues of expanding into regional markets.”

“Further, the Central Bank will continue to facilitate a market-driven consolidation process, enabling small and medium sized banks to merge with other banks, preferably with larger banks having sound financial positions and viable business models.”

Governor Lakshman also said a new Banking Act is in the works and supervision of banks would be strengthened, while helping with regulatory easing as far as possible considering the Coronavirus shock.

“The Central Bank is currently in the process of developing the Group-wide Consolidated Supervision (GCS) framework to be adopted under risk-based supervision of financial groups,” Governor Lakshman said.

“In 2020, the Central Bank commenced the implementation of GCS framework by carrying out limited GCS, based on the observations of relevant supervisory authorities. In addition, in 2021, the Central Bank will consider providing other regulatory relaxations to banks, where possible, considering the extraordinary circumstances that prevailed in 2020.”

Economy Next

Taiwan

Sustainable finance has industry backing: survey

Ninety-five percent of Taiwan’s financial firms think that sustainable finance would benefit businesses and enhance the stability of the nation’s financial systems, the results of a survey conducted by HSBC Bank (Taiwan) Ltd and the Taiwan Business Council for Sustainable Development showed on January 5.

The survey of 151 local financial firms in the banking, insurance, and securities and investment sectors was conducted in October and November last year.

Ninety percent of respondents have incorporated environmental, social and governance (ESG) factors into their decision-making process, it found.

Of those, 48% have established formal policies to require employees to take ESG factors into consideration when making investment decisions, while 24% consider ESG issues in some cases and 18 percent have no such policy.

Fifty-five percent of securities and investment consulting companies have established formal policies, which ranked first in the three financial sectors, followed by 50% of banks and 30% of insurers, the survey showed.

However, among the financial firms that have incorporated ESG factors into their investment decision-making process, only 33.3% think they are skilled in analyzing ESG factors, while other firms said it is difficult or costly to gain enough information on ESG, the survey found.

A lack of quantitative information on ESG, difficulty in verifying the information and disclosure of superfluous information were the main challenges for the respondents, the survey said.

Eighty-six percent of respondents believe that government policies and regulations were the major drivers for financial firms to implement sustainable finance.

However, implementation would not accelerate unless senior management supports the policies and a company has enough professionals, the poll said.

According to the survey, 48.9% of respondents have established goals to boost their sustainable finance business, with some focusing on responsible investment and others concentrating on developing ESG-related products, such as ESG bonds or funds.

Ninety-five percent of securities and investment consulting companies expect sustainable investment to increase, compared with 93.9% of banks and 92.3% of insurers, the poll found.

Overall, more than 60% of respondents thought that boosting sustainable finance would help improve their financial performance, the survey showed.

Taipei Times

Banking and Finance Newsbriefs

Thailand

Thai Central Bank to Relax Forex Rules Further to Curb Baht Rise

Thailand's central bank said on January 5 it plans to further relax rules on foreign exchange after easing regulations for non-resident firms, facilitating outflows of funds to contain the strong baht amid a fresh wave of coronavirus infections.

The Bank of Thailand (BOT) will review and gradually announce changes to regulations, including for property purchases overseas, director Pawinee Jitmongkolsa-mer said.

The BOT has eased rules steadily to curb the baht, which has gained nearly 11% versus the dollar since April, last announcing a series of measures in November.

Earlier on the same day, the BOT said it had allowed non-resident companies greater flexibility to conduct baht transactions with domestic financial institutions under the non-resident qualified company scheme.

Participating non-financial firms which trade and directly invest in Thailand are allowed to manage currency risks related to the baht without having to provide proof of underlying for each transaction, the BOT said in a statement.

They can also manage baht liquidity without being subject to the end-of-day outstanding limit of US$6.68 million imposed on non-resident baht accounts, it said.

"The measures are aimed at maintaining baht stability in the longer term," senior BOT director Chayawadee Chai-Anant said, adding that the Thai currency's had been largely driven by external factors.

Reuters

Vietnam

Vietnam Banks to Continue Making Profits in 2021: Experts

A pandemic induced slowdown in credit growth has not hurt commercial banks in 2020, and this will continue in 2021, too, experts say.

Several banks have already achieved their pre-tax profit for the whole year by November, with Asia Commercial Bank (ACB) exceeding its target by 14 percent and An Binh Commercial Join Stock Bank (ABBank) by 1%.

Some lenders like Vietnam International Commercial Joint Stock Bank (VIB) and Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank) had already completed their target by October.

In the first nine months, the combined post-tax profit of 26 banks rose 11.5% year-on-year, with 16 of them posting growth.

Le Dat Chi, deputy head of the School of Finance, University of Economics, Ho Chi Minh City, said that although the central bank has ordered lenders to lower interests and delay loan dues for borrowers affected by the pandemic, the number of businesses eligible for this policy is small and therefore banks' revenues and profits have remained mostly unaffected.

He also said businesses that have survived the pandemic have now returned to the regular cycle of borrowing and repaying as the economy recovers.

Chi said with the government targeting a 6 percent GDP growth next year it will likely increase public spending on key urban areas, which will also create opportunities for banks to lend more.

VN Express

Publications

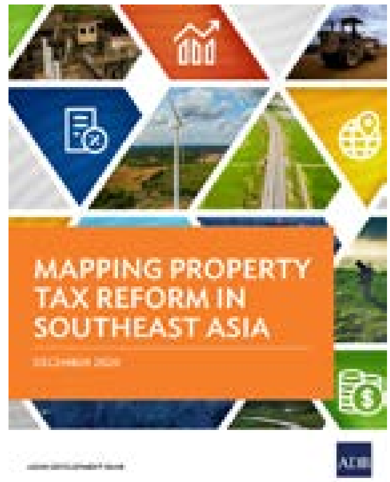
Mapping Property Tax Reform in Southeast Asia

This report prepared by the Asian Development Bank (ADB) presents an analysis and recommendations to improve the efficiency of tax systems in developing Asia in mobilizing domestic resources to achieve the Sustainable Development Goals by 2030.

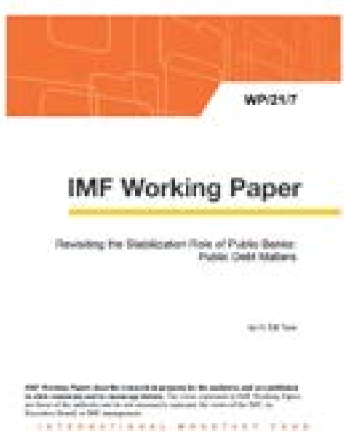
Key elements are identified for broader policy discussions on opportunities for reform and improvement based on current policies and implementation guidelines in Cambodia, Philippines, Thailand, and Viet Nam. The analysis focuses on the design of tax that is geared toward increasing domestic resource mobilization and ensuring the effectiveness of its administration. The publication can serve as a basis for comparing, evaluating, and improving the performance of property taxation in developing countries.

Contact Details: ADB Publishing

Website: https://www.adb.org/publications/mapping-property-tax-reform-southeast-asia



Revisiting the Stabilization Role of Public Banks: Public Debt Matters



This paper prepared for the International Monetary Fund (IMF) revisits the stabilization role of public banks and analyzes whether weak public finances may hinder this role. During the global financial crisis (GFC), public banks were widely used to counter the private credit crunch and prop up the economy. Using cross-country bank-level data for 125 advanced and developing economies for 1999–2018, the paper finds public bank lending to be less procyclical than private bank lending on average, particularly during busts. A key result, however, is that in developing economies with high public debt levels, public bank lending has been more procyclical, particularly outside of the GFC period. This finding suggests high public debt can limit the stabilization role of public banks during domestic busts, likely reflecting higher financing costs public banks face and lower subsidies they receive in economies with tighter budget constraints.

Contact Details: International Monetary Fund

Website: https://www.imf.org/en/Publications/WP/Issues/2021/01/15/Revisiting-the-Stabilization-Role-of-Public-Banks-Public-Debt-Matters-50001

Publications

Financial Globalization and Inequality: Capital Flows as a Two-Edged Sword

This working paper prepared for the International Monetary fund (IMF) reviews the debate on the association of financial globalization with inequality. The paper authors show that the within-country distributional impact of capital account liberalization is context specific and that different types of flows have different distributional effects. Their overall impact depends on the composition of capital flows, their interaction, and on broader economic and institutional conditions. A comprehensive set of policies – macroeconomic, financial and labor- and product-market specific – is important for facilitating wider sharing of the benefits of financial globalization.

Contact Details: International Monetary Fund

Website: https://www.imf.org/en/Publications/WP/Issues/2021/01/08/Financial-Globalization-and-Inequality-Capital-Flows-as-a-Two-Edged-Sword-49977

About ABA

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

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

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